Financial Results Briefing

for the Fiscal Year Ended March 2023

April 1, 2022 - March 31, 2023

（Q&A）

【Event Summary】

Date	: June 1, 2023	15 : 00～16 : 00
Venue	: Webcast	
Speakers	: Toru Kurono	President and COO
	Akitaka Tejima	Head of Business Management Division, Director
	Takaaki Mano	General Manager of General Affairs Department

Some explanations are supplemented and key points are summarized.

Question & Answer

Q: I have two questions.My first question is related to the second round of price increases. I understand that you've factored this into your earnings projections for this fiscal year. However, this seems more challenging compared to the first round. The first round of increases involved products like enclosures, where your company excels. However, the second round appears to involve products not necessarily your strong suit. Could you share some insights about the likelihood of these price increases holding up, the uniformity of this approach across your product range, or any assurances you may have about the viability of these increases in the current economic climate?
My second question is about the medium-term plan. You've indicated sales from your energy management systems, which amounted to JPY6.1 billion in the last fiscal year. I believe this includes four types of products, such as home panel boards and charging stations.
Firstly, could you please elaborate on which area made the largest contribution to sales in the past fiscal year? Concurrently, I can see potential for these sales to increase multiple folds in the medium to long term. Could you share what you are most optimistic about, and why? Even if it's not quantifiable, providing some insights would help us form our expectations, so we'd appreciate any details you could provide.

Kurono: Thank you for your questions. First, regarding the price increases, we implemented the first round on our main products like enclosures, which was easier to implement due to their leading position in terms of pricing. As you noted, the second round involves non-core products, which you may be concerned might not be as readily accepted. However, we've found that both rounds have been generally well received.
Moreover, the second round involves price increases across various markets, so we do not foresee this becoming a problem. Although it's been only a month or two since the second phase began, we have been receiving positive feedback from our distributors. As such, we are currently projecting an increase in sales, with an expected effect of increasing profit by JPY2.9 billion.

Q: If the second round of price increases was well received, could there possibly be a third or fourth round?

Kurono: In terms of future price increases, we'll be considering them in consideration of various factors such as market conditions, our raw materials costs, energy prices, and personnel costs.
Now, as for your second question about the energy management system, our sales are definitely increasing in an upward trajectory. Within this product line, our primary focus is on expanding sales for EV charging stations.
Recently, many operators of charging stations have adopted our Pit-2G product. With various certifications obtained and an established structure for receiving subsidies, we anticipate a growth trajectory for this EV charging station business.
During the fiscal year that ended in March 2023, we faced difficulties in procuring components for the EV charging stations in H1, but from H2, procurement has been smooth, leading us to believe that our sales are progressing favorably.
As for our SafaLink-ONE-, although we see potential for future sales growth, we are currently in the initial stages of taking orders. The time-consuming nature of discussions and installations means we don't expect this product to significantly impact our sales in the coming fiscal year.

Q: Thank you for the opportunity today. I have two questions, and I would appreciate it if we could address them one at a time.
Firstly, I would like to ask about your operating income projections. You mentioned a JPY2.9 billion increase due to price revisions, but could you elaborate on how this is divided between the first and second rounds of price increases? The first round alone had a positive effect of JPY900 million in just Q4, so I assume the full impact even for the first round should be meaningfully higher.
Additionally, it seems that the costs related to the Seto Plant are quite significant. Could you tell me what those costs consist of, and whether they will continue into the next fiscal year onwards?

Mano: Are you asking for a breakdown of the effect of the price revisions included in the factors for the increase and decrease in profit?

Q: That's correct. I'm interested in how the impact of these price revisions are incorporated when we divide them into the first and second phases.

Mano: The first price revision phase was initiated in July last year, so we're also factoring in the impact of the first phase for Q1 of this fiscal year. During this fiscal year, we estimate the impact of the first phase to be approximately JPY1 billion. The second phase of price adjustment is projected to contribute about JPY1.9 billion, resulting in a total estimated price revision benefit of JPY2.9 billion.

Q: Could you provide more detail on what is included in the Seto-Plant-related costs?

Mano: Regarding the Seto-Plant-related costs that we displayed on the slide, amounting to approximately JPY800 million, these include depreciation, one-off property acquisition taxes, and anticipated relocation expenses.

Q: Thank you for the clarification.
For my second question, I'd like to discuss your capital policy detailed on page 31. Although you've increased the dividend payout ratio to 100%, I anticipate that it might be challenging to raise the ROE to 8.5%, considering your company's robust financial health and high capital-to-asset ratio. Could you share your thoughts on the next medium-term plan?
I'm aware that it's still in the works, but could you shed some light on what areas you're prioritizing? Do we need to lower our expectations for ROE slightly? If there's a specific approach you're considering, could you please elaborate?

Tejima: Thank you for your question. In terms of our capital policy for the next medium-term plan, we've been explaining for a while now that we've aimed to decrease the denominator by maintaining a 100% dividend payout ratio over the past two years. As Kurono also mentioned earlier, during these two years, we have been solidifying our foundation and following this approach.
For the future, we're currently considering how to refine our current medium-term plan, aiming to strike a balance between growth investment and distribution. All I can say for now is that we're formulating measures that we hope investors will find understandable. We would appreciate your patience in this matter today.
Naturally, we're also about to delve into how we can enhance our ROE figures, so we request your understanding on this matter as well.

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