

FY2020 Second-Quarter Financial Results Presentation

Q&A

**Overall**

Q: What were the factors that caused second-quarter business profit to exceed the outlook?

A: Demand for products such as office and home IJPs, commercial and industrial IJPs, projectors, and robots was higher than anticipated. We expected at-home demand for office and home IJPs to settle, but it has continued in North America and Europe. We have also begun to see at-home demand for high-capacity ink tank printers emerge in Singapore and other parts of Southeast Asia. Given this environment, selling prices stabilized more than expected. In commercial and industrial IJPs, we were able to capture orders as demand recovered.

We also kept down spending on things like promotions and were able to reduce other expenses more than planned.

Q: Can you give me an idea about the level of expenses such as selling, general and administrative expenses in the second half and the next fiscal year?

A: Up to this point, activities have been more constrained than planned due to the pandemic. Moving forward, expenses will rise as activities resume, but they will not return to their former level. Overall, our promotional activities have changed in response to environmental changes over the past six months. We have continued to control costs and have been focusing our spending on priority areas.

Q: What kinds of changes have you seen in the competitive environment in office and home IJPs?

A: Demand is strong at present, so unit sales will be determined by how many units we can supply. Epson is operating under production constraints and is unable to secure sufficient supply. For strategic products, we are outsourcing more production and distributing production among multiple sites. Production in Indonesia is recovering, so the shortfall is expected to disappear in the fourth quarter.

**Printing Solutions**

Q: What is the outlook for at-home demand for inkjet printers?

A: We think that at-home demand, which was strong in the first half, will settle down.

In developed economies, we are seeing ongoing demand in North America, but demand is slowing in Japan and other countries. New at-home demand is also rising in emerging markets. We expect this to continue throughout the second half and into next year, but then slow to a certain level thereafter.

It is very difficult to predict when at-home demand will slow, but the current outlook is based on somewhat pessimistic assumptions.

Q: Is it safe to say that offices are progressively shifting from laser printers to inkjet printers?

A: Office print demand has dropped considerably. We think that the proportion of prints made by people working at offices and people working from home will change and that office printing will

decrease.

Given these circumstances, we expect office laser printer manufacturers to focus on retaining customers. It is not easy to break through the defenses of these manufacturers, but our inkjet printers offer superior environmental performance and cost performance, so we will leverage these features to make headway.

Q: What is your medium- and long-term strategy for commercial and industrial inkjet printers?

A: We will advance the frontiers of industry by replacing analog printing, which was premised on mass printing in a central location, with digital printing, which can handle short-run print jobs. Demand is rising for distributed printing of goods for local consumption due to the COVID-19 pandemic.

We have a lineup of products that can meet the needs of customers. We also have been enhancing our software solutions, including solutions for things such as image processing and printer management, that enable distributed printing. We therefore believe we can reliably capture demand.