Consolidated Financial Results FY2024

January 10, 2025

TSE Prime Market 3201

1.Consolidated Financial Statements for FY2024

Summary (FY2024)

Despite the reduction of the communications and new services sector within the Human & Future Development business through portfolio review, the companies acquired through M&A contributed to increased net sales and higher operating profit and other profits.

(Unit: million yen)	Actual			Year-on-year		2024.7.12 forecast progress
	FY2022	FY2023	FY2024	Change	%	progress
Sales	109,048	113,497	**115,438**	1,940	1.7%	104.0%
Operating income	10,707	11,016	**11,640**	624	5.7%	105.8%
Operating margin	9.8%	9.7%	**10.1%**	0.4%	-	-
Ordinary income	11,715	11,634	**12,098**	463	4.0%	104.3%
Extraordinary Gains and Losses	-603	-261	**-728**	-467	-	-
Profit attributable to owners of parent	7,283	7,643	**8,970**	1,326	17.4%	116.5%
Return on equity	7.0%	7.0%	**7.6%**	0.6%	-	-

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Segment Results

(Unit: million yen)

Segment	Item	Actual 2023	Actual 2024	Year-on-year Change	Year-on-year %
Textile & Clothing Materials	Sales	31,359	**31,557**	197	0.6%
	Operating income	3,323	**3,455**	131	4.0%
	Operating margin	10.6%	**10.9%**	0.3%	-
	ROIC	6.8%	**6.5%**	-0.3%	-
Industrial Machinery & Materials	Sales	24,713	**30,836**	6,122	24.8%
	Operating income	1,586	**1,972**	385	24.3%
	Operating margin	6.4%	**6.4%**	0.0%	-
	ROIC	4.5%	**4.9%**	0.4%	-
Human & Future Development	Sales	32,870	**26,488**	-6,381	-19.4%
	Operating income	7,086	**6,977**	-109	-1.5%
	Operating margin	21.6%	**26.3%**	4.7%	-
	ROIC	22.8%	**20.1%**	-2.7%	-
Consumer Goods & Services	Sales	20,799	**22,527**	1,727	8.3%
	Operating income	555	**847**	292	52.6%
	Operating margin	2.7%	**3.8%**	1.1%	-
	ROIC	2.9%	**4.6%**	1.7%	-
Others	Sales	3,755	**4,028**	273	7.3%
	Operating income	-1,536	**-1,611**	-75	-
TOTAL	Sales	113,497	**115,438**	1,940	1.7%
	Operating income	11,016	**11,640**	624	5.7%
	Operating margin	9.7%	**10.1%**	0.4%	-
	ROIC	5.9%	**6.7%**	0.8%	-

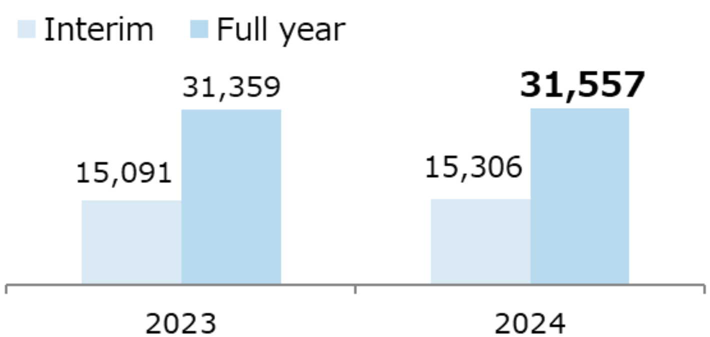
Textile & Clothing Materials

Sales 31,557百万円 YoY +0.6%

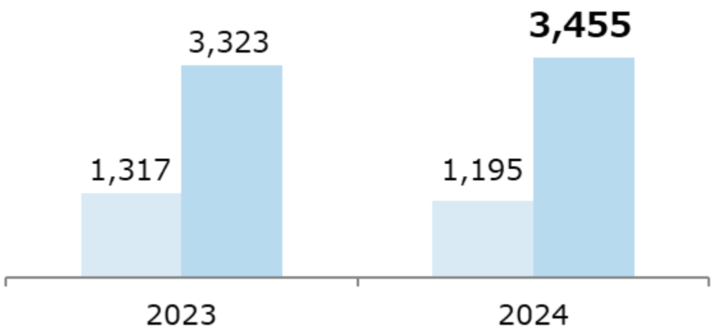
Operating income 3,455百万円 YoY +4.0%

Unit: million yen

Sales



Operating income



- ✓ Uniform materials for schools remained steady due to the effects of price revisions.
- ✓ Uniform materials for government offices were overall strong, with police uniforms on par with the previous fiscal year and fire department uniforms performing well.
- ✓ Uniform materials for private companies were on par with the previous fiscal year overall, with private company uniforms performing poorly but transportation uniforms performing well.
- ✓ Clothing materials were sluggish domestically. Overseas, sales to China were strong, but sales to Europe and the United States were weak, resulting in overall performance being on par with the previous fiscal year.
- ✓ The yarn sector was sluggish.

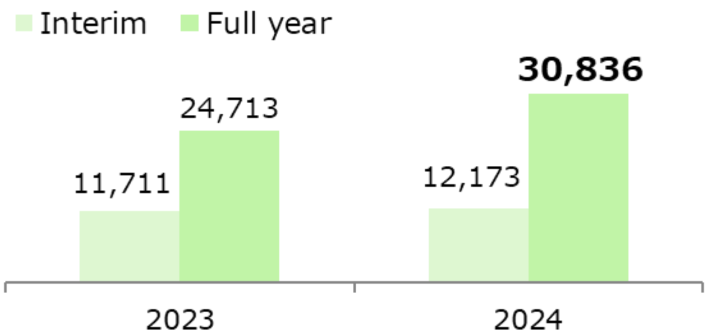
Industrial Machinery & Materials

Sales 30,836百万円 YoY +24.8%

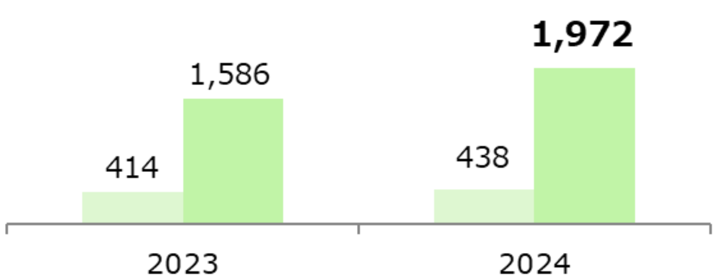
Operating income 1,972百万円 YoY +24.3%

Unit: million yen

Sales



Operating income



- ✓ Although non-woven fabrics and sewing threads for vehicles were affected by the decrease in automobile production, the addition of Kureha Tech Co., Ltd. to our group in August led to increased revenue.
- ✓ Sales of FA equipment for manufacturing lines of vehicle-mounted electrical equipment have been favorable, with orders from customers showing a recovery trend.
- ✓ Environmental and energy-related materials have increased in sales since the second quarter, with the addition of Kankyo Techno Co., Ltd. to the group.
- ✓ Racket sports-related sales have been favorable due to the recovery of the market and the popularity of new products.
- ✓ Lifestyle-related materials have been poor, with felt for musical instruments affected by the sluggish Chinese market.

Human & Future Development

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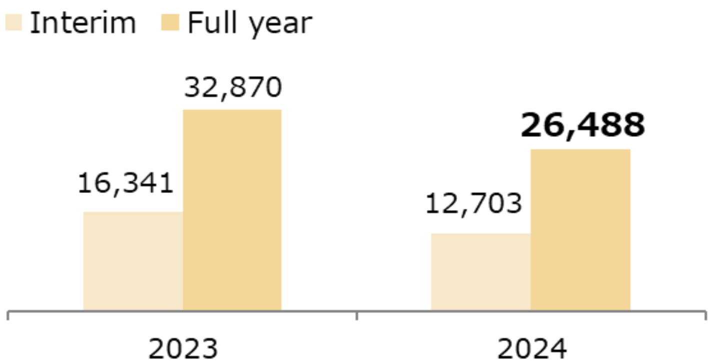
Sales 26,488百万円 YoY －19.4%

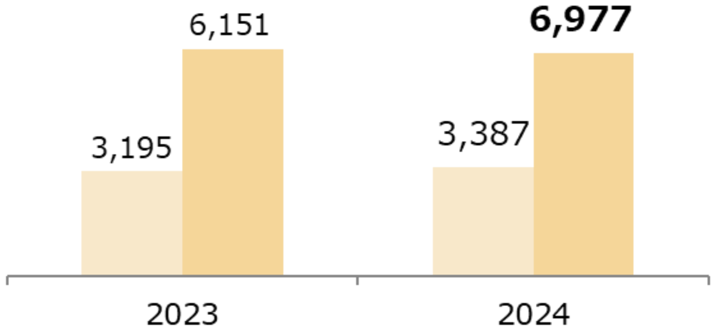
Operating income 6,977百万円 YoY － 1.5%

Sales

Unit: million yen



Operating income



- ✓ The commercial facility management business remains strong, with the renewal effects of Colton Plaza continuing to show positive results.
- ✓ The real estate leasing business is also performing well, partly due to the sale of properties intended for sale.
- ✓ The construction-related business is sluggish due to rising material prices and labor costs.
- ✓ The childcare-related business is on par with the same period last year. The nursing care-related business is steady, with the number of users and residents gradually recovering.
- ✓ The sports-related business has surpassed the same period last year due to an increase in visitors.
- ✓ The communications and new services sector has been scaled down from this term, considering profitability and business risks.

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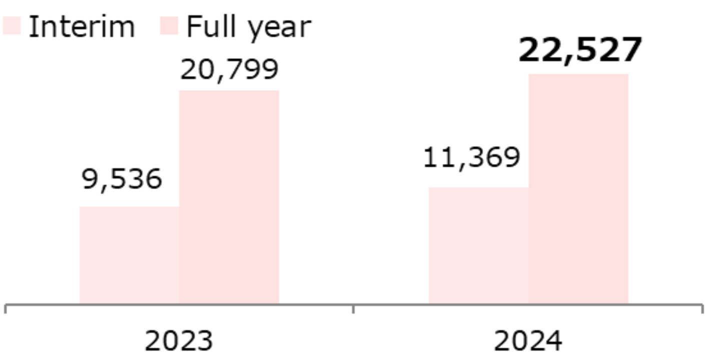
Consumer Goods & Services

Sales 22,527百万円 YoY + 8.3%

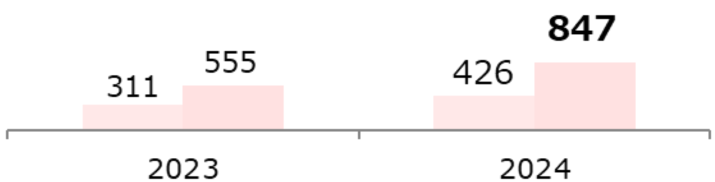
Operating income 847百万円 YoY +56.2%

Unit: million yen

Sales



Operating income



- ✓ Sales of bedding were sluggish in the e-commerce segment. Business supplies, such as disaster blankets, performed well.
- ✓ Furniture sales increased, driven by the contribution of sales from Interior Office One Co., Ltd., which was added in the previous fiscal year.Sales of lifestyle appliances were weak.
- ✓ Sales of stamps, stamping ink, and horse riding goods were strong.
- ✓ Container sales saw a significant increase in revenue.
- ✓ However, the rise in procurement costs due to soaring raw material prices and the increase in advertising and logistics costs related to e-commerce continued.

Consolidated Balance Sheet／Cash Flow Statement

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(Unit: million yen)

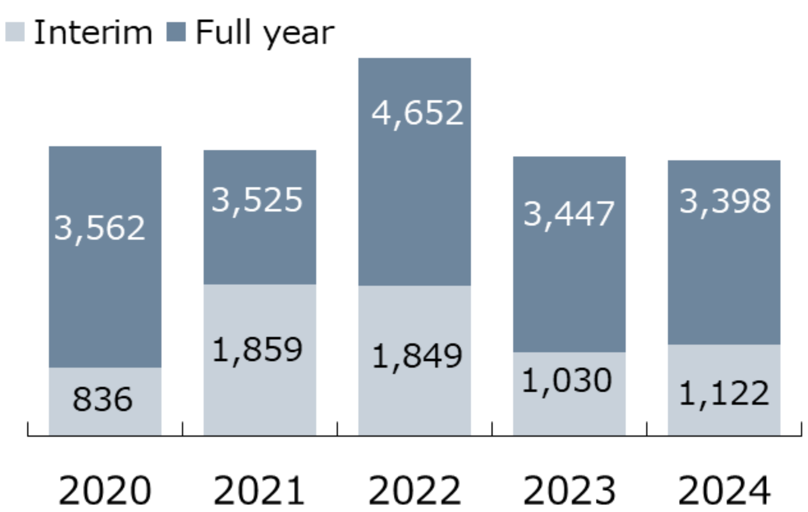
Consolidated Balance Sheet	End-Nov. 2023	End-Nov. 2024	Change（Y/Y）
Current assets	92,823	97,295	4,472
Property, plant and equipment	73,306	82,639	9,333
Total assets	166,129	179,935	13,805
Current liabilities	34,258	38,203	3,945
Long-term liabilities	17,735	18,001	266
Total Liabilities	51,993	56,205	4,211
Shareholders' equity	104,198	110,632	6,433
Accumulated other comprehensive income	8,950	12,167	3,216
Noncontrolling interests	987	930	-56
Net assets	114,135	123,730	9,594

Consolidated Cash Flow Statement	FY2023 Actual	FY2024 Actual	Change（Y/Y）
Cash flow from operating activities	4,981	10,158	1,163
Cash flow from investing activities	-175	-7,856	-8,847
Cash flow from financing activities	-1,850	-4,213	5,554
Balance of cash and cash equivalents at year's end	37,978	33,419	-1,873

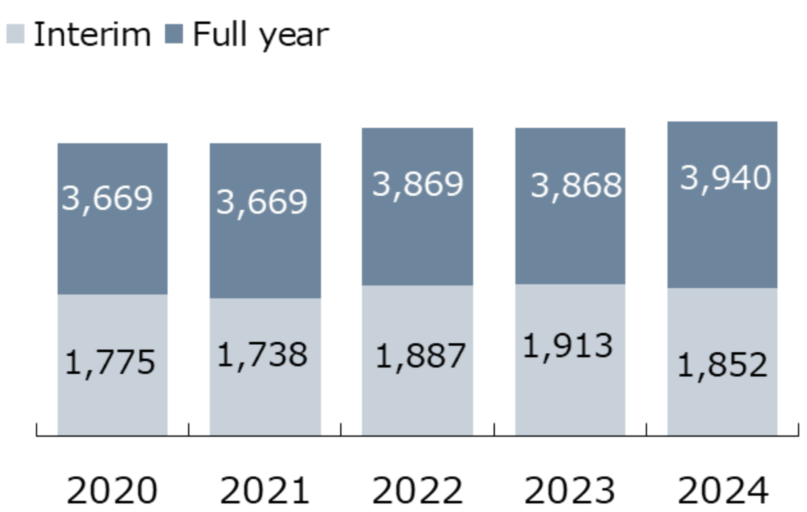
Capital investment／Depreciation expense

(Unit: million yen)

Capital investment



Depreciation expense



✓ Capital investment for the fiscal year 2024 was approximately 3.4 billion yen, compared to the planned 6.5 billion yen.

2 .Forecast for FY2025

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Recognition of the business environment

Textile & Clothing Materials	・In Japan, the number of students is decreasing due to the declining birthrate. Efforts to enter overseas markets are essential. ・As the global clothing market recovers, the advantages of domestic production and overseas expansion will be key. ・The fatigue of domestic production areas is progressing, and the reconstruction of the value chain is necessary. ・The realization of a sustainable society as advocated in the SDGs, environmentally friendly materials, and diversity will be the keywords.
Industrial Machinery & Materials	・The automotive-related field is affected by the market conditions in China. ・The environmental-related field is expanding its business as regulations are being strengthened in various places, and the home appliances and OA fields are expected to expand overseas. ・Expansion of markets that are conscious of the SDGs, such as the recycling business, is expected.
Human & Future Development	・Community-based shopping centers are performing steadily. In the real estate development field, there is an increase in inquiries for properties that have increased asset value, such as energy-saving buildings. ・In the lifestyle support field, although the care and childcare-related markets will continue to expand, it is necessary to build operation methods and services in the post-Corona era.
Consumer Goods & Services	・Although the excitement of e-commerce shows a calm in the post-Corona era, the expansion trend does not change due to its convenience. ・With the borderless nature of e-commerce, competition is increasing, including overseas forces and direct sales from manufacturers. The rising trend of purchase prices, logistics costs, and advertising and promotion costs continues.

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FY2025 Full-year Forecast

We expect growth in the non-woven fabrics and felt sectors, which are our key growth drivers.

(Unit: million yen)	Actual		Forecast	Year-on-year	
	FY2023	FY 2024	FY 2025	Change	%
Sales	113,497	115,438	128,000	12,562	10.9%
Operating income	11,016	11,640	12,000	360	3.1%
Operating margin	9.7%	10.1%	9.4%	-0.7%	-
Ordinary income	11,634	12,098	12,400	302	2.5%
Profit attributable to owners of parent	7,643	8,970	8,500	-470	-5.2%

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2025 performance forecast by segment

(Unit: million yen)

Segment	Item	Actual 2023	Actual 2024	Forecast 2025 (2025.1.10)	Year-on-year Change	Year-on-year %
Textile & Clothing Materials	Sales	31,359	31,557	34,800	3,243	10.3%
	Operating income	3,323	3,455	3,700	245	7.1%
	Operating margin	10.6%	10.9%	10.6%	-0.3%	-
Industrial Machinery & Materials	Sales	24,713	30,836	39,000	8,164	26.5%
	Operating income	1,586	1,972	2,480	508	25.8%
	Operating margin	6.4%	6.4%	6.4%	0.0%	-
Human & Future Development	Sales	32,870	26,488	27,000	512	1.9%
	Operating income	7,086	6,977	6,390	-587	-8.4%
	Operating margin	21.6%	26.3%	23.7%	-2.6%	-
Consumer Goods & Services	Sales	20,799	22,527	23,200	673	3.0%
	Operating income	555	847	1,200	353	41.7%
	Operating margin	2.7%	3.8%	5.2%	1.4%	-
Others	Sales	3,755	4,028	4,000	-28	-0.7%
	Operating income	-1,536	-1,611	-1,770	-159	-
TOTAL	Sales	113,497	115,438	128,000	12,562	10.9%
	Operating income	11,016	11,640	12,000	360	3.1%
	Operating margin	9.7%	10.1%	9.4%	-0.7%	-

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2025 performance forecast change factors

	Main factors of increase/decrease（compared to previous period)
Textile & Clothing Materials	**【Uniforms】** ・Full-year contribution from the price revision of uniforms for schools. ・Increased orders for business uniforms.
Industrial Machinery & Materials	**【Non-woven fabrics & felt】** ・Management integration effects of Ambic and Fujiko, and synergies with Kankyo techno and Kureha. ・The full-year consolidated contribution from Kankyo Techno and Kureha.
Human & Future Development	**【Real Estate Development】** ・In the construction-related sector, there was an increase in orders for construction projects. ・The sale of properties intended for sale in the previous fiscal year resulted in a decrease in profit compared to the previous fiscal year.
Consumer Goods & Services	**【EC】** ・Improving profitability by increasing the ratio of in-house planned products. ・Increasing sales through strengthened collaboration among e-commerce-related companies.
Others	**【Others】** ・Adjustments, reserve funds, etc. are expected.

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

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

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Strengthening profit generation

- Promote and achieve the RN130 third medium-term management.
- Optimise the business portfolio (investment in growth businesses, review of unprofitable businesses).

Improved asset efficiency

- Further efficiency gains in property holdings (redevelopment and disposal of unprofitable properties)
- Reduction of inactive assets (liquidation of policy shares that are no longer meaningful to hold)
- Continue to use ROIC as an indicator as an investment criterion. (target 8%, minimum 5%)

Strengthening of capital policy

- Strengthening shareholder returns
- The dividend payout ratio will be gradually rounded up from the current target of 30%, aiming for 35% in the final year of the Third Medium-Term Plan.
- Using DOE as an indicator, we aim for 2.5% by 2026.
- Flexible share buy-backs in light of the progress of investments, to enhance overall shareholder returns.

Strengthen IR

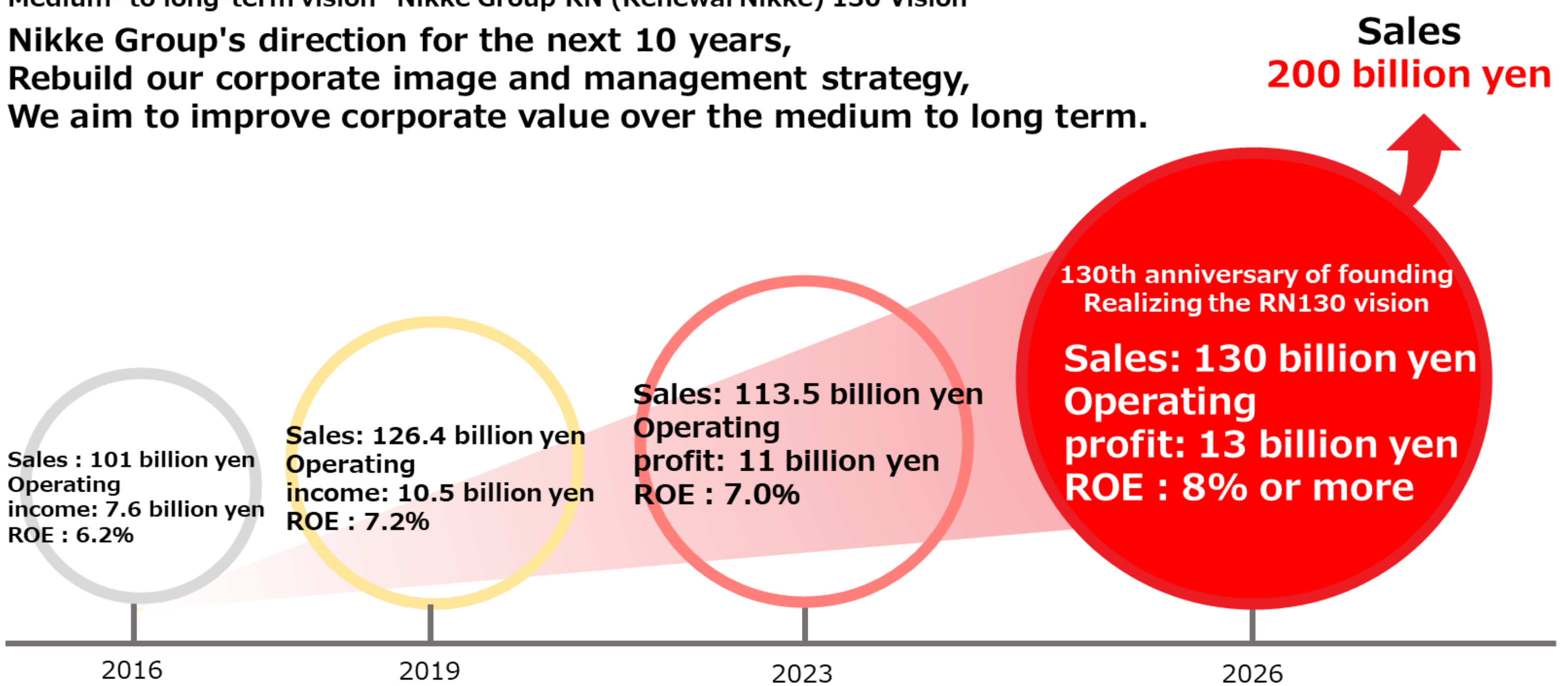
- We aim to strengthen dialogue so that stakeholders can increase their understanding and trust in the Nikke Group
- We explain M&A strategies and business diversification strategies, and communicate the growth story of the Nikke Group.
- Promote expansion and sophistication of information disclosure (e.g. support for IR materials in English)

Promote management with an awareness of return on capital,The company aims to achieve an ROE target of 8% and a P/B ratio of more than 1x.

Positioning of RN130 3rd medium-term plan

Medium- to long-term vision "Nikke Group RN (Renewal Nikke) 130 Vision"

Nikke Group's direction for the next 10 years,
Rebuild our corporate image and management strategy,
We aim to improve corporate value over the medium to long term.



1st medium-term plan	2nd medium-term plan	Third medium-term plan
This is positioned as phase 1 of realizing the vision.Nurturing the seeds of each business area and putting their development on track.	This is positioned as a three-year period in which we will accelerate towards RN130. While closely monitoring the impact of the new coronavirus, we will steadily recover our business performance and renew the record high sales profit achieved in 2019.	We will embody the "future life creation company" envisioned by each business.By steadily implementing each measure, the company aims to "grow more than the previous year" and set record highs for sales and profits.

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Progress of the RN130 3rd medium-term plan

In the fiscal year 2024, we achieved our planned targets for net sales, operating profit, and other profits.
For the fiscal year 2025, we are also on track to achieve our mid-term plan, with progress proceeding smoothly.

RN130 third medium-term management（2024~2026)

(Unit: million yen)	2024		2025		2026
	Medium-Term Management Plan	CLEAR Actual	Medium-Term Management Plan	2025.1.10 Forecast	Medium-Term Management Plan
Sales	111,000	115,438	120,000	128,000	130,000
Operating income	11,000	11,640	12,000	12,000	13,000
Operating margin	9.9%	10.1%	10.0%	9.4%	10.0%
Ordinary income	11,600	12,098	12,400	12,400	13,400
Profit attributable to owners of parent	7,700	8,970	7,800	8,500	8,800
Return on equity	–	7.6%	–	–	8.0%以上

Progress of the RN130 3rd medium-term plan by Segment

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(Unit: million yen)		RN130 third medium-term management（2024~2026）				
		2024		2025		2026
		Medium-Term Management Plan	Actual	Medium-Term Management Plan	2025.1.10 Forecast	Medium-Term Management Plan
Textile & Clothing Materials	Sales Operating income Operating margin	32,500 3,450 10.6%	31,557 3,455 10.9%	35,500 3,700 10.4%	34,800 3,700 10.6%	39,500 4,300 10.9%
Industrial Machinery & Materials	Sales Operating income Operating margin	26,000 1,850 7.1%	30,836 1,972 6.4%	29,000 2,100 7.2%	39,000 2,480 6.4%	31,000 2,550 8.2%
Human & Future Development	Sales Operating income Operating margin	26,000 6,200 23.8%	26,488 6,977 26.3%	26,500 6,250 23.6%	27,000 6,390 23.7%	30,000 7,200 24.0%
Consumer Goods & Services	Sales Operating income Operating margin	24,500 1,350 5.5%	22,527 847 3.8%	26,000 1,750 6.7%	23,200 1,200 5.2%	31,500 2,000 6.3%
Others	Sales Operating income	2,000 -1,850	4,028 -1,611	3,000 -1,800	4,000 -1,770	-2,000 -3,050
TOTAL	Sales Operating income Operating margin	111,000 11,000 9.9%	115,438 11,640 10.1%	120,000 12,000 10.0%	128,000 12,000 9.4%	130,000 13,000 10.0%

Growth Story of the Nikke Group

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Cultivation of the Third Pillar (Growth Drivers)	**Industrial Machinery & Materials** We position the non-woven fabrics and felt business as a future growth driver and aim to cultivate it as the third pillar of our business, following school uniforms and real estate leasing & SC management.
Further Strengthening the Profitability of Our Stable Foundation	**Textile & Clothing Materials** We will further enhance profitability through manufacturing rationalization by investing in labor-saving and automation equipment. **Human & Future Development** We will further enhance profitability through real estate redevelopment and the downsizing of unprofitable businesses.
Development of New Sales Channels	**Textile & Clothing Materials** We will continue to sell textile fabrics and other materials to high-end apparel brands overseas. **Consumer Goods & Services** We are committed to accumulating expertise in the e-commerce business and securing and nurturing e-commerce (digital) talent. In the future, we aim to expand the various products and services offered by the Nikke Group through e-commerce.
M&A to Support Growth	**We will continue to actively and carefully pursue M&A, which has significantly contributed to the growth of the Nikke Group.**

Enhancing Profit Generation

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1.Strengthening the Non-woven Fabrics and Felt Business

2.Expanding Overseas Sales and Strengthening Domestic Manufacturing

3.Promotion of Real Estate Development Business

4.Strengthening the E-commerce Business

5.Implementation of Strategic M&A

①Strengthening the Non-woven Fabrics and Felt Business

Target Markets

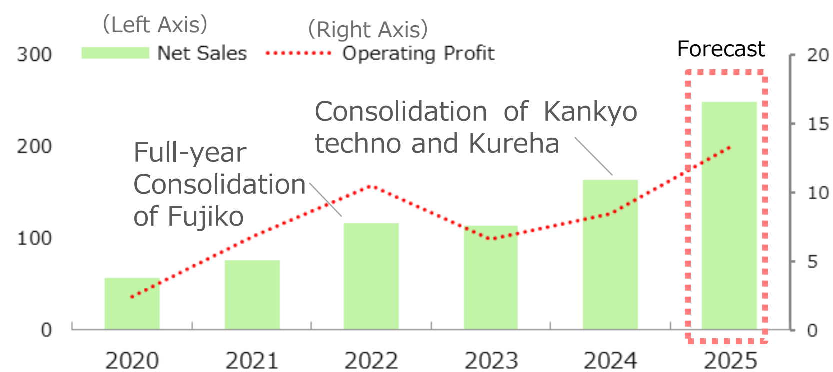
- The target areas for our company are industrial materials sectors such as automotive and environment-related fields, where market growth is anticipated.
- We do not position general-purpose hygiene materials (such as masks), which are susceptible to price competition, as our focus areas.

Competitive Advantage

- **Enhancing Competitiveness through Sales Expansion**
  By incorporating Kureha into our group in August 2024, the sales scale of our non-woven fabrics and felt business will reach approximately 20 billion yen, making us the second-largest market share holder in Japan.※1
- **Utilizing Global Manufacturing and Sales Bases**
  With the addition of Kankyo techno and Kureha Tech to our group, we will expand our manufacturing and sales bases in China, ASEAN, and North America. This will enable us to respond to diverse business developments tailored to customer needs.

Performance of the Non-woven Fabrics and Felt Business

(Unit: 100 million yen)



We aim to develop the non-woven fabrics and felt business into the "third pillar" of the Nikke Group, following school uniforms and real estate development.

※1 Market Share of Non-woven Fabrics and Felt Produced by Needle Punch and Chemical Bond Methods (according to our research)

②Expanding Overseas Sales and Strengthening Domestic Manufacturing

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Overseas Target Markets

■ Strengthening Sales of Textile Fabrics for High-end Brands in the Overseas Apparel Markets (Europe and Asia)

The unique manufacturing methods of Nikke, which result in a robust texture and excellent tailoring, serve as differentiating factors from textile manufacturers in Europe and Asia.

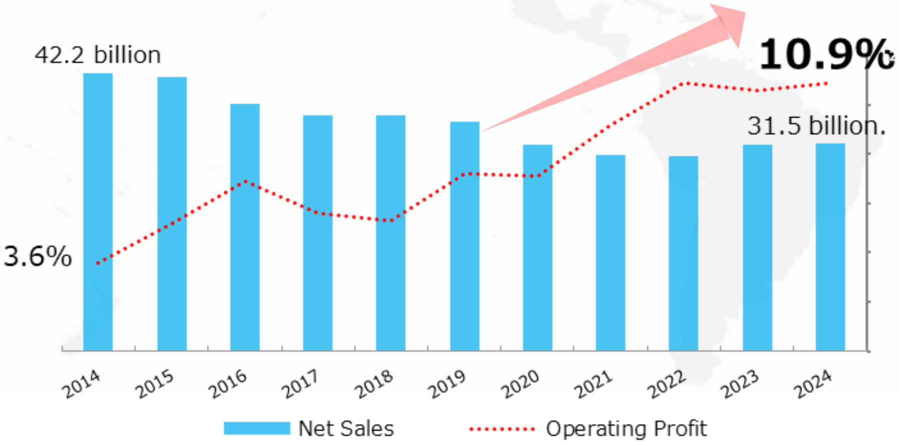
We aim to achieve an overseas sales ratio of approximately 13-15% by the final year of our mid-term plan in 2026 (current ratio: approximately 7-8%).

Key Initiatives

■ Enhancing Awareness through Promotions such as Exhibiting at Trade Shows

Further strengthening of domestic manufacturing capabilities and profitability

■ Strengthening manufacturing capabilities and profitability through investments in labor-saving, energy-saving, and automation equipment, as well as the utilization of digital technologies to streamline production.



We will further enhance domestic manufacturing capabilities and profitability while steadily implementing measures to expand our business overseas.

③Promotion of Real Estate Development Business

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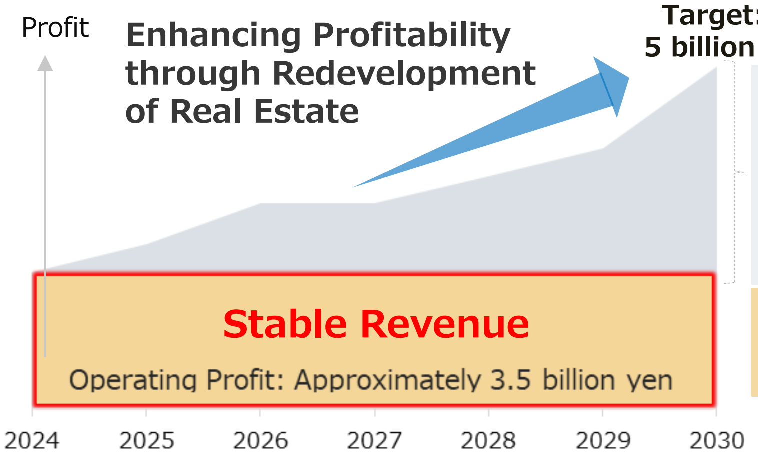
Redevelopment Projects	Location	Revenue Contribution	Progress Schedule (Planned) 2024 / 2025 / 2026
Tokyo Building	Tokyo	Large	Construction Period
Kobe Head Office Building	Hyogo	Small	Construction Period
Ichinomiya Plant	Aichi	Medium	Construction Period
Shukugawa Company Housing Development	Hyogo	Small	Construction Period
South Side of Nikke Colton Plaza	Chiba	Large	Development Plan Review
Former Fujiko Itami Plant	Hyogo	Large	Development Plan Review

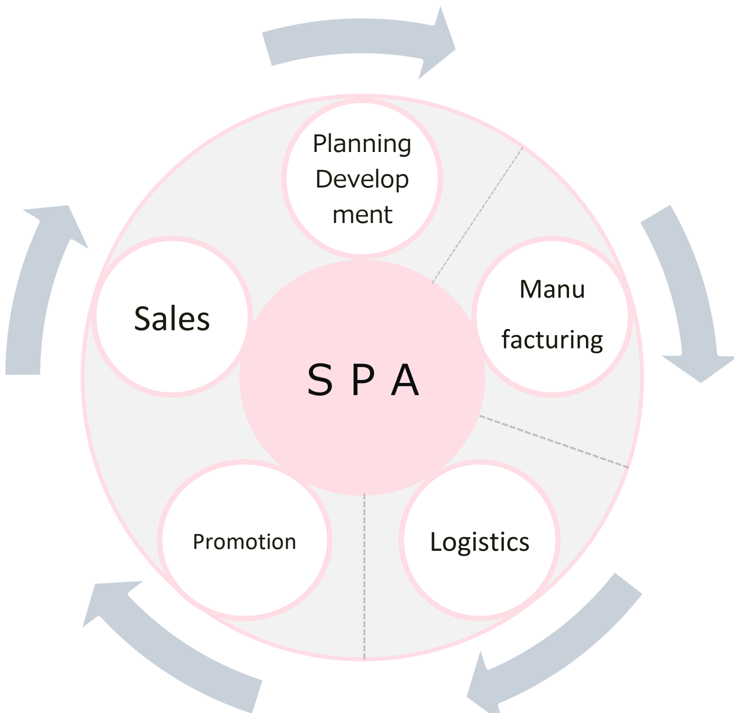


Real Estate Redevelopment	Tokyo Building Kobe Head Office Building Ichinomiya Plant Shukugawa Company Housing Development South Side of Nikke Colton Plaza Former Fujiko Itami Plant, etc.
Existing Businesses	Real Estate Leasing Income Sales of Solar Energy Income

We aim to further enhance profitability through real estate redevelopment and achieve an operating profit of 5 billion yen from real estate leasing by 2030.

④Strengthening the E-commerce Business

Initiatives for Developing New Sales Channels



Aiming to Build an Optimal Value Chain for the Future

Enhancing the Profitability of the E-commerce Business

①Further Strengthening of Planning, Development, and Sales Capabilities

We will further strengthen planning, development, and sales capabilities by promoting the sharing of human resources, systems, and know-how.

②Expanding the Product Lineup

The Nikke Group will sell various products it owns through e-commerce.

③Streamlining Logistics

We will reduce costs by streamlining logistics operations.

We aim to build an optimal value chain for developing new sales channels in the future, while also improving the profitability of our e-commerce business through the development of original in-house products.

⑤Implementation of Strategic M&A

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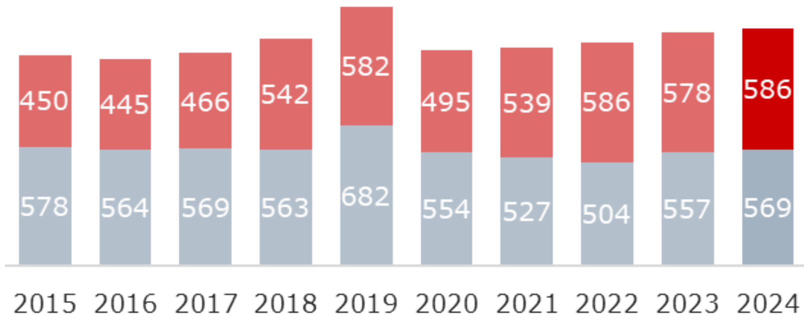
Contribution of M&A to Performance

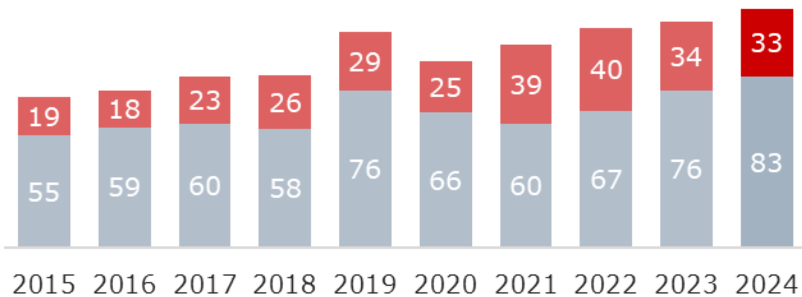
Companies Acquired through M&A　Existing Businesses

(Unit: 100 million yen)

Sales



Operating income



Basic M&A Strategy

- Streamlining Management and Expanding Business Areas
- Effective Utilization of Human Resources
- Establishing Disciplined Investment Criteria
  ROIC: Target 8% (Minimum 5%)

+α

Progressive Utilization of M&A

- **Effective Utilization of Real Estate**

Leveraging the real estate business expertise of the Human & Future Development division, we will effectively utilize the real estate assets acquired through M&A.

Synergy with Human & Future Development Business

In the fiscal year 2024, we executed two M&A transactions, and the progress of the third mid-term plan (with a budget of 20 billion yen) is on track.

※1 Targeting companies that have joined the Nikke Group through M&A since 1995.

Improving Asset Efficiency

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■ Strengthening the Utilization of Owned Real Estate

・Commenced land leasing of idle areas at the Ichinomiya Plant (Aichi Prefecture)
・Completed seismic retrofitting of the Nikke Kobe Building (Hyogo Prefecture) and began promoting tenant occupancy
・Initiated development of the Shukugawa Company Housing (Hyogo Prefecture) with plans to convert it into rental apartments
・Sold real estate with diminished strategic significance

■ Reduction of Cross-Shareholdings

・The Board of Directors continuously examines whether the purpose of holding, as well as the benefits and risks associated with holding, justify the capital costs.
・In the fiscal year 2024, we reduced our holdings by 6 stocks, and over the past 5 years, we have reduced a total of 57 stocks (including partial sales).

■ Execution of Growth Investments

・We will steadily execute investments using ROIC as a criterion (target 8%, minimum 5%).
・In the fiscal year 2024, we executed 2 M&A transactions and made growth investments (to improve profitability) in rationalization and equipment.

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M&A Executed in Fiscal Year 2024: 2 Cases

Strengthening Capital Policy

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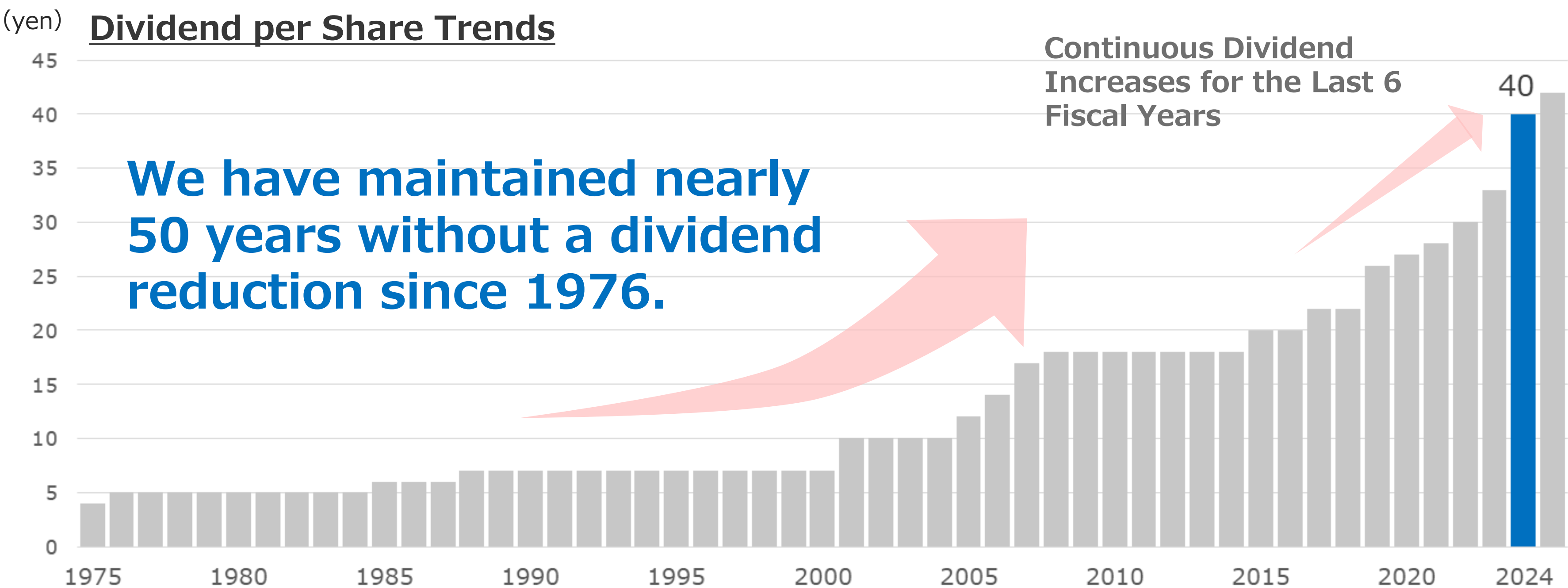
■ Expanding Shareholder Returns Based on Stable Dividends

- For the fiscal year ending November 2024, we will increase the dividend by 7 yen, resulting in an annual dividend of 38 yen per share (an additional 2 yen increase is planned for the fiscal year ending November 2025).
- We aim for a dividend payout ratio of 35% by the final year of our mid-term plan, the fiscal year ending November 2026.
- Since the oil shock in 1976, we have maintained nearly 50 years without a dividend reduction.

Review of Shareholder Return Policy
Incorporating investor feedback, we have added a progressive dividend and a DOE target of 2.5% to our policy.



Strengthening IR (Investor Relations)

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Through dialogue with shareholders and investors, we strive for sustainable growth and the enhancement of corporate value over the medium to long term.

■ Enhancement of Information Disclosure

- Disclosure of Earnings Presentation Videos and Q&A Summaries
- Disclosure of English Materials
- Disclosure of Materiality Identification, and Implementation Results
- Disclosure of Videos and Presentation Materials for Individual Investor Briefings
- Disclosure of Shareholders' Meeting Videos, etc.

■ Status of Dialogue Initiatives

- Dialogue with shareholders and investors is managed collaboratively by the Finance and Accounting Department, Corporate Planning Department, and General Affairs, Legal, and Public Relations Department.
- In the fiscal year 2024, we conducted approximately 40 IR and SR meetings combined, and held one briefing session for individual investors.
- The insights and issues identified through these dialogues are shared in meetings with each business division, group management meetings, and board meetings. This information is used as a reference for management decisions that consider capital costs and stock prices.

Key Themes and Areas of Interest in Dialogue

Future Growth Drivers, Business Diversification (Conglomerate), M&A Strategy, Capital Policy (Shareholder Returns) Cash Allocation, Human Capital Management (Investment in Human Resources), Overall Governance (Anti-takeover Measures, Cross-shareholdings), etc.

4 .Shareholder return

NIKKE Group

Capital Policy and Shareholder Returns

Basic concept

- ✓ The company is oriented towards a balance between growth investment and stable shareholder returns.
- ✓ Investment in growth will be actively implemented from the perspective of increasing medium- and long-term corporate value, including investment in research and development, mergers and acquisitions, capital expenditure and human capital.

Shareholder Return policy

- ✓ We will adhere to a "progressive dividend" policy that does not reduce dividends.
- ✓ Regarding the dividend payout ratio, we aim to gradually increase it from the current benchmark of 30% to 35% by the final year of the third mid-term plan.
- ✓ We will use DOE (dividend on equity ratio) as an indicator, targeting 2.5% by the final year of the third mid-term plan.
- ✓ Taking into account the progress of investments, we will conduct flexible share buybacks to enhance comprehensive shareholder returns.

Cash Allocation

Balance between growth investment and financial investment

We will raise the necessary funds while maintaining financial soundness and expand growth investments and shareholder returns.

・Maintain credit rating of "A"
・Equity ratio 50% or more

Funding line: 20 billion yen

Operating cash flow: Approximately 39 billion yen (3 years cumulative)

(Funding)

・Net profit: Approximately 24 billion yen
・Amortization cost: Approximately 15 billion yen

Growth investment: Approximately 50 billion yen

(investment limit)

We make balanced investments in growth from within (equipment and research and development investments) and growth from outside (M&A investments).

Equipment/R&D investment: approximately 29 billion yen
M&A/alliance approximately 20 billion yen

We execute flexible share buybacks based on the progress of our investments.

Share buyback

Shareholder return: Approximately 8 billion to 9 billion yen

(shareholder return)

The dividend payout ratio will be gradually rounded up from the current target of 30%, aiming for a payout ratio of 35% in the final year of the third medium-term plan.

NIKKE Group

Regarding the handling of this material

Statements regarding performance forecasts, forecasts, business plans, etc. in this material have been prepared based on information available as of the date of this financial results announcement, and do not guarantee future performance.