

# SEIKO EPSON CORPORATION



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## CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED DECEMBER 31, 2013

### Consolidated Financial Highlights

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

	Nine months ended December 31,		Change	Nine months ended December 31, 2013
	2012	2013		
<b>Statements of Operations Data:</b>				
Net sales	¥624,152	<b>¥750,493</b>	20.2%	<b>\$7,121,102</b>
Operating income	11,794	<b>74,919</b>	535.2%	<b>710,873</b>
Ordinary income	12,097	<b>71,947</b>	494.7%	<b>682,673</b>
Net income (loss)	(12,612)	<b>50,768</b>	- %	<b>481,715</b>
Comprehensive income	(5,969)	<b>79,214</b>	- %	<b>751,627</b>
<b>Statements of Cash Flows Data:</b>				
Net cash provided by (used in) operating activities	(15,302)	<b>70,179</b>	- %	<b>665,898</b>
Net cash provided by (used in) investing activities	(35,101)	<b>(27,429)</b>	- %	<b>(260,261)</b>
Net cash provided by (used in) financing activities	32,018	<b>(14,020)</b>	- %	<b>(133,029)</b>
Cash and cash equivalents at end of period	135,395	<b>227,870</b>	68.3%	<b>2,162,159</b>
<b>Per Share Data:</b>				
Net loss per share -Basic	(¥70.50)	<b>¥283.79</b>	- %	<b>\$2.69</b>
-Diluted	¥-	<b>¥-</b>	- %	<b>\$-</b>

### **Balance sheets data**

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

	March 31, 2013	December 31, 2013	December 31, 2013
Total assets	¥778,547	<b>¥894,767</b>	<b>\$8,490,055</b>
Net assets	258,806	<b>334,330</b>	<b>3,172,312</b>
Shareholders' equity	256,745	<b>331,907</b>	<b>3,149,321</b>
Shareholders' equity ratio (%)	33.0%	<b>37.1%</b>	<b>37.1%</b>
Shareholders' equity per share	¥1,435.20	<b>¥1,855.36</b>	<b>\$17.6</b>

#### 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 ¥105.39 = U.S.\$1 as of December 31, 2013, has been used for the purpose of presentation.

## Operating Performance Highlights and Financial Condition

### **Fiscal 2013 Third-Quarter (April 1 to December 31, 2013) Overview**

The global economy as a whole for the first three quarters of the year under review continued on a weak recovery path, although there were also signs of underlying economic strength. The U.S. economy gradually recovered, getting a boost from improved unemployment figures and a rise in personal spending, among other factors. The European economy remained weak yet showed signs of picking up, with the unemployment rate leveling off and manufacturing holding steady. In Asia, the tempo of Chinese economic expansion continued to stabilize, while the Indian economy continued to gradually decelerate. Elsewhere in Asia, the economy gradually picked up in the ASEAN region and Taiwan, while South Korea also showed signs of gathering momentum. Meanwhile, the Japanese economy continued to gradually recover, 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 contracted in Americas and Japan but moved sideways in Europe. In large-format inkjet printers, low-end model sales were solid, while corporate investment in high-end models rebounded, particularly in Japan and the Americas. The markets for serial-impact dot-matrix (SIDM) printers shrank in the U.S. and Europe but grew in China due to infrastructure investment. POS system product shipments to small- and medium-sized retailers in the Americas remained strong. 3LCD projector demand leveled off in Japan, the Americas, and Asia, but slackened in Europe due to ongoing investment budget cutbacks.

Among the main applications for Epson's electronic devices, conventional mobile phone sales continued to decelerate, while smartphone sales remained firm. In the PC market, sales of tablets remained solid, 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.

In the precision products market, demand for premium watches grew, especially in Japan.

Robot demand increased particularly in China, Taiwan, and Europe, 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). The Company remains firmly committed to the course charted in SE15 but has adopted new tactics and a different emphasis. Under the updated basic policy, Epson will pursue a basic strategy of managing its businesses so that they create steady profit while avoiding any

over-emphasis on revenue growth. The top priority will be steady income and cash flow. To achieve this in existing segments, the Company will readjust its product mixes and adopt new business models. Meanwhile, it 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 for the first three quarters of the year under review were ¥99.39 and ¥132.23, respectively. This represents a 24% depreciation in the value of the yen against the dollar and a 29% depreciation in the value of the yen against the euro, year-over-year.

Compared to the same period last year, cumulative net sales for the first three quarters were ¥750,493 million (\$7,121,102 thousand), up 20.2%. Operating income was ¥74,919 million (\$710,873 thousand), up 535.2%. Ordinary income was ¥71,947 million (\$682,673 thousand), up 494.7%. And net income was ¥50,768 million (\$481,715 thousand), compared to a net loss of ¥12,612 million in the first nine months of last year.

A breakdown of the financial results in each reporting segment is provided below. Please note that, effective from the first quarter of the fiscal year under review, some of the product categories within existing segments were spun off to create new segments. The main change is that factory automation equipment, industrial inkjet systems, and sensing systems equipment, which were formerly included in the information-related equipment segment, devices and precision products segment, and corporate segment, were spun off to create the new sensing and industrial solutions segment. The optical products business, which was included in the devices and precision products segment last fiscal year, was transferred and herein is included in the corporate segment.

## Information-Related equipment segment

Net sales in the printing systems business increased.

In the inkjet printer business as a whole, 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 inkjet printer net sales increased due to a rise in average selling prices associated with increased sales of high-end units and consumables, as well as due to foreign exchange effects. Page printer net sales decreased due to a decline in unit shipments, the result of Epson's focus on selling high added value models. Serial impact dot matrix printer net sales increased due to foreign exchange effects and steady demand for units used in tax collection systems in China. 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.

3LCD business projector unit shipment growth was driven by sales in the Americas. Home-theater projector shipments also increased, with demand coming especially from Japan and China. The visual communications business as a whole saw net sales increase primarily due to the growth in 3LCD projector unit shipments, as well as to positive foreign exchange effects on revenue.

Segment income in the information-related equipment segment increased due to foreign exchange effects and increased income from a host of products.

As a result of the foregoing factors, net sales in the information-related equipment segment were ¥621,912 million (\$5,901,063 thousand), up 23.6% year over year, while segment income was ¥97,681 million (\$926,852 thousand), up 157.1% year over year.

## Devices & Precision Products segment

Net sales in the microdevices business declined.

Although crystal device revenue was boosted by foreign exchange effects, the microdevices business as a whole saw net sales decline due to several factors, including weaker demand from mobile handset manufacturers for tuning-fork crystal units and ongoing price erosion, as well as a decline in sales of opto-devices to digital camera manufacturers. Although prices for microcontroller units plunged, semiconductor net sales increased due to the positive effect of currency exchange rates on revenue.

Net sales in the precision products business increased owing to factors such as increased unit sales of premium watches, which lifted average selling prices, and foreign exchange effects.

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 the microdevices business. As a result of the foregoing factors, net sales in the devices and precision products segment were ¥114,995 million (\$1,091,137 thousand), up 5.3% year over year, while segment income was ¥10,084 million (\$95,682 thousand), up 27.1% year over year.

## Sensing & Industrial Solutions segment

Net sales in the sensing and industrial solutions segment increased.

In factory automation systems, sales of robots increased on a jump in orders from Asia. On the other hand, sales of IC handlers decreased due to sluggish demand from semiconductor manufacturers serving the smartphone industry.

Segment income in the sensing and industrial solutions segment was negative, as robot and IC handler income growth was outstripped by widened losses in industrial inkjet systems and sensing systems.

As a result of the foregoing factors, net sales in the sensor and industrial solutions segment were ¥10,630 million (\$100,863 thousand), up 26.7% year over year, while segment loss was ¥7,652 million (\$72,606 thousand), compared to a loss of ¥7,365 million in the same period last year.

## Other

Cumulative net sales for the first three quarters of the year in this segment were ¥886 million (\$8,407 thousand), up 6.7% year over year, while segment loss was ¥247 million (\$2,353 thousand), compared to a ¥182 million segment loss in the same period last year.

## Adjustments

Adjustments to total income of reporting segments amounted to -¥24,946 million (-\$236,706 thousand), compared to -¥26,581 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 third quarter were ¥894,767 million (\$8,490,055 thousand), an increase of ¥116,220 million from the previous fiscal year end. The primary contributors to the increase in total assets were a ¥43,556 million total increase in cash and deposits and short-term investment securities, a ¥36,941 million increase in notes and accounts receivable-trade, and a ¥30,909 million increase in inventories.

Total liabilities were ¥560,437 million (\$5,317,743 thousand), a ¥40,696 million increase compared to the last fiscal year end. While the total of short-term loans payable, long-term loans payable, and bonds payable amounted to a net decrease of ¥6,741 million, total liabilities increased mainly due to a ¥23,788 million increase in notes and accounts payable-trade, a ¥8,195 million increase in income taxes payable, and a ¥9,113 million increase in other current liabilities.

Total net assets were ¥334,330 million (\$3,172,312 thousand), a ¥75,524 million increase compared to the previous fiscal year end. This was primarily due to a ¥47,190 million increase in retained earnings and a ¥26,009 million change in the foreign currency translation adjustment associated with the depreciation of the yen.

## Qualitative Information Regarding the Consolidated Financial Outlook

Given the recent trend of financial results, Epson revised its full-year consolidated financial outlook. Details were released today in an announcement, "Notice of Revised Full-Year Financial Results Outlook and Revised Year-End Dividend Outlook."

The figures in the outlook are based on assumed exchange rates of 100 yen to the U.S. dollar and 140 yen to the euro in the fourth quarter.

Epson's financial outlook for the 2013 fiscal year (ending March 31, 2014) is presented below.

### **Consolidated Full-Year Results Outlook**

	FY2012 Full-Year	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Net sales	¥851.2 billion	¥960.0 billion	¥990.0 billion	+¥30.0 billion	(+3.1%)
Operating income	¥21.2 billion	¥58.0 billion	¥79.0 billion	+¥21.0 billion	(+36.2%)
Ordinary income	¥17.6 billion	¥55.0 billion	¥74.0 billion	+¥19.0 billion	(+34.5%)
Net income	(¥10.0 billion)	¥34.0 billion	¥52.0 billion	+¥18.0 billion	(+52.9%)
Foreign exchange rate	\$1USD = ¥83	\$1USD = ¥97	\$1USD = ¥100		
	1 euro = ¥107	1 euro = ¥127	1 euro = ¥134		

### **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.

# SEIKO EPSON CORPORATION

## Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	December 31, 2013	December 31, 2013
<u>Assets</u>			
Current assets			
Cash and deposits	¥106,678	¥136,233	\$1,292,655
Notes and accounts receivable-trade	132,289	169,231	1,605,759
Short-term investment securities	70,012	84,013	797,162
Merchandise and finished goods	95,853	122,128	1,158,819
Work in process	45,677	46,506	441,275
Raw materials and supplies	21,998	25,804	244,842
Other	48,347	48,556	460,749
Allowance for doubtful accounts	(1,399)	(1,301)	(12,344)
<b>Total current assets</b>	<b>519,457</b>	<b>631,172</b>	<b>5,988,917</b>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	395,133	400,058	3,795,976
Machinery, equipment and vehicles	420,835	428,925	4,069,883
Tools, furniture and fixtures	162,368	171,432	1,626,643
Other	56,450	54,901	520,963
Accumulated depreciation	(817,398)	(840,791)	(7,977,901)
<b>Total property, plant and equipment</b>	<b>217,388</b>	<b>214,527</b>	<b>2,035,564</b>
Intangible assets	13,368	13,111	124,404
Investments and other assets			
Investments and other assets, gross	28,380	36,046	342,023
Allowance for doubtful accounts	(47)	(90)	(853)
<b>Total investments and other assets</b>	<b>28,332</b>	<b>35,956</b>	<b>341,170</b>
<b>Total noncurrent assets</b>	<b>259,089</b>	<b>263,595</b>	<b>2,501,138</b>
<b>Total assets</b>	<b>¥778,547</b>	<b>¥894,767</b>	<b>\$8,490,055</b>

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

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2013	December 31, 2013	December 31, 2013
<u>Liabilities</u>			
Current liabilities			
Notes and accounts payable-trade	¥57,249	¥81,037	\$768,924
Short-term loans payable	53,626	31,885	302,542
Current portion of bonds	—	20,000	189,771
Current portion of long-term loans payable	75,000	70,000	664,199
Income taxes payable	7,338	15,534	147,395
Provision for bonuses	13,035	12,076	114,583
Provision for product warranties	7,624	9,201	87,304
Other	112,813	121,926	1,156,936
<b>Total current liabilities</b>	<b>326,688</b>	<b>361,661</b>	<b>3,431,654</b>
Noncurrent liabilities			
Bonds payable	90,000	90,000	853,970
Long-term loans payable	52,500	52,500	498,149
Provision for retirement benefits	29,304	32,589	309,222
Provision for loss on litigation	2,159	2,594	24,613
Provision for product warranties	652	661	6,271
Provision for recycling costs	577	624	5,920
Other	17,858	19,805	187,944
<b>Total noncurrent liabilities</b>	<b>193,052</b>	<b>198,775</b>	<b>1,886,089</b>
<b>Total liabilities</b>	<b>519,740</b>	<b>560,437</b>	<b>5,317,743</b>
<u>Net assets</u>			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	504,829
Capital surplus	84,321	84,321	800,085
Retained earnings	179,305	226,495	2,149,112
Treasury stock			
December 31, 2013 - 20,926,453 shares			
March 31, 2013 - 20,925,261 shares	(20,453)	(20,456)	(194,097)
<b>Total shareholders' equity</b>	<b>296,376</b>	<b>343,564</b>	<b>3,259,929</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,621	5,827	55,289
Deferred gains or losses on hedges	(1,911)	(3,152)	(29,907)
Foreign currency translation adjustment	(40,342)	(14,332)	(135,990)
<b>Total accumulated other comprehensive income</b>	<b>(39,631)</b>	<b>(11,657)</b>	<b>(110,608)</b>
Minority interests	2,061	2,423	22,991
<b>Total net assets</b>	<b>258,806</b>	<b>334,330</b>	<b>3,172,312</b>
<b>Total liabilities and net assets</b>	<b>¥778,547</b>	<b>¥894,767</b>	<b>\$8,490,055</b>

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



# SEIKO EPSON CORPORATION

## Consolidated Statements of Operations

### Nine months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2012	2013	2013
Net sales	¥624,152	¥750,493	\$7,121,102
Cost of sales	457,884	502,952	4,772,303
Gross profit	166,267	247,540	2,348,799
Selling, general and administrative expenses	154,473	172,621	1,637,926
Operating income	11,794	74,919	710,873
Non-operating income:			
Interest income	567	1,511	14,337
Foreign exchange gains	766	—	—
Other	2,617	4,273	40,544
Total non-operating income	3,951	5,784	54,881
Non-operating expenses:			
Interest expenses	2,264	1,978	18,768
Foreign exchange losses	—	5,874	55,735
Other	1,383	903	8,578
Total non-operating expenses	3,648	8,756	83,081
Ordinary income	12,097	71,947	682,673
Extraordinary income:			
Compensation income	—	741	7,031
Other	1,804	190	1,802
Total extraordinary income	1,804	931	8,833
Extraordinary loss:			
Impairment loss	62	2,729	25,894
Loss on litigation	13,962	1,987	18,853
Other	2,574	665	6,319
Total extraordinary losses	16,599	5,382	51,066
Income (loss) before income taxes and minority interests	(2,698)	67,496	640,440
Income taxes	9,770	16,551	157,045
Income (loss) before minority interests	(12,468)	50,945	483,395
Minority interests in income	144	176	1,680
Net income (loss)	(¥12,612)	¥50,768	\$481,715

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Comprehensive Income

### Nine months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2012	2013	2013
Income (loss) before minority interests	(¥12,468)	¥50,945	\$483,395
Other comprehensive income			
Valuation difference on available-for-sale securities	(252)	3,176	30,135
Deferred gains or losses on hedges	(2,815)	(1,241)	(11,775)
Foreign currency translation adjustment	9,524	26,215	248,743
Share of other comprehensive income of associates accounted for using equity method	42	119	1,129
Total other comprehensive income	6,498	28,269	268,232
Comprehensive income	(¥5,969)	¥79,214	\$751,627
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥6,232)	¥78,742	\$747,149
Comprehensive income attributable to minority interests	¥262	¥472	\$4,478

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Operations

### Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2012	2013	2013
Net sales	¥235,879	¥281,862	\$2,674,466
Cost of sales	156,982	177,799	1,687,067
Gross profit	78,897	104,062	987,399
Selling, general and administrative expenses	52,960	63,181	599,497
Operating income	25,936	40,881	387,902
Non-operating income:			
Interest income	159	512	4,858
Foreign exchange gains	328	—	—
Other	1,084	1,424	13,521
Total non-operating income	1,572	1,937	18,379
Non-operating expenses:			
Interest expenses	753	630	5,977
Foreign exchange losses	—	536	5,085
Other	465	348	3,313
Total non-operating expenses	1,218	1,515	14,375
Ordinary income	26,290	41,303	391,906
Extraordinary income:			
Gain on sales of noncurrent assets	74	15	142
Gain on reversal of loss on valuation of investment securities	915	—	—
Other	0	1	9
Total extraordinary income	991	16	151
Extraordinary loss:			
Impairment loss	10	2,004	19,015
Other	308	355	3,368
Total extraordinary losses	318	2,359	22,383
Income before income taxes and minority interests	26,963	38,960	369,674
Income taxes	4,061	6,503	61,704
Income before minority interests	22,901	32,457	307,970
Minority interests in income	66	129	1,234
Net income	¥22,834	¥32,327	\$306,736

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Comprehensive Income

### Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2012	2013	2013
Income before minority interests	¥22,901	¥32,457	\$307,970
Other comprehensive income			
Valuation difference on available-for-sale securities	(20)	1,707	16,196
Deferred gains or losses on hedges	(3,670)	(2,672)	(25,353)
Foreign currency translation adjustment	21,325	17,559	166,611
Share of other comprehensive income of associates accounted for using equity method	74	59	559
Total other comprehensive income	17,708	16,653	158,013
Comprehensive income	¥40,610	¥49,110	\$465,983
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥40,329	¥48,787	\$462,928
Comprehensive income attributable to minority interests	¥280	¥322	\$3,055

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# SEIKO EPSON CORPORATION

## Consolidated Statements of Cash Flows

### Nine months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2012	2013	2013
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥2,698)	¥67,496	\$640,440
Depreciation and amortization	28,703	28,727	272,578
Impairment loss	62	2,729	25,894
Equity in (earnings) losses of affiliates	(147)	(110)	(1,043)
Amortization of goodwill	655	610	5,788
Increase (decrease) in allowance for doubtful accounts	(229)	(266)	(2,523)
Increase (decrease) in provision for bonuses	(3,300)	(1,280)	(12,145)
Increase (decrease) in provision for product warranties	264	769	7,296
Increase (decrease) in provision for retirement benefits	3,746	2,314	21,956
Interest and dividends income	(774)	(1,729)	(16,405)
Interest expenses	2,264	1,978	18,768
Foreign exchange losses (gains)	(3,913)	(3,739)	(35,477)
Loss (gain) on sales of noncurrent assets	14	(199)	(1,888)
Loss on retirement of noncurrent assets	557	338	3,207
Loss (gain) on sales of investment securities	(5)	—	—
Loss on litigation	13,962	1,987	18,853
Decrease (increase) in notes and accounts receivable-trade	(6,687)	(39,723)	(376,914)
Decrease (increase) in inventories	(7,025)	(10,851)	(102,960)
Increase (decrease) in accrued consumption taxes	(199)	(233)	(2,210)
Increase (decrease) in notes and accounts payable-trade	(17,399)	28,099	266,619
Other, net	(1,492)	6,285	59,614
Subtotal	6,356	83,200	789,448
Interest and dividends income received	1,597	1,519	14,413
Interest expenses paid	(1,887)	(1,683)	(15,969)
Payments for loss on litigation	(13,789)	(3,822)	(36,265)
Income taxes paid	(7,579)	(9,034)	(85,729)
Net cash provided by (used in) operating activities	(15,302)	70,179	665,898
Net cash provided by (used in) investing activities			
Purchase of investment securities	(0)	(0)	(0)
Proceeds from sales of investment securities	6	14	132
Purchase of property, plant and equipment	(32,309)	(24,036)	(228,067)
Proceeds from sales of property, plant and equipment	500	488	4,630
Purchase of intangible assets	(3,119)	(3,433)	(32,574)
Other, net	(178)	(461)	(4,382)
Net cash provided by (used in) investing activities	(35,101)	(27,429)	(260,261)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	4,581	(25,041)	(237,634)
Proceeds from long-term loans payable	50,000	—	—
Repayment of long-term loans payable	(7,500)	(5,000)	(47,442)
Proceeds from issuance of bonds	30,000	20,000	189,771
Redemption of bonds	(40,000)	—	—
Repayments of lease obligations	(315)	(287)	(2,723)
Purchase of treasury stock	(0)	(2)	(18)
Cash dividends paid	(4,651)	(3,577)	(33,940)
Cash dividends paid to minority shareholders	(94)	(110)	(1,043)
Net cash provided by (used in) financing activities	32,018	(14,020)	(133,029)
Effect of exchange rate change on cash and cash equivalents	3,750	14,500	137,592
Net increase (decrease) in cash and cash equivalents	(14,634)	43,230	410,200
Cash and cash equivalents at beginning of period	150,029	184,639	1,751,959
Cash and cash equivalents at end of period	¥135,395	¥227,870	\$2,162,159

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 strengthened 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 is expected 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 nine months ended December 31, 2012 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2012	2013	2013
Net income (loss) attributable to common shares	(¥12,612)	¥50,768	\$481,715
	Thousands of shares		
Weighted-average number of common shares outstanding	178,893	178,892	
	Yen		U.S. dollars
Net income (loss) per share	(¥70.50)	¥283.79	\$2.69

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 nine months ended December 31, 2012. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the nine months ended December 31, 2013.

The calculation of net income per share for the three months ended December 31, 2012 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2012	2013	2013
Net income attributable to common shares	¥22,834	¥32,327	\$306,736
	Thousands of shares		
Weighted-average number of common shares outstanding	178,893	178,891	
	Yen		U.S. dollars
Net income per share	¥127.64	¥180.71	\$1.71

Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares

outstanding during the three months ended December 31, 2012 and 2013.

4. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the nine months ended December 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2012	2013	2013
Salaries and wages	¥52,854	¥64,437	\$611,414
Research and development costs	14,552	13,836	131,283
Other	87,067	94,347	895,229
<b>Total</b>	<b>¥154,473</b>	<b>¥172,621</b>	<b>\$1,637,926</b>

The significant components of selling, general and administrative expenses for the three months ended December 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2012	2013	2013
Salaries and wages	¥17,733	¥22,952	\$217,781
Research and development costs	4,851	5,072	48,126
Other	30,376	35,156	333,590
<b>Total</b>	<b>¥52,960</b>	<b>¥63,181</b>	<b>\$599,497</b>

5. Compensation income

Compensation income for the nine months ended December 31, 2013 comprised the compensation receipts based on the statement of mutual agreement with Tokyo Electric Power Company due to losses caused by accidents at Fukushima Daiichi Nuclear Power Station of Tokyo Electric Power Company.

6. Loss on litigation

Loss on litigation for the nine months ended December 31, 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 December 31, 2012 and 2013, were as follows:



## SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	December 31,		U.S. dollars
	2012	2013	December 31, 2013
Cash and deposits	¥98,364	¥136,233	\$1,292,655
Short-term investment securities	29,510	84,013	797,162
Short-term loans receivables	8,000	8,000	75,908
Less:			
Short-term loans payable (overdrafts)	—	(305)	(2,894)
Time deposits due over three months	(469)	(57)	(549)
Short-term investment securities due over three months	(10)	(13)	(123)
Cash and cash equivalents	<u>¥135,395</u>	<u>¥227,870</u>	<u>\$2,162,159</u>

The Company obtained marketable securities, the fair value of which was ¥7,997 million and ¥7,998 million (\$75,889 thousand) as of December 31, 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 December 31, 2013, were ¥391 million and ¥286 million (\$2,713 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 and nine months ended December 31, 2012 has been recalculated based on new reporting segments 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 the first quarter ended June 30, 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 and nine months ended December 31, 2012 and 2013:

# SEIKO EPSON CORPORATION

## Nine months ended December 31:

Millions of yen

Nine months ended December 31, 2012									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	¥502,635	¥104,199	¥8,331	¥615,166	¥510	¥615,677	¥8,475	-	¥624,152
Inter-segment	336	5,038	61	5,436	319	5,756	39	(¥5,795)	-
Total	502,972	109,238	8,392	620,603	830	621,433	8,514	(5,795)	624,152
Segment income (loss) (Operating income)	¥37,991	¥7,931	(¥7,365)	¥38,557	(¥182)	¥38,375	(¥26,810)	¥229	¥11,794

Millions of yen

Nine months ended December 31, 2013									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	¥621,572	¥111,372	¥10,489	¥743,434	¥570	¥744,004	¥6,488	-	¥750,493
Inter-segment	339	3,623	140	4,103	316	4,419	36	(¥4,455)	-
Total	621,912	114,995	10,630	747,538	886	748,424	6,524	(4,455)	750,493
Segment income (loss) (Operating income)	¥97,681	¥10,084	(¥7,652)	¥100,113	(¥247)	¥99,865	(¥25,059)	¥112	¥74,919

Thousands of U.S. dollars

Nine months ended December 31, 2013									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	\$5,897,837	\$1,056,760	\$99,525	\$7,054,122	\$5,409	\$7,059,531	\$61,571	-	\$7,121,102
Inter-segment	3,226	34,377	1,338	38,941	2,998	41,939	332	(\$42,271)	-
Total	5,901,063	1,091,137	100,863	7,093,063	8,407	7,101,470	61,903	(42,271)	7,121,102
Segment income (loss) (Operating income)	\$926,852	\$95,682	(\$72,606)	\$949,928	(\$2,353)	\$947,575	(\$237,764)	\$1,062	\$710,873

# SEIKO EPSON CORPORATION

## Three months ended December 31:

Millions of yen

Three months ended December 31, 2012									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	¥196,938	¥33,421	¥2,352	¥232,712	¥193	¥232,905	¥2,974	-	¥235,879
Inter-segment	128	1,055	6	1,189	103	1,293	34	(¥1,328)	-
Total	197,066	34,477	2,358	233,901	297	234,199	3,008	(1,328)	235,879
Segment income (loss) (Operating income)	¥34,860	¥2,257	(¥2,660)	¥34,457	(¥54)	¥34,402	(¥8,582)	¥116	¥25,936

Millions of yen

Three months ended December 31, 2013									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	¥240,936	¥37,015	¥3,554	¥281,505	¥212	¥281,717	¥145	-	¥281,862
Inter-segment	149	1,204	58	1,413	119	1,532	1	(¥1,534)	-
Total	241,085	38,219	3,612	282,918	331	283,250	147	(1,534)	281,862
Segment income (loss) (Operating income)	¥52,078	¥2,318	(¥2,772)	¥51,623	(¥97)	¥51,526	(¥10,683)	¥38	¥40,881

Thousands of U.S. dollars

Three months ended December 31, 2013									
Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of operations totals	
Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:									
Customers	\$2,286,137	\$351,219	\$33,722	\$2,671,078	\$2,012	\$2,673,090	\$1,376	-	\$2,674,466
Inter-segment	1,434	11,424	550	13,408	1,138	14,546	9	(\$14,555)	-
Total	2,287,571	362,643	34,272	2,684,486	3,150	2,687,636	1,385	(14,555)	2,674,466
Segment income (loss) (Operating income)	\$494,136	\$21,994	(\$26,302)	\$489,828	(\$921)	\$488,907	(\$101,365)	\$360	\$387,902

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 Third Quarter ended December 31, 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.

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## 1. Sales by division

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31,	Increase compared to year ended March 31, 2013
	2012	2013		2014	%
Information-related equipment	502.9	621.9	23.6%	826.0	20.4%
Printing Systems	395.7	485.5	22.7%	642.0	19.3%
Visual Communications	95.9	120.7	25.8%	161.0	23.0%
Other	11.7	16.7	41.9%	24.0	36.6%
Intra-segment sales	(0.5)	(1.0)	-%	(1.0)	-%
Devices & precision products	109.2	114.9	5.3%	146.0	3.7%
Microdevices	72.3	71.1	(1.6%)	92.0	(1.5%)
Precision Products	40.0	48.0	20.0%	59.0	14.9%
Intra-segment sales	(3.1)	(4.2)	-%	(5.0)	-%
Sensing & industrial solutions	8.3	10.6	26.7%	16.0	40.2%
Other	0.8	0.8	6.7%	1.0	(21.5%)
Corporate expenses	8.5	6.5	(23.4%)	7.0	(63.1%)
Inter-segment sales	(5.7)	(4.4)	-%	(6.0)	-%
Consolidated sales	624.1	750.4	20.2%	990.0	16.3%

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)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31,	Increase compared to year ended March 31, 2013 %
	2012	2013		2014	
Information-related equipment					
Net sales:					
Customers	502.6	621.5	23.7%	826.0	20.5%
Inter-segment	0.3	0.3	0.8%	0.0	-%
Total	502.9	621.9	23.6%	826.0	20.4%
Operating expenses	464.9	524.2	12.7%	710.0	12.0%
Segment income (loss)	37.9	97.6	157.1%	116.0	124.2%
Devices & precision products					
Net sales:					
Customers	104.1	111.3	6.9%	141.0	4.6%
Inter-segment	5.0	3.6	(28.1%)	5.0	(17.2%)
Total	109.2	114.9	5.3%	146.0	3.7%
Operating expenses	101.3	104.9	3.6%	136.0	2.9%
Segment income (loss)	7.9	10.0	27.1%	10.0	15.8%
Sensing & industrial solutions					
Net sales:					
Customers	8.3	10.4	25.9%	16.0	41.2%
Inter-segment	0.0	0.1	129.1%	0.0	-%
Total	8.3	10.6	26.7%	16.0	40.2%
Operating expenses	15.7	18.2	16.0%	26.0	23.6%
Segment income (loss)	(7.3)	(7.6)	-%	(10.0)	-%
Other					
Net sales:					
Customers	0.5	0.5	11.6%	0.0	-%
Inter-segment	0.3	0.3	(1.0%)	1.0	140.0%
Total	0.8	0.8	6.7%	1.0	(21.5%)
Operating expenses	1.0	1.1	11.9%	1.0	(30.5%)
Segment income (loss)	(0.1)	(0.2)	-%	0.0	-%
Corporate expenses					
Net sales:					
Customers	8.4	6.4	(23.4%)	7.0	(63.0%)
Inter-segment	0.0	0.0	(8.0%)	0.0	-%
Total	8.5	6.5	(23.4%)	7.0	(63.1%)
Operating expenses	35.3	31.5	(10.6%)	44.0	(9.5%)
Segment income (loss)	(26.8)	(25.0)	-%	(37.0)	-%
Eliminations					
Net sales	(5.7)	(4.4)	-%	(6.0)	-%
Operating expenses	(6.0)	(4.5)	-%	(6.0)	-%
Segment income (loss)	0.2	0.1	(50.8%)	0.0	-%
Consolidated					
Net sales	624.1	750.4	20.2%	990.0	16.3%
Operating expenses	612.3	675.5	10.3%	911.0	9.8%
Segment income (loss)	11.7	74.9	535.2%	79.0	271.7%

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)

	Nine months ended December 31,		Increase	Increase compared to previous year December 31, 2012 %
	2012	2013		
Japan				
Net sales:				
Customers	233.7	245.2	11.4	4.9%
Inter-segment	305.3	385.9	80.6	26.4%
Total	539.1	631.2	92.1	17.1%
Operating expenses	546.9	597.0	50.1	9.2%
Segment income (loss)	(7.8)	34.1	41.9	-%
The Americas				
Net sales:				
Customers	140.2	194.1	53.9	38.5%
Inter-segment	10.8	12.3	1.5	14.2%
Total	151.0	206.5	55.4	36.7%
Operating expenses	141.9	192.3	50.3	35.5%
Segment income (loss)	9.1	14.2	5.0	55.6%
Europe				
Net sales:				
Customers	122.7	154.8	32.1	26.2%
Inter-segment	5.0	6.0	1.0	20.4%
Total	127.7	160.9	33.1	26.0%
Operating expenses	121.7	157.7	36.0	29.6%
Segment income (loss)	6.0	3.1	(2.8)	(48.1%)
Asia/Oceania				
Net sales:				
Customers	127.4	156.2	28.7	22.6%
Inter-segment	281.7	343.7	61.9	22.0%
Total	409.2	499.9	90.6	22.2%
Operating expenses	393.1	467.2	74.0	18.8%
Segment income (loss)	16.1	32.7	16.5	103.0%
Eliminations				
Net sales	(603.0)	(748.1)	(145.1)	-%
Operating expenses	(591.3)	(738.8)	(147.5)	-%
Segment income (loss)	(11.6)	(9.2)	2.3	-%
Consolidated				
Net sales	624.1	750.4	126.3	20.2%
Operating expenses	612.3	675.5	63.2	10.3%
Segment income (loss)	11.7	74.9	63.1	535.2%

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)

	Nine months ended December 31,		Increase	Increase compared to previous year December 31, 2012 %
	2012	2013		
Overseas Sales				
The Americas	138.5	192.3	53.7	38.8%
Europe	126.1	160.3	34.1	27.1%
Asia/Oceania	153.7	191.7	38.0	24.7%
Total	418.5	544.4	125.8	30.1%
Consolidated Sales	624.1	750.4	126.3	20.2%
Percentage of overseas sales to consolidated net sales (%)				
The Americas	22.2	25.6		
Europe	20.2	21.4		
Asia/Oceania	24.6	25.6		
Total	67.1	72.5		

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

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

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

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

## 5. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Capital expenditure	32.1	22.3	(30.5%)	43.0	(0.4%)
Information-related equipment	25.8	16.5	(35.8%)	30.0	(10.3%)
Devices & precision products	4.2	4.5	7.3%	9.0	33.9%
Sensing & industrial solutions	0.4	0.4	0.7%	1.0	72.8%
Other / Coporate expenses	1.7	0.8	(50.4%)	3.0	24.7%
Depreciation and amortization	28.7	28.7	0.1%	38.0	(3.4%)

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)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Research and Development	37.2	36.1	(2.9%)	49.0	(1.8%)
R&D / sales ratio	6.0%	4.8%		4.9%	

## 7. Management indices

(Unit: %)

	Nine months ended December 31,		Increase Point	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 Point
	2012	2013			
Return on equity (ROE)	(5.2%)	17.2%	22.4	18.6%	22.6
Return on assets (ROA)	1.6%	8.6%	7.0	8.7%	6.4
Return on sales (Operating)	1.9%	10.0%	8.1	8.0%	5.5
Return on sales (Ordinary)	1.9%	9.6%	7.7	7.5%	5.4

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)

	Nine months ended December 31,		Increase
	2012	2013	
Foreign exchange effect	(4.9)	108.8	113.7
U.S. dollars	2.0	42.7	40.6
Euro	(9.2)	35.3	44.6
Other	2.2	30.6	28.4
Exchange rate			
Yen / U.S. dollars	80.00	99.39	
Yen / Euro	102.17	132.23	

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)

	December 31,	March 31,	December 31,	Increase compared to March 31, 2013
	2012	2013	2013	
Inventory	179.0	163.5	194.4	30.9
Information-related equipment	138.6	122.8	151.0	28.2
Devices & precision products	34.8	36.2	37.3	1.0
Sensing & industrial solutions	3.4	3.1	4.8	1.7
Other / Corporate expenses	2.2	1.3	1.3	(0.0)
	(Unit: day)			
Turnover by days	79	70	71	1
Information-related equipment	76	65	67	2
Devices & precision products	88	94	89	(5)
Sensing & industrial solutions	114	100	125	25
Other / Corporate expenses	66	25	50	25

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 9 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)

	December 31,	March 31,	December 31,	Increase compared to March 31, 2013
	2012	2013	2013	
Number of employees at period end	72,910	68,761	72,127	3,366
Domestic	18,967	18,234	18,219	(15)
Overseas	53,943	50,527	53,908	3,381