

# **Second Quarter Financial Results Fiscal Year 2018 (Ending March 2019)**

October 30, 2018

**SEIKO EPSON CORP.**

## ■ Disclaimer regarding forward-looking statements

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The foregoing statements regarding future results reflect the Company's expectations based on information available at the time of announcement. The information contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, the competitive environment, market trends, general economic conditions, technological changes, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

## ■ Note regarding business profit

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Business profit is calculated by deducting cost of sales and SGA expenses from revenue. Although not defined in the statement of consolidated comprehensive income, this indicator is very similar to the concept of operating income under J-GAAP. Epson will present this information as a reference, as the Company believes users of financial statements will find it useful when evaluating Epson's financial performance.

## ■ Numerical values presented herein

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Numbers are rounded down to the unit indicated. Percentages are rounded off to one decimal place. Years mentioned in these materials are fiscal years unless otherwise indicated.

■ **Overview**

- FY2018 Q2 Financial Results
- FY2018 Financial Outlook
- Progress on Strategy

■ **Details**

- FY2018 Q2 Financial Results
- FY2018 Financial Outlook
- Main Management Indices

## Financial Highlights (Second Quarter)

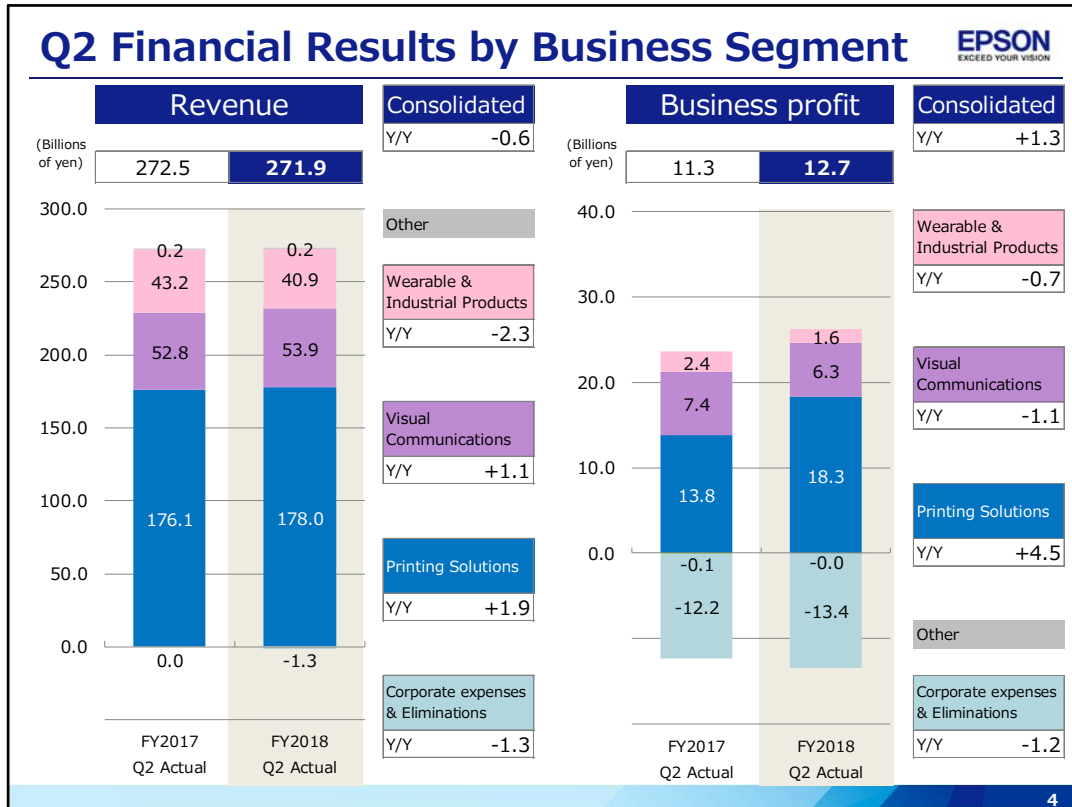


	FY2017		FY2018		Change	
	(Billions of yen) Q2 Actual	%	Q2 Actual	%	Y/Y	%
Revenue	272.5		271.9		-0.6	-0.2%
Business profit	11.3	4.2%	12.7	4.7%	+1.3	+12.2%
Profit from operating activities	9.0	3.3%	12.1	4.5%	+3.1	+34.6%
Profit before tax	8.5	3.1%	12.5	4.6%	+4.0	+46.9%
Profit for the period attributable to owners of the parent company	4.7	1.8%	9.0	3.3%	+4.2	+89.1%
EPS* (yen)	13.58		25.67			
Exchange rate (yen)	USD 111.00		111.46			
	EUR 130.36		129.66			

\* Basic earnings per share for the period

Exchange Effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	+0.3	-0.2	-4.2	-4.0
Business profit	-0.1	-0.1	-2.5	-2.7

- Epson's second-quarter results for the 2018 fiscal year were as follows.
- For the quarter we recorded ¥271.9 billion in revenue, down ¥0.6 billion year on year. Business profit was ¥12.7 billion, up ¥1.3 billion. And profit for the period was ¥9.0 billion, up ¥4.2 billion.
- Currency volatility had a ¥4.0 billion negative effect on revenue for the quarter, and a ¥2.7 billion negative effect on business profit.



- This is a year-on-year comparison by segment of second-quarter revenue and business profit.
- Printing solutions profit rose because, in addition to growth in sales of high-capacity ink tank printers, our ink cartridge printer production costs were lower. On the other hand, visual communications and wearable & industrial products profit declined.
- Our financial performance was mainly affected by changes in the external business environment, including a slowdown in economic activity in Latin America.
- Compared to our internal plan, which was the basis for the fiscal year outlook released on July 27, revenue exceeded the plan due to foreign exchange effects, whereas business profit fell slightly short.
- Foreign exchange had a positive effect on our internal plan for revenue and a slightly negative effect on our internal plan for business profit.
- The details are provided later in the presentation.

## Financial Highlights (First Half)



	FY2017		FY2018		Change	
	(Billions of yen) 1H Actual	%	1H Actual	%	Y/Y	%
Revenue	527.3		532.3		+5.0	+1.0%
Business profit	28.1	5.3%	27.4	5.1%	-0.7	-2.6%
Profit from operating activities	23.6	4.5%	25.6	4.8%	+1.9	+8.1%
Profit before tax	23.0	4.4%	26.9	5.1%	+3.8	+16.9%
Profit for the period attributable to owners of the parent company	14.9	2.8%	20.2	3.8%	+5.2	+34.8%
EPS* (yen)	42.55		57.38			
Exchange rate (yen)	USD 111.04		110.26			
	EUR 126.24		129.88			

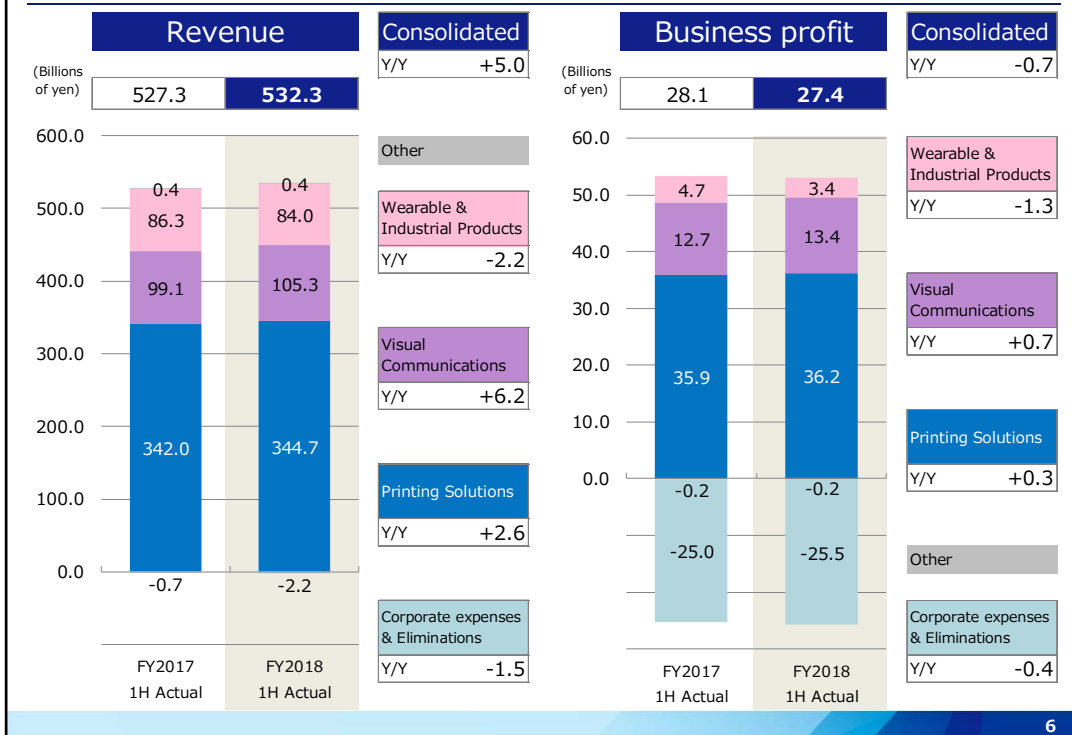
\* Basic earnings per share for the period

Exchange effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	-1.1	+2.3	-4.7	-3.5
Business profit	+0.3	+1.4	-2.9	-1.1

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- Epson's consolidated results for the first half were as follows.
- Revenue was ¥532.3 billion, up ¥5.0 billion year on year. Business profit was ¥27.4 billion, down ¥0.7 billion. And profit for the period was ¥20.2 billion, up ¥5.2 billion.
- Currency volatility over the first two quarters had a ¥3.5 billion negative effect on revenue and a ¥1.1 billion negative effect on business profit.

# 1H Financial Results by Business Segment



- Here you see a year-on-year comparison of aggregate revenue and business profit for the first two quarters in each segment.
- First-half revenue increased mainly because of growth in sales of high-capacity ink tank printers and in projectors. However, business profit decreased slightly, primarily because we continued to strategically invest in future growth, but also due to negative foreign exchange effects.

## FY2018 Financial Outlook



	FY2017		FY2018				Change		
	(Billions of yen)	Actual	%	7/27 Outlook	%	10/30 Outlook	%	Y/Y	Vs. 7/27 outlook
Revenue		1,102.1		1,050.0		1,090.0		-12.1 -1.1%	+40.0 +3.8%
Business profit		74.7	6.8%	80.0	7.6%	80.0	7.3%	+5.2 +7.0%	— —
Profit from operating activities		65.0	5.9%	75.0	7.1%	77.0	7.1%	+11.9 +18.5%	+2.0 +2.7%
Profit before tax		62.6	5.7%	74.0	7.0%	76.0	7.0%	+13.3 +21.3%	+2.0 +2.7%
Profit for the year attributable to owners of the parent company		41.8	3.8%	58.0	5.5%	60.0	5.5%	+18.1 +43.4%	+2.0 +3.4%
EPS* <sup>1</sup> (yen)		118.78		164.67		170.34			
Exchange rate (yen)	USD	110.85		102.00		110.00			
	EUR	129.66		126.00		128.00			
Exchange rate assumptions from Q3 onward (yen)	USD			Exchange sensitivity * <sup>2</sup>		USD	EUR	Other currencies	
		110.00	127.00	Revenue		-3.0	-1.5	-3.0	
				Business profit		+0.5	-1.0	-1.3	

\*<sup>1</sup> Basic earnings per share for the year

\*<sup>2</sup> Annual impact of a 1-yen increase in the value of the yen versus the USD & EUR (in billions of yen)

Annual impact of a 1% increase in the value of the yen versus other currencies (in billions of yen)

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- Next, let's look at Epson's financial outlook for the full 2018 fiscal year.
- We are forecasting ¥1,090 billion in revenue, ¥80 billion in business profit, and ¥60 billion in profit for the year.
- Our second-quarter performance fell slightly short of the internal plan, and we factored some impact from changes in the external business environment into our full-year financial outlook. However, overall impact will be limited, and we are making strategic progress in high-capacity ink tank printers by expanding in developed markets, in addition to making progress in large-format printers for commercial and industrial printing.
- We will introduce measures in response to these environmental changes in the second half, which is our peak season, to achieve the full-year financial outlook.
- Our current financial outlook assumes second-half exchange rates of 110 yen to the US dollar and 127 yen to the euro. The valuations of other currencies versus the yen were nudged slightly downward from their current rates.
- Exchange rates are thus expected to have about a ¥40 billion greater positive impact on revenue than in the previous outlook. Their impact on business profit is expected to be slightly negative.
- Compared to last fiscal year, exchange rates are expected to have about a ¥23.0 billion negative impact on revenue, and about a ¥11.0 billion negative impact on business profit.
- Given this, we upgraded our full-year revenue outlook by ¥40 billion while leaving the business profit outlook the same.
- The forecasts for profit from operating activities and other profit categories reflect the sales of some assets.

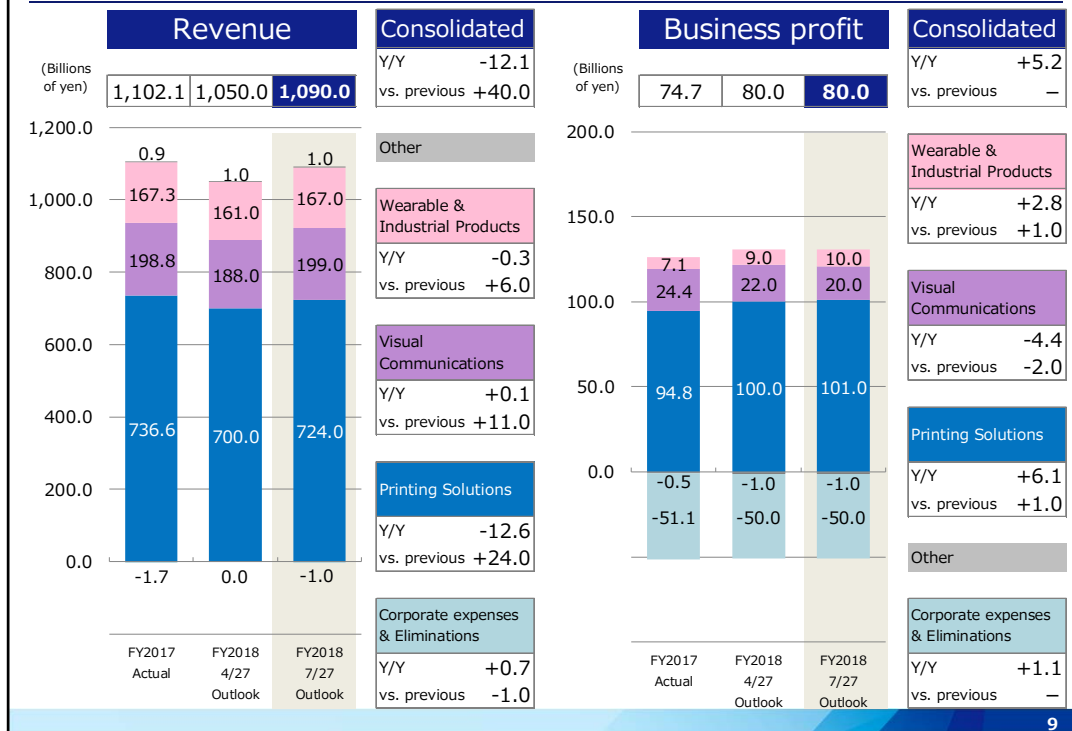


## Keys to Achieving the FY2018 Outlook

- Responding to changes in the business environment
  - React to Latin American currency devaluation and a slowdown in economic activity.
    - ✓ Flexibly adjust prices based on the sales situation.
  - Recover from the Hokkaido earthquake.
    - ✓ Give top priority to minimizing the effect on projector sales.
  - Respond to a decline in robot demand in Greater China region triggered by U.S.-China trade friction.
    - ✓ Capture demand in other regions and launch new products.
    - ✓ Prepare to provide solutions for different applications (processes) in readiness for mid-term growth.
- Efficient, strategic investment in future growth
- Accelerating the transition to new business models
  - Expand and enhance the lineup of high-capacity ink tank printers.
  - Strengthen promotions and marketing in developed economies as well as emerging markets.
  - Limit sales of low-price ink cartridge printer models and maintain prices.

- This slide explains the keys to achieving the full-year financial outlook.
- The first key is to respond to changes in the business environment.
- In the first half, we saw currency values plummet in some Latin American countries and a slowdown in economic activity, but we will continue to try to maximize profit by flexibly adjusting prices depending on the sales situation.
- The earthquake in Hokkaido in September caused us to temporarily halt production at the Chitose Plant, where we fabricate the small liquid crystal panels used in our 3LCD projectors. Our top priority has been to recover production to minimize the effect on sales.
- Robot demand in the Greater China region fell sharply as trade friction between the U.S. and China heated up.  
However, demand in other regions is expanding, so, in addition to trying to capture orders in these regions, we will launch new products and prepare to provide solutions to drive growth over the mid-term.
- We will continue to strategically invest in future growth. But, at the same time, we will also exercise control to keep spending to a minimum given recent circumstances.
- The final key to achieving the outlook is to further accelerate the transition to new business models, switching from ink cartridge printers to a heavier focus on high-capacity ink tank printers.
- High-capacity ink tank printers offer a smaller environmental footprint than laser printers and even ink cartridge printers. They also offer a huge value in the form of sharply lower printing costs.
- We will further accelerate growth in high-capacity ink tank printers by expanding and enhancing the lineup, and by strengthening promotions and sales in developed economies as well as emerging markets. Meanwhile, we will limit sales of low-price ink cartridge printer models, and continue our policy to maintain prices.

# FY2018 Financial Outlook by Business Segment



- Here, revenue and business profit outlook are broken out by segment.
- Changes in foreign exchange assumptions were factored into every segment, as were actions to be taken in response to the changes in the external business environment as mentioned earlier.
- The details are provided later in the presentation.

- Made progress in strategic product and market development
  - Continuing to expand high-capacity ink tank printer sales.
  - Executing actions to expand sales of high-speed linehead inkjet multifunction printers.
  - Expanded in commercial & industrial printer categories (signage, textiles, and labels).
  - Growing in priority segments of projector market.
- Improving production infrastructure as planned in preparation for sales growth
  - Construction completed on PrecisionCore print chip production site.
  - Began construction on new development and production site for large-format commercial and industrial printers.



New plant (Building 9) at the Hirooka Office



Innovation Center Building B in Hirooka (under construction)

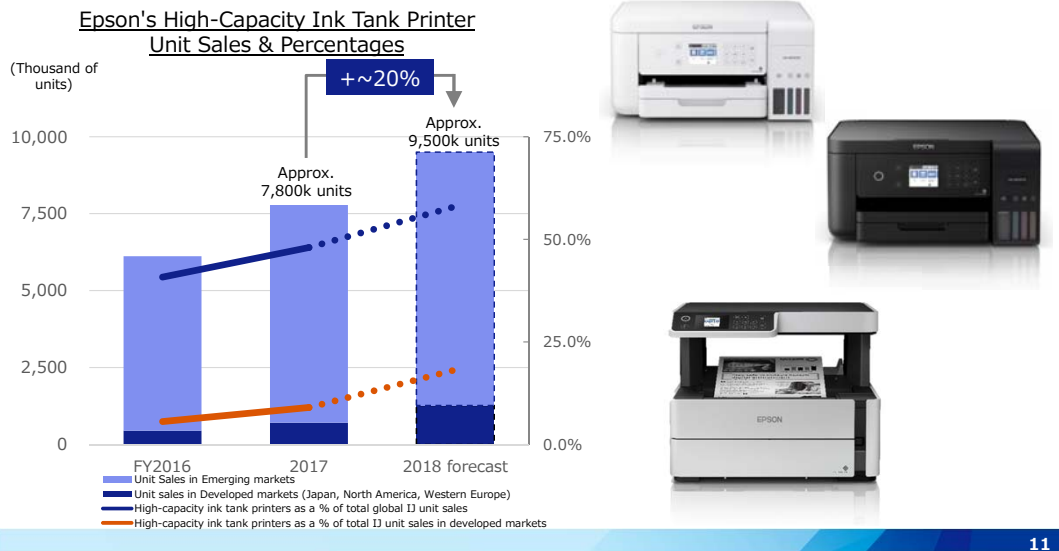
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- As indicated here, we have been making progress on the strategies in our Mid-Range Business Plan.
- While there have been changes in the external environment, we are steadily developing strategic products and strategic markets.
- In the printer business, sales of high-capacity ink tank printers are continuing to grow.
- Since launching high-speed linehead inkjet multifunction printers in June of last year, we have promoted the products and built up our sales and marketing organization. The market is starting to recognize that these products offer not only outstanding printing performance, but also environmental advantages such as low power consumption and fewer consumables replacements. As a result, this year we have begun to see sales increase.
- Epson is also expanding in commercial and industrial printing by providing products and services tailored to various customer needs.
- We have also achieved steady growth in projectors.
- In addition, we are also improving production infrastructure as planned in preparation for sales growth in these areas.
- In the first half, construction was completed on a production site for PrecisionCore print chips, the core components in our printers. Construction also got underway on a large-format commercial and industrial printer development and production site.

## Expansion of High-Capacity Ink Tank Printer Sales



- Transitioning to new inkjet printer business model in developed as well as emerging markets
- Expanded the monochrome model lineup and added different color models

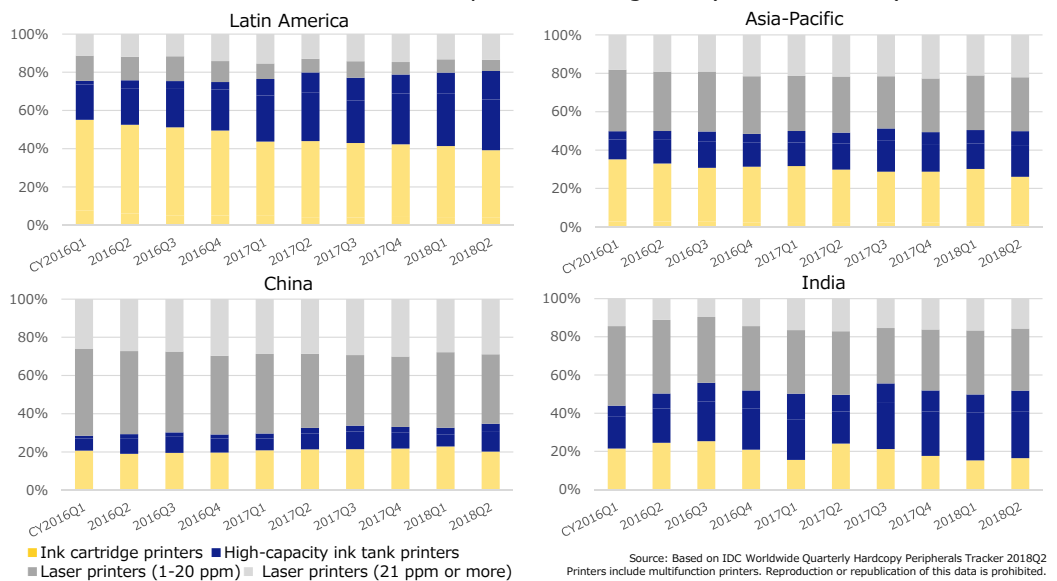


- In this slide explains more detail about the growth of high-capacity ink tank printer sales.
- We are transitioning to a new inkjet printer business model in developed as well as emerging markets.
- As the bar graph shows, unit shipments of high-capacity ink tank printers have been steadily expanding in emerging markets in particular, but this fiscal year we also sharply increased sales in developed markets as well, by expanding the monochrome model lineup and adding different colored models and so forth. We are forecasting global total unit sales of 9.5 million units.
- The line graph shows high-capacity ink tank printers as a percentage of total inkjet printer unit shipments.
- The orange line is the percentage in developed markets, where most of the inkjets sold have traditionally been ink cartridge models. Here, too, we will accelerate the switch to a high-capacity ink tank printer business model by communicating customer value.

## High-Capacity Ink Tank Printers in Emerging Markets EPSON EXCEED YOUR VISION

- High-capacity ink tank printer ratio is increasing not only in Latin America, but also in the Asia-Pacific region
- Acquiring demand in office and moving forward to cultivate demand for home.

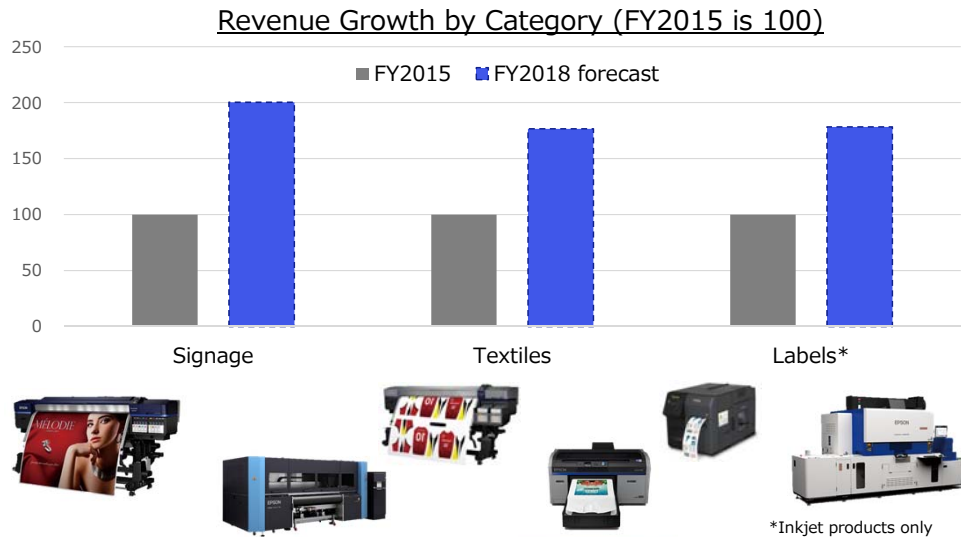
A4 Printer Market Trend by Printer Categories (Sales unit ratio)



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- This slide shows the transition of unit sales in emerging markets of printers according to category.
- The top left chart shows the Latin America market, whereas the top right shows the Asia-Pacific region.
- The lower charts show China and India, the larger markets in the Asia-Pacific region.
- The penetration rate for inkjet printers has historically been high in Latin America. In this market, the share of ink cartridge printers and even laser printers has decreased in proportion to the increase in penetration by high-capacity ink tank printers.
- Laser printers have historically had a high share in the Asia-Pacific region. Even here, the proportion of high capacity ink tank printers has increased, while that of laser printers has started to decrease.
- In emerging markets, we believe that high-capacity ink tank printers have been accepted as the leading choice in the office low-speed category. We also feel that lower printing costs are driving new demand in the home and office.
- To respond to these demands, we will expand our lineup including monochrome models, and will roll out different colored models to further expand demand for high-capacity ink tank printers.

- Expanding sales in priority categories (signage, textiles, labels)
  - Achieved growth by launching new products and strengthening sales to capture market digitization needs



- This slide shows commercial and industrial printers.
- We are taking advantage of a wave of digitization in priority areas, including the signage, textile, and label categories, by strengthening our sales and marketing and by launching new products that match the needs of customers.
- For example, when we were a new entrant in the signage printer market, there was a period when we were unable to respond to the differing needs of all customers. But since the launch of a new series in 2015, sales have steadily grown.
- In the textile category, we expanded sales of dye-sublimation transfer printers particularly in Latin America, where they are used for items such as sportswear, and soft signage, such as banners. Sales of garment printers that can print directly on T-shirts also continue to grow in Europe, America, and Japan. Furthermore, large-format textile printers, which can print directly to fabric, have also shown growth, mainly in Europe.
- We are also seeing substantial growth in the label category, where, for example, small color label printers equipped with a PrecisionCore linehead have penetrated the market.
- We expect to nearly double revenue compared to fiscal 2015 in every category, and will aim for further growth.

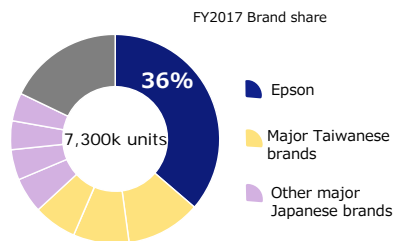
# Expansion of Projector Sales

## Expanded sales as planned in priority areas

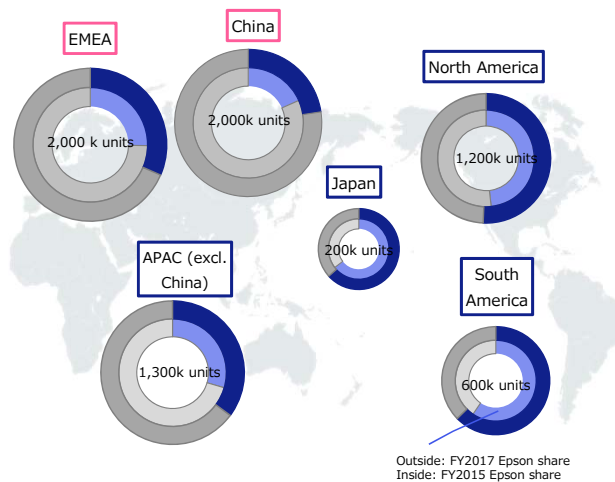
- High-lumen segment
- China, Europe, Middle East, Africa



Global Unit Share by Brand\*1



Epson's Unit Share by Region \*1



Brand Share by Category (Units) \*1

Product category	Epson share FY2015⇒FY2017
Total high-lumen*	15%⇒ <b>23%</b>
10,000-lumen+	10%⇒ <b>19%</b>
Ultra-short throw, standard, home	33%⇒ <b>37%</b>

\*1 Data source: Futuresource Consulting Ltd., more than 500lm projectors  
\*2 High-lumen projectors are defined as models that have a replaceable lens

- This slide shows the projector market.
- The graph on the left shows our global share.
- As you can see, Epson has captured a 36% share.
- As the table in the bottom left corner shows, we have sharply increased our share in the 10K-lumen plus category, an area where we were once weak, by launching high-lumen projectors with laser light sources.
- The circular graphs on the right break down market share by region. The inner circles represent share in fiscal 2015 and the outer circles the share in fiscal 2017. We have been able to extend our share even in China, Europe, the Middle East, and Africa, regions where our share has been comparatively lower than in other regions.
- Given the growth, we believe that we are making progress with our strategies.
- There is still half a year left under the mid-range business plan, and we have no intention of letting up in our efforts to achieve the Epson 25 Corporate Vision.

■ **Overview**

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## Financial Highlights (Second Quarter) Repost **EPSON** EXCEED YOUR VISION

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\* Basic earnings per share for the period

Exchange effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	+0.3	-0.2	-4.2	-4.0
Business profit	-0.1	-0.1	-2.5	-2.7

- Next, let's look at quarterly profit from operating activities and profit for the period.
- Profit from operating activities increased because, while we recorded expenses associated with our efforts to restore Chitose operations after the Hokkaido earthquake under other operating expenses, we did not have to record a loss in other operating income as we did in the year-ago quarter on forward exchange contracts in conjunction with a weakening of the yen.
- Profit before taxes increased primarily because, in addition to the rise in profit from operating activities, we recorded a foreign exchange gain on the translation of cash and deposits and other foreign currency assets and liabilities due to the appreciation of the US dollar.

## Quarterly Comparison by Business



(Billions of yen)

Printing Solutions	FY2017 Q2 Actual	FY2018 Q2 Actual	Y/Y
Revenue	176.1	178.0	+1.9
Printers	123.6	123.6	+0.0
% sales IJP	83%	83%	
SIDM	8%	8%	
Other	9%	9%	
Professional Printing	48.2	50.0	+1.7
Other	4.5	4.3	-0.1
Inter-segment revenue	-0.3	-0.0	+0.3
Segment profit	13.8	18.3	+4.5
ROS	7.9%	10.3%	

- ◆ IJP:
  - High-capacity ink tank printer sales generally firm
  - Ink cartridge printer sales decreased due to actions to maintain prices.
  - Ink earnings decreased.
- ◆ SIDM:
  - Flat year on year
- ◆ Large-format printers:
  - Steady sales continued in signage, textile and label categories.
  - Photo and graphics printer earnings decreased due to moves by competitors.
- ◆ POS printers:
  - Sales of tablet POS printers and products for China increased.

IJP: Inkjet Printers  
SIDM: Serial Impact Dot Matrix Printers

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- This is a year-on-year comparison of quarterly revenue in printing solutions.
- This segment saw increases in both revenue and profit.
- Printer business revenue was consistent with the previous period.
 

In inkjet printers, high-capacity ink tank printer sales were tempered by a slowdown in economic activity and undercutting by competitors in some Latin American countries, yet total unit shipments increased in both emerging and developed markets.

On the other hand, unit shipments of ink cartridge printers, and especially low-priced models, decreased because of actions taken to maintain prices. Ink sales decreased due to a decline in the number of machines in the field.
- Professional printing revenue increased.
 

In large-format printers, we saw sustained sales growth in priority categories like textiles, where garment printer sales were strong. In POS printers, we recorded growth in sales of tablet POS-compliant products in Europe and America and in sales of products for the Chinese market.
- Segment profit was adversely affected by a decline in ink revenue and negative foreign exchange effects, as well as increased strategic spending. Nevertheless, total segment profit increased. In addition to revenue growth in high-capacity ink tank printer and professional printing, segment profit increased because our expenses decreased compared to the same period last year, when we incurred additional production-related and transportation expenses associated with a fire at a vendor's facility which in turn caused production delays.
- The printer business accounted for about 35% of segment profit.
- Performance compared to the internal plan was as follows.
- Printer revenue was basically in line with the plan. While we suppressed sales by maintaining a hard line on pricing of ink cartridge printers in the face of unexpectedly aggressive undercutting by competitors, high-capacity ink tank printer sales stayed firm outside of some countries in Latin America.
 

Business profit fell short of the plan because we incurred a temporary loss associated with an increase in ink cartridge printer inventory caused by the aforementioned suppression of sales.
- We plan to revert this loss through tighter control of sales and production.
- Professional printing revenue and business profit were both generally in line with the plan.

## Quarterly Comparison by Business

(Billions of yen)

Visual Communications	FY2017 Q2 Actual	FY2018 Q2 Actual	Y/Y
Revenue	52.8	53.9	+1.1
Segment profit	7.4	6.3	-1.1
ROS	14.2%	11.7%	

- ◆ Projectors:
  - Model mix improved owing to increased sales of high-lumen models.
  - Demand grew in Europe and Asia but was soft in the Americas and Japan.

(Billions of yen)

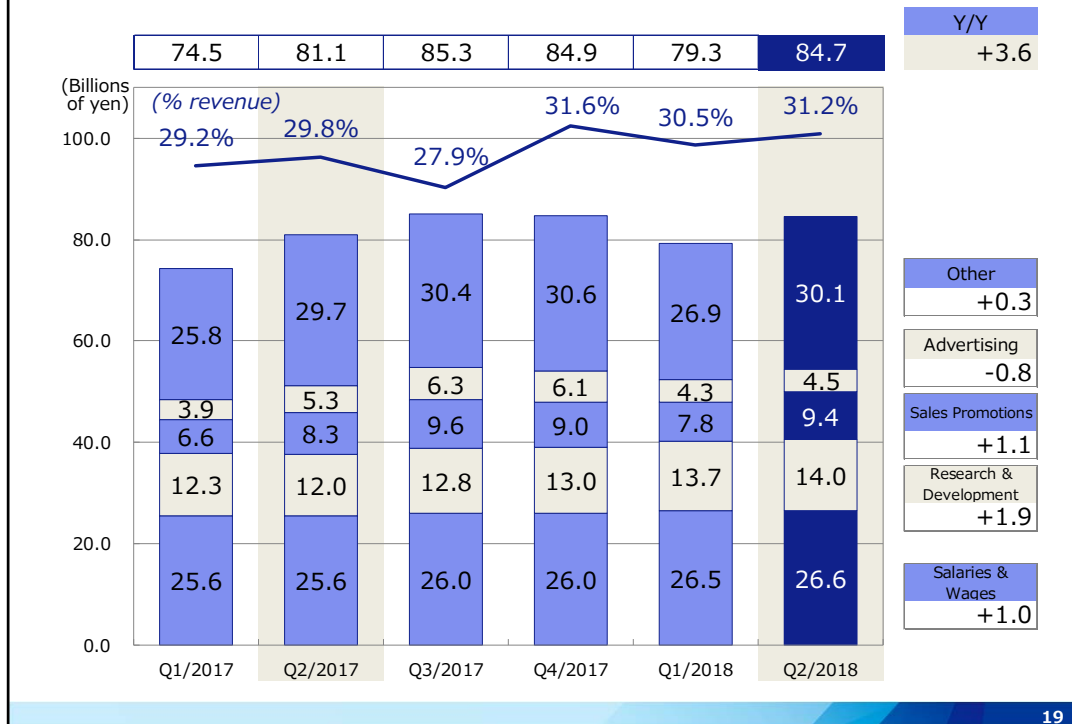
Wearable & Industrial Products	FY2017 Q2 Actual	FY2018 Q2 Actual	Y/Y
Revenue	43.2	40.9	-2.3
Wearable Products	13.0	12.1	-0.8
Robotics Solutions	6.4	5.0	-1.4
Microdevices, Other	25.3	25.2	-0.1
Inter-segment revenue	-1.6	-1.4	+0.1
Segment profit	2.4	1.6	-0.7
ROS	5.5%	4.0%	

- ◆ Watches: No rebound in overseas sales
- ◆ Robots: U.S.-China trade friction caused demand in the Greater China region to rapidly decrease.
- ◆ Quartz: Shipments to consumer electronics manufacturers and others decreased.
- ◆ Semiconductors: Continued strong demand.

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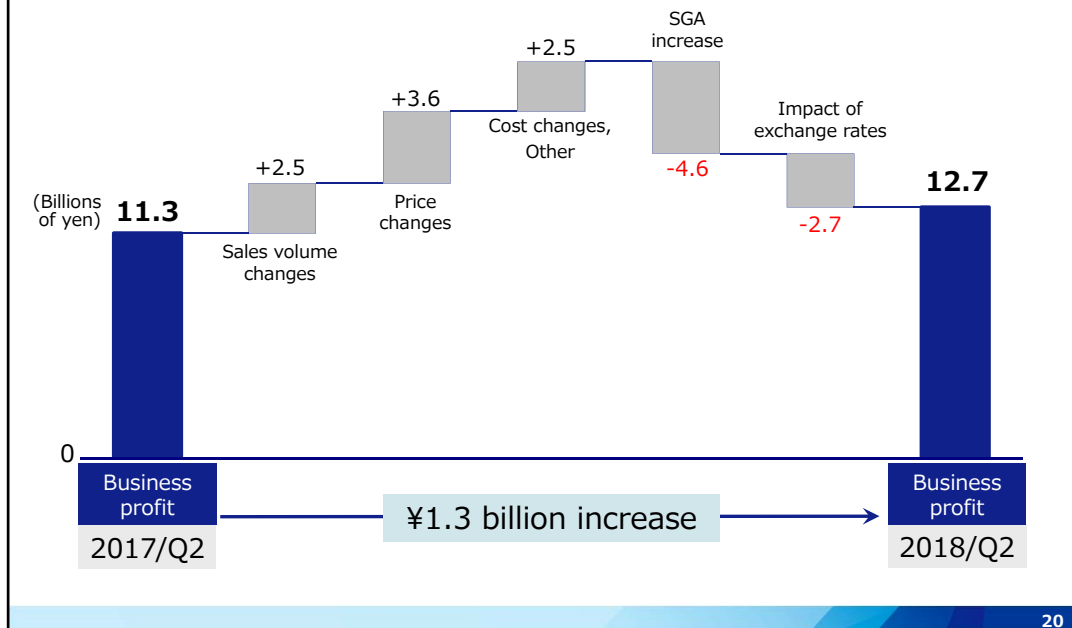
- Visual communications revenue increased.
- Total projector unit shipments were flat year on year. Although unit shipments rose in Europe and Asia thanks largely to demand generated by the World Cup and order wins in the education market, demand was soft in the Americas and Japan.
- Revenue got a boost from an improved model mix brought about by the increased sales of high-lumen laser projectors.
- Segment profit decreased despite revenue growth and model mix improvement. The decrease was mainly because of an increase in R&D spending toward future growth and negative foreign exchange effects.
- Both revenue and business profit fell slightly short of the internal plan chiefly because World Cup demand was lower than expected and because the timing of business opportunities in Europe was pushed out.
- Revenue in wearable & industrial products decreased.
  - Wearable products revenue decreased, as overseas sales of watches failed to rebound.
  - Robotics solutions revenue declined due to a steep drop in both robot and IC handler demand in the Greater China region due to U.S.-China trade friction.
  - Microdevices and other revenue was flat year on year, as continued strong semiconductor sales offset a decline in crystal device sales to consumer electronics manufacturers and other customers.
- Segment profit decreased on lower revenue in robotics solutions.
- Revenue was in line with the internal plan and business profit fell slightly short, if you exclude foreign exchange effects.

## Quarterly Selling, General and Administrative Expenses



- Quarterly selling, general and administrative expenses were as shown here.
- They increased by ¥3.6 billion over the second quarter of last year.
- The bulk of expenses were incurred for research and development for future growth, ongoing strengthening of promotional campaigns for strategic products, and strengthening our sales and service organizations.

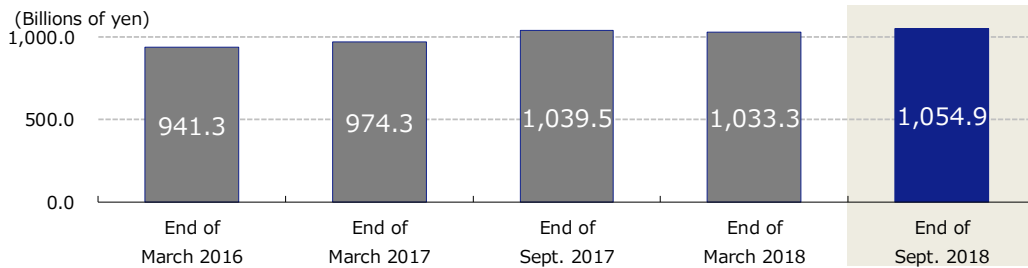
## Q2 Business Profit Change Cause Analysis



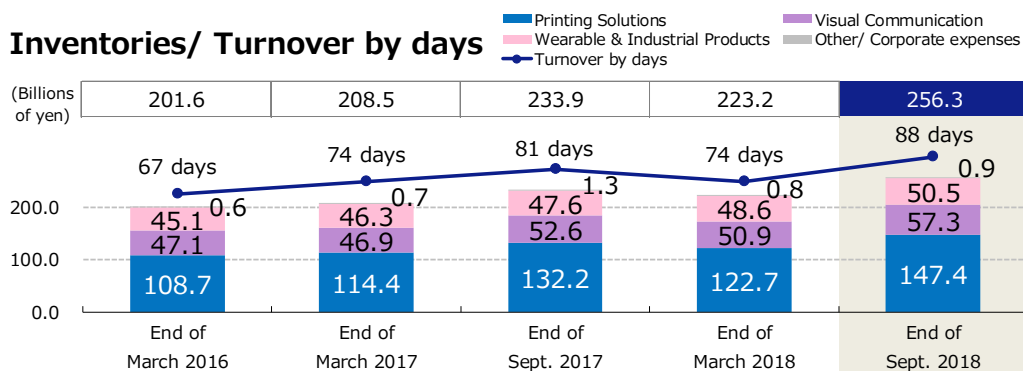
- This slide shows a cause analysis of the ¥1.3 billion increase in consolidated quarterly business profit compared to the same period last year.
- High-capacity ink tank printers significantly contributed to sales volume gains, while other products such as POS printers, large-format textile and label printers contributed more modestly. These gains exceeded the negative volume growth in areas such as ink cartridges, large-format printers for photo and graphics applications, watches, robots, and crystal devices.
- Price changes had a positive impact on profit, as we strengthened measures to maintain prices of inkjet printers and improve the mix of projectors, wearable products, and large-format printers. These outweighed the negative effects of price erosion in certain products such as crystal devices.
- Cost changes were also in positive territory because although costs increased in line with improved product mixes, inkjet printer production costs decreased.
- SGA expenses increased primarily because of higher salaries and wages, R&D costs, and sales promotion expenses.

# Statements of Financial Position

## Total assets



## Inventories/ Turnover by days

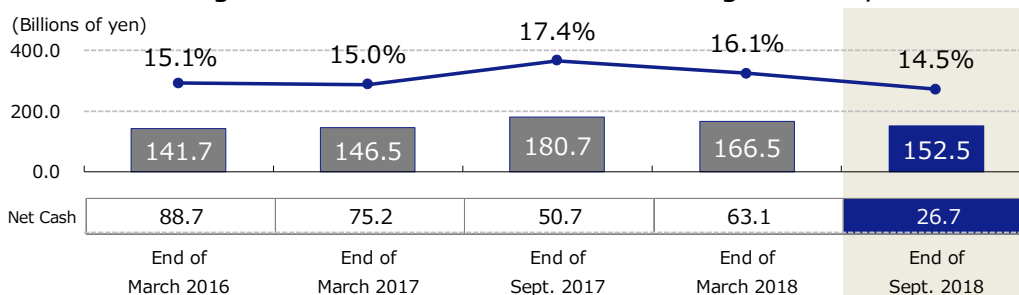


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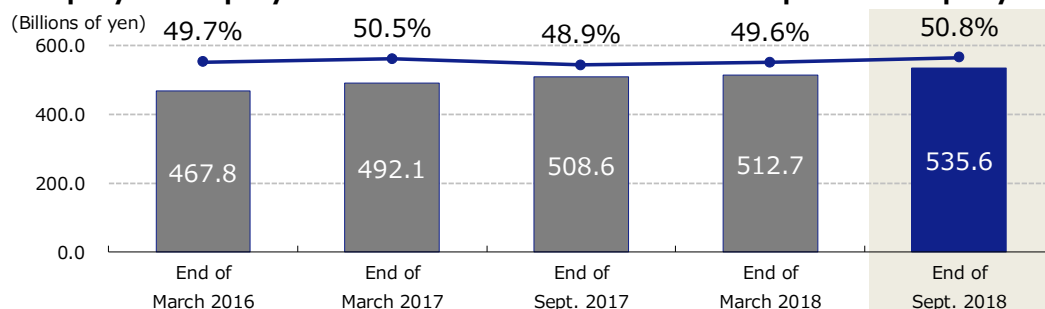
- Next, let's look at some of the major items on the statements of financial position.
- Total assets increased by ¥21.6 billion from the end of the previous fiscal year, ending at ¥1,054.9 billion. Cash and cash equivalents decreased mainly because of acquisitions of property, plant and equipment and payment of dividends. On the other hand, items such as inventories and property, plant and equipment increased.
- Inventories increased by ¥33.1 billion from the end of the previous fiscal year, ending at ¥256.3 billion. This increase was chiefly due to an increase in inventories of inkjet printers and projectors.

## Statements of Financial Position

### Interest-bearing liabilities and ratio of interest-bearing liabilities, Net Cash



### Equity and equity ratio attributable to owners of the parent company



- Interest-bearing liabilities were ¥152.5 billion, a decrease of ¥14.0 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 14.5%.
- Net cash was ¥26.7 billion.
- Equity attributable to owners of the parent company was ¥535.6 billion, up ¥22.9 billion compared to the previous fiscal year-end. The equity ratio attributable to owners of the parent company was 50.8%.

# FY2018 Financial Outlook

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	FY2017		FY2018				Change		
	(Billions of yen)	Actual	%	7/27 Outlook	%	10/30 Outlook	%	Y/Y	Vs. 7/27 outlook
Revenue		1,102.1		1,050.0		1,090.0		-12.1 -1.1%	+40.0 +3.8%
Business profit		74.7	6.8%	80.0	7.6%	80.0	7.3%	+5.2 +7.0%	— —
Profit from operating activities		65.0	5.9%	75.0	7.1%	77.0	7.1%	+11.9 +18.5%	+2.0 +2.7%
Profit before tax		62.6	5.7%	74.0	7.0%	76.0	7.0%	+13.3 +21.3%	+2.0 +2.7%
Profit for the year attributable to owners of the parent company		41.8	3.8%	58.0	5.5%	60.0	5.5%	+18.1 +43.4%	+2.0 +3.4%
EPS* <sup>1</sup> (yen)		118.78		164.67		170.34			
Exchange rate (yen)	USD	110.85		102.00		110.00			
	EUR	129.66		126.00		128.00			
Exchange rate assumptions from Q3 onward (yen)	USD	110.00							
	EUR	127.00							
Exchange sensitivity * <sup>2</sup>	Revenue							-3.0	-3.0
	Business profit							+0.5	-1.3
								EUR	-1.5
								Other currencies	-1.0
									-3.0

\*<sup>1</sup> Basic earnings per share for the year

\*<sup>2</sup> Annual impact of a 1-yen increase in the value of the yen versus the USD & EUR (in billions of yen)

Annual impact of a 1% increase in the value of the yen versus other currencies (in billions of yen)

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➤ This is the fiscal 2018 full-year financial outlook as explained earlier.



## FY2018 Financial Outlook by Business



(Billions of yen)

Printing Solutions	FY2017 Actual	FY2018 7/27 Outlook	FY2018 10/30 Outlook	Y/Y	vs. 7/27 Outlook
Revenue	736.6	700.0	724.0	-12.6	+24.0
Printers	523.1	500.0	511.0	-12.1	+11.0
% sales IJP	83%	84%	84%		
SIDM	8%	7%	8%		
Other	9%	9%	8%		
Professional Printing	197.8	184.0	194.0	-3.8	+10.0
Other	17.3	18.0	19.0	+1.6	+1.0
Inter-segment revenue	-1.6	-2.0	+0.0	+1.6	+2.0
Segment profit	94.8	100.0	101.0	+6.1	+1.0
ROS	12.9%	14.3%	14.0%		

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- The financial outlook for printing solutions is shown here.
- We raised the revenue outlook because of the positive effects of the changes in our foreign exchange assumptions.
- In the printer business we forecast a slight decline in high-capacity ink tank printer revenue in some Latin American countries. However, in other regions steady growth is seen continuing, and high-capacity ink tank printer unit sales should reach 9.5 million units, as previously forecast.  
The outlook for ink cartridge printers factors in our limiting of low-price models and measures to maintain prices.  
Given this, we lowered the forecast for total inkjet printer unit shipments from 16.9 million units to 16.5 million units.  
We lowered the outlook for ink revenue slightly on a local currency basis given the first-half sales trend, but we expect year-on-year growth due to the changes in our foreign exchange assumptions.
- In professional printing, there are no major changes to our assumptions other than foreign exchange effects.
- We slightly raised our segment profit outlook mainly because we expect cost reductions on the production of our new models to exceed the forecast depreciation in value of the yen against the dollar.

## FY2018 Financial Outlook by Business



(Billions of yen)

Visual Communications	FY2017 Actual	FY2018 7/27 Outlook	FY2018 10/30 Outlook	Y/Y	vs. 7/27 Outlook
Revenue	198.8	188.0	199.0	+0.1	+11.0
Segment profit	24.4	22.0	20.0	-4.4	-2.0
ROS	12.3%	11.7%	10.1%		

Wearable & Industrial Products	FY2017 Actual	FY2018 7/27 Outlook	FY2018 10/30 Outlook	Y/Y	vs. 7/27 Outlook
Revenue	167.3	161.0	167.0	-0.3	+6.0
Wearable Products	50.3	46.0	48.0	-2.3	+2.0
Robotics Solutions	24.6	26.0	26.0	+1.3	-
Microdevices, Other	98.9	94.0	99.0	+0.0	+5.0
Inter-segment revenue	-6.6	-5.0	-6.0	+0.6	-1.0
Segment profit	7.1	9.0	10.0	+2.8	+1.0
ROS	4.3%	5.6%	6.0%		

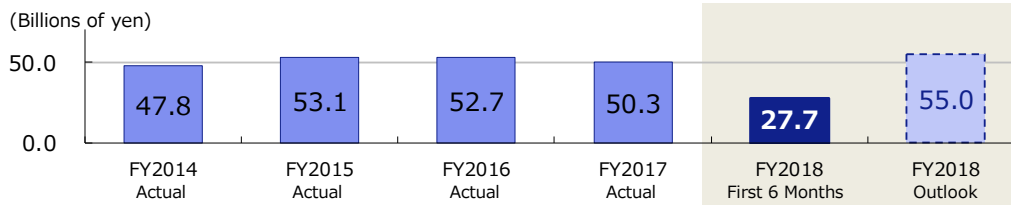
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- We raised the revenue outlook in visual communications because we expect to minimize the impact on sales of the production interruption caused by the earthquake in Hokkaido, and because we expect our adjusted foreign exchange outlook to positively impact revenue.
- We lowered the segment profit outlook because in addition to the negative effects of the changes in our foreign exchange assumptions, we expect sales to dip in response to the interruption in production.
- We raised the outlook for wearable and industrial products revenue. While we expect the pullback in robotics solutions demand in the Greater China area to have an effect, revenue is expected to benefit from foreign exchange. We also raised the segment profit outlook because even though we expect a decline in robotics solutions revenue, adjusted foreign exchange rates will positively affect profit in this segment.

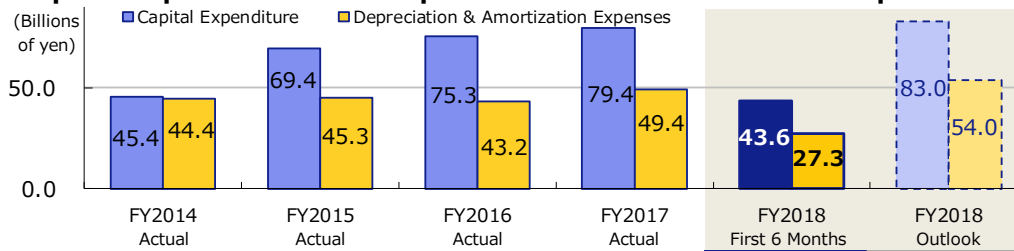
## R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses

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### Research & Development Costs



### Capital Expenditure and Depreciation and Amortization Expenses



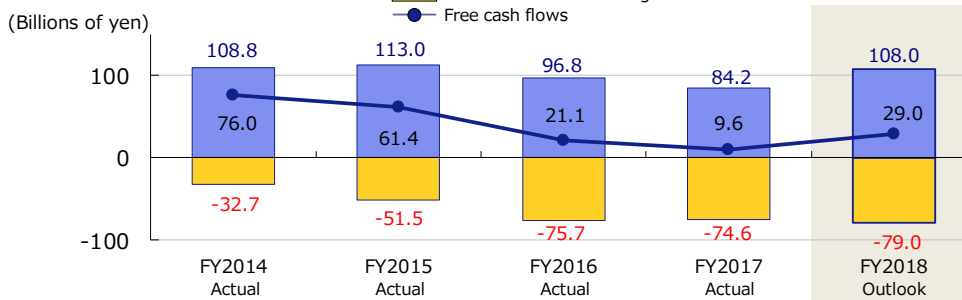
	FY2018 First 6 Months		FY2018 Outlook	
	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	29.4	14.8	49.0	29.0
Visual Communication	4.7	4.8	13.0	10.0
Wearable & Industrial Products	4.6	4.6	13.0	9.0
Other, Corporate	4.7	2.8	8.0	6.0

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- Actual and forecast R&D costs and capital expenditure are as shown here. The outlook has not changed from the previous outlook.

## Free Cash Flows Main Management Indices

### Free Cash Flows



### Main Management Indices

(%)	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Outlook
<b>ROS</b> *1	9.3	7.8	6.4	6.8	7.3
<b>ROA</b> *2	10.6	8.7	6.9	7.4	7.7
<b>ROE</b> *3	26.3	9.5	10.1	8.3	11.1

\*1 Business profit/ revenue

\*2 Business profit/ total assets (avg. balance)

\*3 Profit for the year attributable to owners of the parent company/ Equity attributable to owners of the parent company (avg. balance)

- The outlook for fiscal 2018 cash flows looks like this. We are reiterating our previous outlook of ¥108.0 billion in cash flows from operating activities, but we will revise the forecast for cash flows used in investing activities to ¥79.0 billion. As a result, we anticipate ¥29.0 billion in free cash flows.
- The changes to the forecast are the result of having added the sales of certain assets to our assumptions.
- As for our major financial management performance indicators for the 2018 fiscal year, we expect a 7.3% return on sales, a 7.7% return on assets, and an 11.1% return on equity.
- This concludes the presentation.

## Reference

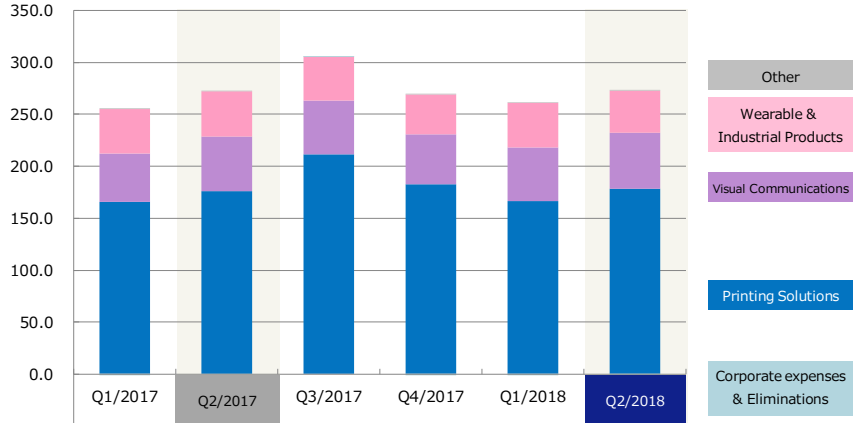
# Quarterly Revenue Trend By Business Segment



Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	+0.46
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	-0.70

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Y/Y
Printing Solutions	165.9	176.1	211.6	182.9	166.6	178.0	+1.9
Visual Communications	46.3	52.8	51.6	48.0	51.4	53.9	+1.1
Wearable & Industrial Products	43.0	43.2	42.3	38.6	43.1	40.9	-2.3
Other	0.2	0.2	0.2	0.2	0.2	0.2	-0.0
Corporate expenses & Eliminations	-0.8	0.0	0.2	-1.3	-0.9	-1.3	-1.3
<b>Consolidated total</b>	<b>254.8</b>	<b>272.5</b>	<b>306.1</b>	<b>268.6</b>	<b>260.4</b>	<b>271.9</b>	<b>-0.6</b>

(Billions of yen)



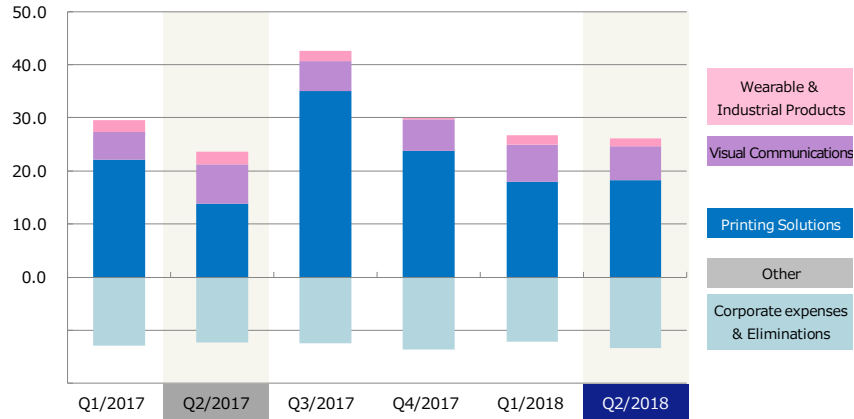
# Quarterly Business Profit Trend By Business Segment



Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	+0.46
	(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66

Business profit (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Y/Y
Printing Solutions	22.1	13.8	35.1	23.7	17.9	18.3	+4.5
Visual Communications	5.2	7.4	5.6	6.0	7.1	6.3	-1.1
Wearable & Industrial Products	2.3	2.4	1.9	0.3	1.7	1.6	-0.7
Other	-0.1	-0.1	-0.1	-0.0	-0.1	-0.0	+0.0
Corporate expenses & Eliminations	-12.8	-12.2	-12.3	-13.7	-12.0	-13.4	-1.2
<b>Consolidated total</b>	<b>16.7</b>	<b>11.3</b>	<b>30.3</b>	<b>16.3</b>	<b>14.6</b>	<b>12.7</b>	<b>+1.3</b>

(Billions of yen)



# Main Product Sales Trends



## ■ Results & outlook vs. previous fiscal year ASP (average selling prices) and sales amounts after conversion to yen

Product		FY2017 Full year (Actual)	FY2018/Q1 (Actual)	FY2018/Q2 (Actual)	FY2018 Full year (Outlook)
Exchange rate	USD	¥110.85	¥109.06	111.46	110.00
	EUR	¥129.66	¥130.09	129.66	128.00
IJP hardware	Volume	+8%	+5%	-3%	+2%
	High-capacity*/ office models as % of total unit sales	Less than 50%/ More than 15%	-	-	Less than 60%/ Around 15%
	ASP	+ low teen %	+ mid-single-digit %	+ high single-digit %	Flat YoY
	Revenue	+ low 20 %	+ high single-digit %	+ mid-single-digit %	+ low single-digit %
IJP ink	Volume (packs)	-4%	-7%	-3%	-
	ASP	+ mid-single-digit %	Flat YoY	- mid-single-digit %	-
	Revenue	+ low single-digit %	- high single-digit %	- high single-digit %	- high single-digit %
SIDM printers	Volume	-7%	+5%	+5%	Flat YoY
	ASP	+ low single-digit %	Flat YoY	- low single-digit %	- high single-digit %
	Revenue	- mid-single-digit %	+ mid single-digit %	+ low single-digit %	- high single-digit %
Projectors	Volume	+1%	+10%	+1%	+6%
	ASP	+ high single-digit %	Flat YoY	+ low single-digit %	- mid-single-digit %
	Revenue	+ low teen %	+ low teen %	+ low single-digit %	Flat YoY

The indicators in this document are based on values tracked internally by Epson.

\* High-capacity ink printers (high-capacity ink tank, high-capacity ink pack, and high-speed linehead inkjet multifunction printers)



## Revenue to customers outside of Japan Employee numbers



### Revenue to customers outside of Japan

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	+0.46	
	(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	-0.70

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Y/Y
The Americas	78.3	81.5	81.9	78.5	75.5	82.1	+0.5
Europe	50.2	52.1	68.2	62.6	52.8	52.0	-0.1
Asia/ Oceania	72.7	80.3	78.4	66.7	79.2	79.4	-0.8
<b>Total revenue to overseas customers</b>	<b>201.2</b>	<b>214.0</b>	<b>228.6</b>	<b>207.9</b>	<b>207.6</b>	<b>213.7</b>	<b>-0.3</b>
<b>Consolidated revenue</b>	<b>254.8</b>	<b>272.5</b>	<b>306.1</b>	<b>268.6</b>	<b>260.4</b>	<b>271.9</b>	<b>-0.6</b>

% of revenue to consolidated revenue	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018
The Americas	30.7%	29.9%	26.8%	29.3%	29.0%	30.2%
Europe	19.7%	19.1%	22.3%	23.3%	20.3%	19.1%
Asia/ Oceania	28.5%	29.5%	25.6%	24.8%	30.4%	29.2%
<b>Total</b>	<b>79.0%</b>	<b>78.6%</b>	<b>74.7%</b>	<b>77.4%</b>	<b>79.7%</b>	<b>78.6%</b>

### Employees

Number of employees at period end (person)	End of Mar. 2016	End of Mar. 2017	End of Sept. 2017	End of Mar. 2018	End of Sept. 2018	Compared to end of Mar. 2018
Japan	18,699	19,175	19,616	19,436	19,694	+258
Non-Japan	48,906	53,245	61,312	56,955	61,699	+4,744
<b>Consolidated total</b>	<b>67,605</b>	<b>72,420</b>	<b>80,928</b>	<b>76,391</b>	<b>81,393</b>	<b>+5,002</b>

# Major Business Indicators

(Billions of yen)						(Billions of yen)				
	Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	FY2018 (FY2016-18 business plan)	Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	3-year cumulative (FY2016-18 business plan)
Exchange rate	USD	¥108.38	¥110.85	110.00	¥115.00	USD	¥108.38	¥110.85	110.00	¥115.00
	EUR	¥118.79	¥129.66	128.00	¥125.00	EUR	¥118.79	¥129.66	128.00	¥125.00
Printing Solutions	Revenue	686.6	736.6	724.0	805.0	Operating CF	96.8	84.2	108.0	Approx. 330.0
	Segment profit	84.1	94.8	101.0	-	FCF	21.1	9.6	29.0	Approx. 120.0
Visual Communications	Revenue	179.6	1,98.8	199.0	200.0	Capital expenditure	75.3	79.4	83.0	Approx. 210.0
	Segment profit	16.1	24.4	20.0	-	R&D costs	52.7	50.3	55.0	Invest aggressively
Wearable & Industrial Products	Revenue	158.5	167.3	167.0	195.0					
	Segment profit	7.8	7.1	10.0	-					
Other	Revenue	1.5	0.9	1.0	0.0					
	Segment profit	-0.4	-0.5	-1.0	-					
Corporate expenses & Eliminations	Revenue	-1.5	-1.7	-1.0	0.0					
	Segment profit	-41.7	-51.1	-50.0	-					
Consolidated total	Revenue	1,024.8	1,102.1	1,090.0	1,200.0					
	Business profit	65.8	74.7	80.0	96.0					
	ROS	6.4%	6.8%	7.3%	8%					
	ROE	10.1%	8.3%	11.1%	Sustain at at least 10%					

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