

Q & A: Prospects for the next fiscal year and areas for enhancement

Question: You talked about NISSO's forecasts for the next fiscal year, and based on your explanation earlier, we could see a sense of increased revenues and profit for the next fiscal year. As for the level, I thought this might be in the perspective from the content of what you said earlier. For example, please tell us what you can see at this stage as numerical targets to some extent, such as, "operating profit will exceed the 3 billion yen from in the year prior to the previous fiscal year".

Shimizu: Basically, since I have stated that the progress is not bad this fiscal year, we intend to keep the sales profits shown in the medium-term management plan in the form of a budget for the next fiscal year. In particular, the talk about wanting to further strengthen investments is a very high hurdle for the third year. Therefore, we have the idea to actively invest in risk diversification and businesses that we intend to develop that I mentioned earlier while keeping an operating profit of 4 billion yen in mind.

Question: In relation to that point, please tell us if you have any specific comments about "such efforts" in strengthening your business with regards to lithium-ion batteries, semiconductor manufacturing equipment, etc., in order to develop new technologies in the future.

Shimizu: Our greatest strength will be our new lithium-ion battery factory, as well as our strengths in semiconductor equipment. The key players will be those who are capable of semiconductor maintenance. In terms of how to train a lot of these types of staff, considering the current risk of COVID-19, the limit would be to train 25 to 30 staff a month. In the next fiscal year, we plan to create a system that will enable us to hire about 800 to 1000 staff per quarter.

Question: Regarding the engineering area that will be strengthened in the future, I believe you mentioned earlier "in the area of so-called equipment technology." What kind of industry should I imagine specifically?

Shimizu: I believe that equipment engineers are considered to be highly skilled in equipment maintenance, even among the personnel we have dealt with in the past. The biggest reason for strengthening such personnel is that they are closely connected with the new areas that I have mentioned earlier, and although this is not always the case at the moment, we believe that the auto-body manufacturers, which we are best at, will also become more automated in the future. This means that skills that are slightly different from those in the field of electronic components will be required, and we are now creating a curriculum for for such training while confirming the various needs of our clients.

The other is that it is clear that there is a shortage of engineers in the IT field such as AI, so it is clear that one of the issues here is to form a JV (joint venture) or to speed up the process, including acquisitions.

Question: Currently, is the focus on semiconductors and electronic components?

Shimizu: I believe that you are correct.

Q & A: Prospects for unit-cost increases

Moderator: The question to you is, "You said that you would like to increase unit-costs through the new fiscal year, but it is the thought that the prices of semiconductors and other products are also increasing. Under such circumstances, will the automobiles manufacturers have the capacity to accept such requests from your company?"

Shimizu: Basically, the ratio of labor costs is not very high at automobiles manufacturers, and in particular, in a situation where parts are in short supply, I believe that it is a clear indication of the manufacturers' stance that they want to move toward recovery measures by any means.

In order to achieve this, it is very important to increase the numbers, that is, to increase the number of new hires and to increase retention rates. We have already negotiated the situation and methods necessary for that, and we have already received comments such as "we will face up to what you have explained". Although I can't disclose the name of the companies, since there are already cases where unit-cost increases have been decided, we are not worried at all.

Q & A: Impact on Operating Profit Margin

Moderator: The question, "Although I believe that raising unit-costs will improve the treatment (salary) of staff, is there any aspect that will improve your company's operating profit margin?" has been received.

Shimizu: Basically, a very important factor in raising unit-costs is to improve the treatment of those who have enhanced their skills. As a result, rather than a significant increase in the gross profit margin, higher unit-costs per order will result in higher net sales per capita, so although the rate remains the same, the amounts will be higher. As a result, the ratio of SG&A expenses will be reduced, and I believe it would be good if you could see that the amount of money remaining in operating profit will increase.