

# Fourth Quarter Financial Results Fiscal Year 2018 (Ended March 2019)

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## ■ Disclaimer regarding forward-looking statements

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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

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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

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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 Full-Year Financial Results
- FY2019 Financial Outlook
- Shareholder Returns
  
- FY2018 Q4 Financial Results
- Main Management Indices

## FY2018 Financial Highlights (Full Year)



	FY2017		FY2018				Change		
	(Billions of yen)	Actual	%	1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31 outlook
Revenue		1,102.1		1,070.0		1,089.6		-12.4	+19.6
								-1.1%	+1.8%
Business profit		74.7	6.8%	65.0	6.1%	70.4	6.5%	-4.2	+5.4
								-5.7%	+8.5%
Profit from operating activities		65.0	5.9%	62.0	5.8%	71.3	6.5%	+6.3	+9.3
								+9.8%	+15.1%
Profit before tax		62.6	5.7%	61.0	5.7%	72.0	6.6%	+9.3	+11.0
								+15.0%	+18.1%
Profit for the year attributable to owners of the parent company		41.8	3.8%	50.0	4.7%	53.7	4.9%	+11.8	+3.7
								+28.4%	+7.4%
EPS <sup>*1</sup> (yen)		118.78		141.95		152.49			
Exchange rate (yen, index)	USD	¥110.85		¥110.00		¥110.86			
	EUR	¥129.66		¥127.00		¥128.40			
	Other currencies <sup>*2</sup>	100		94		95			
*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	-2.2	-13.5	-15.7		
		Business profit		+0.1	-1.4	-7.3	-8.6		

- Epson's full-year results for the 2018 fiscal year were as follows.
- Revenue was ¥1,089.6 billion, down ¥12.4 billion year-on-year. Business profit was ¥70.4 billion, down ¥4.2 billion. Profit for the year was ¥53.7 billion, up ¥11.8 billion.
- Currency volatility for the year had a ¥15.7 billion negative effect on revenue, and a ¥8.6 billion negative effect on business profit.

### ◆ Revenue

- Sales of strategic products expanded, but growth initiatives did not yield sufficient revenue. Foreign exchange took a toll, as did trade friction and the effects of plummeting currencies and economic stagnation in some emerging markets.

### ◆ Business profit

- Gross profit increased owing to an improved model mix.
- Continued to invest in future growth.
- A change in the method of accounting for printhead inventory devaluations had a one-time positive effect of ¥5.4 billion.
- Profit was hurt by foreign exchange effects.

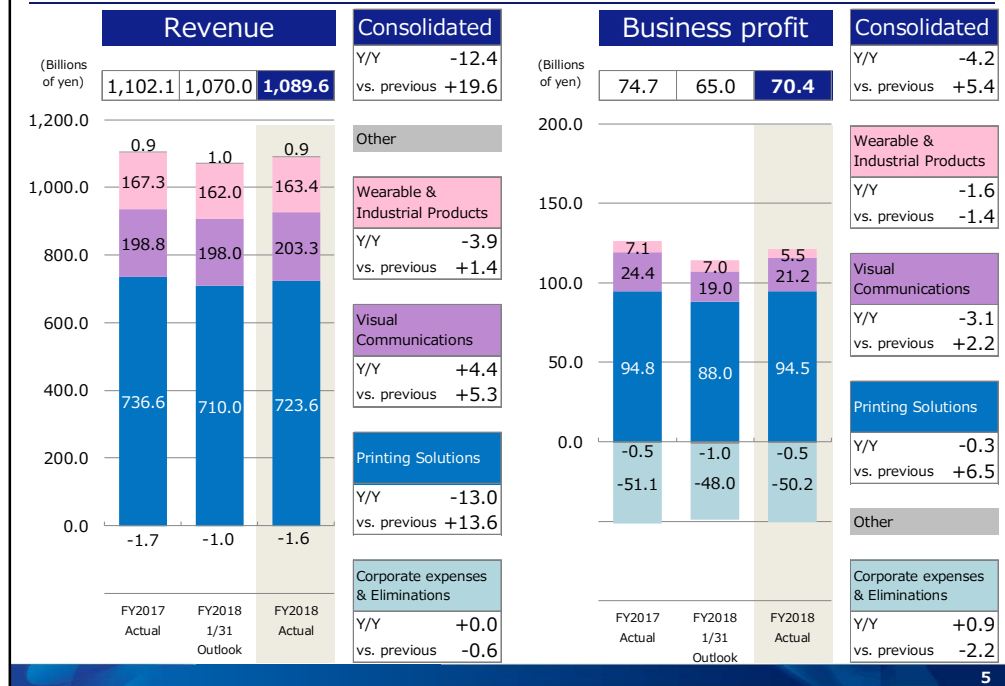
### ◆ Other operating expenses and tax expenses

- Foreign exchange loss decreased year on year.
- Recorded a gain on sales of fixed assets.
- Tax expenses decreased compared to last year, when there was a partial reversal of deferred tax assets accompanying U.S. tax reform.

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- The main factors affecting our fiscal 2018 financial results are summarized here.
- We expanded sales of strategic products, but growth initiatives did not adequately lead to revenue. Foreign exchange took a toll, as did trade friction and the effects of plummeting currencies and economic stagnation in some emerging markets.
- As for business profit, gross profit increased owing to an improved model mix while selling, general, and administrative expenses increased as we continued to invest in future growth.  
A change in the method of accounting for printhead inventory devaluations had a one-time positive effect on business profit while foreign exchange had a negative effect.
- Although business profit declined, we increased profit from operating activities and profit for the year.
- In other operating income and expenses, we recorded a lower foreign exchange loss in fiscal 2018.
- We also recorded a gain on sales of idle fixed assets.
- Tax expenses decreased compared to fiscal 2017, when there was a partial reversal of deferred tax assets accompanying U.S. tax reform.

# FY2018 Results by Business Segment



- Here, revenue and business profit outlook are broken out by segment.
- The results for each segment will be explained on the following slides.

## FY2018 Results Comparison by Business



(Billions of yen)

Printing Solutions	FY2017 Actual	FY2018 1/31 Outlook	FY2018 Actual	Y/Y	vs. 1/31 Outlook
Revenue	736.6	710.0	723.6	-13.0	+13.6
Printers	523.1	496.0	505.9	-17.2	+9.9
% sales IJP	83%	83%	84%		
SIDM	8%	8%	8%		
Other	9%	9%	8%		
Professional Printing	197.8	195.0	198.0	+0.2	+3.0
Other	17.3	19.0	19.7	+2.4	+0.7
Inter-segment revenue	-1.6	0.0	-0.1	+1.4	-0.1
Segment profit	94.8	88.0	94.5	-0.3	+6.5
ROS	12.9%	12.4%	13.1%		

Percentage of segment profit for the printer business (FY2018 results)

Mid-50% range

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- First, let's look at the results by business in printing solutions.
- Revenue in this segment decreased by ¥13.0 billion, while segment profit moved sideways.
- In the printer business, we transitioned further away from ink cartridge printers and emphasized high-capacity ink tank printers. We continued to maintain ink cartridge printer prices, and unit shipments decreased by 1.9 million units to 6.4 million units. Meanwhile, sales of high-capacity ink tank models increased by 1.2 million units to 9 million units despite the environmental changes in Latin America and China. Ink sales decreased due to a decline in the number of ink cartridge printers in the field. Foreign exchange effects were an additional factor in the decrease in total revenue in the printer business as a whole.
- Professional printing revenue was flat year on year despite the negative effect of foreign exchange, as a decline in sales of large-format printers for photo applications was offset by growth in the strategic signage, textile and label categories.
- Segment profit was also flat year on year. Profit benefited from the transition away from ink cartridge printers and toward high-capacity ink tank models, as well as from a one-time gain associated with printheads. On the other hand, increased spending on future growth and foreign exchange effects negated these benefits.

## FY2018 Results Comparison by Business



(Billions of yen)					
Visual Communications	FY2017 Actual	FY2018 1/31 Outlook	FY2018 Actual	Y/Y	vs. 1/31 Outlook
Revenue	198.8	198.0	203.3	+4.4	+5.3
Segment profit	24.4	19.0	21.2	-3.1	+2.2
ROS	12.3%	9.6%	10.4%		

(Billions of yen)					
Wearable & Industrial Products	FY2017 Actual	FY2018 1/31 Outlook	FY2018 Actual	Y/Y	vs. 1/31 Outlook
Revenue	167.3	162.0	163.4	-3.9	+1.4
Wearable Products	50.3	49.0	49.8	-0.4	+0.8
Robotics Solutions	24.6	23.0	22.6	-1.9	-0.3
Microdevices, Other	98.9	96.0	96.6	-2.3	+0.6
Inter-segment revenue	-6.6	-6.0	-5.8	+0.8	+0.1
Segment profit	7.1	7.0	5.5	-1.6	-1.4
ROS	4.3%	4.3%	3.4%		

- Visual communications revenue increased. In a soft projector market, we shipped 2.6 million units, which was about the same as last year, but the mix of high-brightness models improved and shipments of ultra-short throw model projectors increased.
- Segment profit decreased as we continued to invest in future growth.
- In wearable & industrial products, revenue and profit declined because of factors such as soft demand in China for robotics solutions and microdevices and other.



# FY2019 Financial Outlook



	FY2018		FY2019		Change	
	(Billions of yen)	Actual	%	Outlook	%	Y/Y
Revenue		1,089.6		1,130.0		+40.3 +3.7%
Business profit		70.4	6.5%	65.0	5.8%	-5.4 -7.8%
Profit from operating activities		71.3	6.5%	60.0	5.3%	-11.3 -15.9%
Profit before tax		72.0	6.6%	59.0	5.2%	-13.0 -18.1%
Profit for the year attributable to owners of the parent company		53.7	4.9%	45.0	4.0%	-8.7 -16.2%
EPS* <sup>1</sup> (yen)		152.49		127.75		
Exchange rate (yen, index)	USD	¥110.86		¥110.00		
	EUR	¥128.40		¥125.00		
	Other currencies* <sup>2</sup>	100		98		

	Exchange sensitivity* <sup>3</sup>	USD	EUR	Other currencies
Revenue		-3.0	-1.5	-3.0
Business profit		+0.7	-1.0	-1.3

\*<sup>1</sup> Basic earnings per share for the year  
\*<sup>2</sup> 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.  
\*<sup>3</sup> 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)

- This slide provides a snapshot of our fiscal 2019 full-year financial outlook.
- We have forecast ¥1,130.0 billion in revenue, a year-on-year increase of ¥40.3 billion.
- Business profit is expected to be in the range of ¥65.0 billion, a decrease of ¥5.4 billion.
- We have forecast ¥45.0 billion in profit for the period, a decrease of ¥8.7 billion.
- We are assuming exchange rates of 110 yen to the US dollar and 125 yen to the euro. Fiscal 2019 currencies other than the dollar and euro are assumed to be 98 when fiscal 2018 values are normalized to 100. Consequently, currency volatility for the full 2019 fiscal year is expected to have an approximately ¥12.0 billion negative effect on revenue, and a ¥5.0 billion negative effect on business profit.

### ◆ Revenue

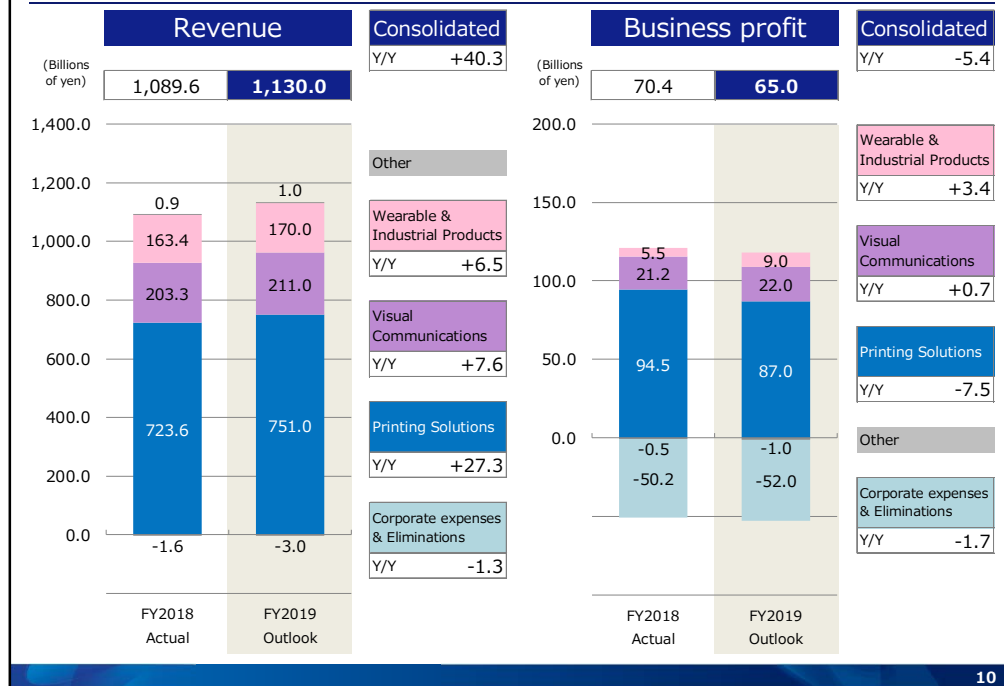
- Strategic products are seen driving revenue growth in a challenging business environment.

### ◆ Business profit

- Revenue will grow, but profit is seen decreasing because of negative foreign exchange effects and the elimination of one-time factors that provided gains in FY2018.
- While continuing to invest for the long term, we will exercise discipline and invest based on the external environment and strategy effectiveness to grow profit after excluding one-time factors and forex effects.
  - In printing solutions we will continue medium- and long-term strategic investments to replace LPs with IJPs.
  - We assume challenging conditions in visual communications and wearable & industrial products, but expect profit to increase.

- The main factors affecting our 2019 financial outlook are summarized here.
- The external environment is expected to be challenging throughout the year, but we anticipate revenue increasing on growth in strategic products.
- While revenue will increase, business profit is expected to decrease due to the loss of the one-time gain recorded in 2018 and foreign exchange effects. However, we plan to increase profit, excluding one-time factors and foreign exchange effects, by investing management resources in a disciplined manner based on the external environment and strategy effectiveness.
- In printing solutions, we will continue to strategically invest in high-capacity ink tank models in the medium- and long-term as we seek to replace laser printers with inkjet printers.
- Competitors are expected to step up their offensives, but growing market awareness of the advantages of high-capacity ink tank printers, including low print costs and superior environmental performance, will, we believe, afford us an opportunity to meet print demand with inkjets.
- We will collaborate with partners in the printer market as we accelerate the expansion of the market and the growth of Epson.
- In visual communications and wearable & industrial products, the business environment will be challenging, but we have factored in risks and are still forecasting profit growth.

## FY2019 Financial Outlook by Business Segment



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- Here, revenue and business profit outlook are broken out by segment.
- The outlook for each segment will be explained on the following slides.
- We anticipate a decrease in corporate expenses and eliminations primarily due to a decline in income from patent royalties.

## FY2019 Financial Outlook by Business



(Billions of yen)

Printing Solutions	FY2018 Actual	FY2019 Outlook	Y/Y
Revenue	723.6	751.0	+27.3
Printers	505.9	513.0	+7.0
% sales IJP	84%	84%	
SIDM	8%	7%	
Other	8%	9%	
Professional Printing	198.0	217.0	+18.9
Other	19.7	21.0	+1.2
Inter-segment revenue	-0.1	0.0	+0.1
Segment profit	94.5	87.0	-7.5
ROS	13.1%	11.6%	
Percentage of segment profit for the printer business (FY2019 outlook)		Mid-40% range	

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- The financial outlook in printing solutions is shown here.
- We have forecast a ¥27.3 billion increase in revenue.
- In the printer business, efforts to displace laser printers with inkjet printers will gain momentum.  
Revenue in the printer business is seen increasing. Sales of home and SOHO ink cartridge printers and ink will decrease, but we will grow sales of high-capacity ink tank models in both developed and emerging markets by continuing to expand our market presence. We plan to ship 10.2 million units, a year-on-year increase of 1.2 million units, and revenue will benefit from an improvement in the overall inkjet printer mix.
- In office shared printers, we expect comprehensive sales proposals featuring high-speed linehead inkjet multifunction printers to drive steady revenue growth.
- In professional printing, we expect revenue to increase on growth in commercial and industrial inkjet printers, especially in the signage and textile categories.
- Segment profit is expected to decline due primarily to foreign exchange effects, but also because we will not record the one-time gain associated with printheads that we reported in the 2018 fiscal year.

## FY2019 Financial Outlook by Business



(Billions of yen)

Visual Communications	FY2018 Actual	FY2019 Outlook	Y/Y
Revenue	203.3	211.0	+7.6
Segment profit	21.2	22.0	+0.7
ROS	10.4%	10.4%	

(Billions of yen)

Wearable & Industrial Products	FY2018 Actual	FY2019 Outlook	Y/Y
Revenue	163.4	170.0	+6.5
Wearable Products	49.8	50.0	+0.1
Robotics Solutions	22.6	26.0	+3.3
Microdevices, Other	96.6	99.0	+2.3
Inter-segment revenue	-5.8	-5.0	+0.8
Segment profit	5.5	9.0	+3.4
ROS	3.4%	5.3%	

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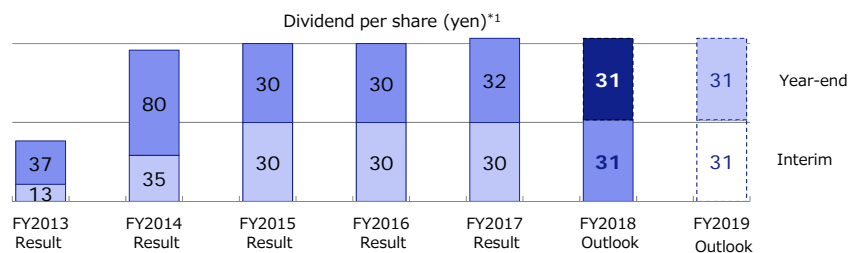
- Visual communications revenue is expected to increase on expansion of high-brightness projectors.  
Segment profit is expected to increase on higher revenue, but it will be negatively impacted by foreign exchange effects as well as by increases in spending to boost our product lines and in sales promotions expenses as we try to develop new areas.
- In wearable & industrial products, revenue is expected to increase. We anticipate continued soft demand for robotics solutions in China, but we are forecasting sales growth in the European and American automotive parts, electronic parts, and medical equipment markets. In the microdevices and other category, semiconductors should be flat year on year, but revenue in the quartz and other businesses is expected to increase.
- Segment profit is expected to increase. In addition to higher revenue, profit should benefit from controlled spending and an improved product mix in the quartz and other businesses.

## ◆ Share repurchase

- Repurchase company shares as part of a policy to actively return profits to shareholders.

Class of shares to be repurchased	Ordinary shares
Total number of repurchasable shares	7.5 million (maximum)
Total repurchase amount	¥10 billion (maximum)
Repurchase period	May 7 to Sept. 20, 2019
Repurchase method	Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

## ◆ Dividends and forecast



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

- We have decided on a repurchase of Seiko Epson shares with a maximum total acquisition cost of 10 billion yen. This was done after taking into account the current share price against the background of our medium- and long-term financial results and financial targets, our efforts to improve capital efficiency, and our desire to provide satisfying shareholder returns.
- The scheme is as depicted on the slide.
- We plan to pay a fiscal 2018 year-end dividend of 31 yen per share as previously forecast, for an annual dividend of 62 yen.
- For fiscal 2019 we again anticipate paying annual dividends of 62-yen per share.
- For the past several years, we have been strategically investing in future growth and have been slow to react to environmental changes. As a result, the strategic moves we have made have not been showing up in our financial results.
- Now is the critical period for Epson to achieve growth by replacing laser printers with inkjet.
- We believe that there is far greater growth ahead along the path we are taking, so we will build recognition in the office market and steadily displace laser printers. Furthermore, we will work to improve our market presence in commercial and industrial printing not only with Epson's printers, but also by selling PrecisionCore printheads.
- The recently announced Epson 25 Phase 2 Mid-Range Business Plan maps out the initiatives for realizing these goals.  
Epson, led by the executive management team, will urgently press forward with reforms to meet the financial targets of the 2019 fiscal year and the Phase 2 targets, and to put Epson in a position to achieve high profitability.

- FY2018 Full-Year Financial Results
- FY2019 Financial Outlook
- Shareholder Returns
  
- FY2018 Q4 Financial Results
- Main Management Indices

## Financial Highlights (Fourth Quarter)

(Billions of yen)	FY2017		FY2018		Change		
	Q4 Actual	%	Q4 Actual	%	Y/Y	%	
Revenue	268.6		260.6		-7.9	-3.0%	
Business profit	16.3	6.1%	12.1	4.6%	-4.2	-25.8%	
Profit from operating activities	12.7	4.8%	13.1	5.1%	+0.4	+3.3%	
Profit before tax	11.6	4.3%	13.1	5.1%	+1.5	+13.2%	
Profit for the period attributable to owners of the parent company	7.2	2.7%	7.7	3.0%	+0.5	+7.2%	
EPS*1 (yen)	20.65		22.13				
Exchange rate (yen, index)	USD	¥108.39	¥110.14				
	EUR	¥133.20	¥125.13				
	Other currencies*2	100	94				
*1 Basic earnings per share for the period		Exchange Effect (Billions of yen)		USD	EUR	Other currencies	Total
*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.		Revenue		+1.2	-2.8	-3.9	-5.5
		Business profit		-0.2	-1.8	-2.0	-4.1

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- Next, let's look at our fourth-quarter results.
- For the quarter we recorded ¥260.6 billion in revenue, down ¥7.9 billion year on year. Business profit was ¥12.1 billion, down ¥4.2 billion. Profit for the period was ¥7.7 billion, up ¥0.5 billion.
- Currency volatility for the quarter had a ¥5.5 billion negative effect on revenue, and a ¥4.1 billion negative effect on business profit.



### ◆ Revenue

- Revenue declined due to negative foreign exchange effects, economic stagnation in China and Latin America, and political instability in various regions.
  - Robot and microdevices revenue continued to fall in China.
  - Trade friction impacted a broad range of countries and products.
- High-capacity ink tank printer growth rate restored
  - The overall growth rate was restored as revenue in Latin America fell year on year due to competition, economic stagnation and political instability, but expanded in China, India, and other parts of Asia as well as in developed economies.

### ◆ Business profit

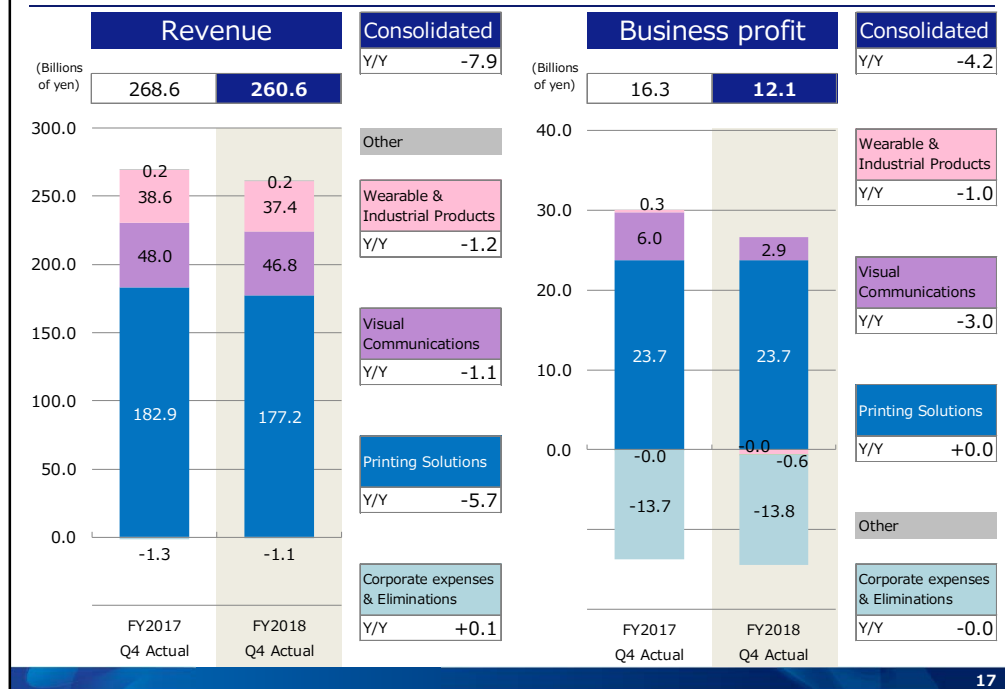
- Profit decreased on lower revenue and due to forex effects, which combined to more than offset a one-time gain from a change in printhead inventory devaluation accounting.

- The main factors that shaped our fourth-quarter results are summarized here.
- Revenue declined due to negative foreign exchange effects as well as to economic stagnation in China and Latin America, and political instability in various regions.
- Robot and microdevices revenue continued to fall in China, and trade friction impacted a broad range of countries and products.
- Meanwhile, in Latin America we adjusted the prices of our high-capacity ink tank printers in response to moves by our competitors, but revenue for these products fell year on year and also short of the target mainly due to the effects of economic stagnation and political instability.

However, the global growth rate was restored to the first-half level as we expanded sales in China, where channel inventories were normalized at the end of the third quarter, India, other parts of Asia, and in developed economies.
- Business profit decreased. Although we recorded a one-time gain resulting from a change in accounting for printhead inventory devaluations in printing solutions, profit decreased on lower revenue and foreign exchange effects.
- The environment has changed since we compiled our previous outlook.

In the third quarter, the business environment underwent sudden changes, and there was uncertainty about the future. When we prepared the previous outlook, which is based on an internal plan, we therefore factored in risks that are likely to accompany environmental changes.
- Both revenue and business profit exceeded the previous outlook because, in addition to gains from a weaker than assumed yen, we benefited from cost cutting and other initiatives.

# Q4 Financial Results by Business Segment



- This is a year-on-year comparison of fourth-quarter revenue and business profit.
- The results for each segment will be explained on the following slides.

## Quarterly Comparison by Business

(Billions of yen)

Printing Solutions	Q4/2017 Actual	Q4/2018 Actual	Y/Y
Revenue	182.9	177.2	-5.7
Printers	128.5	122.0	-6.5
% sales IJP	83%	83%	
SIDM	7%	7%	
Other	10%	10%	
Professional Printing	49.6	48.5	-1.1
Other	5.1	6.6	+1.5
Inter-segment revenue	-0.4	-0.0	+0.4
Segment profit	23.7	23.7	+0.0
ROS	13.0%	13.4%	

- ◆ 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 earnings decreased.
- ◆ SIDM:
  - Demand continued to fall.
- ◆ Large-format printers:
  - Signage revenue continued to grow.
  - Photo printer revenue fell due to competition.
- ◆ POS printers:
  - Flat year on year

Percentage of segment profit for the printer business (FY2018 Q4)	Approx. 60%
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- This is a year-on-year comparison of quarterly revenue in printing solutions.
- Both revenue and business profit in this segment were negatively impacted by foreign exchange.
- Printer business revenue declined.
 

In inkjet printers, sales of high-capacity ink tank models increased sharply compared to the same period last year owing to the recovery of the growth rate in the fourth quarter. Unit shipments of ink cartridge printers decreased because of actions taken to maintain prices.

Ink sales decreased due to a decline in the number of ink cartridge printers in the field. SIDM printer sales in China increased compared to the fourth quarter of last year, when sales were weak due to channel inventory adjustments. In other regions, however, markets continued to shrink and sales decreased.
- Revenue in professional printing decreased.
 

While signage printer revenue increased, large-format photo printer revenue fell due to competition.
- Segment profit was level with the same period last year, as the one-time gain on printheads offset a drop in revenue.
- The printer business accounted for about 60% of segment profit.
- Printer business revenue exceeded the previous outlook. High-capacity ink tank printer and SIDM unit shipments fell short, as did unit shipments of ink cartridge printers due to price maintenance measures. However, our ink sales were stronger than forecast and we had factored into our outlook risks associated with environmental changes.
- Revenue in professional printing exceeded the outlook owing to firm demand for POS printers.
- Segment profit exceeded the outlook as a result of revenue that beat expectations and cost cutting.

## Quarterly Comparison by Business

(Billions of yen)

Visual Communications	Q4/2017 Actual	Q4/2018 Actual	Y/Y
Revenue	48.0	46.8	-1.1
Segment profit	6.0	2.9	-3.0
ROS	12.6%	6.4%	

- ◆ Projectors:
  - Sales volume decreased.
  - Model mix improved owing to increased sales of ultra-short throw models.

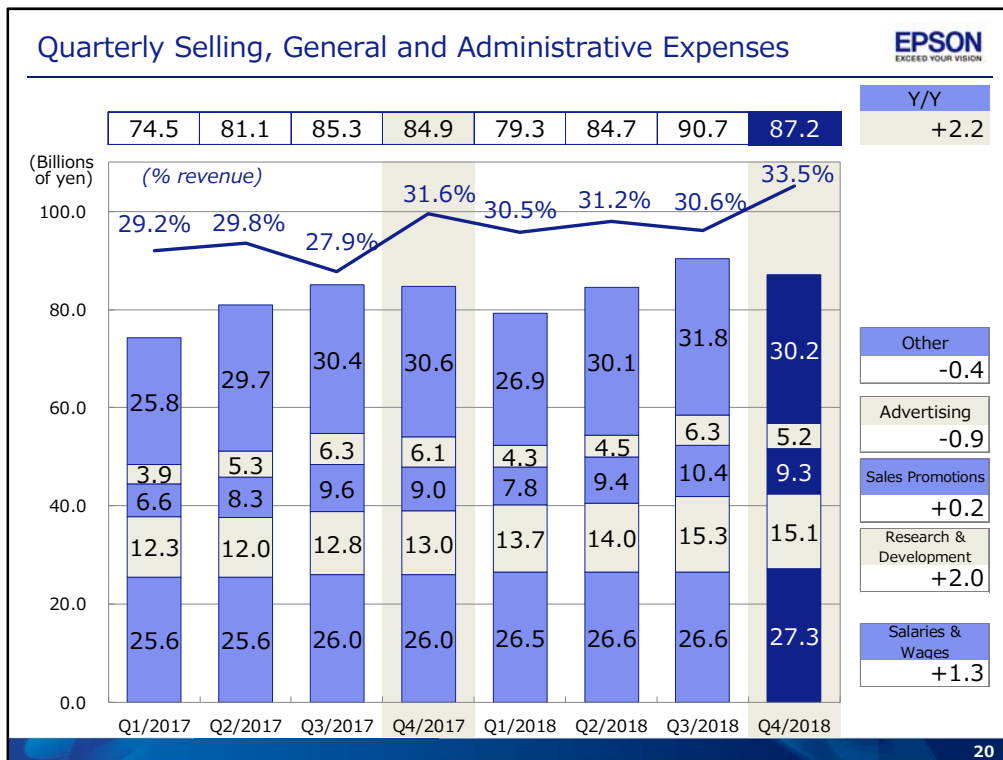
(Billions of yen)

Wearable & Industrial Products	Q4/2017 Actual	Q4/2018 Actual	Y/Y
Revenue	38.6	37.4	-1.2
Wearable Products	10.4	11.2	+0.7
Robotics Solutions	5.8	5.1	-0.7
Microdevices, Other	24.0	22.5	-1.4
Inter-segment revenue	-1.6	-1.5	+0.1
Segment profit	0.3	-0.6	-1.0
ROS	1.0%	-1.8%	

- ◆ Watches:
  - Increased on foreign and domestic sales of high-added-value models.
- ◆ Robots:
  - Chinese demand continued to decline.
- ◆ Quartz:
  - Sales for consumer electronics applications continued to drop.
- ◆ Semiconductors:
  - Declined due to fall-off in customer demand.

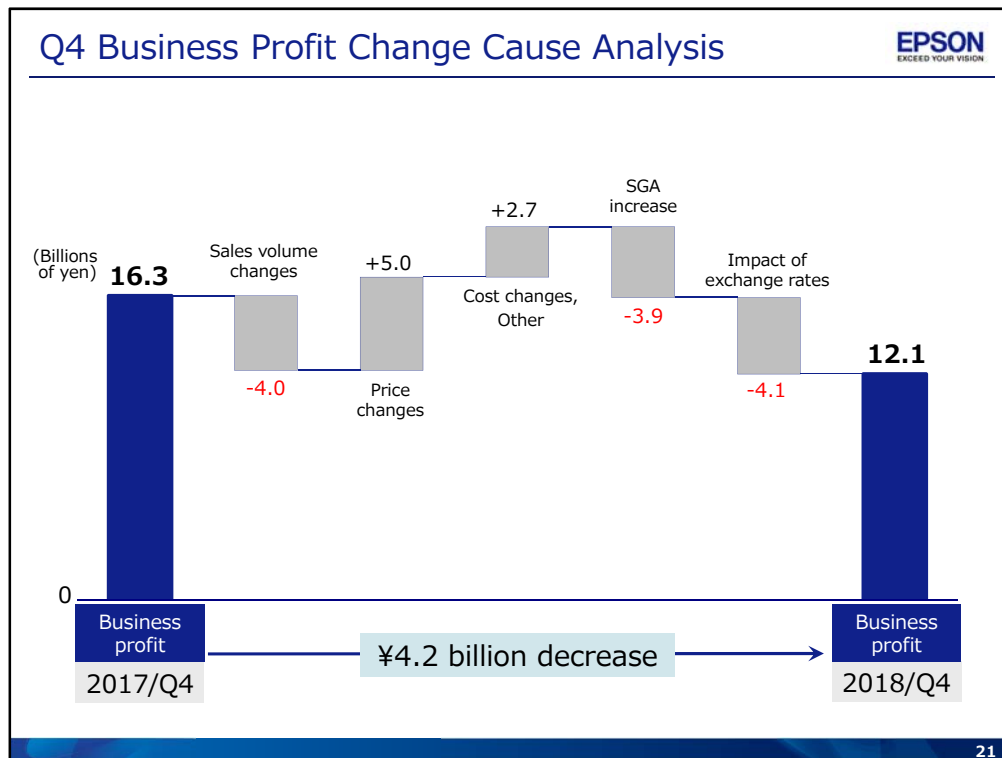
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- Visual communications revenue decreased partly as a result of negative foreign exchange effects.
- Ultra short throw education projector unit shipments increased in Europe and some other regions, but total projector unit shipments fell on subdued market demand.
- Segment profit decreased due mainly to a combination of negative foreign exchange effects and higher costs for strengthening our product lineups.
- Revenue and segment profit both exceeded the previous outlook because, in addition to positive foreign exchange effects, we had factored into the outlook risks associated with environmental changes.
- Revenue in wearable & industrial products decreased.
- We recorded revenue growth in wearable products. Watch movement revenue declined amid weak market conditions, but both domestic and foreign sales of high-added-value watches increased.
- Robotics solutions revenue decreased in response to an ongoing pullback in demand in China.
- Microdevices and other revenue decreased. This decrease was due to the deceleration of the Chinese economy, which stunted sales of crystal devices for consumer electronics, and due to a decline in customer demand for semiconductors.
- Segment profit decreased because although we earned higher revenue while reducing costs in wearable products, revenue in the microdevices and other category declined and we incurred higher costs to strengthen our position in robotics solutions.
- Segment revenue exceeded the previous outlook as sales benefited from foreign exchange effects and firm demand for wearable products. Segment profit ended below the outlook primarily because sales in the microdevices and other category fell short.



- Quarterly selling, general and administrative expenses are shown here.
- They increased by ¥2.2 billion in the fourth quarter year on year mainly because of research and development spending in printing solutions and expenses associated with the ongoing strengthening of our sales organization.

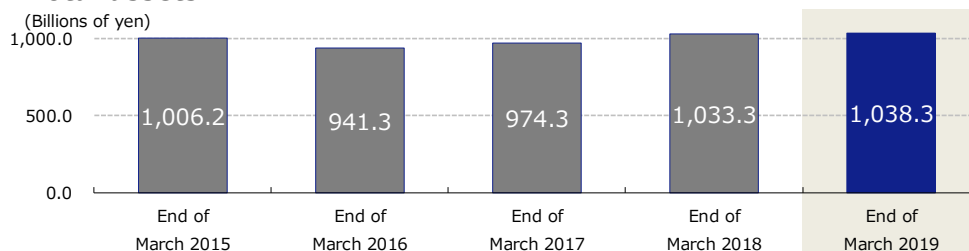
## Q4 Business Profit Change Cause Analysis



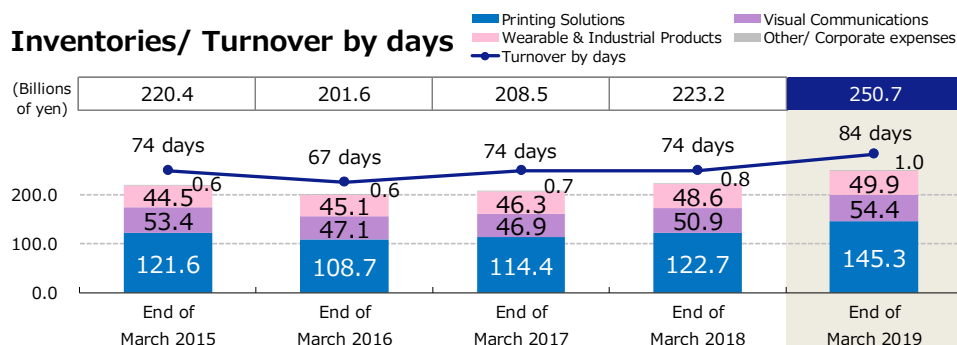
- This slide shows a cause analysis of change in consolidated quarterly business profit compared to the same period last year.
- Higher volumes of products such as high-capacity ink tank printers, ink bottles, and large-format printers for signage and textile applications positively impacted business profit, but these gains were outweighed by the negative volume in items such as ink cartridges, projectors, and large-format photo printers, semiconductors, and crystal devices.
- Price changes in products such as high-capacity ink tank printers worked in the negative direction, but improved model mixes for products like projectors, watches, and semiconductors had a positive impact.
- Costs rose in conjunction with an increase in costs associated with high-added-value products, but our total costs decreased because of a reduction in the number of ink cartridge printers manufactured and because of the one-time gain associated with printheads.

## Statements of Financial Position

### Total assets



### Inventories/ Turnover by days

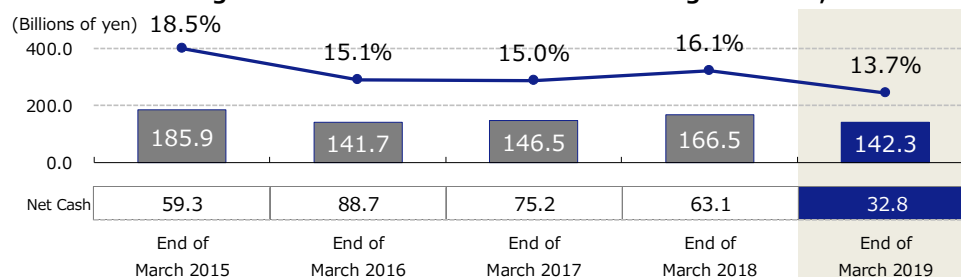


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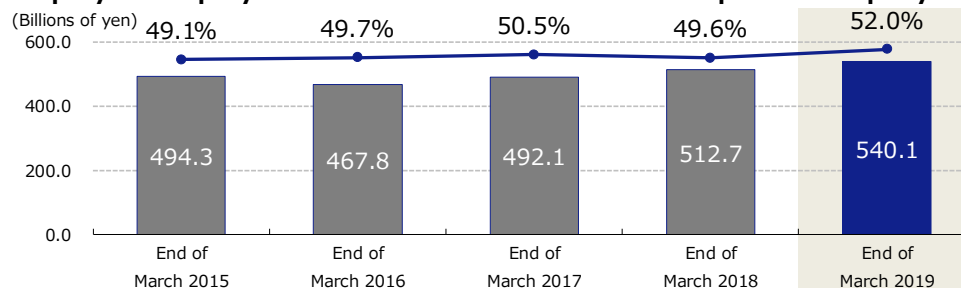
- Next, let's look at some of the major items on the statements of financial position.
- Total assets increased by ¥5.0 billion from the end of the previous fiscal year, ending at ¥1,038.3 billion. Cash and cash equivalents decreased mainly because of acquisitions of property, plant and equipment and payment of dividends. On the other hand, items such as inventories and property, plant and equipment increased.
- Inventories increased by ¥27.5 billion from the end of the previous fiscal year, ending at ¥250.7 billion. This increase was chiefly due to an increase in inventories of inkjet printers and projectors.

## 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



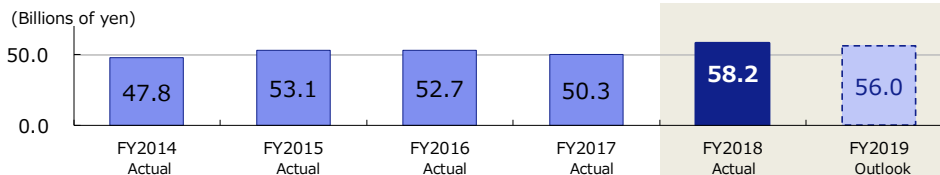
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- Interest-bearing liabilities were ¥142.3 billion, down ¥24.2 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 13.7%.
- Net cash was ¥32.8 billion.
- Equity attributable to owners of the parent company was ¥540.1 billion, up ¥27.4 billion compared to the previous fiscal year-end. The equity ratio attributable to owners of the parent company was 52.0%.

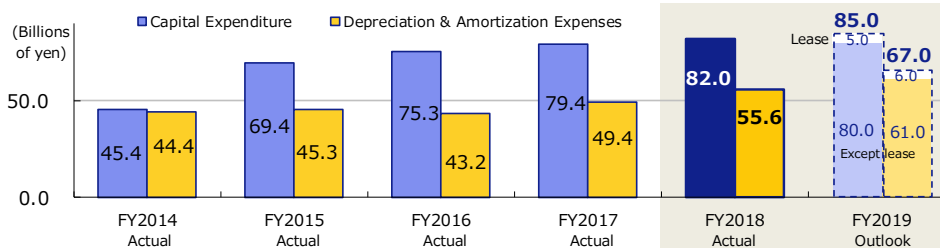


## R&D Costs, Capital Expenditure and Depreciation and Amortization Expenses

### Research & Development Costs



### Capital Expenditure and Depreciation and Amortization Expenses



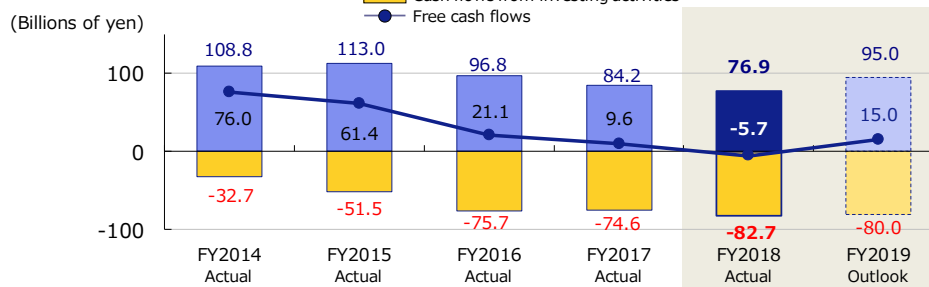
	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	46.8	30.6	43.0	39.0
Visual Communications	11.4	9.8	16.0	12.0
Wearable & Industrial Products	13.9	9.1	16.0	10.0
Other, Corporate	9.8	5.9	10.0	6.0

Includes lease from FY2019 outlook

- Actual and forecast R&D costs, capital expenditures, and depreciation and amortization are as shown here.
- We will continue to have a high level of capital expenditures in fiscal 2019, but this will taper off in fiscal 2020 and beyond.
- Changes in lease accounting standards will take effect in the 2019 fiscal year. This forecast takes those changes in account.
- A forecast calculated based on the earlier lease accounting standards is provided for your reference.

## Free Cash Flows Main Management Indices

### Free Cash Flows



### Main Management Indices

(%)	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Outlook
<b>ROS</b> *1	9.3	7.8	6.4	6.8	<b>6.5</b>	5.8
<b>ROA</b> *2	10.6	8.7	6.9	7.4	<b>6.8</b>	6.1
<b>ROE</b> *3	26.3	9.5	10.1	8.3	<b>10.2</b>	8.2

\*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)

- Our free cash flow and major management indicators were as shown here.
- In fiscal 2018, we had ¥76.9 billion in cash flows from operating activities and ¥82.7 billion in cash flows from investing activities. As a result, we had a negative ¥5.7 billion in free cash flow.
- As for our major financial management performance indicators for the 2018 fiscal year, we had a 6.5% return on sales, a 6.8% return on assets, and a 10.2% return on equity.
- Fiscal 2018 free cash flow was negative because of reduced cash flows from operating activities as we were unable to achieve sales targets in the first half of the fourth quarter.
- The picture for fiscal 2019 cash flows is as shown. We are forecasting ¥95.0 billion in cash flows from operating activities, ¥80.0 billion in cash flows from investing activities, and ¥15.0 billion in free cash flows.
- For our 2019 major financial management performance indicators, we are forecasting a 5.8% return on sales, a 6.1% return on assets, and a 8.2% return on equity.
- This concludes the presentation.

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## Reference

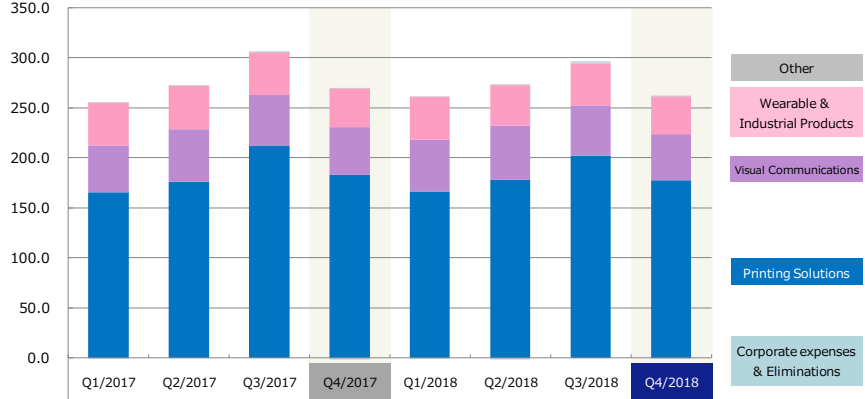
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## Quarterly Revenue Trend By Business Segment

Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	110.14	+1.75
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	125.13	-8.07

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Y/Y
<b>Printing Solutions</b>	165.9	176.1	211.6	182.9	166.6	178.0	201.7	177.2	-5.7
<b>Visual Communications</b>	46.3	52.8	51.6	48.0	51.4	53.9	51.0	46.8	-1.1
<b>Wearable &amp; Industrial Products</b>	43.0	43.2	42.3	38.6	43.1	40.9	41.9	37.4	-1.2
<b>Other</b>	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	+0.0
<b>Corporate expenses &amp; Eliminations</b>	-0.8	0.0	0.2	-1.3	-0.9	-1.3	1.7	-1.1	+0.1
<b>Consolidated total</b>	<b>254.8</b>	<b>272.5</b>	<b>306.1</b>	<b>268.6</b>	<b>260.4</b>	<b>271.9</b>	<b>296.6</b>	<b>260.6</b>	<b>-7.9</b>

(Billions of yen)

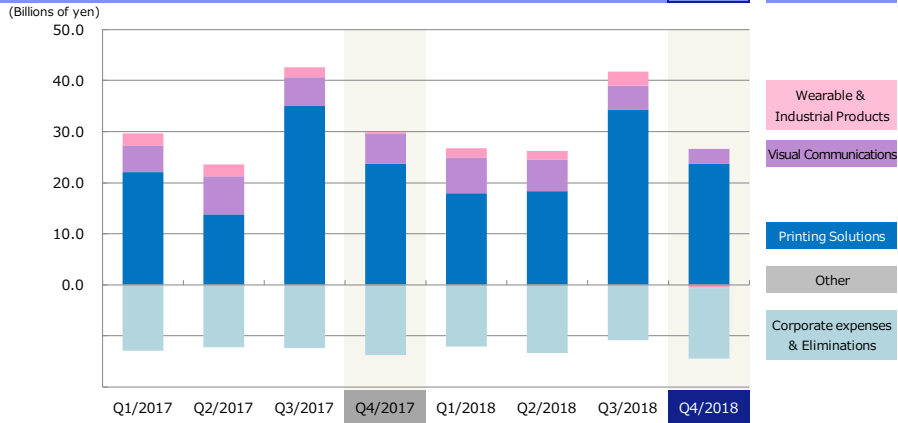


# Quarterly Business Profit Trend By Business Segment



Exchange rate	USD	111.08	111.00	112.92	108.39	109.06	111.46	112.80	110.14	+1.75
(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	125.13	-8.07

Business profit (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Y/Y
Printing Solutions	22.1	13.8	35.1	23.7	17.9	18.3	34.4	23.7	+0.0
Visual Communications	5.2	7.4	5.6	6.0	7.1	6.3	4.7	2.9	-3.0
Wearable & Industrial Products	2.3	2.4	1.9	0.3	1.7	1.6	2.7	-0.6	-1.0
Other	-0.1	-0.1	-0.1	-0.0	-0.1	-0.0	-0.1	-0.0	-0.0
Corporate expenses & Eliminations	-12.8	-12.2	-12.3	-13.7	-12.0	-13.4	-10.8	-13.8	-0.0
<b>Consolidated total</b>	<b>16.7</b>	<b>11.3</b>	<b>30.3</b>	<b>16.3</b>	<b>14.6</b>	<b>12.7</b>	<b>30.9</b>	<b>12.1</b>	<b>-4.2</b>



# Main Product Sales Trends (FY2018 Actual)



## ■ 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)	Q4/FY2018 (Actual)	FY2018 Full year (Actual)
Exchange rate	USD	¥110.85	¥109.06	¥111.46	¥112.80	110.14	110.86
	EUR	¥129.66	¥130.09	¥129.66	¥128.73	125.13	128.40
IJP hardware	Volume	+8%	+5%	-3%	-13%	-2%	-4%
	High-capacity*/ office models as % of total unit sales	Less than 50%/ More than 15%	-	-	-	-	Approx. 60%/ Approx. 15%
	ASP	+ low teen %	+ mid-single-digit %	+ high single-digit %	+ high single-digit %	Flat YoY	+ mid-single-digit %
	Revenue	+ low 20%	+ high single-digit %	+ mid-single-digit %	- high single-digit %	- low single-digit %	Flat YoY
IJP ink	Volume (packs)	-4%	-7%	-3%	-5%	-6%	-5%
	ASP	+ mid-single-digit %	Flat YoY	- mid-single-digit %	- low single-digit %	- low single-digit %	- low single-digit %
	Revenue	+ low single-digit %	- high single-digit %	- high single-digit %	- high single-digit %	- high single-digit %	- high single-digit %
SIDM printers	Volume	-7%	+5%	+5%	-21%	-10%	-6%
	ASP	+ low single-digit %	Flat YoY	- low single-digit %	- low single-digit %	- low single-digit %	- low single-digit %
	Revenue	- mid-single-digit %	+ mid-single-digit %	+ low single-digit %	- low 20%	- low 10%	- high single-digit %
Projectors	Volume	+1%	+10%	+1%	-3%	-5%	+1%
	ASP	+ high single-digit %	Flat YoY	+ low single-digit %	+ low single-digit %	+ low single-digit %	+ low single-digit %
	Revenue	+ low teen %	+ low teen %	+ low single-digit %	- low single-digit %	- low single-digit %	+ low single-digit %

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)

## Main Product Sales Trends (FY2018 Actual vs FY2019 Outlook) **EPSON** EXCEED YOUR VISION

### ■ Results & outlook vs. previous fiscal year

				FY2018 Full-year (Actual)	FY2019 Full-year (Outlook)
			USD	110.86	110.00
			EUR	128.40	125.00
<b>Printing Solutions</b>	IJP Hardware	Revenue (JPY)	YoY %	Flat YoY	+11%
		Volume	YoY %	-4%	+5%
		Volume	Unit	Approx. 15.4 million	Approx. 16.2 million
		High-capacity ink tank	Unit	Approx. 9.0 million	Approx. 10.2 million
		Home & SOHO	Unit	Approx. 6.1 million	Approx. 5.6 million
	IJP Ink	Revenue in IJP (except media revenue)	Composition ratio	Approx. 50%	46%
		Revenue (JPY)	YoY %	- high single-digit %	-6%
	Office Shared* (Hardware + Ink)	Revenue in IJP	Composition ratio	high single-digit %	10%
		Revenue (JPY)	YoY %	- high single-digit %	-8%
	SIDM	Hardware Volume	YoY %	-6%	-5%
Revenue in Professional Printing business		Composition ratio	low 60 %	65%	
<b>Visual Communications</b>	Projectors hardware	Revenue (JPY)	YoY %	+ low single-digit %	+4%
		Volume	YoY %	+1%	+4%
		Volume	Unit	Approx. 2.6 million	Approx. 2.7 million

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

\*Office Shared Printers : One of printer category for high print volume office users. This includes L1J, R1PS, and I/C 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	110.14	+1.75	
	(yen)	EUR	122.12	130.36	132.96	133.20	130.09	129.66	128.73	125.13	-8.07

Revenue (Billions of yen)	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Y/Y
The Americas	78.3	81.5	81.9	78.5	75.5	82.1	77.0	75.7	-2.8
Europe	50.2	52.1	68.2	62.6	52.8	52.0	63.6	56.6	-5.9
Asia/ Oceania	72.7	80.3	78.4	66.7	79.2	79.4	76.1	67.5	+0.8
<b>Total revenue to overseas customers</b>	201.2	214.0	228.6	207.9	207.6	213.7	216.8	199.9	-7.9
<b>Consolidated revenue</b>	254.8	272.5	306.1	268.6	260.4	271.9	296.6	260.6	-7.9

% of revenue to consolidated revenue	Q1/2017	Q2/2017	Q3/2017	Q4/2017	Q1/2018	Q2/2018	Q3/2018	Q4/2018
The Americas	30.7%	29.9%	26.8%	29.3%	29.0%	30.2%	26.0%	29.1%
Europe	19.7%	19.1%	22.3%	23.3%	20.3%	19.1%	21.5%	21.7%
Asia/ Oceania	28.5%	29.5%	25.6%	24.8%	30.4%	29.2%	25.7%	25.9%
<b>Total</b>	79.0%	78.6%	74.7%	77.4%	79.7%	78.6%	73.1%	76.7%

### Employees

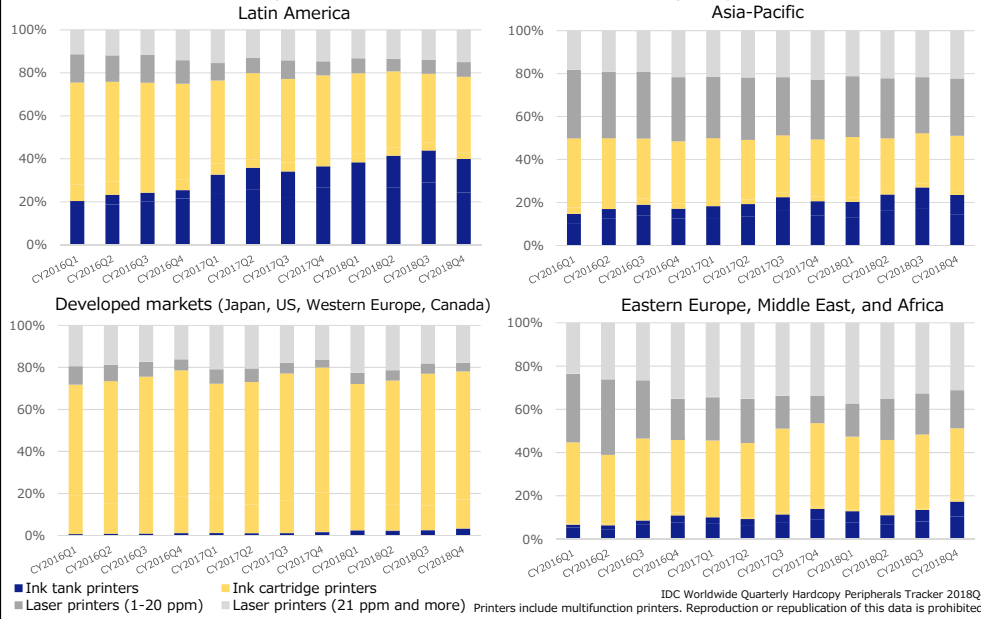
Number of employees at period end (person)	End of Mar. 2015	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of Mar. 2019	Compared to end of Mar. 2018	
Japan		18,627	18,699	19,175	19,436	19,456	+20
Non-Japan		51,251	48,906	53,245	56,955	57,191	+236
<b>Consolidated total</b>		69,878	67,605	72,420	76,391	76,647	+256



# Major Business Indicators

(Billions of yen)					(Billions of yen)			
		FY2018	FY2019	FY2021		FY2018	FY2019	Epson 25
		Actual	Outlook	(FY19-21 business plan)		Actual	Outlook	FY19-21 business plan 3-year cumulative outlook
Exchange rate (yen)	USD	110.86	110.00	110.00	USD	110.86	110.00	110.00
	EUR	128.40	125.00	125.00	EUR	128.40	125.00	125.00
Printing	Revenue	723.6	751.0	780.0	Operating CF	76.9	95.0	Approx. 370
Solutions	Segment profit	94.5	87.0	-	FCF	-5.7	15.0	Approx. 170
Visual	Revenue	203.3	211.0	225.0	R&D costs	58.2	56.0	Invest aggressively
Communications	Segment profit	21.2	22.0	-	Capital expenditure	82.0	85.0	Approx. 200
Wearable & Industrial Products	Revenue	163.4	170.0	195.0	Except lease	82.0	80.0	
Other	Revenue	0.9	1.0	-				
	Segment profit	-0.5	-1.0	-				
Corporate expenses & Eliminations	Revenue	-1.6	-3.0	-				
	Segment profit	-50.2	-52.0	-				
Consolidated total	Revenue	1,089.6	1,130.0	1,200.0				
	Segment profit	70.4	65.0	96.0				
	ROS	6.5%	5.8%	8%				
	ROE	10.2%	8.2%	Over 10%				

**A4 printer main unit market trend by region**



Printers include multifunction printers. Reproduction or republication of this data is prohibited.

## Definition of term

<b>Color Control Technology</b>	Color management technology that enhances color reproducibility
<b>Epson Connect</b>	Epson's mobile cloud service for Epson products and services
<b>I/C</b>	Ink cartridges
<b>IJP</b>	Inkjet printers
<b>LIJ</b>	Line inkjet printers, high-speed line inkjet multifunction printers
<b>LP</b>	Laser printers, including multi function printers
<b>RIPS</b>	Replaceable ink pack system, high-yield cartridge-free ink pack printers
<b>SIDM</b>	Serial impact dot matrix printers
<b>SOHO</b>	Small office, home office
<b>Office Shared Printers</b>	A printer category for high print volume office users. This includes LIJ, RIPS, and I/C printers.
<b>Photos</b>	A printer category that includes large-format printers for photo, graphics, proofing and CAD printing
<b>Commercial &amp; Industrial IJP</b>	A printer category comprising large-format inkjet printers for commercial and industrial sectors.
<b>High-capacity ink tank printers</b>	Inkjet printers with high-capacity ink tank (includes EcoTank)
<b>High-capacity ink models</b>	General term for high-capacity ink cartridge printers, high-capacity ink tank printers, RIPS, and LIJ
<b>Distributed printing</b>	A printing method that prints out the same images/documents using several printers
<b>3LCD</b>	Technology that projects images by utilizing 3LCD-chips
<b>FPD</b>	Flat panel displays
<b>OLED</b>	Organic light emitting diode
<b>High-brightness laser projectors</b>	High-lumen projectors mainly used in venues such as conference rooms and halls
<b>WP</b>	Wearable Products business
<b>MD, Other</b>	Microdevices, Other business

