

# Fourth Quarter Financial Results Fiscal Year 2019 (Ended March 2020)

April 30, 2020

**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.

- FY2019 Full-Year Financial Results
  - Full-Year Results Summary
  - Pandemic Impact
  - Q4 Results Summary
- FY2020 Actions
  - Q1 Situation
  - Basic Policies and Actions
- Shareholder Returns

- The main items on today's agenda are shown here.
- The spread of the novel coronavirus has affected the entire world, and that of course includes Epson's business activities.  
The Epson Group's top priority is to ensure the health and safety of our employees, customers, and other stakeholders and to try to slow the spread of infection in accordance with national and local government policies.
- We will continue to take actions to fulfill our responsibility to society by providing products and services to the organizations that are necessary to maintain society. Going forward, we will also move forward with actions to generate continuous business growth.

## FY2019 Financial Highlights (Full Year)



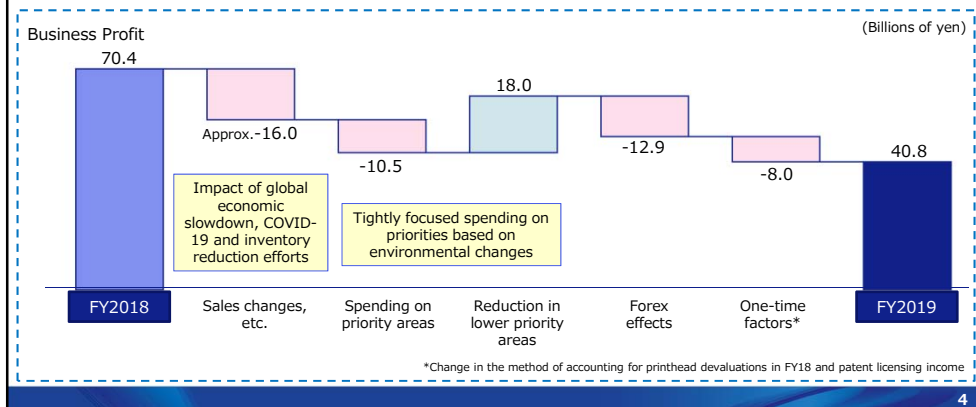
	FY2018		FY2019				Change		
	(Billions of yen)	Actual	%	1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31 outlook
Revenue		1,089.6		1,060.0		1,043.6		-46.0 -4.2%	-16.3 -1.5%
Business profit		70.4	6.5%	42.0	4.0%	40.8	3.9%	-29.6 -42.0%	-1.1 -2.7%
Profit from operating activities		71.3	6.5%	37.0	3.5%	39.4	3.8%	-31.8 -44.7%	+2.4 +6.7%
Profit before tax		72.0	6.6%	36.0	3.4%	39.7	3.8%	-32.3 -44.9%	+3.7 +10.3%
Profit for the year attributable to owners of the parent company		53.7	4.9%	27.0	2.5%	7.7	0.7%	-45.9 -85.6%	-19.2 -71.4%
EPS <sup>*1</sup> (yen)		152.49		78.05		22.26			
Exchange rate (yen, index)	USD	¥110.86		¥108.00		¥108.74			
	EUR	¥128.40		¥120.00		¥120.85			
	Other currencies <sup>*2</sup>	100		93		94			
		<b>Exchange effect (Billions of yen)</b>		USD	EUR	Other currencies	<b>Total</b>		
		Revenue		-6.1	-10.3	-15.9	-32.3		
		Business profit		+1.6	-6.3	-8.2	-12.9		

\*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.

- Let's begin with our financial results for the full 2019 fiscal year.
- We had ¥1,043.6 billion in revenue, down ¥46 billion compared to the same period last year. Business profit was ¥40.8, a decline of ¥29.6 billion, and profit for the period was ¥7.7 billion, down ¥45.9 billion.
- Tax expenses increased due to a reversal of recoverable deferred tax assets, resulting from a review of the recoverable amount.

## Factors Affecting FY2019 Full-Year Financial Results

- Continued expansion of strategic products
  - High-capacity ink tank printers, office shared printers, commercial & industrial IJP
- Revenue significantly hurt by the effects of the global economic slowdown and one-time factors
  - Global economic slowdown triggered by U.S.-China trade friction, and regional political and economic turmoil
  - Current impacts of pandemic
  - Yen rose against the euro, Latin American and Asian currencies



- These are the key factors that affected our full-year results.
- Revenue and profit both decreased compared to last year.
- From the start of the year, we anticipated ongoing softness in the Chinese economy due to the effects of U.S.-China trade friction, but the severity exceeded our expectations, and the downturn expanded into Europe and the Americas.
- In the fourth quarter, moreover, society changed considerably due to the spread of the coronavirus.
- Foreign exchange also had a substantial negative effect on our financial results because although the yen's rise against the US dollar was modest, it climbed higher against the euro and other currencies.
- So, although revenue decreased year on year, we were able to increase sales of strategic products such as inkjets that will yield benefits in the 2020 fiscal year and beyond.
- High-capacity ink tank printer growth rate slowed in the first quarter compared to the same period last year due to the changes in the business environment, but sales held steady after that, with expansion in developed economies augmenting growth in emerging regions.
- We were not able to achieve our goal of 10.2 million units due to the effects of the pandemic, mainly in India and Southeast Asia. However, unit shipments increased by about 1-million units compared to last year, reaching about 10-million units in total.
- We have been steadily capturing contracts for office shared printers. In Japan, we have won follow-on contracts from existing customers whose contracts are reaching expiration, and have seen a steady increase in inquiries after offering new plans for the education market.  
In Europe, dealer sales progressed as markets became more aware of the outstanding environmental performance of inkjet printers.
- We are also steadily increasing sales of Epson-brand commercial & industrial inkjet printers in a soft market.
- Business profit decreased year on year. We controlled and more tightly focused spending on priorities based on environmental changes and strategy viability, but were unable to entirely make up for the negative effects, such as lower revenue, inventory reduction impact and foreign exchange effects. The elimination of one-time factors that helped to boost business profit last year also contributed to the decrease.
- So, although our financial results did not live up to expectations, preparations for future growth proceeded according to plan, and we are positioned to make strides in new fields.
- For example, in commercial & industrial inkjet printers, we laid the groundwork for expanding sales of printheads and Epson brand finished products in the current fiscal year. We also made forward progress on collaboration and open innovation initiatives.
- In the wearable & industrial products businesses, we improved production efficiency and resized the organizations to align them with the size of the businesses

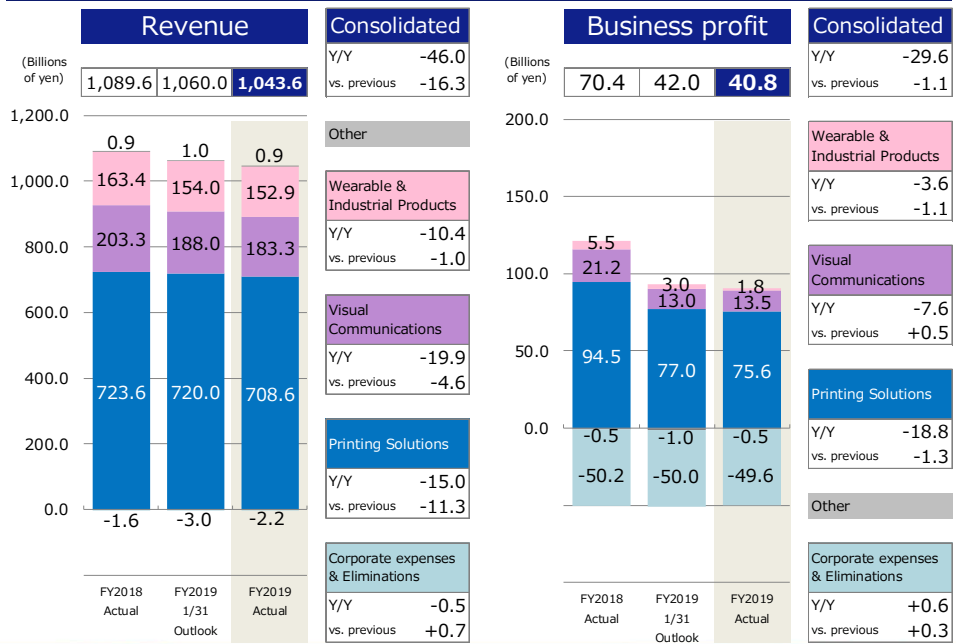
### ■ Impact on demand and sales

- Demand in most businesses and for most products sharply decreased
  - ✓ SIDM, commercial & industrial IJP, POS printer, watch and robot demand sharply dropped in February and has stayed low
  - ✓ In March, office shared IJP business talks and deliveries were delayed
  - ✓ Projector demand and sales plummeted in China and North America
- Home IJP sales were firm on work-at-home demand
  - ✓ China, North America, Europe, Australia, etc.

Main Businesses & Products	Regions and Impacts
High-capacity ink tank printers	Sales in emerging markets slowed despite work-at-home demand in China
SOHO/ home IJPs	Sales exceeded the previous outlook as we captured work-at-home demand in North America, Europe and Australia
Office shared IJPs	Business talks and deliveries were delayed in Japan, Europe and the Americas in March
Professional printing	Commercial & industrial IJP and POS printer business talks and deliveries were delayed
Projectors	Market contracted in China, North America, etc.
Watches	Demand from visitors to Japan decreased and the market cooled due to movement control orders
Robots	Delivery of orders already received were delayed by customers even though demand was recovering
MD, other	Deliveries were postponed by customers, etc.
<b>Total</b>	<b>Sales decreased by about ¥14 billion</b> (mainly due to cooling of markets and production constraints)

- The impact of the pandemic, which occurred in the fourth quarter, is shown here.
- Fourth quarter demand dropped for most products in most businesses due to the pandemic.
- The slack demand that began in China in February suddenly spread worldwide in March.
- Supplies stalled for some products that were being manufactured in China.
- On the other hand, increased demand for high-capacity ink tank printers and SOHO/ home inkjet printers was generated by an expansion in the number of people learning online in China and telecommuting in Europe, North America, and Australia.
- Fourth quarter revenue is estimated to have taken about a ¥14 billion hit from these various factors.

# FY2019 Results by Business Segment



- Here, revenue and business profit results are broken out by segment.
- I will explain the results for each segment on the following slides.

# FY2019 Results Comparison by Business



(Billions of yen)

Printing Solutions	FY2018 Actual	FY2019 1/31 Outlook	FY2019 Actual	Y/Y	Exchange effect	vs. 1/31 Outlook
Revenue	723.6	720.0	708.6	-15.0	-22.8	-11.3
Printers	505.9	484.0	482.5	-23.4		-1.4
% sales IJP* <sup>1</sup>	84%	84%	84%			
SIDM	8%	7%	7%			
Other	8%	9%	9%			
Professional Printing	198.0	210.0	197.9	-0.0		-12.0
Other	19.7	26.0	28.2	+8.4		+2.2
Inter-segment revenue	-0.1	0.0	-0.1	-0.0		-0.1
Segment profit	94.5	77.0	75.6	-18.8	-8.6	-1.3
ROS	13.1%	10.7%	10.7%			

◆ Main Product Sales Trends <sup>2</sup>	FY18 Actual	FY19 1/31 Outlook	FY19 Actual
IJP HW volume, YoY	-4%	+2%	+1%
IJP HW volume (Approx., million)	15.4	15.8	15.7
High-capacity ink tank	9.0	10.2	10.0
SOHO/ Home	6.1	5.2	5.3
IJP ink revenue (JPY), YoY	- High single-digit %	-10%	Local Currency -5%
IJP office shared IJP <sup>3</sup> revenue within IJP	High single-digit %	9%	8%
Commercial & industrial IJP revenue within Professional Printing	low 60 %	64%	64%

Printers
◆ Shipped 10-million high-capacity ink tank printers. Sales also expanded in developed economies
◆ Office shared printer sales steadily expanded
◆ SOHO/ home inkjet sales decreased due to a change in business model
◆ SIDM sales decreased in China and elsewhere

Professional printing
◆ Sales of commercial & industrial IJPs were firm in a soft market

Other
◆ PC sales were strong

\* 1 IJP includes high-capacity ink tank, SOHO/ home and office shared IJPs  
\* 2 The indicators in main product sales trends are based on values tracked internally by Epson  
\* 3 Office Shared IJP: A printer category for high print volume office users. This includes L1J, RIPS, I/C printers, and excludes paid repairs and services

- The full-year results in printing solutions are shown here.
- Segment revenue decreased due to the slow economy, pandemic effects, and negative foreign exchange effects.
- Printer business revenue decreased.
- SOHO/ home ink cartridge model printer revenue decreased because we continued to switch over more to high-capacity ink tank printers in line with our inkjet strategy. SIDM printer revenue also decreased, mainly because of worsening market conditions in China.
- On the other hand, high-capacity ink tank printer and office shared IJP revenue increased.
- Professional printing revenue was flat year on year owing to commercial & industrial inkjet printer revenue growth.
- In the Other category, PC sales were strong leading up to the end of support for Windows 7.
- Segment profit decreased. In addition to the effects of lower revenue, profit decreased primarily due to continued spending on future growth, the elimination of one-time accounting factors from which we benefited last year.
- The printer business accounted for about 45% of segment profit.
- one-time accounting factors from which we benefited last year.



## FY2019 Results Comparison by Business



(Billions of yen)						
Visual Communications	FY2018 Actual	FY2019 1/31 Outlook	FY2019 Actual	Y/Y	Exchange effect	vs. 1/31 Outlook
Revenue	203.3	188.0	183.3	-19.9	-7.1	-4.6
Segment profit	21.2	13.0	13.5	-7.6	-3.4	+0.5
ROS	10.4%	6.9%	7.4%			

**Projectors**

- ◆ Sales of standard and ultra short-throw models declined due to market contraction

◆ Projector Sales Trends**	FY18 Actual	FY19 1/31 Outlook	FY19 Actual
HW volume, YoY	+1%	-6%	-9%
HW volume (Approx., million)	2.6	2.5	2.4

\*1 The indicators in projector sales trends are based on values tracked internally by Epson

(Billions of yen)						
Wearable & Industrial Products	FY2018 Actual	FY2019 1/31 Outlook	FY2019 Actual	Y/Y	Exchange effect	vs. 1/31 Outlook
Revenue	163.4	154.0	152.9	-10.4	-2.5	-1.0
Wearable Products	49.8	46.0	44.0	-5.8		-1.9
Robotics Solutions	22.6	20.0	21.2	-1.4		+1.2
Microdevices, Other	96.6	93.0	92.9	-3.7		-0.0
Inter-segment revenue	-5.8	-5.0	-5.3	+0.5		-0.3
Segment profit	5.5	3.0	1.8	-3.6	-0.8	-1.1
ROS	3.4%	1.9%	1.2%			

**Wearable products**

- ◆ Difficult market environment continued

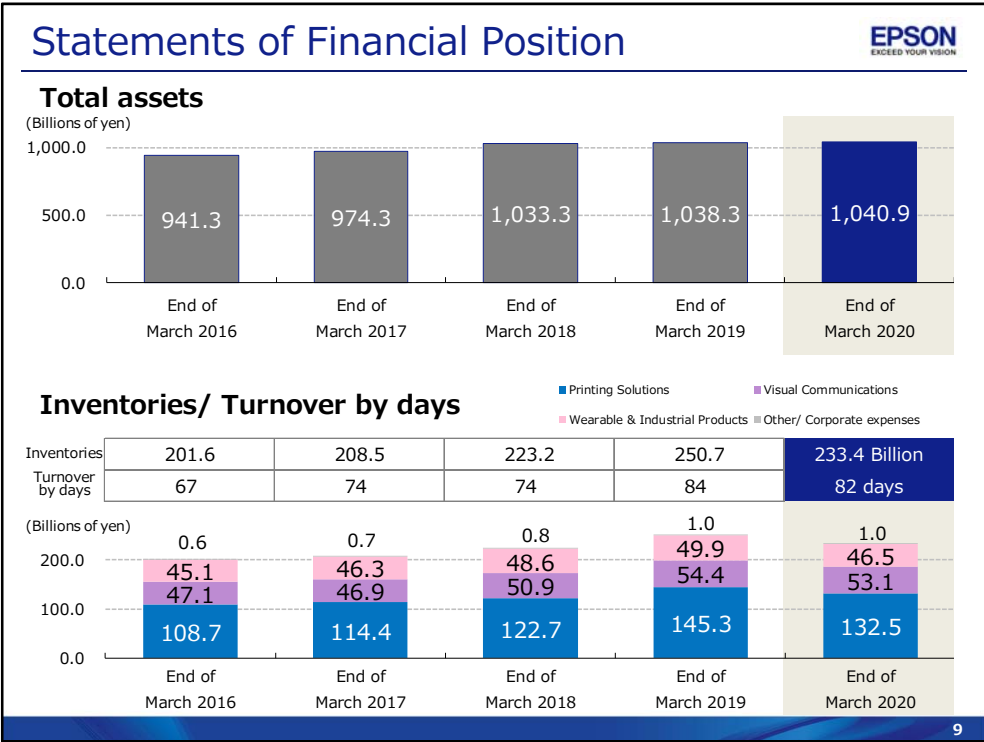
**Robotics solutions**

- ◆ Customers and applications expanded amid weak investment appetite

**Microdevices and other**

- ◆ Maintained upward momentum throughout the 2nd half

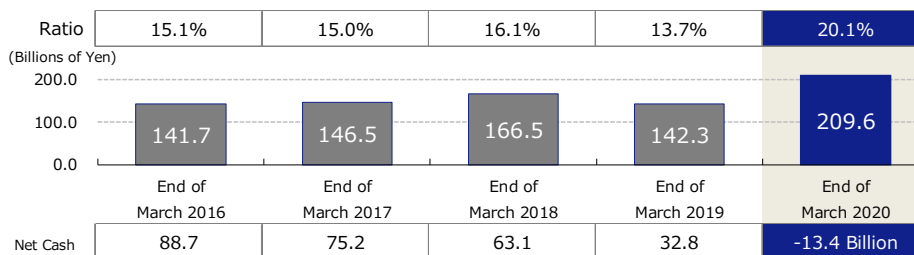
- The full-year financial results in visual communications and in wearable & industrial products are as shown here.
- Each business was affected by both the pandemic and foreign exchange.
- Visual communications revenue and profit decreased as sales of our standard projector models and ultra-short throw models sharply dropped in the face of stiff competition from low-priced flat panel displays.
- Wearable & industrial products revenue and profit also decreased.
- Wearable products revenue decreased in a stagnant watch market.  
We are continuing to focus our resources on analog quartz watches, which are a strength of our business.
- In robotics solutions, robot market demand remained subdued, but we are seeing signs recently of a recovery in China and elsewhere.
- Short-term instability is expected to continue due to the challenging external environment, but the business has substantial potential over the medium term, so we continued to strengthen the organization.
- In the microdevices and other business, demand in the first half was subdued but began to rebound in the second half.
- At the same time, we continued the efforts that we began last fiscal year to improve production efficiency and reduce costs, and they have improved the underlying strength of our business operations.



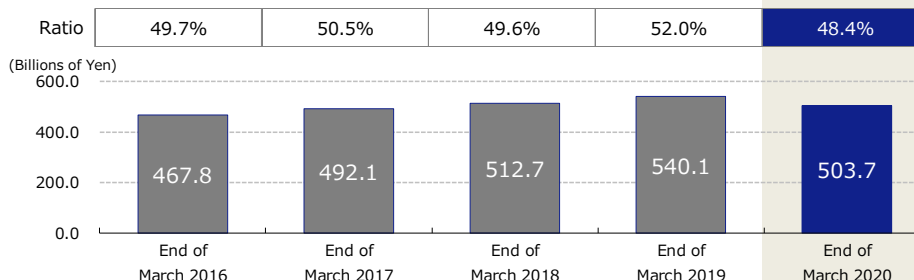
- Next, let's look at some of the major items on the statements of financial position.
- Total assets were ¥1,040.9 billion, up ¥2.5 billion compared to the end of the last fiscal year.
- Although inventories and trade and other receivables decreased, total assets increased largely because of an increase in property, plant and equipment resulting primarily from the application of a new lease accounting standard.
- Our sales fell short of the plan due to the rapid spread of the coronavirus, but we still managed to make progress in our efforts to reduce inventory thanks, in part, to having made inventory control a key action of the Epson Group.

## 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

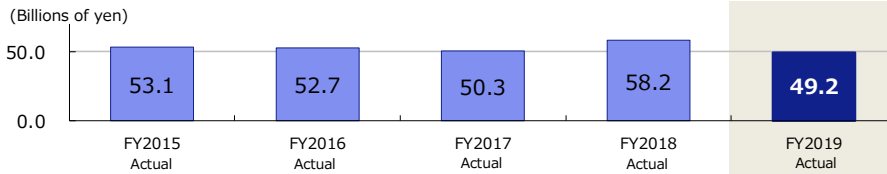


10

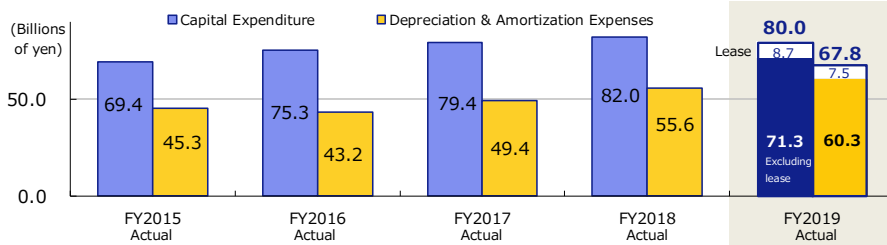
- Interest-bearing liabilities increased. Although trade and other payables and other current liabilities decreased, an increase from the application of a new accounting standard, an issue of bonds payable, and an increase in loans payable was larger.
- Net cash was negative ¥13.4 billion, the result of an increase in interest-bearing liabilities and payments for treasury shares.
- Equity attributable to owners of the parent company was ¥503.7 billion, a decrease of ¥36.4 billion compared to the previous fiscal year-end.
- This was chiefly the result of the payment of dividends and a decrease in other components of equity caused by the decrease of exchange differences on translation of foreign operations due to the appreciation of yen.
- The equity ratio attributable to owners of the parent company was 48.4%.
- In addition, we are maintaining a 200% level of liquidity on hand.
- The future impact of the pandemic is unclear. However, as shown in these figures, Epson's financial position remains healthy, and we have taken actions to secure cash funds for operations.

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

### Research & Development Costs



### Capital Expenditure and Depreciation and Amortization Expenses



	Capex.	Depreciation & Amortization
Printing Solutions	43.5	38.8
Visual Communications	14.1	11.7
Wearable & Industrial Products	14.7	10.3
Other, Corporate	7.5	6.7

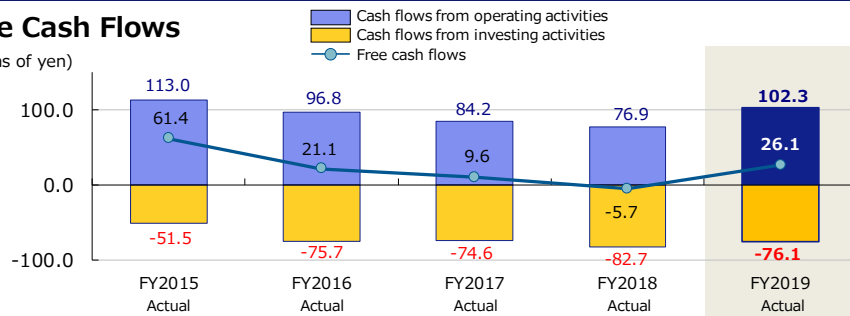
Includes lease from FY2019 actual

- R&D costs, capital expenditures, and depreciation and amortization were as shown here.
- Capital expenditures were high for several years up to the 2019 fiscal year, but investment in production capacity is nearly complete.

## Free Cash Flows Main Management Indices

### Free Cash Flows

(Billions of yen)



### Main Management Indices

(%)	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual
<b>ROS</b> *1	7.8	6.4	6.8	6.5	<b>3.9</b>
<b>ROA</b> *2	8.7	6.9	7.4	6.8	<b>3.9</b>
<b>ROE</b> *3	9.5	10.1	8.3	10.2	<b>1.5</b>

\*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)

- Free cash flow and the main management indicators are shown here.
- We recorded ¥26.1 billion in free cash flow, exceeding the previous outlook thanks mainly to having reduced inventories to generate cash and because cash flows from operating activities exceeded ¥100 billion.

## Financial Highlights (Fourth Quarter)



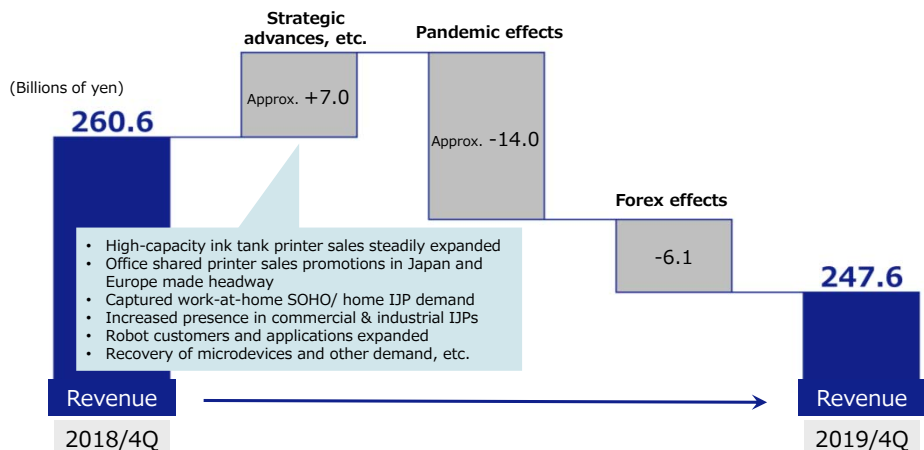
(Billions of yen)	FY2018		FY2019		Change	
	Q4 Actual	%	Q4 Actual	%	Y/Y	%
Revenue	260.6		247.6		-12.9	-5.0%
Business profit	12.1	4.6%	4.0	1.6%	-8.1	-66.9%
Profit from operating activities	13.1	5.1%	2.4	1.0%	-10.7	-81.2%
Profit before tax	13.1	5.1%	3.2	1.3%	-9.9	-75.3%
Profit for the period attributable to owners of the parent company	7.7	3.0%	-16.7	-6.8%	-24.5	-
EPS* <sup>1</sup> (yen)	22.13		-48.55			
Exchange rate (yen, index)	USD	¥110.14	¥109.00			
	EUR	¥125.13	¥120.18			
	Other currencies* <sup>2</sup>	100	94			
*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	-0.8	-1.6	-3.6	-6.1
		Business profit	+0.0	-1.0	-2.1	-3.1

13

- Epson's fourth quarter results were as follows.
- Revenue was ¥247.6 billion, down ¥12.9 billion compared to the same period last year. Business profit was ¥4.0 billion, a decline of ¥8.1 billion. Profit for the period was ¥24.5 billion, down ¥16.7 billion.
- Fourth-quarter revenue and business profit decreased mainly due to the effects of foreign exchange effects, the pandemic, and the inclusion of one-time factors in the results for the same period last year. However, if you exclude these effects, both revenue and profit increased.

## Main Factors Affecting FY2019 Q4 Results

- Revenue and business profit rebounded YoY when the effects of the pandemic, foreign exchange, and one-time factors\* are removed



\*The positive effects on business profit of a change in the method of accounting for printhead inventory devaluations in the same period last year

14

- The main factors that shaped our fourth quarter results are summarized here.
- The fourth quarter was very disappointing if you look only at the numbers, but these figures reflect the effects of the pandemic, foreign exchange, and one-time accounting factors from which we benefited last year.
- If you exclude these special factors, you can see that the benefits of strategic advances and so forth are as forecast in the previous outlook and that a recovery is underway from the same period last year.
- Our presence in the high-capacity ink tank printer, office shared printer, and commercial & industrial IJP markets has grown further, and we are capturing work-at-home demand that has emerged in places such as China, Europe, North America and Australia with our products for SOHO and home.
- We have made progress in improving our organizations in robotic solutions and in microdevices and other businesses, and we were able to capture demand as it recovered.
- The immediate situation is difficult because of the pandemic, but the actions we have taken to date are steadily yielding benefits, so we were able to finish out the 2019 fiscal year with results that inspire confidence.

- FY2019 Full-Year Financial Results
  - Full-Year Results Summary
  - Pandemic Impact
  - Q4 Results Summary
- FY2020 Actions
  - Q1 Situation
  - Basic Policies and Actions
- Shareholder Returns



### ■ Sales

- With activities strictly limited globally due to the pandemic, sales have remained slow to varying degrees depending on the region and product
- Work-at-home demand is robust for high-capacity ink tank and SOHO/ home IJPs, so we are rushing to restore production
  - ✓ Regions such as China, Europe and North America where infrastructure is in place for online learning and telecommuting
- Limited impact on robots from the pandemic

Changes in Demand	North America Western Europe Australia	Japan	China	Other Emerging Regions
High-capacity ink tank printers and ink cartridge models	Work-at-home demand increased	No change	Work-at-home demand increased (High-capacity ink tank printers)	Demand declined
Office shared IJPs Commercial & industrial IJPs Projectors	Demand declined			
Robots	Limited impact			

16

- Before I get into the basic policies for 2020, let me explain the current demand and sales situation.
- With activities strictly limited globally due to the pandemic, overall sales have remained slow, but we are seeing different trends depending on the region and product.
- In regions like China, Europe, North America and Australia where infrastructure and the social environment are in place to enable people to work and learn at home, we are seeing new ongoing demand for high-capacity ink tank printers, ink cartridge printers, and ink, but our ability to supply these is constrained because of movement restrictions in the countries where Epson's factories are located.
- The pandemic is winding down in China, so its effect on robot sales were limited.

## ■ Production

- Manufacturing sites in China temporarily shut down in early February, but have gradually re-opened, ending the worst of the turmoil
- Other production sites in Asia have been operating under restrictions since March
  - ✓ Main products manufactured in the Philippines: High-capacity ink tank printers, SOHO/ home ink cartridge printers, projectors, POS printers
  - ✓ Main products manufactured in Indonesia: SOHO/ home and office shared inkjet printers
  - ✓ Main products manufactured in Malaysia: Crystal devices, watch parts
- Our highest priority is maintaining ink production
  - ✓ Prioritize products that support society and customers' businesses

## ■ We will not disclose our FY2020 outlook at this time

- It is impossible to make a realistic financial outlook due to the difficulty of forecasting demand and because of present constraints on sales and production activities
- We are currently revising our annual plan and will disclose our financial outlook as soon as it is possible

- Next, let's examine the impact on production.
- Manufacturing sites in China closed down for about a week in early February but gradually re-opened from the end of February, ending the worst of the turmoil.
- On the other hand, we continue to operate under constraints in the Philippines and Indonesia, where our largest printer and projector assembly sites are located, and in Malaysia, where we assemble crystal devices and manufacture watch parts.
- At these factories, we have secured safe modes of travel for employees and implemented other measures to prevent infection, and we are working with local authorities to restore operations.
- We are also acting to secure additional production capacity by, for example, transferring assembly to other sites and outsourcing.
- We will prioritize ink production to respond to the increase in work-at-home demand, and to support the needs of society and our customers' businesses.
- However, at present it is uncertain when a full recovery of production can be achieved and the impact on sales is likewise uncertain.
  
- Although China and some other regions are showing signs of a return to normalcy, it is impossible to predict when the rest of the world will re-open, so we will not disclose our FY2020 outlook at this time
- We will disclose our financial outlook as soon as it is possible to do so.

- Maintain Phase 2 Mid-Range Business Plan policies
  - Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation
  - Strengthen global operations under Head Office control
  - Invest management resources in a disciplined manner according to the economic environment and effectiveness of our strategies
- Continue to expand sales of strategic products and tie initiatives in new growth areas to achieve results
- Take emergency actions in response to the coronavirus pandemic
  - Prevent infection and ensure health and safety
  - Transfer production to other sites and outsource more assembly
  - Optimize sales and promotions in response to changes in demand
  - Control and reduce spending
  - Make emergency financial preparations
- Predict changes in lifestyles and business activities, and investigate ways to create new value

- Next, I will explain our basic policies for 2020.
- We have not changed the basic policies set forth in our Phase 2 Mid-Range Business Plan.
- We will accelerate growth by taking maximum advantage of assets and through collaboration and open innovation. We will strengthen global operations under Head Office control. And we will invest management resources in a disciplined manner according to the economic environment and the effectiveness of our strategies.
- Under these three policies, we will continue to expand sales of strategic products such as high-capacity ink tank printers and shared office inkjet printers. At the same time, we have been making preparations to put us in a position to move into new growth areas that were always out of reach in the past. Fiscal 2020 is the year when we can finally see these result in an expansion of sales.
- However, as I said earlier, given the far-reaching effects of the coronavirus pandemic, we must respond with urgency.
- We are also taking action to rebuild production, including by transferring and outsourcing operations to other sites while still making infection prevention and health and safety our top priorities.
- We will adapt our sales and marketing methods in response to demand changes, such as the emergence of work-at-home demand and accelerated expansion of online channels.
- With forward visibility as limited as it is, we will strive to further control and reduce spending.
- We are financially very well positioned. We have secured an equity ratio attributable to owners of the parent company of about 50% and have sufficient cash and deposits on hand.
- At the same time, we will move forward on preparations for after the end of the pandemic.
- Further acceleration of digitization is anticipated, as information exchanges may no longer depend on people being in the same place.
- We will predict how lifestyles and business activities will change and investigate ways to create new value.

### ■ Printing Solutions

- Further raise awareness of high-capacity ink tank printers in developed economies
- Continue to strengthen the office shared printer lineup and IJP value communications
- Strengthen the subscription services launched in FY19 and reinforce customer touchpoints
- Accelerate growth in commercial & industrial IJP with new products for high-productivity
- Expand printhead business



High-capacity ink tank printers



High-speed linehead inkjet multifunction printers



Subscription service ReadyPrint



Printhead business

- Now I will explain the main actions to be taken in each business in the 2020 fiscal year.
- In printing solutions, we will act to further raise recognition and awareness of our high-capacity ink tank printers, especially in developed economies.
- We will step up our communications that highlight the low total cost of ownership so that consumers do not solely select printers based on the cost of the printer itself. We will also highlight the environmental benefits of Heat-Free Technology.
- These actions will also lead to an expansion in sales of office shared inkjet printers. In addition to emphasizing the customer value of inkjet printers along with dealers, Epson will continue to strengthen its product lineup.
- We will work even harder to strengthen customer touchpoints.
- We will establish more direct communications with users of Epson products in various ways, including by expanding subscription services. This will help facilitate further actions.
- In commercial & industrial inkjet printers, we will seek to expand sales of Epson brand finished products and of printheads.
- We will expand the lineup of Epson brand finished products for customers in higher productivity segments and will accelerate growth by packaging them with software solutions.
- We believe that these software solutions are technologies and services that hold the key to realizing distributed printing.
- The printhead business began growing in the 2019 fiscal year. We expect the benefits of this to start appearing in the 2020 fiscal year.
- As explained earlier, the acceleration of digitization will become a key issue for society after the end of the pandemic, and we will strengthen our development efforts focused on this issue.
- Some examples include stronger security and services to match the increase in printing in satellite offices and homes, and solutions to support increased demand for distributed printing.

### ■ Visual Communications

- Focus management resources on areas where we can leverage the unique value of projectors, and establish a robust business that can withstand changes in the business environment

### ■ Wearable & Industrial Products

- Rebuild the wearable products production and sales infrastructure and expand the Epson brand business as soon as possible
- Expand internal use of robotic solutions to accumulate examples of use in high-difficulty tasks, respond to customers' automation needs, and lay the groundwork for further growth through open innovation and collaboration
- In microdevices and other, continue to expand sales for IoT, telecommunication and automotive applications



High-brightness laser projectors



Robots internal use  
(printhead assembly)

20

- In visual communications, we will focus management resources on areas where we can leverage the unique value of projectors, such as high-brightness laser models that can project on large screens. We will also seek to establish a robust business that can withstand changes in the external environment, such as the emergence of low-priced flat panel displays.
- In wearable products, we will, of course, continue to strengthen the Seiko business as the core business. However, we will also look to expand as soon as possible the businesses directly controlled by Epson, such as the Orient brand and Trume businesses, as we rebuild the production and sales infrastructure.
- In robotics solutions, we will expand our own use of robotic solutions to accumulate examples of their use in performing high-difficulty tasks. At the same time, we will respond to customers' automation needs and lay the groundwork for further growth through open innovation and collaboration.
- In microdevices and other, we will continue to expand sales for IoT, telecommunication and automotive applications.
- We will also create new value in visual communications and wearable & industrial products by forecasting developments in society after the end of the pandemic.
- For example, with the increase in digitization, remote classrooms with projectors can solve social issues such as disparities in education.
- Also, by expanding the variety of tasks that can be performed by robots, we can support the transformation to unmanned factories.
- In microdevices, we will provide devices to support the construction of high-speed and highly stable network infrastructure to meet the demand from work-at-home and remote classrooms.

### ■ Strengthen infrastructure to support sustained growth

- Move forward on key Group-wide projects for the medium and long terms
  - ✓ Business infrastructure improvement, long-term business strategy, technology platform strategy, customer touchpoint reinforcement, production infrastructure, human capital strategy, organizational and corporate culture
- Further enhance actions to solve social issues through improved disclosures and dialog
  - ✓ Act to increase corporate value based on issues recognized through dialog with capital markets
  - ✓ Proactively disclose financial information concerning climate change based on the TCFD framework, and steadily enact measures



Dialogue between outside directors and institutional investors



21

- We will also continue to strengthen our business infrastructure in order to sustain growth and become an indispensable company.
- For example, we are looking to drive business infrastructure innovations that will revolutionize practically every area of business activity by introducing globally standardized ICT tools that will speed up management decision-making, strengthen customer touchpoints, and standardize processes that have varied from one Group company to the next.
- In addition to business innovation initiatives, we will strengthen actions to solve social issues.
- At the same time, we will proactively disclose information in an effort to enhance dialog with stakeholders and increase corporate value.
- We don't have time to cover everything here, so we would like to leverage our Integrated Report and set meetings to report on and acquire feedback about our activities.

- FY2019 Full-Year Financial Results
  - Full-Year Results Summary
  - Pandemic Impact
  - Q4 Results Summary
- FY2020 Actions
  - Q1 Situation
  - Basic Policies and Actions
- Shareholder Returns

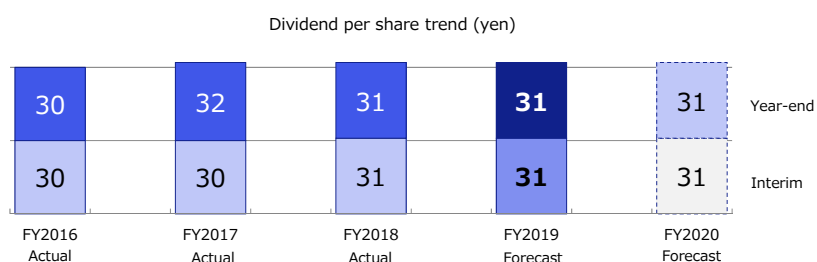
## ■ Basic policy on dividends

- Build a robust financial structure while proactively providing returns to shareholders
- Achieve a consolidated dividend payout ratio of about 40% over the mid-term

## ■ FY2020 annual dividend outlook

- 62 yen per share, the same as in FY2019

## ■ Dividends and forecast

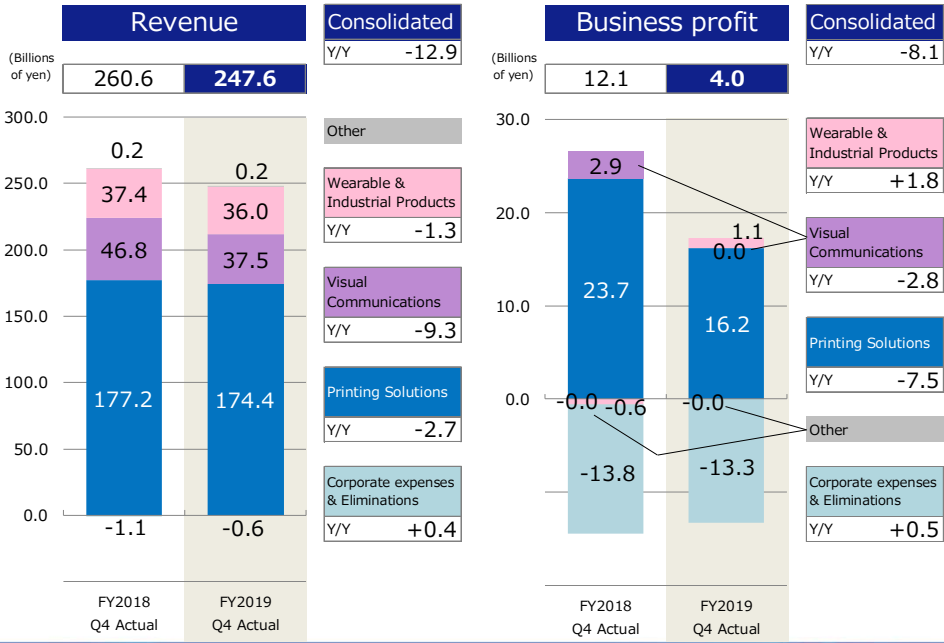


- Finally, I want to talk about shareholder returns.
- Seiko Epson's basic policy on dividends is to build and maintain a robust financial structure while proactively providing returns to shareholders.
- Our goal is to maintain a consolidated dividend payout ratio of 40% by generating stable profit.
- Our financial outlook has not been finalized, but we anticipate paying a 62-yen dividend per share, the same as in 2019.
- We are steadily advancing the strategies for achieving the mid-range business plan, and even if the harsh business environment should continue for the short term, we are in a good financial position.
- We will keep our sights trained on the future as we nimbly navigate the rapidly changing environment to meet the expectations of our shareholders and other stakeholders.
- This concludes our earnings presentation.



# Reference – Q4 Financial Results

# Q4 Financial Results by Business Segment



# Quarterly Comparison by Business



(Billions of yen)

Printing Solutions	Q4/2018 Actual	Q4/2019 Actual	Y/Y	Exchange effect
Revenue	177.2	174.4	-2.7	-4.6
Printers	122.0	120.4	-1.6	
% sales IJP*1	83%	85%		
SIDM	7%	5%		
Other	10%	10%		
Professional Printing	48.5	47.0	-1.5	
Other	6.6	7.0	+0.4	
Inter-segment revenue	-0.0	-0.0	-0.0	
Segment profit	23.7	16.2	-7.5	-2.4
ROS	13.4%	9.3%		

## Printers

- ◆ IJP
  - High-capacity ink tank printer unit shipments rose in a soft market
  - SOHO and home IJP and ink sales were firm
  - Shared office IJP sales were firm

## ◆ SIDM

- Demand declined chiefly in China

## Professional printing

- ◆ Commercial and industrial IJPs
  - Signage and textiles strong
- ◆ POS printers
  - Decreased in China and the Americas

## ◆ Main Product Sales Trends

(based on values tracked internally by Epson)

	YoY %	Q4/2019 Actual	
		JPY	Local currency
IJP hardware revenue		+4%	+9%
IJP hardware volume			+3%
IJP ink revenue		-2%	-0%
Office shared IJP*2 revenue within IJP	Composition ratio	9%	
Commercial & industrial IJP revenue within Professional Printing	Composition ratio	66%	

\*1 IJP includes high-capacity ink tank, SOHO/ home and office shared IJPs

\*2 Office shared IJP: A printer category for high print volume office users. This includes LII, RIPS, I/C printers, and excludes paid repairs and services

# Quarterly Comparison by Business



(Billions of yen)

Visual Communications	Q4/2018 Actual	Q4/2019 Actual	Y/Y	Exchange effect	<b>Projectors</b> • Market continued to worsen and sales decreased
Revenue	46.8	37.5	-9.3	-1.1	
Segment profit	2.9	0.0	-2.8	-0.6	
ROS	6.4%	0.2%			

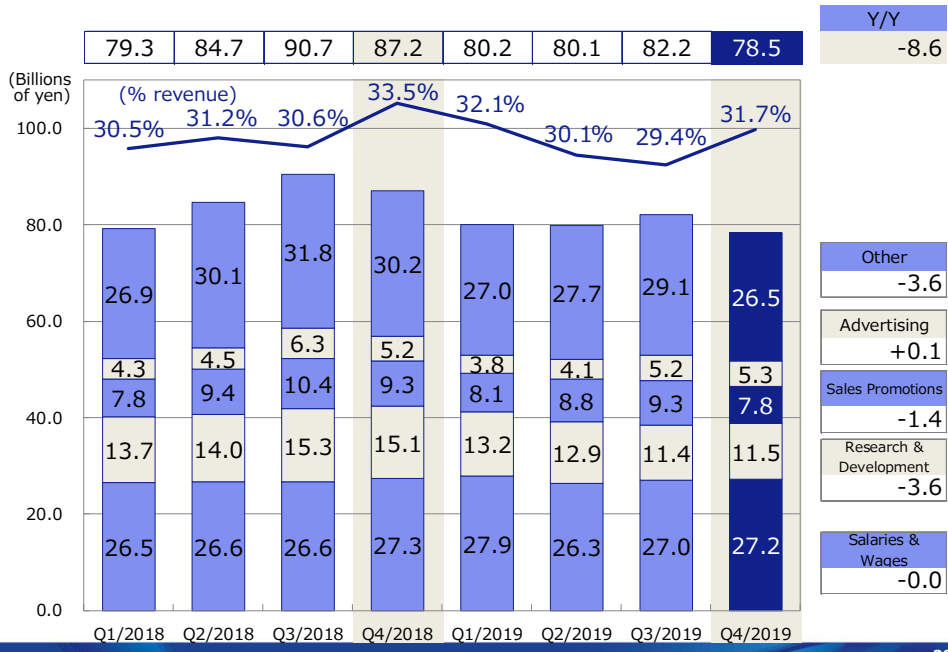
◆ Projector sales trends  
(based on values tracked internally by Epson)

	YoY %	Q4/2019 Actual	
		JPY	Local currency
Hardware revenue		-20%	-17%
Hardware volume			-16%

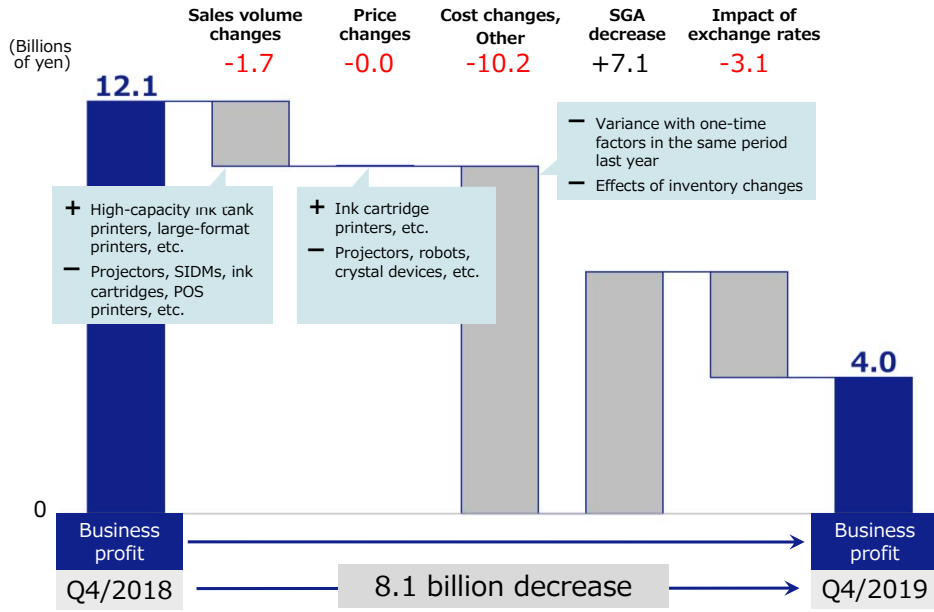
(Billions of yen)

Wearable & Industrial Products	Q4/2018 Actual	Q4/2019 Actual	Y/Y	Exchange effect	<b>Watches</b> • Demand declined for mid-range and low-end watches and movements  <b>Robots</b> • Sales in China increased  <b>Microdevices and other</b> • Crystal devices: Consumer and telecom equipment sales firm • Semiconductors: Foundry and other demand were firm
Revenue	37.4	36.0	-1.3	-0.3	
Wearable Products	11.2	9.0	-2.2		
Robotics Solutions	5.1	5.8	+0.7		
Microdevices, Other	22.5	22.1	-0.4		
Inter-segment revenue	-1.5	-1.0	+0.5		
Segment profit	-0.6	1.1	+1.8	-0.0	
ROS	-1.8%	3.1%			

# Selling, General and Administrative Expenses



# Q4 Business Profit Change Cause Analysis



**EPSON**  
EXCEED YOUR VISION

# Reference - Others



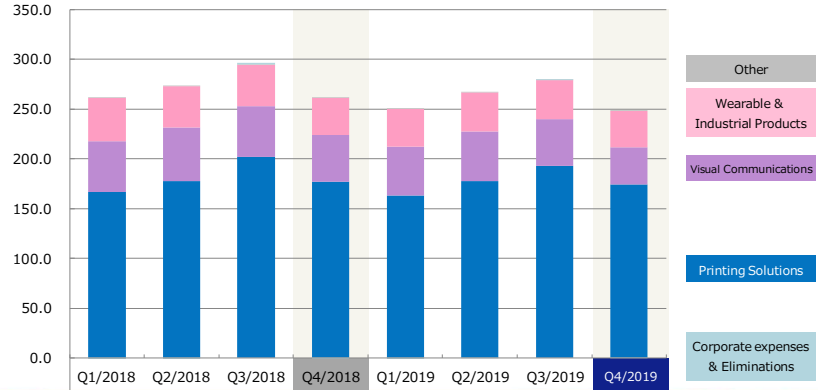
## Quarterly Revenue Trend By Business Segment



Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	107.31	108.72	109.00	-1.14
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	120.35	120.18	-4.95

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019	Y/Y
Printing Solutions	166.6	178.0	201.7	177.2	163.2	178.0	192.9	174.4	-2.7
Visual Communications	51.4	53.9	51.0	46.8	49.2	49.6	46.8	37.5	-9.3
Wearable & Industrial Products	43.1	40.9	41.9	37.4	38.1	39.3	39.4	36.0	-1.3
Other	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-0.0
Corporate expenses & Eliminations	-0.9	-1.3	1.7	-1.1	-1.1	-0.7	0.3	-0.6	+0.4
<b>Consolidated total</b>	<b>260.4</b>	<b>271.9</b>	<b>296.6</b>	<b>260.6</b>	<b>249.6</b>	<b>266.4</b>	<b>279.8</b>	<b>247.6</b>	<b>-12.9</b>

(Billions of yen)



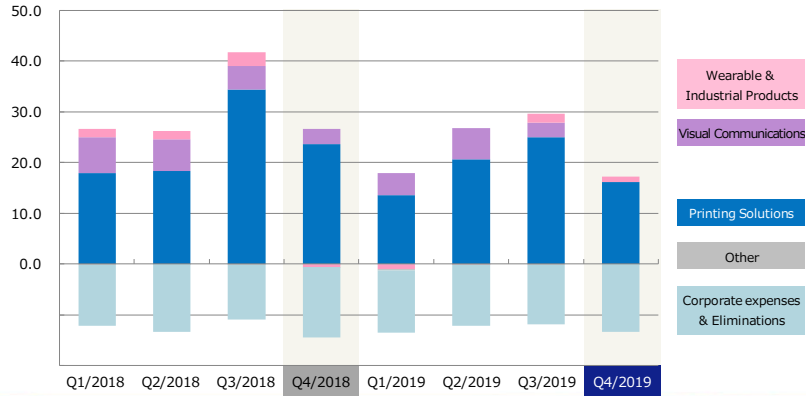
# Quarterly Business Profit Trend By Business Segment



Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	107.31	108.72	109.00	-1.14
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	120.35	120.18	-4.95

Business profit (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019	Y/Y
<b>Printing Solutions</b>	17.9	18.3	34.4	23.7	13.6	20.7	25.0	16.2	-7.5
<b>Visual Communications</b>	7.1	6.3	4.7	2.9	4.3	6.1	2.9	0.0	-2.8
<b>Wearable &amp; Industrial Products</b>	1.7	1.6	2.7	-0.6	-1.0	-0.0	1.7	1.1	+1.8
<b>Other</b>	-0.1	-0.0	-0.1	-0.0	-0.2	-0.1	-0.1	-0.0	+0.0
<b>Corporate expenses &amp; Eliminations</b>	-12.0	-13.4	-10.8	-13.8	-12.3	-12.0	-11.8	-13.3	+0.5
<b>Consolidated total</b>	<b>14.6</b>	<b>12.7</b>	<b>30.9</b>	<b>12.1</b>	<b>4.5</b>	<b>14.6</b>	<b>17.6</b>	<b>4.0</b>	<b>-8.1</b>

(Billions of yen)



## Revenue to customers outside of Japan Employee numbers



### Revenue to customers outside of Japan

Exchange rate	USD	109.06	111.46	112.80	110.14	109.93	107.31	108.72	109.00	-1.14
(yen)	EUR	130.09	129.66	128.73	125.13	123.54	119.34	120.35	120.18	-4.95

Revenue (Billions of yen)	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019	Y/Y
The Americas	75.5	82.1	77.0	75.7	74.5	71.7	71.2	75.3	-0.4
Europe	52.8	52.0	63.6	56.6	47.9	53.7	59.3	52.9	-3.6
Asia/ Oceania	79.2	79.4	76.1	67.5	72.5	75.8	74.4	58.5	-8.9
<b>Total revenue to overseas customers</b>	207.6	213.7	216.8	199.9	195.1	201.4	205.1	186.9	-13.0
<b>Consolidated revenue</b>	260.4	271.9	296.6	260.6	249.6	266.4	279.8	247.6	-12.9

% of revenue to consolidated revenue	Q1/2018	Q2/2018	Q3/2018	Q4/2018	Q1/2019	Q2/2019	Q3/2019	Q4/2019
The Americas	29.0%	30.2%	26.0%	29.1%	29.9%	26.9%	25.5%	30.4%
Europe	20.3%	19.1%	21.5%	21.7%	19.2%	20.2%	21.2%	21.4%
Asia/ Oceania	30.4%	29.2%	25.7%	25.9%	29.1%	28.5%	26.6%	23.7%
<b>Total</b>	79.7%	78.6%	73.1%	76.7%	78.2%	75.6%	73.3%	75.5%

### Employees

Number of employees at period end (person)	End of Mar. 2016	End of Mar. 2017	End of Mar. 2018	End of March 2019	End of March 2020	Compared to end of Mar. 2019
Japan	18,699	19,175	19,436	19,456	19,558	+102
Non-Japan	48,906	53,245	56,955	57,191	56,050	-1,141
<b>Consolidated total</b>	67,605	72,420	76,391	76,647	75,608	-1,039

# Major Business Indicators



(Billions of yen)

		FY2018 Actual	FY2019 Actual	FY2021 (FY19-21 business plan)
Exchange rate (yen)	USD	110.86	108.74	110.00
	EUR	128.40	120.85	125.00
Printing	Revenue	723.6	708.6	780.0
Solutions	Segment profit	94.5	75.6	-
Visual	Revenue	203.3	183.3	225.0
Communications	Segment profit	21.2	13.5	-
Wearable & Industrial Products	Revenue	163.4	152.9	195.0
	Segment profit	5.5	1.8	-
Other	Revenue	0.9	0.9	-
	Segment profit	-0.5	-0.5	-
Corporate expenses & Eliminations	Revenue	-1.6	-2.2	-
	Segment profit	-50.2	-49.6	-
Consolidated total	Revenue	1,089.6	1,043.6	1,200.0
	Segment profit	70.4	40.8	96.0
	ROS	6.5%	3.9%	8%
	ROE	10.2%	1.5%	Over 10%

(Billions of yen)

	FY2018 Actual	FY2019 Actual	Epson 25 FY19-21 business plan 3-year cumulative Outlook
USD	110.86	108.74	110.00
EUR	128.40	120.85	125.00
Operating CF	76.9	102.3	Approx. 370
FCF	-5.7	26.1	Approx. 170
R&D costs	58.2	49.2	Invest aggressively
Capital expenditure	82.0	71.3	Approx. 200
		80.0*	

\* Including lease

# Main Product Sales Trends



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

\*1 Office Shared IJP : One of printer category for high print volume office users. This includes L1J, R1P5, I/C printers, and excludes paid repairs and services

\*2 LC: Local Currency base

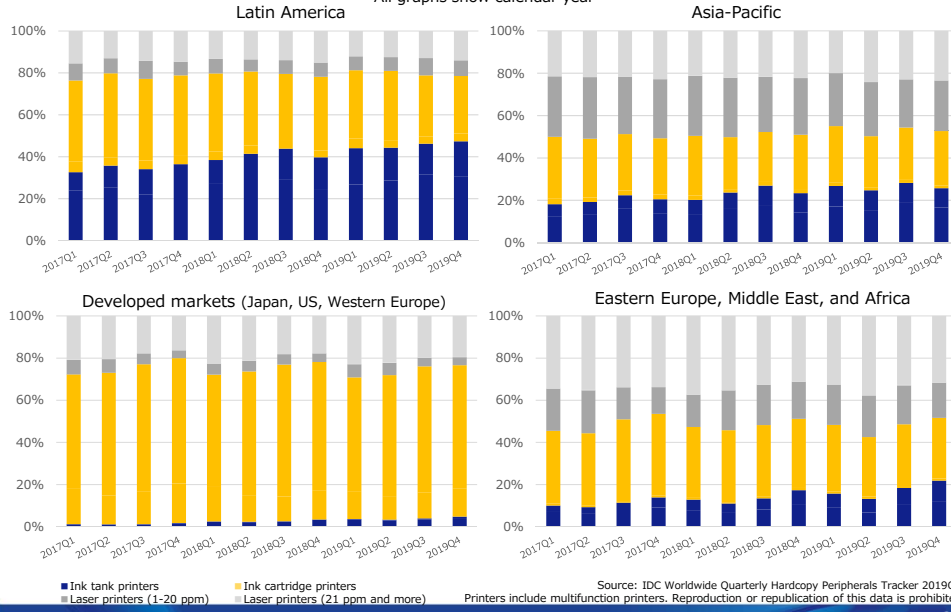
			FY2018 Full-year Actual	FY2019 Q1 Actual	FY2019 Q2 Actual	FY2019 Q3 Actual	FY2019 Q4 Actual	FY2019 Full-year Actual		
			USD	110.86	109.93	107.31	108.72	109.00		
			EUR	128.40	123.54	119.34	120.35	120.18		
				110.86	109.93	107.31	108.72	109.00		
				128.40	123.54	119.34	120.35	120.18		
Printing Solutions	IJP Hardware	Revenue (JPY)	YoY %	Flat YoY	-6%	+0%	-1%	+4%	-0%	
		Revenue (LC*2)	YoY %	-	-2%	+5%	+3%	+9%	+4%	
		Volume	YoY %	-4%	-7%	+6%	+2%	+3%	+1%	
		Volume (Approx., million)	Units	15.4	-	-	-	-	15.7	
		High-capacity ink tank SOHO/ Home	Units	9.0	-	-	-	-	10.0	
	IJP Ink	Revenue within IJP Ink / (HW+Ink)	Composition ratio	Approx. 50%	-	-	-	-	48%	
		Revenue (JPY)	YoY %	- High single-digit %	-9%	-6%	-12%	-2%	-8%	
		Revenue (LC*2)	YoY %	-	-8%	-2%	-9%	-0%	-5%	
	Office Shared IJP*1 (Hardware + Ink)	Revenue within IJP	Composition ratio	High single-digit %	8%	8%	8%	9%	8%	
		SIDM Hardware	Revenue (JPY)	YoY %	- High single-digit %	-15%	-14%	-16%	-33%	-19%
	Commercial & Industrial IJP (Hardware + Ink)	Revenue (LC*2)	YoY %	-	-12%	-10%	-12%	-32%	-16%	
		Volume	YoY %	-6%	-14%	-10%	-10%	-35%	-16%	
		Revenue within Professional Printing	Composition ratio	low 60 %	63%	63%	66%	66%	64%	
	Visual Communications	Projectors Hardware	Revenue (JPY)	YoY %	+ low single-digit %	-4%	-8%	-7%	-20%	-9%
			Revenue (LC*2)	YoY %	-	-1%	-3%	-3%	-17%	-6%
Volume			YoY %	+1%	-8%	-9%	-4%	-16%	-9%	
Volume (Approx., million)			Units	2.6	-	-	-	-	2.4	

# Penetration of High-Capacity Ink Tank Printers (Unit Volume)



## A4 printer main unit market trend by region

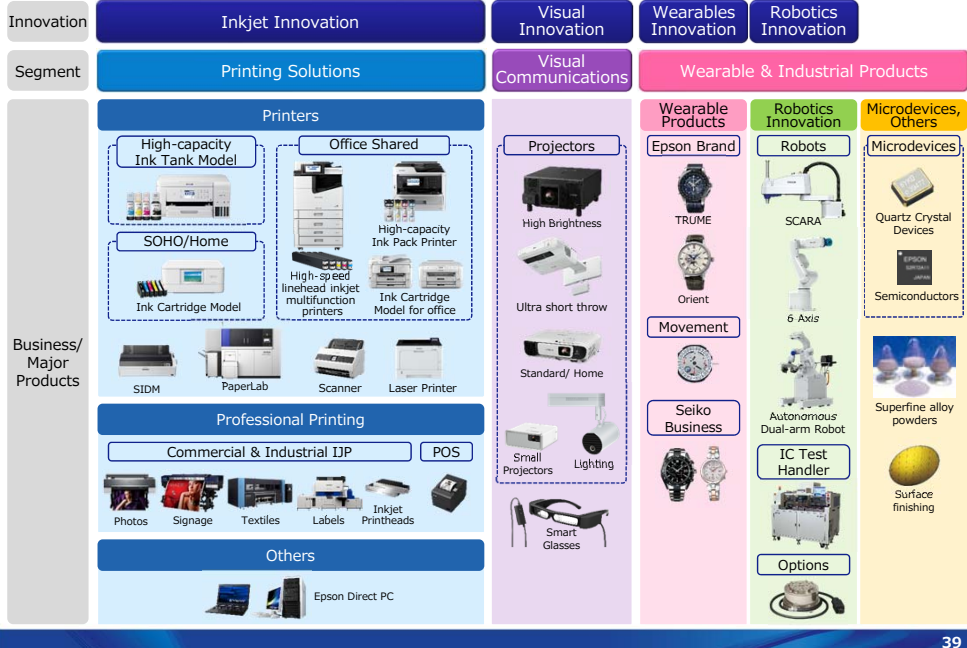
All graphs show calendar year



## Definition of terms

<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 multifunction 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 IJP</b>	Printer category for high print volume office users. This includes LIJ, RIPS, and I/C printers.
<b>Photos</b>	Printer category that includes large-format printers for photo, graphics, proofing and CAD printing
<b>Commercial &amp; Industrial IJP</b>	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>	Printing method that prints out 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

# Business segments





**EPSON**  
EXCEED YOUR VISION