

FY2020 First-Quarter Financial Results Presentation

Q&A

Overall

Q: Can you provide a breakdown of other operating expenses and tax expenses in the first quarter?

A: We booked manufacturing fixed costs of overseas manufacturing subsidiaries that suspended operations in other operating expenses as abnormal costs.

Consolidated first-quarter profit was low, but we recorded tax expenses since we had taxable income in Japan. However, the balance between domestic and overseas will differ in the full-year outlook.

Q: Can you explain the reasons that you forecast a loss of over ¥5 billion in business profit in the second quarter?

A: We expect revenue to gradually recover but not to normal levels because of the ongoing effects of the coronavirus in the second quarter. We will continue to reduce expenses, but, unlike in the first quarter, we will incur certain expenses due to a rise in the level of activity. In addition, increased inventories of products such as projectors, commercial and industrial IJPs (large-format printers in the finished products business, etc.), and watches pushed business profit up by about ¥5 billion in the first quarter, but inventories are heading down in the second quarter, and this will have a depressive effect on business profit.

Q: What will your selling, general and administrative expenses be like as sales recover?

A: For example, in the first quarter, we were able to control and reduce SG&A expenses at the same rate as the decrease in revenue. However, we are considering gradually spending on SG&A from the second quarter onwards, so the rate of reduction will not be as high as it was in the first quarter.

However, if sales fall from the increased effects of the novel coronavirus, we will work to reduce costs accordingly in all regions. In addition, we will continue to control costs by changing our sales and marketing activities and the way we work.

Q: In what areas are you thinking about allocating R&D expenses?

A: In printing, we will continue to proactively accelerate digitization, as we discussed at the recent printhead business and the commercial and industrial IJP business strategy explanatory presentations.

We will also emphasize the strengthening of robotics to meet the growing need for greater manufacturing efficiency, automation, and decentralized production.

Q: Have extraordinary expenses such as restructuring expenses been factored into the full-year financial outlook?

A: No. We will continue to allocate management resources to priority areas, and the personnel we have in lower priority areas will be shifted to these priority areas.

Printing Solutions

Q: How did unit shipments of high-capacity ink tank printers in the first quarter compare to unit shipments in the same period last year?

And what are your assumptions for the second quarter and beyond?

A: Unit shipments in the first quarter were down about 15% compared to the same period last year. Second quarter unit shipments will be affected somewhat by supply shortages, but we assume that shipments will head toward recovery in the second half.

Q: How do you plan to capture at-home IJP demand in the SOHO and home printing segment?

A: We will stick to our strategy of creating competitive products that leverage our PrecisionCore inkjet technology to deliver outstanding image quality and durability, while at the same time controlling our total and fixed costs.

Q: In the printing solutions business, why does your full-year financial outlook for business profit only show a ¥4.6 billion decline while revenue decreases by ¥53.6 billion year-on-year?

A: In high-capacity ink tank printers, we anticipate a decline in emerging markets, where most sales are of relatively inexpensive models. On the other hand, we expect sales to increase in developed economies, where the ratio of high value-added model sales is high. Accordingly, we expect average unit prices to rise due to this type of change in the regional mix and model mix. In the face of general production constraints, we are also allocating product to regions where we can maximize profitability. Profit will also be boosted because of the actions we have taken to reduce shipments of ink cartridge printers.

The overall reduction in costs will also be a factor in increasing profits.