

Q & A Session at the Financial Results Briefing for Analysts on May 26, 2023
(Financial Results for the Fiscal Year Ended March 2023)

Q. I would like to ask you whether any one-off revenues or expenses were recorded for the fiscal year ended March 2023.

A. We recorded 1,100 million yen as expenses to maintain the supply chain for the automotive seating business in the United States. These expenses were for assisting suppliers suffering business deterioration amid the COVID-19 pandemic.

Q. Could you tell us about recovery done in response to soaring raw material prices, as well as your recovery plan?

A. Regarding effects from soaring raw material prices, the value of them passed on in selling prices was more or less identical to the amount of increase in the value of purchases for the fiscal year ended March 2023, meaning that we were able to recover the effect. For the year, however, we managed to recover only about half the effect of soaring prices resulting from energy cost inflation, among others. For the fiscal year ending March 2024, we aimed to recover the entire portion of the increase, including the remaining part and the cost increases for the year, which were factored into the financial forecast.

Q. How did you factor into your plan the automobile production volume of car manufacturers for the fiscal year ending March 2024?

A. We factored into our plan a risk of production volume assumed by customers ending up falling short by 10% or so.

Q. Could you tell us when the automotive suspension springs initiatives will begin to show results?

A. Such a fundamental effort to improve value will take much time to bear fruit. As we need to hold discussions right from the design stage, we foresee achieving results in 2025 to 2026, three to four years from now.

We aim to return the segment to profitability for the year ending March 2024 by passing on the unrecovered portion of soaring prices caused by inflation of energy costs, among others.

With preparations already underway to shift to several production bases, we will proceed to seek approval from customers by the end of the fiscal year ending March 2024. The planned change from three-shift work to two-shift work at production bases is projected to take place in the year ending March 2025.

Q. My question concerns your activities to have automobile manufacturers properly appreciate the value of automotive suspension springs. Could you tell us whether there is any chance of these activities achieving success?

A. We will demonstrate the improvement in value, primarily lighter weight achieved through advanced design and production techniques, by providing explanations at the time of a model change and a design revision. As automobile manufacturers have recently been demanding new features such as corrosion resistance in addition to lighter weight and greater durability, we are now making improvements in an effort to meet such needs. Moreover, novel shapes for automotive suspension springs are currently under development, so we have a chance of attaining success.

Q. EVs with more batteries will mean that vehicles will get heavier. So, will there be opportunities to add value to automotive suspension springs?

A. The heavier the vehicle, the thicker the automotive suspension springs need to be. However, the space for automotive suspension springs will be limited due to accommodate the batteries, so the requirements for automotive suspension springs will become more harsh. And the harsher the requirements, the greater the opportunity for our value-added springs.

The same thing can be said for automotive seating. As batteries are placed beneath the seats, the seats will need to be thinner. We have an advantage here because we can make seats that are thin yet very comfortable.

Q. What is the background to the SUBARU Project?

A. Several years ago, SUBARU told us that it was losing satisfaction, so we immediately set up a design department for the firm before addressing the matter by putting personnel and facilities into place. We will further strengthen the relationship with SUBARU by declaring it as a special project on this occasion.

Q. What is the state of competition in the motor cores sector?

A. It is challenging to overtake the industry leaders, but catching up with them will require us to be able to produce products in vast quantities. We also need to develop technologies that enable us to produce various types of motor core befitting customers. As we have already completed the stage of developing such technologies, it will be up to customers whether we progress to mass production. We mainly target high-specification motor cores, not cheap ones.

Q. Will there be any potential upside on your motor core sales?

A. We have a certain level of visibility on the years to 2030. Although we have yet to win any orders except from Nissan Group, we have been working with other customers to develop products, so we will inform you about the matters once they are ready for disclosure.

The market has been seeing a sharp rise in demand for motor cores, so we will continue with preparations in order to post additional sales.

Q. My question concerns semiconductor processing components. Could you tell us about the discussions you are having with customers and what steps you will take from now?

A. We have been asked to boost our production capacity. We would like discuss with them how long the ongoing production adjustments are likely to continue and what shape distribution will take in the future, and arrange a system to satisfy their needs to the extent possible.

Q. If AI servers grow in number, what will become of hard disk drives (HDDs)? Could you tell us about your expectations and concerns about the future?

A. For the last 20 years or so, people have been continuing to say that HDDs could disappear. Yet globally, data keeps expanding in total volume and demand for HDDs at datacenters is on a long-term growth trend. Even if a technology replacing HDDs comes into being, commercializing it will take a lot of time and money. In this regard, cost-competitive HDDs will likely retain their current standing to a certain extent, in our view.

Q. What is NHK Spring's view on shareholder returns and a price-to-book (P/B) ratio of less than 1?

A. As a measure to address the P/B ratio of less than 1, we think it is important for the Company to enhance its earning power. In the next medium-term plan, we will consider matters such as the capital cost concept and our financial goals in addition to business strategies.

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