Financial Results for the Second Quarter

Fiscal Year 2021

April 1, 2021 - March 31, 2022

(Presentation Materials with Script)

【Event Summary】

Date　　: December 1, 2021　15：00～16：00

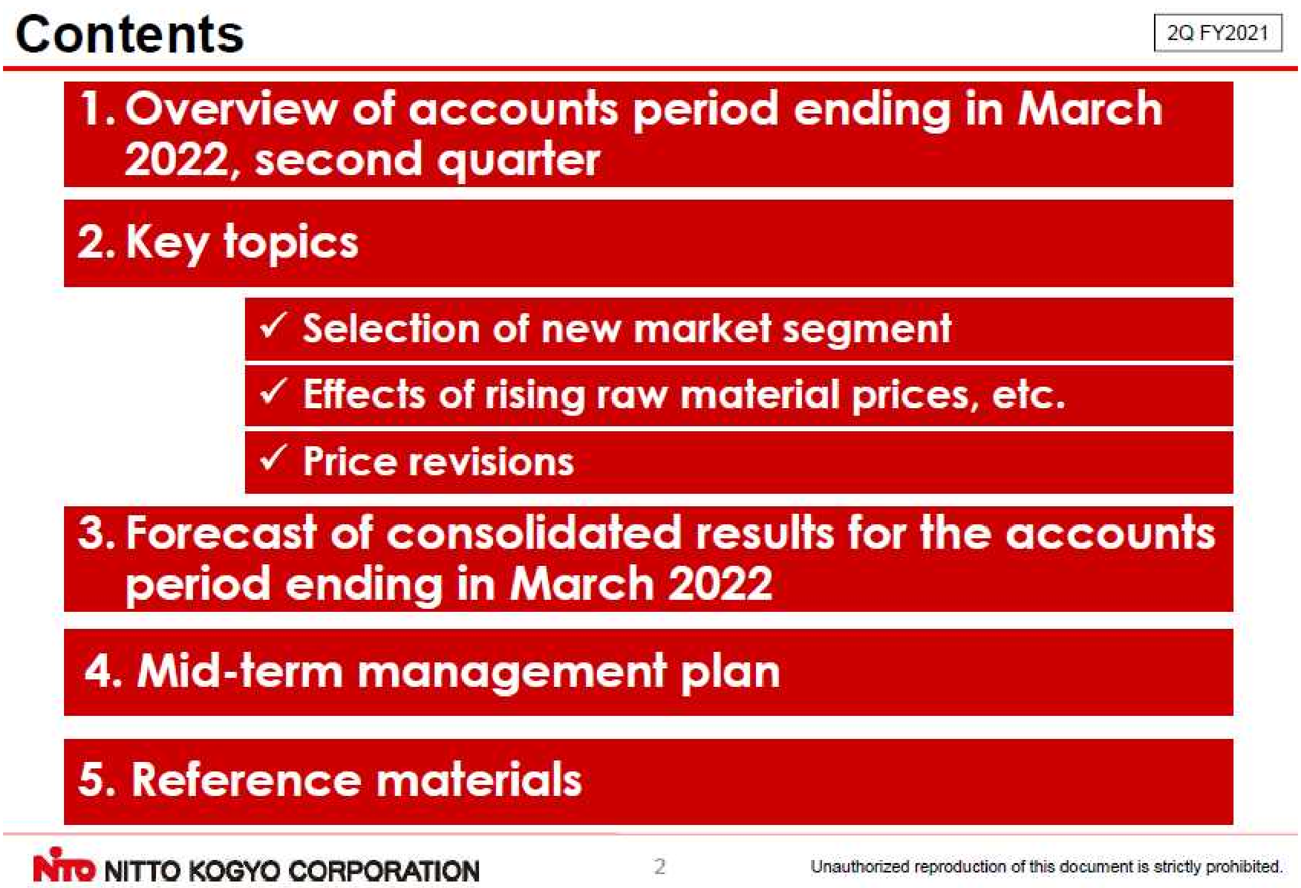
Venue　 : Shinko Building Nihonbashi 1 9F, 1-17-10 Nihonbashi, Chuo-ku, Tokyo

Speakers : Toru Kurono	President and COO
Koichiro Sato	Head of Sales Division, Director
Akitaka Tejima	Head of Business Management Division, Director
Nobuki Kato	Financial Planning Office Manager

Presentation

Hello, everyone. My name is Toru Kurono, President and COO. Thank you very much for participating in today's presentation of NITTO KOGYO CORPORATION's financial results briefing for the second quarter of the fiscal year ending March 2022.

I would also like to take this opportunity to express my sincere gratitude to all of you for your continued support and guidance to NITTO KOGYO.



I will now explain in accordance with the presentation materials for the financial results briefing.

This is the table of contents for today. I would like to explain the items 1 through 4. As item 5 is reference materials, please take a look at them later.

2nd quarter consolidated account highlights

2Q FY2021

- Business results for period ending in March 2022 show decreased sales and profits in second quarter
- While profits were higher than projected, consolidated sales fell short of the 1st half plan
- Intensifying competition didn't hurt 1st half results as much as expected
- Operating income fell due primarily to lower marginal profit resulting from declining sales, rising material prices, and higher selling, general and administrative expenses (SGA)

(Unit: million yen)

	2021/3	2022/3			
	2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Sales	63,443	61,300	61,014	-3.8%	-0.5%
Operating income	5,078	2,900	3,902	-23.1%	+34.6%
Ordinary income	5,219	3,000	4,059	-22.2%	+35.3%
Quarterly net profit reverting to parent company shareholders	3,255	1,800	2,622	-19.5%	+45.7%

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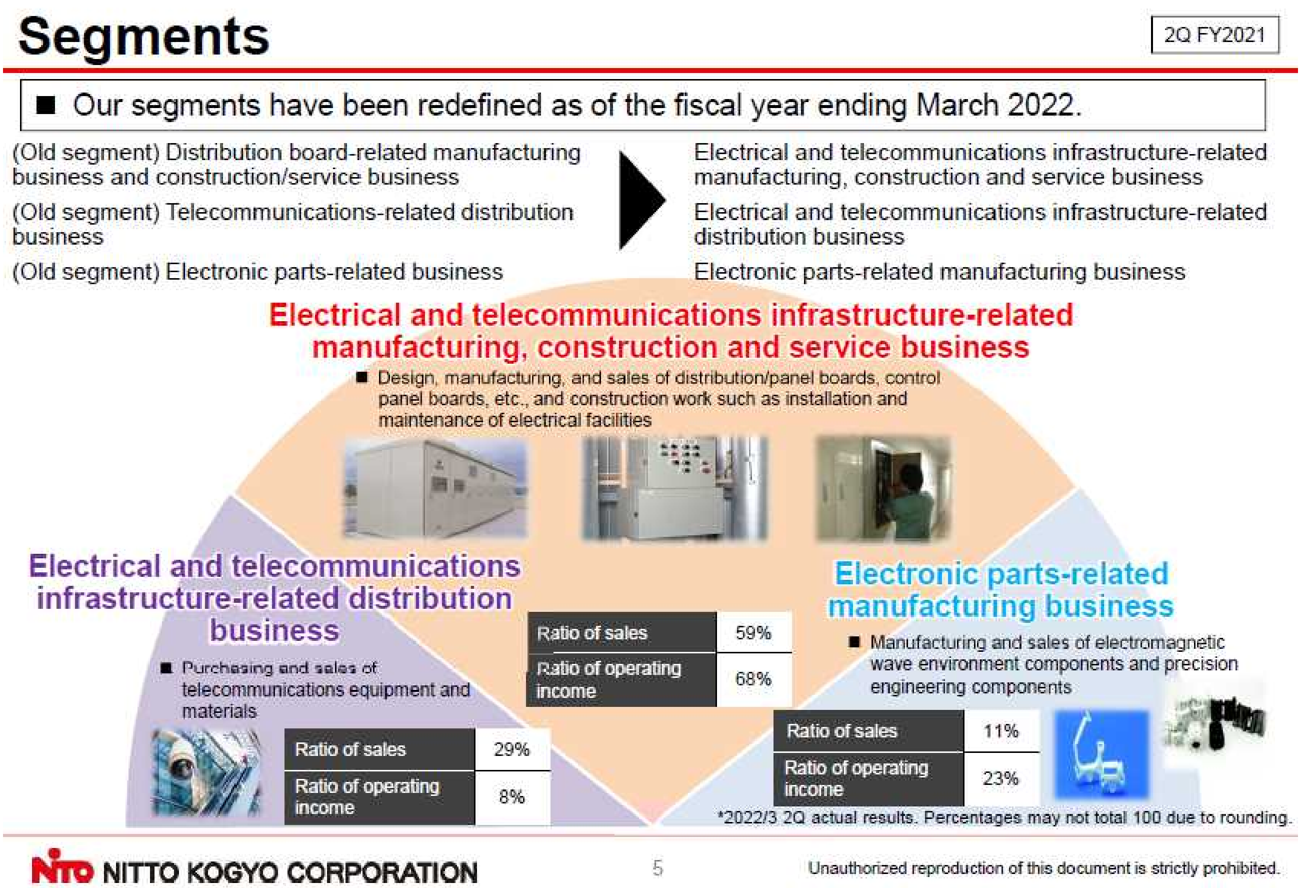
I will now explain the highlights of the consolidated financial results for Q2 of the fiscal year ending March 2022.

Net sales were JPY61 billion, a YoY decrease of 3.8%. This was due to the impact of COVID-19 and the loss of special demand in the previous year. Operating income was JPY3.9 billion, down 23.1% YoY. This was due to a decrease in marginal profit caused by the decline in sales, the impact of soaring materials prices, and an increase in SG&A expenses.

Ordinary income was JPY4 billion, down 22.2% YoY, and net profit reverting to parent company shareholders was JPY2.6 billion, down 19.5% YoY.

Against the business plan for H1 of the fiscal year, net sales did not reach the target, but profit items exceeded the targets. We had assumed that sales prices would fall due to intensifying competition among companies, but actually the prices increased substantially from the plan. I will explain the details later.



Some of you will be attending for the first time, so I would like to give you a brief explanation of the NITTO KOGYO Group and its business segments.

In the 2020 medium-term management plan, we had 4 business segments, but from the fiscal year ending March 2022, we changed them into 3 segments. This is to align with the business strategy of the 2023 medium-term management plan.

The first one, shown in red, is the Electric and Telecommunication Infrastructure-Related Manufacturing, Construction, and Service business, which accounts for 59% of sales and 68% of operating income, making it the core business of the Group.

The second one, shown in purple, is the Electric and Telecommunication Infrastructure-Related Distribution business, led by subsidiary SunTelephone Co., Ltd. The segment accounts for 29% of sales and 8% of operating income.

The third one, shown in light blue, is the Electronic Components-Related Manufacturing business, a highly specialized business, which accounts for 11% of sales and 23% of operating income. The segment is led by Kitagawa Industries Co., Ltd.

The previous Construction/Service business segment has been absorbed into the Electric and Telecommunication Infrastructure-Related Manufacturing, Construction, and Service business.

2nd quarter account highlights by segment

2Q FY2021

- The manufacturing, construction and service business enjoyed steady sales growth for 5G-related products due to investments in 5G facilities, as well as higher sales at an overseas subsidiary. However, operating income dropped due primarily to lower marginal profit resulting from declining sales on a non-consolidated basis, rising material prices, and higher SGA despite increased sales.
- The distribution business saw sales of network equipment and parts fall due to a decrease in office and data center related orders on top of the absence of sales related to the GIGA School concept posted last fiscal year, which led to a decline in both sales and profits.
- In the electronic parts business, sales of various products increased in line with rebounding demand, which had been sluggish due to the COVID-19 pandemic. Both sales and profits increased due to an increase in orders received in advance for the purpose of building up inventory due to tight market conditions for raw materials.

(Unit: million yen)

By segment		2021/3	2022/3			
		2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Sales	Manufacturing, construction and service business	35,794	35,100	36,104	+0.9%	+2.9%
	Distribution business	22,498	20,400	17,959	-20.2%	-12.0%
	Electronic parts business	5,150	5,800	6,950	+35.0%	+19.8%
	Total	63,443	61,300	61,014	-3.8%	-0.5%
Operating income	Manufacturing, construction and service business	4,196	–	2,651	-36.8%	–
	Distribution business	759	–	324	-57.3%	–
	Electronic parts business	122	–	909	+643.1%	–
	Total	5,078	2,900	3,902	-23.1%	+34.6%

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

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The following are the financial highlights by segment for Q2. Please note that the segment names are abbreviated in this slide and on the following pages.

The Manufacturing, Construction, and Service business will be explained in detail on the next page, so I will skip this part.

In the Distribution business, both sales and income decreased due to a decrease in sales of network equipment and its components as a result of a decline in orders for office and data center-related projects, as well as the loss of sales related to GIGA School projects recorded in the previous fiscal year.

In the Electronic Components-Related business, sales of various products increased due to the recovery of demand, which had been sluggish due to the effects of the COVID-19 pandemic. Both sales and income increased partly due to an increase in orders received in advance for the purpose of building up inventories, reflecting the tight supply-demand situation for raw materials.

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

2Q FY2021

- Sales increased due primarily to steady sales growth in 5G-related products driven by investments in 5G facilities, a sales increase at our overseas subsidiary Gathergates, and a decrease in intercompany eliminations, despite a COVID-related sales decline.
- Facilities investments in the FA market, 5G-related areas, etc., drove sales of related products up for the enclosure and breaker/switch/parts/other divisions.

(Unit: million yen)

		2021/3	2022/3			
Sales by division		2Q results	2Q plan	2Q results	YoY comparison	Vs. plan
Manufacturing, construction and service business	Distribution boards	18,318	18,000	18,074	-1.3%	+0.4%
	Enclosure	10,397	10,000	10,660	+2.5%	+6.6%
	Breakers/switches/parts/other	5,418	5,400	5,693	+5.1%	+5.4%
	Construction/service	1,661	1,700	1,675	+0.9%	-1.5%
Total		35,794 (3,793)	35,100	36,104 (2,205)	+0.9% (-41.9%)	+2.9%
Consolidated overall total		63,443	61,300	61,014	-3.8%	-0.5%
Consolidated sales composition ratio		56.4%	57.3%	59.2%	+2.8%	+1.9%

*Parentheses refer to internal sales between segments

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The following is a breakdown of sales by sub-segment for the Group's core Manufacturing, Construction, and Service business.

Although sales were affected by the impact of COVID-19, those of related products were steady in line with 5G-related facilities investment and sales of Gathergates Group Pte Ltd, an overseas subsidiary, increased. In addition, as shown in the table, the internal sales elimination, which is written in parentheses, decreased about 42% YoY, resulting in the overall YoY increase in segment sales.

In the sub-segment of enclosures and that of breakers, switches, parts, and others, sales of related products increased in line with the recovery of the FA market and 5G-related facilities investment.

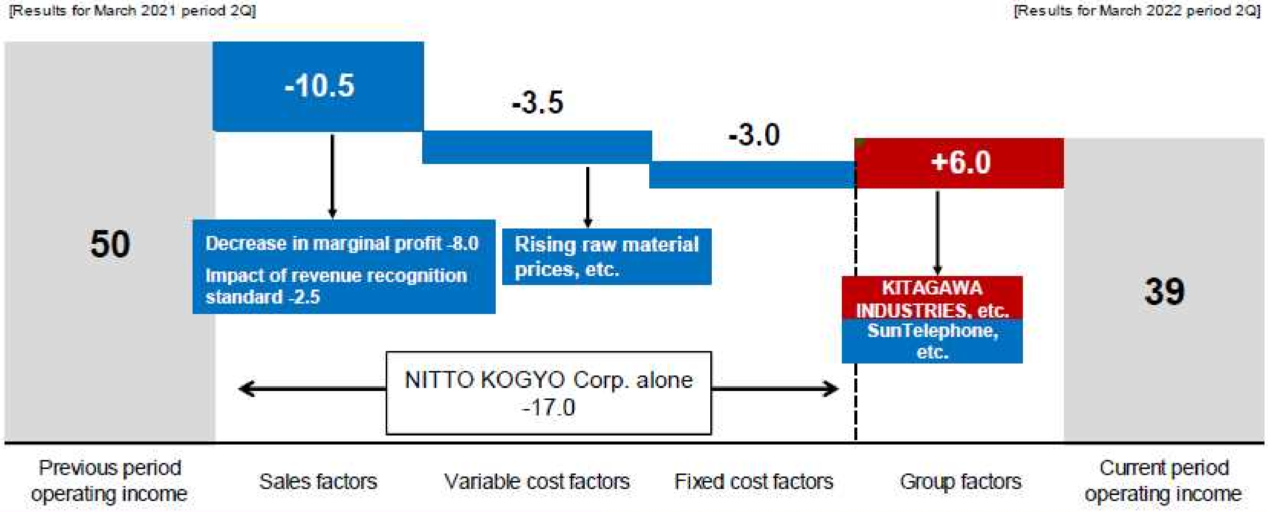
In the construction and service sub-segment, the previous fiscal year's office-related demand due to layout changes to prevent COVID-19 and other special projects disappeared. However, sales increased YoY due to the installation of network equipment and network infrastructure construction work.

Factors in changes in 2nd quarter consolidated operating income

2Q FY2021

- On a non-consolidated basis, operating income dropped due primarily to lower marginal profit resulting from declining sales, rising material prices, and higher SGA
- In terms of group-wide factors, operating income increased largely due to the recovery of the KITAGAWA INDUSTRIES Group's performance, which was in the doldrums during the second quarter of last fiscal year due to COVID-19.

(Unit: 100 million yen)



The next page shows YoY changes in operating income for Q2.

The dotted line on the right side of the graph divides NITTO KOGYO's non-consolidated factors for changes in income on the left side and the Group's factors on the right side.

First of all, operating income decreased from JPY5 billion in H1 of the previous fiscal year to JPY3.9 billion in H1 of the current fiscal year, a YoY decrease of JPY1.1 billion.

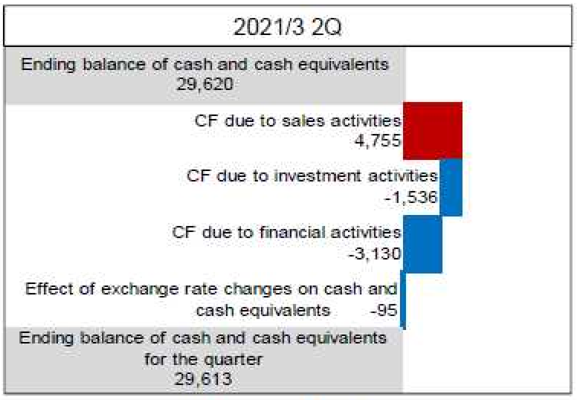
On a non-consolidated basis, NITTO KOGYO's operating income was slashed by around JPY800 million due to a decrease in marginal profit as a sales factor, and by approximately JPY250 million due to a change in the revenue recognition standard. As a variable cost factor, the surge in raw materials prices lowered income by about JPY350 million. In addition, the fixed cost factor was a negative JPY300 million, which came from an increase in SG&A expenses. The overall decrease in operating income was JPY1.7 billion on a parent-only basis.

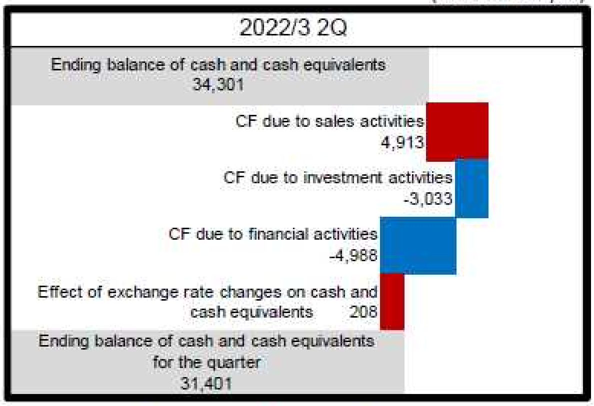
In terms of the Group's factors, operating income was boosted by some JPY600 million as earnings of the Kitagawa Industries Group, which had been severely depressed by the impact of COVID-19 in the same period of the previous year, recovered significantly.

2nd quarter Consolidated cash flow statement

2Q FY2021

(Unit: million yen)





<2021/3 2Q Main factors>

■ CF due to investment activities	
Expenditure due to acquisition of fixed assets	-2,643
Income due to refunds of fixed-term deposits	+836
■ CF due to financial activities	
Decreased short-term loans payable	-1,687
Payment of dividends	-1,415

<2022/3 2Q Main factors>

■ CF due to investment activities	
Expenditure due to acquisition of fixed assets	-3,072
■ CF due to financial activities	
Decreased short-term loans payable	-3,079
Payment of dividends	-1,864

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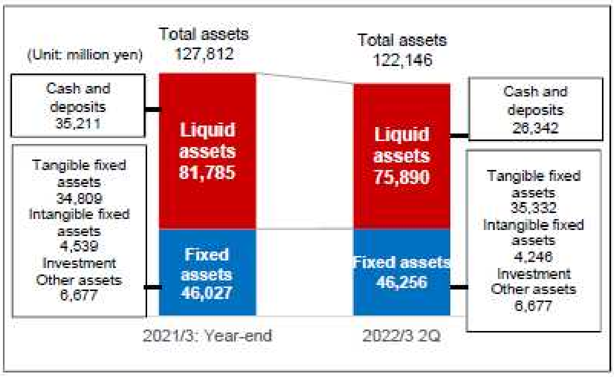
This is a consolidated cash flow statement. The left side shows the results in H1 of the previous year and the right side shows the results in H1 under review.

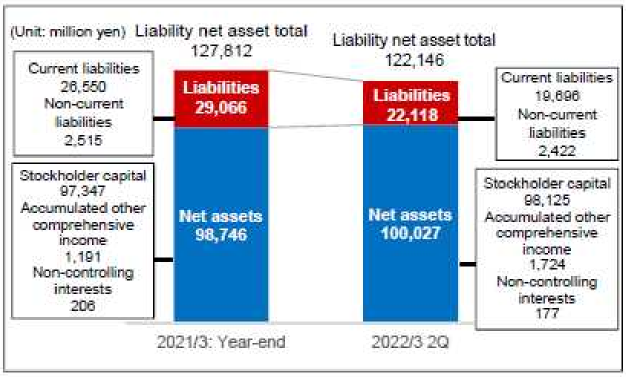
Cash flow due to sales activities was a positive JPY4.9 billion, unchanged from the year-before figure. Cash flow due to investment activities was a negative JPY3 billion, which was mostly due to the acquisition of fixed assets. Cash flow due to financial activities was a negative JPY4.9 billion, and the balance of cash and cash equivalents at the end of Q2 was JPY31.4 billion, a decrease of JPY2.9 billion from the balance at the end of the previous fiscal year.

Overview of consolidated finances for the second quarter

2Q FY2021

■ Total assets decreased due to a decrease in short-term loans payable





<Main changes>

■ Total assets	
Decreased cash and deposits	-8,868
Decreased notes receivable, accounts receivable, and contract assets	-5,428
Increased securities	+6,000

■ Liabilities	
Decreased notes payable and accounts payable	-1,526
Decreased short-term loans payable	-3,072
■ Net assets	
Current net income	+2,622
Dividends of surplus	-1,864

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Next is a summary of the consolidated financial position.

Total assets decreased due to the repayment of JPY3 billion in short-term loans payable for M&A purposes and the payment of JPY1.8 billion in dividends.

Key topics: Selection of new market segment

2Q FY2021

We have chosen to be listed on the Prime Market under the Tokyo Stock Exchange's new market classification.

- **Initial screening result on whether we meet the listing criteria for the new market classification**

  ⇒ Confirmed that we meet all listing criteria for the Prime Market

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Now, let me explain the topics for the year ending March 2022.

As we announced at the end of September, NITTO KOGYO has selected the Prime Market as the market to which it will belong under the new market segmentation on the Tokyo Stock Exchange. At the end of November, we also submitted the revised Corporate Governance Code and the corresponding Corporate Governance Report.

In addition, as a company listed on the Prime Market, we will strive to proactively disclose a variety of things, both financial and non-financial items.

Key topics: Effects of rising raw material prices, etc., on performance

2Q FY2021

The manufacturing, construction and service business is expected to be hit hard by the sharp rise in raw material prices in the second half.

Raw materials	Degree of impact on performance
Iron and steel	High
Stainless steel	Low
Copper	Medium
Resin	Low
Other	Low

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The next issue is the impact of the sharp rise in raw materials prices on our business performance.

Our products include enclosures, information and communication racks, and distribution boards, in which a lot of iron is used. We believe that the surge in delivery prices will have a significant impact on our business performance in H2 of the current fiscal year.

In addition, a lot of copper is used in distribution boards for the wires and the parts that carry the electricity. This will also put pressure on profits.

For the full year, we expect the impact on the entire Group will exceed JPY1.5 billion.

Key topics: Price revisions

2Q FY2021

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

Although we are cutting costs and expenses across all departments, it is extremely difficult to absorb the drastic rise in raw material prices on our own, so we plan to revise prices for some of NITTO KOGYO's products as follows.

Major products to be affected and estimated percentage change in prices

Product lines	Revision rate
Enclosure	Approx. 10%
System racks	Approx. 10%
Optical Junction Boxes	Approx. 5%
Some thermal management products	Approx. 10%
Some panel board accessories	Approx. 10% (Approx.25% of copper-related parts)
Standard panel boards and control panel boards	Approx. 2-8%

* The above revision rate is an outline for each product lines, and the revision rate varies depending on the product.

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Next, I would like to talk about a price revision.

We published a press release this week, on November 29. From July 2022, we will implement a price revision for NITTO KOGYO products. As I mentioned earlier, soaring raw materials prices will have a significant impact on our business performance.

We have been working hard to reduce costs and cut expenses throughout all departments, but it has become difficult for us to absorb the price rises through our own efforts, so we will be revising our prices.

In the past, we revised our prices in October 2018, for the first time in 13 years. This time, we would like to add the surge in materials prices to some of our products.

The target products, product groups, and revision rates are shown in the table.

Forecast of consolidated results for the year

2Q FY2021

- While sales are expected to increase in existing markets as a result of recovery in demand for facilities investment, factors such as a drop in the special demand for the GIGA School concept are expected to result in a decrease in overall sales.
- Income is expected to decrease due to rising raw material prices, intensifying price competition, and a downturn in the Group's financial performance.

(Unit: million yen)

	2021/3		2022/3			
	2Q results	Results for the year	2Q results	YoY comparison	Plan for the year	YoY comparison
Sales	63,443	137,902	61,014	-3.8%	136,000	-1.4%
Operating income	5,078	12,333	3,902	-23.1%	9,500	-23.0%
Ordinary income	5,219	12,660	4,059	-22.2%	10,000	-21.0%
Quarterly net profit reverting to parent company shareholders Current net income	3,255	8,827	2,622	-19.5%	6,600	-25.2%

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Next, I would like to report on the consolidated earnings forecast for the fiscal year ending March 2022.

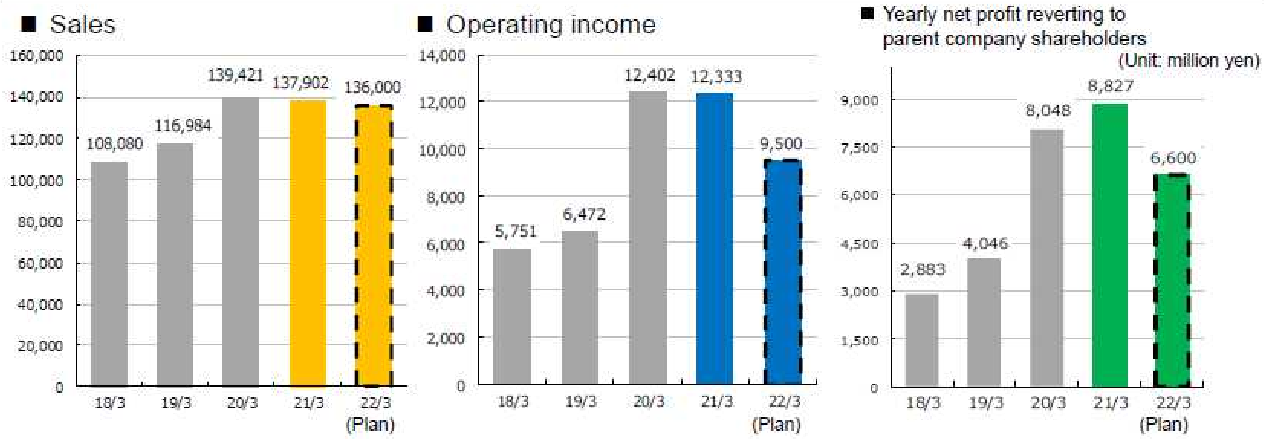
First, we forecast net sales of JPY136 billion, down 1.4% YoY. Due to the recovery in demand for facilities investment, we expect an increase in sales in the existing markets, but we expect an overall YoY decrease in sales due to the loss of the GIGA school concept-related demand, which was special demand in the previous fiscal year.

We expect operating income at JPY9.5 billion, down 23% YoY. We expect the decrease in operating income due to soaring raw materials prices, intensifying price competition, and deteriorating Group performance.

Consolidated performance trends

2Q FY2021

■ If we are on target with the plan for the period ending March 2022, we expect to achieve the third highest sales and sixth highest income in our history.



	18/3	19/3	20/3	21/3	22/3 (Plan)
Sales	108,080	116,984	139,421	137,902	136,000
Operating income	5,751	6,472	12,402	12,333	9,500
Yearly net profit reverting to parent company shareholders	2,883	4,046	8,048	8,827	6,600

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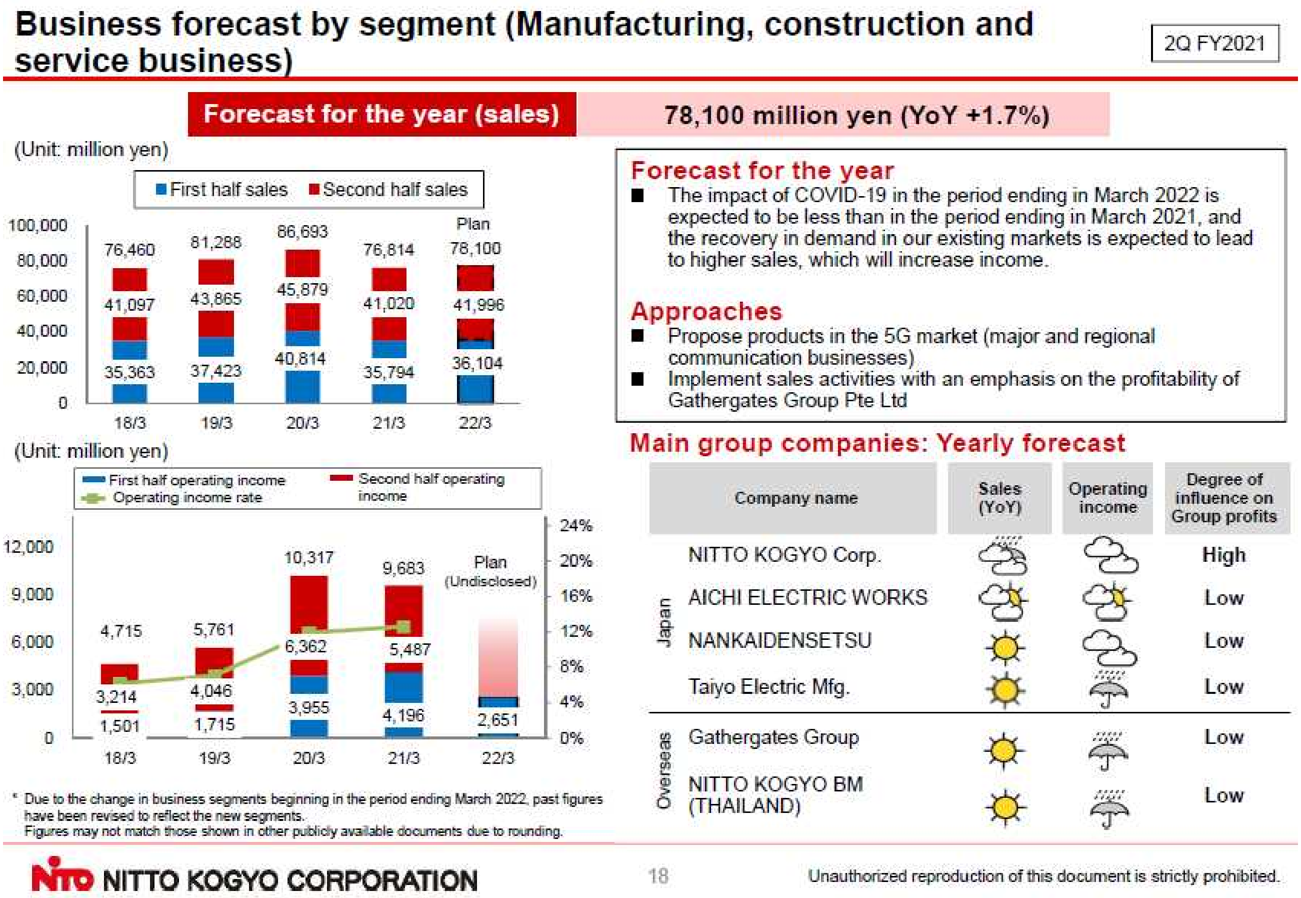
Next, let's look at the trends of consolidated operating results.

In the fiscal year ending March 2022, if we generate the results as planned, we will have the third-highest net sales and sixth-highest income in our history.



Next is the forecast by segment.

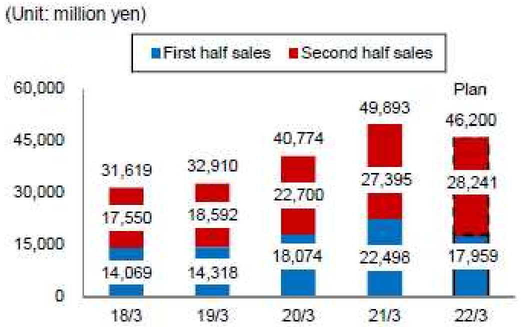
First of all, we expect to see sales of JPY78.1 billion in the Manufacturing, Construction, and Service business, up 1.7% YoY. For the fiscal year ending March 2022, we expect that the impact of COVID-19 will be less than in the previous year ended March 2021, and demand in the existing markets will recover, resulting in the increase in sales.

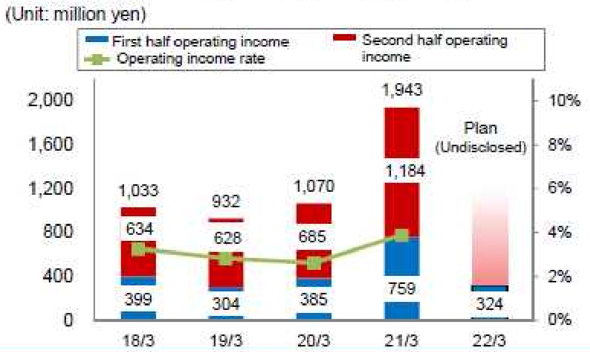
Specifically, we will aim to achieve our goals by promoting product proposals in the 5G-related market, especially to major and regional telecoms operators, and by promoting sales activities with an emphasis on the profitability of Gathergates, a Singapore-based distribution board manufacturer.

Business forecast by segment (Distribution business)

2Q FY2021

Forecast for the year (sales) 46,200 million yen (YoY -7.4%)





Forecast for the year

- While sales are expected to increase in existing markets as a result of recovery in demand for facilities investment, this is not likely to be enough to offset the drop in the special demand for the GIGA School concept, and a decrease in overall sales is expected.
- Delayed projects will become apparent in the second half.

Approaches

- Work to obtain orders in 5G-related markets
- Strengthen initiatives to maximize profits in overseas markets

Main group companies: Yearly forecast

	Company name	Sales (YoY)	Operating income	Degree of influence on Group profits
Japan	SunTelephone			Medium
Overseas	SOECO			Low

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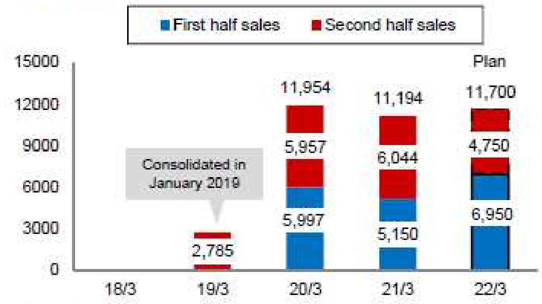
Next is the Distribution business.

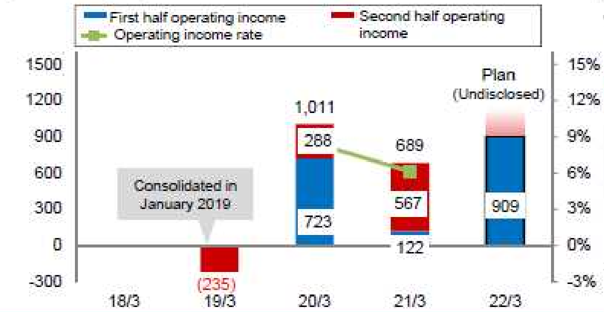
We forecast net sales in the Distribution business at JPY46.2 billion, a YoY decrease of 7.4%. Although we expect sales to increase in the existing markets due to the recovery in demand for facilities investment, this will not be enough to cover the loss of the special demand for GIGA School projects, leading to the decline in sales. However, in H2 of the fiscal year, we expect some delayed projects to be launched.

The main initiatives will be to strengthen our activities to acquire projects in the 5G-related market, and we will strengthen our efforts to expand earnings in overseas markets to achieve our goals.

Business forecast by segment (Electronic parts business) 2Q FY2021

Forecast for the year (sales) 11,700 million yen (YoY +4.5%)





Forecast for the year

- While COVID-19 had a severe impact in the period ending in March 2021, this is expected to lessen in the period ending in March 2022, and the recovery in demand is expected to lead to higher sales, which will increase income.
- The second fiscal half is expected to be affected by production cutbacks in the automobile-related market and difficulties in procuring materials.

Approaches

- Strengthen sales of EMC products and thermal products in markets for environmental vehicles such as EVs
- Utilize our new EV Chamber* facility

* EV Chamber features a dynamo system that can operate a motor at the actual load in a dark room. This makes it possible to mount the customer's motor onto the dynamo system and perform an EMC test under actual load conditions.

Main group companies: Yearly forecast

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

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Next, I would like to explain our forecast for the Electronic Components-Related business.

We expect sales of electronic components-related products at JPY11.7 billion, up 4.5% YoY. In the fiscal year ended March 2021, there was a significant negative impact of COVID-19. In the fiscal year ending March 2022, the impact of COVID-19 will be less severe and demand will recover, leading to the increase in sales. However, for H2 of the fiscal year, we expect the environment to be uncertain due to production cutbacks in the automobile-related market and the impact of difficulties in procuring materials.

Specifically, we will strengthen sales of EMC countermeasure products and thermal management products for electric vehicles.

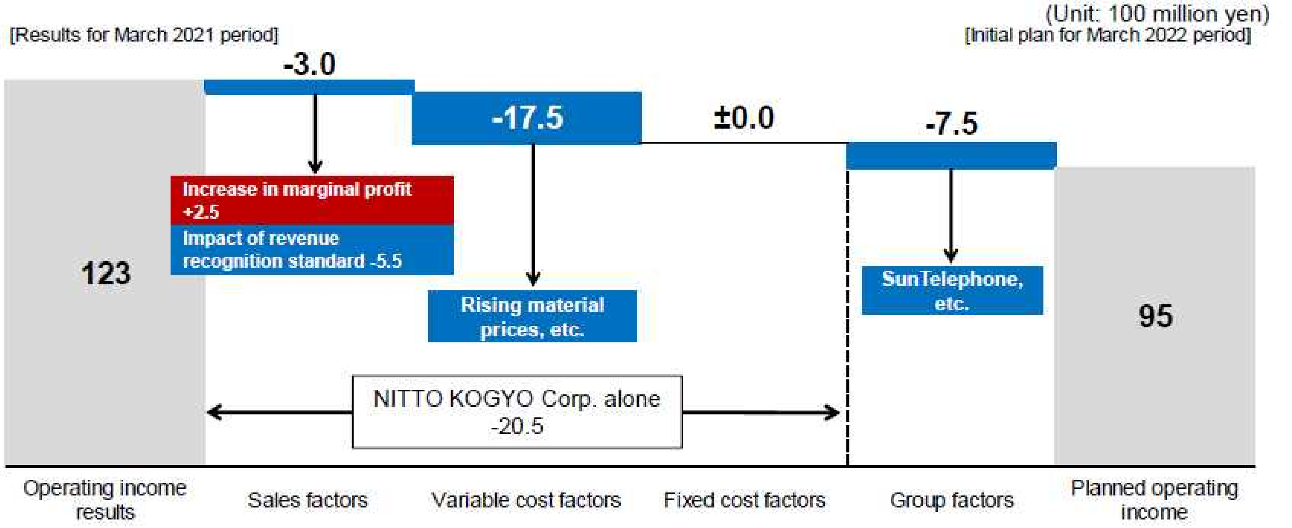
The EV chamber is a new facility that has been in operation since June 2021. This is a facility that can be used for various tests, and we would like to utilize this testing facility to market our solutions.

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

2Q FY2021

- Consolidated operating income for period ending in March 2022 forecast to decrease 23.0% YoY to 9.5 billion yen
- On a non-consolidated basis, rising material prices (a variable cost factor) and the impact of the revenue recognition standard will be the major factors driving profits down.
- For the group as a whole, the decrease in profits for SunTelephone Co., Ltd., which performed well in the previous period, will be a factor decreasing profits.

(Unit: 100 million yen)



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The next page shows the factors behind the expected changes in operating income for the full year.

Against operating income of JPY12.3 billion in the fiscal year ended March 2021, we forecast operating income for the fiscal year ending March 2022 at JPY9.5 billion, down 23% YoY.

Again in this graph, the left side of the dotted line is the impact from NITTO KOGYO alone, and the right side is the impact from the Group.

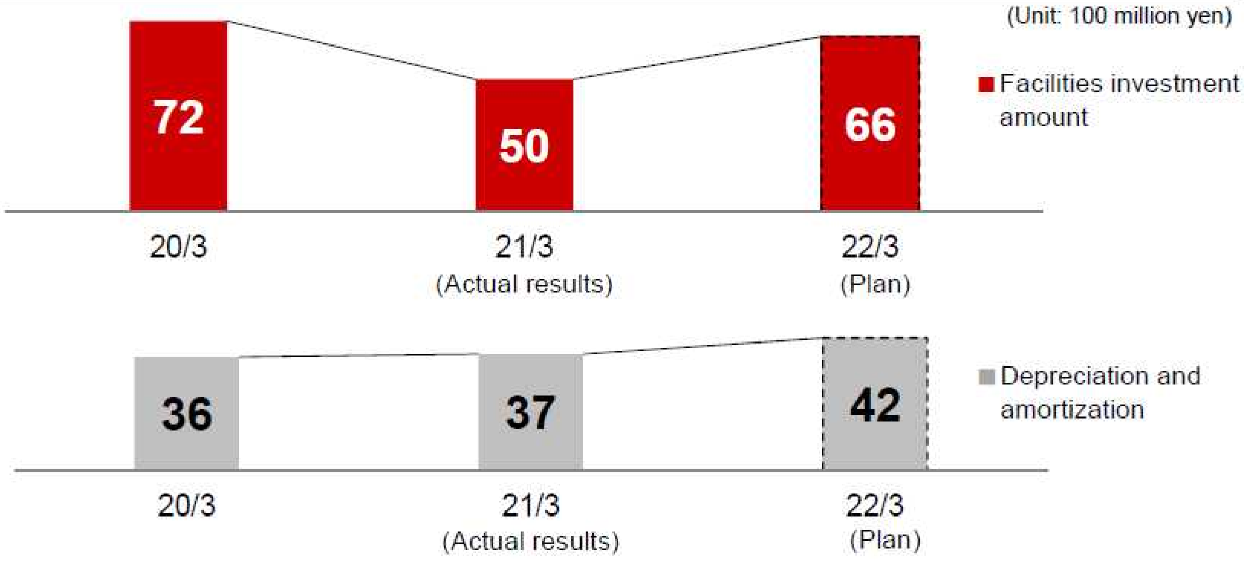
The majority of the decrease in income will be attributable to NITTO KOGYO on a non-consolidated basis. As for the factors behind the decrease in income, as mentioned here, though marginal profit will increase, operating income will be slashed by JPY550 million due to the change in the revenue recognition standard and by JPY300 million due to the sales factor.

As for a variable cost factor, as I have already mentioned many times, income will be lowered by JPY1,750 million due to the sharp rise in materials prices. The fixed cost factor will be the same as in the previous fiscal year.

As for the Group factors, the profit decline of SunTelephone, which was strong in the previous fiscal year, will have a significant impact on the overall Group, and we expect this will decrease income by JPY750 million.

Facilities investment amounts and depreciation and amortization 2Q FY2021

- For the period ending in March 2022, facilities investment amount was planned at 6.58 billion yen and depreciation and amortization at 4.23 billion yen
- Planned facilities investment is set to increase due to factors such as construction costs at the Seto Plant



*Rounded at 10 million yen

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The next page shows the consolidated facilities investment and depreciation and amortization plans.

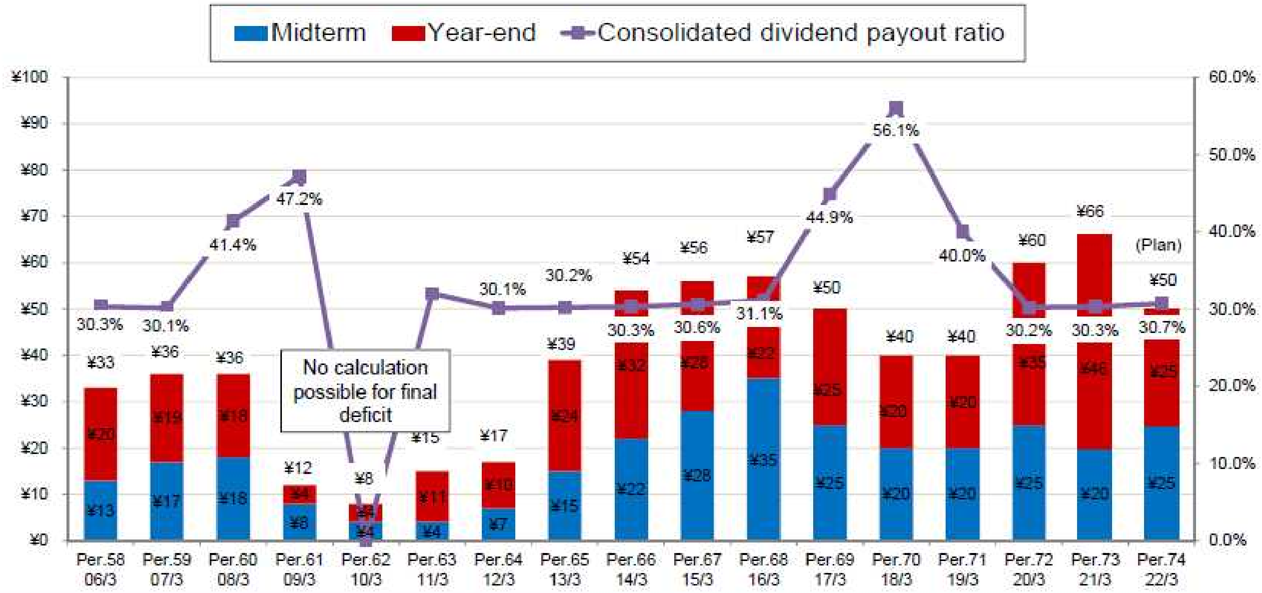
For the fiscal year ending March 2022, the investment amount will be JPY6.6 billion, a YoY increase of JPY1.6 billion. This includes regular investment for replacements and the core system at SunTelephone, as well as interior work for Kitagawa Industries' EMC center. In addition to the above, the cost of building the Seto Plant, which will start operation in 2024, is added.

Depreciation and amortization expenses for the fiscal year ending March 2022 will be JPY4.2 billion, a YoY increase of about JPY500 million.

Dividend status

2Q FY2021

■ In the period ending in March 2022, dividends for the year will be 50 yen and the dividend payout ratio will be 30.7% on a consolidated basis.



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Next is the dividend status.

With the aim of maintaining stable dividends to shareholders, NITTO KOGYO's dividend policy is based on a dividend payout ratio of 30%, also taking dividend on equity, or DOE, into account.

For the fiscal year ending March 2022, we plan to pay a dividend of JPY25 per share for H1 and H2, respectively, leading to JPY50 for the full year, due to the expected decreases in sales and profits. The dividend payout ratio will be 30.7%.

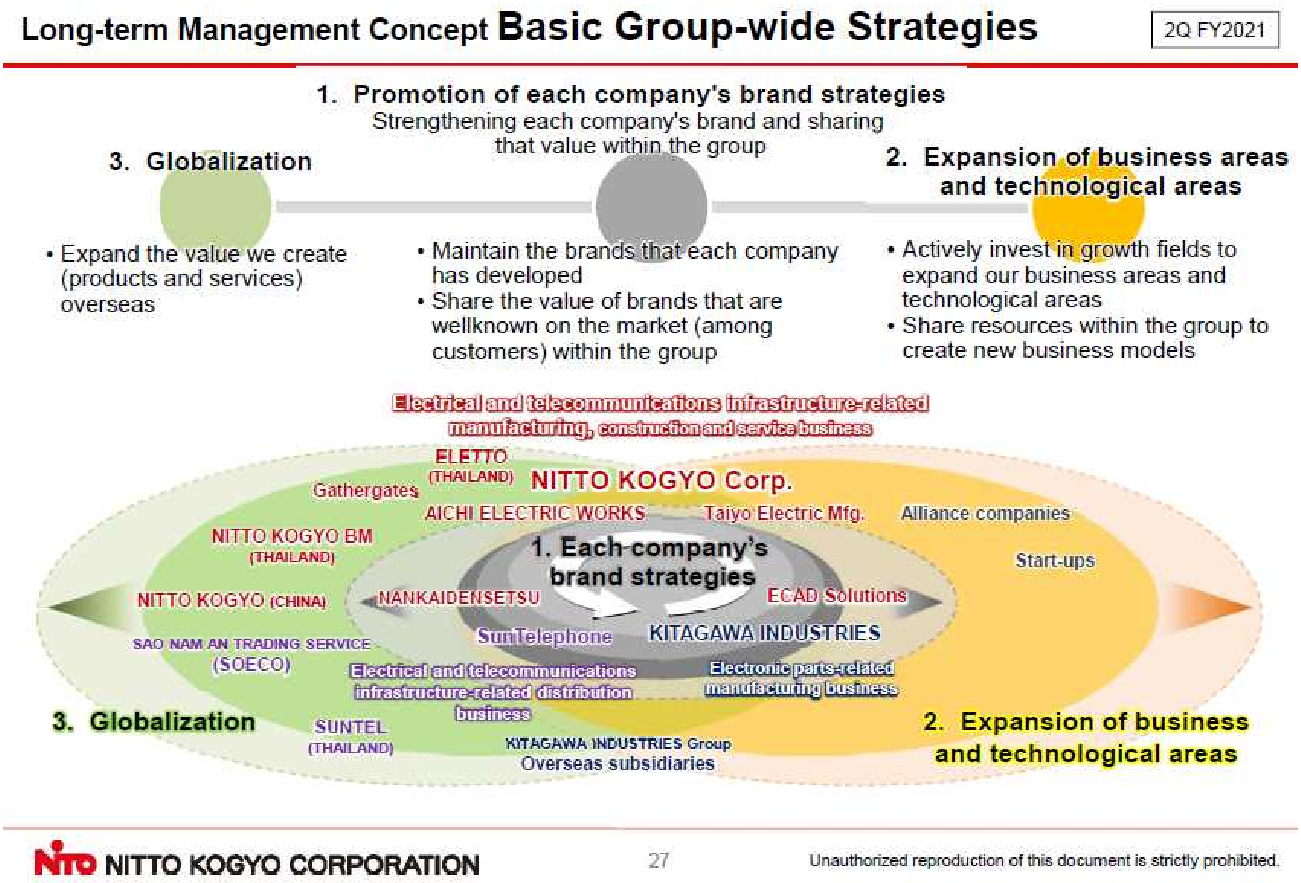
Next, I would like to talk about our medium-term management plan.

First of all, before thinking about what we should do in the medium-term plan, we thought about what we should aim for in the long term, 10 years ahead, as management.

This time, as the NITTO KOGYO Group, we have decided to launch a new long-term vision: To be a corporate group that delivers reliability and peace of mind to the future of the earth. We will support the social infrastructure, strive to create a safe and secure future, and aim to be a trusted corporate group that solves problems.

As a company, we have a responsibility to contribute to the Sustainable Development Goals adopted by the United Nations. The Group will address the related important issues as shown here.

As a result, we will not only increase our sales and profits, and thus increase our economic value, but we will also increase our social value through the resolution of these issues, and together we will aim to increase our corporate value.



Next is the Group's basic strategy.

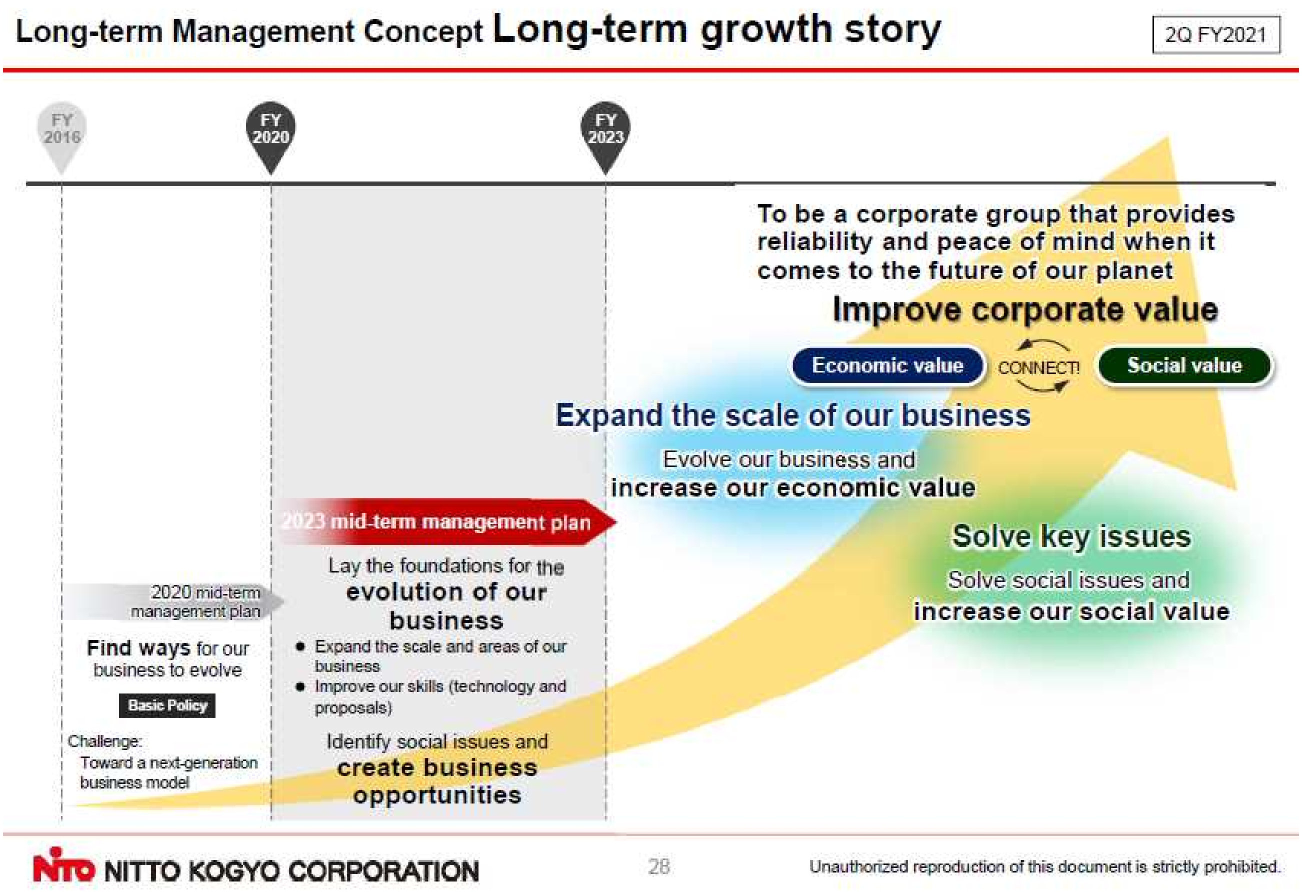
There are 3 main categories. This first one is to promote individual company brand strategies. The second point is to expand the business areas and technological domains. The third one is globalization.

The first is to promote the individual company brand strategies. The members of the NITTO KOGYO Group are all companies with history, technologies, and strengths. We would like to utilize and refine the strengths of the individual companies and further aim for mutual utilization within the Group.

The second point is to expand our business areas. We will expand our business and technological domains by aggressively investing in growth areas. We will focus on creating new value by mutually utilizing the technologies and expertise of the Group, and in some cases, collaborating with alliance partner companies and start-up companies.

The third point is globalization. Transplanting technologies, expertise, and products/services cultivated in Japan to overseas markets. The NITTO KOGYO Group will enhance its presence in the overseas markets by increasing cooperation between the Group companies in Japan and overseas.

We believe that if the many companies shown in this figure deepen their cooperation and act with specific goals in mind, the Group will be able to grow definitely.



Next is the long-term growth story toward 2030.

The NITTO KOGYO Group will strive to enhance its corporate value by balancing economic value and social value. We will grow into a corporate group that delivers reliability and peace of mind to the future of the earth.

In the 2020 medium-term management plan, we worked to find the seeds to evolve our businesses. As a result, we have found the social issues to be tackled and business goals to be addressed. In the 2023 medium-term management plan, we will use the 3 years to lay the foundation for taking off in the next step, the 3 years to create new businesses, and the 3 years to prepare the Seto Plant that is needed for growth.

Once we find some potential, we will evolve our businesses, nurture the seeds for change, and build a solid business foundation.

These are the long-term management concepts that the NITTO KOGYO Group is aiming for.

2023 Mid-term Management Plan **Mid-term management policies** 2Q FY2021

Basic Policy Establish the foundations and take an aggressive approach

Build a solid business foundation

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

Strengthen the group’s business foundation

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

Work to expand our business

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

Actively invest in growth

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

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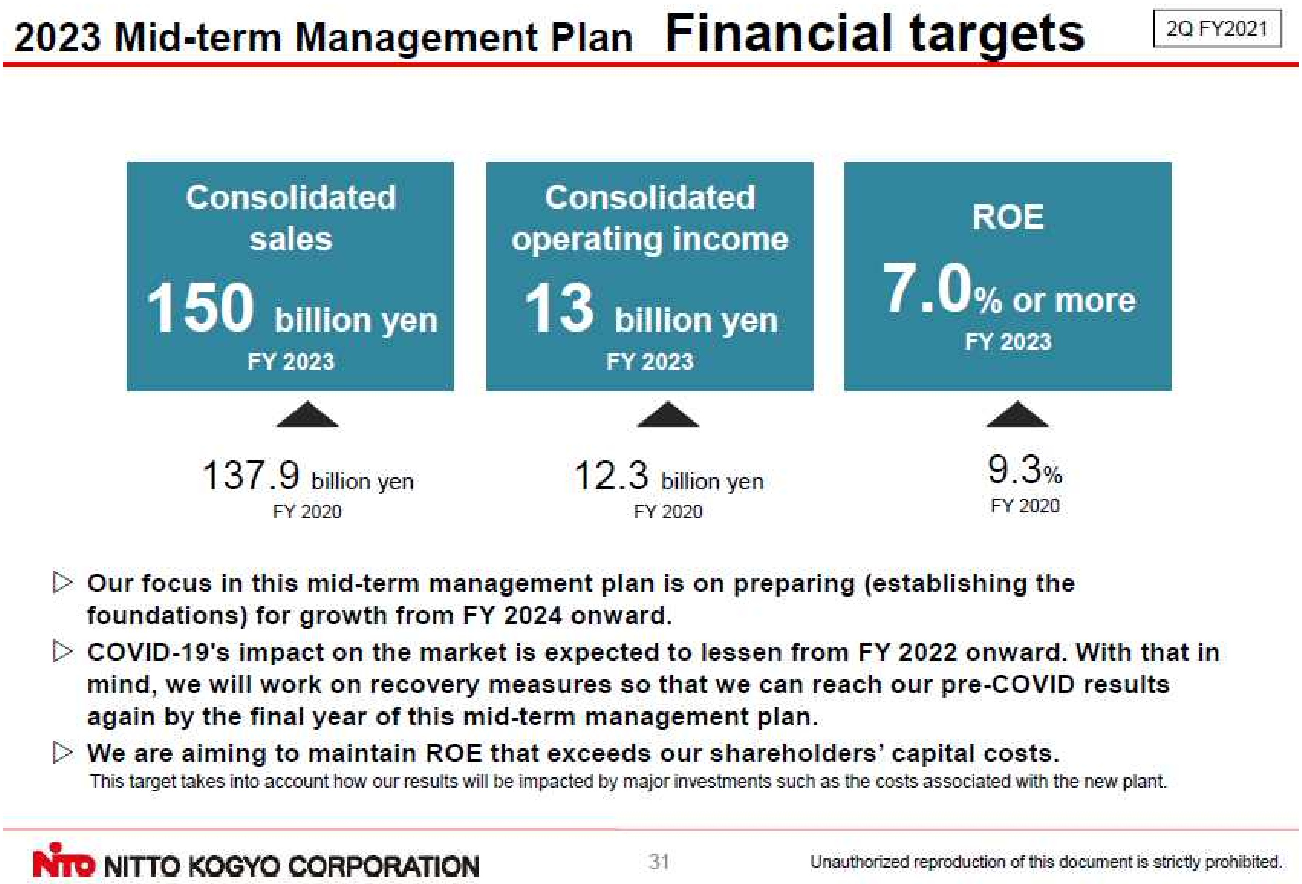
Next is our medium-term management policy.

We have set our basic policy as solidifying our foothold and conducting aggressive management. In order to make each of our current businesses an overwhelmingly number 1, we will be actively working to strengthen our sales structure using DX and to expand into a new era of manufacturing.

We will also strengthen the Group's management base and deepen cooperation to further draw out the strengths of each company. We used the word "foothold" to describe what we need to do now to achieve sustainable growth in the long term. This is to strengthen the selling mechanism and shift to manufacturing for a new era.

We will also practice aggressive management. We will generate cash in our current businesses and use that cash in an attempt for business expansion. We will also accelerate our efforts in overseas business and new businesses, and if the entire Group can grow, we will work on various measures, also with an eye to M&A.

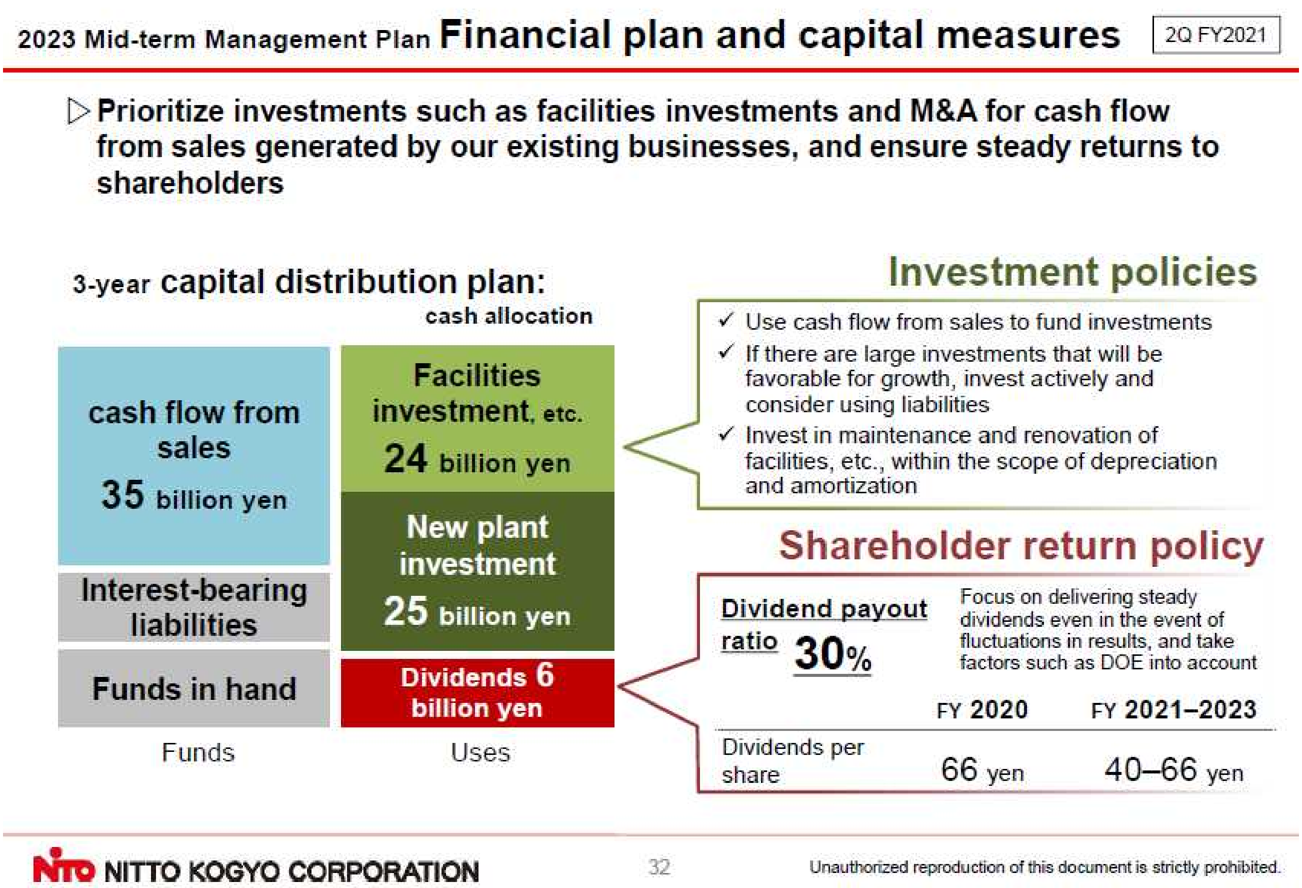


These are the financial goals.

In FY2023, the final year of the medium-term management plan, we aim to achieve consolidated net sales of JPY150 billion, operating income of JPY13 billion, and ROE of 7% or higher. Based on the assumption that the impact of COVID-19 on the markets will gradually be removed from FY2022, we aim to restore our business performance to the levels before the spread of COVID-19 by the final year of the medium-term management plan.

In addition, we will focus on preparing for growth in FY2024 and beyond. We have set our target ROE that exceeds the cost of shareholders' equity and takes into account the impact on earnings of large-scale investment, including expenses related to the new plant.

During this medium-term plan period, investment in the Seto Plant will proceed, but the plant will begin generating profits just during the next medium-term plan period.



Next is the financial plan and capital policy.

We will provide stable returns to shareholders after allocating cash flow due to sales activities, which is generated by the existing businesses, to facilities investment and M&A preferentially.

There will be no change in the existing dividend policy. We described the dividend amount for FY2021 to FY2023 at JPY40 to JPY66 per share, but it may be higher than the JPY66 depending on business performance.

2023 Mid-term Management Plan Targets by segment

2Q FY2021

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

(Unit: 100 million yen)

	2021/3 results	2023 mid-term management plan			Growth over 3 years
		2022/3	2023/3	2024/3	
Consolidated sales	1,379	1,360		1,500	+8.8%
Manufacturing, construction and service business	768	781		855	+11.3%
Distribution business	498	462		515	+3.2%
Electronic parts business	111	117		130	+16.1%
(overseas sales)	96	114		150	+56.0%
Consolidated operating income	123	95		130	+5.4%
Manufacturing, construction and service business	96	–		99	+2.2%
Distribution business	19	–		18	-7.4%
Electronic parts business	6	–		13	+88.6%

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The next page shows the targets by segment.

As I mentioned earlier, we will first aim to recover to the performance levels before the COVID-19 pandemic. 1 thing that can be said for all segments is that we will expand our overseas business.

As stated here, our target for overseas business sales is to increase the amount from JPY9.6 billion in the previous year to JPY15 billion in FY2023, adding about JPY5 billion. In particular, we hope to significantly increase overseas sales in the Manufacturing, Construction, and Service business.

By segment, sales in the Manufacturing, Construction, and Service business will increase significantly, but operating income is not expected to grow as much as sales because, as I mentioned earlier, we expect expenses related to the Seto Plant and an increase in depreciation expenses. However, from FY2024, or the year ending March 2025, when the Seto Plant goes into operation, we will accelerate our growth in terms of profit and solidify our strategy during the period of the medium-term management plan.

For the Distribution business, the fiscal year ended March 2021 was a very good year due to the special demand for GIGA school projects. In the new medium-term plan, we will strive to maintain a high level of income, although it will decrease slightly due to an increase in SG&A expenses, while securing higher sales than those in the fiscal year ended March 2021. Despite the disappearance of the special demand, the market is expected to grow in the future.

In the Electronic Components-Related business, we will aim to secure sales and income levels that were reported before the COVID-19 pandemic. We will use the EMC center to expand our business into electric vehicle-related areas and new businesses.

2023 Mid-term Management Plan: Progress on business strategies (Manufacturing, construction and service business)

2Q FY2021

Pursuit of core business competitiveness Strengthen businesses that support growth	● Tested new construction methods, new technologies, DX, etc., and accumulated technologies for implementation at the Seto Plant. ● Worked to further enhance the line of web tools (Distribution boards, enclosures, system racks)
Globalization Strengthen sales and production to expand overseas operations	● New NBT plant in Thailand went fully on line in August 2021 ● NBT started operating a web system to take hole cutting and drawing requests for enclosures
Development of new businesses Pave a path that will lead to an era of change	● Launched environmentally friendly EV charger that can be remotely operated to reduce peak power consumption ● Launched new models of Private Box ⇒ Added a model to the lineup that can be assembled onsite ⇒ Also added a model designed for two people that was in high demand

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The next page shows the business strategies by segment.

First of all, in our core business of Manufacturing, Construction, and Service, we plan to increase sales by JPY9 billion and operating income by JPY300 million during the medium-term management plan. As a major policy, we will focus on the following 3 areas as a continuation of the 2020 medium-term management plan: pursuit of core business competitiveness, globalization, and development of new businesses.

In terms of the pursuit of competitiveness in our core business, we are working on the verification of new construction methods and technologies that utilize DX at the Seto Plant. In addition, we will further strengthen our web tools for sale and aim to increase sales by speedily providing them in order to make our standard product business an overwhelmingly number 1, and to solve the labor shortage in the entire industry.

As for globalization, a new plant at a Thai subsidiary, Nitto Kogyo BM Thailand, started operation in August 2021. It manufactures and sells distribution boards in Thailand. By manufacturing locally, we will be more competitive in terms of quality, price and delivery time, and aim to increase sales. In Thailand, we are also able to do processing like drilling holes in enclosures and other such things. Now that we have these things in place, we will aim to increase sales.

In terms of new businesses, we have found a new type of EV infrastructure during our 2020 medium-term management plan, which is a charging facility for electric vehicles. In addition to nurturing new areas such as energy management and disaster prevention and mitigation, we will expand our business domain by finding new seeds.

In H1 of the current fiscal year, we launched an environmentally friendly EV charger that can be remotely operated to reduce peak power consumption. We are entering the age of the new normal. Prior to this, there was a shortage of videoconferencing rooms, so we launched a new product called Private Box. We are adding new models, such as a Private Box for 2 people to meet, or a type that can be assembled on site.

2023 Mid-term Management Plan: Progress on business strategies (Distribution business)

2Q FY2021

Telecommunications business

Contribute to building a super smart society via DX

- Focused on winning contracts for 5G and local 5G infrastructure construction projects
- Pushed forward with a security business focusing on network cameras
- Contributed to building a network for the Tokyo Olympic Games

Overseas business

Improve and transfer the business infrastructure established in Japan

- While business was down in Thailand as sales activities were halted due to COVID-19, things went well in Vietnam.

SOECO

New businesses

Establish a facility business model and provide support for the realization of DX

- Focused on expanding sales of environmentally friendly products (LED lighting, solar power generation systems for self-consumption, etc.) and the wind turbine lightning protection business

Next is the Electric and Telecommunication Infrastructure-Related Distribution business.

For this business, led by SunTelephone, a subsidiary and a leading ICT-related trading company, we expect an increase of JPY1.7 billion in sales and a decrease of JPY100 million in operating income. The growth rate in this medium-term plan looks low, but please understand that this is because the growth rate in the fiscal year ended March 2021 was extraordinarily high due to the special demand.

In the information and telecommunications business, we will strengthen our efforts to realize an ultra-smart society through DX. For 1 thing, we will focus on acquiring projects that are related to 5G or local 5G infrastructure establishment and construction projects. We will also focus on the security business, especially network cameras. In fact, we contributed to the Tokyo Olympics by installing such network-related equipment.

As for our overseas business, we are improving the business foundation established in Japan and transplanting it overseas. In H1 of the current year, sales activities in Thailand were somewhat stagnant due to the suspension of travel caused by COVID-19, and Vietnam was also affected by the lockdown situation, but we have been doing relatively well.

Finally, as for new businesses, we will establish a facility business model. We will provide support for promoting the realization of DX. We are also taking on the challenge of new businesses such as LED lighting, self-consumption solar power systems, and a wind power generation–related business that handles measures against lightning strikes.

2023 Mid-term Management Plan: Progress on business strategies (Electronic parts business)

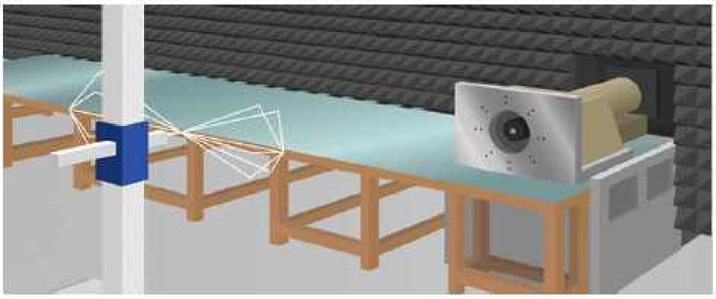
2Q FY2021

Domestic business

Create new success models and use them to drive growth overseas

- Gained EMC testing capability for various automotive devices

  Implemented measuring instruments for automotive devices that can handle various EMC tests (compliant with international and manufacturer standards) and high-speed communications in preparation for autonomous driving



Overseas business

Deploy models that have been successful domestically and expand sales in key markets

- Started working on providing EMC testing services across the globe

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Next, I will explain the business strategy for the Electronic Components-Related business.

In this manufacturing business, led by Kitagawa Industries, a Group company, we plan to raise sales by JPY1.9 billion and operating income by JPY700 million and aim to realize the same level of growth both in Japan and overseas.

In Japan, we will work to develop new products and provide services that integrate the existing technologies such as EMC. We will also focus on developing new markets that we have not been able to enter so far, and create successful models to expand them into overseas markets.

We have also started operation of the EV chamber, a test facility. The main feature of this facility is that it has a dynamo system in a darkroom that allows a motor to operate under real load. By attaching a customer's motor to the dynamo system and operating the actual load, EMC testing is made possible. We would like to use this facility for conducting solution sales.

Overseas, sales to Japanese companies account for more than half of sales, but from now on we plan to shift to non-Japanese companies and local procurement and development while also targeting Japanese companies. We will start working on the global expansion of our EMC countermeasure-related support activities. We will also review our production system to reduce costs, improve lead time, and optimize production.

That is all the explanation for today. Pages 38 and following are for reference only, so please take a look at them later. Thank you very much for listening.

［END］