Machine Tool Segment

**Q. What caused the number of orders for electrical discharge machines (EDMs) in the fourth quarter of the fiscal year ended December 2021 to fall below the same period last year?
What is the cause of the slight decrease in the net sales plan for the machine tool segment for the fiscal year ending December 2022 from the previous year?**

A. The decline in orders in the fourth quarter of the fiscal year ended December 2021 was due to a reaction to a large project in Greater China in the previous fiscal year. In addition, facility investments in China was delayed due to power shortages around autumn in 2021.
Net sales in the fiscal year ending December 2022 decreased slightly from the previous fiscal year because orders are not expected to be as strong as in the first quarter of the fiscal year ended December 2021 in Greater China, despite strong inquiries for EVs, smartphones, electronic components, etc.

Q. What is the share of EDMs? Is the competitive environment getting tougher?

A. The share of the high-end EDMs market is shared by us, Mitsubishi Electric and GF Machining Solutions (formerly known as Agie Charmilles). However, even in the West, where the share has traditionally been relatively low, our share is growing as our machines are gaining ground.
As for the competitive environment, in addition to the conventional performance and price, delivery time has recently become an element for capturing demand.

Q. What has been the demand for metal 3D printers? What types of industries do you expect to see demand in the future?

A. In the die industry, which was our initial target, existing manufacturing methods have been established, and the processing using the new metal 3D printers require time for test processing evaluation, etc., and it takes a long time from the inquiry to the order, so the demand expansion has been slower than originally assumed.
The LPM325S, a new product launched in 2021, uses dual lasers to achieve faster processing speeds, and is available in several types of powders by changing units for each material. Demand is expected to be captured in the aerospace, automotive and medical equipment-related industries in the medium to long term.

Machine Tool Segment

Q. Because of the high level of backlog for EDMs, we expected a little higher unit sales, but sales remained almost flat in the second to fourth quarter of fiscal 2021. Is the slow sales due to constraints such as procurement? Is the situation continuing that sales (production) cannot be increased?

A. Delivery dates have been extended due to tight procurement of parts and materials, and customers have delayed delivery dates due to electricity shortages in Greater China. Currently, procurement and production measures are being taken to ensure that production is not disrupted.

Food Machinery Segment

Q. Under the medium-term management plan, net sales are expected to grow, but what is the reason that profit margins are not increasing?

A. We are actively investing in food machinery because this industry has different types of economic fluctuation from machine tools and industrial machinery. The profit margin is unlikely to rise because of the expected increase in R&D expenses and depreciation.
But profit margins are expected to improve as facility investments settle.
At present, a new factory in Xiamen is scheduled to be completed in June 2022, and a food machinery factory of the Kaga Office is also scheduled to be expanded.

Others

Q. How much of the rising cost of raw materials is being passed on to selling prices?
In the current global inflationary environment, how should you deal with procurement and customer service in the medium to long term?

A. Currently, parts procurement continues to be tight, and prices are rising. Transportation costs are also rising.
In the West, prices were raised by 5 to 10% around autumn 2021. In Japan, prices were also raised by 5 to 10% from the order received in February 2022.
In the medium to long term, we will diversify our suppliers and pass this rising costs on to our sales prices. We will also strengthen after-sales services not only for single machine sales but as a whole solution in order to increase customer satisfaction with our products and increase profitability.

Q. What is the background behind the "ROE of 8% or more (5-year average)" as a new index of capital efficiency?

A. Our business performance is subject to fluctuations in the economy, as it is affected by facility investment trends in the manufacturing industry. As a result, business performance deteriorated due to the U.S.-China trade friction in 2019 and the COVID-19 pandemic in 2020. In setting ROE targets, we set a five-year average ROE of 8% or higher, in order to monitor medium-term trends rather than a single year as much as possible, considering the industry characteristics.

Q. You have been transferred to a business-based organization due to corporate transformation, but what kind of KPIs are set in each division?
Please tell us the concept of the division evaluation standard.

A. The background of this organizational change is to set KPIs for each division and aim to operate and manage the business with an awareness of capital efficiency. We will look at the segment income margin from a medium- to long-term perspective of about five years, and we are also considering indicators such as ROIC by segment.