

SEIKO EPSON CORPORATION



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October 31, 2012

CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2012

Consolidated Financial Highlights

Statements of operations and cash flows data (Millions of yen, thousands of U.S. dollars, except for per share data)

	Six months ended September 30		Change	Six months ended September 30, 2012
	2011	2012		
Statements of Operations Data:				
Net sales	¥425,518	¥388,273	(8.8%)	\$5,003,518
Operating income (loss)	6,774	(14,142)	- %	(182,242)
Ordinary income (loss)	6,146	(14,193)	- %	(182,899)
Net loss	(4,370)	(35,447)	- %	(456,791)
Comprehensive income	(19,433)	(46,579)	- %	(600,244)
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	5,965	(32,410)	- %	(417,654)
Net cash provided by (used in) investing activities	(21,035)	(28,048)	- %	(361,443)
Net cash provided by (used in) financing activities	(5,440)	38,834	- %	500,438
Cash and cash equivalents at end of period	184,995	123,626	(33.2%)	1,593,118
Per Share Data:				
Net loss per share -Basic	(¥21.89)	(¥198.15)	- %	(\$2.55)
-Diluted	¥-	¥-	- %	\$-

Balance sheets data

(Millions of yen, thousands of U.S. dollars, except for per share data)

	September 30, 2012	March 31, 2012	September 30, 2012
Total assets	¥721,481	¥740,769	\$9,297,435
Net assets	199,139	248,140	2,566,224
Shareholders' equity	197,554	246,442	2,545,798
Shareholders' equity ratio (%)	27.4%	33.3%	27.4%
Shareholders' equity per share	¥1,104.32	¥1,377.60	\$14.23

Cash dividends per share data

(Yen, U.S. dollars)

Cash dividends per share	September 30		
	2011	2012	2012
Interim	¥13.00	¥13.00	\$0.16

Notes

- I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by Seiko Epson Corporation (the “Company”) as required by the Financial Instruments and Exchange Law of Japan.
- II. Figures in ‘Change’ column are comparisons with the same period of the previous year.
- III. Diluted net income per share is presented only if there are dilutive factors present.
- IV. Shareholders’ equity is equity excluding minority interest in subsidiaries.
- V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥77.60 = U.S.\$1 as of September 30, 2012, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2012 First Half Overview

Overall, the global economic recovery was weak during the first half of the year under review due to the effects of uncertainty over the financial futures of some E.U. member states. Regionally, U.S. economic growth, boosted in part by growth in consumer spending, recovered at a gradual pace but was tempered by a lack of improvement in unemployment figures. In Europe, economic softness continued due to factors such as high unemployment and uncertainty about the financial futures of several European states. In Asia, the pace of economic expansion in China slowed primarily because of sluggish exports, while India's high real interest rate is seen as the major reason for the slowdown in that country's economy. Elsewhere in Asia, signs of a pick-up were seen in some countries and regions while signs of weakness were seen in others. In Japan, the economy stayed in a holding pattern, as exports and production softened amid the global economic slowdown.

The situation in the main markets of the Epson Group ("Epson") was as follows.

Inkjet printer demand, on the decline in North America and Europe, was seen rebounding in Japan. Large-format inkjet printer shipments were moderated by spending restraints in the printing and photo industries, while demand was seen decelerating in the once firm Asian markets, especially China. In addition to contracting in America, Europe and Japan, demand fell sharply for serial impact dot-matrix (SIDM) printers used in tax collection systems in China. POS system product shipments to Southeast Asia and to small- and medium-sized retailers in the Americas were solid during the quarter owing to an upswing in capital expenditure. However, a continued reluctance to invest on the part of large U.S. and European retailers moderated sales. In projectors, demand from the education market was firm, especially in the emerging economies of South America and Southeast Asia, while a deceleration in demand was seen in China.

Demand for the main electronic device applications generally remained steady across the period. In mobile phone handsets, signs were seen of a slowing of demand for conventional models, but the smartphone market continued to expand. The digital camera market remained firm, with sales of SLR (single-lens reflex) and MILC (mirrorless interchangeable-lens camera) models particularly solid, while the tablet PC market also expanded. On the other hand, the television and PC markets were, on the whole, weak.

In the precision products market, watch demand rebounded in Japan and other parts of Asia but showed signs of softening in Europe and America. Robot demand increased in conjunction with increased demand from the electronics industry, particularly in China and Taiwan, and from the automotive parts industry in the Americas. However, IC handler demand was dampened by investment restraints in the semiconductor market.

Epson began the 2012 fiscal year under a new business plan. The new SE15 Mid-Range Business Plan (FY2012-14), the second of two three-year plans, is designed to achieve the company's long-range corporate vision of becoming a community of robust businesses. Under the SE15 Mid-Range Business Plan (FY2012-14) Epson is looking to channel its collective energy into coping with a difficult business environment, including uncertainty about the financial future in Europe and a strong yen, to accelerate the speed with which it executes business strategies, and to establish a reliable map for achieving the SE15 vision.

Extraordinary losses in the first half included a ¥13,910 million (\$179,252 thousand) loss on litigation, the majority of which is attributable to a settlement for a lawsuit involving allegations of involvement in an LCD price-fixing cartel.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first half were ¥79.41 and ¥100.64, respectively. This represents a 1% appreciation in the value of the yen against the dollar and a 12% appreciation in the value of the yen against the euro, year over year.

Compared to the same period last year, consolidated first-half net sales were ¥388,273 million (\$5,003,518 thousand), down 8.8%. Operating loss was ¥14,142 million (\$182,242 thousand), compared to operating income of ¥6,774 million in the same period last year. Ordinary loss was ¥14,193 million (\$182,899 thousand), compared to ordinary income of ¥6,146 million in the same period last year. And net loss was ¥35,447 million (\$456,791 thousand), compared to a net loss of ¥4,370 million in the same period last year.

A breakdown of the financial results in each reporting segment is provided below. Please note that, effective from the third quarter of last fiscal year, the visual instruments business, which was under the information-related equipment segment, and the TFT (high-temperature polysilicon TFT LCD panels for projectors) business, which was under the devices and precision products segment, were merged to form the visual products business. The visual products business results are now reported under the information-related equipment segment. The quarterly financial results corresponding to last fiscal year have been restated in accordance with these segment changes for comparison purposes.

Information-Related Equipment Segment

The printer business as a whole reported a decline in net sales.

Inkjet printer unit shipments increased compared to the same period last year, when Epson found it necessary to curtail promotions in Europe and America due to the effects of the earthquake and disaster. High-capacity ink tank models were among the categories seeing sales growth. Sales of inkjet consumables, however, declined. Large-format printer unit shipments increased owing to unit growth of low-priced models in Europe, America, and Asia. In addition, average selling prices increased due to the release of new products in the high-price zone, but this effect was canceled out by a decline in sales of older models in the high-price zone. The average selling prices of consumables increased along with sales of new products in the high-price zone, but the benefits of this increase were canceled out by a decline in total consumables sales due chiefly to a decrease in print volume in the printing industry and foreign exchange effects. Page printer sales decreased primarily due to the effects of corporate cost cutting. SIDM unit shipments declined in China in comparison to the same period last year, where there was a particularly robust demand for use in tax collection systems. Unit shipments to other parts of Asia also declined. POS system product unit shipments increased because of strong, steady demand from small- and medium-sized retailers in the Americas and Southeast Asia, but the effect of higher unit shipments was canceled out by falling selling prices in the Americas. In Europe, meanwhile, POS system product sales declined due to cutbacks in investment by customers in the slow economy. The printer business as a whole was significantly impacted by the strong yen.

Net sales in the visual products business increased.

Total unit shipments for projectors in the visual instruments business increased. In addition to increased unit shipments of low-end 3LCD business projectors in Asia, the Americas, and Japan, Epson saw unit shipments of projectors for the education segment expand in Europe. Home-theater 3LCD projector unit shipments also increased. Demand in Europe was driven higher by major sporting events, while net sales benefited from an increase in average selling prices due to strong sales of high-priced models. The visual instruments business as a whole saw net sales increase, as unit shipment growth more than offset falling average selling prices and the effects of yen appreciation.

Segment income in the information-related equipment segment declined. In addition to the impact of the strong yen on net sales, segment income fell due to decreased income mainly from inkjet printers, SIDM printers, and POS systems products.

As a result of the foregoing factors, net sales in the information-related equipment segment for the period under review were ¥306,781 million (\$3,953,376 thousand), down 4.3% year over year, while segment income was ¥3,445 million (\$44,408 thousand), down 86.8% year over year.

Devices & Precision Products Segment

Net sales in the devices business declined.

In quartz devices, tuning-fork crystal unit shipments decreased, as did prices, while AT-cut crystal prices plummeted. Semiconductor net sales decreased. While silicon foundry order volume increased, net sales were heavily impacted by a decline in unit shipments of LCD controllers, EPD controllers, and LCD drivers for automotive applications.

Net sales in the precision products business increased.

Watch revenue was driven upward by an increase in sales of luxury models and a concomitant rise in average selling prices. Plastic eyeglass lens net sales increased, as unit shipment growth driven by newly released products more than made up for a decline in average selling prices brought about by an increase in low-priced models as a percentage of total sales. In factory automation systems, sales of robots increased on a jump in orders from Asia and the Americas. On the other hand, sales of IC handlers decreased due to sluggish demand from the PC and traditional mobile phone semiconductor industries.

Segment income in the devices and precision products segment increased in response to an increase in watch income and a rebound in plastic eyeglass lens and semiconductor income.

As a result of the foregoing factors, net sales in the devices and precision products segment for the period under review were ¥84,460 million (\$1,088,402 thousand), down 9.3% year over year, while segment income was ¥5,521 million (\$71,146 thousand), up 25.4% year over year.

Other

First half net sales in the Other segment for the period under review were ¥533 million (\$6,868 thousand), down 96.6% year over year, while segment loss was ¥709 million (\$9,137 thousand), compared to a ¥694 million segment loss in the same period last year. The decrease in net sales is a result of the termination of the small- and medium-sized display business.

Adjustments

Adjustments to total income of reporting segments amounted to -¥22,400 million (\$-288,659 thousand), compared to adjustments of -¥22,958 million in the same period last year. Adjustments mainly comprises of selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

Qualitative Information Regarding the Consolidated Financial Position

Total assets at the end of the first half were ¥721,481 million (\$9,297,435 thousand), a decrease of ¥19,287 million from the previous fiscal year end. While inventories such as merchandise and finished goods increased by ¥18,776 million, total assets decreased primarily because cash and deposits and short-term investment securities declined by a total of ¥26,022 million and because trade notes and accounts receivable decreased by ¥11,820 million as net sales decreased.

Total liabilities were ¥522,342 million (\$6,731,211 thousand), a ¥29,713 million increase compared to the last fiscal year end. This increase is mainly because of a net increase in short-term loans payable, long-term loans payable, and bonds payable totaling ¥40,145 million.

Total net assets were ¥199,139 million (\$2,566,224 thousand), down ¥49,000 million compared to the previous fiscal year end. The decline in total net assets is attributed chiefly to a ¥37,772 million decline in retained earnings due to the recording of a net loss for the first half and to a ¥11,736 million foreign currency translation adjustment associated with the appreciation of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

Given the recent trend of financial results, Epson revised its full-year consolidated financial outlook. Details were released today in an announcement.

The figures in the outlook are based on assumed exchange rates of 75 yen to the U.S. dollar and 100 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2012 fiscal year (ending March 31, 2013) are as follows.

SEIKO EPSON CORPORATION

Consolidated Full-Year Results Outlook

	REF: FY2011 Full- Year Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Net sales	¥877.9 billion	¥870.0 billion	¥850.0 billion	(¥20.0 billion)	(2.3%)
Operating income	¥24.6 billion	¥28.0 billion	¥18.0 billion	(¥10.0 billion)	(35.7%)
Ordinary income	¥27.0 billion	¥28.0 billion	¥16.0 billion	(¥12.0 billion)	(42.9%)
Net income	¥5.0 billion	¥5.0 billion	(¥15.0 billion)	(¥20.0 billion)	-
Foreign exchange rate	\$1USD = ¥79	\$1USD = ¥76	\$1USD = ¥77		
	1 euro = ¥109	1 euro = ¥101	1 euro = ¥100		

SEIKO EPSON CORPORATION

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	September 30, 2012	September 30, 2012
<u>Assets</u>			
Current assets			
Cash and deposits	¥123,093	¥87,070	\$1,122,036
Notes and accounts receivable-trade	139,309	127,488	1,642,886
Short-term investment securities	19,010	29,010	373,840
Merchandise and finished goods	99,472	115,583	1,489,471
Work in process	41,524	42,751	550,914
Raw materials and supplies	21,258	22,696	292,474
Other	45,014	45,405	585,170
Allowance for doubtful accounts	(1,493)	(1,194)	(15,386)
Total current assets	487,190	468,813	6,041,405
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	393,081	392,142	5,053,376
Machinery, equipment and vehicles	417,229	410,380	5,288,402
Tools, furniture and fixtures	150,841	150,584	1,940,515
Other	60,534	60,646	781,546
Accumulated depreciation	(808,600)	(798,453)	(10,289,342)
Total property, plant and equipment	213,086	215,301	2,774,497
Intangible assets	15,066	14,196	182,938
Investments and other assets			
Investments and other assets, gross	25,495	23,238	299,458
Allowance for doubtful accounts	(68)	(67)	(863)
Total investments and other assets	25,426	23,170	298,595
Total noncurrent assets	253,579	252,668	3,256,030
Total assets	¥740,769	¥721,481	\$9,297,435

The accompanying notes are an integral part of these financial statements.

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	September 30, 2012	September 30, 2012
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥77,427	¥79,498	\$1,024,458
Short-term loans payable	30,812	68,457	882,177
Current portion of bonds	40,000	20,000	257,731
Current portion of long-term loans payable	30,500	28,000	360,824
Provision for bonuses	8,333	10,780	138,917
Provision for product warranties	7,626	8,034	103,530
Other	118,615	101,606	1,309,412
Total current liabilities	313,314	316,379	4,077,049
Noncurrent liabilities			
Bonds payable	60,000	90,000	1,159,793
Long-term loans payable	77,500	72,500	934,278
Provision for retirement benefits	23,407	25,801	332,487
Provision for loss on litigation	1,963	1,792	23,092
Provision for product warranties	659	569	7,332
Provision for recycling costs	560	589	7,590
Other	15,222	14,710	189,590
Total noncurrent liabilities	179,314	205,963	2,654,162
Total liabilities	492,628	522,342	6,731,211
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	685,618
Capital surplus	84,321	84,321	1,086,610
Retained earnings	194,047	156,274	2,013,840
Treasury stock			
September 30, 2012 - 20,924,760 shares			
March 31, 2012 - 20,924,404 shares	(20,453)	(20,453)	(263,568)
Total shareholders' equity	311,119	273,346	3,522,500
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,838	1,605	20,682
Deferred gains or losses on hedges	(1,013)	(158)	(2,036)
Foreign currency translation adjustment	(65,502)	(77,238)	(995,334)
Total accumulated other comprehensive income	(64,676)	(75,791)	(976,688)
Minority interests	1,697	1,584	20,412
Total net assets	248,140	199,139	2,566,224
Total liabilities and net assets	¥740,769	¥721,481	\$9,297,435

The accompanying notes are an integral part of these financial statements.

SEIKO EPSON CORPORATION

Consolidated Statements of Operations

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2011	2012	2012
Net sales	¥425,518	¥388,273	\$5,003,518
Cost of sales	311,813	300,902	3,877,616
Gross profit	113,705	87,370	1,125,902
Selling, general and administrative expenses	106,930	101,513	1,308,144
Operating income (loss)	6,774	(14,142)	(182,242)
Non-operating income:			
Interest income	609	407	5,244
Rent income	870	625	8,054
Foreign exchange gains	—	438	5,644
Other	2,119	907	11,702
Total non-operating income	3,600	2,378	30,644
Non-operating expenses:			
Interest expenses	1,894	1,510	19,458
Foreign exchange losses	806	—	—
Other	1,528	918	11,843
Total non-operating expenses	4,229	2,429	31,301
Ordinary income (loss)	6,146	(14,193)	(182,899)
Extraordinary income:			
Insurance income	—	1,708	22,010
Gain on revision of retirement benefit plan	364	—	—
Other	698	20	258
Total extraordinary income	1,063	1,728	22,268
Extraordinary loss:			
Loss on litigation	—	13,910	179,252
Loss on disaster	2,088	—	—
Loss on transfer of subsidiary's equity	2,024	—	—
Other	2,998	3,286	42,346
Total extraordinary losses	7,111	17,196	221,598
Income (loss) before income taxes and minority interests	97	(29,661)	(382,229)
Income taxes	4,403	5,708	73,557
Loss before minority interests	(4,305)	(35,369)	(455,786)
Minority interests in income	64	77	1,005
Net loss	(¥4,370)	(¥35,447)	(\$456,791)

The accompanying notes are an integral part of these financial statements.

SEIKO EPSON CORPORATION

Consolidated Statements of Comprehensive Income

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2011	2012	2012
Loss before minority interests	(¥4,305)	(¥35,369)	(\$455,786)
Other comprehensive income			
Valuation difference on available-for-sale securities	(393)	(232)	(2,989)
Deferred gains or losses on hedges	1,472	854	11,005
Foreign currency translation adjustment	(16,162)	(11,800)	(152,062)
Share of other comprehensive income of associates accounted for using equity method	(43)	(32)	(412)
Total other comprehensive income	(15,127)	(11,210)	(144,458)
Comprehensive income	(¥19,433)	(¥46,579)	(\$600,244)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥19,408)	(¥46,561)	(\$600,012)
Comprehensive income attributable to minority interests	(¥25)	(¥18)	(\$232)

The accompanying notes are an integral part of these financial statements.

SEIKO EPSON CORPORATION

Consolidated Statements of Operations

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2011	2012	2012
Net sales	¥207,782	¥201,912	\$2,601,958
Cost of sales	150,605	150,051	1,933,647
Gross profit	57,177	51,861	668,311
Selling, general and administrative expenses	54,034	49,886	642,860
Operating income	3,143	1,975	25,451
Non-operating income:			
Interest income	292	180	2,319
Foreign exchange gains	565	1,071	13,801
Other	1,557	696	8,983
Total non-operating income	2,415	1,948	25,103
Non-operating expenses:			
Interest expenses	933	768	9,896
Other	868	865	11,161
Total non-operating expenses	1,801	1,633	21,057
Ordinary income	3,756	2,289	29,497
Extraordinary income:			
Insurance income	—	1,708	22,010
Other	143	14	180
Total extraordinary income	143	1,722	22,190
Extraordinary loss:			
Loss on valuation of investment securities	1,117	915	11,791
Loss on litigation	—	590	7,603
Loss on transfer of subsidiary's equity	2,024	—	—
Other	1,162	225	2,912
Total extraordinary losses	4,304	1,731	22,306
Income (loss) before income taxes and minority interests	(404)	2,280	29,381
Income taxes	676	3,211	41,378
Loss before minority interests	(1,080)	(931)	(11,997)
Minority interests in income	65	48	618
Net loss	(¥1,146)	(¥979)	(\$12,615)

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SEIKO EPSON CORPORATION

Consolidated Statements of Comprehensive Income

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2011	2012	2012
Loss before minority interests	(¥1,080)	(¥931)	(\$11,997)
Other comprehensive income			
Valuation difference on available-for-sale securities	(406)	839	10,811
Deferred gains or losses on hedges	795	(1,342)	(17,293)
Foreign currency translation adjustment	(12,945)	(1,526)	(19,678)
Share of other comprehensive income of associates accounted for using equity method	(29)	(11)	(141)
Total other comprehensive income	(12,586)	(2,041)	(26,301)
Comprehensive income	(¥13,667)	(¥2,972)	(\$38,298)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥13,673)	(¥2,991)	(\$38,543)
Comprehensive income attributable to minority interests	¥6	¥18	\$245

The accompanying notes are an integral part of these financial statements.

SEIKO EPSON CORPORATION

Consolidated Statements of Cash Flows

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2011	2012	2012
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥97	(¥29,661)	(\$382,229)
Depreciation and amortization	18,188	18,632	240,103
Equity in (earnings) losses of affiliates	(55)	(27)	(347)
Amortization of goodwill	436	436	5,618
Increase (decrease) in allowance for doubtful accounts	(149)	(206)	(2,654)
Increase (decrease) in provision for bonuses	789	2,555	32,925
Increase (decrease) in provision for product warranties	(148)	655	8,440
Increase (decrease) in provision for retirement benefits	589	2,726	35,128
Interest and dividends income	(777)	(523)	(6,739)
Interest expenses	1,894	1,510	19,458
Foreign exchange losses (gains)	(140)	(1,051)	(13,543)
Loss (gain) on sales of noncurrent assets	(593)	(27)	(347)
Loss on retirement of noncurrent assets	364	346	4,458
Loss (gain) on sales of investment securities	(37)	(5)	(64)
Loss on litigation	—	13,910	179,252
Loss on transfer of subsidiary's equity	2,024	—	—
Decrease (increase) in notes and accounts receivable-trade	18,065	12,810	165,077
Decrease (increase) in inventories	(19,158)	(26,644)	(343,350)
Increase (decrease) in accrued consumption taxes	1,777	(1,337)	(17,229)
Increase (decrease) in notes and accounts payable-trade	(1,683)	299	3,853
Other, net	(4,783)	(7,904)	(101,843)
Subtotal	16,698	(13,505)	(174,033)
Interest and dividends income received	1,336	1,348	17,371
Interest expenses paid	(1,846)	(1,547)	(19,935)
Payments for loss on litigation	—	(13,202)	(170,128)
Payments for business restructuring	(6,061)	—	—
Income taxes paid	(4,161)	(5,503)	(70,929)
Net cash provided by (used in) operating activities	5,965	(32,410)	(417,654)
Net cash provided by (used in) investing activities			
Purchase of investment securities	(192)	(0)	(0)
Proceeds from sales of investment securities	139	6	77
Purchase of property, plant and equipment	(15,131)	(26,297)	(338,878)
Proceeds from sales of property, plant and equipment	733	123	1,585
Purchase of intangible assets	(1,193)	(2,037)	(26,250)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,940)	—	—
Payments for transfer of equity in subsidiaries resulting in change in scope of consolidation	(3,119)	—	—
Other, net	(331)	157	2,023
Net cash provided by (used in) investing activities	(21,035)	(28,048)	(361,443)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(7,200)	38,969	502,177
Repayment of long-term loans payable	(35,046)	(7,500)	(96,649)
Proceeds from issuance of bonds	40,000	30,000	386,597
Redemption of bonds	—	(20,000)	(257,758)
Repayments of lease obligations	(293)	(214)	(2,757)
Purchase of treasury stock	(893)	(0)	(0)
Cash dividends paid	(1,997)	(2,325)	(29,961)
Cash dividends paid to minority shareholders	(8)	(94)	(1,211)
Net cash provided by (used in) financing activities	(5,440)	38,834	500,438
Effect of exchange rate change on cash and cash equivalents	(6,271)	(4,778)	(61,586)
Net increase (decrease) in cash and cash equivalents	(26,782)	(26,403)	(340,245)
Cash and cash equivalents at beginning of period	211,777	150,029	1,933,363
Cash and cash equivalents at end of period	¥184,995	¥123,626	\$1,593,118

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

With the exception of the sections listed below, the “Basis of presenting consolidated financial statements” and “Summary of significant accounting policies” have been omitted as there were no significant changes to the relevant sections in the Seiko Epson Annual Report 2012.

1. Basis of presenting consolidated financial statements

The amounts in the accompanying consolidated financial statements and the notes are rounded down.

2. Net loss per share

The calculation of net loss per share for the six months ended September 30, 2011 and 2012, is as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>
	Six months ended September 30		Six months ended September 30,
	2011	2012	2012
Net loss attributable to common shares	<u>(¥4,370)</u>	<u>(¥35,447)</u>	<u>(\$456,791)</u>
	<u>Thousands of shares</u>		
Weighted-average number of common shares outstanding	<u>199,676</u>	<u>178,892</u>	
	<u>Yen</u>		<u>U.S. dollars</u>
Net loss per share	<u>(¥21.89)</u>	<u>(¥198.15)</u>	<u>(\$2.55)</u>

Diluted net income per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the the six months ended September 30, 2011 and 2012.

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The calculation of net loss per share for the three months ended September 30, 2011 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2011	2012	2012
Net loss attributable to common shares	(¥1,146)	(¥979)	(\$12,615)
	Thousands of shares		
Weighted-average number of common shares outstanding	199,560	178,892	
	Yen		U.S. dollars
Net loss per share	(¥5.75)	(¥5.48)	(\$0.07)

Diluted net income per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the the three months ended September 30, 2011 and 2012.

3. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the six months ended September 30, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30		Six months ended September 30,
	2011	2012	2012
Salaries and wages	¥37,277	¥35,120	\$452,577
Research and development costs	10,978	9,700	125,000
Other	58,674	56,693	730,567
Total	¥106,930	¥101,513	\$1,308,144

The significant components of selling, general and administrative expenses for the three months ended September 30, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2011	2012	2012
Salaries and wages	¥18,209	¥16,959	\$218,543
Research and development costs	5,590	4,742	61,108
Other	30,233	28,185	363,209
Total	¥54,034	¥49,886	\$642,860

4. Loss on litigation

Loss on litigation for the three and six months ended September 30, 2012, mainly comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

5. Loss on disaster

Loss on disaster for the six months ended September 30, 2011, mainly comprised incurred losses related to the Great East Japan Earthquake.

6. Cash flow information

Cash and cash equivalents as of September 30, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	September 30		September 30,
	2011	2012	2012
Cash and deposits	¥100,404	¥87,070	\$1,122,036
Short-term investment securities	75,009	29,010	373,840
Short-term loans receivables	10,000	8,000	103,092
Less:			
Short-term loans payable (overdrafts)	(0)	—	—
Time deposits due over three months	(407)	(444)	(5,722)
Short-term investment securities due over three months	(10)	(10)	(128)
Cash and cash equivalents	¥184,995	¥123,626	\$1,593,118

The Company obtained marketable securities, the fair value of which was ¥9,995 million and ¥7,994million (\$103,015 thousand) as of September 30, 2011 and 2012, respectively, as deposit for the short-term loans receivables above.

7. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2012 and as of September 30, 2012, were ¥528 million and ¥456 million (\$5,876 thousand), respectively.

8. Segment information

Epson reviewed the management systems of the HTPS-TFT panels for 3LCD projectors business that was categorized under “Devices & precision products” in the second quarter ended September 30, 2011. As a result, Epson has changed the segment and consolidated these reporting segments into “Information-related equipment” from the third quarter ended December 31, 2011.

Segment information for the three months and six months ended September 30, 2011 was calculated on the basis of the review mentioned above from the first quarter ended June 30, 2011.

Summary of reporting segments

The company divides its business into the following two business segments categorized by the nature of products, markets and marketing methods.

The information-related equipment segment mainly includes color inkjet printers, page printers, serial impact dot matrix printers, large-format inkjet printers and related supplies, color image scanners, mini-printers, printers for use in POS systems, 3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers and personal computers.

The devices & precision products segment mainly includes crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, plastic corrective lenses, precision industrial robots, IC handlers and industrial inkjet equipment.

Information of the amount of sales and income (loss) in each reporting segment

The following table summarizes the reporting segment information of Epson for the three months and six months ended September 30, 2011 and 2012:

SEIKO EPSON CORPORATION

Six months ended September 30:

Millions of yen

Six months ended September 30, 2011								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥320,172	¥88,820	¥408,992	¥15,488	¥424,481	¥1,036	-	¥425,518
Inter-segment	368	4,269	4,638	348	4,987	51	(¥5,038)	-
Total	320,540	93,090	413,631	15,837	429,468	1,087	(5,038)	425,518
Segment income (loss)	¥26,023	¥4,404	¥30,427	(¥694)	¥29,733	(¥23,089)	¥131	¥6,774

Millions of yen

Six months ended September 30, 2012								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥306,562	¥80,489	¥387,052	¥317	¥387,369	¥903	-	¥388,273
Inter-segment	219	3,970	4,190	215	4,405	12	(¥4,418)	-
Total	306,781	84,460	391,242	533	391,775	916	(4,418)	388,273
Segment income (loss)	¥3,445	¥5,521	¥8,967	(¥709)	¥8,258	(¥22,513)	¥112	(¥14,142)

Thousands of U.S. dollars

Six months ended September 30, 2012								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	\$3,950,554	\$1,037,229	\$4,987,783	\$4,085	\$4,991,868	\$11,650	-	\$5,003,518
Inter-segment	2,822	51,173	53,995	2,783	56,778	154	(\$56,932)	-
Total	3,953,376	1,088,402	5,041,778	6,868	5,048,646	11,804	(56,932)	5,003,518
Segment income (loss)	\$44,408	\$71,146	\$115,554	(\$9,137)	\$106,417	(\$290,102)	\$1,443	(\$182,242)

SEIKO EPSON CORPORATION

Three months ended September 30:

Millions of yen

Three months ended September 30, 2011								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥161,022	¥45,601	¥206,623	¥489	¥207,113	¥669	-	¥207,782
Inter-segment	71	1,978	2,049	242	2,292	42	(¥2,335)	-
Total	161,093	47,580	208,673	732	209,406	711	(2,335)	207,782
Segment income (loss)	¥13,496	¥1,505	¥15,002	(¥376)	¥14,625	(¥11,530)	¥48	¥3,143

Millions of yen

Three months ended September 30, 2012								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥159,567	¥41,542	¥201,109	¥155	¥201,265	¥647	-	¥201,912
Inter-segment	116	1,800	1,916	100	2,016	6	(¥2,023)	-
Total	159,683	43,342	203,026	256	203,282	653	(2,023)	201,912
Segment income (loss)	¥9,380	¥3,606	¥12,986	(¥282)	¥12,703	(¥10,819)	¥91	¥1,975

Thousands of U.S. dollars

Three months ended September 30, 2012								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	\$2,056,275	\$535,335	\$2,591,610	\$2,011	\$2,593,621	\$8,337	-	\$2,601,958
Inter-segment	1,509	23,195	24,704	1,288	25,992	77	(\$26,069)	-
Total	2,057,784	558,530	2,616,314	3,299	2,619,613	8,414	(26,069)	2,601,958
Segment income (loss)	\$120,876	\$46,469	\$167,345	(\$3,647)	\$163,698	(\$139,419)	\$1,172	\$25,451

Note;

1. Intra-group services and small- and medium-sized LCD business are categorized within "Other."
2. Corporate expenses comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

Supplementary Information

Consolidated Second Quarter ended September 30, 2012

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trends, competition, technology trends, and exchange rate fluctuations.

1. Sales by division

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Information-related equipment	320.5	306.7	(4.3%)	680.0	(1.7%)
Printer	255.6	236.7	(7.4%)	531.0	(4.4%)
Visual products	57.9	62.3	7.6%	131.0	8.4%
Other	8.1	7.9	(3.1%)	19.0	8.2%
Intra-segment sales	(1.2)	(0.2)	-%	(1.0)	-%
Devices & Precision Products	93.0	84.4	(9.3%)	165.0	(5.6%)
Devices	60.5	49.8	(17.6%)	96.0	(14.0%)
Precision Products	35.2	36.8	4.6%	74.0	7.5%
Intra-segment sales	(2.6)	(2.2)	-%	(5.0)	-%
Other	15.8	0.5	(96.6%)	1.0	(94.2%)
Corporate expenses	1.0	0.9	(15.7%)	10.0	192.7%
Inter-segment sales	(5.0)	(4.4)	-%	(6.0)	-%
Consolidated sales	425.5	388.2	(8.8%)	850.0	(3.2%)

Note: 1. Epson has from the third quarter of the last fiscal year adjusted the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

2. "Other" is business segment not categorized in reporting segments. The small- and medium-sized displays is included in "Other".

2. Business segment information

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Information-related equipment					
Net sales:					
Customers	320.1	306.5	(4.3%)	679.0	(1.8%)
Inter-segment	0.3	0.2	(40.4%)	1.0	76.3%
Total	320.5	306.7	(4.3%)	680.0	(1.7%)
Operating expenses	294.5	303.3	3.0%	629.0	0.3%
Segment income (loss)	26.0	3.4	(86.8%)	51.0	(21.4%)
Devices & Precision Products					
Net sales:					
Customers	88.8	80.4	(9.4%)	160.0	(4.1%)
Inter-segment	4.2	3.9	(7.0%)	5.0	(37.4%)
Total	93.0	84.4	(9.3%)	165.0	(5.6%)
Operating expenses	88.6	78.9	(11.0%)	156.0	(8.3%)
Segment income (loss)	4.4	5.5	25.4%	9.0	94.4%
Other					
Net sales:					
Customers	15.4	0.3	(98.0%)	1.0	(94.0%)
Inter-segment	0.3	0.2	(38.2%)	0.0	-%
Total	15.8	0.5	(96.6%)	1.0	(94.2%)
Operating expenses	16.5	1.2	(92.5%)	2.0	(89.4%)
Segment income (loss)	(0.6)	(0.7)	-%	(1.0)	-%
Corporate expenses					
Net sales:					
Customers	1.0	0.9	(12.8%)	10.0	197.9%
Inter-segment	0.0	0.0	(74.9%)	0.0	-%
Total	1.0	0.9	(15.7%)	10.0	192.7%
Operating expenses	24.1	23.4	(3.1%)	51.0	8.4%
Segment income (loss)	(23.0)	(22.5)	-%	(41.0)	-%
Eliminations					
Net sales	(5.0)	(4.4)	-%	(6.0)	-%
Operating expenses	(5.1)	(4.5)	-%	(6.0)	-%
Segment income (loss)	0.1	0.1	(13.8%)	0.0	-%
Consolidated					
Net sales	425.5	388.2	(8.8%)	850.0	(3.2%)
Operating expenses	418.7	402.4	(3.9%)	832.0	(2.5%)
Operating income (loss)	6.7	(14.1)	-%	18.0	(26.9%)

Note: 1. Epson has from the third quarter of the last fiscal year adjusted the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

2. "Other" is business segment not categorized in reporting segments. The small- and medium-sized displays is included in "Other".

3. Geographic segment information

(Unit: billion yen)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2011 %
	2011	2012		
Japan				
Net sales:				
Customers	164.5	140.7	(23.8)	(14.5%)
Inter-segment	218.7	213.0	(5.7)	(2.6%)
Total	383.3	353.7	(29.5)	(7.7%)
Operating expenses	379.9	375.1	(4.8)	(1.3%)
Segment income (loss)	3.3	(21.3)	(24.7)	-%
The Americas				
Net sales:				
Customers	87.2	90.6	3.3	3.9%
Inter-segment	6.6	7.0	0.4	6.5%
Total	93.8	97.6	3.8	4.1%
Operating expenses	89.7	92.4	2.7	3.1%
Segment income (loss)	4.1	5.2	1.0	25.7%
Europe				
Net sales:				
Customers	79.4	73.8	(5.6)	(7.1%)
Inter-segment	2.2	2.9	0.7	30.5%
Total	81.7	76.8	(4.9)	(6.0%)
Operating expenses	85.2	72.5	(12.6)	(14.9%)
Segment income (loss)	(3.5)	4.2	7.7	-%
Asia/Oceania				
Net sales:				
Customers	94.3	83.1	(11.2)	(11.9%)
Inter-segment	167.7	196.4	28.7	17.1%
Total	262.0	279.5	17.5	6.7%
Operating expenses	251.0	268.2	17.2	6.9%
Segment income (loss)	11.0	11.3	0.2	2.5%
Eliminations				
Net sales	(395.4)	(419.5)	(24.1)	-%
Operating expenses	(387.2)	(406.0)	(18.7)	-%
Segment income (loss)	(8.2)	(13.5)	(5.3)	-%
Consolidated				
Net sales	425.5	388.2	(37.2)	(8.8%)
Operating expenses	418.7	402.4	(16.3)	(3.9%)
Operating income (loss)	6.7	(14.1)	(20.9)	-%

Note: Net sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary. Principal countries and jurisdictions in each geographic segment are as follows.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

4. Sales to overseas customers

(Unit: billion yen)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2011 %
	2011	2012		
Overseas Sales				
The Americas	88.7	89.5	0.8	0.9%
Europe	80.7	75.6	(5.0)	(6.3%)
Asia/Oceania	109.8	101.2	(8.5)	(7.8%)
Total	279.2	266.4	(12.8)	(4.6%)
Consolidated sales	425.5	388.2	(37.2)	(8.8%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	20.9	23.1		
Europe	19.0	19.5		
Asia/Oceania	25.8	26.1		
Total	65.6	68.6		

Note: 1. Overseas sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary.

Principal countries and jurisdictions in each geographic segment are as follows.

2. Exports transacted through an intermediary such as trading companies are not included in overseas sales.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

5. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Capital expenditure	13.0	23.0	77.0%	53.0	36.2%
Information-related equipment	9.8	19.1	94.0%	40.0	35.5%
Devices & Precision Products	2.3	3.1	30.2%	10.0	45.9%
Other / Corporate expenses	0.7	0.8	6.0%	3.0	17.9%
Depreciation and amortization	18.1	18.6	2.4%	41.0	8.9%

Note: 1. Epson has from the third quarter of the last fiscal year adjusted the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

2. "Other" is business segment not categorized in reporting segments. The small- and medium-sized displays is included in "Other".

6. Research and development

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Research and Development	27.5	24.8	(9.7%)	51.0	(2.1%)
R&D / sales ratio	6.5%	6.4%		6.0%	

7. Management indices

(Unit: %)

	Six months ended September 30,		Increase Point	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 Point
	2011	2012			
Return on equity (ROE)	(1.7%)	(16.0%)	(14.3)	(6.5%)	(8.5)
Return on assets (ROA)	0.8%	(1.9%)	(2.7)	2.2%	(1.3)
Return on sales (Operating)	1.6%	(3.6%)	(5.2)	2.1%	(0.7)
Return on sales (Ordinary)	1.4%	(3.7%)	(5.1)	1.9%	(1.2)

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity

2. ROA=Ordinary income / Beginning and ending balance average total assets

3. Return on sales (Operating)=Operating income / Net sales

4. Return on sales (Ordinary)=Ordinary income / Net sales

8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Six months ended September 30,		Increase
	2011	2012	
Foreign exchange effect	(16.3)	(11.1)	5.2
U.S. dollars	(12.5)	(0.4)	12.0
Euro	(0.0)	(9.6)	(9.6)
Other	(3.8)	(0.9)	2.8
Exchange rate			
Yen / U.S. dollars	79.82	79.41	
Yen / Euro	113.80	100.64	

Note: Foreign exchange effect = (Foreign currency sales for the period) x (Average rate for the period – Average rate for the same prior period)

9. Inventory

(Unit: billion yen)

	September 30,	March 31,	September 30,	Increase compared to March 31, 2012
	2011	2012	2012	
Inventory	152.3	162.2	181.0	18.7
Information-related equipment	114.5	125.3	143.0	17.6
Devices & Precision Products	36.5	35.6	36.4	0.8
Other / Corporate expenses	1.3	1.3	1.5	0.2
(Unit: day)				
Turnover by days	66	68	85	17
Information-related equipment	65	66	85	19
Devices & Precision Products	72	75	79	4
Other / Corporate expenses	14	24	200	176

Note 1. Turnover by days = Ending balance of inventory / Prior 6 months (Prior 12 months) sales per day

2. Segment sales used for calculating turnover by days for the previous fiscal year has been recalculated using the method for calculating segment information in the third quarter of the previous fiscal year.

3. "Other" is business segment not categorized in reporting segments. The small- and medium-sized displays is included in "Other".

10. Employees

(Unit: person)

	September 30,	March 31,	September 30,	Increase compared to March 31, 2012
	2011	2012	2012	
Number of employees at period end	78,901	75,303	81,461	6,158
Domestic	20,512	19,765	19,371	(394)
Overseas	58,389	55,538	62,090	6,552