

# Fourth Quarter Financial Results Fiscal Year 2017 (Ended March 2018)

April 27, 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.

- FY2017 Full-Year Financial Results
- FY2018 Financial Outlook
  
- FY2017 Q4 Financial Results
- Main Management Indices
- Shareholder Return

# FY2017 Financial Highlights (Full Year)



	FY2016		FY2017				Change	
	(Billions of yen)		1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31 outlook
Revenue	1,024.8		1,110.0		1,102.1		+77.2	-7.8
Business profit	65.8	6.4%	79.0	7.1%	74.7	6.8%	+8.9	-4.2
Profit from operating activities	67.8	6.6%	72.0	6.5%	65.0	5.9%	-2.8	-6.9
Profit before tax	67.4	6.6%	72.0	6.5%	62.6	5.7%	-4.8	-9.3
Profit for the year	48.4	4.7%	51.0	4.6%	41.7	3.8%	-6.6	-9.2
EPS* (yen)	136.82		144.79		118.78			
Exchange rate (yen)	USD	108.38	111.00		110.85			
	EUR	118.79	129.00		129.66			

\* Basic earnings per share for the year

Exchange difference (Billions of yen)	USD	EUR	Other	Total
Revenue	+7.7	+15.5	+10.5	+33.8
Business profit	-2.3	+10.2	+4.7	+12.6

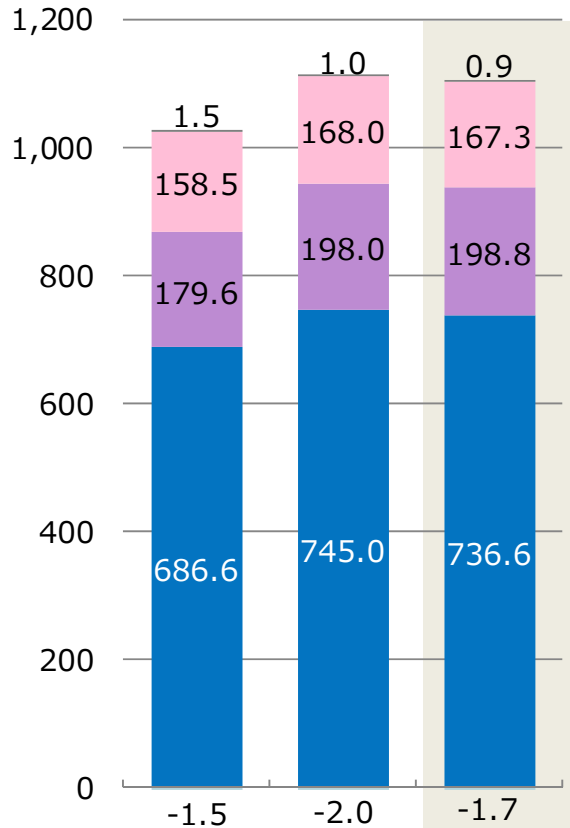
# FY2017 Results by Business Segment



## Revenue

(Billions of yen)

1,024.8	1,110.0	<b>1,102.1</b>
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FY2016 Actual	FY2017 1/31 Outlook	FY2017 Actual
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## Consolidated

Y/Y	+77.2
vs. previous	-7.8

Other

### Wearable & Industrial Products

Y/Y	+8.7
vs. previous	-0.6

### Visual Communications

Y/Y	+19.2
vs. previous	+0.8

### Printing Solutions

Y/Y	+50.0
vs. previous	-8.3

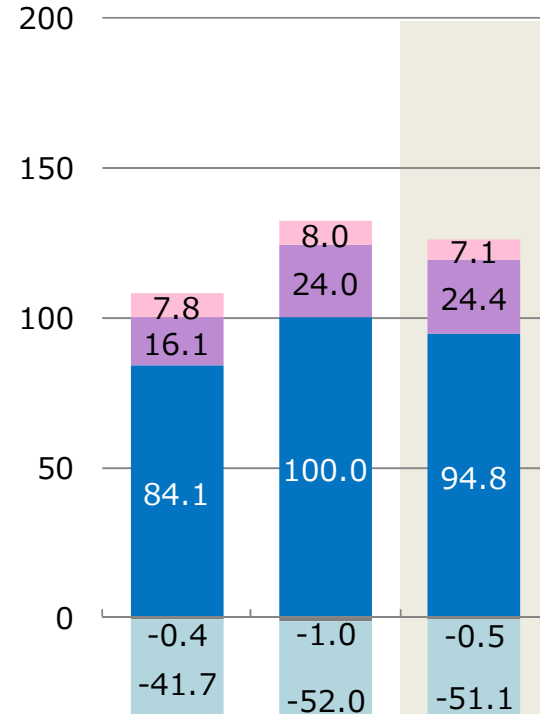
### Corporate expenses & Eliminations

Y/Y	-0.2
vs. previous	+0.2

## Business profit

(Billions of yen)

65.8	79.0	<b>74.7</b>
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FY2016 Actual	FY2017 1/31 Outlook	FY2017 Actual
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## Consolidated

Y/Y	+8.9
vs. previous	-4.2

### Wearable & Industrial Products

Y/Y	-0.6
vs. previous	-0.8

### Visual Communications

Y/Y	+8.2
vs. previous	+0.4

### Printing Solutions

Y/Y	+10.7
vs. previous	-5.1

Other

### Corporate expenses & Eliminations

Y/Y	-9.3
vs. previous	+0.8

# FY2017 Results Comparison by Business



(Billions of yen)

Printing Solutions	FY2016 Actual	FY2017 1/31 Outlook	FY2017 Actual	Y/Y	vs. 1/31 Outlook
Revenue	686.6	745.0	736.6	+50.0	-8.3
Printers	481.2	533.0	523.1	+41.9	-9.8
% sales IJP	81%	83%	83%	-	-
SIDM	9%	8%	8%	-	-
Other	10%	9%	9%	-	-
Professional Printing	188.6	196.0	197.8	+9.1	+1.8
Other	18.4	18.0	17.3	-1.1	-0.6
Inter-segment revenue	-1.6	-2.0	-1.6	+0.0	+0.3
Segment profit	84.1	+100.0	94.8	+10.7	-5.1
ROS	12.3%	13.4%	12.9%		

IJP : Inkjet Printers  
 SIDM : Serial Impact Dot Matrix Printers

# FY2017 Results Comparison by Business



(Billions of yen)

Visual Communications	FY2016 Actual	FY2017 1/31 Outlook	FY2017 Actual	Y/Y	vs. 1/31 Outlook
Revenue	179.6	198.0	198.8	+19.2	+0.8
Segment profit	16.1	24.0	24.4	+8.2	+0.4
ROS	9.0%	12.1%	12.3%		

Wearable & Industrial Products	FY2016 Actual	FY2017 1/31 Outlook	FY2017 Actual	Y/Y	vs. 1/31 Outlook
Revenue	158.5	168.0	167.3	+8.7	-0.6
Wearable Products	50.7	49.0	50.3	-0.4	+1.3
Robotics Solutions	16.9	25.0	24.6	+7.7	-0.3
Microdevices, Other	96.5	100.0	98.9	+2.4	-1.0
Inter-segment revenue	-5.6	-6.0	-6.6	-1.0	-0.6
Segment profit	7.8	8.0	7.1	-0.6	-0.8
ROS	4.9%	4.8%	4.3%		

- Launched core strategic products under the Epson 25 Mid-Range Business Plan and made progress in strengthening business infrastructure, but there were issues with the speed of some of our efforts.

## Progress

- Continued to expand sales of strategic products and launched new products that will drive future growth
  - ✓ High-capacity ink tank models; LFPs for signage, textiles, and labels; high-lumen projectors; robots
  - ✓ Launched high-speed linehead inkjet multifunction printers, completed development of lighting projector, introduced new own-brand Trume analog watches
- Strengthened production, sales, and other business infrastructure
  - ✓ Opened a new factory in the Philippines (for printer and projector assembly)
  - ✓ Began construction on new development center/plant (printhead front-end processing) in Hirooka, Japan
  - ✓ Strengthened the office printer sales organization
  - ✓ Strengthened the sales organization in emerging markets (established a sales company in Vietnam, etc.)

## Issues

- Develop value propositions based on Micro Piezo technology



# FY2018 Financial Outlook

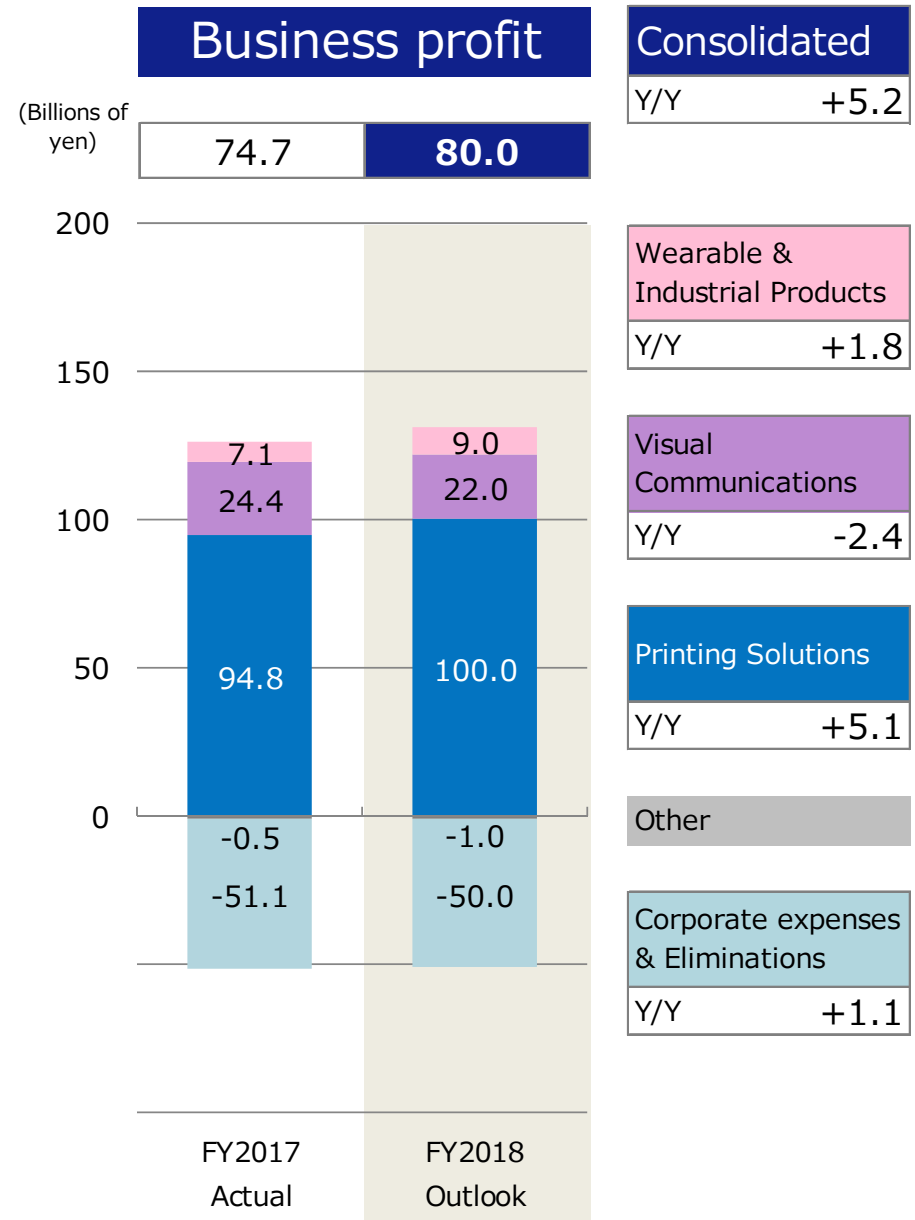
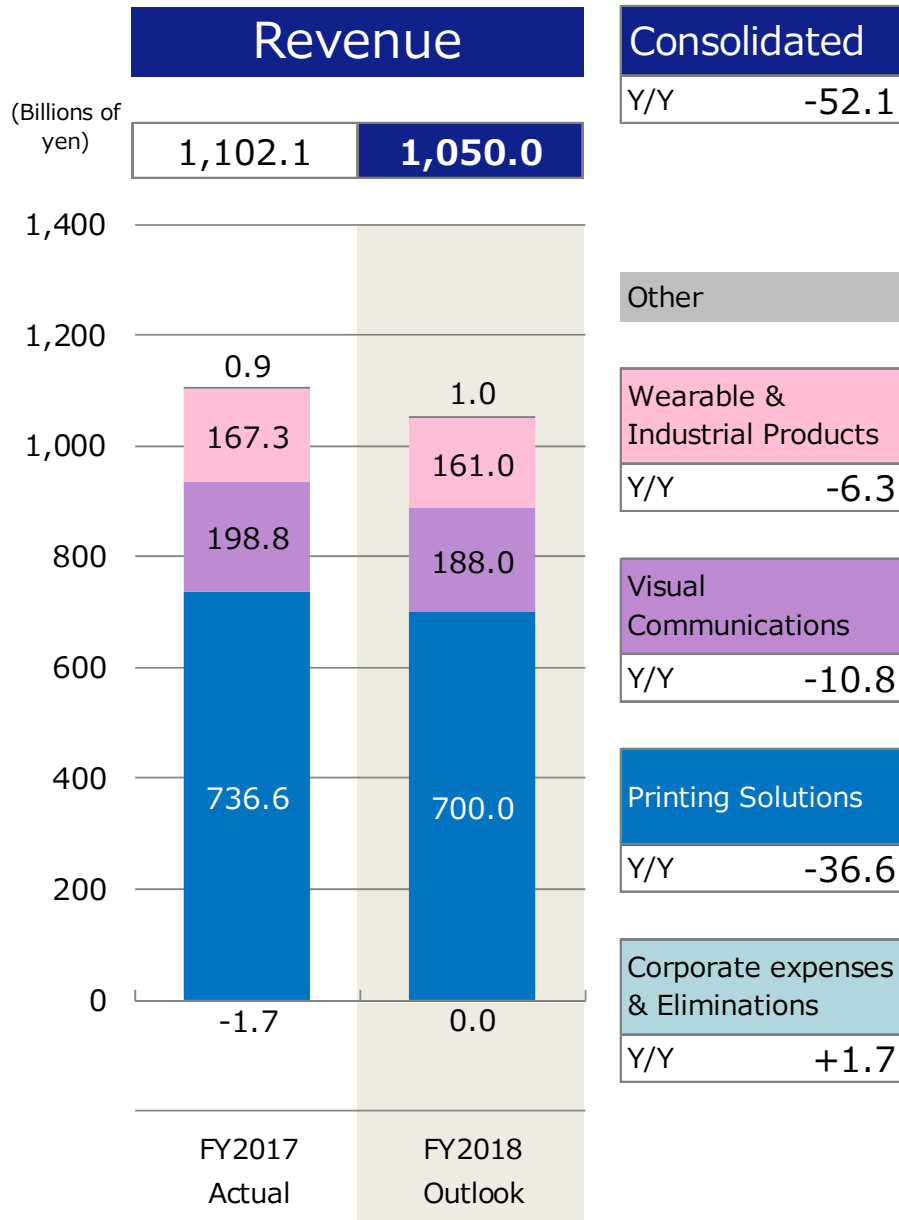
	FY2017		FY2018		Change	
	(Billions of yen)	Actual	%	Outlook	%	Y/Y
Revenue		1,102.1		1,050.0		-52.1
Business profit		74.7	6.8%	80.0	7.6%	+5.2
Profit from operating activities		65.0	5.9%	75.0	7.1%	+9.9
Profit before tax		62.6	5.7%	74.0	7.0%	+11.3
Profit for the year		41.7	3.8%	58.0	5.5%	+16.2
EPS <sup>*1</sup> (yen)		118.78		164.67		
Exchange rate (yen)	USD	110.85		100.00		
	EUR	129.66		125.00		

\*1 Basic earnings per share for the year

\*2 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)

Exchange sensitivity <sup>*2</sup>	USD	EUR	Other currencies
Revenue	-3.0	-1.5	-3.0
Business profit	+0.5	-1.0	-1.3

# FY2018 Financial Outlook by Business Segment



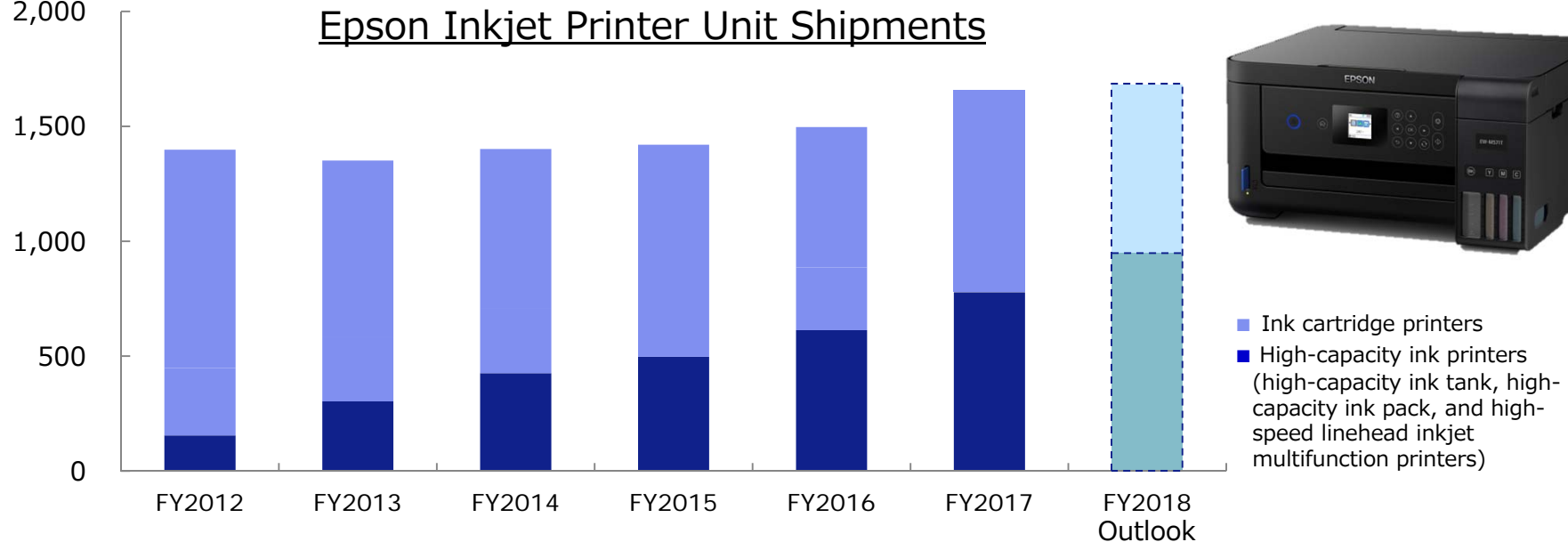
# FY2018 Actions by Business

## Printers

- Change the printer business model by accelerating a switch from ink cartridge printers to high-capacity ink tank models.
  - High-capacity ink tank printers
    - ✓ Provide greater customer value, including a smaller environmental footprint and lower TCO
    - ✓ Dramatically lower printing costs generate new business value
    - ✓ Accelerate roll-out and adoption in developed economies as well as emerging markets.
  - In ink cartridge printers, focus on high-added-value models.

10k units  
2,000

Epson Inkjet Printer Unit Shipments



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

# FY2018 Actions by Business

## Printers

- Get the high-speed linehead inkjet multifunction printer business on track.
  - In FY2018, we will leverage market insights to accelerate sales expansion.
    - ✓ Strengthen joint actions with sales channels as needed in each region.
    - ✓ Advertise the environmental benefits in addition to printing performance excellence.



## Professional Printing

- Continue growth by promoting the transition to digital inkjet printing in the commercial and industrial sectors (signage, textile and label markets).



# FY2018 Financial Outlook by Business



(Billions of yen)

Printing Solutions	FY2017 Actual	FY2018 Outlook	Y/Y
Revenue	736.6	700.0	-36.6
Printers	523.1	500.0	-23.1
% sales IJP	83%	84%	-
SIDM	8%	7%	-
Other	9%	9%	-
Professional Printing	197.8	184.0	-13.8
Other	17.3	18.0	+0.6
Inter-segment revenue	-1.6	-2.0	-0.3
Segment profit	94.8	100.0	+5.1
ROS	12.9%	14.3%	

# FY2018 Actions by Business

## Visual Communications

- Expand our share in existing markets and develop new markets.



## Wearable & Industrial Products

- Wearable products: Improve the model mix and increase operational efficiency.
- Robotics solutions: Continue to expand sales at a rate that exceeds the market growth rate.
- Microdevices, Other: Strengthen the lineup of products that meet customer needs.



# FY2018 Financial Outlook by Business



(Billions of yen)

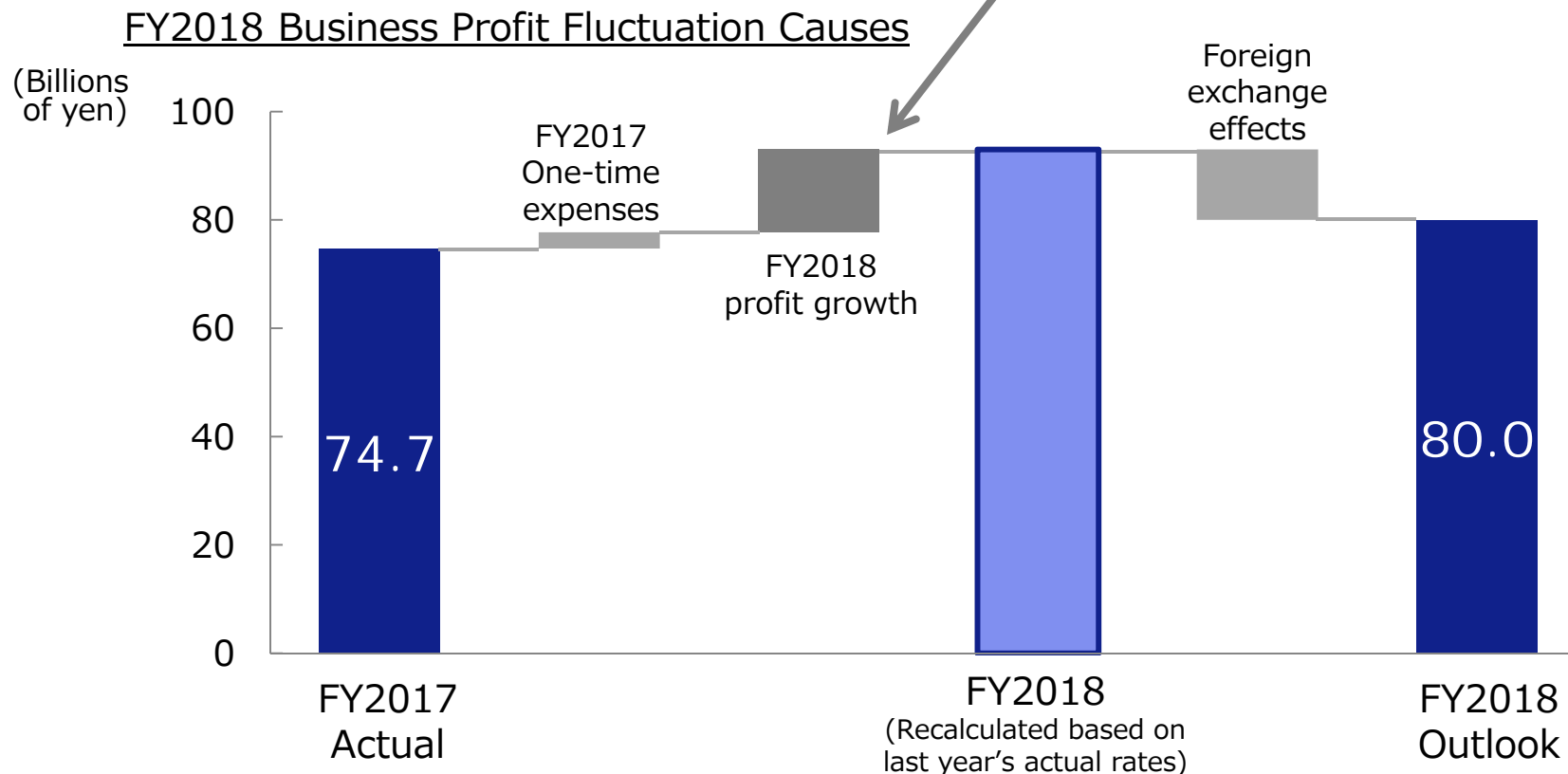
Visual Communications	FY2017 Actual	FY2018 Outlook	Y/Y
Revenue	198.8	188.0	-10.8
Segment profit	24.4	22.0	-2.4
ROS	12.3%	11.7%	

Wearable & Industrial Products	FY2017 Actual	FY2018 Outlook	Y/Y
Revenue	167.3	161.0	-6.3
Wearable Products	50.3	46.0	-4.3
Robotics Solutions	24.6	26.0	+1.3
Microdevices, Other	98.9	94.0	-4.9
Inter-segment revenue	-6.6	-5.0	+1.6
Segment profit	7.1	9.0	+1.8
ROS	4.3%	5.6%	

# Achieving the FY2018 Financial Outlook

- Innovate business models and realize profit by providing products that leverage our core technology and deliver customer value.

- Continue to expand sales of strategic products.
- Achieve customer value and drive shift of inkjet printer business model.
- Continue to invest in business infrastructure and R&D for future growth.





- FY2017 Full-Year Financial Results
- FY2018 Financial Outlook
  
- FY2017 Q4 Financial Results
- Main Management Indices
- Shareholder Return

# FY2017 Financial Highlights (Full Year)



	FY2016		FY2017				Change	
	(Billions of yen)		1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31 outlook
Revenue	1,024.8		1,110.0		1,102.1		+77.2	-7.8
Business profit	65.8	6.4%	79.0	7.1%	74.7	6.8%	+8.9	-4.2
Profit from operating activities	67.8	6.6%	72.0	6.5%	65.0	5.9%	-2.8	-6.9
Profit before tax	67.4	6.6%	72.0	6.5%	62.6	5.7%	-4.8	-9.3
Profit for the year	48.4	4.7%	51.0	4.6%	41.7	3.8%	-6.6	-9.2
EPS* (yen)	136.82		144.79		118.78			
Exchange rate (yen)	USD	108.38	111.00		110.85			
	EUR	118.79	129.00		129.66			

\* Basic earnings per share for the year

Exchange difference (Billions of yen)	USD	EUR	Other	Total
Revenue	+7.7	+15.5	+10.5	+33.8
Business profit	-2.3	+10.2	+4.7	+12.6

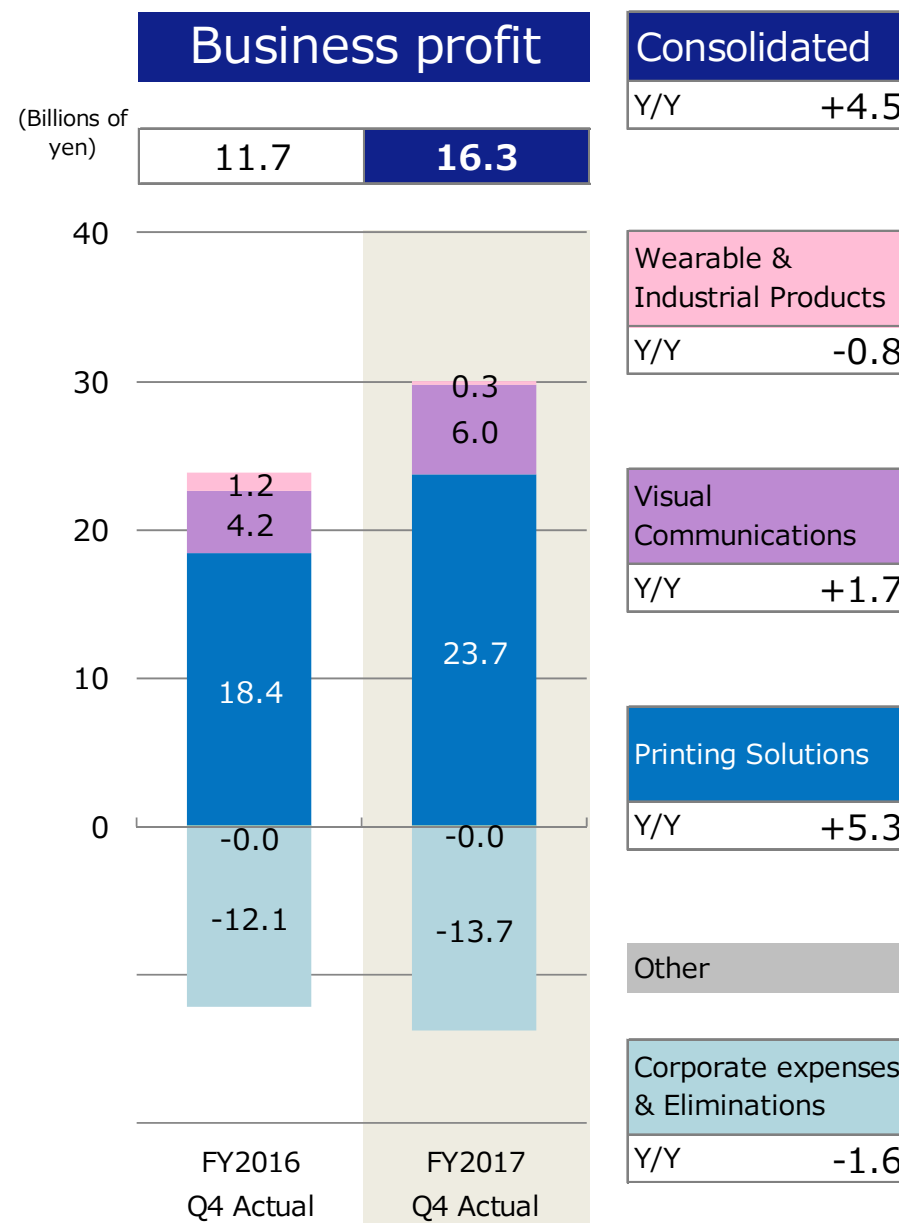
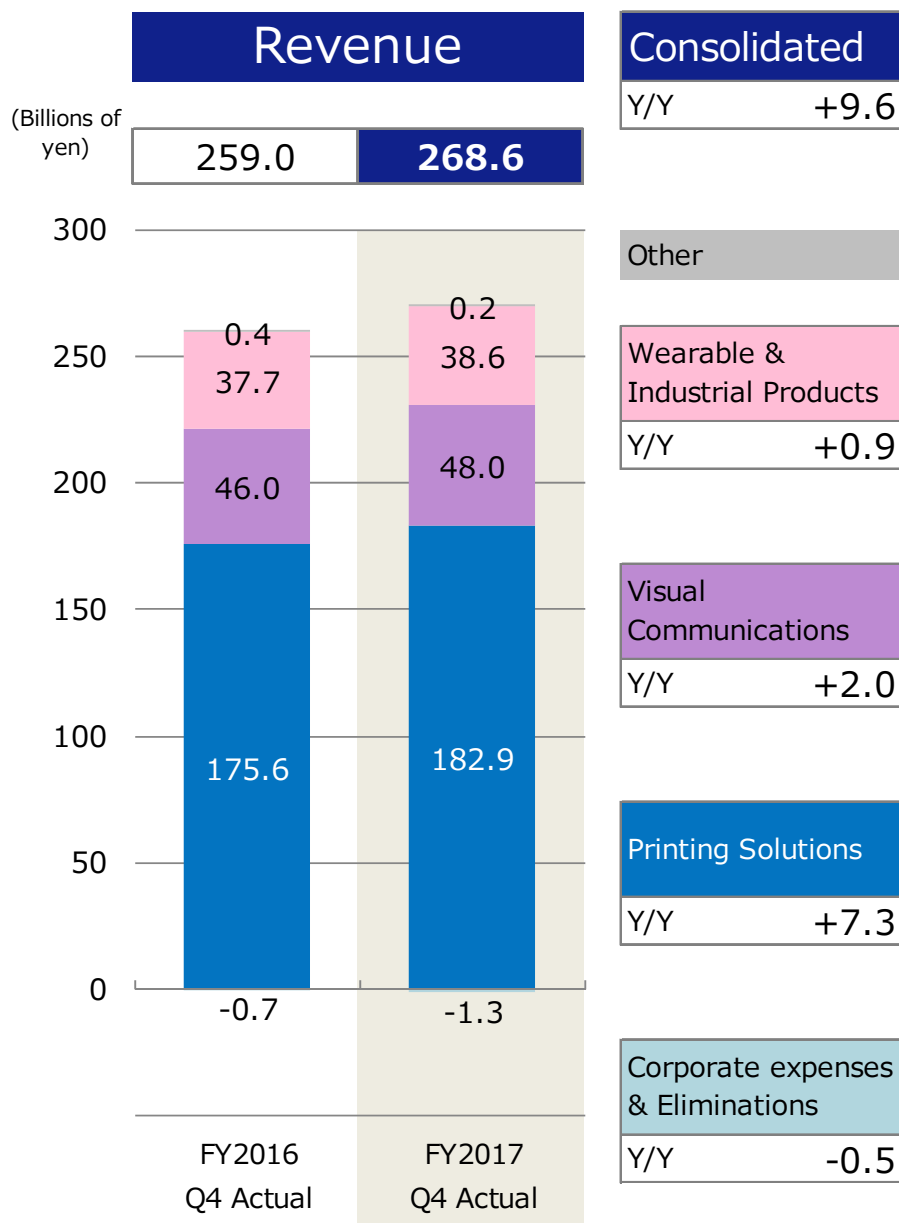
# Financial Highlights (Fourth Quarter)

		FY2016		FY2017		Change
(Billions of yen)		Q4 Actual	%	Q4 Actual	%	Y/Y
Revenue		259.0		268.6		+9.6
Business profit		11.7	4.5%	16.3	6.1%	+4.5
Profit from operating activities		10.5	4.1%	12.7	4.8%	+2.1
Profit before tax		10.0	3.9%	11.6	4.3%	+1.5
Profit for the period		1.3	0.5%	7.0	2.6%	+5.7
EPS* (yen)		3.79		20.65		
Exchange rate (yen)	USD	113.64		108.39		
	EUR	121.08		133.20		

\* Basic earnings per share for the period

Exchange difference (Billions of yen)	USD	EUR	Other	Total
Revenue	-3.8	+4.5	-1.9	-1.2
Business profit	+0.8	+2.9	-1.8	+2.0

# Q4 Financial Results by Business Segment



# Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	FY2016 Q4 Actual	FY2017 Q4 Actual	Y/Y
Revenue	175.6	182.9	+7.3
Printers	119.8	128.5	+8.7
% sales IJP	81%	83%	-
SIDM	8%	7%	-
Other	11%	10%	-
Professional Printing	50.4	49.6	-0.7
Other	5.8	5.1	-0.7
Inter-segment revenue	-0.5	-0.4	+0.1
Segment profit	18.4	23.7	+5.3
ROS	10.5%	13.0%	

- IJPs:  
Ink cartridge printer sales were kept level with last year as a result of stronger actions to maintain prices, high-capacity ink tank printer sales expanded, and ink sales were stable
- SIDMs:  
Sales in Southeast Asia flat YoY
- Large-format printers:  
Steady sales growth continued in signage, textile and label printing
- POS printers:  
Stable sales continued

# Quarterly Comparison by Business

(Billions of yen)

Visual Communications	FY2016 Q4 Actual	FY2017 Q4 Actual	Y/Y
Revenue	46.0	48.0	+2.0
Segment profit	4.2	6.0	+1.7
ROS	9.2%	12.6%	

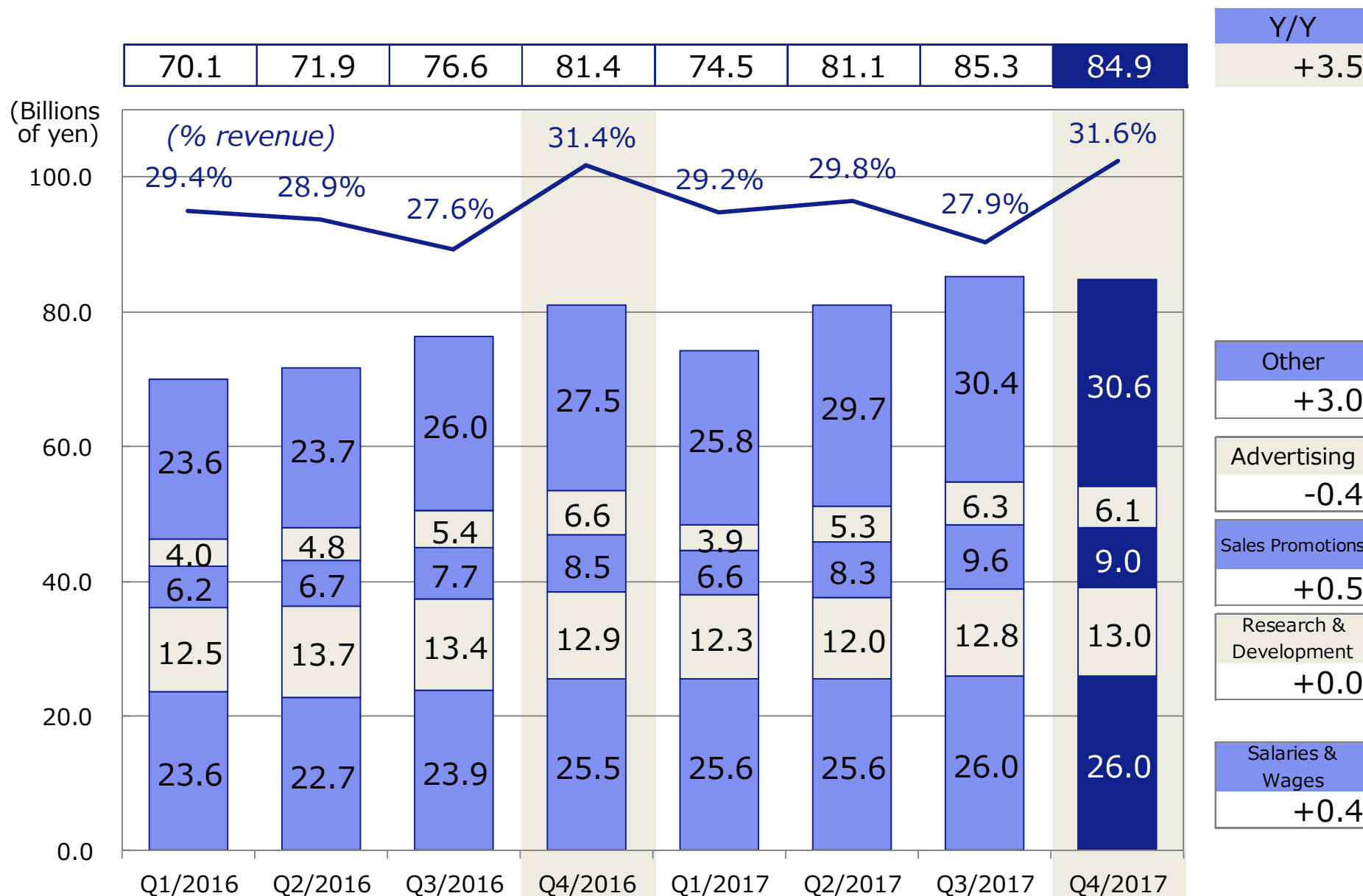
- Projectors: High-lumen & standard models drove unit sales growth

(Billions of yen)

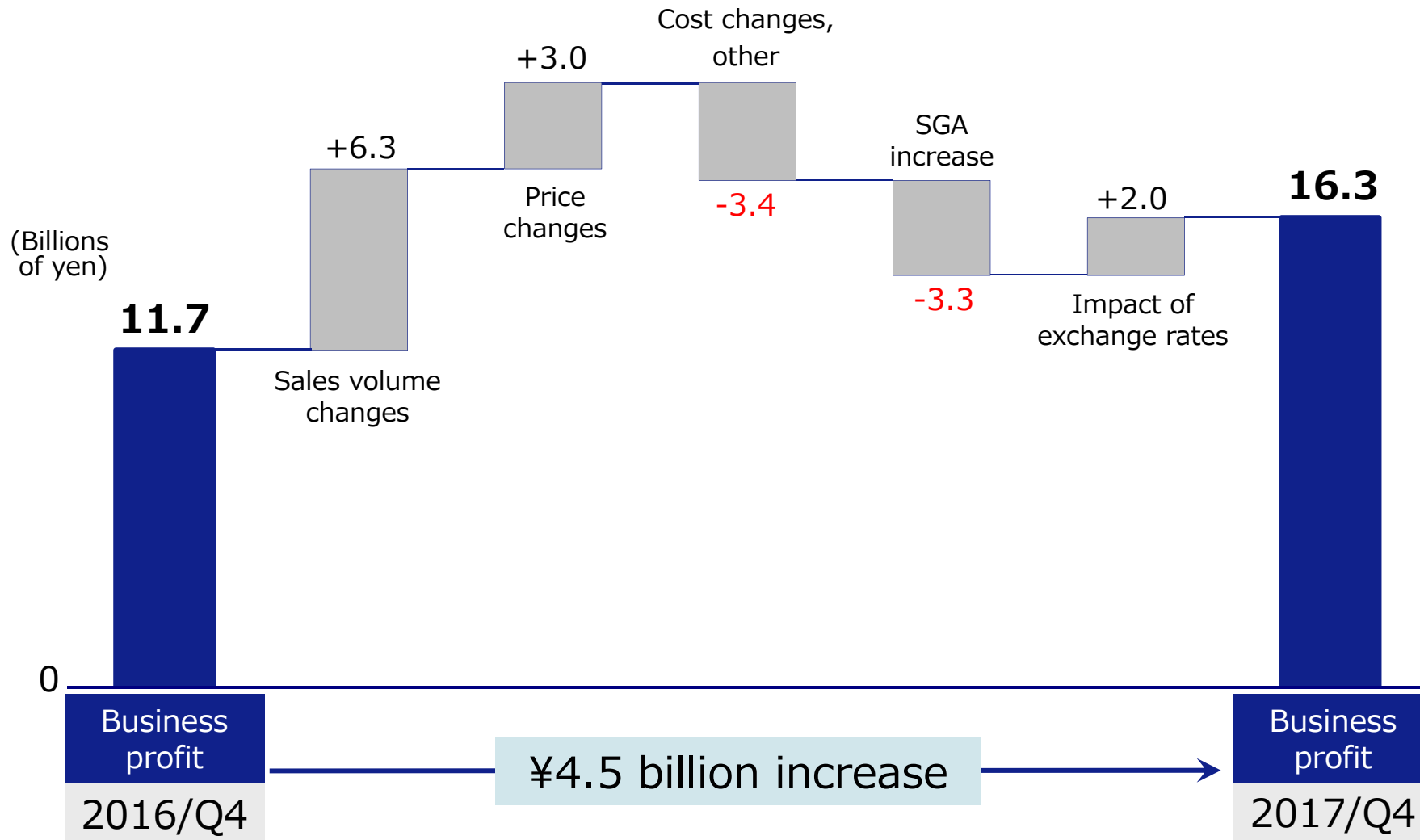
Wearable & Industrial Products	FY2016 Q4 Actual	FY2017 Q4 Actual	Y/Y
Revenue	37.7	38.6	+0.9
Wearable Products	9.7	10.4	+0.7
Robotics Solutions	5.4	5.8	+0.3
Microdevices, Other	23.8	24.0	+0.1
Inter-segment revenue	-1.3	-1.6	-0.3
Segment profit	1.2	0.3	-0.8
ROS	3.4%	1.0%	

- Watches and movements: Sales firm
- Robots: Strong sales continued
- Quartz: Sales to consumer electronics manufacturers declined
- Semiconductors: Internal sales, external sales and foundry orders were all strong.

# Quarterly Selling, General and Administrative Expenses



# Q4 Business Profit Change Cause Analysis

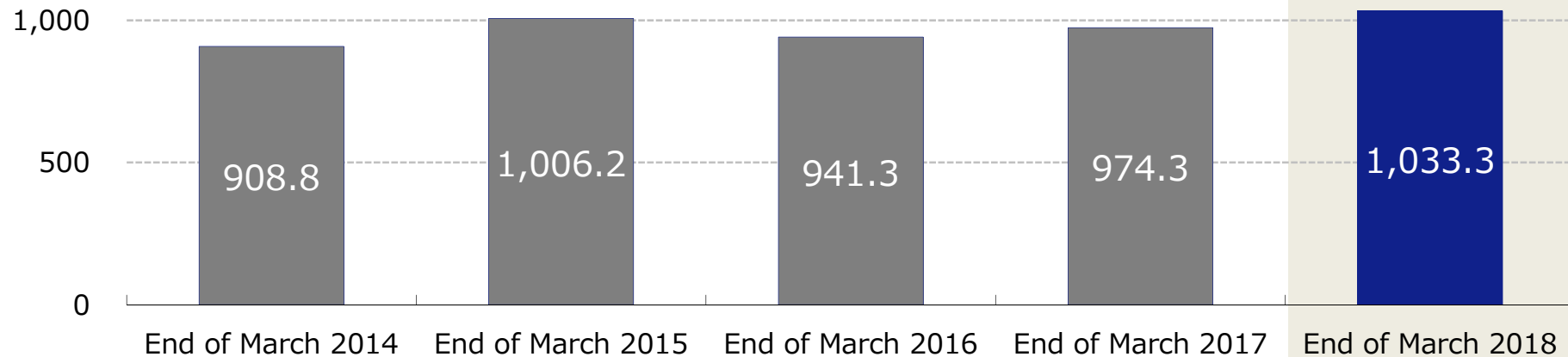




# Statements of Financial Position

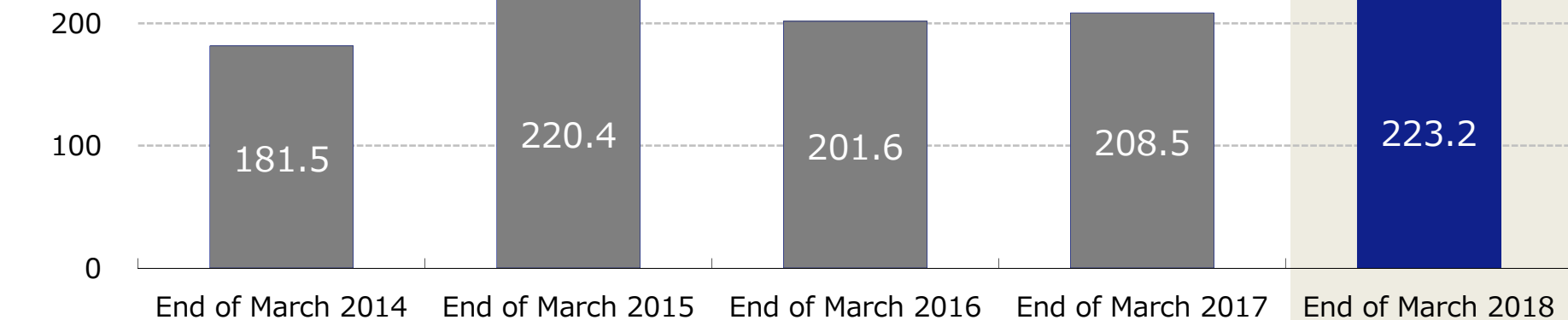
## Total assets

(Billions of yen)



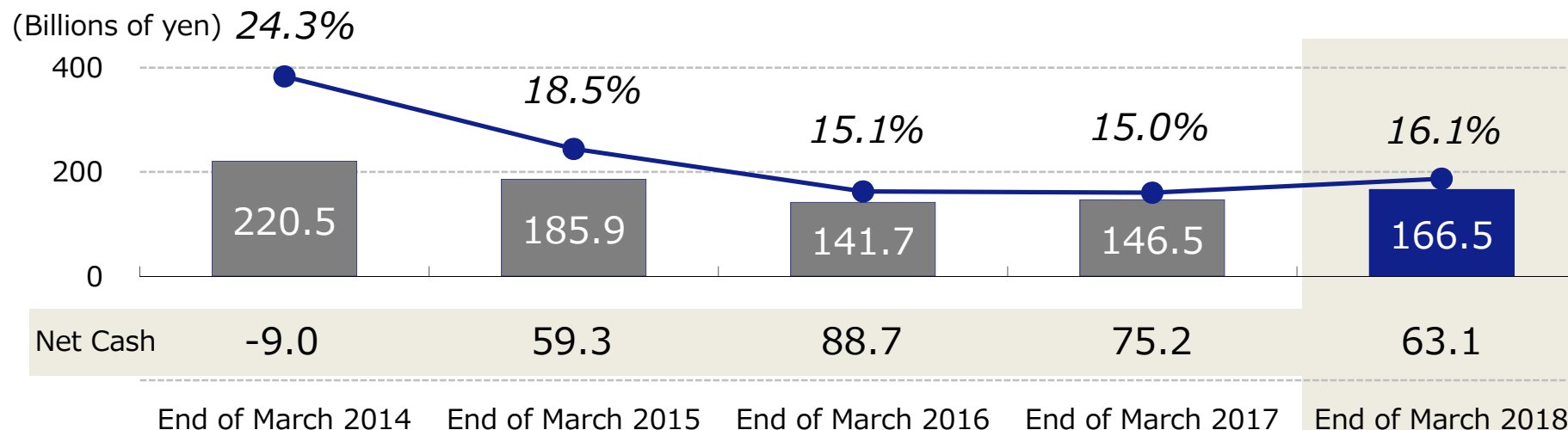
## Inventories

(Billions of yen)

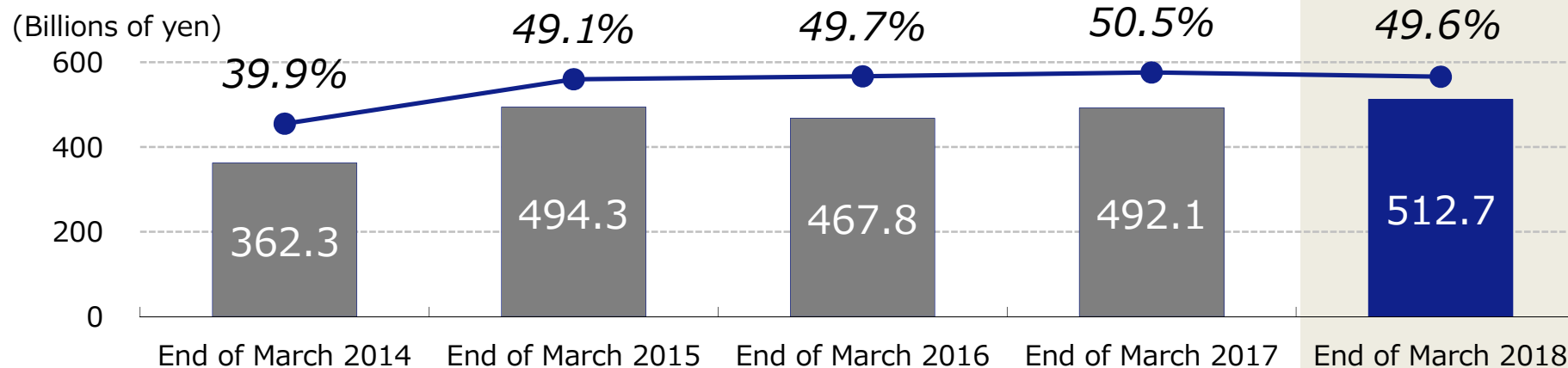


# Statements of Financial Position

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



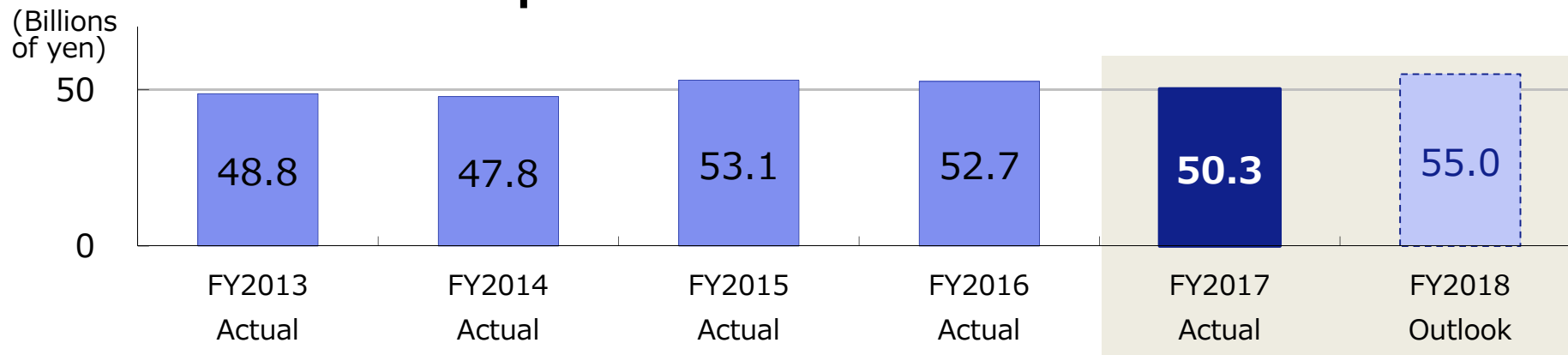
## Equity and equity ratio attributable to owners of the parent company



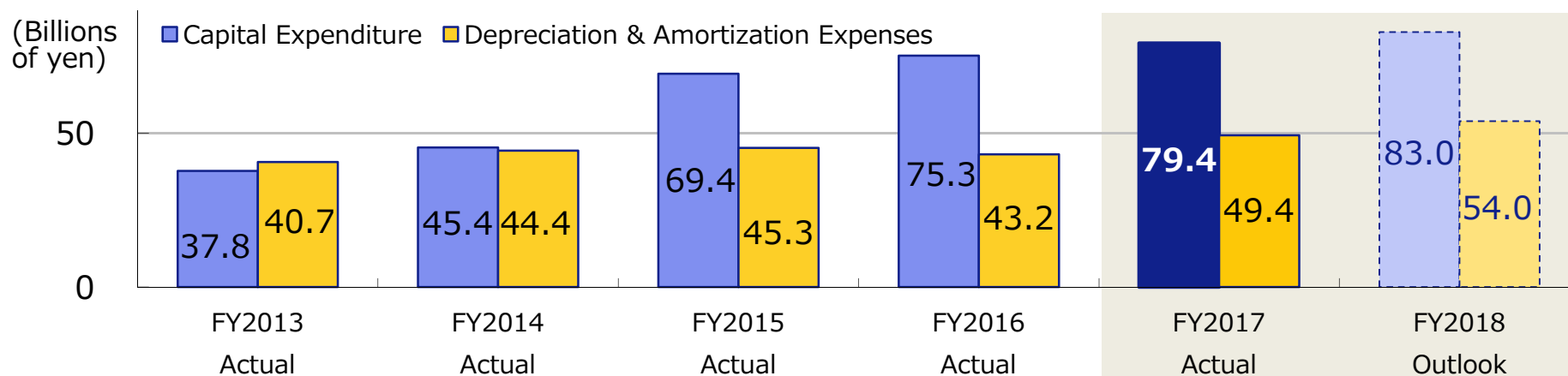
# Outlook for R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses



## Research & Development



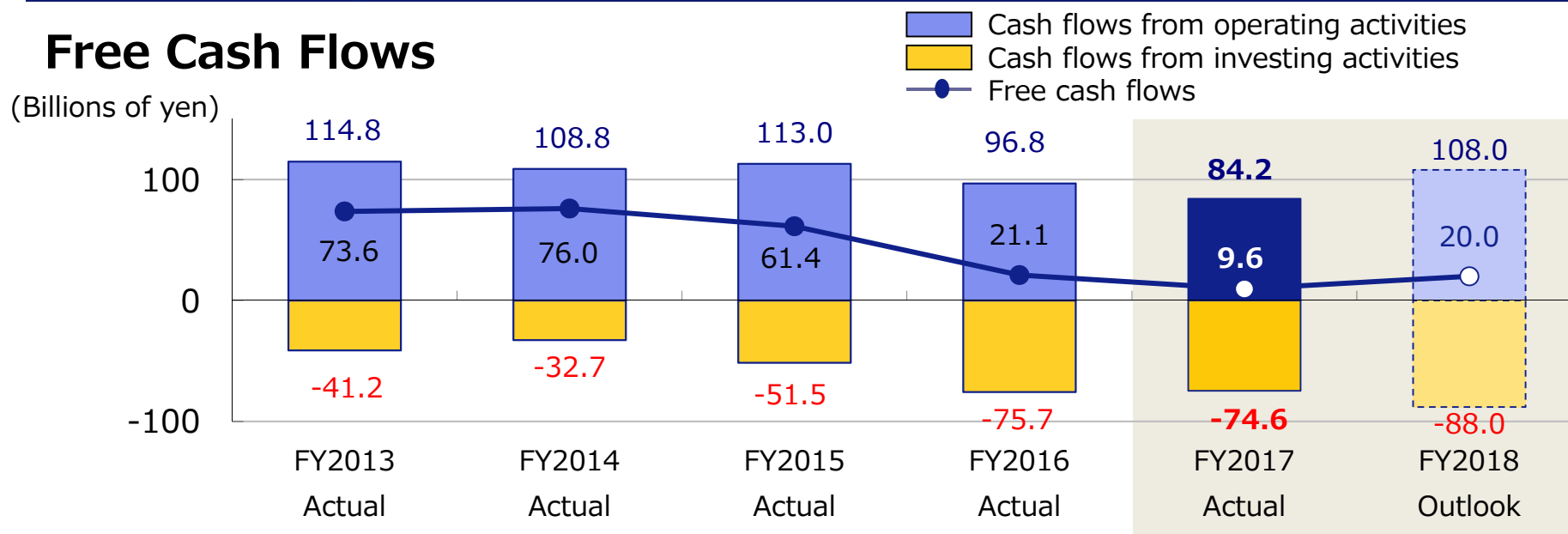
## Capital Expenditure and Depreciation and Amortization Expenses



		FY2017 Actual	FY2018 Outlook
Capex breakdown by segment	Printing Solutions	46.3	49.0
	Visual Communications	14.3	13.0
	Wearable & Industrial Products	11.0	13.0
	Other, Corporate	7.6	8.0

# Free Cash Flows Outlook Main Management Indices

## Free Cash Flows



## Main Management Indices

	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Outlook
<b>ROS</b> *1	8.9	9.3	7.8	6.4	<b>6.8</b>	7.6
<b>ROA</b> *2	10.4	10.6	8.7	6.9	<b>7.4</b>	7.8
<b>ROE</b> *3	27.7	26.3	9.5	10.1	<b>8.3</b>	10.9

\*1 Business profit/ revenue

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

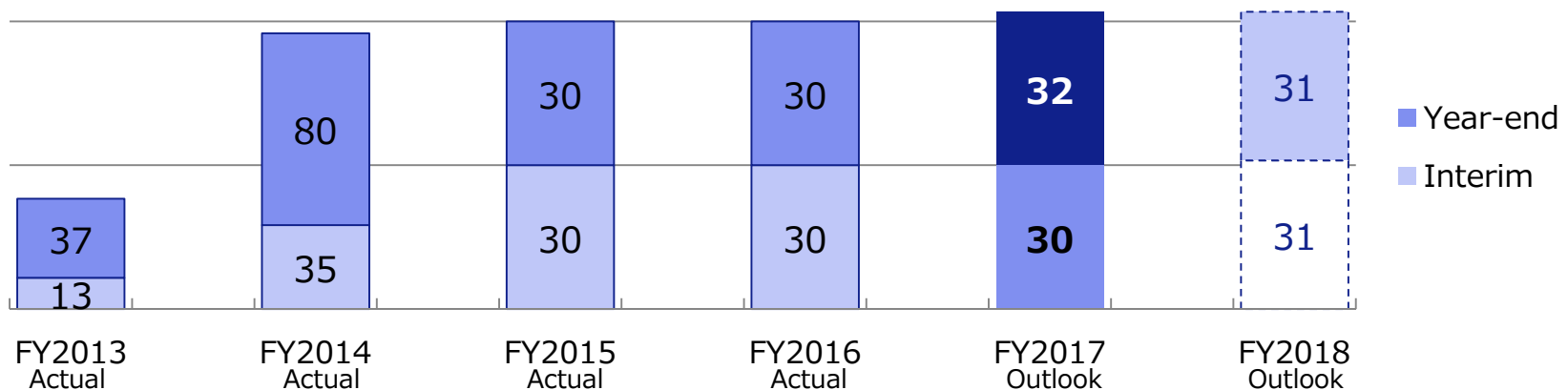
\*3 Profit for the period attributable to owners of the parent company/ Equity attributable to owners of the parent company (avg. balance)

# Shareholder Returns

- Epson's first priority is to invest in growth, but we are also striving to build a robust financial structure that is capable of withstanding changes in the business environment, and to proactively reward shareholders.
- Epson has set a consolidated dividend payout ratio\*<sup>1</sup> in the range of 40% as a medium-term target. We intend to be more active in giving back to shareholders by repurchasing shares as warranted by share price, the capital situation, and other factors.
- Dividends

	<b>FY2017 Outlook</b>	FY2018 Outlook
Annual dividend (Interim/ year-end)	62 yen (30 yen/ 32 yen)	62 yen (31 yen/ 31 yen)

Dividend per share (yen)\*<sup>2</sup>



\*1: The ratio is based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company's main operations (and which is very similar to the concept of operating income under J-GAAP both conceptually and numerically).

\*2: Epson declared a 2-for-1 stock split, effective April 1, 2015. The graph height shows the level after the split.

**EPSON**  
EXCEED YOUR VISION

# Reference

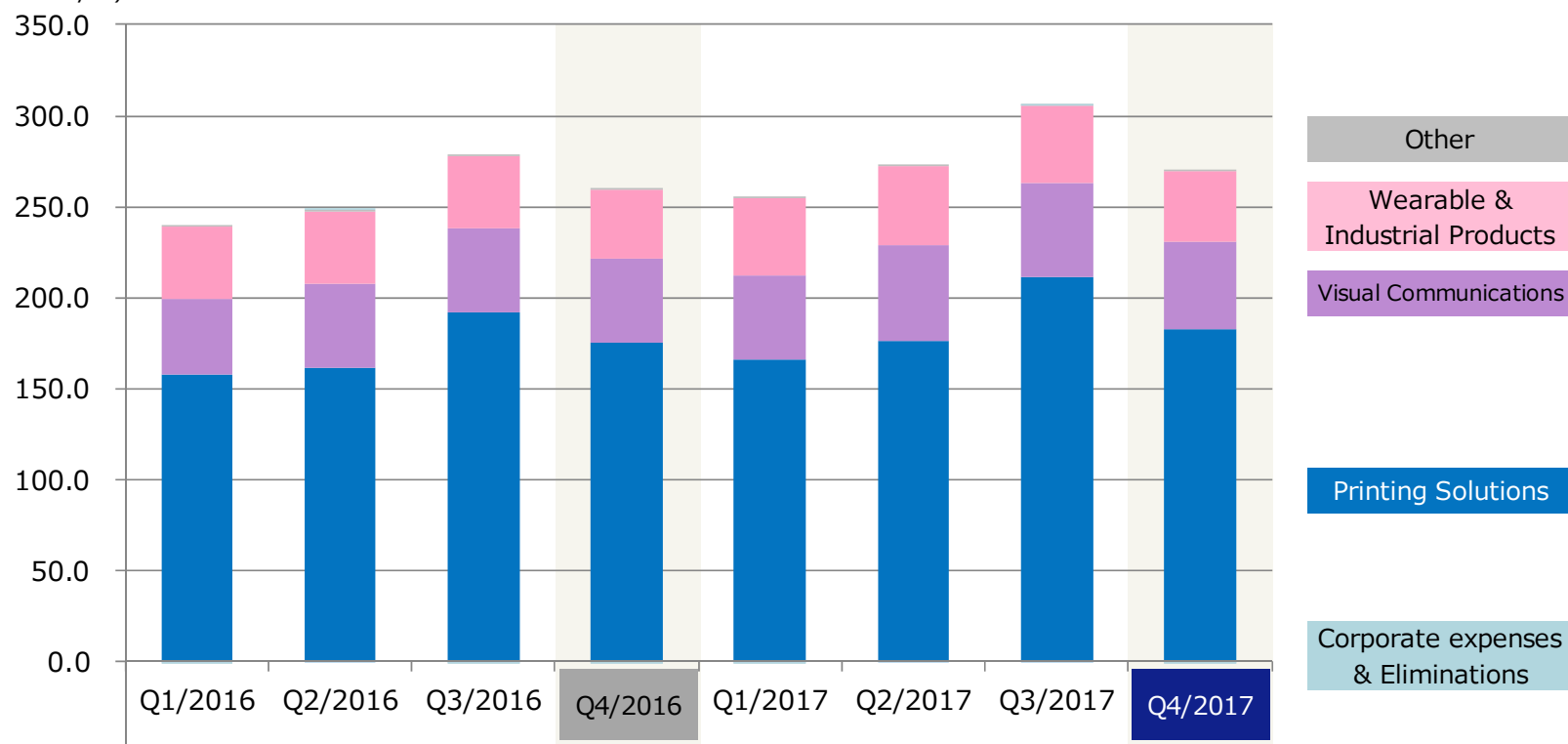
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# Quarterly Revenue Trend By Business Segment

Exchange rate	USD	108.15	102.44	109.30	113.64	111.08	111.00	112.92	108.39	-5.25
(yen)	EUR	122.02	114.28	117.78	121.08	122.12	130.36	132.96	133.20	+12.12

Revenue (Billions of yen)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Y/Y
<b>Printing Solutions</b>	157.3	161.3	192.3	175.6	165.9	176.1	211.6	182.9	+7.3
<b>Visual Communications</b>	41.6	46.0	45.9	46.0	46.3	52.8	51.6	48.0	+2.0
<b>Wearable &amp; Industrial Products</b>	40.4	40.5	39.8	37.7	43.0	43.2	42.3	38.6	+0.9
Other	0.3	0.3	0.4	0.4	0.2	0.2	0.2	0.2	-0.1
Corporate expenses & Eliminations	-0.6	0.1	-0.3	-0.7	-0.8	0.0	0.2	-1.3	-0.5
<b>Consolidated total</b>	<b>239.0</b>	<b>248.4</b>	<b>278.2</b>	<b>259.0</b>	<b>254.8</b>	<b>272.5</b>	<b>306.1</b>	<b>268.6</b>	<b>+9.6</b>

(Billions of yen)



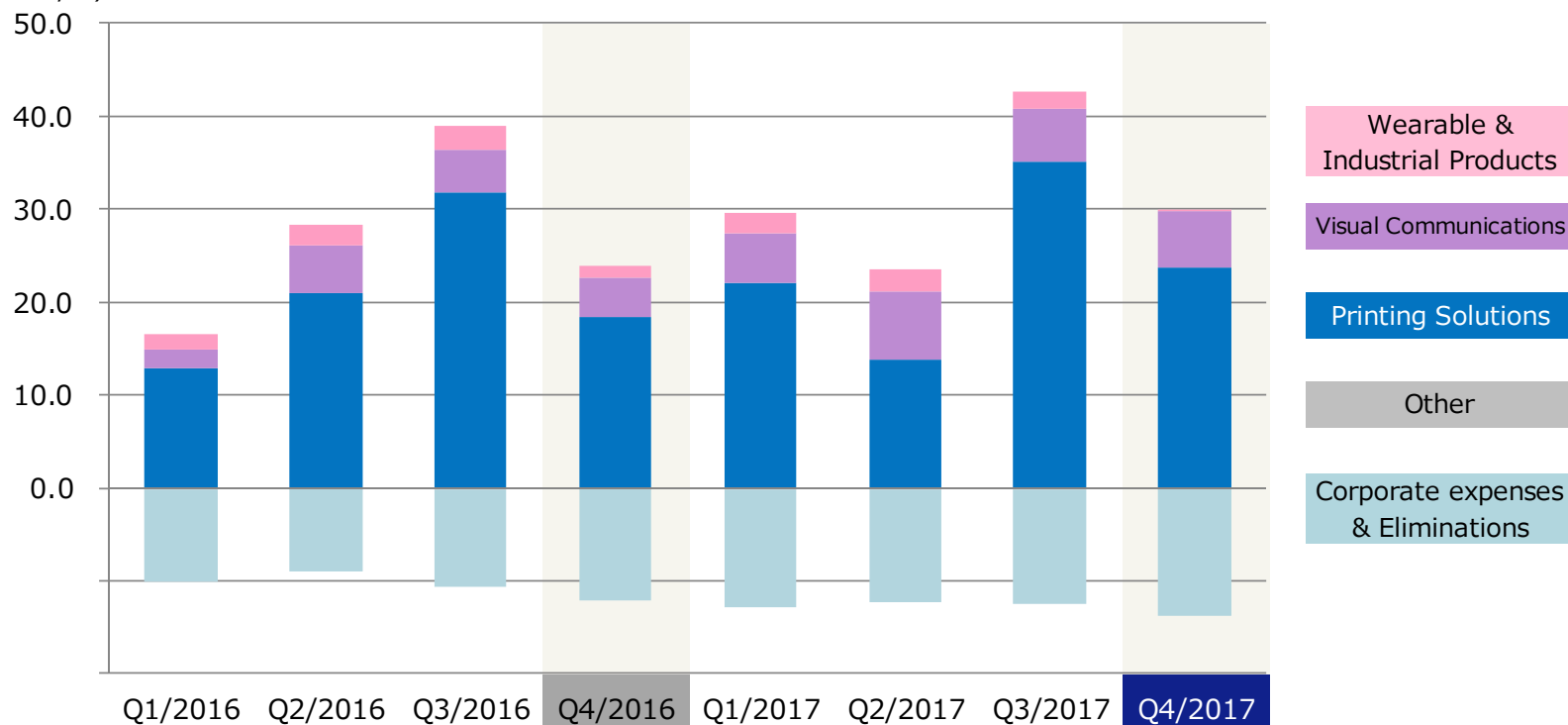


# Quarterly Business Profit Trend By Business Segment

Exchange rate	USD	108.15	102.44	109.30	113.64	111.08	111.00	112.92	108.39	-5.25
	(yen)	EUR	122.02	114.28	117.78	121.08	122.12	130.36	132.96	133.20

Business profit (Billions of yen)	Q1/2016	Q2/2016	Q3/2016	Q4/2016	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Y/Y
<b>Printing Solutions</b>	12.8	21.0	31.7	18.4	22.1	13.8	35.1	23.7	+5.3
<b>Visual Communications</b>	2.1	5.0	4.7	4.2	5.2	7.4	5.6	6.0	+1.7
<b>Wearable &amp; Industrial Products</b>	1.6	2.3	2.5	1.2	2.3	2.4	1.9	0.3	-0.8
Other	-0.2	-0.0	-0.1	-0.0	-0.1	-0.1	-0.1	-0.0	-0.0
Corporate expenses & Eliminations	-9.9	-9.0	-10.5	-12.1	-12.8	-12.2	-12.3	-13.7	-1.6
<b>Consolidated total</b>	<b>6.4</b>	<b>19.2</b>	<b>28.3</b>	<b>11.7</b>	<b>16.7</b>	<b>11.3</b>	<b>30.3</b>	<b>16.3</b>	<b>+4.5</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		FY2016 Full year (Actual)	FY2017/Q1 (Actual)	FY2017/Q2 (Actual)	FY2017/Q3 (Actual)	FY2017/Q4 (Actual)	FY2017 Full year (Actual)	FY2018 Full year (Outlook)
Exchange rate	USD / EUR	¥108.38 / ¥118.79	¥111.08 / ¥122.12	¥111.00 / ¥130.36	¥112.92 / ¥132.96	¥108.39 / ¥133.20	¥110.85 / ¥129.66	¥100.00 / ¥125.00
IJP hardware	Volume	+5%	+7%	+4%	+13%	+7%	+8%	+5%
	High-capacity*/ office models as % of total unit sales	Approx. 40%/ Approx. 20%	-	-	-	-	Less than 50%/ More than 15%	Approx. 55%/ Approx. 15%
	ASP	- high single-digit %	+ low teen %	+ mid-teen %	+ low teen %	+ low teen %	+ low teen %	Flat YoY
	Revenue	- low single-digit %	+ high teen %	Around +20%	+ mid 20%	+ high teen %	+ low 20%	+ mid-single-digit %
IJP ink	Volume (packs)	-4%	-2%	-3%	-7%	-3%	-4%	-
	ASP	- low single-digit %	+ mid-single-digit %	+ high single-digit %	+ high single-digit %	+ low single-digit %	+ mid-single-digit %	-
	Revenue	- mid-single-digit %	+ low single-digit %	+ mid-single-digit %	Flat YoY	- low single-digit %	+ low single-digit %	- low teen %
SIDM printers	Volume	+4%	-25%	-15%	+19%	+3%	-7%	-6%
	ASP	- high teen %	+ low single-digit %	+ high single-digit %	Flat YoY	- mid-single-digit %	+ low single-digit %	Around -10%
	Revenue	- mid-teen %	- low 20%	- high single-digit %	+ high teen %	- low single-digit %	- mid-single-digit %	- mid-teen %
Projectors	Volume	+6%	-2%	+1%	+4%	+3%	+1%	+7%
	ASP	- high single-digit %	+ mid-teen %	+ mid-teen %	+ high single-digit %	+ low single-digit %	+ high single-digit %	- low teen %
	Revenue	- low single-digit %	+ low teen %	+ mid-teen %	+ low teen %	+ mid single-digit %	+ low teen %	- mid-single-digit %

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)

# Major Business Indicators

(Billions of yen)

	Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	FY2018 (FY2016-18 business plan)
Exchange rate	USD	¥108.38	¥110.85	¥100.00	¥115.00
	EUR	¥118.79	¥129.66	¥125.00	¥125.00
Printing Solutions	Revenue	686.6	736.6	700.0	805.0
	Segment profit	84.1	94.8	100.0	-
Visual Communications	Revenue	179.6	1,98.8	188.0	200.0
	Segment profit	16.1	24.4	22.0	-
Wearable & Industrial Products	Revenue	158.5	167.3	161.0	195.0
	Segment profit	7.8	7.1	9.0	-
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	0.0	0.0
	Segment profit	-41.7	-51.1	-50.0	-
Consolidated total	Revenue	1,024.8	1,102.1	1050.0	1,200.0
	Business profit	65.8	74.7	80.0	96.0
	ROS	6.4%	6.8%	7.6%	8%
	ROE	10.1%	8.3%	10.9%	Sustain at at least 10%

(Billions of yen)

Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	3-year cumulative (FY2016-18 business plan)
USD	¥108.38	¥110.85	¥100.00	¥115.00
EUR	¥118.79	¥129.66	¥125.00	¥125.00
Operating CF	96.8	84.2	108.0	Approx. 330.0
FCF	21.1	9.6	20.0	Approx. 120.0
Capital expenditure	75.3	79.4	83.0	Approx. 210.0
R&D costs	52.7	50.3	55.0	Invest aggressively