



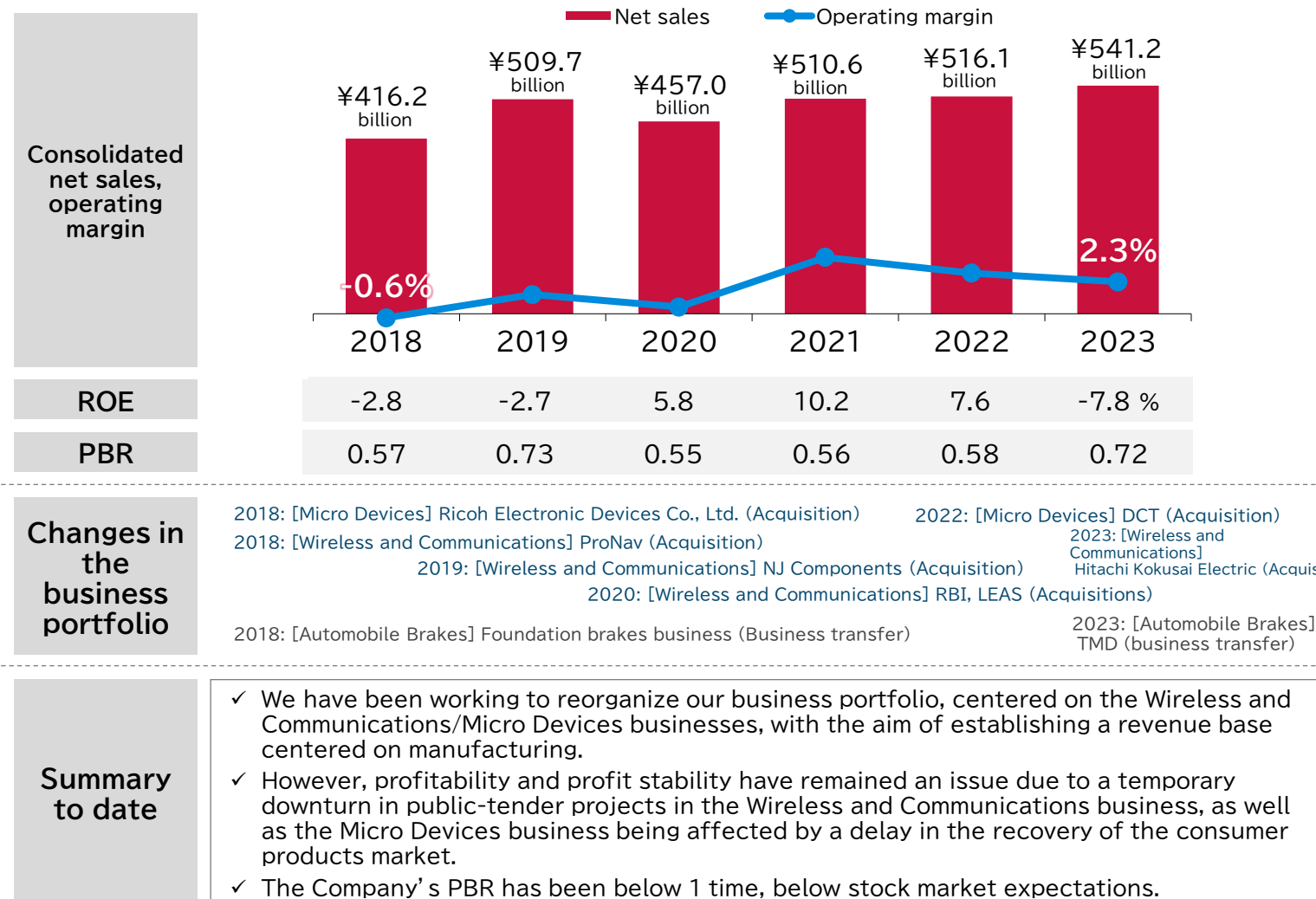
Medium-Term Management Plan 2026

February 9, 2024
Nisshinbo Holdings Inc.



1. What We Are Aiming For
2. Business Portfolio
3. Business Strategy
 - ① Wireless and Communications Business
 - ▶ Japan Radio Group (Marine Systems)
 - ▶ Japan Radio Group (Solutions and Specialized Equipment)
 - ▶ Hitachi Kokusai Electric Group
 - ② Micro Devices Business
 - ③ Materials Business (Automobile Brakes, Precision Instruments, Chemicals, and Textiles)
 - ④ Real Estate Business
 - ⑤ Innovation-Creating Initiatives
4. Cash Flow Allocation and Financial Strategy
5. Reinforcing the Management Base (Sustainability)
6. Management Targets

Nisshinbo Group's Net Sales, Operating Margin, ROE, and PBR



Direction after the Medium-Term Management Plan 2026

Improve profitability by transforming the business model

- ✓ Our steady efforts to date to restructure the business portfolio have laid the groundwork for the next phase of growth.
- ✓ From this base, we will work to **improve profitability by shifting to a business model that leverages digital technology, centered on the Wireless and Communications business.**

The Nisshinbo Group's Aims



- The Nisshinbo Group's mission is to contribute to society through business activities, and we have continued to reconfigure our business around areas where we can contribute to society.
- We aim to continue working to resolve social issues by providing solutions that leverage the Group's strengths.

Aims

Connect Everything, Create Value

We provide solutions to social challenges through sensing, wireless communication, and information processing technologies.

Medium- to long-term changes in our business environment and business opportunities

Growing demand for action to counter climate change

- ✓ Expanding need for products that help reduce greenhouse gas emissions and save energy
- ✓ Growing importance of solutions to cope with increasingly severe disasters

Demographic changes (falling birthrate, aging population, labor shortage)

- ✓ Increased demand for automation of industrial equipment and transportation to save labor and improve safety
- ✓ Increased needs for telemedicine and monitoring services, etc.

Development of a digital society

- ✓ A society in which cyberspace and physical space are seamlessly connected has arrived.
- ✓ Increased provision of information, products, and services that meet the needs of individuals, as well as labor-saving, automation, and efficiency

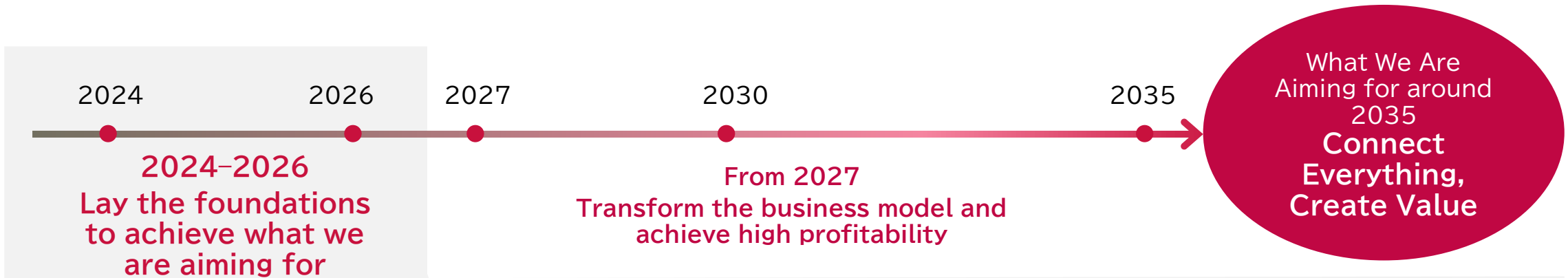
Nisshinbo Group Corporate Philosophy

Change and Challenge!

For the creation of the future of Earth and People.

1. What We Are Aiming For

Medium-Term Management Plan Positioning and Priority Measures



Priority Measures	1 Pursue a transformation of the business portfolio	<ul style="list-style-type: none">✓ Accelerate growth, leveraging the Wireless and Communications/Micro Devices businesses✓ Promote investment in growth and look closely at our businesses✓ Achieve a valuation that reflects our corporate philosophy, growth potential, profitability, and return on capital
	2 Build a business model that looks to future growth and invest management resources in a focused manner	<ul style="list-style-type: none">✓ Proactively invest in the Wireless and Communications/Micro Devices businesses and build a business model that leverages digital technologies
	3 Reduce management risk by further strengthening the management base	<ul style="list-style-type: none">✓ Respect human rights✓ Develop business with a consideration for environmental impact✓ Attract, develop, and promote diverse human resources✓ Build a responsible supply chain✓ Enhance the effectiveness of corporate governance

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Our Target Portfolio

2010~2023

Medium-Term Management Plan 2026

From 2027

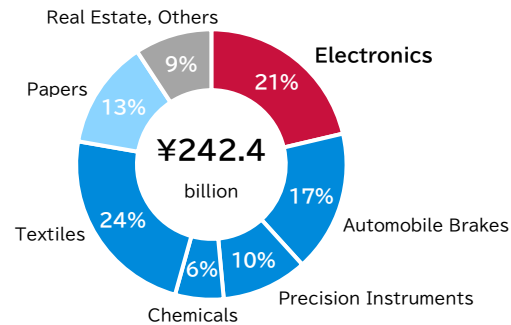
Establish a manufacturing-focused earnings base

Lay the foundations to achieve what we are aiming for

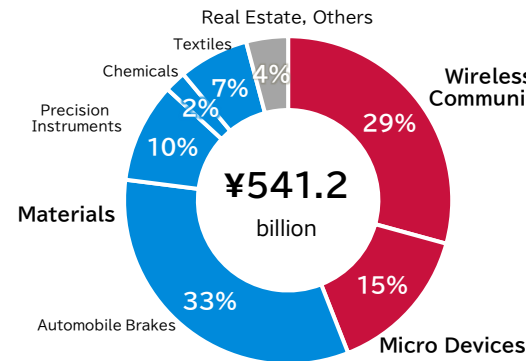
Transform the business model and achieve high profitability

What We Are Aiming For Around 2035

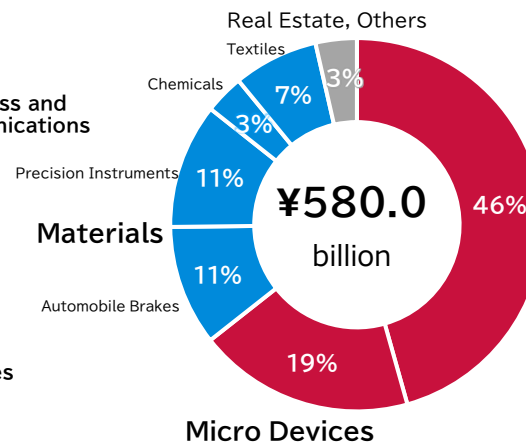
Fiscal 2009
(The year we transitioned to a holding company structure)



Fiscal 2023

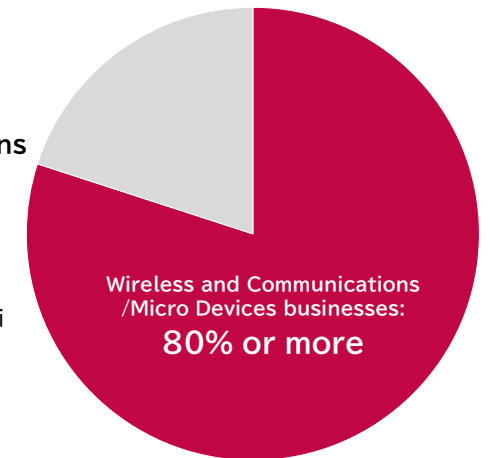


Fiscal 2026



Wireless and Communications

- Japan Radio Group
 - Marine Systems
 - Solutions and Specialized Equipment
 - Mobility, Others
- Hitachi Kokusai Electric Group



Percentage of net sales from the Wireless and Communications/Micro Devices businesses:

21%

Percentage of operating income from the Wireless and Communications/Micro Devices businesses

44%

Operating margin

2.3%

ROIC

2%

WACC

5.7%

ROE

-7.8%

65%

70%

6.5%

6%

10%

80% or more

80% or more

10% or more

More than 8%

More than 10%

Directions for the Transformation of Our Business Portfolio

We will optimize the allocation of management resources by identifying businesses that align with our corporate philosophy and demonstrate growth potential, business profitability, and return on capital, in order to promote the transformation of our business portfolio to achieve our "aims for around 2035."

Reconfigurations of our business portfolio to date

- ✓ Expansion of the Wireless and Communications/Micro Devices businesses
- ✓ Restructuring of problem businesses, focusing on profitability



Directions for transforming our business portfolio under the current medium-term management plan

Optimize the allocation of management resources to actively invest in focus areas and identify businesses in non-core areas

Focus on businesses that are consistent with the Nisshinbo Group's corporate philosophy and demonstrate growth potential, business profitability, return on capital, and industry competitiveness.

Conduct a valuation based on business characteristics and risks by setting WACC/hurdle rates for each business

- **Wireless and Communications/Micro Devices business**
 - Establish positioning as a focus area and accelerate growth
 - Build a business model that leverages digital technology
- **Materials business (Automobile Brakes, Precision Instruments, Chemicals, Textiles)**
 - Grow by focusing on high-profit areas that contribute to the environment and have synergies with the Wireless and Communications/Micro Devices businesses
 - Identify areas for growth and areas for downsizing or withdrawal
- **Real Estate business**
 - Continue to subdivide asset holdings

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① Wireless and Communications Business

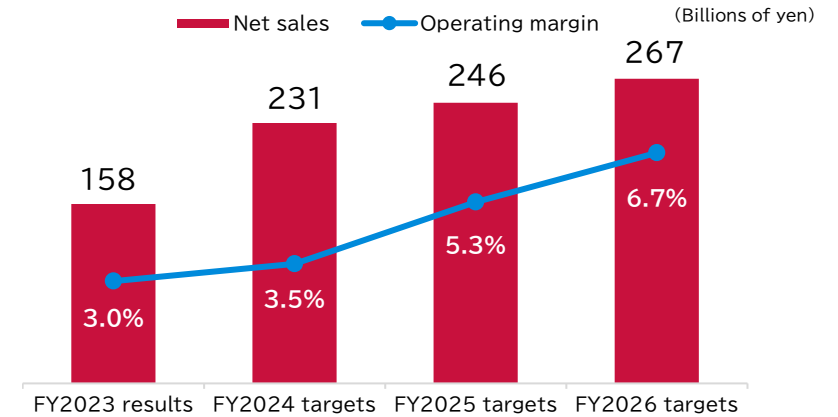
Target Directions

We intend to build a profitable portfolio centered on the provision of social infrastructure systems and after-sales services.

- Create synergies by leveraging the strengths of the Japan Radio Group and Hitachi Kokusai Electric Group* (image recognition technology, 5G wireless communication technology, etc.)
- Boost business profitability through continuous portfolio reviews
- Improve cash flow generation capability and profitability through cost structure reforms and inventory reduction
- JRC Mobility will prepare for the next stage by preparing for connected, sensing systems, mobility infrastructure, and other growth areas.

*Became consolidated subsidiaries in December 2023

Quantitative Targets



Business Overview

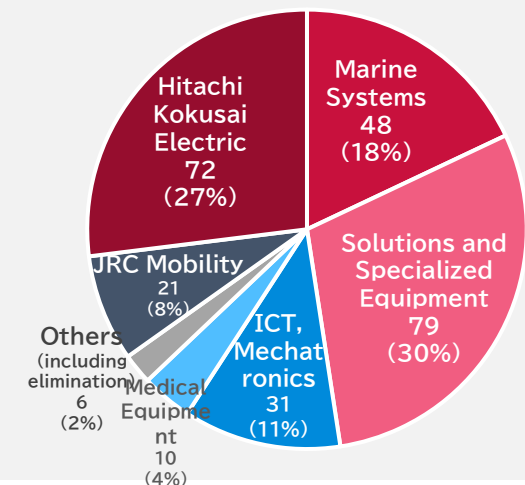
Business structure

- This business comprises the Japan Radio Group and the Hitachi Kokusai Electric Group.
- The core of the Japan Radio Group is Marine Systems, Solutions and Specialized Equipment, and includes JRC Mobility and others (JRC Mobility, ICT mechatronics, medical equipment, and others)
- The Hitachi Kokusai Electric Group* consists of the solutions, products, and specialized equipment businesses, including DX, infrastructure (social infrastructure), and railways.

Business characteristics

- Focusing on marine systems, solutions, and specialized equipment, the business has the following characteristics.
 - ✓ Many businesses have high continuity and stability, such as the provision of social infrastructure systems and after-sales services, so are less susceptible to economic trends and deliver stable earnings.
 - ✓ These are asset-light businesses that do not require large investments in factories and production facilities.

Sales composition (fiscal 2026, billions of yen)



3. Business Strategy

① Wireless and Communications Business

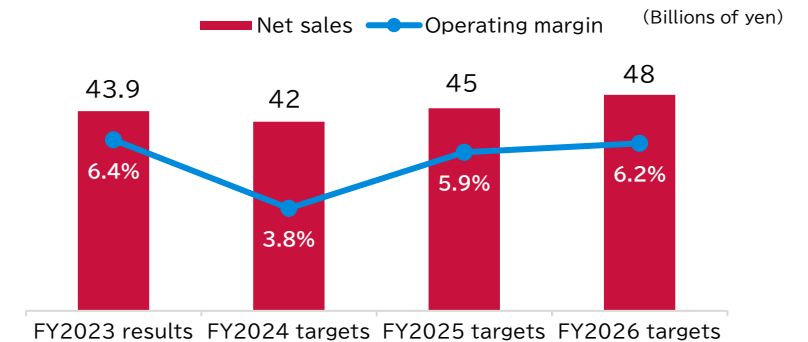
▶ Japan Radio Group: Marine Systems

Target Directions

Establish a stable revenue base by providing automated navigation systems and expanding revenues from after-sales services

- **Expand market share in the new shipbuilding market**
Improve solutions to customer issues such as environmental impact reduction, cost reduction, and crew shortages
- **Promote ongoing relationships with customers**
Strengthen data-driven analytical capabilities in order to provide preventive after-sales services and other services
- **Accelerate the development of digital technology to expand the rollout of digital businesses**
Development of automatic operation systems, realization of manned autonomous operation and deployment of data services

Quantitative Targets



Business Overview and Strategy

■ Business characteristics

- Design, manufacture, sales, and maintenance of navigation equipment and systems for **large merchant vessels**
- Once deployed on a new ship, navigation equipment and systems are **used continuously for about 20 years until the ship is scrapped, generating regular after-sales service.**

■ External environment

- Demand for new shipbuilding is expected to continue to grow due to the expansion of commercial trade volume and the trend toward zero-emission ships.

■ Main customers

- Shipbuilding, shipping, maritime-related companies, etc.

■ Strengths

- **Global service network** with 80 in-house service agents
- **High share (around 27%)** of the market for navigation equipment and systems for large merchant vessels
- Cooperation with other companies, **including collaborative platforms**

■ Value provided

- Resolution of customer issues through better operational efficiencies and optimization
For shipowners: **Reduce vessel operating costs and environmental impact**
- For crews: **Reduce workload and improve operational safety**

■ Key measures under the medium-term management plan

- **Develop elemental technologies and launch products** to automate and streamline operations
- **Steadily capture new shipbuilding demand** by leveraging service network, etc.
- **Reinforce ongoing relationships with customers** through digital-enabled services such as the lifetime management of ships' logs

■ Capital expenditure and R&D

- Promoting R&D and the proactive launch of **elemental technologies for automatic navigation**
 - ✓ New bridge system capable of open architecture
 - ✓ Large motion turbulence detection system
 - ✓ Technology to automatically generate aversion routes
- Plans do not include large capital investments such as plant construction or line expansion.

3. Business Strategy

① Wireless and Communications Business

▶Japan Radio Group: Solutions and Specialized Equipment

Target Directions

Further expand market share in the disaster prevention field, which is the foundation of the company's business, and create a digital business that leverages its high market share.

- Expand market share in the foundation fields of dams, river management and disaster prevention
- Respond to advanced systems (digitalization) in land resilience and basin flood control measures
- Raise profitability and improve cash flow generation capacity through the above initiatives

Business Overview and Strategy

■ Business characteristics

- The company's business includes the manufacture and sale of radar and communication systems for river management, aerial surveillance, meteorological satellites, traffic management, broadcasting, and defense.
- In order to win orders, it is essential to be able to identify customer issues and to make attractive proposals that address those issues, as well as to be price competitive.

■ External environment

- The public works budget is expected to remain at its current size through fiscal 2025.
✓The budget for digital infrastructure will continue to increase significantly.
- The defense budget will grow in line with the policy of dramatically strengthening defense capabilities through fiscal 2027.

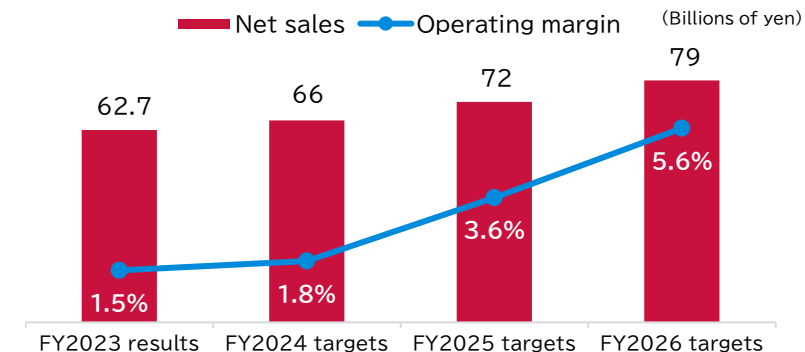
■ Main customers

- Public sector: National, prefectural, and municipal governments
- Private sector: Electricity, gas, broadcasting companies, etc.

■ Strengths

- Network to detect customer issues and ability to propose solutions to those issues
- Proven track record and high reliability in water and river information systems and disaster prevention systems
✓Market share of around 30% in water and river information systems and around 15% in disaster prevention systems*
- Wide range of communication technologies, especially wireless, which are essential for national defense and infrastructure

Quantitative Targets



■ Value provided

- Provide safety and security in the face of increasingly severe disasters (zero-delay escapes)
✓ Sensor monitoring, information processing, early information coordination, etc.
- Realize unmanned and labor-saving solutions amid the challenges of a declining birthrate, aging population, and labor shortage challenges
✓ Drone flight support through automatic switching of radio networks
✓ Next-generation maritime communications and automatic vessel identification for maritime surveillance, port management, etc.

■ Key measures under the medium-term management plan

- In the solutions business, build a disaster prevention information sharing platform and infrastructure for drone navigation over rivers
- In specialized equipment, promote development toward the realization of high-power microwave devices

■ Capital expenditure and R&D

- We will continue to invest in R&D to achieve data-driving transformation of our business model.
✓ Data platform construction
✓ Network infrastructure technology
✓ Sensor systems
- Plans do not include large capital investments such as plant construction or line expansion.

*Based on the Company's own research

① Wireless and Communications Business

▶Hitachi Kokusai Electric Group

Target Directions

Strengthen the Nisshinbo Group's total solutions and accelerate the expansion of the Wireless and Communications Business by leveraging synergies.

- Maintain and deepen the social infrastructure business, our traditional core business, and accelerate new business creation and customer development
- Promote R&D of advanced technologies and product development based on distinctive video and wireless technologies
- Resolve issues and create value by using sensing, transmission, and analysis to link cyberspace (business systems) and physical space (on-site)

Business Overview and Strategy

■ Business characteristics

- We develop, manufacture, and sell system solutions and products centered on imaging and wireless technologies, as well as providing maintenance and related services.

■ External environment

- The public works budget is expected to remain at its current size through fiscal 2025.
✓ The budget for digital infrastructure will continue to increase significantly.
- The defense budget will grow in line with the policy of dramatically strengthening defense capabilities through fiscal 2027.

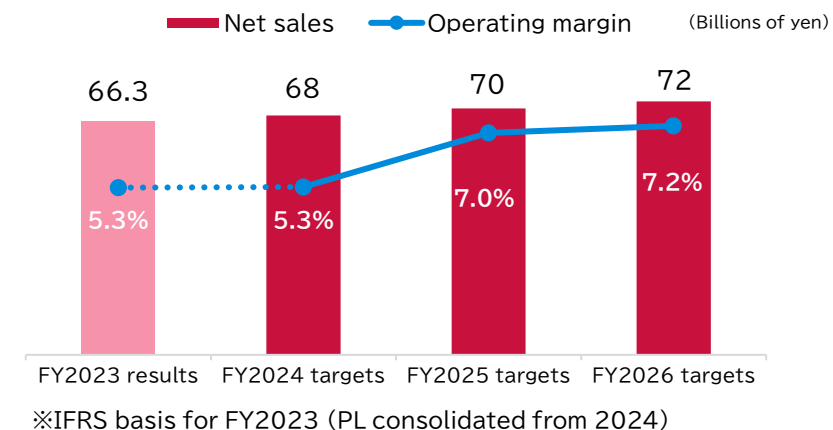
■ Main customers

- Public sector: National, prefectural, and municipal governments
- Private sector: broadcasters, railroads, telecom carriers, manufacturers, etc.

■ Strengths

- Solution business combining "sensing" such as video, "transmission" such as 5G, and "analysis" using AI
- One-stop services from development to manufacturing, system construction, maintenance, and operation in both wireless and video fields

Quantitative Targets



■ Value provided

- Supporting a sustainable society through manufacturing and providing safety and security by means of imaging, wireless, and IT technology

■ Key measures under the medium-term management plan

- Accelerate customer business and operational efficiency by developing IT-enabled businesses
- Promote customer co-creation in areas of private-sector demand
- Grow specialized equipment through new business utilizing applied radio wave technology
- Develop and reskill system engineers and digital human resources for the solution business

■ Capital expenditure and R&D

- Plans do not include large capital investments such as plant construction or line expansion.
- We will strengthen R&D in 5G/beyond 5G, image recognition, AI, etc.

② Micro Devices Business

Target Directions

Contribute toward the resolution of issues faced by society and customers by creating customer value leveraging the value we have provided through analog technology

- Maintain sales expansion by capturing growth in the analog semiconductor market
- Improve profitability through a shift to high-function products such as multi-functional ICs and modules
- Develop analog solution devices utilizing distinctive sensors such as sound, smell, and microwave
- Develop unit and digital business development with a view to the future through collaboration among technologies within and outside the Group, in addition to existing technologies in the areas of electronic devices and microwaves

Business Overview and Strategy

■ Business characteristics

- We develop analog semiconductor products such as power control system ICs, operational amplifiers, and sensor signal processing ICs.

■ External environment

- In 2022, the analog semiconductor market was worth approximately ¥13 trillion.
- The market is expected to grow at a CAGR of slightly less than 10% between 2012 and 2014.
 - ✓ Demand for industrial and consumer applications is expected to recover in the second half of 2024, while the demand for automotive applications is expected to continue to recover following semiconductor shortages.

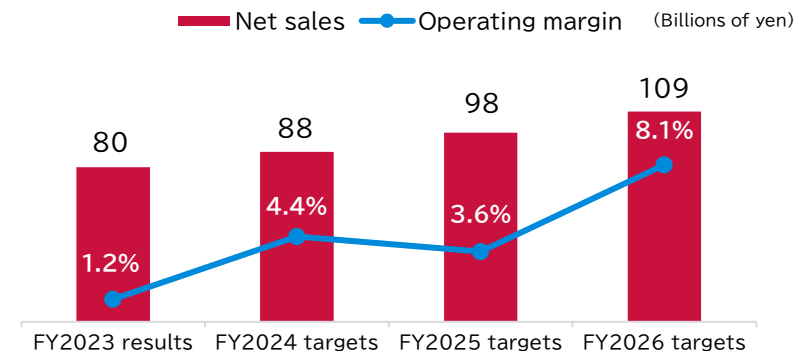
■ Main customers

- Consumer: Smartphone, PC and AV equipment manufacturers
- Industrial: Manufacturers of industrial equipment and robots
- Automotive: Manufacturers of automobiles (including automotive parts)

■ Strengths

- Ability to respond to customer issues and strong customer relationships
- High market share for products in multiple niche markets (operational amplifiers, comparators, LDOs, microwave electron tubes, etc.) and core technological capabilities such as low power consumption, low noise, high precision, etc.
- Flexibility and quality stability through integrated front-end/back-end production

Quantitative Targets



■ Value provided

- We contribute toward improvements in energy efficiency and reduction in customers' environmental impact through the development of products that take advantage of low power consumption, high efficiency, and other technological capabilities.

■ Key measures under the medium-term management plan

- Expand our market share in products for automotive and industrial equipment where the operating environment is low in volatility and development cycles are long
- Build relationships with customers who will become new strategic partners
- Promote collaboration through M&A and business alliances to strengthen digital technology
- Shift to multi-functional and modular products

■ Capital expenditure and R&D

- More investment to reinforce the production system
 - ✓ Capital investment in plants, mainly for back-end processing
 - ✓ Expand use of foundries and OSAT
- New product development through collaboration and technology integration with Group companies
- Research and development for modularization and unit/digital business

③ Materials Business



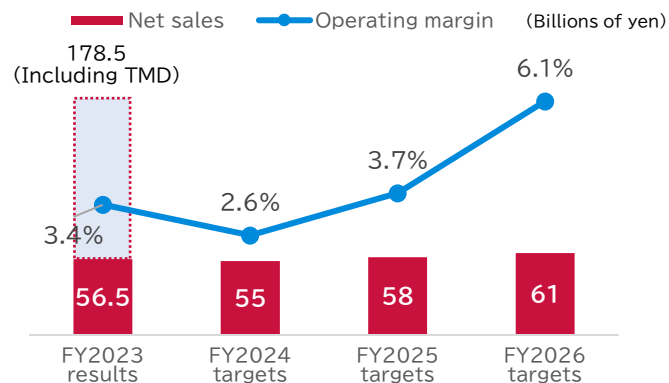
Automobile Brakes business

External environment

- The global automotive market continues to grow moderately, especially in emerging countries.
- Friction materials are indispensable for regenerative automobile brakes for xEVs, and we are **receiving numerous inquiries from customers that represent a large share of the market.**
- In the medium to long term, it is **important to earn customers' trust** by developing products and providing solutions that comply with environmental regulations in each country and xEVs.

Measures under the medium-term management plan

- **Expand sales of copper-free friction materials** to meet environmental regulations
- **Improve product performance and achieve higher added value** to meet xEV and CASE requirements
- **Improve profitability through rationalization** by integrating bases in China



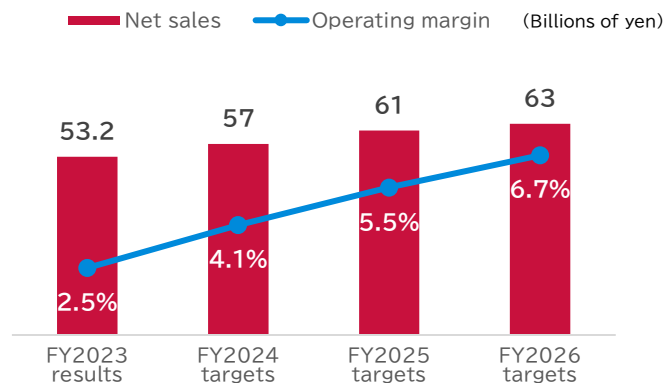
Precision Instruments business

External environment

- In the molded products business, customers in the automotive, medical, home electronics, and housing equipment markets are expected to return to domestic manufacturing bases, and the Indian economy is expected to grow.
- Major customers in the molded components and precision components businesses are manufacturers of automotive components, and their **production and sales volumes are steadily expanding in line with the shift to EVs.**

Measures under the medium-term management plan

- Shift to more profitable areas by **leveraging core technologies and concentrating on high value-added products**
- Improve profitability by increasing production capacity for **next-generation model parts for the shift to self-driving automobiles** and by adding more value to existing products



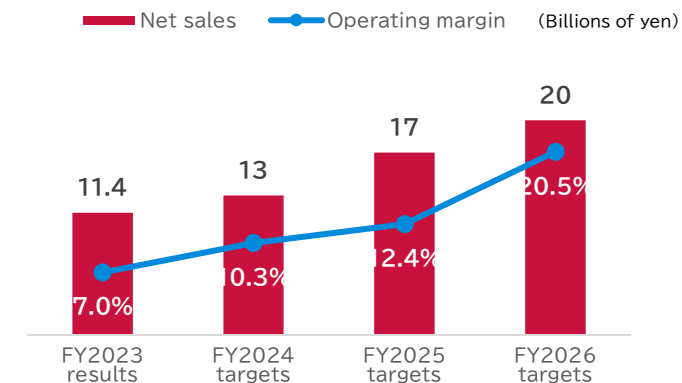
Chemicals business

External environment

- **Inquiries for fuel cell separators are increasing globally** as the movement toward achieving carbon neutrality accelerates.
- Demand for safer resin materials, products that contribute to energy savings, and products that can be degraded in soil and oceans is increasing in response to stricter environmental regulations in various countries.

Measures under the medium-term management plan

- Invest to expand supply capacity, including in the construction of new plants and the automation of production lines for **fuel cell separators**
- Continued research and development of **products with superior safety and environmental impact as well as durability** by leveraging core technologies



③ Materials/ ④ Real Estate Business

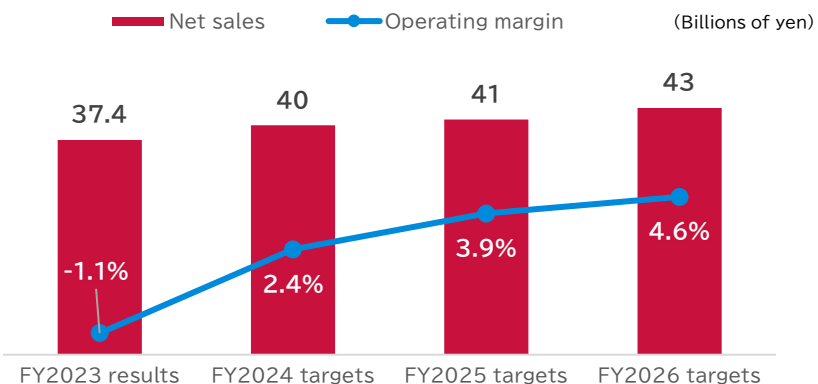
Textiles business

External environment

- The Japanese market for dress shirts is expected to remain strong until around 2025, with both the number of shirts purchased and the unit price trending upward due to **growing demand for highly functional products.**
- **Growing interest in recycling cotton products**
- Expansion in the e-commerce market, including for dress shirts, is expected to continue.
- **Gaining customer trust is important.**

Measures under the medium-term management plan

- In the textile business, we will cultivate new customers such as major apparel manufacturers and retailers by **promoting value to customers in terms of wrinkle resistance, design, comfort, and functionality.**
- **Promotion of the Shirt Revitalization Project**
- In the retail business, shift the business model to an OMO that integrates physical stores and e-commerce sites.



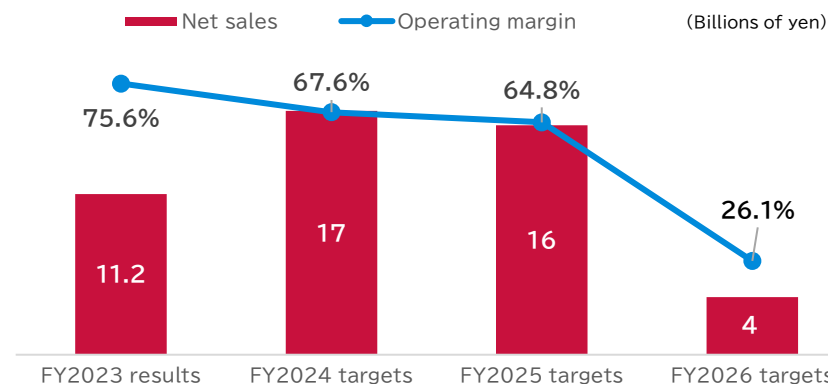
Real Estate Business

External environment

- The real estate market is currently strong due to the Bank of Japan's low interest rate policy, **but the market may reach a major turning point** in the second half of the medium-term management plan period **owing to a shift toward a tight monetary policy.**
- While the outlook for monetary policy and market conditions remains uncertain, **we recognize that it will be important to assess each individual project** in terms of regional disparities, such as urban/rural, and the superiority or inferiority of location conditions.

Measures under the medium-term management plan

- **We will systematically subdivide holdings (Agile convert into cash)**

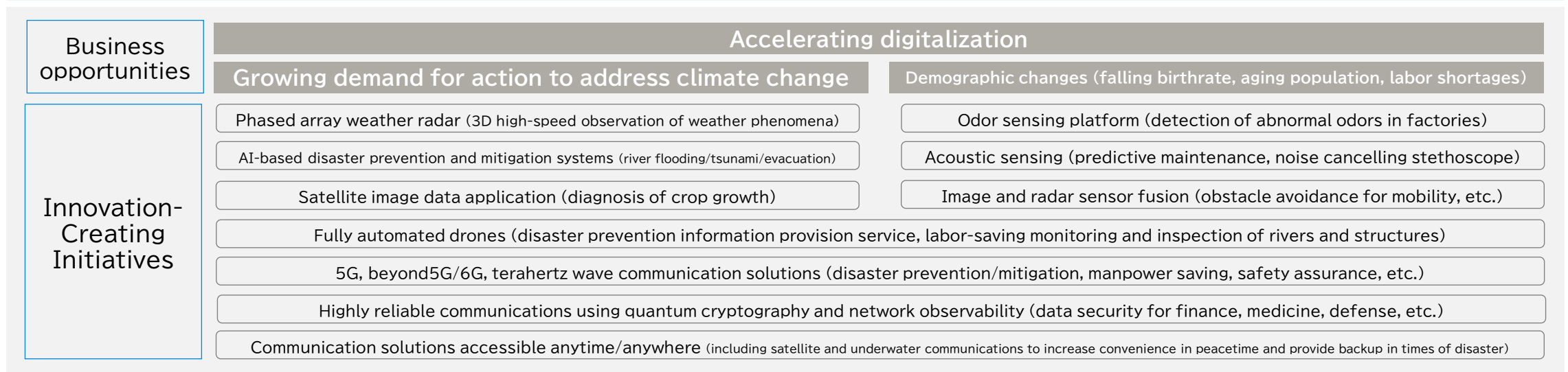


⑤ Innovation-Creating Initiatives

We will create new digital services of value to users by integrating the core technologies of the Nisshinbo Group, with a focus on the Wireless and Communications and Micro Devices businesses.



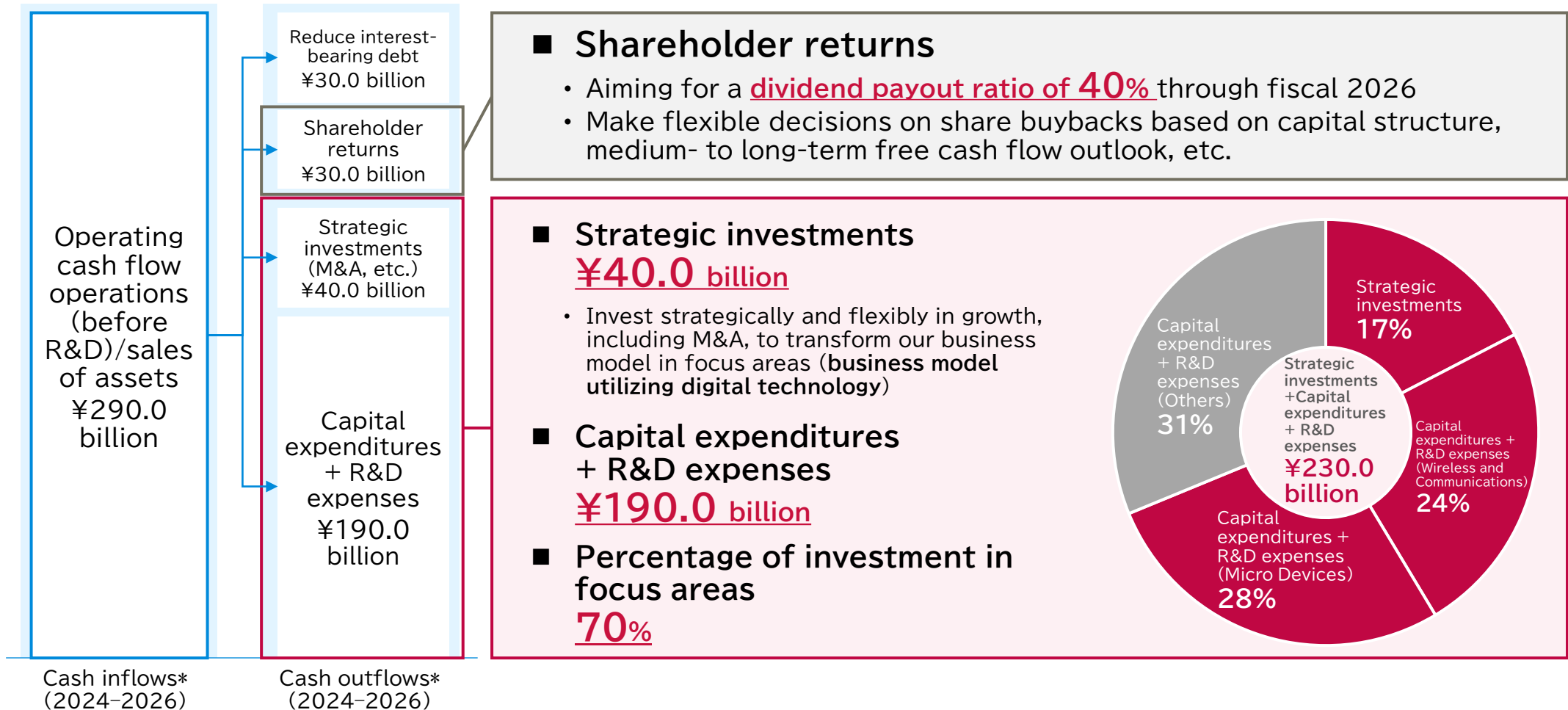
Provision of valuable digital services to users



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Cash Flow Allocation

We intend to invest aggressively in focused areas (Wireless and Communications/Micro Devices businesses) and aim for a dividend payout ratio of 40% in order to realize our target business portfolio.



* Policies at the beginning of the medium-term management plan

Financial Strategy and Shareholder Return Policy

Target Capital Structure

- D/E ratio: Aim for 0.7 times or lower

Policies under the Medium-Term Management Plan

- Aim for both optimal capital efficiency and financial soundness to allow for strategic financing.
- The Company's basic policy is to invest and return profits to shareholders within the scope of operating cash flow and we will prioritize investments in focused areas to create the business portfolio that we aim for.
- From the viewpoint of improving capital efficiency, we will systematically reduce assets and use the proceeds from sales as a source of funds for investment and shareholder returns.

Shareholder Return Policy

- We aim for a dividend payout ratio of 40% by fiscal 2026 and will increase dividends as profit grows.
- Our basic policy is to maintain or increase dividends, using ¥36 as our minimum annual dividend.
- We will be flexible on share buybacks based on our capital structure, the medium- to long-term outlook for free cash flow, and other factors, while securing the necessary funds for investment in growth.

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Key Themes for Reinforcing the Management Base

- Continuously strengthen the management foundation across the Group to realize our aims
- Reduce management risk and the cost of capital by addressing key themes, aiming for sustainable growth and the enhancement of corporate value over the medium to long term
- Respect and protect the human rights of all people associated with the Company, and promote business activities with an awareness of respecting, protecting, and promoting human rights

Key themes and policy initiatives for reinforcing the management base

Respect for human rights



- ✓ Strengthen management systems that foster a consciousness toward respecting, protecting, and promoting human rights through human rights due diligence efforts

Develop business with consideration for environmental impact



- ✓ Consider opportunities and risks related to reduction of greenhouse gas emissions and natural capital
- ✓ Steadily promote business to expand sales of products that contribute to a sustainable society

Promote the acquisition, development, and advancement of diverse human resources



- ✓ Promote the acquisition, development, and success of diverse human resources based on the Nisshinbo Group Human Resources Strategy

Build a responsible supply chain



- ✓ Promote sustainable procurement initiatives throughout the supply chain

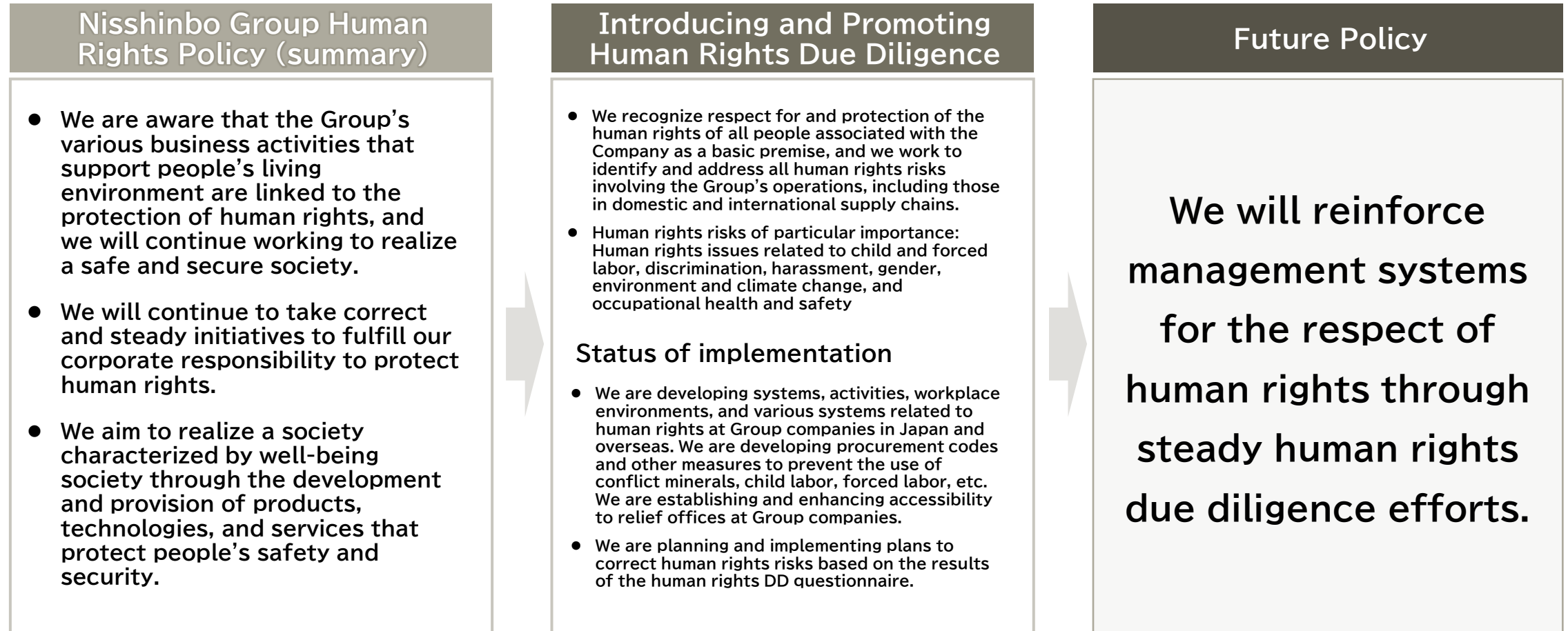
Improve the effectiveness of corporate governance



- ✓ Continue corporate governance reforms to establish effective governance

Respect for Human Rights

Based on the Nisshinbo Group Human Rights Policy formulated in August 2023, we will promote human rights due diligence initiatives and business activities with an awareness of respecting, protecting, and promoting human rights, on the basic premise of respecting and protecting the human rights of all people related to the Company.



5. Reinforcing the Management Base (Sustainability)

Developing Businesses That Take Environmental Impact into Consideration/Promoting the Hiring, Development, and Advancement of Diverse Human Resources



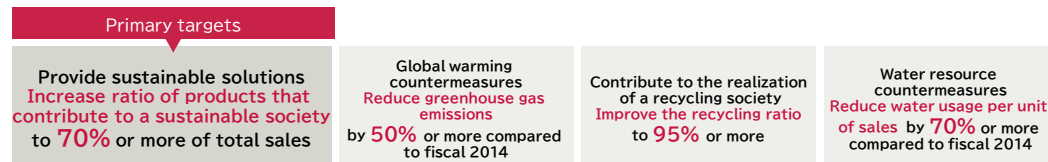
Developing Businesses that Take Environmental Impact into Consideration

We will steadily promote business to expand sales of products contributing to the development of a sustainable society while taking into account opportunities and risks related to the reduction of greenhouse gas emissions and natural capital.

Long-Term Environmental Target (to fiscal 2050)

- Aim to be carbon neutral

Medium-Term Environmental Target (to fiscal 2030)



Major initiatives to reduce greenhouse gas emissions

- New solar power generation facilities
- Switching to electricity derived from renewable energy sources
- Expansion of gas abatement equipment for perfluorocarbons and other gases used in semiconductor manufacturing
- Promotion of efforts to calculate Scope 3 and obtain SBT

Results at the end of fiscal 2022
Down 36% from fiscal 2014 levels

Major initiatives for expanding sales of products contributing to the development of a sustainable society

- Aiming to achieve a sales expansion rate of 60% by increasing production of carbon separators for fuel cells, including those for automobiles, at a new plant to be operational at the end of 2024

Results at the end of fiscal 2022
Such products accounting for 55% of Group sales

Promoting the Hiring, Development, and Advancement of Diverse Human Resources

Based on the Nisshinbo Group Human Resources Strategy, we will work to recruit and develop diverse human resources and promote their success.

Cultivating human resources

- Cultivate successors for the management team
 - List up potential successors
 - Conduct selective leadership development programs
 - Perform cross-industry exchange training within the Group

Targets for fiscal 2024

Increase the percentage of participants in the succession program for senior management positions (managing officers and above)

Recruit and retain excellent human resources

- Attract and promote talented people
 - A personnel system that emphasizes merit without regard to years of service
 - A Group-wide internal recruitment system that creates opportunities for new career development and challenges

Targets for fiscal 2024

Strengthen career recruitment to correct personnel age structure

Diversity and inclusion

- Utilize the global survey in creating the work environment
- Bridge the gender gap (leadership development program)
- Support autonomous career development
- Realize diverse work styles

Targets for fiscal 2024

- Ongoing implementation of global survey
- Percentage of female managers: 6%
- Percentage of eligible male employees taking childcare leave: 30% or more

Build a responsible supply chain /Improve the effectiveness of corporate governance

Building a Responsible Supply Chain

Promote sustainable procurement throughout the supply chain based on the Sustainable Procurement Basic Policy and the Sustainable Procurement Guidelines

- Based on the Sustainable Procurement Basic Policy, each Group company in Japan has formulated Sustainable Procurement Guidelines and is conducting a questionnaire survey and providing feedback of the results to major suppliers in Japan.

We will further promote sustainable procurement through the following initiatives.

- **Conduct sustainable procurement questionnaire overseas**
 - Some core Group companies will begin sending questionnaires overseas in fiscal 2023.
 - We aim to begin simultaneously at all core companies during 2024.
- **Review survey content and continue to implement**
 - We will continue survey efforts, considering the content of the next survey based on the results of the fiscal 2023 survey.

Targets for fiscal 2024

- 100% evaluation in the improvement status of major suppliers (80% or more of transaction value) based on the results of the sustainable procurement survey
- Study and implementation of the method for expanding to the supply chain of overseas suppliers and important overseas bases.

Improving the Effectiveness of Corporate Governance

Continue corporate governance reforms to establish effective governance that contributes to sustainable growth and enhances medium- to long-term corporate value

- **Strengthen the Board of Directors' supervisory function**
 - Ensure diversity on the Board of Directors, including independence, gender and internationality
 - Strengthen the function and transparency of the Nomination and Remuneration committees by having outside directors chair the committees
- **Revise the executive compensation system**
 - Increase the ratio of performance-linked compensation to total executive compensation
- **Enhance deliberation of medium- to long-term growth**
 - Conduct an ongoing review and discussion of sustainability-related issues directly related to materiality and progress in business portfolio transformation
- **Engage in dialogue between directors and stakeholders**
 - Continue dialogue between directors and shareholders, investors, and other stakeholders that contributes to the enhancement of corporate value
 - Reflect the content and results of dialogue with stakeholders in discussions at Board of Directors meetings
- **Strengthen efforts toward objectivity and transparency in evaluating the effectiveness of the Board of Directors**
 - Continue to regularly conduct surveys, analysis, and interviews using outside experts to improve objectivity and transparency in evaluating the effectiveness of the Board of Directors

1. What We Are Aiming For
2. Business Portfolio
3. Business Strategy
 - ① Wireless and Communications Business
 - ▶ Japan Radio Group (Marine Systems)
 - ▶ Japan Radio Group (Solutions and Specialized Equipment)
 - ▶ Hitachi Kokusai Electric Group
 - ② Micro Devices Business
 - ③ Materials Business (Automobile Brakes, Precision Instruments, Chemicals, and Textiles)
 - ④ Real Estate Business
 - ⑤ Innovation-Creating Initiatives
4. Cash Flow Allocation and Financial Strategy
5. Reinforcing the Management Base (Sustainability)
6. Management Targets

Management Targets (Financial, Non-Financial)

Financial

	Metrics	Fiscal 2026 targets
Growth	Net sales	¥580.0 billion
	Percentage of net sales from the Wireless and Communications and Micro Devices businesses	65%
Profitability	Operating income	¥38.0 billion
	Percentage of operating income from the Wireless and Communications and Micro Devices businesses	70%
	Operating margin	6.5%
Efficiency	ROE	10%
	ROIC	6%
Soundness	D/E ratio	0.7 times or less
Shareholder returns	Dividend payout ratio	40%

Non-financial *

	Category	Fiscal 2024 targets
Human rights	Promote business and human rights initiatives	Formulate human rights policies, introduce and promote human rights due diligence in areas of high human rights risk
Environment	Reduce of greenhouse gas emissions	Reduction of 35% or more compared to fiscal 2014
	Expand sales of products that contribute to a sustainable society	Accounting for 60% or more of sales
Human capital	Training of management candidates necessary for business promotion	Increase the ratio of successor program participants in management posts (executive officers and above)
	Strengthen career recruitment to correct personnel age structure	Strengthen career recruitment to correct personnel age structure
	Promote diverse human resources	Continue to conduct global survey Percentage of female managers: 6% Percentage of male employees taking childcare leave: 30% or more of eligible male employees
Supply chain	Implement improvements in sustainable procurement in cooperation with suppliers	100% evaluation in the improvement status of major suppliers (80% or more of transaction value) based on the results of the sustainable procurement survey
	Global response measures	Study and implement supply chain deployment methods for overseas suppliers and key overseas locations

Appendix

Plans by Segment

(Billions of yen)

Segment	Subsegment	Fiscal 2023 actual		Fiscal 2026 targets		Change	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Wireless and Communications	Marine Systems	43.9	2.8	48	3	4.1	0.2
	Solutions and Specialized Equipment	62.7	0.9	79	4.5	16.3	3.6
	Mobility, other *1	54.2	0.9	71	5.4	17.8	4.5
	Eliminations	▲ 2.8	▲ 0	▲ 4	▲ 0.1	▲ 1.2	▲ 0.1
	Subtotal	158.0	4.7	195	12.8	37.0	8.1
	Hitachi Kokusai Electric*2	-	-	72	5.2	72	5.2
	Total	158.0	4.7	267	18	109.0	13.3
Micro Devices		80.0	0.9	109	8.9	29	8
Materials	Automobile Brakes	178.5	4.6	61	3.7	▲ 117.5	▲ 0.9
	Precision Instruments	53.2	1.3	63	4.2	9.8	2.9
	Chemicals	11.4	0.8	20	4	8.6	3.2
	Textiles	37.4	▲ 0.4	43	1.9	5.6	2.3
	Total	280.7	6.3	187	13.8	▲ 93.7	7.5
Real Estate		11.2	8.5	4	1	▲ 7.2	▲ 7.5
Other businesses, corporate costs		11.1	▲ 8.1	13	▲ 3.7	1.9	4.4
Consolidated total		541.2	12.4	580	38	38.8	25.6

*1 JRC Mobility, ICT mechatronics, medical equipment, other

*2 Fiscal 2023 results are IFRS-based net sales of ¥66.3 billion and operating income of ¥3.5 billion.

Reference Materials

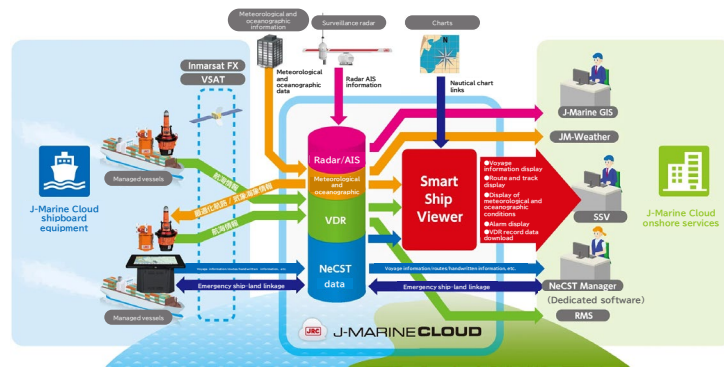
Wireless and Communications Business

▶ Japan Radio Group: Marine Systems

Core Products and Services

J-MARINE CLOUD Smart Ship Viewer (SSV)

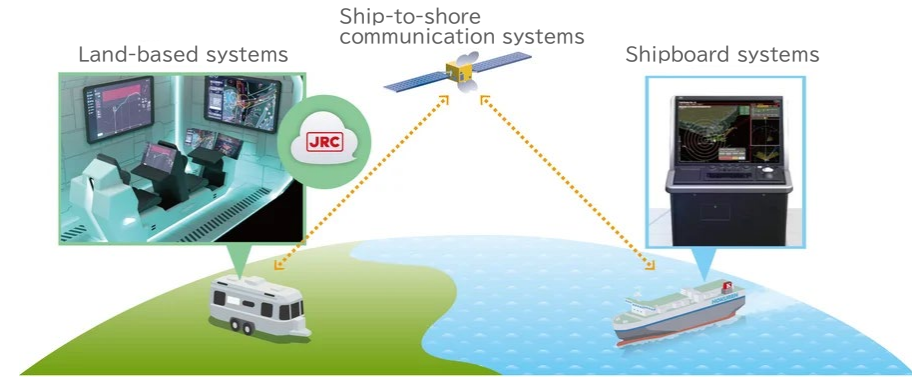
Total service that aims for safe, secure, and smart ship operational management by visualizing vessels from shore and providing a wide variety of content.



- Efficient, safe and secure ship operation management
- Ship visualization service
- App showing weather and marine weather information
- Remote maintenance system

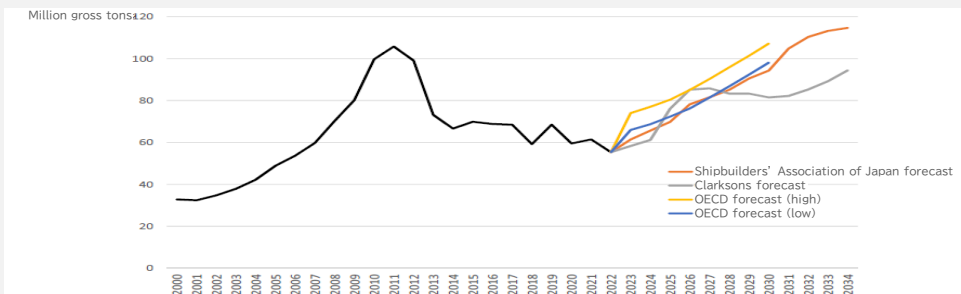
Autonomous vessel operation system

In addition to upgrading onboard systems, we will develop land-based systems and ship-to-shore communication systems, and work to develop and demonstrate technologies for social implementation.



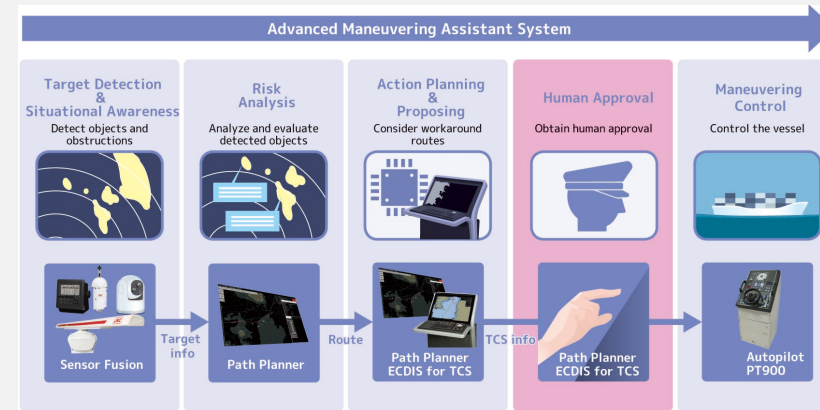
New shipbuilding demand

- Anticipated net increase of approximately 1,200 vessels per year (2,000 new vessels built per year minus 800 vessels scrapped)
- Demand for new shipbuilding is expected to continue to grow due to the expansion of commercial trade and the trend toward zero-emission ships.



Source: Maritime Bureau, Ministry of Land, Infrastructure, Transport and Tourism. "Analysis of Future New Shipbuilding Needs". 2023-5-30

Toward the introduction of products that facilitate automatic operation



- ✓ New bridge system capable of open architecture
- ✓ Large motion turbulence detection system
- ✓ Technology to automatically generate aversion routes

Wireless and Communications Business

▶ Japan Radio Group: Solutions and Specialized Equipment



Core Products and Services

Comprehensive disaster prevention solution



Information gathering

- Meteorological radar system
- Telemeter system
- Crisis control water level gauge
- River monitoring camera
- Reservoir monitoring system

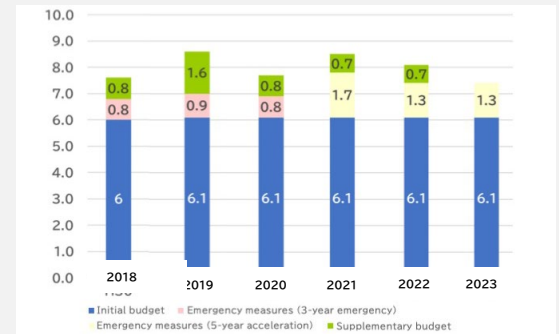
Information processing

- Dam/Weir control system
- River Information System
- Landslide monitoring system
- Water control system
- Pumping station control system
- Drainage sluice gate remote monitoring and control system

Providing information

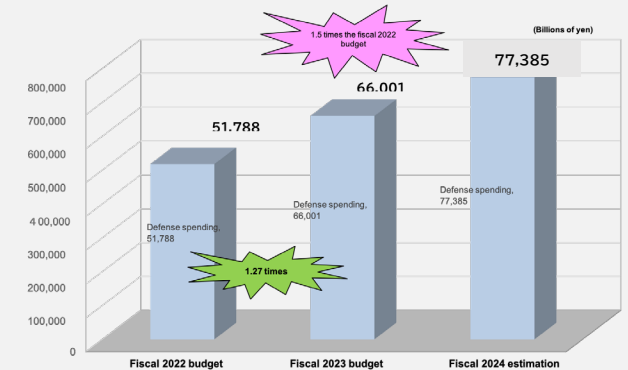
- Multiplex radio system
- Satellite communications system
- Prefectural disaster prevention system
- Disaster prevention administrative radio system
- Road information systems
- Discharge warning system

■ The public works budget is expected to remain at its current size through fiscal 2025.



Source: MLIT, "Outline of the Fiscal Year 2024 Projections", January, 2024

■ The defense budget will grow in line with the policy of dramatically strengthening defense capabilities through fiscal 2027.



Source: Minister of Defense, "Progress and Budget for Drastic Reinforcement of Defense Capabilities: Overview of FY2024 Estimates", 2023-8-31.

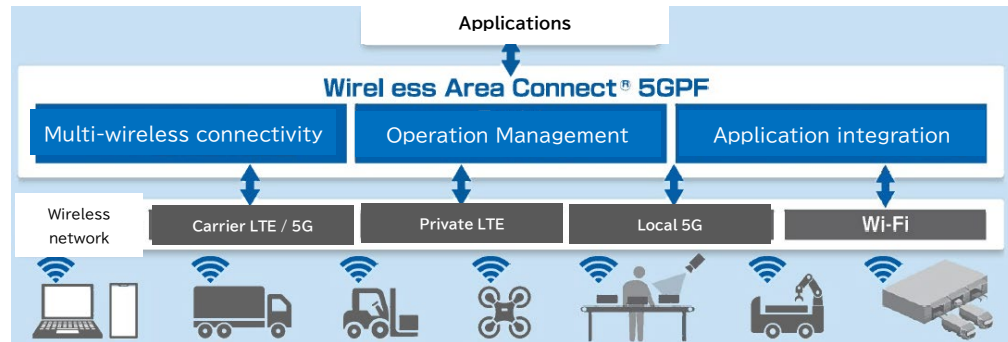
Wireless and Communications Business

▶ Hitachi Kokusai Electric Group

Core Products and Services

■ 5G-enabled communication platform

- Flexibly combining various wireless networks and systems to provide customers with the applications and services they require to solve on-site issues in the manufacturing industry.

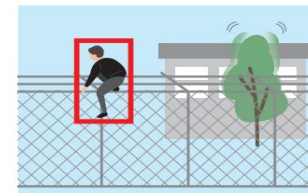


■ AI Edge Controller

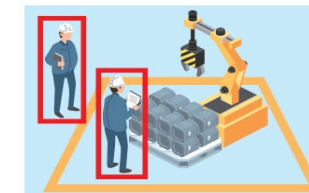
- Combined with surveillance cameras and other systems, AI image recognition enables human and object detection
- Supporting safety of on-site work, enhancing security of social infrastructure facilities and manufacturing sites, and improving the efficiency of monitoring operations



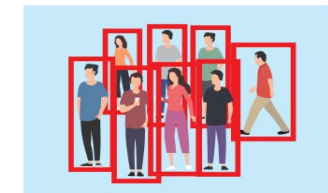
Use Cases



Intruder detection



Detection of approaching hazardous areas



Headcount

■ Aiming to create synergies between the Japan Radio Group and the Hitachi Kokusai Electric Group

- The Hitachi Kokusai Electric Group became a consolidated subsidiary in December 2023, and we will work to accelerate the creation of synergies.

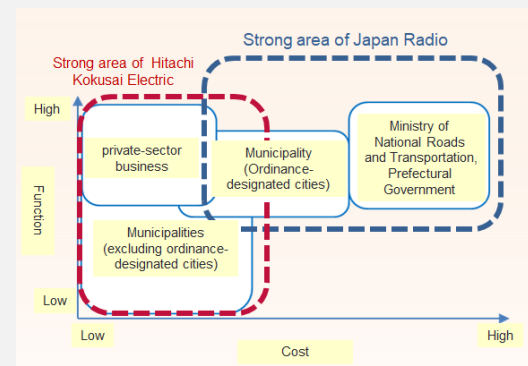
Target directions

- Strengthen revenue base in the solution business and accelerate our growth strategy
- Expand our device lineup and expand business areas such as those targeting private-sector companies
- Leverage synergies by utilizing technology and resources

Growth strategies

- Social solutions
Increasingly sophisticated disaster prevention systems
- Industrial solutions
Additional customer value through digital technology

- Mainstay public sector business (disaster prevention systems):

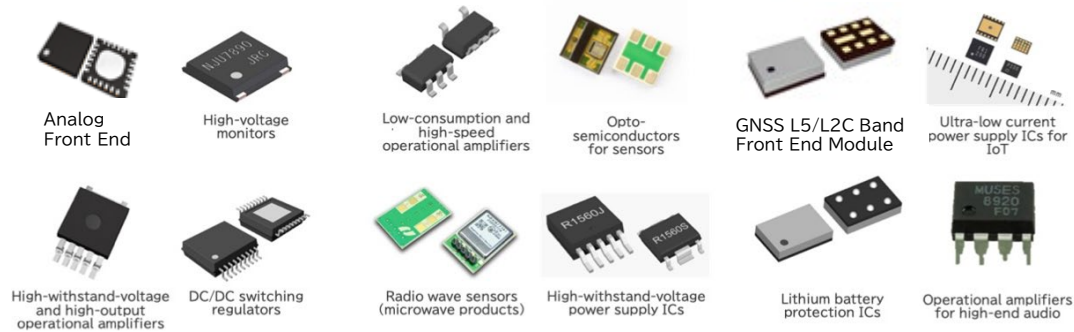


Capable of serving all manner of customers, with low-end to high-end systems

Micro Devices Business

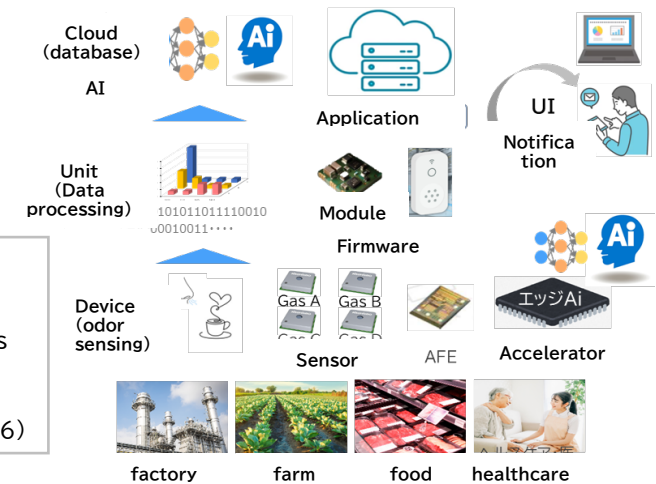
Core Products and Services

■ Electronic Devices



■ Odor sensing platforms

- Provide valuable "smell" data as an information service by innovating core technologies



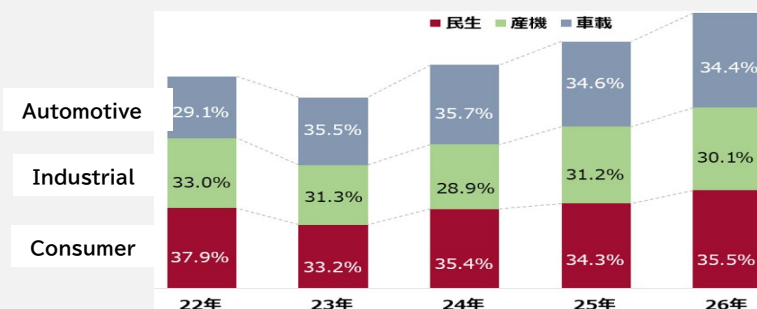
Value provided: Contribute to comfort, safety and security through the collection and accumulation of data on odors
 Market value: Approx. ¥59 trillion (estimated size of the market for odors in fiscal 2026)

■ About analog semiconductors

- Analog semiconductors are used in processing and controlling continuous analog signals for changes in physical phenomena such as light, sound, temperature and pressure.
- Through signal processing, analog signals such as light, heat, sound, and vibration acquired by sensors are and converted to digital signals and vice versa.
- Analog semiconductors are also used in power supply ICs that manage device power supplies and batteries.

■ Sales composition by market

- We are working to expand business in the areas of automobiles and industrial equipment to ensure that we have well-balanced coverage of the automotive, industrial equipment, and consumer markets and achieve **stable earnings**.



■ Measures to increase added value

- We aim to improve profitability through higher-value-added multifunctional ICs and modularization, as well as development in the unit and digital businesses.

