

FY2022 First-Quarter Financial Results Presentation  
Q&A

**Overall**

Q: What effect will the Shanghai lockdown have on your financial results?

A: The lockdown in Shanghai prevented us from shipping products from our main warehouse in Shanghai to the Chinese market in April and May. This lowered our first-quarter revenue by about ¥3 billion to ¥4 billion. The Shanghai lockdown had only a slight impact on materials procurement. We lowered the outlook for annual unit shipments of office and home inkjet printers as we factored in the slow recovery from semiconductor and other supply constraints.

**Office & Home printing**

Q: The unit shipments of office and home inkjet printers in the first quarter was down 19% year on year. On the other hand, you expect the unit shipments in FY2022 to reach 18.4 million, which is a gain of 10% year on year. Why do you expect the number to rise?

A: We lowered our outlook for the unit shipments in the first half from the previous outlook, dated April 28, because of prolonged semiconductor shortages. However, we took a number of steps, including product design changes, that have gradually improved the procurement situation. In the second half we therefore expect some improvement to supply constraints.

Q: In the current full-year outlook, you lowered unit shipments of high-capacity ink tank printers by a greater margin than you did with ink cartridge printers. Why is that?

A: The two use different types of semiconductors so the procurement situation is different. Epson's strategy to increase sales of high-capacity ink tank printers remains the same.

Q: What is your outlook for office and home inkjet printer sell-through and channel inventory levels?

A: On the one hand, the sell-through situation has settled down since immediately after the worst of the pandemic in the first half of FY2020. On the other hand, research data and other sources indicate that working from home is becoming somewhat entrenched. As a result, we project there will not be any sudden slumps going forward. Channel inventory remains low, and we are working to eliminate shortages by about the end of the fiscal year, but we do not expect this inventory to

recover to its usual level by that time.

Q: It seems you are increasing production of ink cartridge printers from the second quarter. Will this put pressure on profits?

A: Ink cartridge printer hardware is not as profitable as high-capacity ink tank printer hardware, but high-capacity ink tank printers already make up most of Epson's inkjet printers. This means that ink cartridge printers have a smaller impact than before.

Q: There have been reports that China is considering new regulations that would require foreign-owned office equipment manufacturers to complete all processes—including design, development, and manufacturing—in China. How would this affect Epson?

A: We are aware of those reports and are currently confirming the situation. Going forward, we will work with relevant government agencies and industry groups and continue to monitor developments with this situation and respond appropriately.

### **Manufacturing-related & Wearables**

Q: Microdevices are making a big contribution to profits. Will that situation continue?

A: We have long-term contracts for both quartz crystals and semiconductors that include price and volume. Recent demand is very strong, and supply has not caught up. We expect this situation to continue for some time to come.

Q: What are the main applications of microdevices?

A: The applications for quartz crystals include smartphones, consumer and industrial products, base stations, networks, and automotive. The demand does not lean excessively to any of those particular applications. Quartz crystals for smartphones are soft because of a downward trend in global demand, but the other applications are making up for it because their demand is strong.

Semiconductor applications are balanced between those going into Epson's own finished products and those sold to other companies or going to foundries. We are receiving plenty of inquiries about all these areas.