

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: Hiromi Noguchi, Managing Executive Officer,
Investor Relations

Questions and Answers for the Presentation of Financial Results Fiscal Year 2023

This Q&A compilation is a summary of the main questions we received at our financial results briefing for the fiscal year ended March 31, 2024, and Medium-Term Management Plan 2026, held on Thursday May 30, 2024, and our 1-on-1 meetings with institutional investors and analysts. Some revisions and modifications have been for facilitating readers' understanding.

[Reference] Summary of Financial Results

Performance in FY2023

Sales and profit decreased year-on-year, mainly due to lower sales in the Couplings Business

Sales 27.0 billion yen [- 3.6% YoY]
Operating profit 2.9 billion yen [- 19.3% YoY]

Plans for FY2024

Expect continued growth in sales and operating income

Sales 28.2 billion yen [+ 4.3% YoY]
Operating profit 3.0 billion yen [+ 3.4% YoY]

Shareholder return

Annual dividend for FY2023 is 43 yen per share
Forecast annual dividend for FY2024 is 48 yen per share
Dividend policy: Consolidated dividend payout ratio of 40%.

Medium-Term Management Plan 2026

Medium-Term Management Plan 2026 (4/2024-3/2027)
Reconstructing our earning power to achieve our great leap after the next decade
Promote re-examination of profit structure and business portfolio, and improve PBR through implementation of growth and capital strategies

Q1

With regard to the construction of the new plant in Fukushima, what will be the production capacity compared to the existing level?

A1

Physically, it will have 1.3 times the current capacity, but during the period of the Medium-Term Management Plan 2026, we will first aim to achieve stable operation of the new plant. When that is on track, the next phase will be to increase production capacity and production efficiency while monitoring the situation.

Q2 Regarding the Machine Tools Business, sales have increased but profits have declined year-on-year. Is profitability declining?

A2 Sales increased year-on-year in the Machine Tools Business. On the other hand, sales in other segments decreased from the previous year. As a result, because the overhead costs allocated as a percentage of net sales were higher in the Machine Tools Business, profit decreased.
For that reason, the earning power of the Machine Tools Business has not fallen.

Q3 Capital investment was 6.1 billion yen in the fiscal year ended March 31, 2024 and will increase significantly to 7.5 billion yen in the fiscal year ending March 31, 2025. That is more than double the amount announced last year. Please tell us the reason for this.

A3 In the financial results briefing for fiscal year ended March 31, 2023, capital investment for the fiscal year ended March 31, 2024 was listed at 2.83 billion yen, but this omitted the amount for the new plant building, so the amount differed significantly. Capital investment announced this time includes costs related to the new plant.

Q4 The Linear Pumps Business has generated little profit in the past. Is there any point in continuing the business?

A4 You indicated that the Linear Pumps Business has not been profitable in the past. However, it was profitable until a few years ago. Although profits have been poor for about the last two years due to the Thai baht exchange rate and other factors, we know that the products have high sales and profitability, especially overseas, where they are also used in medical devices and advanced fields. In the Linear Pumps Business, as profits vary by product, we are proceeding to analyze earnings for each product. Going forward, we intend to examine strategically the composition of our product lines in order to improve profitability.

Q5 What is the future outlook for Quick Connect Couplings CUPLA for the semiconductor manufacturing industry?

A5 Demand for the semiconductor manufacturing industry remained in quite a difficult state in the fiscal year ended March 31, 2024, but we believe that it is now on a recovery trend. Some equipment manufacturers have placed orders for the near future, and investment in large-scale semiconductor-related plants is increasing in Japan. In addition, we expect demand for semiconductors in generative AI will be on a recovery trend from around the second half of the fiscal year ending March 31, 2025.

Q6 Please tell us the reasons for constructing the new plant, and about the personnel of the two plants.

A6 Currently, both the Yamagata and Shirakawa plants are aging. Also, there is little room for expansion, even if we wanted to rebuild, so we decided to construct a plant in a new industrial park in Fukushima City and relocate and integrate our operations there. As for the personnel, we will accept employees from the Yamagata and Shirakawa plants and also hire new employees.

Q7 What will you do with the land of the Yamagata and Shirakawa plants when the new plant starts operating?

A7 That has not been decided at this point. Sale or use as separate facilities is under consideration.

Q8 Regarding the sales of Quick Connect Couplings, what is the basis for the planned 22.8% increase for the fiscal year ending March 31, 2027, which is the final year of the Medium-Term Management Plan, compared to the results for the fiscal year ended March 31, 2024?

A8 In the fiscal year ended March 31, 2024, there was reduced demand in the Couplings Business for products for the semiconductor manufacturing industry and lithium-ion batteries manufacturing process, but this now appears to have bottomed out. In addition, we are expecting demand in the Couplings Business from the increased demand for semiconductors due to large-scale investment in semiconductors in Japan and generative AI.

Q9 What is the reason for the increase in inventory from the previous fiscal year?

A9 We are aware that we currently have a large inventory. In relation to Machine Tools and Door Closers, we are intentionally keeping more inventory because we are preparing to transfer production to our new plant next year.

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>