

Fourth Quarter Financial Results Fiscal Year 2016 (Ended March 2017)

April 28, 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.

- FY2016 Full-Year Financial Results
- FY2017 Financial Outlook
- Mid-Range Business Plan Progress
- FY2016 Q4 Financial Results
- FY2017 Financial Forecast
- Shareholder Return

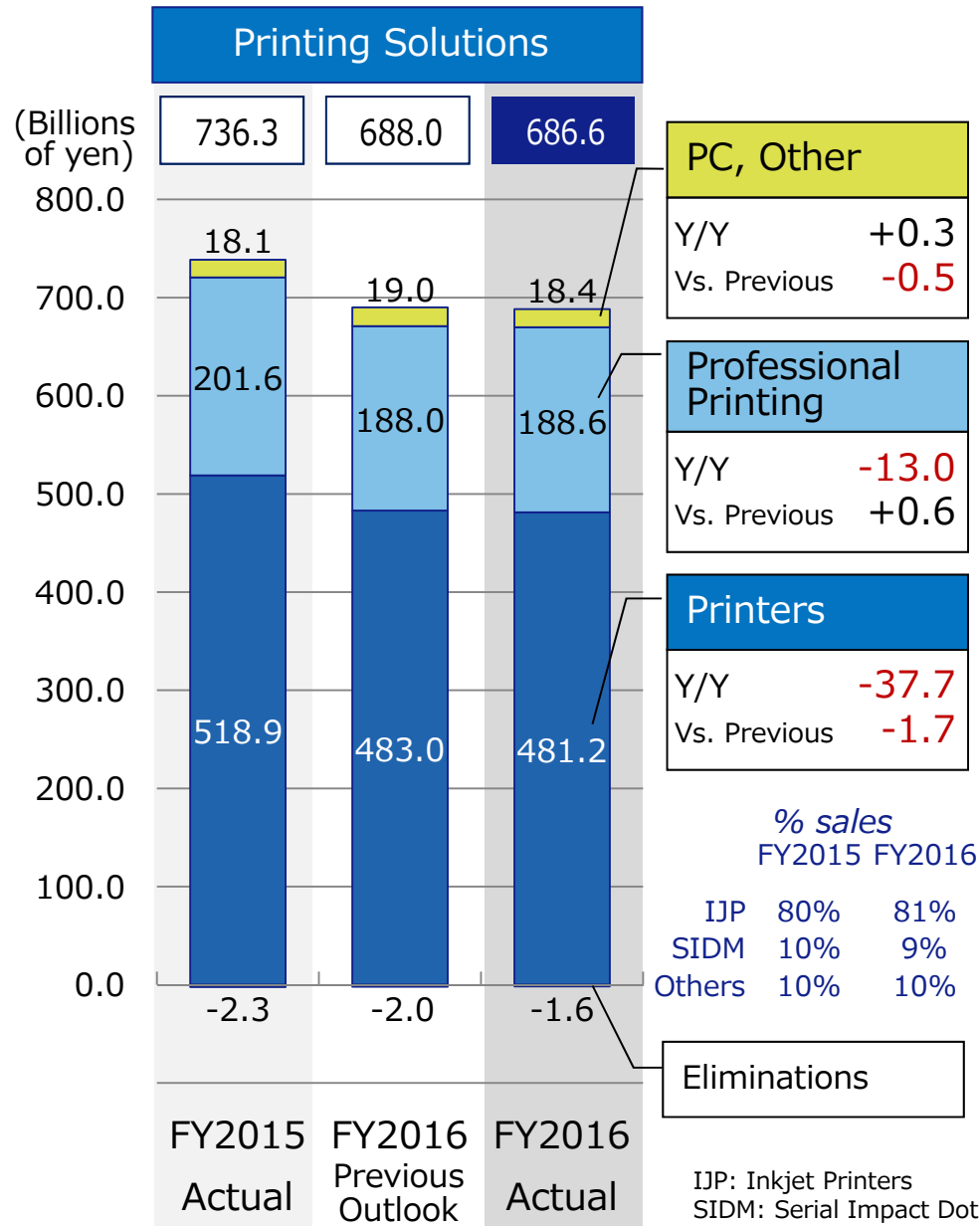
- FY2016 Full-Year Financial Results
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Financial Highlights (Full Year)

	FY2015		FY2016				Change (amount, %)		
	Actual	%	1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31Outlook	
Revenue	1,092.4	-	1,020.0	-	1,024.8	-	-67.6 -6.2%	+4.8 +0.5%	
Business profit	84.9	7.8%	64.0	6.3%	65.8	6.4%	-19.1 -22.5%	+1.8 +2.8%	
Profit from operating activities	94.0	8.6%	64.0	6.3%	67.8	6.6%	-26.1 -27.8%	+3.8 +6.1%	
Profit before taxes	91.5	8.4%	63.0	6.2%	67.4	6.6%	-24.0 -26.3%	+4.4 +7.1%	
Profit for the year	46.0	4.2%	48.0	4.7%	48.4	4.7%	+2.3 +5.1%	+0.4 +0.9%	
EPS*	¥127.94		¥136.28		¥136.82		Exchange difference (Billions of yen)		
Exchange rate	USD	¥120.14	¥107.00		¥108.38		Revenue	Business profit	
	EUR	¥132.58	¥117.00		¥118.79		USD	-34.6	+6.2
							EUR	-19.3	-13.6
							Other	-42.2	-16.3
							Total	-96.2	-23.7

* Basic earnings per share for the year

Revenue Comparison by Business

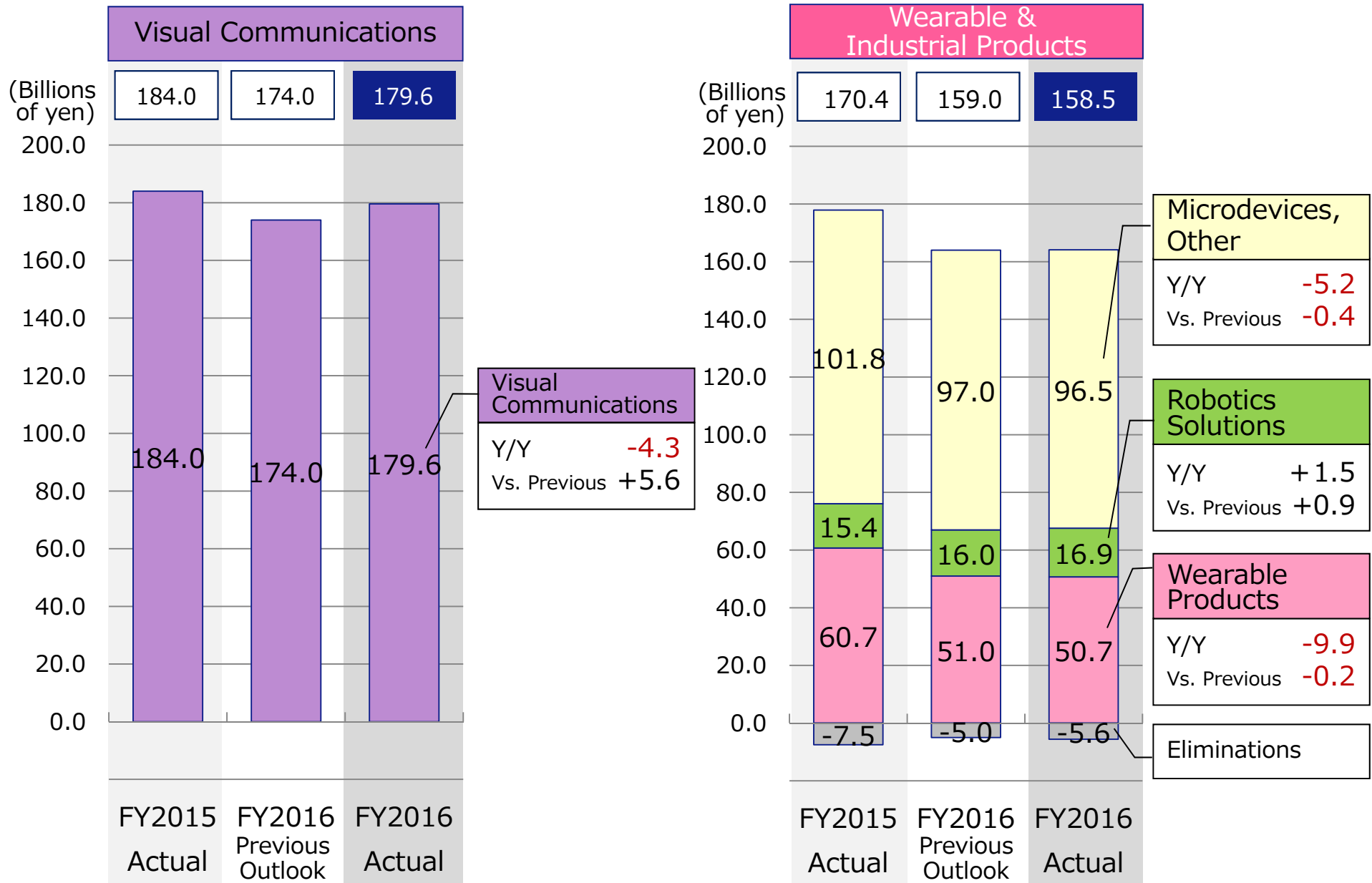


Large format inkjet printer for photos and graphics



High-capacity ink tank printer

Revenue Comparison by Business

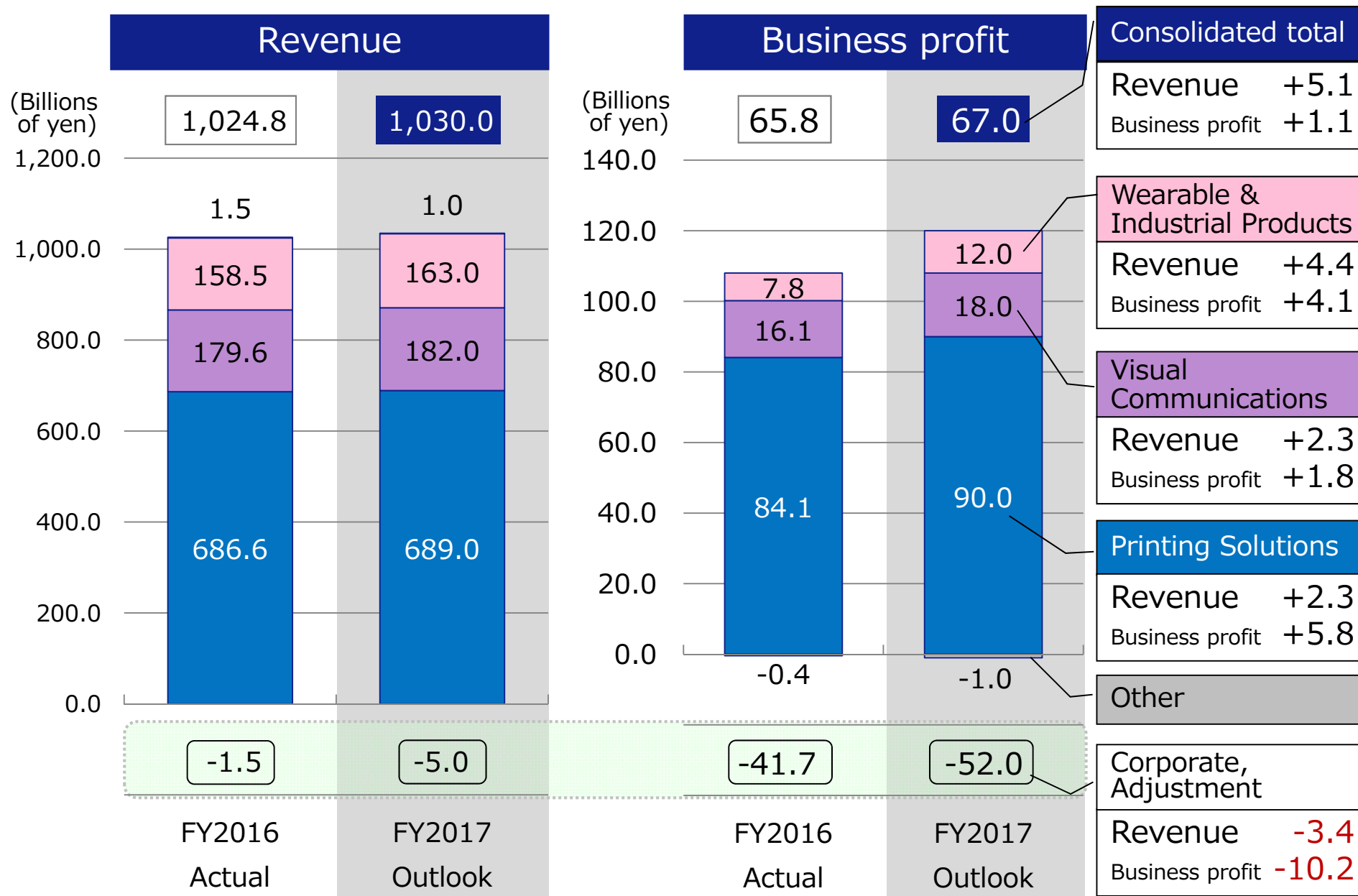


FY2017 Financial Outlook

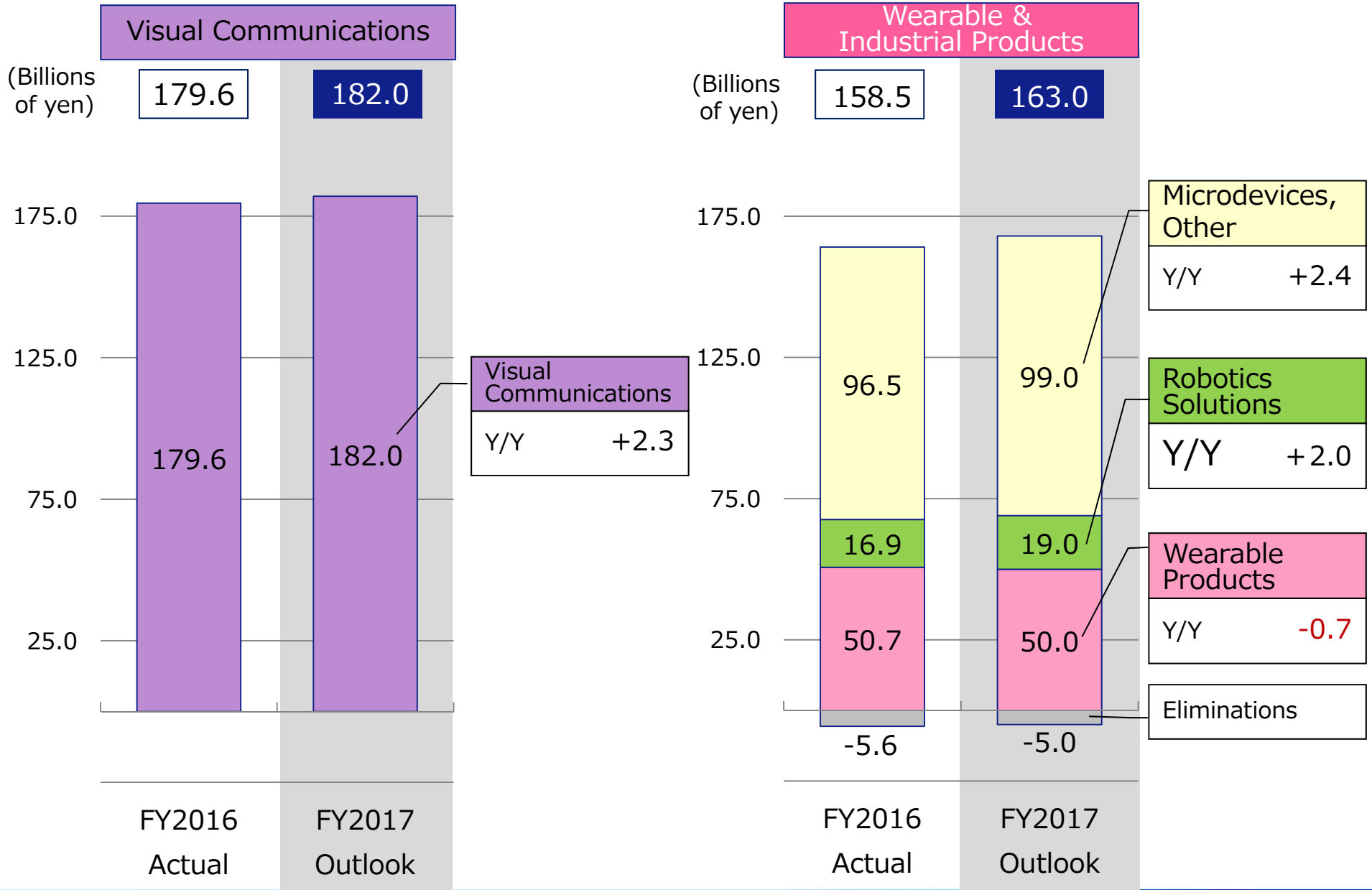
		FY2016		FY2017		Change	
		Actual	%	Outlook	%	Amount	%
(Billions of yen)							
Revenue		1,024.8	-	1,030.0	-	+5.1	+0.5%
Business profit		65.8	6.4%	67.0	6.5%	+1.1	+1.8%
Profit from operating activities		67.8	6.6%	64.0	6.2%	-3.8	-5.7%
Profit before taxes		67.4	6.6%	64.0	6.2%	-3.4	-5.1%
Profit for the year		48.4	4.7%	49.0	4.8%	+0.5	+1.2%
EPS*		¥136.82		¥139.12			
Exchange rate	USD	¥108.38		¥105.00			
	EUR	¥118.79		¥110.00			
Exchange sensitivity (Full year, billions of yen)							
					Revenue	Business profit	
		● Effect of 1-yen rise in yen value					
					USD	-3.0	+0.4
					EUR	-1.5	-1.0
		● Effect of 1% rise in yen value					
					Other	-2.8	-1.1

* Basic earnings per share for the year

FY2017 Financial Outlook ▶ By business segment



FY2017 Revenue Outlook by Business



Business Plan Progress: Overview

■ We are steadily advancing in line with the Epson 25 Mid-Range Business Plan (FY2016-2018).

● FY2016 accomplishments (first year of the plan)

- ✓ Expanded sales of strategic products
- ✓ Further developed new market segments
- ✓ Further developed strategic products that will drive future growth
- ✓ Strengthened business infrastructure

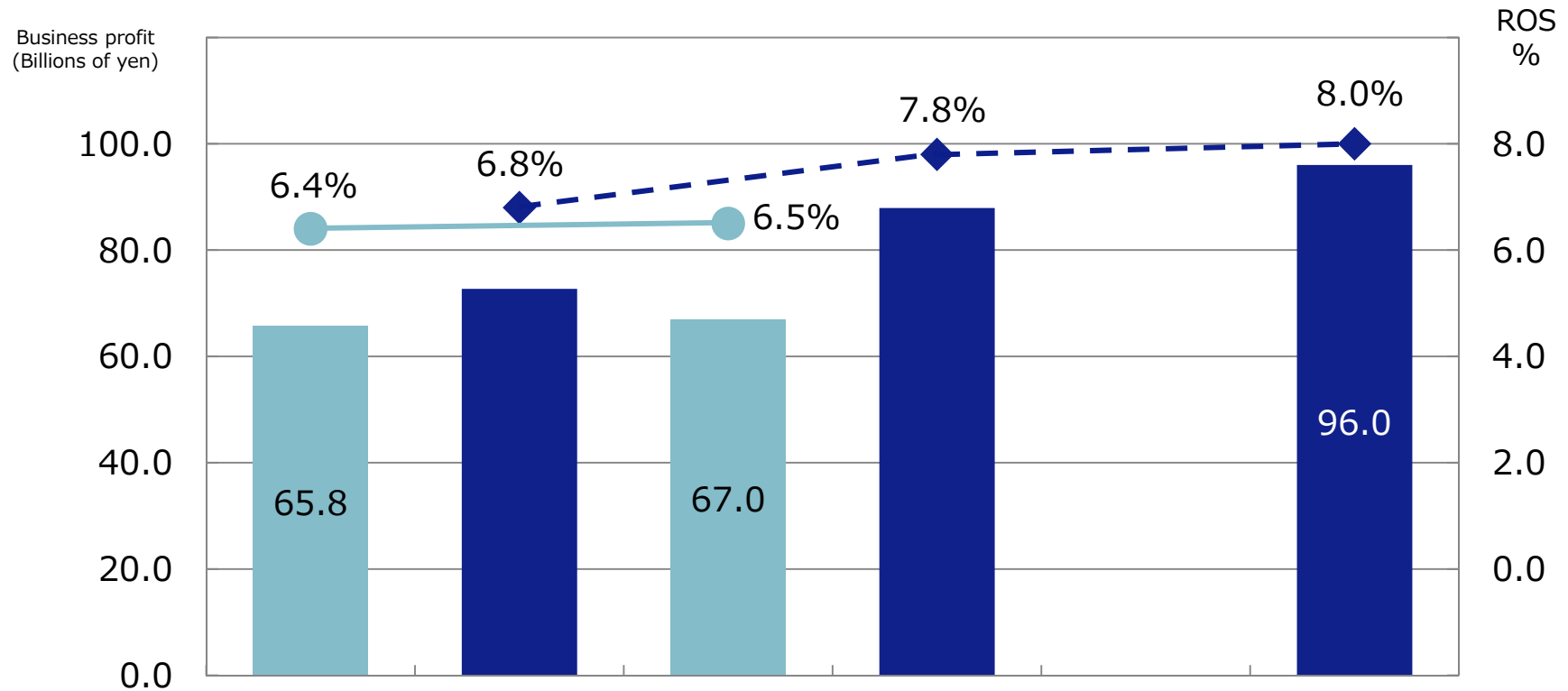


PaperLab office papermaking system

● FY2017: Advance strategies and lay the foundation for growth to achieve our vision

Business Plan Progress: Business Profit

- Earnings are steadily rising in line with strategic advances

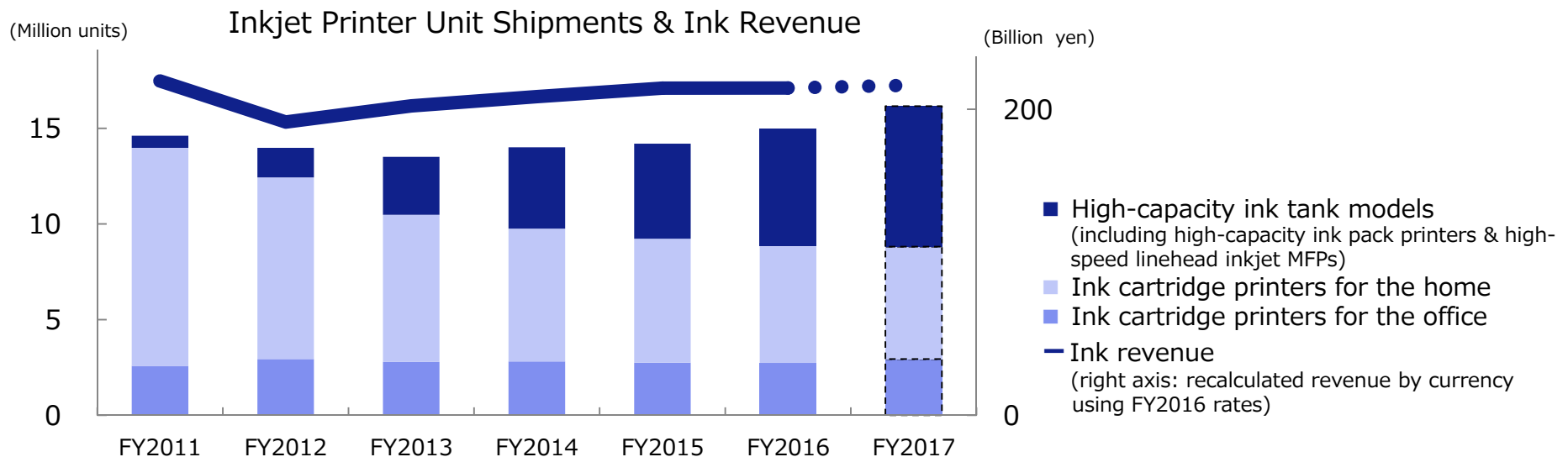


	FY2016		FY2017		FY2018	
	Actual	* Recalculated	Outlook	* Recalculated		Mid-range business plan
USD	¥108.38	¥115	¥105	¥115		¥115
EUR	¥118.79	¥125	¥110	¥125		¥125

* Recalculated: Business profit & ROS recalculated based on assumed rates used for the mid-range business plan

Strategies in Each Business

	FY2016	FY2017
Printers	High-capacity ink tank printers • Sales steadily expanded	<ul style="list-style-type: none"> • Market stimulation • Continue expanding by launching new products
	Maintain steady ink revenue by capturing high print volume users	
	High-speed linehead inkjet MFPs • Completed development	<ul style="list-style-type: none"> • Secure steady worldwide sales <ul style="list-style-type: none"> - Improve the sales organization - Increase awareness in the office
	PaperLab office papermaking system • Began sales	<ul style="list-style-type: none"> • Build an organization to meet demand



Strategies in Each Business

	FY2016	FY2017
Professional printing	Expanded sales in new market segments (signage, textiles, labels)	Leverage inkjet strengths to expand sales in new market segments by launching products that support the digitalization of commercial and industrial printing
	Made Robustelli a wholly-owned subsidiary. Set up a textile printing R&D center.	
Visual communications	Launched high-brightness laser projectors	Build strength in high-brightness & ultra short /short-throw projectors. Expand sales by taking advantage of an extensive lineup and 3LCD technology
	Further expanded market share by highlighting the appeal of 3LCD	



Monna Lisa digital inkjet textile printer



25,000 lumen 3LCD laser projector

Strategies in Each Business

	FY2016	FY2017
Wearable products	Improved business infrastructure <ul style="list-style-type: none"> Reorganized the functions of Orient Watch 	Combine watch technology and advanced technology to create differentiated products
Robotics solutions	Expanded sales by launching distinctive robots, force sensors, etc.	Improve ability to recommend solutions and enhance the lineup to capture opportunities for steady growth
Microdevices, other	Tie stable demand to sales and continue to develop core devices & technologies for the finished product businesses	



Runsense GPS sports monitor



N series of compact 6-axis robots



Compact atomic oscillator

Strengthening Business Infrastructure for Expansion in New Areas

	FY2016	FY2017
R&D	High-speed linehead inkjet MFPs, PaperLab, high-brightness laser projectors, etc.	Develop core technologies and new products to realize the vision.
Production organization	Build & start up production at new factories to support growth. Streamline and automate existing factories.	
	Began operations at new factories in Indonesia and Akita. Began construction on a new printhead factory in Hirooka.	Begin operations at a new factory in the Philippines.
Sales organization	Continue to build up the office sales & technical support organizations. Increase recognition in new areas.	



New Indonesia Epson factory



New Akita Epson factory (Japan)



New factory planned at Hirooka Office (Japan)
(Operations scheduled for FY2018)

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- **FY2016 Q4 Financial Results**
- **FY2017 Financial Forecast**
- **Shareholder Return**

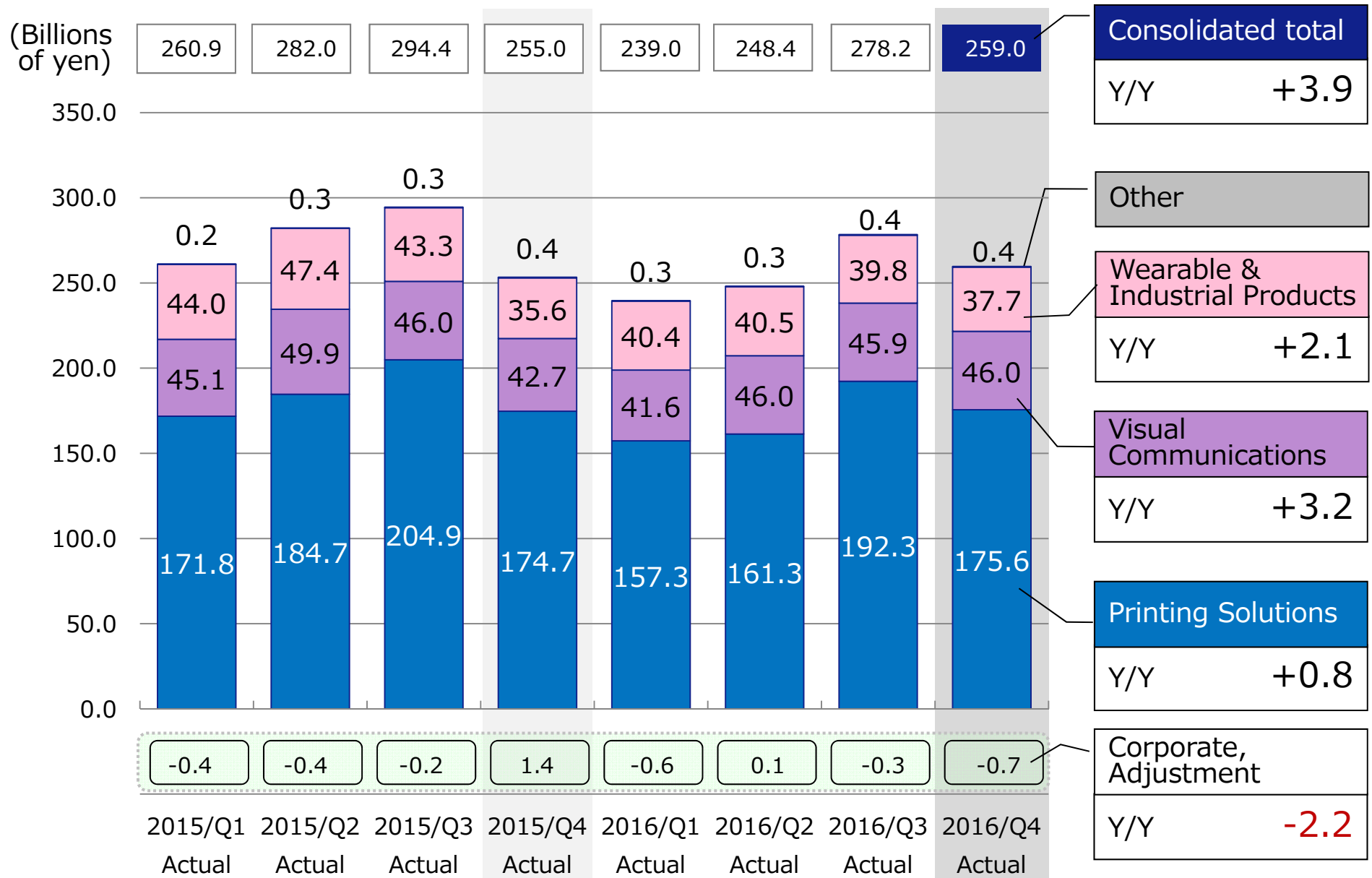
Financial Highlights (Fourth Quarter)

		FY2015		FY2016		Change		
		Q4 Actual	%	Q4 Actual	%	Amount	%	
(Billions of yen)								
Revenue		255.0	-	259.0	-	+3.9	+1.6%	
Business profit		12.1	4.8%	11.7	4.5%	-0.4	-3.7%	
Profit from operating activities		12.1	4.8%	10.5	4.1%	-1.5	-12.5%	
Profit before taxes		11.2	4.4%	10.0	3.9%	-1.1	-10.1%	
Profit for the period		-9.1	-3.6%	1.3	0.5%	+10.5	-	
EPS*		¥-25.70		¥3.79		Exchange difference (Billions of yen)		
Exchange rate	USD	¥115.48		¥113.64		Revenue	Business profit	
	EUR	¥127.22		¥121.08		USD	-1.3	+0.2
						EUR	-2.2	-1.5
						Other	-0.9	+0.7
						Total	-4.4	-0.6

* Basic earnings per share for the period

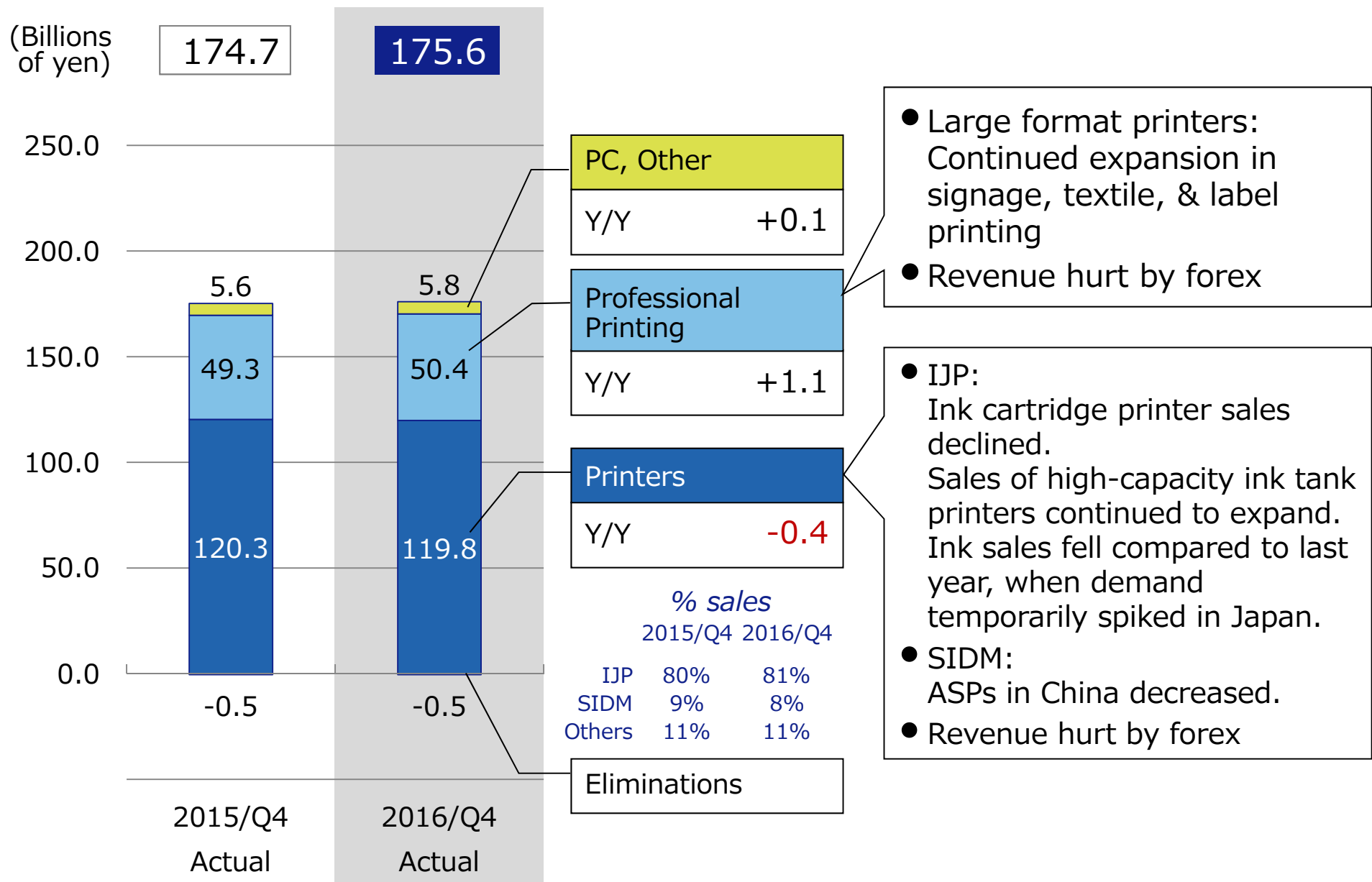
Quarterly Revenue Trend

► By business segment



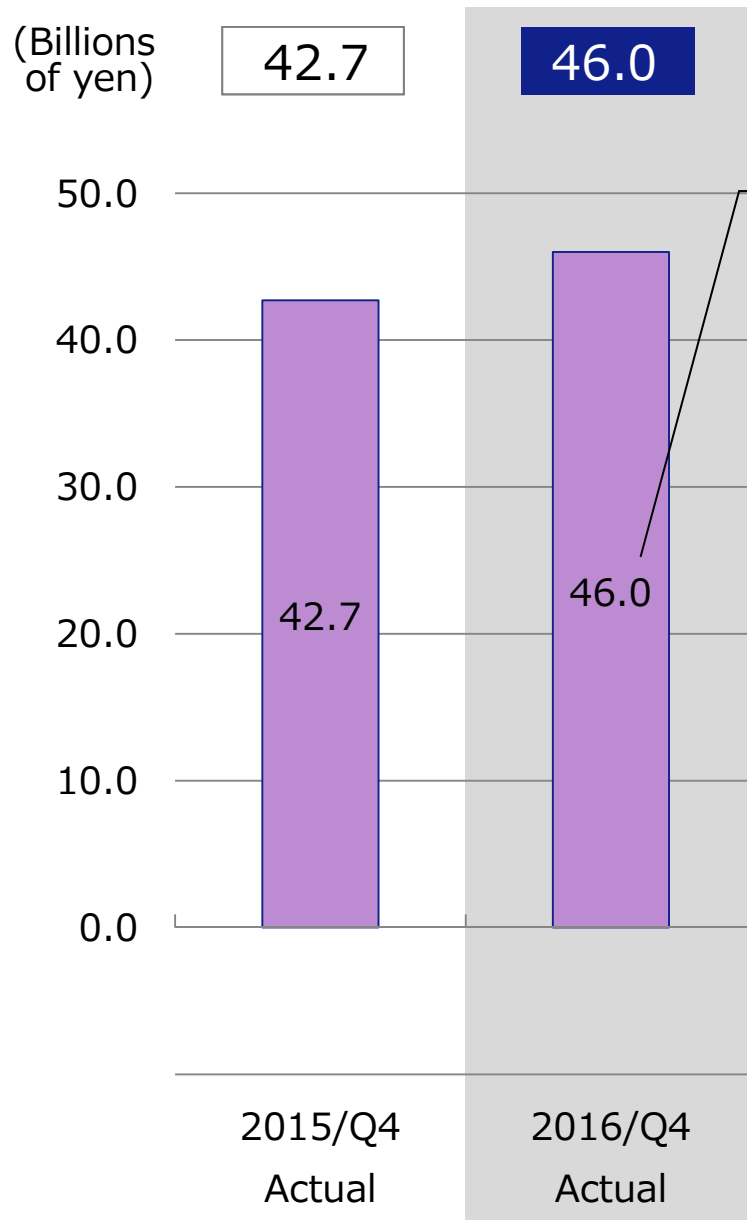
Quarterly Revenue Comparison

▶ Printing Solutions Segment



Quarterly Revenue Comparison

▶ Visual Communications Segment



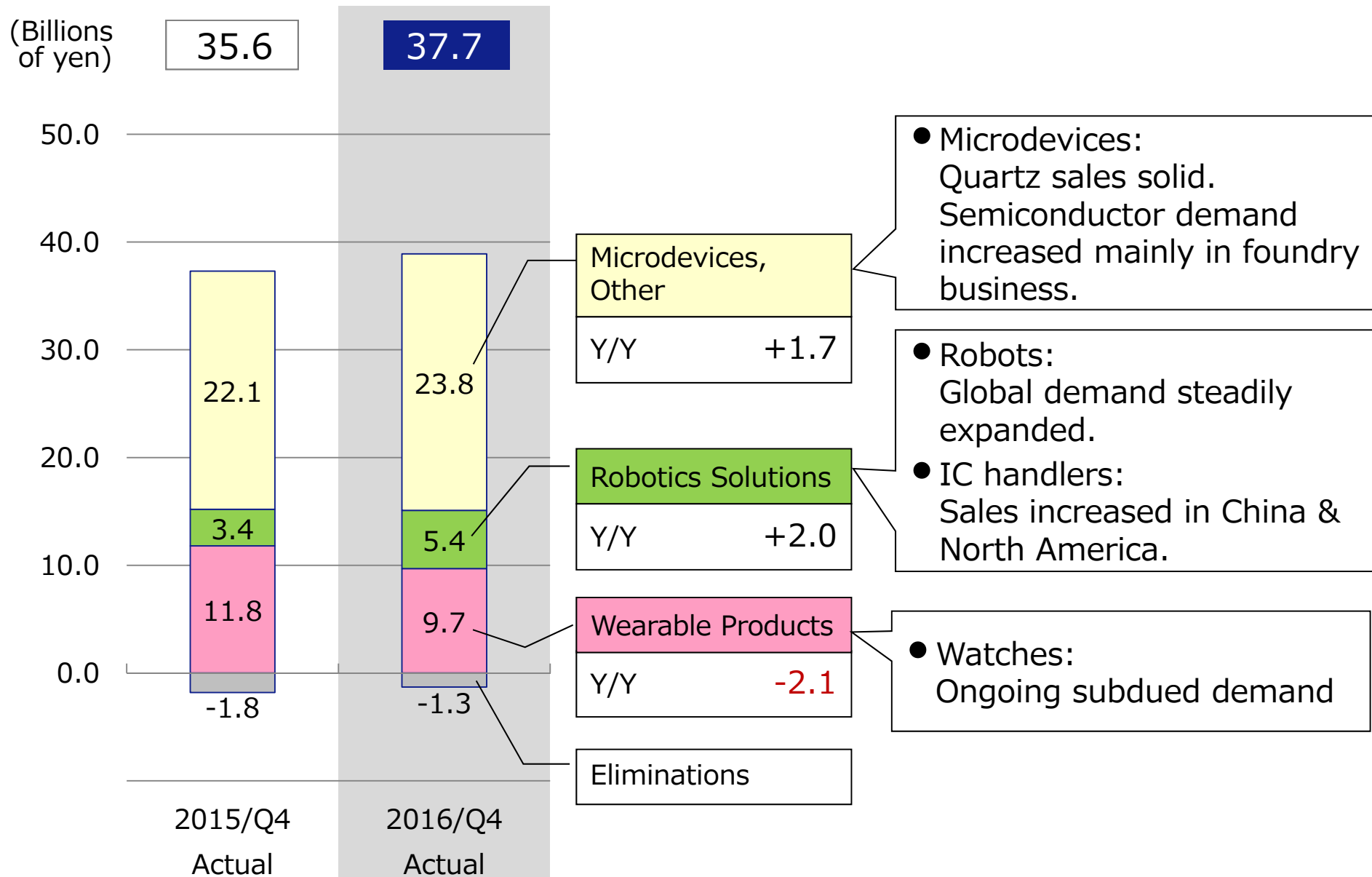
Visual Communications	
Y/Y	+3.2

- Projectors: Sales increased mainly in Asia. High-brightness segment showed large growth.
- Revenue hurt by forex

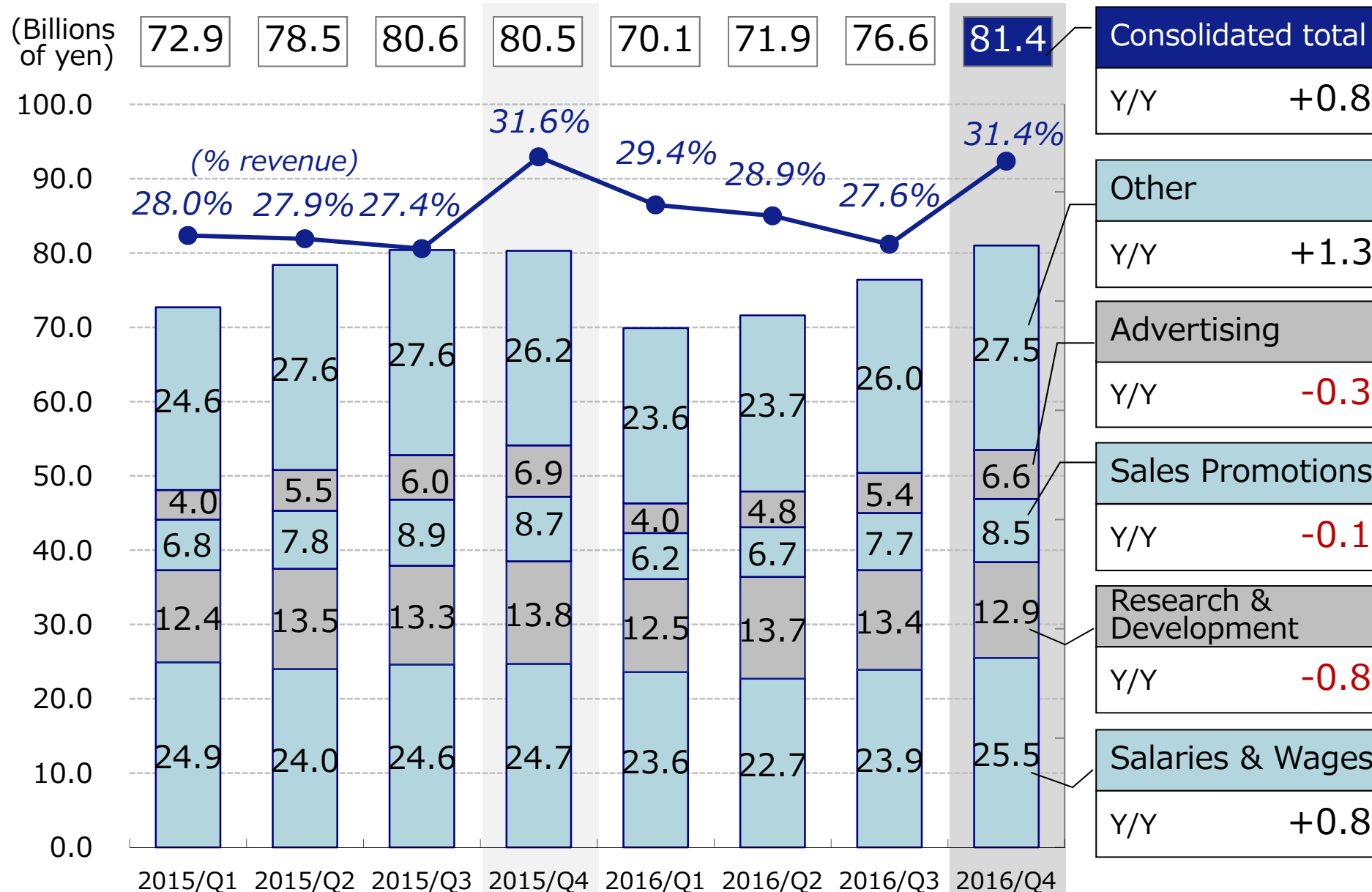


Quarterly Revenue Comparison

► Wearable Products & Industrial Products Segment

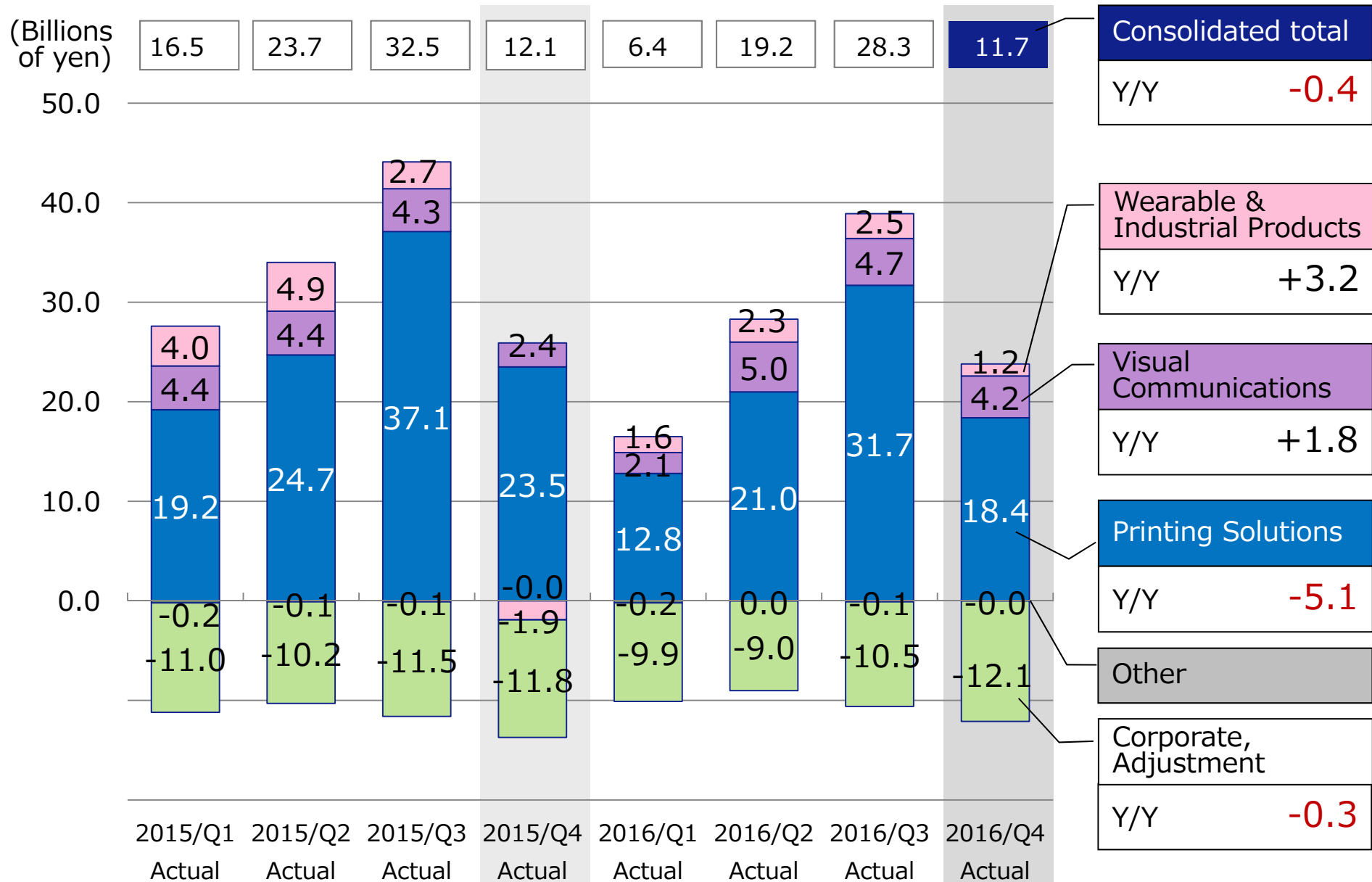


Quarterly Selling, General and Administrative Expenses

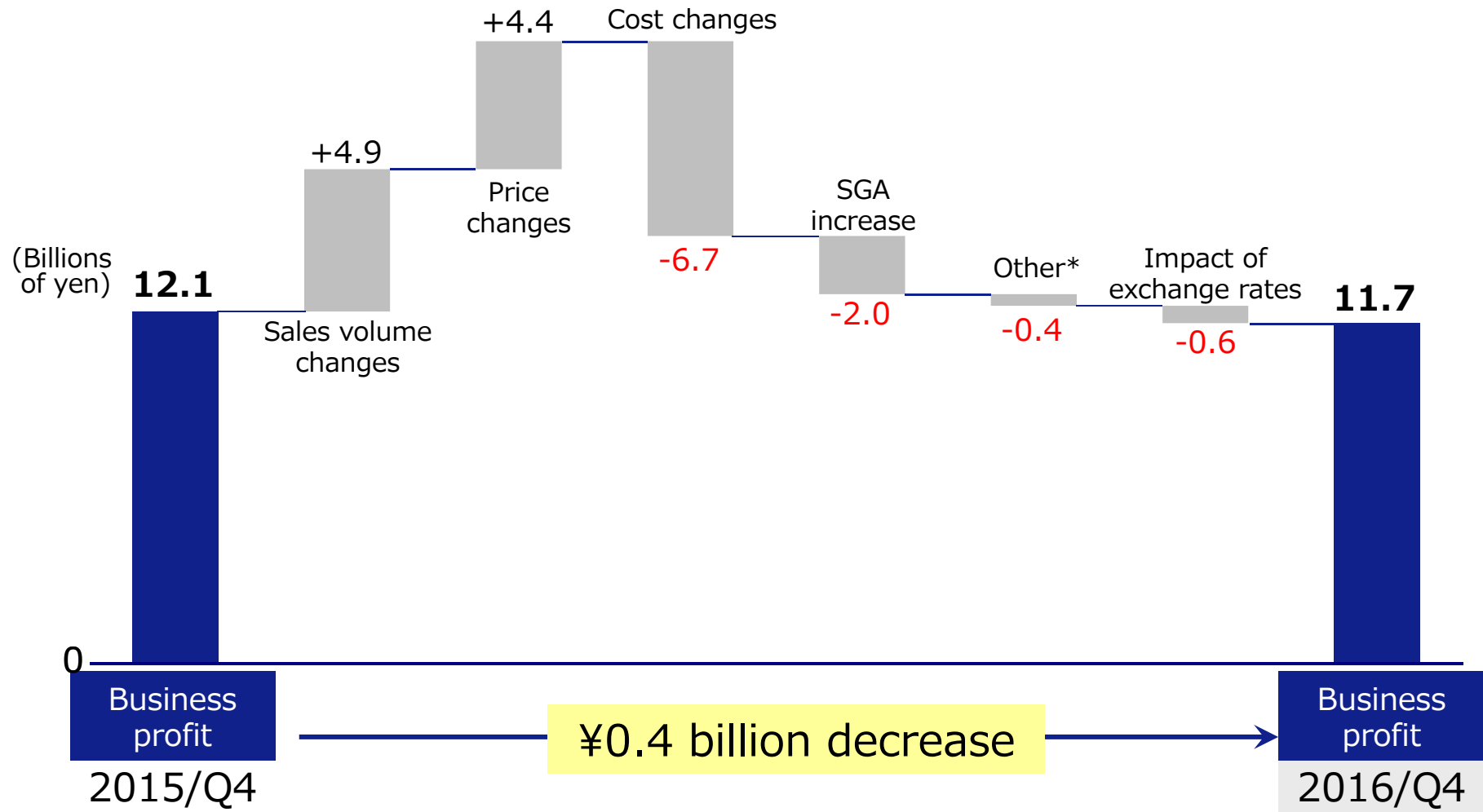


Quarterly Business Profit Trend

► By business segment



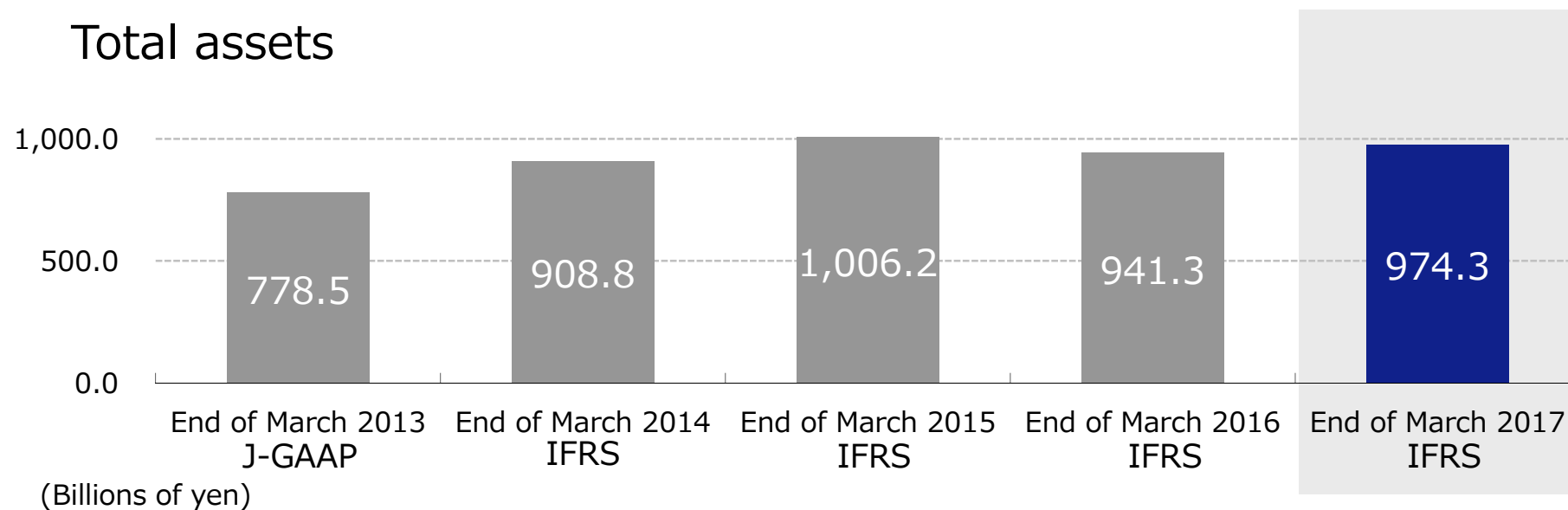
Q4 Business Profit Change Cause Analysis EPSON EXCEED YOUR VISION



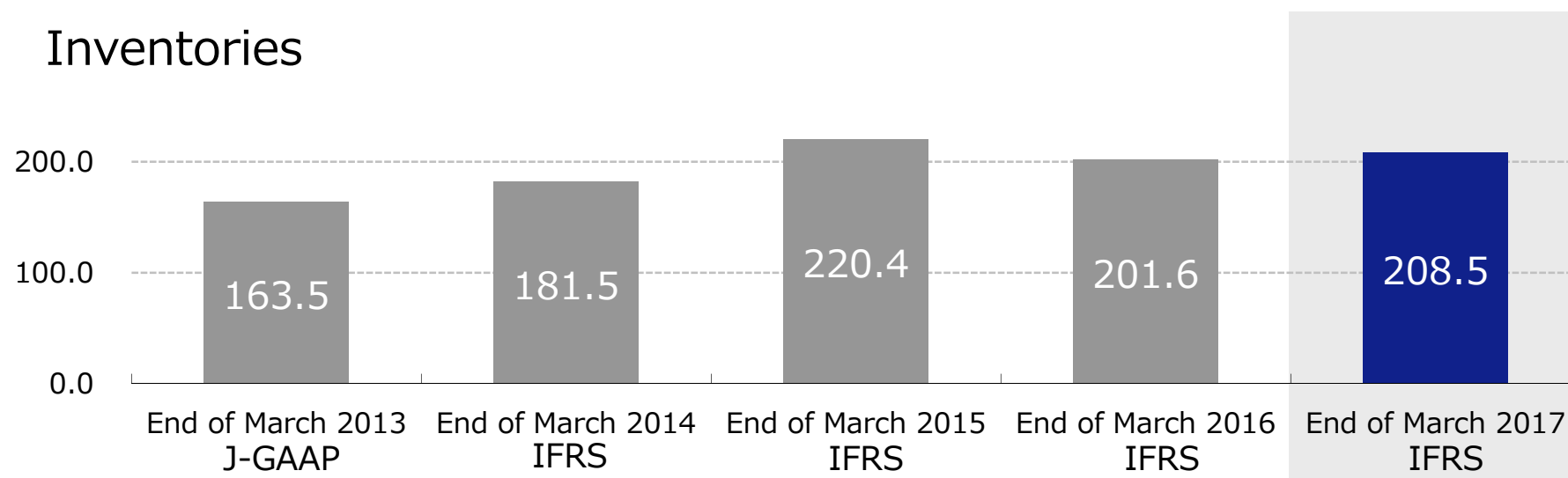
* The corporate and other segments in this comparison include products and businesses that cannot be compared directly with similar items in the previous year.

Statements of Financial Position

Total assets

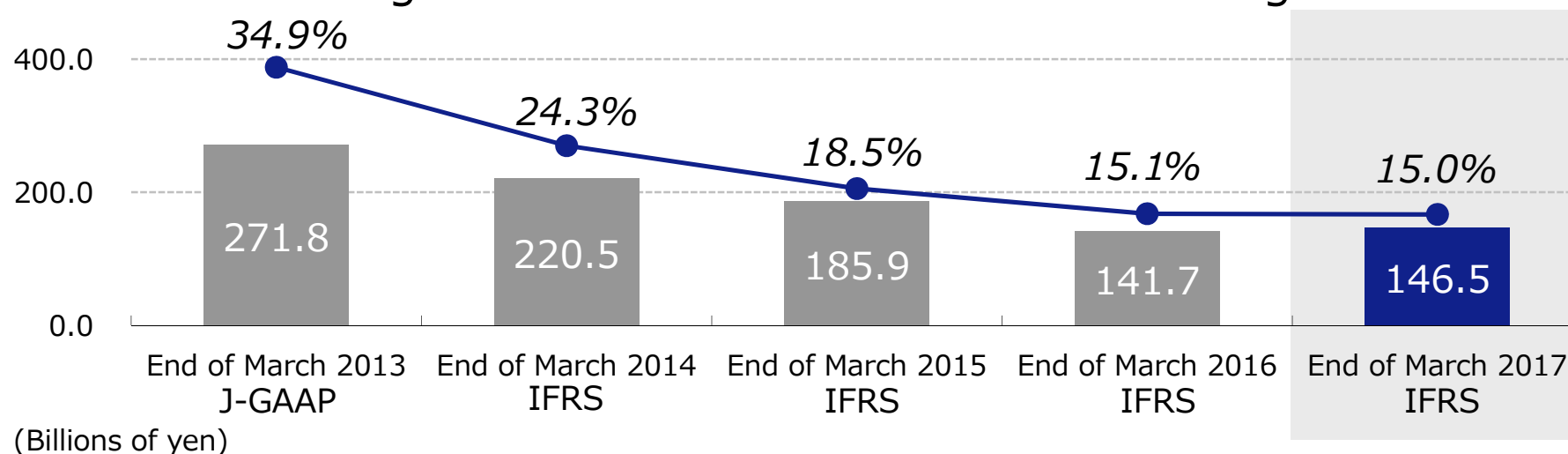


Inventories

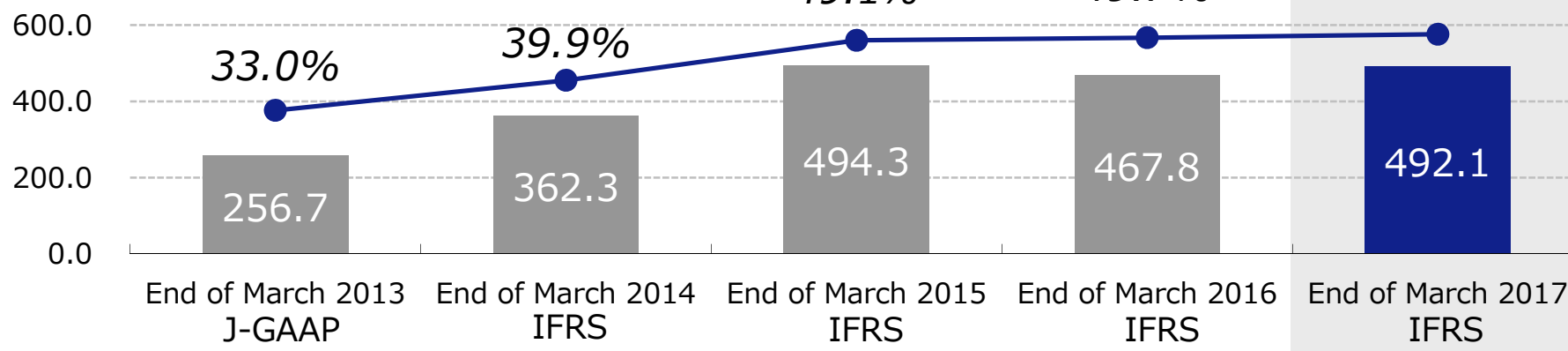


Statements of Financial Position

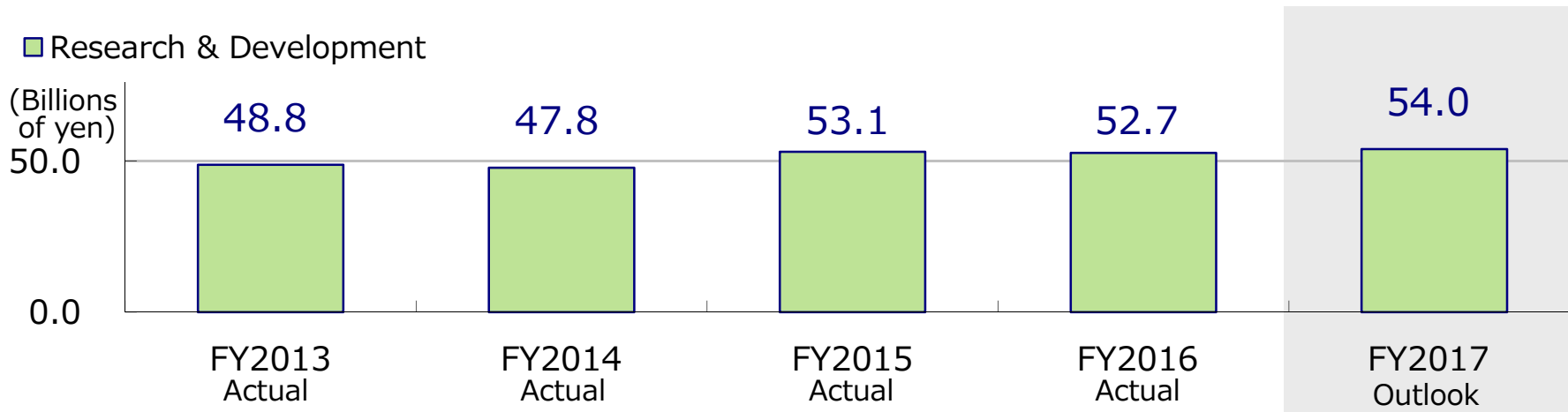
Interest-bearing liabilities and ratio of interest-bearing liabilities



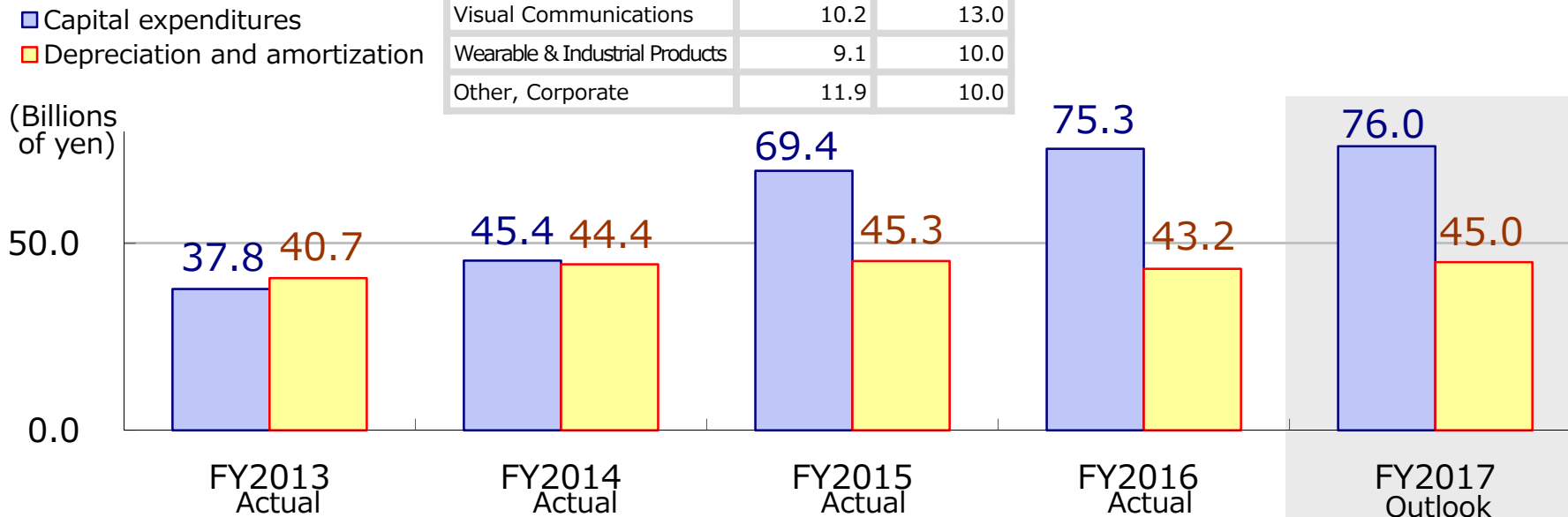
Equity and equity ratio attributable to owners of the parent company (Shareholder's equity and equity ratio)



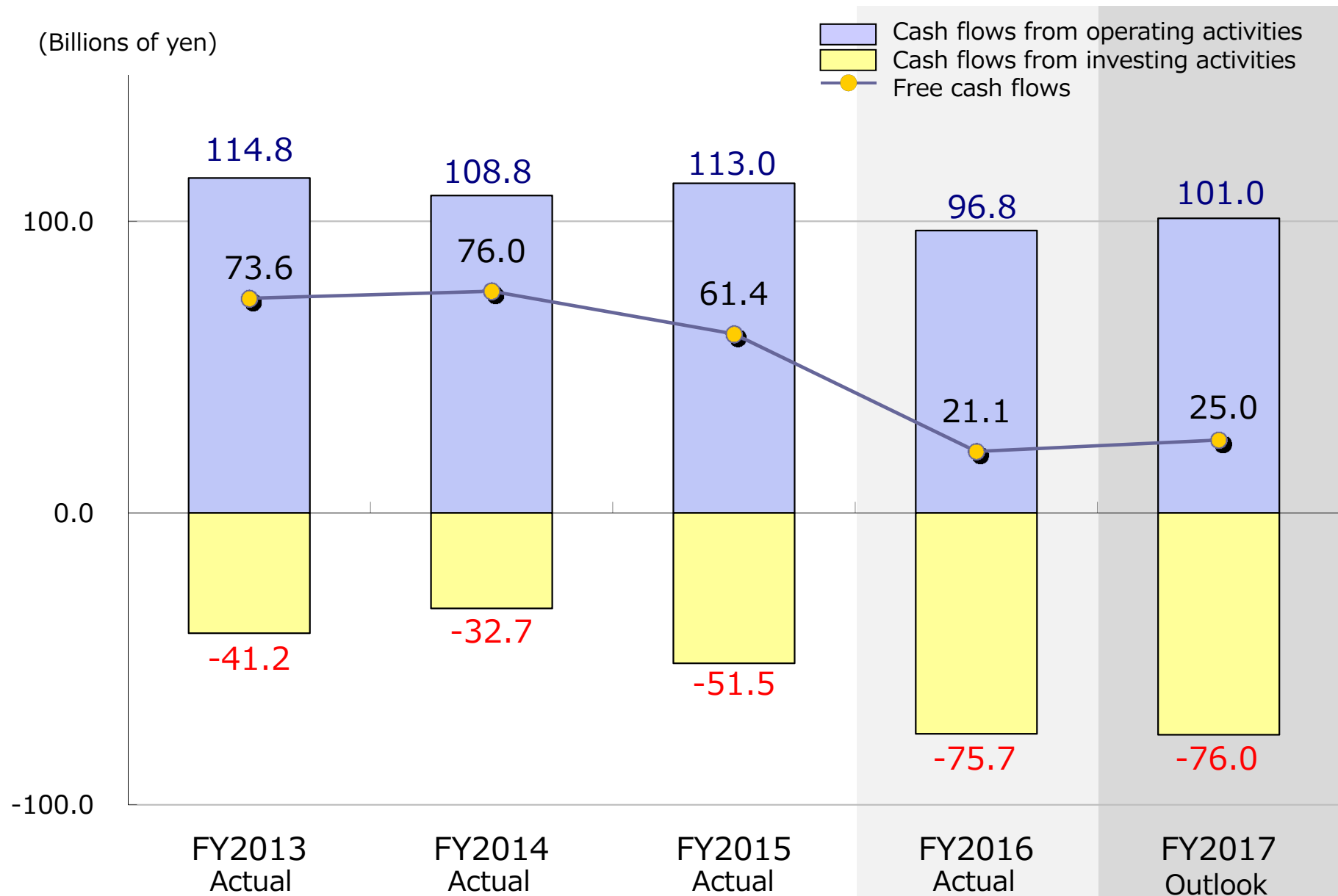
Outlook for R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses



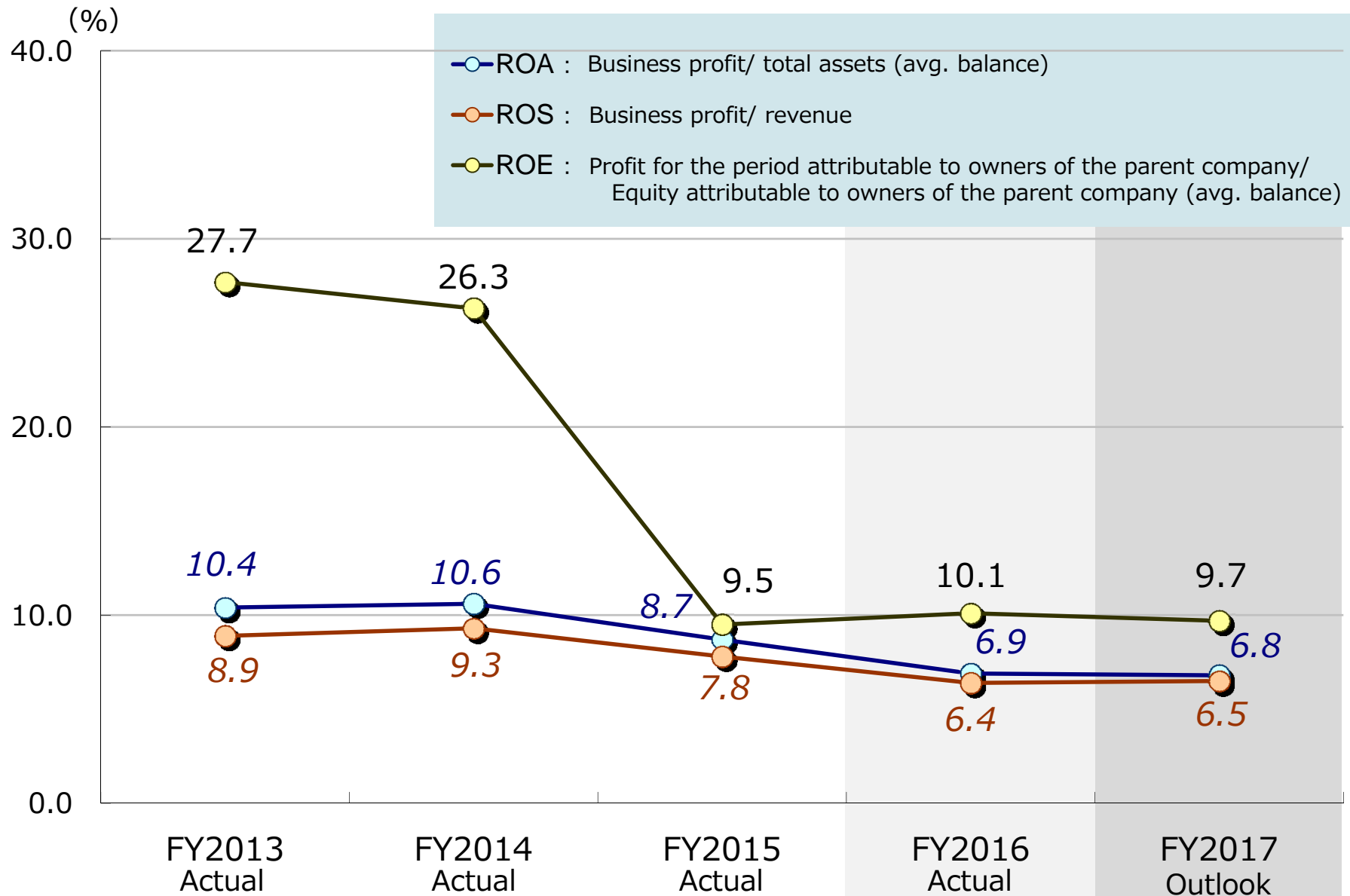
Capex breakdown by segment	FY2016 Actual	FY2017 Outlook
Printing Solutions	43.9	43.0
Visual Communications	10.2	13.0
Wearable & Industrial Products	9.1	10.0
Other, Corporate	11.9	10.0



Free Cash Flows Outlook

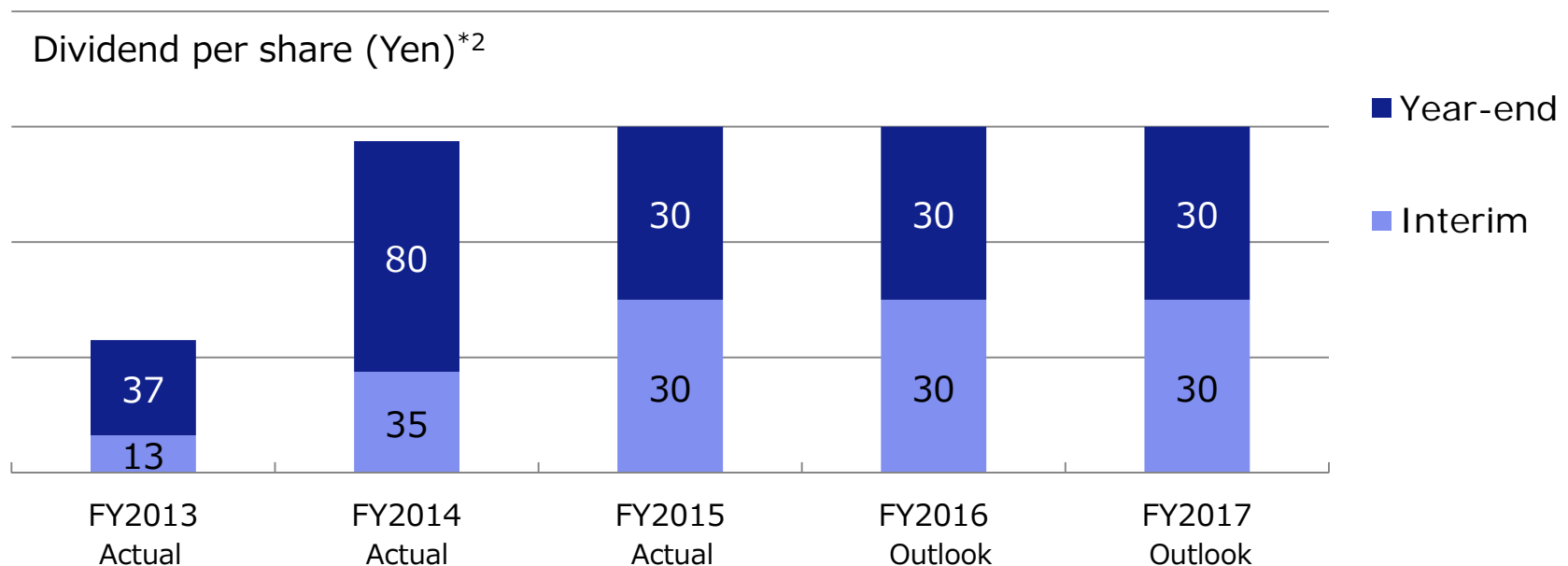


Main Management Indicators



Shareholder Returns

- While the top priority is strategic investment in growth, Epson also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment.
- Epson has set a consolidated dividend payout ratio*¹ in the range of 40% as a medium-term target. We intend to be more active in giving back to shareholders by agilely repurchasing shares as warranted by share price, the capital situation, and other factors.
- Dividends



*1: The ratio is based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company's main operations (and which is very similar to the concept of operating income under J-GAAP both conceptually and numerically).

*2 : Epson declared a 2-for-1 stock split, effective April 1, 2015. The graph height shows the level after the split.

Reference

Major Business Indicators

(Billions of yen)

(Billions of yen)

(Billions of yen)					(Billions of yen)			
		FY2016 Actual	FY2017 Outlook	FY2018 Target	Category	FY2016 Actual	FY2017 Outlook	3-year cumulative (FY2016-18 business plan)
Printing Solutions	Revenue	686.6	689.0	805.0				
	Business profit	84.1	90.0	-	Operating CF	96.8	101.0	Approx. 330.0
Visual Communications	Revenue	179.6	182.0	200.0				
	Business profit	16.1	18.0	-	FCF	21.1	25.0	Approx. 120.0
Wearable & Industrial Products	Revenue	158.5	163.0	195.0				
	Business profit	7.8	12.0	-	Capital expenditure	75.3	76.0	Approx. 210.0
Other	Revenue	1.5	1.0	0.0				
	Business profit	-0.4	-1.0	-	R&D costs	52.7	54.0	Invest aggressively
Corporate, Adjustment	Revenue	-1.5	-5.0	0.0	Exchange rate			
	Business profit	-41.7	-52.0	-		FY2016 Actual	FY2017 Outlook	FY2016-18 business plan
Consolidated total	Revenue	1,024.8	1,030.0	1,200.0	USD	¥108.38	¥105.00	¥115.00
	Business profit	65.8	67.0	96.0	EUR	¥118.79	¥110.00	¥125.00
	ROS	6.4%	6.5%	8%				
	ROE	10.1%	9.7%	Sustain at at least 10%				

Main Product Sales Trends

Results & outlook vs. previous fiscal year ASP (average selling prices) and sales amounts after conversion to yen

Product		FY2015 Full year (Actual)	FY2016 Q1 (Actual)	FY2016 Q2 (Actual)	FY2016 Q3 (Actual)	FY2016 Q4 (Actual)	FY2016 Full year (Actual)	FY2017 Full year (Outlook)
IJP	Volume	+1%	+8%	+5%	+2%	+7%	+5%	+8%
	Office/ high-capacity ink tank as % of total unit sales	Approx. 20%/ Approx. 35%	-	-	-	-	Approx. 20%/ Approx. 40%	Approx. 20%/ Approx. 45%
	ASP	+ low single-digit %	Around -10%	- mid 10%	- low single-digit %	+ low single-digit %	- high single-digit %	+ low single-digit %
	Revenue	+ low single-digit %	- low single-digit %	- low teen %	Flat YoY	+ high single-digit %	- low single-digit %	+ high single-digit %
IJP ink	Volume (packs)	0%	-3%	-7%	-2%	-5%	-4%	-
	ASP	+ mid-single-digit %	- low single-digit %	- high single-digit %	- low single-digit %	+ mid-single-digit %	- low single-digit %	-
	Revenue	+ mid-single-digit %	- mid-single-digit %	- mid-teen %	- mid-single-digit %	- low single-digit %	- mid-single-digit %	- mid-single-digit %
SIDM printers	Volume	-6%	+19%	+10%	-13%	-1%	+4%	-11%
	ASP	+ low single-digit %	- mid 20%	- mid 20%	- mid-teen %	- high single-digit %	- high teen %	- mid-single-digit %
	Revenue	- low single-digit %	Around -10%	- high teen %	- high 20%	- high single-digit %	- mid-teen %	- mid-teen %
Projectors	Volume	+2%	+9%	+8%	+7%	+2%	+6%	+2%
	ASP	+ low single-digit %	- mid-teen %	- mid-teen %	- high single-digit %	+ mid-single-digit %	- high single-digit %	- low single-digit %
	Revenue	+ mid-single-digit %	- high single-digit %	- high single-digit %	Flat YoY	+ high single-digit %	- low single-digit %	Flat YoY

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

EPSON
EXCEED YOUR VISION