

Nisshinbo Holdings Inc.

Summary of Q&A Session at Financial Results Briefing for the Fiscal Year Ended December 31, 2024

The following is a summary of the main questions and answers from the financial results presentation for institutional investors held on February 12, 2025.

Q1	Regarding the future picture of the wireless and telecommunications business, should we expect a picture of growth with a little more control over the degree of performance volatility, since the stable portion will increase due to cost reductions and rationalization as presented this time, as well as an increase in sales totaling 7 billion yen through marketing synergies? Also, what should we be thinking about the profit margin of marketing synergies?	A	Both JRC and Kokusai Denki Electric are mainly customers for public sector demand, and since orders are decided through a bidding process, it is true that there is some instability involved. While the public sector demand business is important, we understand that it is also becoming increasingly important in the face of disasters, etc., and we will continue to focus on this business. In order to stabilize profits, we want to break away from a structure in which the majority of sales are accumulated in 1Q, and to this end we will develop the private demand business. As for the profit margin, we would like to work toward 10% while maintaining the several percentage points of profit that we are currently generating.
Q2	What were the specific problems with the structural reform of the wireless and telecommunications businesses? Why has JRC's profit margin not increased for a long time, and why has it remained this way until today? Please tell us about the time frame, including your perception of it.	A	In the past, Kokusai Denki Electric, as well as Japan Radio, had been producing products instead of completing each process in a single location. This time, once again, we are fixing the same kind of irrationality. There have been structural reform efforts in the past, but they inevitably failed to take a thorough and objective look at the optimization of the business and its various aspects. The major difference is that the specific case of Kokusai Denki Electric, which preceded us, has given us the prospect of simplification. We would like you to understand that we have been able to see new areas where we can do something about our efforts to thoroughly lower the break-even point. We have started our efforts with the hope of achieving some results within this fiscal year.
Q3	There was a comment that Kokusai Denki Electric is weak in DX. Can we take advantage of the fact that we were originally Hitachi Kokusai Electric and utilize the know-how and expertise that Hitachi possesses?	A	We have been satisfied with primitive radio functions such as disaster prevention radio, but this is not acceptable in today's world; DX is not yet in a strong position and IT is urgently needed.
Q4	Although the situation in the retail industry is uncertain with regard to semiconductors, when do you expect to turn a profit of 500 million yen this year, and what is your vision for taking this profit to 500 million yen for the full year? If you are unable to achieve this, I think it will drag down the entire company. Are there any measures that your company will take proactively, other than those affected by market conditions?	A	Since last year, we have been working to recover sales, and we are starting to see results. Specifically, we are carrying out intensive sales activities, including domestic caravan events and events in Asia, including China. We are strengthening our products in the Asian region, where there is relatively little competition, and we are starting to see results. In addition, in order to make up for the loss of production line operation, we are carrying out limited activities at low prices. Although the 1Q still remains in last year's condition, we have already received inquiries and orders, and we expect to eventually bring the business into the black, as signs of recovery are beginning to emerge from spring onward.
Q5	What measures other than market factors do you have in mind for semiconductors?	A	I will refrain from going into details, but we have already begun analyzing the market and its contents, and a fundamental review is needed.
Q6	Regarding real estate, is the gain from the first sale included in the 4Q real estate profit, or is the gain from the second sale included in the current forecast? Please tell us about other sales and rental income.	A	The large number resulting from last year's results was due to a higher-than-expected sale price. The gain on the second sale is included in the current earnings forecast (to be booked in 1Q). Although condominium sales are planned for this fiscal year, operating income from rental income can be kept at around 2 billion yen for several years.
Q7	Regarding the Future Innovation Division, I understand that the R&D organization will be reorganized; how will the personnel and R&D expenses change?	A	Although not finalized, the organization will be launched in April with about 50 employees. Although not all of it, the company will use the 3 billion yen in research expenses from its chemical business as a source of funding to increase the amount of money and investment it will put into the Future Innovation Headquarters in the future.

Q8	Your company's operating income is heavily weighted in 1Q. Do you have any guidance for 1Q on a company-wide basis?	A	It is difficult to provide guidance as 1Q. As you may have guessed, it is true that the 1Q will be much larger than the annual operating income.
Q9	I would like to know as much as possible about the measures President Murakami has taken in retrospect.	A	Looking back over the six years of his tenure as president, I reformed the business portfolio and drastically changed the sales mix. Looking back over the past 50 years, there have been 13 M&As, 4 carve-outs, and the closure of businesses and plants, but profits have not increased much. To reflect on this, we believe that we should change the structure and start the process. Also, in terms of personnel system reform, job-focused employment has been implemented for the past five years, and the system has taken root. Now that the foundation has been laid, we are entering the next phase.
