



# Second Quarter Financial Results Fiscal Year 2010 (Ending March 2011)

October 29, 2010

**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.

## Changes to segment reporting based on new management approach

From FY2010

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- Under our new management approach, Head Office expenses that were allocated to the various segments and business in proportion to their respective sales will be consolidated under the Corporate Segment from fiscal 2010.
- The functions of subsidiaries that provided services to the Epson Group and whose results were reported under the "Other" segment have been transferred to the various businesses.
- In the slides showing the fiscal 2010 outlook, fiscal 2009 segment profit and loss figures have been adjusted for the purpose of comparison.

# Financial Highlights (First Half)



(Billions of yen)	FY2009		FY2010				Change (amount, %)	
	Actual	%	7/30 Outlook	%	Actual	%	Y/Y	Vs. 7/30 Outlook
Net Sales	449.6	-	489.0	-	479.2	-	+29.6 +6.6%	-9.7 -2.0%
Operating Income	-9.3	-2.1%	12.0	2.5%	14.6	3.1%	+23.9 -	+2.6 -22.2%
Ordinary Income	-14.4	-3.2%	14.0	2.9%	14.8	3.1%	+29.2 -	+0.8 +6.1%
Net Income Before Income Taxes	-20.3	-4.5%	13.0	2.7%	13.4	2.8%	+33.8 -	+0.4 +3.3%
Net Income	-29.1	-6.5%	8.0	1.6%	7.4	1.6%	+36.6 -	-0.5 -6.8%
EPS	-¥146.92		¥40.04		¥37.33			
Exchange Rate	USD	¥95.49	¥89.00		¥88.95			
	EUR	¥133.15	¥114.00		¥113.85			

Previous outlook exchange rate assumptions from Q2 onward  
 USD: ¥85.00, EUR: ¥110.00

# FY2010 Business Outlook

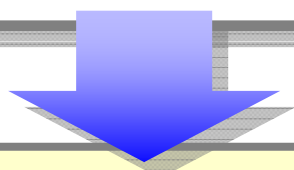


(Billions of yen)	FY2009		FY2010				Change (amount, %)	
	Actual	%	7/30 Outlook	%	Current Outlook	%	Y/Y	Vs. Prev. Outlook
Net Sales	985.3	-	1,013.0	-	1,000.0	-	+14.6 +1.5%	-13.0 -1.3%
Operating Income	18.2	1.8%	27.0	2.7%	35.0	3.5%	+16.7 +92.0%	+8.0 +29.6%
Ordinary Income	13.8	1.4%	24.0	2.4%	34.0	3.4%	+20.1 +145.0%	+10.0 +41.7%
Net Income Before Income Taxes	-0.7	-0.1%	12.0	1.2%	22.0	2.2%	+22.7 -	+10.0 +83.3%
Net Income	-19.7	-2.0%	0	0.0%	10.0	1.0%	+29.7 -	+10.0 -
EPS	-¥99.34		¥0.00		¥50.05			
Exchange Rate	USD	¥92.85	¥87.00		¥84.00		<b>Current outlook exchange rate assumptions for FY2010/H2</b> USD: ¥ 80.00 EUR: ¥110.00	
	EUR	¥131.15	¥112.00		¥112.00			

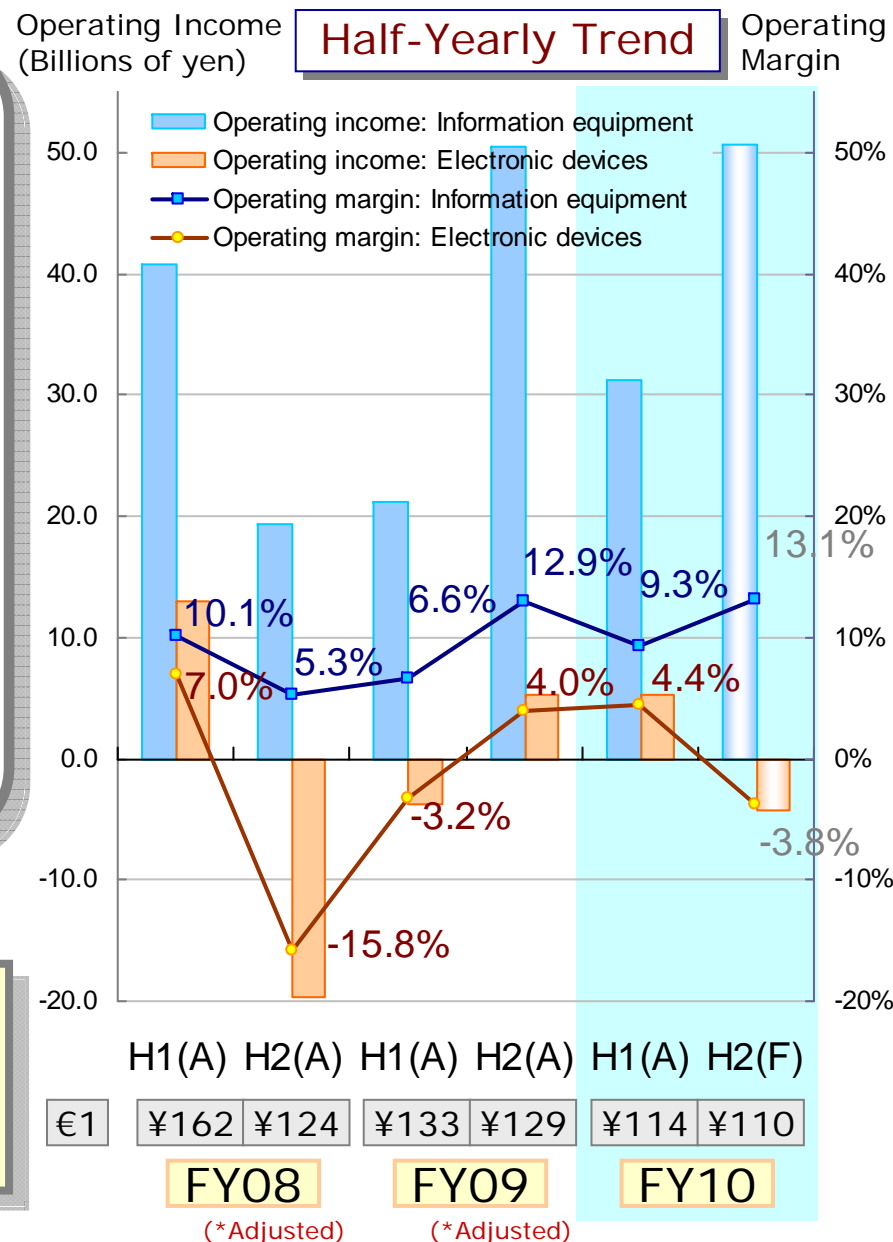
Previous outlook exchange rate assumptions from Q2 onward  
 USD: ¥85.00, EUR: ¥110.00

# Key Points of FY2010 Financials

- First-half results far exceeded plan, as rebounding corporate demand, strong electronic device demand, fixed cost reductions, and unit cost improvements offset foreign exchange effects.
- Despite forex & macro recovery concerns, we upwardly revise our outlook based on favorable reception for new products and ongoing cost-cutting efforts, etc.
- Steady progress on preparations for fresh growth



Goal of reaching breakeven in net income is within sight



## Information Equipment Segment

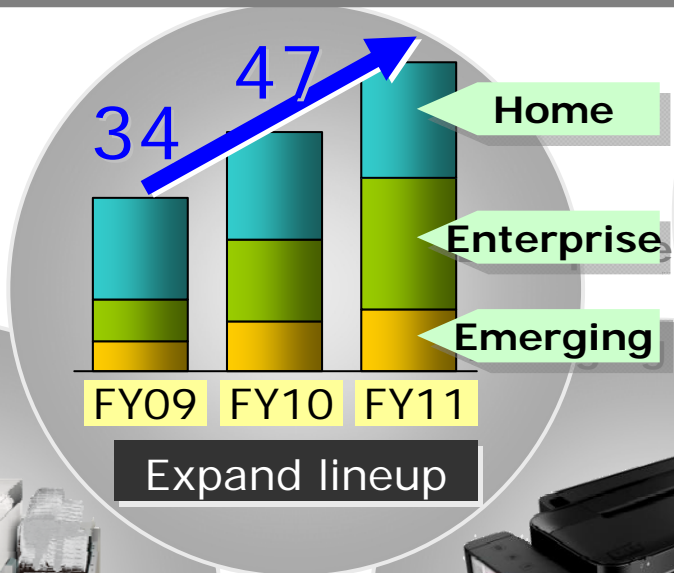
- ◆ IJP: Grow hardware unit shipments 10% by expanding & enhancing product lines for home, SOHO & emerging markets
- ◆ BS: Capture SIDM orders in China associated with implementation of new tax, and POS demand in advanced & emerging markets
- ◆ PRJ: Use lineup to put space between us & the competition in business, education & home markets

## Electronic Devices Segment

- ◆ QD: Strengthen efforts to leverage our industry-leading supply capacity & to reduce variable and fixed costs
- ◆ IC: Develop synergies with quartz device/sensor business and printer business & focus on strengths such as EPD controllers
- ◆ HTPS: Capture external demand and drive down unit costs

## Inkjet Printer Business

◆ Expand product lineup to provide products tailored to the needs of specific customer segments and accelerate moves into the commercial and industrial segments





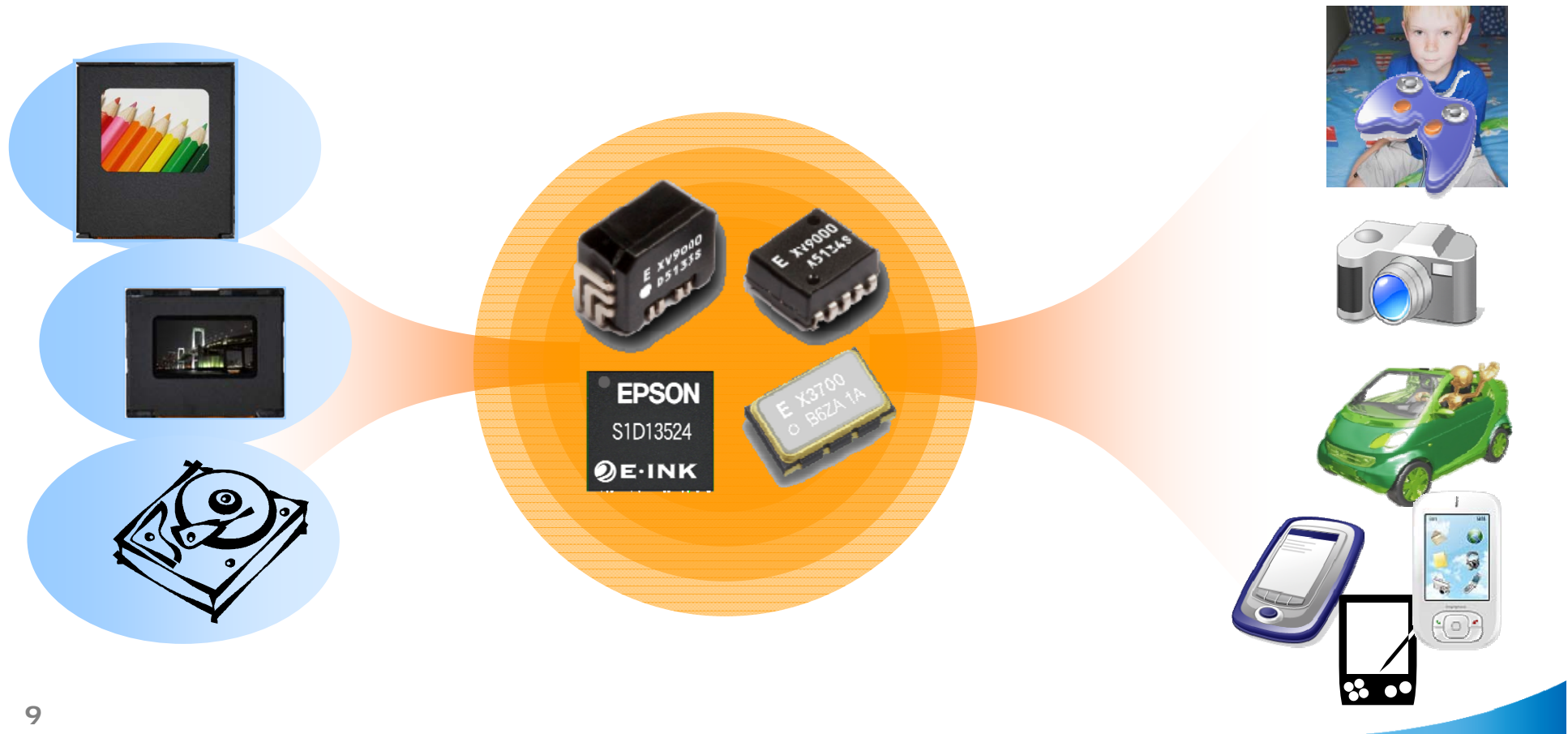
## Projector Business

- ◆ Refine the advantages and new technologies that support our leading position and offer an extensive product lineup that heightens customer value



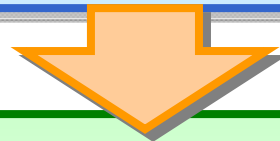
## Quartz Device & Sensor Business

- ◆ Build stronger synergies with our semiconductor business to achieve new value in compactness, precision, and accuracy



In the second year of our mid-range business plan (FY2009 - FY2011), we will aim to set a profit-generating corporate structure firmly in place

- Aim for at least breakeven in net income
- Lay the groundwork to achieve the goals of the SE15 long-range corporate vision
- Bring business reorganization to completion



In fiscal 2011, the final year of the mid-range business plan, set Epson on a new growth trajectory aimed at fulfilling the SE15 Long-Range Corporate Vision



1) FY2010 Q2 Financial Results

2) FY2010 Business Outlook

# Financial Highlights (Second Quarter)



(Billions of yen)	FY2009		FY2010		Change	
	Q2 Actual	%	Q2 Actual	%	Amount	%
Net Sales	236.2	-	240.0	-	+3.8	+1.6%
Operating Income	3.1	1.3%	3.9	1.6%	+0.7	+24.9%
Ordinary Income	0.6	0.3%	3.6	1.5%	+3.0	+481.0%
Net Income Before Income Taxes	-3.5	-1.5%	2.7	1.1%	+6.3	-
Quarterly Net Income	-6.8	-2.9%	-0.4	-0.2%	+6.3	-
EPS	-¥34.14		-¥2.43			
Exchange Rate	USD	¥93.65	¥85.90			
	EUR	¥133.73	¥110.70			

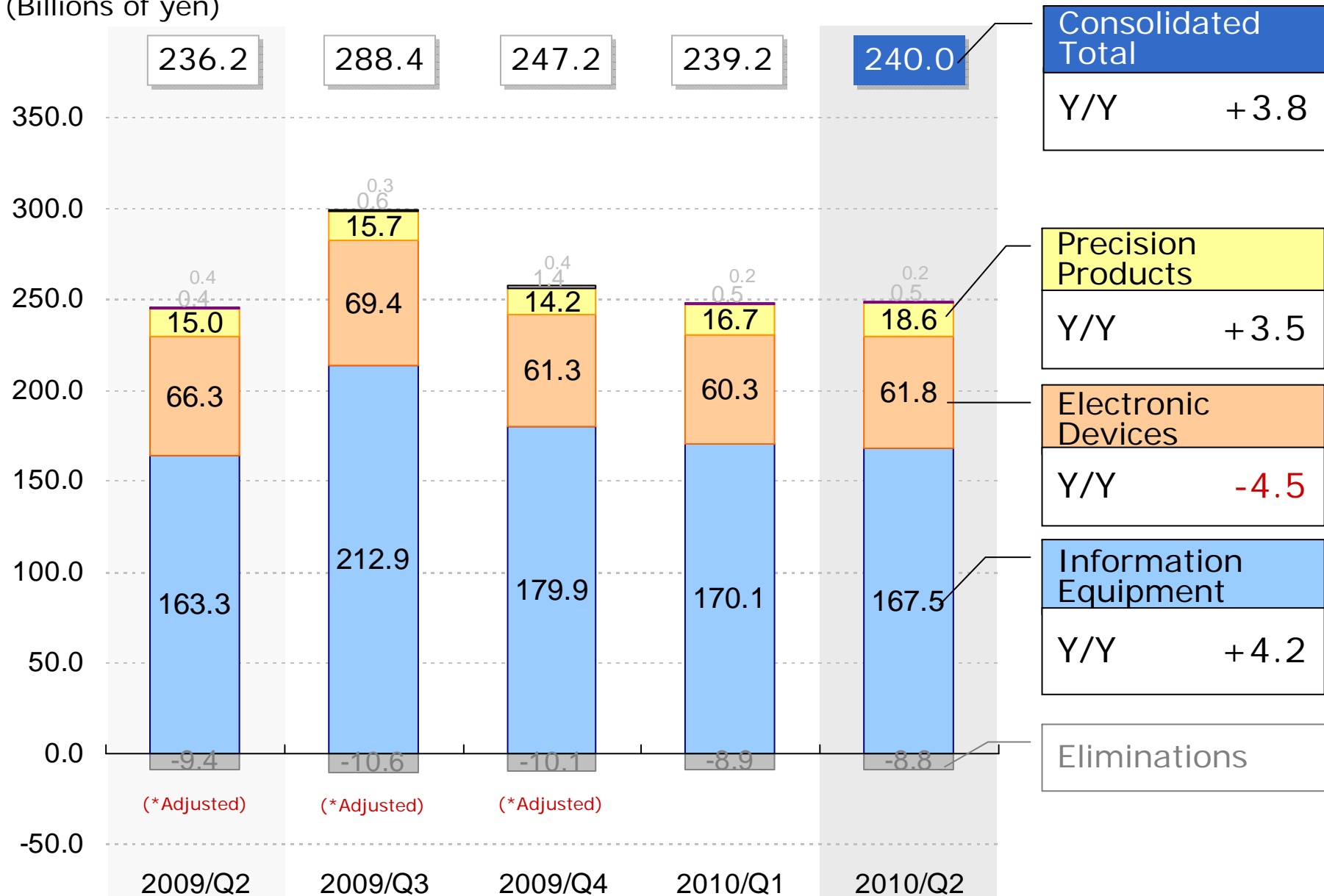


# Quarterly Net Sales

## ► By business segment



(Billions of yen)

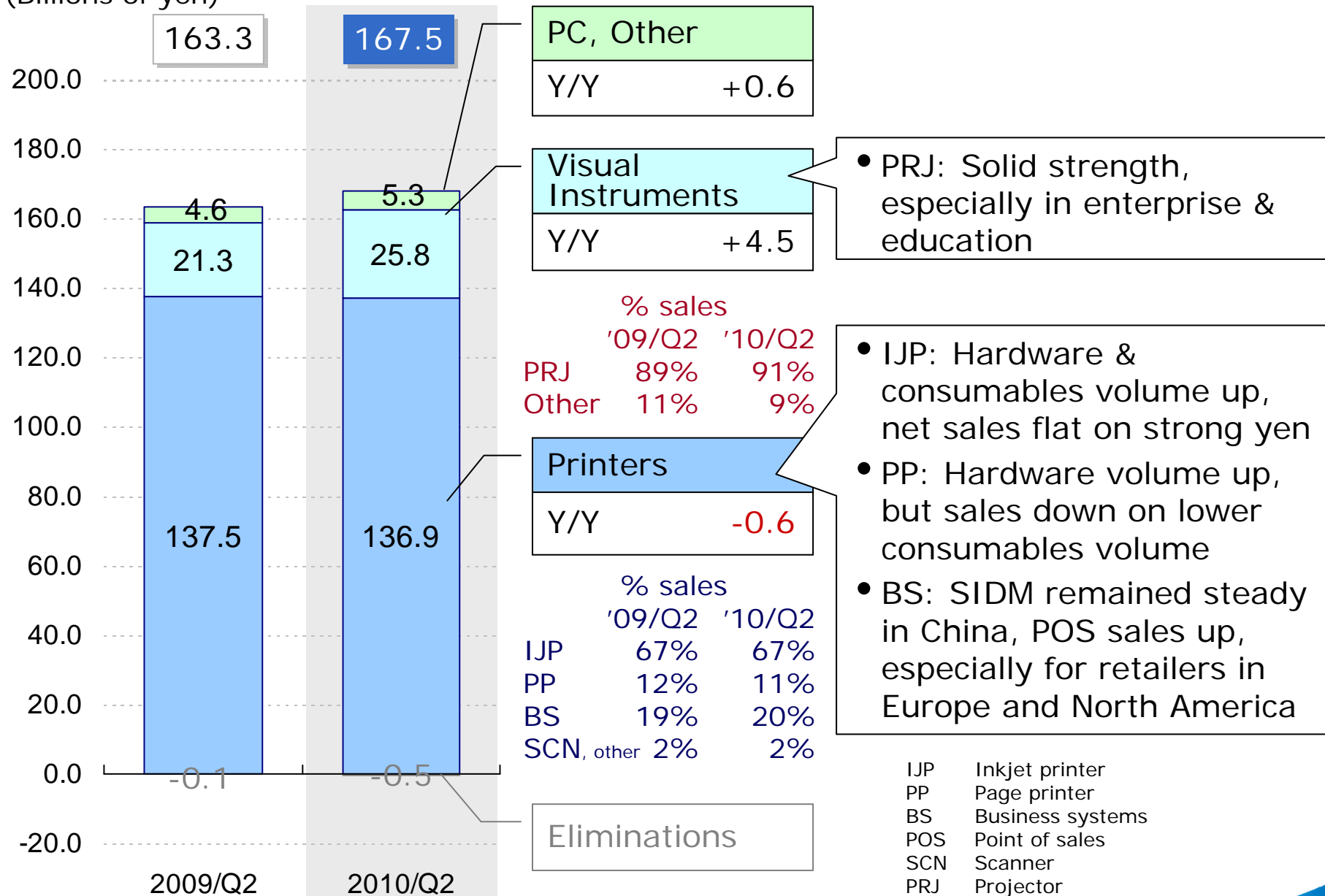




# Quarterly Net Sales Comparison

## Information Equipment Segment

(Billions of yen)



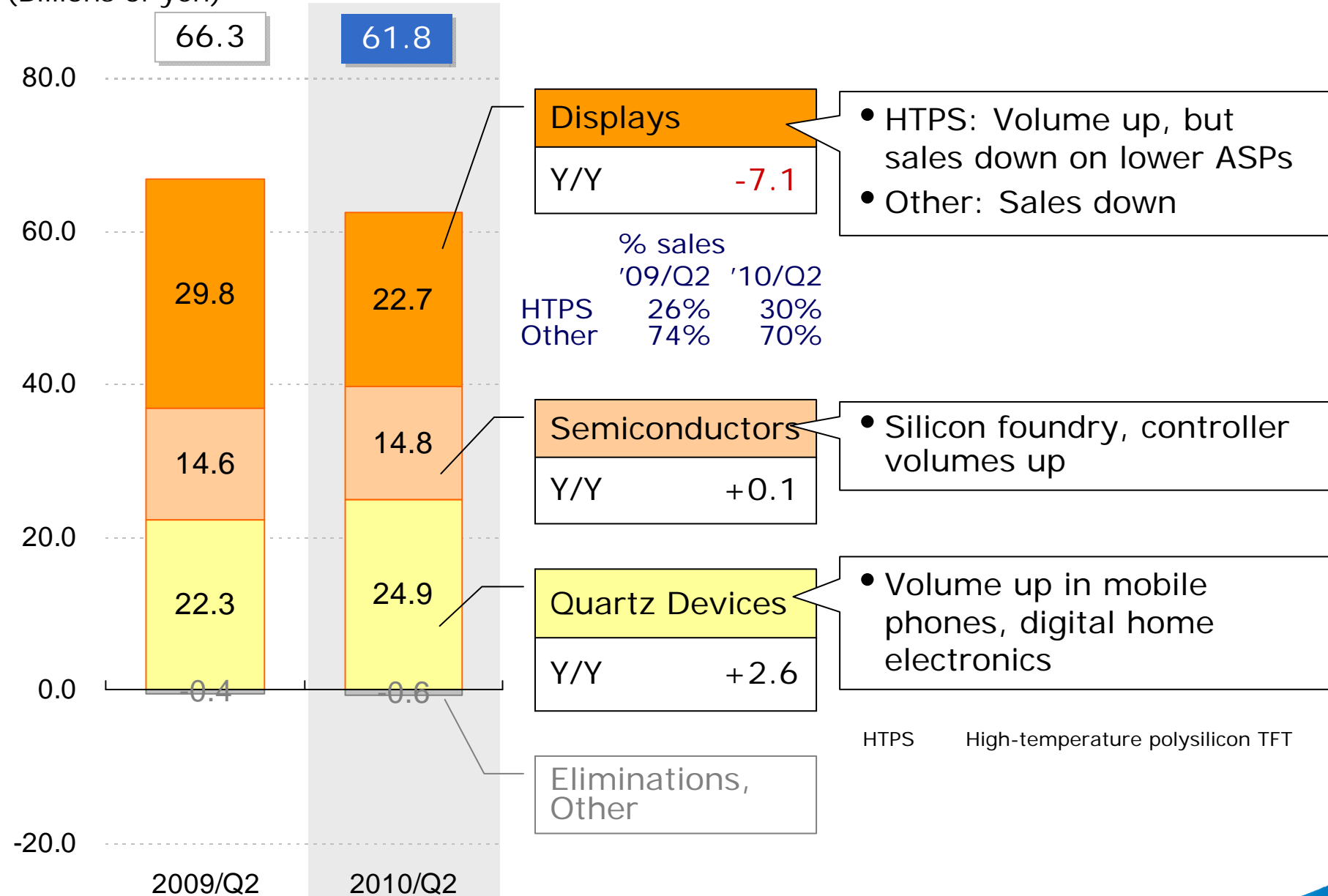




# Quarterly Net Sales Comparison

## ▶ Electronic Devices Segment

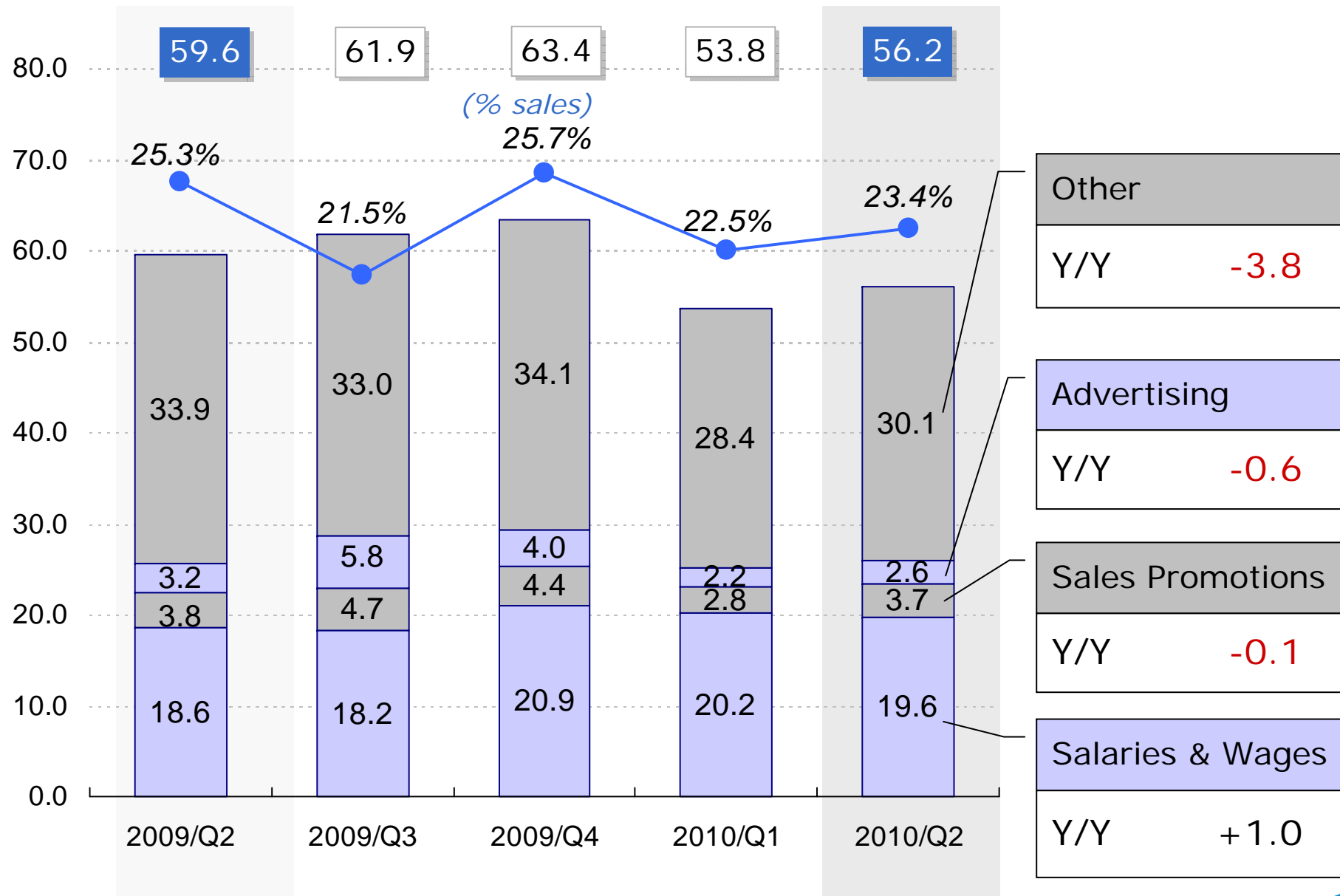
(Billions of yen)



# Quarterly Selling, General and Administrative Expenses



(Billions of yen)

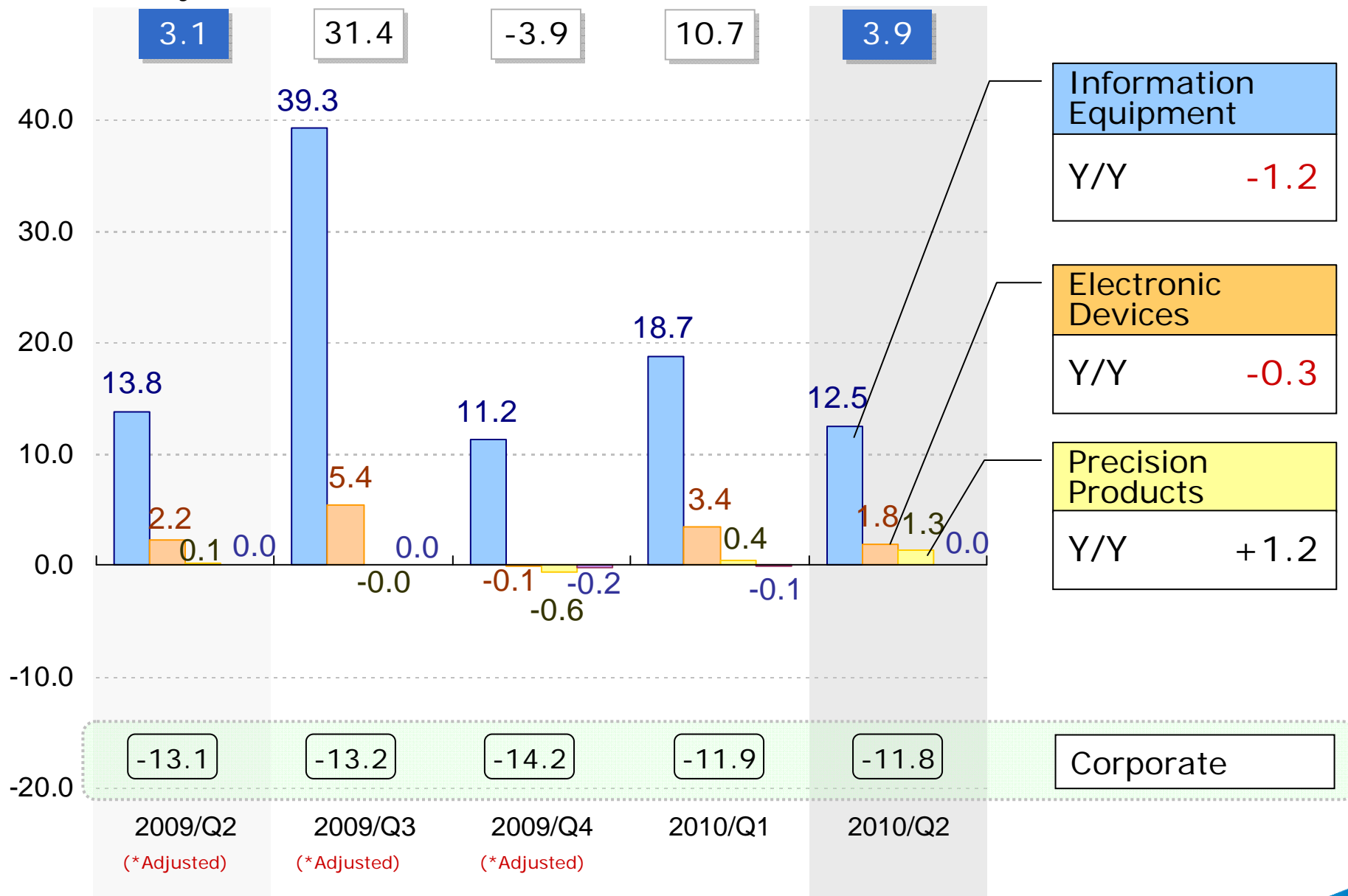


# Quarterly Operating Income

## ► By business segment



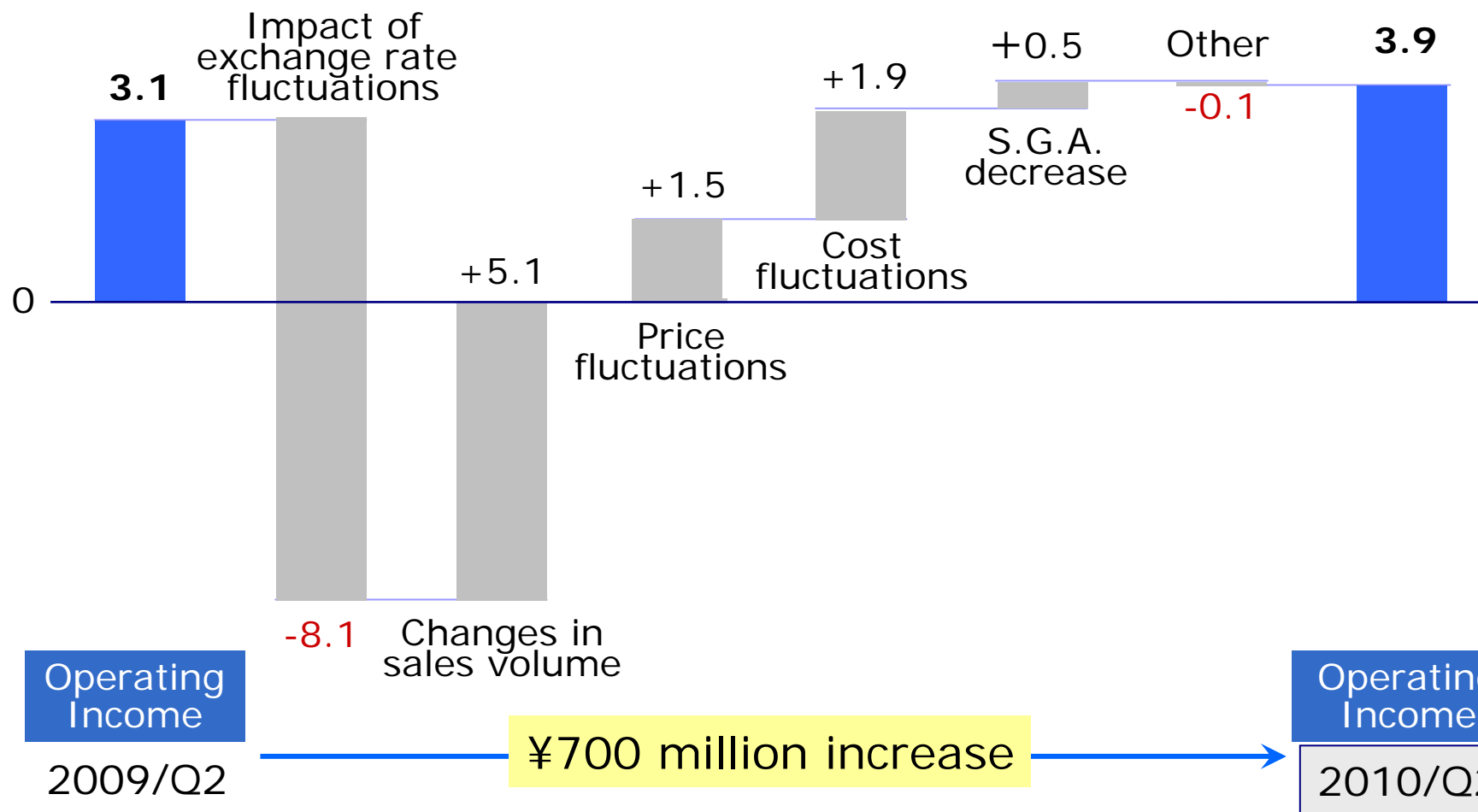
(Billions of yen)





# Operating Income Fluctuation Cause Analysis

(Billions of yen)



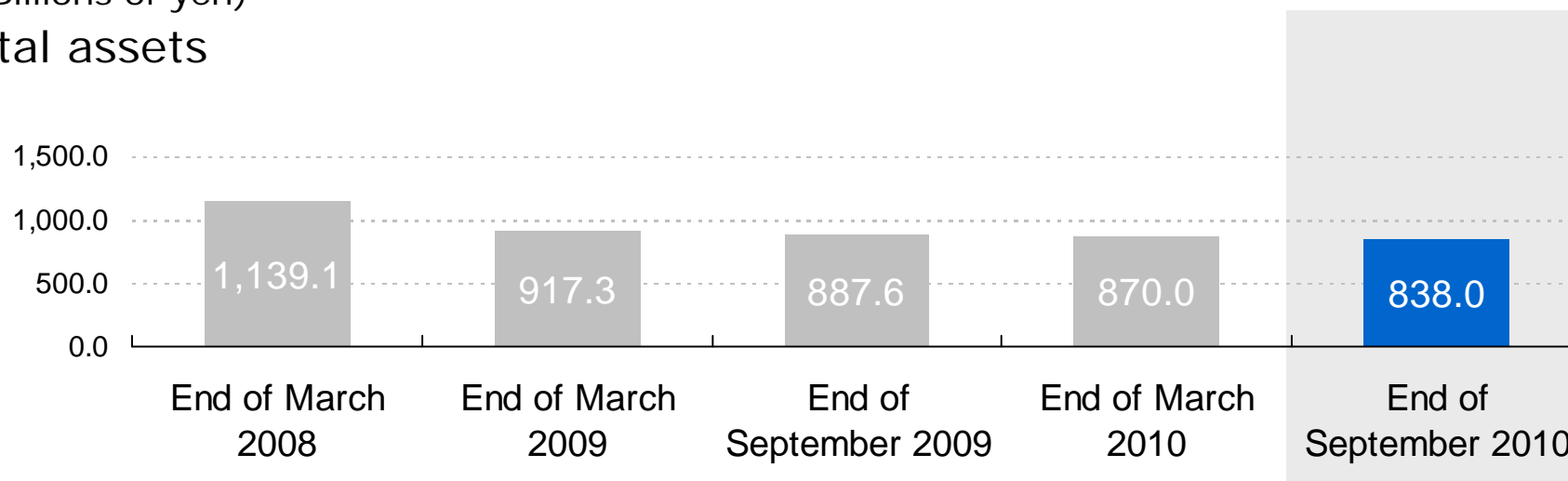
\*FY2009 income is based on previous standard



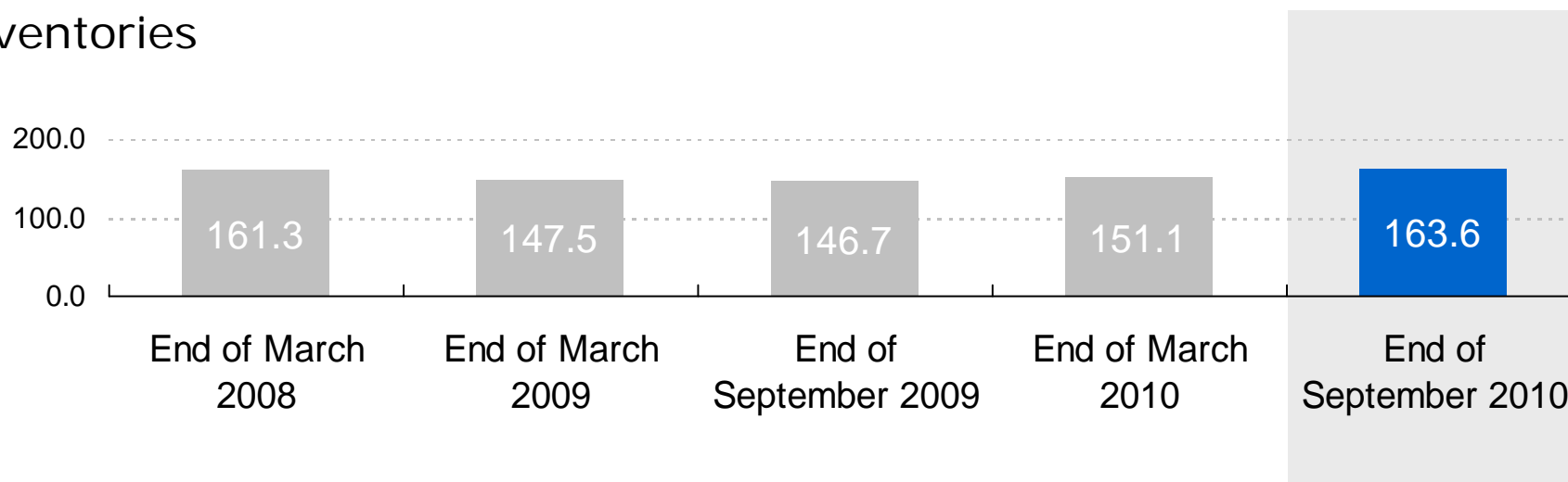
# Statistics of Balance Sheet Items

(Billions of yen)

## Total assets



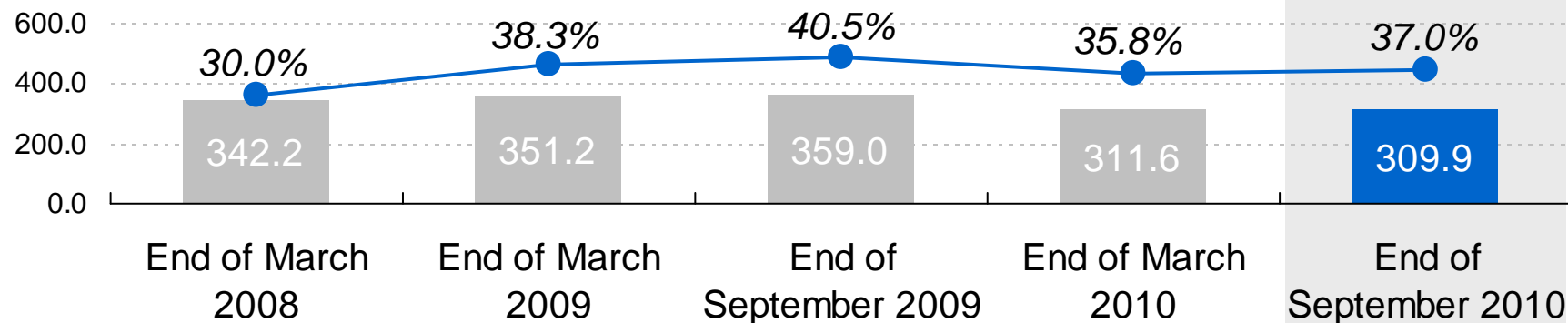
## Inventories



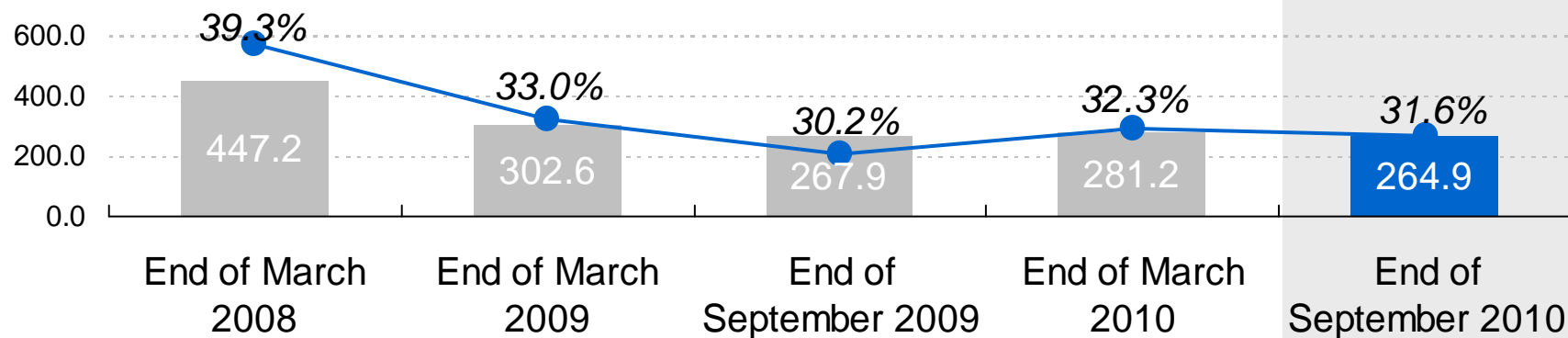
# Statistics of Balance Sheet Items

(Billions of yen)

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



## Shareholders' equity & equity ratio



\*Starting from FY2008, lease obligations were included in interest-bearing liabilities

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

1) FY2010 Q2 Financial Results

2) FY2010 Business Outlook



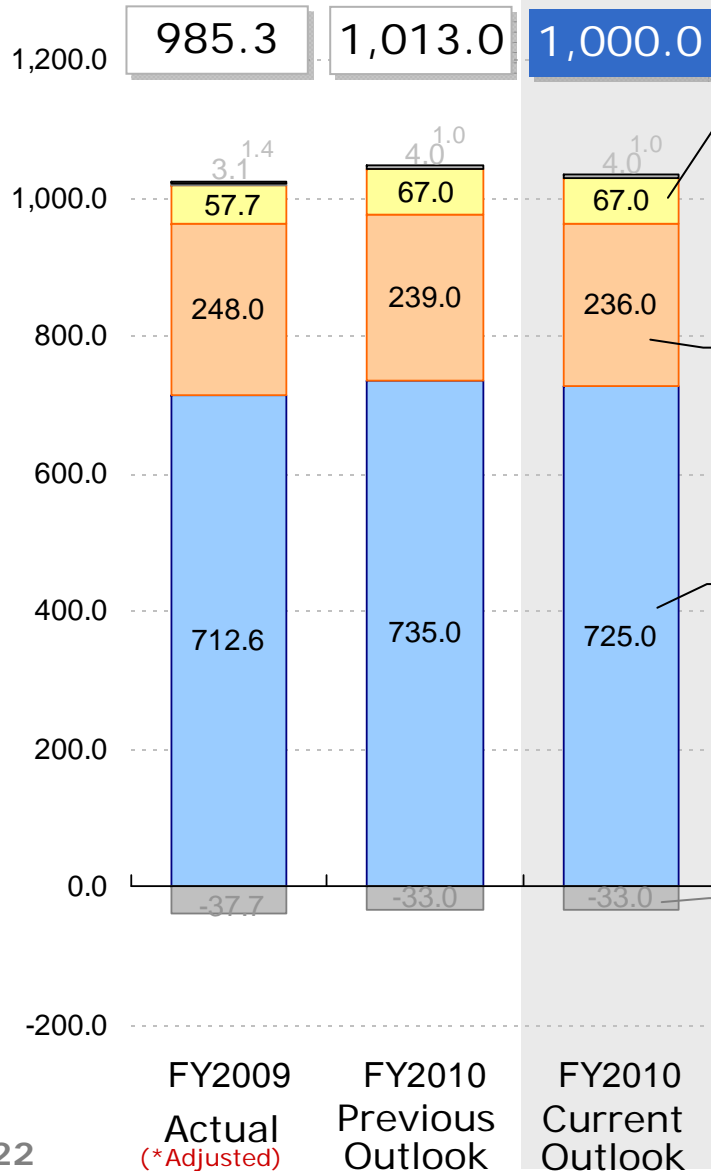
# FY2010 Business Outlook (Net Sales)

## ► By business segment



(Billions of yen)

### Full-year net sales



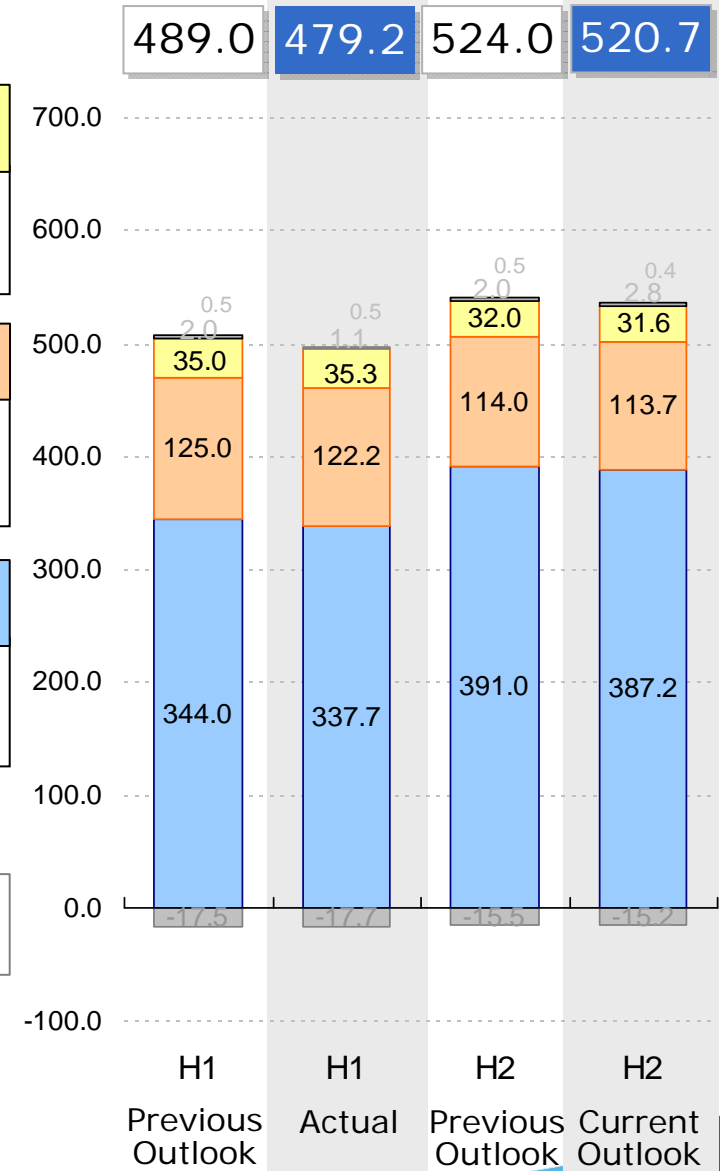
<b>Precision Products</b>	
Y/Y	+9.2
Vs. previous	-

<b>Electronic Devices</b>	
Y/Y	-12.0
Vs. previous	-3.0

<b>Information Equipment</b>	
Y/Y	+12.3
Vs. previous	-10.0

<b>Eliminations</b>	
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### Half-yearly net sales

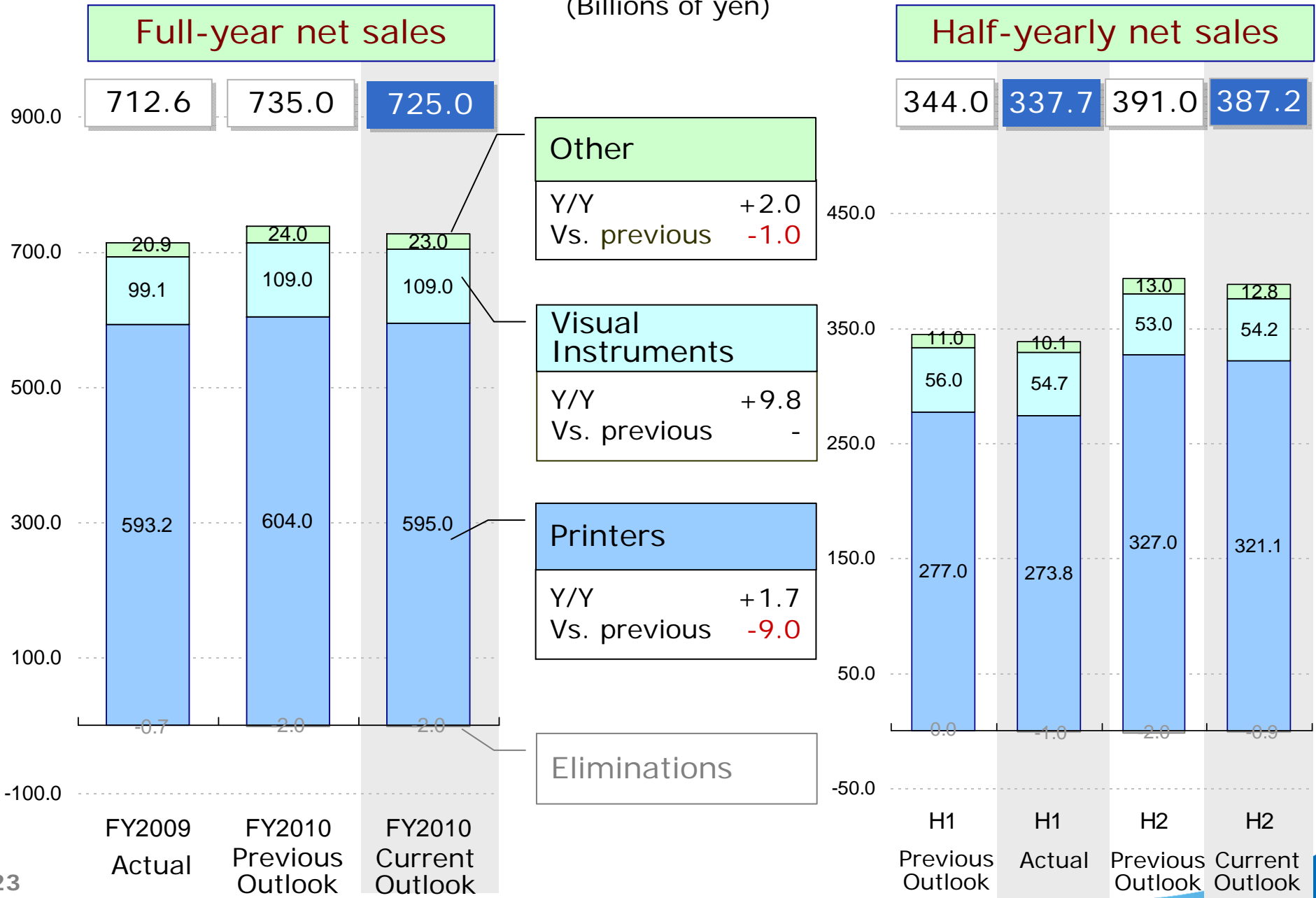


# Net Sales Outlook by Business

## Information Equipment Segment



(Billions of yen)

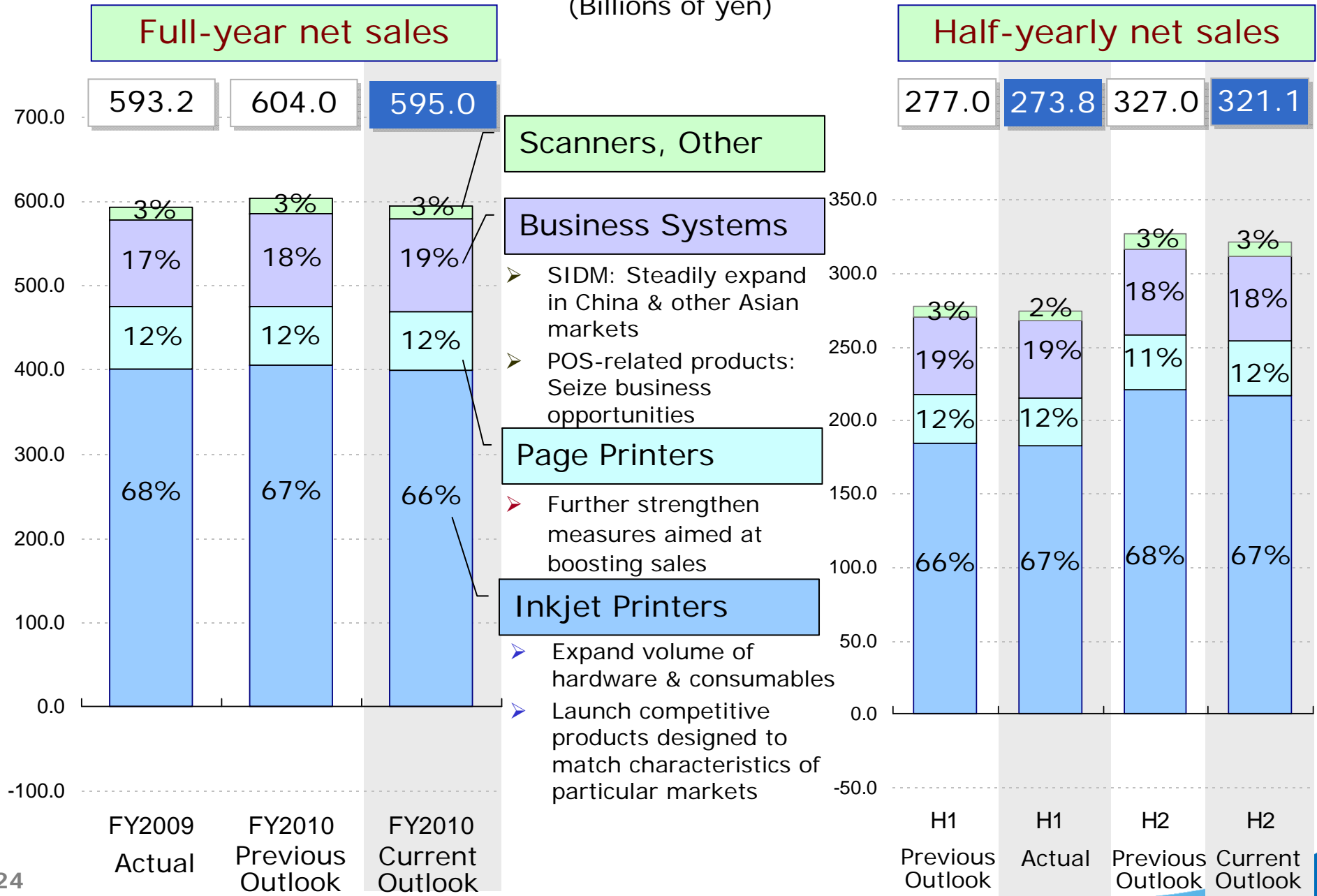


# Net Sales Outlook by Business

## ▶ Printer Business



(Billions of yen)



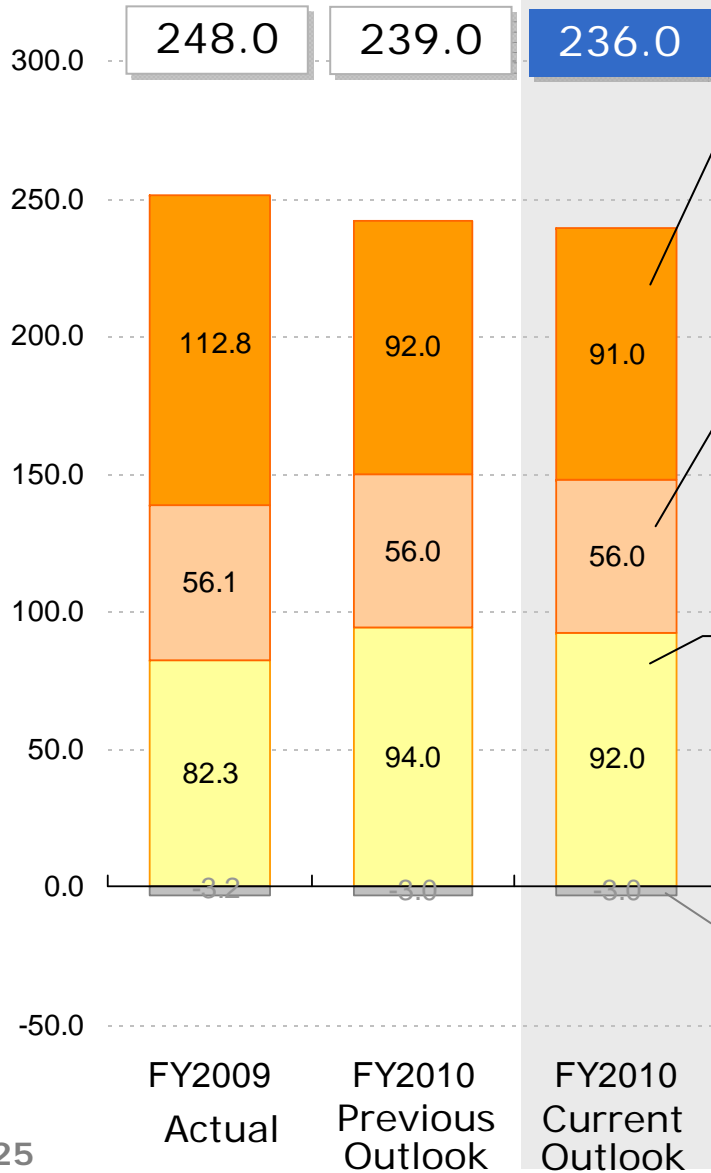
# Net Sales Outlook by Business

## ▶ Electronic Devices Segment



(Billions of yen)

### Full-year net sales



**Displays**

Y/Y **-21.8**  
Vs. previous **-1.0**

**Semiconductors**

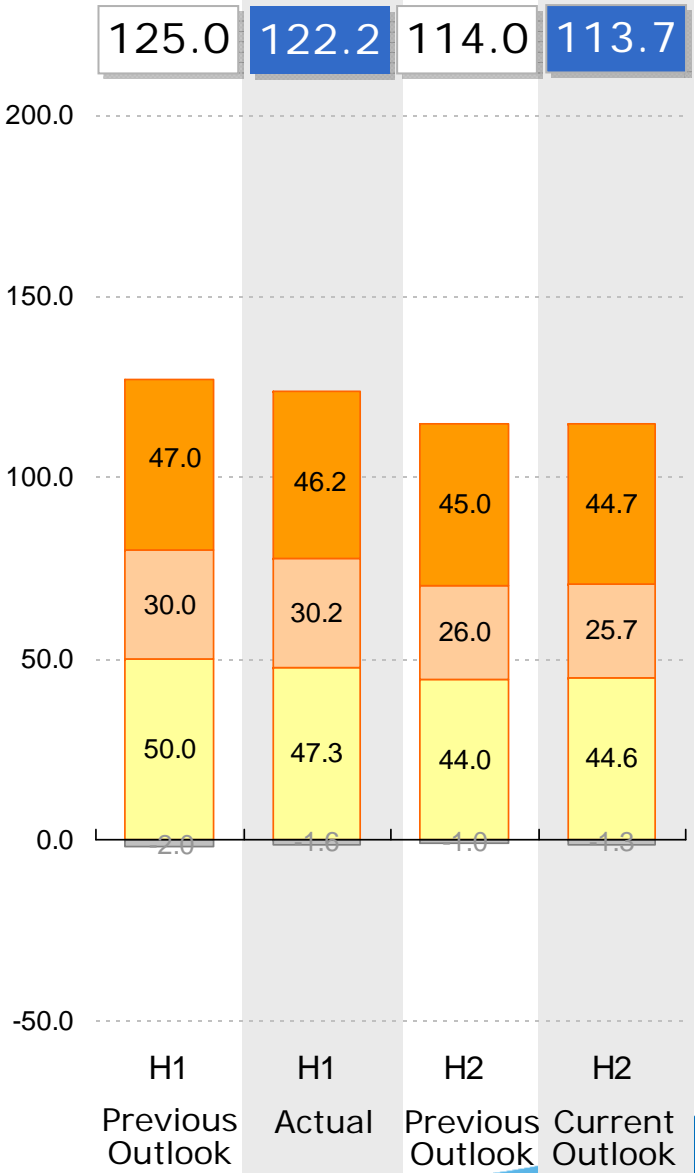
Y/Y **-0.1**  
Vs. previous **-**

**Quartz Devices**

Y/Y **+9.6**  
Vs. previous **-2.0**

**Eliminations, Other**

### Half-yearly net sales

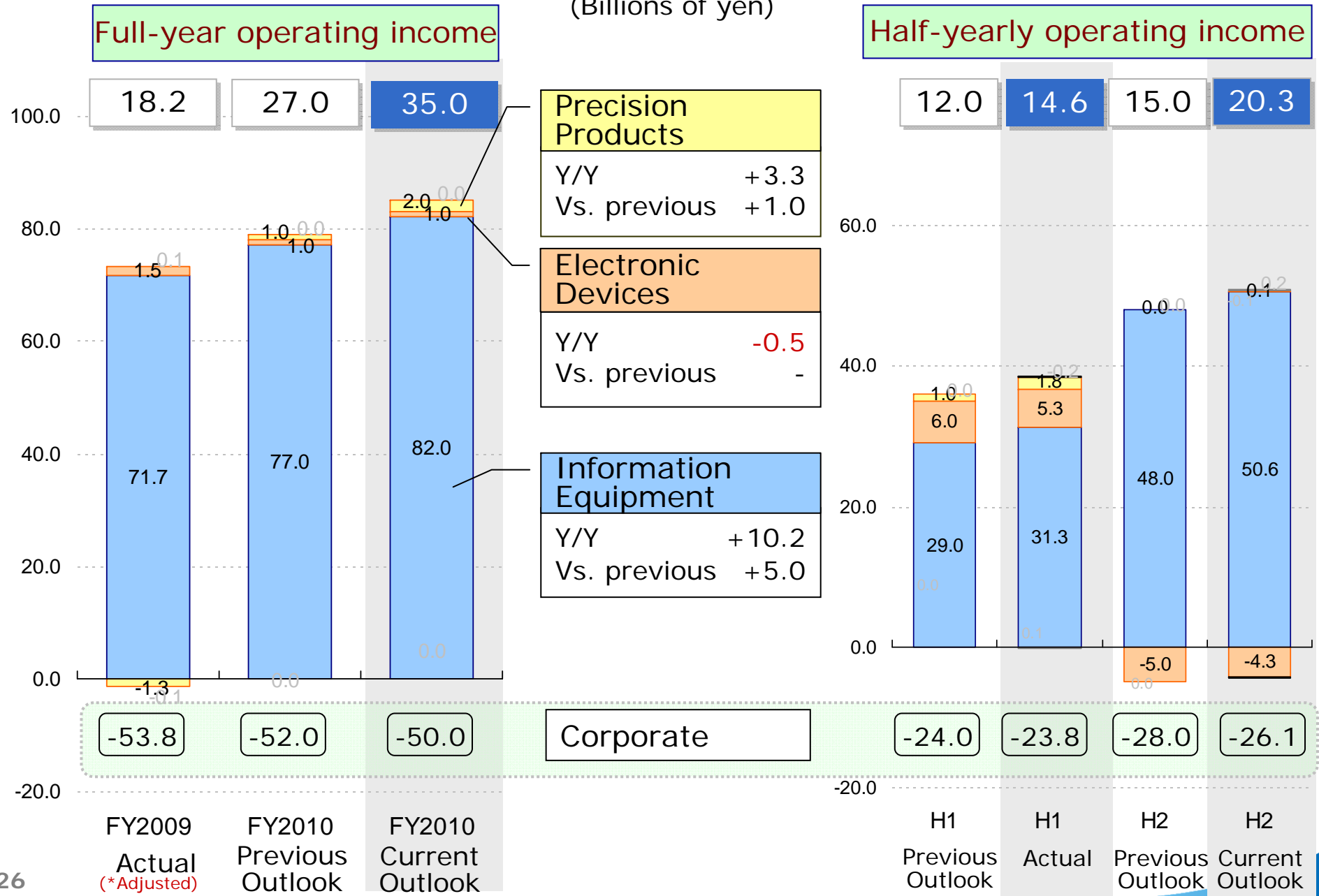


# FY2010 Business Outlook (Operating Income)

## ► By business segment

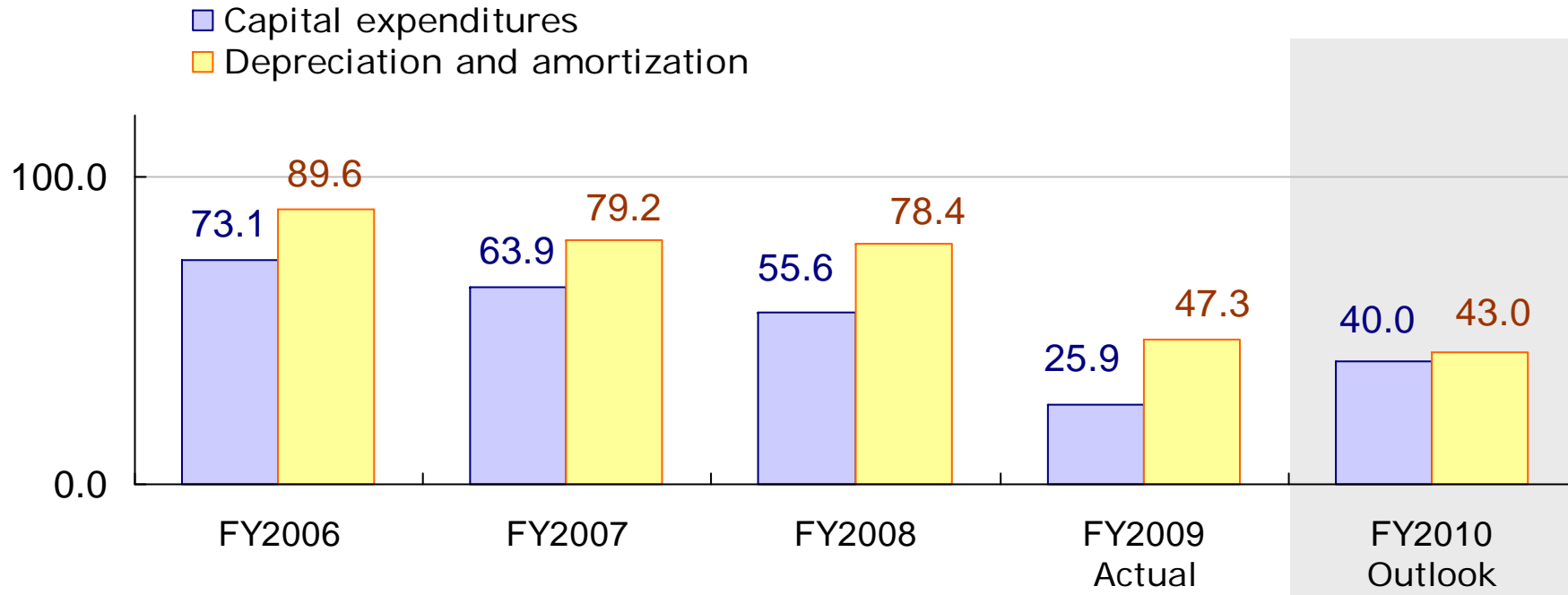


(Billions of yen)



# Outlook for Capital Expenditure and Depreciation & Amortization Expenses

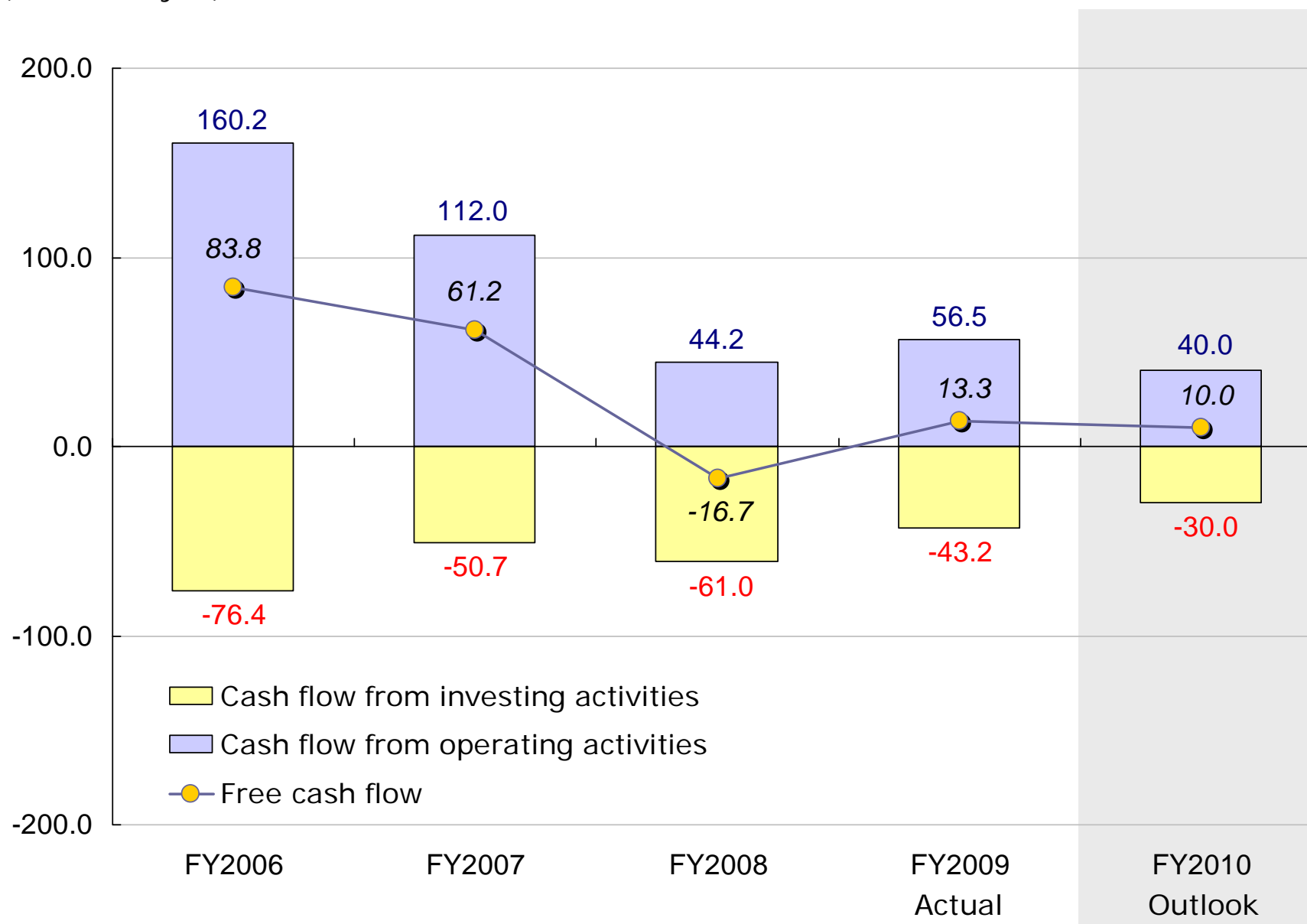
(Billions of yen)



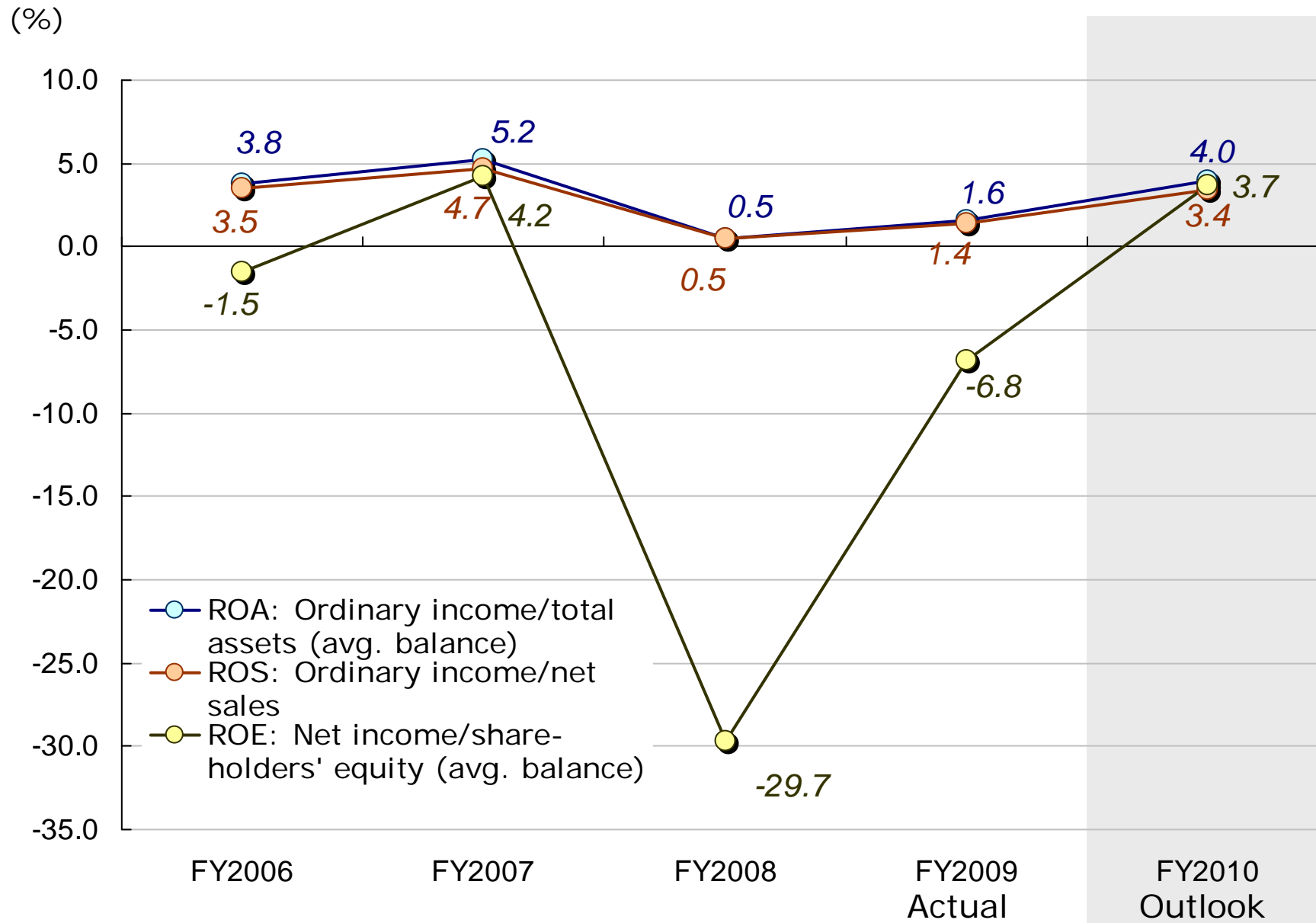
Breakdown by segment	FY2009 Actual		FY2010 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	12.5	24.4	20.0	23.0
Electronic Devices	9.8	10.4	13.0	10.0
Precision Products	1.8	3.9	3.0	4.0
Corporate/Other	1.6	8.5	4.0	6.0

# Free Cash Flow Outlook

(Billions of yen)



# Main Management Indicators





**EPSON**  
EXCEED YOUR VISION