

Q and A session of the Financial results Briefing on November 27, 2020  
(Financial results for Q2 of the Fiscal Year Ending March, 2021)

Q. I would like to hear more concretely about the next fiscal year, such as progress by segment, toward the achievement of the plan for operating income of 11.3 billion yen in the 2<sup>nd</sup> half of the year ending March 2021.

A. Automotive suspension segment is still in the operating deficit in the 2<sup>nd</sup> half of this fiscal year, but it is on a significant recovery trend as compared to the 1<sup>st</sup> half. The production situation, on a full-year basis, is expected to recover to about 80% as compared to the previous year, and recover to about 90% in March.

Sales in the 2<sup>nd</sup> half of Automotive seating segment are almost equivalent to that of the previous year. Although operating income will be affected by changes in product mix in Thailand and China, we believe that this figure can be achieved if there are no major fluctuation factors in the near future.

In the precision spring and components segment, and industrial machinery & others segments, it is expected that the trend of production volume of automobiles will recover, the production volume of high-capacity HDDs (hard disk drives) which use more suspension components per unit, will increase and the semiconductor market-related business will also be stable. In particular, HDD suspensions are expected to achieve the quantity as expected at the beginning of this fiscal year.

Based on the above, we believe that we have a strong prospect of achieving operating income of 11.3 billion yen in the 2<sup>nd</sup> half of this fiscal year, however, it is assumed that there is no major change from the current situation.

Q. Automotive suspension spring segment continues to be in the deficit, but what kind of measures will be taken and when will it turn around to surplus? Please tell us about the direction of business performance of automotive suspension spring segment from a medium to long-term perspective.

A. We are making continuous efforts to improve product prices under such difficult situation in Hungary, North America and Thailand. The balance of payments in North America is expected to turn around to surplus within in the next 1-2 years, and also expected to turn around to surplus in Hungary within the next 3-4 years.

Q. Please tell us about the background of the strong performance in the HDD

suspension and semiconductor fields and the direction for the next fiscal year and thereafter.

A. Sales of semiconductor process-related products fell significantly in FY 2019 due to the drastic decline in volume affected by the silicon cycles in 2018.

In 2020, the market growth rate has recovered by more than 10% from the previous year, and in 2021, the market for front-end manufacturing equipment is expected to increase by more than 5%.

The number of HDDs production is decreasing year by year, and is expected to decrease this year as well, however, the number of high-capacity HDDs that use more suspension components per unit shows positive trend, and is expected to increase in volume in 2021.

Therefore, this year's total demand for HDD suspensions worldwide is expected to exceed that of last year.

In addition, sales of high-capacity HDDs are on the rise in 2021, and our HDD-related suspension business is expected to remain good performance in FY 2021.

Q. I would like to ask for an overview of the annual capital investment level in the next 2023 medium-term management plan.

A. Over the past four years, we have had large investment in Hungary, North America and Japan. However, there are no such large-scale investment projects in the next 2023 medium-term management plan, and we consider that it will be another investment such as for new product line based on newly awarded order from customer.

It is still unclear at this moment, but we are assuming capital investment within the range of depreciation.

Q. I would like to ask how much remaining production capacity do you have in the HDD suspension-related segment.

A. Currently, there are factories in Komagane City, Nagano Prefecture in Japan, and in China and Thailand overseas, all three bases production we are operating. Among these, factory in Japan is now in full operation, but factory in China and Thailand, it is possible to expand for further volume of production.

So, even if the volume increases in the next 3 to 5 years, there is no worry about production capacity issues.

In addition, the capacity of product lines is not limited to the number of lines, but if the tact time and operating rate, which means how many seconds it takes to produce per unit, are increased, the production volume will increase even with the same number of product lines.

There is no problem with supply capacity because we are taking measures comprehensively under such field of view

Q. I would like to ask about the single profit margin and profitability of the HDD suspension-related segment.

A. Please forgive us for not disclosing specific numbers. We believe that we can secure a reasonable profit margin with always taking the lead in technology adapting to changes in suspension trend.