

July 27, 2017

Seiko Epson Corporation

FY2017 First-Quarter Financial Results Presentation

Q&A

- Overall

Q: In the business profit fluctuation cause analysis on slide 11 of your presentation, price changes are shown to have had a major positive effect on profit, as was the case last fiscal year. Do you expect this trend to continue into the future?

A: We expect price changes will basically continue to have a positive effect on profit, largely because the percentage of high-added-value models in the product mix is increasing.

Such as high-brightness projector sales growth and an improved inkjet printer mix are the factors that we expect to have a positive effect.

- Printing Solutions

Q: How has growth in high-capacity ink tank printers been factored into your full-year financial outlook?

A: We sold about 15 million inkjet printers last fiscal year. High-capacity ink tank models accounted for about 6.1 million of this total.

At the beginning of the current fiscal year we forecast high-capacity ink tank printer unit sales of about 7.3 million, but we raised that forecast to 7.4 million based on first-quarter sales.

Q: You said that first-quarter production of ink cartridge printers declined compared to the high level in the same period last year. Do you anticipate production volume of these printers to change significantly from last year in the remaining three quarters?

A: Since the 2016 fiscal year, we have controlled the level of ink cartridge printer inventory, and we do not foresee as large a year-on-year disparity in the remaining quarters as we saw in the first quarter.

In addition, we are seeing high-capacity ink tank printers increase as a percentage of total inkjet printer sales, so changes in production volume are having less of an impact on profit now than they did several years ago.

Q: You said that you anticipate costs to rise due to a fire at one of your components suppliers. Can you be more specific?

A: We cannot comment specifically on the nature of transactions with suppliers or the components involved, but we are looking closely at exactly what impact the fire will have on production and sales, and are taking appropriate action as needed.

We have identified potential source of alternative components, but we anticipate incurring additional expenses for items such as air transport to minimize the impact on sales.

Q: You released high-speed linehead inkjet multifunction printers to the market. How has the response from customers been?

A: Since releasing the products for sale in June 2017, we have been offering sales demonstrations in various locations so that prospective customers can actually see for themselves the image quality and speed of these printers, and we have received inquiries from a significant number of dealers/ distributors and customers.

We have been hearing from major companies and others that never considered Epson to be a potential supplier in the past, so we believe that customer expectations for our high-speed linehead inkjet multifunction printers are high.

We plan to further strengthen sales and proceed with a worldwide launch of these printers in the 2017 fiscal year, rolling out sales in Europe in June, in the U.S. in August, and in China in December.

- Wearable Products & Industrial Solutions

Q: What are the applications and distinguishing features of Epson's robots?

A: Epson's robots, which are fast, accurate, and have little residual vibration, are ideal for applications such as the assembly of precision components and electronic devices.

The majority of demand is for smartphone and electronic components assembly in the Greater China Region, but unit shipments for automotive parts assembly in Europe and the U.S. are also growing.