

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

October 26, 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. Overview**
- 2. Details

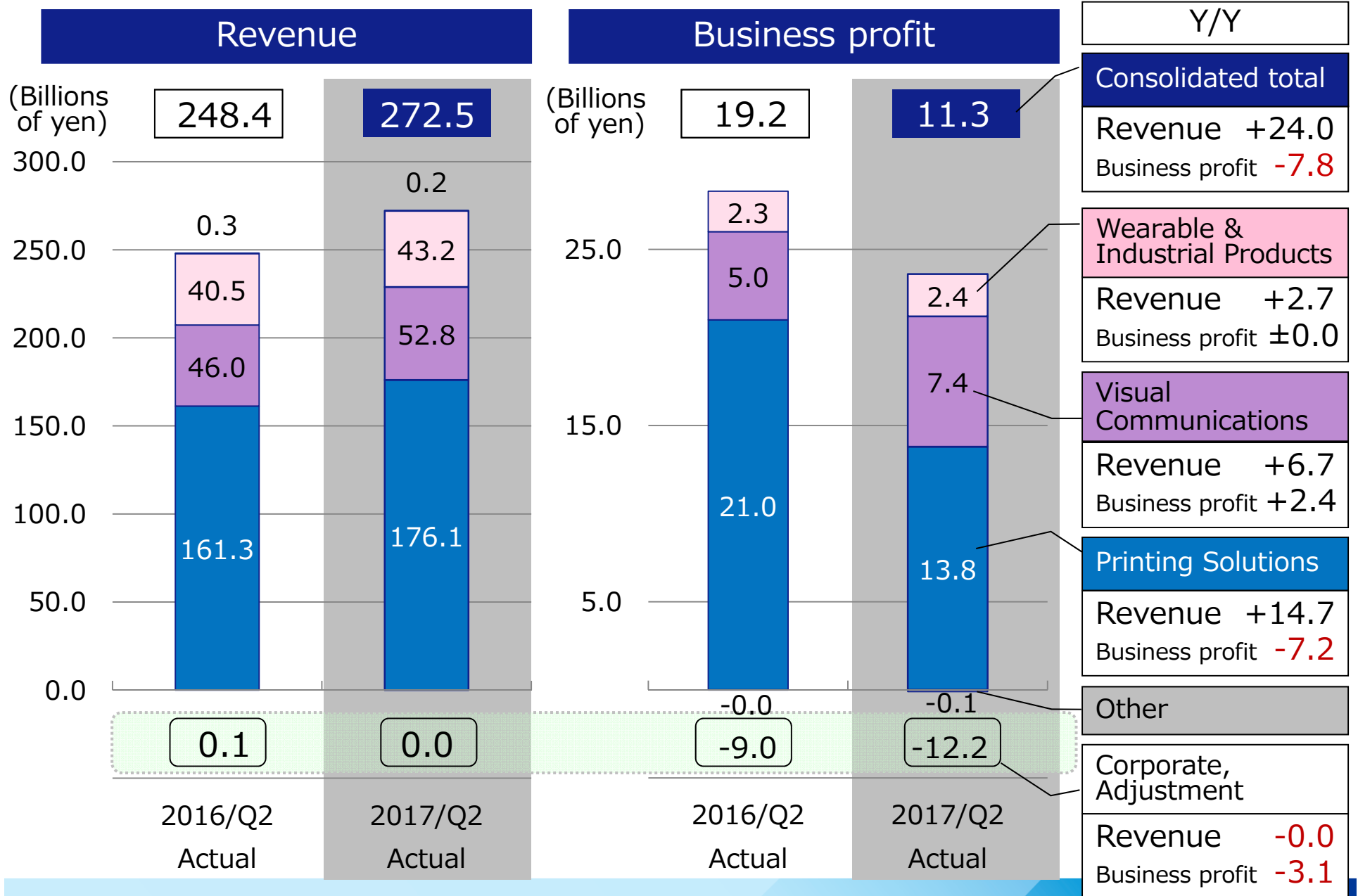
Financial Highlights (Second Quarter)

| | | FY2016 | | FY2017 | | Change | | |
|----------------------------------|-----|-----------|------|-----------|------|---------------------------------------|-----------------|-------------|
| | | Q2 Actual | % | Q2 Actual | % | Amount | % | |
| (Billions of yen) | | | | | | | | |
| Revenue | | 248.4 | - | 272.5 | - | +24.0 | +9.7% | |
| Business profit | | 19.2 | 7.8% | 11.3 | 4.2% | -7.8 | -40.9% | |
| Profit from operating activities | | 20.7 | 8.4% | 9.0 | 3.3% | -11.7 | -56.7% | |
| Profit before taxes | | 20.7 | 8.3% | 8.5 | 3.1% | -12.1 | -58.7% | |
| Profit for the period | | 14.4 | 5.8% | 4.8 | 1.8% | -9.5 | -66.3% | |
| EPS* | | ¥40.66 | | ¥13.58 | | Exchange difference (Billions of yen) | | |
| Exchange rate | USD | ¥102.44 | | ¥111.00 | | Revenue | Business profit | |
| | EUR | ¥114.28 | | ¥130.36 | | USD | +6.6 | -2.0 |
| | | | | | | EUR | +4.9 | +3.0 |
| | | | | | | Other | +6.8 | +3.4 |
| | | | | | | Total | +18.4 | +4.4 |

* Basic earnings per share for the period

FY2017 Q2 Financial Results

► By business segment



Financial Highlights (First Half)

| | | FY2016 | | FY2017 | | Change (amount, %) | | |
|----------------------------------|-----|-----------|------|-----------|------|---------------------------------------|-----------------|-------------|
| | | 1H Actual | % | 1H Actual | % | | | |
| (Billions of yen) | | | | | | | | |
| Revenue | | 487.5 | - | 527.3 | - | +39.7 | +8.2% | |
| Business profit | | 25.7 | 5.3% | 28.1 | 5.3% | +2.4 | +9.4% | |
| Profit from operating activities | | 27.7 | 5.7% | 23.6 | 4.5% | -4.0 | -14.7% | |
| Profit before taxes | | 27.0 | 5.6% | 23.0 | 4.4% | -4.0 | -15.0% | |
| Profit for the period | | 18.6 | 3.8% | 15.1 | 2.9% | -3.4 | -18.5% | |
| EPS* | | ¥52.09 | | ¥42.55 | | Exchange difference (Billions of yen) | | |
| Exchange rate | USD | ¥105.29 | | ¥111.04 | | Revenue | Business profit | |
| | EUR | ¥118.15 | | ¥126.24 | | USD | +8.7 | -2.4 |
| | | | | | | EUR | +4.9 | +3.0 |
| | | | | | | Other | +7.8 | +4.3 |
| | | | | | | Total | +21.5 | +5.0 |

* Basic earnings per share for the period

FY2017 Financial Outlook

| | FY2016 | | FY2017 | | | | Change (amount, %) | | |
|----------------------------------|---------|---------|-----------------|------|------------------|------|--|---------------------|-----------------|
| | Actual | % | 7/27 Outlook | % | 10/26 Outlook | % | Y/Y | Vs. 7/27 outlook | |
| Revenue | 1,024.8 | - | 1,070.0 | - | 1,070.0 | - | +45.1 +4.4% | +0.0 +0.0% | |
| Business profit | 65.8 | 6.4% | 79.0 | 7.4% | 79.0 | 7.4% | +13.1 +20.0% | +0.0 +0.0% | |
| Profit from operating activities | 67.8 | 6.6% | 76.0 | 7.1% | 76.0 | 7.1% | +8.1 +11.9% | +0.0 +0.0% | |
| Profit before taxes | 67.4 | 6.6% | 76.0 | 7.1% | 76.0 | 7.1% | +8.5 +12.6% | +0.0 +0.0% | |
| Profit for the year | 48.4 | 4.7% | 58.0 | 5.4% | 58.0 | 5.4% | +9.5 +19.8% | +0.0 +0.0% | |
| EPS* ¹ | ¥136.82 | | ¥164.67 | | ¥164.67 | | Exchange rate assumptions from Q3 onward | | |
| Exchange rate | USD | ¥108.38 | ¥109.00 | | ¥110.00 | | USD | ¥108 | |
| | EUR | ¥118.79 | ¥123.00 | | ¥125.00 | | EUR | ¥123 | |
| | | | | | | | 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)

- Steady progress in advancing the core strategies of the mid-range business plan
 - High-capacity ink tank printer shipments to further expand
 - Signage and textile printers, label presses, projectors, and robots to steadily expand
- Factored in business situation changes
 - Changes in the competitive environment for some products and in the product mix for some contracts
 - ✓ Large-format photo and graphics printers, POS printers, watches, crystal devices
 - Prices for raw materials to soar
- Full-year profit expected to grow steadily in line with the mid-range business plan

Mid-Range Business Plan Progress

■ Inkjet innovation

- Capturing office print demand
 - ✓ Expanded sales of high-capacity ink tank printers
 - ✓ Released high-speed linehead inkjet MFPs
- Building strength in new commercial and industrial printing segments
 - ✓ Continued expansion in signage, textile, and label printing



■ Visual innovation

- Strengthening of high added value products
 - ✓ Grew sales of high-brightness projectors
 - ✓ Reinforced the product lineup



Mid-Range Business Plan Progress

■ Wearables innovation

- Leveraging existing assets to expand the customer base
 - ✓ New Trume watch brand



■ Robotics innovation

- Developing the business to meet expanded demand
 - ✓ Increased space usage efficiency with compact robots
 - ✓ Used sensing technology to expand applications



Mid-Range Business Plan Progress

- Strengthening business infrastructure
 - Strengthening the R&D and design organizations
 - ✓ Building up our global operations (in Italy, Canada, and Indonesia)
 - Building up production capacity in preparation for increased sales
 - ✓ Operations started at a new factory in the Philippines
 - ✓ Will expand facilities at the Hirooka Office (Japan)
 - Strengthening the office products sales organization
 - ✓ New staff hires/ realigned organization



New factory in the Philippines



Inkjet printhead production & development functions to be strengthened in Hirooka (under construction)



Commercial and industrial printer functions to be strengthened in Hirooka (construction planned)

- 1. Overview
- **2. Details**

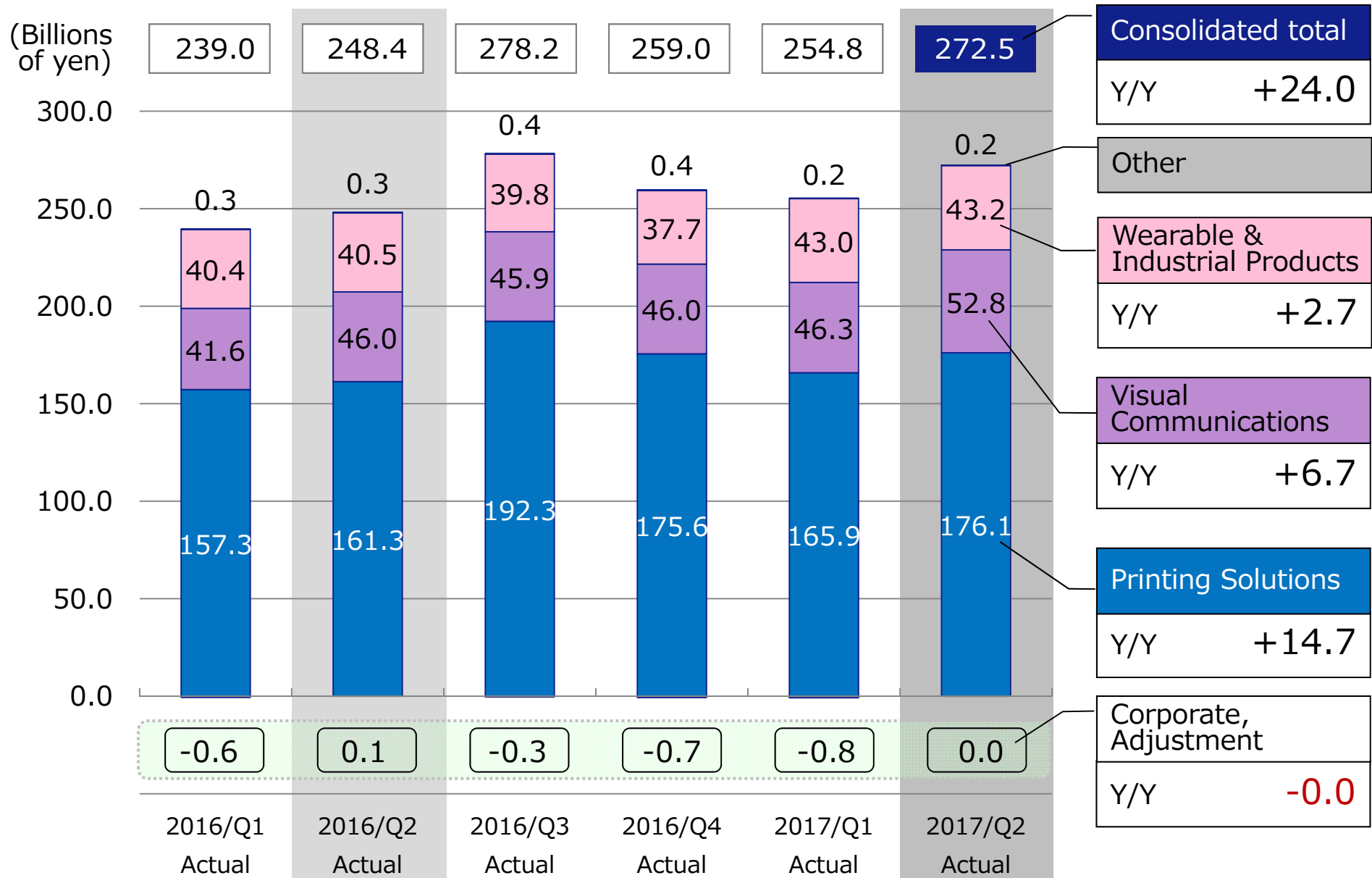
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* Basic earnings per share for the period

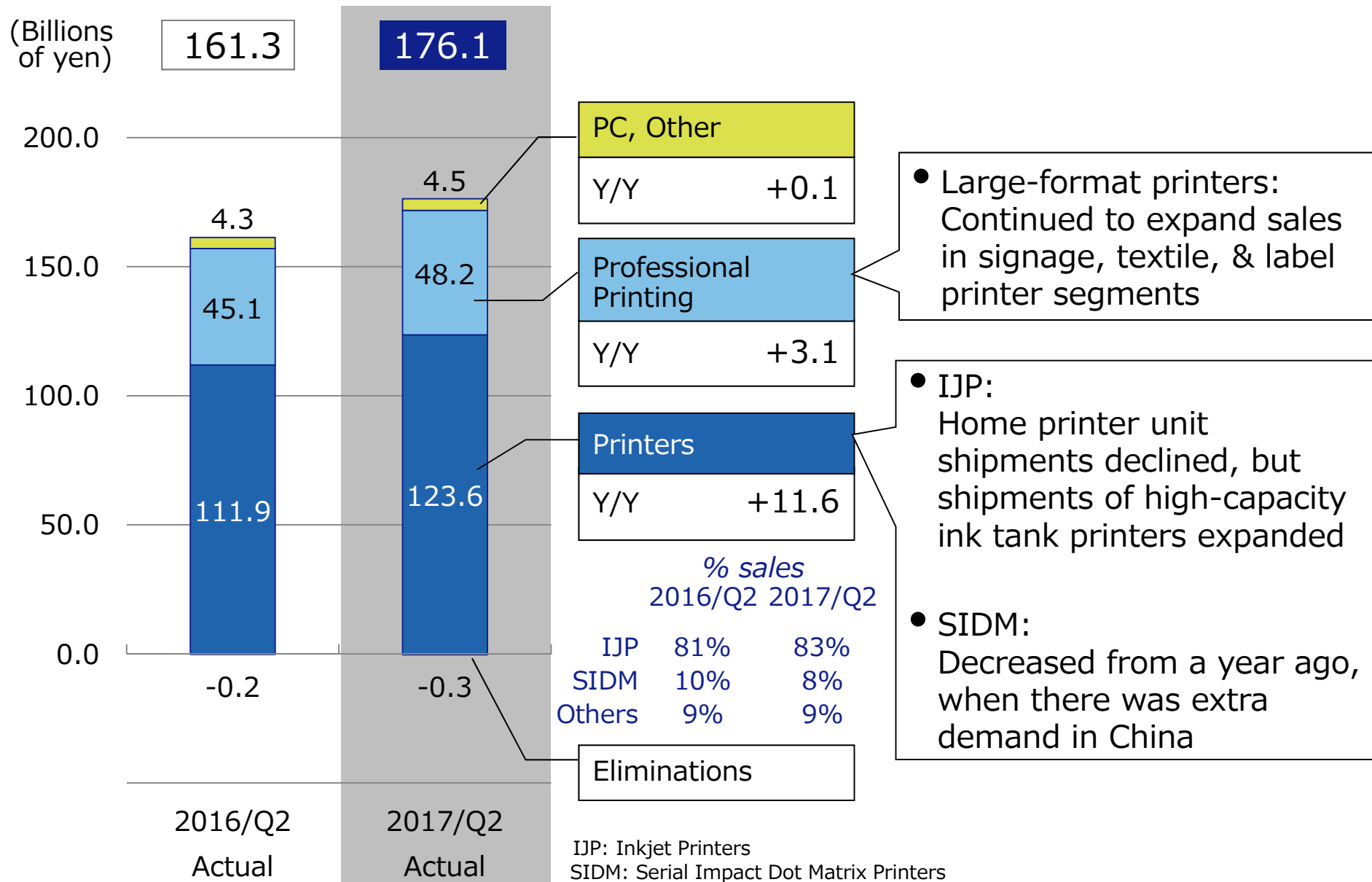
Quarterly Revenue Trend

► By business segment



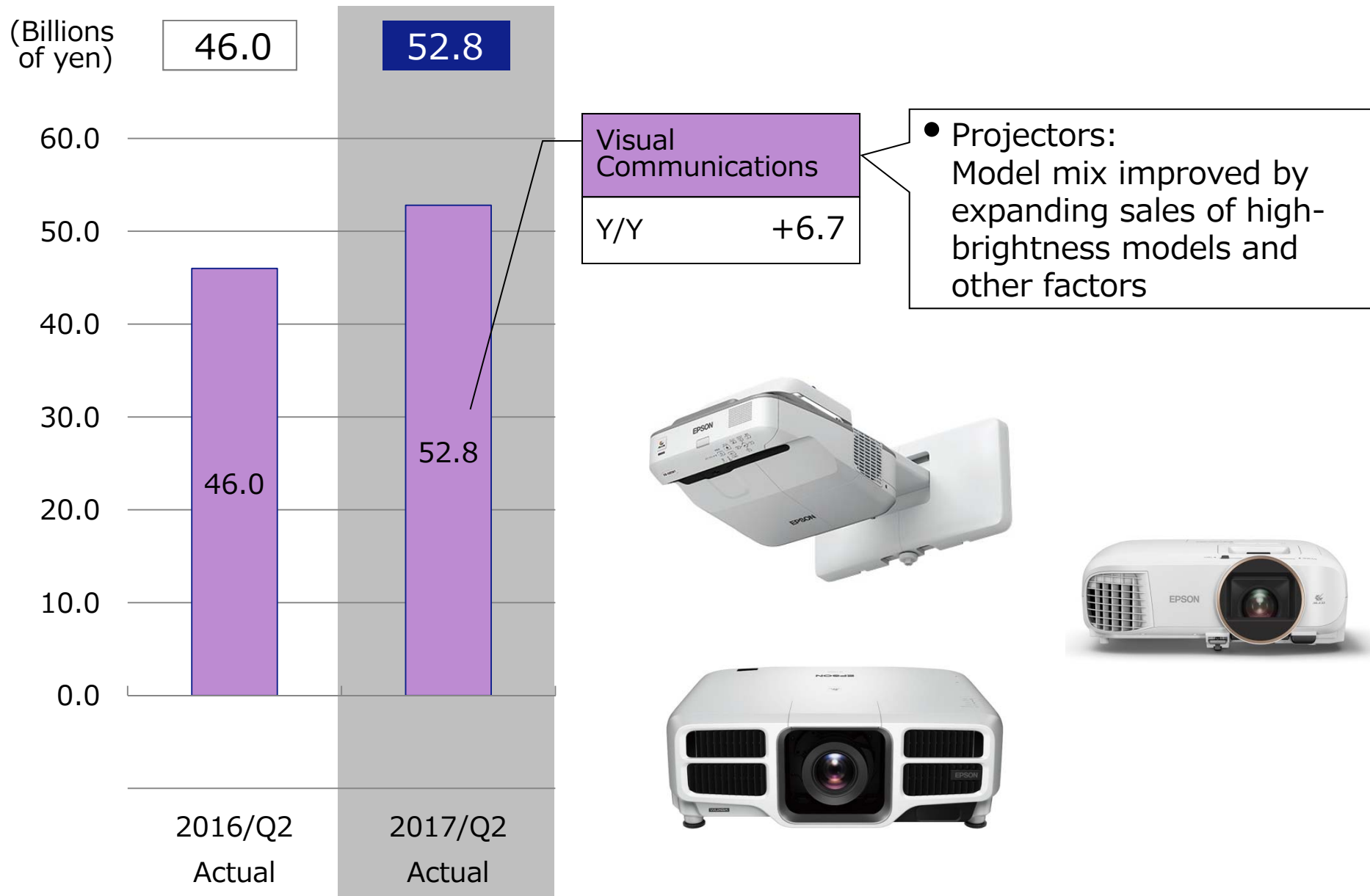
Quarterly Revenue Comparison

▶ Printing Solutions Segment



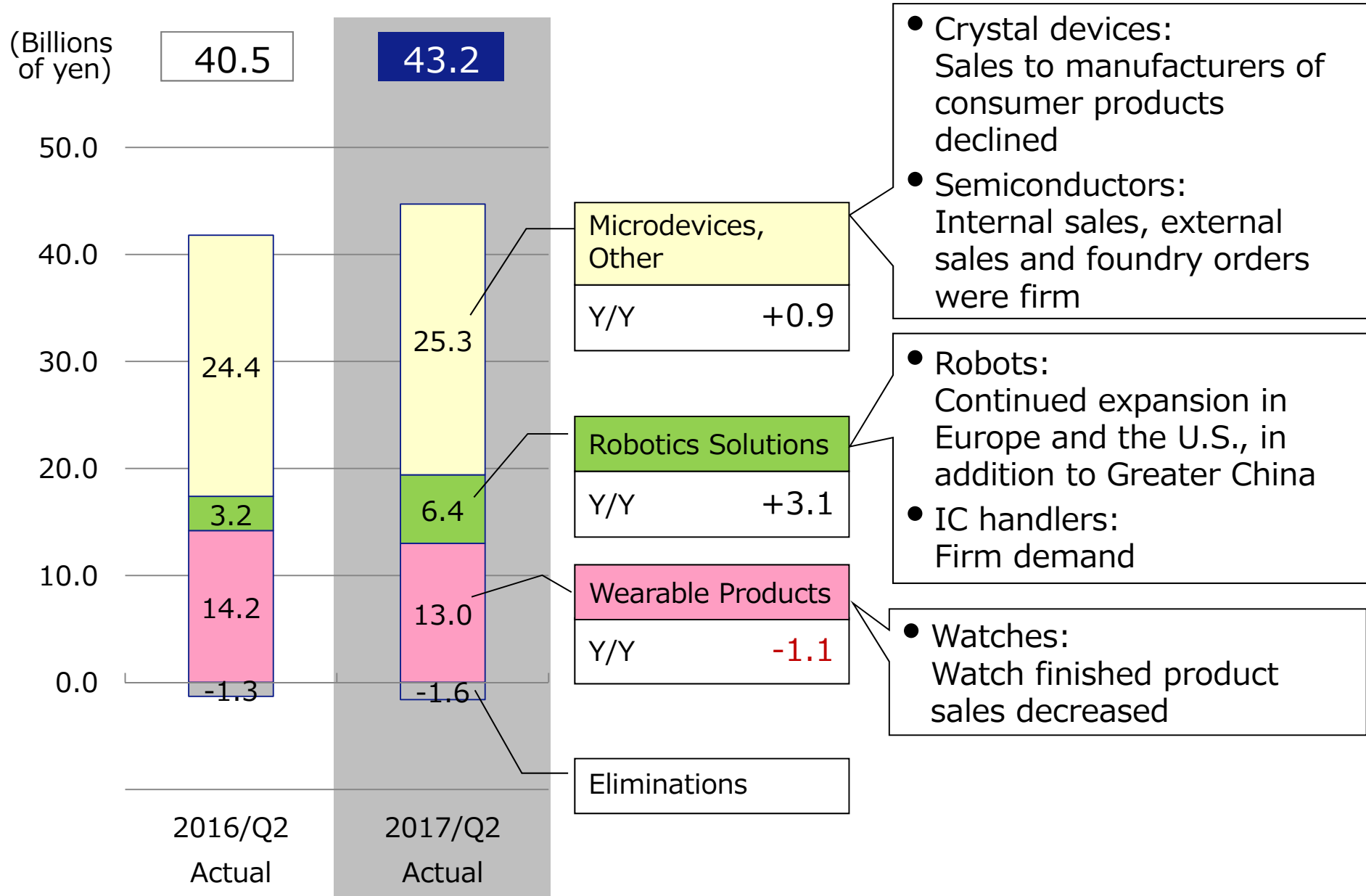
Quarterly Revenue Comparison

▶ Visual Communications Segment

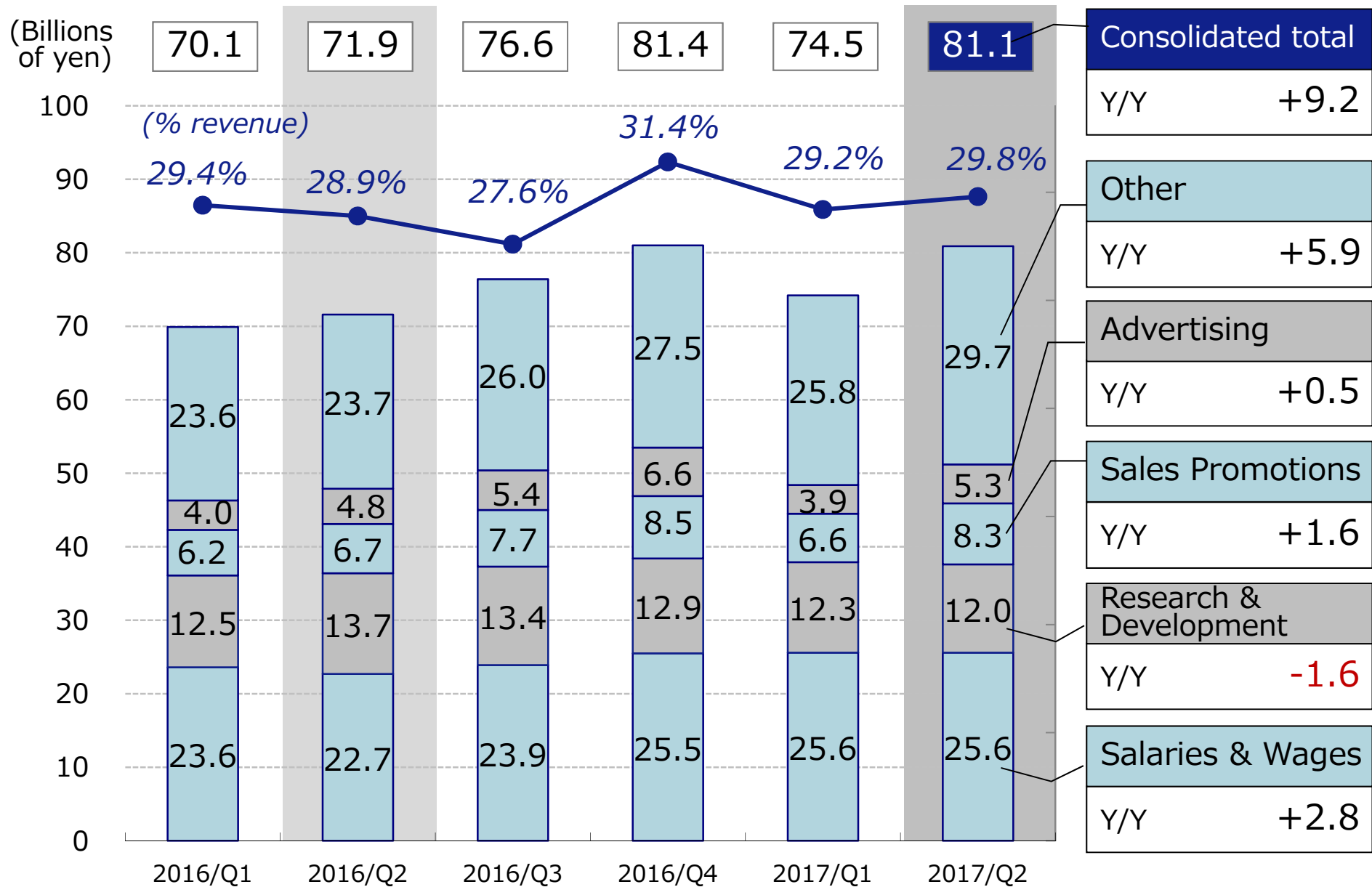


Quarterly Revenue Comparison

► Wearable Products & Industrial Products Segment

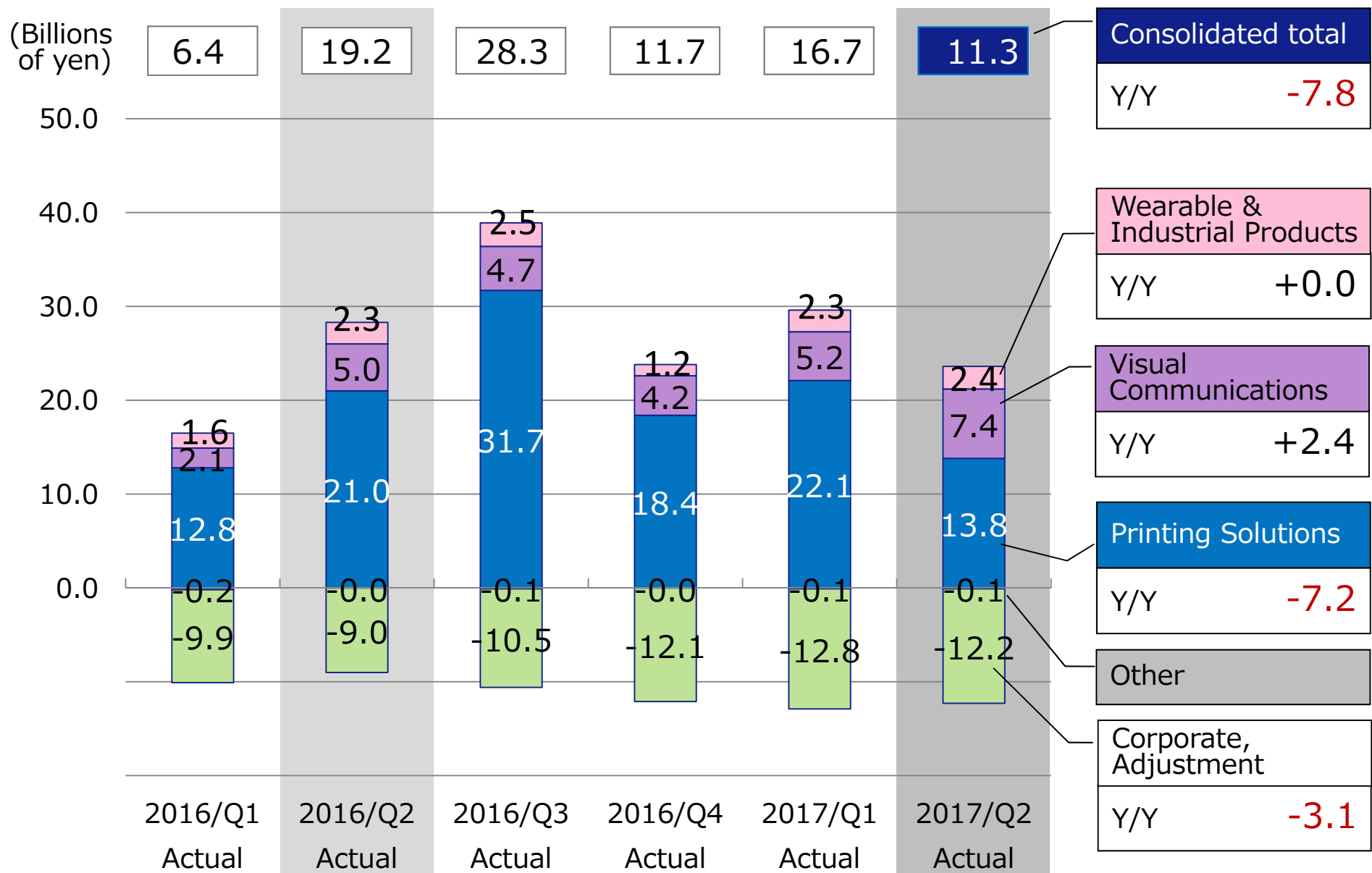


Quarterly Selling, General and Administrative Expenses

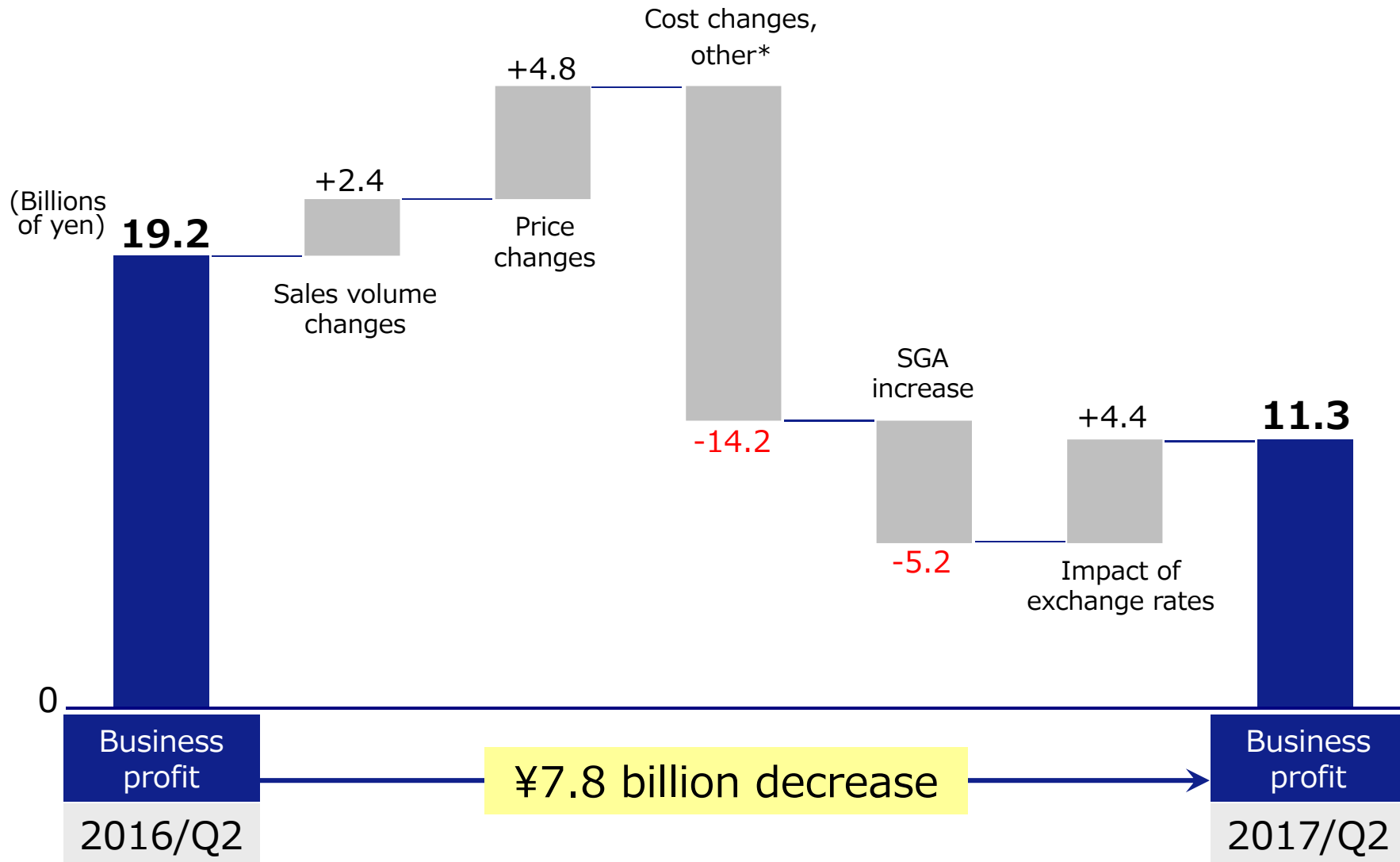


Quarterly Business Profit Trend

► By business segment

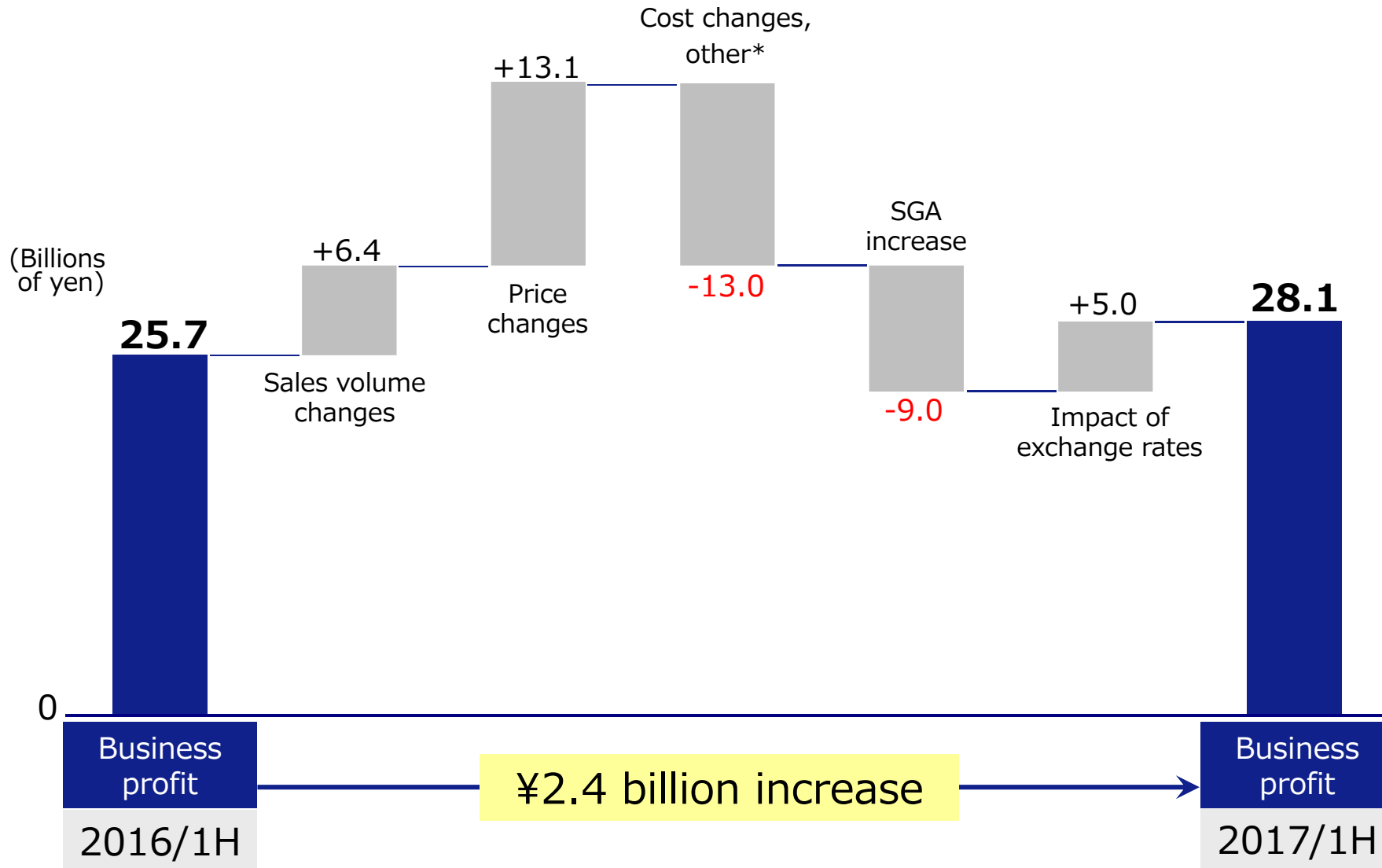


Q2 Business Profit Change Cause Analysis



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

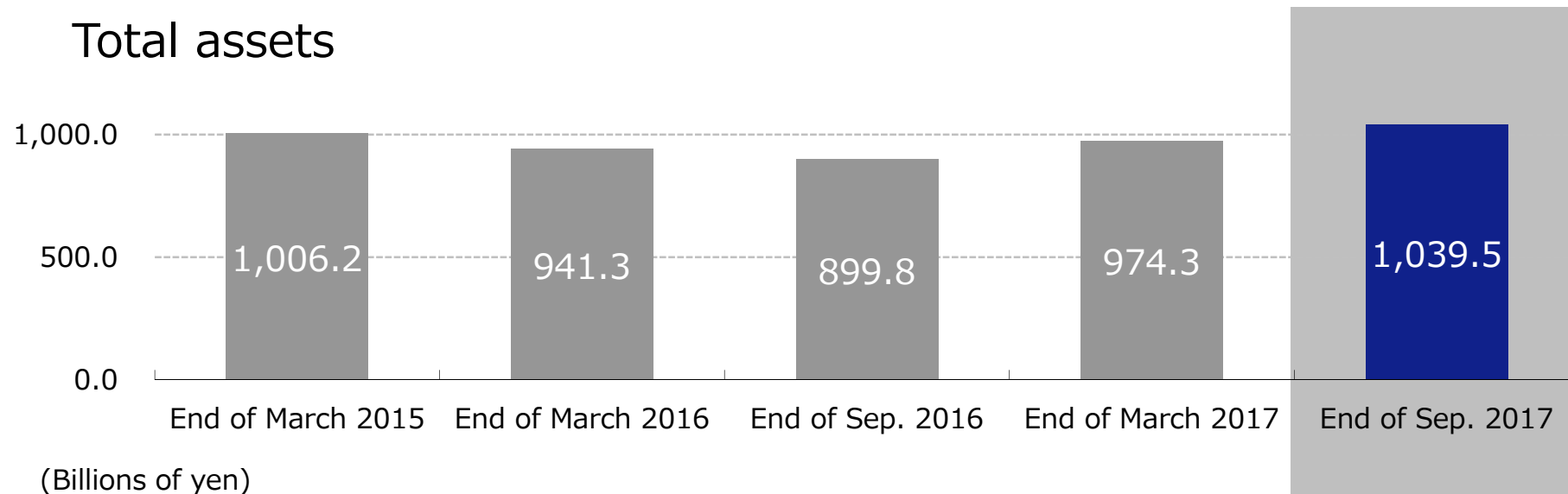
1H Business Profit Change Cause Analysis



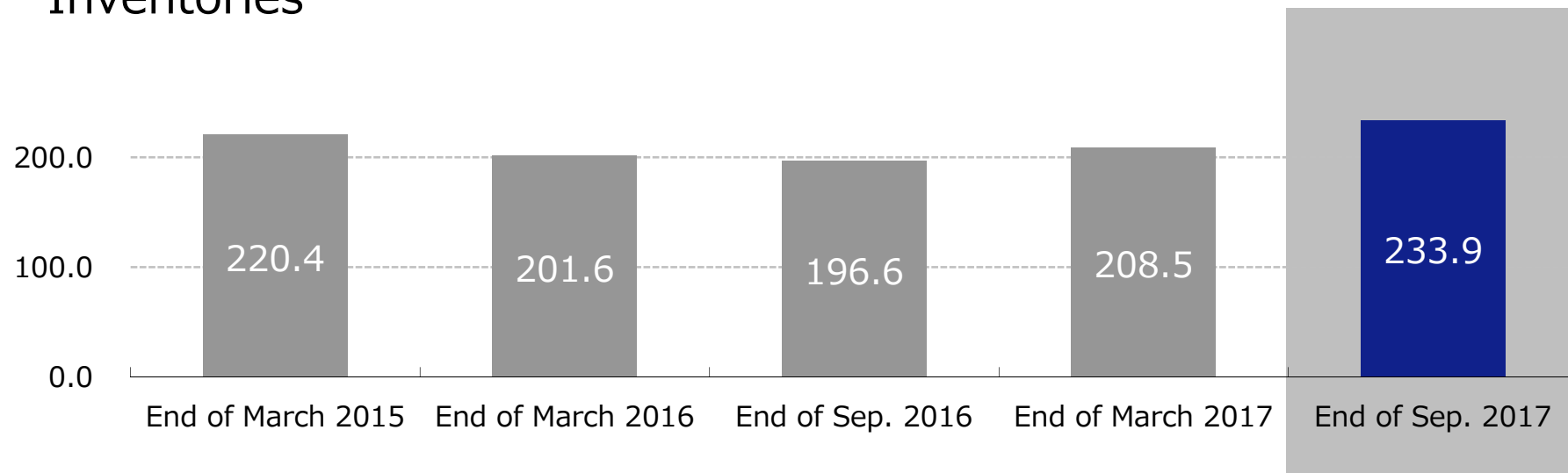
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Statements of Financial Position

Total assets

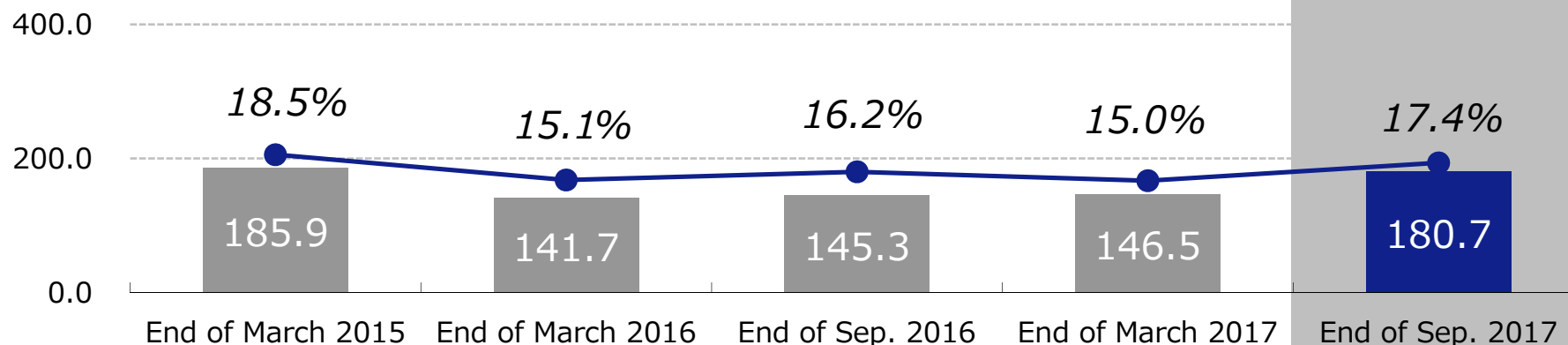


Inventories



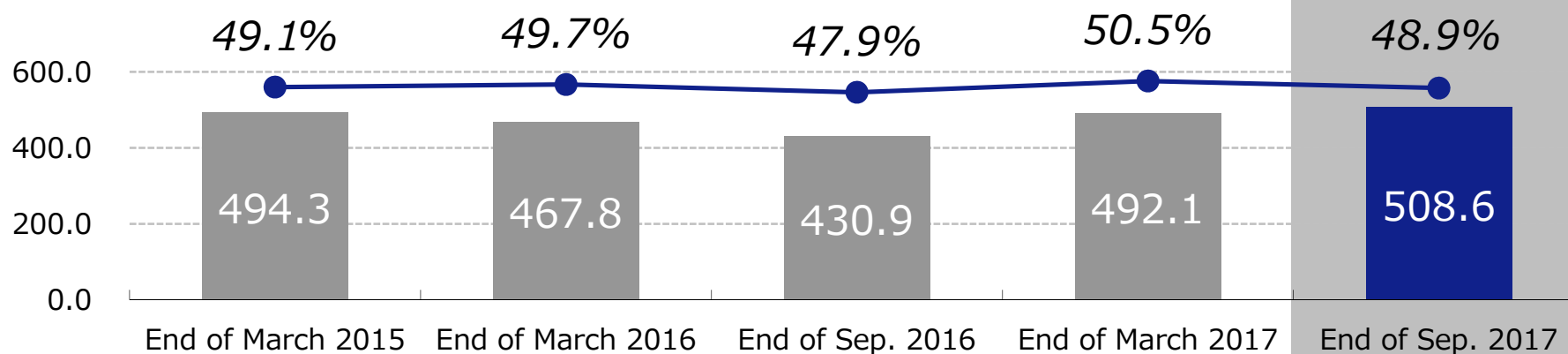
Statements of Financial Position

Interest-bearing liabilities and ratio of interest-bearing liabilities



(Billions of yen)

Equity and equity ratio attributable to owners of the parent company



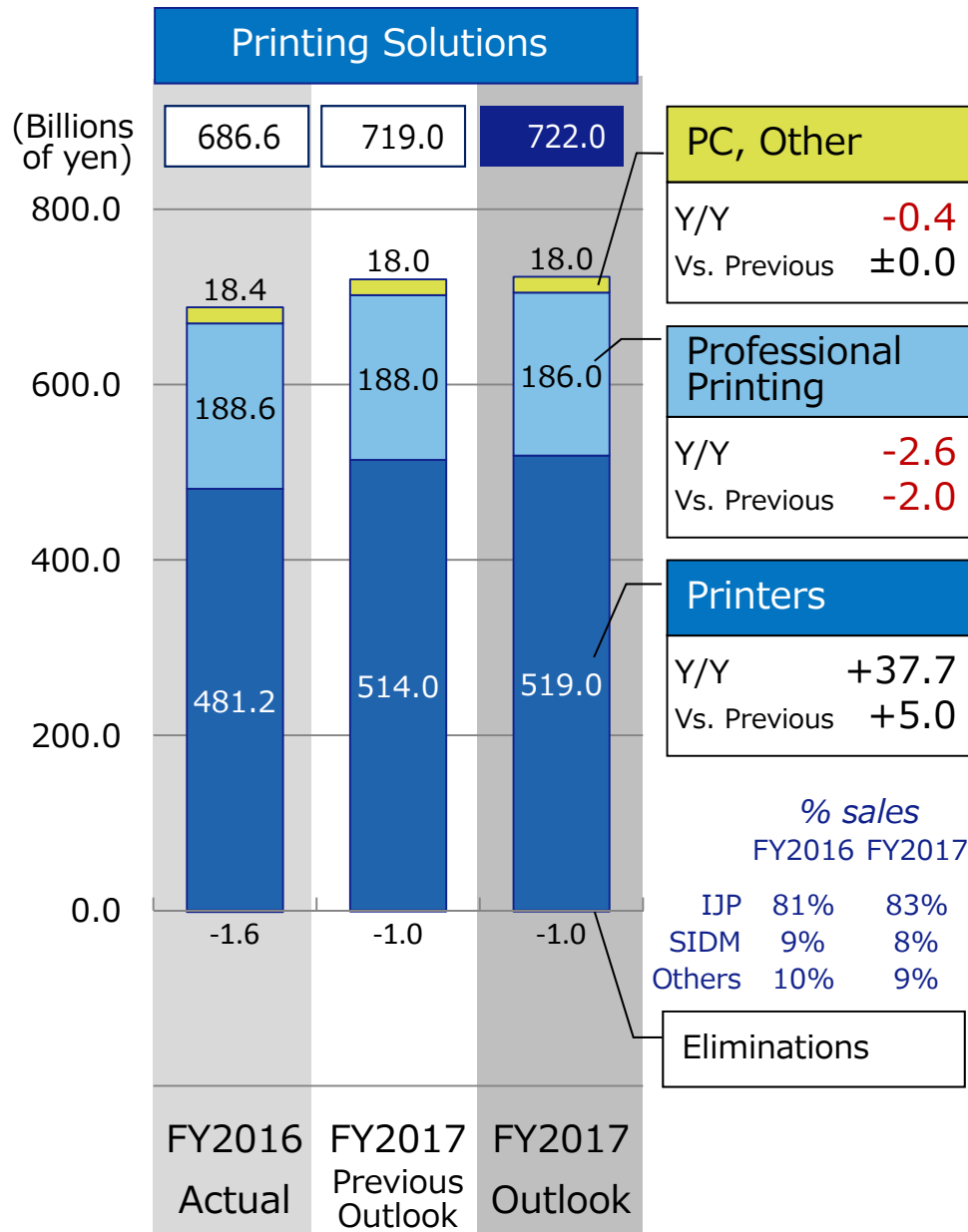
FY2017 Financial Outlook

| | FY2016 | | FY2017 | | | | Change (amount, %) | | |
|----------------------------------|---------|---------|-----------------|------|------------------|------|--|---------------------|-----------------|
| | Actual | % | 7/27 Outlook | % | 10/26 Outlook | % | Y/Y | Vs. 7/27 outlook | |
| Revenue | 1,024.8 | - | 1,070.0 | - | 1,070.0 | - | +45.1 +4.4% | +0.0 +0.0% | |
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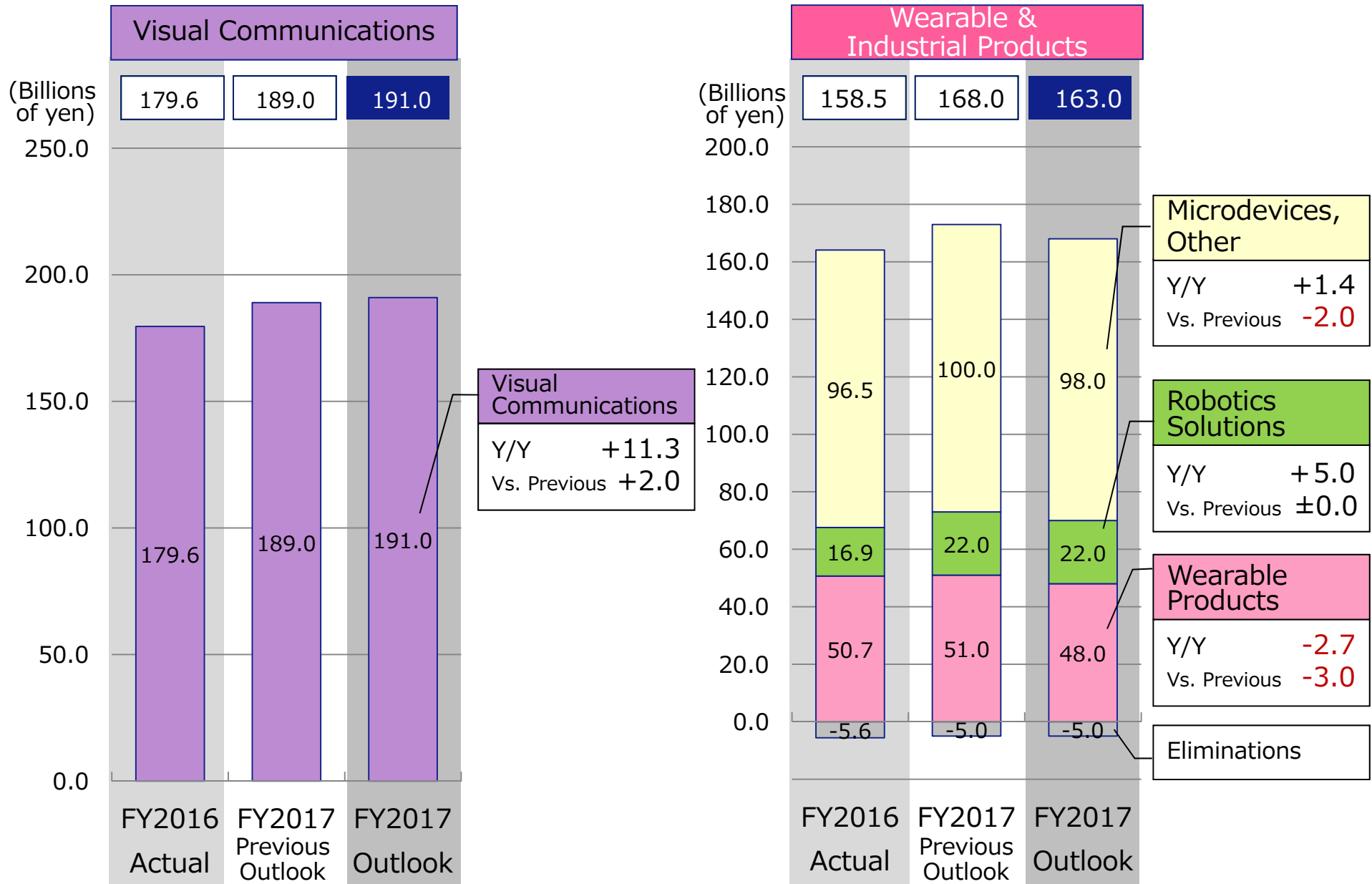
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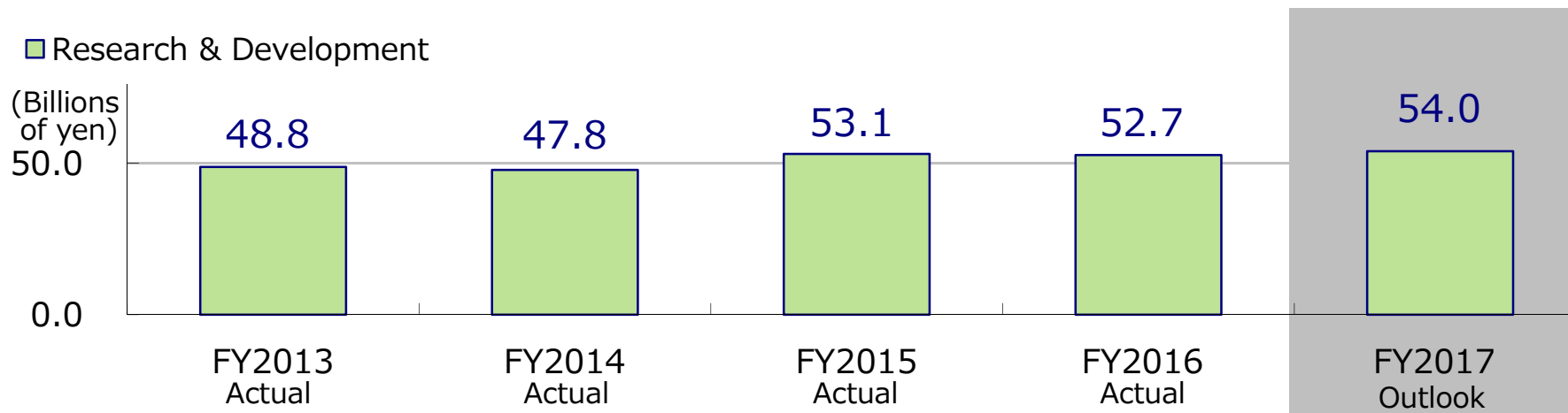
Revenue Comparison by Business



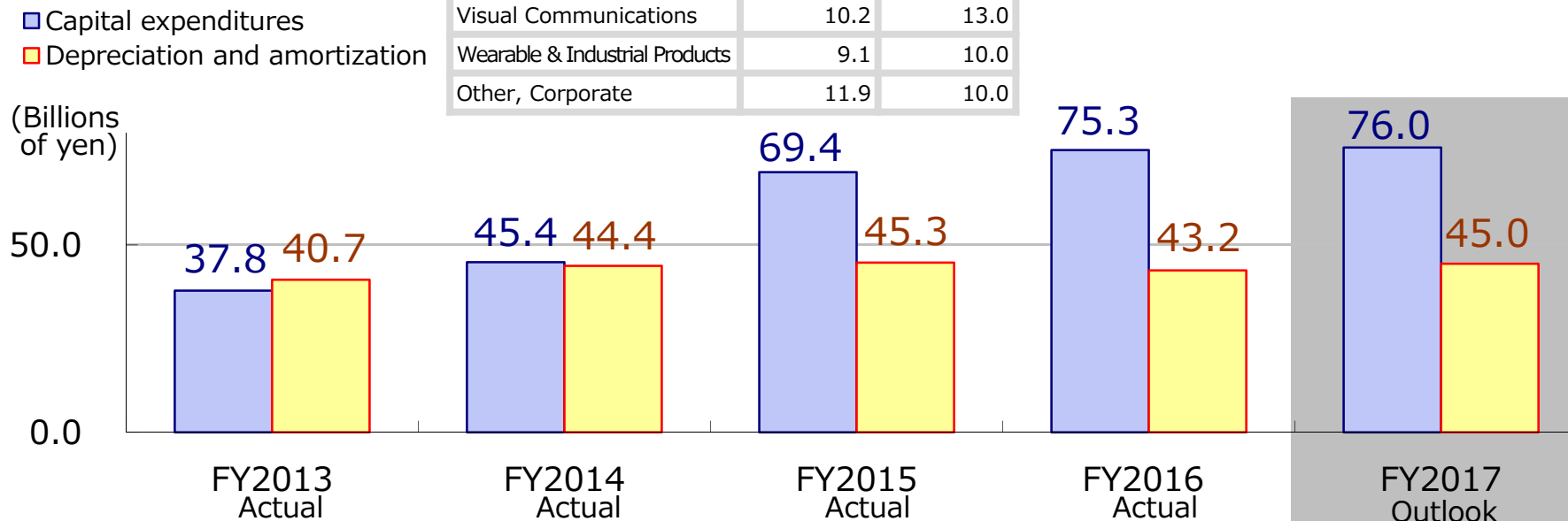
Revenue Comparison by Business



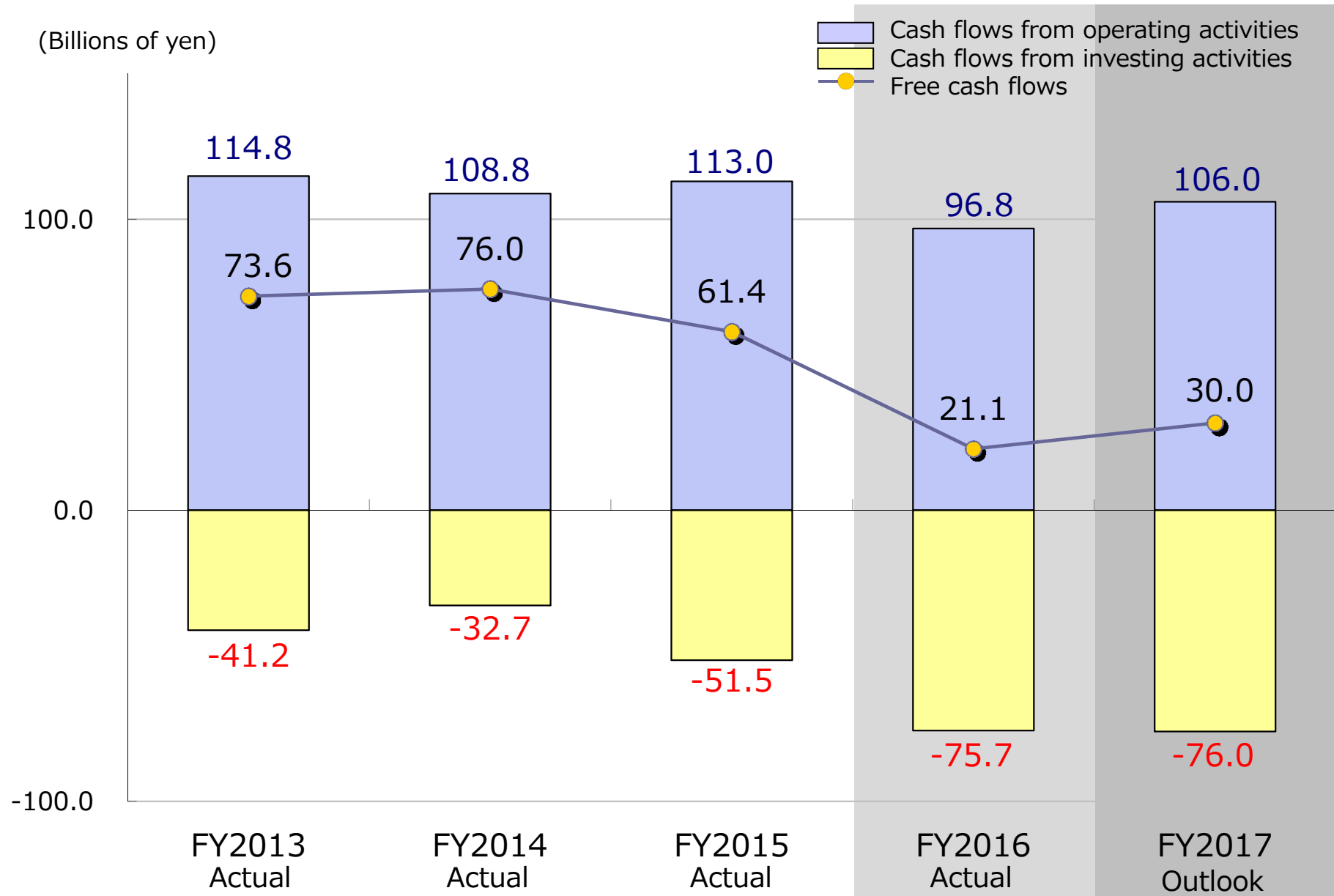
R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses



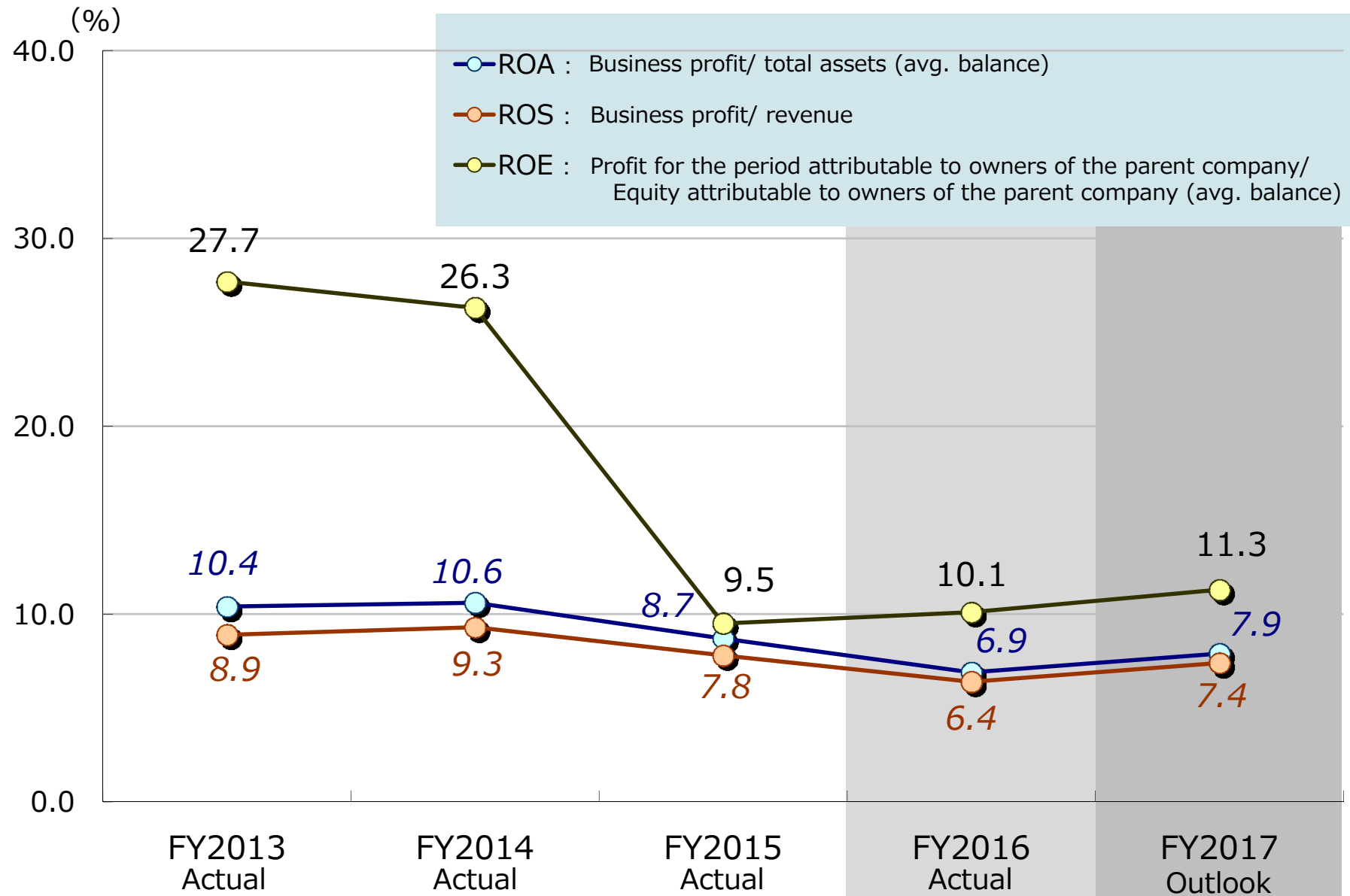
| Capex breakdown by segment | FY2016 Actual | FY2017 Outlook |
|--------------------------------|---------------|----------------|
| Printing Solutions | 43.9 | 43.0 |
| Visual Communications | 10.2 | 13.0 |
| Wearable & Industrial Products | 9.1 | 10.0 |
| Other, Corporate | 11.9 | 10.0 |



Free Cash Flows



Main Management Indicators



Reference

Major Business Indicators

(Billions of yen)

| | | FY2016 Actual | FY2017 Outlook | FY2018 Target |
|--------------------------------|-----------------|---------------|----------------|-------------------------|
| Exchange rate | USD | ¥108.38 | ¥110.00 | ¥115.00 |
| | EUR | ¥118.79 | ¥125.00 | ¥125.00 |
| Printing Solutions | Revenue | 686.6 | 722.0 | 805.0 |
| | Business profit | 84.1 | 101.0 | - |
| Visual Communications | Revenue | 179.6 | 191.0 | 200.0 |
| | Business profit | 16.1 | 21.0 | - |
| Wearable & Industrial Products | Revenue | 158.5 | 163.0 | 195.0 |
| | Business profit | 7.8 | 10.0 | - |
| Other | Revenue | 1.5 | 1.0 | 0.0 |
| | Business profit | -0.4 | -1.0 | - |
| Corporate, Adjustment | Revenue | -1.5 | -7.0 | 0.0 |
| | Business profit | -41.7 | -52.0 | - |
| Consolidated total | Revenue | 1,024.8 | 1,070.0 | 1,200.0 |
| | Business profit | 65.8 | 79.0 | 96.0 |
| | ROS | 6.4% | 7.4% | 8% |
| | ROE | 10.1% | 11.3% | Sustain at at least 10% |

(Billions of yen)

| Category | FY2016 Actual | FY2017 Outlook | 3-year cumulative (FY2016-18 business plan) |
|---------------------|---------------|----------------|---|
| USD | ¥108.38 | ¥110.00 | ¥115.00 |
| EUR | ¥118.79 | ¥125.00 | ¥125.00 |
| Operating CF | 96.8 | 106.0 | Approx. 330.0 |
| FCF | 21.1 | 30.0 | Approx. 120.0 |
| Capital expenditure | 75.3 | 76.0 | Approx. 210.0 |
| R&D costs | 52.7 | 54.0 | Invest aggressively |

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 Full year (Outlook) |
|---------------|---|------------------------------|-----------------------|-----------------------|---------------------------------|
| Exchange rate | USD / EUR | ¥108.38 / ¥118.79 | ¥111.08 / ¥122.12 | ¥111.00 / ¥130.36 | ¥110.00 / ¥125.00 |
| IJP | Volume | +5% | +7% | +4% | +10% |
| | Office/ high-capacity ink tank as % of total unit sales | Approx. 20%/ Approx. 40% | - | - | Less than 20%/ More than 45% |
| | ASP | - high single-digit % | + low teen % | + mid-teen % | + low teen % |
| | Revenue | - low single-digit % | + high teen % | Around +20% | + low 20% |
| IJP ink | Volume (packs) | -4% | -2% | -3% | - |
| | ASP | - low single-digit % | + mid-single-digit % | + high single-digit % | - |
| | Revenue | - mid-single-digit % | + low single-digit % | + mid-single-digit % | Flat YoY |
| SIDM printers | Volume | +4% | -25% | -15% | -10% |
| | ASP | - high teen % | + low single-digit % | + high single-digit % | Flat YoY |
| | Revenue | - mid-teen % | - low 20% | - high single-digit % | Around -10% |
| Projectors | Volume | +6% | -2% | +1% | +3% |
| | ASP | - high single-digit % | + mid-teen % | + mid-teen % | + low single-digit % |
| | Revenue | - low single-digit % | + low teen % | + mid-teen % | + mid-single-digit % |

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

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