

# Financial Results for the Second Quarter

Fiscal Year 2023

April 1, 2023 - March 31, 2024

(Presentation Materials with Script)

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## 【Event Summary】

Date : November 29, 2023 15 : 00~16 : 00

Venue : Webcast

Speakers : Toru Kurono President and COO

Akitaka Tejima Head of Business Management Division, Director

Takaaki Mano General Manager of General Affairs Department

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Some explanations are supplemented and key points are summarized.

# Presentation

Hello, everyone. I am Toru Kurono, President and COO. Thank you very much for taking time out of your busy schedule today to attend NITTO KOGYO's financial results briefing for Q2 of the fiscal year ending March 31, 2024. I would also like to take this opportunity to thank you all for your continued guidance and encouragement to NITTO KOGYO.

Please note that today's briefing will be conducted in accordance with the financial results presentation materials posted on the Company's website.

## Executive Summary

2Q FY2023

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

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

See page one. We would like to start with our executive summary.

Consolidated sales and net income for Q2 of the fiscal year ending March 31, 2024 were the highest ever recorded. Despite higher prices for parts and materials and higher selling, general and administrative expenses (SGA), marginal profit increased, and the effect of price revisions led to a significant increase in profit. Although the H1 plan was exceeded, the full-year plan remains unchanged from the beginning of the fiscal year.

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Status of the impact of rising material prices, etc., and procurement and effect of price revisions	
Trends of sales of energy management system (EMS) related products	
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Page two, please. This is today's table of contents. I would like to explain items one through four. As for five, please see later for reference.

## 2nd quarter consolidated account highlights

2Q FY2023

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

(Unit: million yen)

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

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First of all, this is a summary of the consolidated financial results for Q2 of the fiscal year ending March 31, 2024. Page four, please.

Highlights of Q2 consolidated accounts summary. Sales were JPY73.1 billion, up 11.5% from the same period last year. Sales of distribution and panel boards increased due to the effect of price revisions and other factors, as well as a recovery in office network projects in the distribution business.

Operating income was JPY4.7 billion, up 119.8% from the previous year. This is due to an increase in marginal profit and the effect of price revisions.

Ordinary income was JPY5.1 billion, up 75.5% from the previous year. Ordinary income exceeded operating income mainly due to foreign exchange gains on loans to overseas group companies.

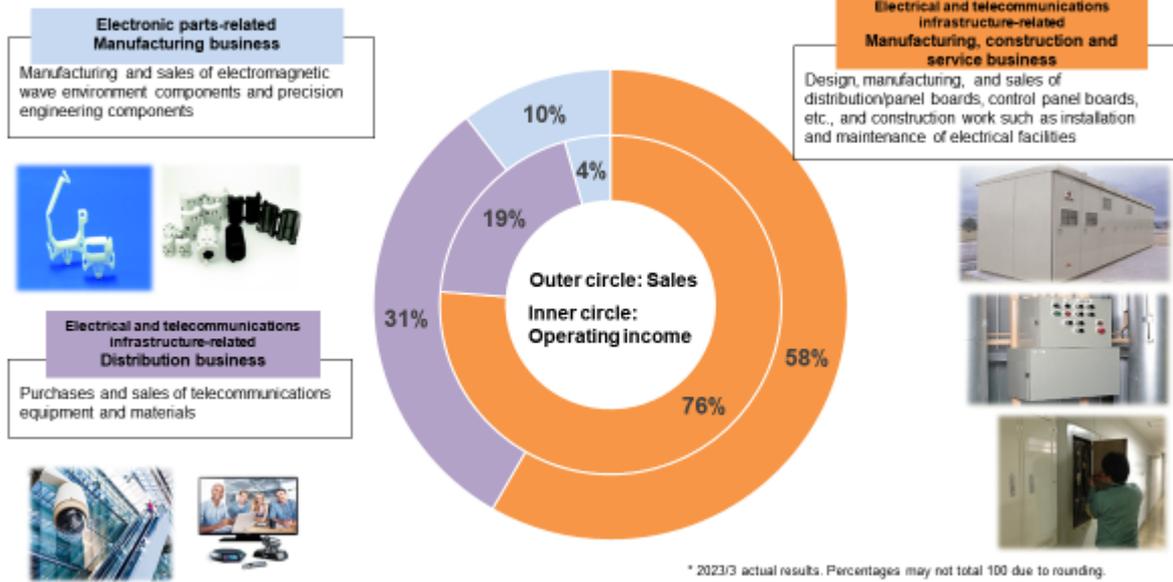
Net income attributable to parent company shareholders was JPY3.5 billion, an increase of 109.9% from the previous year.

As a result of the above, the H1 results reached a record high in terms of sales and net income, and all items achieved the H1 plan announced at the beginning of the period.

We will explain the situation by segment and division in more detail later in this report.

# Business segments

2Q FY2023



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

See page five. I would like to briefly explain the NITTO KOGYO Group and its business segments.

The electrical and information infrastructure-related manufacturing, construction, and services business, led by NITTO KOGYO and shown in orange in the pie chart, is the core business, accounting for 58% of sales and 76% of operating income.

The electrical and information infrastructure-related distribution business, centered on SunTelephone, accounts for 31% of sales and 19% of operating income. This is shown in light purple on the pie chart.

The electronic component-related manufacturing business led by Kitagawa Industries, shown in light blue in the pie chart, accounts for 10% of net sales and 4% of operating income.

## 2nd quarter account highlights by segment

2Q FY2023

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

(Unit: million yen)

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

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

Page six, please. Segment financial highlights. Please note that segment names are abbreviated from this slide on.

First, the manufacturing, construction, and service businesses reported increases in both sales and income. Sales and earnings increased due to higher sales of distribution and panel boards and enclosures, mainly reflecting the effect of price revisions, as well as higher sales at subsidiaries such as Gathergates.

As I mentioned earlier, this segment is the core business of the Group and will be explained in detail later.

Next, in the distribution business, sales and profits increased due to higher sales of network components as office network projects recovered, as well as an increase in renewable energy-related and other projects.

Next, in the electronic components business, sales of thermal management products increased on the back of firm demand in the automotive-related market, but sales declined due to a drop in demand in the air conditioner-related market, etc.

On the other hand, segment income increased due to an improvement in the variable cost ratio and a decrease in SGA.

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

2Q FY2023

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

(Unit: million yen)

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

\* Parentheses refer to internal sales between segments

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Page seven, please. The following is a breakdown of sales by division for the Group's core businesses of manufacturing, construction, and services.

In the distribution boards division, sales increased due to higher sales of high-voltage power receiving equipment and panel boards and the effect of price revisions.

In the enclosure division, sales of steel enclosures and other products increased due to the effect of price revisions, and sales of hole-cutting enclosures increased due to the expanded use of a web-based design and order system.

Sales in the breakers, switches, parts, and others segment increased due to higher sales of breakers and increased sales of EV charging stations, boosted by government subsidy policies.

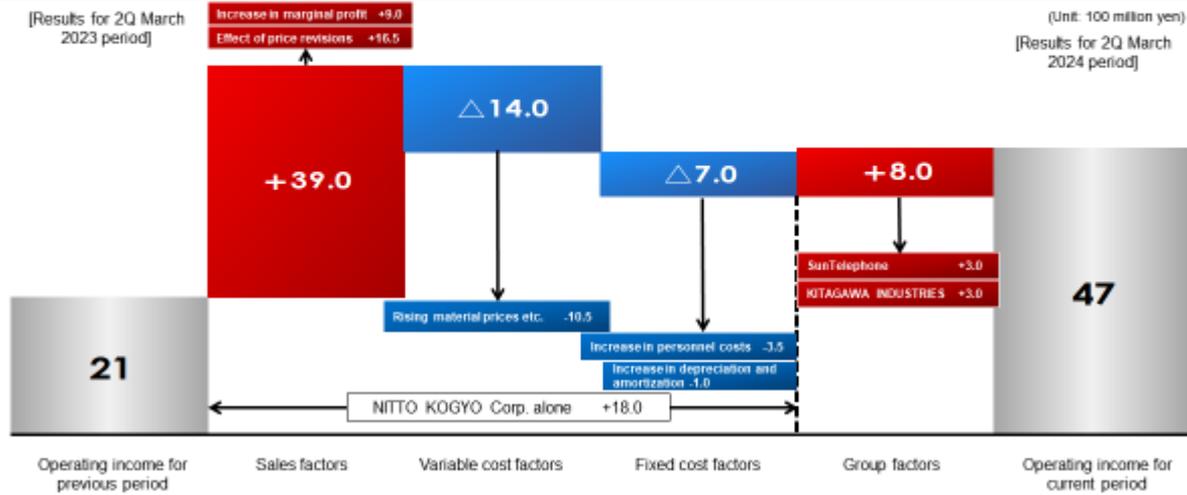
In the construction and services segment, sales declined due to lower sales of telecommunications work for office and hospital projects.

As a result, the sales plan for H1 was achieved in the distribution boards and enclosure divisions but not in the breakers, switches, parts, and other divisions and the construction service division.

## Factors in changes in 2nd quarter consolidated operating income

2Q FY2023

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



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Page eight, please. This is the factor behind the increase or decrease in consolidated operating income for Q2 and the same period of the previous year.

The previous period was JPY2.1 billion and the current period was JPY4.7 billion, an increase of roughly JPY2.6 billion.

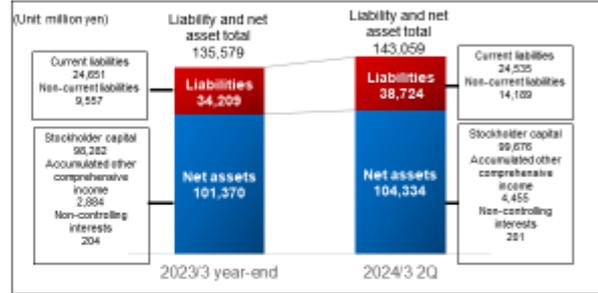
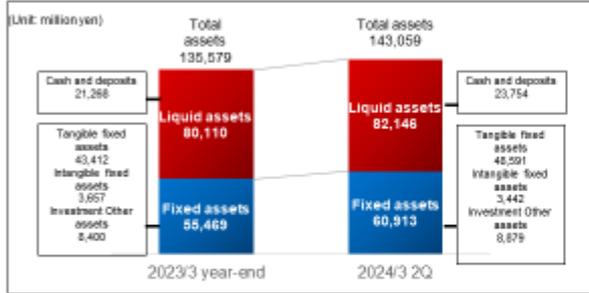
Factors at NITTO KOGYO on a non-consolidated basis included an increase of about JPY1.8 billion from the previous year although profit increased by JPY3.9 billion due to an increase in marginal profit and the effect of price revisions, JPY1.4 billion due to soaring material prices, and another JPY700 million due to higher personnel costs and overhead expenses.

Next is the group factor. With SunTelephone and Kitagawa Industries posting higher profits than in the previous year, the Group as a whole posted an increase of about JPY800 million.

# Overview of consolidated finances for the second quarter

2Q FY2023

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



<Main changes>

■ Assets

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

■ Liabilities

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

■ Net assets

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

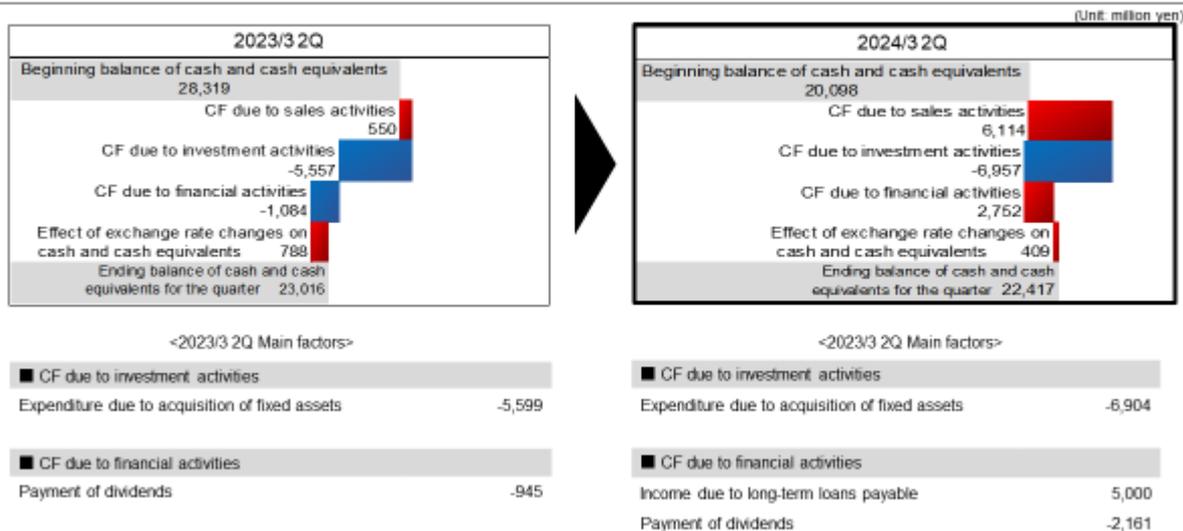
See page nine. Summary of consolidated financial position.

Total assets in Q2 increased approximately JPY7.4 billion from the end of the previous quarter. This was due to an increase in liquid assets, such as cash and deposits and inventories, as well as an increase in fixed assets, such as construction in progress related to the Seto Plant.

## 2nd quarter consolidated cash flow statement

2Q FY2023

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



Please page 10. This is the consolidated statement of cash flows. The left side is the previous period, and the right side is the current period.

Cash flow from operating activities was positive JPY6.1 billion, and cash flow from investing activities was negative JPY6.9 billion, and this was mostly due to the purchase of fixed assets related to the Seto Plant.

Net cash provided by financing activities was positive JPY2.7 billion, which came from proceeds from long-term debt.

As a result, cash and cash equivalents at the end of the quarter amounted to JPY22.4 billion, up approximately JPY2.3 billion from the beginning of the period.

I will then discuss topics.

## Price revisions

2Q FY2023

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

### ➤ Third price revisions (from April 2024)

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

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

Disclosed on September 25, 2023

See page 12. First, I would like to discuss the price revision.

We have decided to implement the third round of price revisions starting in April 2024. This is the second price increase for enclosure and system racks since the first one in July 2022. We refrain from presenting the effect on the business performance for the fiscal year ending March 31, 2025, that is, the next fiscal year, at this time, as the sales plan and other details are yet to be finalized.

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

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

See page 13. Next, I would like to discuss the impact of the sharp rise in material prices and other factors, the status of procurement, and the effects of price revisions, which form the premise for the full-year plan.

As you can see, the results here were almost as expected for each item. Although there were some bumps in H1, we believe that the full-year results will be largely in line with our expectations.

## Trends of sales of energy management system (EMS) related products

2Q FY2023

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

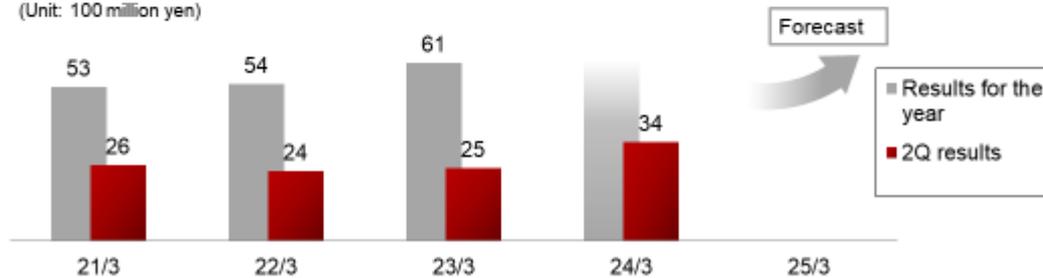
"Energy management system (EMS) related products" refers to the aggregate sales of the following products:

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

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

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

(Unit: 100 million yen)



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See page 14. Next, we will introduce the sales trends of products related to energy management systems, a business area in which we are aiming to expand. These are our sales on a non-consolidated basis. This is only a reference level.

Sales of EMS-related products in H1 increased 33.3% from the previous year to JPY3.4 billion. In addition, sales of home panel boards with power-switching functions and high-voltage power receiving equipment related to solar power generation systems have increased in line with the growing demand for storage batteries. We are confident that our efforts are bearing fruit, albeit gradually.

Starting on page 15, we will explain our full-year consolidated earnings forecast for the fiscal year ending March 31, 2024.

## Premises of the plan for the year

2Q FY2023

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

Amounts in table: Year-on-year basis

Please page 16. This is an assumption for our non-consolidated full-year plan.

First, with regard to raw material prices and component prices, we expect price hikes to push down operating income by JPY0.8 billion from the previous year.

Then, we expect that the situation of procurement difficulties will continue to ease and some of them will normalize in the current fiscal year.

The effect of the price revision will be presented in detail on the next slide.

Others are as shown.

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

2Q FY2023

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

### > First price revisions (from July 2022)

Product lines to be affected	Revision rate
Enclosure	Approx. 10%
System racks	Approx. 10%
Optical junction boxes	Approx. 5%
Some thermal management products	Approx. 10%
Some panel board accessories	Approx. 10% Approx. 25% for copper-related parts
Standard panel boards and control panel boards	Approx. 2 to 8%

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

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

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

Page 17, please. One of the assumptions of the full-year plan that I introduced earlier is the effect of the price revision.

As you can see on the slide, the first round was implemented last July, and the second round has been implemented in this April. The target product group is being revised by 10% to 15%, focusing on products that were foregone in the first phase. The total effect of these two increases is expected to be JPY2.9 billion this fiscal year.

## Forecast of consolidated results for the year

2Q FY2023

- Sales are expected to expand due to a sales increase in existing markets accompanying solid demand for facilities investment.
- Income is expected to rise mainly due to an increase in marginal profit by a sales increase and the effect of price revisions, although there is the impact of raw material prices remaining high and soaring material prices.

(Unit: million yen)

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

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Page 18, please. This is our consolidated earnings forecast for the full year.

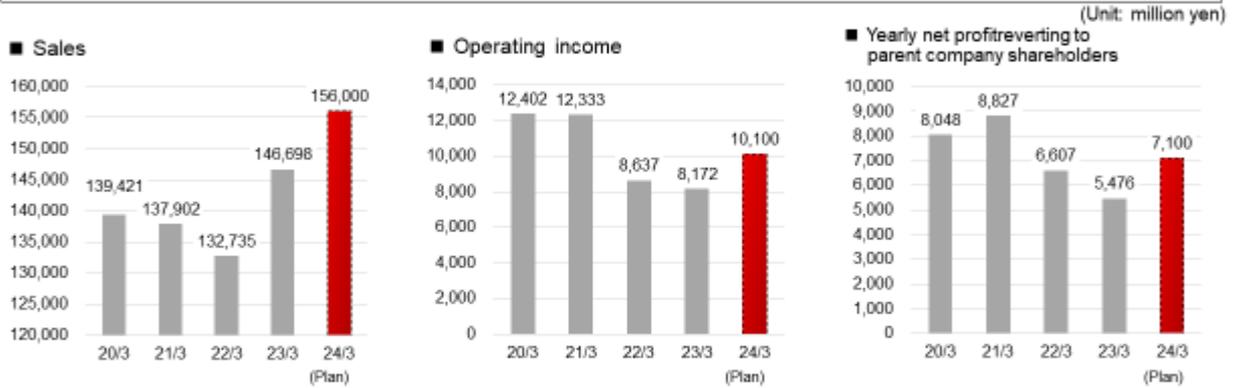
Sales are assumed to be JPY156 billion, plus 6.3%. As presented in the executive summary, there are no changes from the plan at the beginning of the period. Sales are expected to increase due to higher sales in the existing market, reflecting firm demand for facilities investment.

Operating income is expected to be JPY10.1 billion, an increase of 23.6%. Profit items are expected to increase due to an increase in marginal profit from higher sales and the effect of price revisions despite the impact of high raw material prices and soaring component prices.

# Consolidated performance trends

2Q FY2023

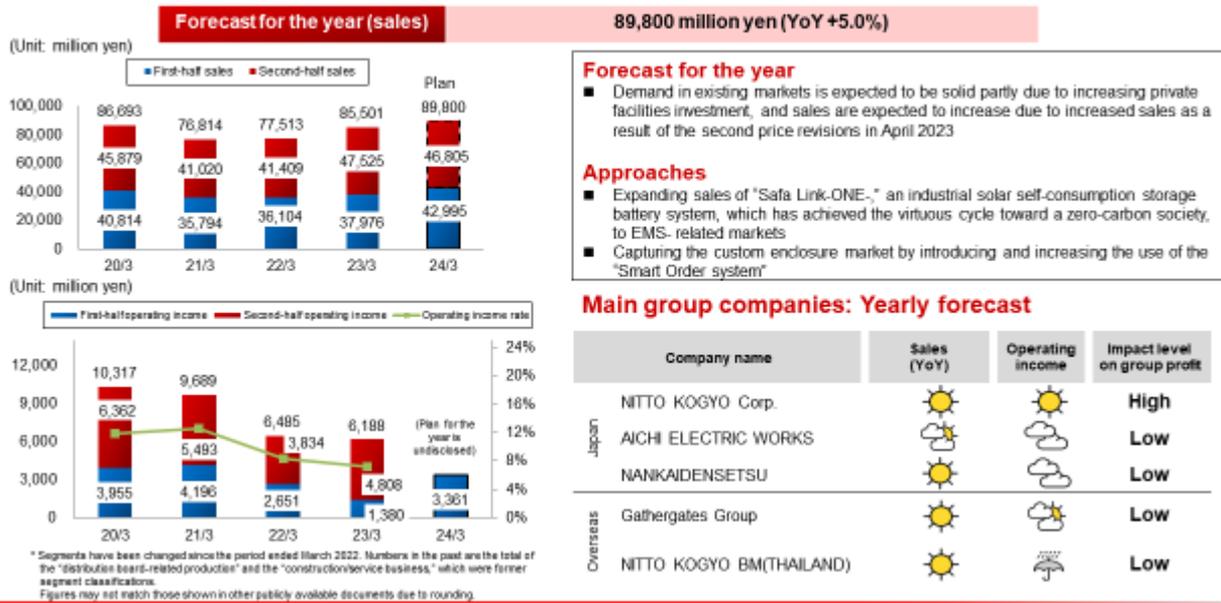
■ If we are on target with the plan for the period ending March 2024, we expect to achieve the highest sales and the sixth highest operating income in our history.



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

Page 19, please. Consolidated operating results.

If the fiscal year ending March 31, 2024 lands as planned, sales will be the highest ever and operating income the sixth highest ever.



Page 20, please. Segment forecasts.

First, sales in the manufacturing, construction, and services segment are projected to be JPY89.8 billion, an increase of 5% over the previous year.

We assume that demand in the existing market will remain firm due to factors such as the upward trend in private-sector facilities investment, and we also expect an increase in revenue due to higher sales following the second round of price revisions in April 2023.

As a specific initiative, we will expand sales of Safa Link-ONE, an industrial solar self-consumption energy storage system that realizes a virtuous cycle toward a decarbonized society, to energy management-related markets. We have also introduced a smart order system that allows customers to place orders for custom-made products as if they were standard products. We will work to expand enclosure sales through increased use.

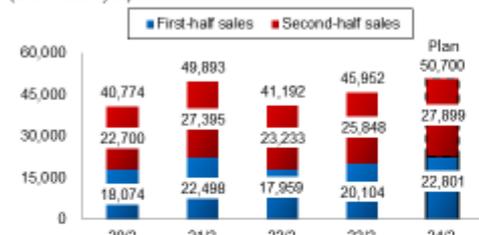
# Business forecast by segment (Distribution business)

2Q FY2023

## Forecast for the year (sales)

50,700 million yen (YoY +10.3%)

(Unit: million yen)



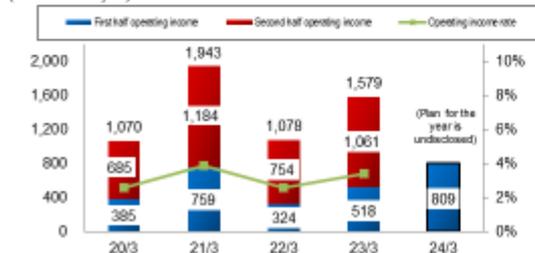
## Forecast for the year

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

## Approaches

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

(Unit: million yen)



## Main group companies: Yearly forecast

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

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

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Page 21, please. Next is the distribution business.

Sales in the distribution business are projected at JPY50.7 billion, an increase of 10.3% over the previous year.

In addition to a continued moderate recovery in demand for our mainstay office-related projects, we expect an increase in revenue due to the effects of M&A of local Thai companies and other factors.

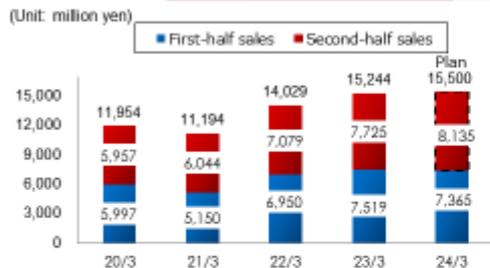
Major initiatives include promoting efficiency by expanding the introduction of e-commerce sites. Expand sales of lightning strike solutions and other solutions in the renewable energy market. We will build a foundation and expand sales in the ASEAN region, centering on subsidiaries in Thailand and Vietnam.

# Business forecast by segment (Electronic parts business)

2Q FY2023

## Forecast for the year (sales)

15,500 million yen (YoY +1.7%)

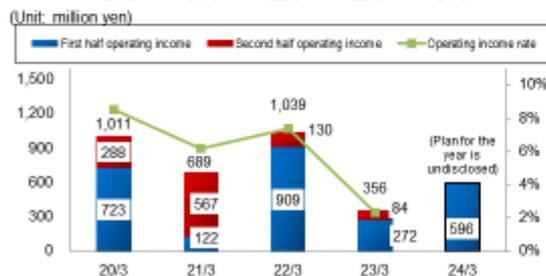


## Forecast for the year

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

## Approaches

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



## Main group companies: Yearly forecast

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

Page 22, please. Next is the electronic component-related manufacturing business.

Sales in the electronic components-related business are projected at JPY15.5 billion, an increase of 1.7% over the previous year.

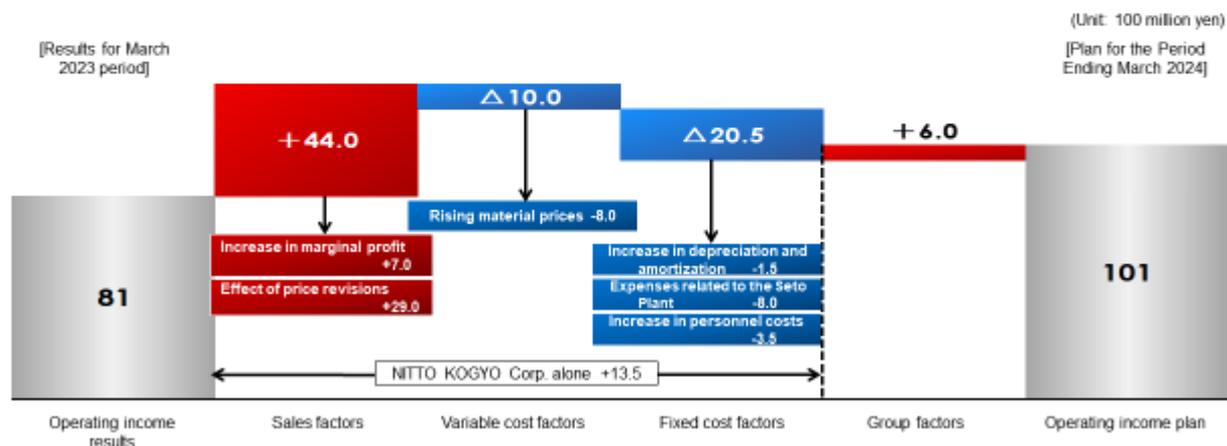
In addition to the automotive-related market, where demand is expected to recover as the semiconductor supply shortage is resolved, we expect sales to increase in the appliance-related market and for price revisions to penetrate.

Specifically, we aim to increase sales of products that address electromagnetic wave noise and heat by specifying solutions for customers who are troubled by such problems. We aim to expand sales to the booming Chinese automotive market.

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

2Q FY2023

- Consolidated operating income for period ending in March 2024 is forecast to increase 23.6% year on year to 10.1 billion yen
- For NITTO KOGYO Corp. alone, an increase in marginal profit and the effect of price revisions will become factors that push up income despite rising prices of procured materials (variable cost factors) and increase in expenses related to the Seto Plant (fixed cost factors).
- For the group, particularly, an income increase in SunTelephone and KITAGAWA INDUSTRIES will become factors that push up income.



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Page 23, please. Full-year consolidated operating income, YoY change factors.

Consolidated operating income for the fiscal year ending March 31, 2024 is projected to increase 23.6% YoY to JPY10.1 billion.

NITTO KOGYO on a non-consolidated basis expects an increase of approximately JPY1.35 billion, and the Group expects an increase of approximately JPY600 million.

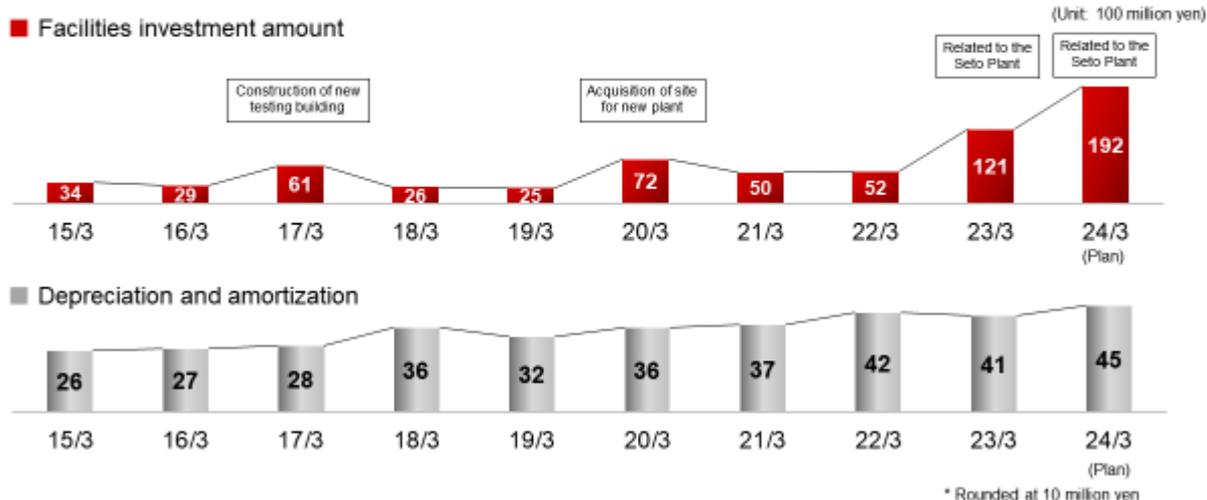
This is a breakdown. NITTO KOGYO on a stand-alone basis expects an increase in profit, with sales factors such as an increase in marginal profit and the effect of price revisions. Variable cost factors, such as higher material prices, are expected to result in a decrease in profit. Fixed cost factors, such as an increase in expenses related to the Seto Plant, are expected to result in a decrease in profit.

Group factors are expected to increase due to higher earnings at SunTelephone and Kitagawa Industries and lower amortization of goodwill.

## Facilities investment amounts and depreciation and amortization

2Q FY2023

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



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Page 24 please. This is the consolidated facilities investment. Depreciation and amortization are also listed here.

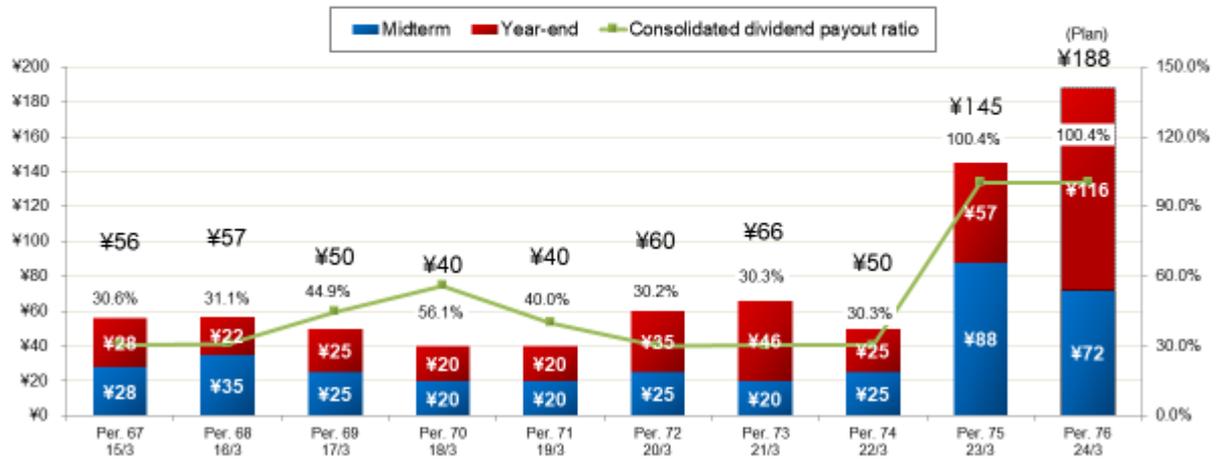
Facilities investment for the fiscal year ending March 31, 2024 will be JPY19.2 billion, an increase of JPY7.1 billion from the previous year. Construction-related expenses for the Seto Plant are planned to continue to increase.

Depreciation and amortization expenses will increase JPY400 million from the previous year.

# Dividend status

2Q FY2023

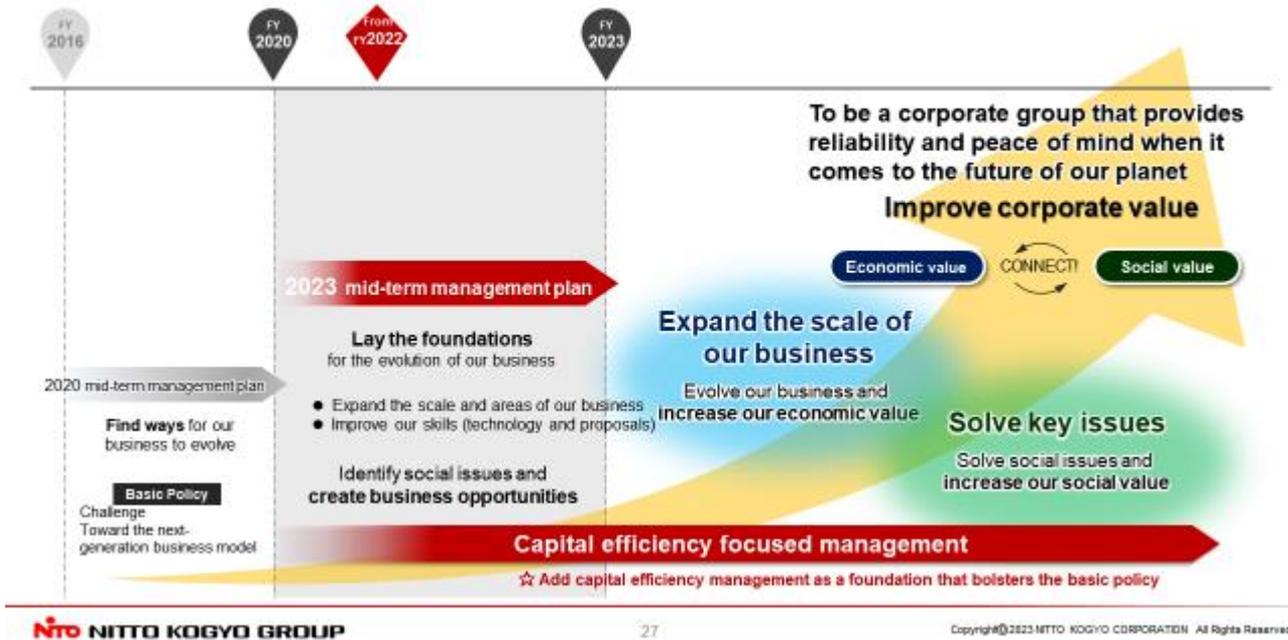
- The interim dividend will be 72 yen, unchanged from the initial plan
- In the period ending March 2024, dividends for the year will be 188 yen and the dividend payout ratio will be 100.4% on a consolidated basis (unchanged from the initial plan)



Page 25, please. Dividend status.

The interim dividend will be JPY72 per share, as planned at the beginning of the fiscal year. For the fiscal year ending March 31, 2024, we plan to pay a full-year dividend of JPY188, a consolidated dividend payout ratio of 100.4%. There is no change from the plan at the beginning of the period.

Next, from page 26 onward, we will introduce our medium-term management plan.



Page 27, please. This is a long-term growth story.

The NITTO KOGYO Group strives to enhance its corporate value, aiming to achieve both economic and social value, and to grow into a corporate group that delivers trust, technology, and contribution to the future of the earth.

The 2023 mid-term management plan period is defined as three years to lay the foundation for our journey to the next step, three years to create new businesses, and three years to prepare the Seto Plant for growth.

## Basic

## Establish the foundations and take an aggressive approach

## Build a solid business foundation

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

## Strengthen the group's business foundation

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

## Work to expand our business

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

## Actively invest in growth

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

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

- ✓ Promote capital efficiency focused management with an awareness of ROE and BS management.
- ✓ Curb an addition to equity by revising the shareholder return policy and raising the dividend payout ratio to 100% for the two periods (the period ended March 2023 and the period ending March 2024) in the current mid-term management plan.

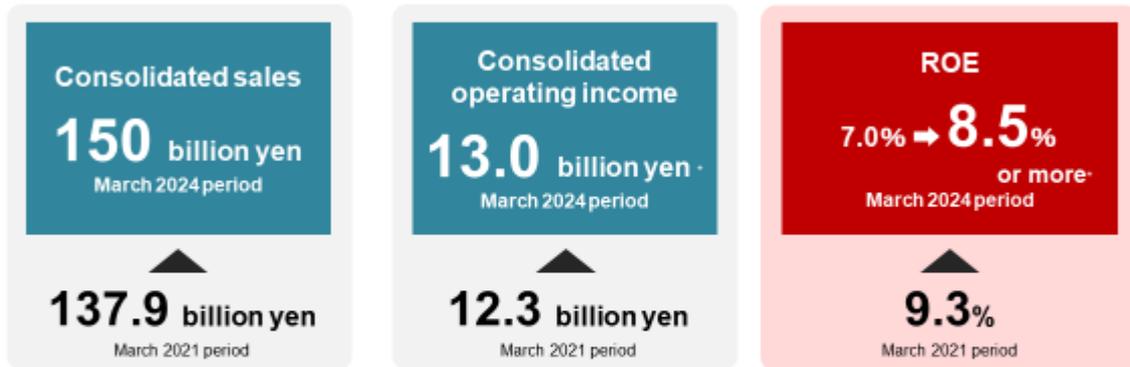
## Conduct policy

## Boldly face challenges !

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

Page 28, please. Medium-term management policy.

In addition to the foothold solidification and aggressive management, we will promote capital efficiency management and BS management with emphasis on ROE to support this basic policy.



\* This target takes into account how our results will be impacted by major investments such as the costs associated with the new plant.

- ▷ Our focus in this mid-term management plan is on preparing (establishing the foundations) for growth from FY 2023 onward.
- ▷ COVID-19's impact on the market is expected to lessen from FY 2021 onward. With that in mind, we will work on recovery measures so that we can reach our pre-COVID results again by the final year of this mid-term management plan.
- ▷ **Curb an addition to equity by raising the dividend payout ratio to 100% for the two periods (the period ended March 2023 and the period ending March 2024) in the current mid-term management plan, thereby aiming to increase ROE close to the level of the most recent ratio.**

Page 29, please. This is a financial target.

The Company has set a target of JPY150 billion in consolidated sales, JPY13 billion in consolidated operating income, and ROE of at least 8.5%.

**Electrical and telecommunications infrastructure-related Distribution business**  
Toward becoming a solutions partner who creates new domains and the next generation

**Electrical and telecommunications infrastructure-related Manufacturing, construction and service business**  
Expand the domain of a value creation model in responsible business and standard product business as a group

**Electronic parts-related Manufacturing business**  
Deepen and evolve core technology and roll out solutions globally

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

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Page 30, please. This is about business policy and strengthening the foundation.

In the manufacturing, construction, and service business, we catch up with customer requirements and trends as quickly as possible by taking orders for responsive products that are designed and manufactured based on customer requests for each and every product. By mass-producing these demanding products as standard products, we can achieve stable quality, short delivery times, and low prices, leading to increased customer satisfaction. That is our strength. We aim to ensure high profitability by picking up the needs of each group company and broadening our range by developing standard products for use within the Group.

In addition, we will focus on electric vehicle charging systems, disaster prevention and mitigation products, energy management products that contribute to carbon neutrality, and the overseas distribution board business, including Gathergates in Singapore. Furthermore, we will focus on aggressively taking on local projects that take advantage of the new plant at NITTO KOGYO BM (THAILAND) to get the overseas switchboard business back on track and grow.

In the distribution business, we aim to grow into a solution partner that creates new areas and the next generation. In the future, new technologies such as 5G and 6G will make the information communication market and data center-related market boom, and we will strive to expand sales of related products. We will also focus on expanding sales of e-

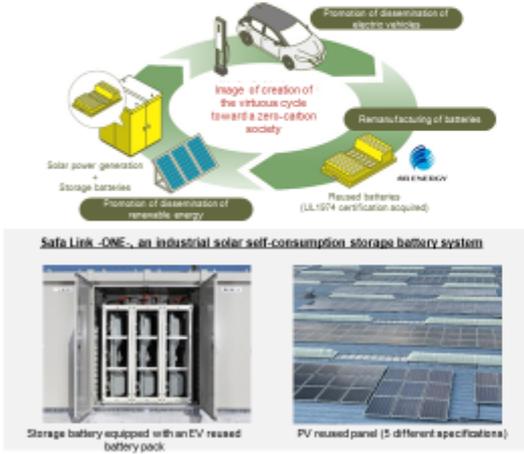
commerce and other systems that can improve the efficiency of ordering and receiving operations.

In the electronic components-related business, we aim to further research and evolve our core technologies for range noise countermeasures such as EMC and other range noise countermeasure technologies and thermal countermeasure technologies for heat dissipation and develop solutions globally.

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

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

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



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

Overview of system

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

Page 31, please. Next will be the progress of the business strategy of the 2023 mid-term management plan.

In the manufacturing, construction, and services business, we will step up activities to win orders for Safa Link-ONE, an industrial solar self-consumption energy storage system that utilizes EV reused batteries and solar reused panels, in order to promote efforts to realize a decarbonized and recycling-oriented society.

We have received many inquiries since we started taking orders in April of this year, and we feel that we have attracted a great deal of attention. We will continue our efforts to solve social issues to realize a decarbonized and sustainable society.

**Electrical and telecommunications infrastructure-related distribution business**

Achievements	<b>Expansion of solution merchandise/expansion of sales to new markets</b>		
	<b>Contribution to building a super smart society via DX</b>	<b>Creating new value-added businesses</b>	
	<ul style="list-style-type: none"> <li>Solutions for issues proposed to many customers through exhibitions nationwide</li> <li>Expansion of sales of solution merchandise including network cameras and wireless LAN by strengthening proposal activities</li> </ul>	<ul style="list-style-type: none"> <li>Increase in sales of merchandise for renewable energy and disaster prevention IA, for which initiatives are being strengthened to complement the telecommunications business, which is our core business, and to build a new business pillar</li> </ul>	

**Electronic parts-related manufacturing business**

Achievements	<b>Expansion of overseas business/strengthening of solutions for the automotive industry</b>		
	<b>Expansion into overseas markets</b>	<b>Strengthening of technical support for promoting the transition to electric vehicles</b>	
	<ul style="list-style-type: none"> <li>EMC technology seminar and support for EMC measures provided primarily to customers in ASEAN</li> <li>Expansion of sales of EMC products for EV-related</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition of the technical certification for EV-Chamber test from CATARC (Guangzhou) in China</li> <li>Expansion of use of entrusted test in EV-Chamber</li> </ul>	

Page 32, please. Next, in the distribution business, we are working to accurately respond to market needs, contribute to the realization of a super-smart society through digital transformation and DX, and create new value-added businesses that will form the second pillar of our business.

In the electronic components business, we are working to develop overseas markets and to strengthen technical support for the promotion of vehicle electrification.

These are steadily progressing in line with specific business strategies.



Page 33, please. This is the last page. This will be a presentation of our strategy for further growth.

We will focus on expanding the scale of our infrastructure business, which supports the electrification of automobiles, and our energy management-related business. To realize this goal, we will continue to invest in M&A and R&D, as well as in green investment, digital investment, and human resources to reduce our environmental impact.

Furthermore, we will continue our capital efficiency management and aggressively expand our business to provide value to all stakeholders. Thank you for your continued support.

This concludes my explanation. Thank you for your attention.

[END]