

Summary of Q&A at the Briefing on FY2021 Financial Results and the Medium-Term Business Strategy CS B2024

Q) Is there any difference in your approach to the results forecast for FY2022 versus the previous fiscal years in matters such as how you factor in risk?

A) The cost increases in ocean transportation, parts and materials shortages, as well as the cost increases in parts and materials are being prolonged at levels never experienced before. We have factored in these issues. On the other hand, the Russia-Ukraine issue has not been factored in to a large extent because of its uncertainty at this point.

Q) Quarterly orders for machine tools have dropped about 10% from Q3 of FY2021. I heard that orders have been postponed due to the impact of the lockdown at the Xian Factory. What will the future level be?

A) The reason for the drop in orders for machine tools in Q4 of FY2021 is that the operations at the Xian Factory were suspended for about a month due to the lockdown in Xian City. Except for special factors such as spot orders in the IT sector in Q3, orders generally remained almost flat from Q1 of FY2021. We will do our best to increase orders in the future.

Q) I would like to know the exchange rate sensitivity in transactions denominated in US dollars and euros.

A) The sensitivity to the exchange rate fluctuates depending on the ratio of sales and purchases denominated in US dollars and euros. In FY2021, every 1 yen depreciation resulted in an increase of 1.6 billion yen in sales and a decrease of 0.1 billion yen in business segment profit in US dollar-denominated transactions. In euro-denominated transactions, it resulted in an increase of 1.1 billion yen in sales and 0.9 to 1 billion yen in business segment profit.

Q) Regarding the results forecast for FY2022, it is assumed that sales revenue will increase and profit will decrease in the P&S and Machinery businesses. What risks have been factored into the forecast?

A) I will comment on the earnings forecast excluding the impact of foreign exchange rates, which is included in the financial results briefing materials.
Sales in the P&S business are expected to increase by 8.3 billion yen. This increase in sales will be mainly due to an increase in hardware production. Business segment profit will be affected by higher parts and materials costs and logistics costs. Due to sufficient

inventory of consumables, air transportation will be discontinued, while ocean transportation costs are rising considerably. We will respond to this with price increases, but it will be difficult to completely offset the soaring costs. In addition, we have factored in promotional expenses and expect a decrease in profits of approximately 10 billion yen compared to the FY2021 level.

The business segment profit of the Machinery business is expected to decrease by 1 billion yen from FY2021, factoring in rising parts and materials costs and logistics costs, as well as prior investments for growth in China and India, which are priority regions.

Q) How will Nissei contribute to growth in the future?

A) Nissei had been working to expand its business since before we made it a wholly owned subsidiary in FY2021. Due to the deteriorating environment caused by the impact of COVID-19 and other factors, however, Nissei worked to improve its management structure during the period of the previous medium-term plan (FY2019 to FY2021). In addition to fixed cost reductions, the company has been developing high-stiffness reducers and precision gears, which are new areas for Nissei. The results of these efforts are gradually emerging and can be seen in profits for FY2021. Now that the improvement of the company's structure is almost in sight, we will work to accelerate growth for business expansion in FY2022 onward.