

Nitto Group

**New Medium-Term Management Plan
(FY2024-2027)**

Nitto

May 2024

Nitto

Review of the Previous Medium-Term Management Plan* (FY2021–2023)

* formerly called the Mid-Term Business Plan

Key Initiatives for the Previous Medium-Term Management Plan (FY2021–2023)

- We steadily implemented four key initiatives, including strategic investment for future growth, and management foundation reinforcement for the Group as a whole

Growth Strategy Implementation

- **Actively invested in growth areas**
 - Constructed new Special Glass factory in Taiwan
 - Constructed new plant for goat-derived antisera in California, USA
 - Constructed new factory for in vitro diagnostic reagents in Koriyama City, Fukushima Prefecture
- **Strengthened development of next-generation low-dielectric glass**

Management Foundation Reinforcement

- **Improved business portfolio (transfer of the beverage business)**
- **Implemented structural reforms in the textile business**
- **Streamlined assets through transfer of non-current assets**
 - Sold site of former golf driving range
- **Started to introduce DX to improve operational efficiency and productivity of technology development/production technology**

Action for Environment Issues

- **Established a Sustainability Committee**
- **Set targets for/promoted reductions in CO₂ emissions (carbon neutrality)**
 - Introduced internal carbon pricing
- **Endorsed TCFD recommendations**
- **Investigated the use of recycled raw materials**
- **Calculated carbon footprint of products (CFP)**

Human Resources Development

- **Built system to foster human resources for innovation (professional/global talent)**
- **Established support systems for childcare/nursing care**
- **Increased ratio of female managers**
- **Workstyle reforms (systemization of working from home)**
- **Operational reforms (promotion of paperless work, etc.)**
- **Improved employee engagement**

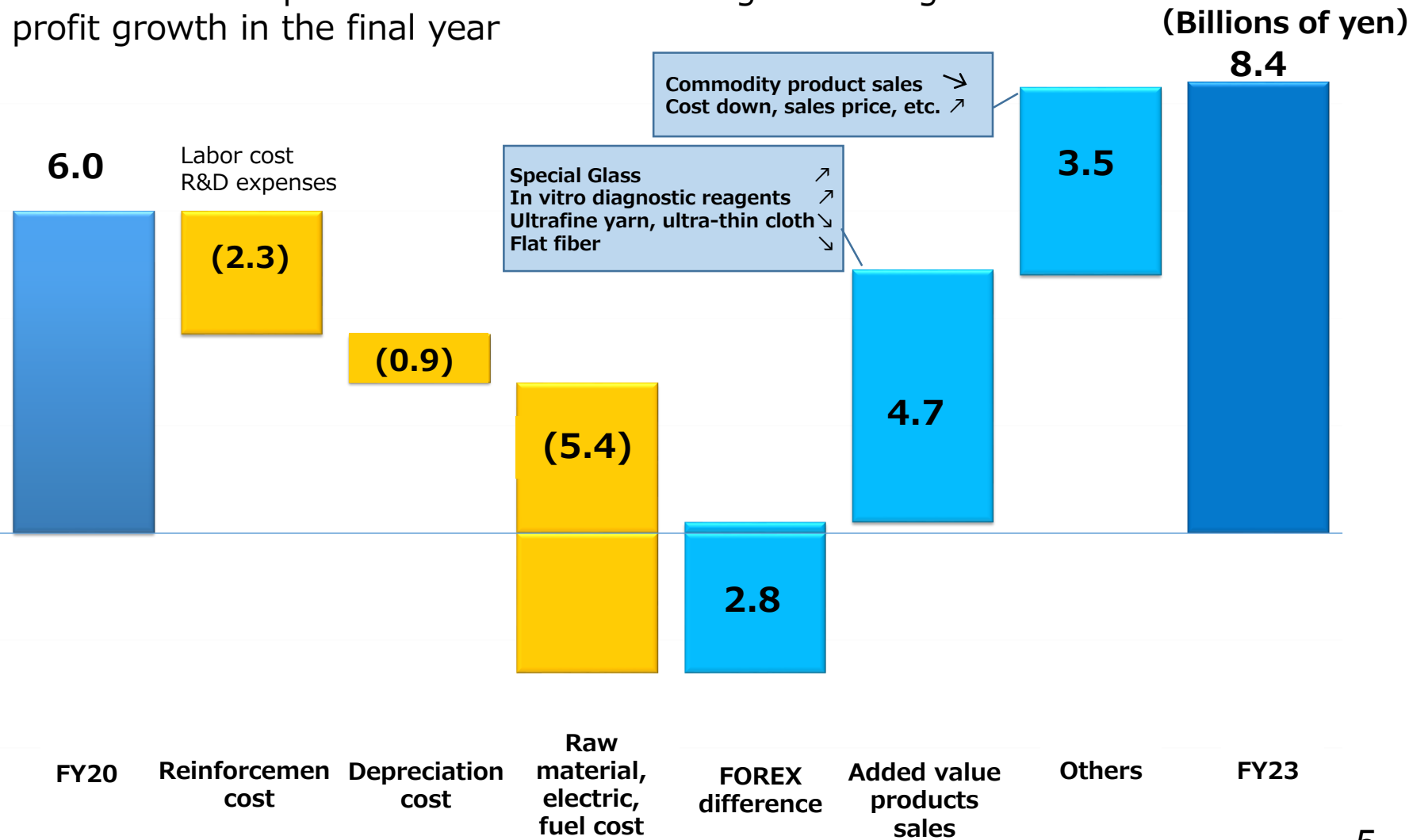
Quantitative Targets and Results for the Previous Medium-Term Management Plan (FY2021–2023)

- Despite soaring demand for Special Glass in the final year of the Medium-Term Management Plan, earnings fell short of final target
- The financial soundness of the Group was maintained

| | FY2020 Actual | FY2023 Actual | FY2023 Plan Target |
|---|---|--|--|
| Net sales | 78.7 billion yen | 93.3 billion yen | 100.0 billion yen |
| Operating profit | 6.0 billion yen | 8.4 billion yen | 14.0 billion yen |
| EBITDA (EBITDA margin) | 12.3 billion yen (16%) | 15.6 billion yen (17%) | 25.0 billion yen (25%) |
| ROE | 8.4% | 6.6% | 10% |
| Equity ratio | 53.7% | 55.7% | 55% |
| Capital investment (inspected basis) | 56.8 billion yen 4 years cumulative (including M&A) | 29.5 billion yen 3 years cumulative | 45.0 billion yen 3 years cumulative |
| ROIC | 2.9% | 3.8% | 6% |
| D/E ratio | 0.45X | 0.45X | 0.4X |

Operating Profit Change Analysis (FY2020 vs FY2023)

- Increases in labor costs and soaring electricity and fuel costs had a negative impact from 2021 onward, but rising sales of high-value-added products such as Special Glass and in vitro diagnostic reagents resulted in profit growth in the final year



New Medium-Term Management Plan (FY2024-2027)

Nitto Group's Corporate Philosophy and Basic Policies

- Corporate Philosophy and basic policies are unchanging
- We will forge ahead to realize the Big VISION 2030 determined at the time the previous Mid-Term Business Plan was formulated

Corporate Philosophy

The Nitto Group will enhance its value to society as a corporate group by helping to **create healthy and more comfortable lifestyles**, and in so doing continue contributing to the realization of a more prosperous world.

Nitto Declaration

Nitto Group aims to be the **"Best Partner" for society**.
Proud that **customers trust Nitto**

Vision

Nitto Group's Vision in 2030: Big VISION 2030

We aspire to be a company that gains the trust of all stakeholders in the pursuit of client satisfaction.

As a corporate group that continues to create global No. 1 niche businesses, we aspire to contribute to "Environment/Energy," "Digital Society," and "Health/Security/Safety" for realizing a sustainable society

Nitto Group as Global Niche No. 1

Pinpoint response to needs: we extract the full potential of ideas to uncover latent demand

Development of products indispensable to society:
we leverage our technological strengths to also take on the challenge of new fields

We establish a unique positions in product development and deepen our relationships with global clients

2 Key Points: the New Medium-Term Management Plan

Steadily harvesting the fruits of investment and promoting existing growth strategies to realize Big VISION 2030

We will steadily harvest the fruits of investments in Special Glass and the medical field made during the previous Medium-Term Management Plan, and continue to actively invest for growth to enable us to respond to rapidly expanding new markets

Building new pillars of revenue for the next 100 years beyond 2030

- Building additional pillars of revenue to follow Special Glass and medical
- Unified management of product development, manufacturing and sales, strengthening of customer perspective



Launch of new structure

| Up to FY2023 | | |
|-------------------------------------|-----|---------------------|
| Glass Fiber Division | MFG | SALES |
| Medical Division | MFG | SALES |
| Textile Division | MFG | SALES |
| Research & Development Headquarters | R&D | Product Development |
| Corporate Management Division | | |

| From April 1, 2024 onward | | | |
|--|--|-----|--------------------------|
| Electronic Materials Business Division | Product Development | MFG | SALES |
| Medical Business Division | Product Development | MFG | SALES |
| Composite Materials Business Division | Product Development | MFG | SALES |
| Materials Solution Business Division | Product Development | MFG | SALES |
| Insulation Materials Business Division | Product Development | MFG | SALES |
| Technology Development Division | Basic & Production Technology Research | DX | Environmental Technology |
| Corporate Management Division | | | |

Basic Policy on Divisional Strategy

- ▣ Taking into account the above 2 key points, each business division will tackle the new Medium-Term Management Plan based on the following approaches
- ▣ This will be a launching four-year period to sustain stable growth beyond Big VISION 2030

Electronic Materials

Medical

- Establish supply systems in areas where market growth can be expected, and continue active program of capital investment
- In preparation for achieving the targets for FY2030 to realize Big VISION 2030, aim for steady contributions to earnings from harvesting of previous investments and the fruition of newly developed products

Composite Materials

Materials Solution

Insulation Materials

- While digging more deeply in existing business areas, looking ahead to FY2030 and beyond, we will embrace new ideas to explore future businesses without being bound by our bundle of existing operations, such as glass fiber and textiles

Company-Wide Quantitative Targets (FY2024-2027)

| | |
|---|--|
| Net sales target (FY2027) | 135.0 billion yen |
| Operating profit target (FY2027) | 20.0 billion yen |
| EBITDA target (FY2027) | 32.0 billion yen |
| ROE | 8% or more (a level consistently exceeding cost of capital) |
| ROIC | A level exceeding WACC |
| Capital investment (4 years cumulative) | Approximately 80.0 billion yen |
| R&D expenses (4 years cumulative) | Approximately 15.0 billion yen |
| Net D/E ratio | 0.4× or lower |
| Equity ratio | 55% or more |
| Shareholder Return Policy | Our basic policy is to pay a dividend of not less than 55 yen per share, targeting a dividend payout ratio of 30% of steady earnings |
| Establishing of incentives for employees | When operating profit targets are hit on a single-year basis, a third bonus will be paid An additional 0.5 months' worth will be paid at 12.5 billion yen, increasing by 0.5 months for every additional 2.5 billion yen thereafter |

Reference: "Action to implement management that is conscious of cost of capital and stock price"

- In addition to steadily executing the new Medium-Term Management Plan, we will continue efforts to enhance corporate value

Improve ROE

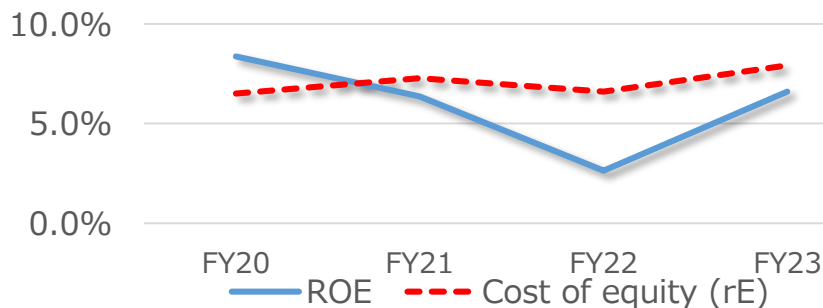
During the previous Medium-Term plan, characterized by upfront growth investments centered on Special Glass, ROE trended below the cost of equity (see below), but by harvesting the fruits of those upfront investments during the new Medium-Term Management Plan and further promoting growth investments, we aim to achieve a ROE that is consistently above the cost of equity.

Appropriate PER level

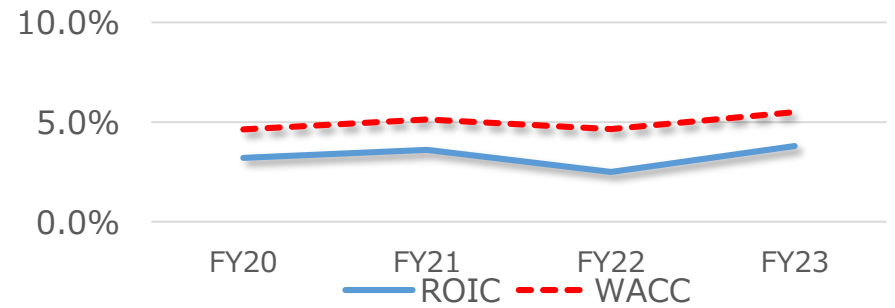
As well as continuing to rigorously select investments in order to improve the profitability of the portfolio, we will promote sustainability management through strengthened governance, environmental initiatives, improvements to workstyles, and other measures. Through timely and appropriate IR activities, we will strengthen dialogue with shareholders, potential investors, and others.

Performance during the previous Medium-Term Management Plan

ROE, Cost of equity



ROIC, WACC



Issues and Initiatives by Business Division

Electronic Materials

Vision

Promote the shift to next-generation products and aim for further improvements in net sales and profitability

Issues and initiatives

1. Harvesting fruits of investments executed during previous Medium-Term Management Plan

- Steadily bring newly expanded facilities on line and respond to recent healthy demand.

2. Strengthen measures to address growing demand for Special Glass

- Looking ahead to the future, move forward with further investments to expand production of Special Glass in Japan and overseas.

3. Strengthen marketing activities and research and development of next-generation Special Glass

- Having identified customer needs, develop next-generation Special Glass (NEZ, V, DXII), and proceed to mass production.

Medical

Vision

Become world No.1 in field of plasma proteins and bones

Issues and initiatives

1. Boost global expansion

- Expand sales in global markets
- Strengthen cost competitiveness

2. Accelerate research and development, and promote new product development

- Develop and expand sales of highly original reagents
- Accelerate research and development through the use of DX

3. Strengthen manufacturing and sales at Nitto America Inc.

- Maximize profit by pursuing a structure in Japan and the United States for the integrated production and supply of antigens, antibodies, antisera, and reagents
- Further expand sales of antisera and improve productivity

4. Reinforce foundation

- Promote joint Japan-United States projects, labor-saving manufacturing, etc.

Composite Materials

Vision

Without being bound by fixed ideas, we will achieve the following targets by taking on the challenge of change

Higher productivity
Greater cost
competitiveness

Develop products and
processes that contribute
more widely to society

Build closer relationships
of trust with customers

Issues and initiatives

1. Improve productivity and strengthen cost competitiveness

- Improve productivity through process reengineering
- Reduce labor requirements by improving production line through automation, etc.

2. Develop products and explore demand from a customer perspective

- Achieve speedy response through cooperation between development and sales
- Explore new applications and acquire new development themes through contact with customers

3. Develop environmentally friendly products and production processes

- Develop and sell products that contribute to the environment
- Introduce melting furnaces with significantly higher energy efficiency and reduced CO₂ emissions, and new technology to make it possible
- Maximize use of recycled resources to help reduce resource utilization
⇒ base product appeal/value on ability to reduce CO₂ emissions

Material Solutions

Vision

Create new businesses through collaboration and flexible thinking that is not bound by the framework of existing operations

Issues and initiatives

1. Create new businesses

- Share information and insights between the glass fiber, specialty chemicals, and textile units
- Launch collaborative products

2. Create an organization that generates synergies

- Organizational operation that encourages corporation between businesses
- Develop human resources who can make proposals and drive them forward without being bound by existing business areas

3. Acquire new commercial rights in growth areas

- Make product proposals in growth areas (environment, E&E, functional products etc.)

Insulation Materials

Vision

Utilize external resources as well as those of the Nittobo Group to open up new markets

Issues and initiatives

1. Take advantage of growing demand for energy-saving solutions to strengthen sales of high-end products

- Expand sales of ZEH-compatible products
- Develop products with Grade 6/Grade 7 thermal insulation ratings

2. Stable supply derived from improved productivity

- Improve productivity by tightening product lineup
- Improve processes in production facilities

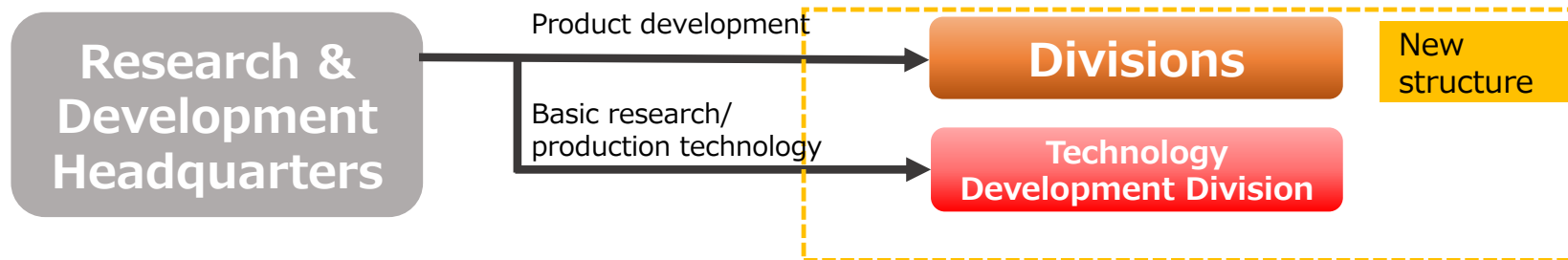
3. Expand recycled glass raw material resources in response to decline in number of glass bottles recovered

- Develop new composition for glass raw materials

Research and Development

Establishing a Technology Development Division

- Developmental reorganization of the Research & Development Headquarters established in 2017
- Product development functions will be integrated with manufacturing and sales for each division, resulting in enhanced agility
- The Technology Development Division has been established to specialize in basic research and production technology, as well as being responsible for company-wide product development functions



Technology Development Division policy:

Opening up a new future based on three pillars with the objective of realizing the long-term management strategy

1) Ambidextrous development

- Deepen knowledge by **innovating production and technology foundation**: strengthen and implement the technology foundation that will be required in the future
- Explore knowledge by **utilizing and redefining core technology**: sow seeds for/open up new markets

2) Open Innovation

- Co-create** with external partners: respond promptly to increasingly complex social issues
- Develop human resources and create new themes through exchanges with different industries: **free innovation activities**

3) Digital innovation

- Tackle digitalization by taking a bird's-eye view of various business processes including those in technology development, production sites, and the back office, and use current projects of utilizing MI/AI (implementing AI) to open the way to process innovation (stage before shifting to CPS)

Sustainability (Environment, Human Resources, Governance)

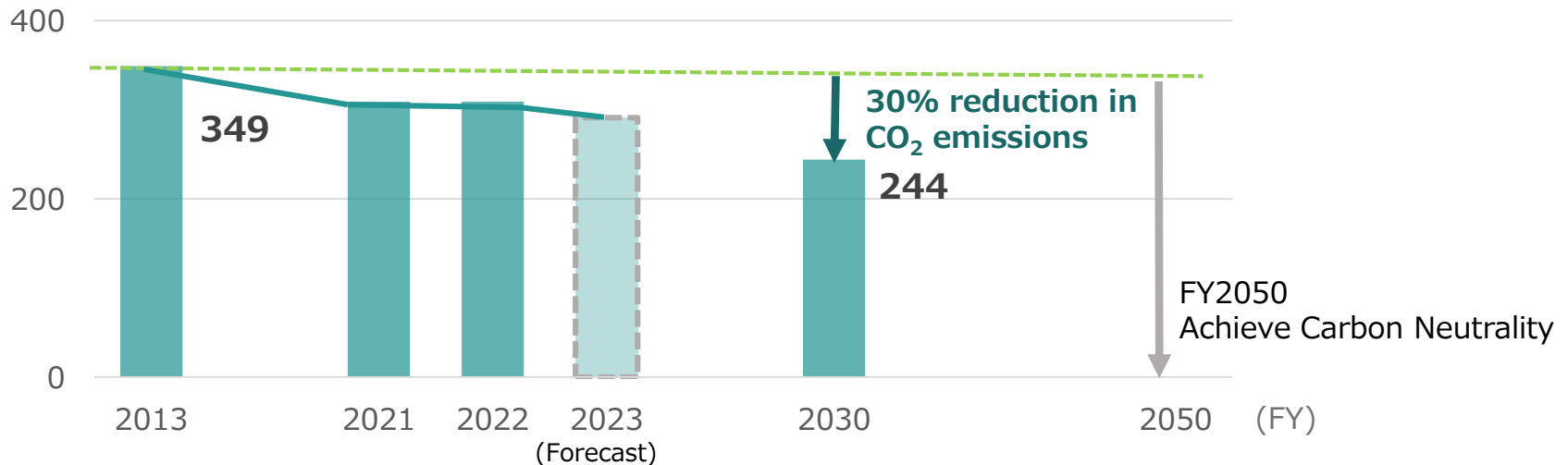
Environmental Initiatives

- Accelerating initiatives to be sure we achieve FY2030 targets
- FY2030 targets for the development of products that contribute to the environment are scheduled to be set in the first year of the Medium-Term Management Plan.

FY2030 Targets

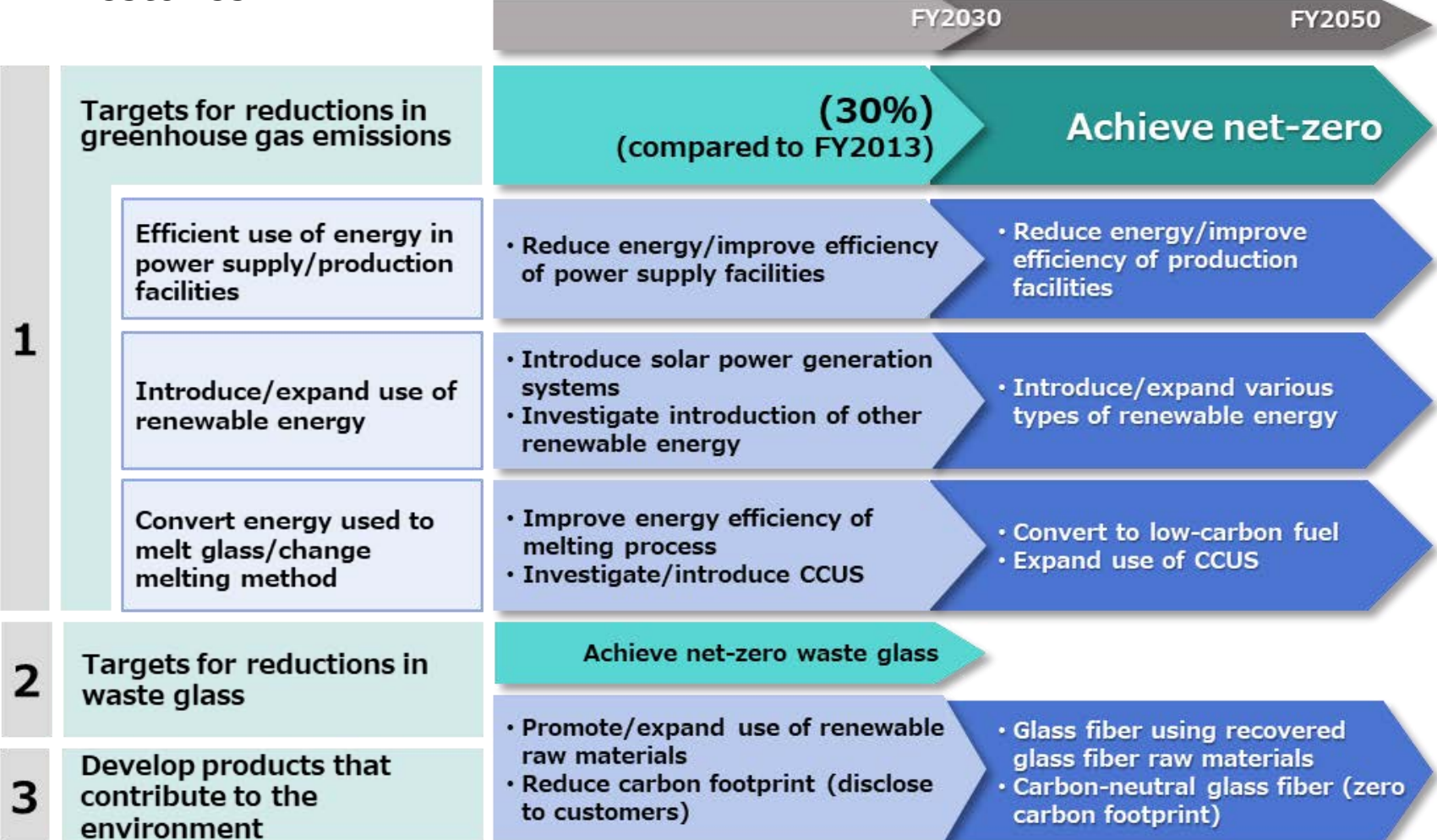
- Reduce CO₂ emissions: 30% (compared to FY2013)
- Reduce glass waste: achieve net-zero waste glass
- Develop products that contribute to the environment

CO₂ emissions (thousand tons)



Environmental Initiatives (Roadmap)

- First we will implement individual initiatives aimed at achieving FY2030 milestones



※ CN-GF : An abbreviation of Carbon Neutral-Glass Fiber. Glass fiber that effectively emits zero CO₂ from raw material extraction, through transportation, to manufacturing.

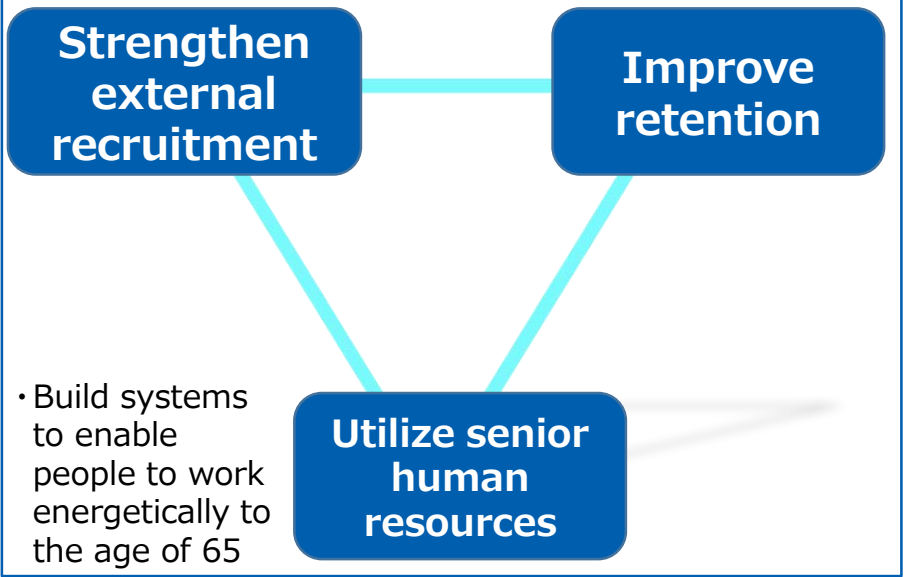
Human Resources Strategy

- Promote initiatives for securing human resources and creating job satisfaction in preparation for sustainable growth

Securing human resources

Aim for 20% increase globally by FY2027

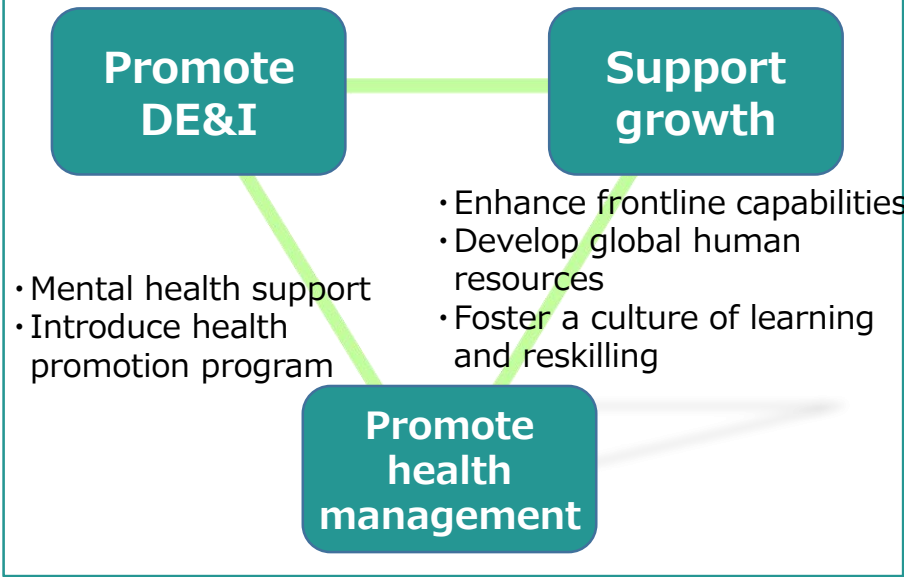
- Secure headcount for production
- Improve working environment
- Improve productivity and reduce burdens (promote use of machinery and automation)



Creating job satisfaction

Aim to enhance employee engagement

- Achieve female manager ratio of 10% by 2030
- Further expand support measures for both childcare and nursing care
- Promote participation by women in manufacturing workplaces



Corporate Governance

- Introduced performance-linked stock remuneration plan during the period of the previous Medium-Term Management Plan
- We will continue to make ongoing revisions to strengthen the corporate governance system

■ **Board of Directors operating structure** (as of March 31, 2024)

- Consists of seven members, including four external directors, one of whom is female
- Directors are individuals with diverse experiences and skills, with the aim of encouraging deeper discussions from a broader perspective on management policy, long-term strategy, etc.

External directors

Those with management experience (the President, the Chairman),
those with management experience (the President, technology development)
Attorney (corporate legal affairs, attorney of the state of New York),
Certified Public Accountant (partner of audit firm)

■ **Strengthen the corporate governance structure**

- Introduced system for holding a briefing before Board of Directors meetings to facilitate deeper discussions (2016 -)
- Further enhanced the supervision function of the Board of Directors by introducing an evaluation of the effectiveness of the Board of Directors (2017 -)
- Introduced performance-linked stock remuneration plan (2022 -)

Preparing to Achieve the Objectives of the New Medium-Term Management Plan

- In the Special Glass-related area, in addition to harvesting the fruits of investments made in the past, we will actively focus on investing in new projects and launching new products, while keeping a close eye on demand
- In medical-related applications, we will accelerate the product development roadmap that we have brought forward from the previous Medium-Term Management Plan, while boosting global expansion
- In parallel to this, the organizations of the five business divisions and the two corporate divisions will unite to work as one on building new pillars of revenue for 2030 and beyond
- We will carefully maintain the financial soundness of the organization. We will accelerate efforts to secure and develop human resources, supporting a flexible approach to tackling the Medium-Term Management Plan
- By making facilities more resilient, moving forward with timely upgrades, and prioritizing operational safety above all, we will create a foundation for growth that will go beyond Big VISION 2030

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