

FY2023 Second-Quarter Financial Results Presentation
Q&A

Overall

- Q: Inventories had a negative impact on second-quarter business profit, but I would like to know the key factors and magnitude of impact in comparison to the same period last year and to the internal plan.
- A: In the second quarter of the 2022 fiscal year, profit rose along with increases in inventories. However, in the second quarter of the 2023 fiscal year, inventories decreased. This negatively impacted business profit by approximately 10-billion yen year on year.
Against the internal plan, we fell short by approximately 10-billion yen due to write-downs on slow moving stock. This was caused by the shortfall in sales of SOHO and home inkjet printers in response to excess channel inventory, including that of our competitors, as well as a shortfall in projector sales.
- Q: How did inventory effects that were factored into full-year business profit outlook change from the previous forecast for the second quarter and for the second half.
- A: In the second quarter, factors including the increase in write-downs on slow moving stock had a nearly ¥10 billion negative impact on business profit versus the internal plan.
In the second half of the full-year financial outlook, we anticipate a positive impact from the reduction of slow moving stock that will result in a reversal of a significant portion of the write-downs. However, the outlook also reflects the negative impact on profit of an across-the-board reduction in inventory.
- Q: Slide 13 of the FY2023 full-year financial outlook shows that price changes will have less of a negative impact than previously forecast. Why is that? Is there a possibility that you will reduce prices more than anticipated in the second half?
- A: The reduced impact of price changes compared to the previous outlook reflects the fact that prices were higher than expected in the second quarter. While the expectation is for prices to decrease in the second half, there is no plan at this point to lower prices more than originally anticipated.
- Q: Can you tell us the demand outlook for SOHO and home inkjet printers and for microdevices in the 2024 fiscal year?
- A: In SOHO and home inkjet printers, we think that demand in the 2024 fiscal year will shift farther away from low-price ink cartridge printers and toward high-

capacity ink tank printers as inflation slows.

We expect the microdevices market to recover in FY2024 following market inventory adjustments in FY2023.

Printing solutions

Q: What is the SOHO and home inkjet printer market environment like?

A: The market in the second quarter was soft in places such as China and Western Europe, but sell-through in North America and Southeast Asia increased compared to the same period last year.

In the second half of FY2022, channels increased their purchases as manufacturers' supply constraints eased. However, demand did not increase as expected, resulting in an excess of channel inventory in the first half of FY2023. Adjustments were made in the second quarter, and at present, channel inventory has generally returned to normal levels.

Q: The office multifunction printer market, which is dominated by laser units, was soft. What was the impact on Epson's office shared inkjet printers?

A: There is still a lot of laser unit channel inventory, and until that inventory is depleted, dealers may not be able to procure as many inkjet printers as we would like. Epson remains committed to its strategy of expanding sales in the office market by replacing laser units with inkjet units that offer superior environmental performance and maintainability. In the second quarter, office shared inkjet printer revenue grew by more than 30% compared to the same period last year.