

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

1. What is the approximate amount of each cost described in Slide #25 for the impact of increases in manufacturing costs and raw material prices?
 - The impact degree of "Large" on Slide #27 is over JPY 500 million, and that of "Medium" is less than that amount. The sum of the costs that are currently apparent and those that are expected to be incurred in 2H this FY is expected to be around JPY 1 to 2 billion. I would refrain from providing further details.

2. Regarding the passing on of cost increases to customers, what is the approximate magnitude and timing of price increases by product and to what extent do you expect the effects to appear? Also, do you think customers will accept such price increases?
 - We plan to take action on a country-by-country basis, and the range of price increases is not uniform. This is because the degree of cost increases varies across countries depending on the consumables and printer models offered. The effect in 2H, when ongoing negotiations will account for a large portion of sales, would be limited, and we expect it to be felt on a larger scale in the next FY and beyond. The scale of the impact, together with cost reductions, is "Large" at over JPY 500 million, and it is important to work on it continuously.
 - Some projects are more difficult to pass on the cost increases due to the progress already made in business negotiations, but, in general, we think actions are inevitable. Reports are coming in that some customers have agreed to price increases, so we will continue our activities to ensure that our customers understand the situation through thorough explanation.

3. What are the current operation status and future prospects of your printer factories in Malaysia and Vietnam?
 - The current capacity utilization of the Malaysian factory is around 80%. After remaining production issues are fixed, it is expected to fully meet demand by around Jan. 2022. Vietnam is operating at almost 100%. As in Malaysia, capacity utilization had declined in some periods due to shortage of parts, but it is operating at full capacity to meet robust demand. Therefore, the situation has stabilized at both factories. However, problems such as insufficient supply of parts, extended delivery time, securing of alternative parts which require design changes to mother boards may arise in the future if and when Covid-19 reemerges on a wide scale.

4. At the time of the Q1 financial results, it was explained that the solution business had progressed overseas. What is the progress made in Q2?

- Steady progress has been made. Overseas, the recovery of customers' activities was earlier than in Japan, resulting in a return in investment appetite and progress in solution business negotiations. In some cases, due to supply constraints on consumables and printers provided as parts of solutions, we have not been able to meet customers' original delivery expectations, but we are proceeding with business negotiations by carefully explaining the circumstances to them.

5. Is the operating income target for 2H conservative or realistic enough incorporating risks that are currently apparent?

- It is by no means conservative. This is because the impact of supply constraints of products is quite uncertain. Currently, the operation at our factories has stabilized, and we plan to continue increasing our output through stable production. As a result, if we can increase sales as planned, the OI target would be achievable. However, as explained earlier, there are many uncertainties that affect the operating status of factories. If operations decline due to the occurrence of any of these risks, not only sales will be affected, but also sales of consumables would grow more than printers, resulting in a decrease in GPM through adverse product mix. As a countermeasure for shortage of parts, we are working to secure alternative parts and change mother board design in less time than before. A number of relevant initiatives are underway to achieve the target.

6. Have measures such as strengthening risk management been activated in response to the new risk factors?

- As an example of the initiatives, supply chain management has been reviewed to stabilize our production over the long term. Specifically, for printers, the company aims to reduce risks by strengthening its procurement and purchasing systems and optimizing demand forecasting and inventory management. As for consumables, we intend to build an optimal procurement and purchasing system by setting up contact points with business partners in each region based on the situation in each country.