

Summary of Q&A at the 2018 Q2 Financial Results Briefing

Q1: Did the second-quarter business segment profit exceed internal plans?

A1: Profit exceeded plans by approximately 1 billion yen across the whole company. Rather than any specific business segment, imagine that every business exceeded plans slightly.

Q2: The P&S business had been performing strongly, but its profit forecast was revised downward. Has there been some change in the business environment?

A2: In terms of sales, there has been no change to the overall solid situation in each region. Sales are remaining strong particularly in Asia and China. The main factor in revising the profit forecast downward was to incorporate increased costs of parts and materials as well as the risk of business slowdown in emerging nations. We do not envisage that product sales will deteriorate significantly, and we anticipate the current situation will continue.

Q3: Have there been changes in the competitive climate of the printing business?

A3: Although we recognize that competition is becoming fiercer in the lower price range for certain products, we do not expect any major impact because we have limited sales of less profitable models.

Q4: Has there been any change to the forecast for IT-related orders for machine tools?

A4: At this point in time, I do not think we can expect much for the second half of the year.

Q5: What is the situation concerning orders of machine tools for the automobile and general machinery markets?

A5: Except in China, orders remain strong. Although forecasts for China were downgraded, this should be covered by other regions, and so I expect that sales to the automobile and general machinery markets should be able to be maintained.

Q6: Inventories at the end of the second quarter appear to have increased. What is the cause for this?

A6: There are large seasonal factors. Inventories of printing products tend to accumulate in the lead up to the third-quarter sales season. Furthermore, during this term, we had many backorders following the very strong performance of premium sewing and embroidery machines in home sewing machines. This has also been a factor in the increase of inventories.