Summary of Q&A at the First Quarter of FY2022 Financial Results Briefing

Q) In the P&S business, will the supply of hardware continue to increase going forward? On the other hand, will there be a counter-reaction to the last-minute demand for consumables?

A) The production of hardware is proceeding smoothly, and we expect that the supply will increase toward the second half.
With regard to consumables, there was last-minute demand in the first quarter, but sales are likely to be at the projected level for the whole of FY2022.

Q) What were the reasons for the decline in profitability that occurred despite the last-minute demand for consumables? Also, what is your outlook on profits in the future?

A) Profitability declined from the same period of the previous year due to a significant increase in parts and materials costs and logistics costs, as well as an increase in SG&A expenses.
As for the annual outlook, there have been no changes, and we expect that profits will be at the levels projected at the beginning of the fiscal year.

Q) Are there any signs of change in demand from people working from home?

A) There have been no major changes in demand from people working from home, and we project that the demand for distributed printing resulting from the changing work styles will continue.
We explained that the printing volume (PV) stood at approximately 90% of the pre-COVID-19 level in the SOHO segment and approximately 85% in the SMB segment. In SMB, no changes have occurred to that level. In SOHO, as people are returning to their offices, the PV per unit for those working from home has been trending slightly downward from that level. However, we do not anticipate a large drop in the future.

Q) What were the reasons for the decline in the profitability of machine tools from the previous quarter?

A) The market did not worsen, and orders remained robust. Nevertheless, profitability declined due to a drop in production caused by the shortages of parts and materials and an increase in parts and materials costs. The shortages of parts and materials are currently easing, and we anticipate recovery in the second quarter and beyond, which will enable us to catch up in annual sales.

Q) Please explain the operational status of the Kariya Factory and the Xian Factory, which are production bases for machine tools, in light of the lockdown in Shanghai and the COVID-19 situation.

A) In the first quarter, the operation rates dropped at both the Kariya Factory and the Xian Factory, affected by the shortages of parts and materials. They were partially affected by the lockdown in Shanghai as well, but relatively speaking, the impact from the lockdown was not so large. The procurement status of parts and materials is currently trending toward recovery, returning to the level that enables the Xian Factory to proceed with production as planned. Although the Kariya Factory has still been affected by the shortages of parts and materials, we expect that it will become able to carry out production as planned in the second quarter.

Q) The profit margin of the Domino business worsened in the second half of the previous fiscal year, but it is recovering this fiscal year. What is behind this recovery and how do you see its continuity?

A) Both hardware and consumables have maintained momentum, especially for C&M. We expect profitability will improve with an increase in sales. However, there are some factors we view as risks, such as an increase in SG&A expenses resulting from the resumption of business activities and an increase in parts and materials costs and logistics costs.

Q) What are the reasons for the steady performance of the Nissei business?

A) Demand for capital investment is strong, especially for automation and manpower reduction at factories, as well as for robots and factory automation systems. As projected under the Medium-Term Business Strategy CS B2024, sales are increasing for both reducers and gears.

Q) The N&C business recorded a business segment profit of 300 million yen in the first quarter compared to its annual target of 400 million yen. Please explain the progress against the profit projection.

A) Sales and profit recovered in the first quarter due to the slowdown in the spread of COVID-19 infections. Operating profit was pushed up partly by the recording of the subsidies for the previous fiscal year in this fiscal year. However, as the status of infections in Japan remains uncertain, we have left our annual projection unchanged.