

Summary of Q&A for the First Quarter of FY2025 Financial Results Briefing

- **Overall**

Q: How did sales revenue and business segment profit perform for the first quarter of FY2025 compared to internal plans?

A: Sales revenue exceeded internal plans by approximately 4.5 billion yen company-wide, but without positive FX effects, the actual figure was about 2.0 billion yen below plan. The main shortfall was in the IP (Industrial Printing) business, with slight underperformance in the Nissei and N&C businesses as well. Other businesses were generally in line with plans. Business segment profit exceeded plan by about 4.5 billion yen company-wide, and even excluding FX effects, there was a real increase of about 4.0 billion yen. This outperformance was mainly in the P&S business, as well as the IP, Machinery, and P&H businesses. Factors included delayed expenses and expense controls implemented in response to U.S. tariff policies.

Q: While expenses were controlled compared to internal plans, promotional expenses increased year-on-year. What is the background to this?

A: Promotional expenses increased mainly in the P&S business. In the first quarter of last year, promotional expenses were restrained due to supply constraints on hardware. This year, with sufficient supply and increased sales volume, promotional expenses have also risen. The increase is relative to the previous year, not due to excessive spending.

Q: What was the actual burden of additional tariffs in the first quarter of FY2025? If available, please provide a breakdown by business segment.

A: In the first quarter, most of the sales were covered by on-hand inventory held by sales companies, so the additional tariff burden was minor, less than 1.0 billion yen. By business, the main impact was in the P&S and IP businesses.

Q: At the beginning of the fiscal year, the additional tariff burden was expected to be 21.5 billion yen, and after considering countermeasures and the risk of decreased sales, net impact to the company's original plan was forecasted 5.0 billion yen decrease in profit. How has this changed?

A: The initial estimate of the additional tariff burden was 21.5 billion yen, assuming a 145% rate for the goods from China and 10% from other countries/regions. In the first quarter, after adjusting production and shipments as planned and reflecting changes in the rates by each country, the tariff burden decreased to 16.0 billion yen. Measures such as price increases and expense controls are being implemented to absorb the negative impact

of 16.0 billion yen, so the net impact to the profit remains unchanged from the initial forecast.

Q: With the yen weakening against the euro, what is the impact on full-year results? Also, what is the sensitivity of profit to exchange rate changes?

A: The current exchange rate is weaker than the initial assumption of 1 euro = 160 yen. While future exchange rate trends are hard to predict, further yen depreciation would boost profits. In FY2024, a 1 yen depreciation against the euro resulted in a profit increase of 1.0 billion yen per year.

● **P&S (Printing & Solutions) Business**

Q: What is the status of price increases as a countermeasure to U.S. tariff policy? Is there room for further increases? Have there been any changes in the competitive environment?

A: From July, we have implemented price increases of around 10% on average for both hardware and consumables, although the exact amount varies by product, for both laser and inkjet products. Competitors have also raised prices by similar levels, so there has been no major change in the competitive environment. There is no sign of market deterioration at present, but we will continue to monitor the situation, especially during the sales season from autumn onward.

Q: Despite increased sales year-on-year, why is the “Differences in sales, etc.” item negative for the P&S business in the Main Factors for Changes in Business Segment Profit?

A: The “Differences in sales, etc.” item includes not only changes in volume and product mix, but also various other factors that do not fit into other items. The main reason is that adjustments of production and shipments in response to U.S. tariff policy changed the sales composition, worsening profits at headquarters and factories. This is temporary and expected to be resolved during the fiscal year and should not affect the annual profit forecast.

Q: At the beginning of the fiscal year, the outlook for the sales was flat for laser hardware, increase for inkjet hardware, and increase for consumables. Has this changed? Is there a risk of downward revision due to market deterioration?

A: There has been no change in the full-year outlook at this time. Consumables are performing relatively well and exceeding internal plans. For hardware, there is some risk in Europe where market conditions are weak, but we are working on plans to recover.

The impact of price increases and the resulting decline in sales volume in the U.S. has already been factored into the forecast. While there is currently no sign of market deterioration, we will continue to monitor the situation closely.

● **Machinery Business**

Q: Orders for machine tools appear to be recovering steadily in the first quarter. Which regions or industries are driving this?

A: With the exception of weak domestic demand, all regions are growing, with China being the main driver. By industry, investment in automobiles, including EV, is strong. Outside the automobiles, orders for metal parts processing for chip mounter manufacturing and for medical and aircraft-related fields—areas we have become able to reach with new products in recent years—are also increasing. There was some order restraint around May due to U.S. tariff policy, but orders in China have recovered.

Q: What led to the significant improvement in profit margin year-on-year in the first quarter? With sales expected to increase further from the second quarter onward, is there potential for profit margins to rise even higher?

A: The main factor was increased sales of machine tools. Profits also exceeded internal plans due to expense controls in response to U.S. tariff policy and delayed expenses. There is no change to the full-year profit outlook.

● **IP (Industrial Printing) Business**

Q: You mentioned that the competitive environment for Printing and Automation is becoming more challenging. Could you explain in detail?

A: The business environment especially for garment printers has become more difficult since the latter half of last fiscal year. While our company uses the DTG (Direct to Garment) printing method, DTF (Direct to Film) products are gaining momentum in the market, causing DTG's market share to decline. Additionally, there was a large project in the first quarter of last fiscal year, so the year-on-year decline is significant.