



Second Quarter Financial Results Fiscal Year 2012 (Ending March 2013)

October 31, 2012

SEIKO EPSON CORPORATION

■ 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.

■ Numerical values presented herein

Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

1. Overview

2. Details

Financial Highlights (First Half)



	FY2011		FY2012				Change (amount, %)	
	Actual	%	7/31 Outlook	%	Actual	%	Y/Y	Vs. 7/31 Outlook
(Billions of yen)								
Net sales	425.5	-	400.0	-	388.2	-	-37.2 -8.8%	-11.7 -2.9%
Operating income	6.7	1.6%	-14.0	-3.5%	-14.1	-3.6%	-20.9 -	-0.1 -
Ordinary income	6.1	1.4%	-14.0	-3.5%	-14.1	-3.7%	-20.3 -	-0.1 -
Net Income <small>Before Income Taxes</small>	0.0	0.0%	-30.0	-7.5%	-29.6	-7.6%	-29.7 -	+0.3 -
Net Income	-4.3	-1.0%	-34.0	-8.5%	-35.4	-9.1%	-31.0 -	-1.4 -
EPS	-¥21.89		-¥190.06		-¥198.15			
Exchange Rate	USD	¥79.82	¥77.00		¥79.41			
	EUR	¥113.80	¥102.00		¥100.64			

Previous outlook exchange rate assumptions from Q2 onward
 USD: ¥75.00, EUR: ¥100.00

Key Points of FY2012 Second-Quarter Financials (Vs. Previous Outlook)



Inkjet Printer Business

- Net sales of inkjet printers and consumables were less than forecast due to a sluggish market & fierce competition in certain regions.
 - ✓ Printer unit shipments fell short of plan despite year-over-year growth.
- Inability to meet planned printer cost reductions left operating income short.

Business Systems Business

- Net sales & operating income short of outlook due to postponement until next year of new SIDM orders for tax collection system in China and shortfall in shipments of POS products due to effects of slow economic recovery in developed economies.

Visual Products Business

- Projector unit shipments grew year over year, but net sales fell short of outlook due to market slowdown in China and postponement of tenders.
- Operating income in line with outlook, as growth in high added-value products improved the model mix.

FY2012 Financial Outlook



	FY2011		FY2012				Change (amount, %)	
	Actual	%	7/31 Outlook	%	Current Outlook	%	Y/Y	Vs. 7/31 Outlook
(Billions of yen)								
Net sales	877.9	-	870.0	-	850.0	-	-27.9 -3.2%	-20.0 -2.3%
Operating income	24.6	2.8%	28.0	3.2%	18.0	2.1%	-6.6 -26.9%	-10.0 -35.7%
Ordinary income	27.0	3.1%	28.0	3.2%	16.0	1.9%	-11.0 -40.8%	-12.0 -42.9%
Net Income <small>Before Income Taxes</small>	15.6	1.8%	13.0	1.5%	-4.0	-0.5%	-19.6 -	-17.0 -
Net income	5.0	0.6%	5.0	0.6%	-15.0	-1.8%	-20.0 -	-20.0 -
EPS	¥26.22		¥27.95		-¥83.85			
Exchange Rate	USD	¥79.08	¥76.00		¥77.00			
	EUR	¥108.98	¥101.00		¥100.00			

Current outlook exchange rate assumptions for FY2011/H2
 USD: ¥75.00
 EUR: ¥100.00

Previous outlook exchange rate assumptions from Q2 onward
 USD: ¥75.00円, EUR: ¥100.00

Inkjet Printer Business

- Net sales reflect market contraction in developed economies and slowing of growth in emerging markets.
Solution: Rather than chase unit volume, improve model mix and composition of install base.
 - ✓ Curtail sales of low-priced home inkjets.
 - ✓ Expand sales of office inkjets and high-end home inkjets.
 - ✓ Expand sales in emerging markets by expanding and enhancing high-capacity ink tank lineup.
- Operating income reflects revised printer cost reduction plan and consumables sales expectations.

Business Systems Business

- Net sales and operating income outlooks reflect a lowered SIDM unit shipment forecast given the trend for tax collection printers in the Chinese market and a lowered POS product net sales forecast due to the slow recovery in developed economies.

Visual Products Business

- Net sales and operating income reflect a lowered unit shipment target in a weaker market, though we will focus on high added value products to improve the model mix.

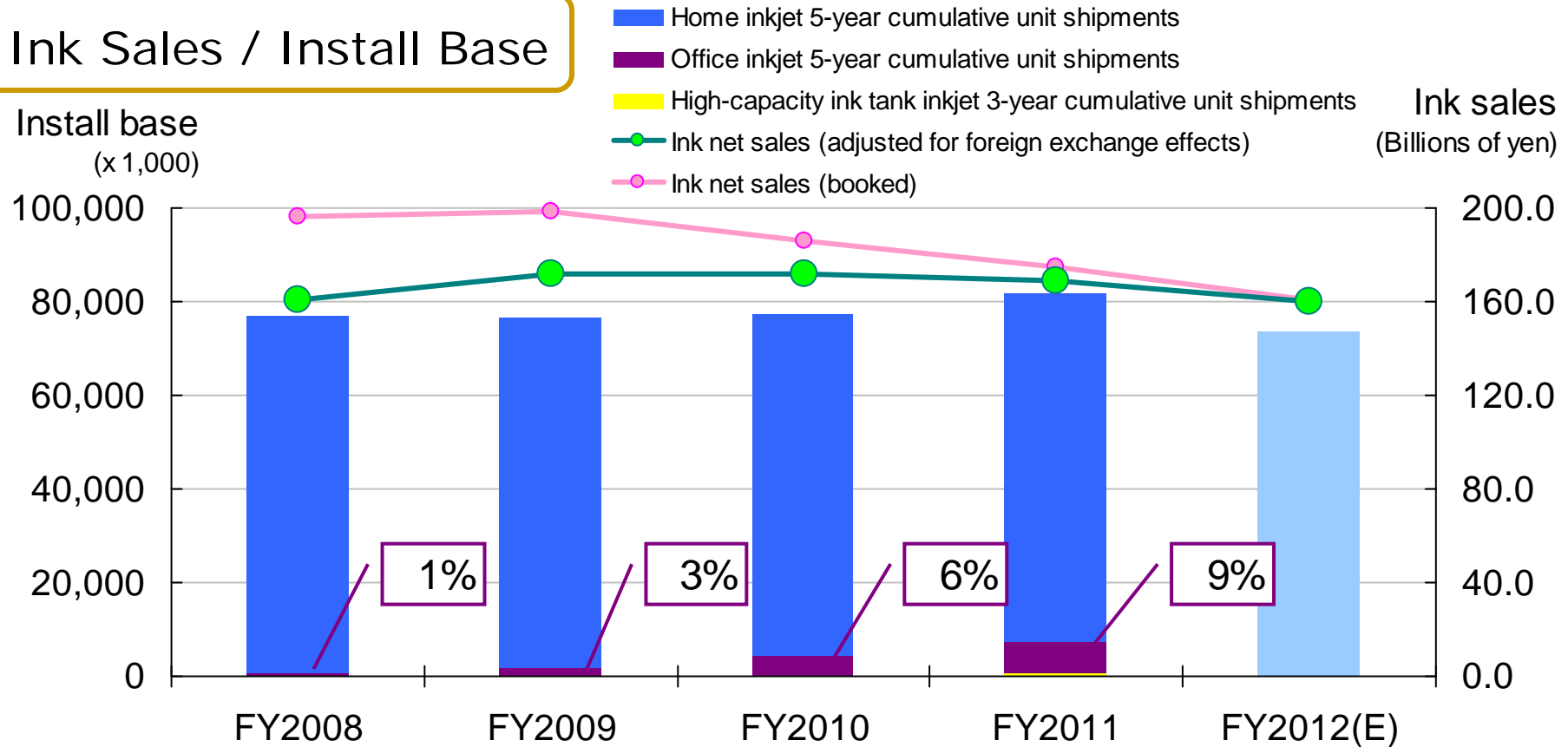
- Reasons for revising outlook
 - ✓ The inkjet printer business was unable to respond to the cooling of the market from the start of 2012 after adopting an aggressive sales plan designed to ensure a recovery from the effects of the earthquake in the first-half of FY2011.
 - ✓ The business systems business was slow to respond to rapid environmental changes.
- Immediate actions in response to revised outlook for FY2012:
 - ✓ Increase business speed by flattening and slimming the organization.
 - ✓ Reduce inventory.
- Revise mid-range financial targets and SE15 financial goals to reflect the revised FY2012 financial outlook.
 - ✓ Verify the validity of strategies and rationality of targets in light of changes in the macroeconomic, market, and competitive landscape.
 - ✓ Keep the same strategic direction, but examine assumptions and time-frames.
 - ✓ The results of reviews and analyses will be announced after we have a clear picture of Q3 results.

SE15 Mid-Range Business Plan Progress



- Epson ink sales (after eliminating foreign exchange effects) are flat or trending slightly downward. While sales of ink for home inkjets are declining, the steadily growing office inkjet install base, though still small, is making up for this.
- To secure ink sales growth, we will improve the composition of the install base by continuing to increase the office inkjet install base while curtailing unit shipments of low-priced home inkjets.

Ink Sales / Install Base

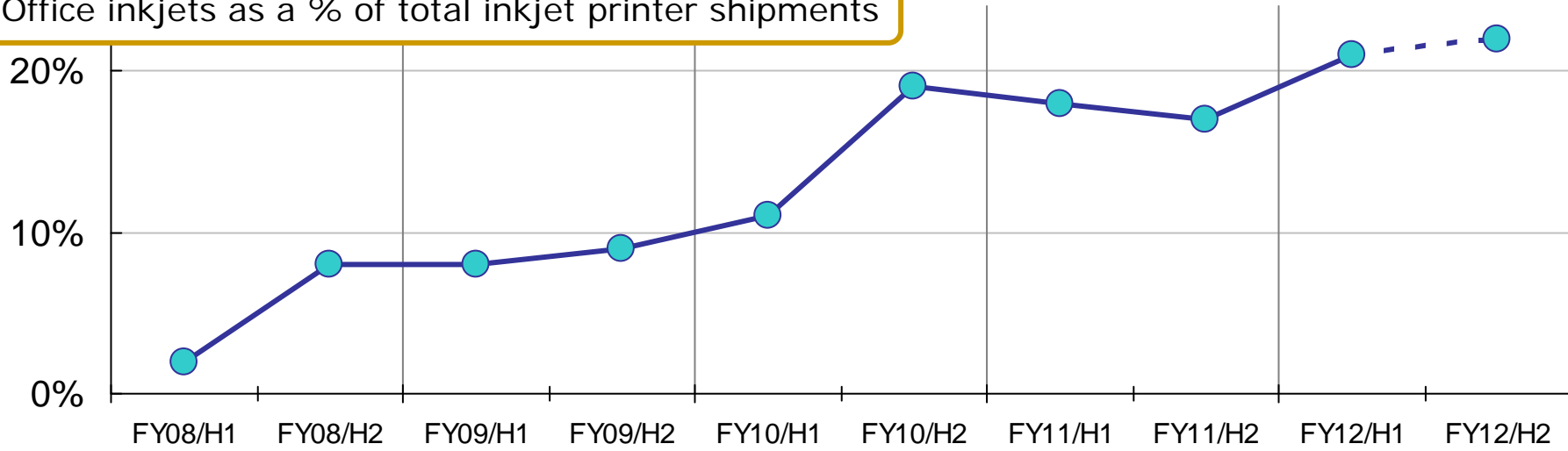


SE15 Mid-Range Business Plan Progress

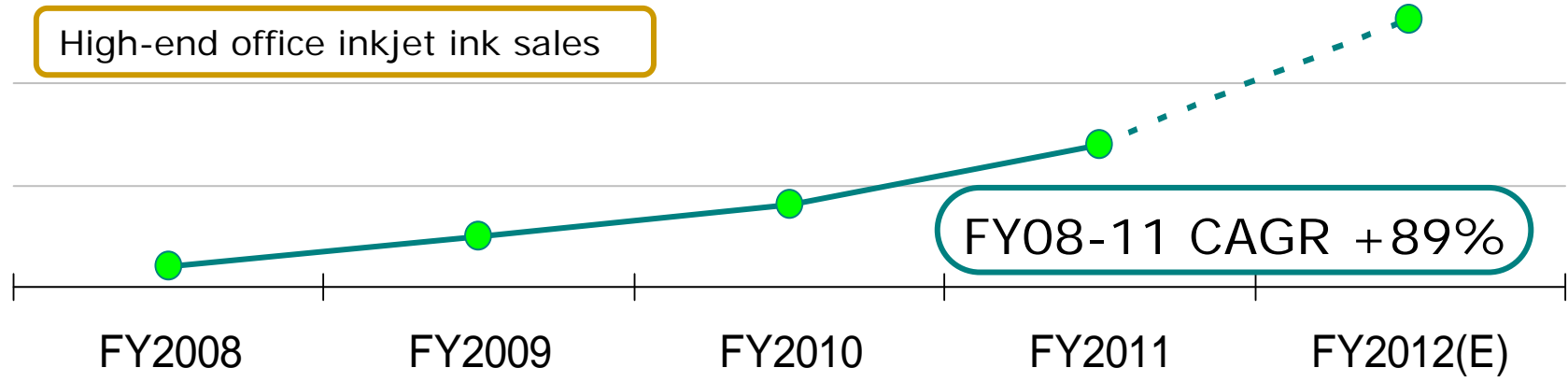


- Establish the foundation for mid-term profitability by increasing the install base of office inkjets.
- Sales of ink for high-end office inkjets are growing at a rapid rate.

Office inkjets as a % of total inkjet printer shipments



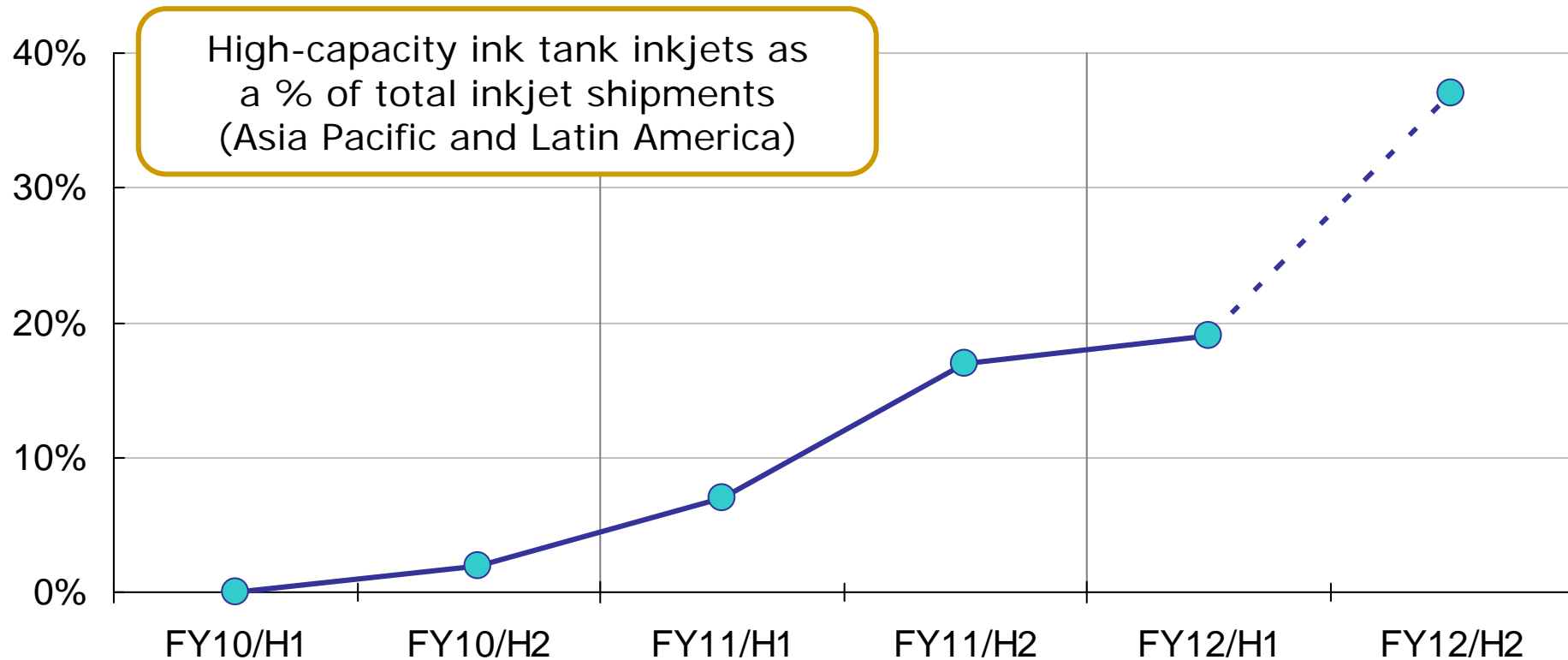
High-end office inkjet ink sales



SE15 Mid-Range Business Plan Progress



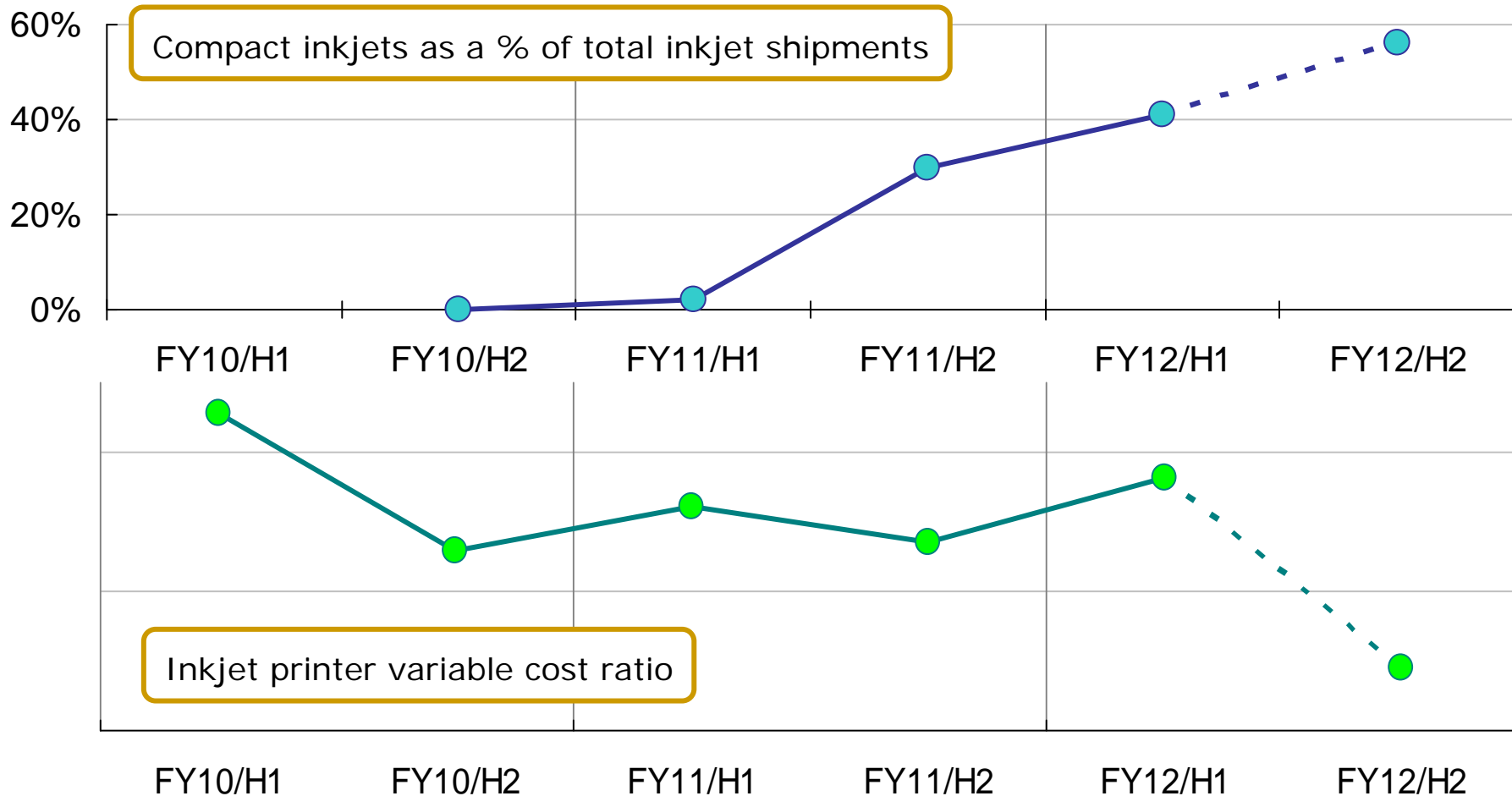
- Sales of high-capacity ink tank inkjets, growing steadily in Asia Pacific & Latin America, expected to account for nearly 40% of unit shipments in these regions in the second half.
- Profitability in these regions is improving in tandem with increases in these models, so we will act to further expand sales in emerging markets.



SE15 Mid-Range Business Plan Progress



- Compact inkjet models are steadily growing as a percentage of total inkjet printer shipments and have become a factor in product competitiveness.
- Although profitability has improved to some extent, costs were not reduced as far as planned, so we will step up cost reduction efforts.



1. Overview

2. Details

1) FY2012 Q2 Financial Results

2) FY2012 Financial Outlook

Financial Highlights (Second Quarter)



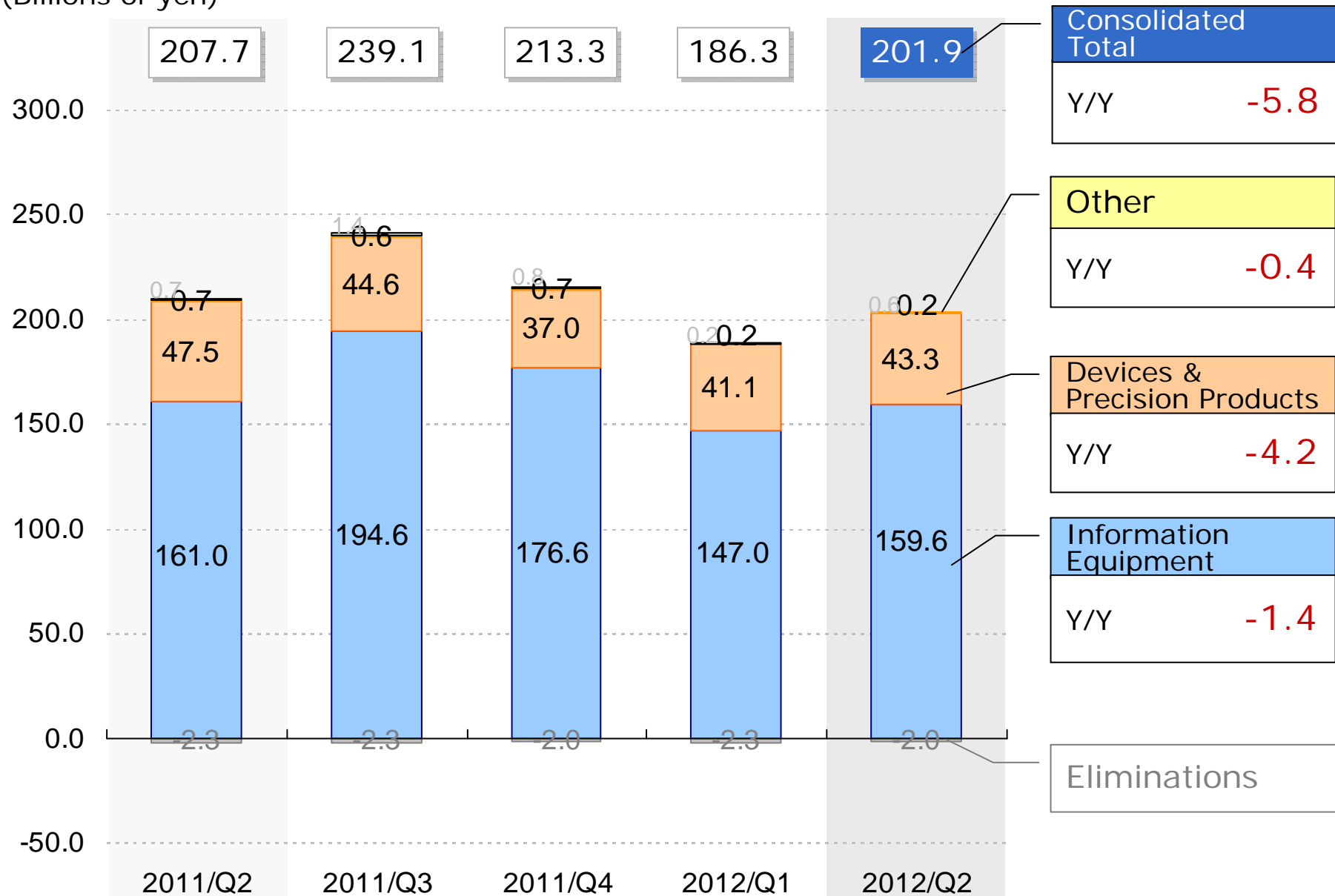
(Billions of yen)		FY2011		FY2012		Change	
		Q2 Actual	%	Q2 Actual	%	Amount	%
Net sales		207.7	-	201.9	-	-5.8	-2.8%
Operating income		3.1	1.5%	1.9	1.0%	-1.1	-37.2%
Ordinary income		3.7	1.8%	2.2	1.1%	-1.4	-39.1%
Net Income Before Income Taxes		-0.4	-0.2%	2.2	1.1%	+2.6	-
Quarterly Net Income		-1.1	-0.6%	-0.9	-0.5%	+0.1	-
EPS		-¥5.75		-¥5.48			
Exchange Rate	USD	¥77.89		¥78.63			
	EUR	¥110.19		¥98.36			

Quarterly Net Sales

► By business segment



(Billions of yen)

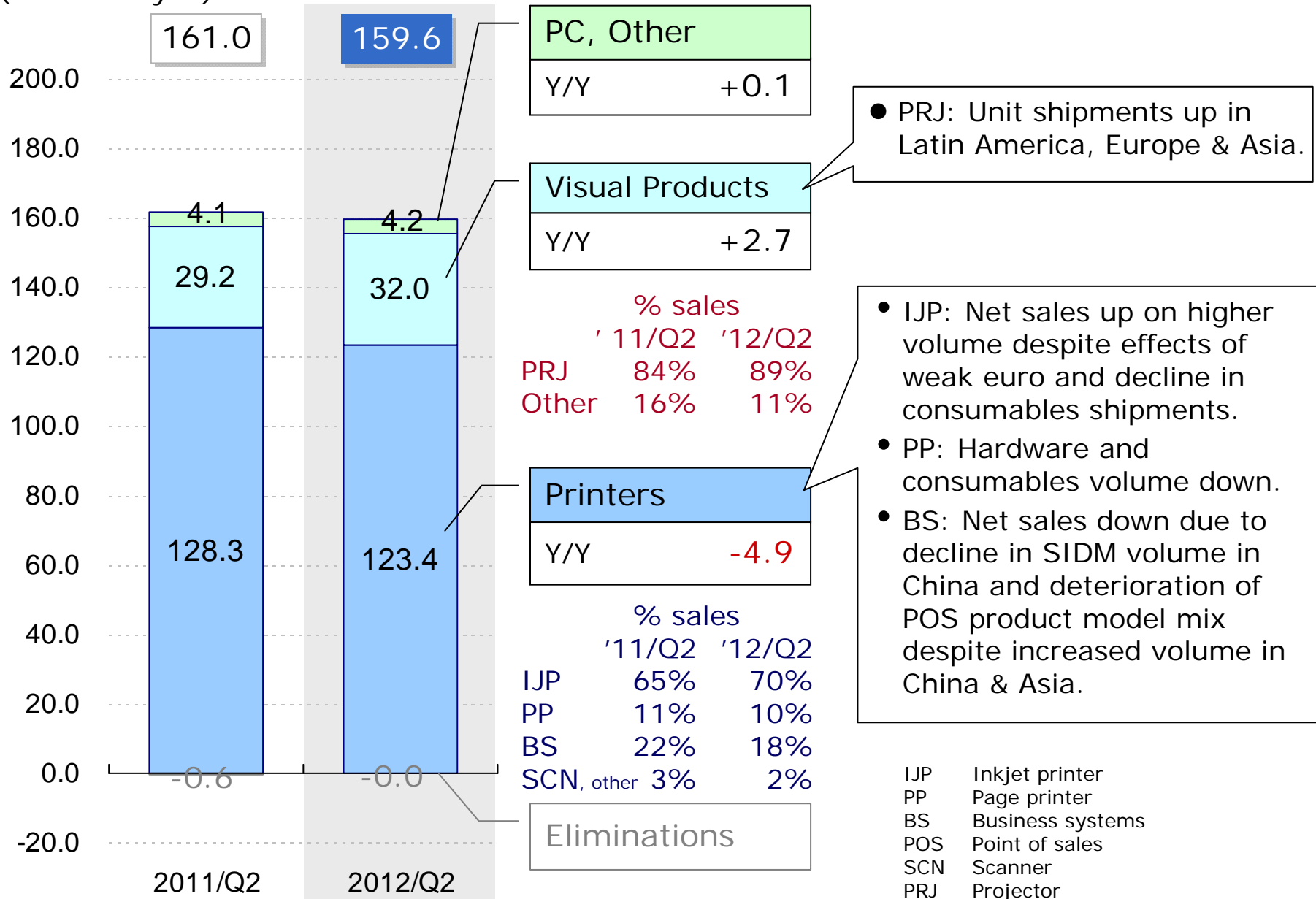


Quarterly Net Sales Comparison

Information Equipment Segment



(Billions of yen)

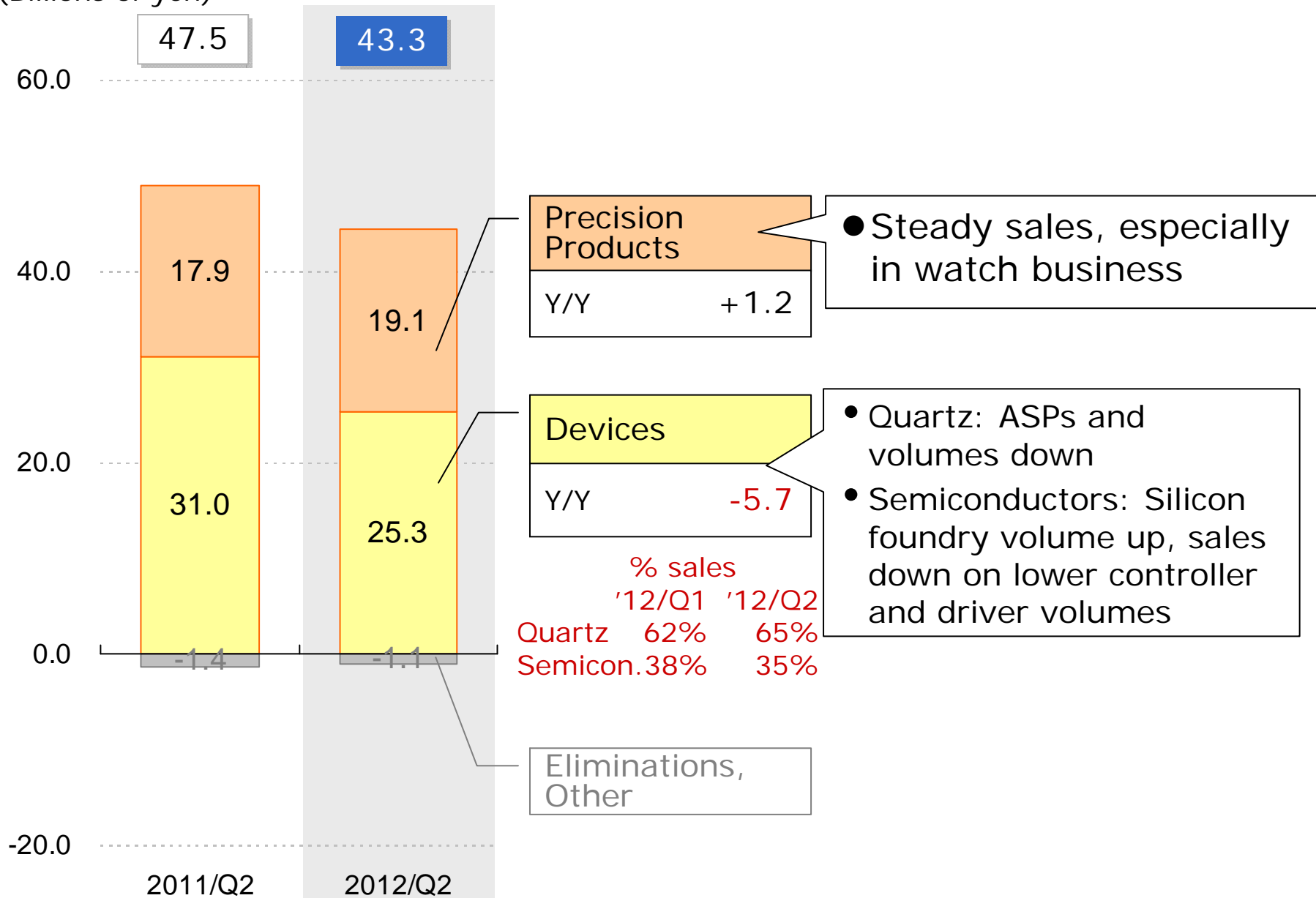


Quarterly Net Sales Comparison

▶ Devices and Precision Products Segment



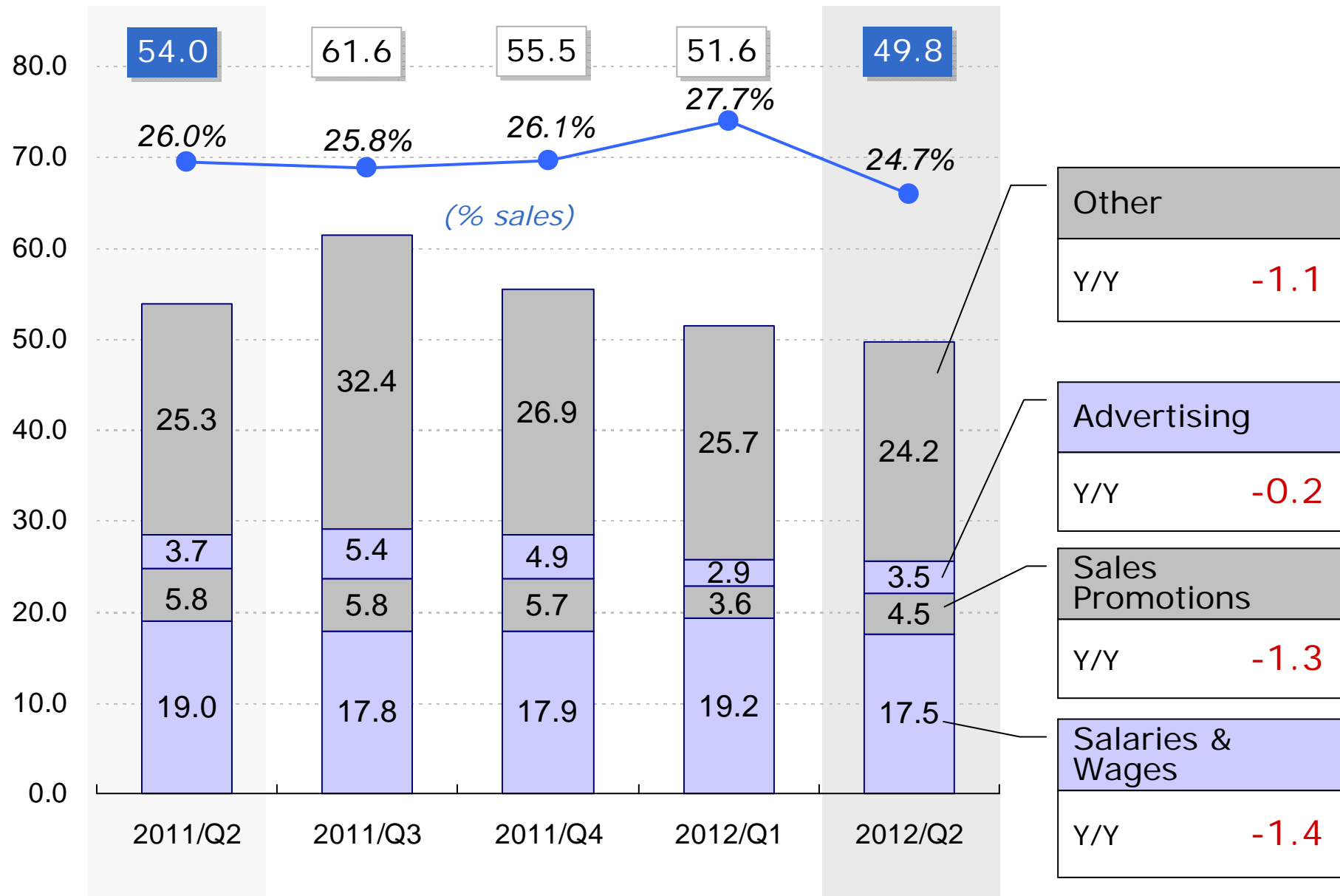
(Billions of yen)



Quarterly Selling, General and Administrative Expenses



(Billions of yen)

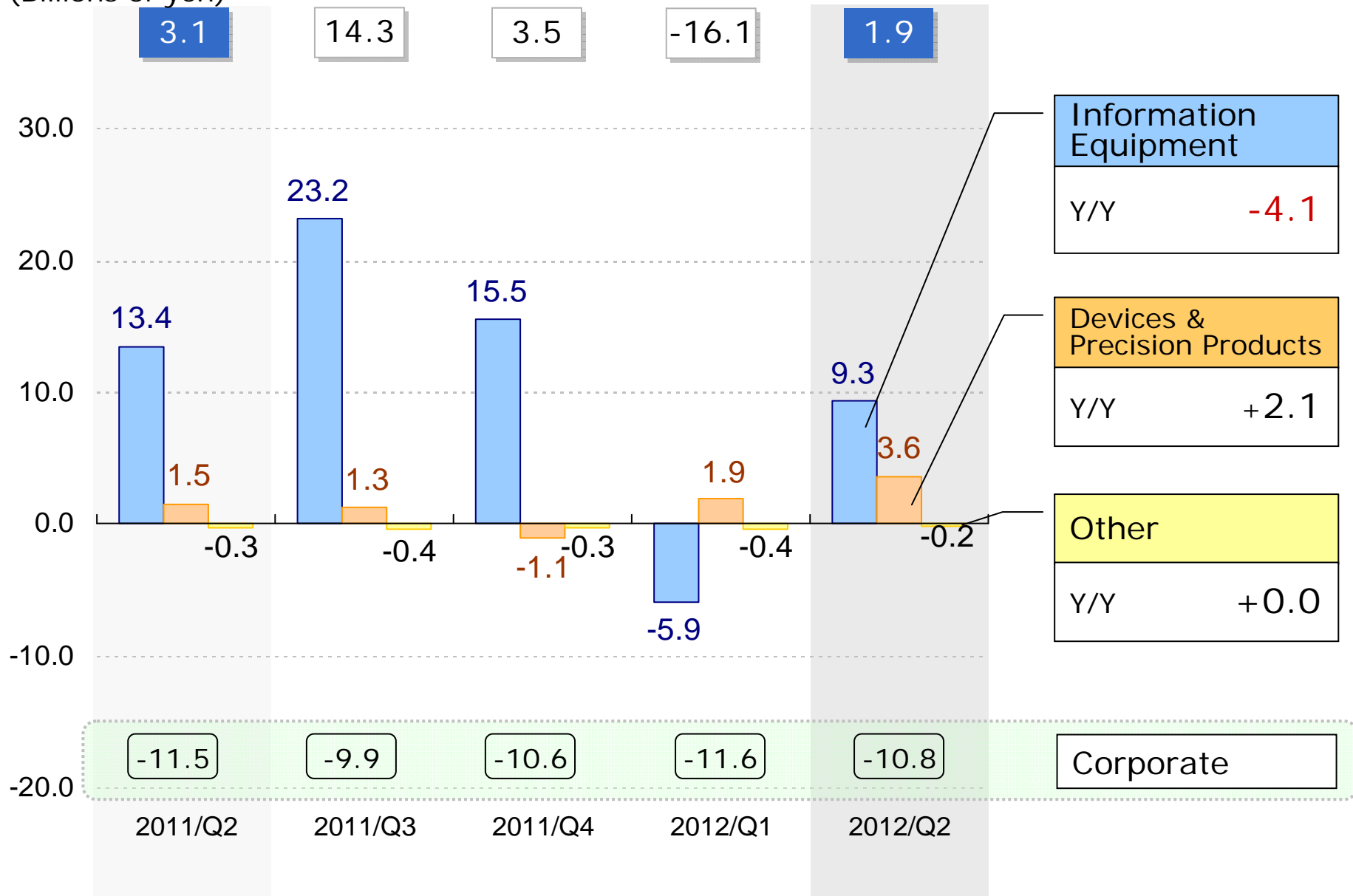


Quarterly Operating Income

► By business segment



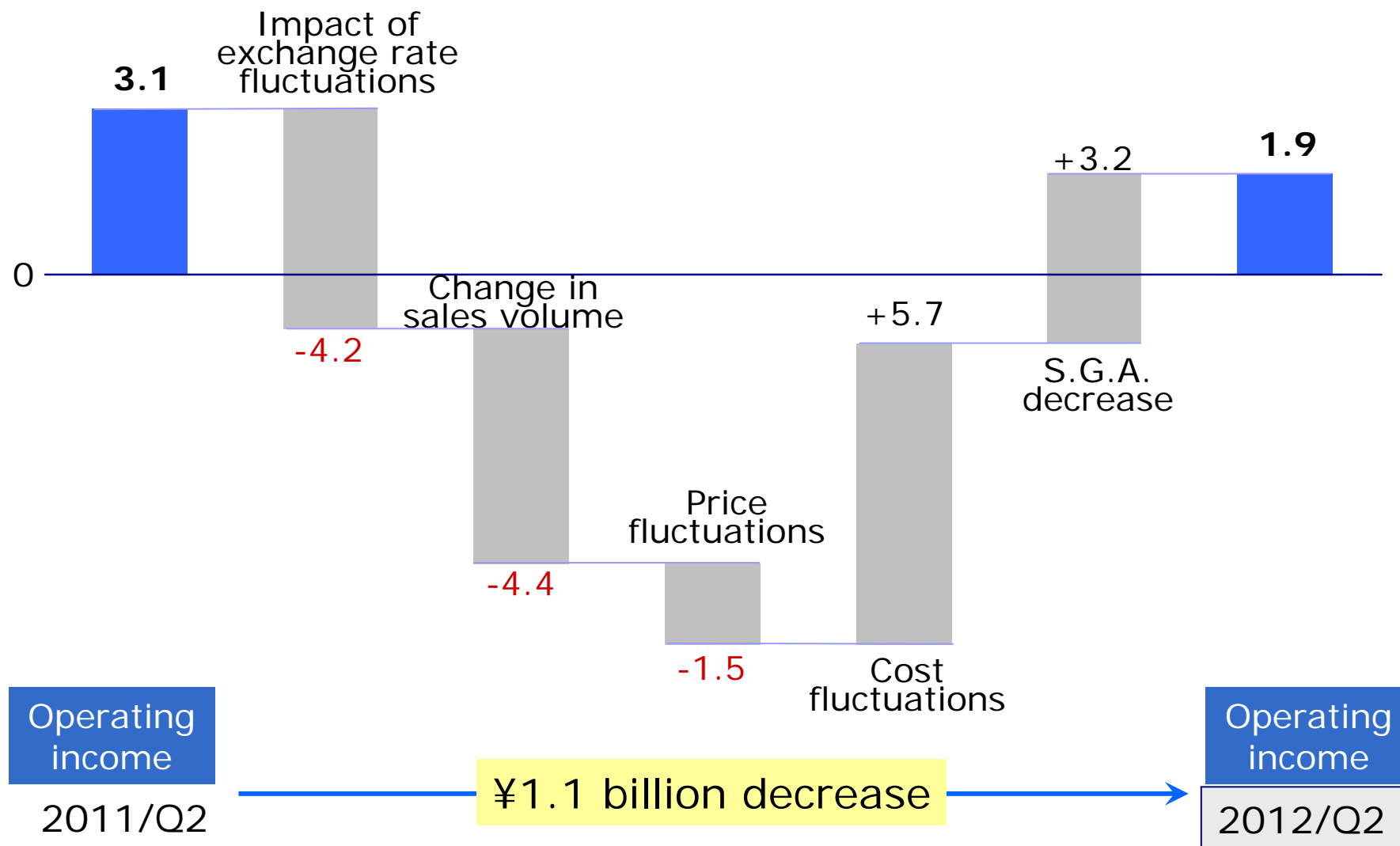
(Billions of yen)



Operating Income Fluctuation Cause Analysis



(Billions of yen)

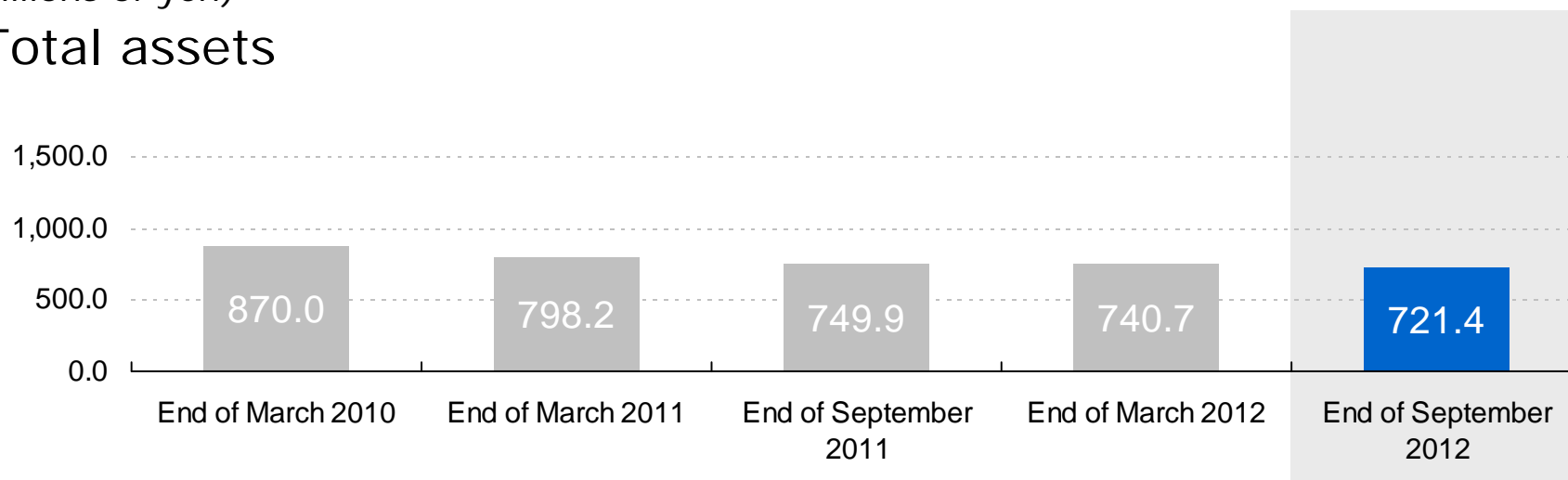


Statistics of Balance Sheet Items

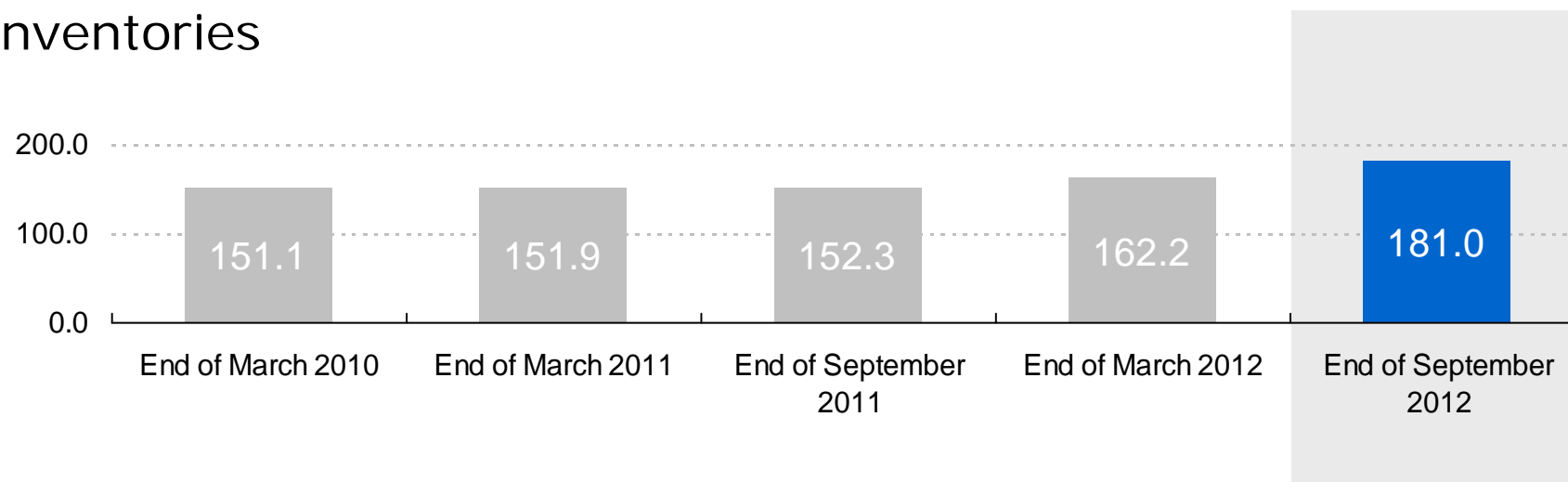


(Billions of yen)

Total assets



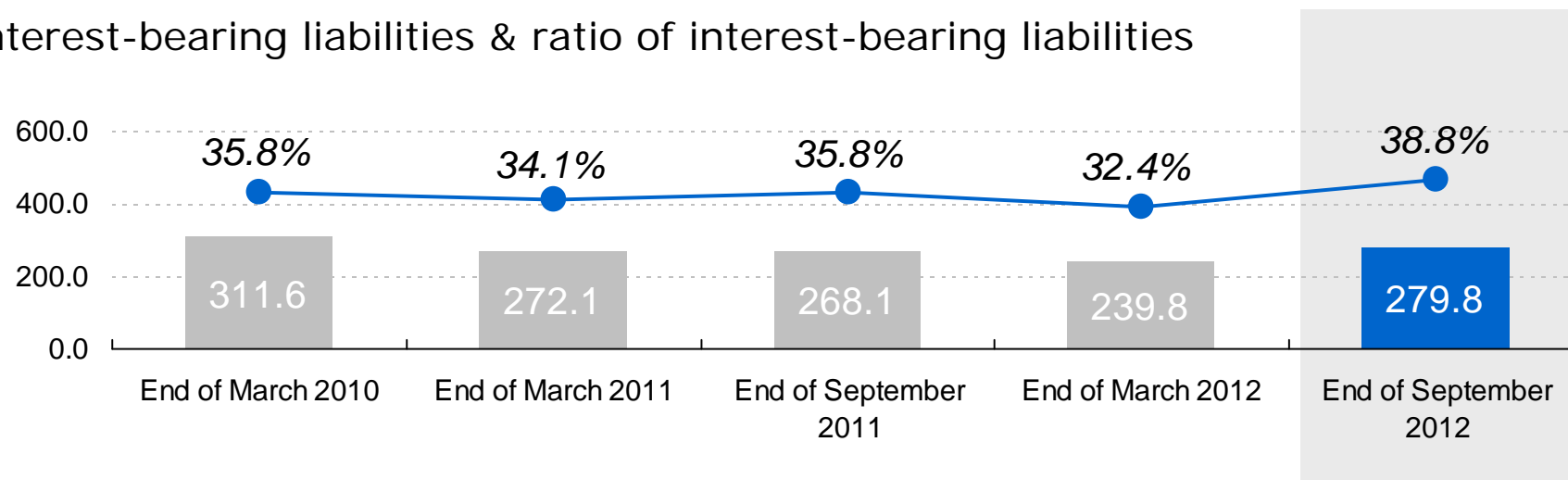
Inventories



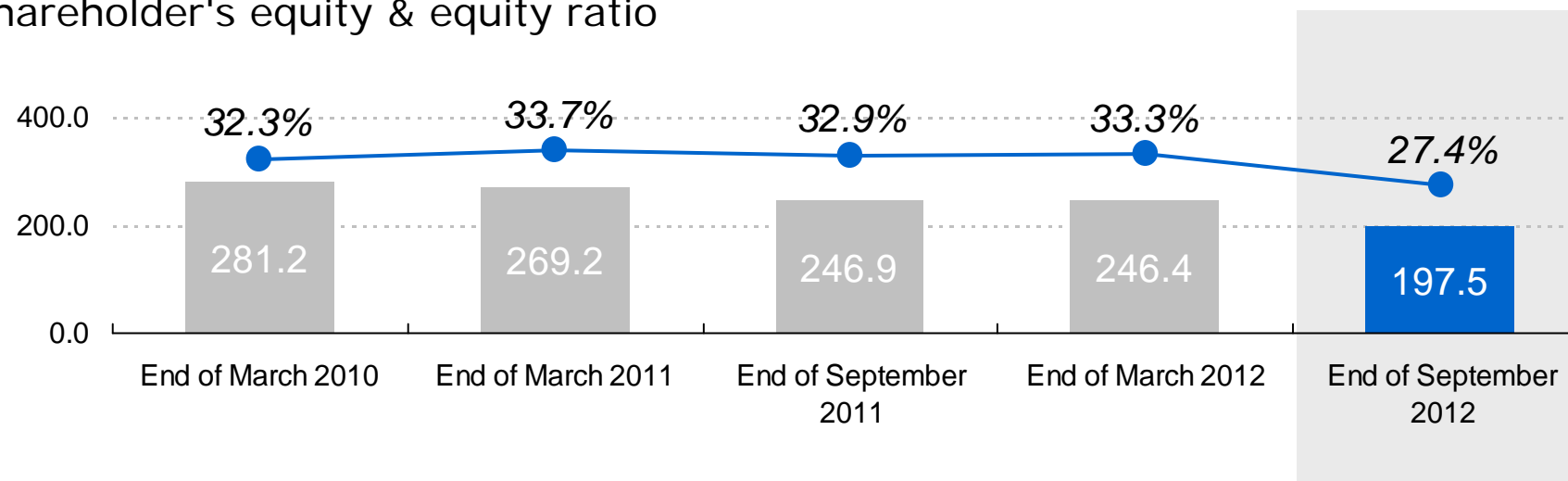
Statistics of Balance Sheet Items

(Billions of yen)

Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholder's equity & equity ratio



*Lease obligations are included in interest-bearing liabilities

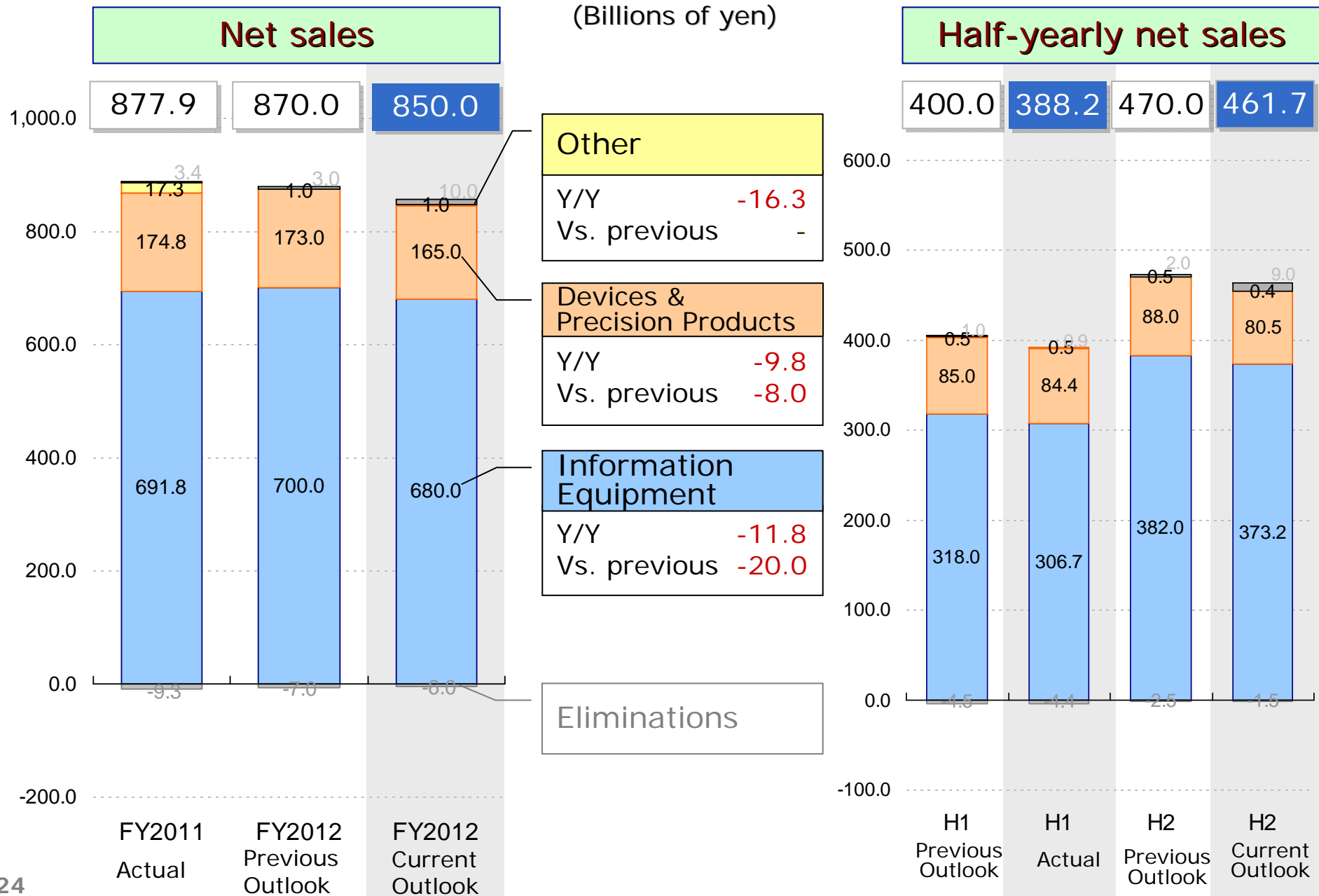
*Shareholder equity: Total net assets - minority interests in subsidiaries

1) FY2012 Q2 Financial Results

2) FY2012 Financial Outlook

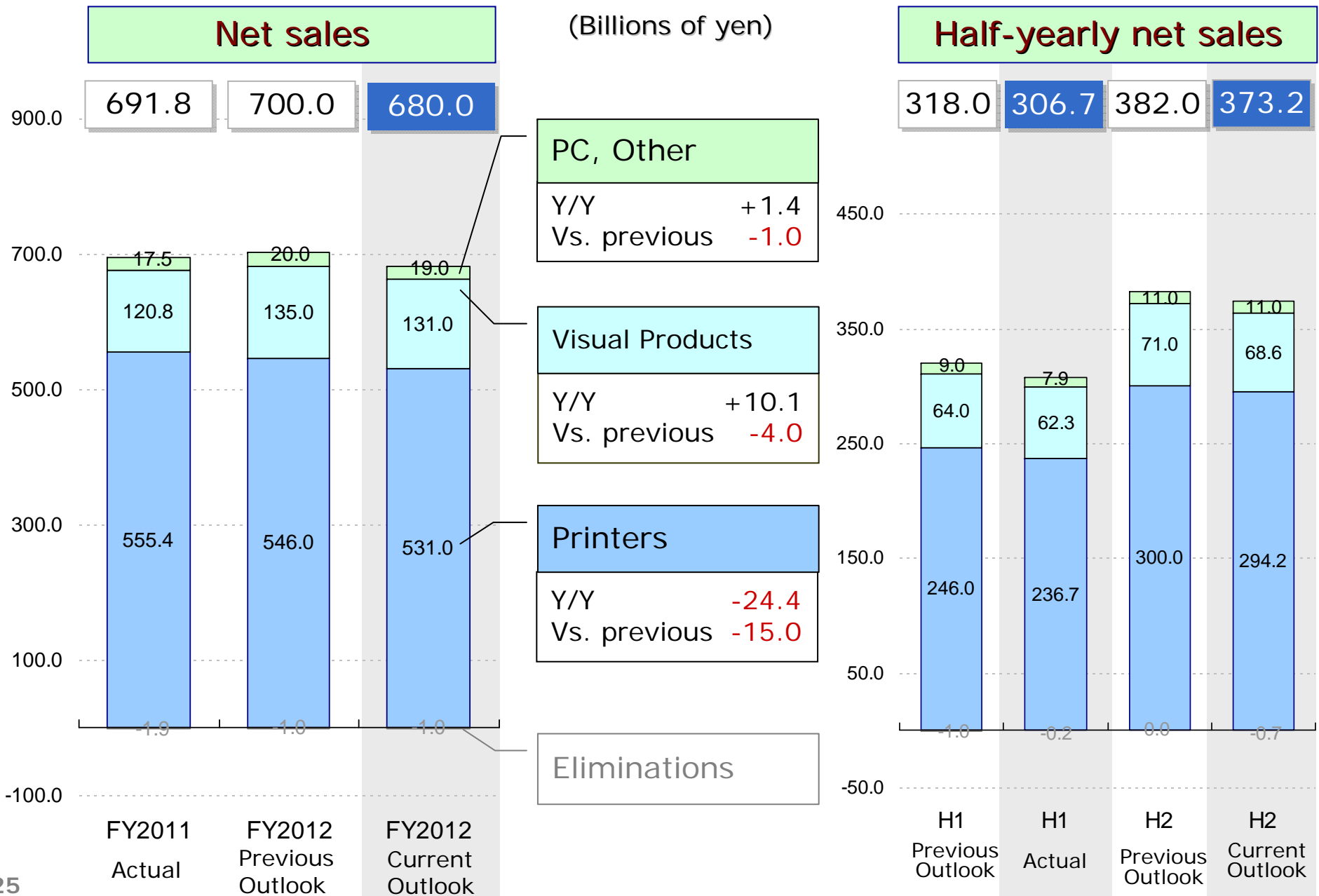
FY2012 Financial Outlook (Net Sales)

► By business segment



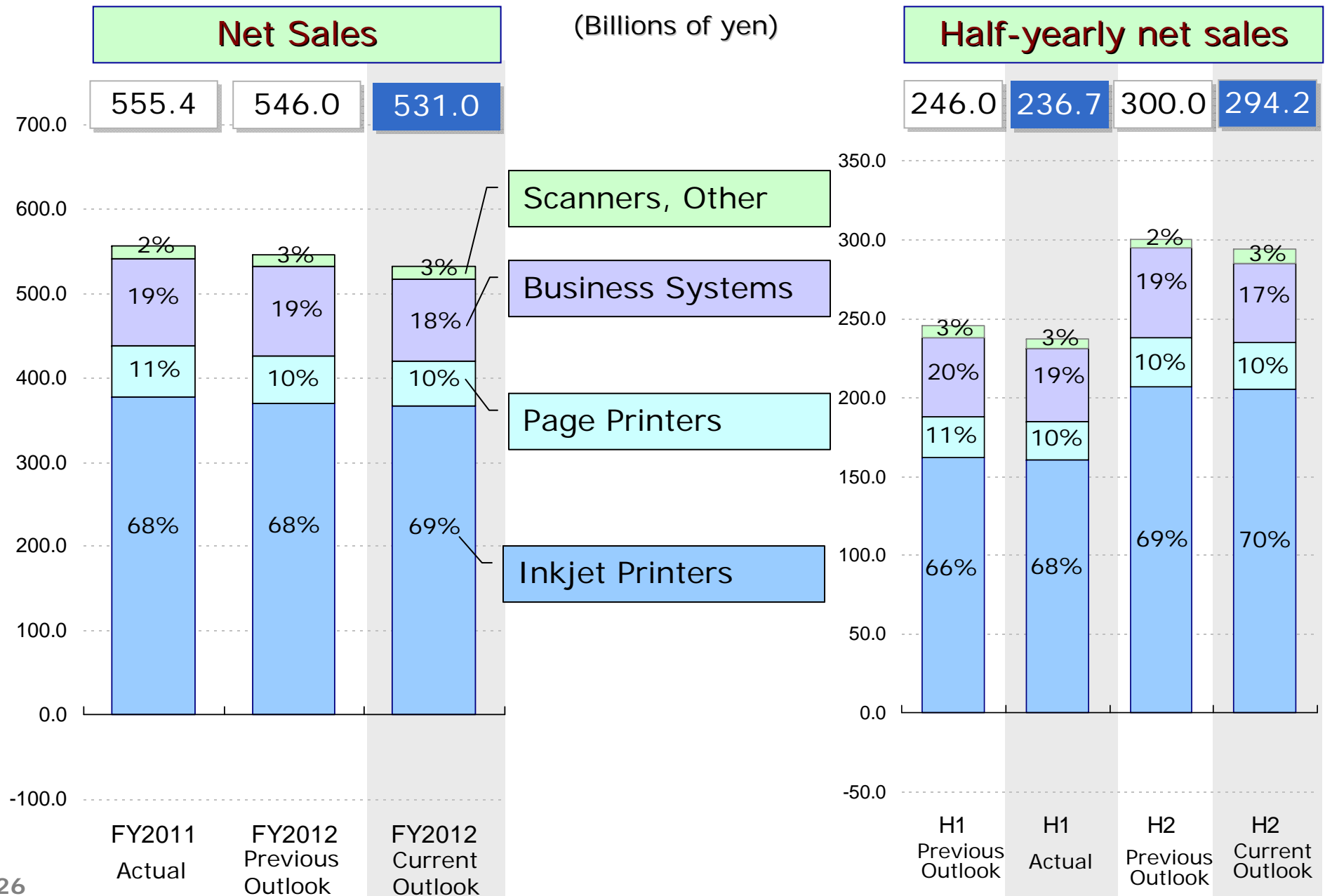
Net Sales Outlook by Business

Information Equipment Segment



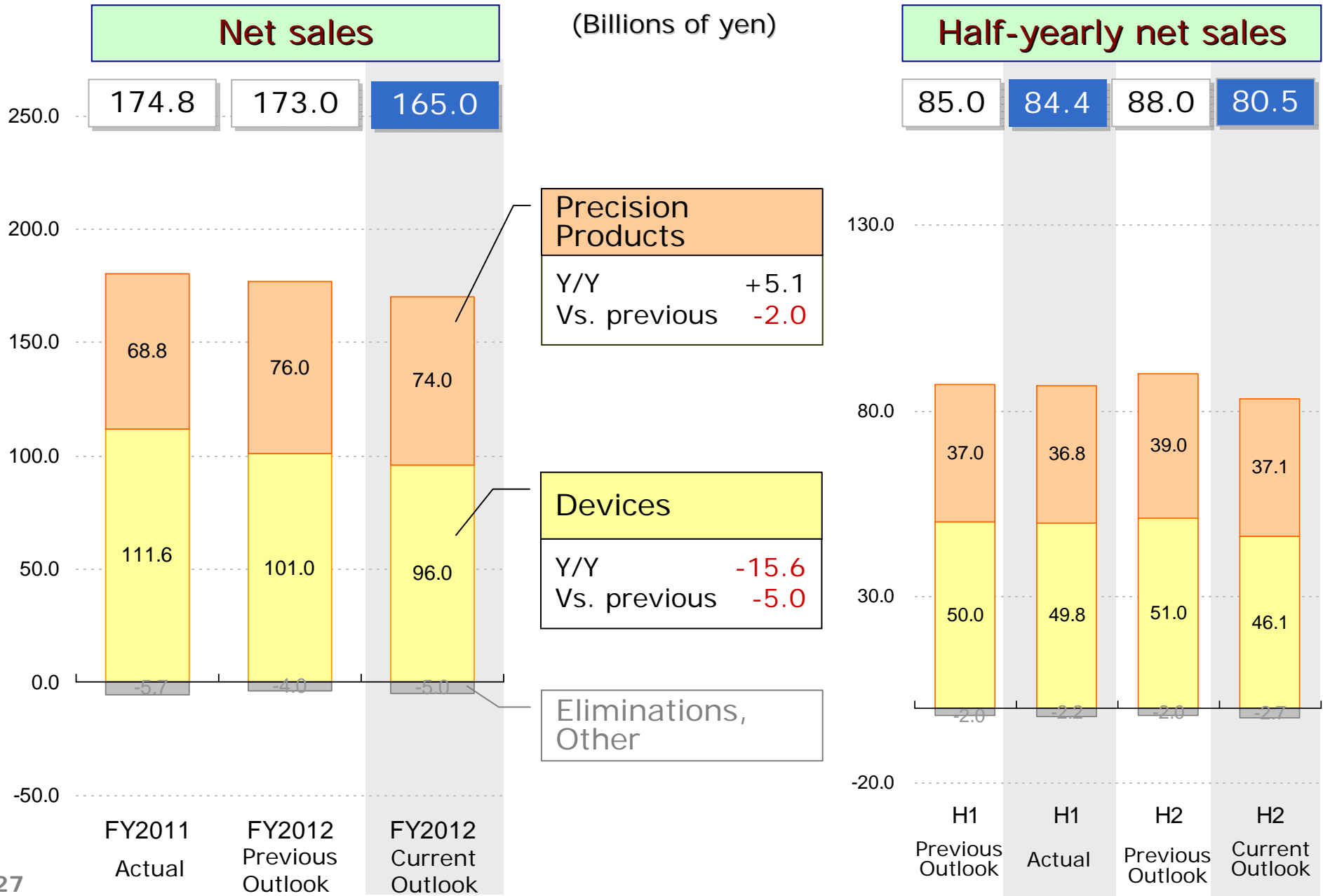
Net Sales Outlook by Business

▶ Printer Business



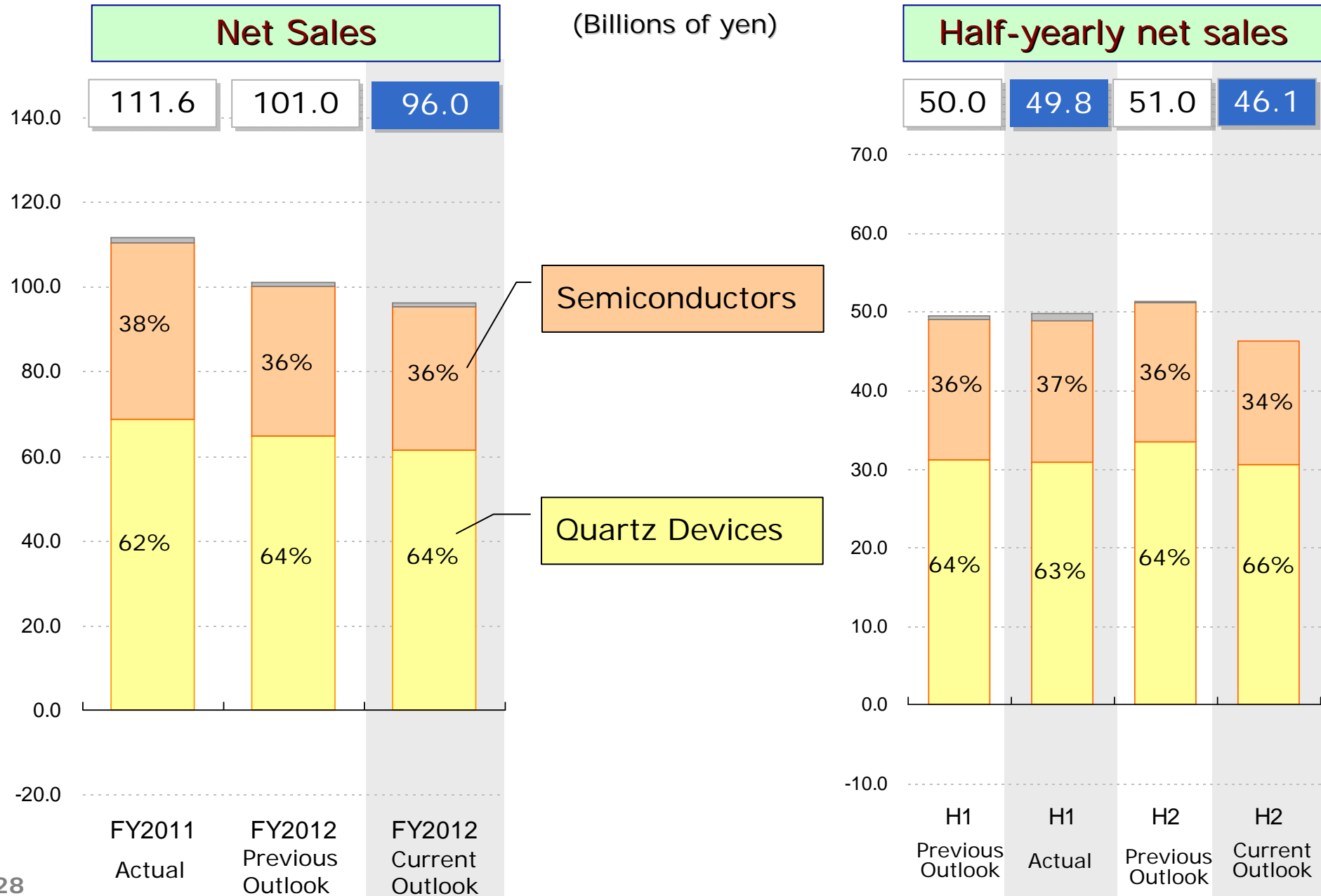
Net Sales Outlook by Business

▶ Devices & Precision Products Segment



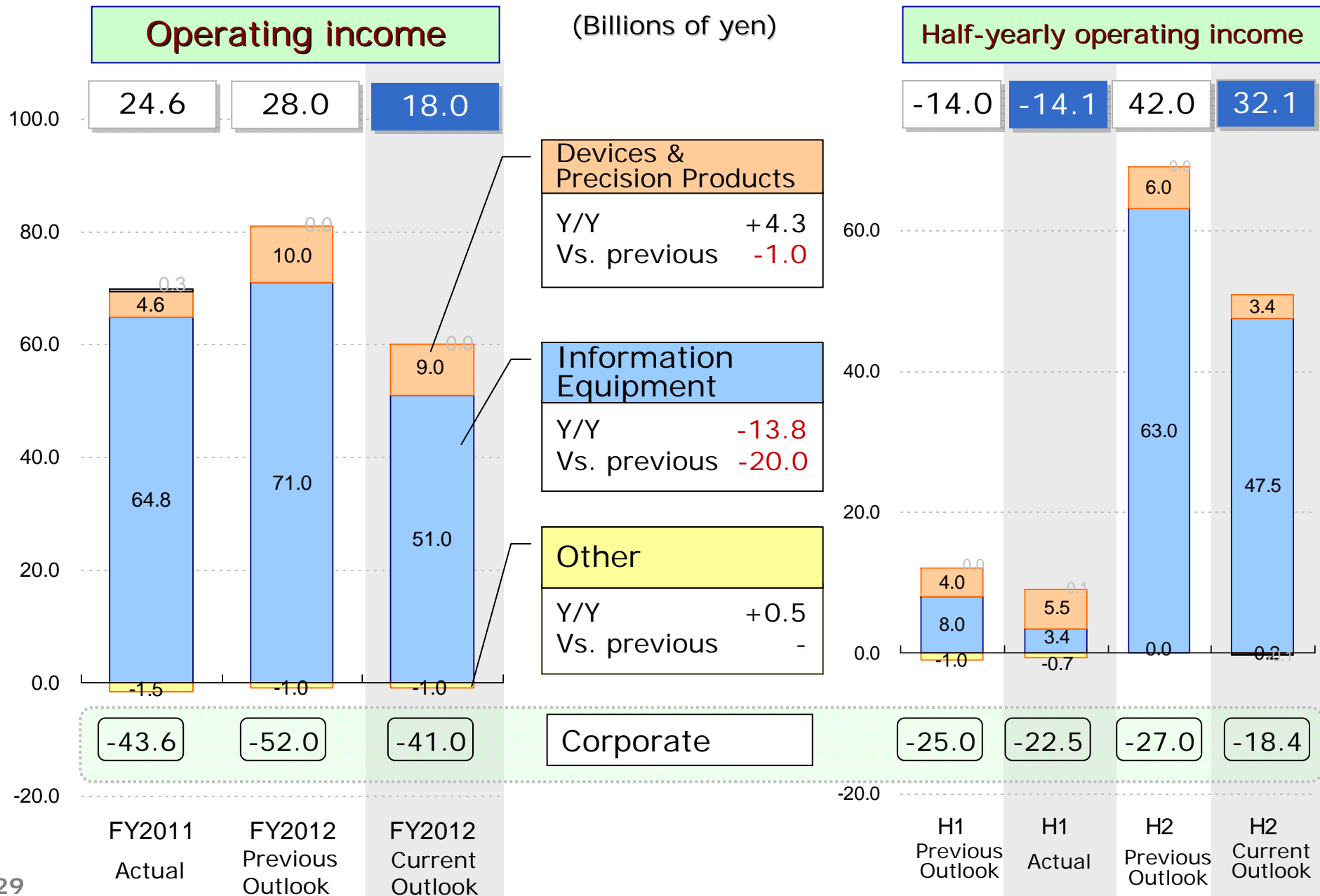
Net Sales Outlook by Business

▶ Devices Business



FY2012 Financial Outlook (Operating Income)

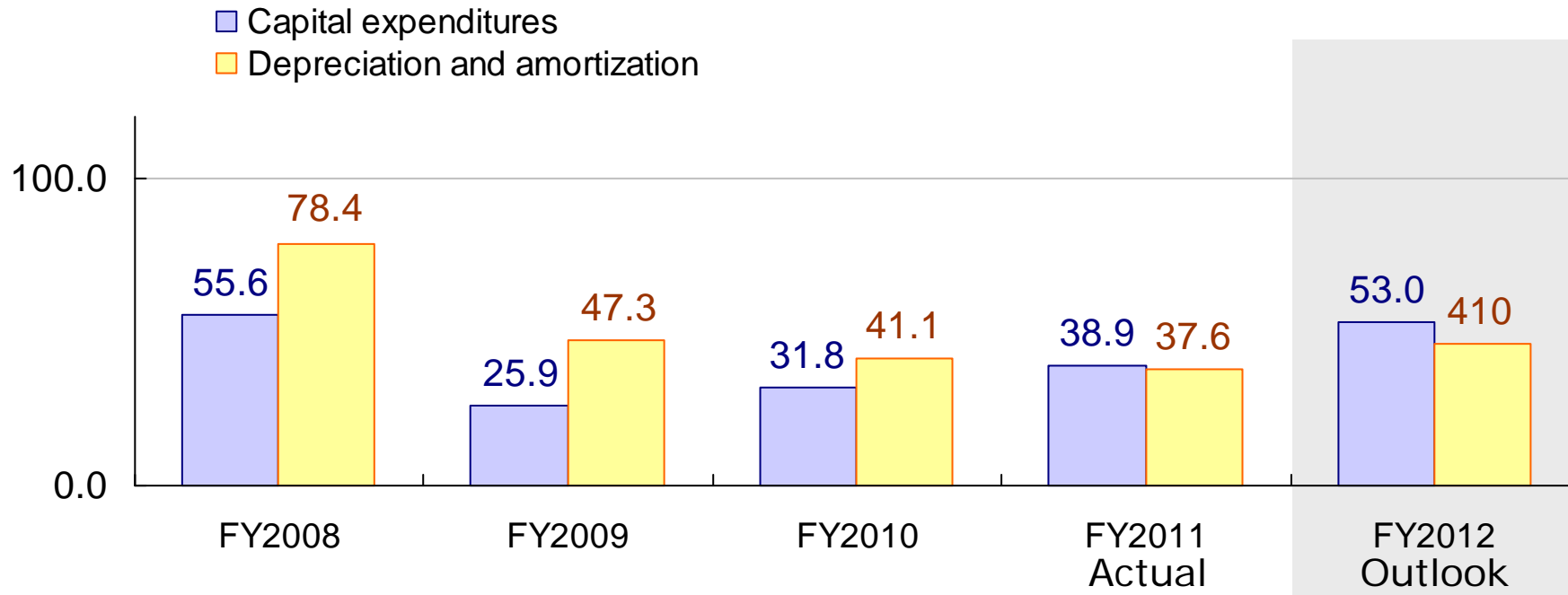
► By business segment



Outlook for Capital Expenditure and Depreciation & Amortization Expenses



(Billions of yen)

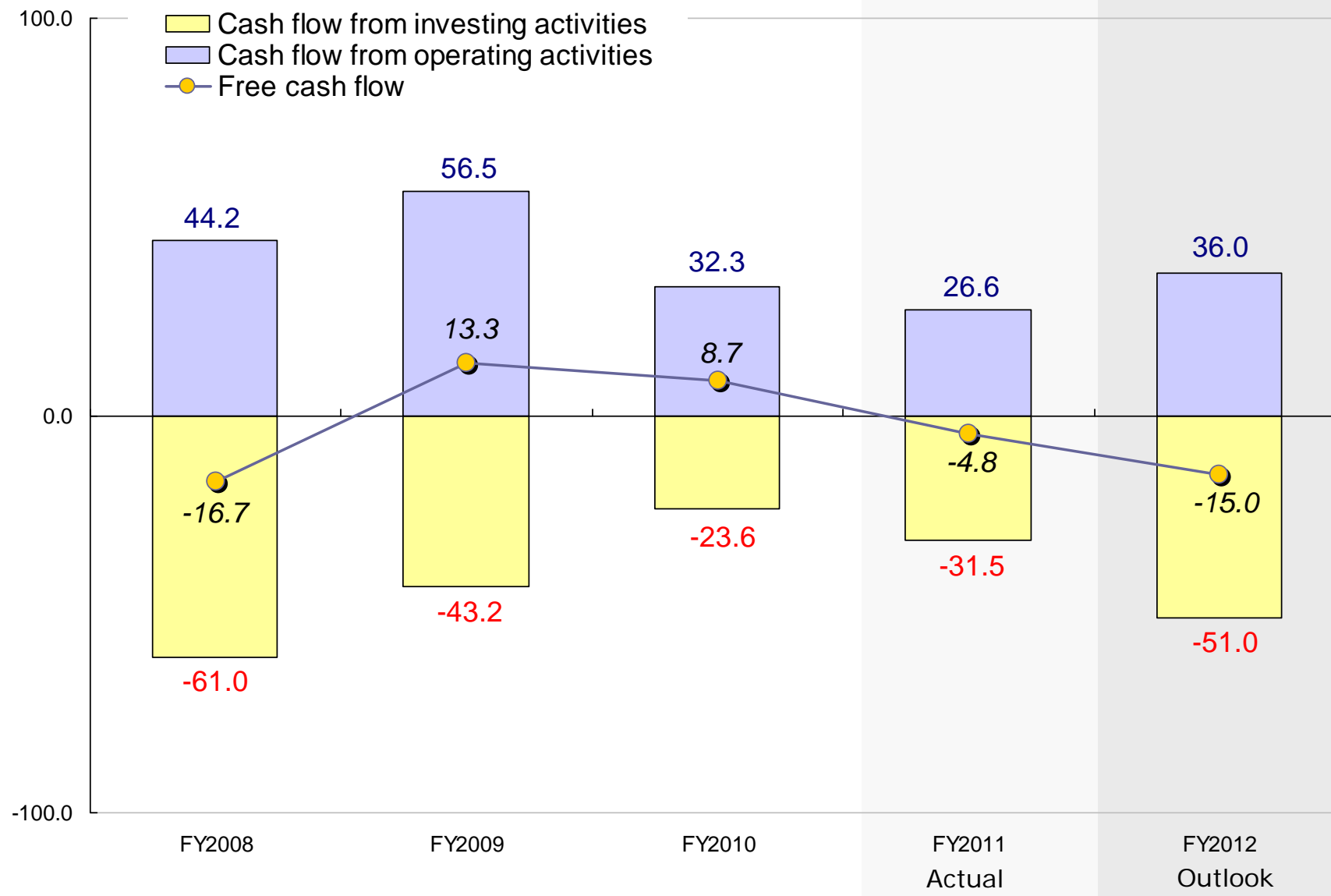


Breakdown by segment	FY2011 Actual		FY2012 Outlook	
	Cap. Ex.	D & A	Cap. Ex.	D & A
Information Equipment	29.5	22.7	40.0	27.0
Devices & Precision Products	6.8	10.1	10.0	9.0
Other/Adjustments	2.5	4.6	3.0	5.0

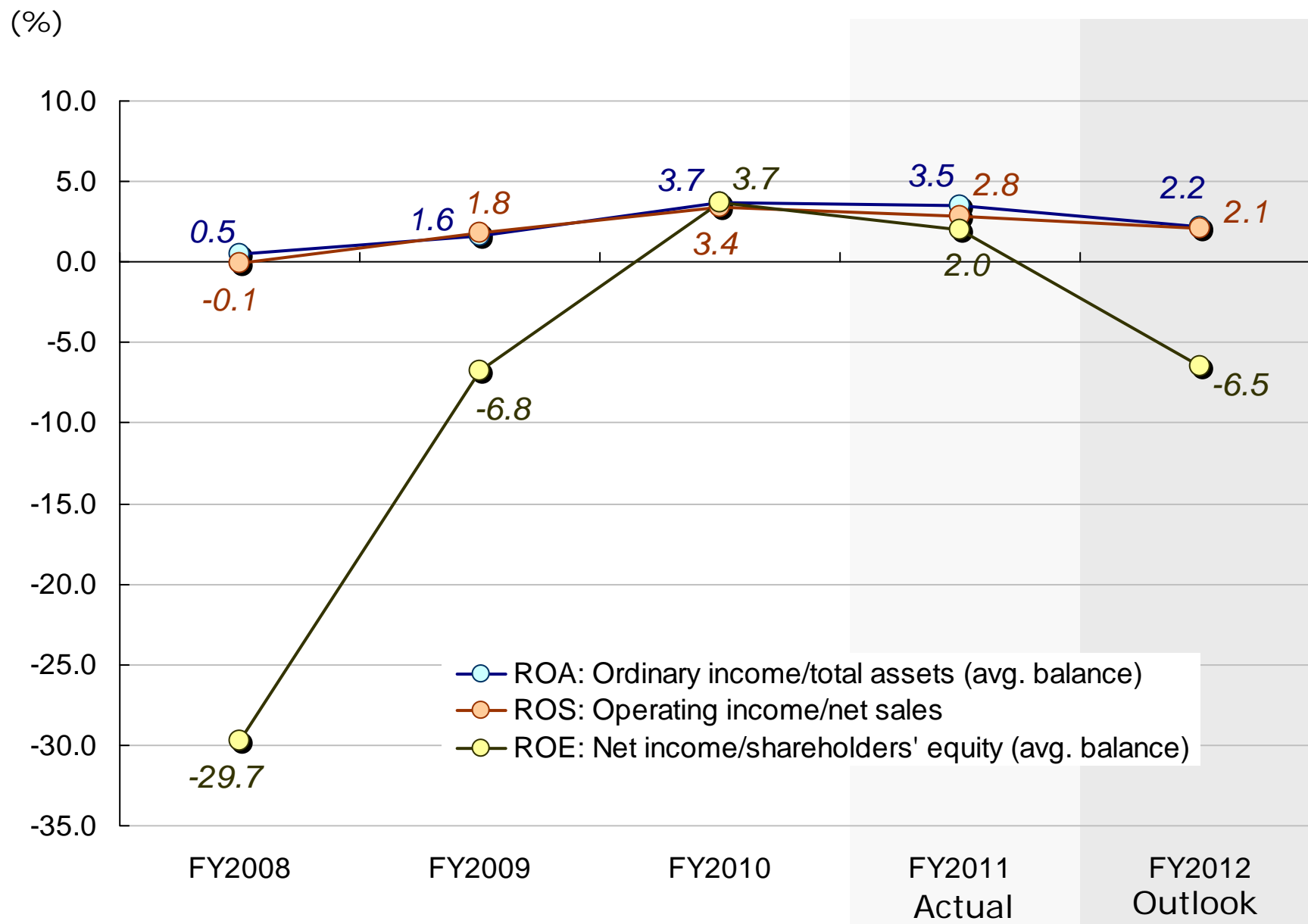
Free Cash Flow Outlook



(Billions of yen)



Main Management Indicators



EPSON
EXCEED YOUR VISION