

Third Quarter Financial Results Fiscal Year 2016 (Ending March 2017)

January 31, 2017

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.



1) FY2016 Q3 Financial Results

2) FY2016 Financial Outlook

Financial Highlights (Through First 9 Months)

(Billions of yen)	FY2015		FY2016		Change	
	First 9 Months	%	First 9 Months	%	Amount	%
Revenue	837.4	-	765.8	-	-71.5	-8.5%
Business profit	72.7	8.7%	54.0	7.1%	-18.7	-25.7%
Profit from operating activities	81.9	9.8%	57.2	7.5%	-24.6	-30.1%
Profit before taxes	80.3	9.6%	57.3	7.5%	-22.9	-28.6%
Profit for the period	55.2	6.6%	47.0	6.1%	-8.1	-14.7%
EPS*	¥153.64		¥132.93		Exchange difference (Billions of yen)	
Exchange rate	USD	¥121.70	¥106.63			
	EUR	¥134.36	¥118.02			
					USD	
					EUR	
					Other	
					Total	
					Revenue	-33.2
					Business profit	+6.0
						-17.0
						-41.4
						-91.7
						-23.0

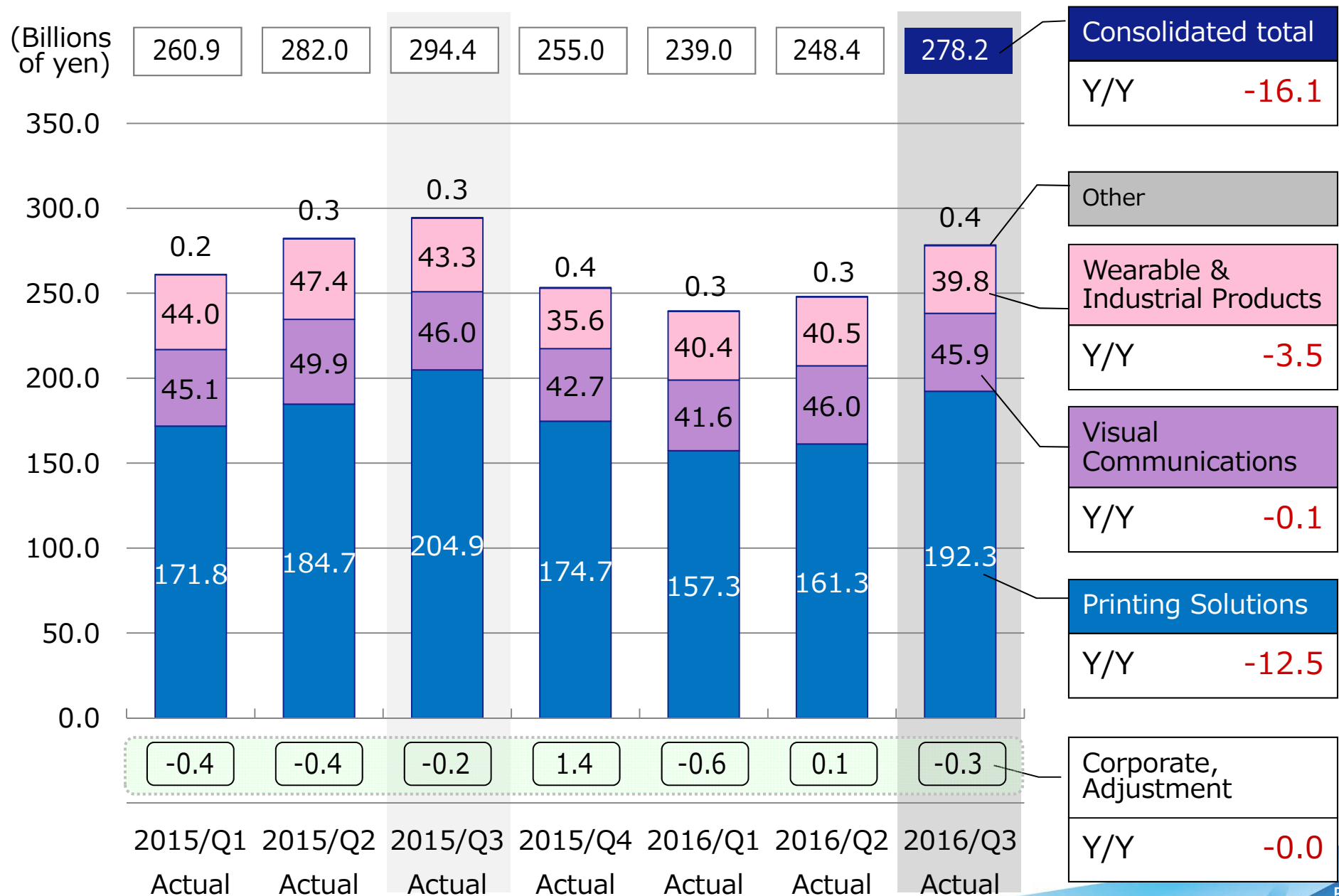
* Basic earnings per share for the period

Financial Highlights (Third Quarter)

	FY2015		FY2016		Change				
	Q3 Actual	%	Q3 Actual	%	Amount	%			
(Billions of yen)									
Revenue	294.4	-	278.2	-	-16.1	-5.5%			
Business profit	32.5	11.0%	28.3	10.2%	-4.1	-12.9%			
Profit from operating activities	40.1	13.7%	29.5	10.6%	-10.6	-26.6%			
Profit before taxes	40.2	13.7%	30.3	10.9%	-9.8	-24.6%			
Profit for the period	29.0	9.9%	28.4	10.2%	-0.5	-2.0%			
EPS*	¥80.89		¥81.03		Exchange difference (Billions of yen)				
Exchange rate	USD	¥121.50	¥109.30		USD	EUR	Other	Total	
	EUR	¥132.95	¥117.78		Revenue	-8.8	-6.1	-10.8	-25.9
					Business profit	+1.2	-4.4	-4.3	-7.4

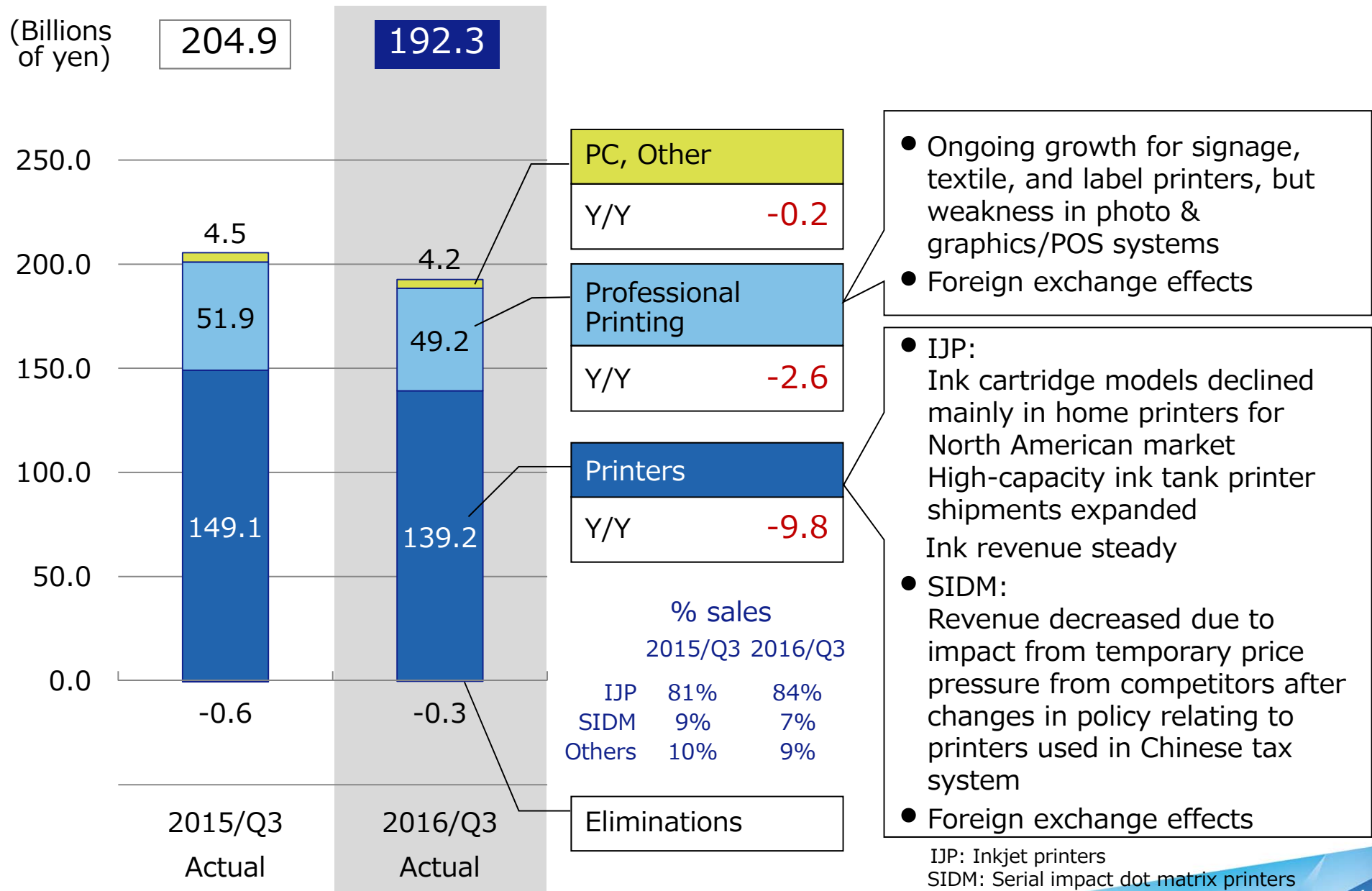
* Basic earnings per share for the period

Quarterly Revenue Trend ▶ By business segment



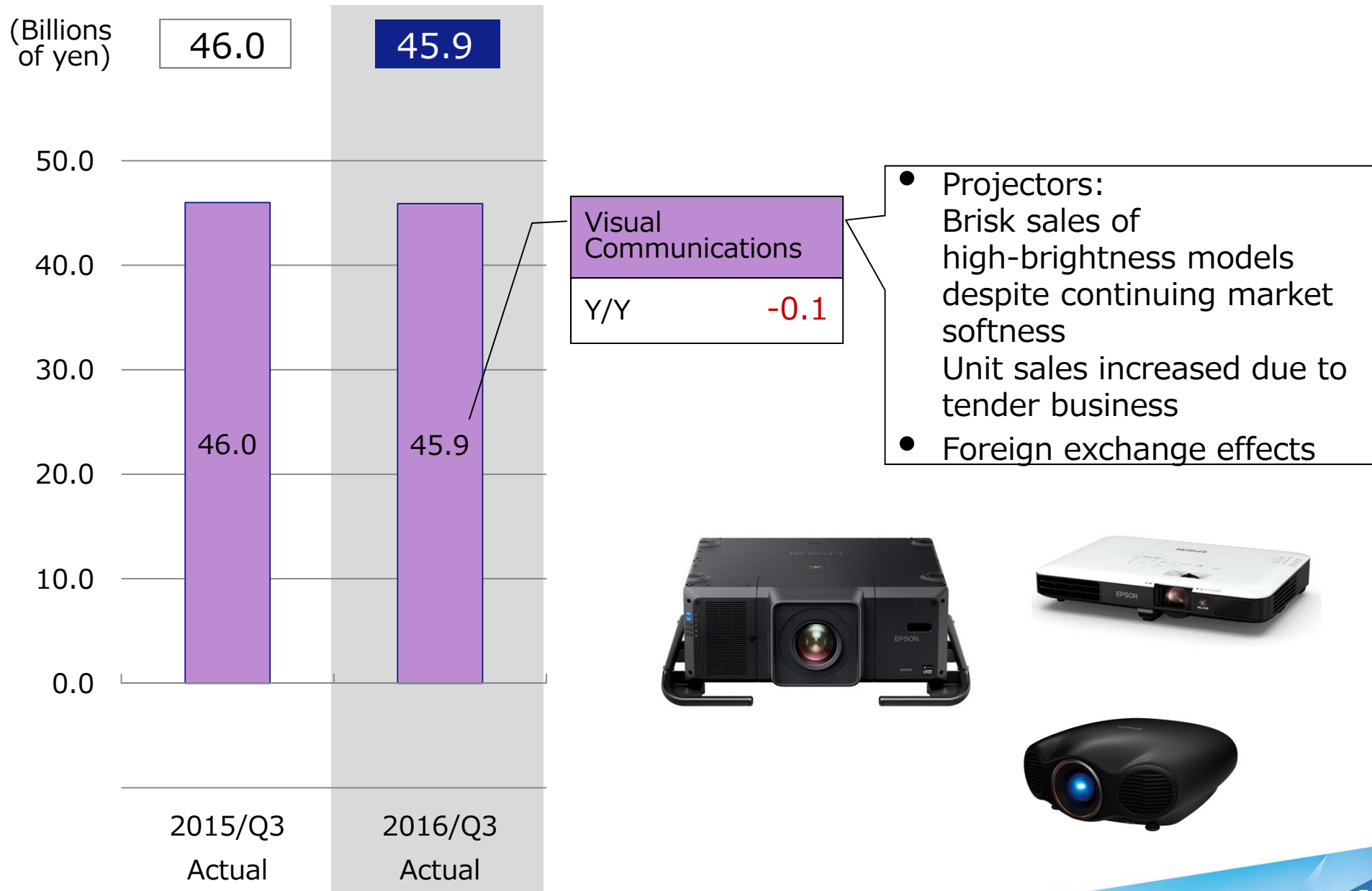
Quarterly Revenue Comparison

▶ Printing Solutions Segment



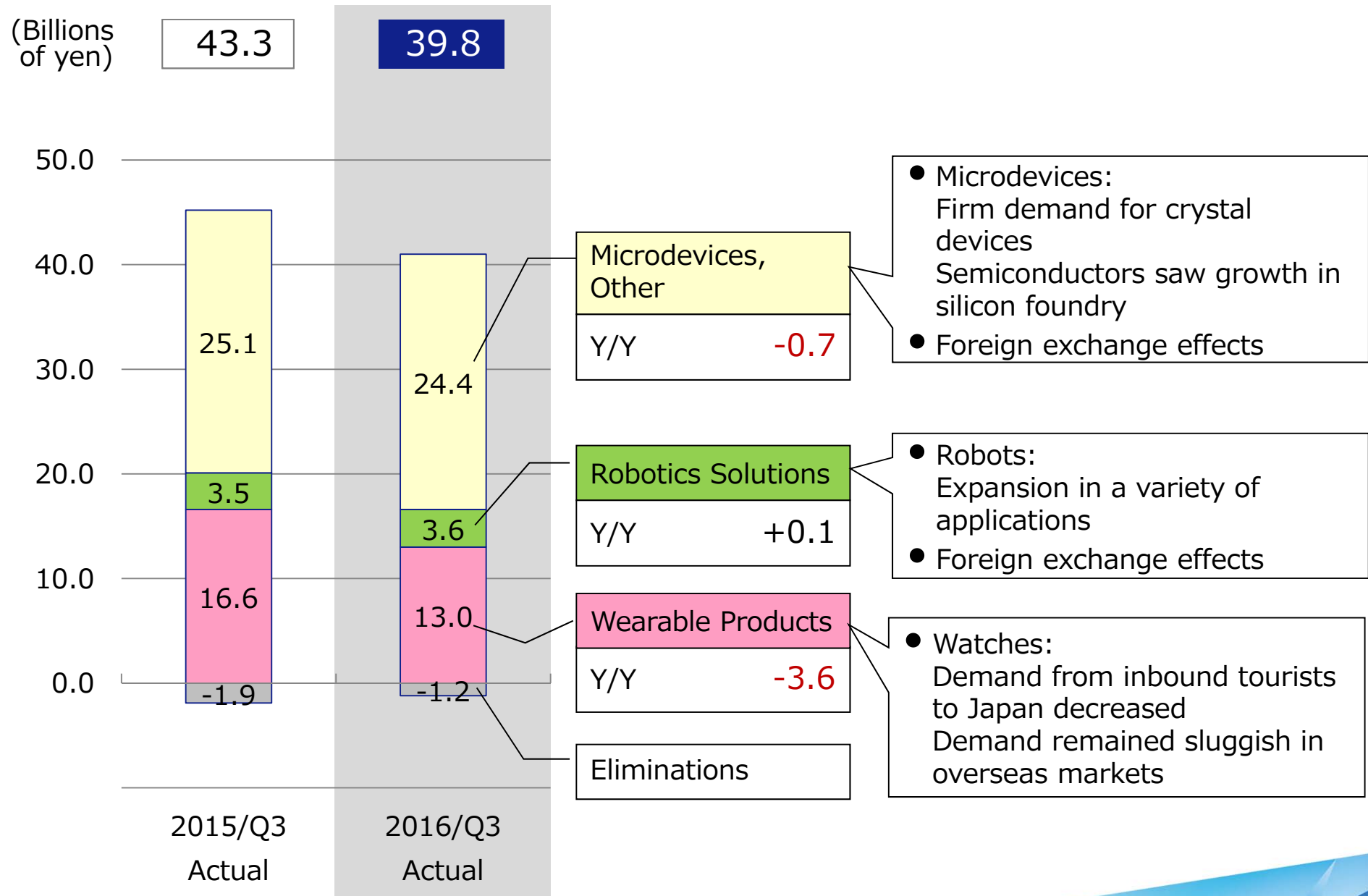
Quarterly Revenue Comparison

▶ Visual Communications Segment

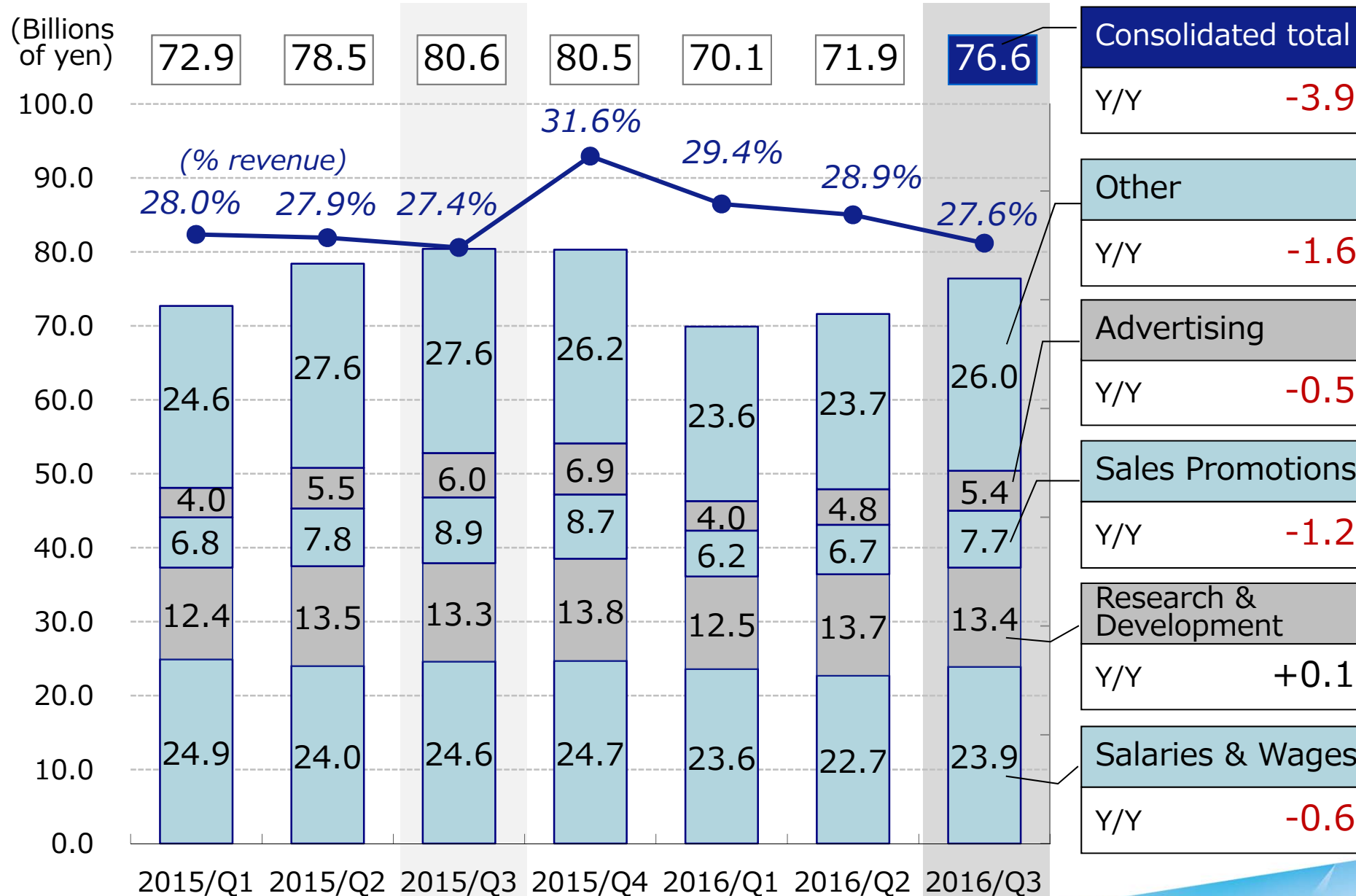


Quarterly Revenue Comparison

▶ Wearable Products & Industrial Products Segment

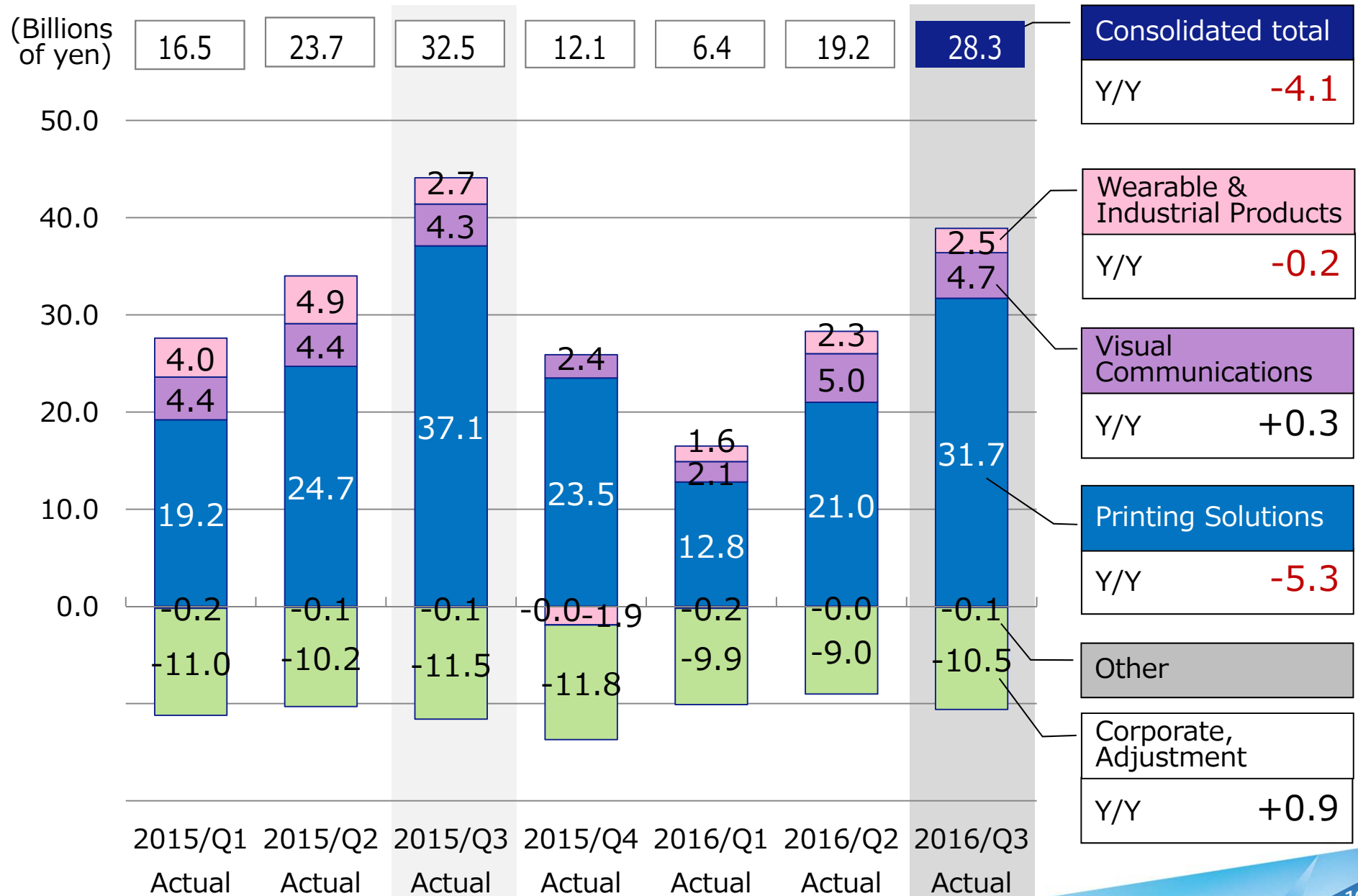


Quarterly Selling, General and Administrative Expenses

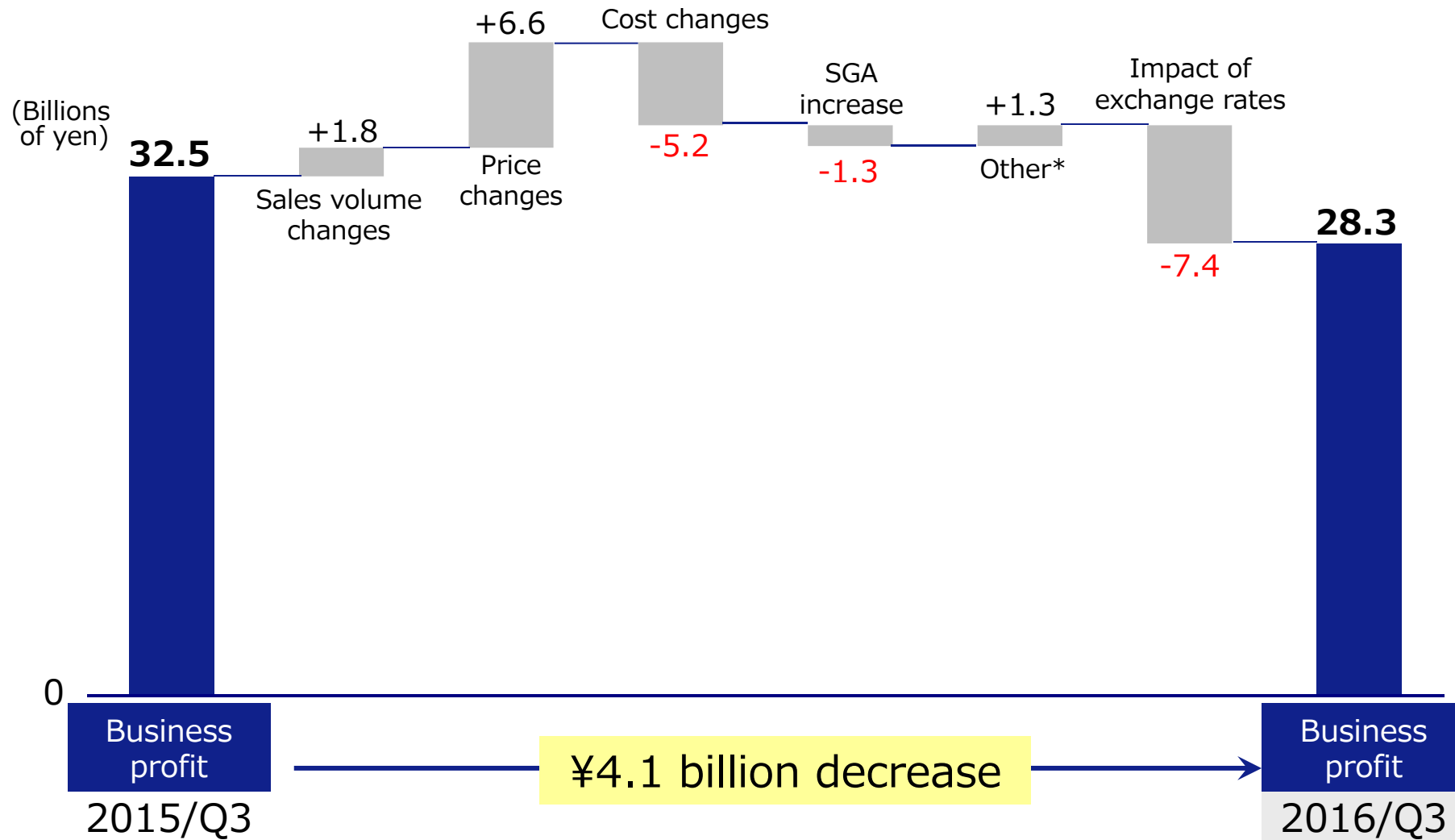


Quarterly Business Profit Trend

► By business segment



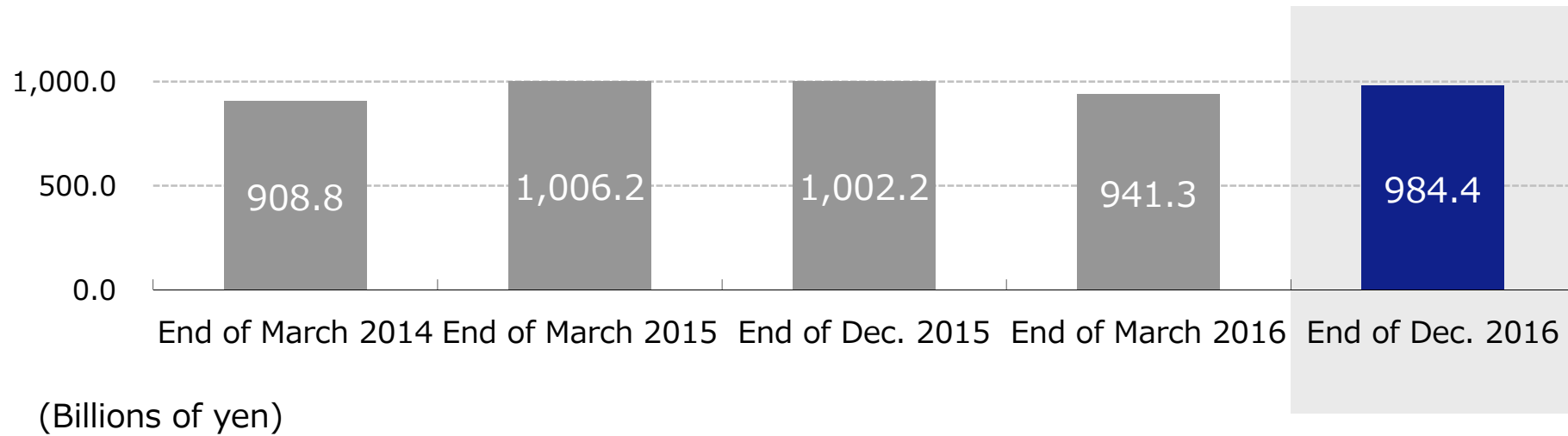
Business Profit Change Cause Analysis



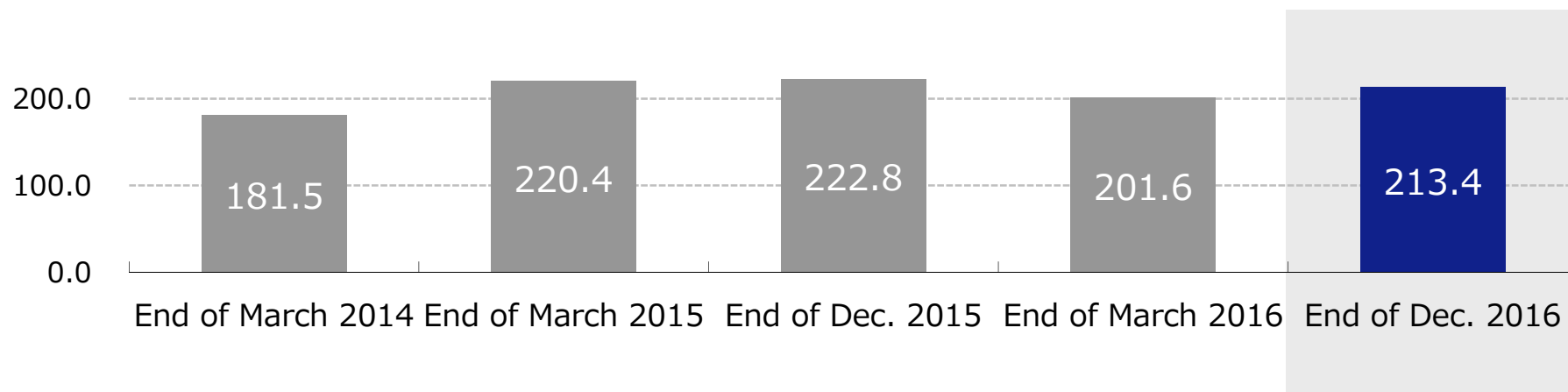
* The corporate and other segments in this comparison include products and businesses that cannot be compared directly with similar items in the previous year.

Statements of Financial Position

Total assets

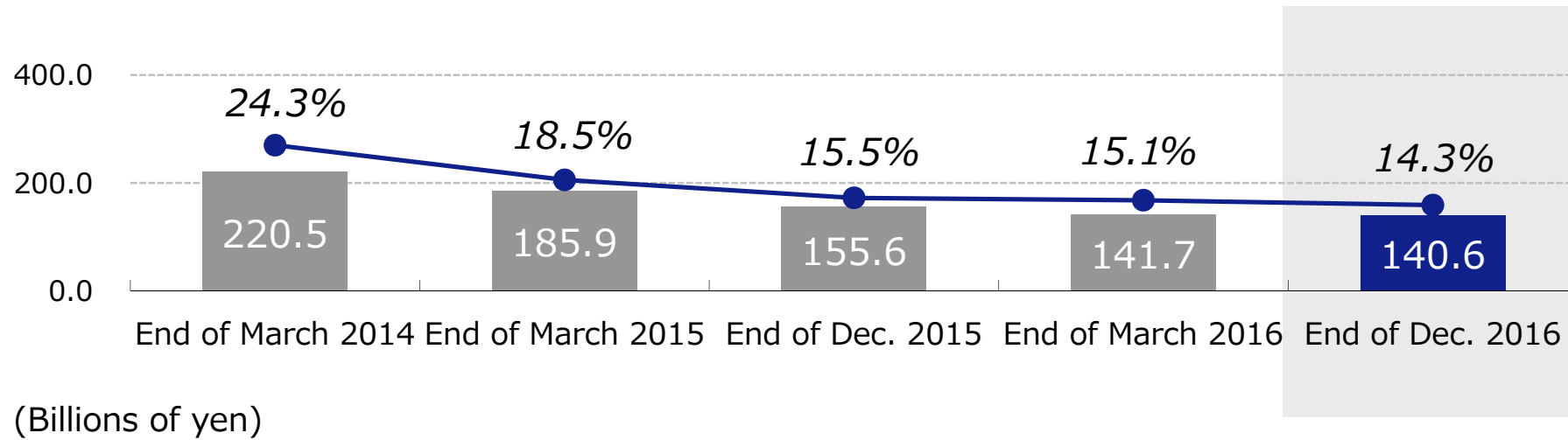


Inventories

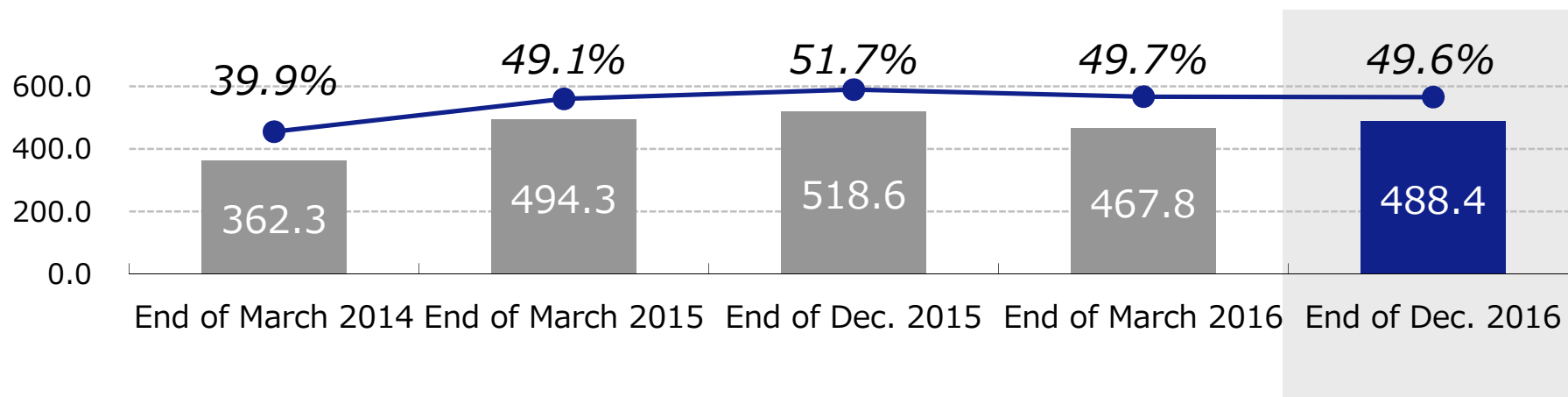


Statements of Financial Position

Interest-bearing liabilities & ratio of interest-bearing liabilities



Equity & equity ratio attributable to owners of the parent company



*Interest-bearing liabilities: Includes lease obligations



1) FY2016 Q3 Financial Results

2) FY2016 Financial Outlook

FY2016 Financial Outlook

	FY2015		FY2016				Change (amount, %)	
	Actual	%	10/27 Outlook	%	1/31 Outlook	%	Y/Y	Vs. 10/27 Outlook
(Billions of yen)								
Revenue	1,092.4	-	1,000.0	-	1,020.0	-	-72.4 -6.6%	+20.0 +2.0%
Business profit	84.9	7.8%	60.0	6.0%	64.0	6.3%	-20.9 -24.7%	+4.0 +6.7%
Profit from operating activities	94.0	8.6%	60.0	6.0%	64.0	6.3%	-30.0 -31.9%	+4.0 +6.7%
Profit before taxes	91.5	8.4%	59.0	5.9%	63.0	6.2%	-28.5 -31.2%	+4.0 +6.8%
Profit for the year	46.0	4.2%	46.0	4.6%	48.0	4.7%	+1.9 +4.2%	+2.0 +4.3%
EPS*	¥127.94		¥130.60		¥136.28			
Exchange rate	USD	¥120.14	¥103.00		¥107.00			
	EUR	¥132.58	¥114.00		¥117.00			

- Exchange rate assumptions from Q4
USD: ¥110.00
EUR: ¥115.00
- Exchange rate sensitivity (full year)
 - Effect on business profit of 1-yen rise in yen value
USD: **+¥0.3 bil.** / EUR: **-0.9 bil.**
 - Effect on business profit of 1% rise in yen value
Currencies other than USD & EUR: **-¥1.0 bil.**

* Basic earnings per share

Main Factors Affecting the FY2016 Outlook

- Change in exchange rate assumptions (Q4: ¥110/USD, ¥115/EUR)
 - ✓ Positive impact of ¥20 billion on revenue and ¥4 billion on business profit in second half
- Revenue and business profit on a constant currency basis are the same as the previous outlook after factoring in the performance of each business and Q3 business situation into the full-year outlook

Printing Solutions

- ✓ High-capacity ink tank printer prices to remain steady
- ✓ Ink cartridge printer unit shipments to decline mainly in consumer markets
- ✓ SIDM printer unit shipments to decrease in China

Visual Communications

- ✓ Steady demand forecast to continue into Q4

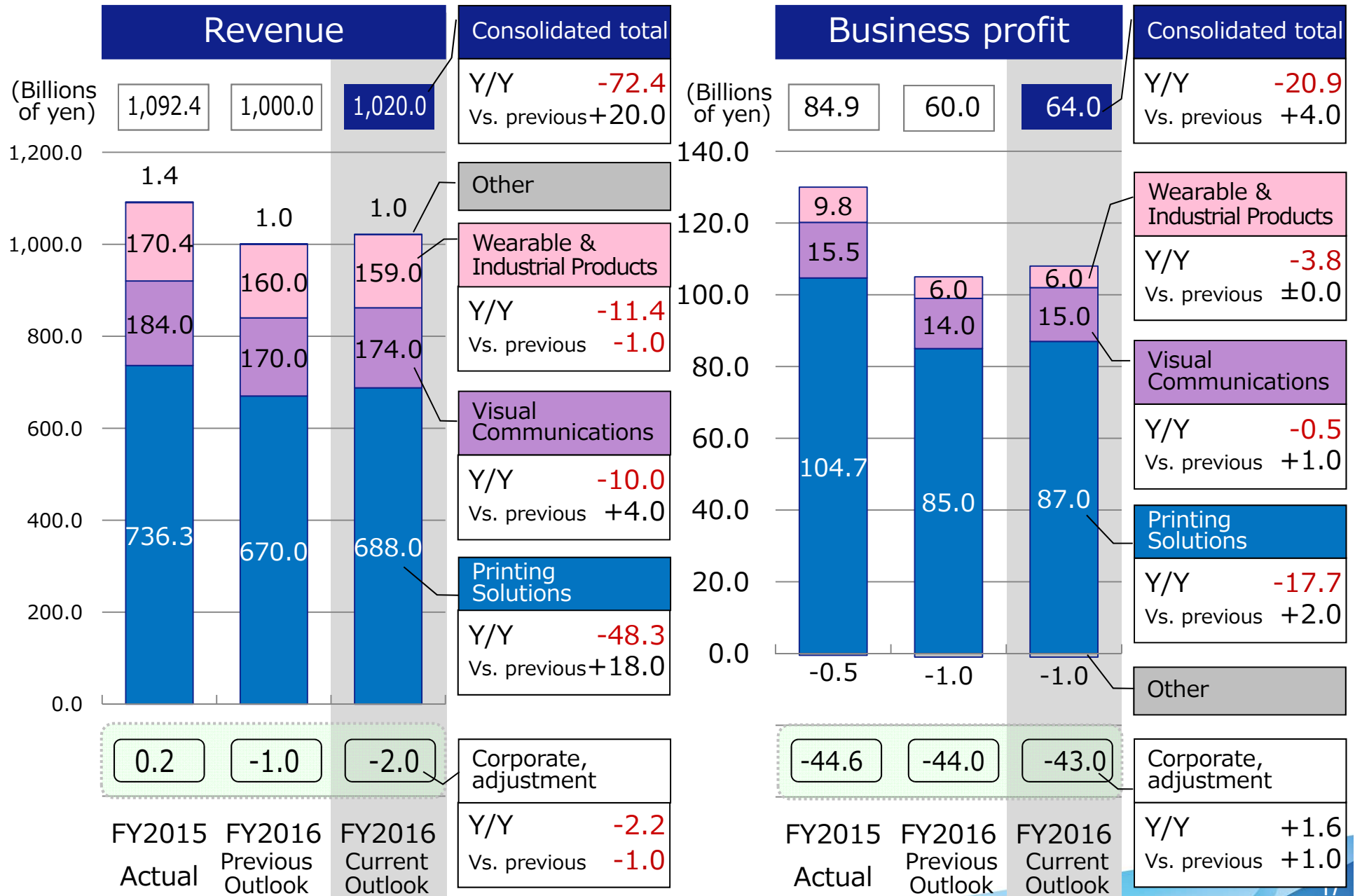
Wearable & Industrial Products

- ✓ Watch unit shipments to decrease due to slow markets

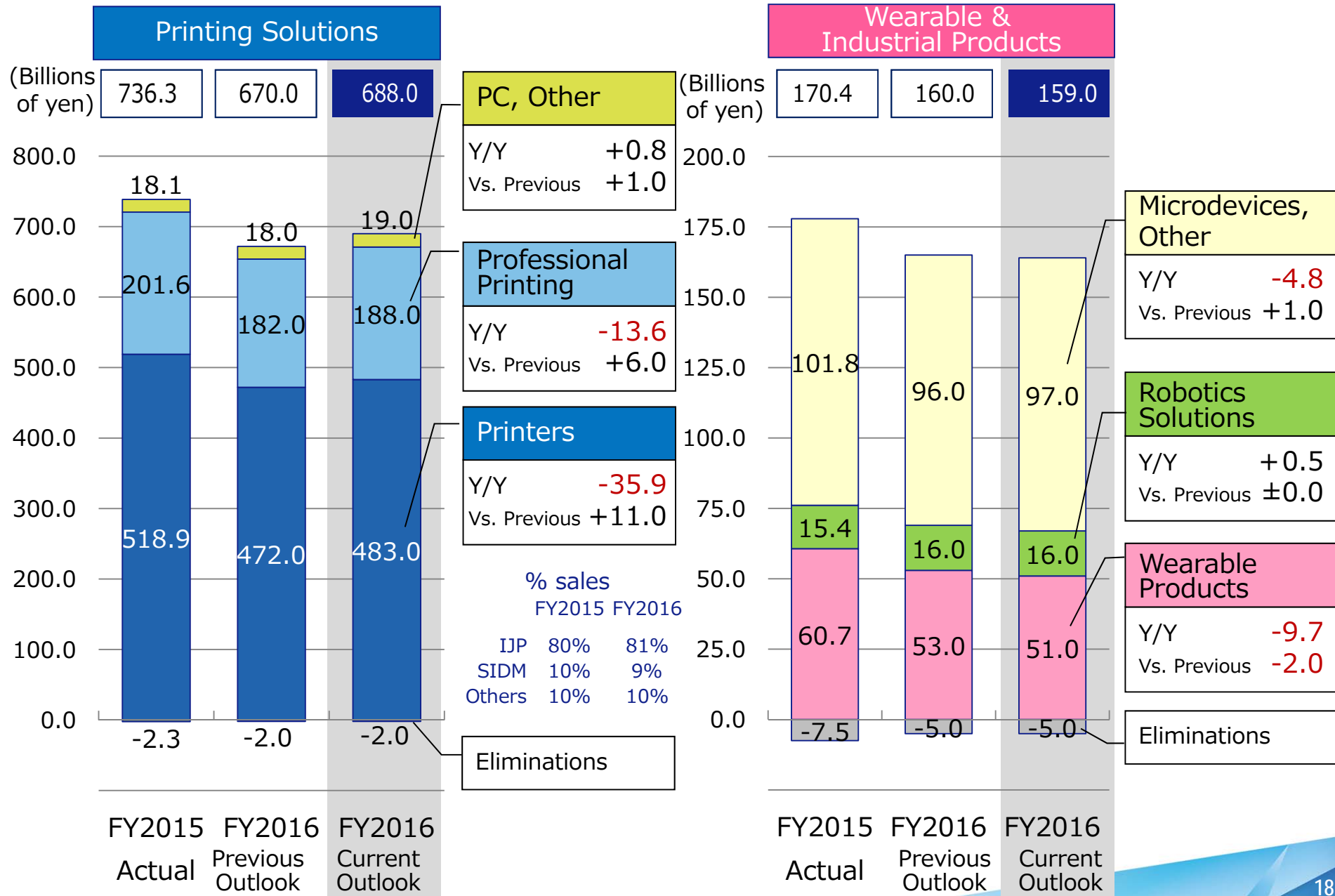
Corporate

- ✓ Fixed costs to decline
- Sales of strategic products will expand and steady progress will be made in laying the foundations for growth

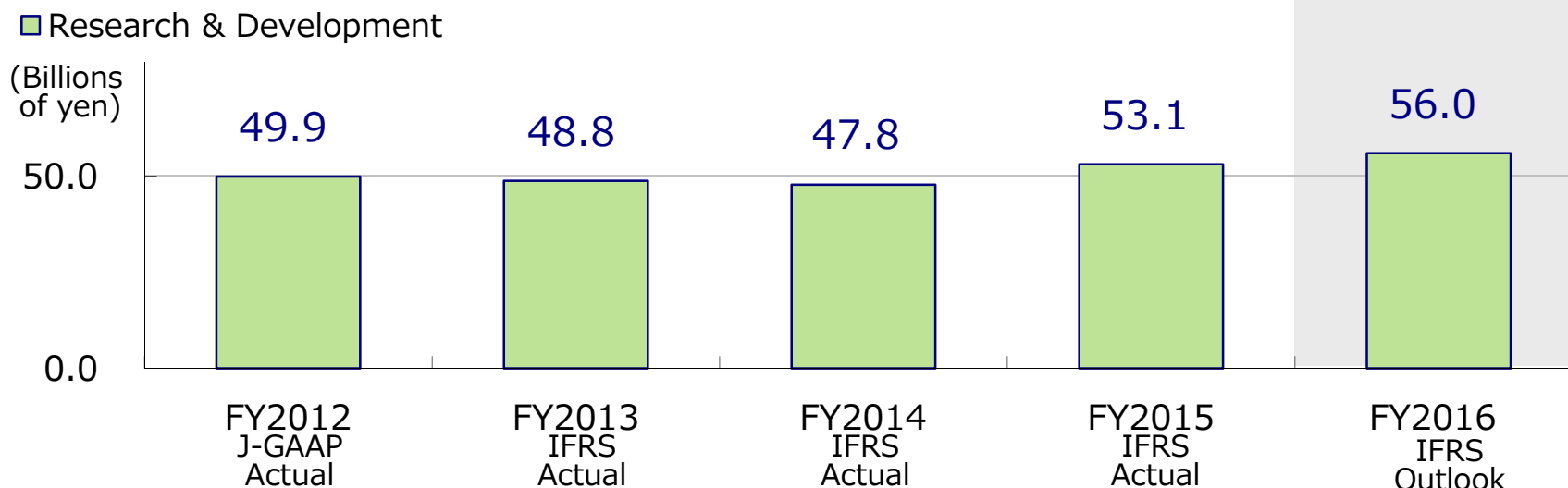
FY2016 Financial Outlook ▶ By business segment



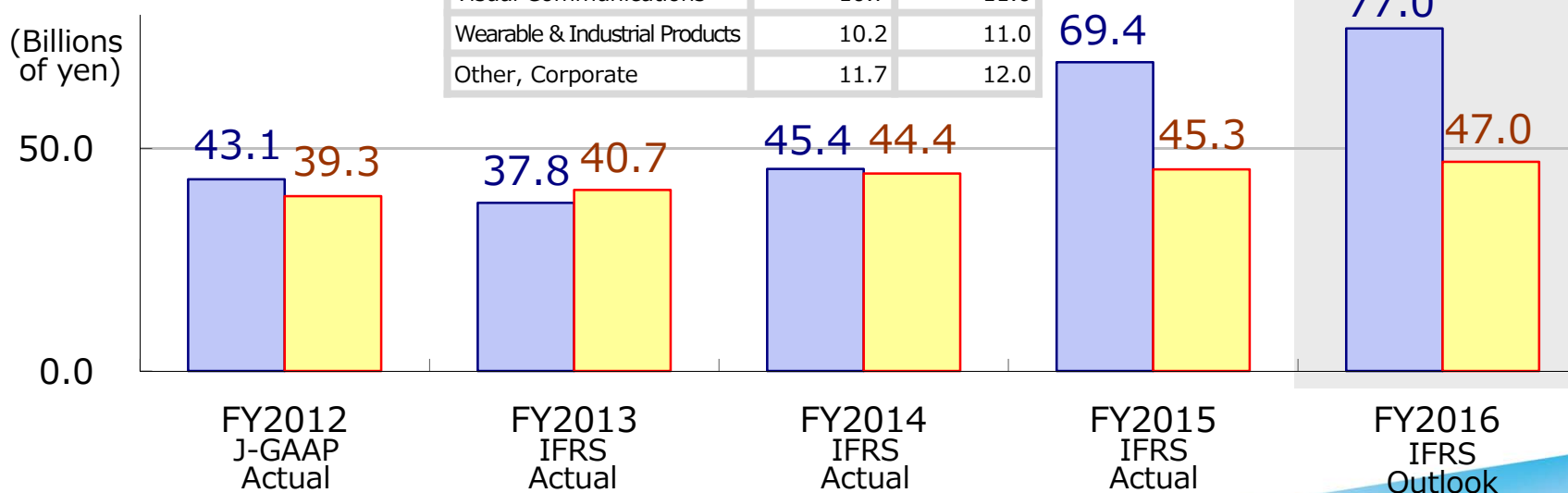
FY2016 Revenue Outlook by Business



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

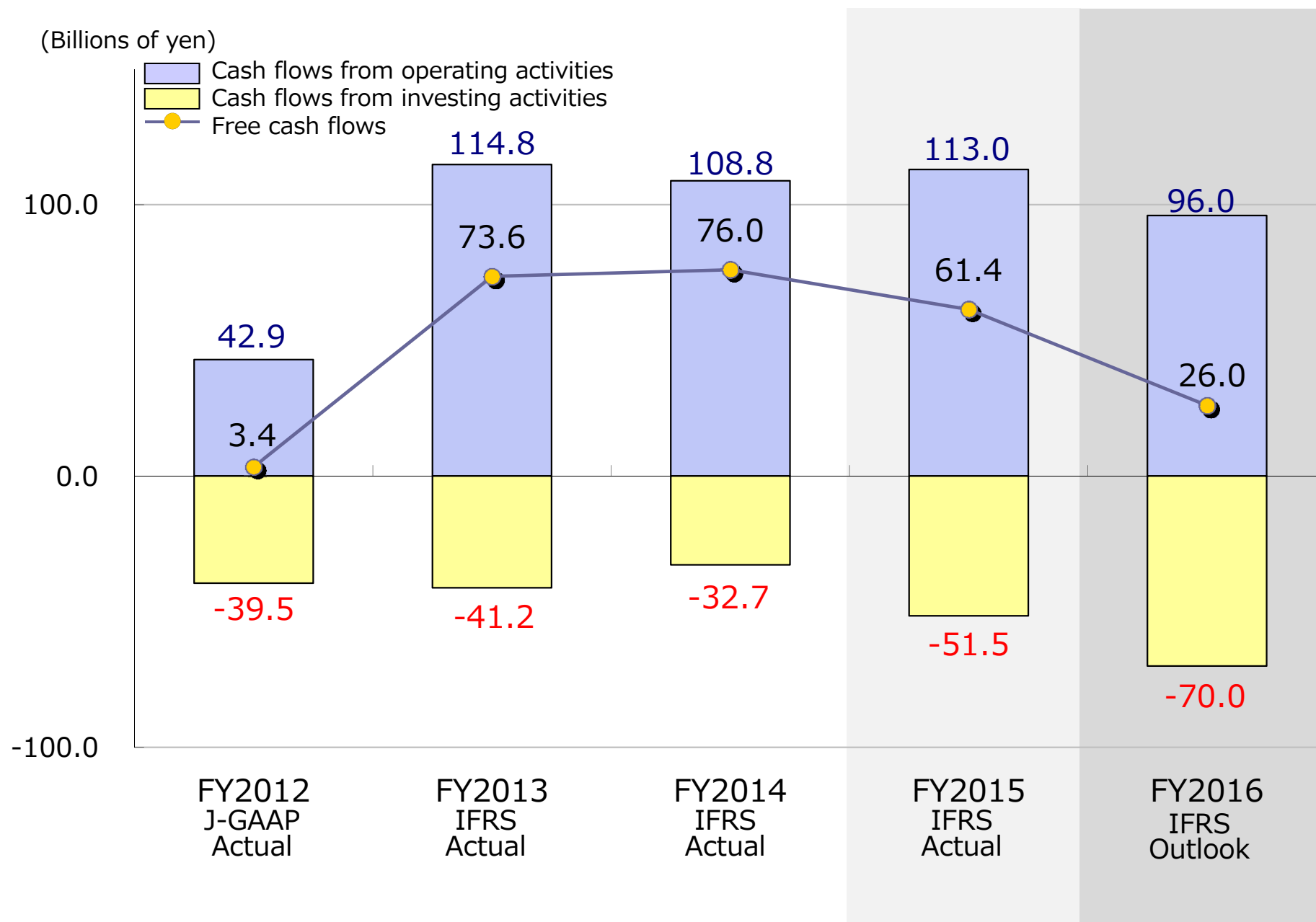


■ Capital expenditures
■ Depreciation and amortization

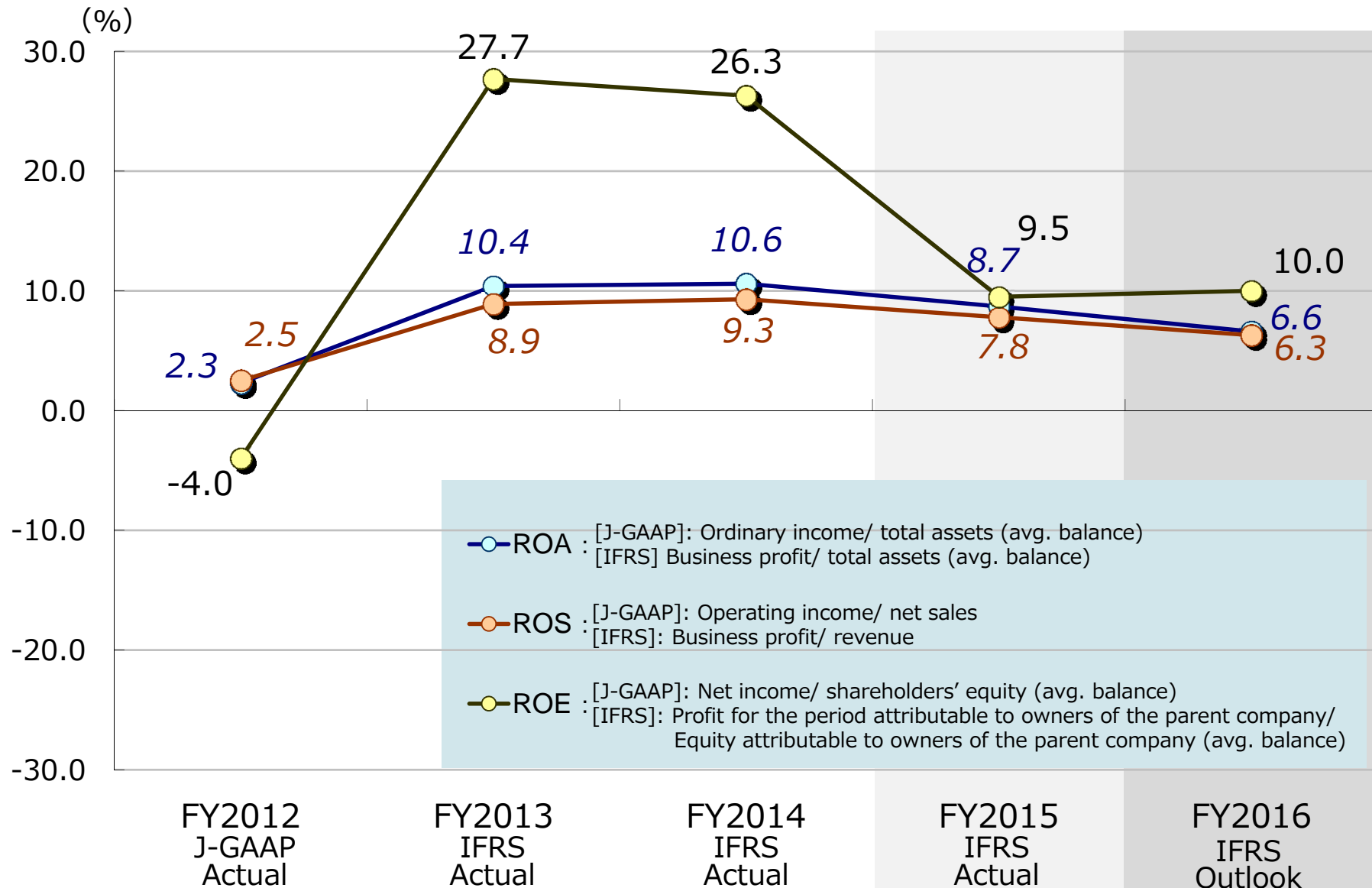


Capex breakdown by segment	FY2015 Actual	FY2016 Outlook
Printing Solutions	36.6	43.0
Visual Communications	10.7	11.0
Wearable & Industrial Products	10.2	11.0
Other, Corporate	11.7	12.0

Free Cash Flows Outlook



Main Management Indicators



Reference

Major Business Indicators

(Billions of yen)

		FY2015 Actual	FY2016 1/31 Outlook	FY2018 Targets
Printing Solutions	Revenue	736.3	688.0	805.0
	Business profit	104.7	87.0	-
Visual Communications	Revenue	184.0	174.0	200.0
	Business profit	15.5	15.0	-
Wearable & Industrial Products	Revenue	170.4	159.0	195.0
	Business profit	9.8	6.0	-
Other	Revenue	1.4	1.0	0.0
	Business profit	-0.5	-1.0	-
Corporate, Adjustment	Revenue	0.2	-2.0	0.0
	Business profit	-44.6	-43.0	-
Consolidated total	Revenue	1,092.4	1,020.0	1,200.0
	Business profit	84.9	64.0	96.0
	ROS	7.8%	6.3%	8%
	ROE	9.5%	10.0%	Sustain at at least 10%

(Billions of yen)

Category	FY2015 Actual	FY2016 1/31 Outlook	3-year cumulative (FY2016-18 business plan)
Operating CF	113.0	96.0	Approx. 330.0
FCF	61.4	26.0	Approx. 120.0
Capital expenditure	69.4	77.0	Approx. 210.0
R&D costs	53.1	56.0	Invest aggressively

Exchange rate

	FY2015 Actual	FY2016 1/31 Outlook	FY2016-18 business plan
USD	¥120.14	¥107.00	¥115.00
EUR	¥132.58	¥117.00	¥125.00

Main Product Sales Trends

FY2015 result (vs. FY2014) and FY2016 result/ forecast (vs. FY2015)

ASP (average selling prices) and sales amounts after conversion to yen

Product		FY2015 Full year	FY2016 Q1	FY2016 Q2	FY2016 Q3	FY2016 Full year (outlook)
IJP	Volume	+1%	+8%	+5%	+2%	+7%
	Office/ high-capacity ink tank as % of total unit sales	Approx. 20%/ Approx. 35%	-	-	-	Approx. 20%/ Approx. 40%
	ASP	+ low single-digit %	Around -10%	- mid 10%	- low single-digit %	- high single-digit %
	Revenue	+ low single-digit %	- low single-digit %	- low teen %	Flat YoY	Flat YoY
IJP ink	Volume (packs)	0%	-3%	-7%	-2%	-
	ASP	+ mid-single-digit %	- low single-digit %	- high single-digit %	- low single-digit %	-
	Revenue	+ mid-single-digit %	- mid-single-digit %	- mid-teen %	- mid-single-digit %	- high single-digit %
SIDM printers	Volume	-6%	+19%	+10%	-13%	+3%
	ASP	+ low single-digit %	- mid 20%	- mid 20%	- mid teen %	- low 20%
	Revenue	- low single-digit %	Around -10%	- high teen %	- high 20%	- high 10%
Projectors	Volume	+2%	+9%	+8%	+7%	+6%
	ASP	+ low single-digit %	- mid-teen %	- mid-teen %	- high single-digit %	- low teen %
	Revenue	+ mid-single-digit %	- high single-digit %	- high single-digit %	Flat YoY	- mid-single-digit %

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