

Financial Results

1st Half of Fiscal Year 2023 (2023/4-2023/9)

NITTO KOHKI CO., LTD

Prime Market : 6151

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Performance in 1H of FY2023

Both sales and operating profit stood at the same level as the same period of previous year

- Sales decreased 0.3% YoY, while operating profit ratio was maintained the same 12% level as in the same period of the previous year because effects of price increases absorbed the increase in SG&A expenses.

Plans for FY2023

Expect continued sales growth and operating profit growth

- Despite many uncertainties, including concerns about the impact of energy price hikes and supply constraints, as well as inflation, we plan to increase sales and profits by actively developing sales activities that accurately capture demand trends.

Shareholder return

Forecast annual dividend for FY2023 is 62 yen per share (+9 yen YoY)

- Dividend policy: Consolidated dividend payout ratio of 40%.

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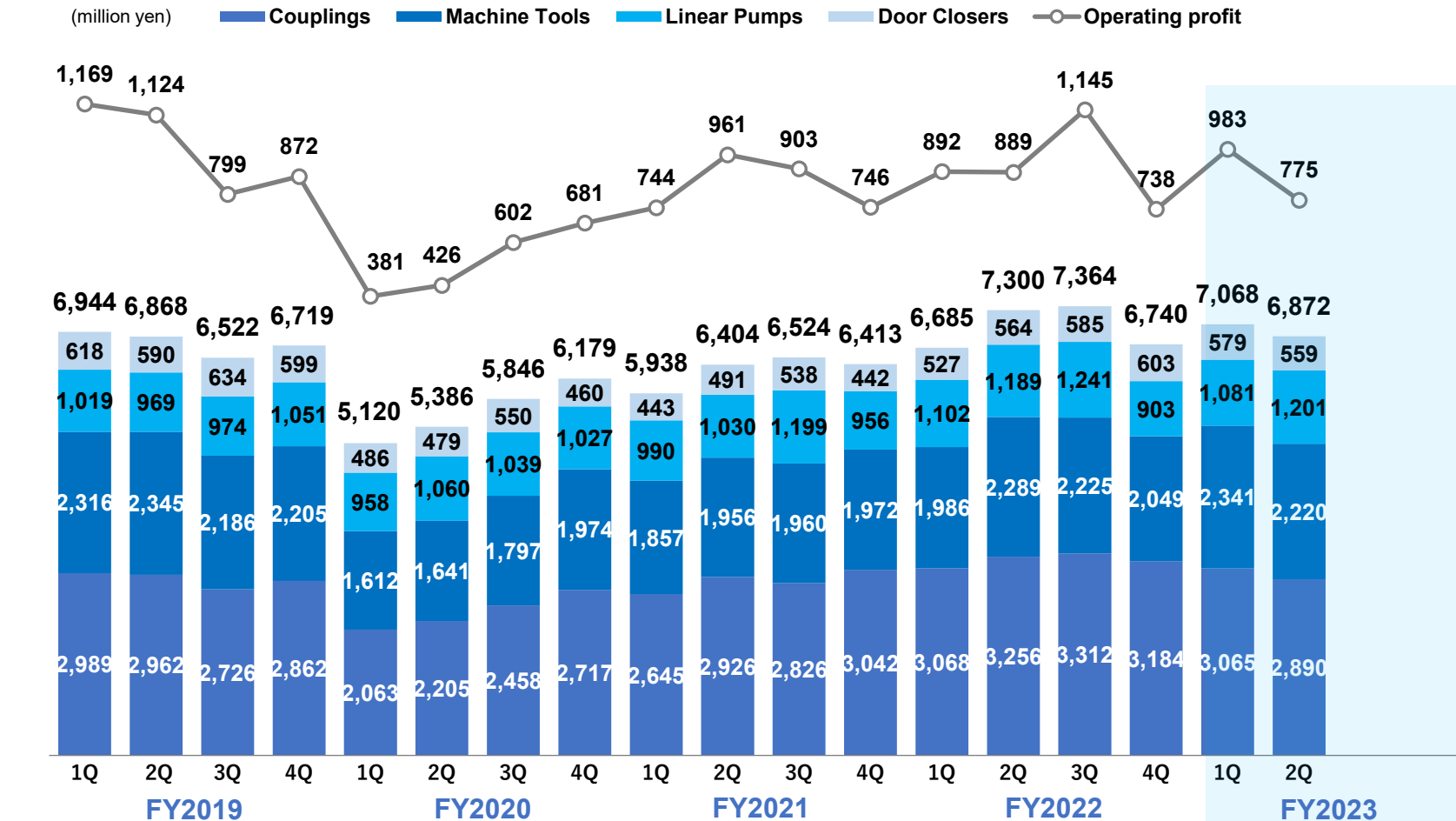
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Performance in 1H of FY2023

(million yen)	FY2022 1H		FY2023 1H		Amount	%
	Amount	%	Amount	%		
Sales	13,986	-	13,941	-	-44	-0.3%
COGS	7,574	54.2%	7,382	53.0%	-191	-
Gross profit	6,411	45.8%	6,558	47.0%	147	+2.3%
SG&A expenses	4,629	33.1%	4,799	34.4%	170	+3.7%
Operating profit	1,782	12.7%	1,758	12.6%	-23	-1.3%
Ordinary profit	1,922	13.7%	1,861	13.4%	-61	-3.2%
Extraordinary income(subsidy income)	-	-	147	1.1%	147	-
Profit attributable to owners of parent	1,293	9.2%	1,311	9.4%	17	+1.4%

- Sales stood at around the same level YoY
- Due to the price increases since last year, gross profit ratio increased YoY
- Operating profit ratio remained at around the same level YoY, although SG&A expenses increased mainly due to base-pay increases
- The land acquisition subsidy income of 147 million yen from Fukushima City for the construction of the new plant is reported under extraordinary income

Quarterly Sales and Operating Profit



[FY2023 1H]

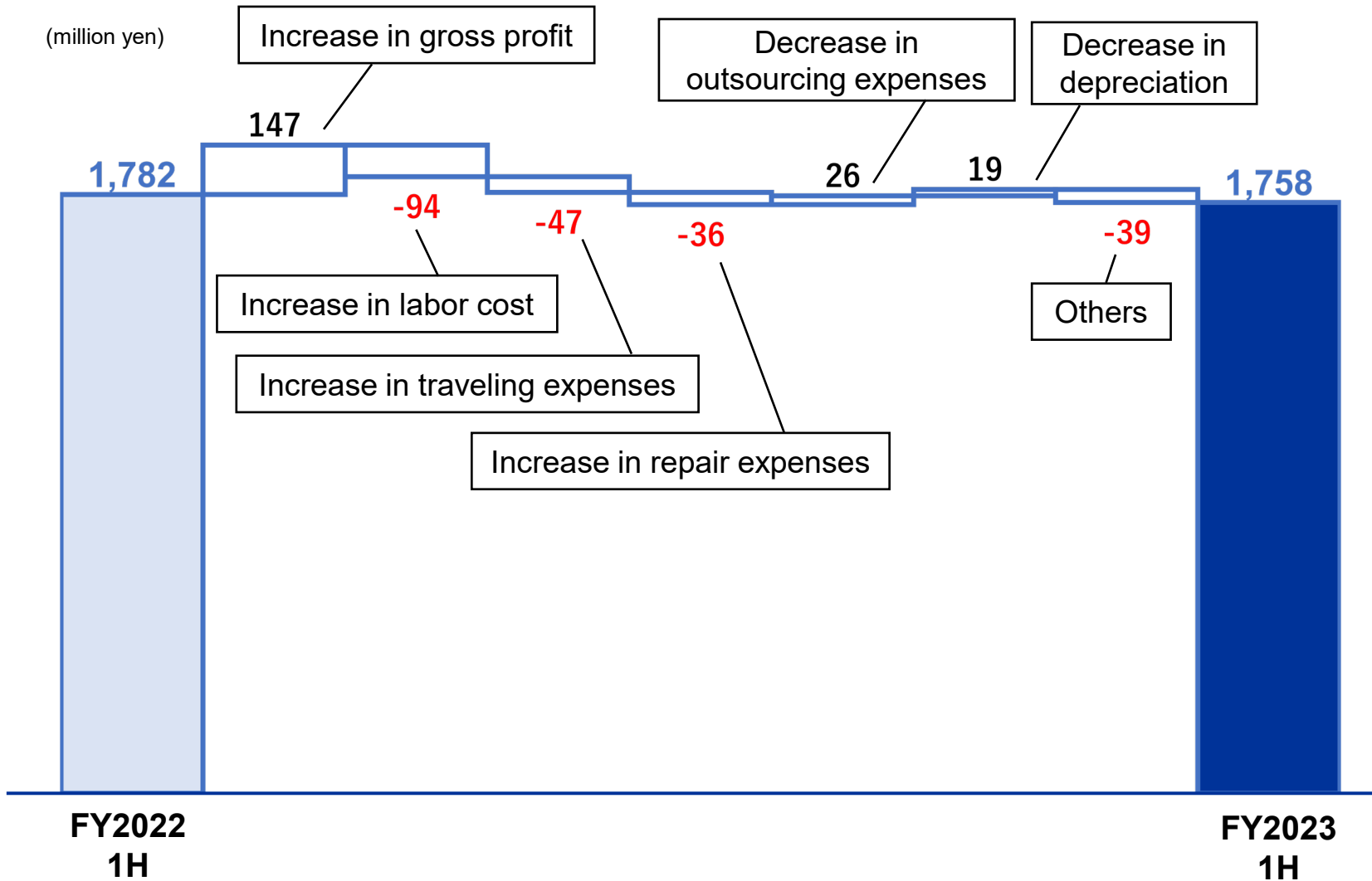
- Decrease in operating profit is mainly due to decrease in sales from the mainstay Couplings Business

(Reference) Couplings Business performed well in the semiconductor and lithium-ion battery industry and contributed to the profits for 2Q of FY2022

(million yen)

Sales	27,054	22,533	25,281	28,091	30,380 (plan)
Operating profit	3,965	2,091	3,355	3,665	4,120 (plan)
Operating profit ratio	14.7%	9.3%	13.3%	13.0%	13.6% (plan)

Factors Affecting Profit



Operating profit is affected by the decrease in sales, but remained at the same level YoY

[Breakdown]

- Revenue decreased YoY, but gross profit increased due to the impact of the increase in prices
- Labor cost increased mainly due to base-pay increases, but these expenses were required for future growth
- Traveling expenses increased due to increased sales activities

Sales by Region

	FY2022 1H	FY2023 1H	YoY
(million yen)			
Japan	9,103	9,199	+1.1%
Overseas	4,882	4,741	-2.9%
Overseas ratio	35.0%	34.0%	
The Americas	1,067	1,260	+18.1%
Europe, the Middle East and Africa	1,009	1,018	+1.0%
East Asia	1,569	1,243	-20.8%
Asia Oceania	795	821	+3.4%
Southeast Asia	441	396	-10.1%

- Sales in Japan slightly increased YoY
- Overseas sales were mainly affected by decrease in sales from couplings for electrolytes for lithium-ion batteries in China
- Strong sales of couplings, machine tools, and linear pumps in the Americas
- Sales of blowers decreased in Europe

Effect of Currency Exchange on Profit

(yen)	FY2022 1H	FY2023 1H	FY2023 (plan)	Effect on profit by currency (million yen)	
US Dollar	136.68	144.99	130.00	US Dollar	15
Euro	142.67	157.60	140.00	Euro	26
UK Pound	165.71	182.95	160.00	UK Pound	4
AU Dollar	93.90	95.77	85.00	AU Dollar	-2
Thai Baht	3.85	4.07	3.90	Thai Baht	-112
				Total	-68

- Mainly due to the exchange rate impact of Thai baht and unrealized loss

* 1H exchange rate is as of the end of June

Consolidated Balance Sheet

Equity ratio remained high at 87.4%

(million yen)	FY2022	FY2023 1H	Change
Current asset	48,933	48,644	-289
Cash and deposits	26,925	25,651	-1,274
Inventories	9,153	9,959	805
Fixed asset	17,901	18,878	976
Total assets	66,835	67,522	687
Current liabilities	4,403	4,037	-366
Long-term liabilities	4,460	4,460	0
Net assets	57,971	59,024	1,053
Total Liabilities and net assets	66,835	67,522	687

Investments for future growth

(million yen)	FY2022 1H	FY2023 1H	Change
Cash flows from operating activities	1,002	1,437	434
Cash flows from investment activities	-931	-3,229	-2,297
Free cash flow	-485	-1,356	-871
Cash flows from financing activities	14,588	17,418	2,830

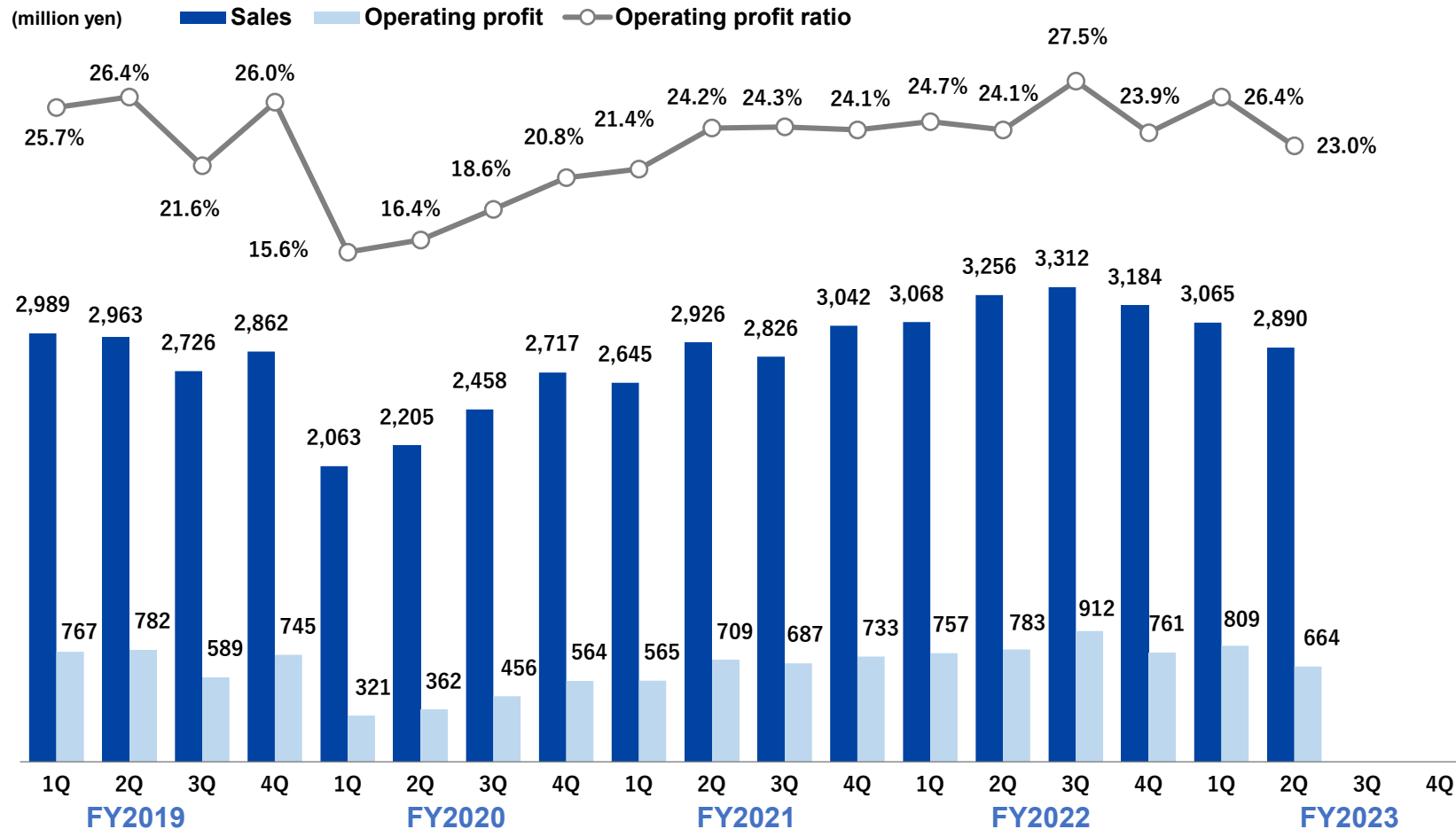
Performance by Segment

(million yen)	FY2022 1H	FY2023 1H	YoY
Sales	13,986	13,941	-0.3%
Couplings	6,325	5,956	-5.8%
Machine Tools	4,276	4,562	+6.7%
Linear Pumps	2,291	2,283	-0.4%
Door Closers	1,092	1,139	+4.3%
Operating profit	1,782	1,758	-1.3%
Couplings	1,541	1,473	-4.4%
Machine Tools	297	343	+15.4%
Linear Pumps	-35	-42	—
Door Closers	-21	-15	—

- Sales of machine tools and door closers increased YoY, but our mainstay couplings decreased YoY

Couplings Business Quarterly

(million yen)	FY2023 1H	FY2024 1H	Change
Sales	6,325	5,956	-5.8%
Operating profit	1,541	1,473	-4.4%
Operating profit ratio	24.4%	24.7%	+0.3pt



[FY2023 1H]

Sales: - 5.8% YoY

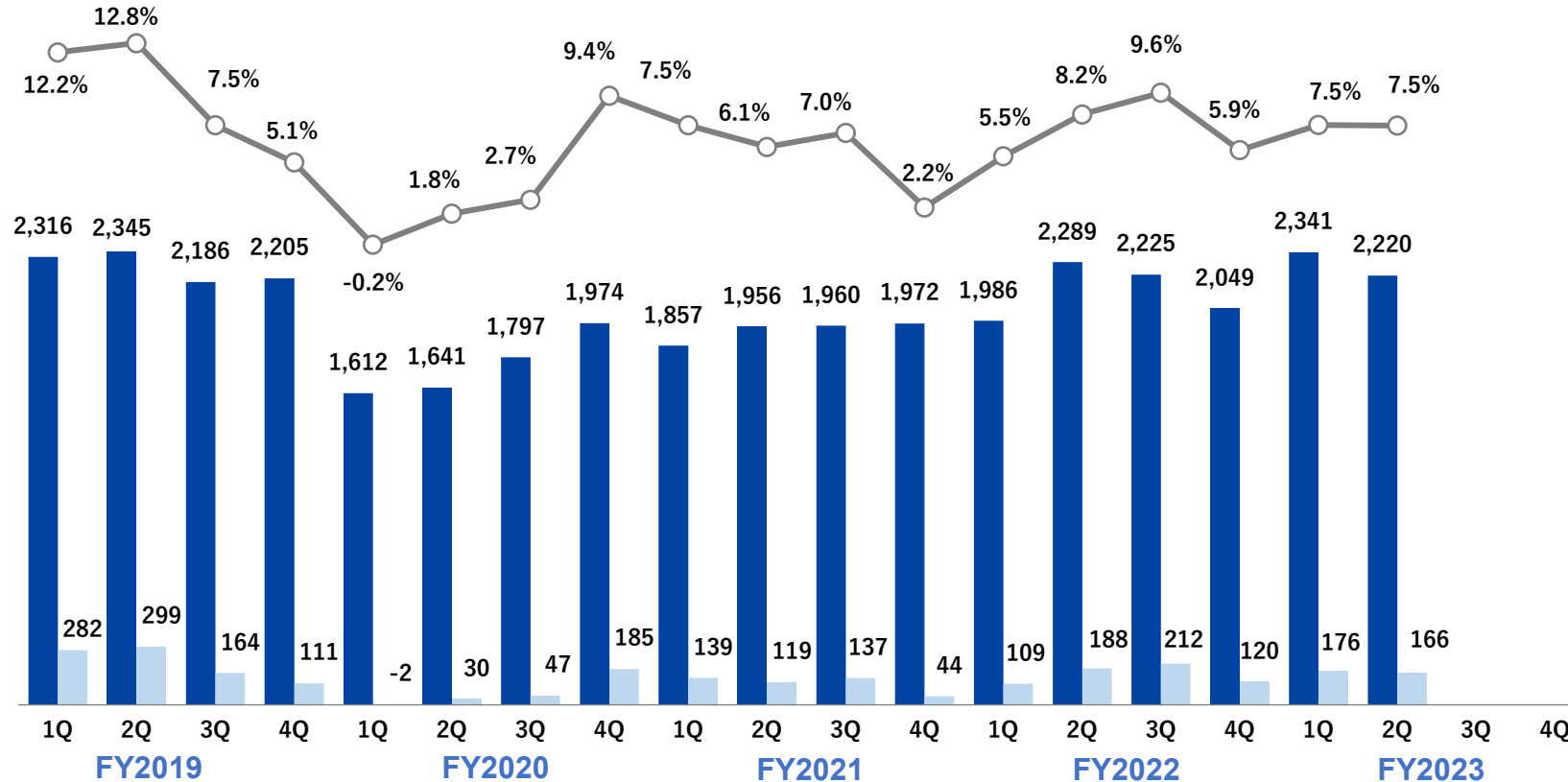
Operating profit: - 4.4% YoY

- Demand for couplings for semiconductor and lithium-ion battery production lines decreased
- Sales and profit decreased YoY, but operating profit ratio for 1H of FY2023 (cumulative) remained at the same 24% level YoY

Machine Tools Business Quarterly

(million yen)	FY2022 1H	FY2023 1H	Change
Sales	4,276	4,562	+6.7%
Operating profit	297	343	+15.4%
Operating profit ratio	6.9%	7.5%	+0.6pt

(million yen) ■ Sales ■ Operating profit ○ Operating profit ratio



[FY2023 1H]

Sales: + 6.7% YoY

Operating profit: + 15.4% YoY

- Domestic and overseas sales have been recovering due to increased face-to-face sales opportunities
- Profit increased as sales increased; operating profit ratio was at 6.9% for 1H of FY2022 (cumulative), and improved for 1H of FY2023 (cumulative) at 7.5%

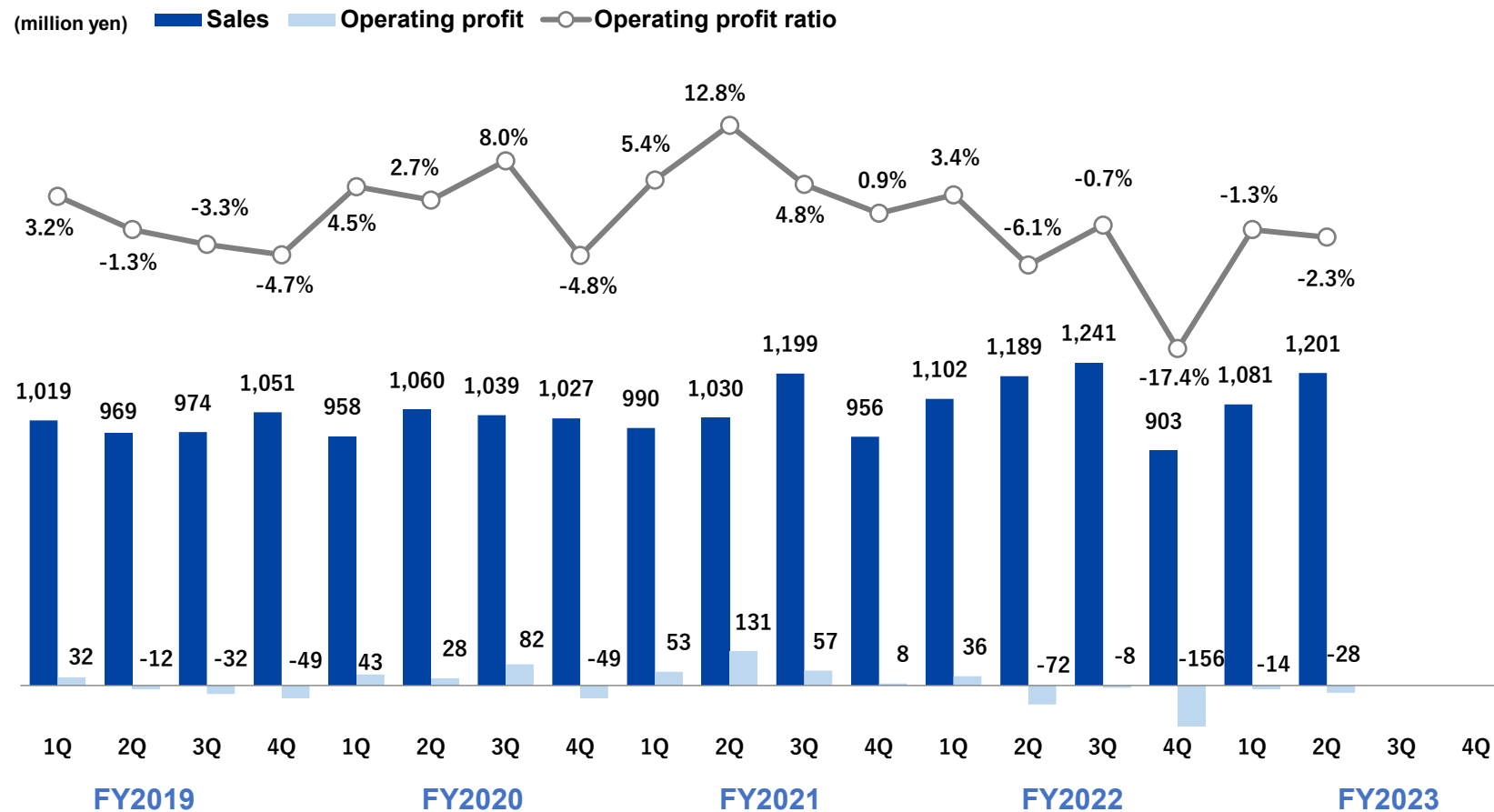
Linear Pumps Business Quarterly

(million yen)	FY2022 1H	FY2023 1H	Change
Sales	2,291	2,283	-0.4%
Operating profit	-35	-42	—
Operating profit ratio	—	—	—

[FY2023 1H]

Sales: -0.4% YoY

Operating loss: 42 million yen



- Sales stood at around the same level YoY, although demand decreased especially in Europe due to the impact of rush demand prior to price revisions last year
- Operating loss was reported due to decreased sales and the impact of foreign exchange rates caused by the appreciation of the Thai baht.

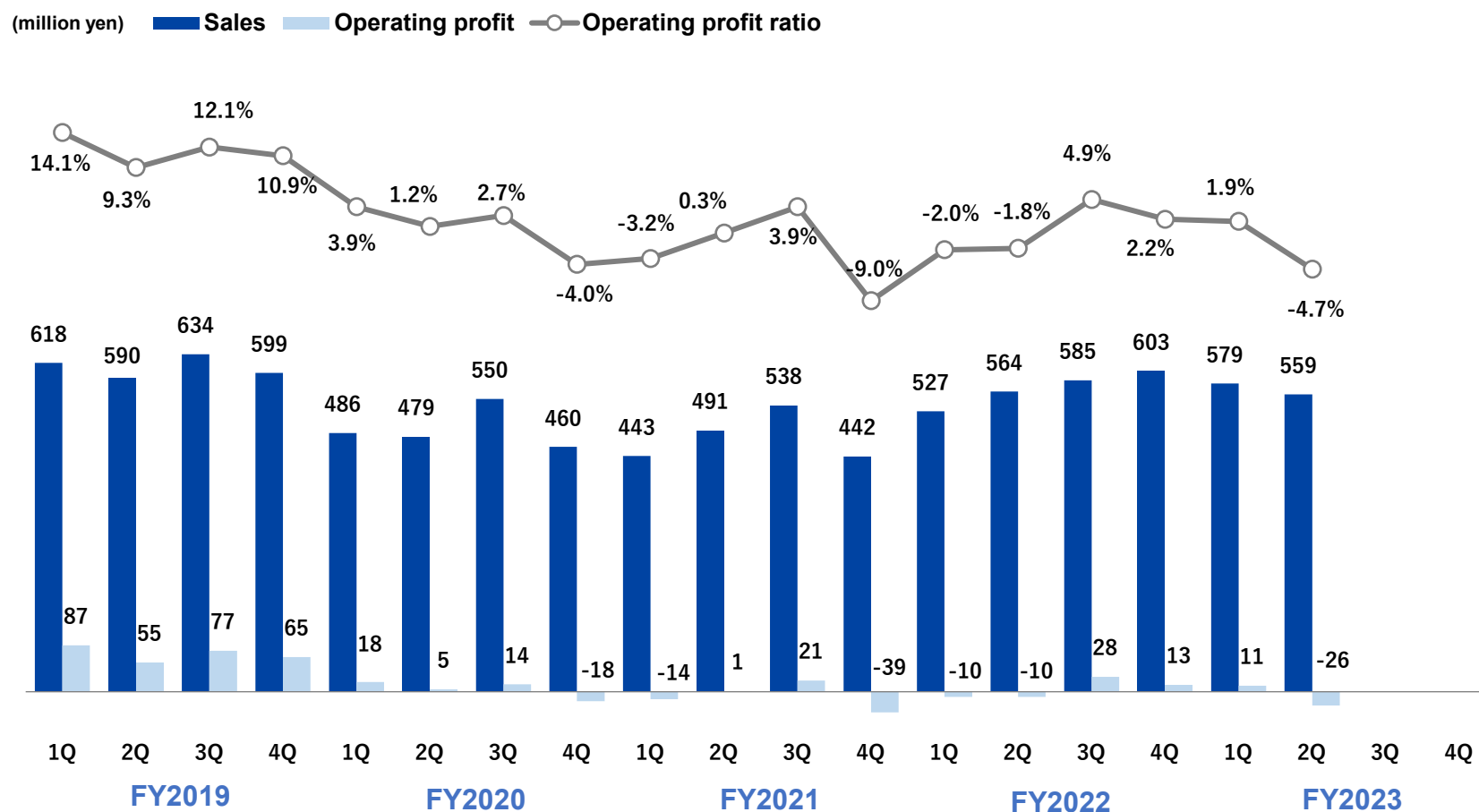
Door Closers Business Quarterly

(million yen)	FY2022 1H	FY2023 1H	Change
Sales	1,092	1,139	+4.3%
Operating profit	-21	-15	—
Operating profit ratio	—	—	—

[FY2023 1H]

Sales: +4.3% YoY

Operating loss: 15 million yen



- Domestic public construction investment remained strong
- Despite sales increase, large projects were delayed due to material price hikes and labor shortages, which affected profit ratio and resulted in reporting operating loss

Create a production and supply system to meet future demand growth

Start of operation in spring 2025

We acquired a site of approx. 28,000 m² in the Fukushima Ozaso Interchange Industrial Park with a plan to construct a new plant.

- An absorption-type merger (the “Merger”) will be implemented with SHIRAKAWA NITTO KOHKI CO., LTD., a consolidated subsidiary of NITTO KOHKI, as the surviving company and MEDOTECH CO., LTD. In addition, SHIRAKAWA NITTO KOHKI, the surviving company, will be renamed TOHOKU NITTO KOHKI CO., LTD.
- Multi-purpose plant with a capacity to manufacture all products of NITTO KOHKI Group
- Energy-saving and labor-saving as well as efficient production process through the installation of latest equipment
- We aim to establish a stable supply system and increase sales revenue.



Site (location)	1-1, Miyanoshita, Ozaso-aza, Fukushima-shi, Fukushima etc.
Business activities	Manufacture of door closers, electric screwdrivers “delvo”, power & machine tools, quick-connecting couplings “CUPLA”, and pumps & compressors
Planned contract date	June 2023
Start of operation at new plant	Spring 2025 (planned)
Investment amount	Approximately 11.2 billion yen → [After change] 15.9 billion yen

Investment value of change

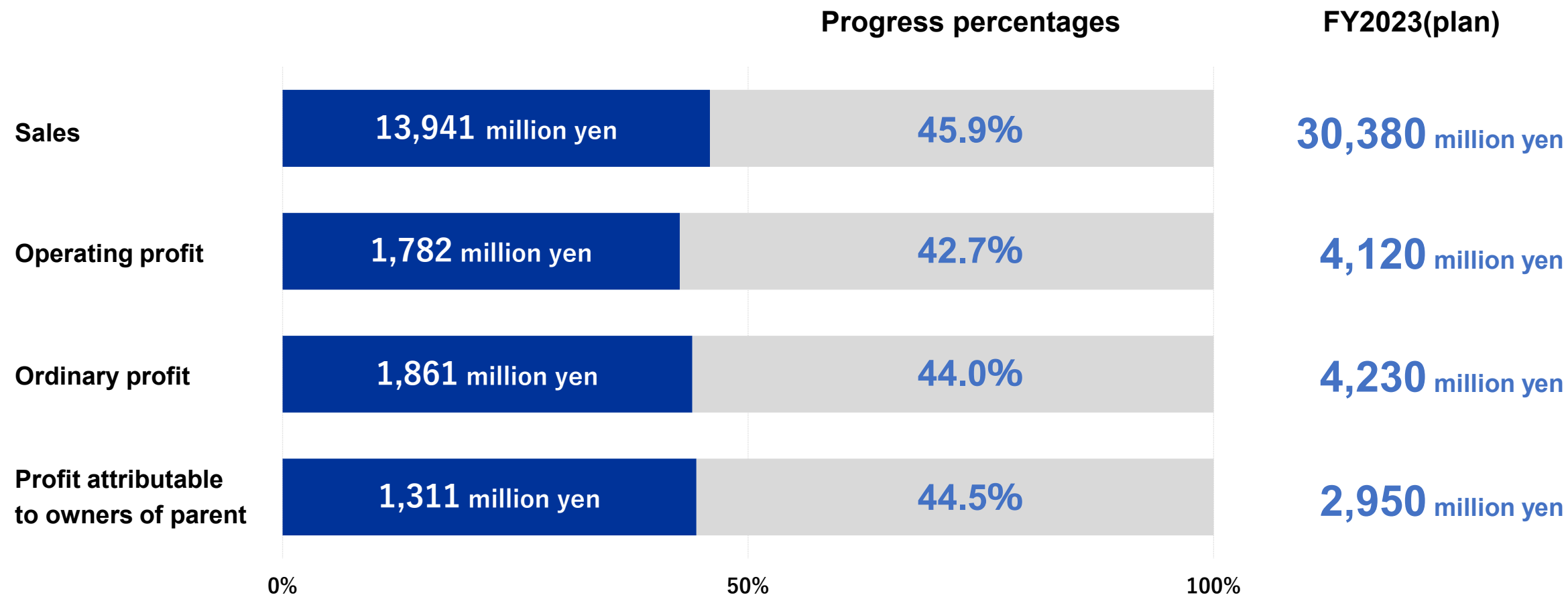
The investment has been changed to 15.9 billion yen due to higher construction and equipment costs

※The land acquisition subsidy of approximately 150 million yen from Fukushima City is reported as extraordinary income for 1H of FY2023. The amount received under the “Subsidy Program for New Business Establishment in the Areas Recovering from Tsunami and Nuclear Disaster towards Employment Creation” (approximately 2.3 billion yen) is to be fixed around 2026 after the completion of subsidized project and will therefore be disclosed upon finalization.

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Both domestic and overseas market inventory have been adjusted and full-year earnings forecast is expected to be achieved



Performance Plans for FY2023

(million yen)	FY2022	FY2023(plan)	Change
Sales	28,091	30,380	+8.1%
Couplings	12,821	13,824	+7.8%
Machine Tools	8,551	8,941	+4.6%
Linear Pumps	4,436	5,121	+15.4%
Door Closers	2,281	2,494	+9.3%
Operating profit	3,665	4,120	+12.4%
Operating profit ratio	13.0%	13.6%	+0.6pt
Ordinary profit	3,818	4,230	+10.8%
Profit attributable to owners of parent	2,625	2,950	+12.4%

Sales: + 8.1% YoY

Operating profit: + 12.4% YoY

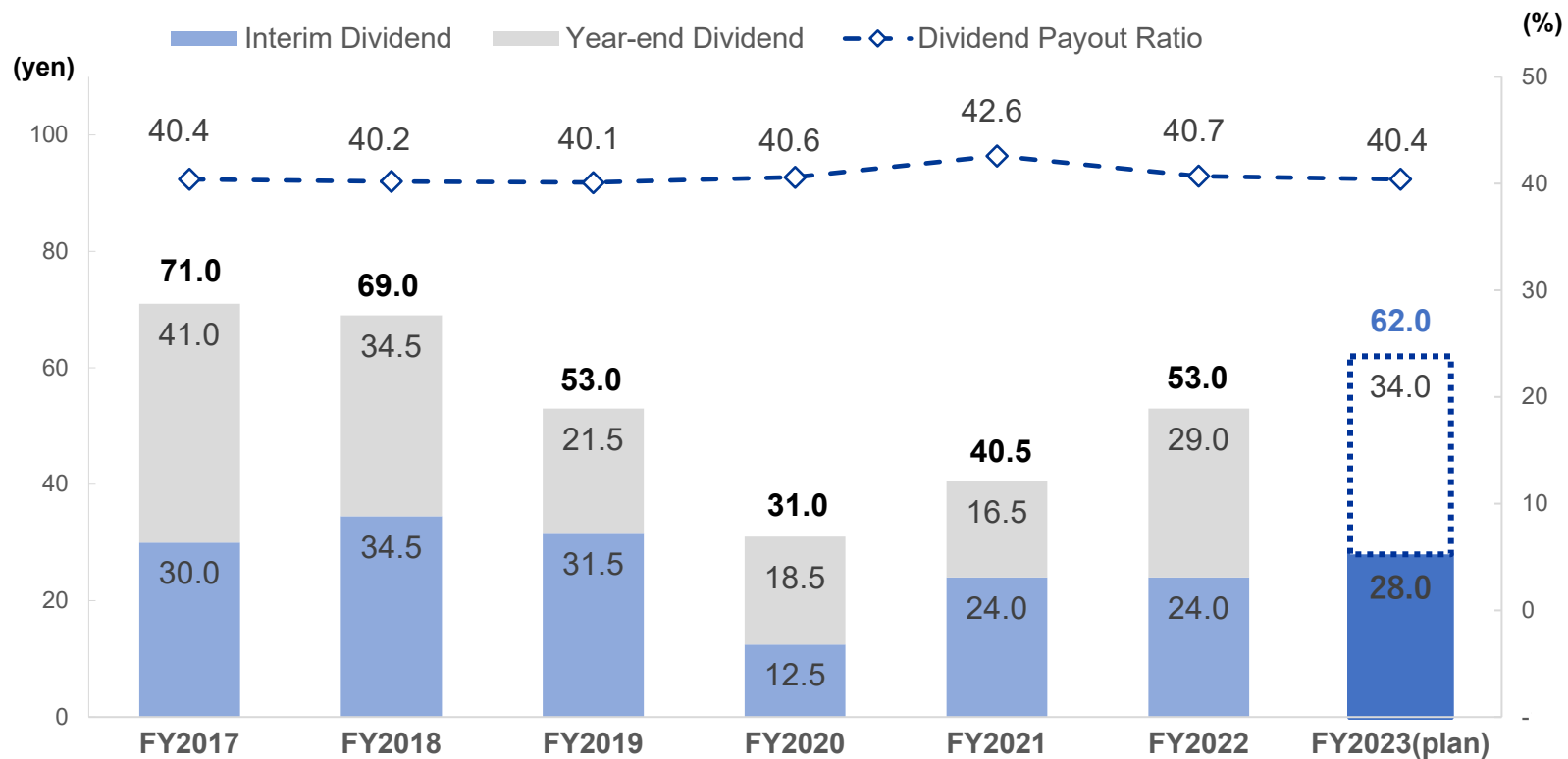
- **Couplings will actively capture capital investment demand of new areas and businesses**
- **Sales of Machine Tools and Door Closers are expected to increase on the back of active face-to-face sales and rising construction demand**
- **Linear Pumps will develop new demand by launching new product**

Dividend Plan

Total payout ratio		Share Repurchase	Share Repurchase		Share Repurchase	Share Repurchase
FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 (plan)
40.4%	40.2%	87.3%	84.1%	42.6%	54.9%	61.7% *

*Assumed figures as of the end of September 2023

Dividend trends



[Dividend policy]

Consolidated dividend payout ratio of 40%

- **Dividend increase for the third consecutive year**
- **Repurchase of shares had been conducted since Feb. 2023, in comprehensive consideration of factors such as economic conditions and stock prices. In total, 520 thousand shares were purchased for 999 million yen by May 31 and the repurchase plan was completed.**

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Basic Sustainability Policy

We aim to achieve the sustainability of society and the Company by implementing our Management Policy of “contribution to society,” “employees’ wellbeing,” and “corporate development.”

Contribution to society

We aim to contribute to society at large by developing, manufacturing, and selling creative products that meet the needs of the times based on the theme of “energy-saving and labor-saving”.

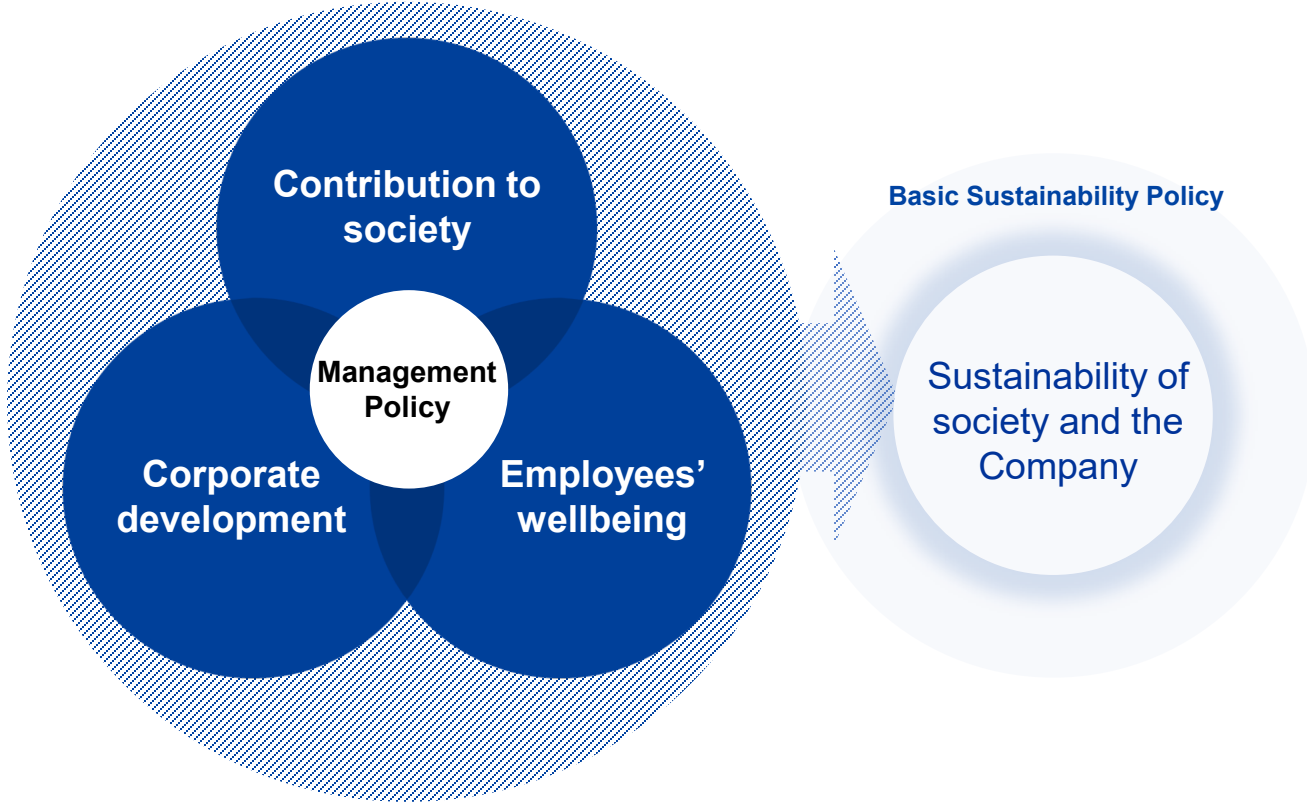
Employees’ wellbeing

Through our management activities, we aim for the wellbeing of our employees and their families.

Corporate development

we aim to develop the Company by contributing to society and realizing the wellbeing of our employees.

We believe that putting this into practice is synonymous with our goal of achieving both the sustainability of society and the sustainable growth of the Company.



The committee is an organization that deliberates on sustainability-related basic policies and materiality (material issues) and confirms various aspects of sustainability. It is composed of the following members taking diverse perspectives into consideration.

NITTO KOHKI Sustainability Committee

- Established on May 10, 2023 as an advisory body to the Board of Directors
- Deliberates on various matters and reports back to the Board of Directors

Organizational Position (as of May 10, 2023)



To achieve sustainability for the NITTO KOHKI Group and society, we have established Materiality (Material Issues) related to our Management Policy. We will continue striving to achieve these goals.

Management Policy

Material Issues

Contribution to society

- 1. Contribute to the global environment through business activities**
- 2. Contribute to energy-saving, labor-saving, and automation in industries**

Employees' wellbeing

- 3. Realize an environment where human resources who care about people through technology can gather and play an active role**

Corporate development

- 4. Build governance that enhances sustainability**
- 5. Promote mutual understanding with stakeholders**
- 6. Build a sustainable supply chain**

Taking initiatives for human resource development to develop creative and high-quality products as well as new market including overseas

Corporate Motto

“Development provides corporate insurance”

- Professional personnel recruitment
- Hierarchy-specific training, human resource development through conducting various training programs
- In-house goal management system where each set self-development goals and goals for the development of others
- Improvement of internal environment where employees demonstrate their abilities
- Promotion of health and productivity management
- Fostering environment where employees can work with peace of mind



Encourage development among employees as well as self-development for oneself

Turnover
(as of the end of March 2023)

5.3%

Indicators and targets related to human capital

Indicators	Results (as of the end of March 2023)	Targets
Percentage of female workers in managerial positions	6.9%	by March 2027 8%
Percentage of male workers who take childcare leave	27.3%	by March 2027 50%
Gender wage gap of workers	61.8%	by March 2027 65%

We will promote sustainability-related activities to enhance our corporate value.

- **Start of activities based on the Basic Sustainability Policy and Materiality (FY2024)**
- **Publication of Integrated Report (scheduled for publication in August 2024)**



This document contains forward looking statements based on NITTO KOHKI's own projections and estimates. They are subject to a number of risks and uncertainties. Take note that actual results may differ materially from our expectations.

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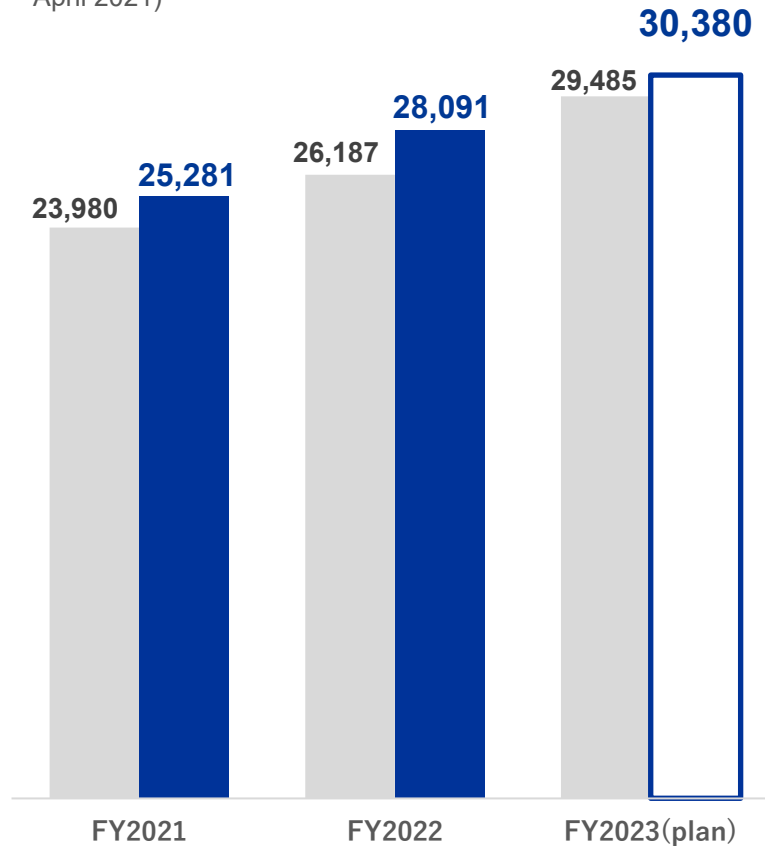
APPENDIX Medium-Term Management Plan

Progress of Medium-Term Management Plan 2023

Sales

(million yen)

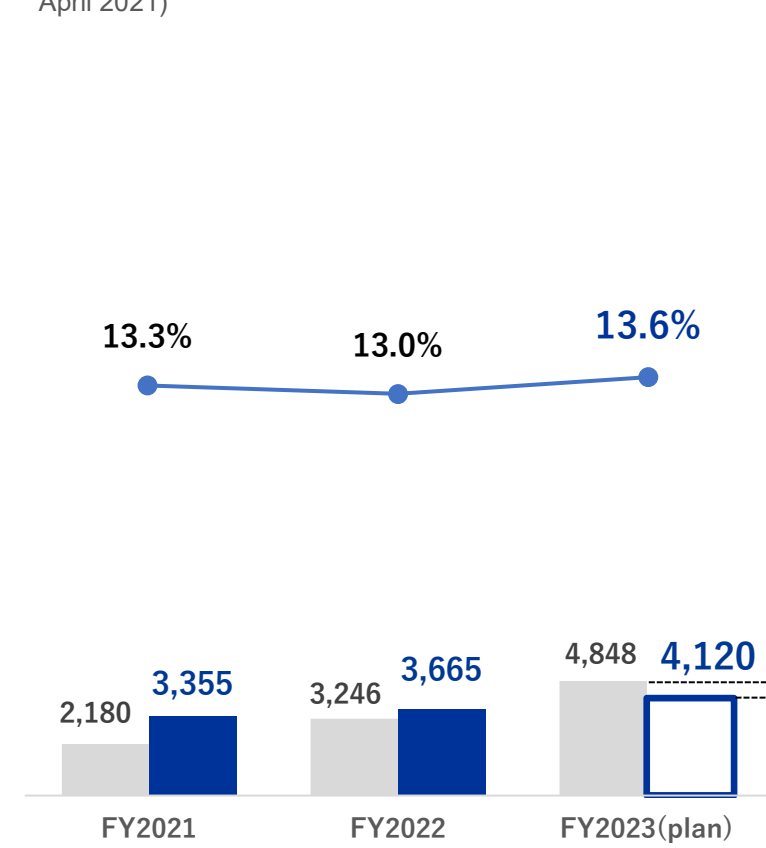
■ Initial targets under the Medium-Term Management Plan (as of April 2021)



Operating profit

(million yen)

■ Initial targets under the Medium-Term Management Plan (as of April 2021)

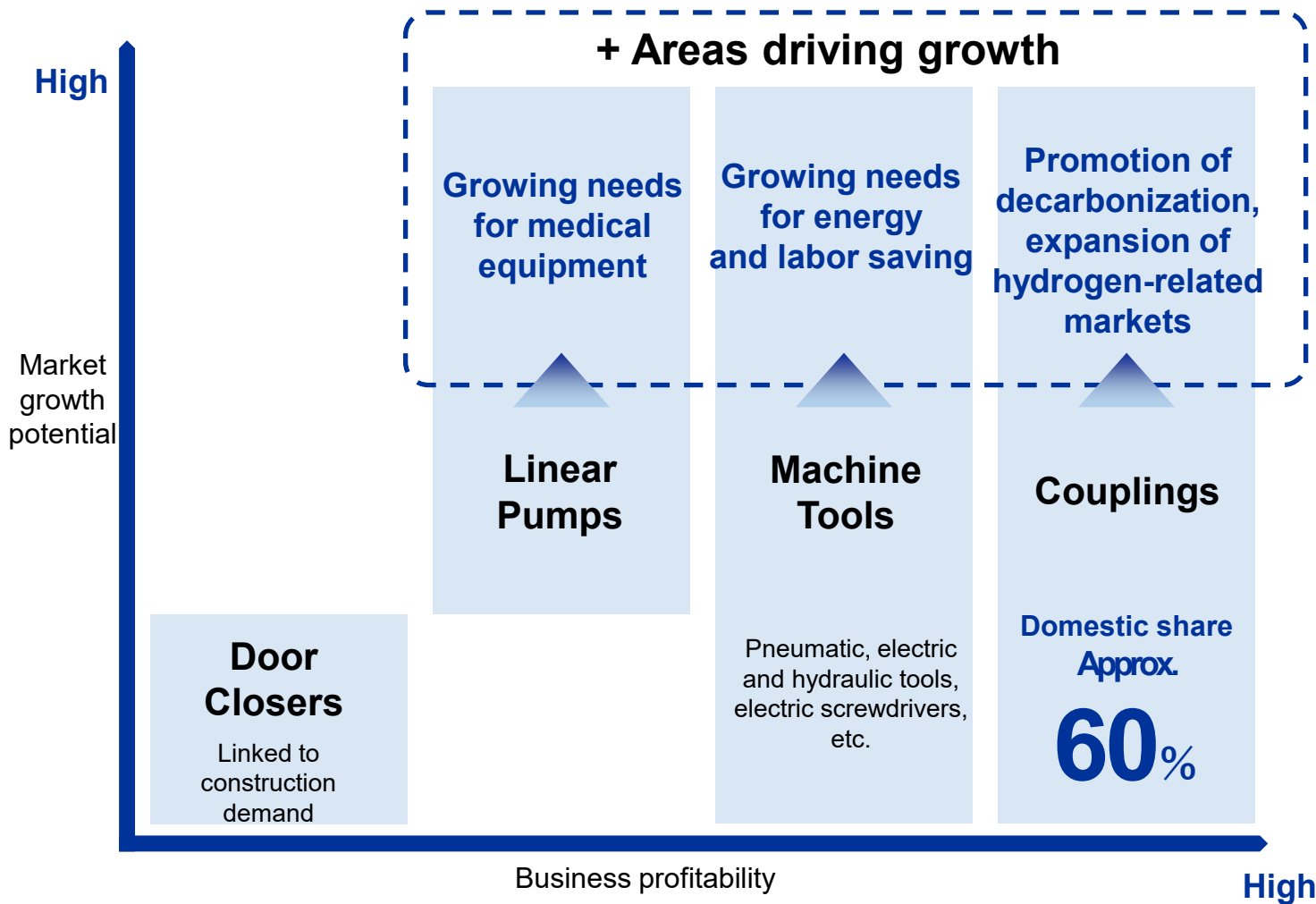


- higher costs
- labor cost
- sales promotion expenses

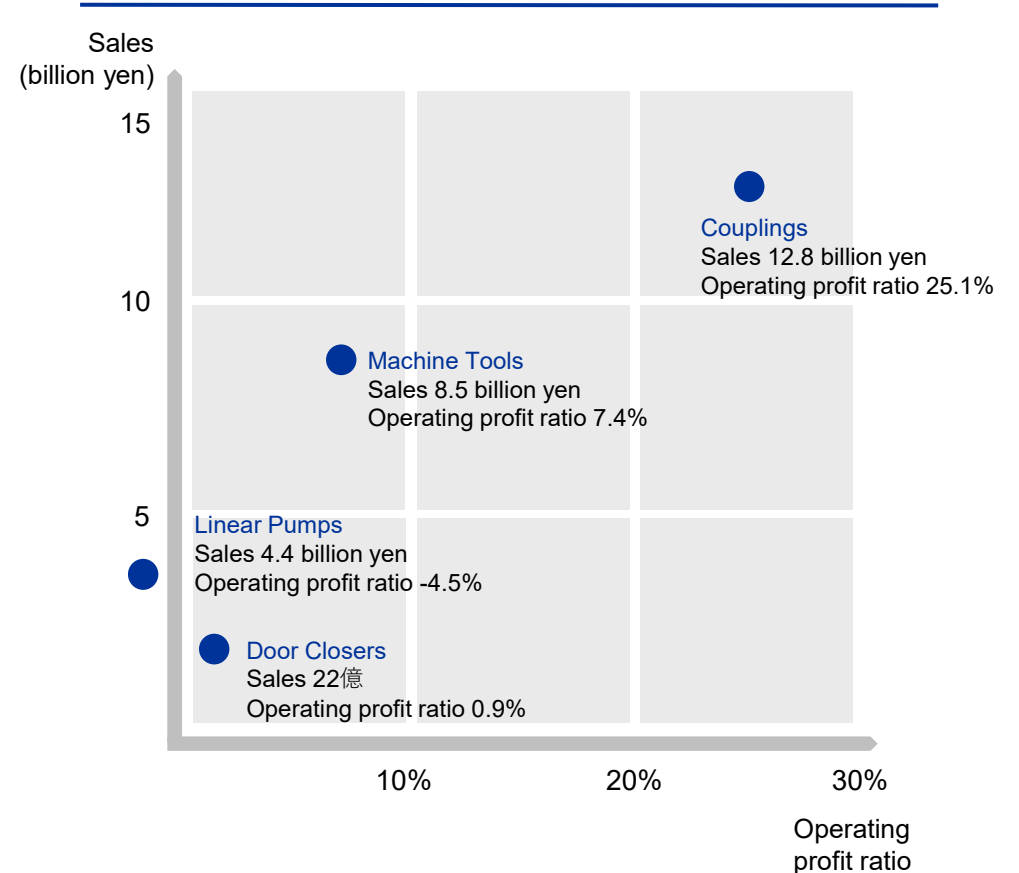
- Sales is planned to exceed the Medium-Term Management Plan
- Expect an 8.1% increase in sales and a 12.4% increase in operating profit from the previous year
- Operating profit ratio is expected to increase to 13.6% YoY, despite operating profit not reaching the initial target of the Medium-Term Management Plan.

Basic policy		Measures
Establish new business strategies in the new normal	Overseas business	Improve our brand recognition overseas
		Develop new sales channels overseas
	Domestic business	Develop a sales network utilizing the NITTO KOHKI Group network
		Explore new fields and needs
Develop new products and new businesses	Develop new fields related to decarbonized society and new energy	Expand the lineup of products for FCV hydrogen chargers and develop other hydrogen fuel related markets
	Develop automation, high-function, high-value-added products and expand its lineup	Deepen and expand pneumatic tools, electric tools, and electric screwdrivers markets
	Improve brand power as a medical equipment manufacturer	—
Establish new production systems	Optimize production systems	Promote borderless operations at each production plant
		Increase efficiency through the introduction of automated facility
		Visualize the status through data analysis and operation with IT systems
	Streamline purchasing	Optimize inventory by introducing various systems
	Decarbonization initiatives	Utilize and promote renewable and new energy sources
Strengthen the organizational structure	Strengthen governance and legal compliance introduce new enterprise systems, enhance brand penetration	
Balancing “contribution to society” and business activities	Further contribute to society through energy and labor savings	

Aim to expand earnings by developing growth markets on the strength of a stable profitable business base, technological capabilities, and reliability



(Reference) Sales and profitability by segment (FY2022)



*According to the Company's research

Actively conducted sales activities online during the pandemic to raise awareness of our products and services for business expansion

Strengthen global sales

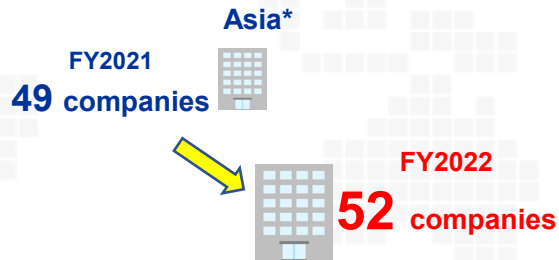
Produced and released 99 videos of our products and services

Cultivate medical and hydrogen business markets

- Exhibited at Hydrogen Technology Expo 2022 in Bremen, Germany
- Received inquiries from new forklift manufacturers in the U.S.
- Received inquiries from hydrogen tank manufacturers in Europe

Sales expansion in Asia

Number of distributors increased in Asia*



Strengthen sales in Asia

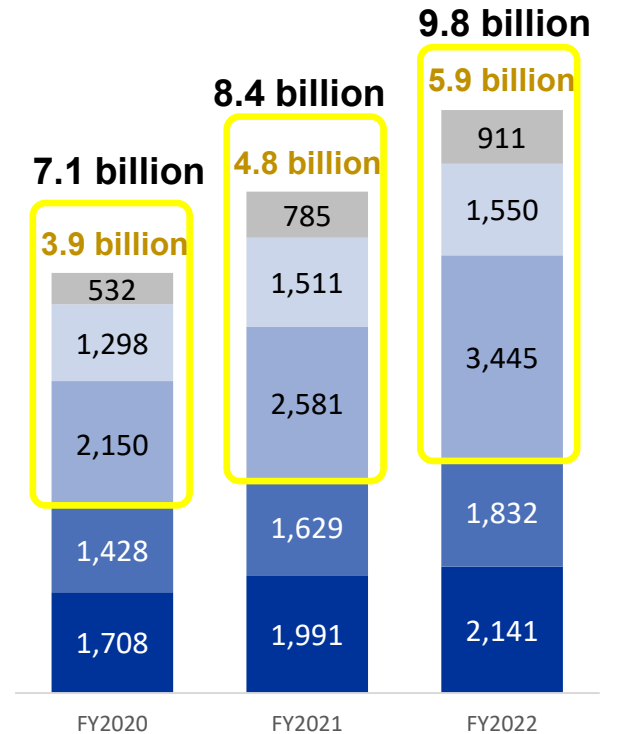
Actively conducted virtual exhibitions and online business negotiations during the pandemic

Combine online and face-to-face activities after the lifting of the COVID-19-related restrictions

Trends in Overseas Sales (million yen)

■ The Americas ■ Europe, the Middle East and Africa ■ East Asia ■ Asia Oceania ■ Southeast Asia

Continued 20% sales growth in Asia



*Asia . . . East Asia (Greater China, Korea, and Mongolia) 、 Asia Oceania (Australia, Malaysia, etc.) 、 Southeast Asia (India, Thailand, Vietnam, etc.)

Expand product lineup beyond fuel cell vehicles (FCVs) and strengthen sales activities to meet growing demand

Developed couplings for high pressure hydrogen filled in Fuel Cell Vehicles (FCV) for the first time in Japan (in 2002)

High pressure hydrogen fueling nozzle “**HHV CUPLA 70MPa/35MPa**”

The nozzles are installed at hydrogen stations to fuel FCVs with high pressure hydrogen

Renewed the product in May 2022:

- Improved operability
- Equipped with separation prevention mechanism
- Lighter weight



We will contribute to the realization of a hydrogen society by expanding our product lineup.

Hydrogen filling for various mobility and stationary/mobile fuel cells

Hydrogen filling to FC forklifts and FC vessels