



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

January 31, 2014

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.

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■ Changes to reporting segments

1) FY2013 Q3 Financial Results

2) FY2013 Financial Outlook

Financial Highlights (Through Third Quarter)



Thru Q3		FY2012		FY2013		Change	
		First 9 Months	%	First 9 Months	%	Amount	%
(Billions of yen)							
Net sales		624.1	-	750.4	-	+126.3	+20.2%
Operating income		11.7	1.9%	74.9	10.0%	+63.1	+535.2%
Ordinary income		12.0	1.9%	71.9	9.6%	+59.8	+494.7%
Net income before income taxes		-2.6	-0.4%	67.4	9.0%	+70.1	-
Net income		-12.6	-2.0%	50.7	6.8%	+63.3	-
EPS		-¥70.50		¥283.79			
Exchange rate	USD	¥80.00		¥99.39			
	EUR	¥102.17		¥132.23			

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■ Cumulative results for the first three quarters

- Net sales were ¥750.4 billion, operating income was ¥74.9 billion, and net income was ¥50.7 billion.

Financial Highlights (Third Quarter)



(Billions of yen)	FY2012		FY2013		Change	
	Q3 Actual	%	Q3 Actual	%	Amount	%
Net sales	235.8	-	281.8	-	+45.9	+19.5%
Operating income	25.9	11.0%	40.8	14.5%	+14.9	+57.6%
Ordinary income	26.2	11.1%	41.3	14.7%	+15.0	+57.1%
Net income before income taxes	26.9	11.4%	38.9	13.8%	+11.9	+44.5%
Quarterly net income	22.8	9.7%	32.3	11.5%	+9.4	+41.6%
EPS	¥127.64		¥180.71			
Exchange rate	USD	¥81.17	¥100.46			
	EUR	¥105.25	¥136.69			

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■ FY2013 third-quarter financial highlights

- We recorded ¥281.8 billion in net sales, up ¥45.9 billion. Operating income was ¥40.8 billion, up ¥14.9 billion. Net income was ¥32.3 billion, up ¥9.4 billion.

Main Factors Affecting Q3 Results (Vs. the Internal Plan)



- Strategic progress in information-related equipment & other businesses
- Sharp increase in net sales and in every income category due to a combination of pricing policies, reductions in both fixed and variable costs, and the effects of yen depreciation

Information-related Equipment Segment

Inkjet Printer Business

- Missed the unit shipment target by a narrow margin but continued printer pricing and cost reduction initiatives
- Sales of consumables steadily climbing in Europe and North America

Business Systems Business

- SIDM printer demand sluggish in Europe but steady in China
- POS product performance basically in line with plan

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- Main factors affecting Q3 results year-over-year
 - As we explained in our October 31 announcement, the majority of the 24 billion yen second half operating income will be recorded in the third quarter.
 - In short, net sales and each income category in the quarter far exceeded the internal plan on which our previous outlook was based because of steady improvement in the information-related equipment segment and the effects of yen depreciation in each business.
 - Inkjet printer net sales and operating income both exceeded the internal business plan despite a slight shortfall in units shipped. Sales of high-capacity ink tank models in emerging markets were largely in line with the plan. Meanwhile, we managed to maintain higher than expected average selling prices by adhering to our price maintenance policy.

We also saw cost-cutting initiatives that we launched several years ago really start to pay off. These initiatives, including more extensive use of standardized parts and increasingly compact designs, are seen in the new printers we released this fiscal year. Sales of consumables steadily climbed in Europe and the U.S.
 - Business systems saw both net sales and operating income exceed the internal plan despite weakness in SIDM printer tender activity in the Middle East and Europe. The better than expected outcome was a result of steady Chinese demand for SIDM printers and POS product sales that went largely as planned.

Visual Communications Business

- Missed unit shipment targets for projectors in emerging markets of Europe, China and other Asian countries, but implemented pricing initiatives

Devices & Precision Products Segment

Microdevices Business

- Crystal device demand declined and price erosion advanced

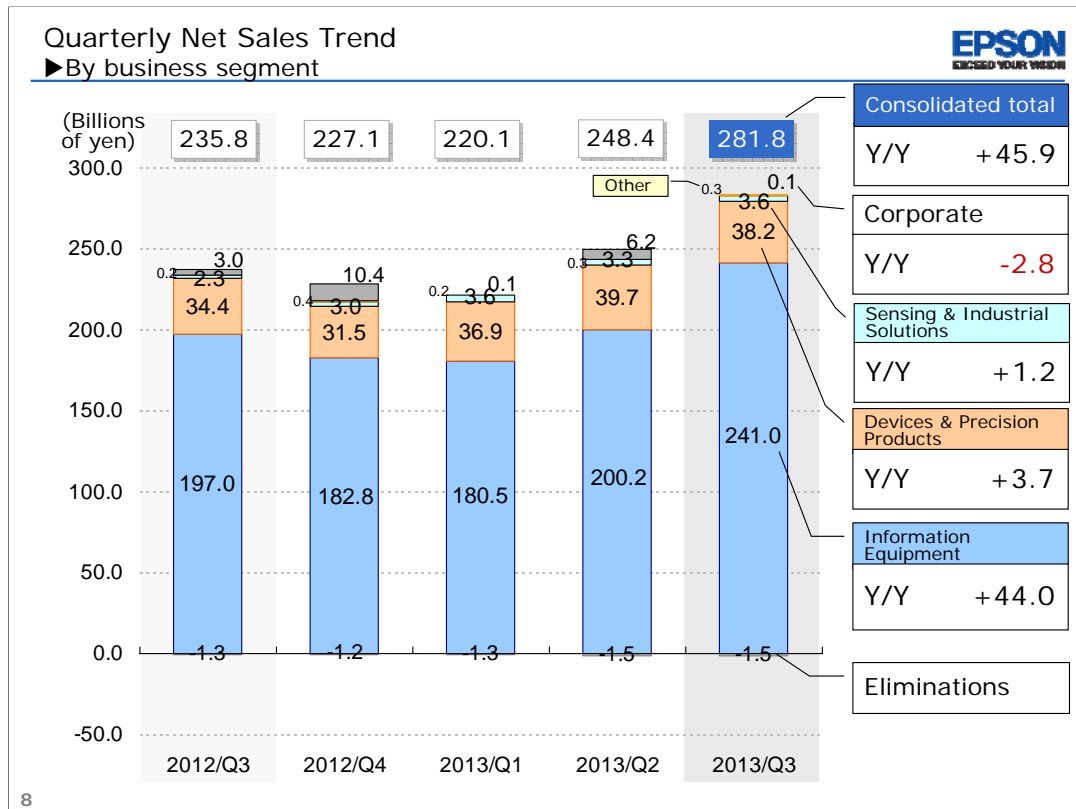
Precision Products Business

- Domestic watch sales and sales of high-end models firm

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■ Main factors affecting Q3 results year-over-year

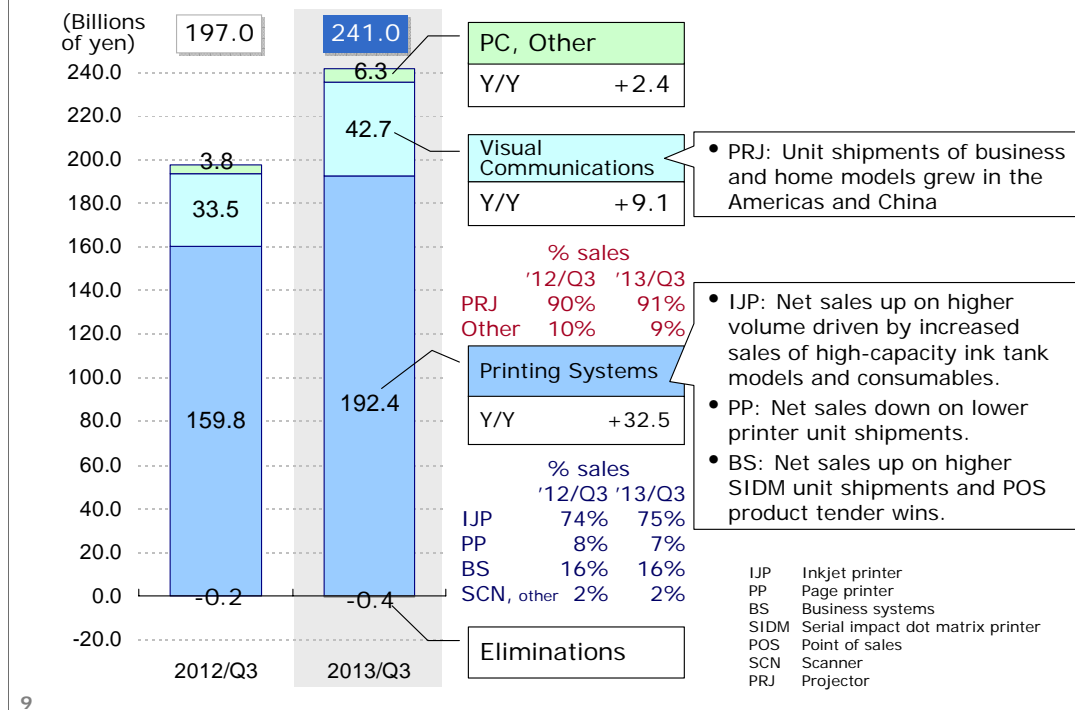
- The visual communications business missed its unit shipment target largely because demand for projectors in the emerging markets of Europe, China and other parts of Asia was sluggish. On the other hand, we exceeded both net sales and operating income targets because of stepped up efforts to maintain prices, which led to higher than expected average selling prices.
- We also saw the devices & precision products segment exceed the internal plan for net sales and operating income. Although the microdevices business saw crystal device sales hurt by slumping demand from the cellular and digital camera markets, the precision products business benefited from steady growth in domestic sales of brand wristwatches.



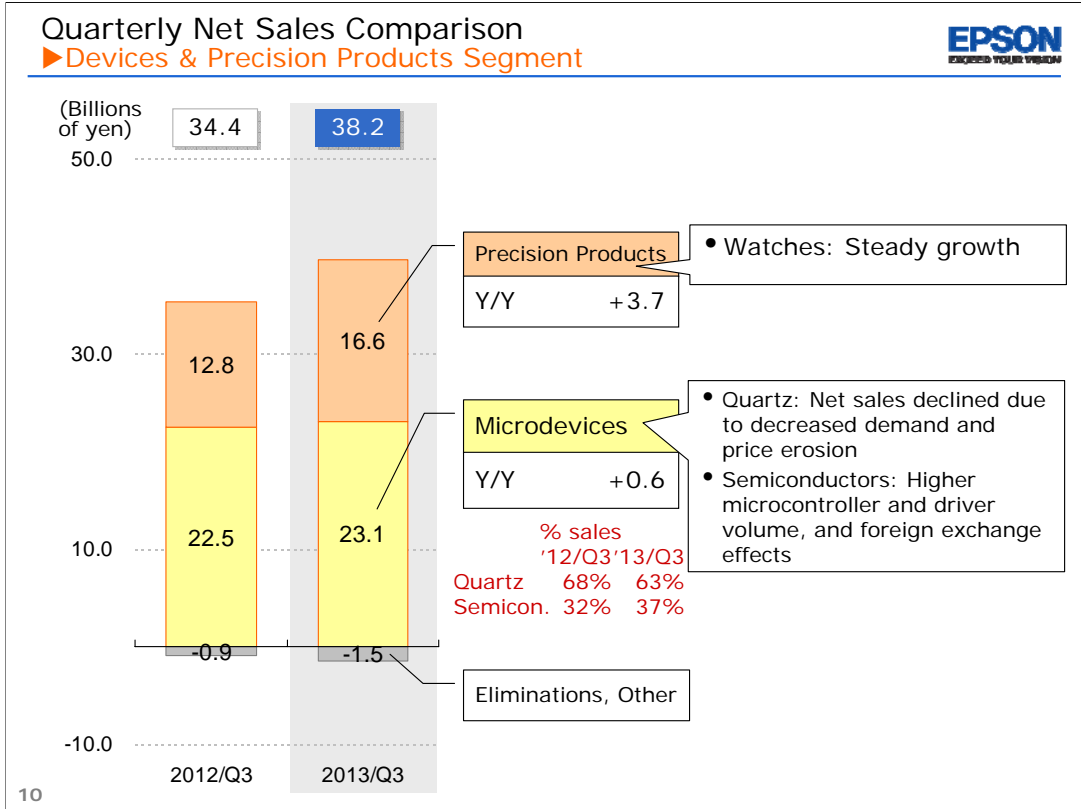
■ Net sales in each segment over the last five quarters

- Compared year-over-year, information-related equipment net sales grew by ¥44 billion, devices & precision products net sales grew by ¥3.7 billion, and sensing & industrial solutions net sales grew by ¥1.2 billion.
- Net sales growth in the sensing & industrial solutions segment was spurred by increased demand for industrial solutions products such as robots and IC handlers in China and other emerging markets.
- Foreign exchange effects had a ¥38.5 billion positive impact on quarterly net sales compared to the same period last year, mostly in the information-related equipment segment.

Quarterly Net Sales Comparison ▶ Information Equipment Segment



- Quarterly net sales in the businesses making up the information-related equipment segment
 - Every business benefitted from yen depreciation.
 - Printing systems reported a ¥32.5 billion increase in net sales.
 - The inkjet printer business as a whole recorded year-over-year net sales growth. Inkjet printer net sales increased because we grew unit shipments, took action to improve the model mix and maintain average selling prices, and grew sales of consumables.
 - We also recorded net sales growth in commercial large-format printers. This is due to the gradually emerging effects of an expanded product lineup as well as to an increase in sales of consumables as the Japanese and North American economies gradually recover.
 - Page printer net sales declined because we curtailed sales of low-priced models.
 - Business systems net sales increased. SIDM printers contributed to this increase, in part because of successful bank tenders in China that boosted unit shipments. POS products also contributed despite continued market sluggishness in China, as we were able to capture tenders and other orders in the Americas, where the market remains firm.
 - The visual communications business also recorded net sales growth. Although net sales were adversely affected by soft projector demand in Europe, business and home projector unit shipments steadily climbed in the Americas and China.



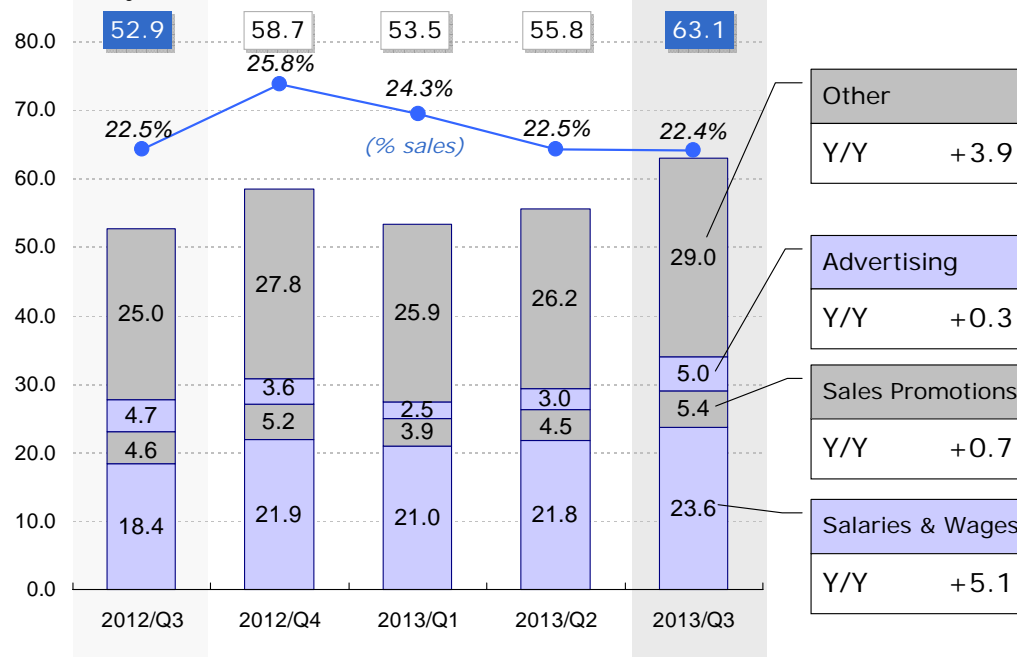
■ Quarterly net sales in the devices & precision products segment

- The microdevices business as a whole recorded net sales growth. Although quartz net sales declined due to a combination of price erosion and a decline in demand from the cellular and digital camera markets, semiconductor net sales increased on microcontroller and driver IC shipment growth, as well as due to foreign exchange effects.
- Precision products recorded net sales growth owing to steady demand for high-end wristwatches internationally and firm wristwatch demand domestically.

Quarterly Selling, General and Administrative Expenses

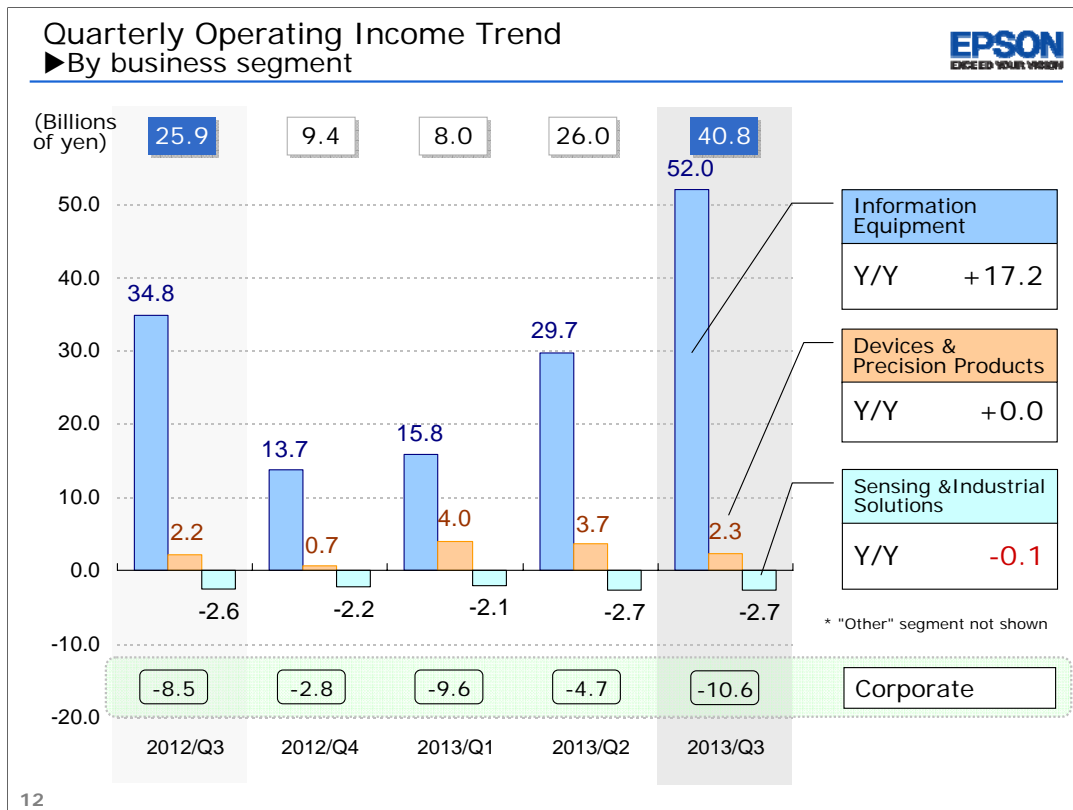


(Billions of yen)



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- Quarterly selling, general and administrative expenses
 - There was virtually no year-over-year change in selling, general and administrative expenses as a percentage of net sales even though yen depreciation and factors related to the improvement of business results caused labor costs to increase. This was achieved because we made every effort to keep SGA expenses in line by maximizing efficiency in spending on advertising and sales promotions.



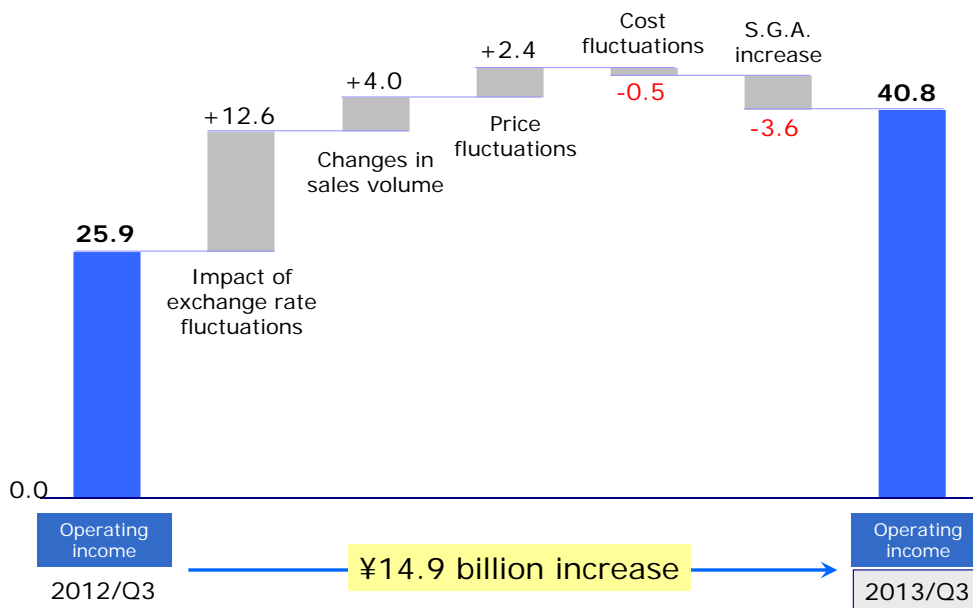
■ Breakdown of quarterly operating income by segment

- Foreign exchange had an approximately ¥12.6 billion positive effect on consolidated operating income this quarter compared to the same quarter last year.
- Information-related equipment recorded ¥52 billion in operating income, an increase of ¥17.2 billion, year over year.
- Inkjet printer operating income jumped sharply for a number of reasons, including increased revenue from sales of consumables, an improved model mix and higher average selling prices, and increased revenue from high-margin commercial inkjet printers.
- Both business systems and visual communications reported higher income on net sales growth.
- Page printer operating income was down due to a decline in net sales.
- Results in devices & precision and sensing & industrial solutions were in line with the previous year.

Operating Income Fluctuation Cause Analysis



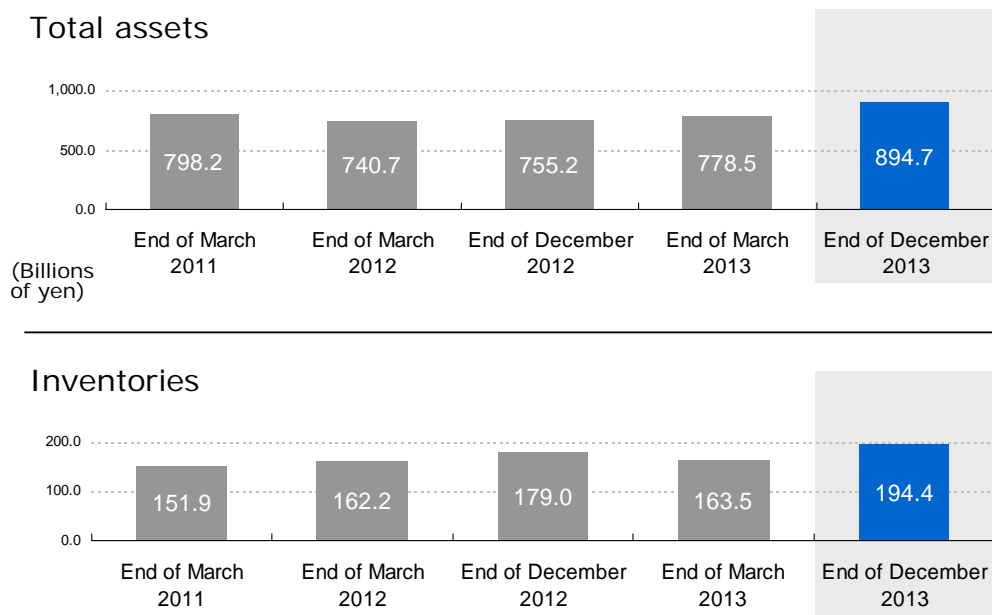
(Billions of yen)



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- Cause analysis of the increase in operating income compared to the same period last year
 - Whereas we had ¥25.9 billion in operating income in the third quarter of fiscal 2012, this year we recorded ¥40.8 billion. The increase is primarily the result of foreign exchange effects and increases in volume and prices, which combined to more than offset the increase in SGA expenses.

Statistics of Balance Sheet Items



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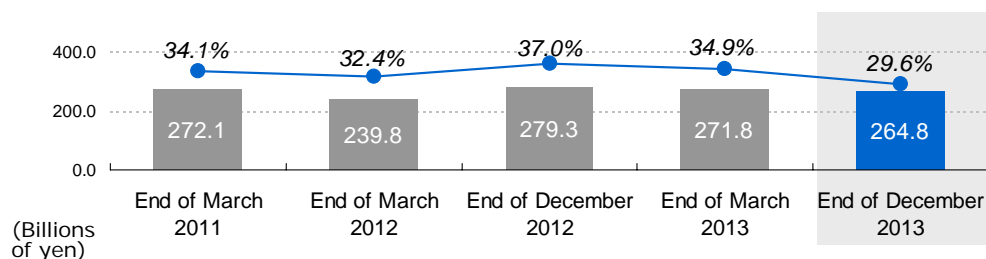
■ Major items on the balance sheet

- Total assets increased by ¥116.2 billion compared to the end of the previous fiscal year, primarily due to increases in cash reserves, trade notes and accounts receivable, and inventories.
- Inventories increased by 30.9 billion yen compared to the end of the previous fiscal year due to the effects of the weaker yen on foreign currency translations, but if you exclude these foreign exchange effects, inventories are basically in line with the plan.

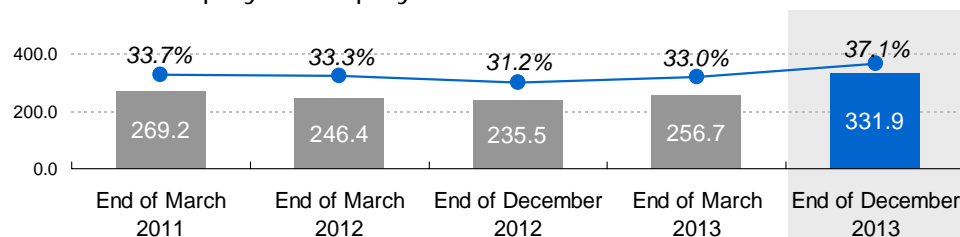
Statistics of Balance Sheet Items



Interest-bearing liabilities and ratio of interest-bearing liabilities



Shareholder's equity and equity ratio



*Lease obligations are included in interest-bearing liabilities

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

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■ Major items on the balance sheet

- Interest-bearing liabilities decreased by ¥7 billion from the end of the previous fiscal year. This was the result of a corporate bond issue in September and the repayment of loans. The ratio of interest-bearing liabilities to total assets was 29.6%. Net interest-bearing liabilities were ¥36.6 billion, a ¥50.5 billion decrease since the end of the previous fiscal year.
- Shareholders' equity increased by ¥75.1 billion compared to the end of the previous period, mainly due to our third-quarter financial results and the effects of the weaker yen on foreign currency translations. As a result, our equity ratio was 37.1%.

1) FY2013 Q3 Financial Results

2) FY2013 Financial Outlook

FY2013 Financial Outlook



(Billions of yen)	FY2012		FY2013				Change (amount, %)	
	Actual	%	10/31 Outlook	%	Current Outlook	%	Y/Y	Vs. previous outlook
Net sales	851.2	-	960.0	-	990.0	-	138.7 +16.3%	+30.0 +3.1%
Operating income	21.2	2.5%	58.0	6.0%	79.0	8.0%	+57.7 +271.7%	+21.0 +36.2%
Ordinary income	17.6	2.1%	55.0	5.7%	74.0	7.5%	+56.3 +319.8%	+19.0 +34.5%
Net income before income taxes	-3.4	-0.4%	48.0	5.0%	68.0	6.9%	+71.4 -	+20.0 +41.7%
Net income	-10.0	-1.2%	34.0	3.5%	52.0	5.3%	+62.0 -	+18.0 +52.9%
EPS	-¥56.41		¥190.06		¥290.68			
Exchange rate	USD	¥83.11	¥97.00		¥100.00			
	EUR	¥107.14	¥127.00		¥134.00			

Current outlook exchange rate assumptions from Q4 onward
 USD: ¥100.00
 EUR: ¥140.00

Previous outlook exchange rate assumptions from Q3 onward
 USD: ¥95.00, EUR: ¥125.00

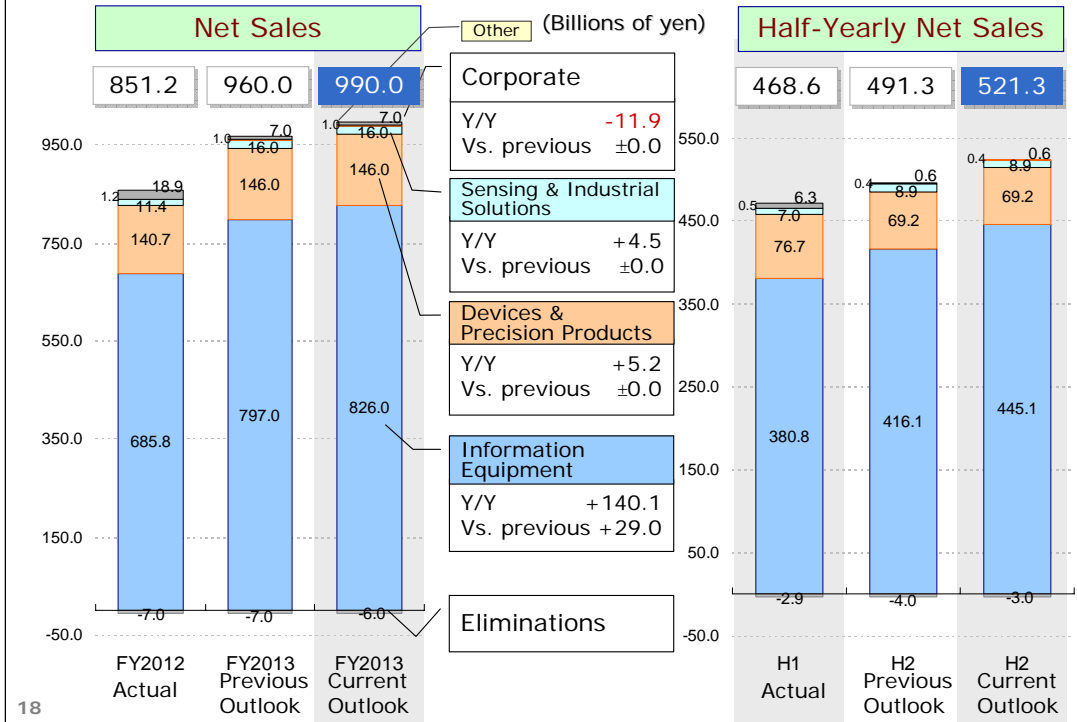
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■ FY2013 full-year outlook

- We revised the outlook given the third-quarter results, segment forecasts, and new estimates on fourth-quarter exchange rates. Assuming exchange rates of 100 yen to the US dollar and 140 yen to the euro, we now see full-year net sales reaching ¥990 billion, a ¥30 billion increase from the previous outlook. The outlook for operating income now stands at ¥79 billion, up ¥21 billion, while net income should be in the neighborhood of ¥52 billion, a ¥18 billion increase from the previous outlook.
- Given that we have raised our full-year financial outlook, we have also raised the outlook for the year-end dividend. Instead of ¥13 per share as previously forecast, we now plan to pay ¥37 yen per share.
- We therefore expect the annual dividend to total ¥50 per share.

FY2013 Financial Outlook (Net Sales)

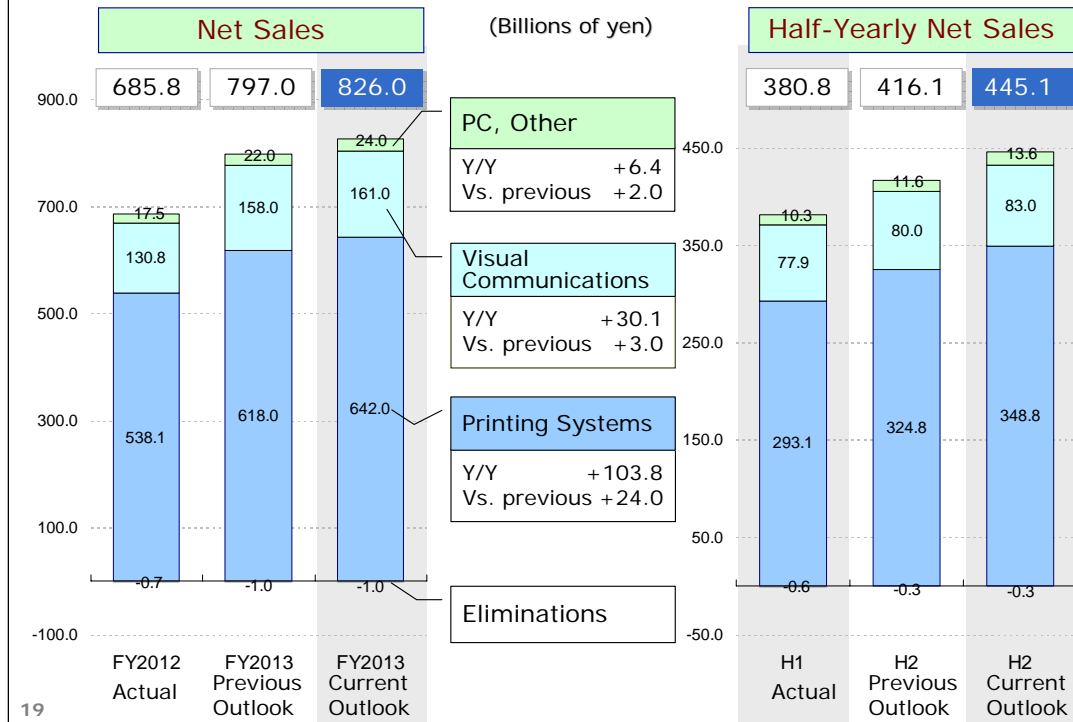
► By business segment



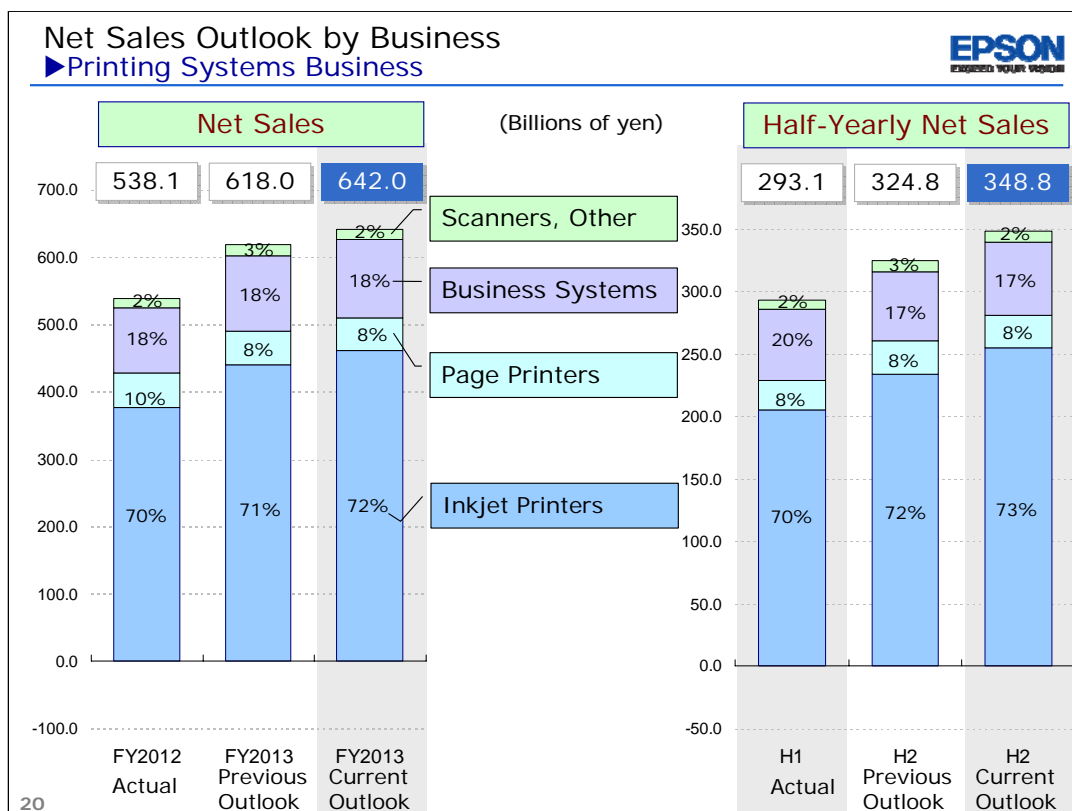
■ Net sales outlook for FY2013 broken down by segment and by first and second half

- We now expect full-year net sales of ¥826 billion in information-related equipment, ¥146 billion in devices and precision products, and ¥16 billion in sensing & industrial solutions.

Net Sales Outlook by Business
 Information Equipment Segment



- Breakdown of estimated net sales in each business of the information-related equipment segment
 - We expect visual communications to record ¥161 billion in net sales, up ¥3 billion compared to the previous outlook.
 - The growth rate of the projector market is likely to be blunted by a continued slow rebound in demand in Asia and Europe. Having said that, however, we expect to record year-over-year unit shipment growth and a higher growth rate than the overall market by promoting sales of strategic products.



■ Printing systems business net sales outlook

➤ We expect ¥642 billion in full-year net sales, a ¥24 billion increase over the previous outlook.

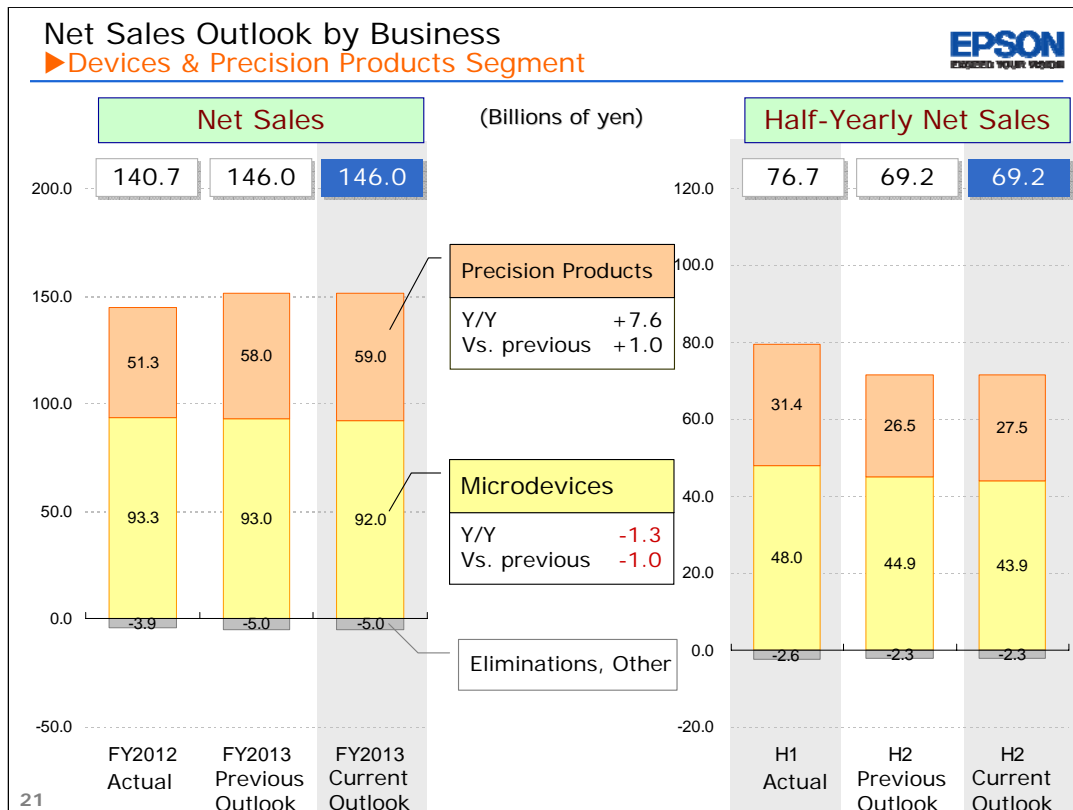
➤ We have not changed our view that the inkjet printer business as a whole will move sideways, as we see growth in emerging markets being offset by unit shipment declines in advanced economies.

We are planning to continue to maintain prices and expand sales of our popular high-capacity ink tank models. We expect these efforts to yield year-over-year unit shipment growth in the fourth quarter.

Until now we have reiterated our expectation that full-year inkjet unit sales will be about the same as last year. Now, however, given the shipment situation through the first three quarters, we have lowered our unit shipment forecast by 3%.

➤ As for business systems, we see no significant market changes in the immediate future.

Sales of POS products will be affected by softness in the European and Chinese markets, but we expect to capture tender business in both North America and Asia.



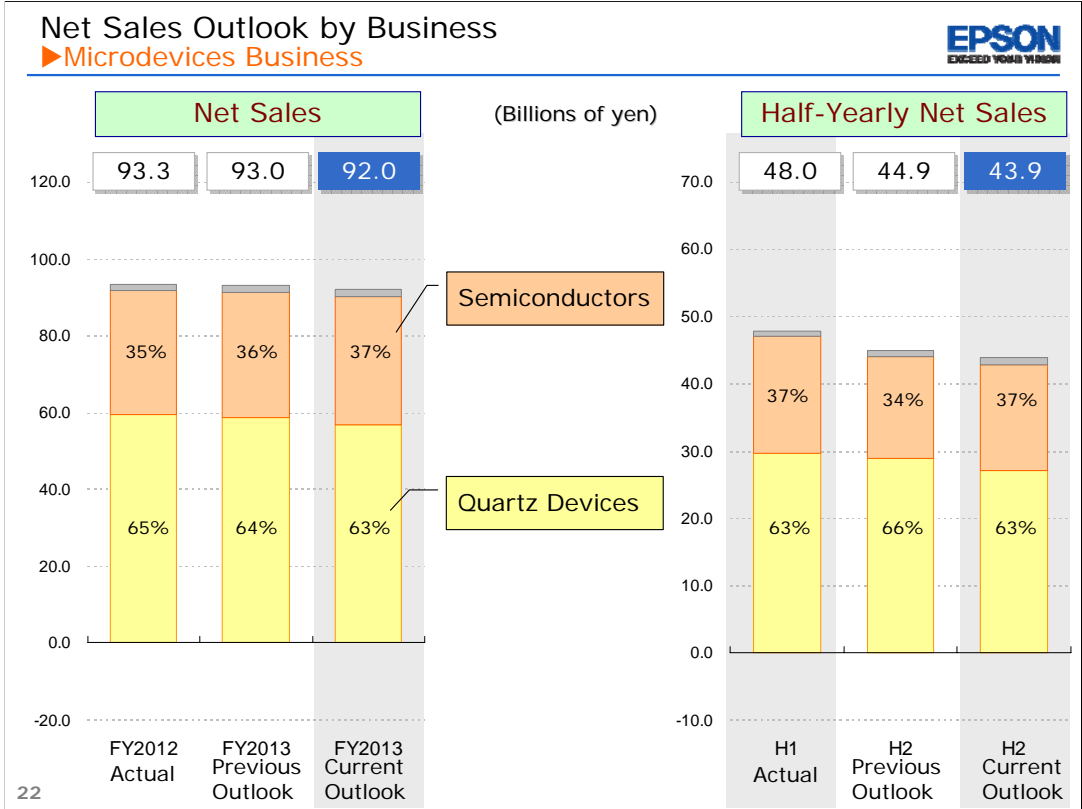
■ Breakdown of net sales by business in the devices & precision products segment

➤ In the microdevices business, we expect quartz products to struggle under continued difficult market conditions.

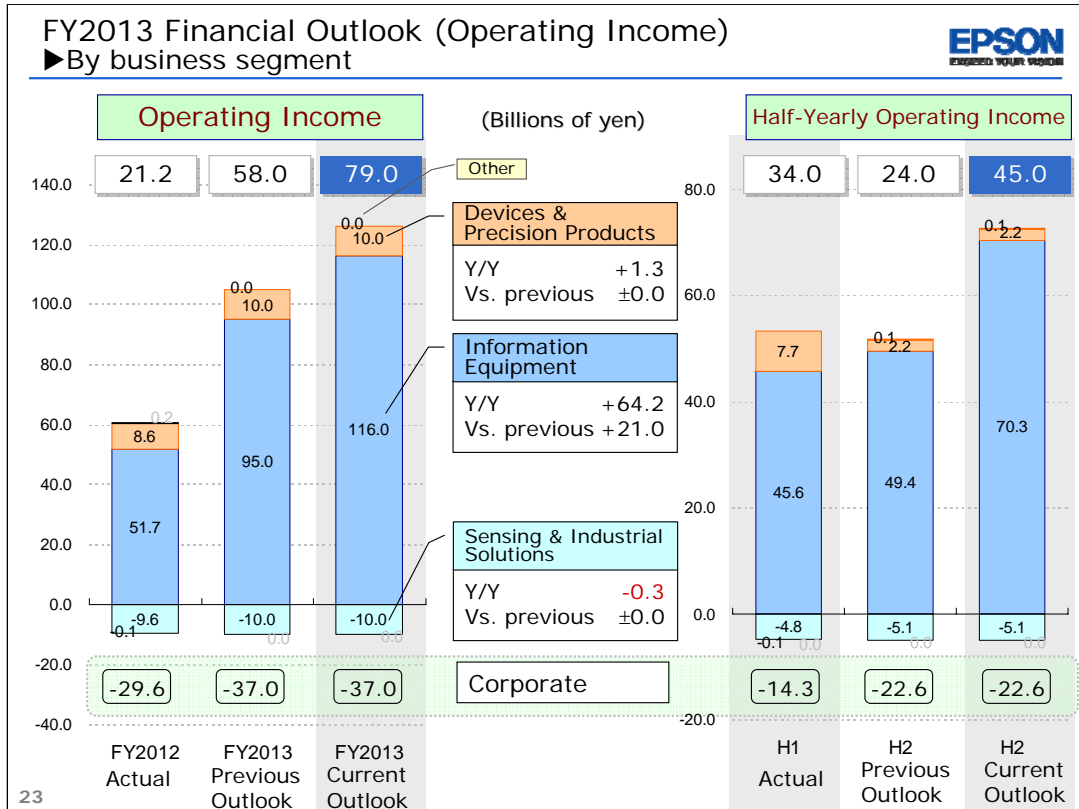
We will strive to achieve the business plan by capturing orders and reducing fixed costs.

➤ We changed the outlook for precision products after factoring in our third-quarter financial results.

The same market environment assumptions apply now as in our previous outlook.



■ Breakdown of net sales in the microdevices business



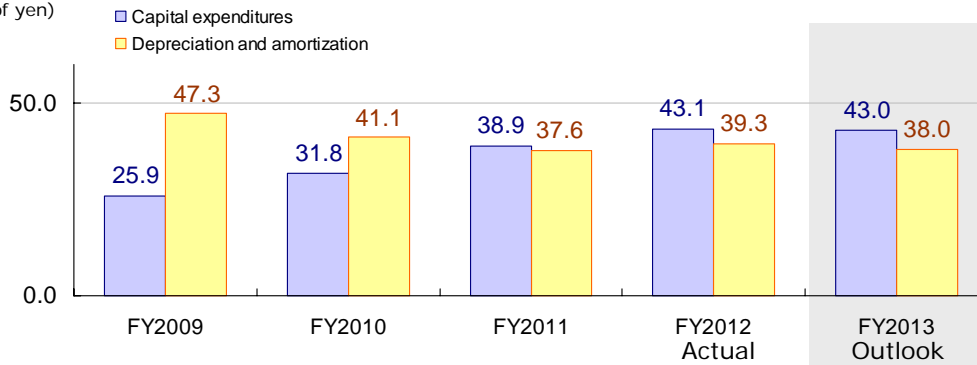
■ FY2013 full-year operating income outlook with figures broken down by segment and by half

- We raised the information-related equipment operating income outlook to ¥116 billion, an increase of ¥21 billion from the previous outlook, after factoring in the effects of strategic progress in inkjet printers and the latest foreign exchange assumptions.
- The operating income outlook for both devices & precision products and sensing & industrial solutions remains the same as in the previous outlook.

Outlook for Capital Expenditure and Depreciation and 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	24.0
Devices & Precision Products	6.7	8.0	9.0	8.0
Sensing & Industrial Solutions	0.5	0.5	1.0	1.0
Other/Corporate	2.4	4.3	3.0	5.0

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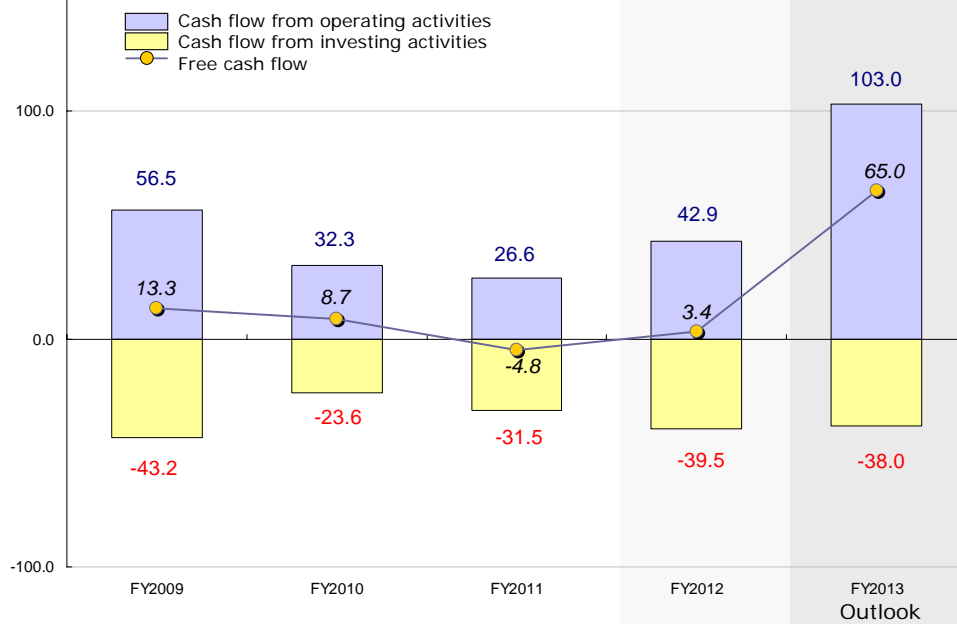
■ Outlook for capital expenditures and depreciation and amortization expenses

- We reduced the capital investment outlook from ¥44- to ¥43 billion compared to the previous outlook, as we intend to be highly selective about our capital spending. The revised depreciation outlook, which was reduced from ¥44- to ¥38 billion, reflects the postponement of investment.

Free Cash Flow Outlook



(Billions of yen)

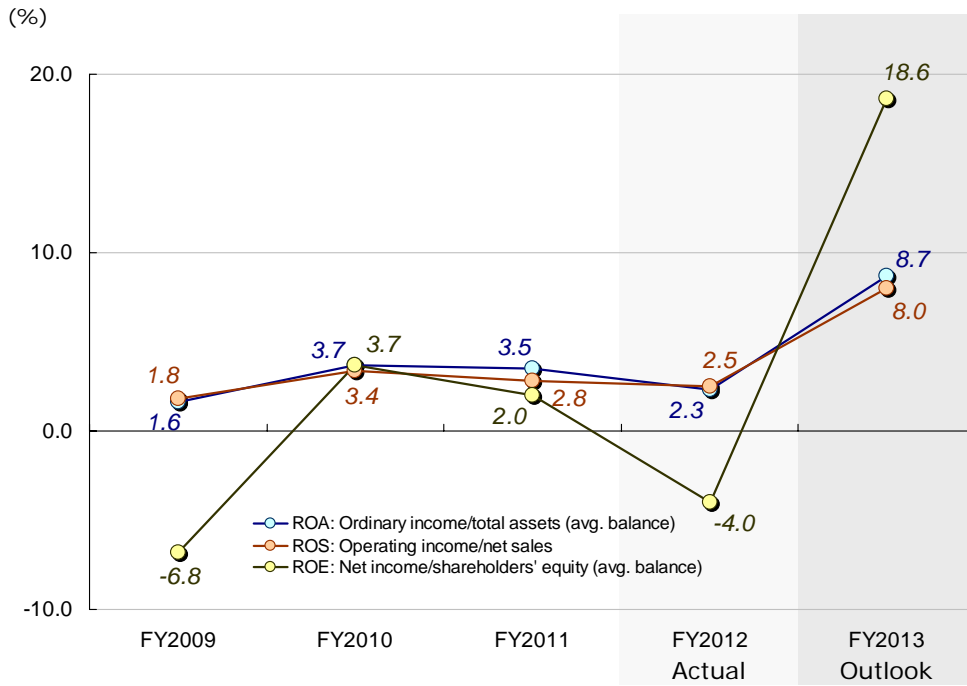


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■ Cash flows

- In conjunction with the revised financial outlook and changes in investment, we raised the free cash flow outlook to ¥65 billion, up from ¥40 billion in the previous outlook.
- As a result, year-end net interest-bearing liabilities are expected to amount to approximately 15 billion yen.

Main Management Indicators



■ Major management performance indicators

➤ ROS of 8%, ROA of 8.7 %, and ROE of 18.6%.

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