



November 2, 2023

To whom it may concern

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### Notice of Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Based on the demands of the Tokyo Stock Exchange regarding Action to Implement Management that is Conscious of Cost of Capital and Stock Price, the Board of Directors of Nitta Corporation today approved the following analysis of current conditions, initiative policies, and details intended to help establish such a management outlook.

#### 1. Analysis of current conditions

The Company's financial results were steady and positive. Net income set a record high of 10,853 million yen in the period ended March 2023. FY2022 return on equity (ROE), at 8.8%, exceeded capital costs recognized by the Company.

Our analysis shows that the main reason the Company's price book-value ratio (PBR) is less than one despite these results is the market's low assessment of the Company's growth potential due to insufficient understanding of our growth strategy among shareholders and investors.

Having established returning profits to shareholders to be a key management topic, in the period ended March 2023, the Company paid its highest-ever dividend of 110 yen per share. At the same time, net assets per share have increased at a rate departing from the share-price trend. The Company sees a clear need to promote management focused on capital efficiency and shareholder returns to bridge this gap.

Item	Unit	FY2018	FY2019	FY2020	FY2021	FY2022
Net income	Million yen	8,971	6,148	4,723	10,489	10,853
ROE	%	8.8	5.9	4.4	9.3	8.8
Net assets per share	Yen	3,570.87	3,615.29	3,774.86	4,188.15	4,623.35
Share price *1	Yen	3,600	2,115	2,634	2,764	2,931
PBR *2	Times	1.01	0.59	0.70	0.66	0.63
Dividend per share	Yen	68	70	70	100	110
Payout ratio	%	22.1	33.2	42.5	27.0	28.4

\*1 Closing share price at the end of March in each period

\*2 PBR = Ending share price in each period / net assets per share at end of each period

## 2. Initiative policies and details

To maximize corporate value, the Group has formulated the SHIFT2030 medium- to long-term business plan for the period through FY2030 and will steadily implement the growth strategies identified in SHIFT2030 and promote management focused on capital efficiency and shareholder returns.

### (1) SHIFT2030 growth strategy

In SHIFT2030, the Group identifies the vision of becoming an innovator driving a manufacturing-based shift. The Group will seek to grow its business domains through continually implementing the shift based on the two approaches of intensification and exploration. Based on this plan, we will carry out our growth strategy steadily in each business segment, working to achieve our targets for the final fiscal year of the plan (net sales of at least 115.0 billion yen + $\alpha$  and an operating profit margin of 8%).

### (2) Improving capital efficiency

To increase corporate value, we will promote management targeting returns on invested capital (ROIC) exceeding capital costs, reallocate resources by optimizing the business and product portfolio, and decrease cross shareholdings. Through these measures, we will improve capital efficiency.

### (3) Enhancements of shareholder returns

See the following pages and the separate News Release “Notice of Changes in Shareholder Return Policy and Revisions of the Projected Year-end Dividend.”

### (4) Dialogue with shareholders and investors

To promote constructive dialogue with shareholders and investors, the Company has established a Constructive Dialogue Policy that covers its related systems and initiatives. Comments and other feedback from constructive dialogue with shareholders will be provided periodically to the Board of Directors and other members of management and used in efforts toward continual increases in corporate value. See the following pages for details.

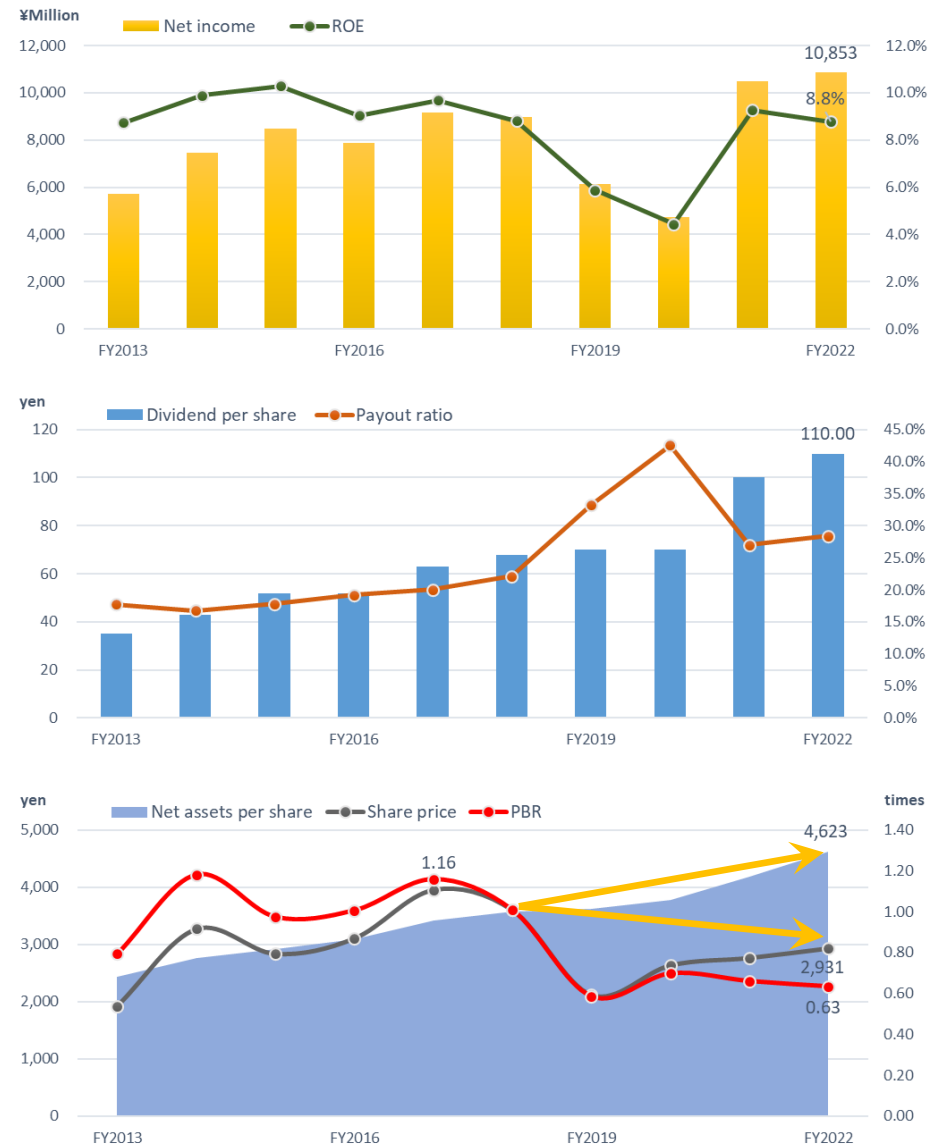
By explaining matters such as the status of progress on SHIFT2030 growth strategies and the state of financial results through opportunities such as various briefings, as well as enhancing English-language disclosure materials, we will promote dialogue to deepen shareholders’ and investors’ understanding of Nitta Corporation.

- The Company's financial results exhibit a steady trend, and income set a record high in the period ended March 2023.
- FY2022 return on equity (ROE), at 8.8%, exceeded the capital costs recognized by the Company.
- The main reason as to why our price book-value ratio (PBR) is less than one despite record profit and the above ROE level is likely due to the market's low assessment of our growth potential (price-earnings ratio [PER]) ( $PBR = ROE \times PER$ ).

Steady implementation of growth strategy

- The Company has steadily increased its dividends per share, and in the period ended March 2023 we paid our highest-ever dividend of 110 yen per share.
- At the same time, net assets per share have increased at a rate departing from the share-price trend. Management needs to more deeply focus on capital efficiency and shareholder returns.

Strengthening capital efficiency  
and shareholder returns

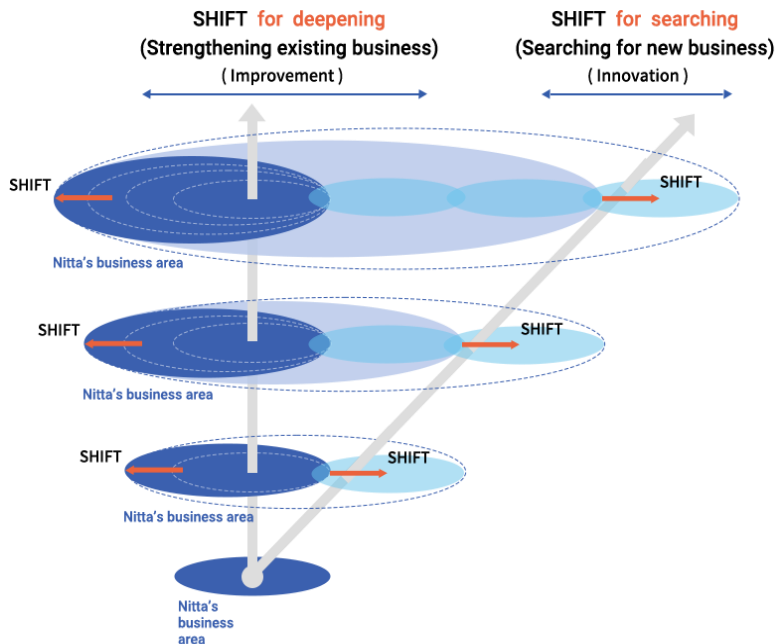


To maximize corporate value, the Nitta Group will steadily implement the growth strategy identified in the SHIFT2030 medium- to long-term business plan and promote management focused on capital efficiency and shareholder returns.

## Maximizing corporate value

### Growth strategy

SHIFT INNOVATOR cored around manufacturing



### Capital efficiency

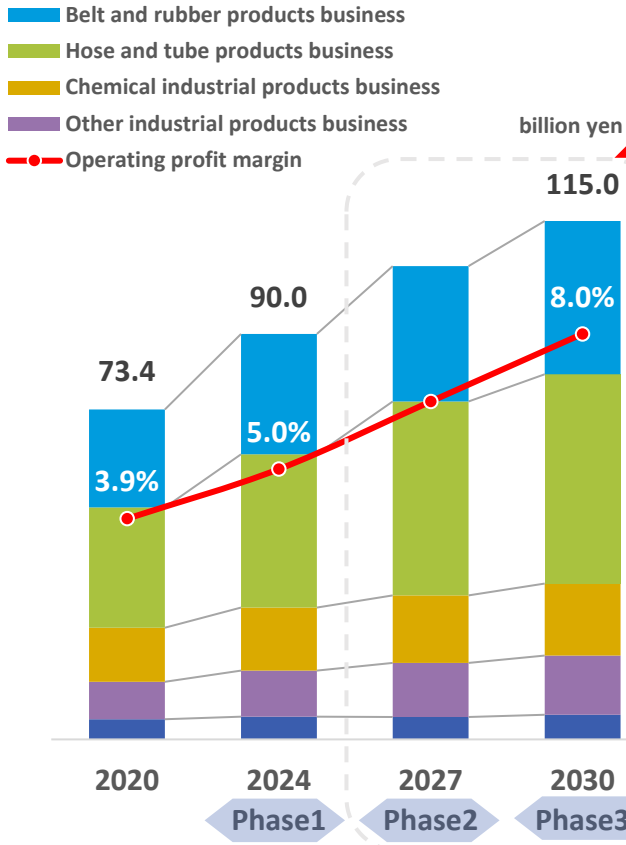
- Promoting ROIC management
- Allocating resources by optimizing business and product portfolios
- Reducing cross shareholdings

### Shareholder returns

(FY2023–FY2027)

- Steady annual increases in dividends (of at least 10 yen/share per year)
- Payout ratio of at least 30%, dividends-on-equity (DOE) ratio of at least 2.5%
- Flexible purchase of treasury shares

## SHIFT2030 net sales, operating profit margin



Targeting continued growth by revising plans for Phase 2 and beyond

NITTA CORPORATION

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SHIFT INNOVATOR cored around manufacturing

Targeting an operating profit margin of 8% or more and promoting ROIC management

Optimizing the business and product portfolio and resource reallocation

SHIFT for deepening (strengthening existing businesses) (Improvement)

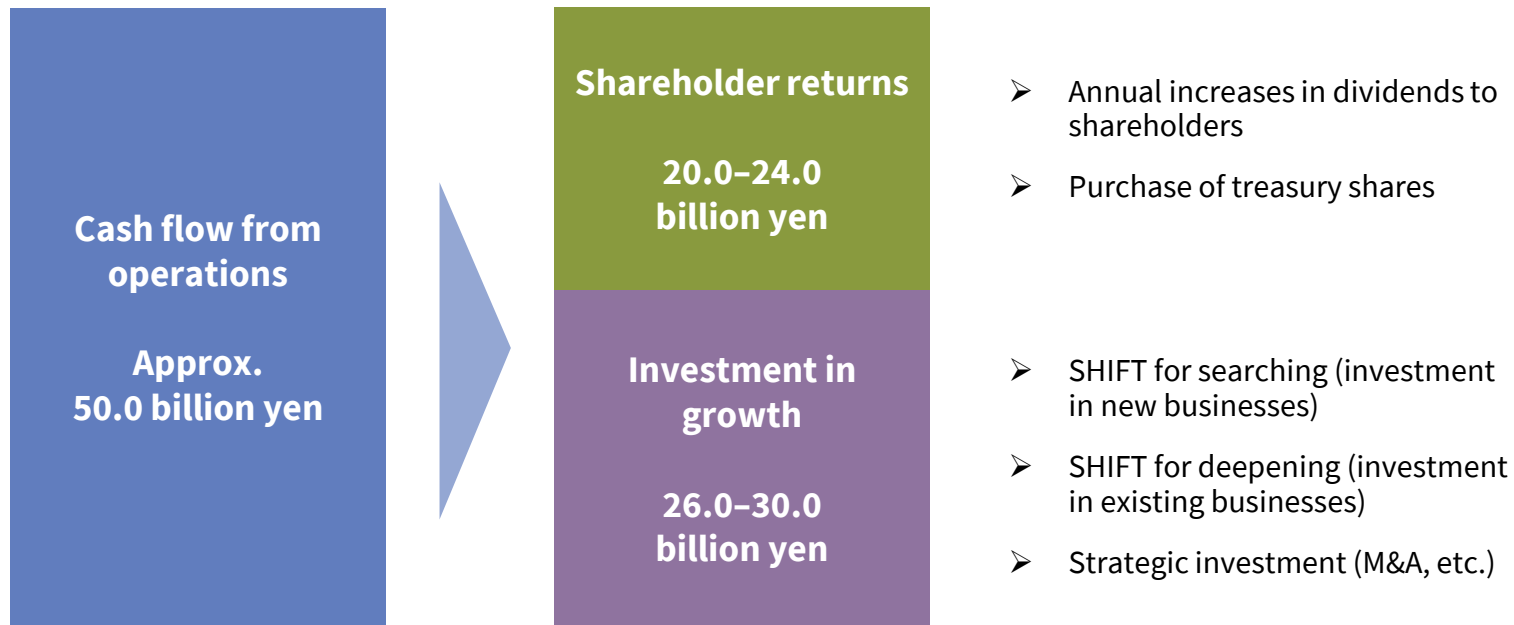
Belt and rubber products	<ul style="list-style-type: none"> <li>• Concentrating resources on products lines for growth markets                             <ul style="list-style-type: none"> <li>① NLG™ high performance resin conveyer belts                                     <ul style="list-style-type: none"> <li>➔ Growing sales to the diversifying food product conveyer market</li> </ul> </li> <li>② High performance PolySprint™                                     <ul style="list-style-type: none"> <li>➔ Intensification within the logistics market, where demand for high performance conveyer belts continues</li> </ul> </li> <li>③ Multifunction Intelimer™                                     <ul style="list-style-type: none"> <li>➔ Intensification in increasingly advanced electronic component and semiconductor manufacturing processes</li> </ul> </li> </ul> </li> <li>• Actively promoting the development of eco-friendly new products</li> </ul>	Hose and tube products	<ul style="list-style-type: none"> <li>• Active investment in growth markets Targeting the top global market share in niche markets                             <ul style="list-style-type: none"> <li>➔ Growing product lines for semiconductor manufacturing equipment</li> <li>➔ Products for electric vehicles (EVs) and fuel-cell vehicles (FCVs) (Global sales expansion and enhancements of features and performance)</li> </ul> </li> <li>• Acceleration through proactive pursuit of alliances</li> </ul>
Chemical industrial products	<ul style="list-style-type: none"> <li>• Strengthening parts for rail rolling stock                             <ul style="list-style-type: none"> <li>➔ Increasing sales in growing European, Indian, and Asian markets</li> <li>➔ Growing market share in the domestic market (private railways, etc.)</li> </ul> </li> <li>• Withdrawal from low profit products, resource reallocation</li> </ul>	Other industrial products	<ul style="list-style-type: none"> <li>• Active promotion in the growing clean and environmental markets                             <ul style="list-style-type: none"> <li>➔ Growing sales of air-conditioner products to the semiconductor and pharmaceutical markets</li> <li>➔ Growing sales of environmental products to contribute to Sustainable Development Goals (SDGs)</li> </ul> </li> <li>• Promoting sales in the life-sciences field through decontamination services</li> <li>• Systematic business promotion in overseas growth markets</li> </ul>

SHIFT for searching (searching for new business) (Innovation)

New products New business	<ul style="list-style-type: none"> <li>■ Namd™ (carbon nanotube technology)                             <ul style="list-style-type: none"> <li>Athletics applications</li> <li>Growing general industrial sales</li> </ul> </li> <li>■ Regenerative medicine</li> <li>■ Robotics</li> <li>■ Other</li> </ul>
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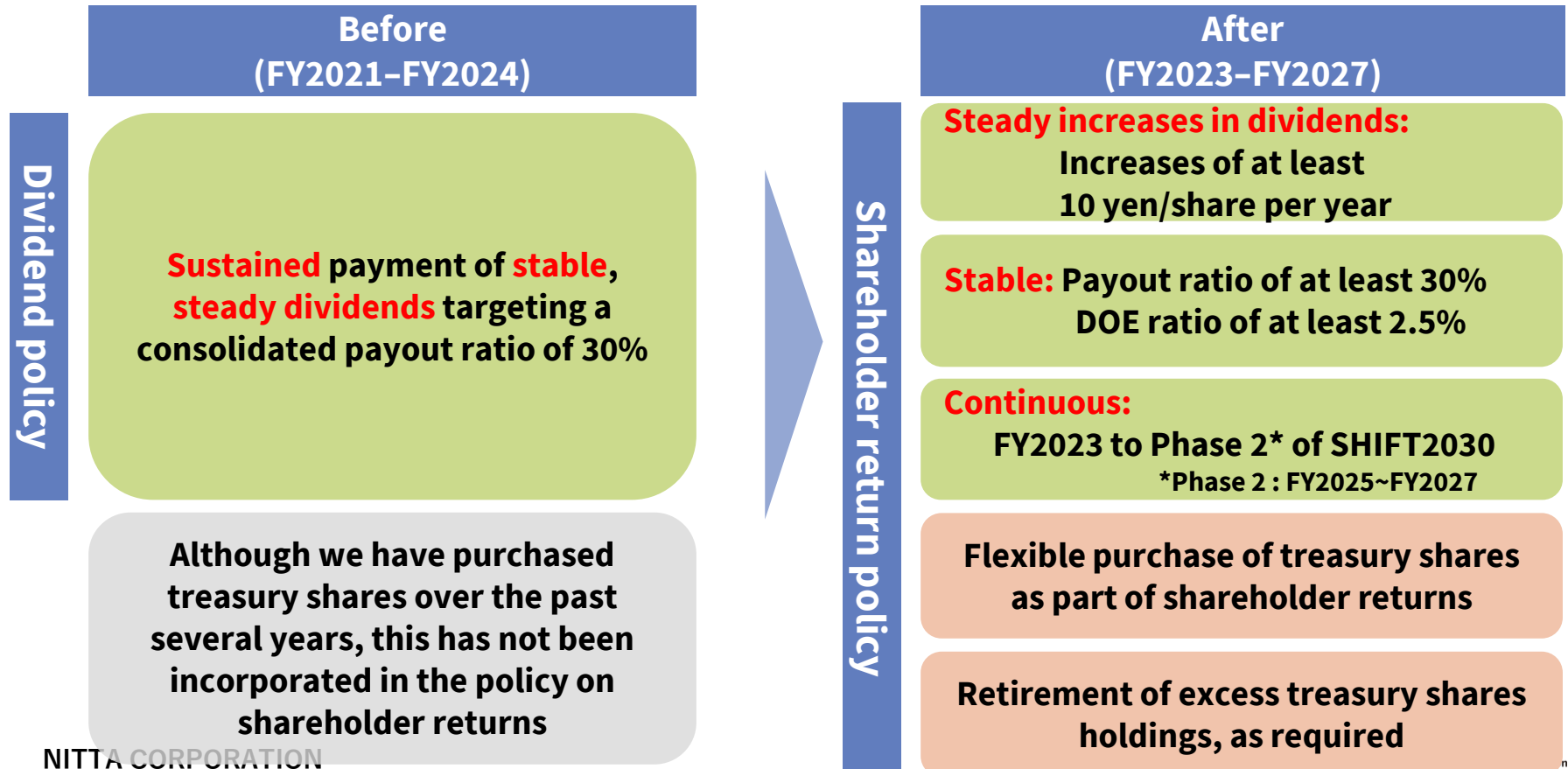
- Aiming to boost corporate value through optimal investments in growth and shareholder returns
- Accelerating the exploration shift to actively identify growth opportunities and invest in growth
- Revising Shareholder Return Policy to enhance returns to shareholders
- Reducing cross-shareholdings (to less than 8% of net assets based on current market value)

5 year period from this fiscal year through the end of Phase 2  
(FY2023–FY2027)



Recognizing returns of profits to shareholders to be a key management topic, the Company has established a basic policy of paying appropriate dividends that reflect financial results while continuing to strengthen and enhance its corporate foundations.

During the Phase 1 period (FY2021–FY2024) of the SHIFT2030 medium- to long-term business plan, while maintaining this basic policy, the Company sought to maintain stable, steady dividend payments targeting a consolidated payout ratio of 30%. However, to further clarify its policy toward shareholders, the Company will make the following changes its policy on shareholder returns, including the purchase of treasury shares.



To promote constructive dialogue with shareholders and investors, the Company has established a Constructive Dialogue Policy that covers its related systems and initiatives. Comments and other feedback from constructive dialogue with shareholders are provided periodically to the Board of Directors and other members of management and used in efforts toward continual increases in corporate value.

We will strive to strengthen IR activities through ongoing dialogue with shareholders and investors, enhancing the content briefings on financial results, English-language disclosure, and other efforts.

#### ■ Dialogue with shareholders and investors (FY2022)

Shareholder dialogue	Activities (titles as of activities indicated)	Number of events
Briefings on financial results for institutional investors and securities analysts	Two briefings held on financial results (second quarter and year end), attended by the Representative	2times
Individual dialogue with institutional investors and securities analysts	Individual dialogue conducted with the Management Administration Group playing a central role Includes dialogue with the Representative Directors or Outside Directors and dialogue on ESG themes	48times
Domestic institutional investors		34times
Overseas institutional investors		9times
Securities companies, etc.		5times
Responding to inquiries	The Management Administration Group responds to inquiries received by telephone, the website, and other channels.	As needed

#### ■ Feedback to management team (FY2022)

Feedback to management team	Activities (titles as of activities indicated)	Number of times
Details of dialogue with institutional investors and others reported to Board of Directors	Investor information, details of dialogue, and requests from investors are reported to the Board quarterly and reflected in discussions on improvement measures.	4
Reporting to the Management Council on trends in shareholding	The shareholder composition and trends in shareholding by institutional investors and others are reported, alongside future measures.	3
Other reporting (concerning shareholders and investors)	Requests from and issues identified by shareholders and investors are reported to the Representative Directors as appropriate.	As appropriate





THANK YOU

Projected results are based on information available to the Company at the time of writing, as well as certain assumptions judged by the Company to be reasonable. Various risks and uncertain factors could cause actual results to differ materially from these projections.