

Key Q&A for FY2023 (the fiscal year ending March 31, 2024) 2Q Financial Results

- Q. Why were orders received far above the initial forecast?
- A. We had expected orders received to decrease year on year based on advance orders received in connection with extended product delivery times and our outlook for the impact of exchange rates to fade away. However, orders for environmental test chambers, energy devices equipment, and laboratory testing services increased more than expected, mainly driven by domestic investment in EVs and batteries. As special factors, there were impacts from last-minute orders received ahead of product price hikes in September, exchange rates, and a business transfer.
- Q. Net sales exceeded the initial forecast. How are parts procurement and product lead times improving?
- A. Parts procurement improved mainly due to inventory stockpiling, while highly versatile standardized products showed an improvement in product lead times, thereby contributing to growth in net sales. Meanwhile, procurement for customized products still remains unstable, and product lead times have not improved adequately. We anticipate that it will take some time for things to return to normal.
- Q. Why did the operating profit margin, particularly in the Service Business, surpass the initial forecast?
- A. The main reason was an improved cost of sales ratio due to price revisions for after-sales services and laboratory testing services and a decrease in electricity fees for laboratory testing, as well as increased sales.
- Q. Why will the forecast for orders received in the second half fall below the first-half result?
- A. The momentum of the first half is expected to calm down, partly because in the first half there were impacts from last-minute orders received ahead of product price hikes and from a business transfer. However, we believe that orders received will remain at a high level, centered on orders related to EVs and batteries.
- Q. Don't you think that your second-half net sales and operating profit forecasts are conservative, given the improvement in procurement?
- A. We are taking a cautious view because we expect production of customized products to be concentrated in the second half and selling, general and administrative expenses to increase more than initially forecast. By making every effort to secure parts and resources, we aim to achieve year-on-year increases both in sales and profits.
- Q. What impact will the business transfer from Johnson Controls-Hitachi Air Conditioning Inc. have on your business results?
- A. The business was transferred in September 2023. Because this business will take time to get up and running, we believe that the impact on consolidated business results in the current and next fiscal year will not be large.

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.