

Key questions and answers from the financial results briefing for FY2024

1. Does the Q4 operating income of ¥1.1 billion for the Japan business include the one-time cost of ¥500 million associated with the headquarters office downsizing, which was included in the revised business plan disclosed on February 12?
 - No, it does not. The one-time cost associated with the downsizing of the headquarters office was recorded as an extraordinary loss.
 - Of the ¥630 million impairment loss recorded in FY 2024, ¥200 million was related to depreciation and restoration costs linked to the headquarters office. The remaining amount was primarily due to asset impairments at our U.S. subsidiary.
2. What factors are contributing to the slowdown in sales growth for overseas base businesses in FY 2025?
 - In addition to the negative impact of foreign exchange fluctuations, we anticipate economic slowdowns in markets such as China and Europe.
 - As countermeasures, we are further strengthening and expanding negotiations with global key accounts, which already yielded positive results in FY 2024.
3. Why has operating income in the primary labels business been maintained better than expected?
 - At our Russian subsidiary, we have maintained it by increasing sales of high-margin, value-added products and implementing a profit-based incentive scheme for sales personnel.
 - However, tax reform in Russia in January 2025 led to an increase in excise taxes, resulting in a temporary decline in demand for alcoholic beverages such as vodka. Our Russian subsidiary's core product line consists of primary labels for alcoholic beverages with multicolor printing and special finishes. As a result, sales temporarily fell. While we offset some of the impact through sales of labels for everyday goods, the change in product mix reduced the overall profit margin compared to the same period last year.
 - We expect the demand for alcoholic beverages to return to normal levels over the medium to long term.
4. What is the scale and future outlook for the circular economy-related business, including the upcoming FY 2025 launch of the resource circulation traceability system?
 - Major customers in Japan and Europe have already begun phased implementation. While individual deals carry significant value, full adoption across the supply chain will require more time, and we are currently assessing the overall business potential.
 - Our circular economy solutions are targeted at customers in "reverse logistics" (focused on collection, dismantling, recycling, and resource recovery), which has the potential to grow to a scale comparable to "forward logistics" (focused on manufacturing).
 - Sales and profits from our circular economy solutions are included under new market development in our FY 2024–2028 Medium-Term Management Plan.
 - We already offer solutions for tracking materials throughout the manufacturing process in forward logistics — from raw material receipt to product shipment. We will launch new solutions in reverse logistics, following a proof of concept with partners, to support the entire recycling process, including collection, sorting, and processing. Going forward, we will increase our efforts in promotions and exhibitions.
 - We believe we are currently ahead of competitors in this field.

5. What are the details of the large strategic deal in the Japan business?

- It involves mobile printers for logistics customers. These printers are used by delivery drivers to print redelivery labels.
- While the profit margin of this deal is relatively low, it is strategically important, considering its benefits in enhancing factory utilization and strengthening our brand.

6. Which digital transformation products and solutions for logistics are currently performing well in terms of sales?

- We provide not only printers, but also software and maintenance services as part of an integrated solution, offering multiple products/solutions aimed at digital transformation in logistics.
- IritoDe, a warehouse management package software, is one example of a well-performing solution.
- Both package and custom-developed software achieved record-high sales.
- Their strong performance is attributed to proposals that are carefully tailored to the operational requirements of each customer site.

7. Why is operating income expected to decline in the first half of FY 2025?

- FY 2023 and FY 2024 marked record highs in both sales and operating income. The goal of restoring profitability, as outlined in the Medium-Term Management Plan, was achieved ahead of schedule, allowing us to accelerate our transition into the growth investment phase.
- To drive further overseas business growth, we are making upfront investments, including production capacity expansion and talent acquisition, which are contributing to increased costs.
- To maximize the impact of these investments, we are focusing on the health care, manufacturing and logistics sectors, where RFID implementation is accelerating.
- The impact of these investments is expected to become visible from the second half of FY 2025 to the first half of FY 2026.

* As of March 22, 2024, the date on which the Medium-Term Management Plan was formulated.

8. What is the market potential and outlook for the blood product supply chain management (SCM) field?

- We estimate that the market will reach approximately ¥10 billion by 2030, with strong profitability. This is a CEO-led initiative. With the appointment of a new president who brings experience in overseas markets, we are accelerating our global expansion.

9. When is the new printer scheduled for launch?

- The new printer is scheduled for launch within fiscal year 2025.
- We are also working to standardize the platform across our upcoming printer models.

10. What has been the impact of the recent organizational restructuring, and what is the outlook going forward?

- The restructuring by product category (mechatronics, consumables, and RFID) has reduced overlapping functions and enabled better visibility into profitability by category, allowing for clearer prioritization and improved understanding of strategies and their outcomes.
- We expect the impact to become visible from the second half of FY 2025.
- The integration between the holding company and core operating company in April has enabled more agile decision-making.
- With Hayato Shindo overseeing global operations, we will prioritize and implement well-defined initiatives for mechatronics and consumables with domestic and international business perspectives.
- Hiroyuki Konuma will directly oversee CEO-led projects and branding initiatives, while Yoshinori Sasahara will focus on strengthening digital transformation and governance.
- Major organizational reforms are now complete. With the Medium-Term Management Plan progressing ahead of schedule, we aim to revise our performance targets further upward.

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