Key questions and answers from the financial results briefing for FY2025

1. What factors caused the Q4 decline in operating income for the primary labels business in Europe, and what is the FY 2026 outlook?

- Q4 profitability declined due to rising costs, including labor costs, as well as lower unit prices following the normalization of the competitive environment.
- Demand has partially recovered from the decline caused by a pull-forward in demand ahead of the excise tax increase in Russia in the same period last year.
- Output per square meter increased in FY 2025 compared with FY 2024 and is also expected to increase further in FY 2026.
- We expect operating income in FY 2026 to remain roughly in line with FY 2025, reflecting lower unit prices following the normalization of the competitive environment and higher costs associated with capital investment.

2. What are the details of the strategic investments and the outlook?

- Investment in FY 2025 is estimated at approximately 1 billion yen. It was allocated mainly to R&D to standardize key printer parts, which is expected to enhance development and testing efficiency and improve profitability. It is also expected to improve capital and procurement efficiency by reducing inventories of service parts.
- At the same time, we are pursuing multiple growth investments, including partnership opportunities through M&A and the expansion of production capacity for consumables.
- Investments will not be made all at once but will be executed in stages based on progress and business conditions, subject to decisions by the Board of Directors, the Executive Officers' Committee and the Management Strategy Meeting.
- These investments contribute to operating income at varying times, with some contributions expected from FY 2027. For the standardization of key parts mentioned above, we expect the benefits to start to materialize from FY 2029.
- These investments are necessary to deliver the current medium-term management plan and achieve the FY 2030 targets, and we will execute them while setting priorities based on our financial performance.

3. What factors drove the Q4 increase in operating income in Japan?

- Sales of the new printer model, CL4/6-SXR, were strong. Higher sales and improved product mix boosted operating income. Also, initiatives such as the sale of packaged software and efforts to improve efficiency in sales activities by reviewing workload and ancillary operations contributed to higher profitability.
- Going forward, we expect development efficiency to improve by standardizing printer platforms and key parts, enabling continuous release of new products to capture more replacement demand.

4. What are the impacts of geopolitical risks in the Middle East on costs and parts procurement?

- We expect to see some increases in parts prices and logistics costs. However, given the high level of uncertainty, it is difficult to make reliable estimates, and these have not been factored into the FY 2026 plan.
- When raw materials and procurement costs increase, we revise product pricing. Based on customer trends identified through our three-line reporting system*, we believe the overall market has become more receptive to price increases.
- On the supply side, we will continue to mitigate procurement risks by diversifying suppliers and managing purchase volumes.
- We will manage pricing and procurement strategies flexibly as conditions change, and will provide timely explanations and disclosures if risks materialize.

*A system in which employees summarize information and ideas from day-to-day work that could help improve the company in approximately three lines (100 to 150 Japanese characters) and submit them directly to top management every day.

5. What are the assumptions behind the FY 2026 outlook for the overseas base business?

- Demand in the overseas base business remains firm, and we expect sales growth driven by a large project for a key account.
- The FY 2026 outlook reflects higher SG&A expenses from the initiative to strengthen regional headquarters functions in Europe, as well as capital investment and other upfront investments to enhance business infrastructure in each region.
- The benefits of these upfront investments are expected to materialize gradually from FY 2027. We will monitor their effectiveness under headquarters leadership and continuously evaluate their value.

6. What is the FY 2026 sales outlook as the Perfect and Unique Tagging (PUT) concept is commercialized?

- The FY 2026 sales target has not yet been disclosed. However, FY 2025 performance is generally in line with the medium-term management plan.
- As this is a new business, we are not yet at a stage where we expect material short-term sales growth. For now, we are focused on investing and building the business foundation over the medium to long term.
- For capabilities beyond our technology, we are also working with external partners and will drive commercialization and monetization from FY 2028 through FY 2030.
- Our logistics digital transformation business, on the other hand, is expected to deliver steady growth as an established business.
- We position blood and specimen SCM as a high-growth and high-profitability business. In FY 2026, we appointed Hiroshi Nagumo, who has experience in the blood products industry, as an executive officer to manage KPIs on a global basis. We have also strengthened our execution and progress management by assigning executives responsible for smart packaging and the circular economy.

7. What is your capital allocation strategy, and what is the reason for the increase in shareholder returns?

- There has been no change to our strategy outlined in the updated medium-term management plan. Shareholder returns will be delivered primarily through dividends. The annual dividend for FY 2026 is 80 yen per share, an increase of 4 yen year on year.
- This reflects solid cash flow, particularly in the Japan business, and a stable financial position supported by accumulated retained earnings.
- In determining dividends, we use DOE (dividend on equity ratio) as one of our key metrics. We take into account cash flow and future earnings growth, with a focus on sustainability.
- We position share buybacks as a flexible option to execute based on capital efficiency and market conditions. However, we currently prioritize stable and sustainable shareholder returns through dividends.

End