

Medium-Term Management Plan 2026 (April 2024-March 2027)

**Reconstructing our earning power to achieve our great leap
after the next decade**

NITTO KOHKI CO., LTD

Prime Market : 6151

Review of Medium-Term Management Plan 2023

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Review of Medium-Term Management Plan 2023

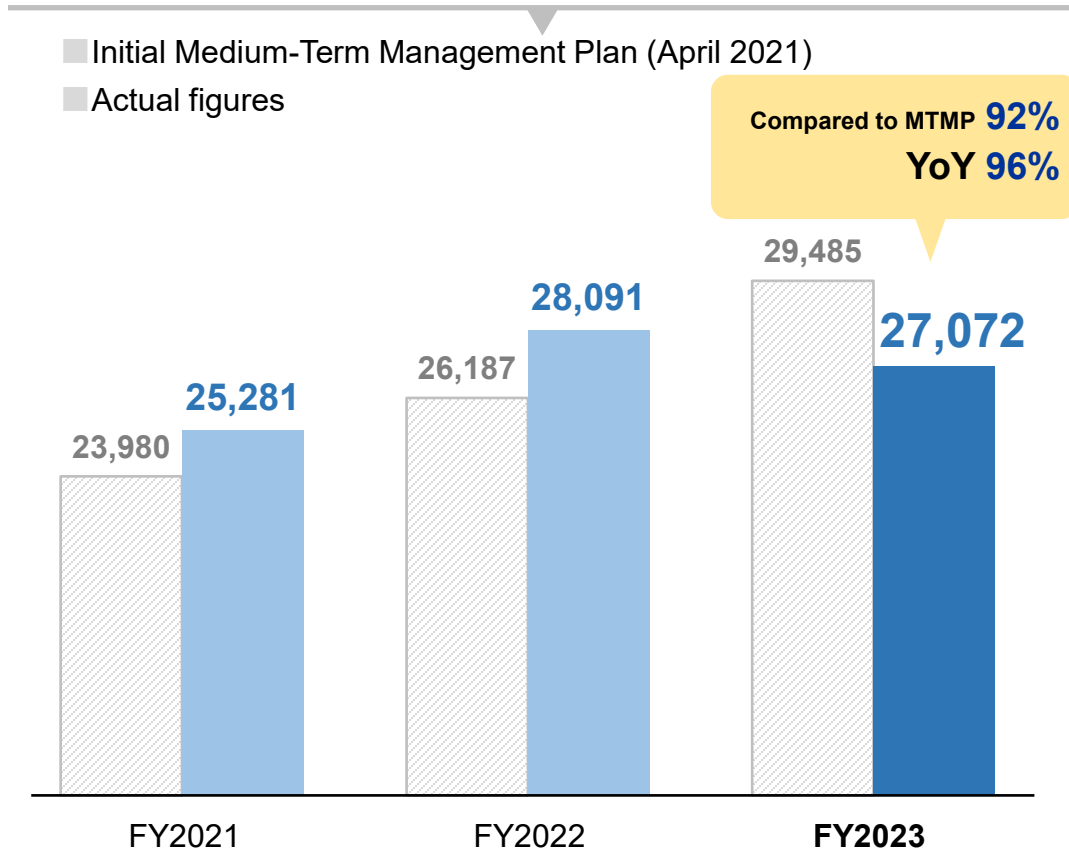
CONTENTS (April 2021-March 2024)

Looking Back on the Results of the Medium-Term Management Plan 2023

- Results for the fiscal years ended March 2022 and 2023 showed solid movement by our Couplings Business, our mainstay, which ended up performing better than the initial Medium-term Management Plan.
- For the fiscal year ending March 2024, the slow recovery in demand for the semiconductor manufacturing industry and the decreased demand for quick connect couplings CUPLA used in the lithium-ion batteries manufacturing process in China caused a drop in revenues, which affected overall performance and resulted in the target was not achieved. However, the demand for the semiconductor manufacturing industry are currently showing signs of recovery.
- In addition to spiking raw materials prices, the increased personnel expenses needed for future growth and the increased face-to-face sales expenses following to the COVID-19 pandemic have meant higher SG&A, though product price rises have helped keep operating profit in the 10% range.

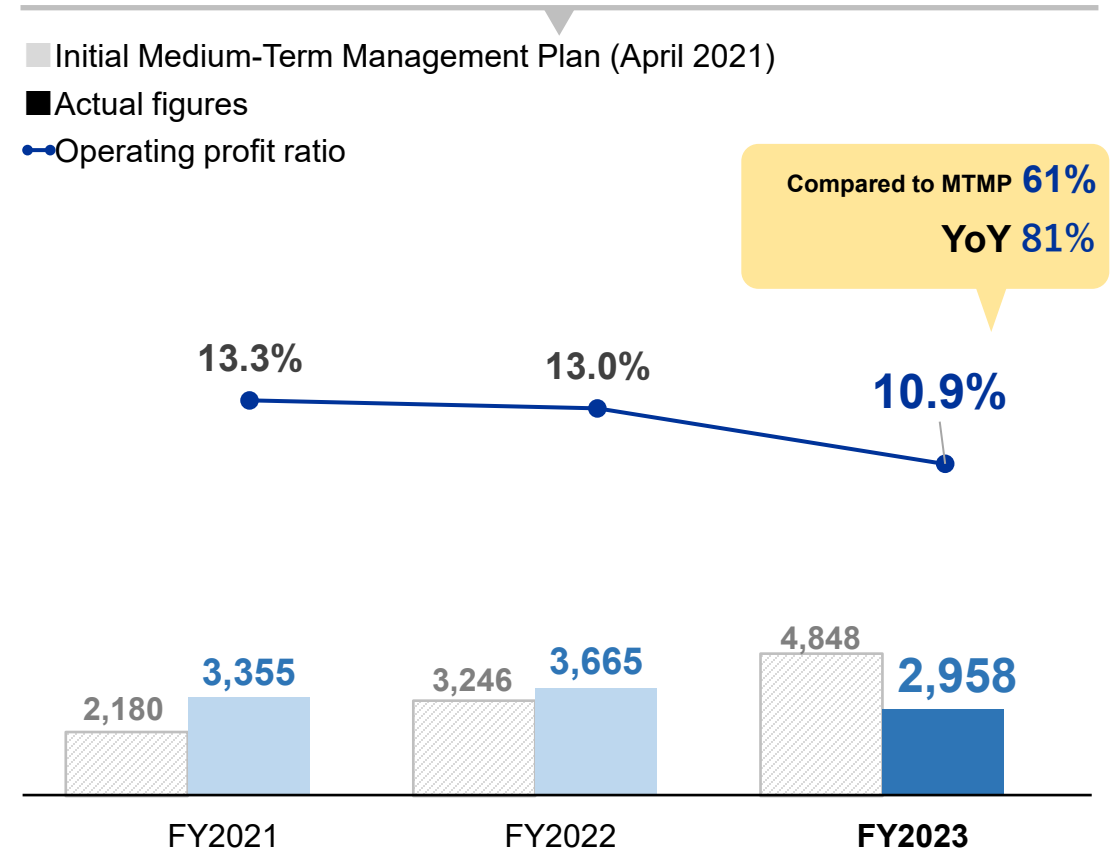
Sales

(million yen)



Operating profit / Operating profit ratio

(million yen)



Issues for the Medium-Term Management Plan 2026 Identified through Looking Back on Key Measures

Basic Policy	Measures	Results	Issues for the Medium-Term Management Plan 2026
<p>Develop new products and new businesses</p>	<ul style="list-style-type: none"> • Develop automation, high-function, high value-added products and expand its lineup • Develop new fields related to decarbonized society and new energy 	<ul style="list-style-type: none"> • Lateness of new product launches • Currently developing a product series that supports automation • Enhanced the quick connect couplings CUPLA for the hydrogen fuel-related market 	<ul style="list-style-type: none"> ✓ Actively develop products that support automation, labor-saving, and the environment ✓ Strengthen energy-related businesses, especially CUPLA for Hydrogen Use ✓ Create new businesses looking 10 years ahead
<p>Establish new business strategies in the new normal</p>	<p>[Domestic business]</p> <ul style="list-style-type: none"> • Develop a sales network utilizing the NITTO KOHKI Group network • Explore new fields and needs <p>[Overseas business]</p> <ul style="list-style-type: none"> • Improve our brand recognition overseas • Develop new sales channels overseas 	<ul style="list-style-type: none"> • Started collaboration with manufacturers of peripheral devices, launched new products • Evolved strategies on a per-region basis 	<ul style="list-style-type: none"> ✓ Strengthen overseas strategies ✓ Promote strategies on a per-region basis
<p>Establish new production systems</p>	<ul style="list-style-type: none"> • Optimize production systems • Streamline purchasing 	<ul style="list-style-type: none"> • Integrate the two domestic plants (Shirakawa, Yamagata) for operation of the new plant • Spike in prices for raw materials, difficulty of procuring parts 	<ul style="list-style-type: none"> ✓ Stable operation of the new plant ✓ Improve profitability through improvements to delivery dates and reduced costs
<p>Strengthen the organizational structure</p>	<ul style="list-style-type: none"> • Rationalization of work and improved added value through IT systems 	<ul style="list-style-type: none"> • Currently constructing new enterprise system • Promote training for IT human resources 	<ul style="list-style-type: none"> ✓ Improve corporate value through merging human resources and DX investment
<p>Balancing “contribution to society” and business activities</p>	<ul style="list-style-type: none"> • Further promotion of management and contribution to society through energy and labor-saving technologies 	<ul style="list-style-type: none"> • Basic Policy for Sustainability enacted • Materialities identified 	<ul style="list-style-type: none"> ✓ Practice sustainability management ✓ Improve capital efficiency

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

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

Used in
Toyota's
new MIRAI

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



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



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

Create a production and supply system to meet future demand growth

Start of operations in Jun-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.

- MEDOTECH CO., LTD. and SHIRAKAWA NITTO KOHKI CO., LTD. merged, and the company was renamed TOHOKU NITTO KOHKI CO., LTD.
- Multi-purpose plant with a capacity to manufacture all products of NITTO KOHKI Group
- Energy 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
Start of operation at new plant	June 2025
Investment amount	Approx. 16.0 billion yen

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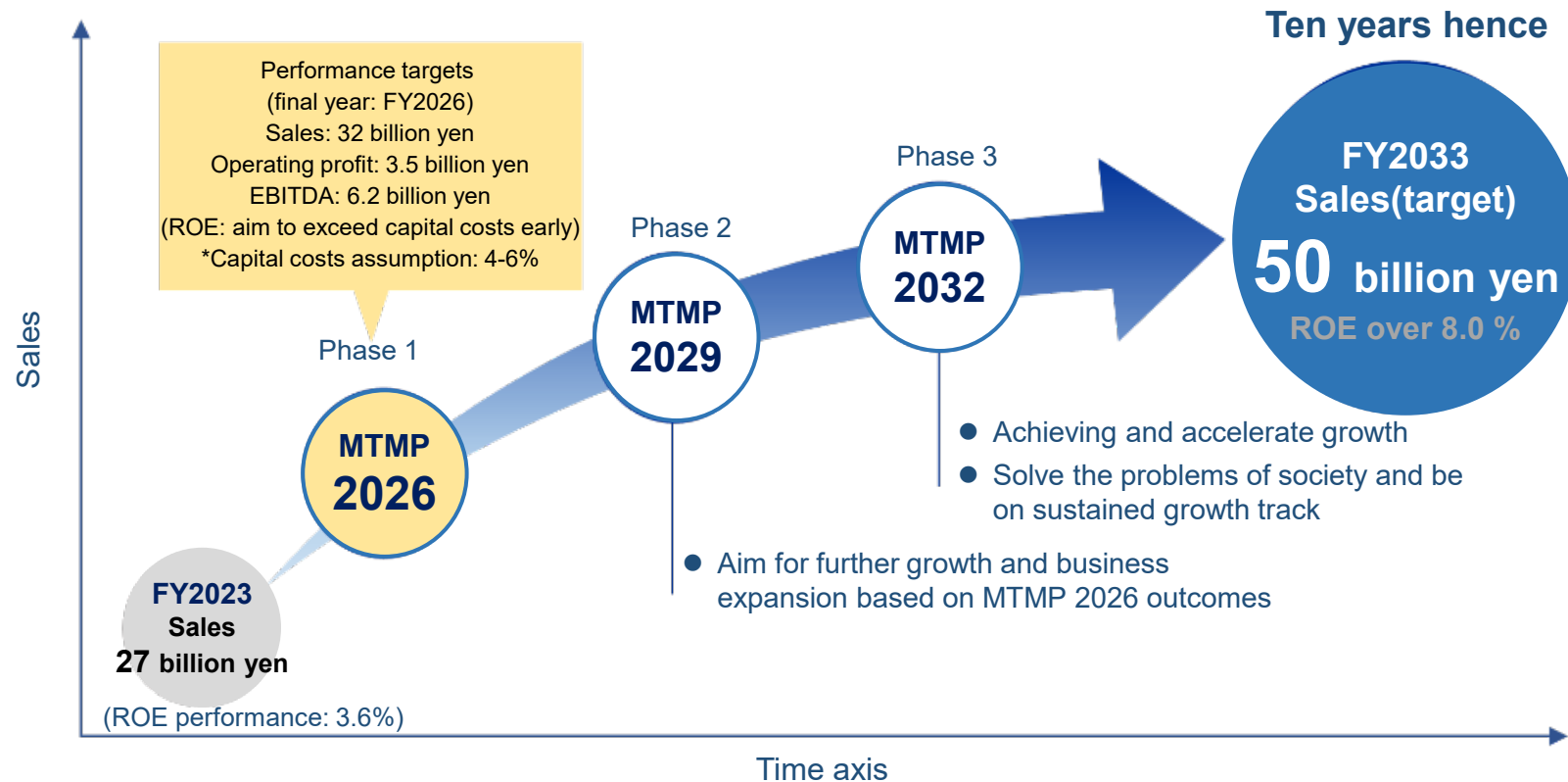
Medium-Term Management Plan 2026 (April 2024-March 2027)

**Reconstructing our earning power to achieve our great leap
after the next decade**

Reconstructing our earning power to achieve our great leap (what we aspire to become) after the next decade

Main Points about the Medium-Term Management Plan 2026

- 1. Strengthen earning power and expand investment into growth areas** (strengthen hydrogen- and new energy-related products / automatic labor-saving and environmentally friendly products / strengthen overseas strategies)
- 2. Optimize production systems and strengthen cost competitiveness** (start operation of new domestic plant / review global production system / consider alliances and M&A with other companies)
- 3. Construct a management foundation for achieving sustained growth** (innovate enterprise system / promote DX / sustainability management)



CONTENTS **Business Environment and Initiatives Themes**

Environment issues

Achievement target for carbon neutrality: Reduce greenhouse gas emissions to zero by 2050

Decarbonization

- **Growth of wind, solar, storage battery, and geothermal industries through the spread of renewable energies**
- **Expansion of new energy businesses including hydrogen**
 - ⇒ Expand related demand such as transport and manufacturing processes
 - ⇒ Increase product needs that contribute to the reduction of GHG emissions such as FCV and EV
 - ⇒ Expand automotive storage battery market to keep pace with EV market expansion

Encourage electrification for decarbonization

- **Growth of energy-saving-related industries due to increased electricity demand**
 - ⇒ Utilize electrification, hydrogen as a fuel, storage batteries (transition from lithium-ion batteries to all-solid-state batteries)
 - ⇒ Increase product needs that contribute to the reduction of electricity consumption
- **Growth of the semiconductor manufacturing industry/information and communications industries**
 - ⇒ Increase in data centers, increase in demand for electronic device cooling (accelerating shift from air-cooled to water-cooled)

Population decline issues

Estimated total population of Japan: down to 87,000,000 by 2070, with about 39% aged 65 or over

Serious lack of workforce

- **Promote AI and IoT to improve labor productivity**
- **Encourage women and the elderly to enter the workforce, increase the number of foreign workers**
 - ⇒ Increased needs for energy and labor-saving
 - ⇒ Increased demand for energy and labor-saving products
- **Promote automation, energy and labor-saving in domestic production facilities**
 - ⇒ Development of robotics, increased demand for energy and labor-saving devices, product series that support automation

Shrinking domestic demand

- **To cope with shrinking volume of demand, expand total demand through high added values and new demand**
 - ⇒ Increased demand for high-quality, high-safety products
- **Regions of population growth become emerging markets**
 - ⇒ Expanded sales to overseas markets such as the Global South

Medium-Term Management Plan Initiatives Themes

	Initiative themes	Primary measures
1	Strengthen energy-related businesses, especially CUPLA for Hydrogen Use	<ul style="list-style-type: none">✓ Implement sales strategies that dig deeper into energy market trends✓ Enhance functionality and lineup of CUPLA for Hydrogen Use
2	Actively develop products that support automation, labor-saving, and the environment	<ul style="list-style-type: none">✓ Expand lineup of environmentally-certified products and tools for automated machinery/robots✓ Establish networks of local partners✓ Train and actively hire human resources with specialist knowledge
3	Create new businesses with a view to a decade hence	<ul style="list-style-type: none">✓ Review existing business portfolios from multiple angles✓ Active investment in research and business collaboration, study M&A
4	Strengthen overseas strategies (Promote region-specialized strategies)	<ul style="list-style-type: none">✓ Dig deep to find high-end demand in Western markets✓ Expand and diversify sales channels in emerging markets
5	Improve profitability through improvements to delivery dates and reduced costs	<ul style="list-style-type: none">✓ Review production systems when the new plant comes on line
6	Improve corporate value through merging human resources and DX investment	<ul style="list-style-type: none">✓ Create a labor environment where people can work worry-free✓ Improve corporate value through the active participation of diverse employees
7	Improve capital efficiency	<ul style="list-style-type: none">✓ Broadly execute a range of measures aimed at improving ROE

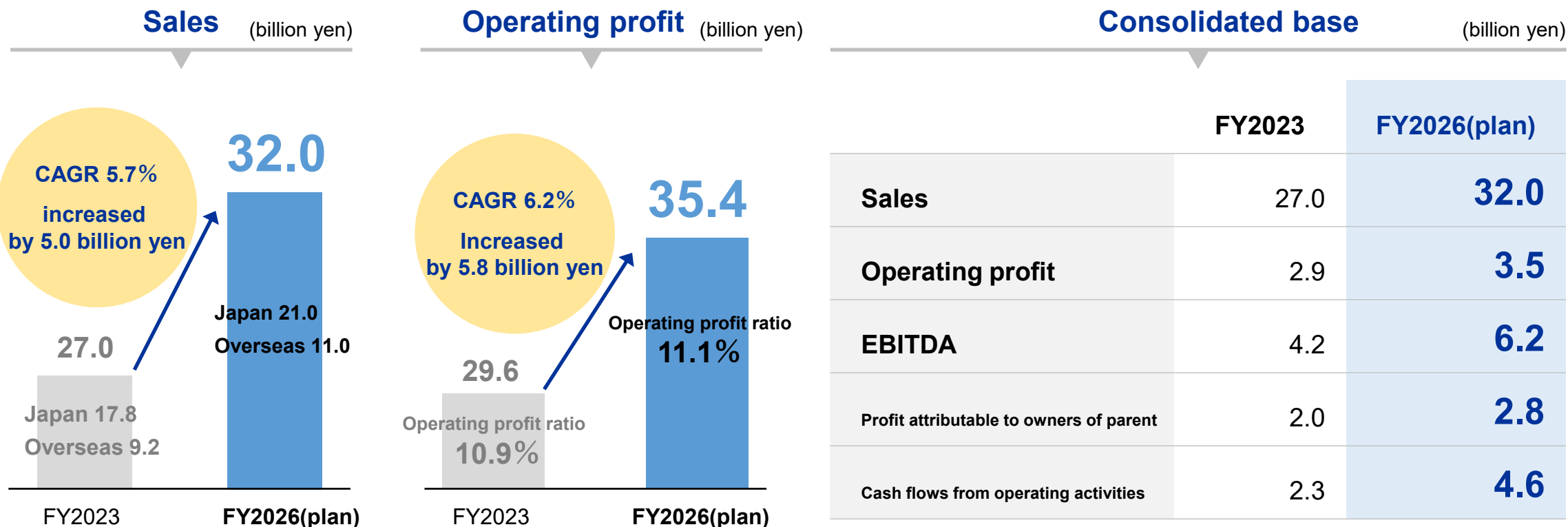
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Performance Targets and Performance by Segment

Medium-Term Management Plan 2026 Performance Targets

Position the current MTMP period as “the period for solidifying our foundations” as we head for further growth, and work on creating corporate value anew.

Medium-Term Management Plan 2026 Performance Targets (final year: FY2026)



***CAGR**: Compound Average Growth Rate.
The yearly growth rate for operating profit and sales over a given period.

***EBITDA**: Earnings Before Interest, Taxes, Depreciation, and Amortization.
Actual business earnings power excluding the impact of depreciation due to capital investment.

Medium-Term Management Plan 2026 Performance by Segment

The Couplings Business and the Machine Tools Business are positioned as our core business and growth business, and we aim for medium- to long-term business growth and contribution to profits. We will actively work on inorganic growth through collaboration with other companies and M&A

(billion yen)

Sales	FY2023	FY2026(plan)	Amount	%
Couplings Business	11.8	14.5	+2.7	+22.8%
Machine Tools Business	8.8	10.0	+1.2	+13.6%
Linear Pumps Business	4.2	5.0	+0.8	+19.0%
Door Closers Business	2.2	2.5	+0.3	+13.6%
Total Sales	27.0	32.0	+5.0	+18.5%

CONTENTS **Basic Strategies**



Market strategies

Domestic market

- Development of new demand, new products (all segments)
- Start on environmentally-friendly businesses (all segments)
- Contribute to customer automation (all segments)
- Expand sales channels
- Finding partners for collaboration

Overseas markets

- Initiatives towards expanding overseas businesses value
 - [Traditional markets]
Dig deep to find high-end demand
 - [Emerging markets]
Expand and diversify sales channels
- Boost the NITTO KOHKI brand power
- Finding M&A seeds and collaboration partners
- Foster borderless human resources in Japan and abroad



Product strategies

Products

[Couplings Business and the Machine Tools Business]
Develop products for automation and that are environmentally friendly

[Linear Pumps Business]

Open up applications for single pumps included in devices in the medical, foodstuffs, and energy-saving fields

[Door Closers Business]

Open up new uses, new markets

Industries

- Sustained attacks on core industries and growth industries
- Work to expand new energies including hydrogen
- Expand decarbonization business



DX strategies

Rationalization of management and work

- Start up the new enterprise system
- Strengthen security
- Foster human resources for promoting IT

Production innovations

- Automation, labor-saving, and visualization in production processes
- Digitization of technology expertise
- Foster human resources for promoting IT



Personnel strategies

Develop an environment where people can work healthy in both mind and body, safely and with peace of mind

- Construct a health support environment as a system for addressing overall health risks
- Improve employee satisfaction
- Increase motivation through making skills visible and allowing abilities to be exercised

Human capital investment for taking on challenges

- Acquire specialist human resources to develop advanced technology sectors and expand sales and overseas businesses
- Review each form of training and enhance re-skilling
- Improve corporate value through the active participation of diverse employees

Main core strategies	<ul style="list-style-type: none"> ✓ Open up new demand (semiconductors, advanced technologies) ✓ Expand products for the hydrogen energy market ✓ Expand products that support automation
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FY2023		Medium-Term Management Plan 2026
Quantitative aspects	Sales : 11.9 billion yen	Sales : 14.5 billion yen
Main industries	Semiconductors, industrial machinery, automobiles	<ul style="list-style-type: none"> ● Semiconductors, automobiles (EV) ● Hydrogen, new energies
Development	Focus on quick connect couplings CUPLA for semiconductor chemicals	<ul style="list-style-type: none"> ● Expand products for automation ● Expand products that are environmentally-friendly
Production	Improve plant production efficiency	<ul style="list-style-type: none"> ● Further push towards automation
Sales	Domestic: Push sales networks Overseas: Evolve China/Asia markets	<p>Domestic: Open up new embedded demand Expand sales of products that support automation</p> <p>Overseas: Capture high-end demand</p>

Main core strategies

- ✓ Solid capture of needs for automation
- ✓ Open up unified customer needs through integrated development and sales
- ✓ Increase production efficiency and strengthen cost competitiveness through restructuring domestic plants

	FY2023		Medium-Term Management Plan 2026
Quantitative aspects	Sales : 8.8 billion yen	>	Sales : 10.0 billion yen
Main industries	Steel, cans, bridges, shipbuilding, automobiles	>	<ul style="list-style-type: none"> ● Steel, cans, bridges, shipbuilding, automobiles
Development	Take products that support automation to market	>	<ul style="list-style-type: none"> ● Expand products that support automation ● Develop products that are environmentally-friendly
Production	Improve plant production efficiency	>	<ul style="list-style-type: none"> ● Stable operation of the new plant
Sales	Domestic: Nitto-kai activities Overseas: Increasing competition with overseas manufacturers	>	<p>Domestic: Expand sales of products that support automation</p> <p>Overseas: Improve sales channels</p>

Main core strategies

- ✓ Open up high-end markets overseas, mainly in Europe and the Americas
- ✓ Expand products that support automation/are environmentally friendly

FY2023		Medium-Term Management Plan 2026
Quantitative aspects	Sales: 4.2 billion yen	Sales: 5.0 billion yen
Main industries	Medical, housing, food, semiconductors	<ul style="list-style-type: none"> ● Medical, housing, food, semiconductors
Development	Expand unit medical devices	<ul style="list-style-type: none"> ● Expand series, product lineups ● Strengthen products that support automation
Production	Improve plant production efficiency	<ul style="list-style-type: none"> ● Review global production system
Sales	Domestic: Strengthen medical products Overseas: Blowers/incorporated pumps for the West	Domestic: Open up medical embedded demand and other demand Overseas: Open up medical-related markets

Main core strategies	✓ Develop high valued-added products and open up markets
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	FY2023		Medium-Term Management Plan 2026
Quantitative aspects	Sales: 2.2 billion yen	>	Sales: 2.5 billion yen
Main industries	Construction, architecture	>	● Construction, architecture
Development	Focus on auto hinge (flag, center-hang) products	>	● Develop high valued-added products
Production	Improve plant production efficiency	>	● Stable operation of the new plant
Sales	Domestic sales account for 80% of sales	>	Domestic: Open up new demand Overseas: Expand sliding door closer sales

CONTENTS **Cash Allocation and Shareholder Returns**

Basic policy

We shall ensure ample activities capital during the Medium-Term Management Plan period (April 2024-March 2027) through a combination of operating cash flows and cash on hand.

While prioritizing capital allocation to growth investments, we shall continue stable shareholder returns and improve corporate value.

Medium-Term Management Plan 2026 Target Period
(Plan for April 2024-March 2027)

Cash in

Cash on hand
+
Utilize loans

Approx. 10 billion
yen+

Operating cash
flows estimate

Approx. 13.5 billion
yen

(Cumulative over 3 years)

Cash out

Shareholder
returns

Growth investment
&
Capital investment
(incl. M&A)

*Based on execution and
management of investment with
an awareness of capital costs.

Human capital
investment

Dividends/Share buybacks: 3.5 billion yen (aim)

- Aim for consolidated dividend payout ratio of **40%** (during the MTMP)
- Also continue to consider flexible share buybacks (Consider how to utilize acquired treasury stock, and plan to actively cancel treasury stock in excess of necessary levels, and improve EPS)

Growth/capital investment: 20 billion yen+

- Investment in new plant **11.5 billion yen** (total: 15.9 billion yen)
- Enterprise system renewal **2.3 billion yen** (total: 3.9 billion yen)
- Current investment, renewal investment **6 billion yen** (incl. production efficiency investment)
- Actively consider business collaborations with other companies and M&A

- Invest in the HRX field to utilize global human resources (visualization of skills)
- Active investment for developing abilities (revise training content, strengthening re-skilling)
- Develop DX-specialist human resources (internal training, hiring from outside)

Medium-Term Management Plan 2026 Shareholder Returns

Basic policy

Aiming for a consolidated dividend payout ratio of 40% during the Medium-Term Management Plan period (April 2024-March 2027), we intend to return about 3.5 billion yen in total in line with the flexible acquisition of treasury stock

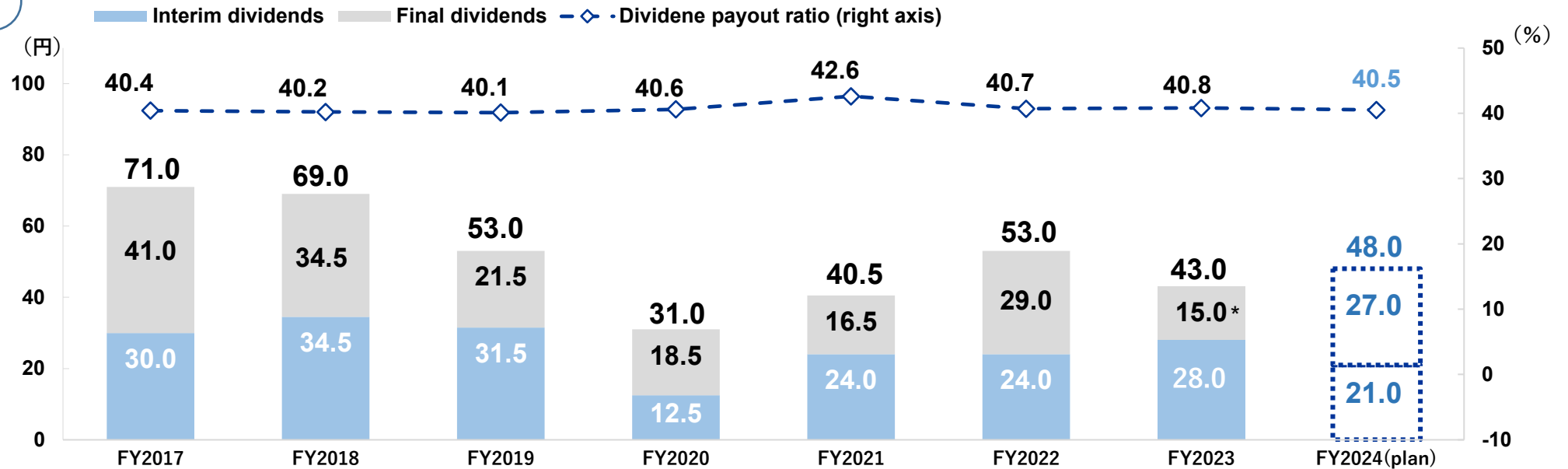
Share Repurchase Share Repurchase Share Repurchase Share Repurchase

Total payout ratio

FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 (plan)
40.4%	40.2%	87.3%	84.1%	42.6%	54.9%	153.2%	59.5% *

* Assumed figures as of May 9, 2024

Dividend trends



*Current year-end estimate for the fiscal year ended March 2024 is 15 yen. This will be determined at the General Shareholders' Meeting in June.

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Management Aware of Capital Costs and Share Prices

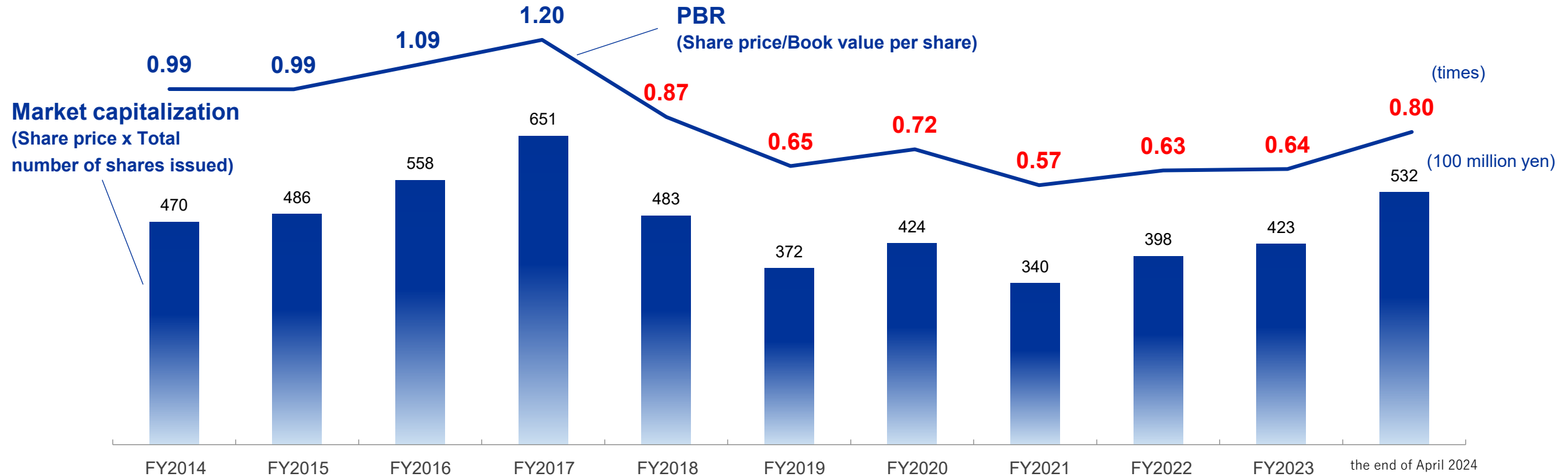
Medium-Term Management Plan 2026 Management Aware of Capital Costs and Share Prices and Share Prices



Current situation: Share prices have PBRs less than 1x

Issue: Aim to improve corporate value through establishing a corporate governance system aware of capital costs and increasing ROE.

Market capitalization and PBR (Price Book-value Ratio)



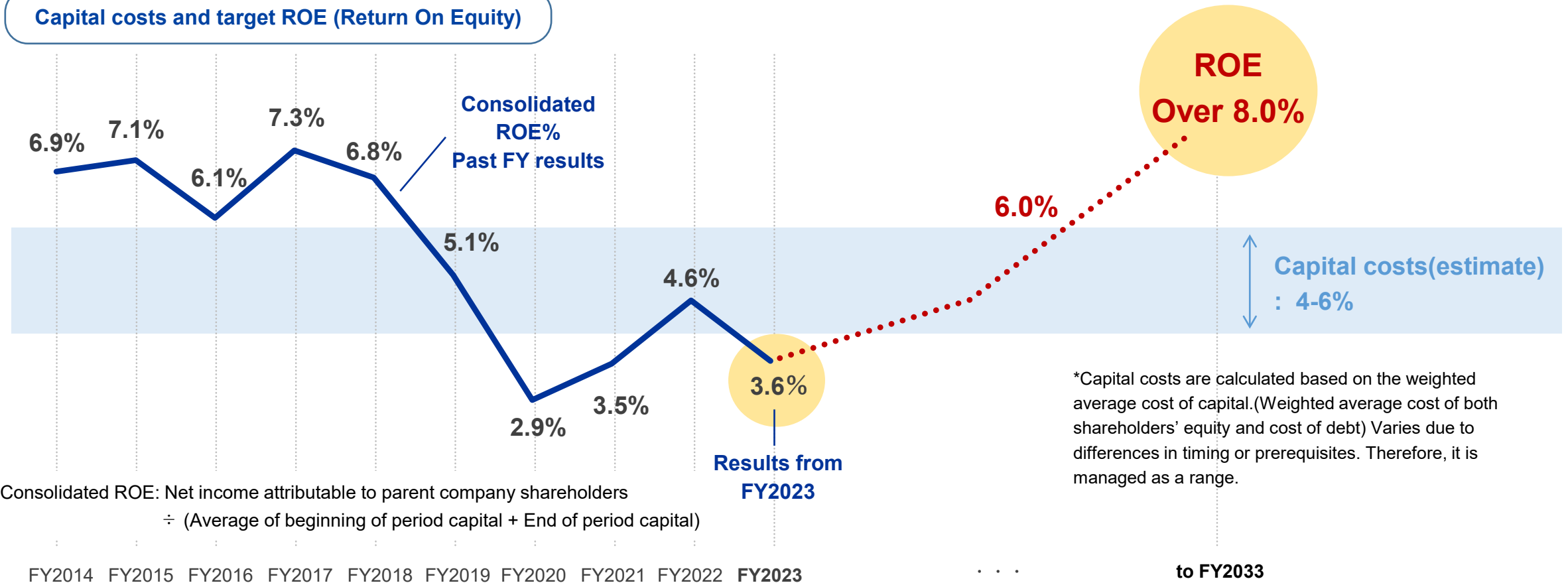
PBR: Calculated using share price/book value per share, the PBR as of the end of April 2024 is calculated using the book value at the end of March.

Medium-Term Management Plan 2026 Management Aware of Capital Costs and Share Prices

Recognizing our current situation and future policies

- Current ROE (Return On Equity) of 3.6%/FY2023 (actual figures) falls below the cost of capital (4-6%).
- Work to improve profitability and capital efficiency to achieve an ROE of 6.0%, exceeding capital costs, with the aim of topping 8.0% in the near future.

Capital costs and target ROE (Return On Equity)



*Consolidated ROE: $\frac{\text{Net income attributable to parent company shareholders}}{\text{Average of beginning of period capital} + \text{End of period capital}}$

*Capital costs are calculated based on the weighted average cost of capital. (Weighted average cost of both shareholders' equity and cost of debt) Varies due to differences in timing or prerequisites. Therefore, it is managed as a range.



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 from our expectations.

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