

# Full-Year & 4Q Financial Results Fiscal Year 2007 (Ending March 2008)

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April 30, 2008

**SEIKO EPSON CORPORATION**

## ■ Disclaimer regarding forward-looking statements

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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

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Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

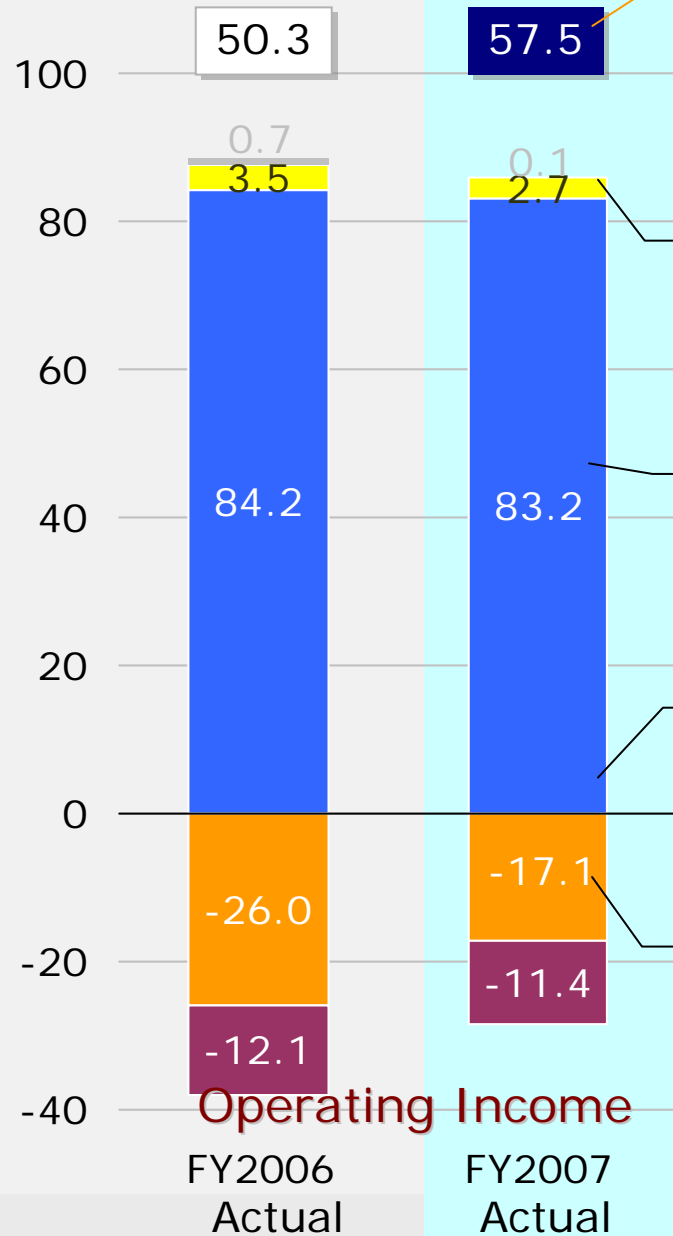
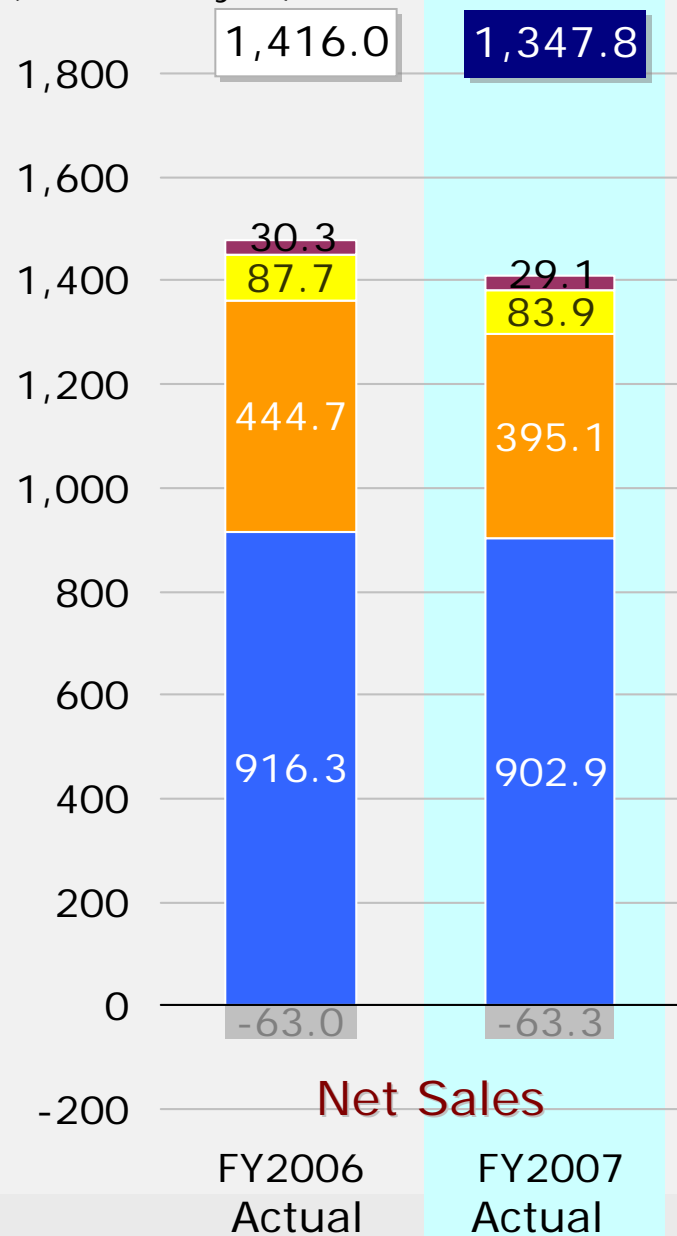
1. Overview

2. Detailed  
Explanation

# FY2007 Business Results

## ► By business segment

(Billions of yen)

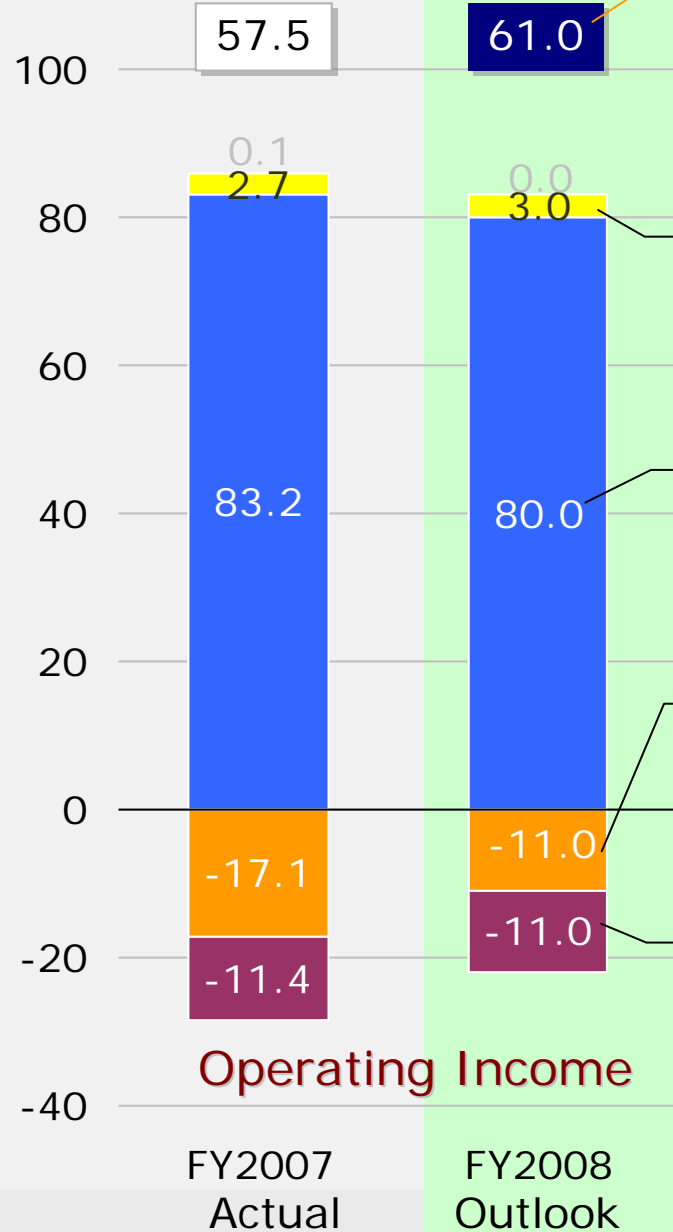
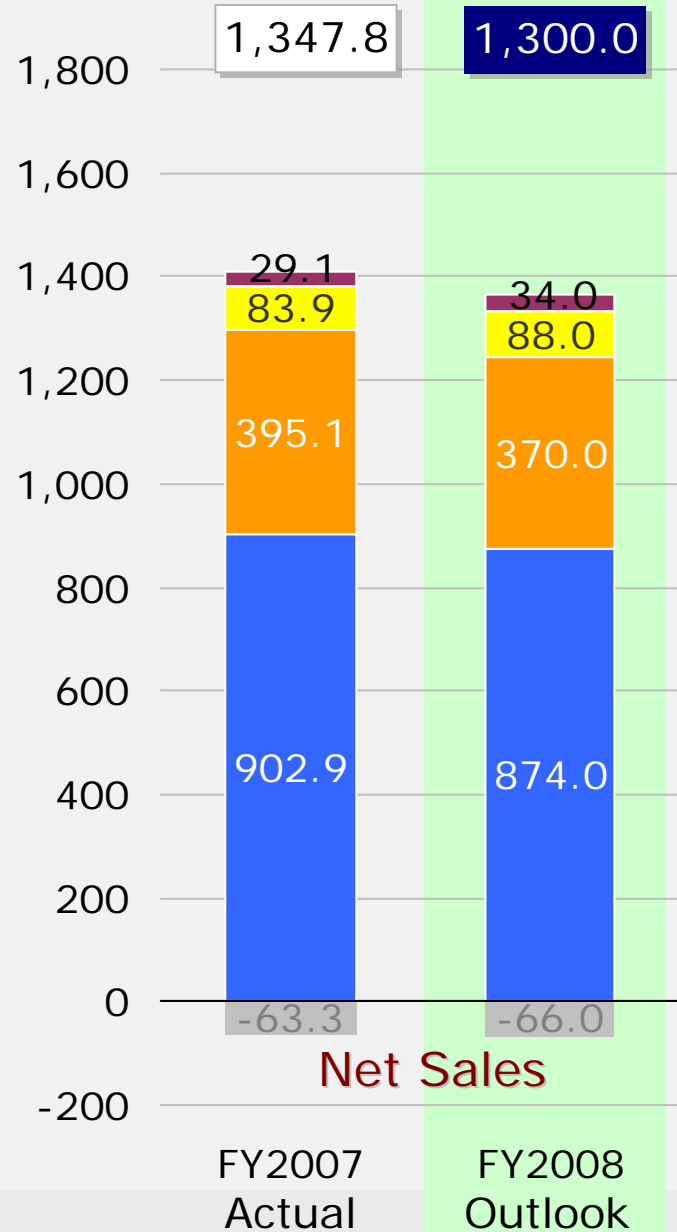


<b>Consolidated Total</b>	Net Sales <b>-68.1</b> Op. Income <b>+7.2</b>
<b>Precision Products</b>	Net Sales <b>-3.8</b> Op. Income <b>-0.8</b>
<b>Information Equipment</b>	Net Sales <b>-13.3</b> Op. Income <b>-0.9</b>
<b>Electronic Devices</b>	Net Sales <b>-49.5</b> Op. Income <b>+8.8</b>
<b>Other</b>	Net Sales <b>-1.1</b> Op. Income <b>+0.6</b>
<b>Eliminations</b>	

# FY2008 Business Outlook

## ► By business segment

(Billions of yen)



<b>Consolidated Total</b>	Net Sales <b>-47.8</b> Op. Income <b>+3.4</b>
<b>Precision Products</b>	Net Sales <b>+4.0</b> Op. Income <b>+0.2</b>
<b>Information Equipment</b>	Net Sales <b>-28.9</b> Op. Income <b>-3.2</b>
<b>Electronic Devices</b>	Net Sales <b>-25.1</b> Op. Income <b>+6.1</b>
<b>Other</b>	Net Sales <b>+4.8</b> Op. Income <b>+0.4</b>
<b>Eliminations</b>	

## Mid-Range Business Plan: Creativity and Challenge 1000

### Epson Group Mid-Range Business Policies

- (1) Redefine and reinforce the business and product portfolios
- (2) Reorganize the electronic devices businesses
- (3) Streamline costs
- (4) Reform the governance system
- (5) Reform the corporate culture

### Net Sales

Ended short of FY2007 target

- Information Equipment — Inkjet net sales shrank, but business systems & projectors expanded
- Electronic Devices — Semiconductors & displays lower due to structural changes, quartz devices steady
- Precision products steady

### Income

FY2007 target nearly reached

- Drove reforms based on mid-range Group management policies. Although display income was hit by delays in realigning the portfolio, overall profitability was robust due to cost-cutting and other initiatives, especially in information equipment.

## Information Equipment Segment

### **Inkjet printers**

- Earnings levels maintained from cost reductions as well as exchange rates
- Hit target of 15-million units shipped
- Efforts to expand into business & industrial printing domains

## Electronic Devices Segment

### **Small- and medium-sized displays**

- Portfolio realignment is taking time, and benefits not fully reaped
- Due partly to easing price erosion resulting from improved market conditions
  - Amorphous-silicon TFT financial performance improved
  - LTPS posted a loss due to inability to capture sufficient orders for applications that can take advantage of their high resolution

## Inkjet Printer Strategy

### **Sustained, stable medium- and long-term income growth**

- Increase IJP unit shipments year over year by launching competitive products that tie into sales of consumables
- Pursue cost reductions
- Leverage Micro Piezo head technology in business & industrial printing domains

- **Complement individual efforts with business alliances**

- **Broad-based business alliance with Noritsu announced April 21, 2008**

**In addition to long-standing cooperation in minilabs, Epson and Noritsu will also collaborate in industrial printing equipment, through joint development projects and mutual development support programs.**





## Alignment of the small- and medium-sized display business (1)

### Current Situation & Issues

- Carried out structural reforms announced March 14, 2007
- Benefits from increased volume & capacity utilization, lower costs and slower price erosion, but...

- Late in realigning portfolio (shifting to high added value)
- Have not reaped the expected level of improvement

### Reorganization Highlights

- **Manufacturing site consolidation**  
Major consolidation & streamlining of global manufacturing sites
- **Further acceleration of staffing reforms**  
Reassignment to growth areas within the Group, etc.
- **Profitability improvement initiatives**  
Portfolio realignment (toward high added value & high-end), cost reductions

### Technology Alignment

- End MD-TFD production (FY07)
- Major scale-back in C-STN & conversion of lines for touch-panel production (FY08)
- Focus resources on a-TFT and LTPS

## Alignment of the small- and medium-sized display business (2)

### ● Manufacturing site consolidation & streamlining

#### Front-end: Japan sites

##### Head Office MD-TFD

- End production in FY07
- Consolidate HQ, R&D, design, sales & prod. control functions
- Some floor space to be used by other businesses

##### Gifu LTPS

- Terminate line in FY09
- Focus on developing advanced LTPS technology

##### Tottori a-TFT/LTPS

- Consolidate panel manufacturing functions

**Japanese Workforce**  
Reduce force from 2,600 in FY2007 to 1,500 in FY2010.

Reassign personnel to growth areas within the Group.

#### Back-end: Overseas sites

##### Shenzhen, China

- End agreement with local contract manufacturer in FY08

##### Philippines

- Close Epson plant in FY08
- Continue using contract manufacturing plant but streamline

##### Suzhou, China

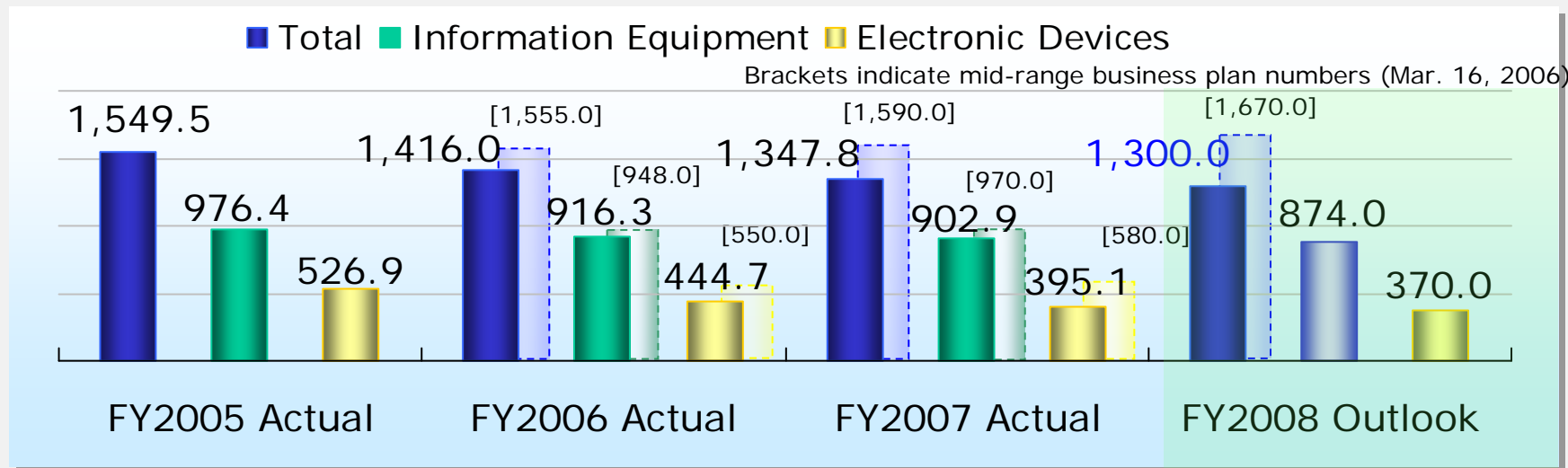
- Fortify as main back-end site

**Overseas Workforce**  
Reduce force from 12,000 in FY2007 to 4,000 in FY2010.

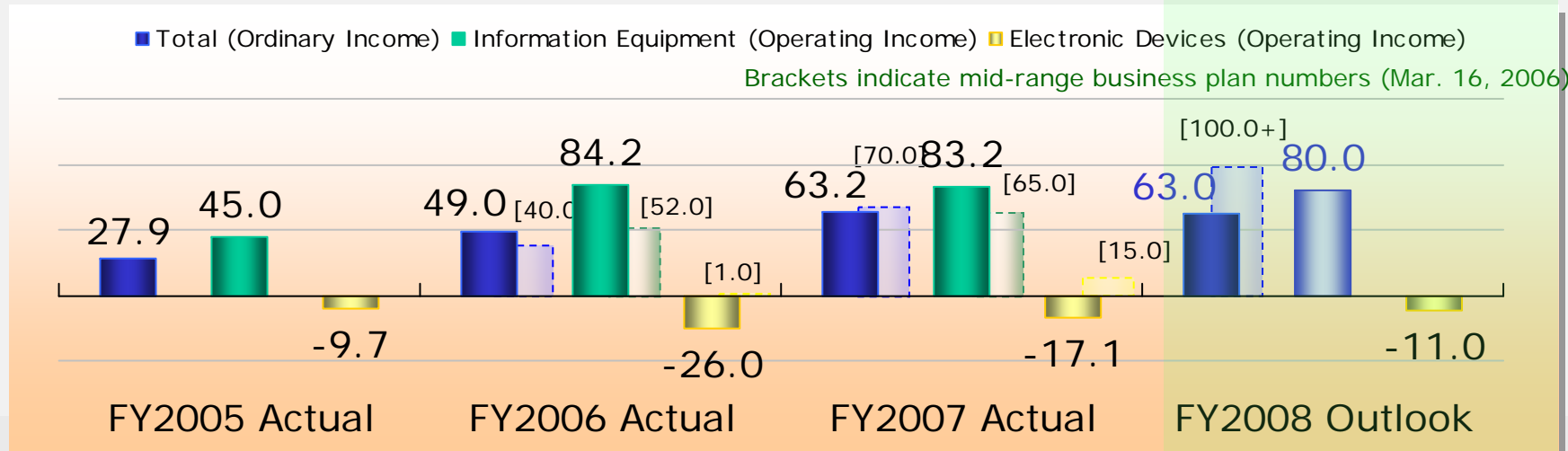
# FY2008 Outlook Highlights

## Net Sales

(Billions of yen)



## Ordinary Income (operating income for segments)



1. Overview

2. Detailed  
Explanation

- 1) FY2007 Financial Results
- 2) FY2008 Business Outlook

# Financial Highlights (Full Year)

► Year-over-year

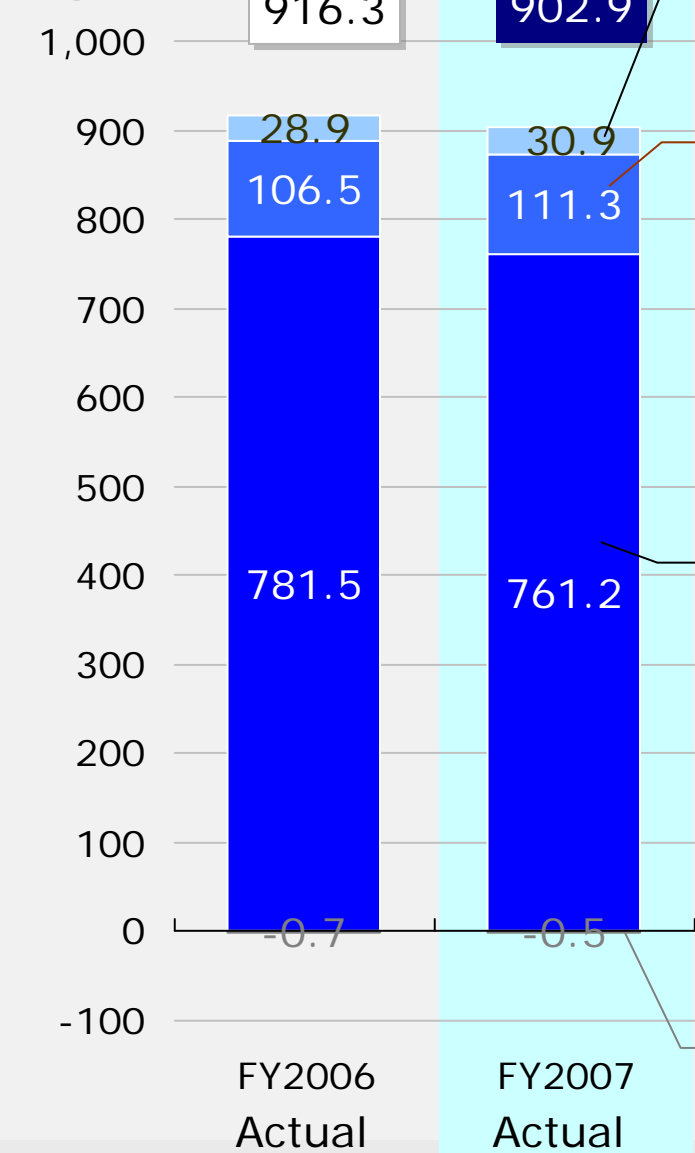


(Billions of yen)	FY2006		FY2007				Change (amount, %)	
	Actual	%	1/30 Outlook	%	Actual	%	Y/Y	Vs. 1/30 Outlook
Net Sales	1,416.0	-	1,379.0	-	1,347.8	-	-68.1 -4.8%	-31.1 -2.3%
Operating Income	50.3	3.6%	56.0	4.1%	57.5	4.3%	+7.2 +14.4%	+1.5 +2.8%
Ordinary Income	49.0	3.5%	60.0	4.4%	63.2	4.7%	+14.1 +28.9%	+3.2 +5.4%
Net Income <small>Before income taxes</small>	3.4	0.2%	53.0	3.8%	52.0	3.9%	+48.5 +1,397.6%	-0.9 -1.8%
Net Income	-7.0	-0.5%	23.0	1.7%	19.0	1.4%	+26.1 -	-3.9 -17.0%
EPS	-¥36.13		¥117.13		¥97.24			
Exchange rate	USD	¥117.02	¥115.00		¥114.28			
	EUR	¥150.09	¥163.00		¥161.53			

# Net Sales Comparison (Full Year)

## Information-related equipment segment

(Billions of yen)



**PC, Other**  
Y/Y +2.0

- PC: Up on higher unit shipments

**Visual Instruments**  
Y/Y +4.8

- Front PRJ: Sustained strength, esp. in education

**Printers**  
Y/Y -20.3

- IJP: Unit & consumables volume grew
- PP: Emphasized models with high print volume & profitability
- BS: Volume down in SIDM, etc.

**% sales**

	FY06	FY07
PRJ	86%	89%
PTV	3%	0%
Other	11%	11%

**% sales**

	FY06	FY07
IJP	62%	63%
PP	14%	13%
BS	19%	19%
SCN, other	5%	5%

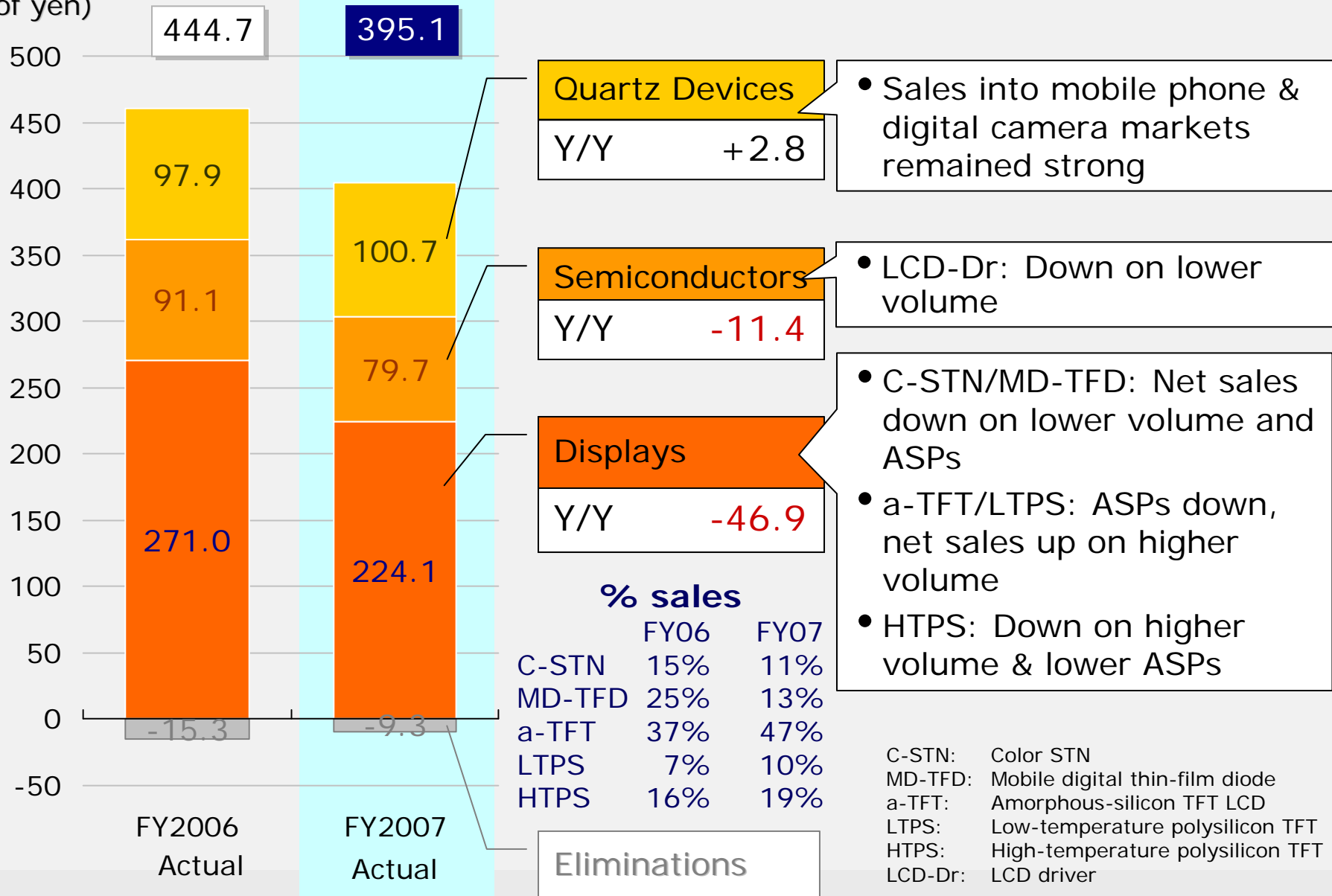
**Eliminations**

IJP: Inkjet printer  
PP: Page printer  
BS: Business system  
POS: Point of sales  
SCN: Scanner  
PRJ: Projector  
PTV: Projection TV

# Net Sales Comparison (Full Year)

## ▶ Electronic device segment

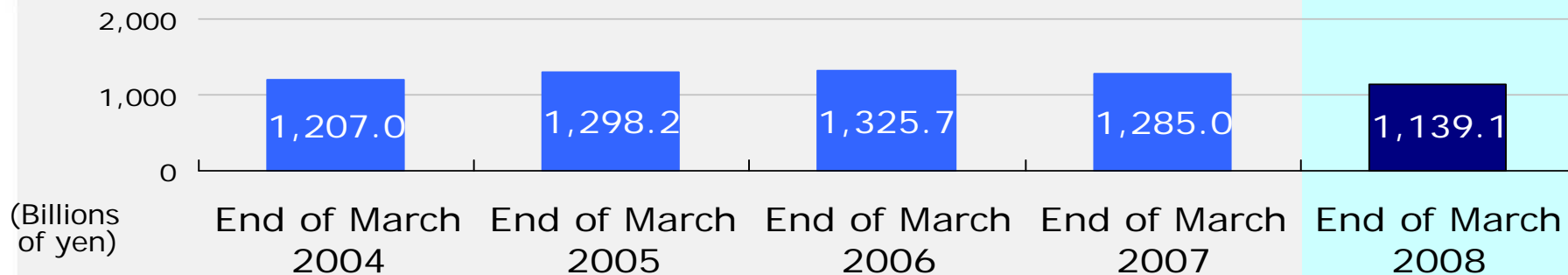
(Billions of yen)



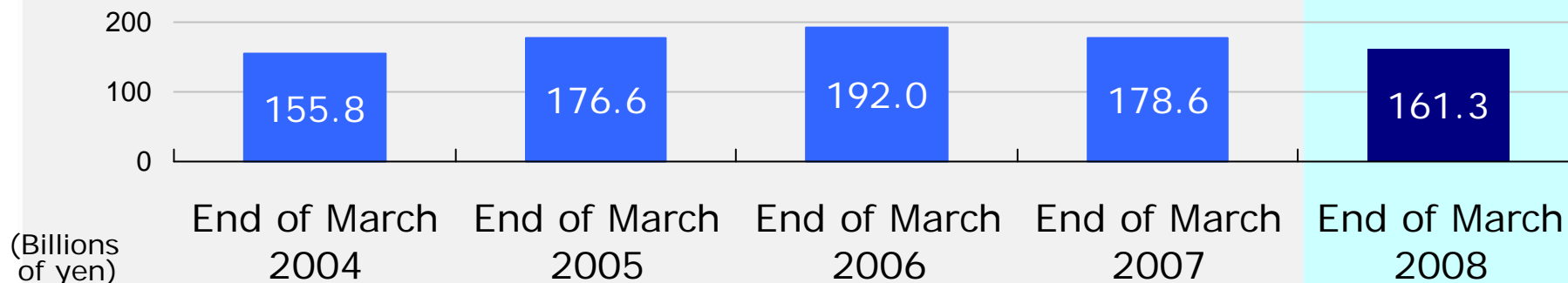


# Statistics of Balance Sheet Items

## Total assets

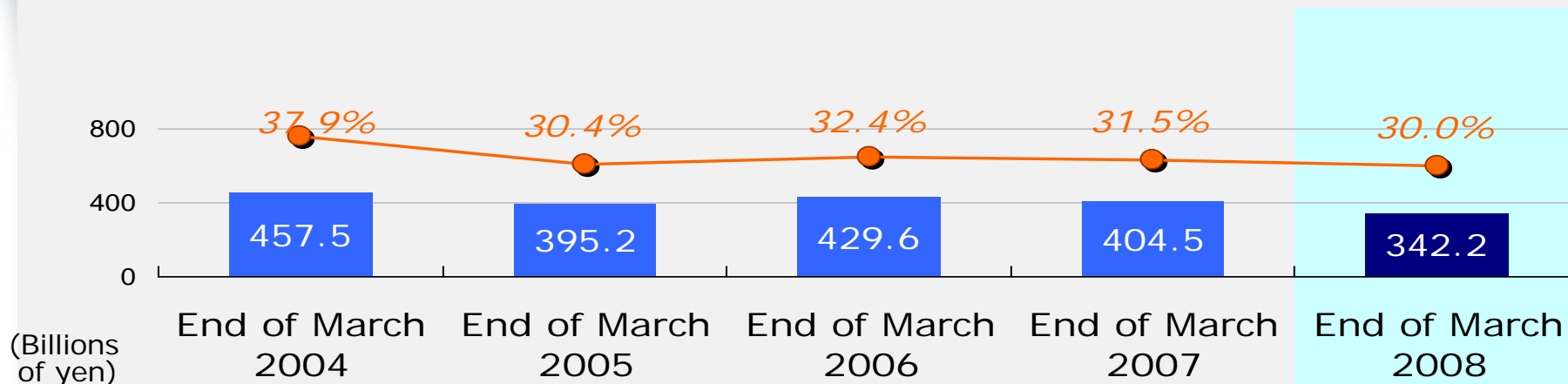


## Inventories

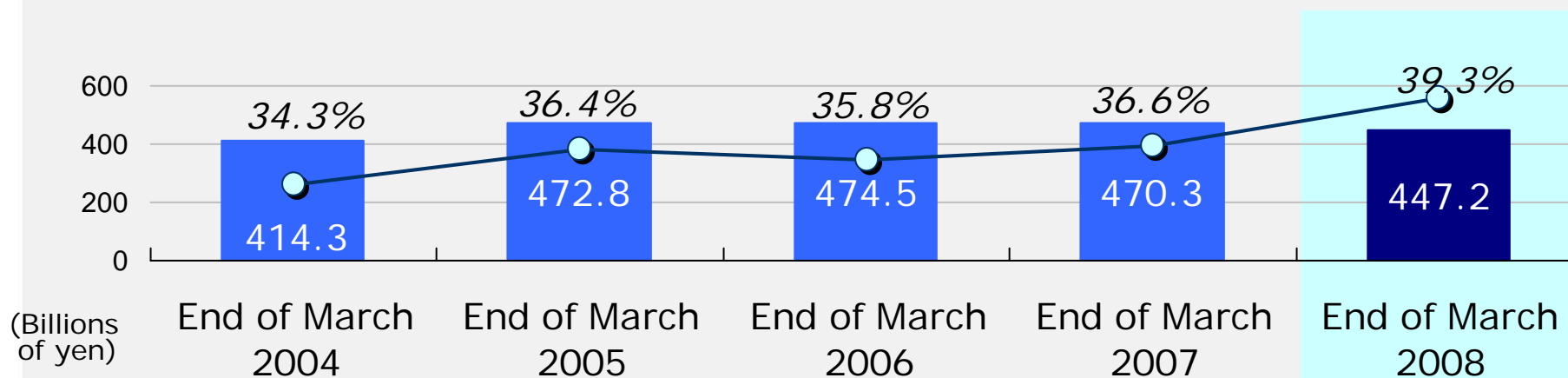


# Statistics of Balance Sheet Items

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



## Shareholders' equity & equity ratio



# Fourth-Quarter Financial Highlights

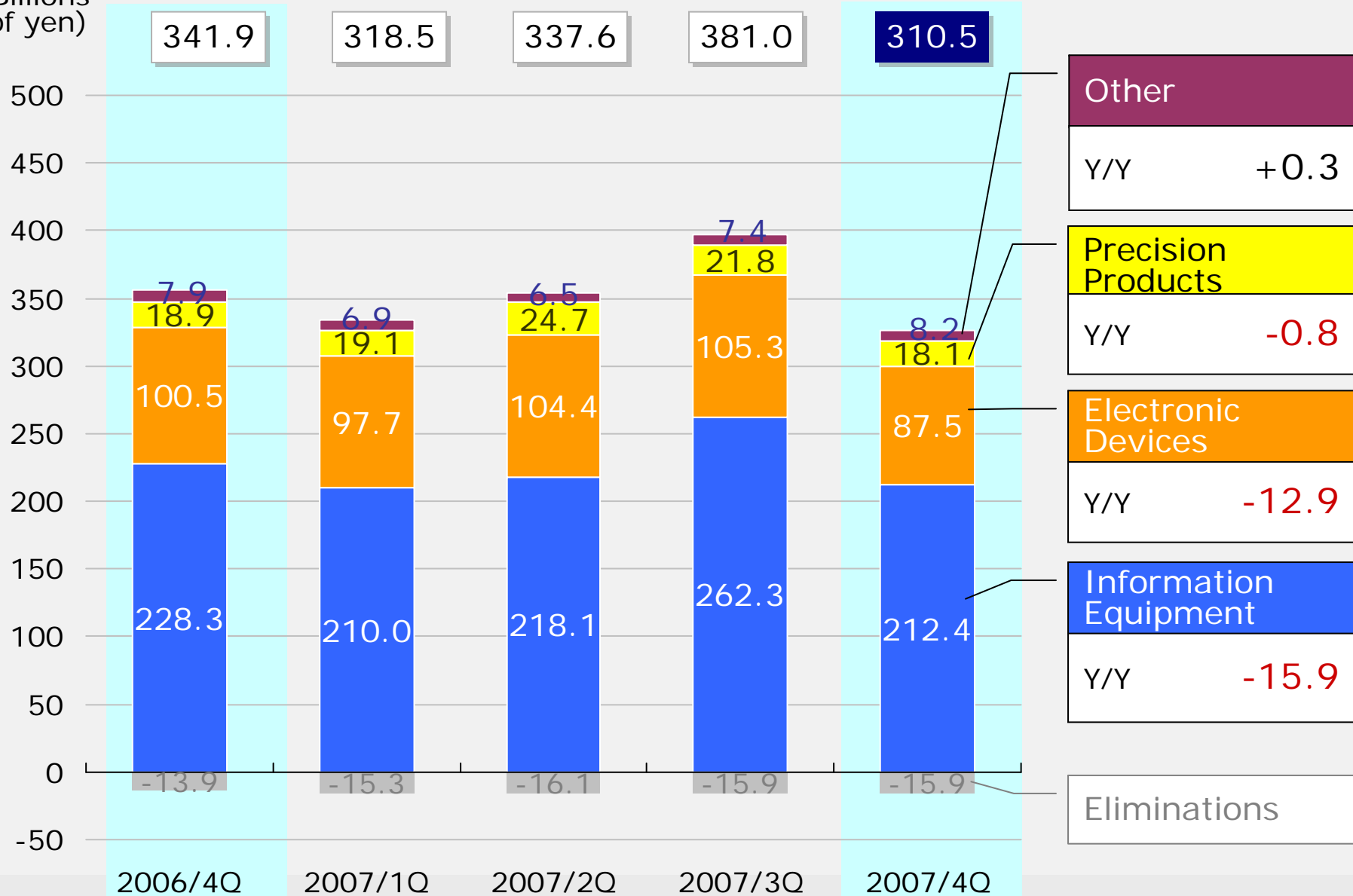
## ▶ Year-over-year

(Billions of yen)		FY2006		FY2007		Change	
		4Q Actual	%	4Q Actual	%	Amount	%
Net Sales		341.9	-	310.5	-	-31.3	-9.2%
Operating Income		4.0	1.2%	1.8	0.6%	-2.1	-53.5%
Ordinary Income		4.0	1.2%	2.9	1.0%	-1.0	-26.2%
Net Income <small>Before income taxes</small>		-36.6	-10.7%	-2.7	-0.9%	+33.8	-
Quarterly Net Income		-21.0	-6.2%	-3.1	-1.0%	+17.8	-
Exchange rate	USD	¥119.52		¥105.29			
	EUR	¥156.50		¥157.64			

# Quarterly Net Sales

## ► By business segment

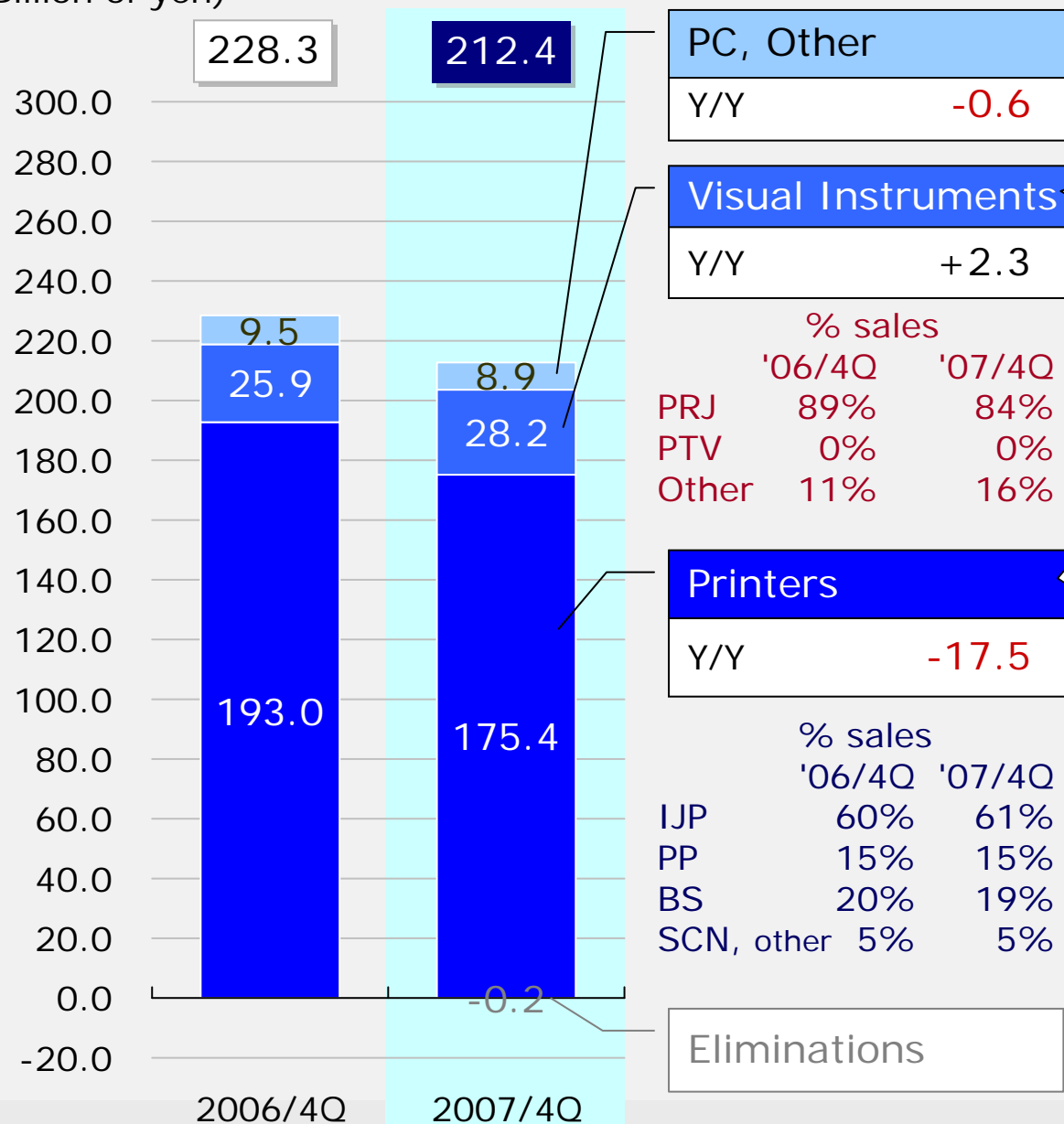
(Billions of yen)



# Quarterly Net Sales Comparison

## Information-related equipment segment

(Billion of yen)



**PC, Other**  
Y/Y -0.6

**Visual Instruments**  
Y/Y +2.3

**Printers**  
Y/Y -17.5

**Eliminations**

% sales

	'06/4Q	'07/4Q
PRJ	89%	84%
PTV	0%	0%
Other	11%	16%

% sales

	'06/4Q	'07/4Q
IJP	60%	61%
PP	15%	15%
BS	20%	19%
SCN, other	5%	5%

- Front PRJ: Sales remained strong, esp. in education

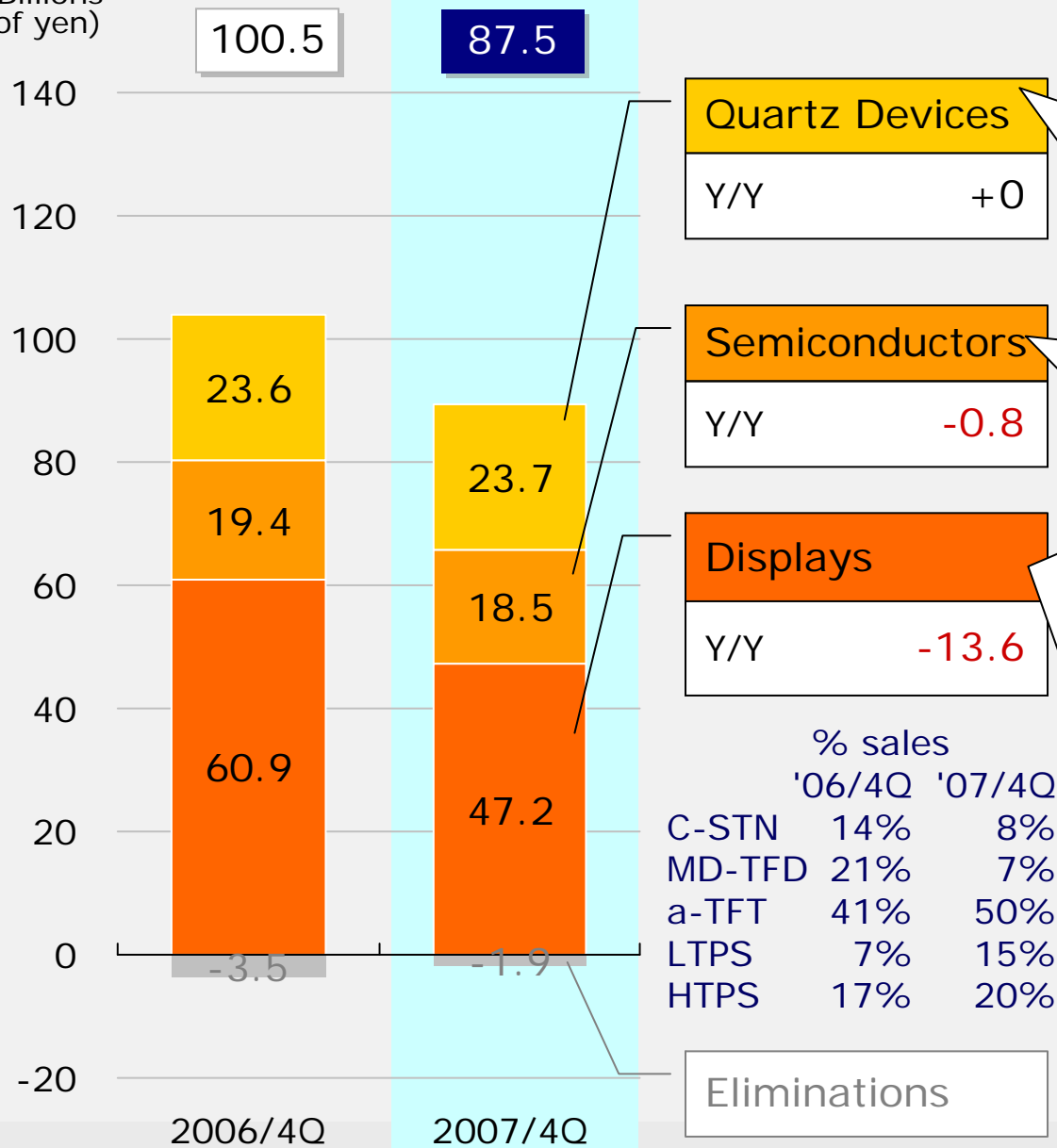
- IJP: Unit shipments up
- PP: Emphasized models with high print volume & profitability
- BS: SIDM/POS unit shipments down

- IJP: Inkjet printer
- PP: Page printer
- BS: Business system
- SIDM: Serial-impact dot matrix printer
- POS: Point of sales
- SCN: Scanner
- PRJ: Projector
- PTV: Projection TV

# Quarterly Net Sales Comparison

## ▶ Electronic device segment

(Billions of yen)



**Quartz Devices**  
Y/Y +0

- Sustained strength in sales to mobile phone & digital camera markets

**Semiconductors**  
Y/Y -0.8

- LCD-Dr: Volume down
- Silicon foundry: Volume up

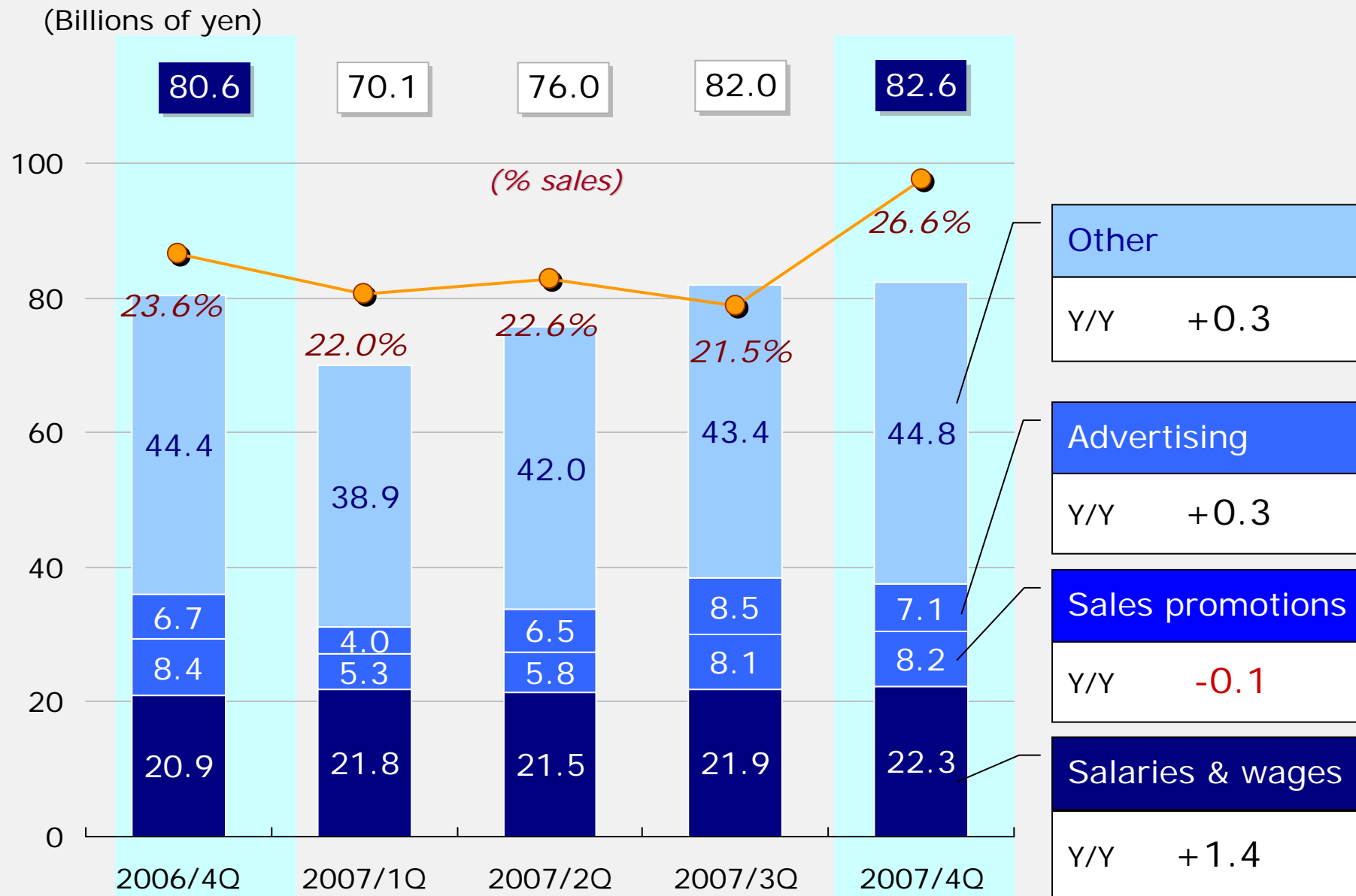
**Displays**  
Y/Y -13.6

- C-STN/MD-TFD: Down on lower volume & ASPs
- a-TFT: Down on lower ASPs & higher volume
- LTPS: Up on higher volume
- HTPS: Down on higher volume, lower ASPs

**Eliminations**

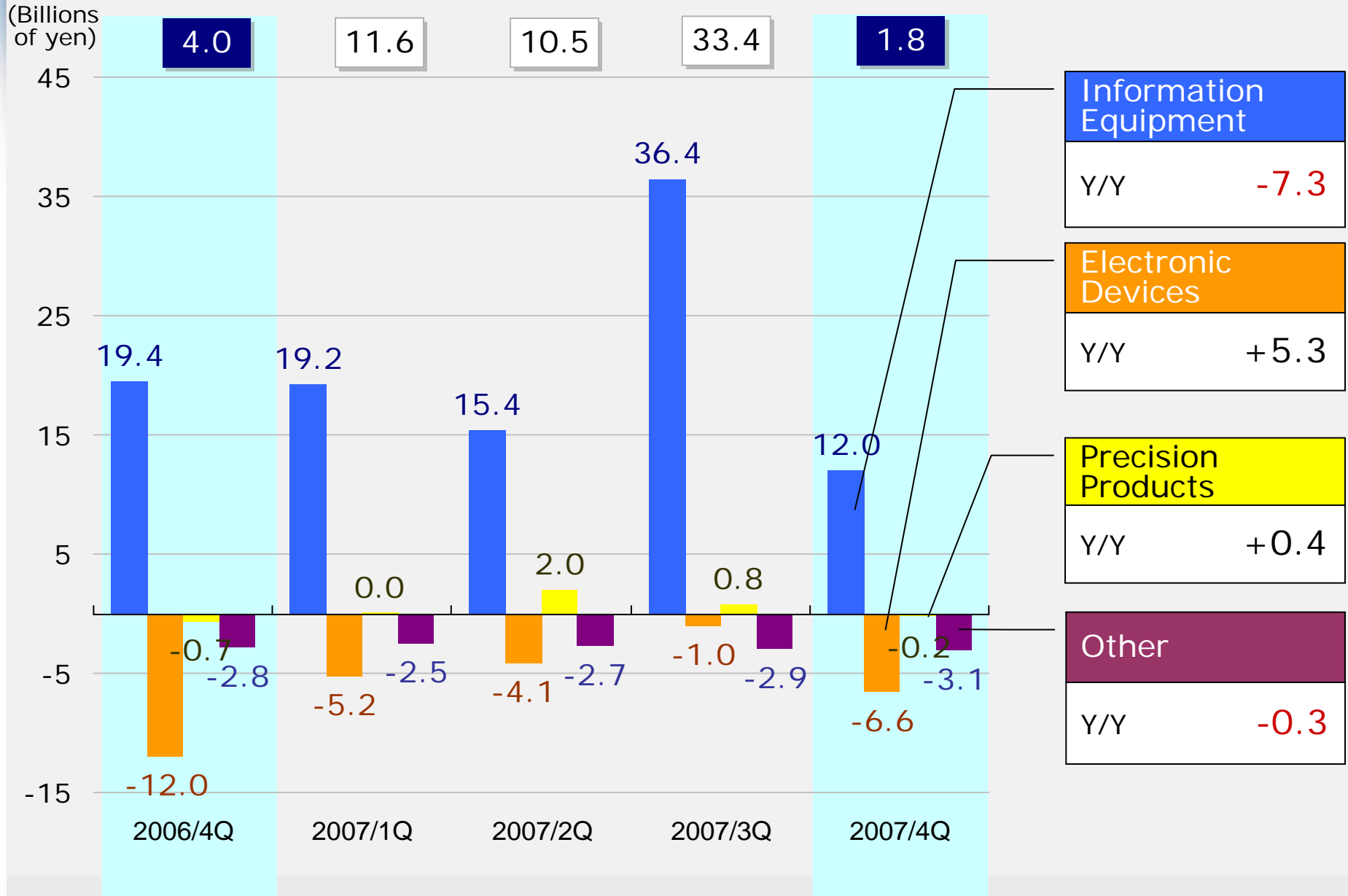
C-STN: Color STN  
 MD-TFD: Mobile digital thin-film diode  
 a-TFT: Amorphous-silicon TFT LCD  
 LTPS: Low-temperature polysilicon TFT  
 HTPS: High-temperature polysilicon TFT  
 LCD-Dr: LCD driver

# Quarterly Selling, General and Administrative Expenses



# Quarterly Operating Income

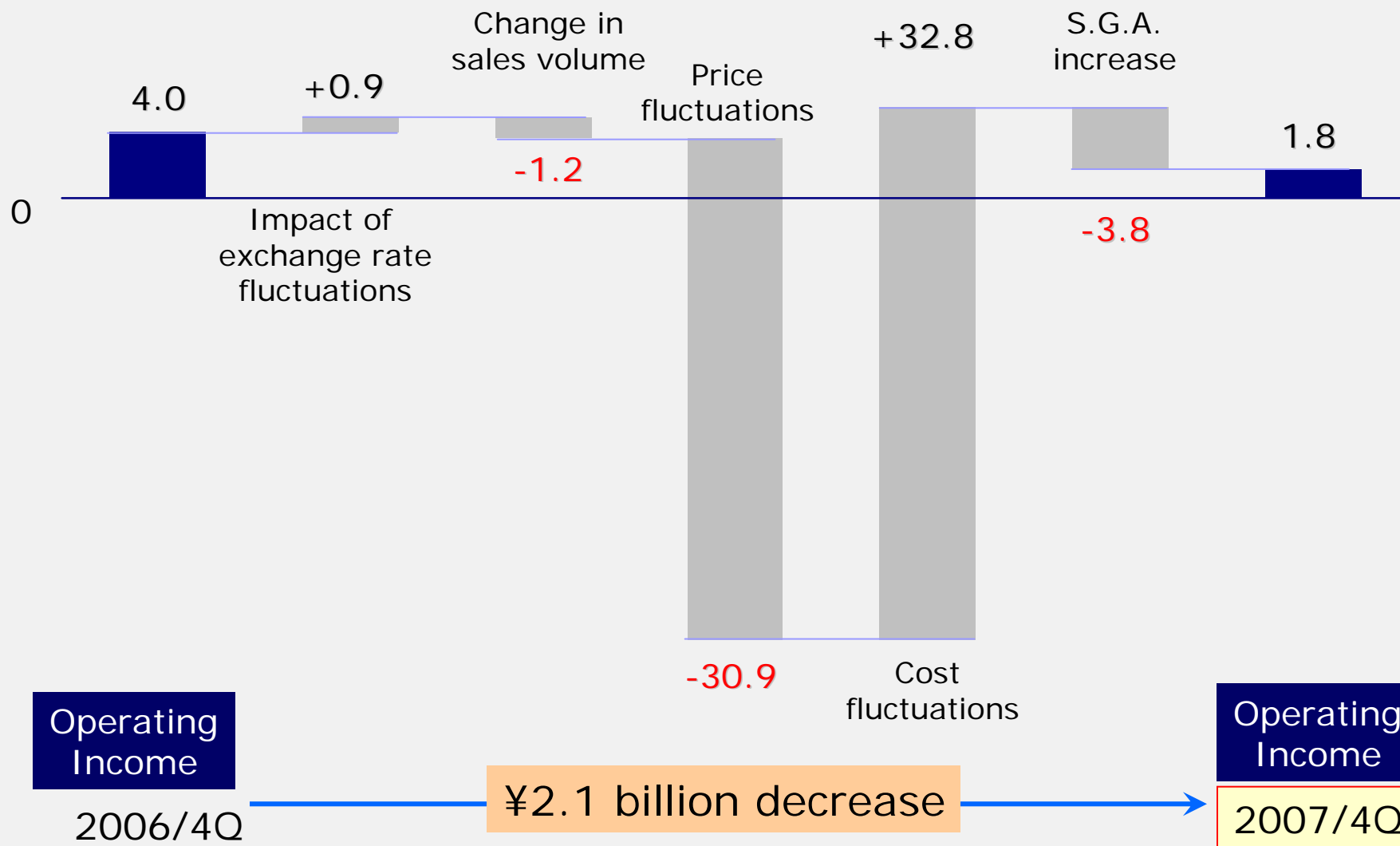
## ► By business segment





# Operating Income Fluctuation Cause Analysis

(Billions of yen)



- 1) FY2007 Financial Results
- 2) FY2008 Business Outlook

# FY2008 Business Outlook

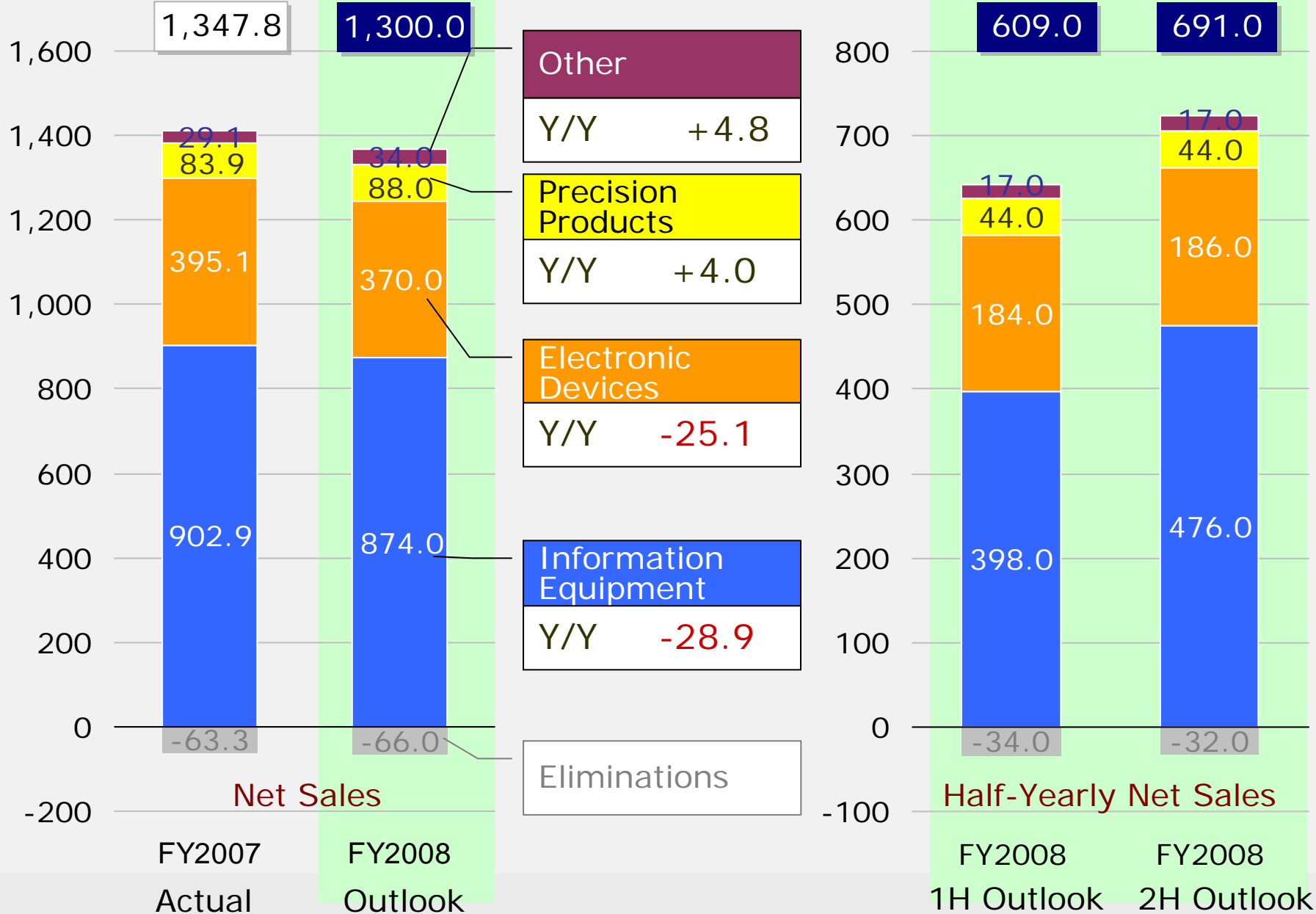
## ▶ Year-over-year

(Billions of yen)		FY2007		FY2008		Change	
		Actual	%/Sales	Outlook	%/Sales	Amount	%
Net Sales		1,347.8	-	1,300.0	-	-47.8	-3.5%
Operating Income		57.5	4.3%	61.0	4.7%	+3.4	+5.9%
Ordinary Income		63.2	4.7%	63.0	4.8%	-0.2	-0.4%
Net Income Before income taxes		52.0	3.9%	54.0	4.2%	+1.9	+3.8%
Net Income		19.0	1.4%	31.0	2.4%	+11.9	+62.4%
EPS		¥97.24		¥157.87			
Exchange rate	USD	¥114.28		¥95.00			
	EUR	¥161.53		¥155.00			

# FY2008 Business Outlook (Net Sales)

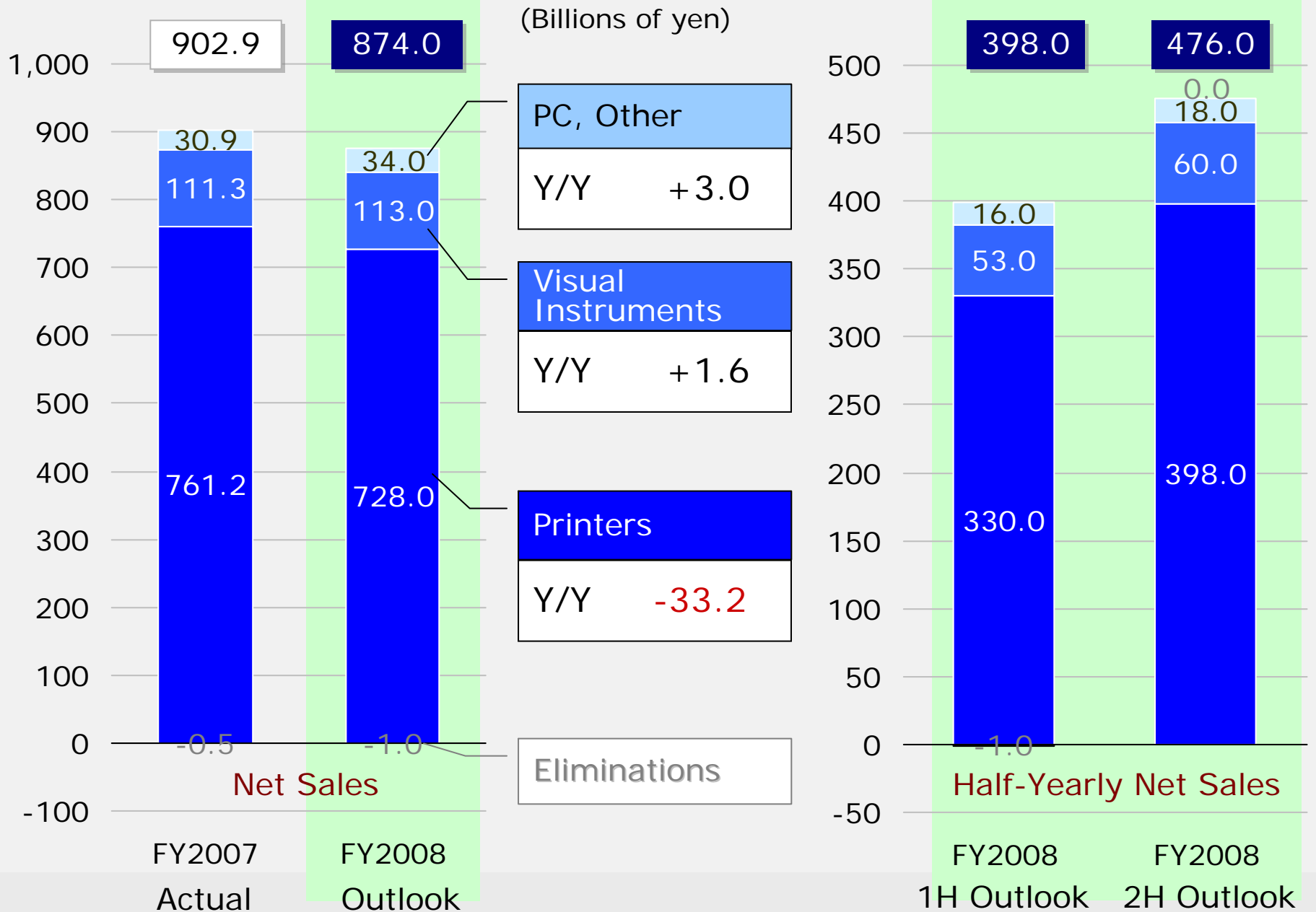
► By business segment

(Billions of yen)



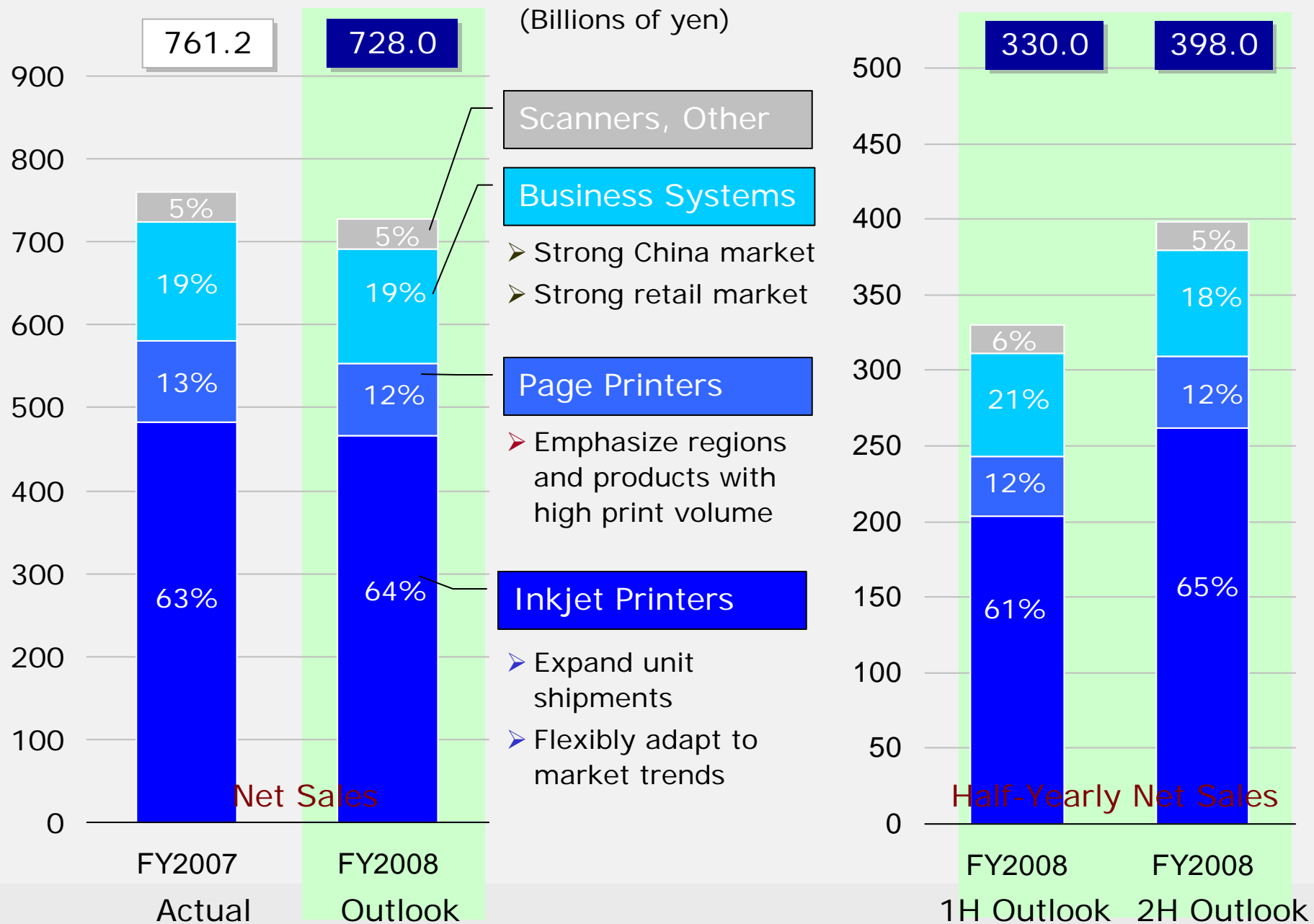
# Net Sales Outlook by Business

## Information-related equipment segment



# Net Sales Outlook by Business

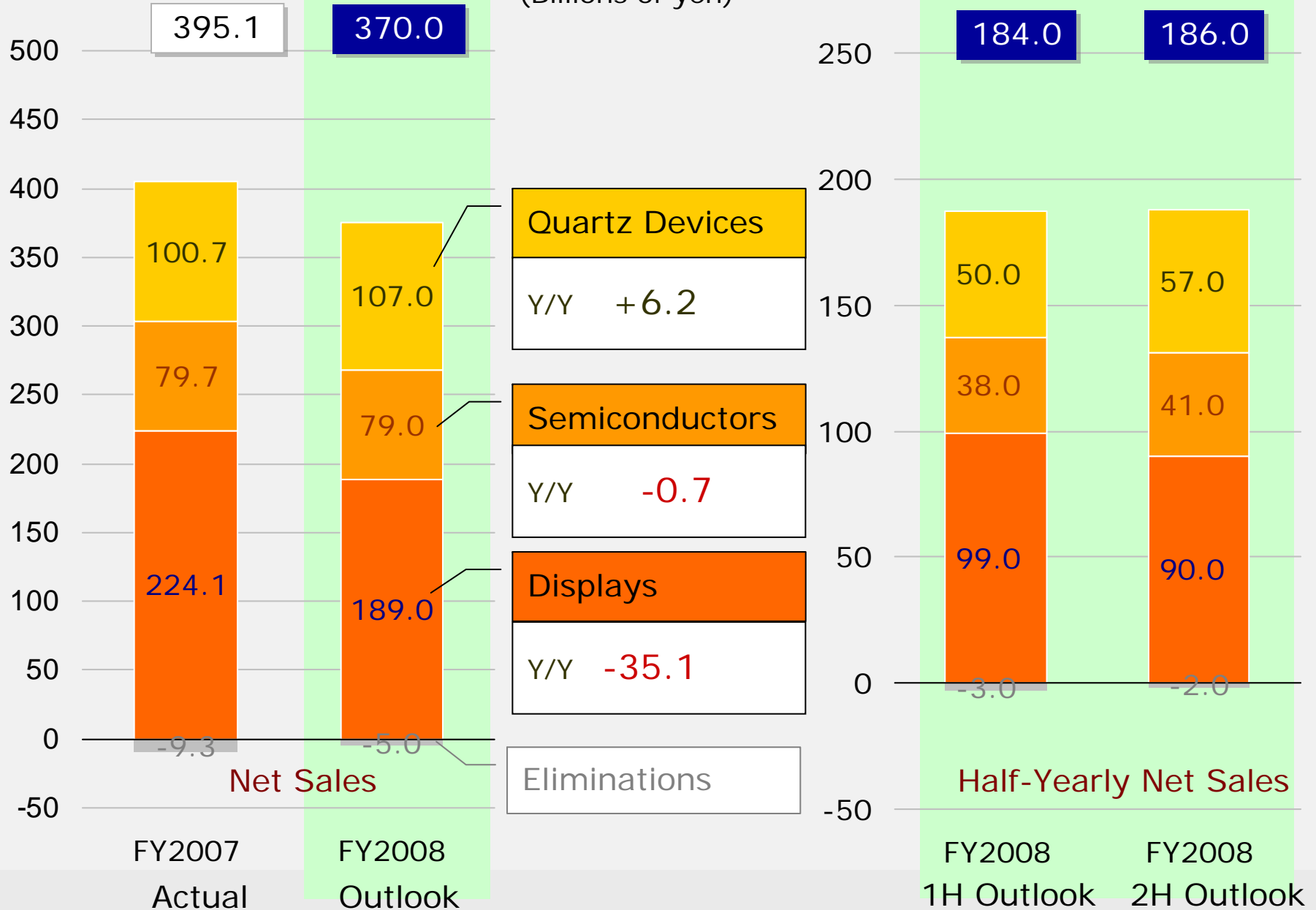
## ▶ Printer business



# Net Sales Outlook by Business

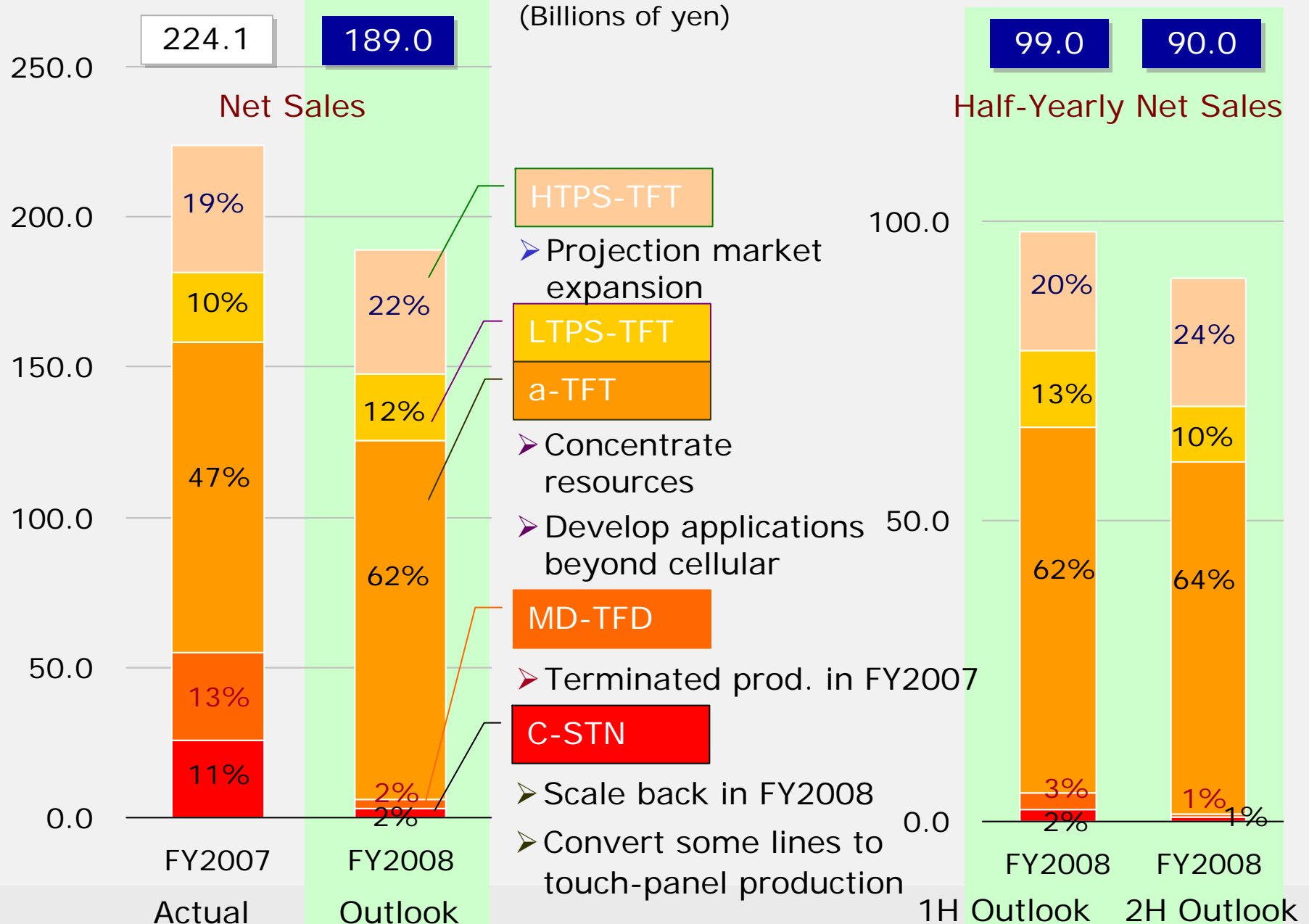
## ▶ Electronic device segment

(Billions of yen)



# Net Sales Outlook by Business

## ► Display business

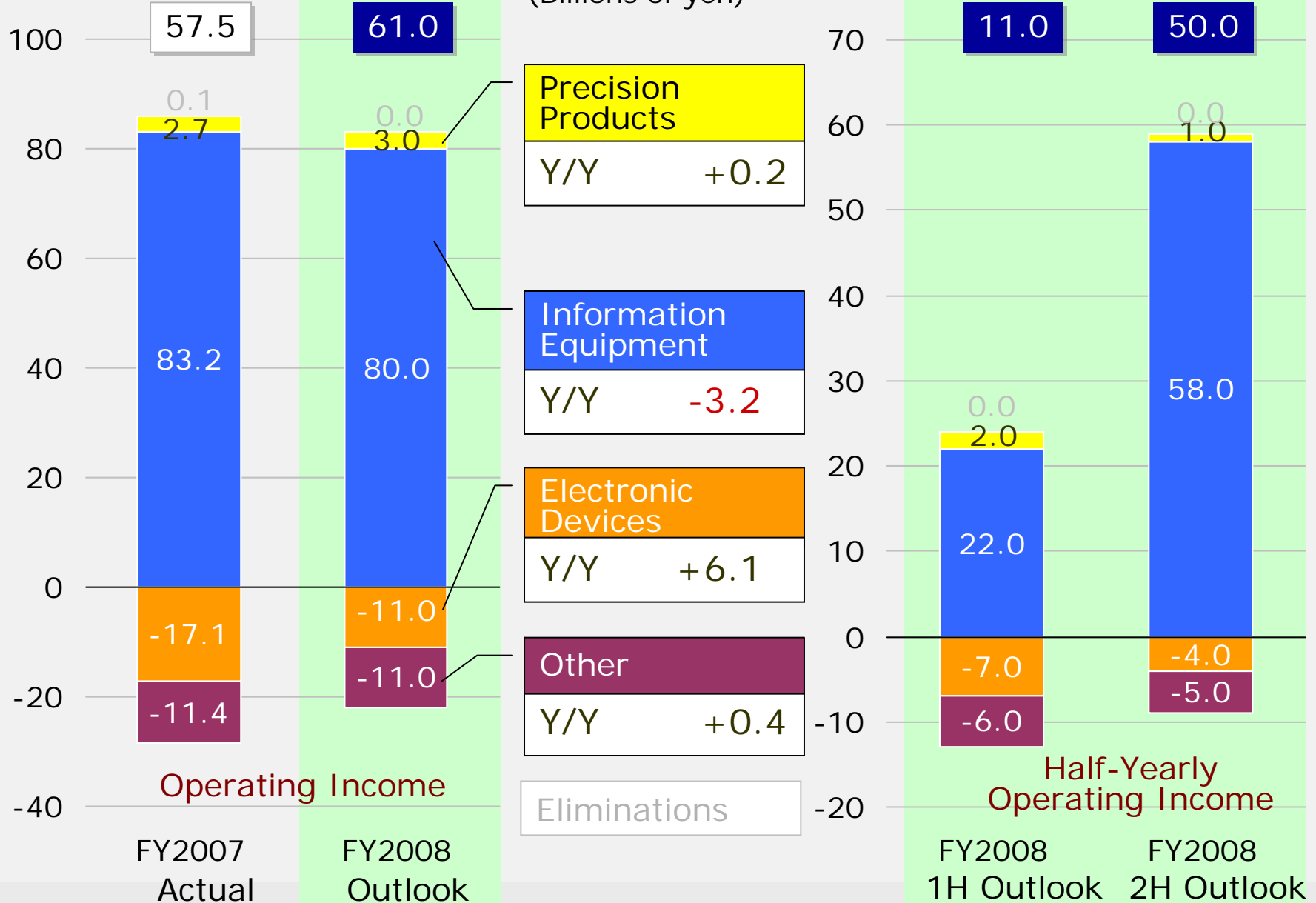




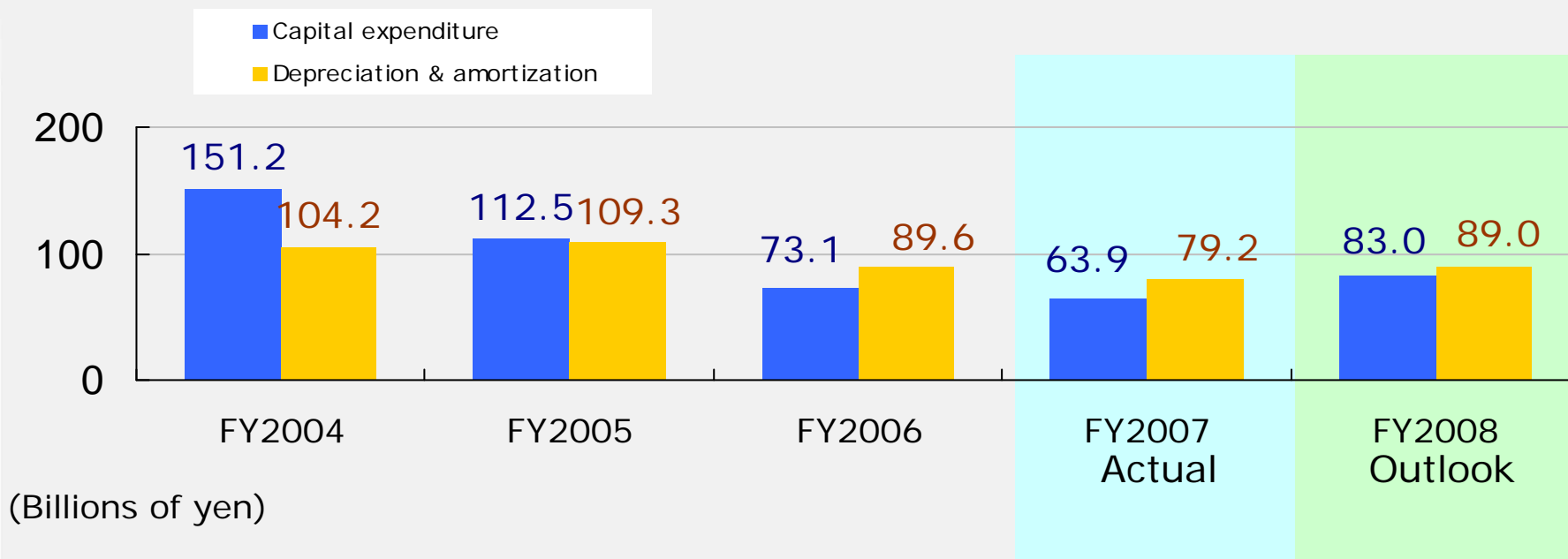
# FY2008 Business Outlook (Operating Income)

► By business segment

(Billions of yen)



# Outlook for Capital Expenditure and Depreciation & Amortization Expenses

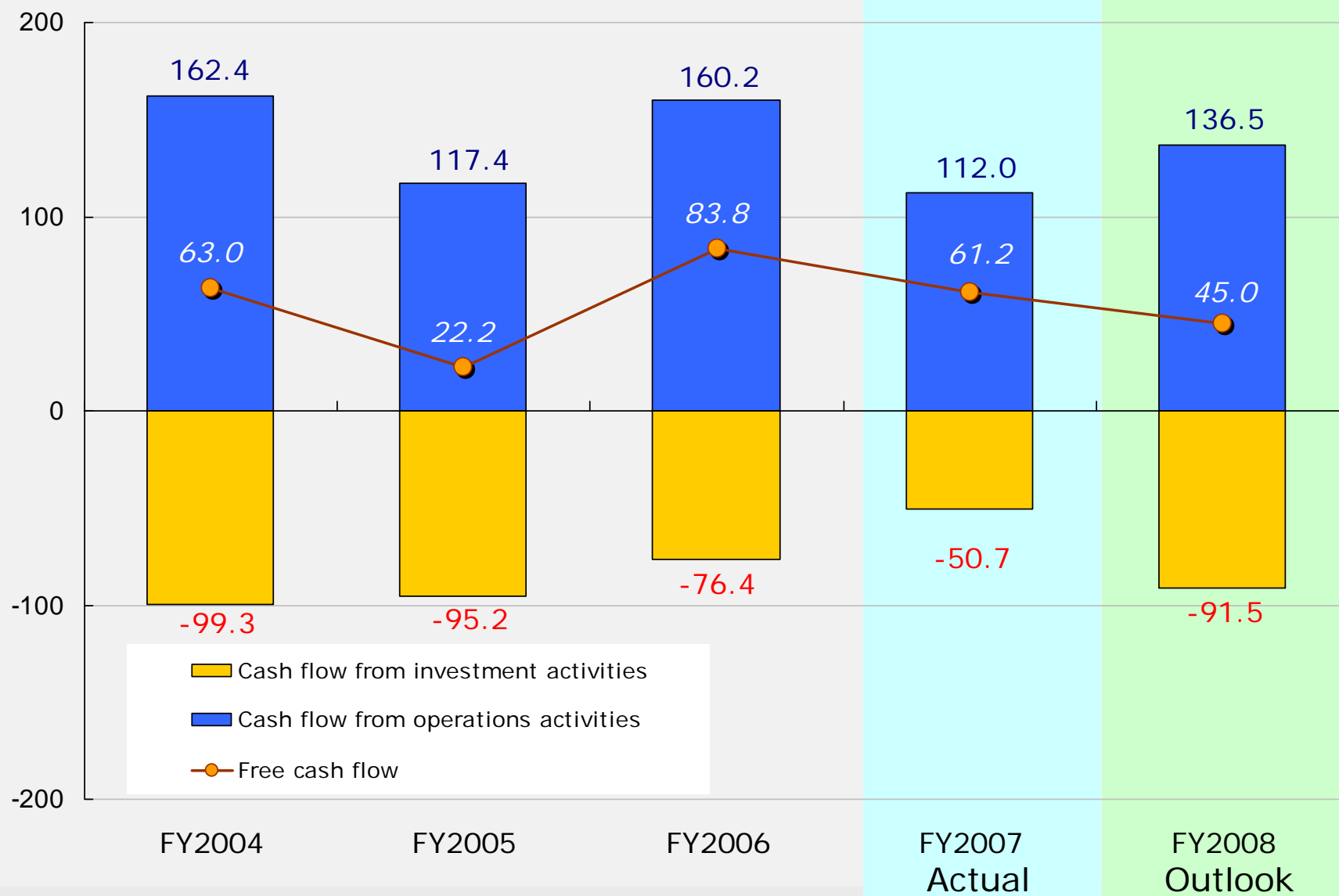


## Key Capital Investments

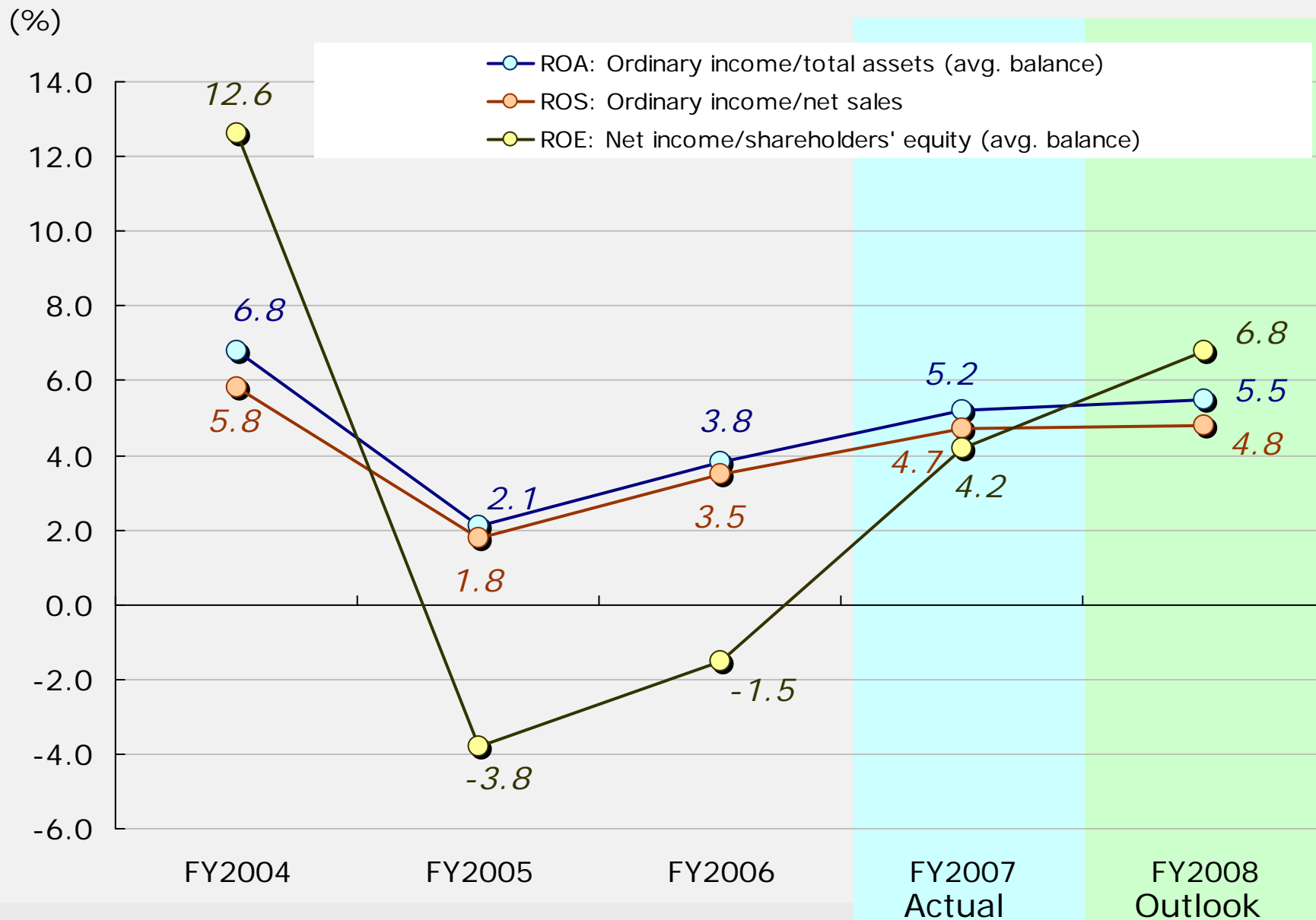
- Information Equipment: New products
- Electronic Devices: Additional production capacity, etc.

# Free Cash Flow Outlook

(Billions of yen)



# Main Management Indicators



**EPSON**  
EXCEED YOUR VISION