

First Quarter Financial Results Fiscal Year 2020 (Ending March 2021)

July 31, 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.

- Summary
- First-Quarter Financial Results
- FY2020 Full-Year Financial Outlook
- Shareholder Returns
- ESG Topics

■ First-quarter financial results

- Revenue: ¥193.2 billion (down ¥56.4 billion YoY)
- Business profit: ¥4.3 billion (down ¥0.1 billion YoY)
 - ✓ Revenue fell sharply as demand for most products decreased due to COVID-19
 - ✓ Business profit was hurt by lower revenue, yet ended flat year on year, due to increased SOHO/ home ink sales, spending controls, and spending cuts. In addition, profit increased due to a temporary increase in inventory.

■ Full-year financial outlook

- Revenue: ¥930.0 billion (down ¥113.6 billion YoY)
- Business profit: ¥20.0 billion (down ¥20.8 billion YoY)
 - ✓ We expect revenue to rebound gradually, but forecast it to be lower in the second half compared to the same period in the previous year.
 - ✓ Inventory changes will negatively affect business profit from Q2

■ Shareholder returns

- Annual dividend outlook: 62 yen per share (same as FY2019)

- The key points for today's announcement are summarized here.
- In the first quarter, the spread of the novel coronavirus had a major impact on Epson's financial results.
- Demand for most of our products decreased, and revenue fell sharply.
- The effect of lower revenue on business profit was substantial, yet business profit was level year on year. Increased ink sales played a part, as did our efforts to control and cut spending. But business profit also temporarily benefited from increased inventories caused by imbalances between production and sales.

- We did not provide a full-year financial outlook at the end of April because it was not possible at that time to reasonably calculate the impact of the coronavirus on our business. However, we recently put together an outlook based on forecasts and information that are currently available, and assumptions about the effects of the coronavirus around the world.
- Second half revenue will be slightly below the same period in the previous year. Although we expect to benefit from the launch of strategic products, we expect to feel the lingering effects of the pandemic in certain regions.
- Inventory changes, which factored into increased profits in the first quarter, will negatively affect profit in the second quarter and beyond.
- We have not changed our projected shareholder returns since our announcement at the end of April.
The annual dividend outlook is at 62-yen per share, the same as in FY2019.

- Summary
- **First-Quarter Financial Results**
- FY2020 Full-Year Financial Outlook
- Shareholder Returns
- Epson Group Topics

Financial Highlights (First Quarter)

	FY2019		FY2020		Change	
	(Billions of yen) Q1 Actual	%	Q1 Actual	%	Y/Y	%
Revenue	249.6		193.2		-56.4	-22.6%
Business profit	4.5	1.8%	4.3	2.3%	-0.1	-3.2%
Profit from operating activities	3.4	1.4%	2.0	1.1%	-1.3	-40.1%
Profit before tax	2.8	1.1%	1.1	0.6%	-1.7	-59.7%
Profit for the period attributable to owners of the parent company	0.2	0.1%	-0.2	-0.1%	-0.4	-
EPS* ¹ (yen)	0.71		-0.71			
Exchange rate (yen, index)	USD	¥109.93	¥107.54			
	EUR	¥123.54	¥118.39			
	Other currencies* ²	100	88			
<small>*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</small>		Exchange Effect (Billions of yen)	USD	EUR	Other currencies	Total
		Revenue	-1.4	-1.4	-4.5	-7.4
		Business profit	+0.2	-0.9	-2.0	-2.7

- Our first-quarter financial results were as follows.
- Revenue was ¥193.2 billion, down ¥56.4 billion year-on-year. Business profit was ¥4.3 billion, down ¥0.1 billion. Profit for the period was a loss of ¥0.2 billion.
- Foreign exchange rates negatively affected our financial results because the yen rose against emerging market currencies compared to the same period last year.

■ Revenue

- Revenue sharply declined YoY due to decreased demand and production constraints

■ Business profit

- Although hurt by lower revenue, business profit was flat YoY primarily owing to higher IJP ink sales associated with increased at-home demand, cost reductions, and increased profit accompanying increased inventories
- Inventory changes will negatively affect business profit from Q2

- Let's look first at the key factors that affected our first-quarter results.
- Revenue sharply decreased year on year due to the coronavirus, which has had a massive impact on economic activity around the world and forced a temporary stoppage of our manufacturing operations for products such as printers, projectors and crystal devices.
- I will explain the impact of the coronavirus in detail on the next slide.

- Revenue fell sharply, but business profit was flat year on year.
- Although the impact of lower revenue was substantial, the printer business continued to see some positive effects, such as increased ink revenue resulting from expanded at-home print demand as people continued to work and take school courses from home.
- We also controlled and reduced costs at every opportunity as our business activity declined.

- Increase in inventories positively affected profit. This was caused by a rapid drop in demand for products such as projectors, commercial and industrial inkjet printers, and watches. Crystal device inventory had also increased by the end of June from a low state at the end of March as we restarted production after shutdowns,.

- Please note that we forecast inventories to have a negative impact on profit in and after the second quarter because these inventories will decline as sales gradually recover.

COVID-19 Impact on Q1

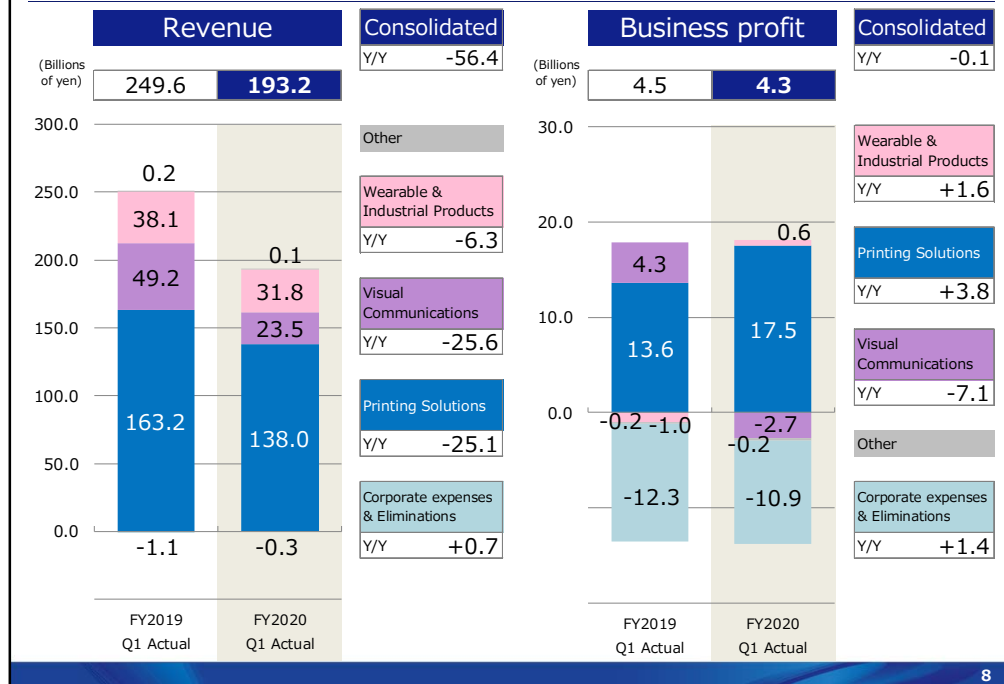
- Significant decrease in demand in most businesses and products
 - However, IJP at-home demand continued (for SOHO/ home and high-capacity ink tank printers)
- Supply shortages due to production constraints
 - Our factories in the Philippines, Indonesia, and Malaysia gradually resumed operations from April and restored full operations by the end of June, but sales were constrained

Main Businesses and Products	Regions and Impacts
Ink cartridge printers for SOHO and Home	(+) There was sustained at-home demand. Ink revenue increased sharply YoY in North America and Europe and was flat in Japan (-) Printers demand increased, but production constraints caused product supply shortages
High-capacity ink tank printers	(-) Demand declined in emerging markets. Demand increased in China, North America, and Europe, but there were some supply shortages
Office shared IJPs	(-) Printer hardware revenue was flat YoY, and ink sales decreased
Commercial and industrial IJPs	(-) Demand for printheads and finished products decreased, except for label applications
SIDM and POS printers, watches, etc.	(-) Demand plummeted in every region
Projectors	(-) Demand plummeted in every region. There were also some product supply shortages due to production constraints
MD, other	(-) There were product supply shortages of crystal devices due to production constraints as demand continued to recover
Robots	(-) Demand from European automotive customers sagged
Total	~¥53.0 billion negative impact on revenue (mainly due to decreased demand and production constraints)

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- The impact of the coronavirus was as follows.
- The coronavirus had about a ¥14 billion negative impact on revenue in the fourth quarter of last year, but the impact was even larger in the first quarter of this year.
- Global economic activity stagnated as the virus spread, and demand for most products in most businesses plummeted, as summarized in this chart.
- In printers, projectors, and crystal devices, moreover, supply fell behind demand due to production constraints.
- In SOHO and home printers, on the other hand, we saw a continuation of at-home demand particularly in developed economies, and ink revenue increased substantially from last year as a result.
- So, while there were some positives, the total negative impact on revenue was about 53 billion yen.

Q1 Financial Results by Business Segment



- This slide shows a comparison between our first-quarter financial results this year and last year in each business segment.
- I will explain the results segment by segment on the slides that follow.

Quarterly Comparison by Business

		(Billions of yen)			
Printing Solutions	Q1/FY2019	Q1/FY2020	Y/Y	Exchange effect	
	Actual	Actual			
Revenue	163.2	138.0	-25.1	-5.8	
Printers	108.1	102.3	-5.7		
% sales Office & home IJP ^{*1}	82%	87%			
SIDM	8%	5%			
Other	10%	8%			
Professional Printing	49.2	31.9	-17.3		
% sales C&I ^{*2} IJP	63%	66%			
POS printers, other	37%	34%			
Other	5.8	3.7	-2.1		
Inter-segment revenue	-0.0	-0.0	-0.0		
Segment profit	13.6	17.5	+3.8	-2.4	
ROS	8.4%	12.7%			
◆ Main Product Sales Trends ^{*3}		Q1/FY20 Actual			
Office & home IJP hardware revenue	YoY %	JPY -14%	Local currency -8%		
Office & home IJP hardware volume	YoY %	-17%			
Office & home IJP ink revenue	YoY %	JPY +15%	Local currency +19%		
		Q1/FY19	Q1/FY20		
Office shared IJP ^{*4} revenue within office & home IJP	Composition ratio ^{*5}	10%	9%		

Printer business

- ◆ Office & home IJP
 - High-capacity ink tank printer shipments decreased
 - SOHO and home ink cartridge printer sales decreased due to supply shortage, but ink sales increased
 - Office shared IJP ink sales decreased
- ◆ SIDM
 - Sales decreased in China and elsewhere

Professional printing business

- ◆ Commercial and industrial IJP
 - Finished product business
Sales decreased except in labels
 - Printhead business
Sales to existing customers decreased.
- ◆ POS printer
 - Sales decreased in most regions
- ◆ Other
 - Sales decreased compared to the year-ago period, when the cessation of OS support fueled increased PC demand

*1 Office & home IJP includes high-capacity ink tank, SOHO and home, office shared printers
*2 Commercial and industrial (C&I) IJP includes large-format inkjet printers for C&I applications and the printhead business.
*3 The indicators in projector sales trends are based on values tracked internally by Epson
*4 Office shared IJP: A printer category for high print volume office users. This includes L1, R1PS, L/C printers, ink, managed print services and other subscription service printers, and paid service
*5 Restated FY19 according to changes in product groups in FY20

- Printing solutions business revenue decreased but profit increased.
- In the printer business, SIDM revenue fell sharply, but inkjet printer revenue was flat year on year.
- The market for inkjet printers slumped sharply in emerging markets due to the impact of the coronavirus. On the other hand, print demand continued to grow in places such as China, North America, Europe, and Japan, where a large number of people are learning and working from home.
- Sales of high-capacity ink tank printers decreased in emerging markets as a result of these effects.
- In developed economies, sales of ink and high-capacity ink tank printers increased substantially, but ink cartridge printer sales decreased under production constraints.
- Sales of ink for office shared printers slumped, causing total revenue in this category to end lower than in the same period last year. However, revenue from sales of these printers was about level with the same period last year mainly owing to an effort begun last year to expand sales to the education sector in Japan.
- In professional printing, revenue from commercial and industrial inkjet and POS printers declined sharply.
- Commercial and industrial inkjet printer results for the quarter ended lower than in the same period last year because although we saw increased demand for the printing of labels for pharmaceuticals and daily necessities, demand in the photo, signage, and textile categories dropped sharply, especially in April and May, before showing signs of bottoming out in June.
- The printhead business developed new customers in China, but sales to existing customers decreased.
- POS printer sales decreased in most regions, caused in part by a decrease in Europe where we had extra demand in the same period last year, and also from the effects of the coronavirus.
- Despite the decrease in revenue, segment profit increased due to an increase in ink sales in the printer business, cost reductions, and a temporary increase in profits due to an increase in inventories.
- The printer business accounted for the majority of segment profit.

Quarterly Comparison by Business

Visual Communications		Q1/FY2019 Actual	Q1/FY2020 Actual	(Billions of yen)	
				Y/Y	Exchange effect
Revenue		49.2	23.5	-25.6	-0.9
Segment profit		4.3	-2.7	-7.1	-0.2
ROS		8.9%	-11.8%		

◆ Projector
Demand sharply declined and sales decreased due to competition from low-priced FPDs and COVID-19

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

◆ Projector sales trends*1

		Q1/FY2020 Actual	
		JPY	Local currency
Hardware revenue	YoY %	-52%	-50%
Hardware volume	YoY %		-57%

Wearable & Industrial Products		Q1/FY2019 Actual	Q1/FY2020 Actual	(Billions of yen)	
				Y/Y	Exchange effect
Revenue		38.1	31.8	-6.3	-0.6
Wearable Products		11.2	5.3	-5.8	
Robotics Solutions		4.9	6.6	+1.6	
Microdevices, Other		23.4	20.4	-2.9	
Inter-segment revenue		-1.5	-0.6	+0.9	
Segment profit		-1.0	0.6	+1.6	-0.0
ROS		-2.7%	2.1%		

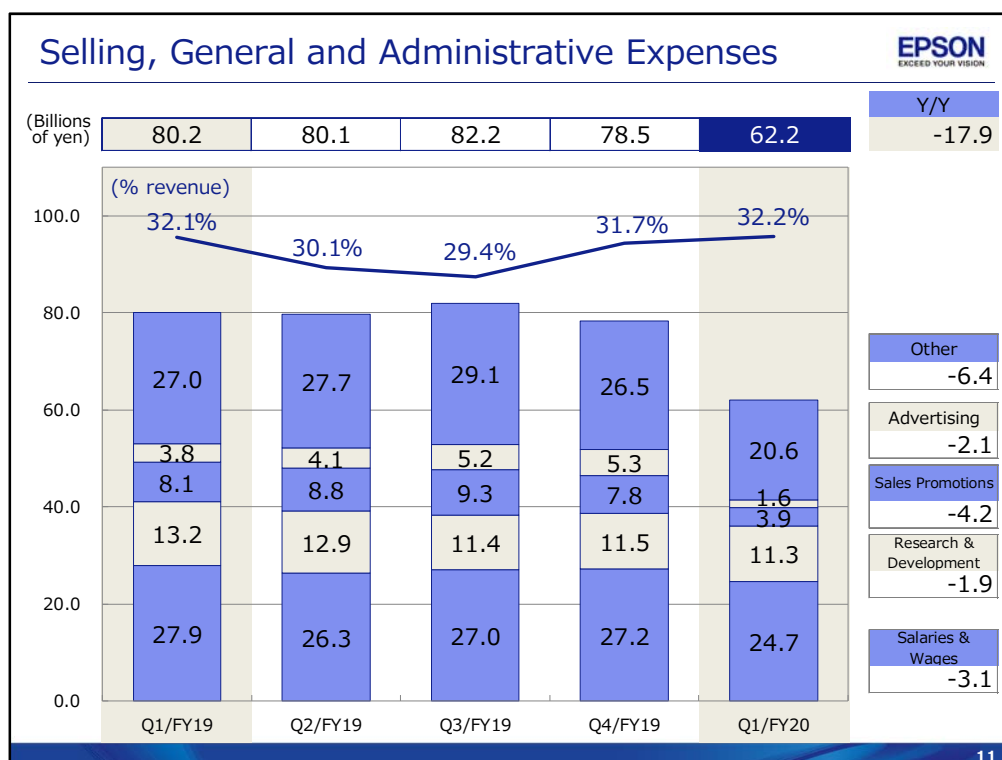
Wearable products
◆ Sales declined as market conditions worsened

Robotics solutions
◆ Sales decreased in Europe but increased mainly in China

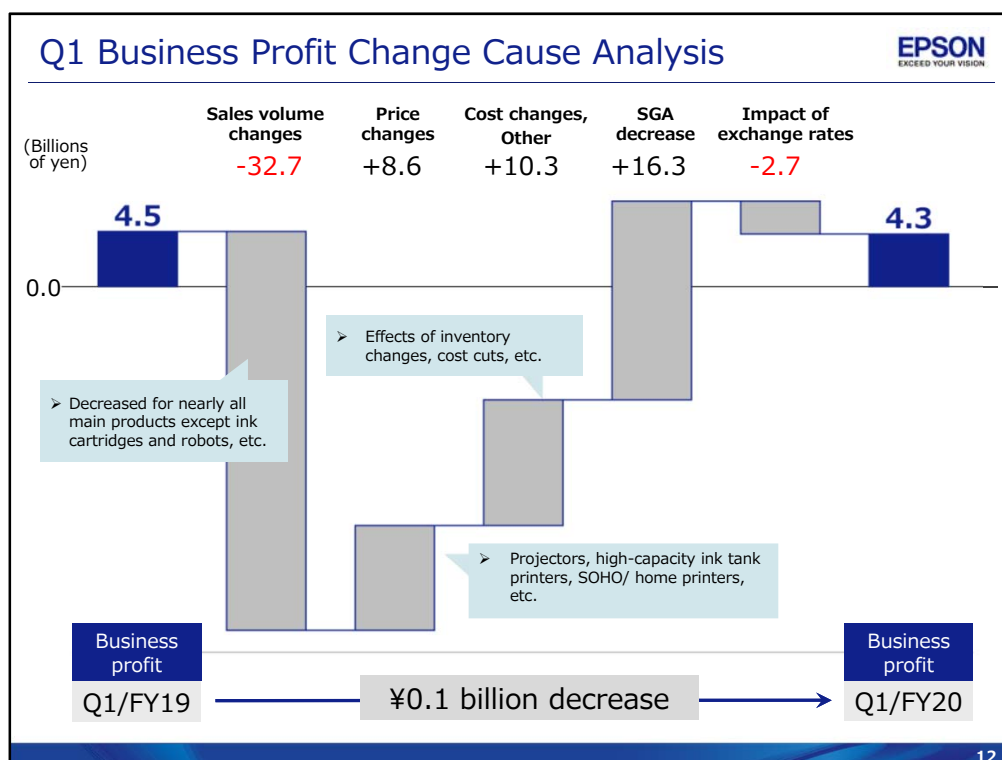
Microdevices and other
◆ Crystal device revenue decreased even as demand showed signs of rebounding because production constraints resulted in supply shortages
◆ Semiconductor revenue decreased as weak internal sales more than offset firm foundry sales

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- Results for visual communications sharply decreased.
- Projector revenue dropped in half. Competition from low-priced FPDs played a role, but the pandemic devastated the entire market by forcing business and school closures and event cancellations.
- Segment profit decreased due to the rapid decrease in revenue.
- Wearable and industrial products revenue decreased.
- In wearable products, the watch market contracted substantially due to the coronavirus, and sales plummeted both in Japan and overseas.
- On the other hand, robotics solutions has continued to see demand rise since the second half of last fiscal year despite ongoing softness in the European automotive market. This rise is due in large measure to wins in China.
- In microdevices and other, demand headed toward recovery, but revenue declined primarily because of crystal device production stoppages resulting from the pandemic.
- Although wearable products profit decreased, total segment profit increased chiefly because robotics solutions profit increased, microdevices cost improvements progressed, and increased inventories caused profit to rise.



- Quarterly selling, general and administrative expenses were as shown here.
- Our policy in the 2020 fiscal year is to focus spending even more tightly on priorities than we did last fiscal year.
- In the first quarter, with business activities constrained due to the coronavirus, we rigorously selected spending projects. As a result, we significantly reduced our sales promotion, advertising, and other expenses compared to the same period last year.
- We will continue to reduce costs as the situation demands, while also exploring new business methods in the current environment to further increase spending efficiency.

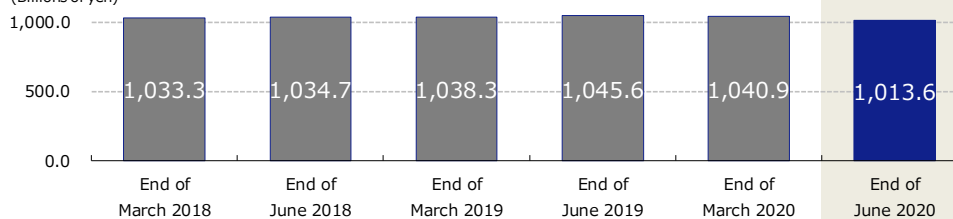


- This slide shows a cause analysis of the change in business profit.
- A considerable drop in volume had a large negative effect on business profit. The positive impact of ink cartridge and robot volume was far outweighed by the decreased volume in most of our products and businesses, including visual communications and professional printing.
- Price changes were a positive factor. With some supply shortages, we arranged regional and product allocations with a view toward profitability and strove to maintain prices.
- For cost changes and other factors, the effects of increased inventory and cost reductions positively affected business profit.

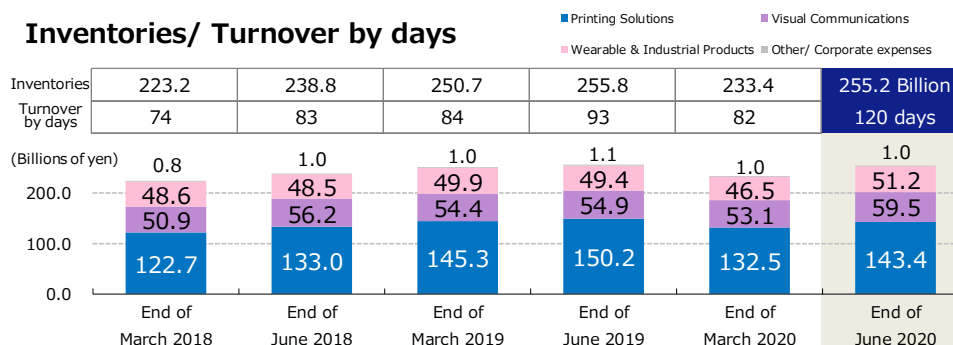
Statements of Financial Position

Total assets

(Billions of yen)



Inventories/ Turnover by days

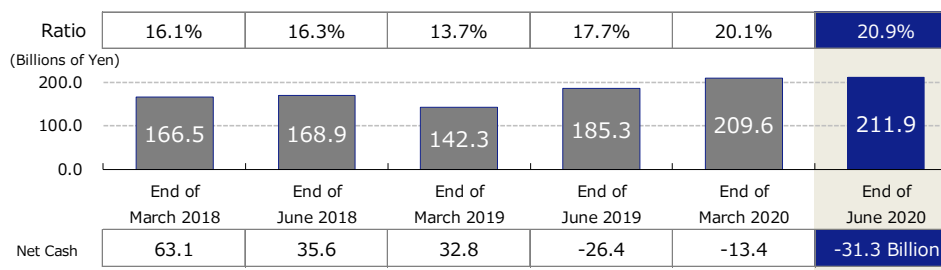


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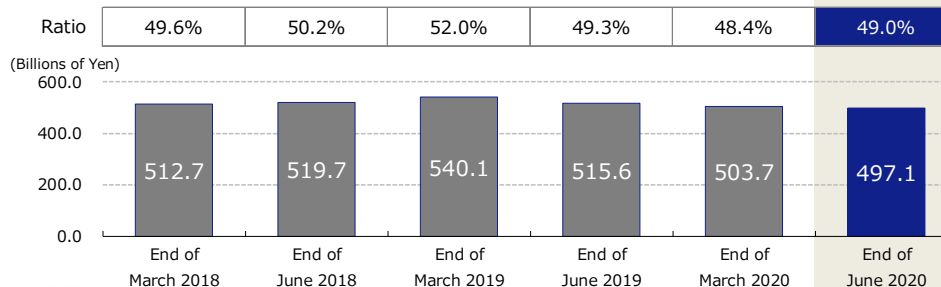
- Next, let's look at some of the major items on the statements of financial position.
- Total assets were ¥1,013.6 billion, down ¥27.2 billion compared to the end of the last fiscal year.
- While there was an increase in inventories, total assets decreased primarily because of a decrease in cash and cash equivalents resulting largely from the payment of dividends and because of a decrease in trade and other receivables.
- Inventories of projectors, professional printing business products, watches and other products rose due to the sudden drop-off in sales.
- We expect a decrease as inventories in factories and in transit reach the market in the current quarter and beyond. However, we will further strengthen communication between sales and manufacturing to control inventories.

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 ¥211.9 billion, up ¥2.2 billion compared to the end of the last fiscal year.
- The equity attributable to owners of the parent company totaled ¥497.1 billion, a ¥6.5 billion decrease compared to the previous fiscal year end.
- On-hand liquidity stayed above 200%, so we are maintaining financial soundness.

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Full-Year Financial Outlook Assumptions

- Second half revenue will be below the same period last year. Although we expect to benefit from the launch of strategic products, the lingering effects of the pandemic will remain in certain regions.

Assumptions regarding travel restrictions around the world

	June	July-Sep.	Oct.-Dec.	Jan.-Mar.
Japan	Voluntary restraint	Restrictions lifted		
North America	Voluntary restraint			
Western Europe & Australia	Voluntary restraint	Restrictions lifted		
China	Restrictions lifted			
Latin America, Eastern Europe, Africa, Southeast Asia, South Asia	Restrictions	Voluntary restraint	Restrictions lifted	

- Production returned to normal by the end of June, but there will be supply shortages of some products in and after Q2 due to shipment lead-times
- Decreased inventories from Q2 will negatively affect business profit
- COVID-19 will have an approx. ¥140.0 billion negative effect on revenue

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- Next, I will explain our full-year financial outlook.
- In forecasting the business results for the current fiscal year, we made assumptions about future developments based on travel restriction trends and economic activity around the world.
- As the slide shows, we assume that the effects of the pandemic will largely wind down from the second quarter, however, the effects will continue to linger in certain regions.
- Although we expect to benefit from the launch of strategic products, second half revenue will be slightly below the same period last year.
- Production of products such as printers, projectors, crystal devices, and watches was interrupted and fell behind in the first quarter, but it began to recover as travel restrictions were eased and returned to normal by the end of June.
- However, there will be supply shortages of some products in and even after the second quarter because of the time needed for shipment.
- As sales recover and the balance with supply normalizes, inventory will head downward from the levels reached in the first quarter.
- We assume that inventories, which had a positive effect on profit in the first quarter, will have a negative effect on profits as they decrease in the second quarter onwards.
- For the second quarter, we forecast a sharp decrease in business profit, with a loss of over ¥5 billion, as sales will not fully recover in the period.
- Based on these assumptions, we estimate that the pandemic will have an approximately ¥140 billion negative effect on revenue.

FY2020 Financial Outlook (Full Year)



	FY2019		FY2020		Y/Y		
	(Billions of yen)	Actual	%	Outlook	%	Change	
Revenue		1,043.6		930.0		-113.6 -10.9%	
Business profit		40.8	3.9%	20.0	2.2%	-20.8 -51.1%	
Profit from operating activities		39.4	3.8%	16.0	1.7%	-23.4 -59.5%	
Profit before tax		39.7	3.8%	14.0	1.5%	-25.7 -64.7%	
Profit for the year attributable to owners of the parent company		7.7	0.7%	1.0	0.1%	-6.7 -87.1%	
EPS* ¹ (yen)		22.26		2.89			
Exchange rate (yen, index)	USD	¥108.74		¥106.00			
	EUR	¥120.85		¥118.00			
	Other currencies* ²	100		90			
Exchange rate assumptions from Q2 onward (yen)	USD			Exchange sensitivity * ³	USD	EUR	Other currencies
		105.00	118.00	Revenue	-2.7	-1.3	-2.7
				Business profit	+0.7	-0.8	-1.2

*¹ Basic earnings per share for the year
*² Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 for the previous fiscal year
Rates are weighted according to Epson's net volume of revenue and cost for each currency.
*³ Annual impact of a 1-yen increase in the value of the yen versus the USD & EUR (in billions of yen)
Annual impact of a 1% increase in the value of the yen versus other currencies (in billions of yen)

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- The slide shows the fiscal 2020 full-year financial outlook.
- We are forecasting ¥930 billion in revenue, ¥20 billion in business profit, and ¥1 billion in profit for the year.
- In addition to the serious negative effects of the coronavirus, the appreciation of the yen is expected to have an approximately ¥33 billion negative impact on revenue and about a ¥12 billion negative impact on business profit compared to the previous year.

- We are implementing the following actions in recognition of the difficult business environment:
 - Introduce strict cost controls and cut SG&A and other expenses below FY2019 levels
 - Allocate management resources to priority areas
 - ✓ Commercial & industrial IJPs (finished products and printhead business), office shared IJPs, robotics solutions business, high-brightness projectors, etc.
 - Take financial measures to cope with a changed environment
 - ✓ Executed a commitment line contract (for about ¥80 billion)
 - ✓ Issued ¥70 billion in green bonds

- Next, I will go over the main factors affecting the full-year financial outlook.
- Our actions this year reflect the difficult business environment.
- Given the environment, we will strictly control costs and reduce SG&A expenses and other expenses from FY2019 levels. At the same time, we will proceed with preparations so that we are able to quickly spend as needed as soon as we see the pandemic quiet down.
- Looking at changes in society over the next 3 to 5 years, we believe that we have a chance to further accelerate expansion in priority areas like commercial and industrial inkjet printers, office shared printers, and robotics solutions.
- It is in these priority areas that we will allocate our management resources.
- At the same time, we will put preparations in place to enable us to respond to a changed environment.
- Among the actions taken to solidify our financial position was to execute a commitment line contract in May to prepare for changes in the external environment and to enable us to agilely execute strategic actions. Furthermore, we issued green bonds in July to strengthen our environmental activities.

- Review of strategies for the new normal
- Our direction for achieving the goals of Epson 25 and the Phase 2 Mid-Range Business Plan remains the same, but we recognize the need to accelerate innovation
 - Analyzing business strategies
 - ✓ Opportunity to provide new products and services and to change business models
 - Reexamining our site strategy and BCP from a BCM standpoint
 - ✓ Expand multi-site and decentralized production for strategic products and accelerate advances in productivity and automation
 - Reengineering business processes
 - ✓ Establish remote work program and provide support for launching remote volume production and sales

- We will also review our strategy based on the impact of the coronavirus.
- The pandemic has accelerated certain social changes that were previously expected to occur over the mid- to long-term.
- Epson's direction for achieving the goals of Epson 25 and the Phase 2 mid-range business plan remains the same, but we recognize the need to accelerate innovation.
- We have already predicted future changes in society and human behavior, and are analyzing strategies.
- We will continue to see these big social changes as important opportunities to provide new products and services and to change business models.
- We will also reexamine our site strategy and business continuity plans from a business continuity management perspective.
- We have been using multiple manufacturing sites and decentralized production for strategic products. We have also been automating and increasing the man-power efficiency of our factories. But moving forward, we will expand the scope and speed with which these actions are implemented.
- In addition, we need to change our current business processes and the way we work.
- We will establish an enhanced remote work system and move forward on actions in response to a new social environment.
- For example, when launching mass production of a new model at an overseas factory, we would send employees from Japan. It was also always assumed that employees from Japan would travel to our overseas sales companies to provide sales support for new products. Now, however, we believe that we can provide this kind of support faster and more efficiently by using ICT tools and implementing various innovations.

By Business Segment - Printing Solutions



Office & home IJPs and commercial and industrial IJPs

Assumptions

- At-home demand will stabilize somewhat in the second half but will continue at a certain level
- Demand in emerging markets for high-capacity ink tank printers will recover in the second half
- Commercial and industrial IJP demand will recover in the second half as economic activities resume



Actions

- Meet demand to the extent possible amid supply constraints
- Use at-home demand as an opportunity to emphasize the advantages of IJPs and grow
- Office shared IJP sales will continue to expand
- Expand the lineup of commercial and industrial IJP finished products in anticipation of expanded demand for distributed printing. Strengthen solutions proposals and customer touch points
- Capture orders from new printhead customers in mainly in China



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- Next, I will explain our demand trend assumptions and main actions in each business, starting with printing solutions.
- The at-home print demand we are seeing particularly in developed economies is showing signs of stabilizing as ordinary activities resume, but we assume that a certain level of at-home demand will continue.
- We also assume that demand in emerging markets for high-capacity ink tank printers will recover in the second half.
- We believe that demand for commercial and industrial inkjet printers will recover as normal social activities resume, and we expect sales to be flat year on year in the second half.
- Some printer products could be affected by supply shortages. Therefore, we will identify and respond to demand trends in every country and region so that we can serve as many customers as possible.
- It is true that the emergence of stronger at-home demand favors Epson because we have stronger touch points with SOHO and home printer users.
- But looking at things from a longer term perspective, we also see this as a chance to communicate the superiority of office shared inkjets, including their environmental performance, low cost per print, and low maintenance costs in order to continue to expand sales.
- We are going to rapidly expand our lineup of commercial and industrial inkjet printers for various applications. In addition to brilliant image quality, the lineup will include models that are differentiated by Epson's technology and offer outstanding productivity.
- To meet the demand for distributed printing and additional installations, we are developing software solutions that integrate management for color quality, production, and maintenance. We will also strengthen customer support to accelerate the transition to digital solutions in the commercial and industrial printing markets.
- Demand in the printhead business will continue to be slow, but we are progressing through the sales cycle with new customers in places such as China.

Projectors

Assumptions

- The effects of competition from FPDs will continue to be seen in the projector market even as the effects of COVID-19 ease in the second half

Actions

- Take advantage of our high market presence to expand market share.
- Re-examine strategies in anticipation of a shrinking market in FY21 and beyond
- Drive actions to improve profitability
 - Focus on the high-brightness segment and increase efficiencies in other segments
 - Improve margins, reduce fixed costs, and realign the workforce



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- The outlook in visual communication is predicated on the assumption of a recovery in the second half as businesses and schools reopen, but lower FPD prices will continue to impact projector sales.
- The environment will be challenging, but we will take advantage of our strong market presence, ensure that we turn business opportunities into contracts, and further expand our market share.
- However, the impact of lower FPD prices is forecasted to continue, so we will re-examine our business strategies and drive measures to improve profitability, assuming that the projector market will continue to shrink from 2021 onward.
- We will focus on the high-brightness segment, where projectors can deliver images on screens far bigger than any FPD. We will also improve the efficiency of business operations in other segments.
- We recognize that we urgently need to take actions to improve margins and reduce fixed costs. In addition, we will realign the workforce, and put the business in a position to generate stable profit.

Wearable Products

Assumptions

- Difficult conditions will persist in the watch market

Actions

- Improve margins, reduce fixed costs, and realign the workforce



Robotics Solutions

Microdevices, other

Assumptions

- The robot and microdevices markets will remain stable

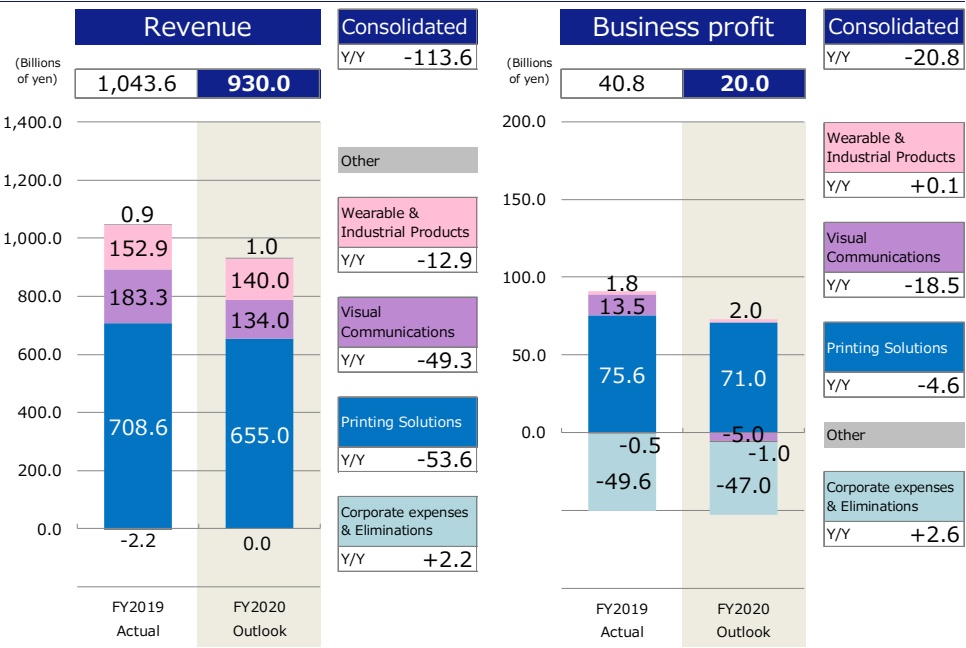
Actions

- Robotics solutions will continue to invest management resources and capture demand for higher productivity and automation
- Microdevices, other will continue to generate profit by increasing productivity



- We assume that difficult conditions will persist in the watch market.
- Given the difficult business environment, we will improve margins, reduce fixed costs, and realign the workforce.
- Having done that, we will continue to produce distinctive watches and transform the business into one that can generate a profit.
- We assume that the impact of the coronavirus will be limited and that the robot and microdevices markets will remain stable.
- We will continue to allocate management resources to robotics solutions to capture demand for higher productivity and automation to further expand the business.
- In the microdevices and other business, we will continue to generate profit by increasing productivity while we also prepare to respond to demand fluctuations.

FY2020 Financial Outlook by Business Segment



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

FY2020 Outlook Comparison by Business

(Billions of yen)

Printing Solutions	FY2019 Actual	FY2020 Outlook	Y/Y
Revenue	708.6	655.0	-53.6
Printers	482.5	468.0	-14.5
% sales Office & home IJP ^{*1}	84%	86%	
SIDM	7%	5%	
Other	9%	9%	
Professional Printing	197.9	168.0	-29.9
% sales C&I ^{*2} IJP	64%	67%	
POS printers, other	36%	33%	
Other	28.2	19.0	-9.2
Inter-segment revenue	-0.1	0.0	+0.1
Segment profit	75.6	71.0	-4.6
ROS	10.7%	10.8%	
◆ Main Product Sales Trends^{*3}			
	FY19 Actual	FY20 Outlook	
Office & home IJP	YoY %	+1%	-6%
HW volume	Approx., million	15.7	14.7
High-capacity ink tank		10.0	9.6
SOHO/ Home I/C model		5.3	4.8
Office shared IJP ^{*4}		0.4	0.3
Office & home IJP	JPY	-8%	-0%
ink revenue, YoY %	Local Currency	-5%	-
Office shared IJP ^{*5} revenue within office & home IJP ^{*5}		10%	11%

Printer business

- ◆ Office & home IJP
 - Sales of ink for SOHO/ home printers will increase mainly in advanced economies
 - Sales of high-capacity ink tank printers will decrease mainly in emerging markets due to COVID-19
 - Office shared IJP sales will steadily expand in a challenging market environment
- ◆ SIDM sales will decrease mainly in China and elsewhere

Professional printing

- ◆ Commercial & industrial IJP
 - Finished product sales will decrease due to the difficult external environment
 - Printhead business sales to new customers will increase but will decrease to existing customers
- ◆ POS printer
 - Demand will decrease, mainly in advanced economies

Other

- ◆ Extra PC demand will wind down

^{*1} IJP includes high-capacity ink tank, SOHO/ home and office shared IJPs
^{*2} Commercial and industrial (C&I) IJP includes large-format inkjet printers for C&I applications and the printhead business
^{*3} The indicators in projector sales trends are based on values tracked internally by Epson
^{*4} Office shared IJP: A printer category for high print volume office users. This includes IJ, RIPS, I/C printers, ink, managed print services and other subscription service printers, and paid service
^{*5} Restated FY19 according to changes in product groups in FY20

- This slide shows the full-year financial outlook for each business and product category in printing solutions.
- Revenue is expected to recover in the second half, but is forecast to decrease over the full year.
- In the printer business, revenue is expected to decline in SIDM printers and some other product categories, but inkjet printer revenue will remain at the same level as last year.
- Revenue is seen decreasing year on year in SOHO and home ink cartridge printers as well as in high-capacity ink tank printers.
- Sales of high-capacity ink tank printers are expected to continue to expand in developed economies but decline compared to last year in emerging markets. Worldwide sales are expected to reach 9.6 million units.
- On the other hand, full-year ink sales should be flat year on year, assuming that the increase of at-home demand stabilizes in the second half.
- The office printing environment is very challenging, but we think we can steadily expand sales of office shared printers and that that will lead to the expansion of ink and service revenue.
- In the Other category, PC demand will decrease after a strong showing last fiscal year leading up to the end of support for Windows 7.
- Professional printing revenue is seen decreasing for the full year, though we are forecasting a recovery in the second half in the finished products, printhead business, and POS printers.
- While we forecast profit growth in the printer business, segment profit is expected to decrease due to lower revenue in professional printing and negative foreign exchange effects.
- The printer business is expected to account for about 75% of segment profit.

FY2020 Outlook Comparison by Business

(Billions of yen)

Visual Communications	FY2019 Actual	FY2020 Outlook	Y/Y
Revenue	183.3	134.0	-49.3
Segment profit	13.5	-5.0	-18.5
ROS	7.4%	-3.7%	

Visual communications

- ◆ Projector
 - The market will shrink (by approx. 35% YoY) due to competition from FPDs as well as COVID-19
 - Increase our market presence

◆ Projector Sales Trends*1		FY19 Actual	FY20 Outlook
	YoY %	-9%	-31%
HW volume	Approx., million	2.4	1.6

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

(Billions of yen)

Wearable & Industrial Products	FY2019 Actual	FY2020 Outlook	Y/Y
Revenue	152.9	140.0	-12.9
Wearable Products	44.0	31.0	-13.0
Robotics Solutions	21.2	22.0	+0.7
Microdevices, Other	92.9	90.0	-2.9
Inter-segment revenue	-5.3	-3.0	+2.3
Segment profit	1.8	2.0	+0.1
ROS	1.2%	1.4%	

◆ Wearable products

- Difficult conditions will persist in the watch market

◆ Robotics solutions

- Firm demand will continue in China

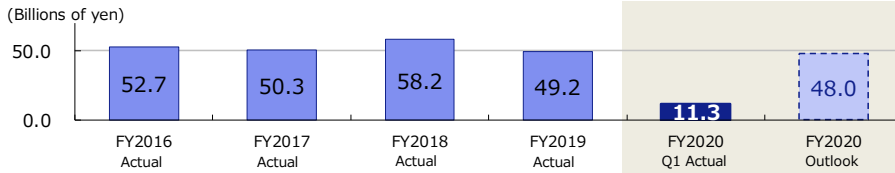
◆ Microdevices and other

- Firm demand will continue

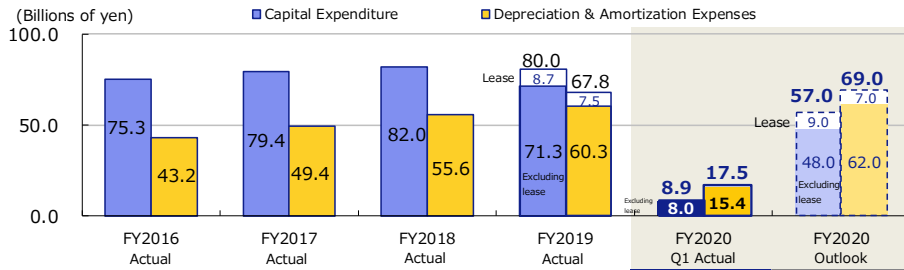
- The full-year outlooks in visual communications and in wearable and industrial products are as shown here.
- In visual communications, we are assuming that the projector market will shrink by about 35% compared to the last fiscal year due to the impact of the coronavirus and continually declining FPD prices.
- Visual communications is going to be impacted by the market, but we will further expand our market share while simultaneously spending efficiently.
- We also forecast lower revenue in wearable and industrial products, but we see segment profit being on a par with last fiscal year.
- We forecast lower revenue and profit in wearable products on the assumption that watch market sluggishness will be protracted.
- The financial outlook for robotics solutions is on a par with last fiscal year, with steady demand forecasted to continue.
- With no more constraints on production, sales in the microdevices and other business are expected to be steady from the second quarter. We do not expect to make up for the revenue lost in the first half, but we do expect profit to increase as the effects of a total cost reduction program become apparent.

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

Research & Development Costs



Capital Expenditure and Depreciation and Amortization Expenses



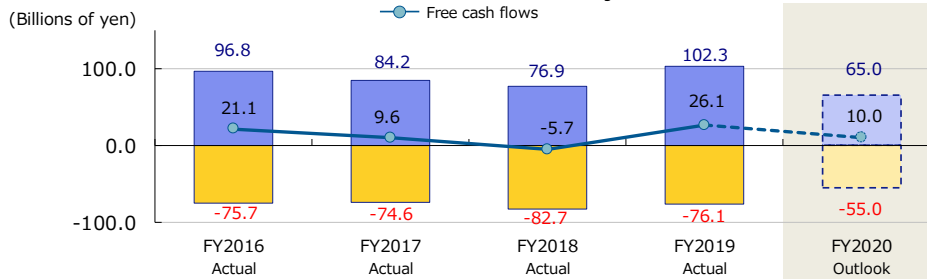
	Capex.	Depreciation & Amortization	Capex.	Depreciation & Amortization
Printing Solutions	4.4	9.6	28.0	38.0
Visual Communications	2.0	3.1	10.0	13.0
Wearable & Industrial Products	1.6	2.6	12.0	11.0
Other, Corporate	0.7	2.1	7.0	7.0

Includes lease from FY2019 actual

- Actual and forecast R&D costs, capital expenditures, and depreciation and amortization are as shown here.
- We had already planned to reduce capital expenditure this year, but given the harsh environment, we have decided to be even more selective about spending projects and will further reduce costs.

Free Cash Flows Main Management Indices

Free Cash Flows



Main Management Indices

(%)	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Outlook
ROS *1	6.4	6.8	6.5	3.9	2.2
ROA *2	6.9	7.4	6.8	3.9	1.9
ROE *3	10.1	8.3	10.2	1.5	0.2

*1 Business profit/ revenue

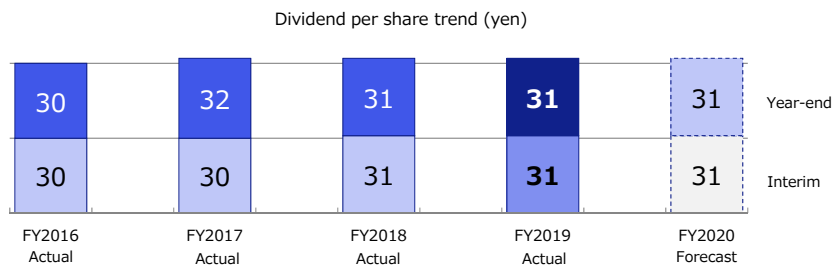
*2 Business profit/ total assets (avg. balance)

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

- The outlook for free cash flow and the main management indicators are shown here.
- We expect cash flow from investment activities to decline as we curb capital expenditure, but we are forecasting ¥10 billion in free cash flow due to decreased cash flows from operating activities.

- Summary
- First-Quarter Financial Results
- FY2020 Full-Year Financial Outlook
- **Shareholder Returns**
- ESG Topics

- 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



- Next, I want to talk about shareholder returns.
- We have not made any changes since our announcement at the end of April.
- FY2020 annual dividend outlook is at 62-yen dividend per share, the same as in FY2019.

- Summary
- First-Quarter Financial Results
- FY2020 Full-Year Financial Outlook
- Shareholder Returns
- **ESG Topics**

- Removal of anti-takeover measures

- Disclosure of FY2019 board effectiveness evaluation results
 - Issues for enhancing board effectiveness:
 1. Further improving the organization and disclosure of business strategy risks and opportunities
 2. Further improving the organization and disclosure of policy concerning business portfolio management

- Epson's first green bonds issue (July)
 - Issued ¥70 billion in green bonds, the proceeds from which will be used for eight eligible projects
 - Seventy-five investors* declared intent (a record for the SDGs bond market for an ordinary corporation)

*as of July 2020

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- Finally, I want to tell you about actions we are taking to increase long-term corporate value.

- First, we removed anti-takeover measures in June of this year.
- Going forward, we will continue to prioritize increasing corporate value over the medium- to long-term with the belief that superior corporate value is the most effective form of defense measure.

- Second, the effectiveness of the board of directors was evaluated.
- The two issues shown here for increasing the effectiveness of the board were identified and are currently being worked on.

- Furthermore, we issued our first green bonds in July and 75 investors have declared their intent.
- This is a record so far for the SDGs bond market for an ordinary corporation.
- We take this as a sign that investors believe in the excellence of the environmental performance of our inkjet and other technologies.

- To help create an affluent and sustainable society, we must drive innovation in our inkjet and other businesses.
- Despite the difficult environment, we will continue to steer our business firmly toward innovation.
- This concludes our earnings presentation.



Reference - Others

Main Product Sales Trends

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

*1 Office shared IJP : A printer category for high print volume office users.

This includes IJJ, RIPS, I/C printers, ink, managed print services and other subscription service printers, and paid service.

*2 LC: Local Currency base

*3 Restated FY19 according to changes in product groups in FY20

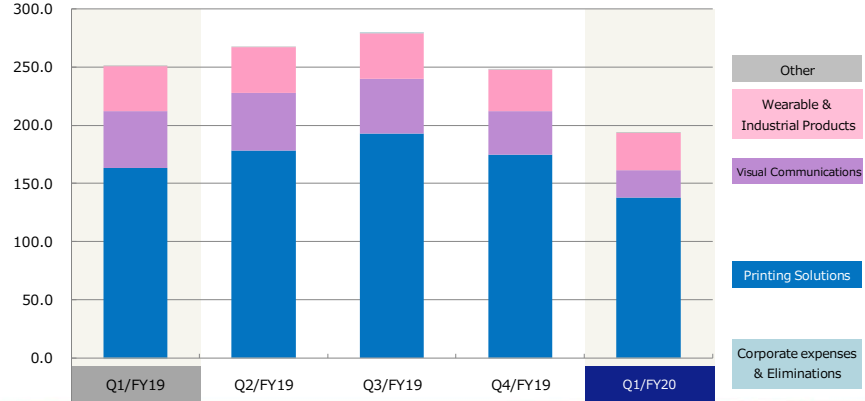
				FY2019 Full-year Actual	FY2020 Q1 Actual	FY2020 Full-year Outlook	
		USD		108.74	107.54	106.00	
		EUR		120.85	118.39	118.00	
Printing Solutions	Office & Home IJP Hardware	Revenue (JPY)	YoY %	-0%	-14%	-0%	
		Revenue (LC ^{*2})	YoY %	+4%	-8%	-	
		Volume	YoY %	+1%	-17%	-6%	
		Volume (Approx., million)	Units	15.7	-	14.7	
		High-capacity ink tank	Units	10.0	-	9.6	
		SOHO/ Home I/C model	Units	5.3	-	4.8	
		Office shared IJP	Units	0.4	-	0.3	
	Office & Home IJP Ink	Revenue within office & home IJP Ink / (HW+Ink)	Composition ratio		48%	-	48%
		Revenue (JPY)	YoY %	-8%	+15%	-0%	
		Revenue (LC ^{*2})	YoY %	-5%	+19%	-	
	Office Shared IJP ^{*1} (Hardware + Ink)	Revenue within office & home IJP ^{*3}	Composition ratio		10%	9%	11%
		Revenue (JPY)	YoY %	-19%	-43%	-21%	
SIDM Hardware	Revenue (LC ^{*2})	YoY %	-16%	-40%	-		
	Volume	YoY %	-16%	-39%	-15%		
	Volume (Approx., million)	Units	2.4	-	1.6		
Visual Communi- cations	Projectors Hardware	Revenue (JPY)	YoY %	-9%	-52%	-27%	
		Revenue (LC ^{*2})	YoY %	-6%	-50%	-	
		Volume	YoY %	-9%	-57%	-31%	
		Volume (Approx., million)	Units	2.4	-	1.6	

Quarterly Revenue Trend By Business Segment

Exchange rate	USD	109.93	107.31	108.72	109.00	107.54	-2.39
(yen)	EUR	123.54	119.34	120.35	120.18	118.39	-5.15

Revenue (Billions of yen)	Q1/FY19	Q2/FY19	Q3/FY19	Q4/FY19	Q1/FY20	Y/Y
Printing Solutions	163.2	178.0	192.9	174.4	138.0	-25.1
Visual Communications	49.2	49.6	46.8	37.5	23.5	-25.6
Wearable & Industrial Products	38.1	39.3	39.4	36.0	31.8	-6.3
Other	0.2	0.2	0.2	0.2	0.1	-0.0
Corporate expenses & Eliminations	-1.1	-0.7	0.3	-0.6	-0.3	+0.7
Consolidated total	249.6	266.4	279.8	247.6	193.2	-56.4

(Billions of yen)

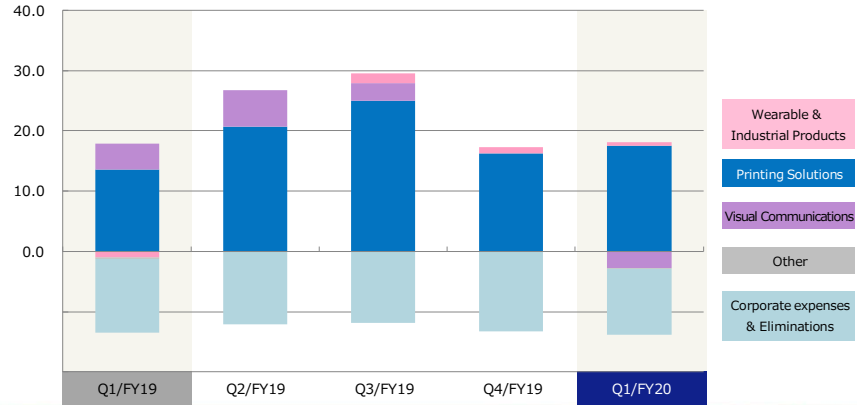


Quarterly Business Profit Trend By Business Segment



Exchange rate	USD	109.93	107.31	108.72	109.00	107.54	-2.39	
	(yen)	EUR	123.54	119.34	120.35	120.18	118.39	-5.15
Business profit (Billions of yen)		Q1/FY19	Q2/FY19	Q3/FY19	Q4/FY19	Q1/FY20	Y/Y	
Printing Solutions		13.6	20.7	25.0	16.2	17.5	+3.8	
Visual Communications		4.3	6.1	2.9	0.0	-2.7	-7.1	
Wearable & Industrial Products		-1.0	-0.0	1.7	1.1	0.6	+1.6	
Other		-0.2	-0.1	-0.1	-0.0	-0.2	-0.0	
Corporate expenses & Eliminations		-12.3	-12.0	-11.8	-13.3	-10.9	+1.4	
Consolidated total		4.5	14.6	17.6	4.0	4.3	-0.1	

(Billions of yen)



Revenue to customers outside of Japan Employee numbers

Revenue to customers outside of Japan

Exchange rate	USD	109.93	107.31	108.72	109.00	107.54	-2.39
(yen)	EUR	123.54	119.34	120.35	120.18	118.39	-5.15

Revenue (Billions of yen)	Q1/FY19	Q2/FY19	Q3/FY19	Q4/FY19	Q1/FY20	Y/Y
The Americas	74.5	71.7	71.2	75.3	59.8	-14.7
Europe	47.9	53.7	59.3	52.9	39.7	-8.1
Asia/ Oceania	72.5	75.8	74.4	58.5	49.5	-23.0
Total revenue to overseas customers	195.1	201.4	205.1	186.9	149.0	-46.0
Consolidated revenue	249.6	266.4	279.8	247.6	193.2	-56.4

% of revenue to consolidated revenue	Q1/FY19	Q2/FY19	Q3/FY19	Q4/FY19	Q1/FY20
The Americas	29.9%	26.9%	25.5%	30.4%	31.0%
Europe	19.2%	20.2%	21.2%	21.4%	20.6%
Asia/ Oceania	29.1%	28.5%	26.6%	23.7%	25.6%
Total	78.2%	75.6%	73.3%	75.5%	77.2%

Employees

Number of employees at period end (person)	End of June 2018	End of June 2018	End of Mar. 2019	End of June 2019	End of Mar. 2020	End of June 2020	Compared to end of Mar. 2020
Japan	19,436	19,704	19,456	19,879	19,558	19,962	+404
Non-Japan	56,955	61,196	57,191	58,918	56,050	57,107	+1,057
Consolidated total	76,391	80,900	76,647	78,797	75,608	77,069	+1,461

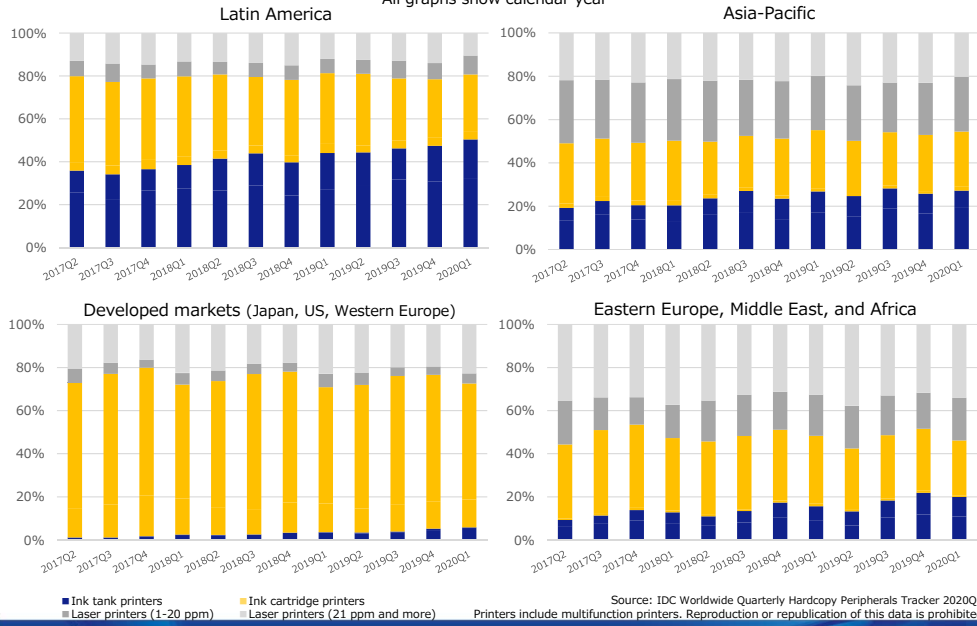
Major Business Indicators

(Billions of yen)						(Billions of yen)				
		FY2018	FY2019	FY2020	FY2021		FY2018	FY2019	FY2020	Epson 25
		Actual	Actual	Outlook	(FY19-21 business plan)		Actual	Actual	Outlook	FY19-21 business plan 3-year cumulative Outlook
Exchange rate (yen)	USD	110.86	108.74	106.00	110.00	USD	110.86	108.74	106.00	110.00
	EUR	128.40	120.85	118.00	125.00	EUR	128.40	120.85	118.00	125.00
Printing	Revenue	723.6	708.6	655.0	780.0	Operating CF	76.9	102.3	65.0	Approx. 370
Solutions	Segment profit	94.5	75.6	71.0	-	FCF	-5.7	26.1	10.0	Approx. 170
Visual Communications	Revenue	203.3	183.3	134.0	225.0					
	Segment profit	21.2	13.5	-5.0	-					
Wearable & Industrial Products	Revenue	163.4	152.9	140.0	195.0	R&D costs	58.2	49.2	48.0	Invest aggressively
	Segment profit	5.5	1.8	2.0	-	Capital expenditure	82.0	71.3	48.0	Approx. 200
Other	Revenue	0.9	0.9	1.0	-			80.0*	57.0*	
	Segment profit	-0.5	-0.5	-1.0	-					
Corporate expenses & Eliminations	Revenue	-1.6	-2.2	0.0	-					
	Segment profit	-50.2	-49.6	-47.0	-					
Consolidated total	Revenue	1,089.6	1,043.6	930.0	1,200.0					
	Segment profit	70.4	40.8	20.0	96.0					
	ROS	6.5%	3.9%	2.2%	8%					
	ROE	10.2%	1.5%	0.2%	Sustain over 10%					

* Including lease

A4 printer main unit market trend by region

All graphs show calendar year



Definition of terms

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

Business segments

