

FY2024 Second-Quarter Financial Results Presentation
Q&A

Overall

Q: To what extent did business profit exceed your internal plan in Q2?

A: Business profit exceeded the internal plan by about ¥12.0 billion. The printing solutions segment was primarily responsible owing mainly to a combination of higher than projected selling prices for office & home inkjet printers and cost containment.

Q: You reiterated your full-year business profit outlook of ¥85.0 billion, yet you lowered the profit from operating activities outlook by ¥9.0 billion. Why?

A: This is primarily a reflection of the impact of foreign exchange losses recorded in other operating expenses in Q2.

Q: What was the foreign exchange loss that you recorded in profit before tax in Q2?

A: The foreign exchange loss was approximately ¥19.0 billion. Due to the rapid appreciation of the yen, foreign exchange losses were recorded in both other operating expenses and finance costs, the latter resulting from the revaluation of foreign currency-denominated assets.

Q: Could you tell us about the progress in reducing headcount that you explained at the end of April?

A: Our US sales company made personnel cuts at the end of March, but it took this a step further at the end of September.

Q: Can you give specific examples of cost reduction measures other than labor costs?

A: We are taking action to reduce costs in every direction. For example, we have been reducing our advertising and sales promotion costs by narrowing the focus on targets and timing spending as needed. We are spending as needed on the future, including for a new ERP system, and are continuing to control overall costs.

Printing solutions

Q: SOHO & home inkjet printer selling prices were higher than expected in most regions outside of North America, where prices fell below expectations. Why?

A: Epson's mainstream high-capacity ink tank printers are being sold at a premium compared to the products of our competitors. This trend has been especially prominent in North America. In this quarter, for North America, competitors stepped up promotions and selling prices became lower than expected. Nevertheless, we have been able to maintain the same price differential as in other regions.

Q: It appears that you are forecasting a second half decline in business profit in the commercial & industrial printing segment compared to the first half. What are the factors that led you to this conclusion?

A: Printhead sales showed continued strength in the first half, mainly due to the launch of new products by Chinese printer manufacturers. In the second half, sales are expected to increase compared to the same period last year, but not to the extent they did in the first half.

The finished products business saw an increase in profit resulting from cost reductions and increased inventory caused by logistics delays in the second quarter. However, we anticipate that planned inventory reductions will negatively impact profit in the second half of the year.

Visual communications

Q: What is causing projector demand to decline in the education markets in North America and other regions?

A: In North America, demand from the education market was strong until FY23, when governments secured large education budgets to help stimulate the economy during the COVID-19 pandemic. The slump in demand in FY24 is a recoil to this. Education demand is expected to remain firm after FY25 due to replacement and growth in emerging markets.

Manufacturing-related & wearables

Q: When do you expect to see the effect of operational reforms in the manufacturing solutions business?

A: We expect to see the effects gradually emerge starting in the second half of FY24. We are aiming to turn a profit in FY25.

Fiery acquisition

Q: Fiery split from Electronics for Imaging (EFI) to become an independent company. Like EFI, Epson is a finished products manufacturer, so how is it that you can generate synergies?

A: Unlike EFI, Epson has an inkjet printhead business. Combining Epson's

printheads with Fiery's technology will enable us to provide end-to-end products and services, from hardware to software and printing workflows. In addition, by capitalizing on Fiery's software development capabilities and development organization, Epson will be able to strengthen the foundations of its software development. Furthermore, we can increase customer value by adapting Epson's finished products to Fiery's workflow. Epson will take advantage of these synergistic effects to further advance the digitalization of commercial and industrial printing.

Q: Will the acquisition by Epson affect Fiery's cut sheet printing business?

A: Most of Fiery's customers have large printing presses capable of printing anywhere from 200,000 to 1 million pages per month. Conversely, Epson's finished products are primarily for customers in the office space. In other words, Epson and Fiery provide products in different segments of the market, and we believe that we can maintain relationships with existing customers.