EPSON
EXCEED YOUR VISION

70th ANNIVERSARY

First Quarter Financial Results Fiscal Year 2012 (Ending March 2013)

July 31, 2012

SEIKO EPSON CORPORATION

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.

1. Overview

2. Details

Financial Highlights (First Quarter)

(Billions of yen)	FY2011 Q1 Actual	FY2011 %	FY2012 Q1 Actual	FY2012 %	Change Amount	Change %
Net Sales	217.7	-	186.3	-	-31.3	-14.4%
Operating Income	3.6	1.7%	-16.1	-8.6%	-19.7	-
Ordinary Income	2.3	1.1%	-16.4	-8.8%	-18.8	-
Net Income Before Income Taxes	0.5	0.2%	-31.9	-17.1%	-32.4	-
Quarterly Net Income	-3.2	-1.5%	-34.4	-18.5%	-31.2	-
EPS	-¥16.13		-¥192.67			
Exchange Rate USD	¥81.74		¥80.20			
Exchange Rate EUR	¥117.40		¥102.91			

■ Fiscal 2012 first-quarter results

➢ Compared to the same period last year, net sales were ¥186.3 billion, down ¥31.3 billion. Operating income was negative ¥16.1 billion. Net income was negative ¥34.4 billion.

Summary of Q1 Financial Results (Vs. Plan)

Plan

- Operating loss expected in Q1 due to weaker euro year-over-year & costs associated with increased IJP production

Business Environment

- Recovery in Europe and America weaker than expected, slowing growth in emerging markets became more apparent

Net Sales

- Sales of IJP, PRJ & POS-related products fell short of target
  → However, IJP hardware (+15% Y/Y) & PRJ (+20% Y/Y) posted steady growth despite tough market environment

Operating Income

- Early production of IJP hardware
- IJP consumables sales shortfall
- Failure to achieve cost reductions due to soaring cost of raw materials
- Switched suppliers due to flooding in Thailand

Quarterly Net Income

- Posted extraordinary loss due to settlement of lawsuits

IJP: Inkjet printer
POS: Point of sales
PRJ: Projector

■ Summary of the first quarter

Q2 Actions in Preparation for H2

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Review of Assumptions

- Downward revision of consolidated financial outlook after review of market assumptions, especially for businesses in information-related equipment
  → Make adjustments in light of market weakness
  → Recover within scope of operations

Countermeasures

- Lower sales volume targets in information-related equipment instead of following initial plan, adjust production & inventory plans, and control profit-and-loss accordingly
- Launch compelling new products in IJP, LFP & PRJ for H2
- Capture tenders for PRJ, SIDM & POS-related products
- Achieve cost reductions in line with plan
- Carefully analyze expenses to ensure maximum efficiency

IJP: Inkjet printer
LFP: Large format printer
SIDM: Serial impact dot matrix printer
POS: Point of sales
PRJ: Projector

- Actions from the second quarter onwards

FY2012 Financial Outlook

(Billions of yen)	FY2011 Actual	%	FY2012 4/27 Outlook	%	FY2012 Current Outlook	%	Change (amount, %) Y/Y	Change (amount, %) Vs. 4/27 Outlook
Net Sales	877.9	-	890.0	-	870.0	-	-7.9 -0.9%	-20.0 -2.2%
Operating Income	24.6	2.8%	35.0	3.9%	28.0	3.2%	+3.3 +13.7%	-7.0 -20.0%
Ordinary Income	27.0	3.1%	33.0	3.7%	28.0	3.2%	+0.9 +3.6%	-5.0 -15.2%
Net Income Before Income Taxes	15.6	1.8%	23.0	2.6%	13.0	1.5%	-2.6 -16.8%	-10.0 -43.5%
Net Income	5.0	0.6%	14.0	1.6%	5.0	0.6%	-0 -0.6%	-9.0 -64.3%
EPS	¥26.22		¥78.26		¥27.95			
Exchange Rate USD	¥79.08		¥75.00		¥76.00			
Exchange Rate EUR	¥108.98		¥100.00		¥101.00			

Exchange rate assumptions from Q2 onward
USD: ¥75.00
EUR: ¥100.00

■ Revised FY2012 outlook

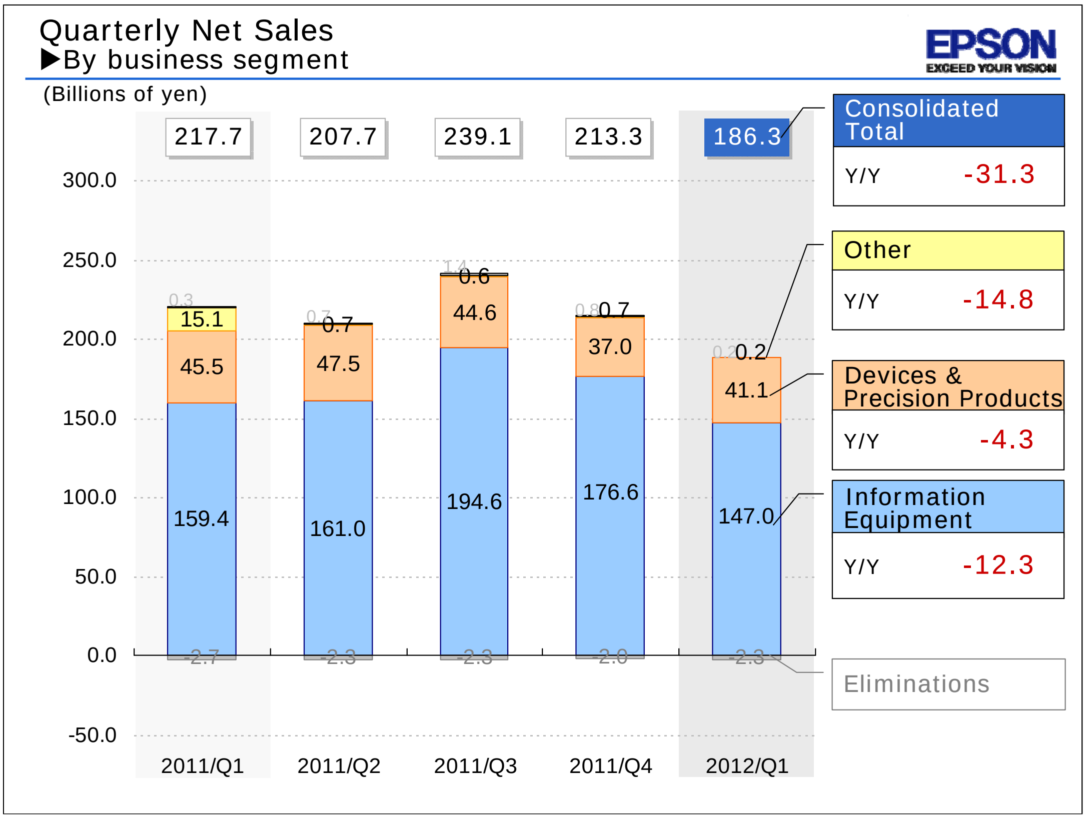
➢ We lowered our net sales outlook to ¥870 billion, down ¥20 billion from the previous outlook. Operating income is now seen in the range of ¥28 billion, ¥7 billion less than previously forecast. We revised our net income forecast to ¥5 billion, down ¥9 billion.

1. Overview

2. Details

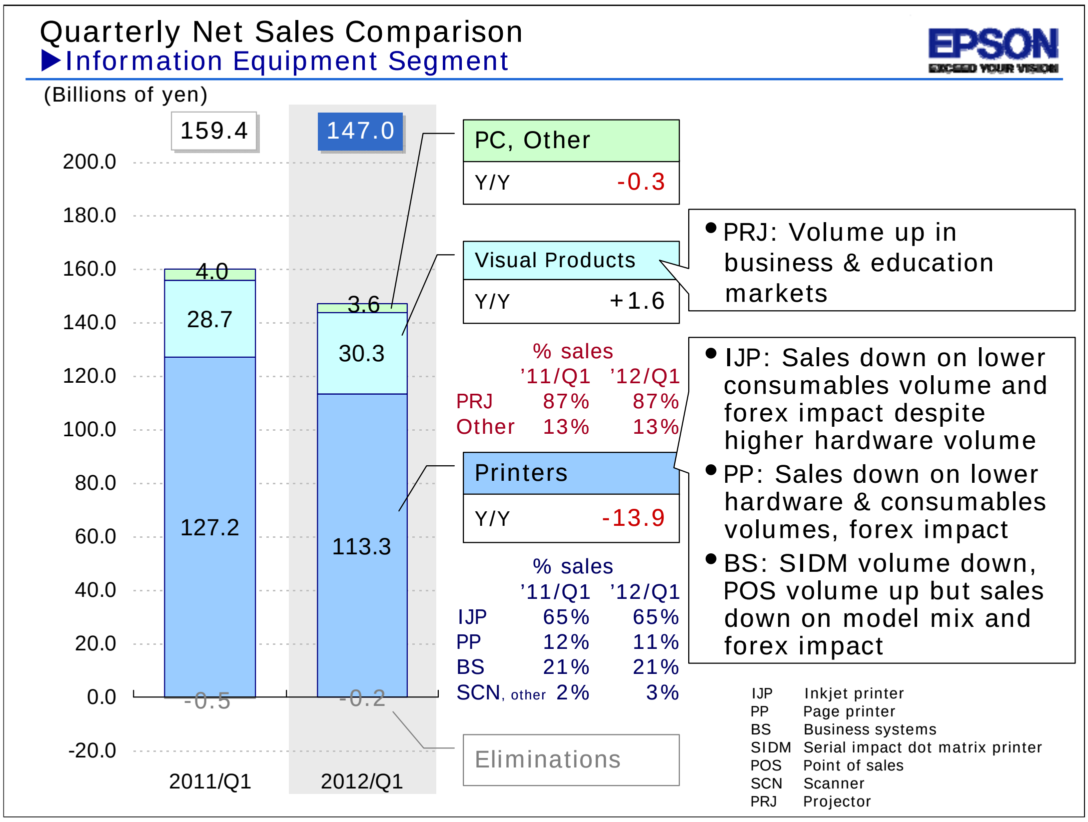
1) FY2012 Q1 Financial Results

2) FY2012 Financial Outlook



■ Net sales in each segment over the last five quarters.

- In the information-related equipment segment, net sales declined by ¥12.3 billion. Devices and precision products net sales declined by ¥4.3 billion.
- The drop in net sales in the Other segment is due to the termination of the small- and medium-sized displays business.
- Foreign exchange effects resulted in an approximately ¥7.2 billion decrease in net sales for the quarter, mostly in the information-related equipment segment.

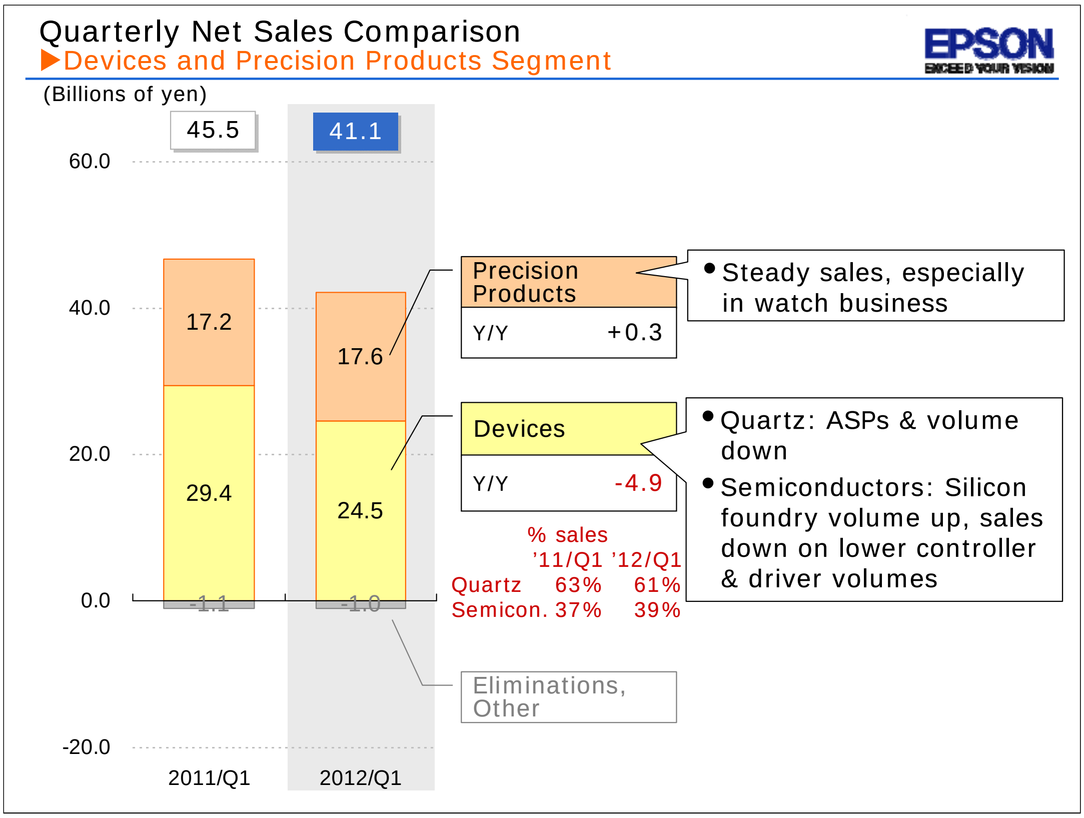


■ Quarterly net sales in the businesses that make up the information-related equipment segment compared with last year's results.

- The businesses in this segment were all hurt by the effects of yen appreciation.
- The printer business reported a ¥13.9 billion decrease in net sales.
- Inkjet printer net sales declined despite unit shipment growth. The decline in net sales is attributed primarily to the weak euro and to lower consumables shipments. Demand for consumables weakened in part because the printer install base has not fully recovered and in part in reaction to strong sales at the end of the last fiscal year.
  By region, Epson experienced inkjet unit shipment growth in the Americas, Europe, and Asia even as the European and U.S. printer markets shrank.
- Page printer net sales declined. This was in response to a decrease in unit shipments of both hardware and consumables due to delays and a reduction in large orders.
- Business systems net sales also decreased. In addition to foreign exchange effects, net sales decreased because demand for SIDM printers used in tax collection systems in China tapered following last year's peak and because POS-related product demand shifted toward popularly priced models, which offset growth in unit shipments to U.S. and Asian retailers.
- Visual products net sales increased by ¥1.6 billion compared to the same period last year owing to increased unit shipment of 3LCD business and education projectors in China, Asia, Europe, and other regions.

- Comparison with our internal business plan.

- Inkjet printer net sales were below expectations because we were not able to ship as many units as planned and because consumables net sales were affected by a recoil in demand after last year's year-end sales expansion and by the shortfall in sales of printers themselves.
- Business systems net sales were also below expectations. Although demand for SIDM printers used in Chinese tax collection systems was roughly as forecast, POS-related product net sales were less than forecast, mainly because of a slowdown in Europe and the U.S. and the effects of a delay in some orders.
- We missed our page printer forecast largely as a result of the economic slowdown and delays in orders from certain large clients. We ended short of our visual product forecast, as well, primarily because of the postponement of a large order for projectors in the Americas and the effects of an increase in channel inventory in China.

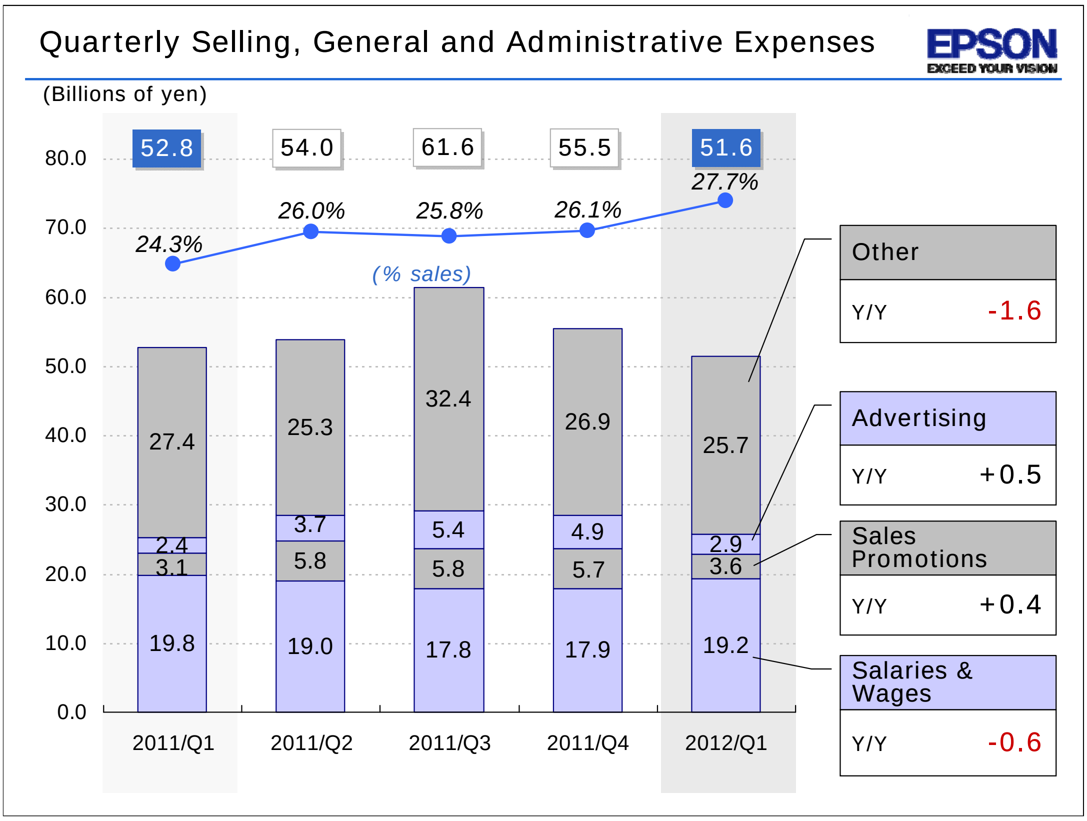


■ Net sales for the quarter in the Devices and Precision Products Segment shown against the results from the same period last year.

➢ Net sales in our devices businesses decreased. Quartz device net sales were dented by falling ASPs and slack demand due to the economic slowdown. Semiconductor net sales decreased despite an increase in silicon foundry volume because controller and driver unit shipments declined.

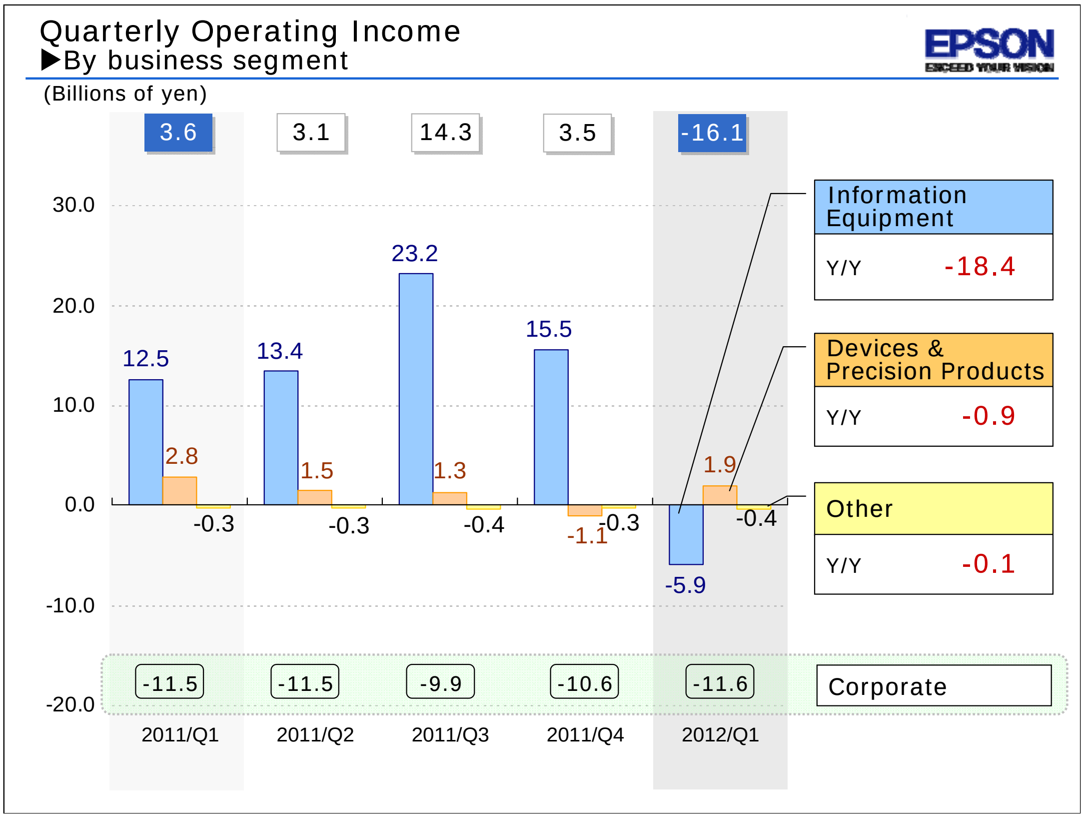
➢ Precision products net sales, underpinned by solid sales in the watch business, were slightly up from last year.

➢ Net sales in both devices and precision products were basically in line with the internal plan.



■ Quarterly selling, general and administrative expenses

➢ Sales promotion and advertising expenses increased slightly compared to the same period last year, when we kept expenditures in check due to the effect of the earthquake and tsunami in Japan. However, total SGA expenses were down from the year ago period because we looked to improve spending efficiency.



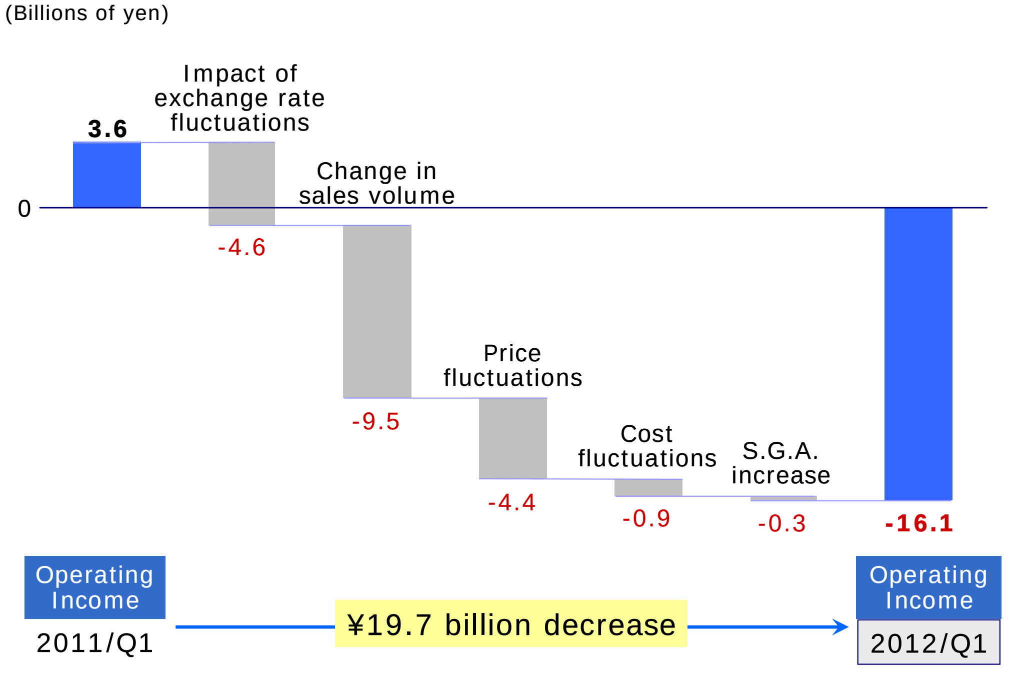
■ Breakdown of quarterly operating income by segment.

- For the company as a whole, foreign exchange effects had an approximately ¥4.6 billion negative impact on operating income.
- Information-related equipment operating income was negative ¥5.9 billion, a year over year decrease of ¥18.4 billion.
- Inkjet printer operating income decreased because, in addition to lower revenue from consumables, our expenses shot up in connection with a steep increase in printer production volume compared to last year, when production suffered disruptions from the earthquake and tsunami.
- Business systems and page printer operating income shrank as net sales dwindled.
- Visual products operating income decreased despite higher net sales. In addition to erosion of average selling prices due to increased sales of entry-level projectors in emerging markets, operating income was hurt by an increase in expenses along with an expansion of sales and an increase in depreciation and fixed costs due to a build-up in production capacity.
- Devices and precision products operating income was ¥1.9 billion, down ¥900 million compared to the same period last year. Although precision products revenue was about the same as last year, revenue from quartz devices and semiconductors declined.

■ Operating income in each segment stacked up against the internal plan.

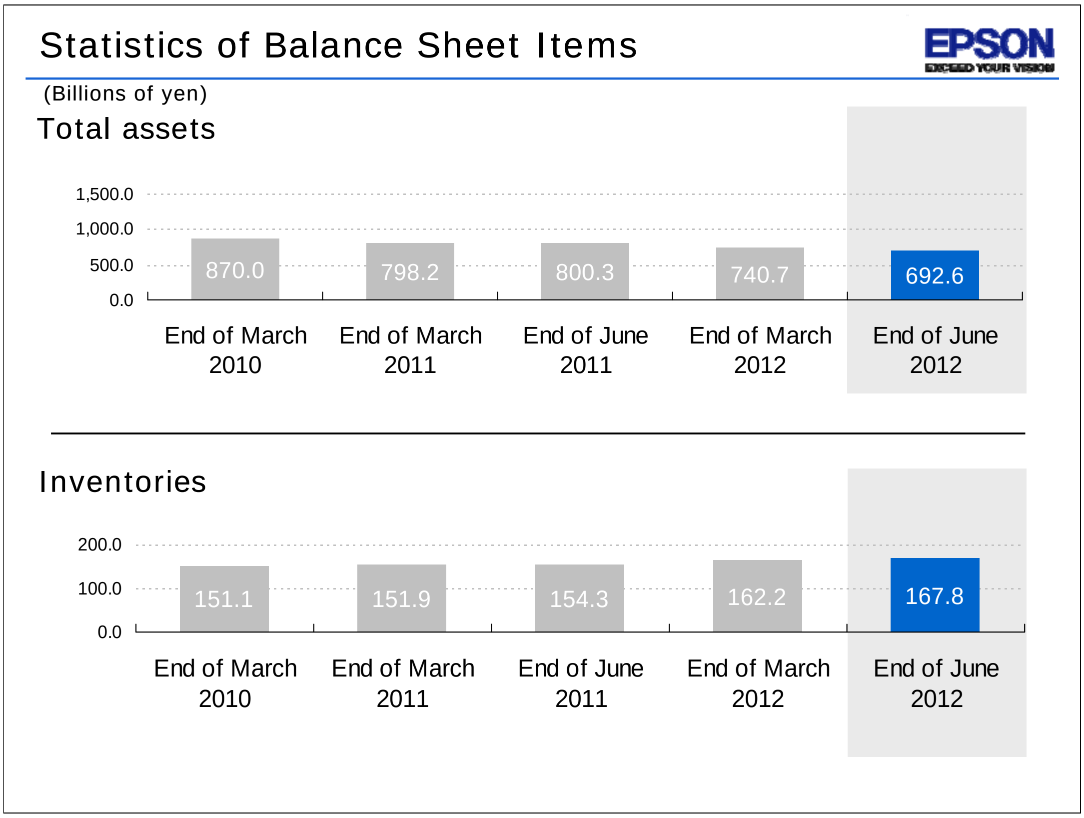
- Information-related equipment came in below the plan.
- Inkjet printer operating income was lower than planned. In addition to a shortfall in consumables net sales, operating income was squeezed when we increased production volumes by moving up the production schedule for current products to help ensure that production of new products is launched smoothly from the second quarter. Operating income was also hurt by soaring raw material prices and the use of alternative suppliers during the flooding in Thailand, which prevented us from reducing costs to the planned level.
- Business systems operating income ended below expectations because of a shortfall in sales revenue from POS-related products.
- Page printer operating income was lower than planned because we missed our net sales target. Visual products was lower because we missed our projector sales target.
- In devices and precision products, we posted devices operating income that was closely in line with our expectations, while precision products operating income exceeded the plan, in part owing to the effects of fixed cost analysis and control.

Operating Income Fluctuation Cause Analysis



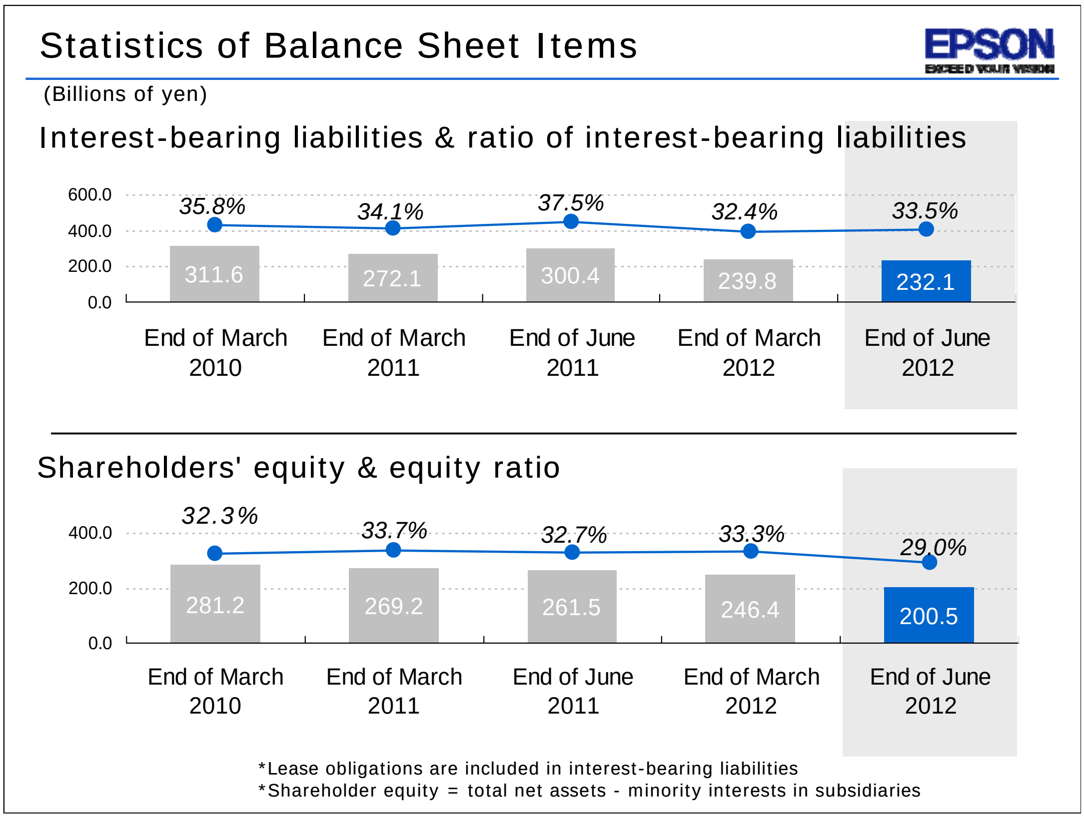
■ Cause analysis of the ¥19.7 billion decrease in operating income compared to the same period last year.

➢ In contrast to the first quarter of fiscal 2011, when we reported ¥3.6 billion in operating income, in the first quarter of this year we recorded a ¥16.1 billion operating loss caused by unit volume fluctuations, foreign exchange effects, and price fluctuations.



■ Major items on the balance sheet.

➢ Total assets decreased by ¥48.1 billion compared to the end of March 2012. Although inventory increased as a result of lower than expected net sales, total assets decreased due to declines in items such as cash reserves and notes and accounts receivable.



■ Statistics of balance sheet items

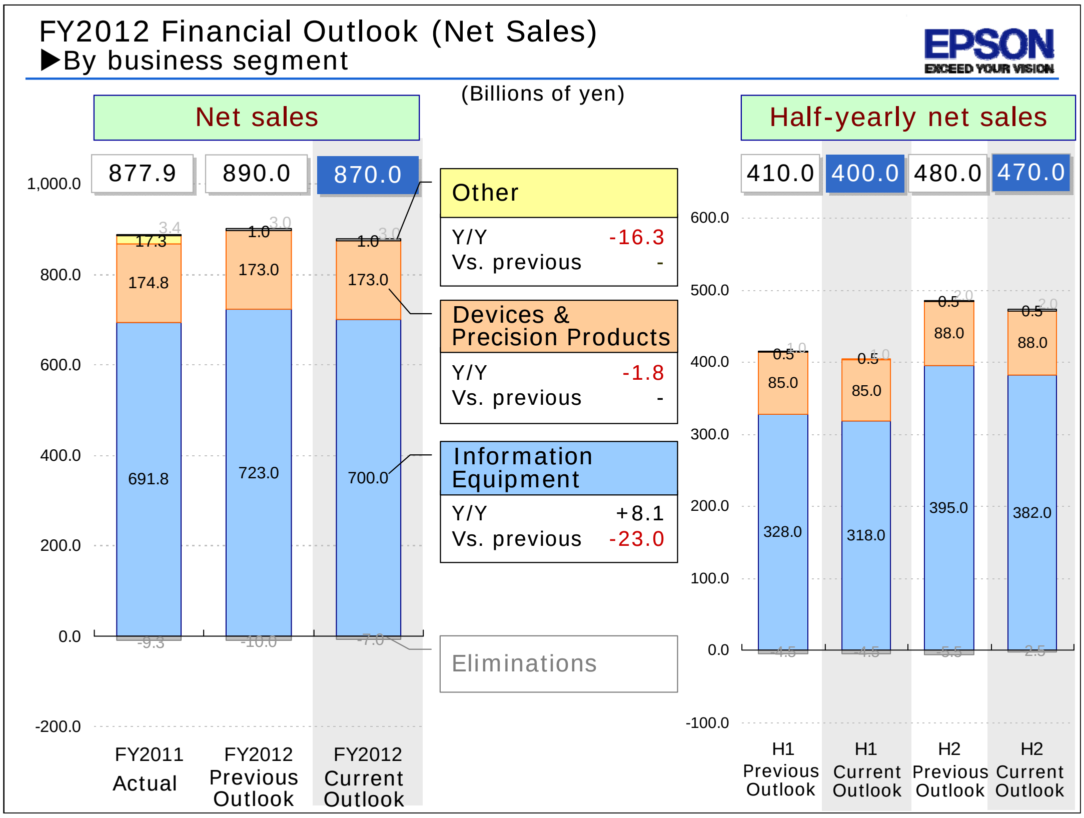
➢ Interest-bearing liabilities decreased by ¥7.6 billion from the end of the previous fiscal year due to the repayment of loans. The ratio of interest-bearing liabilities to total assets was 33.5%.
Net interest-bearing liabilities were ¥117.7 billion.

➢ Factors including the first-quarter financial results and foreign exchange effects caused shareholders' equity to decrease by ¥45.8 billion compared to the end of the previous period, resulting in an equity ratio of 29.0%.

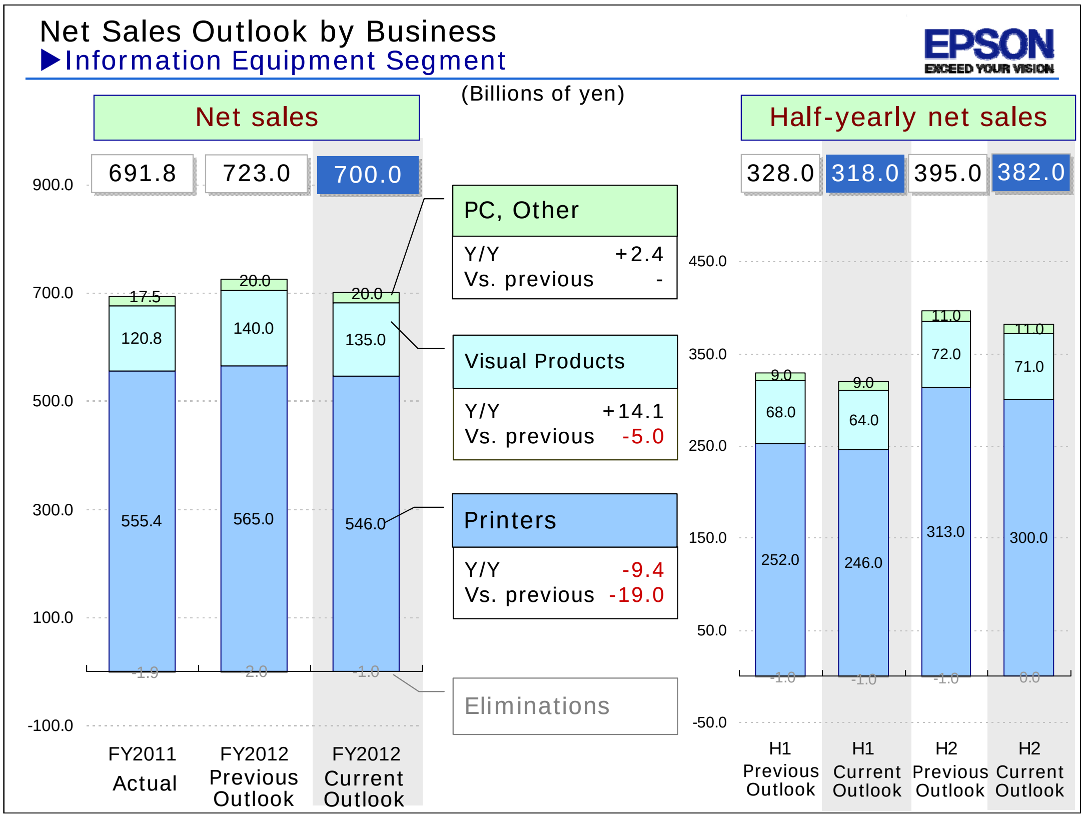
1) FY2012 Q1 Financial Results

2) FY2012 Financial Outlook

■ Fiscal 2012 business outlook.

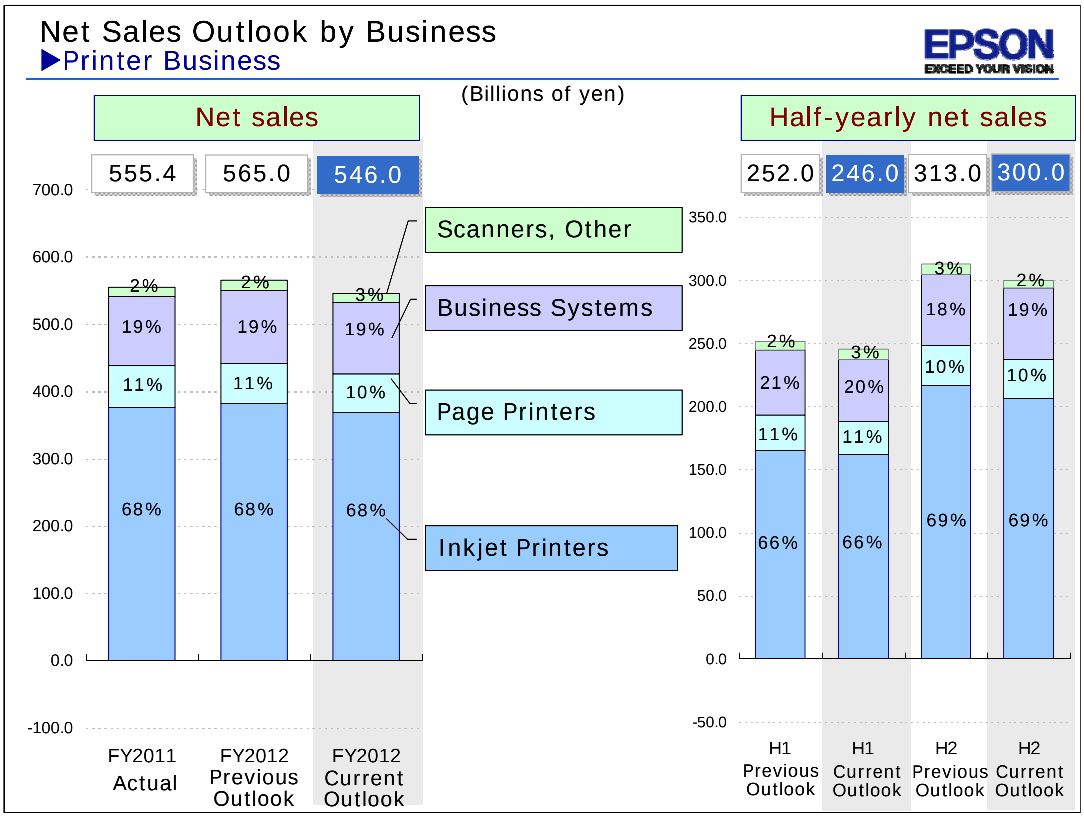


- ■ Net sales outlook for fiscal 2012 broken down by segment and by first half and second half.
- ➢ We have revised the first- and second-half outlooks for information-related equipment.



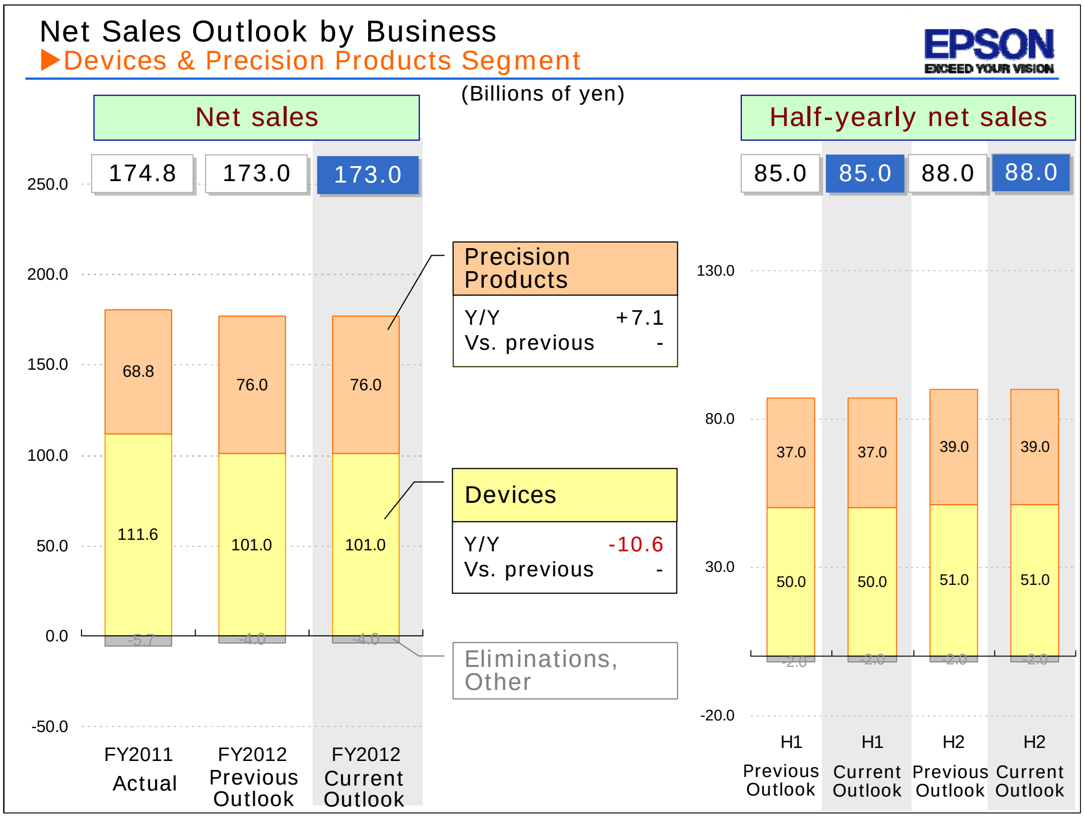
- ■ Breakdown of estimated net sales by business in the information-related equipment segment.

- ➢ The visual products business lowered its outlook, but we are still aiming to grow unit volume by 20% or more, which is faster than the market growth rate. To accomplish this, we are moving to reel in orders from major clients and are promoting sales of our highly competitive strategic products, such as short-throw lens projectors.



■ Net sales outlook by product group in the printer business

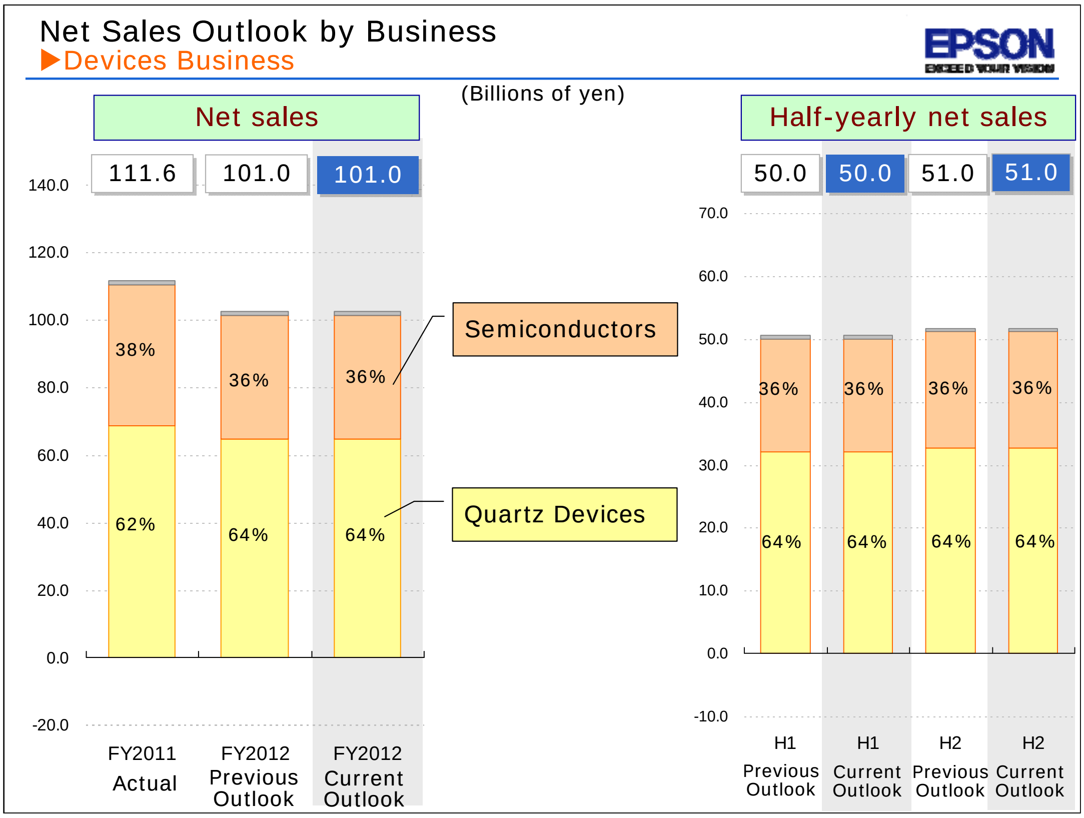
- In the printer business, we are forecasting full-year net sales of ¥546 billion, or ¥19 billion less than the previous outlook.
- We reduced our unit shipment outlook for inkjet printers because signs point to a delayed recovery in Europe and America. We now see unit shipments increasing about 5% compared to the 14.6 million inkjet printers we sold in fiscal 2011. We have not changed our basic strategy, however.
- We are looking to reduce our costs while we increase our printer unit shipments so as to expand sales of consumables. To this end, we are revamping our home and office printer lineups by building them around the standard platform we used for last year's compact models. We are also increasing the competitiveness of our printers across the board by introducing an all-new compact platform this fiscal year.
- In addition, this year's new large-format printers for signage and CAD markets are built around a new standard platform. The use of this platform significantly boosts the cost competitiveness of our products. This, along with consumables sales growth, should contribute to profitability from the second half.
- We will also launch competitive new page printers.
- We lowered the outlook for business systems. We will be moving to capture orders for POS-related products in the Americas and to build out our network of SIDM printer dealers by expanding the number of certified shops in 4th to 6th tier Chinese cities, but belt-tightening in Europe precludes excessive optimism.



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

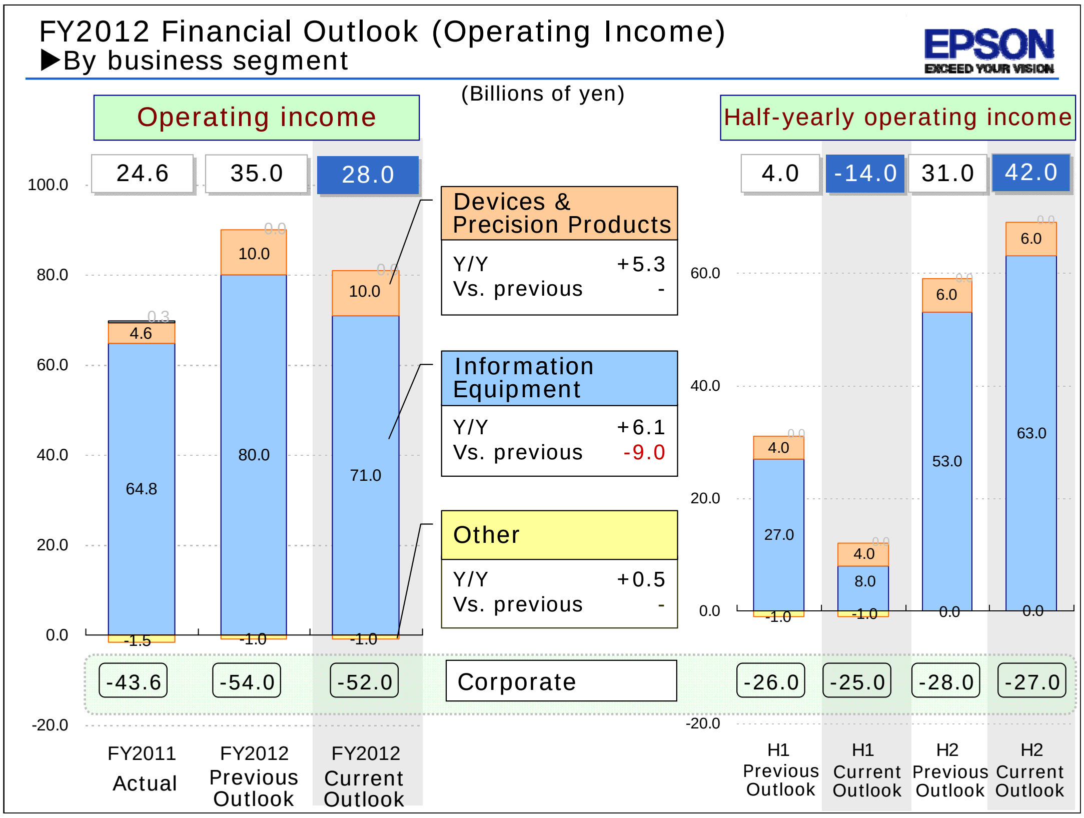
➢ We have not changed the outlook for the devices and precision products businesses.

➢ The precision products business is standing by its previous outlook because although there are some signs of a slowdown in the watch movements business, sales of solar radio-controlled watches and other watch products remain solid.



■ Breakdown of net sales outlook in the devices business.

➢ The outlook for quartz devices and semiconductors has not changed. While there is economic uncertainty especially in Europe and the U.S., we expect to be able to capture demand that is out there.



■ Fiscal 2012 full-year operating income outlook, with figures broken down by segment and by half.

➢ We downwardly revised our income forecast for the first half in information-related equipment, largely because of ground lost in the first quarter. However, we upwardly revised our operating income estimate for the second half.

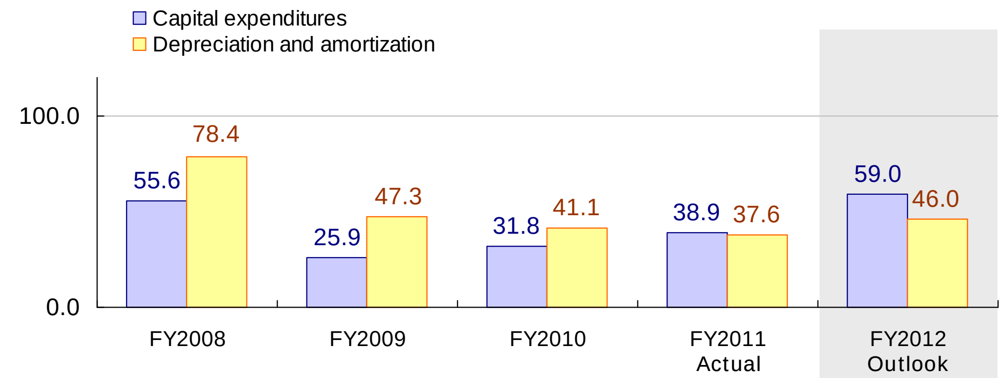
➢ We will closely control profitability heading into the second half by revising production and inventory plans in conjunction with a revised inkjet printer unit sales plan. We are also looking to maintain printer prices and benefit from an improved model mix after launching new products.

➢ In business systems and visual products, we expect net sales to decline, but we factored the impact of model mix improvements and fixed cost reductions into the operating income forecast.

➢ We did not change our outlook for devices and precision products. This is because we are starting to see benefits from actions we have taken, such as fixed cost reductions and variable cost improvements, in the microdevices business, which includes quartz products and semiconductors.

Outlook for Capital Expenditure and Depreciation & Amortization Expenses

(Billions of yen)

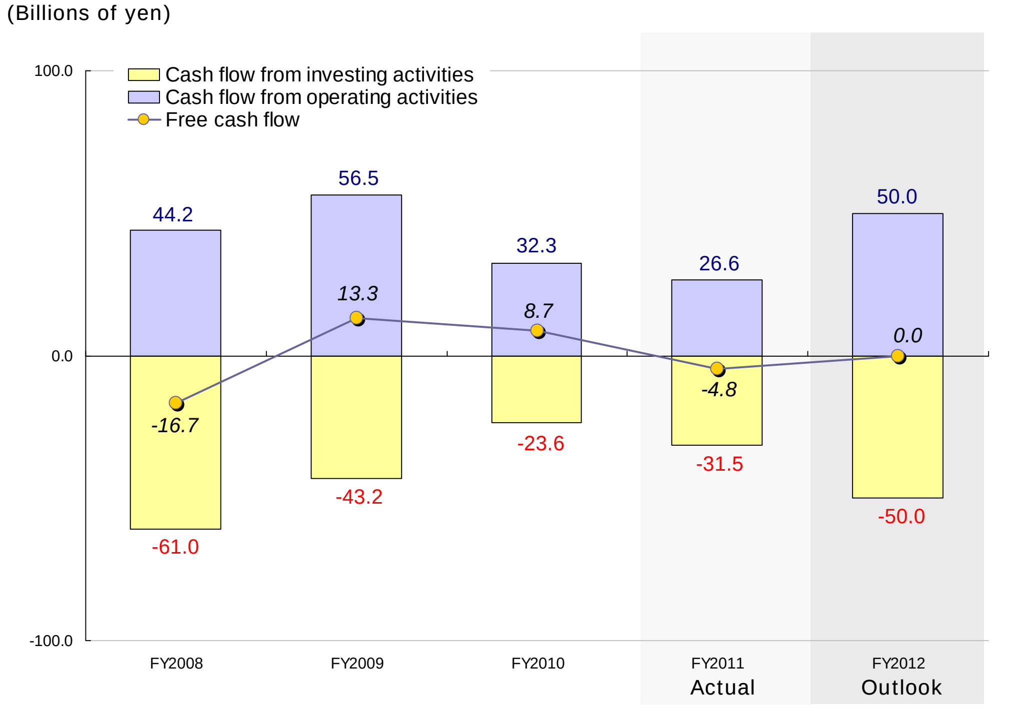


Breakdown by segment	FY2011 Actual		FY2012 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	29.5	22.7	43.0	31.0
Devices & Precision Products	6.8	10.1	12.0	10.0
Other/Adjustments	2.5	4.6	4.0	5.0

- Outlook for capital investment and depreciation expenses.

➢ The capital expenditures outlook remains as before at ¥59 billion. Depreciation and amortization were revised from ¥45 billion to ¥46 billion.

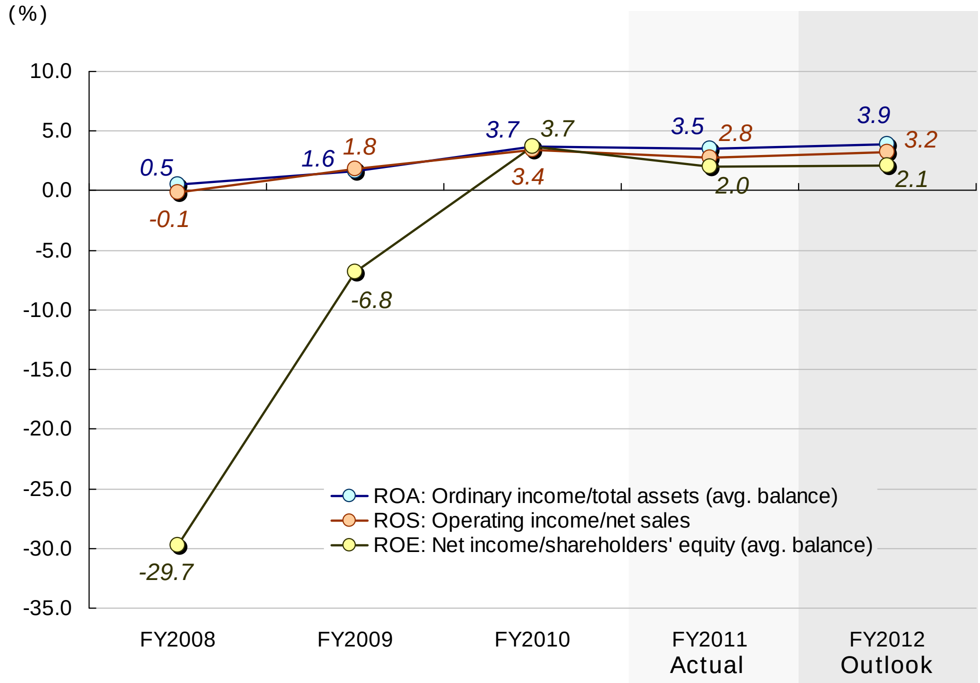
Free Cash Flow Outlook



■ Actual and estimated cash flows.

➢ In line with the revised financial outlook we revised the free cash flow outlook from ¥10 billion down to zero.

Main Management Indicators



■ Major management performance indicators

➢ ROS of 3.2 %, ROA of 3.9 %, and ROE of 2.1 %.

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