Questions and Answers session of the Financial Results Briefing on November 26, 2021
(2nd Calendar Quarter results for the fiscal year ended March 2022)

Q. I would like to ask you about the issues and future growth strategies for each business.

A. The suspension spring business and the automotive seat business are the backbone of the company's business, and our basic idea is to make them a reliable profit making business.

In the suspension spring business, in Japan, the operation availability rate is high, but the issue is the low operating ratio due to a decrease in volume; In the U.S., Europe, and other regions, the operating ratio is declining due to a decrease in volume, and the low operation availability rate is also an issue. We will strive to increase the operation availability rate especially in the U.S., while continuing negotiations to improve selling prices. We will also continue to develop new shapes of springs and products with new functions at the same time. The operating profit margin target is set at 6% for the time being, with the aim of increasing it further in the future.

In the Seat Business, in Japan, we will continue to improve our management capabilities based on continuous improvement activities, as well as reduce costs to ensure that we can maintain orders. Overseas, we will review our production system as necessary to ensure profits. The operating profit margin target is set at 3% for the time being, with the aim of increasing it further in the future.

In the precision components business, we aim to triple the current sales of motor cores (about 4 to 5 billion yen) by 2023. The strength of the motor core business lies in the fact that we have global bases in Mexico, China, and Japan, and we will leverage this strength to make it a major business.

In the industrial equipment and others business, in addition to the fast-growing market for semiconductor process components, the market for metal substrates is expected to grow significantly, as the trend toward electrification will require higher heat dissipation and greater design flexibility. Our share of the metal substrate market is the largest in the industry, exceeding 30%. We will develop this business into a large one by utilizing our capabilities and high credibility that we have cultivated in the automotive industry.

As a overall picture, we will work to strengthen our stable earnings base in the automotive parts business and create a structure that will allow us to earn solid profits from new businesses.

Q. What is NHK's strength in semiconductor manufacturing process components?

A. The technology related to this product is very unique and cannot be duplicated by other companies. It also requires high-precision machining technology on the order of microns. Furthermore, we have facilities that allow us to conduct product evaluation tests under the same conditions as our customers. We believe that we are more competitive than our competitors in that we can perform such a series of development, design, and production.

Q. I would like to ask you about the customer composition and delivery share for semiconductor process components.

A. Our customers are all major semiconductor manufacturing equipment manufacturers, and the composition of sales is equivalent to the ratio of each customer's market share.

We believe that we supply even volumes to the 3 major equipment manufacturers.

Q. Please tell us about your competitors and profit margins for semiconductor process components.

A. Although there are partial competitors, there are no competitors that can provide production as well as materials and product evaluation and development. Profit margins tend to fluctuate widely, ranging from a few percent to a couple of tens of percent, because of the effect of the large capital investment.

Q. You mentioned that semiconductor process parts are consumables that are not only installed in new equipment, but also have demand for replacement parts, but what is the ratio of new parts to repair parts?

A. Since we only receive orders as part numbers, we do not know the details of whether the orders are for new equipment or for repair parts, but we imagine it is probably about 50-50.

Q. While demand for semiconductor process components is very strong, is your production volume keeping pace with demand?

A. Although we continue to receive extremely high demands from our customers for increased production, we are consulting with them on how to adjust the production volume so that we can fully utilize our production capacity and avoid

problems.

Q. You mentioned that you are aiming for 30 billion yen in sales of semiconductor process components by 2025, but considering the current situation, I think that sales will be much higher than 30 billion yen.

A. Since it is difficult to foresee future trends in the semiconductor market accurately in some respects, we need to consider both opportunity losses and avoiding excessive investment. Therefore, we first plan to prepare facilities that can handle sales of 30 billion yen.

Q. I heard that among semiconductor process components, deposition equipment, especially for etch systems, is specifically ALD (Atomic Layer Deposition), but is this single-wafer ALD equipment?

A. The correct answer is that most of them are CVD (Chemical Vapor Deposition) and only a few are ALD. All the products for etching equipment are single-wafer type.

Q. What is the status of the motor core market?

A. Although the market will expand rapidly due to the electrification of automobiles, internal combustion engines are also expected to continue to be used until around 2035. In addition, the characteristics and functions are different depending on the type of car required. It is also necessary to determine what size of product the car will use and how much the sales volume of that car will grow, as these factors will affect the results.

Q. I would like to ask you about the ratio of sales of hard disk suspensions and automotive parts in the precision components business.

A. Hard disk suspension and automotive parts account for about 40% and 60%, respectively.

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