

Mid-Term Management Plan “Zokyo 21-25”

~Becoming the No. 1 niche player
chosen by our customers ~

February 8, 2021

Fujibo Holdings, Inc.

Representative Director, Chairman and
President, Mitsuo Nakano



- 1. Business Overview, Corporate Philosophy and Corporate Vision**
2. Summary of “Kasoku 17-20”
3. Summary of New Mid-Term Management Plan “Zokyo 21-25”
4. Appendix

Business Overview

Polishing Pad Business

Manufacturing of nano-level polishing pads for ultra-precision work

- For semiconductor devices (CMP)
- For silicon wafers
- For LCD glass
- For hard disks



Chemical Industrial Products Business

Top-class specialized contract production in the chemical industry

- Functional materials
- Pharmaceutical intermediates
- Agricultural chemical intermediates



*From the next fiscal year, the segment name “Textile Business” will change to “Lifestyle Apparel Business”

Textile Business (Lifestyle Apparel Business)

High-quality underwear brands and manufacturing of functional fibers using latest technology

- B.V.D., B.V.D. Ladies
- Asamerry, Airmerry
- Spinning, weaving, knitting
- Dye processing



Other Businesses

Manufacturing of chemical products (resin molded parts for medical and precision fields, and molds for automobiles)

- Resin molded parts for medical and precision fields
- Molds for automobiles



Corporate Philosophy and Corporate Vision



The Focus on Innovation

<Corporate Philosophy>

We will always strive to provide new technologies and products that meet the demands of the times, using technologies and experience we have developed through Fujibo's history of more than a century. In doing so, we intend to sustain cutting-edge industries and continue to contribute to the creation of a richer and more sustainable future for people, society, and the global environment.

<Corporate Vision>

Making a breakthrough and going ahead of the times ~ Guidelines as a manufacturer ~

We contribute to human life and the development of industry, through constantly overcoming challenges to make breakthroughs, including the enhancement of the competitiveness of our core business and the generation of new businesses in developing markets.

Management with integrity and sustainable growth ~ Guidelines for corporate management~

Recognizing the importance of enhancement in our corporate governance and risk management, we aim for bona fide corporate management in which our stakeholders such as shareholders confide.

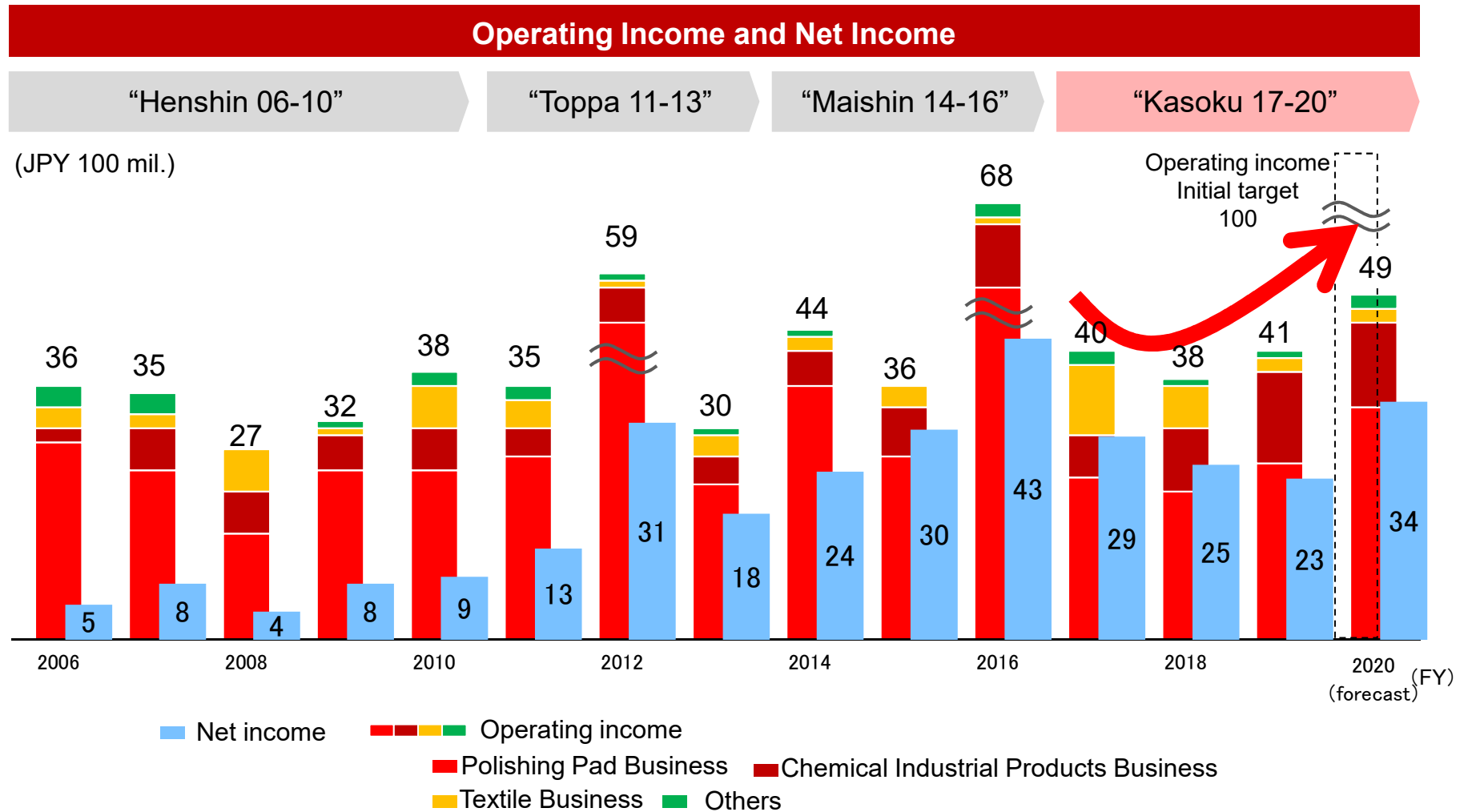
Respecting individuality and treasuring conformity ~ Guidelines for the working environment ~

We provide fair opportunities and evaluations for each employee and create an environment where they can improve through friendly competition. Respect for individuality creates a workplace that improves competitiveness and team work.

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Business Performance

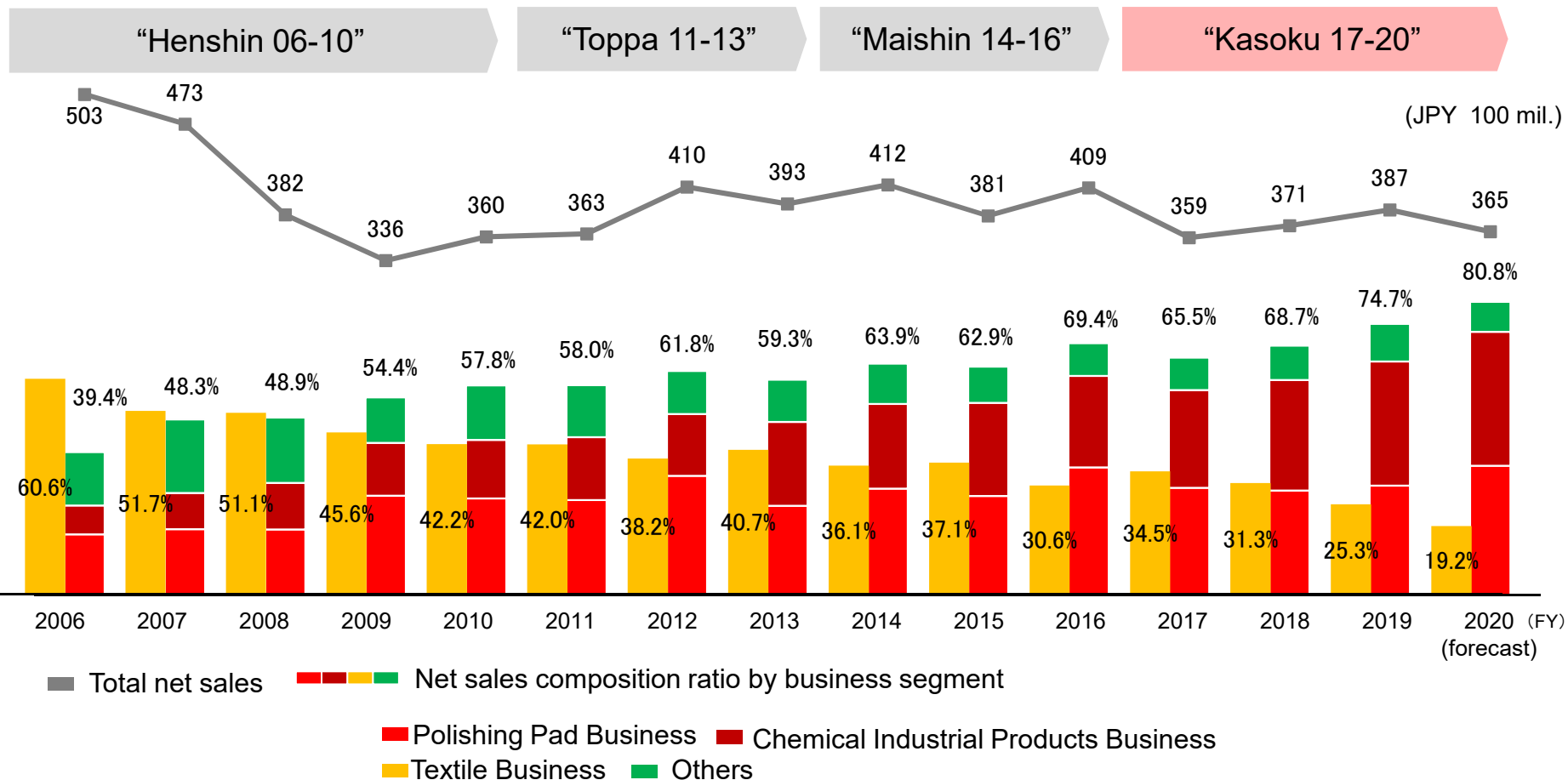
Regarding "Kasoku 17-20", operating income has increased in the second half towards the target income.



Expansion of Non-Textile Business

Steady increase in non-textile businesses (i.e., Polishing Pad, Chemical Industrial Products, Other Businesses).

Net Sales Composition Ratio by Business Segments and Total Net Sales



Summary of “Kasoku 17-20”

The basic strategy was steadily implemented, although growth acceleration did not reach target rates.

Quantitative Targets

(JPY100 mil.)	FY2020		(JPY100 mil.)	FY2017 - FY2020 Cumulative	
	“Kasoku 17-20” Target	Earnings Forecast		“Kasoku 17-20” Target	Forecast
Net sales	700	365	Capital expenditure	150	193
Operating income	100	49	(for the Polishing Pad Business)	70	117
Net income during the period	70	34	(for the Chemical Industrial Products Business)	67	60
ROE	15.0%	9.4%	Depreciation expense	100	92
Capital adequacy ratio	65.0%	68.0%	M&A budget	100 - 150	1-50

Basic Strategies

Basic Strategies	Reflections	
Aggressive expansion of the highly profitable Polishing Pad Business and Chemical Industrial Products Businesses	<ul style="list-style-type: none"> Further increase domestic and overseas productions. 	◎
Implementation of structural reforms and counter offensive tactics in the Textile Business.	<ul style="list-style-type: none"> Selected and concentrated on production sites. Although counter offensive tactics were not achieved due to a shrinking market. 	○
Strengthening of holding company functions for growth acceleration	<ul style="list-style-type: none"> Promoted intellectual property strategy for overseas expansion. 	○

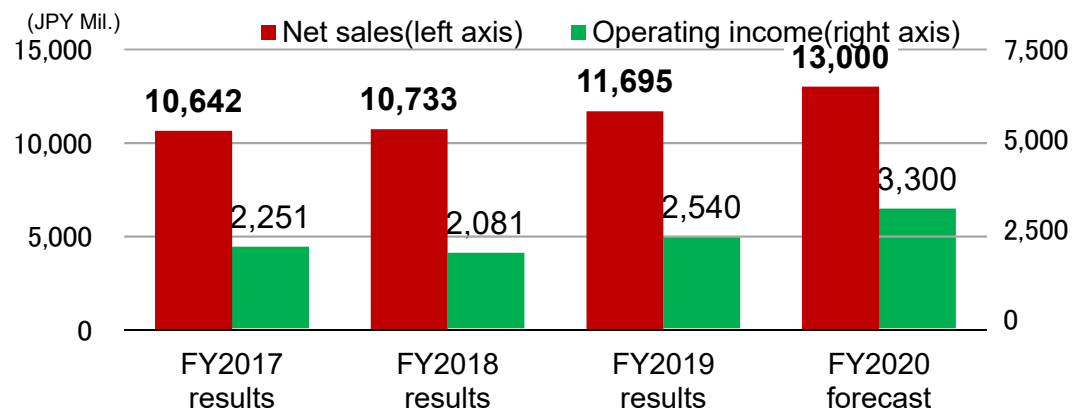
Polishing Pad Business

Focused on CMP to drive growth

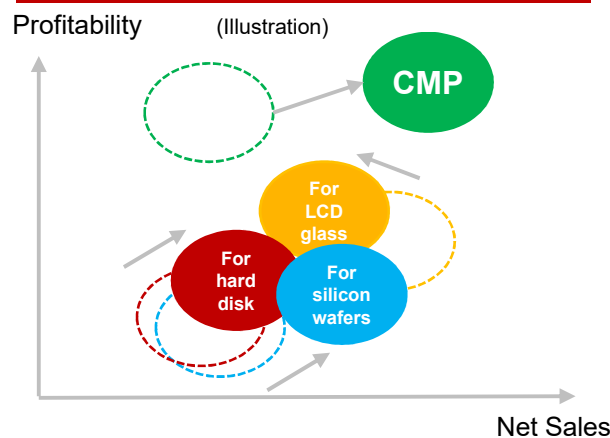
Progress Status of Objectives

Objectives	Status
Strengthen and stabilize domestic and overseas production	◎
Develop new fields through reinforced marketing	◎
Strengthen sales force team	○
Shift to “proactive patenting policy”	○
Boost demand in peripheral fields met by the IoT society	◎

Net Sales and Operating Income



Changes in Net Sales and Profitability in “Kasoku 17-20”



- Expansion of domestic and overseas production sites



New Taiwan factory New Oita factory

- Securing a competitive advantage in miniaturization of the latest technologies
- Strengthening sales force team

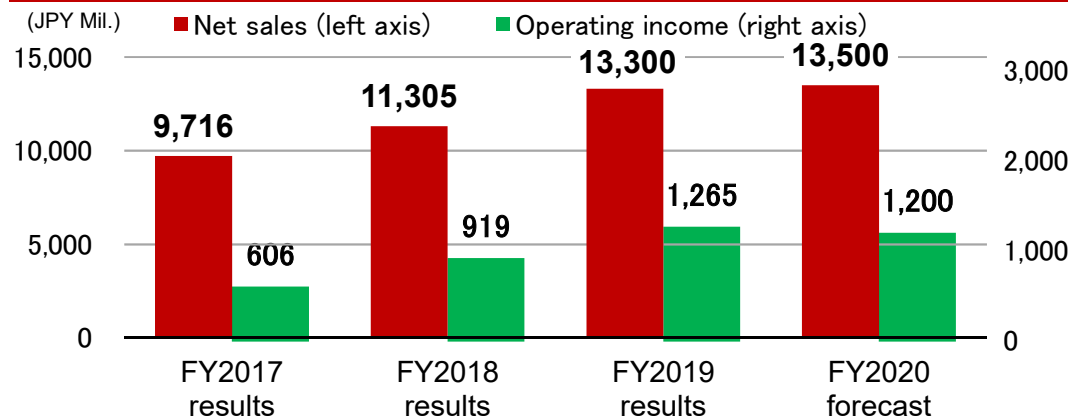
Chemical Industrial Products Business

Doubled operating income through strategy implementation

Progress Status of Objectives

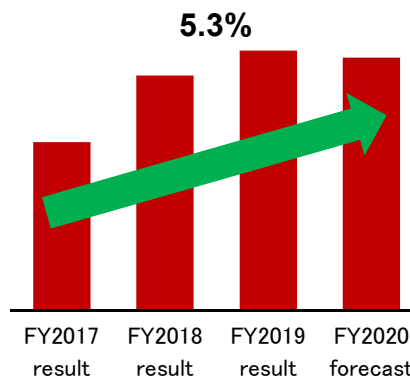
Objectives	Status
Increase production capacity by constructing new factories	◎
Optimize production operations at the Takefu Factory	◎
Acquire stable sources of revenue	◎
Adopt an aggressive approach towards M&A deals	△

Net Sales and Operating Income



Net Sales of Functional Materials

Compound annual growth:



Active capital investments:

- Total investment of JPY 6 bn
- Increased production capacity at the Takefu Factory



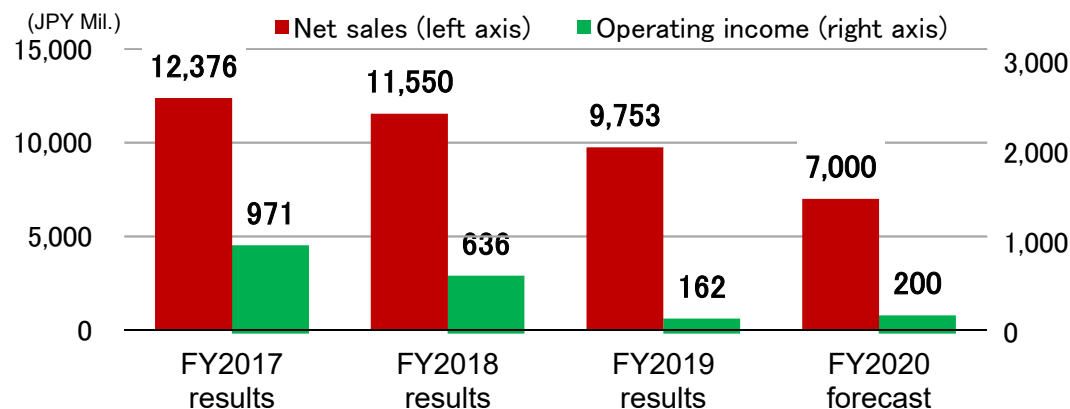
Textile Business

Promoted structural reforms, although counter offensive tactics were not achieved due to a shrinking market

Progress Status of Objectives

Objectives	Status
Strengthen marketing functions	△
Promote an omni-channel strategy	○
Reform logistics and inventory reduction	◎
Strengthen development of high value-added fields	△
Reduce and narrow down production sites	◎

Net Sales and Operating Income



- Progress of structural reforms:
- April 2019 Merged Fujibo Trading Co., Ltd. with Fujibo Apparel Corporation
【Integrated manufacture planning functions and sales functions】
- December 2019 Dissolved Fujibo (Changzhou) Apparel Co., Ltd.
【Chinese sewing subsidiary】
- March 2020 Dissolved Fujibo Sewing Co., Ltd.
【Domestic sewing subsidiary】
- October 2020 Merged ANGLE Co., Ltd. with Fujibo Apparel Corporation
【Integration of sales functions】
- January 2021 Transferred Textile Division of Fujibo Ehime Co., Ltd. to Fujibo Textile Co., Ltd.
Transition by corporate divestiture 【Clarification of segment strategies】

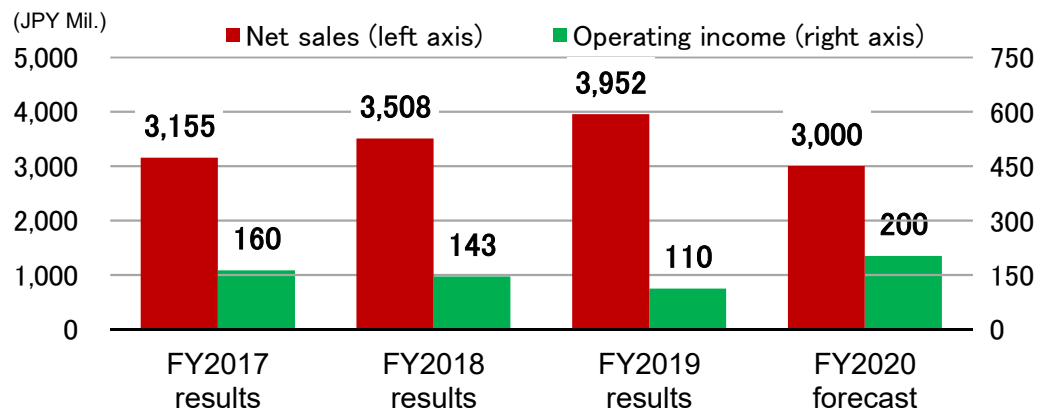
Other Businesses

While the Trading Business was down-sized, the highly profitable mold business was pursued

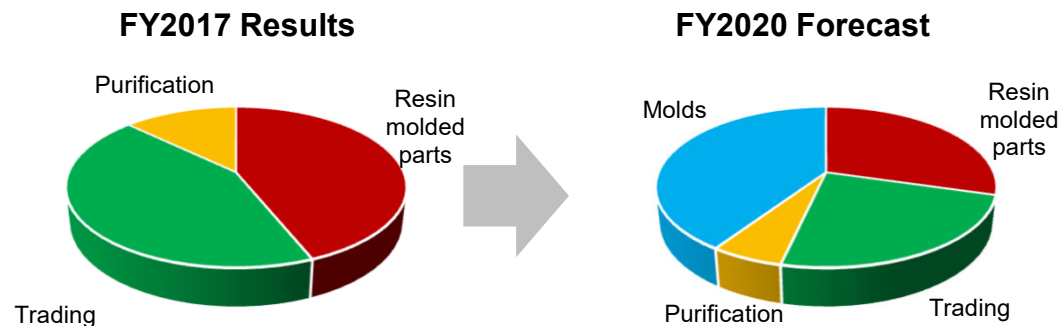
Progress Status of Objectives

Objectives	Status
Develop high value-added products and new services	◎
Expand compatible products and areas for medical device related fields	○
Strengthen marketing functions	○

Net Sales and Operating Income

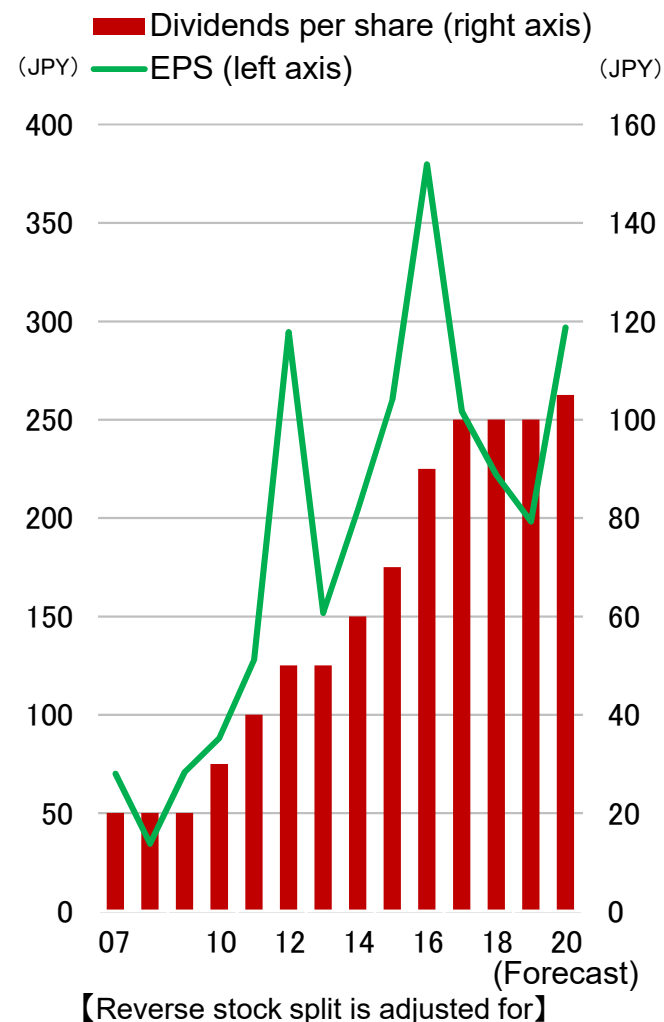


Net Sales Composition Ratio



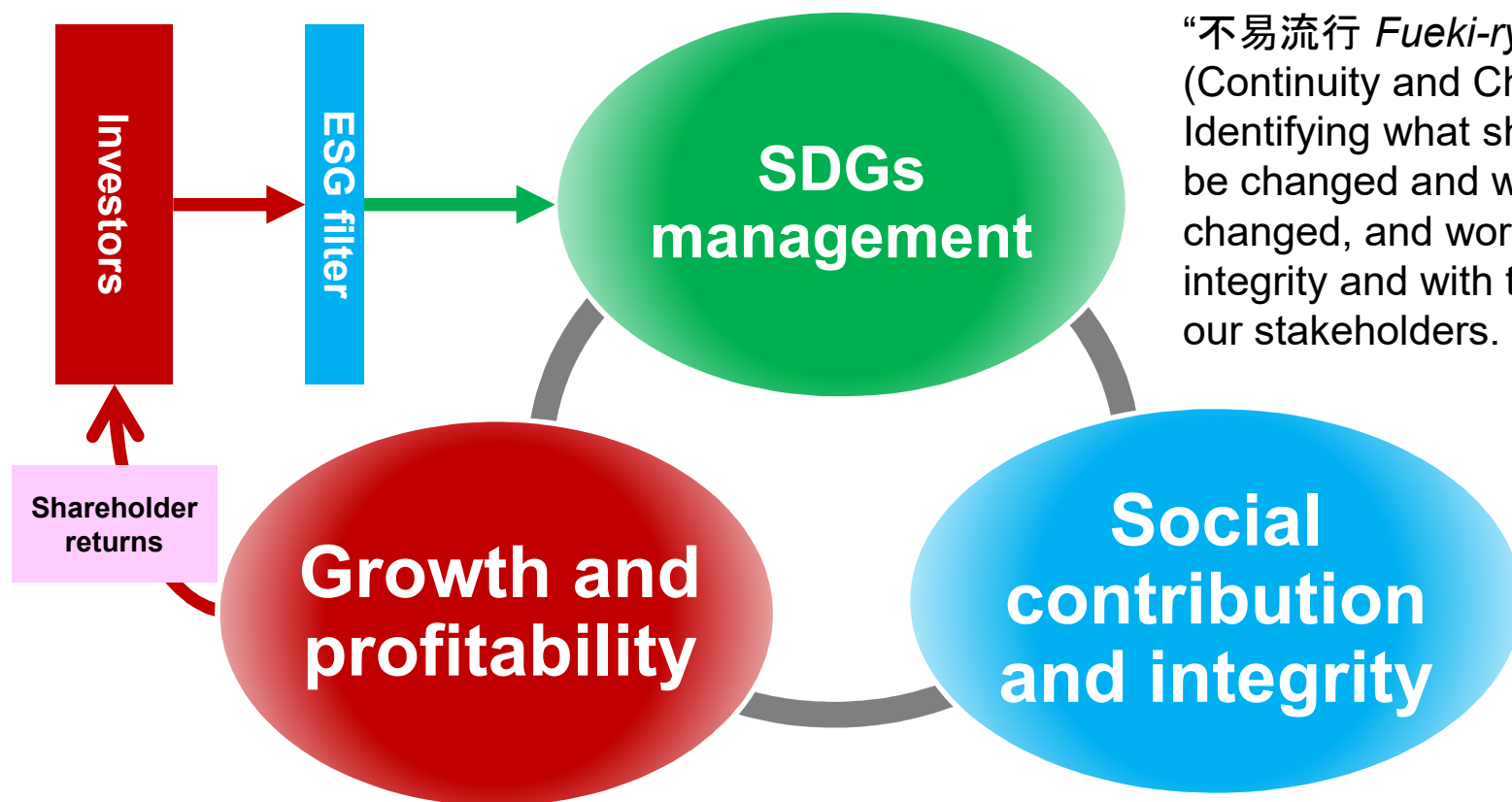
Dividend Policy

	FY2020	
	Plan	Forecast
EPS	JPY 600 or more	JPY 296.89
ROE	15.0% or more	9.4%
Annual dividends	(Please refer to the 'Dividend Policy' below)	JPY105 per share
Dividend policy	<ul style="list-style-type: none"> Aiming to achieve mid to long-term improvement in corporate value, retain earnings for investment in growth opportunities Recognizing shareholder returns as one of the most important issues, carry out a lasting and stable dividend policy based on performance and facilitate agile share buyback programs. 	



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Fujibo's Sustainability Management



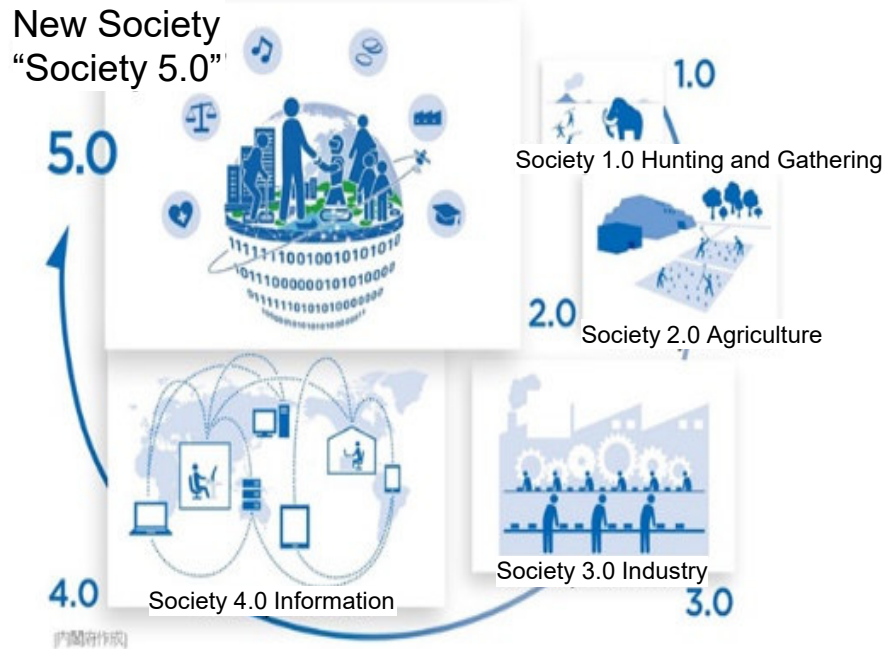
“不易流行 *Fueki-ryuko* (Continuity and Change)”: Identifying what should not be changed and what can be changed, and working with integrity and with the trust of our stakeholders.

- Business portfolio management
- Focus on cash flow
- ROIC management methods
(Includes inventory reduction and debt reduction)
- Investment for sustainable growth

- Participation in the “Fukunowa Project”
(Includes the recycling and reuse of clothing materials, and the support for parasports)
- Assistance for aquariums that aid in dolphin conservation
- Donation of clothing during disasters, supporting essential healthcare workers tackling COVID-19
- Reduction of CO2 and industrial waste

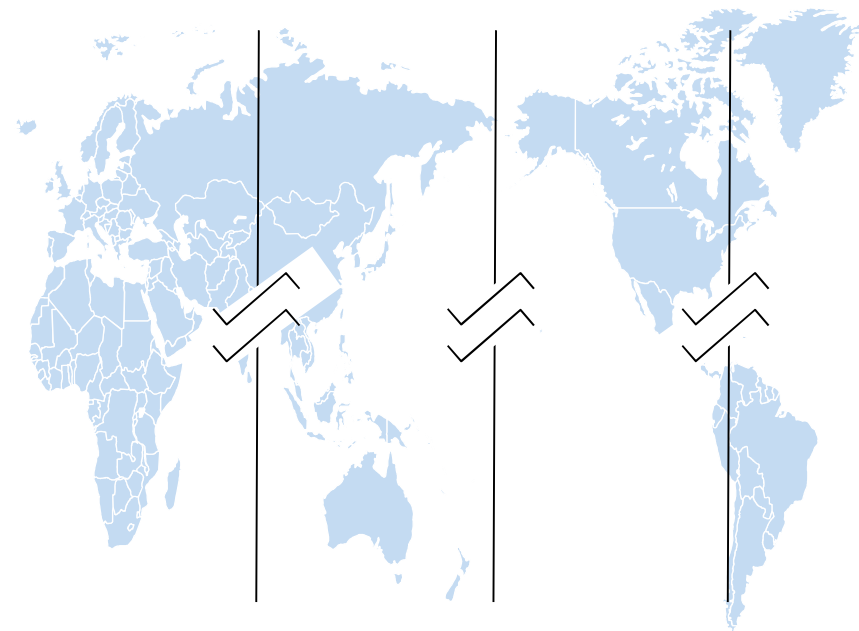
Premise for formulating “Zokyo 21-25”

Historical View (Human Progress)



Progression of a “Modern Industrial Revolution” centered around semiconductors and telecommunications

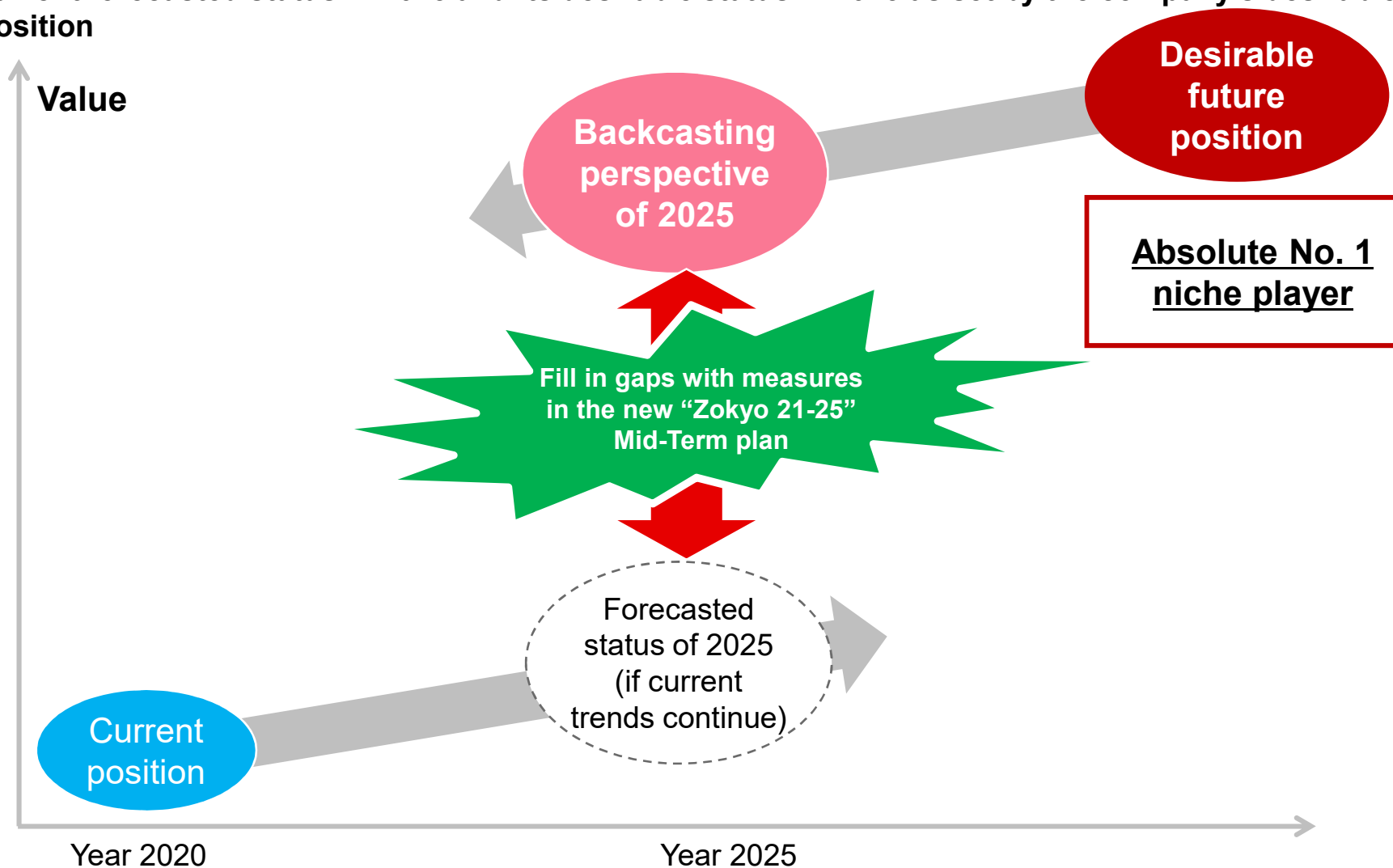
Geopolitics View (World Affairs)



Possibility of the world converting from globalization to regionalization

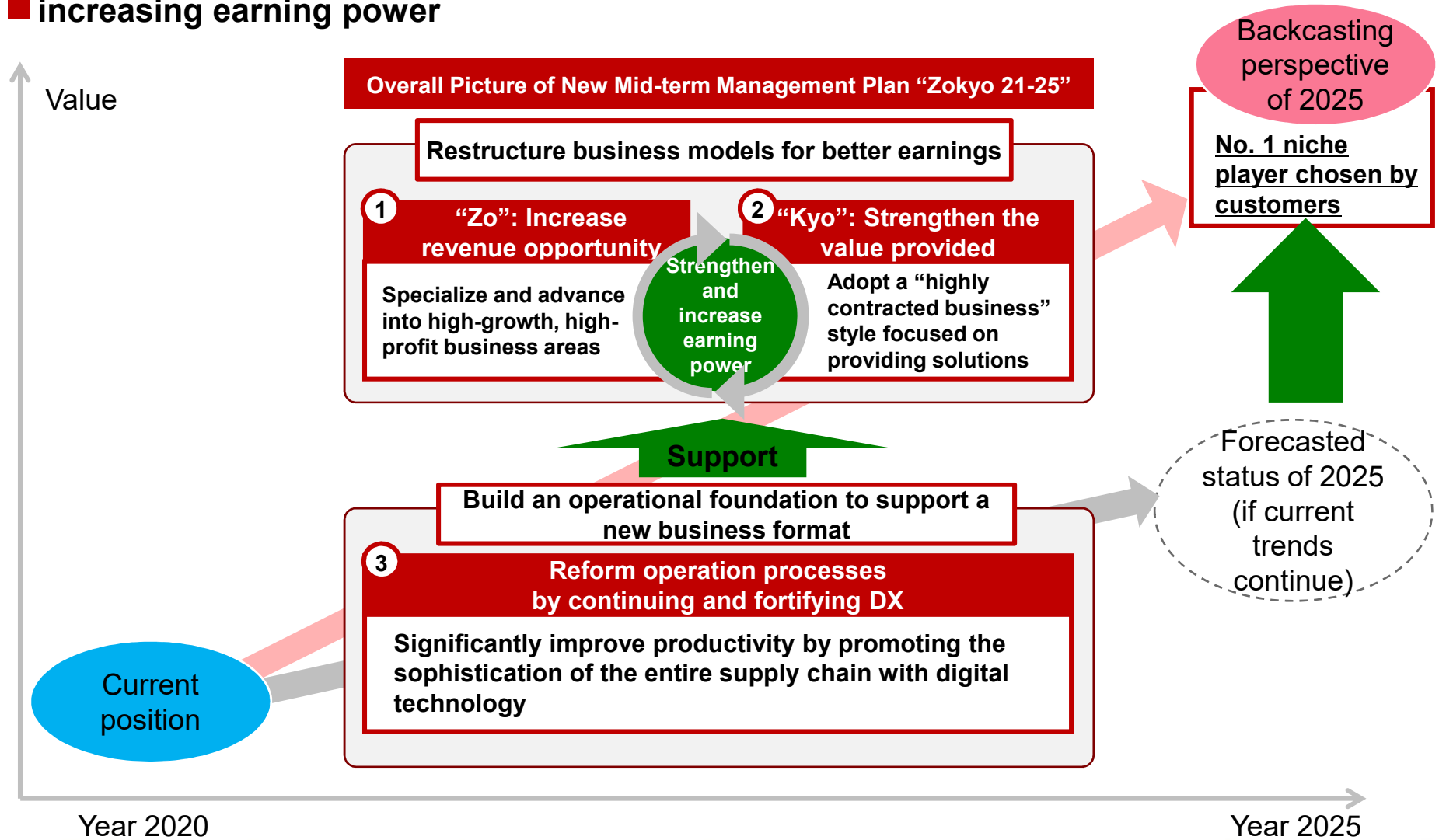
“Zokyo 21-25” Formulation Approach

Measures for “Zokyo 21-25” were formulated by identifying the gaps between the company’s current forecasted status in 2025 and its desirable status in 2025 as set by the company’s desirable position



Overall Picture of “Zokyo 21-25”

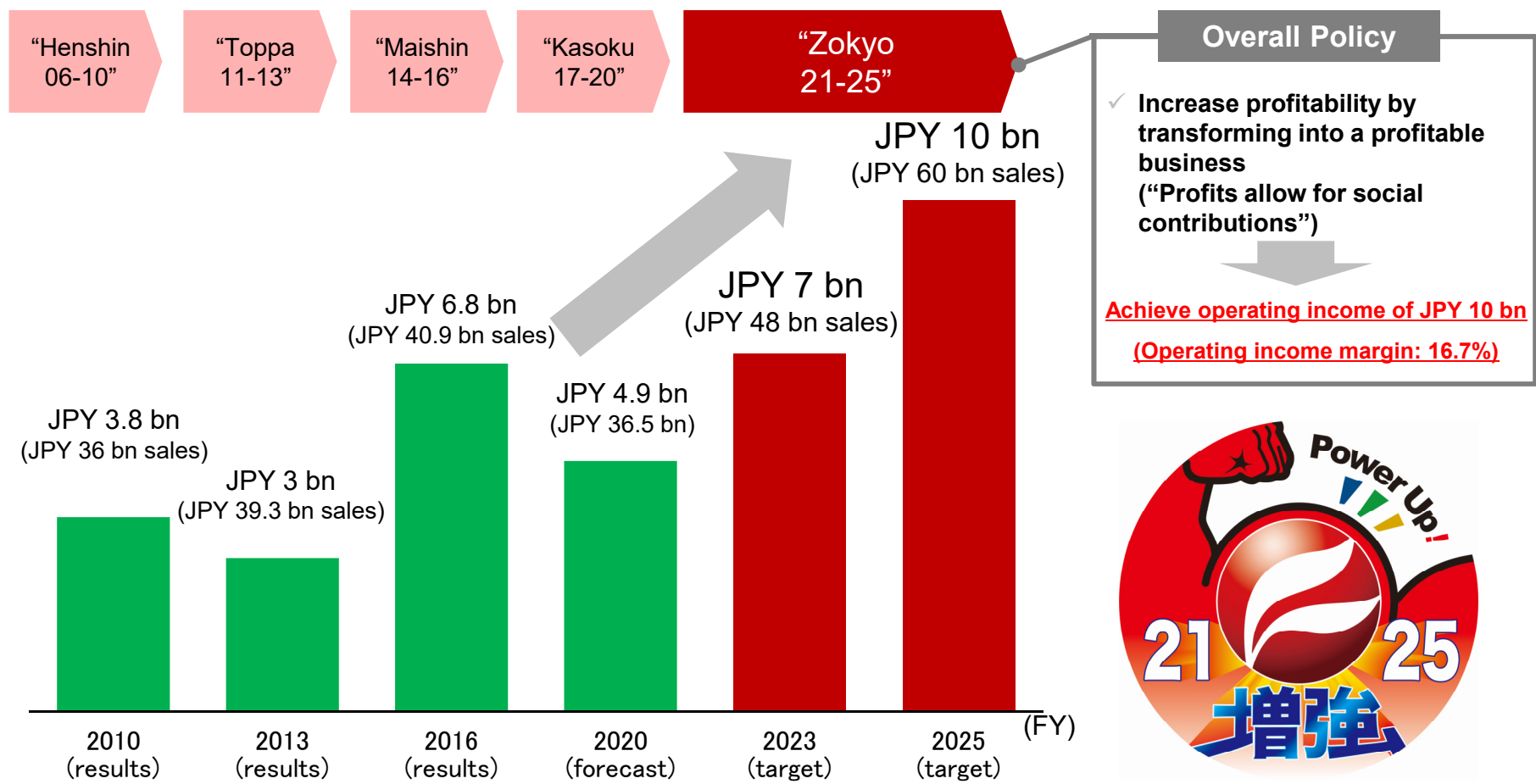
Aim to become the absolute “No. 1 niche player” by continuing and fortifying DX, and increasing earning power



“Zokyo 21-25” Vision

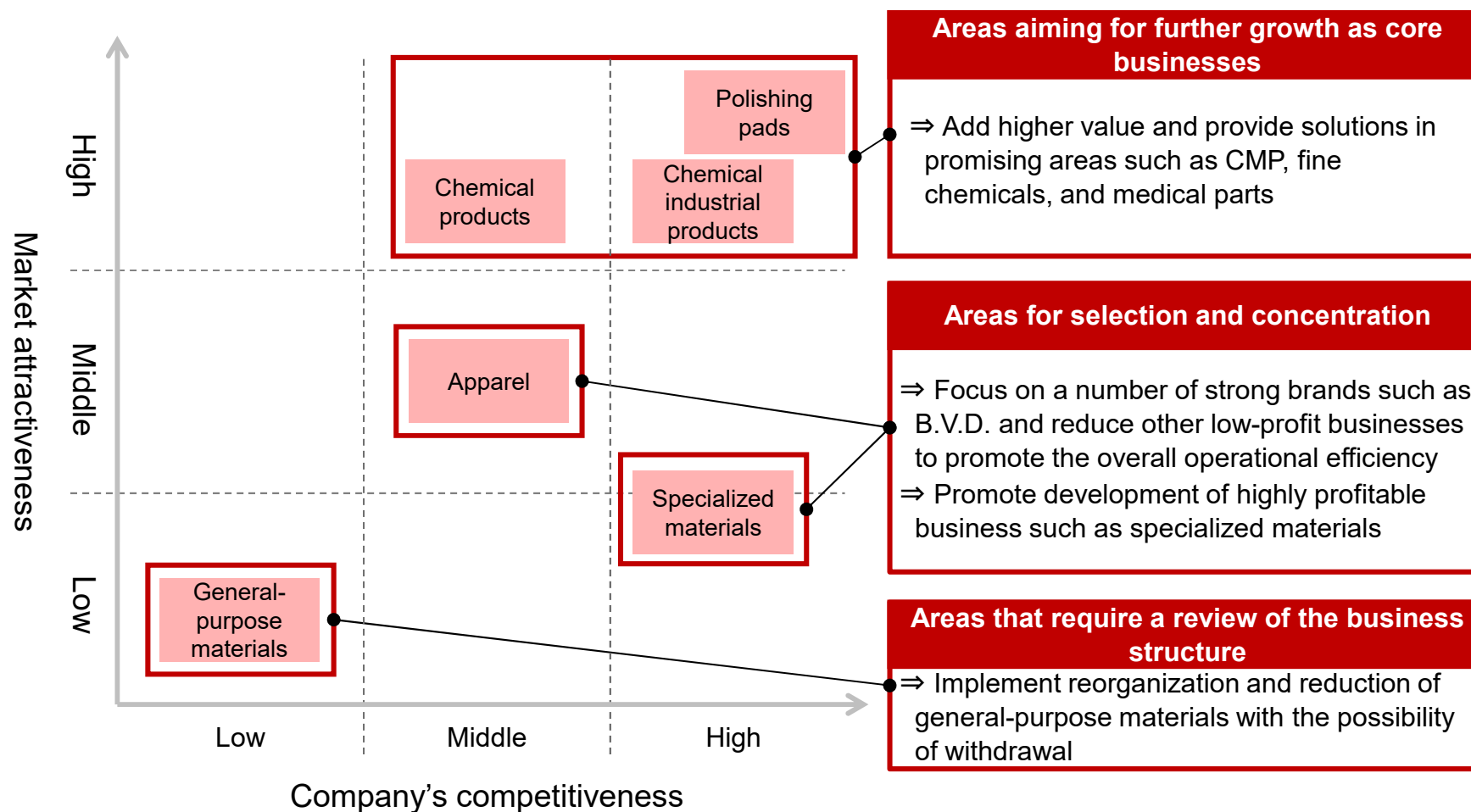
Aim to achieve an operating income of JPY 10 bn (with a net sales of JPY 60 bn) by 2025 by transforming into a profitable business

“Zokyo 21-25” Vision (Operating Income Amount)



Portfolio Reform

Further increase added-value in promising markets within our core businesses which include the Polishing Pad Business, Chemical Industrial Products Business, and chemical products businesses. Implement structural reforms in low-profit business areas.



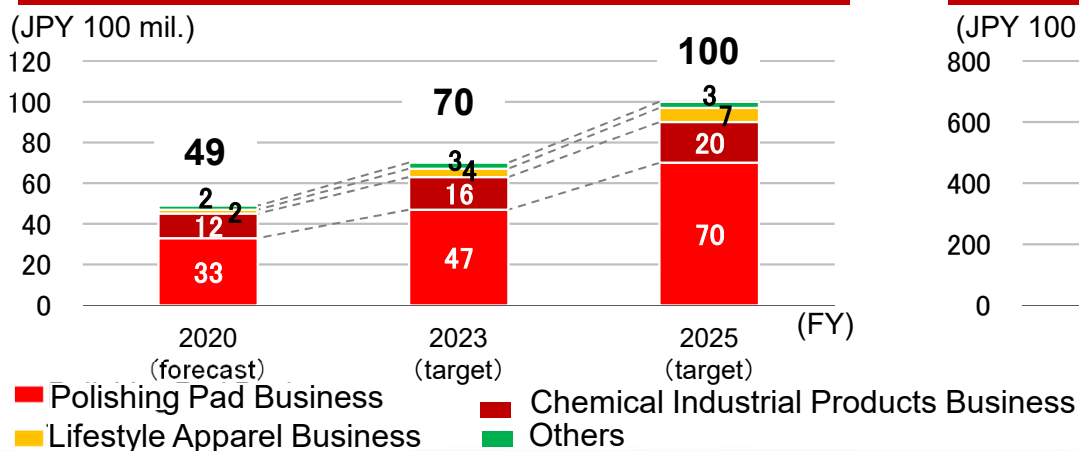
Quantitative Targets

Aim to reach an operating income of JPY 10 bn, a net sales of JPY 60 bn, a ROE of at least 10%, a ROIC of at least 10%, and a capital adequacy ratio of at least 65% in FY2025

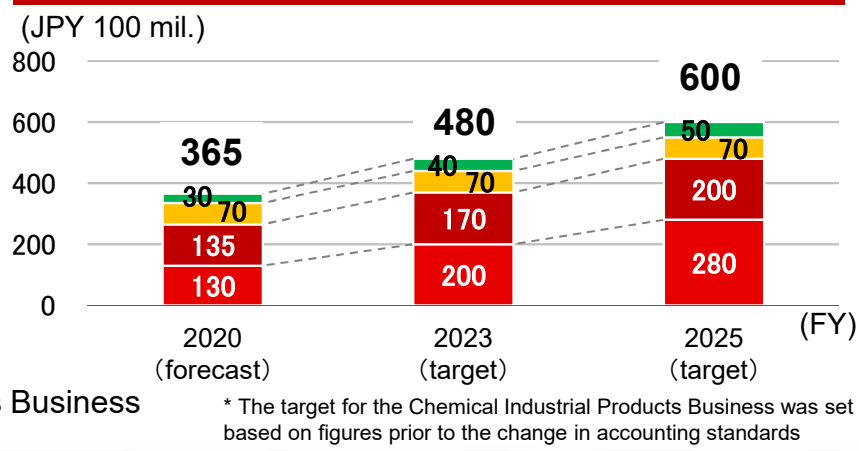
Quantitative Targets

(JPY100 mil.)	FY2020 Earnings Forecast	“Zokyo 21-25” Target	
		FY2023	FY2025
Net sales	365	480	600
Operating income	49	70	100
Operating income margin	13.4 %	14.6 %	16.7 %
ROE	9.4 %	10% or more	
ROIC	9.0 %	10% or more	
Capital adequacy ratio	68.0 %	65% or more	

Operating Income



Net Sales



* The target for the Chemical Industrial Products Business was set based on figures prior to the change in accounting standards

Polishing Pad Business

Reform business processes and heighten value by promoting a solution-type contract model

1

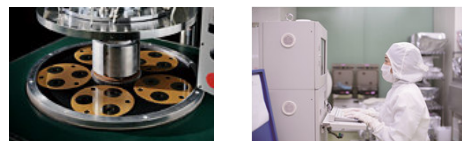
Increase revenue opportunity

- 5G, data center related investment, technology development to capture the expanding demand for next-generation game equipment, etc.

2

Strengthen the value provided

- Promote solution selling that integrates sales and R&D



3

Reform operational processes by continuing and deepening DX

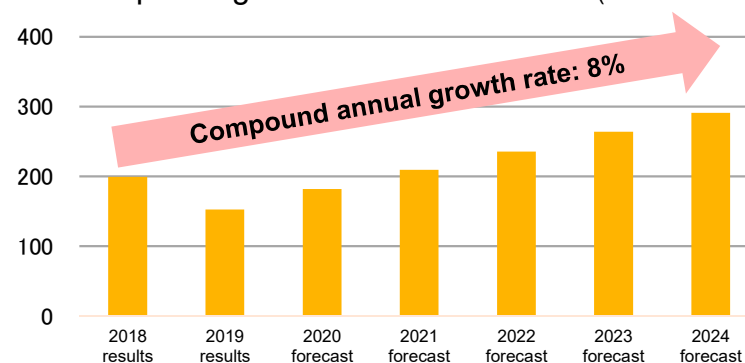
- Establish innovative value provision processes by using IoT to evaluate polishing quality

Inspection and packing equipment using AI



Response to the Semiconductor Market

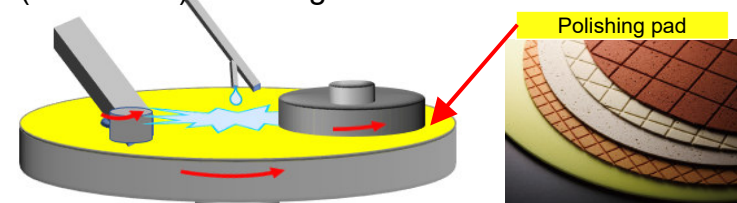
- An expanding semiconductor market (Unit: USD 1 bn)



- Miniaturization and enlarging capacity

Year	2018	2019	2020	2021	2022	2023	2024
Logic	7nm	→	5nm	→	3nm	→	2nm
3D-NAND	6X Layer	9X Layer	→	11X Layer	14X Layer	19X Layer	25X Layer

- (Reference) Polishing:



A process that grinds surfaces in a precise and fine manner using abrasive grains and a “polishing pad”. Unevenness in the surface is shaved to create a smooth, mirror-like surface.

Chemical Industrial Products Business

Expand the field of fine chemicals, and increase added value by developing support solutions

1 Increase revenue opportunity

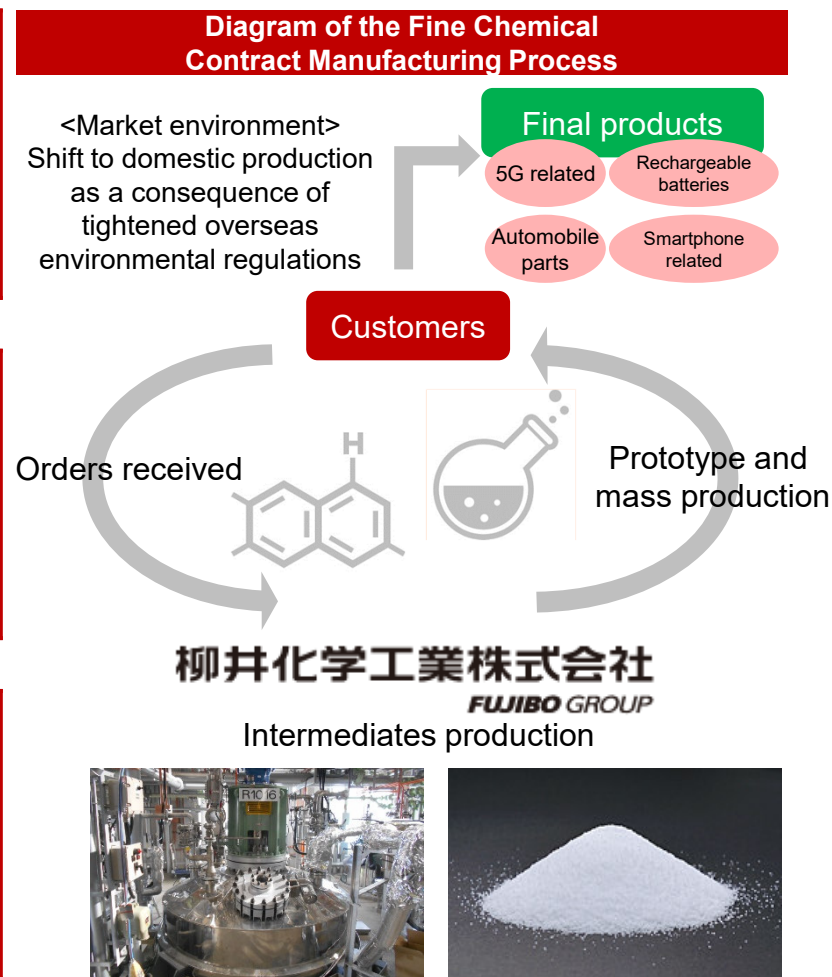
- Expand the field of fine chemicals
 - Increase production capacity at the Yanai factory
 - Increase contractual capacity with M&A

2 Strengthen the value provided

- Advance into prototype development support solutions and increase items for contract manufacturing

3 Reform operational processes by continuing and fortifying DX

- Digitalize customer services and quality control



Lifestyle Apparel Business

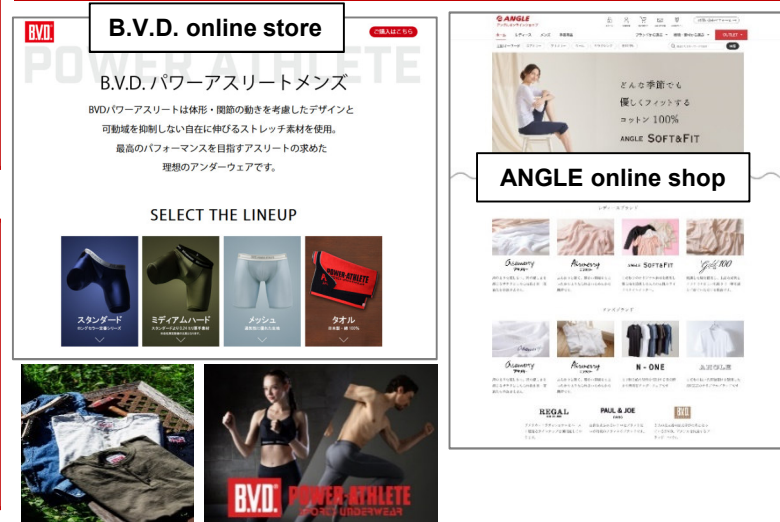
Transition to an E-commerce business model and expand number of high value-added products

1

Increase revenue opportunity

- Transition to an E-commerce business model
- Global expansion of specialized materials

Promotion of Sales through Our Online Stores Expansion of EC-Specialized Products

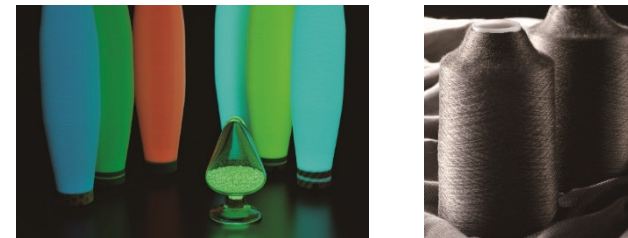


2

Strengthen the value provided

- Provide products other than existing B.V.D. for mass retailers
- Develop new products for specialized materials

Application of Specialized Materials



3

Reform operational processes by continuing and fortifying DX

- Build an IT infrastructure that manages and utilizes integrated data

Other Businesses

Concentrate on the medical molding field and expand the mold business for automobiles

1 Increase revenue opportunity

- Concentrate on the medical molding field
- Consider advancing into the large mold manufacturing sector and expand areas
- Strategically utilize real estate as sources of non-operating income

2 Strengthen the value provided

- Further improve *QCDS in mold manufacturing
- Consider M&A for expanding business areas
- Implement combined production and process orders for molds and moldings

3 Reform operational processes by continuing and fortifying DX

- Develop horizontal operations by standardizing technology and know-how

Concentrate on the Medical Molding Field

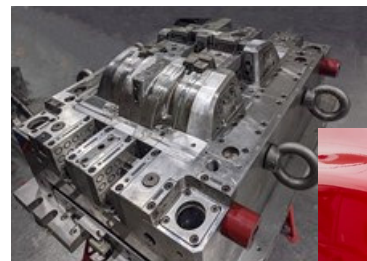


射出成形機 (完成品取り出し工程)
Injection molding machine
(Finished product exit process)



カテーテルパーツ
Catheter parts

Mold Business for Automobiles



Molds for automobile parts



*QCDS : Quality / Cost / Delivery / Service

Capital Investment Plan and Shareholder Returns

Fundamental policy is to develop business in promising markets and to ensure shareholder returns

Capital Investment Plan

(JPY100 mil.)	FY2021-2025 Cumulative
	Plan
Capital expenditures	150
Depreciation expense	150
M&A budget, etc.	100-150

Shareholders Returns

The Company considers profit returns to shareholders as one of the most important management issue. As such, the Company takes into consideration matters of business environment and business performance trends, and carries out a lasting and stable dividend policy based on performance.

The Company's basic dividend policy is to pay out dividends twice a year, which include an interim dividend and a year-end dividend. Decision-making regarding dividends is carried out by the Board of Directors for interim dividends and by the General Meeting of Shareholders for year-end dividends.

Regarding retained earnings, the Company plans to invest in the renewal and construction of equipment, research and development of new products, etc., while further solidifying its financial position.

Initiatives for ESG and SDGs (1)



B.V.D.: a trusted brand manufactured using world standard factories

Strict requirements for factories producing B.V.D. products



- Requirements when producing B.V.D. products:
 - The factory must meet at least one of the world standardized codes of conduct regarding labor and the environment: WCA (Workplace Conditions Assessment), WRAP (Worldwide Responsible Accredited Production), BSCI (Business Social Compliance Initiative)
 - As a B.V.D. product production factory, it must obtain the final approval from FTL (Fruit of the Loom), a B.V.D. licensor.

<Code of conduct established by FTL (abstract)>

- Respect for human rights:
 - Prohibition of child labor and forced labor
 - Prohibition of discrimination based on gender, race and religion, etc.
 - Provision of a safe and hygienic workspace



- Environmental sustainability:
 - Reduction of harmful impacts on the environment from business operations
 - Compliance with all environmental protection laws and international laws
 - Minimization of energy consumption and waste, and maximization of recycling processes



Secure employment in developing countries



Eradicate forced labor and child labor



Establish fair labor practices

Initiatives for ESG and SDGs (2)

Contribute to reducing environmental impact and solving social issues through the “Fukunowa Project”



Manufacture ~Reduce

- Reduce CO2 emissions
- Reduce industrial waste
- Reduce energy use
- Reduce handling volume of chemical substances subject to the PRTR system



Reuse and recycle

- Domestically distribute clothing at “Fukunowa Marche”
- Sort clothes in Malaysia and sell them in more than 15 countries overseas
- Make collection kits at facilities for people with disabilities



“Fukunowa Project” Website QR code



Support for parasports and education

- Support for parasports competition groups
- Provide a “learning place” for environmental initiatives by collaborating with schools

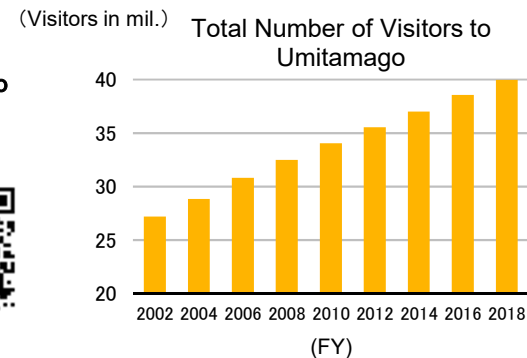


Initiatives for ESG and SDGs (3)

Participate as a shareholder in Marine Palace Co., Ltd. (Oita Prefecture), which operates aquarium facilities



Umitamago Website QR Code



Dolphin conservation

Contribute to the conservation of ecological species



Contribute to the maintenance and recovery of marine ecosystems

Marine animal ecosystem research

Summit on dolphin research held in Tsukumi City
 Marine animal ecosystem research through public-private-academic collaborations among Tsukumi City, Tsukumi Dolphin Island park, and various universities.



Become a research center for public-private-academic collaboration

Education



Provide a place to interact with animals

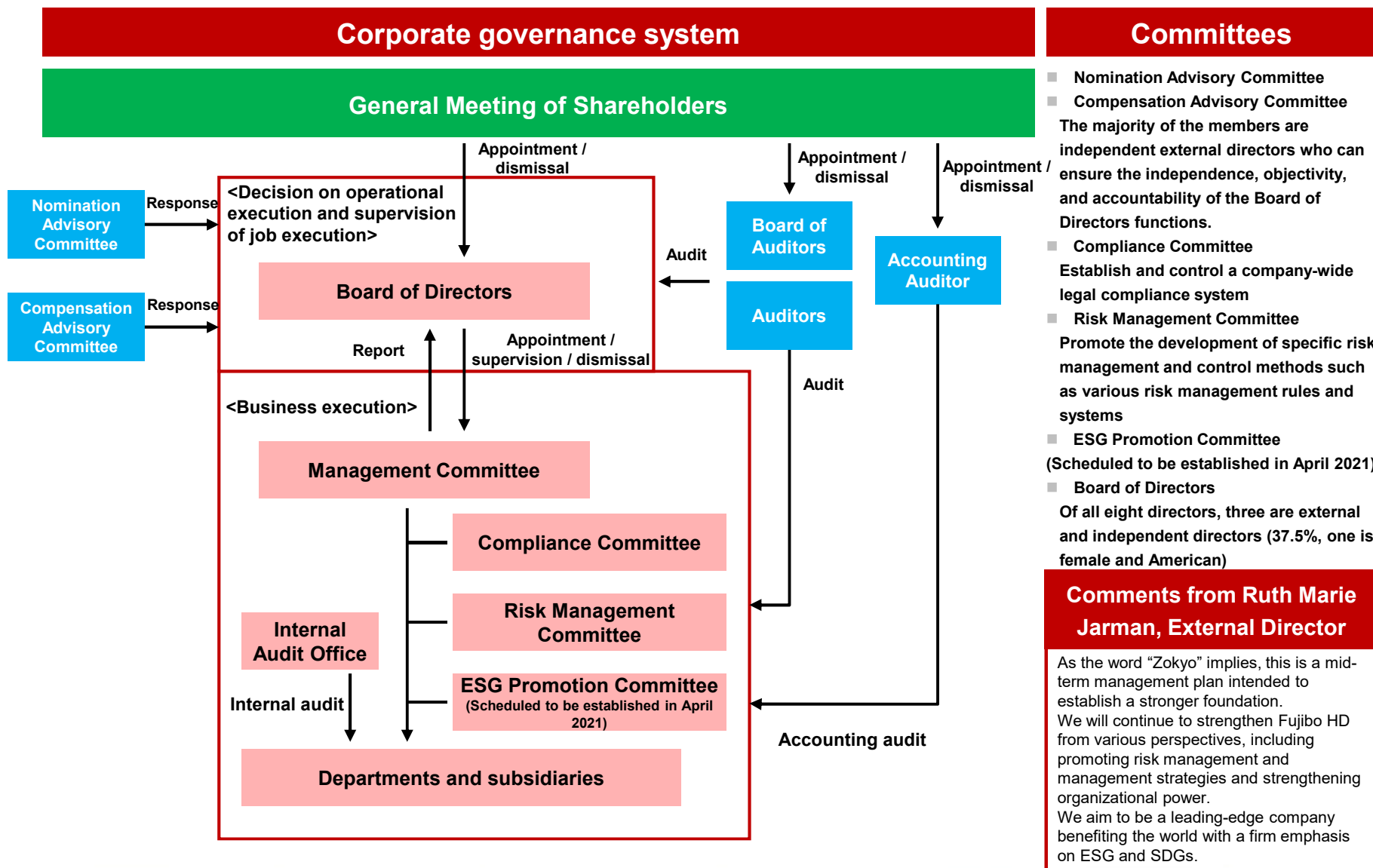


Organize hands-on learning sessions for local elementary school students



Educate children to foster environmental awareness

Corporate Governance System



Committees

- **Nomination Advisory Committee**
- **Compensation Advisory Committee**
- The majority of the members are independent external directors who can ensure the independence, objectivity, and accountability of the Board of Directors functions.
- **Compliance Committee**
- Establish and control a company-wide legal compliance system
- **Risk Management Committee**
- Promote the development of specific risk management and control methods such as various risk management rules and systems
- **ESG Promotion Committee**
- (Scheduled to be established in April 2021)
- **Board of Directors**
- Of all eight directors, three are external and independent directors (37.5%, one is female and American)

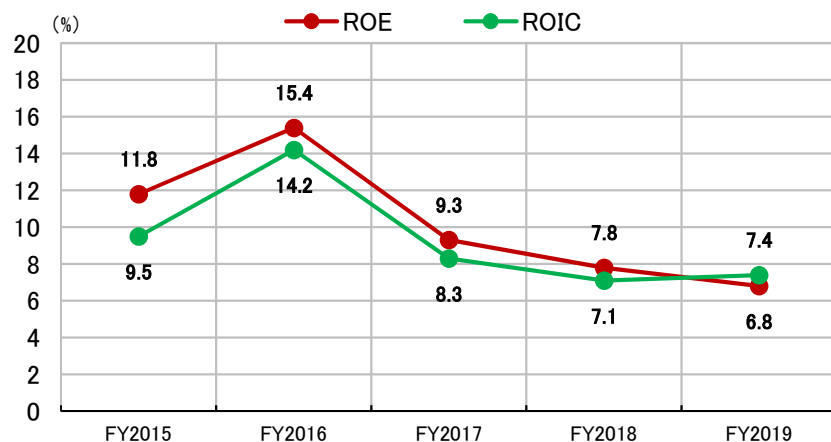
Comments from Ruth Marie Jarman, External Director

As the word “Zokyo” implies, this is a mid-term management plan intended to establish a stronger foundation. We will continue to strengthen Fujibo HD from various perspectives, including promoting risk management and management strategies and strengthening organizational power. We aim to be a leading-edge company benefiting the world with a firm emphasis on ESG and SDGs.

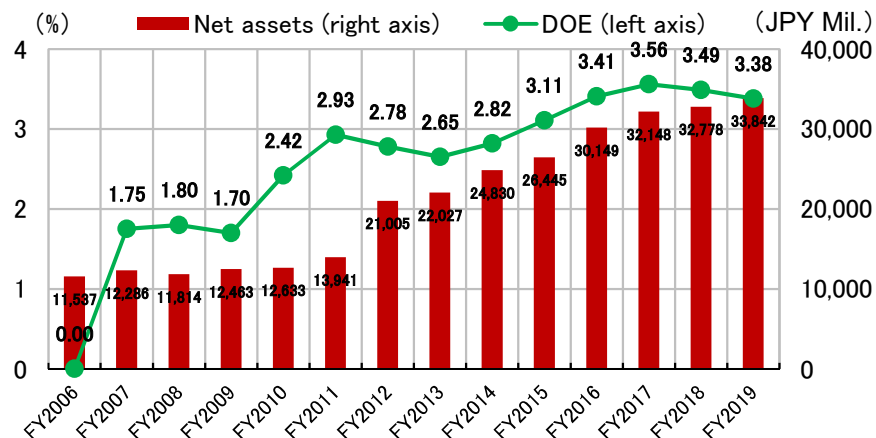
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Management Index and Stock Price Index

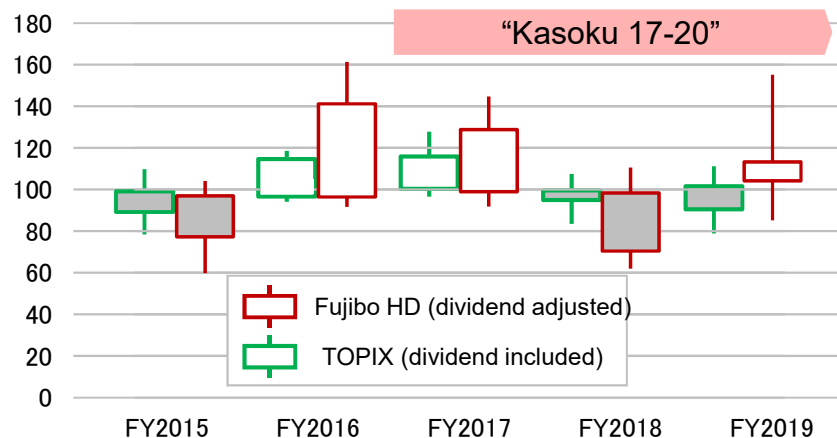
ROE·ROIC



Trends in DOE and Net Assets

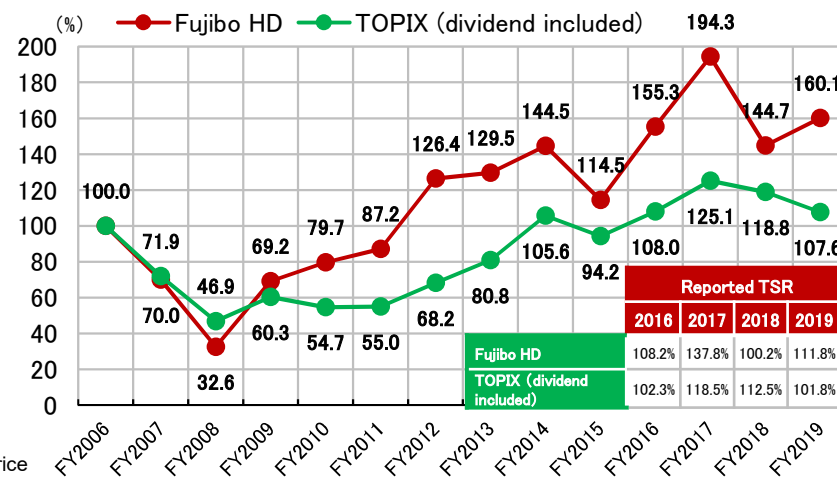


Stock Price Comparison



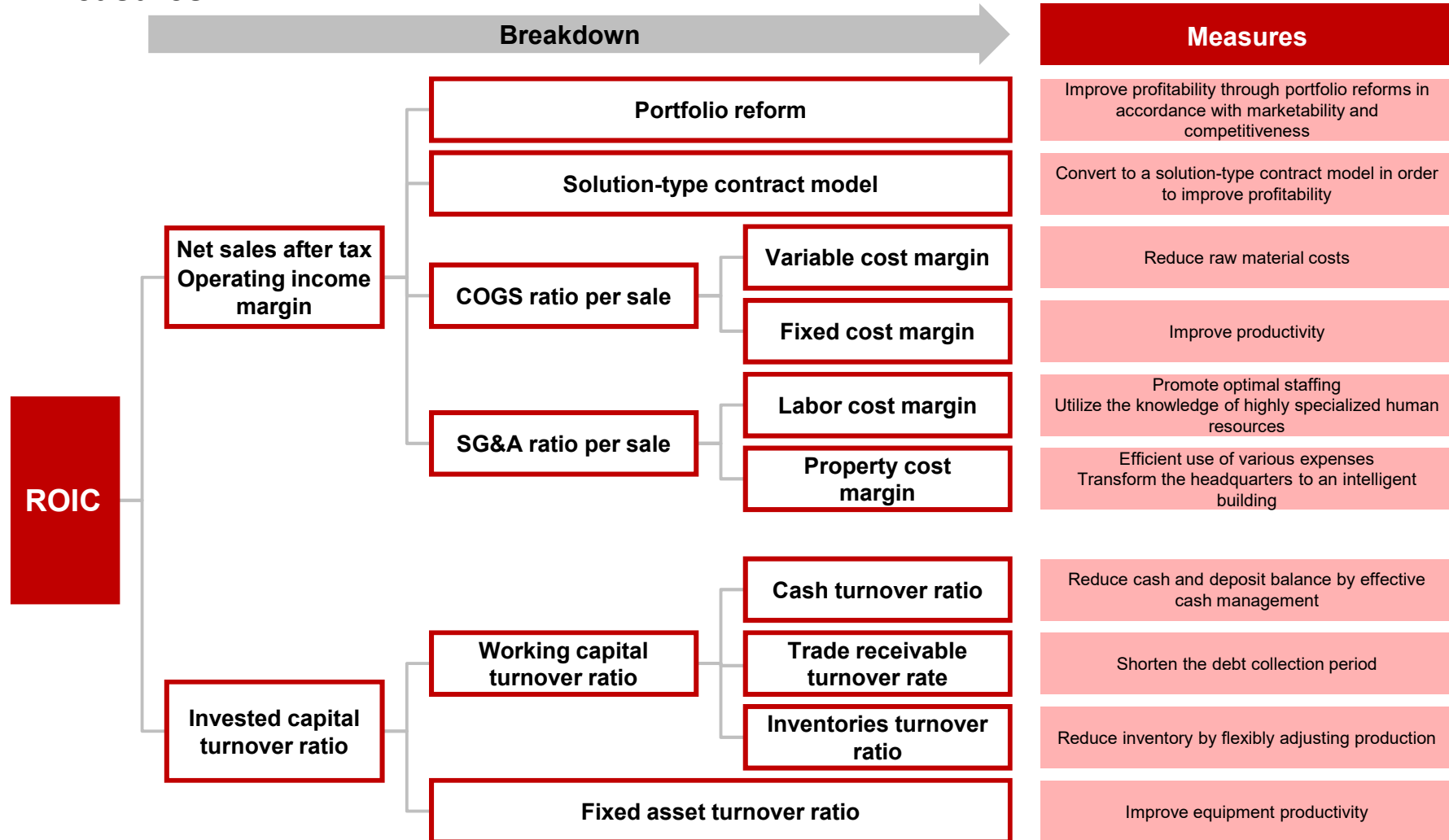
(TOPIX (dividend included) and Fujibo HD stock price after dividend adjustment. The adjusted stock price at the end of the previous fiscal year is represented in units of 100 in the candlestick chart.)

Trends in TSR



Fujibo ROIC Management

Improve company-wide ROIC by breaking down ROIC and achieving individual measures



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