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

Nitto Denko Corporation

Updated: June 17, 2026

Innovation for Customers

© Nitto Denko Corporation. All Rights Reserved.

Table of Contents

1 Our Approach to Enhance Corporate Value

2 Analysis of Our Current Situation

3 Management Targets (KPIs) -Financial Targets-

4 Initiatives to Enhance Corporate Value

5 Trends of Shareholder Returns

© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

1. Our Approach to Enhance Corporate Value

Drive management strategy focused on capital efficiency and initiatives to enhance market valuation, aiming to improve PBR from the perspectives of both ROE and PER

Corporate value	=	Management strategy	×	Market valuation
Ability to create corporate value		Efficiency of management		Expectation for the future
PBR (times)	=	**ROE** (%)	×	**PER** (times)
Price-to-Book Ratio		Return On Equity		Price Earning Ratio

Net profit ratio × **Asset turnover ratio** × **Financial leverage**

$$\frac{\text{Net profit attributable to owners of the parent company}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Shareholder equity}}$$

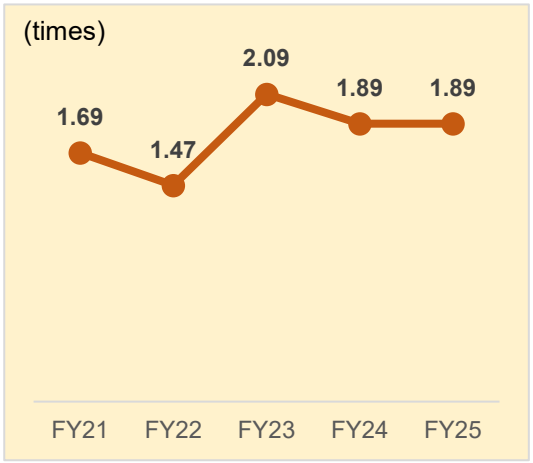
© Nitto Denko Corporation. All Rights Reserved.

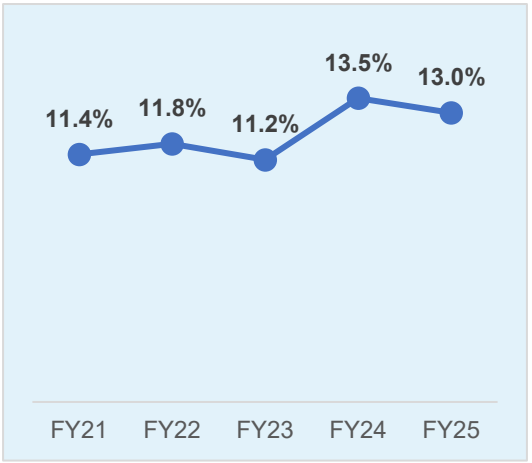
Nitto
Innovation for Customers

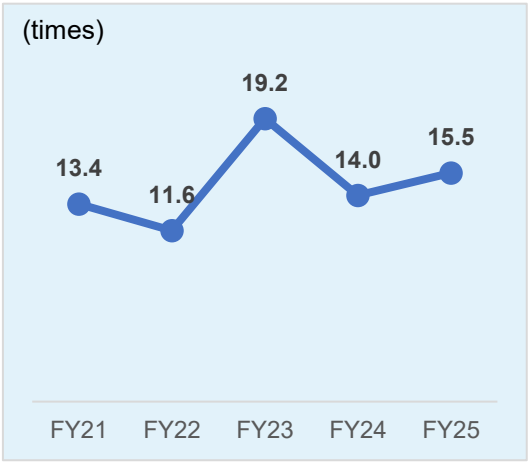
2. Analysis of Our Current Situation -PBR-

PBR remained the same level year on year, as higher PER offset lower ROE

PBR = ROE × PER







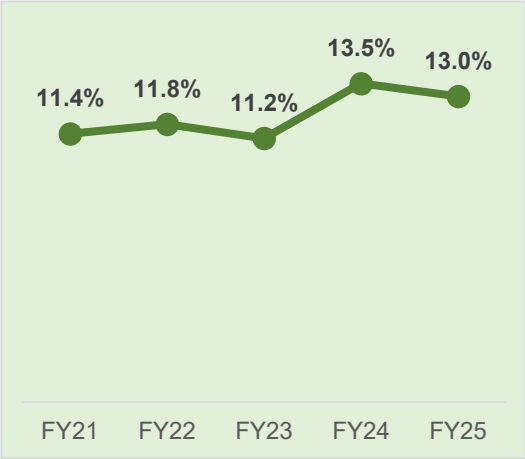
© Nitto Denko Corporation. All Rights Reserved.

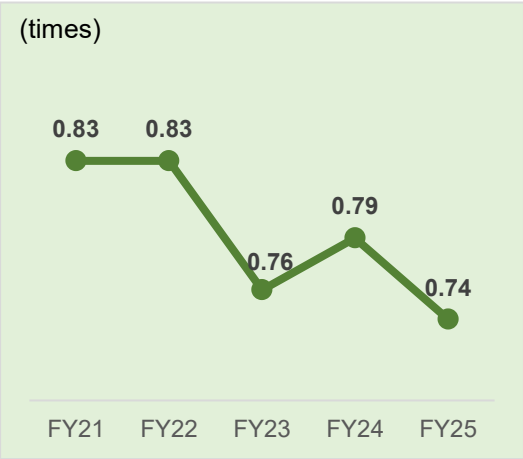
Nitto
Innovation for Customers

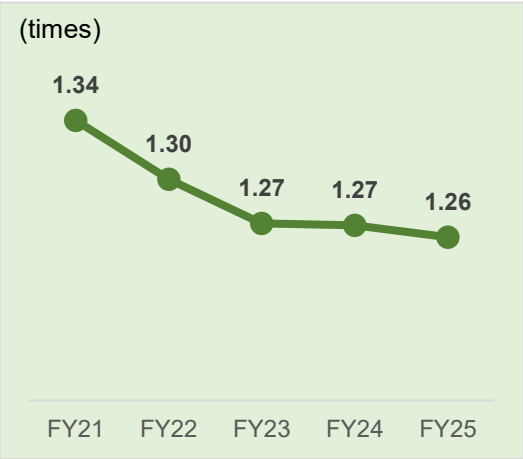
2. Analysis of Our Current Situation -ROE-

**While the net profit ratio remained at a high level,
asset turnover ratio and financial leverage continued to trend downward**

ROE = Net profit ratio × Asset turnover ratio × Financial leverage







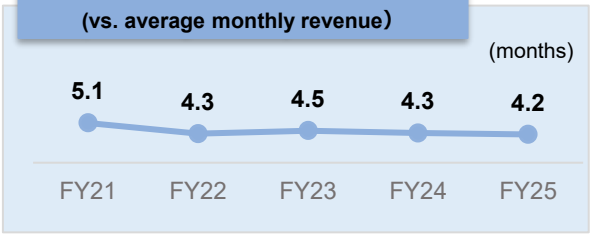
© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

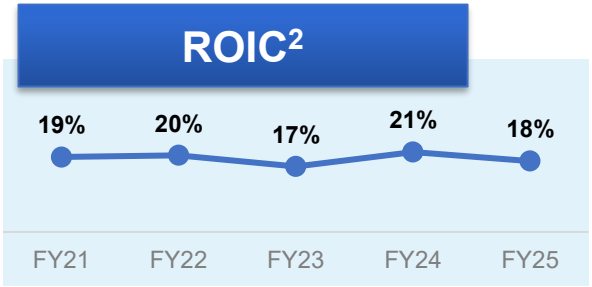
2. Analysis of Our Current Situation -Balance Sheet-

Maintained a certain level of ROIC while making growth investments.
Despite expanding shareholder returns, shareholders' equity has accumulated, with cash on hand remaining at a relatively high level

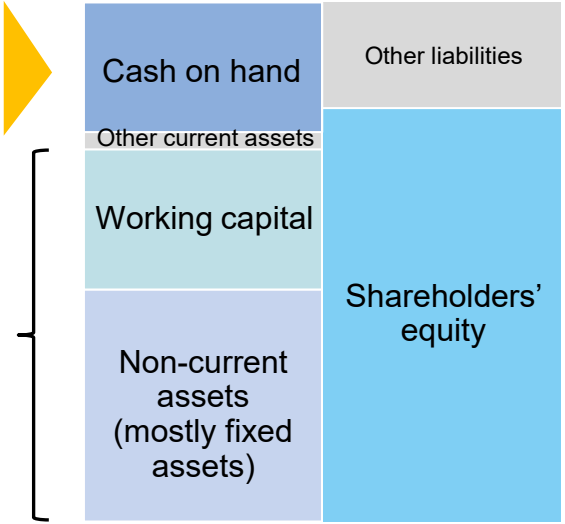
Cash on hand[1]
(vs. average monthly revenue)



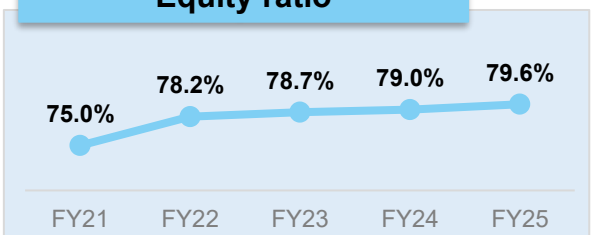
ROIC[2]



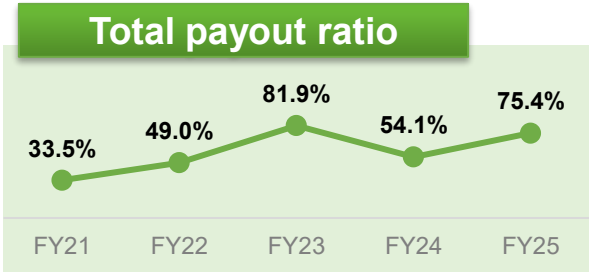
As of the end of FY25



Equity ratio



Total payout ratio



[1]Includes cash on hand held overseas subsidiaries with low liquidity due to regulations and other factors
[2]Net profit ÷ Average (Worling capital + Fixed assets)

© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

3. Management Targets (KPIs) -Financial Targets-

Aim to achieve both profit growth and capital efficiency simultaneously under the new medium-term management plan

Financial Targets for the New Medium-Term Management Plan "Nitto RISE 2028"

	FY2025 (Results)	FY2026 (Forecasts)	FY2028 (Targets)	FY2030 (Targets)
Operating profit	183.6 billion yen	193 billion yen	**220 billion yen**	**240 billion yen or more**
Operating profit to revenue	17.9%	18.1%	**20%**	**20% or more**
ROE	12.2%	12.0%	**14%**	**15% or more**

© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

4. Initiatives to Enhance Corporate Value

①Niche Top Strategy

(Improve net profit ratio and asset turnover ratio)

②Balance Sheet Management (Financial Discipline)

(Lean balance sheet)

③Cash Allocation

(Balance capital expenditures and shareholder returns at a high level)

④Creation and Expansion of Double Recognition, and Enhance IR Disclosure

(Improve PER)

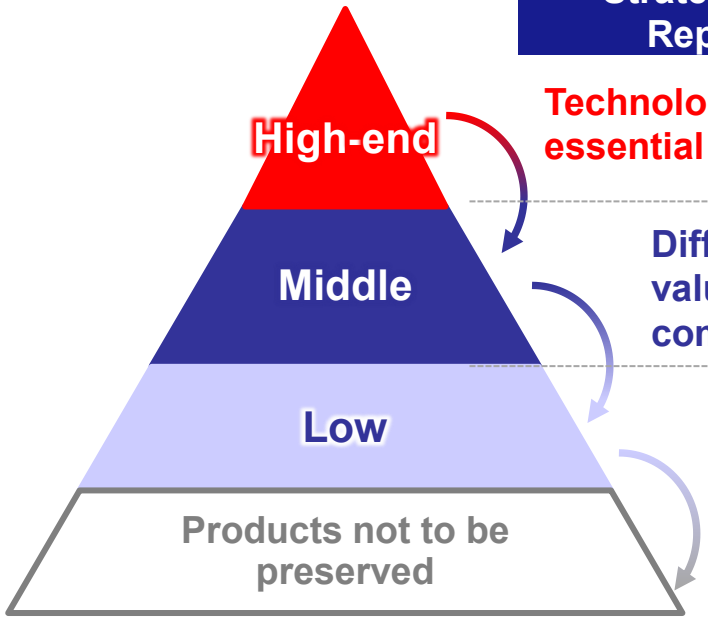
© Nitto Denko Corporation. All Rights Reserved.

Nitto

Innovation for Customers

4. Initiative① -Niche Top Strategy-

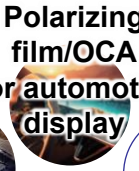
By adapting to a changing business environment, we maximize profit, which funds our next Niche Top products

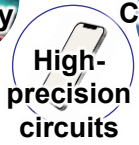


Strategies for Each Stage and Representative Products

Technology leadership delivers essential function

Electrical release tape


Polarizing film/OCA for automotive display


High-precision circuits

CISFLEX™

Polymer beads for oligonucleotide synthesis

Differentiation through high value-added products in competitive markets

High spec polarizing film

RO membranes for wastewater treatment

Insulation paper for EV motors

Open patent strategy
Royalty business

Wide-viewing-angle polarizing film for LCD

Polarizing film for TV (Royalty business)

Withdrawal, Exit, Business transfer

© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

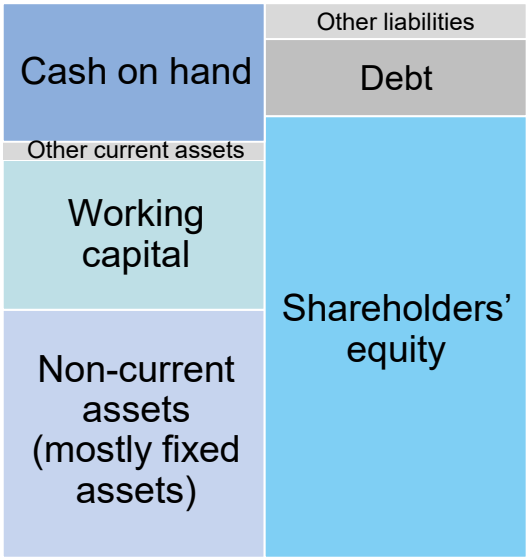
4. Initiative② -Balance Sheet Management (Financial Discipline)-

Setting guidance levels for cash on hand and the shareholders' equity ratio
Disciplined financial management while executing growth investments aiming for a leaner balance sheet

Appropriate level: Three months' worth of average monthly revenue (upper limit of guidance)

ROIC management

- CCC optimization
- Investment decisions based on ROIC-WACC spread



Consider incurring interest-bearing debt* when financing large-scale M&A projects

Set the upper limit of the shareholders' equity ratio guidance at 80% to limit the accumulation of shareholders' equity as much as possible

Financial strategy, capital management policy

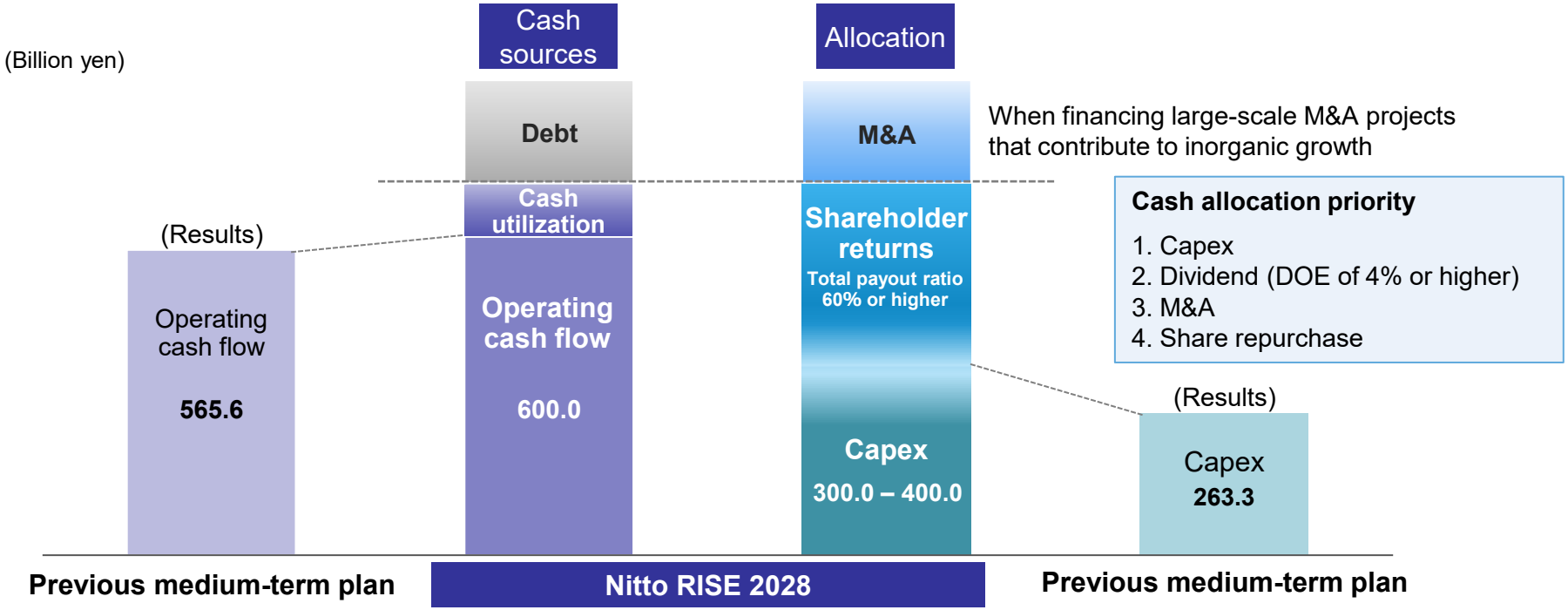
* Consider utilization within a range that maintains the current credit rating and preserves sufficient borrowing capacity

© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

4. Initiative③ -Cash Allocation-

Deploying operating cash flow and cash on hand to finance capital expenditures and shareholder returns, maintaining both at a high level



© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

4. Initiative④ -Creation and Expansion of Double Recognition-

Increase the share of revenue from highly profitable products that contribute to solving social issues, and aim to lower the cost of capital through sustainable profit growth and risk mitigation

Flags

Contributing to the Environment / Human Life

Products and services essential to solving social issues

Recognition criteria

①Degree of Contribution (external experts & internal committees)
Necessity, leadership, external recognition, etc.
② Growth potential, track record, alignment with strengths

Niche Top

A differentiation strategy targeting No.1 market share in niche fields

Global Niche Top™
Area Niche Top™

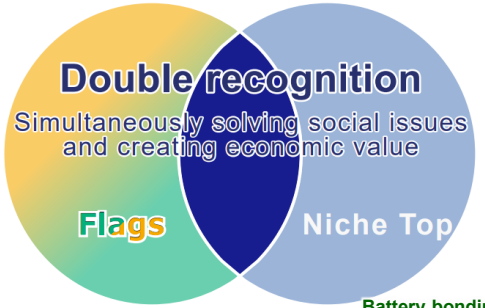
Recognition criteria

① Strong performance (business scale and profitability)
② Securing the top market share

*Flags and Niche Top are reviewed by an internal recognition committee

meeting two different sets of criteria

*List of representative products



FY2025 (Results)
Double recognized products revenue ratio 40%

Battery bonding electrical release tape

CISFLEX™

Polymer beads for oligonucleotide synthesis

FY2030 Targets
Double recognized products revenue ratio 50%

Advanced semiconductors materials and others

© Nitto Denko Corporation. All Rights Reserved.

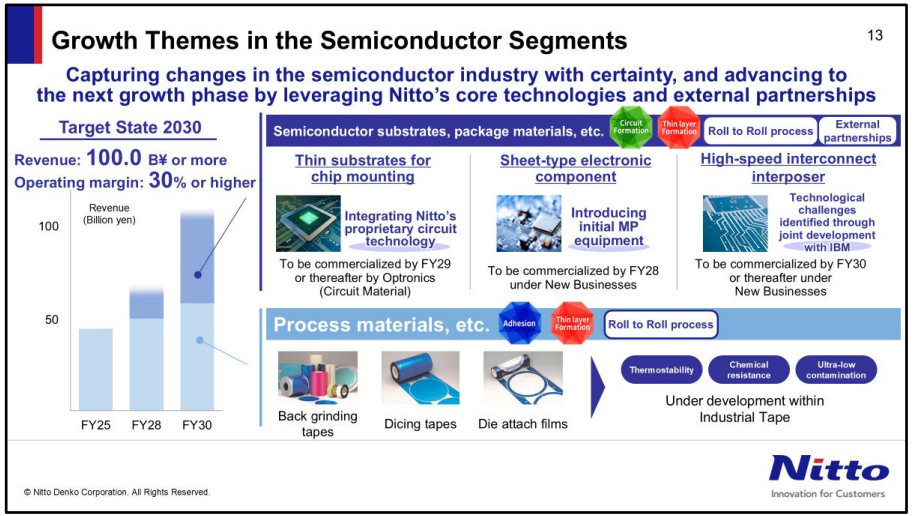
Nitto
Innovation for Customers

4. Initiative④ -Enhance IR Disclosure-

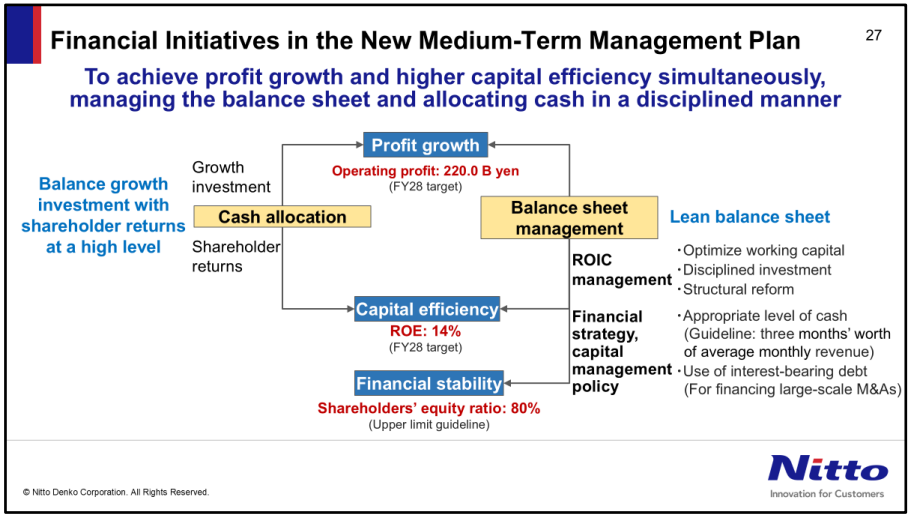
Provide timely updates on the progress of the new medium-term management plan, “Nitto RISE 2028,” and related initiatives

Presentation Materials of Annual Investor’s Meeting 2026
https://www.nitto.com/jp/en/ir/library/meeting/

Expand Disclosure on Growth Areas



Progress Update on Financial Strategy

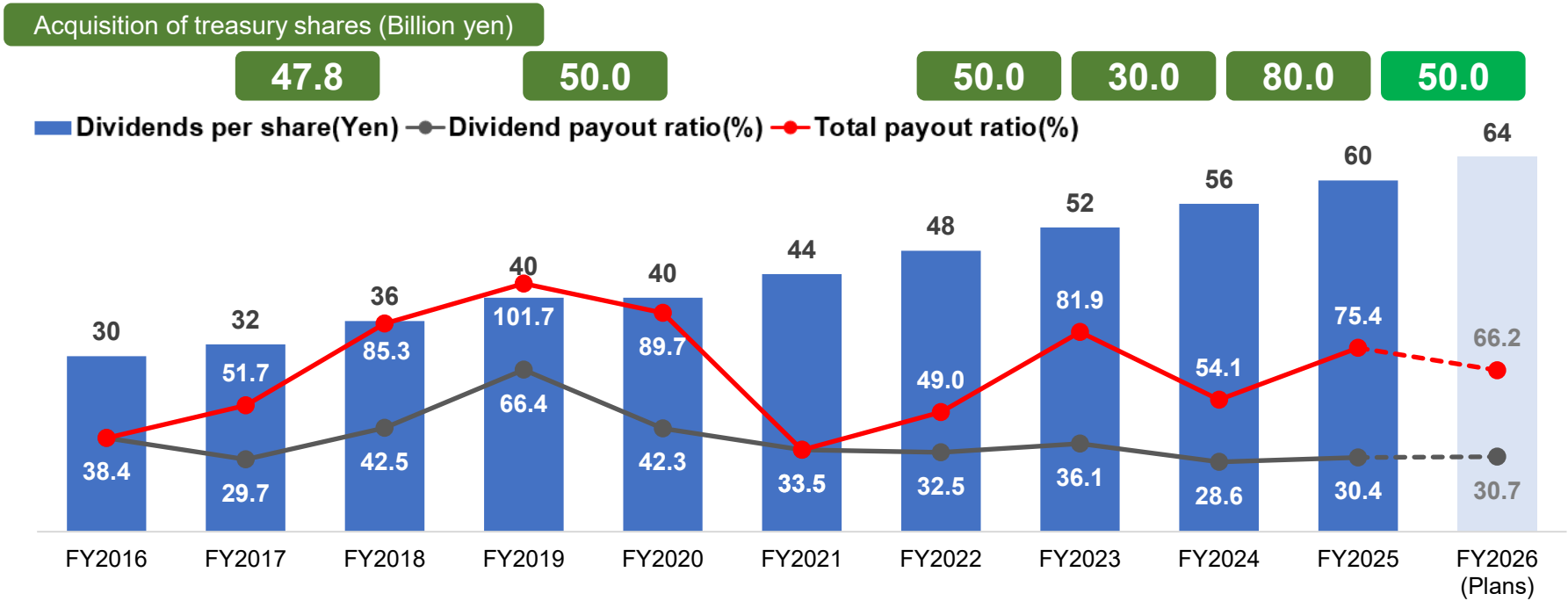


© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

5. Trends of Shareholder Returns

Medium to long-term target:
DOE of 4% or higher and total payout ratio of 60% or higher



© Nitto Denko Corporation. All Rights Reserved.

Nitto
Innovation for Customers

Nitto
Innovation for Customers