



Representative and Chief Executive Officer
Yuichi Tsuji

NITTO BOSEKI CO., LTD. (3110)



Company Information

Market	TSE 1st Section
Industry	Glass and ceramics products (manufacturing)
Director, Representative and Chief Executive Officer	Yuichi Tsuji
HQ Address	Kojimachi-odori Bldg., 2-4-1, Kojimachi, Chiyoda-ku, Tokyo
Year-end	End of March
Homepage	https://www.nittobo.co.jp/eng/index.html

Stock Information

Share Price	Shares Outstanding		Total market cap	ROE Act.	Trading Unit
¥5,280	39,935,512 shares		¥210,859 million	6.3%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
Undecided	-	Undecided	-	¥2,413.82	2.2 x

*The share price is the closing price on June 19. Each number was taken from the brief financial report for the fiscal year ended March 2020. Due to the impact of the novel coronavirus, the forecast for this term is still to be determined.

Earnings Trend

Fiscal Year	Net Sales	Operating Profit	Ordinary Profit	Net Profit	EPS	DPS
2017/Mar Act.	83,324	11,148	11,396	7,479	188.57	35.00
2018/Mar Act.	84,526	10,837	11,071	10,253	263.97	40.00
2019/Mar Act.	82,292	8,198	8,934	7,984	205.76	40.00
2020/Mar Act.	85,722	8,160	8,202	5,771	148.73	45.00
2021/Mar Forecast	-	-	-	-	-	-

*Unit: million yen. Due to the impact of the novel coronavirus, the forecast for this term is still to be determined.

This report introduces an overview of earnings results for the Fiscal year ended March 2020 of NITTO BOSEKI CO., LTD.

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Key Points

- For the Fiscal Year ended March 2020, sales increased 4.2% year on year to 85.7 billion yen. Sales for Glass Fiber Cloth Business and Life Science Business rose while sales for Textiles Business, Glass Fiber Yarn Business, and Glass Fiber for Industrial Materials Business decreased. Operating Profit was almost flat at 8.1 billion yen. Among high value-added products, the demand for special glass was strong, and new melting furnaces contributed to the increase in both sales and profits. However, profits remained at the same levels because the company invested in reinforcing its foundation, the market conditions for middle-grade products for electronic materials and composite materials were sluggish and also due to the impact of natural disasters. Operating profit before depreciation (EBITDA) increased to 13.5 billion yen due to the promotion of high value-added products. Earnings were lower than the initial forecast, but higher than the revised forecast in February, which reflected the sluggishness of commodity products due to the deterioration of market conditions and a slight delay in the progress of the weaving process. The term-end dividend will be 25 yen/share, up 5 yen/share, and the annual dividend will be 45 yen/share. We found that Operating Profit expanded rapidly in the fourth quarter, mainly due to the effect of investment in special glass (NE, T-glass) has materialized.
- Since it is difficult to reasonably calculate the impact of the spread of the novel coronavirus on business performance, the business performance and dividends for the Fiscal Year ending March 2021 are undecided and will be announced as soon as it becomes possible. The company believes that the business environment for commodity products such as textiles, automobiles, and construction materials is severe. The company considers that the point is how much high value-added products, mainly special glass, can compensate for the decline in sales for these products.
- After the bankruptcy of Lehman Brothers, the company worked on building a financial structure that enables stable business continuity in any environment. As a result, safety indicators such as capital to asset ratio, current ratio, fixed ratio, and interest coverage ratio have improved substantially compared to after the bankruptcy of Lehman Brothers and the Great East Japan Earthquake. Based on this stable financial foundation, the company will continue to invest in growth centered on special glass (NE, T-glass).
- In the Mid-term Business Plan "Go for Next 100," which ends this fiscal year, the goal is "Net Sales of 100 billion yen and an Operating Profit of 12 billion yen for the Fiscal Year ending March 2021." Unfortunately, it is difficult to achieve due to the impact of the novel coronavirus. However, the company recognizes that it could have been able to set up the base to make an "Operating Profit of 12 billion yen" if it was not for the novel coronavirus impact. As Nittobo thinks of the post-pandemic society, it believes that its business can make a significant contribution to society. Thus, it will not change the direction of its Mid-term Business Plan "Go for Next 100" and the Mid- to Long-term Business Plan "Vision 101," and will promote investment in future growth (capital investment, R&D, etc.) as planned.
- The forecast for this term has not been decided due to the impact of the novel coronavirus. Investors have no choice but to wait for the quarterly disclosure, but we would like to focus on how special glass which has strong demand will lead in a challenging environment.

- **Also, from a mid-term perspective, we would like to wait for their announcement, to see what kind of business it aspires to be in the post-pandemic world and what are the concrete policies it will undertake to enhance its strengths further in its next mid-term business plan.**

1. Company Overview

The company succeeded in the first industrialization of glass fiber in Japan through technologies of the textiles business which is its original business. It provides products for a wide range of applications, such as electronic materials and industrial materials, with consistent coverage from yarn manufacturing to glass fiber cloth processing.

Among them, special glass (NE-glass, T-glass) which achieves low dielectric and low thermal expansion by special composition is used in server base station and precision material for electronic devices such as smart phone and has high competitiveness. Furthermore, for “in vitro diagnostic reagents” in the life science business, have the top share in more than 10 items in Japan.

1-1 Corporate History

“*Koriyama Kenshi Boseki Co., Ltd*” founded in Koriyama, Fukushima Prefecture in 1898, is the predecessor. The company has a history of 120 years.

Nitto Boseki Co., Ltd. was established in 1923 when Fukushima Boshoku Co., Ltd. (formerly Fukushima Seiren Seishi Co., Ltd.) acquired the ownership of the Iwashiro Spinning Plant of Katakura Seishi (formerly *Koriyama Kenshi Boseki Co., Ltd*) in 1918.

In 1938, it succeeded in industrialization (mass production) of glass fiber for the first time in Japan. In the world, Owens Corning Glass Fiber of the United States has achieved the industrialization of glass fiber around the same time.

In 1949, it began manufacturing glass wool for the first time in Japan.

In 1969, the company began manufacturing glass fiber cloth for printed wiring board. In 1982, it began manufacturing test reagents for blood coagulation factors. And in 1983, it succeeded in industrializing functional polymers “PAA®” for the first time in the world. As such, the company has continued to challenge new fields and expanded its business fields.

It has established the Mid- to Long-term Business Plan “Long-term Vision 101” and Mid-term Business Plan “Go for Next 100” targeting its 100th anniversary in April 2023 and is currently implementing them.

1-2 Management Philosophy

Its corporate philosophy is as follows: “**Nittobo Group will, as a corporate group, enhance its significance by striving to create healthy and comfortable lifestyles, and thereby continue to contribute to the realization of prosperous communities.**”

Furthermore, under the following Nittobo Declaration, it is aiming to be society’s “best partner” in collaboration with all stakeholders.

Nittobo Group aims to become the “Best Partner” of your community. (Nittobo BP Declaration)
We will relentlessly strive to identify our customers’ needs and will find great satisfaction in steadfastly earning their Confidence and Trust. In addition, we will attach importance to sharing this satisfaction with all of our stakeholders (communities) through our products and services, including shareholders, investors, public administrations and regional communities.
We are committed to becoming a corporate group in which the potential of our respective, independent employees is valued and thereby inspires our employees to freely and willingly share their own ideas, ultimately achieving greater results through teamwork.
Our corporate group will provide its’ employees with an opportunity for progress and self-realization based on the belief that their progress leads to everyone’s success. We will encourage our employees to be good citizens, think deeply, observe widely, act courageously and to approach their jobs with resolve and determination.

<Deeply, Widely, Strongly and Hospitably>



(From the company's website)

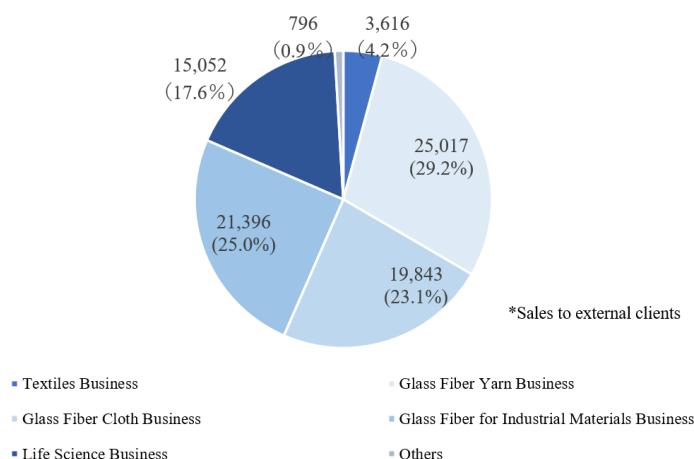
1-3 Business Description

(1) Business Description

The company's business can be largely divided into three categories, namely, the "Glass Fiber Business" which manufactures and sells various products using glass fiber, "Textiles Business", which manufactures and sells textile products for clothing, and "Life Science Business", which manufactures and sells immunological in vitro diagnostic reagents and produces and bottles beverage.

As for the reporting segments, the "Glass Fiber Business" is divided into three categories, namely, the "Glass Fiber Yarn Business," "Glass Fiber Cloth Business," and "Glass Fiber for Industrial Materials Business." Together with the "Textiles Business" and "Life Science Business," there are a total of 5 reporting segments. In addition, there is a category called "Others" which consists of the service business that are not included in the reporting segment.

Sales Composition by Segment (2020/Mar., Unit: Million yen)



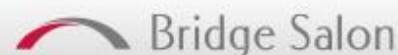
Segment	Amount	Composition rate
Textiles Business	3,616	4.2%
Glass Fiber Yarn Business	25,017	29.2%
Glass Fiber Cloth Business	19,843	23.1%
Glass Fiber for Industrial Materials Business	21,396	25.0%
Life Science Business	15,052	17.6%
Others	796	0.9%
Total Sales	85,722	100.0%

*Unit: million yen.

① Textiles Business

The company provides products utilizing its unique technologies to respond to the diversifying needs of customers, from yarns that are indispensable for clothing, to secondary materials and products. "C·S·Y (Core Spun Yarn)" is the double-structured textile which is the precursor of stretch fabrics. "Dan Reine" is adhesive interlining for women and has been boasting high market share. And "Nittobo Dishcloth" won the 2015 Good Design Long Life Design Award.

BRIDGE REPORT



Business	Principal product category	Characteristics	Product photograph
Raw yarn	Core spun yarn (CSY)	Nittobo's CSY is a yarn product made by twining short fiber such as cotton around a polyurethane filament before covering it. CSY, being a pioneer of stretch fabric, represents a combination of core and cover materials, something made possible by our multi-layer-structure yarn making technique. CSY serves to aid idea generation for products based on a combination of functionality, such as for moisture absorption and heat generation, quick drying and cold sensitivity and light weight, as well as a sense of touch.	
	Dishcloth	The Nittobo Dishcloth, being superior in water absorption and quick drying features and not prone to picking up fluff, is a long-seller item, which the Company developed over five decades ago, jointly with kurashi-no-techo co., ltd. The Nittobo Dishcloth was honored with the Good Design Long Life Design Award 2015.	
Interlining	Interlining	Nittobo Interlining is a low-profile function material product that is intended to be attached to the inner side of a garment to keep its shape and size stability. This product accentuates the stylish look of the silhouette by tapping the texture of the outer fabric of the garment. Nittobo Interlining boasts the top market share in Japan, among domestic female interlining products.	
	Adhesive tape	Nittobo's adhesive tape products are used for reinforcing garment connection parts such as collar, sleeve and pocket, spots that are difficult to be attached with interlining, and for raising stitching work efficiency. The Company's adhesive tape product lineup caters for any shape and is composed of tapes made of fabric identical to each outer garment fabric.	
	Liner material (liner)	Nittobo's liner material, being a product made by applying its ultra-thin fabric attachment technique of excellence, is enabled to be used as a liner as well. For example, this product was adopted as the material for a sports wear item using a moisture-permeation laminated waterproof film.	

(Source: the company)

②Glass Fiber Business

The company succeeded in the first industrialization of glass fiber in Japan. It provides products for a wide range of applications with consistent coverage from yarn manufacturing to glass fiber cloth processing.

Especially, special glass (NE-glass, T-glass) has low dielectric and low thermal expansion characteristics due to its special composition. It is employed as a precision material for electronic devices such as base stations, high-performance servers and smartphones, and is highly competitive.

Among them, special glass which achieves low dielectric and low thermal expansion by special composition is used in server, base station and precision material for electronic devices such as smart phone and has high competitiveness.

In addition, micron-level ultra-thin glass cloth is used in smartphones and other devices that are becoming smaller, lighter, and more sophisticated, and is highly regarded for its quality.

The company also spearheaded the manufacturing of glass wool in Japan to be used as insulation for housing and is regarded as the pioneer of heat insulation materials with its unique technologies. In particular, high performance glass wool contributes to an energy-saving society as heat insulation materials for very airtight and highly heated insulating houses.

(Major uses)

High function electronic substrate	NE-glass has low dielectric characteristics that improve transmission loss and is now used in electronic substrates for servers in data centers and base stations. T-glass has low thermal expansion characteristics and high tensile elasticity and is now used in electronic substrates for semiconductor packages that are mounted on smartphones and high-performance servers.
Glass fiber for composite material of smartphone body (FF)	With its unique technology, the company succeeded in making the cross section of glass fiber an oblong shape, instead of an ordinary circular shape. When used as a composite material, it helps avoid warpage and twist of molded products. It is used in the body of small electronic devices such as smartphones for which even a small distortion cannot be

	allowed.
Automobile	“FRP (fiber reinforced plastic)” is widely used in various parts of automobiles as a light weight and high strength material. The company's glass fiber not only has high shape stability and workability, but also has high impact and heat resistance. The company provide new value to vehicles as they evolve toward automation and advanced driving support.
Resin coating film material	Glass fiber cloth for membrane materials made with ultrafine grass fiber is widely used for multipurpose stadiums, soccer fields, indoor tennis courts, membrane materials for tent warehouse, and various events.
Residential insulation (glass wool)	Glass wool exerts high insulation performance and is excellent in airtightness and soundproofing. Hence, it is used as heat insulation materials for houses and buildings to enhance the energy-saving effect. It is an environmentally friendly product since it uses 80% recycled glass and is recyclable after use.

<What is glass fiber?>

Glass fiber is a product for which glass is melted at a high temperature of 1,300°C or higher and stretched to be fibrous.

The company succeeded in the industrialization of glass fiber for the first time in 1938 in Japan, and it developed rapidly thereafter. Its characteristics include strength, heat resistance, non-flammability, electrical insulation and chemical resistance, and it is used for various purposes such as printed wiring boards, FRP, and building materials. For its excellent characteristics, it is being used in a wide range of industries.

(Composition, property)

As described earlier, it has characteristics such as strength, heat resistance, non-flammability, and electrical insulation. However, to be applied as electronic materials, higher level of performance including high strength, high elasticity, and low dielectric is required.

(Manufacturing method)

After raw materials of glass are melted at a high temperature of 1,300 to 1,600°C, they pass through a spinning nozzle and are reeled up to form a filament. A very precise control technique is required.

The thinness of the glass fiber, which is a glass base pulled out from the machine at high speed, is 4 to 24 micrometers in diameter.

(*The thinness of a human hair is about 50 to 100 micrometers.)

The spun glass fiber is processed into product forms according to the application.

(Major product forms)

◎Glass fiber yarn

Yarns (twisted yarns) include a single yarn which is a strand composed of several hundred filaments that are simultaneously spun and twisted in the same direction and a twisted yarn which is made by twisting several single yarns.

The “E glass yarn,” a single yarn made of twisted strands mainly composed of filaments of 4.0μm to 7.4μm, has excellent electrical insulation, heat resistance, tensile strength, and dimensional stability, and is generally used for printed wiring boards. In addition, it is highly compatible with resins due to its unique surface treatment technology for industrial materials. It is highly evaluated as a base material with good workability.

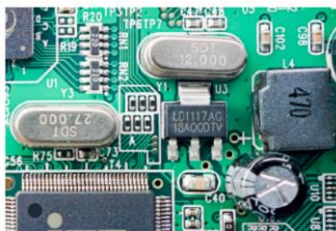
◎Glass fiber cloth

Glass fiber cloth, which is fabric (cloth form) made of glass fiber yarns, is used for a wide range of applications such as printed wiring boards, damping materials, tent films, and road reinforcement materials.

Among them, the glass fiber cloth used for printed wiring boards and electronic parts is the company’s flagship product that it boasts worldwide.

【Glass fiber cloth for printed wiring boards】

A printed wiring board is formed of the fine wiring of metals such as copper on the surface of a base body such as resin, and components including resistors, capacitors and IC chips are fixed by soldering on the wiring. It is an important part that influence the performance of all electronic equipment, including PC, smartphones, servers, medical equipment, industrial robots, automobiles, and aircraft.



Glass fiber cloth, which has characteristics of high insulation, high strength, heat resistance, and dimensional stability, is thought to be the most suitable material for a printed wiring board.

Along with remarkable development of digital technologies, electronic devices such as PC and smartphones are becoming lighter, thinner, smaller and more sophisticated, and the need for the improvement of glass fiber cloth performance is increasing. In response to these needs, the company develops high performance glass cloth products such as “Low dielectric glass cloth (NE-glass),” “Low thermal expansion glass cloth (T-glass),” and “Ultra-thin glass cloth,” using the strengths of integrated manufacturing based on its unique technologies including glass composition development technology, fiber development technology and textile processing technology and has a high market share.

“Low dielectric glass cloth (NE-glass)”

Higher speed transmission with higher frequency is becoming more common, and low dielectric materials that reduce transmission loss is required for printed wiring boards.

To address the need, the company has developed the “NE-glass” that is excellent in low dielectric constant and dissipation factor with the same characteristics as “E-glass” by lowering the component ratio of alkaline-earth elements (CaO, MgO) as compared with the conventional “E-glass” while enhancing the component ratio of boric acid (B₂O₃).

It is mainly used for electronic boards for data centers and base station servers.

“Low thermal expansion glass cloth (T-glass)”



“T-glass” has the higher component ratio of silica (SiO₂) and alumina (Al₂O₃) compared with the standard “E-glass” and provides significantly advanced mechanical and thermal performance of glass fiber.

Utilizing its low thermal expansion characteristics and high tensile elasticity, it realizes excellent dimensional stability and increased rigidity, and it is used as an electronic substrate for semiconductor packages mainly mounted on smartphones, high-performance servers as a high-performance electronic material. Like carbon fiber and aramid fiber, it also works well as a reinforcing material for advanced composite materials, so it is used by itself or as a hybrid material with carbon fiber in the fields of aviation, space and sports.

“Ultra-thin glass cloth”

Demand for thinner glass fiber cloth is increasing as a material to respond to the trend of making lighter, thinner and smaller printed wiring boards with high density packaging. In addition to its thinness, the company’s ultra-thin glass cloth has superb capacities to process fine holes both for laser and drill processing and offers great dimensional stability and surface smoothness as a laminated plate.

The product forms and uses by segment in the glass fiber business are as follows.

Business	Principal product category	Characteristics	Product photograph	Main uses
Glass fiber yarn	Roving	A product consisting of strands of untwisted glass fiber.		Prefabricated bath unit Septic tank
	Chopped Strand	A product made by chopping glass fiber into fine pieces		Body of smartphone and PC Composite materials for automobile
	Yarn	A product made of twisted glass fiber		Glass cloth
Glass fiber cloth	Glass cloth	A product made by turning yarn into cloth		Printed circuit board
Glass fiber for industrial materials	Glass cloth	A product made by turning yarn into cloth		Anti-vibration materials Tent film Road reinforcement materials
	Glass wool	A product made by turning short glass fiber wool		Homes and non-residential buildings

(Source: the company)

③Life Science Business

The Life Science Business consists of the Medical Business and the Beverage Business.

The Medical Business manufactures and sells in vitro diagnostics reagents used for blood and urine tests and specialty chemicals products centered on functional polymers.

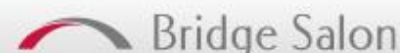
The company is achieving high quality and stable supply of the “in vitro diagnostic reagents” that are used in health checkups and thorough physical examinations to examine health status using blood or urine, by integrally manufacturing them from the antisera as the raw material to the diagnostic reagents as the final product within the Group.




The products’ high quality has been recognized, and they are supplied in medical fields globally. In Japan, the company is winning the top share with more than 10 items.

As for the Specialty Chemicals Business, the company develops products, and sells unique functional polymers (polyallylamine and polyamine series). The characteristics of this business are R&D together with chemical products/pharmaceutical manufacturers and research institutes and product proposals that capture customer needs. The company is strong in niche markets and is actively expanding the business not only in Japan but also in the global market.

The company utilizes the technologies that have been cultivated over many years to develop a business in the beverage industry. In the beverage business, centered on the private brands, it is working on development of plastic bottles, beverage production and bottling.

BRIDGE REPORT



Segment	Characteristics	Product photograph	Main uses
Medical	Provides in-vitro diagnostic drugs in biochemistry, hematology and serum-immunology areas, and excels in immunological reagents and osteoporosis.		<ul style="list-style-type: none"> • Measurement of liver function, cholesterol and neutral lipid • Measurement of inflammation, autoimmune disorders and nutrition conditions
Specialty chemicals (SC)	Develops new polymer materials by using special polymerization techniques, expanding various uses such as for metal scavenger.		<ul style="list-style-type: none"> • Metal processing aid agent • Pharmaceutical raw materials • Water processing agent • Paper making aid agent • Deodorant • Hard coat and surface protection agent
Beverage	Produces soft drink products and plastic bottle-based beverage items. Excels in high-mix low-volume production mainly for private-brand names.		<ul style="list-style-type: none"> • Tea-based beverages • Sports drinks • Fruit juice-containing beverage • Baby drinks <ul style="list-style-type: none"> • Leading supermarkets • Drug stores

(Source: the company)

(2) Research and development (R&D)

Since its founding, the Group has been actively promoting R&D and delivering unique products to the world. R&D will continue to be a source of enhancing the company's competitiveness and corporate value.

In recent years, while the needs of customers are becoming more sophisticated and diversified, global competition is intensifying. Under these circumstances, the company established new research and development site in 2017 to provide products and services with high value-added and strong originality in a timely manner with its characteristics and strengths, and to promote R&D toward the future.

The Group will continuously work on R&D from the viewpoint of expertise in each business division. At the same time, it will promote cross-sectional management by the research laboratory to pursue synergy among businesses with a focus on speed. Furthermore, in each field, in order to accelerate research speed and expand the perspectives, the company is actively promoting joint research on industry, government and academia from the viewpoint of open innovation.

In order to further strengthen company-wide R&D capabilities, the company decided to construct a new building called "NI-CoLabo," in Koriyama City, Fukushima Prefecture. The total cost of the construction was 2.7 billion yen and the construction were completed in April 2020. In addition to consolidating R&D divisions of each business segment into one location, it will enhance collaboration with external users. The building will be a symbol of the company's R&D system.

Also, in July 2018, the satellite laboratory "NI-Tech" was opened at the Innovation Center of Nano Medicine in Kawasaki City as a new research and development base to strengthen the Life Sciences Business.

1-4 Characteristics and Strengths

◎ Supply products by accurately grasping needs of the times

In addition to succeeding in the industrialization of glass fiber for the first time in Japan, the company began manufacturing glass wool for the first time in Japan. As such, the company has been always leading the global and Japanese markets in the field of glass fiber. In the history of over ninety years, it has always been capturing the changes and needs of the world accurately and developing and supplying various products centered on glass fiber.

Since the company's product is not the final product, people do not see the company's products directly. However, it supplies many materials that are indispensable to the world and supports our lives behind the scenes.

◎ High competitiveness by unique technologies

Among many manufacturers of glass fiber in the world, it is almost the only company that realized excellent low dielectric constant and low dielectric loss tangent (NE-glass) and high dimensional stability and higher rigidity (T-glass) in the field of glass fiber cloth for electronic materials and has established a system that can stably supply sufficient volume.

In addition, having acquired the top share in Japan for more than 10 items with in vitro diagnostic reagents in the Medical Division also shows its high competitiveness with its unique technologies.

1-5 ROE Analysis

	2014/Mar	2015/ Mar	2016/ Mar	2017/ Mar	2018/ Mar	2019/ Mar	2020/Mar
ROE(%)	6.3	6.8	7.6	9.8	12.5	9.1	6.3
Net Profit margin (%)	4.53	5.09	6.49	8.98	12.13	9.70	6.73
Total asset turnover [times]	0.63	0.64	0.60	0.59	0.59	0.55	0.53
Leverage [times]	2.21	2.09	1.96	1.86	1.75	1.69	1.77

In the "Long-term Vision 101", the company's goal is to achieve 10% or more.

2. Results for The Fiscal Year ended March 2020

(1) Consolidated Business Results

	2019/Mar	Ratio to sales	2020/Mar	Ratio to sales	YY change	Compared with the initial forecasts	Compared with the revised forecasts
Net Sales	82,292	100.0%	85,722	100.0%	+4.2%	-4.8%	-0.3%
Gross profit	27,660	33.6%	28,094	32.8%	+1.6%	-	-
SG&A	19,461	23.6%	19,933	23.3%	+2.4%	-	-
Operating Profit	8,198	10.0%	8,160	9.5%	-0.5%	-4.0%	+3.3%
Ordinary Profit	8,934	10.9%	8,202	9.6%	-8.2%	-6.8%	+3.8%
Net Profit	7,984	9.7%	5,771	6.7%	-27.7%	-6.9%	+6.9%

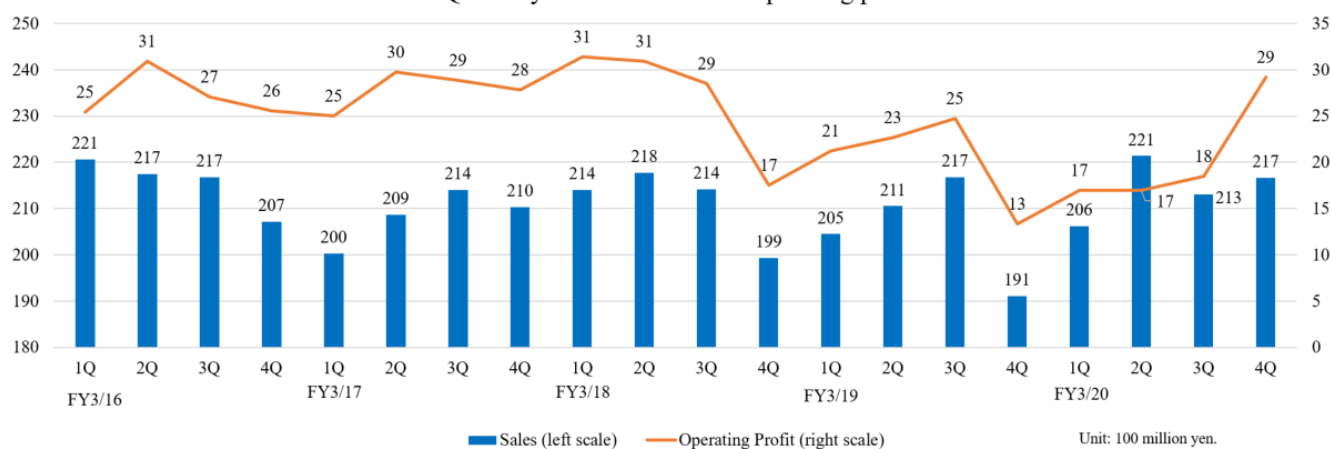
*Unit: million yen. Net Profit means the net profit attributable to owners of parent. The revised forecast ratio is the ratio to the revised figures announced in February 2020.

Sales increased and profit decreased.

For the Fiscal Year ended March 2020, sales increased 4.2% year on year to 85.7 billion yen. Sales for Glass Fiber Cloth Business and Life Science Business rose while sales for Textiles Business, Glass Fiber Yarn Business, and Glass Fiber for Industrial Materials Business decreased. Operating Profit was almost flat at 8.1 billion yen. Among high value-added products, the demand for special glass was strong, and new melting furnaces contributed to the increase in both sales and profits. However, profits remained at the same levels because the company invested in reinforcing its foundation, the market conditions for middle-grade products for electronic materials and composite materials were sluggish and also due to the impact of natural disasters. Operating profit before depreciation (EBITDA) increased to 13.5 billion yen due to the promotion of high-value addition. Earnings were lower than the initial forecast, but higher than the revised forecast in February, which reflected the sluggishness of commodity products due to the deterioration of market conditions and a slight delay in the progress of the weaving process. The term-end dividend will be 25 yen/share, up 5 yen/share, and the annual dividend will be 45 yen/share because the company has been investing to increase the production of special glass, and now has a prospect of building a growth base.

Operating profit expanded rapidly in the fourth quarter because the effect of investment in special glass (NE, T-glass) had materialized.

Quarterly trends in sales and operating profit



(2) Trend by segments

	2019/Mar	Ratio to sales	2020/Mar	Ratio to sales	YY change	Compared with the initial forecasts	Compared with the revised forecasts
Total Sales	82,292	100.0%	85,722	100.0%	+4.2%	-4.8%	-0.3%
Textiles	4,862	5.9%	3,616	4.2%	-25.6%	-9.6%	-9.6%
Glass Fiber Yarn	26,442	32.1%	25,017	29.2%	-5.4%	-13.7%	-3.8%
Glass Fiber Cloth	14,043	17.1%	19,843	23.1%	+41.3%	-0.8%	+4.4%
Glass Fiber for Industrial Materials	21,785	26.5%	21,396	25.0%	-1.8%	+1.9%	+1.9%
Life Science	13,692	16.6%	15,052	17.6%	+9.9%	+0.3%	+0.3%
Total Operating Profit	8,198	10.0%	8,160	9.5%	-0.5%	-4.0%	+3.3%
Textiles	-373	-	-221	-	-	-	-
Glass Fiber Yarn	3,937	14.9%	3,091	12.4%	-21.5%	-9.1%	+10.4%
Glass Fiber Cloth	2,031	14.5%	2,919	14.7%	+43.7%	+4.3%	-2.7%
Glass Fiber for Industrial Materials	629	2.9%	444	2.1%	-29.4%	+122.0%	+122.0%
Life Science	2,644	19.3%	2,878	19.1%	+8.9%	-4.1%	-4.1%

*Unit: million yen. Total sales mean sales to external clients. Ratio to sales (in profit) means the ratio of profit to sales. The revised forecast ratio is the ratio to the revised figures announced in February 2020.

①Textiles Business

Sales declined and loss reduced.

Net Sales declined due to the transfer of equity interests of Nittobo (China) Co., Ltd. and sluggish market conditions, but profits improved due to the penetration of price increases and the transfer of production from China to Japan.

②Glass Fiber Yarn Business

Sales and profit declined.

For electronic materials, high value-added products expansions due to new special glass melting furnaces expansions, sales of NE-glass yarn started, and recovery of ultrafine yarns, contributed to earnings. Sales of commodity yarn and composite materials for reinforced plastics struggles due to deteriorating market conditions. Earnings declined due to reinforcement cost increase and the impact of fire and typhoon damage.

③Glass Fiber Cloth Business

Sales grew and profit increased.

Demand for special glass which contributes to high-speed, high capacity communications remained strong. Special glass cloth production increased due to the addition of new melting furnaces (Glass Fiber Yarn Business segment), which contributed to earnings. Sales augmented as Baotek (Taiwan) became a consolidated subsidiary.

④Glass Fiber for Industrial Materials Business

Sales and profit declined.

Earnings deteriorated because sales for glass fiber cloth for facility/construction materials and insulation for houses decreased, as well as increase in depreciation expenses associated with capital investment.

⑤Life Science Business

Sales and profits increased.

*Medical

Despite the increase in the cost incurred for the enhancement of R&D and Sales function, earnings increased mainly from the sales of immunological diagnostic reagents for domestic and overseas markets.

*Specialty chemicals

High value-added products have been steadily supplied for both domestic and overseas markets.

*Beverages

Continued to correspond widely to the demand of the variety of small lot products.

(3) Financial standing and cash flows**◎Balance Sheet**

	End of 2019/Mar	End of 2020/Mar		End of 2019/Mar	End of 2020/Mar
Current Assets	72,674	80,899	Current liabilities	32,066	29,808
Cash	16,145	22,874	Payables	9,415	6,290
Receivables	25,353	25,164	ST Interest Bearing Liabilities	12,998	12,855
Inventories	28,585	29,364	Noncurrent liabilities	28,193	44,311
Noncurrent Assets	78,326	91,925	LT Interest Bearing Liabilities	9,696	24,975
Tangible Assets	47,523	63,292	Total Liabilities	60,259	74,120
Intangible Assets	1,680	2,705	Net Assets	90,740	98,704
Investment, Others	29,122	25,927	retained earnings	51,440	55,574
Total assets	151,000	172,824	Total Liabilities and Net Assets	151,000	172,824
			Total Interest-Bearing Liabilities	22,694	37,830

*Unit: million yen

Cash and deposits increased because of the issuance of bonds for the first time in 30 years. Total assets increased 21.8 billion yen from the end of the previous year to 172.8 billion yen, due to the increase in property, plant, and equipment in association with capital investment, and acquisition of Baotek as a consolidated subsidiary.

Total liabilities increased 13.8 billion yen from the end of the previous year to 74.1 billion yen as a result of the issuance of bonds.

As retained earnings increased 4.1 billion yen and non-controlling interest increased 4.0 billion yen from the end of the previous year, net assets increased 7.9 billion yen to 98.7 billion yen.

As a result, the equity ratio decreased by 5.2 points from the end of the previous year to 54.2%.

◎Cash Flows

	2019/Mar	2020/Mar	Increase/decrease
Operating CF	5,317	10,614	+5,297
Investing CF	-11,389	-16,917	-5,528
Free CF	-6,072	-6,303	-231
Financing CF	3,948	12,628	+8,680
Term End Cash and Equivalents	16,145	22,695	+6,550

*Unit: million yen

Although investments increased, the surplus of Operating CF has also expanded, while the deficit of Free CF has remained almost unchanged.

The inflow of financing CF increased because of the issuance of corporate bonds.

The cash position improved.

3. Forecast for Fiscal Year Ending March 2021

(1) Earnings and Dividend Forecast

As it is still difficult to reasonably estimate the impact of the novel coronavirus on business performance, the forecast is to be determined, and the company will announce it as soon as it becomes possible.

(2) Business environment

The business environment, including the spread of the novel coronavirus, is considered as follows.

- High-end electronic materials related to 5G will continue to perform well.
- Commodity products for clothing, automobiles, housing, and construction will continue to struggle more than expected.
- Even after the coronavirus crisis subsides, commodity products will remain sluggish for more than a year, depending on the economic exhaustion.

The current situation of each segment is as follows.

The global economy is slowing rapidly, business confidence and personal consumption in Japan are deteriorating, and the business environment is expected to get worse in the future.

Segment		Impact	Details	
Textiles	Domestic	Yes	Sudden fall in sales (voluntary restraint on going out, store closures, etc.) and some production suspended.	
Glass Fiber Yarn	Composite materials	Automotive	Yes	Further deterioration (decrease in automobile sales)
		Housing and facilities	Yes	Further deterioration (delays or suspension of construction of hotels, buildings, etc.)
	Electronic materials	Special glass	None	Increase in demand unchanged and orders from customer continue to be strong. Focus on construction of a new furnace and a new plant.
		Other than special glass	Yes	Smartphone
Commodity	Sluggish demand (decrease in automobile sales)			
Glass Fiber for Industrial Materials	Residential insulation materials	Yes	Low demand (decrease in new construction of houses)	
	Damping materials for automobiles		Further deterioration (decrease in automobile sales)	
	Construction Materials		Impact gradually expanding (construction delays, suspensions)	
Life Science	In vitro diagnostic reagents	Yes	Needs reduced (fewer hospital admissions, postponement of regular health checks, etc.)	
	Beverage		A significant decrease in orders (expansion of voluntary restraint on outside activities and commercial facilities)	

(Source: the company)

Despite this challenging environment, sales for special glass (NE, T-glass) yarn cloth has been increasing quarterly from the previous term due to strong demand, and the company plans to expand its production capacity in this term.

The company believes that the point is how much high value-added products, mainly special glass, can compensate for the decline in sales for commodity products.

(3) Business Management Policy for the Current Term

- ① The company will promote investment (facility investment, R&D investment) in growth as planned. Concerning special glass, Nittobo will reinforce three sites in Japan and construct a new factory in Taiwan. Also, it will expand production facilities for in vitro diagnostic reagents.
- ② Regarding completed high value-added production equipment, the company will further improve productivity and strengthen cost competitiveness to maximize its contribution to the earnings.
- ③ The company will cash save thoroughly by maintaining proper inventory and determining the priority for cash out. Nittobo instructed the entire company to make an emergency response.

After the bankruptcy of Lehman Brothers, the company worked on building a financial structure that enables stable business continuity in any environment. As a result, safety indicators such as capital to asset ratio, current ratio, fixed ratio, and interest coverage ratio have improved substantially compared to after the bankruptcy of Lehman Brothers and the Great East Japan Earthquake.

	(After the bankruptcy of Lehman Brothers)	(After the Great East Japan Earthquake)	
	31-March-2009	31-March-2012	31-March-2020
Equity ratio	37.2%	42.0%	54.2%
Current ratio	163.1%	186.8%	271.4%
Quick ratio	96.9%	100.7%	161.2%
Fixed ratio	117.9%	118.5%	98.2%
Interest coverage ratio (times)	3.6	7.8	41.0
Net interest-bearing debt (billions of yen)	22.0	26.6	17.4

(Source: the company)

Also, the company has secured plenty of liquidity on hand by selling idle real estate and strategically held shares recently and is using it for facility investment in the current term and preparing for sudden changes in the financial environment.

The cash and deposit balance at the end of April 2020 was 34.6 billion yen, which is much higher than that at the end of March and is equivalent to five monthly sales.

The company will give top priority to investing in the future growth of special glass, medical business and such, as a way of using the cash inflow from the money secured from selling the assets mentioned above as well as operating CF.

The dividend is still to be determined, but the company keeps its policy of stable dividend payments

4. Taking the Post-Pandemic Era into Consideration

(1) Contribution fields of Nittobo

The spread of the novel coronavirus will bring significant changes in behavioral patterns and social structures. In response to this transformation, the company believes that its purpose as a corporate group that creates a healthy and comfortable lifestyle, is to pursue its strengths to contribute to the realization of a prosperous society.

The environment and needs of each business and the details of the company's contribution are as follows.

Business	Environment and needs	Contributions
Glass Fiber Business	Next-generation high-speed communications (base stations, data centers) and devices (PCs, tablets, and smartphones) will become more sophisticated and faster due to the spread of remote work throughout the society, medical care, education, entertainment.	Contribution to advanced communication technologies through the provision of special glass

Life Science Business	From "treatment to prevention of disease" (strengthening prevention and diagnosis before getting sick)	Contribution through the provision of in vitro diagnostic reagents
Textiles Business	Increasing safety and environmental awareness	Contribution through functional auxiliary materials such as "antibacterials," "deodorants," and "recycled materials."

The speed and capacity of 5G, which is expected to take off this year fully, are increasing in the wireless and wired markets. On the other hand, it is said that the demonstration tests for 6G, the next generation, which will have ten times the capacity of 5G will start in the period from 2023 to 2024.

The company believes that demand for its special glass will expand due to the rapid evolution of such communication infrastructure. As a pioneer in the development of low dielectric glass, the company will promote research and development of "cutting edge, low dielectric and low loss" glass fiber materials for high-speed servers and switches. The company has already produced a prototype of NER-glass, which is a further developed version of NE-glass.

Regarding the "global production system," which is a source of competitiveness, the company is constructing a new plant in Taiwan in the Glass Fiber Business and aiming for its completion in the autumn of 2021. Also, to reduce supply chain risk, the company is promoting the construction of a global supply system and support for BCP by diversifying special glass manufacturing bases.

In the Medical Business, to achieve high quality and cost competitiveness, Nittobo established an optimal integrated production system from raw materials to diagnostic reagents, and is strengthening the vertical integration system within the group through M&A.

(2) Mid- to Long-term Business Plan "Long-term Vision 101" and Mid-term Business Plan "Go for Next 100."

In the Mid-term Business Plan "Go for Next 100," which ends this fiscal year, the goal is "Net Sales of 100 billion yen and an Operating Profit of 12 billion yen for the Fiscal Year ending March 2021."

Unfortunately, it is difficult to achieve it due to the impact of the novel coronavirus. However, the company recognizes that it could have been able to set up the base to make an "Operating Profit of 12 billion yen" if it was not for the novel coronavirus impact.

As for the current environment, the novel coronavirus is mainly affecting commodity products other than special glass, as mentioned above. Nonetheless, the company will not change its policy of further enhancing special glass and in vitro diagnostic reagents, which are its strengths.

As it thinks of the post-pandemic society, Nittobo believes that its business can make a significant contribution to society. Thus, it will not change the direction of its Mid-term Business Plan "Go for Next 100" and the Mid- to Long-term business plan "Long-term Vision 101," and will promote investment in future growth (capital investment, R&D, etc.) as planned.

The company will formulate the next mid-term business plan during the current fiscal year. The company is planning the policies of the upcoming mid-term plan centering on measures to enhance the company's strengths further and on business reforms that focus on the commodity product zone while keeping an eye on the next 10 to 20 years.

5. Conclusions

The forecast for this term has not been decided due to the impact of the novel coronavirus. Investors have no choice but to wait for the quarterly disclosure, but we would like to focus on how special glass which has strong demand will lead in a challenging environment. Also, from a mid-term perspective, we would like to wait for their announcement, to see what kind of business it aspires to be in the post-pandemic world and what are the concrete policies it will undertake to enhance its strengths further in its next mid-term business plan.

<Reference1: Mid- to Long-term Business Plan “Long-term Vision 101” and the Mid-term Business Plan “Go for Next 100”>

(1) Mid- to Long-term Business Plan “Long-term Vision 101” and the Mid-term Business Plan “Go for Next 100”

The company decided on “Long-term Vision 101” for surviving and growing sustainably while seeing overseas markets, as Japan is faced with the declining birthrate, the super aging population, and the decline in total demand, and defined the ideal corporate vision in Fiscal Year Ending March 2024, which is the 101st anniversary of establishment of the company, as follows: “Nittobo delivers the unique products and innovations globally from Fukushima in Japan based on customer relations and technology.”

As the first stage for achieving “Long-term Vision 101,” the company formulated the Mid-term Business Plan “Go for Next 100,” whose final year is Fiscal Year Ending March 2021, and this plan is ongoing.

The company will first establish the foundation for keeping profitability at the current level, seize a chance to grow, identify the advantages of the corporate group, and pursue it thoroughly.

(2) Activities in each business

“Long-term Vision 101” defines the ideal corporate vision of each business in Fiscal Year Ending March 2024 as follows.

Glass Fiber Business	Stable provision of high value-added products in the rapidly changing environment to consolidate our presence as market leader.
Medical Business	Supply of high quality in vitro diagnostic reagents for self-medication
Textiles Business	Accelerate the high value-added strategy and expand the application of textile technology to industrial material fields and make it a business which can earn even if it is small.

① Glass Fiber Business

The themes are “reinforcing the field of electronic materials” and “reinforcing the field of industrial materials,” taking advantage of the strengths of the Glass Fiber Business.

(Strengths of the Business)

◎Product characteristics

* Superfine count yarn

Produce the world's finest yarn with a stable quality for the realization of smaller and thinner electronics.

* NE-glass

Low-dielectric feature and reduce transmission loss and noise. Contribute to high-speed/high capacity communications using 5G which is expected to rapidly spread from this Fiscal Year.

* T-glass

Actualize high-strength, low thermal expansion. It is essential for high density package substrate.

◎Technical characteristics

* Have both a spinning process and a weaving process and making the integrated production possible. There are fewer companies that have both a spinning process and a weaving process on a large-scale basis.

* In the spinning process, stable production of the world's finest glass yarn (4 μ), NE-glass yarn, T-glass yarn.

* In the weaving process, actualize the optimum weaving process or processing process in line with characteristics of individual yarns, making use of the know-how of the spinning process

“Reinforcing the field of electronic materials”

The demand for high value-added special glass will continue to grow as the miniaturization technologies and performance of semiconductor advance with the realization of a high-speed, large-volume communication society represented by 5G. In response, the company will find more purposes of use of special glass such as high value-added products “T-glass” and “NE-glass,” enhance its production capacity, produce finer and thinner “E-glass,” and reinforce production capacity.

“Reinforcing the field of industrial materials”

The company introduced special glass to the field of industrial materials, actively entered overseas markets, and established the customer solution section. (Current: Product Planning Section)

With the establishment of the customer solution section, the company will promote new purposes of use of “T-glass,” which is now used in electronic substrates for semiconductor packages, and “NE-glass,” which is now used in electronic substrates for servers in data centers and base stations.

The company will enhance the business for industrial materials, to meet the needs for high-strength glass for aircraft and automobiles with “T-glass”

As for investment, the company will make investments mainly for boosting the production capacity, increasing their purposes of use for the high value-added products “T-glass and NE-glass,” making ultrafine “E-glass.”

Major activities of each business for the glass fiber business are as follows.

Glass Fiber Yarn	*Enhance yarn production capacity
	<ul style="list-style-type: none"> ▪ Enhance production capability of special glass (T/NE) yarn Nitto Glass Fiber Manufacturing Co., Ltd. 2020/Mar H2~ Fukushima factory 2021/Mar~ Fukushima factory/Fuji Fiber Glass/ Nitto Glass Fiber Manufacturing Co., Ltd. 2020/Starting operation sequentially from autumn NITTOBO ASIA Glass Fiber (Taiwan) 2022/Mar~
	<ul style="list-style-type: none"> ▪ Enhance production capacity of fine count yarn NITTOBO ASIA Glass Fiber 2020/Mar H2~
	<ul style="list-style-type: none"> *Introduce facility of special glass (NE) for composite material Fuji Fiber Glass Co., Ltd. 2019/Mar H1~
Glass Fiber Cloth	<ul style="list-style-type: none"> *Enhance production capacity of high value-added glass fiber cloth Fukushima No.2 factory/Enhance weaving machine's processing ability 2019/Mar H2~
	<ul style="list-style-type: none"> *Acquired shares of Baotek Industrial Materials Ltd. (Taiwan) (August 2018) Processing process : Super-thin cloth manufacturing 2020/Mar H2~
Glass Fiber for Industrial Material	*Ramp up production capacity of thin GW
	*Ramp up production capacity of non-formaldehyde GW

To capture the increasing demand for both NE-glass and T glass, the company installed new melting furnaces in the Fukushima Factory this term and plans to install and increase furnaces at three sites in Japan starting from the autumn of 2020. Also, it intends to launch a new factory in Taiwan in the autumn of 2021.

②Medical Business

The two business strategies are “strengthening each function in the value chain, especially improving the capability to procure raw materials” and “establishing a supply chain for global production, sales, and regulatory approval.”

The company will refine its integrated production system in Japan and the United States, which is its strength, and supply high value-added reagents that respond to diversification and refinement to contribute to self-medication.

In these circumstances, the company will implement the following measures for the in vitro diagnostic reagents business.

Construction of new factories	Construction of new factories in the production bases at Nittobo Medical (Japan) and Nittobo America (US). Production capacity expansion will start from 2020.
Reinforce research production capability	*Investment in Rimco Corporation (Development and production of in vitro diagnostic reagents by using genetically modified silkworms)

	*Acquired Frontier Institute Co., Ltd. (R&D and production of monoclonal antibodies) *Establishment of FAN Co., Ltd. (JV with Fujikura Kasei Co., Ltd., R&D of materials for in vitro diagnostic reagents)
Enhance raw material supply capacity	*Acquisition of Capricorn Products (Enhance antiserum production capacity)
Sales	Strengthen know-how of US sales network (acquiring Kamiya Biomedical Company as a subsidiary)

③ Textiles Business

To undertake two structural reforms.

<Structural reform 1>

Nittobo established Nittobo (China) Co., Ltd., a wholly owned subsidiary, in Wuxi, Jiangsu Province, China in 1995. It has been producing high quality and high function interlining cloth since the start of operation in 1997, but the business was sluggish due to intensifying price competition in the market of commodity products due to rising labor cost, cost to comply with environmental regulations and progress of appreciation of the yen against RMB.

Under these circumstances, the company transferred Nittobo (China) Co., Ltd. to a Chinese local company called ZhejiangYinyu Spinning Co., Ltd. on May 2019.

It will receive support for sales, production, and development from Nittobo Trading Wuxi Co., Ltd., and continue to supply products to the existing customers.

The intention of this action is to streamline the operation of the Textile Business and improve competitiveness.

<Structural reform 2>

The company will develop following high value-added products.

Development of new functional products	*Develop interlining with functionality (deodorization, antibacterial, antifouling, cool feel, antistatic treatment), raw yarn (deodorization, water absorption, quick drying, lightweight) *Reinforce innovative fabric (windproof, cotton lining, chambray) *Develop products other than fashion clothing including sports application (e.g., backing, bandage)
Develop environmentally-friendly products	*Fluorine-free interlinings *Expand product lineup using recycled materials *Take measures to save water in the dyeing process
Expand into the industrial-use material field	*Reinforce collaboration with Glass Fiber Business *Early launch of products with industrial-use materials

(3) Numerical goals

The numerical goals in “Go for Next 100” for Fiscal Year Ending March 2021 and “Long-term Vision 101” for Fiscal Year Ending March 2024 are as follows.

(Earnings targets)

	2018/Mar	2019/Mar	2020/Mar	2021/Mar Plan	2024/Mar Plan
Net Sales	845	822	857	1,000	1,500
Operating Profit	108	82	82	120	150
Ordinary Profit	111	89	82	120	150
Net Profit	103	79	58	80	100
EBITDA	150	122	135	200	-
ROE	12.5%	9.1%	6.3%	8% or over	10% or over
Net Interest-bearing Liabilities	11	88	174	100 or less	Virtually zero
Equity ratio	58.8%	59.4%	54.2%	60% or over	70%

*Unit: 100 million yen.

(Capital expenditures and research & development)

	2018/Mar	2019/Mar	2020/Mar	2021/Mar Plan
Research and development expenses	16	15	17	At least 20
Research expenses to sales ratio	1.9%	1.8%	2.0%	At least 2.0%
Capital expenditures (acceptance inspection value)	70	119	406	550

*Unit: 100 million yen. The capital expenditures for Fiscal Year Ending March 2021 means the cumulative total in 4 years.

The company sets forth the business portfolio of the Fiscal Year Ending March 2024 as “development of high value-added products and expansion of overseas sales ratio” and “establishment of the Medical Business as the second pillar” to establish a stable profit structure.

(Capital expenditures, Research and development expenses, and depreciation costs)

As for capital expenditures, the company plans to invest 55 billion yen in the 4-year mid-term business plan. At the end of the Fiscal Year ended March 2020, the company made a capital investment (inspection basis) of about 40 billion yen, including M&A.

The number of staff members at the research institute also increased from 95 in the previous year to 104 in the current fiscal year. They will continue to increase the number.

<Reference2: Regarding Corporate Governance>**◎Organization type, Directors, and Auditors**

Organization type	Company with audit and supervisory committee
Directors	7 directors, including 4 external ones

◎Corporate Governance Report

Updated on June 26, 2020

<Basic Policy>

Our Group aims to establish a fair and transparent management system in order to conduct business activities that put importance onto social trust from our stakeholders including shareholders and investors and undertake constant review of corporate governance.

Our company introduced an executive officer system in June 2003 with the intention to make the Board of Directors more effective and expedite decision-making. As a result, a system which maximizes the effect of consolidated management has been established. Since June 2008, the business has been operated with further clarification of functions and responsibilities for business administration and business execution. Having received an approval at the ordinary general meeting of shareholders on June 26, 2014, our company has shifted to a company with committees (currently, a company with nominating committee, etc.). In the new form, our company clearly separates supervising and business execution even further and aims at “supervisory functions reinforcement and transparent business administration” and “swift execution of business and improvement of management mobility.” Our company has also built functional systems, which allow us to respond more effectively to expectations of our stakeholders including our customers, shareholders, business partners, and employees and promotes further improvement of the corporate value.

<Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

All Principles of the Corporate Governance Code that were revised in June 2018 are implemented.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Disclosure contents
Principle 1-4 The so-called cross-shareholdings	<p>[Policy concerning cross-shareholdings]</p> <p>Our company may hold shares of listed companies as cross-shareholdings when we determine that it will contribute to the establishment of good relationships with the Group's important business partners for sale, material procurement, finance, etc., facilitation of smooth business activities of the Group, and maintenance and improvement of the corporate value of the Group. Meanwhile, the share of the companies that do not contribute to the maintenance and improvement of the corporate value of the Group and are judged to have little significance in holding their shares will be sold while considering the impact on the market.</p> <p>[Method to validate rationality of possession]</p> <p>Concerning holding listed stocks, for each stock, the Board of Directors regularly verifies the holding policy, which comprehensively takes into account qualitative factors such as importance of transactions, existence of technical cooperation and joint investment, and implementation of joint ventures as well as quantitative assessments that compare the overall return on investment calculated based on the dividend yield and the business profit with capital cost.</p> <p>Based on this examination, the company sold three stocks worth 783 million yen in the Fiscal Year 2019 and a total of 14 stocks worth 4,138 million yen in three years from the Fiscal Year 2017.</p> <p>[Exercise of voting rights of cross-shareholdings]</p> <p>With regard to the exercise of voting rights of cross-shareholdings, our company will decide on the matter based on the factors such as whether the issuing company has an appropriate governance system and makes appropriate decisions that lead to enhancing its corporate value over the medium- and long-term, as well as whether it contributes to the enhancement of corporate value of the Group, and exercise the voting right appropriately.</p>
Principle 5-1 Policy for promoting constructive dialogue with shareholders	<p><<Policy for developing systems and implementing measures for promoting constructive dialogue with shareholders></p> <p>(1) The executive officer responsible for corporate communication is assigned to supervise overall dialogue with our shareholders, and the Corporate Communication Department is a responsible department for assisting it. Being led by the executive officer, our group endeavors to create opportunities for dialogue with our shareholders, which should contribute to the continuous growth and mid/long-term improvement of the corporate value. In addition, together with the Corporate Communication Department, other departments associated with IR activities promote ongoing collaboration among departments.</p> <p>(2) The Group strives to continuously disclose information in a timely and appropriate manner so that parties including our customers, shareholders and investors will accurately be informed of and understand the state of the Group. To achieve this, we comply with laws and regulations related to information disclosure, stock exchange rules, etc. as well as establishing and operating appropriate systems for information disclosure.</p> <p>a) The Group publishes information that needs to be disclosed in accordance</p>

with domestic and international laws and regulations, stock exchange rules, etc. through our business reports, annual securities reports and annual reports for shareholders as well as making an announcement through information transmission systems at the stock exchange and press releases.

b) The Group seeks to engage in fairer and broader information disclosure through our website, etc. in principle.

c) Briefings for analysts and institutional investors are held immediately after announcement of half-yearly and final financial statements.

d) The company issues an integrated report that integrates financial information and non-financial information, including CSR, so that the Group's medium- to long-term value creation mechanism can be better understood.

(3) Feedback including opinions and concerns from shareholders and investors received through dialogue with them is collected at the Corporate Communication Department. The Department then reports to the responsible executive officer while feeding it back to the management team and Board of Directors by reporting at executive meetings when necessary.

(4) The Group deals with individual inquiries and dialogue by paying sufficient attention to insider information and using only previously published and publicly known information.

This report is intended solely for informational purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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