

First Quarter Financial Results Fiscal Year 2009 (Ending March 2010)

July 30, 2009

SEIKO EPSON CORPORATION



- **Welcome to Seiko Epson Corporation's fiscal 2009 first-quarter financial results presentation.**

■ 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.

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- **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 devices businesses announced in March, the role of some business incubation projects that we plan to bring to market and which were previously included in the "other" segment has been changed so that these projects are now allocated to basic corporate R&D.
- 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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- **As explained on April 30, when we announced our financial results for the 2008 fiscal year, we made a change at the start of the current fiscal year that affects some of the business incubation projects included in the "Other" segment.**
- **In line with the structural reforms for the electronic devices businesses announced in March, the role of and policy relating to some business incubation projects that we plan to bring to market and which were previously included in the "other" segment has been changed so that these projects are now allocated to basic corporate R&D.**
- **As such, the net sales and income figures announced for the segments have been adjusted as of fiscal 2009.**
- **Please be aware that the fiscal 2008 net sales and income figures for each segment have been adjusted in comparisons showing our performance and outlook for fiscal 2009 against last year.**

1) FY2009 Q1 Financial Results

2) FY2009 Business Outlook

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- **I will now present the fiscal 2009 first-quarter results and current full-year business and financial outlook.**

Financial Highlights (First Quarter)

▶ Year-over-year



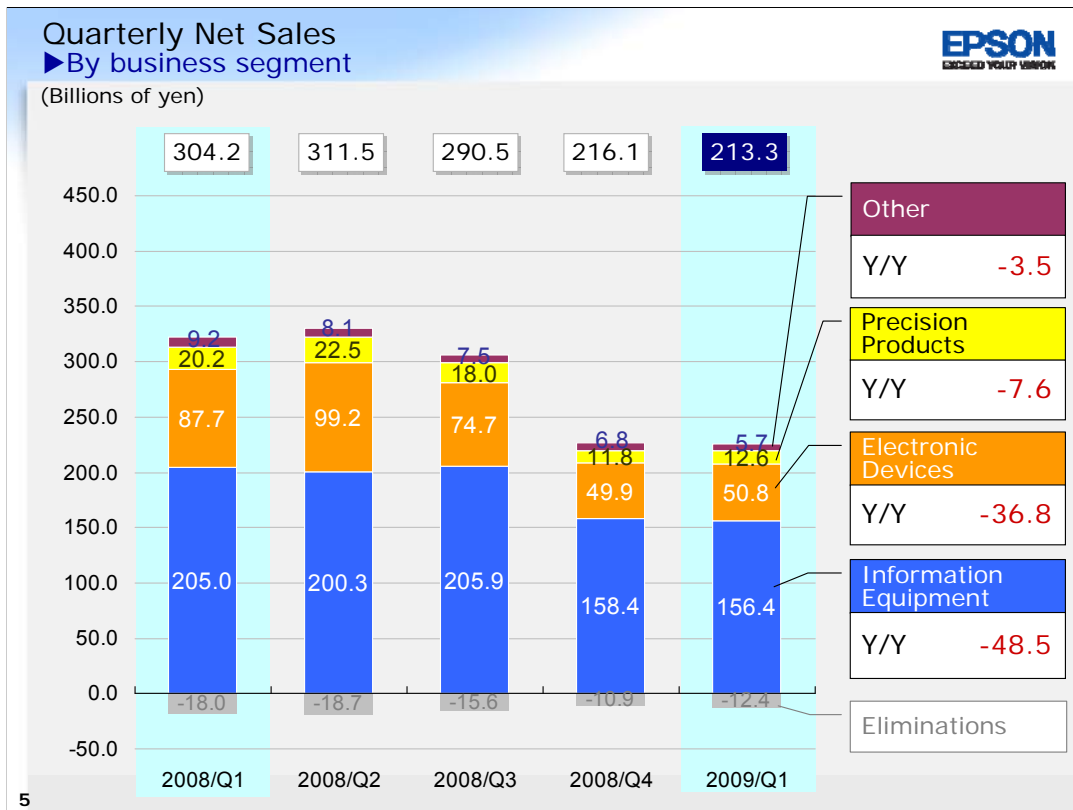
(Billions of yen)	FY2008		FY2009		Change	
	Q1 Actual	%	Q1 Actual	%	Amount	%
Net sales	304.2	-	213.3	-	-90.8	-29.9%
Operating income	22.3	7.4%	-12.4	-5.8%	-34.8	-
Ordinary income	21.9	7.2%	-15.0	-7.1%	-37.0	-
Net income before income taxes	15.7	5.2%	-16.8	-7.9%	-32.5	-
Quarterly net income	10.3	3.4%	-22.3	-10.5%	-32.6	-
EPS	¥52.46		-¥113.24			
Exchange rate	USD	¥104.55	¥97.32			
	EUR	¥163.42	¥132.57			

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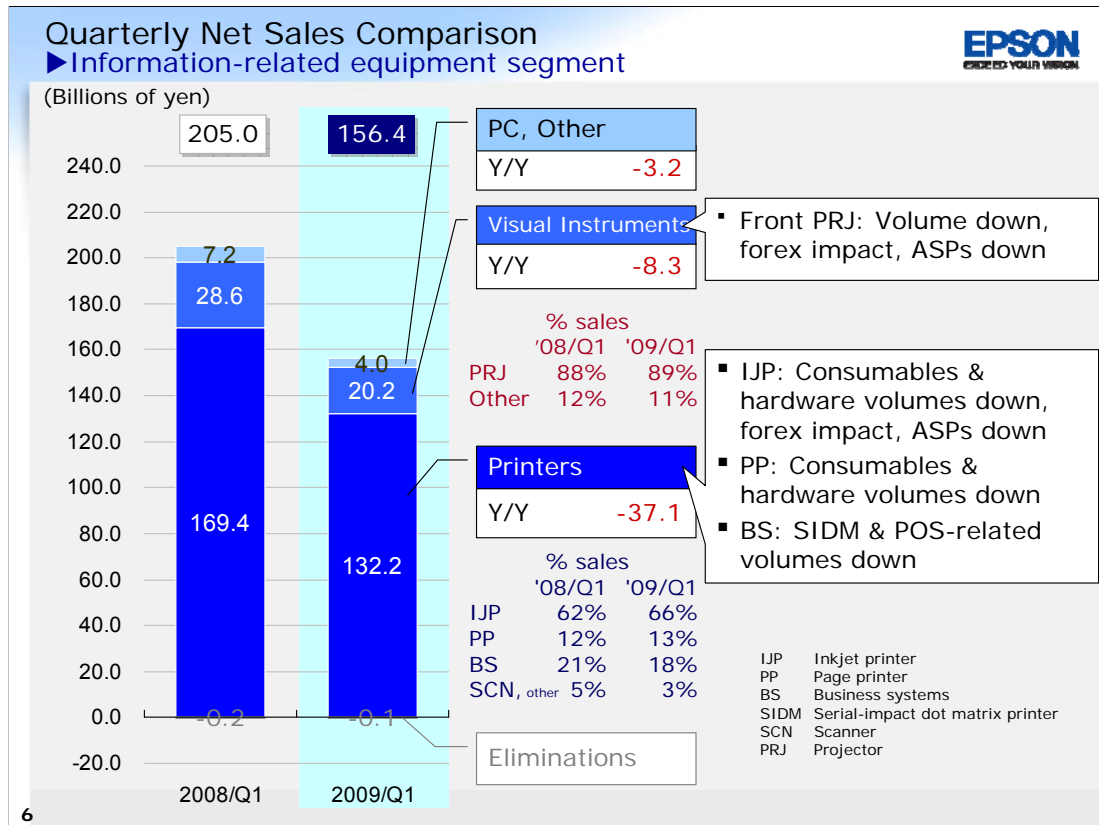


- I'll start with the first quarter results.
- Net sales were ¥213.3 billion, down 29.9% year over year. On the income front, quarterly operating income was negative ¥12.4 billion, down ¥34.8 billion; ordinary income was negative ¥15 billion, down ¥37 billion; and net income was negative ¥22.3 billion, down ¥32.6 billion year over year.

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- **The figures I've just mentioned were comparisons with the previous year. I'll now discuss how we shape up against the initial plan.**
 - **Our business plan for fiscal 2009 was compiled on the assumption of a tough business environment still suffering from the effects of the recession that hit in fiscal 2008. With the selling seasons for many of our products concentrated at the end of the year, the plan assumes a recovery in profitability over the second half. However, we see the first half, in particular the first quarter, as the bottom of the recession, and the toughest period from the point of view of profitability.**
 - **Both net sales and operating income were in line with the plan. Although volume was lower than planned in almost every business due to the ongoing recession, this was offset by the effects of a weaker yen and lower fixed costs.**
 - **Ordinary income was less than planned due to exchange rate fluctuations and a ¥2.9 billion loss on a currency hedge incurred in non-operating expenses.**
 - **We reported an approximately ¥900 million extraordinary loss as an impairment loss on certain new investments, primarily in small- and medium-sized displays and semiconductors. Because we are restructuring these businesses, our investment plan calls for the minimum spending required for maintenance and renewals. As the situation stands, however, we cannot count on future cash flows from these businesses, so we have recognized certain investments in new machinery and supplies as an impairment loss.**
 - **We will continue to closely review and control such new investments.**



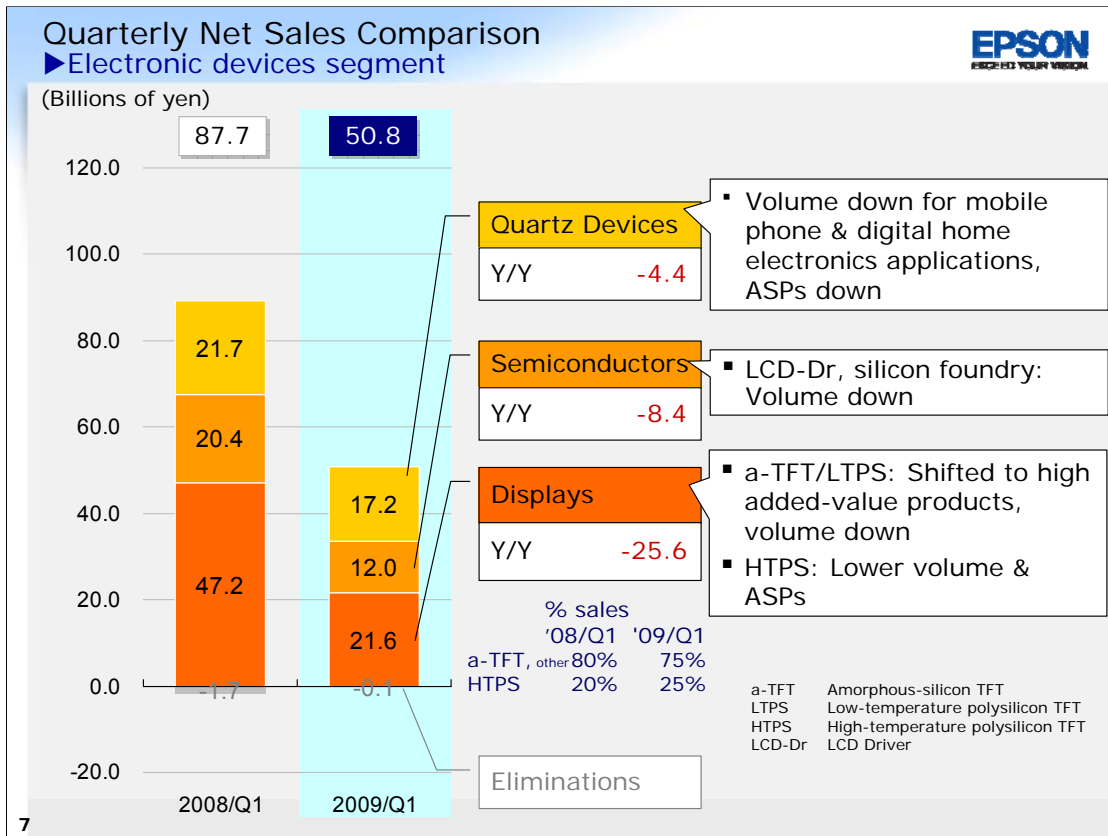
- This slide shows the quarterly breakdown of net sales by segment.
- Compared to the same period last year, information-related equipment net sales decreased by ¥48.5 billion; electronic devices net sales declined by ¥36.8 billion; and precision products net sales shrank by ¥7.6 billion.



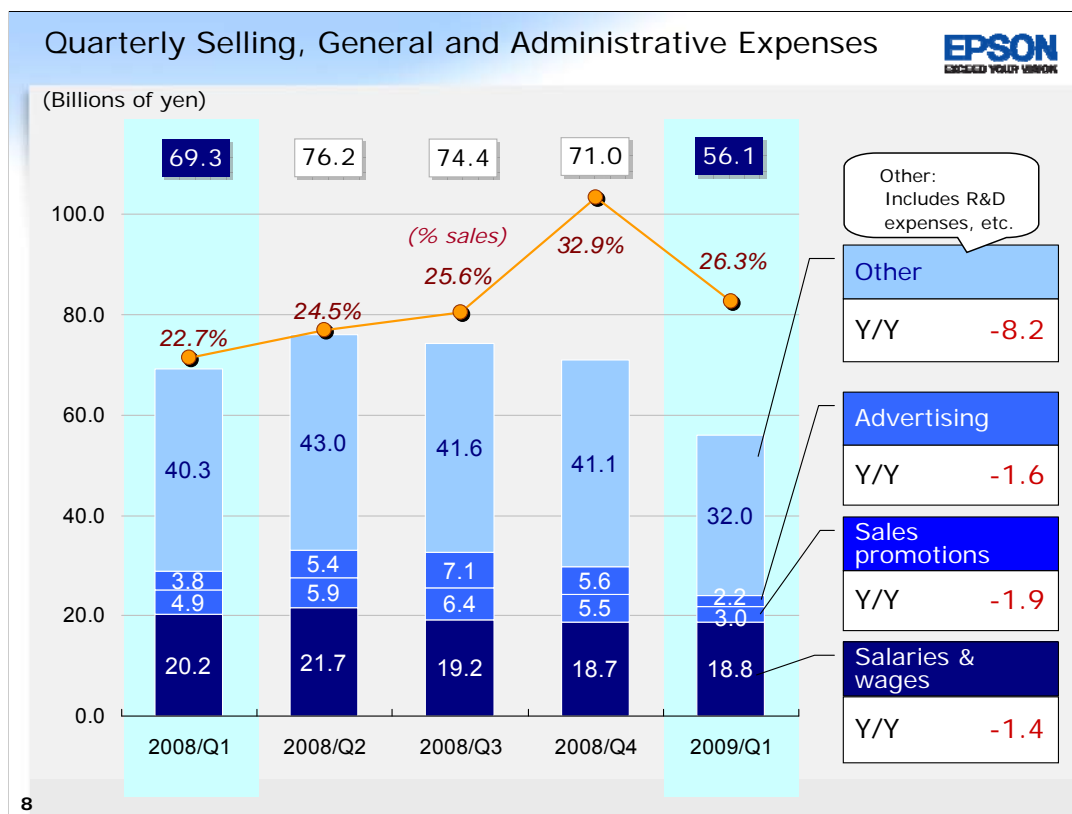
- Let's see how quarterly net sales in the businesses that make up the information-related equipment segment compare with last year's results.
- Printer business net sales were down ¥37.1 billion compared to the same quarter last year.
- Printers for enterprise were hit particularly hard by the effects of the ongoing recession.
- Inkjet printer net sales ended lower due to declines in unit shipments of both hardware and consumables, the effects of a stronger yen on foreign exchange, and falling ASPs amid a sluggish market.
- Compared to the previous year, the printer market shrank in each region of the world. While hardware unit shipments in Japan were almost the same as in the year-ago quarter, they fell in Europe, America and Asia.
- Page printer unit shipments increased in Asia as a result of tender business wins and other sales expansion efforts. Net sales nevertheless declined due to a combination of lower unit shipments in Japan and Europe, lower consumables volumes, and the effects of foreign exchange.
- Business systems net sales declined. In addition to foreign exchange effects, the primary reasons were that SIDM printer unit shipments shrank in South America and Europe, while POS-related product shipments fell due to spending cutbacks by retailers in Europe and North America.
- Visual instrument net sales declined because unit shipments decreased due to softness in the North American and European projector markets, as well as the result of exchange rate effects.



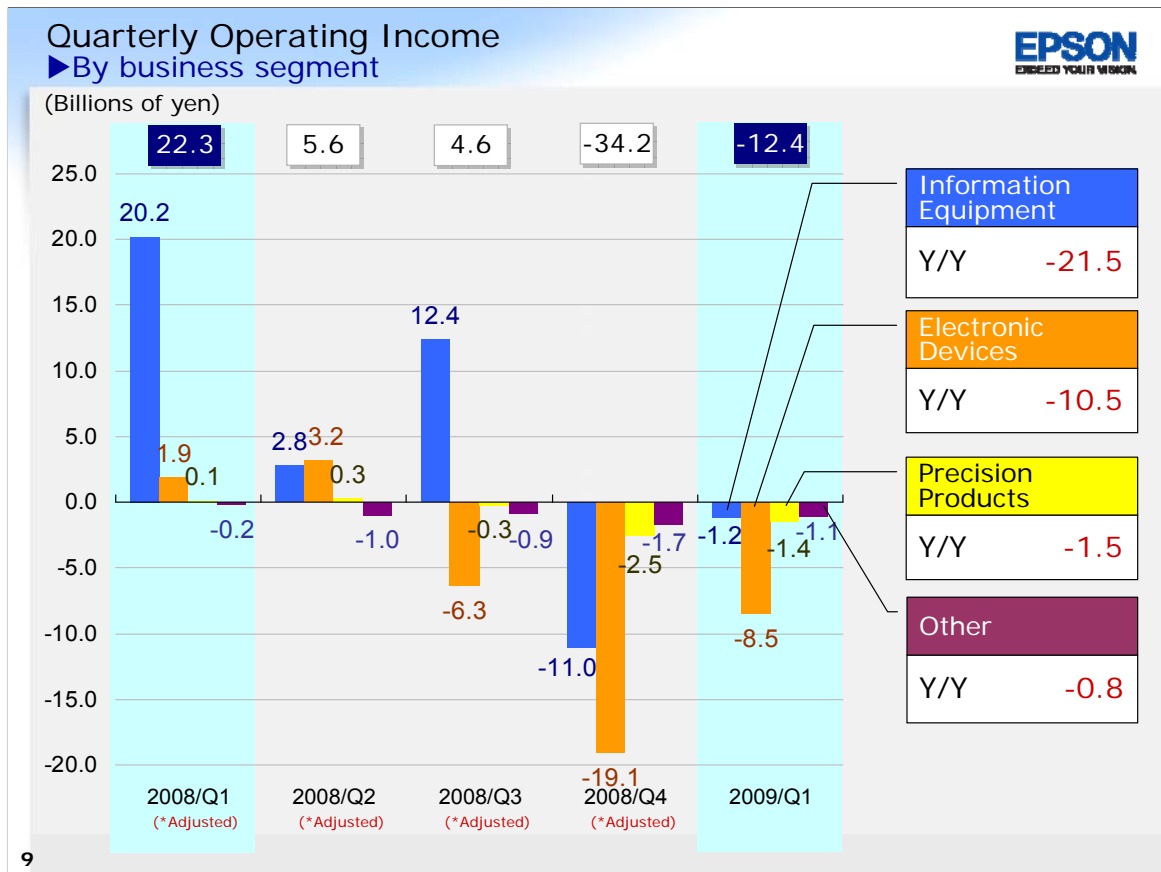
- **Next, let's look at how net sales stacked up against the plan we drew up at the start of the fiscal year.**
- **Inkjet printers were in line with plan. Although we shipped slightly fewer hardware units than expected, consumables volume was in line with projections and net sales benefited from foreign exchange effects due to yen depreciation.**
- **Page printer net sales were as planned.**
- **Business systems underperformed versus the plan. Although SIDM sales in China were comparatively steady, net sales ended lower than planned because POS-related product shipments declined due to the effects of curtailed investment by European and American retailers.**
- **Visual instruments net sales were in line with plan. Although the projector market remained weak and we did not ship as many units as expected, net sales were aided by the effects of foreign exchange due to yen depreciation.**



- Here, first-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.
- The display business reported a ¥25.6 billion year-over-year decline in net sales.
- In small- and medium-sized displays for mobile applications, we continued with our ongoing structural reforms and have accordingly terminated both our color STN and MD-TFD technologies. Compared to the same period last year where we saw healthy sales for mobile phone applications, the market environment for such applications in the first quarter of fiscal 2009 was severely affected by the economic recession.
- Net sales of amorphous-silicon TFT and LTPS LCDs declined largely because of a fall in unit shipments to mobile phone and digital camera manufacturers. The decline in net sales was partly offset by an increase in smart phone volume and the effects of certain ongoing measures, including efforts to maintain prices.
- Net sales of HTPS panels for projectors were down due to a drop in unit shipments and falling ASPs.
- Net sales in the display business ended lower than projected. Although unit shipments of small- and medium-sized displays for mobile applications increased, net sales were hurt by a deterioration in the model mix, which led to lower ASPs, and a decline in HTPS shipments for 3LCD projectors.
- Year on year, the quartz device business also recorded a decline in net sales. Several factors contributed to the decline. First, unit shipments of devices such as AT crystals declined year on year, largely because digital home electronics demand failed to rebound to the year-ago level. Lower ASPs due to a deterioration in the model mix and the effects of yen appreciation also contributed to the decline. On the other hand, the quartz device business did report an increase in unit shipments of sensing devices, which we see as a promising growth domain.
- Net sales ended in line with the plan. ASPs were lower due to the model mix, but this was offset by higher than expected unit shipments and foreign exchange effects.
- Semiconductor net sales declined year on year primarily due to lower silicon foundry and mobile phone driver volumes.
- Compared to the plan, semiconductor net sales exceeded expectations due to increases in silicon foundry orders and LCD controllers, mainly for mobile phones.



- Quarterly selling, general and administrative expenses were as shown here.
- We reduced SGA expenses by ¥13.1 billion year on year, primarily as a result of cutbacks in R&D spending, sales promotions and advertising.



- Let's take a look at how segment operating income this quarter compares to that in the year-ago period.
- Information-related equipment saw operating income fall by ¥21.5 billion, and ended up posting an operating loss of ¥1.2 billion.
- Although we lowered overall costs in this segment, income was hurt by the effects of a stronger yen, a decline in net sales of business printers and projectors, and lower revenue from sales of inkjet printer consumables.
- The electronic devices segment saw operating income decline by ¥10.5 billion compared to the same period last year, ending in an operating loss of ¥8.5 billion.
- Foreign exchange effects and a decline in net sales contributed to the drop in operating income in this segment. The loss was partially offset by lower depreciation expenses associated with the business structure improvement expenses and impairment loss recorded in the previous fiscal year, and by reductions in fixed costs accompanying site consolidation.

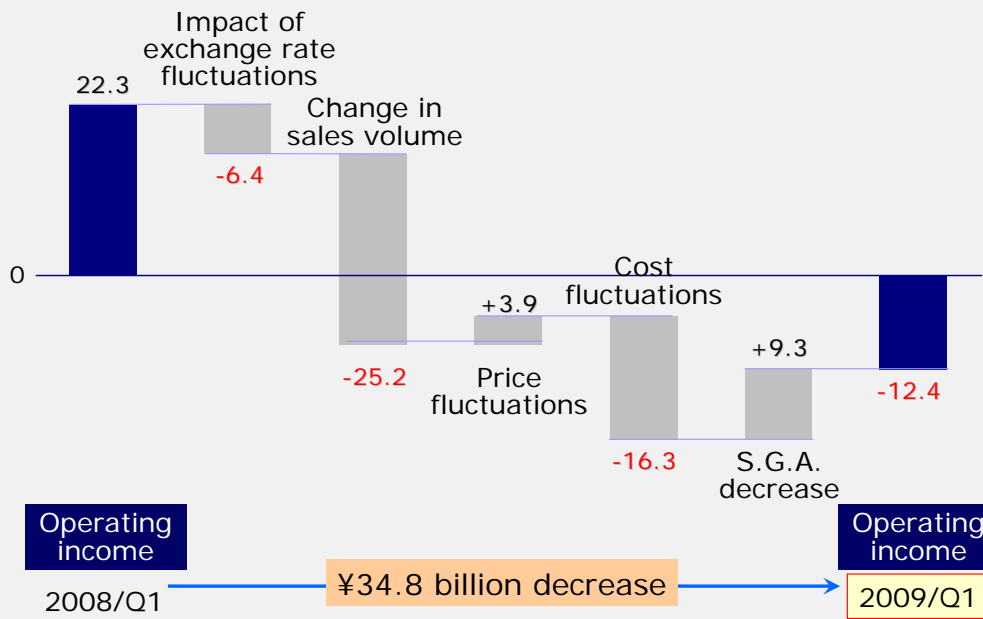


- **Next, let's look at operating income performance against the plan.**
- **Both the information-related equipment segment and electronic devices segment recorded income in line with the plan.**
- **Let's take a look at information-related equipment first.**
- **In inkjet printers, we saw operating income come in as planned. Though net sales from high-margin business products fell short of the plan as a result of the ongoing recession, this shortfall was offset by the effects of a weak yen and higher than planned sales of inkjet printer consumables.**
- **Business systems income fell short of the plan because of lower than expected net sales in POS-related products.**
- **Visual instruments income was in line with plan.**
- **Electronic devices were also in line with plan.**
- **The display business reported lower than planned net sales, but operating income came in according to plan, primarily because we were able to reduce costs by consolidating sites in the small- and medium-sized displays business.**
- **In the quartz device business net sales were as planned, but operating income was lower than planned due to the model mix.**
- **The semiconductor business exceeded the operating income plan due to better than expected net sales and reduced costs.**

Operating Income Fluctuation Cause Analysis



(Billions of yen)



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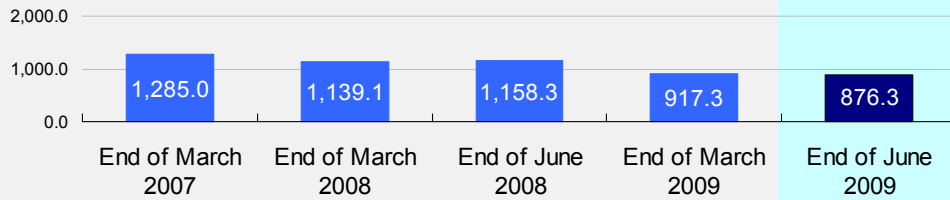
- This slide shows a cause analysis of the ¥34.8 billion decrease in operating income from the year-ago period.
- Quarterly operating loss was ¥12.4 billion versus operating income of ¥22.3 billion in the first quarter of fiscal 2008. While price fluctuations and reduced SGA expenses had a positive effect on operating income, factors such as volume and cost fluctuations contributed negatively.

Statistics of Balance Sheet Items

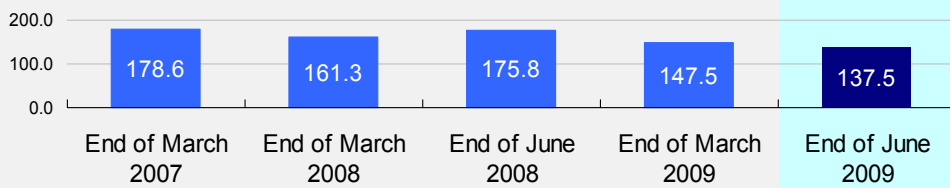


(Billions of yen)

Total assets



Inventories



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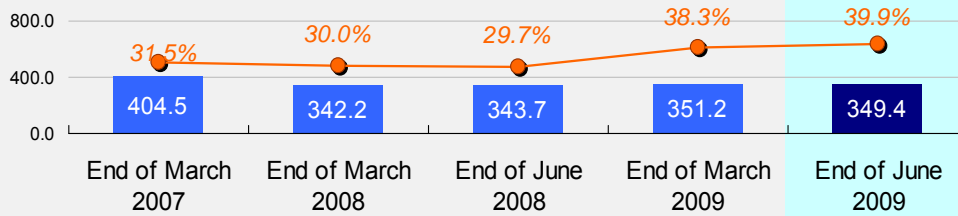
- Next, let's look at some of the major items on the balance sheet.
- As net sales weakened, total assets decreased by ¥40.9 billion, primarily due to a decline in inventory and declines in cash, deposits, securities and other current assets.

Statistics of Balance Sheet Items

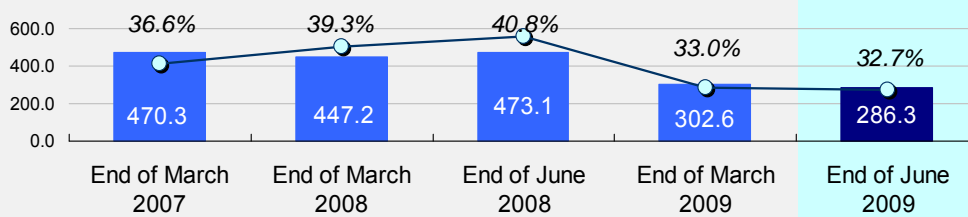


(Billions of yen)

Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholders' equity & equity ratio



*Starting from FY2008, lease obligations are included in interest-bearing liabilities
 *Shareholder equity = total net assets - minority interests in subsidiaries

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- **Interest-bearing liabilities decreased by ¥1.8 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 39.9%. Net interest-bearing liabilities were ¥86.6 billion.**
- **Shareholders' equity decreased by ¥16.2 billion. The equity ratio was 32.7%.**

1) FY2009 Q1 Financial Results

2) FY2009 Business Outlook

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➤ **Let's turn next to the fiscal 2009 business outlook.**

Financial Highlights (Full Year)

▶ Year-over-year



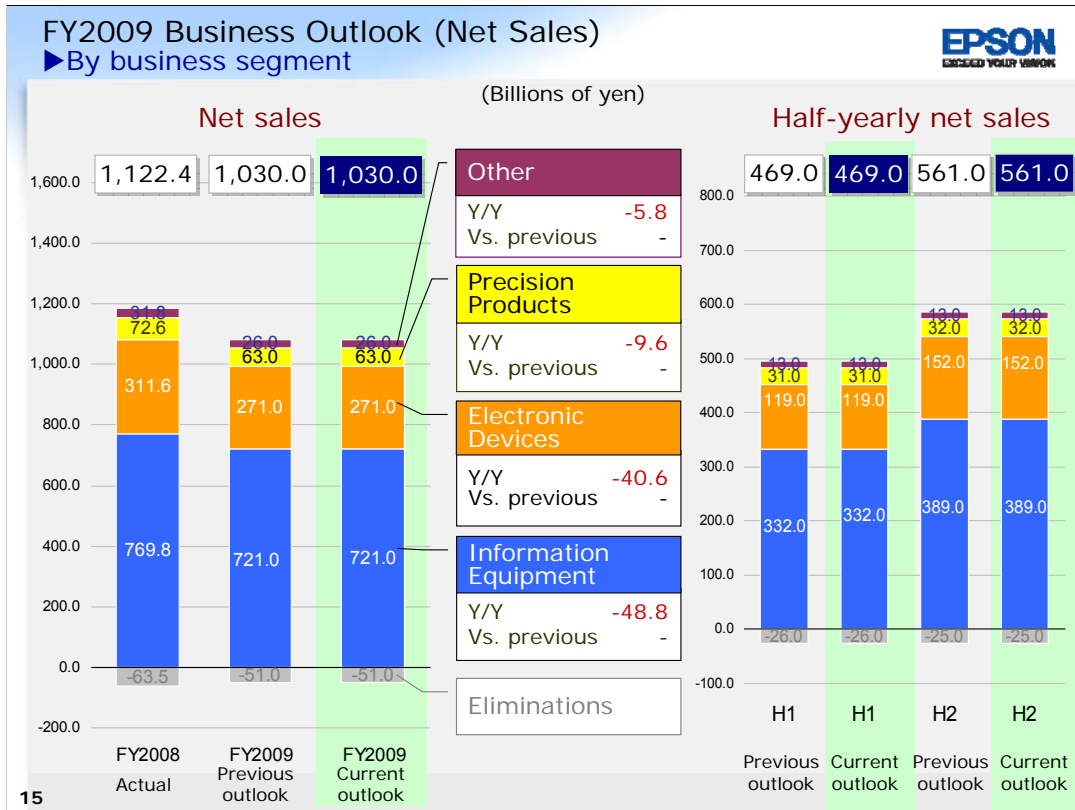
(Billions of yen)	FY2008		FY2009				Change (amount, %)	
	Actual	%	4/30 Outlook	%	Current Outlook	%	Y/Y	Vs. 4/30 Outlook
Net sales	1,122.4	-	1,030.0	-	1,030.0	-	-92.4 -8.2%	-
Operating income	-1.5	-0.1%	3.0	0.3%	3.0	0.3%	+4.5 -	-
Ordinary income	5.3	0.5%	0	0.0%	0	0.0%	-5.3 -	-
Net income before income taxes	-89.5	-8.0%	-2.0	-0.2%	-2.0	-0.2%	+87.5 -	-
Net income	-111.3	-9.9%	-6.0	-0.6%	-6.0	-0.6%	+105.3 -	-
EPS	-¥566.92		-¥30.56		*-¥30.12			
Exchange rate	USD	¥100.53	¥90.00		¥96.00			
	EUR	¥143.48	¥115.00		¥127.00			

* On June 1, 2009, Epson implemented a share exchange to make Epson Toyocom Corporation a wholly-owned subsidiary. This increased the total shares outstanding to 3,452,797 shares and capital reserves to 4,820 million yen.

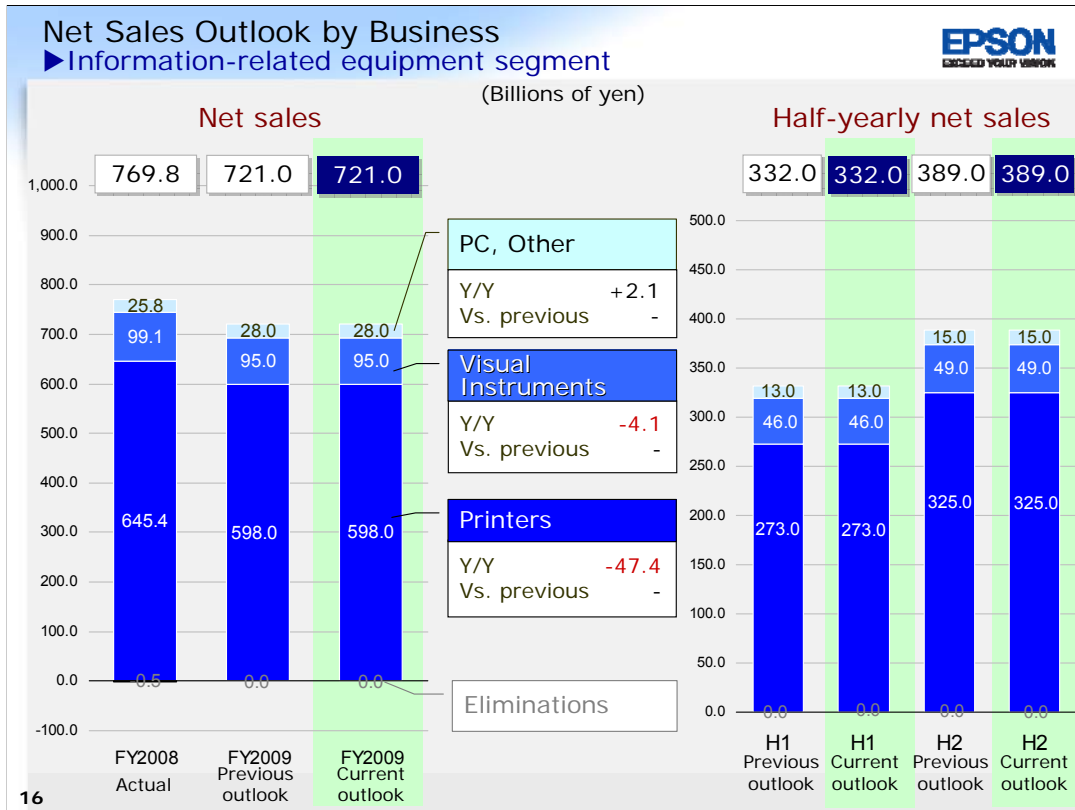
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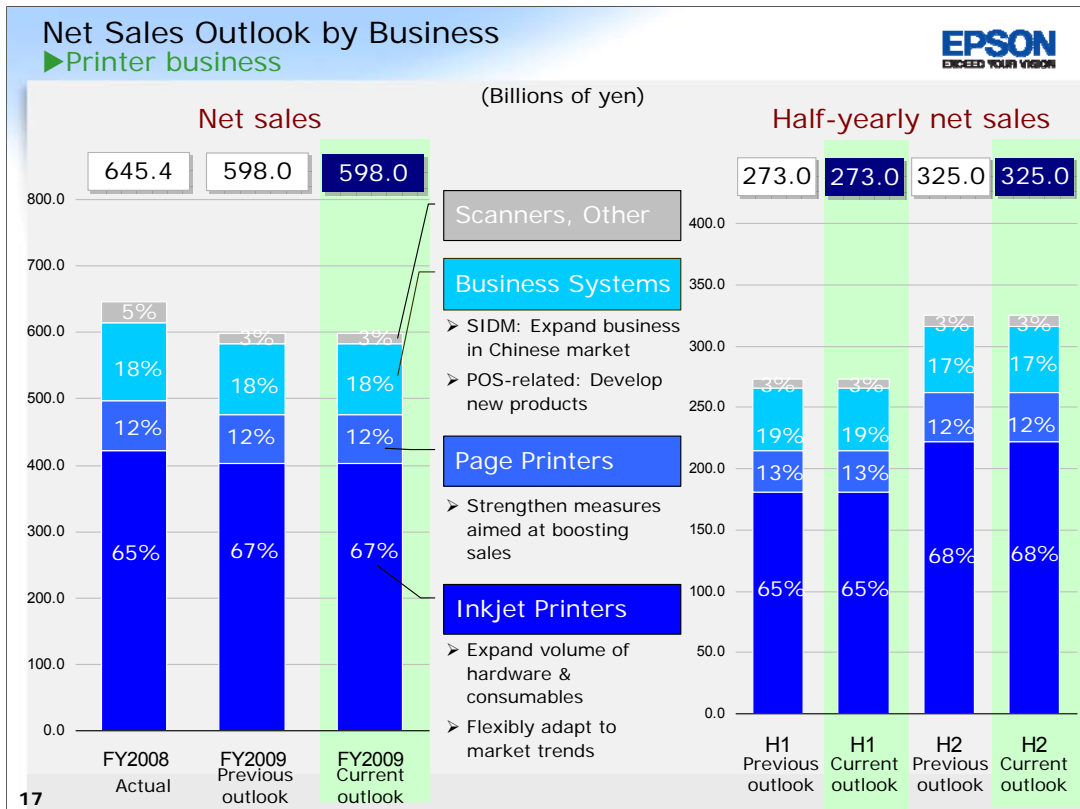
- From the second quarter onwards, we have adjusted our projected exchange rates to 95 yen to the US dollar and 125 yen to the euro. Considering the actual rates for the first quarter, we have raised our full year outlook to 96 yen to the dollar and 127 yen to the euro.
- The positive effect of exchange rates on results was better than anticipated by the previous outlook. However, we are reiterating the half- and full-year outlook that we presented in April because of second-half economic uncertainty and a slow recovery in the enterprise segment.
- We project fiscal 2009 full-year net sales of ¥1,030.0 billion. We expect ¥3.0 billion in operating income, and break-even in ordinary income. We expect to post a net loss of ¥6.0 billion.



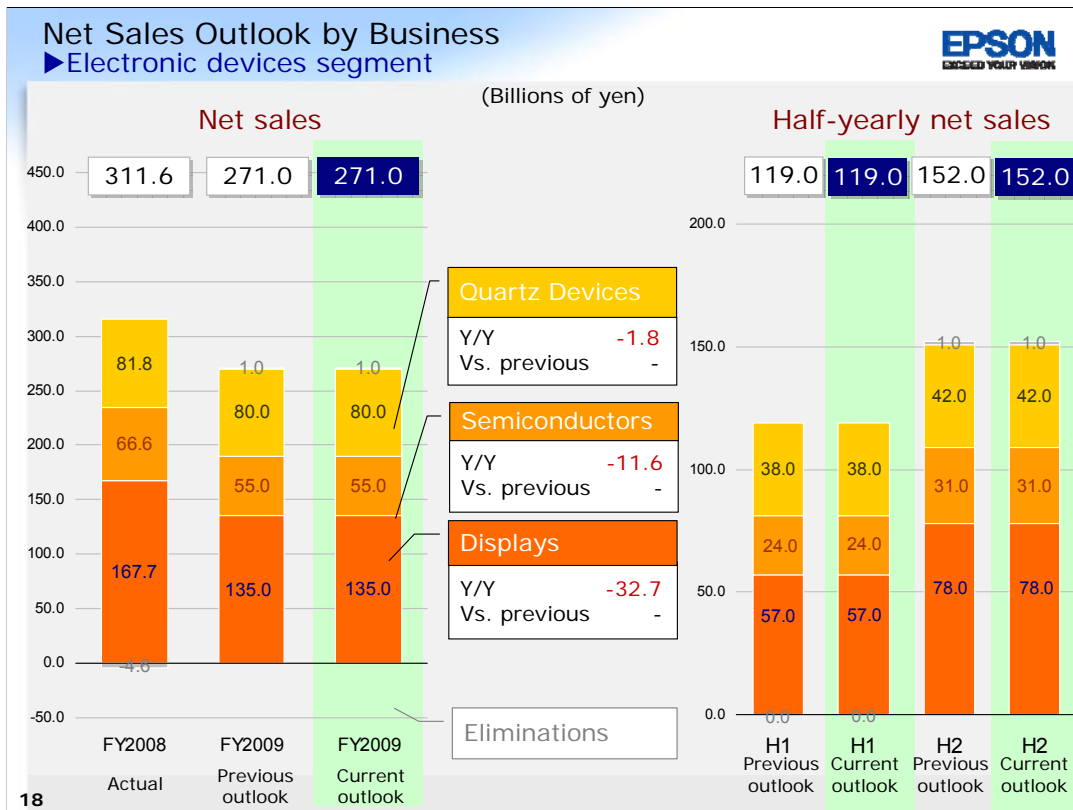
- This slide shows the breakdown of projected net sales by business segment and by first and second half. We have not changed the outlook either for product, or for first or second half.



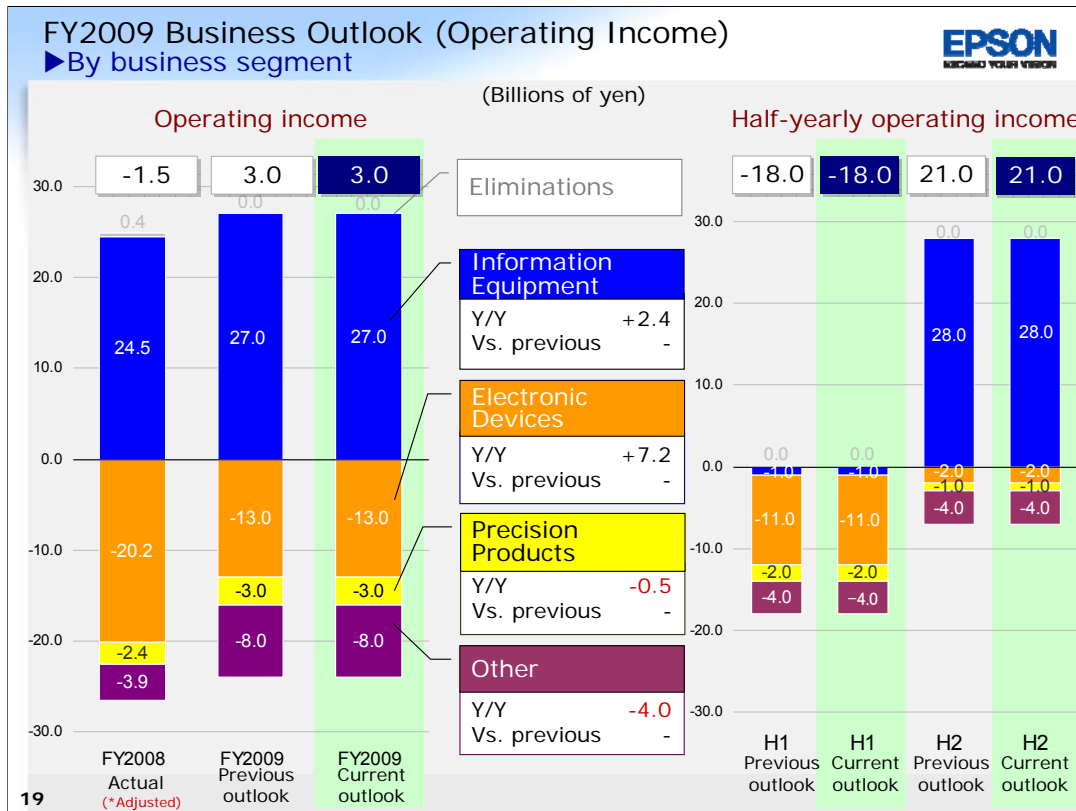
- This slide shows the breakdown of projected net sales by product in the information-related equipment segment. We have not changed our outlook.



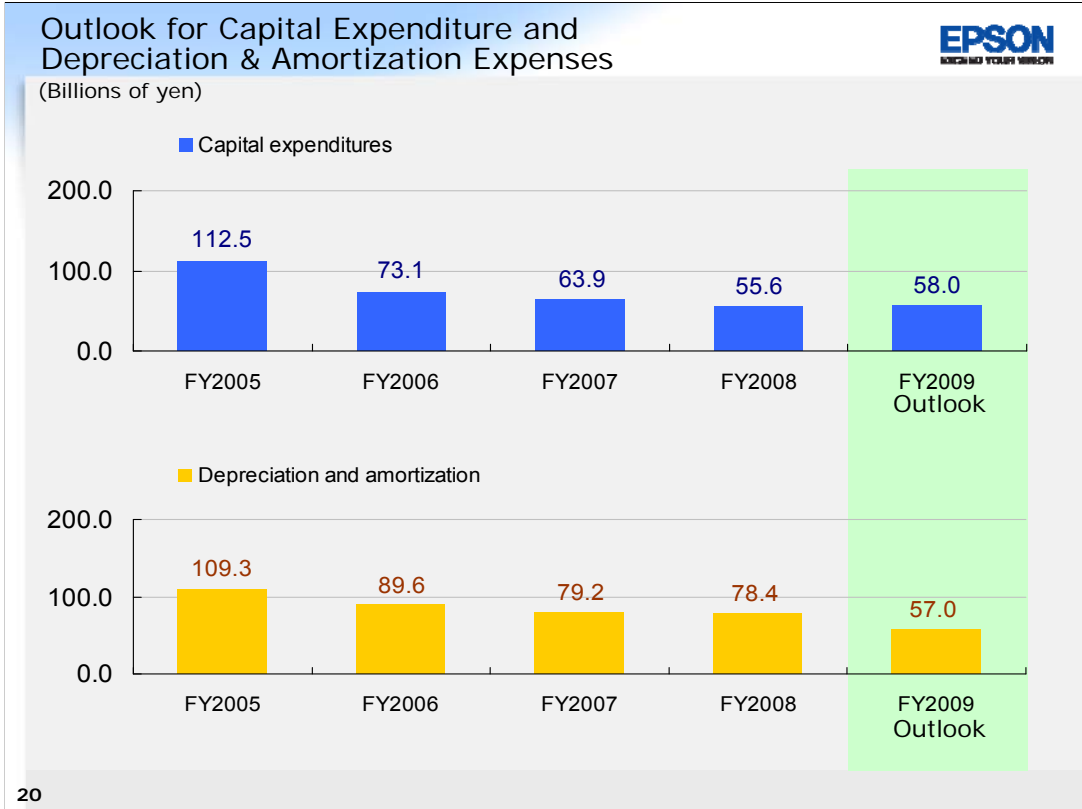
- **We have not changed our basic strategy for printers explained on April 30.**
- **We will continue to launch competitive products and further cut costs.**
- **In the inkjet printer business we will drive mid- to long-term sales and profitability by strengthening our moves into emerging markets that offer growth opportunities and into the commercial and industrial sectors, which we have identified as growth domains.**



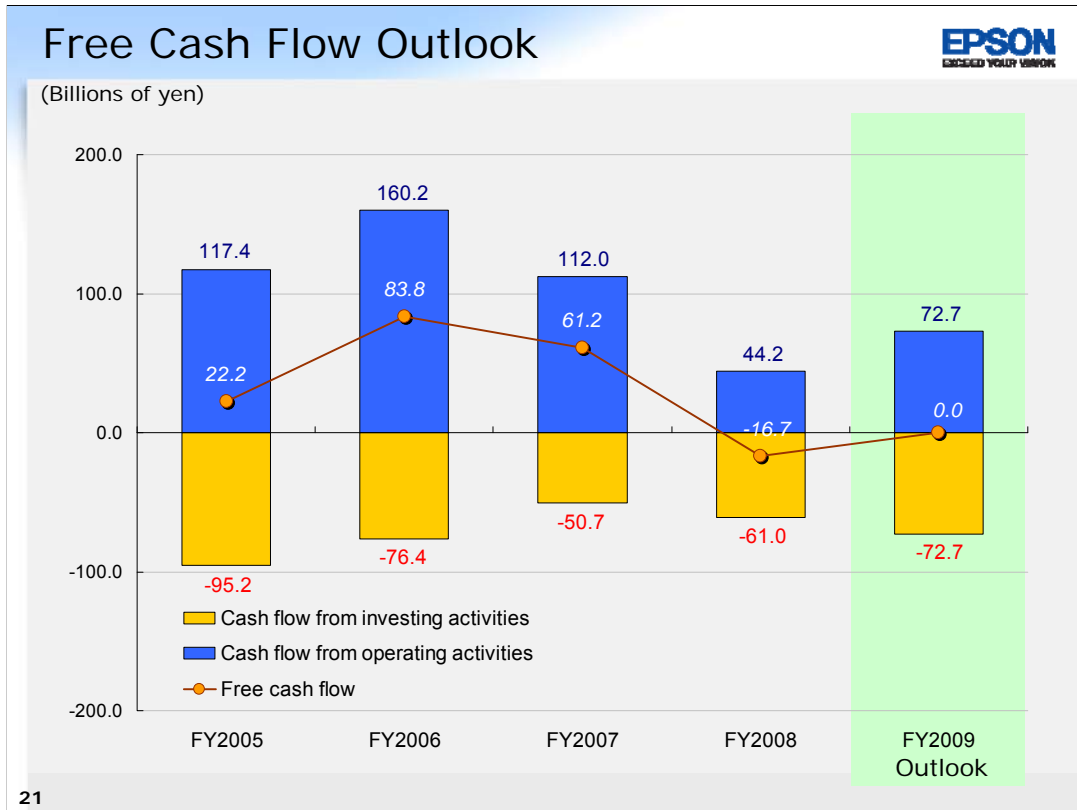
- **This slide shows the breakdown of projected net sales by business in the electronic devices segment. The strategy remains the same as outlined in our last announcement.**
- **In the small- and medium-sized displays business, Epson and Sony Corporation formally executed an agreement to transfer to Sony Corporation and Sony Mobile Display Corporation certain assets of the small- and medium-sized TFT LCD business operated by Epson Imaging Devices.**
- **We are currently moving ahead on schedule with preparations to transfer operations.**
- **The impact from this transaction on Epson's financial results for the current fiscal year is expected to be minimal, so our outlook remains unchanged.**



- This slide shows estimated full-year and half-year operating income broken down by segment.
- We are reiterating our outlook for both the first and second half of the year in each segment.

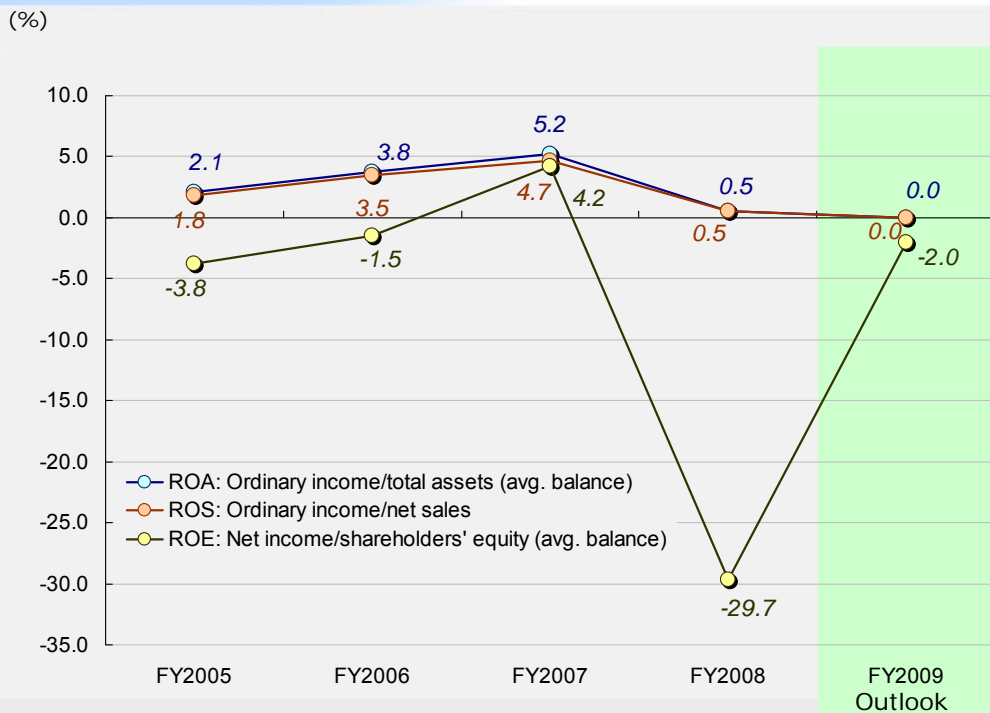


- **This slide shows that the outlook for capital expenditures and for depreciation and amortization expenses remains the same.**



- **The outlook for cash flows also remains the same as forecast at the beginning of the fiscal year.**

Main Management Indicators



- There are no changes to the outlooks for the major management performance indicators of our initial business forecast.
- This concludes the presentation of Epson's fiscal 2009 first-quarter financial results and the fiscal 2009 business outlook.

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