

**Telephone Conference for the First Nine Months of the Fiscal Year Ending March 31,
2023: Questions and Answers Section**

Q. I get the impression that the surge in logistics costs has been subsiding. As such, what are your outlook for the fourth quarter and next fiscal year?

Also, there seems to be momentum toward holding more live events as the COVID-19 pandemic comes to a close. Given that, what are your thoughts on advertising expenses from next fiscal year onward?

A. (Ito, Executive Officer and Head of Corporate Administrations) We realize the previous surge in logistics costs has been subsiding since around year-end and believe this trend will persist going forward.

Moreover, we hope to hold more events going forward and are considering possibilities regarding various event formats including small and medium-sized events rather than conventional large events. We do not think that advertising expenses will increase sharply from next fiscal year onward.

Q. Going forward, how do you intend to bring about improvement in terms of the disparity between your profit margin and that of your competitors?

A. (Ito, Executive Officer and Head of Corporate Administrations) We recognize our profit structure differs from that of our competitors, such as in terms of product mix. We also seek to reduce costs partially by promoting standardization.

Q. What is your outlook going forward as raw materials prices continue to surge?

A. (Ito, Executive Officer and Head of Corporate Administrations) We hope to secure profits through various means such as setting selling prices under the assumption of raw materials prices holding to certain levels going forward amid persisting inflation. When it comes to uncertainties, it will be necessary for us to pay close attention to circumstances surrounding raw materials prices in the event of a recession.

Q. What factors have underpinned the drop in profit margin of the Asia business in the third quarter?

A. (Ito, Executive Officer and Head of Corporate Administrations) In the third quarter, whereas the Asia business did not achieve much net sales growth in part due to resurgence of the COVID-19 pandemic in China, profit margin decreased due to fixed expenses and other such costs. Also, the business was also subject to impacts of foreign exchange against Asian currencies.

Q. The Europe and U.S. business incurred an increase in losses in the first nine months of the fiscal year. As such, what is your outlook for the fourth quarter onward?

A. (Ito, Executive Officer and Head of Corporate Administrations) Although sales did not increase due to excessive inventories at some major distributors and other factors, we expect sales to mount a recovery going forward given that inventories finally started to move at year-end. Our cost structure also improved heading toward year-end. However, given looming uncertainty regarding prospects of recession, we need to keep a close eye on such developments.

Q. Do you have any comments at this point in time regarding catalysts next fiscal year?

A. (Ito, Executive Officer and Head of Corporate Administrations) In terms of what I am able to comment on at this point in time, another TRANSFORMERS movie will soon be released. As such, that will be an opportunity for us to achieve sales growth encompassing overseas-bound exports.

Q. With other companies making moves toward raising employee wages, what is your company's situation in this regard?

A. (Ito, Executive Officer and Head of Corporate Administrations) We will consider such options given that we have been consistently providing wage increases thus far.

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