FY2021 Summary

*Profit attributable to owners of parent

Results

	Amount	YoY	YoY (in real terms)
Revenue	¥141.8bn	+25.0%	+20.4%
Operating Profit	¥17.5bn	+13.8%	-1.7%
Profit*	¥13.1bn	+17.3%	+2.0%
Orders	¥184.2bn	+63.1%	+57.5%

Topics

- Revenues increased thanks to the recovery trend in capital investment as normalization of economic activity has made progress globally.
  By region, Europe recovered significantly and North America achieved the record-high sales for the first half-year.
  As for segment, sales in all segments increased steadily as the economy recovered.
- Operating profit increased by higher sales, improvement in factory operating rate and effect of foreign exchange rates.
- Orders remained strong reaching the highest-ever for the half-year. (Orders of North America, Europe, Asia and others were all record-high level)
- Impact from component shortages and soaring raw materials costs was limited in the first half-year term.

Miwa: I would like to begin with a summary of the financial results for the first half.
In the first half of the last fiscal year, the economic impact of the spread of COVID-19 was the greatest, resulting in a significant decrease in sales revenue, but this fiscal year, in the midst of the severe environment of the re-emergence of the infection, economic activities are beginning to normalize globally, and sales revenue increased 25% YoY to JPY141.8 billion.
Operating income totaled JPY17.5 billion, an increase of 13.8% from the same period last year. Net income was JPY13.1 billion, an increase of 17.3% from the same period last year. Orders received were up 63.1% from the same period last year to JPY184.2 billion, a record high for a half-year period. This was a turnaround from last year, when orders were sluggish due to the spread of COVID-19, and was supported by pent-up demand, demands for automation, and efficiency improvement demand which all were pushed further with government subsidies.

Consolidated Income Statement Results

[Billions of yen]	FY2020 2Q[Result]		FY2021 2Q[Result]		YoY		FY2021 [Forecast]		
	Amount	Share(%)	Amount	Share(%)	Amount	Difference (%)	Amount	Share(%)	Progress (%)
Revenue	113.5	100.0%	141.8	100.0%	28.3	25.0%	300.0	100.0%	47.3%
Gross profit	45.2	39.9%	60.3	42.5%	15.0	33.2%	125.3	41.8%	48.1%
SG&A	39.1	34.5%	43.3	30.5%	4.1	10.6%	89.9	30.0%	48.2%
Variable cost	4.8	4.2%	6.5	4.6%	1.7	36.0%	13.5	4.5%	48.6%
Fixed cost	34.3	30.2%	36.7	25.9%	2.4	7.1%	76.4	25.5%	48.1%
Operating profit	15.4	13.6%	17.5	12.4%	2.1	13.8%	36.0	12.0%	48.8%
Profit *	11.2	9.9%	13.1	9.3%	1.9	17.3%	26.0	8.7%	50.6%
¥exchange rate									
USD	106.92		109.80		2.88		106.12		
EUR	121.29		130.89		9.60		126.74		
RMB	15.26		16.99		1.73		16.47		

* Profit attributable to owners of parent

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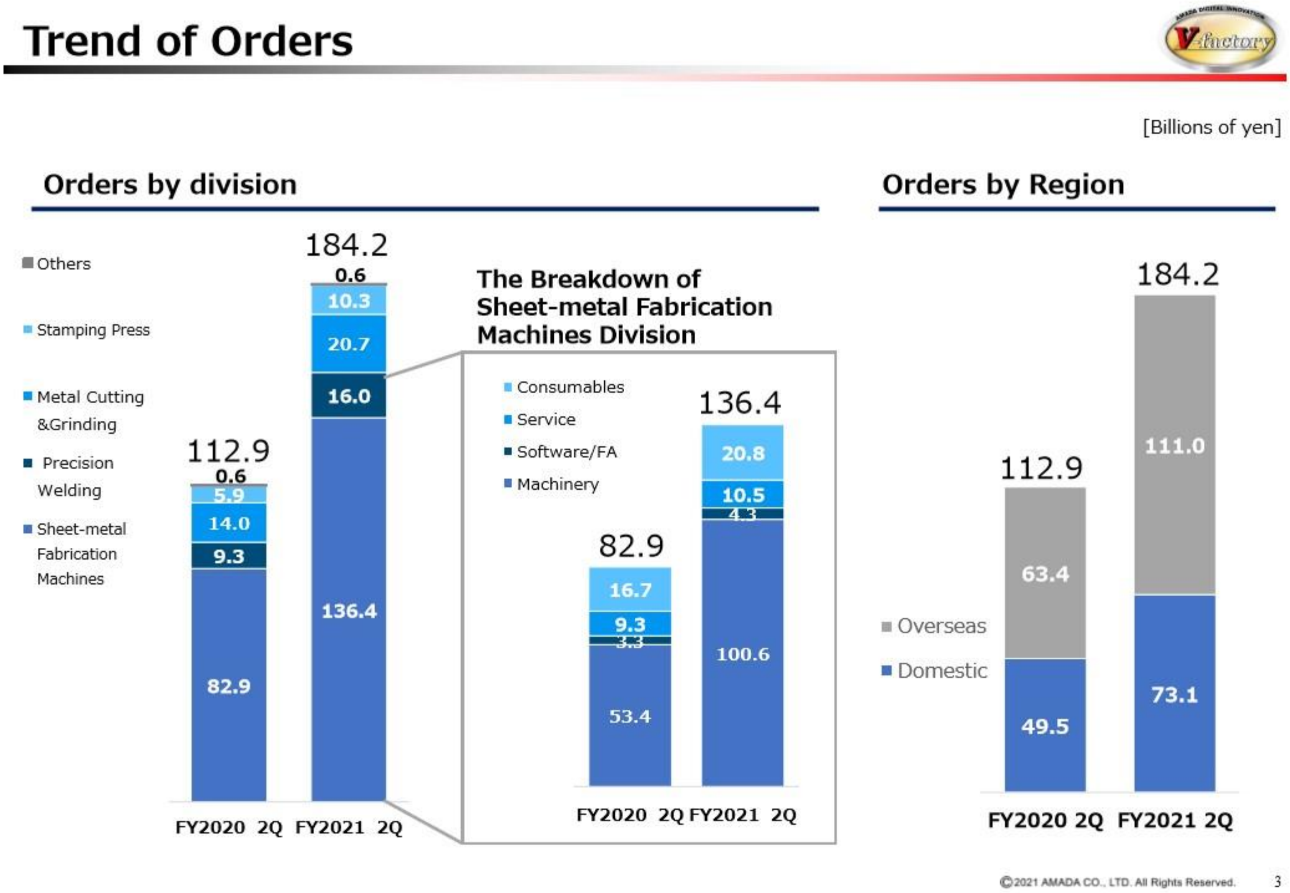
As mentioned at the beginning of this report, sales revenue was JPY141.8 billion, an increase of 25% over the same period last year. Gross profit was JPY60.3 billion, an increase of 33.2% over the same period last year, and the gross profit margin increased by 2.6 percentage points, from 39.9% to 42.5%. Positive factors for the gross profit margin included an increase in capacity utilization of 1.9 percentage points due to higher production output, an improvement in selling prices of 0.6 percentage points, and manufacturing rationalization of 0.1 percentage points, resulting in improvement throughout the first half of the fiscal year.

SG&A expenses were JPY43.3 billion, an increase of JPY4.1 billion from the same period last year, but the SG&A ratio improved significantly to 30.5% from 34.5% in the same period last year. The variable cost ratio increased by 0.4% due to an increase in the ratio of exports to overseas subsidiaries and the impact of rising logistics costs. Fixed costs increased by JPY2.4 billion, but after taking into account foreign currency exchange rates, the increase was only JPY1.3 billion. The main reasons for the increase were sales-related expenses associated with the increase in sales revenue and an increase in personnel expenses.

Next, operating income for the first half of last fiscal year included a gain of about JPY10 billion from the sale of fixed assets, so the JPY17.5 billion figure for this fiscal year is only a 13.8% increase from the same period last year. In terms of Japan GAAP, operating income, excluding other income and expenses, which include this special factor, grew 2.8 times YoY, thanks to the effects of our rationalization efforts. The break-even point is not shown here, but the annualized amount is JPY194 billion, which is below the JPY200 billion structure.

The yen weakened against the US dollar to JPY109.80, the euro to JPY130.89, and the Chinese yuan to JPY16.99.



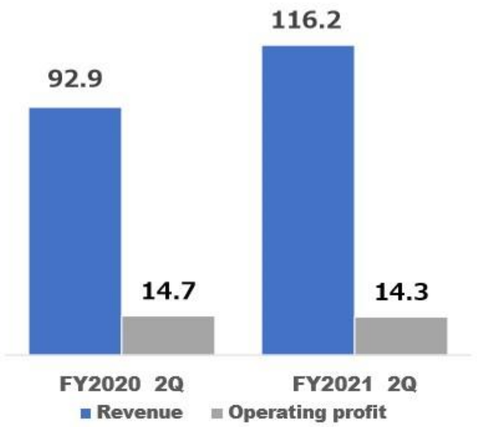
As mentioned at the beginning of this report, orders received were JPY184.2 billion, up 63% from JPY112.9 billion in the same period last year. Of this total, the sheet metal portion accounted for JPY136.4 billion, an increase of 65% from JPY82.9 billion in the same period last year. In particular, sales of machines were JPY100.6 billion, up 88% from JPY53.4 billion in the same period last year.

By region, domestic sales increased by 48% to JPY73.1 billion, and overseas sales increased significantly by 75% to JPY111 billion.

Results by Segments

[Billions of yen]

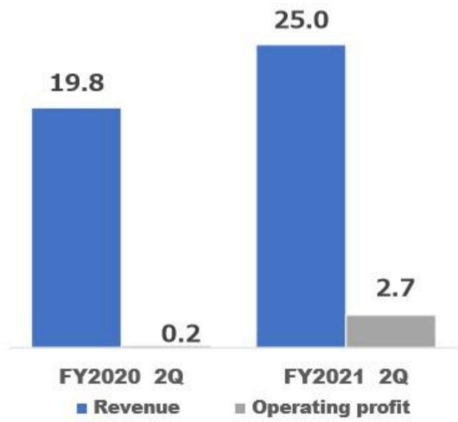
Metal Working Machinery Segment



Sales		FY2019	FY2020	YoY
	Sheet-metal	82.8	104.2	25.9%
	Precision Welding	10.1	11.9	17.7%
OPM		15.9%*	12.4%	

*Including gain on sale of fixed assets

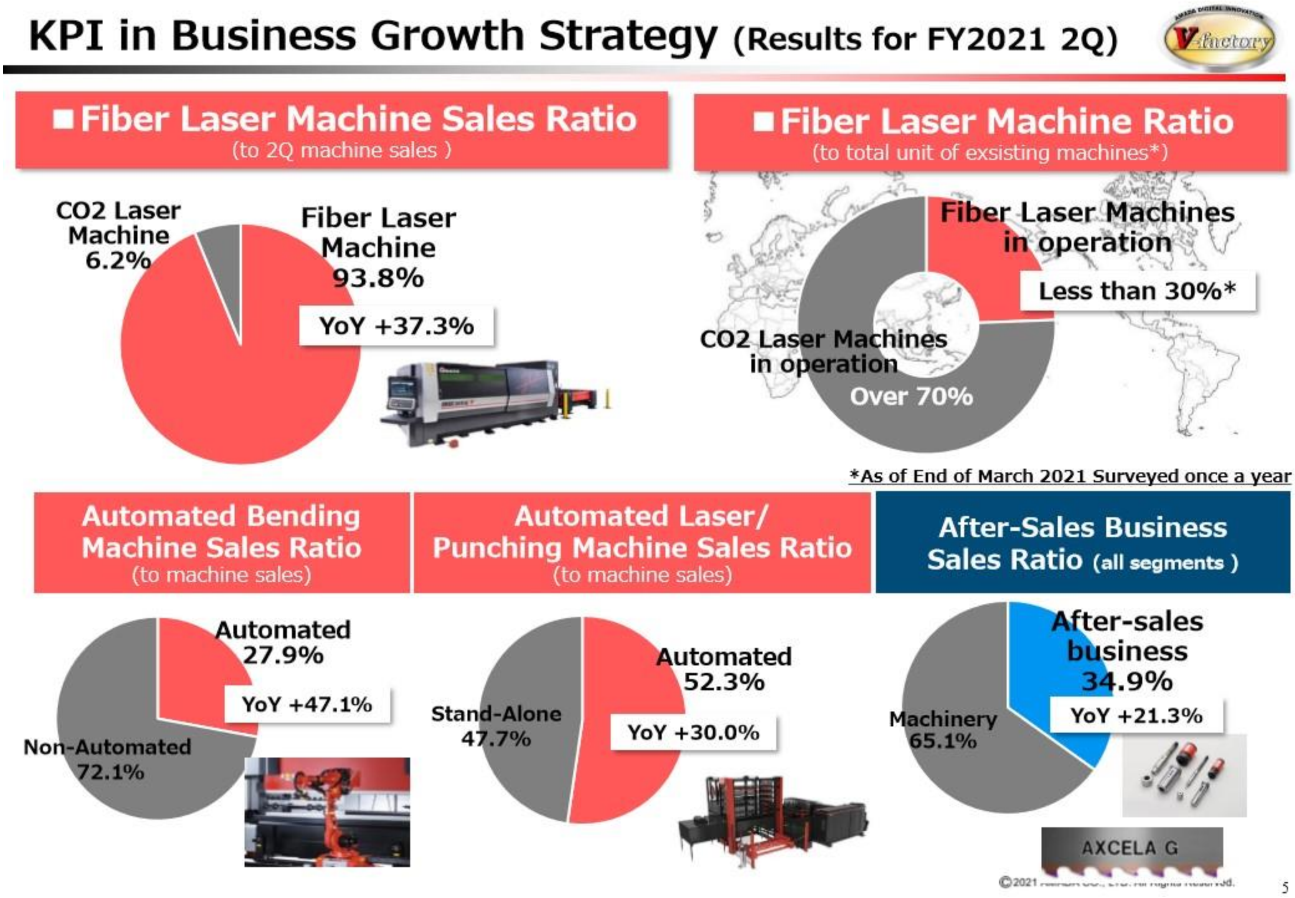
Metal Machine Tools Segment



Sales		FY2019	FY2020	YoY
	Metal Cutting & Grinding	13.9	17.6	26.3%
	Stamping Press	5.8	7.4	26.6%
OPM		1.2%	11.0%	

By business segment, sales revenue in the Metal Working Machinery segment increased by 25% to JPY116.2 billion, but operating income decreased by 3% YoY to JPY14.3 billion, due to the impact of the special factor of the gain on the sale of fixed assets that I mentioned earlier.

In the Metal Machine Tools business, sales revenue increased 26% to JPY25 billion, and operating income improved 13.5 times YoY to JPY2.7 billion.



The fiber laser machine business, which is the pillar of our growth strategy in our business, accounted for 93.8% of total sales, up 5.3% from the same period last year and 2.7% from the first quarter. In addition, sales of fiber laser machine increased by 37.3% YoY.

While the sales ratio of fiber laser machine is increasing, the ratio of fiber laser machine in the already delivered base is still less than 30%. We expect that the replacement of CO2 lasers, which are expected to account for more than 70% of the existing installed base, will accelerate due to the perspective of the responding labor shortage and environmental requirements.

Next, the automation ratio of bending machines was 27.9%, up 1.2% from the same period last year and 0.9% from the first quarter. Sales of automated bending machines increased significantly by 47.1% over the same period last year.

The percentage of automation by peripheral equipment attached to lasers and punching machines was 52.3%, up 0.9% from the same period last year and 7.1% from the first quarter. Sales of these blanking automation machines increased by 30% over the same period last year.

Finally, the ratio of After-sales business decreased by 1.1% compared to the same period of the previous fiscal year, but remained high at 34.9% as machine sales grew, especially in the sheet metal division.

Sales of Geographical & Industry Segments

□ =YoY change shown in the same exchange rate

[Billions of yen]	Japan		North America		Europe		Asia and others		Overseas		Total	
	Amount	[Ratio]	Amount	[Ratio]	Amount	[Ratio]	Amount	[Ratio]	Amount	[Ratio]	Amount	[Ratio]
Metal Working Machinery	39.5	28%	30.7	22%	26.0	18%	19.8	14%	76.6	54%	116.2	82%
YoY(%)	4%		35%		53%		32%		40%	31%	25%	20%
Sheet metal Fabrication	37.2	26%	28.8	20%	23.7	17%	14.3	10%	67.0	47%	104.2	73%
YoY(%)	4%		39%		56%		31%		42%	34%	26%	21%
Machinery	22.7	16%	19.6	14%	16.2	11%	10.8	8%	46.6	33%	69.4	49%
YoY(%)	2%		48%		66%		36%		50%	41%	30%	25%
After-sales business	14.4	10%	9.2	7%	7.5	5%	3.5	2%	20.3	14%	34.8	25%
YoY(%)	8%		23%		38%		17%		27%	19%	18%	14%
Precision Welding	2.3	2%	1.8	1%	2.2	2%	5.4	4%	9.6	7%	11.9	8%
YoY(%)	-3%		-2%		27%		35%		24%	16%	18%	11%
Metal Machine Tools	14.1	10%	4.0	3%	2.9	2%	3.9	3%	10.8	8%	25.0	18%
YoY(%)	16%		28%		54%		51%		42%	38%	26%	25%
Metal Cutting & Grinding	8.4	6%	3.2	2%	2.8	2%	3.1	2%	9.2	6%	17.6	12%
YoY(%)	14%		30%		49%		43%		40%	35%	26%	24%
Stamping Press	5.7	4%	0.7	1%	0.1	0%	0.7	1%	1.6	1%	7.4	5%
YoY(%)	20%		18%				90%		55%	53%	27%	26%
Others	0.6	0%		0%		0%	0.0	0%	0.0	0%	0.6	0%
Total	54.3	38%	34.7	25%	29.0	20%	23.7	17%	87.5	62%	141.8	100%
YoY(%)	7%		34%	30%	53%	41%	34%	25%	40%	32%	25%	21%

【Order Trend】

Japan	[Strong]Semi-con related, Air-conditioner, Industrial Machinery, Material steel, Structual Steel, etc.
North America	[Strong]Semi-con related, Medical equip., Construction related(office supplies, air-conditioner, kitchen equip.)
Europe	[Strong] Agricultural machinery, Hydrogen energy related, EV charging station, Air cleaner, Vending machine (Germany and Italy)
Asia&Others	[Strong]Semi-con related, Medical equip., EV charging station, Air-conditioner, Kitchen equip., Air-conditioner, Communication equips.

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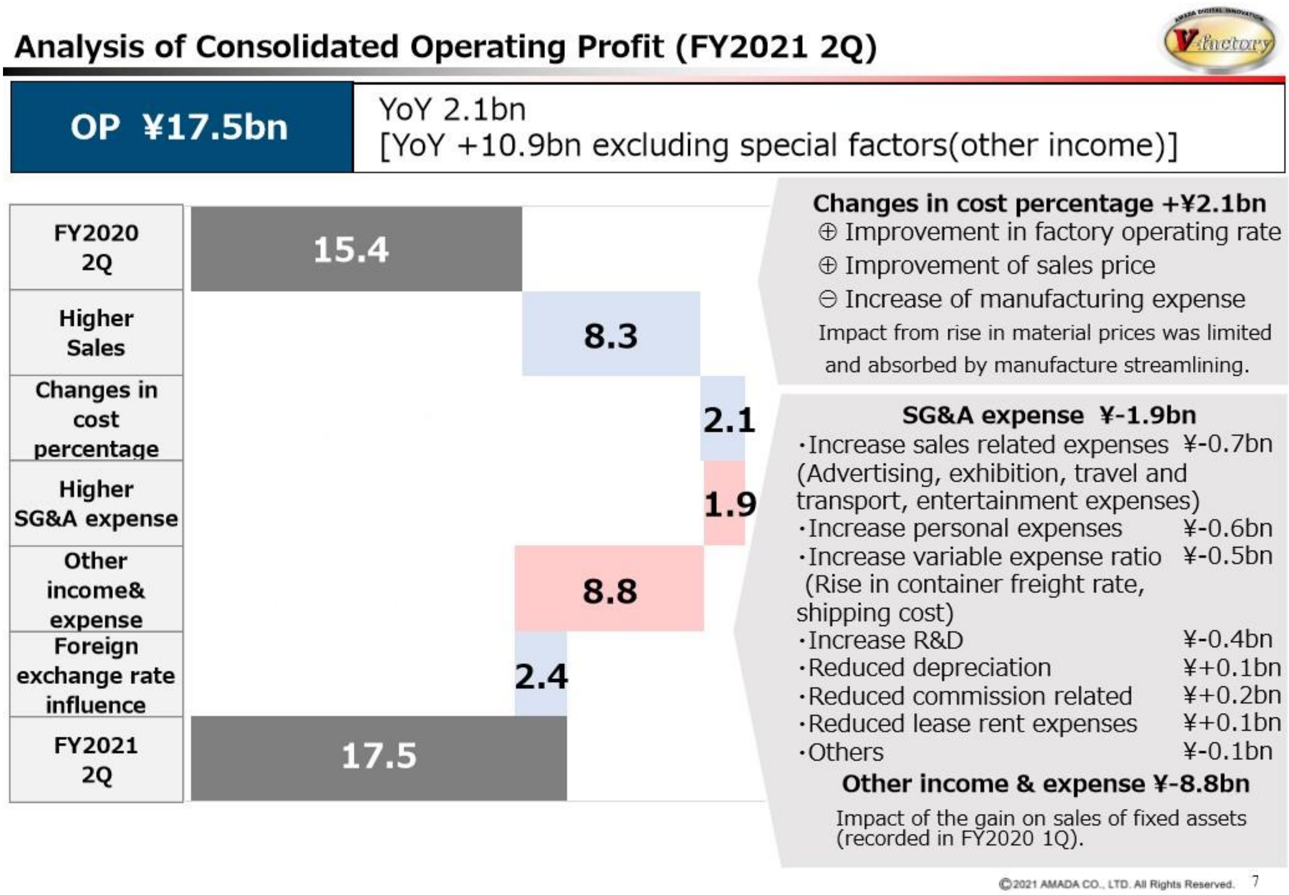
Here, by division, sheet metal division in metalworking machinery segment increased by 26%, and precision welding increased by 18% in revenue. In addition, sales of metal cutting and grinding machines increased by 26%, while sales of stamping press increased by 27%.

By region, sales in Japan increased only slightly by 7%, but sales in North America continued to be strong, increasing by 34%. Sales in Europe increased by 53%, the strongest performance by region. In addition to major countries such as the UK, Germany, and Italy, Eastern and Northern Europe have shown remarkable growth. In Asia and others, sales will increase by 34%, driven by markets such as Taiwan and India, and in ASEAN, Malaysia.

In terms of user industries, the trend from the first quarter has remained largely unchanged, with semiconductor-related and medical-related industries performing well in all regions. In Japan and North America, the construction and building industry is growing; and in Europe, Asia, and other regions, the number of users for EV charging stations is increasing, gradually expanding the range of industries that are doing well.



Next is the analysis of changes in operating income. Operating income increased by JPY2.1 billion from the same period last year.

The reason why the increase in profit was not so large was, once again, the absence of the gain on the sale of fixed assets that was recorded last year. Excluding the negative factor of JPY8.8 billion in other income and expenses, the actual operating income increased by JPY10.9 billion.

The main positive factor was an increase in real sales of JPY8.3 billion, excluding foreign exchange. The remaining factors were JPY2.1 billion in cost ratio factors and JPY2.4 billion in foreign exchange factors due to the weaker yen.

As for factors contributing to the change in the cost ratio, the capacity utilization effect associated with the normalization of production and the improvement in selling prices made a significant contribution. In the first half of the fiscal year, the impact of the increase in the cost of materials such as steel was limited, and was largely absorbed by streamlining measures, such as reducing manufacturing costs.

On the other hand, negative factors included an increase of JPY1.9 billion in SG&A expenses. Of this amount, JPY0.5 billion was due to an increase in the variable cost ratio, which was caused by an increase in the export ratio and higher container prices.

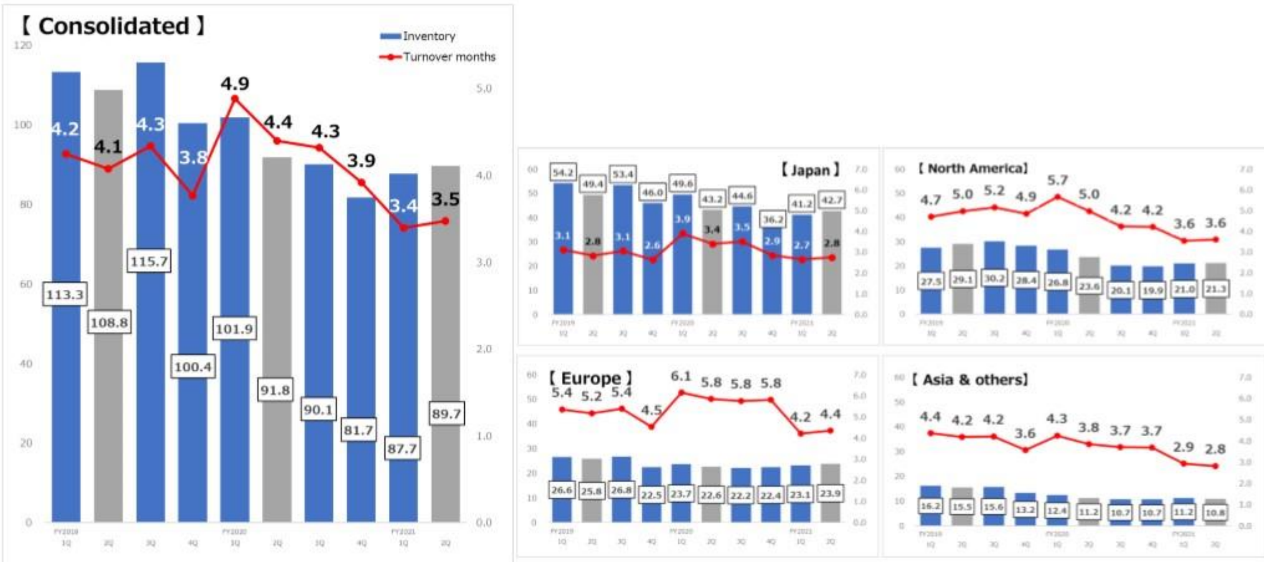
Regarding fixed costs, the main factors were an increase of JPY0.7 billion in sales-related expenses and JPY0.6 billion in personnel expenses as a result of the normalization of sales activities and public exhibitions. Research and development expenses also increased by JPY0.4 billion.

Trends in the Inventory Volume by Region

Performance Situation	◇Inventory volume ¥89.7bn YoY ¥-2.1bn (-2.3%) ◇Turnover months 3.5months YoY -0.9 months

*Turnover months : Inventory amount／Net sales(forecast) by region÷12
*Inventory volume is calculated using closing rate of each quarter

[Billions of yen]



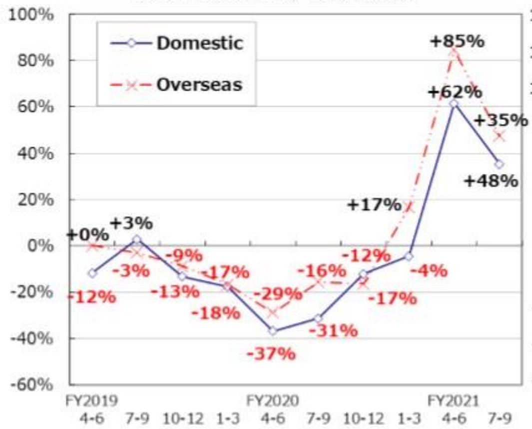
Inventory was JPY89.7 billion on a consolidated basis, an increase of JPY8 billion from the end of March, but a decrease of JPY2.1 billion from the same period last year, and the inventory turnover months on a consolidated basis was kept under control at 3.5 months.

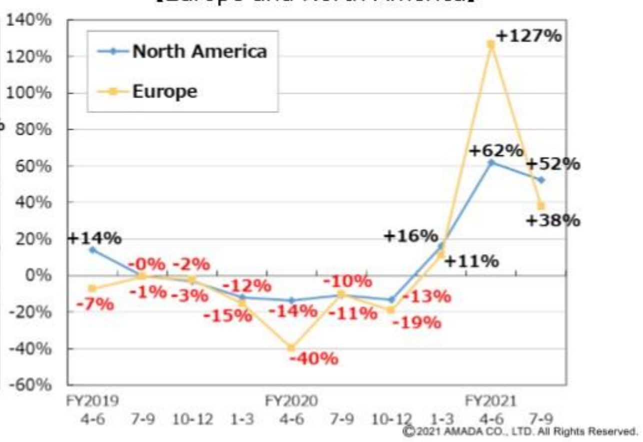
The amount increased in every region, but when we focus on sheet metal and exclude inventory that has already been delivered and that has not been inspected, or already has a customer, inventory for sale at the end of September, on a volume basis, has decreased compared to the end of March. It means that we have been making progress continuously in reducing inventories in real terms.

However, in the second half of the fiscal year, as we announced the risks in the first-quarter financial results, delays in procurement of semiconductor and resin-related materials have started to appear. We believe it is necessary to prioritize procurement and production activities in order to meet our customers' delivery deadlines, even if we have to hold thicker inventories of raw materials and work-in-process.

Transition of Orders by Region (YoY)

YoY (same exchange rate)	FY2019 Apr-Jun	FY2019 Jul-Sep	FY2019 Oct-Dec	FY2019 Jan-Mar	FY2019 Total	FY2020 Apr-Jun	FY2020 Jul-Sep	FY2020 Oct-Dec	FY2020 Jan-Mar	FY2020 Total	FY2021 Apr-Jun	FY2021 Jul	FY2021 Aug	FY2021 Sep	FY2021 Jul-Sep	Oct
Domestic	-12%	+3%	-13%	-18%	-9%	-37%	-31%	-12%	-4%	-21%	+62%	+26%	+29%	+44%	+35%	+61%
North America	+14%	-0%	-3%	-12%	-1%	-14%	-11%	-13%	+16%	-6%	+62%	+112%	+32%	+38%	+52%	+48%
Europe	-7%	-1%	-2%	-15%	-6%	-40%	-10%	-19%	+11%	-15%	+127%	+60%	+29%	+22%	+38%	+63%
Asia and others	-5%	-9%	-20%	-24%	-15%	-36%	-28%	-18%	+25%	-17%	+79%	+50%	+78%	+35%	+52%	+42%
Overseas	+0%	-3%	-9%	-17%	-7%	-29%	-16%	-17%	+17%	-12%	+85%	+73%	+42%	+32%	+48%	+51%
Total	-5%	+0%	-11%	-17%	-8%	-32%	-24%	-15%	+6%	-17%	+76%	+51%	+36%	+39%	+42%	+55%





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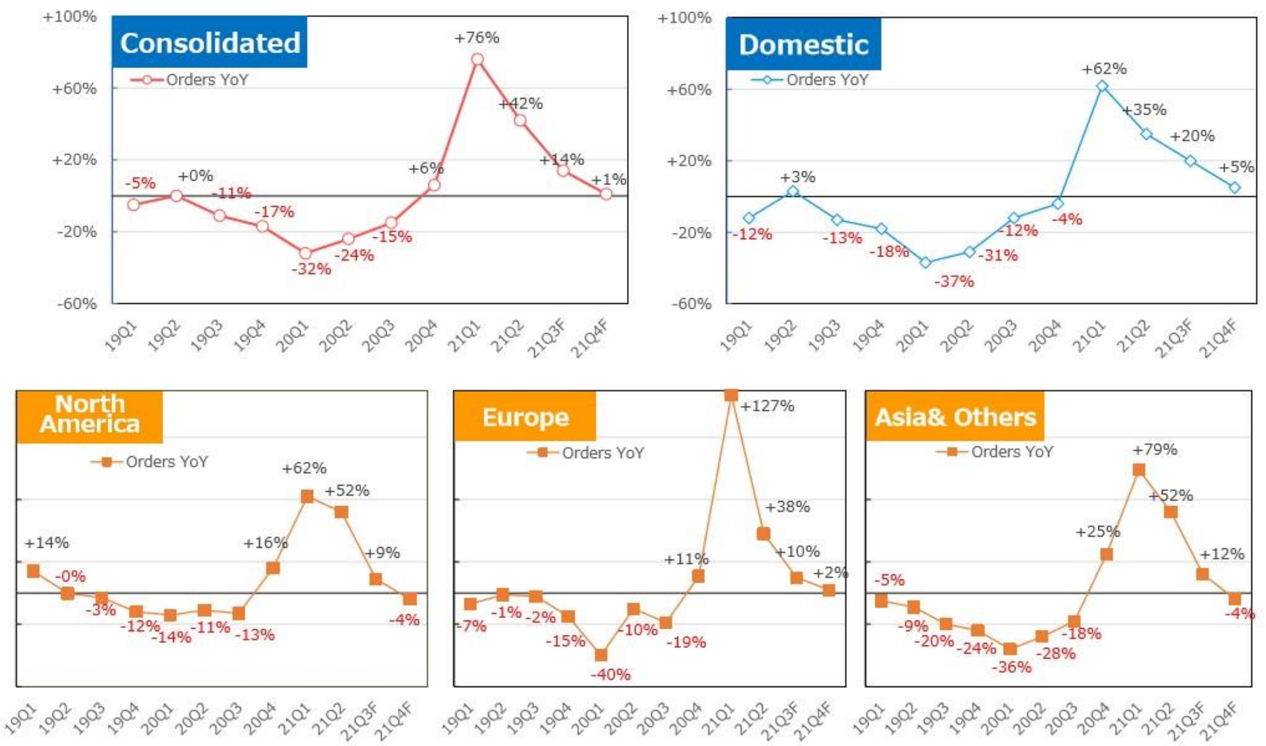
Orders received by region in the second quarter were higher than expected, with domestic orders up 35%, North American orders up 52%, European orders up 38%, and orders from Asia and other regions including China up 52%, all of which were significantly higher than the same period last year. Orders were particularly strong in the US, France, Spain, and Eastern Europe in Europe; and South Korea, India, and Oceania in Asia and other regions.

In October, on a preliminary basis, orders received in Japan were up 61% due to the inclusion of subsidies for business restructuring, which were announced in early September, and manufacturing subsidies, which were announced in late September.

In addition, North America, Europe, and Asia and other regions maintained their strong performance in the first half of the fiscal year with positive 48%, 63%, and 42%, respectively.

Order Trend Forecast



I would like to explain our outlook for orders in the second half of the fiscal year, based on these trends in orders received.

First of all, on a consolidated basis, at the time of the announcement of the first-quarter results, we reported that the first-quarter results would be up 77% and that the second-quarter results would be up 12%, but that there was a possibility of an upward swing. As a result, it did end up being an upswing of 42%.

As reported at the beginning of this report, orders received in the first half of the fiscal year, amounting to JPY184.2 billion, are the highest level ever for a half year. However, due to reports of difficulties in procuring semiconductors and resin-related materials, customers who are concerned about longer delivery times may have already placed orders in first half, which are normally expected in the second half of the year...

While sales activities are becoming more active due to the easing of global restrictions on behavior, in the second half of the year, there are risk factors on the customer side, such as labor shortages and rising prices and shortages in the supply of materials. For this reason, please consider this order forecast to be an assumption based on the information we have received from each region within the scope of what we can foresee at the moment.

In the second half of the fiscal year, by region, we expect an increase of about 12% in Japan, and for overseas, we expect an increase of 2% in North America, 6% in Europe, and 3% in Asia and other regions, where the hurdle last year was high.

These are the results for the first half of the fiscal year.

Consolidated Forecasts Income Statement

[Billions of yen]

Consolidated Results				
◇ Revenue	¥310.0	bn	YoY	+23.8%
◇ Operating profit	¥38.0	bn	YoY	+42.3%
◇ Orders	¥335.0	bn	YoY	+31.3%

[Billions of yen]	FY2020[Result]		FY2021 Forecast		YoY		Previous Forecast		
	Amount	Share(%)	Amount	Share(%)	Amount	Difference(%)	Amount	Difference(¥)	Difference(%)
Revenue	250.4	100.0%	310.0	100.0%	59.5	23.8%	300.0	10.0	3.3%
Gross profit	99.2	39.6%	131.0	42.3%	31.7	32.1%	125.3	5.7	4.5%
SG&A	81.5	32.6%	92.0	29.7%	10.4	12.8%	89.9	2.1	2.3%
Variable cost	10.3	4.3%	14.0	4.5%	3.6	34.7%	13.5	0.5	3.7%
Fixed cost	71.1	28.2%	78.0	25.2%	6.8	9.6%	76.4	1.6	2.1%
Operating profit	26.7	10.7%	38.0	12.3%	11.2	42.3%	36.0	2.0	5.6%
Profit*	18.5	7.4%	27.0	8.7%	8.4	45.4%	26.0	1.0	3.8%
Orders	255.1		335.0		79.8	31.3%	312.0	23.0	7.4%
¥exchange rate									
USD	106.06		108.90		2.84		106.12	2.78	
EUR	123.70		128.95		5.24		126.74	2.21	
RMB	15.67		16.85		1.18		16.47	0.38	

*1 Profit attributable to owners of parent

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I will explain the forecast from here.

In the first half of the year, orders received and order backlogs reached record highs. Taking into account that economic activity is normalizing on a global scale and that there is a growing need for environmental performance and automation, we expect sales and earnings to be strong in the second half of the year. However, as I mentioned earlier, risk factors such as price hikes, delays, and shortages in the procurement of parts and materials may have a significant impact on our production activities, and our customers may be less willing to invest due to the same impact.

There are also concerns about inflation due to the high price of resources and rising logistics costs. In light of these risk factors, to be honest, it is very difficult for us to forecast our business performance for the second half of the fiscal year based on the order environment to date.

Accordingly, we have revised our earnings forecast to reflect the results of the first half of the fiscal year, as the first-half results were higher than expected at the time of the first-quarter earnings announcement.

On the right is a comparison of the revised forecast with the one announced in August. We revised the forecast to reflect 2Q overshoot, sales revenue is expected to remain unchanged from the internal plan for the second half of the fiscal year, which was the assumption for the previous revision. As the yen has been weaker than initially expected, we have revised the exchange rate for the second half of the fiscal year from JPY105 to JPY108 for the dollar and from JPY125 to JPY127 for the euro. The impact of the exchange rate has contributed to an increase in sales of about JPY5 billion.

Next is gross profit. Although the impact of rising costs of steel and other materials will increase in the second half of the fiscal year, there is little change from the forecast assumed at the time of the announcement of the first-quarter results, and we expect gross profit to be JPY131 billion, an increase of 4.5% from the previous revised forecast, due to the expected capacity utilization effect and progress in manufacturing rationalization.

Among SG&A expenses, variable costs are expected to increase by 3.7% compared to the previous revised forecast, mainly due to an increase in the ratio of exports, although the impact of rising container prices has not changed from the assumption made in the first quarter.

In addition, we plan to limit fixed costs to a 2.1% increase compared to the previous revised forecast, assuming a certain amount of sales-related costs associated with the increase in sales revenue and an increase in personnel costs.

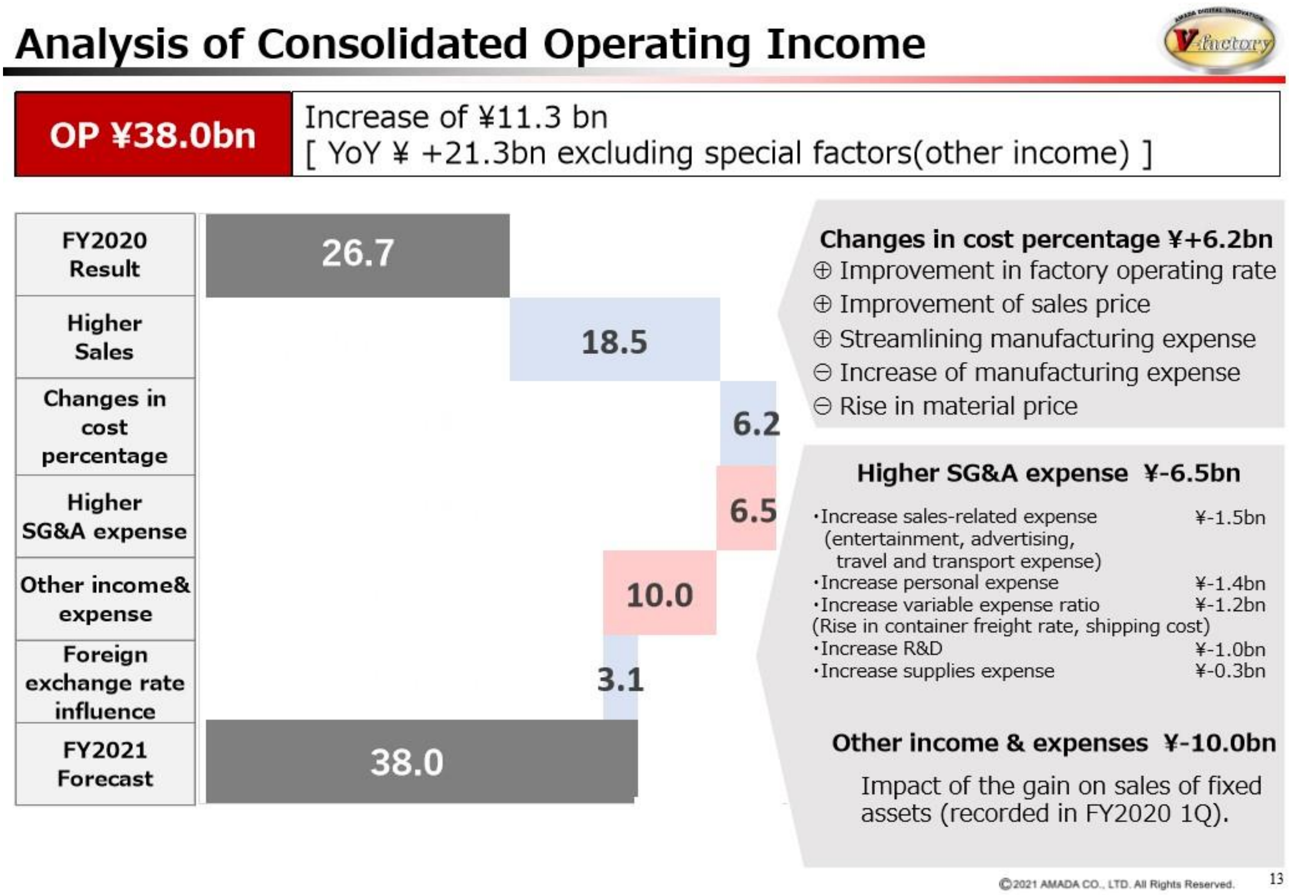
As a result, operating income will be JPY38 billion, an increase of 5.6% from the previous revised forecast. Based on the order forecast presented earlier, we expect orders for the full year to be JPY335 billion, an increase of 31% over the previous year, which is comparable to the orders received in fiscal 2018, when we posted record sales revenue and operating income.

Sales of Geographical & Business Segments/FY2021 Forecast

☐ =YoY change shown in the same exchange rate

[Billions of yen]	Japan Amount	Japan [Ratio]	North America Amount	North America [Ratio]	Europe Amount	Europe [Ratio]	Asia and others Amount	Asia and others [Ratio]	Overseas Amount	Overseas [Ratio]	Total Amount	Total [Ratio]
Metalworking machinery	95.6	31%	60.5	20%	57.5	19%	40.8	13%	159.0	51%	254.6	82%
YoY(%)	13%		25%		47%		33%		34%		25%	
Sheet metal fabrication	90.3	29%	55.8	18%	52.6	17%	30.4	34%	138.9	45%	229.2	74%
YoY(%)	13%		25%		52%		34%		36%	30%	26%	23%
Machinery	60.7	20%	38.2	12%	37.2	12%	23.6	8%	101.1	33%	159.9	52%
YoY(%)	17%		31%		62%		43%		49%	42%	33%	31%
After-sales business	29.5	10%	17.5	6%	15.4	5%	6.7	2%	37.8	12%	69.2	22%
YoY(%)	5%		13%		25%		9%		11%	7%	12%	6%
Precision Welding	5.3	2%	4.7	2%	4.9	2%	10.4	14%	20.1	6%	25.4	8%
YoY(%)	13%		19%		14%		30%		23%	18%	21%	17%
Metal machine tools	31.4	10%	8.0	3%	6.6	2%	7.4	2%	22.4	7%	53.9	17%
YoY(%)	17%		11%		18%		25%		18%		17%	
Metal Cutting & Grinding	18.3	6%	6.6	2%	6.4	2%	6.0	2%	19.3	6%	37.7	12%
YoY(%)	14%		25%		21%		25%		23%	19%	19%	17%
Stamping Press	13.1	4%	1.4	0%	0.2	0%	1.4	0%	3.1	1%	16.2	5%
YoY(%)	21%		-24%		-44%		33%		-7%	-10%	14%	14%
Others	1.1	0%	0	0%	0	0%	0	0%	0	0%	1.1	0%
Total	128.3	41%	68.8	22%	64.2	21%	48.5	16%	181.6	59%	310.0	100%
YoY(%)	14%		23%	19%	43%	37%	32%	26%	32%	27%	24%	21%

In the current revision, sales revenue is planned to increase by JPY10 billion from the previous year's revised forecast, but by division, the sheet metal division accounts for more than 80% of the total revised amount. By region, domestic sales accounted for only 7% of the revised amount, but overseas sales accounted for 93%, which is the majority of the revised amount.



Lastly, this is the analysis of changes in operating income.

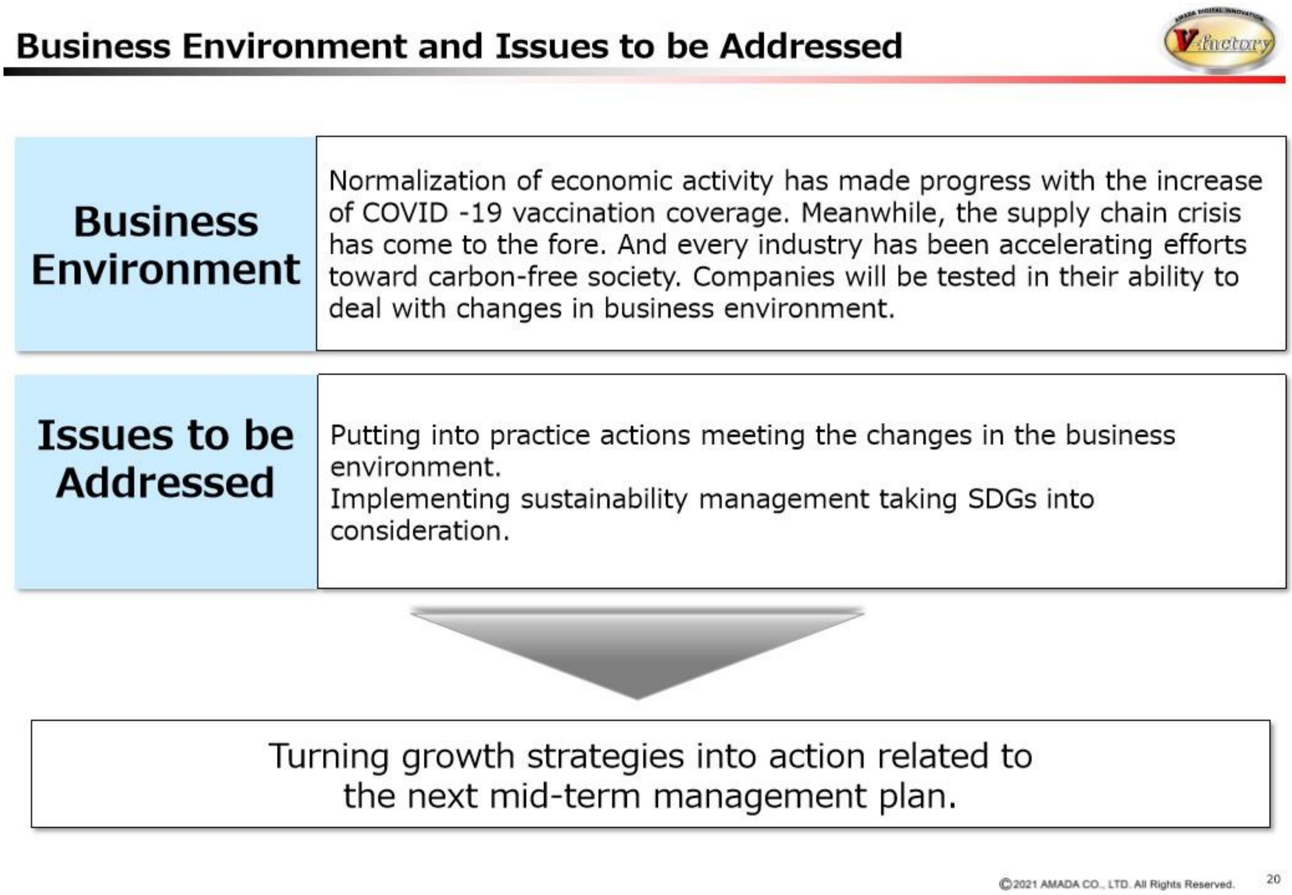
Operating income, which in the previous revised forecast was increase of JPY9.3 billion fromthe same period last year, has been expanded to JPY11.3 billion higher than the previous year in this revision. The main reason for this revision is the increase in sales, excluding the impact of foreign exchange rates. Based on this revision, we expect to increase sales by JPY18.5 billion from the previous year, an increase of JPY2.2 billion from the previous revised forecast.

Next, with regard to the factors behind the revision of the cost ratio, we expect an increase of JPY0.6 billion from the previous revised forecast of JPY5.6 billion to JPY6.2 billion due to the significant impact of the capacity utilization effect resulting from the increase in sales revenue.

SG&A expenses have increased by JPY1 billion, from JPY5.5 billion in the previous revised forecast to JPY6.5 billion, mainly due to variable expenses of JPY0.3 billion associated with the increase in the overseas sales ratio, and fixed expenses including JPY0.4 in personnel expenses and JPY0.1 billion in R&D expenses.

In addition, other income and expenses have increased by JPY1.6 billion, from JPY8.4 billion in the previous revised forecast to JPY10 billion, but this is assumed to be expenses related to upfront investments to promote digital sales.

As for the semi-annual report on AMADA DI, the survey was suspended this time because 19 prefectures had declared a state of emergency and 8 had issued priority measures to prevent the spread of the COVID-19 infection until September 30. In order to be prepared for the future, we are currently developing our web-based response, and since the composition of our customers are also changing, we will be reviewing our survey targets, taking into consideration the balance of industries and regions.



Isobe: Hello, everyone. I am Isobe. As mentioned in the explanation earlier, the environment for orders has been very favorable. Although orders in Japan are not at record highs, orders in all other regions are at record highs across the board.

On the other hand, we believe that we are in a situation where it is difficult to forecast earnings due to the uncertainty of the environment for production, including the current problem of parts supply.

As for orders, given the result of JPY184 billion in the first half, it is unthinkable to plummet in the second half of the fiscal year considering we are in the recovery phase. But we project orders to be JPY335 billion for the full year, which is also a record high level.

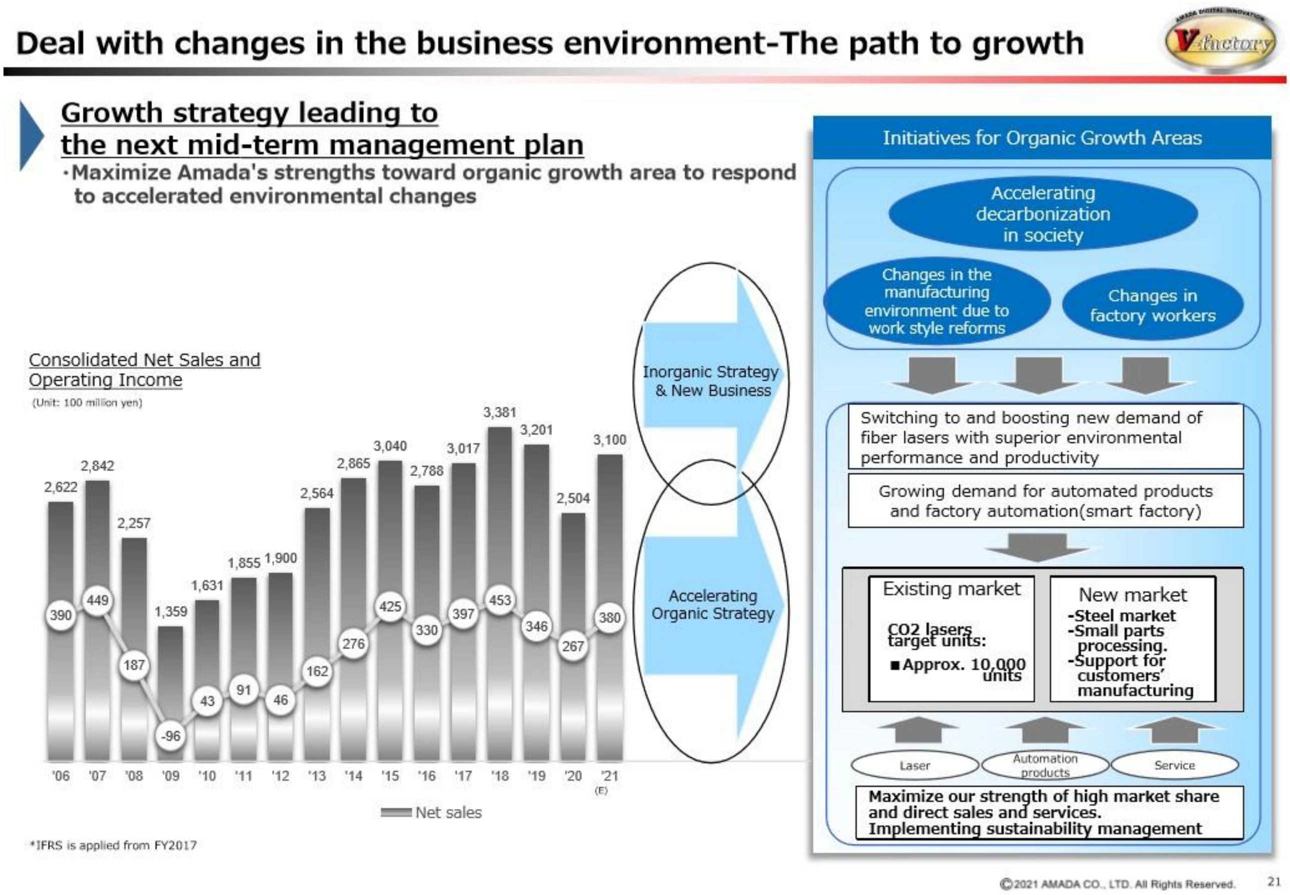
Regarding orders for the second half of the fiscal year, as you saw the trend of the forecast for the second and third quarters in the previous part of the presentation, we anticipate that North America and Asia, which have been performing well, will turn downward in the fourth quarter, but, at the same time, we cast doubt on that anticipation.

Of course, a certain amount of demand might be brought forward. Assuming that there will be no decline in the second half, the level of orders would be around JPY370 billion, which is more than 10% higher than the highest-ever and require us to rethink our approach to sales planning for the next fiscal year and beyond. That may sound unlikely. But, the actual orders received in the first half of the year, the preliminary report for October and expected orders for November do not show any sign of decline. And if this trend continues, we would not be able to fill orders for the product. These days it is really hard to predict the future.

I know you are all concerned about parts supply or the rising cost of materials. We incorporated those risks in our forecast and made a trial calculation of operating profit. Some people may have the impression that the upwardly revised net sales of JPY310 billion and operating income of JPY38 billion are lower than expected, but I would like you to understand that both sales and profits are forecasts that incorporate these risks.

I would like to explain the progress of our management policy. The current environment for orders is improving, even during this pandemic, so I think it is important for us as a manufacturer to consider how to modify our future product strategy. We also need to consider how to introduce online and digital activities as well as how to enhance after-sales business as a source of revenue considering new way of business.

On the other hand, in a larger sense, we are looking at new businesses, along with new technological innovations, and what fields we should go into. We will announce a new mid-term plan to address these issues in May of next year, as I promised, and we are currently working hard on it.



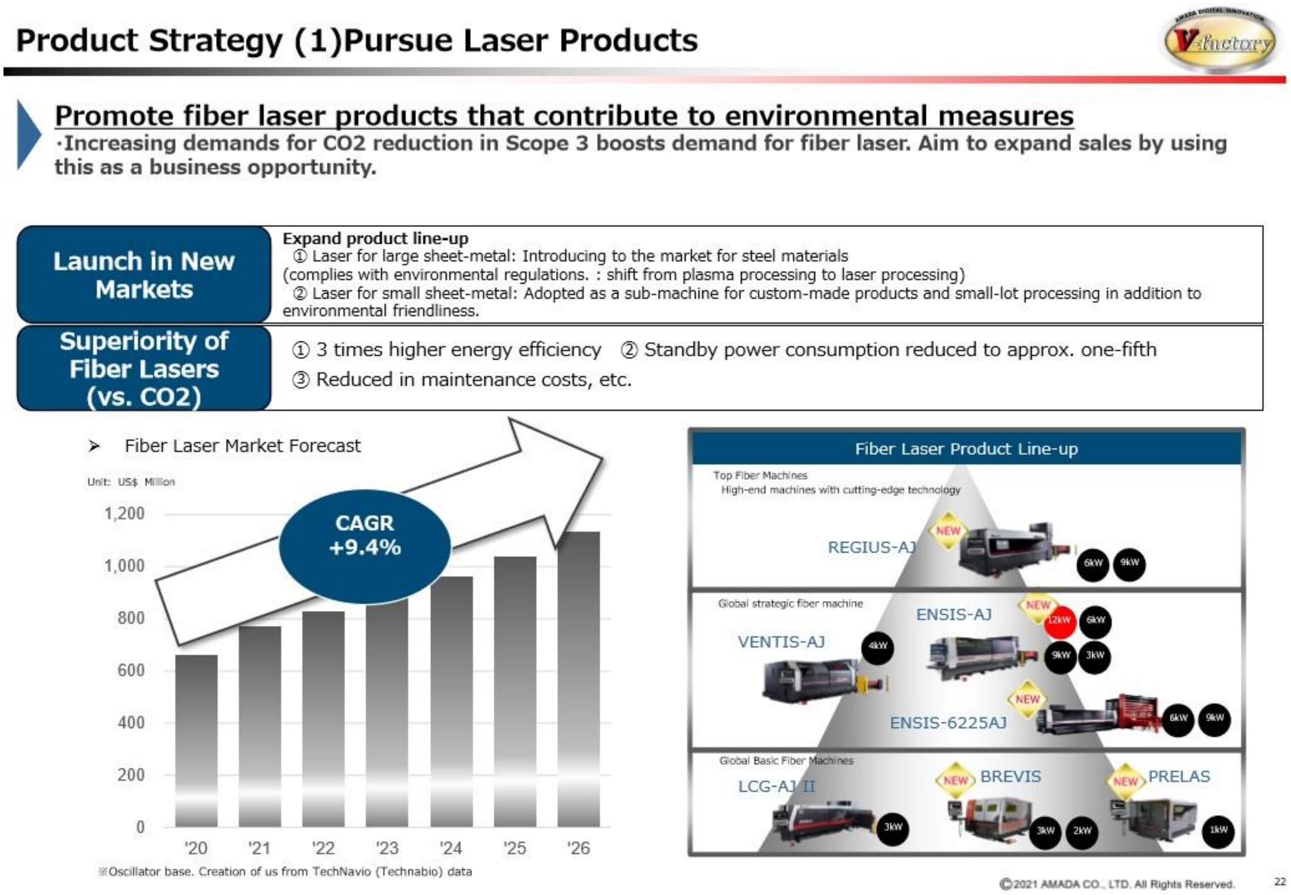
In the next mid-term business plan, we need to consider how we will look at the organic domain based on the current situation and the new business. On an organic level, fiber lasers have been very well accepted and have grown to become the core of our Sheet Metal business, or even the majority of our whole business.

Many people may ask what is next to come. We are putting our resources to establish next technology with AIIL, our subsidiary specialized in R&D. On the other hand, one of the key facts is that there are still more than 10,000 CO2 laser machines to be updated to fiber laser machines in the market that we have sold in the past.

We show a target of 10,000 units written in this slide, but actual numbers of CO2 laser machines is expected to be much larger. Of course, all of these may not be replaced, but the market size of replacing machines is expected to be hundred billion yens considering that the current unit price of fiber lasers is in the range of JPY50 million to JPY60 million for inexpensive products and over JPY100 million for expensive products.

We have had the idea of promoting update of installed CO2 laser machines to fiber laser machines over the time of 7 to 8 years, but now we are seeing an accelerated updating pace because of environmental changes brought by COVID-19 such as strong automation trend and demand for remote after-sales services. Of course, the current increase in orders is partly due to the reaction, but we believe that this environment is pushing up updating demand even more.

What I want to say in this slide, on page 21, is that growth has not stopped in the organic domain, but that there is still potential to grow. In addition, our forte has been known for processing thin sheet metal, but now we have innovated new fiber laser technology to cut thicker metal so we are now ready to break into new market with this new technology. It might not be considered as a truly new business, but I believe we can still expect further expansion even in the organic market.



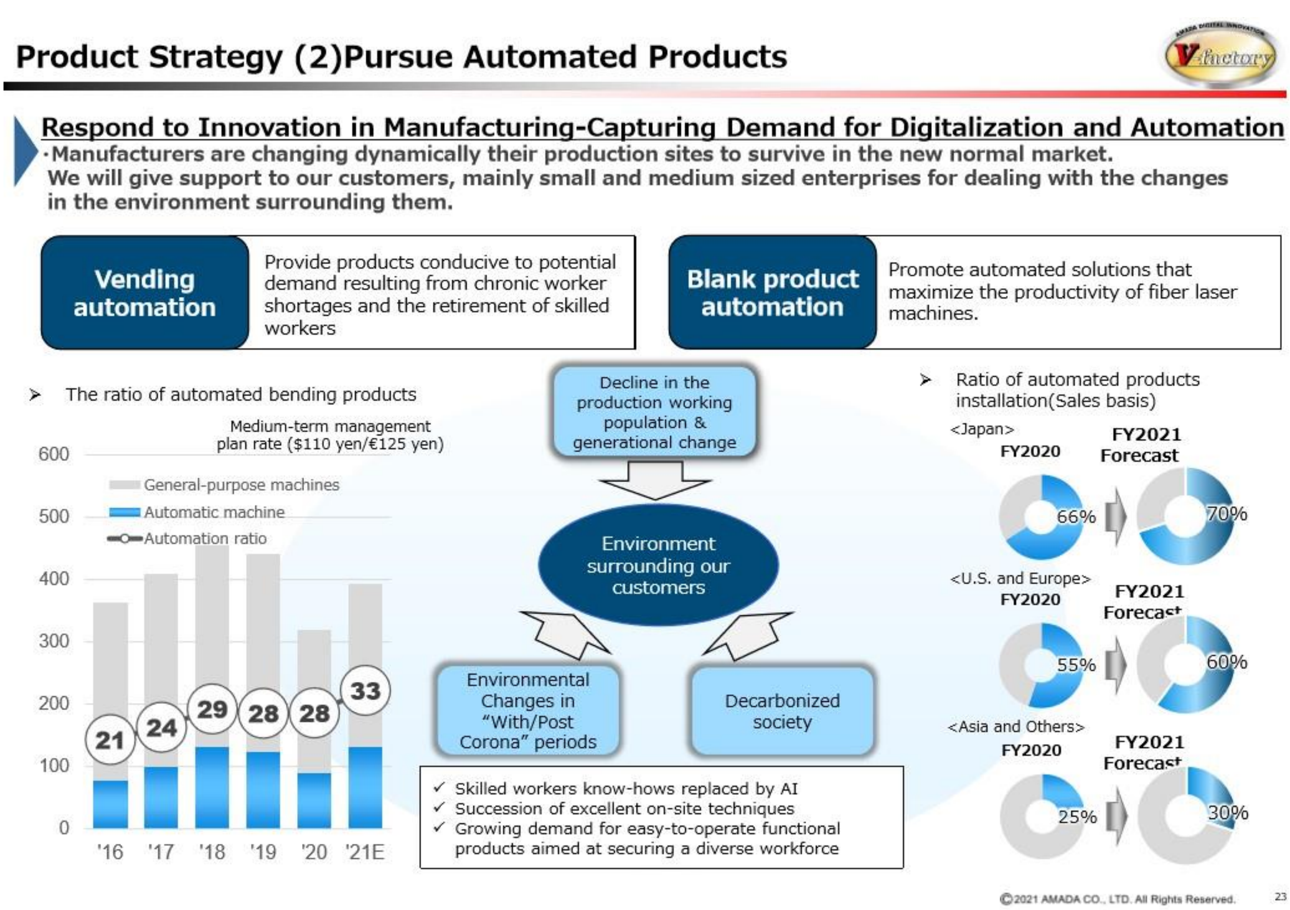
On page 22, we show the expansion of the laser product lineup.

According to data provided by TechNavio, a global research company, fiber lasers are expected to grow at an average of 12% per year for the next 5 years. We believe that the shift from CO2 laser to fiber laser will continue at an accelerated pace due to the environmental benefits of fiber lasers, such as 3 times the energy efficiency of CO2 lasers and 1/5 the power consumption.

As for our lineup above, our high-end products REGIUS won this year's award of the Minister of Economy, Trade and Industry from Nikkan Kogyo Shimbun.

At the bottom of the page, you can see the new products called BREVIS and PRELAS. AMADA's strength is said to be its mid-range to high-end products, but this BREVIS product, the selling price is about JPY30 million per unit, which is much cheaper than what we have launched in the past and is very compact and can be installed in a space of 8 square meters, so this accelerates expanding fiber lasers even more.

This new product is easily accepted by customers who have little factory space, especially in cramped Japan and developed countries, which contributed to more than twice as many orders for entire laser machines as last year.



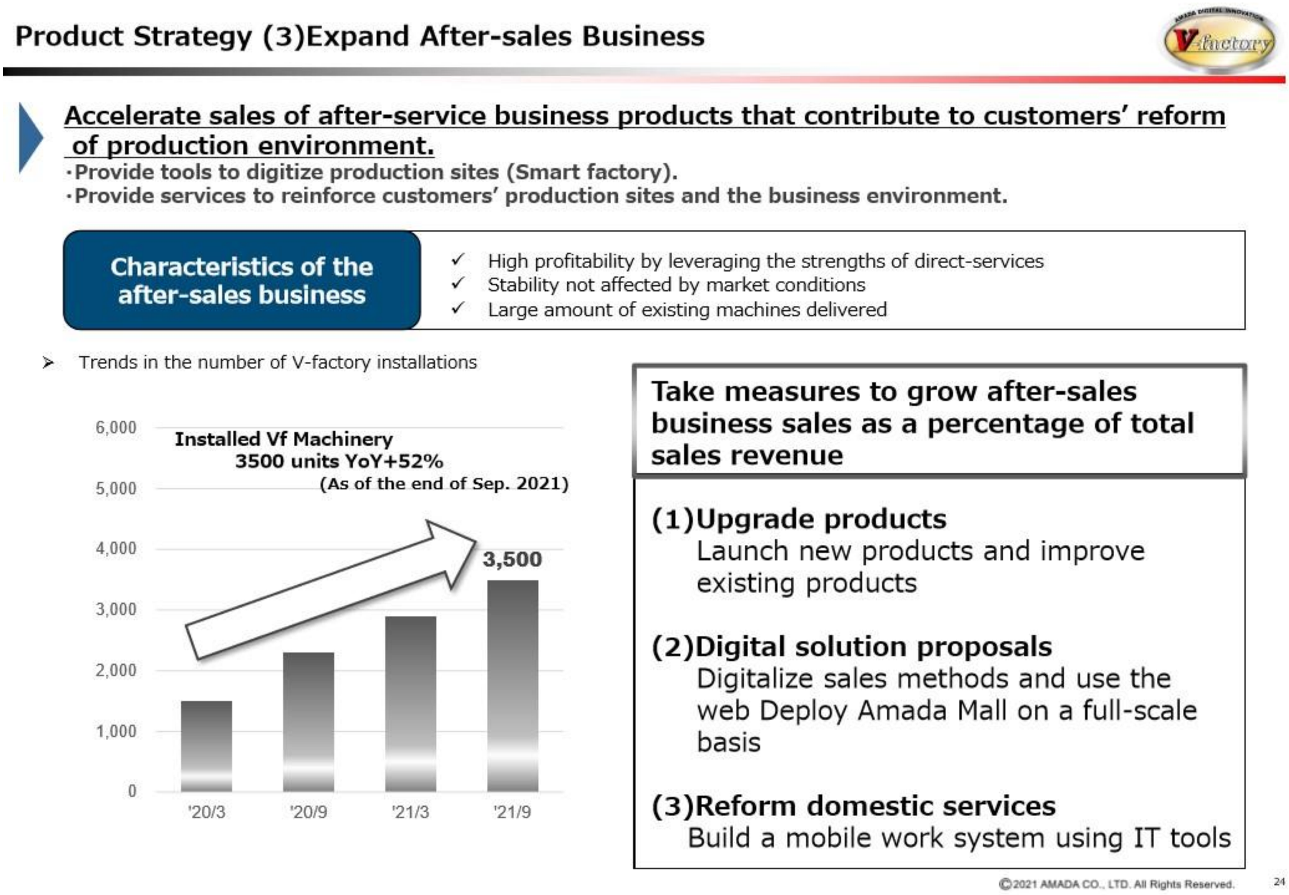
Page 23 is about automated products.

We have been promoting automation for some time now, and I have a feeling that COVID-19 has accelerated the demand for this automation trend, and that it will become a major demand in the future. Automated products are attached to bending machines and blanking machines including fiber laser machines. The price of a stand-alone bending machine with an automated mold changer is twice the price of stand-alone machine and triple the price for blanking machine with the automated storage.

The automation ratio for bending products is estimated to be 33% this fiscal year, and I believe that the ratio will increase in the future.

The need for automation is also increasing for fiber laser machines, as its cutting speed is much faster than before. The automation ratio of laser products is 70% in Japan, and 60% in Europe and the United States.

For us, the price of automated products is very high. Therefore, as the trend of automation accelerates, the number of orders decreases whereas the unit price increases, which will bring us inevitable change to the way of our proposal in the future.

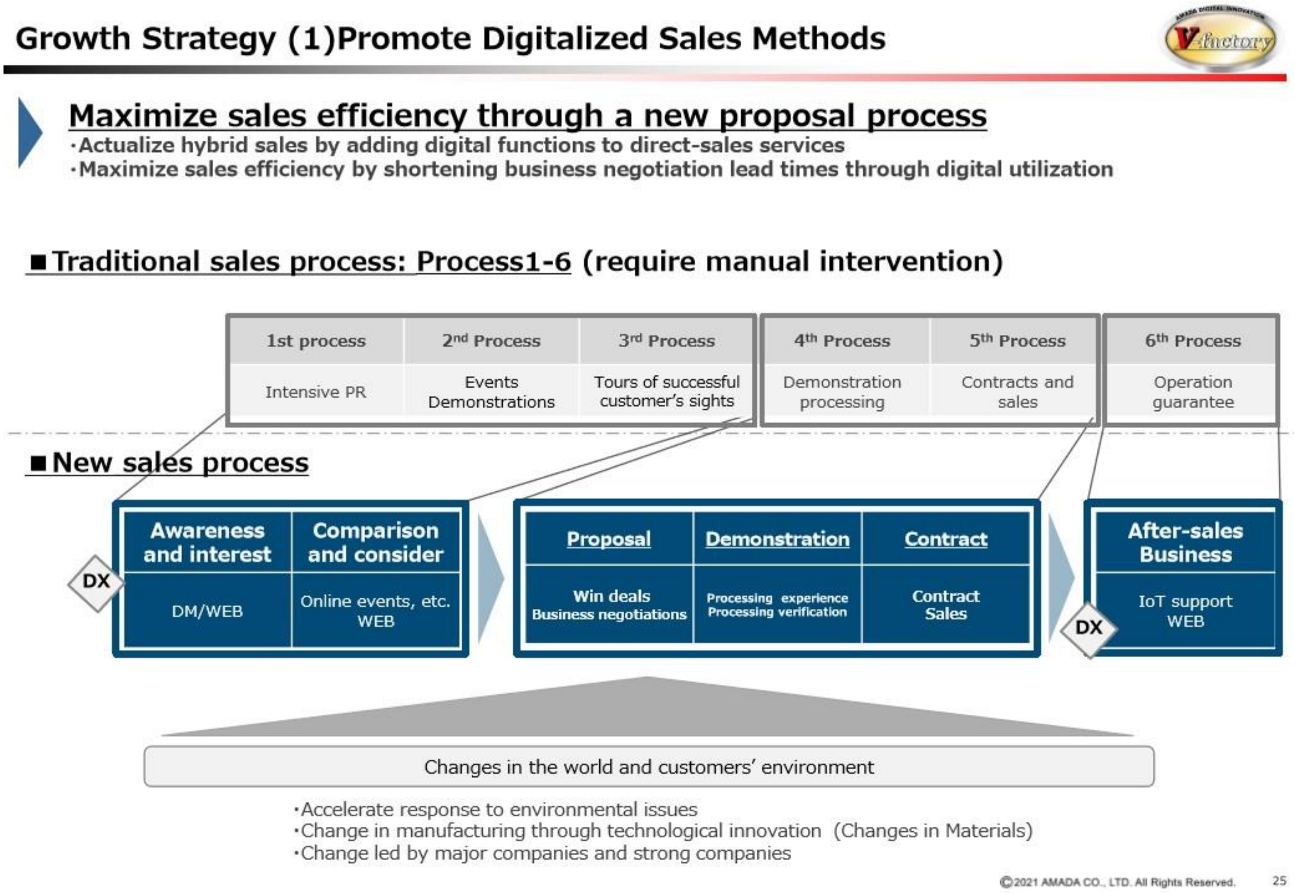


Now as for expanding after-sales business which is one of our important revenue sources.

We believe that this will be much more important in the future. In the previous part of the presentation, after-sales business accounts for 35% of sales, but in the new mid-term plan, we are aiming for 40%. The point is how to expand that business to achieve the goal.

We have been promoting introducing of IoT in our customer's factories under the name of "V-factory". By incorporating device into the machines for remote-control for free, around 3,500 units of customer's machines, mostly in Japan, have been connected via the internet to Amada by the end of this September. This is a win–win situation for both of us and customers, as we benefit from increased efficiency, including reduced after-sales business costs, and our customers benefit from reduced downtime due to problems.

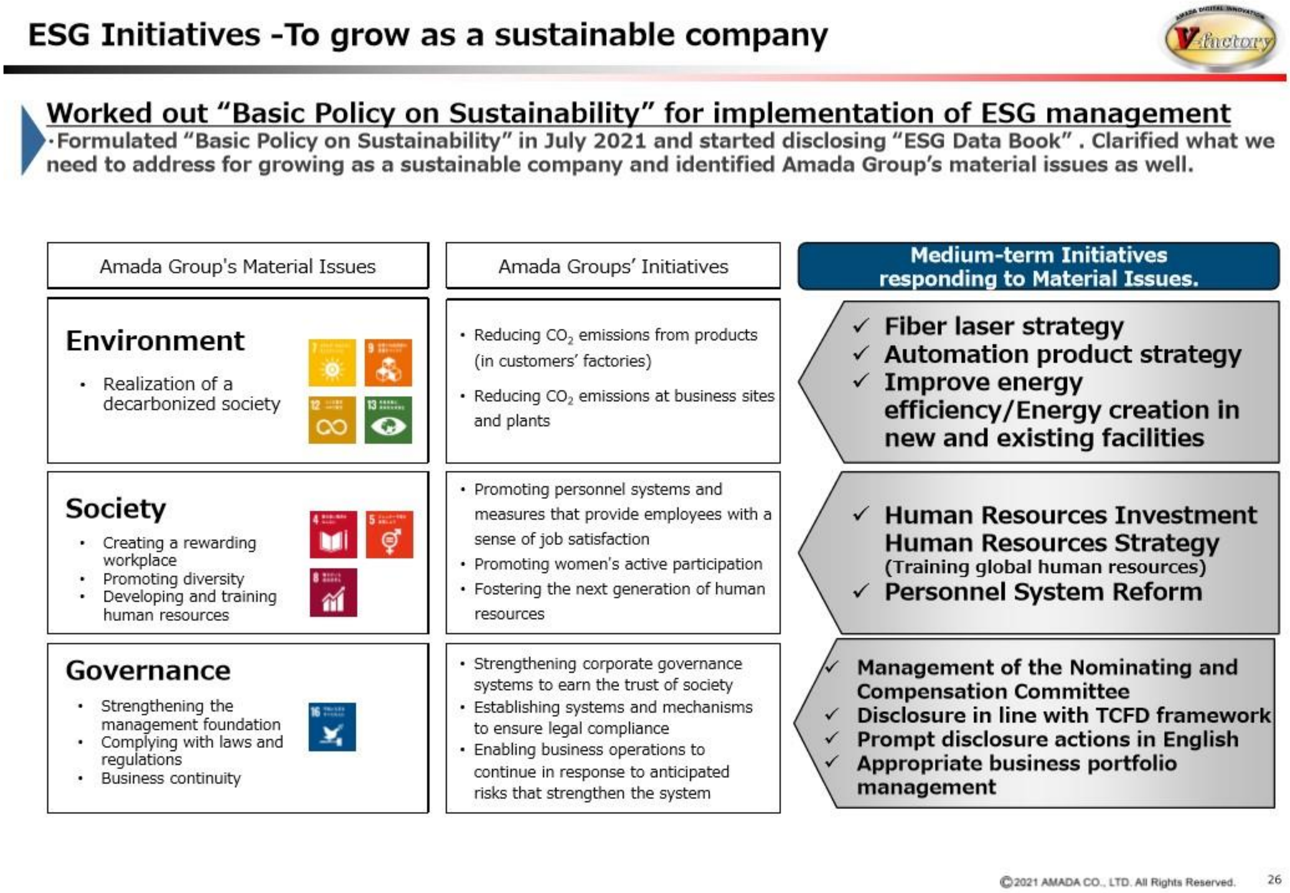
Customers of our maintenance service are expected to increase along with the expansion of the V-factory. What we have described so far is the core of our current business: laser, automation, and after-sales business strategies.



As I mentioned at the beginning in this presentation, in the past, we used to have invited customers to our exhibition center or sales representatives used to visit customers' offices. But, it is been more and more difficult to meet customers in person under this pandemic. For this reason, we are considering a hybrid proposal-based sales approach, with inside sales and face to face sales.

Our sales process is divided into 6 stages, from stage 1 to stage 6. In particularly, in the first half of the process, from the first to the third stage-which are intense PR, demonstrations, etc., we are promoting online-based PR and demonstrations switching from the traditional face to face sales activities. Though we believe that demonstration processing and signing contracts still require meeting in person. Therefore, we are currently considering update of our exhibition to match with the new style of sales approach.

As for the after-sales business in the sixth stage, our new strategy is to improve the efficiency of the after-sales business with the goal of installing 10,000 units of the V-factory from the current 3,500 units. We would like to explain and inform you about the new proposal process, including the new operation policy of the exhibition, around May next year.



At the meeting of the Board of Directors held today, we decided to apply for selection of new market segment "Prime Market" on the Tokyo Stock Exchange. In this context, I believe that we must further strengthen our ESG practices, including governance, and increase the level of transparency.

The title of this slide is SG Initiatives" and we are showing Amada Group's material issues from SDG's. In terms of the environment, society, and governance, there are areas where we are lagging behind, such as the promotion of the active role of women in society and the improvement of job satisfaction, so we would like to make improvements by presenting new numerical targets more clearly and disclosing them to everyone.

This ends my explanation.

[END]