

The summary of Q&A at the 2015Q4 financial results briefing

Q) Sales of communications & printing equipment for the fourth quarter of FY 2015 decreased by 4% on a local currency basis. What is the reason?

A) The decrease in the fourth quarter was mainly due to inventory adjustments in sales channels. We think that our sell-out did not worsen that much.

Q) The LBP market situation seems to be deteriorating. Can you explain the assumptions used for your FY 2016 financial forecast, such as market conditions and competition?

A) We have drawn up a forecast based on the assumption that we do not expect sales growth of hardware and consumables. We do not expect huge growth in hardware unit sales. We would like to try hard not to let sales of consumables fall by implementing several measures.

Q) The profitability of the Machinery business is expected to decrease in FY 2016. What is the reason?

A) The decrease is mainly due to a decline in the sales of machine tools. Since the gross margin rate of machine tools is high, the gross margin significantly falls when sales drop. In addition, we have factored increases in costs, such as R&D costs for investments toward future growth, into our forecast since we have repositioned the Machinery business as a growth business in our mid-term business strategy.

Q) I believe that the N&C business was positioned as a diversification business. However, despite the launch of new products, the business had poor performance results. Aren't you going to change the position of the N&C business in the current business portfolio?

A) We will make the karaoke business a cash cow. This idea has not changed. It was a little bit of a stretch for us to try to expand business outside the karaoke area. We will make the N&C business contribute to profitability as a cash cow and generate stable cash flows.

The business is in the red at present. We are taking it seriously. We would like to spend this year building a strong structure.

Q) What do you expect Domino's real growth rate in FY 2016 to be?

A) We expect the cording & marking business to grow by a low single-digit percentage and the digital printing business by over 15%. Taking the current economic situation into account, these growth rates seem to be hard to attain. However, since we already started implementing a variety of measures, we believe that the rates will be achievable.