

Medium-term Management Plan  
(FY2021~FY2023)  
Nifco Global Growth Strategy

President & COO  
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**1 : 1<sup>ST</sup> stage; Achieved the target.  
2<sup>nd</sup> stage; Didn't reach the target because of covid-19.**

## Nifco Innovation Plan 2020

(Previous Medium-term management plan)

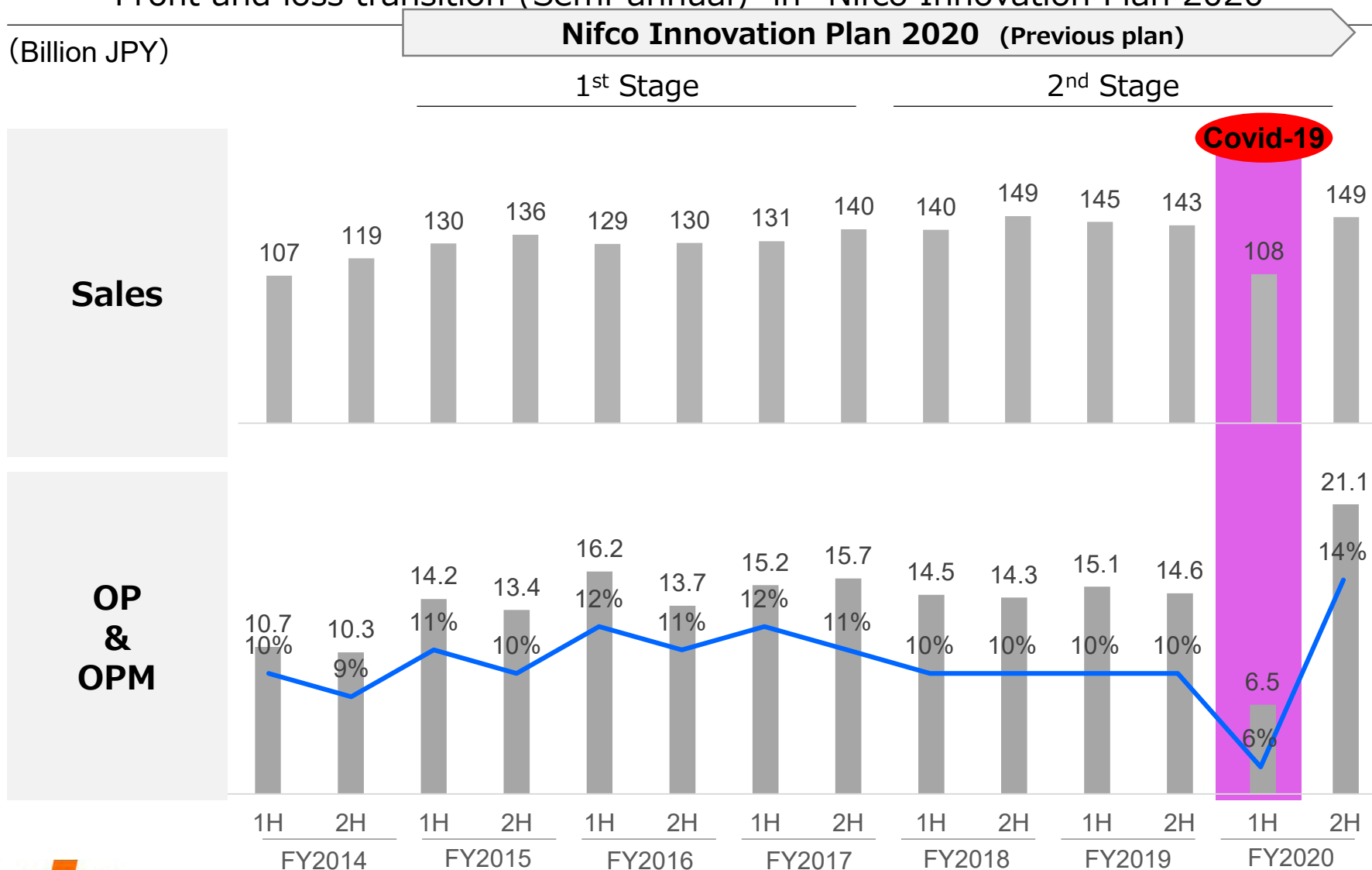
(Billion JPY)

	FY2014	<u>1<sup>st</sup> Stage</u> FY2017		<u>2<sup>nd</sup> Stage</u> FY2020	
	<b>Actual</b>	Plan	<b>Actual</b>	Plan	<b>Actual</b>
Sales	225.4	270	271.3	330	256
OP	20.9	31.0	30.9	38.0	27.6
OPM	9.3%	11.5%	11.4%	11.5%	10.8%
EPS	¥122	¥185	¥208	¥235	¥181
ROE	11.2%	13%	14.9%	15%	10.7%
ROIC	7.1%	10%	9.8%	15%	10%

**2 : However, due to cost reduction and demand recovery, OPM is now on par with the medium-term plan target.**

### Profit and loss transition (Semi-annual) in “Nifco Innovation Plan 2020”

(Billion JPY)



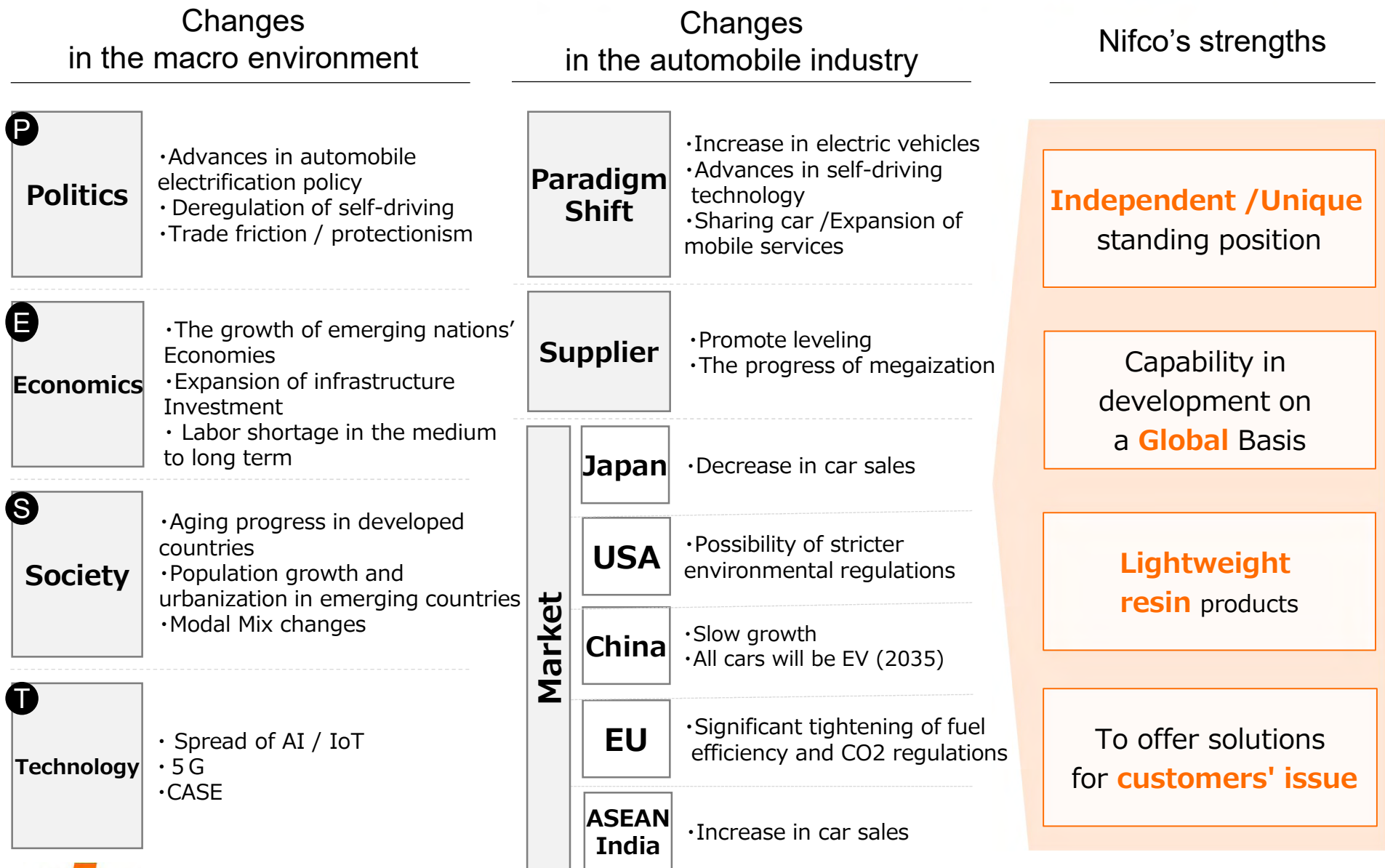
### 3 : In terms of measures, we have steadily achieved progress and results both of business and finance.

#### Policies and Measures of “Nifco Innovation Plan 2020”

#### Result

<p><b>Establish the position as a global supplier</b></p>	<ul style="list-style-type: none"> <li>• Strengthen development of powertrain products</li> <li>• European car makers expanded globally</li> <li>• M &amp; A and alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Reorganize platform business(EV, Fuel tank system, Powertrain)</li> <li>• Increased product ratio for German car makers due to M&amp;A (2companies), FY2014:4.4%→FY2020:9%(FY2019:11%)</li> </ul>
<p><b>Ability to respond to the global market</b></p>	<ul style="list-style-type: none"> <li>• Become a unit system supplier</li> <li>• Improve profitability</li> <li>• Reorganization of production system in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• The average loading amount per domestic car increased : FY2014:¥5,419/car →FY2020:¥8,000 over/car</li> <li>• Consolidation and strengthening of development departments by operating NTEC</li> <li>• We made Nifco-Yamagata and Nifco-Kumamoto wholly owned subsidiaries</li> <li>• Established Nifco-Kitakanto(Factory for platform products)</li> </ul>
<p><b>Create an environment where employees can work more actively</b></p>	<ul style="list-style-type: none"> <li>• Recruitment and training of global human resources</li> <li>• Reform of evaluation compensation system</li> </ul>	<ul style="list-style-type: none"> <li>• ESG, Diversity promotion (Specialized organization) , Work-style reform</li> <li>• Introduce Performance-linked stock-based compensation plan for Directors</li> <li>• Employee Stock Ownership Plan for Executive Manager, Stock Benefit Trust(Employee Stockholding Association Purchase-type)</li> </ul>
<p><b>Maximize corporate value</b></p>	<ul style="list-style-type: none"> <li>• Optimal resource allocation</li> <li>• Optimize our balance sheet</li> <li>• Consolidated payout ratio : 1/3</li> </ul>	<ul style="list-style-type: none"> <li>• Focus resources on core business by selling Japan Times</li> <li>• Asset reduction due to closure of Utsunomiya factory and sale of Japan Times - Nifco building</li> <li>• Rating up due to improved balance sheet(R&amp;I·JCR: A+)</li> <li>• Shareholder payout ratio 30% and Acquisition of Own Shares ¥ 20.1 billion</li> </ul>

# 4 : Our strength is that we have the resources to respond to changes in the business environment.



**5 : In this term medium-term management plan, we will leverage NIFCO's strengths and realize changes for the next growth.**

**Vision**

A company that continues to grow as a global company with a **unique presence**

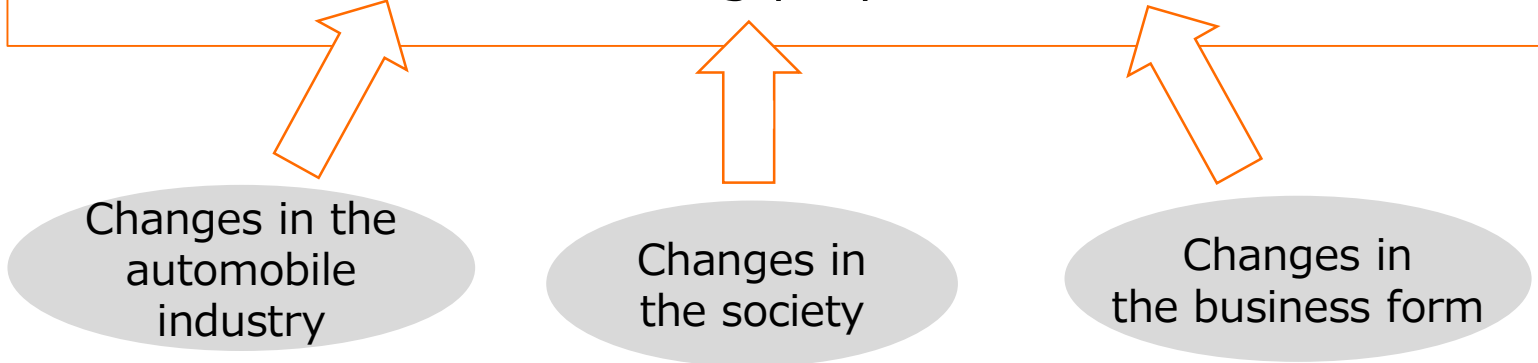
**GOAL of Medium-Term Management Plan**

unique  
**Tier 1.5** <  
supplier

make advanced proposals: "Anticipate customer wishes and act"  
"Reliable when customers are in trouble"  
**Outstanding product power:** "Universal and indispensable"  
Global management : "Production / Sales / Human Resources Utilization"

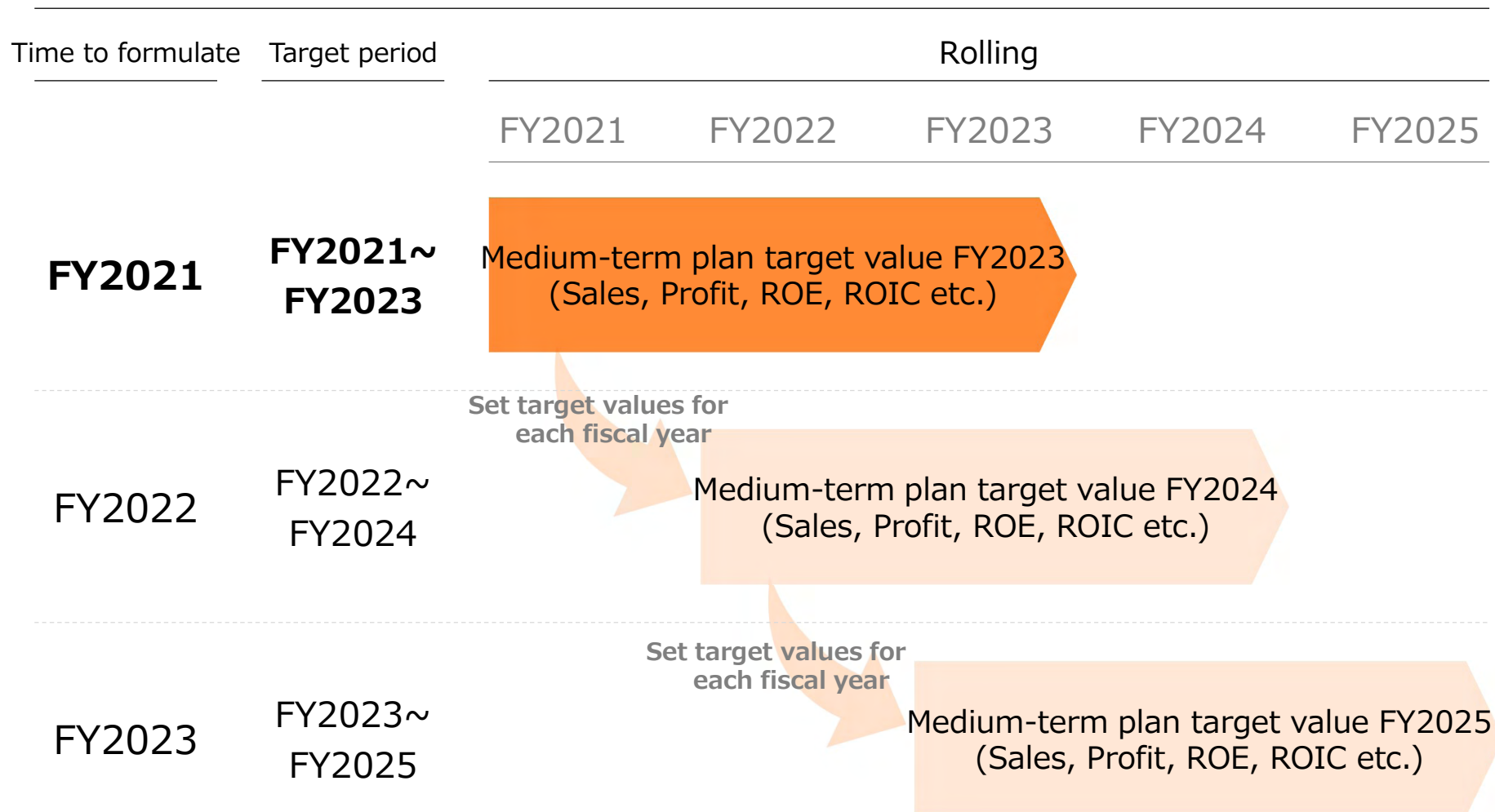
**Even further growth**

- Further strengthen the solid business base of existing businesses
- Anticipate customer needs, find and propose issues by ourself ( Issue-creating proposal sales )



## 6 : Considering changes in the business environment, we set targets every year when there are changes in target values and strategies

Set goals for a 3-year rolling medium-term management plan

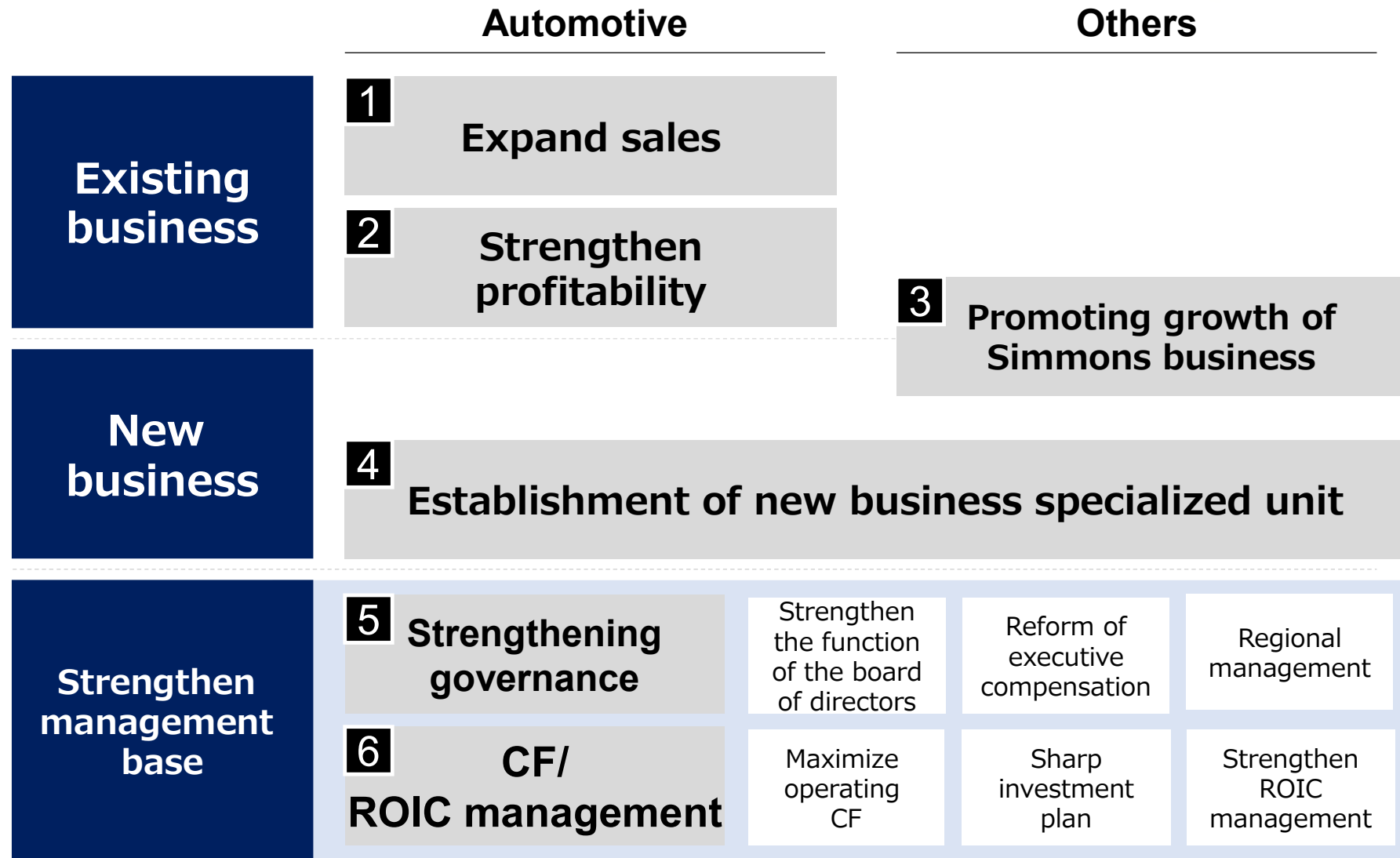


## 7 : Quantitative targets for this term's medium-term management plan

(Billion JPY)	FY2019	FY2020	FY2023	
	Actual	Actual	Target	Compared to FY2020
<b>Sales</b>	288	256	<b>310</b>	<b>+21%</b>
<b>OP</b>	29.7	27.6	<b>38</b>	<b>+37%</b>
<b>OPM</b>	10.3%	10.8%	<b>12.3%</b>	<b>+1.5%pts</b>
<b>Net Income</b>	18.3	18.4	<b>26.5</b>	<b>+44%</b>
<b>ROE</b>	11.3%	10.7%	<b>13%</b>	<b>+2.3%pts</b>
<b>ROIC</b>	8.4%	10%	<b>15%</b>	<b>+ 5 %pts</b>
<b>Operating CF</b> (3year combined total)	101.2	113	<b>120</b>	<b>+ 6%</b>
<b>Exchange</b>	\$1=¥109 €1=¥122	\$1=¥106 €1=¥122	\$1=¥106 €1=¥122	



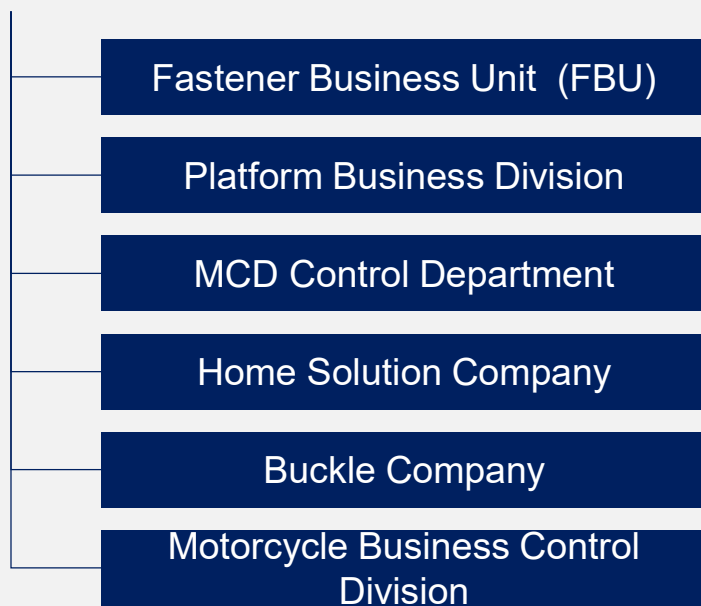
# 8 : Maximize corporate value through "ambidextrous management" of existing and new businesses



# 1 9 : Promote the creation of an organization that demonstrates ownership and the development of new products that match our strategy

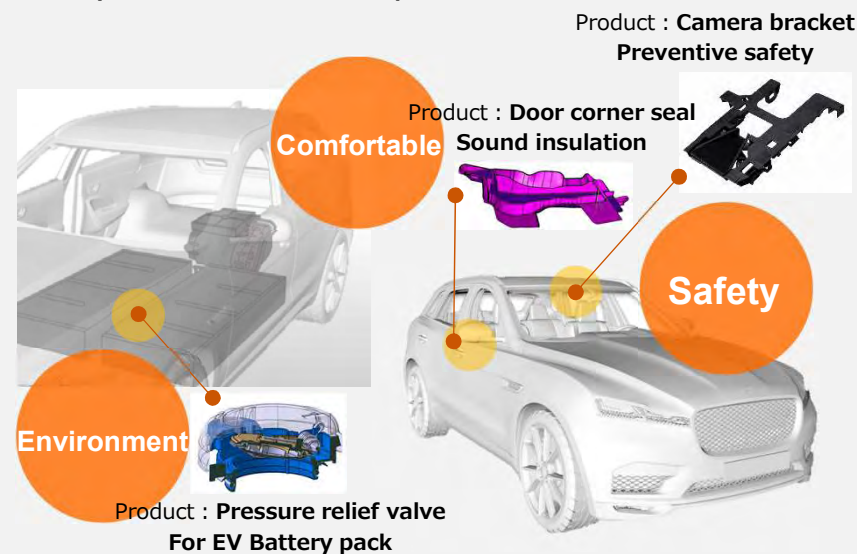
## 1 Organizational structure that demonstrates ownership

- Optimize sales and profits with the independent organization for each product / business



## 2 New product development

- Development of new products that are consistent with management and strategies
- Timely launch of new products



By studying technology by a specialized organization for each product, we grasp customer needs and concentrate management resources there. By cultivating new demand and cultivating markets through this, we aim to grow beyond the growth of automobile production.

## 2 10 : We carry out thorough cost reduction and appropriate fixed cost management at each stage of manufacturing, quality, design, etc.



Improving profitability:  
Aiming for Operating profit ratio 12.3%

## 3 4 11 : Develop businesses for future growth in both the automotive and new fields

### 3 Promote growth of Simmons business

- Rebuilding domestic sales channels and strengthening sales (expansion of online sales, etc.)
- Acceleration of growth in the Chinese/Southeast Asian markets (Aggressive store development, etc.)
- Develop new markets by utilizing Sleep Tech

### 4 Establishment of a new business specialized unit

#### Automotive area:

- Established an independent specialized unit for new businesses (Business creation office)

#### New field:

- Information and Communication Technology Business ( Co-creation with NTT East )
- Alliance, M&A, CVC etc.

FY2023 Target value

Sales:310Billion JPY OP:38Billion JPY  
(FY2020 Actual Sales:256Billion JPY/ OP:27.6Billion JPY)

## 12 : Management strategy (ESG management)

### Climate change

Greenhouse gas

- Energy saving / Utilization of renewable energy
- Fuel economy / Electric cost improvement proposal (Weight saving /Reduced air resistance/ Thermal management )

### Circular economy

Disposal of plastic

- Zero scrap manufacturing
- Establish plastic recycle system

Recycle

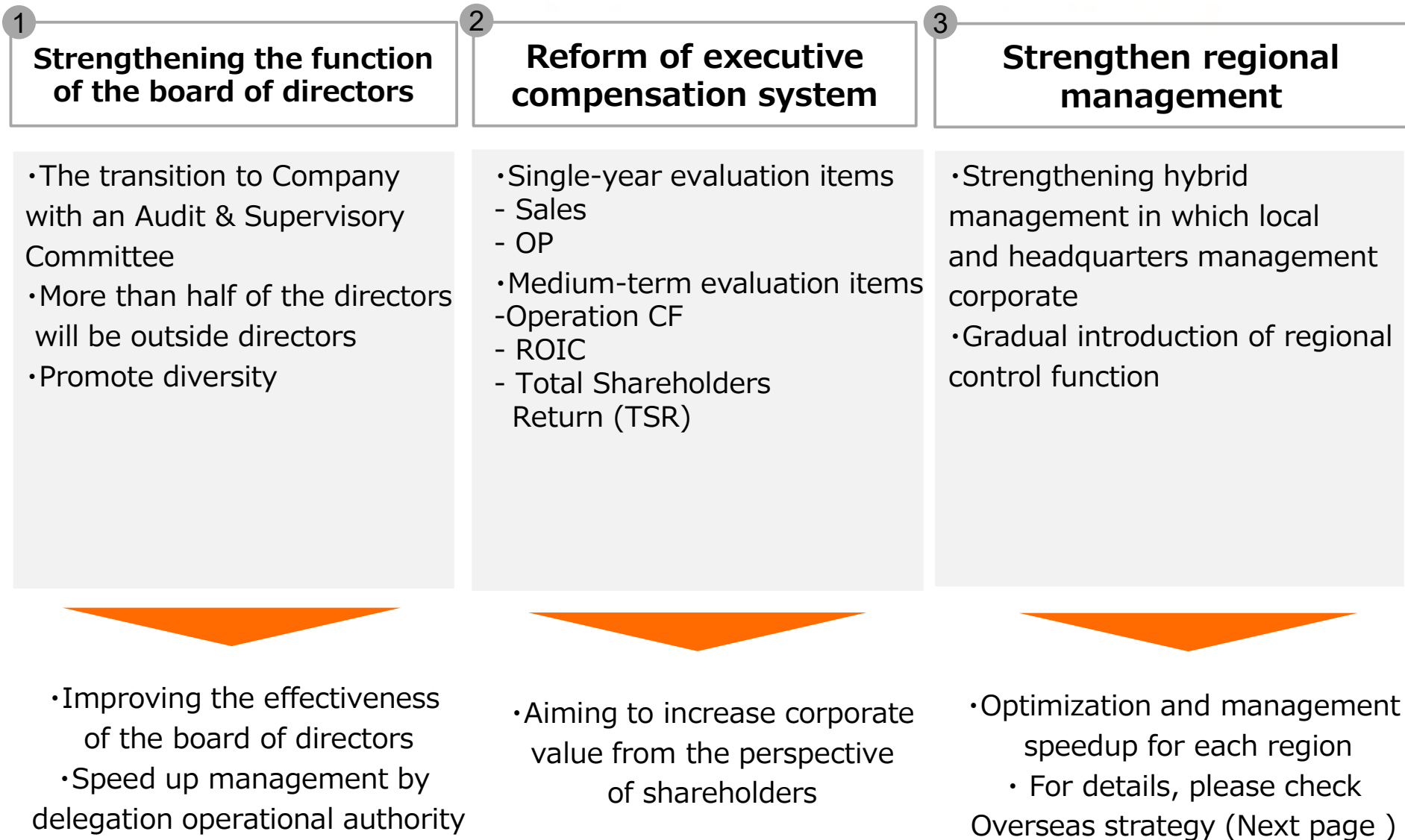
- Bed business (recycle mattresses completely)

### Sustainability

Diversity  
Human - rights  
Governance

- Increasing female manager ratio
- Employ diversity (mid career recruitment, Non-Japanese recruitment)
- Emphasis human rights
- Strengthening governance system

## 5 13 : Build a governance system that contributes to maximizing corporate value



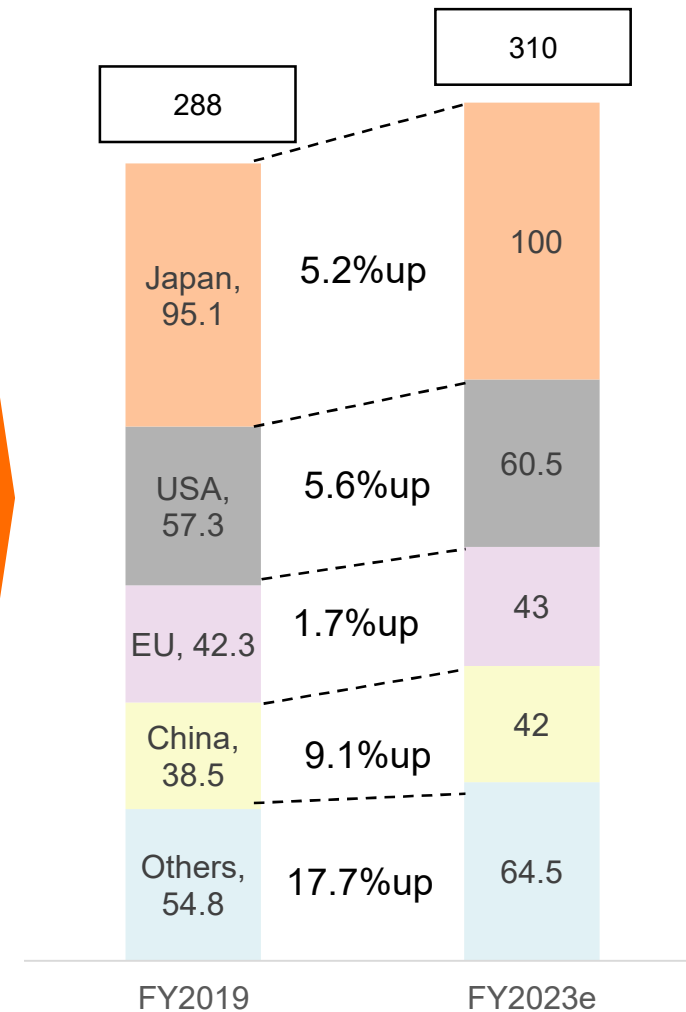
# 14 : Formulation and execution of optimal regional strategies on a regional axis

## Optimal regional strategy

<b>Regional</b>	<b>USA</b>	<ul style="list-style-type: none"> <li>•Strengthen profitability by improving productivity quality</li> </ul>
	<b>EU</b>	<ul style="list-style-type: none"> <li>•Further improvement of profitability of subsidiaries in Germany</li> </ul>
	<b>China</b>	<ul style="list-style-type: none"> <li>•Building the base network with clear functions</li> </ul>
	<b>ASEAN India</b>	<ul style="list-style-type: none"> <li>•Increase production</li> <li>•Maintain high profits</li> </ul>
	<b>Japan</b>	<ul style="list-style-type: none"> <li>•New products, development technology</li> <li>•Establish a method and production technology</li> </ul>

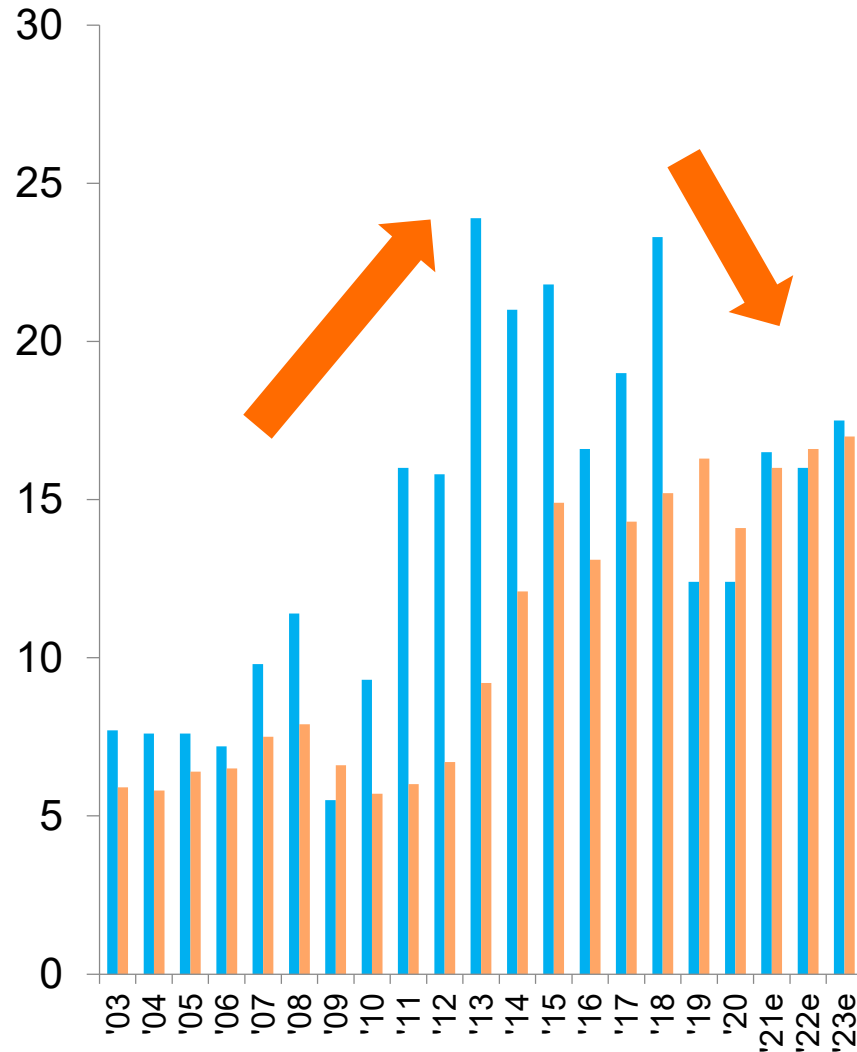
## Sales volume by region

(Billion JPY)



# 15 : Plan of Capex and Depreciation

(Billion yen)

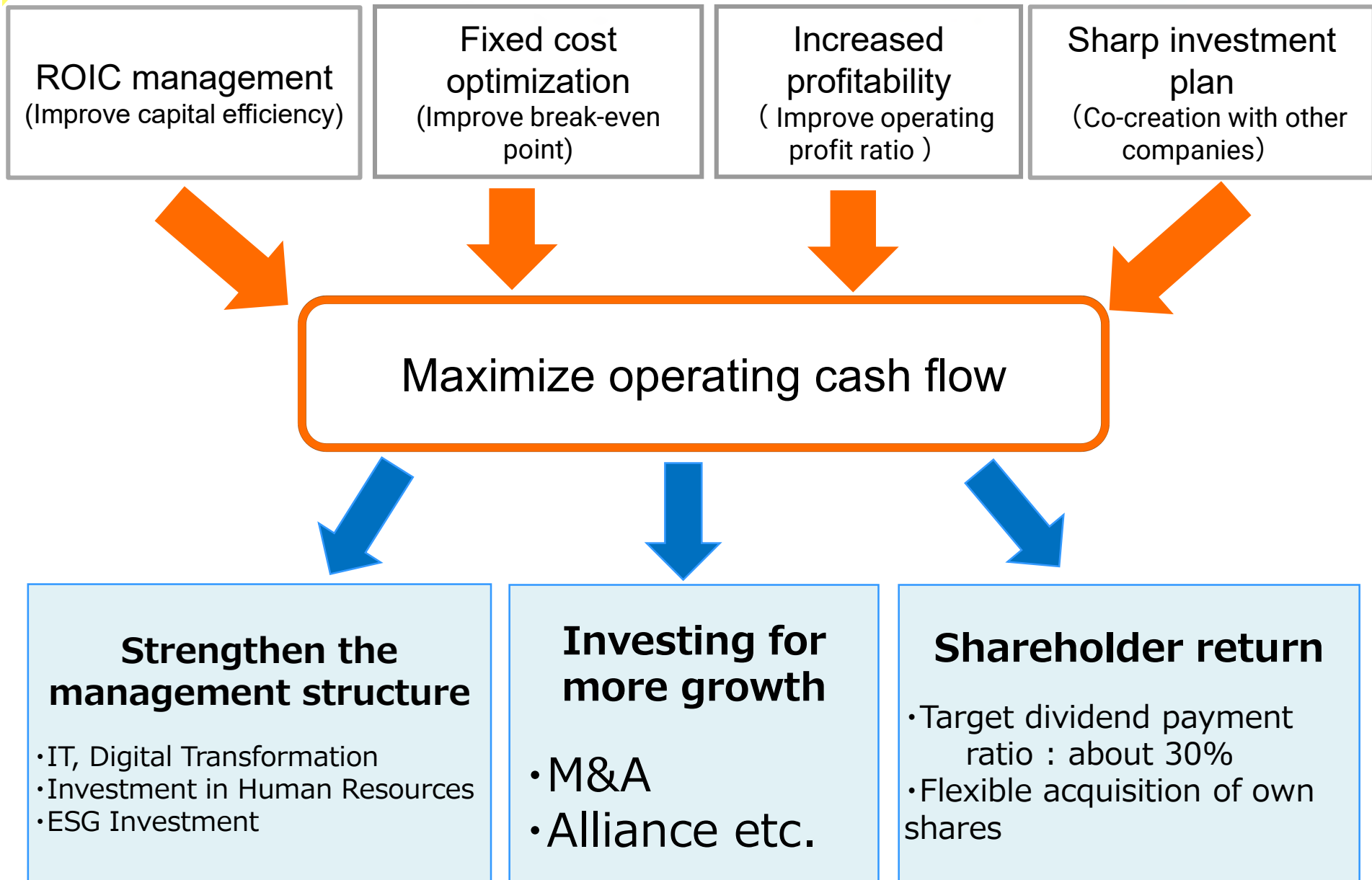


**NIFCO** ■ Capex ■ Depreciation

	FY2018~FY2020 3year combined total <b>Actual</b>	FY2021~FY2023 3year combined target <b>Estimate</b>
Profit before tax	837	1,000
Depreciation	450	480
Operating CF	1,130	1,200
Capex	621	500
Investment CF	-489	-750
Free CF	641	450
Dividend	186	196
Cash position	957	910



## 15 : Thorough management that emphasizes cash flow to maximize corporate value





# ***WOWING THE WORLD***

Forward-looking statements or projections included in this document, including earnings projections, are based on currently available information and certain premises that are judged to be rational at the time of this writing. Actual results may differ greatly from the forecast figures depending on various factors.