

Summary of Q&A at the first quarter of FY2024 Financial Results Briefing

- **Overall**

Q) How did the sales revenue and business segment profit perform compared to internal plans?

A) Sales revenue exceeded internal plans, but excluding FX effects, it was actually below expectations. Most of the downturn was due to machine tools in the Machinery business, while other businesses progressed mostly in line with plans. On the other hand, business segment profit exceeded expectations even excluding FX effects. By business segments, P&S and P&H businesses exceeded expectations due to cost control and timing differences, while the Machinery business fell short of the plan due to lower sales.

- **Printing & Solutions (P&S) Business**

Q) P&S tends to generate higher profits in Q1 each year. Is this trend continuing this term?

A) Historically, the first quarter tends to generate higher profits, and this trend is expected to continue.

Q) The underperformance in laser hardware sales was attributed to supply constraints. What specifically caused this, and what is the outlook for normalization?

A) We struggled more than usual to hire employees after the Lunar New Year due to the opening of other companies' factories near our Vietnam factory, which prevented us from securing the necessary production volume. The issue has already been resolved, and we aim to recover from Q2 onward.

Q) Conversely, inkjet hardware sales were strong. What were the reasons and future outlook?

A) Inkjet hardware sales were strong, particularly tank models in emerging markets, with growth in Central and South America and Eastern Europe. Sales in Western Europe, the U.S., and Japan were also steady. While market conditions vary by region, our products' competitiveness was evaluated, resulting in overall sales growth. Our market share in the inkjet market is not high, indicating room for growth, and we will continue to focus on expanding sales.

Q) What are the trends in consumables demand, and what is the status of achievement compared to the plan? What is the future outlook?

A) Consumables sales have decreased compared to the same period last year, partly due to a last-minute surge in demand before price increases in Europe last year. However, it is progressing steadily compared to internal plans, and the outlook for the full year remains a slight increase compared to the previous fiscal year.

Q) What are the recent changes in the competitive environment and the future outlook, including promotional expenses?

A) Price competition, especially in color lasers, seems to be intensifying, but there are no significant changes in the competitive environment. Due to supply constraints, we couldn't execute promotions as planned in Q1, but we plan to invest in sales and increase hardware sales from Q2 onward.

● **Machinery Business**

Q) Given the lack of significant recovery in machine tool orders, what is the outlook for recovery?

A) Our machine tool business has a high proportion of sales in China, and the delayed recovery in China is affecting us overall. While orders bottomed out in FY2023 Q1 and are recovering, the speed is slower than expected. The situation is challenging, but we still see opportunities and aim to recover in the second half, anticipating market recovery mainly in China.

Q) What are the demand trends for machine tools by region and industry? Are there any strong sectors?

A) In China, some segments related to EVs are steady. In other regions, the market in India is strong, and orders are relatively steady. East Asia is also steady. Although the market in Taiwan had been poor for the past few years, it has been recovering this year. Conversely, Central America is becoming more challenging. The demand is not as strong as it once was, and business negotiations are progressing slowly.

By industry, since introducing machine tools capable of simultaneous 5-axis machining two years ago, we have been capturing new needs, including in the medical field.

Q) Industrial sewing machines are performing well. Is this trend sustainable?

A) The market for industrial sewing machines has improved compared to before. Particularly, the recovery in demand for apparel in Europe and the U.S. has led to a return of capital investment demand in sewing factories in Southeast and Southwest

Asia. However, due to political instability in Bangladesh, it is uncertain whether this recovery trend will continue at the same pace.

- **Domino Business**

Q) Which categories are performing well, and which are not?

A) In terms of sales, product hardware for both C&M and DP are slightly below the same period last year. However, consumables for both C&M and DP are performing steadily. By region, Europe is weak, but the U.S. and Asia are firm.

In terms of profits, increased SG&A expenses, such as costs for labor and for renewal of core business systems, led to a decline in profits.