

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

October 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.

- Please take a look at the disclaimer statement regarding the information contained in today's financial release materials.

- FY2019 Q2 Financial Results
- FY2019 Financial Outlook
- Contribution toward Social Issues

Financial Highlights (Second Quarter)



	FY2018		FY2019		Change	
	(Billions of yen) Q2 Actual	%	Q2 Actual	%	Y/Y	%
Revenue	271.9		266.4		-5.4	-2.0%
Business profit	12.7	4.7%	14.6	5.5%	+1.8	+14.6%
Profit from operating activities	12.1	4.5%	15.9	6.0%	+3.7	+31.3%
Profit before tax	12.5	4.6%	16.2	6.1%	+3.6	+29.2%
Profit for the period attributable to owners of the parent company	9.0	3.3%	12.0	4.5%	+2.9	+32.8%
EPS*1 (yen)	25.67		34.63			
Exchange rate (yen, index)	USD	¥111.46	¥107.31			
	EUR	¥129.66	¥119.34			
	Other currencies*2	100	94			
*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	-3.0	-3.5	-4.7	-11.2
		Business profit	+1.0	-2.2	-2.3	-3.4

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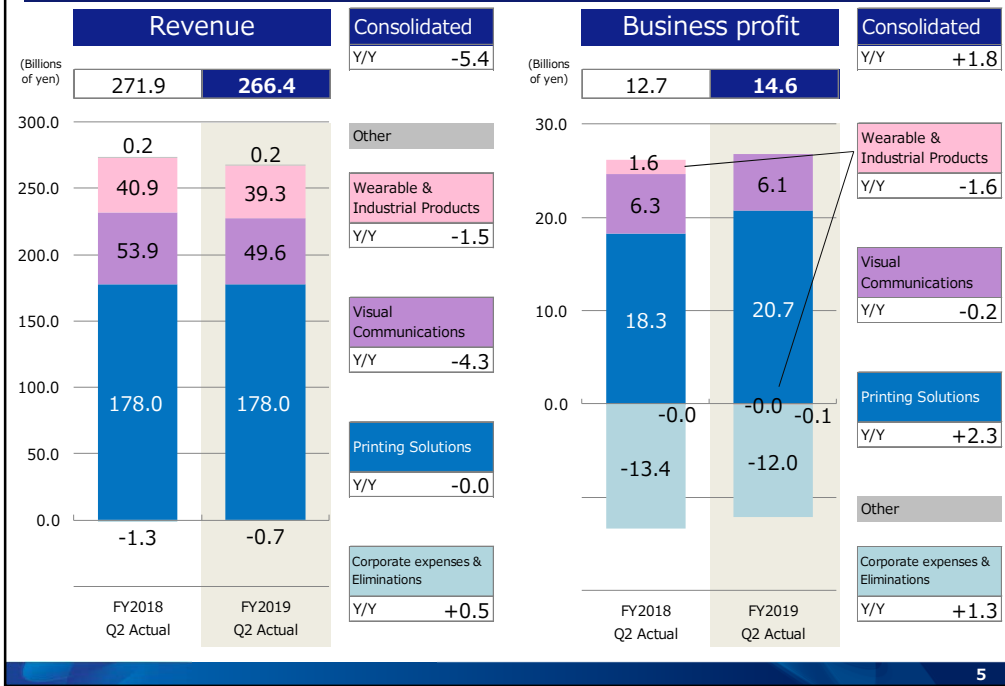
- Epson's second-quarter results for the 2019 fiscal year were as follows.
- Second-quarter revenue was ¥266.4 billion, down 5.4 billion year on year. Business profit was ¥14.6 billion, up ¥1.8 billion. Profit for the period was ¥12.0 billion, up ¥2.9 billion.
- The impact of currency volatility during the quarter was as shown on the slide.

Main Factors Affecting FY2019 Q2 Results

- ◆ The business environment remained challenging, as the slowing of macroeconomic activity exceeded expectations and the yen further appreciated.
 - A worsening of market conditions expanded to Europe and the Americas in addition to markets such as China and India.
 - The yen also climbed against currencies such as the euro, renminbi, and Latin American currencies.
- ◆ Revenue declined year on year.
 - Revenue hurt by negative foreign exchange effects and soft market conditions.
 - Projectors, microdevices and other, and robots, etc.
 - Advanced efforts in priority areas
 - Expanded sales of high-capacity ink tank printers and shared office printers.
- ◆ Business profit increased year on year.
 - Although impacted by foreign exchange effects, business profit rose primarily due to an increase in high-capacity ink printers, a decrease in sales of ink cartridge printers, and the containment of fixed costs.

- The main factors that shaped our second-quarter results are summarized here.
- We expected the external environment to remain challenging and factored this into our outlook. However, the scope of the slowdown in economic activity widened more than anticipated, spreading to Europe and the Americas as well as to China and India.
- Foreign exchange significantly impacted Epson's financials, as the yen rose not only against the US dollar and euro, but also against the renminbi and Latin American currencies.
- Revenue decreased year on year. In addition to negative foreign exchange effects, revenue was hurt by a decline in sales of projectors, microdevices, and robots amid worsening market conditions that dampened demand. On the other hand, sales of products in priority areas such as high-capacity ink tank printers and office shared inkjet printers expanded.
- Business profit increased despite negative foreign exchange effects. Our transition to a new printer business model drove the growth in high-capacity ink printers, while a decrease in production of ink cartridge printers reduced costs. Business profit was also helped by the containment of fixed costs company-wide.
- Revenue fell short of the internal plan, which served as the basis for the previous outlook. In addition to negative foreign exchange effects, revenue was hurt by weak markets for products such as projectors, robots, and microdevices.
- On the other hand, business profit exceeded the plan by several hundreds of millions of yen, partly because of company-wide efforts to contain costs, which more than offset a nearly ¥3.0 billion negative effect from foreign exchange.

Q2 Financial Results by Business Segment



- This is a year-on-year comparison of second-quarter revenue and business profit in each segment.
- The results for each segment will be explained on the following slides.

Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	Q2/2018 Actual	Q2/2019 Actual	Y/Y	Exchange effect
Revenue	178.0	178.0	-0.0	-7.6
Printers	123.6	119.9	-3.7	
% sales IJP	83%	83%		
SIDM	8%	8%		
Other	9%	9%		
Professional Printing	50.0	49.8	-0.2	
Other	4.3	8.3	+3.9	
Inter-segment revenue	-0.0	-0.0	+0.0	
Segment profit	18.3	20.7	+2.3	-2.0
ROS	10.3%	11.6%		

Printers

- ◆ IJP:
 - SOHO and home ink cartridge printer sales decreased, as did ink sales.
 - High-capacity ink tank printer unit shipments increased in both emerging and developed economies.
 - Sales of office shared inkjet printers steadily expanded.

◆ SIDM:

- Demand declined chiefly in China.

Professional printing

- ◆ Commercial & industrial IJP:
 - Firm demand in both priority and existing areas
- ◆ POS printers:
 - Won contracts in Italy and Japan.

Other

- ◆ PC:
 - Captured demand created by OS upgrades.

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- This is a year-on-year comparison of quarterly revenue in printing solutions.
- Printer business revenue decreased due to foreign exchange effects.
- The printer business reported a decline in sales of SOHO and home ink cartridge printers as well as ink, while sales of high-capacity ink tank printers increased.
- High-capacity ink tank model sales were soft in China and India but grew steadily in developed countries and other regions. Overall, the growth rate rebounded from the weak first quarter, with unit shipments increasing by more than 10% from the same period last year.
- Office shared inkjet printer revenue increased, as we captured replacement demand for Smart Charge models in Japan, expanded sales in target markets such as education, and captured dealer contracts in Europe.
- Sales in professional printing remained firm, but revenue was flat year on year due to negative foreign exchange effects.
- Commercial and industrial inkjet printers showed firm sales in both priority areas and existing markets, while POS printer contracts were captured in Italy and Japan, where tax reforms have created extra demand.
- Other revenue increased, as we captured demand created by users upgrading to PCs with a new operating system.
- Segment profit was adversely affected by foreign exchange yet still increased mainly due to growth in sales of strategic products and cost cutting.
- The printer business accounted for about 45% of segment profit.
- In the segment overall, sales were generally in line with the internal plan, but revenue fell short because of foreign exchange effects.
- On the other hand, segment profit exceeded the plan thanks to cost containment efforts.

Quarterly Comparison by Business

(Billions of yen)

Visual Communications	Q2/2018 Actual	Q2/2019 Actual	Y/Y	Exchange effect
Revenue	53.9	49.6	-4.3	-2.6
Segment profit	6.3	6.1	-0.2	-1.0
ROS	11.7%	12.3%		

- ◆ Projectors:
 - Markets stagnant in the Americas, India, and elsewhere
 - Decline in standard and other models

(Billions of yen)

Wearable & Industrial Products	Q2/2018 Actual	Q2/2019 Actual	Y/Y	Exchange effect
Revenue	40.9	39.3	-1.5	-1.1
Wearable Products	12.1	11.7	-0.4	
Robotics Solutions	5.0	5.1	+0.1	
Microdevices, Other	25.2	23.9	-1.3	
Inter-segment revenue	-1.4	-1.4	+0.0	
Segment profit	1.6	-0.0	-1.6	-0.4
ROS	4.0%	-0.0%		

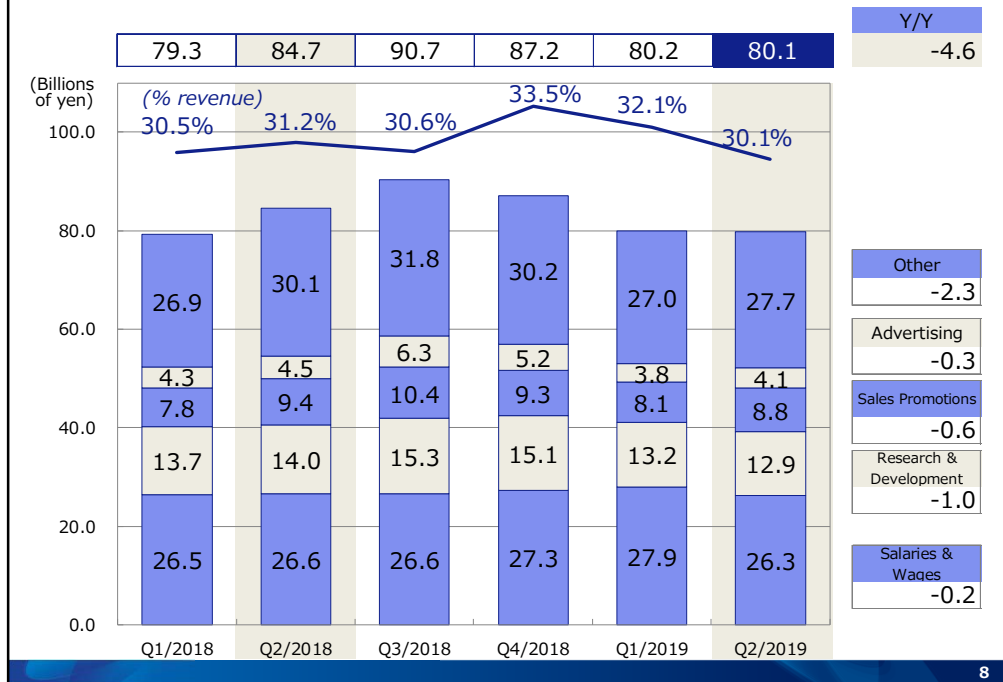
- ◆ Watches:
 - High-end watch sales were firm
 - Sales declined for mid-range and low-end watches and movements
- ◆ Robots:
 - Decreased appetite for large investments
 - Applications expanded
- ◆ Microdevices and other:
 - Demand for semiconductors remained soft

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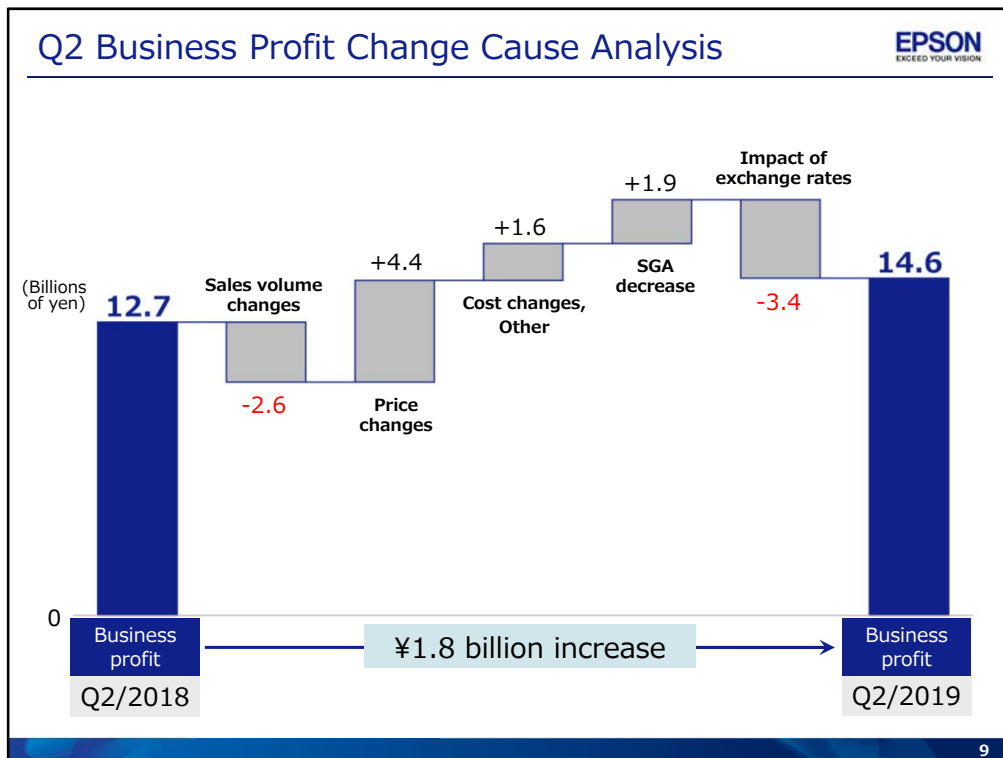
- Visual communications revenue decreased as a result of negative foreign exchange effects, as well as a decrease in sales of standard models due to sluggish projector markets in the Americas and India.
- Segment profit was flat year on year. Although unit shipments fell, profits were offset from improvements in the model mix as well as the effects of an inventory increase.
- Both revenue and business profit fell short of the internal plan.

- The financial results in the wearable and industrial products are as shown.
- In wearable products, demand for high-end watches and Orient watches increased, but demand for medium to low-end watches as well as movements was subdued.
- Robotics solutions revenue ended flat year on year because even though the appetite for large investments decreased in Europe, the Americas and China, applications steadily expanded.
- Revenue decreased in the microdevices and other category due to a combination of soft demand for semiconductors and negative foreign exchange effects.
- Although we reduced costs in wearable products, segment profit decreased on lower revenue in the microdevices and other category and because of increased spending to strengthen our position in robotics solutions.
- Both revenue and business profit fell short of the internal plan.

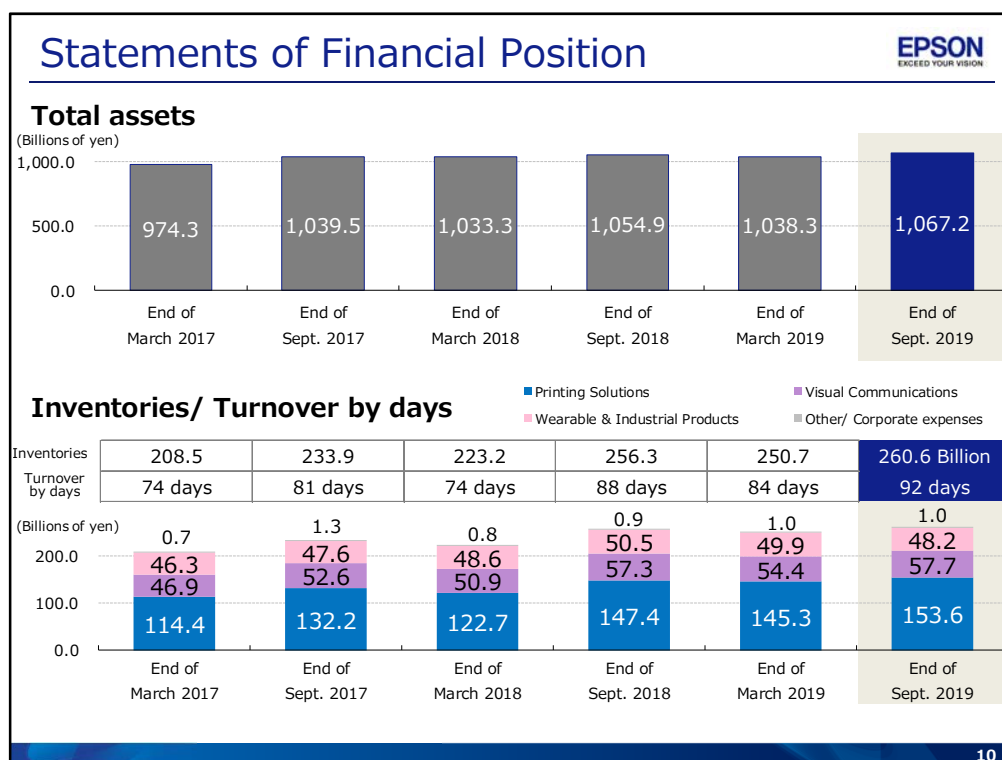
Selling, General and Administrative Expenses



- Quarterly selling, general and administrative expenses were as shown here.
- We reduced overall expenses by prioritizing spending. While we spent aggressively to strengthen the B2B area and to expand sales of high-capacity ink tank printers in developed economies, we further reduced spending on areas of lower priority.



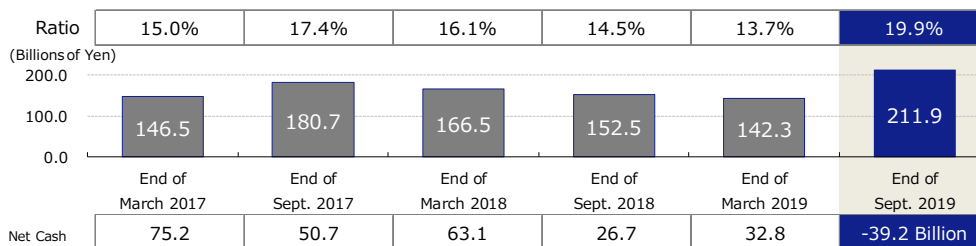
- This slide shows a cause analysis of change in business profit.
- Higher volumes of products such as high-capacity ink tank printers positively impacted business profit, but these gains were outweighed by declines in products such as projectors and semiconductors.
- Prices were a positive factor, as we saw an improved model mix in products such as projectors, and semiconductors. Overall, price changes did not have a substantial impact on business profit, primarily because the rate of high-capacity ink tank printers sold in developed economies increased, offsetting the effects of lower pricing in some regions.
- Cost changes were a positive factor. While we saw an increase in costs associated with an expansion of high-added value products such as shared office inkjet printers and commercial and industrial inkjet printers, costs associated with the production of ink cartridge printers decreased.



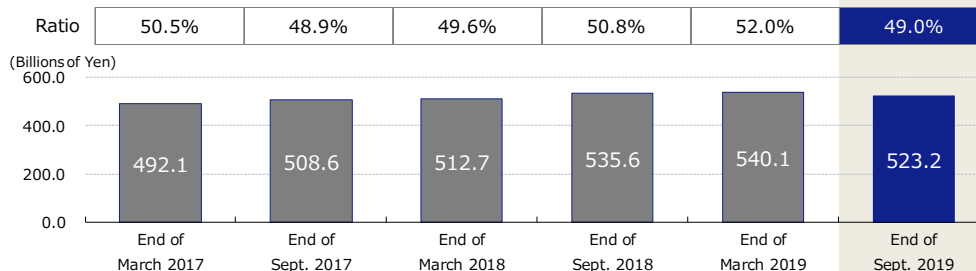
- Some of the major items on the statements of financial position are shown here.
- Total assets were ¥1,067.2 billion, up ¥28.8 billion compared to the end of the last fiscal year.
- While trade and other receivables decreased, there was an increase in inventories and an increase in property, plant and equipment, largely the result of the application of a new lease accounting standard.
- Inventories increased by ¥9.8 billion from the end of the previous fiscal year, ending at ¥260.6 billion.
- The increase was the result of Brexit preparations, as well as preparations for increased demand for POS printers, and build up for large format printer product launches. Sluggish market demand for projectors also affected this increase.
- As was explained at the previous earnings announcement, we are taking action across the Epson Group to address inventory issues. We have set stricter assumptions for market demand, sales, and manufacturing moving forward.

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 increased by ¥69.5 billion compared to the end of the previous fiscal year because, in addition to an issue of bonds payable and an increase in loans payable, ¥27.7 billion in lease liabilities were included in interest-bearing liabilities in line with the application of a new accounting standard. The ratio of interest-bearing liabilities to total assets was 19.9%.
- Net cash was negative ¥39.2 billion, the result of an increase in interest-bearing liabilities and a decrease in cash and deposits due to a purchase of treasury shares.
- Equity attributable to owners of the parent company decreased by ¥16.9 billion compared to the previous fiscal year-end. This was chiefly the result of the payment of dividends and the purchase of treasury shares. The equity ratio attributable to owners of the parent company was 49.0%.

- FY2019 Q2 Financial Results
- **FY2019 Financial Outlook**
- Contribution toward Social Issues

FY2019 Financial Outlook



	FY2018		FY2019				Change		
	(Billions of yen)	Actual	%	7/30 Outlook	%	10/30 Outlook	%	Y/Y	Vs. 7/30 outlook
Revenue		1,089.6		1,130.0		1,060.0		-29.6	-70.0
								-2.7%	-6.2%
Business profit		70.4	6.5%	65.0	5.8%	42.0	4.0%	-28.4	-23.0
								-40.4%	-35.4%
Profit from operating activities		71.3	6.5%	60.0	5.3%	37.0	3.5%	-34.3	-23.0
								-48.1%	-38.3%
Profit before tax		72.0	6.6%	59.0	5.2%	36.0	3.4%	-36.0	-23.0
								-50.0%	-39.0%
Profit for the year attributable to owners of the parent company		53.7	4.9%	45.0	4.0%	27.0	2.5%	-26.7	-18.0
								-49.7%	-40.0%
EPS ^{*1} (yen)		152.49		129.07		78.03			
Exchange rate (yen, index)	USD	¥110.86		¥110.00		¥107.00			
	EUR	¥128.40		¥125.00		¥118.00			
	Other currencies ^{*2}	100		98		92			
Exchange rate assumptions from Q3 onward (yen)	USD	105.00		Exchange sensitivity ^{*3}	USD	EUR	Other currencies	Total exchange effect outlook	
	EUR	115.00		Revenue	-3.0	-1.5	-3.0	-53.0	
				Business profit	+0.7	-1.0	-1.3	-20.0	

*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)

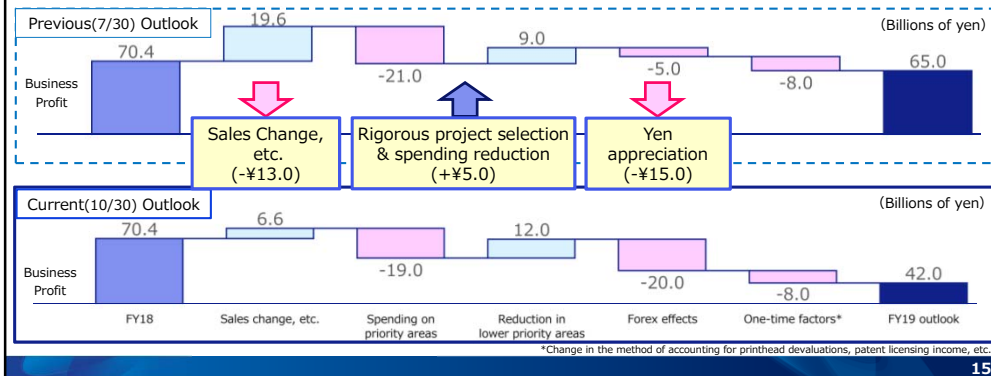
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- We revised our full-year financial outlook downward based on the macroeconomic environment and foreign exchange levels. We lowered the revenue forecast by ¥70.0 billion, the business profit, profit from operating activities, and profit before tax forecasts by ¥23.0 billion each, and the profit for the period forecast by ¥18.0 billion.
- The negative effects of the exchange rate revision amount to ¥40.0 billion of the ¥70.0 billion revenue revision.
- Of the ¥23.0 billion business profit revision, the negative effects from exchange rate revision account for ¥15.0 billion, while the remaining ¥8.0 billion is due to the harsh business environment.
- As a result, we are forecasting ¥1,060.0 billion in revenue, ¥42.0 billion in business profit, and ¥27.0 billion in profit for the year.
- Exchange rate volatility effects for the full year compared to the previous fiscal year is expected to have an approximately ¥53.0 billion negative effect on revenue, and a ¥20.0 billion negative effect on business profit.

- ◆ Financial outlook revised due to greater than anticipated macroeconomic deterioration and yen appreciation
 - Printer demand soft in Europe and the Americas, as well as in China and India
 - However, high-capacity ink tank printer sales are expected to continue to expand in both developed and emerging markets.
 - Ongoing sluggish projector demand
 - Sluggish markets for wearable and industrial products in Europe, the Americas and China
- ◆ Given the challenging business environment, we will strengthen cost reduction programs and focus more tightly on core businesses and products.

- The main factors affecting our fiscal 2019 financial outlook are summarized here.
- As is indicated in page 26 of the supplementary materials at the back of the presentation, first-half revenue and business profit took a hit from foreign exchange effects and decreased year on year. However, we believe that we also made significant forward progress in certain areas, such as in sales of products in priority areas.
- Nevertheless, the deterioration of the environment in which Epson operates has begun to spread, including to Europe and the Americas.
- In addition, the appreciation of the yen is progressing further.
- Given this situation, we decided to adopt tougher assumptions. Whereas we previously assumed that the conditions that prevailed during the second half of last fiscal year would continue, we now see the macro-environment worsening still further.
- Challenging conditions in the printing solutions market are forecasted to continue.
- However, even after factoring in aggressive moves by competitors, we are forecasting growth in sales of high-capacity ink tank printers in both developed economies and emerging regions. Given our performance through the second quarter and the promise of expanded second-half demand in developed economies, we are standing by our sales target of 10.2 million units.
- In visual communications, we expect projector market stagnation to persist. In wearable and industrial products, we forecast an expansion of slow market conditions.
- While we therefore assume that the business environment will become even more challenging, we will continue to step up our efforts to reduce costs and focus more tightly on priority businesses and regions.

- ◆ Identify priority areas and efficiently invest management resources as needed for future growth.
 - Rigorously select spending projects in priority areas, and further curtail spending in lower-priority areas.
 - Priority areas: High-capacity ink tank models, shared office printers, commercial and industrial IJP (signage and textile), external printhead sales, high-brightness projectors, robots, quartz devices (communications and automotive), PaperLab, etc.
 - Lower priority areas: Design and development of conventional IJPs (ink cartridge models, etc.), design and development of projectors (excluding high-brightness models), watches, etc.
 - Continue to step up investment in ICT to strengthen business infrastructure over the long term, and strengthen actions that support the acceleration of digital transformation and open innovation.



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- As explained when we introduced our Phase 2 Mid-Range Business Plan, we will invest management resources in a disciplined manner according to the economic environment and strategy effectiveness.
- However, given the current situation, we will focus even more on our core competencies in these priority areas.
- Please see the graph on the slide.
- Starting with last fiscal year's ¥70.4 billion in business profit, the graph shows, by factor, the assumptions for this fiscal year's outlook.
- The top half shows the assumptions of the previous outlook. The bottom half shows the assumptions for the current outlook.
- We lowered the revenue outlook based on a deterioration of macroeconomic activity. This change in the sales forecast will have an approximately ¥13.0 billion negative impact on business profit. Furthermore, the appreciation of the yen is seen having a ¥15.0 billion negative impact on business profit.
- We are assuming a harsh business environment and will determine priorities by region and product to curtail overall expenditures while still spending and investing in priority areas to strengthen sales, design, and development, and to create new value.
- At the same time, in areas of lower priority, we will further reduce spending and seek stable profit generation.
- Through these actions, we will reduce total spending by an additional ¥5.0 billion from the previous outlook.

Actions in Each Business to Achieve the Phase 2 Plan EPSON EXCEED YOUR VISION

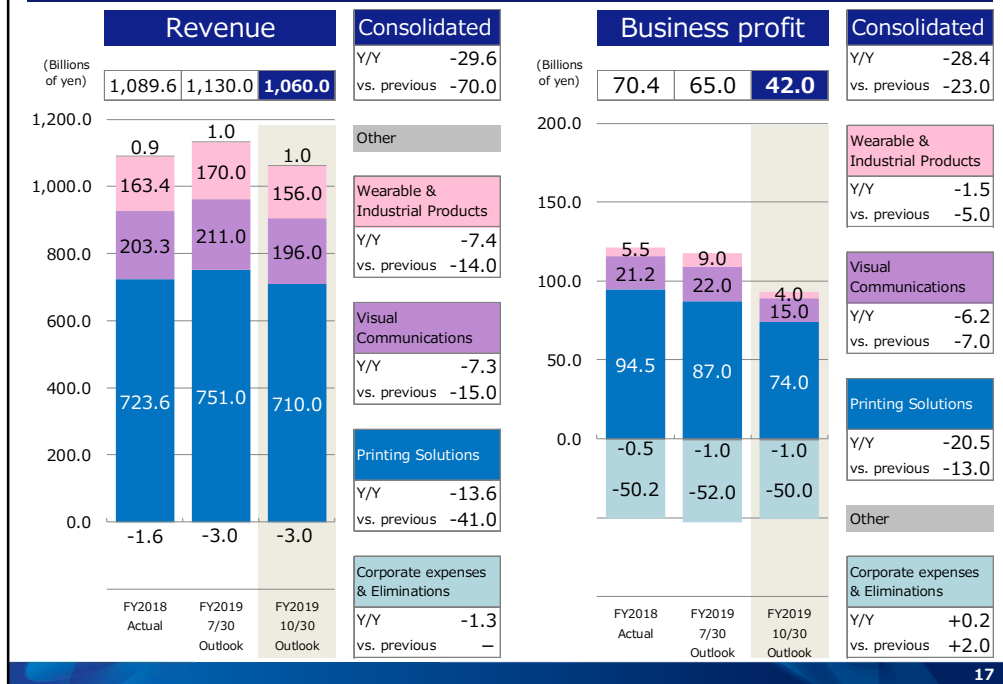
- ◆ The environment is challenging, but we are steadily preparing for growth.
 - Continue high-capacity ink tank printer promotions in developed economies.
 - Propose a range of sales plans to strengthen customer touch points.
 - Expand shared office IJPs and commercial and industrial IJPs.
 - Achieve steady profit growth in projectors by capitalizing on accumulated strengths to maximize business operations efficiency.
 - Make maximum use of customer touch points and laser light source platforms, etc.
 - Lay the groundwork to make robots a core business.



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- Next, I will explain actions being taken in each business in the second half.
- We will control total expenditures but will steadily put preparations in place for growth.
- High capacity ink tank printers are moving forward steadily toward the holiday selling season, as promotions in North America have achieved positive results. We are also seeing strong sales for new models released on October 24 in Japan, and expect increases in sales in developed markets.
- Moving forward, we will expand the presence of inkjet printers in printing markets by reinforcing promotions in developed countries, and by offering a range of sales plans to strengthen customer touch points.
- In emerging markets, sales growth rebounded in the second quarter even in the weak market environment. Although we reflected ramped up competition, we forecast this growth to continue.
- Sales of shared office inkjet printers continue to expand. For example, we are advancing our plan toward displacing laser printers and digital duplicators in Japan's education market by offering a high-speed linehead inkjet multifunction printer to replace the multiple printers that have until now been dispersed according to usage. We are thus proposing a new value proposition for improving the working environment of educators by alleviating their printing workload.
- Commercial and industrial inkjet printers also continue to expand, although the growth has been dulled by slow market conditions. In large format printers, we are launching high productivity products to capture customer's needs. Furthermore, in our printhead business, more customers are choosing Epson's printheads, and we will continue with our efforts to accelerate growth.
- Projector demand remains sluggish. We believe that, in addition to the slowdown of economic activity, demand is being affected by aggressive price cutting of flat panel displays. Given this situation, we will aim to achieve steady profit growth by promoting sales operations that capitalize on strong customer touch points and high market share, while increasing the efficiency of business operations, chiefly by taking advantage of the strength of laser light source platforms in the high-brightness projector category.
- We cannot expect the robot market to rapidly recover. However, the robot business has huge mid-term potential, so we will steadily strengthen the organization.

FY2019 Financial Outlook by Business Segment



- Here, revenue and business profit outlook are broken out by segment.
- The assumptions for the outlook for each segment will be explained on the following slides.

FY2019 Outlook Comparison by Business



(Billions of yen)

Printing Solutions	FY2018 Actual	FY2019 7/30 Outlook	FY2019 10/30 Outlook	Y/Y	vs. 7/30 Outlook
Revenue	723.6	751.0	710.0	-13.6	-41.0
Printers	505.9	513.0	479.0	-26.9	-34.0
% sales IJP	84%	84%	84%		
SIDM	8%	7%	7%		
Other	8%	9%	9%		
Professional Printing	198.0	217.0	207.0	+8.9	-10.0
Other	19.7	21.0	24.0	+4.2	+3.0
Inter-segment revenue	-0.1	0.0	0.0	+0.1	-
Segment profit	94.5	87.0	74.0	-20.5	-13.0
ROS	13.1%	11.6%	10.4%		

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- The full-year outlook in printing solutions is shown here.
- Negative foreign exchange effects and the macroeconomic slowdown have been factored into the outlook.
- In the printer business, we revised the unit shipment forecasts for ink cartridge inkjet printers, office shared inkjet printers, and SIDM printers.
- We have not changed our full-year unit shipment forecast of 10.2 million units of high-capacity ink tank printers.
- In professional printing, we lowered our sales forecast for commercial and industrial inkjet printers due to foreign currency effects.
- In the other category, strong PC sales were factored into the outlook.
- The printer business is expected to account for about 45% of segment profit.

FY2019 Outlook Comparison by Business

(Billions of yen)					
Visual Communications	FY2018 Actual	FY2019 7/30 Outlook	FY2019 10/30 Outlook	Y/Y	vs. 7/30 Outlook
Revenue	203.3	211.0	196.0	-7.3	-15.0
Segment profit	21.2	22.0	15.0	-6.2	-7.0
ROS	10.4%	10.4%	7.7%		

(Billions of yen)					
Wearable & Industrial Products	FY2018 Actual	FY2019 7/30 Outlook	FY2019 10/30 Outlook	Y/Y	vs. 7/30 Outlook
Revenue	163.4	170.0	156.0	-7.4	-14.0
Wearable Products	49.8	50.0	46.0	-3.8	-4.0
Robotics Solutions	22.6	26.0	21.0	-1.6	-5.0
Microdevices, Other	96.6	99.0	94.0	-2.6	-5.0
Inter-segment revenue	-5.8	-5.0	-5.0	+0.8	-
Segment profit	5.5	9.0	4.0	-1.5	-5.0
ROS	3.4%	5.3%	2.6%		

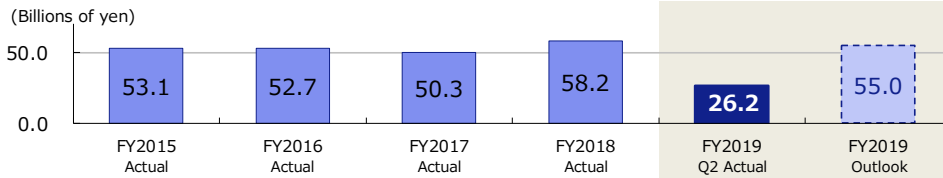
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- In visual communications, we factored in the effects of a sluggish projector market, as well as foreign exchange effects.
- In wearable and industrial products, we revised the demand forecast for medium to low range watches and movements in the wearable products business.
- We also revised the Europe and American demand forecasts for robotics solutions.
- In the microdevices and other category, the outlook reflects slow market conditions in China and a decline in demand for metal powders.

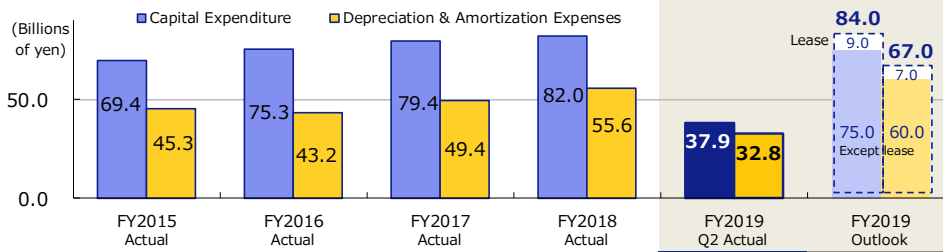
R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses



Research & Development Costs



Capital Expenditure and Depreciation and Amortization Expenses



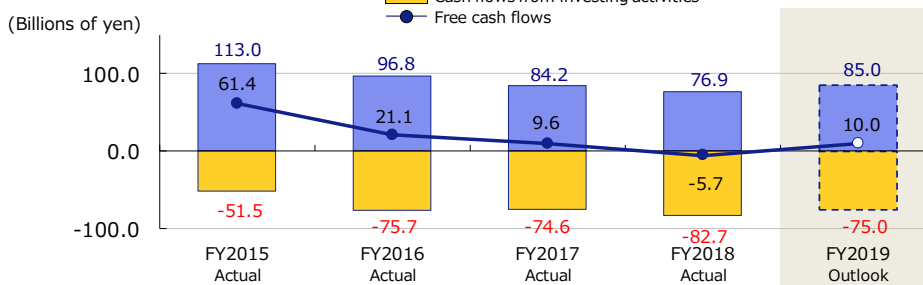
	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	22.4	18.1	45.0	39.0
Visual Communications	4.7	5.6	15.0	12.0
Wearable & Industrial Products	7.7	5.0	15.0	10.0
Other, Corporate	2.9	3.9	9.0	6.0

Includes lease from FY2019 outlook

- Actual and forecast R&D costs, capital expenditures, and depreciation and amortization are as shown here.
- We will curb both expenses and capital expenditures compared to the previous outlook.

Free Cash Flows Main Management Indices

Free Cash Flows



Main Management Indices

(%)	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Outlook
ROS *1	7.8	6.4	6.8	6.5	4.0
ROA *2	8.7	6.9	7.4	6.8	3.9
ROE *3	9.5	10.1	8.3	10.2	5.1

*1 Business profit/ revenue

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

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

- Projected free cash flows and the main management indicators are as shown here.
- We reduced the forecast for net cash used in investing activities, as we will be rigorously selective in choosing capital expenditure projects, but we also lowered the outlook for net cash from operating activities. As a result, we are now forecasting ¥10.0 billion in free cash flow.
- To generate cash, we will take companywide actions to maximize revenue, reduce and streamline spending, and reduce inventories.

- FY2019 Q2 Financial Results
- FY2019 Financial Outlook
- Contribution toward Social Issues

Manufacturing Innovation

✓ Precise color matching
✓ Simple process
✓ Safe process

✓ Small footprint, lightweight
✓ Equip sensors to replace human labor
✓ Easy teaching

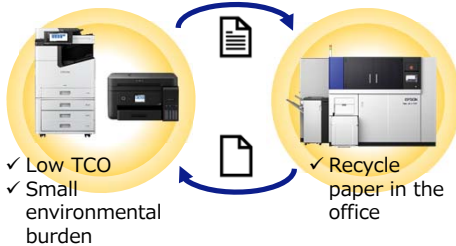
Improve productivity with digital printing for meeting high-mix low-volume printing needs, while keeping low environmental impact

Improve productivity and work environment with robotic solutions that lower barriers to automation

23

- Society now expects companies to achieve sustainability more than ever before.
- Our goal is to make Epson an indispensable company by contributing to the achievement of a sustainable society by advancing the frontiers of industry and by establishing a circular economy.
- On the production floor, for example, we can leverage the advantages of Micro Piezo printheads to continue to provide inkjet solutions that boost productivity yet are environmentally considerate.
- At production sites where small precision products are assembled by hand, we are providing robotic solutions that contribute to higher productivity and a better work environment.

Office Innovation



Promote smooth and highly-productive paper communication without hesitation about printing cost and environmental impact



- ✓ Laser light source
- ✓ Big screen by ultra short-throw lens
- ✓ Interactive UI

Provide highly-productive face-to-face communication using projector solutions

Respond to TCFD recommendations

- Announced support for recommendations in Oct. 2019
- Acting to address climate change in all areas of operations

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- We are also facilitating smooth and productive paper-based communication in the office by providing printers equipped with Micro Piezo technology and office papermaking systems based on dry fiber technology,
- We are also offering an expandable office environment using projectors that provide face-to-face communication.
- These are explained in detail in Epson's Integrated Report to be published in English in November.

Reference

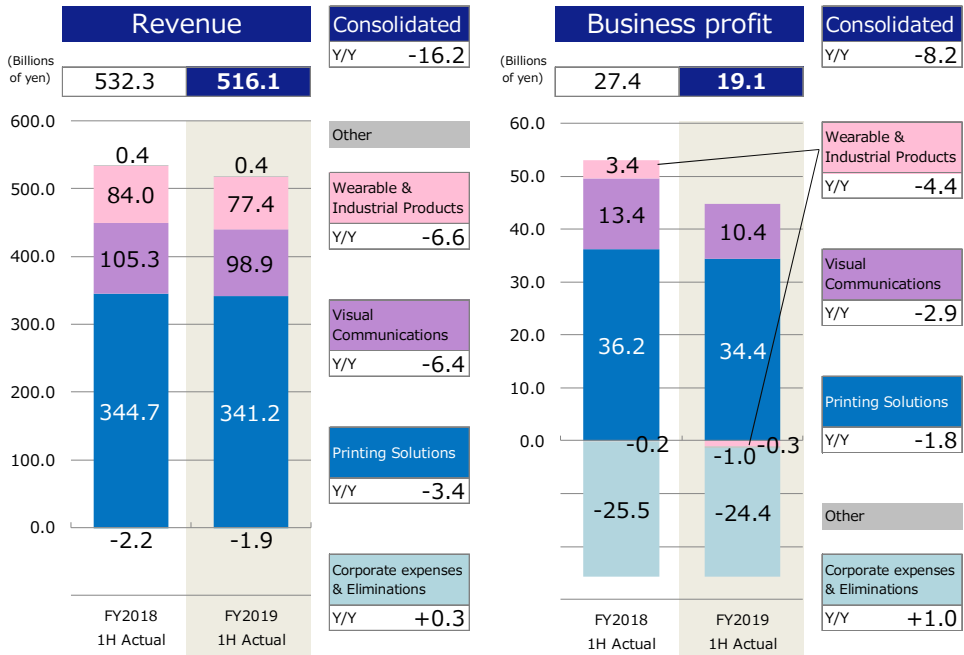
Financial Highlights (First Half)

	FY2018		FY2019		Change		
	(Billions of yen)	1H Actual	%	1H Actual	%	Y/Y	%
Revenue		532.3		516.1		-16.2	-3.1%
Business profit		27.4	5.1%	19.1	3.7%	-8.2	-30.1%
Profit from operating activities		25.6	4.8%	19.3	3.7%	-6.2	-24.5%
Profit before tax		26.9	5.1%	19.1	3.7%	-7.7	-29.0%
Profit for the period attributable to owners of the parent company		20.2	3.8%	12.2	2.4%	-7.9	-39.3%
EPS* ¹ (yen)		57.38		35.14			
Exchange rate (yen, index)	USD	¥110.26		¥108.62			
	EUR	¥129.88		¥121.44			
	Other currencies* ²	100		94			

*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	-2.4	-5.5	-8.5	-16.4
Business profit	+0.8	-3.3	-4.1	-6.6

1H Financial Results by Business Segment



1H Comparison by Business

(Billions of yen)

Printing Solutions	1H/2018 Actual	1H/2019 Actual	Y/Y	Exchange effect
Revenue	344.7	341.2	-3.4	-11.4
Printers	240.0	228.0	-11.9	+0.0
% sales IJP	83%	83%		
SIDM	9%	8%		
Other	8%	9%		
Professional Printing	96.3	99.0	+2.7	+0.0
Other	8.3	14.1	+5.8	+0.0
Inter-segment revenue	-0.0	-0.0	+0.0	
Segment profit	36.2	34.4	-1.8	-4.5
ROS	10.5%	10.1%		

1H Comparison by Business

(Billions of yen)

Visual Communications	1H/2018 Actual	1H/2019 Actual	Y/Y	Exchange effect
Revenue	105.3	98.9	-6.4	-3.8
Segment profit	13.4	10.4	-2.9	-1.9
ROS	12.8%	10.6%		

(Billions of yen)

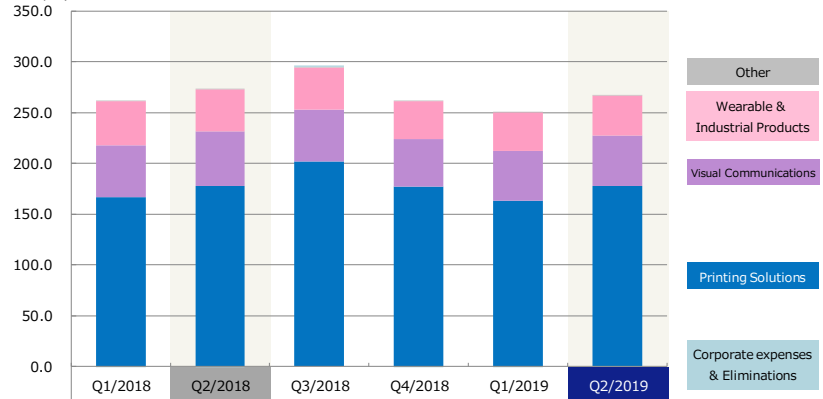
Wearable & Industrial Products	1H/2018 Actual	1H/2019 Actual	Y/Y	Exchange effect
Revenue	84.0	77.4	-6.6	-1.2
Wearable Products	24.5	22.9	-1.6	+0.0
Robotics Solutions	12.4	10.1	-2.2	+0.0
Microdevices, Other	50.1	47.3	-2.8	+0.0
Inter-segment revenue	-3.0	-2.9	+0.1	
Segment profit	3.4	-1.0	-4.4	-0.2
ROS	4.1%	-1.3%		

Quarterly Revenue Trend By Business Segment

Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	107.31	-4.15
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	-10.32

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Y/Y
Printing Solutions	166.6	178.0	201.7	177.2	163.2	178.0	-0.0
Visual Communications	51.4	53.9	51.0	46.8	49.2	49.6	-4.3
Wearable & Industrial Products	43.1	40.9	41.9	37.4	38.1	39.3	-1.5
Other	0.2	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	-0.7	+0.5
Consolidated total	260.4	271.9	296.6	260.6	249.6	266.4	-5.4

(Billions of yen)

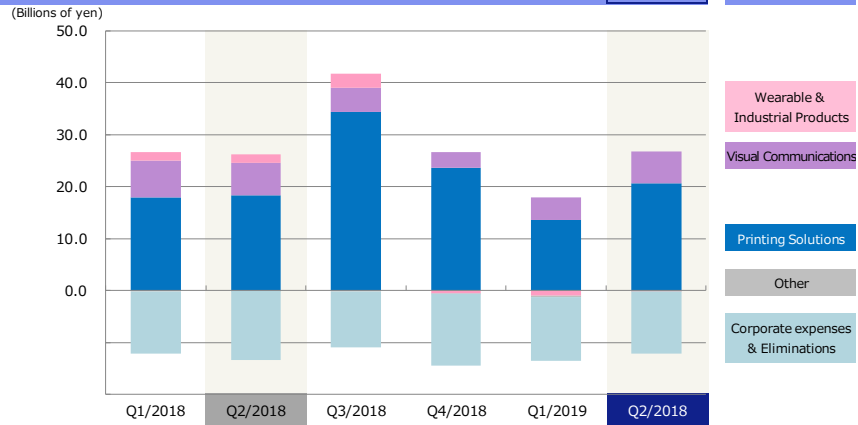


Quarterly Business Profit Trend By Business Segment



Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	107.31	-4.15
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	-10.32

Business profit (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2018	Y/Y
Printing Solutions	17.9	18.3	34.4	23.7	13.6	20.7	+2.3
Visual Communications	7.1	6.3	4.7	2.9	4.3	6.1	-0.2
Wearable & Industrial Products	1.7	1.6	2.7	-0.6	-1.0	-0.0	-1.6
Other	-0.1	-0.0	-0.1	-0.0	-0.2	-0.1	-0.0
Corporate expenses & Eliminations	-12.0	-13.4	-10.8	-13.8	-12.3	-12.0	+1.3
Consolidated total	14.6	12.7	30.9	12.1	4.5	14.6	+1.8



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	107.31	-4.15
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	-10.32

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Y/Y
The Americas	75.5	82.1	77.0	75.7	74.5	71.7	-10.4
Europe	52.8	52.0	63.6	56.6	47.9	53.7	+1.6
Asia/ Oceania	79.2	79.4	76.1	67.5	72.5	75.8	-3.5
Total revenue to overseas customers	207.6	213.7	216.8	199.9	195.1	201.4	-12.2
Consolidated revenue	260.4	271.9	296.6	260.6	249.6	266.4	-5.4

% of revenue to consolidated revenue	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019
The Americas	29.0%	30.2%	26.0%	29.1%	29.9%	26.9%
Europe	20.3%	19.1%	21.5%	21.7%	19.2%	20.2%
Asia/ Oceania	30.4%	29.2%	25.7%	25.9%	29.1%	28.5%
Total	79.7%	78.6%	73.1%	76.7%	78.2%	75.6%

Employees

Number of employees at period end (person)	End of Mar. 2017	End of Sept. 2017	End of Mar. 2018	End of Sept. 2018	End of March 2019	End of Sept. 2019	Compared to end of Mar. 2019
Japan	19,175	19,616	19,436	19,694	19,456	19,825	+369
Non-Japan	53,245	61,312	56,955	61,699	57,191	58,914	+1,723
Consolidated total	72,420	80,928	76,391	81,393	76,647	78,739	+2,092

Major Business Indicators

(Billions of yen)					(Billions of yen)			
		FY2018	FY2019	FY2021		FY2018	FY2019	Epson 25
		Actual	Outlook	(FY19-21 business plan)		Actual	Outlook	FY19-21 business plan 3-year cumulative Outlook
Exchange rate (yen)	USD	110.86	107.00	110.00	USD	110.86	107.00	110.00
	EUR	128.40	118.00	125.00	EUR	128.40	118.00	125.00
Printing	Revenue	723.6	710.0	780.0	Operating CF	76.9	85.0	Approx. 370
Solutions	Segment profit	94.5	74.0	-	FCF	-5.7	10.0	Approx. 170
Visual	Revenue	203.3	196.0	225.0				
Communications	Segment profit	21.2	15.0	-	R&D costs	58.2	55.0	Invest aggressively
Wearable & Industrial Products	Revenue	163.4	156.0	195.0	Capital expenditure	82.0	84.0	
	Segment profit	5.5	4.0	-	Except lease	82.0	75.0	Approx. 200
Other	Revenue	0.9	1.0	-				
	Segment profit	-0.5	-1.0	-				
Corporate expenses & Eliminations	Revenue	-1.6	-3.0	-				
	Segment profit	-50.2	-50.0	-				
Consolidated total	Revenue	1,089.6	1,060.0	1,200.0				
	Segment profit	70.4	42.0	96.0				
	ROS	6.5%	4.0%	8%				
	ROE	10.2%	5.1%	Over 10%				

Main Product Sales Trends



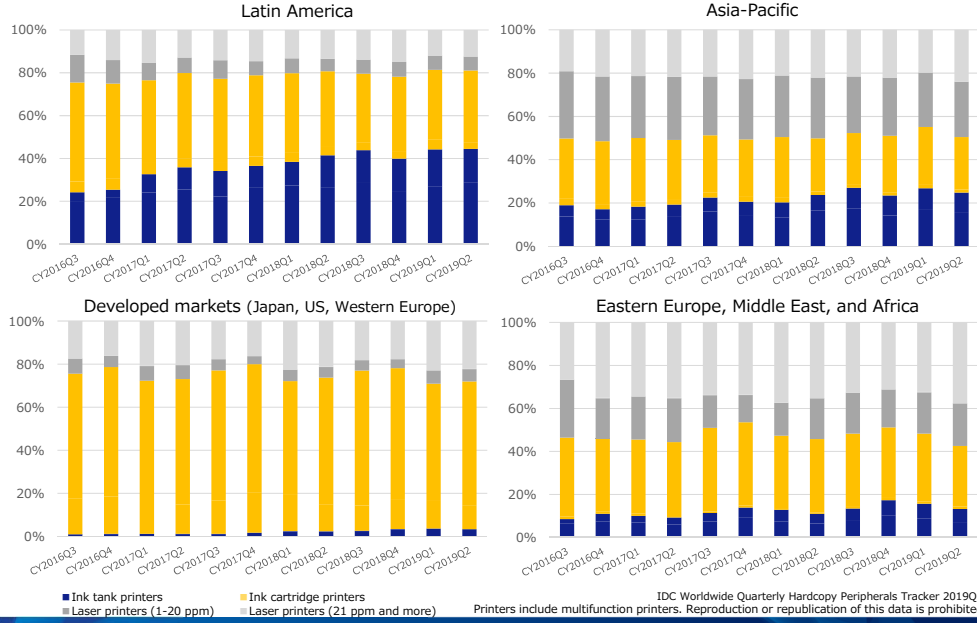
The indicators in this document are based on values tracked internally by Epson

*1 Office Shared IJP : One of printer category for high print volume office users. This includes L1J, RIPS, 1/C printers, and excludes paid repairs and services

*2 LC: Local Currency base

				FY2018 Full-year Actual	FY2019 Q1 Actual	FY2019 Q2 Actual	FY2019 Full-year Outlook
			USD	110.86	109.93	107.31	107.00
			EUR	128.40	123.54	119.34	118.00
Printing Solutions	IJP Hardware	Revenue (JPY)	YoY %	Flat YoY	-6%	+0%	+1%
		Revenue (LC*2)	YoY %	-	-2%	+5%	-
		Volume	YoY %	-4%	-7%	+6%	+2%
		Volume	Units	Approx. 15.4 million	-	-	Approx. 15.8 million
		High-capacity ink tank	Units	Approx. 9.0 million	-	-	Approx. 10.2 million
		SOHO/ Home	Units	Approx. 6.1 million	-	-	Approx. 5.2 million
	IJP Ink	Revenue within IJP Ink / (HW+Ink)	Composition ratio	Approx. 50%	-	-	47%
		Revenue (JPY)	YoY %	- high single-digit %	-9%	-6%	-11%
		Revenue (LC*2)	YoY %	-	-8%	-2%	-
	Office Shared IJP*1 (Hardware + Ink)	Revenue within IJP	Composition ratio	high single-digit %	8%	8%	10%
		Revenue (JPY)	YoY %	- high single-digit %	-15%	-14%	-13%
	SIDM Hardware	Revenue (LC*2)	YoY %	-	-12%	-10%	-
Volume		YoY %	-6%	-14%	-10%	-7%	
Revenue within Professional Printing		Composition ratio	low 60 %	63%	63%	64%	
Visual Communi- cations	Projectors Hardware	Revenue (JPY)	YoY %	+ low single-digit %	-4%	-8%	-3%
		Revenue (LC*2)	YoY %	-	-1%	-3%	-
		Volume	YoY %	+1%	-8%	-9%	-4%
		Volume	Units	Approx. 2.6 million	-	-	Approx. 2.5 million

A4 printer main unit market trend by region



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

