

Nisshinbo Holdings Inc.

Summary of Q&A Session at Financial Results Briefing for the Fiscal Year Ended December 31, 2023

Summary of the main questions and answers from the financial results presentation for institutional investors held on February 9, 2024.

<p>Q1 What is the background behind the past several mid-term plans that have fallen far short of the goals announced in the past? What is the difference between this year's mid-term plan and the previous ones?</p>	<p>A We had only target figures, but we were run without any plan for how to achieve them, and as a result, we frequently failed to achieve our targets. In light of this, this year's figures are not unreasonable, as we have been created by building up from the current figures and stretching them slightly. Although there are uncertainties in the external environment, we will aim to achieve the target while avoiding such uncertainties.</p>
<p>Q2 You are set to significantly improve performance in the wireless and communications business with Solutions and Specialized Equipment and Mobility, but what kind of synergies will be realized between Japan Radio and Hitachi Kokusai Electric?</p>	<p>A Synergies between the two companies have not been factored into the mid-term plan as a figure. Although we closed the M&A of Hitachi Kokusai Electric at the end of last year, we were unable to exchange information prior to the closing due to the nature of the business, and PMI started at the beginning of the year. As for solutions and specialized equipment, we believe that materials for synergies will emerge from this process. As for Mobility, the emphasis is on the growth of JRC Mobility as a stand-alone company.</p>
<p>Q3 You mentioned that you will be selling real estate flexibly, but I am not sure if there were many projects left for sale. Does that mean there are still some?</p>	<p>A There are still some. There was a time when we simply sold our properties, but we have changed our policy slightly. We will take some risk, but we will develop the property, have customers move into it, and sell it after earning investment profit for a while, in this way, we will rotate between developing and selling in turn. We will use the capital generated from the sale of real estate to invest intensively in the electronics field and grow it.</p>
<p>Q4 I think the key is whether you can achieve the 6.5% operating income margin that you have set forth in your mid-term plan. If you can do so, ROE will increase, but looking at the past, the best time was 6.1%, so I feel that 6.5% is a high hurdle. What do you envision for each segment other than the brake business, where profits will fall?</p>	<p>A Until now, TMD had been a major drag on the business, but that has been eliminated with the transfer of the business, so we consider this level of numbers to be a given. Marine systems in wireless and communications are already profitable. In solutions and specialized equipment, orders were sluggish in 2023, but an operating profit of around 4 billion yen is normal. Since this will include defense-related businesses, it is not a particularly unreasonable plan. In Mobility, business is already coming into view in ICT-related and other areas. In the precision instruments business, we have stopped producing a large number of unprofitable molded products for the automotive industry. Three unprofitable overseas bases have also been closed, and the company will return to a normal state. The profit margin of about 20% in 2026 for chemical business is a normal level, and the reason for the poor performance in 2023 is that the amount we were counting on for fuel cell separators and carbodilite has been postponed to 2024 and costs have been incurred ahead of schedule. Textiles will have to be drastically changed, but the shirt business will grow and unprofitable divisions will be minimized. The plan includes a point where we should be able to produce this much.</p>
<p>Q5 The budget for shareholder return is 30 billion yen over three years, but based on the profit plan, with a dividend payout ratio of 40%, I think shareholder return will be in the range of 25-27 billion yen. Does this mean a minimum return ratio of 40%, or does it include other forms of return such as share buybacks?</p>	<p>A First, the dividend payout ratio is to be raised to 40% by 2026. If there is a surplus of cash amid the volatility of earnings, we may flexibly buy back shares, weighing the reduction of interest-bearing debt against the return of capital, but we would like management to make the decision on this point, as there is also the timing of investment.</p>

<p>Q6 Did the strategic investment of 40 billion yen come out as the remainder after filling other positions, or is it a figure that has been accumulated? In the past, M&As were mainly in the same industry, such as Ricoh Electronic Devices and Hitachi Kokusai Electric, but are you considering M&As of startups to change your business model?</p>	<p>A The 40 billion yen figure is not a number that we have accumulated due to specific projects. We need to do this much to grow. We are thinking of filling in the missing pieces in our digital business in the areas of wireless and communications, and microdevices.</p>
<p>Q7 What is the situation related to semiconductors?</p>	<p>A In terms of market conditions, the analysis shows that 2023 was a negative 10% growth year, but 2024 will be a positive growth year of over 10%. In our business, consumer-related products, especially Chinese smartphones, were very weak last year, but we expect to see a turnaround to positive growth from the second half of this year, including PCs and home appliances. The automotive-related business has originally been strong even though the overall business has been bad. On the other hand, we expect it will take a little more time for industrial machinery to recover, and we are thinking about the same level as last year.</p>
<p>Q8 What is your company's position in Japan's semiconductor policy and what are your thoughts on the future?</p>	<p>A Our business is not the cutting-edge digital semiconductors that are the focus of national policy. It is the back-end processes that add value, and we are sequentially developing packages and mounting technologies for composite products and bringing them to market. We expect to see a variety of results from the second half of this year, including in these areas.</p>
<p>Q9 What is the scale and profitability of the chemical-related contents for the period that ended and for 2026?</p>	<p>A We sell about 1,000 tons of Carbodilite per year, and negotiations are underway for 300 tons. This has only been delayed from 2023 to 2024 due to customers' circumstances, and the winds are blowing in our favor. Sales of fuel cell bipolar plates hit a plateau last year due to the lack of progress in the development of hydrogen infrastructure, but have begun to make some progress this year. Since we are now recognized as having outstanding competitiveness against our competitors, the new plant we are building in Chiba will be able to stably fill the capacity for stationary fuel cell applications. We will first build a solid structure for stationary use, while leaving the automotive use to be discussed in the future. In terms of sales composition, fuel cell bipolar plates and carbodilite will account for most of the sales, and the base will be supported by heat insulating products.</p>
<p>Q10 Regarding the financial outlook for the current fiscal year, you have issued guidance that operating income will be almost double that of the previous fiscal year. On several occasions in the past, there has seemed to be a pattern of revising downwards, even though the initial guidance was high at the beginning of the fiscal year. What is different this year and why are you so confident of 24 billion yen in operating income?</p>	<p>A TMD, which had the largest fluctuation in performance, was removed from the group due to the transfer of its business. In the previous fiscal year, the decline in microdevices due to market conditions could not be covered by other businesses. The wireless and communications businesses have not changed significantly, and the addition of Hitachi Kokusai Electric will solidify the foundation of these businesses.</p>