

Nittobo Group Mid-Term Business Plan

《Go for Next 100》 Challenges for the Change and Creation (2017-2020)

Nittobo

Director, Representative and CEO

Yuichi Tsuji February 7th 2017

Figures described in this presentation are based on information of which the company is currently in possession and certain assumptions that are considered to be reasonable, and the Company does not guarantee their achievement.

(Content of presentation)

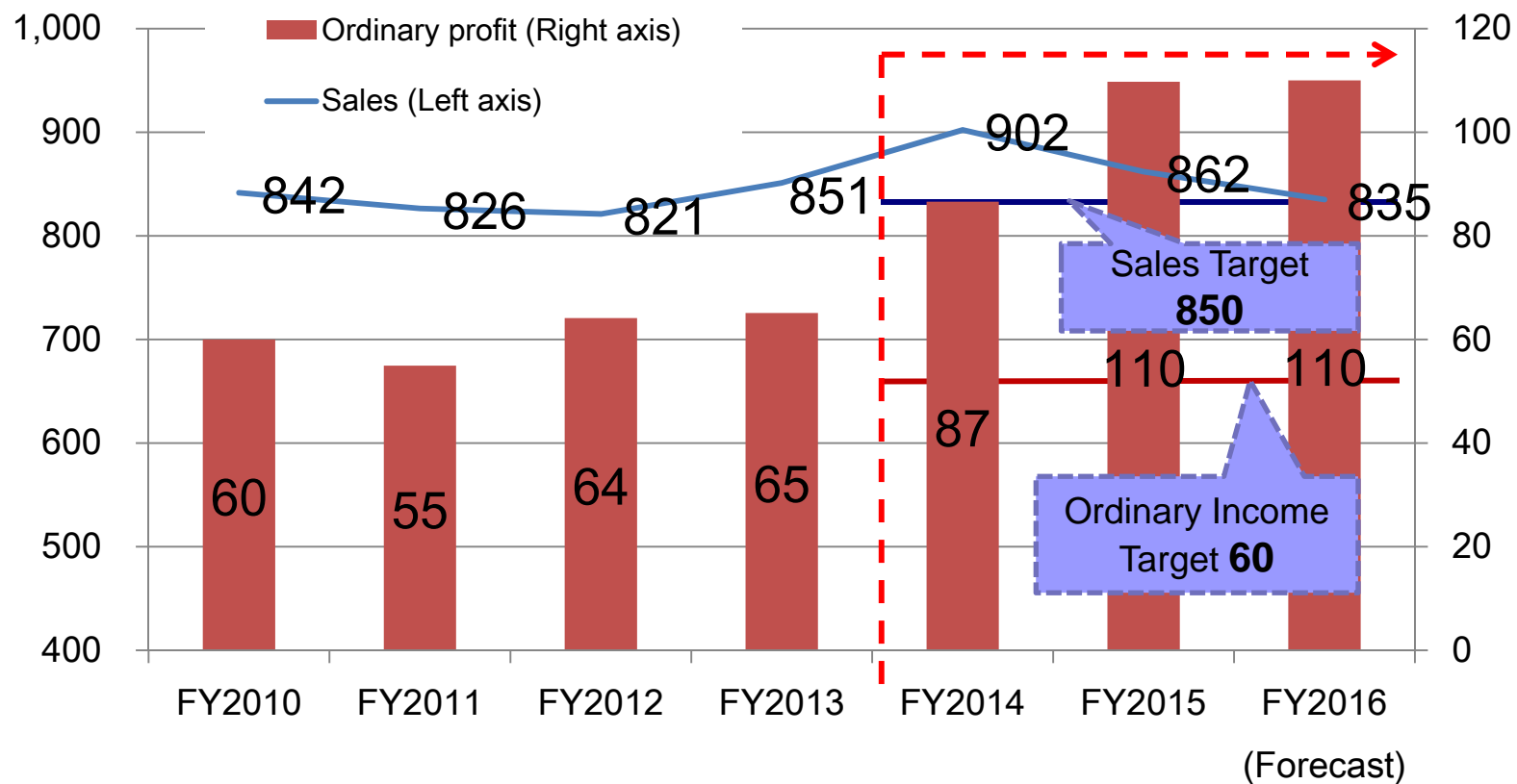
- 1. Summary of Current Mid-Term Business Plan (2014-2016)**
- 2. Nittobo Declaration and Basic Philosophy**
- 3. Mid- to Long-Term Business Plan**
 - Long-Term Vision
 - Mid-Term Business Plan (2017-2020)
 - Action Plan
 - Key Performance Indicators
- 4. Financial Strategy and Shareholder Return Policy**

1. Summary of Current Mid-Term Business Plan - 1

Sales and Ordinary Income

(Hundreds of millions of yen)

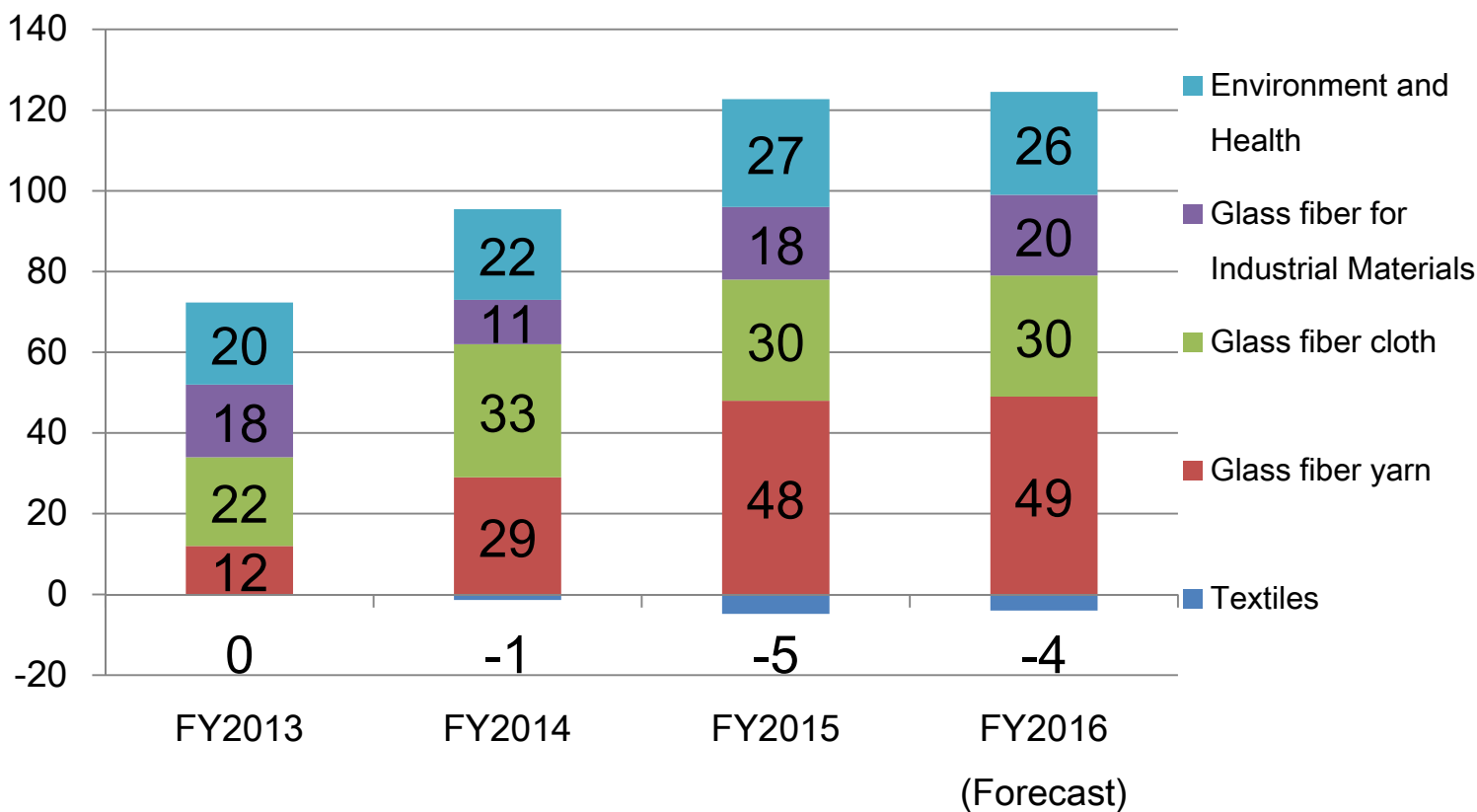
Period of Current Mid-Term Business Plan



1. Summary of Current Mid-Term Business Plan - 2

Operational Income per Business Segment

(Hundreds of millions of yen)

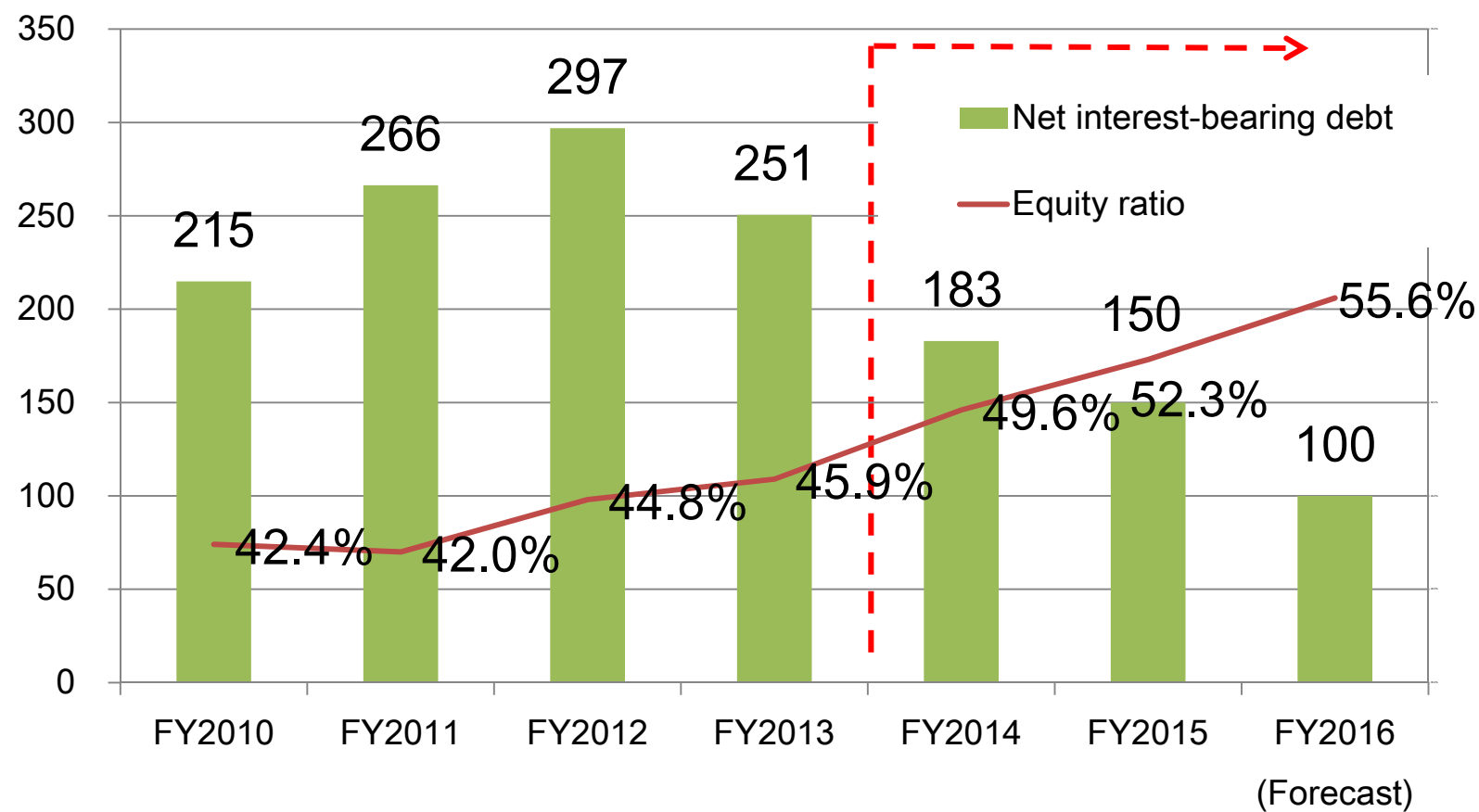


1. Summary of Current Mid-Term Business Plan - 3

Net Interest-bearing Debt from FY2010 to 2016

(Hundreds of millions of yen)

Period of Current Mid-Term Business Plan



1. Summary of Current Mid-Term Business Plan - 4

- **Reduction of Inventories and Improvement of Capital Efficiency**
 - Inventory 12 billion yen (As of end FY2011)→8 billion yen (As of end of FY2016, expected)
- **Selection and Concentration**
 - Reinforce the control of subsidiary (NAG, Taiwanese glass fiber maker, 100% share in May 2014)
 - Sale of unprofitable business security firm and clean firm in Jan. 2015, Sound engineering in Apr. 2015 and Hospital in Mar. 2016
- **Business Continuity Plan**
 - Private power generation system installed in Koriyama (Feb. 2015)
 - Seismic evaluation (Started in 2014 and completed in 2016)
- **Corporate Governance**
 - Transition to the Company with a Nomination Committee (Jun. 2014)
 - Increased outside directors from 2 to 3 to 4, 50% of 8 total directors. (Jun. 2015)
- **Capital Policy and Shareholder Return**
 - Dividend increased from 5 to 6 yen per share including interim dividend from 2016
 - Buy back and retirement (6 million) as well as retirement (48 million) of issued shares starting in Nov. 2016

2. Nittobo Declaration and Basic Philosophy

『Basic philosophy for business operation』

Nittobo group continues to contribute to the realization of healthy and comfortable lives by the variety of innovative and leading technologies.

『 Nittobo Declaration 』

We, Nittobo, hereby declare our basic philosophy for business operations.

- Nittobo aspires to be the best social partner.
- Nittobo always pursues customer needs, delights in the delivery of relief to customers and values the contribution it makes to all stakeholders including shareholders, investors, government and local communities.
- Nittobo respects the personality, potential and flexibility of each member of its personnel, and teamwork to perform as one Nittobo Group.
- Nittobo believes the growth of its employees contributes to the growth of the company and provides the opportunity for growth and self-esteem to its employees. All employees should be closely involved in their communities, while being deeply considerate, broad minded, decisive in action. We will be faithful and patient to achieve the goal.

**Main pillars for the
business operation
(From FY2016)**

- 1. Open communication to all stakeholders**
- 2. Sustainable growth based on solid technology**
- 3. Corporate governance system**

3. Mid- to Long-Term Business Plan – VISION101

Nittobo survives in our home country's market in spite of the total demand attenuation and decreasing birthrate, and aging population. And we are expanding the oversea business for sustainable growth over the NEXT 100 years.

- Target as at FY2023, 101th year from establishment of company -
Nittobo delivers the unique products and innovations globally from Fukushima in Japan based on customer relations and technology.

□ Textile

Acceleration of high value added strategy and expansion of the application of textile technology to industrial fields with proper business volume and profitability.

□ Glass fiber

Stable provision of high value added products in the rapidly changing environment to consolidate our presence as market leader.

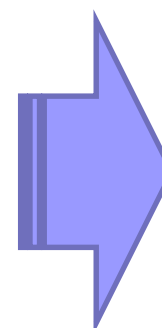
□ Environment and health

Growth as 2nd pillar of Nittobo group by leveraging the competence in diagnostics, specialty chemical, and beverage fields.

3. Key Performance Indicators in VISION101

(Hundreds of millions of yen)

	FY2016
Sales	835
Operational income	110
Ordinary income	110
Net income	70
ROE (%)	9.2%
Net interest-bearing debt	100
Equity ratio	55.6%



	FY2023
Sales	1,500
Operational income	150
Ordinary income	150
Net income	100
ROE (%)	10%+
Net interest-bearing debt	0
Equity ratio	70%

R&I rating	BBB+
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3. New Mid-Term Business Plan (2017-2020)

Planning Direction

- ❑ The mid-term business plan 2017-2020 stands for the 1st stage of the VISION 101, targeting the end of FY2023.
- ❑ Grasp business opportunities for future growth based on the current profitable business.
- ❑ Reinforce the group's competence deeply during this mid-term business plan period.

Theme of the new mid-term business plan

“Go for next 100” Challenges for change and creation

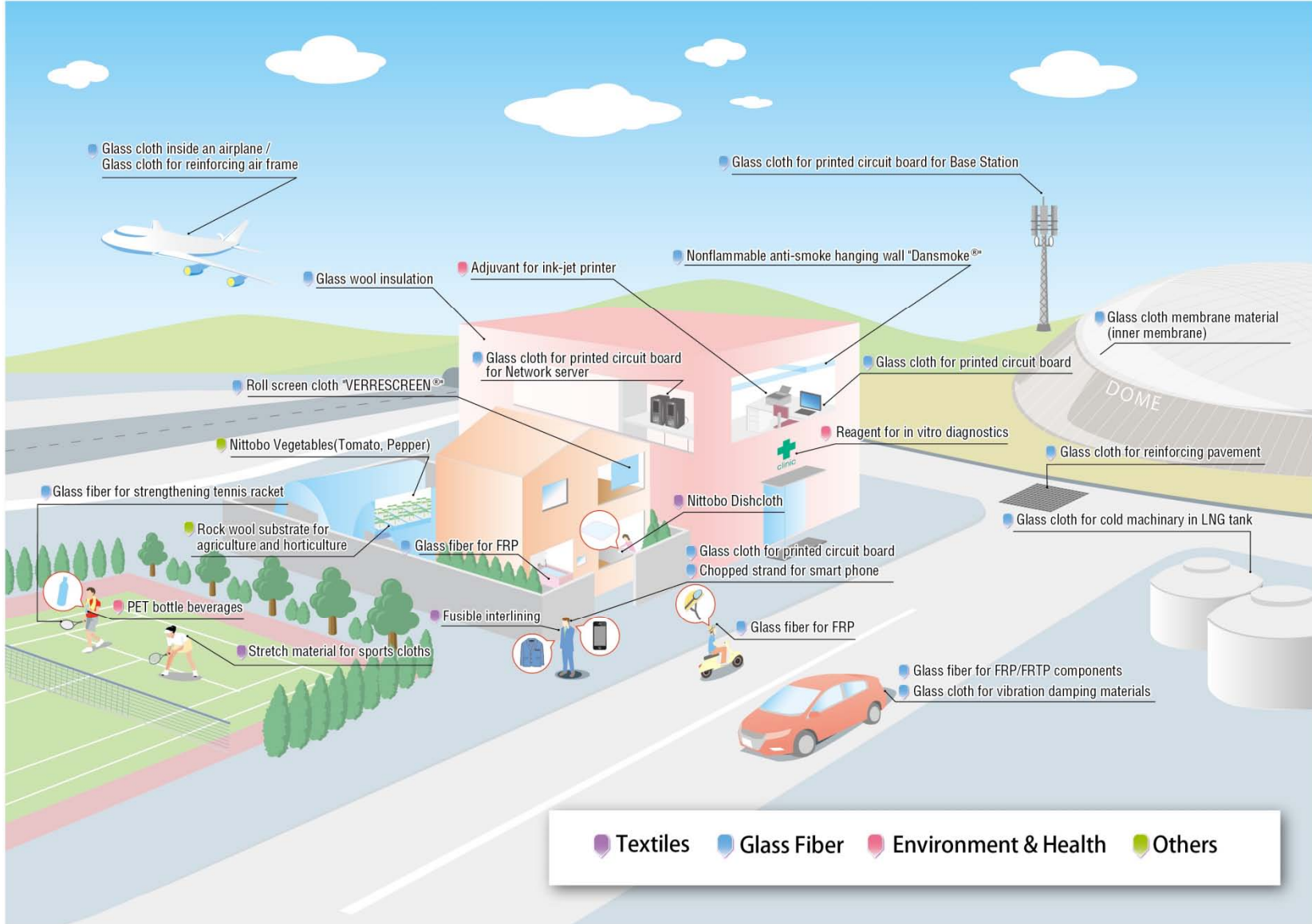
3. Key performance indicator of “Go For Next 100”

(hundreds of millions of yen)

	FY2016		FY2020
Sales	835		1,000
Operational income	110		120
Ordinary income	110		120
Net income	70		80
ROE(%)	9.2%		≥8%
Net interest-bearing debt	100		≤100
Equity ratio	55.6%		≥60%
EBITDA	150		200
R&D cost ratio per sales	1.5%		≥2.0%
4 years cumulative capital investment	172		550
Foreign exchange ratio	108 JPY/USD		100 JPY/USD



Product Lineup of Nittobo



Macro Trends of Market and Society

- Environmental problems including global warming
- Decreasing birthrate and an aging population, increasing cost of social security
- Acceleration of Smart technology (Automobiles, house, appliance, clothes)
- Expansion of IoT, big data, Cloud networking and information networks

- Weight reduction of automobile and airplane
- Thermal efficient house
- Increase of network traffic
- Increase the capacity and speed of communication
- Automatic operation of the car

- Preventive medicine
- Personalized medicine
- Immunology, Cancer, Allergy

- Multi-functionalization of materials for clothes (Conductive, Deodorize, Stretching, Warmth-keeping)

Nittobo Competence

[Glass Fiber Division]

Consistent manufacturing capacity from material (Glass fiber yarn, etc.) to finished product (Glass fiber cloth etc.) / Large product lineup

[Environment and Health]

Consistent manufacturing capacity from material to finished product / Competent R&D

[Textiles]

R&D capability to launch the multi-functional and multi-structured yarn

3. Action Plan during 2017-2020

Market in R&D

10-year planned research

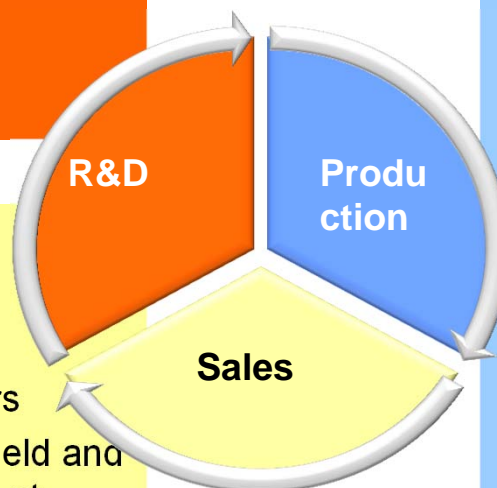
1. Establishment of general R&D laboratory

Accelerating the shift to high value added products

1. Sales expansion of NE glass, T glass and multi-structured fibers
2. Application to various industrial field and share expansion of oversea market
3. Acquisition of domestic top share in immunology field and expansion of oversea business
4. Strategic alliance and M&A

Corporate social responsibility

1. Reduction of environmental impact
2. Community involvement



Reinforce the production capacity for high value added product

1. NE Glass / T Glass
2. High value added glass fiber cloth
3. Reagent for in vitro diagnostics
4. Textile technology application to industrial fields

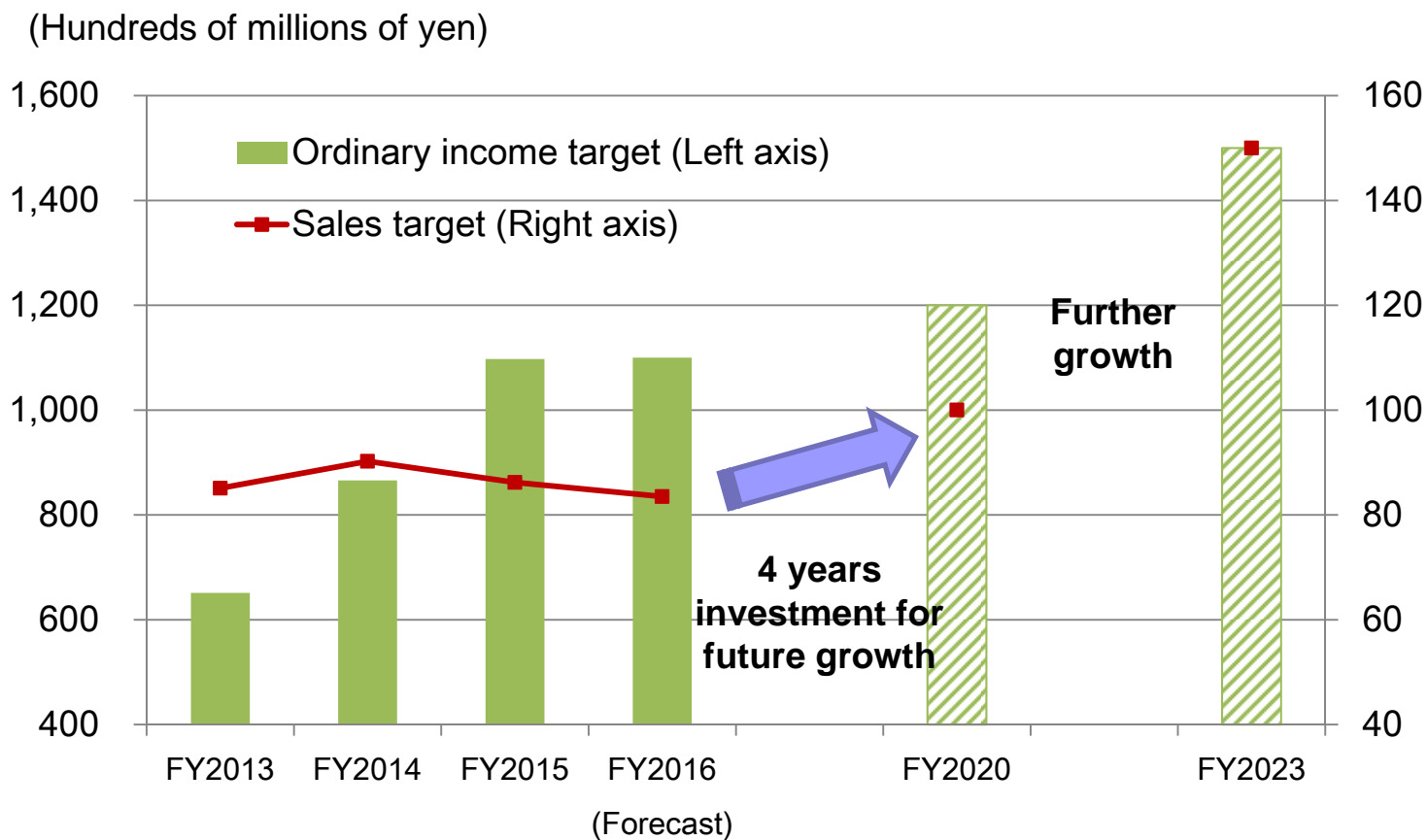
Cost competitiveness and productivity

1. Leverage the artificial intelligence and the Internet of Things technology

Soundness of business foundation

1. Capital efficiency
 - Leveraging idle real estate
 - Compression of marketable securities
2. HR education / Skill inheritance
3. Corporate Governance

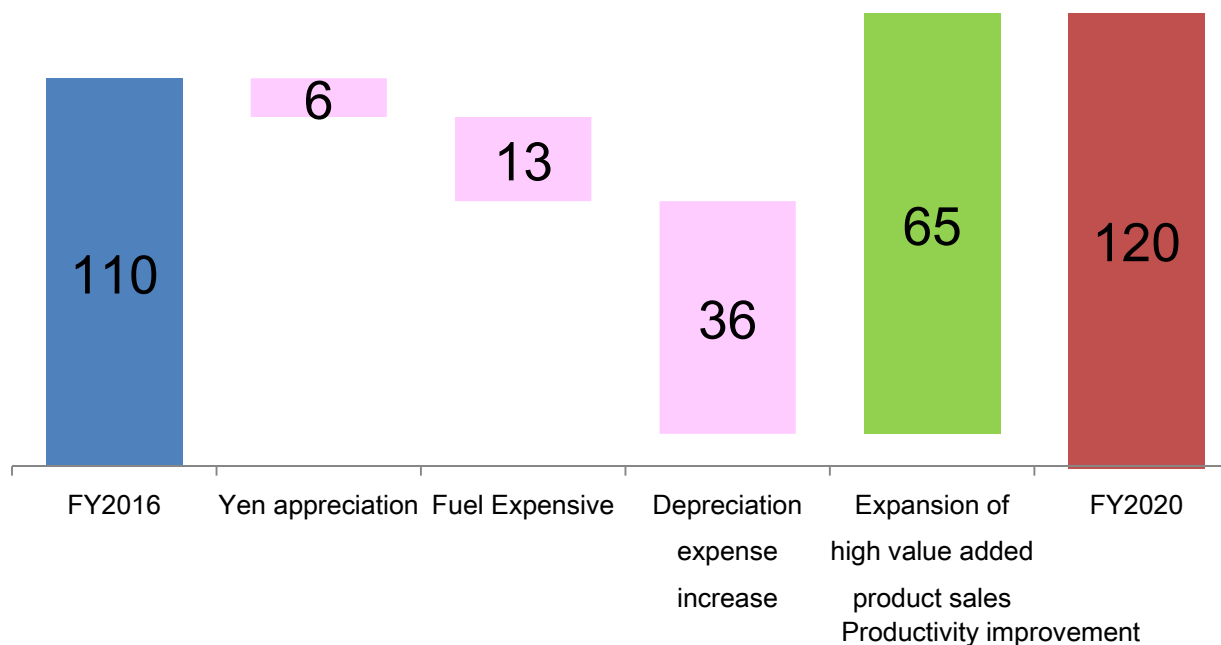
3. Sales and Income Targets during the Period of VISION 101



■ 55 billion yen will be invested for potential opportunities, by the secured source from operating cash flow and utilization of assets.

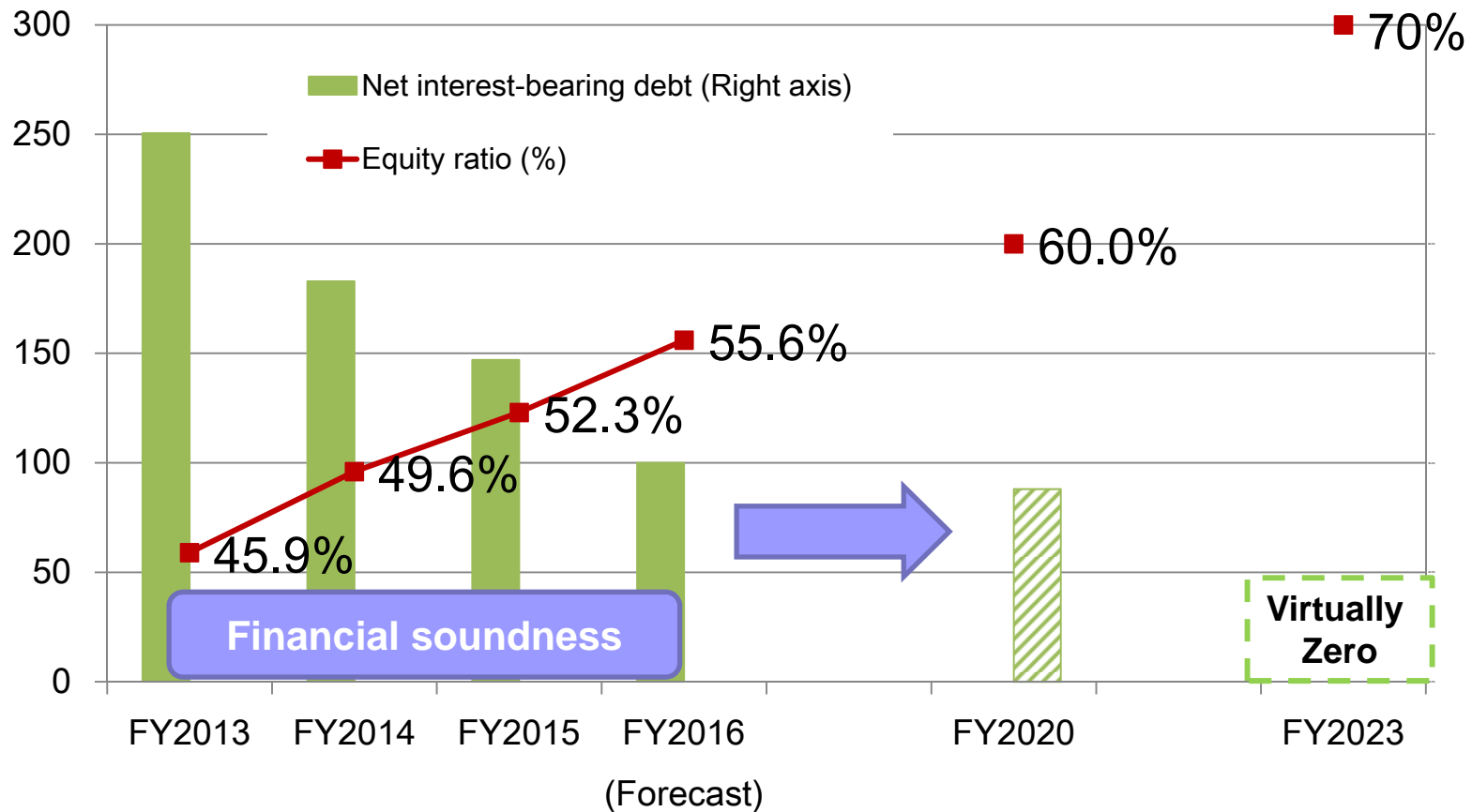
Waterfall Chart of Ordinary Income (FY2016-2020)

(Hundreds of millions of yen)



	FY2016	FY2020	GAP
Foreign Exchange (JPY/USD)	108.72	100.0	8.72 Yen appreciation
Dubai Oil Price (USD/Barrel)	46.37	60.0	13.27 Increase

3. Net Interest-bearing Debt Target during the Period of VISION 101



55 billion yen will be invested together with current healthy financial soundness

4. Financial Strategy and Shareholder Return Policy

■ Financial Strategy

- Investment for future opportunities, secured from operating cash flow and asset utilization
- Balance between the deduction of net interest-bearing debt and shareholder return

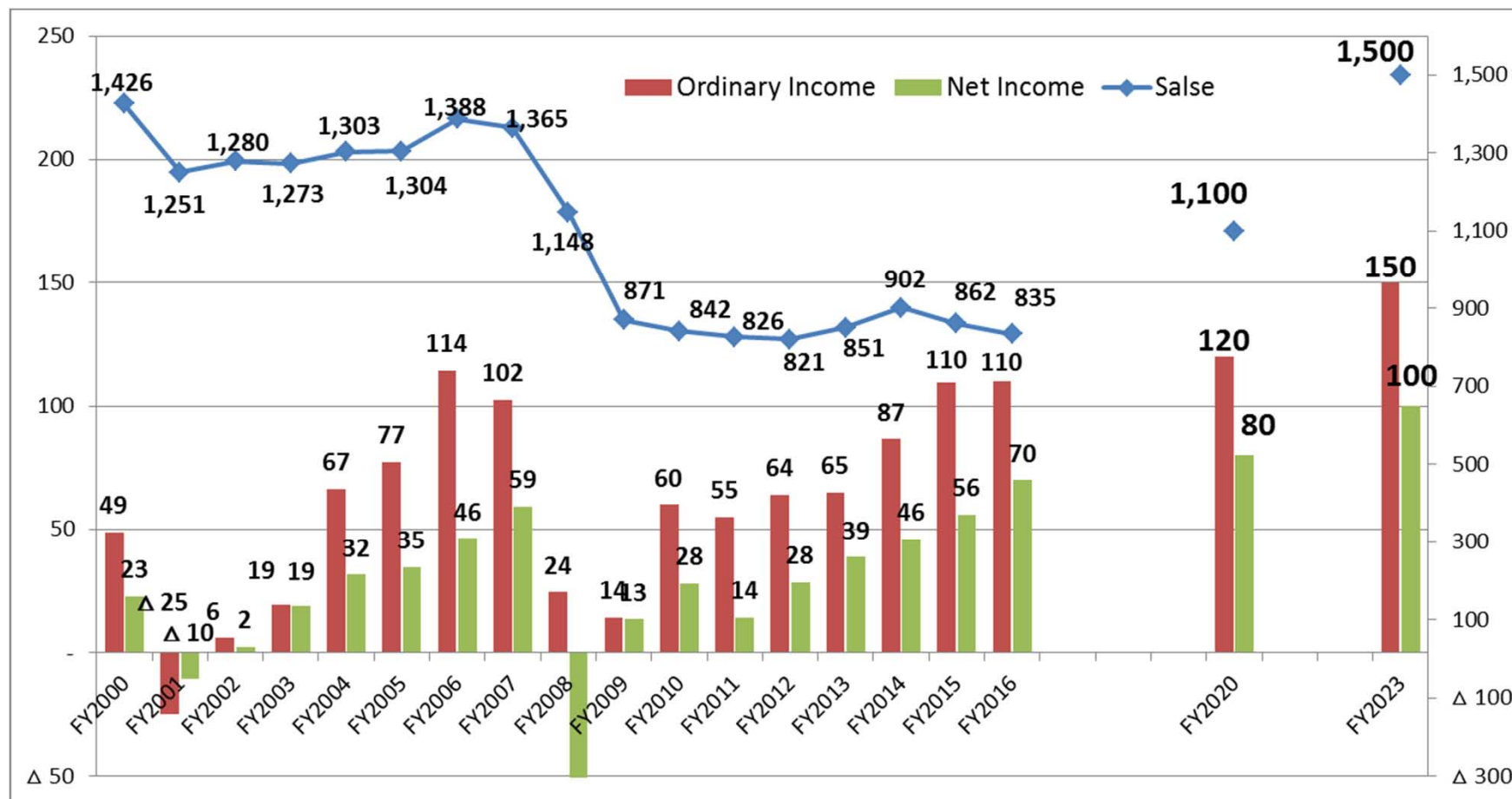
Source	Purpose
Operating cash flow	Capital Investment
Utilization of asset	Shareholder return Reducing the interest-bearing debt etc.

■ Shareholder return policy

- Based on stable increment, the amount of dividend should be decided corresponding to the payout ratio as well as the business results
- Premium shareholder return to be decided as per the financial condition

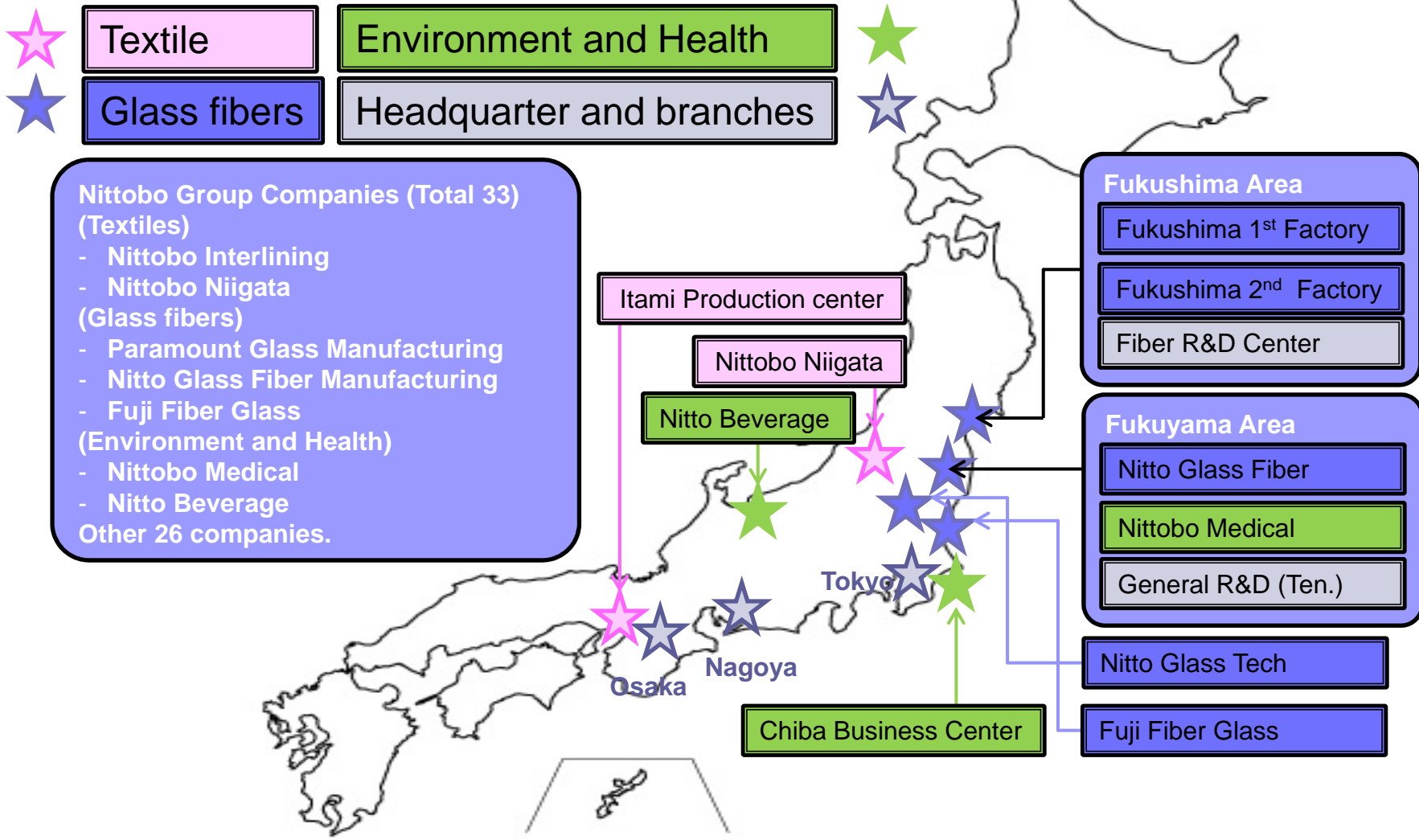
Chronological Chart of Sales, Ordinary Income and Net Income

(Hundreds of millions of yen)






* The maximum consolidated sales was 194.4 billion yen in 1990

Domestic Allocation Map



Overseas Allocation Map

-  ... Textiles
-  ... Glass fibers
-  ... Environment and Health

