

FY2021 Third-Quarter Financial Results Presentation
Q&A

Overall

Q: What is the situation now regarding materials shortages and soaring logistics costs?

A: As shown on slide 14, our ability to supply products is currently constrained due to difficulty in procuring semiconductors and other components. We therefore lowered our annual sales targets for most printers and other products.

Transportation costs have risen even further recently and are expected to remain high next fiscal year, but we will address these increases by implementing pricing measures and containing costs.

Q: With materials short across the board, what types of parts and materials are you prioritizing in your procurement operations?

A: We have prioritized supplying high-margin products such as commercial and industrial printers and large office multifunction printers. However, we are unable to procure all the materials we need, since the parts used in commercial and industrial products and the parts used in products for the home differ.

Q: You lowered your full-year capital expenditure outlook by ¥6 billion from the previous outlook on October 29th. Will this affect your financial results in the next and following periods? Also, would you be able to further increase the supply of microdevices by boosting production capacity?

A: We revised the capital expenditure outlook because of materials shortages that are causing equipment delivery delays and because of the rescheduling of investments. We moved the launch dates of new products into next fiscal year due to the effects of COVID-19, but there is still room for recovery.

As for microdevices, we are investing mainly in crystal devices and will increase our future supply capacity.

Office & Home Printing

Q: What changes are you seeing in at-home print demand in office and home IJPs?

A: Third-quarter ink revenue was down 2% compared to the same period last year. Demand for ink cartridges for cartridge printers decreased from the high demand seen in the same period last year. However, sales of ink bottles for high-capacity ink tank printers increased. Based on the combined total amount of ink of both types, print volume appears to be settling down yet remains high. We therefore believe that Epson is meeting the needs of customers who do a lot of printing.

Commercial & Industrial Printing

Q: Commercial and industrial inkjet printers hold high promise as growth drivers. What is the situation there?

A: Demand in the finished products business is robust, and although sales have been impacted by materials shortages, we are seeing growth in signage, textile, and label printers, areas where we have strengthened and expanded the product lineup. The printhead sales business also promises further growth. Our strategy from the start was to sell directly to customers who had been buying Epson printheads via non-regular distribution channels in China. We have been making steady progress in this area and have also expanded and enhanced the product lineup for future growth.

Currently, both the finished products business and the printhead sales business are seeing the effects of a slowdown in the signage market, a result of China's electricity shortage and the country's zero-COVID policy, but we think this is only temporary.

Q: Slide 10 shows a cause analysis of the change in third-quarter business profit. Could you give more details about the lower average price of commercial and industrial IJPs due to an increase in sales of printers in the volume zone.

A: Sales of newly launched compact models in the volume zone have been strong, and volume changes positively impacted business profit. On the other hand, the average selling price of commercial and industrial units has declined due to a change in the model mix, and thus price changes had a negative effect. We believe that the spread of compact models will facilitate digital printing in small stores and back offices, leading to the generation of new demand.

Visual Communications

Q: Profit in visual communications has continued to increase year on year. Please tell us why and what the forecast for next fiscal year looks like.

A: We have been restructuring the business and keeping down our fixed costs. With demand now gradually recovering, we are improving the model mix and implementing pricing measures.

We expect the market for medium-priced projectors to shrink in the future as FPDs make further inroads, so we would like to increase sales of high-end models and smart projectors.

Q: Smart glasses would appear to be a good match for the metaverse. How is this business progressing?

A: We are selling our own smart glasses as finished products, but we have also begun selling optical engines, which are the core devices in these products. We are looking at all sorts of different avenues to develop the business, including collaborating with different industries.

Manufacturing-Related & Wearables

Q: Manufacturing solutions (robots) growth appears to have slowed judging from the quarterly trend. Why?

A: We lost revenue due to the transfer of the IC handler business, but compared to the same period last year, robot revenue increased primarily on sales for automotive-related applications in Europe and the Americas. Revenue in China expanded because we captured recovering demand during the first quarter. Later, however, customers made temporary adjustments due to materials shortages, so third-quarter sales ended flat year on year.