brother
at your side

The summary of Q&A at the FY2017Q4 financial results briefing

Q1: The sales growth rate for laser printer consumables was negative in the fiscal year ended March 31, 2018 (FY2017) but you estimate a recovery to flat growth in the fiscal year ending March 31, 2019 (FY2018). Can you explain this?
A1: In FY2017, sales of laser printer consumables declined 2% year-on-year. In FY2018, however, we anticipate flat growth. This reflects the growth of hardware sales. In FY2016, sales of printers, mainly laser printers, rose 6%, and in FY2017 these sales grew 9%. Our decision is based on our estimate that, taking into account the demand for consumables that will be derived from these hardware sales, sales of consumables are likely to be on a par with the previous fiscal year.

Q2: Can you explain why, in contrast with your forecast for laser printer consumable sales, your sales growth estimate is negative for inkjet printer consumables?
A2: The sales mix for inkjet printers is shifting from conventional cartridge models to high capacity Ink Tank models. In light of this, sales of consumables for conventional cartridge models are expected to decline.

Q3: What is your strategy in FY2018 for the P&S Business?
A3: In the Americas, we plan to fortify our business mainly through distributors and also aim to work in cooperation with traditional mass retailers and online channels. In Europe, we plan to continue to roll out the MPS and contract business to expand SMB customers. In Japan as well, we aim to fortify sales of high-end models, not just those for volume electronics retailers. In emerging markets, we look to expand sales mainly of high capacity Ink Tank models and high-profit laser printer products.

Q4: What is your forecast for trends for machine tools for the IT-related business?
A4: This is actually difficult to forecast. Capital investment into the smartphone business will depend on a number of factors. We must closely monitor smartphone sales trends going forward and also market share trends for each

smartphone manufacturer.

Q5: What is your customer breakdown for machine tools sales?
A5: In FY2017, the sales breakdown was roughly 50% for the IT-related business and 50% for the automobile-related business. In FY2018, the forecast for demand from the IT-related business is unclear. We have not factored in large-scale orders therefore we currently expect the sales breakdown to be 70% for the automobile-related business and 30% for the IT-related business.

Q6: Sales growth in the Domino Business appears to be trending smoothly. So why does your forecast not show a growth in profit?
A6: We anticipate substantial impact from an increase in outlays, including depreciation and R&D expense. In addition, we are reinforcing sales and service structures to with the aim of achieving sales growth. We expect this will spur an increase in sales expense as well.
FY2018 is the phase in which we plan to make upfront investments. Going forward, we estimate an improvement in profit depending on the new products we put out.

Q7: What is your tax rate for FY2018? Did you factor in the tax breaks in the United States?
A7: We factored in the impact of tax cuts in the United States into our corporate tax rate for FY2018. We estimate a corporate tax rate of 25% on income before income tax. This reflects an increase in tax payments in FY2017 due to a drawdown of deferred tax assets in line with the tax reforms in the United States. Accordingly, we estimate our corporate tax rate will decline 2%-3%.

Q8: You posted net case at the end of FY2017 and you are stably generating net income. Can you discuss how you plan to use this cash going forward, including the goal for your dividend payout ratio?
A8: We upwardly revised our year-end dividend for FY2017, taking into account the unexpected uptick in our earnings. In comparison with FY2017, our policy for FY2018 is to raise our dividend payout. In general, going forward we plan to set our dividend level while keeping mind of the balance with other outlays including M&A and capital investments.