

## QA session at the online earnings results briefing for Q1 of FYE3/'22

Q : In terms of the first quarter financial results, there was a recovery compared to the previous quarter, but how was the recovery compared to the quarter before that? While in-vehicle products are affected by semiconductors, what is the current situation in the Public Service (PS) and Media Service (MS) sectors? In the Mobility & Telematics Services Sector (M&T), is the impact of the semiconductor shortage greater in the aftermarket or in subsidiaries such as ASK, and what products are affected? Are there any trends? Also, which is the bigger problem, your company's inability to produce or the fact that the automakers you supply to are reducing production?

A : We estimate that the shortage of parts, including semiconductors, had a negative impact of approximately 8.6 billion yen in revenue and approximately 2.3 billion yen in core operating income across the board. The M&T Sector had the largest impact. Without this impact, we believe we would have achieved revenue of about 47 billion yen and core operating income of about 2 billion yen, which would have been higher than FY2019. For PS, the impact of semiconductors on revenue was about 100 million yen, so revenue has not yet returned when compared to FY2019. In particular, the domestic professional systems business has returned to a much higher level than in the first quarter of the previous fiscal year but has not yet fully returned to the FY2019 level due to the impact of COVID-19. However, as for profits, we see that there was an impact of about 200 million yen due to the price hike of parts, so we believe that we are now in a position to remain profitable even compared to FY2019. MS has hardly been affected by the components. However, while BtoC is doing well, BtoB professional cameras and projectors have not yet fully returned to their previous performance. We expect a recovery from the second quarter to the second half of the year.

Q : For MS, although revenue has decreased compared to FY2019, profits seem to have improved significantly. Do you see the effects of the improvement?

A : In MS, the development efficiency of the media business has been improved, which has led to a significant improvement in costs.

Q : Are there any cases where cost increases in parts such as semiconductors are passed on to sales prices? The market for in-vehicle products is quite mature. Is the price competitiveness much higher than before, as it seems to be easier to enjoy the benefits of the residual advantage? What are your thoughts on how to pass on the cost increase to the price?

A : In addition to the parts we purchase, the price of the materials is also rising, so we are currently negotiating the price.

Q : The first quarter results for telematics business on page 10 (M&T) of the "Results and Forecast Briefing" seem to show the equivalent or a slight decline in sales compared to the previous quarter. How did revenue and core operating income compare to the plan?

A : Due in part to the fact that production could not be carried out due to parts supply problems, both revenue and profit were lower than expected. We believe that revenue declined by several hundred million yen and core income declined by 200-300 million yen.

Q : ASK's revenue for the first quarter of the current fiscal year increased by about 2.4 times compared to the previous quarter. What is the outlook for the second quarter and beyond?

A : Orders have been strong since the second quarter, although some parts shortages have started to affect the business. We believe that the current situation will continue until the end of this year.

Q : The impact of the semiconductor shortage on the current fiscal year was estimated at 3 to 4 billion yen in core operating profit at the beginning of the fiscal year. With the impact expected to be longer than expected, will the impact be even greater? Also, please tell us about your efforts to compensate for this impact.

A : At the beginning of the fiscal year, we had assumed that the impact would remain until around summer and recover around early autumn. In the first quarter, the impact was much less than expected due to the replacement of parts, and we were able to control expenses. From the second quarter onward, the period of impact will be longer than initially expected, but we will continue to replace parts and switch to new products as we did in the first quarter so that the impact on core operating income for the current fiscal year will not increase beyond 3 to 4 billion yen assumed at the beginning of the fiscal year.

Q : Regarding Other Income, the gain on the sale of business was factored into the initial plan, but was the gain on the investment of funds irregular? Are there any plans to implement structural reforms in the second half of the fiscal year that will use these temporary earnings to increase profitability in the next fiscal year and beyond?

A : Since the gain on valuation of financial assets was not factored into the initial plan, this amount of about 1.1 billion yen is an unexpected gain. As the market trend is uncertain, including the impact of semiconductors from the second quarter onward, we are considering this as a kind of reserve fund