

FY2019 First-Quarter Financial Results Presentation

Q&A

**Overall**

Q: You said that you reduced your expenses more than planned in the first quarter. Can you give me an idea of how much and its factors?

A: We reassessed several billion yen's worth of investment spending. Some investments were postponed while some were reduced in response to environmental changes.

Q: How big was the impact of U.S.-China trade friction?

A: First-quarter revenue declined due to trade friction by about ¥5 billion compared to the same quarter last year, while business profit declined by about ¥3 billion.

However, we expected to face some challenges during the quarter and factored these into the outlook presented at the start of the fiscal year, so the impact did not differ substantially from what we had anticipated.

**Printing Solutions**

Q: You said that first-quarter sales of high-capacity ink tank printers were flat year on year. What was the situation by region and by month?

A: In April and May, sales were soft mainly in India, Indonesia, and other parts of Asia, but, with the exception of India, sales are rebounding in all of these markets. And, June sales have recovered to the point where they exceed sales in the same period last year, overall.

In China, shipments from Epson were high in the same period last year, mainly because we responded to a shortage of channel inventory in the fourth quarter of FY2017 by replenishing inventory with additional product shipments in the first quarter of FY2018. As a result, unit shipments decreased compared to the same period last year, but they were not substantially different from our initial outlook.

Q: You said that you were spending on promotions and so forth to meet your target of shipping 10.2 million high-capacity ink tank printers, but how are you going to balance spending and profit?

A: Unit shipments of high-capacity ink tank printers were flat year on year in the first quarter, but sales are rebounding in Asia and elsewhere, and promotions in developed markets are having an impact.

Our strategy going forward is to emphasize the building of a market presence, but on the other hand, we will carry out promotions while keeping an eye on how the market responds.

Q: What is the sales and inventory situation for SOHO and home inkjet printers and ink cartridge printers?

A: Sales of ink cartridge models were slightly lower than planned, but we are controlling their production as we shift to high-capacity ink tank printers, so inventory levels are normal. What is increasing is the inventory of high-capacity ink tank models. This inventory has been growing mainly due to a combination of soft demand in Asia and production in preparation for sales expansion in developed markets. Inventory levels should normalize after increase in sales going forward.

Q: I can tell from your Q1 results that the professional printing business, which is a key part of the Phase 2 Mid-Range Business Plan, is going strong, but how is the current business environment?

A: Sales in strategic areas like signage and textiles are steadily expanding. Our strategy over the next few years is to strengthen external sales of printheads while targeting printable electronics applications and accelerating the use of inkjet heads in industry. The recently announced capital and business ties with Elephantech are one part of this effort.