

Key questions and answers from the financial results briefing for FY2019

1. In Japan, how much of sales originally expected in March got pushed back to April due to the impact of the coronavirus resulting in April sales being down by only 3% year-on-year?
 - I cannot quantify the impact, but it is our observation that some transactions in specific markets in the 4th quarter were pushed back to April.
2. Sales of consumables decreased year-on-year particularly due to inventory adjustments in manufacturing during the second half, but if customers have also had inventory buildup recently then can we assume inventory adjustments will continue for a while longer?
 - Some customers placed additional orders ahead of schedule so they could keep their manufacturing lines running during the fallout from the coronavirus. It is our understanding that these customers have been overstocked since the state of emergency declaration halted their production activities.
3. How would you evaluate the results of your efforts during the execution phase of your growth strategy overseas last year?
 - These activities produced an increase in the pipeline. The volume and value of the pipeline are now increasing, which are key to filling the gap between our expectations from existing business and our targets from additional business through implementation of growth strategy. We will continue to boost the pipeline to grow our top line as well as improve our gross profit margin and operating margin. We worked to streamline unevenness in our progress in each region but have suffered a slowdown due to the spread of the coronavirus. We will push forward with our strategy while taking social implications of life with the novel coronavirus into consideration.
4. In what regions and countries has the progress of your strategy implementation lagged?
 - We are making progress overall, particularly in our focus countries, but with mixed preciseness in managing the pipeline. We need to systematically equip ourselves with the right mindset and approach to effectively achieve results in the USA, which is one of our focus countries.

5. Do you expect to continue reorganizing business locations and building supply systems for consumables as you have stated in the Medium-term Management Plan for FY2019-2021? And do you plan to establish any sales subsidiaries?

- For the first part of your question, these will continue. We will work on selecting business partners for establishing service locations and building supply systems for consumables in targeted areas in our focus countries; the USA, India, and Vietnam. We do not have any plans right now for establishing additional sales subsidiaries after the one established in Mexico last year.

6. What is the current state of the IDP business? When do you expect the business to be commercialized? What are the expected contribution to the performance?

- We announced the recording of extraordinary losses for the IDP impairment on March 6 because decisions on commercialization were postponed. New requirements and technical challenges arose during the evaluation phase with customers in the USA and Europe. As we were evaluating our options to meet these requirements and challenges, the coronavirus pandemic spread, forcing our UK operation of IDP to shut down. Engineers have only just started going back to work.
- We generally expect to figure this out during the first half of the fiscal year, including whether the technical challenges can be overcome.
- As for the degree of contribution to performance, depending on the specifications and print quality if we overcome the technical challenges, these would influence the scope of industries adopting our commercialized products. First, we will try to overcome the immediate challenges.

7. How were your sales activities affected in each country and region during the 4th quarter?

- In China we have gradually resumed sales activities, and as of May our supply system there is almost fully restored. The operating status of our customers varies by region and industry. Results in terms of performance show that January was slow due to Chinese New Year, sales activities halted in February due to the impact of the coronavirus, and business operations only really started to take place in March.
- Manufacturing has continued in Malaysia and Vietnam where we have printer production sites, and there have been no problems in our sales operations there, including logistics. However, sales have slowed because customers' production activities have slowed as a result of the US-China trade friction.

- There are differences between countries in the Americas and Europe, but lockdowns in many places have halted virtually all sales activities since only the very minimum level of contact with customers had been possible. Manufacturing of consumables has continued for essential industries.
 - In Japan, our sales efforts have consisted of visiting customers whenever they have maintenance requests or anything of that nature. We have tried to maintain sales contact points with customers as best we can, such as by web-based teleconference, but other than that nearly all sales visits have been suspended.
8. Do you believe that demand for manufacturing (particularly in automotive) will return after the coronavirus pandemic subsides?
- We believe there will be a recovery to a certain degree. There are also increasing needs for productivity and efficiency improvements in manufacturing, where the surrounding business environment is changing so drastically. These needs are expected to keep growing, and we can help our customers improve their operations by providing solutions.
9. Regarding "Shifting gears toward solutions such as SaaS in Japan," can you say specifically what these services involve?
- We are already providing support for picking operations at logistics sites, HACCP compliance (total control of food hygiene) solutions, solutions that help visualize supply chains, and other such solutions to customers in manufacturing, logistics, and retail. After receiving payment for the initial installation, these services are billed on a subscription basis and recorded as sales in mechatronics.