

FY2020 Third-Quarter Financial Results Presentation

Q&A

Overall

Q: By how much did your third-quarter financial results exceed the outlook?

A: Business profit exceeded the outlook by more than ¥10 billion.

Q: What is the situation with regards to materials and parts procurement?

A: It has become increasingly difficult to procure plastic materials and electronic parts, and prices are rising, but the situation is not so dire as to have an immediate material effect on our financial performance.

We plan to keep a close eye on the situation and secure the parts we need.

Q: Cost containment was one of the reasons given for raising your financial outlook. Can you provide details?

A: We are containing costs in many ways, and have especially kept down our SG&A expenses. While demand is robust, supply remains tight, so we are able to keep costs like promotional spending at a lower level.

Q: What is the current inventory situation and what actions do you intend to take by the end of the fiscal year?

A: Inventory value is somewhat high right now, but this is mainly due to logistics delays. A shortage of shipping containers and port labor is making it hard to move goods from production sites. There are also delays at shipping destinations due to labor shortages and difficulty in reserving trucks, so there is a lot of inventory in these places. Inventory of inkjet printers and other products is expected to decline toward the end of the fiscal year.

Q: How big of an impact do you foresee COVID-19 having on revenue for the full 2020 fiscal year?

A: We estimate that it will have about a ¥120 billion negative impact on revenue for the full year.

Q: What are the conditions that will shape the outlook for the next fiscal year?

A: We do not expect the current strong at-home inkjet printer print demand to continue throughout the year.

On the other hand, we think that we can continue to expand sales of high-capacity ink tank printers. Commercial and industrial inkjet printer demand is recovering right now, and we think we can record steady growth with the upcoming enhanced lineup.

We will continue to curtail spending on projectors, but we also can expect demand to recover to some extent, so we are not overly pessimistic about next year.

Q: Will you be revising your current financial targets when you revise the Epson 25 Corporate Vision?

A: The details, including the financial targets, are still under review, but it is unlikely that we will maintain the revenue target of 1,700 billion yen that was announced five years ago.

Printing Solutions

Q: Can you provide information on the inkjet printer demand trend and competitive environment?

A: We expected at-home print demand to slow in the third quarter, but it has continued and, moreover, we are beginning to see at-home print demand rise in emerging markets. Demand is robust and outstripping supply right now, so selling prices remain high. We expect to see this situation continue in the fourth quarter.

We expect shipping delays and supply shortages to continue for a while. Next fiscal year we expect competition to gradually intensify, so we will adapt business accordingly.

We believe that we can capitalize on the strengths of inkjet as office printing demand shifts from centralized printing in the office to homes and SOHO. Market recognition of the superior environmental performance of inkjet printers is increasing and, given this, we believe that inkjets will gradually squeeze laser printers out.

Q: Are you forecasting positive growth in high-capacity ink tank printers next fiscal year?

A: We plan to closely examine the outlook for the next fiscal year, but we believe that we can continue to extend sales in emerging markets as well as developed economies, where the advantages of high-capacity ink tank printers are becoming more widely known.

Visual Communications

Q: How is the competitive environment for projectors?

FPD prices appear to be soaring. Has your view on what impact FPDs will have on projector sales changed?

A: Epson's share in the projector market plunged temporarily due to supply constraints, but it has rebounded to the point that it is even higher than before.

If demand also recovers, we think we will have an even stronger position.

The rise in FPD prices may halt FPD inroads into the market to some extent, but we are not counting on this and are thus making our projector business leaner to ensure profitability.

Wearable & Industrial Products

Q: You recorded an impairment loss in the wearable products business. What are the factors that led to this decision? And how do you see the business unfolding in the future?

A: We believe demand will take time to recover because of continuing low demand from travelers to Japan due to the impact of COVID-19, and ongoing stagnant global demand.

Since the wearable products business has synergies with many of Epson's businesses, we urgently need to make operations slimmer and leaner, by continuing to transfer personnel to other businesses while also changing how we sell our products.