



Undertaking challenges and reform with a basic policy of accelerating evolution, we will proactively invest to expand the reach of our business.

President & COO
Toru Kurono

Achieving major results by firming up our platform for the future

FY2023 saw increased revenue and profit, and sales reached a record high. The impact of the COVID-19 pandemic fell away, and investment in buildings and facilities recovered alongside strong performance from commodities related to information and communication. Also, we were able to successfully revise prices amid rising raw material and component prices. These factors led to a significant increase in profit.

To sum up the 2023 Mid-term Management Plan, although the global economy was initially sluggish due to factors including COVID-19 and the situation in Ukraine, it began to recover in the second half of FY2022, and this led to sales that exceeded the target we set. As a result, we were able to more or less reach our operating profit and ROE targets.

We also largely achieved our business strategy targets as planned. As the NITTO KOGYO GROUP worked to operate in a way that delivered both

economic and social value to increase its corporate value, the group designated the 2023 Mid-term Management Plan as a period in which we would solidify our platform, and in our core businesses of distribution boards and enclosures, we worked on increasing profitability by shifting from design and production made to order to standardized products. Furthermore, we worked proactively to expand sales of our EV chargers as an aggressive business action and on new businesses and new services such as a self-consumption storage battery system utilizing reused EV batteries for solar power generation facilities. We have also established a profitable structure in our overseas business by developing businesses that specialize in products in which the NITTO KOGYO GROUP has strengths.

The fact that the path down which we should proceed has become clear through initiatives such as these is the most significant result obtained from the 2023 Mid-term Management Plan.

Focusing on new EMS, EV, and disaster prevention-related businesses to contribute to the environment

The basic policy of the 2026 Mid-term Management Plan, which commenced in FY2024, is to accelerate evolution to build on the results of the 2023 Mid-term Management Plan. When it comes to handling socioeconomic upheaval, speed is important. The NITTO KOGYO GROUP intends to accelerate the evolution of people, technology, business, companies, and the group through taking on challenges and reforming, and to achieve consolidated sales of 200 billion yen, consolidated operating profit of 15 billion yen, and ROE of 9.0%.

The aspect of challenges refers to responding to new opportunities, and to proactively investing in growth. We will boldly take on the challenge of creating new markets, expanding our business reach including our overseas business, developing new technologies, and making strategic investments including M&A.

The aspect of reforms refers to responding to risk, and building a solid business and management infrastructure. We will build a strong management foundation by reforming existing business processes, creating a supply chain that can respond to various risks, strengthening the NITTO KOGYO GROUP's infrastructure base, and improving the effectiveness of business portfolio management.

In the development of our business, we will focus on the three domains of energy management systems (EMS), EV-related business, and disaster prevention-related business as a strategic businesses to contribute to the conservation of the global environment. In the field of EMS, in March 2024, we established EM solutions Co., Ltd. as a joint venture with FA Products Inc., Sansha Electric Manufacturing Co., Ltd., and Tokura Corporation (50.1% of funding from NITTO KOGYO), and we will work on accelerating business expansion into areas such as a self-consumption storage battery system utilizing reused EV batteries for solar power generation facilities and EV/PHEV



general charging stands. Going forward, we will take forward development with a view to entering the field of household storage batteries, and we hope to make this a pillar of our future business.

In the field of disaster prevention-related business, over recent years there have been electrical fires suspected to have been caused by tracking, such as Shurijo Castle and Notre Dame Cathedral, so we have developed a spark discharge detection device that can detect extremely weak electrical discharges and delivered these products to important cultural assets, including Kunozan Toshogu Shrine, Zenkoji Temple, Matsumoto Castle, and Sapporo Clock Tower. Furthermore, we are working on the development of products to contribute to electrical safety during disasters, such as seismic circuit breakers that prevent damage from electricity in earthquakes.

In terms of enhancing our core businesses foundations, we have deployed the latest automated production line that leverages DX at our Seto Factory, which commenced operations in April 2024 as an environmentally-friendly smart factory, where we have achieved highly efficient production through multi-product mixed production that includes our internally-developed cabinets that can be customized on the website. In addition, by welcoming our industry peer Tempearl Industrial into the NITTO KOGYO GROUP, we will aim to maximize the synergy effect by pairing the technologies and specialist fields of both companies, and will aim to further improve our competitiveness.

Aiming for growth and improvement of corporate value by developing human resources

As a business that supports the social infrastructure indispensable for daily life and industry, the NITTO KOGYO GROUP will continue its philosophy of putting quality and trust first and promote the enhancement of corporate value by striving to develop human resources that will be the driving force for growth.

We have been fortunate to see a major increase in the number of individual investors and other shareholders thanks in part to the payout ratio of 100%, albeit limited to two periods during the course of the 2023 Mid-term Management Plan. In order to live up to the expectations of our shareholders and other stakeholders, from this period, we will seek an optimum balance between proactive investment and shareholder returns to increase capital efficiency and achieve sustainable growth. I hope that you will provide further kind understanding and support to us.



New Mid-term Management Plan

The basic policy for the 2026 Mid-term Management Plan is to accelerate evolution. By repeatedly and nimbly undertaking the two activities of taking on challenges as a response to opportunities and undertaking reforms as a response to risks, we will aim to achieve evolution. The NITTO KOGYO GROUP has always boldly and steadily expanded the role it plays in society. We will aim to accelerate the evolution of people, technology, business, the company, and the group by ensuring each individual and each organization repeatedly takes on challenges and enacts reforms in accordance with their role.

Acceleration of evolution

Evolution of people, technology, business, companies, and the group
Achieve evolution through repeated **challenges** and **reform**



Financial targets

Using the platform (foundation) that we have built up through the previous Mid-term Management Plan, we will aim to make these three years a period in which we accelerate the evolution of our business.

In specific terms, by working to further strengthen our core businesses while boldly taking on the challenge of growth businesses, we will aim to achieve a record high for consolidated sales and operating profit of 200 billion yen and 15 billion yen respectively in the fiscal year ending March 2027.

The ROE target for the fiscal year ending March 2027 shall be at least 9.0%, and we will achieve an ongoing increase in ROE by increasing capital efficiency through the pursuit of an optimized balance between growth investment and shareholder returns.

- Use the platform (foundation) that built up through the previous Mid-term Management Plan to make these three years a period of accelerating the evolution of our business
- Work to further strengthen our core businesses while boldly taking on the challenge of growth businesses and achieve a record high for sales and operating profit
- Achieve an ongoing increase in ROE by increasing capital efficiency through the pursuit of an optimized balance between growth investment and shareholder returns

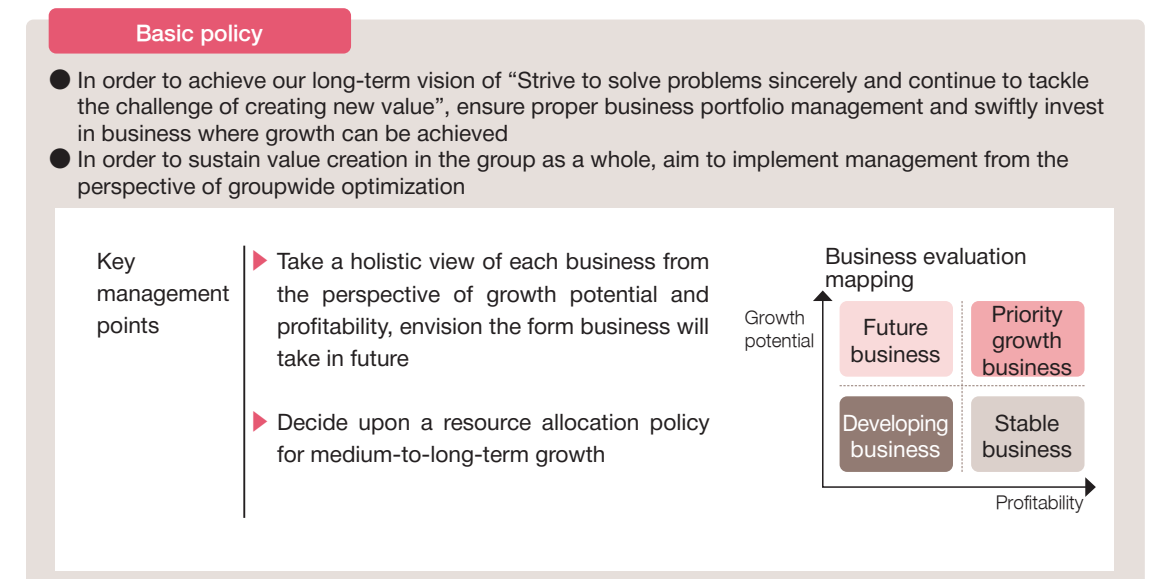


Business portfolio

Basic policy

This indicates our basic policy for the NITTO KOGYO GROUP's business portfolio management.

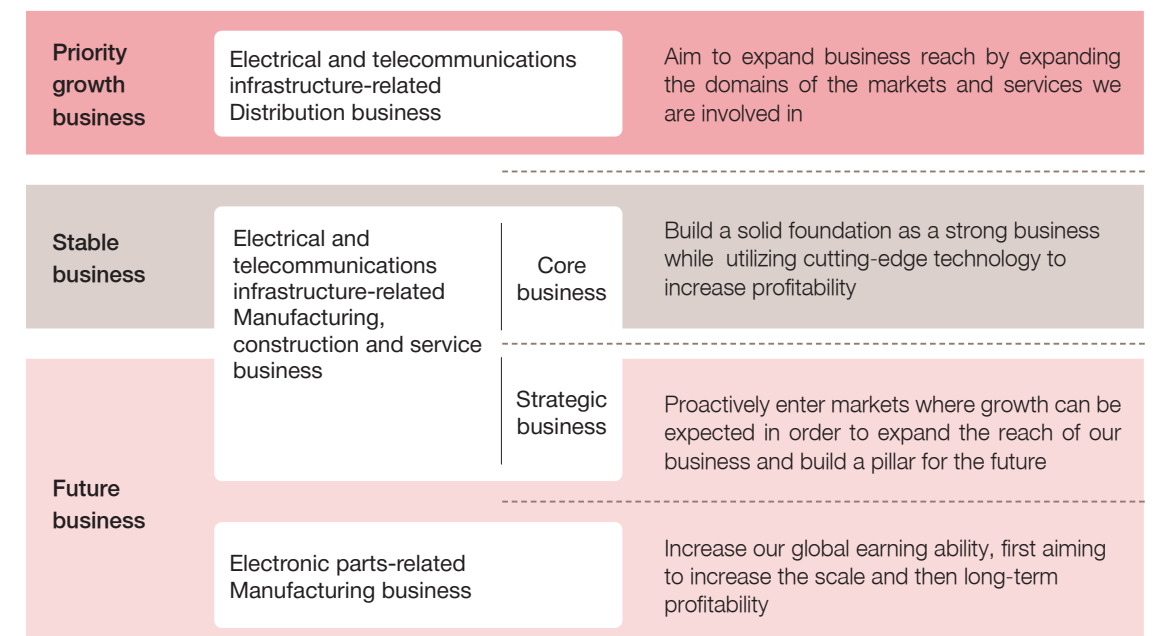
Achieve ongoing growth in group earning power through optimum allocation of management resources



Direction of growth

This indicates our approach to growth for each of the NITTO KOGYO GROUP's business segments.

We will clarify the position and direction of each business from the perspective of growth potential and profitability to undertake our business



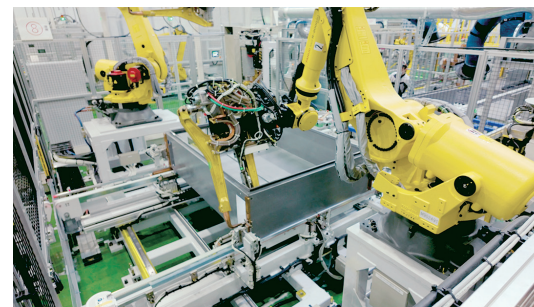
Special
feature

Environmentally-friendly smart Factory NITTO KOGYO Seto Factory Now in Operation

The NITTO KOGYO Seto Factory, which had been under construction in the city of Seto in Japan's Aichi Prefecture, commenced operations on April 23, 2024. As an environmentally-friendly smart factory, the Seto Factory is able to efficiently produce products, including enclosures for storing electrical devices, in an energy-saving manner. Taking the start of operations at this factory as a new step for the NITTO KOGYO GROUP, we will continue to meet the needs of our customers with highly efficient and high quality manufacturing.

1.5 times greater production capacity for large enclosures

Production functions from the previous Nagoya Factory have been shifted to the Seto Factory, and this cutting-edge automated factory uses an MES (manufacturing execution system) to automate everything from receiving orders to production and shipment. This has increased large enclosures production capacity to roughly 1.5 times that of the previous production capacity. And going forward, we intend to take the know-how that we put into practice at the Seto Factory as a model factory for NITTO KOGYO's production automation and roll it out to other factories both in Japan and overseas.



Automated robots (sheet metal/welding)

Cabinets that can be customized on the website

The Seto Factory is equipped with a convenient web ordering system, producing cabinets that can be easily customized on the website. The system incorporates features such as a smooth drawing system, price visualization, and a delivery date display that allows customers to check production status, allowing them to easily place orders for special-order products on the web at any time. There are more than 10 million specification variations enabling a range of specification changes, meaning the workload for separate processing is greatly reduced. Thanks to this, it is now possible to shorten the 15 or more days it previously took to produce a custom product down to between four and seven days.



Autonomous mobile robots (AMR).
They avoid people and obstacles and determine their own path of travel.



Seto Factory

An environmentally-friendly factory focusing on sustainability

With the Seto Factory as an environmentally-friendly factory, we have achieved the top rank of five stars in the BELS assessment (Building-Housing Energy-efficiency Labeling System) while also acquiring ZEB certification.

At the Seto Factory, all of the electricity that is used in factory operations comes from renewable energy supplied by the solar power generation system installed on the factory's roof (with a panel capacity of 1,312 kW) and purchasing of carbon-free electricity. Furthermore, we have installed storage battery facilities to ensure a supply of electricity for disaster prevention in our office area.



An electric truck with NITTO KOGYO livery

In addition, the factory takes the environment into consideration with the measures including the installation of a self-consumption storage battery system that reuses batteries from electric vehicles, the utilization of electric trucks, and the installation of electric vehicle charging equipment in the parking areas.

Electricity generated from the solar power generation system installed on the south side of the Seto Factory's grounds (panel capacity: 1,134 kW) is transmitted to our Nakatsugawa Factory, and this helps to reduce CO₂ emissions. (P.46)



EV charging equipment installed in the parking area

Built in Seto, the Birthplace of NITTO KOGYO

NITTO KOGYO was founded in 1948 in the city of Seto. Seto is known as the town of ceramics, and the company started out as a manufacturer of electrical equipment utilizing pottery and pressing technology. And in April 2024, we started operations at a new future-oriented factory in the company's birthplace to meet the needs of the times as a company that links electricity and information from a global perspective.



The Seto Factory in 1960

Overview of the Seto Factory

- Location 22-4 Yatoko-cho, Seto-shi, Aichi, Japan
- TEL: (0561)-56-4700 FAX: (0561)-56-4701
- Area of grounds: 249,000 m²
- Area of building: 50,000 m²
- Construction: Steel-framed, flat roof (two floors in some areas)





By taking on challenges and working on reforms as a group, we will proactively challenge ourselves in the field of growth businesses

Managing Director **Koichiro Sato** Continue to take on the challenge of creating new value with an eye to the future

The 2026 Mid-term Management Plan that got underway in April 2024 states that we will proactively take on the challenge of growth business with the theme of accelerated evolution in order to establish a growth mechanism.

As a director with responsibility for our business, I will do my utmost to further accelerate the evolution of each of our businesses and achieve the goals of the 2026 Mid-term Management Plan while working earnestly on finding solutions for a range issues with a focus on those such as energy, information and communication, and automation.

The direction of our portfolio strategy for growth

In the 2026 Mid-term Management Plan, we will classify each business into one of the three fields of priority growth businesses, stable businesses, and future businesses along the two lines of growth potential and profitability, and aim to achieve growth over the medium-to-long term.

Priority growth businesses are those that have both high future growth potential and profitability. We have positioned the electrical and telecommunications infrastructure-related distribution business segment as a priority growth field and are engaged in this business mainly through the group company SunTelephone Co., Ltd. SunTelephone Co., Ltd. has a top-class record as a trading company in the business of telecommunications infrastructure, and it has a strong relationship of trust with its customers as it can meet their needs with its information capabilities and the speed of its response. I believe that this business has a high potential to grow significantly going forward in terms of the products it offers and the domains

in which it is engaged. And it goes without saying that there is also a high potential for global market expansion. In specific terms, with a focus on areas including environmental energy, FA (factory automation), and data centers, the company will expand its sales of products with the potential for inclusion in proposals to customers. Beyond product sales, SunTelephone Co., Ltd. will work on expanding its business domains to include local surveys, proposals, installation, and construction services while aiming to enhance its solution business by leveraging overseas sales hubs in Thailand and Vietnam.

Furthermore, the company will strengthen its network with customers such as telecommunications carriers and system integrators and advance supply chain management by digitalizing sales processes through its e-commerce site.

Further enhancement and improved profitability for stable businesses

Among our electrical and telecommunications infrastructure-related manufacturing, construction, and services business, we classify our core businesses of distribution boards and enclosures as a stable business. We will build up it as a solid foundation for strong business while proactively utilizing cutting-edge technology to increase profitability. This business will mainly be carried out by NITTO KOGYO, Aichi Electric Works Co., Ltd., Taiyo Electric Mfg. Co., Ltd., and Tempearl Industrial.

The concept behind the Seto Factory, which came online in April 2024, is to make it an environmentally and people-friendly smart factory. It is capable of mixed production, which can manufacture products in various sizes to accommodate customers' needs and special order products with non-standard specifications on a single production line, and is equipped with groundbreaking production line technology offering swift production based on DX that utilizes customers' drawing data while maintaining the same level of quality as standard products. Large enclosures are seeing growing demand from markets including the FA and control market and the storage battery market, and so the Seto Factory will increase our production capacity for large enclosures to 1.5 times its previous level. Our customers include distribution board and control panel board manufacturers and electrical contractors, and these customers are increasingly switching from in-house production to purchasing enclosures as the workforce declines. I believe that by supplying products produced by the Seto Factory's automated equipment, the factory can become one that can also contribute to streamlining production in the industry. The seamless production of distribution boards utilizing a smart factory requires highly digitized design data. Our group company ECAD Solutions Co., Ltd. will take responsibility for providing services to streamline and reduce the need for manpower in board de-

sign, and for DX solutions in the board industry.

Increase the scale and improve long-term profitability in future business domains

In terms of future business, we will aim to proactively enter markets where growth can be expected in order to expand the scale of our business and build a pillar for the future. This includes energy management, which we classify as a strategic business in the sector for electrical and telecommunications infrastructure-related manufacturing, construction, and services business. And in electronic parts-related manufacturing business, we will increase our global earning ability, first aiming to increase the scale and then increase long-term profitability.

The field of energy management is deeply linked to the achievement of a carbon neutral society that NITTO KOGYO placed great emphasis on. EM solutions, which recently got off the ground as a joint venture, is a company that can provide a one-stop service covering everything from inquiries to installation and construction, servicing, and maintenance for the deployment of distributed power sources such as solar power generators and storage batteries. By bringing together the specialist domains of the four companies that have invested capital in EM solution, the aim is to increase competitive superiority in the smart energy market. I see this as the first step in developing the business of the NITTO KOGYO GROUP so that it not only sells products but also provides services from installation to maintenance thanks to a collaboration between our group companies of NANKAID-ENSETSU Co., Ltd. and EM solution. At the same time, I think it is also a company that can contribute to the circular economy, in which products are used for a long time.

We are mainly engaged in the business of electronic parts-related manufacturing centered on our group company Kitagawa Industries Co., Ltd. To strengthen our overseas business, in addition to strengthening relationships with Japanese manufacturers who are looking to grow in the automotive and appliance markets, we will also work to develop relationships with non-Japanese manufacturers. We will also continue to build a support system for EMC measures, including strengthening alliances with overseas test sites.

To strengthen our solutions, we will work on the development of noise suppression technologies for electrification and electronification, especially in vehicles, to ensure that we can take advantage of opportunities in growing markets.

Toward global business expansion

In order to achieve the goals of the 2026 Mid-term Management Plan, the key to growth will be the global expansion of business in all segments. Starting with China in 2004, the NITTO KOGYO GROUP has expanded overseas into Thailand,

Singapore, and other countries. While initially our overseas expansion mainly focused on production functions through companies including NITTO KOGYO (China) and ELETTO (Thailand), we have subsequently been expanding into sales overseas. At present, our overseas sales make up less than 10% of the total, so we need to massively expand this. To this end, we will require a leap forward for each group company overseas and the creation of a synergy centering on the group company GATHERGATES, and we will make efforts toward this end going forward. In the 2023 Mid-term Management Plan, we worked to stabilize and expand the scale of overseas business, by, in the business of electrical and telecommunications infrastructure-related manufacturing, construction, and services, taking action such as starting operations at a new NITTO KOGYO BM (Thailand) factory. We have also strengthened the expansion of our overseas business in electrical and telecommunications infrastructure-related distribution business and electronic parts-related manufacturing business. Today, now that the COVID-19 pandemic is over and the global business environment has recovered, further expansion of overseas business as well as an improvement in finance and revenue structure are important matters to be addressed.

What will be extremely important to this end is the development and enhancement of relationships with non-Japanese manufacturers. The key to success will be the extent to which we can create what customers in each country want by developing sales channels and building relationships of trust. It is expected that in future, the fields in which the NITTO KOGYO GROUP is achieving added value in Japan, such as carbon neutrality, addressing labor shortages, and disaster prevention and mitigation, will also undergo growth in the ASEAN area, which is currently seeing remarkable growth. For example, in our overseas business as well, we have standardized the custom-made aspects of the distribution board industry overseas to put together a system to enable swift provision of products.

Going forward, we will continue to provide the products and services that bring joy to customers in each country at a price the customer considers fair, and shall accelerate market expansion and revenue improvement.

We also intend to concentrate our efforts into focusing on how to generate synergy among the NITTO KOGYO GROUP's local subsidiaries in Asia. Collaboration between factories in Thailand and Singapore is also a possibility for the ASEAN market. I want to create an organization akin to a regional headquarters and work to strengthen group collaboration while working to move into new areas. These are possibilities that I would like to consider in future.



Establish a mechanism for growth and work to expand business while enhancing business infrastructure

Managing Director
Akitaka Tejima **Summary for financial results of fiscal year ending March 2024 and 2023 Mid-term Management Plan**

Under our long-term management vision, the NITTO KOGYO GROUP sets out [Provide reliability and peace of mind when it comes to the future of our planet] as its mission, and has focused effort on the construction of highly sustainable social infrastructure through electricity and information. In 2024, we set out [Strive to solve problems sincerely and continue to tackle the challenge of creating new value] as our new vision.

The 2023 Mid-term Management Plan, which covered FY2021 to FY2023, was positioned as the phase in the long-term growth story of the NITTO KOGYO GROUP in which we build a foundation for the evolution of business, and in it we took on the challenge of a range of reforms in terms of both our business activities and enhancement of business infrastructure.

Our quantitative targets were consolidated sales of 150 billion yen, consolidated operating profit of 13 billion yen, and ROE of at least 8.5%. Although these targets were set at a stage when the impact of COVID-19 was not yet clearly foreseeable, we still managed to make a companywide effort to succeed in the challenge of achieving these lofty targets.

In our business activities, we have been forced to deal with difficulties in procuring parts and materials and price hikes caused by the prolonged impact of COVID-19 and the Ukraine crisis, among other factors. In each of our businesses, however, we have developed new markets, explored new fields of business, and made a range of efforts that include cost reductions and price revisions

to improve profit margins. As a result, in the year ending March 2024 - the final year of the 2023 Mid-term Management Plan - consolidated sales reached a record high of 160.709 billion yen, meaning we met our initial target. For consolidated operating profit, while it grew by 46.4% year-on-year to reach 11.967 billion yen, we were unable to meet our initial target. However, through the course of the 2023 Mid-term Management Plan, we achieved a range of results toward improved earning power.

I believe that on the basis of the mission and vision I mentioned above, with electricity and information as the main domains of business of the NITTO KOGYO GROUP, the approach of working to resolve a range of issues faced by society with the keywords of safety and security in order to leave behind a beautiful global environment for coming generations has thoroughly permeated the whole group over the course of these three years. The development of new markets and businesses, as well as the reform of our infrastructure, has been brought about by this shared awareness, and we have seen firm results in terms of the themes of the 2023 Mid-term Management Plan, which are to lay the foundation for the evolution of our business.

A shift to management emphasizing balance sheet management

In the 2023 Mid-term Management Plan, we undertook a review of capital policy and shareholder returns policy as a way of enhancing the group's business infrastructure. NITTO KOGYO once emphasized sales and profit, and increased our internal reserves and undertook debt-free management in order to ensure stability, but we have now successfully made a significant change of course to emphasize balance sheet management in business. In addition to share buybacks, we raised our consolidated dividend payout ratio to 100%, albeit limited to two periods, the fiscal years ending March 2023 and 2024. As a result of this, ROE hit 8.3%, meaning we successfully raised it to a level more or less at the target value of 8.5%. PBR has also been maintained at the level of a factor of at least 1.

Basic policy for the 2026 Mid-term Management Plan and the setting of high financial targets

The 2026 Mid-term Management Plan (from FY2024 to FY2026) is positioned as a phase in which we will establish a mechanism for growth. With a basic policy of accelerating evolution, we will aim to achieve evolution by repeatedly and nimbly undertaking the two activities of taking on challenges as a response to opportunities and undertaking reforms as a response to risks.

In terms of challenges, we will engage in the creation of new businesses that transcend markets

and industries and business expansion such as overseas market development. We will also work on proactive strategic investments that include exploring new technologies and M&A.

In our reforms, we will promote process innovation in existing businesses, build a robust supply chain, and strengthen the NITTO KOGYO GROUP's infrastructure. We will also improve the effectiveness of business portfolio management.

Our financial targets are consolidated sales of 200 billion yen, consolidated operating profit of 15 billion yen, and ROE of at least 9%. We considered the three years as the period of accelerating business evolution using the foundations we have developed in the previous Mid-term Management Plan and set the lofty target of record-high sales and operating profit.

Capital allocation emphasizing growth and capital efficiency

The basic stance for finance in the 2026 Mid-term Management Plan involves having an awareness of the cost of capital and to continuously improve capital efficiency, or ROE. Specifically, we will enhance profitability by aggressively allocating capital to growth investments while increasing financial leverage through the use of interest-bearing debt.

Regarding the allocation of capital, we will emphasize investment in growth and balance this with the amount to be returned to shareholders. Using cash from operating cash flow of 40 billion yen over three years plus 20 billion yen raised through interest-bearing debt, we plan to invest 30 billion yen in growth, 13 billion yen in steady-state investments to maintain existing businesses, and 17 billion yen plus more in returns to shareholders to maintain a high and stable level of dividends.

For investment in growth, we plan to invest 11 billion yen in our core business, 6 billion yen in business domain expansion, 5 billion yen in overseas business, and 8 billion yen in strengthening our business infrastructure. We are also considering M&As in order to take an early approach to growing markets. We will proactively engage in capital participation and work to form alliances with companies that have resources we do not count among our own technologies, products, and services.

As for shareholder return policy, we will implement a stable dividend policy by setting a new dividend payout ratio of 50% and a minimum DOE (dividend on equity) ratio of 4%. The previous Mid-term Management Plan set out a dividend payout ratio of 100%, but this measure was limited to two fiscal years from the time it was unveiled. By continuing to set a high level of 50%, we aim to improve capital efficiency by limiting the buildup of treasury stock and combining it with policies for investment in growth.

On the financial side, we aim to further increase corporate value and achieve ROE of at least 9.0% by nimbly acquiring and retiring treasury stock as necessary.

To strengthen our business infrastructure

The NITTO KOGYO GROUP will further strengthen group business infrastructure through human capital, digital transformation (DX), research and development, and such other initiatives.

Of these, human capital is viewed not as a cost but as important capital that supports company growth and organized into the three categories of creation, active involvement, and sustainability. Firstly, with regard to creation, we will work to provide opportunities for growth and support the independent career development of each individual. Regarding active involvement, we will create an environment that allows employees to gain a variety of experiences, including exchange among human resources within the NITTO KOGYO GROUP. And with regard to sustainability, we will work to create a comfortable working environment, foster a culture that encourages employees to take on new challenges, and maintain and promote employee health. We will enact measures that will lead to strength for all group companies as each employee grows to become a strong individual.

DX refers to the use of digital technology to reform operations. We are looking at reforms in terms of offense and defense, but it is also important to strengthen DX human resources.

With regard to research and development, we will focus on enhancing the value of the NITTO KOGYO GROUP's technologies based on an envisioned future of society such as realization of carbon neutrality, evolution of the infrastructure that society is built on, and progress in automation and labor saving.

Regarding group management, all companies, including NITTO KOGYO, will be arranged in a horizontal structure with respect given to the individuality of each company. Of course, in terms of governance, NITTO KOGYO will take the initiative and bind all of the companies together.

We will continue to take on the challenge of meeting stakeholder expectations and upgrading group management to fulfil our responsibility as a company listed in the Prime Market section of the Tokyo Stock Exchange. We aim to be a corporate group that our shareholders and other stakeholders can count on for sustainable growth.



Strategy by business

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

Our electrical and telecommunications infrastructure-related manufacturing, construction, and service business is carried out by NITTO KOGYO, Aichi Electric Works Co., Ltd., Tempearl Industrial*, NANKAIDENSETSU Co., Ltd., Taiyo Electric Mfg. Co., Ltd., EM solutions, ECAD solutions, NITTO KOGYO (China)*, GATHERGATES GROUP PTE. LTD.*, ELETTO (Thailand), and NITTO KOGYO BM (Thailand), and the basic policy in this business is as set out below.

We aim to establish our core businesses (switchboards, cabinets, and information and communication related) as a strong and solid business foundation, with an eye to increasing profitability by utilizing advanced technologies.

In our strategic businesses (overseas, field engineering, business domain expansion), we will aim to proactively enter markets where growth can be expected in order to expand the scale of our business and build a pillar for the future.

*Including subsidiaries.

Strategic themes

Globalization promotion	Core business enhancement	Expansion of business technology domains
<ul style="list-style-type: none">Overseas business strategy	<ul style="list-style-type: none">Distribution board business strategyEnclosure business strategyInformation infrastructure business strategy	<ul style="list-style-type: none">Field engineering business strategyBusiness domain expansion strategy

We have established six business strategies in the domains of core business enhancement, business and technology domain expansion, and globalization promotion that constitute the strategic themes for our manufacturing, construction, and service businesses in the 2026 Mid-term Management Plan. In terms of our business strategy for field engineering, given the growth in the two domains of electric vehicle infrastructure and energy management resulting from our work to focus on commercialization in new domains in our initiatives under our 2023 mid-term business strategy, we will separate from our business domain expansion strategy and work toward further acceleration through strategies for individual businesses. In our business domain expansion strategy, we are working to create new seeds and seeking to offer the new products and services demanded by our customers.

Business strategy

Distribution board business strategy

Business target: Combine the capabilities of the entire NITTO KOGYO GROUP to build the products and mechanisms that will change the way people work in the industry, and become a company that offers total solutions for the distribution control systems that will support an electrified society whose aim is to achieve carbon neutrality

- To eliminate the problems caused by labor shortages in the industry as a whole, have companies collaborate in their specialist fields and aim to achieve local production and local consumption through the construction of board partner alliance
- Achieve transformation of working style and job satisfaction through consideration for the environment and streamlining, and reform the business model to an even stronger one of our own NITTO KOGYO brand business

Enclosure business strategy

Business target: To keep being the overwhelming top company when it comes to first contact in the enclosure business, maintain our sensitivity to market changes and needs and will introduce new products and new value

- Contribute to the realization of a decarbonized and recycling-oriented society by undertaking activities to reduce environmental impact through the provision of environmentally friendly products and services
- Contribute to a society with a declining population by providing services that utilize digital technology to improve productivity

Information infrastructure business strategy

Business target: Create products and services to play a role in Super Smart Society (Society 5.0) and the realization of carbon neutrality, and grow to become a core company in the construction of information and communication infrastructure

- Secure an overwhelming share of the overall market for products related to telecommunication (carrier market, data center market, network market) by growing our share through enhanced products for telecommunication and establishing a business model for the development of environmentally-friendly products and a circular economy

Overseas business strategy

Business target: Contribute to the construction of global power distribution infrastructure and the resolution of environmental issues through standardization and mechanism creation and the provision of quality products and services tailored to the needs of each country

- Achieve business stability at existing bases and define a growth strategy that leverages the differentiation of each company
- Undertake a market survey for components such as standard enclosures, board parts, and board units, and build sales channels from Asia to the world

Field engineering business strategy

Business target: Provide tangible products in the form of EV charging, solar power generation, storage batteries and intangible services in the form of energy management and other such ancillary services, consulting, construction, and after-sales maintenance in a comprehensive manner

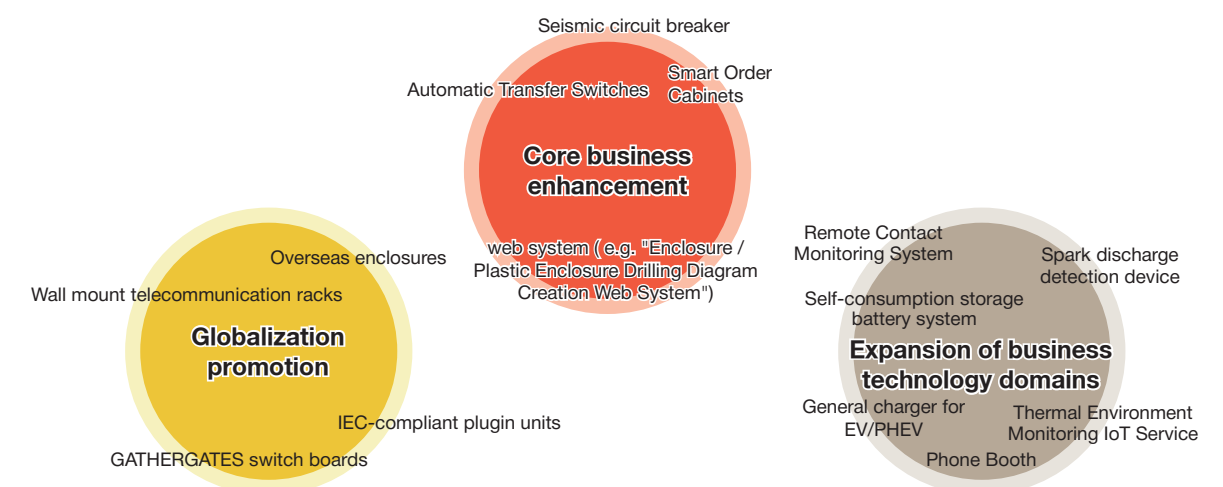
- Provide a one-stop service for resource circulation solutions based on comprehensive energy management and utilization of reused products
- With the aim of being chosen directly by end users (companies), provide value that goes beyond the sale of tangible products

Business domain expansion strategy

Business target: Toward the realization of a sustainable society, provide products and services with new technology and from new perspectives to expand our business domain

- Provide services that leverage the assets of the NITTO KOGYO GROUP, and contribute to the business continuity and development of customers facing a declining workforce, while simultaneously building a mechanism to connect with users through the provision of services to lead to the sale of products

New products and services for each business strategy





Electrical and telecommunications infrastructure-related Distribution business

Our electrical and telecommunications infrastructure-related distribution business is carried out by Sun-Telephone Co., Ltd. and its subsidiaries, and the basic policy in this business is to expand the reach of our business by enhancing our solutions business and expanding the domain of markets and services through evolution in supply chain management.

In the field of ICT and the environment, undertake our business with a mission of contributing to a sustainable world by constructing safe, secure, and convenient infrastructure for society in order to become a company trusted by customers, business partners, the community, and employees and their families.

Strategic themes

Enhancement of solutions business for ICT and the environment

- (1) Enhancement of proposals to end users
- (2) Expansion of solution domain
- (3) Enhancement of technology capabilities

Create a mechanism for efficient sales

- (1) Rebuild the sales process
- (2) System optimization
- (3) Preparation of masters

For the electrical and telecommunications infrastructure-related Distribution business, we have set two strategic themes: enhancement of solutions business for ICT and the environment, and create a mechanism for efficient sales. With the expansion of solutions, the business has grown significantly. Under our 2026 medium-term business strategy, we will expand the segment of ICT and the environment and expand our solutions business. We will also rebuild our sales process, optimize systems, and prepare masters in order to accelerate DX.

Strengths and opportunities

Our strengths

Strengths

- ✓ On-site capability
- ✓ Procurement and product lineup capability
- ✓ Solution proposal capability
- ✓ Deadline handling capability
- ✓ Customer service capability
- ✓ Global expansion capability



Opportunities

Opportunities

- ✓ Declining birthrate and aging population/declining population/labor shortages
- ✓ Working style reform/2024 problem/D&I
- ✓ Building aging (redevelopment, renewal)
- ✓ Global warming/increasing damage from disasters (earthquakes, fires, wind and water damage)
- ✓ Healthcare development/care business operation development
- ✓ Educational institution operation reform
- ✓ Handling inbound tourists from overseas
- ✓ Smart city concept (redevelopment of urban areas)
- ✓ Osaka Expo

Business strategy

Enhancement of solutions business for ICT and the environment

- (1) Enhancement of proposals to end users

Review our sales structure and implement education to enhance our proposal capabilities, and proactively expand business by increasing opportunities to propose solutions directly to end-users together with business partners.

- (2) Expansion of solution domain

In addition to the ICT market, undertake marketing activities that include the field of the environment. Find products to fit the target market, and create original solutions to develop the market.

- (3) Enhancement of technology capabilities

Hire highly-capable personnel, create opportunities for onsite experience and provide internal education, and make ourselves stand out with advanced proposal capabilities.



Create a mechanism for efficient sales

- (1) Rebuild the sales process

In line with growth, rethink the way that the sales process should be and identify current issues, and rebuild the sales process to make it future-focused.

- (2) System optimization

Optimize the sales system to fit with the revised sales process. We will also work on further DX progression through automation of ordering with business partners, the expansion of GOYOU (EC website), and other actions.

- (3) Preparation of masters

Establish a structure for re-preparation and operation for masters for collaboration between trading partners and internal systems, and for the utilization of various databases.





Electronic parts-related Manufacturing business

Electronic parts-related manufacturing business is carried out by Kitagawa Industries Co., Ltd. and its subsidiaries, and the basic policy in this business is to increase our global earning ability by first aiming to increase the scale and then increasing long-term profitability. In specific terms, we will work to expand our overseas business and enhance solutions.

At the same time, we will work to enhance the business infrastructure to support these activities.

With the basic approach of being the first call company, first solution proposer, we will undertake our business with the aim of becoming a group that always predicts the future and stays ahead of the curve.

Strategic themes

Expansion of overseas business	Growth of results through enhancement of solutions	Enhancement of business infrastructure
(1) Enhancement of overseas sales (2) Establishment of infrastructure for support for EMC measures	(1) Further cultivation of priority markets (2) Accelerated creation of new business	(1) Optimized production and procurement (2) Construction of a global quality assurance system

For the electronic parts-related manufacturing business in the 2026 Mid-term Management Plan, we have specified three overarching strategic themes: expansion of overseas business, growth of results through solution enhancement, and enhancement of business infrastructure. In order to expand overseas business, we will roll out the Kitagawa Industries Co., Ltd.'s success model and work on enhancing overseas sales and establishing the infrastructure to support EMC measures. For results growth through solution enhancement, we will work to further cultivate priority markets and accelerate new business creation while predicting future forecasts. And for enhancement of business infrastructure, we will aim to achieve our desired state, and work to establish optimized production and procurement while building a global quality assurance system.

Business strategy

Expansion of overseas business

Enhancement of overseas sales

- Aim for global business development originating from EMC seminars and support for EMC measures

Establishment of infrastructure for support for EMC measures

- In addition to foreign direct investment, leverage inter-company business and technology collaboration to strengthen the system to provide support for EMC measures



10m anechoic chamber

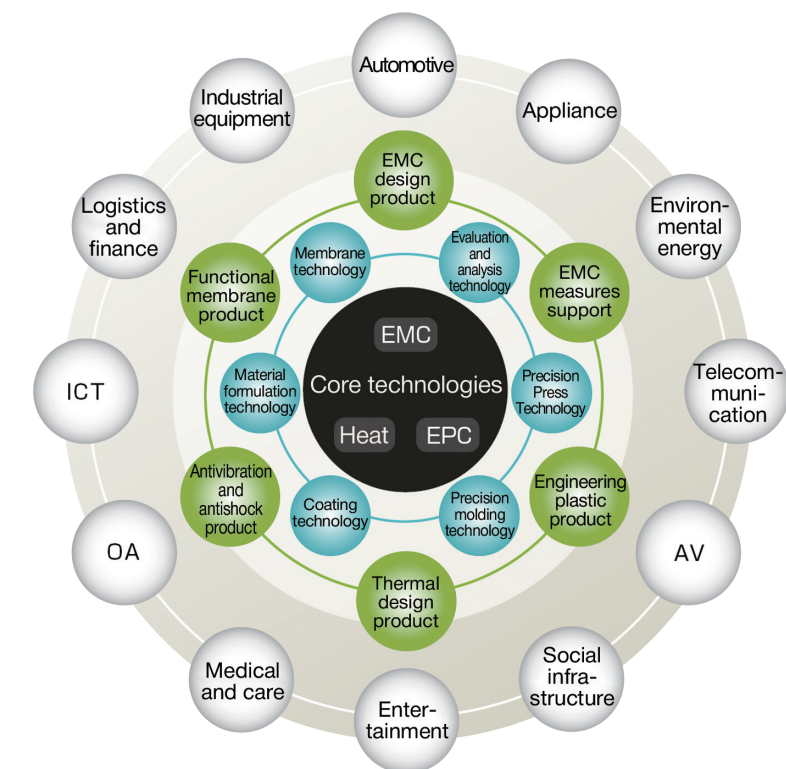
Growth of results through enhancement of solutions

Further cultivation of priority markets

- Fuse our core technologies of EMC measure technology, functional plastic molding technology, and anti-heat technology, and work to grow results in priority markets
- Undertake product development that contributes to automation and labor saving, and develop new products based on future forecasts
- Evolve to be a total heat solution provider that solves heat generation problems by using various technologies

Accelerated creation of new business

- Aim to develop new products that contribute to the realization of a sustainable society and to fuse membrane technology with our core technologies
- Strengthen industry-academia collaboration to generate innovation and create new concept product plans with a focus on future beyond 2030



Enhancement of business infrastructure

Optimized production and procurement

- Examine strategic global production sites and suppliers to promote cost reduction, lead-time improvement, and suitable inventory levels

Construction of a global quality assurance system

- Enhance our quality assurance system by implementing IATF 16949 to ensure customer SQM satisfaction





Human capital strategy

On the basis of the belief that human resources are the source of all corporate activities, through our work, the NITTO KOGYO GROUP refines the expertise and personal development of each individual and develops human resources with the ability to play an active role not only within the company but also outside the company and on a global scale.

We value each individual's human rights and work-life balance, and are committed to creating a working environment that enables people to work with vibrancy and enthusiasm.

Human resource basic policy

Through the respect and cultivation of employee individuality, we create new value and contribute to the sustainable society.



Ideal human resources

- Human resources who learn widely and spare no effort to maximize the abilities attained
- Human resources who understand diverse perspectives and can handle coexistence

Human resource cultivation

Based on the philosophy that “companies are their people”, we develop human resources on the action policies of “consistent honesty and integrity” and “pursuit of value creation”.

In addition to general education, specialized education required for work, as well as education by job level, we have a thorough program of support for self-education such as business school or overseas training.

We also work to foster individual employees' independence and active agency, with an internal awards system for evaluating employee activities and promotion of projects with recruited members, encouraging employees to grow and make the most of the abilities based in their individual characters.

Furthermore, we create skill maps to manage the skills required by each department.

Going forward, in addition to developing and recruiting talented key human resources (personnel for management, technology, global work, DX, etc.), we will proactively leverage overseas training schemes for global human resources.

Educational item	Contents	Name of training
Education by rank	Implement training to form the basis education, and build awareness of roles in hierarchy	(New employees) new employee training, follow-up interviews, (chiefs/section chiefs) training for newly appointed chiefs and section chiefs, (section managers and office managers) training for newly appointed section and office managers, (department heads) training for newly appointed department heads
Career development education	Support for individual independent growth (work and life, examining one's career)	(4th year of employment) 4th year training, (50 years old) career design training, (59 years old) life plan seminar
General education	Obtain the common knowledge required both inside and outside of the company	Corporate ethics, quality, environment, safety and health, 5S, improvement activities, diversity, harassment
Specialized education	Obtain knowledge and skills required for the assigned role	Departmental education/specific education
Self-development	Support for employees looking to increase their own skills	Business school, online learning, etc.

Diversification of human resources

Companies grow thanks to a climate that makes the most of diverse individuality, values, and characteristics to maximize employee ability.

We will work to diversify human resources and to create a solid human resource foundation through a well-equipped system supporting their workstyles.

Status of initiatives on diversification of human resources [NITTO KOGYO non-consolidated]

Component ratio of attributes in generalist staff	2019	2020	2021	2022	2023	Targets for 2030
Women employees	16%	16%	15%	15%	15%	20%
Non-Japanese employees	1%	1%	1%	2%	2%	2%
Employees hired mid-career	25%	25%	26%	27%	28%	26%

System supporting diverse workstyles

Work satisfaction is defined as a combination of “comfort at work” and “satisfaction”. We are building a workplace environment where staff can engage independently in their work.

Support for childcare/Nursing care balance

We support the balance of childcare and nursing care with work through shorter work hours for childcare until the child finishes third grade and for nursing care over a period up to three years, separate from nursing care leave, both exceeding the measures prescribed by law.

Annual paid leave

In order to ensure that our employees are fully rested and refreshed physically and mentally and thus to raise productivity, we provide more annual paid leave days than required by law. Employees can also take leave in units of half days and hours.

Flextime work with no core time

We have introduced a flextime work system with no core time. As employees can choose their own start and finish work time and the hours they work, they are able to work more efficiently while balancing work and life.

Refreshment leave / Free vacation leave

Refreshment leave refers to a system that enables full-time employees who have turned 40 or 50 and who have worked for the company for at least 10 years to take 10 consecutive days of paid leave. Free vacation leave refers to a system that enables the taking of continuous periods of leave using annual paid leave.

Remote work

The use of IT enables flexible workstyles making effective use of work hours and locations. We support employees in continuing their work without adverse effects caused by lifestyle changes such as childbirth, childcare, nursing care, and so on.

Accumulated paid leave system

We have introduced an accumulated paid leave system in order to enable annual leave whose period for use will expire to be taken for long-term medical treatment due to illness or injury, and for nursing care.

Employee engagement improvement

Through our initiatives to improve engagement, we will promote the development and active involvement of employees by encouraging autonomous, proactive, and ambitious action, and build an organizational culture to enable to people to continue working for NITTO KOGYO with a sense of pride as a group employee and a feeling of job satisfaction.

- Job satisfaction reform project
A company-wide project with the aim of enabling each individual employee to work with vibrancy
- NITTO KOGYO AWARD
An award given to those who come up with excellent ideas, take great action, or have a good approach to learning
- Praise report
Fostering a culture of praise

Future initiatives

- Utilization of engagement surveys
PDCA for improvement activities in each department on the basis of survey results
- Evolution of job satisfaction reform project
Job satisfaction reformation declaration, enhanced information dissemination from the President (president newsletter), etc.
- Stimulation of communication among group companies
Exchange sessions for group personnel, joint training by rank (training with people outside the company), etc.

Health management

We consider the maintenance and promotion of the health of each and every employee as one of the most important management issues. Therefore, we have established the “Health Declaration” and engaged in various activities to ensure that employees can work in good health and with vigor into the future.

Health declaration

Health is the foundation of a happy life.

We foster a culture in which each employee values his or her own health.

We will work to create an environment where each and every one of us can work “happily, energetically, and in our own way”.

NITTO KOGYO Crop. is committed to promoting health maintenance and promotion activities so that its employees can lead fruitful and healthy lives, both physically and mentally.

NITTO KOGYO CORPORATION
President & COO Toru Kurono



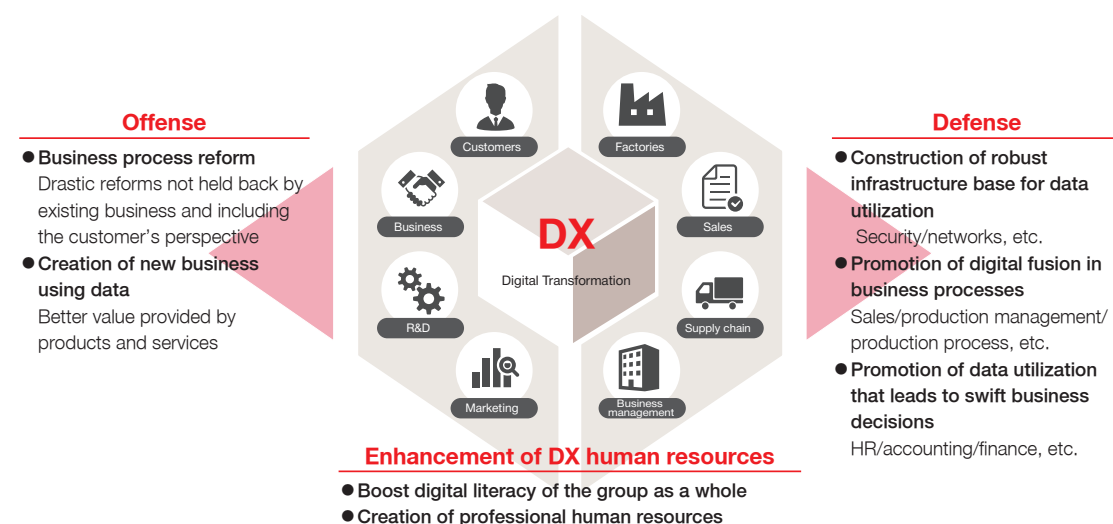
DX actions

The NITTO KOGYO GROUP is constructing data utilization infrastructure and robust group infrastructure base to support our business strategy, and is working to leverage digital data.

To this point, we have utilized ICT for a range of purposes, including business streamlining and service improvement. The outbreak of COVID-19 served as an opportunity to rethink working styles, and the utilization of ICT is absolutely essential for this.

Going forward, it is time for us bring evolution to our utilization of ICT so that it becomes a mechanism that is both defensive and offensive, and we will proactively incorporate digital and AI technology as we take on the challenge a new stage of DX to help us stay close to our customers, business partners, and employees.

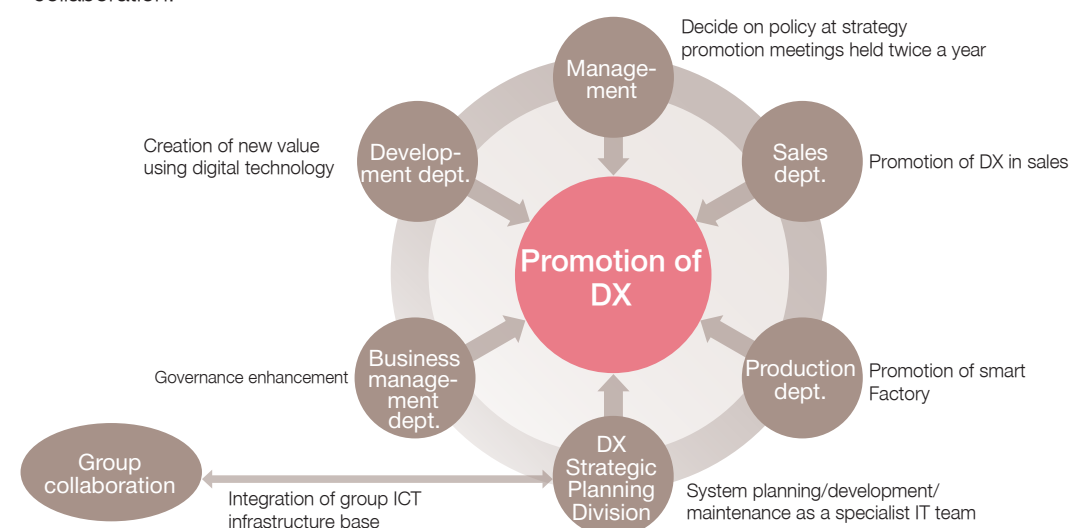
Group business infrastructure DX



DX promotion structure

The NITTO KOGYO GROUP is taking on the challenge of DX by the Information System Management Department working with other departments.

Information System Management Department from other group companies are also providing powerful collaboration.



Productivity improvement and new value creation by utilizing digital technology (NITTO KOGYO non-consolidated)

To deliver great products swiftly

Among core systems, the sales, design, production, and logistics systems that achieve high quality and short delivery times are the mainstays for NITTO KOGYO. We offer “one-day delivery” in which products based on a variety of standard products are delivered the next day. And we also deliver in as little as three days even for individually manufactured products tailored to customer needs. Strategically utilizing ICT to overcome location and time constraints, we have fused together business processes, IT, and people to achieve short delivery times.

We also incorporate AI technology into our business processes for tasks such putting together product lineups to meet customer needs and forecasting production time. We will continue to promote our digital transformation to deliver better products to our customers faster.

Reducing the customers' operational load is also a DX goal for NITTO KOGYO

Each day we work to expand our services for our customers with the aim of not only delivering good products, but also reducing customer stress when placing orders. Typical services include Cabista and cabinets that can be customized on the website. Any customer can easily select products from our wide range of variations, and can perform any action, from creating drawings including drilling process to obtaining quotations, any time and from anywhere. Created drawings can then be directly ordered, helping to reduce the burden of arrangement work for customers. In addition, for system racks and cubicles, customers can undertake all actions on a web-based system, from product selection, quotations, and design to procurement.

Building safe and secure ICT infrastructure that is flexible and scalable

Against a backdrop of intensifying cyberattacks targeting companies, DX efforts are becoming more reliant on IT systems and cyber risks are increasing. Conventional defense-focused security measures are no longer sufficient. A department dedicated to cyber security was established in FY2024, and we will also strengthen our resistance to cyberattacks by adopting a zero-trust approach to ensure that business continues without interruption.

We will focus on strengthening cyber resilience and organizational collaboration across the NITTO KOGYO GROUP to ensure that its ICT infrastructure base is solid. We are also strengthening security at each overseas group company, and are working to reduce cyber risks in our global strategy going forward.

Enhancement of DX human resources

We began implementing DX human resource education in FY2023 to address labor shortages and enhance our competitiveness. In order to take forward DX, it is important for all employees, not just the IT department, to view DX as something that involves them. To this end, we have established a DX education system and created an environment that enables the provision of educational opportunities and appropriate teaching materials to highly motivated personnel. More than 1,000 employees have already completed the introductory course, and we are strengthening employee education with the goal of developing 200 DX human resources in FY2024.

In the training, participants engage in interactions that differ from usual, and team discussions lead to participants being impressed by each other's high levels of motivation that transcend age and departmental boundaries. This deepens mutual understanding and serves as a positive stimulus to enhance employee commitment to continuous improvement.



DX Human resource training



R&D

In response to material issues arising from changes in the business environment, the NITTO KOGYO GROUP aims to contribute to the realization of a sustainable society by envisioning the society of the future and setting themes that need to be tackled by the NITTO KOGYO GROUP as a whole.

Setting of themes that need to be tackled

The NITTO KOGYO GROUP has identified trends in society that need to be addressed over the medium-to-long term, and has themes that needs to be tackled in response to these trends. For these themes, we will focus on acquiring new technologies and strengthening our R&D infrastructure to improve the NITTO KOGYO GROUP's overall ability to create added value.

Realization of carbon neutrality

Enhance global environmental sustainability by providing products and services that contribute to decarbonization and resource circulation

Evolution of the infrastructure that society runs on

Build a resilient society prepared for increasingly severe disasters, and contribute to the realization of a convenient and pleasant society

Advancement of automation and labor saving

Contribute to addressing the issue of a declining global workforce by keeping up with the latest digital and other technologies

Priority measures

Acquisition of new technology

- We will expand and deepen elemental research that leads to the development of higher value products and solutions for fundamental technology issues.
- In order to create new value that will lead to solutions to the issues faced by society, we will create the necessary technical knowledge and know-how internally through reskilling, and proactively seek to fuse our technology and knowledge with other companies, organizations, and universities.

Enhancement of R&D infrastructure

- We will increase our corporate value by developing and implementing an intellectual property strategy that includes securing intellectual property rights for overseas business development and maximizing the use of intellectual capital within the NITTO KOGYO GROUP.
- We will further refine our technical support system, including the testing and analysis that form one of our strengths, to boost our R&D capabilities.

Examples of R&D initiatives

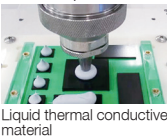
NITTO KOGYO R&D examples

- Development of an environmentally friendly self-consumption storage battery system utilizing reused EV batteries for solar power generation facilities
- Commencement of PoC for energy management utilizing our self-consumption storage battery system and general EV chargers with OCPP specifications together with Shizen Connect Inc.
- Commencement of collaboration between Charge Connect cashless billing service (from NANKAIDENSETSU Co., Ltd) and Pit-2G series of EV chargers, and acquisition of JARI certification to make chargers eligible for national government subsidies



Kitagawa Industries Co., Ltd. R&D examples

- Reducing the use of plastics and development of environmentally friendly flame retardant composite materials utilizing food waste and other matter
- Development of anti-fouling materials and spacers that prevent the adhesion of inorganic and organic components in liquid separation and treatment processes, contributing to reduced water production costs
- Development of EMC and thermal design components that contribute to the spread of automated driving technology and EVs and the expansion of 5G and 6G base stations
- Development of grounding reinforcement components for boards and dispensable liquid thermal conductive materials to support customers' efforts towards automation and labor-saving



Quality management

Quality policy

Under our quality policy of providing customers with safe, secure, and higher quality products and services, the NITTO KOGYO GROUP has established a manufacturing and service system that places customer satisfaction above all else.

Our quality policy is the foundation of the NITTO KOGYO GROUP's quality, which expresses our stance on continuous quality improvement activities based on the customer's perspective in order to provide safe and secure products and services to our customers, aiming for added value, meaning quality that goes beyond what the customer had imagined.

Quality improvement initiatives

Analysis of quality defects shows that human error accounts for a large percentage of them. To counteract this, we are working on behavior assurance to control unsafe behavior on the part of workers. Behavior assurance refers to a series of work methods, mechanisms, process management, and ideas to achieve zero defects by assuring actions with an awareness of purpose. By putting this initiative into practice, we are working on quality improvement and manufacturing with an uncompromising approach to each and every operation.

We also focus on the idea of QCDSME (quality, cost, delivery, productivity, safety, morale, and environment), which is considered to offer comprehensive quality, and we encourage all employees to be aware of what aspects of their work lead to customer satisfaction, and to proactively and continuously work on quality improvement.

QC circle/small group activities

The NITTO KOGYO GROUP is working to ensure active QC circle/small group activities. We promote enthusiastic activities with the aim of creating a positive workplace where participants can feel a sense of job satisfaction through active discussions and exchanges of opinions, and also to help all employees grow as human assets that contribute to quality improvement.

Furthermore, as a venue for the presentation of the results of daily improvement activities and for horizontal deployment, in FY2023 we held the 28th NITTO KOGYO QC Circle Convention. Thirteen circles were selected to present their results from a total of more than 150 circles from domestic and overseas group companies. This convention will continue to be an important event to provide motivation for their activities, with, among other things, awards given for outstanding examples of improvement.

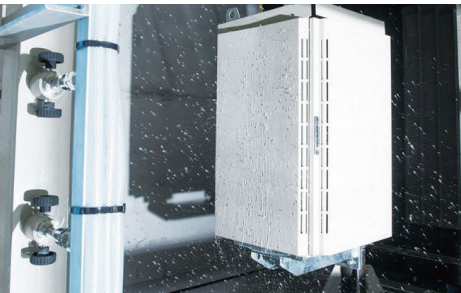


28th NITTO KOGYO QC Circle Convention

Focus on safety and reliability

In order to achieve a high level of product safety and reliability, we have introduced many testing facilities to evaluate and verify our products, including seismic testing, wind-driven-rain testing, and solar radiation testing.

We have established a mechanism to ensure that product quality is maintained through regular verification not only during product development, but also for products that have already been released. We will continue to work to ensure the safety of our customers and earn their trust.



Industry first wind-driven-rain testing facility