

## Summary of Q&A session at the earnings results briefing (online) for the fiscal year ended March 2021

Q: Please tell us about any trend in impacts that the semiconductor shortage is having on the Automotive Sector (AM), such as which impacts are larger, on the aftermarket or on ASK and other subsidiaries, and what products are affected more. In addition, which problem is more serious, the inability to produce at your company or reduced production at automobile manufacturers to which you supply products?

A: For AM, there is a shortage of components for car navigation systems and some dashcam models. Because many components are common to the aftermarket and OEM dealer-installed products, the shortage affects both. Since dealer-installed products are based on contracts, we need to put priority on components for them amid this shortage. Therefore, the aftermarket may suffer larger impacts, if anything. For ASK, although it is having a hard time to a certain degree, no major impact is expected at this moment thanks partly to a large inventory. Furthermore, because we have not been able to answer 100% of the requests from automobile manufacturers, we expect that the problem of our production is more serious than the impacts of reduced production at automobile manufacturers.

Q: How do you expect the business industry market of professional radio systems will improve?

A: As the business industry market is centered on the United States, we were hard-pressed in the first half of the previous year but started to recover in the second half. We expect our performance to be strong this year. Excluding some potential problems with semiconductors caused by the fire, we expect the performance to recover almost to the level of average years.

Q: Please tell us about your idea regarding cash flows (CF). In the year that has ended, efficient investment through controlled capital investment seemingly led to financial improvement. What are your goals and ideas regarding investment for this year?

A: In the previous year, the total of tangible and intangible capital investment was slightly less than 14 billion yen, excluding leases and other right-of-use assets. This is lower than the level of average years by 4 to 5 billion yen, as a result of narrowing down developed models. This year, we expect investment of slightly less than 18 billion yen, due partly to projects for which we have received orders for dealer-installed products in AM. Internally, we expect about 20 billion yen including other investments. However, even if we go back to normal after COVID-19, we do not intend to increase investment straight away, but to further narrow it down practically.

Q: As a presupposition of planning, how much do you expect expenses (depreciation and development costs) will increase? Also, how much do you take into account the risk of a semiconductor shortage?

A: Due to significant narrowing-down in the previous year, we expect an increase of about 4 to 5 billion yen in development costs, etc. However, because this figure is before taking the semiconductor shortage into account, we expect it will be difficult to increase the amount to this level at this moment. Future impacts of the semiconductor shortage are extremely uncertain, but we expect sales of around 10 billion yen and profit of about 3 to 4 billion yen for now.

Q: While the AM aftermarket performed strongly, competitors did not launch new products in the previous year due partly to COVID-19. Is there a possibility that the competitive relationship will change? Also, what do you expect regarding price pressure risks?

A: We recognize that we were assisted partly by competitors' moves in the AM aftermarket in the previous year. At this moment, we do not expect that competitors will recover rapidly. Therefore, we do not expect a major change in our environment for the moment.

Q: Do you expect that dashcams' earnings for us will also improve as the market expands?

A: Because the number of competitors is unlikely to increase in the future, we expect results to improve this year also as the market expands and unit prices increase, with the current competition being maintained.

Q: Free CF (FCF) was preferable in the previous year. What are your ideas about CF from operating activities, CF from investing activities, and CF from financing activities for this year? You said the net debt significantly decreased, and what do you think about this year?

A: In the previous year, we reduced the flowing out of cash especially in the first half due partly to COVID-19. Partly because we also wanted to reduce investment, cash performed better than expected. This year, on the other hand, we expect a recovery in sales, though there is uncertainty about the extent that production is affected by the semiconductor shortage. Thus, we expect that working capital, which improved significantly in FCF in the previous year, will deteriorate by about 7 to 8 billion yen this year. FCF topped 20 billion yen in the previous year while investment increased, and we expect an increase of about 5 to 6 billion yen this year.

Q: If FCF reaches such a level, will you start repaying interest-bearing debts?

A: We are considering reducing them gradually.