

FY2018 Second-Quarter Financial Results Presentation
Q&A

Overall

Q: You recorded ¥27.4 billion in first-half business profit. Where does that leave you with respect to the ¥80.0 billion in business profit that you forecast for the full year?

Also, what kind of actions are you going to take in the second half to achieve the full-year outlook?

A: Our competitors in ink cartridge inkjet printers discounted prices more steeply than anticipated. Meanwhile, Epson took actions to maintain prices, which limited sales and resulted in an increase of inventories. Consequently, we recorded a temporary loss, which caused first-half business profit to fall slightly short of the plan. However, we plan to alleviate this loss through tighter control of sales and production in the future, so the impact on our financial outlook is negligible.

In other areas, progress was generally in line with the plan, as we saw year-on-year growth in key products such as commercial and industrial large-format printers and projectors, as well as in high-capacity ink tank printers.

The second half is traditionally strong. The third-quarter is our peak season, and the fourth quarter will see greater activity in the office, commercial, and industrial markets. We will prepare by launching new models in our line of high-capacity ink tank printers and by promoting sales of products such as high-speed linehead inkjet multifunction printers and large-format printers.

Q: How big of an impact on your latest full-year financial outlook did the change in assumed foreign exchange rates have?

A: The change had a positive impact of about ¥34.0 billion on revenue and about a ¥2.0 billion negative impact on business profit.

* We raised our publicly released revenue forecast by ¥40.0 billion from the previous outlook after adjusting for factors such as foreign exchange effects.

Q: Your selling, general and administrative expenses continue to go up. Do you expect this trend to continue in the second half?

A: This trend is likely to continue in the second half as we continue to strengthen our sales organization in the office, commercial and industrial markets and as we continue to spend on increasing brand value. However, we will endeavor to spend and invest efficiently in response to changes in the external business environment.

Q: You factored the sale of certain assets into your full-year financial outlook. What will the monetary effect of this be?

A: We have included approximately ¥9.0 billion impact to cash flows from investment activities in the statement of cash flows, and approximately ¥3.0 billion was factored into other operating income in the consolidated statement of comprehensive income.

Printing Solutions

Q: I'd like to know the trends in each inkjet printer product category.

A: High-capacity ink tank printer results were in line with the plan overall because sales remained firm in every region outside of some countries in Latin America, where we fell slightly short of the sales target due to ongoing currency devaluation and the effects of price adjustments.

Going forward, we will capture additional print demand by expanding and upgrading our high-capacity ink tank printer lineup with the launch of new monochrome and multifunction models and by offering different color models.

In ink cartridge printers, our competitors continue to discount their products. Epson remains committed to a policy of maintaining prices.

As we shift to high-capacity ink tank printers, the number of ink cartridge printers in the field are decreasing, and ink sales are declining compared to last fiscal year.

However, the decrease should be within the anticipated range.

We will continue to shift to high-capacity ink tank printers, accelerating the transition to a business model that does not depend on ink sales.

High-speed linehead inkjet multifunction printer sales began getting on track at the start of the year. We are starting to see results, including the capture of large orders. We currently have two products in the lineup, a 75-ppm model and a 100-ppm model, and we have increased the number of fee plan options according to customer needs. We will also introduce more flexible pricing and further enhance the products themselves.

Wearable & Industrial Products

Q: Do you expect challenging market conditions to prevail in the second half in robotics solutions?

A: In the second half, we are seeing a pullback in demand in certain regions, in part due to U.S.-China trade friction, but demand is increasing in places such as the developed economies of Europe and America. We will capture this demand by, for example, launching low-priced entry level robot models.