Overall

Q: To what extent did the second-quarter business profit exceed the internal plan on which the previous outlook was based? Also, what were the main reasons behind this in each business?

A: Business profit in Office & Home Printing and in Visual Communications exceeded the plan by about ¥10 billion. In Office & Home Printing, ink revenue was in line with the plan, but as supplies became constrained due to component shortages and logistics delays, we continued pricing measures and contained costs of things such as sales promotions. In Visual Communications, revenue exceeded the plan primarily because of strong demand in the education market in Europe and a partial alleviation of the backlog. Cost containment and postponements until the second half also had an impact.

Q: You said that inventory changes had an impact on second-quarter results. Can you provide some background on this?

A: Inventory decreases put downward pressure on profit in the same period last year because factory operations in Southeast Asia were shut down. On the other hand, profit for the quarter was pushed up because of an increase in goods in transit mainly due to logistics disruptions, an increase in work-in-process due to semiconductors and other component shortages.

Q: How long do you expect shortages of semiconductors and other components to continue?

A: Judging from the present situation, we cannot expect supplies to rebound anytime soon. At the very least, we anticipate semiconductor shortages to last through the 2022 fiscal year.

Office & Home Printing

Q: How is the Office & Home Printing market trending?

A: According to store sales data, sales in Europe were on a par with those in the same period last year, when market demand was extremely high, while sales in Japan and North America fell about 20% and 10%, respectively. On the other hand, channel inventory still has not returned to a normal level and storefront inventory continues to run low. Prices have remained high, in part because we have contained promotions amid constrained supply.

Q: How are sales of high-capacity ink tank printers?

A: Second quarter unit sales increased sharply from the same period last year on strong demand in developed economies, especially in North America. Total sales were about the same as in the same period last year largely due to supply
Even though supplies will be constrained throughout the year, we are planning on sales of 12.4 million high-capacity ink tank printers, an increase of about 20% from the prior year, and plan to maintain pricing.

**Commercial & Industrial Printing**

Q: Commercial & Industrial Printing holds high promise as a growth driver. What kind of response are you getting for finished products in this business?

A: In the second quarter, there was a slight slowdown in China, but the overall sense of direction has not changed. Although results were slightly impacted by delays in the launch of some products, we are gradually expanding the lineup and demand is strong. We are basically expecting the same growth we have envisioned so far.

Q: Printhead sales business has shown continued year on year growth, but why has second quarter revenue in the decreased from the first quarter?

A: Second-quarter sales decreased because sales of some products to Chinese customers decreased from the first quarter, but sales are expected to stabilize moving forward. As the global economy gradually recovers from the pandemic and returns to normal, we expect to grow full-year revenue, including by expanding our market share in China, the largest market.

**Manufacturing-related & Wearables**

Q: What are Epson’s standing and strengths in the crystal devices industry? Also, are you thinking of investing in more production capacity?

A: Epson’s strength comes from the fact that we produce synthetic quartz, the raw material for our quartz devices. We also combine our quartz crystals with semiconductor technology in our products. We are strengthening our presence in the communications base stations and automotive markets as well as in mobile products. The microdevices and other business also includes metal powders and surface finishing, but the ratio of crystal devices to semiconductors is about 6:4. We are not considering augmenting production capacity through large-scale capital investment, but we are taking measures to increase the efficiency of our production to increase volume.