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July 31, 2013

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2013

Consolidated Financial Highlights

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

	Three months ended June 30		Change	Three months ended June 30, 2013
	2012	2013		
Statements of Operations Data:				
Net sales	¥186,360	**¥220,188**	18.2%	**$2,233,370**
Operating income (loss)	(16,117)	**8,010**	- %	**81,245**
Ordinary income (loss)	(16,483)	**4,846**	- %	**49,153**
Net income (loss)	(34,467)	**125**	- %	**1,267**
Comprehensive income	(43,607)	**11,156**	- %	**113,155**
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	(7,792)	**15,009**	- %	**152,236**
Net cash provided by (used in) investing activities	(13,401)	**(9,118)**	- %	**(92,484)**
Net cash provided by (used in) financing activities	(9,286)	**(4,755)**	- %	**(48,230)**
Cash and cash equivalents at end of period	114,440	**190,673**	66.6%	**1,933,999**
Per Share Data:				
Net income (loss) per share -Basic	(¥192.67)	¥0.70	- %	**$0.00**
-Diluted	¥-	¥-	- %	**$-**

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

	June 30, 2013	March 31, 2013	June 30, 2013
Total assets	**¥789,672**	¥778,547	**$8,009,656**
Net assets	**268,600**	258,806	**2,724,414**
Shareholders' equity	**266,564**	256,745	**2,703,763**
Shareholders' equity ratio (%)	**33.8%**	33.0%	**33.8%**
Shareholders' equity per share	**¥1,490.09**	¥1,435.20	**$15.11**

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 ¥98.59 = U.S.$1 as of June 30, 2013, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2013 First-Quarter (April 1 to June 30, 2013) Overview

Overall, the global economic recovery was muted during the first quarter of the year under review, though there were signs of a bottoming out. Regionally, the U.S. economy recovered at a gradual pace, getting a boost from improved unemployment figures and a rise in consumer spending, among other factors. In Europe, unemployment rate rose and overall economic activity was weak, but pockets of relatively steady activity in areas such as manufacturing and exports signaled a bottoming out of the economy. In Asia, the tempo of Chinese economic expansion maintained a slow beat, while the Indian economy continued to gradually decelerate. Elsewhere in Asia, the economies of the ASEAN region picked up primarily due to internal demand, while South Korea and Taiwan stayed in a holding pattern. The Japanese economy, meanwhile, steadily rallied, in part due to the effects of an improved export environment owing to the weakening of the yen and in part due to economic measures.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Inkjet printer demand, on the decline in Europe and Japan, looks to have bottomed out in the Americas. In large-format inkjet printers sales of low-end models were solid, but demand for high-end models was sluggish in the face of constrained corporate spending. The markets for serial-impact dot-matrix (SIDM) printers shrank in the U.S., Europe, and Japan but grew in China due to infrastructure investment. POS system product shipments to Southeast Asia and to small and medium-sized retailers in the Americas were solid during the period owing to an upswing in capital expenditure. In Europe, however, sales were moderated by belt-tightening in the face of continued economic sluggishness. Projector demand was steady in Japan, the Americas, and Asia. In Europe, however, demand remained slack as businesses reduced their investment budgets amid the economic slowdown.
The main applications for electronic devices were a mixed bag, with some product categories enjoying strength while others experienced weakness. Smartphone demand continued to expand, while conventional mobile phone demand continued to decline. In the PC market, sales of tablets were favorable, but demand for notebook and desktop models contracted. In the digital camera market, compact camera sales remained sluggish. Demand for SLR (single-lens reflex) and MILC (mirrorless interchangeable-lens camera) models also lacked vigor.
The precision products market expanded, with watches driving demand growth in Japan and other parts of Asia. Robot demand increased particularly in China and Taiwan, but IC handler demand failed to rebound despite a resumption of investment in the semiconductor market.

Epson began fiscal 2012 under the SE15 Second-Half Mid-Range Business Plan (FY2012-14), a three-year income growth plan that upheld the basic direction of the strategies outlined in Epson's SE15 Long-Range Corporate Vision but was predicated on revenue growth. Despite executing the plan, however, Epson found itself forced to revise its financial forecasts downward twice in the first half of fiscal 2012, largely because of a persistently difficult business environment.
Given this situation, Epson re-examined and adjusted the strategies and financial targets set forth in the SE15 Second-Half Mid-Range Business Plan and, in March 2013, established a new three-year plan, the Updated

SE15 Second-Half Mid-Range Business Plan (FY2013-15). We remain firmly committed to the course charted in SE15 but the tactics and emphasis will change. Under the updated basic policy we will pursue a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. Epson will work steadily during the three years of the updated plan to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first quarter of the year under review were ¥98.76 and ¥128.95, respectively. This represents a 23% depreciation in the value of the yen against the dollar and a 25% depreciation in the value of the yen against the euro, year-over-year.

Consolidated first-quarter net sales were ¥220,188 million ($2,233,370 thousand), up 18.2% year over year. Operating income was ¥8,010 million ($81,245 thousand), compared to a ¥16,117 million loss recorded in the same period last year. Ordinary income was ¥4,846 million ($49,153 thousand), compared to a ¥16,483 million loss recorded in the same period last year. Net income was ¥125 million ($1,267 thousand), compared to a net loss of ¥34,467 million in the same period last year.

A breakdown of the financial results in each reporting segment is provided below. Note that, effective from the first quarter of this fiscal year, some of the product categories within existing reporting segments have been spun off to create new segments. Factory automation equipment, sensing system and equipment, and industrial inkjet equipment, which were formerly included in the information-related equipment segment, devices and precision products segment, and corporate segment, have been spun off to create the new sensing and industrial solutions segment. In addition, the net sales, expenses, and other financial information of the transferred optical products business are included under "Corporate" segment.

Information-Related Equipment Segment

Net sales in the printing systems business increased.

In the inkjet printer business, net sales from hardware increased. Although shipments of printers that use ink cartridges declined, net sales benefited from foreign exchange effects, a rise in average selling prices, and an increase in shipments of high-capacity ink tank models. Net sales from consumables also rose, mainly due to foreign exchange effects and increased unit shipments. Large-format printer net sales increased despite a decline in shipments of both printers and consumables in response to cutbacks in corporate spending due to economic uncertainty. The increase in net sales came as a result of foreign exchange effects and higher average selling prices. Page printer net sales decreased due to a decline in unit shipments, the result of an Epson's focus on high added value models. Serial impact dot matrix (SIDM) printer shipments declined, but net sales increased as a result of foreign exchange effects and higher average selling prices. POS system printer net sales increased due to foreign exchange effects and an increase in unit shipments in the Americas.

Net sales in the visual communications business increased.
Net sales from 3LCD business projectors benefited from an increase in unit shipments as demand rebounded in the Americas, as well as from an increase in average selling prices. On the other hand, net sales from 3LCD projectors for home theater decreased due to intensified competition in Europe and other factors. Net sales in visual communications as a whole increased because of foreign exchange effects, with contributions from increases in business projector unit shipments and average selling prices.

Segment income in the information-related equipment segment increased due to foreign exchange effects and increased income from each product category.

As a result of the foregoing factors, net sales in the information-related equipment segment were ¥180,582 million ($1,831,656 thousand), up 23.1% year over year, while segment income was ¥15,862 million ($160,888 thousand), compared to a loss of ¥6,077 million in the same period last year.

Devices & Precision Products Segment

Net sales in the microdevices business declined.
Quartz device net sales benefited from foreign exchange effects, but that benefit was canceled out by price erosion, particularly in tuning-fork crystal and AT-cut crystal products. Though aided by foreign exchange effects, semiconductor net sales decreased due to plunging prices for MCUs (Micro-controller units) and other factors.

Net sales in the precision products business increased.
Watch net sales increased due to foreign exchange effects and the effect of increased sales of luxury watches, which raised average selling prices.

Segment income in the devices and precision products segment increased. This increase was due not only to the effects of foreign exchange on the segment as a whole but also to the effect of cost reductions in quartz devices.

As a result of the foregoing factors, net sales in the devices and precision products segment were ¥36,978 million ($375,068 thousand), up 1.2% year over year, while segment income was ¥4,028 million ($40,856 thousand), up 83.3% year over year.

Sensing & Industrial Solutions Segment

Net income in the sensing and industrial solutions segment increased.

In factory automation systems, robot net sales increased as a result of increased orders from Asia and the Americas, while IC handler net sales increased as a result of increased orders from manufacturers of semiconductors for smartphones.

Segment income in the sensing and industrial solutions segment was negative, but the loss was narrowed by the effect of increased income from robots and IC handlers.

As a result of the foregoing factors, net sales in the sensing and industrial solutions segment were ¥3,637 million ($36,890 thousand), up 34.6% year over year, while segment loss was ¥2,168 million ($21,990 thousand), compared to a loss of ¥2,637 million in the same period last year.

Other

Net sales from the Other segment in the period under review were ¥254 million ($2,587 thousand), down 8.1% year over year. Segment loss was ¥93 million ($953 thousand), compared to a ¥64 million segment loss recorded in the same period last year.

Adjustments

Adjustments to total income of reporting segments amounted to -¥9,618 million (-$97,557 thousand), compared to -¥9,535 million in the same period last year. The adjustments mainly comprise 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 quarter were ¥789,672 million ($8,009,656 thousand), an increase of ¥11,125 million from the previous fiscal year end. The primary reasons for the increase were a ¥6,047 million total increase in cash and deposits and short-term investment securities, and a ¥8,301 million increase in inventories.

Total liabilities were ¥521,071 million ($5,285,242 thousand), a ¥1,331 million increase compared to the last fiscal year end. Although there was a ¥5,747 million decrease in the provision for bonuses and a ¥3,563 million decrease in other current liabilities associated with declines in other payables and so forth, total liabilities increased primarily because of a ¥14,305 million increase in notes and accounts payable-trade.

Total net assets were ¥268,600 ($2,724,414 thousand) million, a ¥9,794 million increase compared to the previous fiscal year end. This was primarily the result of a ¥9,397 million change in the foreign currency translation adjustment that accompanied the progressive weakening of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

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

The figures in the outlook are based on assumed exchange rates of 90 yen to the U.S. dollar and 120 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2013 fiscal year (ending March 31, 2014) are as follows.

Consolidated First-Half Outlook

	(Reference) FY2012 First-Half Result	Previous Outlook	Current Outlook	Change	
Net sales	¥388.2 billion	¥430.0 billion	¥450.0 billion	+20.0 billion	(+4.7%)
Operating income	- ¥14.1 billion	¥3.0 billion	¥13.0 billion	+10.0 billion	(+333.3%)
Ordinary income	- ¥14.1 billion	¥1.0 billion	¥9.0 billion	+ 8.0 billion	(+800.0%)
Net income	- ¥35.4 billion	- ¥5.0 billion	¥1.0 billion	+ 6.0 billion	(-)
Foreign exchange rate	1 USD = ¥79 1 euro = ¥100	1 USD = ¥90 1 euro = ¥120	1 USD = ¥94 1 euro = ¥124		

Consolidated Full-Year Outlook

	(Reference) FY2012 Full-Year Result	Previous Outlook	Current Outlook	Change	
Net sales	¥851.2 billion	¥910.0 billion	¥930.0 billion	+20.0 billion	(+2.2%)
Operating income	¥21.2 billion	¥33.0 billion	¥37.0 billion	+ 4.0 billion	(+12.1%)
Ordinary income	¥17.6 billion	¥30.0 billion	¥33.0 billion	+ 3.0 billion	(+10.0%)
Net income	- ¥10.0 billion	¥13.0 billion	¥15.0 billion	+ 2.0 billion	(+15.4%)
Foreign exchange rate	1 USD = ¥83 1 euro = ¥107	1 USD = ¥90 1 euro = ¥120	1 USD = ¥92 1 euro = ¥122		

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.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	June 30, 2013	June 30, 2013
Assets			
Current assets			
Cash and deposits	¥106,678	¥120,224	$1,219,434
Notes and accounts receivable-trade	132,289	130,130	1,319,910
Short-term investment securities	70,012	62,513	634,070
Merchandise and finished goods	95,853	103,182	1,046,576
Work in process	45,677	45,201	458,474
Raw materials and supplies	21,998	23,446	237,813
Other	48,347	46,789	474,614
Allowance for doubtful accounts	(1,399)	(1,544)	(15,660)
Total current assets	519,457	529,944	5,375,231
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	395,133	397,177	4,028,572
Machinery, equipment and vehicles	420,835	426,139	4,322,334
Tools, furniture and fixtures	162,368	167,704	1,701,024
Other	56,450	56,645	574,572
Accumulated depreciation	(817,398)	(831,589)	(8,434,820)
Total property, plant and equipment	217,388	216,077	2,191,682
Intangible assets	13,368	13,600	137,945
Investments and other assets			
Investments and other assets, gross	28,380	30,097	305,274
Allowance for doubtful accounts	(47)	(47)	(476)
Total investments and other assets	28,332	30,050	304,798
Total noncurrent assets	259,089	259,728	2,634,425
Total assets	¥778,547	¥789,672	$8,009,656

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	June 30, 2013	June 30, 2013
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥57,249	¥71,554	$725,773
Short-term loans payable	53,626	51,700	524,393
Current portion of bonds	—	20,000	202,860
Current portion of long-term loans payable	75,000	75,000	760,726
Provision for bonuses	13,035	7,288	73,922
Provision for product warranties	7,624	8,029	81,438
Other	120,151	116,588	1,182,588
Total current liabilities	326,688	350,161	3,551,700
Noncurrent liabilities			
Bonds payable	90,000	70,000	710,011
Long-term loans payable	52,500	52,500	532,508
Provision for retirement benefits	29,304	29,677	301,014
Provision for loss on litigation	2,159	2,298	23,308
Provision for product warranties	652	637	6,461
Provision for recycling costs	577	590	5,984
Other	17,858	15,205	154,256
Total noncurrent liabilities	193,052	170,910	1,733,542
Total liabilities	519,740	521,071	5,285,242
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	539,649
Capital surplus	84,321	84,321	855,269
Retained earnings	179,305	178,178	1,807,262
Treasury stock			
June 30, 2013 - 20,925,584shares			
March 31, 2013 - 20,925,261 shares	(20,453)	(20,454)	(207,465)
Total shareholders' equity	296,376	295,249	2,994,715
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,621	3,238	32,843
Deferred gains or losses on hedges	(1,911)	(978)	(9,919)
Foreign currency translation adjustment	(40,342)	(30,944)	(313,876)
Total accumulated other comprehensive income	(39,631)	(28,685)	(290,952)
Minority interests	2,061	2,036	20,651
Total net assets	258,806	268,600	2,724,414
Total liabilities and net assets	¥778,547	¥789,672	$8,009,656

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

Consolidated Statements of Operations
Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2012	2013	2013
Net sales	¥186,360	¥220,188	$2,233,370
Cost of sales	150,850	158,580	1,608,490
Gross profit	35,509	61,607	624,880
Selling, general and administrative expenses	51,627	53,597	543,635
Operating income (loss)	(16,117)	8,010	81,245
Non-operating income:			
Interest income	227	349	3,539
Other	1,093	1,110	11,269
Total non-operating income	1,320	1,460	14,808
Non-operating expenses:			
Interest expenses	742	665	6,745
Foreign exchange losses	633	3,714	37,671
Other	310	244	2,484
Total non-operating expenses	1,685	4,624	46,900
Ordinary income (loss)	(16,483)	4,846	49,153
Extraordinary income:			
Compensation income	—	741	7,515
Other	6	57	579
Total extraordinary income	6	798	8,094
Extraordinary loss:			
Loss on litigation	13,320	1,801	18,267
Other	2,144	607	6,158
Total extraordinary losses	15,465	2,408	24,425
Income (loss) before income taxes and minority interests	(31,942)	3,236	32,822
Income taxes	2,496	3,141	31,859
Income (loss) before minority interests	(34,438)	95	963
Minority interests in income (loss)	28	(29)	(304)
Net income (loss)	(¥34,467)	¥125	$1,267

The accompanying notes are an integral part of these financial statements

Consolidated Statements of Comprehensive Income
Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2012	2013	2013
Income (loss) before minority interests	(¥34,438)	¥95	$963
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,071)	616	6,248
Deferred gains or losses on hedges	2,197	932	9,453
Foreign currency translation adjustment	(10,273)	9,476	96,126
Share of other comprehensive income of associates accounted for using equity method	(20)	36	365
Total other comprehensive income	(9,168)	11,061	112,192
Comprehensive income	(¥43,607)	¥11,156	$113,155
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥43,570)	¥11,071	$112,293
Comprehensive income attributable to minority interests	(¥36)	¥85	$862

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

Consolidated Statements of Cash Flows

Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2012	2013	2013
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥31,942)	¥3,236	$32,822
Depreciation and amortization	9,008	10,020	101,633
Equity in (earnings) losses of affiliates	(12)	(23)	(233)
Amortization of goodwill	218	202	2,048
Increase (decrease) in allowance for doubtful accounts	(60)	72	730
Increase (decrease) in provision for bonuses	(951)	(5,880)	(59,640)
Increase (decrease) in provision for product warranties	844	121	1,227
Increase (decrease) in provision for retirement benefits	1,559	38	385
Interest and dividends income	(341)	(453)	(4,594)
Interest expenses	742	665	6,745
Foreign exchange losses (gains)	(458)	(229)	(2,322)
Loss (gain) on sales of noncurrent assets	26	(103)	(1,044)
Loss on retirement of noncurrent assets	258	18	182
Loss on litigation	13,320	1,801	18,267
Decrease (increase) in notes and accounts receivable-trade	19,151	1,249	12,668
Decrease (increase) in inventories	(12,578)	(1,951)	(19,789)
Increase (decrease) in accrued consumption taxes	(994)	(471)	(4,777)
Increase (decrease) in notes and accounts payable-trade	403	15,685	159,093
Other, net	(3,143)	(3,626)	(36,778)
Subtotal	(4,950)	20,371	206,623
Interest and dividends income received	1,129	472	4,787
Interest expenses paid	(520)	(402)	(4,077)
Payments for loss on litigation	—	(2,073)	(21,026)
Income taxes paid	(3,451)	(3,359)	(34,071)
Net cash provided by (used in) operating activities	(7,792)	15,009	152,236
Net cash provided by (used in) investing activities			
Purchase of investment securities	(0)	(0)	(0)
Purchase of property, plant and equipment	(12,569)	(8,095)	(82,107)
Proceeds from sales of property, plant and equipment	49	240	2,434
Purchase of intangible assets	(1,098)	(1,556)	(15,782)
Other, net	216	292	2,971
Net cash provided by (used in) investing activities	(13,401)	(9,118)	(92,484)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	14,232	(3,302)	(33,514)
Repayment of long-term loans payable	(1,000)	—	—
Redemption of bonds	(20,000)	—	—
Repayments of lease obligations	(108)	(97)	(983)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(2,325)	(1,252)	(12,699)
Cash dividends paid to minority shareholders	(84)	(102)	(1,034)
Net cash provided by (used in) financing activities	(9,286)	(4,755)	(48,230)
Effect of exchange rate change on cash and cash equivalents	(5,109)	4,899	49,681
Net increase (decrease) in cash and cash equivalents	(35,589)	6,034	61,203
Cash and cash equivalents at beginning of period	150,029	184,639	1,872,796
Cash and cash equivalents at end of period	¥114,440	¥190,673	$1,933,999

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 2013.

1. Basis of presenting consolidated financial statements

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

2. Changes in Accounting Policies, Changes in Accounting Estimates, and Corrections of Prior Period Errors

・Changes in accounting policies that are inseparable from changes in accounting estimates
Change in depreciation method for property, plant and equipment

The Company and its Japanese subsidiaries formerly used the declining-balance method (and the straight-line method for buildings acquired on or after April 1, 1998 [excluding equipments attached to buildings]) as the depreciation method for property, plant, and equipment (excluding leased assets) but adopted the straight-line method from the first quarter ended June 30, 2013.

The Company and its Japanese subsidiaries took the formulation of the Updated SE15 Second-Half Mid-Range Business Plan as an opportunity to review the depreciation method used for property, plant, and equipment. Given that production equipment going forward will have broader utilization due to the deployment of Micro Piezo inkjet technology in a variety of printing systems and the widespread deployment of a compact printer platform to realize enhanced competitiveness, the Company and its Japanese subsidiaries expect the operation of production equipment to be consistent. The Company and its Japanese subsidiaries also have strengthen its structure by integrating the functions of its quartz business and semiconductor business in the devices and precision products segment and have improved productivity by optimizing the size of the businesses in this segment. As a result, it expects the operation and loading of production equipment to be consistent. With the changes in the composition of these businesses and in the equipment usage plans, the Company and its Japanese subsidiaries expects production equipment to be used steadily over a long period of time. The Company and its Japanese subsidiaries have therefore adopted the straight-line method, concluding that recognizing expenses consistently would better reflect the characteristics of the businesses.

The change in the depreciation method did not have a material impact on consolidated financial statements.

・Change in estimates
Change in useful lives for property, plant, and equipment

The Company and its Japanese subsidiaries have changed the useful lives of a part of property, plant, and equipment, effective from the first quarter ended June 30, 2013. With the change in the depreciation method, the Company and its Japanese subsidiaries revised the useful lives of production plant and equipment based on the current production, following a comprehensive review of factors such as years of service and payout time.

The change of the useful lives did not have a material impact on consolidated financial statements.

3. Net income (loss) per share

The calculation of net income (loss) per share for the three months ended June 30, 2012 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2012	2013	2013
Net income (loss) attributable to common shares	(¥34,467)	¥125	$1,267
	Thousands of shares		
Weighted-average number of common shares outstanding	178,892	178,892	
	Yen		U.S. dollars
Net income (loss) per share	(¥192.67)	¥0.70	$0.00

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 three months ended June 30, 2012. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the three months ended June 30, 2013.

4. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the three months ended June 30, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2012	2013	2013
Salaries and wages	¥18,161	¥20,300	$205,903
Research and development costs	4,958	4,245	43,057
Other	28,507	29,051	294,675
Total	¥51,627	¥53,597	$543,635

5. Compensation income

Compensation income for the three months ended June 30, 2013 comprised the compensation receipts based on the statement of mutual agreement with Tokyo Electric Power Company due to losses caused by on accidents at Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

6. Loss on litigation

Loss on litigation for the three months ended June 30, 2012 and 2013, mainly comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

7. Cash flow information

Cash and cash equivalents as of June 30, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	June 30		June 30,
	2012	2013	2013
Cash and deposits	¥100,492	¥120,224	$1,219,434
Short-term investment securities	10,010	62,513	634,070
Short-term loans receivables	4,000	8,000	81,144
Less:			
Time deposits due over three months	(52)	(51)	(518)
Short-term investment securities due over three months	(10)	(13)	(131)
Cash and cash equivalents	¥114,440	¥190,673	$1,933,999

The Company obtained marketable securities, the fair value of which was ¥3,996 million and ¥7,997 million ($81,113 thousand) as of June 30, 2012 and 2013, respectively, as deposit for the short-term loans receivables above.

8. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2013 and as of June 30, 2013, were ¥391 million and ¥362 million ($3,671 thousand), respectively.

9. Segment information

Epson reviewed management systems and has changed reporting segments from two segments, the information-related equipment segment and the devices and precision products segment, to three segments by adding the sensing and industrial solutions segment from the first quarter ended June 30, 2013.
Segment information for the three months ended June 30, 2012 was calculated on the basis of the review mentioned above from the first quarter ended June 30, 2013.

The Company and its Japanese subsidiaries changed their depreciation method for property, plant and equipment (excluding leased assets) to apply the straight-line method from fiscal year 2013 instead of the declining-balance method. The change in the depreciation method did not have a material impact on segment information.

The Company and its Japanese subsidiaries have changed the useful lives of a part of property, plant, and equipment, effective from the first quarter ended June 30, 2013. The change of the useful lives did not have a material impact on segment information.

Summary of reporting segments

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

The information-related equipment segment mainly includes color inkjet printers, page printers, large-format inkjet printers, serial impact dot matrix 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, head mounted display and personal computers.

The devices and precision products segment mainly includes crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, metal powder and surface processing businesses.

The sensing and industrial solutions segment mainly includes precision industrial robots, IC handlers, industrial inkjet equipment and sensing systems.

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 ended June 30, 2012 and 2013:

Millions of yen

Three months ended June 30, 2012

	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥146,565	¥34,361	¥2,674	¥183,600	¥161	¥183,761	¥2,598	-	¥186,360
Inter-segment	100	2,163	28	2,292	115	2,407	2	(¥2,409)	-
Total	146,665	36,524	2,702	185,892	276	186,169	2,600	(2,409)	186,360
Segment income (loss) (Operating income)	(¥6,077)	¥2,197	(¥2,637)	(¥6,517)	(¥64)	(¥6,582)	(¥9,557)	¥21	(¥16,117)

Millions of yen

Three months ended June 30, 2013

	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥180,501	¥35,828	¥3,614	¥219,943	¥154	¥220,098	¥90	-	¥220,188
Inter-segment	81	1,150	23	1,255	99	1,355	33	(¥1,388)	-
Total	180,582	36,978	3,637	221,198	254	221,453	123	(1,388)	220,188
Segment income (loss) (Operating income)	¥15,862	¥4,028	(¥2,168)	¥17,722	(¥93)	¥17,628	(¥9,656)	¥38	¥8,010

Thousands of U.S. dollars

Three months ended June 30, 2013

	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	$1,830,824	$363,404	$36,657	$2,230,885	$1,573	$2,232,458	$912	-	$2,233,370
Inter-segment	832	11,664	233	12,729	1,014	13,743	335	($14,078)	-
Total	1,831,656	375,068	36,890	2,243,614	2,587	2,246,201	1,247	(14,078)	2,233,370
Segment income (loss) (Operating income)	$160,888	$40,856	($21,990)	$179,754	($953)	$178,801	($97,941)	$385	$81,245

Note;

1. Intra-group services 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. Epson transferred the optical products business, which was categorized under “Devices & precision products” in the prior fiscal year, to “Corporate expenses”.

Supplementary Information

Consolidated First Quarter ended June 30, 2013

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)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
Information-related equipment	146.6	180.5	23.1%	767.0	11.8%
Printing Systems	112.8	140.6	24.6%	596.0	10.7%
Visual Communications	30.3	35.8	18.2%	153.0	16.9%
Other	3.6	4.2	16.8%	19.0	8.1%
Intra-segment sales	(0.2)	(0.2)	-%	(1.0)	-%
Devices & precision products	36.5	36.9	1.2%	146.0	3.7%
Microdevices	24.5	23.5	(4.1%)	94.0	0.7%
Precision Products	13.0	14.7	12.9%	57.0	11.0%
Intra-segment sales	(1.0)	(1.2)	-%	(5.0)	-%
Sensing & industrial solutions	2.7	3.6	34.6%	19.0	66.5%
Other	0.2	0.2	(8.1%)	1.0	(21.5%)
Corporate expenses	2.6	0.1	(95.2%)	4.0	(78.9%)
Inter-segment sales	(2.4)	(1.3)	-%	(7.0)	-%
Consolidated sales	186.3	220.1	18.2%	930.0	9.2%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

2. Business segment information

(Unit: billion yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
Information-related equipment					
Net sales:					
Customers	146.5	180.5	23.2%	767.0	11.9%
Inter-segment	0.1	0.0	(19.2%)	0.0	-%
Total	146.6	180.5	23.1%	767.0	11.8%
Operating expenses	152.7	164.7	7.8%	691.0	9.0%
Segment income (loss)	(6.0)	15.8	-%	76.0	46.9%
Devices & precision products					
Net sales:					
Customers	34.3	35.8	4.3%	140.0	3.9%
Inter-segment	2.1	1.1	(46.8%)	6.0	(0.7%)
Total	36.5	36.9	1.2%	146.0	3.7%
Operating expenses	34.3	32.9	(4.0%)	136.0	2.9%
Segment income (loss)	2.1	4.0	83.3%	10.0	15.8%
Sensing & industrial solutions					
Net sales:					
Customers	2.6	3.6	35.1%	19.0	67.7%
Inter-segment	0.0	0.0	(16.9%)	0.0	-%
Total	2.7	3.6	34.6%	19.0	66.5%
Operating expenses	5.3	5.8	8.7%	28.0	33.2%
Segment income (loss)	(2.6)	(2.1)	-%	(9.0)	-%
Other					
Net sales:					
Customers	0.1	0.1	(4.2%)	0.0	-%
Inter-segment	0.1	0.0	(13.5%)	1.0	140.0%
Total	0.2	0.2	(8.1%)	1.0	(21.5%)
Operating expenses	0.3	0.3	2.0%	1.0	(30.5%)
Segment income (loss)	(0.0)	(0.0)	-%	0.0	-%
Corporate expenses					
Net sales:					
Customers	2.5	0.0	(96.5%)	4.0	(78.9%)
Inter-segment	0.0	0.0	-%	0.0	-%
Total	2.6	0.1	(95.2%)	4.0	(78.9%)
Operating expenses	12.1	9.7	(19.6%)	44.0	(9.5%)
Segment income (loss)	(9.5)	(9.6)	-%	(40.0)	-%
Eliminations					
Net sales	(2.4)	(1.3)	-%	(7.0)	-%
Operating expenses	(2.4)	(1.4)	-%	(7.0)	-%
Segment income (loss)	0.0	0.0	75.6%	0.0	-%
Consolidated					
Net sales	186.3	220.1	18.2%	930.0	9.2%
Operating expenses	202.4	212.1	4.8%	893.0	7.6%
Segment income (loss)	(16.1)	8.0	-%	37.0	74.1%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

3. Geographic segment information

(Unit: billion yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase	Increase compared to previous year June 30, 2012 %
Japan				
Net sales:				
Customers	65.1	66.5	1.3	2.1%
Inter-segment	106.7	123.2	16.4	15.4%
Total	171.9	189.7	17.8	10.4%
Operating expenses	188.1	185.2	(2.9)	(1.5%)
Segment income (loss)	(16.2)	4.5	20.7	-%
The Americas				
Net sales:				
Customers	43.6	60.0	16.3	37.4%
Inter-segment	3.4	3.7	0.2	8.1%
Total	47.1	63.7	16.6	35.3%
Operating expenses	45.4	59.7	14.3	31.5%
Segment income (loss)	1.7	4.0	2.3	135.1%
Europe				
Net sales:				
Customers	36.7	44.7	7.9	21.6%
Inter-segment	1.2	1.7	0.4	37.0%
Total	38.0	46.4	8.4	22.1%
Operating expenses	35.0	46.9	11.8	33.9%
Segment income (loss)	2.9	(0.4)	(3.4)	-%
Asia/Oceania				
Net sales:				
Customers	40.7	48.8	8.1	20.0%
Inter-segment	96.2	106.7	10.5	10.9%
Total	137.0	155.6	18.6	13.6%
Operating expenses	131.1	147.4	16.2	12.4%
Segment income (loss)	5.8	8.2	2.3	40.4%
Eliminations				
Net sales	(207.7)	(235.4)	(27.7)	-%
Operating expenses	(197.2)	(227.1)	(29.8)	-%
Segment income (loss)	(10.4)	(8.3)	2.1	-%
Consolidated				
Net sales	186.3	220.1	33.8	18.2%
Operating expenses	202.4	212.1	9.6	4.8%
Segment income (loss)	(16.1)	8.0	24.1	-%

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)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase	Increase compared to previous year June 30, 2012 %
Overseas Sales				
The Americas	43.2	59.6	16.4	38.0%
Europe	37.5	45.9	8.3	22.3%
Asia/Oceania	49.0	57.6	8.6	17.6%
Total	129.8	163.2	33.4	25.8%
Consolidated Sales	186.3	220.1	33.8	18.2%
Percentage of overseas sales to consolidated net sales (%)				
The Americas	23.2	27.1		
Europe	20.1	20.9		
Asia/Oceania	26.3	26.2		
Total	69.7	74.1		

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 oversea 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)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
Capital expenditure	12.1	6.8	(43.6%)	44.0	2.0%
Information-related equipment	10.6	5.5	(47.8%)	30.0	(10.3%)
Devices & precision products	1.1	1.0	(8.6%)	11.0	63.6%
Sensing & industrial solutions	0.1	0.1	(16.6%)	1.0	72.8%
Other / Coporate expenses	0.2	0.1	(35.5%)	2.0	(16.8%)
Depreciation and amortization	9.0	10.0	11.2%	44.0	11.9%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

6. Research and development

(Unit: billion yen)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
Research and Development	12.1	11.1	(7.9%)	49.0	(1.8%)
R&D / sales ratio	6.5%	5.1%		5.3%	

7. Management indices

(Unit: %)

	Three months ended June 30, 2012	Three months ended June 30, 2013	Increase Point	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 Point
Return on equity (ROE)	(15.4%)	0.0%	15.4	6.0%	10.0
Return on assets (ROA)	(2.3%)	0.6%	2.9	4.2%	1.9
Return on sales (Operating)	(8.6%)	3.6%	12.2	4.0%	1.5
Return on sales (Ordinary)	(8.8%)	2.2%	11.0	3.5%	1.4

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)

	Thrree months ended June 30, 2012	Thrree months ended June 30, 2013	Increase
Foreign exchange effect	(7.2)	30.8	38.0
U.S. dollars	(0.9)	12.2	13.1
Euro	(5.2)	9.0	14.2
Other	(1.0)	9.6	10.6
Exchange rate			
Yen / U.S. dollars	80.20	98.76	
Yen / Euro	102.91	128.95	

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)

	June 30, 2012	March 31, 2013	June 30, 2013	Increase compared to March 31, 2013
Inventory	167.8	163.5	171.8	8.3
Information-related equipment	129.7	122.8	129.9	7.0
Devices & precision products	33.4	36.2	37.4	1.1
Sensing & industrial solutions	2.8	3.1	3.5	0.4
Other / Corporate expenses	1.9	1.3	1.0	(0.3)
				(Unit: day)
Turnover by days	82	70	71	1
Information-related equipment	81	65	65	0
Devices & precision products	83	94	92	(2)
Sensing & industrial solutions	96	100	89	(11)
Other / Corporate expenses	61	25	244	219

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 3 months (Prior 12 months) sales per day
2. The segment information figures for FY2012 have been recalculated using the method used in FY2013.
3. “Other” is business segment not categorized in reporting segments.

10. Employees

(Unit: person)

	June 30, 2012	March 31, 2013	June 30, 2013	Increase compared to March 31, 2013
Number of employees at period end	79,770	68,761	74,377	5,616
Domestic	19,868	18,234	18,424	190
Overseas	59,902	50,527	55,953	5,426