A decorative graphic on the left side of the page consists of several overlapping, curved, blue lines that create a sense of motion and depth. The lines vary in opacity and color, ranging from light blue to a darker blue.

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

October 31, 2014  
Seiko Epson Corp.

©Seiko Epson Corporation 2014. All rights reserved.

## ■ 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

- Financial results are presented on an IFRS basis, effective from the 2014 fiscal year.  
(Financial results and forecasts are presented on an IFRS basis.)
- FY2013 financial results have also been restated based on IFRS for comparison purposes.

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

2

- Disclosure of FY2014 financial results

1. Overview

2. Details

## Financial Highlights (First Half)



(Billions of yen)	FY2013		FY2014				Change (amount, %)	
	Actual	%	7/31 Outlook	%	Actual	%	Y/Y	Vs. previous outlook
Revenue	471.3	-	503.0	-	512.8	-	+41.4 +8.8%	+9.8 +1.9%
Business profit	33.5	7.1%	38.0	7.6%	50.9	9.9%	+17.3 +51.7%	+12.9 +34.0%
Profit from operating activities	30.4	6.5%	69.0	13.7%	78.5	15.3%	+48.1 +158.2%	+9.5 +13.9%
Profit before taxes	29.5	6.3%	69.0	13.7%	80.6	15.7%	+51.0 +173.1%	+11.6 +16.8%
Profit for the period	19.8	4.2%	59.0	11.7%	65.6	12.8%	+45.8 +230.1%	+6.6 +11.3%
EPS	¥110.93		¥329.81		¥366.63			
Exchange rate	USD	¥98.85	¥101.00		¥103.04			
	EUR	¥130.00	¥137.00		¥138.91			

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

### ■ FY2014 first half financial highlights

- First-half revenue was 512.8 billion yen, up 41.4 billion yen year-on-year. Business profit was 50.9 billion yen, up 17.3 billion yen. Profit from operating activities was 78.5 billion yen, up 48.1 billion yen due to a combination of business profit growth and changes in the defined-benefit plan in Japan that reduced prior service costs. Profit for the period was 65.6 billion yen, a year-on-year increase of 45.8 billion yen.
- First-half revenue also exceeded the outlook we presented on July 31 by a wide margin, as did every category of profit.

## Financial Highlights (Second Quarter)



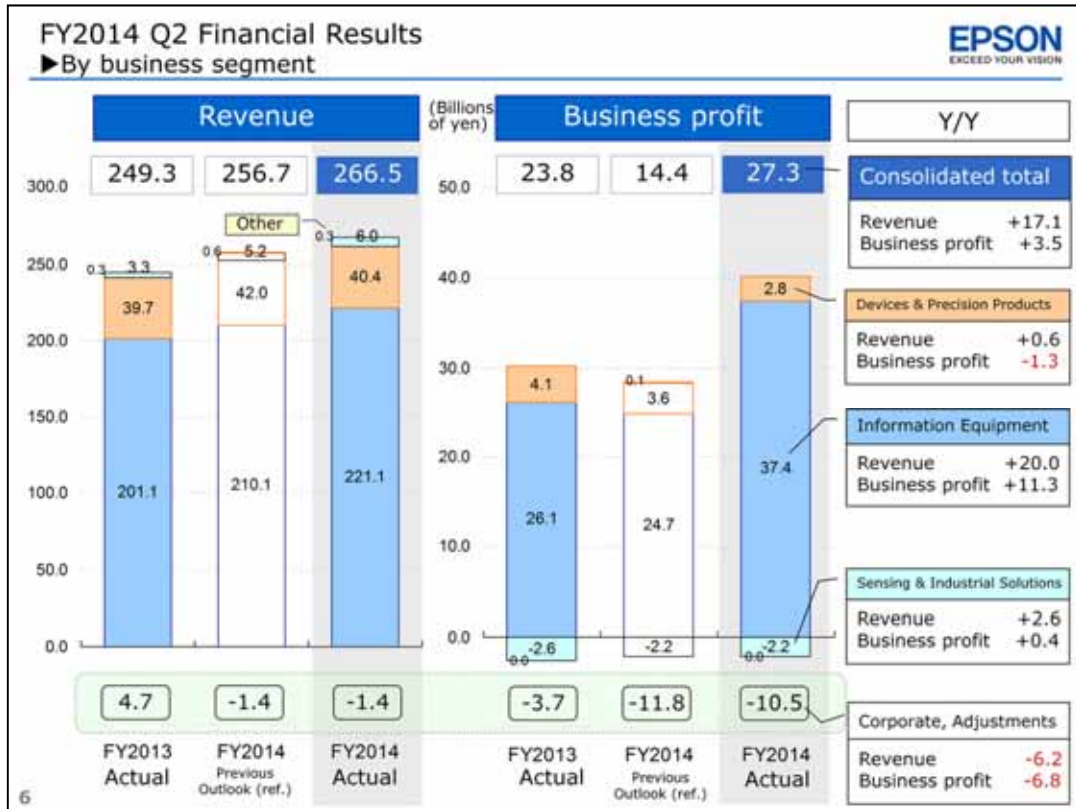
(Billions of yen)	FY2013		FY2014		Change (amount, %) Y/Y	7/31 Outlook (ref.)	
	Q2 Actual	%	Q2 Actual	%		Q1 results deducted from 1H outlook	%
Revenue	249.3	-	266.5	-	+17.1 +6.9%	256.7	-
Business profit	23.8	9.6%	27.3	10.3%	+3.5 +14.7%	14.4	5.6%
Profit from operating activities	23.0	9.3%	23.9	9.0%	+0.8 +3.8%	14.3	5.6%
Profit before taxes	23.0	9.2%	25.8	9.7%	+2.8 +12.5%	14.2	5.6%
Profit for the period	14.9	6.0%	19.0	7.2%	+4.1 +28.0%	12.4	4.8%
EPS	¥82.90		¥106.18				
Exchange rate	USD	¥98.95	¥103.92			¥100.00	
	EUR	¥131.05	¥137.76			¥135.00	

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

5

### ■ FY2014 second-quarter financial highlights

- Revenue for the quarter was 266.5 billion yen, up 17.1 billion yen year-on-year. Business profit was 27.3 billion yen, an increase of 3.5 billion yen. Profit from operating activities grew by 800 million yen to 23.9 billion yen. Profit for the period was 19.0 billion yen, an increase of 4.1 billion yen.



- FY2014 second-quarter revenue and business profit by business segment
- Revenue and business profit grew year-on-year and exceeded the previous outlook, particularly in the information-related equipment segment.
- The decline in both revenue and profit in the corporate segment was due to a one-off spike in intellectual property income in the same period last year.

## Main Factors Affecting Q2 Results (Vs the Internal Plan)



- ◆ Revenue and business profit exceeded our business plan owing to yen depreciation and steady growth in each of the businesses in the information equipment segment.

Overall	<ul style="list-style-type: none"><li>+ Effects of yen depreciation</li><li>+ Some fixed costs postponed until H2</li></ul>
Information Equipment	<ul style="list-style-type: none"><li>● High-capacity ink tank &amp; commercial printers proceeding as planned</li><li>+ Strong consumables sales</li><li>+ POS printer sales strong in Europe &amp; U.S.</li><li>+ Projector sales strong (set new record for the quarter)</li></ul>
Devices & Precision Products	<ul style="list-style-type: none"><li>- Shipments of crystal devices for consumer electronics decreased</li><li>- Some semiconductor demand pushed back into H2</li></ul>

\* The "+" and "-" indicate the effect on business profit.

7

- Main factors affecting Q2 results year-over-year



## FY2014 Financial Outlook



(Billions of yen)	FY2013		FY2014				Change (amount, %)	
	Results	%	7/31 Outlook	%	Current Outlook	%	Y/Y	Vs. Previous Outlook
Revenue	1,008.4	-	1,040.0	-	1,060.0	-	+51.5 +5.1%	+20.0 +1.9%
Business profit	90.0	8.9%	92.0	8.8%	105.0	9.9%	+14.9 +16.6%	+13.0 +14.1%
Profit from operating activities	79.5	7.9%	120.0	11.5%	132.0	12.5%	+52.4 +65.9%	+12.0 +10.0%
Profit before taxes	77.9	7.7%	119.0	11.4%	132.0	12.5%	+54.0 +69.3%	+13.0 +10.9%
Profit for the year	84.4	8.4%	100.0	9.6%	111.0	10.5%	+26.5 +31.5%	+11.0 +11.0%
EPS	¥472.03		¥559.00		¥620.50			
Exchange rate	USD	¥100.23	¥100.00		¥102.00			
	EUR	¥134.37	¥136.00		¥137.00			

Current outlook exchange rate assumptions from Q3 onward  
**USD: ¥100.00**  
**EUR: ¥135.00**

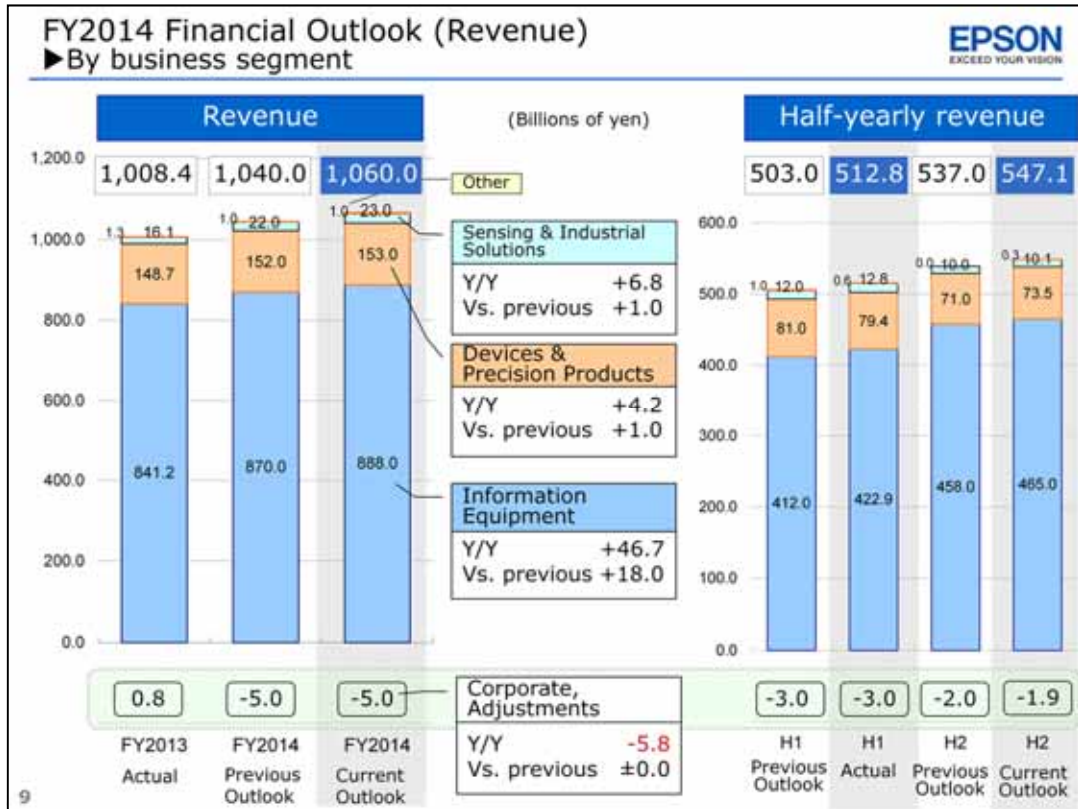
Foreign exchange sensitivity (effect of 1-yen depreciation on FY2014 results)

	Revenue	Business profit
USD	Approx. +¥3.8 bil.	Approx. +¥0.3 bil.
EUR	Approx. +¥1.2 bil.	Approx. +¥0.8 bil.

8 \* Business profit calculated by deducting cost of sales and SGA expenses from revenue

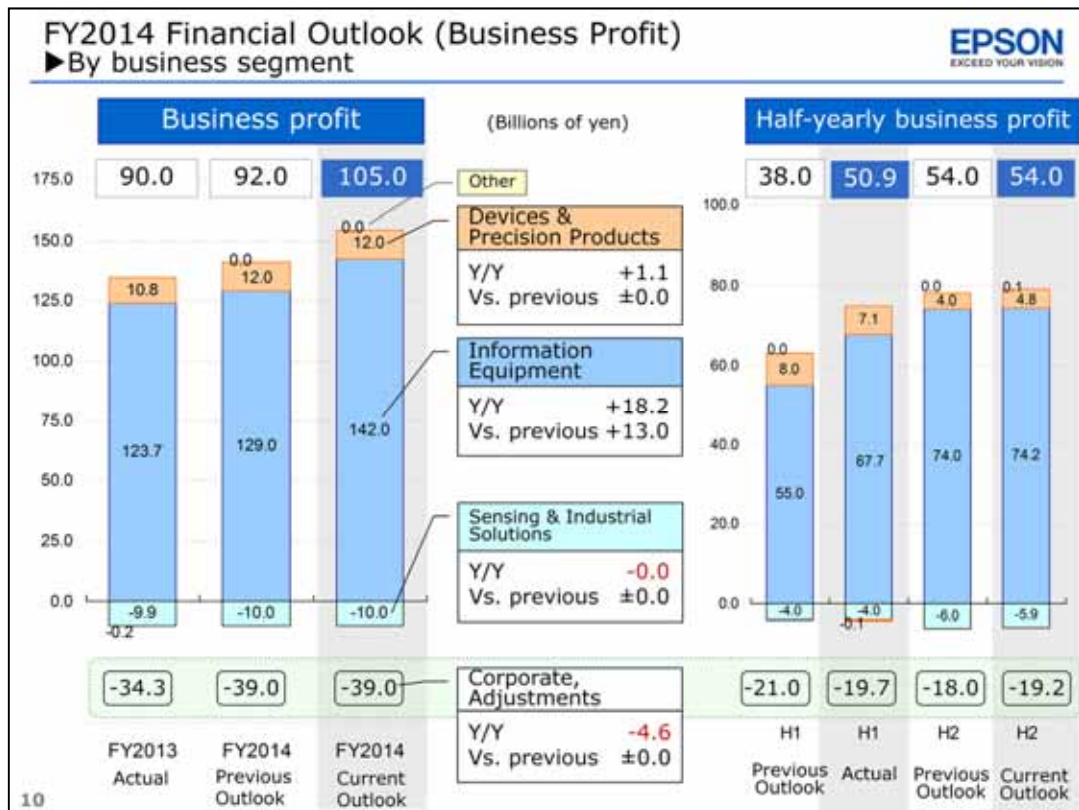
### ■ FY2014 financial outlook

- We raised our revenue outlook, as well as the outlook for every category of profit. We currently expect 1,060 billion yen in revenue, or 20 billion yen more previously forecast. Business profit is seen coming in at 105 billion yen, up 13 billion yen. Profit from operating activities should be about 132 billion yen, up 12 billion yen. And profit for the period is seen rising by 11 billion yen to 111 billion yen.
- The figures in the outlook are based on assumed second-half exchange rates of 100 yen to the U.S. dollar and 135 yen to the Euro. These are the same rates that were used for the previous outlook.
- We are making the same assumptions about the foreign exchange sensitivity of our full-year business profit to a one-yen appreciation as when we prepared the previous outlook. A one-yen appreciation of the yen versus the dollar and euro would have a 300 million yen impact and 800 million yen impact, respectively.



■ Revenue outlook for FY2014 with figures broken down by segment and by full year, first half, and second half

➤ We are revising the consolidated total revenue outlook upward in conjunction with an upward revision in the revenue outlooks in both the devices & precision products and information-related equipment segments.



- FY2014 full-year business profit outlook with figures broken down by business segment and by full year, first half, and second half
- We still anticipate 54 billion yen in total consolidated business profit for the second half. However, we are raising the full-year business profit outlook by the amount that actual first-half business profit exceeded the previous outlook. So, whereas we previously forecast full-year business profit to be 92 billion yen, we now expect it to be around 105 billion yen.
- This year we are thus seeing a sharp improvement in the balance between first-half and second-half business profit.
- This improvement is due to a variety of factors, including the effects of yen depreciation, but more importantly, the execution of strategies in the information-related equipment segment designed to increase sales of high-capacity ink tank models, reduce ink cartridge printer costs and improved their profitability, and a relative weakening of the Japanese market, where sales are heavily weighted toward the year-end shopping season.
- This year we got some help from certain temporary factors, for example, some fixed cost expenditures that were planned for the first half slipped out into the second half. However, we believe that the steadily improving profit balance between first and second halves suggests that Epson's financial position is getting stronger.

## Main Factors Affecting FY2014 Outlook



- ◆ Our strategies under our SE15 mid-range business plan are progressing smoothly and we will stay the course in H2 and beyond
- ◆ The considerations below were factored into the H2 outlook

<b>Overall</b>	<ul style="list-style-type: none"> <li>● No major changes expected in business environment or plan assumptions</li> <li>- Performance-linked expenses to increase and increase in expenditures postponed until H2</li> </ul>
<b>Information Equipment</b>	<ul style="list-style-type: none"> <li>+ Unit shipments of high-capacity ink tank models &amp; projectors to increase</li> <li>- Special factors affecting inkjet consumables</li> <li>- Investment in strategic product sales promotions</li> </ul>
<b>Devices &amp; Precision Products</b>	<ul style="list-style-type: none"> <li>+ Capture demand postponed from H1</li> </ul>

\* The "+" and "-" indicate the effect on business profit.

(Billions of yen)

	Revenue			Business Profit		
	Previous Outlook	Current Outlook	Revision	Previous Outlook	Current Outlook	Revision
H1 Results	503.0	512.8	➔	38.0	50.9	➔
H2 Outlook	537.0	547.1	➔	54.0	54.0	➔
Full-Year Outlook	1,040.0	1,060.0	➔	92.0	105.0	➔

11

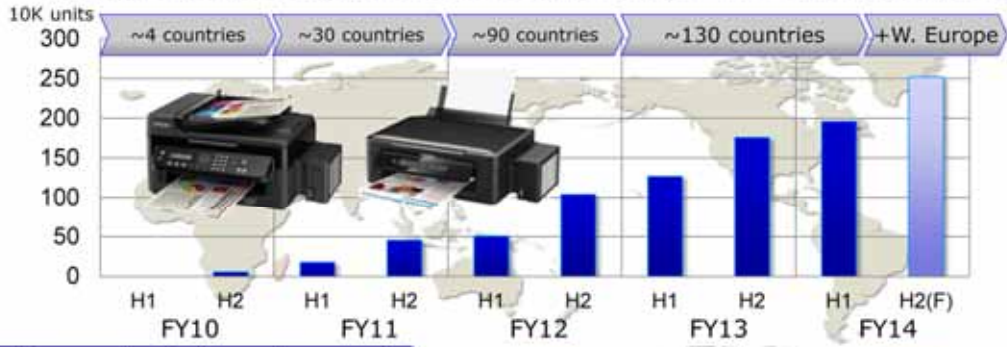
- Main factors affecting FY2014 outlook

# FY2014 Second Half Initiatives



## High-capacity ink tank models

➤ Solid growth in emerging markets. Began selling in Western Europe in H2.



## Managed print services and replaceable ink pack system (RIPS) models

- Orders growing smoothly in Japan and customer response favorable
- Began sales in Western Europe on schedule



12

### ■ Initiatives in second half FY2014



## Projectors

- Sustain strong sales of business and home projectors in a rebounding market.
- Expand sales of short-throw and other differentiated projectors.



## Sensing Systems

- Launch differentiated new products that capitalize on Epson's core technologies.
  - GPS, motion sensing, vital sign monitoring and other sensing technologies
  - Energy-saving technology
  - Watch technology



**RUNSENSE**

For runners, with built-in heart rate sensor



**PULSENSE**

With built-in heart rate sensor



**M-Tracer**  
For Golf

- Initiatives in second half FY2014

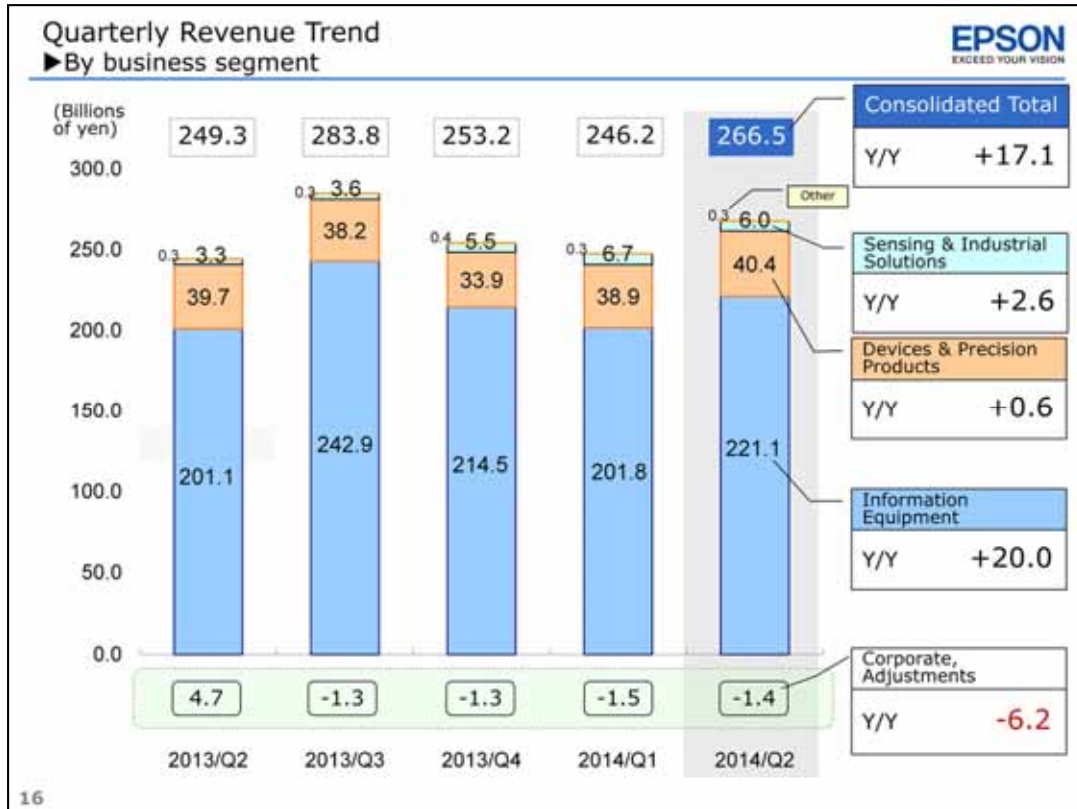
1. Overview

2. Details

**1) FY2014 Q2 Financial Results**

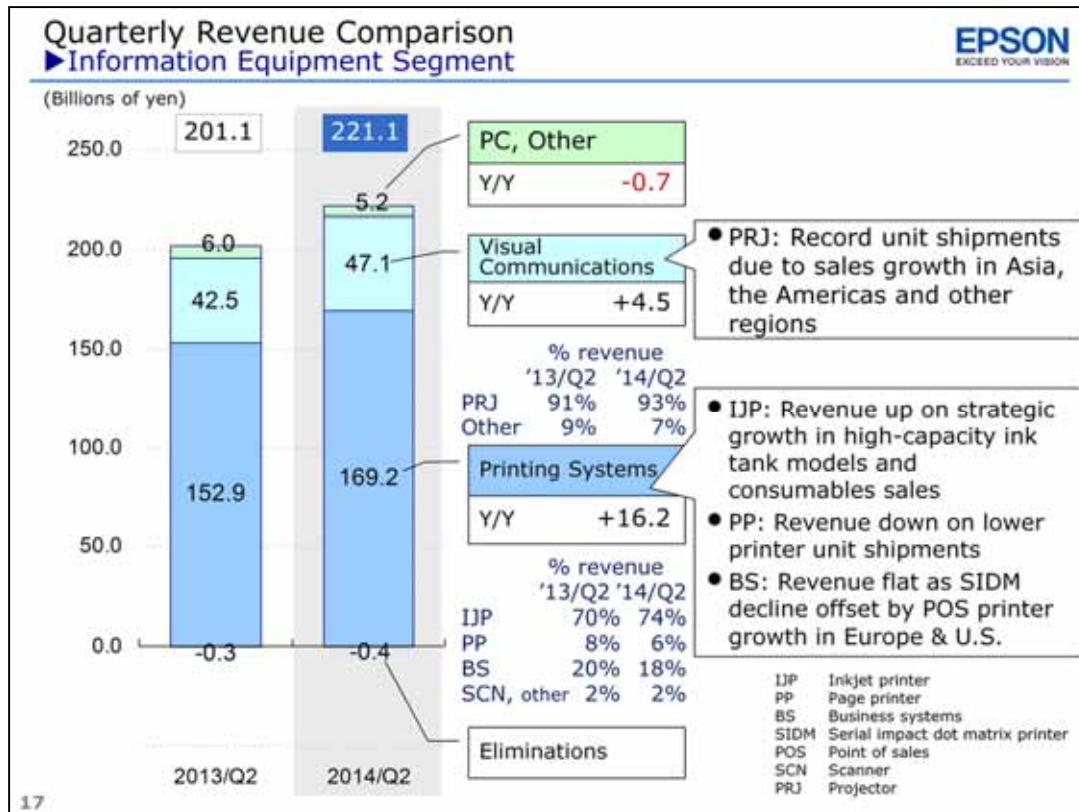
2) FY2014 Financial Outlook



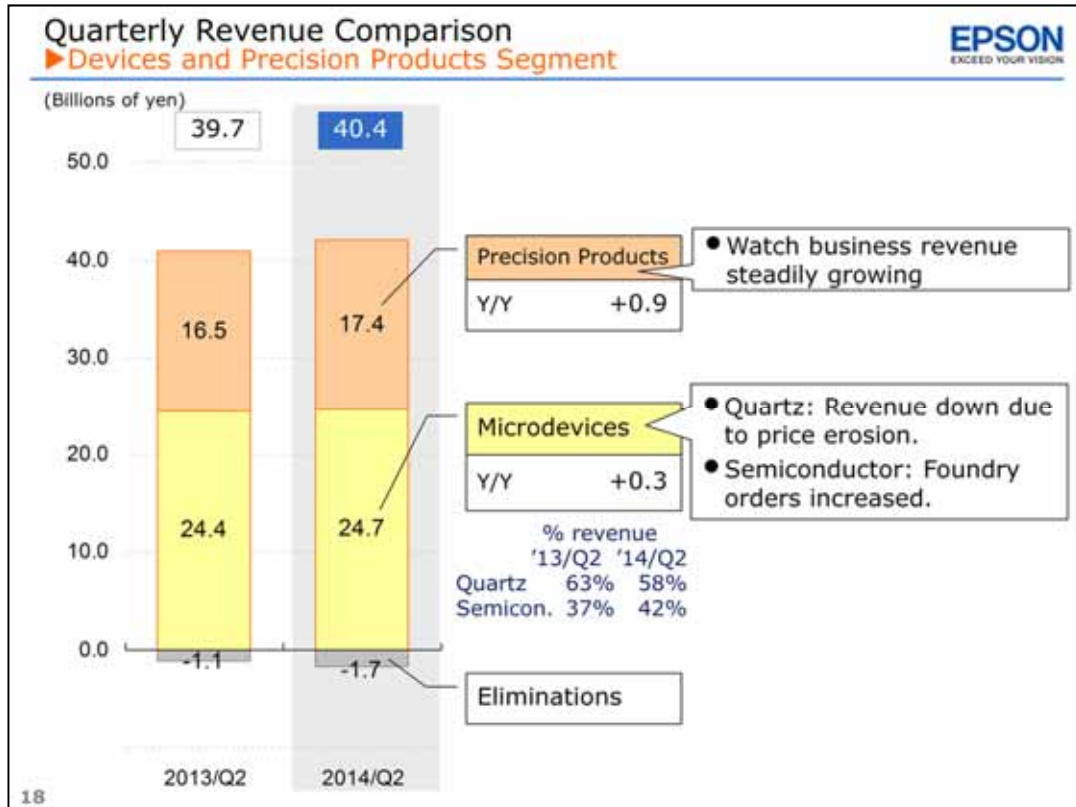


■ Revenue in each segment over the last five quarters

- Our total consolidated revenue was 266.5 billion yen, a year-on-year increase of 17.1 billion yen. Information-related equipment segment revenue grew by 20 billion yen. Devices & precision products segment revenue grew by 600 million yen. And sensing & industrial solutions segment revenue grew by 2.6 billion yen.
- Foreign exchange had a 9.5 billion yen positive effect on total revenue for the period.

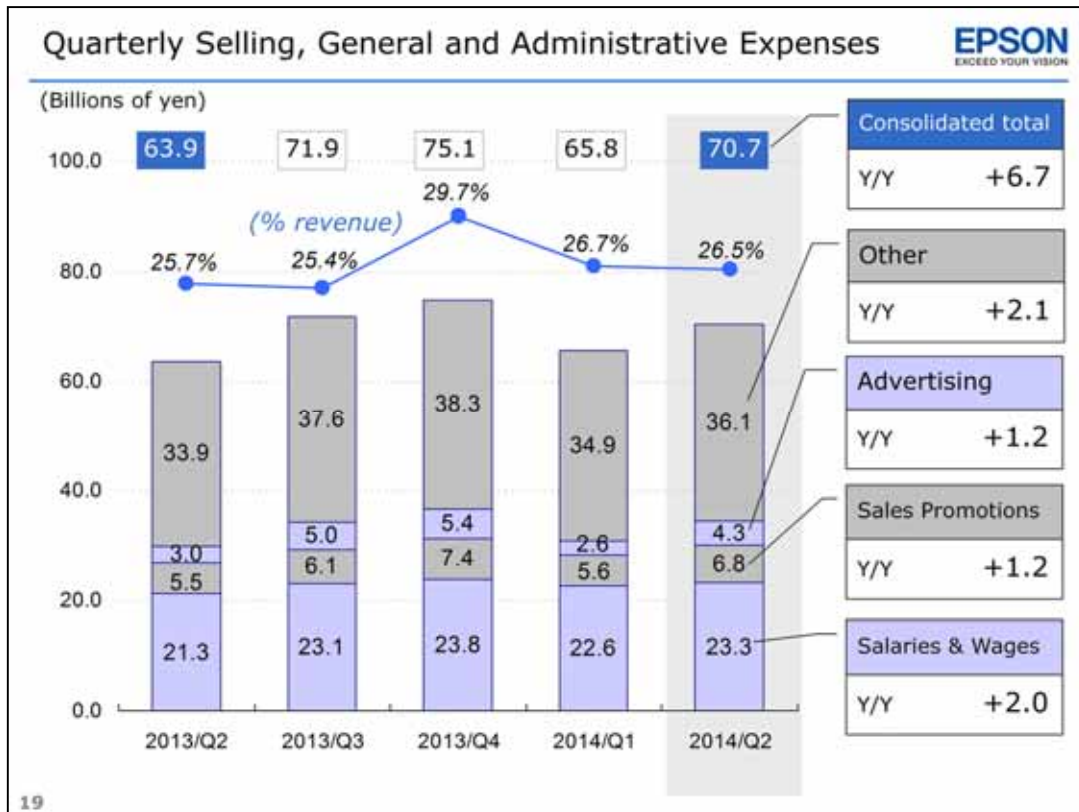


- Quarterly revenue in the businesses making up the information equipment segment
  - Yen depreciation affected the revenue in all of the businesses in this segment.
  - Printing systems revenue climbed by 16.2 billion yen.
  - Inkjet printer revenue increased. Unit shipments of ink cartridge printers for consumers shrank in Europe and the U.S. On the other hand, we increased sales of office inkjets and high-capacity ink tank printers, and, in addition to year-on-year growth in overall unit shipments, sales of consumables in Europe and the U.S. were strong.
  - Sales of A3 photo printers and other commercial printers increased.
  - The result is that the inkjet printer business saw its revenue increase year-on-year.
  - Page printer revenue declined because we limited sales of low-priced models.
  - Business systems revenue was flat year-on-year. SIDM printer sales declined because we have passed the peak in demand for SIDM printers used in tax collection systems in China, but demand for POS printers was strong in Europe and the U.S.
  - Visual communications revenue increased. With growth returning to the projector market, we set a new record for quarterly unit shipments thanks particularly to growth in education projectors in Asia and the Americas. Revenue also benefited from higher average selling prices, as models in the high- and medium-price zones accounted for a higher percentage of sales.



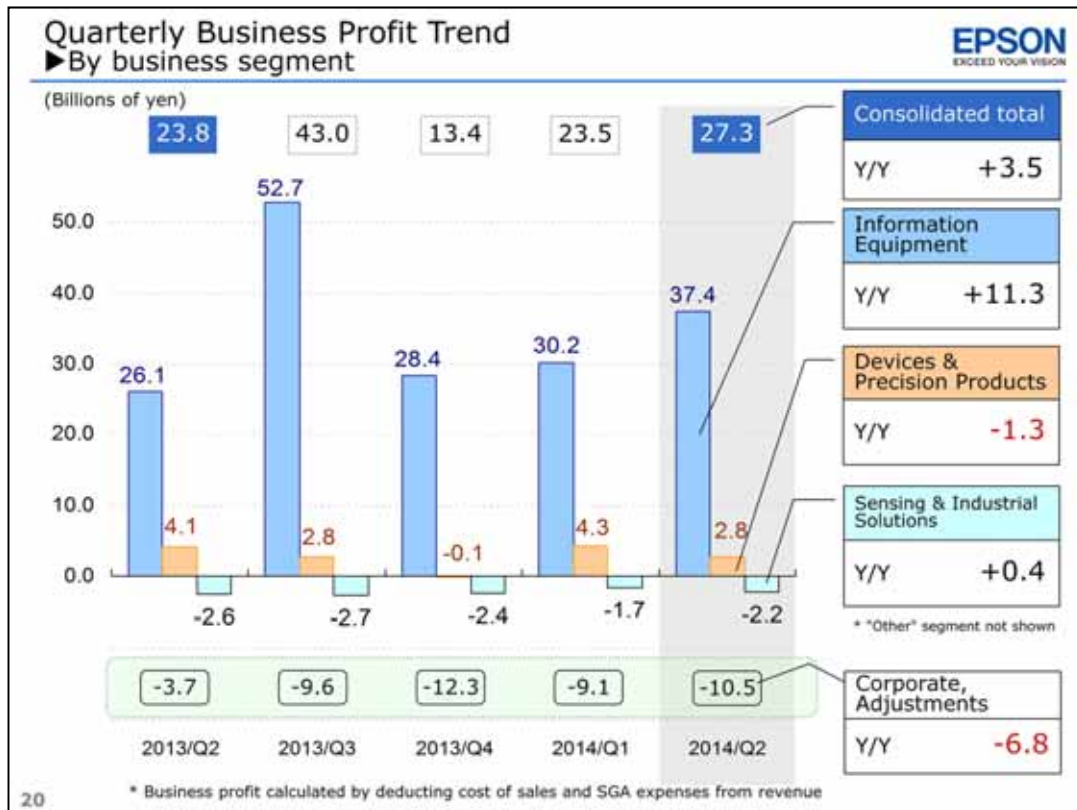
■ Quarterly revenue in the devices & precision products segment

- In the microdevices business as a whole, revenue was essentially flat year-on-year. Although sales of high-value-added crystal devices for applications such as base stations increased, quartz business revenue shrank as prices for crystal products used in consumer electronics such as smartphones and digital cameras continued to erode. On the other hand, semiconductor revenue increased thanks to a sharp jump in silicon foundry orders.
- Precision products revenue increased year-on-year, mainly because of firm demand in the watch business.



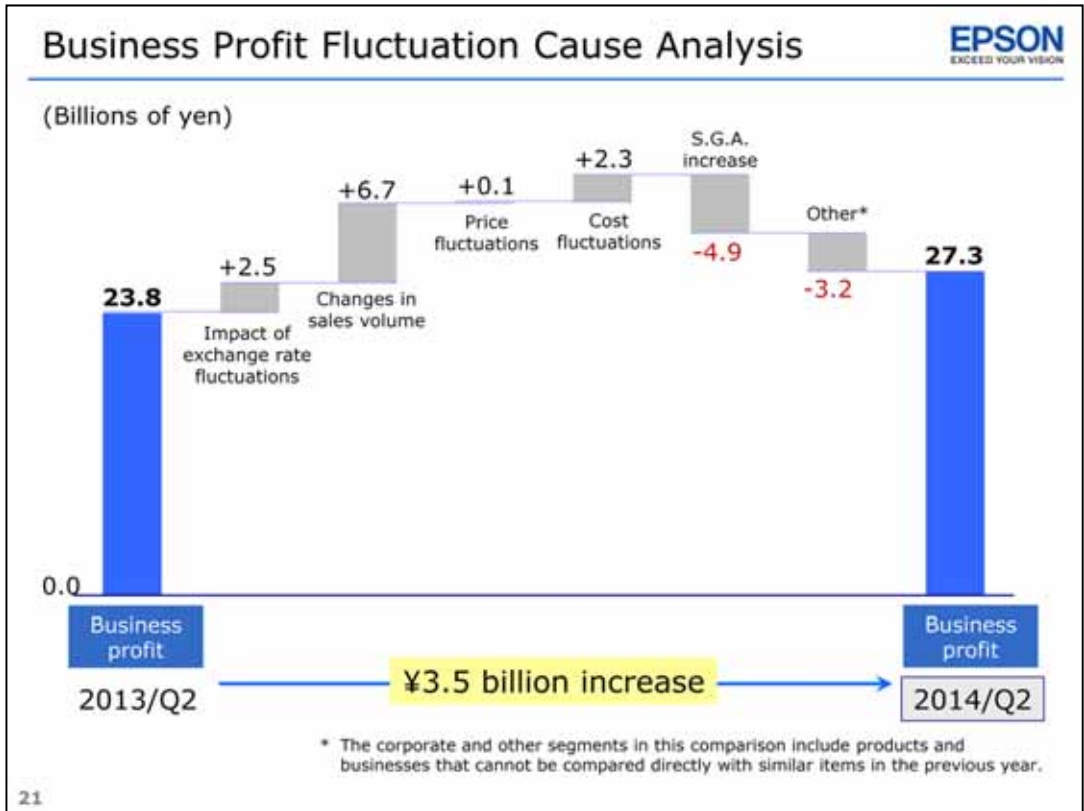
■ Quarterly selling, general and administrative expenses

- In the second quarter, SG&A expenses as a percentage of revenue increased year-over-year. The primary reasons for this are yen depreciation, an increase in labor costs linked to financial performance, and greater spending on advertising and sales promotions, especially in the information-related equipment segment.



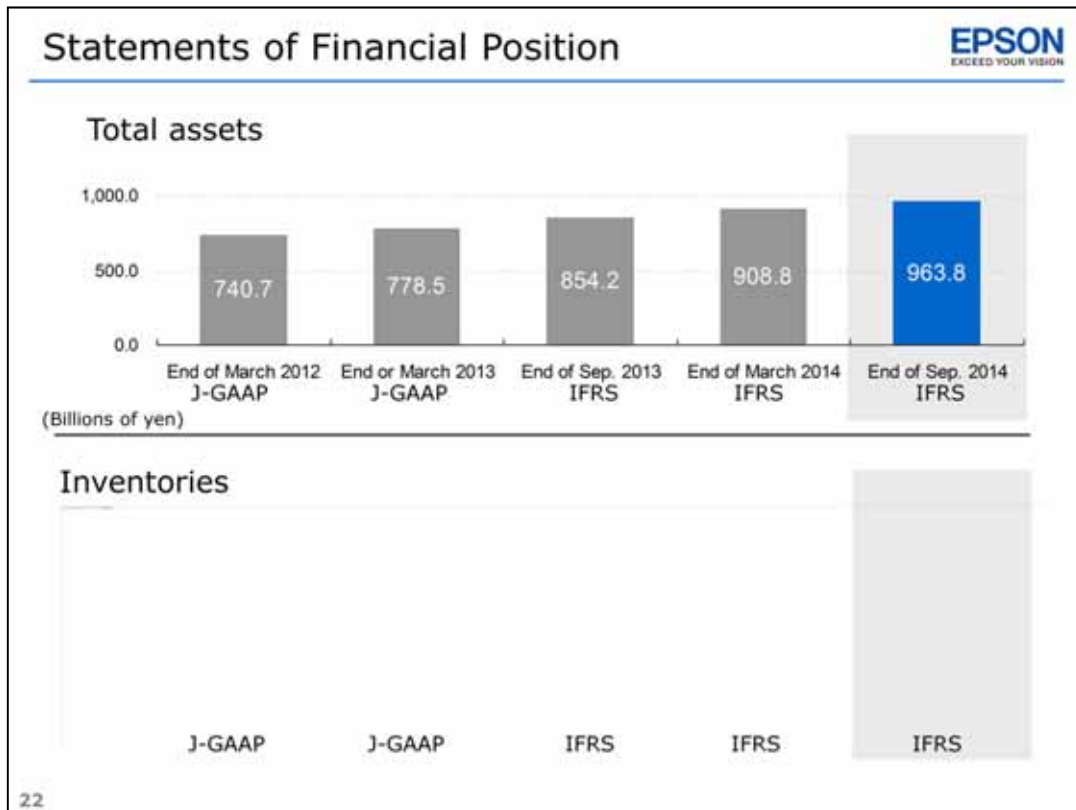
■ Breakdown of quarterly business profit by segment

- The effects of yen depreciation in the quarter resulted in a roughly 2.5 billion yen increase in business profit compared to the same quarter last year.
- Information-related equipment recorded 37.4 billion yen in business profit, a year-on-year increase of 11.3 billion yen.
- Business profit jumped in the inkjet printer business chiefly due to a combination of an improved model mix that is now composed of more high-capacity ink tank printers, reduced costs, and increased revenue from consumables.
- Business systems' revenue and business profit were flat, year-on-year. Visual communications reported higher business profit on revenue growth.
- Page printer revenue decreased but business profit was similar to the year-ago period, mainly due to cost reductions.
- Business profit decreased in the devices and precision products segment as a whole because firm demand in the semiconductor and watch businesses was outweighed by the decline in revenue in the quartz business.
- The sensing and industrial solutions segment as a whole doubled its revenue and narrowed its loss. The sensing systems business increased sales by launching new products. Meanwhile, the industrial solutions business, roughly doubled its unit shipments compared to the same period last year due to increased sales of precision assembly robots to smartphone manufacturers in China, and to automotive component and electronics manufacturers in Europe and the U.S.



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

- In the second quarter of last year we had 23.8 billion yen in business profit. In the same quarter this year we had 27.3 billion yen in business profit. Although increased selling, general and administrative expenses were a drag on business profit, factors such as increased volume, cost reductions, and foreign exchange effects worked in favor of increased business profit.



■ Major items on our statements of financial position

- Total assets increased by 54.9 billion yen compared to the end of the prior fiscal year, chiefly due to increases in inventories and in trade and other receivables.
- Inventories increased by 34.8 billion yen. Inventories increased mainly because we increased production in preparation for the year-end shopping season but also because of insufficient port capacity in the Philippines and Indonesia and higher inventory valuations associated with changes in foreign exchange rates.

The inventory turnover rate at the end of the 2014 fiscal year should be about the same as it was at the end of last year.



## Statements of Financial Position



### Interest-bearing liabilities & ratio of interest-bearing liabilities



(Billions of yen)

### Equity & equity ratio attributable to owners of the parent company (Shareholder's equity & equity ratio)



\*Interest-bearing liabilities: Includes lease obligations

23

#### ■ Major items on our statements of financial position

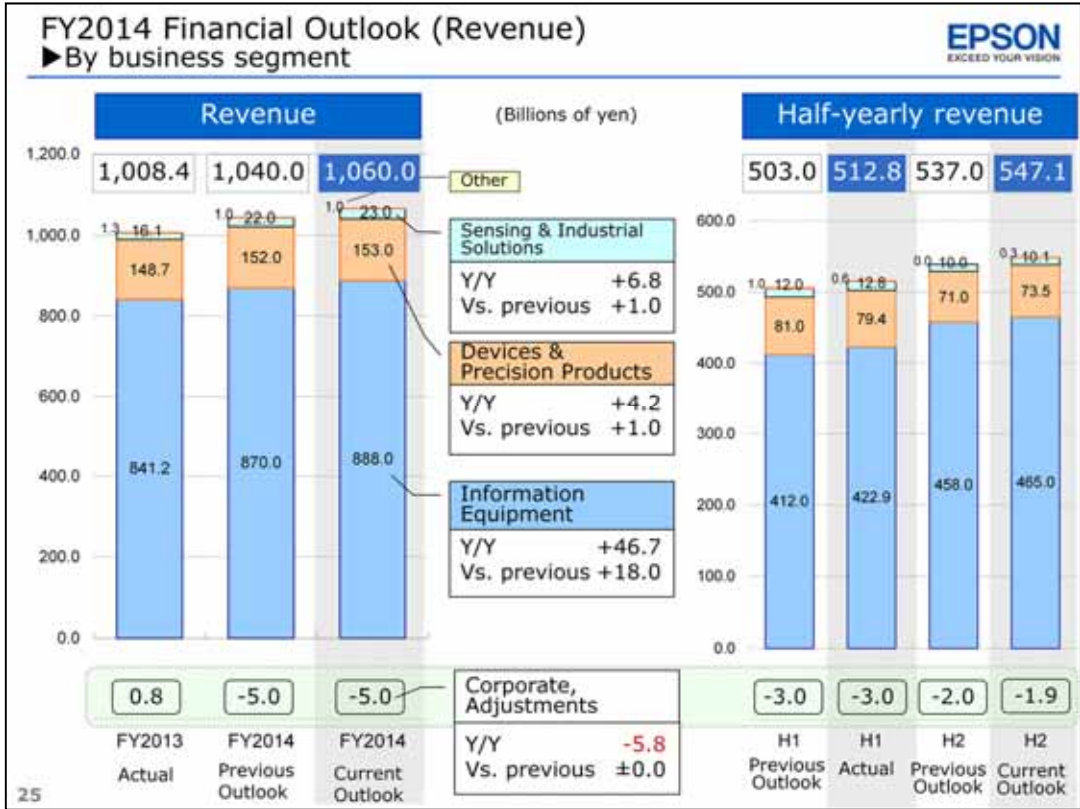
- Interest-bearing liabilities decreased by 9.2 billion yen compared to the end of the previous fiscal year primarily due to a redemption of bonds. The ratio of interest-bearing liabilities to total assets was 21.9%.

Net interest-bearing liabilities decreased by 14.1 billion yen since the end of the previous fiscal year, and we had 3.1 billion yen in net cash.

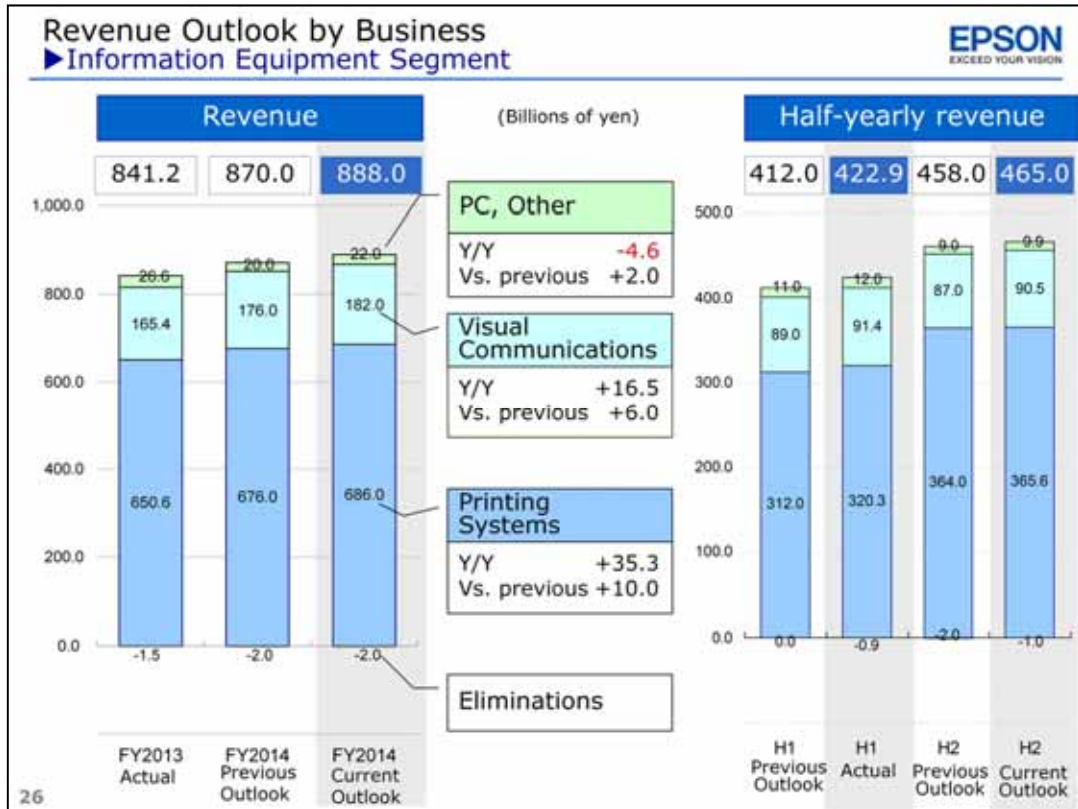
- Equity attributable to owners of the parent company increased by 80.4 billion yen compared to the previous fiscal year-end, largely due to our financial performance. As a result, the ratio of equity attributable to owners of the parent company was 45.9%.



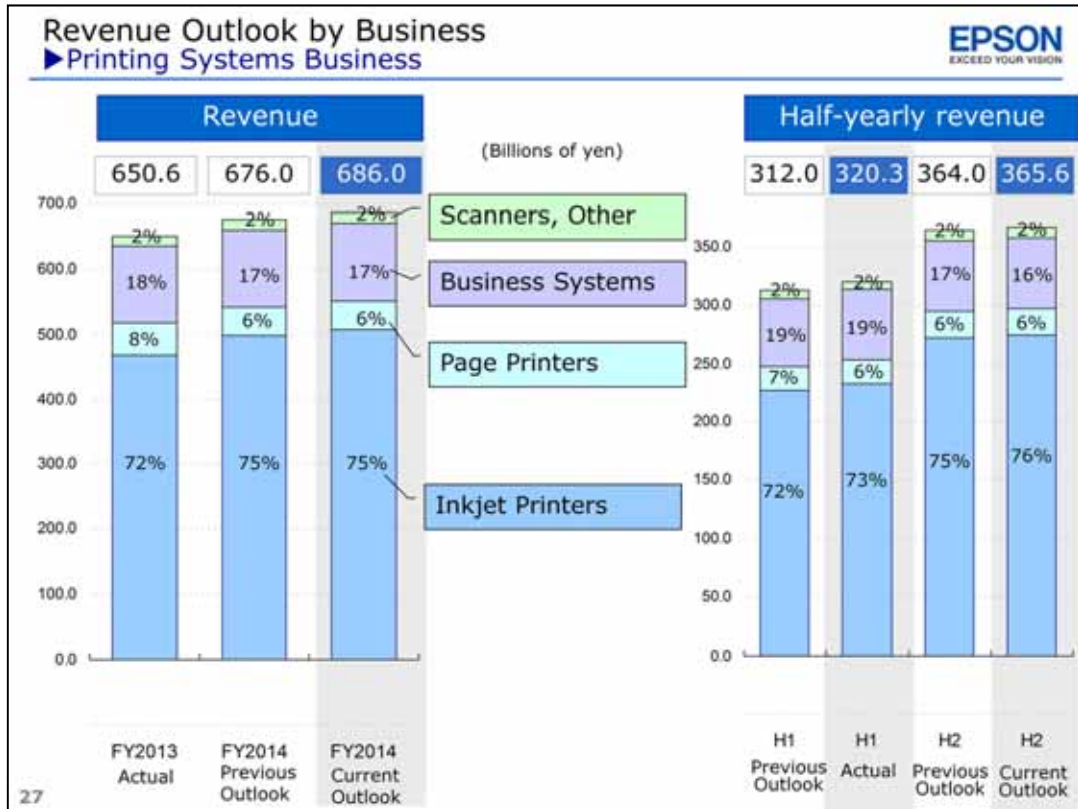
- 1) FY2014 Q2 Financial Results
- 2) FY2014 Financial Outlook



- Revenue outlook for FY2014 broken down by segment and by first and second half
- We are raising the consolidated total revenue outlook for the second half in conjunction with upward revisions to outlooks in the information-related equipment segment and devices & precision products segment.

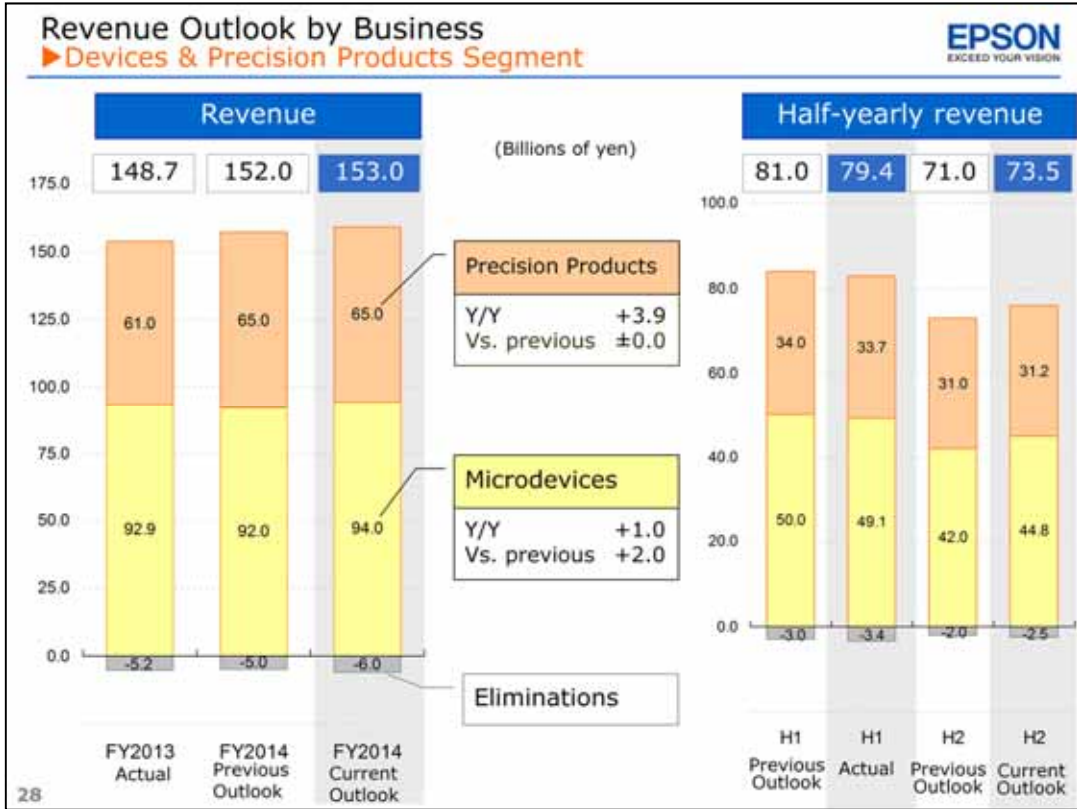


- Breakdown of projected revenue in each business of the information-related equipment segment
  - We expect visual communications to book 182 billion yen in revenue. This is 6 billion yen higher than projected in the previous outlook.
  - We raised the full-year revenue outlook because projector unit shipments were higher than expected and because we anticipate year-on-year unit growth to be in the neighborhood of 10%.

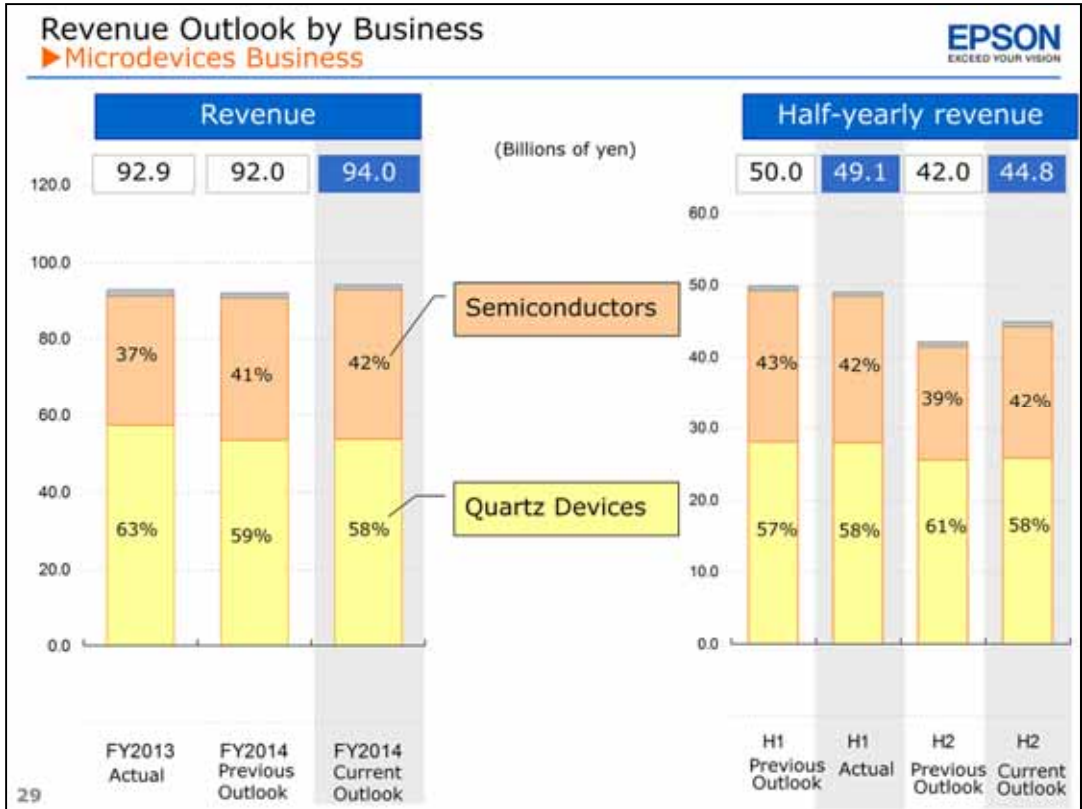


■ Printing systems business revenue outlook

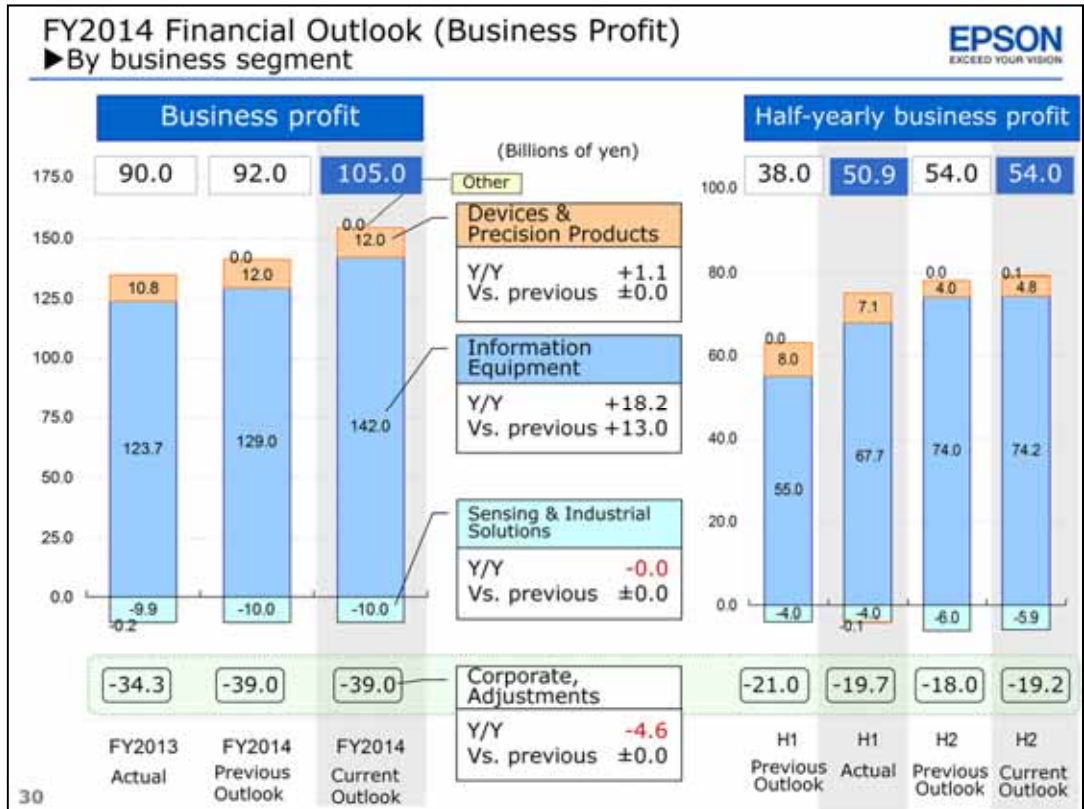
- We expected to exceed the previous outlook by 10 billion yen and come in at around 686 billion yen.
- As previously forecast, we expect full-year inkjet printer unit shipments to grow 8% year-on-year.



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

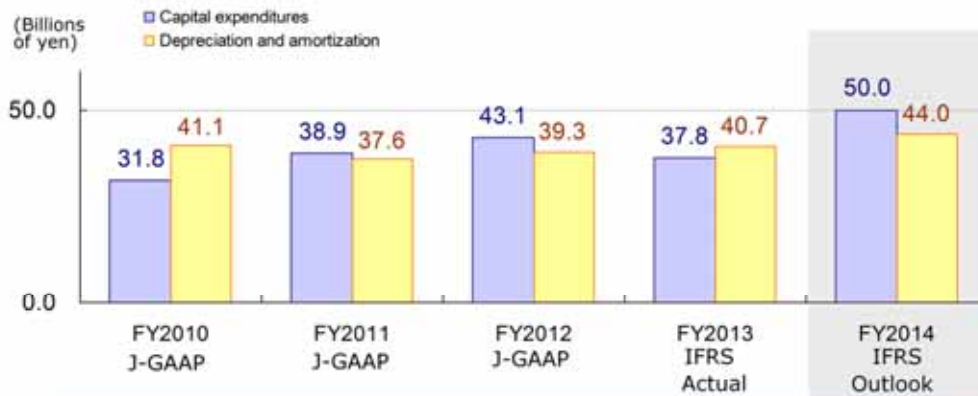


- Breakdown in revenue in the microdevices business



- FY2014 full-year business profit outlook with figures broken down by segment and by half
- At 54 billion yen, the outlook for total consolidated business profit in the second-half remains unchanged since the previous outlook. However, we raised the full-year business profit outlook to 105 billion yen, up from the 92 billion yen in the previous outlook.

## Outlook for Capital Expenditure and Depreciation & Amortization Expenses



Breakdown by segment	FY2013 Actual		FY2014 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	26.8	27.3	34.0	31.0
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

31

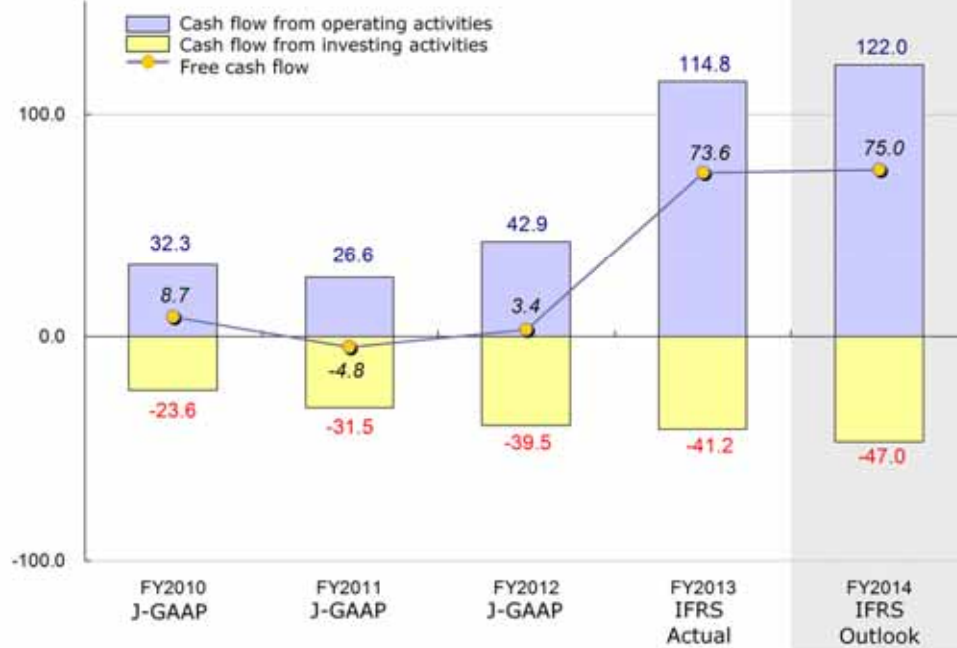
### ■ Outlook for capital expenditures and depreciation and amortization expenses

- We are being extremely selective in our investments, so we reduced the capital expenditure outlook from 52 billion yen in the previous outlook to 50 billion yen in the current outlook, and we increased estimated depreciation and amortization to 44 billion yen, down from 45 billion yen in the previous outlook.



## Free Cash Flow Outlook

(Billions of yen)

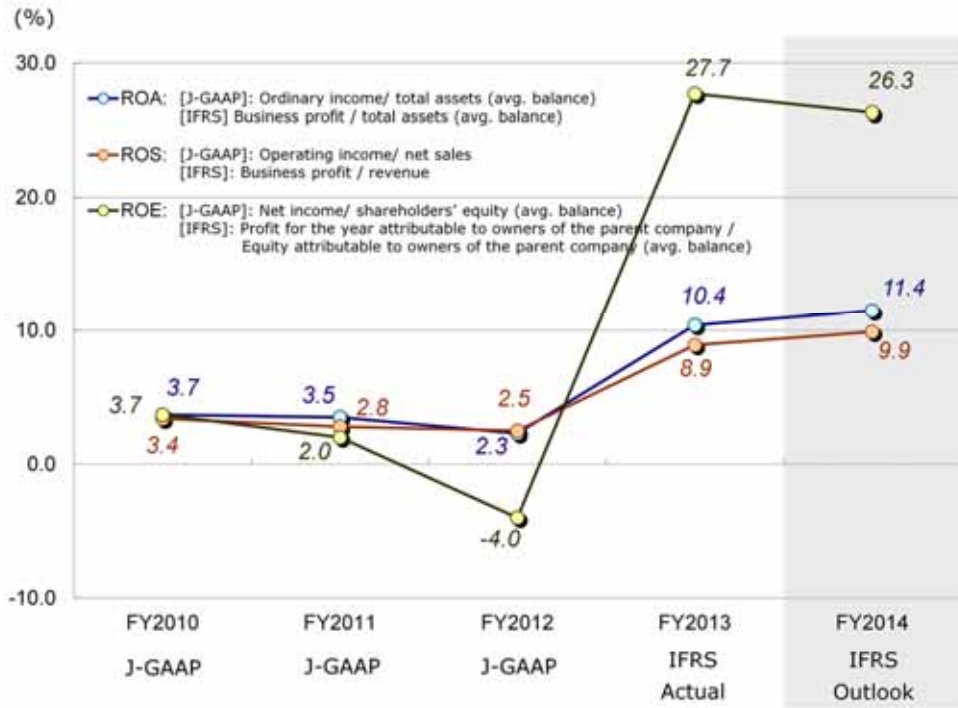


32

### ■ 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 ¥118 billion to ¥122 billion. Cash flow from investing activities was lowered from ¥53 billion to ¥47 billion. We raised the estimate for free cash flow to ¥75 billion from ¥65 billion.

## Main Management Indicators



■ Major management performance indicators

➤ ROS of 9.9%, ROA of 11.4 %, and ROE of 26.3%

**EPSON**  
EXCEED YOUR VISION