

April 28, 2022

Seiko Epson Corporation

FY2021 Fourth-Quarter Financial Results Presentation

Q&A

Overall

Q: The FY2022 financial outlook is aggressive, showing substantial revenue growth and business profit of ¥100 billion. Was there something you did differently than in the past at the planning stage?

A: The FY2022 plan is based on the Epson 25 Renewed corporate vision and, unlike in the Epson 25 corporate vision (announced in March 2016), does not aim for revenue growth.

The plan is to prioritize profit rather than revenue. Toward that end, we will respond to supply constraints and high materials and logistics costs through dynamic pricing and cost controls.

Q: Have rising interest rates and the situation in Russia and Ukraine had a significant impact on recent demand and procurement?

A: Demand has not changed drastically and remains strong. There are concerns that the situation in Russia and Ukraine will impact procurement of materials such as helium gas, but, as of now, procurement is seen as possible. It is impossible to have perfect visibility on the future, but we will respond flexibly to the changes that occur by pricing dynamically and controlling costs.

Q: How are the lockdowns that are taking place in parts of China affecting you?

A: The lockdown in Shanghai, where we have our main warehouse, is affecting the offloading of incoming printers and projectors manufactured in the Philippines and Indonesia, and their shipment to the Chinese market.

However, demand remains strong and actions are being taken to deal with logistics congestion, so if Shanghai and other major cities come out of lockdown sooner rather than later, we anticipate being able to make up for lost ground within FY2022.

The operations of our printer, projector, and watch manufacturing sites in Shenzhen have not been affected.

Q: What is the cause of the difference in the level of tax expenses recorded in FY2021 and the level forecast for FY2022?

A: In FY2021, our tax expenses were lower than normal, mainly due to a recalculation of the recoverable deferred tax assets based on the future outlook for the consolidated tax group in Japan, which resulted in an increase in these assets. In FY2022, we are forecasting a standard level of tax expenses.

The loss carried forward for corporate income tax in Japan was depleted at the end of FY2021.

Q: How has the progress been on Epson 25 Renewed corporate vision? Also, why was revenue in new areas lower than the forecast for the first year?

A: We were able to smoothly manage our business operations in line with the business portfolio strategy set forth in Epson 25 Renewed by, for example, investing resources in growth areas, and restructuring and improving the profitability in mature areas. Included in new areas are the sensing and environmental businesses. We are developing these businesses from a long-term rather than short-term perspective.

Office & Home Printing

Q: The FY2022 unit sales target for high-capacity ink tank printers is 14.2 million units, which is a very high growth rate. How did you arrive at this?

A: Thanks in part to promotional campaigns, demand for high-capacity ink tank printers is now high not only in the emerging markets, but also in North America and Europe as well. There is a large order backlog, so we feel that robust demand will continue. Although materials shortages currently exist, we expect supply to gradually improve. Given this, we are forecasting 20% or more year-on-year growth.

Q: You are forecasting sharp revenue growth in office and home printing in FY2022, but see profit declining. Why?

A: Demand is robust and actions are being taken to ease supply constraints, so we expect revenue to increase along with unit sales. For the segment profit outlook, we factored in not only high logistics and materials costs but also the effect of lower selling prices accompanying a normalization of the balance between supply and demand in SOHO and home inkjet printers.