

To whom it may concern

Company name: NITTO KOHKI CO., LTD.  
(Code No. 6151 Tokyo Stock Exchange Prime)

Representative: Akinobu Ogata, Representative Director, President CEO

Inquiry: Kenji Mori, Director, Senior Managing Executive Officer,  
Chief Administrative Officer

## **Questions and Answers for the Presentation of Financial Results for the Six Months Ended September 30, 2023**

This Q&A compilation is a summary of the main questions we received at our financial results briefing for the six months ended September 30, 2023, held on Monday, November 27, 2023. Some revisions and modifications have been for facilitating readers' understanding.

### **Q1 What is the status of your plan for the new plant?**

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**A1** The construction began in October 2023 and is scheduled to be completed at the end of May 2025. We are steadily preparing for the operation of the new plant with the merger of SHIRAKAWA NITTO KOHKI and MEDOTECH scheduled for March of next year.

**Q2** **The total investment of 15.9 billion yen for the new plant is equivalent to 40% of the market capitalization. Please tell us about your thoughts on the return on the capital cost and what kind of structure you are using to discuss the issues. Also, do you plan to record the investment in FY2024 and FY2025? What level of depreciation do you expect after the completion of the new plant?**

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**A2** The Board of Directors is currently engaged in various discussions regarding the establishment of the new plant. We will provide an explanation on details when the time is right for disclosure.

The investment in the new plant will be paid in approximately 1/3 increments per year from FY2023 through FY2025. Depreciation will occur after FY2025, with buildings being depreciated over a long period of time. Meanwhile, equipment will be depreciated over nine years, so the depreciation burden will decrease after the 10th year. Subsidies will be finalized in FY2025, which we will disclose once finalized.

**Q3**

**Please tell us about the main fields of quick connect couplings in the second half of the fiscal year. Also, what is the market outlook for products for semiconductors in the next fiscal year?**

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**A3**

Products for semiconductors include quick connect couplings in response to demand from semiconductor equipment as a set and chemical fluid applications for semiconductor manufacture, and the sales composition for semiconductors is larger than that for electrolytes for lithium-ion batteries. We expect that demand will begin to recover from the fourth quarter. Sales to the automobile industry account for about 20% of the total sales of the quick connect coupling business and are expected to remain at this level in the future. Demand from the general industry has remained steady.

**Q4**

**Are your quick connect couplings able to remain highly competitive as semiconductor technology advances?**

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**A4**

We believe that we have a strong advantage in quick connect couplings for semiconductors, as these products require high functionality and high quality.

**Q5**

**Are raw material prices still rising?**

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**A5**

Although the sharp rise in raw material prices has subsided compared to before, the purchasing departments of each production plant are still receiving some requests for price increases per month.

**Q6**

**What is the exchange rate impact of the appreciation of the Thai baht on the business?**

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**A6**

Linear pumps manufactured in Thailand have been significantly affected by the appreciation of the Thai baht. We have begun to hedge some Thai baht transactions, and are taking measures to prevent the extreme impact of exchange rates over the long term.

Q7

**The Pumps & Compressors Business and the Door Closers Business are currently losing money. Could you tell us how the Board of Directors recognizes and discusses the problem from the perspective of the business portfolio? Do you consider the option of selling the Pumps & Compressors Business, given its low profitability, or other options?**

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A7

The Board of Directors is having various discussions regarding the Pumps & Compressors Business and the Door Closers Business. We believe that there is still much room for growth in the Pumps & Compressors Business, and we are not considering selling it at this time. We recognize that these businesses are key issues to be addressed in the new medium-term management plan to be launched in FY2024. We will provide an explanation when we are ready.

Q8

**Regarding the plan for FY2023, what is the rationale for the expected double-digit growth in sales and operating profit in the second half of the year?**

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A8

Both in Japan and overseas, we recognize that the market inventory adjustments due to rush demand before last year's price revision are on the horizon, and we anticipate a recovery in demand. Other positive developments include a recovery in capital investment in the automotive industry for quick connect couplings, and the launch of new linear pump products that will contribute to automation. These are the factors behind the expected achievement of the full-year forecast.

Q9

**When can we expect to see the positive impact of the settling of market inventory adjustments due to rush demand before last year's price revision?**

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A9

We expect the positive impact to begin to emerge around the fourth quarter at this stage.

Q10

**Do you plan to raise prices in the future?**

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A10

Some of our overseas distributors that do business in yen are planning to raise their prices from the beginning of the year.

Q11

**We believe that measures to improve ROE and P/B ratio are necessary in response to the situation where your P/B ratio is below 1. In what structure are you proceeding with discussions? Also, please share with us the improvement measures and ideas you are considering.**

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A11

We are well aware of the situation where our P/B ratio is below 1, and the Board of Directors is discussing the issue. We are considering measures to improve corporate value based on improving P/B ratio as well as ROE in the new medium-term management plan starting from FY2024, which will be disclosed as soon as it is decided.

Q12

**Please tell us if there is any plan to repurchase shares.**

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A12

The Board of Directors is considering various measures internally regarding our capital policy, but we would like to refrain from answering your question regarding our share repurchase plans.

Q13

**Please explain the reason for the increase in inventory.**

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A13

Production of some products has been unstable due to difficulties in procuring materials. In this situation, we are maintaining high inventory levels for some products to avoid opportunity losses and to fulfill our supply responsibility as a manufacturer. At the same time, we are proceeding with production adjustments for some products, so the inventory levels should be optimized in the future.

Q14

**In the context of the growing inventories, how do you view the opportunity cost relative to the cost of capital? Please share your discussions on capital structure.**

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A14

The Board of Directors is having various discussions regarding the capital structure. Currently, we are also discussing it in the context of the new medium-term management plan to be launched in FY2024.

#### Investor Relations Website



We actively provide information to our shareholders and investors through our Investor Relations site on our website. Please visit the site.

<https://www.nitto-kohki.co.jp/e/ir>