



Third Quarter Financial Results Fiscal Year 2015 (Ending March 2016)

January 29, 2016

SEIKO EPSON CORP.

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■ 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.

■ FY2015 reporting segments

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

■ Numerical values presented herein

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

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■ Disclosure of FY2015 financial results

1) FY2015 Q3 Financial Results

2) FY2015 Financial Outlook

Financial Highlights (Through First 9 Months)



	FY2014		FY2015		Change	
	First 9 Months	%	First 9 Months	%	Amount	%
(Billions of yen)						
Revenue	814.8	-	837.4	-	+22.6	+2.8%
Business profit	85.4	10.5%	72.7	8.7%	-12.6	-14.9%
Profit from operating activities	110.6 *1 (80.6)	13.6% (9.9%)	81.9	9.8%	-28.7 (+1.3)	-26.0% (+1.6%)
Profit before taxes	112.6 (82.5)	13.8% (10.1%)	80.3	9.6%	-32.3 (-2.2)	-28.7% (-2.7%)
Profit for the period	90.6 (60.5)	11.1% (7.4%)	55.2	6.6%	-35.3 (-5.3)	-39.0% (-8.8%)
EPS *2	¥252.88		¥153.64			
Exchange rate	USD	¥106.87	¥121.70			
	EUR	¥140.30	¥134.36			

*1 In Q1 of FY2014, the company recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan. () Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan.
*2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

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■ Cumulative results for the first three quarters

- We had ¥837.4 billion in revenue, an increase of ¥22.6 billion compared to the same period last year. Business profit was ¥72.7 billion, down ¥12.6 billion year on year. Profit for the period was ¥55.2 billion, down ¥35.3 billion compared to the year-ago period, when we recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan.

Financial Highlights (Third Quarter)							EPSON EXCEED YOUR VISION
(Billions of yen)	FY2014		FY2015		Change		
	3Q Actual	%	3Q Actual	%	Amount	%	
Revenue	301.9	-	294.4	-	-7.5	-2.5%	
Business profit	34.5	11.4%	32.5	11.0%	-2.0	-5.9%	
Profit from operating activities	32.0	10.6%	40.1	13.7%	+8.1	+25.3%	
Profit before taxes	32.0	10.6%	40.2	13.7%	+8.2	+25.6%	
Profit for the period	24.9	8.3%	29.0	9.9%	+4.1	+16.6%	
EPS *1	¥69.57		¥80.89				
Exchange rate	USD	¥114.54	¥121.50				
	EUR	¥143.07	¥132.95				

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

■ FY2015 third-quarter results for the 2015 fiscal year

- Compared to the same period last year, revenue fell by ¥7.5 billion to ¥294.4 billion. Business profit declined by ¥2 billion to ¥32.5 billion. Profit for the period came in at ¥29 billion, a ¥4.1 billion increase that is primarily attributable to having recorded a gain on sales of fixed assets at the Shonan Plant in profit from operating activities.

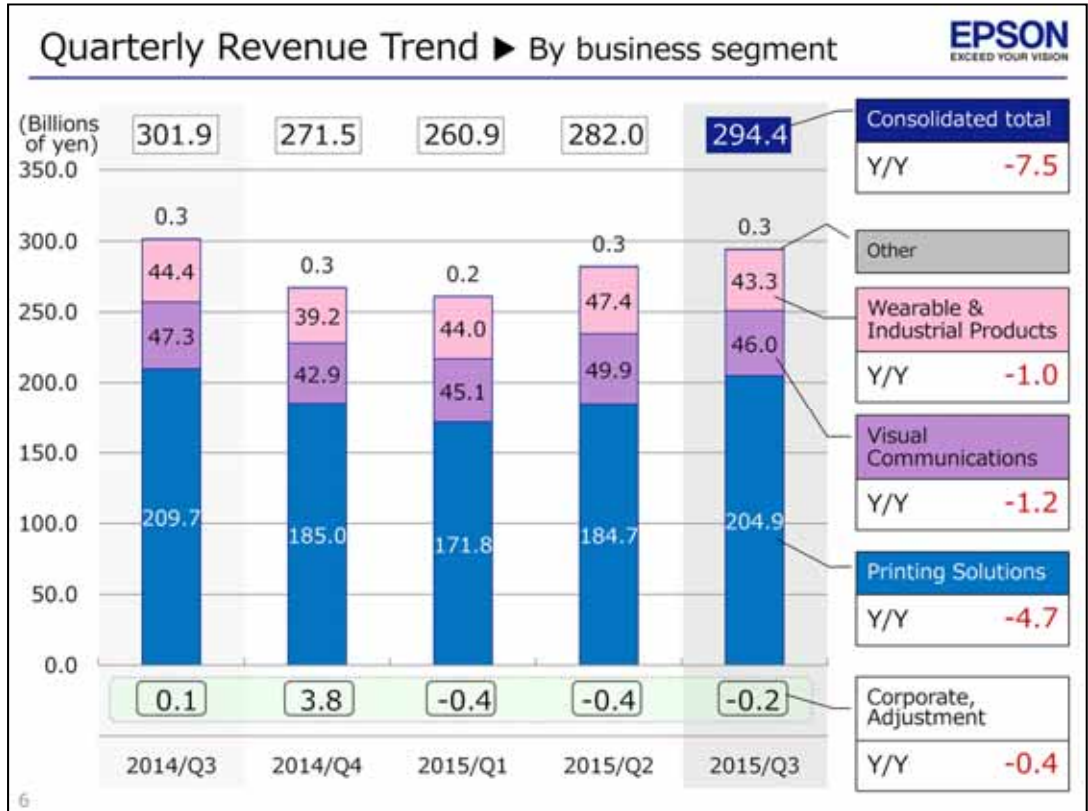
- ✓ Risks (macro environmental factors and price erosion) that were factored into the previous outlook have materialized but have stayed roughly within expectations.
- ✓ Strategic actions taken under the SE15 mid-range business plan are on pace.
- ✓ Progress on internal plans varied by segment, but

Q3 business profit was solid.

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■ Q3 performance versus the internal plan

- Next we briefly describe how we performed in the third quarter versus our internal plan, which served as the basis for the financial outlook we presented on October 29th.
- First, the macro environment deteriorated more than we had assumed when we created our internal plan. In addition to currency depreciation and an economic slump in Latin America, concerns over the deceleration of the Chinese economy deepened.
- Nevertheless, the sales environment in markets that Epson is targeting is largely in line with expectations. So far we are seeing only limited effects from things such as a decrease in government tenders and a contraction of the projector market compared to last year.
- Price erosion for cartridge-type inkjet printers, a risk that we factored into our internal plan, has, by and large, been within the range we anticipated in North America. High-capacity ink tank printer price erosion has also stayed within the expected range, despite rivals having entered the market.
- On the strategic end we are seeing steady progress. Sales of high-capacity ink tank printers continue to grow year-on-year and in line with the full-year plan, while ink sales are also steadily growing in step with the internal plan.
- So, while the assumed risks that we factored into our previous financial outlook have materialized, we are seeing our core strategic actions stay on pace and steadily bear fruit and, although progress varies to some extent among the printing solutions, visual communications, and wearable & industrial products segments, we are basically about where we expected.
- As a result, third-quarter business profit, which benefited somewhat from euro appreciation, ended up solidly in line with the overall plan.



■ Revenue in each segment over the last five quarters

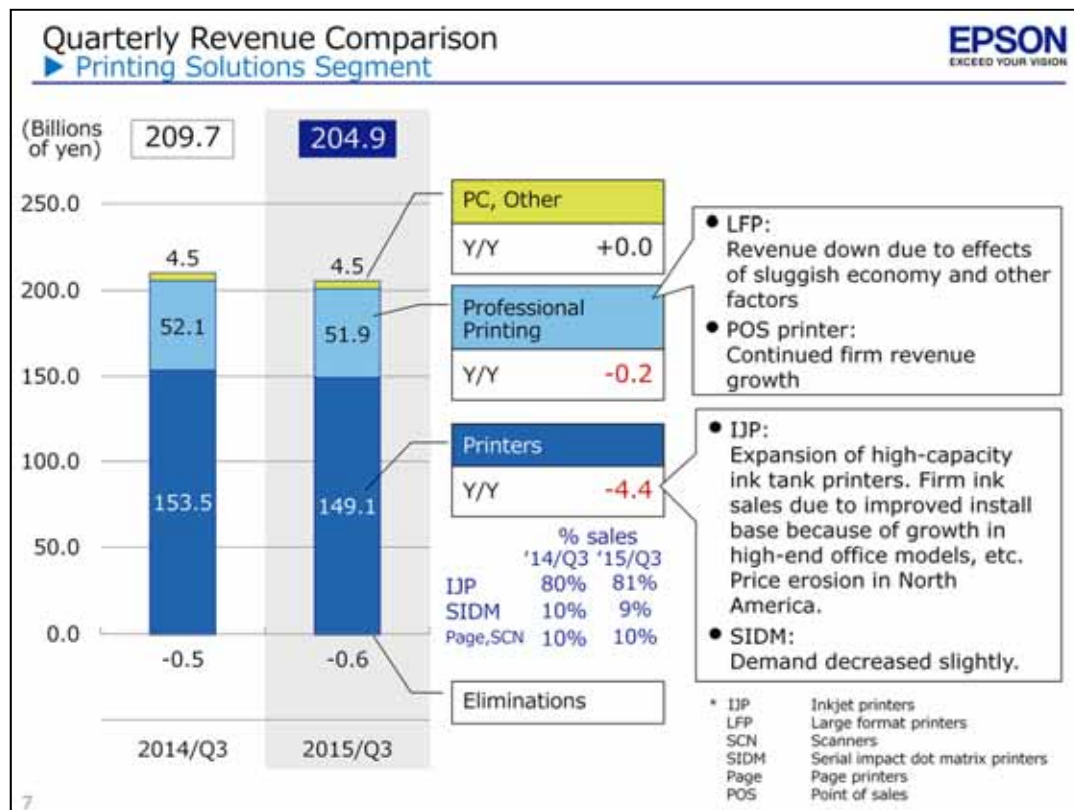
➤ Compared to the same period last year, printing solutions revenue decreased by ¥4.7 billion. Visual communications revenue decreased by ¥1.2 billion. And wearable and industrial products revenue decreased by ¥1 billion.

➤ Foreign exchange effects, including the effects of Latin American currency devaluations, reduced revenue by about ¥3.4 billion more this quarter than in the same period last year.

➤ Next, let's take a year-over-year look at revenue in each of the segments.

➤ In visual communications, the projector market contracted. Stagnant economies in Latin America and elsewhere, along with a decline in government education tender offers in Europe and the U.S., played a part in the contraction.

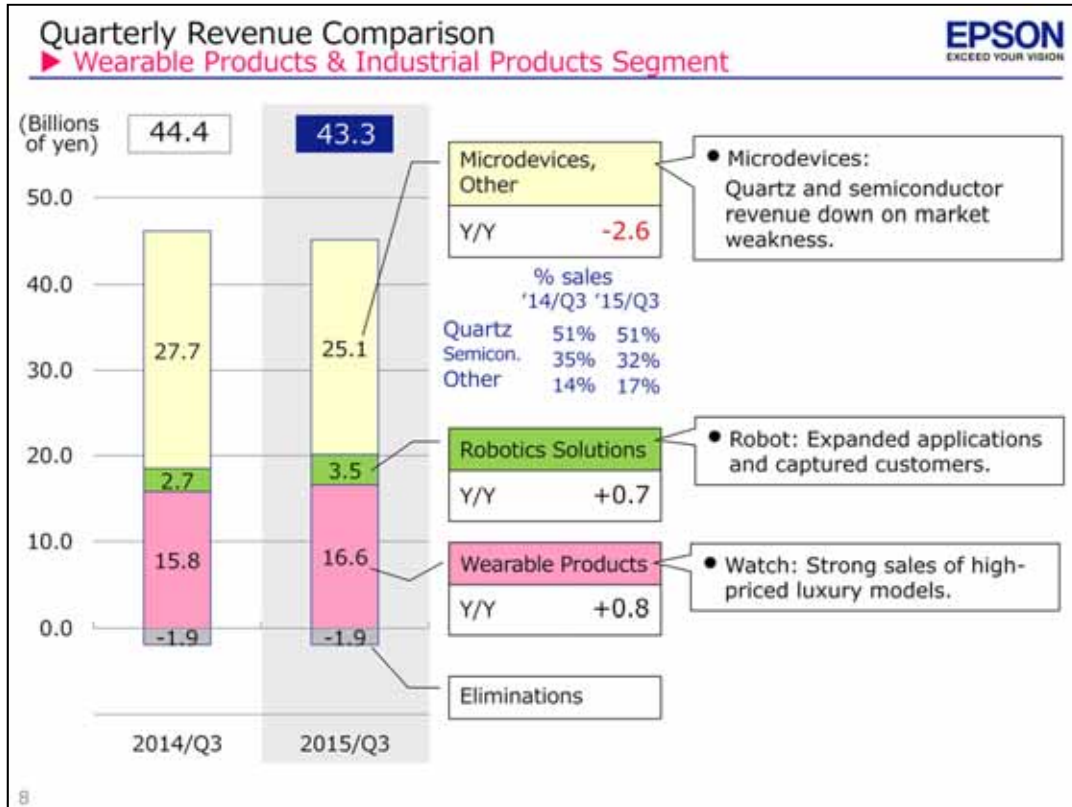
Despite market conditions, however, Epson was able to expand its market share with a broad lineup of products that leverage the advantages of 3LCD projection systems. This enabled us to ship roughly the same number of units this quarter as the same period last year, and thus keep the dip in revenue to a minimum.



- Quarterly revenue in the businesses making up the printing solutions equipment segment
- In the printer business, inkjet printer unit shipments were in line with the plan for the year, which calls for year-on-year growth, though sales of high-capacity ink tank printers, which lie at the heart of our strategy, were strong in some regions and weak in others, depending on local economic conditions.

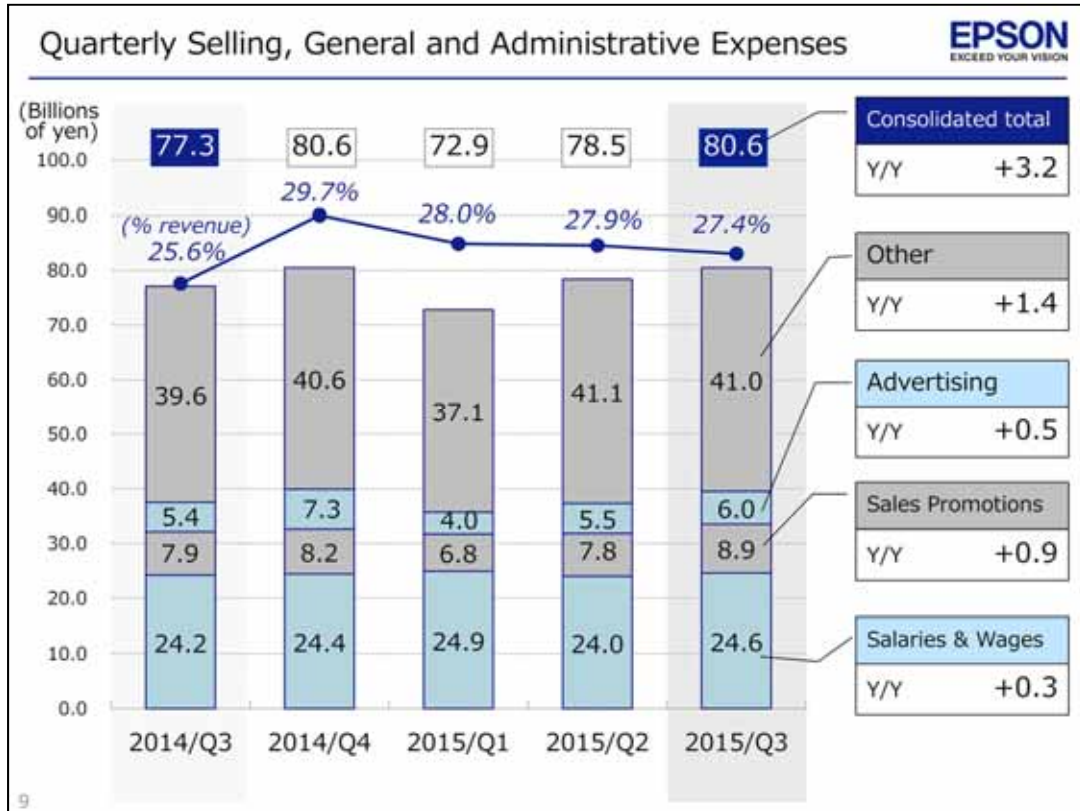
In office inkjet printers, we saw unit shipments of ink cartridge models gradually decline. On the other hand, shipments of high-end models equipped with PrecisionCore printheads jumped significantly. Sales of ink also increased, especially in Europe and North America, a benefit of our past efforts to improve the quality of the install base.

Although we raised product prices as needed in the face of currency devaluations in Latin America, total inkjet printer revenue fell somewhat, mainly because of price erosion in North America and because of both price erosion and a decline in unit shipments in the contracting Japanese consumer printer market.
- SIDM printer revenue decreased because even though we saw steady demand for tax collection systems in China, demand in Latin America and elsewhere is gradually tapering.
- Page printer revenue also decreased, chiefly because we have been limiting sales of low-end units. The printer business as a whole reported lower revenue.
- Revenue in professional printing as a whole was flat year on year. Revenue was hurt by economic sluggishness, which muted demand for large-format printers. It was also hurt by competitors who continued to pursue low-price strategies even in A3 photo printers. On the other hand, we saw strong first-half demand for POS printers carry over into the third quarter and an increase in sales mainly to large stores in North America.



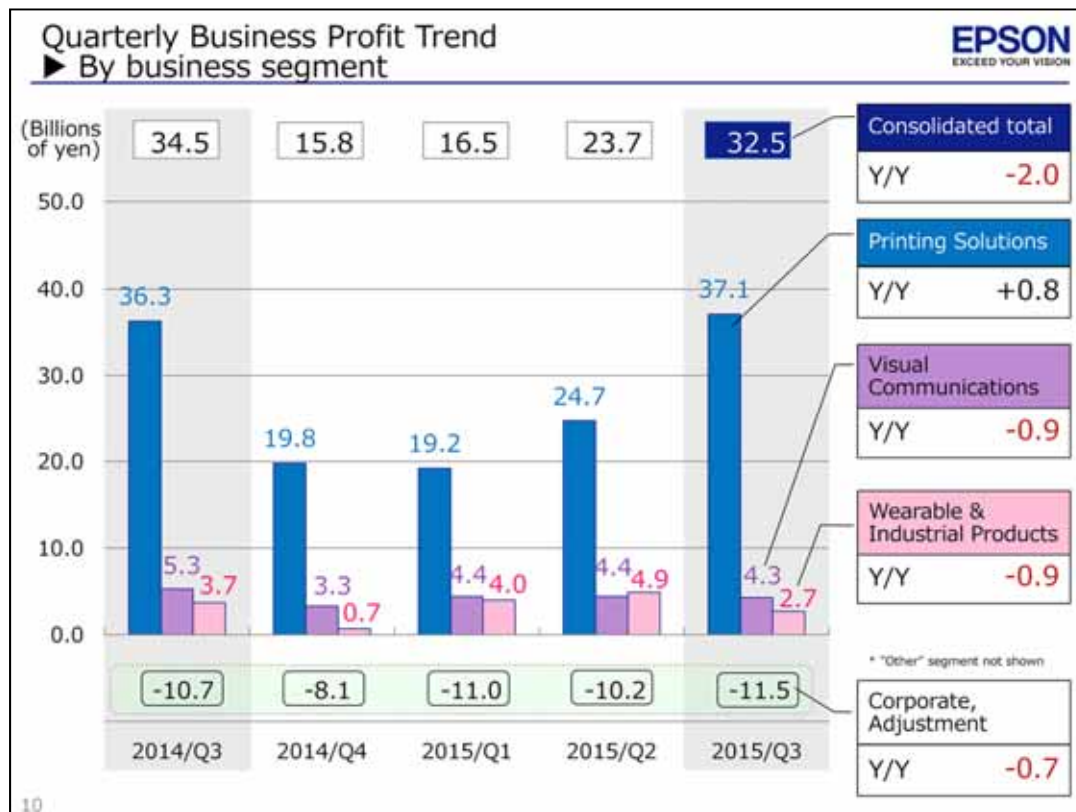
■ Quarterly revenue in the wearable & industrial products segment

- Wearable products revenue increased year on year despite signs of a gradual tempering of demand for watches from visitors to Japan. The increase is due to strong sales of high-priced models.
- Robotics solutions revenue increased year on year, as we were able to reel in expanding customer demand and demand for new applications.
- Microdevices and other revenue decreased on the whole. Sales of quartz crystal products for networks and communications base stations increased. Nevertheless, quartz revenue decreased due to weaker demand in the consumer devices market. Semiconductor revenue also declined, as foundry orders and external sales, both of which were strong last year, declined in a weak market. Other businesses, including powdered metals and surface processing, carried first-half momentum into the third quarter and continued to steadily expand.



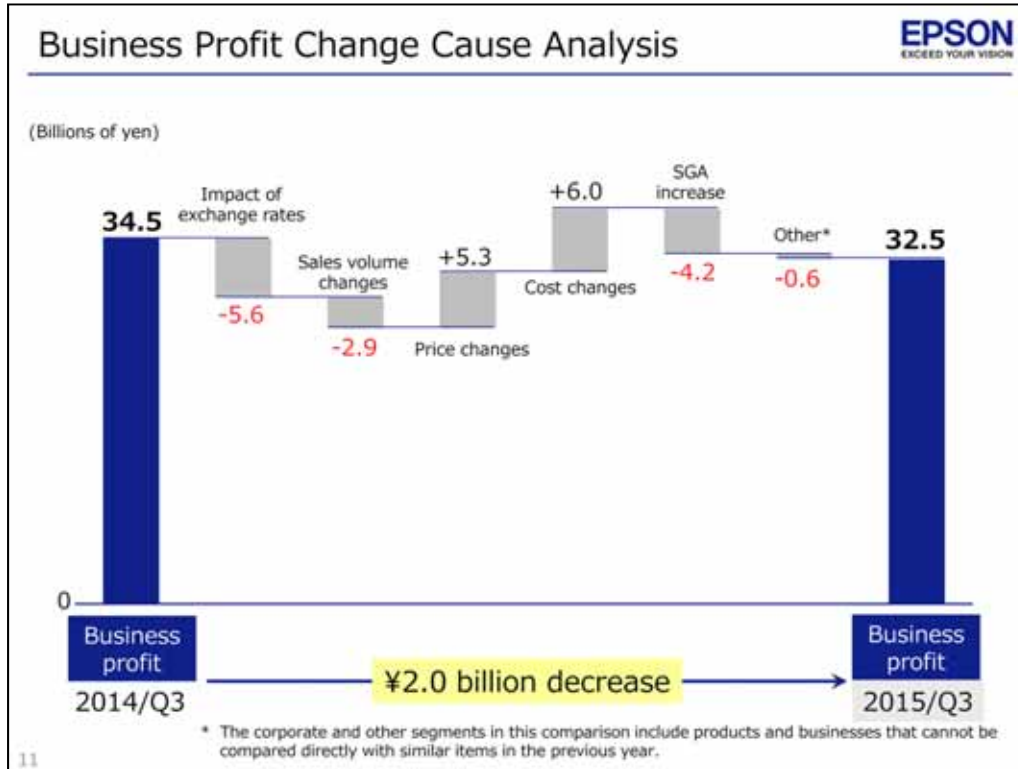
■ Quarterly selling, general and administrative expenses

- Third-quarter selling, general and administrative expenses increased by ¥3.2 billion compared to the same quarter last year. SGA expenses increased because we spent more on R&D and more on advertising and sales promotions to strengthen our brand and promote Epson and our products in new areas.

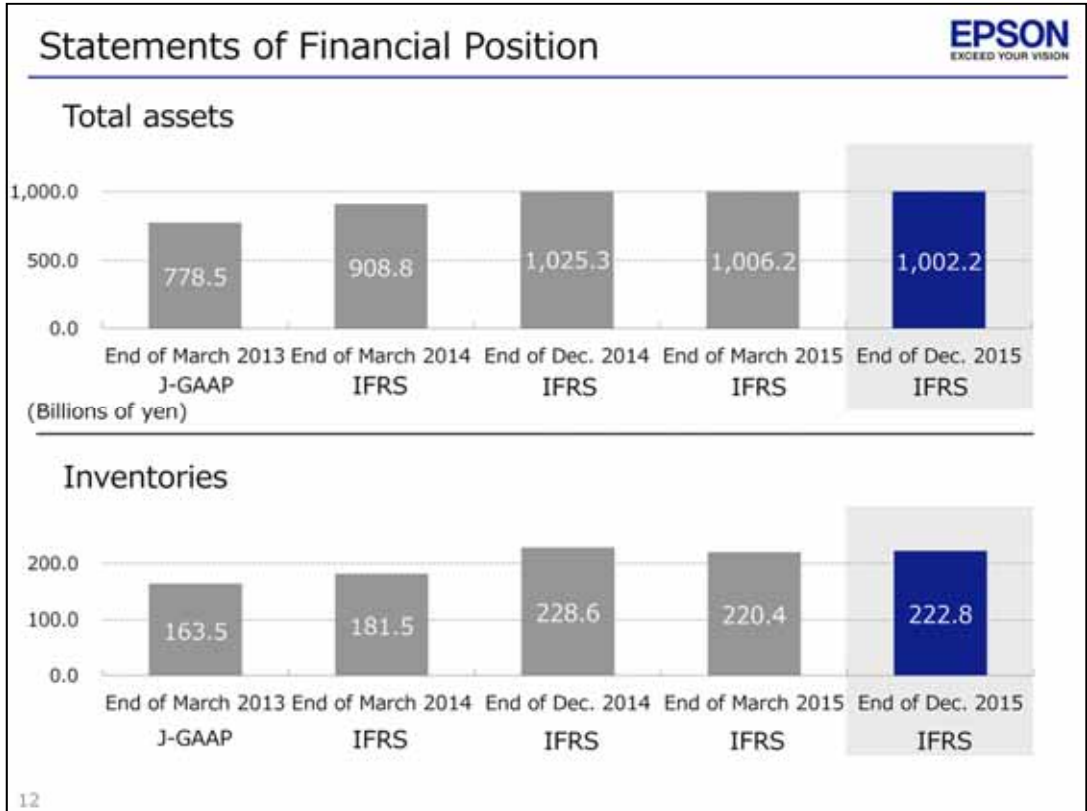


■ Breakdown of quarterly business profit by segment

- Third-quarter total consolidated business profit was ¥32.5 billion, a decline of ¥2 billion compared to the same period last year.
- Foreign exchange effects reduced business profit by ¥5.6 billion more than in the same period last year. In addition to the strong dollar, which drove up manufacturing costs, business profit was hit by euro depreciation and the devaluation of Latin American currencies.
- In printing solutions, the printer business recorded flat year-on-year business profit. Printer profit was hurt by price erosion in North America and Japan, the cost of making strategic investments and negative foreign exchange effects. However, these negative factors were offset by higher revenue from sales of high-capacity ink tank printers, as well as by ink revenue growth in Europe and North America and a strategic reduction in the number of ink cartridge printers manufactured.
- Business profit in professional printing increased slightly, as strong POS printer sales made up for the decline in large-format printer revenue. All told, business profit in printing solutions as a whole increased slightly.
- Visual communications recorded lower business profit. A slight dip in revenue compared to the same period last year, spending on R&D for strategic new products, and negative foreign exchange effects were responsible for the bulk of the decrease.
- Business profit in wearable & industrial products as a whole decreased due to the effects of lower semiconductor revenue. However, in addition to profit growth in quartz, which benefited from efficiencies and positive foreign exchange effects at our manufacturing affiliates, we saw robotics solutions profit rise on higher revenue.

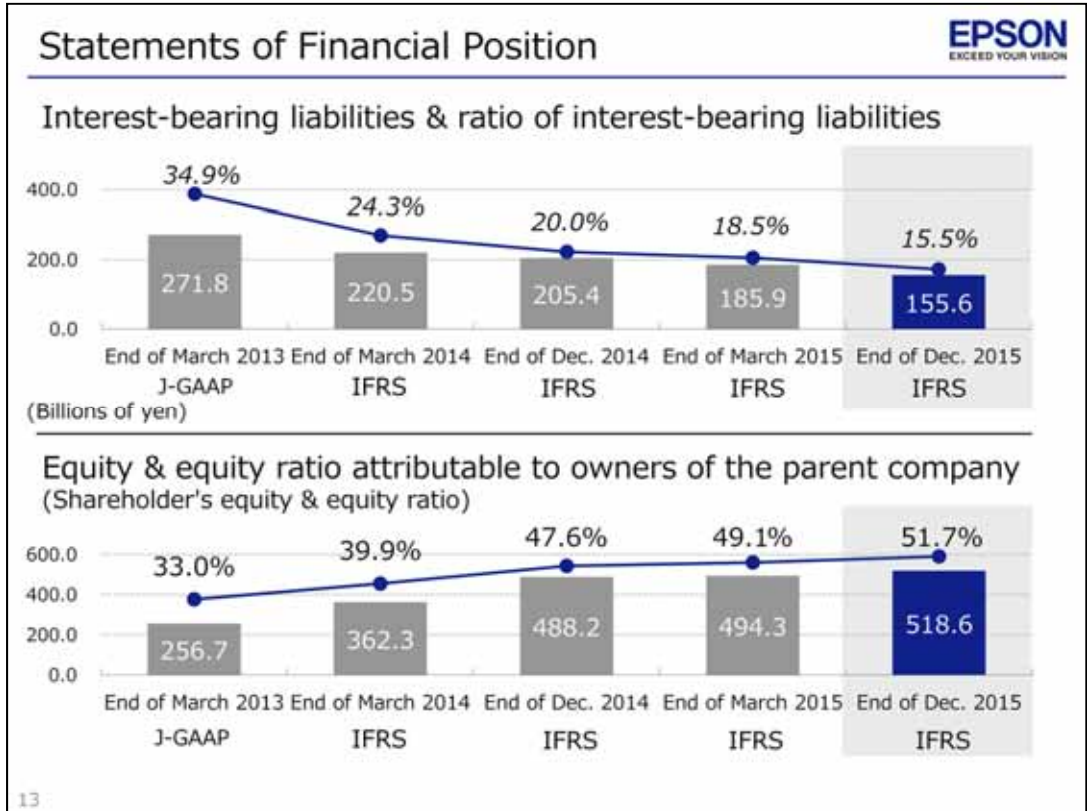


- Cause analysis of the decrease in business profit compared to the same period last year
- Foreign exchange effects, including the appreciation of the US dollar, depreciation of the euro, and devaluation of Latin American currencies, had an approximately ¥5.6 billion negative impact on business profit.
- Volume changes negatively affected business profit. Lower unit sales of SIDM and page printers affected profit, while volumes of large-format printers, semiconductors and quartz were hit by factors such as the economic slowdown.
- Despite price erosion in the printer business, price changes positively affected business profit, mainly because we tied price adjustments to currency fluctuations in Latin America and because we improved our model mixes in various business, such as in watches, where sales of high-priced models were strong.
- Cost changes, including a reduction in the number of ink cartridge printers produced, costs reductions across all businesses, and improved model mixes, positively affected business profit.
- SGA expenses increased because of factors such as strategic spending particularly on R&D and sales promotions geared toward growth.
- In the end, business profit increased year on year after excluding foreign exchange effects, as the negative effects of volume changes and increased SGA expenses were outweighed by the positive effects of price changes and cost changes.



■ Major items on the statements of financial position

- First, total assets. Although trade and other receivables and property, plant and equipment increased, total assets decreased by ¥4 billion compared to the end of March 2015 mainly because of a decrease in cash and cash equivalents.
- Inventories showed very little change from the end of the previous fiscal year.



■ Major items on the statements of financial position

- Interest-bearing liabilities were ¥155.6 billion, a decrease of ¥30.3 billion compared to the end of the previous fiscal year chiefly due to a redemption of bonds payable. The ratio of interest-bearing liabilities to total assets was 15.5%.
- Net cash was ¥63.6 billion.
- The equity attributable to owners of the parent company increased by ¥24.2 billion compared to the previous fiscal year end. The equity ratio attributable to owners of the parent company was 51.7%.

1) FY2015 Q3 Financial Results

2) FY2015 Financial Outlook

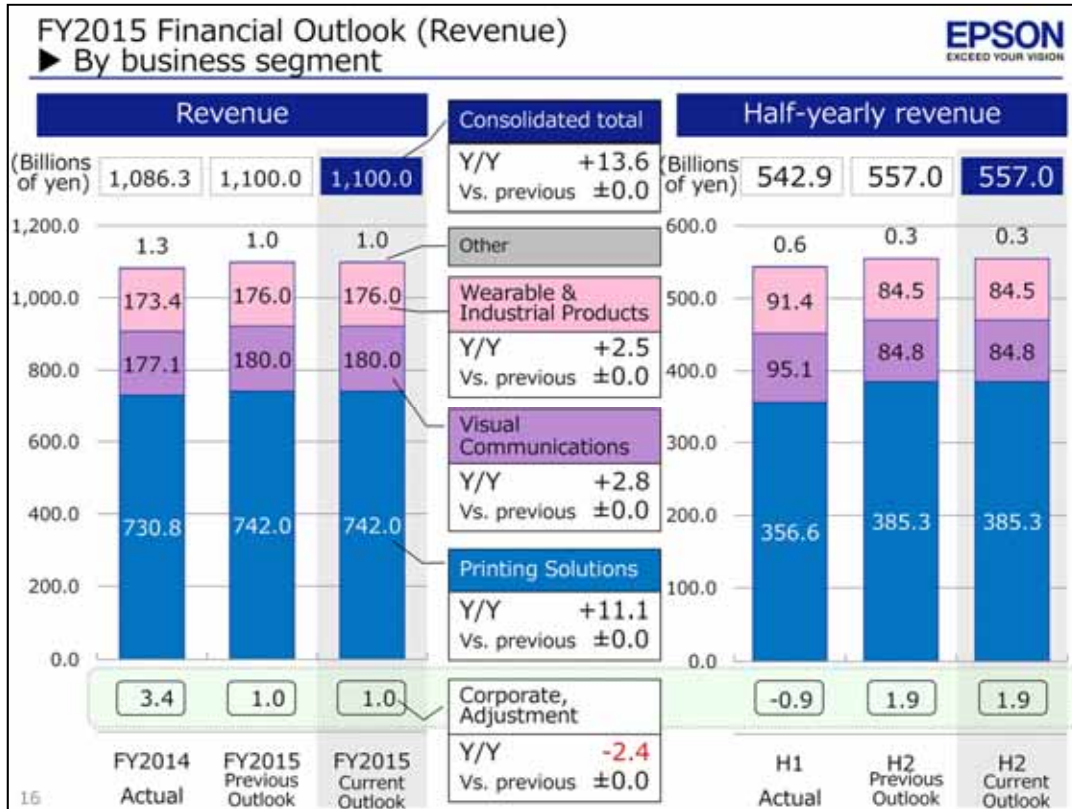
FY2015 Financial Outlook										EPSON EXCEED YOUR VISION	
	FY2014		FY2015				Change (amount, %)		Vs. 10/29 Outlook		
	(Billions of yen)	Actual	%	10/29 Outlook	%	Current Outlook	%	Y/Y			
Revenue	1,086.3	-	1,100.0	-	1,100.0	-	+13.6 +1.3%	-	±0 ±0.0%		
Business profit	101.2	9.3%	82.0	7.5%	82.0	7.5%	-19.2 -19.0%	-	±0 ±0.0%		
Profit from operating activities	131.3 *1(101.3)	12.1% (9.3%)	91.0	8.3%	91.0	8.3%	-40.3 -30.7%	(-10.3) (-10.2%)	±0 ±0.0%		
Profit before taxes	132.5 (102.4)	12.2% (9.4%)	88.0	8.0%	88.0	8.0%	-44.5 -33.6%	(-14.4) (-14.1%)	±0 ±0.0%		
Profit for the year	112.7 (82.7)	10.4% (7.6%)	60.0	5.5%	60.0	5.5%	-52.7 -46.8%	(-22.7) (-27.5%)	±0 ±0.0%		
EPS *2	¥314.61		¥167.70		¥167.70		<ul style="list-style-type: none"> Assumed Q4 exchange rates USD: ¥115.00 / EUR: ¥125.00 Exchange rate sensitivity - Effect on business profit of 1-yen drop in yen value USD: -¥0.4 bil. / EUR: +0.8 bil. - Effect on business profit of 1% depreciation in yen value For currencies other than USD & EUR: +¥1.2 bil. 				
Exchange rate	USD	¥109.93	¥118.00		¥120.00						
	EUR	¥138.77	¥130.00		¥132.00						

*1 FY2014 business profit includes a one-time profit of approximately 30 billion yen from the revision of the pension system.
() Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan.

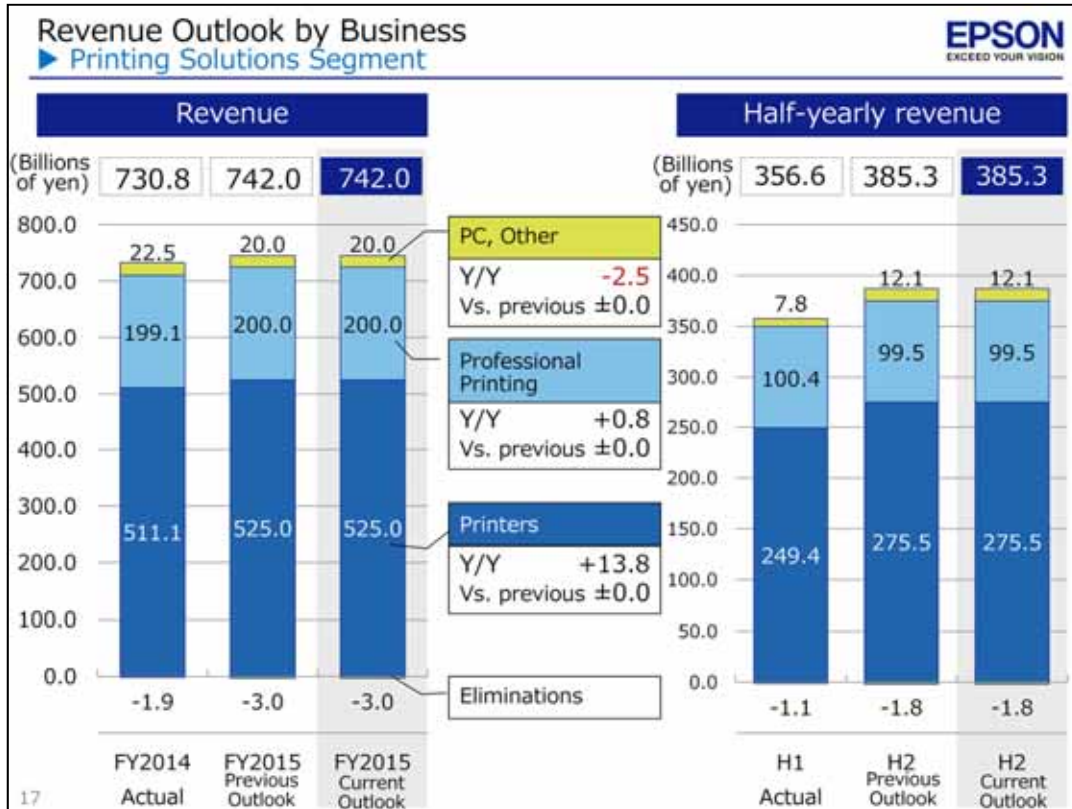
*2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

■ FY2015 full-year outlook

- We now are forecasting ¥1,100 billion in revenue, ¥82 billion in business profit, ¥91 billion in profit from operating activities, and ¥60 billion in profit for the year.
- As I said earlier, our third-quarter performance in every segment was very much in line with the plan on which our previous financial outlook was based, so we are reiterating our previous full-year financial outlook.
- Assumed exchange rates for the fourth quarter remain at 115 yen to the US dollar and 125 yen to the euro.
- Given that the full-year business profit forecast on which we base our dividend payments has not changed, we still expect to pay a year-end dividend of 30 yen per share.
- The estimated sensitivity of annual business profit to exchange rates remains the same. A one-yen depreciation of the yen versus the US dollar would reduce business profit by ¥0.4 billion, while a one-yen depreciation of the yen versus the euro would increase business profit by ¥0.8 billion.
- About 40% of our revenue in foreign currencies are in currencies other than the dollar and euro, and a hypothetical 1% depreciation of the yen versus these other currencies would provide an additional ¥1.2 billion a year to business profit.

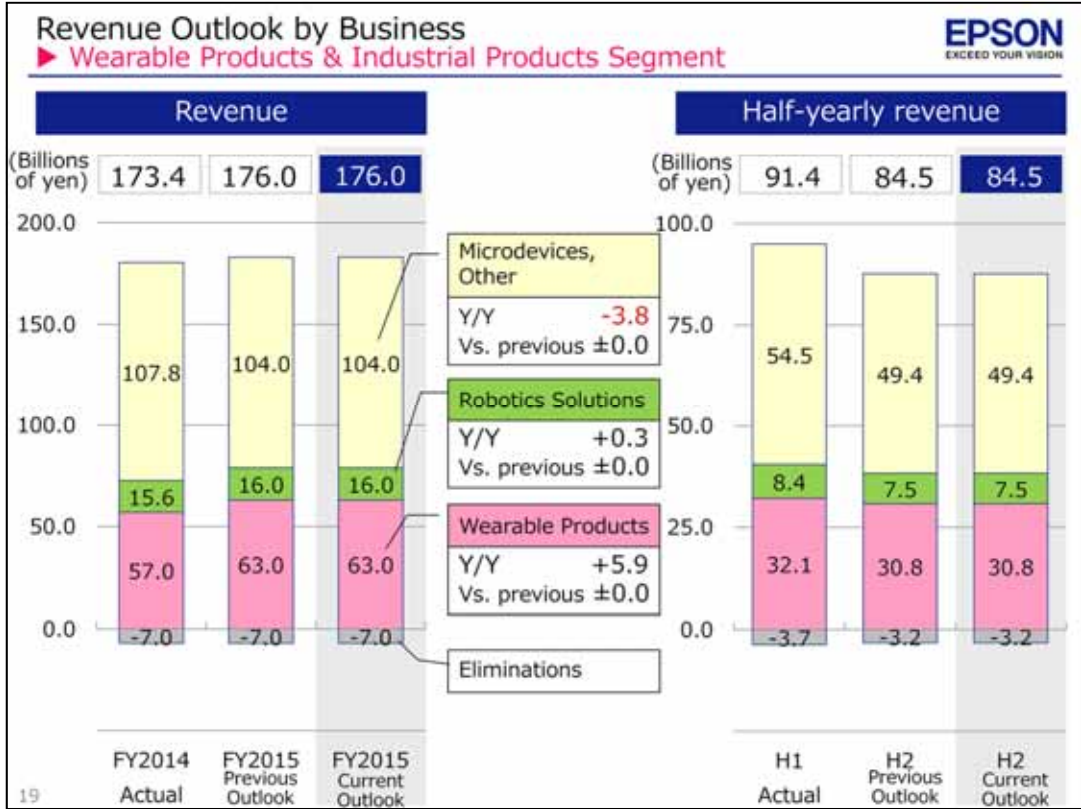


- Revenue outlook for FY2015 broken down by segment and by first and second half
 - The second-half outlook has not changed since our previous guidance.
 - Although we lowered this year's overall market volume forecast for projectors by 8% compared to last year, we did not change Epson's annual unit shipment forecast. We still expect to achieve year-on-year unit shipment growth of 2% by increasing our market share.

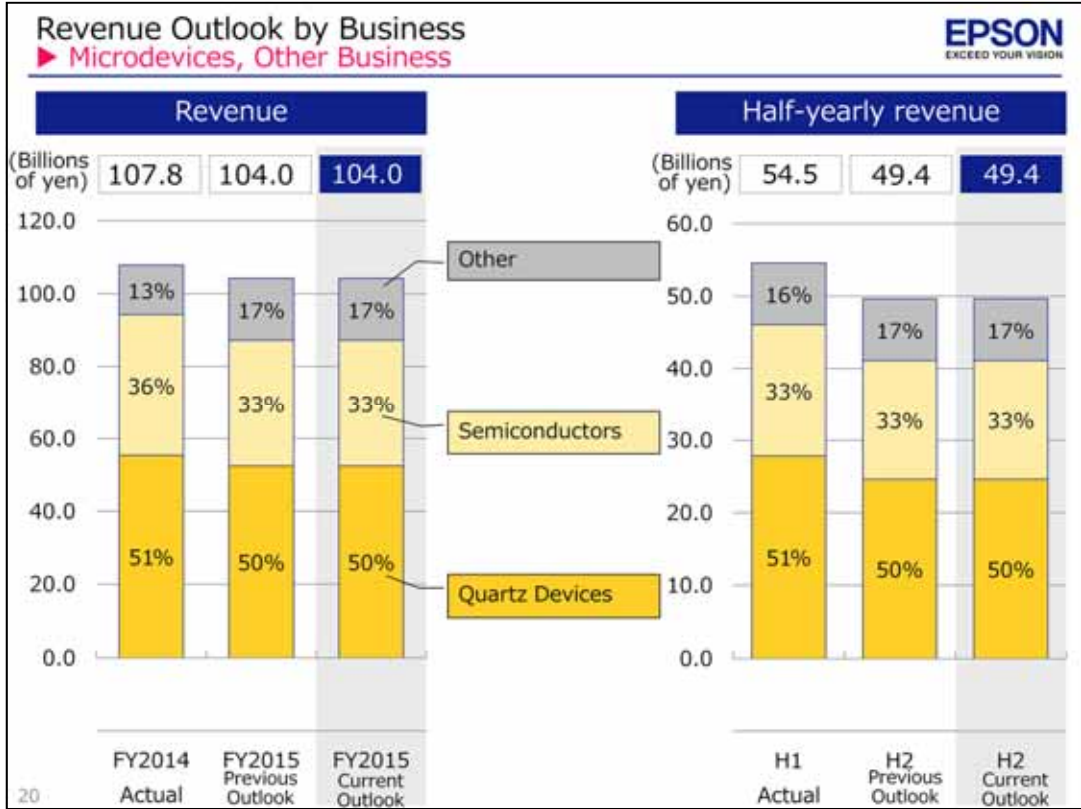


■ Revenue outlook in printing solutions broken down by business

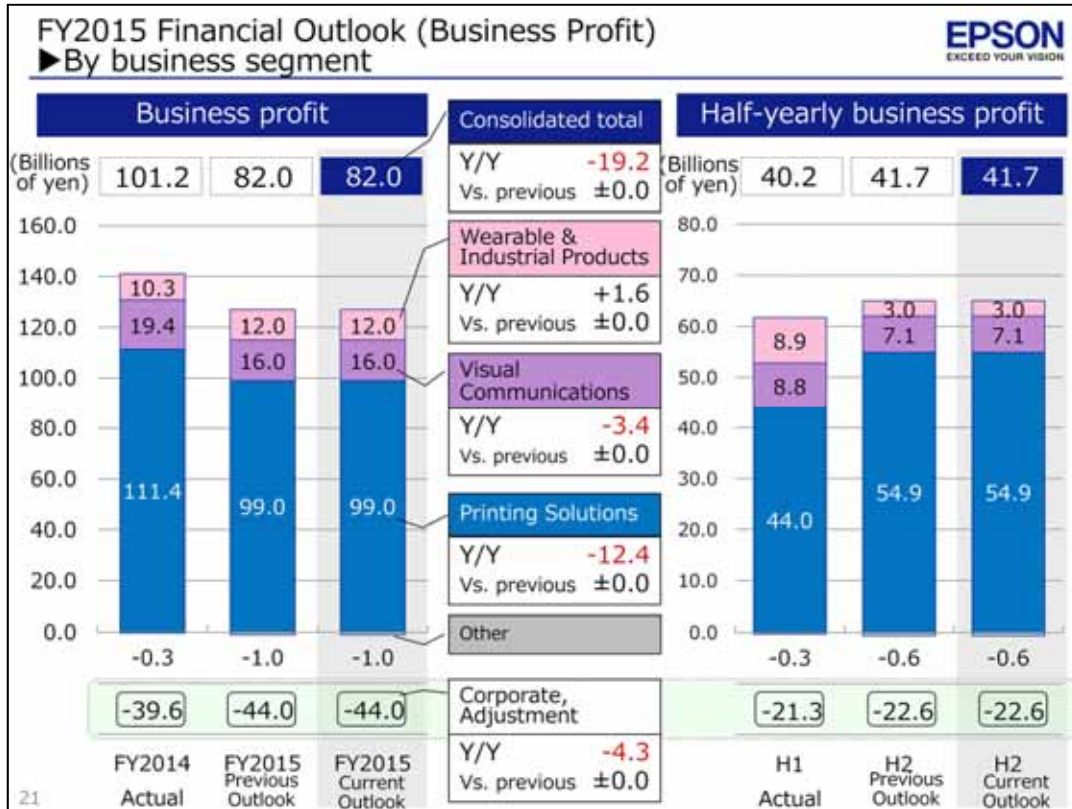
- The full-year revenue outlook in printers is ¥525 billion and in professional printing is ¥200 billion.



- Breakdown of revenue by business in wearable & industrial products

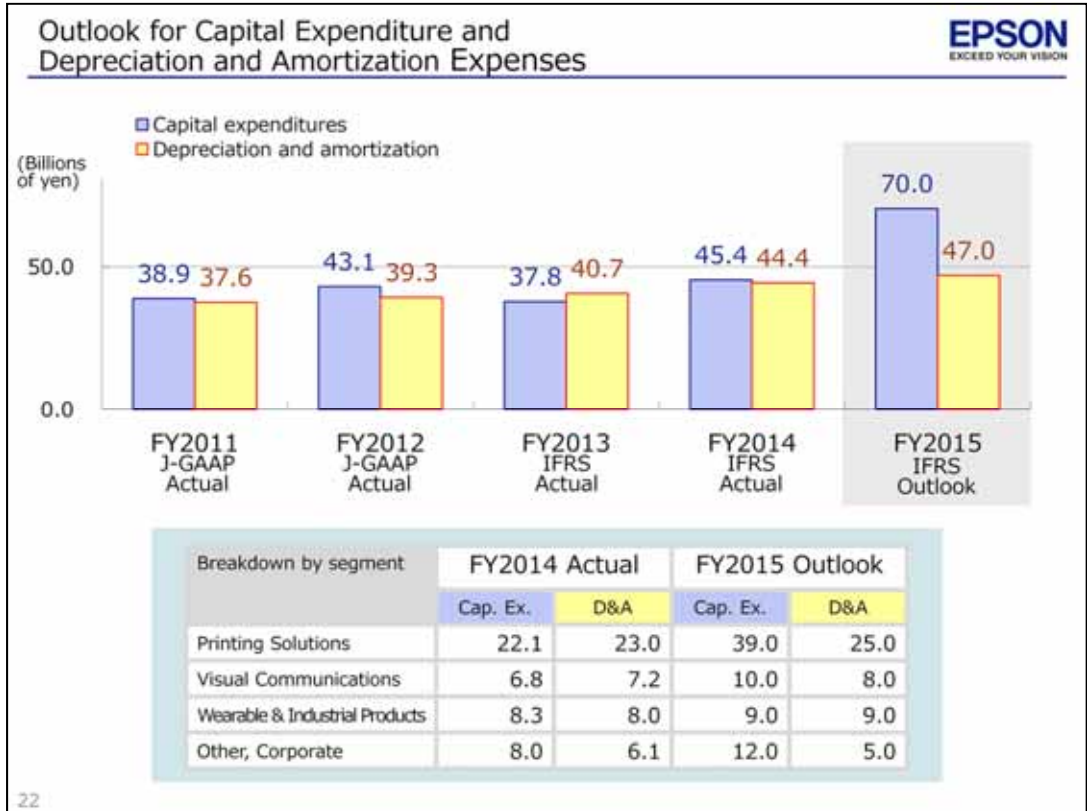


- Breakdown of revenue in microdevices and other businesses



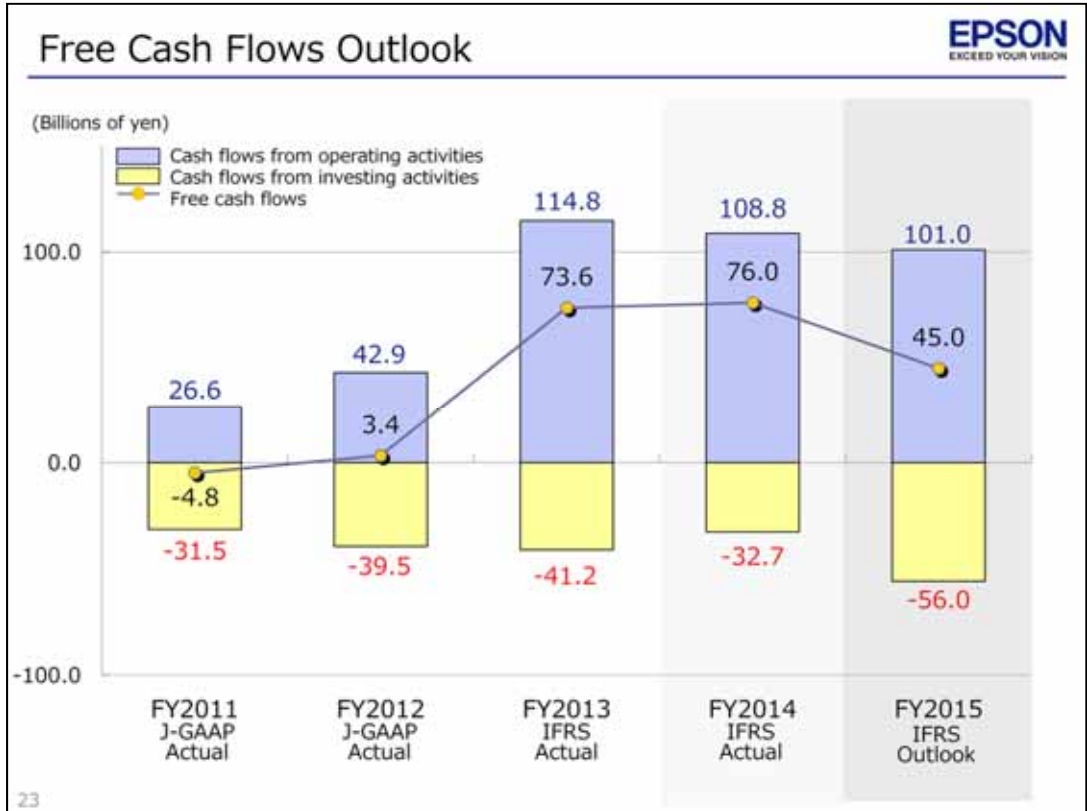
■ FY2015 estimated full-year and half-year business profit broken down by segment

- The full-year business profit for the segments has not changed since our previous financial outlook. We still anticipate ¥99 billion in printing solutions, ¥16 billion in visual communications, and ¥12 billion in wearable & industrial products.



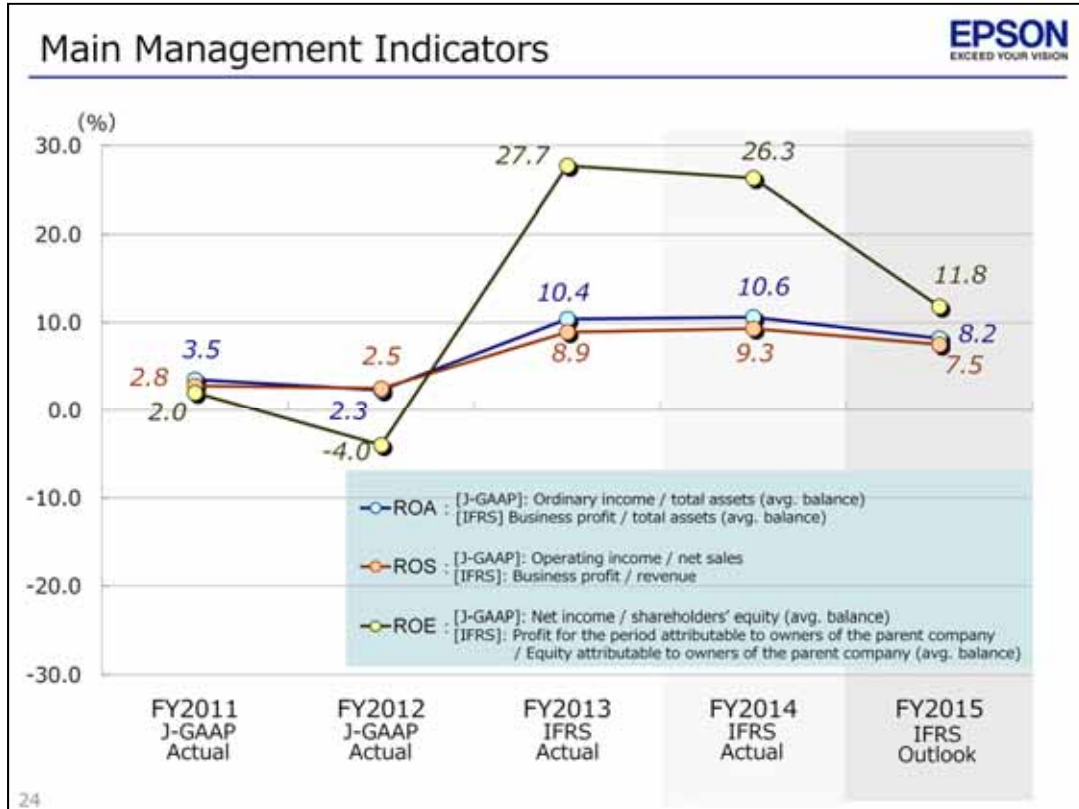
■ Outlook for capital expenditures and depreciation/ amortization expenses

- Capital expenditure should be about ¥70 billion and depreciation and amortization should be about ¥47 billion. Both are the same as in the previous outlook.



■ Cash flows

- The outlook for cash flows also remains unchanged since the previous outlook.
- We are forecasting ¥101 billion in cash flows from operating activities, ¥56 billion in cash flows from investing activities, and ¥45 billion in free cash flows.



■ Major management performance indicators

- Given the financial outlook, we expect a 7.5% return on sales, 8.2% return on assets, and 11.8% return on equity.
- The economic environment in the third quarter was not easy, but we are executing our business strategies very much in line with internal plans.
- In the fourth quarter we expect economic conditions to worsen further, but we will execute the actions we have planned for this year, including strategic investment in medium- and long-term growth. At the same time, we will aim to reach ¥82 billion in full-year business profit by achieving our sales plans and by reviewing our spending plans before making the decision to go forward.
- The medium- and long-term growth strategies we have pursued under the SE15 Updated Mid-Range Business Plan have proved to be successful, and we feel that we are on the right track.
We believe that we now need to use this success as a foundation on which to build technology platforms and business structures that can sustain growth over the medium and long terms.
- So, under the next mid-range business plan, which we plan to present on March 17th, we will effectively invest in products that will be catalysts for coming years, and will further strengthen the value chain as needed to achieve our strategies. We want to strike a balance between building a foundation for the future and expanding near-term profit.

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