

## Key Q&A for FY2022 (the fiscal year ending March 31, 2023) 2Q Financial Results

Q: What was behind the continuation of strong orders received?

A: Investments in the electronics and automobile markets were strong against the backdrop of digitalization and decarbonization in society, with particular increases in the automobile market. In terms of area, the increases were mainly seen in Japan, North America, and China. There was an impact from exchange rates as well as advance orders received in conjunction with prolonged product delivery times, but even excluding these factors, we achieved a record high.

Q: Why did net sales and operating profit improve significantly in 2Q compared to 1Q?

A: Although part procurement difficulties have not been resolved, as measures we have been continuing since the previous fiscal year, we strategically increased our inventory, procured alternative parts, and made design changes, which enabled us to secure production volume.

Q: Why did selling, general and administrative expenses increase year-on-year?

A: This was due to an increase of activity expenses in conjunction with an expansion of orders received. Expenses were also impacted by sharp increases in personnel and logistics costs centered on overseas subsidiaries.

Q: In the full-year forecast for fiscal 2022, what is the reason that orders received in 2H will decrease from 1H results?

A: Although orders received in 1H reached an unprecedented level, recently it feels like we have entered a slight lull, and our view is that the momentum of orders received will calm down. However, we believe that demand will increase primarily in cutting-edge technology fields such as IoT and next-generation automobiles in the medium- to long-term.

Q: Why was the full-year fiscal 2022 forecast for operating profit downwardly revised from ¥5.0 billion to ¥4.0 billion?

A: Operating profit was downwardly revised because we project a downturn in the gross profit margin due to factors including parts and material price surges which were higher than estimates at the beginning of the period, and increased hours of labor for alternative designs caused by part procurement difficulties, as well as increases in activity expenses in conjunction with an expansion of orders received.

Q: The remaining balance of orders received is accumulating. What initiatives are you undertaking to enhance production?

A: We have established a system to increase production by, for example, utilizing external resources and developing infrastructure. Despite the uncertainty of part procurement conditions, we will adjust production lines in response to the procurement outlook and secure production volume, while focusing on normalizing product delivery times.

This material contains a summary of the main questions and answers related to financial results. Future plans and forecasts, etc. included in this material have been planned and predicted by the Company based on information available at the time. Actual results, etc. may differ depending on various conditions and elements in the future.