Q: What were the results for the third quarter of FY2010 compared with your initial plan? In addition, what were the factors that caused sluggish sales?
A: Although we targeted net sales of ¥137.0 billion in our initial plan, they actually stood at ¥130.3 billion, falling 5% short of plan. Sales volumes of multi-functional peripherals (MFPs) fell short of their initial plan by 7%, reflecting a delay in installation for Major Accounts in the United States and sluggish sales in Japan. Meanwhile, sales volumes of MFPs in Europe exceeded the plan, but because the weighting of low-speed machines in the product lineup increased, the sales mix deteriorated.

Q: Operating income generated in the third quarter was inconsistent with strong results recorded in the second quarter. What factors were behind these results?
A: We have been providing optimized print services (OPS) on a global scale as a key initiative in the office MFPs field. However, a misinterpretation of the timing from the presentation of proposals to customers to the installation of MFPs has partly resulted in inaccurate sales expectations. The production printing field was also unable to contribute fully to overall sales, partly because it took time for us to ensure the product quality of new color products and develop a sales structure for them.

Q: You have reported that the temporary impact of shipment adjustments is a factor that caused changes in operating income for the third quarter, compared with the second quarter. What was the impact on income of this opportunity loss?
A: Earnings were influenced by the shipment adjustment adopted by the Business Technologies Business, given the sluggish performance of sales subsidiaries. However, operating income for the fourth quarter is expected to improve approximately ¥2.0 billion, reflecting higher shipments on the back of strong sales.
Q: What measures will be adopted to boost results for the fourth quarter?
A: As an initiative to improve our performance in the fourth quarter, we have already taken steps that include the provision of incentives in an effort to promote sales of high-value added products. We will also focus on expanding sales of high-speed products by introducing new monochrome MFPs with between 50 ppm and 60 ppm for Major Accounts.

**Optics**

Q: What is your outlook for your major products in the fourth quarter?
A: Sales of TAC films (protective films for polarizing plates) hit bottom in October 2010 and have recovered sharply since November, reaching the level recorded in the first quarter of the current fiscal year in December. In particular, orders for VA-TAC films, a strategic product, increased steadily even through the period of production adjustment. In addition to the continued expansion of sales of VA-TAC, we will strive to bolster sales of extra-wide and thin plain TAC films, products in which we excel, in the fourth quarter. Consequently, both sales volumes and sales amount are likely to be at the level achieved in the first quarter of the current fiscal year.

Meanwhile, sales of glass HD substrates in the fourth quarter are likely to fall between 10% and 20% from the third quarter, given continued production adjustment. With this ongoing situation, in which we cannot anticipate higher sales of optical pickup lenses and lens units for mobile phones, we will aim to improve profitability by streamlining production and adopting cost-cutting measures.

Q: Areas like the glass HD substrates business and optical pickup lens business appear to be affected to a certain extent by the emergence of tablet PCs and slate PCs. What initiatives are you taking to transform these changes in the market into business opportunities?
A: We are developing a medium-term management plan at present. Although we cannot yet disclose the details of the plan, in the optical businesses of the Optics Business, we will aim to expand the scale of operations through growth businesses, as pointed out above.
Overview of Performance

Q: The Group’s inventories amounted to a figure in excess of ¥100.0 billion as of the end of December 2010. What is the level of the inventories likely to be at the end of the current fiscal year?

A: As inventories are expected to be reduced as a consequence of stronger sales mainly in the Business Technologies Business, we will aim to post inventories of approximately ¥93.0 billion, or days’ sales in inventory of 40 days or fewer, at the end of March 2011.

Q: Within the extent you are able to disclose, can you explain the corporate stance and targets for the next fiscal year?

A: Because we are currently developing our plans, we cannot explain them in detail. We will, however, strive to achieve higher net sales and operating income by actively expanding the scale of operations, not only by strengthening existing businesses, but also by developing new businesses.

End