[Q&A regarding the Whole Company]

Q. In the full-year financial forecasts, you have revised net income upward. Please explain the specific details of "asset sales" and "improving asset efficiency," which are the reasons given for the revision.

A. In accordance with "improving asset efficiency," which is an initiative in the Medium Term Business Plan, we are proceeding with consolidating domestic sites. As a part of the consolidation, the gains on sales of non-current assets were from sales of some sites and employee dormitories. We also expect to sell some of the shares that we are holding strategically.

In revising net income, we comprehensively evaluated multiple factors, including a revision of the expenses for impairment and structural reforms, which we had planned at the beginning of the fiscal year.

Q. In the full-year financial forecasts, you have revised free cash flow from ¥1.0 billion to ¥30.0 billion. Please explain the key factors for that revision.

A. In the Medium Term Business Plan, we planned to invest in the current fiscal year—in a concentrated manner—approximately half of the strategic investment and loan amount planned for the three-year period. However, taking into account the M&A progress at the end of the third quarter, we decided that it was necessary to revise the free cash flow for this fiscal year. But the number of M&A deals is sufficient, and there is no change to our way of thinking about medium-term strategic investments.
[Q&A regarding the Business Technologies Business]

Q. Amid the challenging global macroeconomic environment, the production print field continues to see strong net sales mainly in the United States. Please explain the background to why net sales in the third quarter were strong, and the outlook from the fourth quarter onward.

A. The primary factor underlying the increase in net sales in the production print field is that our new products in the medium- and high-speed digital printing systems, into which we made a full-scale entry last year, were well received in the market. This resulted in a jump in hardware sales on top of steady sales for our existing low-speed products. The effect of the new products has also contributed to the increases in print volume and non-hardware sales.

The overall market conditions in the commercial print field are challenging, but the rate of digitalization in printing services is no more than 10%. Digital printing systems have come to receive increasing recognition for their running cost and image quality, so we think that the rate of digitalization will increase in the future.

Q. Please explain the background to the recent difficulties in domestic sales, and the recent sales status in Europe.

A. We feel that the whole industry was challenging domestically. There is no sign of a rebound in print volumes in companies, and we think that new proposal capabilities are necessary.

On the other hand, regarding Europe, net sales increased year on year amid difficult market conditions. The growth rate was 3.2% in the first quarter, 3.8% in the second quarter, and 4.2% in the third quarter. The reason why last year’s growth rate is high is the impact of the M&A deals that we carried out the year before last, and if that factor is excluded, last year’s growth rate in the third quarter is 3%. Therefore, although the figures for the whole market are not yet available, we think that our company’s growth rate will exceed the market growth.

Q. Please tell us about the profitability of the strong A3 color MFPs for emerging markets.

A. The profitability of the model for emerging markets falls short of that of the color high-segment units, but compared with the profitability of the A4 units and the monochrome units, it has achieved high profitability. We are aiming for replacements of A4 units and monochrome units with these MFPs. We can expect an increase in sales volume in the future, so we think that the A3 color MFPs for emerging markets will contribute steadily to a profit increase.
[Q&A regarding the Industrial Business]

Q. Regarding the LCD panel market, there is a forecast that, in the next fiscal year, panel dimensions will expand by 8% from those in the current fiscal year. Please tell us your company’s outlook on the dimensions.

A. The progress toward enlargement of TV screens to more than 40 inches will be a favorable development for us. Furthermore, as we have said in the Medium Term Business Plan, by utilizing the core technical capabilities that we have built up in TAC film, we will strive for growth while taking advantage of our existing businesses to look for new opportunities in the Performance Materials field.

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