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NITTO KOHKI

June 20, 2025

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 2024

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, 2025, held on Thursday June 5, 2025, 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 FY2024	**Sales increased YoY due to higher sales in Japan and in the Americas and Europe ; however, operating profit decreased due to an increase in the cost of sales and selling, general, and administrative expenses.** **Sales 27.2 billion yen [+ 0.7 % YoY]** **Operating profit 2.3 billion yen [- 12.6 % YoY]**
Plans for FY2025	**Profit is forecasted to decrease due to the cost burdens associated with the start-up of the new plant.** **Sales 29.2 billion yen [+ 7.5 % YoY]** **Operating profit 0.6 billion yen [- 74.4 % YoY]**
Shareholder return	**Annual dividend for FY2024 is 39 yen per share** **Forecast annual dividend for FY2025 is 40 yen per share**

Q1 **Even when excluding the cost increases from the new plant, FY2025 still projects decreased profits. What measures are in place to improve profitability, including price pass-throughs?**

A1 We are continuing our company-wide cost reduction efforts. Regarding price pass-throughs, we have been implementing price increases for some linear pump and door closer products since last year, and we are seeing improvements in the profitability of these products. For other products, we are currently reviewing internally the appropriate timing and validity of price increases. Additionally, we are developing and expanding sales of high value-added products, and we expect a recovery in the semiconductor sector in the second half of the year. In particular, we anticipate increased sales and profit contributions from the Couplings Business.

Q2 **Could you give us the breakdown for the "Others -70 million yen" category among the factors for the reduction in profit in FY2025?**

A2 The main components are newly incurred expenses at TOHOKU NITTO KOHKI starting this fiscal year, including employee housing costs and bus transportation expenses.

Q3 **The plan shows a sharp recovery in profit in FY2026. Could you tell us the factors behind this?**

A3 In the performance plan for FY2025, we expect a temporary profit decline due to higher depreciation expenses and relocation-related costs associated with the new plant construction. However, semiconductor-related demand remains strong, and in our Couplings Business, which has a particularly high profit margin among our businesses, we expect sales to increase. Furthermore, in addition to the Linear Pumps Business and Door Closers Business, both of which have had price pass-throughs implemented, we are also proceeding with price revisions in other product groups, expecting further improvement in profitability. Additionally, by steadily executing our current Medium-Term Management Plan, we expect profit to increase in FY2026.

Q4 **What is the reason for expecting EBITDA to double in FY2026?**

A4 Due to the increase in non-current assets associated with the construction of the new plant, we expect depreciation expenses to increase correspondingly.

Q5 **When the downward revision was made in March 2025, the dividend was reduced, but wasn't consideration given to maintaining the dividend instead?**

A5 The Board of Directors carefully deliberated on this matter from various perspectives. However, given that the current business climate remains uncertain and that we anticipate significant expenses related to the construction of the new plant and the renewal of our enterprise system, we decided to provide stable and sustainable shareholder returns based on our fundamental policy of maintaining a 40% dividend payout ratio.

Q6 **What is your target for inventory turnover days during the MTMP period (including the next MTMP period)?**

A6 Due to production stoppages associated with the relocation to the new plant, we are strategically accelerating production and securing inventory, so we are temporarily exceeding our target inventory levels at present. Regarding inventory management, we have established and are operating the necessary management indicators internally for each segment, but as these are operated for management control purposes, we will refrain from disclosing them.

Q7 **Given the scheduled reduction in the number of constituents in the TOPIX next October, do you intend to maintain your inclusion?**

A7 We will first focus on improving our tradable share ratio and market capitalization of tradable shares to maintain our status as a TOPIX constituent. We are currently discussing and considering various options both internally and externally to improve these metrics, and will continue to take appropriate measures going forward

Q8 **Rather than share buybacks, wouldn't allocating funds to dividends through progressive dividends, DOE, and the like be more effective as a stock price measure? What are your thoughts?**

A8 The Board of Directors continues to discuss what form of capital policy would be most effective in enhancing our corporate value, and it considers this a key issue. During the current MTMP period, we require substantial funds for the new plant construction and enterprise system renewal. Taking this into account, we will continue to hold thorough discussions and provide explanations to our shareholders.

Q9 **Are you anticipating any additional large-scale investments, excluding M&A, as you look toward achieving the 50 billion yen sales target for FY2033?**

A9 We are currently engaged in active discussions at the Board level regarding our approach to achieving the 50 billion yen sales target. While we will refrain from commenting on specific plans or the status of considerations regarding additional large-scale investments, we will provide explanations to our shareholders once execution details have been finalized.

Q10 **Isn't the assumed cost of capital of 4-6% too low?**

A10 We calculate our cost of capital as the weighted average cost of capital. In our calculations, we also reference the views of external experts, and we believe our assumed cost of capital is highly objective. However, as we recognize that the cost of capital can fluctuate depending on timing and differences in underlying assumptions, we will update it as appropriate.

Q11 **How will the number of employees change with the new plant starting operations and the closure of existing plants?**

A11 Regarding the number of employees, we are currently experiencing a temporary increase due to the start of operations at the new plant. While the increase is limited to around several dozen people, we expect to maintain this structure for the time being.

Q12 **How will you expand overseas sales?**

A12 We will develop focused resource allocation to priority markets and area-specific strategies with clear timelines while leveraging the strength of our broad product lineup that meets diverse industrial needs. In existing markets, we will advance our sales methods and strengthen partnerships with other companies, driven by growing needs for labor-saving and robot utilization. Meanwhile, in emerging markets, we will focus on strengthening and expanding our sales network to accurately identify robust demand.

Q13 **What effects are expected from the operation of the new plant?**

A13 We expect improvements in production efficiency and quality, as well as cost reductions, through the introduction of state-of-the-art equipment. We believe this will lead to enhanced competitiveness in the long term. A key feature of this new plant is our thorough pursuit of both improved production efficiency and decarbonization through the introduction of cutting-edge equipment. For example, with the introduction of automated warehouses and automated transport systems, materials are automatically transported from warehouses by automated carriers, streamlining movement from the warehouse to the production floor. This allows us to secure production volume through automation while minimizing employee overtime and working hours. Ultimately, we aim for 24-hour operation. Additionally, we have completely transformed the traditional factory image by prioritizing employee safety and health, creating a comfortable and clean working environment through measures such as reducing oil mist.

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