

# Financial Results for Fiscal Year 2020

April 1, 2020 - March 31, 2021

(Q&A)

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## 【Event Summary】

Date : December 1, 2020 15 : 00~16 : 00

Venue : Webcast

Speakers : Toru Kurono President and COO

Koichiro Sato Head of Sales Division, Director

Akitaka Tejima Head of Business Management Division,  
Director

Takaaki Mano General Manager

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## Question & Answer

**Q:** You said that the loss of the previous period's sales for products related to air conditioners for schools will have a negative impact on business results this quarter.

How much negative impact do you expect in the second half and the first half?

**Tejima :** In the previous fiscal year, sales for products related to air conditioners for schools were approximately 2 billion yen. In the first half of the previous year, it was about 1.5 billion yen in the first half and 500 million yen in the second half.

The negative impact of the first half of this year is approximately 1.2 billion yen.

Sales in the first half of this year were approximately 300 million yen, which is the same level as in the past years when there was no special demand.

**Q:** It seems that the GIGA School concept project is expected to generate sales of 10 billion yen for the full year. How much will it contribute to profits?

You said that sales will peak in the second half of the year.

What ratio do you think sales are in the first half and the second half?

**Tejima :** The profit can't be disclosed.

I will refrain from explaining these details, but I assume that the sales ratio will be concentrated in the second half.

**Q:** 5G-related products is expected to generate sales of 5 billion yen for the year, how much is the profit?

What ratio do you think sales are in the first half and the second half?

Is this because the demand for telecommunications carriers is strong?

What kind of products have a large effect terms of sales and profits?

I would like you to supplement the background a little.

**Tejima :** We can't disclose this profit either.

So, I will refrain from explaining these details, but regarding the sales distribution in the second half, we will answer that some of the sales that were expected in the first half and the second half were moved forward in the first half.

Sales of 5G-related products scheduled for this term are mainly targeted at sales in the Tokyo metropolitan area. I think it will also affect the next fiscal year or later of sales, but at the moment I do not know to the concrete scale

**Q :** We expect 5G-related investment to grow from the next fiscal year onward.

Will the sales of the Nitto Kogyo Group increase as the investment of each telecommunications carrier progresses?

**Tejima :** We don't have transactions with all major carriers. However, we believe that investment in telecommunications carriers will increase, and that our business performance will be affected accordingly. From the next fiscal year onward, we believe that each region other than the Tokyo metropolitan area, will be the center of capital investment.

I think it will be important how much sales will be generated and when demand will increase.

**Q :** About system racks, which are typical 5G-related products. I heard that the production capacity of system racks is near the limit, but is there any room to increase sales?

**Kurono :** System racks are mainly produced at the Nogi factory in Tochigi prefecture. Nitto Kogyo has eight factories, and when a very large project comes out, we have the advantage of being able to cooperate with each other in production.

So far, the production capacity of the Nogi factory alone is quite tight, but I think it is possible to increase sales.

**Tejima :** As Kurono said earlier, the Nogi factory has reached the point where it has full production capacity. But, as a measure to make it efficient, the production capacity is increasing by changing the work system to two shifts.

**Q :** How much do you expect system rack sales to grow from the previous fiscal year?

**Tejima :** I think it will increase almost the same or slightly.

**Q :** Regarding the outlook for operating income in the second half, you mentioned that a group factor is a decrease of 800 million yen. Could you tell us more about it?

**Tejima :** There are various fluctuations within the group, but most of the factors are that Kitagawa Industries' business performance is negative.

**Q :** Sales of the electronic parts-related business are expected to decrease in the second half compared to the first half. Despite the prospect of recovery in the automobile market, why would it happen? Could you explain that to me in a little more detail?

**Tejima :** Certainly, car market are recovering. But, there are other main products, and we plan to make them negative. The products of this business, such as air conditioners and home appliances, are used in various places, and we expect that such products will push down our business performance.

**Q :** It has been one or two years since Kitagawa Industries joined the Nitto Kogyo group. If you have any changes or evolutions since you grouped, would you please introduce them? Please tell us if there are any new developments not only due to the external environment but also due to individual company factors.

**Kurono :** I think that main products of Kitagawa Industries is related to EMC. With the shift to EVs and PHEVs for automobiles, demand for EMC will increase, and we believe that the car market will remain strong. In the future, I think demand for EMC will grow in fields such as renewable energy, information and communications, and 5G.

One of Kitagawa Industries' strengths is its extensive testing and research facilities. It may be possible for other companies to make EMC-related parts, but the solutions to take advantage of the research facilities of Kitagawa Industries is a great advantage. So, we have high expectations for this business in the future.

**Q :** Kitagawa Industries had no financial problems before grouping, but I have the impression that it did not show significant growth. Do you invest in people or things that will accelerate growth as the Nitto Kogyo Group?

**Kurono :** By joining the Nitto Kogyo Group, I think we can improve productivity by reducing production costs, albeit slightly. Regarding the investment for that, I will proceed from now on. In addition to cars, we are also focusing on thermal solutions. It may be related to automobiles or electronic parts as a business, but electronic parts which are heat-sensitive will be used in large numbers in the future. We are actively investing and researching such areas to develop solutions that dissipate heat. In addition, we have established a new building for tests to enhance the solution capabilities mentioned above. It is used by many times and we believe that it will grow in the future.

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