

Financial Results Briefing
for the Fiscal Year Ended March 2026
April 1, 2025 - March 31, 2026
(Q&A)

【Event Summary】

Date : June 2, 2026 13 : 00~14 : 00
Venue : Webcast
Speakers : Toru Kurono President and COO
Akitaka Tejima Managing Director, Business Management Division
Norihiro Kondo Head of Business Management Division, Executive Officer
Yukihiro Taguchi General Manager of General Affairs Department

Some explanations are supplemented and key points are summarized.

Question & Answer

Q: I have two questions. The first concerns the movement of high-voltage power receiving equipment before and after the standards revision. While volume is expected to decline, the implication is that this will make a significant contribution to the fiscal year ending March 2027 performance.

How much of that contribution will come from price increases? In other words, how much will the unit price rise even as volume declines? The second part of my question is how much the profit margin and gross profit margin will change before and after the standards revision. Please share what you are able to.

My second question relates to the factors behind the change in consolidated operating income on page 22.

The group factors contributed significantly to profit growth in the fiscal year ended March 2026 results, but in the fiscal year ending March 2027 forecast that contribution appears to have declined considerably. In particular, the commentary on page 22 does not mention SunTelephone. Could you explain what factors are behind the significant decrease in group factors?

Tejima: On your first question, as you note, volume will decrease following the standards revision for high-voltage power receiving equipment. However, selling prices are expected to rise considerably. The range is somewhat wide, but it is said to be approximately 1.4 to 1.8 times the previous price. We expect the price increase to offset the volume decline.

As for profit margins, we do not disclose those figures. The price increases occurred in a context where both personnel costs and materials costs were also rising, so I hope you will understand our position in refraining from commenting on margins.

On your second question regarding the group factors on page 22, you asked why SunTelephone is not mentioned. The chart shows the difference between the previous period's operating income and the current period's plan. SunTelephone has been performing at an elevated level, supported by solid demand in the information and telecommunications market, so the previous period was also quite strong.

There is a contribution this period as well, but I would appreciate it if you could understand that it is not expected to jump significantly higher on a net basis. Please note that this is by no means a move in a deteriorating direction.

Q: Should the same thinking apply to Tempearl Industrial?

Tejima: Yes. Tempearl has recovered strongly in a V-shape, so I would ask you to understand that performance this fiscal year is not expected to deteriorate but rather to remain solid at a relatively high level.

Q: My first question is a detailed one, but I believe page 22 shows in detail the factors behind the change in consolidated operating income for the current fiscal year just beginning.

What concerns me slightly is that the profit increase factors on the far left are quite substantial. In particular, the effect of the price revision for standard products has been in place since H2 of last year, so I would expect this to have a meaningful incremental effect.

On the other hand, regarding the reactionary decline from last-minute demand, I am not sure whether this will be concentrated in Q1 or Q2, but if it is not entirely concentrated in H1, the profit increase factors in H1 appear to be relatively strong, which gives me the impression that profit may not actually decline in H1. Could you explain how costs are expected to materialize? That is my first question.

My second question is that while I think it was excellent that you achieved the medium-term plan targets ahead of schedule, particularly on profit, I feel that when looking ahead to the next medium-term plan, the growth drivers are somewhat difficult to see.

One element of the current plan was overseas business, and I believe the target was a 10% overseas sales ratio, but there has been little mention of progress. I would like to understand the current status. Has that target been abandoned, or is performance actually improving? Could you provide an update on overseas business?

Tejima: On your first question, I believe you were suggesting that, given the effect of price revisions and other factors, profits might not decline all that much in H1. As you mentioned, however, in terms of the reactionary decline, cubicle sales prior to the standards revision were fairly concentrated in the previous period, so we do expect a certain volume decline in H1.

In addition, new transformers will probably start coming in from the latter half of Q2, so the current situation is still looking a little soft.

Moreover, we have noted in the slide factors pushing down profit such as rising parts prices and higher personnel costs, but at this stage we also cannot predict how costs may spike due to the situation in Iran, or how we will be able to procure parts and materials, and we have formulated the plan on that basis. So there remains uncertainty around how those factors will play out.

In any case, we expect the reactionary decline to be quite substantial, and our view is that H1 will be significantly affected by the transformer-related factors. I hope you will understand that we have formulated the current plan with this in mind.

Regarding the advance achievement of medium-term plan targets and your pointed observation about limited growth drivers, thank you for that candid feedback. I think you are right in certain respects.

On the overseas question, there is nothing particularly notable to highlight, but overseas sales have been showing modest growth. The momentum is not strong enough to call out specifically, which is why there has been little mention.

We have certainly not abandoned our overseas ambitions. In the midst of a shrinking domestic market, we have always been advocating the increase of the overseas sales ratio as part of our medium-term planning, and in the current plan as well, within the 2026 Mid-Term Management Plan, we are now working toward a target of JPY20 billion in overseas net sales.

We maintain a target of JPY20 billion in overseas net sales, representing a 10% overseas ratio, and we continue to pursue that. We have not been able to show that in numbers, but there are some gradual signs emerging, and I hope you will forgive me if I leave my explanation at this: we have not given up on overseas business.

Q: So overseas are in fact growing?

Tejima: Yes.

Q: My first question concerns the reactionary decline. Looking at distribution boards sales in H2 of FY2025, the figures for FY2024 and H2 FY2025 are almost identical. Given that the price revision effect has been working, my impression is that volume has barely increased.

Looking only at the numbers, I find myself wondering whether there was really any last-minute demand to speak of. Could you help me understand how to interpret this, and whether we should really expect such a significant reactionary impact in H1?

Tejima: Within the distribution boards ratio, when we look closely at the product groups, including distribution boards and cubicles and so on, the growth in cubicles is, well, abnormally large, or rather the growth in proportional terms is quite substantial, and there is no doubt that cubicles have been the driver of sales. The pre-revision last-minute demand was driven in part by the fact that cubicles grew considerably as a result.

In that sense, since the number of cubicles that have been driving growth will decrease, we do think that the decline in that area will have a considerable impact in H1 of the current fiscal year. From H2 onward, once the price-revised new cubicles start going out, we believe there will be quite significant growth from that point, so our view is that H1 will see a decline. That is where we stand.

Q: Looking at distribution boards sales, it does not appear to have grown much in H2, but when we separate out distribution boards and cubicles, cubicles grew considerably in H2 of FY2025, so the understanding is that a reactionary decline will indeed emerge. Is that correct?

Tejima: Yes.

Q: My second question. I would like to ask incoming President Tejima about the current challenges facing NITTO KOGYO and the areas you would like to strengthen going forward.

You mentioned overseas, but even setting overseas aside, are there areas where you feel something is lacking, or things you would like to address, as you look toward the next medium-term plan?

Tejima: The AGM has not yet taken place, and no decision has been made by the Board of Directors, so although the announcement has been made, I find it somewhat difficult to speak to this right now.

That said, we have spent two years of the 2026 Mid-Term Management Plan under President Kurono. I do think there are things we got right in that period, and things where we identified issues. While building on what has worked, how we address the newly identified challenges under the new structure is a challenge we face.

As I often discuss with investors, there is the question of how to generate synergies not just on a non-consolidated basis but as a Group, and how to deliver results at the Group level. I believe there are many challenges to address, and while P&L items such as sales and profit are of course important, how we manage the balance sheet as well is among the many issues piling up.

How to present our approach to all of this as we move toward the next medium-term plan, and how to lead the Group, is what I see as both a challenge and a mission at this point in time. I hope you will accept that as my answer for now.

I look forward to discussing this in more detail when opportunities arise to speak with you after I take office.

Q: I would like to ask about the concept of profit margins. As mentioned earlier, transformer prices are rising quite considerably, to 1.4 to 1.8 times their previous levels, so I imagine margins may be somewhat under pressure in percentage terms. Could you give us some guidance on the room to improve profit margins in each segment at present?

Tejima: In terms of segments, as I mentioned in the presentation, if you look at actual segment profits, the manufacturing, construction and service business, which includes distribution boards and electrical and information infrastructure-related operations, accounts for 74% of the total.

The distribution business, being a distribution operation, naturally has a lower ratio. And since the electronic parts business has a manufacturing component, I would say that the areas with room to grow profits are the manufacturing, construction and service business and the electronic parts business.

Within those, however, there are various business types. In the electronic parts business, for example, when we look by market, such as automotive, appliances, and industrial equipment, the automotive portion tends to produce rather tight profits, and profits will vary depending on the combination of those three businesses. So, there will be some unevenness there.

In that sense, distribution can pass on price increases, but after that the profit tends to be fairly fixed. So, for manufacturing, construction and service, and electronic parts, I believe profits will vary depending on how price pass-through is achieved and what kind of product mix can be realized.

Q: Within manufacturing, construction and service, the breakdown includes distribution boards, enclosures, and construction and service. How can profitability be extended or improved there? Or would it be easier for your company to go after overall profit in absolute terms without being too fixated on that breakdown? What is your view on this?

Tejima: There is inevitably a relationship with the market in this area, but for the past several years, delivery time has taken priority over price, so to speak.

Construction scheduling is now very tight, and there has been a situation where, in order to complete work on site, customers are willing to say they do not mind too much about price as long as the supplier can meet the delivery date, which has allowed us to earn relatively good profits.

That has continued for the past several years, and I do not expect the situation to change dramatically going forward. However, if the economy slows down somewhat, projects become fewer, and manufacturers find themselves with spare capacity, then demand could become dominant, which could lead to price competition. So, I would not say that if we do things a certain way, a certain outcome is guaranteed.

On the profit side, for example, comparing enclosures and distribution boards, we still believe that enclosures carry a higher profit margin. That is because there is no assembly process, so personnel costs can be kept to a minimum, and if we run operations through our equipment and sell enclosures, the profit margin is high.

We would like to grow that business, but of course things do not go purely according to our wishes. As for whether to prioritize rate or absolute amount, it is a very difficult question.

We would of course like to grow both the rate and the amount, but I do not think I can give a definitive answer here today. I apologize if that was not quite an answer.

Q: I thought it would be difficult to give a clear answer one way or the other, since there are many ways things could change depending on the external environment. It was more of a brainstorming kind of question, thinking along the lines of: if you were going to go after absolute profit, then perhaps this approach; or if you could strengthen construction resources and improve competitiveness on delivery time, perhaps that could connect to something somewhere.

[END]