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First Quarter Financial Results Fiscal Year 2014 (Ending March 2015)

July 31, 2014

Seiko Epson Corp.

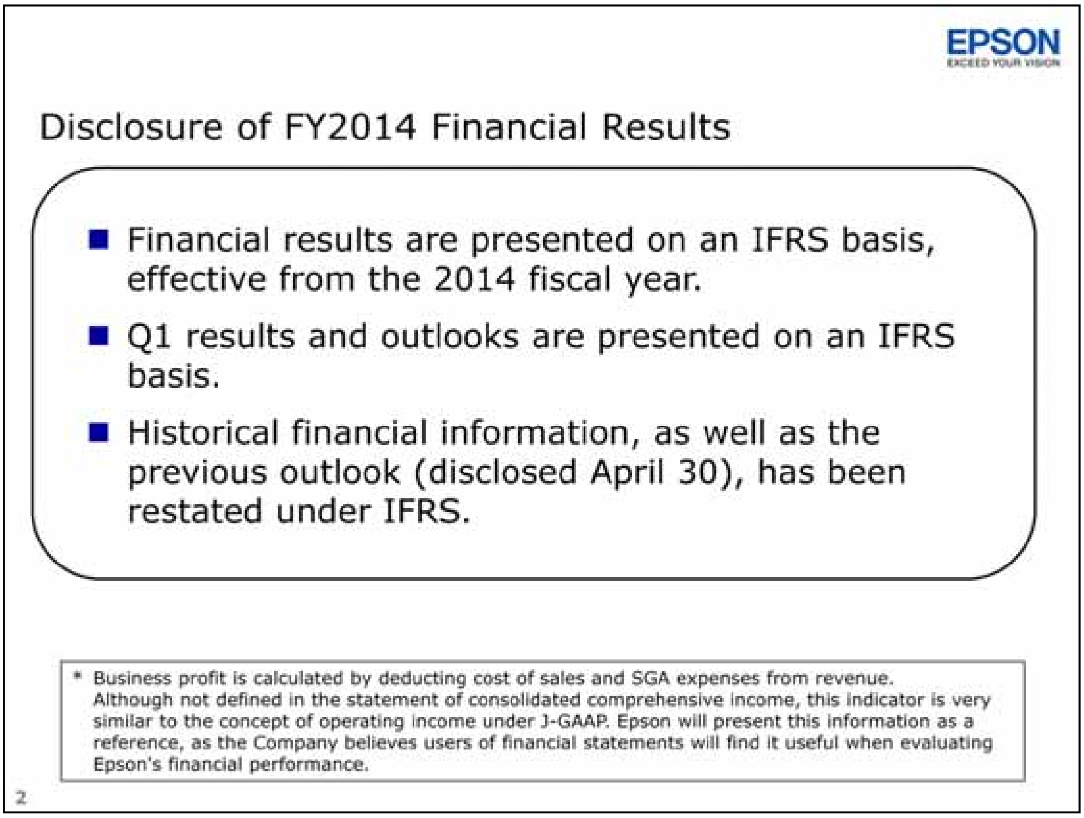
Disclaimer regarding forward-looking statements

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.



■ Disclosure of FY2014 financial results

1) FY2014 Q1 Financial Results

2) FY2014 Financial Outlook

Financial Highlights (First Quarter)

(Billions of yen)	FY2013 Q1 Actual	FY2013 %	FY2014 Q1 Actual	FY2014 %	Change Amount	Change %
Revenue	222.0	-	246.2	-	+24.2	+10.9%
Business profit	9.6	4.4%	23.5	9.5%	+13.8	+143.1%
Profit from operating activities	7.3	3.3%	54.6	22.2%	+47.2	+643.6%
Profit before tax	6.5	2.9%	54.7	22.2%	+48.2	+740.6%
Profit for the period	4.9	2.2%	46.5	18.9%	+41.6	+835.2%
EPS	¥28.03		¥260.45			
Exchange rate USD	¥98.76		¥102.16			
Exchange rate EUR	¥128.95		¥140.07			

4 * Business profit is calculated by deducting cost of sales and SGA expenses from revenue

■ FY2014 Q1 results

➢ First-quarter revenue was ¥246.2 billion, up ¥24.2 billion. We recorded ¥23.5 billion in business profit, up ¥13.8 billion compared to the same period last year. Profit from operating activities rose ¥47.2 billion to ¥54.6 billion due to changes in our defined benefit plan that reduced past service costs by approximately ¥30 billion. Profit for the period increased by ¥41.6 billion to ¥46.5 billion.

Main Factors Affecting Q1 Results (Vs. the Internal Plan)

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- Revenue and business profit exceeded expectations owing to yen depreciation and steady growth in the information equipment, devices & precision products, and sensing & industrial solutions business segments.
- Past service costs decreased more than expected due to changes in the defined benefit plan, resulting in better than expected profit from operating activities and profit for the period.

Information Equipment Segment

Inkjet Printer Business

- Revenue beat the plan.
- In developed economies, unit shipments were lower than forecast due to aggressive pricing by competitors, but ASPs were higher.
- Sales of high-capacity ink tank models and commercial printers expanded in line with expectations.
- Sales of consumables exceeded expectations due to improvement in the composition of the install base.
- Business profit also beat expectations, primarily due to printer cost reductions, and fixed cost reductions and postponements.

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■ Main factors affecting Q1 financial performance

Main Factors Affecting Q1 Results (Vs. the Internal Plan)

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Business Systems Business

- Revenue and business profit beat the plan.
- The SIDM printer market was soft in Latin America but solid in China and other countries in Asia.
- The market for POS-related products remained steady, with Europe and America leading the way.

Visual Communications Business

- In addition to a spike in projector demand due to the football World Cup in Latin America and the capture of large education orders, sales in Japan and North America grew steadily. Unit shipment growth exceeded expectations, as did both revenue and business profit.

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■ Main factors affecting Q1 financial performance

Main Factors Affecting Q1 Results (Vs. the Internal Plan)

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Devices & Precision Products Segment

Microdevices Business

- Both revenue and business profit beat the plan.
- Quartz was in line with the plan. Semiconductors exceeded the plan, as foundry orders, internal demand & external sales, which included some orders that were brought forward, were all solid.

Precision Products Business

- Demand for branded watches was steady in Japan, resulting in higher-than-expected revenue and business profit.

Sensing & Industrial Solutions Segment

- Sensing systems was in line with plan while industrial solutions saw orders increase for precision assembly robots and IC handlers, resulting higher than projected revenue and business profit.

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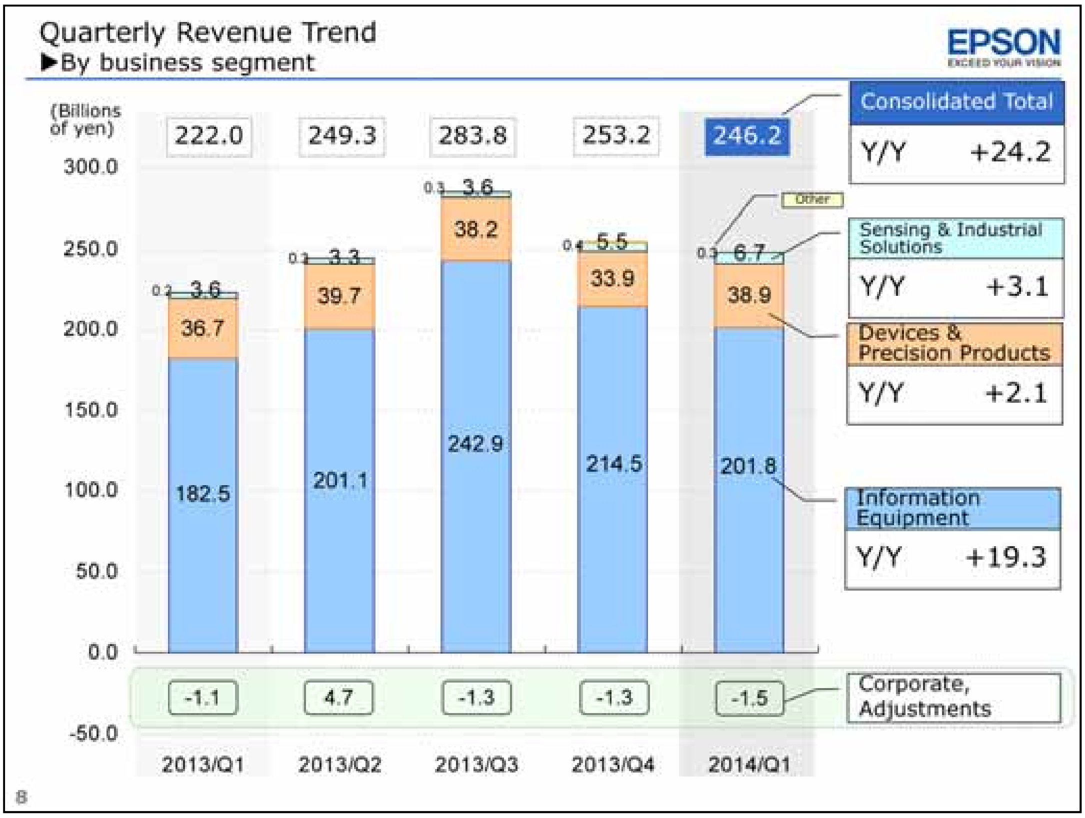
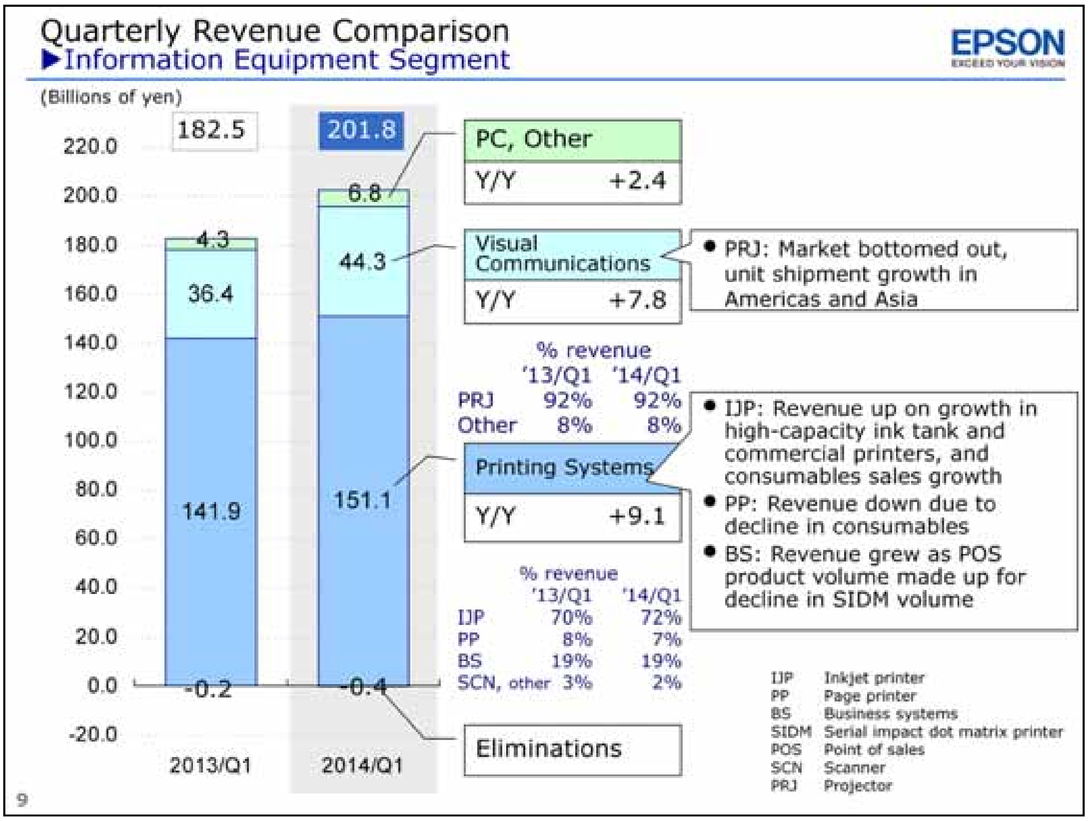
- Main factors affecting Q1 financial performance



■ Quarterly revenue by segment over the last five quarters

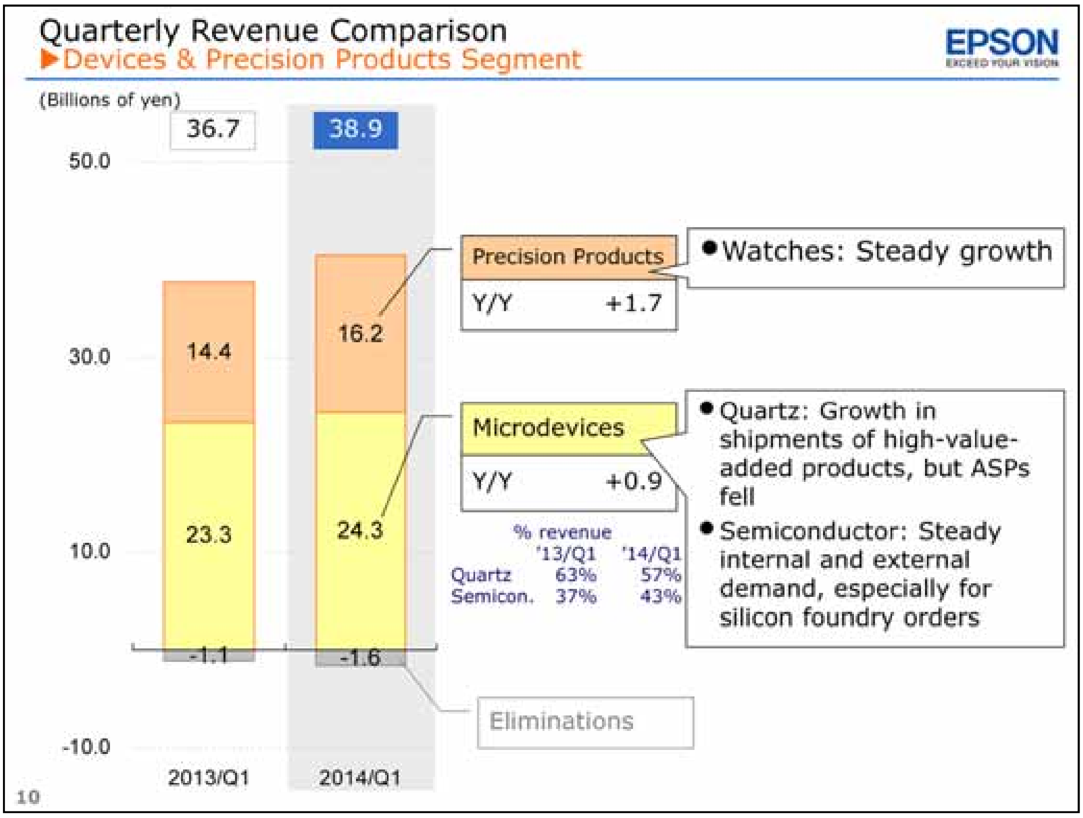
➢ Total consolidated revenue increased by ¥24.2 billion. Information-related equipment segment revenue grew by ¥19.3 billion. Devices & precision products segment revenue grew by ¥2.1 billion and sensing & industrial solutions segment revenue grew by ¥3.1 billion.

➢ Foreign exchange had a ¥6.8 billion positive effect on total revenue for the period.



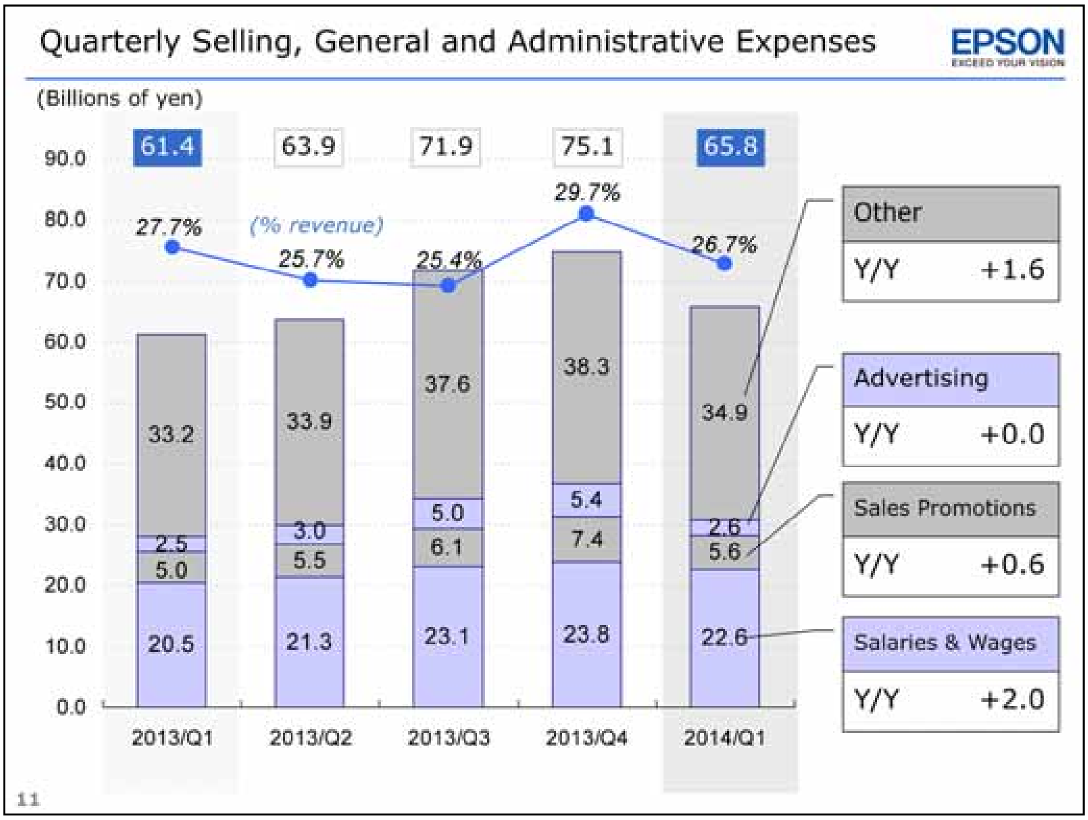
■ Quarterly revenue in businesses that make up the information-related equipment segment

- Revenue in every business in this segment was aided by yen depreciation.
- Printing systems revenue climbed by ¥9.1 billion.
- Inkjet printer unit sales contributed with 6% annual unit shipment growth, the result of increases generated by the shift from ink cartridge to high-capacity ink tank models in accordance with our change of business model in emerging economies, and because of expanded sales of commercial inkjet printers. In addition, the effect of a larger install base of office printers in North America led to increased sales of consumables.
- Page printer revenue decreased due to lower consumables sales.
- Business systems revenue also grew. While SIDM printer unit shipments were adversely affected by unit sales declines in the Americas and Europe, POS-related product demand remained firm in Europe, America and China. Business systems revenue was also aided by the result of our efforts to achieve unit shipment growth in color label applications and other non-receipt POS products in Europe and America.
- The visual communications business achieved revenue growth and record quarterly unit shipments, which soared 22%. While growth in Europe signaled a bottoming out of the global projector market, we enjoyed steady growth in all regions, particularly in the education markets of the Americas and Asia.



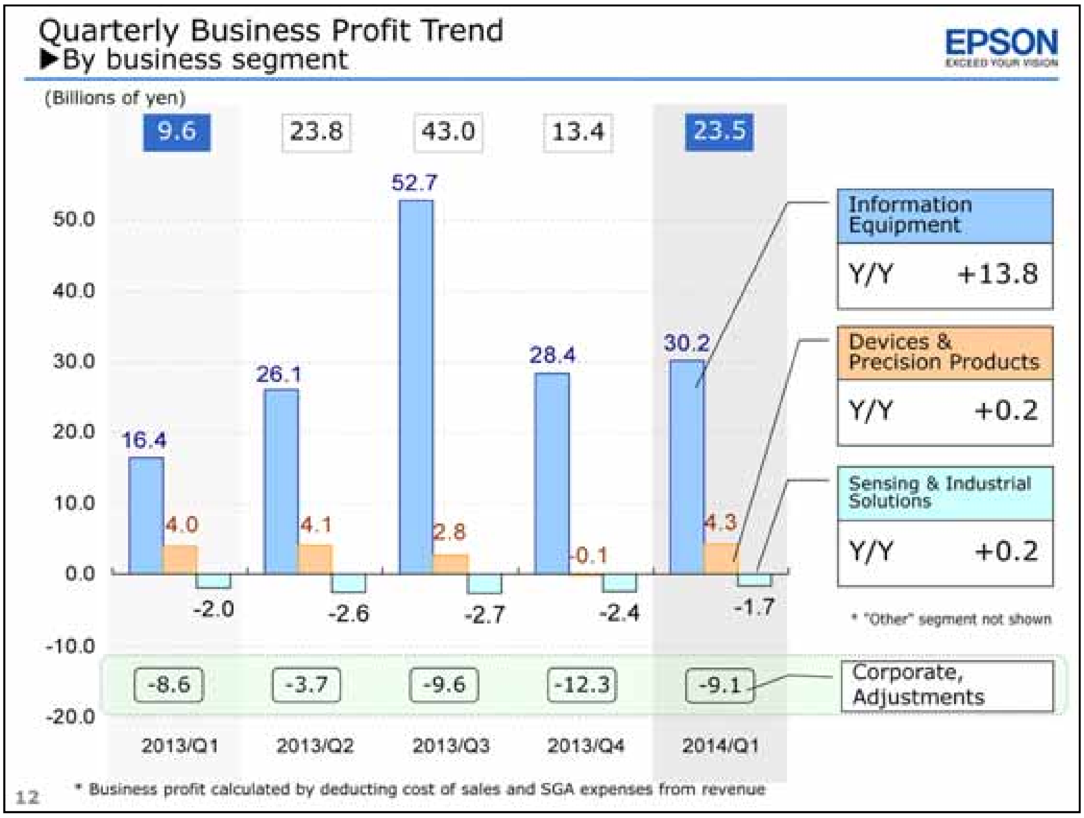
■ Quarterly revenue in the business that make up devices & precision products segment

- The microdevices business reported revenue growth. Although the quartz device business secured unit shipment growth in high-value-added products such as crystal devices for communications base stations, revenue decreased primarily due to the erosion of average selling prices. The semiconductor business, on the other hand, saw firm internal and external demand, particularly for silicon foundry products.
- The precision products business achieved revenue growth owing to steady demand for branded wristwatches in Japan.



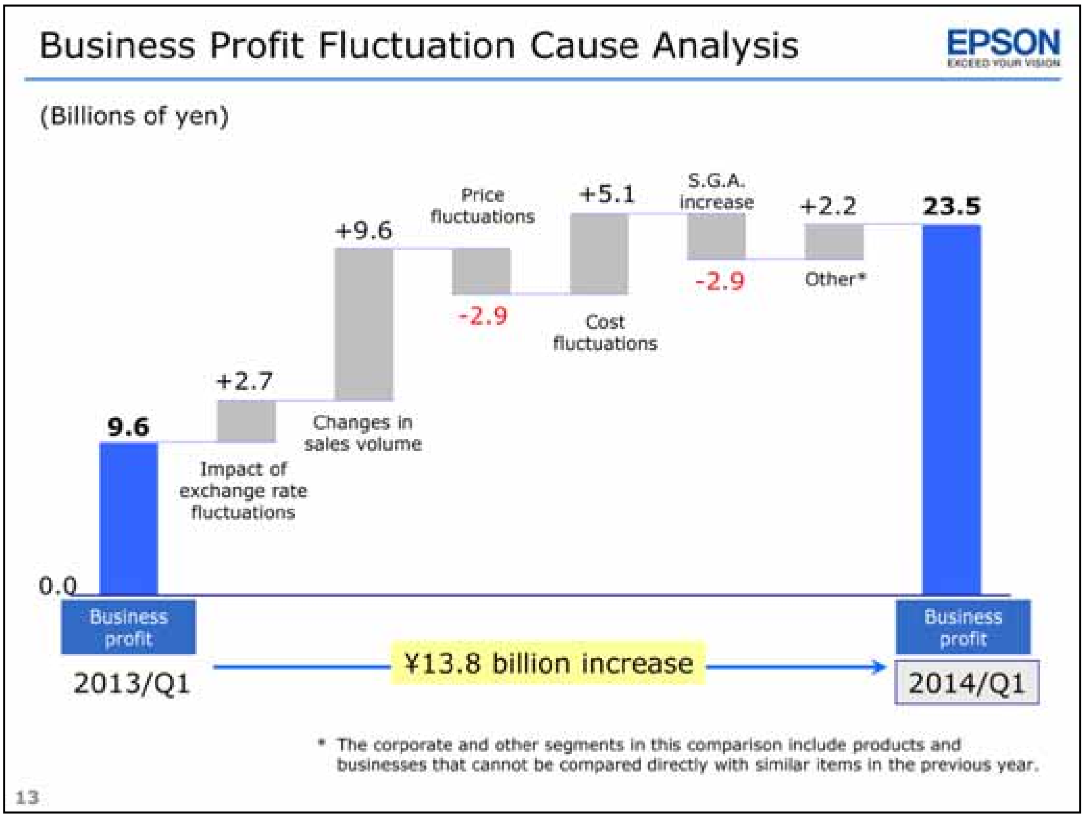
■ Quarterly selling, general and administrative expenses

➢ SGA expenses decreased as a percentage of revenue compared to the same period last year because of our efforts to improve cost efficiency, despite an increase in labor expenses associated with financial performance, higher sales promotion expenses in information-related equipment and the effects of yen depreciation.



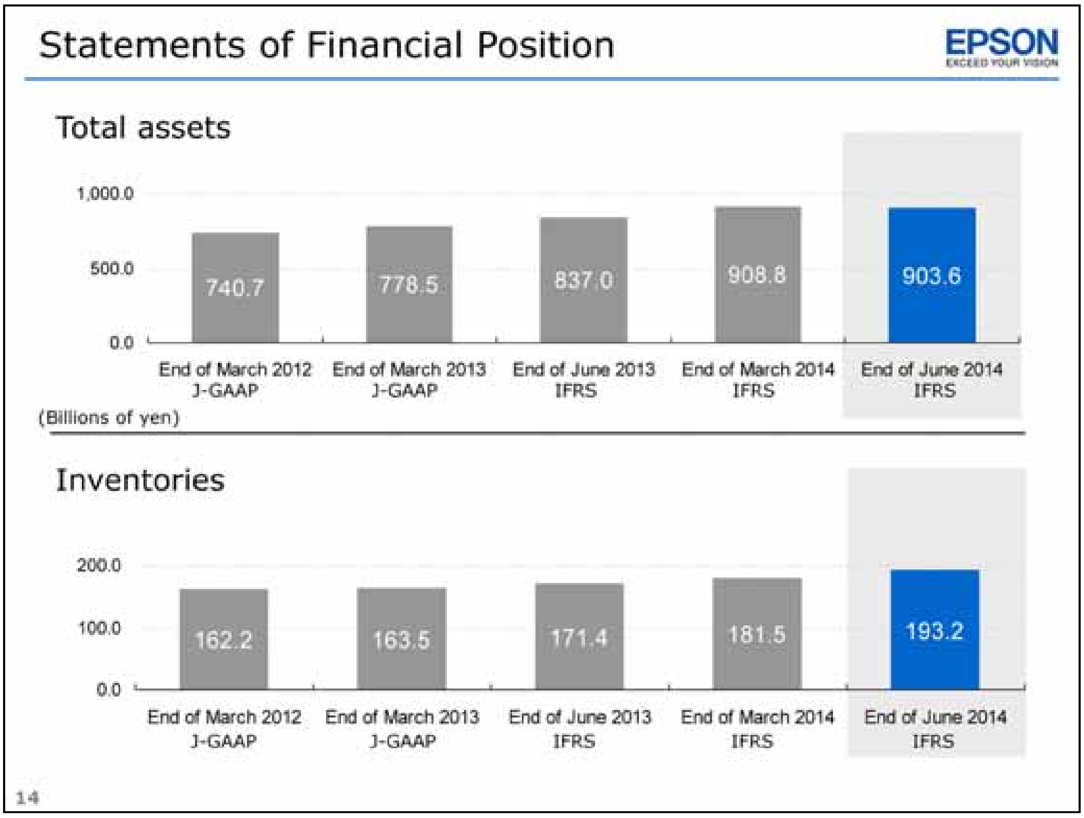
■ Breakdown of quarterly business profit by segment

- Foreign exchange effects from yen depreciation had an approximately ¥2.7 billion positive effect on consolidated business profit this quarter compared to the same quarter last year.
- The information-related equipment business recorded ¥30.2 billion in business profit, an increase of ¥13.8 billion compared to the same quarter last year.
- Inkjet printer business profit soared due to a combination of an improved model mix, higher average selling prices, ongoing cost reductions, and consumables revenue growth.
- Both business systems and visual communications reported higher business profit on revenue growth.
- Page printer business profit was down due to a decline in revenue.
- The devices & precision products segment recorded business profit growth. Although revenue from the quartz device business declined, semiconductor and watch revenue growth more than offset this.
- The sensing & industrial solutions segment also reported business profit growth. Although the sensing systems business saw its costs rise as it geared up for the launch of new products, profit was significantly boosted by revenue from robot sales in the industrial solutions business.



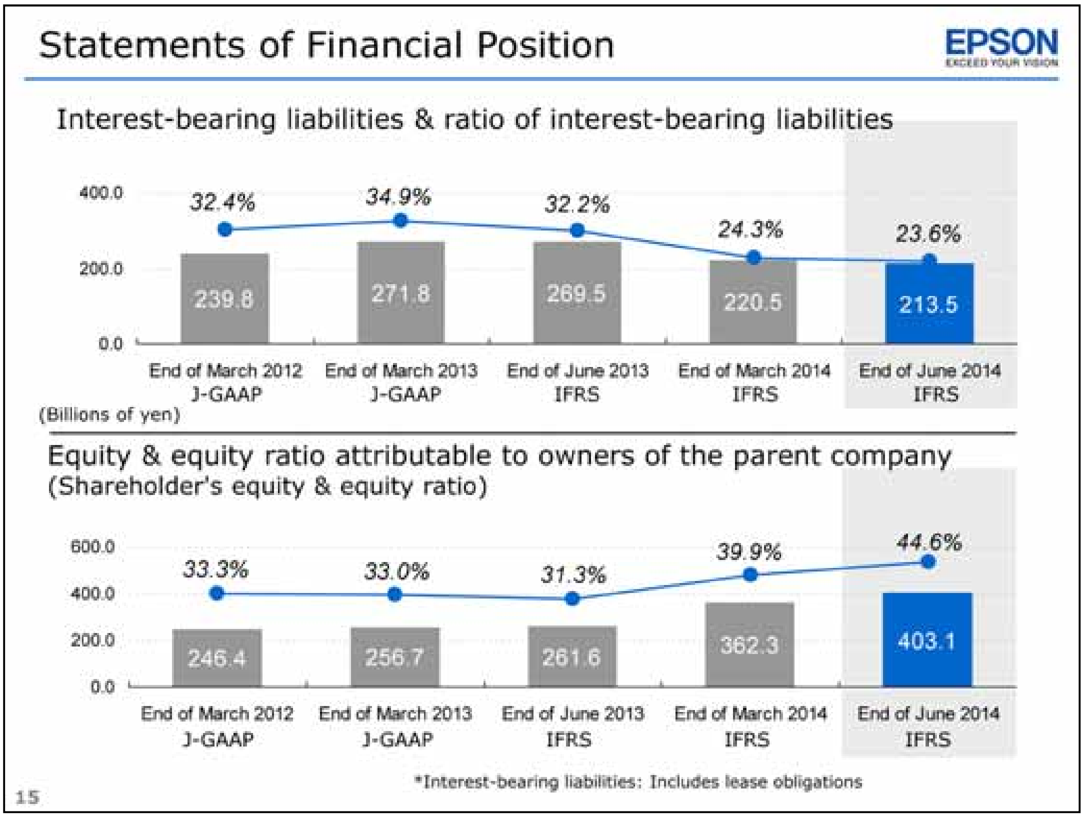
■ Cause analysis of the increase in business profit compared to the same period last year

➢ Whereas business profit was ¥9.6 billion in the first quarter of FY2013, this quarter it rose to ¥23.5 billion. Although prices and SGA expenses put downward pressure on business profit, volume fluctuations, cost fluctuations, and foreign exchange contributed positively.



■ Statements of financial position

- Total assets decreased by ¥5.2 billion compared to the end of the prior fiscal year. Although inventories increased, total assets decreased primarily due to decreases in cash and cash equivalents and trade and other receivables.
- Inventories increased compared to the end of March 2014 chiefly because of increased production in preparation for the year-end shopping season, but also because of temporary actions taken by European sales companies as they switched over to a new system. We are, however, maintaining about the same levels of inventory turnover as at the end of June 2013.



■ Statements of financial position

- Interest-bearing liabilities decreased by ¥7 billion compared to the end of the previous fiscal year mainly due to redemption of bonds. The ratio of interest-bearing liabilities to total assets was 23.6%.

  Net interest-bearing liabilities were ¥12.5 billion, a ¥3.4 billion increase since the end of the previous fiscal year.

- We anticipate positive net cash this fiscal year.

- Equity attributable to owners of the parent company increased by ¥40.7 billion compared to the previous fiscal year-end, largely due to our first quarter performance. As a result, the ratio of equity attributable to owners of the parent company was 44.6%.

1) FY2014 Q1 Financial Results

2) FY2014 Financial Outlook

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FY2014 Financial Outlook

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(Billions of yen)	FY2013 Actual	%	FY2014 4/30 Outlook	%	FY2014 Current Outlook	%	Change (amount, %) Y/Y	Change (amount, %) Vs. 4/30 Outlook
Revenue	1,008.4	-	1,010.0	-	1,040.0	-	31.5 +3.1%	+30.0 +3.0%
Business profit	90.0	8.9%	85.0	8.4%	92.0	8.8%	+1.9 +2.1%	+7.0 +8.2%
Profit from operating activities	79.5	7.9%	104.0	10.3%	120.0	11.5%	+40.4 +50.8%	+16.0 +15.4%
Profit before tax	77.9	7.7%	103.0	10.2%	119.0	11.4%	+41.0 +52.6%	+16.0 +15.5%
Profit for the year	84.4	8.4%	80.0	7.9%	100.0	9.6%	+15.5 +18.4%	+20.0 +25.0%
EPS	¥472.03		¥447.20		¥559.00			
Exchange rate USD	¥100.23		¥100.00		¥100.00			
Exchange rate EUR	¥134.37		¥135.00		¥136.00			

Current outlook exchange rate assumptions from Q2 onward
USD: ¥100.00
EUR: ¥135.00

Foreign exchange sensitivity (effect of 1-yen depreciation on FY2014 results)

	Revenue	Business profit
USD	Approx. +¥3.7 bil.	Approx. +¥0.3 bil.
EUR	Approx. +¥1.1 bil.	Approx. +¥0.8 bil.

17 * Business profit is calculated by deducting cost of sales and SGA expenses from revenue

■ FY2014 full-year outlook

- We now project ¥1,040 billion in revenue, up ¥30 billion from our previous outlook. Business profit is seen rising ¥7 billion to ¥92 billion. We raised the outlook for profit from operating activities by ¥16 billion to ¥120 billion and the profit outlook by ¥20 billion to ¥100 billion.
- We have not changed our foreign exchange rate assumptions for the second quarter onward. They remain at 100 yen to the dollar and 135 yen to the euro.
- When we adopted IFRS, we switched to a more precise method of calculating foreign exchange effects, and we recalculated the sensitivity of business profit to yen depreciation. Our latest estimates indicate that a one-yen depreciation versus the US dollar will have a ¥300 million positive effect on business profit for the year against the previous estimate of ¥200 million. A one-yen depreciation versus the euro will have a ¥800 million positive effect versus the previous estimate of ¥1.2 billion.

Main Factors Affecting FY2014 Outlook (Vs. Previous Outlook)

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Considerations factored into outlook for remainder of FY2014

- IJP business: Factored in actions to expand sales of home and office printers in developed economies to achieve initial sales targets so as to expand sales of consumables next year and beyond
- Microdevices business: Factored in the effects of orders brought forward into the first half

	Revenue			Business Profit		
	Previous Outlook	Current Outlook	Revision	Previous Outlook	Current Outlook	Revision
First Half	480.0	503.0	↗	24.0	38.0	↗
Second Half	530.0	537.0	↗	61.0	54.0	↘
Full Year	1,010.0	1,040.0	↗	85.0	92.0	↗

* Q2 results projected to exceed previous outlook

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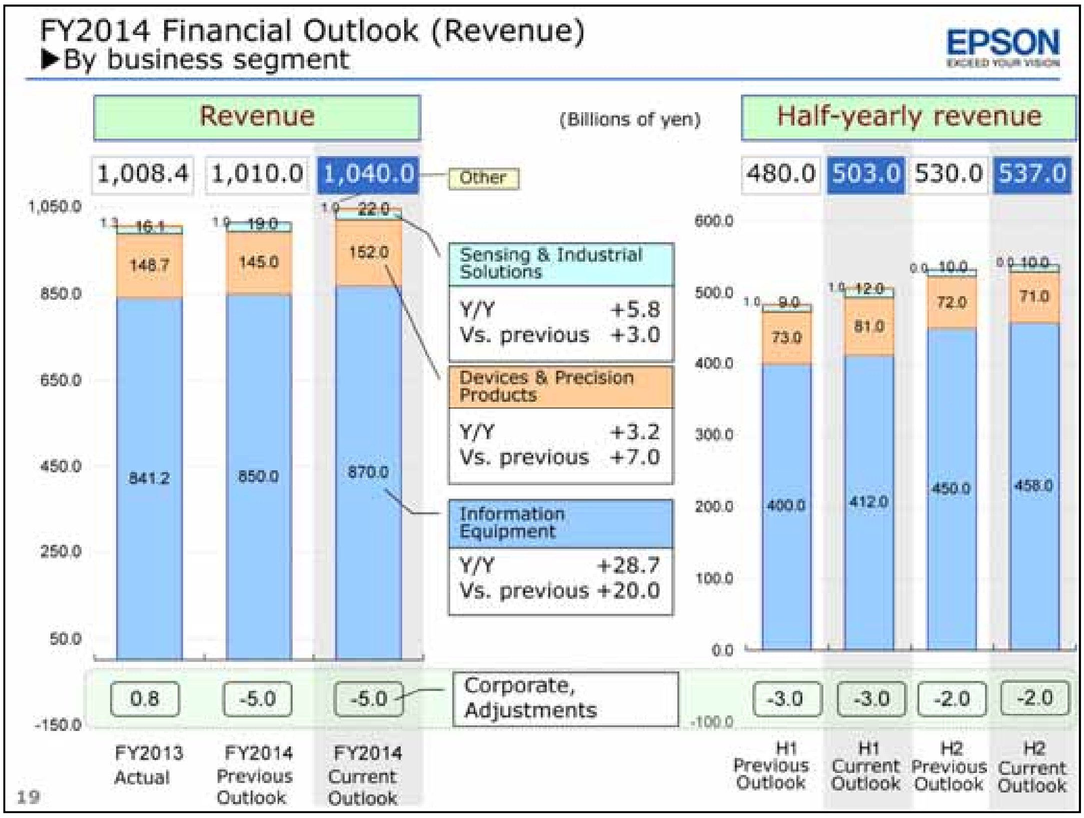
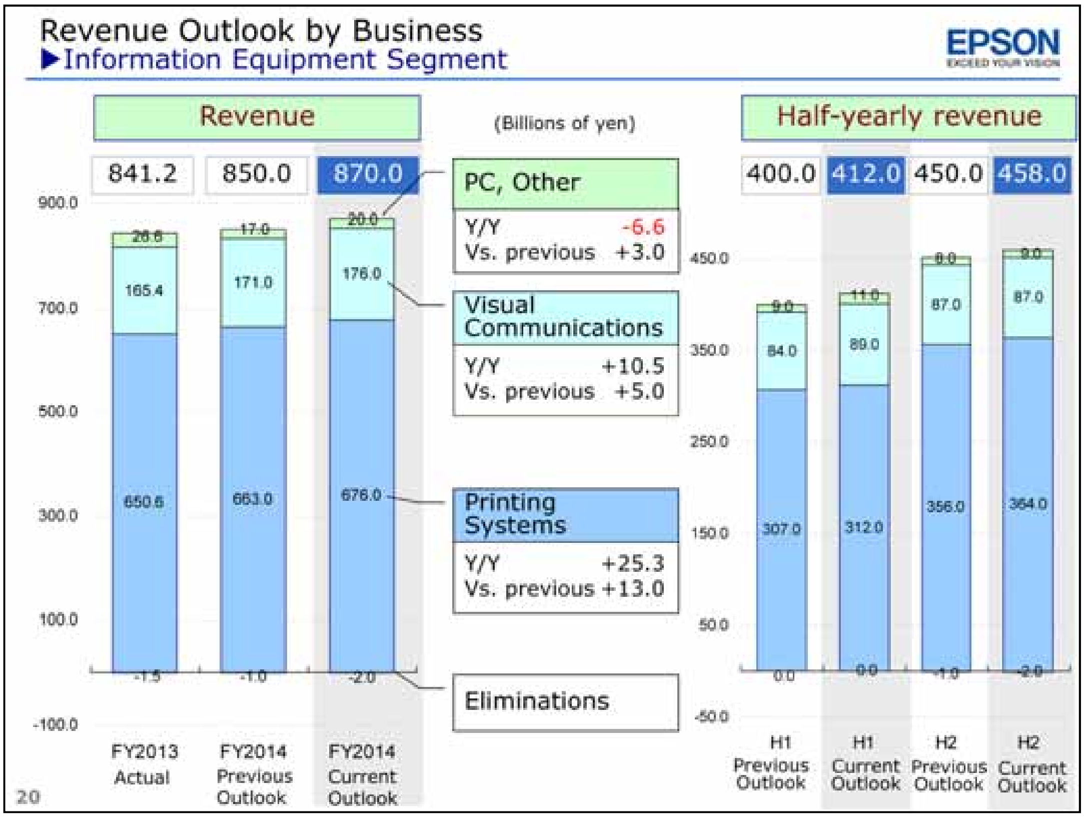
■ Key considerations factored into our revised FY2014 financial outlook



■ Net sales outlook for FY2014 broken down by segment and by first and second half

➢ We raised our consolidated revenue outlook for the first-half as we expect first-quarter strength to carry over into the second quarter as well.

➢ We also raised the consolidated revenue outlook for the second-half because even though we have lowered the outlook for devices & precision products, we have raised the outlook for information-related equipment.



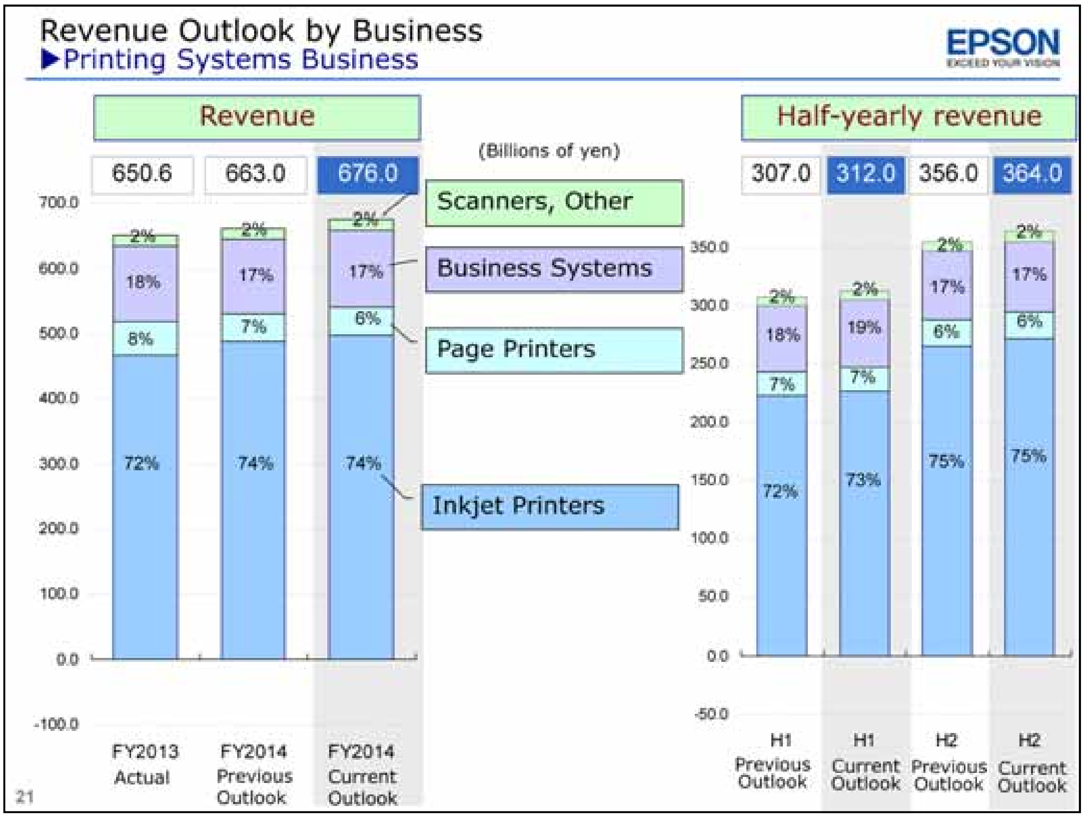
■ Breakdown of estimated net sales in each business of the information-related equipment segment

➢ We expect visual communications to record ¥176 billion in revenue, up ¥5 billion compared to the previous outlook.

➢ The outlook for the projector market has not changed. We still expect unit shipments to be basically level with last year.

We will continue to beef up our portfolio of high-value-added products, particularly short-throw and high-lumen projectors. At the same time, we will provide products suitable for the office, education, and home markets.

Second-half unit shipments are expected to be in line with our previous guidance, but given the unit shipment growth we saw in the first half, we raised our full-year revenue outlook based on predicted unit shipment growth that will be closer to 7% than 5% as previously forecast.

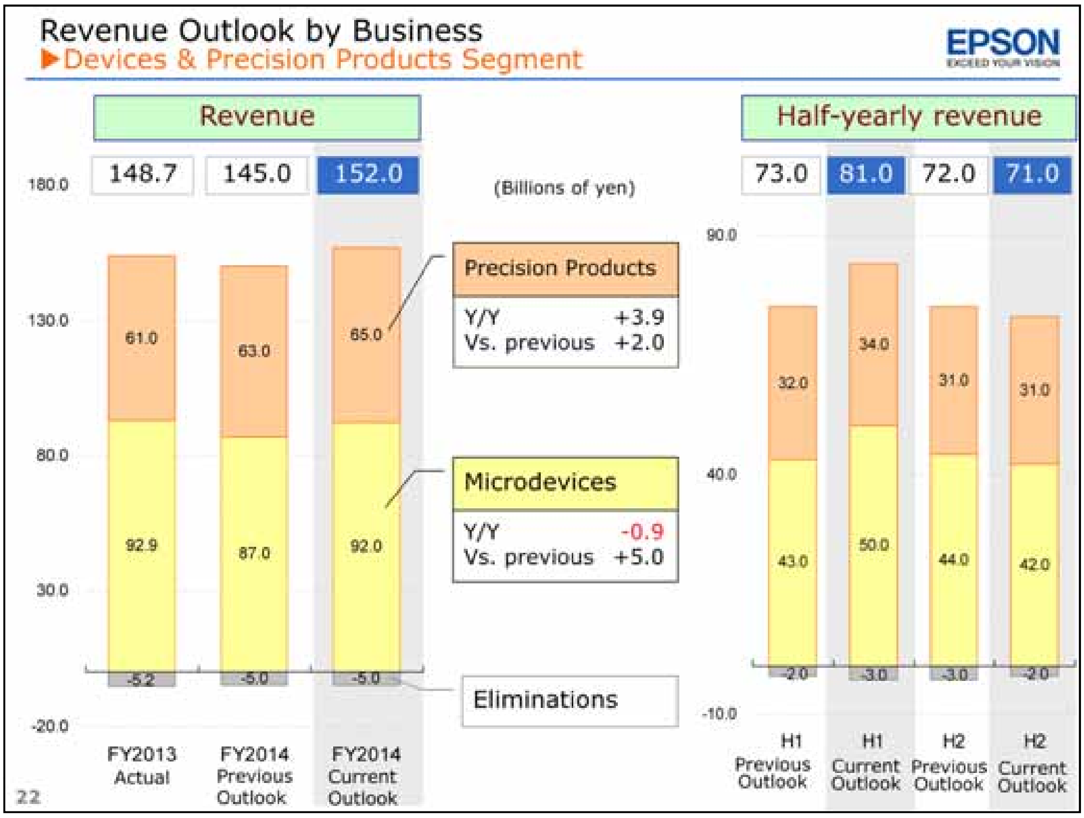


■ Printing systems business revenue outlook

➢ We expect ¥676 billion in full-year revenue, up ¥13 billion from the previous outlook.

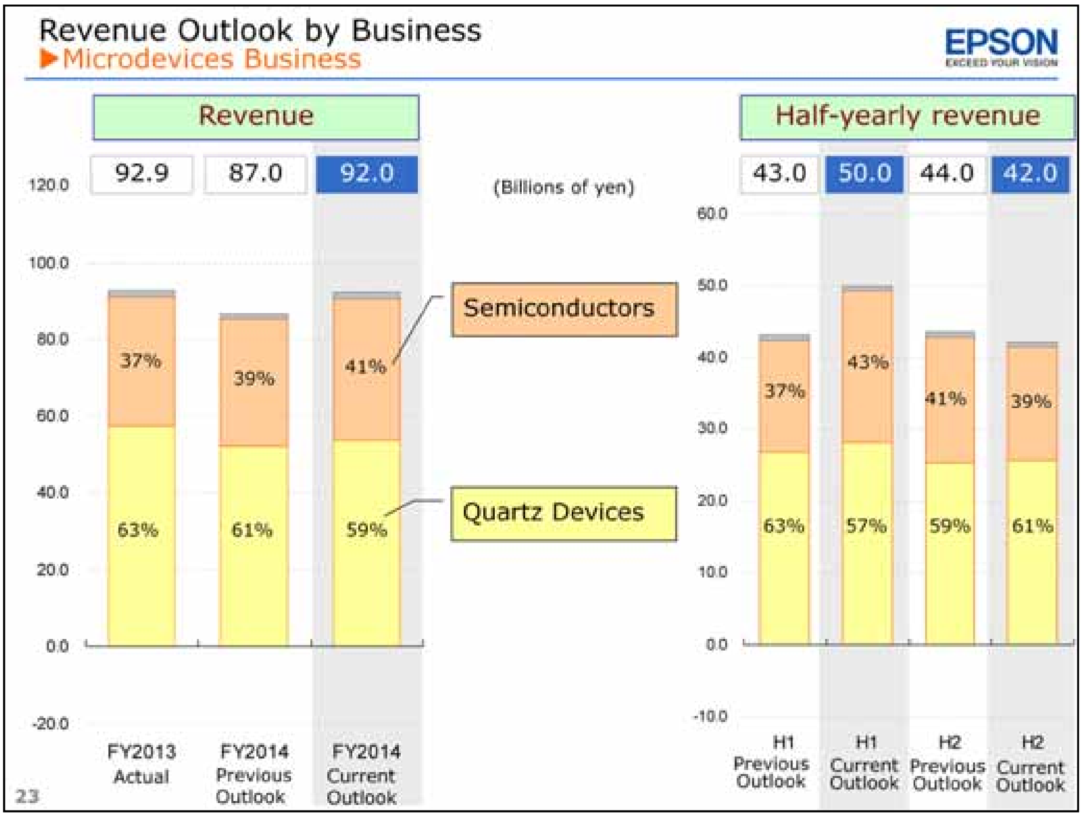
➢ Inkjet printer unit shipments are expected to grow 8% for the year, which is in line with our previous outlook. To achieve this level of growth, we will continue to roll out strategic programs to steadily grow high-capacity ink tank printers. To position us for growth from next year, we will also strategically expand the install base in developed economies of ink cartridge printers that contribute to sales of consumables.

➢ Full-year revenue from business systems is expected to be in line with previous guidance. We anticipate steady demand for SIDM printers in China, as users continue to upgrade their tax collection systems. In other SIDM markets where demand is expected to shrink, we will look to capitalize on tenders and other sales opportunities. Meanwhile, we will develop markets for color label printers and other non-receipt POS products.

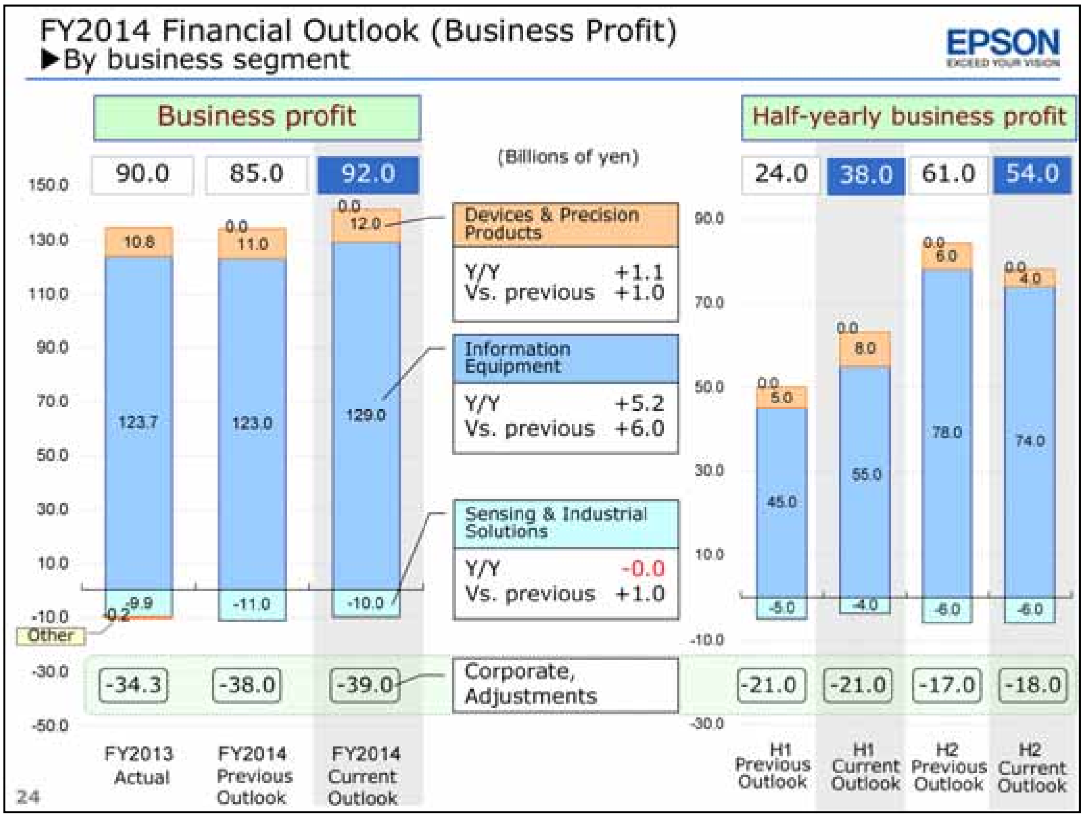


■ Breakdown of projected revenue by business in the devices & precision products segment

- In the microdevices business, we expect revenue from quartz devices to be in line with previous guidance, but we lowered our second-half revenue outlook for semiconductors after factoring in the effects of second-half orders that were brought forward into the first half.
- In precision products, we expect second-half revenue to be in the same range as previously forecast.

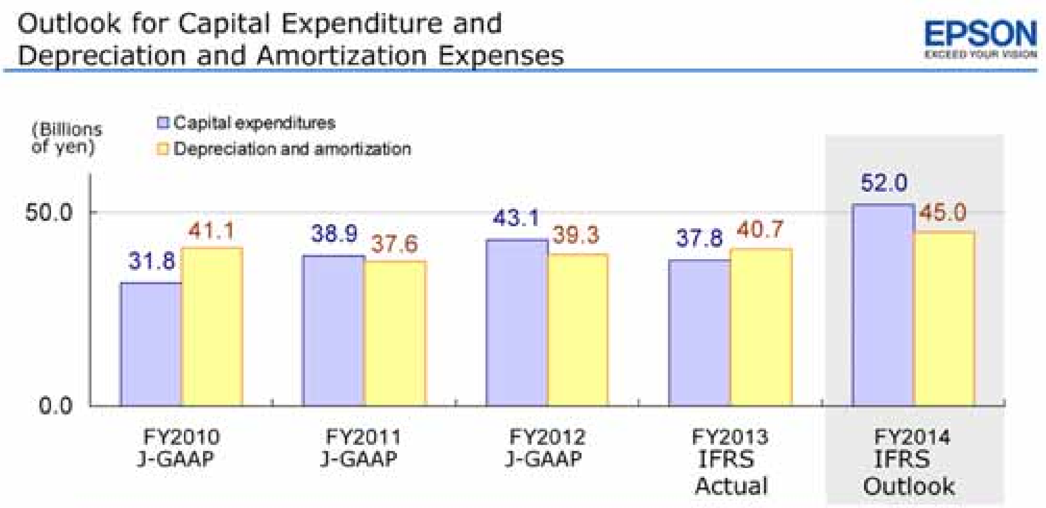


■ Breakdown of net sales in the microdevices business



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

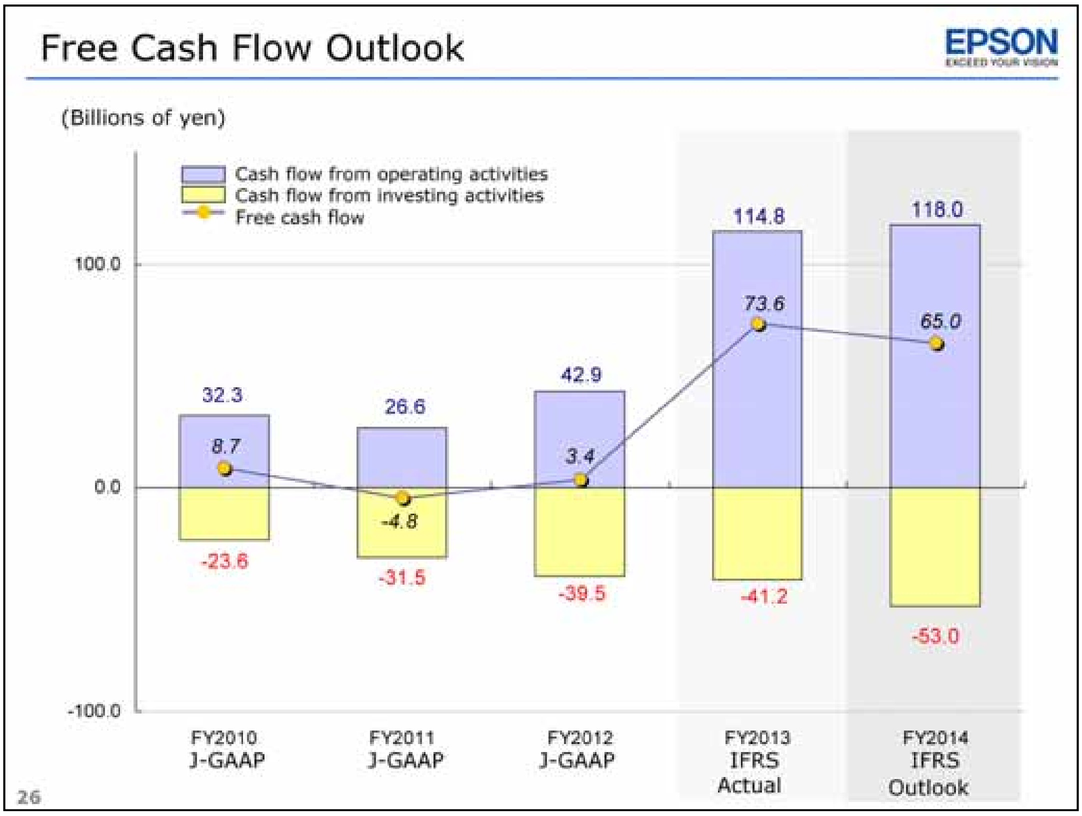
- We raised our consolidated business profit outlook for the first-half as we expect first-quarter strength to carry over into the second quarter as well.
- In the information-related equipment segment, the second-half outlook for business systems and visual communications is in line with the previous outlook.
  On the other hand, we lowered the outlook for inkjet printers. As was factored into the previous outlook, we are investing to develop the office inkjet market. We will also see costs rise as we move to strategically expand the install base in order to accelerate sales of consumables from next fiscal year. The effects of increased unit production in the second half have also been factored in.
- We lowered the business profit outlook for devices & precision products to reflect the revised revenue outlook.
- Business profit in sensing & industrial solutions is expected to be in line with the previous outlook.
- As a result of these adjustments to the outlook, we lowered our second-half consolidated business profit outlook but raised the full-year business profit outlook to ¥92 billion from ¥85 billion in the previous outlook.



Breakdown by segment	FY2013 Actual		FY2014 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	26.8	27.3	36.0	32.0
Devices & Precision Products	8.0	7.6	9.0	8.0
Sensing & Industrial Solutions	0.8	0.7	2.0	1.0
Other/Corporate	2.0	4.9	5.0	4.0

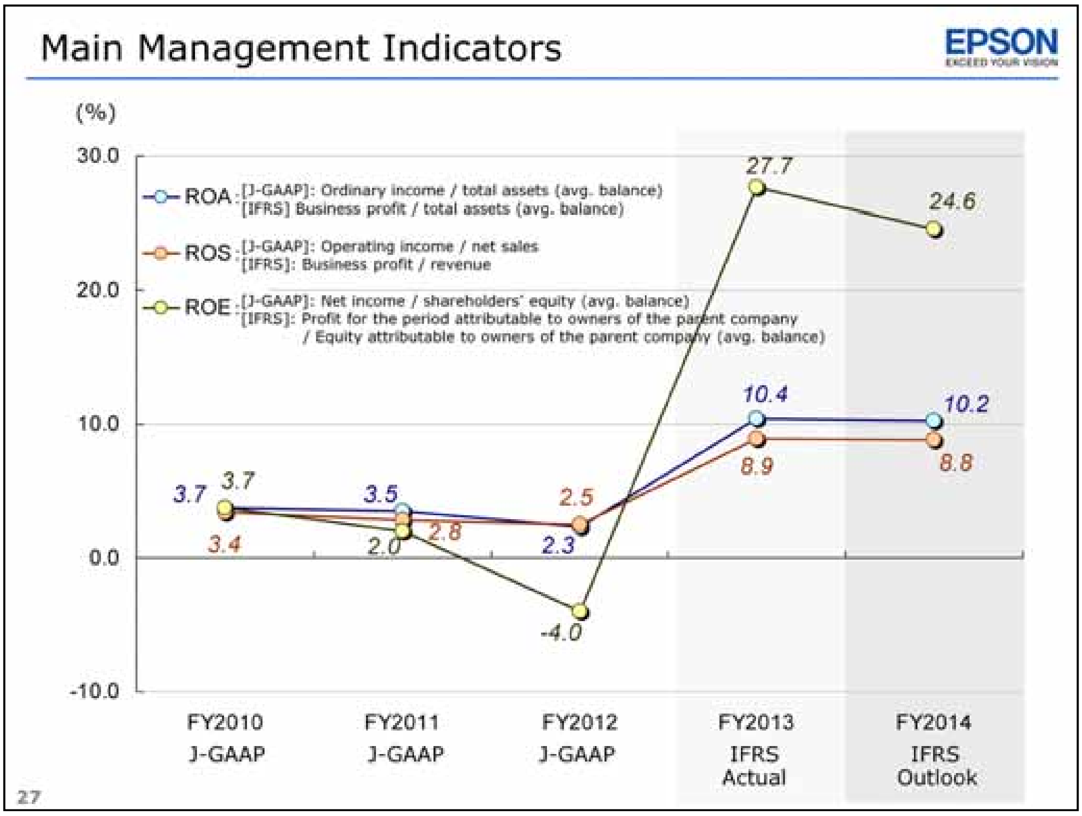
■ Outlook for capital expenditures and depreciation and amortization expenses

- We reduced the capital expenditure outlook from ¥55 billion to ¥52 billion as we continue to be highly selective about investments. We also raised the depreciation and amortization outlook from ¥44 billion to ¥45 billion.
- Depreciation and amortization is seen increasing primarily due to amortization of capitalized development costs that occurred due to the switch from J-GAAP to IFRS.



■ Cash flows

➢ Given the changes to the financial and capital expenditure outlooks, we revised the outlook for cash flows. Cash flow from operating activities was raised from ¥112 billion to ¥118 billion. Cash flow from investing activities was lowered from ¥57 billion to ¥53 billion. We raised the estimate for free cash flow to ¥65 billion from ¥55 billion.



■ Major management performance indicators

➢ ROS of 8.8%, ROA of 10.2 %, and ROE of 24.6%.

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