

September 6, 2023

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 Three Months Ended June 30, 2023

This Q&A compilation is a summary of the main questions we received at our 1-on-1 meetings with institutional investors and analysts regarding our financial results for the three months ended June 30, 2023, disclosed on August 2, 2023.

Q1 **Please explain the progress in your business performance in the three months ended June 30, 2023.**

A1 In the three months ended June 30, 2023, we achieved net sales of 7.068 billion yen [+5.7% YoY] and operating profit of 983 million yen [+10.1% YoY], which is a year-on-year increase in net sales and double digit increase in operating profit and generally in line with our plan. In the Power & Machine Tools Business in particular, domestic and overseas sales were on the track to recovery due to the resumption of face-to-face sales activities, driving overall performance.

Q2 **I understand that your company has also strengthened its overseas business development. Please explain your overseas business performance and whether it has been affected by the weaker yen.**

A2 Overseas net sales were approximately 2.5 billion yen, making an overseas sales ratio of the Group of about 35%. The weaker yen had a negative impact on profits. This was because purchasing price losses and losses on unrealized profits due to the stronger Thai baht were not covered by profits from sales.

Q3 Please explain your results by segment.

A3 In our core Quick Connect Couplings Business, due to adjustment of semiconductor and lithium-ion battery production, demand for quick connect couplings for those production lines decreased, but sales remained at roughly the same level as in the same period of the previous year. With regard to profit, we were able to pass on increases in raw materials and other costs to prices, and profit increased slightly year on year.

The Power & Machine Tools Business, as stated above, was on the track to recovery, driving business performance in the first quarter. In the Pumps & Compressors Business, sales declined year on year in reaction to the rush of orders prior to the price hikes. Also, in terms of profit, we posted a loss due to an increased cost ratio and the impact on purchasing prices of the stronger Thai baht, but it remained within a scope that could be covered by our other businesses. Concerning the Door Closers Business, sales increased due to rising construction demand and deliveries to large properties in the metropolitan area.

Q4 What is the progress on the new plant planned to start operation on April 1, 2025?

A4 The basic site agreement was signed with Fukushima City where the plant is to be built on May 1, and the land purchase agreement was signed with Fukushima City on June 30. Progress is being made in accordance with our original plan. The new plant will be a multi-purpose plant able to manufacture all products of the Group. We are steadily building a supply system for increased demand in the future.

Q5 Please explain your measures for shareholder returns.

A5 The Company will enhance the return of profits to shareholders. We are aiming for a dividend payout ratio of 40%. In the dividend forecast for the fiscal year ending March 31, 2024, we forecast an interim dividend of 28 yen, a year-end dividend of 34 yen, and an annual dividend of 62 yen, making a dividend payout ratio of 40.4%.

In addition, we implemented a repurchase of shares from February this year, which reached the maximum amount at the end of May. Looking ahead, and considering capital efficiency, the Company aims for a return on equity (ROE) of 8% or more over the medium term, and we are currently discussing our next measures based on a comprehensive evaluation of demand for capital, economic conditions, and the share price.

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>