

Third Quarter Financial Results Fiscal Year 2017 (Ending March 2018)

January 31, 2018

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. FY2017 Q3 Financial Results**
- 2. FY2017 Financial Outlook

Financial Highlights (through first 9 months)

		FY2016		FY2017		Change		
		First 9 Months	%	First 9 Months	%	Amount	%	
(Billions of yen)								
Revenue		765.8	-	833.4	-	+67.6	+8.8%	
Business profit		54.0	7.1%	58.4	7.0%	+4.3	+8.1%	
Profit from operating activities		57.2	7.5%	52.2	6.3%	-5.0	-8.8%	
Profit before taxes		57.3	7.5%	51.0	6.1%	-6.3	-11.1%	
Profit for the period		47.0	6.1%	34.7	4.2%	-12.3	-26.3%	
EPS*		¥132.93		¥98.12		Exchange difference (Billions of yen)		
Exchange rate	USD	¥106.63		¥111.67		Revenue	Business profit	
	EUR	¥118.02		¥128.48		USD	+11.5	-3.1
						EUR	+11.0	+7.2
						Other	+12.4	+6.5
						Total	+35.1	+10.5

* Basic earnings per share for the period

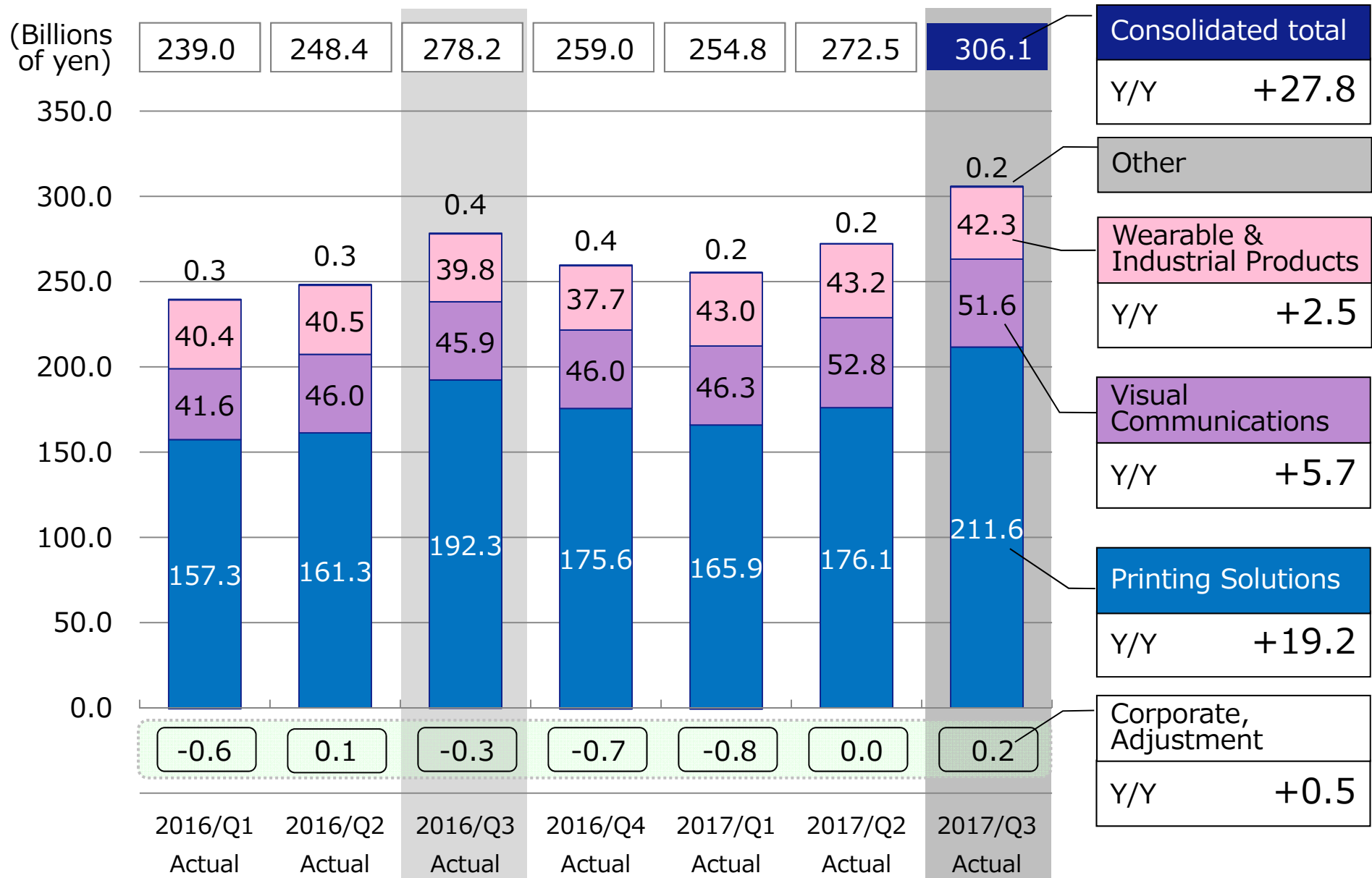
Financial Highlights (Third Quarter)

		FY2016		FY2017		Change		
		Q3 Actual	%	Q3 Actual	%	Amount	%	
(Billions of yen)								
Revenue		278.2	-	306.1	-	+27.8	+10.0%	
Business profit		28.3	10.2%	30.3	9.9%	+1.9	+6.9%	
Profit from operating activities		29.5	10.6%	28.5	9.3%	-0.9	-3.3%	
Profit before taxes		30.3	10.9%	28.0	9.2%	-2.2	-7.5%	
Profit for the period		28.4	10.2%	19.5	6.4%	-8.9	-31.3%	
EPS*		¥81.03		¥55.57		Exchange difference (Billions of yen)		
Exchange rate	USD	¥109.30		¥112.92		Revenue	Business profit	
	EUR	¥117.78		¥132.96		USD	+2.8	-0.7
						EUR	+6.0	+4.2
						Other	+4.6	+2.1
						Total	+13.5	+5.5

* Basic earnings per share for the period

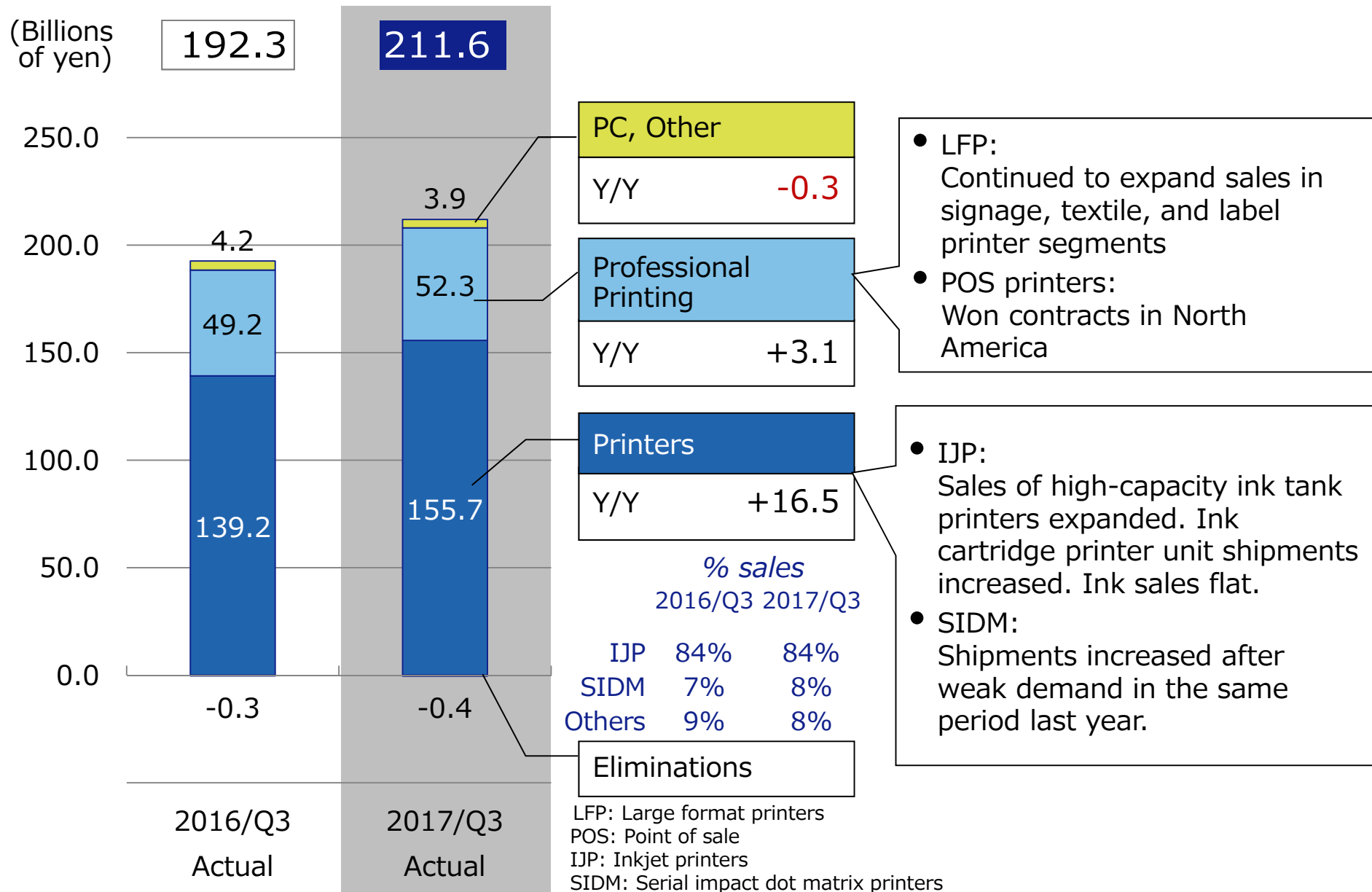
Quarterly Revenue Trend

► By business segment



Quarterly Revenue Comparison

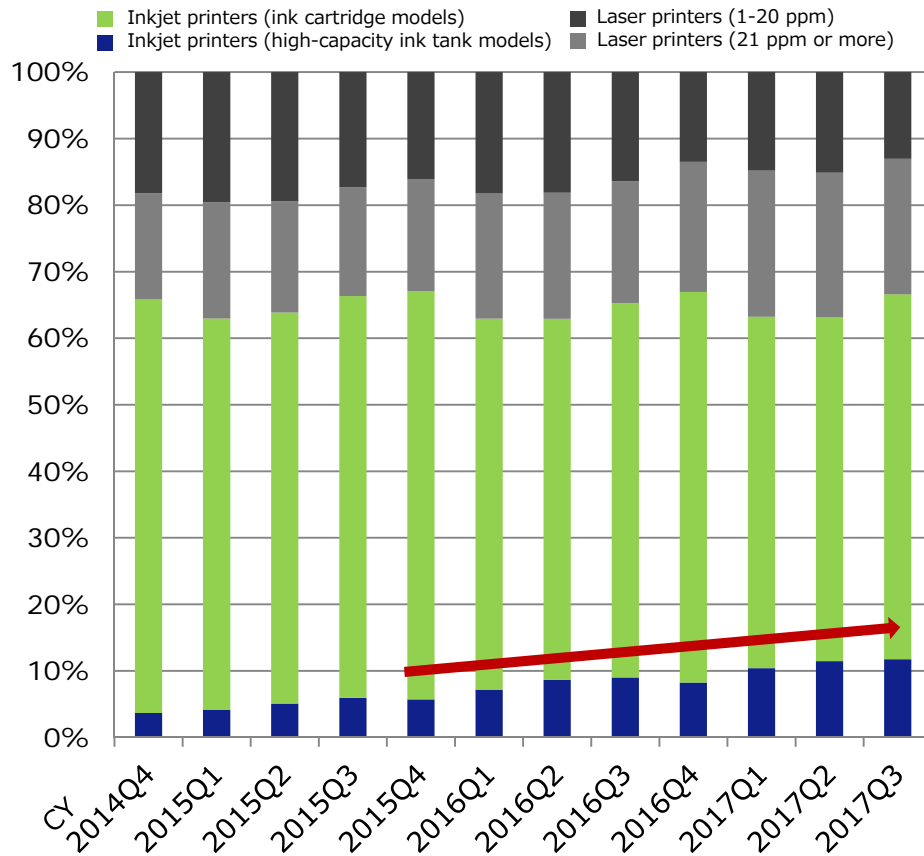
▶ Printing Solutions Segment



Expansion of High-Capacity Ink Tank Printers

- The global market for high-capacity ink tank printers is steadily expanding, and they have established a presence in the A4 printer* market.
- Epson's unit shipments have continued to grow even after competitors entered the market.

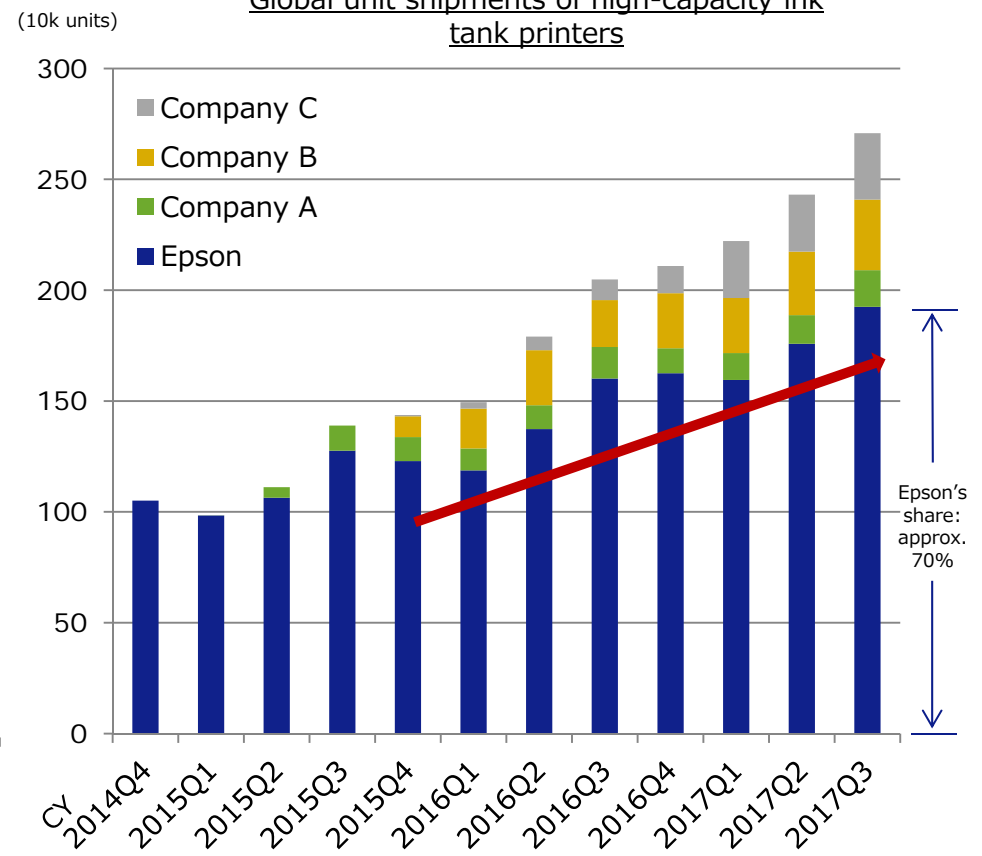
Global A4 printer* market trend



Source: Seiko Epson, based on IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2017Q3
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* Printers include multifunction printers.

Global unit shipments of high-capacity ink tank printers



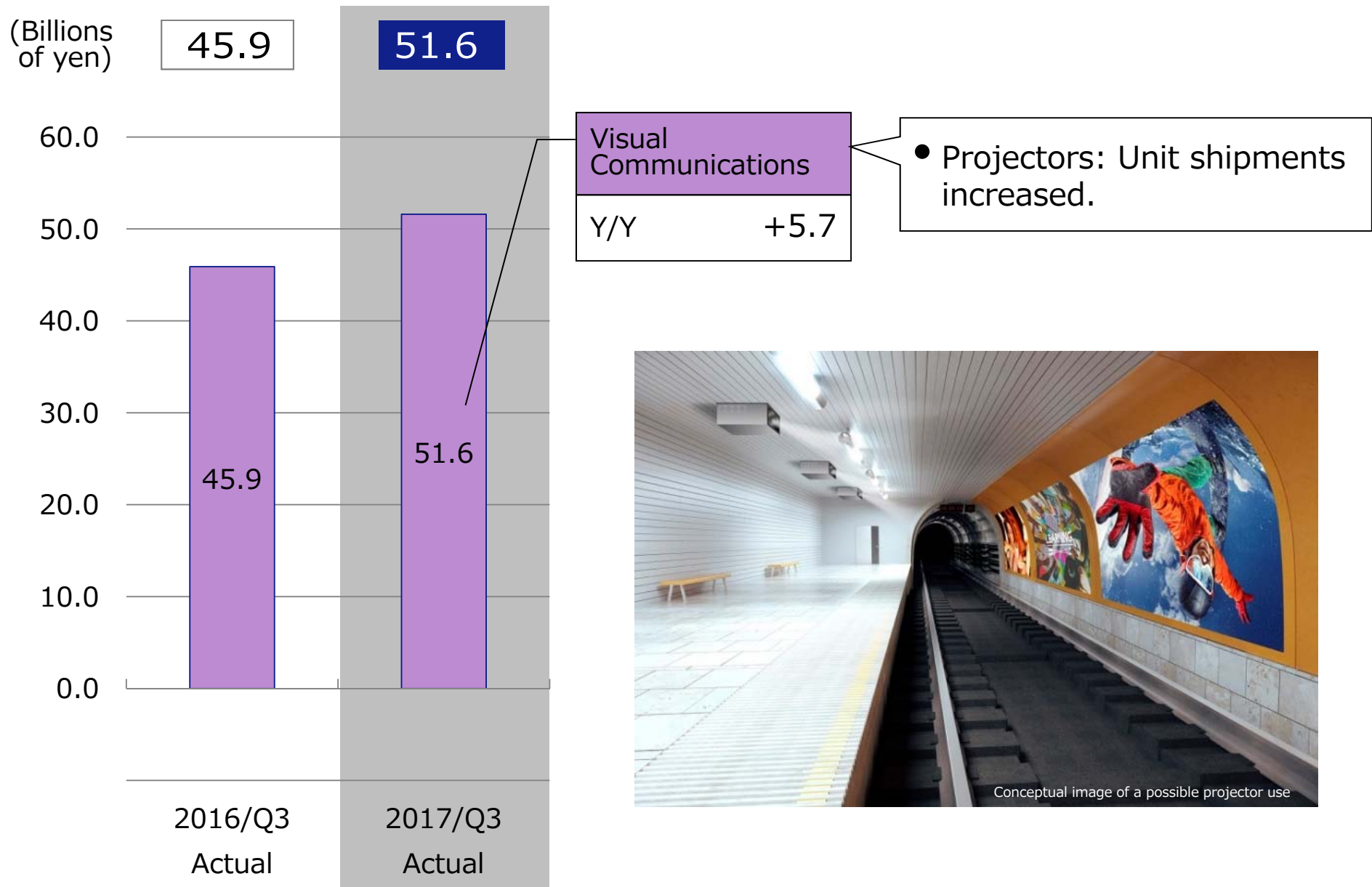
Source: Seiko Epson, based on IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2017Q3
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- Global launch completed by December
- Continue to strengthen the sales organization and promotions in every region.
 - Hire specialist sales and support staff.
 - Create more opportunities to demonstrate performance.
 - Strengthen relationships with dealers/distributors.
- Respond to new customer needs.
 - Effectively promote environmental benefits to growing number of companies interested in reducing office environmental impacts.
 - Add functions requested by customers.



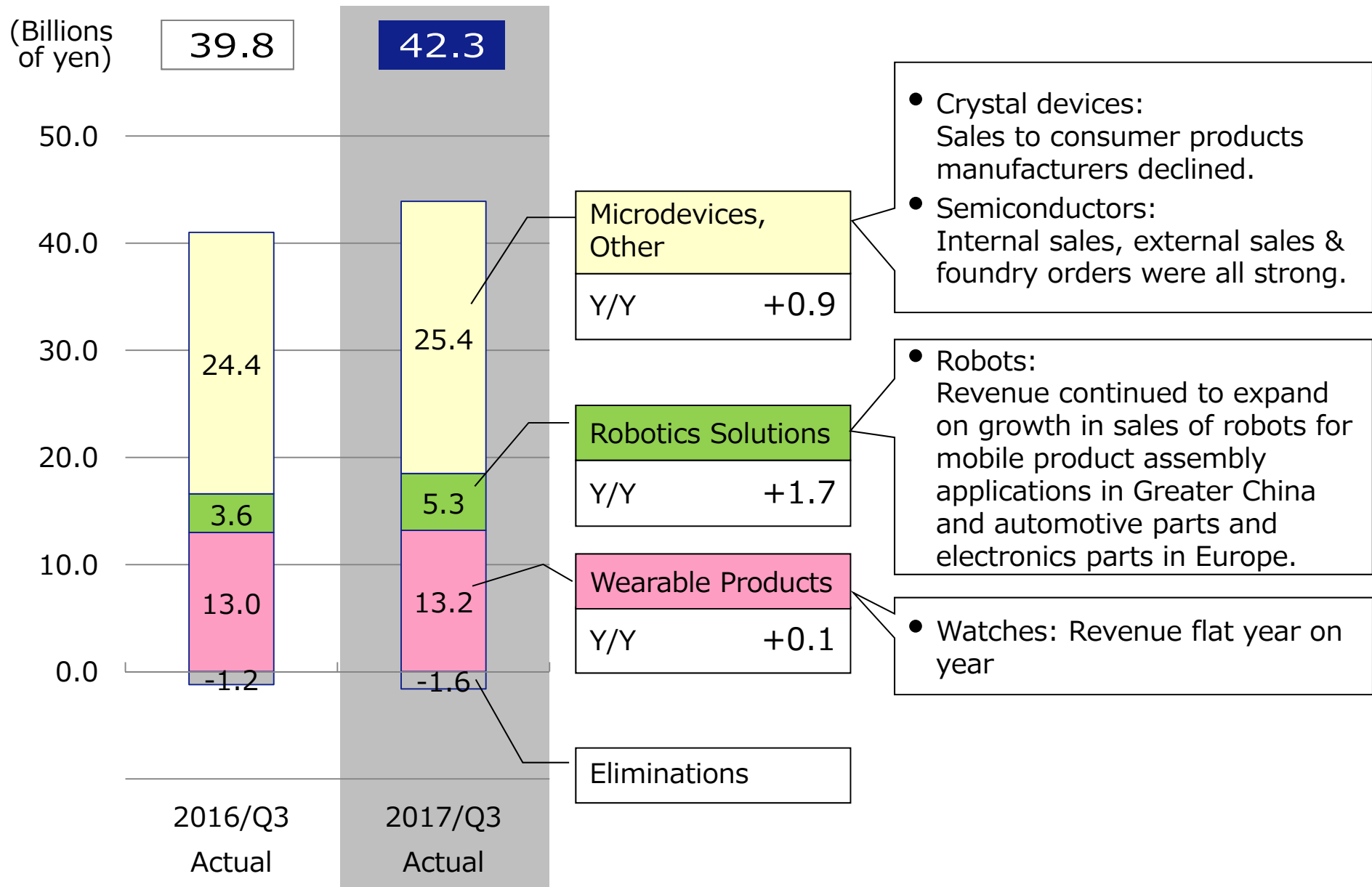
Quarterly Revenue Comparison

▶ Visual Communications Segment

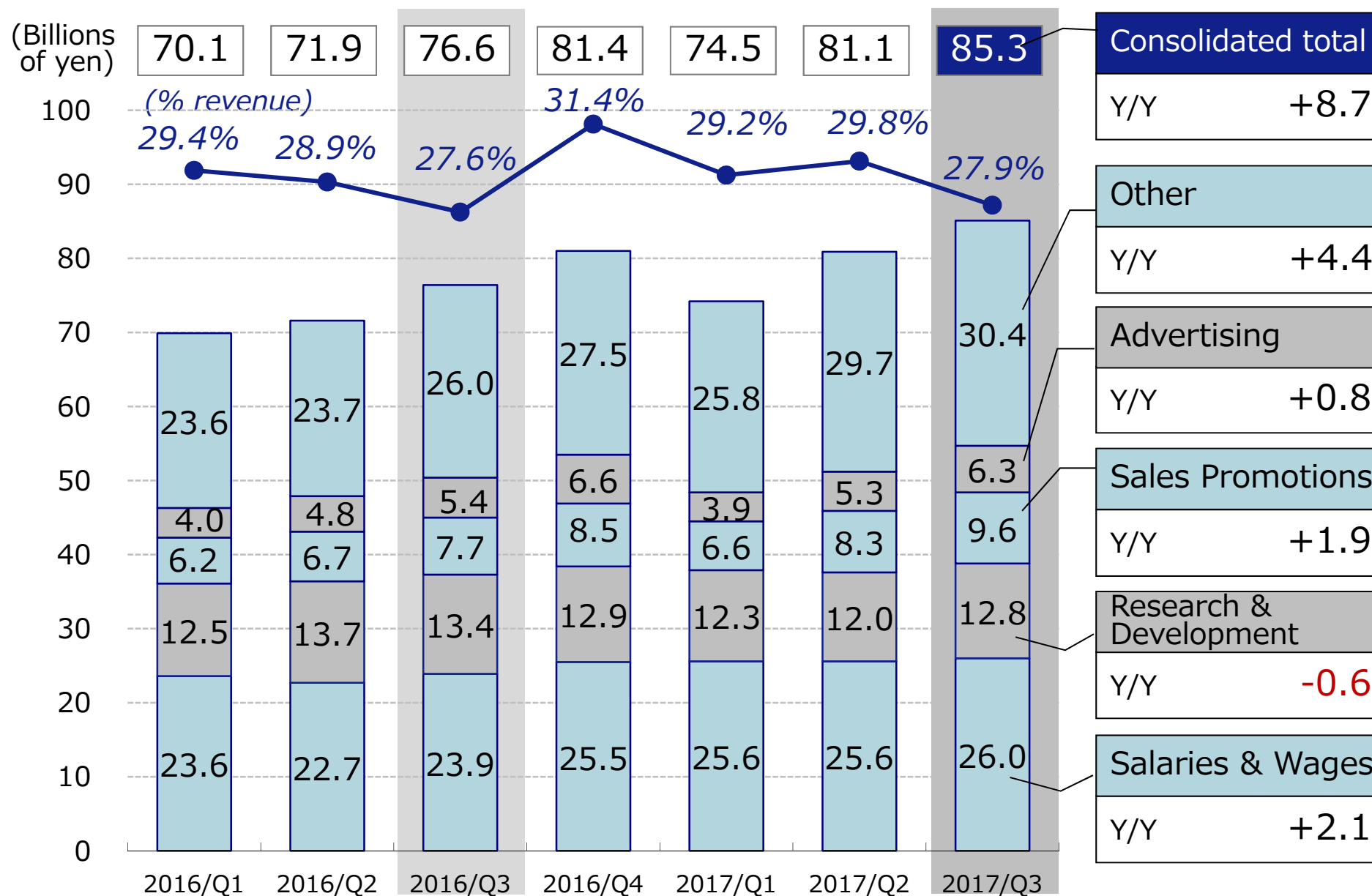


Quarterly Revenue Comparison

► Wearable & Industrial Products Segment

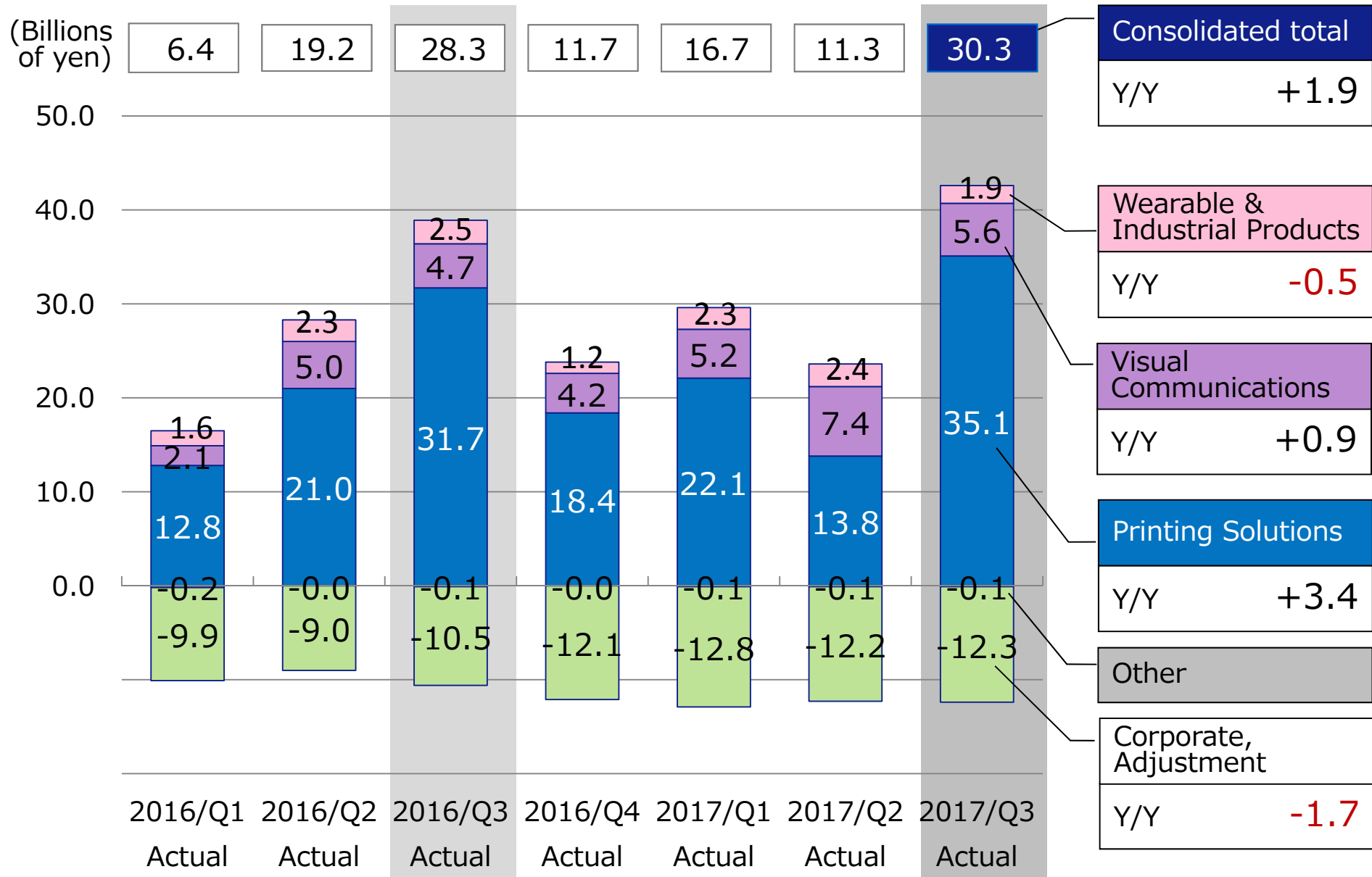


Quarterly Selling, General and Administrative Expenses

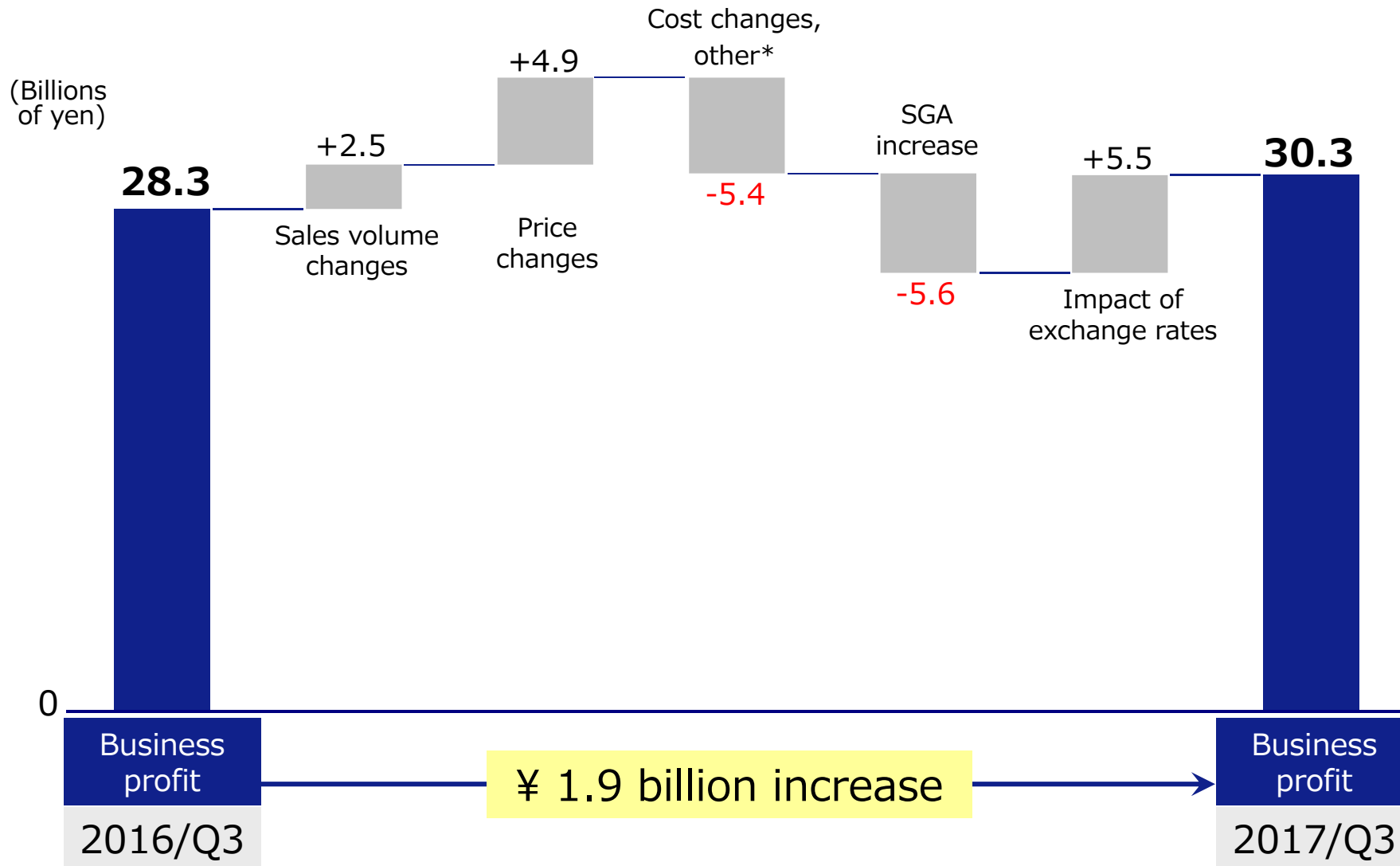


Quarterly Business Profit Trend

► By business segment



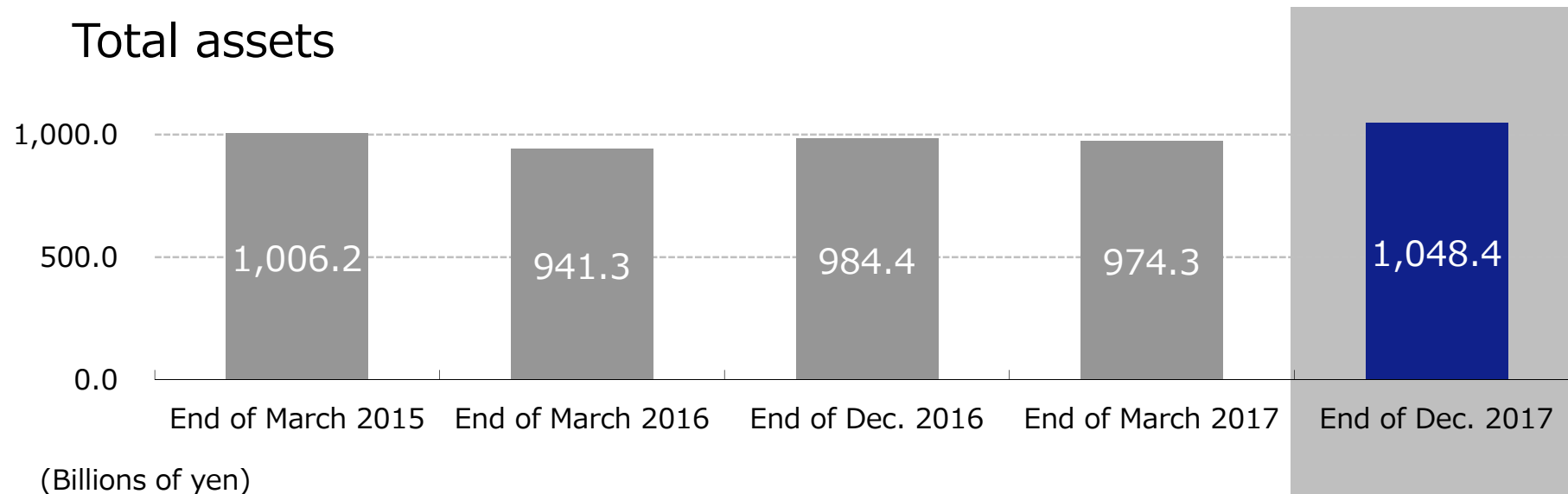
Q3 Business Profit Change Cause Analysis



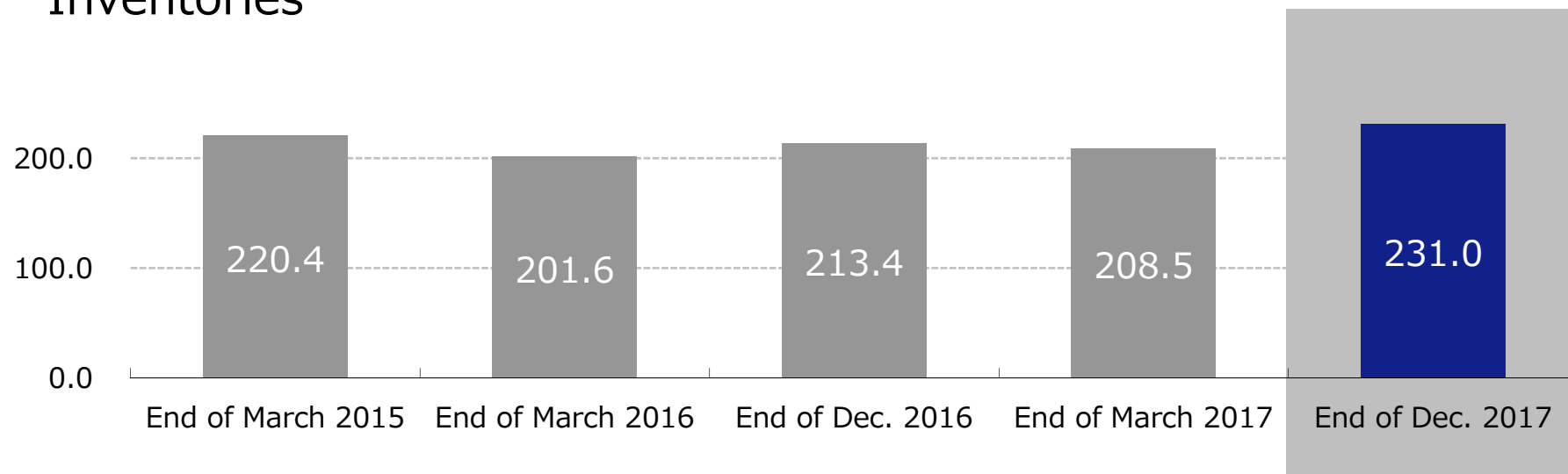
* Cost changes, other: Combined total of cost changes and other items

Statements of Financial Position

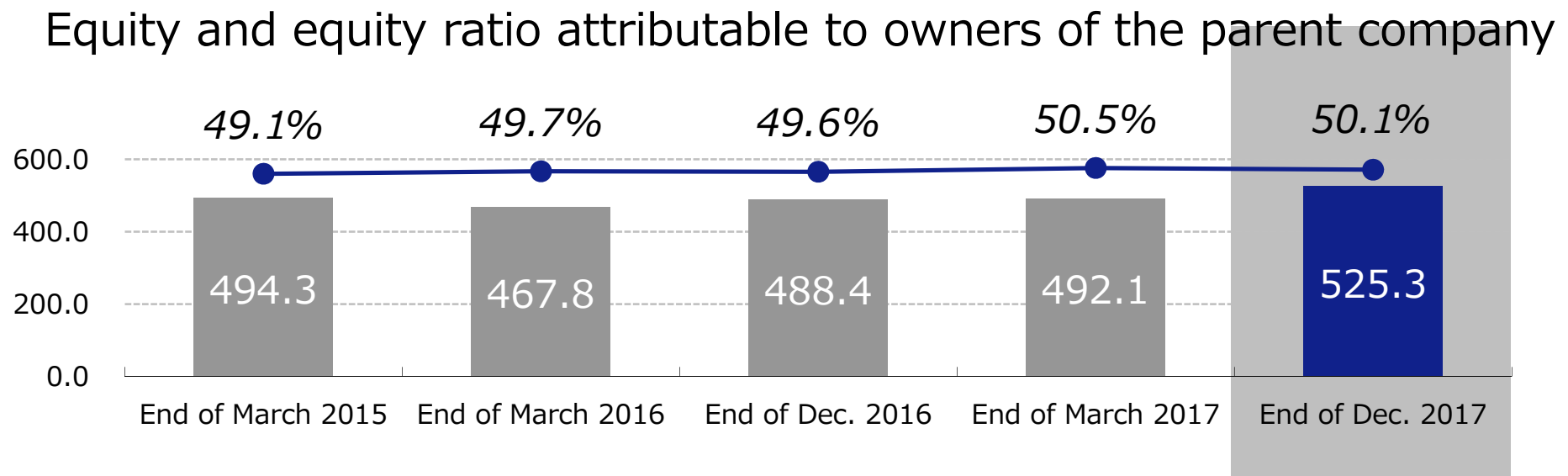
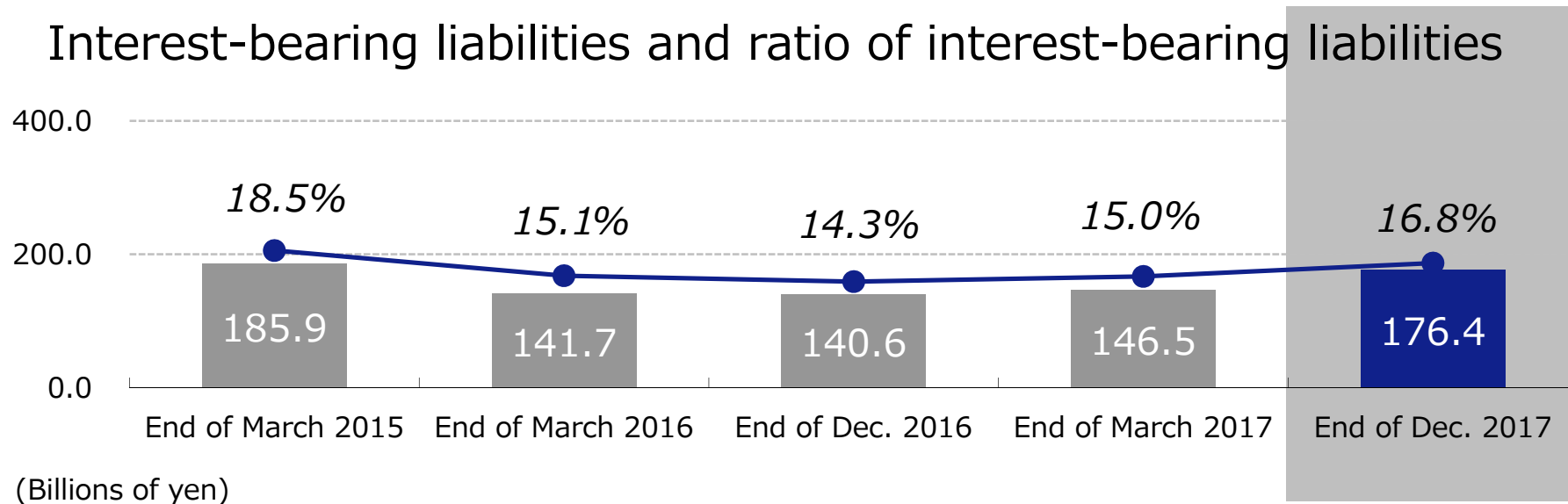
Total assets



Inventories



Statements of Financial Position



- 1. FY2017 Q3 Financial Results
- **2. FY2017 Financial Outlook**

FY2017 Financial Outlook

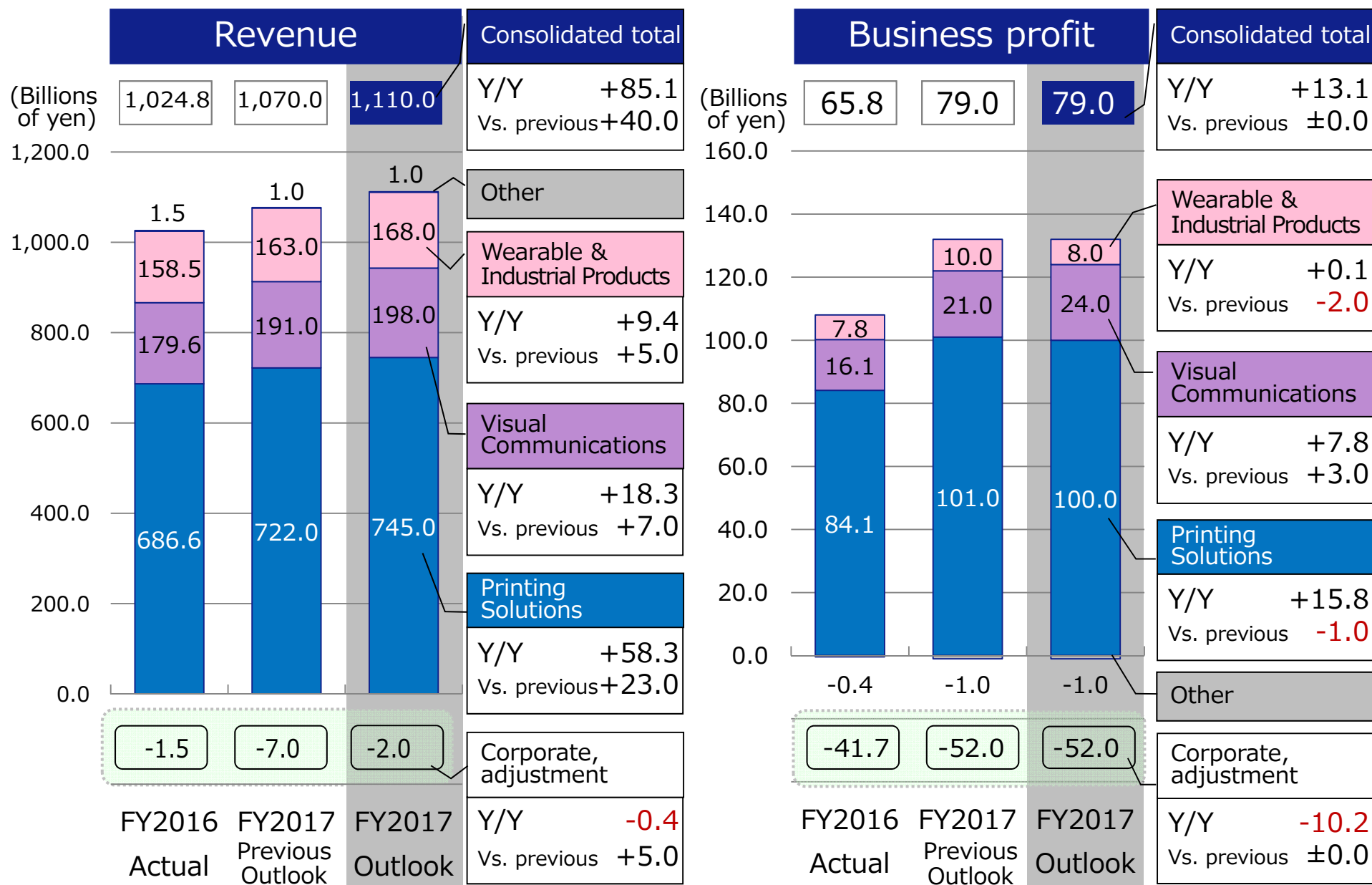
	FY2016		FY2017				Change (amount, %)		
	Actual	%	10/26 Outlook	%	1/31 Outlook	%	Y/Y	Vs. 10/26 outlook	
Revenue	1,024.8	-	1,070.0	-	1,110.0	-	+85.1 +8.3%	+40.0 +3.7%	
Business profit	65.8	6.4%	79.0	7.4%	79.0	7.1%	+13.1 +20.0%	±0 ±0%	
Profit from operating activities	67.8	6.6%	76.0	7.1%	72.0	6.5%	+4.1 +6.1%	-4.0 -5.3%	
Profit before taxes	67.4	6.6%	76.0	7.1%	72.0	6.5%	+4.5 +6.7%	-4.0 -5.3%	
Profit for the year	48.4	4.7%	58.0	5.4%	51.0	4.6%	+2.5 +5.3%	-7.0 -12.1%	
EPS ^{*1}	¥136.82		¥164.67		¥144.79		Exchange rate assumptions from Q4		
Exchange rate	USD	¥108.38	¥110.00		¥111.00		USD	¥110	
	EUR	¥118.79	¥125.00		¥129.00		EUR	¥130	
							Exchange sensitivity *2	Revenue	Business profit
							USD	-3.0	+0.4
							EUR	-1.5	-1.0
							Other	-2.8	-1.1

*1: Basic earnings per share for the year

*2: 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)

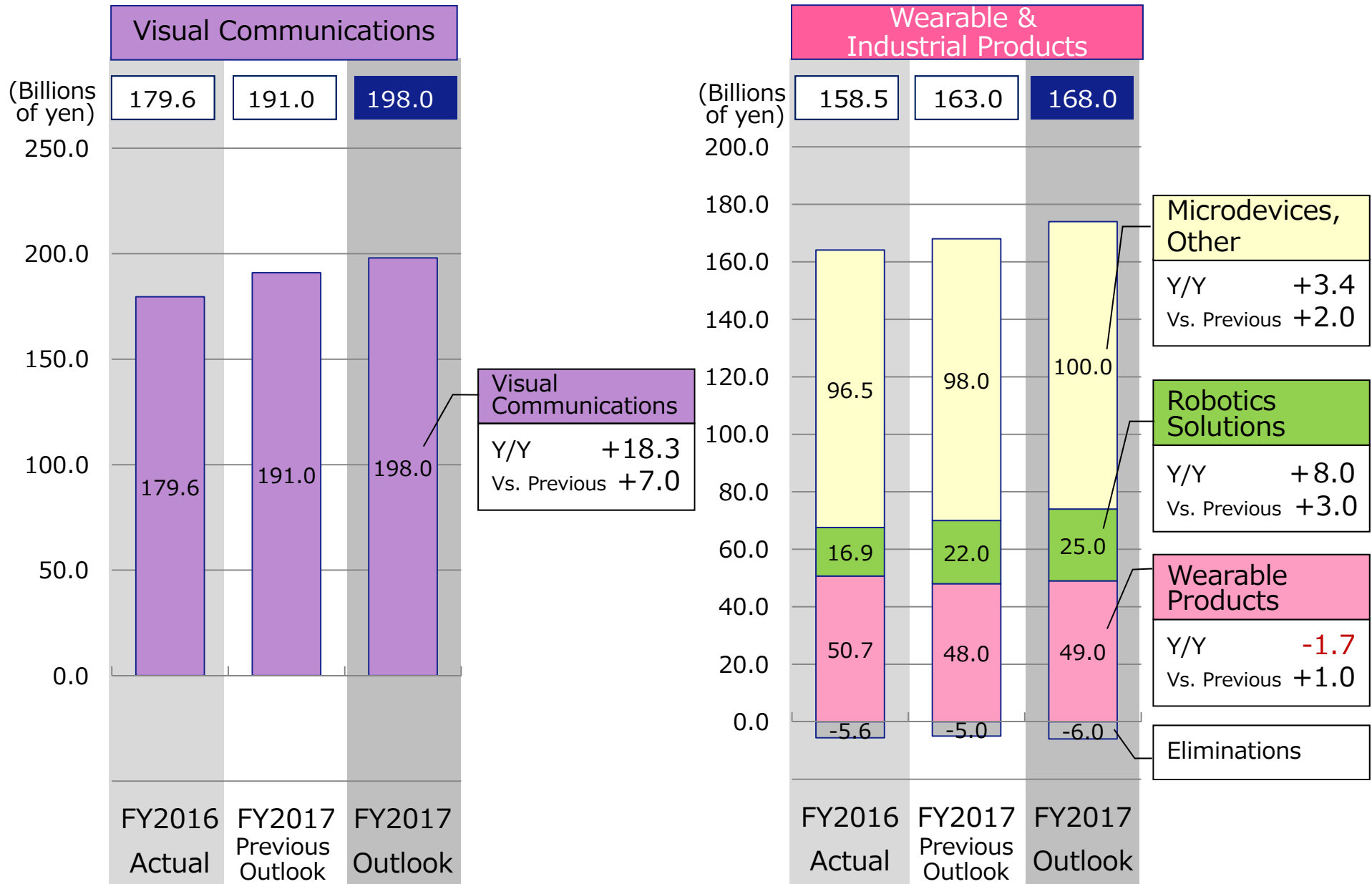
FY2017 Financial Outlook ▶ By business segment



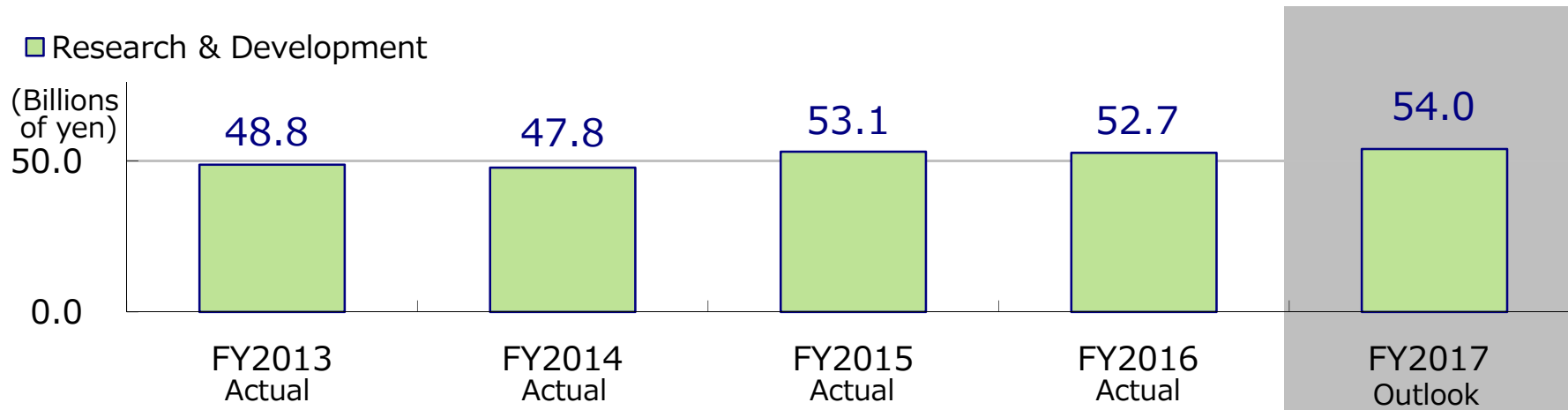
- Progress in initiatives to drive growth
 - Continued expansion in sales of high-capacity ink tank printers
 - Launched high-speed linehead inkjet MFPs globally
 - Sales growth in signage, textile & label LFPs, projectors, and robots
- Changes in business environment factored in
 - Foreign exchange assumptions revised (Q4:USD ¥110/EUR ¥130)
 - Prices for parts and materials to rise further
 - Printers: Environmental changes to affect ink cartridge printer and ink sales
 - Microdevices (quartz): Fluctuating demand from mobile device manufacturers in China
 - Wearable products: Sluggish sales for some new products

The business environment has changed but growth-generating revenue is expanding, and we will continue to invest in future growth.

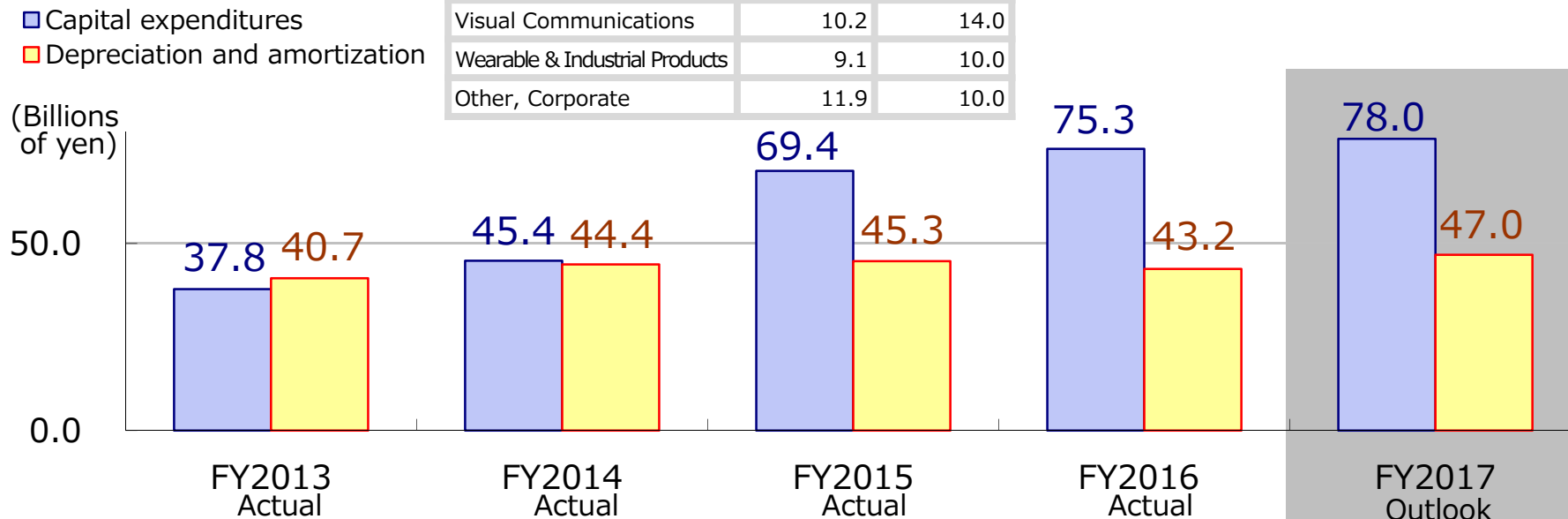
Revenue Comparison by Business



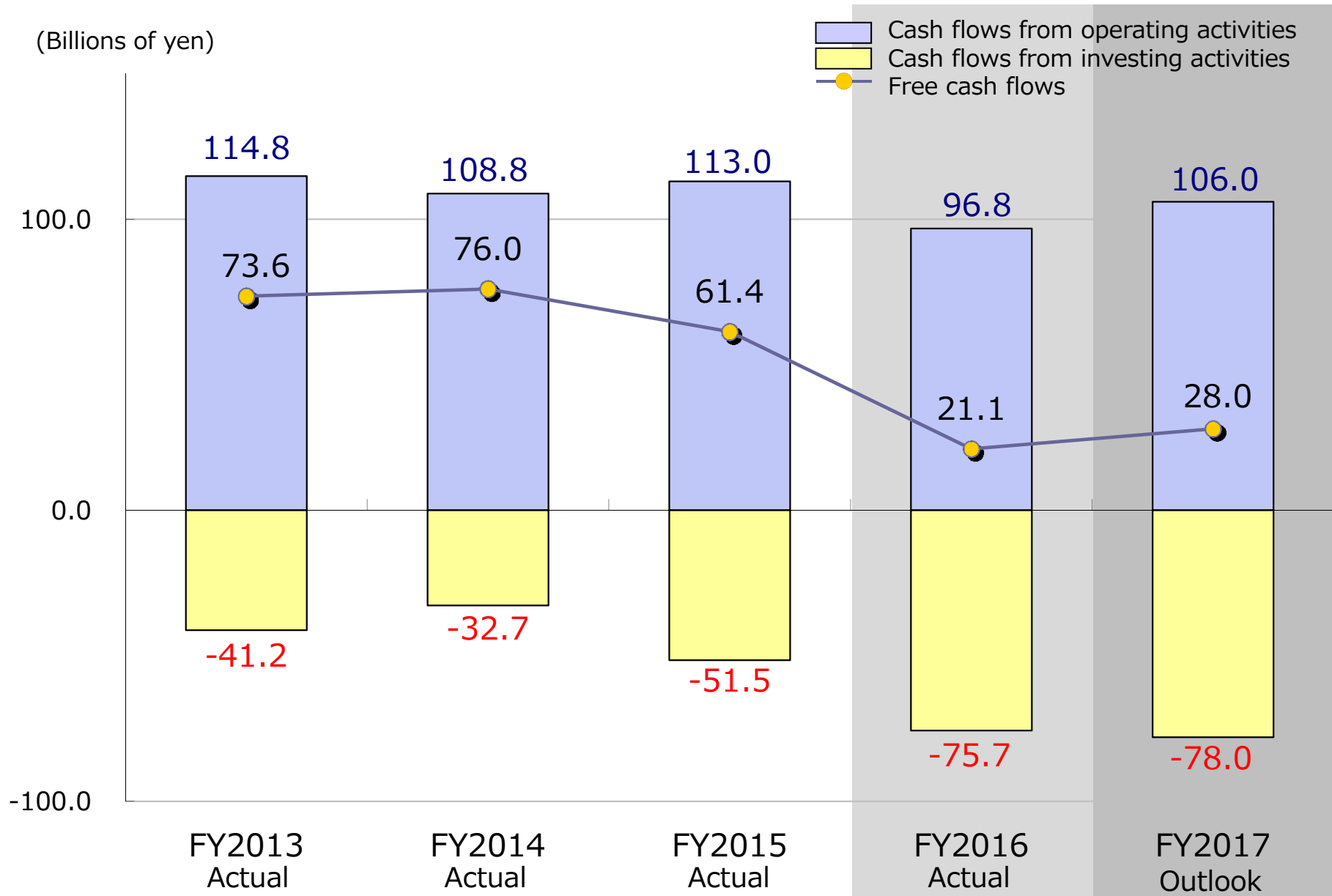
R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses



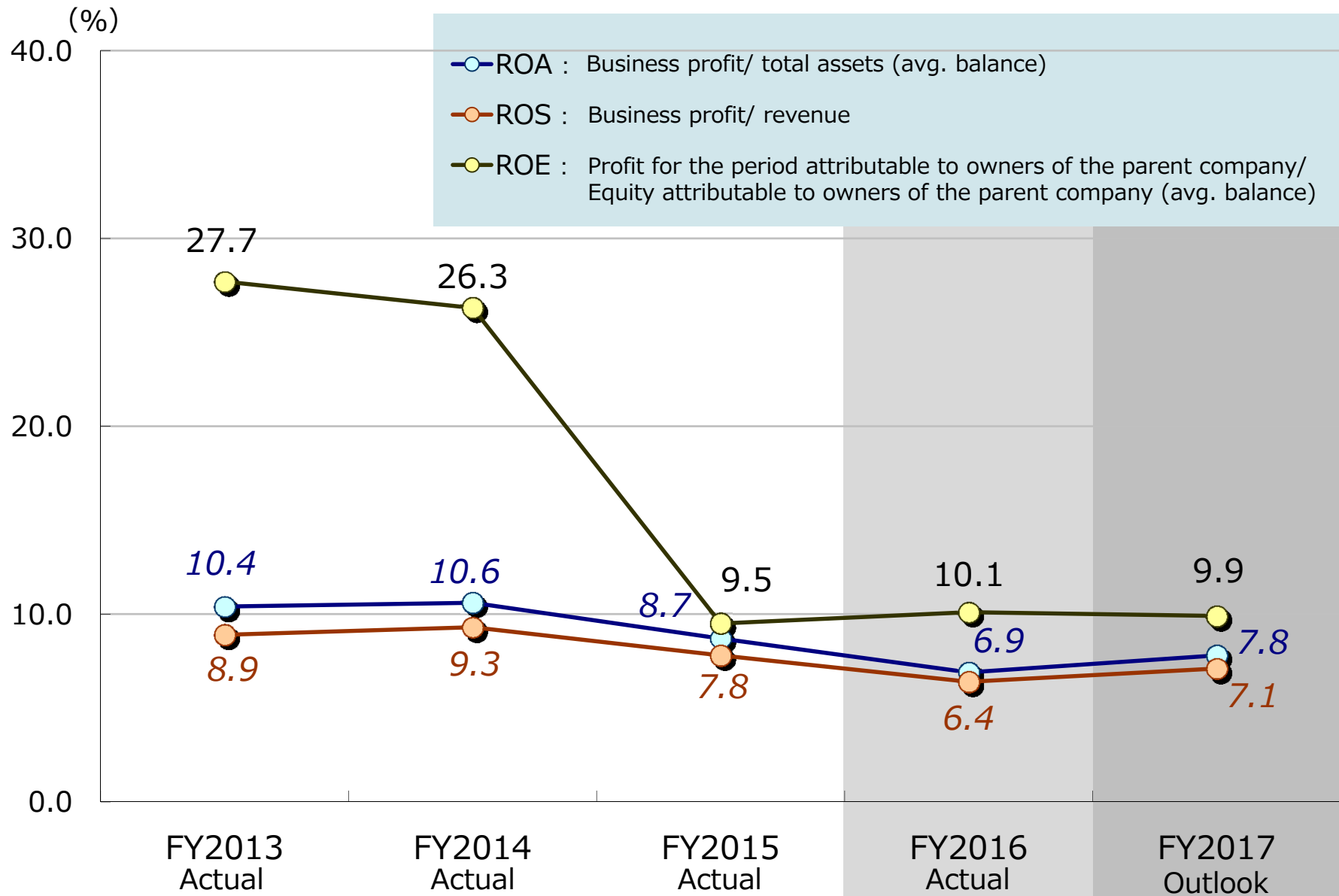
Capex breakdown by segment	FY2016 Actual	FY2017 Outlook
Printing Solutions	43.9	44.0
Visual Communications	10.2	14.0
Wearable & Industrial Products	9.1	10.0
Other, Corporate	11.9	10.0



Free Cash Flows



Main Management Indicators



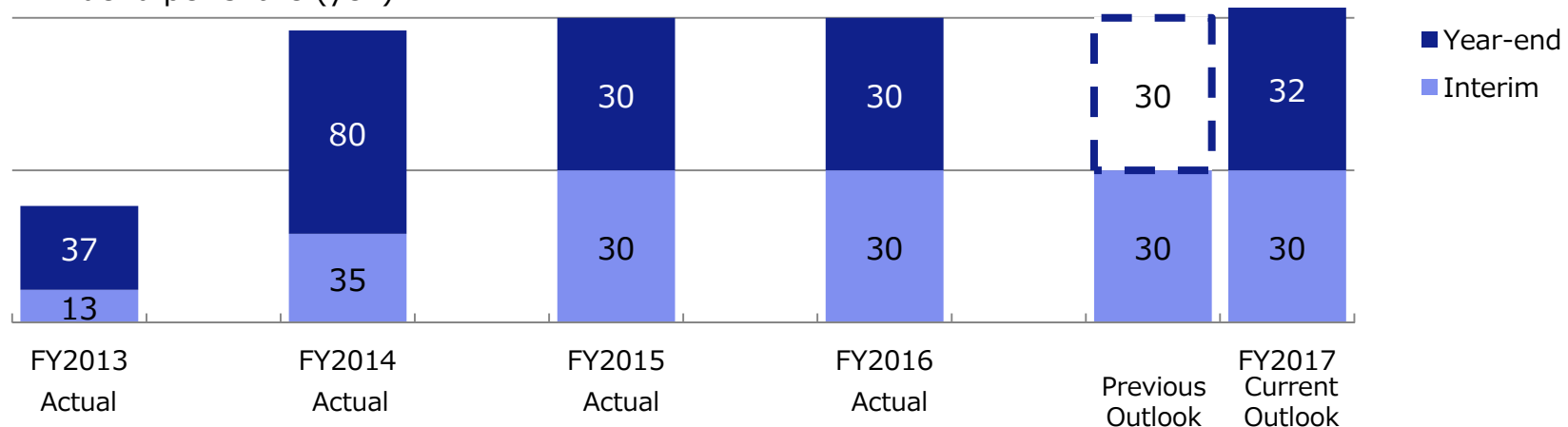
Shareholder Returns

- Epson's first priority is to invest in growth, but we are also striving to build a robust financial structure that is capable of withstanding changes in the business environment and to proactively reward shareholders.
- 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

FY2017 annual dividend outlook 62 yen
(30-yen interim dividend & 32-yen year-end dividend outlook)

Dividend per share (yen)*²



*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

Main Product Sales Trends

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

Product		FY2016 Full year (Actual)	FY2017/Q1 (Actual)	FY2017/Q2 (Actual)	FY2017/Q3 (Actual)	FY2017 Full year (Outlook)
Exchange rate	USD / EUR	¥108.38 / ¥118.79	¥111.08 / ¥122.12	¥111.00 / ¥130.36	¥112.92 / ¥132.96	¥111.00 / ¥129.00
IJP	Volume	+5%	+7%	+4%	+13%	+10%
	Office/ high-capacity ink tank as % of total unit sales	Approx. 20%/ Approx. 40%	-	-	-	Less than 20%/ Less than 50%
	ASP	- high single-digit %	+ low teen %	+ mid-teen %	+ low teen %	+ mid-teen %
	Revenue	- low single-digit %	+ high teen %	Around +20%	+ mid 20%	+ high 20%
IJP ink	Volume (packs)	-4%	-2%	-3%	-7%	-
	ASP	- low single-digit %	+ mid-single-digit %	+ high single-digit %	+ high single-digit %	-
	Revenue	- mid-single-digit %	+ low single-digit %	+ mid-single-digit %	Flat YoY	+ low single-digit %
SIDM printers	Volume	+4%	-25%	-15%	+19%	-9%
	ASP	- high teen %	+ low single-digit %	+ high single-digit %	Flat YoY	+ low single-digit %
	Revenue	- mid-teen %	- low 20%	- high single-digit %	+ high teen %	- high single-digit %
Projectors	Volume	+6%	-2%	+1%	+5%	+3%
	ASP	- high single-digit %	+ mid-teen %	+ mid-teen %	+ high single-digit %	+ high single-digit %
	Revenue	- low single-digit %	+ low teen %	+ mid-teen %	+ low teen %	Around +10%

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

Major Business Indicators

(Billions of yen)

	Category	FY2016 Actual	FY2017 Outlook	FY2018 Target
Exchange rate	USD	¥108.38	¥111.00	¥115.00
	EUR	¥118.79	¥129.00	¥125.00
Printing Solutions	Revenue	686.6	745.0	805.0
	Business profit	84.1	100.0	-
Visual Communications	Revenue	179.6	198.0	200.0
	Business profit	16.1	24.0	-
Wearable & Industrial Products	Revenue	158.5	168.0	195.0
	Business profit	7.8	8.0	-
Other	Revenue	1.5	1.0	0.0
	Business profit	-0.4	-1.0	-
Corporate, Adjustment	Revenue	-1.5	-2.0	0.0
	Business profit	-41.7	-52.0	-
Consolidated total	Revenue	1,024.8	1,110.0	1,200.0
	Business profit	65.8	79.0	96.0
	ROS	6.4%	7.1%	8%
	ROE	10.1%	9.9%	Sustain at at least 10%

(Billions of yen)

Category	FY2016 Actual	FY2017 Outlook	3-year cumulative (FY2016-18 business plan)
USD	¥108.38	¥111.00	¥115.00
EUR	¥118.79	¥129.00	¥125.00
Operating CF	96.8	106.0	Approx. 330.0
FCF	21.1	28.0	Approx. 120.0
Capital expenditure	75.3	78.0	Approx. 210.0
R&D costs	52.7	54.0	Invest aggressively

EPSON
EXCEED YOUR VISION