

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

January 29, 2010

SEIKO EPSON CORPORATION

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■ 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.



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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- **Please note that 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.**

1) FY2009 Q3 Financial Results

2) FY2009 Business Outlook



■ View of external environment

- Since our previous outlook on October 29, markets have slowly begun to recover due to economic stimulus measures introduced by countries around the world
- Corporate investment appetite has also begun to recover
- These conditions have reduced uncertainty in the fourth quarter

■ Situation in main businesses

Corporate appetite for investment in products for enterprise is slowly recovering.

Demand for electronic devices held steady throughout the third quarter, and normal seasonal fluctuations expected in fourth quarter.

Information-related equipment

- Consumer products held steady due to highly competitive products
 - We will continue driving printer sales programs in the fourth quarter to further promote a business recovery and consolidate our revenue base in fiscal 2010.
- Recovery for POS and projector products for enterprise

Electronic devices

- Demand for HTPS panels for projectors, crystal devices and semiconductors held steady throughout the period
- Normal seasonal fluctuations anticipated in fourth quarter, but capacity utilization should remain steady

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- This describes the business environment in the third quarter.
- The major countries introduced economic stimulus measures that effectively halted the recession and helped markets slowly begin to rebound in the third quarter.
- The enterprise sector, which has struggled to find its legs since the onset of the recession, is showing signs of life. Demand for Epson business systems and 3LCD projectors was firm, as corporations began to regain their appetite for investment.
- Consumer inkjet printer demand was steady on the whole. Unit sales in Asia were firm. At the same time, business was brisk in developed economies during the year-end shopping season.
- Despite the overall robustness, we missed our unit volume target, as sales were relatively weaker in some countries due to differences in the competitive environment and disparities in the timing of year-end product launches.
- In electronic devices, we have thus far seen no signs of a sharp pull-back in demand that some feared could materialize in the second half of the third quarter. Accordingly, we have been able to maintain a relatively high capacity utilization rate, with normal seasonal fluctuations, as we headed into the fourth quarter.
- As the first year of our mid-range business plan, fiscal 2009 is a crucial year for putting Epson back onto the path to growth in fiscal 2010 and beyond. Under our original plan for the year our goal is to reach breakeven in ordinary income. As things stand, we expect to top this goal, in part due to foreign exchange effects, but for the remainder of the fiscal year we will continue moving forward on initiatives to further accelerate earnings in fiscal 2010.

Financial Highlights (Through Third Quarter)
 ▶ Year-over-year



Thru Q3

(Billions of yen)	FY2008		FY2009		Change	
	First 9 Months	%	First 9 Months	%	Amount	%
Net sales	906.3	-	738.1	-	-168.2	-18.6%
Operating income	32.7	3.6%	22.1	3.0%	-10.5	-32.2%
Ordinary income	37.5	4.1%	16.4	2.2%	-21.1	-56.2%
Net income before income taxes	19.7	2.2%	7.4	1.0%	-12.2	-62.1%
Net income	11.8	1.3%	-4.7	-0.6%	-16.6	-
EPS	¥60.55		-¥23.82			
Exchange rate	USD	¥102.84	¥93.56			
	EUR	¥150.70	¥132.99			

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➤ Let's move on to the financials.

- These are the financial results for the first nine months of the fiscal year.
- Net sales were ¥738.1 billion, down 18.6% from the same period last year.
- Income through the first three quarters of the year turned positive. Operating income was ¥22.1 billion, while ordinary income was ¥16.4 billion.

Financial Highlights (Third Quarter)

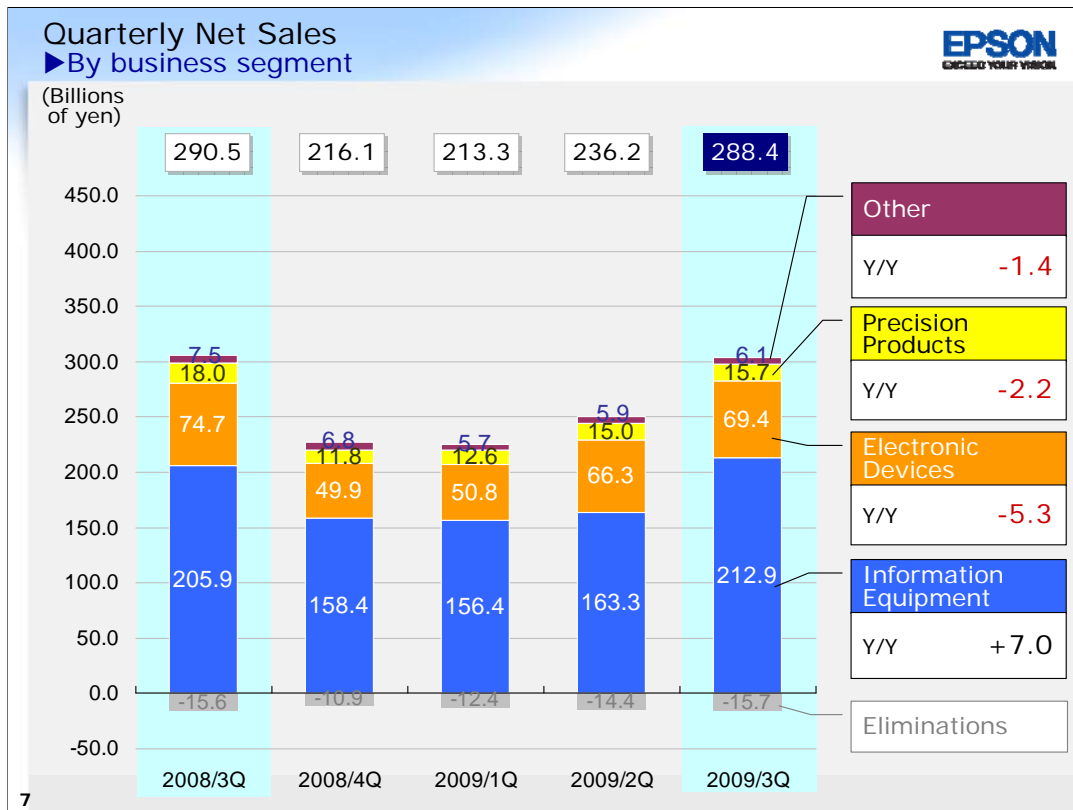
▶ Year-over-year



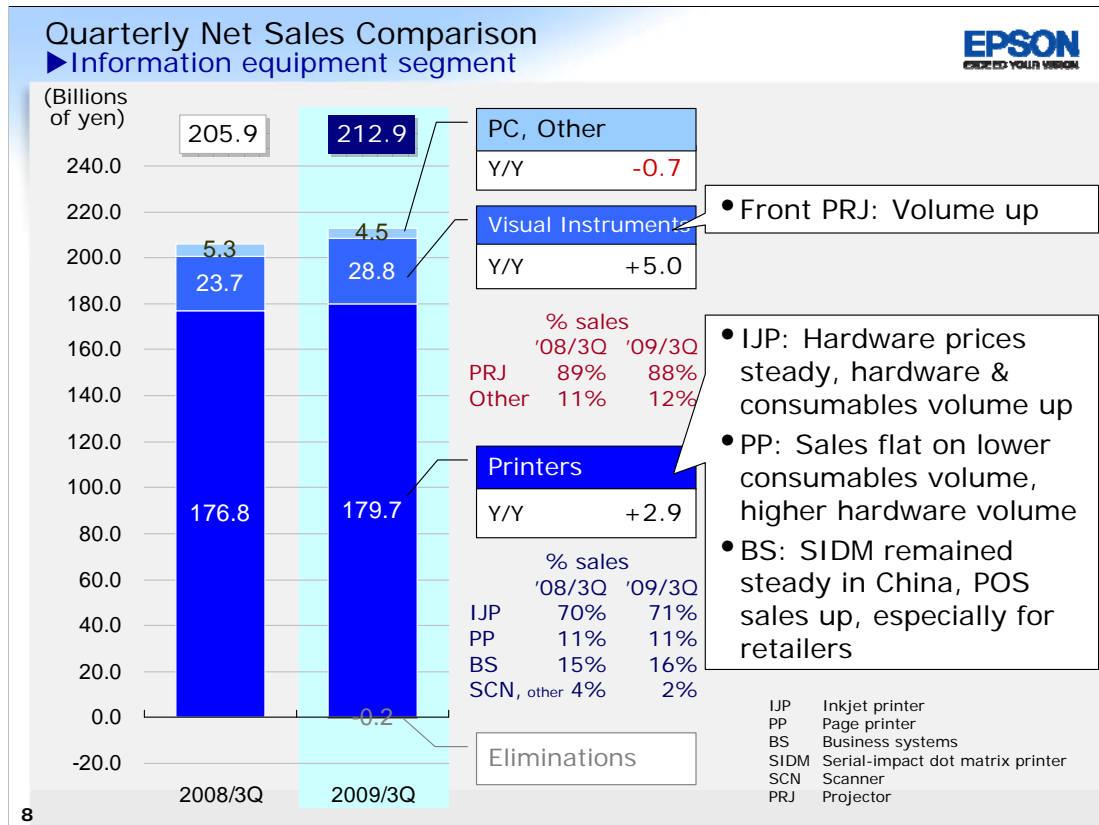
(Billions of yen)	FY2008		FY2009		Change	
	Q3 Actual	%	Q3 Actual	%	Amount	%
Net sales	290.5	-	288.4	-	-2.0	-0.7%
Operating income	4.6	1.6%	31.4	10.9%	+26.7	+570.1%
Ordinary income	10.0	3.5%	30.8	10.7%	+20.8	+207.3%
Net income before income taxes	-0.6	-0.2%	27.8	9.7%	+28.5	-
Quarterly net income	0.1	0.1%	24.4	8.5%	+24.2	-
EPS	¥0.86		¥122.36			
Exchange rate	USD	¥96.32	¥89.71			
	EUR	¥126.74	¥132.68			

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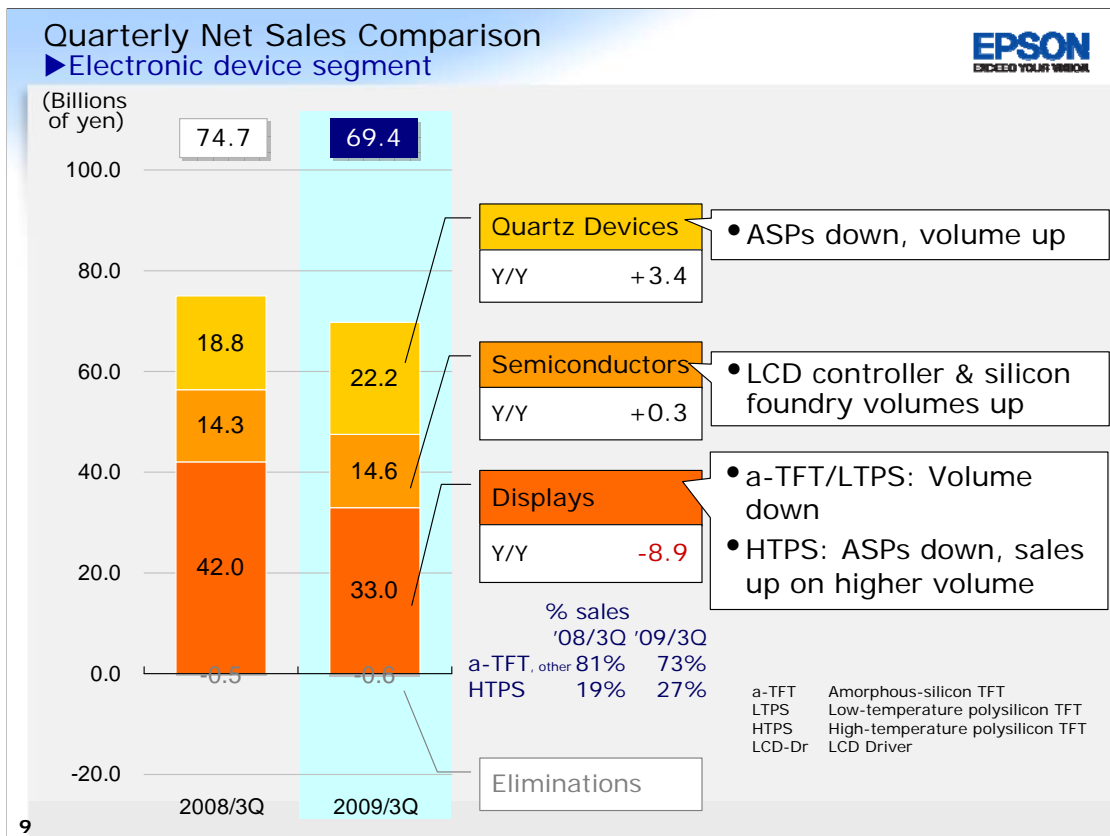
- ▶ Epson's third-quarter results for the 2009 fiscal year were as follows.
- ▶ At ¥288.4 billion, net sales were basically even with the same period last year. Operating income was ¥31.4 billion, an increase of ¥26.7 billion. Ordinary income was ¥30.8 billion, up ¥20.8 billion; and net income was ¥24.4 billion, up ¥24.2 billion.
- ▶ We dramatically improved income compared to the same period last year. In addition to the effects of a weaker yen, we boosted income through structural changes in the electronic device businesses and numerous measures to improve profitability, including a group-wide cost-reduction program. Even given the usual seasonal fluctuations, we have seen a steady recovery since the second quarter.



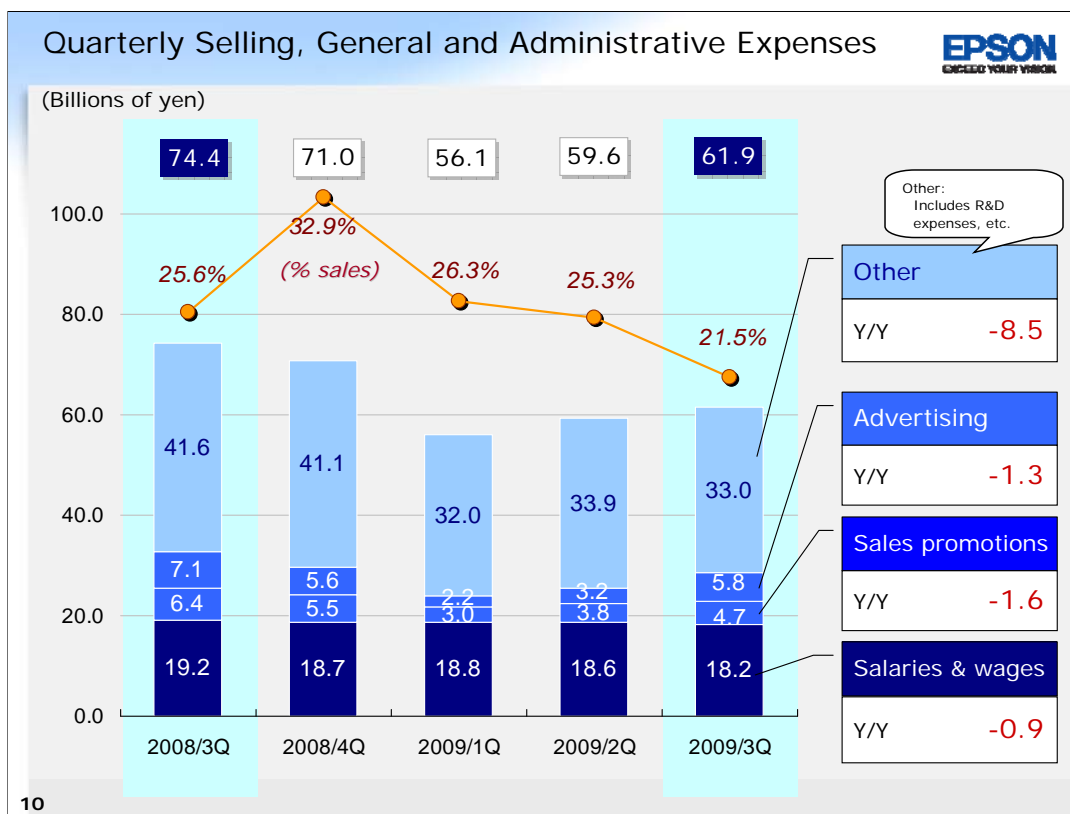
- Next, let's look at quarterly net sales by segment.
- Compared to the same period last year, information-related equipment net sales increased by ¥7 billion; electronic devices net sales declined by ¥5.3 billion; and precision products net sales declined by ¥2.2 billion.



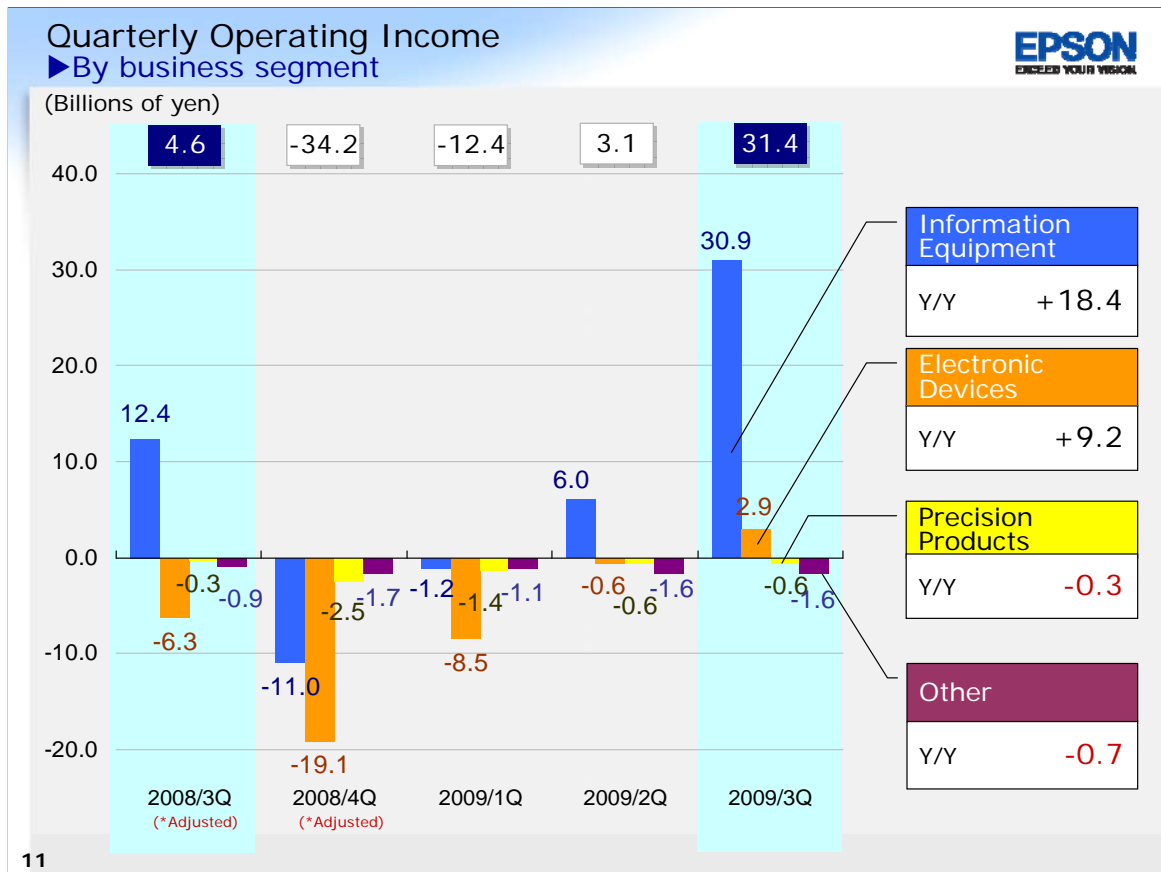
- Let's see how quarterly net sales in information-related equipment compare with last year's results.
- The printer business reported a ¥2.9 billion increase in net sales from the year-ago period.
- Inkjet printer net sales topped those from the year-ago period, as unit prices held, unit volume increased, and shipments of consumables grew.
- The market for inkjet printer units contracted year-over-year in every region except Asia, but we did begin to see signs of a recovery in the United States, Japan, and some other regions. By region, inkjet unit shipments declined year-over-year in Europe and Japan but grew in the US and Asia.
- Page printer unit shipments grew in Europe and Asia as a result of tender business wins and other sales expansion efforts, but net sales were flat year-over-year, mostly due to a combination of lower ASPs and a decline in consumables volume.
- Business systems showed an increase in net sales. Net sales were buoyed by continued steady shipments of SIDM units to China, as well as increased unit shipments of POS-related products to retailers in Europe and the US.
- Visual instruments reported year-over-year net sales growth. Strong sales of education and business projectors enabled us to hit an all-time high in unit volume in the third quarter of this year, and volume was up year-over-year in every region.



- Here, third-quarter net sales of the businesses in the electronic devices segment are shown against the results from the year-ago period.
- The display business reported an ¥8.9 billion year-over-year decline in net sales.
- Small- and medium-sized LCDs for mobile applications continued to struggle amid adverse market conditions, though the severity of the downturn began to gradually ease in the third quarter.
- Net sales of amorphous-silicon TFT and LTPS decreased. Average selling prices rose due to an increase in the number of units shipped for use in smart phones, but this was outweighed by a decline in shipments to mobile phone and digital camera manufacturers.
- Net sales of HTPS panels for projectors were up on higher unit shipments, though average selling prices fell.
- Quartz device net sales increased year-over-year. This increase came on growth in unit shipments of sensing devices, which more than offset the effects of a weak dollar and a decline in ASPs.
- Semiconductor net sales increased year-over-year due to growth in LCD controller and silicon foundry volumes.



- Quarterly selling, general and administrative expenses were as shown here.
- We reduced SGA expenses by ¥12.5 billion compared to the prior-year period by increasing cost effectiveness and reducing expenditures, particularly in R&D, sales promotions, and advertising.

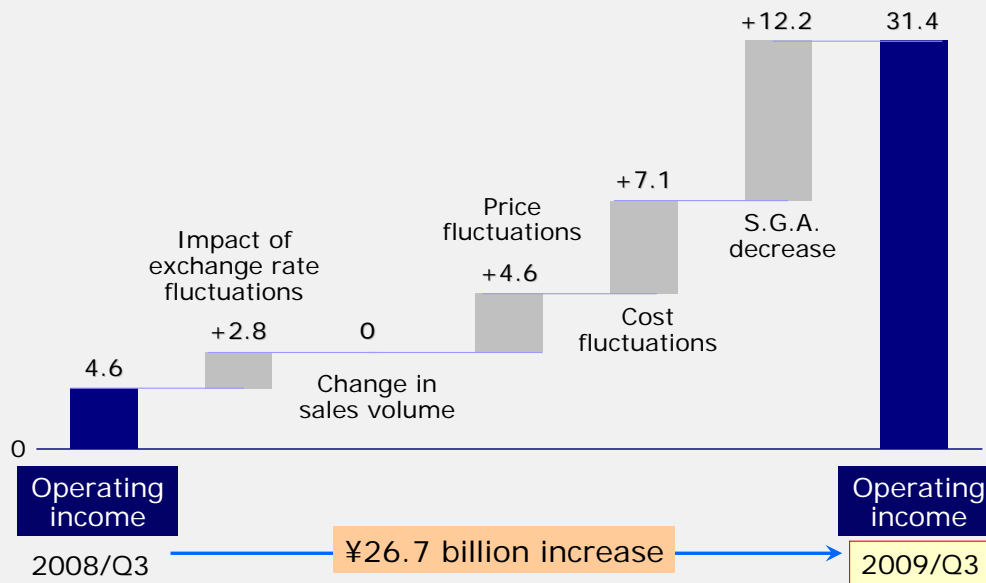


- Let's take a look at how segment operating income this quarter compares to that in the year-ago period.
- Information-related equipment operating income grew ¥18.4 billion year-over-year, to ¥30.9 billion.
- Inkjet printer operating income increased. Income was bolstered by cost reductions resulting from hardware platform standardization and company-wide cost-efficiency initiatives.
- Page printer operating income rose due to fixed cost reductions. Business system and visual instrument operating income grew from a combination of higher net sales and lower fixed costs.
- The electronic devices segment was back in the black, reporting operating income of ¥2.9 billion, an improvement of ¥9.2 billion compared to the year-ago period.
- All of our electronic devices businesses – displays, quartz devices, and semiconductors – reported positive income and income growth. In addition to lower depreciation expenses associated with the business structure improvement expenses and impairment losses recorded last fiscal year, income was given a boost by an improvement in capacity utilization that came with an increase in orders.

Operating Income Fluctuation Cause Analysis

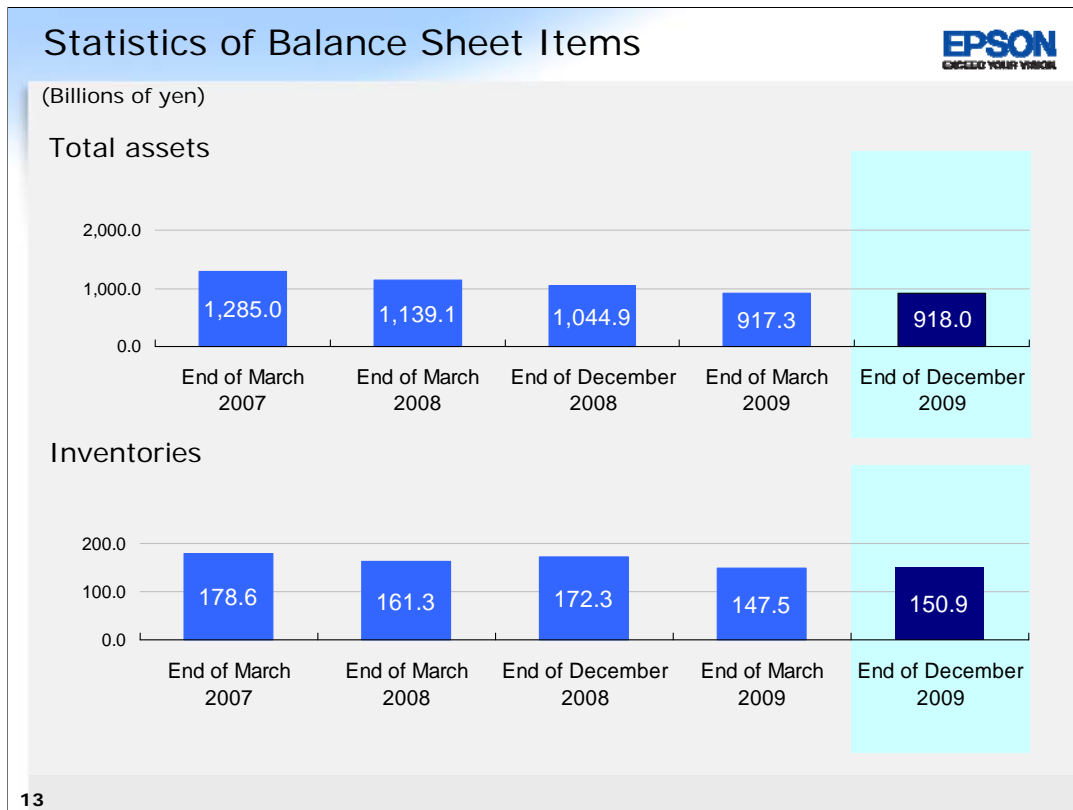


(Billions of yen)



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- This slide shows a cause analysis of the ¥26.7 billion increase in operating income from the year-ago period.
- Quarterly operating income was ¥31.4 billion versus ¥4.6 billion in the third quarter of fiscal 2008. All factors contributed positively to operating income, especially the reduction in SGA expenses and cost fluctuations.



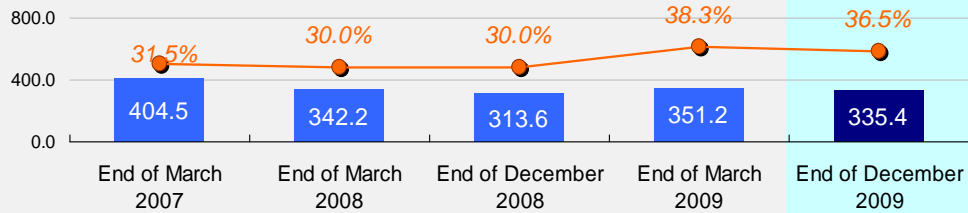
- **Next, let's look at some of the major items on the balance sheet.**
- **Total assets were in the same ballpark as at the end of the last fiscal year. Accounts receivable rose in tandem with sales, while inventories increased. However, securities declined, as did fixed assets due to capital spending cutbacks.**

Statistics of Balance Sheet Items

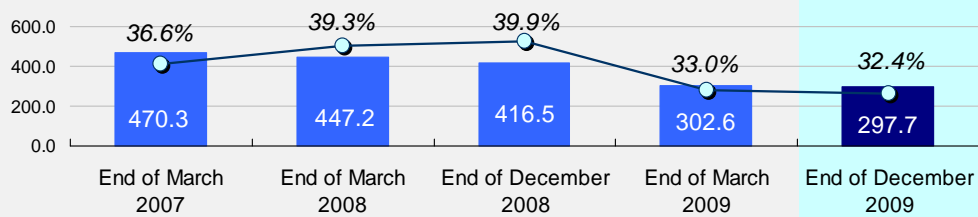


(Billions of yen)

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 ¥15.8 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 36.5%. Net interest-bearing liabilities were ¥84.4 billion.**
- **Shareholders' equity decreased by ¥4.8 billion. The equity ratio was 32.4%.**

1) FY2009 Q3 Financial Results

2) FY2009 Business Outlook



FY2009 Business Outlook



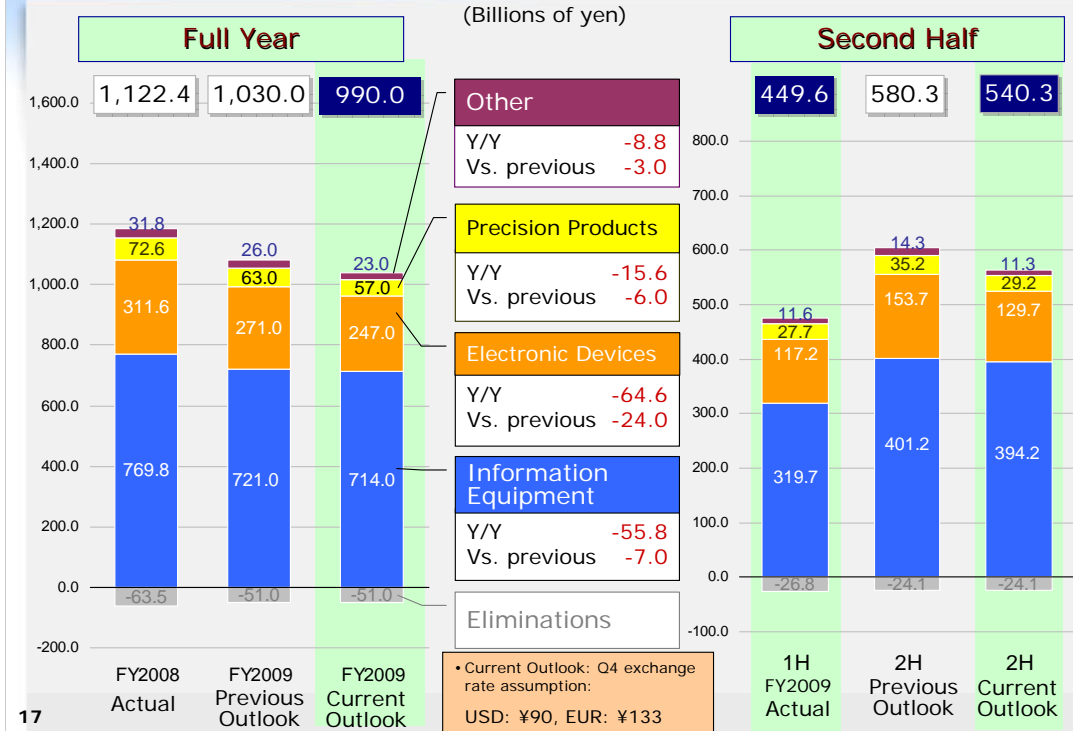
(Billions of yen)	FY2008		FY2009				Change (amount, %)	
	Actual	%	Previous Outlook	%	Current Outlook	%	Y/Y	Vs. Previous
Net sales	1,122.4	-	1,030.0	-	990.0	-	-132.4 -11.8%	-40.0 -3.9%
Operating income	-1.5	-0.1%	3.0	0.3%	20.0	2.0%	+21.5 -	+17.0 +566.7%
Ordinary income	5.3	0.5%	0	0.0%	13.0	1.3%	+7.6 +145.2%	+13.0 -
Net income before income taxes	-89.5	-8.0%	-4.5	-0.4%	0	0.0%	+89.5 -	+4.5 -
Net income	-111.3	-9.9%	-8.5	-0.8%	-21.0	-2.1%	+90.3 -	-12.5 -
EPS	-¥566.92		-¥42.67		-¥105.41		• Current Outlook: Q4 exchange rate assumption USD: ¥90.00 EUR: ¥133.00	
Exchange rate	USD	¥100.53	¥94.00	¥93.00				
	EUR	¥143.48	¥132.00	¥133.00				

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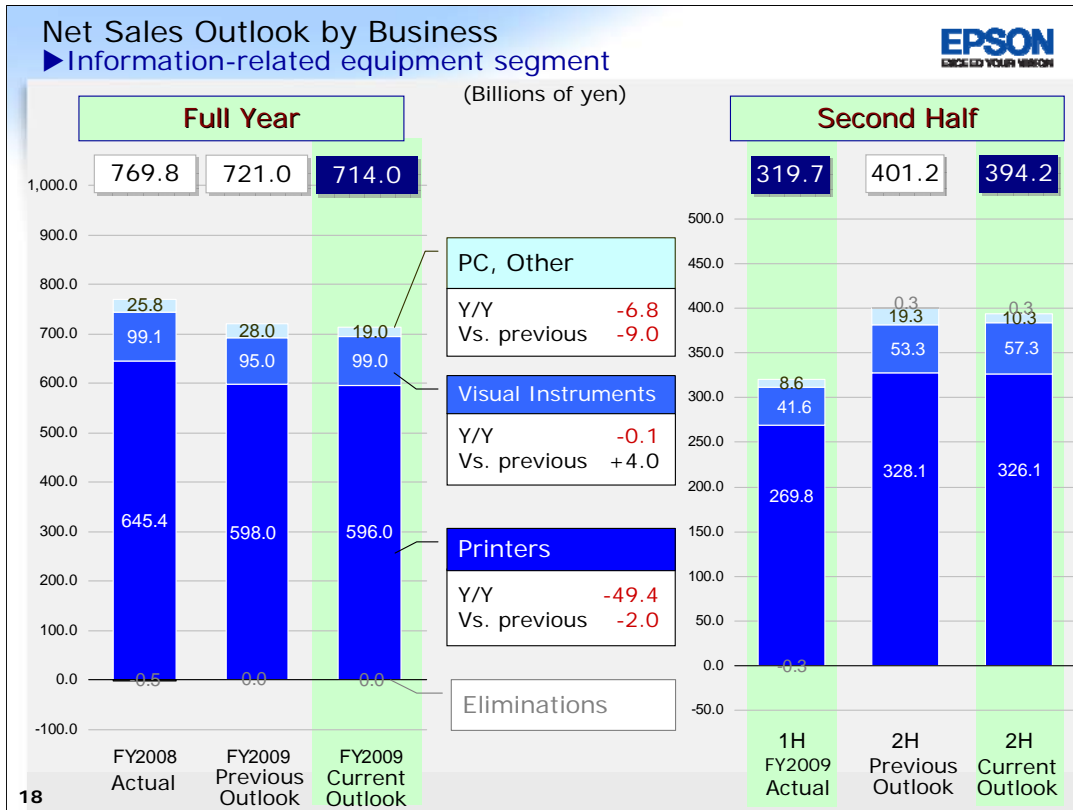
- We have revised our full-year outlook, taking into account our third-quarter result and revised fourth-quarter currency assumptions of 90 yen to the US dollar and 133 yen to the euro.
- In the fourth quarter we will continue driving inkjet printer sales programs to further promote a business recovery and consolidate our revenue base in fiscal 2010, and to secure an ongoing revenue stream from consumables.
- For this reason, we expect a temporary dip in income in information-related equipment compared to the third quarter, which includes the year-end shopping season. Nevertheless, we expect income to improve significantly compared to last year's recession-ravaged fourth quarter. The standardization of printer platforms and the streamlining of expenses and other cost reductions are expected to heavily contribute to the bottom line.
- In the electronic devices segment we project a narrow loss, as net sales will decline sequentially due to seasonality. However, we see profits improving compared to last fiscal year as a result of projected increases in revenues and capacity utilization.
- Given these factors, we have revised our previous outlook, lowering our full-year net sales outlook downward by ¥40 billion, to ¥990 billion. At the same time, we have upwardly revised our income figures. Operating income is now expected to be in the range of ¥20 billion, up ¥17 billion from the previous outlook. The ordinary income outlook was raised from break-even to ¥13 billion.
- As announced earlier today, net income is projected to be negative, a loss of ¥21 billion due to a write-down of deferred tax assets.

FY2009 Business Outlook (Net Sales)

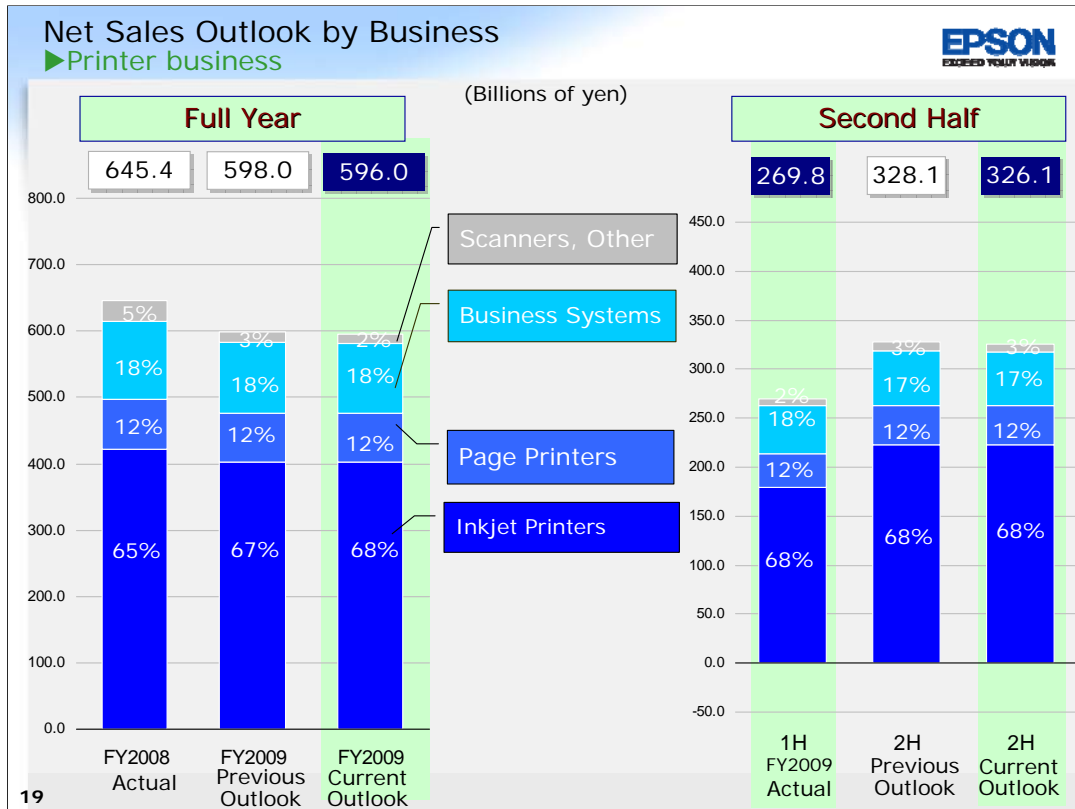
► By business segment



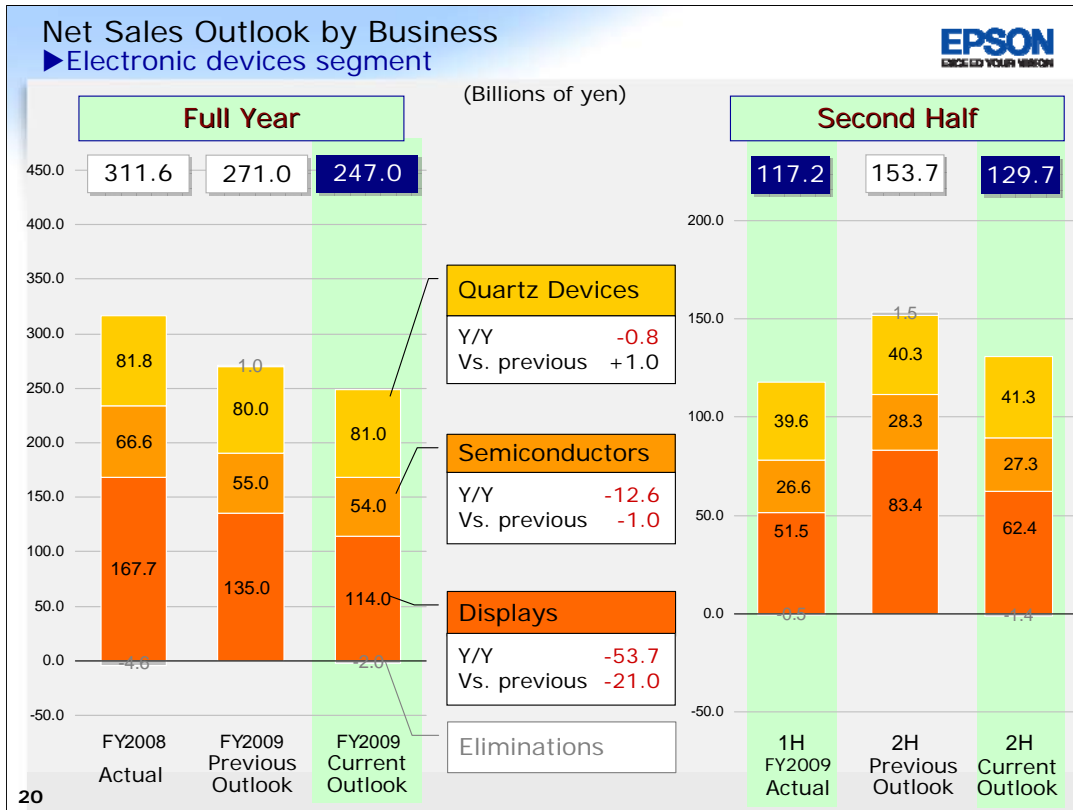
► This show a breakdown of our net sales outlook by business segment.



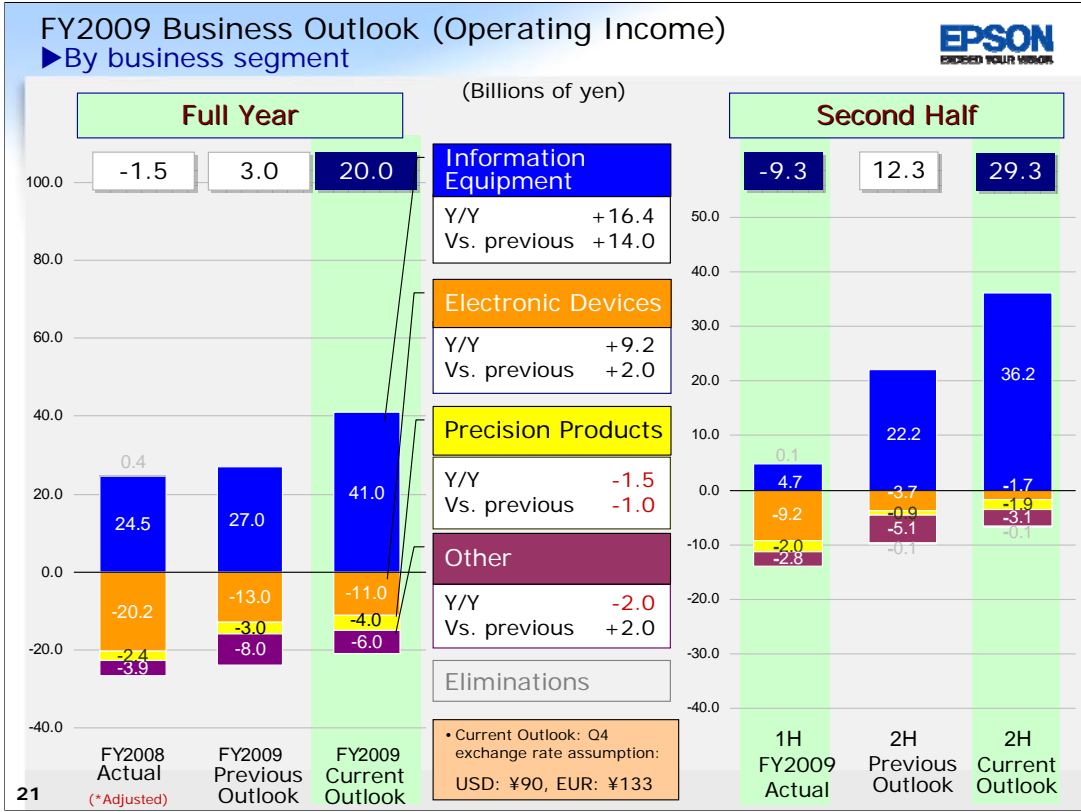
- This shows a breakdown of our net sales outlook by business in the information-related equipment segment.



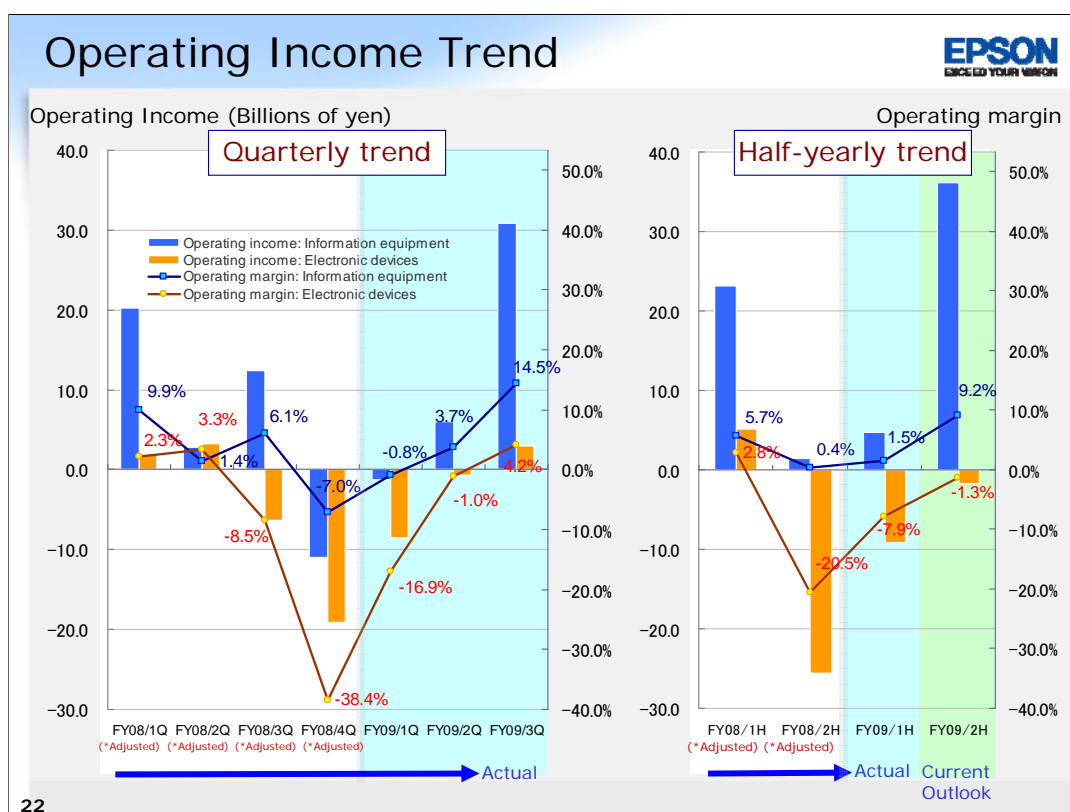
➤ This show a breakdown of the printer business outlook.



- This show a breakdown of our net sales outlook by business in the electronic devices segment.



■ Here you can see operating income by business segment.

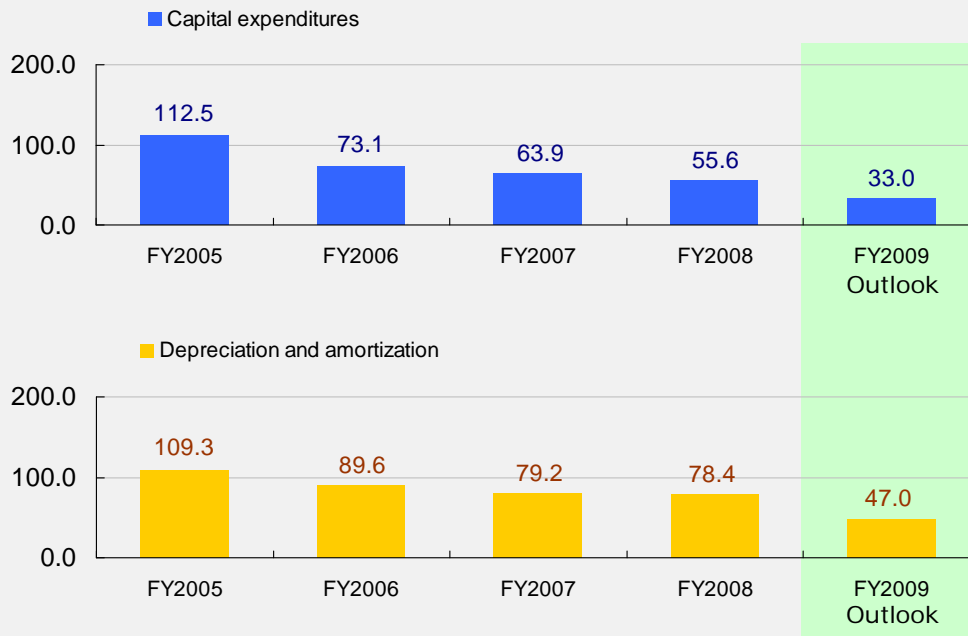


- This shows operating income trends in the information-related equipment and electronic devices segments.
- Both information-related equipment and electronic devices have been continuously impacted since the second half of the previous fiscal year by the economic downturn. Nevertheless, margins are heading in the right direction thanks to structural changes in the electronic devices segment, fixed cost reductions across the entire organization, and products that are more competitive than ever, including in terms of cost.
- We expect second-half income to improve by approximately ¥60 billion, year-over-year. As a result, we are within sight of our original target of break-even in ordinary income, even when calculated at the exchange rates used in the initial outlook.
- For the remainder of the fiscal year we will stay the course on current measures to ensure further improvement in our financial performance heading into the 2010 fiscal year.

Outlook for Capital Expenditure and Depreciation & Amortization Expenses

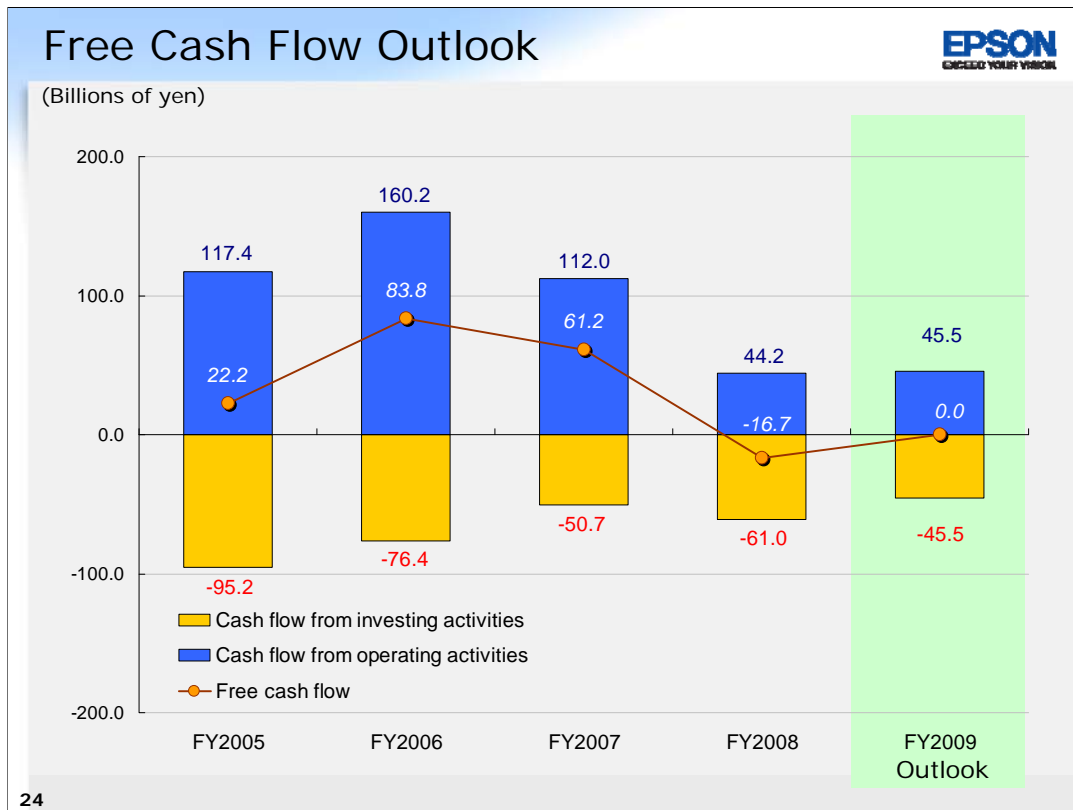


(Billions of yen)



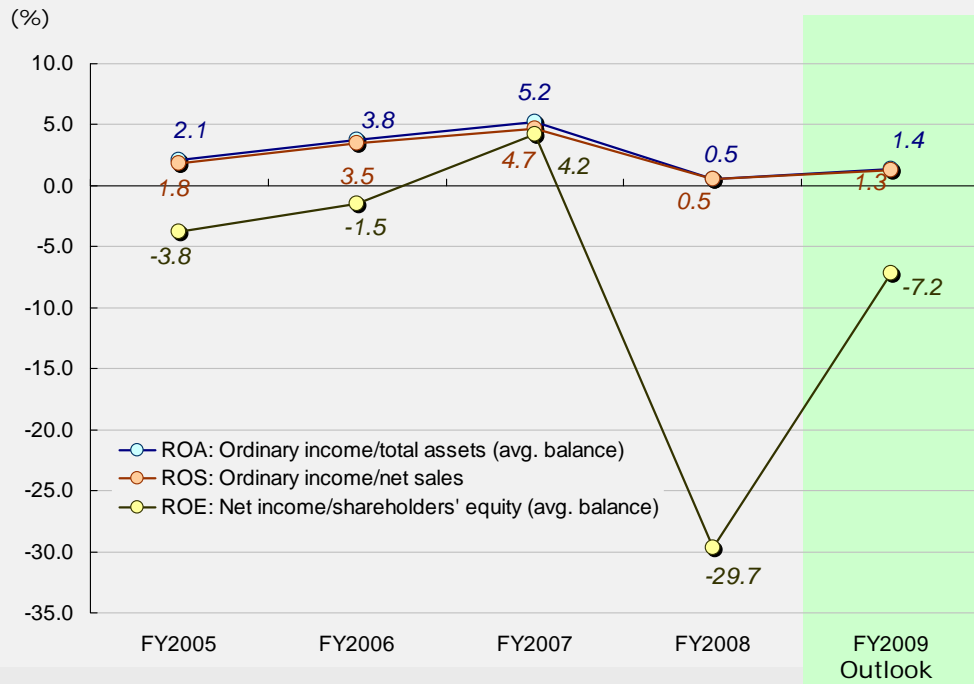
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- This slide shows the outlook for capital expenditures and depreciation and amortization expenses.
- Capital expenditures were revised to ¥33 billion. Depreciation and amortization were revised to ¥47 billion.



- **Projected cash flows look like this.**
- **Although our revised outlook shows a decline in cash flows from investing activities, free cash flows are expected to be zero, as was the case in the previous outlook, due to a decline in cash flows from operating activities caused by increased inventory levels in preparation for robust demand next fiscal year.**

Main Management Indicators



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- The major management performance indicators derived from the business forecast are ROA of 1.4%, ROS of 1.3%, and ROE of minus 7.2%.
- This concludes the presentation of Epson's fiscal 2009 third-quarter financial results and the fiscal 2009 business outlook.

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