

Q&A Session at the Financial Results Briefing for Analysts on November 28, 2024
(Financial Results for the First Half Ended September 30, 2024)

Q. Were there any non-recurring factors in the first-half results?

A. There were no non-recurring factors.

Q. What are the upside potential and risks for the second-half plan in the DDS business segment?

A. For the second half, we anticipate a slowdown in demand for a product within the DDS segment called Microcontactor parts. Additionally, exchange rate fluctuations could impact profits both positively and negatively.

Demand for HDDs (hard disk drives) bottomed out in FY2023 and has gradually increased since then, leading to a complete clearance of customer inventory. This caused a sharp rise in customer orders during the first half of this fiscal year. Although the second half is expected to remain strong, we anticipate order volumes will return to normal levels.

Q. Regarding the full-year performance forecast for the DDS business segment on page 22 of the financial results presentation materials, could you explain the reasons for the 1.3 billion yen increase in operating profit from sales price improvements compared to the initial plan, and the 4.4 billion yen increase in fixed costs compared to the previous fiscal year?

A. The 1.3 billion yen increase in operating profit from sales price improvements compared to the initial plan reflects the incorporation of cost recovery due to market-driven price increases. The 4.4 billion yen increase in fixed costs compared to the previous fiscal year is attributed to an increase in production volume.

Q. What is the expected growth in market share for HDD suspensions, and what factors will contribute to that growth?

A. Our current market share is approximately 50%, and we aim to gradually increase this share. Technology is a critical factor, and we plan to enhance our development efforts and launch new products to better satisfy customer needs, thereby driving market share growth.

Q. A competitor in the HDD suspension business is exiting the market. How will this impact NHK Spring?

A. With the number of manufacturers producing HDD suspensions decreasing from three to two, we expect some degree of impact. The extent of this impact is currently under review.

Q. What is the reason for the significant increase in operating profit in the second half of FY2024 for the automotive suspension springs business segment compared to the first half?

A. The plan is to recover costs that were not accounted for in the first half during the second half.

Q. What types of costs are driving the increase in expenses in Mexico for the automotive suspension springs business segment?

A. The increased costs are related to disruptions in production sites caused by the launch of new products. We have accounted for continued expenses in the second half.

Q. Could you explain the order trends for semiconductor process components and integrated metal substrates in the Industrial Machinery and Equipment, and Other Operations Business segment?

A. For semiconductor process components, there were inventory adjustments by customers in FY2023. Currently, order volumes are increasing, and we have high expectations for FY2025.

As for integrated metal substrates, most of our products are used in automotive applications. With the automotive market currently experiencing a slowdown, our order volumes have also declined compared to the initial plan.

Q. What is your outlook for FY2025?

A. We expect steady growth in the information and communication field. On the other hand, the automotive field is undergoing significant changes in its foundational conditions, so we believe it is necessary to carefully formulate our plans moving forward. For instance, with a change in the U.S. presidency, we will closely monitor factors such as exchange rates and tariffs as we develop our strategies.

Q. What is your approach to policy-holding stocks? If a shareholder holding NHK Spring's shares expresses an intention to sell, how would you respond?

A. If a shareholder expresses an intention to sell, we will respond appropriately based on our capital policies and other considerations.

End

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