Financial Results

Results for the Fiscal Year ended March 2023
& Forecast for the Fiscal Year ending March 2024

日本発条株式会社(東証プライム市場 5991)
NHK Spring Co., Ltd.(5991/ TSE Prime Market)

Overview of the Financial Results for the year ended March 2023

Executive Vice President & CFO and Representative Member of the Board
Hidefumi Yoshimura

Results for the year ended March 2023 & Forecast for the year ending March 2024

NHK SPRING CO.,LTD.

(100 million yen)

	FYE '22/3 Result	FYE '23/3 Result	Vs. FYE '22/3	FYE '24/3 Forecast	Forecast Vs. Previous year Variance	Forecast Vs. Previous year Ratio	FYE '24/3 Mid-term plan	Forecast Vs. Mid-term plan Variance	Forecast Vs. Mid-term plan Ratio
Net Sales	5,869	6,932	1,063	7,500	567	8.2%	6,500	1,000	13.3%
Operating Income	213	288	74	350	61	21.4%	400	-50	-14.3%
Ratio	3.6%	4.2%	0.5%	4.7%	0.5%	–	6.2%	-1.5%	-31.9%
Ordinary Income	306	373	66	400	26	7.2%	420	-20	-5.0%
Ratio	5.2%	5.4%	0.2%	5.3%	-0.0%	–	6.5%	-1.1%	-21.2%
Profit Attribute to Owners of Parent	319	215	-104	250	34	16.1%	250	0	–
Extraordinary profits/losses	194	-70	-264	–	70	–	–	0	–
EPS - Earning Per Share	140.33	94.50	–	110.37	15.87	–	–	–	–
ROE - Return On Equity	10.5%	6.4%	–	7.0%	0.01	–	8.0%	-1.0%	–
Average Rate US$	112.9	135.0	22.1	130.0	-5.0	–	100.0	30.0	–
Average Rate Thai Baht	3.4	3.7	0.3	3.8	0.1	–	3.2	0.6	–
Current Rate US$	122.4	133.5	11.1	130.0	-3.5	–	100.0	30.0	–
Current Rate Thai Baht	3.4	3.8	0.4	3.8	–	–	3.2	0.6	–

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For the year ended March 2023, the Group recorded net sales of 693.2 billion yen, operating income of 28.8 billion yen, ordinary income of 37.3 billion yen, and profit attributable to owners of the parent of 21.5 billion yen. Applicable foreign exchange rates were as shown in the table.

Compared to the year ended March 2022, net sales, operating income, and ordinary income increased and profit attributable to owners of the parent decreased. The significant year-on-year increase in net sales was greatly affected by foreign exchange rate differences at overseas bases owing to a further weakening yen, and an amount recovered from customers in relation to steel material market conditions, with these two factors each accounting for one third of the increase. The year-on-year decrease in profit attributable to owners of the parent occurred because the Group had recorded a one-off gain on a land sale for the year ended March 2022.

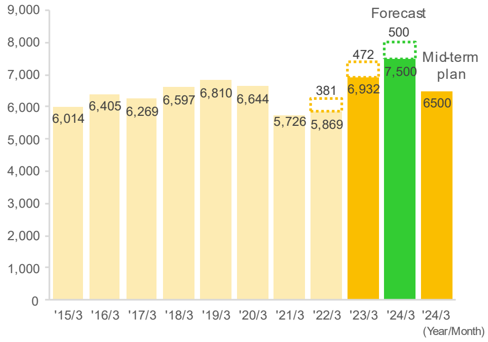
The financial forecast for the year ending March 2024 shows net sales of 750.0 billion yen, operating income of 35.0 billion yen, ordinary income of 40.0 billion yen, and profit attributable to owners of the parent of 25.0 billion yen.

Result Trends

NHK SPRING CO.,LTD.

Net Sales

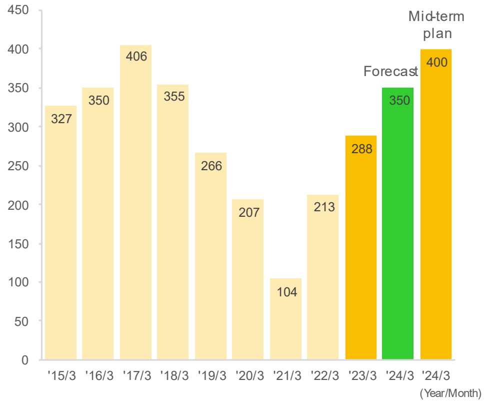
(100 million Yen)



As a result of the adoption of the "Accounting Standard for Revenue Recognition (Revised ASBJ Statement No.29)", the amount paid by customers, which was previously recorded as net sales, is offset against the cost of sales from the fiscal year ended March 31, 2022.

Operating Income

(100 million Yen)



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Now, moving on to financial results, a dotted line forming a white box on the top of each bar in the net sales graph represents an amount paid by customers, which was offset by the cost of sales because the Company adopted the "Accounting Standard for Revenue Recognition" starting from the fiscal year ended in March 2022.

Results for the year ended March 2023

Extraordinary Profits/Losses

NHK SPRING CO.,LTD.

Extraordinary profits/losses

(100 million yen)

Breakdown		Details	Amount
Extraordinary losses	Imapairment loss	On production equipment	55
	Litigation settlement	Settlement of patent infringement litigation	13
	Other		1
	Total		70

Impairment Loss

(100 million yen)

Purpose	Company	Description	Amount
Production equipment	NHK Spring Precision Springs and Components Business	Building, Machinery	52
	Subsidiaries in America	Machinery	2
Total			55

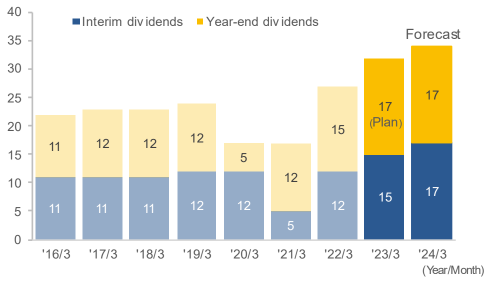
The next page outlines extraordinary losses.

They consisted mostly of impairment loss on non-current assets. The breakdown shows they were recorded for the Company's Precision Springs and Components Business segment, as displayed on the right-hand side of the table.

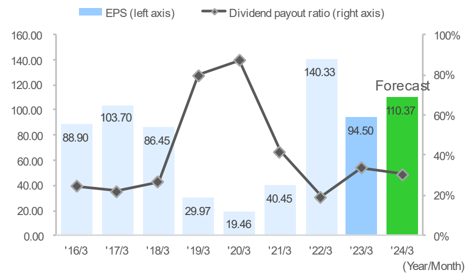
Dividends

NHK SPRING CO.,LTD.

Dividend Per Share (DPS)



Earnings Per Share (EPS)



	End of Q2	Year end	Total	Dividend payout ratio
FYE'23.3	15.0 yen	17.0 yen (Plan)	**32.0 yen**	33.9%
Forecast for FYE'24.3	17.0 yen	17.0 yen	**34.0 yen**	30.8%

Our dividend forecast for the year ended March 2023 shows annual dividends of 32 yen per share, composed of year-end dividends of 17 yen per share and interim dividends, as well as a dividend payout ratio of 33.9%. The dividend forecast for the year ending March 2024 shows annual dividends of 34 yen per share, comprising interim dividends of 17 yen per share and year-end dividends of 17 yen per share, as well as a dividend payout ratio of 30.8%.

NHK SPRING CO.,LTD.

Details of the Financial Results for the Year Ended March 2023

Next, we'll move on to the financial results for the year ended March 2023.

Results for the year ended March 2023

Net Sales / Operating Income by Business Segment

NHK SPRING CO.,LTD.

(100 million yen)

		FYE '22/3	FYE '23/3		Vs. Previous year	Vs. Forecast
		Result	Forecast	Result		
Automotive Suspension Springs Business	Net Sales	1,129	1,500	1,468	338	-31
	Operating Income	-43	-20	-27	16	-7
	Ratio	-3.9%	-1.3%	-1.9%	2.0%	-0.5%
Automotive Seating Business	Net Sales	2,084	2,670	2,737	653	67
	Operating Income	-28	90	73	101	-16
	Ratio	-1.4%	3.4%	2.7%	4.0%	-0.7%
Precision Springs and Components Business	Net Sales	1,622	1,680	1,594	-28	-85
	Operating Income	178	170	114	-63	-55
	Ratio	11.0%	10.1%	7.2%	-3.8%	-2.9%
Industrial Machinery and Equipment, and Other Operations	Net Sales	1,031	1,150	1,131	100	-18
	Operating Income	107	140	127	20	-12
	Ratio	10.4%	12.2%	11.3%	0.9%	-0.9%
Total	Net Sales	5,869	7,000	6,932	1,063	-67
	Operating Income	213	380	288	74	-91
	Ratio	3.6%	5.4%	4.2%	0.5%	-1.3%

Vs. FYE'22/3

In the automotive business, sales volume recovered to a certain degree due to the recovery from the impact of the COVID -19 pandemic, despite the impact of production adjustments by automobile manufacturers due to semiconductor supply shortages and other factors. In addition, sales increased significantly due to the impact of the weaker yen on overseas subsidiaries and passing on the steep rise in steel material costs to selling prices.

In the non-automotive business, sales volume of suspensions declined significantly due to the slowdown in the HDD market in the second half of the year and thereafter, despite the profit boost from the weaker yen and sales expansion of semiconductor processing parts.

Vs. Forecast

In the automotive -related business, the impact of automobile manufacturers' production cutbacks due to semiconductor supply shortages and other factors was larger than expected, although we made progress in recovering the impact of price hikes on various expenses.

The non-automotive business also suffered from the slowdown in the HDD market from the second half of the year and a decline in orders for semiconductor process components, resulting in lower sales and profits.

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First of all, let me outline the financial results on a segment-by-segment basis.

In the Automotive Suspension Springs Business and the Automotive Seating Business, sales grew year on year due to the recovery from the impact of the COVID-19 pandemic. Growth also resulted from reflecting steel material market conditions in selling prices and foreign exchange rate differences stemming from the weakening yen, despite being persistently affected by semiconductor supply shortages and other factors.

In the Precision Springs and Components Business segment, the weakening yen had the effect of pushing up the profit of the hard disk drive (HDD)-related business, for which the market became markedly sluggish from the fiscal year's second half onward.

The semiconductor-related business in the Industrial Machinery and Equipment, and Other Operations segment, although having likewise slowed down in the second half, ended the full fiscal year outperforming the previous fiscal year, helped partly by the weakening yen.

In comparison to the forecast, the automotive business experienced a heavy impact due to production cutbacks by some customers despite recovering a certain amount from customers related to steel material market conditions and energy costs. As stated earlier, the non-automotive business was significantly affected by the slowdown of both the HDD-related business and the semiconductor-related business.

Results for the year ended March 2023

Net Sales / Operating Income by Region

NHK SPRING CO.,LTD.

(100 million yen)

		FYE '22/3	FYE '23/3		Vs. Previous year	Vs. Forecast
		Result	Forecast	Result		
Japan	Net Sales	3,413	3,967	3,910	496	-56
	Operating Income	201	274	247	45	-26
	Ratio	5.9%	6.9%	6.3%	0.4%	-0.6%
Asia	Net Sales	1,665	1,858	1,867	202	9
	Operating Income	102	123	104	2	-18
	Ratio	6.1%	6.6%	5.6%	-0.5%	-1.0%
America & Europe & Others	Net Sales	790	1,175	1,153	363	-21
	Operating Income	-90	-17	-63	26	-46
	Ratio	-11.4%	-1.4%	-5.5%	5.9%	-4.0%
Total	Net Sales	5,869	7,000	6,932	1,063	-67
	Operating Income	213	380	288	74	-91
	Ratio	3.6%	5.4%	4.2%	0.5%	-1.3%

Vs. FYE'22/3

The automobile-related business was affected by customers' production cutbacks due to semiconductor supply shortages in all regions, but overall remained on a recovery track.

In the Asia, US, Europe, and other segments, sales are increasing due to the impact of yen depreciation.

In the U.S. and Europe, which have been a challenge for us, profitability improved from the previous year, mainly in the sheet business, although the segment is still in the red.

In addition, the profit margin in Asia (Thailand and China), where we have production bases, declined from the previous year due to a decrease in HDD suspension volume.

Vs. Forecast

The Japan and Asia segments were strongly affected by the slowdown in the HDD market, in addition to the impact of production cutbacks by automobile manufacturer due to semiconductor supply shortages and other factors.

The U.S. and Europe segments posted lower sales and profits due to customers' production adjustments caused by semiconductor supply shortages and other factors, as well as the impact of volume declines in the SUBARU business and higher unit labor costs.

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Now, let us move on to an outline of net sales and operating income by region.

Net sales and operating income in Japan grew year on year as the volume of automotive business enjoyed a rebound and we increasingly passed on steel material market conditions and energy costs in selling prices. However, net sales and operating income were lower than forecast in November 2022, affected greatly by the slowdown of the HDD market and semiconductor processing components.

Net sales in Asia grew year on year, helped mainly by foreign exchange rate differences and the foreign exchange impact of foreign currency-denominated transactions. However, operating income in Asia was flat year on year and less than forecast due to the HDD market slowdown.

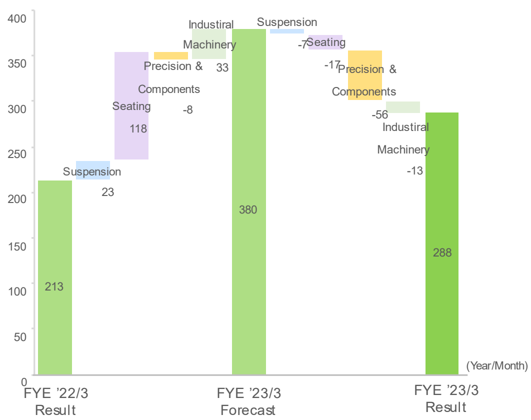
Net sales of the America, Europe & Others segment, although likewise having grown year on year due mainly to foreign exchange rate differences, were much lower than forecast in the face of production adjustments by some customers and soaring labor costs.

Operating Income Trends by Segment

NHK SPRING CO.,LTD.

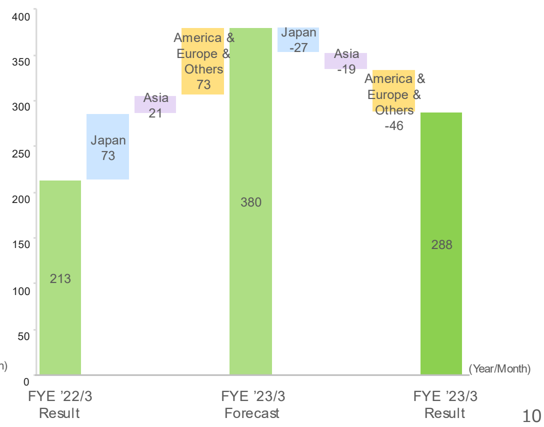
By Business Segment

(100 million Yen)



By Region

(100 million Yen)



Shown in the charts are operating income trends by segment and region.

As you can see, expected operating income peaked at the level forecast in November 2022 before declining toward the end of the fiscal year under review. For the full fiscal year, there was a conspicuous recovery in the Automotive Seating Business, and the Industrial Machinery and Equipment, and Other Operations posted a higher operating income as well, but the Precision Springs and Components Business segment recorded a significant decline in operating income.

By region, operating income in Japan grew.

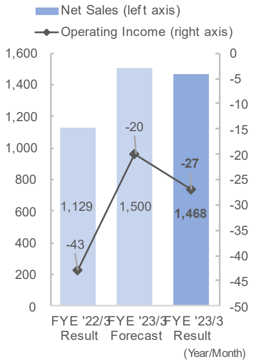
Automotive Suspension Springs Business

NHK SPRING CO.,LTD.

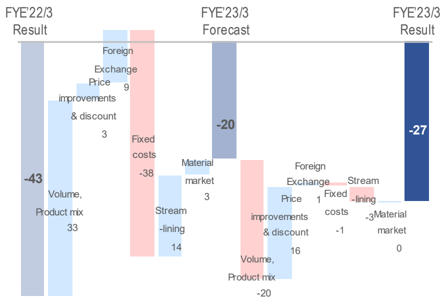
(100 Million Yen)

	FYE '22/3 Results	FYE '23/3 Forecast	FYE '23/3 Results	Vs. Previous year	Vs. Forecast
Net Sales	1,129	1,500	1,468	338	-31
Operating Income	-43	-20	-27	16	-7
Ratio	-3.9%	-1.3%	-1.9%	2.0%	-0.5%

Results Trends



Variable Factor Analysis for Operating Income



Vs. FYE'22/3

Sales volume recovered to a certain degree due to the recovery from the impact of the COVID -19 pandemic, despite the impact of production adjustments by automobile manufacturers due to semiconductor supply shortages and other factors.

In terms of profit and loss, changes in the external environment, such as price hikes in various expenses, and increased labor costs, mainly in the U.S., pushed down profit, but the price pass-through of higher steel material prices and the effect of the weaker yen led to an improvement in both sales and profit over the previous year.

Vs. Forecast

Sales and profits declined due to the greater-than-expected impact of automobile manufacturers' production cutbacks caused by semiconductor supply shortages and other factors, despite the progress made in passing the impact of the sharp rise in the cost of auxiliary materials, expenses, and energy costs to prices, mainly in Japan.

We now move on to analysis of our business segments.

We will first look at the Automotive Suspension Springs Business.

Net sales of the business grew year on year due to effects from foreign exchange rate differences owing to the weakening yen, as well as to increasingly passing on steel material market conditions in selling prices. Although soaring energy and labor costs in North America had the effect of lowering earnings, operating loss shrank compared to the previous fiscal year.

Despite increasingly passing on energy costs, among other things, in selling prices mainly in Japan, net sales and operating income were lower than forecast, affected more than expected by production adjustments at customers in North America in particular.

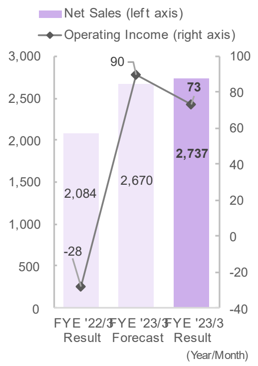
Automotive Seating Business

NHK SPRING CO.,LTD.

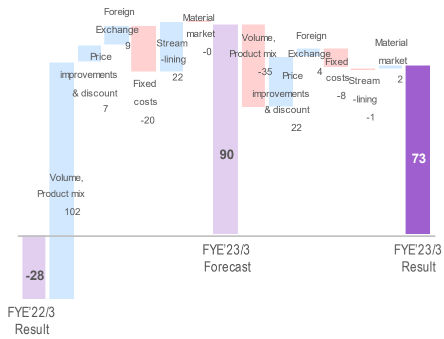
(100 Million Yen)

	FYE '22/3 Results	FYE '23/3 Forecast	FYE '23/3 Results	Vs. Previous year	Vs. Forecast
Net Sales	2,084	2,670	2,737	653	67
Operating Income	-28	90	73	101	-16
Ratio	-1.4%	3.4%	2.7%	4.0%	-0.7%

Results Trends



Variable Factor Analysis for Operating Income



Vs. FYE'22/3

Despite production adjustments by automobile manufacturers due to semiconductor supply shortages and other factors, and the impact of price hikes in steel, energy, and other materials, sales and earnings increased due to a recovery from the impact of the COVID -19 pandemic and an increase in the yen equivalent value of overseas subsidiaries due to the weaker yen.

Vs. Forecast

Operating profit was lower than the previous forecast mainly due to the impact of production cutbacks in the SUBARU business from Q4 onward and one-time expenses of -1.1 billion yen to maintain the supply chain in the U.S.

Next, we will look at the Automotive Seating Business.

Net sales and operating income grew year on year as the mainstay SUBARU business remained strong until the third quarter of the fiscal year under review and yen-equivalent values of overseas subsidiaries increased due to the weakening yen, despite production adjustments that were made in the fourth quarter.

Catch-up production occurred in the business with NISSAN, and the automotive seating for the X-Trail, including the Rogue for North America, continued to perform well at the Kyushu Plant.

Operating income was lower than forecast in November 2022 due to effects from production adjustments by SUBARU during the fourth quarter and to 1.1 billion yen posted on a one-off basis for the purpose of maintaining our supply chain in the US.

Results for the year ended March 2023 : Analysis by Business Segment

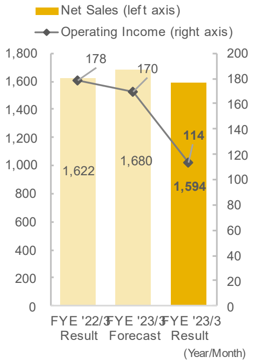
Precision Springs and Components Business

NHK SPRING CO.,LTD.

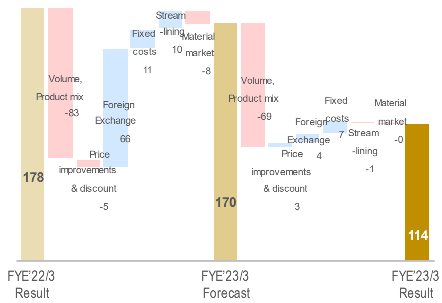
(100 Million Yen)

	FYE '22/3	FYE '23/3		Vs. Previous year	Vs. Forecast
	Results	Forecast	Results		
Net Sales	1,622	1,680	1,594	-28	-85
Operating Income	178	170	114	-63	-55
Ratio	11.0%	10.1%	7.2%	-3.8%	-2.9%

Results Trends



Variable Factor Analysis for Operating Income



Vs. FYE'22/3

In the automotive business, both sales and profits declined due to production adjustments by automobile manufacturers caused by semiconductor supply shortages and other factors.

In the information and telecommunication related business, HDD suspension sales volume declined significantly due to production adjustments by HDD manufacturers, despite the profit boost from the weak yen.

Vs. Forecast

The automotive-related business was more affected than expected by automobile manufacturers' production cutbacks due to semiconductor supply shortages, mainly in Japan and North America.

In the information and telecommunication related business, HDD suspension demand fell more than expected, although a slowdown in the market was anticipated from the second half of the year.

Next, we will look at the Precision Springs and Components Business segment.

The automotive business suffered significant volume declines, impacted by production adjustments by automobile manufacturers arising from semiconductor shortages, among other factors.

Net sales and operating income declined year on year and were less than forecast because the non-automotive business suffered a major decrease in business and the HDD-related business experienced larger-than-expected production adjustments from the second half of the fiscal year. In saying that, the weakening yen had the effect of pushing up net sales and operating income.

The Motor Core business posted net sales of 8.0 billion yen, more or less double the 4.0 billion yen recorded for the previous fiscal year. However, the business did not go so far as to generate a profit, and any earnings contribution will occur from the year ending March 2024.

Results for the year ended March 2023 : Analysis by Business Segment

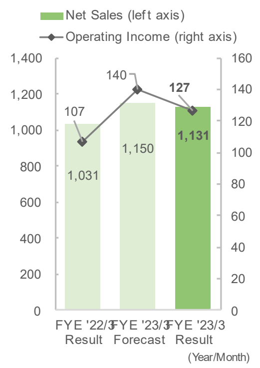
Industrial Machinery and Equipment, and Other Operations

NHK SPRING CO.,LTD.

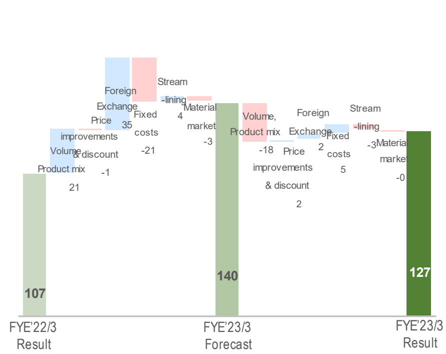
(100 Million Yen)

	FYE '22/3 Results	FYE '23/3 Forecast	FYE '23/3 Results	Vs. Previous year	Vs. Forecast
Net Sales	1,031	1,150	**1,131**	100	-18
Operating Income	107	140	**127**	20	-12
Ratio	10.4%	12.2%	**11.3%**	0.9%	-0.9%

Results Trends



Variable Factor Analysis for Operating Income



Vs. FYE'22/3

Both sales and income increased due to a recovery in the automotive-related business from the impact of the COVID-19 pandemic, strong orders for semiconductor process components, and the impact of a weaker yen on the exchange rate.

Vs. Forecast

Both sales and profit/loss were down from the previous forecast due to lower orders for semiconductor process components from the second half of the fiscal year, although the automotive-related business and golf shafts performed well.

We now move on to the Industrial Machinery and Equipment, and Other Operations segment.

Net sales and operating income grew year on year, supported by recovery from the effects of the spread of COVID-19 and by the semiconductor processing components business remaining strong until the fiscal year's first half. This was despite the fact that mainly the automotive business was affected by insufficient semiconductor supply.

Order intake for semiconductor processing components feel sharply in comparison to our forecast, which became an undershoot factor.

This concludes my briefing on the financial results.

NHK SPRING CO.,LTD.

Details of the Financial Forecast for the Year Ending March 2024

Next, let me brief you on the financial forecast for the year ending March 2024.

Forecast for the year ending March 2024

NHK SPRING CO.,LTD.

(100 million yen)

	FYE '23/3 Result	FYE '24/3 Forecast	Forecast Vs. Previous year Variance	Ratio	FYE '24/3 Mid-term plan	Forecast Vs. Mid-term plan Variance	Ratio
Net Sales	6,932	7,500	567	8.2%	6,500	1,000	13.3%
Operating Income	288	350	61	21.4%	400	-50	-14.3%
Ratio	4.2%	4.7%	0.5%	–	6.2%	-1.5%	-31.9%
Ordinary Income	373	400	26	7.2%	420	-20	-5.0%
Ratio	5.4%	5.3%	1.8%	–	6.5%	-1.1%	-21.2%
Profit Attribute to Owners of Parent	215	250	34	16.1%	250	0	–
Extraordinary profits/losses	-70	–	–	–	–	0	–
EPS - Earning Per Share	94.50	110.37	–	–	–	–	–
ROE - Return On Equity	6.4%	7.0%	–	–	8.0%	-1.0%	–
Average Rate US$	135.0	130.0	-5.0	–	100.0	30.0	–
Thai Baht	3.7	3.8	0.1	–	3.2	0.6	–

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Our financial forecast for the year ending March 2024 shows net sales of 750.0 billion yen, operating income of 35.0 billion yen, ordinary income of 40.0 billion yen, and profit attributable to owners of the parent of 25.0 billion yen.

Allow me to tell you about the assumptions for the forecast. The Group assumes that global automobile production for the year ending March 2024 will be 89.0 million units compared to a total of 91.5 million units assumed by automobile manufacturers and that domestic automobile production will be 8.6 million units compared to 9.8 million units assumed by them. Total HDD production dropped markedly for 2022 before staying flat thereafter. Meanwhile, production of HDDs for near-online service will likely increase after hitting the bottom from the second half of fiscal 2022 second half to the first half of fiscal 2023. We forecast that total HDD production and near-online HDD production will be 155 million units and 66 million units, respectively, for fiscal 2023, and aim to achieve a 53% market share for the year.

As for foreign exchange rates, we assume an annual average of 130 yen to the US dollar and an annual average of 3.8 yen to the Thai Baht. Foreign exchange sensitivity is approximately 300 million yen per one-yen change in the foreign exchange rate to both the US dollar and the Thai Baht.

The medium-term plan assumed global automobile production of 93.5 million units and domestic automobile production of 9.5 million units, meaning that they were lowered by 5% and 10%, respectively. The plan assumed global HDD production of 210 million units in total and global near-online HDD production of 78 million units in total, showing that they were lowered by 26% and 15%, respectively.

As you see here, despite being 100.0 billion yen above the medium-term plan's net sales target, in effect the forecast net sales are predicted to be below it by 45.0 billion yen. This is given effects of 65.0 billion yen from foreign exchange rate differences and 60.0 billion yen from passing on steel material market conditions in selling prices, as well as of approximately higher sales revenue of 20.0 billion yen due to the weakening yen, considering the fact that the plan had assumed a foreign exchange rate of 100 yen to the US dollar and that of 3.2 yen to the Thai Baht.

Forecast for the year ending March 2024

Net Sales / Operating Income by Business Segment

NHK SPRING CO.,LTD.

(100 million yen)

		FYE '23/3 Results	FYE '24/3 Forecast	Forecast Vs. Previous year: Variance	Forecast Vs. Previous year: Ratio	FYE '24/3 Mid-term plan	Forecast Vs. Mid-term plan: Variance	Forecast Vs. Mid-term plan: Ratio
Automotive Suspension Springs Business	Net Sales	1,468	1,591	122	8.3%	1,210	381	23.9%
	Operating Income	-27	21	48	–	30	-9	-42.9%
	Ratio	-1.9%	1.3%	3.2%	–	2.5%	-1.2%	-87.8%
Automotive Seating Business	Net Sales	2,737	2,975	237	8.7%	2,400	575	19.3%
	Operating Income	73	118	44	61.4%	80	38	32.2%
	Ratio	2.7%	4.0%	1.3%	–	3.3%	0.6%	16.0%
Precision Springs and Components Business	Net Sales	1,594	1,797	202	12.7%	1,790	7	0.4%
	Operating Income	114	125	10	9.0%	180	-55	-44.0%
	Ratio	7.2%	7.0%	-0.2%	–	10.1%	-3.1%	-44.6%
Industrial Machinery and Equipment, and Other Operations	Net Sales	1,131	1,137	5	0.4%	1,100	37	3.3%
	Operating Income	127	86	-41	-32.8%	110	-24	-27.9%
	Ratio	11.3%	7.6%	-3.7%	–	10.0%	-2.4%	-32.2%
Total	Net Sales	6,932	7,500	567	8.2%	6,500	1,000	13.3%
	Operating Income	288	350	61	21.4%	400	-50	-14.3%
	Ratio	4.2%	4.7%	0.5%	–	6.2%	-1.5%	-31.9%

Automotive Suspension Springs Business

Aiming to transform into a profitable structure by passing on the impact of rising unit prices of various expenses to prices and strongly promoting sales price improvement and rationalization activities.

Automotive Seating Business

Production volume increase mainly in Japan and the U.S.

In addition, we expect to increase sales and profit through cost reductions by streamlining activities.

Precision Springs and Components Business

Despite volume growth in the automotive sector, demand for HDD suspension is expected to recover in the second half of the year and remain sluggish through the first half of the year.

Industrial Machinery and Equipment, and Other Operations

Recovery of semiconductor process components volume is expected to begin in the second half of the fiscal year or later. Operating income is expected to fall below the previous year's level, partly due to the negative impact of foreign exchange rate fluctuations.

Now, let me outline the forecast by segment.

We intend to bring the Automotive Suspension Springs Business to profitability by vigorously working to ensure appropriate selling prices and pass on the effects of inflation, such as higher energy and labor costs, in selling prices, among other efforts. This will mainly be in the persistently-struggling US and Europe businesses and by pursuing ongoing rationalization activities.

The Automotive Seating Business segment will likely post higher net sales and operating income chiefly due to an increased order intake.

In the Precision Springs and Components Business segment, the automotive business is expected to achieve a volume recovery. While the HDD-related business in the first half of the year ending March 2024 is predicted to remain lackluster like in the latter half of the second half of the year ended March 2023, the business will likely enjoy an increased volume from the second half of the year ending March 2024. Overall, net sales and operating income are forecast to grow compared to the previous fiscal year.

In the Industrial Machinery and Equipment, and Other Operations segment, the semiconductor processing components business will likely post a reduced operating income while awaiting a rebound.

Forecast for the year ending March 2024

Net Sales / Operating Income by Region

NHK SPRING CO.,LTD.

(100 million yen)

		FYE '23/3	FYE '24/3	Forecast Vs. Previous year		FYE '24/3	Forecast Vs. Mid-term plan	
		Results	Forecast	Variance	Ratio	Mid-term plan	Variance	Ratio
Japan	Net Sales	3,910	**4,280**	369	9.4%	**4,090**	190	4.4%
	Operating Income	247	**217**	-30	-12.3%	**270**	-53	–
	Ratio	6.3%	**5.1%**	-1.3%	–	**6.6%**	-1.5%	–
Asia	Net Sales	1,867	**2,012**	144	7.7%	**1,500**	512	25.4%
	Operating Income	104	**125**	20	19.7%	**110**	15	12.0%
	Ratio	5.6%	**6.2%**	0.6%	–	**7.3%**	-1.1%	–
America & Europe & Others	Net Sales	1,153	**1,208**	54	4.7%	**910**	298	24.7%
	Operating Income	-63	**8**	71	–	**20**	-12	-150.0%
	Ratio	-5.5%	**0.7%**	6.2%	–	**2.2%**	-1.5%	–
Total	Net Sales	6,932	**7,500**	567	8.2%	**6,500**	1,000	13.3%
	Operating Income	288	**350**	61	21.4%	**400**	-50	-14.3%
	Ratio	4.2%	**4.7%**	0.5%	–	**6.2%**	-1.5%	–

Japan

Despite volume growth in automotive -related fields, sales and profits are expected to increase due to the recovery of information and telecommunications -related volumes in the second half of the fiscal year and the negative impact of foreign exchange rates on profits.

Asia

Both Thailand and China are expected to post lower profits in HDD -related components, but the automobile - related sector is expected to post higher sales and profits due to volume recovery.

America and Europe, and Others

Aim to return the U.S. and European operations to profitability by increasing volume and improving selling prices to offset the impact of logistics costs, power and utilities costs, and labor costs hikes and inflation.

By region, although the automotive business is predicted to enjoy an increased production volume in Japan, we are likely post higher net sales and lower operating income there for the full year, affected by a significant slump in the first half for the HDD-related and the semiconductor processing components businesses, which are non-automobile domains of high profitability.

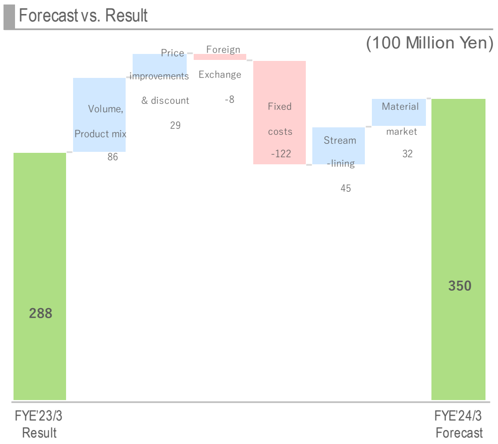
In Asia, we are expected to record higher sales and operating income, driven by a recovery in the second half of the fiscal year and a higher automobile production volume, in spite of a lower volume for the HDD-related business in the first half.

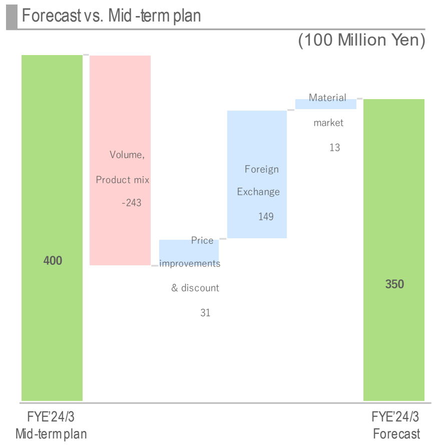
In the America, Europe & Others segment, we aim to achieve profitability as early as possible by striving to ensure appropriate selling prices and reflecting the effects of inflation, such as higher energy, logistics, and labor costs, in selling prices, in addition to a growing volume for the automotive business.

Forecast for the year ending March 2024

Variable Factor Analysis for Operating Income

NHK SPRING CO.,LTD.





Shown in the next graph is an outline of operating income for the year ending March 2024 by variable factors.

We aim to grow operating income year on year mainly by recovering from customers the increase in fixed costs through raising selling prices and business rationalization in addition to increasing volume, mainly for the automotive business.

Operating income for the year ending March 2024 will likely be less than forecast in the medium-term plan, as reduced sales stemming from volume declines are expected to offset a significant earnings enhancement effect from foreign exchange rates.

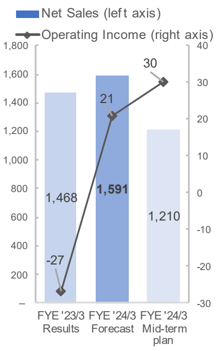
Forecast for the year ending March 2024: Analysis by Business Segment

Automotive Suspension Springs Business

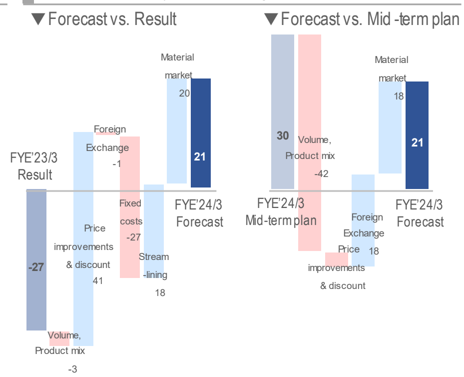
(100 Million Yen)

	FYE '23/3 Results	FYE '24/3 Forecast	Vs. Previous year Variance	FYE '24/3 Mid-term plan	Vs. Forecast Variance
Net Sales	1,468	1,591	122	1,210	381
Operating Income	-27	21	48	30	-9
Ratio	-1.9%	1.3%	3.2%	2.5%	-1.2%

Results Comparison



Variable Factor Analysis for Operating Income



Vs. FYE'23/3

It is still difficult to predict when the supply will stabilize, although the semiconductor shortage is gradually being resolved.

We aim to return to profitability by passing on the impact of rising unit prices of various expenses to prices, improving selling prices, and further promoting rationalization in the U.S. and Europe, which have been a challenge.

Vs. Mid-term plan

Sales are expected to exceed the initial plan by a large margin due to passing on steel and other price hikes to selling price and the weaker yen. However, profit targets are expected to fall short of the mid-term plan due to lower volume and the impact of soaring costs for auxiliary materials and energy.

Now, let us look at the Automotive Suspension Springs Business segment.

We seek to return to operating profitability for the second half of the fiscal year by striving vigorously to ensure appropriate selling prices by methods that include passing on the effects of inflation, such as higher energy, transportation, and labor costs, in selling prices, while semiconductor supply shortages moderate.

Forecast for the year ending March 2024: Analysis by Business Segment

Automotive Seating Business

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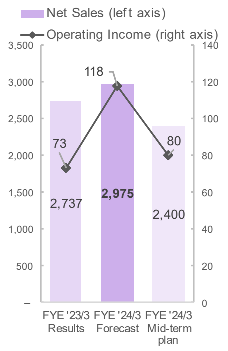
(100 Million Yen)

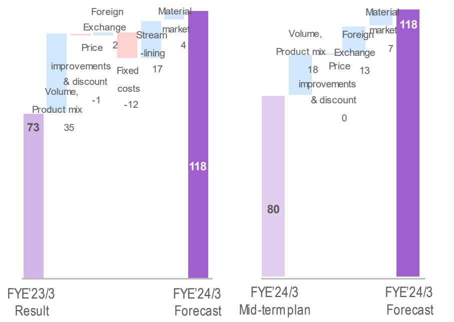
	FYE '23/3 Results	FYE '24/3 Forecast	Vs. Previous year Variance	FYE '24/3 Mid-term plan	Vs. Forecast Variance
Net Sales	2,737	2,975	237	2,400	575
Operating Income	73	118	44	80	38
Ratio	2.7%	4.0%	1.3%	3.3%	0.6%

Results Comparison



Variable Factor Analysis for Operating Income

▼Forecast vs. Result ▼Forecast vs. Mid-term plan



Vs. FYE'23/3

We expect automobile production volume to recover, although the timing of customers' production cutbacks due to semiconductor supply shortages and other factors is uncertain.

Volume will increase mainly in Japan and the U.S. due to increased sales to SUBARU and NISSAN.

Furthermore, we aim to achieve a significant increase in sales and profit through cost reduction activities by streamlining operations.

Vs. Mid-term plan

Although the U.S. business will fall short of the profit target, Japan and Thailand business will drive the profitability. Furthermore, with the impact of the weaker yen, we expect an increase in sales and profit for the overall automotive seating business.

In the Automotive Seating Business segment, we are projected to post higher net sales and operating income year on year for the year ending March 2024, helped mainly by a growing volume of products for SUBARU and NISSAN, which had made model changes in fiscal 2022, as the recovery in production volume becomes more conspicuous.

Net sales and operating income for the year will likely be higher than forecast in the medium-term plan, driven by foreign exchange rate differences, as production volume in Thailand for ISUZU and TOYOTA will grow amid a reduced volume in Japan and North America.

Forecast for the year ending March 2024: Analysis by Business Segment

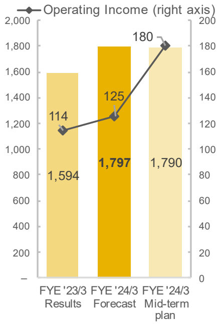
Precision Springs and Components Business

NHK SPRING CO.,LTD.

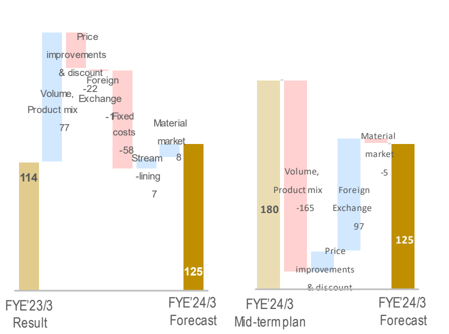
(100 Million Yen)

	FYE '23/3 Results	FYE '24/3 Forecast	Vs. Previous year Variance	FYE '24/3 Mid-term plan	Vs. Forecast Variance
Net Sales	1,594	1,797	202	1,790	7
Operating Income	114	125	10	180	-55
Ratio	7.2%	7.0%	-0.2%	10.1%	-3.1%

Results Comparison



Variable Factor Analysis for Operating Income



Vs. FYE'23/3

Demand for HDD-related components is expected to remain sluggish through the first half of the year, although a recovery in demand for suspensions is anticipated from the second half.

In the automobile-related field, sales and profits are expected to increase due to recovery in production volume, expansion of business scale of Motor Core, a core product for the next fiscal year, and passing on the steep rise in steel material costs to selling prices.

Vs. Mid-term plan

In the automobile-related field, earnings in the U.S. and Europe are expected to reach the mid-term plan target, but the volume of engine and transmission springs is expected to be lower than initially expected. In addition, sales of motor cores in Japan and China are expected to fall short of the original mid-term plan, resulting in lower sales and profits.

Although the weaker yen is expected to boost profits for HDD-related products, the volume decline in the first half of the year is expected to have a significant impact on profits in Japan, Thailand, and China, all of which are expected to fall slightly short of the profit targets.

We now move on to the Precision Springs and Components Business segment.

The HDD-related business, albeit still in a slump as in the second half of the previous fiscal year, is predicted to recover from the second half of the year ending March 2024 onward. The automotive business will likely enjoy volume recovery with the Motor Core business, being expected to record 10.0 billion yen in net sales for the year.

Meanwhile, in comparison to the medium-term plan, the automotive business is expected to suffer a significant decline in the quantity of springs for engine and transmission in Japan and China, while net sales of the non-automotive business will likely decrease owing to a lower volume of HDDs.

Net sales and operating income are predicted to decline overall year on year as foreign exchange rates, although having the effect of pushing up earnings, will fail to offset reduced volume for the two operations.

Forecast for the year ending March 2024: Analysis by Business Segment

Industrial Machinery and Equipment, and Other Operations

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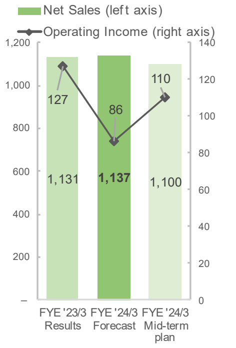
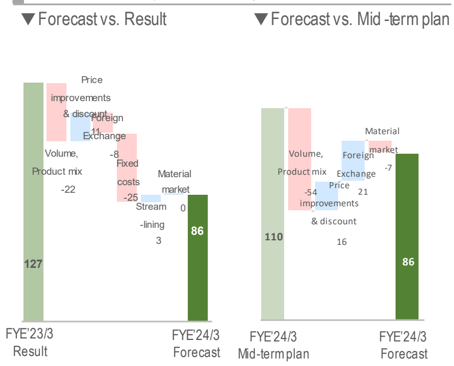
(100 Million Yen)

	FYE '23/3 Results	FYE '24/3 Forecast	Vs. Previous year Variance	FYE '24/3 Mid-term plan	Vs. Forecast Variance
Net Sales	1,131	1,137	5	1,100	37
Operating Income	127	86	-41	110	-24
Ratio	11.3%	7.6%	-3.7%	10.0%	-2.4%

Results Comparison



Variable Factor Analysis for Operating Income



Vs. FYE'23/3

Operating income is expected to be lower than the previous year due to lower volume of semiconductor process components and the negative impact of foreign exchange rates on profits, although the leisure sector, including golf shafts and marine products, is expected to remain strong.

Vs. Mid-term plan

The leisure sector, including golf shafts and marine products, is expected to perform well against the mid-term target. On the other hand, semiconductor processing components are expected to see lower sales and profits compared to the mid-term plan due to the volume decline in the first half of the year, although the weaker yen will boost profits.

Now, let me talk about the forecast for the Industrial Machinery and Equipment, and Other Operations segment.

Operating income for this segment will likely decline year on year and be less than what was forecast in the medium-term plan due to a lower volume for the mainstay semiconductor processing components business. This is despite the fact that the leisure domain, including golf shafts and other products, fared strongly and the automotive business is predicted to enjoy a volume recovery.

In comparison to the fiscal year ending in March 2024 medium-term plan, the automotive and non-automotive businesses will likely experience a conspicuously lower production volume with the exception of the Automotive Seating Business, which enjoyed a significant volume growth. Although we are unable to lower fixed costs enough in pace with the volume decline while being affected by inflation effects such as on energy costs, we will engage in activities in an effort to securely achieve levels of earnings forecast in the medium-term plan once production volume recovers from the second half of the fiscal year onward. This will be done through working tirelessly to rationalize operations and continuing to ensure appropriate selling prices.

This concludes my briefing.

NHK SPRING CO.,LTD.

For Future Growth

President & CEO
Representative Member of the Board
Takashi Kayamoto

Let me brief you on our intention to tackle three management challenges for the year ending March 2024 by creating projects for them.

Background and Project Measures

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Automotive Suspension Springs	-Increasing the value of Automotive Suspension Springs -Optimal production system	**Profitability Improvement Project** -Price improvement of Automotive Suspension Springs -Negotiation of appropriate price for cost increase -Productivity improvement
Automotive Seating	Adaptation to electrification	**SUBARU Project** -Establishment of a management system with QCDD -Development of seats adapted to needs
Motor Core	Further acceleration of electrification	**Motor Core** / **Die** -Expand new sales by leveraging strengths -Accelerate business by increasing competitiveness and differentiatior

The first project will concern the Automotive Suspension Springs Business, the profitability of which has been declining markedly. We aim to return the segment to profitability and step up its earnings through what we are calling the Profitability Improvement Project.

The second project, concerning the Automotive Seating Business, will be one to evolve our response to SUBARU, one of the most important customers for us.

The third project will be one to push forward even harder with the Motor Core business in an effort to further vitalize the Precision Springs umit, the profitability of which has been falling. This project is designed to ensure we make new sales to more than compensate for lost sales of bulb and transmission springs.

I will brief you on each of these projects in a little more detail on the following pages.

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Automotive Suspension Springs Initiatives
Profitability Improvement Project

The first is the Profitability Improvement Project, an endeavor for the Automotive Suspension Springs Business.

Details of Measures

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Increasing the value of Automotive Suspension Springs

-Price improvement
-Price pass-through of inflationary increases

Labor productivity improvement

-Productivity improvement based on rising labor costs
-Thorough manpower saving

Equipment productivity improvement

Aim for optimal production between sites based on global utilization rates

Strengthening resilience and BCP

Review of global supply structure for stable supply and production flexibility

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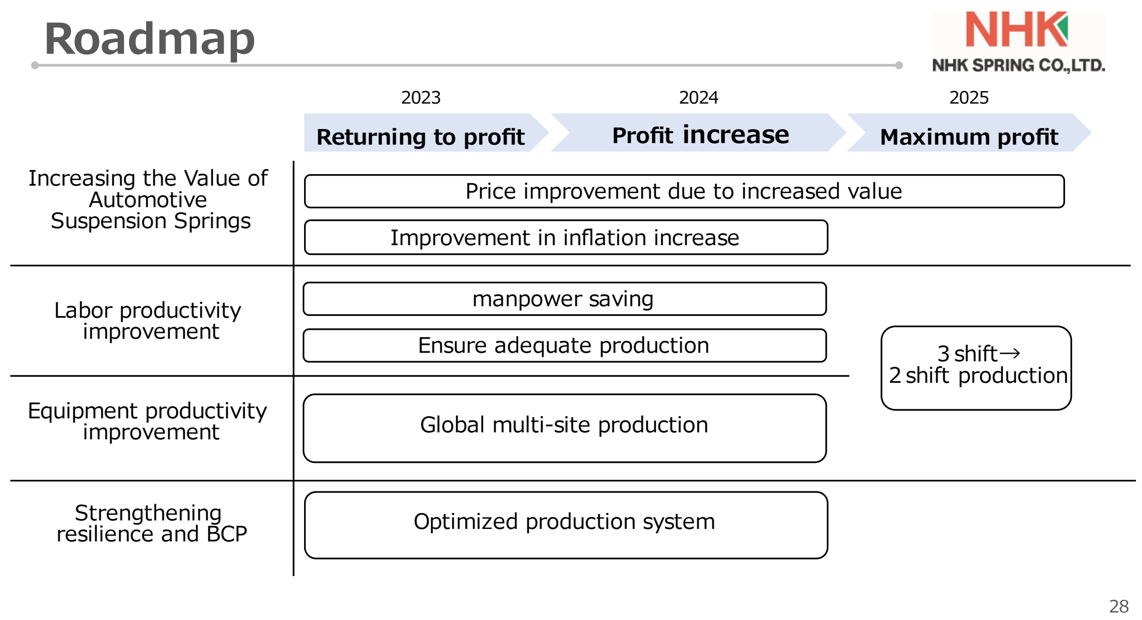
Our primary goal is to increase the value of automotive suspension springs. As an initial step, we have been passing on inflationary increases in selling prices since the years ended March 2022 and March 2023, and will do the same for the year ending March 2024. In addition, we will strive harder to convince customers to recognize the value of springs. An automotive suspension spring tends to be thought of as a fairly simple component due to coming in a seemingly plain form. This is particularly so because it has a long history. However, the last three decades have seen automotive suspension springs evolve to the extent that springs carrying the same load weigh about 40% less than they used to. These springs have become highly advanced in both form and precision. Prices, however, to a fairly active extent have been set in a self-destructive manner in the form of cutting prices year after year or giving discounts in competition at the time of a model change. To turn this problem around, we consider increasing the value of springs themselves each time a model change is done, while clearly explaining how important springs are as components and rolling out new automotive suspension spring products. Thus, a key theme is to fundamentally enhance the profit from automotive suspension springs.

At the same time, we will seek to improve both labor and equipment productivity. As labor costs are assumed to rise, we will work diligently to save labor and improve productivity. Although labor costs have been rising, particularly in North America, they have shot up in the ASEAN region as well. Japan has also seen labor costs increase due to wage hikes. For equipment productivity, we must step up utilization rates in particular as an equipment-centric business operator. We will eventually strengthen our resilience and BCP profile while communicating with customers on measures to produce identical automotive suspension springs at other bases in consideration of the capacity we have globally.



This is a roadmap for us. In the endeavor to improve prices through adding value, we will push up both value and prices over the next 10 to 20 years after a period of two to three decades of decline to date. Moreover, we will recover increases due to inflation when raising value and prices each year as appropriate. In terms of labor productivity and equipment productivity, we will continue production at other bases while dividing an appropriate production volume into plant lines around the world. Doing so will be fairly laborious because we must obtain customer approval, but by continuing the effort we will change from three-shift production to two-shift production at the two US bases beset with the lowest profitability currently, in particular. Although it will simply suffice to have a staff level two thirds the size, we will still need to adjust productivity and production volume, among other things. Making the change will enable us to return the US bases to profitability at the same time. This optimal production system will serve as a resilience and BCP measure in the event of various uncertainties arising or a geopolitical problem occurring in future. That is, we will improve value on a total basis.

Automotive Seating Initiatives SUBARU Project

Now, allow me to move on to the Automotive Seating Initiatives, which cover a set of projects for SUBARU, our biggest customer.

Relationship with SUBARU

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SUBARU market share

North America：１００%
Japan：９２%

History

-Delivering seats since 1969
-Synchronized production since 1989

Time from order to delivery

Delivered in 3 hours

Construction of a new plant in North America

July 2021：Incorporation begins

→We need to further improve SUBARU's satisfaction.

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We have built a close and good relationship with SUBARU through an extremely long history. In addition to having a high market share with SUBARU, a long history with the firm and a solid synchronized production profile, we currently boast a time from order to delivery of three hours. This demonstrates that our plants in North America have been operating properly and efficiently.

This is taken for granted given the long relationship. However, unless we can show SUBARU what an innovative company we are with new, attractive features that will benefit them, they may tire of us in this era of rapid change. Therefore, to build an even better relationship with SUBARU, we will push forward with the project to further improve its satisfaction.

What's needed to improve customer evaluations and strengthen relationships?

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Q:Quality
Quality creation from the development and design stages

C:Cost
Eliminate design rework and achieve cost targets

D:Delivery date
Clarification of processes and driving progress by Project Manager

D:Development
-Pursuit of the essence of seating
-Virtual development

Establishment of Project Management (PM) structure
-Centralized management of the entire project progress and a single point of contact with the client
-Specialized teams focus on their own tasks to improve efficiency

Customer Evaluation
Improve QCDD and respond quickly, leading to evaluation and building even stronger relationships

The aim is to improve evaluations both by SUBARU and SUBARU drivers. It is assumed that we will develop, manufacture, and provide safe and comfortable automotive seats. In the quality effort, the Q in QCDD, we will be able to manufacture products without waste by ensuring proper quality from the design and development stage. In the cost (C) effort, we will lower cost by engaging in development and design free of rework. For delivery (D), we will put in place a project manager system to carefully manage development delivery dates and will use a platform in which we can centrally answer questions from the customer. Regarding the development (D) effort, which is especially important, we will adopt a virtual development method while pursuing the essence of automotive seating. We have more or less completed making a system in which to perform computations by, for example, using virtual examination to see whether wrinkles will form on seat outer surfaces, not to mention checks for sturdiness and shape. We will proceed with this effort with the aim of ultimately conducting trial production of models developed virtually and conducting only one inspection instead of multiple trial production runs. In these ways we seek to strengthen the relationship with SUBARU by improving the satisfaction of both SUBARU and their customers as well.

Motor Core Initiatives
Motor Core Project
Die Project

The third project is the Motor Core Initiative. For motor cores, we are now engaged in two project activities comprising expanded production of motor core bodies and supply of necessary dies.

Details of Measures

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Establishment of global production system
～Responding to increased orders～

-Construction of new production building (Atsugi Plant)
-Land acquisition (Mexico)
-Production capacity expansion (China)

Increased die fabrication capacity

-Increase and train more designers
-Expansion of machining facilities
-Add design and manufacturing base in Thailand

Development of new construction methods

-Interlock-less lamination
-Glue bonding core
-Interlock-less＋ Development of new construction methods

Proactive response to prototypes

-Reinforcement of design system
-Reinforcement of prototype production system
-Introduction of dedicated press machine for prototype production

On the production front, we will establish a suitable global production system to handle increased orders. This will include construction of a fairly large new production building at the Atsugi Plant in November 2023 by investing around 5.0 billion yen. Once the building is complete, facilities will be put in place in due course. In Mexico, we acquired a large block of land, more than 30,000 m^2 in size, adjacent to the premises of our existing production plant there, and are now preparing for expanding production. While having already begun production in China, we acquired a block of land for plant premises on which to expand capacity as required. In this way, we have put into place a production system befitting order intake.

To expand order intake, we are now developing new ways to build motor cores. There are various types of motor core, and their characteristics vary in accordance with customer needs. While we have already created different characteristic production methods in the development stage, we will complete a mass-production system in the coming two to three years.

We are now developing our die design and production techniques, one of the most important items for boosting production, and expanding our die plant in Thailand. In Thailand, we already have the ability to develop, design, and produce dies for highly-precise HDD plates, and will obtain the capability to produce motor core dies too.

Moreover, we will work actively and with great care to produce prototypes. Namely, in May 2023, we will introduce a press and other equipment costing in total several hundred million yen that will be dedicated to making prototypes for products that meet customer needs.

Roadmap

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	2023	2024	2025
Establishment of production system	New Atsugi Plant completed	Capacity expansion in China & Mexico	
Increased die fabrication capacity ※current ratio	Production lead time: 3/4 reduced Production capacity: 2x		Production lead time: 1/2 reduced Production capacity: 4x
Development of new construction methods	Interlock-less lamination Establishment of mass production	Glue bonding core Establishment of mass production	Interlock-less＋ Development of new construction methods
Establishment of prototype system	Introduction of prototype equipment	Multi-product support	

As for the roadmap, we will pursue development of motor cores as mentioned with the intention of doing it at high speed by 2025, while at the same time finding ways to add extra value to the motor cores currently make.

Global sales of Motor Core (billion yen)

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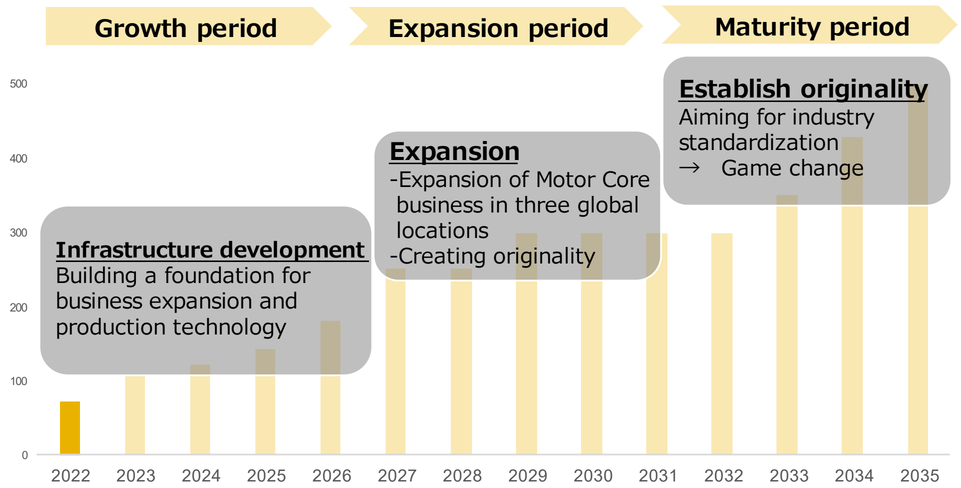

Dividing the whole endeavor simply into growth, expansion, and maturity periods, we will pursue these efforts with the aim of achieving global sales of 50.0 billion yen or more in 2035 and a long-term goal of 100.0 billion yen, including global sales of other components involved in motor cores.

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