

Briefing on “FY2019/3 3rd Quarter Results”
Main questions and answers

- Q: How was the operating income situation of each business in 3Q compared to the plan?
- A: Total operating income proceeded in line with the plan. In the Imaging Solutions, operating income was slightly below the plan, while in the Healthcare it exceeded the plan due to the sales increase in the medical systems business and bio CDMO business, and the improvement of profitability in the pharmaceutical business. In the Materials and Document Solutions, operating income was in line with the plan. The enhanced capability of gaining profit in each business, although there is some difference depending on the business, resulted in the achievement of the planned operating income.
- Q: What was the reason for the decrease of 9 months operating income in the Imaging Solutions although the sales of *instax* was favorable?
- A: Regarding the *instax*, the number of sales in volume was 5.0 million in 3Q and 8.5 million in 9 months, proceeding significant smoothly worldwide especially in the U.S. and Europe due to the effect of the sales promotion in collaboration with Taylor Swift, fully launched in 3Q. On the other hand, the total operating income decreased compared to the previous year because of the increase of the promotion expenses and R&D expenses for new products, and other factors.
- Q: The sales of electronics materials are favorable but the semiconductor market seems slowing down now. How do you think about the growth of this business in future?
- A: We think that the semiconductor market which has been slowing down is centering on memory. In a semiconductor category, there are various categories such as logic or sensor, not only memory. We have a wealth of line-up and supply various products to all of these categories. We believe the semiconductor market certainly continues to grow because the market demand will expand to 5G and automatic driving. Our company positions this business as the growth driver of revenue and profit. We are taking aggressive measures such as making a decision of investment about 10 billion yen on the facility in the U.S. for three years from December 2018.
- Q: How is the structural reform of Fuji Xerox progressing?
- A: It has progressed very smoothly. The operating income in 9 months largely increased up to +82% compared to the previous fiscal year. This result comes from not only the positive impact from the structural reforms but also by the large improvement of profitability due to the reduction of the cost of sales ratio by 3% and others.
- Q: How is the current situation of the business combination of Xerox Corporation (XC) and Fuji Xerox (FX)? Is there any update?
- A: The communication about the combination plan with XC started from XC's side. There is no change in our stance that we will be better off with this transaction, but it is not necessary. Though the relationship with XC remains as before, FX is increasing its profitability as you can see from our 3Q earnings report announced today.

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