



Second Quarter Financial Results Fiscal Year 2015 (Ending March 2016)

October 29, 2015

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.

■ Note regarding business profit

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.

■ FY2015 reporting segments

In April 2015, the Company reorganize its businesses to put Epson in the best position to cap off the SE15 Updated Mid-Range Business Plan (FY2013-15), achieve the FY2015 Business Plan, and prepare for FY2016 and beyond. In conjunction with these structural changes, the Company changed its reporting segments at the start of the 2015 fiscal year based on the management approach. The Company's FY2014 financial results are shown under the new reporting segments to facilitate year-over-year comparisons.

■ Numerical values presented herein

Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

■ 1. Overview

■ 2. Details

Financial Highlights (First Half)



	FY2014		FY2015				Change (amount, %)		
	Actual	%	7/30 Outlook	%	Actual	%	Y/Y		Vs. 7/30 Outlook
(Billions of yen)									
Revenue	512.8	-	540.0	-	542.9	-	+30.1 +5.9%	-	+2.9 +0.6%
Business profit	50.9	9.9%	44.0	8.1%	40.2	7.4%	-10.6 -20.9%	-	-3.7 -8.5%
Profit from operating activities	78.5 *1 (48.5)	15.3% (9.5%)	44.0	8.1%	41.7	7.7%	-36.8 -46.9%	(-6.8) (-14%)	-2.2 -5.2%
Profit before taxes	80.6 (50.5)	15.7% (9.9%)	44.0	8.1%	40.1	7.4%	-40.5 -50.3%	(-10.4) (-20.7%)	-3.8 -8.8%
Profit for the period	65.6 (35.6)	12.8% (6.9%)	28.0	5.2%	26.1	4.8%	-39.5 -60.2%	(-9.4) (-26.5%)	-1.8 -6.5%
EPS ^{*2}	¥183.32		¥78.26		¥72.75		*1 In Q1 of FY2014, the company recorded a one-time profit of approximately ¥30 billion associated with revisions to the pension plan. () Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan. *2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).		
Exchange rate	USD	¥103.04	¥118.00		¥121.80				
	EUR	¥138.91	¥130.00		¥135.07				

Financial Highlights (Second Quarter)

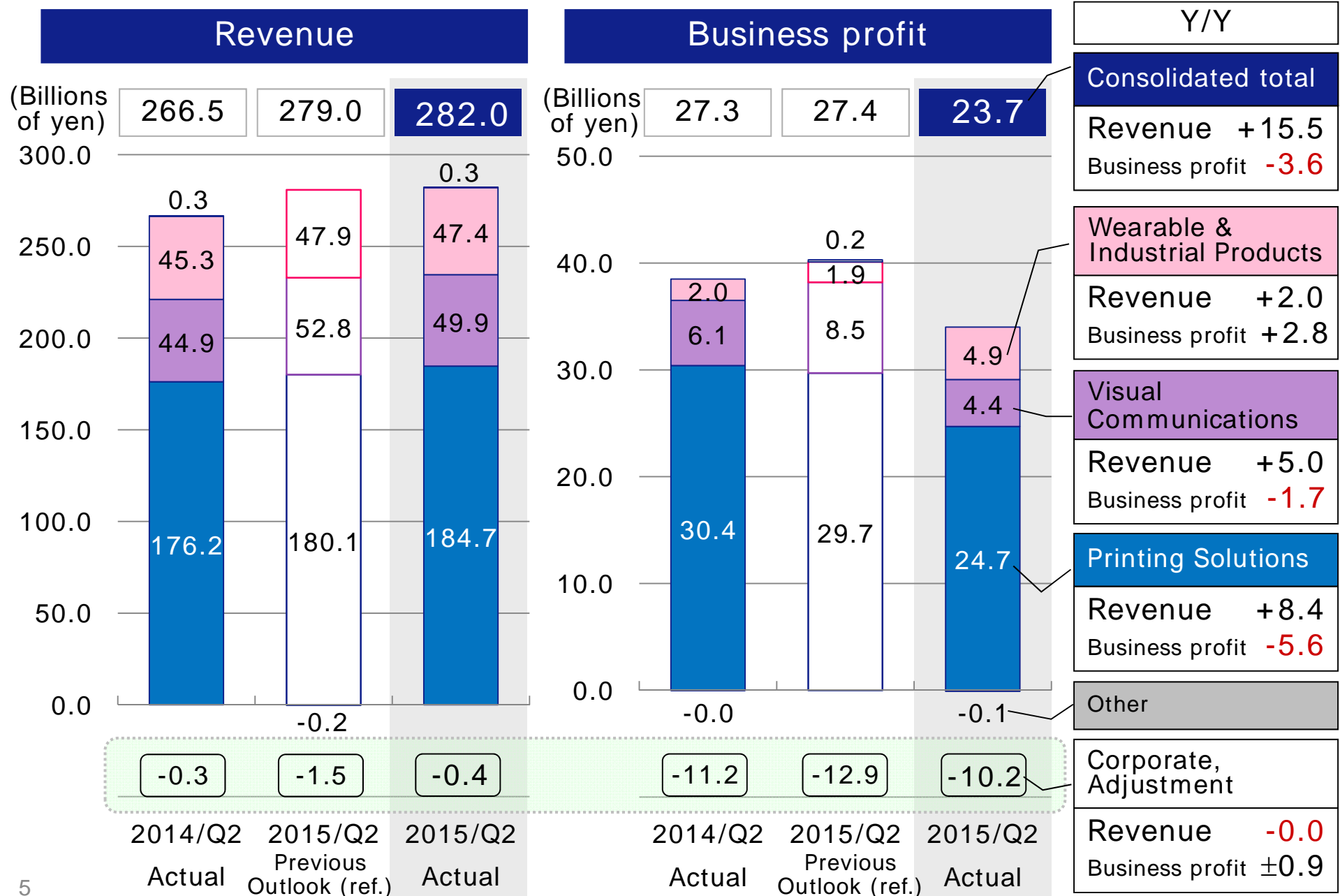


	FY2014		FY2015		Change		7/30 Outlook (ref.)	
	Q2 Actual	%	Q2 Actual	%	Amount	%	Q1 results deducted from 1H outlook	%
(Billions of yen)								
Revenue	266.5	-	282.0	-	+15.5	+5.8%	279.0	-
Business profit	27.3	10.3%	23.7	8.4%	-3.6	-13.4%	27.4	+9.8%
Profit from operating activities	23.9	9.0%	25.4	9.0%	+1.4	+6.1%	27.7	+9.9%
Profit before taxes	25.8	9.7%	24.0	8.5%	-1.8	-7.0%	27.9	+10.0%
Profit for the period	19.0	7.2%	15.6	5.5%	-3.4	-18.2%	17.4	+6.2%
EPS *1	¥53.09		¥43.32					
Exchange rate	USD	¥103.92	¥122.23				¥115.00	
	EUR	¥137.76	¥135.98				¥125.00	

*1 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

FY2015 Q2 Financial Results

► By business segment



Key Factors in Q2 (Business Profit vs. Previous Outlook)

+/- indicates positive/negative factors

	Business Operations	Environmental Changes
Companywide		- Severe and rapid Latin American currency devaluations
Printing Solutions Ref: Vs. previous outlook - 4.9 billion yen	+ Steady sales of high-capacity ink tank printers, higher priced business IJPs, and ink - Adjustments of ink cartridge model production timing	- Higher manufacturing costs for goods produced overseas due to USD appreciation - Erosion of prices for ink cartridge models in North America
Visual Communications - 4.1 billion yen	+ New record for projector shipments in Q2	- Sluggish projector market - Declining demand from U.S. and European education market - Sales of high-added-value models declined and the model mix worsened
Wearable & Industrial Products +2.9 billion yen	+ Reduced fixed costs by reorganizing the quartz business, etc.	- Revenue declined mainly due to effects of semiconductor market conditions

IJP : Inkjet printers



Rapidly changing business environment

FY2015 Financial Outlook



	FY2014		FY2015				Change (amount, %)			
	(Billions of yen)	Actual	%	Previous Outlook	%	Current Outlook	%	Y/Y	Vs. Previous Outlook	
Revenue		1,086.3	-	1,130.0	-	1,100.0	-	+13.6 +1.3%	- -2.7%	
Business profit		101.2	9.3%	102.0	9.0%	82.0	7.5%	-19.2 -19.0%	- -19.6%	
Profit from operating activities		131.3 *1 (101.3)	12.1% (9.3%)	100.0	8.8%	91.0	8.3%	-40.3 -30.7%	(-10.3) (-10.2%)	-9.0 -9.0%
Profit before taxes		132.5 (102.4)	12.2% (9.4%)	100.0	8.8%	88.0	8.0%	-44.5 -33.6%	(-14.4) (-14.1%)	-12.0 -12.0%
Profit for the year		112.7 (82.7)	10.4% (7.6%)	70.0	6.2%	60.0	5.5%	-52.7 -46.8%	(-22.7) (-27.5%)	-10.0 -14.3%
EPS *2		¥314.61		¥195.65		¥167.70				
Exchange rate	USD	¥109.93		¥117.00		¥118.00				
	EUR	¥138.77		¥127.00		¥130.00				

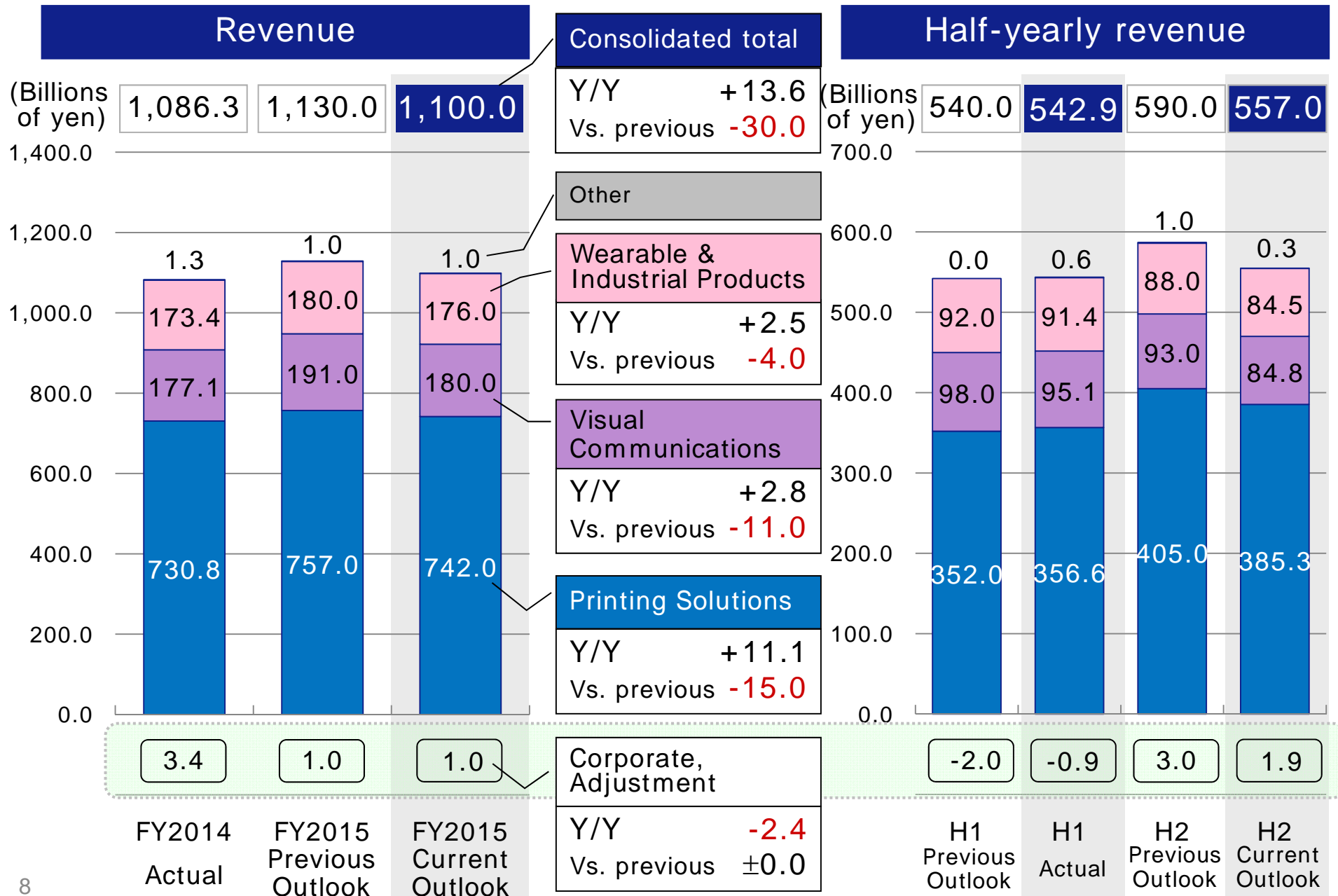
- Current outlook exchange rate assumptions from Q3 onward
USD : ¥115.00 / EUR : ¥125.00
- Foreign exchange sensitivity (business profit)
USD : -¥0.4 bil. / EUR : +¥0.8 bil.

*1 FY2014 business profit includes temporary factors including approx. 30 billion yen from the revision of the pension system, and from sales of fixed assets, etc. () Figures in parenthesis indicate profit excluding the effects of revisions to the pension plan.

7 *2 Epson declared a 2-for-1 stock split, effective April 1, 2015. EPS figures have been split-adjusted (does not include treasury stock).

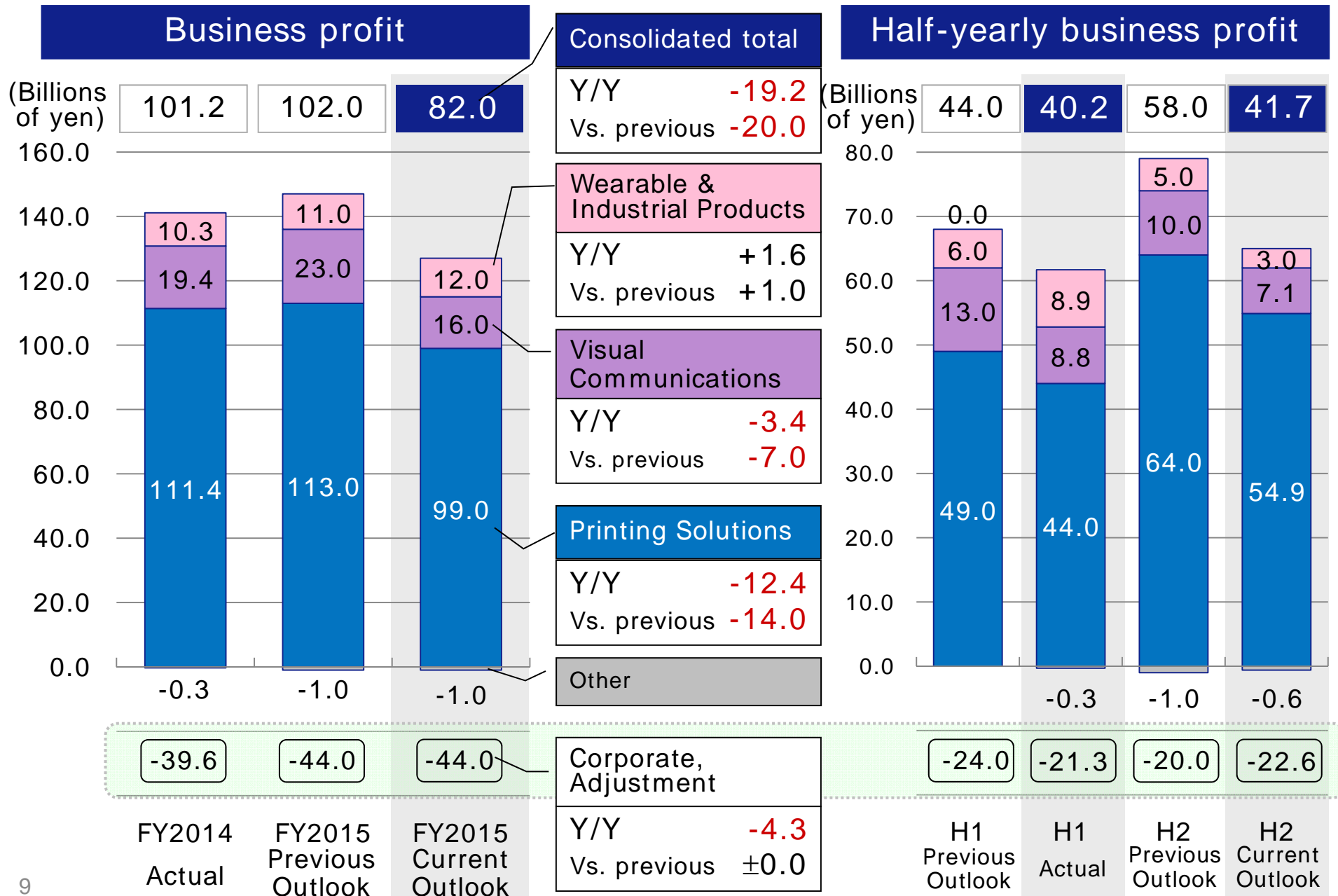
FY2015 Financial Outlook (Revenue)

► By business segment



FY2015 Financial Outlook (Business Profit)

► By business segment



- Important second-half factors (vs. previous outlook)

- ✓ SE15 mid-range business strategies are progressing smoothly
- ✓ In consideration of environmental changes, all currently visible risks were factored into the 2nd half outlook

Strategic Progress

- IJP strategies are progressing smoothly
- Steady deployment of measures aimed at growth over the course of the next mid-range plan
 - ⇒ Investment in new product development, production capacity expansion, and brand strengthening

Business Environment

- Uncertain prospects for the global economy including the Chinese economic slowdown and currency devaluation/ delayed economic recovery in Latin America
 - ⇒ Sluggish markets and decline in public procurement
- Stepped up promotional pricing by competitors

Future Outlook

- Important second-half factors (business profit vs. previous outlook)

	Environmental Changes	Business Operations
Companywide	<ul style="list-style-type: none"> • Latin American currency devaluation 	<ul style="list-style-type: none"> • Adjust prices
Printing Solutions H2 business profit (vs. previous year) - 9.0 billion yen	Professional Printing <ul style="list-style-type: none"> • Sluggish Latin American market • Less demand for LFP components 	<ul style="list-style-type: none"> • LFP: Introduction of new models and price adjustments
	Printers <ul style="list-style-type: none"> • Price erosion for low- and mid-range IJP in North America and other regions 	<ul style="list-style-type: none"> • IJP: Hardware price adjustments while considering profitability • BIJ: Expand sales of higher-priced models

Future Outlook

- Important second-half factors (business profit vs. previous outlook)

	Environmental Changes	Business Operations
Visual Communications - 2.8 billion yen	<p>Projectors</p> <ul style="list-style-type: none">• Markets to be sluggish due to economic slowdown• Decline in public procurement for education projectors	<ul style="list-style-type: none">• Expand market presence by offering full lineup• Develop competitive new products
Wearable & Industrial Products - 1.9 billion yen	<ul style="list-style-type: none">• Revenue decline due to economic slowdown (electronic devices and watches for overseas markets)	<ul style="list-style-type: none">• Capture new customers for robots

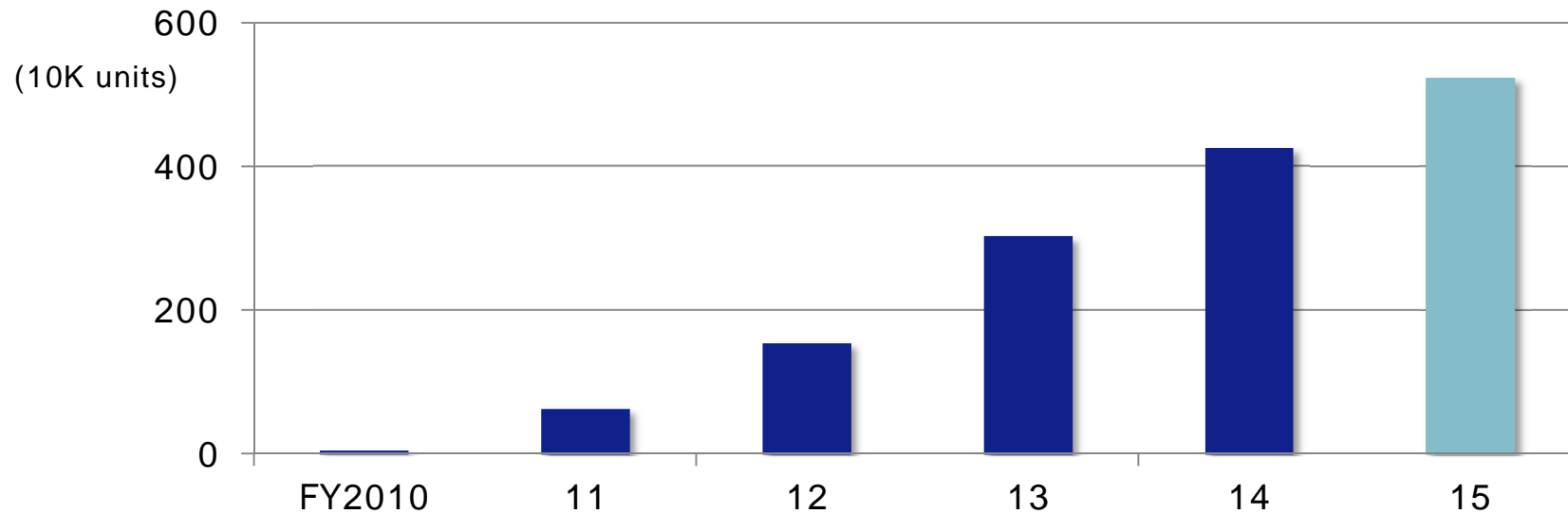
- Strengthen operations, and secure business profit
- Proceed with measures aimed at increasing profit from next FY onwards

IJP Strategic Progress (Expanding Sales of High-Capacity Ink Tank Printers)



Pioneered a new business model for the industry

- ✓ Strong unit shipments of high-capacity ink tank printers (20%+ YoY growth. Forecast exceeding the original plan.)



- ✓ Sales off to a strong start in North America

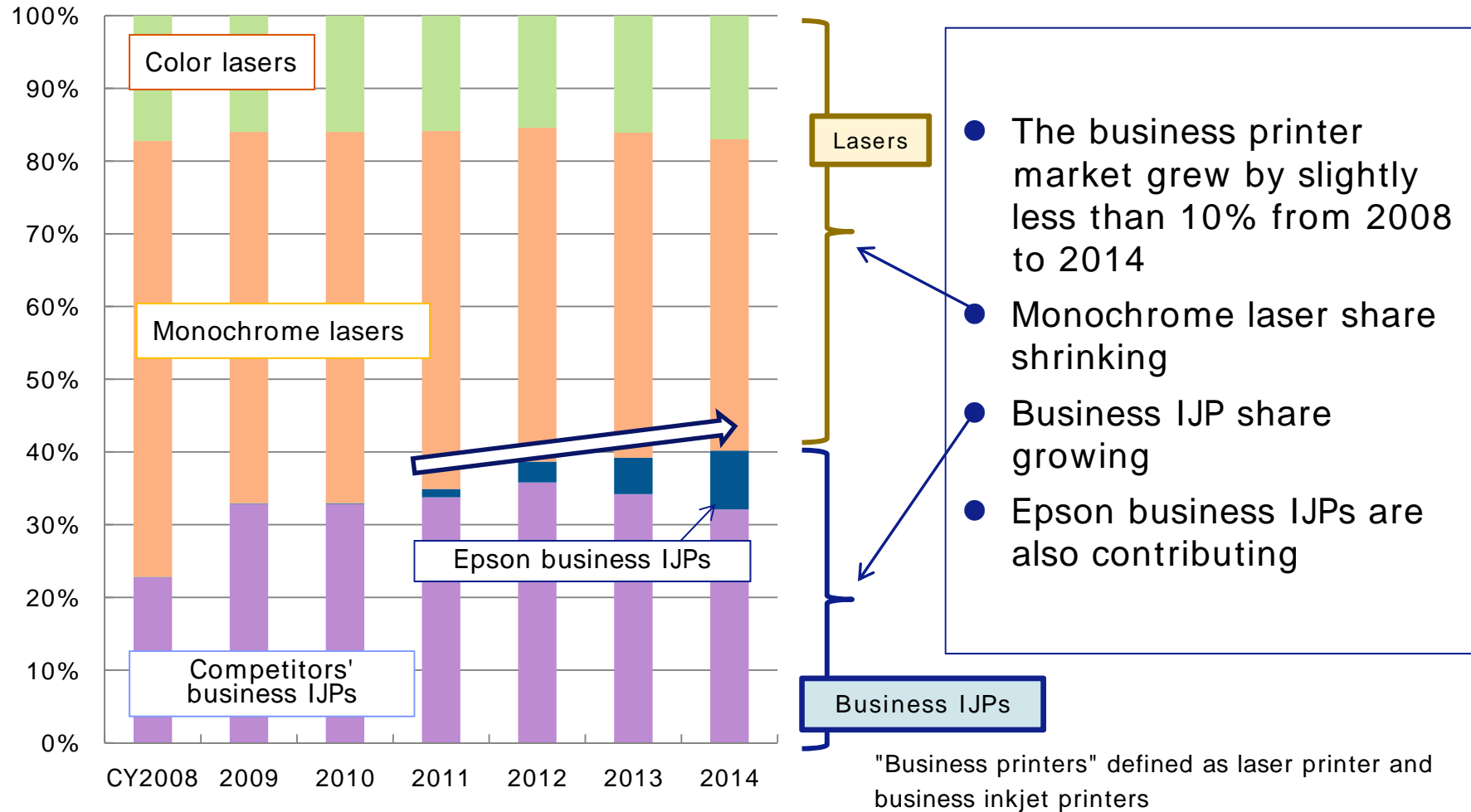


IJP Strategic Progress (IJP & LP Market in Developed Economies, US)



US business printer market: share by technology

(based on number of units)



IJP Strategic Progress (IJP & LP Markets in Emerging Countries)



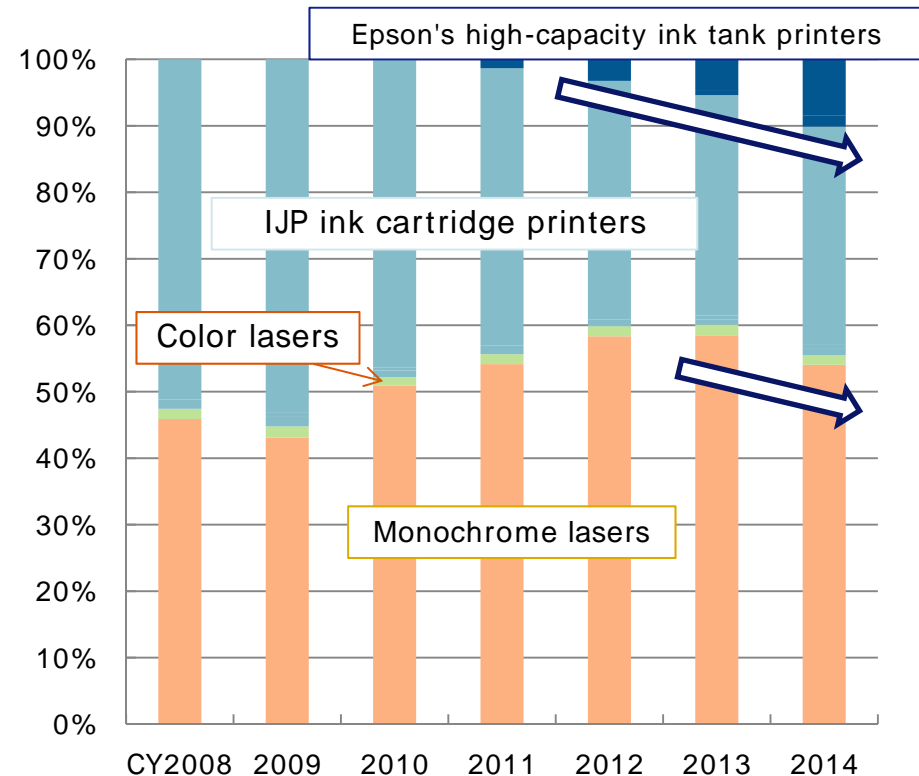
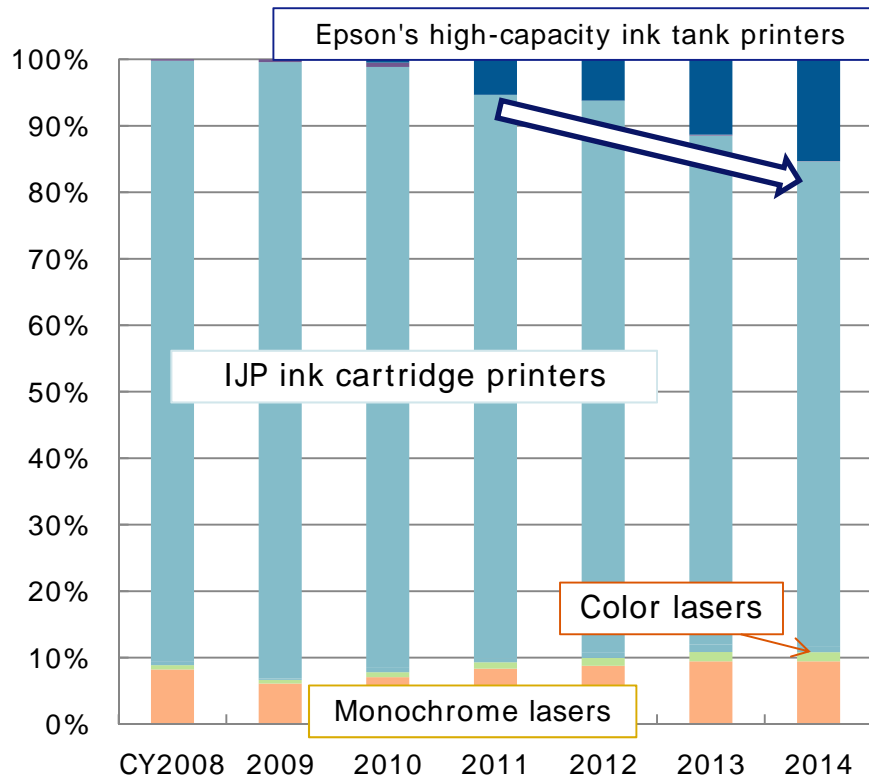
Printer market: share by technology (based on number of units)

Indonesia

- Epson's high-capacity ink tank printers are steadily growing share in the IJP market

India

- Epson's high-capacity ink tank printers are steadily extending share
- Monochrome laser share decreased in 2014

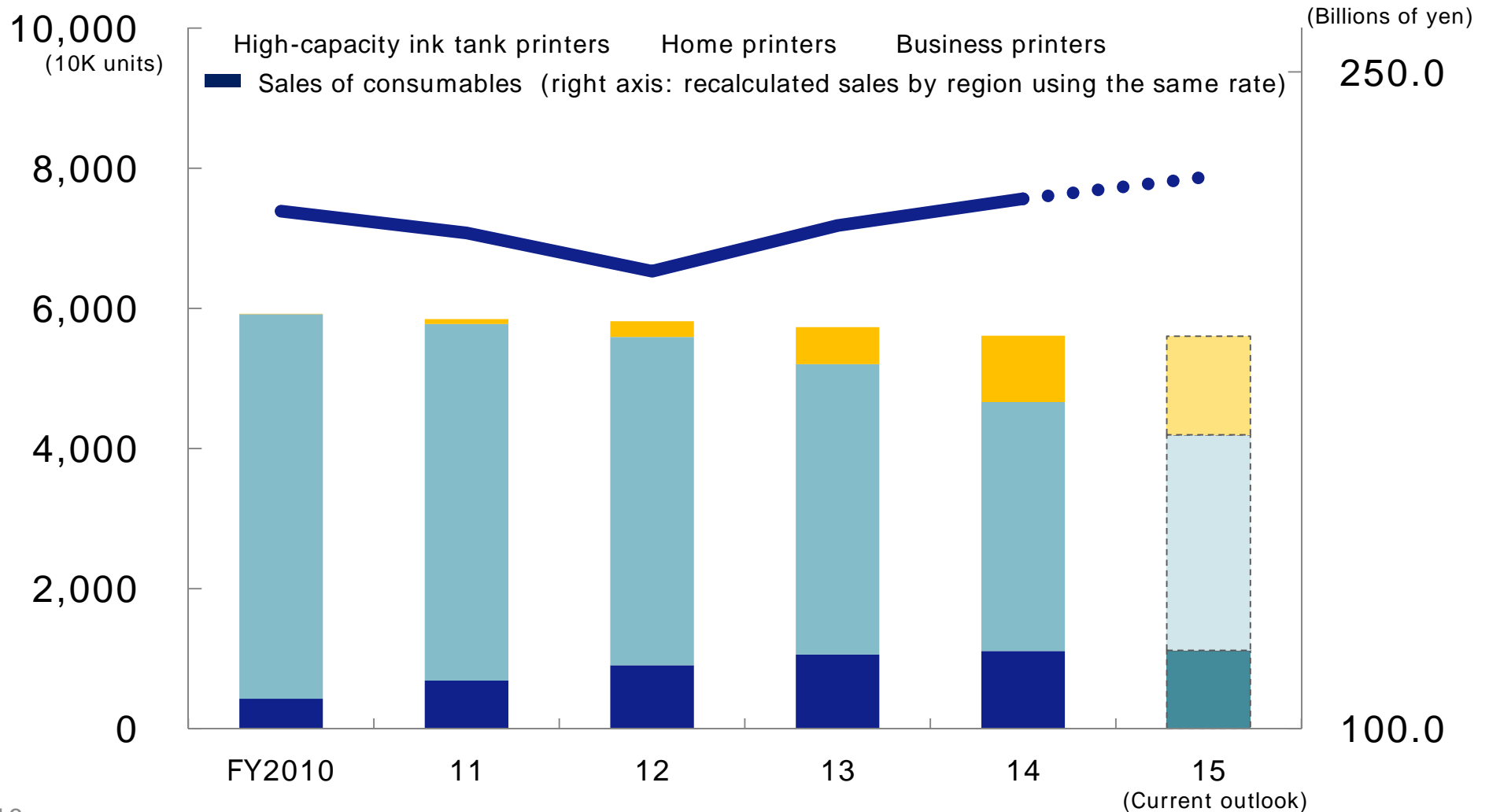


Source: IDC, Worldwide Quarterly Hardcopy Peripherals Tracker 2015Q2
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Ink sales remained steady in line with strategy

IJP install base (4-year cumulative) and ink revenue



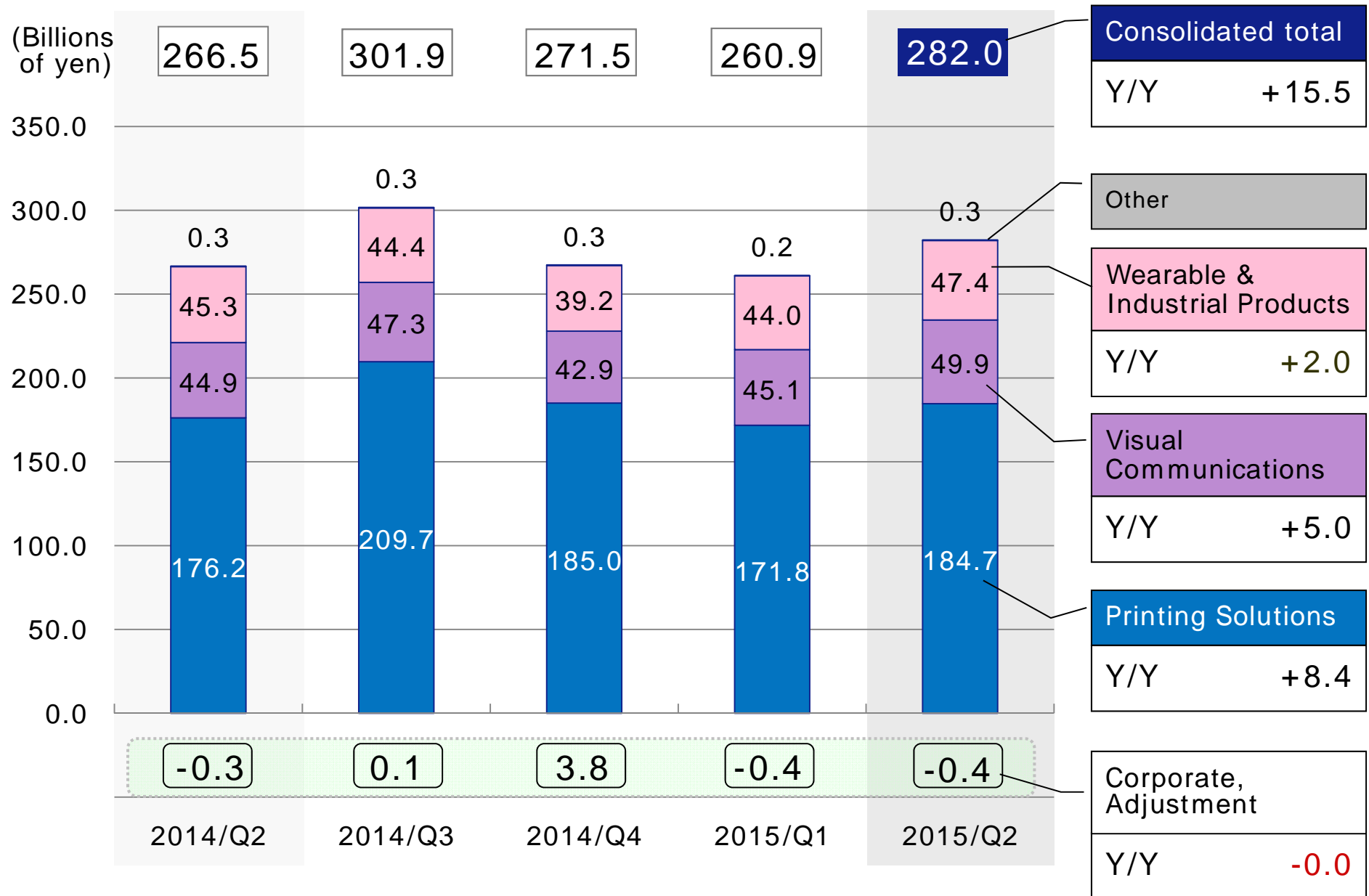
■ 1. Overview

■ 2. Details

1) FY2015 Q2 Financial Results

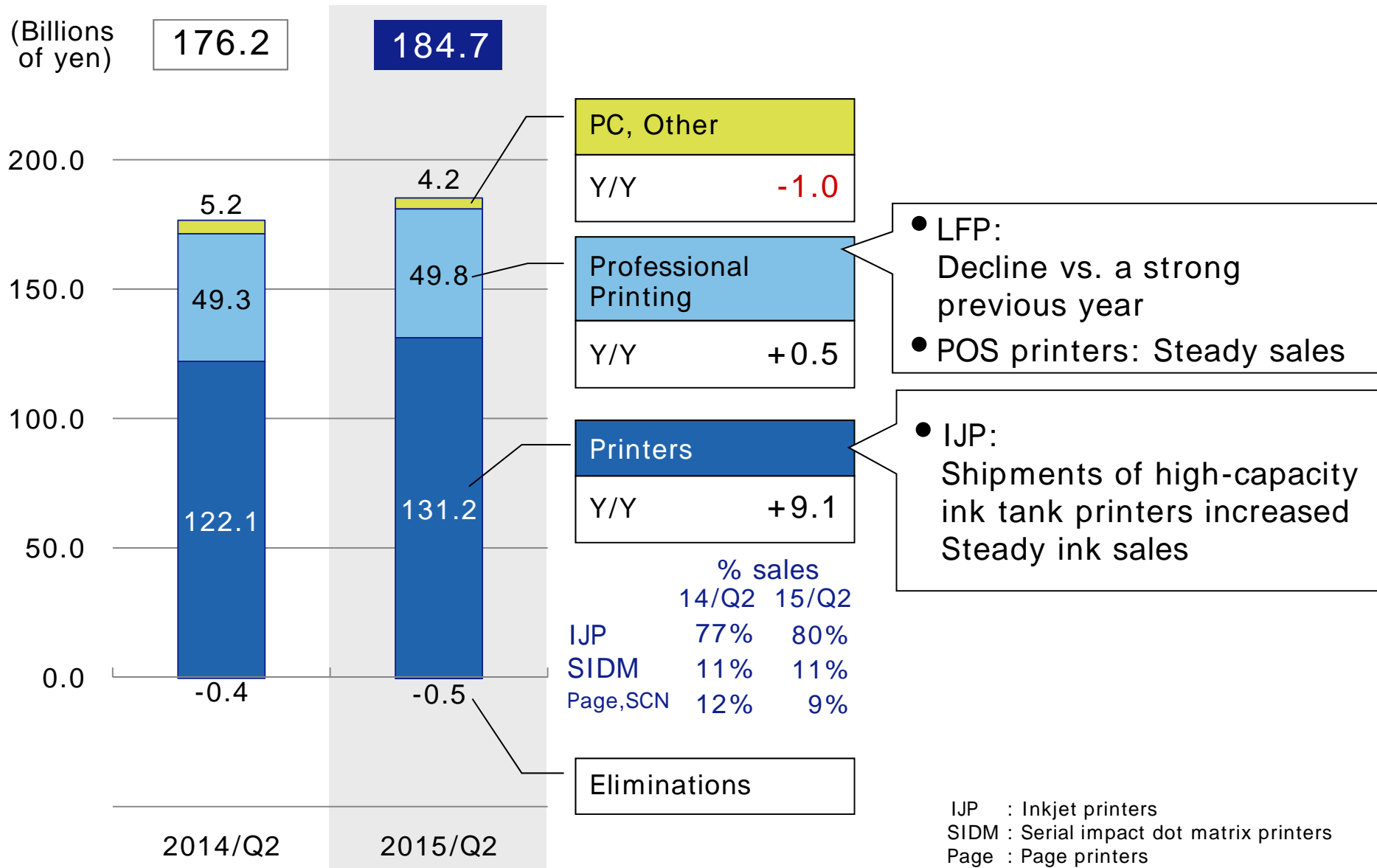
2) FY2015 Financial Outlook

Quarterly Revenue Trend ▶ By business segment



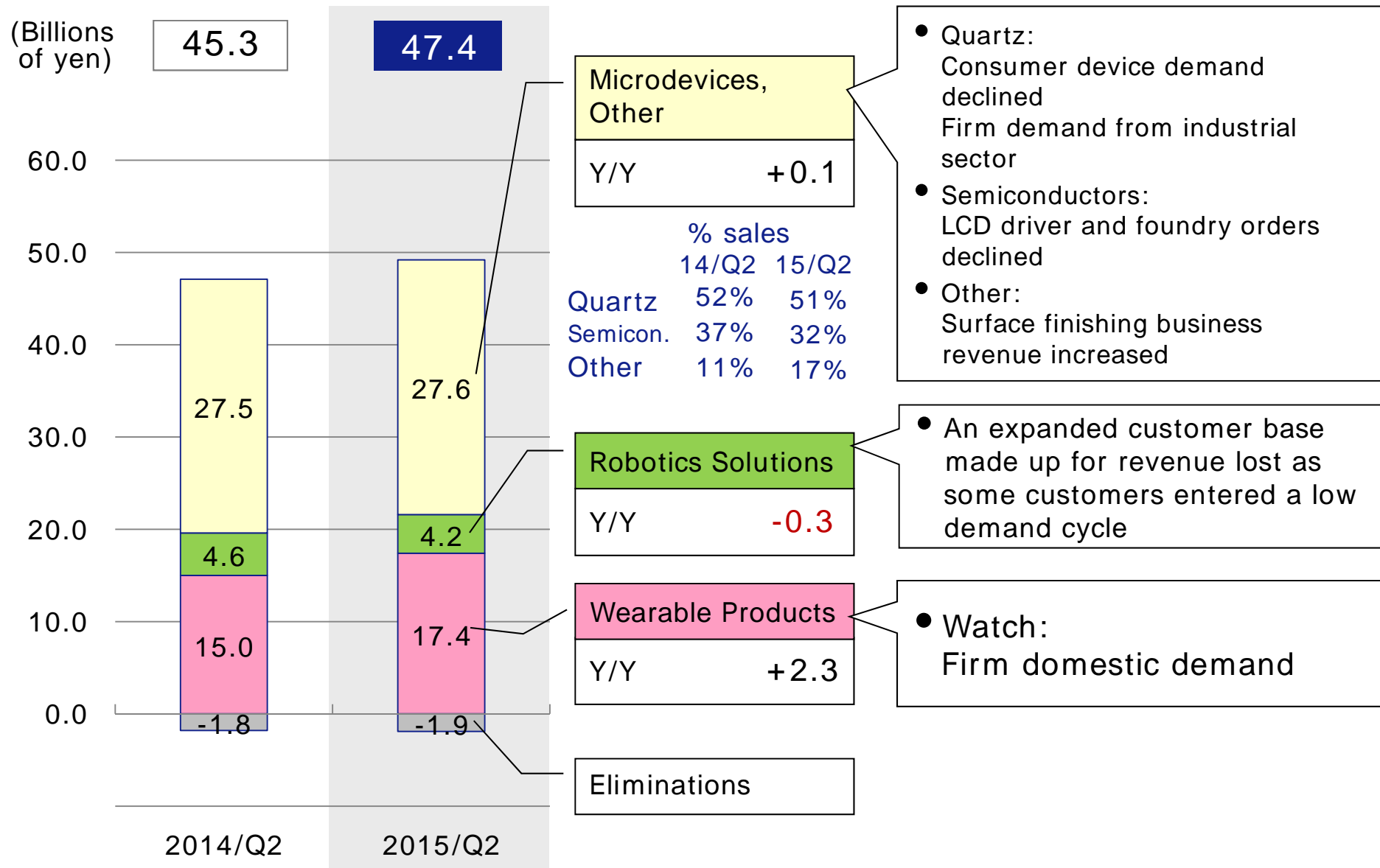
Quarterly Revenue Comparison

▶ Printing Solutions Segment

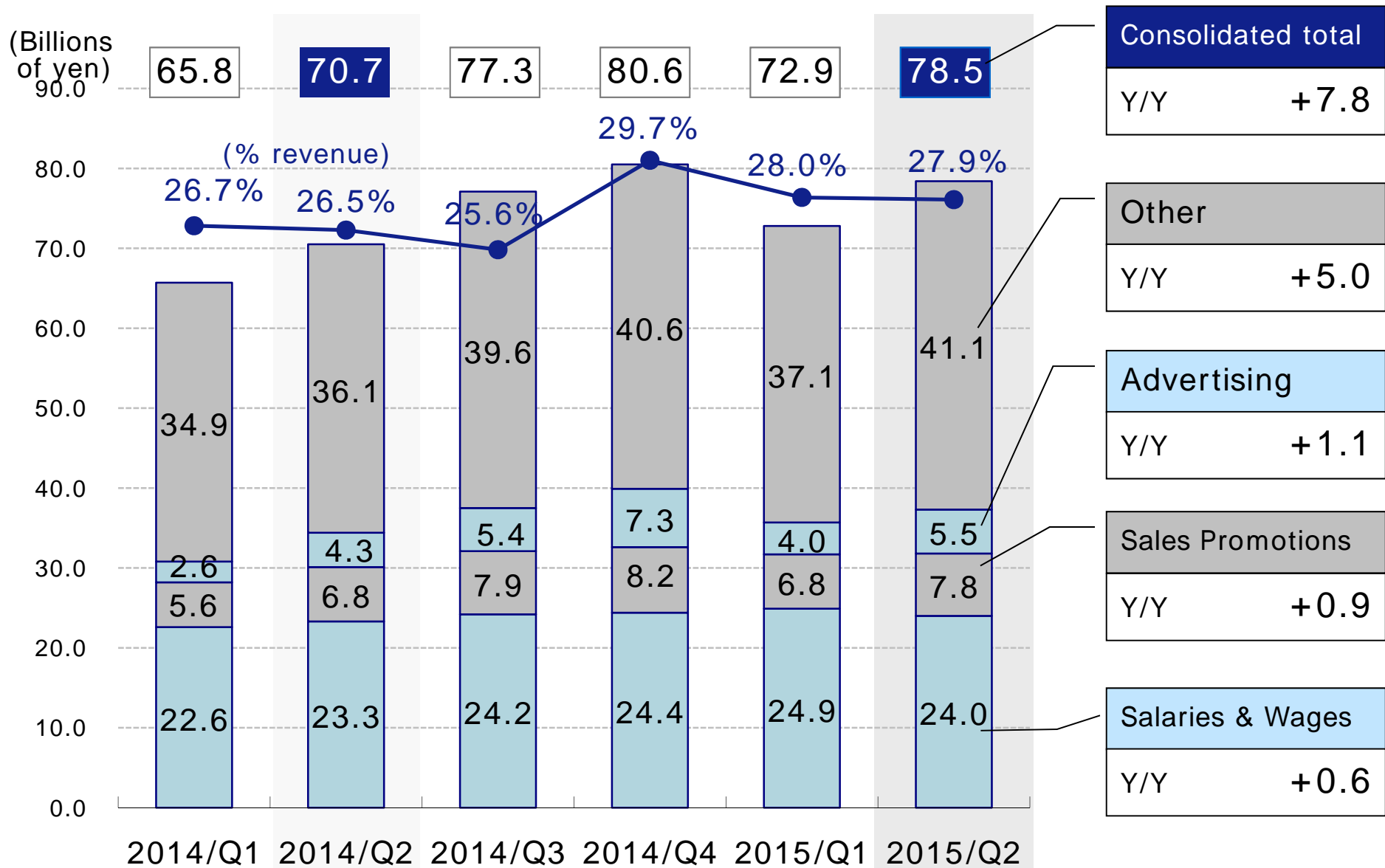


Quarterly Revenue Comparison

► Wearable Products & Industrial Products Segment

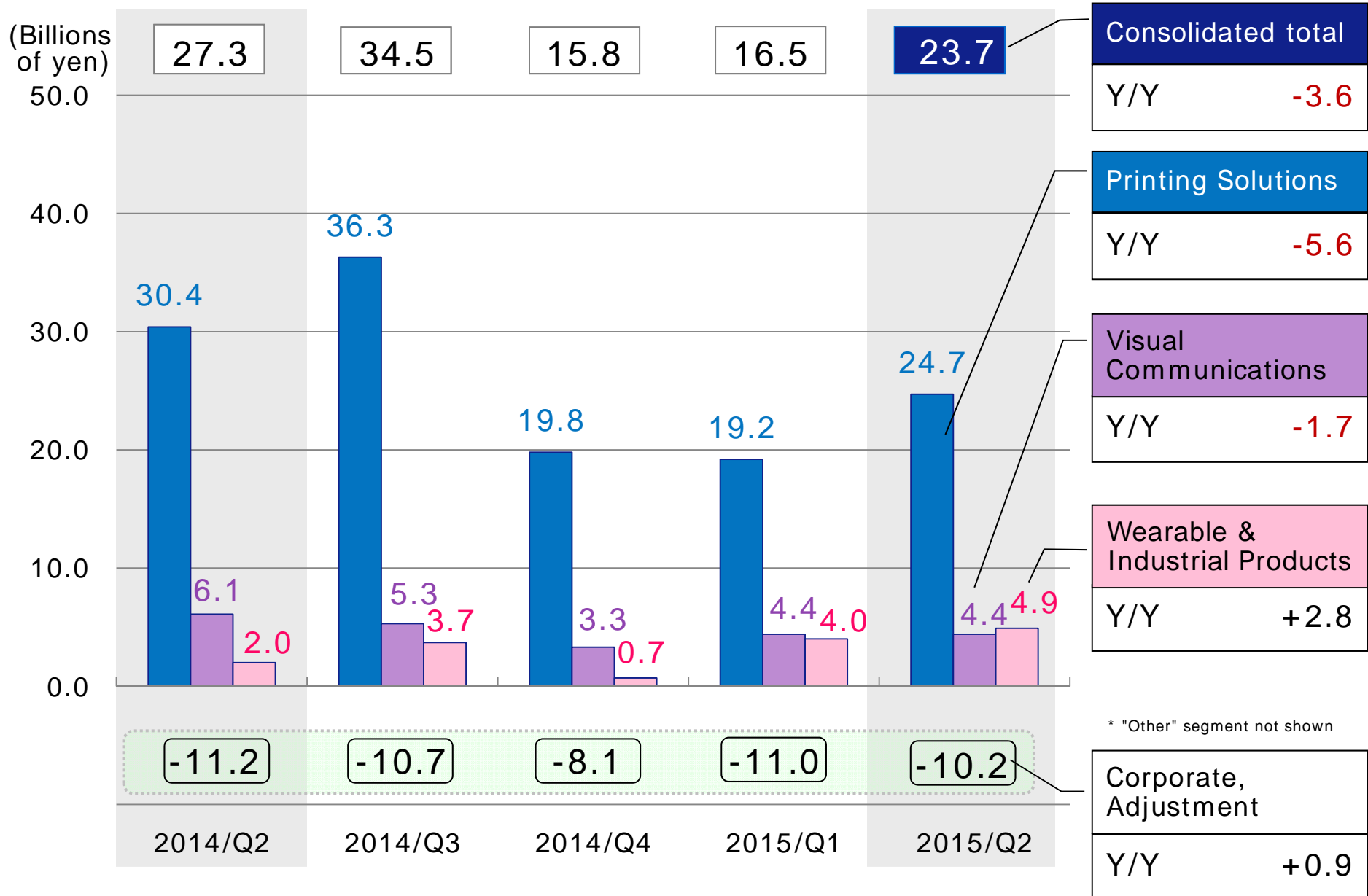


Quarterly Selling, General and Administrative Expenses



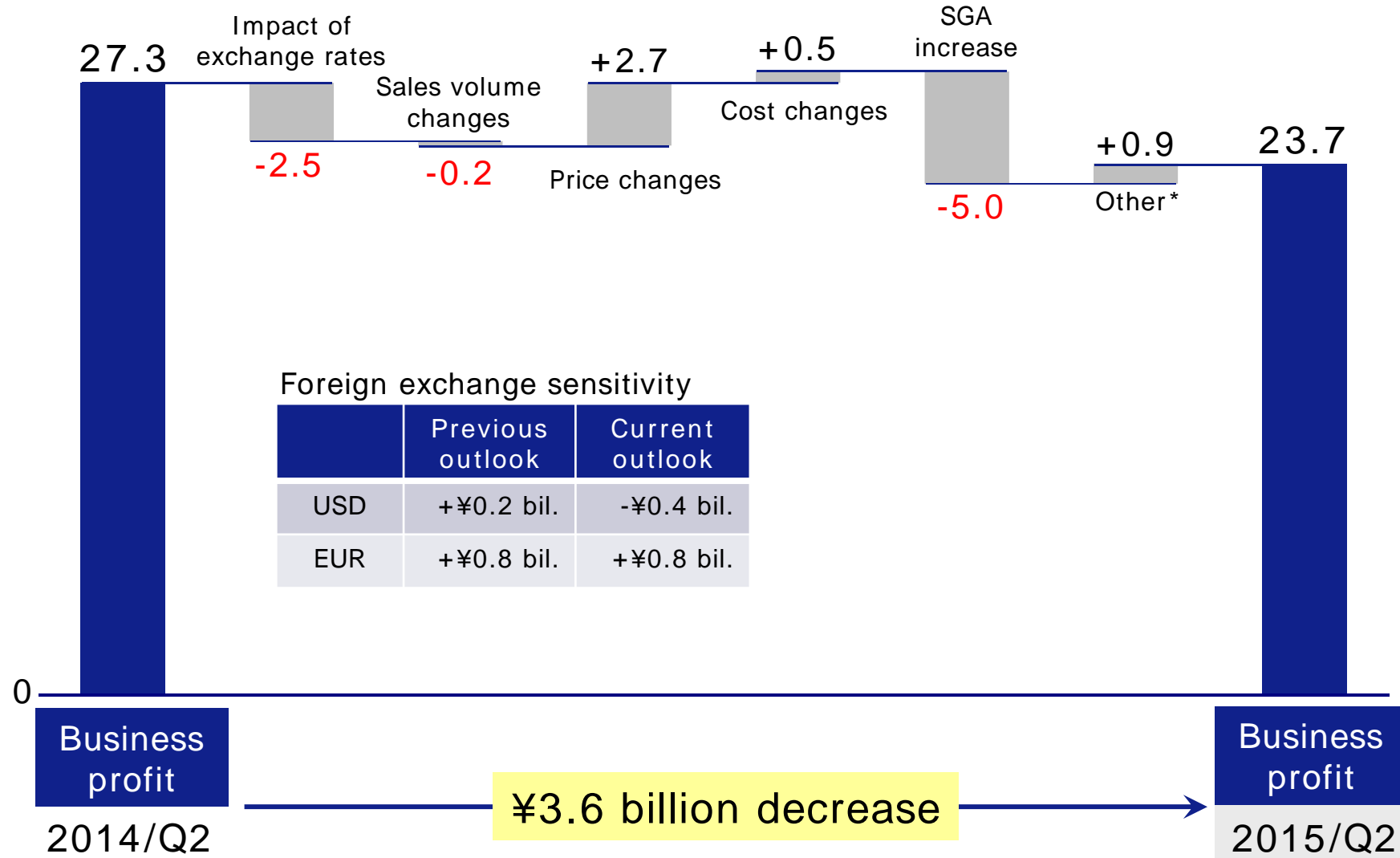
Quarterly Business Profit Trend

► By business segment



Business Profit Change Cause Analysis

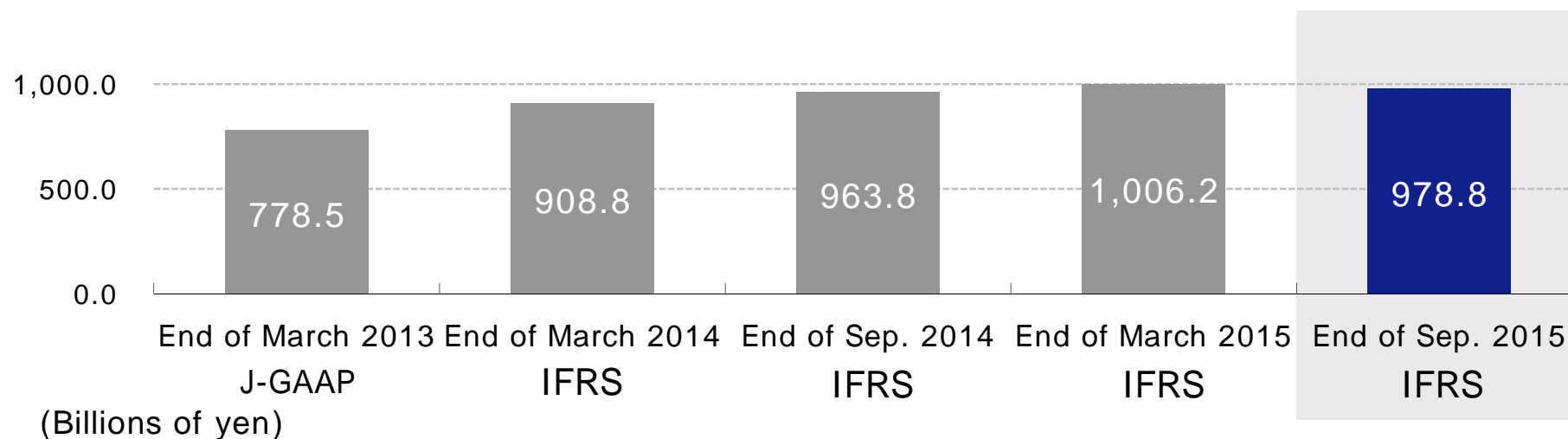
(Billions of yen)



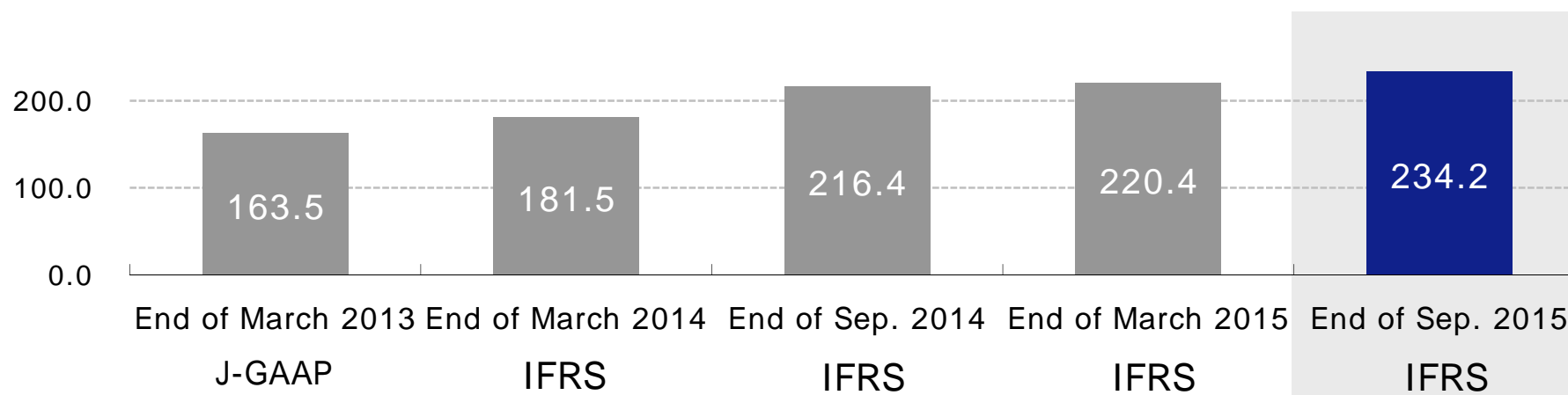
* The corporate and other segments in this comparison include products and businesses that cannot be compared directly with similar items in the previous year.

Statements of Financial Position

Total assets

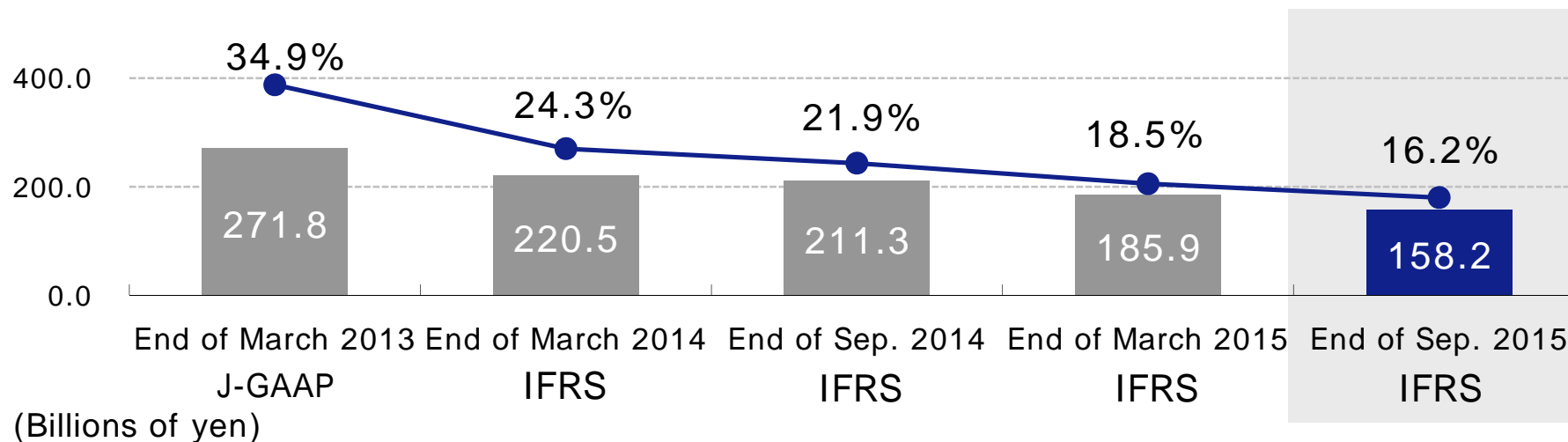


Inventories

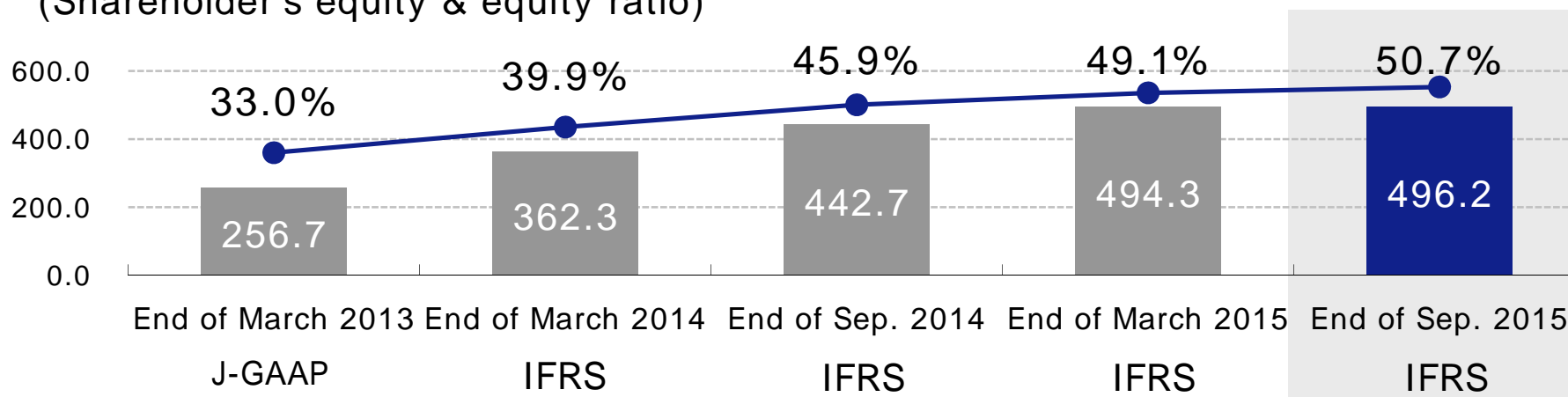


Statements of Financial Position

Interest-bearing liabilities & ratio of interest-bearing liabilities



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



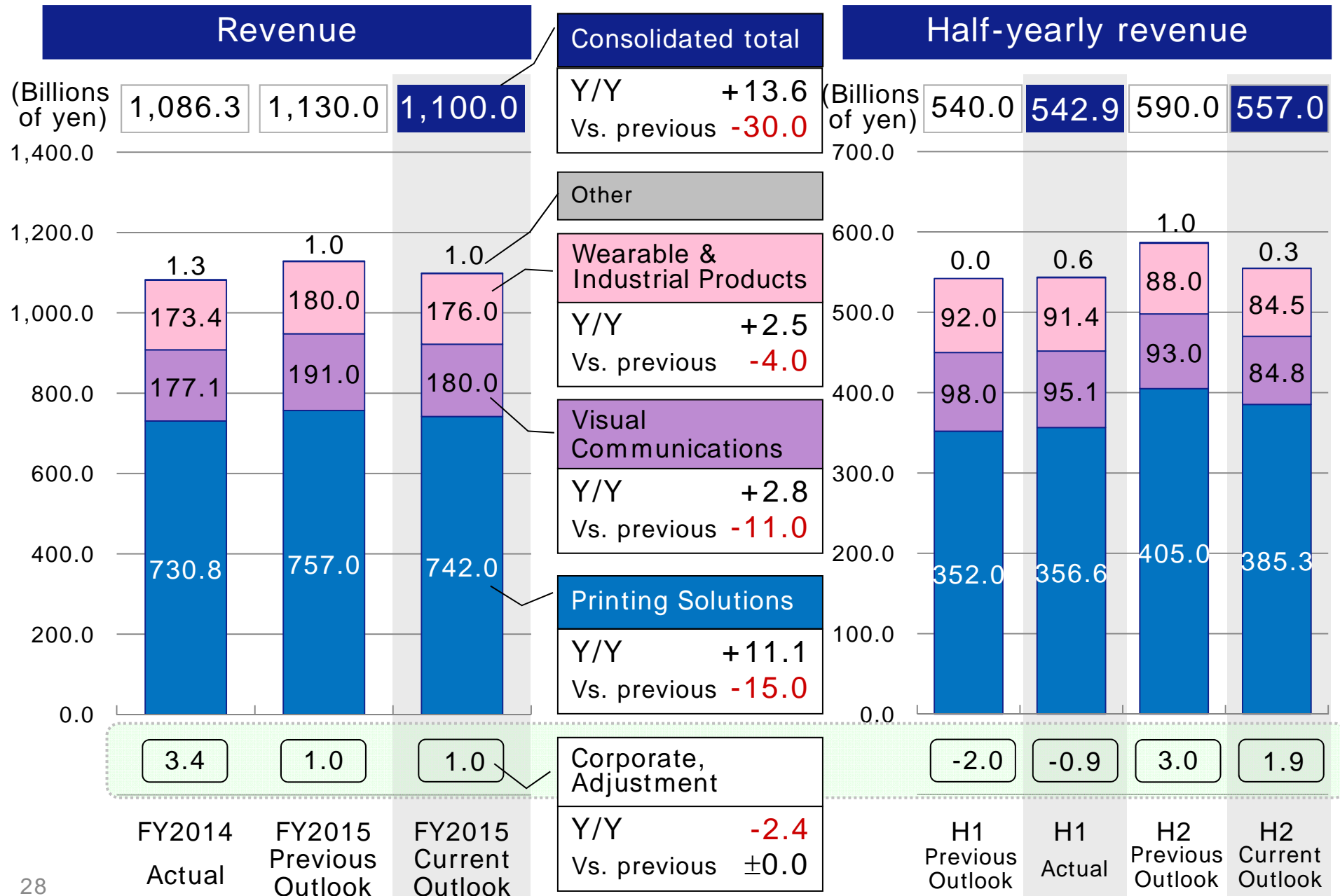
* Interest-bearing liabilities: Includes lease obligations

1) FY2015 Q2 Financial Results

2) FY2015 Financial Outlook

FY2015 Financial Outlook (Revenue)

► By business segment



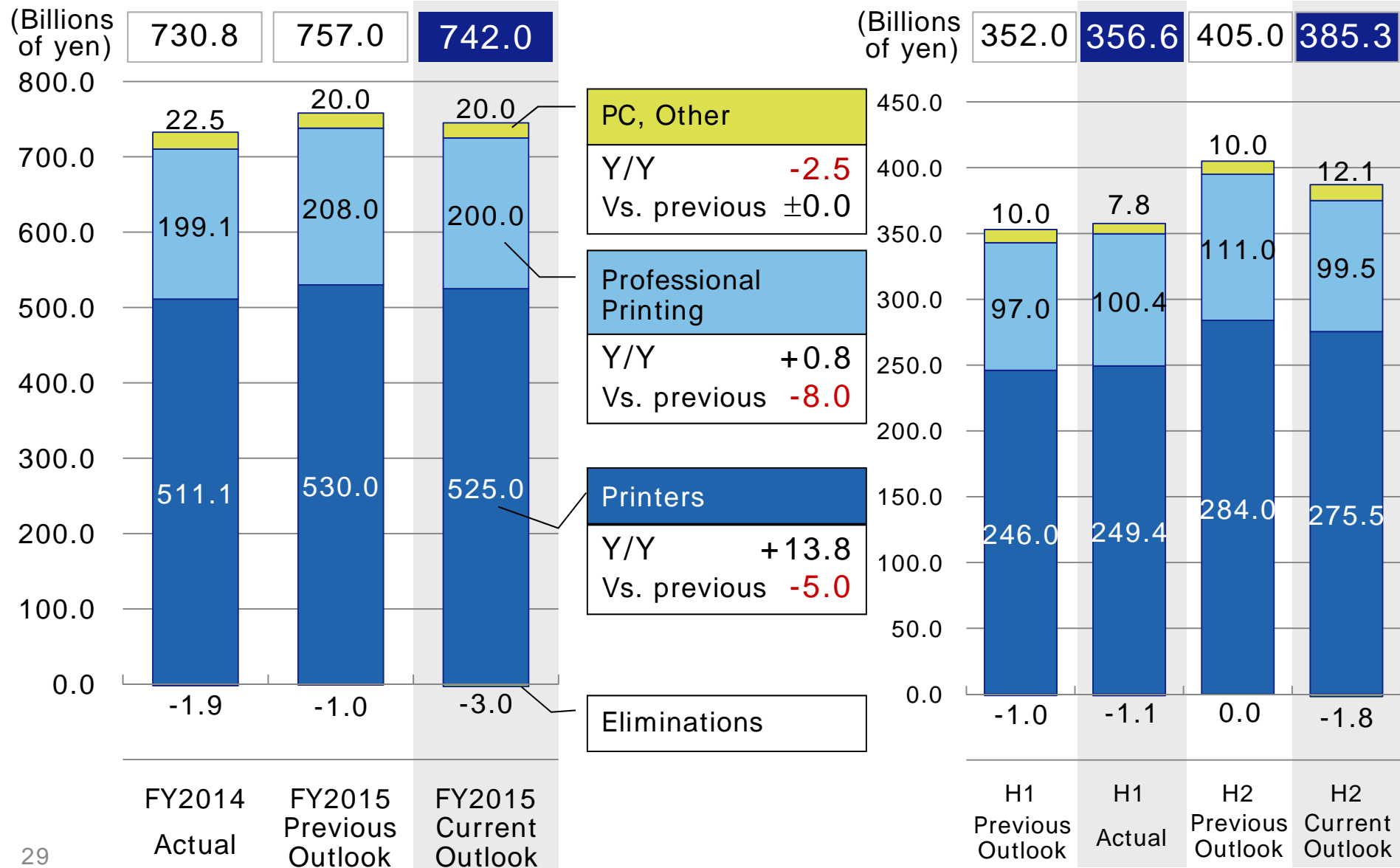
Revenue Outlook by Business

▶ Printing Solutions Segment



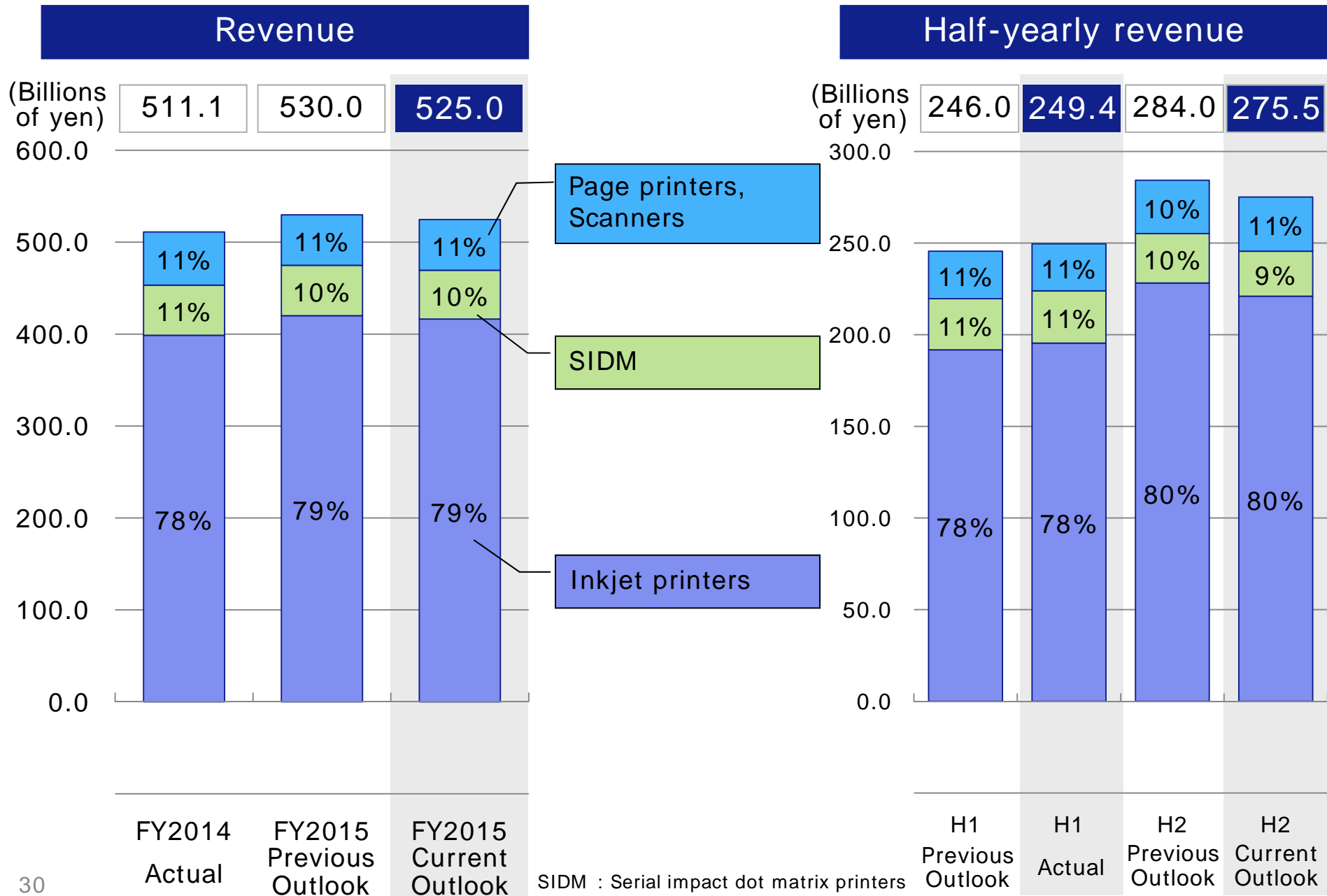
Revenue

Half-yearly revenue



Revenue Outlook by Business

Printers Business



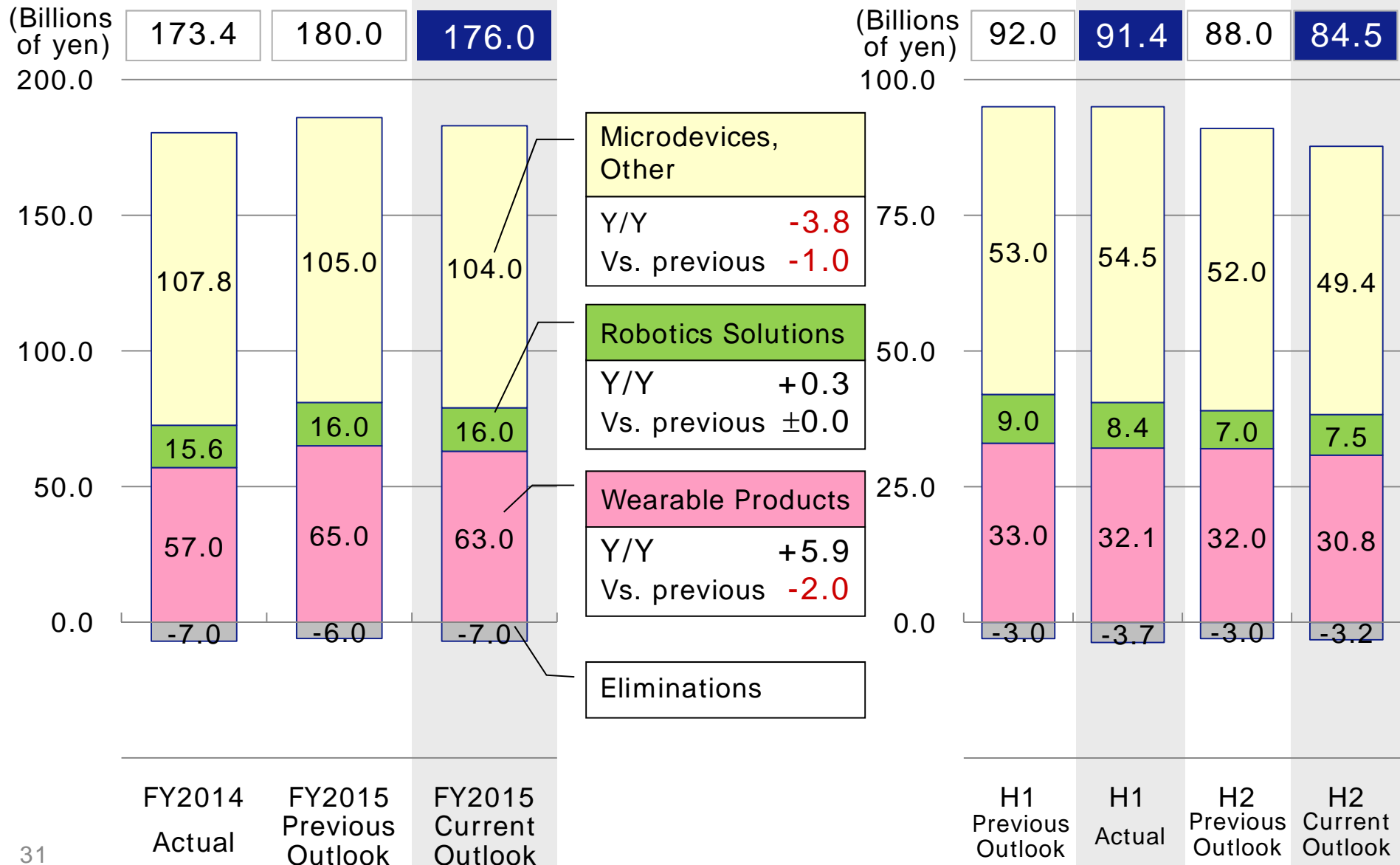
Revenue Outlook by Business

► Wearable Products & Industrial Products Segment



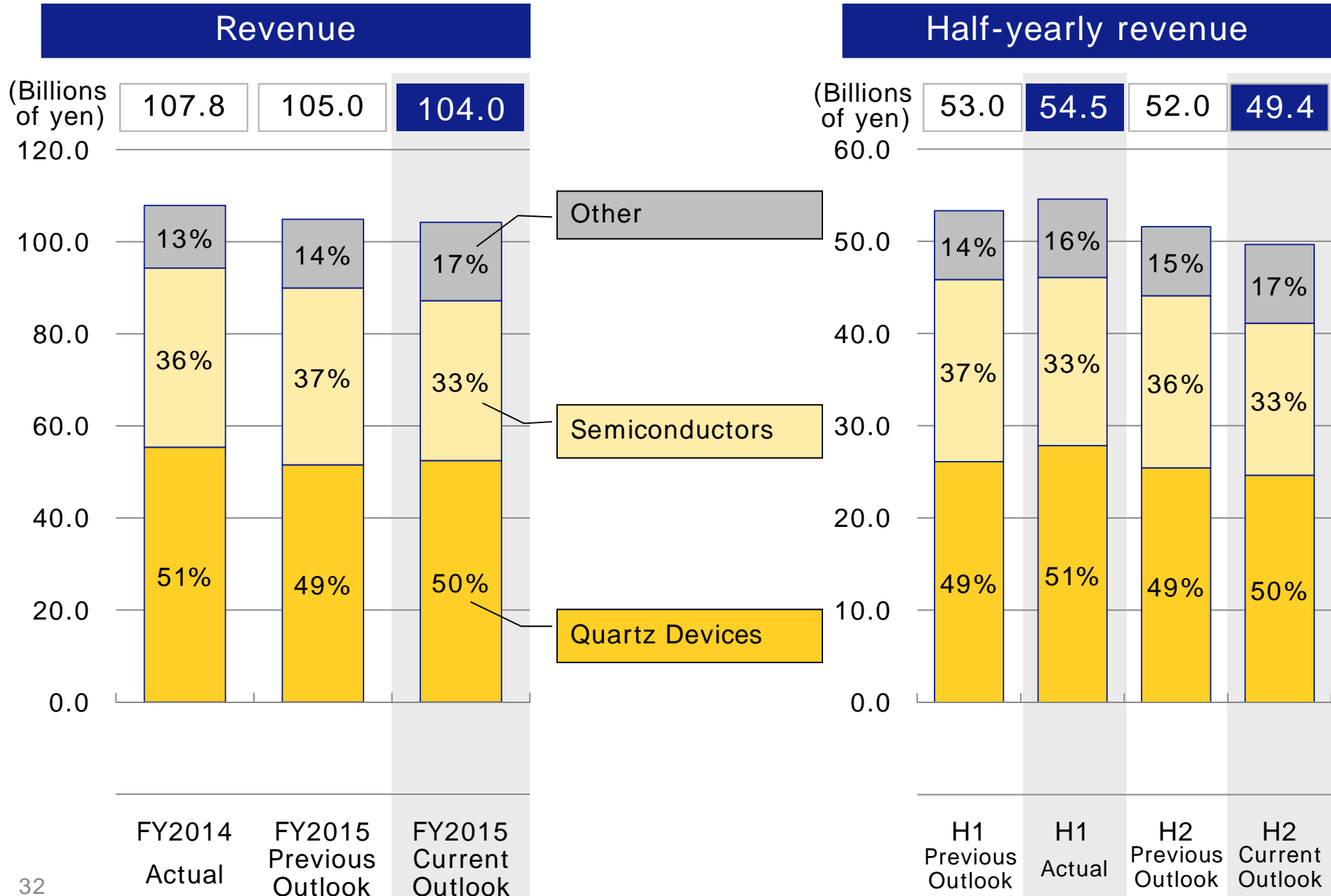
Revenue

Half-yearly revenue



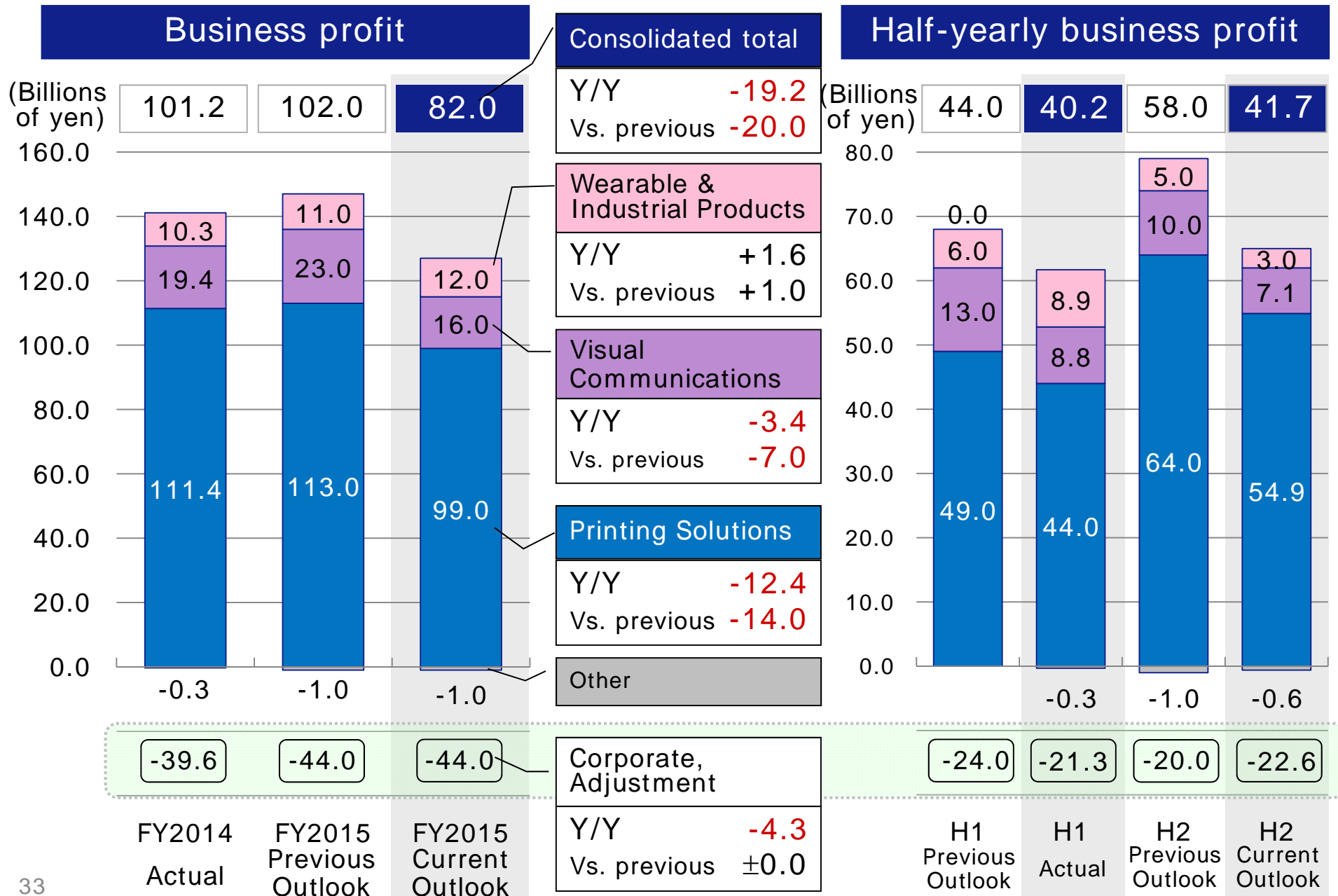
Revenue Outlook by Business

▶ Microdevices, Other Business

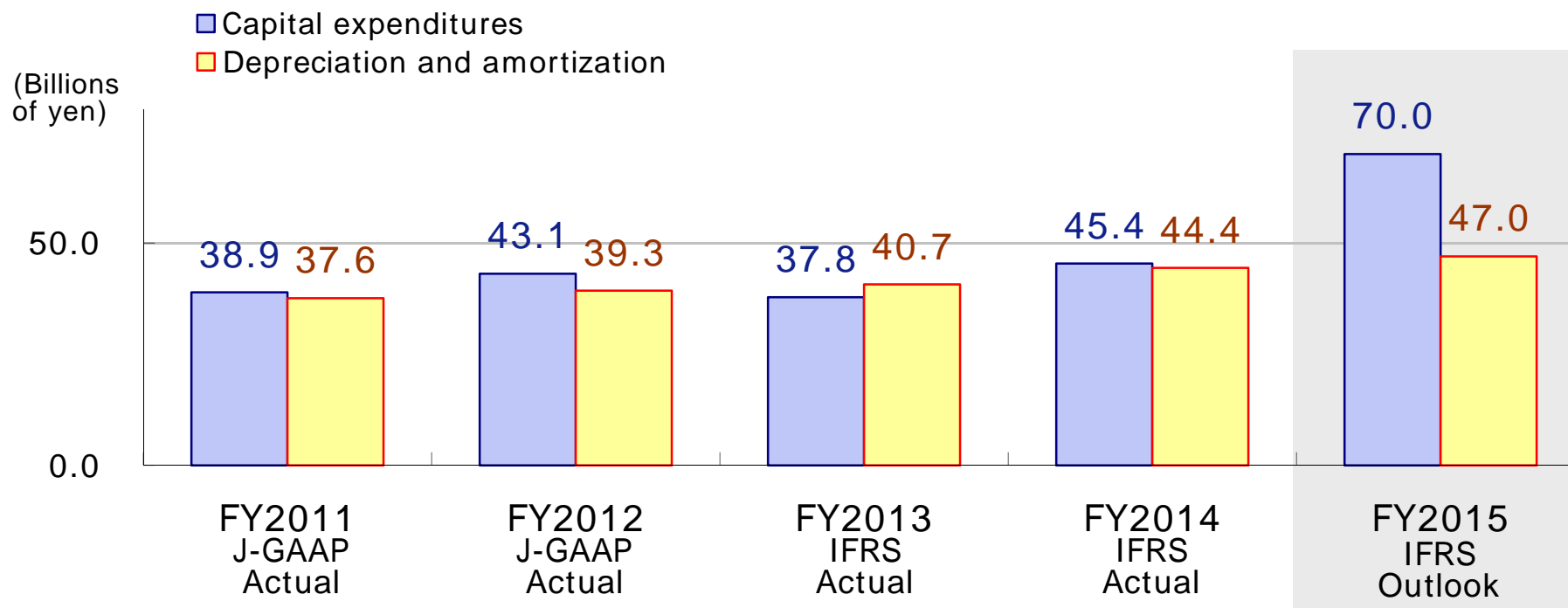


FY2015 Financial Outlook (Business Profit)

► By business segment

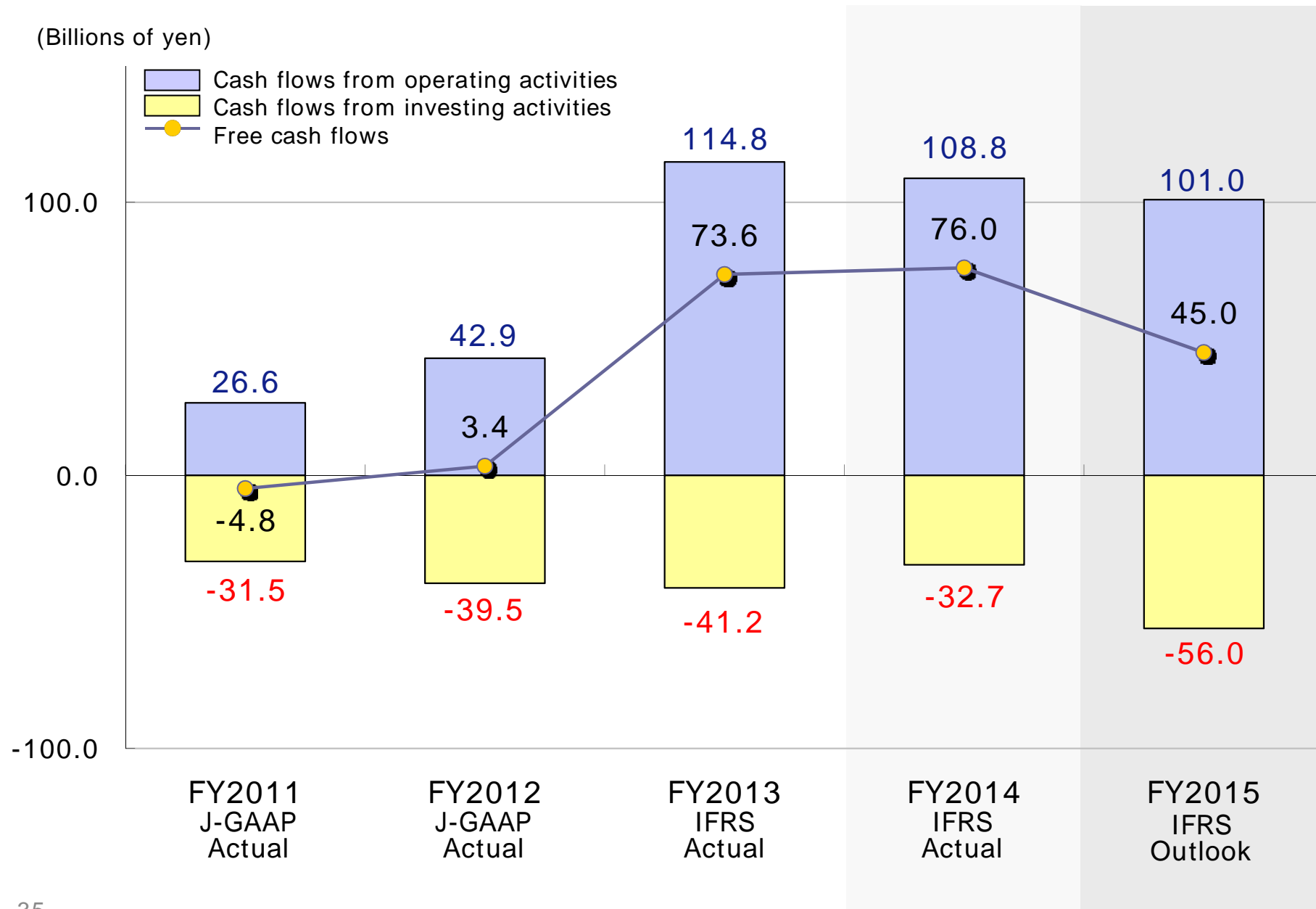


Outlook for Capital Expenditure and Depreciation and Amortization Expenses

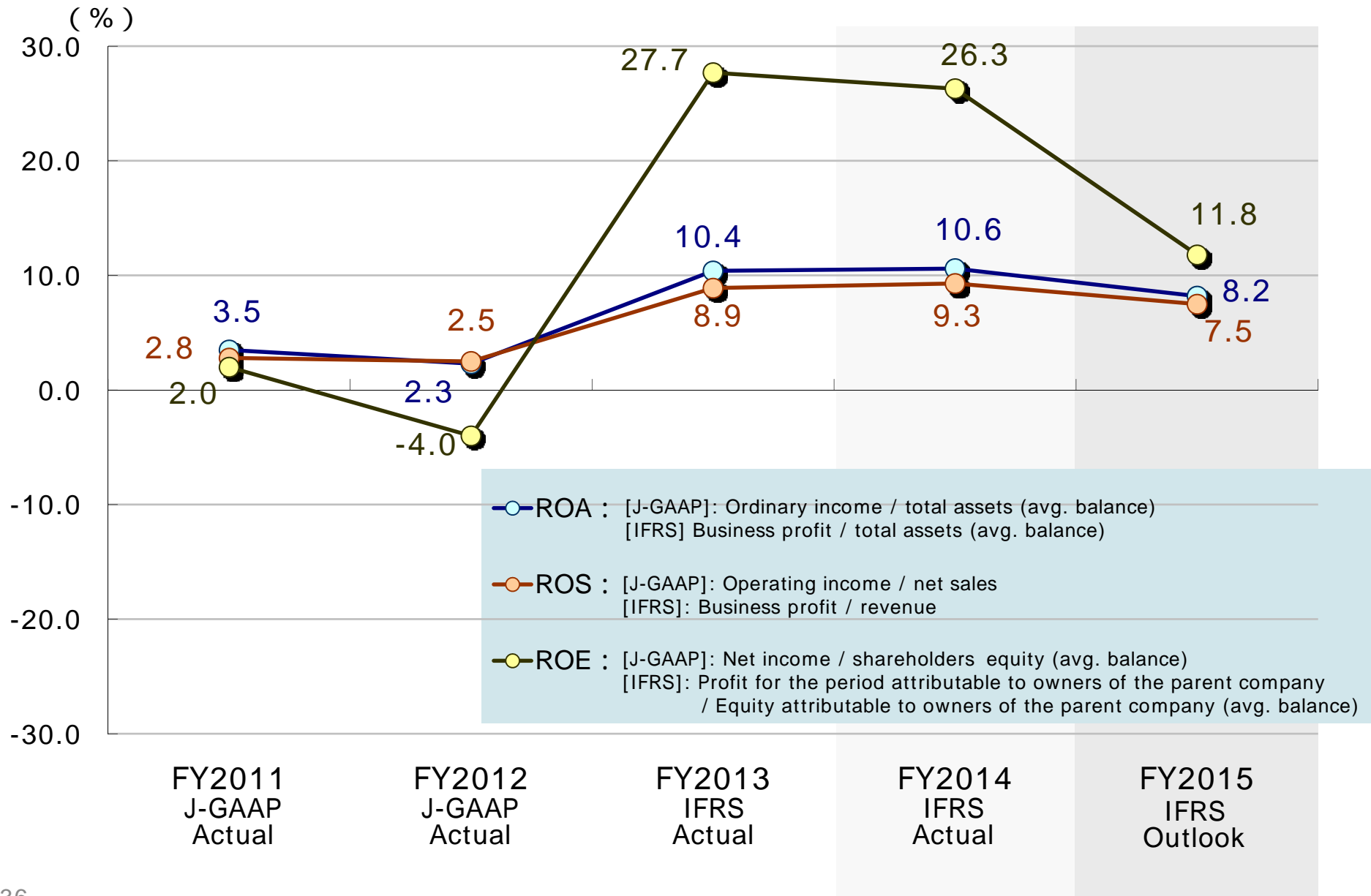


Breakdown by segment	FY2014 Actual		FY2015 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Printing Solutions	22.1	23.0	39.0	25.0
Visual Communications	6.8	7.2	10.0	8.0
Wearable & Industrial Products	8.3	8.0	9.0	9.0
Other, Corporate	8.0	6.1	12.0	5.0

Free Cash Flows Outlook



Main Management Indicators



EPSON
EXCEED YOUR VISION