



# Action to Implement Management that is Conscious of Cost of Capital and Stock Price

## Nitto Denko Corporation

March 29, 2024

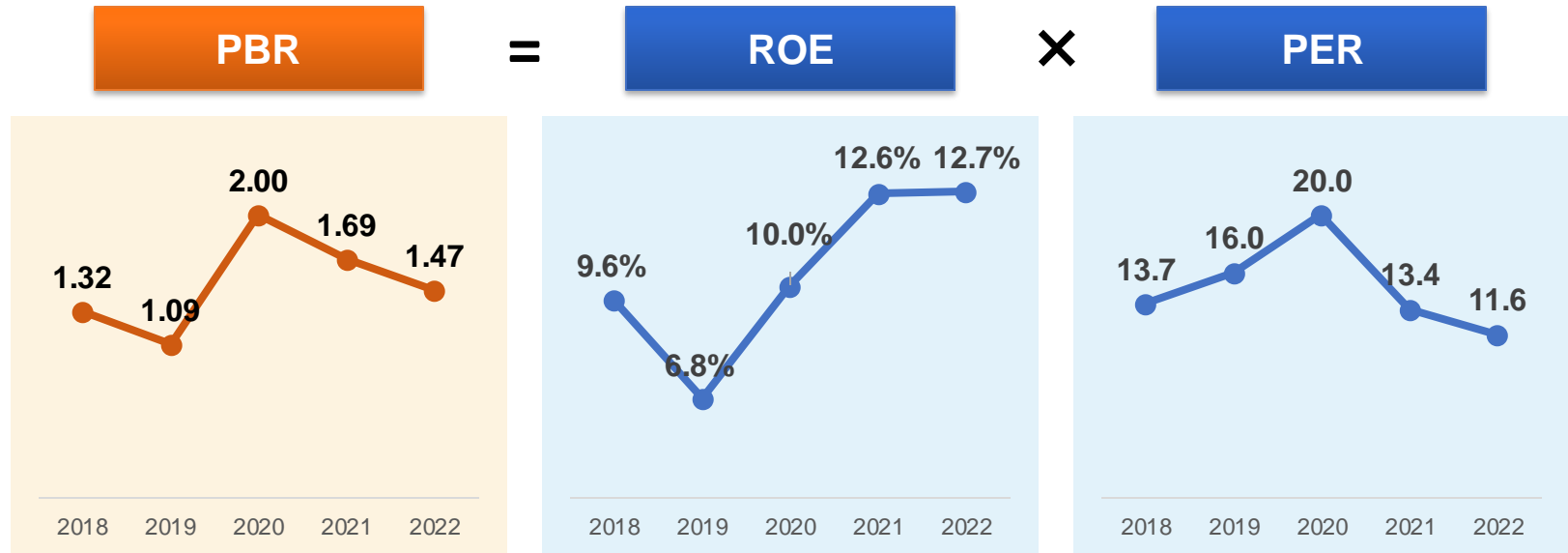
**Nitto**

Innovation for Customers

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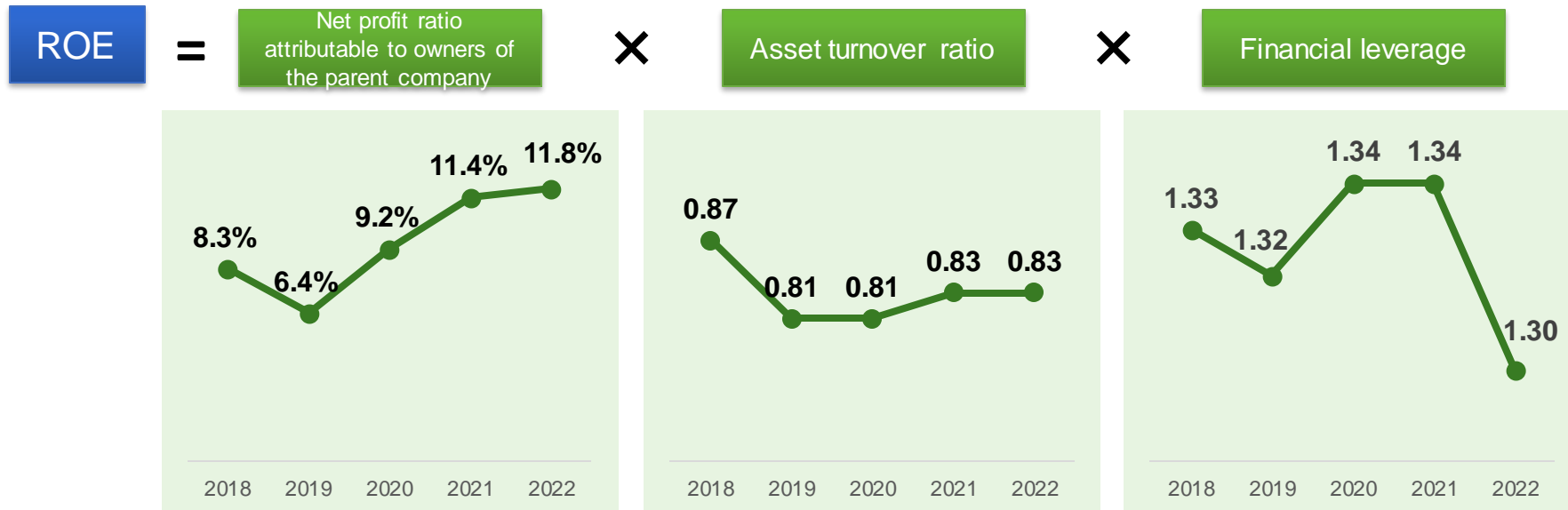
# 1. Analysis of Our Current Situation -Analysis of PBR-

Our Price-to-Book Ratio (PBR) has been declining since its peak in FY2020, and our latest ratio is 1.47. While our Price Earnings Ratio (PER) is on a declining trend, our Return On Equity (ROE) has maintained the level of 10% or more since bottoming out in FY2019.



# 1. Analysis of Our Current Situation -Analysis of ROE-

During the COVID-19 pandemic, we captured stay-at-home demand for laptops and tablets and expanded the adoption of high-precision circuits for high-end smartphones, which improved our profit ratio and contributed to an increase in ROE.



## 2. Management Targets (KPI)

### -Financial and Future-financial Targets (2025, 2030)-

#### Financial Targets

	2022	2025	2030
Operating Profit	147.2 billion yen	<b>170</b> billion yen	240 billion yen
Operating margin	15.8%	<b>17%</b>	—
ROE	12.7%	<b>15%</b>	20%

#### Future-financial Targets (continued)

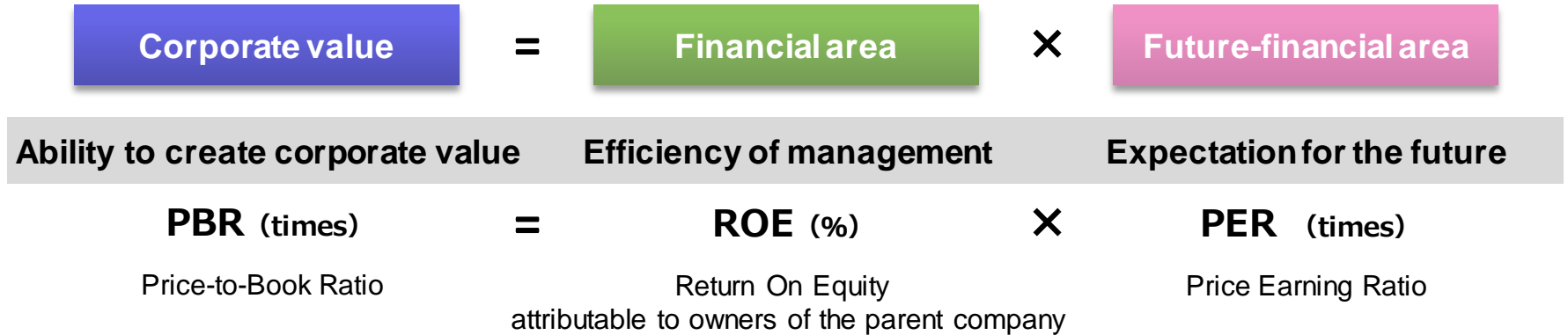
New products ratio	41%	<b>Over 35%</b>	<b>Over 35%</b>
CO <sub>2</sub> emissions	570 kton/year	<b>550</b> kton/year	470 kton/year
Female leaders ratio	19%	<b>24%</b>	30%

#### Future-financial Targets (new)

	2022	2025	2030	
Products	<b>Niche Top sales ratio</b> Percentage of products that drive Nitto's income	47%	<b>50%</b>	Over 50%
	<b>PF/HF category sales ratio</b> Level of contribution to the global environment, humanity, and society ※PlanetFlags/HumanFlags	17% *Flags certified products	<b>40%</b>	Over 50%
Environment	<b>Waste plastic recycling ratio</b> An indicator showing how material-circulation initiatives have been enhanced	46%	<b>50%</b>	60%
	<b>Sustainable materials procurement ratio</b> Percentage of procured environmentally friendly materials	17% *In Japan	<b>20%</b>	30%
HR	<b>Engagement score</b> An indicator showing how rewarding employees find their work	74 (FY2021)	<b>78</b>	85
	<b>Challenge ratio</b> Percentage of personnel taking on challenges of creating value	42%	<b>70%</b>	85%

### 3. Initiatives to Enhance Corporate Value

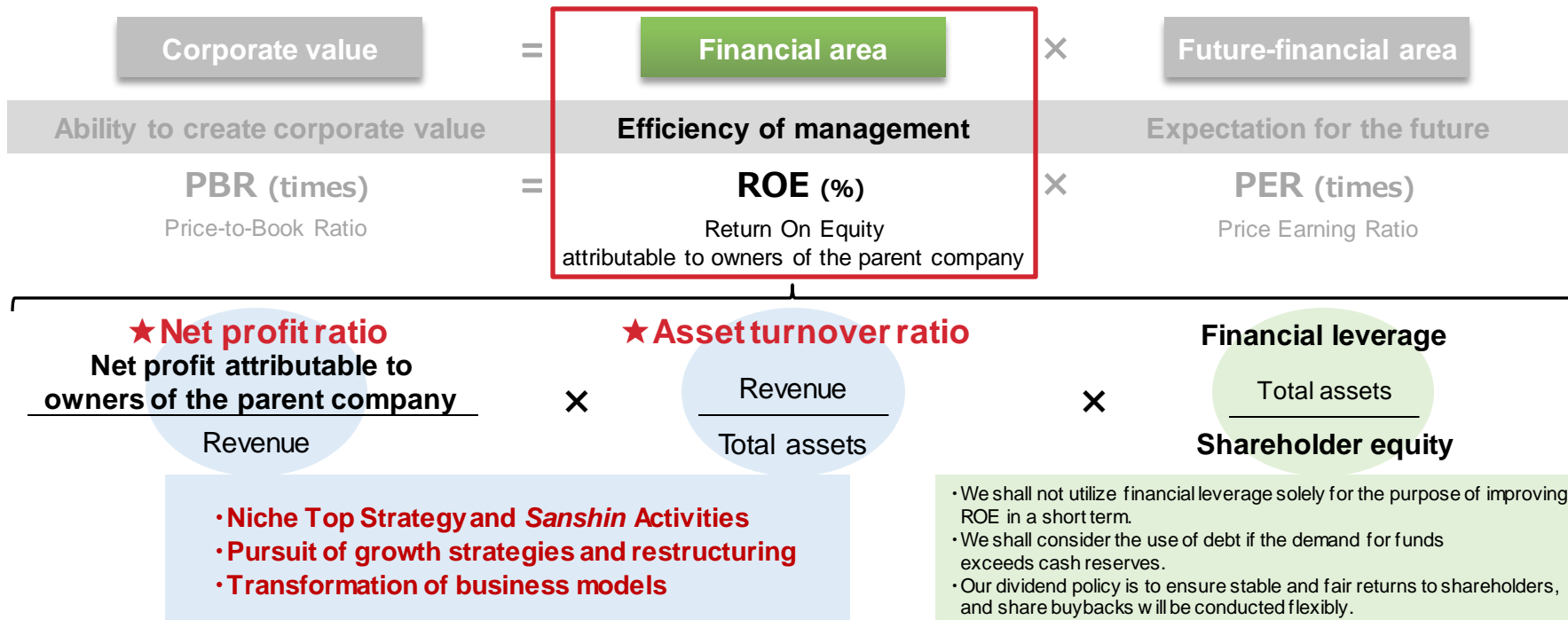
We aim to improve PBR from the perspectives of both ROE and PER.



# 3. Initiatives to Enhance Corporate Value

## -Our Approach to Improve ROE-

We will promote the improvement of ROE by mainly focusing on profit ratio and turnover ratio.



# 3. Initiatives to Enhance Corporate Value

## -Initiatives to Improve ROE-

We will promote the Niche Top Strategy, *Sanshin* Activities, pursuit of growth strategies and restructuring, and transformation of business models toward the improvement of profit ratio and turnover ratio.

### Niche Top Strategy

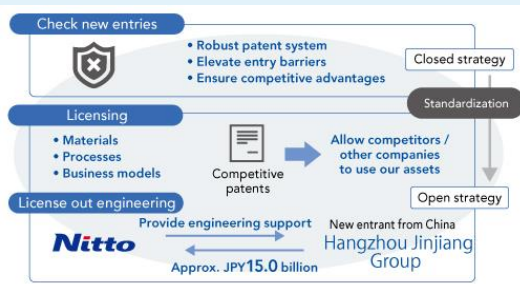
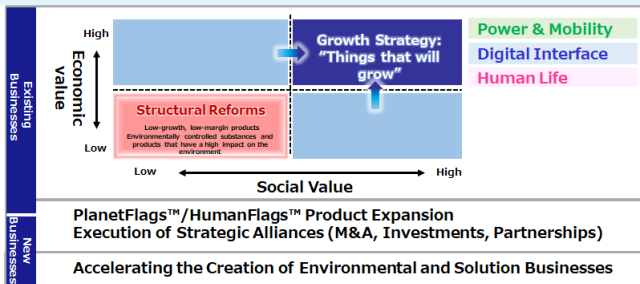
In changing and growing markets identified by Nitto, we target the Niche fields within those markets, born from the co-creation between stakeholders and the integration of knowledge and technologies unique to Nitto, and by continuously creating essential products, functions and business models, Nitto's unique differentiation strategy aims for the No.1 market share.

*Sanshin* Activities stimulating new demand through the development of new applications and new products



### Sanshin Activities

### Pursuit of growth strategies and restructuring



### Transformation of business models



# 3. Initiatives to Enhance Corporate Value

## -Our Approach to Improve PER-



**Enhance financial value and corporate value by focusing on future-financial targets**

Irreplaceable for the global environment and humanity

Irreplaceable for customers and industries

PlanetFlags × HumanFlags × Power & Mobility × Digital Interface × Human Life → Niche Top

*Commit exclusively to development themes that potentially qualify as Flags*

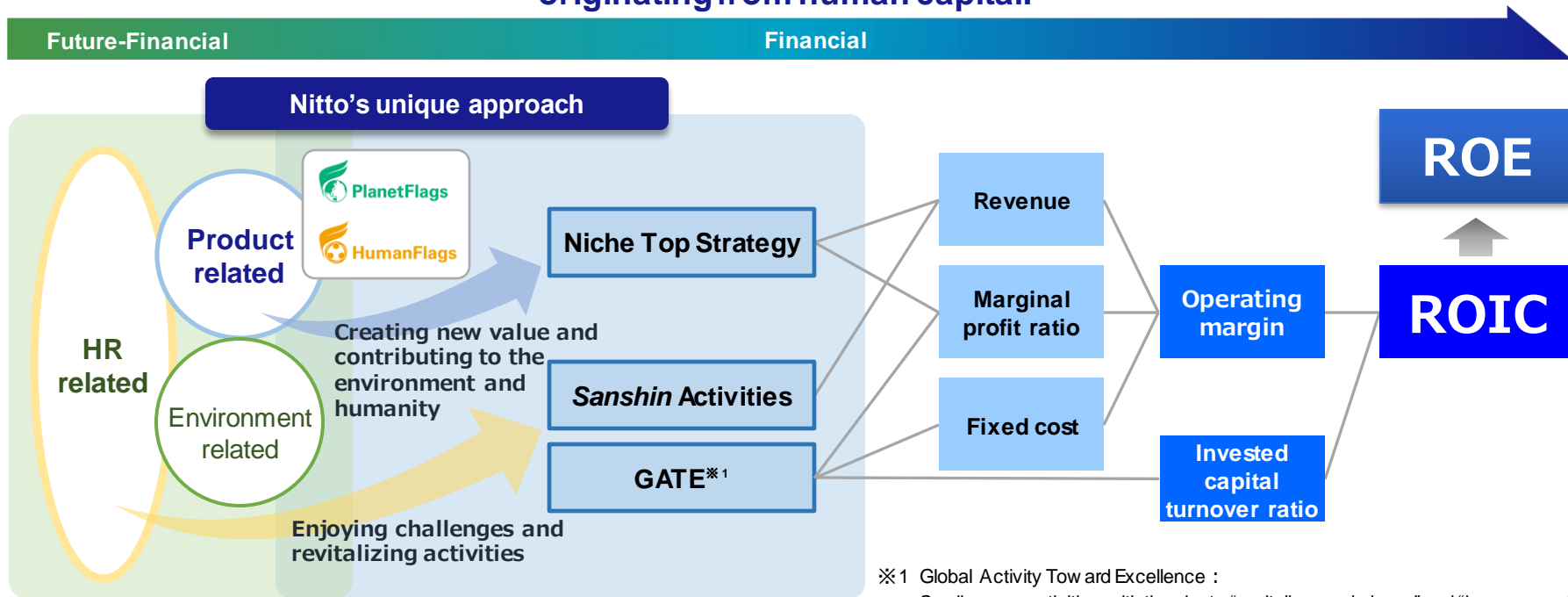
**Promote ESG initiatives as business (investment), rather than considering them as cost factors**

*Go beyond announcing our commitment to achieving carbon neutrality and promote business initiatives to achieve carbon negativity*

# 3. Initiatives to Enhance Corporate Value

## -Promotion of ROIC Management-

We aim to convert future-financial activities into financial value through Nitto's unique approach originating from human capital.



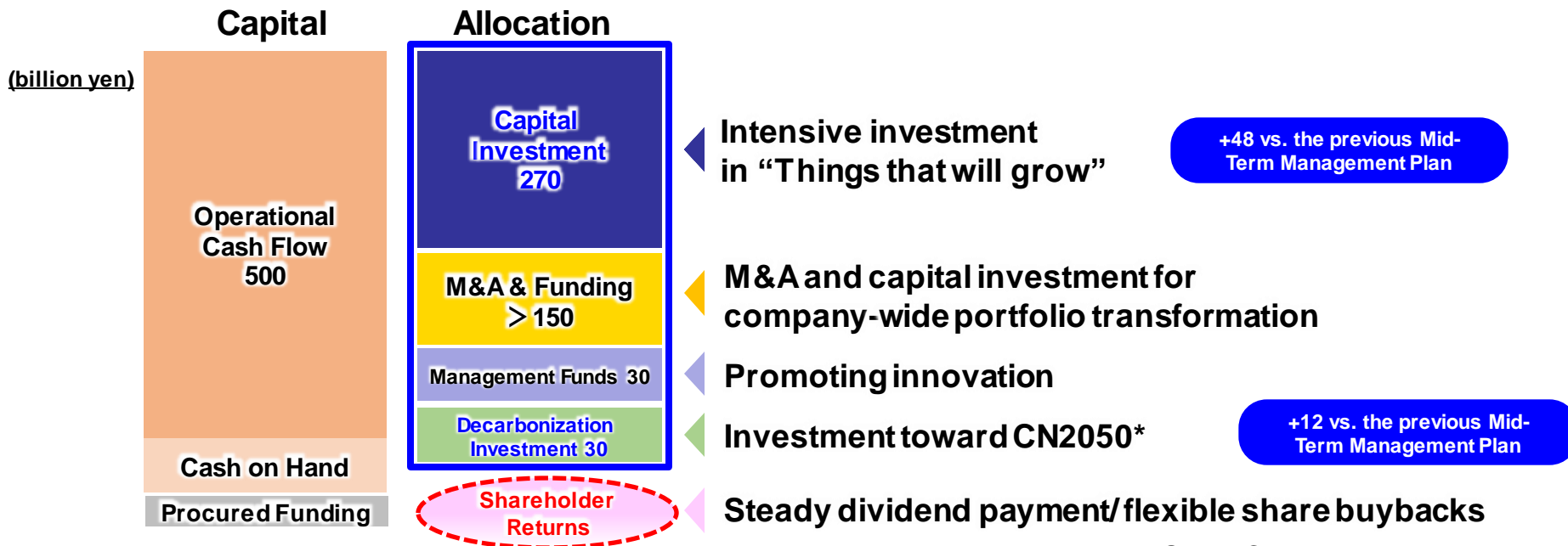
※1 Global Activity Toward Excellence :  
Small group activities with the aim to "revitalize workplaces" and "improve quality."

# 4. Financial Strategy

## Cash Allocation (3-year cumulative total for 2023-25)

Increase investment to 480 billion yen (+60) for growth areas and ESG initiatives.

Stably provide shareholder returns to investors.

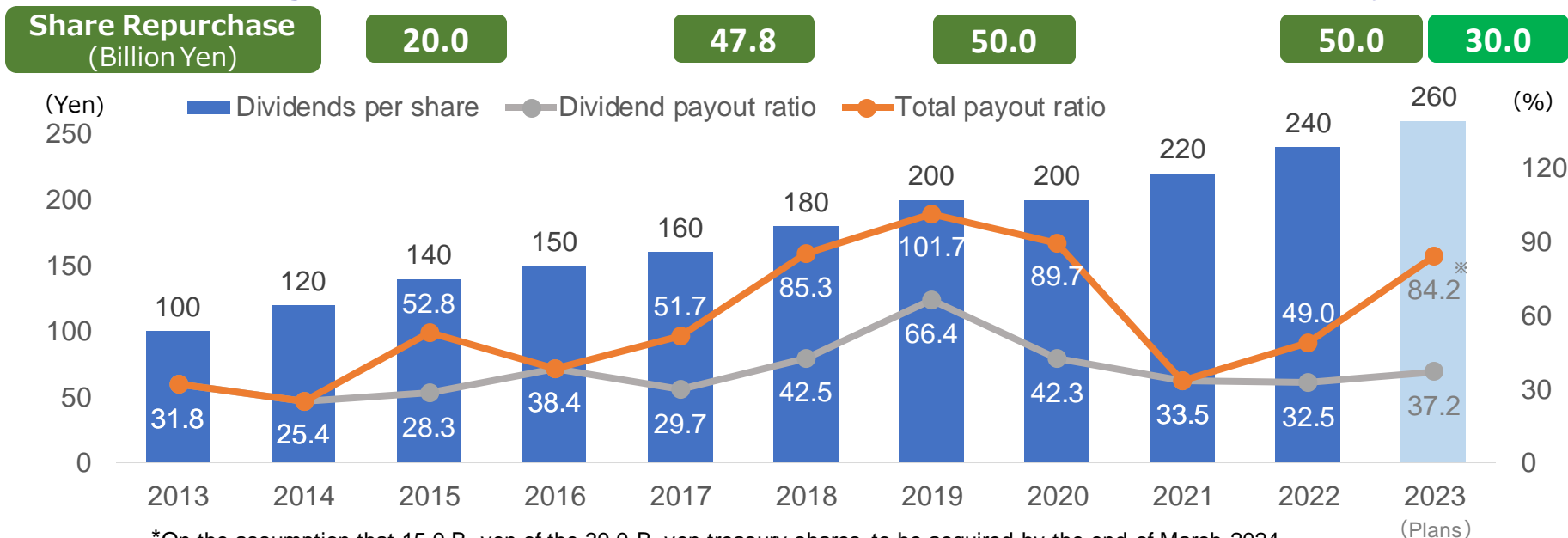


\*Nitto Group Carbon Neutral 2050

# 5. Shareholder Returns

Our dividend policy is to ensure stable and fair returns to shareholders.

We aim to keep Dividend On Equity ratio (DOE) at 4% or higher. Share buybacks will be conducted flexibly, taking the level of cash and other factors into consideration comprehensively.



\*On the assumption that 15.0 B. yen of the 30.0 B. yen treasury shares to be acquired by the end of March 2024

***Nitto***

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