

Small Meeting for Institutional Investors / Q&A Session

Date: Wednesday, 2 June, 2021 14:30~15:30/16:00~17:00

Location: Nihonbashi Kabutocho, Chuo-ku, Tokyo

**Overall business**

**Q1. While copper prices continue to rise, what your assumptions for quotations at the time the earnings forecasts were formulated and how would you consider the impact on sales and profits?**

A The copper price is expected to be 1 million yen per ton. This is a factor behind the roughly 30 billion yen rise in company-wide sales. By segment, the Energy and Infrastructure Operations accounted for approximately 15 billion yen, while the Electrical Equipment and Components Operations accounted for approximately 15 billion yen. As we strive to manage the business so that copper prices do not affect profits, this rise in copper price will not be a negative factor for our profit plans.

**Q2. What are the factors behind changes in profits for each of the three Operations in the FY2021 plan?**

A Energy and Infrastructure Operations: Sales are expected to increase due to higher copper prices, but profits are expected to be flat as demand in the construction market is flat. In the electricity market, the company also plans to maintain sales and profits at the same level as last year due to construction capacity and the impact of construction stops ahead of the Tokyo Olympics and Paralympics.

Communications and Industrial devices Operations: Wiring harnesses for consumer electronics will growth driver. Demand for household appliances is active due to demand for consumption from staying at home has been growing. For precision devices, demand for home printers is growing due to the impact of teleworking, and this also contributed to the increase in profits.

Electrical Equipment and Components Operations: The full operation continued since 2H in FY2020 due to the maintenance carried out during low operation in the 1H. In addition, the products for electronic components at full capacity.

**Q3. What is the depreciation expense plan for FY2021?**

A It is planned to increase by about 500 million yen over the previous year.

**Q4. What percentage can the target of VISION2026 operating income of 15 billion yen be achieved by extension the current measures?**

A We cannot say the percentage clearly, but we think that the target will not be achieved simply by extending the current measures. It is necessary to consider growth investments and portfolio conversions in the next medium-term management plan.

**Q5. What are your thoughts on accelerating R&D?**

A We do not think that R & D should be expanded anyway. Our current focus is on the mobility and medical field and the smart city field, which includes next-generation electricity. Some achievements have been made, such as the development of high-speed communications for automobiles and components for smart cities.

**Q6. Are measures taken to strengthen manufacturing and logistics systems and to counter cyber-attacks?**

A There is no plan to make a large investment in manufacturing and logistics systems, but we believes that DX is necessary. We are promoting systematization that can integrate from order receipt procurement, manufacturing, logistics systems, and delivery. To against cyber-attacks, anti-viral measures, ID management, and penetration tests are conducted.

**Q7. What do you think of employee engagement?**

A We conduct employee satisfaction surveys every year. Since the last fiscal year, the personnel system has been changed to a system based on evaluation and wages according to roles and responsibilities rather than a seniority-based systems. However, since there are a variety of opinions, we would like to hear them firmly. We believe that improving engagement is necessary to change our corporate culture.

## **Structural Reforms**

**Q8. What are the effects of structural reforms in the profit plan for FY2021? Are unexpected factors of deterioration factored into the effects?**

A Factors causing unexpected deterioration are not factored in. We expect that the effect of ongoing structural reforms will be shown in earnest from the next fiscal year.

## **Energy and Infrastructure Operations**

**Q9. You said that you would focus on solutions around substations for the renewable energy and offshore wind markets. How much do you expect this business to grow?**

A As for offshore wind, substations will be required at each point to raise and bundle offshore generated electricity to land with submarine cables and connect them to grid interconnection. Our electric power equipment is widely used to connect to that substation. Not only selling electric power equipment, but we aim to supply solution business that includes power cable and electric power construction. We are afraid that we do not disclosed the specific sales figures.

**Q10. I heard that SICONEX<sup>®</sup> was operating at full capacity at the time of the Q3 financial results, but what about the current situation?**

A Currently, SICONEX<sup>®</sup> continues to operate at full capacity. We have decided to invest in increasing production, as we mentioned in the press release on February 25, and the completion of construction is scheduled for April 2023. However, as manufacturing capacity will be improved continually, we think that the effect of investment will be shown from the end of the next fiscal year. Even if the supply of SICONEX<sup>®</sup> increases, it will not be possible to maximize added value without the capacity to install it, so as stated in the press release on May 13, we will also increase the number of construction personnel while utilizing the educational program of SICOPLUS<sup>™</sup>. In cooperation with partner companies, we aims to achieve sales targets exceeding 30 billion yen.

## **Electrical equipment and components Operations**

**Q11. What are the high-performance products in the Electrical Equipment and Components segment that are expected to grow particularly?**

A We want to expand our MiDIP<sup>®</sup>, but there is an issue with the capacity for facilities. In the next medium-term management plan, we will clarify how much it will invest in response to the growth of the EV market and what markets it will focus on.

**Q12. Please tell us about specific measures to improve profitability in the electrical equipment and components Operations.**

A To give an example, we are removing old facility for general-purpose products with low-profit margins and replacing them with the ones for manufacturing rolling wire for automobiles. Through these measures, we will transform its business portfolio.

**Q13. What are the current profitability and competitive advantages of automotive products?**

A One of our strategic products MiDIP<sup>®</sup>, is overwhelmingly high-grade compared to other products. We are the only company that has the DIP Forming System facility to produce MiDIP<sup>®</sup> in Japan. So only we can realize this grade at present. This position is MiDIP<sup>®</sup>'s advantage, and it is highly profitable.

**Q14. At the time of the Q3 financial results, I heard that MiDIP<sup>®</sup> was operating at full capacity. What is the current situation?**

A Since there is only one MiDIP<sup>®</sup> manufacturing facility in Japan, it is now fully operational. In the process of manufacturing wire materials with low oxide concentrations, only parts that meet certain conditions can be sold as high-grade MiDIP<sup>®</sup>. So we are considering renovations of the facility to increase the production of high-grade MiDIP<sup>®</sup>.