

Summary of Q&A at the first quarter of FY2023 Financial Results Briefing

Q) What is the difference between the results for the first quarter of FY2023 and your internal plan?

A) Business segment profit exceeded the company's internal plan by 10 billion yen. Of this, 2 billion yen was due to the positive impact of exchange rates. On a local currency basis, 4 businesses, excluding the Machinery Business and the P&H Business, outperformed. In particular, the P&S business had a large upside.

Q) Why the full-year forecasts remain unchanged?

A) Both sales and profits were left unchanged at this point as the outlook is uncertain. We determined that it would take a little more time to watch the currency movements, the demand for the P&S business, and the timing of the recovery in the Chinese market for the machine tools.

Q) Please tell us about the outlook after the second quarter by business segments.

A) It is unclear whether the P&S business will continue to experience the first quarter strength. In the machine tool business, the market is expected to recover from the second half, therefore the second quarter would remain difficult. The P&H business hopes to become profitable by recovering in the sales season from September onward. The N&C business is expected to remain robust as the infectious disease classification of the COVID-19 has been changed to lower level in Japan.

Q) What was the reason why the P&S business segment profit exceeded the plan?

A) This was largely due to an upside in consumables. In Europe, there was also a rush in demand prior to the price increase. In addition, because the sales of hardware were slow, fixed costs and sales promotion expenses were not used as expected.

Q) In the P&S business, hardware sales appear to be relatively firm. What is the background to this?

A) We do not think so. The impact of supply shortages remained in part in FY2022, but it was no longer issue in the first quarter of FY2023. However, the hardware sales were flat from the previous year. The market was severe worldwide and fell short of the plan.

Q) What is the status of actual demand in the P&S business, such as print volume (PV)?

A) The trend of PV decreasing year by year due to the direction of paperless has not changed.

However, the number of machines in operation in the marketplace (MIF) does not seem decreasing as estimated due to the extended use of the product by customers. This might lead to the sale of consumables.

Q) In the P&S business, there was a rush in demand for consumables prior to the price increase. Is the level of channel inventory appropriate?

A) Areas other than China are at an appropriate level. In Europe, the level is temporarily rising due to the rush in demand, but it is within an appropriate range. In the U.S., the channel had been in a state of keeping inventories down, but it is currently at an appropriate level. On the other hand, in China, sell-outs are weak and channel inventories tend to be excessive, which we are expecting to return to an appropriate level by the end of the year.

Q) What is the view of the P&S business from the second quarter onward?

A) Although the market is cool down worldwide, we need to strengthen sales of the hardware to secure consumables business in the future, and we plan to conduct promotional campaigns and other activities from the second quarter onward. It is unclear whether the company will be able to secure the same level of earnings as the first quarter.

Q) Why did sales in the Machinery Business fall sharply, but profits were secured?

A) As the Machinery Business is susceptible to the effects of economic fluctuations, we are trying to secure profit even when the economy is severe. While steadily making investment for growth, we are striving to minimize the impact of economic fluctuations by controlling fixed cost (e.g. changing fixed cost into variable cost).

Q) What is the background of the upside of the business segment profit for the Domino business and its continuity after the second quarter?

A) Earnings outperformed thanks to robust sales of consumables and after-sales services, mainly for C&M*. From the second quarter onward, we expect traceability-related demand to remain steady and sales to remain firm. However, the profit level is expected to decline due to the upgrading costs of the ERP system in the second half.

*C&M: coding and marking