

March 18, 2021

Seiko Epson Corporation

Epson 25 Renewed Corporate Vision Presentation Meeting

Q&A

**Overall**

Q: Why have you slightly lowered your financial targets?

A: The problem with the previous plan was that it assumed excessive revenue growth. Our strategies were also based on the idea that revenue would expand. Moving forward, we will review the way we formulate plans and will focus our activities on priorities.

Q: You said you will not announce revenue targets, but I would like to know the level of revenue you are aiming for in each area.

A: I think you can get a general idea of the level of revenue we expect in each area of innovation from the slides. In the growth areas, we anticipate a certain amount of revenue growth, but in the mature areas the priority is on improving the return on sales. In new areas, we will set revenue targets as we try to establish each business and will also invest in the near term. We will achieve future growth by focusing on priorities for both revenue and investment.

Q: You say you will no longer be announcing revenue targets. Does that mean you will not have internal revenue plans?

A: We have a revenue plan. In a fluid external environment, we will drive a variety of initiatives while setting revenue and ROS targets for each area.

Q: What will be your approach to improving ROE? Will you look to increase the asset turnover ratio or will you raise financial leverage to do so?

A: We will look to improve the asset turnover ratio mainly by reducing inventories. We have no plans to significantly change the current financial leverage situation.

Q: How much of the 180 billion yen in cash allocated to investment on slide 45 will be used on mergers and acquisitions, and what kind of technology and features you are looking to acquire?

A: At this point, we cannot talk about specific amounts or technologies that we may wish to acquire. Just please be aware that there is potential for acquisitions in the future.

Q: What about your dividend policy?

A: While profits have been low in recent years, we have been paying stable dividends.

Over the past several years, we have exceeded the 40% target for consolidated payout ratio, which is expressed using a formula in which the denominator is an amount calculated by deducting a tax expense equivalent from business profit. As you can also tell from the fact that we are aiming for total shareholder returns of about 70 billion yen over three years, in the future we will raise the profit level so that the consolidated payout ratio will be 40%.

Q: What caused you to focus on contributing to the environment? Also, what kinds of contributions will each business make?

A: Epson has always emphasized the environment. We take pride in our environmental progressiveness, which includes a successful initiative some 30 years ago to eliminate ozone-depleting CFCs from our operations ahead of our competitors. We declared that we would focus on the environment in the belief that we can find ways to contribute to society. Epson's efficient, compact, and precision technologies are low environmental impact technologies. Inkjet technology, for example, offers excellent environmental performance. Particularly, inkjet technology has the advantage of consuming far less electricity than laser printers. They also generate less waste from consumables. We believe that we can solve the problems of substantial ink waste and waste in the form of printing plates in analog printing by replacing analog processes with digital inkjet printing processes. We also believe that we can also help to reduce environmental impacts in manufacturing by providing compact, high-precision robots. We see these Epson products and services as technologies that reduce environmental impacts and want to use them to contribute to communities.

Q: Will investing 100 billion yen in environmental initiatives over the 10 years until 2030 negatively impact profit, or will it positively impact profit by improving environmental performance?

A: The 100 billion yen will be invested to improve our own production operations. We can achieve business growth by developing eco-conscious products and services and contributing to the environment in areas such as printing, manufacturing, and projectors.

Q: What kind of changes has COVID-19 brought to the market environment? Have your market assumptions changed?

A: We assumed that the home printing market would continue to slightly decline, but COVID has changed this view, and we now expect this market to pick up somewhat. The market for projectors has declined significantly due to the impact of COVID-19, and we believe that the market will remain lower than previously expected.

### **Office & home printing innovation**

Q: How do you view the home printing market? There was extra at-home demand in FY2020, but how have you factored in the risk of a reactionary decline in the mid-range plan?

A: We expect at-home inkjet print demand to continue a little longer. After that, demand will ease, but we do not expect the pullback to be that large.

Q: How have your strategies and approach in office printing changed? How about in the development of high-speed linehead inkjet multifunction printers?

Also, what is your strategy for differentiating your high-capacity ink tank printers?

A: We see office printing as a growth area, and our strategies and approach remain substantially the same as before. We will engineer platforms to efficiently develop and expand the lineup of high-speed line inkjet multifunction printers. We have been forecasting a decline in total office print volume, but office printing is a huge market for Epson, and we will expand sales in part with

messaging that emphasizes the advantage of inkjet in terms of environmental performance and handling.

The advantages of high-capacity ink tank printers will become even more apparent as office printing becomes more distributed, and we look to further expand by efficiently putting together a lineup of products carefully tailored to the applications and needs of users.

### **Commercial & industrial printing innovation**

Q: Do you expect the digitization of commercial & industrial printing to accelerate further due to the effects of COVID-19?

A: It is possible, but we do not think that the pace of digitization will pick up significantly from what was previously expected.