

## Key Questions and Answers from Financial Results Briefing for 1<sup>st</sup> Half of FY2020

1. You say that you intend to sharpen your unbeatable offerings, but specifically what products does this refer to, and for what industries? Do you have any solutions and/or industries in mind with high growth potential in particular?
  - For example, amid the coronavirus pandemic we are targeting the manufacturing market in the electric and electrical industries, and for the health care market we are targeting the pharmaceutical and blood center industries rather than hospitals. In the food and beverage market we are targeting customers with rising demand for at-home consumption in industries such as food & beverage production and fast food where our performance is strong. For customers with these usage applications in these industries we are examining whether we have unbeatable printers and solutions designed for efficient sales in short order and making improvements anywhere we are lacking. In the medium to long-term we are sharpening our R&D capability to produce unbeatable products that will differentiate us from the competition in our target industries.
  - Business dealings in automation and RFID are increasing. Needs for RFID are growing rapidly in the manufacturing industry, and since there is strong demand for task automation at workplaces where items are shipped in bulk such as logistics, food & beverage, and retail, we are bolstering our sales activities in these areas.
2. With RFID orders increasing, will you need to invest in R&D and capex in order to boost production capacity?
  - We are already making investments. With environmental consciousness recently on the rise, our original RFID differs from competitors in that it uses no plastic by directly printing the antennas and mounting the IC chips onto the base material, without any intermediary materials such as film. Developing our own equipment to manufacture these allows us to mass-produce them at lower cost.
3. Previously you had explained that you will continuously boost earnings by providing pay-as-you-go solutions. What efforts are you making to that effect?
  - We have been turning the solutions we are already providing to each of our customers into common solutions for similar needs within the same industry and providing them as pay-as-you-go solutions. In order to provide more of these solutions, we are putting resources in to drive sharable solutions more quickly.

4. Are you making progress in building supply networks for consumables in India, Vietnam, and the US?

- In Vietnam we have established an alliance with a local company. In India we have begun doing business with multiple local companies in four focus areas. In the US we currently have supply sites on the east coast and are considering a supply network on the west.

5. Based on your experience acquiring and withdrawing from DataLase, what will you be targeting when acquiring companies in the future?

- In our top priority countries, the US, India and Vietnam, we will be emphasizing the following three points.
- First is to expand our maintenance network
- Second is to strengthen our consumables supply network
- Third is to strengthen alliances with business partners, namely systems integrators and engineering companies.

6. Your briefing materials say that you received orders for over 500 printers from a major US retailer, and that you have the potential to replace 10 times or more printers made by other companies in the US. How has the response to your efforts to capture this business been so far? Also, your September sales in the Americas increased year-on-year, but if these large orders were a contributing factor is it only a temporary jump, or is it a recovery trend that will continue in October and into the future?

- These orders were the results of penetration with a customer who was using large numbers of printers made by multiple competitors, for a variety of usage applications. Our steady efforts to cater to their needs earned their trust, and subsequently earned the business. We want to continue selling printers for these same usage applications while also gradually making more proposals for other applications. Based on these accomplishments, we will also expand these applications to other major retailers. Our business with large companies in the US is on a larger scale than the large orders we receive in Japan.
- These orders did indeed contribute to our sales figures in September, but we also have other new orders. Also including consumables, we are trending toward recovery in the US.

7. This question is about your consolidated medium-term targets. Your sales targets for FY2022 are at about the same level as in FY2019, but with an increase of 1.3 billion yen in operating income. However, since DataLase produced an operating loss of around 1.3 billion yen in FY2019,

in effect your operating income target is also around the same as in FY2019. Does this figure reflect the effects of your efforts to drive profitability in Japan? Also, are there any elements involved in these efforts that are driving up costs, such as up-front investments, depreciation, or amortization? Was your FY2022 operating income target calculated conservatively?

- Among our measures to drive profitability, new product development and IT systems development will need at least two or three years to show any results. Aside from the things we can work on right away, we expect to see large effects in around six months to a year from standardization in consumables, creating common solutions, and creating packages of solutions. Our target operating income includes the effects that we are certain to generate within three years, but not anything that isn't certain yet.
8. Aside from the IDP business which you withdrew from, are you making changes to any other business areas or regions during the current medium-term management plan?
- Not at the moment. At the same time, subsidiaries that are slumping even aside from the coronavirus pandemic and those that have performed poorly for a few years are now working more closely with headquarters and making ongoing improvements.
9. Europe has gone back into lockdowns, but do you expect this to cause clients to close their businesses or change orders in other ways as we saw in Q1?
- These lockdowns also happened in March and April, but the situation is different now from what it was then. During the previous lockdowns virtually all production activities were halted, but now small retailers selling life necessities are open for business, and production plants are also running. Therefore, at the moment we do not believe these lockdowns will have much additional impact on our business.