

## Message from the President, on the anniversary of NHK Spring's foundation in 2023

Hello, everyone. I am Kayamoto, the President & CEO of NHK Spring.

On the 84th anniversary of our foundation, I would like to send a message to all members of NHK Spring group around the world.

Japan stepped into the post-COVID phase since this past spring, and many countries even earlier. We finally got our life back to almost the same as Pre-COVID-19 and finally got out of the long tunnel. More than three years have passed since the spring of 2020. I started this video distribution out of necessity under the circumstances of the spread of COVID-19, and I will continue to share my message via video this year as well. I want to convey my message directly, in my own words. I want to convey my thoughts and feelings to as many people as possible. Both this time and in the future, I intend to share my thoughts and feelings occasionally.

### **【Thank You for Your Support】**

The first thing I want to say to all of you is thank you. Although the global economy is picking up steam, the automotive industry faced particularly difficult conditions during the last fiscal year, due in part to the prolonged shortage of semiconductors and the soaring costs of materials, energy, and logistics due to increased geopolitical risks stemming from Russia's invasion of Ukraine. We were no exception. Last fiscal year, we were a little short of the results we had envisioned, but we are still able to have a good financial year. Thanks to all of you for your hard work. Thank you very much.

In addition, many challenges occurred, such as securing stable procurement of materials and transportation capacity, and there was a lockdown in Shanghai. Overseas, especially in the U.S., the fluidity of the labor market has increased greatly, and this has become a source of challenge in business. Even in such a situation, we have about 50 production bases around the world, and we have been able to continue to supply products to our customers accurately with the utmost care and effort at all of our bases. It is definitely growing the trust our customers. I'd like to express my sincere gratitude as President & CEO of the NHK group to every member watching this video around the world. ARIGATO!

### **【Current Financial Results & Condition】**

Now, on August 10, we announced our consolidated financial results and outlook for the first quarter. Sales of 179.2 billion yen, operating income of 4.9 billion yen, and ordinary income of 10.2 billion yen. The full-year forecast remains unchanged from the figures announced at the beginning of the FY2023, with sales of 750 billion yen, operating income of 35 billion yen, and ordinary income of 40 billion yen.

This is the final year of our mid-term management plan (21-23). Sales are expected to meet the mid-term target, but profits are expected to fall slightly short. DDS and ICM business, which drove last year's financial results, have been tight against budget so far this year. We expect to hit rewind in the second half of this year. FY2022, Seating business has achieved a V-shaped recovery from the deficit of FY2021. This

year, it is on track to steadily increase its results. Both Suspension Spring and Precision Spring business continue to face tough situation. We need to stop the bleeding of these 2 businesses as our top priority. In collaboration with the Sales Division, we are steadily improving selling prices, including the recovery of material and energy costs and other price increases. We are also developing high value-added products. Let us show our will as the world's NO.1 spring manufacturer. This year, in June and July, I visited spring factories in the US and Hungary. It was a bit reassuring to see that each factory, although struggling, is steadily implementing improvement measures with a firm focus on what they need to do. We believe that the revival of "NHK of springs" is near. Furthermore, each of our group companies is also strongly demonstrating their originality and producing excellent results.

As I mentioned, the projected financial results for FY2023 of the mid-term management plan indicate that profits are expected to fall slightly short of the mid-term targets. Even if quantitative targets are not achieved, each business unit and each company should maintain a strong sense of purpose and realize the qualitative targets that they set out to achieve in their mid-term plans 3 years ago. It is important to have a sense of accomplishment. Please do your best and do not give up until the end, both quantitative and qualitative targets.

#### **【Valuing People -The Next Mid-Term Plan -】**

Now, the fact that we are in the last year of the mid-term plan means that this is the year to formula a new mid-term plan. The Corporate Planning Department has begun to formulate a new mid-term plan. The direction of the mid-term plan has already been decided at the management strategy meeting of NHK. The pillar of the next mid-term plan is "Valuing People". Please keep in mind "Valuing People. " We also envision the ideal state of the NHK group with 2030 as the turning point, and position the mid-term business plan as a roadmap to get there. The first "people" in "Valuing People" is you all, employees. I believe that if we value our employees, reward them for their hard work, and make them feel that their workplace is a pleasant and rewarding place to work, the results will naturally follow. Buy materials at the appropriate price for value, make good products, gain good reviews, and sell products at the appropriate price for value. The source of this good cycle is a workplace that is a pleasant workplace and rewarding to work in. That means "people is the 1<sup>st</sup> priority".

Valuing people raises the social value of the NHK group, which in turn raises its economic value, and returns profits to employees, shareholders, and other stakeholders. For this reason, we will define "people" as the origin for creating a virtuous cycle, and will formulate new mid-term plan from both qualitative and quantitative aspects. From FY2022-23, we have been reforming its personnel system in rapid succession in order to become a more rewarding and comfortable company to work for.

Since this is a mid-term plan, it is important to have a numerical plan. In any case, the numerical results will follow if you do what you have to do! The first steps in formulating a new mid-term plan is to consider what to do; stop to do it; make changes to it, and continue over the next 3 years. Formulation of mid-term plan will now be in full swing. I would like to ask each of you to think about what you would like to be in 2030, what you would like to do and what you should do in your respective positions.

### **【Fair Trade - Conducting Business Properly -】**

Since last year, I have been serving as Vice President and Chairman of the General Affairs Committee of the Japan Auto Parts Industries Association (JAPIA). Of all the work I do as JAPIA, the one I spend the most time on is "Fair trade".

We buy materials, manufacture, and sell. Last year, unprecedented increases in material prices, energy prices, and other factors caused purchase and production costs to rise dramatically, making it urgent to raise the selling prices of our products. "Fair trade" means buying, manufacturing, selling at the appropriate price. Since JAPIA is a group of parts suppliers, it should be demanding the automakers to buy at the appropriate price. However, member companies of JAPIA also have many suppliers. I ask our member companies to "straighten themselves up" to ensure that they are buying at the appropriate price and that they are dealing with their suppliers properly. This is an effort to have automakers understand how serious we are by first doing what we, the parts manufacturers, should be doing.

We have the purchasing department at the head office acting as a flagship. The importance of seeking lower prices as much as possible and keeping costs low will remain unchanged for everyone in charge of purchasing, not only at the head office, but also at each division, each base, and each company. All I ask is that you make every effort to purchase appropriately and at a reasonable price. If you have any concerns, please consult with NHK Procurement Dept.

### **【Path Towards Further Progress - Springing into the Future -】**

We have good news here. As the shift to EVs in automobiles continues, we are vigorously developing and commercializing two themes. One is the business of Motor core, which are the key to EVs. The other is the business of high heat-dissipation integrated metal substrates, which are indispensable for the electric power control mechanisms of EVs. We have recently concluded major business negotiations worth more than 10 billion yen each for these two themes. I'm confident that this project will make a significant contribution to NHK group's vision for 2030. DDS and ICM business are both at a plateau this year, and together with the Seating business, which has achieved a V-shaped recovery, I expect them to make further progress during the next mid-term business plan period. Suspension Spring business, which is in a tough situation, should be able to see a clear path to revival if it can receive orders at the appropriate price.

In closing, I would like to thank you all again for your hard work and hope that next year on this day I will be able to thank you all with a more cheerful message. Let's make a better company together ! Thank you for your listening and attention.

8<sup>th</sup> Sep. 2023  
Takashi Kayamoto  
President and CEO