Q: Your internal target operating income for FY2010 was initially FY2008 level over the official guidance of 50 billion yen. Given performance in the 1st half, what is the status of your progress towards internal target?

A: Following the announcement of the Group earnings forecast in May, we were affected by the yen appreciating beyond our expectations, procurement difficulties in Business Technologies in 1Q, and customers adjustments of staple products in Optics from 2Q onward. As a result, although earnings in the 1st half exceeded official guidance, they fell slightly short of our initially-expected target. However, profitability improved markedly in our mainstay Business Technologies from 2Q onward as a result of introducing new products, in addition, we expect that our new lineup of production printing products will significantly contribute to the 2nd half. As such, we will make every effort to ensure that earnings exceed official guidance for the full business year.

Q: What measures will you take for the next quarter onward?

A: We are presently formulating a 3 year medium-term management plan. Up until now, the Group has worked to promote its Genre-Top Strategy of business expansion by concentrating management resources in business areas and markets having the potential for growth. We cannot yet provide any specific details, but we are aiming for even stronger growth by enhancing not only product categories, but also sales methods and regional genre-top areas.

Q: Can you explain about your profit return policy for shareholders (e.g. dividend policy and buyback)?

A: We are focusing great importance on return by expanding net income per share through increased profit and by our dividend policy (target dividend payout ratio of 25% or higher). We will make an appropriate and timely decision in regards to buyback by taking into consideration improvements in both the shareholder return ratio and capital efficiency.
Q: Other than in the major markets of Japan, North America, Europe, sales of multifunction printers (MFPs) are also exceedingly strong in the “Other” region, which includes mainly Asia. Are you now able to secure a level of profitability same as the major markets?

A: Different from major markets which focused on sales of high-value-added products by strengthen direct sales, for example China, we are now striving to make our sales structure more efficient by cooperating with powerful distributors. As a result, although the selling price of MFPs and ratio of consumable sales are lower than in developed countries, we are constructing businesses in these region capable of providing sufficient a profit.

Q: What is the current status of consumable sales?

A: Excluding foreign exchange effects, sales grew by 4% YOY in the 1st half, and there are strong indications of recovery on output environments in office documents.

Q: What are your 2nd half estimates for TAC film (protective film for polarizing plates)?

A: We expect that, inventory adjustment issues related to LCD panels and polarizing plates which surfaced in August will be resolved through the period of demand in 3Q, provided by the Christmas sales season and Chinese New Year.

Q: There are concerns that your VA-TAC market share will fall due to increased competition. What are your expectations in this regard?

A: This year, we have been striving towards the goal of sales expansion, focused on our strengths of thin and wide plain TAC. Meanwhile, we would also like to strengthen competitiveness by introducing new products in VA-TAC market.

Q: What are your expectations for glass hard disk (HD) substrates in the 2nd half? Also, what are your thoughts on the growth potential of the HD drive market given the recent rise of tablet PCs?

A: We expect a 15% increase in unit volume over the 1st half as we expect that adjustment will end in the 2nd half. Further, although trends in the tablet PC market need to be watched, there is also the chance that the market will expand through a shift from aluminum HD substrates to glass ones for desktop PCs and servers, thus allowing the Group to expand the scale of this business into the future.

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