

Key questions and answers from the financial results briefing for 1st Quarter of FY2021

1. Regarding the one-off demand for printers (approx. 1 billion yen), mentioned as a factor behind the higher-than-expected results, where was it seen? Is it likely to continue after Q1?

- The U.S. accounts for the majority of the demand. As of the end of June, orders had stabilized, and based on customer feedback, we understand that this demand was temporary.

2. Are you running low on printer inventory?

- No, we are not. The company took early steps in anticipation of concerns about the supply of printers due to a shortage of semiconductors, so in Q1 it was able to meet the special demand, such as the restocking of inventories by distributors. Currently, in addition to the instability of parts procurement, there are supply risks associated with a decline in factory operating rates due to the expansion of Corona infections. We are conducting business while negotiating delivery dates with customers if necessary.

3. To what extent did the investment for growth in the Japan business increase? What is the breakdown? What are the plans for Q2 and beyond?

- It rose by about 700 million yen in Q1 YoY. The company expects the increase to be about the same level in Q2 and about half from Q3 onward. This trend in strategic investment is in line with the initial plan, and it does not mean that overall SG&A expenses in 2H will decline significantly from the 1H level. 700 million yen represents a rebound in operating expenses of approximately 200 million yen, and the remainder consists of investments in the promotion of in-house DX through the development of IT infrastructure and expenses related to the new head office. The company plans to incur expenses related to DX until Q2 and book them as assets from Q3 onward. The latter did not incur expenses in Q1 last year, before the relocation. These are investments to build a foundation for long-term growth. By linking each organization globally through new work styles and the new IT system, the company aims to increase productivity and improve the value it provides to customers by efficiently proposing solutions and on-site support.

4. You stated that shortage of semiconductors and expansion of Corona infections are affecting printer production. Do these events also affect development schedules for printer common platforms? Also, when will printers with common platforms be introduced to the market?

- There is no impact to the development schedule. Only the current mass-produced products are affected by the shortage of semiconductors. The company plans to bring printers with common platforms to market in approximately 2 years. The first model equipped with a common platform is planned for industrial printers that require high durability. These general-purpose printers are used in many frontline operations, such as manufacturing and logistics markets, and are sold in large numbers globally.

5. The full-year operating income forecast is 6.4 billion yen, but in Q1 the operating income was 1.7 billion yen. Does it have the potential to achieve full-year results of 6.8 billion yen by maintaining the same level throughout the fiscal year?

- Sales in Q1 was inflated by about 1 billion yen due to special demand for printers. The company believes that the positive impact on operating income of approximately 300 million yen will not occur after Q2. As such, we think that a simple calculation of quadrupling 1.7 billion yen to 6.8 billion yen for the full fiscal year will not be viable.

6. It was explained that the operation rate of the printer factory in Malaysia was declining. Can the Vietnamese factory offset the decline?

- No, that is not possible. In addition to the fact that each factory produces different models, demand is rising for models manufactured in Vietnam as well. As in Malaysia, there is also the risk of parts procurement and the spread of Corona infections. As such, it is currently not possible to supplement the decline in the operation rate in Malaysia with production in Vietnam.