Key questions and answers from the financial results briefing for 3rd Quarter of FY2021

1. How would you evaluate Q3 performance relative to internal plans?

- On a consolidated basis, both sales and operating income exceeded plans.
- Overseas, both sales and OI significantly exceeded plans. Demand for printers and other products was robust, and order backlogs from Q2 also contributed to sales growth. Higher sales contributed to the increase in OI.
- In Japan, sales were largely in line with plans and OI was lower. While continuing recovery in the manufacturing and logistics markets contributed, sales were largely in line with plans due to the absence of large-scale orders in the retail market in the same period of the previous fiscal year. Higher costs of components and materials, as well as rising shipping costs due to a shift to air freights, squeezed profits.

2. Would there be any changes to the Medium-Term Management Plan (FY2021-2023)?

- Changes are not foreseen at this time. However, as uncertainty is expected to continue in Q4 and beyond, there is a possibility of revision depending on the degree of changes in business conditions and full-year results for FY2021.

3. When are semiconductor shortages affecting printer production likely to peak out?

- They are expected to peak out sometime during the next fiscal year. However, this is based on currently available information and may change if any unexpected situation arises.

4. Are you on course to achieve the full-year operating income target for FY21 (JPY 6.4 billion)?

- With many uncertainties, we cannot be too optimistic. Aiming to achieve the target, we will strive to control various costs, optimize selling prices, and efficiently execute SG&A expenses.
- It is contingent on capturing robust printer demand and increasing sales. In Q4, amid various delivery constraints, we intend to secure inventories to cope with order backlogs from Q3.

5. What is the progress in passing on cost increases?

- We are broadening the range of customers we are negotiating with and are receiving a general understanding that price revisions are necessary.
- As revisions for printers can only be applied to new orders, the effects will mainly be felt from

the next fiscal year.

- Rising prices of raw materials affected consumables by approximately JPY 600 in gross profit in cumulative Q3 on a consolidated basis, but the overseas segment was able to pass on 2-thirds of these costs at a relatively early stage. We have taken a more cautious approach in Japan due to the potential impact on the overall market. As with printers, the effects are expected to be seen from the next fiscal year.

6. Does the tolerance for passing on costs differ between printers and labels?

- Negotiations are not always easy for both, but we see a higher tolerance for printers. Though the situation varies by region and market, it tends to be understood through careful dialog at the outset of business negotiations. Consumable products such as labels, on the other hand, have a higher degree of difficulty because in addition to traditionally fierce price competition, progress of business negotiations and risk of losing opportunities must all be taken into account while coping with price increases from raw material suppliers.

7. Are there any differences between the projected impact on 2H operating income disclosed in November and the sum of Q3 results and Q4 forecasts?

- There is almost no difference in total. However, while the increase in raw material costs for labels was larger overseas than expected, the positive impact there of optimizing selling prices was also large enough to offset the negative impact.

8. Is the degree of recovery in investment appetite in the Japanese manufacturing market as expected?

- The appetite for cumulative Q3 was stronger than expected. However, there has been no change in the mixed nature by industry. Solid performance continued in the electronic components, machinery, and electrical machinery industries, which account for about 1-third of manufacturing sales, surpassing the pre-corona FY2019 levels. However, the remaining 2-thirds such as automobiles and steel are yet to recover FY2019 sales, thus there is considerable room for them to grow. Overall, demand is likely to stay firm in Q4 and beyond, and business pipelines are steadily expanding.