The summary of Q&A at the 2015Q3 financial results briefing

Q) It seems that operating income in the third quarter was better than expected. What are your thoughts about this result compared to your internal plan?

A) Operating income considerably exceeded our internal plan. This was almost all brought by the P&S business, and profits in our other businesses were mostly in line with our internal plan. The operating income increase in the P&S business was due to the sales mix positively contributing to profit, delayed SGA spending and cost reductions.

Q) Compared to the third quarter results, the outlook for the fourth quarter is significantly worse. What assumptions are factored in?

A) While operating income in last year's fourth quarter was ¥11.7 billion, we expect operating income in this fourth quarter to be ¥3.6 billion, a significant decrease from last year. The biggest factor is decreased sales in the M&S business. In particular, we predict a ¥4.2 billion decrease in operating income in Machines tools due to a sharp decline in demand from IT-related industries. Other factors include a negative impact of approximately ¥1.5 billion from the assumed Japanese Yen's appreciation against the EUR, in addition to the operating loss of ¥1.2 billion in the Domino business due to the amortization of goodwill. Domino became a consolidated subsidiary this year.

Q) Do you expect sales of Machine tools to non-IT related customers to grow steadily down the road?

A) We expect that sales to automobile-related customers in Japan will increase to some degree since demand is stable. However, we believe that the timing of recovery in demand is uncertain in overseas countries including China.