



First Quarter Financial Results Fiscal Year 2013 (Ending March 2014)

July 31, 2013

Seiko Epson Corp.

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■ 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.

Changes to segment reporting



We redefined future growth areas based on the business strategies outlined in the Updated SE15 Second-Half Mid-Range Business Plan (FY2013-15) and reorganized at the start of fiscal 2013 to more sharply clarify and accelerate initiatives in every business domain.

FY2012 Segments

FY2013 Segments

FY2012 Segments		FY2013 Segments		Disclosure segment
		Business name	Businesses included	
Printer	IJP	Printing Systems	Inkjet printers	Information-related equipment
	PP		Page printers	
	BS		Business systems	
Visual Products	PRJ	Visual Communications	Projectors, HMD	Information-related equipment
Device	Crystal devices	Microdevices	Crystal devices	
	Semiconductors		Semiconductors	
Precision Products	Watches	Precision Products	Watches	Devices & precision products
	Metal powder		Metal powder	
	Surface Finishing		Surface finishing	
	Factory automation			
Group	P Project	Industrial Solutions		Sensing & industrial solutions
	M Project	Sensing Systems		

*P: personal M: motion

- FY2012 segment financials were adjusted for comparison against the FY2013 outlook.
- The transferred optical products business is included in the Corporate Segment.

2

■ Changes to reporting segments

1) FY2013 Q1 Financial Results

2) FY2013 Financial Outlook

Financial Highlights (First Quarter)



(Billions of yen)	FY2012		FY2013		Change	
	Q1 Actual	%	Q1 Actual	%	Amount	%
Net sales	186.3	-	220.1	-	+33.8	+18.2%
Operating income	-16.1	-8.6%	8.0	3.6%	+24.1	-
Ordinary income	-16.4	-8.8%	4.8	2.2%	+21.3	-
Net income before income taxes	-31.9	-17.1%	3.2	1.5%	+35.1	-
Quarterly net income	-34.4	-18.5%	0.1	0.1%	+34.5	-
EPS	-¥192.67		¥0.70			
Exchange rate	USD	¥80.20	¥98.76			
	EUR	¥102.91	¥128.95			

4

■ FY2013 fiscal year Q1 results

- Epson had ¥220.1 billion in net sales, up ¥33.8 billion compared to the same period last year. Operating income was ¥8 billion, up ¥24.1 billion. Net income was positive ¥100 million, a ¥34.5 billion improvement compared to the same period last year.
- The outlook we presented on April 30 was based on our internal plan for the first quarter. We significantly exceeded the plan for net sales as well as for every income category by a large margin, in part because of the effects of yen depreciation but also owing to steady sales in the information-related equipment segment and in the devices and precision products segment.

Main Factors Affecting Q1 Results (vs. the Internal Plan)



- Net sales and each category of income plans exceeded due to solid results in information-related equipment and devices & precision products, and yen depreciation

Information Equipment Segment

Inkjet Printer Business

- Unit shipments below plan due to slow economic recovery in Japan and Europe and postponement of a major channel sale in North America
- Sales of office printers in North America were steady and sales of high-capacity ink tank models in emerging markets exceeded plan
- Consumables sales were below plan in Japan, steady in Europe, and above plan in North America due to expansion of the office printer install base
- Net sales and operating income both exceeded plan, in part due to sustained price maintenance measures

Business Systems Business

- Unable to meet returning demand for SIDM tax collection models in China due to production delays
- POS products affected by slowing of Chinese market growth, etc.
- Net sales plan exceeded due to foreign exchange effects, but operating income in line with plan

5

■ Main factors affecting Q1 financial performance

- In the inkjet printer business, we fell short of our plan for printer unit shipments, partly because of a slow market recovery in Japan and Europe, as well as the postponement of a major channel sale in North America. Nevertheless, sales in strategic areas, such as office printers in North America and high-capacity ink tank models in emerging markets, exceeded the internal plan.
- Sales of consumables in Japan ended below the internal plan, but were steady in Europe. In North America, moreover, consumables sales exceeded the plan due to the effects of an expanded office printer install base.
- Both net sales and operating income exceeded the internal plan, thanks in part to a sustained push to maintain printer prices.
- In the business systems business, net sales exceeded the internal plan owing in part to foreign exchange effects, while operating income was in line with the plan. The business was hurt by a labor shortage at our local manufacturing affiliate in China, which left us unable to fully meet returning demand for SIDM printers used in tax collection systems, as well as by a slowing of growth in the Chinese market for point-of-sale products.

Visual Communications Business

- The projector market contracted in Europe and other regions
- Unit volume fell short of plan in Europe, China, etc.
- Both net sales and operating income exceeded plan due to price maintenance, model mix improvement, and foreign exchange effects

Devices & Precision Products Segment

Microdevices Business

- Quartz device results in line with expectations. Semiconductor business saw steady demand for monochrome drivers.

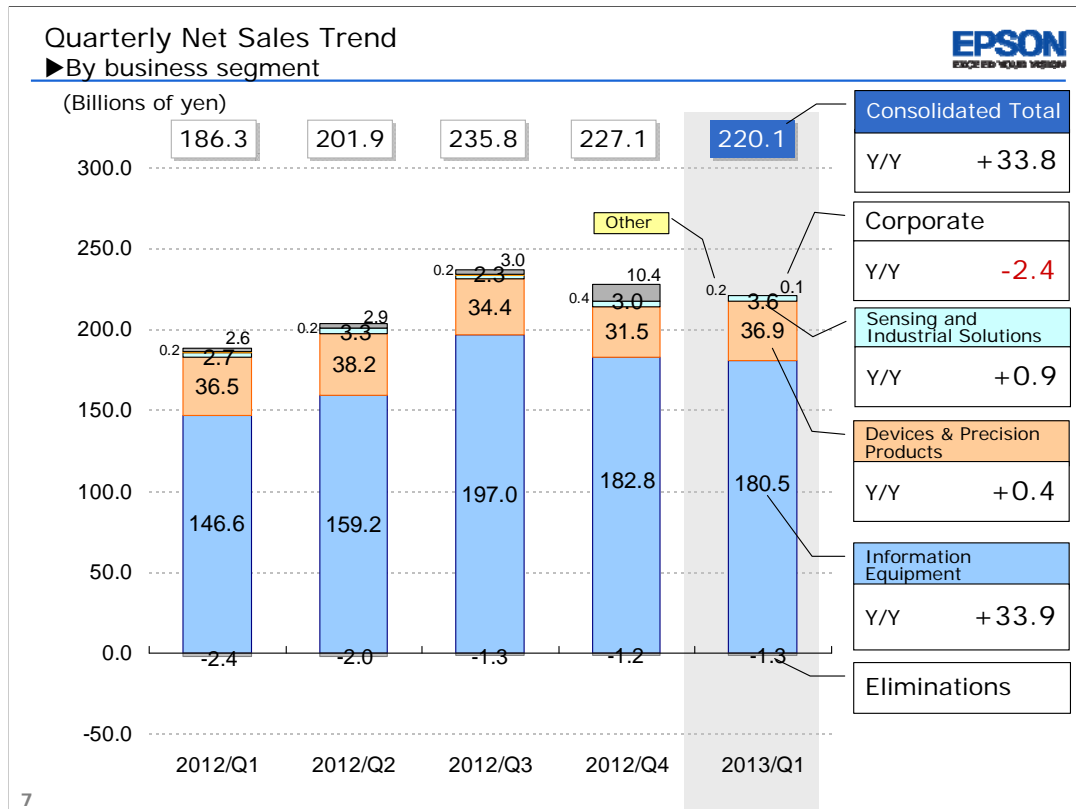
Precision Products Business

- Sales of high-end brand watches exceeded plan

6

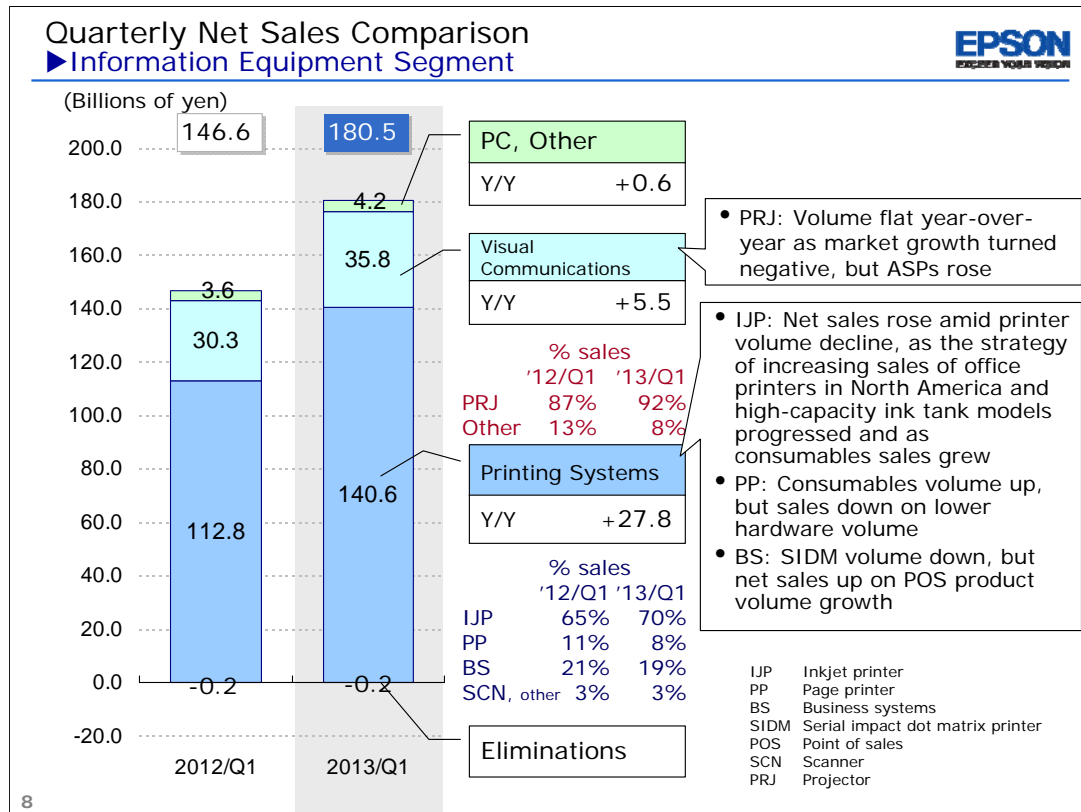
■ Main factors affecting Q1 financial performance

- In the visual communications business, both net sales and operating income exceeded the internal plan despite a contraction of the projector market in Europe and a shortfall in shipments of projectors versus the plan in Europe, China, and some other regions. This was in part because of foreign exchange effects but also because we were able to maintain prices and improve the model mix.
- Let's look next at the devices and precision products segment, where both net sales and operating income exceeded the internal plan. The microdevices business posted results that were in line with the plan, as foreign exchange effects made up for lower-than-expected shipments of quartz devices to digital camera manufacturers and demand for monochrome drivers in the semiconductor business was firm. In the precision products business, meanwhile, sales of high-end brand watches exceeded the plan.

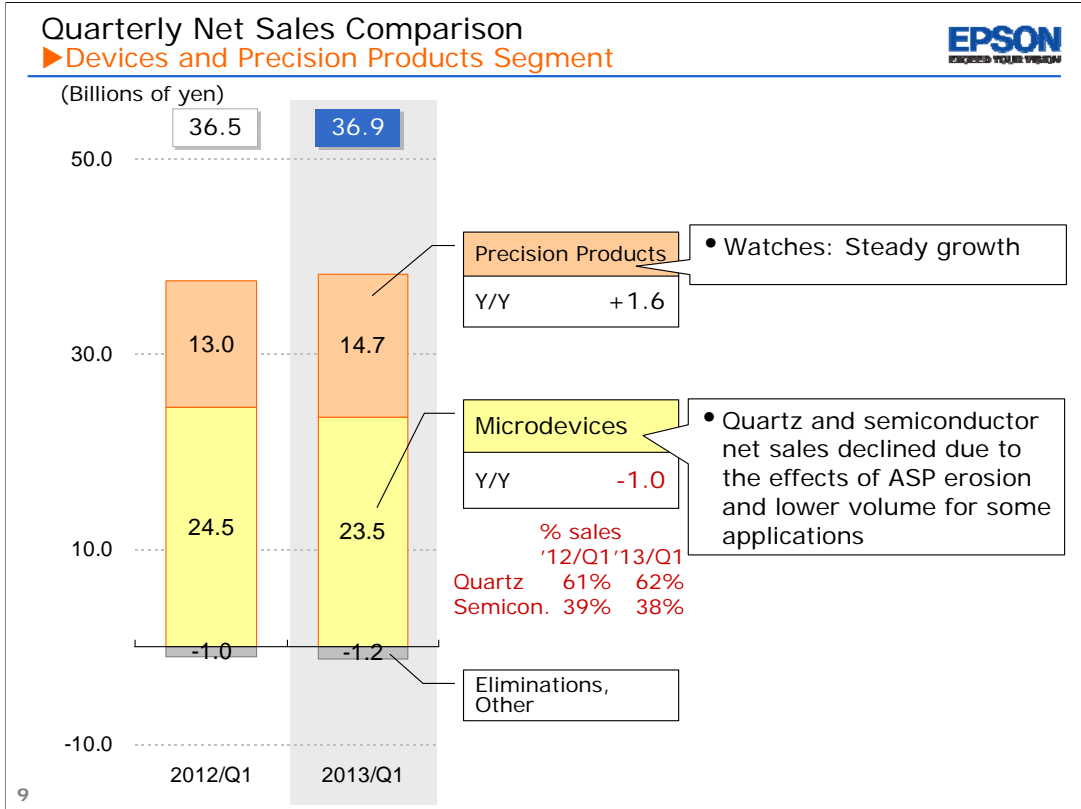


■ Quarterly net sales by segment over the last five quarters

- Year-over-year, information-related equipment net sales rose by ¥33.9 billion, devices and precision products net sales grew by ¥400 million, and sensing and industrial solutions net sales increased by ¥900 million.
- In the sensing and industrial solutions segment, the industrial solutions business reported net sales growth, primarily from sales of robots in the Americas and emerging markets, such as China.
- Foreign exchange effects had a ¥30.8 billion positive impact on quarterly net sales compared to the same period last year, mostly in the information-related equipment segment.



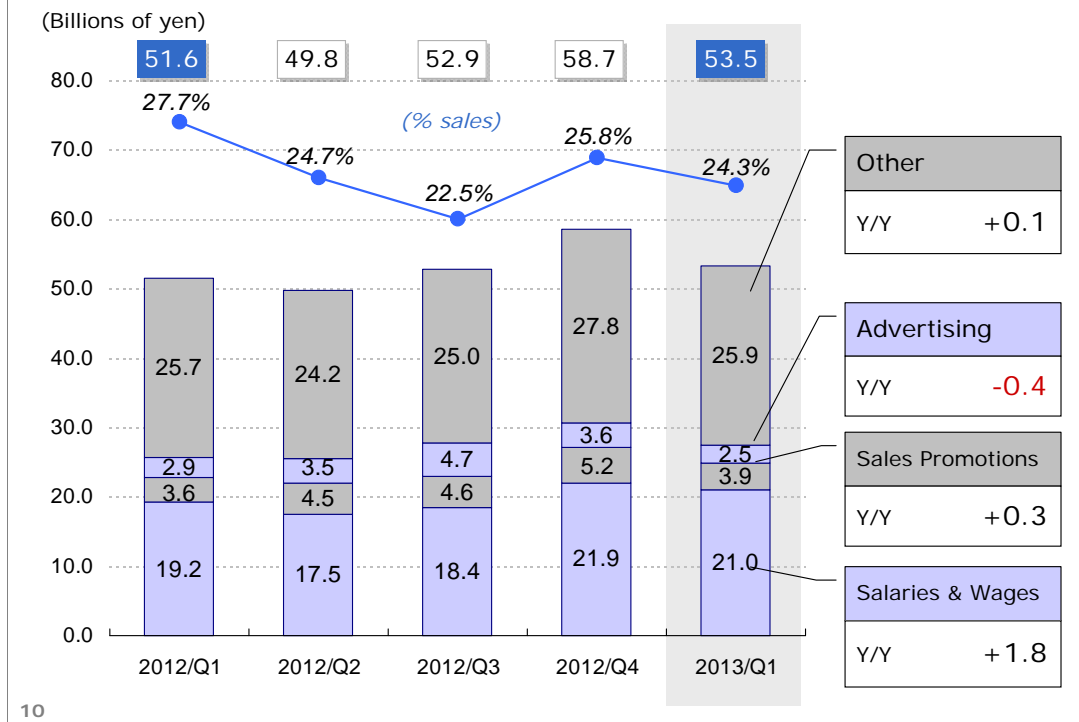
- Quarterly net sales in the businesses that make up the information-related equipment segment
 - Every business in this segment benefitted from yen depreciation.
 - Printing systems reported a ¥27.8 billion increase in net sales.
 - Although inkjet printer shipments decreased, net sales increased because competitive products enabled us to maintain prices, we worked to improve the model mix, and sales of consumables increased. Breaking net sales down by region, inkjet shipments declined in the contracting Japanese and European markets. However, we did make steady progress in certain strategic areas. For example, we succeeded in increasing office printer volume in North America. We also succeeded in dramatically increasing sales of high-capacity ink tank models in emerging markets.
 - Net sales from page printers decreased because, even though consumables revenue increased, we strategically curtailed the number of low-priced models.
 - Business systems recorded net sales growth even though SIDM printer shipments declined compared to last year because of a product shortage that left us unable to fully capitalize on returning demand for tax collection models in China. This net sales growth was driven primarily by volume growth in POS-related products, which came thanks to orders captured in North America, Europe, and Japan.
 - Visual communications as a whole posted net sales growth. Although negative market growth was observed in the global projector market, where factors such as the economic pullback in Europe and the slowing of growth in China took their toll, we were still able to increase net sales despite a decline in unit shipments in Europe by shipping roughly the same number of units as last year, thanks to steady sales of business projectors in the Americas, and by increasing average selling prices, which we achieved by increasing high-priced models as a percentage of total sales.



■ Quarterly net sales in the businesses that make up the devices and precision products segment

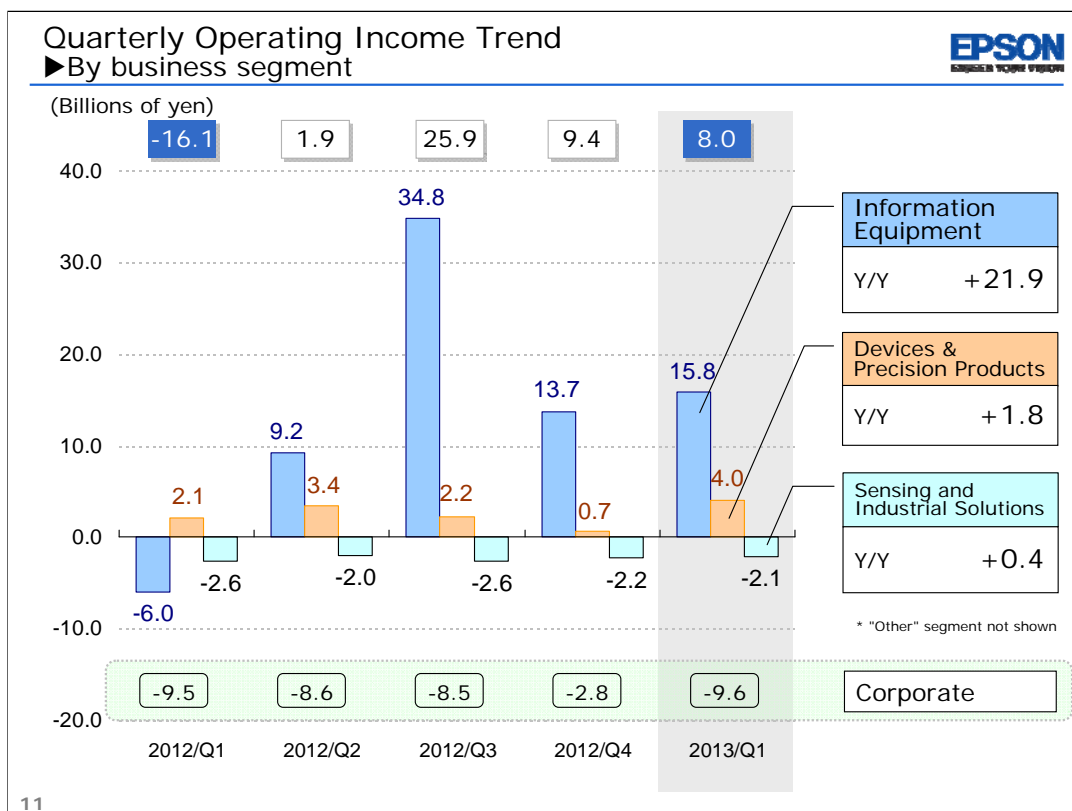
- Microdevices reported lower net sales. Although the quartz device business recorded an increase in shipments of AT crystal devices to the cellular market, net sales were hurt by a decline in shipments to digital camera manufacturers and lower average selling prices. Meanwhile, net sales in the semiconductor business were dragged down by price erosion of microcontrollers and a decline in shipments of controllers and other products.
- Precision products net sales grew owing to steady demand for high-end wristwatches and steady sales in Japan.

Quarterly Selling, General and Administrative Expenses



■ Quarterly selling, general and administrative expenses.

- Selling, general and administrative expenses shrank as a percentage of net sales even though yen depreciation and other factors caused labor costs to increase, because we tried to maximize efficiency in spending on advertising and sales promotions.



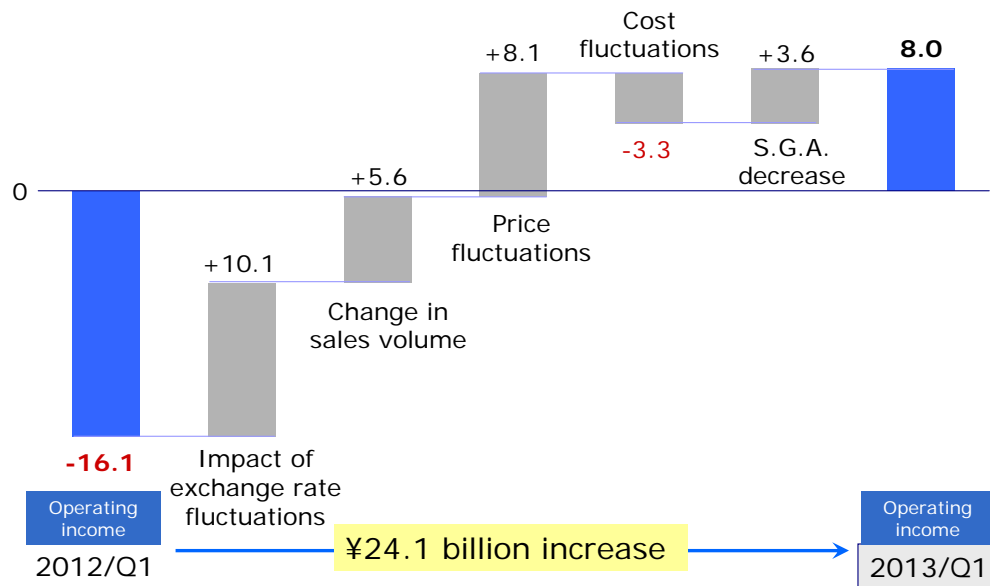
■ Breakdown of quarterly operating income by segment.

- Foreign exchange effects had an approximately ¥10.1 billion positive effect on consolidated operating income this quarter compared to the first quarter of last year.
- Information-related equipment recorded ¥15.8 billion in operating income, an increase of ¥21.9 billion, year-over-year.
- Inkjet printer operating income increased sharply. In addition to consumables revenue growth, price maintenance, and increased revenue from unit growth in high-capacity ink tank models, operating income was improved by curtailing low-priced models and by keeping manufacturing volumes at suitable levels given sales forecasts.
- Both business systems and visual communications reported higher income on net sales growth.
- Page printer net sales decreased, but operating income increased due to the curtailment of low-priced models and increased net sales from consumables.
- The devices and precision products segment recorded ¥4.0 billion in operating income, an increase of ¥1.8 billion compared to the same period last year. The right-sizing of the workforce in the quartz and semiconductor businesses contributed to this improvement.
- Sensing and industrial solutions recorded a year-over-year improvement in profitability.

Operating Income Fluctuation Cause Analysis



(Billions of yen)



12

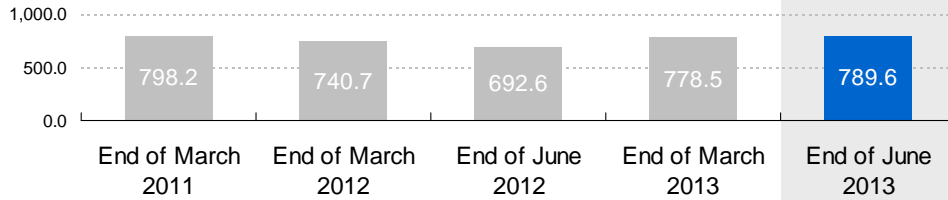
- Cause analysis of the increase in operating income compared to the same period last year
- Whereas we had a ¥16.1 billion operating loss in the first quarter of fiscal 2012, this year we recorded ¥8.0 billion in operating income. The increase is primarily the result of foreign exchange effects, price fluctuations, and volume fluctuations.

Statistics of Balance Sheet Items

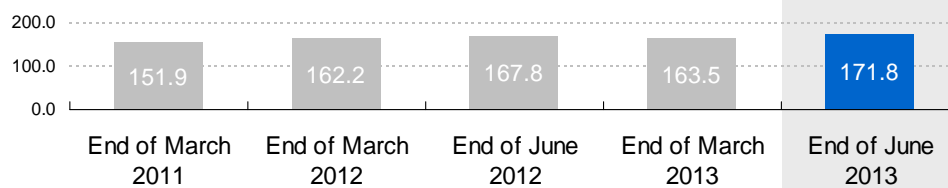


(Billions of yen)

Total assets



Inventories



13

■ Major items on the balance sheet

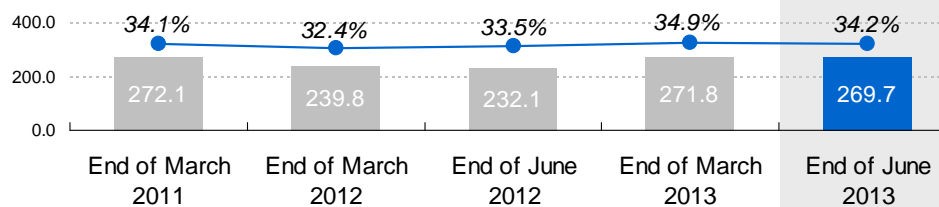
- Total assets increased by ¥11.1 billion compared to the end of the previous fiscal year, primarily due to increases in items such as cash reserves and inventory.
- Please note that inventory valuation increased due to the increase of manufacturing volumes as we approach the year-end selling season and due to foreign exchange effects. If you were to exclude foreign exchange, inventory levels of our main products, including printers and projectors, would actually be lower than the target levels in our plan.

Statistics of Balance Sheet Items

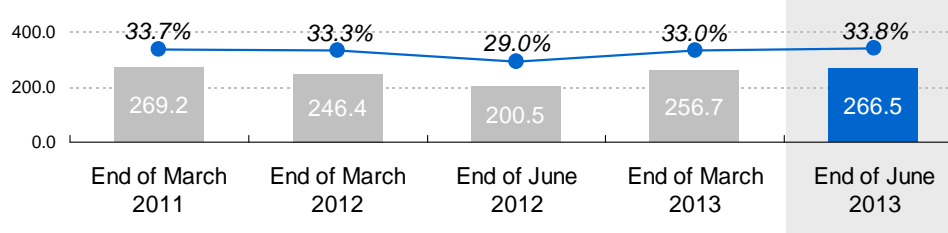


(Billions of yen)

Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholders' equity & equity ratio



*Lease obligations are included in interest-bearing liabilities

*Shareholder equity = total net assets - minority interests in subsidiaries

14

■ Major items on the balance sheet

- Interest-bearing liabilities decreased by ¥2.0 billion from the end of the previous fiscal year due to the repayment of loans. The ratio of interest-bearing liabilities to total assets was 34.2%. Net interest-bearing liabilities were ¥79.1 billion, an ¥8 billion decline since the end of the previous fiscal year.
- Shareholders' equity increased by ¥9.8 billion compared to the end of March 2013 due to factors such as the effects of foreign currency translations. As a result, the equity ratio was 33.8%.

1) FY2013 Q1 Financial Results

2) FY2013 Financial Outlook

FY2013 Financial Outlook



(Billions of yen)	FY2012		FY2013				Change (amount, %)	
	Actual	%	4/30 Outlook	%	Current Outlook	%	Vs. Previous	Vs. 4/30 Outlook
Net sales	851.2	-	910.0	-	930.0	-	+78.7 +9.2%	+20.0 +2.2%
Operating income	21.2	2.5%	33.0	3.6%	37.0	4.0%	+15.7 +74.1%	+4.0 +12.1%
Ordinary income	17.6	2.1%	30.0	3.3%	33.0	3.5%	+15.3 +87.2%	+3.0 +10.0%
Net income before income taxes	-3.4	-0.4%	23.0	2.5%	26.0	2.8%	+29.4 -	+3.0 +13.0%
Net income	-10.0	-1.2%	13.0	1.4%	15.0	1.6%	+25.0 -	+2.0 +15.4%
EPS	-¥56.41		¥72.67		¥83.85			
Exchange rate	USD	¥83.11	¥90.00		¥92.00		<div style="border: 1px solid red; padding: 2px;"> Current outlook exchange rate assumptions from FY2013/Q2 onward USD: ¥90.00 EUR: ¥120.00 </div>	
	EUR	¥107.14	¥120.00		¥122.00			

16

■ FY2013 full-year outlook

- We revised our net sales outlook upward to ¥930 billion. This is ¥20 billion higher than the previous outlook. We also raised our operating income and net income outlooks. Operating income is now seen in the range of ¥37 billion, or ¥4 billion more than previously forecast. Net income is now forecast at ¥15 billion, or ¥2 billion more than previously forecast.
- We have not changed our foreign exchange rate assumptions for the second and subsequent quarters. They remain at 90 yen to the dollar and 120 yen to the euro.

Main Factors Affecting FY2013 Outlook (vs. Previous Outlook)

Considerations factored into outlook for remainder of FY2013

Inkjet Printer Business

- Pursue the following strategies while continuing to maintain prices and profitability:
 - ✓ Expand sales of popular high-capacity ink tank models
 - ✓ Expand office printer install base to grow sales of consumables

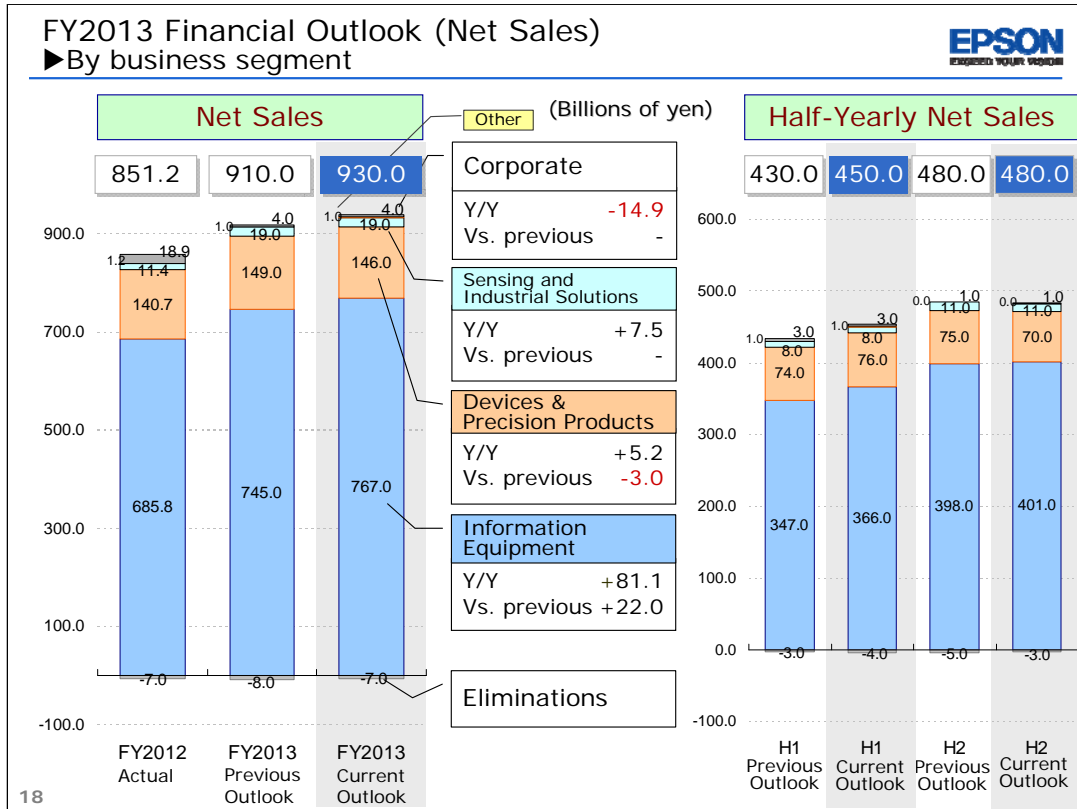
Other Businesses

- Effects of slowing growth in China and delayed recovery in Europe factored in along with the effects of softer demand for smartphones, digital cameras, etc.

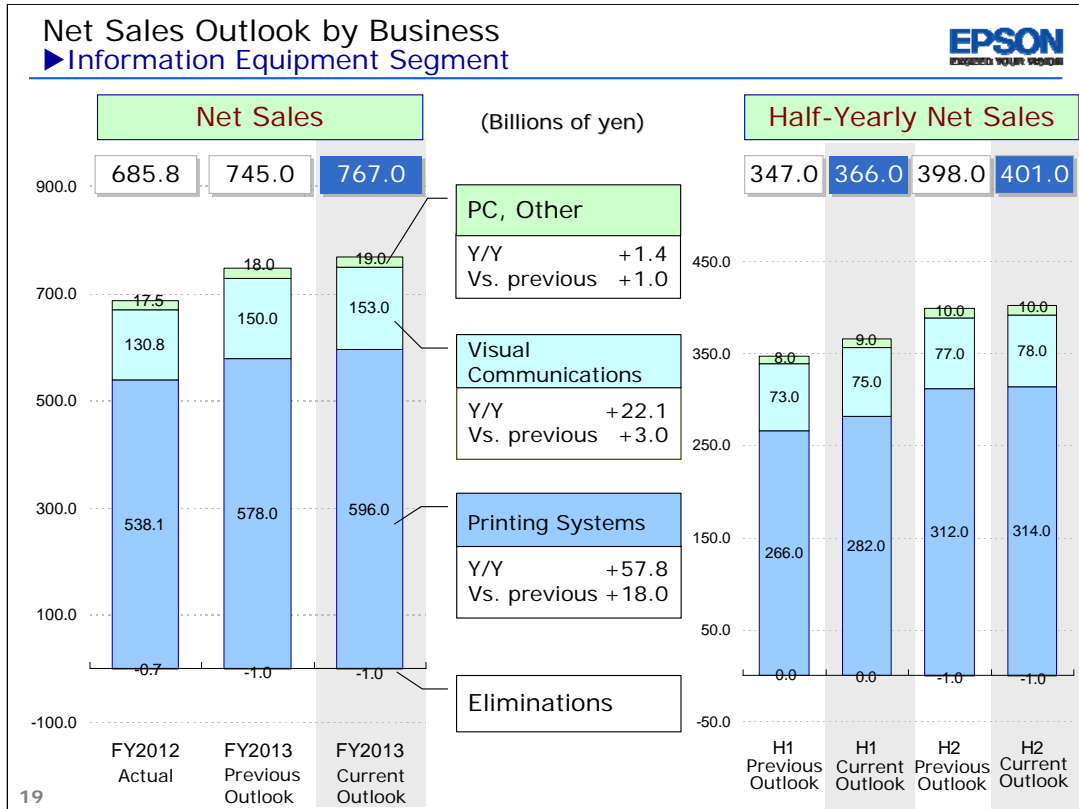
- 1st half: Outlook raised for both net sales and operating income. Q2 expected to be in line with previous outlook.
- 2nd half: Net sales outlook not changed, but outlook lowered for each income category
- Full year: Net sales and income category outlook raised given upward revision of first-half outlook

17

- Key considerations factored into our revised FY2013 financial outlook
 - We are taking a cautious approach to the outlook for the second half. Although we plan to accelerate some of the strategic measures that have started to bear fruit in the inkjet printer business, we are also taking into account environmental changes that will affect some of the other businesses.

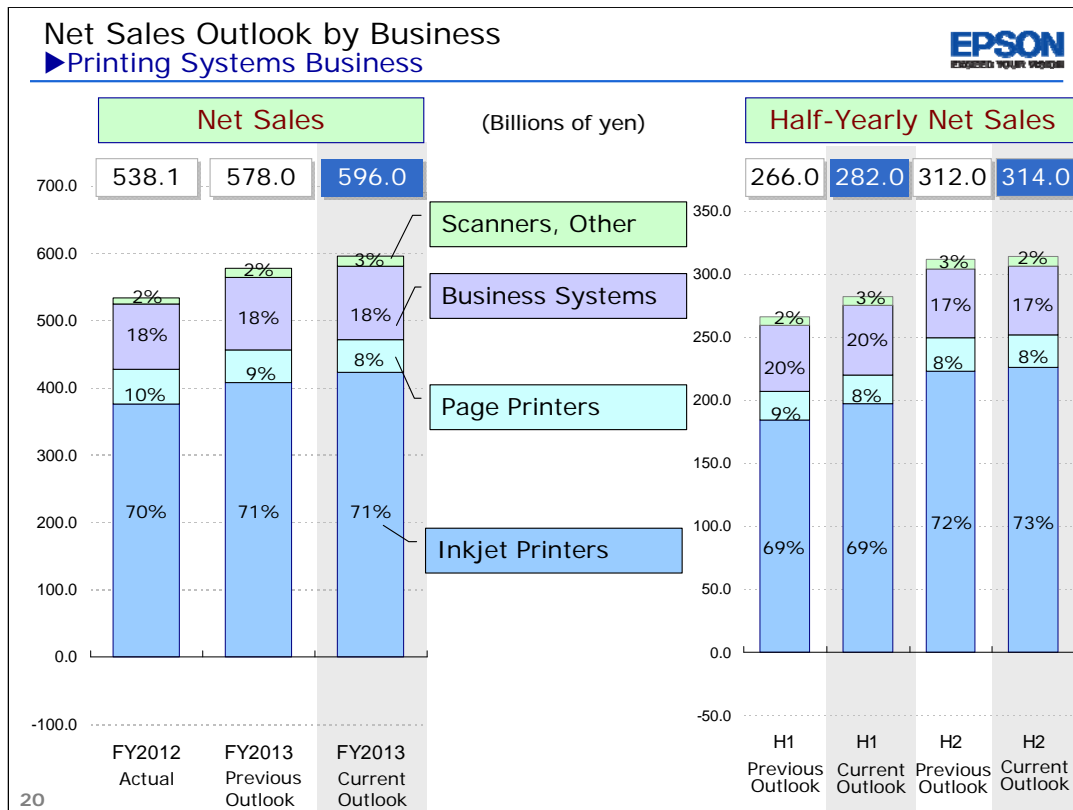


- Net sales outlook for FY2013 broken down by segment and by first and second half
- We raised the consolidated first-half financial outlook. The information-related equipment segment and the devices and precision products segment beat the plan in the first quarter, although second-quarter results should fall back in line with the previous outlook.
- For the second half, we expect our consolidated results to mirror the previous outlook after raising the net sales forecast in information-related equipment and lowering the net sales forecast in devices and precision products.



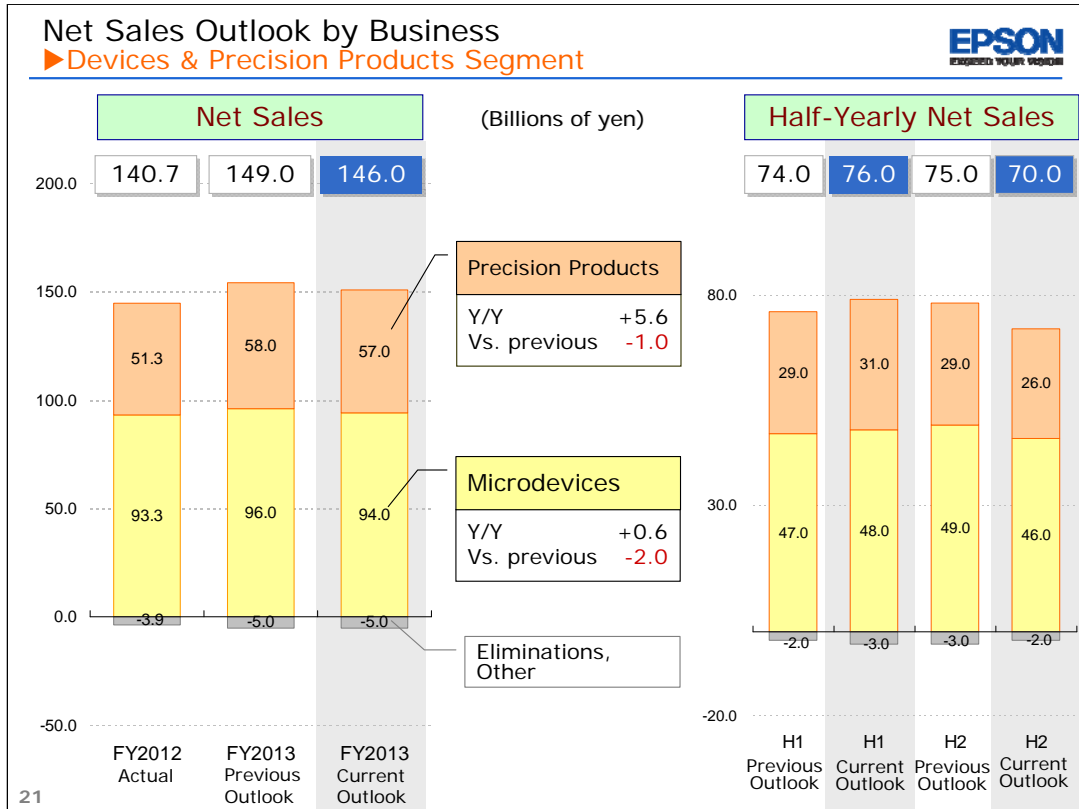
■ Breakdown of estimated net sales in each business of the information-related equipment segment

- We expect visual communications to record ¥153 billion in net sales, up ¥3 billion compared to the previous outlook.
- We lowered our forecast for second-half projector shipments because we expect total market growth to weaken due to an easing of the growth rate in China and a delayed economic recovery in Europe and because of the postponement of tenders in South America. However, over the remaining three quarters we expect unit volume growth to outpace both last year's level and the market growth rate. We will look to do this primarily by winning tender orders and promoting sales of short-throw lens projectors and other highly competitive strategic models.

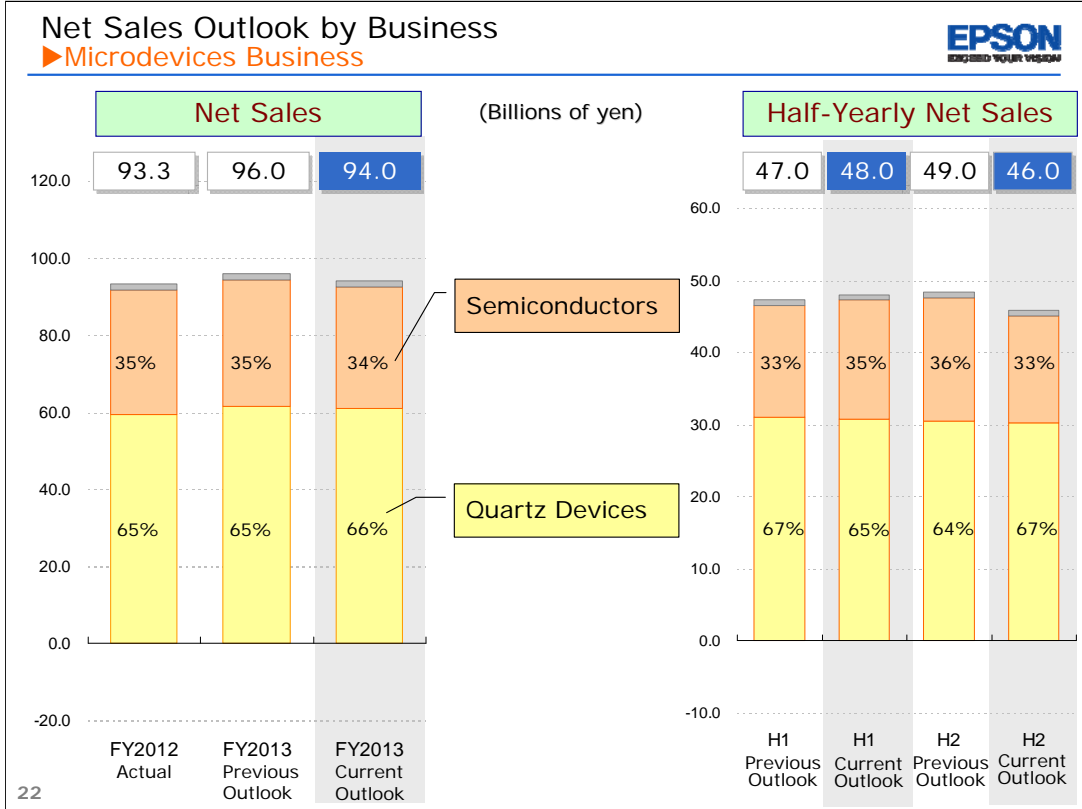


■ Printing systems business net sales outlook

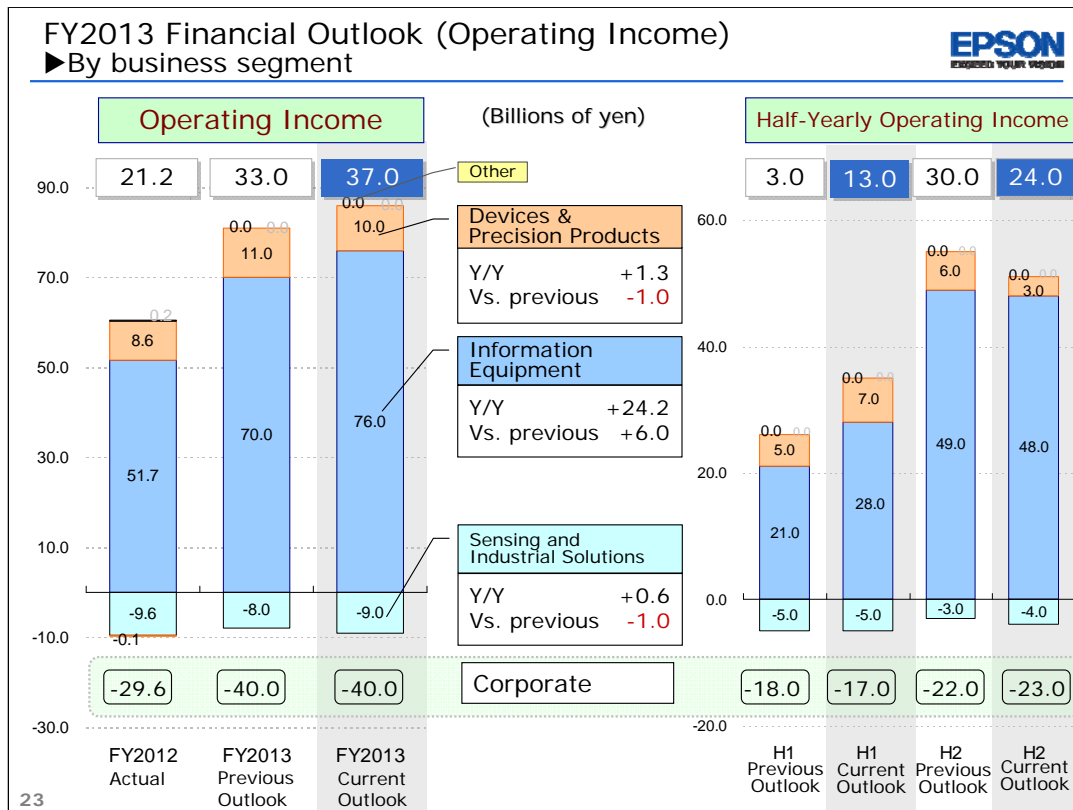
- We expect ¥596 billion in full-year net sales. This is ¥18 billion more than in the previous outlook.
- In inkjet printers, we expect to see growth in emerging markets, but we have not changed our view that the overall market will move sideways because of the slow recovery of markets in developed economies. To make the best of the situation, we will continue to maintain prices and expand sales of our popular high-capacity ink tank models for the remainder of the year. We will also look to further accelerate the growth of revenue from consumables generated by an increased install base of office inkjet printers in North America that gradually began to contribute to net sales in the second half of last year. To accelerate this growth, we will use some of the profit earned in the first quarter to aggressively promote sales of office printers in North America. By doing so, we expect to bring printer sales volume for the full year up to the last year's level, whereas we projected 5% negative growth in the previous outlook. We expect second-half net sales from consumables to be in line with the previous outlook but raised our full-year outlook due to the raised first-half expectations.
- In business systems, we expect full-year net sales to mirror the previous outlook. We should see net sales growth in SIDM printers, since we have shored up production and are now positioned to meet demand and to make up for the ground we lost in the first quarter due to insufficient supply. We expect POS-related product demand to decline in China and Europe.



- Breakdown of projected net sales by business in the devices and precision products segment
 - In microdevices, we expect shipments of quartz and semiconductor products to decline due to a deceleration in demand for products such as smartphones and digital cameras, and the effects of a lower growth rate in China.
 - In precision products we expect net sales to decline because, although the watch market will remain firm in the first half, we have adopted a more cautious view for the second half.



- Breakdown of net sales in the microdevices business



■ FY2013 full-year operating income outlook with figures broken down by segment and by half

- We raised the first-half consolidated operating income outlook because our first quarter results exceeded the plan and we expect our second-quarter results to be in line with the plan.
- We have slightly lowered the second half outlook in the information-related equipment segment in light of the environment in the business systems and visual communications businesses.

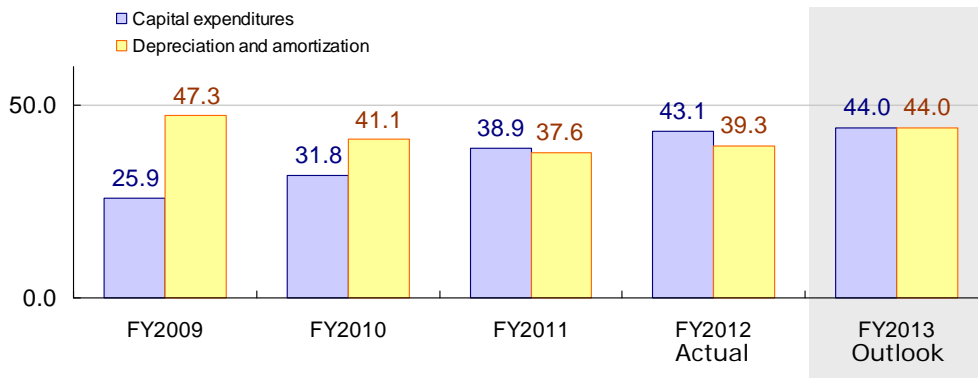
Inkjet printer operating income is expected to be in line with the previous outlook. We will take measures to expand printer sales as I mentioned earlier but will maintain profitability by avoiding unnecessary reductions in selling prices.

- We have lowered our second-half operating income outlook in devices and precision products in conjunction with the expected decline in net sales.
- As a result of the adjusted outlook in the segments, we lowered our second-half consolidated operating income outlook, but have raised our full-year operating income outlook to ¥37 billion, up from ¥33 billion in the previous outlook.

Outlook for Capital Expenditure and Depreciation & Amortization Expenses



(Billions of yen)



Breakdown by segment	FY2012 Actual		FY2013 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	33.4	26.3	30.0	31.0
Devices & Precision Products	6.7	8.0	11.0	9.0
Sensing & Industrial Solutions	0.5	0.5	1.0	1.0
Other/Corporate	2.4	4.3	2.0	3.0

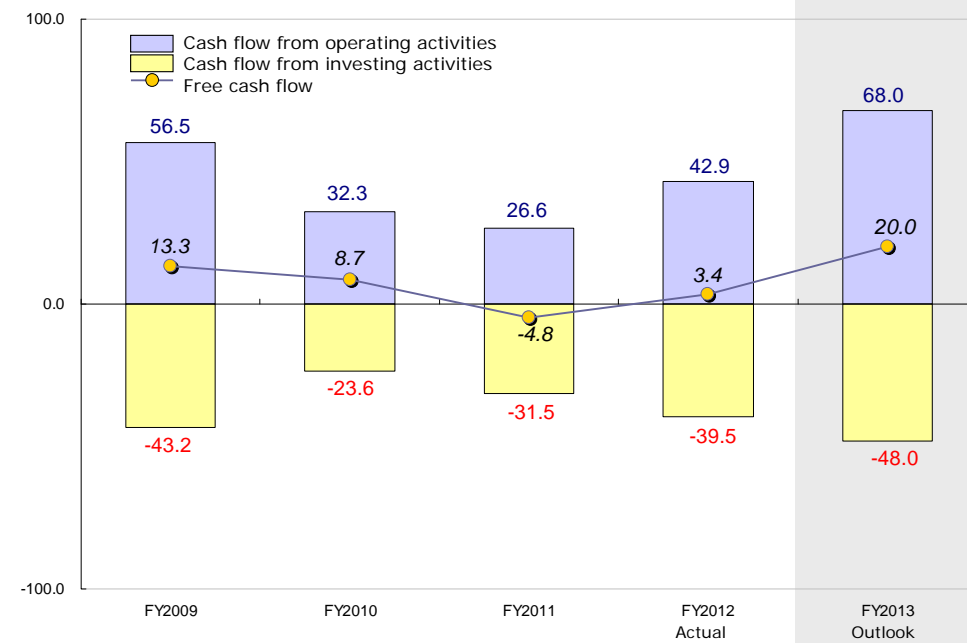
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- Outlook for capital expenditures and depreciation and amortization expenses
- The outlook remains the same as in April.

Free Cash Flow Outlook



(Billions of yen)

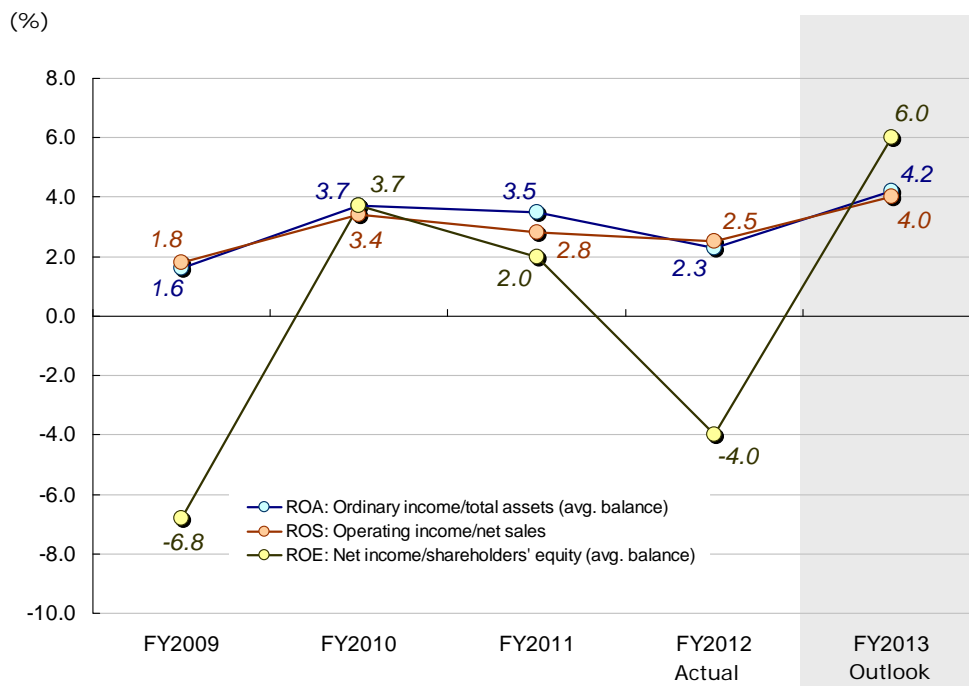


25

■ Cash flows

- We raised the free cash flow outlook to ¥20 billion, up from ¥18 billion in the previous outlook, in line with the revised financial outlook.

Main Management Indicators



26

■ Major management performance indicators

- The major indicators derived from the financial outlook are ROS of 4.0 %, ROA of 4.2 %, and ROE of 6.0%.

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