

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

● Overall

Q: How did the company perform regarding sales revenue and business segment profit in the third quarter of FY2025 compared to internal plans?

A: Compared to the internal plan, total company sales exceeded the plan by approximately 6 billion yen, but excluding the positive impact of foreign exchange, there was an underperformance of about 8 billion yen. The breakdown of the 8 billion yen shortfall by business shows that most of the underperformance was in the P&S business, followed by the IP business. On the other hand, the P&H business outperformed the plan. Although machine tools outperformed, the underperformance of industrial sewing machines resulted in the overall Machinery business being in line with the plan. Business segment profit exceeded the plan by about 1 billion yen company-wide, but excluding the positive impact of foreign exchange, there was an underperformance of about 1.5 billion yen. By business, most of the shortfall attributed to the P&S business. The P&H business, which had strong sales, and machine tools in the Machinery business both outperformed in terms of profit as well, while other businesses were in line with the plan.

Q: What are the factors behind the differences between business segment profit and operating profit in the third quarter and the full-year forecast?

A: In the third quarter, despite the impact of foreign exchange losses, the gain on the transfer of the Standard business, which operates karaoke club businesses, as of November 1, amounting to 4.5 billion yen, boosted operating profit. For the full year, the said difference in the third quarter is expected to be offset with the foreign exchange losses recorded in the first half.

Q: There have been surges in precious metal prices and supply shortages of items such as semiconductor DRAM. How are you responding to these issues?

A: Recently, memory prices have been rising in particular. There are no major issues in procuring the required quantities, but an increase in procurement prices is unavoidable. We are continuously working to reduce material costs and will control overall costs as a company.

● **M&A**

Q: What kinds of synergies do you expect to generate in the industrial area by utilizing a tender offer bid (TOB) for MUTOH Holdings' shares?

A: Synergies can be expected in various fields. First, since the product lineups of both companies do not overlap, we believe that synergies in sales and development can be realized from an early stage. In terms of manufacturing, Mutoh Industries, the main company of MUTOH Holdings, owns a factory in Japan. Going forward, we will thoroughly discuss future collaboration and aim to create synergies in manufacturing as well.

Q: Will Brother's printheads be used in MUTOH products in the future?

A: The use of industrial printheads is based on selecting the most suitable option for each application, and it is common practice to choose printheads according to customers' diverse needs. In areas where Brother excels, we would like to utilize Brother's inkjet printheads.

Q: Has there been any prior business relationship between your company and MUTOH Holdings?

A: No.

Q: There is still unused capacity in the strategic investment framework for M&A under the medium-term business strategy CS B2027. Which fields do you intend to further strengthen through future M&A activities?

A: Under CS B2027, we have allocated a strategic investment budget of 200 billion yen, of which we plan to use 150 billion yen for M&A and alliances. The key areas we are focusing on are machine tools, industrial printing, commercial & industrial labeling, and new businesses, which we have positioned as growth businesses.

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

Q: Although the weakness in the consumables business can be explained in comparison to the previous year by the surge in last-minute demand in Europe, the business also fell short of the internal plan. What were the main factors contributing to this shortfall?

A: The shortfall was primarily attributable to inventory adjustments undertaken by our distributors in Europe.

Q: Do you expect the inventory adjustments to be resolved in the upcoming fourth quarter?

A: We do not anticipate that inventory levels will return to normal within the current fiscal year. Accordingly, we have revised our forecast for consumables sales in Europe downward for the fourth quarter. Nevertheless, on a full-year basis, we expect consumables sales in Europe to show growth compared to the previous year.

Q: What are the recent trends in the competitive environment regarding product pricing and promotional expenses in the printing industry as a whole?

A: The competitive landscape varies by region and product segment. In the United States, where concerns over tariff policies were prevalent, the additional tariff costs have been successfully passed on to customers, resulting in steady sales of hardware units without reliance on increased promotional expenses. Conversely, in Europe, the market remains soft, leading to intensified sales competition and greater reliance on promotional spending. In China, market conditions have also become particularly challenging for black-and-white laser products.

Q: Have your full-year sales growth rate forecasts for hardware units and consumables, compared to the previous year, changed since the second quarter results?

A: For hardware units, we have maintained our growth forecasts for color laser and inkjet products. However, we have revised the growth rate for black-and-white laser products downward. With regard to consumables, we have also lowered our overall growth forecast, reflecting the downward revision of sales expectations in Europe.

● **IP (Industrial Printing) Business**

Q: While profits remained under pressure in the first half, there was some recovery in the third quarter. However, the outlook for the fourth quarter appears to be quite challenging. What are the main factors behind this?

A: The apparent improvement in profits during the third quarter is primarily attributable to the deferral of certain expenses in the printing & automation segment to the fourth quarter. In addition to this timing shift in expenses, we plan to make investments in sales and development to enhance profitability in the next fiscal year and beyond. As a result, we anticipate that profits in the fourth quarter will remain under considerable pressure. It is worth noting that both sales and profits at Domino have remained steady.

- **Machinery Business**

Q: While orders related to the automotive sector in China have stabilized, other areas are reportedly performing well. Which sectors, apart from automotive, are showing strong demand?

A: Overall, demand is steady across various sectors, but in particular strength in semiconductor manufacturing stands out. Additionally, there is increasing demand for the machining of aircraft components and parts for chip mounters.

Q: At the second-quarter briefing, it was explained that orders would continue to increase stepwise. However, orders in the third quarter decreased quarter-on-quarter. What is your outlook going forward?

A: In the second quarter, orders in China significantly exceeded expectations, and we had anticipated that this momentum would continue. However, third-quarter orders fell short of those expectations, and growth in China has slowed. We expect orders in the fourth quarter to remain at a similar level to the third quarter. We are implementing measures to increase orders in regions outside of China and hope to see positive results from these initiatives going forward.

Q: What is the background for the conservative full-year forecast for industrial sewing machines?

A: Several negative factors have converged. First, investment has been held back due to India's tariff on exports to the United States being raised to 50%. While the recent reduction in tariff rates may improve the situation, we have reflected the delayed recovery in investment in our outlook. In addition, exports of apparel products from Vietnam to the United States have declined, and capital investment in Bangladesh has been subdued ahead of the general election. Furthermore, reflecting the deterioration in Japan-China relations, orders from Chinese state-owned garment manufacturers have decreased. Taking these current conditions into account, we have lowered our forecast.