

# Full-Year & Q4 Financial Results Fiscal Year 2008 (Ending March 2009)

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April 30, 2009

**SEIKO EPSON CORPORATION**

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- Welcome to the presentation.
- I will be presenting Seiko Epson Corporation's fiscal 2008 financial results and our fiscal 2009 outlook.
- With me tonight are:

## ■ 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.

- Please take a look at the disclaimer statement regarding the information contained in today's financial release materials.

Changes to business incubation projects  
included under "Other" segment

- In line with the structural reforms for the electronic device businesses announced in March, corporate R&D on some of the business incubation projects that we plan to bring to market will be charged to other segments instead of being allocated to the "Other" segment.
- This will result in a change to the disclosed profit and loss figures for each segment starting from fiscal 2009.
- In the slides showing the fiscal 2009 outlook, fiscal 2008 segment profit and loss figures have been adjusted for the purpose of comparison.

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- Before we start, I would like to explain a change to some of the business incubation projects included in the "Other" segment.
- In the past, expenses related to basic corporate R&D on business incubation projects that we plan to bring to market were allocated to the "Other" businesses segment. In line with the structural reforms for the electronic device businesses announced in March, some of these expenses will from this year be charged to other segments. As such, the net sales and income figures announced for the segments will change as of fiscal 2009.
- The segment figures presented for fiscal 2008 do not reflect this accounting change. Please be aware, however, that in this presentation the fiscal 2008 net sales and income figures for each segment have been adjusted in comparisons showing the fiscal 2009 outlook against fiscal 2008 performance.

## Financial Highlights (Full Year)

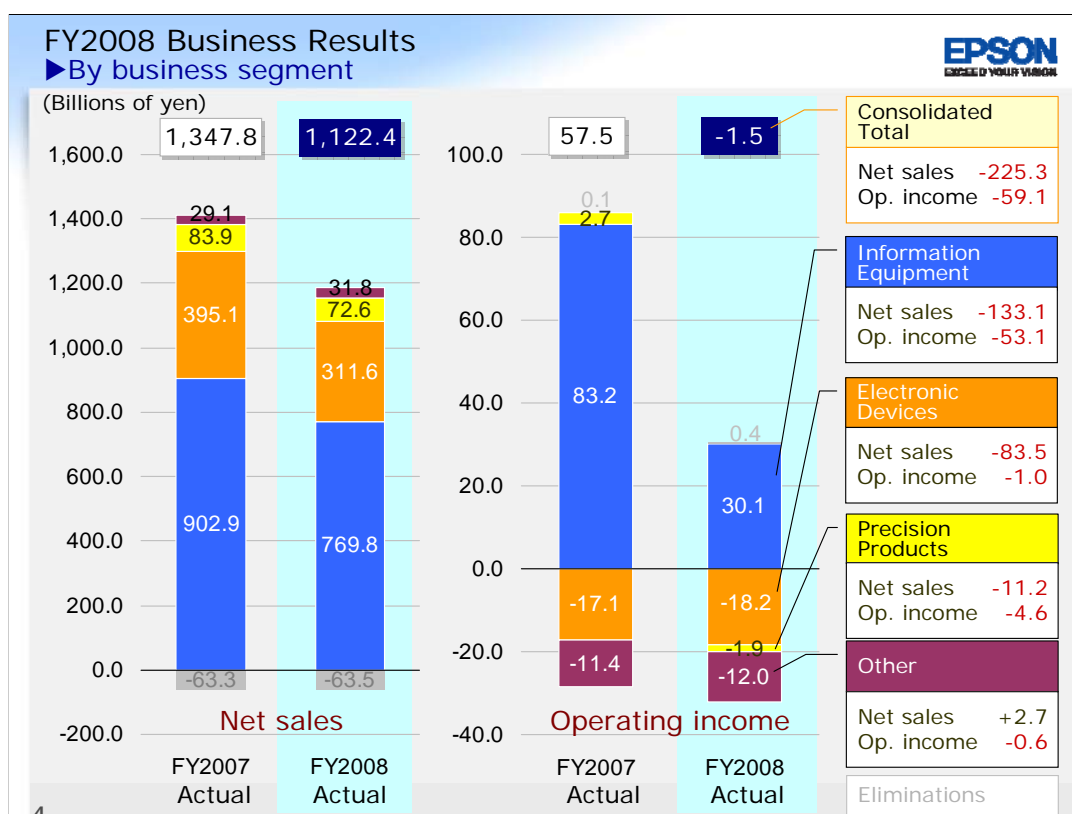
▶ Year-over-year



(Billions of yen)	FY2007		FY2008				Change (amount, %)	
	Actual	%	3/11 Outlook	%	Actual	%	Y/Y	Vs. 3/11 Outlook
Net sales	1,347.8	-	1,138.0	-	1,122.4	-	-225.3 -16.7%	-15.5 -1.4%
Operating income	57.5	4.3%	6.0	0.5%	-1.5	-0.1%	-59.1 -	-7.5 -
Ordinary income	63.2	4.7%	13.0	1.1%	5.3	0.5%	-57.9 -91.6%	-7.6 -59.2%
Net income before income taxes	52.0	3.9%	-76.0	-6.7%	-89.5	-8.0%	-141.6 -	-13.5 -
Net income	19.0	1.4%	-100.0	-8.8%	-111.3	-9.9%	-130.4 -	-11.3 -
EPS	¥97.24		-¥509.26		-¥566.92			
Exchange rate	USD	¥114.28	¥100.00		¥100.53			
	EUR	¥161.53	¥142.00		¥143.48			

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- I will start today by providing an overview of our fiscal 2008 financial results, following by a summary of the fiscal 2009 business outlook.
- I will then present a detailed breakdown of the results and current business outlook.
- This slide summarizes our fiscal 2008 full-year financial results.
- Net sales were ¥1,122.4 billion, down ¥225.3 billion from the prior year. Operating income was negative ¥1.5 billion, down ¥59.1 billion from last year. Net income was negative ¥111.3 billion.
- Compared to the outlook presented on March 11, net sales ended ¥15.5 billion lower than estimated. Operating income was ¥7.5 billion lower.
- Net income ended ¥11.3 billion below the estimate in the March outlook. The loss was wider than forecast because in addition to the shortfall in operating income, we made adjustments after carrying out a detailed review and analysis of the scope and calculation basis for impairments, and because of a change in taxation payments.
- To be sure, the deterioration of the market environment caused by the strong yen and the steep economic downturn was a major factor. Even so, we deeply regret that we were unable to live up to market expectations and, instead, have not only posted our first operating loss since bringing Epson public but have recorded a loss in excess of ¥100 billion due to delays in turning our electronic devices segment around.
- We understand we have failed to meet the expectations of the market, and apologize for having to make repeated adjustments to our forecast. Please be assured that we will be making every effort to rectify this situation in fiscal 2009.



- Let's look at net sales by segment.
- In the information-related equipment segment net sales were ¥769.8 billion. Operating income was ¥30.1 billion.
- Electronic devices net sales were ¥311.6 billion. Operating loss was ¥18.2 billion.
- Full-year consolidated income came in under the March outlook. In information-related equipment, income was affected by lower than expected shipments of products for the business market and lower than expected sales of consumables due to the deepening recession.
- Meanwhile, we saw net sales shrink in electronic devices due to the continuing recession. Nevertheless, income exceeded the March outlook largely as a result of ongoing efforts to reduce fixed costs.
- I will provide a more detailed breakdown a little later.

## FY2009 Business Outlook

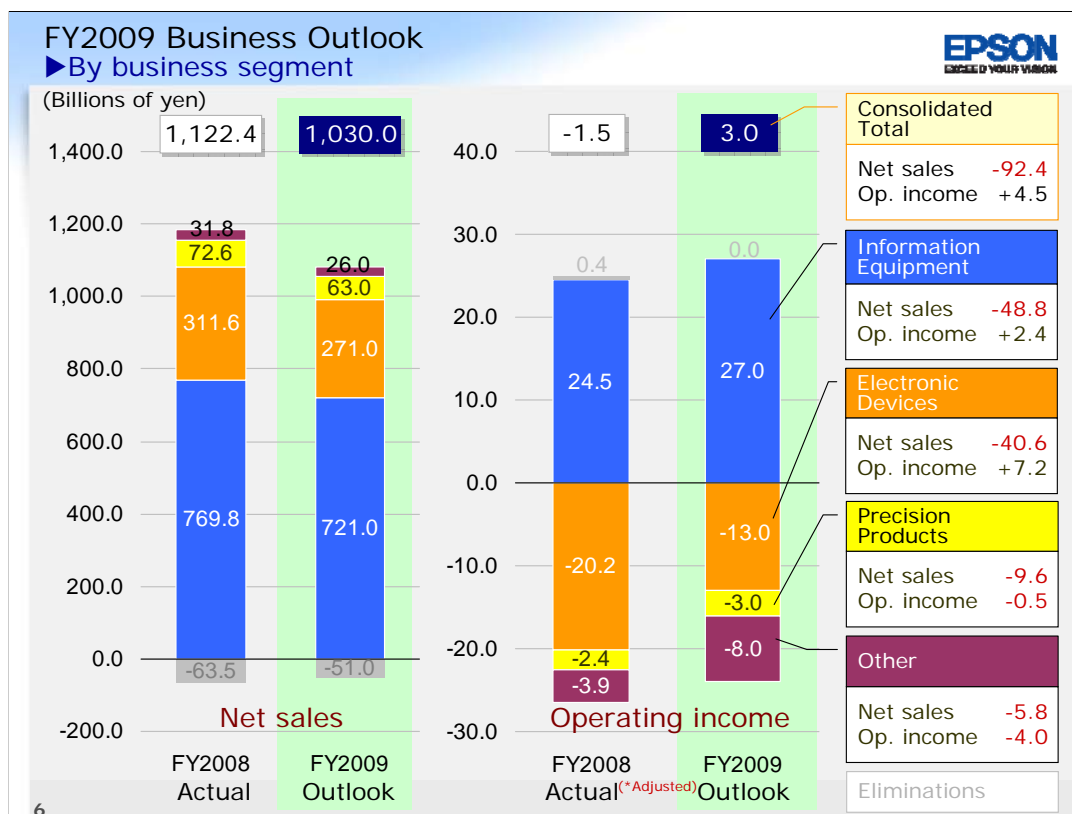
▶ Year-over-year



	FY2008		FY2009		Change	
	Actual	%/Sales	Outlook	%/Sales	Amount	%
(Billions of yen)						
Net sales	1,122.4	-	1,030.0	-	-92.4	-8.2%
Operating income	-1.5	-0.1%	3.0	0.3%	+4.5	-
Ordinary income	5.3	0.5%	0	0.0%	-5.3	-
Net income Before income taxes	-89.5	-8.0%	-2.0	-0.2%	+87.5	-
Net income	-111.3	-9.9%	-6.0	-0.6%	+105.3	-
EPS	-¥566.92		-¥30.56			
Exchange Rate	USD	¥100.53	¥90.00			
	EUR	¥143.48	¥115.00			

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- Now let's turn to our fiscal 2009 financial outlook.
- The financial targets in the first year of our mid-range business plan are the same as those presented on March 11.  
Our commitment to breaking-even in ordinary income has not changed.
- We expect net sales of ¥1,030.0 billion, down ¥92.4 billion from last year.  
Operating income is seen rising by ¥4.5 billion, to ¥3.0 billion.  
We are, as I said, targeting break-even in ordinary income.
- Net income is projected to be a loss of ¥6 billion.
- Our outlook assumes exchange rates of 90 yen to the US dollar and 115 yen to the euro.



- This slide provides a breakdown of estimated net sales and operating income by segment.
- Epson estimates information-related equipment net sales will be ¥721.0 billion and operating income will be ¥27.0 billion.
- In electronic devices, we estimate net sales of ¥271.0 billion and an operating loss of ¥13.0 billion.
- Now, as I mentioned at the outset, please note that the fiscal 2008 segment figures for operating income have been changed for the purpose of comparison with the figures for fiscal 2009.

# FY2009 Outlook Highlights



Year 1 of the mid-range business plan (2009-2011)

In a business environment made challenging by the ongoing recession, Epson is taking all its losses in this round of structural changes. Mid- to long-term, Epson will rebuild and reinforce the foundations of strategic businesses and reduce fixed costs company-wide.

## Information Equipment Segment

With a weak market for business products due to the recession and a strong yen, maintain FY2008-level profit by lowering unit costs, reducing fixed costs and driving other business efficiencies.

- Inkjet printers: Continue launching competitive products, and strengthen moves into emerging markets and the commercial and industrial sectors, all of which promise growth.
- Business systems: Maintain and enhance strong presence in POS-related products and SIDM.
- Projectors: Maintain top market share in volume zone and expand presence in market for high brightness products.

## Electronic Devices Segment

Narrow losses as a result of impairments booked in fiscal 2008 and reduced fixed costs. Drive structural changes in every business, in line with the mid-range business plan.

- Small- and medium-sized displays: Continue discussions on potential alliance and move forward on site consolidation and staff redeployments.
- Semiconductors: Pursue opportunities in segments where Epson can leverage its strengths, and reallocate resources to enhance the competitiveness of Epson's other businesses.
- Quartz devices: Become stronger in sensing devices and other growth domains.

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- Fiscal 2009 is the first year of the mid-range business plan presented on March 11.
- With the market not yet showing signs of recovery, we assume that the current operating environment will persist in fiscal 2009. Given the difficult environment, Epson is taking all its losses in this round of structural changes. Mid- to long-term, Epson will rebuild and reinforce the foundations of strategic businesses and reduce fixed costs company-wide.
- The information-related equipment segment is expected to be affected by the recession, a strong yen, and a delayed market recovery, but we think we can maintain income at last year's level, primarily by continuing to launch competitive products and by further cutting costs. In the inkjet printer business we will strengthen our moves into emerging markets that offer growth opportunities and into the commercial and industrial sectors, which we have identified as growth domains, and therefore create a structure that will in the long term enable us to expand sales and generate profit.
- In the electronic devices segment, we will proceed in line with the mid-range business plan. In the small- and medium-sized display business, we will continue discussing a potential alliance with Sony as we move forward on site consolidation and staff redeployments.
- The semiconductor business will continue to focus on products built around Epson's core low-power, analog/mixed-signal technology. At the same time, however, resources will be reallocated to enable us to leverage the strengths of our semiconductor technology to enhance the competitiveness of products in our other businesses.
- In quartz devices, we will strengthen cooperation within the Group by making subsidiary company Epson Toyocom into a wholly-owned subsidiary, and boost our presence in growth areas such as sensing devices.
- As was explained in March, our aim over the mid- to long-term is to create a "community of robust businesses," and we will do our best during fiscal 2009 to achieve net sales growth that translates into income growth.



1) FY2008 Financial Results

2) FY2009 Business Outlook

- Next, let's examine the fiscal 2008 financial results and the fiscal 2009 business outlook in more detail.

## Financial Highlights (Full Year)

► Year-over-year



(Billions of yen)	FY2007		FY2008				Change (amount, %)	
	Actual	%	3/11 Outlook	%	Actual	%	Y/Y	Vs. 3/11 Outlook
Net sales	1,347.8	-	1,138.0	-	1,122.4	-	-225.3 -16.7%	-15.5 -1.4%
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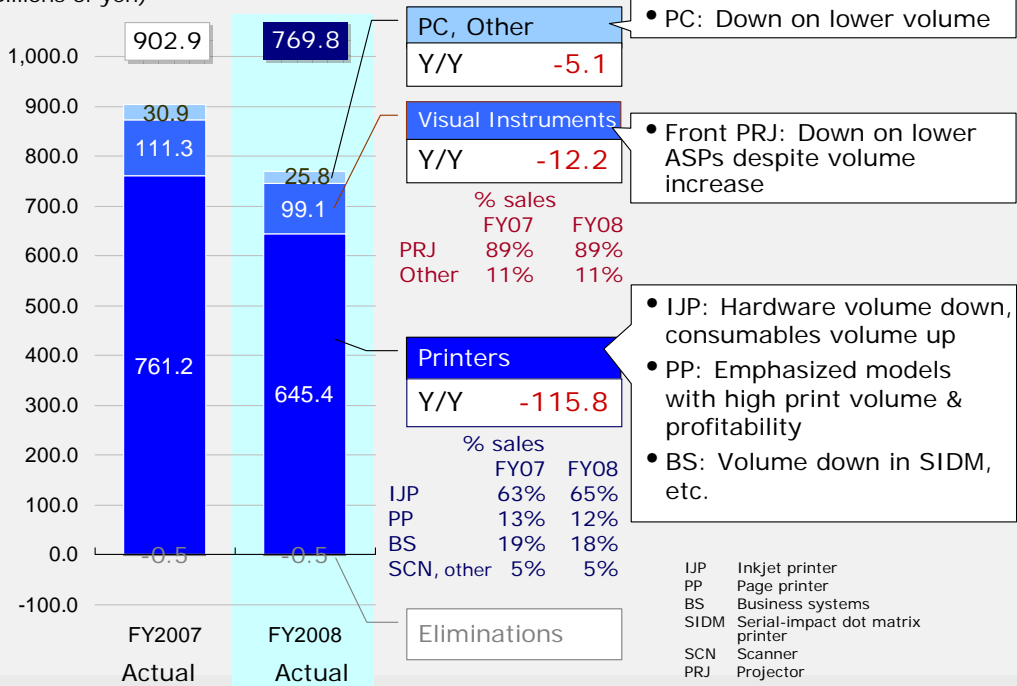
- First, I would like to give you a closer look at the fiscal 2008 full-year financial results.
- Fiscal 2008 full-year net sales were ¥1,122.4 billion, down ¥225.3 billion from the prior year.  
Operating income was negative ¥1.5 billion, representing a ¥59.1 billion year-over-year decline.  
Ordinary income was ¥5.3 billion, down ¥57.9 billion.  
For net income we posted a loss of ¥111.3 billion.
- I will explain the segment variances when I present data for the fourth quarter a little later.
- The business-by-business breakdown of full-year net sales in each segment is shown on slides 10 and 11.
- Let's skip forward to slide 12.

# Net Sales Comparison (Full Year)

## Information-related equipment segment



(Billions of yen)

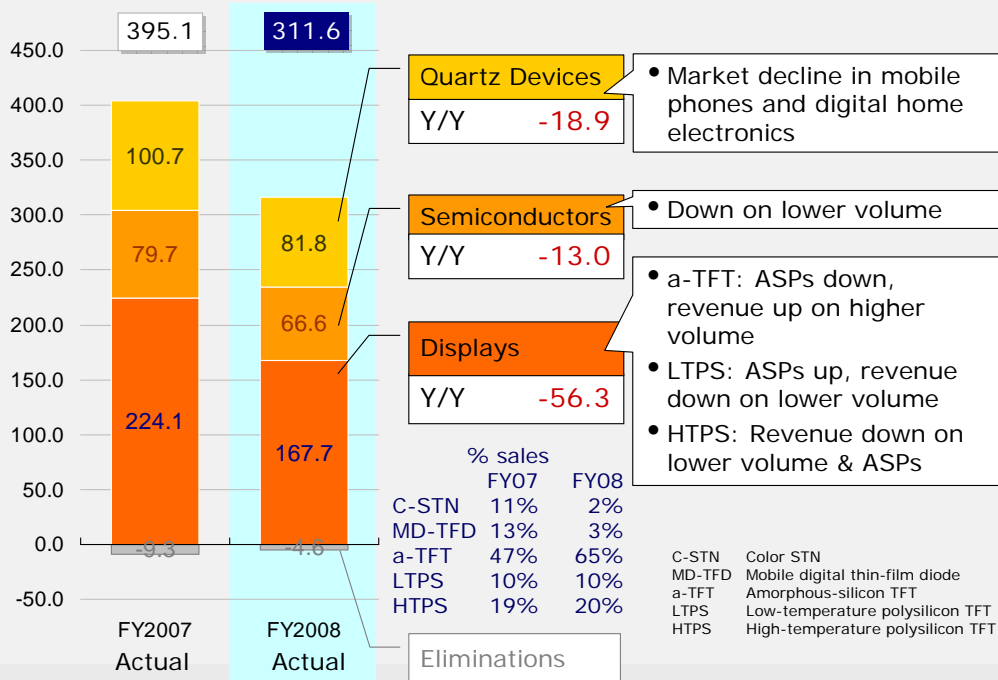


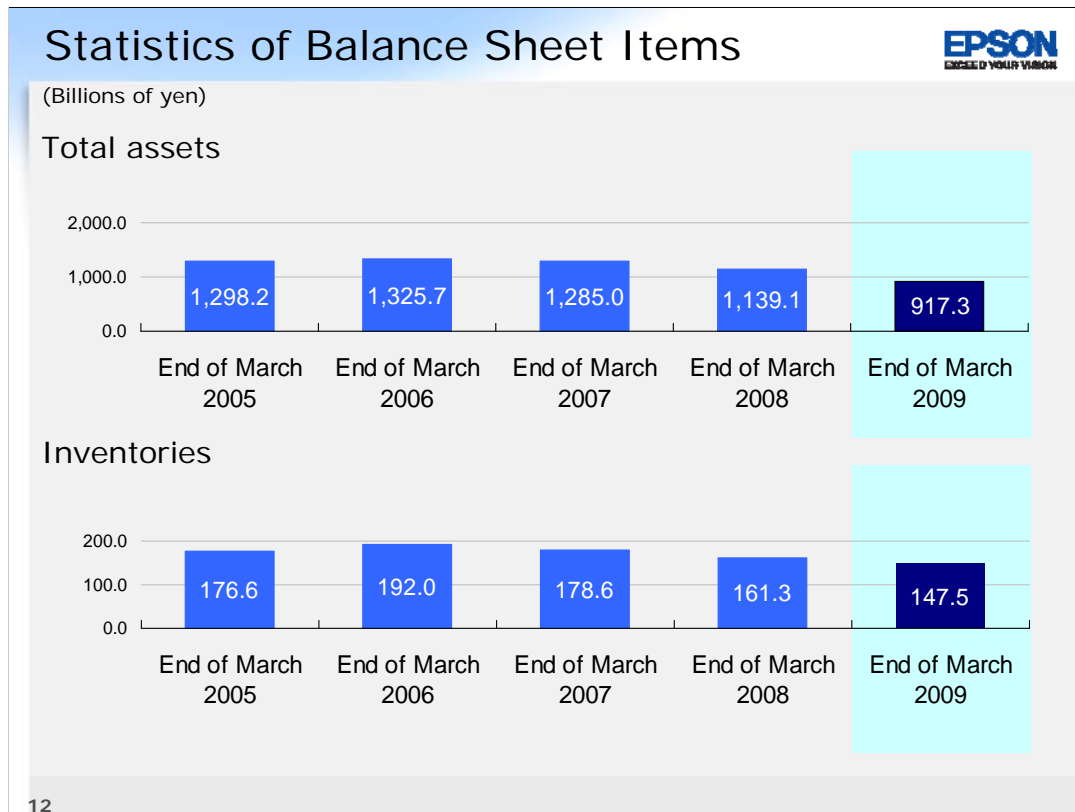
# Net Sales Comparison (Full Year)

## ▶ Electronic device segment



(Billions of yen)





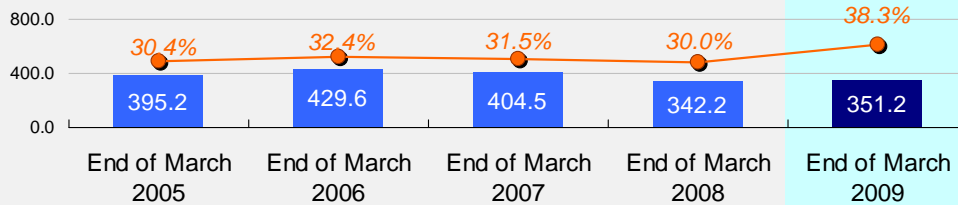
- Next, let's look at some of the major items on the balance sheet.
- Total assets decreased by ¥221.8 billion compared to the end of the previous year.  
The decrease is primarily due to a reduction of capital expenditures, a reduction of fixed assets due to the impairments carried out at the end of the fiscal year, a decrease in accounts receivable brought about by reduced net sales, a decline in cash and cash equivalents, and a write-down in deferred tax assets.

## Statistics of Balance Sheet Items

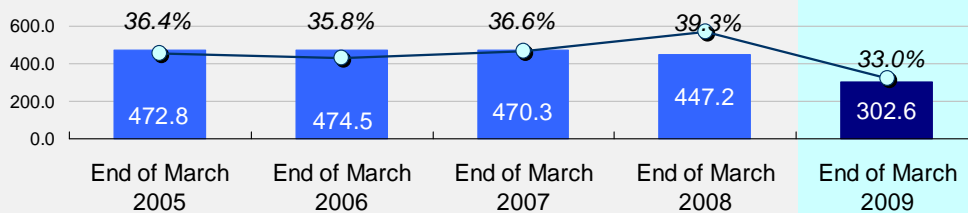


(Billions of yen)

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



### Shareholders' equity & equity ratio



\*Shareholder equity = total net assets - minority interests in subsidiaries

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- Interest-bearing liabilities increased by ¥9.0 billion compared to the end of the previous fiscal year.  
The ratio of interest-bearing liabilities to total assets was 38.3%.  
Net interest-bearing liabilities increased by ¥42.2 to ¥66.8 billion due to the decrease in free cash flow.
- Shareholders' equity decreased by ¥144.5 billion. The equity ratio was 33.0%.

## Financial Highlights (Fourth Quarter)

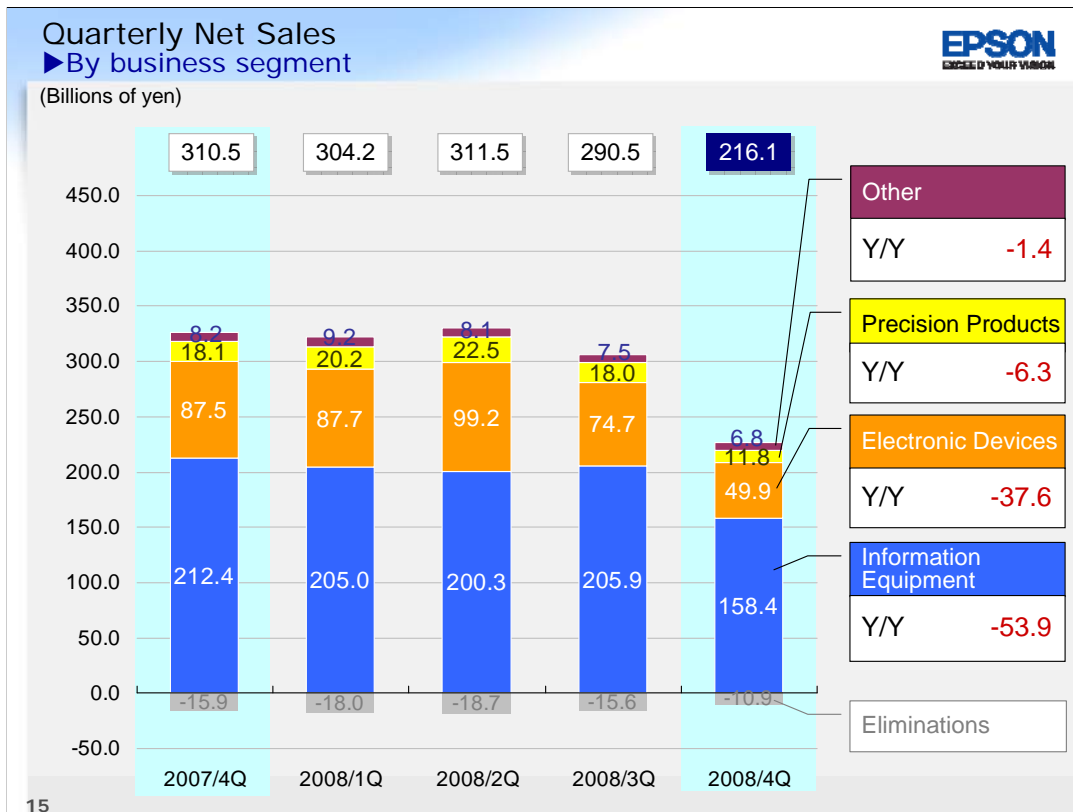
▶ Year-over-year



(Billions of yen)	FY2007		FY2008		Change	
	Q4 Actual	%	Q4 Actual	%	Amount	%
Net sales	310.5	-	216.1	-	-94.4	-30.4%
Operating income	1.8	0.6%	-34.2	-15.9%	-36.1	-
Ordinary income	2.9	1.0%	-32.2	-14.9%	-35.2	-
Net income <small>Before income taxes</small>	-2.7	-0.9%	-109.3	-50.6%	-106.5	-
Quarterly net income	-3.1	-1.0%	-123.2	-57.0%	-120.0	-
Exchange rate	USD	¥105.29	¥93.61			
	EUR	¥157.64	¥121.81			

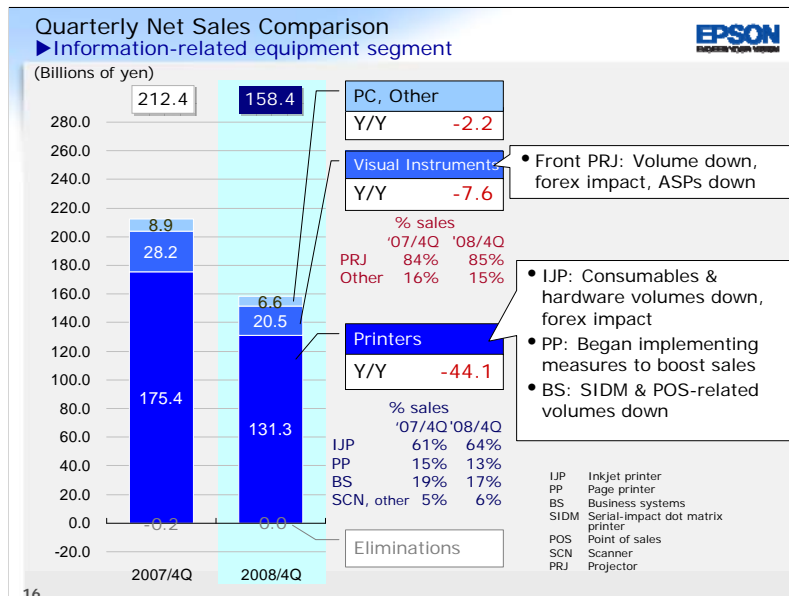
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- Next, let's look at our results for the fourth quarter of the year.
- Net sales were ¥216.1 billion, down 30.4% year over year.  
On the income front, operating loss was ¥34.2 billion.  
Ordinary loss was ¥32.2 billion.  
Fourth-quarter net profit ended as a loss of ¥123.2 billion as a result of restructuring charges and impairments.

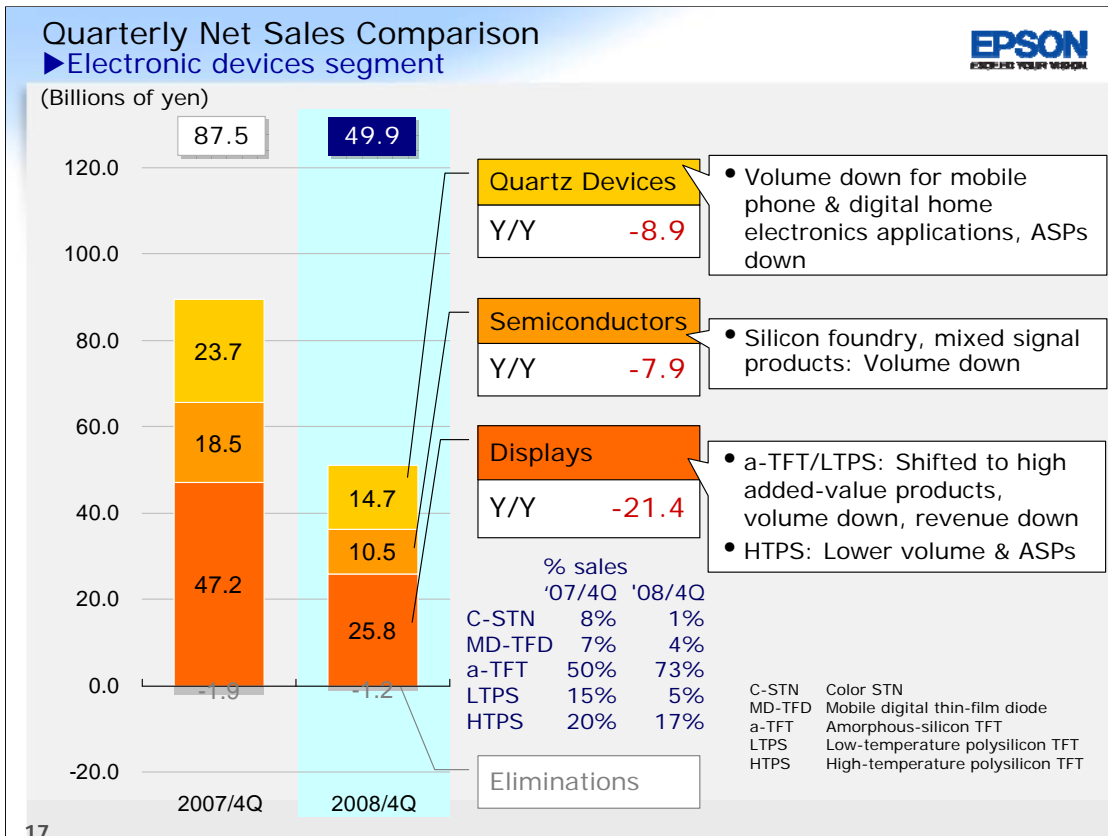


- This slide shows the quarterly breakdown of net sales by segment.
- Compared to the fourth quarter of fiscal 2007, information-related equipment net sales declined by ¥53.9 billion, while electronic devices net sales were down ¥37.6 billion. Precision products net sales shrank by ¥6.3 billion compared to the same period last year.

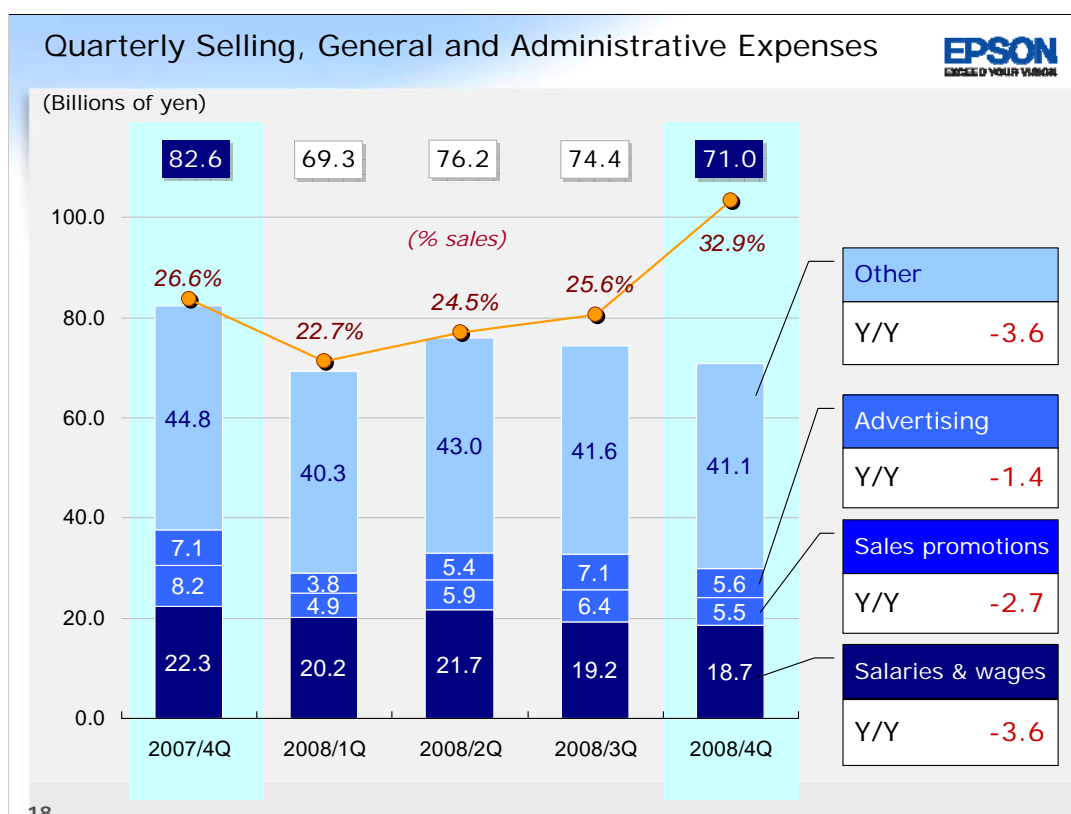




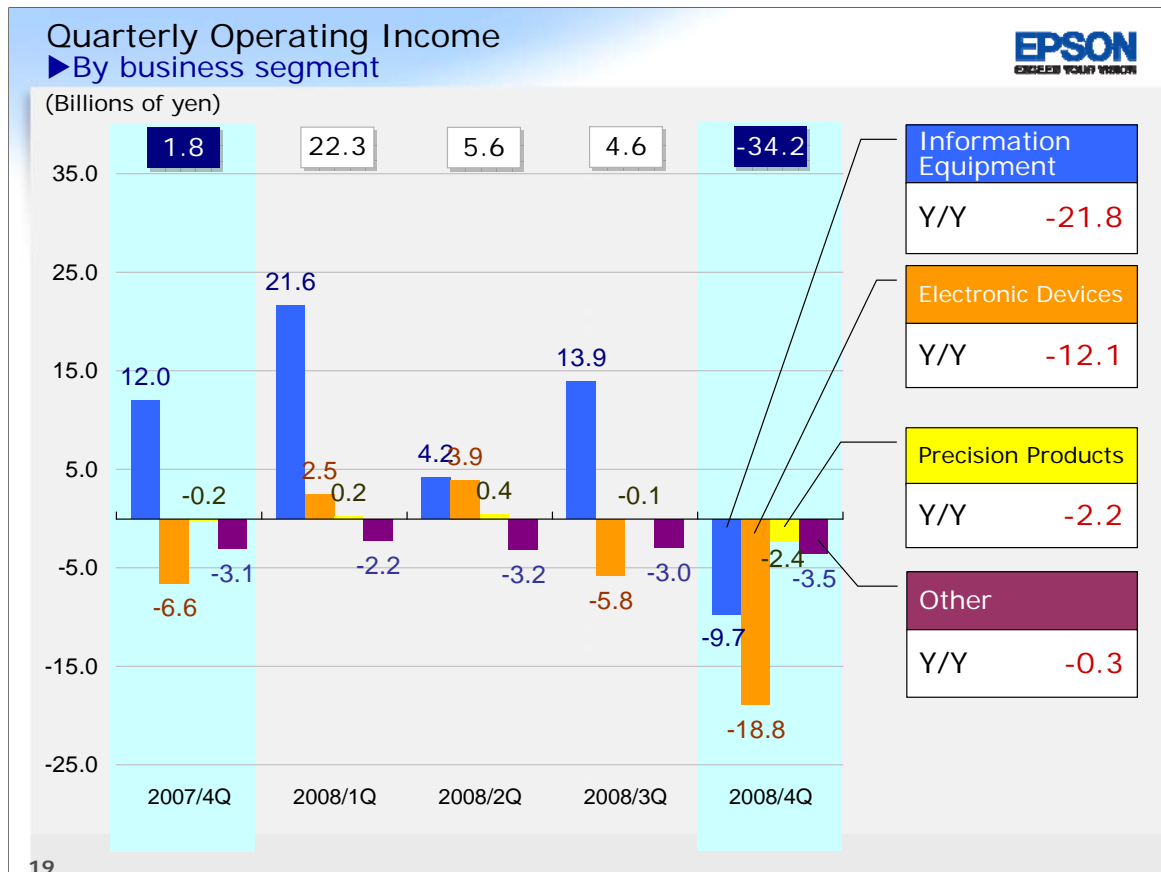
- Let's see how fourth-quarter net sales in the businesses that make up the information-related equipment segment compare to the same period last year.
- Printer business net sales were down ¥44.1 billion compared to the same quarter last year.
- Inkjet printer net sales were down due to a combination of decreased consumables sales, decreased printer unit shipments, and currency effects.
- While consumer product unit shipments did decline, we were able to increase our market share such that net sales remained comparatively steady even as the global printer market contracted. Business products, on the other hand, were unable to avoid the inevitable effects of corporate belt-tightening associated with the recession.
- In page printers, we began implementing measures aimed at boosting sales. In Japan, while we saw benefits from a campaign aimed at persuading customers to switch to new models, overall net sales, declined as a result of lower hardware and consumables sales because of restrained corporate spending due to the recession.
- Business systems encountered a softer market. SIDM printer unit shipments shrank despite steady demand in China, while unit shipments of POS-related products declined as retailers in Europe and the United States moved to curtail spending.
- The visual instruments business saw unit shipments grow year over year until the third quarter. However, once we entered the fourth quarter and the effects of the recession became more pronounced, net sales declined. The decline was due to a drop in unit shipments of both business and home projectors, lower ASPs resulting from a worsened model mix, and the effect of unfavorable exchange rates.
- The foregoing was a year-over-year comparison. Now let's see how the results compare to the March outlook.
- Inkjet printer net sales ended below expectations. This was because of a drop in unit shipments, particularly of business products, as users in Europe and the United States curbed their spending in the face of a deepened recession, and a shortfall in consumables because of inventory adjustments in retail channels.
- In business systems, we missed our net sales estimate in POS-related products due to the effects of curbed corporate spending primarily in Europe and the United States.
- We also missed our estimate in visual instruments, chiefly due to a decline in business projector unit shipments.



- Here, fourth-quarter net sales in each of the businesses that make up the electronic devices segment are shown against the results from the year-ago period.
- Display business net sales were down ¥21.4 billion from the prior-year period.
- Net sales of small- and medium-sized displays for mobile applications were down. Despite the positive effects of efforts to maintain prices of amorphous-silicon TFT and LTPS LCDs, net sales for these technologies were down, primarily because unit shipments to handset and digital camera markets declined.
- Net sales of HTPS panels for projectors were down due to a drop in unit shipments and falling ASPs.
- Quartz device business net sales were down on lower unit shipments, mainly due to sluggish demand in the market for finished products, notably mobile phones and digital home electronics. Gyro-sensors, which we see as a promising growth domain, were a bright spot, where unit shipments rose.
- Semiconductor net sales declined primarily due to lower volumes in silicon foundry and hybrid chips, a result of soft demand caused by the recession.
- A comparison against the March outlook shows that overall segment net sales ended basically as forecast, though with slight variations in each business.

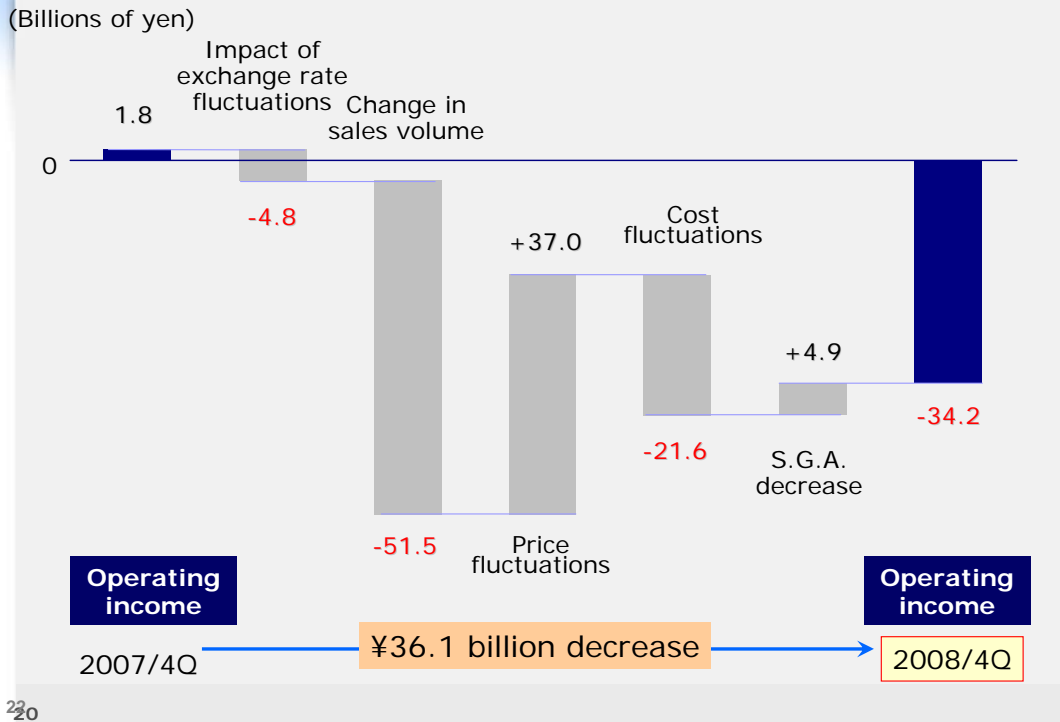


- Quarterly selling, general and administrative expenses were as shown here.
- Compared to the same period last year, SGA expenses declined by ¥11.5 billion.
- Although SGA expenses were down compared to the same period last year as a result of efforts to improve cost efficiency, they rose as a percentage of net sales due to the sharp drop-off in sales revenue.



- Let's take a look at how segment operating income this quarter compares to that in the same period last year.
- Information-related equipment operating income decreased by ¥21.8 billion from the fourth quarter of fiscal 2007 to record a loss of ¥9.7 billion. Several factors contributed to this decrease.
- Income for printers and projectors decreased due to sluggish sales of business products and lower sales of inkjet printer consumables.
- Next, let's look at the situation in the electronic devices segment, where total operating income fell by ¥12.1 billion year over year.
- HTPS panels for projectors showed year-over-year income improvement even though net sales declined. The improvement was achieved by reducing unit and fixed costs.
- Our small- and medium-sized mobile display, semiconductor and quartz device businesses all posted lower income compared to the prior-year period. In addition to a decline in net sales caused by plummeting unit shipments, income was hurt by increased costs associated with a sharp drop in capacity utilization rates.
- Next, let's review our performance versus our March estimates.
- Information-related equipment operating income came in lower than estimated, as sales of business products and inkjet printer consumables underperformed expectations.
- In electronic devices, operating income exceeded our March estimate even though net sales were essentially in line with expectations. The higher than anticipated operating income was a result of our ongoing efforts to reduce fixed costs.

## Operating Income Fluctuation Cause Analysis



- You can see a breakdown of the ¥36.1 billion year-on-year decline in operating income on this slide.
- Against operating income of ¥1.8 billion in the fourth quarter of fiscal 2007, losses in the same period in 2008 amounted to ¥34.2 billion. This was because the positive effects of price fluctuations and a reduction in sales promotion expenses were unable to offset the negative effects of falling sales volumes, rising costs, and unfavorable foreign exchange rates.

1) FY2008 Financial Results

2) FY2009 Business Outlook

- The fiscal 2009 business outlook is as follows.

## FY2009 Business Outlook

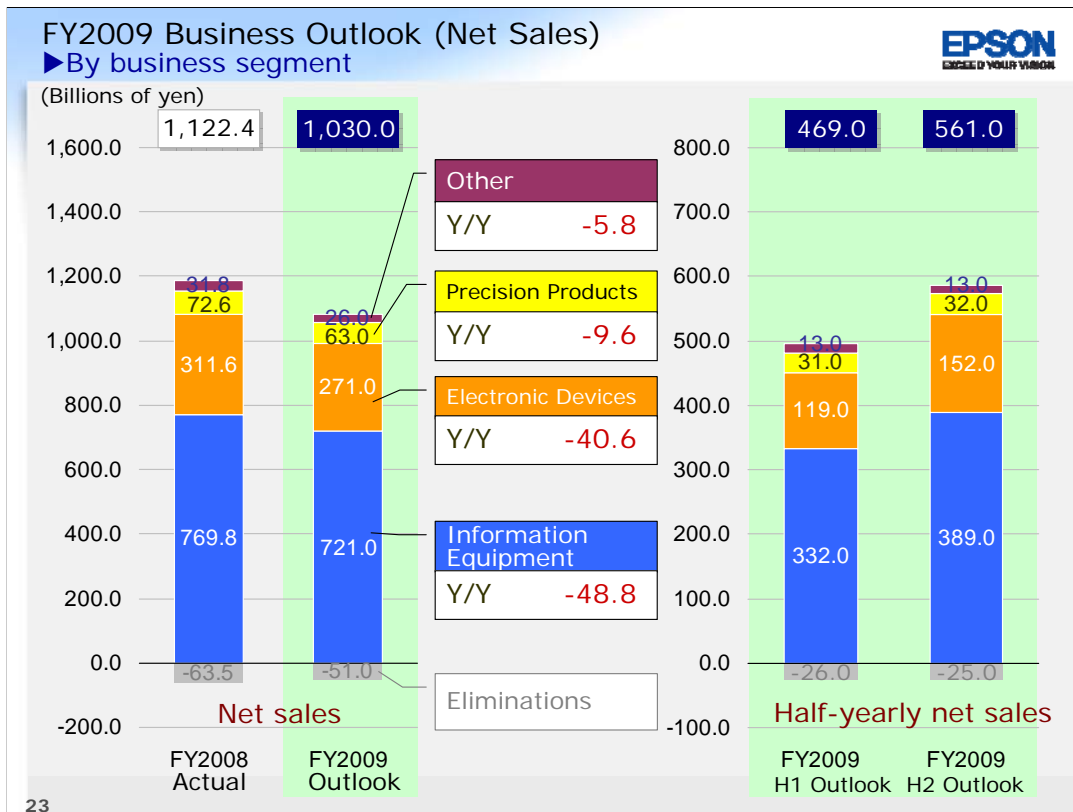
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Ordinary income	5.3	0.5%	0	0.0%	-5.3	-
Net income <small>Before income taxes</small>	-89.5	-8.0%	-2.0	-0.2%	+87.5	-
Net income	-111.3	-9.9%	-6.0	-0.6%	+105.3	-
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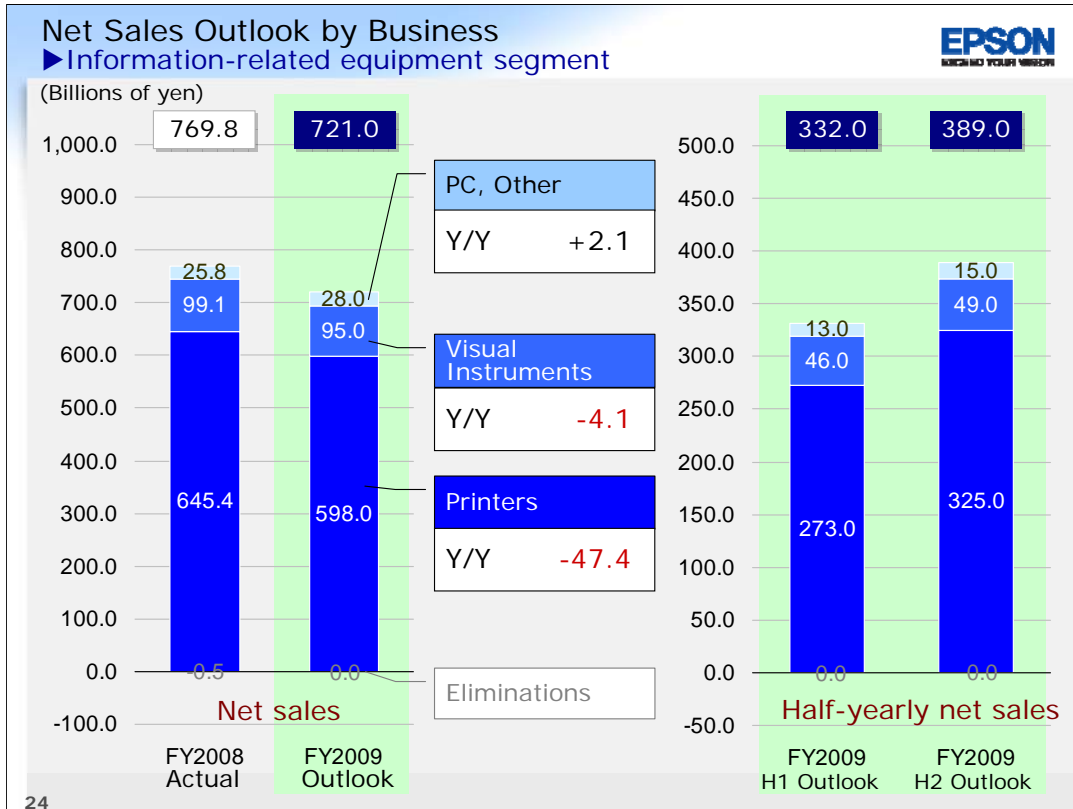
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- Our foreign exchange assumptions for fiscal 2009 are 90 yen to the US dollar and 115 yen to the euro. Compared to the previous year, we forecast these exchange rates would negatively impact net sales by ¥100 billion and operating income by ¥33 billion.
- Our financial estimates for fiscal 2009 reflect the company-wide effort to drive down fixed costs and the effects of the impairments recorded at the end of the 2008 fiscal year.  
Epson estimates fiscal 2009 full-year net sales will be ¥1,030.0 billion, down ¥92.4 billion from the prior year. We expect operating income to rise by ¥4.5 billion, to ¥3.0 billion and for ordinary income to break even.  
We expect to post a net loss of ¥6.0 billion.

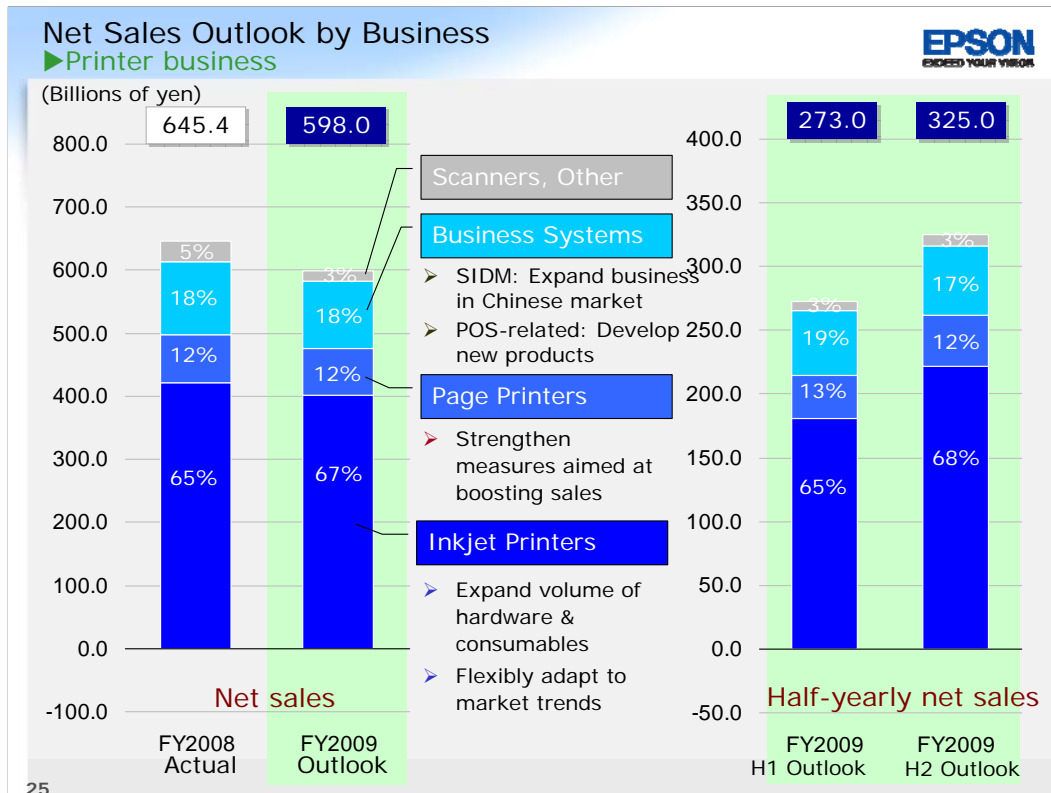


- This slide shows fiscal 2009 estimated net sales. The figures are broken down by segment and by first half and second half.
- Year over year, Epson expects full-year net sales to decline by ¥48.8 billion in information-related equipment and by ¥40.6 billion in electronic devices.

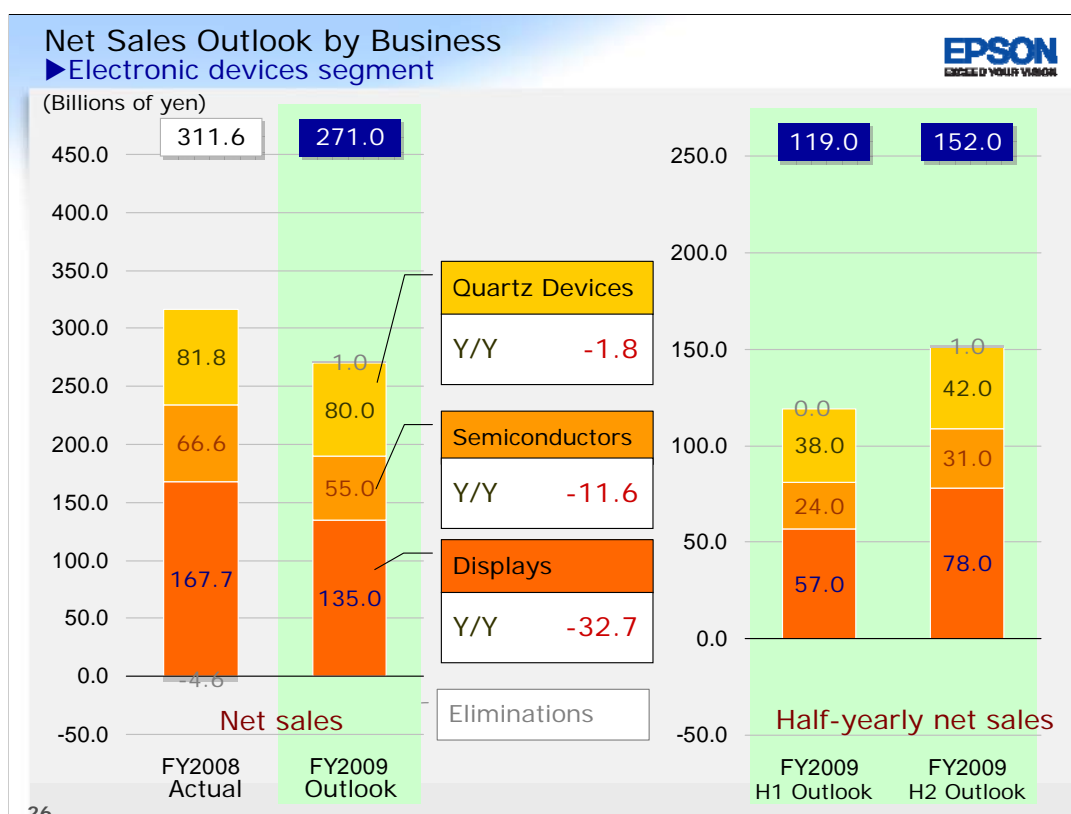




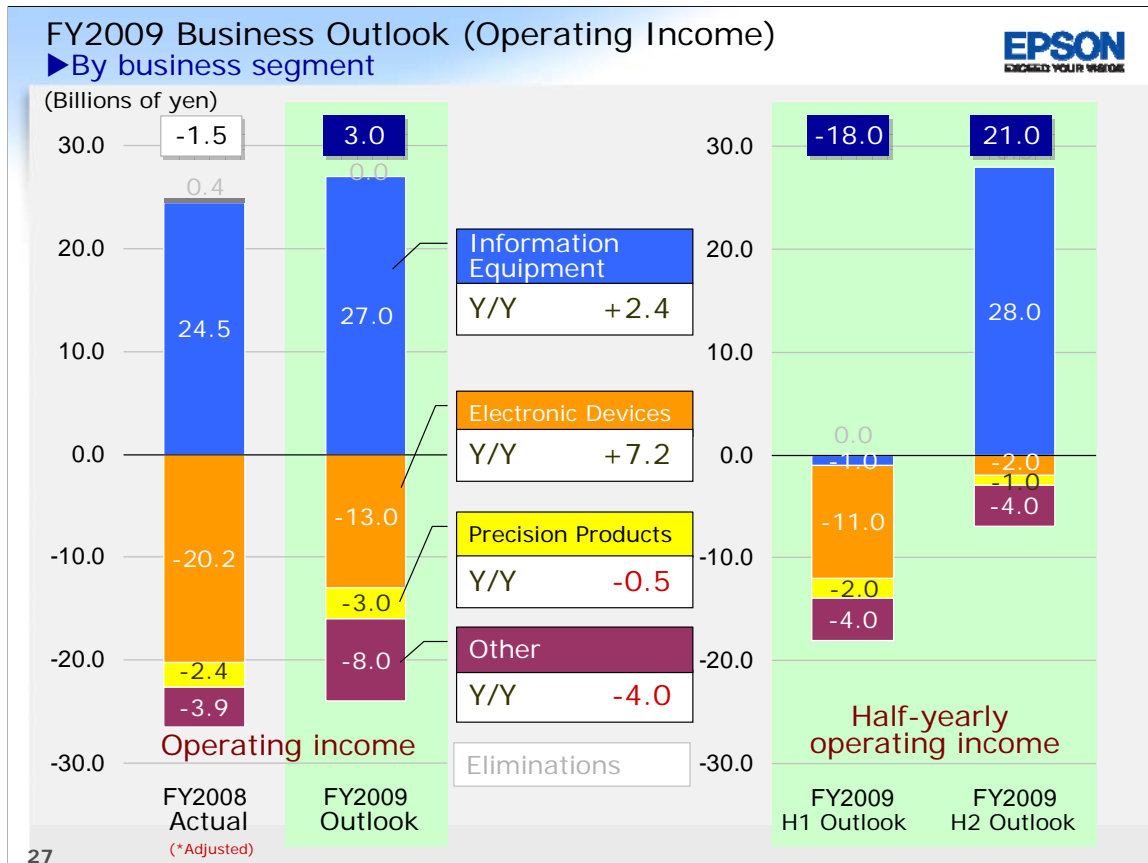
- This slide shows the breakdown of estimated net sales by business in the information-related equipment segment.
- Printer net sales are estimated to be ¥598.0 billion, down ¥47.4 billion from the prior year. Visual instruments net sales are expected to be ¥95.0 billion, or ¥4.1 billion less than last year.
- I'll give a breakdown of the printer business on the next slide.
- In visual instruments, we see the effects of the recession continuing into the 2009 fiscal year with no rapid recovery in sight. However, as the world's leading projector manufacturer, we plan to launch attractive and competitive new products to help us to maintain our market position, and to strengthen and expand our business for high brightness products.



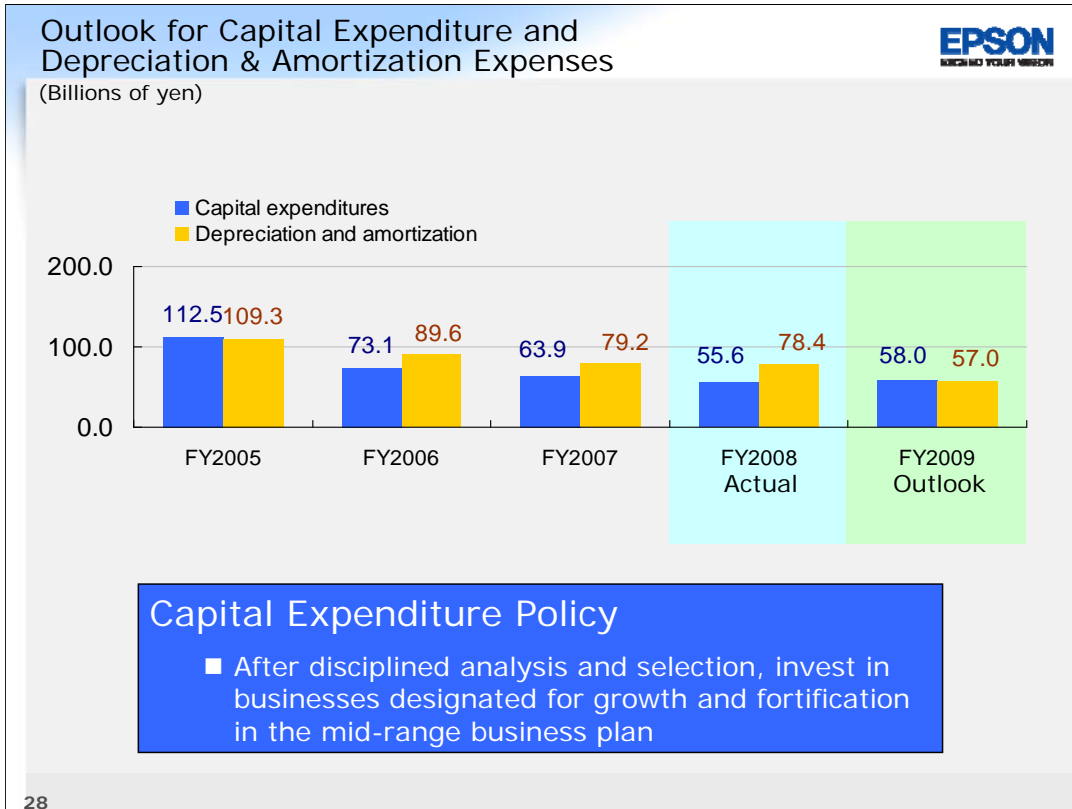
- Let's now break down net sales by product in the printer business.
- The inkjet printer market is seen shrinking compared to last year as a result of the slow economic recovery.  
 Epson will seek to increase printer and consumables unit shipments in a challenging market by launching competitive products that further improve on the well-received models released in fiscal 2008. However, we expect printer net sales to decline as a result of the effects of yen appreciation and lower ASPs caused by a deterioration in the model mix.
- Page printer net sales are expected to decline in spite of our ongoing efforts to boost sales and roll out new products.
- In business systems we expect to post lower net sales. With corporate spending slow to recover, we will again face difficult business conditions.  
 The economic environment notwithstanding, we can expect SIDM unit shipments to remain the same as last year, largely owing to steady sales in the Chinese market.  
 We can also expect to win business with new POS-related products.  
 Nevertheless, the strong yen will take a toll on net sales.



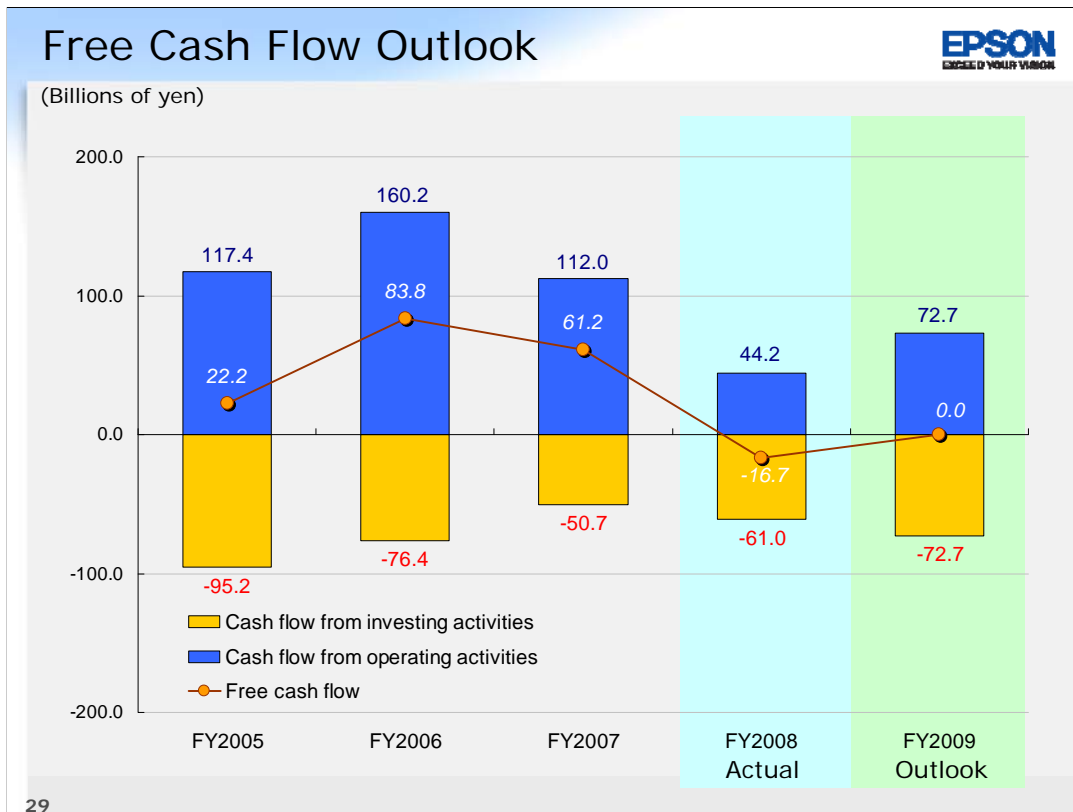
- This slide shows the breakdown of estimated net sales by business in the electronic devices segment.
- We estimate display net sales will decline by ¥32.7 billion.
- Sales volumes in Epson's small- and medium-sized display business will continue to be affected by the recession due to slack demand for mobile phones and digital equipment. We will continue to realign our product portfolio while emphasizing our Photo Fine Vistarich technology, which offers ultra-wide viewing angles and fast response times.
- The market for projector HTPS panels is expected to be weak, and unit shipments are seen declining. Epson will seek to counter this trend by promoting the superior brightness and resolution of HTPS panels, proposing new applications, and suggesting new, high-added-value products.
- Semiconductor net sales are seen declining by ¥11.6 billion. Here, sales volumes of silicon foundry and hybrid chips are expected to decline. In line with the policies in the mid-range business plan, however, we will place weight on hybrid chips and reallocate resources to bolster our other businesses, in both finished products and quartz devices.
- Epson estimates quartz device net sales will decline by ¥1.8 billion year over year, primarily because the deceleration of the mobile phone and digital equipment markets is likely to persist due to the recession.



- This slide shows fiscal 2009 full-year estimated operating income. The figures are broken down by segment and by first half and second half.
- Epson estimates that information-related equipment operating income will increase by ¥2.4 billion compared to the prior year.
- Inkjet printer operating income will be tempered by unfavorable exchange rates and lower printer ASPs, but Epson aims to improve profitability and efficiencies in the business by standardizing platforms and parts to lower costs, and by identifying all opportunities to reduce fixed costs. As a result, Epson expects inkjet printer income to be up, year over year.
- Epson sees business system, page printer and visual instrument operating income declining on lower net sales.
- Boosted by the effects of the impairments, electronic devices are expected to see a ¥7.2 billion improvement in income compared to the prior year.
- In small- and medium-sized displays, Epson will move to realign its product portfolio and, at the same time, reduce costs and improve efficiencies. We therefore expect to narrow the loss compared to fiscal 2008.
- In HTPS, Epson will drive initiatives to reduce costs and will look to create high added value products. However, we expect HTPS income to decline on lower net sales.
- In semiconductors and quartz devices, Epson expects an improvement on the effects of fixed cost reductions.



- This slide shows estimated capital expenditures and depreciation and amortization expenses.
- In fiscal 2008 we reduced capital expenditures year over year by taking a very disciplined approach to the analysis and selection of projects for investment. In fiscal 2009, we plan capital expenditures of ¥58 billion. We will focus expenditures on businesses designated for growth and fortification in line with the policy expressed in the mid-range business plan announced in March.
- Fiscal 2009 depreciation and amortization expenses are estimated at ¥57.0 billion due to the decrease in capital expenditures and the effects of the impairments.

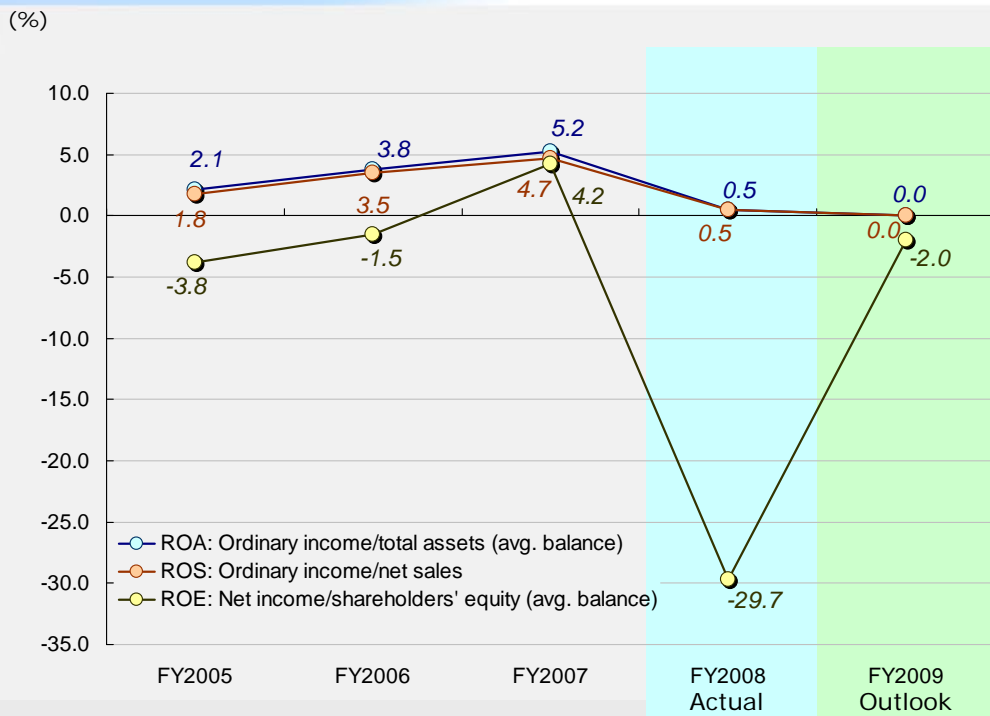


➤ Let's look at cash flows.

➤ Fiscal 2008 free cash flows were negative ¥16.7 billion as a result of the losses that were posted.

➤ In fiscal 2009, Epson estimates cash flows from investing activities will increase due to the acquisition of Epson Toyocom shares. We expect free cash flow to break even because of improved cash flows from operating activities.

## Main Management Indicators



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- The major management performance indicators derived from the business forecast are ROS and ROA of 0%, and ROE of minus 2.0%.
- This concludes the presentation of Epson's fiscal 2008 financial results and the fiscal 2009 business outlook.

