Cost Reductions

Q1. With respect to cost reductions, you stated that you will revise your business plans through the second half. Is this related to the shifting to a low-cost back office function on P.7 of your financial results presentation? Or, are you planning to implement even more cost reductions?

A1. The information on P.7 addresses back office cost reductions, and is not linked to our business plan.
Our business plan does not limit cost reductions to our back office departments. We intend to rework our plan, reviewing all units and all measures, including new sales and cost reductions.

Q2. Is it correct to assume that you will be digging deeper for cuts? Will you be able to announce your progress in digging for deeper cuts at the Q2 financial results presentation?

A2. We will be looking to make deeper reductions. I am not sure whether we will present actual numbers, but we know the individual figures internally. We have not decided whether to publish these numbers at our Q2 results presentation, but we are aware of the situation.

Subsidiary Operating Income Margin

Q3. Domestic subsidiary operating income margins fell during the Q1. Can you tell us what measures you implemented and how you approached efficiency improvements as a group?

A3. The main reason that operating income margin was low among subsidiaries during Q1 was a decline in volume. We plan to shift new jobs to our subsidiaries, which will improve efficiency. In other words, we want to increase operating income margin by discontinuing pure outsourcing and shifting these jobs to our subsidiaries.

Q4. As production volume recover in Q2 and later, will you see improved operating income margins among your subsidiaries?

A4. It remains to be seen whether sales recover overall. However, we intend to increase our use of subsidiaries, rather than pure outsourcing, to improve operating income margins.