

FY2016 Second-Quarter Financial Results Presentation  
Q&A Summary

● Overall

Q: In your most recent full-year financial outlook, you lowered your guidance for business profit by ¥12 billion compared to the previous outlook. Approximately ¥10 billion of that is attributed to foreign exchange effects. What about the remaining ¥2 billion?

A: We expect the company-wide fixed cost reductions that are associated with fluctuations in our outlook to have an approximately ¥2 billion positive effect. We therefore revised downward our business profit outlook by about ¥4 billion on a constant currency basis (i.e., excluding foreign exchange effects). The four contributing factors, all of which have about the same impact, are as follows:

- 1) Increased transportation costs accompanying the bankruptcy of a shipping line
- 2) Less new demand for SIDM printers accompanying tax reforms in China due to a change in government policy
- 3) A temporary increase in customer service costs associated with check scanners
- 4) Revised demand forecast for wearable and industrial products

Q: You stated that your shipping costs are increasing. What is the current situation and future outlook?

A: The upheaval in ocean freight services has forced us to switch to air transport for some products for the year-end shopping season. Ocean shipping costs are also rising. We expect these to cause our shipping costs to increase, but the situation is improving and we expect the effects to be temporary.

● Printing Solutions

Q: How are sales of high-capacity ink tank printers by region?

A: Sales have been strong in the emerging markets of India, Indonesia, China, and almost all other countries in Asia. We were worried about the economic situation in Latin America, but sales have been good there, too.  
In economically advanced markets, high-capacity ink tank printers account for a relatively small percentage of sales, but sales are growing faster than initially forecast.

Q: Are sales of office inkjet printers expanding?

A: Sales are steadily expanding.  
Sales of office inkjet printers used in managed print services have not reached the level we expected when we launched them two years ago, but during this time we have accumulated a lot of knowledge about the market.  
We believe it will be essential to augment our current product lineup with products that can print even faster if we are to further expand sales. We are currently developing linehead printers. Development is proceeding smoothly in line with the plan, and we expect to launch linehead printers at an early point during the current three-year business plan that began this year.

Q: For the past several quarters, inkjet printer ink revenue has continued to grow steadily, but in the second quarter it was flat year-on-year. Was there some kind of change?

A: Second-quarter ink revenue was flat year-on-year on a constant currency basis. Ink revenue decreased slightly in developed countries, but this was because revenue was pumped up in the same quarter last year by a switch to new ink in Europe, so we think this is a temporary phenomenon. We think the steady growth trend will continue.

Q: Is revenue in professional printing growing year-on-year on a constant currency basis?

A: We factored into our forecast an anticipated continuation of the harsh competitive environment in the existing photo and graphics markets and adjustments in the POS printer market, which was strong last year. Nevertheless, we are still forecasting steady year-on-year revenue growth on a constant currency basis because we anticipate seeing expanded sales in the growth segments of signage, textile and label printers.

- Wearable & Industrial Products

Q: Why did you revise the outlook for robotics solutions?

A: When we made our initial outlook at the start of the year, we expected a certain level of demand for robots used in smartphone assembly applications, but this demand did not materialize as forecast. New orders are under negotiation, but the plan reflects a cautious view.

We do not think we are losing share, so we will continue to steadily capture orders as market expansion over the next several years affords the opportunity.

Q: Market conditions appear to be good in the foundry business. How has your semiconductor fab capacity utilization been recently?

A: We can't provide an exact figure, but we can say that we have been operating at close to full capacity.