

SEIKO EPSON CORPORATION



3-5 Owa 3-chome Suwa, Nagano
392-8502, Japan
Tel: +81-266-52-3131
<http://global.epson.com/>

October 31, 2013

CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2013

Consolidated Financial Highlights

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

	Six months ended September 30		Change	Six months ended September 30, 2013
	2012	2013		
Statements of Operations Data:				
Net sales	¥388,273	¥468,630	20.7%	\$4,794,168
Operating income (loss)	(14,142)	34,037	- %	348,204
Ordinary income (loss)	(14,193)	30,643	- %	313,483
Net income (loss)	(35,447)	18,441	- %	188,654
Comprehensive income	(46,579)	30,103	- %	307,959
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	(32,410)	36,527	- %	373,677
Net cash provided by (used in) investing activities	(28,048)	(20,384)	- %	(208,531)
Net cash provided by (used in) financing activities	38,834	(11,015)	- %	(112,685)
Cash and cash equivalents at end of period	123,626	195,055	57.8%	1,995,447
Per Share Data:				
Net loss per share -Basic	(¥198.15)	¥103.09	- %	\$1.05
-Diluted	¥-	¥-	- %	\$-

Balance sheets data

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

	September 30, 2013	March 31, 2013	September 30, 2013
Total assets	¥812,849	¥778,547	\$8,315,590
Net assets	287,547	258,806	2,941,657
Shareholders' equity	285,446	256,745	2,920,163
Shareholders' equity ratio (%)	35.1%	33.0%	35.1%
Shareholders' equity per share	¥1,595.64	¥1,435.20	\$16.32

Cash dividends per share data

(Yen, U.S. dollars)

Cash dividends per share	September 30		
	2012	2013	2013
Interim	¥13.00	¥13.00	\$0.13

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 ¥97.75 = U.S.\$1 as of September 30, 2013, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2013 First Half Overview

The global economy as a whole in the second quarter of the year under review continued its weak recovery, although there were also pockets of underlying economic strength. Regionally, the U.S. economy recovered at a gradual pace, getting a boost from improved unemployment figures and a rise in consumer spending, among other factors. In Europe the unemployment rate leveled off, while continued steady activity in manufacturing signaled a bottoming out of the economy. In Asia, the tempo of Chinese economic expansion maintained a weak beat, while the Indian economy continued to gradually decelerate. Elsewhere in Asia, the economies of the ASEAN region continued to show signs of picking up, while South Korea and Taiwan also showed signs of gathering momentum. The Japanese economy, meanwhile, steadily rallied, in part due to the effects of an improved export environment owing to the weakening of the yen and in part due to economic measures.

The situation in the main markets of the Epson Group ("Epson") was as follows.

Inkjet printer demand contracted in Europe and Japan but was on the rebound in the Americas. In large-format inkjet printers sales of low-price models were solid, but demand for high-end models was sluggish in the face of constrained corporate spending. The markets for serial-impact dot-matrix (SIDM) printers shrank in the U.S., Europe, and Japan but grew in China due to infrastructure investment. POS system product shipments to small- and medium-sized retailers in the Americas remained strong. In Europe, however, continued reluctance to invest moderated sales. Demand for 3LCD projectors was steady in Japan. In the Americas and China, however, demand was flat, while demand in Europe was slack due to ongoing cutbacks in investment budgets.

The main applications for electronic devices were a mixed bag, with some product categories enjoying strength while others experienced weakness. Smartphone demand continued to expand, while conventional mobile phone demand continued to decline. In the PC market, sales of tablets were favorable, but demand for notebook and desktop models contracted. In the digital camera market, compact camera sales remained sluggish. Demand for SLR (single-lens reflex) and MILC (mirrorless interchangeable-lens camera) models also lacked vigor.

The precision products market expanded, mainly owing to an increase in demand for premium watches in Japan. Robot demand increased particularly in China and Taiwan, but IC handler demand failed to rebound despite a resumption of investment in the semiconductor market.

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

Given this situation, Epson re-examined and adjusted the strategies and financial targets set forth in the SE15 Second-Half Mid-Range Business Plan and, in March 2013, established a new three-year plan, the Updated SE15 Second-Half Mid-Range Business Plan (FY2013-15). 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 during the second quarter of the year under review were ¥98.85 and ¥130.00, 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.

Consolidated second-quarter net sales were ¥468,630 million (\$4,794,168 thousand), up 20.7% year over year. Operating income was ¥34,037 million (\$348,204 thousand), compared to a ¥14,142 million operating loss recorded in the same period last year. Ordinary income was ¥30,643 million (\$313,483 thousand), compared to a ¥14,193 million ordinary loss recorded in the same period last year. Net income was ¥18,441 million (\$188,654 thousand), compared to a net loss of ¥35,447 million in the same period 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 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. SIDM printer shipments declined, but net sales increased as a result of foreign exchange effects and higher average selling prices. POS system printer net sales increased due to foreign exchange effects and an increase in unit shipments in the Americas.

Net sales in the visual communications business increased.

3LCD business projector unit shipment growth was driven by sales in the Americas and China. On the other hand, net sales from 3LCD projectors for home theater decreased due to intensified competition in Europe and other factors. The visual communications business as a whole saw sales increase primarily due to the growth in 3LCD business projector unit shipments and 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 ¥380,826 million (\$3,895,929 thousand), up 24.5% year over year, while segment income was ¥45,603 million (\$466,527 thousand), up from the ¥3,131 million recorded in the same period last year.

Devices & Precision Products segment

Net sales in the microdevices business declined.

Although revenue was boosted by foreign exchange effects, crystal device net sales declined. This decline was brought about by tuning-fork crystal unit price erosion, coupled with a decline in unit shipments as demand from mobile phone manufacturers decreased. Also contributing to the decline in net sales was a plummeting of prices of AT-cut crystals. Though aided by foreign exchange effects, semiconductor net sales decreased due to a plunge in microcontroller units (MPUs) prices and other factors.

Net sales in the precision products business increased owing to factors such as increased 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 ¥76,775 million (\$785,421 thousand), up 2.7% year over year, while segment income was ¥7,765 million (\$79,437 thousand), up 36.9% 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 ¥7,017 million (\$71,785 thousand), up 16.3% year over year, while segment loss was ¥4,879 million (\$49,913 thousand), compared to a loss of ¥4,705 million in the same period last year.

Other

Second-quarter net sales in the Other segment were ¥554 million (\$5,678 thousand), up 4.1% year over year, while segment loss was ¥149 million (\$1,535 thousand), compared to a ¥128 million segment loss in the same period last year.

Adjustments

Adjustments to total income of reporting segments amounted to -¥14,301 million (-\$146,308 million), compared to -¥18,114 million in adjustments in the same period last year. The loss mainly comprises 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 second quarter were ¥812,849 million (\$8,315,590 thousand), an increase of ¥34,302 million from the previous fiscal year end. The primary reasons for the increase were a ¥12,839 million total increase in cash and deposits and short-term investment securities, and an ¥18,454 million increase in inventories.

Total liabilities were ¥525,302 million (\$5,373,933 thousand), a ¥5,561 million increase compared to the last fiscal year end. Although other current liabilities associated with declines in other payables and so forth decreased by ¥13,260 million and short-term loans payable, long-term loans payable, and bonds payable had a total net decrease of ¥6,089 million, total liabilities increased primarily because of a ¥15,411 million increase in notes and trade accounts payable, a ¥4,303 million increase in income taxes payable, and a ¥3,614 million increase in the provision for bonuses.

Total net assets were ¥287,547 million (\$2,941,657 thousand), a ¥28,740 million increase compared to the previous fiscal year end. This was primarily due to a ¥17,188 million increase in retained earnings and a ¥8,583 million change in the foreign currency 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.

The figures in the outlook are based on assumed exchange rates of 95 yen to the U.S. dollar and 125 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2013 fiscal year (ending March 31, 2014) are as follows. Epson plans to decide the year-end dividend after taking a number of factors into account, including but not limited to the latest revised financial outlook, our third-quarter results, and the financial outlook for the next fiscal year.

Consolidated Full-Year Results Outlook

	FY2013 Full-Year	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Net sales	¥851.2 billion	¥930.0 billion	¥960.0 billion	+¥30.0 billion	(+3.2%)
Operating income	¥21.2 billion	¥37.0 billion	¥58.0 billion	+¥21.0 billion	(+56.8%)
Ordinary income	¥17.6 billion	¥33.0 billion	¥55.0 billion	+¥22.0 billion	(+66.7%)
Net income	(¥10.0 billion)	¥15.0 billion	¥34.0 billion	+¥19.0 billion	(+126.7%)
Foreign exchange rate	\$1USD = ¥83	\$1USD = ¥92	\$1USD = ¥97		
	1 euro = ¥107	1 euro = ¥122	1 euro = ¥127		

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	September 30, 2013	September 30, 2013
<u>Assets</u>			
Current assets			
Cash and deposits	¥106,678	¥122,516	\$1,253,360
Notes and accounts receivable-trade	132,289	137,633	1,408,010
Short-term investment securities	70,012	67,013	685,554
Merchandise and finished goods	95,853	110,890	1,134,424
Work in process	45,677	46,216	472,797
Raw materials and supplies	21,998	24,877	254,496
Other	48,347	45,960	470,212
Allowance for doubtful accounts	(1,399)	(1,545)	(15,805)
Total current assets	519,457	553,562	5,663,048
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	395,133	396,743	4,058,751
Machinery, equipment and vehicles	420,835	420,592	4,302,731
Tools, furniture and fixtures	162,368	165,748	1,695,631
Other	56,450	58,275	596,197
Accumulated depreciation	(817,398)	(827,493)	(8,465,401)
Total property, plant and equipment	217,388	213,867	2,187,909
Intangible assets	13,368	13,209	135,130
Investments and other assets			
Investments and other assets, gross	28,380	32,256	329,973
Allowance for doubtful accounts	(47)	(46)	(470)
Total investments and other assets	28,332	32,209	329,503
Total noncurrent assets	259,089	259,286	2,652,542
Total assets	¥778,547	¥812,849	\$8,315,590

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	September 30, 2013	September 30, 2013
<u>Liabilities</u>			
Current liabilities			
Notes and accounts payable-trade	¥57,249	¥72,661	\$743,335
Short-term loans payable	53,626	32,537	332,859
Current portion of bonds	—	20,000	204,603
Current portion of long-term loans payable	75,000	70,000	716,112
Income taxes payable	7,338	11,641	119,089
Provision for bonuses	13,035	16,650	170,332
Provision for product warranties	7,624	8,297	84,879
Other	112,813	99,553	1,018,479
Total current liabilities	326,688	331,341	3,389,688
Noncurrent liabilities			
Bonds payable	90,000	90,000	920,716
Long-term loans payable	52,500	52,500	537,084
Provision for retirement benefits	29,304	30,882	315,928
Provision for loss on litigation	2,159	2,358	24,122
Provision for product warranties	652	705	7,212
Provision for recycling costs	577	607	6,209
Other	17,858	16,906	172,974
Total noncurrent liabilities	193,052	193,960	1,984,245
Total liabilities	519,740	525,302	5,373,933
<u>Net assets</u>			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares			
	53,204	53,204	544,286
Capital surplus	84,321	84,321	862,618
Retained earnings	179,305	196,494	2,010,168
Treasury stock			
September 30, 2013 - 20,925,688 shares			
March 31, 2013 - 20,925,261 shares			
	(20,453)	(20,454)	(209,257)
Total shareholders' equity	296,376	313,564	3,207,815
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,621	4,120	42,148
Deferred gains or losses on hedges	(1,911)	(480)	(4,910)
Foreign currency translation adjustment	(40,342)	(31,758)	(324,890)
Total accumulated other comprehensive income	(39,631)	(28,118)	(287,652)
Minority interests	2,061	2,100	21,494
Total net assets	258,806	287,547	2,941,657
Total liabilities and net assets	¥778,547	¥812,849	\$8,315,590

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

SEIKO EPSON CORPORATION

Consolidated Statements of Operations

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2012	2013	2013
Net sales	¥388,273	¥468,630	\$4,794,168
Cost of sales	300,902	325,152	3,326,373
Gross profit	87,370	143,477	1,467,795
Selling, general and administrative expenses	101,513	109,439	1,119,591
Operating income (loss)	(14,142)	34,037	348,204
Non-operating income:			
Interest income	407	998	10,209
Foreign exchange gains	438	—	
Other	1,532	2,848	29,146
Total non-operating income	2,378	3,847	39,355
Non-operating expenses:			
Interest expenses	1,510	1,348	13,790
Foreign exchange losses	—	5,338	54,608
Other	918	554	5,678
Total non-operating expenses	2,429	7,241	74,076
Ordinary income (loss)	(14,193)	30,643	313,483
Extraordinary income:			
Compensation income	—	741	7,580
Other	1,728	173	1,770
Total extraordinary income	1,728	914	9,350
Extraordinary loss:			
Impairment loss	52	725	7,416
Loss on litigation	13,910	1,807	18,485
Other	3,233	489	5,014
Total extraordinary losses	17,196	3,022	30,915
Income (loss) before income taxes and minority interests	(29,661)	28,535	291,918
Income taxes	5,708	10,047	102,793
Income (loss) before minority interests	(35,369)	18,487	189,125
Minority interests in income	77	46	471
Net income (loss)	(¥35,447)	¥18,441	\$188,654

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

SEIKO EPSON CORPORATION

Consolidated Statements of Comprehensive Income

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2012	2013	2013
Income (loss) before minority interests	(¥35,369)	¥18,487	\$189,125
Other comprehensive income			
Valuation difference on available-for-sale securities	(232)	1,468	15,017
Deferred gains or losses on hedges	854	1,431	14,639
Foreign currency translation adjustment	(11,800)	8,655	88,565
Share of other comprehensive income of associates accounted for using equity method	(32)	60	613
Total other comprehensive income	(11,210)	11,615	118,834
Comprehensive income	(¥46,579)	¥30,103	\$307,959
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥46,561)	¥29,954	\$306,435
Comprehensive income attributable to minority interests	(¥18)	¥149	\$1,524

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

SEIKO EPSON CORPORATION

Consolidated Statements of Operations

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2012	2013	2013
Net sales	¥201,912	¥248,442	\$2,541,606
Cost of sales	150,051	166,572	1,704,072
Gross profit	51,861	81,869	837,534
Selling, general and administrative expenses	49,886	55,842	571,274
Operating income	1,975	26,027	266,260
Non-operating income:			
Interest income	180	648	6,629
Foreign exchange gains	1,071	—	—
Settlement received	0	482	4,930
Other	696	1,256	12,860
Total non-operating income	1,948	2,387	24,419
Non-operating expenses:			
Interest expenses	768	683	6,987
Foreign exchange losses	—	1,624	16,613
Other	865	309	3,172
Total non-operating expenses	1,633	2,616	26,772
Ordinary income	2,289	25,797	263,907
Extraordinary income:			
Gain on sales of noncurrent assets	8	43	439
Gain on liquidation of subsidiaries	—	71	737
Other	1,714	0	0
Total extraordinary income	1,722	115	1,176
Extraordinary loss:			
Impairment loss	30	489	5,002
Loss on valuation of investment securities	915	—	—
Other	785	123	1,278
Total extraordinary losses	1,731	613	6,280
Income before income taxes and minority interests	2,280	25,298	258,803
Income taxes	3,211	6,906	70,650
Income (loss) before minority interests	(931)	18,392	188,153
Minority interests in income	48	76	788
Net income (loss)	(¥979)	¥18,315	\$187,365

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

SEIKO EPSON CORPORATION

Consolidated Statements of Comprehensive Income

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2012	2013	2013
Income (loss) before minority interests	(¥931)	¥18,392	\$188,153
Other comprehensive income			
Valuation difference on available-for-sale securities	839	852	8,716
Deferred gains or losses on hedges	(1,342)	498	5,094
Foreign currency translation adjustment	(1,526)	(821)	(8,388)
Share of other comprehensive income of associates accounted for using equity method	(11)	24	245
Total other comprehensive income	(2,041)	554	5,667
Comprehensive income	(¥2,972)	¥18,946	\$193,820
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥2,991)	¥18,882	\$193,166
Comprehensive income attributable to minority interests	¥18	¥64	\$654

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

SEIKO EPSON CORPORATION

Consolidated Statements of Cash Flows

Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2012	2013	2013
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥29,661)	¥28,535	\$291,918
Depreciation and amortization	18,632	19,425	198,721
Equity in (earnings) losses of affiliates	(27)	(27)	(276)
Amortization of goodwill	436	404	4,132
Increase (decrease) in allowance for doubtful accounts	(206)	65	664
Increase (decrease) in provision for bonuses	2,555	3,487	35,672
Increase (decrease) in provision for product warranties	655	430	4,398
Increase (decrease) in provision for retirement benefits	2,726	1,184	12,112
Interest and dividends income	(523)	(1,125)	(11,508)
Interest expenses	1,510	1,348	13,790
Foreign exchange losses (gains)	(1,051)	(1,711)	(17,503)
Loss (gain) on sales of noncurrent assets	(27)	(155)	(1,585)
Loss on retirement of noncurrent assets	346	152	1,554
Loss (gain) on sales of investment securities	(5)	—	—
Loss on litigation	13,910	1,807	18,485
Decrease (increase) in notes and accounts receivable-trade	12,810	(6,253)	(63,969)
Decrease (increase) in inventories	(26,644)	(12,067)	(123,447)
Increase (decrease) in accrued consumption taxes	(1,337)	745	7,621
Increase (decrease) in notes and accounts payable-trade	299	16,716	171,007
Other, net	(7,904)	(7,530)	(77,019)
Subtotal	(13,505)	45,431	464,767
Interest and dividends income received	1,348	1,515	15,498
Interest expenses paid	(1,547)	(1,379)	(14,107)
Payments for loss on litigation	(13,202)	(3,822)	(39,099)
Income taxes paid	(5,503)	(5,217)	(53,382)
Net cash provided by (used in) operating activities	(32,410)	36,527	373,677
Net cash provided by (used in) investing activities			
Purchase of investment securities	(0)	(0)	(0)
Proceeds from sales of investment securities	6	—	—
Purchase of property, plant and equipment	(26,297)	(18,174)	(185,923)
Proceeds from sales of property, plant and equipment	123	313	3,202
Purchase of intangible assets	(2,037)	(2,509)	(25,667)
Other, net	157	(12)	(143)
Net cash provided by (used in) investing activities	(28,048)	(20,384)	(208,531)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	38,969	(24,459)	(250,241)
Repayment of long-term loans payable	(7,500)	(5,000)	(51,150)
Proceeds from issuance of bonds	30,000	20,000	204,603
Redemption of bonds	(20,000)	—	—
Repayments of lease obligations	(214)	(192)	(1,964)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(2,325)	(1,252)	(12,808)
Cash dividends paid to minority shareholders	(94)	(110)	(1,125)
Net cash provided by (used in) financing activities	38,834	(11,015)	(112,685)
Effect of exchange rate change on cash and cash equivalents	(4,778)	5,290	54,096
Net increase (decrease) in cash and cash equivalents	(26,403)	10,417	106,557
Cash and cash equivalents at beginning of period	150,029	184,639	1,888,890
Cash and cash equivalents at end of period	¥123,626	¥195,055	\$1,995,447

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 six months ended September 30, 2012 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2012	2013	2013
Net income (loss) attributable to common shares	(¥35,447)	¥18,441	\$188,654
	Thousands of shares		
Weighted-average number of common shares outstanding	178,892	178,892	
	Yen		U.S. dollars
Net income (loss) per share	(¥198.15)	¥103.09	\$1.05

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 six months ended September 30, 2012. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the six months ended September 30, 2013.

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

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2012	2013	2013
Net income (loss) attributable to common shares	(¥979)	¥18,315	\$187,365
	Thousands of shares		
Weighted-average number of common shares outstanding	178,892	178,892	
	Yen		U.S. dollars
Net income (loss) per share	(¥5.48)	¥102.38	\$1.04

Diluted net income per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the three months ended September 30, 2012. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the three months ended September 30, 2013.

4. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2012	2013	2013
Salaries and wages	¥35,120	¥41,484	\$424,388
Research and development costs	9,700	8,763	89,647
Other	56,693	59,191	605,556
Total	¥101,513	¥109,439	\$1,119,591

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

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2012	2013	2013
Salaries and wages	¥16,959	¥21,184	\$216,716
Research and development costs	4,742	4,518	46,219
Other	28,185	30,140	308,339
Total	¥49,886	¥55,842	\$571,274

5. Compensation income

Compensation income

for the six months ended September 30, 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 six months ended September 30, 2012 and 2013, mainly comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

7. Cash flow information

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

	Millions of yen		Thousands of U.S. dollars
	September 30,		September 30,
	2012	2013	2013
Cash and deposits	¥87,070	¥122,516	\$1,253,360
Short-term investment securities	29,010	67,013	685,554
Short-term loans receivables	8,000	8,000	81,841
Less:			
Short-term loans payable (overdrafts)	—	(2,413)	(24,685)
Time deposits due over three months	(444)	(47)	(491)
Short-term investment securities due over three months	(10)	(13)	(132)
Cash and cash equivalents	<u>¥123,626</u>	<u>¥195,055</u>	<u>\$1,995,447</u>

The Company obtained marketable securities, the fair value of which was ¥7,994 million and ¥7,999 million (\$81,831 thousand) as of September 30, 2012 and 2013, respectively, as deposit for the short-term loans receivables above.

8. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2013 and as of September 30, 2013, were ¥391 million and ¥321 million (\$3,283 thousand), respectively. Furthermore, the amount of discounted notes as of September 30, 2013, was ¥43 million (\$439 thousand).

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 six months ended September 30, 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 six months ended September 30, 2012 and 2013:

SEIKO EPSON CORPORATION

Six months ended September 30:

Millions of yen

Six months ended September 30, 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	¥305,697	¥70,778	¥5,979	¥382,454	¥317	¥382,771	¥5,501	-	¥388,273
Inter-segment	208	3,983	55	4,247	215	4,462	4	(¥4,467)	-
Total	305,906	74,761	6,034	386,701	533	387,234	5,505	(4,467)	388,273
Segment income (loss) (Operating income)	¥3,131	¥5,674	(¥4,705)	¥4,100	(¥128)	¥3,972	(¥18,227)	¥112	(¥14,142)

Millions of yen

Six months ended September 30, 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	¥380,636	¥74,356	¥6,935	¥461,929	¥357	¥462,286	¥6,343	-	¥468,630
Inter-segment	189	2,418	¥82	2,690	196	2,887	34	(¥2,921)	-
Total	380,826	76,775	¥7,017	464,619	554	465,174	6,377	(2,921)	468,630
Segment income (loss) (Operating income)	¥45,603	¥7,765	(¥4,879)	¥48,489	(¥149)	¥48,339	(¥14,376)	¥74	¥34,037

Thousands of U.S. dollars

Six months ended September 30, 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	\$3,893,995	\$760,675	\$70,946	\$4,725,616	\$3,652	\$4,729,268	\$64,900	-	\$4,794,168
Inter-segment	1,934	24,746	839	27,519	2,026	29,545	337	(\$29,882)	-
Total	3,895,929	785,421	71,785	4,753,135	5,678	4,758,813	65,237	(29,882)	4,794,168
Segment income (loss) (Operating income)	\$466,527	\$79,437	(\$49,913)	\$496,051	(\$1,535)	\$494,516	(\$147,069)	\$757	\$348,204

SEIKO EPSON CORPORATION

Three months ended September 30:

Millions of yen

Three months ended September 30, 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	¥159,132	¥36,416	¥3,304	¥198,854	¥155	¥199,010	¥2,902	-	¥201,912
Inter-segment	107	1,820	27	1,954	100	2,055	2	(¥2,057)	-
Total	159,240	38,237	3,331	200,809	256	201,065	2,904	(2,057)	201,912
Segment income (loss) (Operating income)	¥9,208	¥3,476	(¥2,067)	¥10,618	(¥63)	¥10,554	(¥8,670)	¥91	¥1,975

Millions of yen

Three months ended September 30, 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	¥200,135	¥38,528	¥3,321	¥241,985	¥203	¥242,188	¥6,253	-	¥248,442
Inter-segment	108	1,267	58	1,434	97	1,532	0	(¥1,532)	-
Total	200,243	39,796	3,380	243,420	300	243,720	6,254	(1,532)	248,442
Segment income (loss) (Operating income)	¥29,740	¥3,736	(¥2,710)	¥30,767	(¥56)	¥30,710	(¥4,719)	¥36	¥26,027

Thousands of U.S. dollars

Three months ended September 30, 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	\$2,047,427	\$394,148	\$33,974	\$2,475,549	\$2,077	\$2,477,626	\$63,980	-	\$2,541,606
Inter-segment	1,105	12,972	604	14,681	992	15,673	(1)	(\$15,672)	-
Total	2,048,532	407,120	34,578	2,490,230	3,069	2,493,299	63,979	(15,672)	2,541,606
Segment income (loss) (Operating income)	\$304,255	\$38,219	(\$27,723)	\$314,751	(\$583)	\$314,168	(\$48,276)	\$368	\$266,260

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 Second Quarter ended September 30, 2013

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trends, competition, technology trends, and exchange rate fluctuations.

1. Sales by division

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Information-related equipment	305.9	380.8	24.5%	797.0	16.2%
Printing Systems	235.8	293.1	24.3%	618.0	14.8%
Visual Communications	62.3	77.9	25.0%	158.0	20.8%
Other	7.9	10.3	30.8%	22.0	25.2%
Intra-segment sales	(0.2)	(0.6)	-%	(1.0)	-%
Devices & precision products	74.7	76.7	2.7%	146.0	3.7%
Microdevices	49.8	48.0	(3.6%)	93.0	(0.4%)
Precision Products	27.1	31.4	15.7%	58.0	12.9%
Intra-segment sales	(2.2)	(2.6)	-%	(5.0)	-%
Sensing & industrial solutions	6.0	7.0	16.3%	16.0	40.2%
Other	0.5	0.5	4.1%	1.0	(21.5%)
Corporate expenses	5.5	6.3	15.8%	7.0	(63.1%)
Inter-segment sales	(4.4)	(2.9)	-%	(7.0)	-%
Consolidated sales	388.2	468.6	20.7%	960.0	12.8%

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)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Information-related equipment					
Net sales:					
Customers	305.6	380.6	24.5%	797.0	16.3%
Inter-segment	0.2	0.1	(9.0%)	0.0	-%
Total	305.9	380.8	24.5%	797.0	16.2%
Operating expenses	302.7	335.2	10.7%	702.0	10.7%
Segment income (loss)	3.1	45.6	-%	95.0	83.6%
Devices & precision products					
Net sales:					
Customers	70.7	74.3	5.1%	140.0	3.9%
Inter-segment	3.9	2.4	(39.3%)	6.0	(0.7%)
Total	74.7	76.7	2.7%	146.0	3.7%
Operating expenses	69.0	69.0	(0.1%)	136.0	2.9%
Segment income (loss)	5.6	7.7	36.9%	10.0	15.8%
Sensing & industrial solutions					
Net sales:					
Customers	5.9	6.9	16.0%	16.0	41.2%
Inter-segment	0.0	0.0	49.0%	0.0	-%
Total	6.0	7.0	16.3%	16.0	40.2%
Operating expenses	10.7	11.8	10.8%	26.0	23.6%
Segment income (loss)	(4.7)	(4.8)	-%	(10.0)	-%
Other					
Net sales:					
Customers	0.3	0.3	12.8%	0.0	-%
Inter-segment	0.2	0.1	(8.7%)	1.0	140.0%
Total	0.5	0.5	4.1%	1.0	(21.5%)
Operating expenses	0.6	0.7	6.6%	1.0	(30.5%)
Segment income (loss)	(0.1)	(0.1)	-%	0.0	-%
Corporate expenses					
Net sales:					
Customers	5.5	6.3	15.3%	7.0	(63.0%)
Inter-segment	0.0	0.0	687.9%	0.0	-%
Total	5.5	6.3	15.8%	7.0	(63.1%)
Operating expenses	23.7	20.7	(12.6%)	44.0	(9.5%)
Segment income (loss)	(18.2)	(14.3)	-%	(37.0)	-%
Eliminations					
Net sales	(4.4)	(2.9)	-%	(7.0)	-%
Operating expenses	(4.5)	(2.9)	-%	(7.0)	-%
Segment income (loss)	0.1	0.0	(34.1%)	0.0	-%
Consolidated					
Net sales	388.2	468.6	20.7%	960.0	12.8%
Operating expenses	402.4	434.5	8.0%	902.0	8.7%
Segment income (loss)	(14.1)	34.0	-%	58.0	172.9%

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

3. Geographic segment information

(Unit: billion yen)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2012 %
	2012	2013		
Japan				
Net sales:				
Customers	140.7	147.3	6.5	4.7%
Inter-segment	213.0	251.8	38.7	18.2%
Total	353.7	399.1	45.3	12.8%
Operating expenses	375.1	387.3	12.2	3.3%
Segment income (loss)	(21.3)	11.7	33.0	-%
The Americas				
Net sales:				
Customers	90.6	125.0	34.4	38.0%
Inter-segment	7.0	7.9	0.8	12.6%
Total	97.6	133.0	35.3	36.2%
Operating expenses	92.4	124.1	31.6	34.3%
Segment income (loss)	5.2	8.8	3.6	69.5%
Europe				
Net sales:				
Customers	73.8	94.1	20.3	27.5%
Inter-segment	2.9	3.5	0.5	19.6%
Total	76.8	97.7	20.9	27.2%
Operating expenses	72.5	97.0	24.4	33.7%
Segment income (loss)	4.2	0.6	(3.5)	(84.6%)
Asia/Oceania				
Net sales:				
Customers	83.1	102.1	19.0	22.9%
Inter-segment	196.4	227.1	30.7	15.7%
Total	279.5	329.3	49.7	17.8%
Operating expenses	268.2	305.6	37.4	13.9%
Segment income (loss)	11.3	23.6	12.3	109.2%
Eliminations				
Net sales	(419.5)	(490.5)	(70.9)	-%
Operating expenses	(406.0)	(479.6)	(73.6)	-%
Segment income (loss)	(13.5)	(10.8)	2.7	-%
Consolidated				
Net sales	388.2	468.6	80.3	20.7%
Operating expenses	402.4	434.5	32.1	8.0%
Segment income (loss)	(14.1)	34.0	48.1	-%

Note: Net sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary.
Principal countries and jurisdictions in each geographic segment are as follows.

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

4. Sales to overseas customers

(Unit: billion yen)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2012 %
	2012	2013		
Overseas Sales				
The Americas	89.5	123.8	34.3	38.3%
Europe	75.6	97.8	22.2	29.4%
Asia/Oceania	101.2	128.0	26.7	26.4%
Total	266.4	349.7	83.3	31.3%
Consolidated Sales	388.2	468.6	80.3	20.7%
Percentage of overseas sales to consolidated net sales (%)				
The Americas	23.1	26.4		
Europe	19.5	20.9		
Asia/Oceania	26.1	27.3		
Total	68.6	74.6		

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)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Capital expenditure	23.0	14.8	(35.4%)	44.0	2.0%
Information-related equipment	19.1	11.7	(38.3%)	30.0	(10.3%)
Devices & precision products	2.5	2.5	0.6%	11.0	63.6%
Sensing & industrial solutions	0.2	0.2	10.1%	1.0	72.8%
Other / Coporate expenses	1.1	0.2	(77.2%)	2.0	(16.8%)
Depreciation and amortization	18.6	19.4	4.3%	44.0	11.9%

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

6. Research and development

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2014	Increase compared to year ended March 31, 2013 %
	2012	2013			
Research and Development	24.8	23.1	(6.9%)	49.0	(1.8%)
R&D / sales ratio	6.4%	4.9%		5.1%	

7. Management indices

(Unit: %)

	Six months ended September 30,		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)	(16.0%)	6.8%	22.8	13.1%	17.1
Return on assets (ROA)	(1.9%)	3.9%	5.8	7.1%	4.8
Return on sales (Operating)	(3.6%)	7.3%	10.9	6.0%	3.5
Return on sales (Ordinary)	(3.7%)	6.5%	10.2	5.7%	3.6

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)

	Six months ended September 30,		Increase
	2012	2013	
Foreign exchange effect	(11.1)	70.3	81.4
U.S. dollars	(0.4)	28.3	28.7
Euro	(9.6)	21.4	31.0
Other	(0.9)	20.5	21.5
Exchange rate			
Yen / U.S. dollars	79.41	98.85	
Yen / Euro	100.64	130.00	

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)

	September 30,	March 31,	September 30,	Increase compared to March 31, 2013
	2012	2013	2013	
Inventory	181.0	163.5	181.9	18.4
Information-related equipment	142.7	122.8	140.2	17.3
Devices & precision products	33.3	36.2	36.6	0.3
Sensing & industrial solutions	2.9	3.1	4.1	1.0
Other / Corporate expenses	2.0	1.3	1.0	(0.3)
				(Unit: day)
Turnover by days	85	70	71	1
Information-related equipment	85	65	67	2
Devices & precision products	82	94	87	(7)
Sensing & industrial solutions	90	100	109	9
Other / Corporate expenses	62	25	28	3

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 6 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)

	September 30,	March 31,	September 30,	Increase compared to March 31, 2013
	2012	2013	2013	
Number of employees at period end	81,461	68,761	73,639	4,878
Domestic	19,371	18,234	18,288	54
Overseas	62,090	50,527	55,351	4,824