

Key Questions and Answers from Financial Results Briefing for 3rd Quarter of

FY2020

1. I would like to ask about the upward revision in the forecast for FY2020. Which had a stronger impact in the Japan business? The earlier-than-expected recovery of production by customers or the effect of previous sales measures such as responding to needs for automation solutions?
 - We believe that our focus on capturing customer demand has been successful. The results were achieved by adopting sales style responsive to the coronavirus, including online business negotiations using various tools, and by continuing to conduct business negotiations with customers in industries that are performing well. In particular, business negotiations related to automation and RFID are increasing both domestically and internationally. At the same time, it is true that orders from the manufacturing market, which accounts for a large percentage of sales, have returned earlier than expected due to the recovery of production by customers. We have decided to make an upward revision against the backdrop of a recovery in earnings due to both of these contributions.
2. Which had a stronger impact on the recovery of business performance overseas, external factors such as stay-home demand or internal factors such as the effects of measures?
 - In the primary labels business, although there has been a transient increase in some areas, the results of continuous development of new businesses and customer demand are being seen. The same is true for the base business, which is getting a boost from strong industries. However, customers who have been looking to improve their operations for some time are now deciding to invest in measures to reduce contacts among employees due to the spread of the coronavirus, and there are growing needs for the solutions we provide.
3. Could you provide us with an overview of the new IT system mentioned in relation to SG&A expenses for the Japan business and the purpose of its development?
 - The new IT system was referred to at the financial results briefing for the first half and is scheduled to start operating in FY2024. In addition to lowering SG&A expenses by improving labor productivity through the use of systems, we aim to shift the human resources generated from the use of systems to high value-added creation work to further improve sales productivity. At the same time, our goal is to share sales know-how and to reform sales methods.

4. Has there been any progress in developing solution sales in overseas businesses?
 - We are continuing to share our know-how. In addition, the head office also has a firm grasp of the progress of the project through the management of business negotiations, including the market, industry, application, and proposal details, using CRM. This allows us to efficiently collect information even when multiple offices in different countries are approaching the same global customer. In addition, the head office provides support for ongoing business negotiations by sharing best practices and proposals for similar projects, thereby creating an environment where the mindset of selling solutions can take root.

5. Is progress being made in establishing production facilities of consumables in India, Vietnam, and the US?
 - The speed of progress slowed down in India and Vietnam due to the impact of the coronavirus at the stage of matching strategies and networks. On the other hand, progress has been made in investigating possible partnerships in each region in the US. The purpose of improving the consumables networks is not to acquire local companies, but to stay close with customers by stably providing consumables, to build a relationship of trust, and to capture the next demand. In this regard, measures to strengthen the networks are progressing.

6. Are there any plans to expand the supply system for RFID or to invest in equipment development?
 - We strategically divide supply between in-house production and external purchase depending on the required functions. We are building a supply network in cooperation with manufacturers in various countries overseas to meet demand. We have developed and upgraded our own production facilities in Japan for high performance and value-added products for the healthcare and manufacturing industries. As for the overseas supply of high-functionality, value-added products, exports and sales will be conducted from Japan for the time being. However, depending on the volume of demand, there is a possibility of developing a system to manufacture high value-added products overseas.

7. Will the current recovery trend continue in the next fiscal year? Will there be a continued willingness to invest in automation and labor-saving measures in industries that are currently performing well?
 - In principle, the increase or decrease in the consumables business is proportional to the volume of moving goods, including parts and commodities. Accordingly, as the distribution volume of

grocery supermarkets and logistic companies, which are doing well, increases, labels applied to containers such as corrugated cardboard and transport pallets will increase, and this has backed the recovery. Performance in the consumables business will continue to depend to some extent on the volume of goods. Meanwhile, there will be a temporary increase in investment in mechatronics including printers, and in addition to that, there will continue to be a need to respond to the existing labor shortage and to move away from handwritten work and toward digitalization.

8. Will the effects of measures using CRM contribute to boosting business performance and the medium-term management plan in the next fiscal year and beyond?
 - The use of customer information in Japan and overseas will continue to be effective. For example, in the retail industry, which our US sales subsidiary is focusing on, we were able to win some projects in the second half of the year, and this was the result of sharing customer information with related departments, deepening cooperation, and responding quickly. We feel that systems for using customer information to drive results are gradually taking root. We will revise mid-term targets if necessary, taking into account the realization of results of measures and the speed of recovery in each market.