



MITSUBOSHI

'24 Mid-Term Business Plan

(FY2024-FY2026)

May 14, 2024

In May 2022, we announced FY2030 “Target Position” and revised our “ ’21 Mid-Term Business Plan” amid the COVID-19 pandemic. Through this revision, we adopted a capital policy strongly focused on enhancing corporate value, working on improving profitability and the balance sheet. In the face of an unpredictable business environment due to infectious diseases, supply chain disruptions, inflation, rising resource prices, and increasing geopolitical risks, we steadily implemented various measures. As a result, our market capitalization increased from 66 Bil. yen at the end of March 2022 to 145.2 Bil. yen at the end of March 2024, by 2.2 times in two years. Although the surrounding environment is expected to remain increasingly unclear and uncertain, we continue to establish a resilient corporate structure, and aim to achieve FY2030 “Target Position.” “ ’24 Mid-Term Business Plan” marks the second phase toward FY2030 “Target Position.” The previous plan focused on strengthening our business foundation, while the current plan positions itself as a period of accelerated growth. This year is said to be the “Year of Midsize Companies,” and the Japanese government is supporting the development of such companies. We, as a midsize company, see the current situation as an excellent opportunity to accelerate growth and pursue the early attainment of FY2030 “Target Position.”

Based on our basic philosophy of “To give attentive consideration to both humanity and nature,” we promote the creation of a company that is able to contribute to the achievement of a sustainable society through our business activities and strive to achieve management that is trusted by all stakeholders.

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Philosophy System of Mitsubishi Belting

We act with pride in how we stand today and look forward to the future based on our corporate philosophy, 'To give attentive consideration to both humanity and nature,' to contribute to society by supplying goods of high performance, high precision, and high quality, with the collective strength of our group employees aiming to be a company that supports people's comfortable lives with the power of science.



Establish a resilient corporate structure

Profitability	<p>Net sales 100 Bil. yen</p> <p>Operating profit 13 Bil. yen</p>	<ul style="list-style-type: none"> • Strengthen core business structure, further increase profitability • Invest in new growth areas to enable continuous growth → Develop eco friendly products and strengthen sales structure M&A, Open innovation
Capital efficiency	<p>ROE 10%</p>	<ul style="list-style-type: none"> • Strengthen financial position, then pursue higher capital efficiency
Shareholder returns Capital investment	<p>Capital policies to enhance corporate value over the medium to long term</p>	<ul style="list-style-type: none"> • Conduct research that will lead to the achievement of a sustainable society, develop high-performance, high-precision, high-quality products with next-generation functionality, proactively invest in production systems • Increase shareholder returns after securing resources for growth investment
Human resource strategy	<p>Cultivate human resources to promote transformation</p>	<ul style="list-style-type: none"> • Reinforce human resources structure, training programs, and workplace environments to facilitate maximum utilization of “people’s” abilities • Cultivate a “corporate culture” that stresses new thinking that respects diversity and a spirit of challenge that is not afraid of transformation
ESG	<p>Contribute to the achievement of a sustainable society (enhance social and economic value)</p>	<ul style="list-style-type: none"> • Proactively address environment-related social issues → “Toward carbon neutrality by 2050” FY2030 CO2 emission reduction target: 46% from FY2013 (Scope 1 & 2 emission from eight main domestic locations) ESG evaluation: Obtain top rank under global criteria

Review of '21 Mid-Term Business Plan

- While our revenue benefits from the depreciation of yen, the belt sales for aftermarket which has higher margins are impacted by inventory adjustments, resulting in operating profit falling short.
- CO2 emissions have been significantly reduced due to proactive efforts towards decarbonization initiatives.

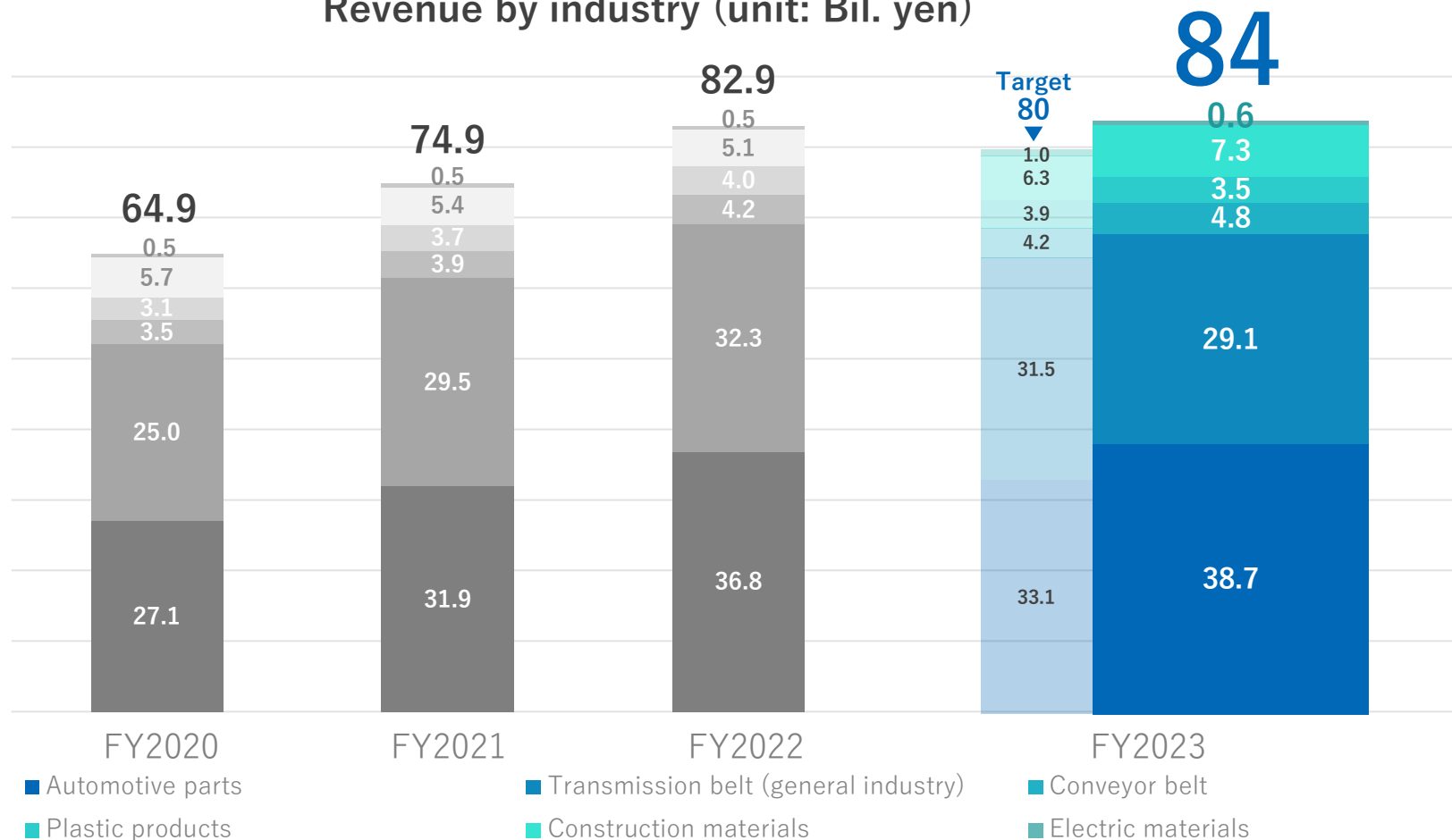
	FY2023 KPI target	FY2023 KPI results
Profitability	Net sales 80.0 Bil. yen Operating profit 8.3 Bil. yen (at least 11%)	Net sales 84.0 Bil. yen Operating profit 7.7 Bil. yen (9.2%)
Capital efficiency	ROE 8% Sell cross-shareholdings at least 1.5 Bil. yen in FY2021-FY2023	ROE 7.6% Sold ross-shareholdings 1.5 Bil. yen in FY2021-FY2023
Capital investment	3-year capital investment budget 23.0 Bil. yen	3-year capital investment budget 22.8 Bil. yen
Shareholder Returns	Dividend payout ratio (FY2021): 65% Dividend payout ratio (FY2022): 100% Dividend payout ratio (FY2023): 100%	Dividend payout ratio (FY2021): 64.9% Dividend payout ratio (FY2022): 100.4% Dividend payout ratio (FY2023): 99.8%
ESG	CO2 emission reduction target: at least 22% vs. FY2013	CO2 emission reduction target: 35%* vs. FY2013 <small>CDP 'C' for FY2021 → 'B' for FY2023 (2 notch up) FTSE 1.4 as of June 2021 → 2.8 as of June 2023</small>
Estimated Exchange rates	1USD=115 yen 1EUR=125 yen	1USD=144.6 yen 1EUR=156.8 yen

*Using some of the Scope 1 & 2 emission factors for FY2022 from eight main domestic locations.

Review of '21 Mid-Term Business plan

- Our sales target is achieved mainly because automotive parts and construction materials expanded.
- In FY2023, transmission products sector (for general industrial use) experienced a decline due to inventory adjustments in belt aftermarket and the economic slowdown in China and Europe.

Revenue by industry (unit: Bil. yen)



'24 Mid-Term Business Plan - KPIs for FY2026

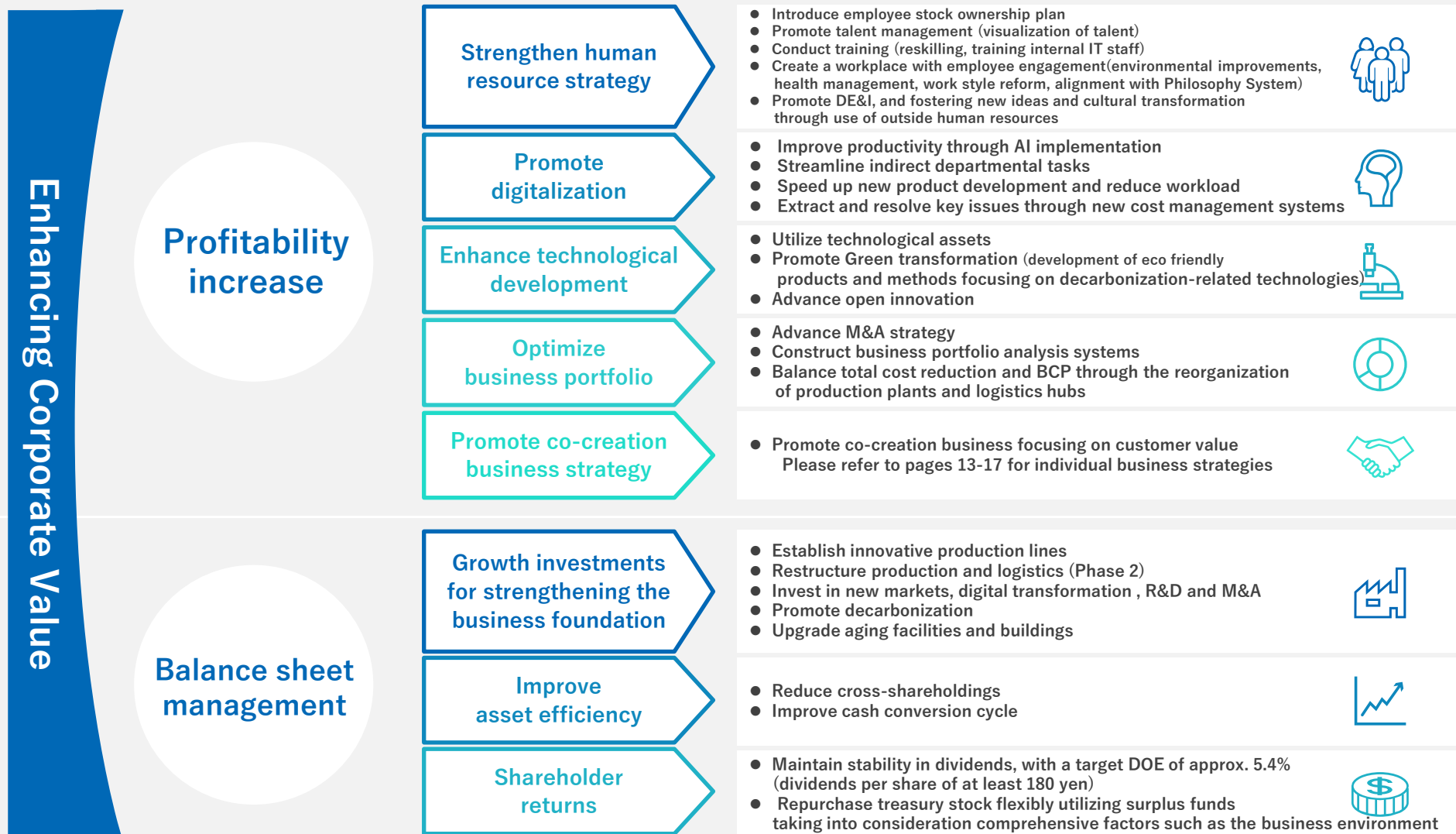
- Set the following KPIs for the accelerated growth period towards achieving FY2030 “Target Position.”

	FY2023 KPI result	FY2026 KPI target
Profitability	Net sales 84.0 Bil. yen Operating profit 7.7 Bil. yen (9.2%)	Net sales 91.5 Bil. yen Operating profit 10.5 Bil. yen (11.5%)
Capital efficiency	ROE 7.6% Cross-shareholdings sold 1.5 Bil. yen (FY2021-FY2023)	ROE 9% Cross-shareholdings sold 5.0 Bil. yen (FY2024-FY2026)
Capital investment	3-year capital investment amount 22.8 Bil. yen	3-year capital investment budget 20.0 Bil. yen (excluding M&A)
Shareholder Returns	Dividend per share 99.8%	DOE target approx. 5.4% (Dividend per share at least 180 yen) Repurchase of treasury stock FY2024-FY2026 3.0 Bil. yen
ESG	CO2 emission reduction target vs FY2013 35 %*	Scope 1 & 2 emissions from eight main domestic locations CO2 emissions reduction target vs FY2013 40 %
Estimated exchange rate	1USD= 144.6 yen	1USD=130 yen

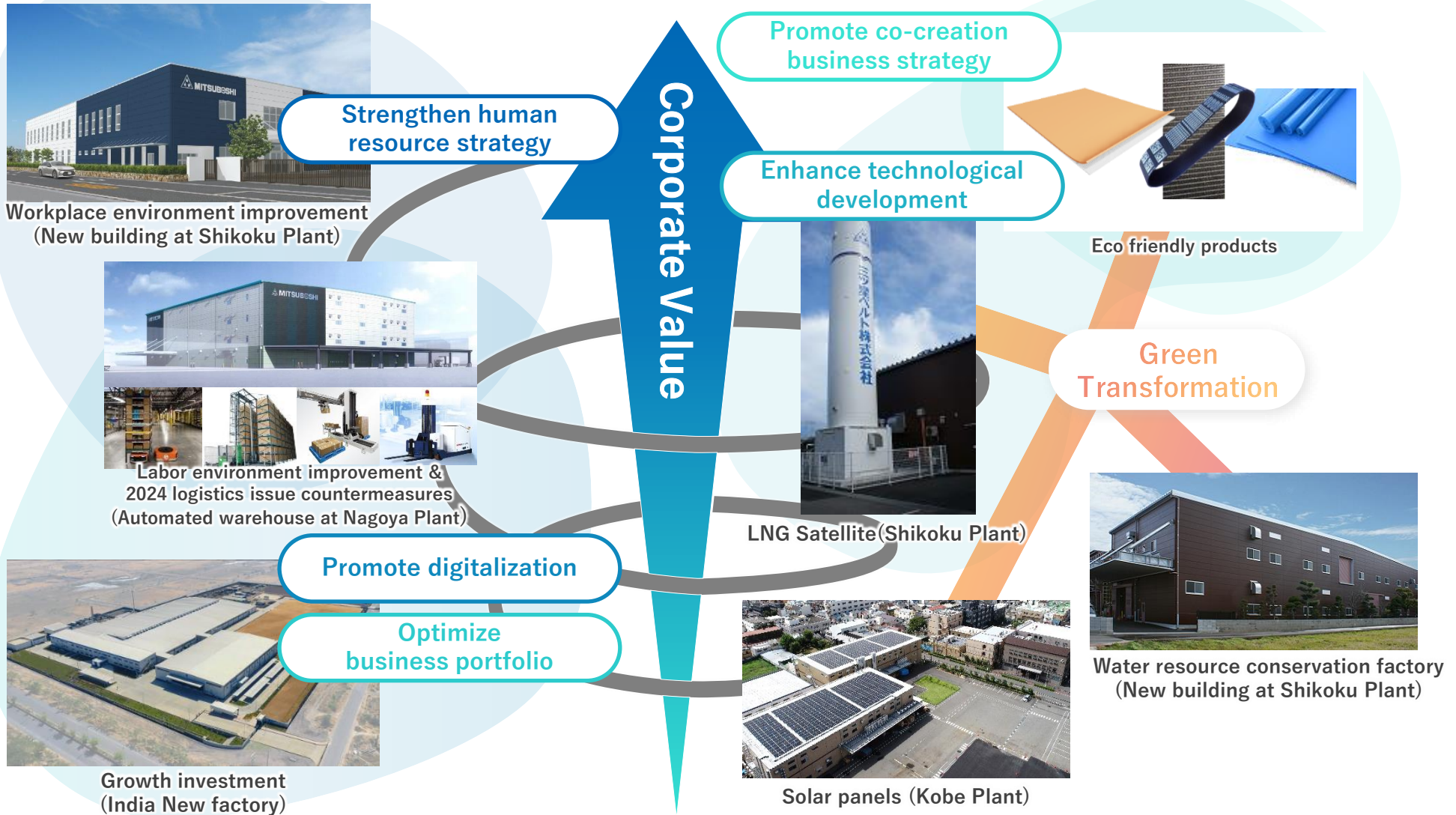
*Based on figures from the emission reduction results of FY2022

Initiatives to Enhance Corporate Value

- Engage in improving profitability and evolving balance sheet management to enhance corporate value



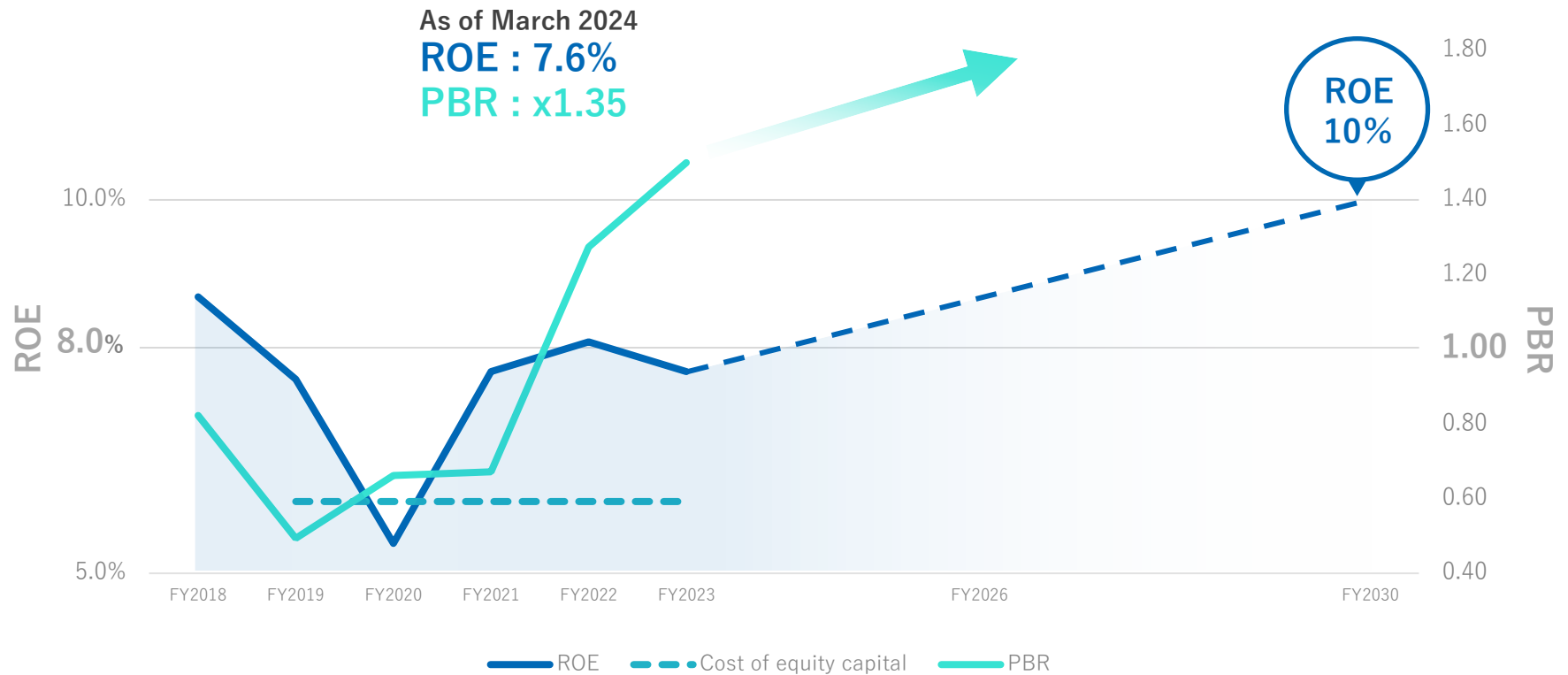
Examples of Initiatives to Enhance Corporate Value



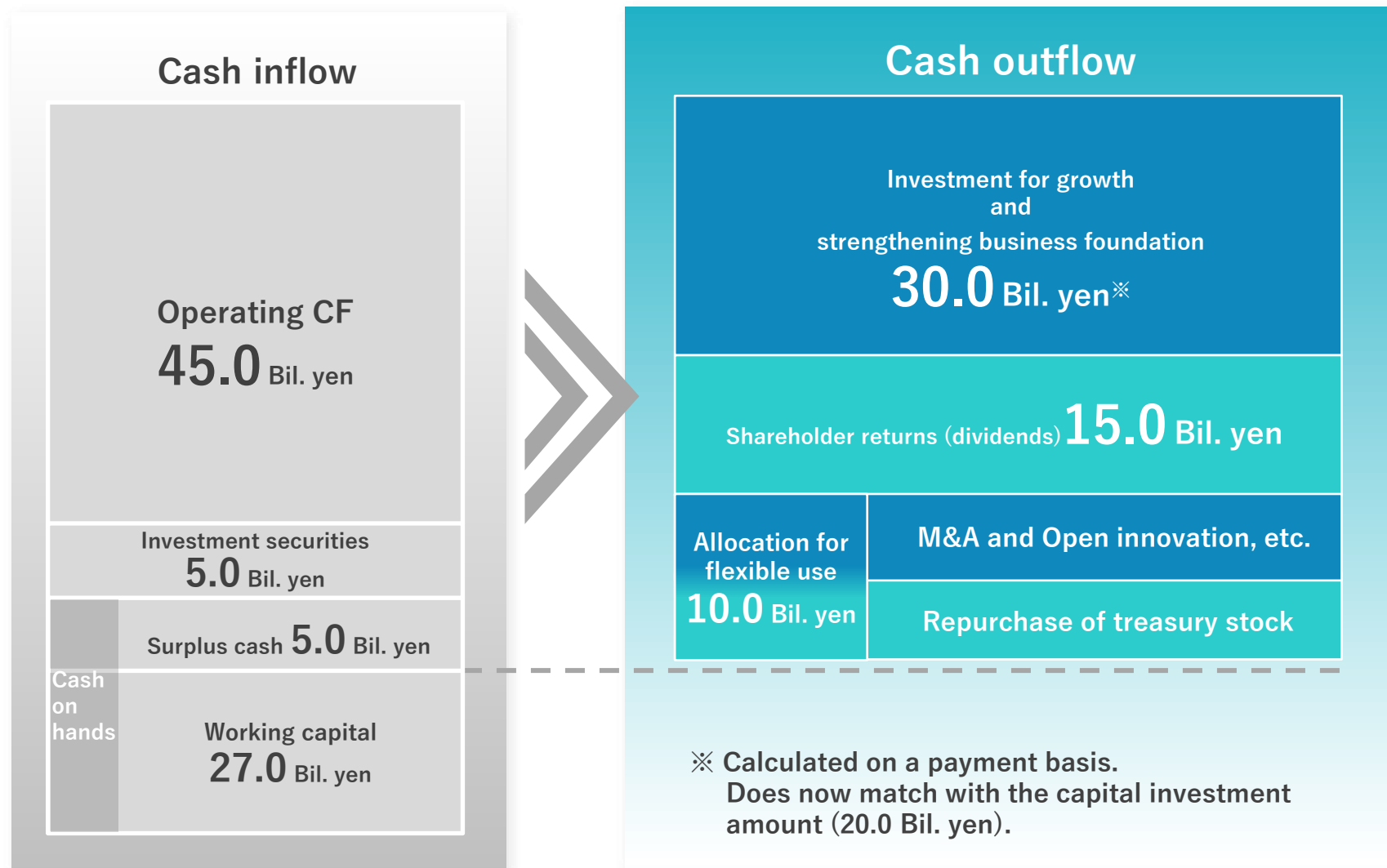
Management conscious of cost of capital and stock prices (ROE > Cost of Equity)

- In May 2022, Mid-Term Business Plan was revised, and management conscious of cost of capital and stock prices.
- Market capitalization increased from 66.0 Bil. yen at the end of March 2022 to 145.2 Bil. yen at the end of March 2024, by 2.2 times in two years.

Changes in ROE · PBR



Cash allocation (FY2024-FY2026)



Basic Policy

Promote Co-creation Business Model focusing on customer value



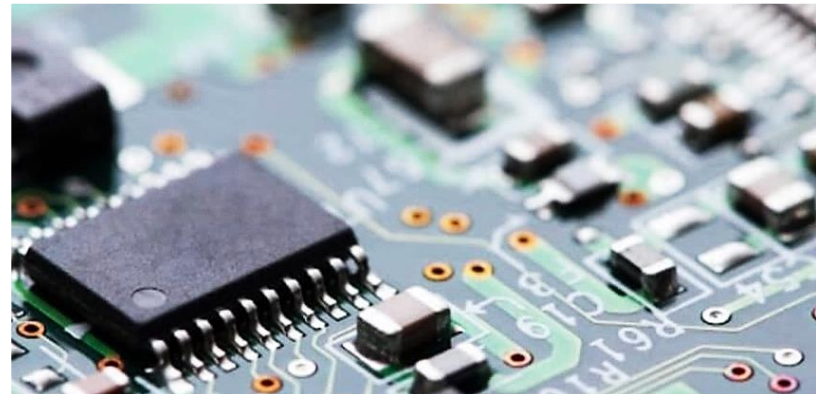
1. Automotive parts



2. Industrial machinery



3. Construction materials



4. Electronic materials, Development products,
and new sectors

1. Automotive parts

- Aim to achieve a sales increase of 10 Bil. yen by expanding sales into electric vehicle compatible products, products for two-wheeled and multi-purpose four-wheeled vehicles, and aftermarket, significantly surpassing the anticipated decrease in sales of approximately 6 Bil. yen due to the halving of production of conventional Internal Combustion Engine (ICE) four-wheeled vehicle in FY 2030 compared to FY 2019.



Strategy



Major Initiatives



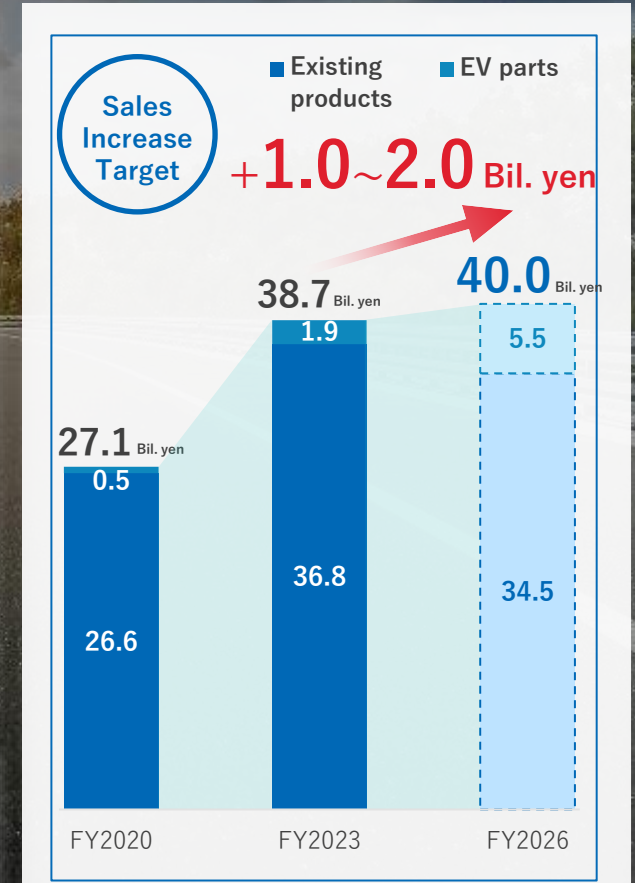
EPS Timing belt



Multi-purpose 4-wheel vehicles

- Respond to electrification
Contribute to environment
- Expand sales to global aftermarket

- Expand sales of high value-added system products for accessory drive(for M-HEVs).
- Expand sales of products for electrification of 4-wheeled vehicle control equipment (EPS, PSD)
- Expand sales of rear-drive products for 2-wheeled vehicles, multipurpose 4-wheeled vehicles, and personal mobility
- Expand sales to overseas 4-wheeled and 2-wheeled vehicle aftermarket, focusing on developing countries



Review of '21 Mid-Term Business Plan

- ✓ In the first half, sales were stagnant due to COVID-19 pandemic and component shortages such as semiconductors.
- ✓ In FY2023, sales increased due to the recovery of automobile production and the growth in sales of products for electric units for four-wheel vehicles. Additionally, the effect of the weaker yen contributed to sales exceeding the target.

2. Industrial machinery

- Aim to enhance our global market share and brand strength by accurately grasping various customer needs and timely engaging product development in the changing socio-economic environment.



Strategy



Major Initiatives



Large-scale agricultural machinery



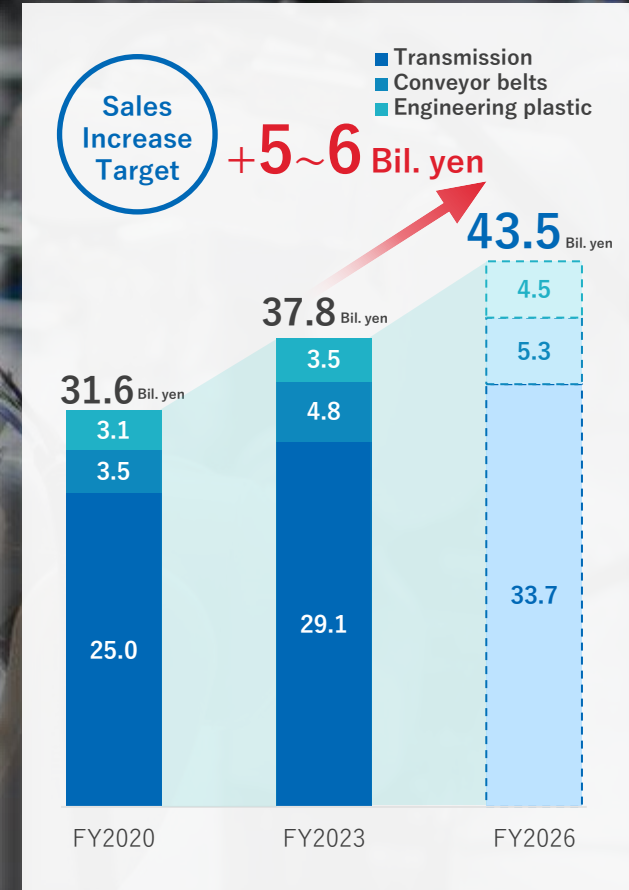
Factory Automation robot

- Support for food businesses/industry
- Respond to labor shortage
- Respond to green transformation
- Respond to energy conservation
- Expand sales in the global aftermarket

- Develop and expand sales of high value-added products for agricultural machinery and food-related industries
- Develop and expand sales of products for robots and logistics equipment
- Develop and expand sales of eco friendly products using biomass-derived, recycled, and other eco friendly materials
- Develop high-efficiency products
- Develop and expand sales of high performance engineering plastic materials, structural foam products as alternatives to metals and other materials
- Expand sales to overseas aftermarket

Review of '21 Mid-Term Business Plan

- ✓ In FY2021 and FY2022, sales grew at a pace exceeding the plan. In FY2023, we faced challenges such as inventory adjustments in belt aftermarket and the impact of China's economic slowdown, resulting in the shortfall of our targets
- ✓ Start the development of eco friendly products for the next generation(targeting general industry, conveyor belts, and engineering plastics)



3. Construction materials

- Contribute to solving societal challenges such as energy conservation and longevity, preservation of the natural environment, and infrastructure development through our products, systems and installation work in the building, in civil engineering waterproofing and water shielding markets.

Strategy

- Respond to improvement of working environment
- Respond to solutions for residential environment issues
- Respond to conservation of the natural environment
- Respond to infrastructure improvement

Major Initiatives

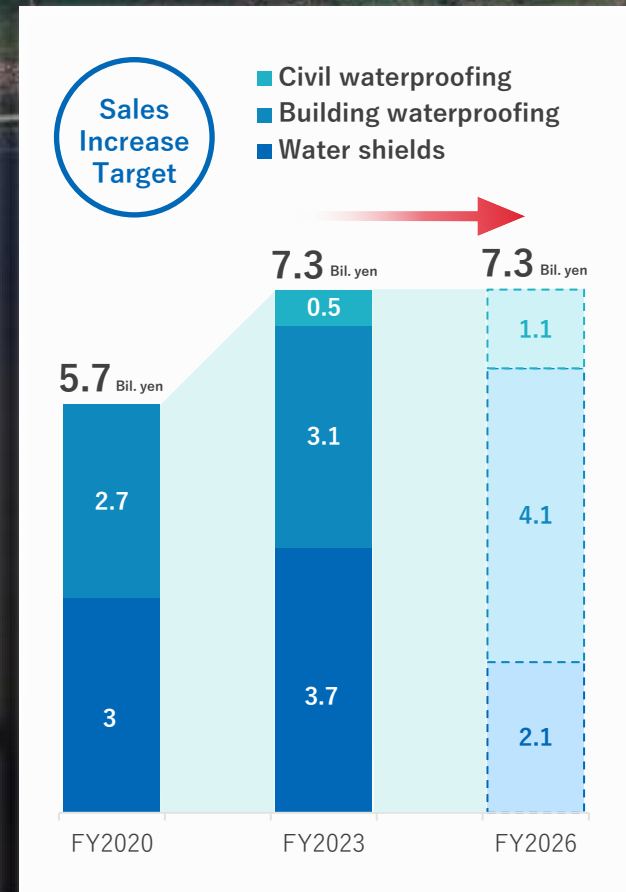
- Develop waterproofing and water shield systems and expand sales of product in response to labor shortages
- Expand sales of energy saving and long-lasting products and systems in the building exterior market
- Undertake water shield installation work for prevention of environmental pollution and expand sales of related products.
- Expand sales of materials for water purification and treatment facilities
- Expand sales to biodiversity protection markets such as biotope, greening promotion
- Expand sales of water shield materials and related products for agricultural reservoirs and river flood control
- Undertake waterproofing works for water and sewage facilities, and road maintenance works



rooftop waterproofing construction



Industrial landfill



Review of '21 Mid-Term Business Plan

- ✓ In civil engineering water shield construction, there was a significant increase due to multiple large-scale projects.
- ✓ The acquisition of the civil waterproofing business and the advance demand resulting from the construction industry issues in 2024 contributed to the sales growth.

4. Electronic materials, Development products, and new sectors

- Consider the new value and societal changes born from digital innovation as business opportunities and will try to provide products that contribute to the advancement of the information and electrification society.
- Accurately grasp customer and market needs, and develop, produce and sell Highly unique electrochemical materials.

Strategy

Electronic materials

- Respond to informatization
- Respond to electrification
- Respond to energy and resource conservation
- Respond to reducing environmental impact

Development products and new sectors

- Create new business by effectively utilizing technological assets

Major Initiatives



Conductive, resistive, and insulation pastes



Metallized substrate products

- Develop and expand sales of metallized substrate products contributing to the advancement of next-generation mobile communication systems.
- Expand sales of various conductive pastes contributing to improvement of thermal management in electronic circuit boards and packages, and to enhancement of performance and reliability of semiconductors and passive electronic components
- Expand sales for unique products and solutions supporting the design and development of applications leading to energy and resource conservation
- Expand sales of silver nanoparticle-based sintering pastes for bonding that contribute to the replacement of lead solder in semiconductor and component mounting



Review of '21 Mid-Term Business Plan

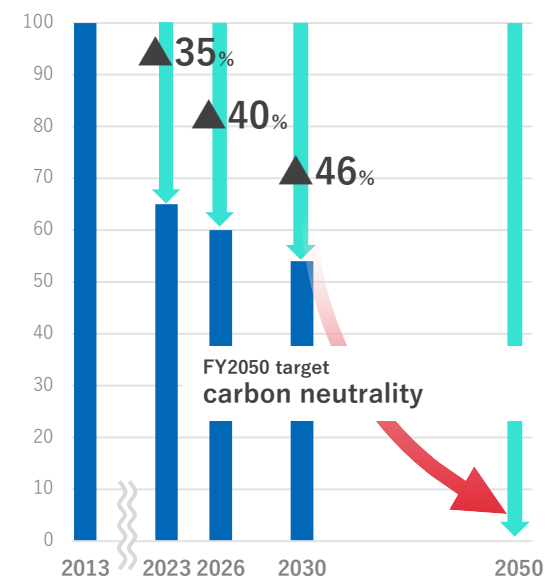
✓ (Electronic materials)

Despite of the unstable demand caused by semiconductor shortages, the impact of China's COVID-19 policies and its economic slowdown, we had the record high sales with the growth areas such as passive electronic components and next-generation mobile communication systems.

Our materiality

	Materiality	Sub Materiality(Challenges to address)
E	Contribution to the realization of a decarbonized society	<ul style="list-style-type: none"> Reduction of GHG emissions (CO2 equivalent, vs FY2013, See right graph)
	Biodiversity Conservation	<ul style="list-style-type: none"> Initiatives for water resources conservation Initiatives for environmental conservation/ environmental pollution prevention
	Establishment of circular society/ Efficient utilization of resources	<ul style="list-style-type: none"> Reduction of waste/Promotion of 3R Development of eco-friendly products
S	Respect for human rights and personality	<ul style="list-style-type: none"> Promotion of human rights due diligence Health management Occupational health & safety management
	Reinforcement of a human resources strategy	<ul style="list-style-type: none"> Promotion of DE&I Implementation of human capital management
G	Improvement of management transparency and prevention of corruption	<ul style="list-style-type: none"> Thorough compliance Enhancement of risk management Improvement of stakeholder engagement

Reduction of GHG (Greenhouse Gas) emissions CO₂emissions



Create a robust corporate governance structure

Implementation period	Initiatives
March 2021	Nomination and Remuneration Advisory Committee established
June 2021	Restricted stock compensation with transfer restrictions introduced (for directors and executive officers)
June 2022	First female Director takes office, at least 1/3 Directors are Outside Directors, Director's term changed from 2 years to 1 year
July 2024 (planned)	Executive compensation system revised to further contribute to the improvement of medium to long-term performance



Note to future-oriented statements

- The forward-looking statements in this document, including performance forecasting, are based on currently available information and assumptions considered reasonable by us and do not guarantee our future financial results. Actual results may differ greatly from the forecast figures depending on various factors.
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