

First Quarter Financial Results Fiscal Year 2019 (Ending March 2020)

July 30, 2019

SEIKO EPSON CORP.

■ Disclaimer regarding forward-looking statements

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

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

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.

- FY2019 Q1 Financial Results
- FY2019 Financial Outlook

Financial Highlights (First Quarter)

	FY2018		FY2019		Change	
	(Billions of yen) Q1 Actual	%	Q1 Actual	%	Y/Y	%
Revenue	260.4		249.6		-10.8	-4.2%
Business profit	14.6	5.6%	4.5	1.8%	-10.1	-69.2%
Profit from operating activities	13.4	5.2%	3.4	1.4%	-10.0	-74.6%
Profit before tax	14.3	5.5%	2.8	1.1%	-11.4	-80.0%
Profit for the period attributable to owners of the parent company	11.1	4.3%	0.2	0.1%	-10.9	-97.8%
EPS ^{*1} (yen)	31.70		0.71			
Exchange rate (yen, index)	USD	¥109.06	¥109.93			
	EUR	¥130.09	¥123.54			
	Other currencies ^{*2}	100	95			

*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	+0.6	-1.9	-3.8	-5.1
Business profit	-0.2	-1.1	-1.8	-3.1

- ◆ The external environment has worsened compared to the same period of last fiscal year
 - Global economic activity has slowed, particularly in China.
 - The yen rose against the euro, yuan, and emerging country currencies.

- ◆ Revenue
 - Decreased YoY in main businesses due to macro-environmental changes
 - High-capacity ink tank printer sales flat year on year due to sluggish Asian markets
 - Projector demand declined compared to Q1/FY18 peak
 - Robot, microdevices, other demand declined in China, etc.
 - Sales in some businesses and products were softer than initially forecast

- ◆ Business profit
 - Decreased on lower revenue and increased investment in growth

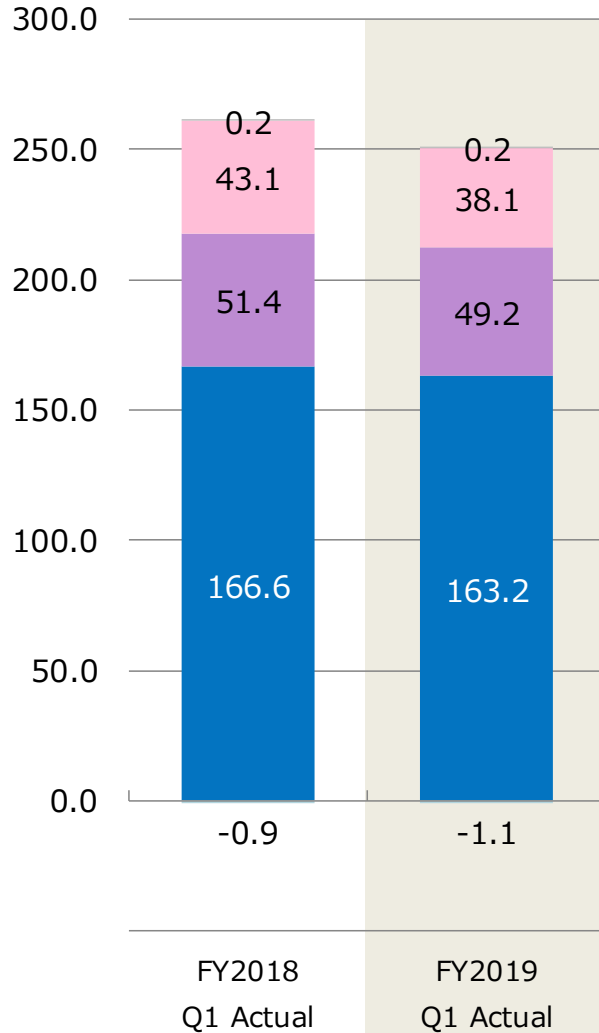
Q1 Financial Results by Business Segment

Revenue

(Billions of yen)

260.4

249.6



Consolidated

Y/Y -10.8

Other

Wearable & Industrial Products
Y/Y -5.0

Visual Communications
Y/Y -2.1

Printing Solutions
Y/Y -3.4

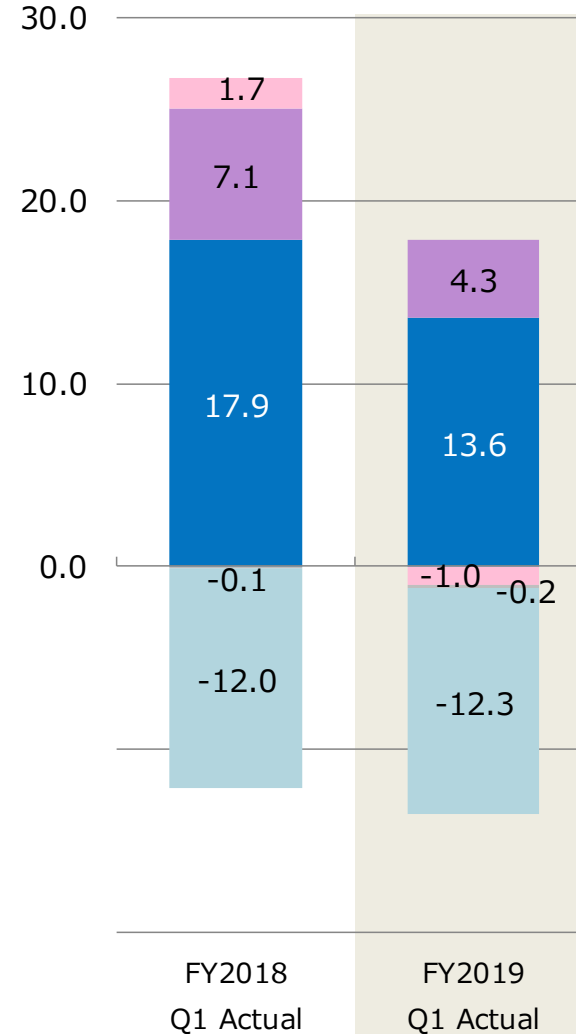
Corporate expenses & Eliminations
Y/Y -0.2

Business profit

(Billions of yen)

14.6

4.5



Consolidated

Y/Y -10.1

Wearable & Industrial Products
Y/Y -2.7

Visual Communications
Y/Y -2.7

Printing Solutions
Y/Y -4.2

Other

Corporate expenses & Eliminations
Y/Y -0.3

Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	Q1/2018 Actual	Q1/2019 Actual	Y/Y
Revenue	166.6	163.2	-3.4
Printers	116.3	108.1	-8.2
% sales IJP	82%	82%	
SIDM	9%	8%	
Other	9%	10%	
Professional Printing	46.2	49.2	+2.9
Other	4.0	5.8	+1.8
Inter-segment revenue	-0.0	-0.0	+0.0
Segment profit	17.9	13.6	-4.2
ROS	10.8%	8.4%	

◆ IJP:

- SOHO and home ink cartridge printer and ink sales decreased
- Despite expansion in developed economies, high-capacity ink tank printer sales were flat YoY due to sluggish Asian markets

◆ SIDM:

- Demand declined chiefly in China

◆ Commercial and industrial IJPs:

- Sales of signage, textile, and label printers increased

◆ POS printers:

- Captured demand created by tax reforms in Italy

Quarterly Comparison by Business

(Billions of yen)

Visual Communications	Q1/2018 Actual	Q1/2019 Actual	Y/Y
Revenue	51.4	49.2	-2.1
Segment profit	7.1	4.3	-2.7
ROS	13.9%	8.9%	

◆ Projectors:

- Unit shipments declined from the Q1/FY18 peak

(Billions of yen)

Wearable & Industrial Products	Q1/2018 Actual	Q1/2019 Actual	Y/Y
Revenue	43.1	38.1	-5.0
Wearable Products	12.3	11.2	-1.1
Robotics Solutions	7.4	4.9	-2.4
Microdevices, Other	24.9	23.4	-1.5
Inter-segment revenue	-1.6	-1.5	+0.0
Segment profit	1.7	-1.0	-2.7
ROS	4.1%	-2.7%	

◆ Watches:

- High-end watch sales strong
- Demand declined for mid to low-end watches and movements

◆ Robots:

- Chinese, European & American investment shrank from the strong year-ago period

◆ Quartz crystal devices:

- Sales for consumer electronics applications continued to drop

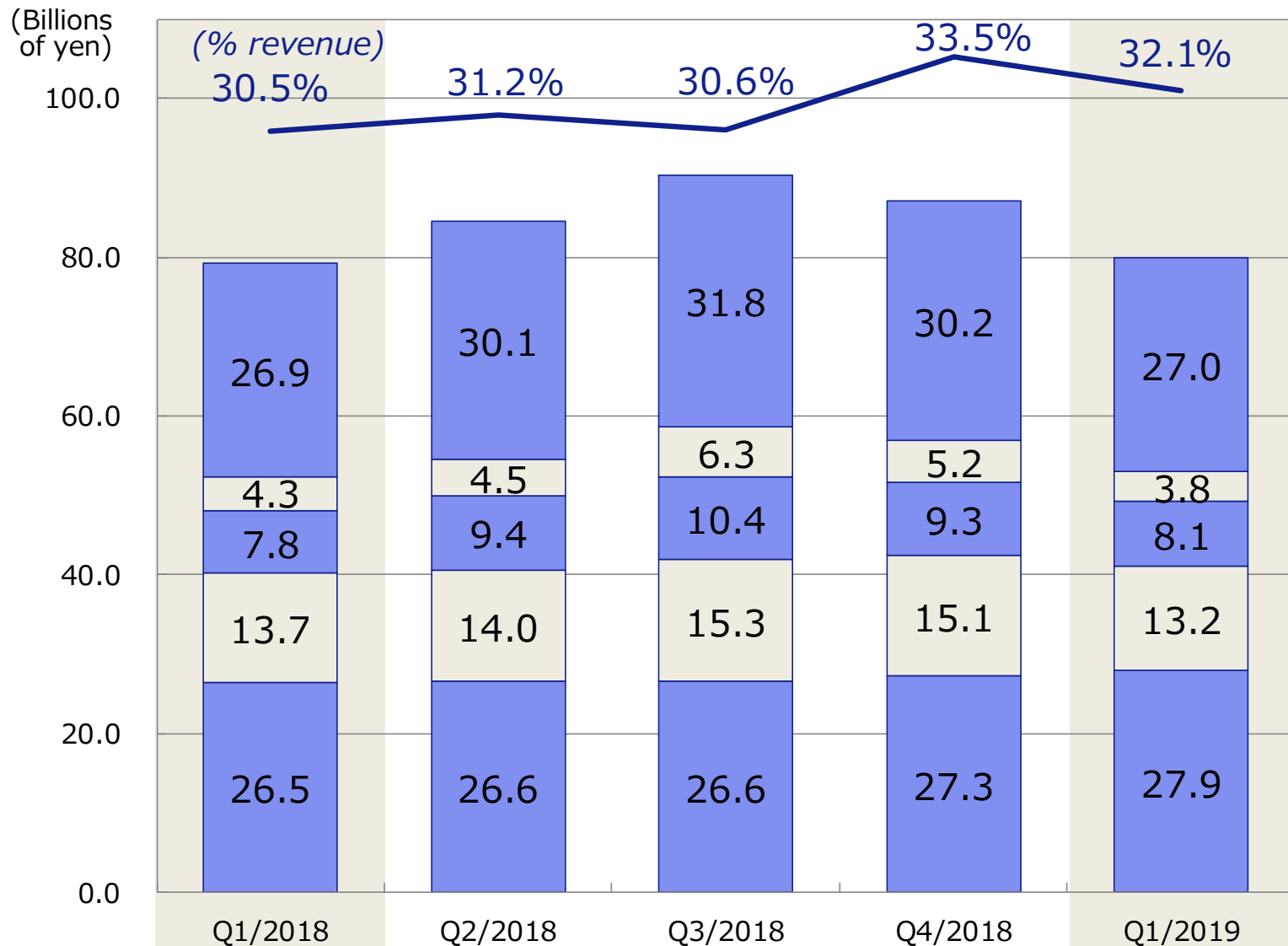
◆ Semiconductors:

- Decreased on lower foundry orders, etc.

Selling, General and Administrative Expenses

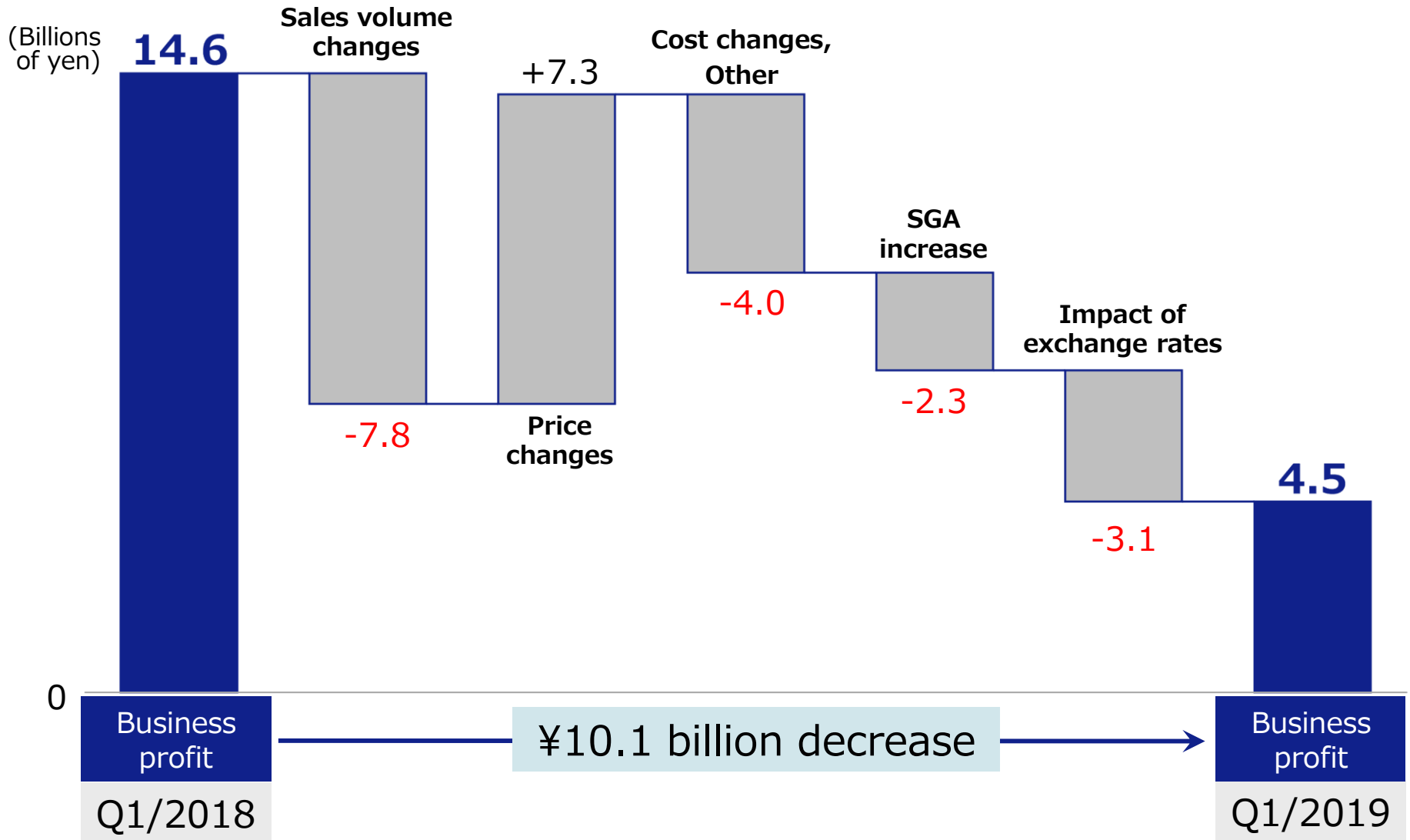
79.3	84.7	90.7	87.2	80.2
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Y/Y
+0.8



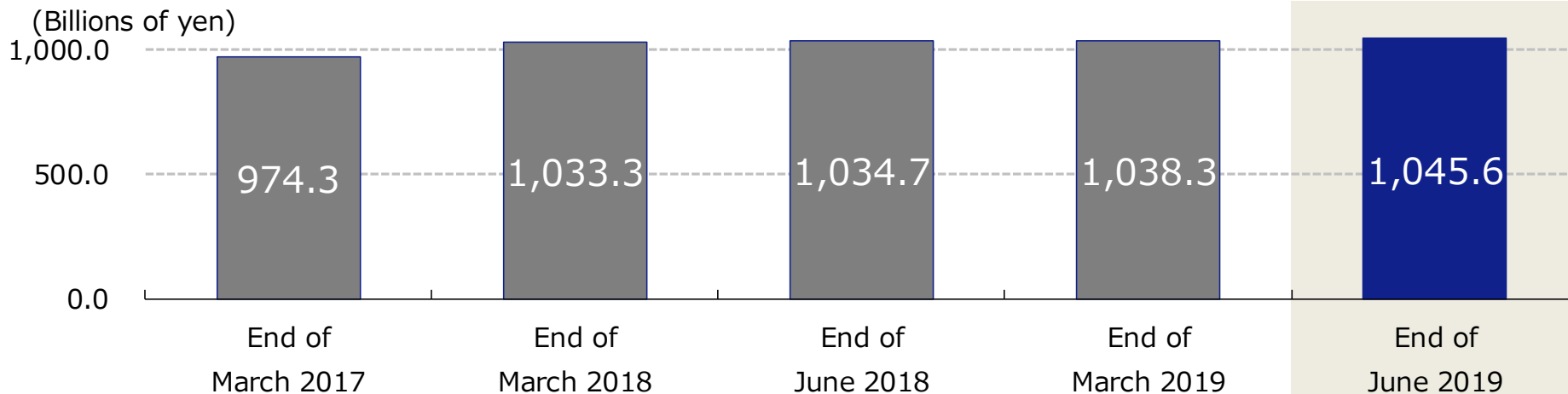
Other	+0.1
Advertising	-0.4
Sales Promotions	+0.3
Research & Development	-0.4
Salaries & Wages	+1.3

Q1 Business Profit Change Cause Analysis

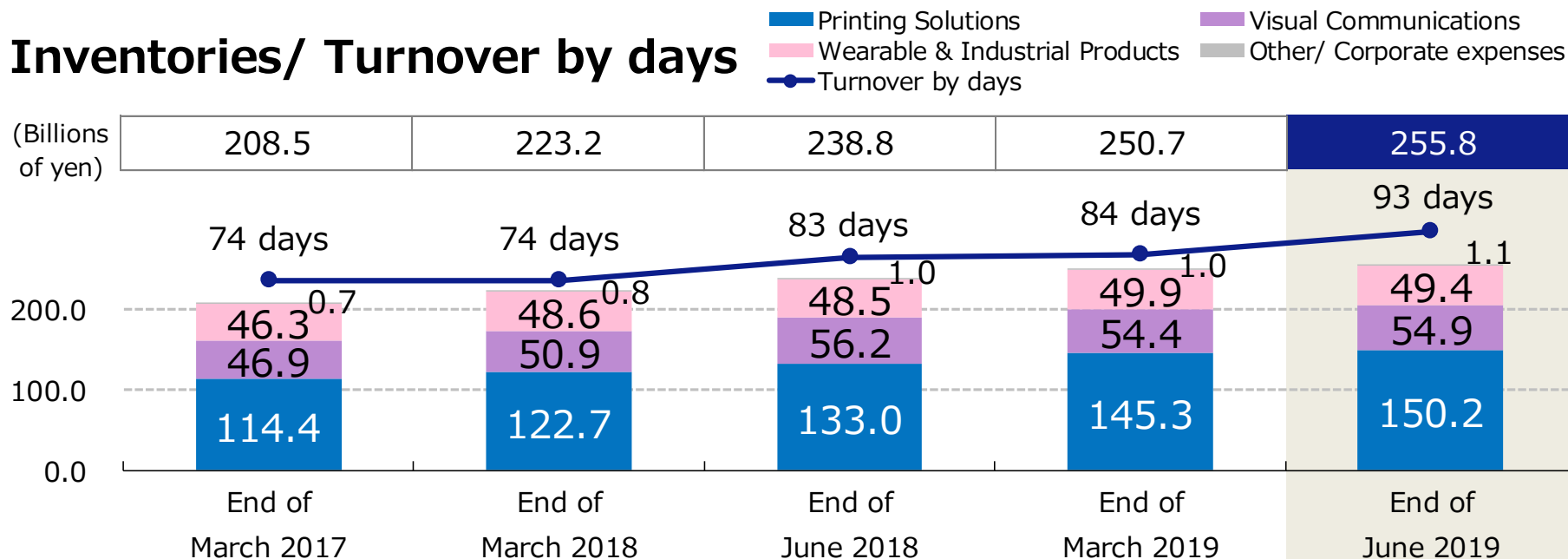


Statements of Financial Position

Total assets

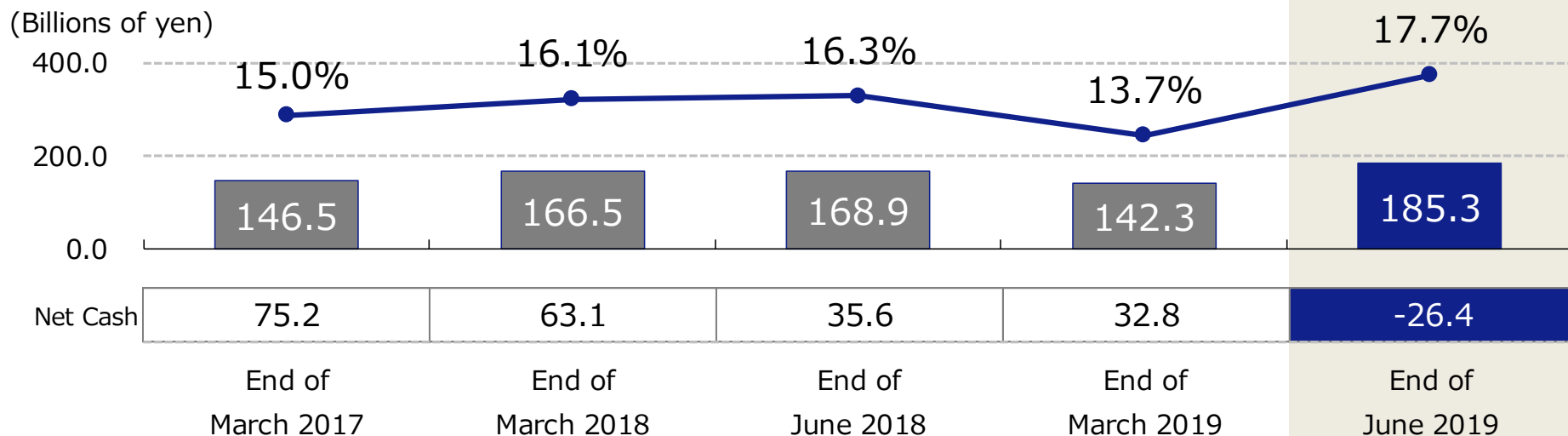


Inventories/ Turnover by days

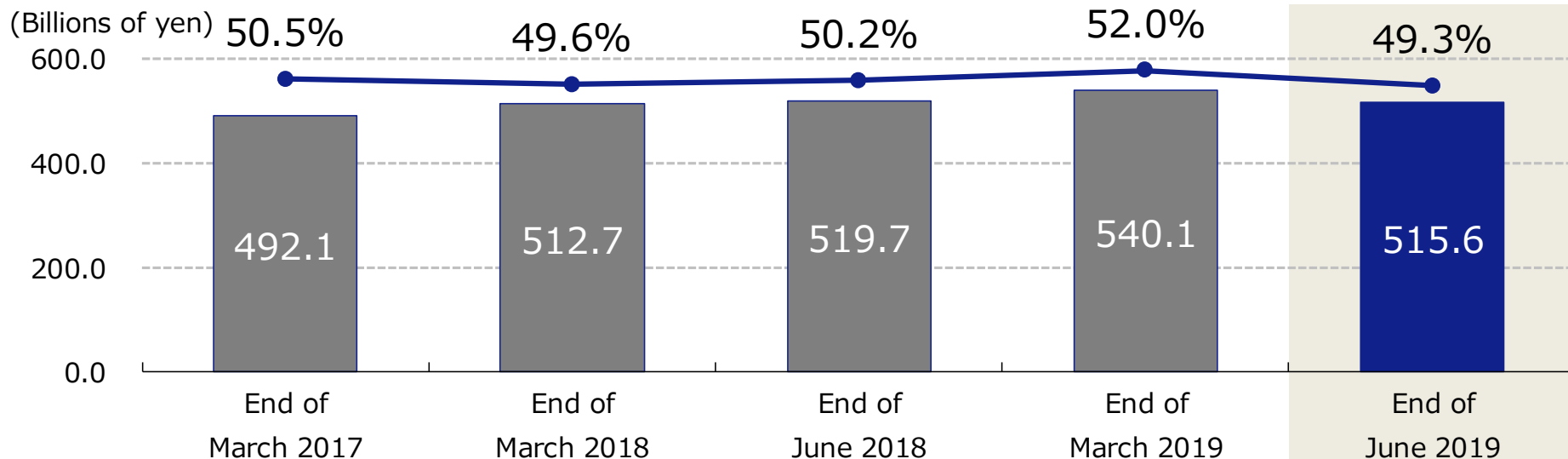


Statements of Financial Position

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



Equity and equity ratio attributable to owners of the parent company



- FY2019 Q1 Financial Results
- **FY2019 Financial Outlook**

FY2019 Financial Outlook

	FY2018		FY2019				Change		
	(Billions of yen)	Actual	%	4/26 Outlook	%	7/30 Outlook	%	Y/Y	Vs. 4/26 outlook
Revenue		1,089.6		1,130.0		1,130.0		+40.3 +3.7%	—
Business profit		70.4	6.5%	65.0	5.8%	65.0	5.8%	-5.4 -7.8%	—
Profit from operating activities		71.3	6.5%	60.0	5.3%	60.0	5.3%	-11.3 -15.9%	—
Profit before tax		72.0	6.6%	59.0	5.2%	59.0	5.2%	-13.0 -18.1%	—
Profit for the year attributable to owners of the parent company		53.7	4.9%	45.0	4.0%	45.0	4.0%	-8.7 -16.2%	—
EPS* ¹ (yen)		152.49		127.75		129.07			
Exchange rate (yen, index)	USD	¥110.86		¥110.00		¥110.00			
	EUR	¥128.40		¥125.00		¥125.00			
	Other currencies* ²	100		98		98			

Exchange rate assumptions from Q2 onward (yen)	USD	EUR	Exchange sensitivity * ³	USD	EUR	Other currencies
		110.00		125.00	Revenue	-3.0
			Business profit	+0.7	-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)

- ◆ A challenging external environment is expected to persist, but we are maintaining our full-year financial outlook
- ◆ Revenue
 - Seek year-on-year revenue growth through growth in strategic products
- ◆ Business profit
 - Expected to decrease YoY primarily due to negative forex effects (approx. ¥5.0 billion) and due to recording a one-time profit (approx. ¥5.4 billion) at the end of last fiscal year due to a change in the accounting method for printhead inventory devaluations
- ◆ Improving business operations to drive profit
 - Take actions in sales and production to respond to demand changes
 - Total cost reduction activities to further strengthen profit
 - Re-examine the product portfolio and focus management resources on strategic areas

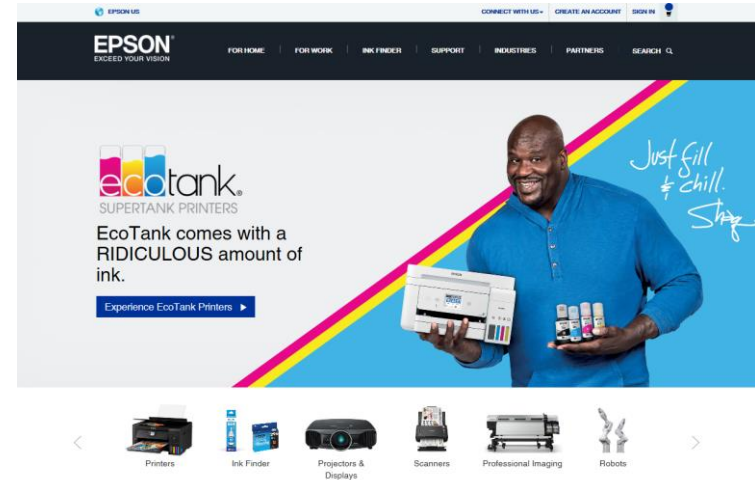
- ◆ Launch new high-capacity ink tank printers and strengthen sales promotions



(Scheduled Oct. release in Japan)

EW-M752T

Offering affordable printer hardware and low cost per print



North America website

Partnering with former pro basketball player Shaquille O'Neal in promotions

- ◆ Office shared printers: Develop sector-based solutions proposals and continue to build dealer network
- ◆ Commercial and industrial printers: Continue growth in signage, textile, and label printing
- ◆ Projectors: Expand the lineup of laser models to continue growth
- ◆ Robots: Capture robot demand and propose solutions to answer automation needs

FY2019 Financial Outlook by Business Segment

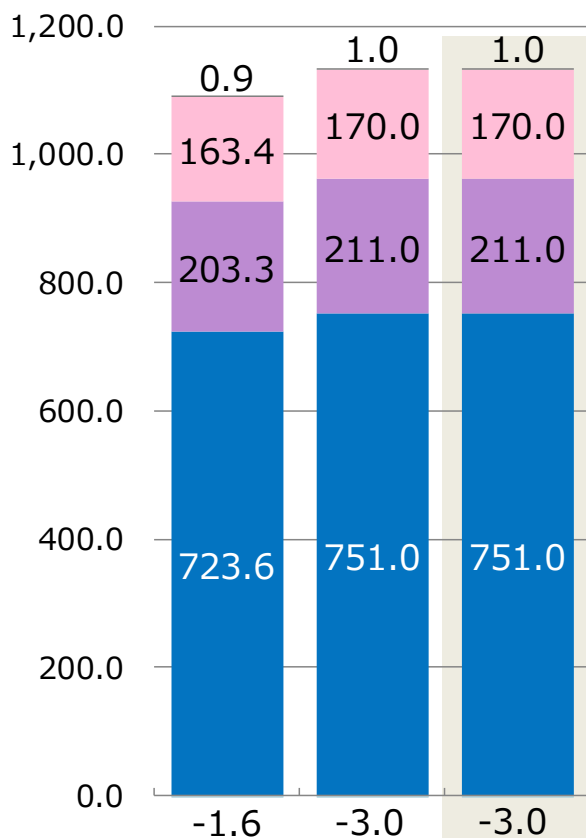
Revenue

Consolidated

(Billions of yen)

1,089.6	1,130.0	1,130.0
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Y/Y	+40.3
vs. previous	—



Other

Wearable & Industrial Products

Y/Y	+6.5
vs. previous	—

Visual Communications

Y/Y	+7.6
vs. previous	—

Printing Solutions

Y/Y	+27.3
vs. previous	—

Corporate expenses & Eliminations

Y/Y	-1.3
vs. previous	—

FY2018 Actual	FY2019 Outlook 4/26	FY2019 Outlook 7/30
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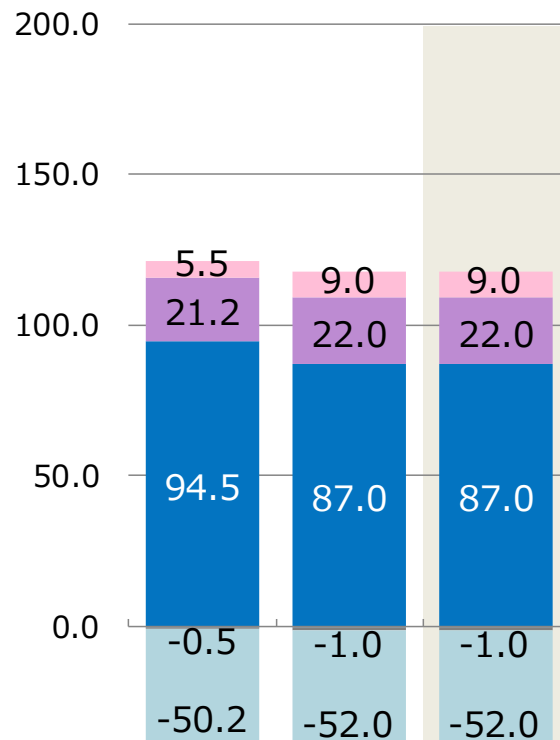
Business profit

Consolidated

(Billions of yen)

70.4	65.0	65.0
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Y/Y	-5.4
vs. previous	—



Wearable & Industrial Products

Y/Y	+3.4
vs. previous	—

Visual Communications

Y/Y	+0.7
vs. previous	—

Printing Solutions

Y/Y	-7.5
vs. previous	—

Other

Corporate expenses & Eliminations

Y/Y	-1.7
vs. previous	—

FY2018 Actual	FY2019 Outlook 4/26	FY2019 Outlook 7/30
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FY2019 Outlook Comparison by Business

(Billions of yen)

Printing Solutions	FY2018 Actual	FY2019 4/26 Outlook	FY2019 7/30 Outlook	Y/Y	vs. 4/26 Outlook
Revenue	723.6	751.0	751.0	+27.3	—
Printers	505.9	513.0	513.0	+7.0	—
% sales IJP	84%	84%	84%		
SIDM	8%	7%	7%		
Other	8%	9%	9%		
Professional Printing	198.0	217.0	217.0	+18.9	—
Other	19.7	21.0	21.0	+1.2	—
Inter-segment revenue	-0.1	0.0	0.0	+0.1	—
Segment profit	94.5	87.0	87.0	-7.5	—
ROS	13.1%	11.6%	11.6%		

FY2019 Outlook Comparison by Business

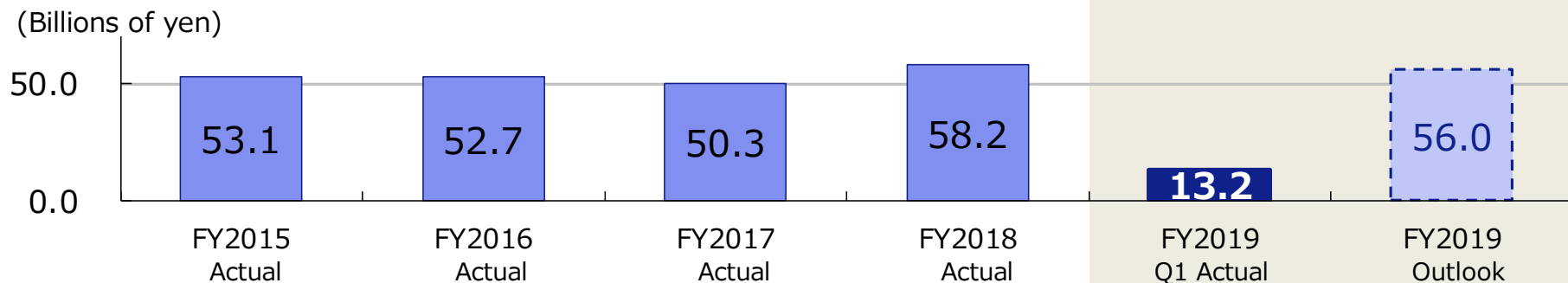
(Billions of yen)

Visual Communications	FY2018 Actual	FY2019 4/26 Outlook	FY2019 7/30 Outlook	Y/Y	vs. 4/26 Outlook
Revenue	203.3	211.0	211.0	+7.6	—
Segment profit	21.2	22.0	22.0	+0.7	—
ROS	10.4%	10.4%	10.4%		

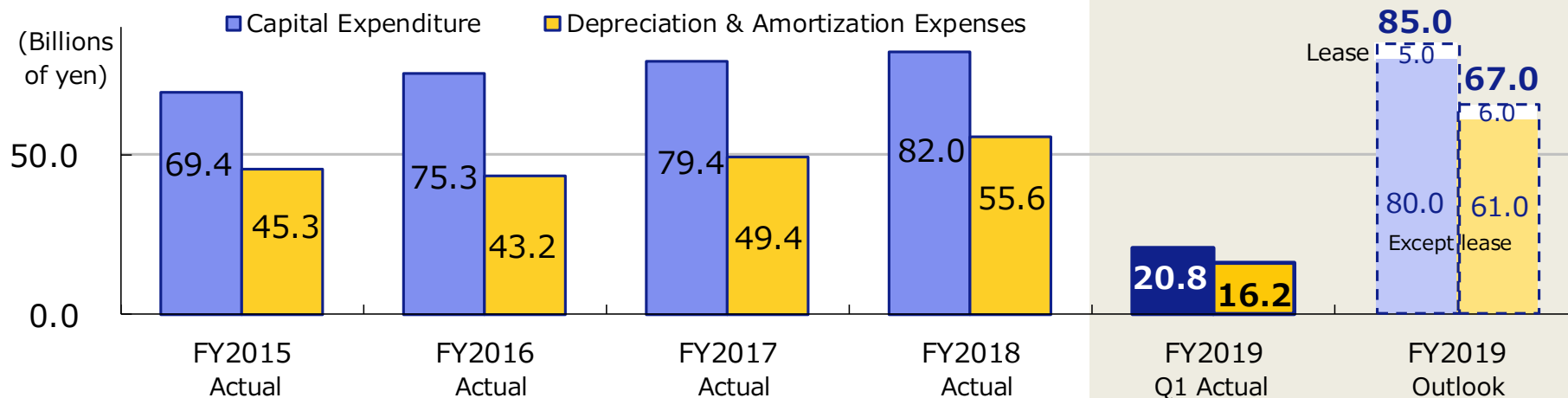
(Billions of yen)

Wearable & Industrial Products	FY2018 Actual	FY2019 4/26 Outlook	FY2019 7/30 Outlook	Y/Y	vs. 4/26 Outlook
Revenue	163.4	170.0	170.0	+6.5	—
Wearable Products	49.8	50.0	50.0	+0.1	—
Robotics Solutions	22.6	26.0	26.0	+3.3	—
Microdevices, Other	96.6	99.0	99.0	+2.3	—
Inter-segment revenue	-5.8	-5.0	-5.0	+0.8	—
Segment profit	5.5	9.0	9.0	+3.4	—
ROS	3.4%	5.3%	5.3%		

Research & Development Costs



Capital Expenditure and Depreciation and Amortization Expenses



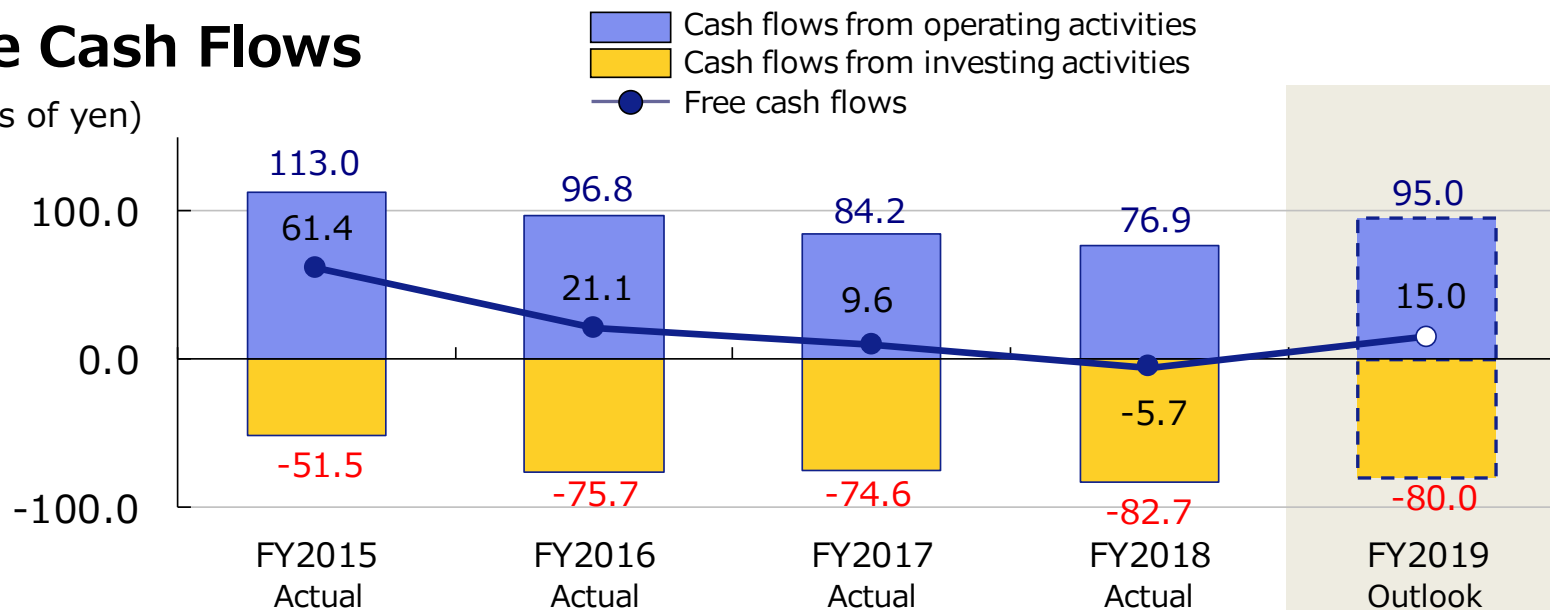
	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	13.0	9.2	43.0	39.0
Visual Communications	2.3	2.7	16.0	12.0
Wearable & Industrial Products	4.0	2.4	16.0	10.0
Other, Corporate	1.4	1.6	10.0	6.0

Includes lease from FY2019 outlook

Free Cash Flows Main Management Indices

Free Cash Flows

(Billions of yen)



Main Management Indices

(%)

	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Outlook
ROS *1	7.8	6.4	6.8	6.5	5.8
ROA *2	8.7	6.9	7.4	6.8	6.1
ROE *3	9.5	10.1	8.3	10.2	8.2

*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)

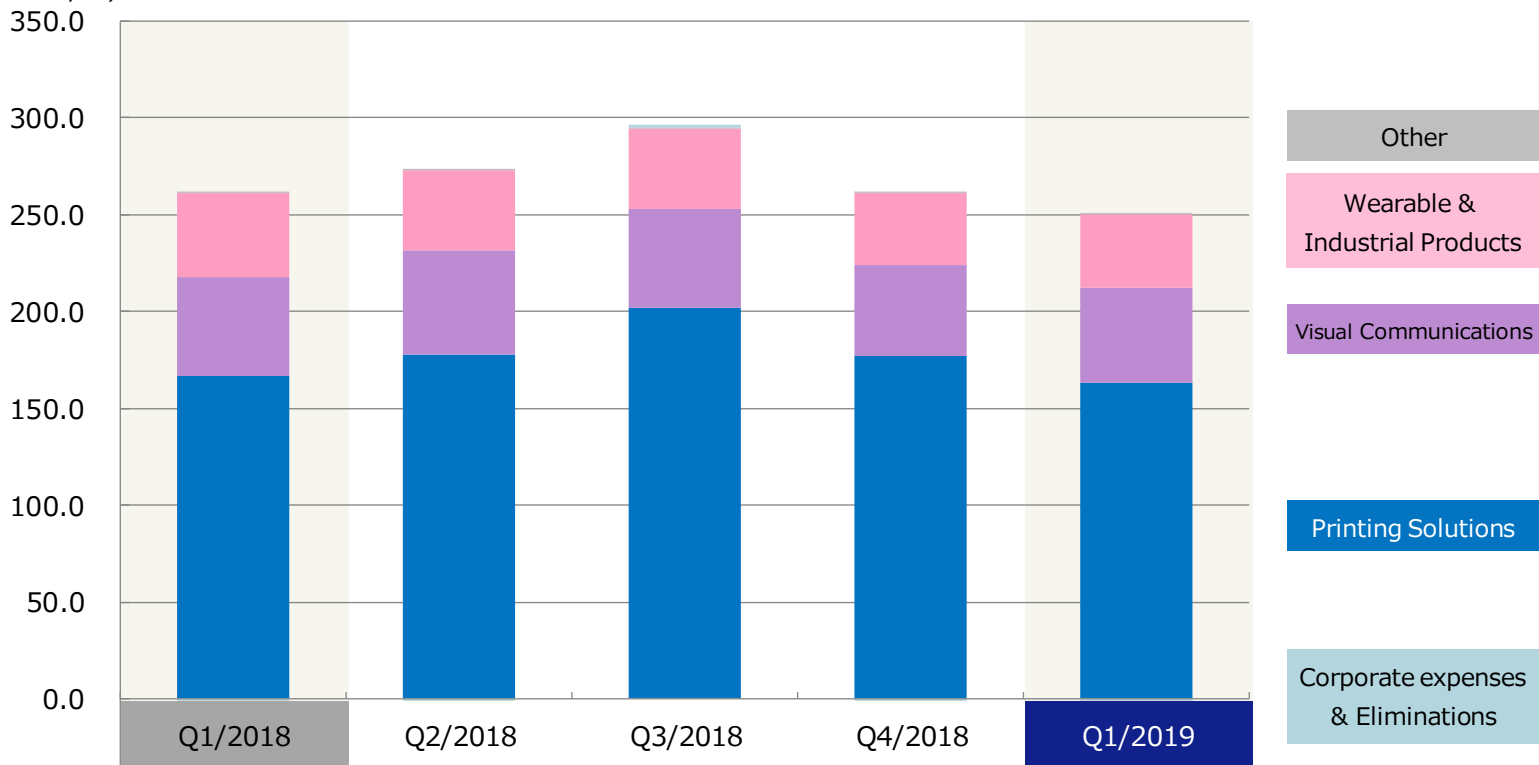
Reference

Quarterly Revenue Trend By Business Segment

Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	+0.87
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	-6.55

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Y/Y
Printing Solutions	166.6	178.0	201.7	177.2	163.2	-3.4
Visual Communications	51.4	53.9	51.0	46.8	49.2	-2.1
Wearable & Industrial Products	43.1	40.9	41.9	37.4	38.1	-5.0
Other	0.2	0.2	0.2	0.2	0.2	+0.0
Corporate expenses & Eliminations	-0.9	-1.3	1.7	-1.1	-1.1	-0.2
Consolidated total	260.4	271.9	296.6	260.6	249.6	-10.8

(Billions of yen)

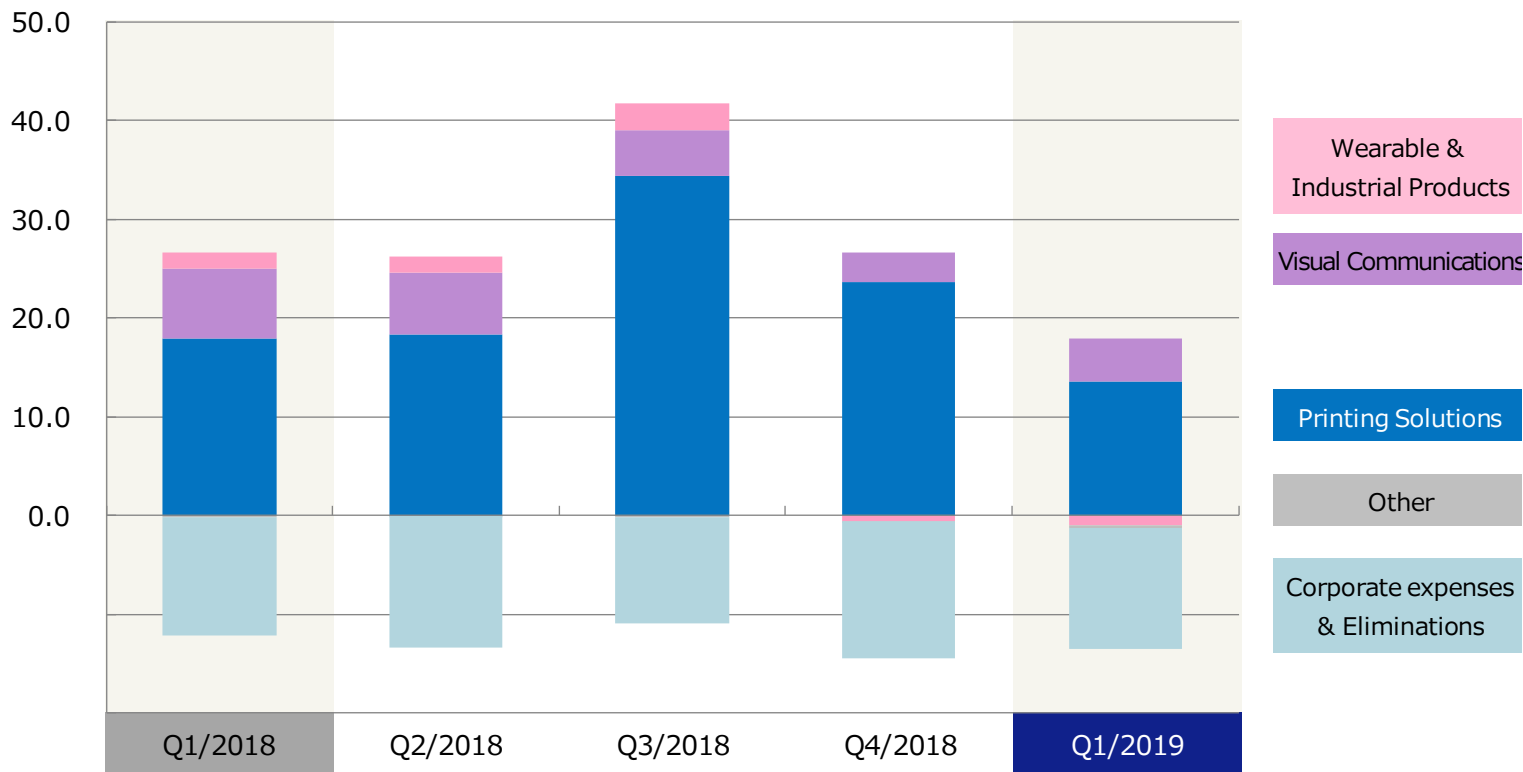


Quarterly Business Profit Trend By Business Segment

Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	+0.87
	(yen)	EUR	130.09	129.66	128.73	125.13	123.54

Business profit (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Y/Y
Printing Solutions	17.9	18.3	34.4	23.7	13.6	-4.2
Visual Communications	7.1	6.3	4.7	2.9	4.3	-2.7
Wearable & Industrial Products	1.7	1.6	2.7	-0.6	-1.0	-2.7
Other	-0.1	-0.0	-0.1	-0.0	-0.2	-0.0
Corporate expenses & Eliminations	-12.0	-13.4	-10.8	-13.8	-12.3	-0.3
Consolidated total	14.6	12.7	30.9	12.1	4.5	-10.1

(Billions of yen)



Revenue to customers outside of Japan

Employee numbers

Revenue to customers outside of Japan

Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	+0.87
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	-6.55

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Y/Y
The Americas	75.5	82.1	77.0	75.7	74.5	-0.9
Europe	52.8	52.0	63.6	56.6	47.9	-4.9
Asia/ Oceania	79.2	79.4	76.1	67.5	72.5	-6.6
Total revenue to overseas customers	207.6	213.7	216.8	199.9	195.1	-12.5
Consolidated revenue	260.4	271.9	296.6	260.6	249.6	-10.8

% of revenue to consolidated revenue	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019
The Americas	29.0%	30.2%	26.0%	29.1%	29.9%
Europe	20.3%	19.1%	21.5%	21.7%	19.2%
Asia/ Oceania	30.4%	29.2%	25.7%	25.9%	29.1%
Total	79.7%	78.6%	73.1%	76.7%	78.2%

Employees

Number of employees at period end (person)	End of Mar. 2017	End of Mar. 2018	End of June 2018	End of Mar. 2019	End of June 2019	Compared to end of Mar. 2019
Japan	19,175	19,436	19,704	19,456	19,879	+423
Non-Japan	53,245	56,955	61,196	57,191	58,918	+1,727
Consolidated total	72,420	76,391	80,900	76,647	78,797	+2,150

Major Business Indicators

(Billions of yen)

		FY2018 Actual	FY2019 Outlook	FY2021 (FY19-21 business plan)
Exchange rate (yen)	USD	110.86	110.00	110.00
	EUR	128.40	125.00	125.00
Printing	Revenue	723.6	751.0	780.0
Solutions	Segment profit	94.5	87.0	-
Visual	Revenue	203.3	211.0	225.0
Communications	Segment profit	21.2	22.0	-
Wearable & Industrial Products	Revenue	163.4	170.0	195.0
	Segment profit	5.5	9.0	-
Other	Revenue	0.9	1.0	-
	Segment profit	-0.5	-1.0	-
Corporate expenses & Eliminations	Revenue	-1.6	-3.0	-
	Segment profit	-50.2	-52.0	-
Consolidated total	Revenue	1,089.6	1,130.0	1,200.0
	Segment profit	70.4	65.0	96.0
	ROS	6.5%	5.8%	8%
	ROE	10.2%	8.2%	Over 10%

(Billions of yen)

	FY2018 Actual	FY2019 Outlook	Epson 25 FY19-21 business plan 3-year cumulative outlook
USD	110.86	110.00	110.00
EUR	128.40	125.00	125.00
Operating CF	76.9	95.0	Approx. 370
FCF	-5.7	15.0	Approx. 170
R&D costs	58.2	56.0	Invest aggressively
Capital expenditure	82.0	85.0	
Except lease	82.0	80.0	Approx. 200

Main Product Sales Trends

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

*1 Office Shared IJP : One of printer category for high print volume office users.

This includes LIJ, RIPS, I/C printers, and excludes paid repairs and services

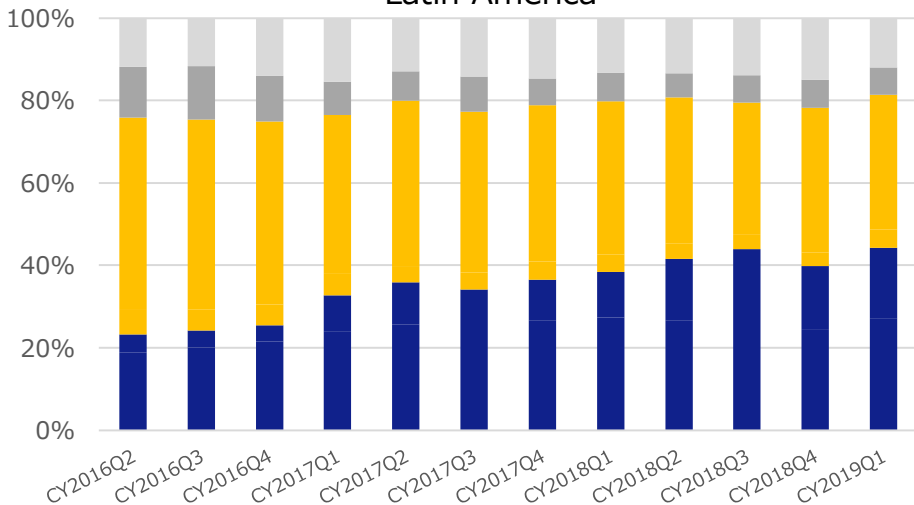
*2 LC: Local Currency base

				FY2018 Full-year Actual	FY2019 Q1 Actual	FY2019 Full-year Outlook
				USD	110.86	109.93
				EUR	128.40	123.54
Printing Solutions	IJP Hardware	Revenue (JPY)	YoY %	Flat YoY	-6%	+11%
		Revenue (LC*2)	YoY %	-	-2%	-
		Volume	YoY %	-4%	-7%	+5%
		Volume	Units	Approx. 15.4 million	-	Approx. 16.2 million
		High-capacity ink tank	Units	Approx. 9.0 million	-	Approx. 10.2 million
		SOHO/ Home	Units	Approx. 6.1 million	-	Approx. 5.6 million
	IJP Ink	Revenue within IJP Ink / (HW+Ink)	Composition ratio	Approx. 50%	-	46%
		Revenue (JPY)	YoY %	- high single-digit %	-9%	-6%
		Revenue (LC*2)	YoY %	-	-8%	-
	Office Shared IJP*1 (Hardware + Ink)	Revenue within IJP	Composition ratio	high single-digit %	8%	10%
	SIDM Hardware	Revenue (JPY)	YoY %	- high single-digit %	-15%	-8%
		Revenue (LC*2)	YoY %	-	-12%	-
		Volume	YoY %	-6%	-14%	-5%
Commercial & Industrial IJP (Hardware + Ink)	Revenue within Professional Printing	Composition ratio	low 60 %	63%	65%	
Visual Communi- cations	Projectors Hardware	Revenue (JPY)	YoY %	+ low single-digit %	-4%	+4%
		Revenue (LC*2)	YoY %	-	-1%	-
		Volume	YoY %	+1%	-8%	+4%
		Volume	Units	Approx. 2.6 million	-	Approx. 2.7 million

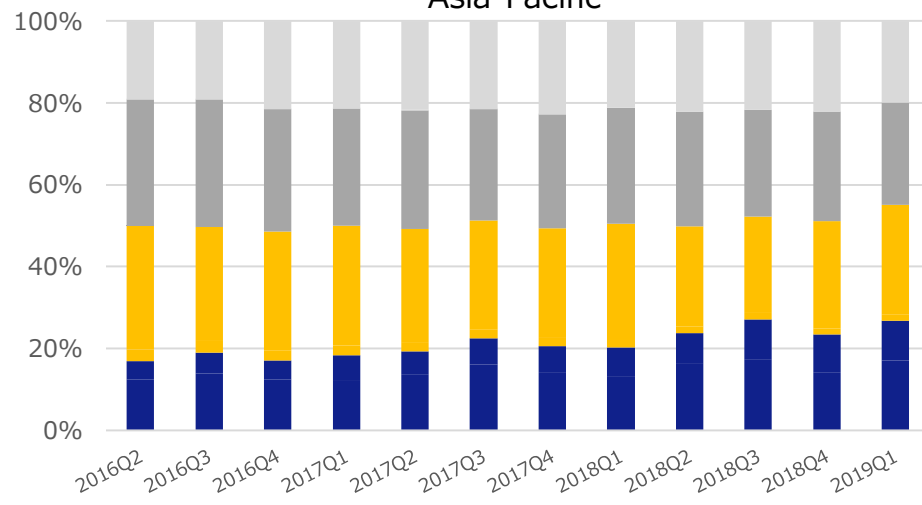
Penetration of High-Capacity Ink Tank Printers (Unit Volume)

A4 printer main unit market trend by region

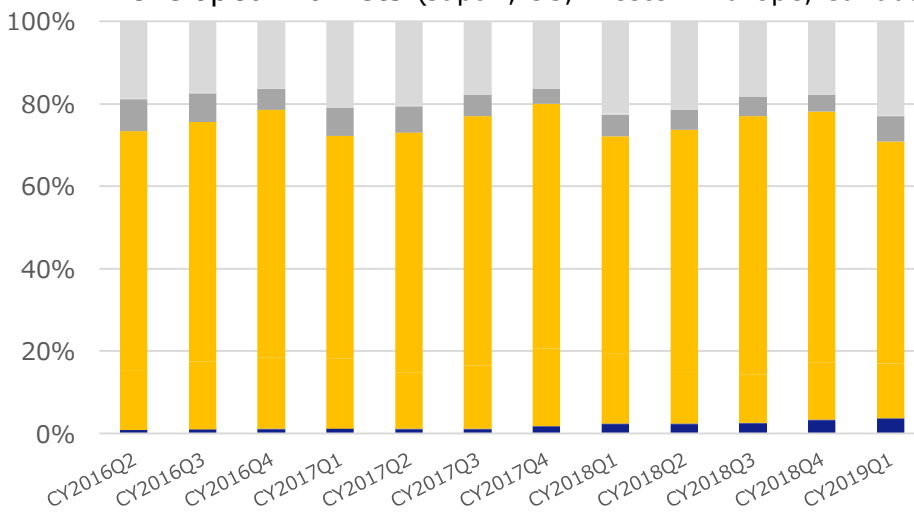
Latin America



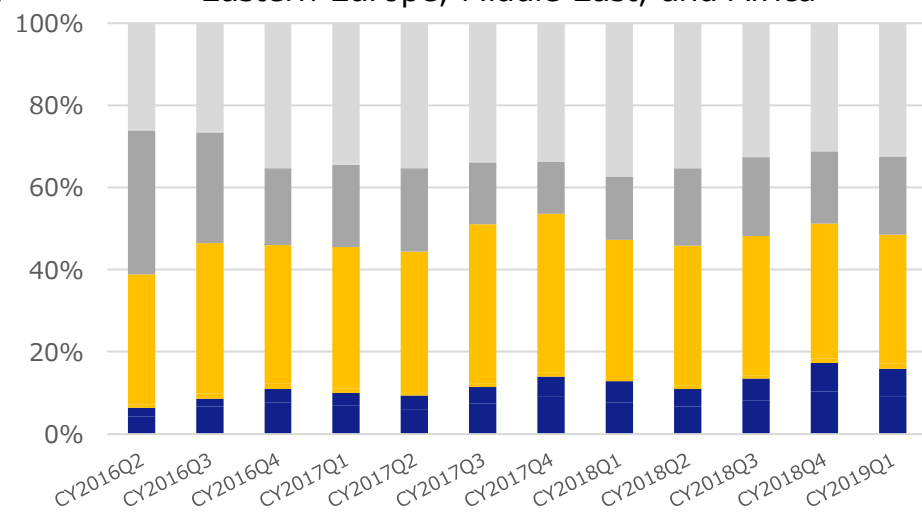
Asia-Pacific



Developed markets (Japan, US, Western Europe, Canada)



Eastern Europe, Middle East, and Africa



■ Ink tank printers ■ Ink cartridge printers
■ Laser printers (1-20 ppm) ■ Laser printers (21 ppm and more)

IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2019Q1
 Printers include multifunction printers. Reproduction or republication of this data is prohibited

Definition of terms

Color Control Technology	Color management technology that enhances color reproducibility
Epson Connect	Epson's mobile cloud service for Epson products and services
I/C	Ink cartridges
IJP	Inkjet printers
LIJ	Line inkjet printers, high-speed line inkjet multifunction printers
LP	Laser printers, including multifunction printers
RIPS	Replaceable ink pack system, high-yield cartridge-free ink pack printers
SIDM	Serial impact dot matrix printers
SOHO	Small office, home office
Office Shared IJP	Printer category for high print volume office users. This includes LIJ, RIPS, and I/C printers.
Photos	Printer category that includes large-format printers for photo, graphics, proofing and CAD printing
Commercial & Industrial IJP	Printer category comprising large-format inkjet printers for commercial and industrial sectors.
High-capacity ink tank printers	Inkjet printers with high-capacity ink tank (includes EcoTank)
High-capacity ink models	General term for high-capacity ink cartridge printers, high-capacity ink tank printers, RIPS, and LIJ
Distributed printing	Printing method that prints out same images/ documents using several printers
3LCD	Technology that projects images by utilizing 3LCD-chips
FPD	Flat panel displays
OLED	Organic light emitting diode
High-brightness laser projectors	High-lumen projectors mainly used in venues such as conference rooms and halls
WP	Wearable Products business
MD, Other	Microdevices, Other business

Business segments

Innovation

Inkjet Innovation

Visual Innovation

Wearables Innovation

Robotics Innovation

Segment

Printing Solutions

Visual Communications

Wearable & Industrial Products

Business/
Major Products

Printers

High-capacity Ink Tank Model



Office Shared



High-capacity Ink Pack Printer

SOHO/Home



Ink Cartridge Model

High-speed linehead inkjet multifunction printers



Ink Cartridge Model for office



SIDM



PaperLab



Scanner



Laser Printer

Professional Printing

Commercial & Industrial IJP

POS



Photos

Signage

Textiles

Labels

Inkjet Printheads

PC他



Epson Direct PC

Projectors



High Brightness



Ultra short throw



Standard/ Home



Small Projectors

Lighting



Smart Glasses



Optical Engine Module

Wearable Products

Epson Brand



TRUME



Orient

Movement



Seiko Business



Robotics Innovation

Robots



SCARA



6-Axis



Autonomous Dual-arm Robot

IC Test Handler



Options



Microdevices, Others

Microdevices



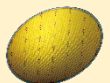
Quartz Crystal Devices



Semiconductors



Superfine alloy powders



Surface finishing

EPSON
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