

FY2022 Financial Results

May 19, 2023

- 1. FY2022 Summary of Consolidated Financial Results**
- 2. FY2023 Full-Year Forecast**
- 3. Medium-Term Management Plan (FY2023-FY2025)**

Summary

FY2022 Financial Results Summary

- Due to a moderate recovery in production volume and foreign exchange impacts, **sales, operating profit (OP), and recurring profit (RP) reached record highs**
(Sales: 321.7 billion yen, OP: 34.4 billion yen, RP: 37.8 billion yen)
- With the increase in profits, dividend **increased by 2 yen per share**
(from 62 yen/share to 64 yen/share)

FY2023 Full-year Forecast

- **Sales and profits are expected to increase despite assumptions for a strong yen (125 yen to the dollar)**
- Operating profit is expected to reach a record high following FY2022 and we are also aiming to improve operating profit margin.

Mid-term Management Plan

- **Target 40 billion yen in operating profit through continued growth in installed value per vehicle, cost reduction and fixed cost control**
 - FY2025 target: 345 billion yen in sales, 40 billion yen in OP
 - ROIC 15%

- 1. FY2022 Summary of Consolidated Financial Results**
2. FY2023 Full-Year Forecast
3. Medium-Term Management Plan (FY2023-FY2025)

1. FY2022 Summary of Consolidated Financial Results (Full-Year)

Full year sales and operating profits both reached record highs

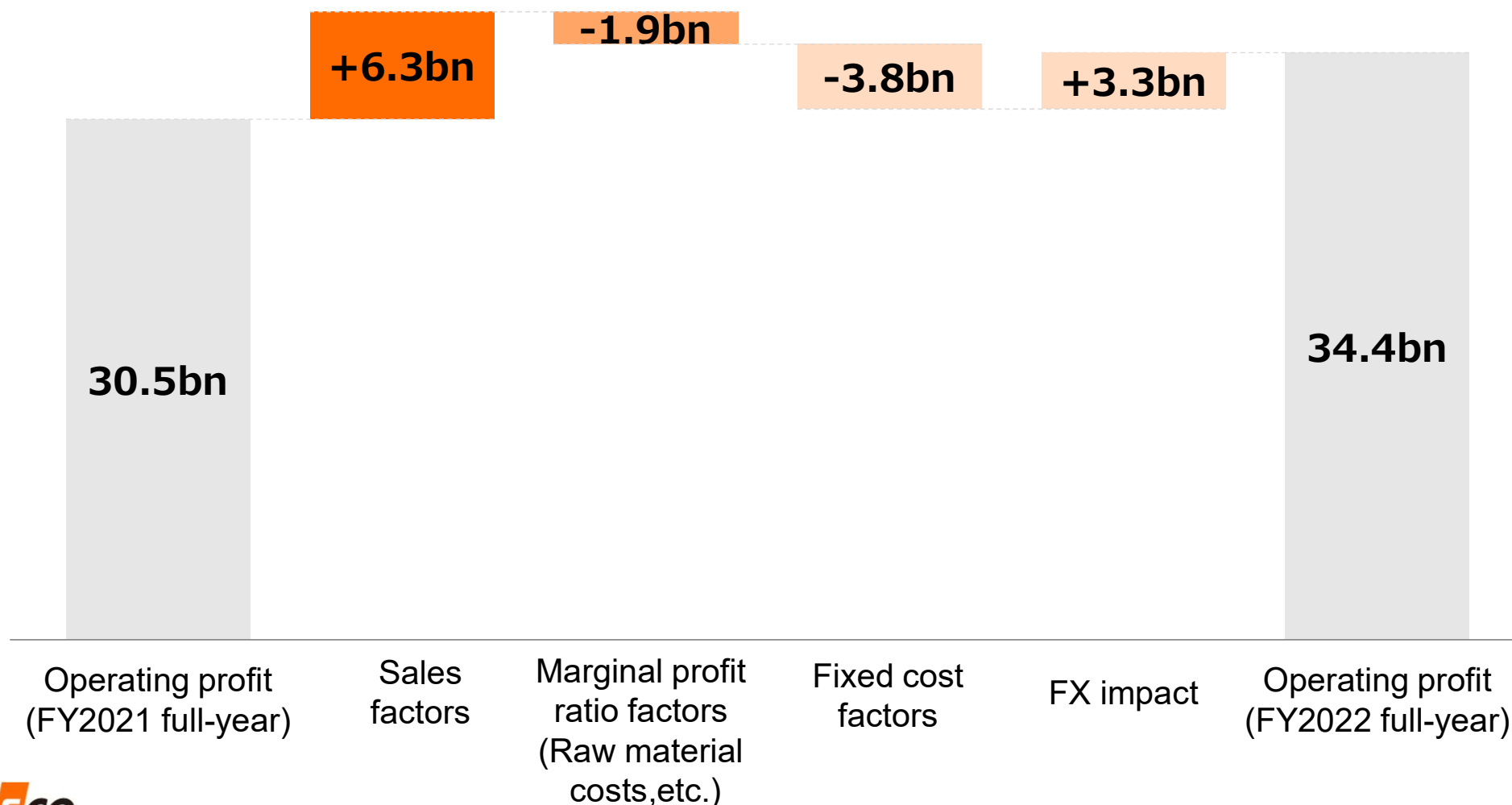
- Double-digit year-on-year growth in both sales and operating profit
- Net income decreased due to one-time extraordinary losses (Nifco Chongqing liquidation loss, KTW America impairment loss, etc.)

	FY2020	FY2021	FY2022	
	Full-Year	Full-Year	Full-Year	YoY
Net Sales	256.0bn	283.7	321.7bn	+13.4%
OP (OPM)	27.6bn (10.8%)	30.5bn (10.7%)	34.4bn (10.7%)	+12.8% (-0.0%pts)
Net income	18.4bn	22.9bn	21.1bn	-7.8%
EPS	181.09yen	227.27yen	211.28円	-7.0%
ROE	10.7%	12.3%	10%	-2.3%pts
ROIC	10%	11.8%	13.1%	+1.3%pts
FX rates	1USD=JPY106.7 1EUR=JPY121.8	1USD=JPY109.9 1EUR=JPY129.9	1USD=JPY131.6 1EUR=JPY138.1	1USD=JPY+21.7 1EUR=JPY+8.2

2. FY2022 Consolidated Operating Profit (YoY Comparison)

Operating profit increased 10% YoY due to a sales rebound from Covid impacts

- 3.9 billion yen year-on-year increase in profits as a result of a boost in sales owing to production recovery and yen depreciation
- Fixed costs increased due to wage hikes overseas along with other factors but were appropriately controlled



3. FY2022 Q4 Cumulative Net Sales by segment

Achieved year-on-year revenue growth in all regions

- Though the FX impact is significant, excluding this factor still resulted in an increase in net sales year-on-year

	FY2021 (Full-Year)	FY2022 (Full-Year)	YoY	Major Factors of Change
Consolidated	283.7bn	321.7bn	+13.4%	FX impact:+24.6bn
Plastics	254.0bn	288.7bn	+13.7%	
Japan	73.7bn	77.4bn	+5.0%	Increase of automotive production
North America	58.5bn	71.4bn	+22.1%	Yen depreciation Production recovery of Japanese OEMs
Europe	35.0bn	37.7bn	+7.7%	Market recovery is weak
Asian	86.8bn	102.2bn	+17.8%	Strong performance
China	29.7bn	33.2bn	+11.7%	Lockdown in Q2 impacted, but recovered afterwards
Bed	29.7bn	33.0bn	+11.1%	Consumer sales are strong even with the Covid disaster

4. FY2022 Q4 Cumulative OP by segment

Achieved year-on-year profit growth in all regions except Europe

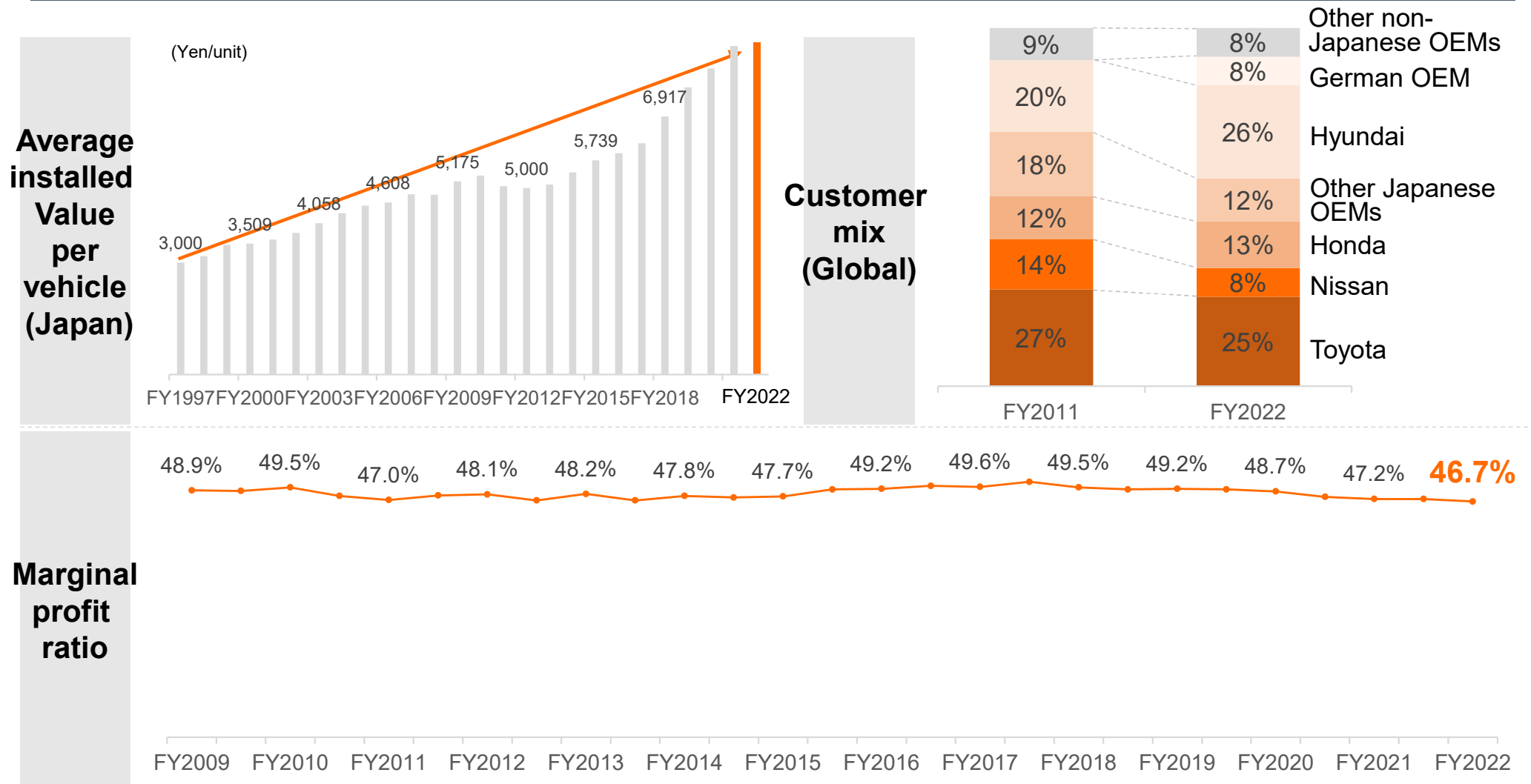
- Profit growth varied by region
- Though the FX impact is significant, excluding this factor still resulted in a slight increase in OP year-on-year

	FY2021 (Full-Year)	FY2022 (Full-Year)	YoY	Major Factors of Change
Consolidated	30.5bn (10.7%)	34.4bn (10.7%)	+12.8%	FX impact: +3.3bn
Plastics	30.1bn (11.9%)	34.0bn (11.8%)	+12.9%	
Japan	11.6bn (15.8%)	12.4bn (16.1%)	+6.5%	
North America	1.1bn (2.0%)	2.7bn (3.7%)	+131.1%	KTW America's turnaround is delayed
Europe	2.1bn (6.1%)	0.8bn (2.1%)	-63.5%	Struggle with cost inflation
Asian	15.2bn (17.5%)	18.2bn (17.8%)	+19.6%	Strong performance
China	4.8bn (16.2%)	5.5bn (16.5%)	+13.5%	
Bed	5.6bn (18.9%)	5.9bn (17.8%)	+5.7%	Maintain high profitability

5. Customer base (average installed value per vehicle and customer mix)

Increase in average installed value per vehicle and customer diversification.

- Average installed value per vehicle continues to increase in the current fiscal year with a wide range of customers including Japanese OEMs, Korean OEMs, European OEMs, etc.
- Marginal profit ratio remains in the upper 40% range. Currently declining due to increased material costs.



6. CAPEX and Depreciation

Focus on cashflow oriented management

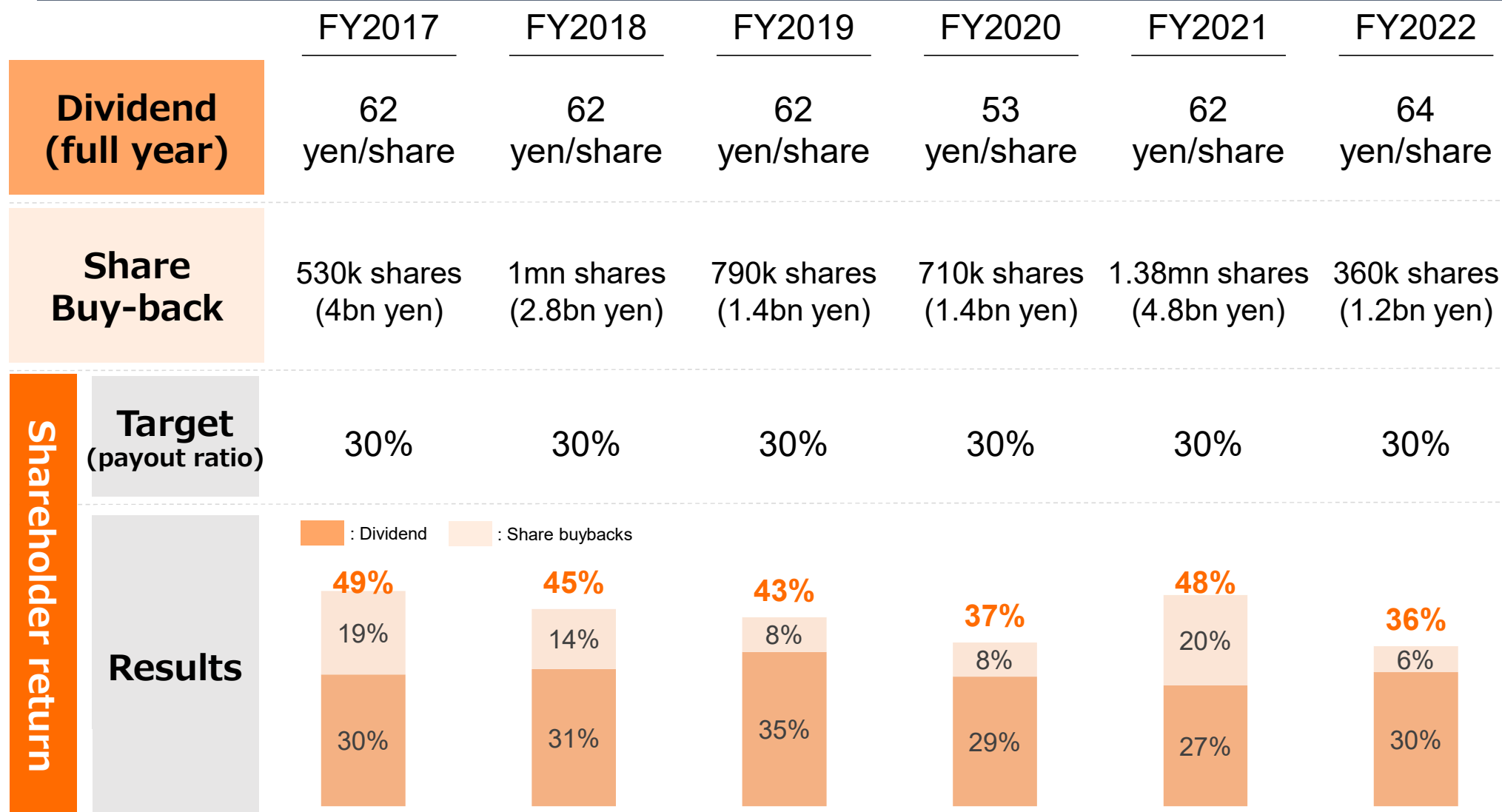
- Free cash flow slightly exceeded the initial plan
- Cash and deposits at end of the fiscal year increased; plans to repay borrowings from cash and deposits on hand in FY2023

	<u>FY2021(Full-Year)</u>	<u>FY2022(Full-Year)</u>	<u>Change</u>	<u>Plan(FY2022)</u>
CAPEX	8.9bn	8.9bn	-	13.1bn
Depreciation	12.8bn	13.7bn	+0.9bn	13.0bn
R&D	2.9bn	3.7bn	+0.8bn	2.8bn
Operating CF	31.7bn	37.2bn	+5.5bn	38.4bn
Investment CF	-9.4bn	-11.5bn	-2.1bn	-13.1bn
Free CF	22.3bn	25.7bn	+3.4bn	25.3bn
Financial CF	-13.5bn	-17.4bn	-3.9bn	-14.7bn
Cash equivalent balance	109.9bn	122.2bn	+12.3bn	119.9bn

7. Shareholder Returns

Continued to implement flexible share buybacks in addition to dividend payouts

- Implemented dividend payout ratio at approximately 30%
- In addition, by flexibly and continuously conducting share buybacks, we will continue to return profits to shareholders that exceed the dividend payout targets (two share buybacks were conducted in FY2022).



1. FY2022 Summary of Consolidated Financial Results
- 2. FY2023 Full-Year Forecast**
3. Medium-Term Management Plan (FY2023-FY2025)

8. FY2023 Full-Year Forecast

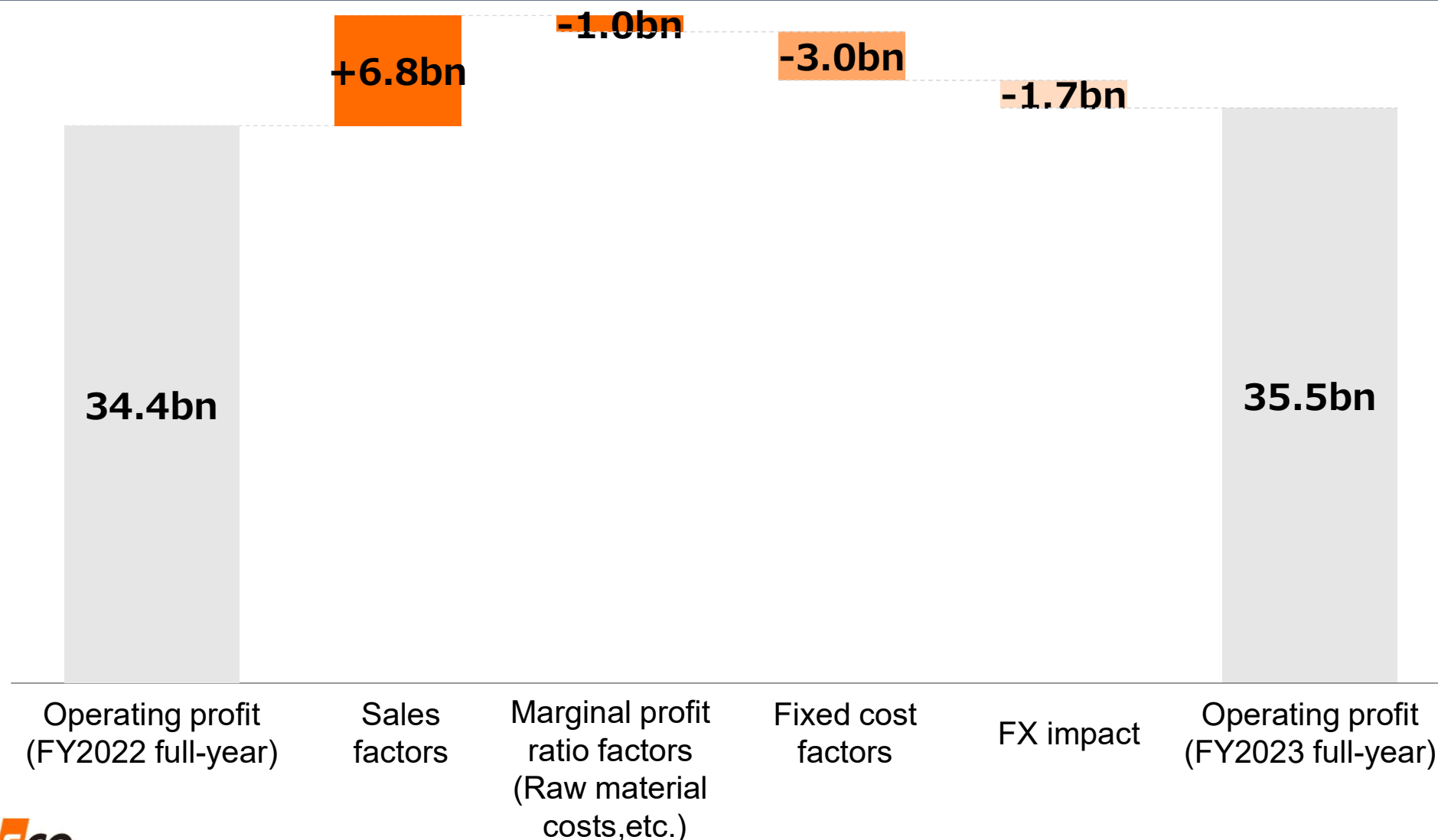
Aim for record-high sales and operating profits

- Although the yen is expected to appreciate relative to FY2022 foreign exchange actuals (US\$1=125 yen), sales and operating profits are still expected to increase due to a growth in installed value per vehicle, progress in production recovery, and thorough cost control.

	FY2021	FY2022	FY2023 Forecast	
	Full-Year	Full-Year	Full-Year	YoY
Net sales	283.7bn	321.7bn	322.5bn	+0.2%
OP (OPM)	30.5bn (10.7%)	34.4bn (10.7%)	35.5bn (11.0%)	+3.1% (+0.3%pts)
Net income	22.9bn	21.1bn	21.2bn	+0.1%
EPS	227.2yen	211.28yen	212yen	+0.5%
ROE	12.3%	10%	9.4%	-0.6%pts
ROIC	11.8%	13.1%	13.9%	+0.8%pts
FX rate	1USD=JPY109.9 1EUR=JPY129.9	1USD=JPY131.6 1EUR=JPY138.1	1USD=JPY125 1EUR=JPY135	1USD= JPY-6.6 1EUR= JPY-3.5

Sales and profits are expected to increase despite assumptions for a strong yen (125 yen to the dollar)

- Increase in installed value per vehicle and recovery in production of automobiles will drive profit growth.
- Fixed costs are expected to increase due to recovery in production, but thorough management of fixed cost will continue.



10. FY2023 Full-Year Forecast (by segment)

Enhance profitability by reforming Europe and U.S. bases

- Focus on improving profitability by reforming the previously underperforming European and U.S. bases
- Enhance profitability through company-wide cost reductions and thorough fixed cost control

	FY2022(Full-Year)		FY2023 Forecast		YoY	
	Net sales	OP (OPM)	Net sales	OP (OPM)	Net sales	OP (OPM)
Consolidated	321.7bn	34.4bn (10.7%)	322.5bn	35.5bn (11.0%)	+0.2%	+3.1% (+0.3%pts)
Plastics	288.7bn	34.0bn (11.8%)	289.5bn	34.9bn (12.1%)	+0.3%	+2.5% (+0.3%pts)
Japan	77.4bn	12.4bn (16.1%)	80.5bn	14.0bn (17.4%)	+4.0%	+12.7% (+1.3%pts)
North America	71.4bn	2.7bn (3.7%)	73.0bn	3.0bn (4.1%)	+2.2%	+12.4% (+0.4%pts)
Europe	37.7bn	0.8bn (2.1%)	36.0bn	1.2bn (3.3%)	-4.6%	+53.8% (+1.3%pts)
Asia	102.2bn	18.2bn (17.8%)	100.0bn	16.7bn (16.7%)	-2.1%	-8.1% (-1.1%pts)
China	33.2bn	5.5bn (16.5%)	31.0bn	4.5bn (14.5%)	-6.7%	-17.8% (-1.9%pts)
Bed	33.0bn	5.9bn (17.8%)	33.0bn	6.0bn (18.2%)	-0.1%	+2.0% (+0.4%pts)

Respond diligently by utilizing our strengths in a diverse customer mix and fixed cost control

- Respond appropriately to labor market shortages by improving retention rate, automation, etc.
- Reduce risk by group-wide coverage through such businesses as the bed business

	Risk factor	Situation / Response
Demand	<ul style="list-style-type: none">• Change in OEM market share due to a shift to EVs, etc. (Shifting to EVs is a “tailwind” for the company)• Delayed recovery in automobile production	<ul style="list-style-type: none">• Mitigate risk through diverse customer mix• Control fixed cost appropriate to the situation
Supply	<ul style="list-style-type: none">• Response to increased production when automobile production recovers• Tight labor market continues	<ul style="list-style-type: none">• Ensure production capacity for increased production• Improve retention rate• Introduce automation
Cost	<ul style="list-style-type: none">• Soaring raw material costs• Surge in other costs (logistics, labor, etc.)	<ul style="list-style-type: none">• Promote price optimization initiatives• Thoroughly reduce expenses and control fixed cost

12. Capital investment and depreciation

Allocation of funds with emphasis on cashflow-oriented management

- Plans to make balanced capital investments in a timely manner
- Cash and deposits at the end of FY2023 are expected to be the same amount as at the end of FY2022.

	<u>FY2022(Full-year)</u>	<u>YF2023(Plan)</u>	<u>Change</u>
CAPEX	8.9bn	13.3bn	+4.4bn
Depreciation	13.7bn	13.8bn	+0.1bn
R&D	3.7bn	3.6bn	-0.1bn
Operating CF	37.2bn	36.0bn	-1.2bn
Investment CF	-11.5bn	-13.3bn	-1.8bn
Free CF	25.7bn	22.7bn	-3.0bn
Financial CF	-17.4bn	-19.5bn	-2.1bn
Cash equivalent balance	122.2bn	124.2bn	+2.0bn

13. Shareholder returns

Dividends to remain the same as the previous year. Consider flexible buybacks

- Dividend will be maintained at 64 yen, the same with FY2022 (payout ratio 30%)
- Share buybacks will continue to be considered flexibly in FY2023 as well

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023e
Dividend (full-year)	62 yen/share	62 yen/share	53 yen/share	62 yen/share	64 yen/share	64 yen/share (plan)
Share Buy-back	100mn shares (2.8bn yen)	790k shares (1.4bn yen)	710k shares (1.4bn yen)	1.38mn shares (4.8bn yen)	360k shares (1.2bn yen)	N/A
Target (payout ratio)	30%	30%	30%	30%	30%	30%
Shareholder return	<div> <div></div> : Dividend <div></div> : Share buybacks </div>					
Results	<div> <div>45%</div> <div>14%</div> <div>31%</div> </div>	<div> <div>43%</div> <div>8%</div> <div>35%</div> </div>	<div> <div>37%</div> <div>8%</div> <div>29%</div> </div>	<div> <div>48%</div> <div>20%</div> <div>27%</div> </div>	<div> <div>36%</div> <div>6%</div> <div>30%</div> </div>	

1. FY2022 Summary of Consolidated Financial Results
2. FY2023 Full-Year Forecast
- 3. Medium-Term Management Plan (FY2023-FY2025)**

14. Medium-Term Management Plan

Set annually when there are changes in targets and strategies for the next three years, taking into account changes in the business environment and other factors

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

Formulated	Applicable period	rolling				
		FY2021	FY2022	FY2023	FY2024	FY2025
FY2021	FY2021~2023	Medium-term target (FY2023) (Sales, Profit, ROE, ROIC, etc.)				
FY2022	FY2022~2024	Medium-term target (FY2025) (Sales, Profit, ROE, ROIC, etc.)				
FY2023	FY2023~2025	Medium-term target (FY2024) (Sales, Profit, ROE, ROIC, etc.)				

15. Numerical Targets for FY2025

Target 40bn yen OP through continued growth in installed value per vehicle and improvement in profit margins

	FY2022	FY2023	FY2025	
	Results	Forecast	Target	Vs FY2022
Net sales	321.7bn	322.5bn	345.0bn	+7.2%
OP	34.4bn	35.5bn	40.0bn	+16.1%
OPM	10.7%	11.0%	11.6%	+0.9%pts
Net income	21.1bn	212.2bn	28.0bn	+32.3%
ROE	10%	9.4%	13%	+3.0%pts
ROIC	13.1%	13.9%	15%	+1.9%pts
Operating CF (3-year total)	108.9bn	105.0bn	115.0bn	+5.6%
Estimated FX rate	1USD=JPY131.6 1EUR=JPY138.1	1USD=JPY125 1EUR=JPY134.6	1USD=JPY125 1EUR=JPY135	

Production volume normalizes but cost continues to remain concerning

Net sales

- Covid-19, supply chain issues, geopolitics, and other influences have subsided and **automobile production has normalized**
- **Growth of installed value per vehicle with EV focused product development, etc.**
- New business development is actively pursued but not included in sales and profits

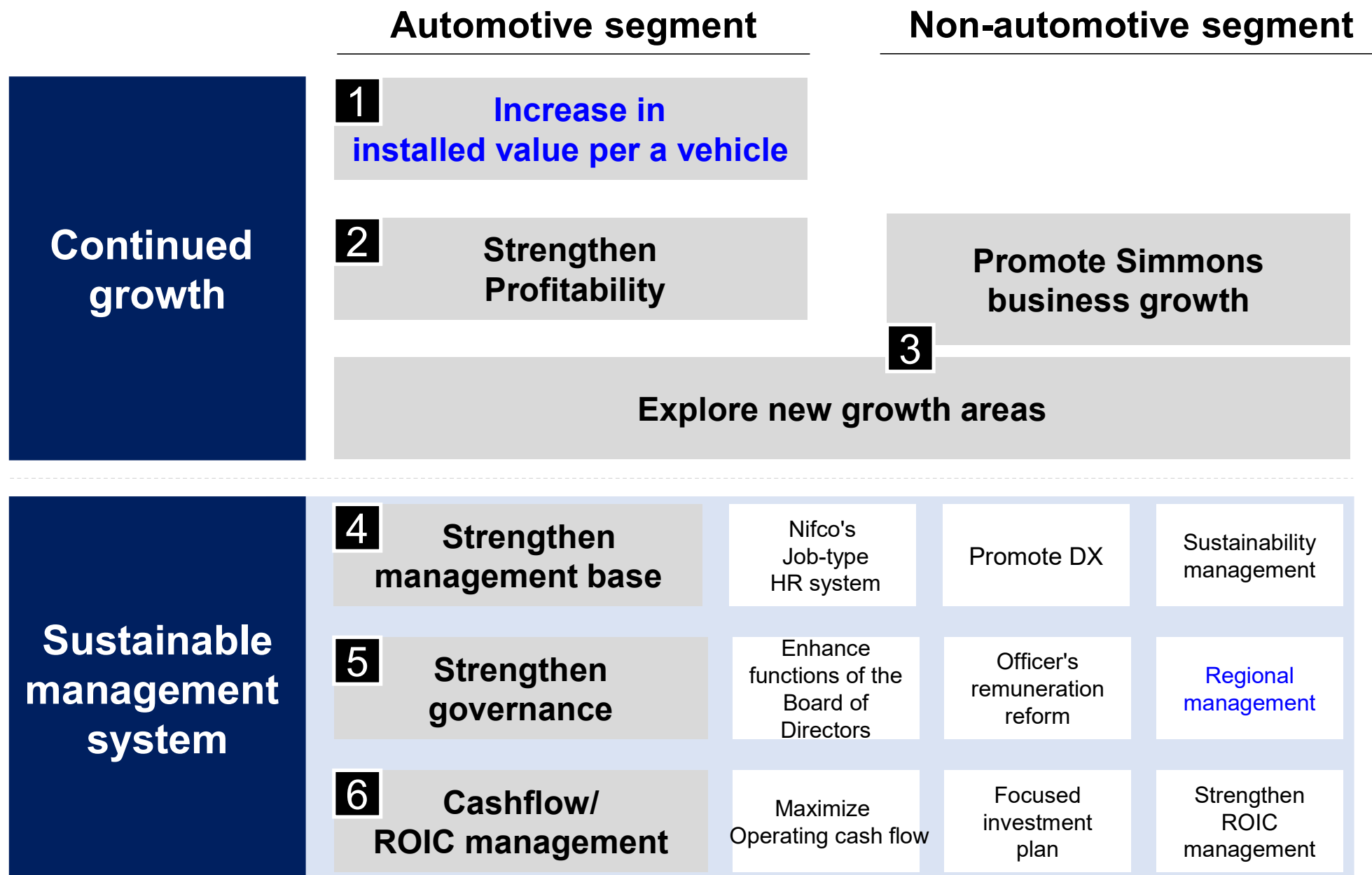
Cost

- **Cost increase continues** (raw materials, logistics, labor, etc.)
- **Incorporate highly feasible actions such as ongoing cost reduction efforts and fixed cost control**
(e.g., profit improvements in Europe and the U.S. regions)

FX rate

- Assuming yen appreciation relative to FY2022 actuals
(1 dollar = 125 yen, 1 euro = 135 yen)

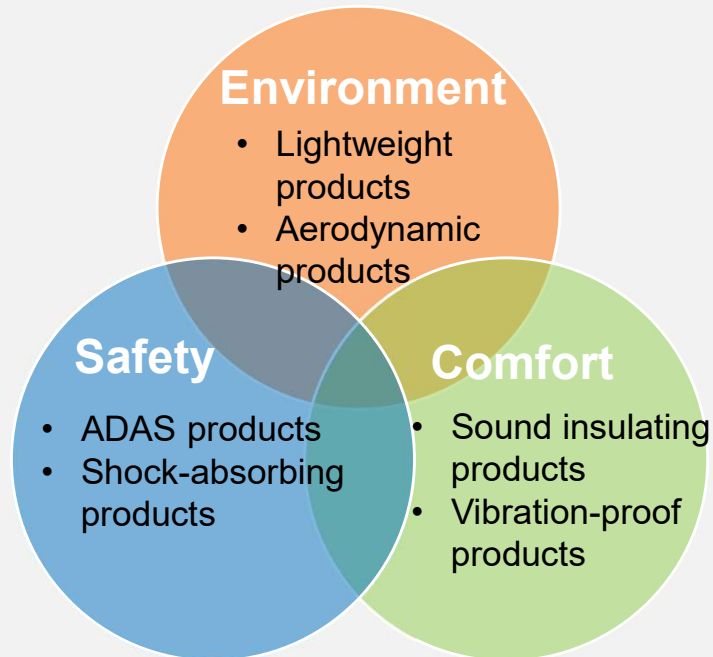
Maximize corporate value through "ambidextrous management".



1 Top line of existing businesses seek to maximize installed value per vehicle

1 Improvement of installed value per vehicle in "Environment/Safety/Comfort" field

- Promote product development through external collaboration



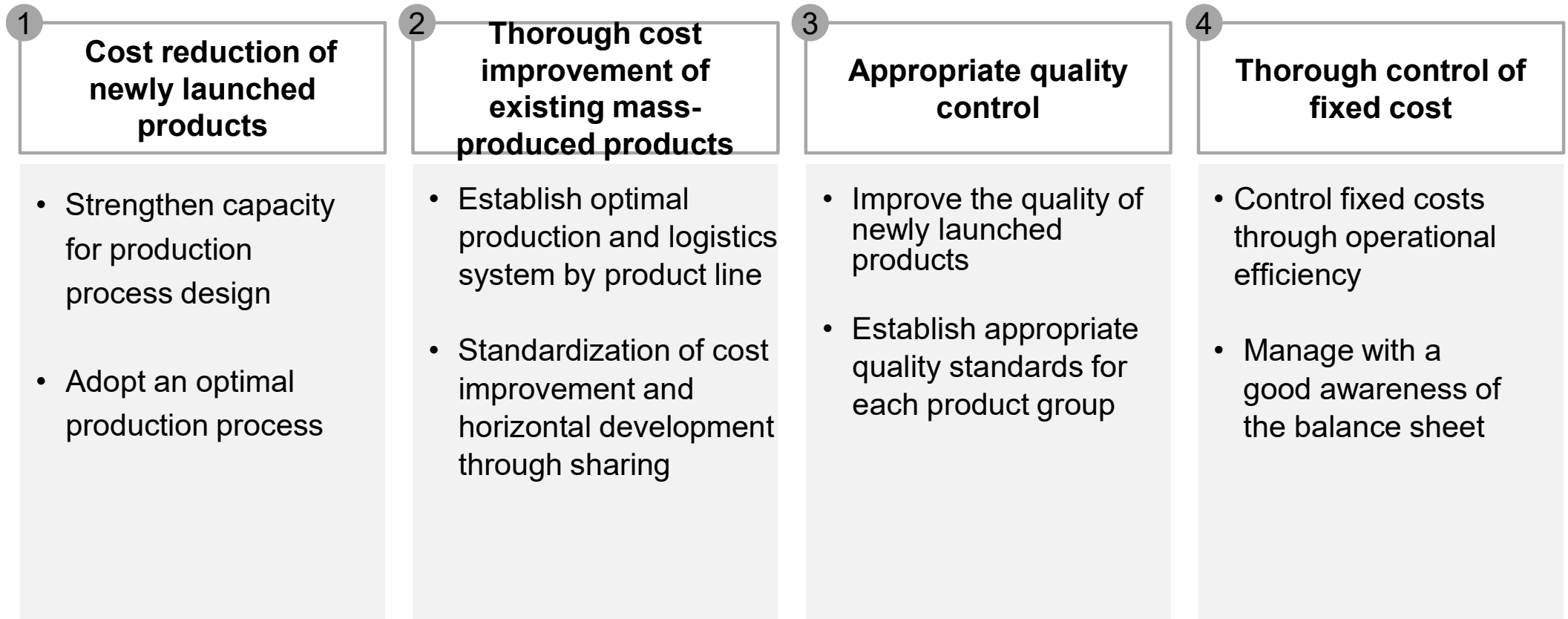
2 Horizontal development of strong product lines across the Group

- Horizontal development across product/business organizations



As shown above, efficiently pursue new needs and develop new markets through concentrating management resources to aim for **growth beyond automobile production increase**

2 Thorough cost reduction and fixed cost control within individual processes



Improve profitability

Always aim for a **stable operating profit margin of 10%** or more

3 Develop businesses for future growth in both the automotive and new fields

3 Promote growth of Simmons business

- Restructure domestic sales channels and strengthen sales
 - Expand online sales
 - Strengthen sales of high-priced products at galleries
- Accelerate growth in China and Southeast Asian markets
 - Aggressive store development
 - Consider developing a new production plant
- Develop new markets with SleepTech

3 Develop new business plans concretely

Developments at Life Solution Company:

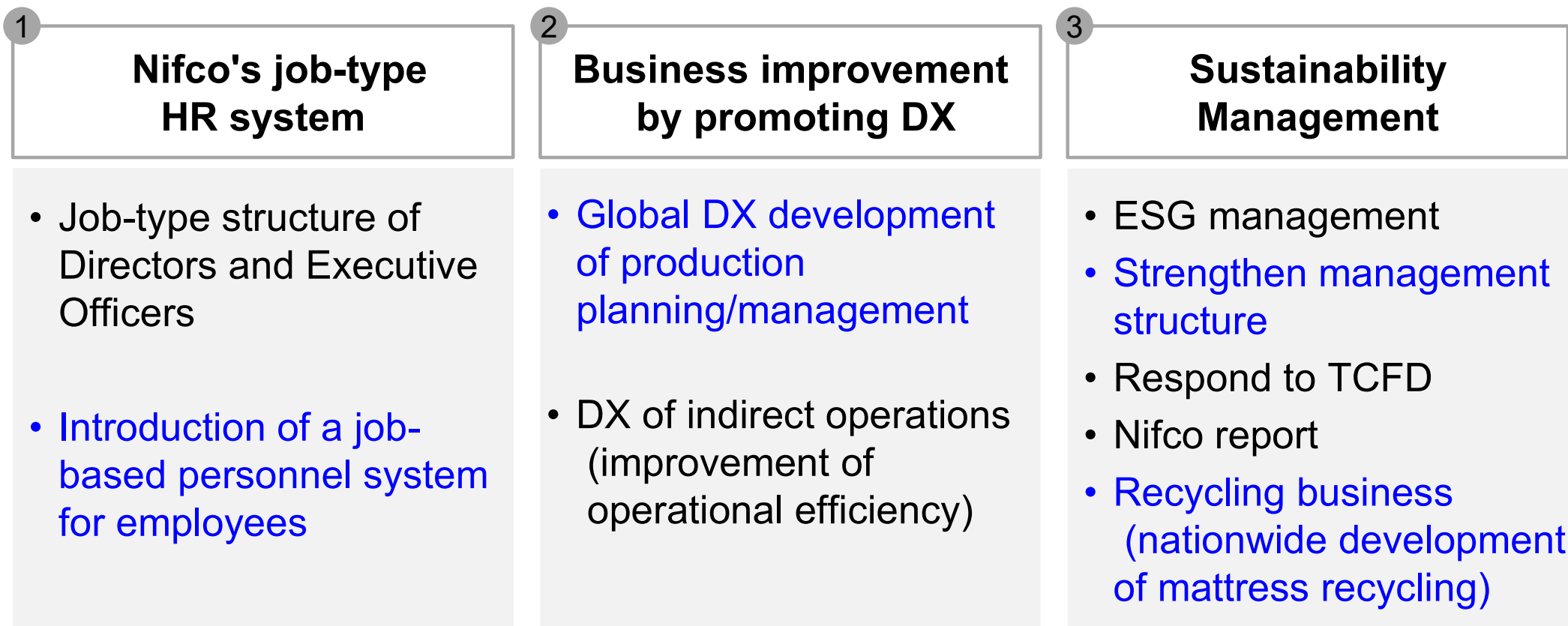
- Strategic integration of buckle and living-related businesses
- Concrete development including ICT-related businesses

New business development promotion in the Business Development Office:

- Develop and enhance the Business Creation Office ¹
- Add CVC, M&A and other business investment functions

Sales and profit results from these activities are not included in the mid-term targets

4 Maintain sustainable growth by strengthening the management base



Aiming to **develop human** resources
by improving operational efficiency and working styles

Major UPDATES from the rolling mid-term plan announced in May 2022 are shown in blue.

5 Build a governance system that contributes to maximizing corporate value

1

Strengthen functions of the Board of Directors

- Transition to company with Audit and Supervisory Committee
- Constitute the majority of the Board with outside Directors
- Further promote diversity (gender, nationality)

- Improving Board effectiveness
- Speed up management decision by delegating operational authority

2

Reform executive compensation system

- Single year evaluation items
 - Net Sales
 - Operating profit
- Medium-term evaluation items
 - Operating cash flow
 - ROIC
 - TSR¹
- Compensation system reform to include a more shareholder-oriented perspective

Enhancement of corporate value from the shareholder's perspective

3

Strengthen regional management

- Strengthen hybrid-type management where local and each headquarter management collaborate
- Introduce regional management functions in phases
(Established regional management company for Europe)

Optimization of and swift management decision-making by region

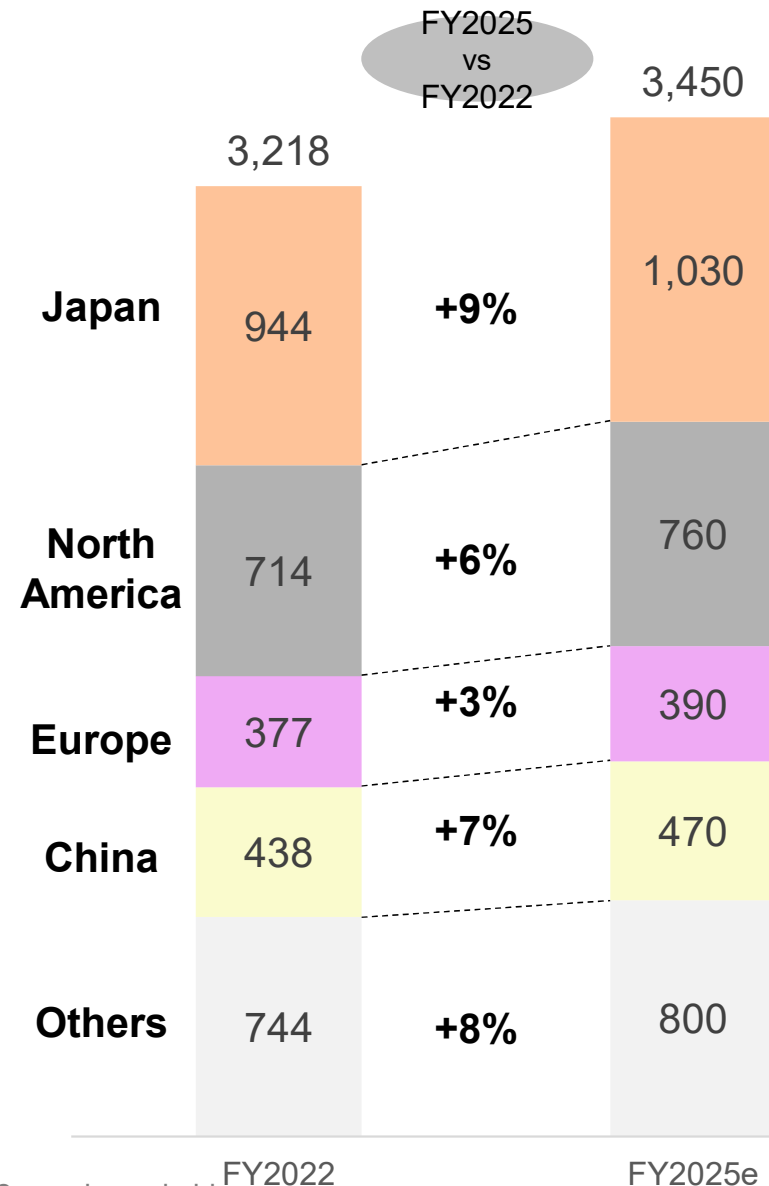
5 Develop and implement regional strategy optimal for both the group and region

Optimal Regional Strategy

Japan	<ul style="list-style-type: none"> New products and development technology Establishment of manufacturing methods and production technologies Search for new businesses
Overseas	<ul style="list-style-type: none"> Strengthen and expand non-Japanese OEM businesses Strengthen businesses for Tier suppliers
North America	<ul style="list-style-type: none"> Enhance profitability by improving productivity/quality Profitability improvement at loss-making bases
Europe	<ul style="list-style-type: none"> Build a revenue base
China	<ul style="list-style-type: none"> Take business opportunities in shift to EV
Asean India	<ul style="list-style-type: none"> Maintain high profitability Achieve growth exceeding market growth Strengthen regional management

Sales by Region

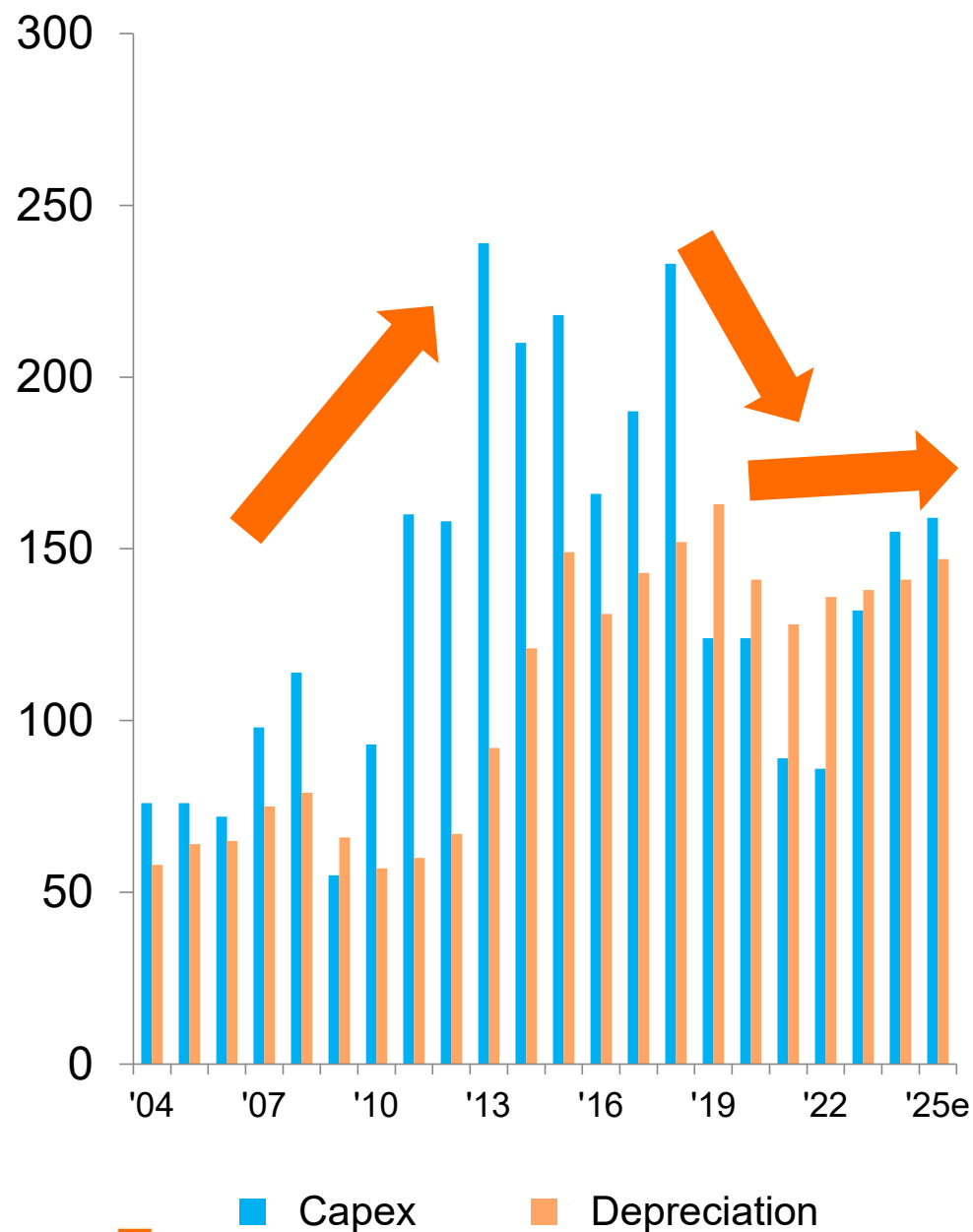
(100mn yen)



24. Medium-Term Management Plan

6 Management focused on cashflow and efficiency

(100mn yen)



	FY2020-2022 Cumulative Results	FY2023-2025 Cumulative Budget
Pretax profit	961	1,092
Depreciation	401	427
Operating CF	1,089	1,150
Capital investment	332	445
Investment CF	-333	-750
Free CF	755	400
Dividend	179	212
Cash equivalent balance	1,099	1,260

6 A balanced distribution and investments for growth

Maximize operating cash flow

Strengthen
ROIC
Management

- Enhance profitability
- Improve margins
 - Optimize fixed cost
 - Improve break-even point

- Improve efficiency
- Improve capital efficiency
 - Shorten CCC

Growth
strategy

- Balanced investment plan
- Collaboration for new business creation with other companies

Operating CF
Target
115.0bn yen

Total for FY2023~FY2025

Optimal allocation of funds

Enhance
management
structure

- IT, digital Investment
- HR investment
- ESG Investment

Growth
investment

- Search for new businesses
- Partnerships with other companies
- M&A

Shareholder
return

- Dividend payout ratio (about 30%)
- Ongoing flexible share buybacks



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.