Analyst Financial Results Briefing Q&A Session on May 27, 2024
(Financial Results for the Year Ended March 2024)

Q. The plan for the fiscal year ending March 2025 does not seem to be conservative compared to the previous plan. Have there been any changes in the planning approach or is there room for upward revision?

A. There have been no changes in the planning approach. Previously, plans were set considering risks such as COVID-19, but for the fiscal year ending March 2025, we are assuming no such risks. However, we consider exchange rate fluctuations and steel price changes as risks. Although we assume that steel price fluctuations will be recovered from customers, significant changes are considered a risk.

Regarding the possibility of an upward revision, the plan assumes a smooth recovery in the HDD (Hard Disc Drive) and semiconductor process components markets, so we currently do not see significant room for upward revision. If labor cost increases can be recovered through negotiations with customers, there may be some room for upward revision.

Q. The automotive seating business is expected to see a decrease in sales. Does this reflect a conservative view compared to customer volumes?

A. The decrease in sales is due to the economic downturn in Thailand reducing automobile production volumes and temporary revenue increases of billions of yen from the recovery of development costs in the fiscal year ended March 2024.

Q. Could you explain the order status and outlook for each product in the mid-term plan?

A. For motor cores and integrated metal substrates, most are automobile parts, so the outlook for the 26MT is relatively clear. For semiconductor process components, we expect growth exceeding market recovery due to our technological advantages. For the automotive suspension spring and automotive seating businesses, we do not anticipate dramatic volume increases. We will work closely with customers to secure business and generate profits. In the automotive suspension spring business, we are recovering costs from customers in North America, but productivity has not increased due to the unique labor market situation there. Therefore, we aim to improve productivity to stabilize profits and first achieve breakeven in North America.

Q. Can you explain the profitability of the automotive suspension spring business? The fiscal year ended March 2024 showed significant price improvements; what is the background?

A. We believe the results are due to efforts to improve profitability through the Profitability Improvement Project. The new orders from model changes were the result of sales activities focusing on profitability. For existing products, we were able to recover economic fluctuations beyond our control and improve selling prices for unprofitable products.

Q. The market seems to be downplaying vehicle electrification. What is the impact on NHK Spring's motor core sales outlook? Also, can you explain your approach to investment recovery?

A. There are no changes to the outlook in the 26MT. However, in China, Japanese OEM manufacturers are struggling, so we are monitoring the situation closely and considering our next actions.

We do not expect to recover investments within three to five years as per our plan, and this assumption remains unchanged.

Q. Is the DDS business already on a recovery trend in the fourth quarter of the fiscal year ended March 2024?

A. The DDS business has been on a recovery trend since the third quarter of the fiscal year ended March 2024.

Q. The DDS mid-term plan projects a 74% increase in sales from the fiscal year ended March 2024 to March 2027. What is the background?

A. We expect suspension growth to exceed HDD unit growth, and plan to increase suspension market share, enhance added value, and raise unit prices. We also aim to expand sales of micro contactors, which are components of semiconductor testing equipment.

Q. Can you provide more details about the 250 billion yen investment in cash outflows and what returns are expected?

A. The primary goal is to ensure the business grows steadily. Growth investments naturally include the semiconductor process components, integrated metal substrates, and motor cores, as well as necessary investments in existing businesses to continue steadily. We will also actively engage in carbon neutrality initiatives, a problem that must be solved, as part of our social responsibility. Also, considering the expected labor shortages, we aim to secure talent, enhance productivity and efficiency through DX, and maximize human resources. We will actively invest in R&D, as it is the seed for our future business.

Moreover, steady business growth will enable stable dividend increases, thus providing returns to shareholders.

Q. Can you explain the three-year capital investment plan?

A. Capital investment is about 150 billion yen, with depreciation expenses around 100 billion yen. We plan to invest actively, exceeding depreciation expenses.

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