

Revisions to Mid-Term Business Plan (FY2021-FY2023)



mitsuboshi BELTING LTD.

May 13, 2022

Based on our basic philosophy of “To give attentive consideration to both humanity and nature,” the Mitsubishi Belting Group in fiscal 2020 designated concrete initiatives and targets toward the Sustainable Development Goals (SDGs), and during the current fiscal year we have established a Sustainability Promotion Committee and a Sustainability Promotion Department, to contribute to the achievement of a sustainable society by becoming a company that is able to contribute to society through its business activities.

Mitsubishi Belting intends to contribute to the achievement of the SDGs by pursuing technological capabilities and expanding our technological fields to provide products based on our management principle of “high performance, high precision, and high quality,” to respond with flexibility and quickly to society’s needs. We have also set specific reduction targets for CO2 emissions in response to the environmental issue of climate change, and aim to proactively develop initiatives to help resolve various social issues.

We are stepping up our efforts in “Work style reform” to enable all employees to achieve individual work styles that are diverse and flexible, while respecting the human rights of all people in society, and creating workplace environments that can ensure employees’ safety and health.

- I. Review of First Year under Mid-Term Business Plan 2021**
- II. Revisions to Mid-Term Business Plan 2021**
- III. Capital Policies**
- IV. Individual Business Strategies**
- V. Major ESG Initiatives**

Remarks :

The period of the year in the documents is as follows,

FY2021: From APR. 2021 To MAR. 2022

FY2022: From APR. 2022 To MAR. 2023

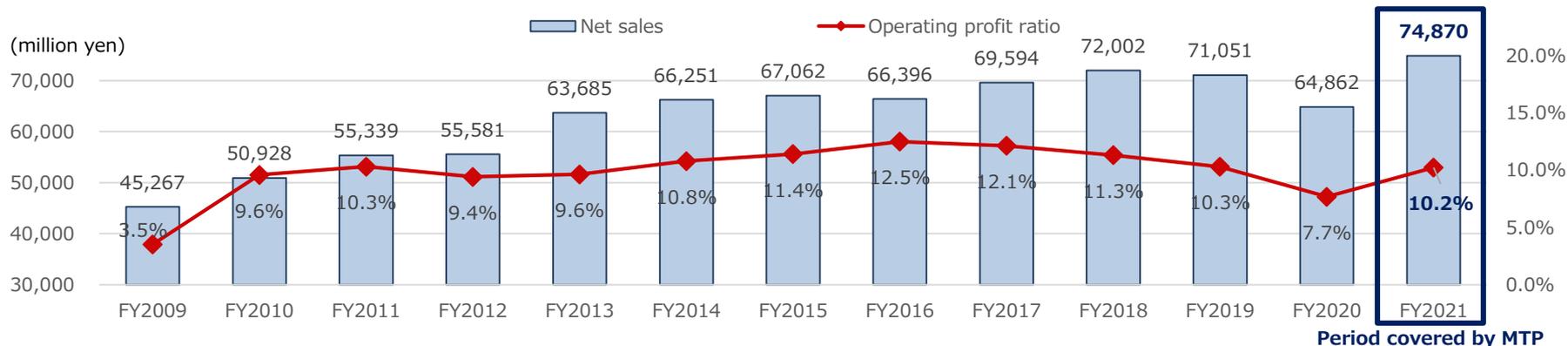
FY2023: From APR. 2023 To MAR. 2024

Review of First Year under Mid-Term Business Plan 2021



Business Results

- In addition to the affect on net sales from shortages of semiconductors, profit was affected by price increases in raw materials and logistics costs, but FY2021 results improved significantly as a result of sales promotion and cost reduction efforts.



Returns to shareholders

- Each index significantly surpassed the target as a result of proactive returns to shareholders in FY2021



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March 2021: 3-year Mid-Term Business Plan announced

- Proactively develop global sales promotion activities, with FY2023 net sales target of 75 billion yen
- FY2021 total return (including treasury share acquisitions) ratio achieved the target (50% on average)
- With the coronavirus pandemic continuing, steadily implement various measures, and **given the recent sharp recovery in social and economic activity, forecasting achievement of FY2023 targets for net sales and operating profit one year early, in FY2022**



May 2022: Numerical targets (KPIs) revised based on “With corona” scenario

- In addition to strengthening sales structure for further growth in business results, working to strengthen returns to shareholders
- Specifically, to reflect the following:
 - (1) Designating FY2022-23 as a period for strengthening foundation for FY2030 “target position”
 - (2) Operating profit target revised
 - (3) Capital policies significantly revised
 - (4) CO2 emission reduction target raised

Establish a strong, resilient corporate structure

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

Profitability	<p>Net sales: 100 billion yen</p> <p>(Existing businesses: 85-90 billion yen New businesses: 10-15 billion yen)</p> <p>Operating profit: 13 billion yen</p>	<ul style="list-style-type: none"> • Strengthen core business structure, further increase profitability • Invest in new growth areas to enable continuous growth <ul style="list-style-type: none"> → Develop environmentally friendly products and strengthen sales structure Develop solutions business M&A, Open innovation
Capital efficiency	<p>ROE: 10%</p>	<ul style="list-style-type: none"> • Strengthen financial position, then pursue higher capital efficiency
Capital investment Shareholder returns	<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 <ul style="list-style-type: none"> → “Toward carbon neutrality by 2050” FY2030 CO2 emission reduction target: 46% from FY2013 • ESG evaluation: Obtain top rank under global criteria

KPIs for FY2023 (final year under MTP)

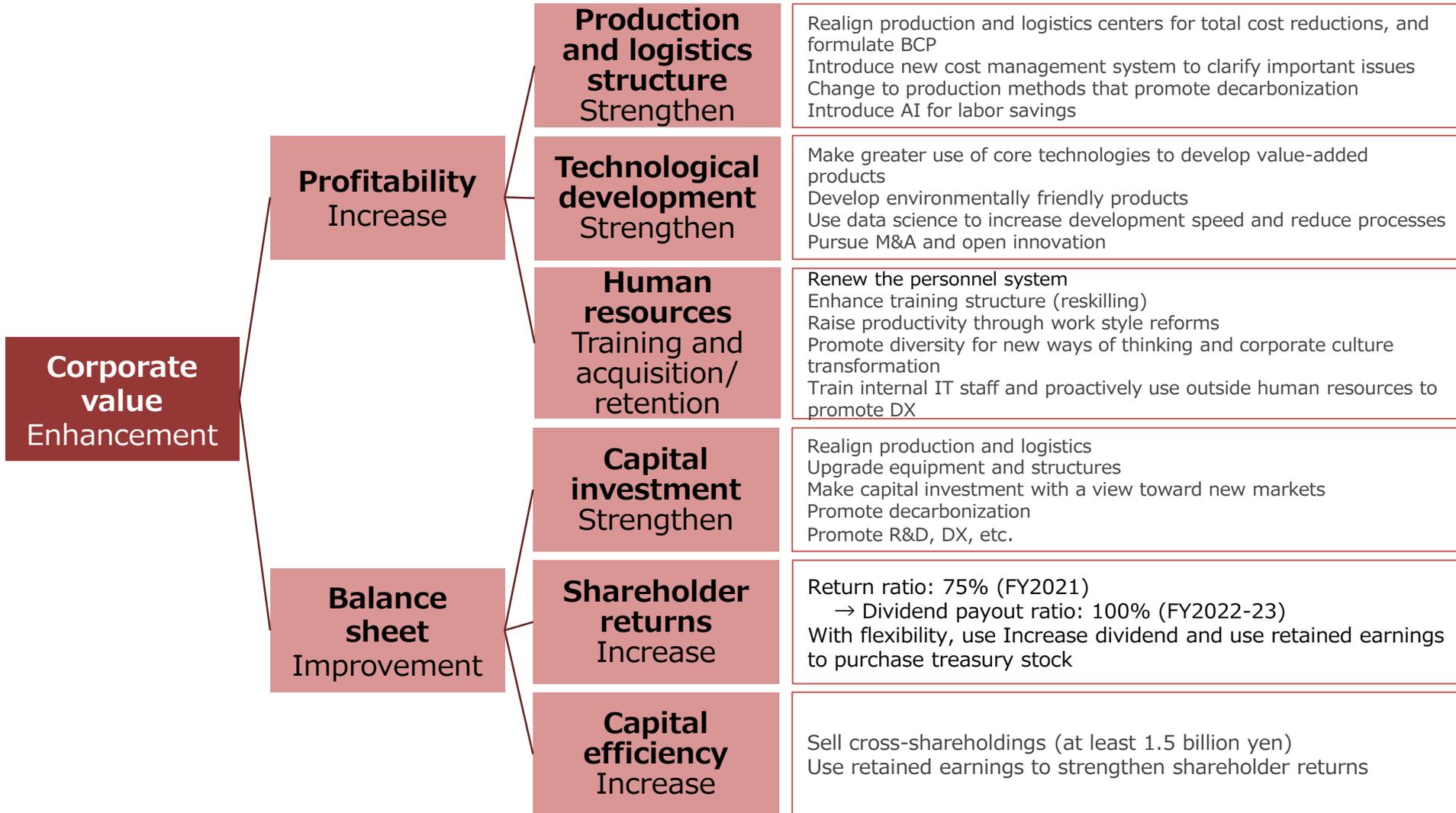
To achieve our FY2030 “target position,” we are using the period until FY2023 as time for strengthening of our foundation, and have set targets for ROE and value of cross-shareholdings sold as new KPIs, and to achieve these, have reset (raised) our “dividend payout ratio” target.

	Before revision	Revised
	<u>FY2023 KPI target</u>	<u>FY2023 KPI target</u>
Profitability	<ul style="list-style-type: none"> • Net sales: 75.0 billion yen • Operating profit: 8.3 billion yen (at least 11%) 	<ul style="list-style-type: none"> • Net sales: 80.0 billion yen • Operating profit: 8.3 billion yen
Capital efficiency	—	<ul style="list-style-type: none"> • ROE: 8% • Value of cross-shareholdings sold: at least 1.5 billion yen (over three years)
Capital investment	3-year capital investment budget: 15.0 billion yen	<ul style="list-style-type: none"> • 3-year capital investment budget: 23.0 billion yen
Shareholder returns	<ul style="list-style-type: none"> • Dividend per share: at least 54 yen (*consolidated payout ratio: 35%) • 3-year average consolidated total return ratio: 50% 	<ul style="list-style-type: none"> • Dividend payout ratio (FY2021): 65% • Dividend payout ratio (FY2022): 100% • Dividend payout ratio (FY2023): 100%
ESG	<ul style="list-style-type: none"> • CO2 emission reduction target: at least 20% vs. FY2013 	<ul style="list-style-type: none"> • CO2 emission reduction target: at least 22% vs. FY2013
Estimated exchange rates	105 yen/USD 115 yen/EUR	115 yen/USD 125 yen/EUR

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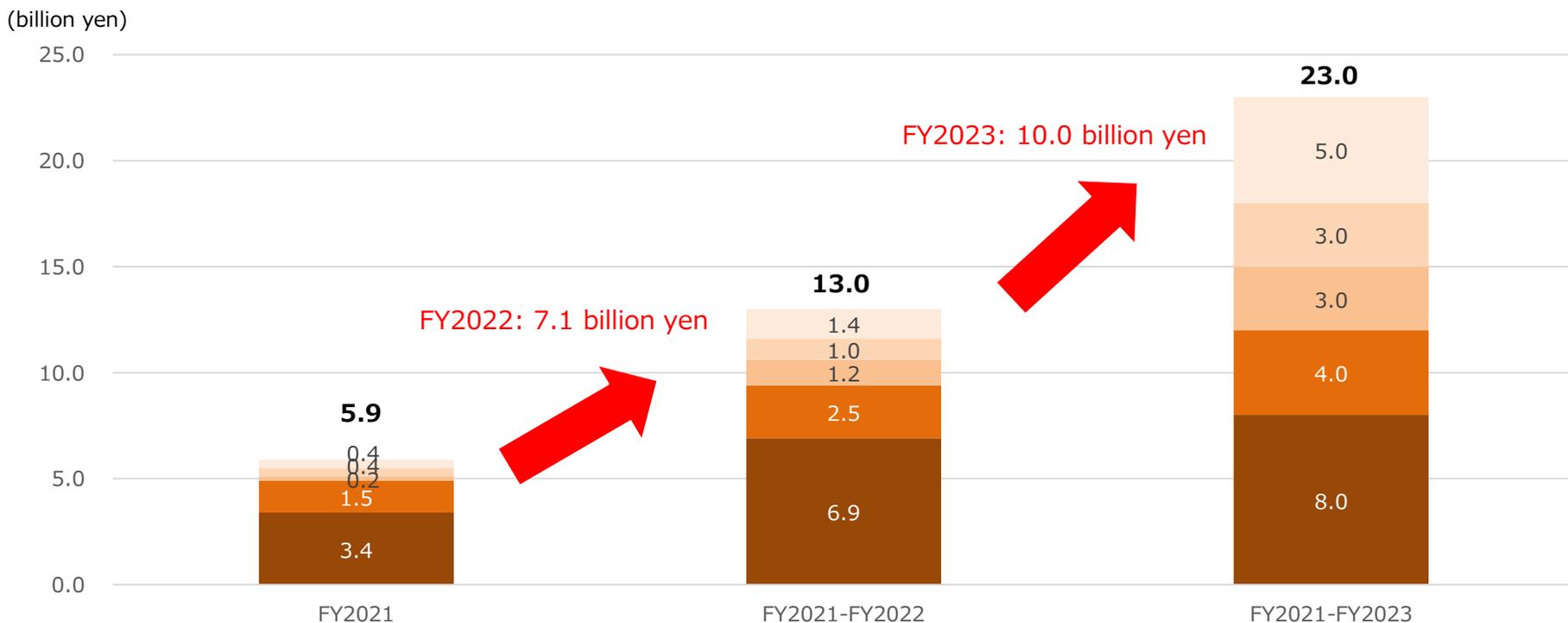
Positioning of capital policies

- Work to increase profitability and improve balance sheet to enhance corporate value
- Work to achieve FY2030 “target position”



Capital investment

- Increased initial 3-year capital investment budget to 23 billion yen from 15 billion yen (8 billion yen increase)



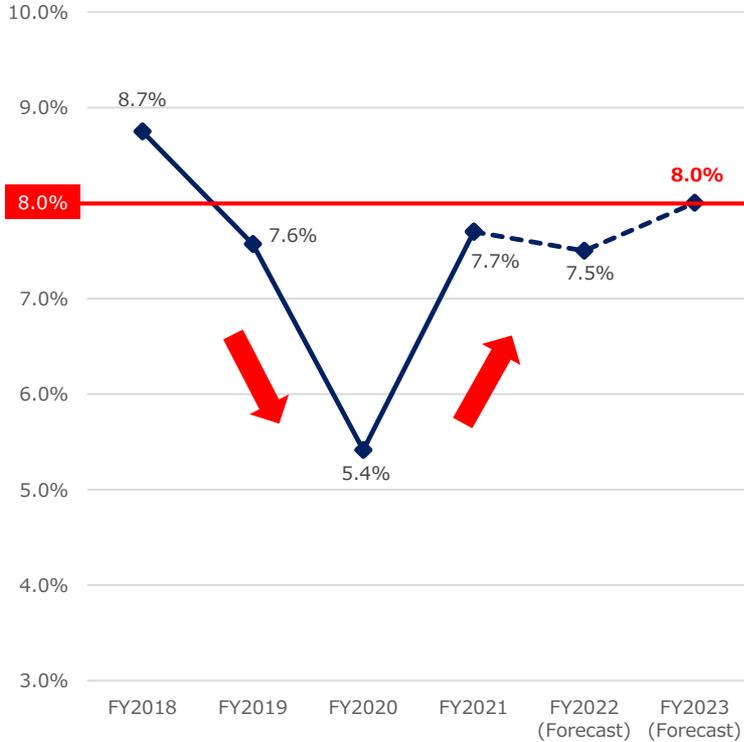
- R&D, DX promotion, human resources investment
- Decarbonization promotion
- Investment for new markets (electric vehicles, agricultural machinery, robots, renewable energy equipment, M&A)
- Equipment and structures upgrades
- Production and logistics realignment

* The above chart shows aggregate investment amounts from FY2021.

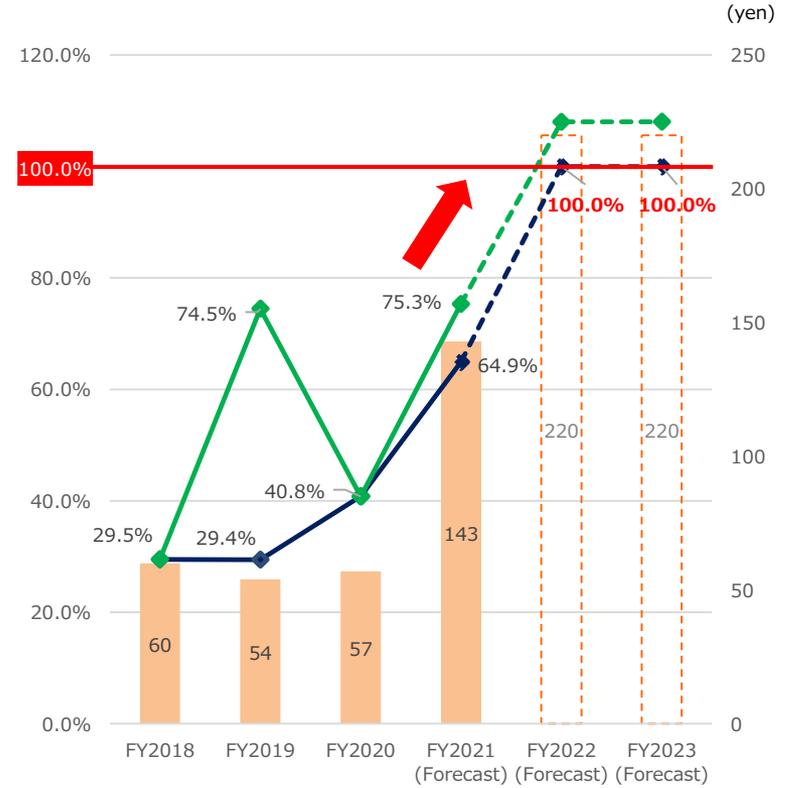
ROE, dividend payout, total return



ROE

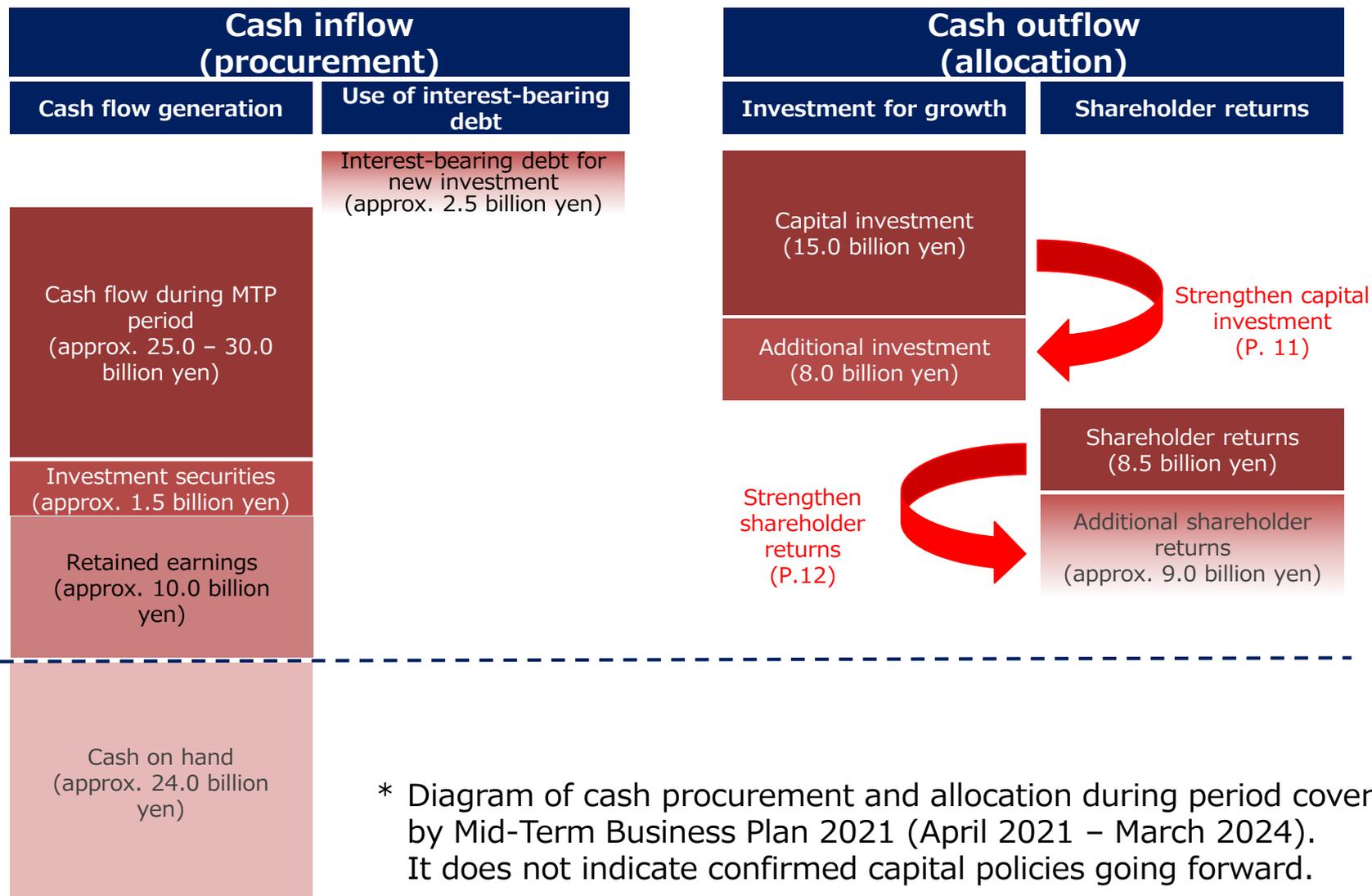


Dividend amount, dividend payout ratio, consolidated total return ratio



- Dividend per share (right axis)
- ◆ Payout ratio (left axis)
- ◆ Consolidated total return ratio (left axis)

Cash procurement and allocation (Image diagram)



* Diagram of cash procurement and allocation during period covered by Mid-Term Business Plan 2021 (April 2021 – March 2024). It does not indicate confirmed capital policies going forward.

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Basic policy

1. Contribute to society by supplying goods of high performance, high precision and high quality.
2. Strengthen environmental initiatives and contribute to the realization of a sustainable society.

1. Automotive industry



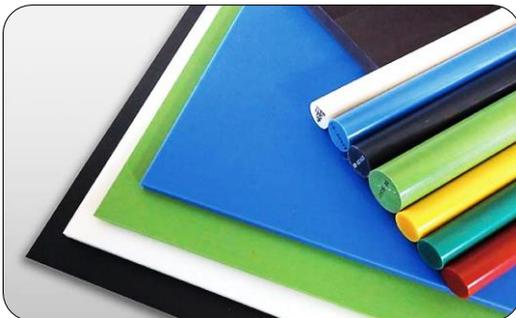
2. General industry



3. Conveyor belts & systems



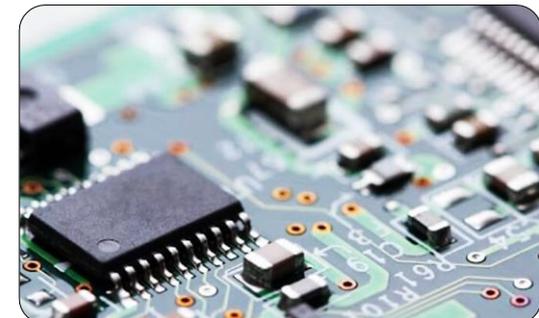
4. Engineering plastics



5. Construction materials



6. Electronic materials & new sectors



1. Automotive industry

- Estimating that production of four-wheeled vehicles with (conventional) internal combustion engines will decline by roughly half on FY2030, and that sales to the automotive industry will decline by roughly 20% (6 billion yen).
To offset this decline in sales by increasing sales of high value-added products for automobiles (mobility) and to growing new markets.

Strategies

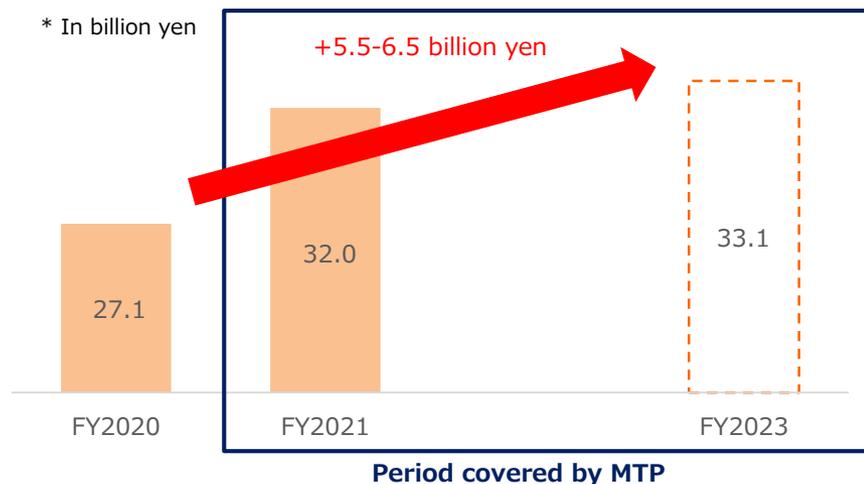
- Respond to electrification (electric vehicles)
- Expand sales to repair market

Specific policies

- Expand sales of high value-added system products for accessory drive for hybrid vehicles
- Expand sales of products for electrification of 4-wheeled vehicle control equipment (EPS, EPB, 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 repair markets, focusing on developing countries

Sales growth target

* In billion yen



EPS timing belt



Multipurpose 4-wheeled vehicles

2. General industry

Strategies

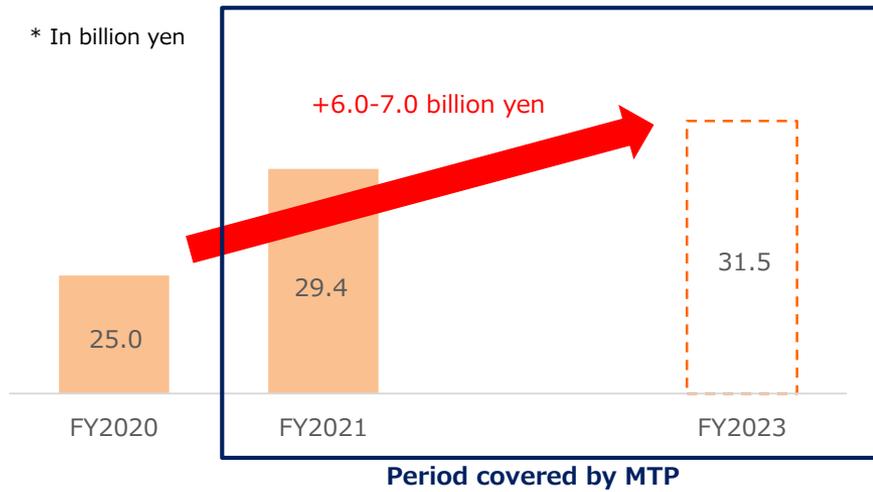
- Support for food businesses/industry
- Respond to automation
- Respond to environmental issues
- Respond to energy savings

Specific policies

- Develop and expand sales of high value-added products for agricultural machinery
- Develop and expand sales of products for robots and logistics equipment
- Expand sales of products to the clean energy market (wind turbines, etc.)
- Develop and expand sales of highly efficient products

Sales growth target

* In billion yen



3. Conveyor belts & systems



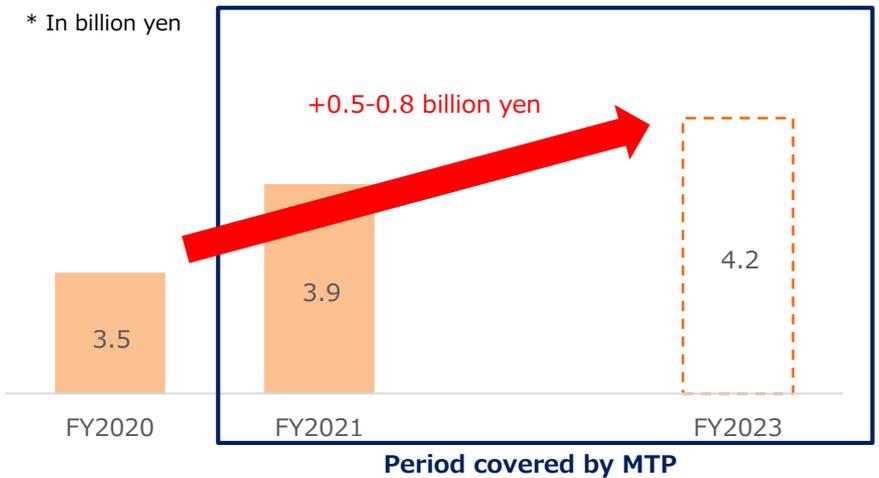
Strategies

- Respond to food safety
- Respond to more efficient logistics
- Respond to environmentally friendly products
- Expand sales to overseas markets
- Develop business solutions using information and telecommunications technologies

Specific policies

- Expand sales of highly functional belts to address hygiene management in the food products industry
- Expand sales of high value-added products to the logistics industry
- Develop products using raw materials that are biomass-derived, recycled, etc.
- Expand sales to SE Asian market
- Provide "Tailor-note" product control web-based application service

Sales growth target



"Tailor-note" product control web-based application service

4. Engineering plastics

Strategies

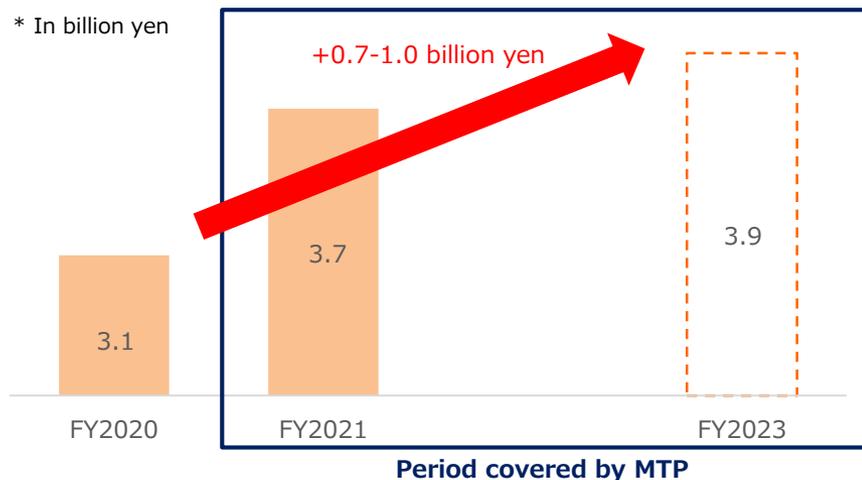
- Respond toward lighter weight and energy savings
- Respond to maintenance reduction
- Respond to shift to functional parts
- Respond to environmental issues
- Respond to food safety

Specific policies

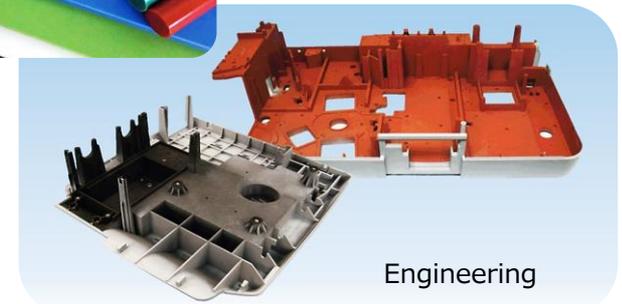
- Develop applications as metal substitute and expand sales to various sectors
- Develop applications and expand sales of high-performance resins
- Increase sales of frameless structures and base parts using engineering structural foams
- Develop products that are bio-based and recyclable
- Expand sales of high-performance resin materials for hygiene control in the food products industry

Sales growth target

* In billion yen



Various high-performance resins



Engineering structural foams

5. Construction materials

Strategies

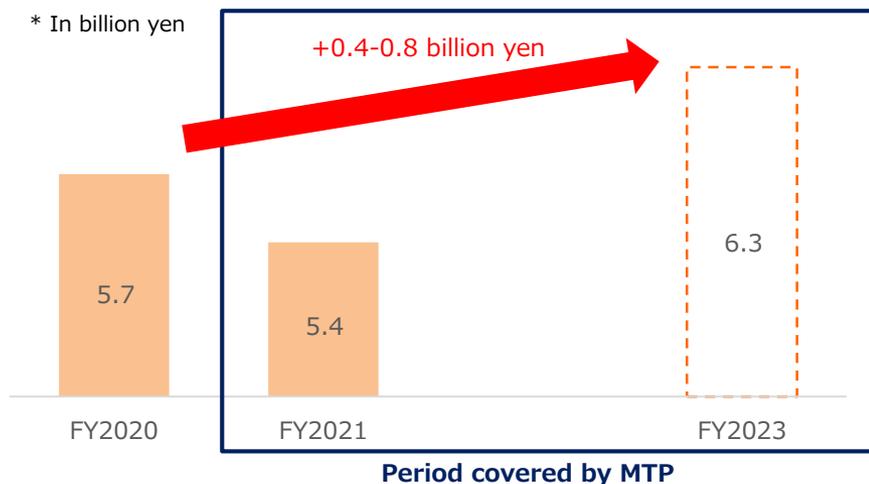
- Respond to preservation of water resources
- Respond to protection of natural environment
- Extend life of buildings

Specific policies

- Expand sales to waste material and polluted soil disposal site and seepage control construction market
- Expand sales to agricultural reservoir construction and repair market
- Expand sales to river disaster prevention and mitigation market
- Expand sales to biotope, afforestation, and biodiversity preservation market
- Expand sales to building roof/rooftop waterproofing market

Sales growth target

* In billion yen



Rooftop waterproofing



Seepage control system for final disposal site

6. Electronic materials & new sectors

Strategies

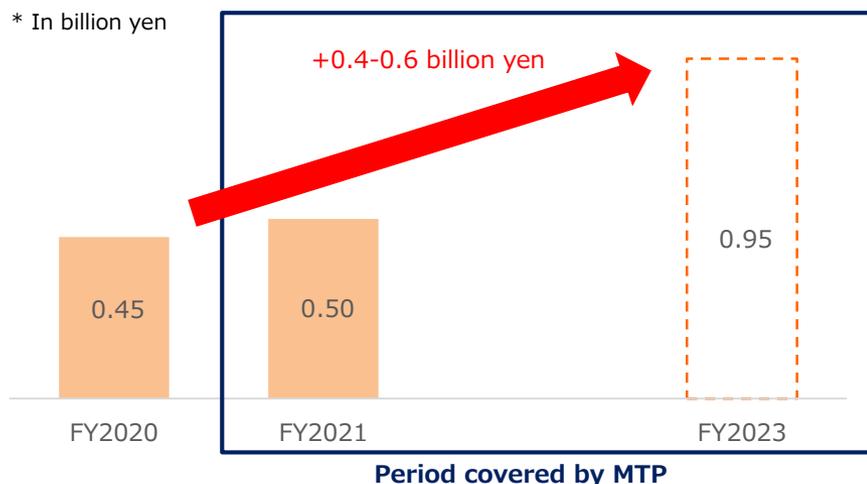
- Respond to moves toward energy savings and clean energy
- Respond to moves toward informatization, electrification, and automation

Specific policies

- Expand sales of metal nanoparticles to mobility and mobile equipment markets
- Expand sales of high-performance substrates to solar power generation, power source, and power supply equipment markets
- Expand sales of high-performance substrates to high-speed, high-capacity telecommunications, and mobility markets
- Expand sales of conductive, resistant, and insulating pastes to semiconductor and electronic component industries

Sales growth target

* In billion yen



Silver nanoparticle

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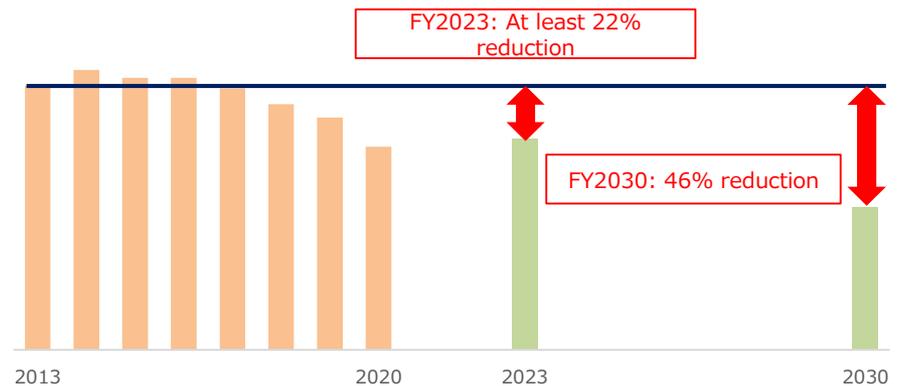
Initiatives to create a robust corporate governance structure

Time		Initiatives
Nov.	2000	Mitsubishi Belting Fureai Council, a volunteer organization comprising Group employees, formed to promote town development where residents and businesses coexist
Oct.	2003	Executive Officer system introduced
May	2015	Risk Management Committee and Compliance Committee established
June	2020	Work Style Reform Promotion Committee established
Dec.	2020	Specific SDG initiatives formulated
March	2021	Nomination and Remuneration Advisory Committee established
April	2022	Sustainability Promotion Committee and Sustainability Promotion Department established (Sustainability Promotion Committee comprises Management Council members and is chaired by President)
June	2022	First female Director takes office (at least 1/3 of Directors are Outside Directors)
Oct.	2022	Plan to formulate materiality

Formulation of medium- to long-term targets for carbon neutrality by 2050

We have set the following numerical CO2 emission reduction targets (vs. FY2013)

- FY2023: At least 22%
- FY2030: 46%





**To give attentive consideration
to both humanity and nature**