

Summary of Q&A at the 2019 Q2 Financial Results Briefing

Q) Have sales of machine tools nearly hit bottom? What is the status of orders?

A) We expected that machine tools would start to recover in the second half, but recent conditions have remained quite difficult. We set a sales target for the second half of the same level as the first half, but it is possible that actual sales will be slightly lower. We are assuming a modest recovery starting in the fourth quarter, and although there is a risk that the target will not be achieved, we believe that the impact on the company as a whole will not be particularly large. As for orders of machine tools, we do not see any signs of change recently. The level of orders was down slightly in the April to June quarter, but we believe that orders will not drop any further.

Q) In the P&S business, makers of office equipment have revised their estimates downward due to the economic slowdown in Europe. What impact will the decline in demand in Europe and China have?

A) In China, results are falling quantitatively. The forecast for the fiscal year is also lower, taking into consideration the expectation of a slowdown in China. Sales in Europe are firm, and we have not sensed any impact on business from the economic slowdown so far.

Q) How should we interpret the factors leading to higher profit in the P&S business in the second quarter settlement?

A) In addition to an improved hardware mix and solid sales of consumables, there were also unexpended costs and other factors. With regard to products, we are systematically reducing the sales volumes of super-low-end black-and-white printers with low profitability and taking other measures to improve profit on an ongoing basis, and these efforts are also appearing in the numbers.

Q) Isn't the forecast for profit and the P&S business in the second half weak? In the first half, profit was up in both the first and second quarters due to product mix factors. In the second half, even though foreign exchange will have a negative impact on profit of about 2.5 billion yen, as long as the mix does not substantially deteriorate compared to the first half, shouldn't profit remain at the same level?

A) We expect the product mix to deteriorate compared to the first half as a result of reinforcing hardware sales. In addition, with regard to expenses, we will shift the portion that was unexpended in the first half into the second half. In addition, extraordinary factors that were taken into consideration include the effects of additional tariffs due to trade friction between the U.S. and China. As a result of these factors, we project that profitability will deteriorate in the second half compared to the first half.