

## Key questions and answers from the financial results briefing for FY2021

1. What is your plan about your business operations in Russia?
  - Given the challenges and unpredictable situation in Ukraine and Russia, we excluded the figures of our Russian business from our medium-term targets. However, we have not made any decisions about withdrawing from Russia.
  - We will keep watching the situation closely and consider all sorts of strategic options available.
  
2. In the FY2022 plan, the net income attributable to the owners of the parent company is to decrease from the previous year. What is the reason for it?
  - We expect to book an extraordinary loss due to the pension buyout of our UK subsidiary, which was announced in November 2020.
  
3. In the FY2022 plan of Japan business, the operating income is estimated to grow significantly compared to the previous year. What is the rationale for it?
  - There are three factors.
  - First, we will increase the gross profit margin by focusing on high-margin industries and improving product-mix. We will focus on selling high-margin mechatronics products in high-margin industries such as manufacturing. In the manufacturing industry, our consumable sales increased in FY2021 compared to pre-pandemic FY2019 level. However, the mechatronics sales have not recovered. In FY2022, we will focus on selling high-margin products in highly profitable industries.
  - Second, we expect the cost pass-through effects of printers and consumables.
  - The third is the cost reduction (approx. JPY 1 billion) shown in slide #31. We expect a large decrease in SG&A expenses mainly coming from a reduction in printer freight costs and a pause of investment in in-house IT infrastructure.
  - The operating income of JPY 4.8 billion is estimated based on the above projections.
  
4. Have you passed the peak of semiconductor shortage that affects printer supply? Are there any factors that may increase your cost in FY2022?
  - Currently, there is no major procurement concerns, and it is projected that we can secure necessary parts and materials to keep up with the production needs throughout this fiscal year. We expect that almost all backlog for printer orders should be resolved by around Q1 of FY2022.
  - We anticipate that the cost increase in raw materials and manufacturing will continue, so we strive

to offset it by cost pass-through and other measures.

5. What are the reasons behind the anticipated continuous improvement in the operating margin in the overseas business?

- Although the exclusion of the Russian business from the plan will affect the operating margin, we aim to improve it by expanding the existing businesses including *koto-uri* (solution selling not the product) and effectively taking measures to improve profitability such as cost pass-through.

6. What progress has been made so far about generating new opportunities in Japan via marketing activities explained in slide #32?

- In FY2021, we developed approximately 30,000 new opportunities in Japan. Out of which, about 4,000 opportunities (more than 10 percent) were generated through the marketing activities.

7. How are the cost factors listed in slide #19 considered in the plan for FY2022?

- We assume that the cost increase in printer manufacturing and raw materials for labels will continue to affect our gross profit negatively. Implementation of cost pass-through and progress of cost reduction efforts are considered in the plan as positive factors. We expect that it would be difficult to fully offset the negative impact on gross profits by these positive factors alone.
- The positive impact on SG&A expenses mainly comes from a reduction in printer freight costs and a pause of investment of in-house IT infrastructure.