

# Third Quarter Financial Results

## Fiscal Year 2018 (Ending March 2019)

January 31, 2019

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## ■ 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.

- **FY2018 Q3 Financial Results**
- **FY2018 Financial Outlook**

## Financial Highlights (First 9 Months)

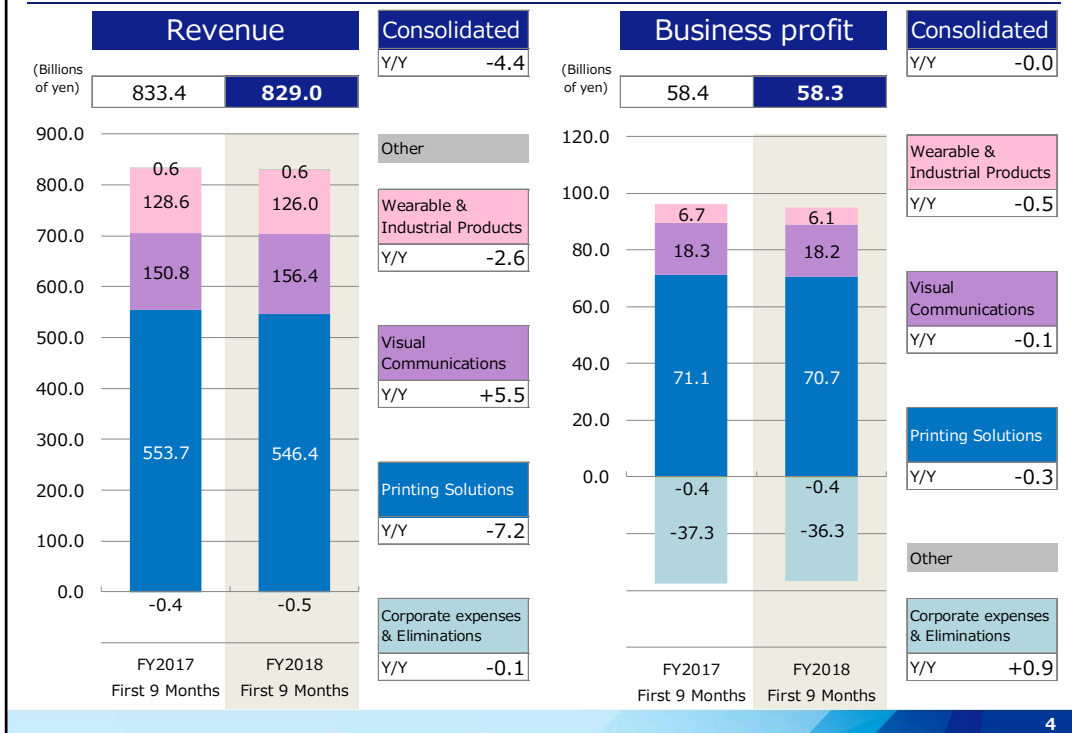


(Billions of yen)	FY2017		FY2018		Change		
	First 9 Months Actual	%	First 9 Months Actual	%	Y/Y	%	
Revenue	833.4		829.0		-4.4	-0.5%	
Business profit	58.4	7.0%	58.3	7.0%	-0.0	-0.1%	
Profit from operating activities	52.2	6.3%	58.1	7.0%	+5.9	+11.4%	
Profit before tax	51.0	6.1%	58.8	7.1%	+7.8	+15.4%	
Profit for the period attributable to owners of the parent company	34.5	4.1%	45.9	5.5%	+11.3	+32.8%	
EPS* <sup>1</sup> (yen)	98.12		130.36				
Exchange rate (yen, index)	USD	¥111.67	¥111.11				
	EUR	¥128.48	¥129.50				
	Other currencies* <sup>2</sup>	100	96				
*1 Basic earnings per share for the period		Exchange effect (Billions of yen)		USD	EUR	Other currencies	Total
*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous period. Rates are weighted according to Epson's net volume of revenue and cost for each currency.		Revenue		-1.2	+0.6	-9.6	-10.2
		Business profit		+0.3	+0.3	-5.2	-4.5

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- Epson's consolidated results for the first nine months were as follows.
- Revenue was ¥829.0 billion, down ¥4.4 billion year on year. Business profit was ¥58.3 billion, showing little change for the same period last year. Profit for the period was ¥45.9 billion, up ¥11.3 billion.
- Profit from operating activities, as well as the other categories of profit, was boosted by several main factors. Whereas we recorded a foreign exchange loss in other operating income and expenses in the same period last year due to sustained weakness of the yen, this year, the foreign exchange loss was smaller. Moreover, we recorded a profit on the sale of some idle real estate in the third quarter. In addition, our tax expenses decreased as a result of U.S. tax reforms.
- Currency volatility over the first three quarters had a ¥10.2 billion negative effect on revenue and a ¥4.5 billion negative effect on business profit.

# 9M Financial Results by Business Segment



- Here is a year-on-year comparison of revenue and business profit for the first nine months of the year in each segment.

## Financial Highlights (Third Quarter)



(Billions of yen)	FY2017		FY2018		Change	
	Q3 Actual	%	Q3 Actual	%	Y/Y	%
Revenue	306.1		296.6		-9.5	-3.1%
Business profit	30.3	9.9%	30.9	10.4%	+0.6	+2.2%
Profit from operating activities	28.5	9.3%	32.5	11.0%	+4.0	+14.1%
Profit before tax	28.0	9.2%	31.9	10.8%	+3.9	+14.1%
Profit for the period attributable to owners of the parent company	19.5	6.4%	25.7	8.7%	+6.1	+31.3%
EPS* <sup>1</sup> (yen)	55.57		72.98			
Exchange rate (yen, index)	USD	¥112.92	¥112.80			
	EUR	¥132.96	¥128.73			
	Other currencies* <sup>2</sup>	100	96			

\*1 Basic earnings per share for the period

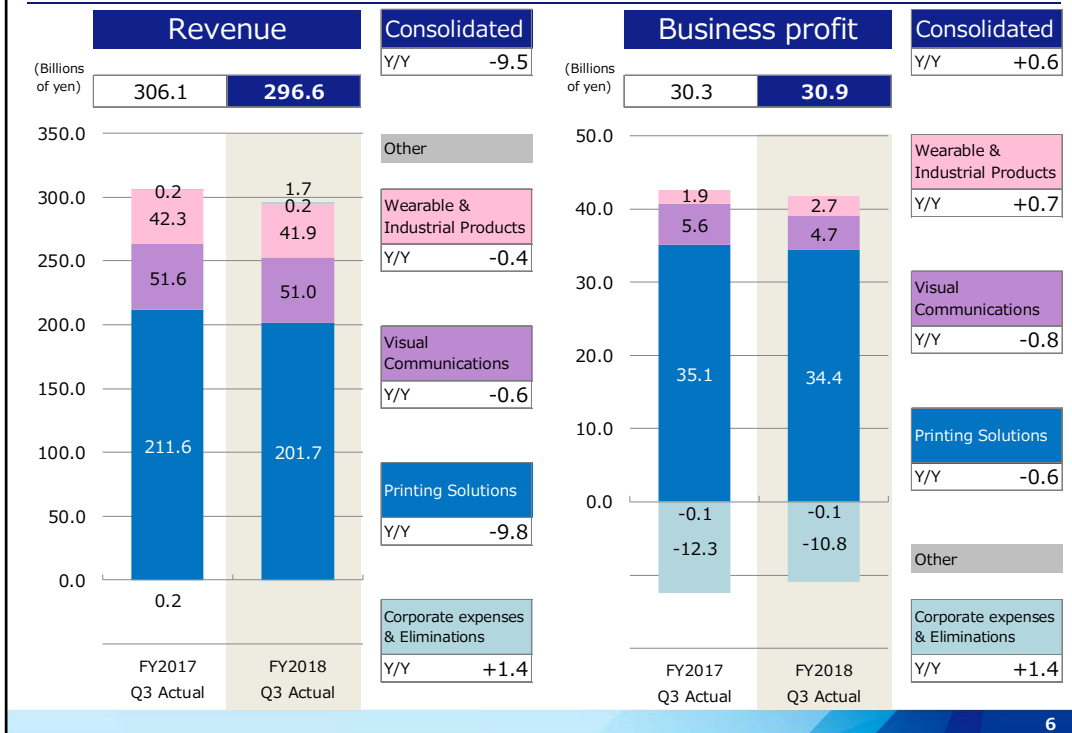
\*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous period. Rates are weighted according to Epson's net volume of revenue and cost for each currency.

Exchange Effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	-0.0	-1.6	-4.9	-6.6
Business profit	+0.0	-1.0	-2.2	-3.3

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- Epson's third-quarter results for the 2018 fiscal year were as follows.
- Revenue was ¥296.6 billion, down ¥9.5 billion compared to the same period last year. Business profit was ¥30.9 billion, up ¥0.6 billion. Profit for the period was ¥25.7 billion, up ¥6.1 billion.
- Currency volatility for the quarter had a ¥6.6 billion negative effect on revenue, and a ¥3.3 billion negative effect on business profit.

# Q3 Financial Results by Business Segment



- This is a year-on-year comparison of third-quarter revenue and business profit.
- Corporate expenses and eliminations contributed positively to profit due to items such as patent royalties.
- Details regarding other segments will be explained in later slides.
- Revenue and business profit both fell short of the internal plan, which serves as the basis for the full-year financial outlook we presented on October 30th.
- The effect of foreign exchange on both revenue and business profit in our internal plan was positive.

## Main Factors Affecting Q3 Results

- The Chinese economy decelerated more than anticipated in Q3
  - Market growth slowed and channels reduced inventory
    - ✓ Impacted many businesses, mainly high-capacity ink tank printers, robots, SIDM printers & microdevices
- Currency devaluation and economic stagnation continued in Latin America and some other emerging regions
  - Finished product sales soft across the quarter
- Ongoing discounting of ink cartridge printers by competitors in advanced economies
  - Epson maintained prices and focused on transitioning the business model to high-capacity ink tank printers

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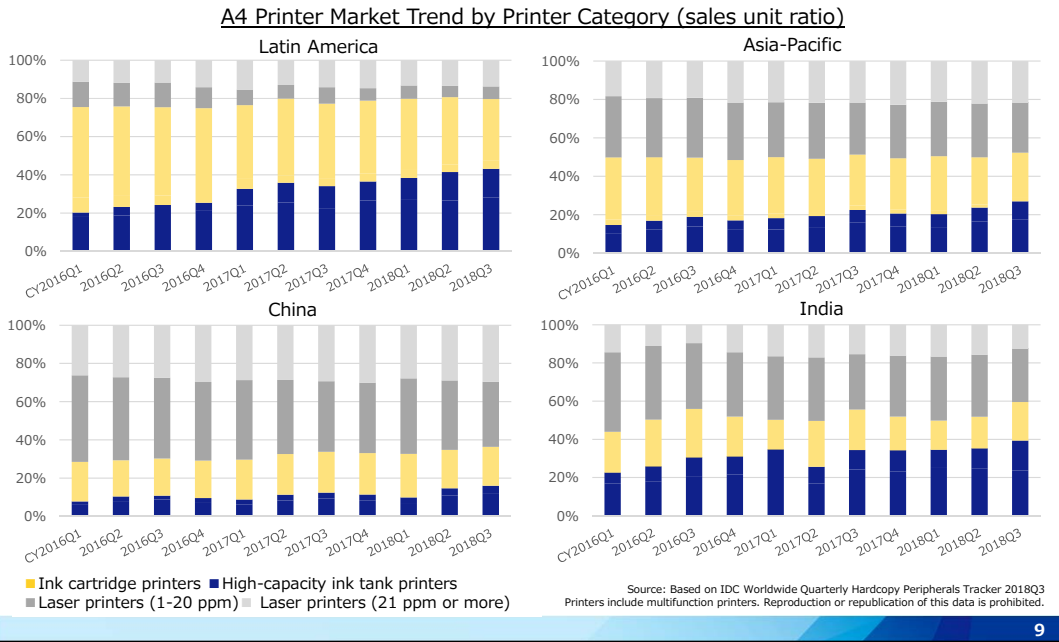
- This is a summary of the main factors that affected our third-quarter performance.
- The Chinese economy decelerated far greater than anticipated in the third quarter.
- In printers, demand for certain models, including high-capacity ink tank printers, stagnated, and channels reduced inventory.
- Robotics and SIDM printer sales were significantly impacted by a narrowing of the investment focus of our customers.
- Microdevice sales also decreased, as demand for mobile products, home electronics, and other consumer electronics retreated.
- In emerging regions, Epson basically sets local sales prices in line with currency fluctuations. Faced with currency devaluation and economic stagnation in Latin America and some other such regions, price increases led to weak sales in our finished product businesses, such as printers.
- In advanced economies, we continue to see ongoing discounting of ink cartridge printers by competitors.
- Instead of needlessly chasing volume in the face of this price-cutting strategy, we held fast to our price maintenance policy and focused on transitioning the business model to high-capacity ink tank printers.
- The operating environment has thus become extremely difficult and had a material impact on our financial results.



- High-capacity ink tank printer growth
  - Growth continued, though the effects of market environment changes were felt
  - Continued preparations to upgrade our lineup/ services to capture larger demand from the office market
- High-speed linehead inkjet multifunction printers
  - Customer and channel recognition growing; sales steadily increasing
  - Preparing to expand and enhance our lineup
- Continued expansion in priority areas in professional printing
  - Advanced preparations to expand product lineup in sync with PrecisionCore printhead production capacity expansion; negotiating external sales of printheads
- Developing next generation projectors and robots

- The external environment is tough, but we have been able to make progress on strategic actions and are steadily positioning ourselves for future growth.
- High-capacity ink tank printer sales were affected by the changes in the market environment, but growth continues.
- With the aim of displacing laser printers, we are now making preparations to upgrade our lineup and services.
- We launched high-speed linehead inkjet multifunction printers last fiscal year. It took time to build recognition of these printers among customers and channels. However, by changing our sales points and by offering a greater variety of purchasing plans, we have steadily increased sales globally. We are also starting to see sales synergies emerge between these high-speed linehead printers and our other office printers, and we are confident in growth going forward.
- We are taking a long-term view in our efforts to capture the large office market and we are making progress. For example, based on accumulated knowledge of customer needs, we are developing an expanded product lineup.
- We are also seeing continued expansion in priority areas in professional printing.
- Next fiscal year, we will expand production capacity of PrecisionCore printheads with a new factory. These printheads will of course be used to enhance the performance of our inkjet printers and broaden our product lineup, but we are also negotiating external sales of printheads to expand this business.
- There have been instances in some regions in which third parties are removing the printheads from Epson office printers and using them in commercial and industrial printers. This has been a factor that has impeded Epson's growth, but it also attests to how strong the need for PrecisionCore printheads is.
- Going forward, we will strengthen our external printhead sales business to respond to the shift to digital printing.
- In projectors, we are expanding our lineup of laser models and developing other products to promote growth.
- The robot business is challenging in China, but we are seeing an expansion of customers and applications in places such as Europe and the U.S. We are developing a vision for making robotics a core business and are positioning ourselves for growth.

- Rate of high-capacity ink tank printers increasing in Asia-Pacific and Latin America
- Capture office print demand



- This slide is an update of the slide shown in the second quarter results presentation, which shows the composition of the printer market in four regions by printer category.
- High-capacity ink tank printers have achieved impressive growth, and yet laser printers still account for the large majority of office printers.
- So, while we have made significant progress, we still have a long way to go to achieve our goal of displacing laser printers.
- This fiscal year, we also started actions such as launching monochrome high-capacity ink tank printers to capture print demand in shops and small offices in developed markets.
- We also won some successful tender bids through existing business channels with high-capacity ink tank printers. In addition, we started offering total packages to office customers combining products like high-speed linehead inkjet multifunction printers and high-capacity ink pack printers.
- Even so, our lineup of high-capacity ink tank printers suited for office use is still thin, so we will expand the lineup to capture office printing demand.

# Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	Q3/2017 Actual	Q3/2018 Actual	Y/Y
Revenue	211.6	201.7	-9.8
Printers	155.7	143.8	-11.8
% sales IJP	84%	85%	
SIDM	8%	7%	
Other	8%	8%	
Professional Printing	52.3	53.1	+0.7
Other	3.9	4.7	+0.7
Inter-segment revenue	-0.4	-0.0	+0.4
Segment profit	35.1	34.4	-0.6
ROS	16.6%	17.1%	

◆ IJP:

- High-capacity ink tank printer sales were affected by market sluggishness but still grew
- Ink cartridge printer sales decreased due to actions to maintain prices
- Ink sales decreased

◆ SIDM:

- SIDM sales in China decreased

◆ Large-format printers:

- Ink sales firm as install base increased

◆ POS printers:

- Flat year on year

IJP: Inkjet Printers  
SIDM: Serial Impact Dot Matrix Printers

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- In the printing solutions segment, revenue decreased.
- Printer business revenue declined.
  - In inkjet printers, growth in high-capacity ink tank models lost some momentum primarily as a result of a stagnation of economic activity in some emerging regions such as China and Latin America.
  - Unit shipments of ink cartridge printers decreased because of actions taken to maintain prices.
  - Ink sales decreased due to a decline in the number of machines in the field.
  - SIDM printer sales also declined on lower demand in China.
- Revenue in professional printing was level with the previous period.
  - Ink sales were firm owing to an increase in the number of machines in field in priority areas, and unit sales in priority areas like textiles grew, but revenue was hurt by foreign exchange.
- Segment profit also changed little from the same period last year. While profit increased due to reduced sales and production volume for ink cartridge printers, this increase was offset by the effects of lower revenue and negative foreign exchange effects.
- The printer business accounted for about 65% of segment profit.
- Both revenue and segment profit fell short of our internal plan.
- In the printer business, high-capacity ink tank printer and SIDM printer unit shipment fell short of the plan due to changes in the external environment.
  - Unit shipments of ink cartridge printers also fell short of the plan because of the actions we took to maintain prices in the face of ongoing discounting by our competitors.
  - For these reasons, both revenue and segment profit fell short of the internal plan.
- Professional printing revenue and segment profit were both generally in line with the plan.

## Quarterly Comparison by Business

(Billions of yen)

Visual Communications	Q3/2017 Actual	Q3/2018 Actual	Y/Y	
Revenue	51.6	51.0	-0.6	<ul style="list-style-type: none"> <li>◆ Projectors:                             <ul style="list-style-type: none"> <li>• Sales of high-brightness and ultra-short throw models increased</li> <li>• Sales of home models decreased</li> </ul> </li> </ul>
Segment profit	5.6	4.7	-0.8	
ROS	10.9%	9.4%		

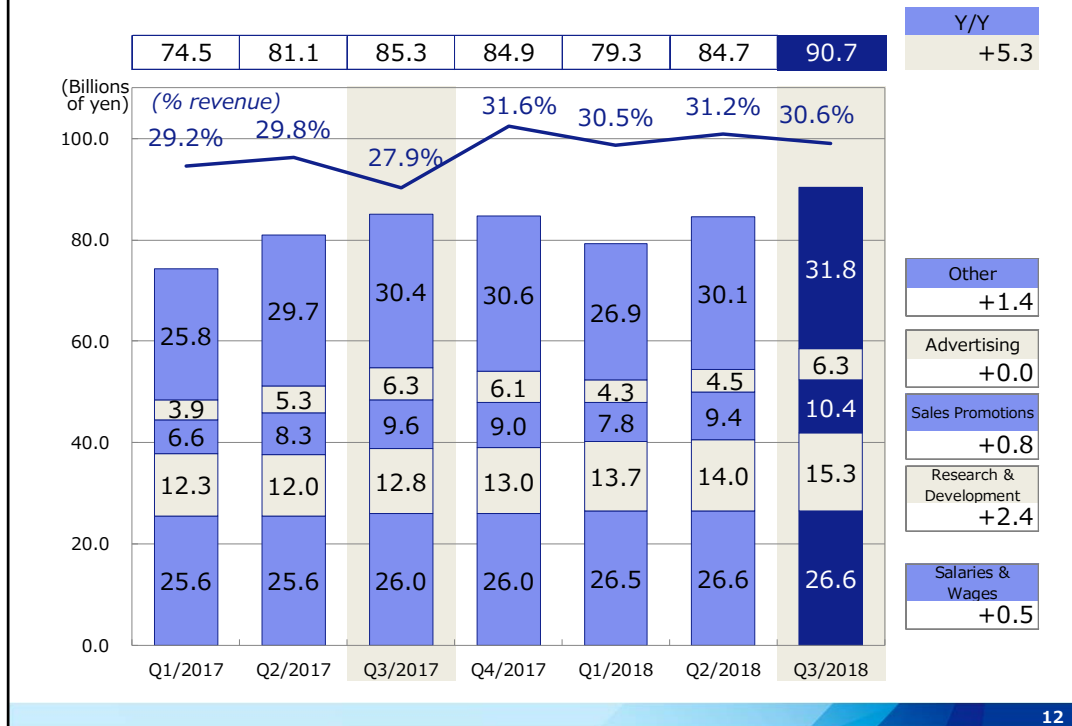
(Billions of yen)

Wearable & Industrial Products	Q3/2017 Actual	Q3/2018 Actual	Y/Y	
Revenue	42.3	41.9	-0.4	<ul style="list-style-type: none"> <li>◆ Watches:                             <ul style="list-style-type: none"> <li>• Domestic sales increased</li> </ul> </li> <li>◆ Robots:                             <ul style="list-style-type: none"> <li>• Demand in China rapidly decreased</li> <li>• European and American sales increased</li> </ul> </li> <li>◆ Quartz:                             <ul style="list-style-type: none"> <li>• Sales to consumer electronics manufacturers, etc., decreased</li> </ul> </li> <li>◆ Semiconductors:                             <ul style="list-style-type: none"> <li>• Internal sales, etc., decreased</li> </ul> </li> </ul>
Wearable Products	13.2	14.0	+0.8	
Robotics Solutions	5.3	5.1	-0.2	
Microdevices, Other	25.4	23.9	-1.5	
Inter-segment revenue	-1.6	-1.1	+0.4	
Segment profit	1.9	2.7	+0.7	
ROS	4.7%	6.6%		

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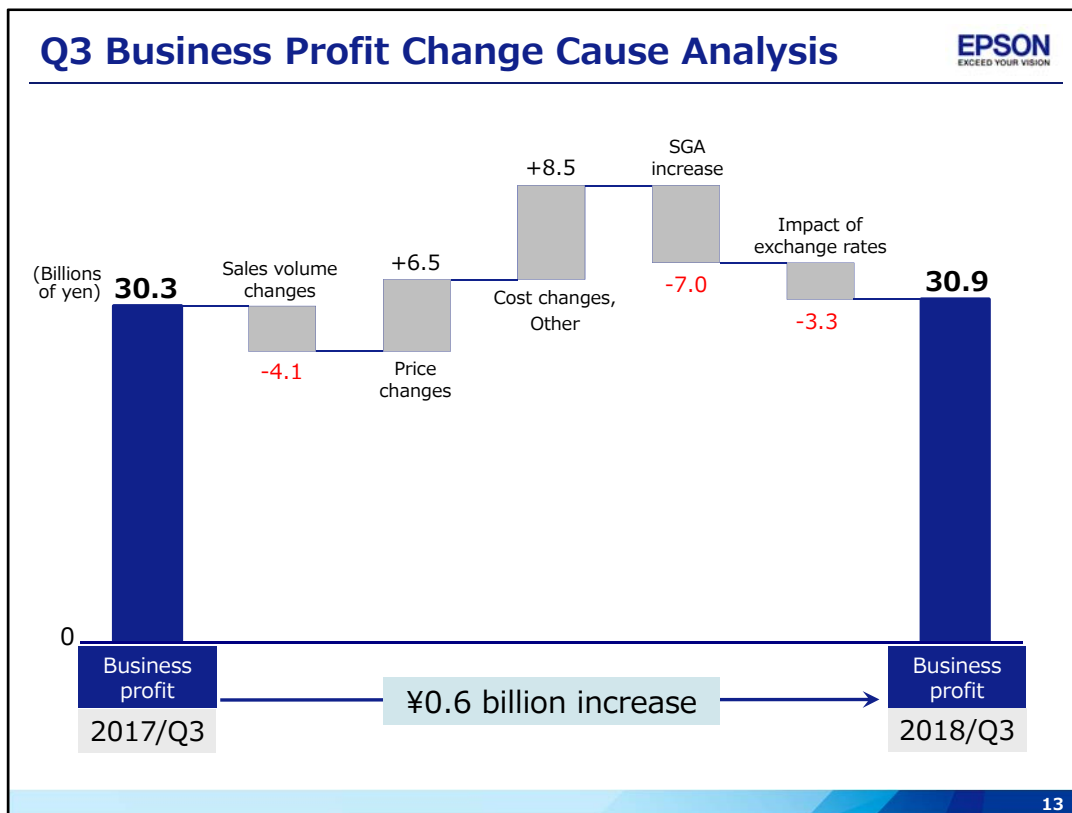
- Visual communications revenue was consistent with the previous period. In projectors, high-brightness and ultra-short throw model revenue increased. However, home projector revenue decreased. The main reasons for the decrease were that, first, production of small liquid crystal displays for projectors was temporarily interrupted at Epson's Chitose Plant after a major earthquake struck the northern Japanese island of Hokkaido last September; and, second, that demand dipped following the surge connected with last year's World Cup.
- Segment profit decreased due to negative foreign exchange effects.
- Both revenue and business profit were in line with our internal plan.
  
- Revenue in wearable and industrial products was flat year-on-year. Wearable products revenue increased, as Japanese domestic sales of watches rebounded from a subdued first half. In robotics solutions, sales were hurt by decreased investment demand in China. Nevertheless, results were in line with the same period last year because, in addition to robot growth in Europe and the U.S., we captured contracts for IC handlers. Microdevice and other revenue decreased, as quartz sales declined due to the deceleration of the Chinese economy affecting demand for consumer electronics. In addition, semiconductor sales decreased as internal demand from other businesses declined.
- Segment profit increased despite the decline in microdevices and other revenue, due to cost reductions in wearable products.
- Both revenue and business profit were in line with the internal plan, because wearable products exceeded the plan while robotics solutions and microdevices and other fell short.

## Quarterly Selling, General and Administrative Expenses



- Quarterly selling, general and administrative expenses were as shown here.
- Expenses increased by ¥5.3 billion in the third quarter compared to the same period last year.
- The bulk of expenses were incurred for research and development in printing solutions, ongoing strengthening of promotional campaigns for strategic products, and strengthening of our sales and service organizations.

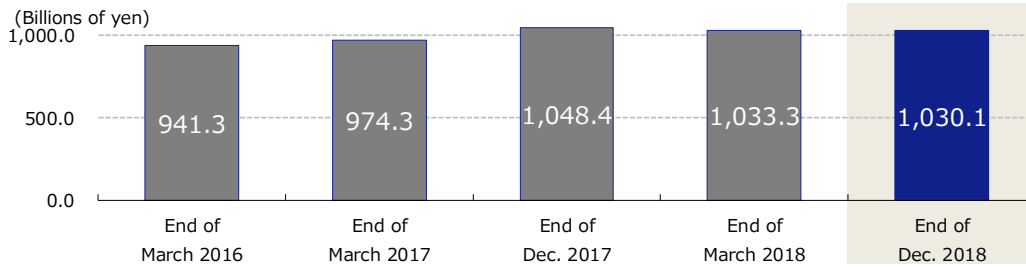
## Q3 Business Profit Change Cause Analysis



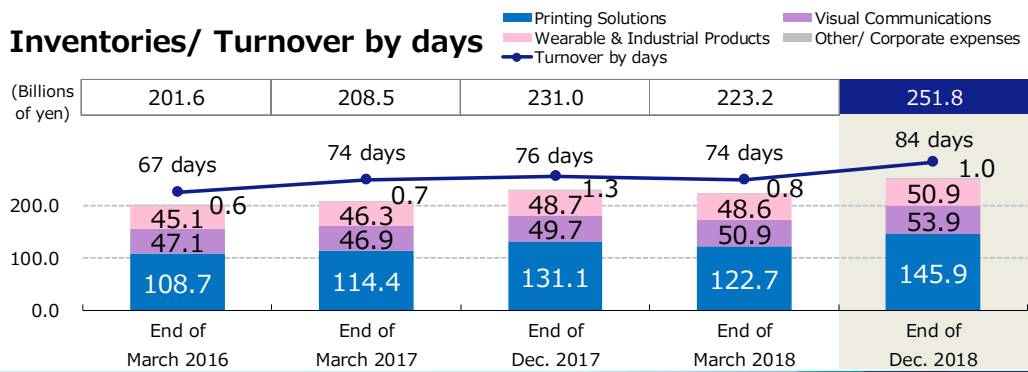
- This slide shows a cause analysis of change in consolidated quarterly business profit compared to the same period last year.
- Business profit was boosted by increased sales volume of products such as high-capacity ink tank printers, ink bottles, and large-format printer ink, but this was more than canceled out by the negative volume in items such as ink cartridges, SIDM printers, projectors, and microdevices.
- Price changes had a positive effect on business profit. In addition to the positive impact of maintaining prices of ink cartridge printers, there were positive effects from the improvement in the product mixes of high-capacity ink tank printers, projectors, and watches.
- Cost changes and other items worked in the positive direction. In addition to reducing production costs by reducing the number of ink cartridge printers manufactured, we also improved costs associated with large-format printers and microdevices. Changes such as income from patent royalties are also included in the cost changes and other category.
- As explained in an earlier slide, SGA expenses increased primarily due to higher R&D and sales promotion expenses.

# Statements of Financial Position

## Total assets



## Inventories/ Turnover by days

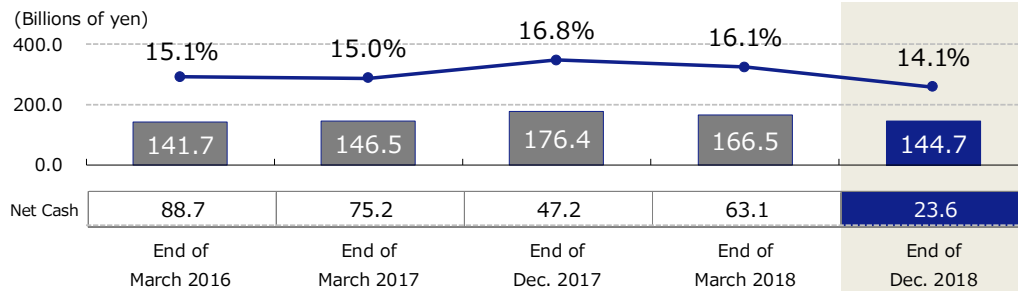


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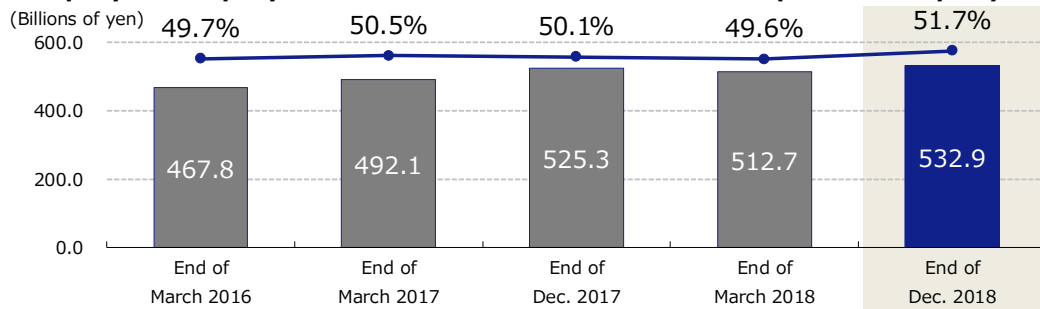
- Following slides show some of the major items on the statements of financial position.
- Total assets were ¥1,030.1 billion, a decrease of ¥3.1 billion from the end of the previous fiscal year. Items such as inventories and property, plant and equipment increased, while cash and cash equivalents decreased mainly because of acquisitions of property, plant and equipment and payment of dividends.
- Inventories increased by ¥28.6 billion from the end of the previous fiscal year, ending at ¥251.8 billion. This increase was chiefly due to an increase in inventories of inkjet printers and projectors.
- Environmental changes that caused sales to fall short of the plan have resulted in high inventories, but we are now taking action in both manufacturing and sales to normalize inventories by the end of the fiscal year.

# 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



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- Interest-bearing liabilities were ¥144.7 billion, down ¥21.7 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 14.1%.
- Net cash was ¥23.6 billion.
- Equity attributable to owners of the parent company was ¥532.9 billion, up ¥20.2 billion compared to the previous fiscal year-end. The equity ratio attributable to owners of the parent company was 51.7%.



- FY2018 Q3 Financial Results
- **FY2018 Financial Outlook**

# FY2018 Financial Outlook



	FY2017		FY2018				Change			
	(Billions of yen)	Actual	%	10/30 Outlook	%	1/31 Outlook	%	Y/Y	Vs. 10/30 outlook	
Revenue		1,102.1		1,090.0		1,070.0		-32.1 -2.9%	-20.0 -1.8%	
Business profit		74.7	6.8%	80.0	7.3%	65.0	6.1%	-9.7 -13.1%	-15.0 -18.8%	
Profit from operating activities		65.0	5.9%	77.0	7.1%	62.0	5.8%	-3.0 -4.6%	-15.0 -19.5%	
Profit before tax		62.6	5.7%	76.0	7.0%	61.0	5.7%	-1.6 -2.7%	-15.0 -19.7%	
Profit for the year attributable to owners of the parent company		41.8	3.8%	60.0	5.5%	50.0	4.7%	+8.1 +19.5%	-10.0 -16.7%	
EPS <sup>*1</sup> (yen)		118.78		170.34		141.95				
Exchange rate (yen, index)	USD	¥110.85		¥110.00		¥110.00				
	EUR	¥129.66		¥128.00		¥127.00				
	Other currencies <sup>*2</sup>	100		-		94				
Exchange rate assumptions from Q4 onward (yen)	USD	105.00		EUR	120.00	Exchange sensitivity <sup>*3</sup>		USD	EUR	Other currencies
	Revenue							-3.0	-1.5	-3.0
	Business profit							+0.5	-1.0	-1.3

\*1 Basic earnings per share for the year  
 \*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous fiscal year. Rates are weighted according to Epson's net volume of revenue and cost for each currency.  
 \*3 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)

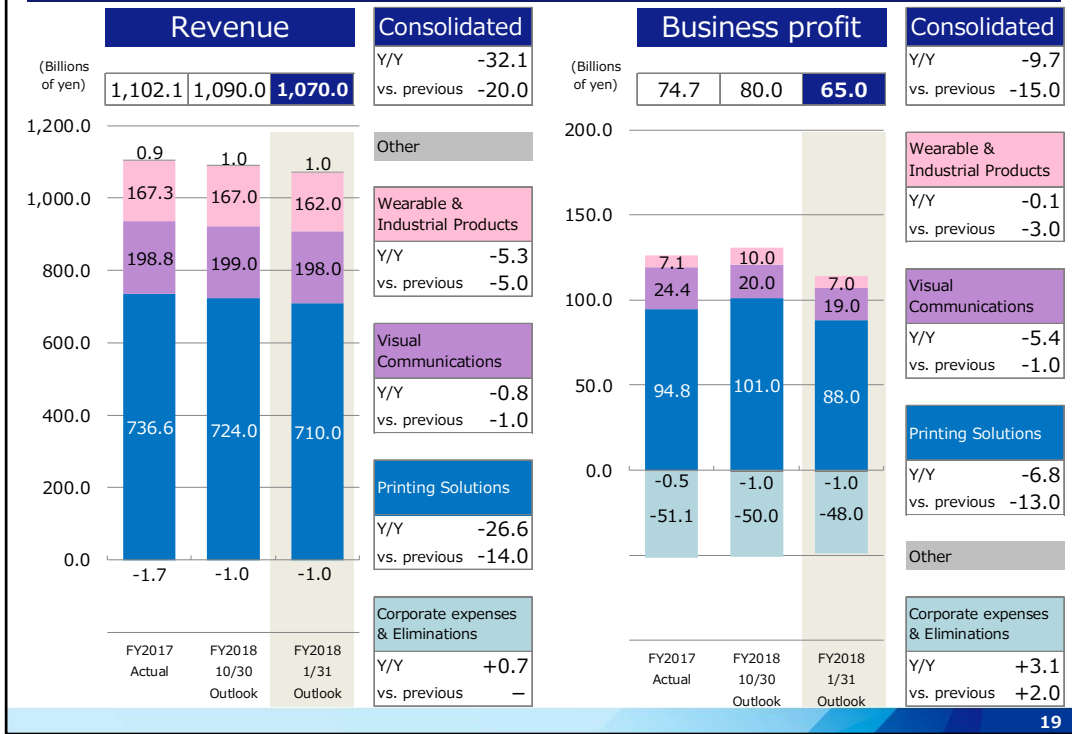
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- Our fiscal 2018 full-year financial outlook is as follows.
- We are forecasting ¥1,070 billion in revenue, ¥65 billion in business profit, and ¥50 billion in profit for the year.
- We lowered the revenue outlook by ¥20 billion and lowered the business profit outlook by ¥15 billion.
- Our current financial outlook assumes fourth-quarter exchange rates of 105 yen to the US dollar and 120 yen to the euro. The valuations of other currencies versus the yen are assumed to be 3 to 4% lower versus the yen than their current rates.
- Under these latest assumptions, we now expect exchange rates to have about a ¥26 billion greater negative impact on full-year revenue and about an ¥12 billion greater negative impact on full-year business profit versus last fiscal year.

- Factored in risks associated with changes in external environment
  - Slowdown in economic activity to continue
  - Execute actions to expand sales of high-capacity ink tank printers, which are starting to displace laser printers
- Further tighten spending and investment in response to tougher business environment
- Stay on track in preparations for future growth

- The assumptions for the fourth quarter are as follows.
- Based on our third-quarter financial results, we factored risks associated with changes in the external environment into the fourth quarter outlook.
- The operating environment is as uncertain as ever, but we anticipate a continuation of the economic slowdown in China as well as currency devaluations and economic stagnation in some regions.
- We will monitor sales of high-capacity ink tank printers that are starting to displace laser printers, and will take the actions needed to expand sales.
- We recognize that we are operating in a difficult environment and will engage in further belt-tightening. We will rigorously select our spending by re-examining the benefits. We will also consider reducing our spending even on necessary projects.
- However, as I explained earlier, our strategies are producing results and we will stay on track in our preparations for future growth.

# FY2018 Financial Outlook by Business Segment



- Here, revenue and business profit outlook are broken out by segment.
- The outlook in each segment reflects the effects of changes in the external environment and the effects of changes in exchange rate assumptions.

## FY2018 Financial Outlook by Business



(Billions of yen)

Printing Solutions	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	736.6	724.0	710.0	-26.6	-14.0
Printers	523.1	511.0	496.0	-27.1	-15.0
% sales IJP	83%	84%	83%		
SIDM	8%	8%	8%		
Other	9%	8%	9%		
Professional Printing	197.8	194.0	195.0	-2.8	+1.0
Other	17.3	19.0	19.0	+1.6	-
Inter-segment revenue	-1.6	+0.0	+0.0	+1.6	-
Segment profit	94.8	101.0	88.0	-6.8	-13.0
ROS	12.9%	14.0%	12.4%		

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- The financial outlook in printing solutions is shown here.
- We lowered the revenue outlook by ¥14 billion.  
 In the printer business, we will respond to environmental changes by taking action to promote sales of high-capacity ink tank printers. While we now expect to ship 0.3 million fewer units for the full year than previously forecast, we still expect to ship 9.2 million units, which represents an annual growth rate of 18%.  
 We lowered the outlook for ink cartridge printers because we will maintain our pricing policies in a stagnant market.  
 As a result, we lowered the forecast for total inkjet printer unit shipments from 16.5 million units to 15.7 million units.  
 We also reduced our ink revenue outlook to match the lower outlook for ink cartridge printer hardware.  
 We lowered the revenue outlook for SIDM printers due to the Chinese economic slowdown. It is now expected to fall below last year's level.
- In professional printing, there are no major changes.
- We lowered the outlook for segment profit in response to the lowered revenue outlook. Note that, considering the progress we have made in transitioning to a new business model, we are considering switching to a new method for recording inventory devaluations associated with printheads at the end of the 2018 fiscal year. The positive impact of this has been factored into segment profit.

## FY2018 Financial Outlook by Business



(Billions of yen)

Visual Communications	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	198.8	199.0	198.0	-0.8	-1.0
Segment profit	24.4	20.0	19.0	-5.4	-1.0
ROS	12.3%	10.1%	9.6%		

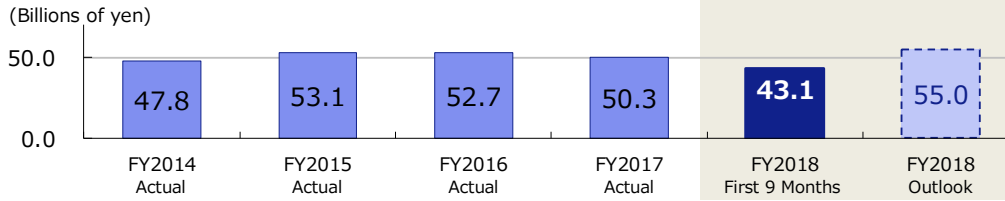
Wearable & Industrial Products	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	167.3	167.0	162.0	-5.3	-5.0
Wearable Products	50.3	48.0	49.0	-1.3	+1.0
Robotics Solutions	24.6	26.0	23.0	-1.6	-3.0
Microdevices, Other	98.9	99.0	96.0	-2.9	-3.0
Inter-segment revenue	-6.6	-6.0	-6.0	+0.6	-
Segment profit	7.1	10.0	7.0	-0.1	-3.0
ROS	4.3%	6.0%	4.3%		

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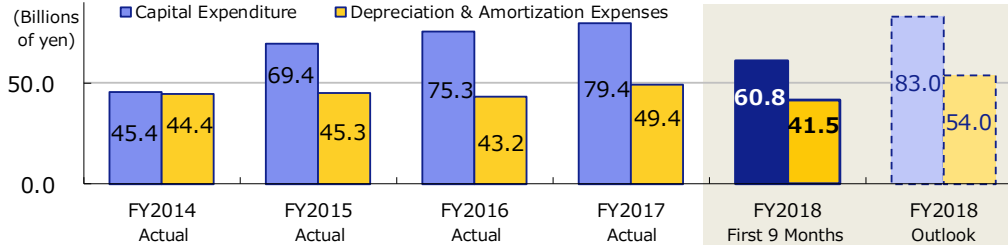
- The visual communications revenue and segment profit outlooks were lowered.
- In wearable & industrial products, we lowered the outlooks for robotics solutions and for microdevices and other businesses.

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

## Research & Development Costs



## Capital Expenditure and Depreciation and Amortization Expenses

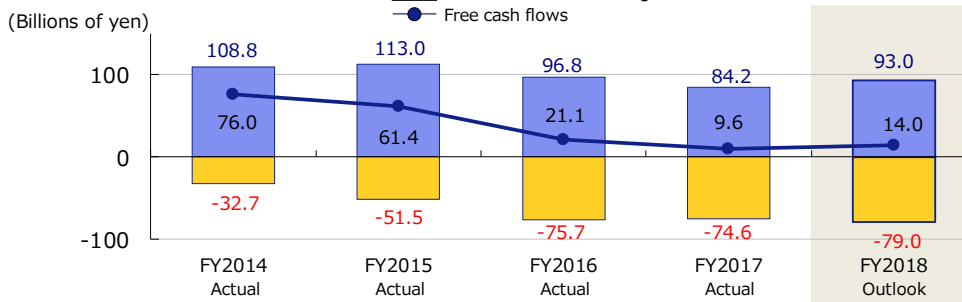


	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	38.6	22.8	49.0	29.0
Visual Communications	6.9	7.3	13.0	10.0
Wearable & Industrial Products	8.7	6.9	13.0	9.0
Other, Corporate	6.5	4.3	8.0	6.0

- 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	6.1
<b>ROA</b> *2	10.6	8.7	6.9	7.4	6.3
<b>ROE</b> *3	26.3	9.5	10.1	8.3	9.5

\*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. In line with the changes in the financial outlook, we have changed the forecast for cash flows from operating activities to ¥93 billion while the forecast of ¥79 billion in cash flows from investing activities remain unchanged. We therefore now forecast ¥14 billion in free cash flows.
- Our major financial management performance indicators for the 2018 fiscal year based on the new financial outlook are now 6.1% return on sales, 6.3% return on assets, and 9.5% return on equity.
- This concludes the presentation.



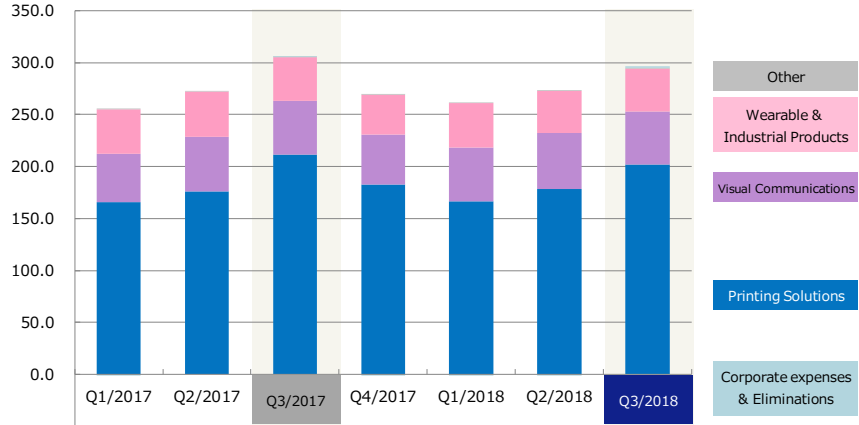
## Reference

# Quarterly Revenue Trend By Business Segment

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	-0.12
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Y/Y
<b>Printing Solutions</b>	165.9	176.1	211.6	182.9	166.6	178.0	201.7	-9.8
<b>Visual Communications</b>	46.3	52.8	51.6	48.0	51.4	53.9	51.0	-0.6
<b>Wearable &amp; Industrial Products</b>	43.0	43.2	42.3	38.6	43.1	40.9	41.9	-0.4
Other	0.2	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	1.7	+1.4
<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>296.6</b>	<b>-9.5</b>

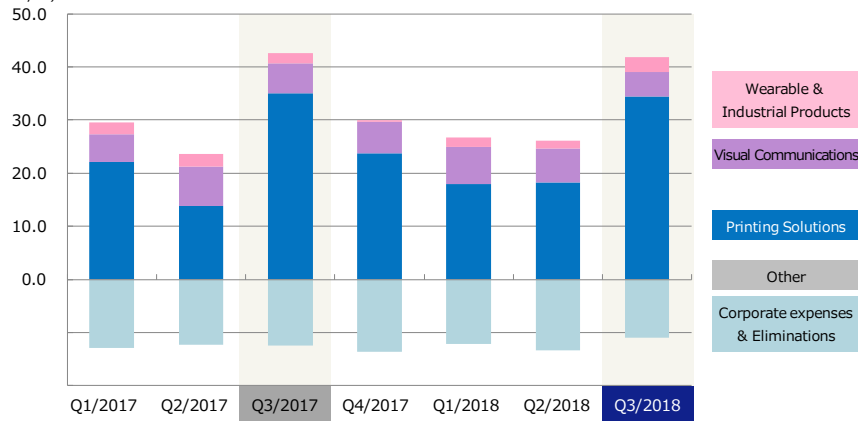
(Billions of yen)



# Quarterly Business Profit Trend By Business Segment

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	-0.12	
	(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23
<b>Business profit (Billions of yen)</b>		<b>Q1/2017</b>	<b>Q2/2017</b>	<b>Q3/2017</b>	<b>Q4/2017</b>	<b>Q1/2018</b>	<b>Q2/2018</b>	<b>Q3/2018</b>	<b>Y/Y</b>	
Printing Solutions		22.1	13.8	35.1	23.7	17.9	18.3	34.4	-0.6	
Visual Communications		5.2	7.4	5.6	6.0	7.1	6.3	4.7	-0.8	
Wearable & Industrial Products		2.3	2.4	1.9	0.3	1.7	1.6	2.7	+0.7	
Other		-0.1	-0.1	-0.1	-0.0	-0.1	-0.0	-0.1	+0.0	
Corporate expenses & Eliminations		-12.8	-12.2	-12.3	-13.7	-12.0	-13.4	-10.8	+1.4	
<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>30.9</b>	<b>+0.6</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)	Q1/FY2018 (Actual)	Q2/FY2018 (Actual)	Q3/FY2018 (Actual)	FY2018 Full year (Outlook)
Exchange rate	USD	¥110.85	¥109.06	¥111.46	¥112.80	¥110.00
	EUR	¥129.66	¥130.09	¥129.66	¥128.73	¥127.00
IJP hardware	Volume	+ 8%	+5%	-3%	-13%	-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 %	+ high single-digit %	Flat YoY
	Revenue	+ low 20%	+ high single-digit %	+ mid-single-digit %	- high single-digit %	- low single-digit %
IJP ink	Volume (packs)	-4%	-7%	-3%	-5%	-
	ASP	+ mid-single-digit %	Flat YoY	- mid-single-digit %	- low single-digit %	-
	Revenue	+ low single-digit %	- high single-digit %	- high single-digit %	- high single-digit %	- high single-digit %
SIDM printers	Volume	-7%	+5%	+5%	-21%	-5%
	ASP	+ low single-digit %	Flat YoY	- low single-digit %	- low single-digit %	- mid-single-digit %
	Revenue	- mid-single-digit %	+ mid-single-digit %	+ low single-digit %	- low 20%	Around -10%
Projectors	Volume	+1%	+10%	+1%	-3%	+1%
	ASP	+ high single-digit %	Flat YoY	+ low single-digit %	+ low single-digit %	- low single-digit %
	Revenue	+ low teen %	+ low teen %	+ low single-digit %	- 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	112.80	-0.12
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Y/Y
The Americas	78.3	81.5	81.9	78.5	75.5	82.1	77.0	-4.9
Europe	50.2	52.1	68.2	62.6	52.8	52.0	63.6	-4.6
Asia/ Oceania	72.7	80.3	78.4	66.7	79.2	79.4	76.1	-2.3
<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>216.8</b>	<b>-11.8</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>296.6</b>	<b>-9.5</b>

% of revenue to consolidated revenue	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018
The Americas	30.7%	29.9%	26.8%	29.3%	29.0%	30.2%	26.0%
Europe	19.7%	19.1%	22.3%	23.3%	20.3%	19.1%	21.5%
Asia/ Oceania	28.5%	29.5%	25.6%	24.8%	30.4%	29.2%	25.7%
<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>	<b>73.1%</b>

### Employees

Number of employees at period end (person)	End of Mar. 2016	End of Mar. 2017	End of Dec. 2017	End of Mar. 2018	End of Dec. 2018	Compared to end of Mar. 2018
Japan	18,699	19,175	19,594	19,436	19,614	+178
Non-Japan	48,906	53,245	59,249	56,955	58,753	+1,798
<b>Consolidated total</b>	<b>67,605</b>	<b>72,420</b>	<b>78,843</b>	<b>76,391</b>	<b>78,367</b>	<b>+1,976</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	¥127.00	¥125.00	EUR	¥118.79	¥129.66	¥127.00	¥125.00
Printing Solutions	Revenue	686.6	736.6	710.0	805.0	Operating CF	96.8	84.2	93.0	Approx. 330.0
	Segment profit	84.1	94.8	88.0	-	FCF	21.1	9.6	14.0	Approx. 120.0
Visual Communications	Revenue	179.6	1,98.8	198.0	200.0	Capital expenditure	75.3	79.4	83.0	Approx. 210.0
	Segment profit	16.1	24.4	19.0	-	R&D costs	52.7	50.3	55.0	Invest aggressively
Wearable & Industrial Products	Revenue	158.5	167.3	162.0	195.0					
	Segment profit	7.8	7.1	7.0	-					
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	-48.0	-					
Consolidated total	Revenue	1,024.8	1,102.1	1,070.0	1,200.0					
	Business profit	65.8	74.7	65.0	96.0					
	ROS	6.4%	6.8%	6.1%	8%					
	ROE	10.1%	8.3%	9.5%	Sustain at at least 10%					

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