

Third Quarter Financial Results

Fiscal Year 2018 (Ending March 2019)

January 31, 2019

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. Years mentioned in these materials are fiscal years unless otherwise indicated.

- **FY2018 Q3 Financial Results**
- **FY2018 Financial Outlook**

Financial Highlights (First 9 Months)

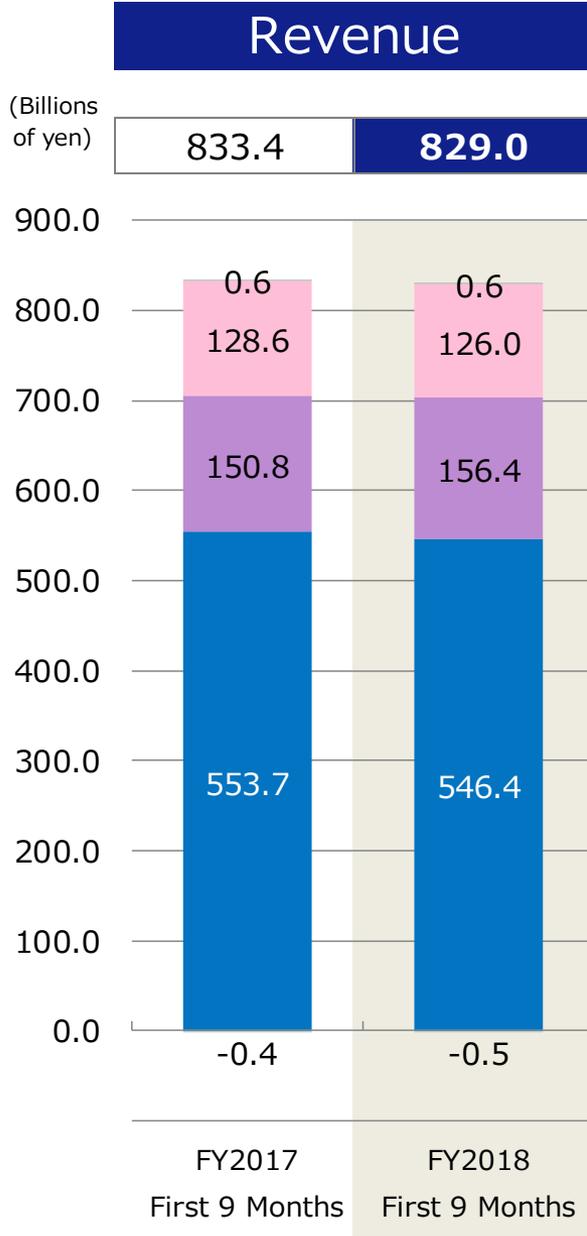
(Billions of yen)	FY2017		FY2018		Change	
	First 9 Months Actual	%	First 9 Months Actual	%	Y/Y	%
Revenue	833.4		829.0		-4.4	-0.5%
Business profit	58.4	7.0%	58.3	7.0%	-0.0	-0.1%
Profit from operating activities	52.2	6.3%	58.1	7.0%	+5.9	+11.4%
Profit before tax	51.0	6.1%	58.8	7.1%	+7.8	+15.4%
Profit for the period attributable to owners of the parent company	34.5	4.1%	45.9	5.5%	+11.3	+32.8%
EPS* ¹ (yen)	98.12		130.36			
Exchange rate (yen, index)	USD	¥111.67	¥111.11			
	EUR	¥128.48	¥129.50			
	Other currencies* ²	100	96			

*1 Basic earnings per share for the period

*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous period. Rates are weighted according to Epson's net volume of revenue and cost for each currency.

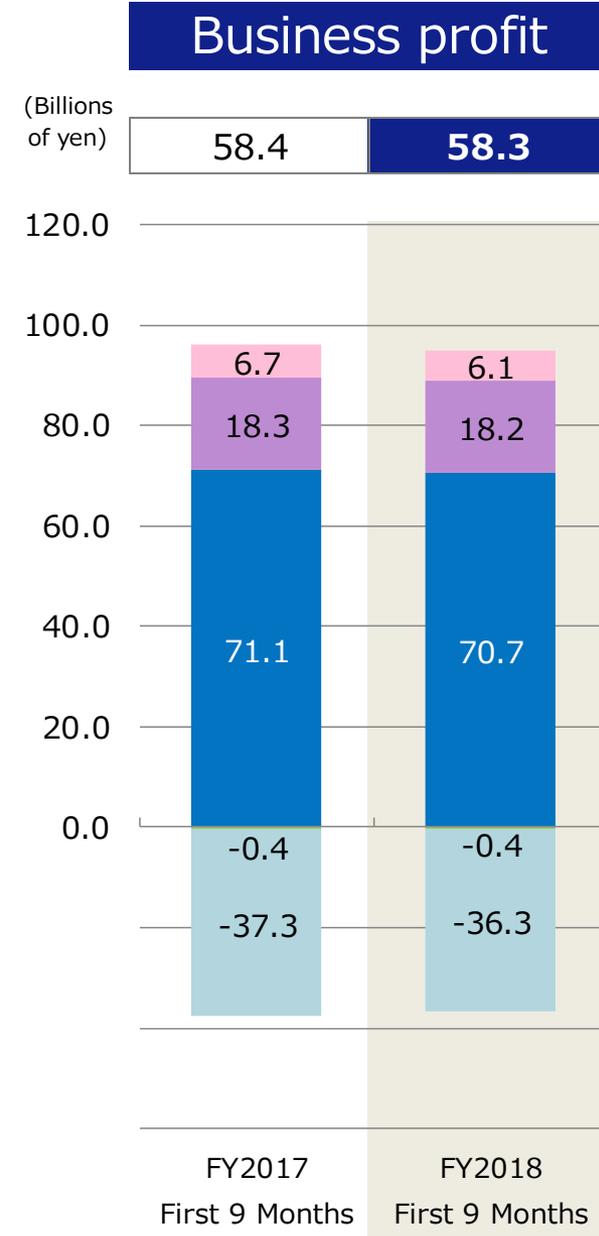
Exchange effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	-1.2	+0.6	-9.6	-10.2
Business profit	+0.3	+0.3	-5.2	-4.5

9M Financial Results by Business Segment



Consolidated

Y/Y	-4.4
Wearable & Industrial Products	Y/Y -2.6
Visual Communications	Y/Y +5.5
Printing Solutions	Y/Y -7.2
Corporate expenses & Eliminations	Y/Y -0.1



Consolidated

Y/Y	-0.0
Wearable & Industrial Products	Y/Y -0.5
Visual Communications	Y/Y -0.1
Printing Solutions	Y/Y -0.3
Corporate expenses & Eliminations	Y/Y +0.9

Financial Highlights (Third Quarter)

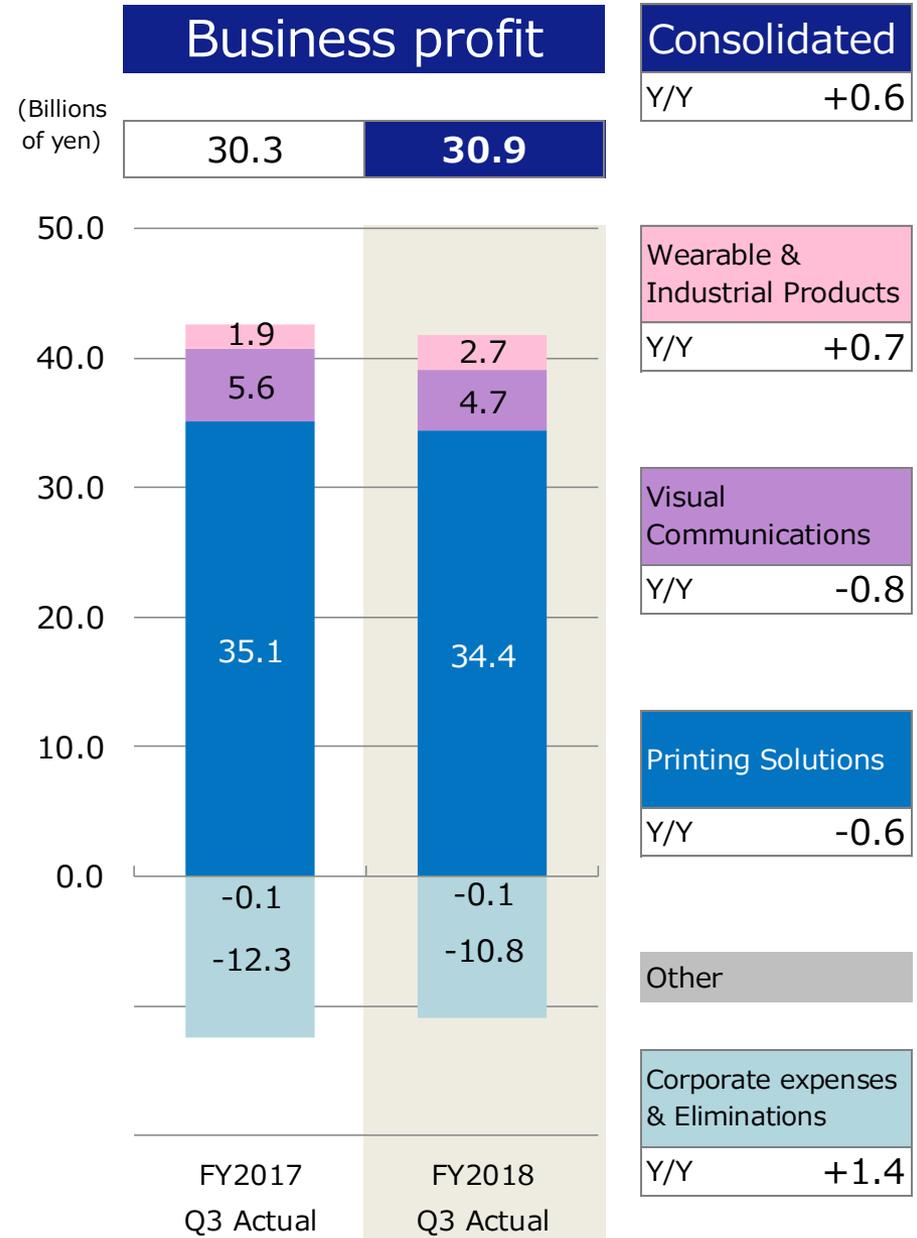
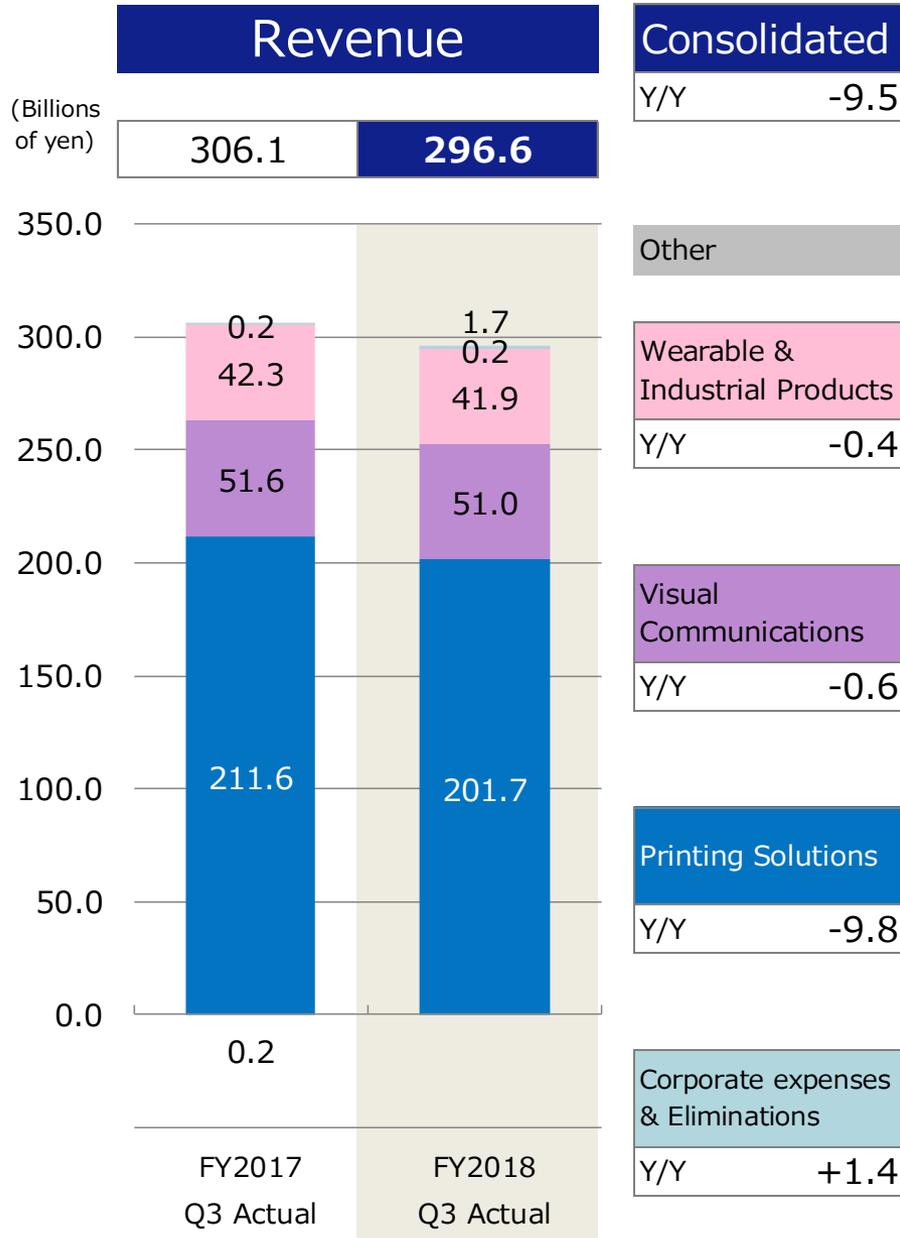
	FY2017		FY2018		Change	
	(Billions of yen) Q3 Actual	%	Q3 Actual	%	Y/Y	%
Revenue	306.1		296.6		-9.5	-3.1%
Business profit	30.3	9.9%	30.9	10.4%	+0.6	+2.2%
Profit from operating activities	28.5	9.3%	32.5	11.0%	+4.0	+14.1%
Profit before tax	28.0	9.2%	31.9	10.8%	+3.9	+14.1%
Profit for the period attributable to owners of the parent company	19.5	6.4%	25.7	8.7%	+6.1	+31.3%
EPS* ¹ (yen)	55.57		72.98			
Exchange rate (yen, index)	USD	¥112.92	¥112.80			
	EUR	¥132.96	¥128.73			
	Other currencies* ²	100	96			

*1 Basic earnings per share for the period

*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous period. Rates are weighted according to Epson's net volume of revenue and cost for each currency.

Exchange Effect (Billions of yen)	USD	EUR	Other currencies	Total
Revenue	-0.0	-1.6	-4.9	-6.6
Business profit	+0.0	-1.0	-2.2	-3.3

Q3 Financial Results by Business Segment



- The Chinese economy decelerated more than anticipated in Q3
 - Market growth slowed and channels reduced inventory
 - ✓ Impacted many businesses, mainly high-capacity ink tank printers, robots, SIDM printers & microdevices
- Currency devaluation and economic stagnation continued in Latin America and some other emerging regions
 - Finished product sales soft across the quarter
- Ongoing discounting of ink cartridge printers by competitors in advanced economies
 - Epson maintained prices and focused on transitioning the business model to high-capacity ink tank printers

- High-capacity ink tank printer growth
 - Growth continued, though the effects of market environment changes were felt
 - Continued preparations to upgrade our lineup/ services to capture larger demand from the office market
- High-speed linehead inkjet multifunction printers
 - Customer and channel recognition growing; sales steadily increasing
 - Preparing to expand and enhance our lineup
- Continued expansion in priority areas in professional printing
 - Advanced preparations to expand product lineup in sync with PrecisionCore printhead production capacity expansion; negotiating external sales of printheads
- Developing next generation projectors and robots

Penetration of High-Capacity Ink Tank Printers in Emerging Markets

- Rate of high-capacity ink tank printers increasing in Asia-Pacific and Latin America
- Capture office print demand

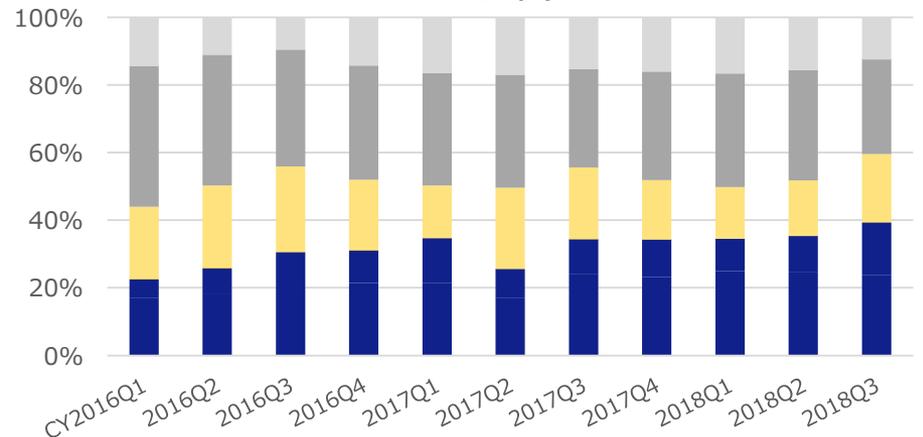
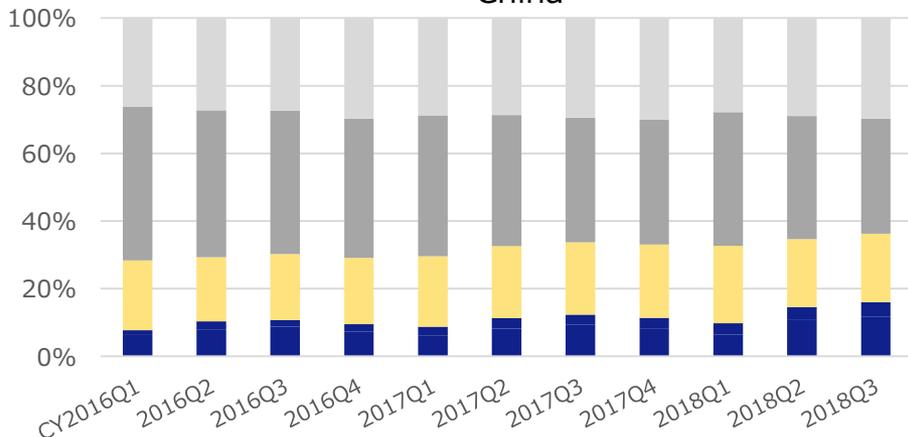
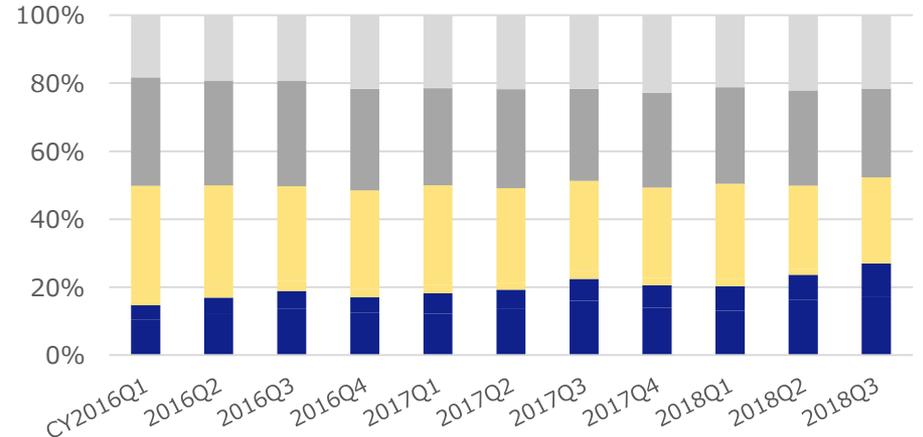
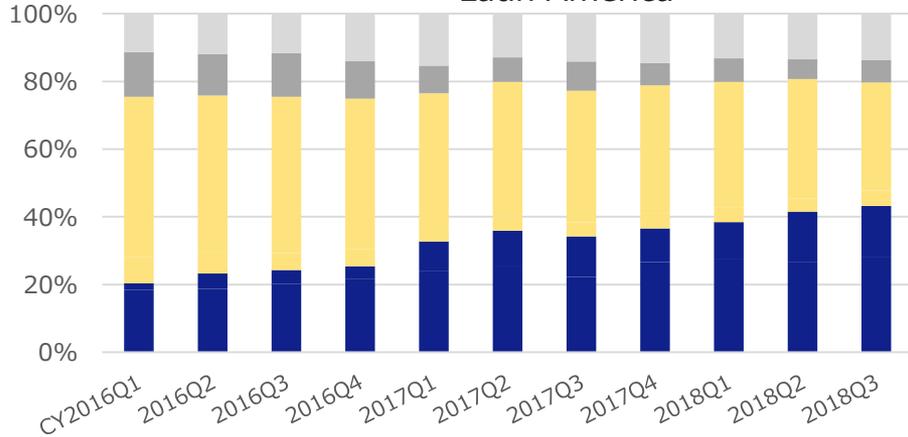
A4 Printer Market Trend by Printer Category (sales unit ratio)

Latin America

Asia-Pacific

China

India



■ Ink cartridge printers ■ High-capacity ink tank printers
 ■ Laser printers (1-20 ppm) ■ Laser printers (21 ppm or more)

Source: Based on IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2018Q3
 Printers include multifunction printers. Reproduction or republication of this data is prohibited.

Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	Q3/2017 Actual	Q3/2018 Actual	Y/Y
Revenue	211.6	201.7	-9.8
Printers	155.7	143.8	-11.8
% sales IJP	84%	85%	
SIDM	8%	7%	
Other	8%	8%	
Professional Printing	52.3	53.1	+0.7
Other	3.9	4.7	+0.7
Inter-segment revenue	-0.4	-0.0	+0.4
Segment profit	35.1	34.4	-0.6
ROS	16.6%	17.1%	

- ◆ IJP:
 - High-capacity ink tank printer sales were affected by market sluggishness but still grew
 - Ink cartridge printer sales decreased due to actions to maintain prices
 - Ink sales decreased
- ◆ SIDM:
 - SIDM sales in China decreased
- ◆ Large-format printers:
 - Ink sales firm as install base increased
- ◆ POS printers:
 - Flat year on year

IJP: Inkjet Printers
SIDM: Serial Impact Dot Matrix Printers

Quarterly Comparison by Business

(Billions of yen)

Visual Communications	Q3/2017 Actual	Q3/2018 Actual	Y/Y
Revenue	51.6	51.0	-0.6
Segment profit	5.6	4.7	-0.8
ROS	10.9%	9.4%	

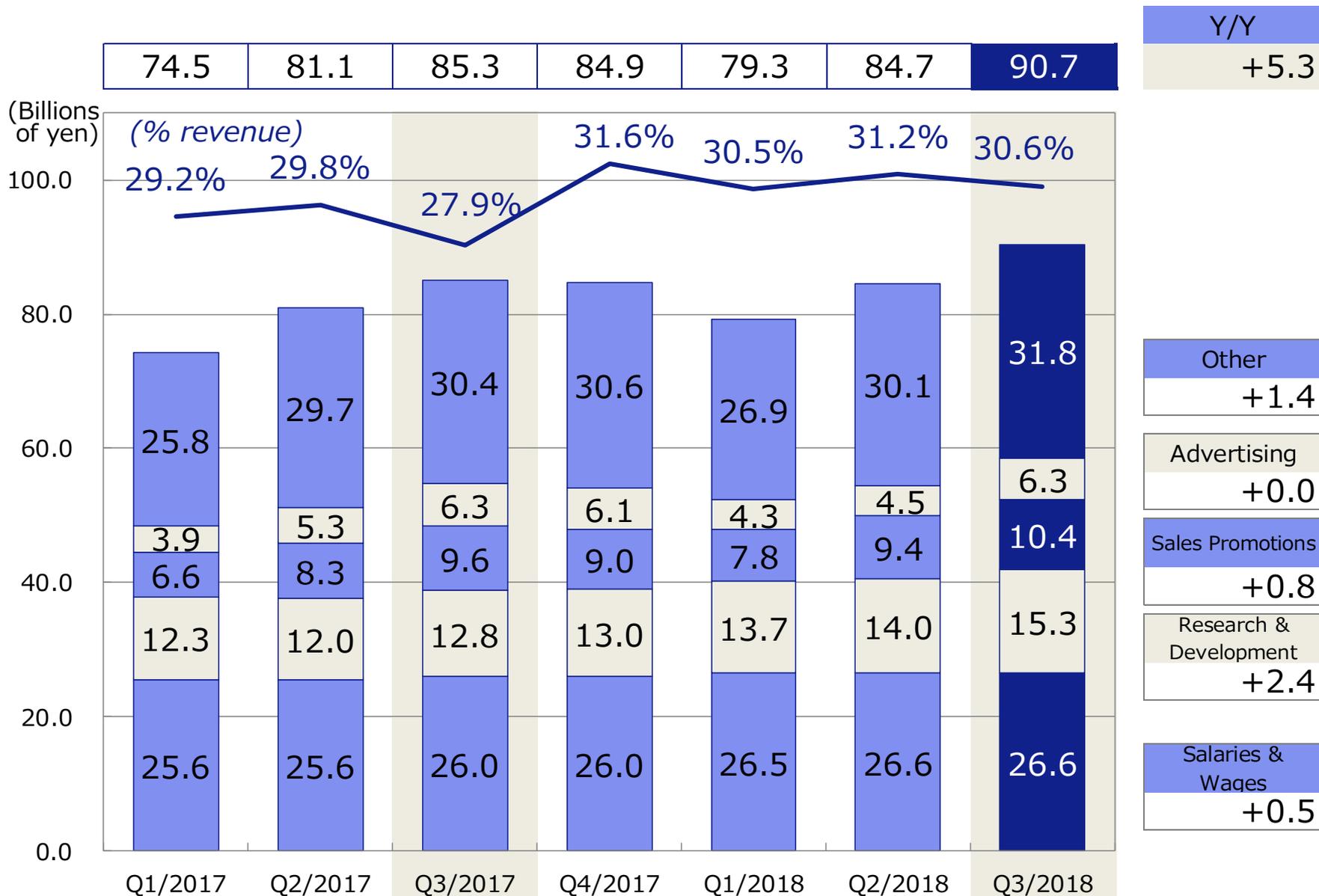
- ◆ Projectors:
 - Sales of high-brightness and ultra-short throw models increased
 - Sales of home models decreased

(Billions of yen)

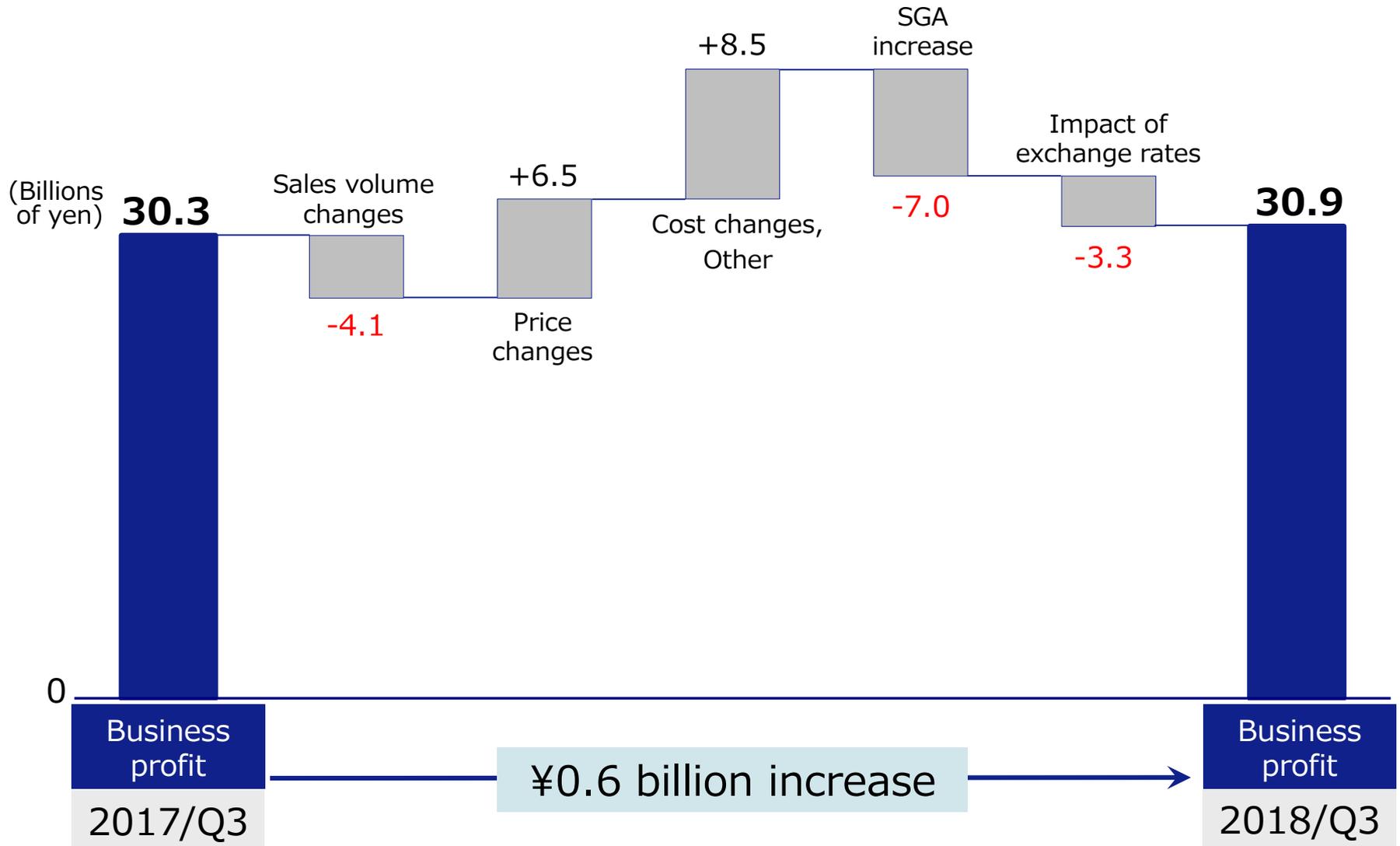
Wearable & Industrial Products	Q3/2017 Actual	Q3/2018 Actual	Y/Y
Revenue	42.3	41.9	-0.4
Wearable Products	13.2	14.0	+0.8
Robotics Solutions	5.3	5.1	-0.2
Microdevices, Other	25.4	23.9	-1.5
Inter-segment revenue	-1.6	-1.1	+0.4
Segment profit	1.9	2.7	+0.7
ROS	4.7%	6.6%	

- ◆ Watches:
 - Domestic sales increased
- ◆ Robots:
 - Demand in China rapidly decreased
 - European and American sales increased
- ◆ Quartz:
 - Sales to consumer electronics manufacturers, etc., decreased
- ◆ Semiconductors:
 - Internal sales, etc., decreased

Quarterly Selling, General and Administrative Expenses



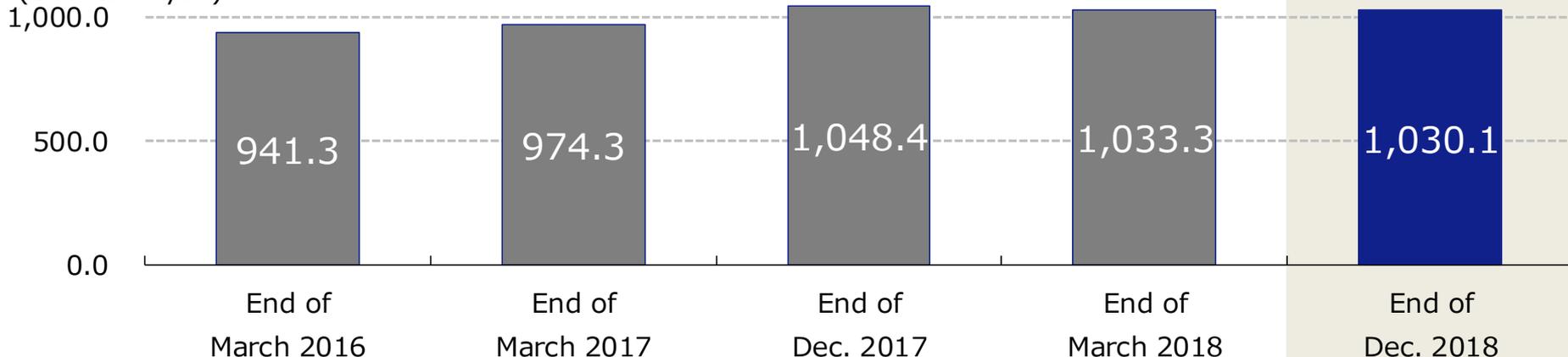
Q3 Business Profit Change Cause Analysis



Statements of Financial Position

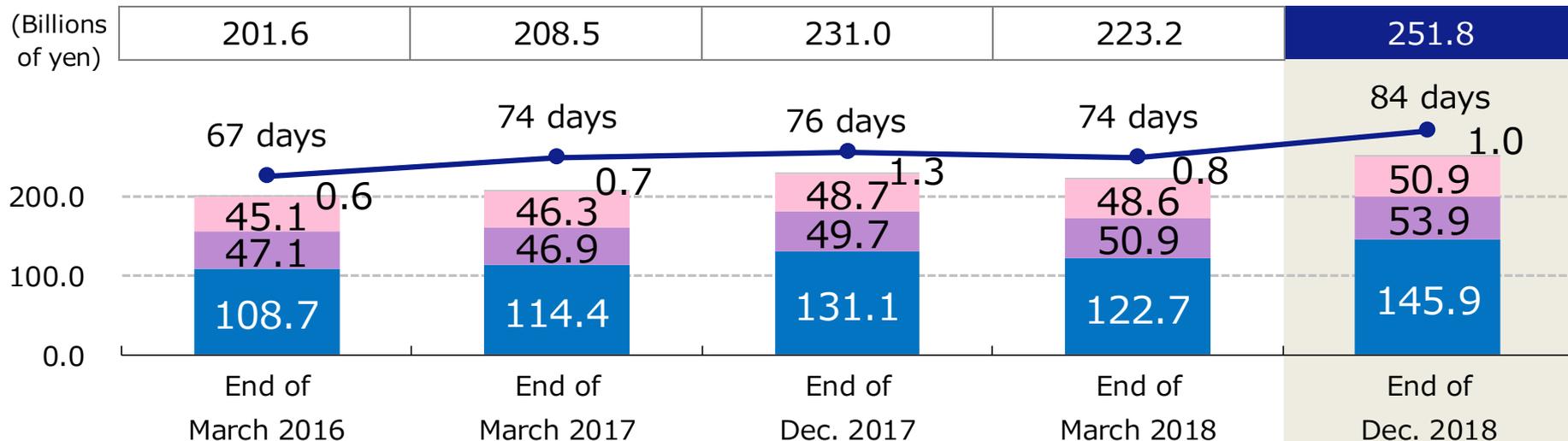
Total assets

(Billions of yen)



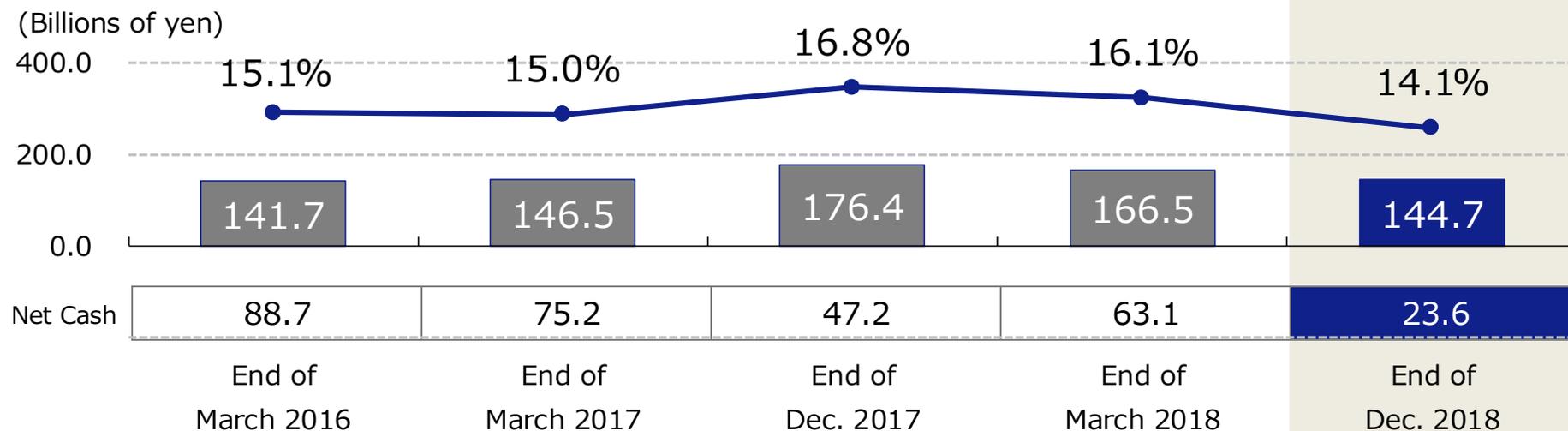
Inventories/ Turnover by days

■ Printing Solutions
■ Wearable & Industrial Products
● Turnover by days
■ Visual Communications
■ Other/ Corporate expenses

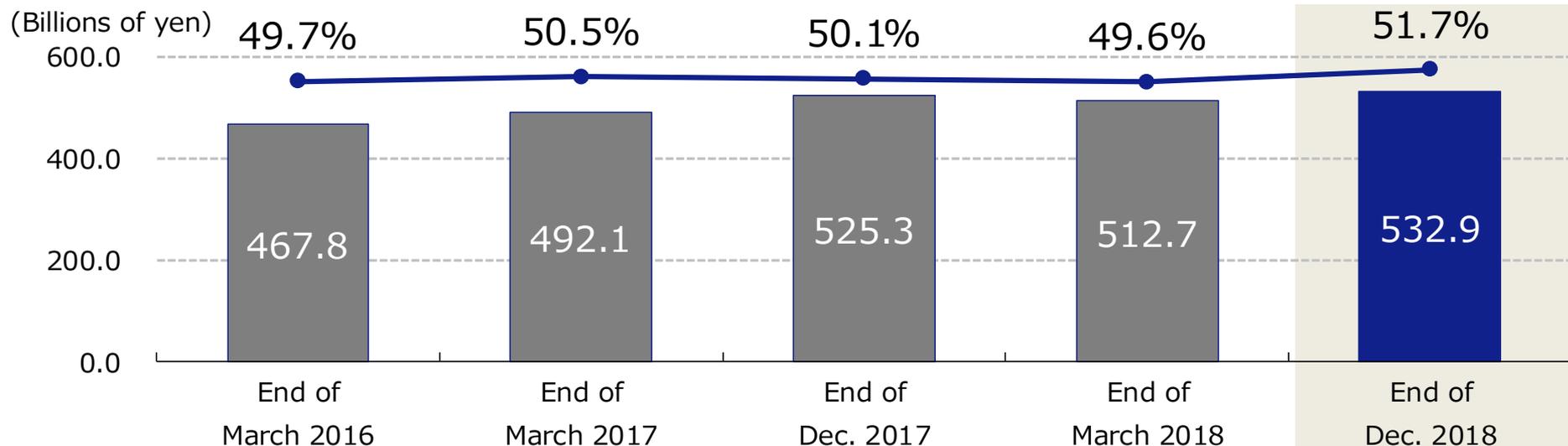


Statements of Financial Position

Interest-bearing liabilities and ratio of interest-bearing liabilities, Net Cash



Equity and equity ratio attributable to owners of the parent company



- **FY2018 Q3 Financial Results**
- **FY2018 Financial Outlook**

FY2018 Financial Outlook

	FY2017		FY2018				Change			
	(Billions of yen)	Actual	%	10/30 Outlook	%	1/31 Outlook	%	Y/Y	Vs. 10/30 outlook	
Revenue		1,102.1		1,090.0		1,070.0		-32.1 -2.9%	-20.0 -1.8%	
Business profit		74.7	6.8%	80.0	7.3%	65.0	6.1%	-9.7 -13.1%	-15.0 -18.8%	
Profit from operating activities		65.0	5.9%	77.0	7.1%	62.0	5.8%	-3.0 -4.6%	-15.0 -19.5%	
Profit before tax		62.6	5.7%	76.0	7.0%	61.0	5.7%	-1.6 -2.7%	-15.0 -19.7%	
Profit for the year attributable to owners of the parent company		41.8	3.8%	60.0	5.5%	50.0	4.7%	+8.1 +19.5%	-10.0 -16.7%	
EPS* ¹ (yen)		118.78		170.34		141.95				
Exchange rate (yen, index)	USD	¥110.85		¥110.00		¥110.00				
	EUR	¥129.66		¥128.00		¥127.00				
	Other currencies* ²	100		-		94				
Exchange rate assumptions from Q4 onward (yen)	USD	105.00		EUR	120.00	Exchange sensitivity* ³		USD	EUR	Other currencies
	Revenue							-3.0	-1.5	-3.0
	Business profit							+0.5	-1.0	-1.3

*1 Basic earnings per share for the year

*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous fiscal year. Rates are weighted according to Epson's net volume of revenue and cost for each currency.

*3 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)

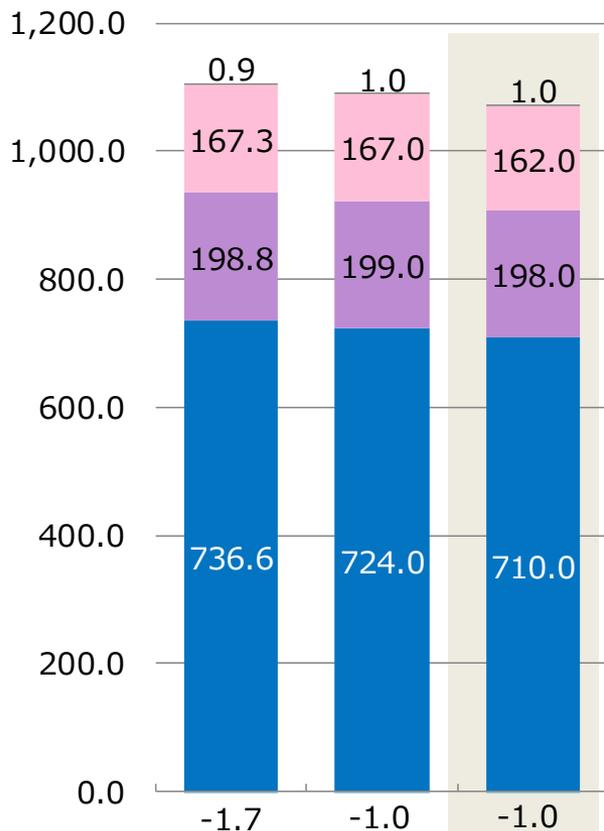
- Factored in risks associated with changes in external environment
 - Slowdown in economic activity to continue
 - Execute actions to expand sales of high-capacity ink tank printers, which are starting to displace laser printers
- Further tighten spending and investment in response to tougher business environment
- Stay on track in preparations for future growth

FY2018 Financial Outlook by Business Segment

Revenue

(Billions of yen)

1,102.1	1,090.0	1,070.0
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Consolidated

Y/Y	-32.1
vs. previous	-20.0

Other

Wearable & Industrial Products	
Y/Y	-5.3
vs. previous	-5.0

Visual Communications	
Y/Y	-0.8
vs. previous	-1.0

Printing Solutions	
Y/Y	-26.6
vs. previous	-14.0

Corporate expenses & Eliminations	
Y/Y	+0.7
vs. previous	-

FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook
-1.7	-1.0	-1.0

Business profit

(Billions of yen)

74.7	80.0	65.0
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Consolidated

Y/Y	-9.7
vs. previous	-15.0

Wearable & Industrial Products

Y/Y	-0.1
vs. previous	-3.0

Visual Communications	
Y/Y	-5.4
vs. previous	-1.0

Printing Solutions	
Y/Y	-6.8
vs. previous	-13.0

Other

Corporate expenses & Eliminations	
Y/Y	+3.1
vs. previous	+2.0

FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook
-51.1	-50.0	-48.0

FY2018 Financial Outlook by Business

(Billions of yen)

Printing Solutions	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	736.6	724.0	710.0	-26.6	-14.0
Printers	523.1	511.0	496.0	-27.1	-15.0
% sales IJP	83%	84%	83%		
SIDM	8%	8%	8%		
Other	9%	8%	9%		
Professional Printing	197.8	194.0	195.0	-2.8	+1.0
Other	17.3	19.0	19.0	+1.6	-
Inter-segment revenue	-1.6	+0.0	+0.0	+1.6	-
Segment profit	94.8	101.0	88.0	-6.8	-13.0
ROS	12.9%	14.0%	12.4%		

FY2018 Financial Outlook by Business

(Billions of yen)

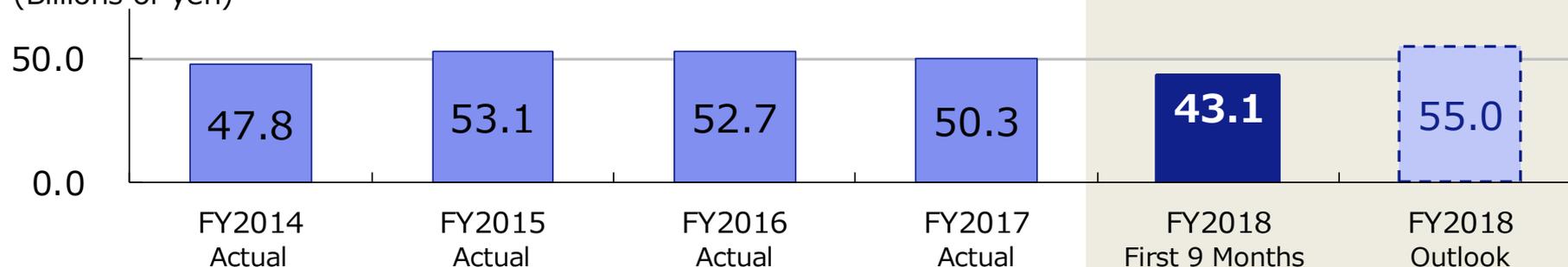
Visual Communications	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	198.8	199.0	198.0	-0.8	-1.0
Segment profit	24.4	20.0	19.0	-5.4	-1.0
ROS	12.3%	10.1%	9.6%		

Wearable & Industrial Products	FY2017 Actual	FY2018 10/30 Outlook	FY2018 1/31 Outlook	Y/Y	vs. 10/30 Outlook
Revenue	167.3	167.0	162.0	-5.3	-5.0
Wearable Products	50.3	48.0	49.0	-1.3	+1.0
Robotics Solutions	24.6	26.0	23.0	-1.6	-3.0
Microdevices, Other	98.9	99.0	96.0	-2.9	-3.0
Inter-segment revenue	-6.6	-6.0	-6.0	+0.6	-
Segment profit	7.1	10.0	7.0	-0.1	-3.0
ROS	4.3%	6.0%	4.3%		

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

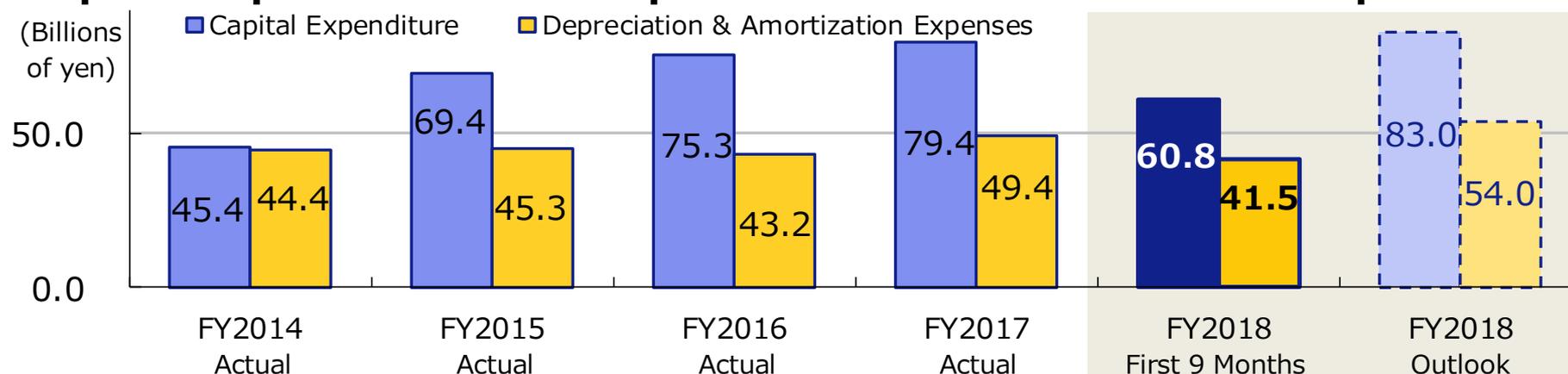
Research & Development Costs

(Billions of yen)



Capital Expenditure and Depreciation and Amortization Expenses

(Billions of yen)

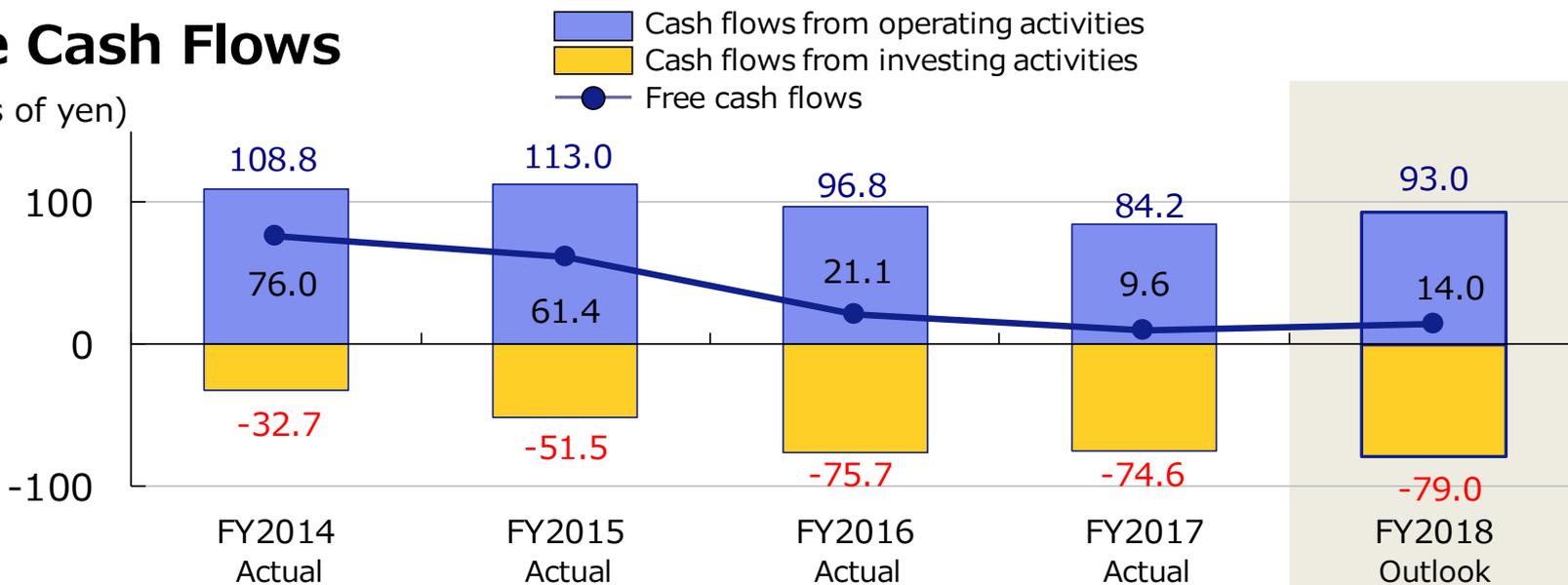


	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	38.6	22.8	49.0	29.0
Visual Communications	6.9	7.3	13.0	10.0
Wearable & Industrial Products	8.7	6.9	13.0	9.0
Other, Corporate	6.5	4.3	8.0	6.0

Free Cash Flows Main Management Indices

Free Cash Flows

(Billions of yen)



Main Management Indices

(%)	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Outlook
ROS *1	9.3	7.8	6.4	6.8	6.1
ROA *2	10.6	8.7	6.9	7.4	6.3
ROE *3	26.3	9.5	10.1	8.3	9.5

*1 Business profit/ revenue

*2 Business profit/ total assets (avg. balance)

*3 Profit for the year attributable to owners of the parent company/ Equity attributable to owners of the parent company (avg. balance)

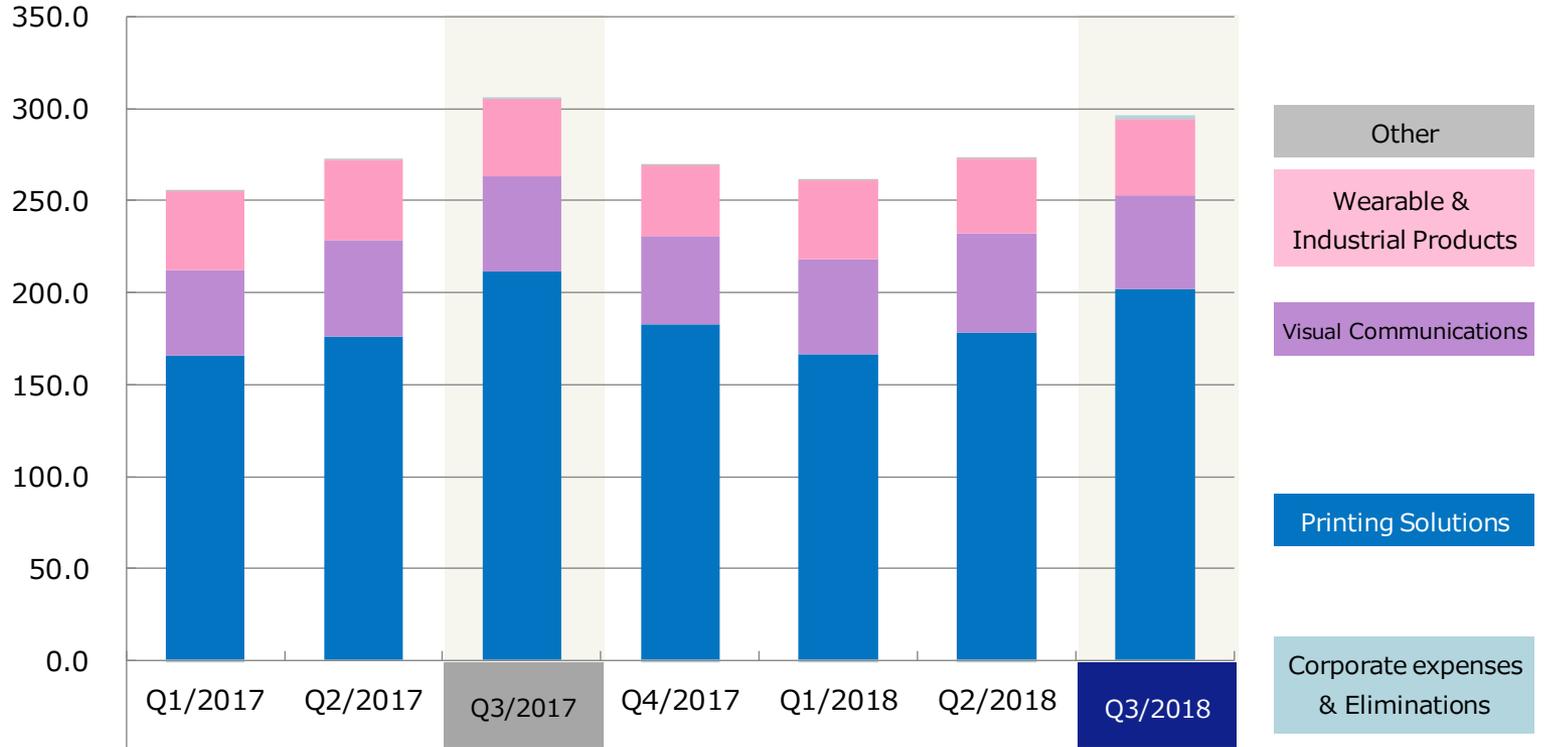
Reference

Quarterly Revenue Trend By Business Segment

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	-0.12
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Y/Y
Printing Solutions	165.9	176.1	211.6	182.9	166.6	178.0	201.7	-9.8
Visual Communications	46.3	52.8	51.6	48.0	51.4	53.9	51.0	-0.6
Wearable & Industrial Products	43.0	43.2	42.3	38.6	43.1	40.9	41.9	-0.4
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.2	+0.0
Corporate expenses & Eliminations	-0.8	0.0	0.2	-1.3	-0.9	-1.3	1.7	+1.4
Consolidated total	254.8	272.5	306.1	268.6	260.4	271.9	296.6	-9.5

(Billions of yen)

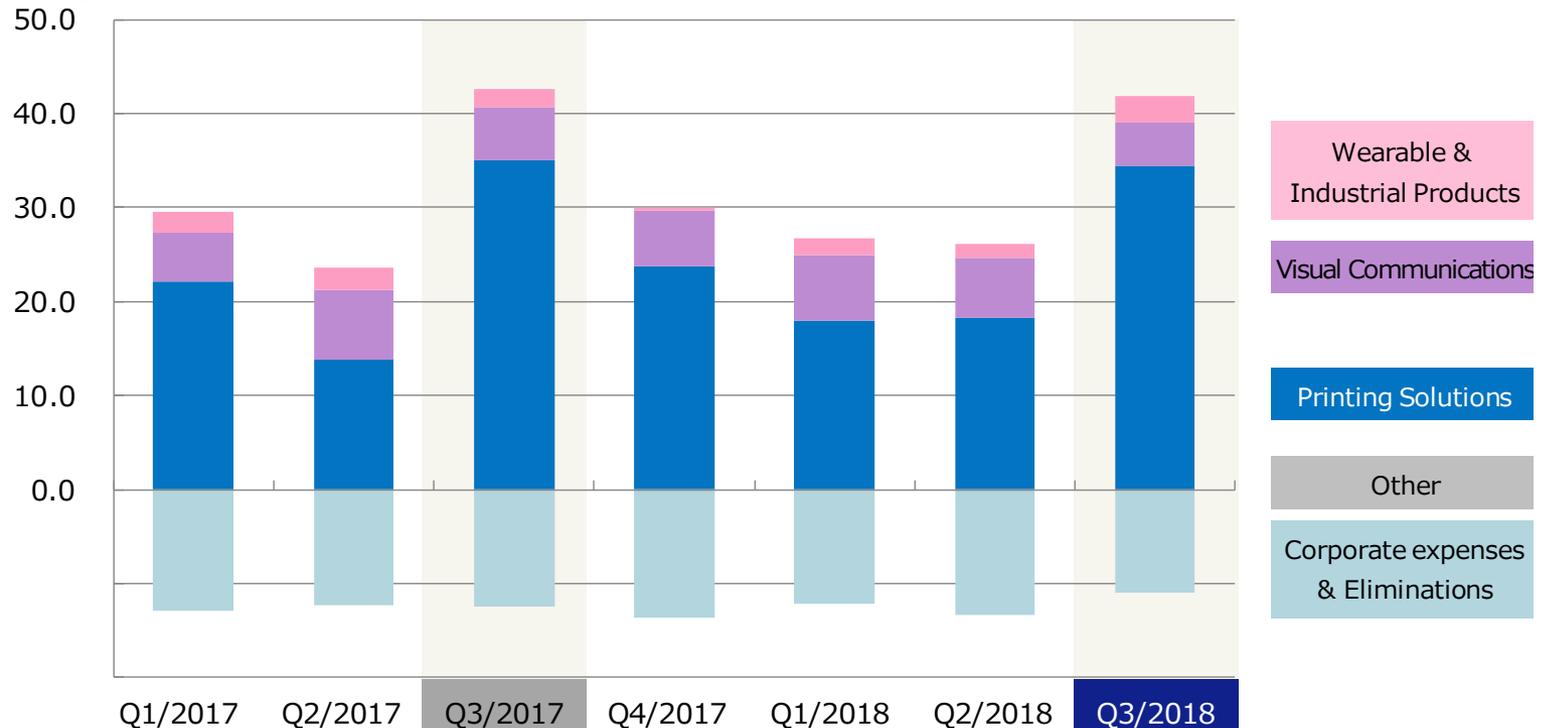


Quarterly Business Profit Trend By Business Segment

Exchange rate (yen)	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	-0.12
	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23

Business profit (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Y/Y
Printing Solutions	22.1	13.8	35.1	23.7	17.9	18.3	34.4	-0.6
Visual Communications	5.2	7.4	5.6	6.0	7.1	6.3	4.7	-0.8
Wearable & Industrial Products	2.3	2.4	1.9	0.3	1.7	1.6	2.7	+0.7
Other	-0.1	-0.1	-0.1	-0.0	-0.1	-0.0	-0.1	+0.0
Corporate expenses & Eliminations	-12.8	-12.2	-12.3	-13.7	-12.0	-13.4	-10.8	+1.4
Consolidated total	16.7	11.3	30.3	16.3	14.6	12.7	30.9	+0.6

(Billions of yen)



Main Product Sales Trends

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

Product		FY2017 Full year (Actual)	Q1/FY2018 (Actual)	Q2/FY2018 (Actual)	Q3/FY2018 (Actual)	FY2018 Full year (Outlook)
Exchange rate	USD	¥110.85	¥109.06	¥111.46	¥112.80	¥110.00
	EUR	¥129.66	¥130.09	¥129.66	¥128.73	¥127.00
IJP hardware	Volume	+8%	+5%	-3%	-13%	-2%
	High-capacity*/ office models as % of total unit sales	Less than 50%/ More than 15%	-	-	-	Less than 60%/ Around 15%
	ASP	+ low teen %	+ mid-single-digit %	+ high single-digit %	+ high single-digit %	Flat YoY
	Revenue	+ low 20%	+ high single-digit %	+ mid-single-digit %	- high single-digit %	- low single-digit %
IJP ink	Volume (packs)	-4%	-7%	-3%	-5%	-
	ASP	+ mid-single-digit %	Flat YoY	- mid-single-digit %	- low single-digit %	-
	Revenue	+ low single-digit %	- high single-digit %	- high single-digit %	- high single-digit %	- high single-digit %
SIDM printers	Volume	-7%	+5%	+5%	-21%	-5%
	ASP	+ low single-digit %	Flat YoY	- low single-digit %	- low single-digit %	- mid-single-digit %
	Revenue	- mid-single-digit %	+ mid-single-digit %	+ low single-digit %	- low 20%	Around -10%
Projectors	Volume	+1%	+10%	+1%	-3%	+1%
	ASP	+ high single-digit %	Flat YoY	+ low single-digit %	+ low single-digit %	- low single-digit %
	Revenue	+ low teen %	+ low teen %	+ low single-digit %	- low single-digit %	Flat YoY

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

* High-capacity ink printers (high-capacity ink tank, high-capacity ink pack, and high-speed linehead inkjet multifunction printers)

Revenue to customers outside of Japan

Employee numbers

Revenue to customers outside of Japan

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	-0.12
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	-4.23

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Y/Y
The Americas	78.3	81.5	81.9	78.5	75.5	82.1	77.0	-4.9
Europe	50.2	52.1	68.2	62.6	52.8	52.0	63.6	-4.6
Asia/ Oceania	72.7	80.3	78.4	66.7	79.2	79.4	76.1	-2.3
Total revenue to overseas customers	201.2	214.0	228.6	207.9	207.6	213.7	216.8	-11.8
Consolidated revenue	254.8	272.5	306.1	268.6	260.4	271.9	296.6	-9.5

% of revenue to consolidated revenue	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018
The Americas	30.7%	29.9%	26.8%	29.3%	29.0%	30.2%	26.0%
Europe	19.7%	19.1%	22.3%	23.3%	20.3%	19.1%	21.5%
Asia/ Oceania	28.5%	29.5%	25.6%	24.8%	30.4%	29.2%	25.7%
Total	79.0%	78.6%	74.7%	77.4%	79.7%	78.6%	73.1%

Employees

Number of employees at period end (person)	End of Mar. 2016	End of Mar. 2017	End of Dec. 2017	End of Mar. 2018	End of Dec. 2018	Compared to end of Mar. 2018
Japan	18,699	19,175	19,594	19,436	19,614	+178
Non-Japan	48,906	53,245	59,249	56,955	58,753	+1,798
Consolidated total	67,605	72,420	78,843	76,391	78,367	+1,976

Major Business Indicators

(Billions of yen)

(Billions of yen)

	Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	FY2018 (FY2016-18 business plan)		Category	FY2016 Actual	FY2017 Actual	FY2018 Outlook	3-year cumulative (FY2016-18 business plan)
Exchange rate	USD	¥108.38	¥110.85	¥110.00	¥115.00	USD	¥108.38	¥110.85	¥110.00	¥115.00	¥115.00
	EUR	¥118.79	¥129.66	¥127.00	¥125.00	EUR	¥118.79	¥129.66	¥127.00	¥125.00	¥125.00
Printing Solutions	Revenue	686.6	736.6	710.0	805.0	Operating CF	96.8	84.2	93.0	Approx. 330.0	
	Segment profit	84.1	94.8	88.0	-	FCF	21.1	9.6	14.0	Approx. 120.0	
Visual Communications	Revenue	179.6	1,98.8	198.0	200.0	Capital expenditure	75.3	79.4	83.0	Approx. 210.0	
	Segment profit	16.1	24.4	19.0	-	R&D costs	52.7	50.3	55.0	Invest aggressively	
Wearable & Industrial Products	Revenue	158.5	167.3	162.0	195.0						
	Segment profit	7.8	7.1	7.0	-						
Other	Revenue	1.5	0.9	1.0	0.0						
	Segment profit	-0.4	-0.5	-1.0	-						
Corporate expenses & Eliminations	Revenue	-1.5	-1.7	-1.0	0.0						
	Segment profit	-41.7	-51.1	-48.0	-						
Consolidated total	Revenue	1,024.8	1,102.1	1,070.0	1,200.0						
	Business profit	65.8	74.7	65.0	96.0						
	ROS	6.4%	6.8%	6.1%	8%						
	ROE	10.1%	8.3%	9.5%	Sustain at at least 10%						

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