



First Quarter Financial Results Fiscal Year 2015 (Ending March 2016)

July 30, 2015
SEIKO EPSON CORP.



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■ Disclaimer regarding forward-looking statements

The foregoing statements regarding future results reflect the Company's expectations based on information available at the time of announcement. The information contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, the competitive environment, market trends, general economic conditions, technological changes, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

■ Note regarding business profit

Business profit is calculated by deducting cost of sales and SGA expenses from revenue. Although not defined in the statement of consolidated comprehensive income, this indicator is very similar to the concept of operating income under J-GAAP. Epson will present this information as a reference, as the Company believes users of financial statements will find it useful when evaluating Epson's financial performance.

■ FY2015 reporting segments

In April 2015, the Company reorganize its businesses to put Epson in the best position to cap off the SE15 Updated Mid-Range Business Plan (FY2013-15), achieve the FY2015 Business Plan, and prepare for FY2016 and beyond. In conjunction with these structural changes, the Company changed its reporting segments at the start of the 2015 fiscal year based on the management approach. The Company's FY2014 financial results are shown under the new reporting segments to facilitate year-over-year comparisons.

■ Numerical values presented herein

Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

- 1) FY2015 Q1 Financial Results
- 2) FY2015 Financial Outlook

Financial Highlights (First Quarter)

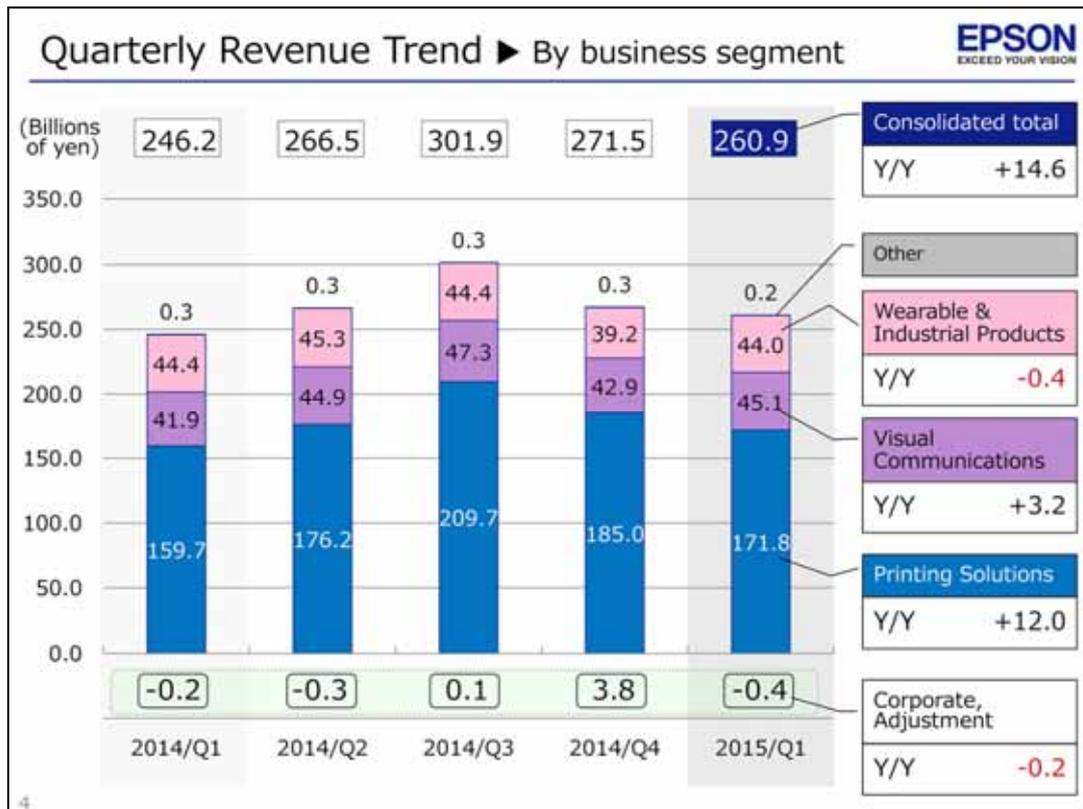


	FY2014		FY2015		Change	
	Q1 Actual	%	Q1 Actual	%	Amount	%
(Billions of yen)						
Revenue	246.2	-	260.9	-	+14.6	+6.0%
Business profit	23.5	9.5%	16.5	6.3%	-6.9	-29.8%
Profit from operating activities	54.6	22.2%	16.2	6.2%	-38.3	-70.2%
	*1 (24.5)	(10.0%)			(-8.2)	(-33.6%)
Profit before taxes	54.7	22.2%	16.0	6.1%	-38.6	-70.7%
	(24.6)	(10.0%)			(-8.6)	(-35.0%)
Profit for the period	46.5	18.9%	10.5	4.0%	-36.0	-77.3%
	(16.5)	(6.7%)			(-5.9)	(-36.1%)
EPS *2	¥130.23		¥29.43			
Exchange rate	USD	¥102.16	¥121.36			
	EUR	¥140.07	¥134.16			

*1 In Q1 of FY2014, the company recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan. () Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan.
*2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

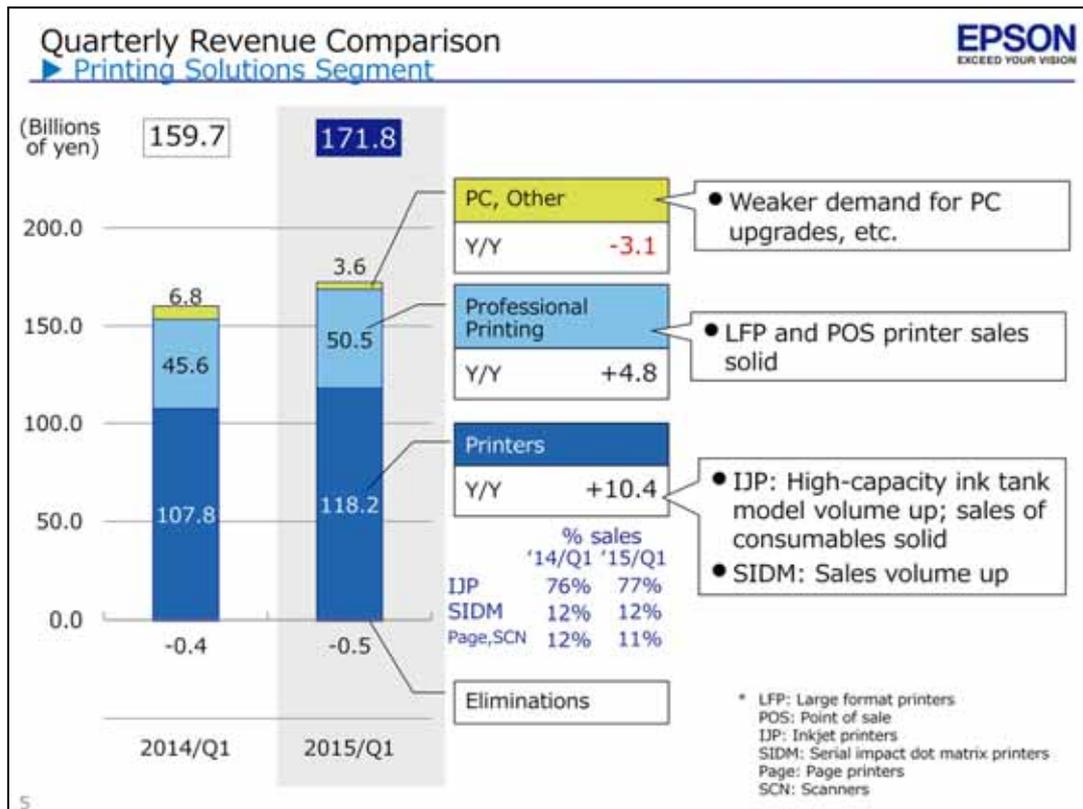
■ FY2015 Q1 results

- In the first quarter, Epson had ¥260.9 billion in revenue, up 6% compared to the same period last year, and ¥16.5 billion in business profit, down ¥6.9 billion. Profit for the period was ¥10.5 billion. This is ¥36 billion less than in the same period last year, when we recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan.
- Profit for the period declined by 5.9 billion yen when you exclude the effects of revisions to the pension plan.

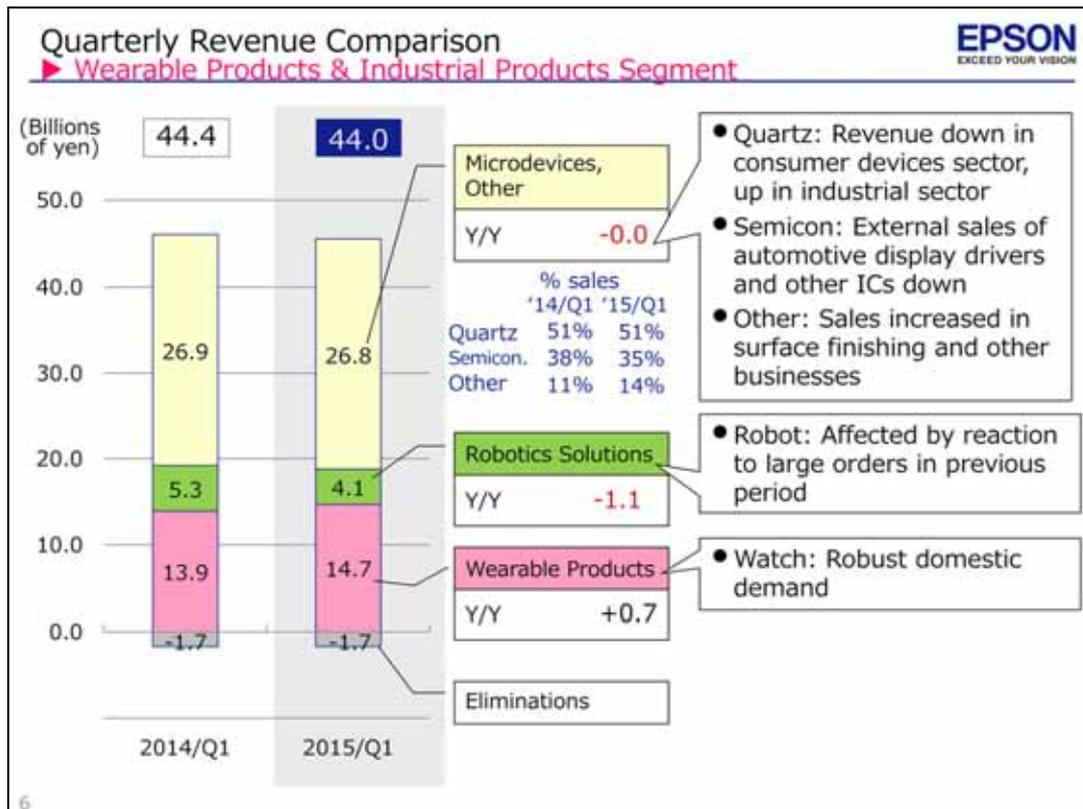


■ Quarterly revenue by segment over the last five quarters

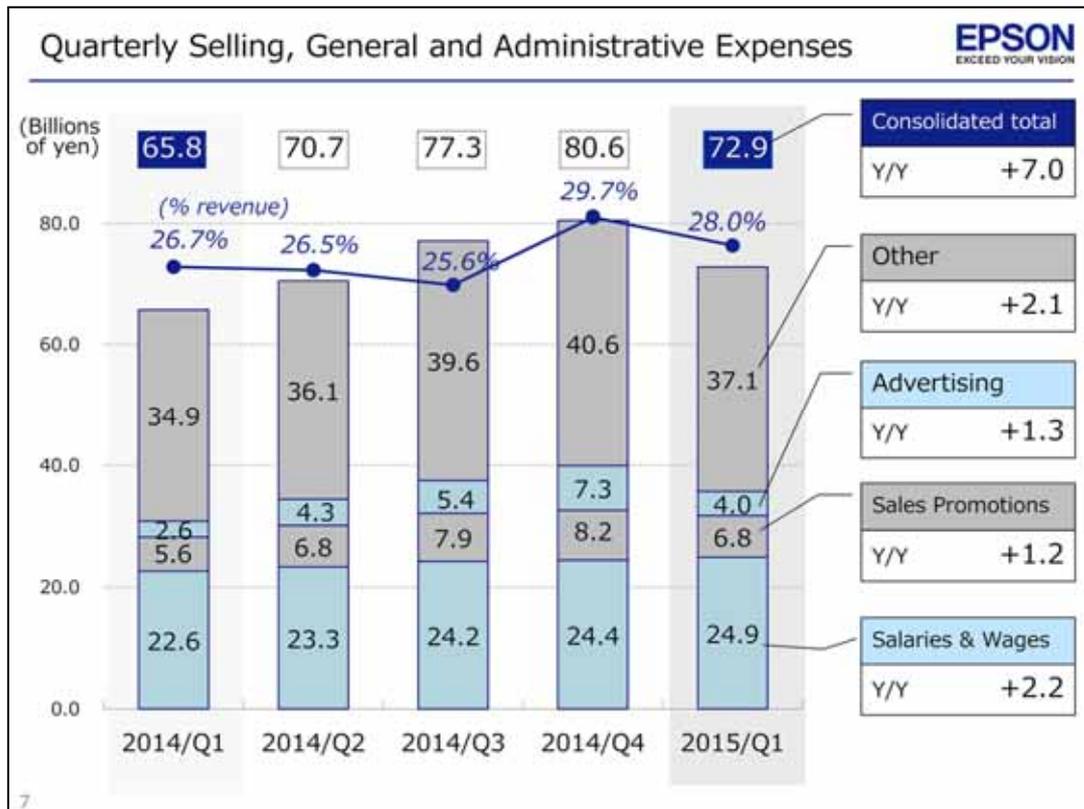
- Compared to the same period last year, printing solutions revenue increased by ¥12 billion. Visual communications revenue increased by ¥3.2 billion. And wearable & industrial products revenue was in line with the previous year.
- Foreign exchange had an approximately ¥21.8 billion positive impact on revenue compared to the previous year.
- Next, let's look at how revenue in each segment compared to the same period last year and to our internal plan for the quarter, on which the financial outlook of April 30 was based.
- Compared to the same period last year, visual communications revenue grew. Although unit shipments of entry-level and other projectors in Latin America and Europe declined compared to the same period last year when the football World Cup generated extra demand, we enjoyed solid sales of high-added-value models such as high brightness models, and short-throw and ultra-short-throw projectors. Revenue also got a positive boost from foreign exchange.
- Meanwhile, visual communications revenue was in line with the internal plan. Although projector sales were hurt by factors such as the effects of currency devaluation in Latin America and by the postponement of education budgets in Europe, sales of short-throw and ultra-short-throw projectors and other high-added value models were essentially as planned. Foreign exchange also had a positive effect.



- Quarterly revenue in businesses that make up the printing solutions segment
- Printer business revenue increased by ¥10.4 billion compared to the same period last year. Despite a decline in unit shipments of ink cartridge printers, inkjet printer revenue increased primarily because we expanded unit sales of high-capacity ink tank printers particularly in Asia, and recorded solid sales of consumables in developed economies due to an improvement in the install base.
- Meanwhile, SIDM printer unit sales increased on stronger demand in China and Malaysia, where they are used in tax collection systems. Foreign exchange also had a positive effect on revenue for the printer business overall.
- Professional printing revenue increased by ¥4.8 billion year-on-year. Sales of large-format printers and consumables grew. Particular growth was seen in models used for professional photos and graphics and for commercial photo printing. Revenue got an additional boost from strong channel sales and tenders for POS printers in the U.S. and elsewhere, as well as from foreign exchange effects.
- Printer and professional printing revenue increased, even if you exclude the positive effects of foreign exchange.
- Revenue in the PC and other businesses decreased by ¥3.1 billion compared to the same period last year, when termination of support for an OS caused PC demand to temporarily spike.
- Segment revenue exceeded the internal plan even though we did not meet our unit shipment target for ink cartridge printers. Unit shipments fell short because April and May sell-in declined in response to an increase in inventory in some channels in Japan and Europe, and because we maintained prices at a level that would help to ensure profitability over the life of our products even as competitors in the U.S. and other countries implemented pricing campaigns on some models. On the other hand, sales of high-capacity ink tank printers slightly exceeded the plan, which took into account currency devaluations in Latin America and other risks, and sales of consumables, commercial photo and POS printers in the professional printing business steadily increased. We also benefitted from foreign exchange effects.

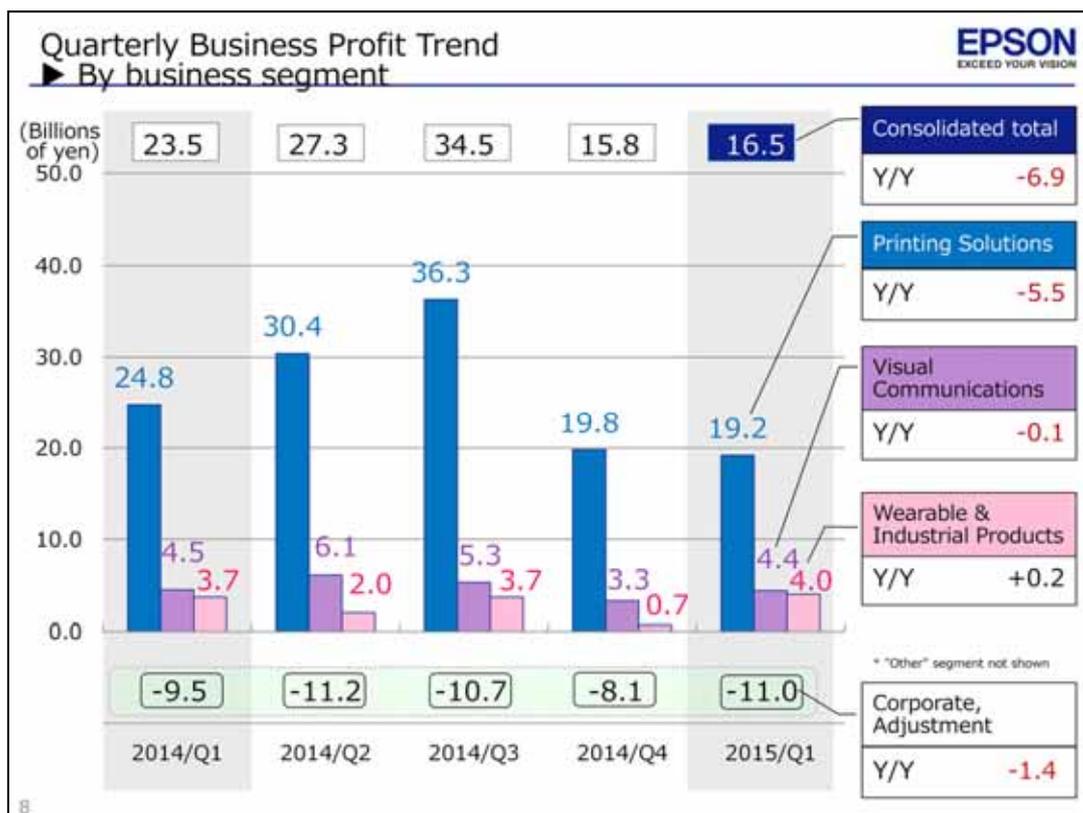


- Quarterly revenue in the businesses that make up the wearable & industrial products segment
 - Wearable products revenue increased by ¥700 million owing to strong domestic watch sales, including sales to inbound visitors, and foreign exchange effects.
 - Robotics solutions revenue decreased by ¥1.1 billion. Although demand was steady in China, Taiwan, Europe and America, revenue declined primarily because of a reaction to large orders in the previous period.
 - Revenue in microdevices and other businesses was flat year-on-year. Although quartz sales declined in the consumer devices sector, they increased in the industrial sector. In semiconductors, the strong demand in the year-ago quarter for products such as automotive display drivers returned to normal levels. On the other hand, the surface finishing business increased revenue by attracting new customers. As a whole, these businesses benefited from foreign exchange effects.
 - Although there were disparities among the individual businesses, revenue for the segment as a whole was in line with the internal plan.



■ Quarterly selling, general and administrative expenses

- First-quarter SGA expenses increased by ¥7 billion compared to the same quarter last year. In addition to an increase in yen conversion expenses due to the appreciation of the dollar and an increase in salaries and wages, SGA expenses increased because we spent more on advertising and sales promotions, such as promotional campaigns designed to strengthen our brand and grow our footprint in new areas, and also because we increased spending on the development of strategic products that will drive future growth.



■ Breakdown of quarterly business profit by segment

- First quarter total consolidated business profit dropped by ¥6.9 billion compared to the same period last year.
- The negative impact of foreign exchange increased by ¥100 million compared to the same period last year.
- Printing solutions business profit declined by ¥5.5 billion.
- Visual communications business profit was basically flat year-on-year and in line with the internal plan. Although projector unit sales decreased and appreciation of the US dollar caused the cost of products manufactured overseas to increase, business profit was boosted by a model mix that improved due to an increase in high-added value products.
- Business profit in wearable & industrial products was essentially level with that in the same quarter last year, as revenue was flat year-on-year. However, we exceeded the internal plan due to factors such as the effects of foreign exchange and fixed cost reductions in the quartz device business.
- Corporate expenses and adjustments rose by ¥1.4 billion, largely because of strategic brand investment and increased R&D spending.

Main Factors Affecting Q1 Business Profit



Performance vs. same period last year

+/- indicates positive/negative factor

- ◆ Consolidated profit down due to decrease in printing solutions profit.
 - ⇒ Included in previous outlook
 - + Sales of high-capacity ink tank printers and consumables increased.
 - Ink cartridge printer model manufacturing volume increased.
 - Executed strategic investment and spending aimed at mid-term growth.
 - Cost of products manufactured overseas increased due to USD appreciation.

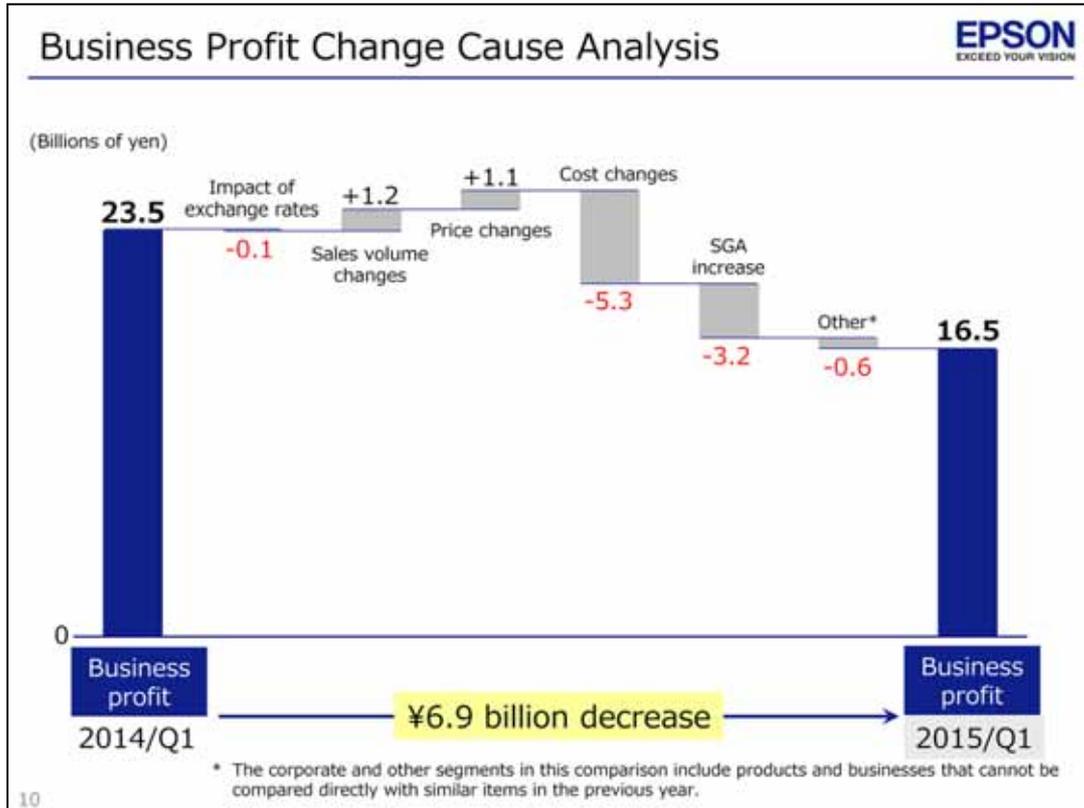
Performance vs. internal plan

- ◆ Overall profit fell slightly short of the plan as the plan in printing solutions went unachieved.
 - ⇒ Change from previous outlook
 - + High-capacity ink tank printer and consumables sales were solid.
 - Adjusted production timing for ink cartridge printers.

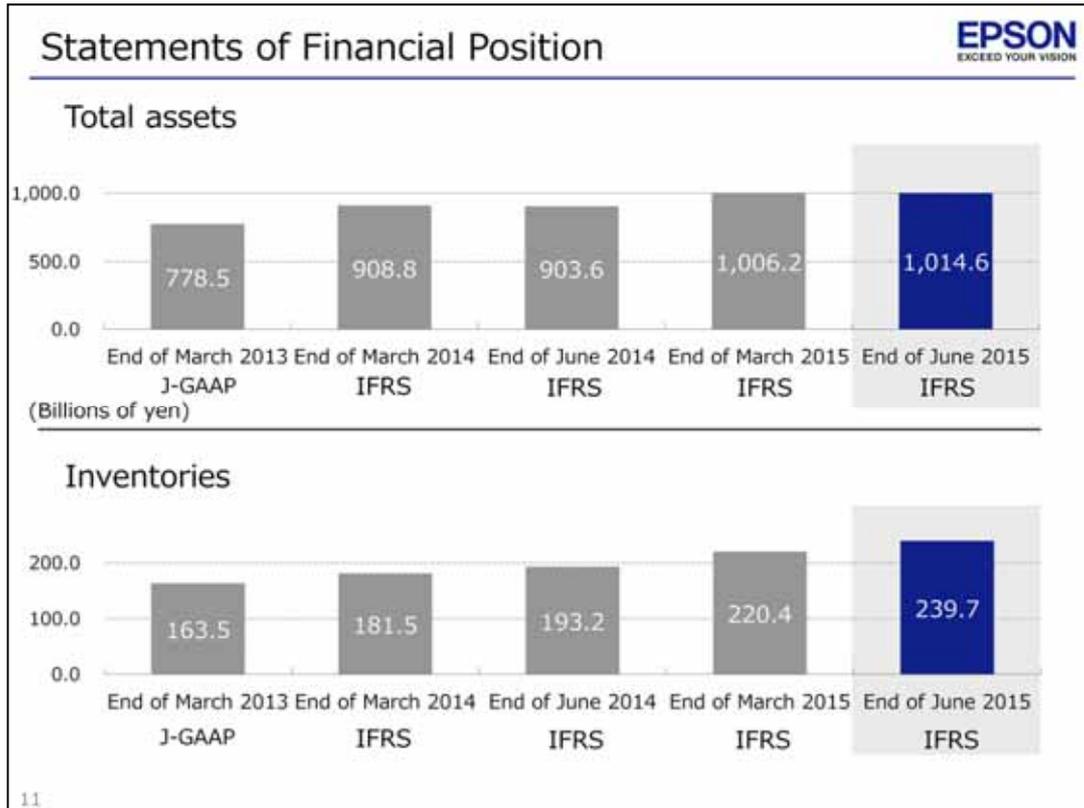
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■ Main factors affecting Q1 business profit

- The year-on-year decline in business profit is mainly attributable to the lower profit in printing solutions.
- When we announced our outlook for the year, we explained that business profit in the first half would decline for printing solutions and for the company overall. Business profit in the printing solutions segment as a whole declined even though revenue from sales of high-capacity ink tank printers and consumables grew. The primary reasons for this are that, first, we produced more ink cartridge printers this quarter than we did in the same quarter last year, when the volume was low. Second, we executed strategic investment and spending plans to drive mid-term growth. And third, the appreciation of the US dollar caused the cost of products manufactured overseas to increase.
- Total consolidated business profit fell slightly short of the internal plan because we didn't achieve plan in printing solutions.
- In inkjet printers, we enjoyed solid sales of the high-capacity ink tank printers and consumables, which are the cornerstones of our strategy.
- On the other hand, business profit ended below the internal plan. This is because we increased unit production of new ink cartridge models in the quarter as a result of production timing adjustments necessitated by prospects from now until the year-end shopping season and the startup situation for the new products.
- We do not expect this to have any impact on production volumes for the year overall. From the second quarter onwards, we forecast production levels to fall according to the plan that was the basis of our previous forecast.

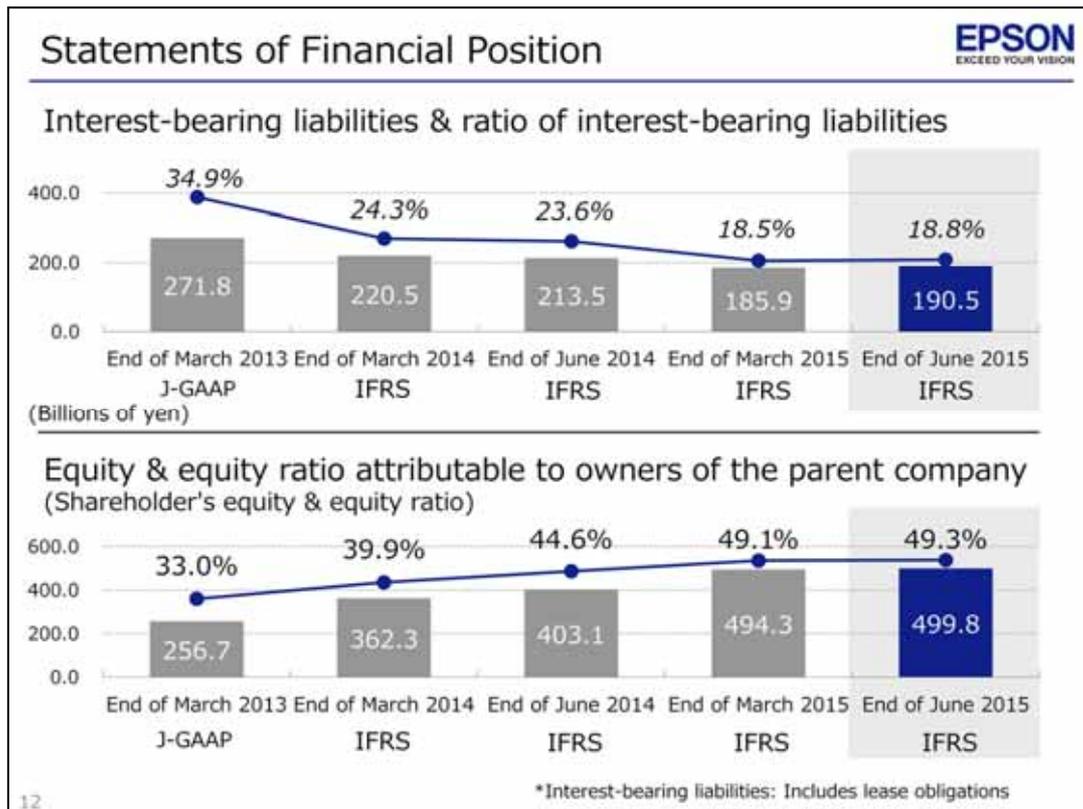


- Cause analysis of the decrease in business profit compared to the same period last year
 - The impact of changes in exchange rates was negligible because the slide of the yen against the dollar was balanced by the climb of the yen against the euro.
 - Changes in sales volume had a positive effect owing largely to the increase in sales of high-capacity ink tank printers and consumables.
 - Price changes also had a positive effect, as solid sales of high-added value models positively impacted the projector model mix.
 - Cost changes negatively impacted business profit. Contributing factors included an increase in costs associated with price changes in the model mix and an increase in lower inventory valuations under the lower of cost or net realizable value method caused by a spike in production of ink cartridge printer models.
 - SGA expenses increased due to spending on R&D and on promotions to drive future growth.



■ Statements of financial position

- Total assets increased by ¥8.4 billion compared to the end of the previous fiscal year, primarily due to increases in inventories.
- Inventories temporarily increased because, in addition to seasonal factors, we did not sell as many inkjet printer and projector units as planned.



■ Statements of financial position

- Interest-bearing liabilities were ¥190.5 billion, an increase of ¥4.5 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 18.8%.
- Net cash was ¥31.5 billion.
- The equity attributable to owners of the parent company increased by ¥5.4 billion compared to the previous fiscal year end. The equity ratio attributable to owners of the parent company was 49.3%.

- 1) FY2015 Q1 Financial Results
- 2) FY2015 Financial Outlook

Main Factors Affecting FY2015 Outlook

We have not revised our FY2015 first-half and full-year outlooks for revenue and each category of profit.

- ◆ There are many elements of uncertainty in the global economy, including the devaluation of South American currencies, the recession in Russia, the slowing of the Chinese economy, and interest rate hikes in the U.S. However, there are no current factors in the printer, projector, and other markets to warrant changing our financial outlook.
- ◆ We have been smoothly transitioning our businesses in line with the strategies below, though the state of progress varies somewhat from business to business.
 - ✓ Expand sales of high-capacity ink tank printers.
 - ✓ Increase sales of consumables by improving the install base.
 - ✓ Increase projector unit shipments and sales of high added value products.
 - ✓ Steadily develop new business areas.

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■ Main factors affecting FY2015 outlook

- There are many elements of uncertainty in the global economy, including the devaluation of Latin American currencies, the recession in Russia, the slowing of the Chinese economy, interest rate hikes in the U.S., and so on. However, there are currently no factors in the printer, projector, and other markets to warrant changing the financial outlook that we announced on April 30.
- We are also making visible progress in implementing our basic strategies, although some have advanced faster or slower than others. We are expanding sales of high-capacity ink tank printers, and are increasing sales of consumables by improving the inkjet printer install base. We are increasing projector unit shipments and sales of high-added value products. And we are steadily developing new business areas.
- First quarter business profit fell slightly short of the internal plan due mainly to increased production volumes for our ink cartridge printers. However, even though there may be discrepancies from quarter to quarter, production volumes will normalize over the full year because they will fall below initially forecast levels from the second quarter onwards.
- Considering these factors, we are reiterating the revenue and profit forecasts in our first-half and full-year financial outlooks.

FY2015 Financial Outlook



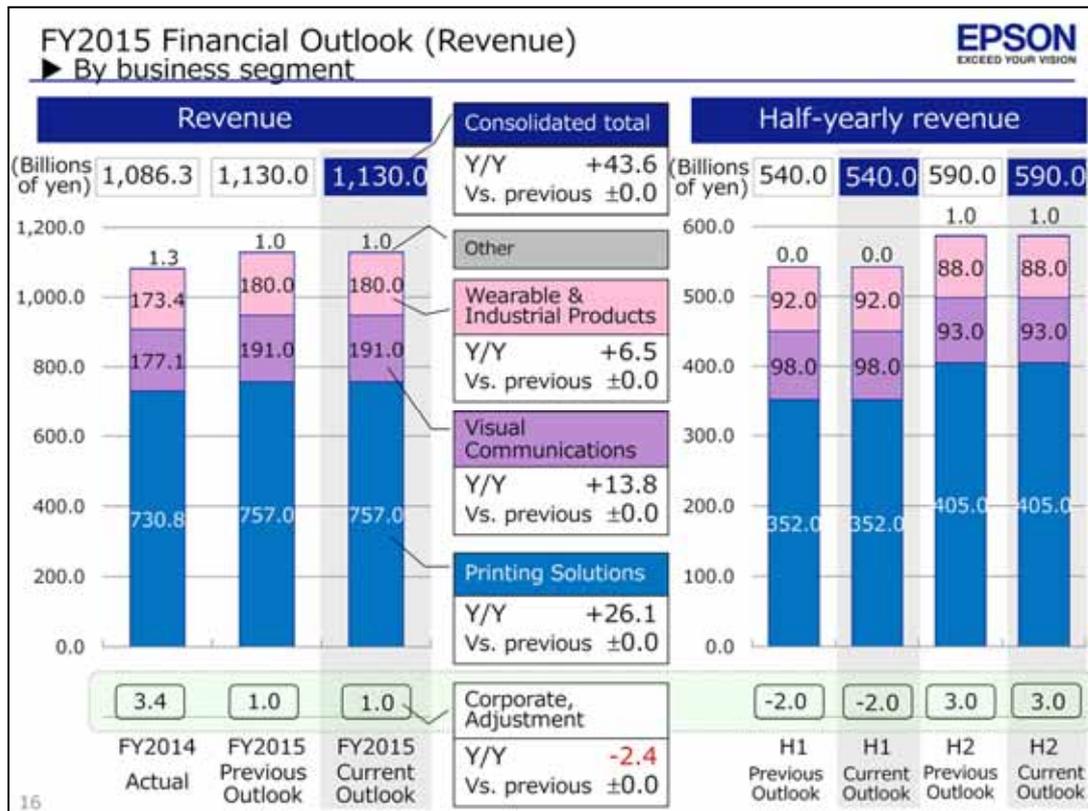
	FY2014		FY2015				Change (amount, %)		
	Actual	%	Previous Outlook	%	Current Outlook	%	Y/Y	Vs. Previous Outlook	
Revenue	1,086.3	-	1,130.0	-	1,130.0	-	+43.6 +4.0%	±0.0 ±0.0%	
Business profit	101.2	9.3%	102.0	9.0%	102.0	9.0%	+0.7 +0.7%	±0.0 ±0.0%	
Profit from operating activities	131.3 *1(101.3)	12.1% (9.3%)	100.0	8.8%	100.0	8.8%	-31.3 -23.9%	(-1.3) (-1.3%)	±0.0 ±0.0%
Profit before taxes	132.5 (102.4)	12.2% (9.4%)	100.0	8.8%	100.0	8.8%	-32.5 -24.5%	(-2.4) (-2.4%)	±0.0 ±0.0%
Profit for the year	112.7 (82.7)	10.4% (7.6%)	70.0	6.2%	70.0	6.2%	-42.7 -37.9%	(-12.7) (-15.4%)	±0.0 ±0.0%
EPS *2	¥314.61		¥195.65		¥195.65		Current outlook exchange rate assumptions from Q2 onward USD : ¥115.00 / EUR : ¥125.00		
Exchange rate	USD	¥109.93	¥115.00		¥117.00		Foreign exchange sensitivity (effect of 1-yen depreciation on FY2015 results)		
	EUR	¥138.77	¥125.00		¥127.00				
							Revenue	Business profit	
							USD	Approx. +¥3.9 bil.	Approx. +¥0.2 bil.
							EUR	Approx. +¥1.2 bil.	Approx. +¥0.8 bil.

*1 FY2014 business profit includes temporary factors including approx. 30 billion yen from the revision of the pension system, and from sales of fixed assets, etc. () Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan.

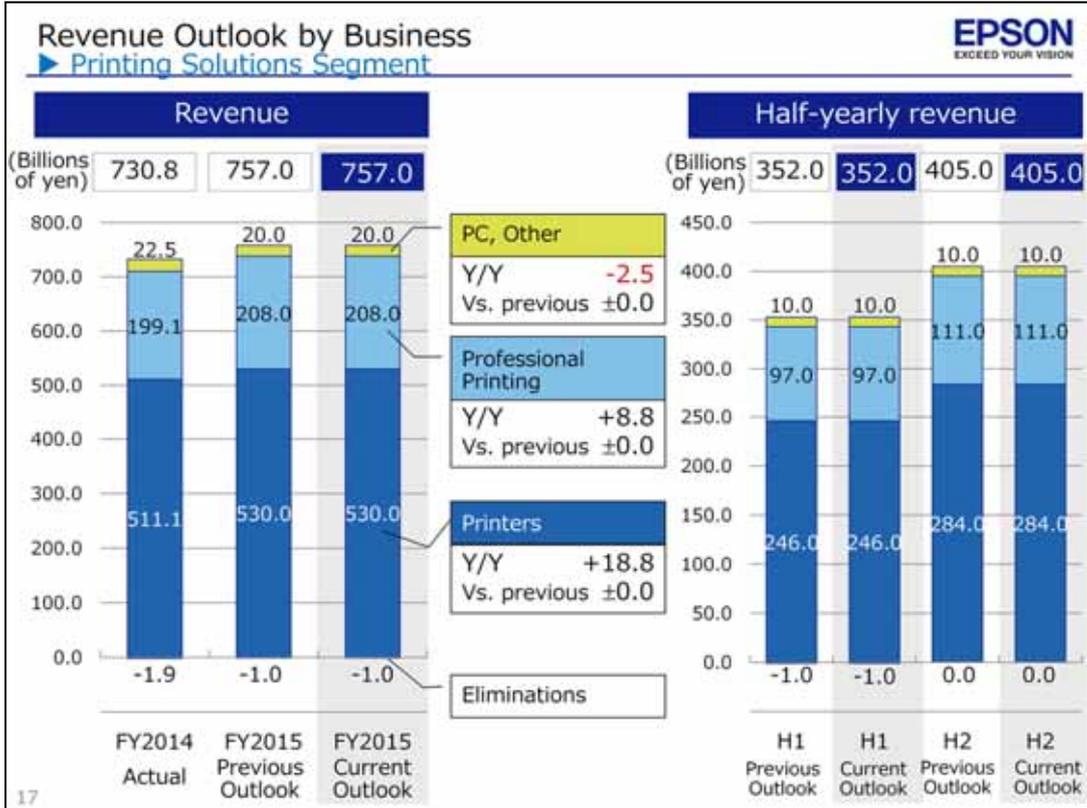
15 *2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

■ FY2015 full-year outlook

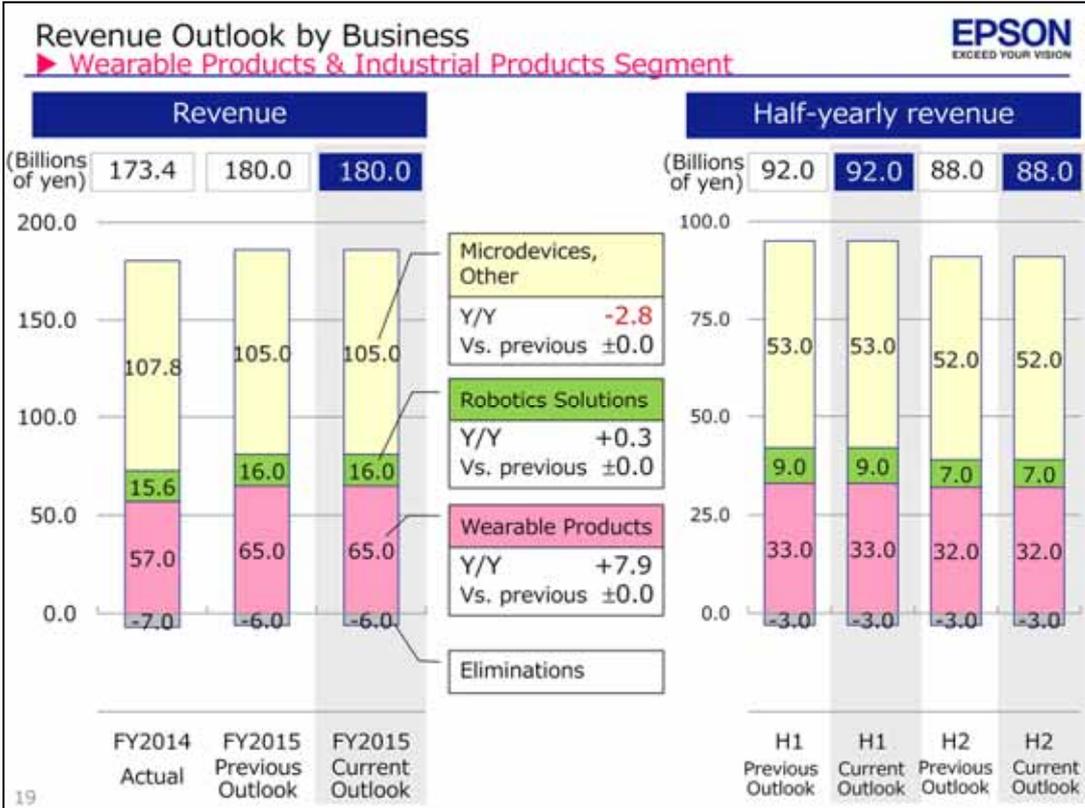
- We have made no changes to the previous outlook. The revenue forecast still stands at ¥1,130 billion and business profit at ¥102 billion. We expect ¥100 billion in profit from operating activities and ¥70 billion in profit for the year.
- Our exchange rate assumptions for the second quarter onwards remain 115 yen to the dollar and 125 yen to the euro.
- The estimated sensitivity of annual business profit to a one-yen change in exchange rates is also unchanged at ¥200 million for the US dollar and ¥800 million for the euro.



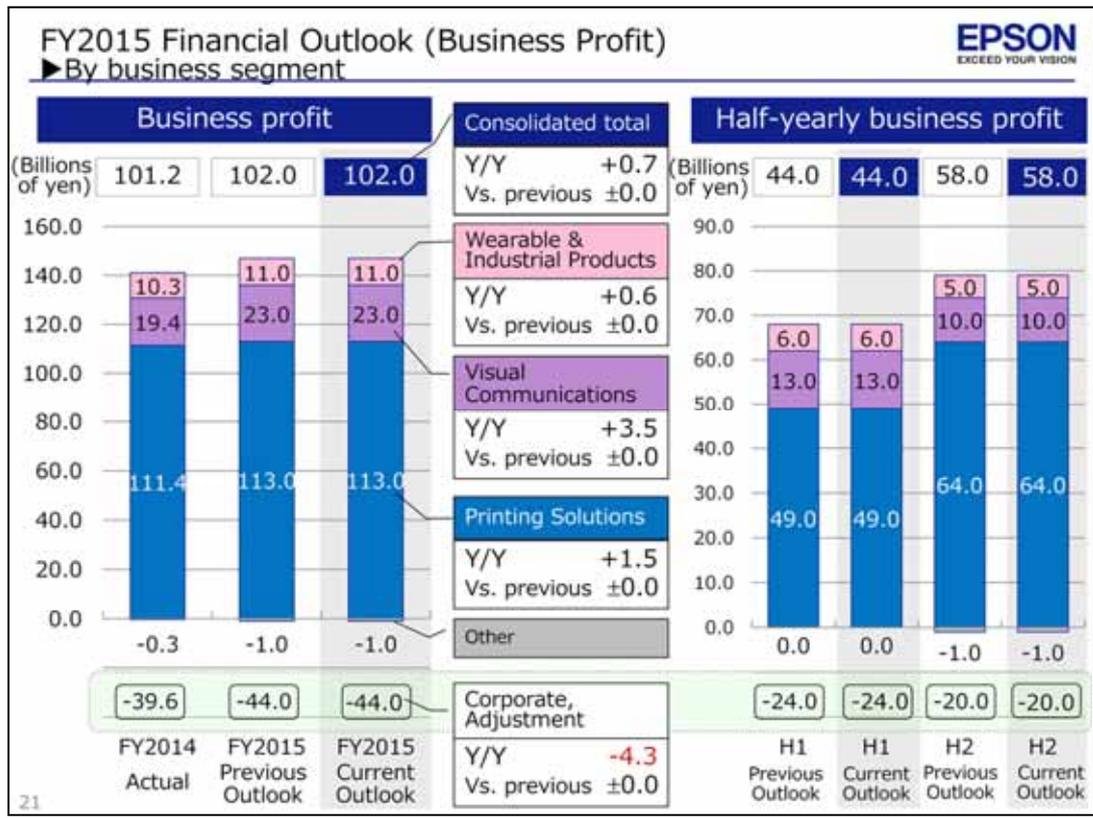
- Revenue outlook for FY2015 broken down by segment and by first and second half.
- We are also reiterating our previous outlook for segment revenue and business profit.
- Full-year revenue is forecast at ¥757 billion in printing solutions, ¥191 billion in visual communications, and ¥180 billion in wearable & industrial products.
- We expect 4% annual growth in inkjet printer unit shipments because, while ink cartridge printer unit shipments fell short of the internal plan in the first quarter, high-capacity ink tank printers shipments exceeded the plan.
- We expect our projector unit shipments to grow faster than the overall market and are forecasting 7% year-on-year growth, a figure that is reasonable given the width and breadth of our lineup, which runs from entry-level models to high brightness and interactive projectors.



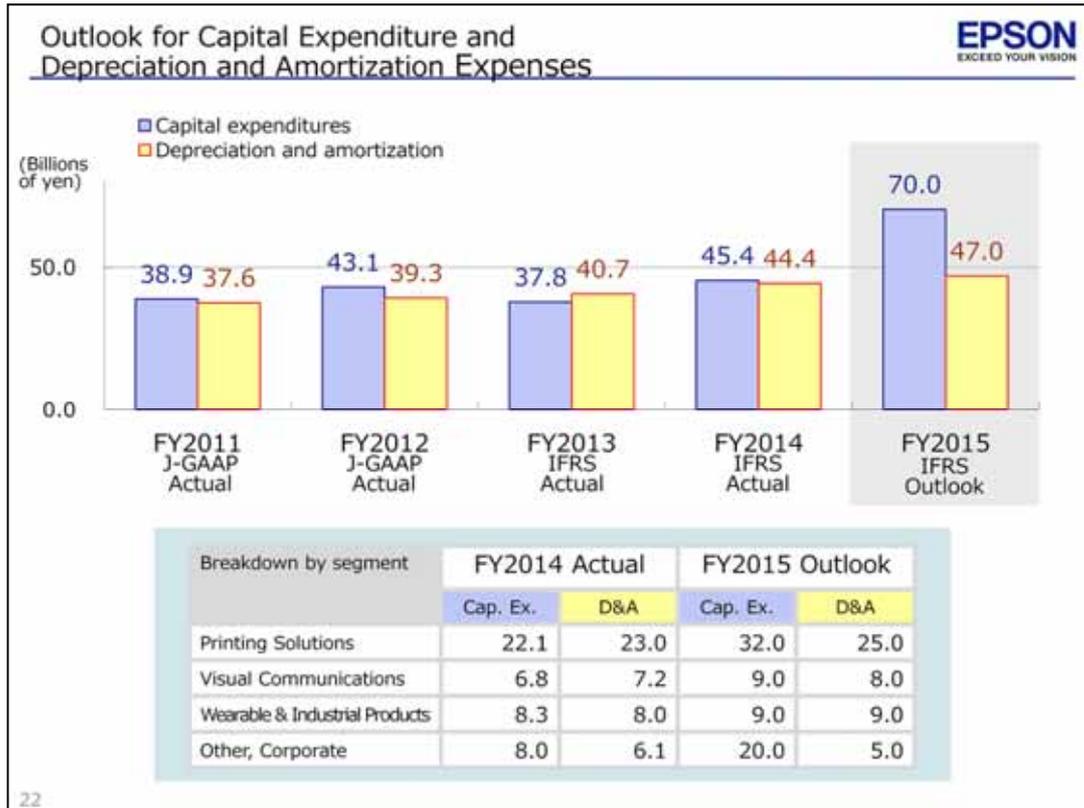
- Revenue outlook in printing solutions broken down by business and by first and second half



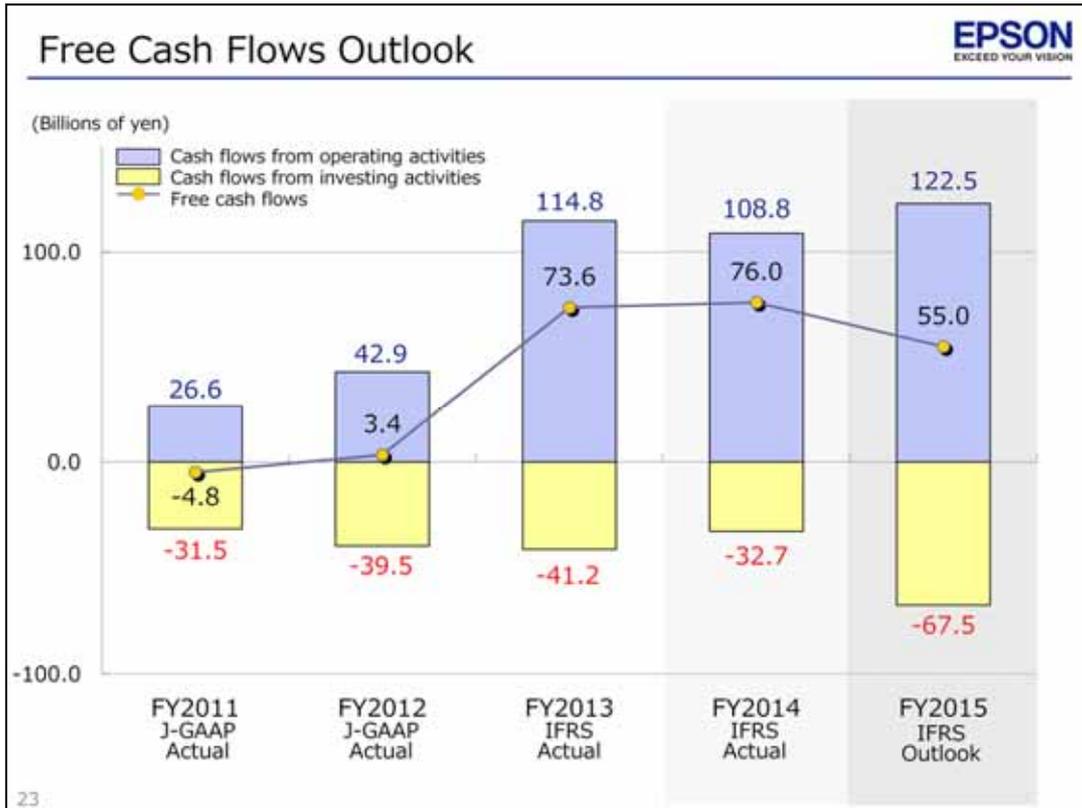
- Revenue outlook in wearable & industrial products



- FY2015 full-year and half-year business profit outlook broken down by segment and by first and second half
- Here again we are reiterating our previous outlook. We expect full-year business profit to be around ¥113 billion in printing solutions, ¥23 billion in visual communications, and ¥11 billion in wearable & industrial products.

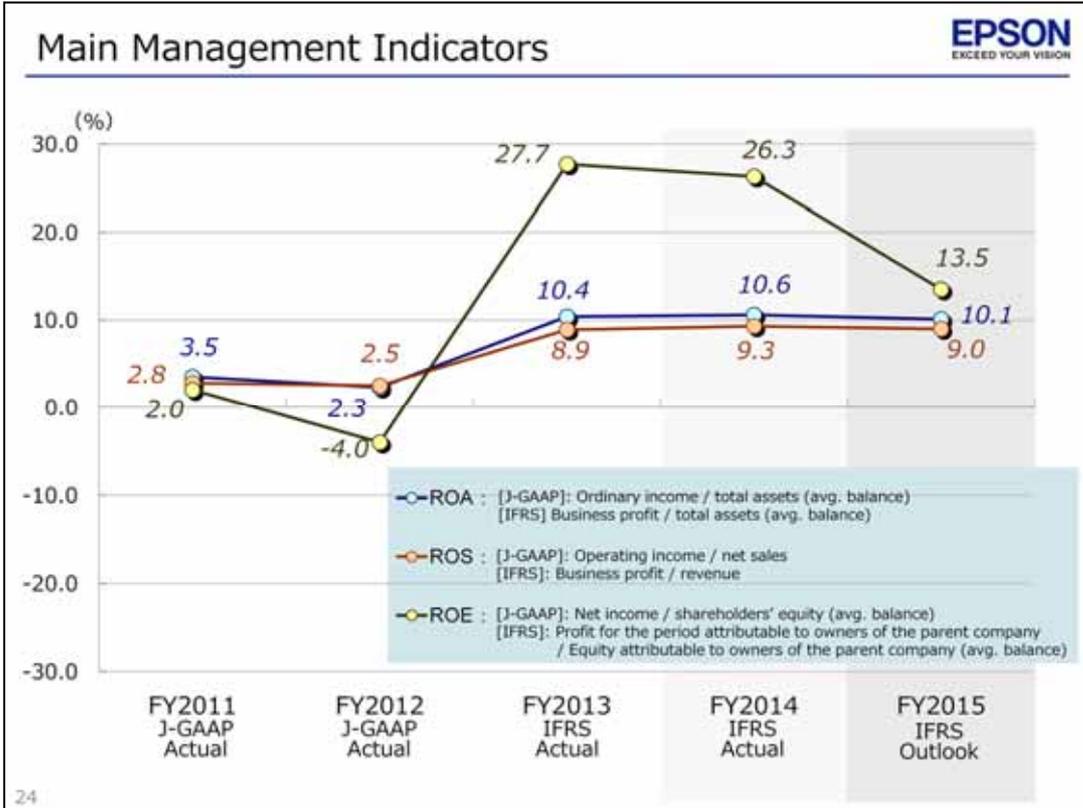


- Outlook for capital expenditures and depreciation and amortization expenses
 - The capital expenditure outlook has not changed since the previous outlook.
 - We are strategically investing in medium- and long-term growth, and our capital expenditures in the first quarter were made in accordance with our internal plans. We invested in advanced development for the next generation of products and key devices. We also invested aggressively in factory expansion in the Philippines and Indonesia to build production capacity over the mid-term and to add production capacity for our popular high-capacity ink tank printers and projectors.
 - Depreciation and amortization expenses are expected to be ¥47 billion as was previously forecast.



■ Cash flows

- The outlook for cash flows also remains unchanged since the previous outlook.
- In FY2015 we expect ¥122.5 billion in cash flows from operating activities, ¥67.5 billion in cash flows from investing activities, and ¥55 billion in free cash flows.



■ Major management performance indicators

➤ ROS was 9.0%, ROA 10.1%, and ROE 13.5%.

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