

**Review of the FY2023  
Mid-term Plan  
&  
FY2026 Mid-term Plan**

**TSE Prime: 5991  
NHK Spring Co., Ltd.  
May 27, 2024**

The image shows a low-angle view of a modern building with a light-colored, textured facade. The NHK Spring Co., Ltd. logo is prominently displayed on the upper part of the building. The logo consists of the letters 'NHK' in a bold, red, sans-serif font, followed by the Japanese characters 'ニッセイ' in a stylized, red, 3D font. The building is set against a clear blue sky.

**NHK  
ニッセイ**

# Review of the FY2023 Mid-term Plan and FY2026 Mid-term Plan

President & COO  
Representative Member of the Board

Kazuhisa Uemura

# Review of the FY2023 Mid-term Plan

# Review of the FY2023 Mid-term Plan

◆ Steady progress has been made on the basic policies outlined in the FY2023 mid-term plan as follows.

Further promotion of CSR activities	Strengthen further relationship & mutual trust with stakeholders	Enhancing dialogue with shareholders and investors, improving disclosures, and ensuring fair transactions Revising personnel systems, improving the effectiveness of the internal reporting system, and participating in community activities
	Sincerely strive to environmental and social issues	Implementation of the Environmental Challenge Declaration
	Thoroughly implement quality-first manufacturing	Conducting quality audits (reduction in significant quality issues)
Accelerate response to drastically changing business environment	Strengthen actions to electrification and autonomous of automobiles	Steadily advancing the development of motor cores, high-performance Automotive Seating, integrated metal substrates, etc., and simultaneously preparing mass production systems
	Create next-generation core businesses	
Secure "profit" for sustainable growth	Develop attractive product	Developing new products and high value-added products (XT coil springs, biomass raw material sheet urethane, temper-less stabilizers, etc.)
	Total cost reduction	Advancing the establishment of production systems capable of responding to sudden plan changes and promoting streamlining

# Project Progress

# Background and Project Measures

Automotive Suspension Springs	Achieving profitability	<p><b>Profitability Improvement Project</b></p> <p>Price improvement of Automotive Suspension Springs Negotiation of appropriate price for cost increase Productivity improvement</p>
Automotive Seating	Improving customer satisfaction	<p><b>SUBARU Project</b></p> <p>Establishment of a management system with QCDD Development of seats adapted to needs</p>
Motor Core	Further acceleration of electrification	<p><b>Motor Core Project</b></p> <p>Expand new sales by leveraging strengths Accelerate business by increasing competitiveness and differentiation</p>

# Profitability Improvement Project (Automotive Suspension Springs)

## 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

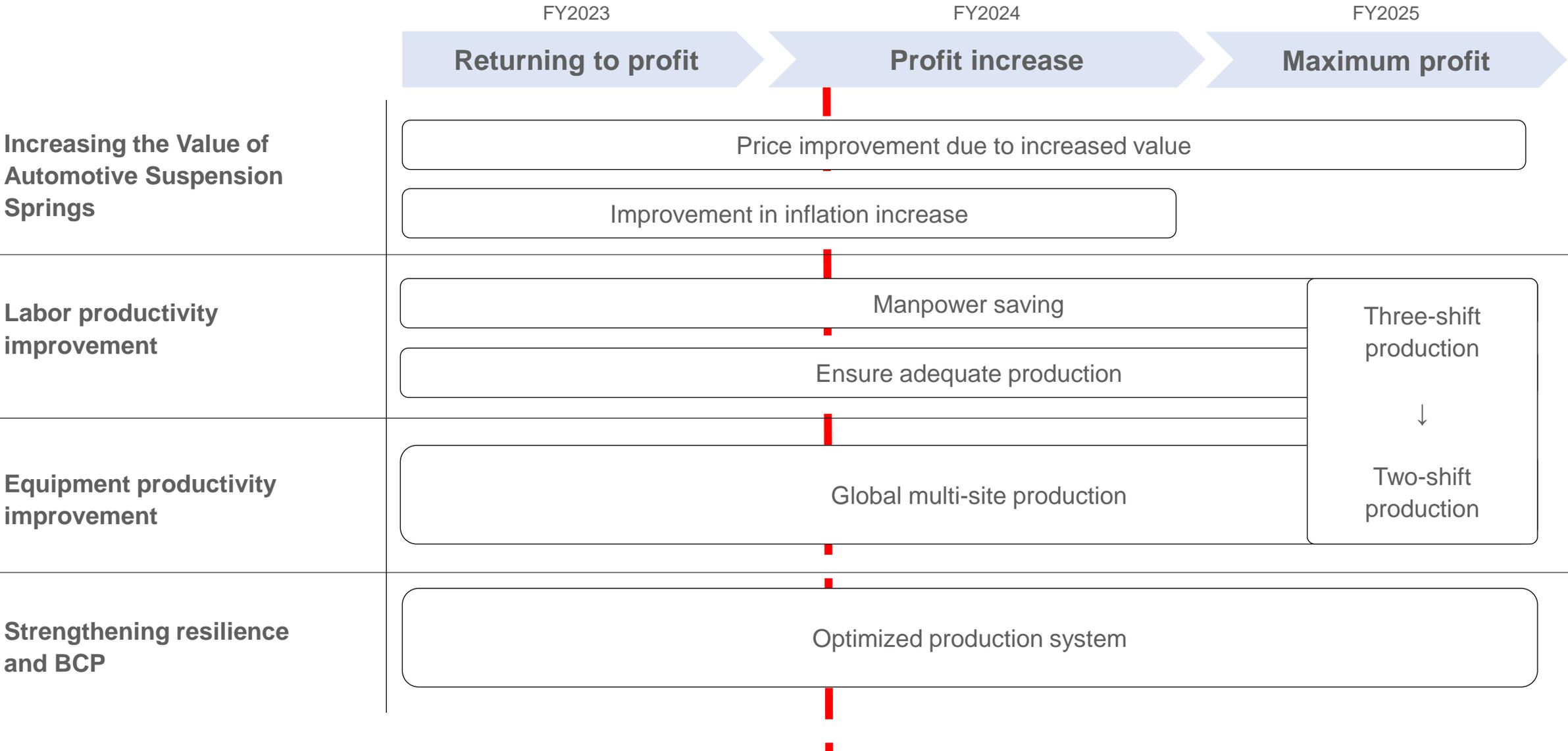
## Equipment productivity improvement

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

# Roadmap



# SUBARU Project (Automotive Seating)

## 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

Received the “**Production Supply Contribution Award**”

# Motor Core Project (Precision Springs)

## Establishment of global production system

—Responding to increased orders—

- Start of operation of the new production building (Atsugi Plant)
- Start of construction of the new plant (Mexico)

## Increased die fabrication capacity

- Increase and train more designers
- Expansion of machining facilities
- Add design and manufacturing base in Thailand
- Strengthening collaboration with Japanese suppliers

## Development of new construction methods

- Considering mass production line for interlock-less lamination
- Establishing mass production for glue bonding core method
- Developing new interlock-less + methods
- Considering and proposing added value

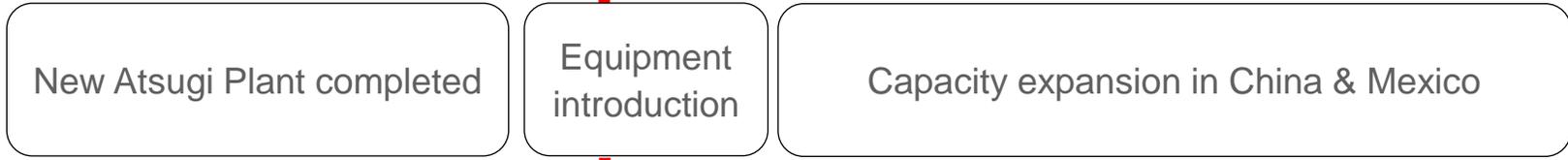
## Proactive response to prototypes

- Reinforcement of design system
- Reinforcement of prototype production system
- Introduction of dedicated large press machine for prototype production
- Integrated response from prototyping to mass production

# Roadmap

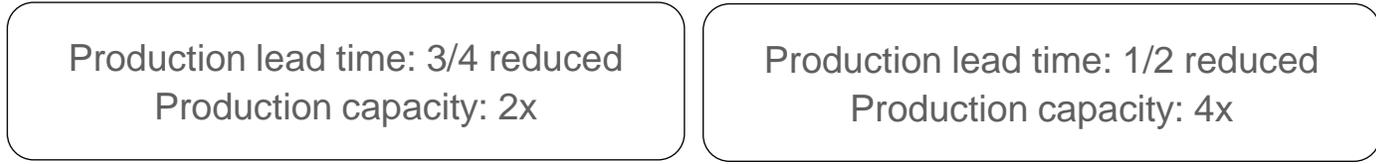


**Establishment of production system**

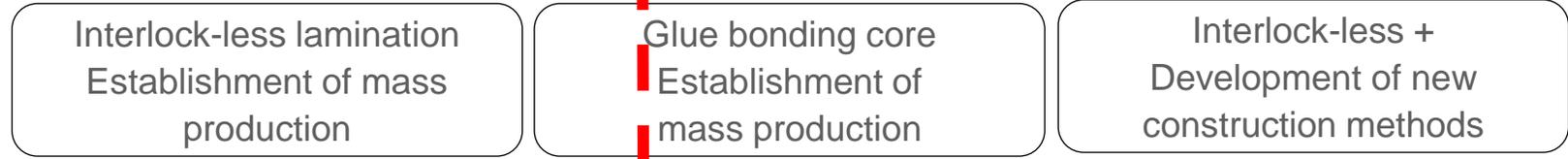


**Increased die fabrication capacity**

\* Current ratio



**Development of new construction methods**



**Establishment of prototype system**



# FY2026 Mid-term Plan

# 2026中計

NHKニッパツ

NHK Group Fundamental Policies  
for 2026 Mid term Plan



ニッパツウェイ  
NHK SPRING WAY

## グループ基本方針

～人を大切にし、社会へ貢献する～

～サステナビリティ活動のさらなる推進～

- ～ Respect for People & contribute to society ～
- ～ Further promotion of sustainability ～

# 人を大切にする

Respect for People

# 社会へ貢献する

Contributing to society

ちゃんと買って  
ちゃんと造って  
ちゃんと売る

Purchase appropriately,  
manufacture accurately,  
market and sell properly



—Further promotion of sustainability— —Respect for People & contribute to society—	<b>Respect for People</b>	<ul style="list-style-type: none"><li>■ Strengthening trust with stakeholders</li><li>■ Build a safe and secure company and a rewarding and comfortable workplace</li><li>■ Supporting the growth and development of a diverse employee base</li></ul>
	<b>Contributing to society</b>	<ul style="list-style-type: none"><li>■ Providing indispensable key components</li><li>■ Speeding up actions towards global environmental changes</li><li>■ Contributing to the local community</li></ul>
	<b>Purchase appropriately, manufacture accurately, market and sell properly</b>	<ul style="list-style-type: none"><li>■ "Quality First" &amp; elevating the power of manufacturing</li><li>■ Promoting Digital Transformation (DX) &amp; strengthening competitiveness</li><li>■ Promoting fair transactions and strengthening CSR in procurement</li></ul>

# FY2026 Mid-term Plan Business Goals (Sales and Profit)

(100 million yen)

	FYE '24/3 (FY2023) Results	FYE '27/3 (FY2026) Plan	Variance	Ratio
Net Sales	7,669	8,500	830	10.8%
Operating Profit	346	520	173	50.1%
Ratio	4.5%	6.1%	1.6%	
Ordinary Profit	478	570	91	19.2%
Ratio	6.2%	6.7%	0.5%	
Profit Attributable to Owners of Parent	391	430	38	9.7%

- ◆ Planning for increased sales of substrates for components for electric vehicles and motor cores in the automotive market.
- ◆ Anticipating a recovery in demand for HDD-related components and semiconductor process components in the information and communication market.
- ◆ Promoting automation and improving productivity to increase profit margins.

# FY2026 Mid-term Plan Sales and Operating Profit Goals by Segment

(100 million yen)

		FYE '24/3 (FY2023) Results	FYE '27/3 (FY2026) Plan	Variance	Growth Rate	Operating Profit Factors for the differences
■ Automotive Suspension Spring	Net Sales	1,711	<b>1,738</b>	26	1.5%	<ul style="list-style-type: none"> <li>Increased sales and profits through the establishment of a stable production and supply system across all global operations.</li> <li>Contributed to profit growth through the promotion of new technology and product development, and manufacturing reforms.</li> <li>Reconstructed two U.S. bases to achieve profitability.</li> </ul>
	Operating Profit	15	<b>52</b>	36	225.1%	
	Ratio	0.9%	<b>3.0%</b>	2.1%		
■ Automotive Seating	Net Sales	3,241	<b>3,071</b>	-170	-5.3%	<ul style="list-style-type: none"> <li>Despite decreased sales and profits, steady profit secured in existing businesses by strengthening responses to customer needs.</li> <li>Strengthening competitiveness to secure orders for successor models.</li> </ul>
	Operating Profit	191	<b>120</b>	-71	-37.2%	
	Ratio	5.9%	<b>3.9%</b>	-2.0%		
■ Precision Springs & Components	Net Sales	945	<b>1,050</b>	104	11.1%	<ul style="list-style-type: none"> <li>Increased sales and profits through the expansion of the motor core business and the development of new products.</li> <li>Additionally, contributed to profit growth by strengthening the profitability of existing businesses.</li> </ul>
	Operating Profit	6	<b>43</b>	36	550.9%	
	Ratio	0.7%	<b>4.1%</b>	3.4%		
■ Disk Drive Suspension	Net Sales	671	<b>1,171</b>	499	74.3%	<ul style="list-style-type: none"> <li>Increased sales and profits through streamlining, focusing on HDD suspensions and micro contactors, which are expected to recover in the market.</li> </ul>
	Operating Profit	64	<b>190</b>	125	194.3%	
	Ratio	9.6%	<b>16.2%</b>	6.6%		
■ Industrial Machinery & Others	Net Sales	1,099	<b>1,470</b>	370	33.7%	<ul style="list-style-type: none"> <li>Increased sales and profits through a focus on semiconductor process components and integrated metal substrates.</li> <li>Ending the chemical products business and transferring/consolidating equipment among Japanese bases.</li> </ul>
	Operating Profit	68	<b>115</b>	46	68.8%	
	Ratio	6.2%	<b>7.8%</b>	1.6%		
Total	Net Sales	7,669	<b>8,500</b>	830	10.8%	
	Operating Profit	346	<b>520</b>	173	50.1%	
	Ratio	4.5%	<b>6.1%</b>	1.6%		

# FY2026 Mid-term Plan: Regional Sales and Operating Profit Targets

(100 million yen)

		FYE '24/3 (FY2023) Results	FYE '27/3 (FY2026) Plan	Variance	Growth Rate	Operating Profit Factors for the differences
● Japan	Net Sales	4,377	<b>5,053</b>	675	15.4%	<ul style="list-style-type: none"> <li>In the automobile-related industry, although reduced profits are expected in the Automotive Seating business, sales expansion of motor cores and in-vehicle integrated metal substrates, which are the next growth businesses, is anticipated.</li> <li>In non-automobile-related industries, operating profit is expected to increase due to the growth in quantities of HDD-related components, semiconductor process components, and leisure sector products.</li> </ul>
	Operating Profit	299	<b>340</b>	40	13.7%	
	Ratio	6.8%	<b>6.7%</b>	-0.1%		
● Asia	Net Sales	1,869	<b>2,098</b>	228	12.2%	<ul style="list-style-type: none"> <li>Particularly driven by the HDD-related component business in Thailand and China.</li> <li>Increased sales and profits are expected due to the recovery in quantities of HDD-related components from fiscal 2024 onwards and the growing demand for nearline HDDs.</li> </ul>
	Operating Profit	79	<b>168</b>	88	112.1%	
	Ratio	4.2%	<b>8.0%</b>	3.8%		
● America & Europe & Others	Net Sales	1,423	<b>1,349</b>	-74	-5.2%	<ul style="list-style-type: none"> <li>Continuously promoting productivity improvement and price negotiation efforts due to inflation.</li> <li>Optimizing the global production system to ensure stable production and maximize profits.</li> <li>Making the U.S. bases, which are a challenge, profitable.</li> </ul>
	Operating Profit	-31	<b>12</b>	43	0.0%	
	Ratio	-2.2%	<b>0.9%</b>	3.1%		
Total	Net Sales	7,669	<b>8,500</b>	830	10.8%	
	Operating Profit	346	<b>520</b>	173	50.1%	
	Ratio	4.5%	<b>6.1%</b>	1.6%		

# FY2026 Mid-term Plan: New Management and Financial Indicators Targets

## FY2023 Mid-term plan

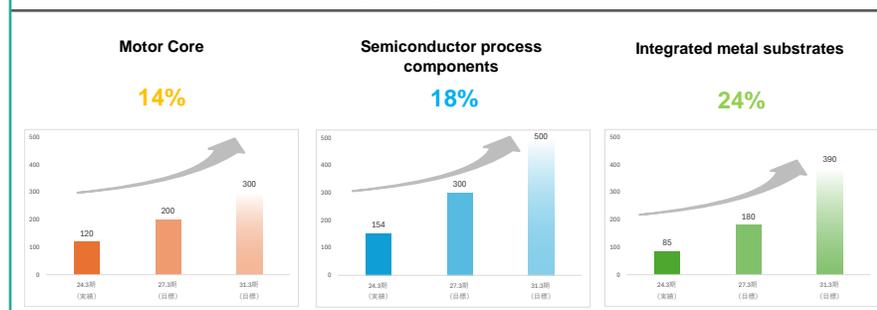
		FY23 Mid-term plan (Targets)	FY2023 (Results)
Target for Net Sales and Income	Net Sales	650 billion yen	766.9 billion yen
	Operating Profit (Ratio)	40 billion yen (6.2%)	34.6 billion yen (4.5%)
	Ordinary Profit (Ordinary margin <sup>1</sup> )	42 billion yen (6.5%)	47.8 billion yen (6.2%)
	Net Income (Net margin)	25 billion yen (3.8%)	39.1 billion yen (5.1%)
Financial Indicators	Investment Efficiency	ROE	8.0% → 10.4%
	Shareholder Return	Dividend payout ratio	About 30% → 24.2%

## FY2026 Mid-term plan  : Newly added management indicators

		FY2023 (Results)	FY26 Mid-term plan (Targets)
Target for Net Sales and Income	Net Sales	766.9 billion yen	850 billion yen
	Operating Profit (Ratio)	34.6 billion yen (4.5%)	52 billion yen (6.1%)
	Ordinary Profit (Ordinary margin)	47.8 billion yen (6.2%)	57 billion yen (6.7%)
	Net Income (Net margin)	39.1 billion yen (5.1%)	43 billion yen (5.1%)
Financial Indicators	Investment Efficiency	ROE	10.4% → Over 10%
		ROIC	6.1% → Over 7%
	Shareholder Return	Dividend payout ratio	24.2% → Over 30%
		Annual Average Growth Rate (CAGR) of Sales <small>*FY2023 to FY2030</small>	Motor Core
	Semiconductor process components		- → 18%
	Integrated metal substrates		- → 24%
	Soundness	Stockholder's Equity to Total Assets Ratio <sup>2</sup>	58.7% → Over 50%
	Policy-holding shares	Net asset ratio	20.4% → Below 20%

(Note)1. Among the net sales and income targets, the ordinary margin is also set as a financial indicator target.

### Annual Average Growth Rate (CAGR) of Sales - Period: FY2023 to FY2030



(Note) 2. Stockholder's Equity to Total Assets Ratio is adopted as an indicator of soundness, and the target level will be continuously reviewed from the perspective of capital policy.

# FY2026 Mid-term Plan: Capital Costs and Cash Allocation

## Comparison of ROIC and WACC

	FY2023 (Results)	FY26 Mid-term plan (Targets)
ROIC (Company-wide)	6.1%	7.0% or higher
WACC <sup>1</sup> (Company-wide)	6.3%	

## Reference/ROIC by Business Segment<sup>2</sup>

\*FY2023 actual results

Automotive Suspension Springs	1.1%
Automotive Seating	20.2%
Precision Springs & Components	0.6%
Disk Drive Suspension	10.9%
Industrial Machinery & Others	6.2%

## Prioritizing capital allocation for growth investments aimed at enhancing corporate value in the medium to long term.

Cash In		Cash Out	
Operating CF 270 billion yen <sup>3</sup>	Investment 250 billion yen	Investment in Human Capital 50 billion yen	■ Improvement of treatment and workplace environment to enhance employee engagement
		DX investment 20 billion yen	■ Investment in core systems and AI technology to promote operational reforms
		CN investment 10 billion yen	■ Promoting CN activities through electrification of production equipment and purchase of renewable energy
		R&D investment 70 billion yen	■ Accelerating activities for new product development and market launch, and promoting value enhancement measures for existing products
		Business investment 100 billion yen	■ Strengthening "quality-first" manufacturing capabilities through continuous technological innovation
Sale of policy-holding shares 15 billion yen	Shareholder returns 60 billion yen	Dividends 40 billion yen	■ Stable dividends considering consolidated performance and payout ratio
New borrowings from financial institutions 25 billion yen		Share buybacks 20 billion yen	■ Shareholder returns through share buybacks and cancellations, and achieving a capital structure that considers efficiency and safety

\*1. When calculating WACC, the risk-free rate is the yield on newly issued 10-year government bonds, the equity risk premium is the two-year weekly equity risk premium since 1974, and  $\beta$  uses the company's historical beta for 60 months.

\*2. ROIC by business segment is calculated simply by aggregating non-current assets and inventories from the perspective of management efficiency.

\*3. Operating CF of 270 billion yen is calculated by adding 100 billion yen of investment costs (30 billion yen in human capital investment, 40 billion yen in DX investment, and 66 billion yen in R&D investment) included in cash out to the original operating CF of 170 billion yen.

# Efforts to Address Global Environmental Issues

Theme	Mid-term Plan Goals (FY2026 Goals)
Reduction of CO <sub>2</sub> emissions	<ul style="list-style-type: none"><li>• CO<sub>2</sub> emissions: 103,000 tons-CO<sub>2</sub> <sup>*1</sup> (33% reduction compared to FY2013)</li></ul> <p>Energy saving, electrification/conversion to electric vehicles, technological innovation, introduction of renewable energy, and purchase of renewable energy</p>  <p>Plan to reduce 75,000 tons-CO<sub>2</sub> against the trend CO<sub>2</sub> emissions of 178,000 tons-CO<sub>2</sub> due to production increase</p>
Reduction of industrial waste volume	<ul style="list-style-type: none"><li>• Industrial waste volume: 33 tons <sup>*2</sup> (73% reduction compared to FY2013)</li></ul>

\*1 Target: Company and Japanese Group companies, SCOPE1+SCOPE2

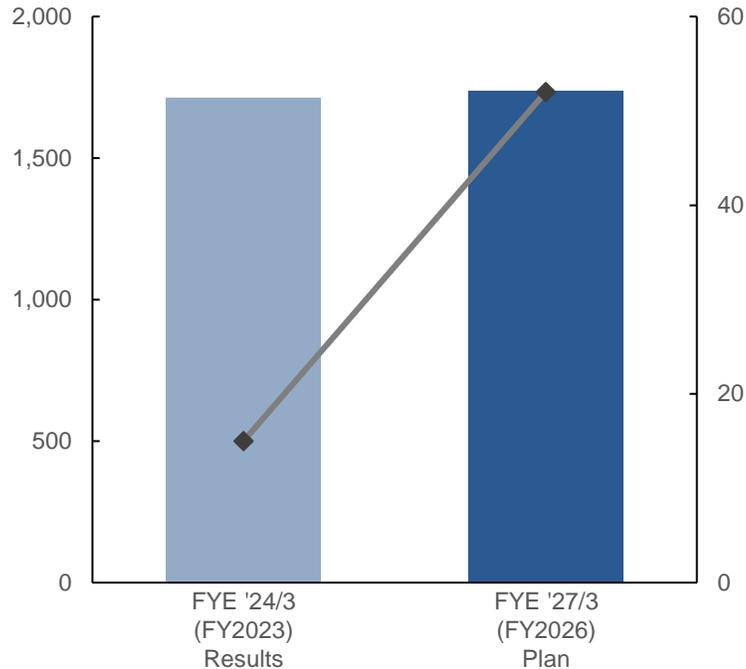
\*2 Target: Company and Japanese Group companies, non-recyclable materials

Theme	Measures
Rewarding Workplace	<ul style="list-style-type: none"><li>• Introduction of recruitment methods to secure personnel with multifaceted thinking</li><li>• Abolition of seniority elements and review of treatment</li><li>• Renewing the education system aimed at eliminating individual dependency</li></ul>
Comfortable Workplace	<ul style="list-style-type: none"><li>• Increasing disposable time through operational efficiency using systems</li><li>• Preparing working conditions to maximize employee performance</li></ul>
Safe and Secure Company	<ul style="list-style-type: none"><li>• Reducing heavy labor and strengthening health consultation services</li><li>• Eradicating harassment to maintain employee morale</li></ul>

**FY2026 Mid-term Plan**  
**(By Business Segment)**

# Issues and Initiatives of Each Business (Automotive Suspension Springs)

- ◆ Establishing a stable production and supply system across all global operations
  - ⇒ “Profitability Improvement Project” will be managed as part of the FY26 Mid-term Plan measures going forward

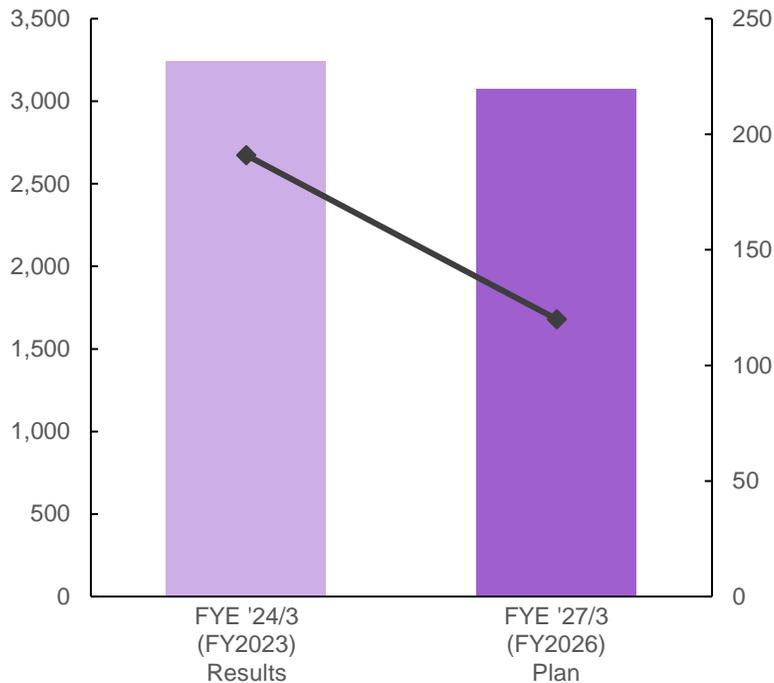


## Issues and Initiatives in the FY26 Mid-term Plan

- ◆ Efforts towards achieving profitability at two North American bases
  - Promoting selling price improvements, productivity improvements, and optimal order strategies
- ◆ New technology and product development and market launch to improve competitiveness
  - Enhancing the added value of “springs”
- ◆ Improving productivity through promoting manufacturing reforms
- ◆ Strengthening the global production technology support system

# Issues and Initiatives of Each Business (Automotive Seating)

- ◆ Ensuring steady profits in existing businesses by developing products that meet customer needs, and strengthening competitiveness to secure orders for successor models.



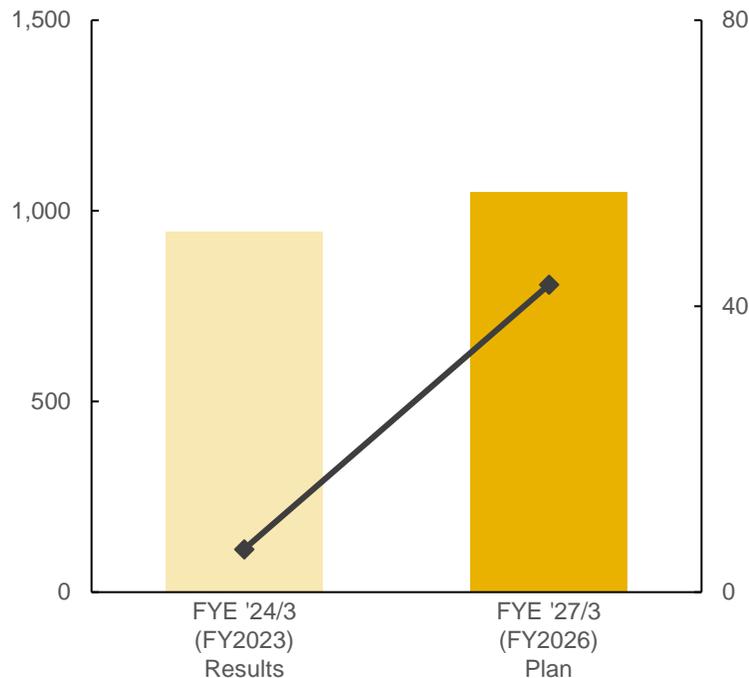
## Issues and Initiatives in the FY26 Mid-term Plan

- ◆ Focusing on developing seats that respond to electrification, autonomous driving, and environmental issues
  - Promoting differentiation through comfort and fundamental technology development
  - Expanding sales through the development of value-added devices
  - Securing core technology patents
- ⇒ "SUBARU Project" will be managed as part of the FY26 Mid-term Plan measures going forward
- ◆ Eliminating heavy labor through the use of robots and automation



# Issues and Initiatives of Each Business (Precision Springs & Components)

- ◆ Expanding the motor core business and developing new products in anticipation of accelerated electrification



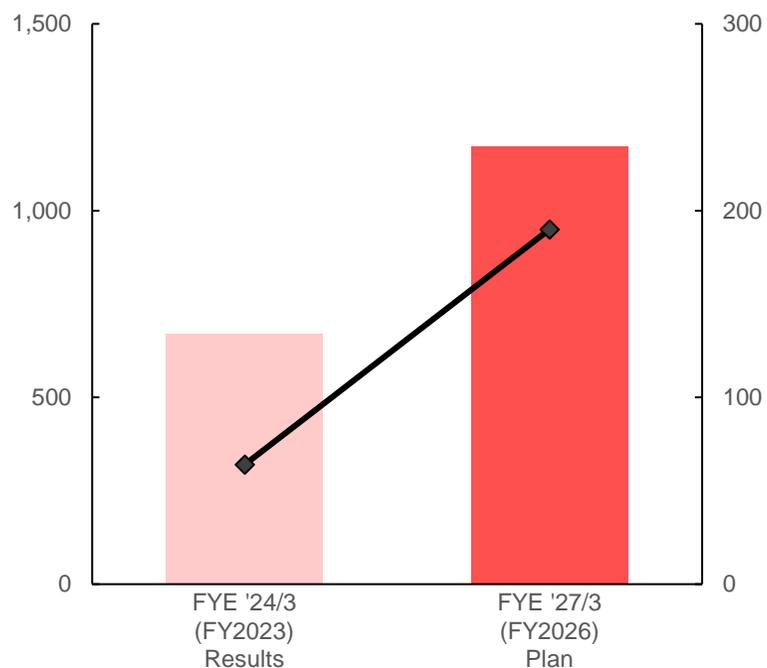
## Issues and Initiatives in the FY26 Mid-term Plan

- ◆ Expanding the motor core business
  - Enhancing the global production system and prototype development environment
  - ⇒ "Motor Core Project" will be managed as part of the FY26 Mid-term Plan measures going forward
- ◆ Efforts towards electrification components
  - Expanding sales of new products such as control devices and connection components
- ◆ Strengthening the profitability of existing businesses



# Issues and Initiatives of Each Business (Disk Drive Suspension)

- ◆ Focusing on HDD suspensions and micro contactors, which are expected to recover in the market, pursuing streamlining while maintaining a high-profit structure

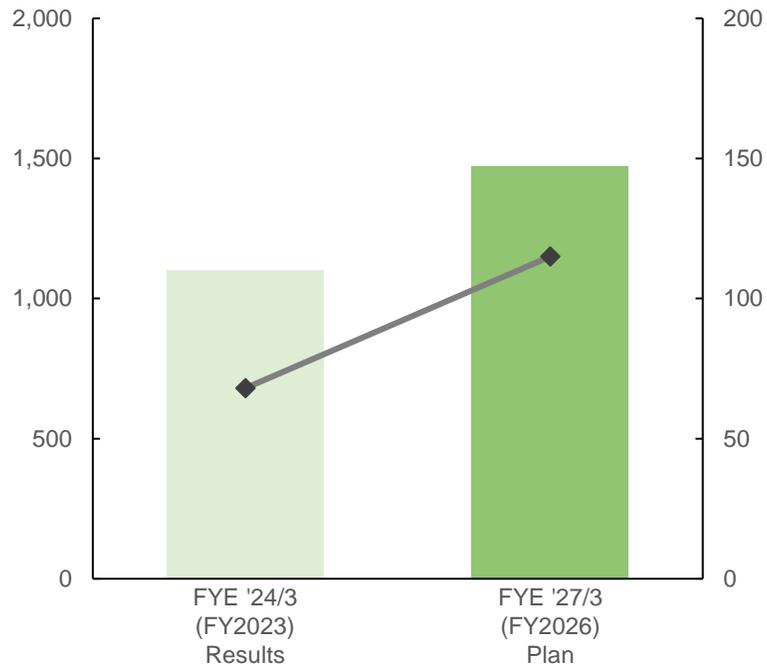
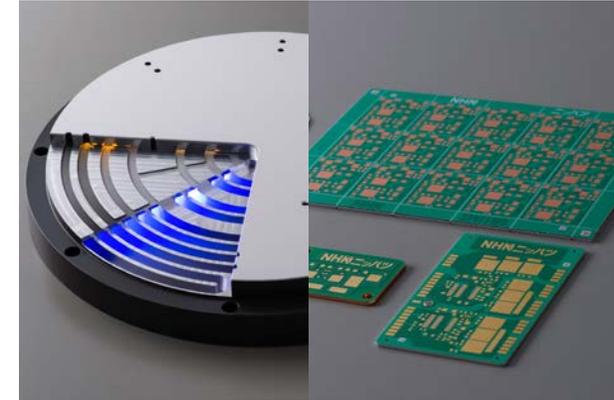


## Issues and Initiatives in the FY26 Mid-term Plan

- ◆ Promoting smart factory implementation
  - Minimizing labor hours through the deployment of material handling AGVs
  - Stabilizing quality and deploying AOI through DX promotion
- ◆ Increasing market recognition and establishing a business foundation through sales expansion
- ◆ Exploring new products leveraging Disk Drive Suspension core technology

# Issues and Initiatives of Each Business (Industrial Equipment and Others)

- ◆ Focusing on semiconductor process components and integrated metal substrates, and reorganizing other businesses



## Issues and Initiatives in the FY26 Mid-term Plan

- ◆ Strengthening the system in line with the business expansion of semiconductor process components
  - Increasing production capacity by expanding the Miyata Plant
- ◆ Establishing a mass production system for integrated metal substrates
  - Building a mass production system at the Komagane Plant
  - Preparing for production at the new production building in Malaysia
- ◆ Ending the chemical products business and transferring/consolidating equipment among Japanese bases

# 2026中計

NHKニッパツ

NHK Group Fundamental Policies  
for 2026 Mid term Plan



ニッパツウェイ  
NHK SPRING WAY

## グループ基本方針

～人を大切にし、社会へ貢献する～

～サステナビリティ活動のさらなる推進～

- ～ Respect for People & contribute to society ～
- ～ Further promotion of sustainability ～

# 人を大切にする

Respect for People

# 社会へ貢献する

Contributing to society

ちゃんと買って  
ちゃんと造って  
ちゃんと売る

Purchase appropriately,  
manufacture accurately,  
market and sell properly



# Supplementary Materials

# Review of the FY2023 Mid-term Plan

# Comparison of equipment investment and depreciation costs: Mid-term plan vs. actual results

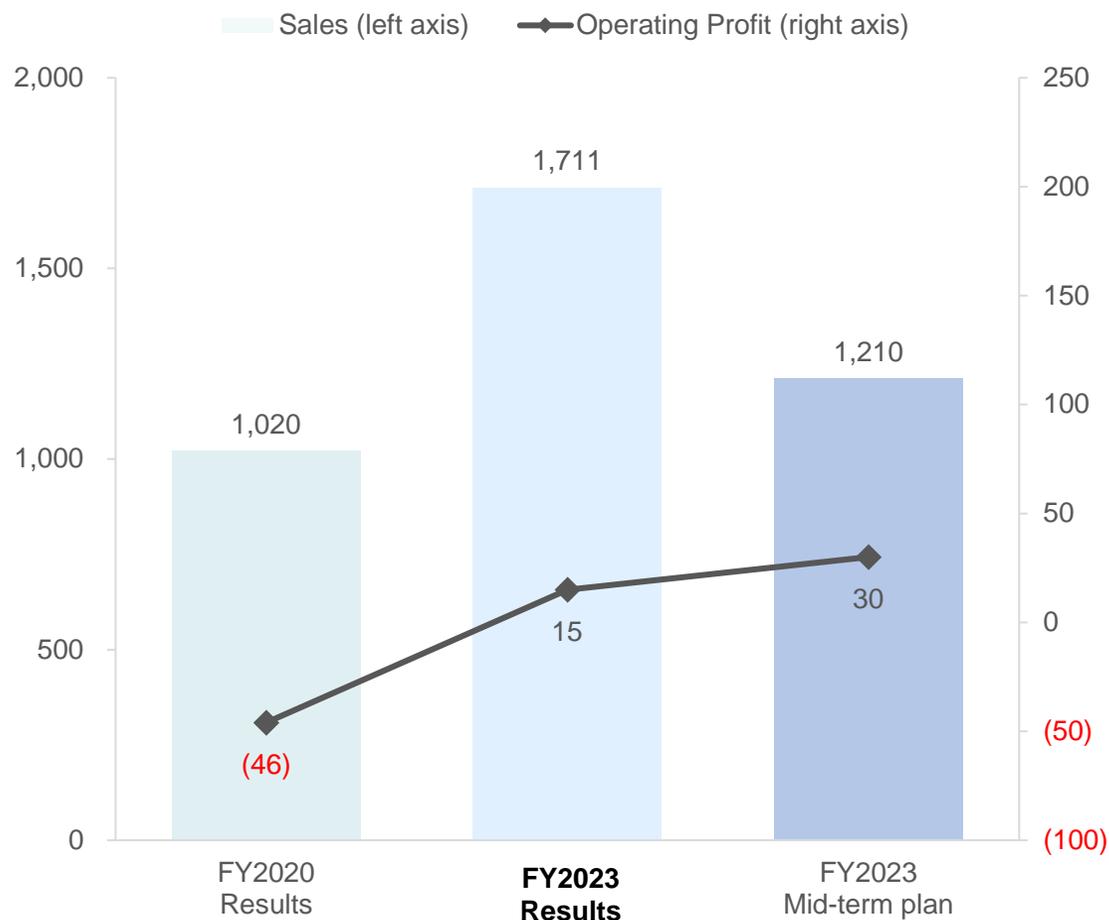
(100 million yen)

		FY2023 Mid-term plan	FY2023 Results
Capital Investments	Japan	536	567
	Overseas	343	314
	Total	880	882
Depreciation & Amortization	Japan	535	460
	Overseas	349	395
	Total	885	855

# Progress Status of Each Business (Automotive Suspension Springs)

- Despite the impact of semiconductor shortages and soaring steel prices, the balance improved over three years.
- In North American operations, fixed costs increased due to rising labor rates and worsening employment conditions, but selling price improvement negotiations helped secure an operating profit for the spring business as a whole.

## Results Comparison (100 million yen)



## Issues and Initiatives of the FY23 Mid-term Plan

### ◆ Creating new technologies and new products

Developed XT coil springs, which are 34% lighter than conventional products that withstand the same load, through new taper molding

### ◆ Deficit operations in U.S. change to profitable, and profitability improvement in European operation

The situation remains challenging due to rising labor costs and delays in productivity improvement. Continuously promoting profit improvement.

### ◆ Building up optimize production structure

Completed transfer of the leaf spring assembly process to an affiliated company  
Considering changes in the number of production shifts and reviewing the global supply system for coil springs and stabilizers

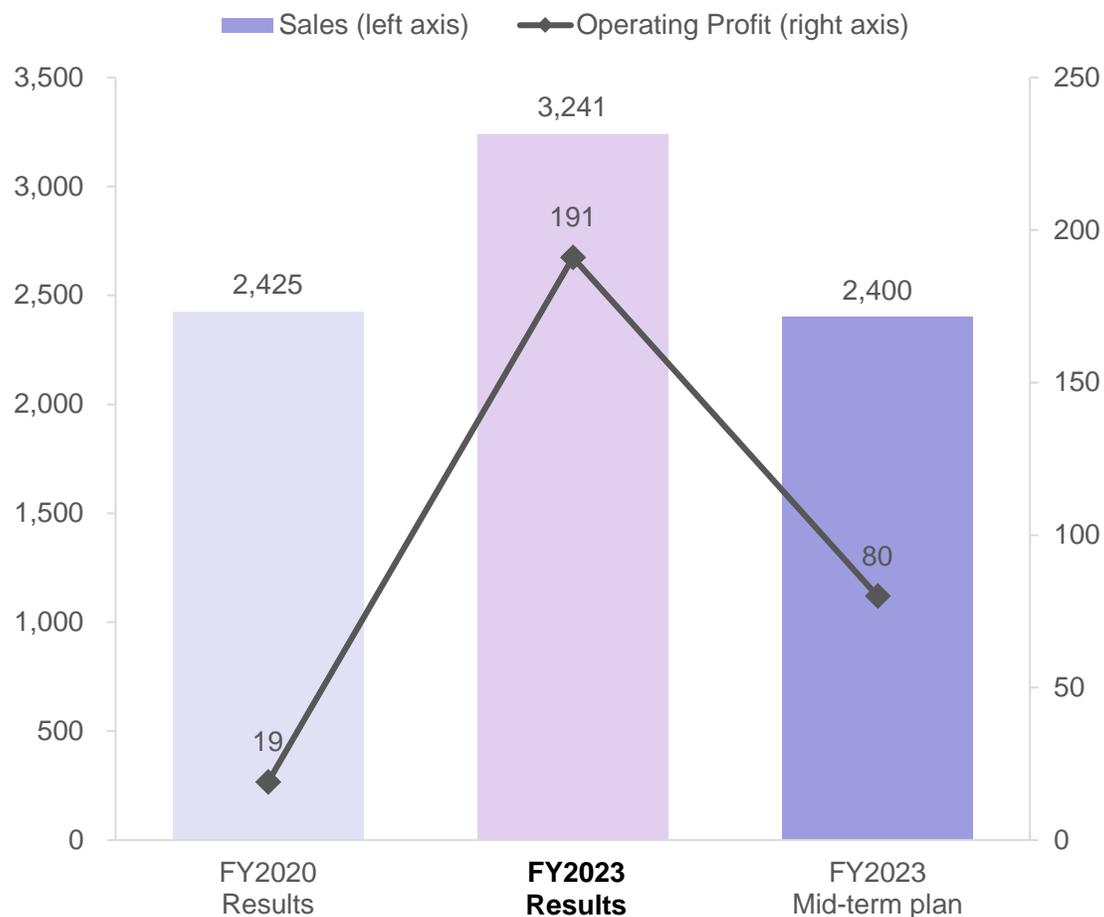
### ◆ Thorough manufacturing cost reduction

Continuing efforts to reduce fixed costs and promote streamlining.

# Progress Status of Each Business (Automotive Seating)

- Despite the impact of semiconductor shortages, sales and operating profit significantly exceeded the mid-term plan due to the subsequent recovery in unit numbers.

## Results Comparison (100 million yen)



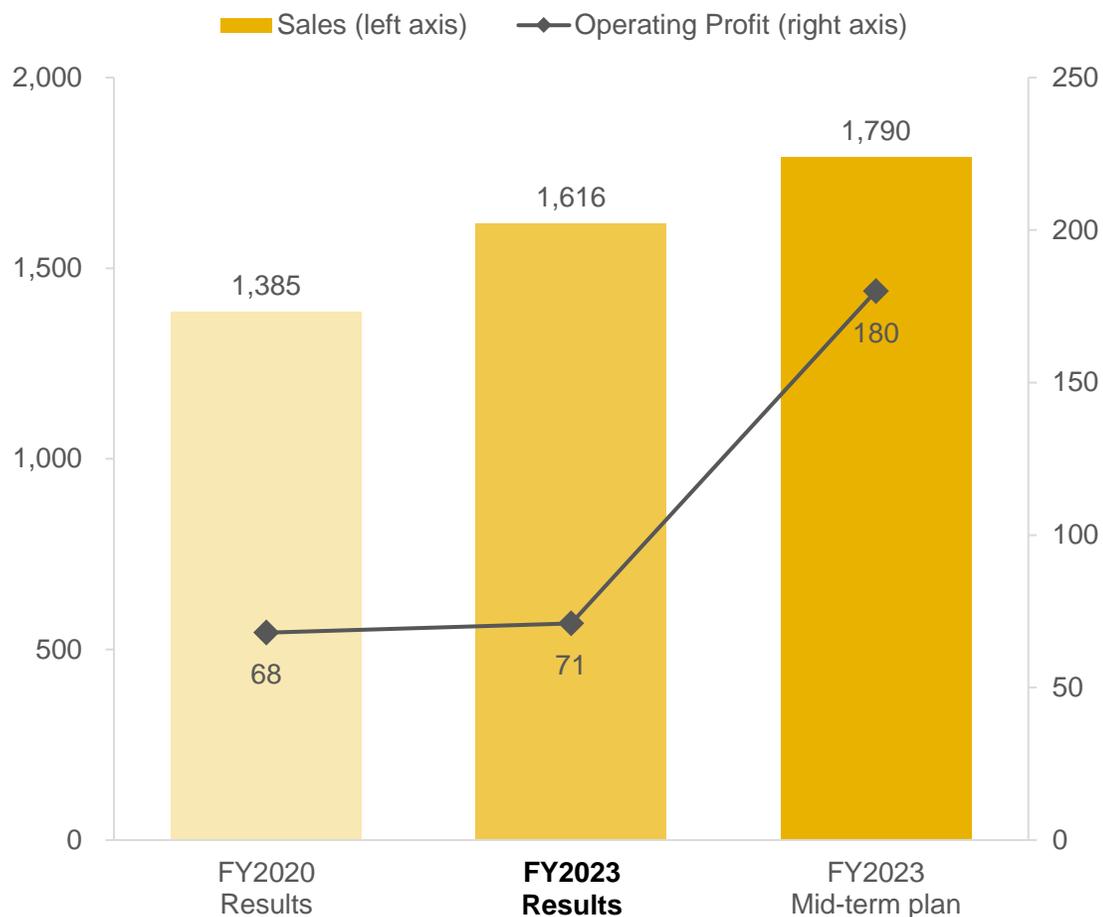
## Issues and Initiatives of the FY23 Mid-term Plan

- ◆ **Steady reaction to Model change**  
Smooth response as planned
- ◆ **Improve profitability in North America new plant**  
Completed transfer to the new plant  
Improved profitability through logistics improvements, etc.
- ◆ **Reduce development cost and lead time, by improving analyze technologies**  
Continuing activities aiming to halve the static strength test
- ◆ **Steady reaction to required quality level from customers**  
Promoting further level-ups through review of development procedures and introduction of AI visual inspection
- ◆ **Developing new seat required in Auto-driving era**  
Promoting the development of unique items required for autonomous driving

# Progress Status of Each Business (Precision Components)

- In the automotive-related business, motor cores in Japan and China and springs for engines and transmissions were underperforming.
- In the information and communication-related business, the decline in HDD demand since the second half of 2022 had a significant impact.

## Results Comparison (100 million yen)



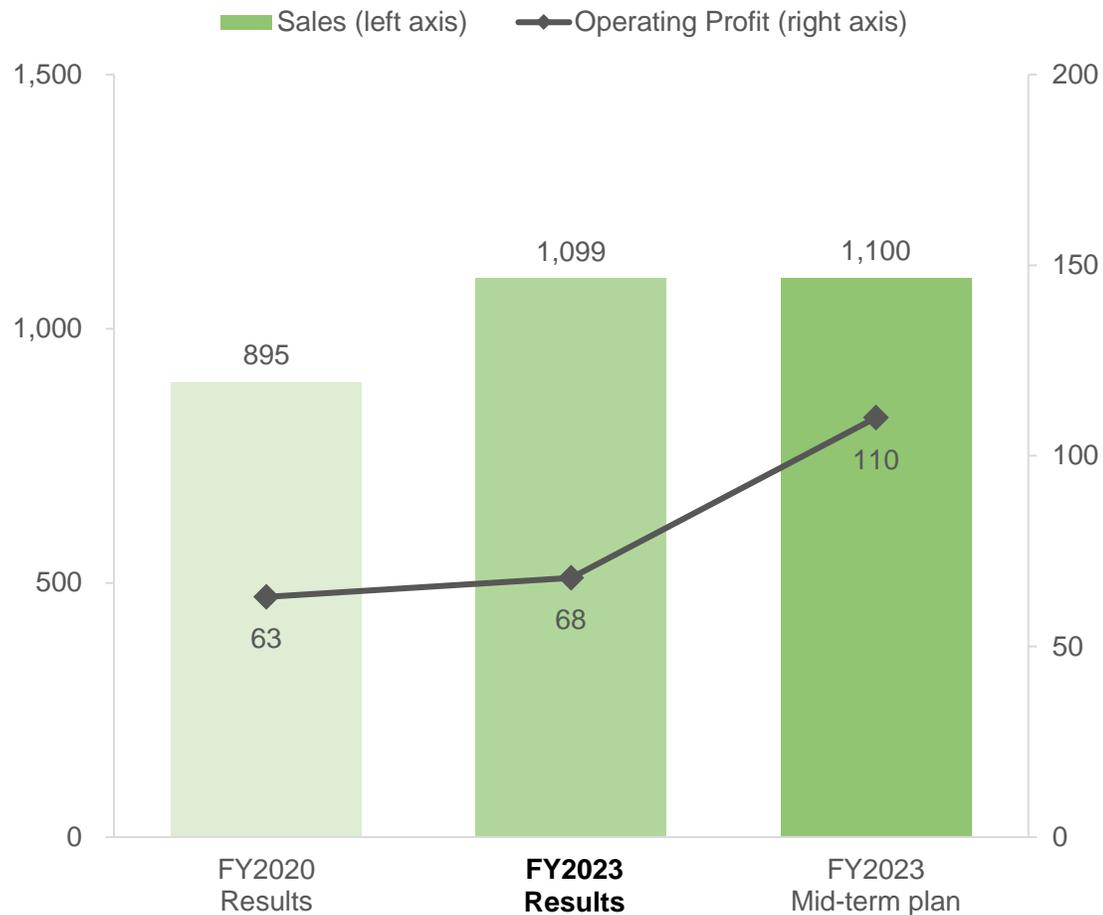
## Issues and Initiatives of the FY23 Mid-term Plan

- ◆ **Steady reaction to EV tend acceleration**
  - Strengthening motor core production capacity in Mexico
  - Expanding thin plate springs for HEVs and EVs
- ◆ **Adequate reactions to nearline HDD demand increase, and increasing sales share**
  - Further productivity improvement anticipating the recovery of HDD demand
- ◆ **Cost reductions by Productivity improvement and applying AI**
  - Promoting data processing and analysis using AI

# Progress Status of Each Business (Industrial Machinery & Others)

- Although there was growth in the automotive and leisure-related businesses, the significant impact of the decline in demand for semiconductor manufacturing equipment since the second half of 2022 prevented the achievement of the mid-term plan goals in the final year.

## Results Comparison (100 million yen)



## Issues and Initiatives of the FY23 Mid-term Plan

### ◆ Semi-conductor manufacturing machine parts

The prolonged slump in the memory market is expected to delay a full-scale demand recovery until FY2025 or later.

### ◆ Integrated Metallic Substrate

Increasing production capacity in Japan (Komagane Plant) and Malaysia

### ◆ Pipe support & Security device

Promoting profit improvement through selection and concentration

### ◆ Accelerate development speed, and expand sales by new products.

Developing showerhead products and next-generation thermal spray products

# FY2026 Mid-term Plan Assumptions

# Automobile production volume

(Thousands of units)

		FY2023 Results	FY2026 Mid-term plan
Global	Japanese	25,400	28,100
	Other	63,200	70,400
	<b>Total</b>	<b>88,500</b>	<b>98,500</b>
Japan	Japanese	8,500	9,500
North America	Japanese	4,300	4,500
	Other	8,000	8,400
	<b>Total</b>	<b>12,300</b>	<b>12,900</b>
China	Japanese	3,900	3,500
	Other	26,000	28,200
	<b>Total</b>	<b>29,900</b>	<b>31,700</b>
Thailand	Japanese	1,600	1,500
	Other	300	500
	<b>Total</b>	<b>1,900</b>	<b>2,000</b>

- The impact of the COVID-19 pandemic and semiconductor shortages was almost resolved in 2023.
- Particularly in developed countries, the global economic growth rate is expected to slow down, with gradual growth anticipated from 2024 onwards.

# HDD Production Volume, Total Demand for Suspensions

	CY2023 Results	CY2026 Mid-term plan
HDD (Millions of units)	122	118
Suspension (Millions of units)	1,017	1,585

- Amid investment cuts due to economic uncertainty, focusing on AI investment and optimizing data center operations reduced HDD demand.
- Meanwhile, the global data volume continues to grow, and nearline HDD demand remains strong.
- The number of disks used per nearline HDD is increasing, and the number of suspensions is also expected to increase.

# Semiconductor Manufacturing Equipment Market

(Billions of dollars)

	FY2023 Results	FY2026 Mid-term plan
Front-end	99	125
Back-end	9	13
After-service	24	37
Total	132	175

- Semiconductor Market  
Accelerated investment in AI generation that uses a large amount of CPU and memory, and increased demand due to the electrification of automobiles.
- Equipment Market  
Expected full recovery from 2025 onwards, with 2023 to 2024 being the bottom.  
Factory construction plans are ongoing in various countries, with market expansion anticipated.

Responses to achieve management  
conscious of capital costs  
and stock prices

# Significance of setting new management indicators

## FY2023 Mid-term Plan Targets

### Target for Net Sales and Income

- Net Sales
- Operating Profit
- Ordinary Profit
- Profit Attributable to Owners of Parent

### Target for Financial Indicator

- Ratio
- ROE
- Dividend payout ratio

## Background for adopting new indicators (issues to address)

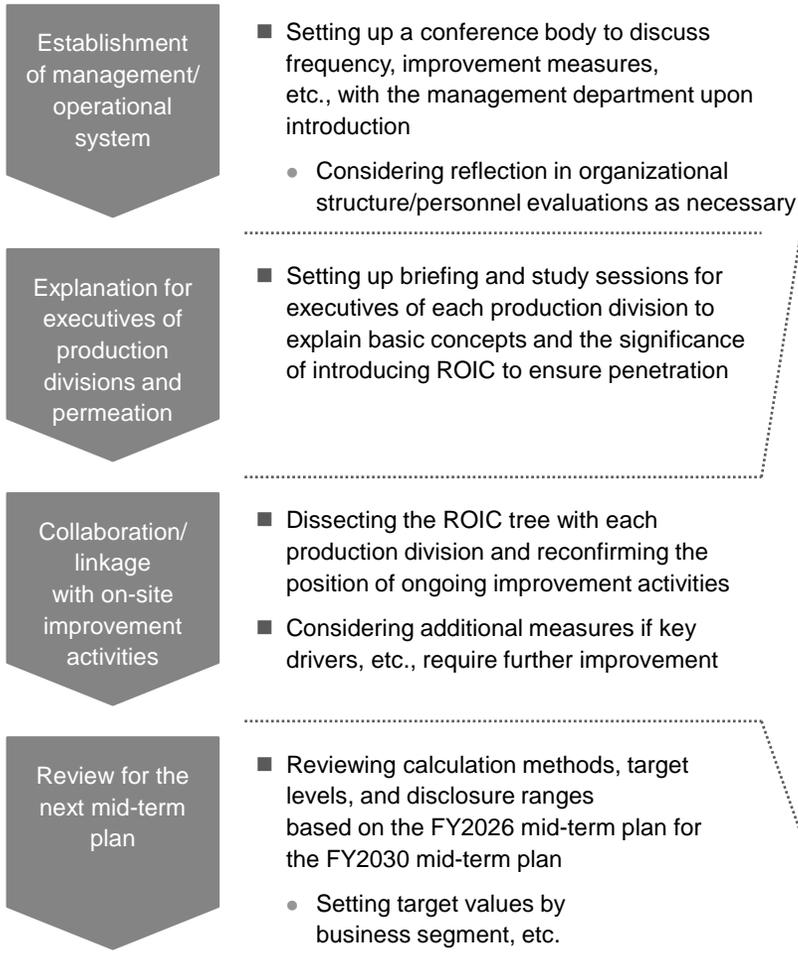
External requests	Requests for guidance	<ul style="list-style-type: none"> <li>■ The Stewardship Code suggests using indicators directly linked to shareholder returns, such as <b>ROE and payout ratios</b>, for institutional investors' voting criteria.</li> <li>■ The Business Restructuring Practical Guidelines promote portfolio review using a four-quadrant framework based on <b>capital profitability and growth potential</b>.</li> <li>■ The Japan Exchange Group introduces examples of indicators like <b>capital costs, capital profitability, and market valuation</b> for analyzing the current state to enhance corporate value.</li> </ul>	1 2 1 1
	Shareholder/investor requests	<ul style="list-style-type: none"> <li>■ Many shareholders demand the use of <b>ROIC (especially by business segment) in addition to ROE</b> as a capital efficiency measure along with capital costs.</li> <li>■ Additionally, there are requests from both shareholders and investors for the disclosure of <b>medium- to long-term cash allocation</b>.</li> <li>■ Other comments include those on <b>growth potential, equity ratio, PBR improvement, and stock price enhancement</b>.</li> </ul>	1 3
Internal issues		<ul style="list-style-type: none"> <li>■ Although ROE was adopted as a capital efficiency indicator in the previous mid-term plan, <b>internal penetration remains a challenge</b>.</li> <li>■ <b>Insufficient awareness of invested capital, such as non-current assets and inventories</b>, in each production division.</li> <li>■ <b>Policies on capital policies</b> like share buybacks, sale of policy-holding shares, and dividends are <b>unestablished</b>.</li> </ul>	1 2 3

## Significance of setting targets for the FY2026 Mid-term Plan/Related Indicators

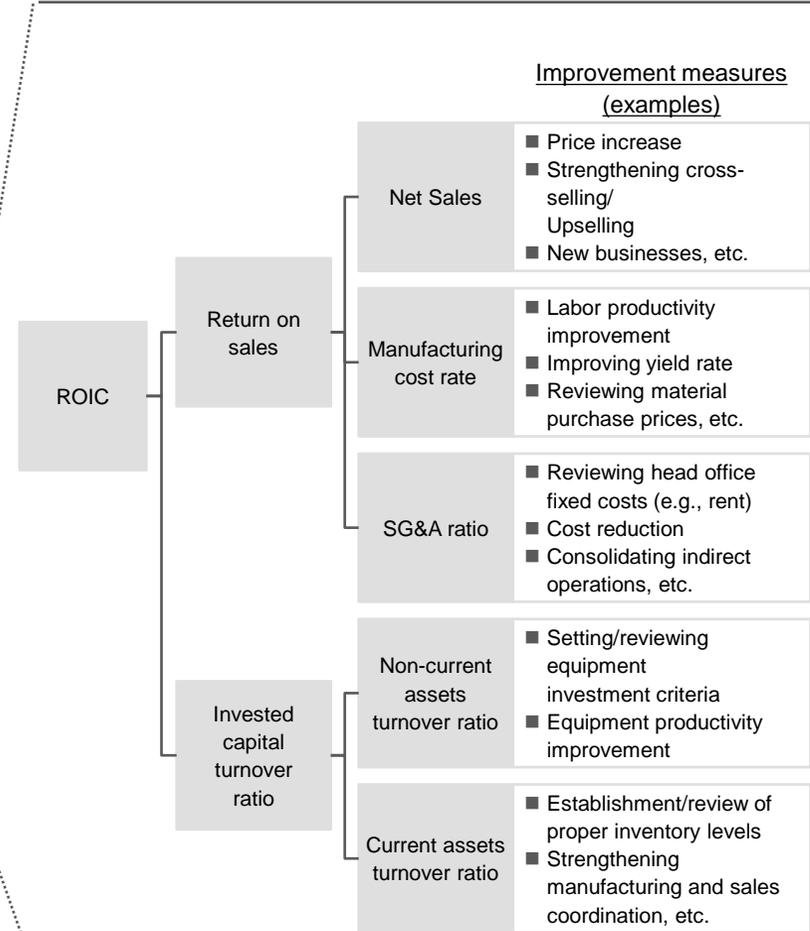
1 Introduction of ROIC	<ul style="list-style-type: none"> <li>■ Backgrounded by guidance from various sources, shareholders/investors demand the adoption of capital efficiency/capital cost, and although the company discloses ROE externally, internal utilization is insufficient.</li> <li>■ This mid-term plan introduces ROIC to <b>raise awareness of invested capital, illustrate the relationship between measures, and show how each measure leads to increased corporate value</b>, aiming for its entrenchment as an important indicator.</li> </ul>	ROIC/ROE
2 Strengthening shareholder returns	<ul style="list-style-type: none"> <li>■ In the previous mid-term plan, the target payout ratio was set at 30%, but in this mid-term plan, the goal is <b>over 30%</b>, aiming for gradual dividend increases.</li> <li>■ Setting a target amount for share buybacks as part of cash allocation</li> <li>■ <b>Continuing proactive shareholder returns through dividends and share buybacks</b></li> </ul>	Dividends Payout/ Share buybacks
3 Disclosure of financial strategy	<ul style="list-style-type: none"> <li>■ Recently disclosed policies on share buybacks and handling of policy-holding shares, which were previously non-existent.</li> <li>■ <b>Disclosing mid- to long-term capital allocation according to shareholder/investor requests</b> in the mid-term plan to demonstrate validity.</li> <li>■ Additionally, clearly stating the criteria for the equity ratio along with strengthening shareholder returns.</li> </ul>	Cash Allocation/ Stockholder's Equity Ratio

# Impact on employees and direction of measures from the introduction of new management indicators

## Direction of measures



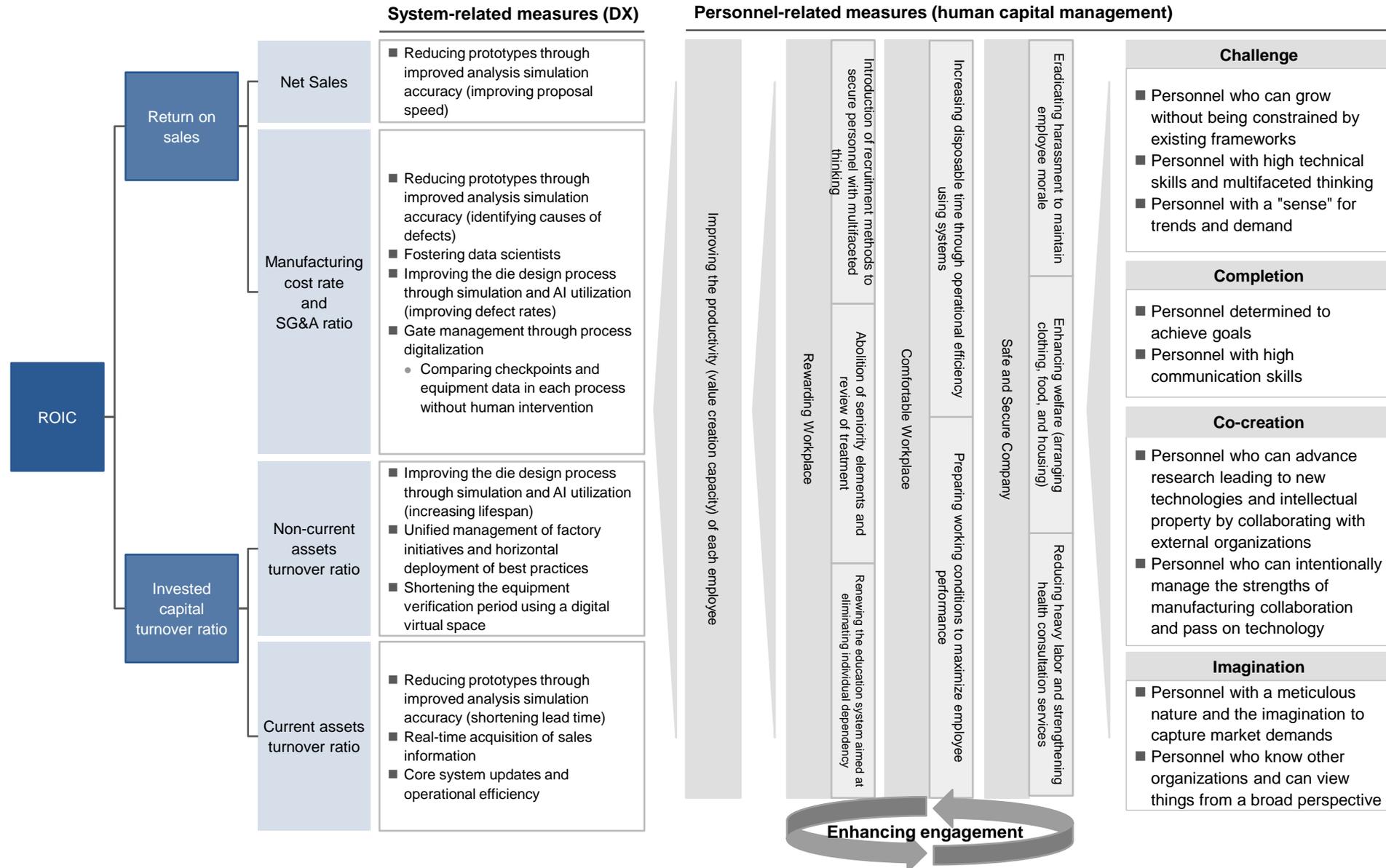
## ROIC decomposition tree



### Improvement measures (examples)

- Using the tree, it is possible to drill down to the daily KPIs each employee follows and their improvement measures
- Additionally, clarifying how employees' daily activities contribute to company-wide KPIs

# Relationship with system-related measures (DX) and personnel-related measures (human capital management)



# Responses to achieve management conscious of capital costs and stock prices

## Current analysis

- PBR has been around 0.6 times in recent years, but currently, it is around 1.0 times.
- Understanding that this is due to the evaluation of past business activities and shareholder return measures.
- **Analyzing that expectations from the capital market are rising for the enhancement of shareholder returns, growth strategies, and cash allocation disclosure in the FY2026 mid-term plan.**



# Dialogue status with shareholders and investors

- Established a dedicated IR/SR department to strengthen dialogue with shareholders and investors
- Renewed the website and expanded disclosure information

Establishment of a dedicated department

- Established the Corporate Communications Department in April 2022 to strengthen dialogue with shareholders and investors and expand disclosure information.

Strengthening dialogue with management

- Conducting financial results briefings, small meetings, and factory tours with the participation of the president

Main themes and points of interest in dialogues	Feedback implementation status
<ul style="list-style-type: none"> <li>● Company's advantages and sales expansion status in growth businesses</li> <li>● Responses to the electrification of vehicles</li> <li>● Financial strategy, cash allocation</li> <li>● Efforts to strengthen corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>● Summarizing the above opinions, questions, analyst reports, stock price trends, etc., feedback is provided to the executive meeting</li> </ul>



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