



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

October 31, 2013

Seiko Epson Corp.

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■ Disclaimer regarding forward-looking statements

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

■ Numerical values presented herein

Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

Changes to segment reporting



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

FY2012 Segments

FY2013 Segments

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

*P: Personal M: Motion

*HMD: Head-mounted display

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

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■ Changes to reporting segments

1. Overview

2. Details

Financial Highlights (First Half)



| (Billions of yen) | FY2012 | | FY2013 | | | | Change (amount, %) | |
|--------------------------------|----------|---------|--------------|------|---------|------|--------------------|----------------------|
| | Actual | % | 7/31 Outlook | % | Actual | % | Y/Y | Vs. previous outlook |
| Net sales | 388.2 | - | 450.0 | - | 468.6 | - | +80.3 +20.7% | +18.6 +4.1% |
| Operating income | -14.1 | -3.6% | 13.0 | 2.9% | 34.0 | 7.3% | +48.1 - | +21.0 +161.8% |
| Ordinary income | -14.1 | -3.7% | 9.0 | 2.0% | 30.6 | 6.5% | +44.8 - | +21.6 +240.5% |
| Net income before income taxes | -29.6 | -7.6% | 7.0 | 1.6% | 28.5 | 6.1% | +58.1 - | +21.5 +307.7% |
| Net income | -35.4 | -9.1% | 1.0 | 0.2% | 18.4 | 3.9% | +53.8 - | +17.4 - |
| EPS | -¥198.15 | | ¥5.59 | | ¥103.09 | | | |
| Exchange rate | USD | ¥79.41 | ¥94.00 | | ¥98.85 | | | |
| | EUR | ¥100.64 | ¥124.00 | | ¥130.00 | | | |

Previous outlook exchange rate assumptions from Q2 onward
USD: ¥90.00, EUR: ¥120.00

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■ FY2013 first half financial highlights

- First-half net sales were ¥468.6 billion, up ¥80.3 billion year-over-year. We recorded ¥34 billion in operating income, a ¥48.1 billion improvement compared to last year. Net income was ¥18.4 billion, a ¥53.8 billion improvement compared to last year.
- We exceeded our previous outlook, which we presented on July 31, by a large margin in net sales and in every income category.

Financial Highlights (Second Quarter)



| (Billions of yen) | FY2012 | | FY2013 | | Change (amount, %) | 7/31 previous outlook (Ref.) | |
|--------------------------------|-----------|--------|-----------|-------|--------------------|------------------------------|-------------------------------------|
| | Q2 Actual | % | Q2 Actual | % | | Y/Y | Q1 results deducted from H1 outlook |
| Net sales | 201.9 | - | 248.4 | - | +46.5 +23.0% | 229.8 | - |
| Operating income | 1.9 | 1.0% | 26.0 | 10.5% | +24.0 - | 4.9 | 2.2% |
| Ordinary income | 2.2 | 1.1% | 25.7 | 10.4% | +23.5 - | 4.1 | 1.8% |
| Net income before income taxes | 2.2 | 1.1% | 25.2 | 10.2% | +23.0 - | 3.7 | 1.6% |
| Net income | -0.9 | -0.5% | 18.3 | 7.4% | +19.2 - | 0.8 | 0.4% |
| EPS | -¥5.48 | | ¥102.38 | | | | |
| Exchange rate | USD | ¥78.63 | ¥98.95 | | | ¥90.00 | |
| | EUR | ¥98.36 | ¥131.05 | | | ¥120.00 | |

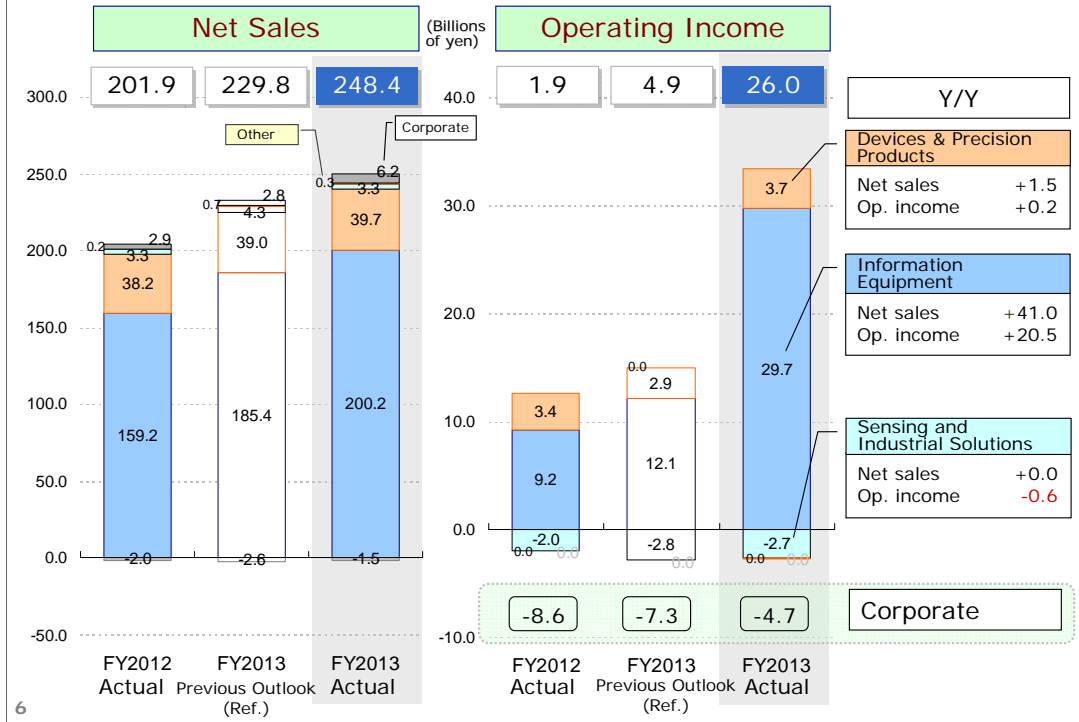
Previous outlook exchange rate assumptions from Q2 onward
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■ FY2013 second-quarter financial highlights

- Net sales were ¥248.4 billion, up ¥46.5 billion year-over-year. Operating income was ¥26 billion, up ¥24 billion. Net income was 18.3 billion, a ¥19.2 billion improvement over the same period last year.
- For reference, on this slide and the following slide we show our second-quarter results versus the previous outlook, after subtracting the first quarter results.

FY2013 Second Quarter Business Results
 ▶ By business segment



■ FY2013 second-quarter net sales and operating income by business segment

- We saw marked improvement compared to the same period last year, especially in the information-related equipment and devices & precision products segments.

- Net sales and every income category improved dramatically due to strategic measures in information equipment and weaker yen

Information Equipment Segment

Inkjet Printer Business

- Improved model mix and average selling prices
 - ✓ Low-end models curtailed in developed markets, lineup of office and other high-end models strengthened, prices maintained
 - ✓ Large increase in shipments of high-capacity ink tank models in emerging markets
- Increased revenue from consumables by improving model mix
- Increased shipments of new commercial printers*



Epson L350



* Large-format printers up to 64 inches

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- Main factors affecting Q2 results year-over-year

Main Factors Affecting Q2 Results (Year-Over-Year)



Business Systems Business

- SIDM unit shipments increased due to firm demand in China
- North American market for POS products recovering

Visual Communications Business

- Quarterly shipments hit an all-time high, driven by sales of business projectors in North America and education projectors in Europe and China

Devices & Precision Products Segment

Microdevices Business

- Competitors reduced prices due to weakened yen

Precision Products Business

- Sales of premium products in Japan remained firm

Corporate

- Effectively used Epson patents to generate patent royalty income

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- Main factors affecting Q2 results year-over-year

FY2013 Financial Outlook



| (Billions of yen) | FY2012 | | FY2013 | | | | Change (amount, %) | |
|--------------------------------|---------|---------|--------------|------|-----------------|------|--|----------------------|
| | Actual | % | 7/31 Outlook | | Current Outlook | | Y/Y | Vs. previous outlook |
| | | | | % | | % | | |
| Net sales | 851.2 | - | 930.0 | - | 960.0 | - | 108.7 +12.8% | +30.0 +3.2% |
| Operating income | 21.2 | 2.5% | 37.0 | 4.0% | 58.0 | 6.0% | +36.7 +172.9% | +21.0 +56.8% |
| Ordinary income | 17.6 | 2.1% | 33.0 | 3.5% | 55.0 | 5.7% | +37.3 +212.0% | +22.0 +66.7% |
| Net income before income taxes | -3.4 | -0.4% | 26.0 | 2.8% | 48.0 | 5.0% | +51.4 - | +22.0 +84.6% |
| Net income | -10.0 | -1.2% | 15.0 | 1.6% | 34.0 | 3.5% | +44.0 - | +19.0 +126.7% |
| EPS | -¥56.41 | | ¥83.85 | | ¥190.06 | | | |
| Exchange rate | USD | ¥83.11 | ¥92.00 | | ¥97.00 | | Current outlook exchange rate assumptions from Q3 onward USD: ¥95.00 EUR: ¥125.00 | |
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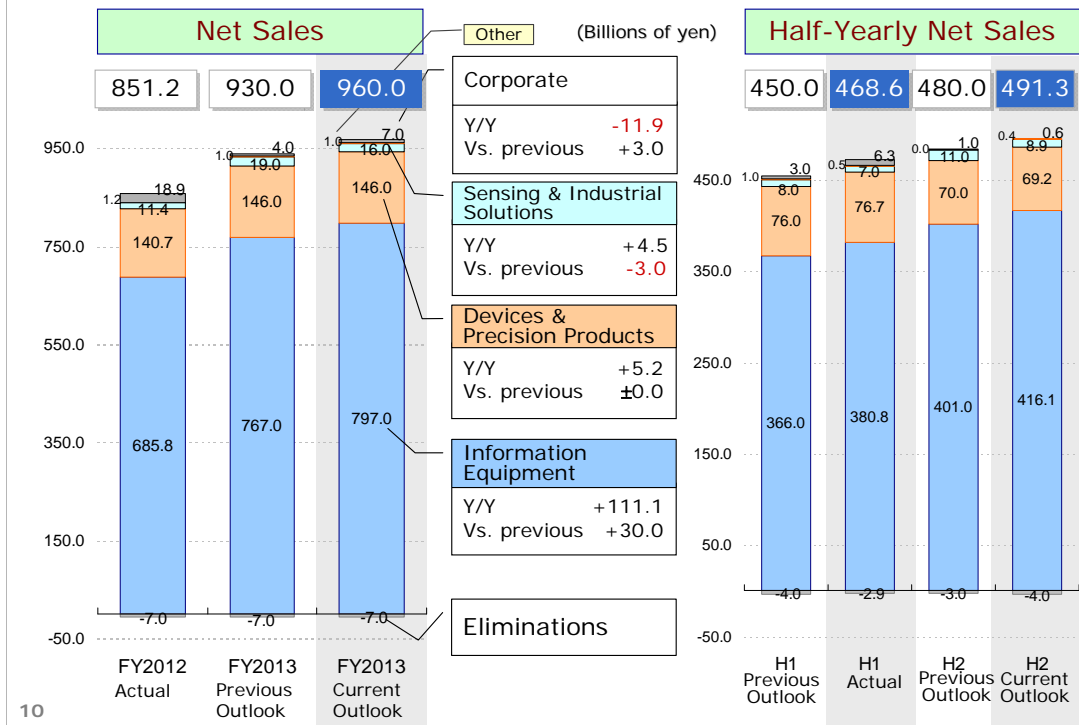
Previous outlook exchange rate assumptions from Q2 onward
 USD: ¥90.00, EUR: ¥120.00

■ FY2013 financial outlook

- We raised our net sales outlook to ¥960 billion, up ¥30 billion from the previous outlook. We also raised our operating income and net income outlooks. Operating income is now seen in the range of ¥58 billion, or ¥21 billion more than previously forecast. Net income is now forecast at ¥34 billion, or ¥19 billion more than previously forecast.
- The latest outlook reflects recent exchange rate trends. We recalculated the figures based on assumed rates of 95 yen to the US dollar and 125 yen to the euro in the second half.

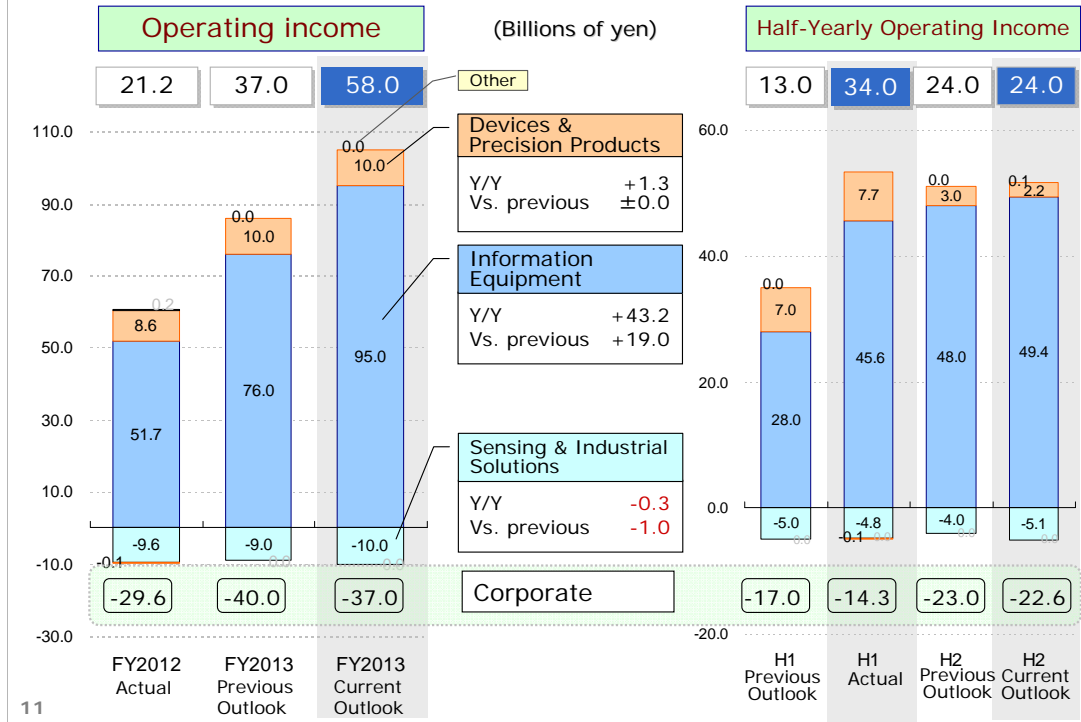
FY2013 Financial Outlook (Net Sales)

► By business segment



- Net sales outlook for FY2013 with figures broken down by segment and by first and second half

FY2013 Financial Outlook (Operating Income)
 ▶ By business segment



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

Main Factors Affecting FY2013 Outlook



Revised H2 exchange rate assumptions to USD = ¥95 and EUR = ¥125 based on recent trends and factored the considerations below into the outlook

Information Equipment Segment

- Although no major changes are expected in the market from the first half, we raised our outlook because we will achieve our previous forecast by continuing to pursue our planned strategic actions in IJP and elsewhere, and will then factor in the latest exchange rate assumptions.

Devices & Precision Products Segment

- The microdevice outlook was lowered due to ongoing price erosion

Sensing & Industrial Solutions Segment

- Lowered the outlook due to delayed rollout of products in new business

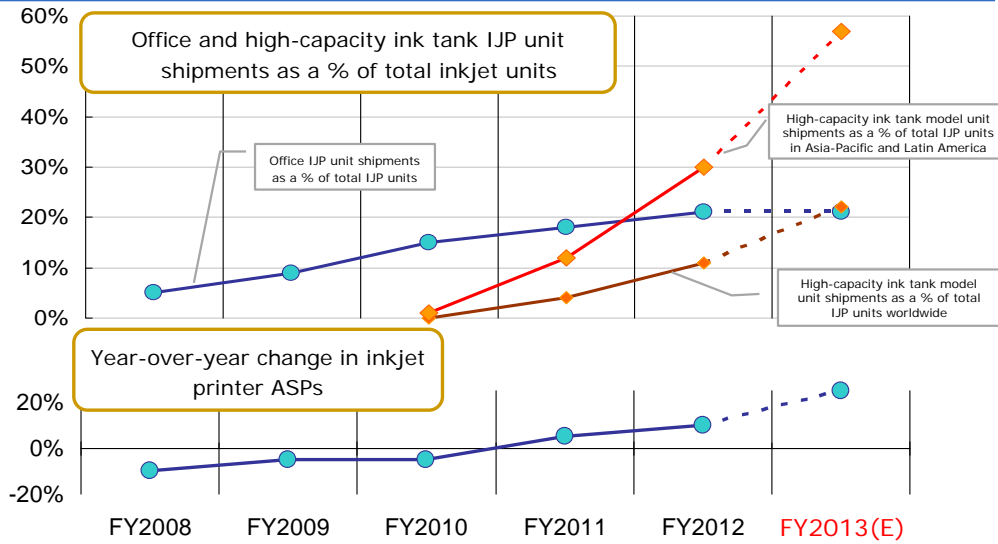
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■ Main factors shaping FY2013 financial outlook

SE15 Mid-Range Business Plan Progress (1)



- Office IJP models seen accounting for more than 20% of FY2013 IJP unit shipments. Steadily improve install base composition with an upgraded lineup instead of counting on steep growth in office unit shipments.
- High-capacity ink tank models were initially expected to account for less than 50% of FY2013 unit shipments in Asia-Pacific and Latin America. The latest outlook is for more than 50%.



■ Progress of strategies in the SE15 mid-range business plan

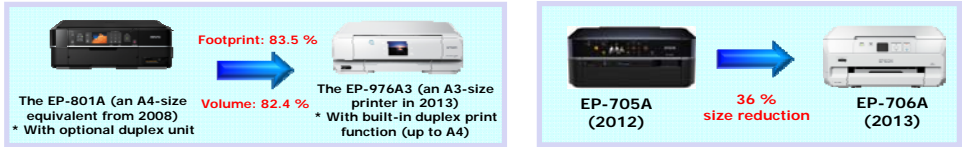
SE15 Mid-Range Business Plan Progress (2)



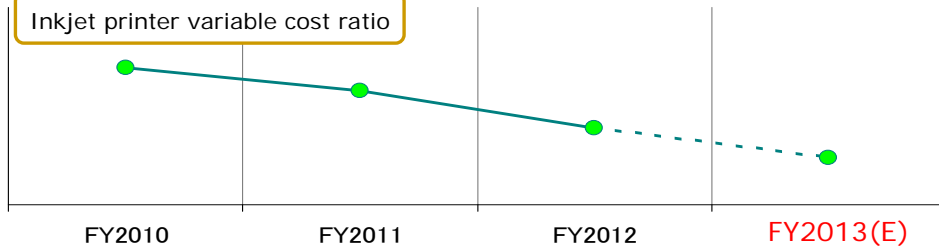
- We steadily reduced the IJP variable cost ratio by improving the model mix, increasing ASPs, and reducing costs.
- The effect of this improvement is also being seen in income, and a dramatic improvement in profitability is forecast for FY2013.

Broad deployment of compact IJPs

Announced ten new compact, stylish inkjet printer models for Japanese market on Sept. 3.



Inkjet printer variable cost ratio



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■ Progress of strategies in the SE15 mid-range business plan

1. Overview

2. Details

1) FY2013 Q2 Financial Results

2) FY2013 Business Outlook

Financial Highlights (Second Quarter)

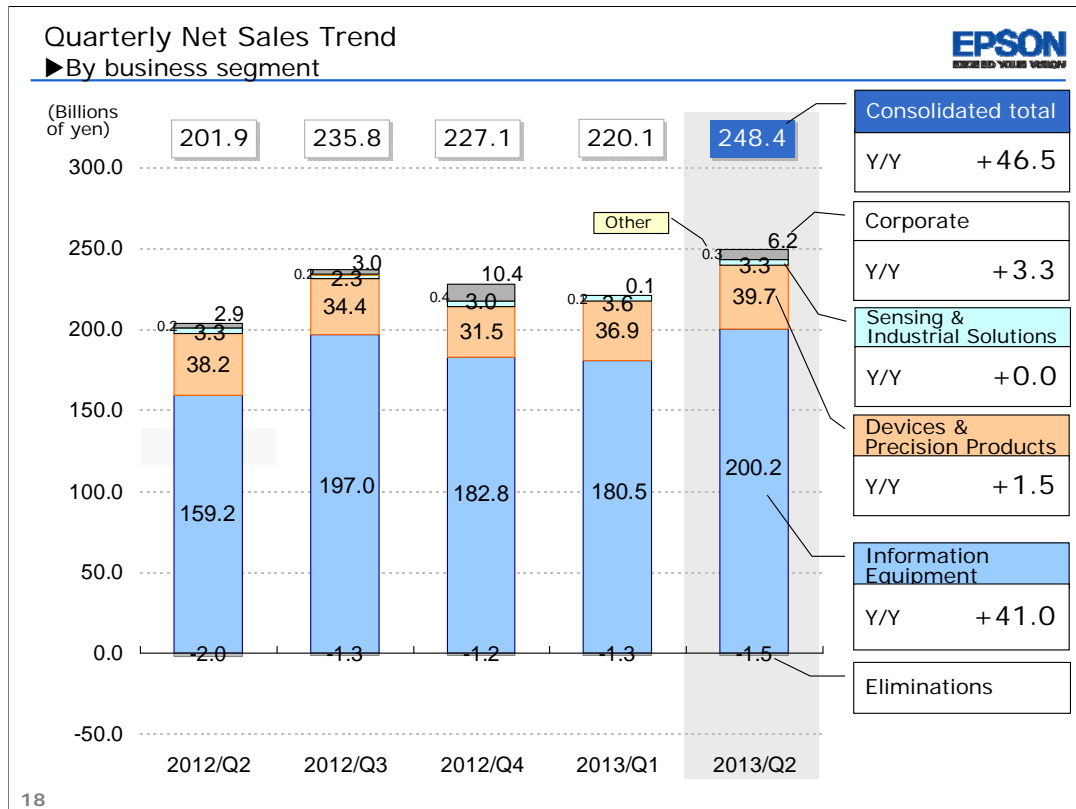


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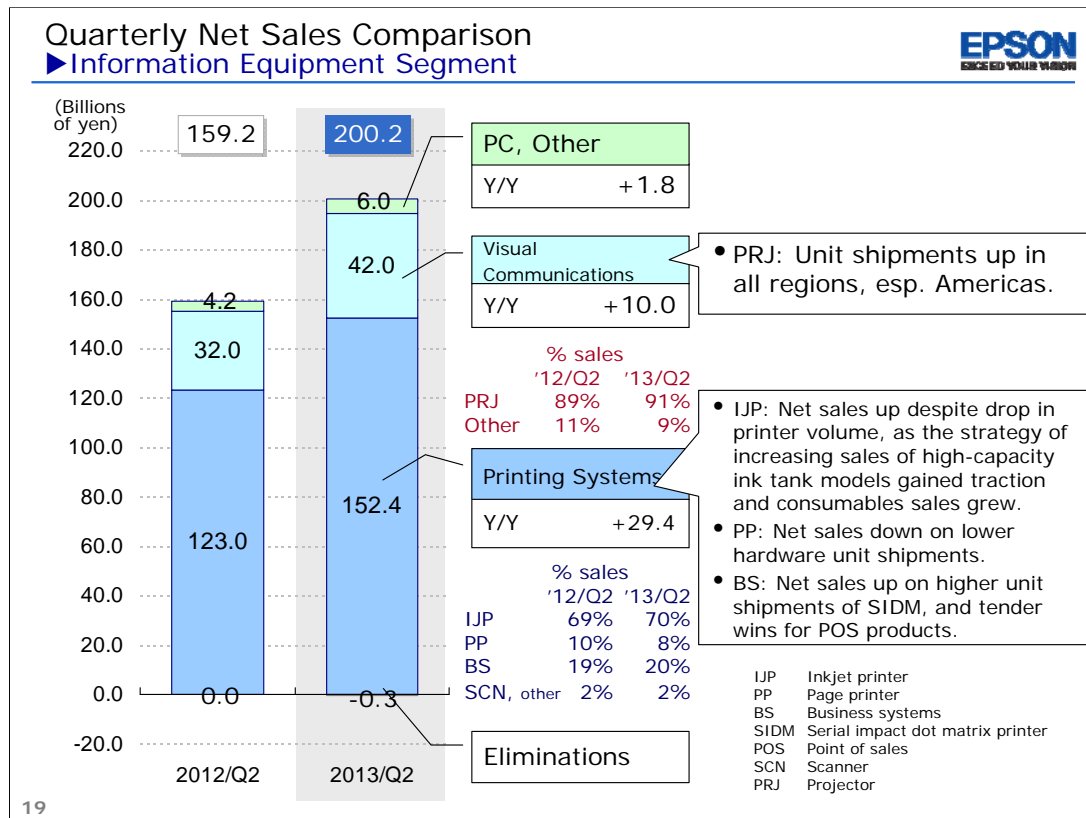
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■ Second quarter financial highlights



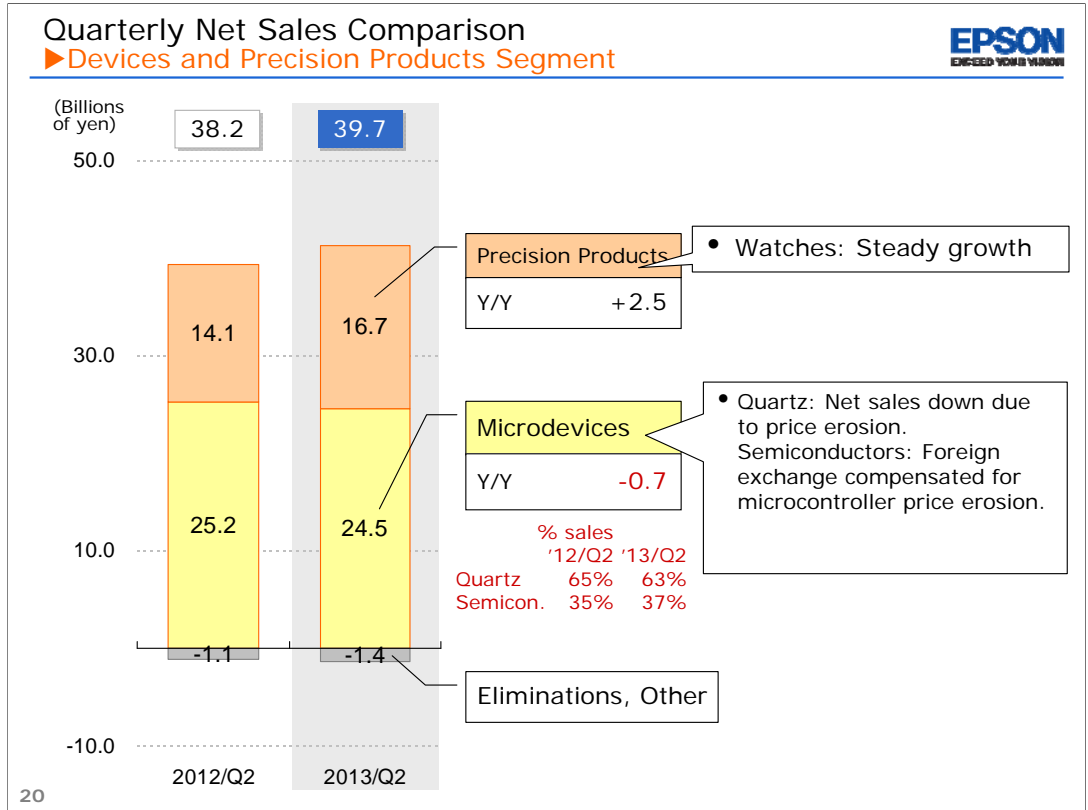
■ Net sales in each segment over the last five quarters

- Information-related equipment net sales increased by ¥41 billion and devices and precision products net sales increased by ¥1.5 billion compared to the same period last year.
- Sensing and industrial solutions net sales were flat year-over-year. Although robot demand in China and other emerging markets provided traction in the industrial solutions business, some customers for products such as IC handlers put investment on hold.
- Foreign exchange effects had a ¥39.4 billion positive impact on quarterly net sales compared to the same period last year, mostly in the information-related equipment segment.



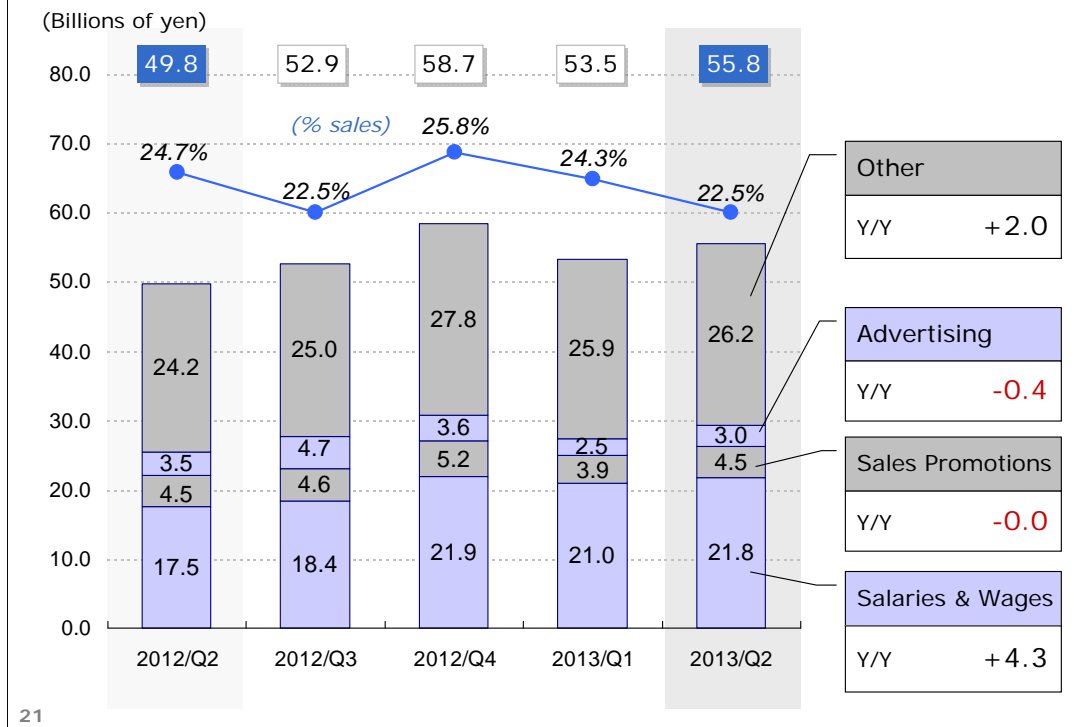
■ Quarterly net sales in the businesses making up the information-related equipment segment

- First of all, every business in this segment benefitted from yen depreciation.
- Printing systems reported a ¥29.4 billion increase in net sales.
- Although inkjet printer shipments decreased, net sales increased because ASPs rose as we improved the model mix, and grew sales of consumables.
 We saw some regional variation. Epson's inkjet unit shipments declined in the contracting Japanese and European markets. However, we made steady progress in certain strategic areas. For example, in the North America market, we shipped roughly the same number of inkjet printers this year as last while maintaining the focus on high-priced premium products. In emerging markets, meanwhile, we dramatically increased sales of high-capacity ink tank models.
- We also increased unit shipments of commercial large-format printers in the U.S., where we captured tender orders, with the end result being that we recorded year-over-year net sales growth in the inkjet printer business.
- Page printer net sales declined because we limited sales of low-priced models.
- Performance against the previous outlook
- The inkjet printer business exceeded the previous outlook despite falling short of the unit shipment forecast, thanks to strong sales of consumables in Europe and the effect of the weaker yen.
- Business systems, page printers, and visual communications exceeded the previous outlook despite shipping fewer units than expected, as net sales were padded by foreign exchange effects.



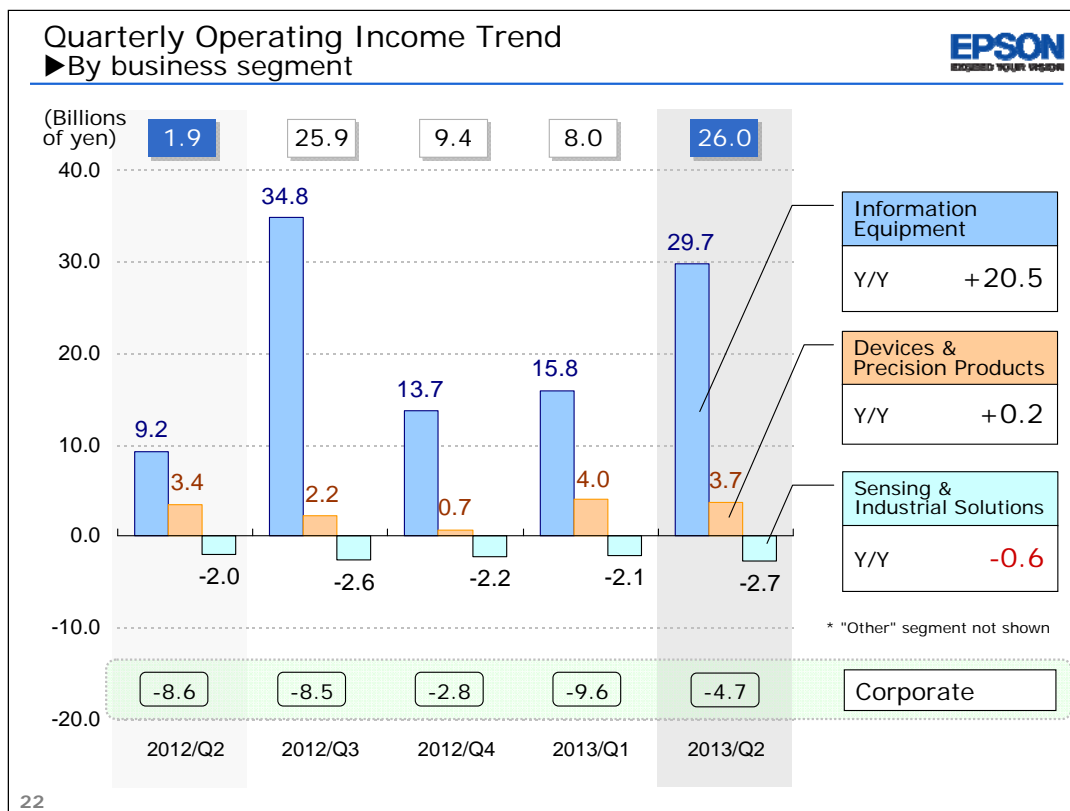
- Quarterly net sales in the devices and precision products segment
 - The microdevices business as a whole saw net sales decrease. Semiconductor net sales were flat year-over-year because foreign exchange effects compensated for factors such as the erosion of microcontroller prices. Quartz net sales decreased due to price erosion.
 - Precision products saw net sales increase because, in addition to firm demand for premium watches in Japan, unit shipments of wristwatches overseas also increased.
 - Compared to the previous outlook, net sales in the microdevices business were in line with expectations, but net sales in precision products exceeded expectations because of strong sales of brand watches in Japan and the effects of yen depreciation.

Quarterly Selling, General and Administrative Expenses



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- Quarterly selling, general and administrative expenses
 - Selling, general and administrative expenses decreased year-over-year as a percentage of net sales even though yen depreciation and other factors caused labor costs to increase. This was primarily because we strove to maximize efficiency in spending on advertising and sales promotions but partly because we postponed some spending until the second half.
 - Total SGA expenses, after foreign exchange effects are excluded, were about the same as last year.



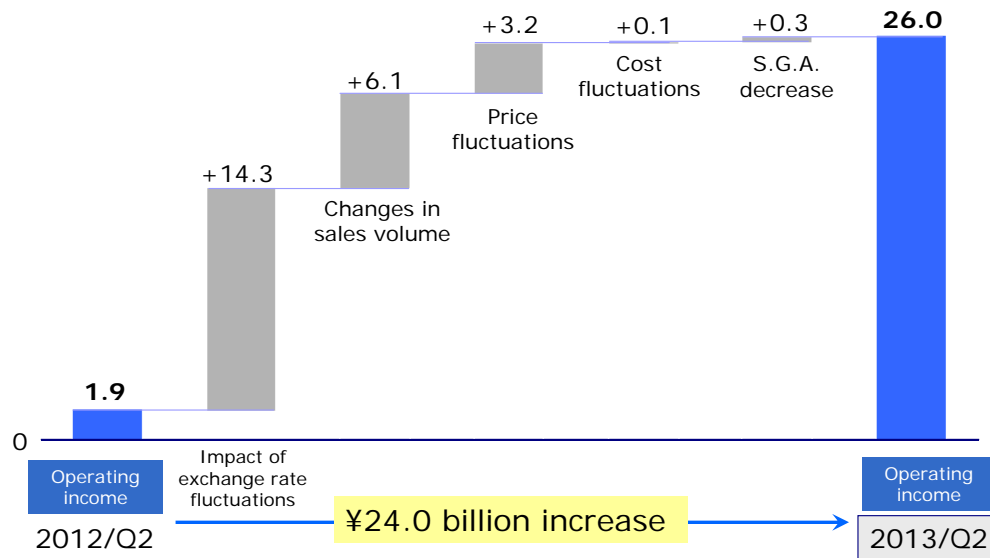
■ Breakdown of quarterly operating income by segment

- Foreign exchange effects had an approximately ¥14.3 billion positive effect on consolidated operating income this quarter compared to the same quarter last year.
- Information-related equipment recorded operating income of ¥29.7 billion, an increase of ¥20.5 billion year-over-year.
- Inkjet printer operating income increased sharply. In addition to consumables revenue growth, an improved model mix and higher ASPs, operating income was boosted by increased revenue from relatively more profitable commercial printers.
- Both business systems and visual communications reported higher income on net sales growth.
- Page printer operating income was flat year-over-year even though net sales declined, mainly because we limited sales of low-priced models.
- Devices and precision products recorded ¥3.7 billion in operating income, a ¥200 million increase from the same period last year. Although watch operating income declined because of the model mix, the segment as a whole saw operating income rise primarily because of cost-cutting initiatives and workforce right-sizing in the microdevices business.
- Sensing and industrial solutions recorded lower income than in the same period last year.
- To compare our performance to the previous outlook, the company as a whole exceeded the outlook. There are several reasons for this. First, in the information-related equipment segment inkjet printer sales grew as we reduced variable costs, and effectively allocated and postponed execution of certain fixed costs. Second, in the corporate segment, we recorded additional new income from patents on top of what we had planned. And, finally, we saw benefits across the board from the weaker yen.

Operating Income Fluctuation Cause Analysis



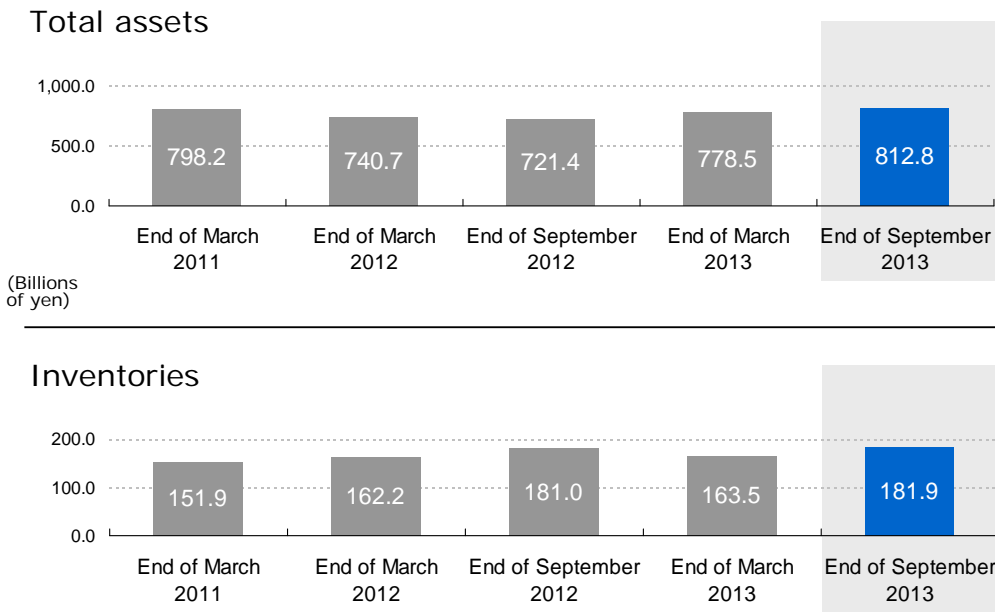
(Billions of yen)



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- Cause analysis of the increase in operating income compared to the same period last year
- Whereas we had ¥1.9 billion in operating income in the second quarter of FY2012, this year we recorded ¥26 billion in operating income. The increase is primarily the result of foreign exchange effects, volume fluctuations, and price fluctuations.

Statistics of Balance Sheet Items



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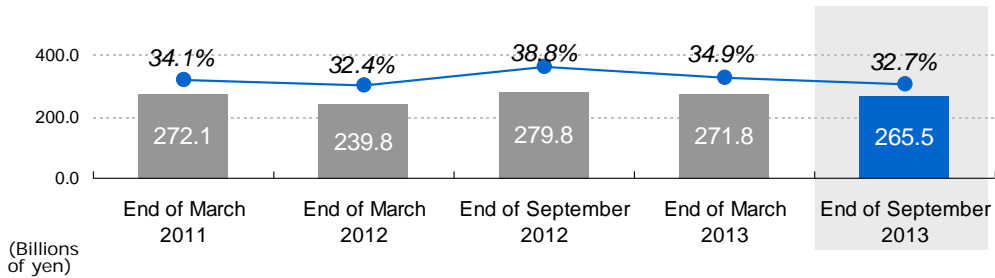
■ Major items on the balance sheet

- Total assets increased by ¥34.3 billion compared to the end of the previous fiscal year, primarily due to increases in items such as cash reserves and inventories.
- Please note that inventories have increased compared to the end of the previous fiscal year due to the effect of the weaker yen on foreign currency translations in addition to increased production volumes as we ramp up for the year-end shopping season. However, if you exclude foreign exchange effects, we are right in line with the plan.

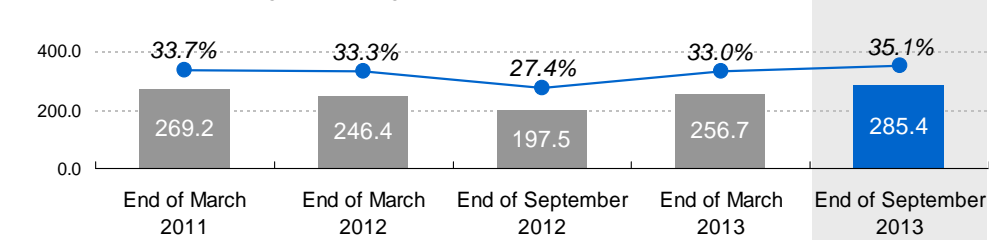
Statistics of Balance Sheet Items



Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholders' equity & equity ratio



*Lease obligations are included in interest-bearing liabilities

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

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■ Major items on the balance sheet

- Interest-bearing liabilities decreased by ¥6.2 billion from the end of the previous fiscal year. This was the result of a corporate bond issue in September and the repayment loans. The ratio of interest-bearing liabilities to total assets was 32.7%. Net interest-bearing liabilities were ¥68 billion, a ¥19 billion decrease since the end of the previous fiscal year.
- Shareholders' equity rose by ¥28.7 billion compared to the end of March 2013 due to factors such as the first-half financial results and the effects of the weaker yen on foreign currency translations. As a result, the equity ratio was 35.1%.

1) FY2013 Q2 Financial Results

2) FY2013 Business Outlook

FY2013 Financial Outlook



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|--------------------------------|---------|---------|--------------|------|-----------------|------|--|----------------------|
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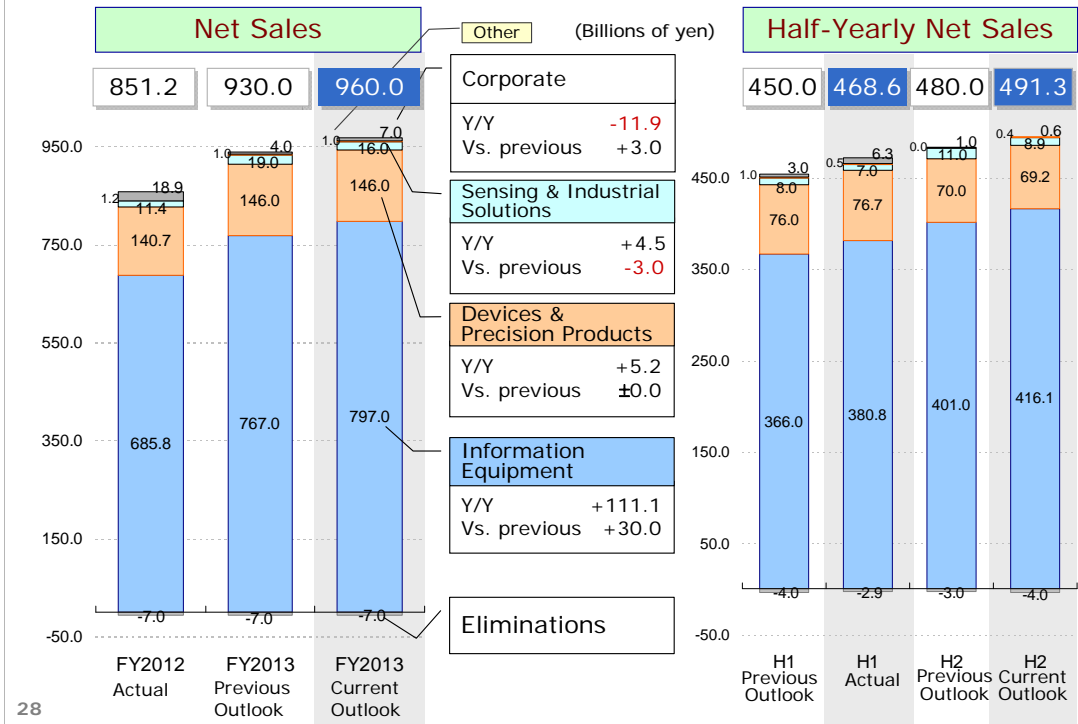
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■ FY2013 full-year outlook

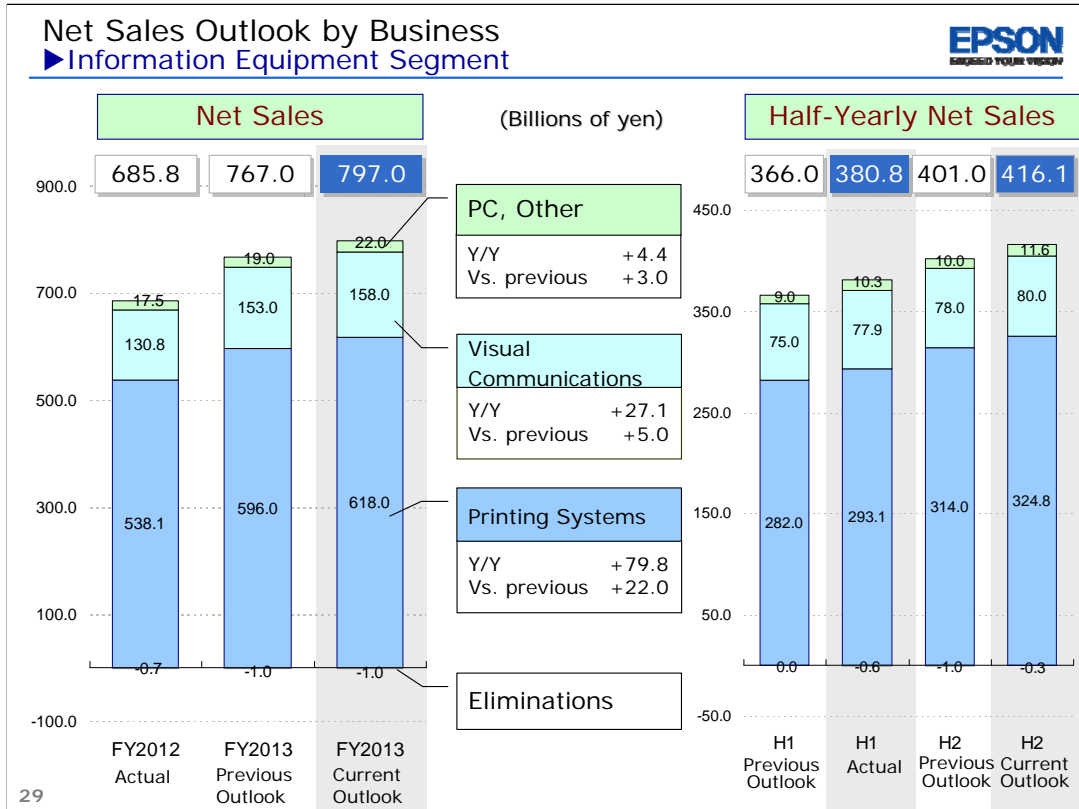
FY2013 Financial Outlook (Net Sales)

► By business segment



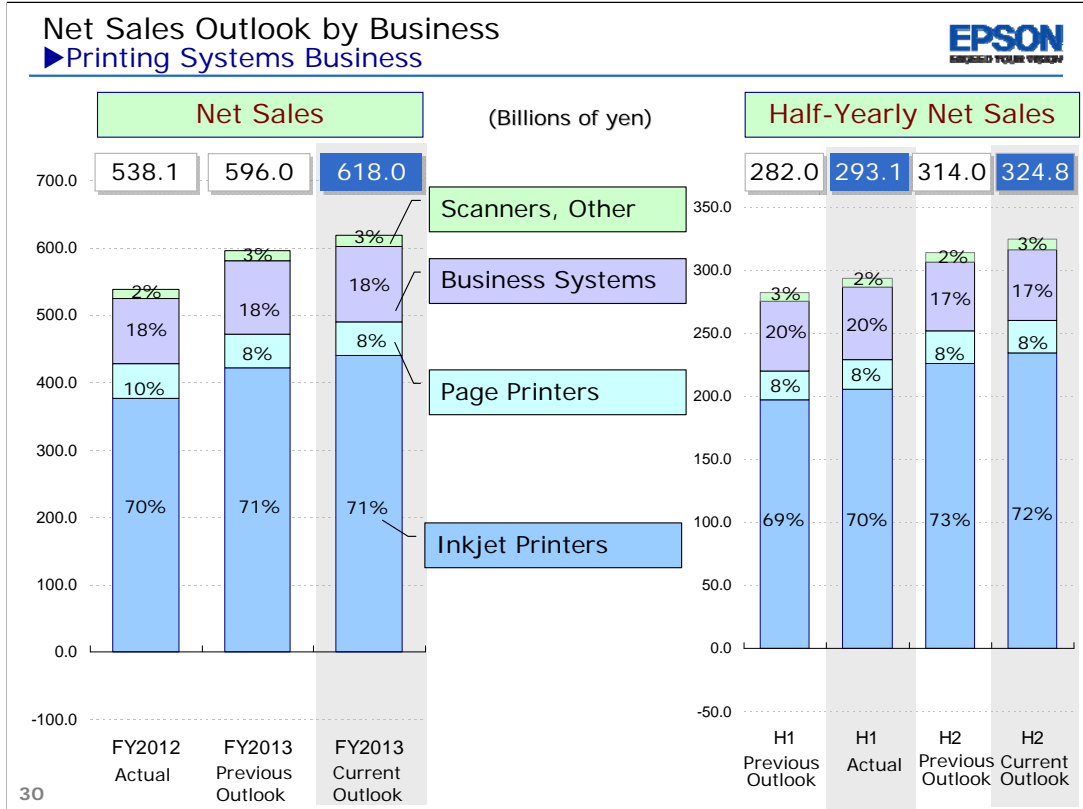
■ Net sales outlook for FY2013 broken down by segment and by first and second half

➤ Here we are upwardly revising our second half net sales outlook.



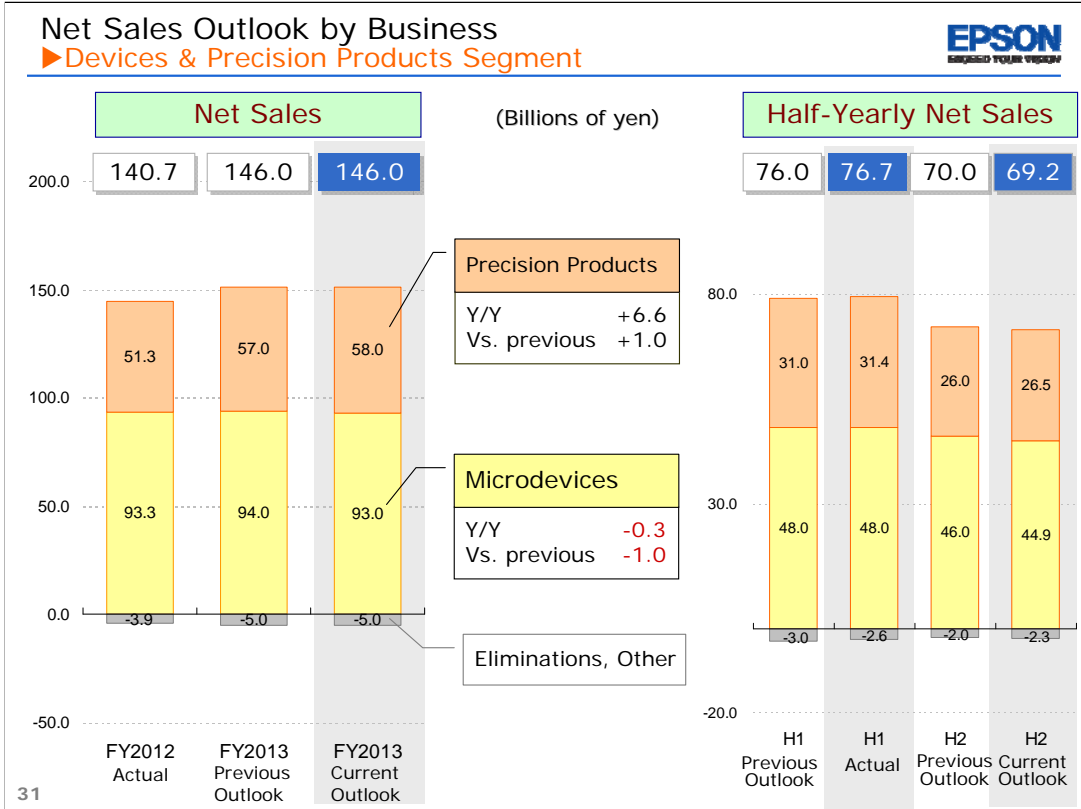
■ Breakdown of estimated net sales in each business of the information-related equipment segment

- We expect visual communications to record ¥158 billion in net sales, up ¥5 billion compared to the previous outlook.
- We expect the projector market to soften due to the slow economic recovery in Asia and Europe. Having said that, however, we expect to record year-over-year unit shipment growth and a higher growth rate than the overall market by promoting sales of short-throw lens projectors and other highly competitive strategic models.



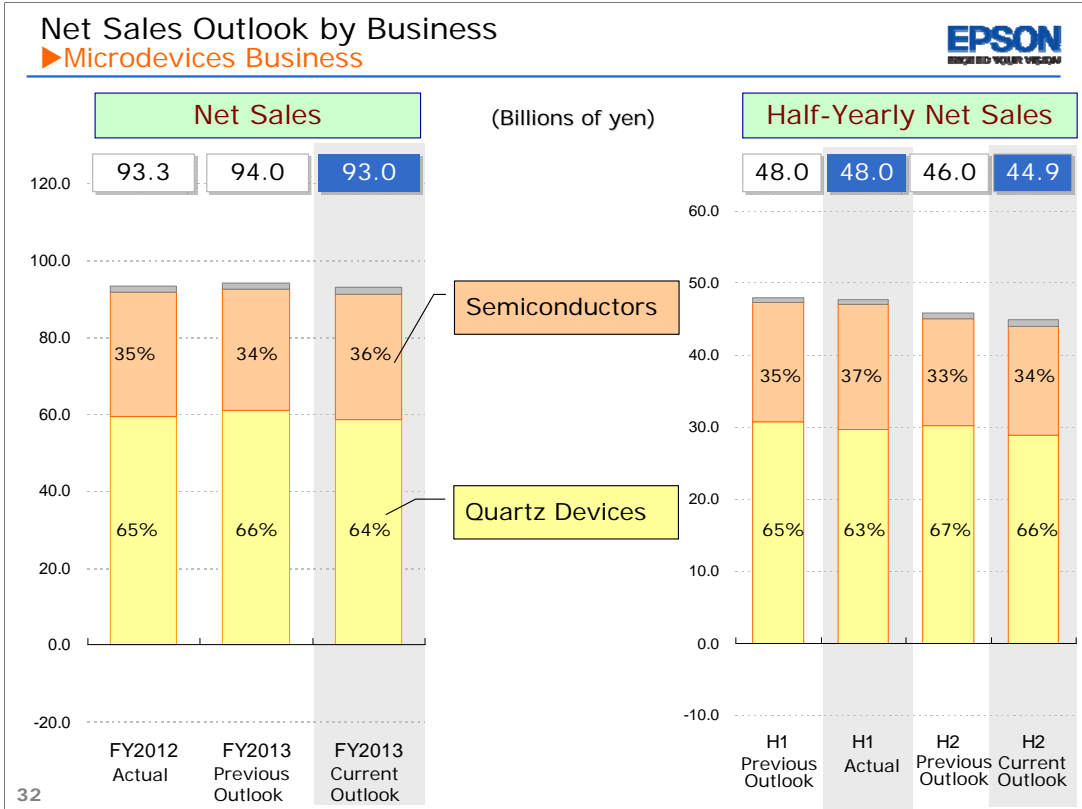
■ Printing systems business net sales outlook

- We expect ¥618 billion in full-year net sales, a ¥22 billion increase over the previous outlook.
- While we expect to see growth of inkjet printers in emerging markets, we still think that the overall market will move sideways because of the slow recovery of markets in advanced economies.
 To make the best of the situation, we will continue to maintain prices and expand sales of our popular high-capacity ink tank models for the remainder of the year.
 We plan on achieving full-year inkjet printer unit shipments in line with the previous outlook while we simultaneously move to improve the model mix.
 The second-half outlook for consumables is in line with the previous outlook.
- In business systems we forecast that while POS products will suffer from the slow economic recovery in Europe and a sluggish food service market in China, sales in North America will be boosted by steady demand. We also see SIDM printer demand for tax collection systems in China.

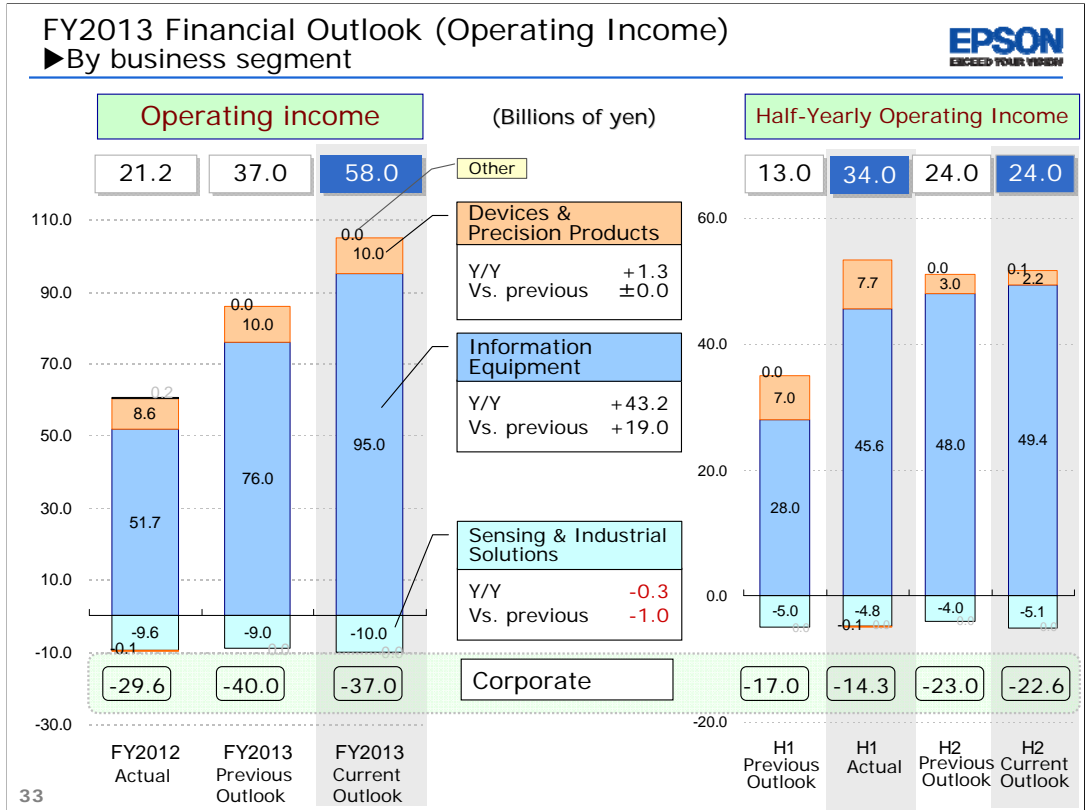


■ Breakdown of projected net sales by business in the devices and precision products segment

- In precision products, watch net sales are not expected to significantly change from the previous outlook. We have lowered the net sales outlook for microdevices.

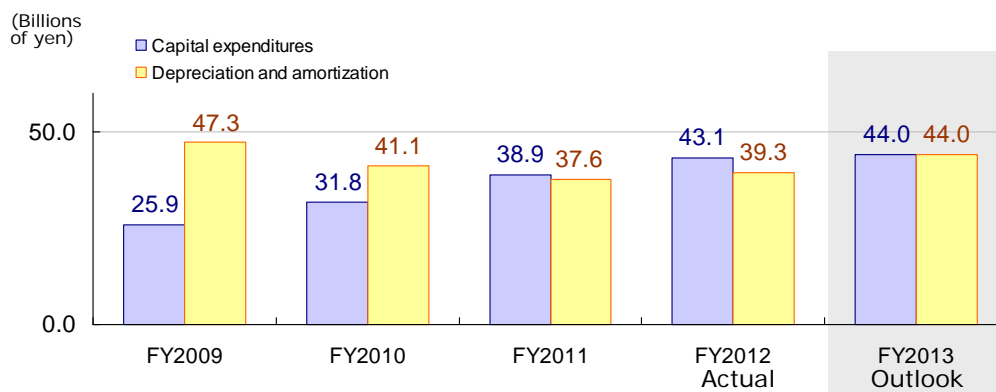


- Breakdown of net sales in the microdevices business



- FY2013 full-year operating income outlook with figures broken down by segment and by half
- We are standing by our previous outlook for the second-half corporate financials.
- We expect to record a large majority of the estimated ¥24 billion in second-half operating income in the third quarter.

Outlook for Capital Expenditure, and Depreciation and Amortization



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

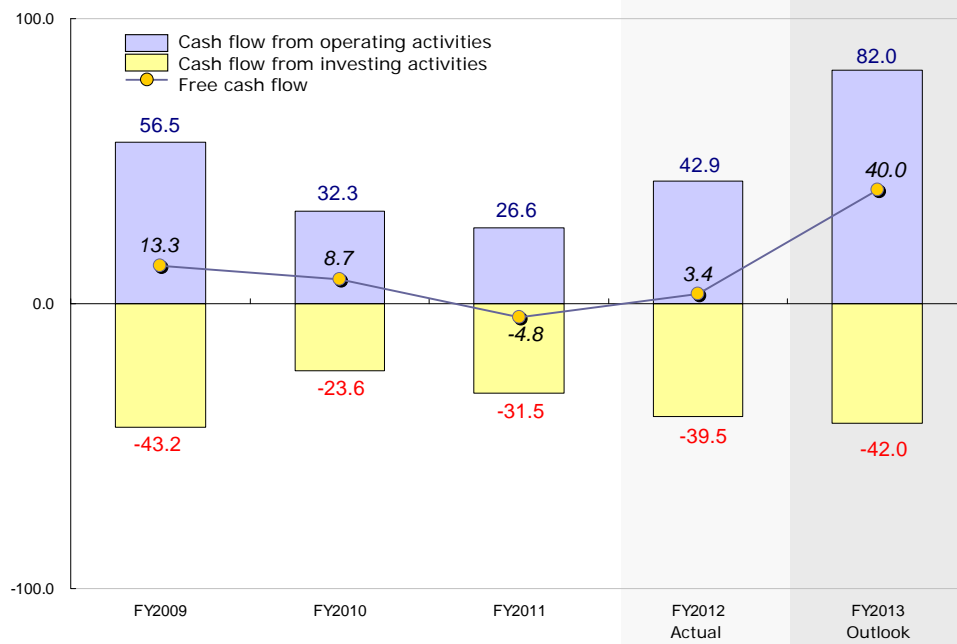
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- Outlook for capital expenditures and depreciation and amortization expenses
- The outlook remains the same as in April.

Free Cash Flow Outlook



(Billions of yen)

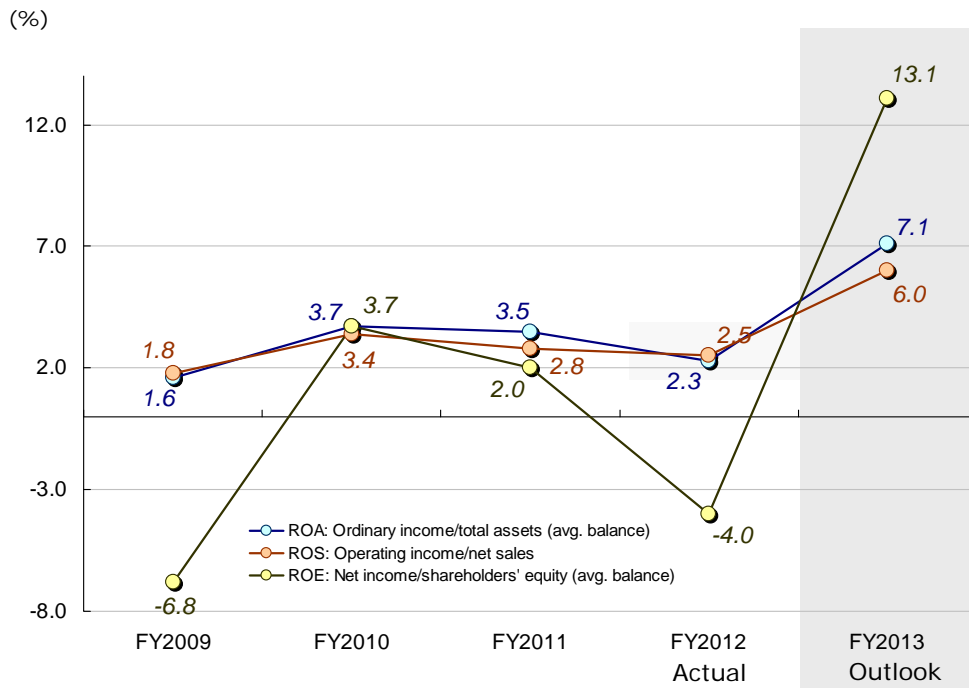


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■ Cash flows

- In conjunction with the revised financial outlook and changes in investment timing, we doubled the free cash flow outlook, raising the previous estimate of ¥20 billion up to ¥40 billion in the current outlook.

Main Management Indicators



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■ Major management performance indicators

➤ ROS of 6.0 %, ROA of 7.1 %, and ROE of 13.1%.

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