

# Fourth Quarter Financial Results Fiscal Year 2015 (Ended March 2016)

April 28, 2016

**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.



## FY2015 reporting segments

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In April 2015, the Company reorganize its businesses to put Epson in the best position to cap off the SE15 Updated Mid-Range Business Plan (FY2013-15), achieve the FY2015 Business Plan, and prepare for FY2016 and beyond. In conjunction with these structural changes, the Company changed its reporting segments at the start of the 2015 fiscal year based on the management approach. The Company's FY2014 financial results are shown under the new reporting segments to facilitate year-over-year comparisons.



## Disclosure of the first-half financial outlook

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Effective from the 2016 fiscal year, Epson will no longer disclose a financial outlook for the first half of the year.



## Numerical values presented herein

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Numbers are rounded down to the unit indicated. Percentages are rounded off to one decimal place.



- FY2015 Full-Year Financial Results
- FY2016 Financial Outlook
- FY2015 Q4 Financial Results
- FY2016 Financial Forecast
- Shareholder Return

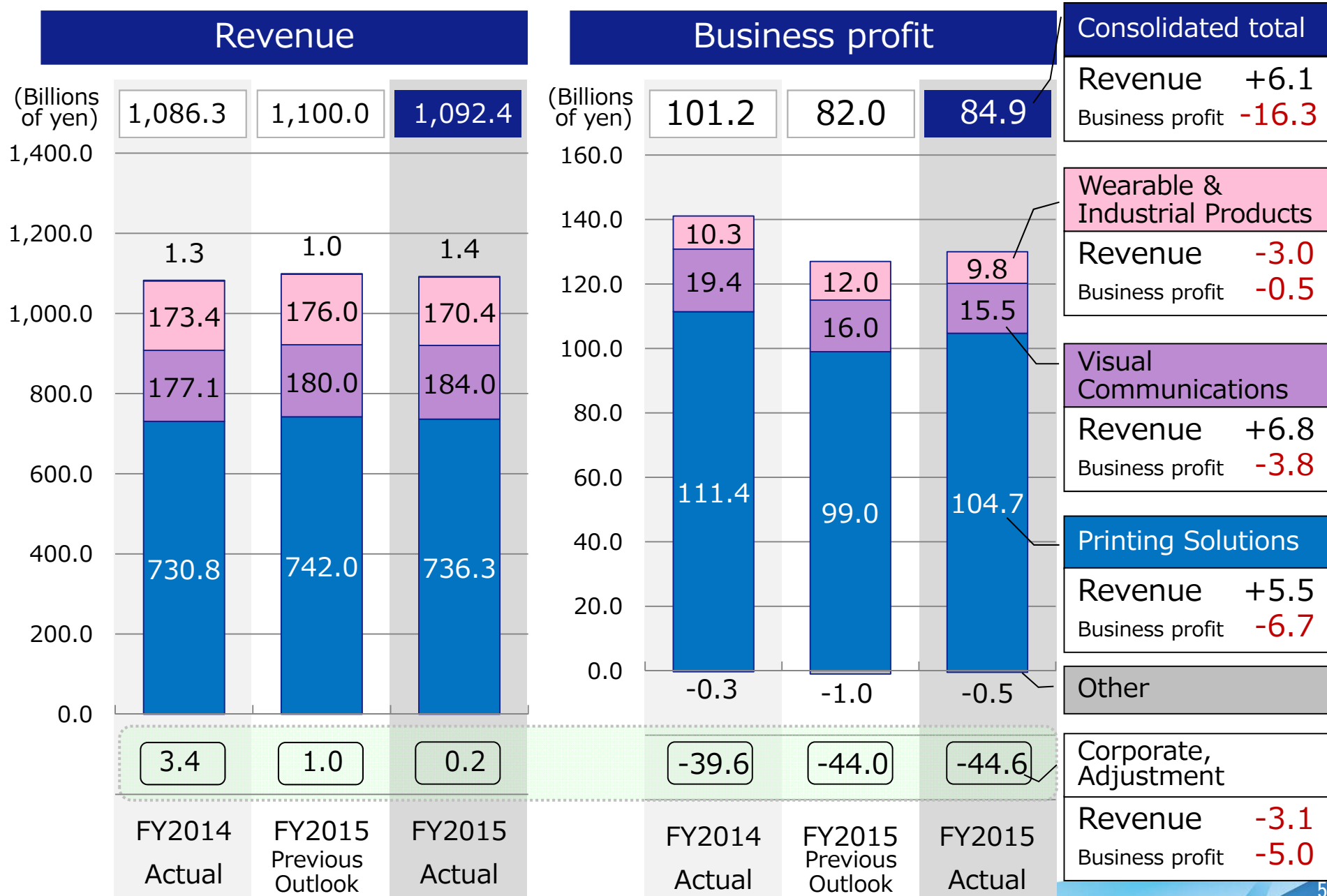


- **FY2015 Full-Year Financial Results**
- **FY2016 Financial Outlook**
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# Financial Highlights (Full Year)

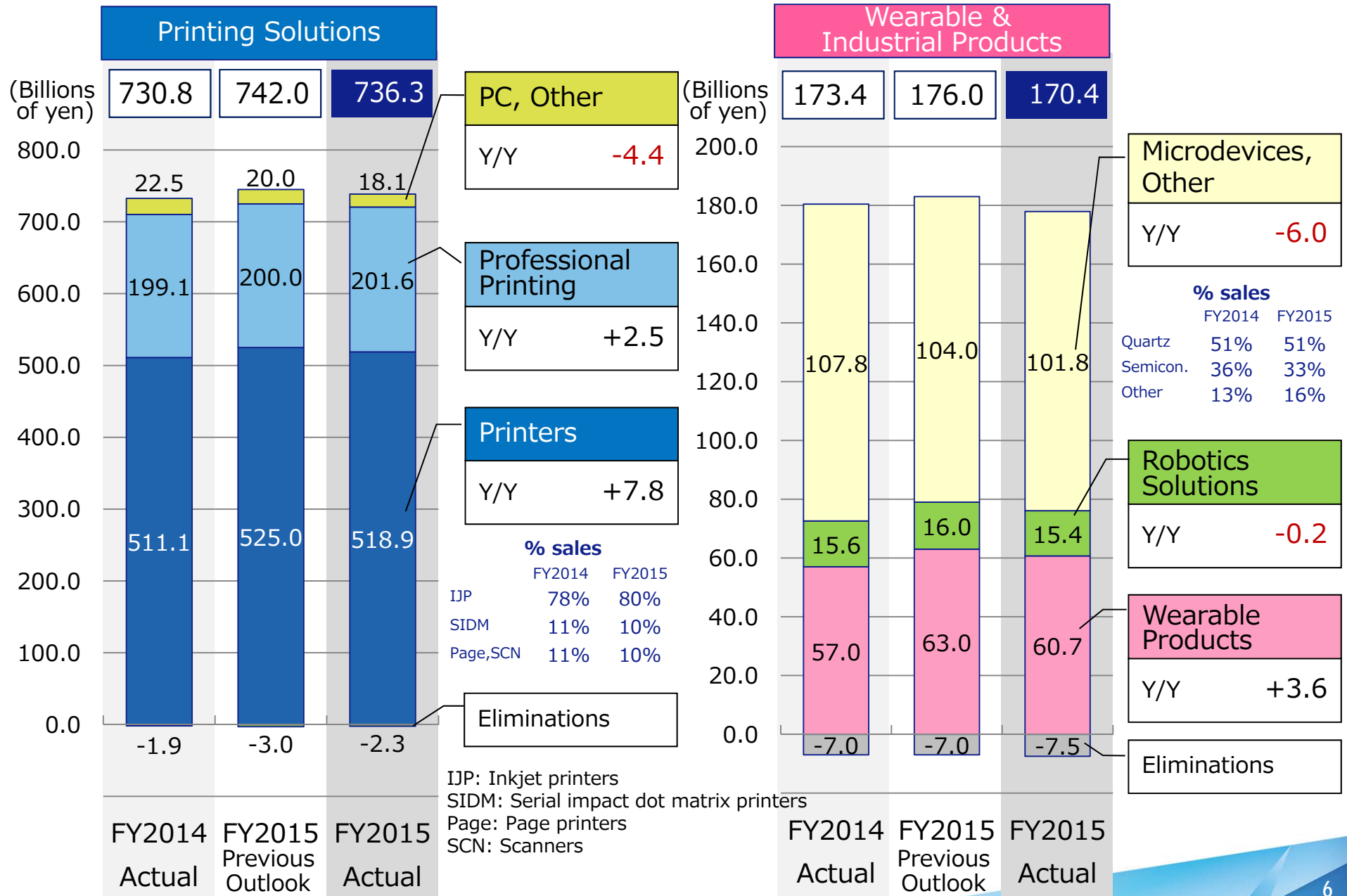
(Billions of yen)	FY2014		FY2015				Change (amount, %)		
	Actual	%	1/29 Outlook		Actual		Y/Y		Vs. 1/29 Outlook
				%		%			
Revenue	1,086.3	-	1,100.0	-	1,092.4	-	+6.1 +0.6%	-	-7.5 -0.7%
Business profit	101.2	9.3%	82.0	7.5%	84.9	7.8%	-16.3 -16.1%	-	+2.9 +3.6%
Profit from operating activities	131.3 *1 (101.3)	12.1% (9.3%)	91.0	8.3%	94.0	8.6%	-37.3 -28.4%	(-7.2) (-7.2%)	+3.0 +3.3%
Profit before taxes	132.5 (102.4)	12.2% (9.4%)	88.0	8.0%	91.5	8.4%	-41.0 -30.9%	(-10.9) (-10.7%)	+3.5 +4.0%
Profit for the year	112.7 (82.7)	10.4% (7.6%)	60.0	5.5%	46.0	4.2%	-66.7 -59.2%	(-36.6) (-44.3%)	-13.9 -23.2%
EPS <sup>*2</sup>	¥314.61		¥167.70		¥127.94		*1 In Q1 of FY2014, the company recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan. ( ) Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan. *2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).		
Exchange rate	USD	¥109.93	¥120.00		¥120.14				
	EUR	¥138.77	¥132.00		¥132.58				

# FY2015 Financial Results ▶ By business segment



# Revenue Comparison (Full Year)

## ► By Business



- Executed actions in line with the strategy despite a harsher environment in the 2nd half
- Developed products that will drive future growth
  - High-brightness laser projectors
  - N series of 6-axis robots
  - PaperLab office papermaking system
  - Linehead inkjet printers
- Strategic investments and spending
  - Capex: ¥69.4 bil. (+¥23.9 bil. YoY)
    - Capacity expansion in Philippines and Indonesia
  - Sales promotions & advertising: ¥54.9 bil. (+¥6.3 bil. YoY)
  - R&D: ¥53.1 bil. (+¥5.3 bil. YoY)





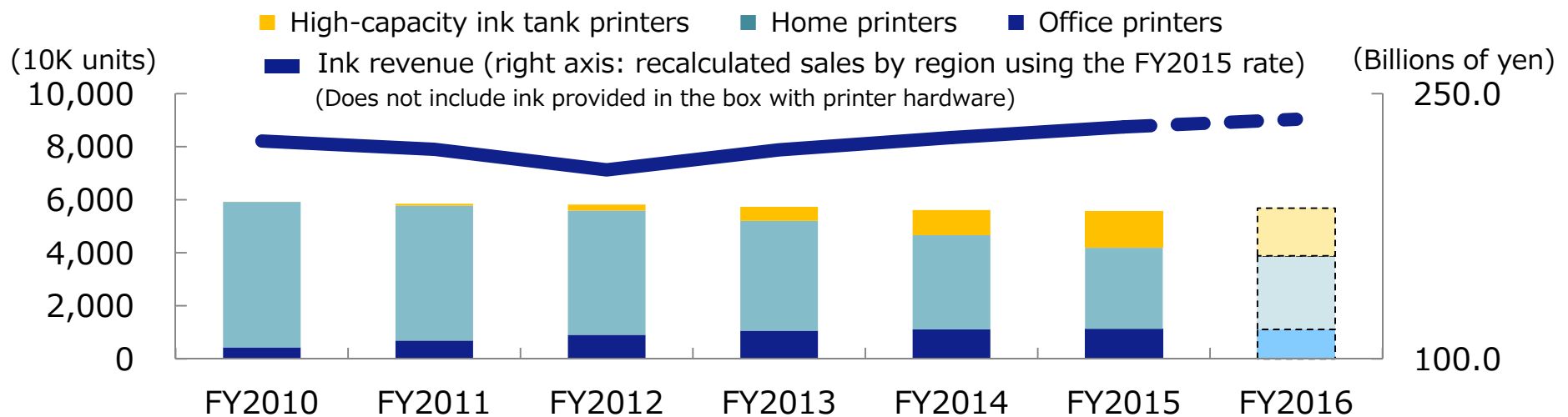
- Printing solutions
  - Inkjet printer: Prices eroded as competitors stepped up promotions, but high-capacity ink tank printer sales were strong, as were sales of ink due to install base improvement
  - SIDM: Market gradually shrinking, but demand from China's tax collection system market steady
  - Large-format printers: Market slow, but preparations to enter growth fields advanced
  - POS printer: Sales firm
- Visual communications
  - Projector: Market sluggish, but increased unit sales and boosted Epson's presence
- Wearable & industrial products
  - Watch: Captured demand from visitors to Japan to grow sales of mid- and high-priced products
  - Robots: Expanded uses and customers despite a lull in demand from smartphone assemblers
  - Microdevices: Market slow in 2<sup>nd</sup> half



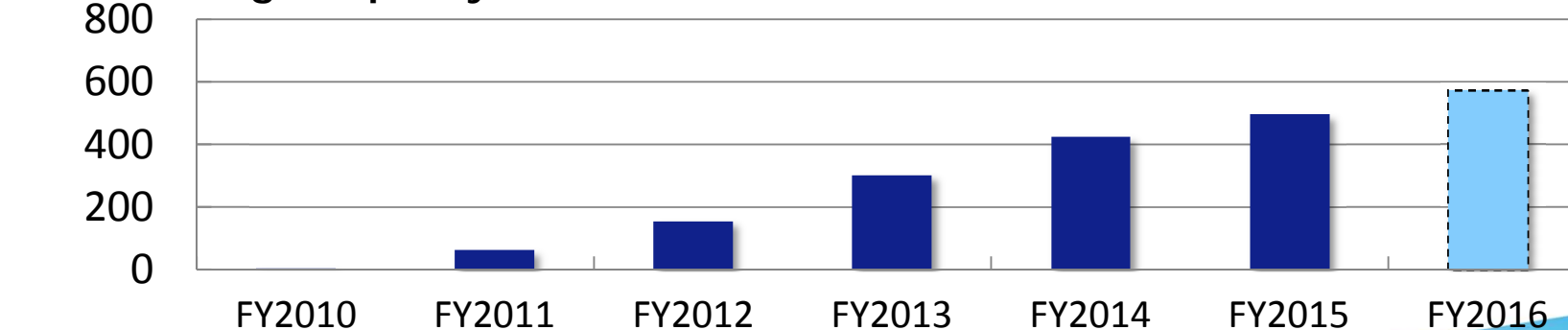
# FY2015 Overview—Strategic Inkjet Progress

- Ink revenue steady
  - Office printer sales in advanced economies filled hole left by decline in emerging regions and advanced economy home printers
- High-capacity ink tank printers expanding steadily

## IJP Unit Sales (4-Year Cumulative) and Ink Revenue

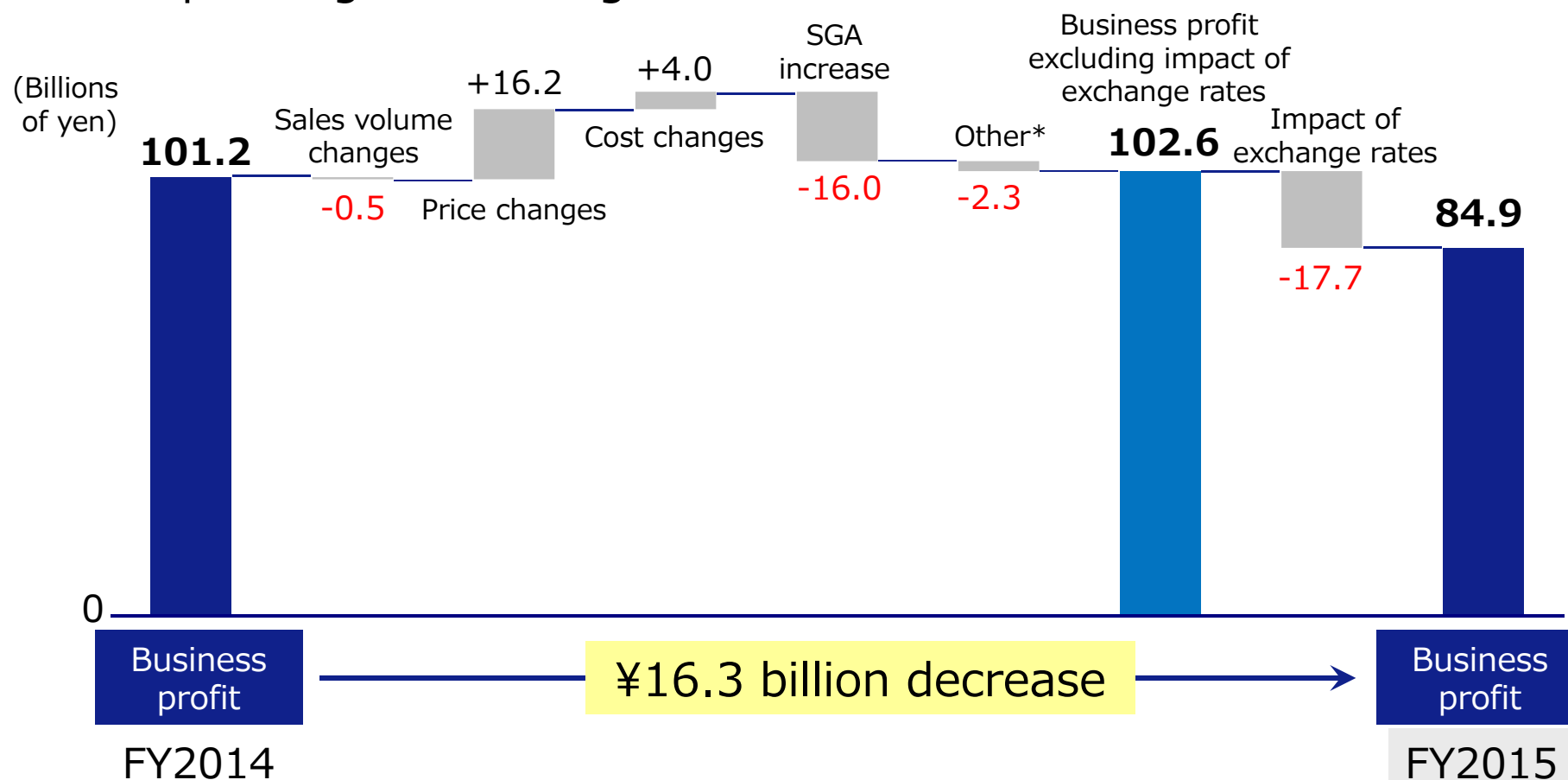


## High-Capacity Ink Tank Printer Unit Sales



# Cause Analysis of Business Profit Change (Full Year)

- When foreign exchange effects are excluded, business profit increased year on year after strategic investment and spending on future growth



NOTE : A different method was used to calculate change factors, effective from FY2015 Q2.

This method was applied retroactively to the Q1 results.

\* The corporate and other segments in this comparison include products and businesses that cannot be compared directly with similar items in the previous year.

# FY2016 Financial Outlook

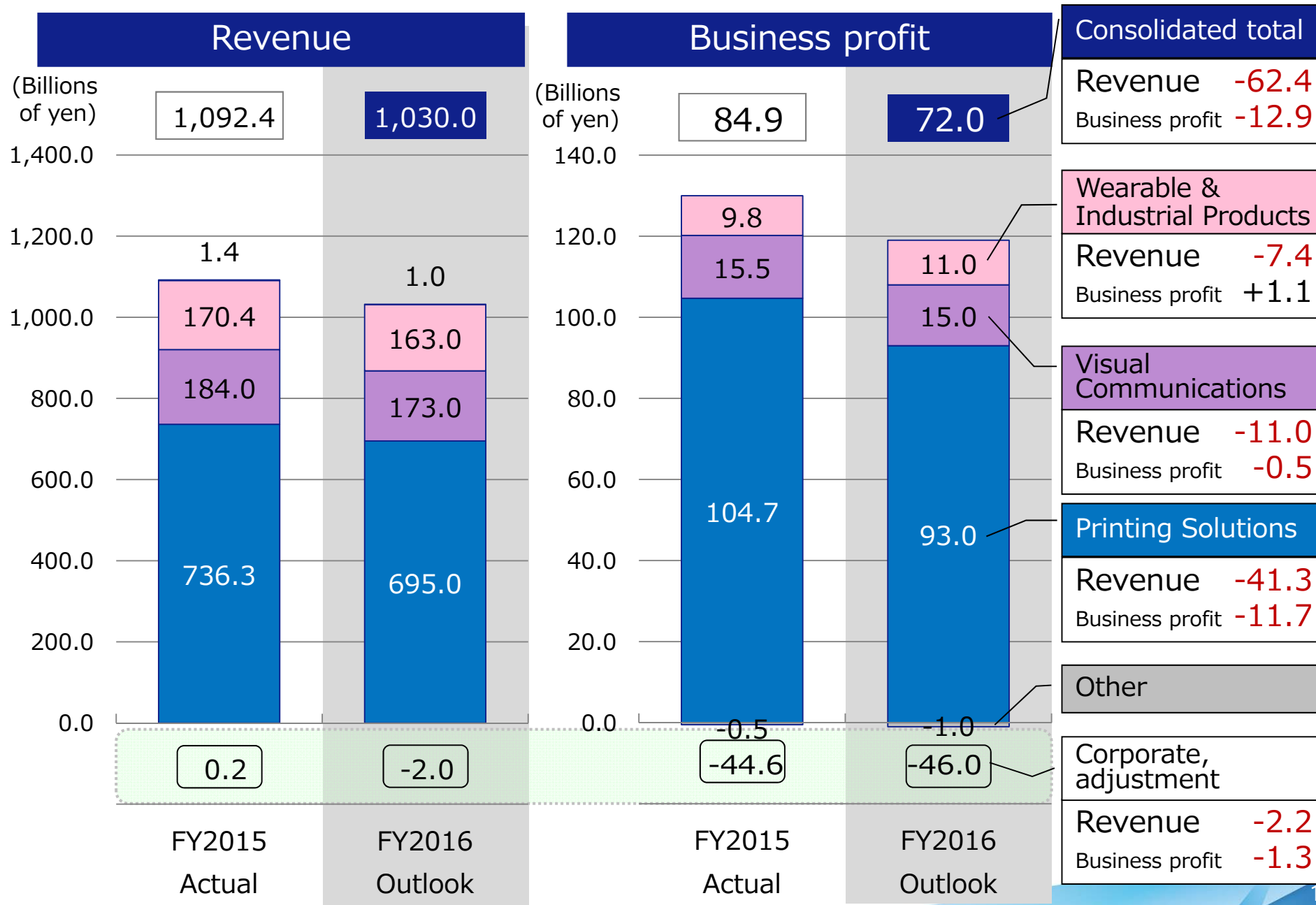
		FY2015		FY2016		Change	
		Actual	%	Outlook	%	Amount	%
(Billions of yen)							
Revenue		1,092.4	-	1,030.0	-	-62.4	-5.7%
Business profit		84.9	7.8%	72.0	7.0%	-12.9	-15.2%
Profit from operating activities		94.0	8.6%	70.0	6.8%	-24.0	-25.6%
Profit before taxes		91.5	8.4%	69.0	6.7%	-22.5	-24.6%
Profit for the year		46.0	4.2%	54.0	5.2%	+7.9	+17.2%
EPS		¥127.94		¥150.93			
Exchange rate	USD	¥120.14		¥105.00			
	EUR	¥132.58		¥120.00			

# Forex Trends and Effect on Revenue and Business Profit

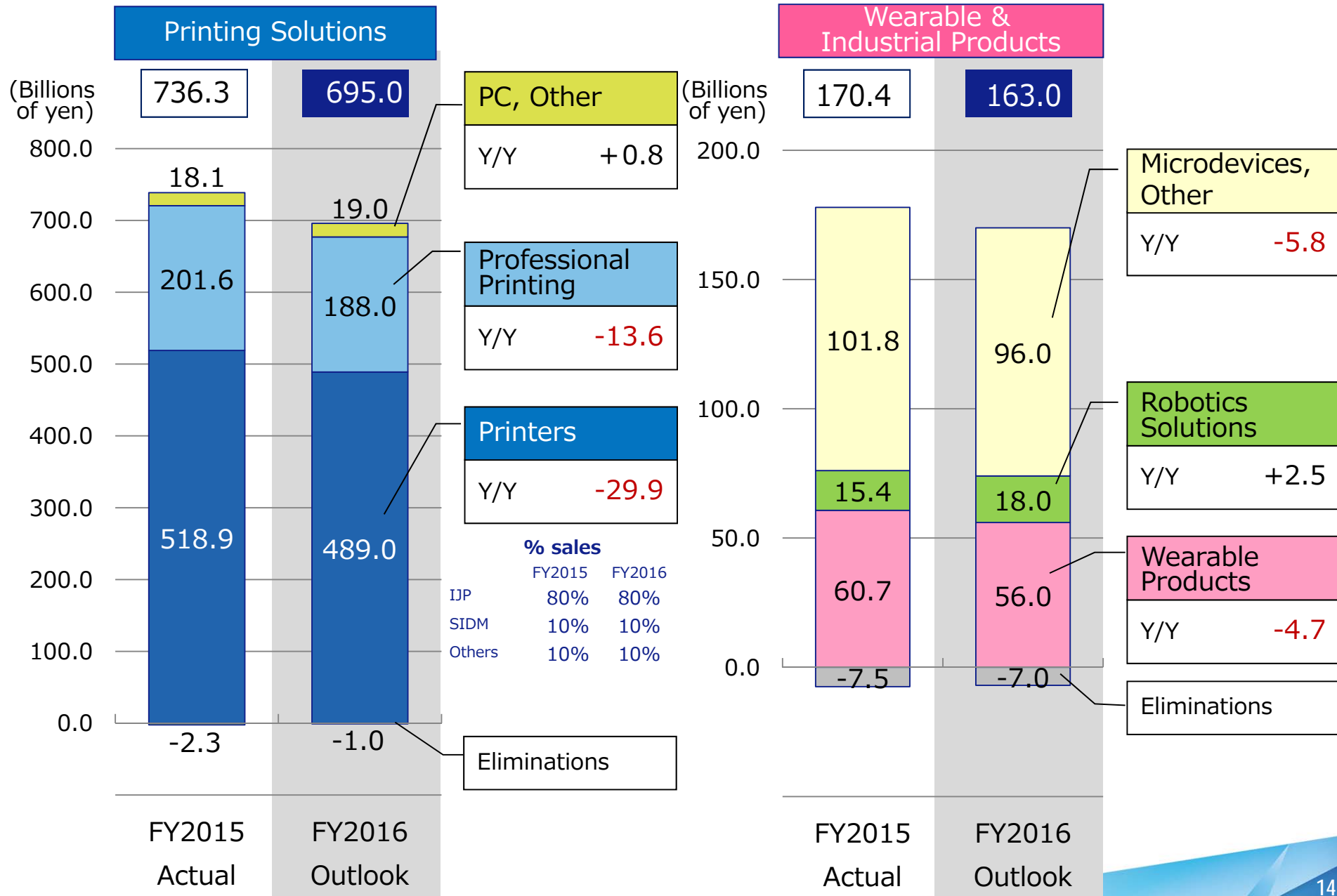
Currency		FY2014 Actual	FY2015 Actual	FY2016 Outlook	FY2016 Exchange rate sensitivity Revenue, business profit
U.S. dollar	USD	¥109.93	¥120.14	¥105.00	* Annual impact of a 1 yen decline in value +2.8 bil.*, -0.3 bil.*
Euro	EUR	¥138.77	¥132.58	¥120.00	+1.3 bil.*, +0.9 bil.*
Chinese yuan	CNY	¥17.74	¥18.85	Set at same level as USD	Annual gain from 1% decline in yen value +¥2.6 bil., +¥1.0 bil.
Indian rupee	INR	¥1.81	¥1.85		
Mexican peso	MXN	¥7.96	¥7.23		
Brazilian real	BRL	¥44.39	¥33.53		
Other	-	-	-		
Impact vs. previous year, consolidated total	Revenue	-	+¥14.8 bil.	Approx. -¥100.0 bil.	
	Business profit	-	-¥17.7 bil.	Approx. -¥23.0 bil.	

# FY2016 Financial Outlook (Revenue)

## ► By business segment



# FY2016 Financial Outlook ▶ By business segment

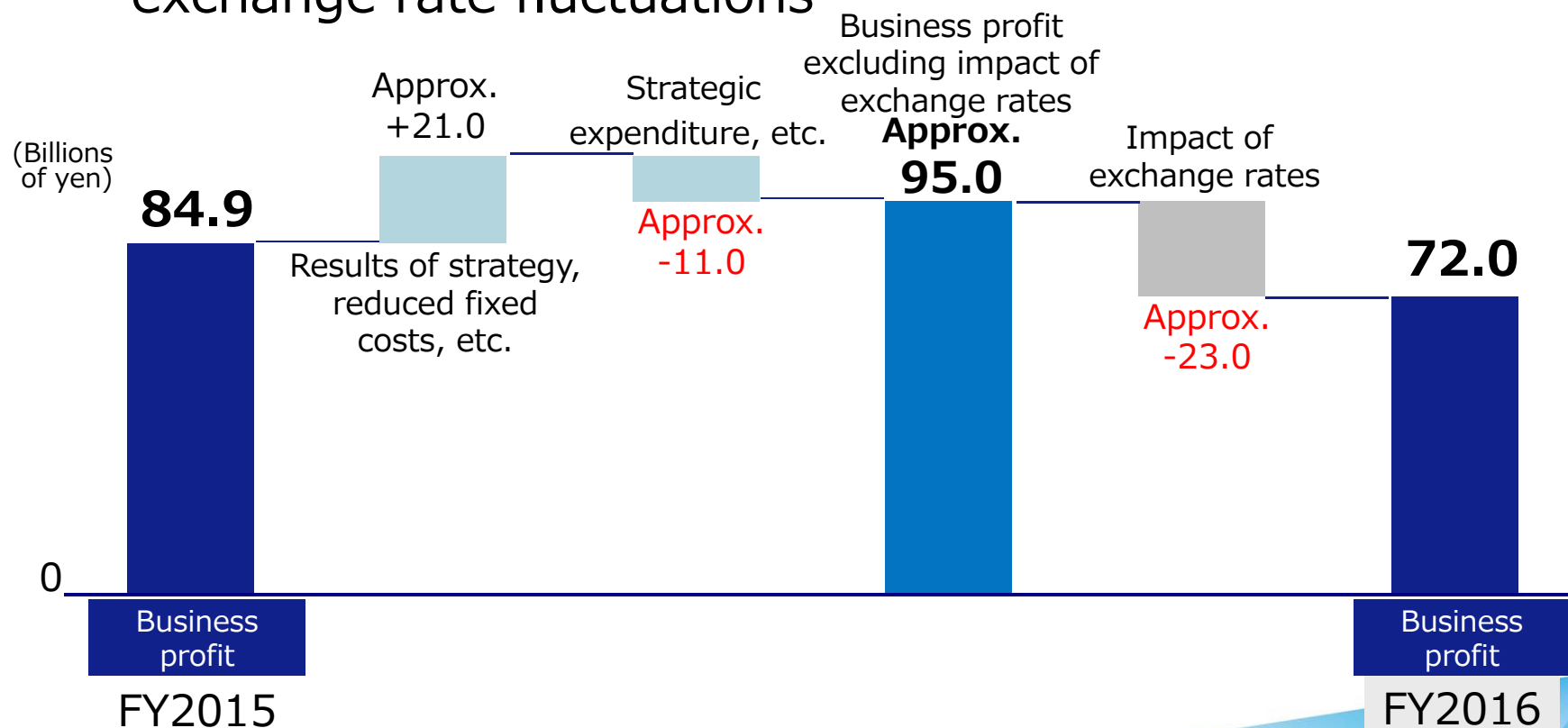


- **Printing solutions**
  - Earn income and revenue by continuing to expand sales of high-capacity ink tank printers
  - Prepare to launch linehead inkjet printers
  - Accommodate changes to China's tax collection system with SIDM
  - Expand in growing areas of professional printing
- **Visual communications**
  - Strengthen presence in existing segments and expand in the high-brightness segment with 3LCD laser projectors
- **Wearable & industrial products**
  - In wearables, strengthen business infrastructure and create unique products
  - Expand in robots by capturing opportunities in the growing market
  - Leverage the strengths of our microdevices to help increase the value of finished products



## Analysis of Factors to Affect FY2016 Business Profit

- Positive effects from pursuing our strategy, and strategic investment and spending
  - R&D of new products and key components
  - Increase in depreciation/ amortization due to increased capex
  - Strengthening of sales organizations in new areas
- Real profit growth will continue, excluding the effects of exchange rate fluctuations





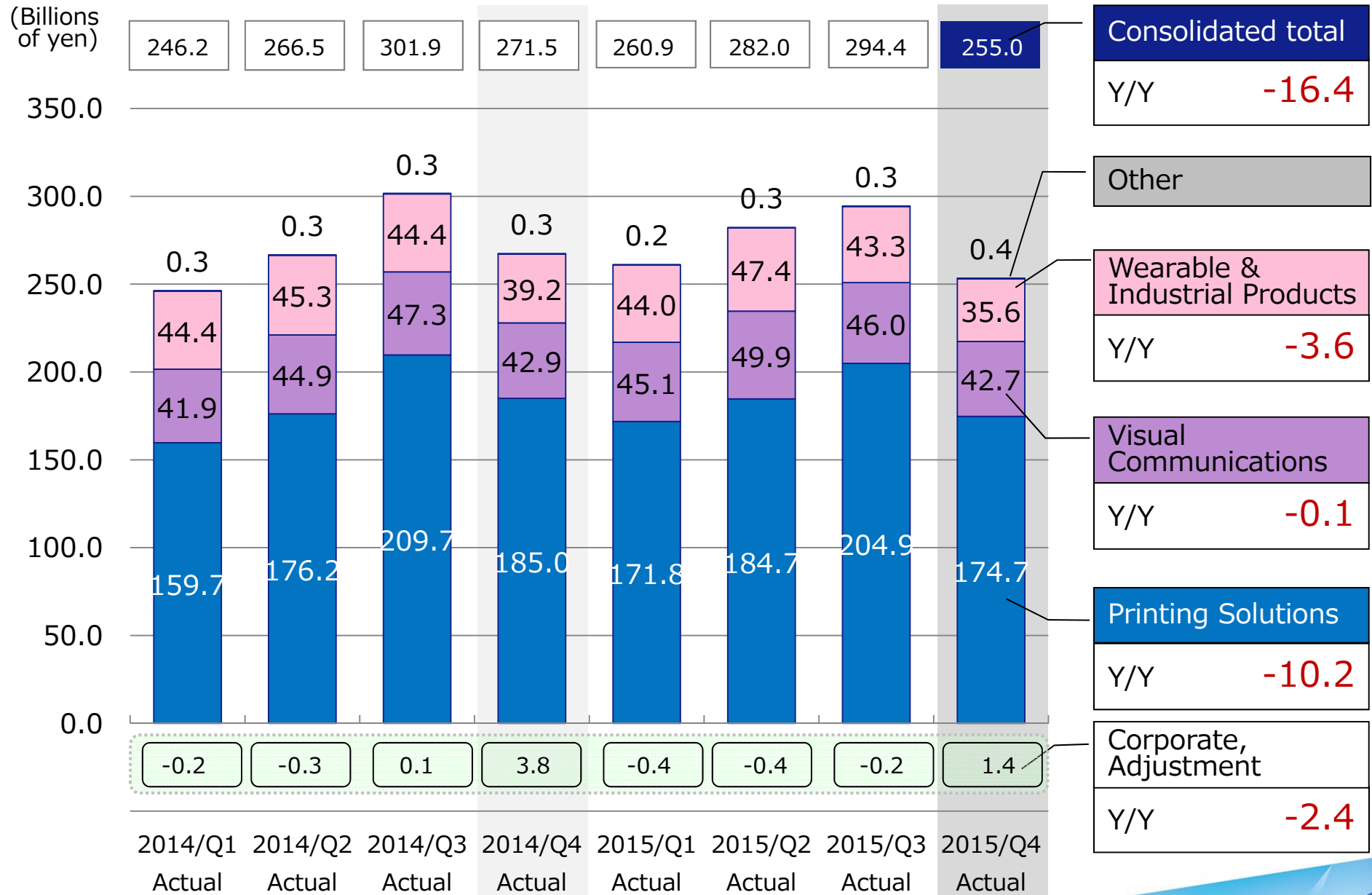
- FY2015 Full-Year Financial Results
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# Financial Highlights (Fourth Quarter)

	FY2014		FY2015		Change	
	Q4 Actual	%	Q4 Actual	%	Amount	%
(Billions of yen)						
Revenue	271.5	-	255.0	-	-16.4	-6.1%
Business profit	15.8	5.8%	12.1	4.8%	-3.6	-22.9%
Profit from operating activities	20.7	7.6%	12.1	4.8%	-8.5	-41.5%
Profit before taxes	19.9	7.3%	11.2	4.4%	-8.6	-43.7%
Profit for the period	22.1	8.2%	-9.1	-3.6%	-31.3	-
EPS *1	¥61.72		¥-25.70			
Exchange rate	USD	¥119.09	¥115.48			
	EUR	¥134.18	¥127.22			

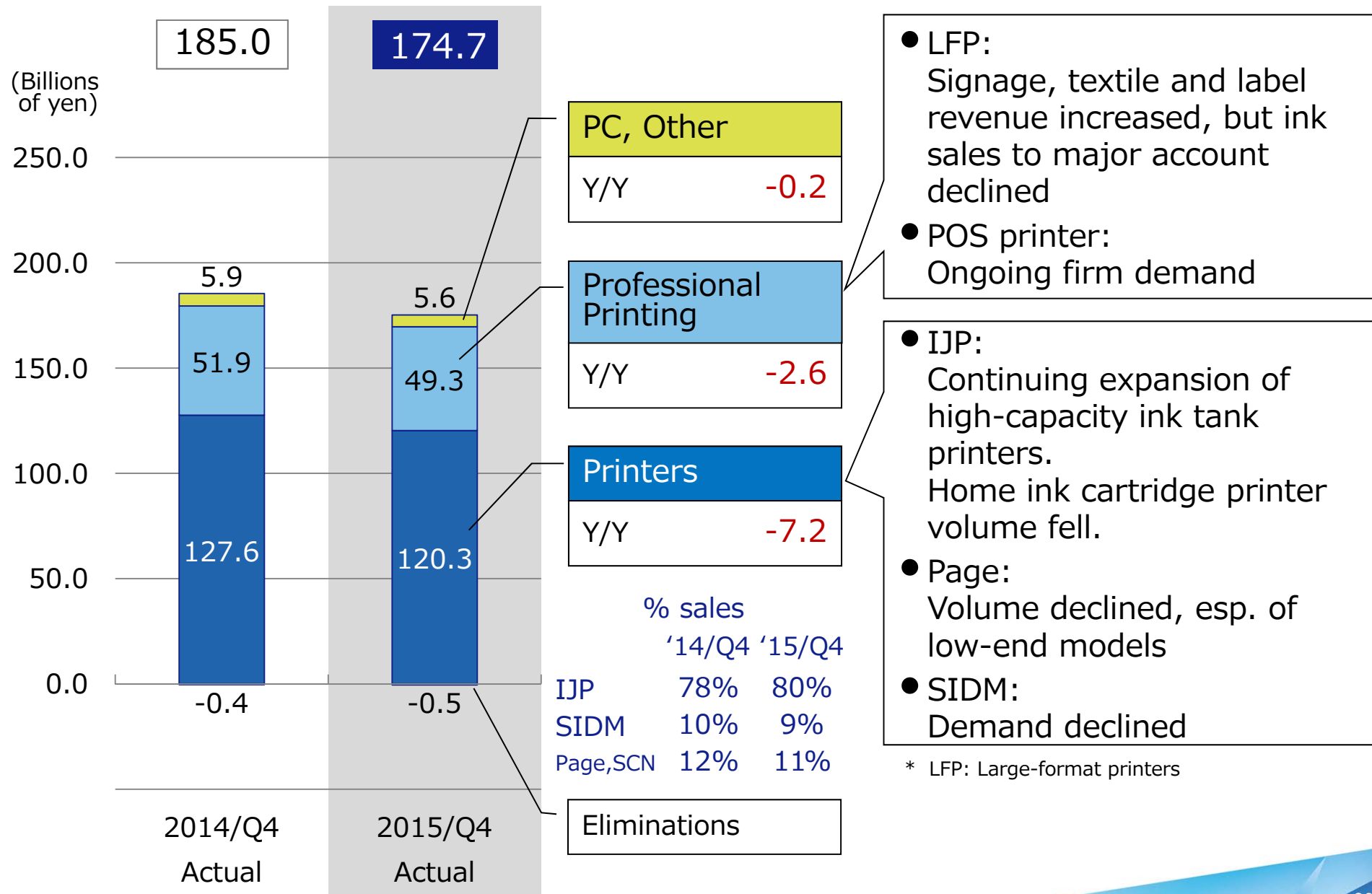
\*1 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

# Quarterly Revenue Trend ▶ By business segment



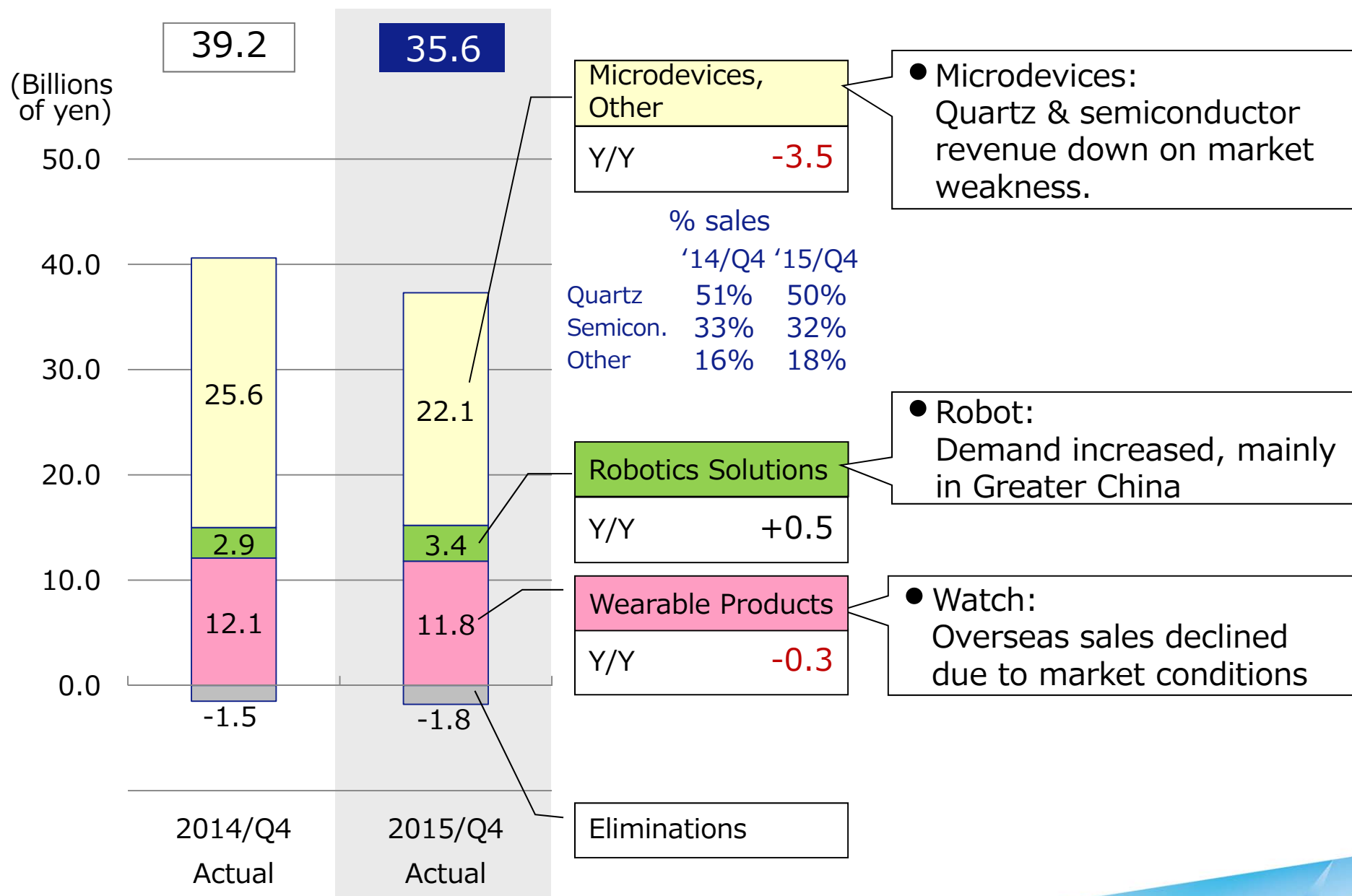
# Quarterly Revenue Comparison

## ▶ Printing Solutions Segment

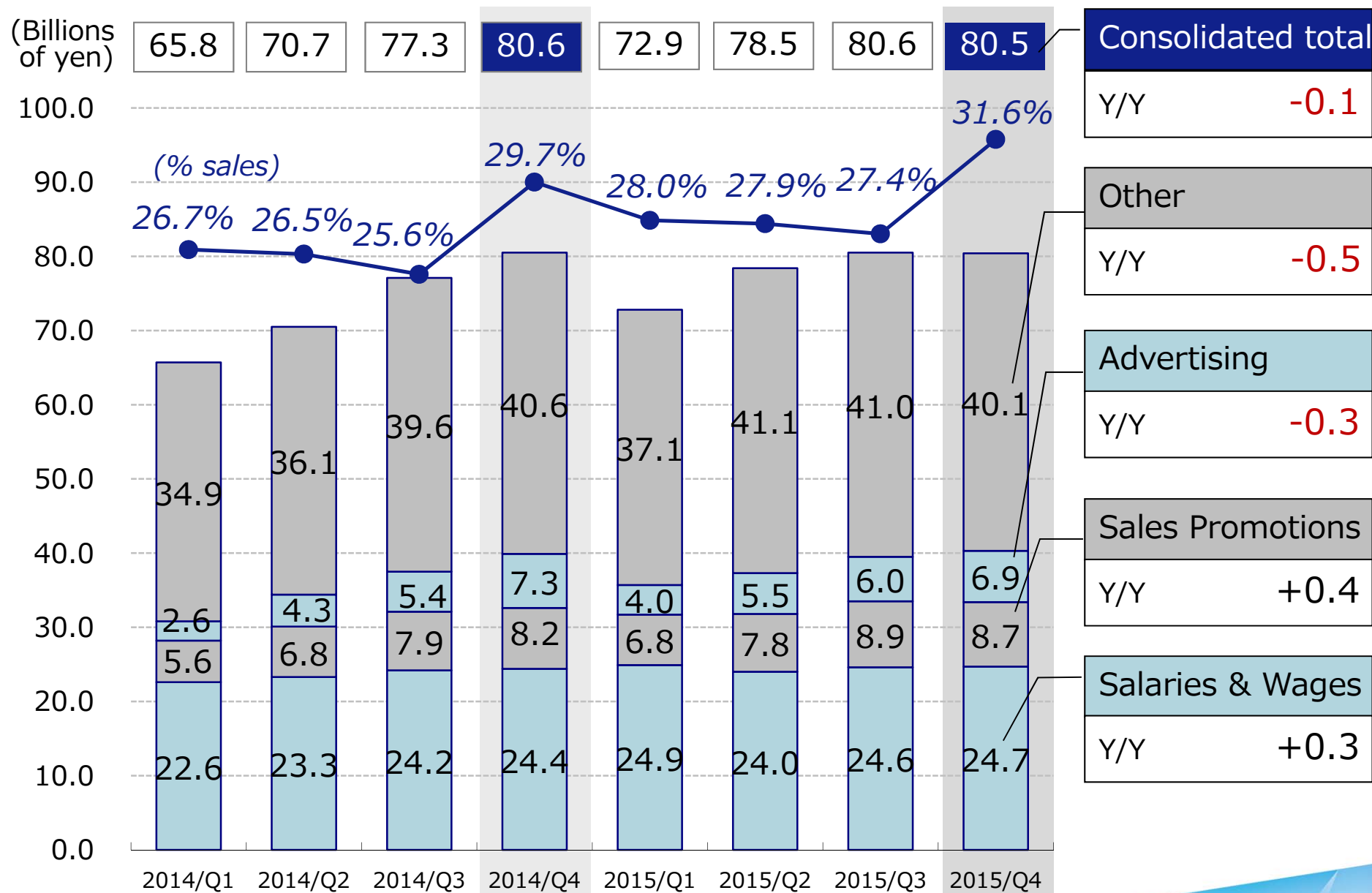


# Quarterly Revenue Comparison

## ▶ Wearable Products & Industrial Products Segment

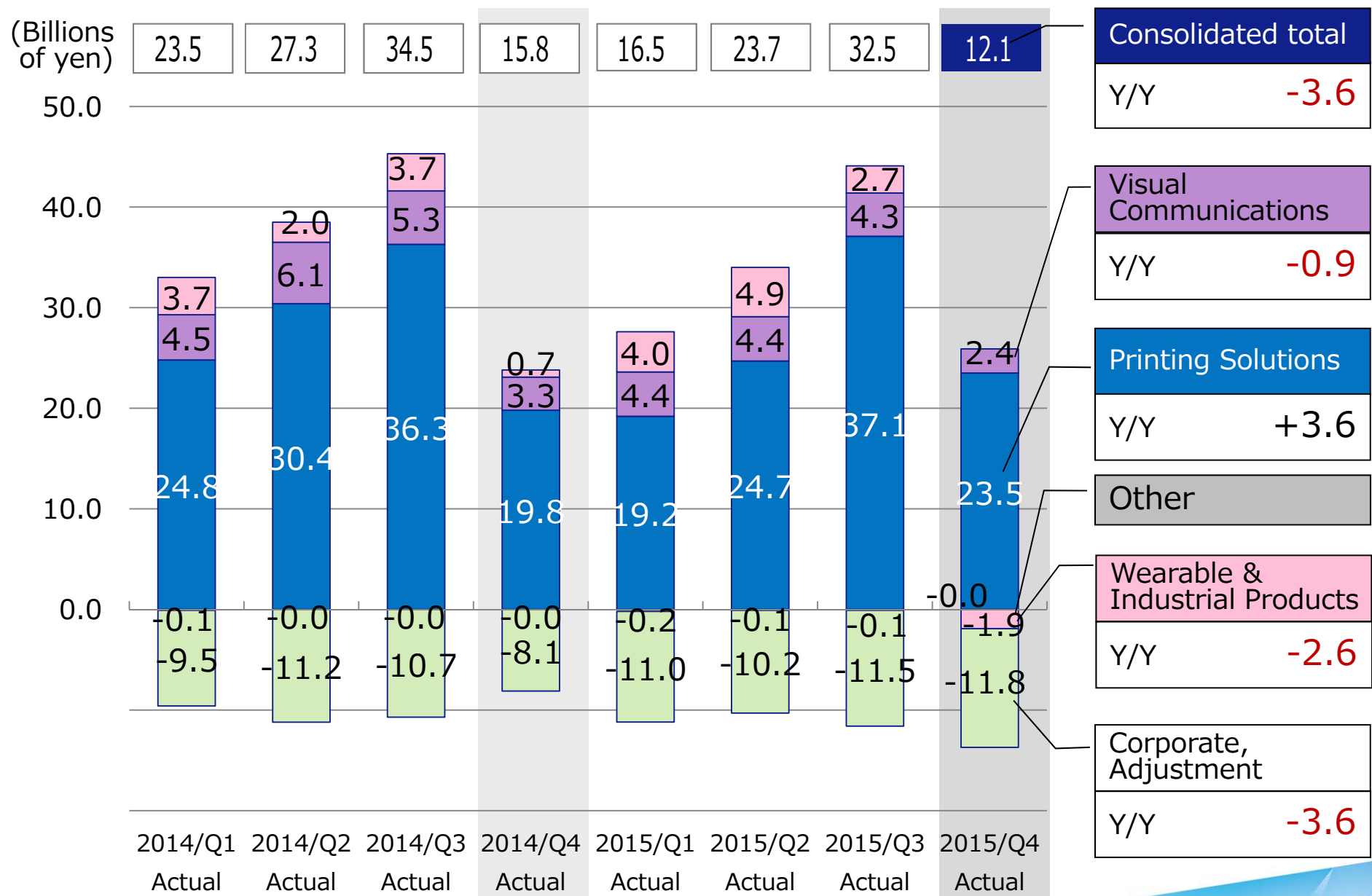


# Quarterly Selling, General and Administrative Expenses



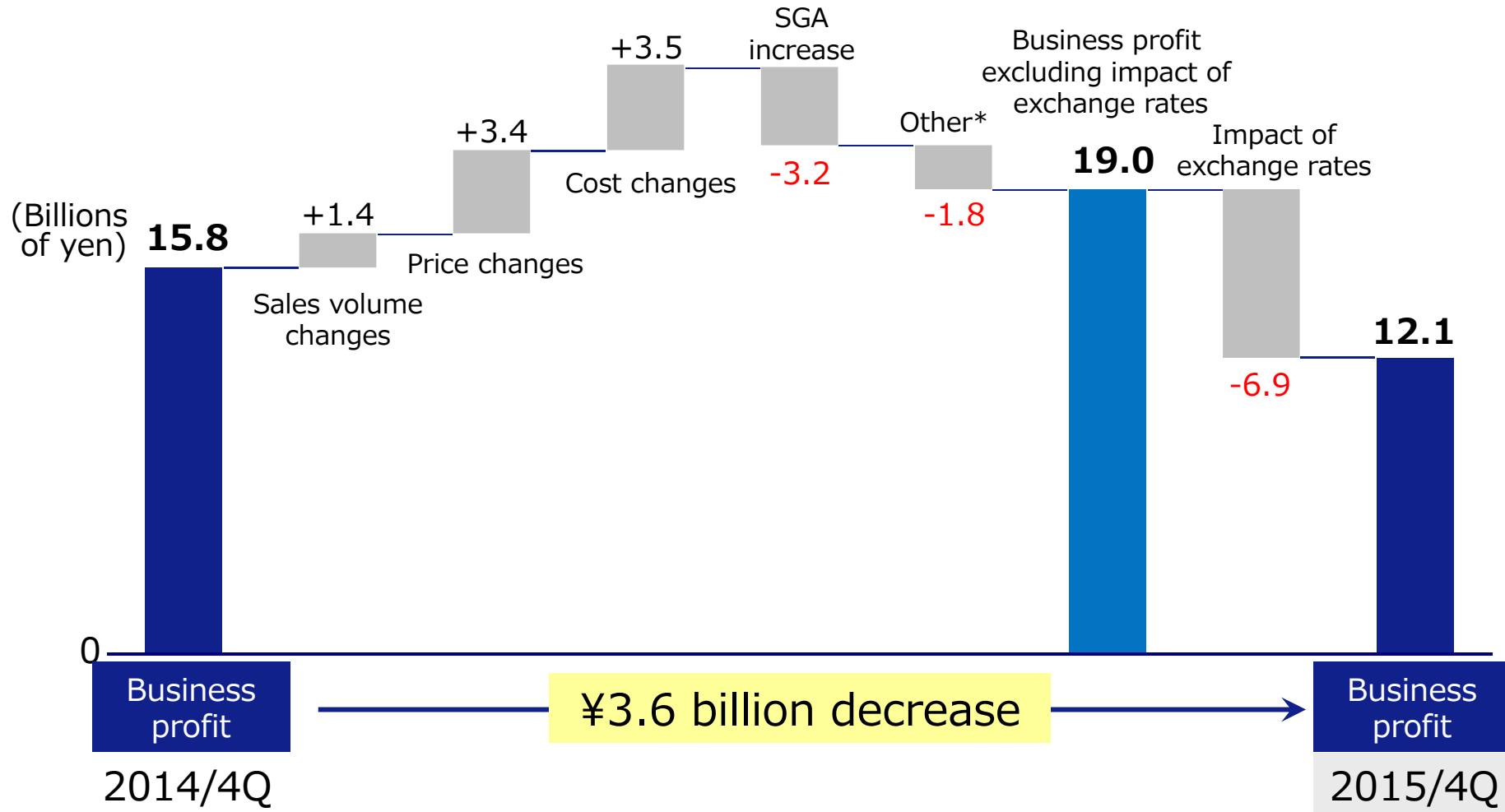
# Quarterly Business Profit Trend

## ► By business segment





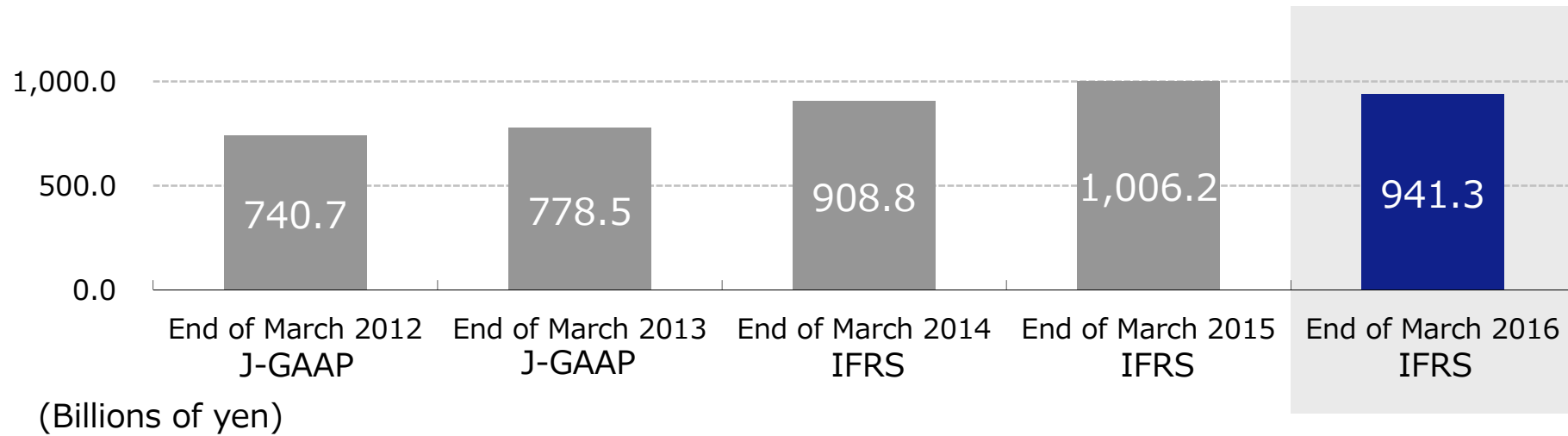
# Q4 Business Profit Change Cause Analysis



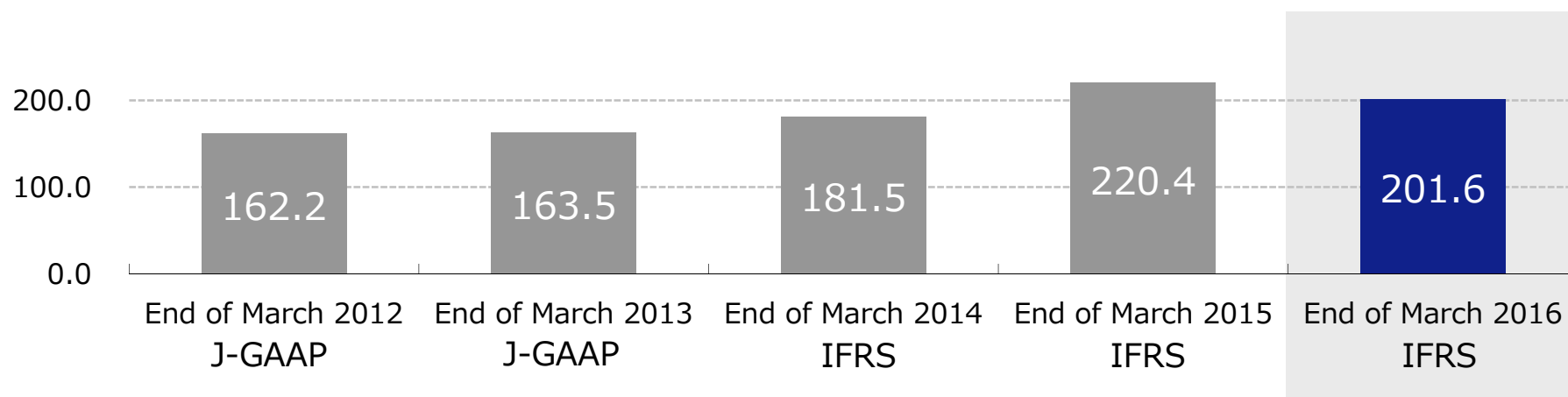
\* The corporate and other segments in this comparison include products and businesses that cannot be compared directly with similar items in the previous year.

# Statements of Financial Position

## Total assets

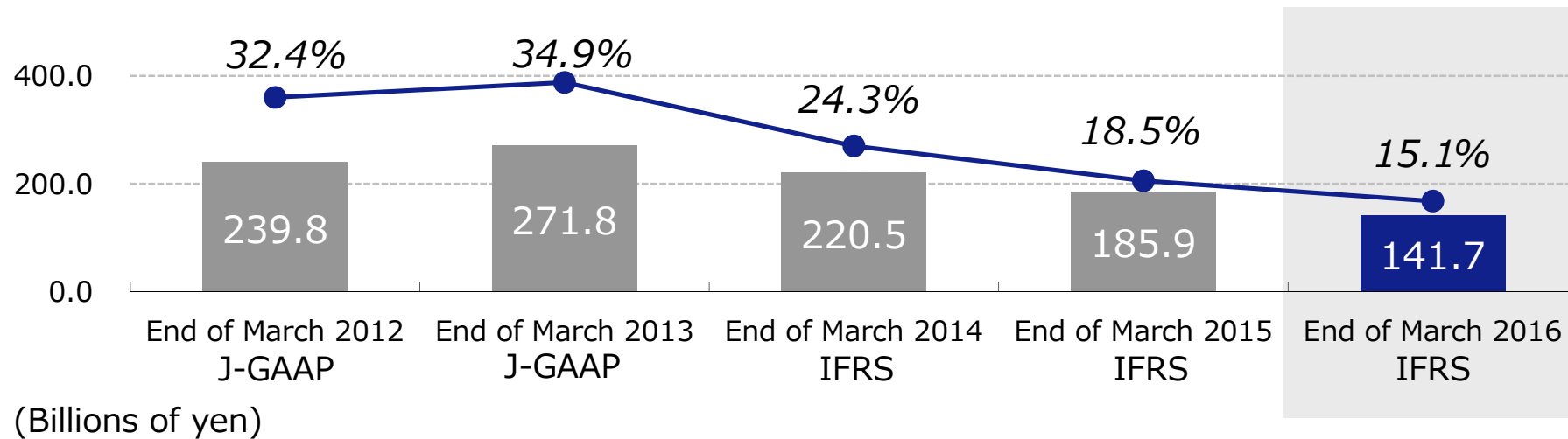


## Inventories

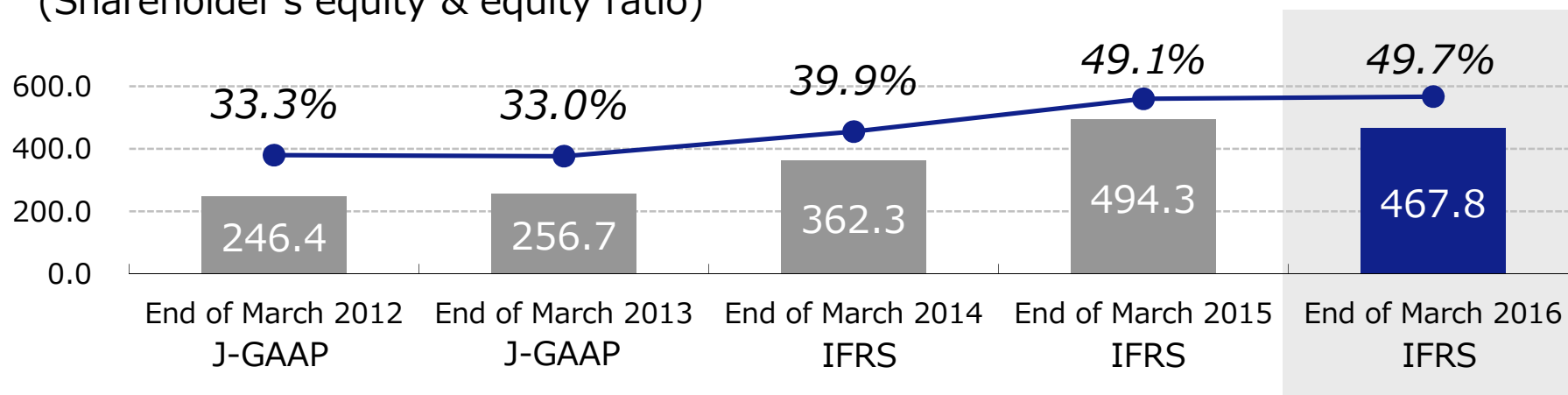


# Statements of Financial Position

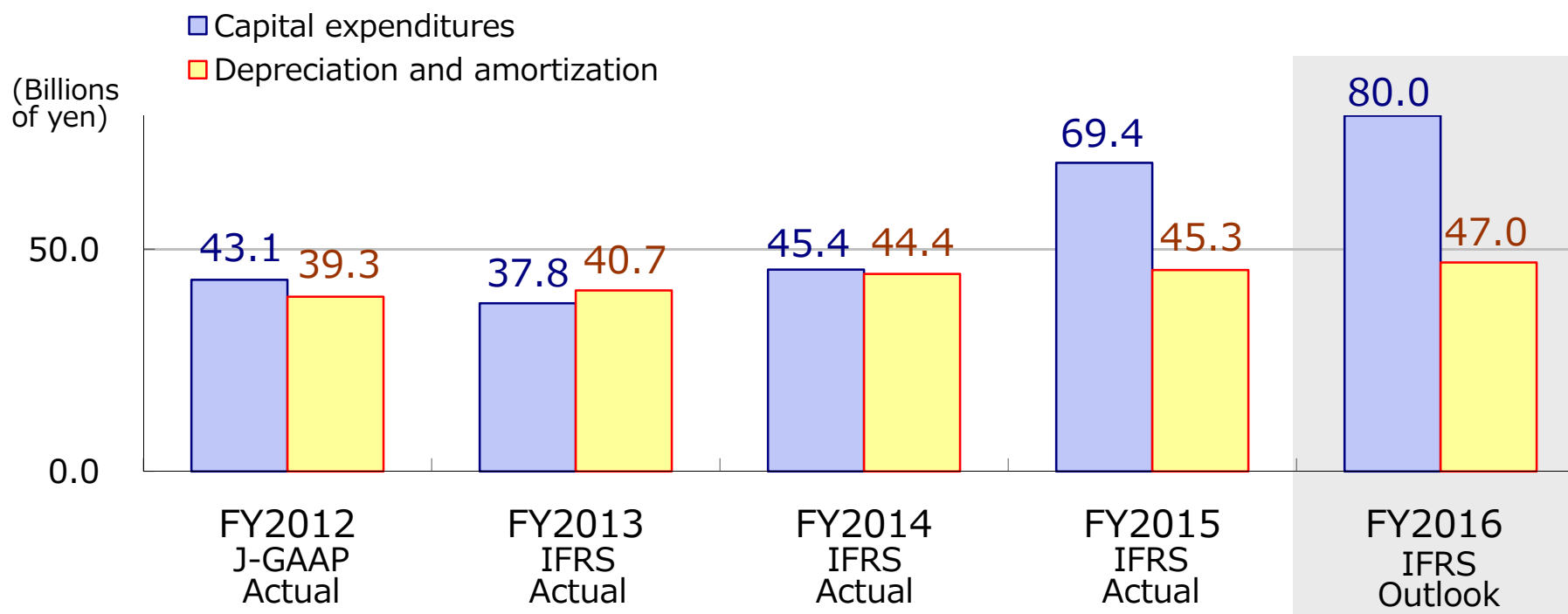
## Interest-bearing liabilities & ratio of interest-bearing liabilities



## Equity & equity ratio attributable to owners of the parent company (Shareholder's equity & equity ratio)

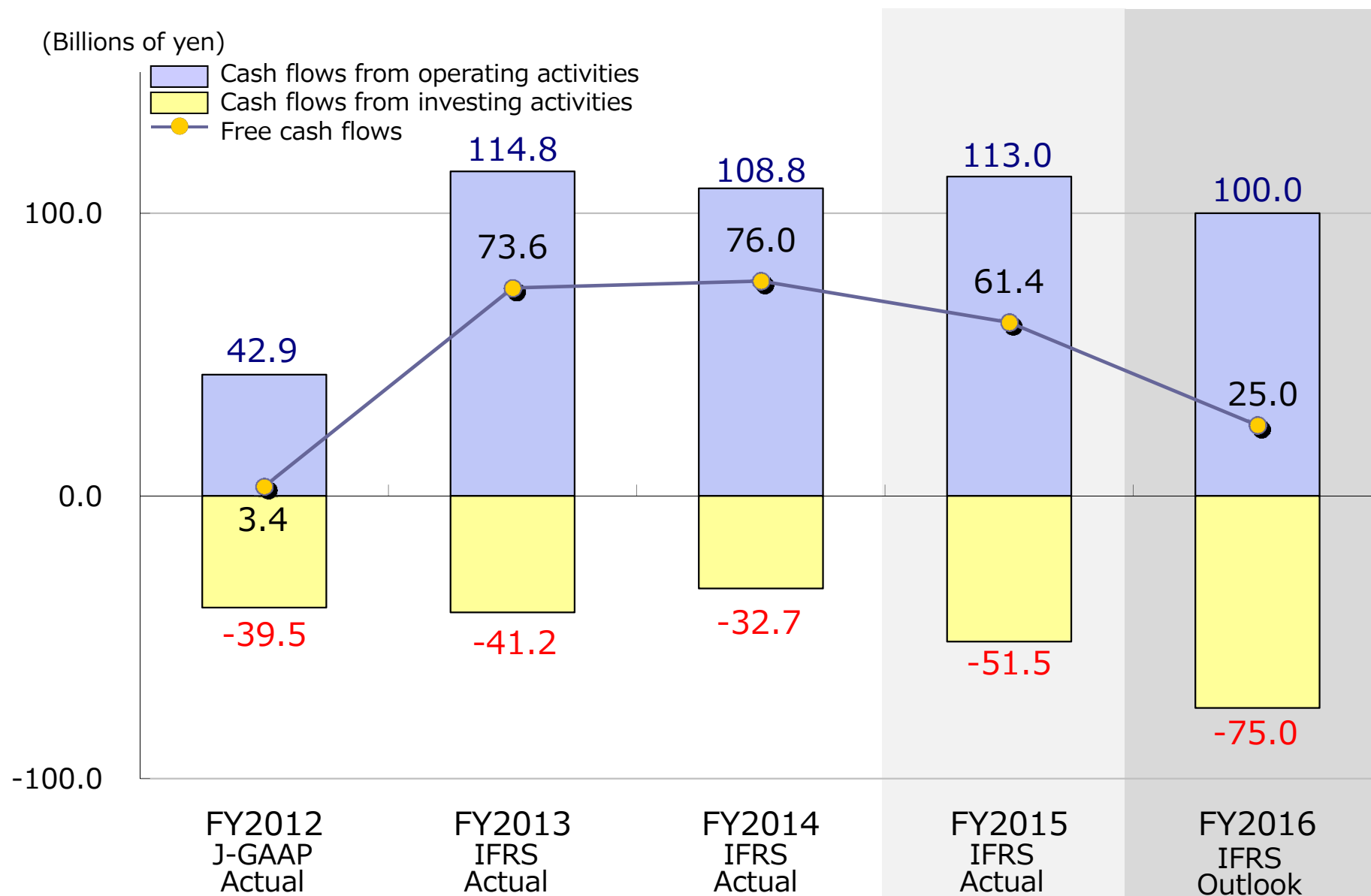


# Outlook for Capital Expenditure and Depreciation and Amortization Expenses

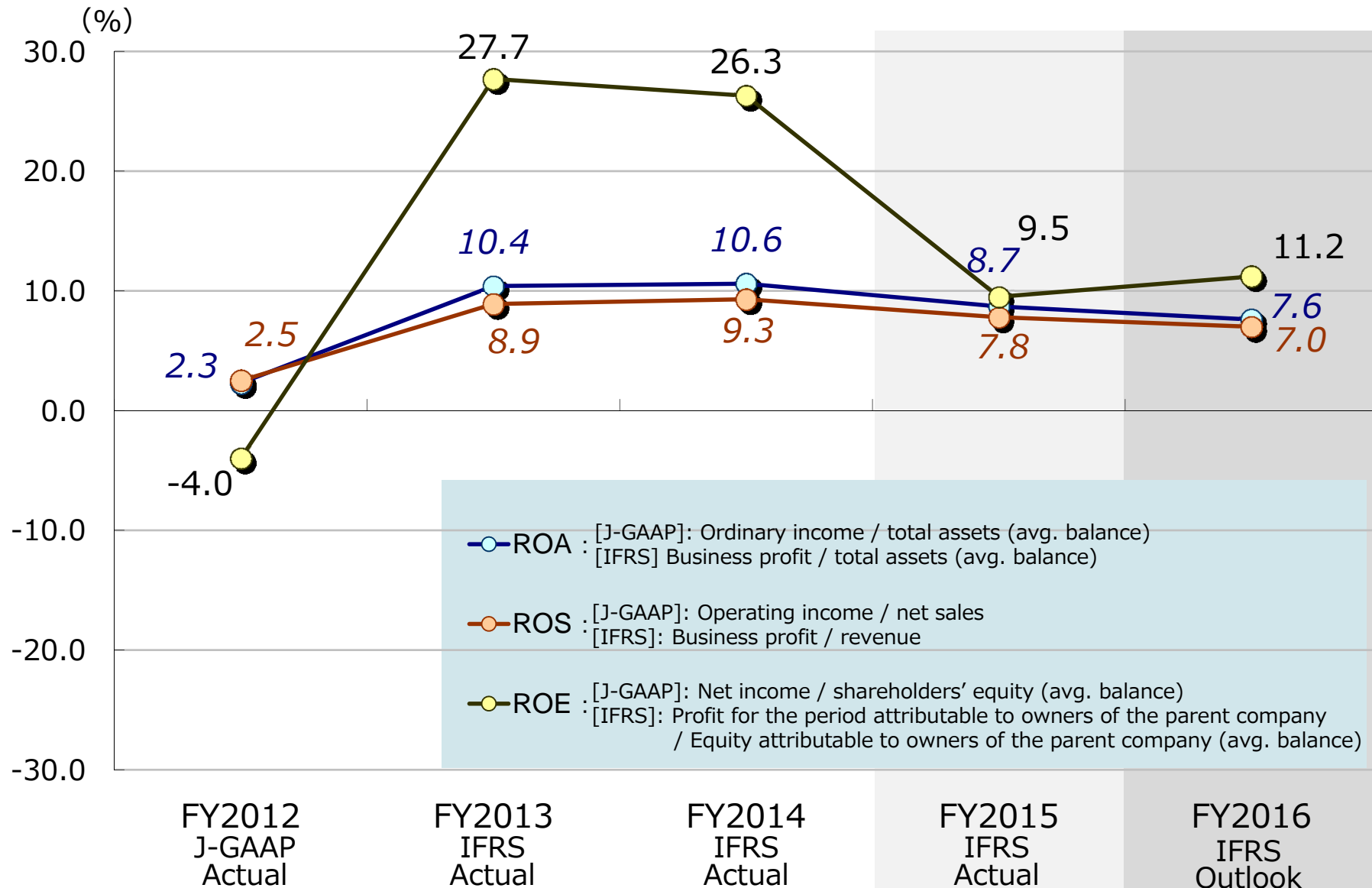


Breakdown by segment	FY2015 Actual		FY2016 Outlook	
	Capex	D&A	Capex	D&A
Printing Solutions	36.6	24.1	46.0	25.0
Visual Communications	10.7	7.4	11.0	8.0
Wearable & Industrial Products	10.2	8.1	11.0	9.0
Other, Corporate	11.7	5.6	12.0	5.0

# Free Cash Flows Outlook



# Main Management Indicators



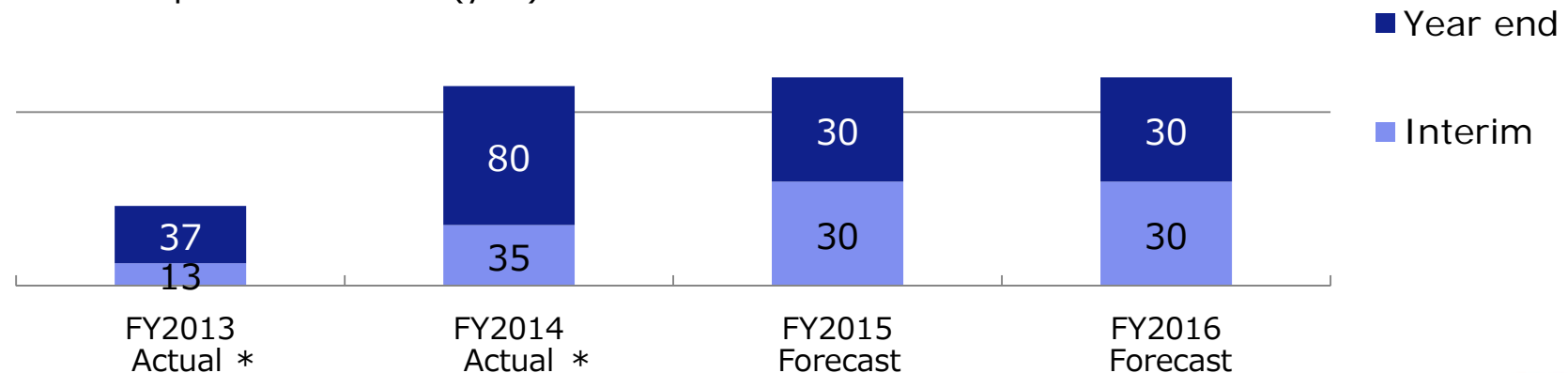
# Shareholder Return

- Share repurchase
  - Repurchase company shares as part of a policy to more actively return profits to shareholders

Class of shares to be repurchased	Ordinary shares
Total number of repurchasable shares	7,000,000 (maximum)
Total repurchase amount	10 billion yen (maximum)
Repurchase period	May 2 - June 30, 2016
Repurchase method	By securities company using discretionary method

- Dividends

Dividend per share trend (yen)



\* Epson executed a two-for-one stock split on April 1, 2015. The graph height shows the level after the split.

# Reference

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# Major Business Indicators

		FY2015 Actual	FY2016 Outlook	FY2018 Targets	Category	FY2015 Actual	FY2016 Outlook	3-year cumulative (FY2016-18 business plan)
Printing Solutions	Revenue	736.3	695.0	805.0	Operating CF	¥113.0 billion	¥100.0 billion	¥330.0 billion
	Business profit	104.7	93.0	-				
Visual Communications	Revenue	184.0	173.0	200.0	FCF	¥61.4 billion	¥25.0 billion	¥120.0 billion
	Business profit	15.5	15.0	-				
Wearable & Industrial Products	Revenue	170.4	163.0	195.0	Capital expenditure	¥69.4 billion	¥80.0 billion	¥210.0 billion
	Business profit	9.8	11.0	-				
Other	Revenue	1.4	1.0	0.0	R&D costs	¥53.1 billion	¥57.0 billion	Invest aggressively
	Business profit	-0.5	-1.0	-				
Corporate, Adjustment	Revenue	0.2	-2.0	0.0	Exchange rate	FY2015 Actual	FY2016 Outlook	FY2016-18 business plan
	Business profit	-44.6	-46.0	-				
Consolidated total	Revenue	1,092.4	1,030.0	1,200.0	USD	¥120.14	¥105.00	¥115.00
	Business profit	84.9	72.0	96.0	EUR	¥132.58	¥120.00	¥125.00
	ROS	7.8%	7.0%	8%				
	ROE	9.5%	11.2%	Sustain at at least 10%				

# Main Product Sales Trends

FY2015 result (vs. FY2014) and FY2016 forecast (vs. FY2015)

ASP (average selling prices) and sales amounts after conversion to yen

Product		FY2015 Q1	FY2015 Q2	FY2015 Q3	FY2015 Q4	FY2015 H1	FY2015 H2	FY2015 Full year	FY2016 Full year (forecast)
IJP	Volume	+3%	+6%	-1%	-1%	+4%	-1%	+1%	+6%
	Office/ high-capacity ink tank as % of total unit sales	-	-	-	-	-	-	Approx. 20%/ Approx. 35%	Approx. 20%/ Under 40%
	ASP	+ low teen %	+ high single-digit %	- mid-single-digit %	- mid-single-digit %	Around +10%	- mid-single-digit %	+ low single-digit %	- high single-digit %
	Sales amount	+ mid-teen %	+ low teen %	- mid-single-digit %	- high single-digit %	+ mid-teen %	- mid-single-digit %	+ low single-digit %	- low single-digit %
IJP ink	Volume	+2%	-1%	-1%	+2%	0%	0%	0%	-
	ASP	+ high single-digit %	Around +10%	+ low single-digit %	- low single-digit %	+ high single-digit %	Flat YoY	+ mid-single-digit %	-
	Sales amount	+ high single-digit %	+ high single-digit %	+ low single-digit %	Flat YoY	+ high single-digit %	Flat YoY	+ mid-single-digit %	- high single-digit %
SIDM printers	Volume	+3%	-8%	-6%	-12%	-3%	-9%	-6%	+15%
	ASP	+ low teen %	+ low teen %	- low single-digit %	- high single-digit %	+ low teen %	- mid-single-digit %	+ low single-digit %	- high teen %
	Sales amount	+ mid-teen %	+ low single-digit %	- high single-digit %	- high teen %	+ high single-digit %	- mid-teen %	- low single-digit	- mid-single-digit %
Projectors	Volume	-5%	+5%	-1%	+8%	0%	+3%	+2%	+4%
	ASP	+ mid-teen %	+ high single-digit %	Flat YoY	- high single-digit %	+ low teen %	- mid-single-digit %	+ low single-digit %	- low teen %
	Sales amount	+ high single-digit %	+ low teen %	- low single-digit %	Flat YoY	+ low teen %	Flat YoY	+ mid-single-digit %	- high single-digit %

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

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