



# Full Year & Q4 Financial Results Fiscal Year 2010 (Ending March 2011)

April 28, 2011

**SEIKO EPSON CORPORATION**

## ■ Disclaimer regarding forward-looking statements

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This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trends, competition, technology trends, and exchange rate fluctuations. The report also includes the impact of the earthquake in Japan based on available information. However, the situation may change due to unpredicted events.

## ■ Numerical values presented herein

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Numbers are rounded to the unit indicated.

Percentages are rounded off to one decimal place.

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## 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 results, fiscal 2009 segment profit and loss figures have been adjusted for the purpose of comparison.

### **From FY2011**

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- With the aim of rapidly rebuilding and strengthening the manufacturing base, the "Electronic Devices Segment" and "Precision Products Segment" will be consolidated under the new "Devices & Precision Products Segment."
- With the termination of operations in small- and medium-sized displays, profit and loss figures will be consolidated under the "Other" segment from fiscal 2011 onward.
- In the slides showing the fiscal 2011 outlook, fiscal 2010 segment profit and loss figures have been adjusted for the purpose of comparison.

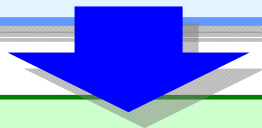
# Financial Highlights (Full Year)



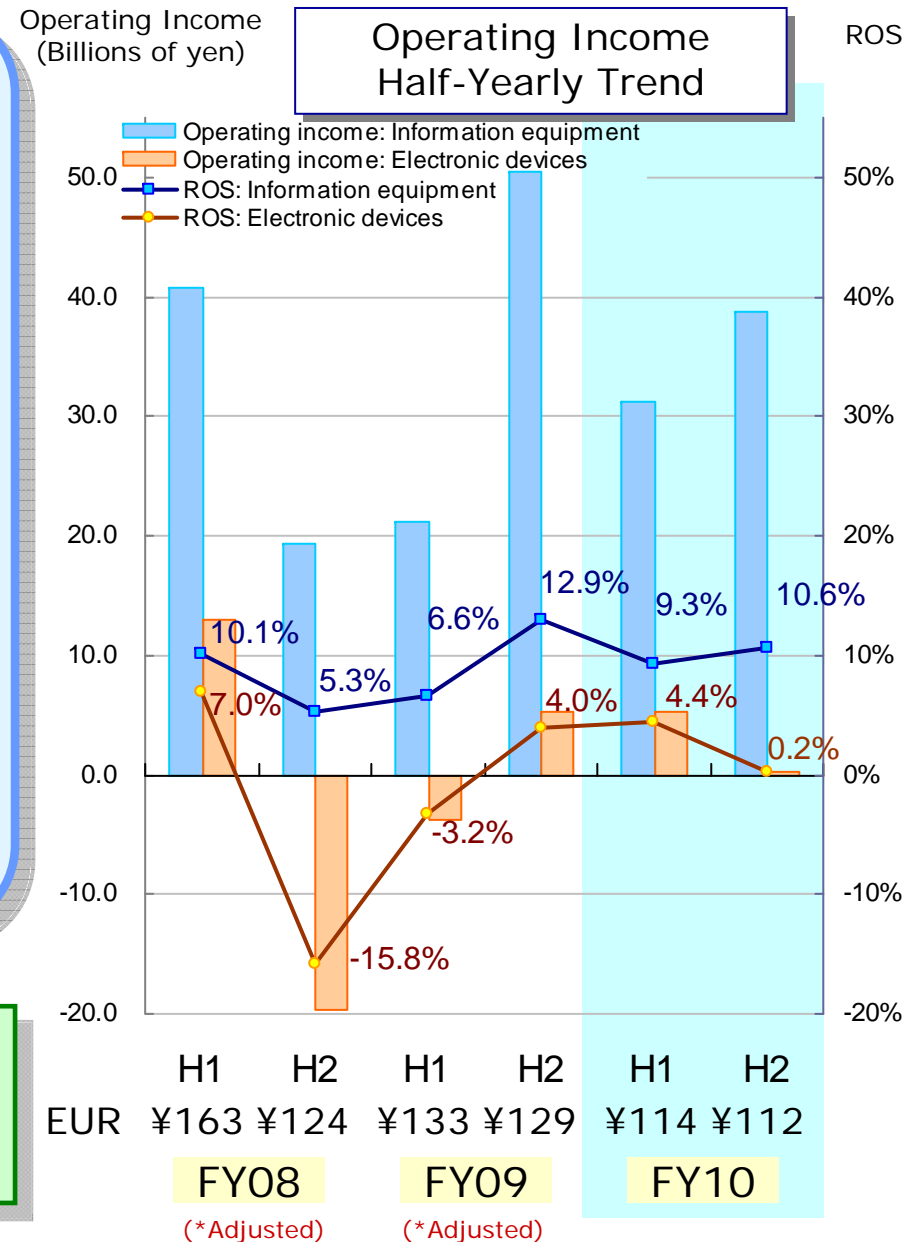
(Billions of yen)	FY2009		FY2010				Change (amount, %)	
	Actual	%	1/28 Outlook	%	Actual	%	Y/Y	Vs. 1/28 Outlook
Net Sales	985.3	-	980.0	-	973.6	-	-11.6 -1.2%	-6.3 -0.6%
Operating Income	18.2	1.8%	35.0	3.6%	32.7	3.4%	+14.4 +79.5%	-2.2 -6.5%
Ordinary Income	13.8	1.4%	34.0	3.5%	31.1	3.2%	+17.2 +124.7%	-2.8 -8.3%
Net Income Before Income Taxes	-0.7	-0.1%	22.0	2.2%	15.3	1.6%	+16.1 -	-6.6 -30.1%
Net Income	-19.7	-2.0%	10.0	1.0%	10.2	1.1%	+30.0 -	+0.2 +2.4%
EPS	-¥99.34		¥50.05		¥51.25			
Exchange Rate	USD	¥92.85	¥85.00		¥85.72			
	EUR	¥131.15	¥112.00		¥113.12			

# FY2010 Financial Highlights

- H1: Earnings improved as rebounding enterprise demand, strong device demand, and unit cost improvements offset foreign exchange effects.
- H2: Hurt by strong yen and Tohoku earthquake, but generated profit by launching new information-related products to market on time and by ongoing efforts to make operations leaner.
- Completed structural reforms in the small- and medium-sized displays business
- Steady progress on preparations for new growth



**Achieved** our target of break-even or better in net income for the full year



## Information Equipment Segment

- IJP: Expanded enterprise lineup and launched products in emerging markets. Began sales of commercial & industrial products. Began adding production capacity in Indonesia and the Philippines.
- BS: Continued to capture SIDM orders in China due to demand for tax collection systems. Worked on growing POS-related product businesses in advanced & emerging markets.
- Projectors: Expanded lineup of products for the enterprise, education, and home markets. Expanded into added value areas such as interactive features. Established production base in the Philippines.

## Electronic Devices Segment

- Quartz & Semiconductors: Reorganized operations to strengthen the microdevices business. Expanded quartz device production capacity. Developed areas where we can leverage our semiconductor strengths, such as EPD controllers.
- HTPS: Captured internal and external demand for finished products and developed new demand.

# FY2011 Financial Outlook



(Billions of yen)	FY2010		FY2011		Change	
	Full-Year Actual	%	Full-Year Outlook	%	Amount	%
Net Sales	973.6	-	970.0	-	-3.6	-0.4%
Operating Income	32.7	3.4%	43.0	4.4%	+10.2	+31.5%
Ordinary Income	31.1	3.2%	40.0	4.1%	+8.8	+28.3%
Net Income Before Income Taxes	15.3	1.6%	30.0	3.1%	+14.6	+95.0%
Net Income	10.2	1.1%	17.0	1.8%	+6.7	+66.0%
EPS	¥51.25		¥85.09			
Exchange Rate	USD	¥85.72	¥80.00			
	EUR	¥113.12	¥115.00			

The FY2011 financial outlook only takes into account factors from the Tohoku disaster that were known as of the outlook release date.

- 1) Loss of production at facilities directly damaged by the disaster
- 2) Risks to procurement of parts/materials and corresponding production fluctuations
- 3) Risks associated with loss of production capacity due to reductions in power consumption
- 4) Economic fluctuations due to disaster and fluctuations in end user demand

Business performance may be further impacted by other disaster-related factors that cannot be predicted at this time. We have also factored in actions that we are taking to minimize the effects of risks that could adversely affect financial performance.

# FY2011 Objectives

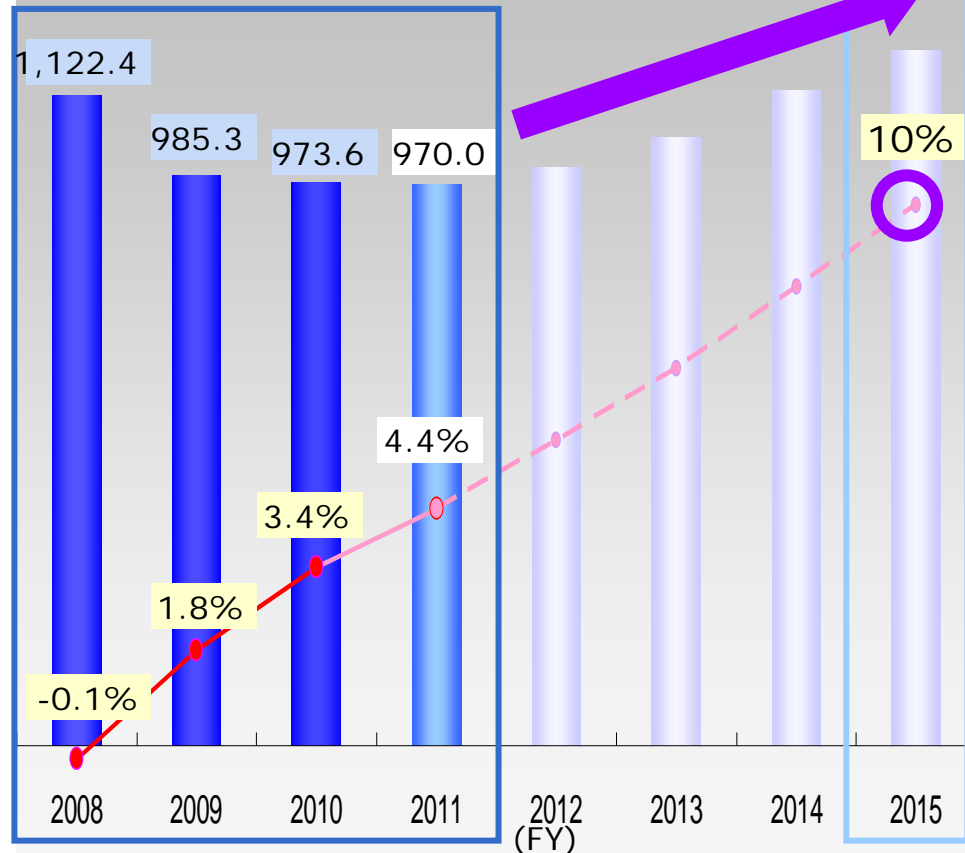
## SE15 Long-Range Corporate Vision & Mid-Range Business Plan (FY2009 - FY2011)

SE15 Financial Objectives (FY2015)

ROS: 10%, ROE: 10%+ (assuming net sales growth)

SE15 & Mid-Range Business Plan (FY2009-FY2011)

Bar graph: Sales (Bil. of yen)  
Line chart: ROS



FY2009

- ✓ Break even in ordinary income
- ✓ Restructure the business foundations that underpin SE15

FY2010

- ✓ Reach or exceed break-even in net income
- ✓ Set a profit-generating corporate structure firmly in place

FY2011

- ✓ Set Epson on a new growth path aimed at fulfilling the SE15 Long-Range Corporate Vision



# Tohoku Earthquake and Tsunami

## Major Epson facilities affected

1. Epson Atmix (metal powders, metal injection molding components, synthetic crystals)
  - ✓ Resumed production of injection molding components & synthetic crystals
  - ✓ Production of metal powders will resume from April 28
2. Akita Epson (printer components, quartz devices, ultra-precision components)
  - ✓ Resumed production of all products
3. Sakata Plant/Tohoku Epson (semiconductors, inkjet printer components)
  - ✓ Resumed production of inkjet printer components and partial production of semiconductors
  - ✓ Production will continue while assessing the power supply and components procurement situation
4. Epson Toyocom Fukushima Plant (quartz devices)
  - ✓ Plant has been closed indefinitely

## Impact on other businesses

- ◆ Production may be affected by component procurement issues
- ◆ Impact will be minimized by procuring alternatives and making technical adjustments

# FY2011 Initiatives

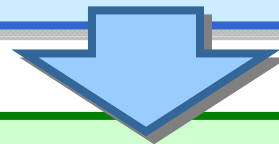
Committed to business strategies that will lead to achievement of SE15

- Seize opportunities for new growth as outlined in SE15
- Determine the impact of the disaster and make every effort to mitigate it

Inkjet printers: Enhance and expand product lineup to provide products optimized to the needs of specific customer segments

Projectors: Offer an extensive product lineup only possible with our No. 1 position

Microdevices: Provide strong devices based on our DNA of compact, energy-saving, and high precision



SE15 mid-range business plan (FY2012-FY2014):  
Pursue perfection in customer value creation

1) FY2010 Financial Results

2) FY2011 Financial Outlook

# Financial Highlights (Full Year)



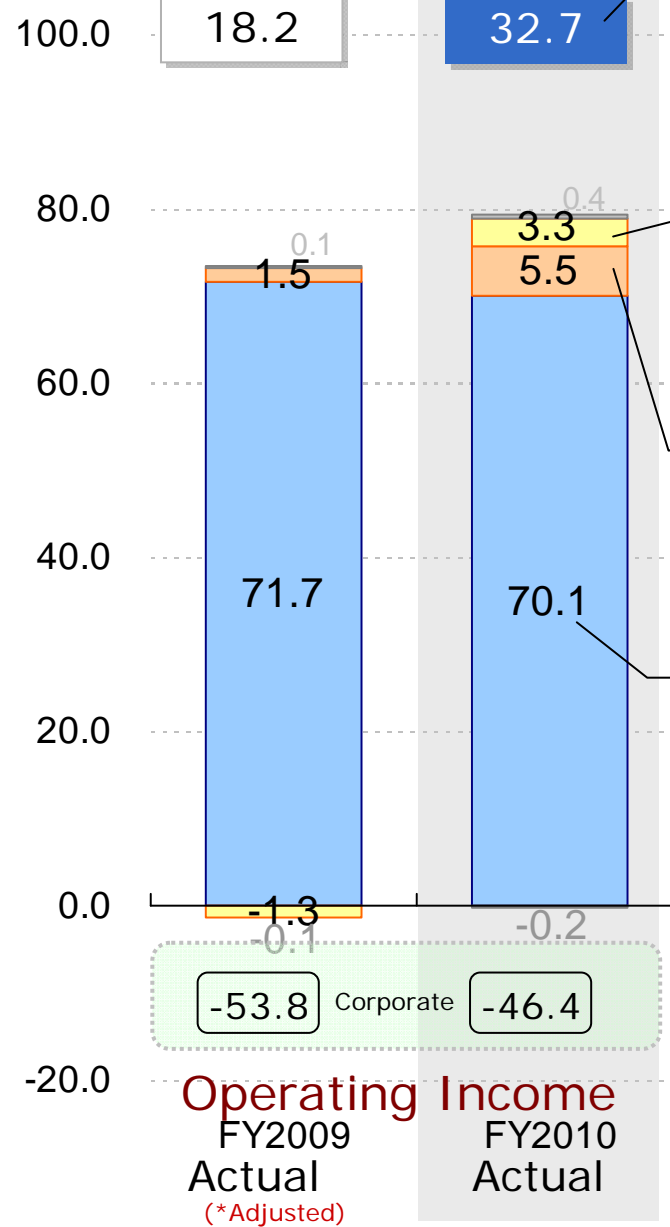
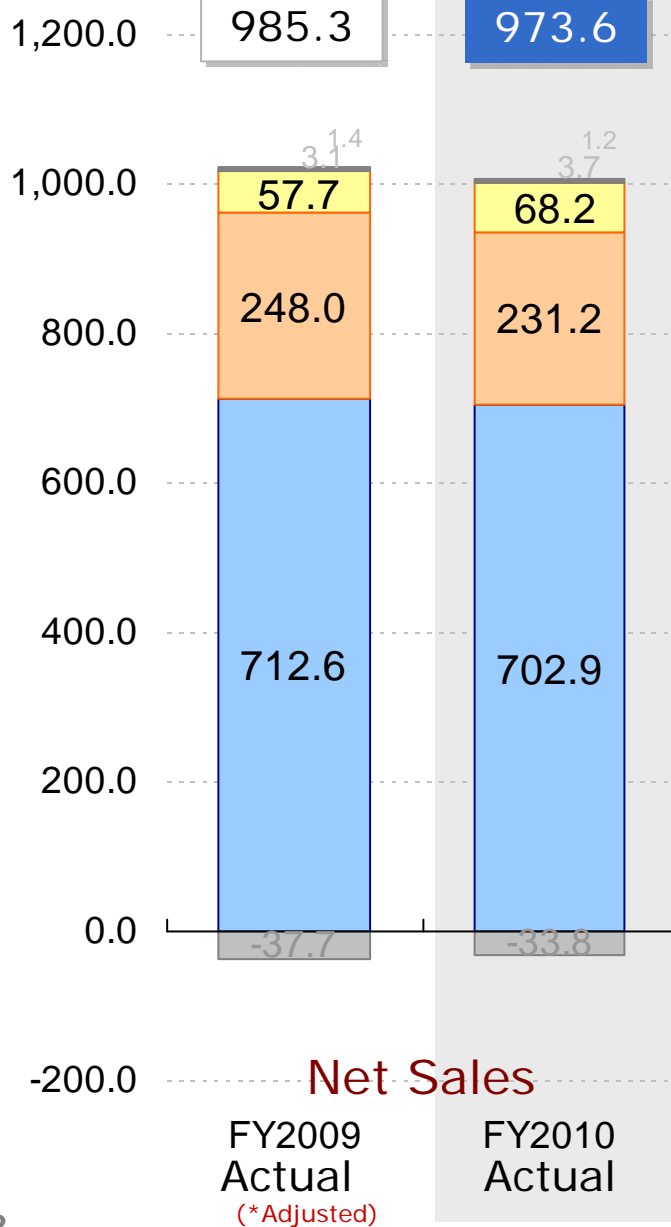
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Net Income Before Income Taxes	-0.7	-0.1%	22.0	2.2%	15.3	1.6%	+16.1 -	-6.6 -30.1%
Net Income	-19.7	-2.0%	10.0	1.0%	10.2	1.1%	+30.0 -	+0.2 +2.4%
EPS	-¥99.34		¥50.05		¥51.25			
Exchange Rate	USD	¥92.85	¥85.00		¥85.72			
	EUR	¥131.15	¥112.00		¥113.12			

# FY2010 Business Results

## ► By business segment



(Billions of yen)



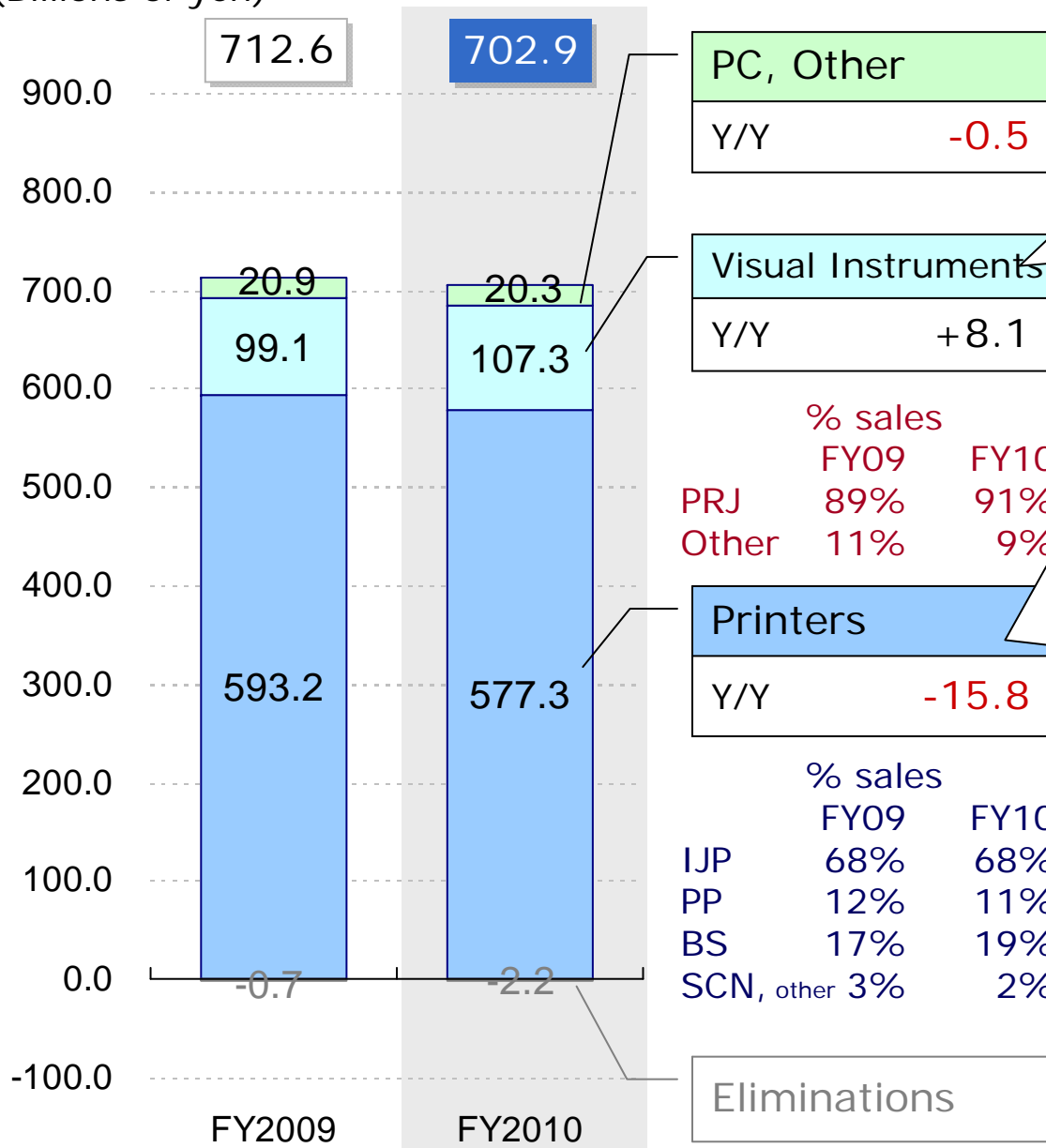
<b>Consolidated Total</b>	Net sales <b>-11.6</b>	Op. income <b>+14.4</b>
<b>Precision Products</b>	Net sales <b>+10.5</b>	Op. income <b>+4.6</b>
<b>Electronic Devices</b>	Net sales <b>-16.7</b>	Op. income <b>+4.0</b>
<b>Information Equipment</b>	Net sales <b>-9.7</b>	Op. income <b>-1.5</b>

# Net Sales Comparison (Full Year)

## Information Equipment Segment



(Billions of yen)



- PRJ: Volume up in enterprise, education & home markets

- IJP: Hardware volume up, consumables volume flat, sales down on forex
- PP: Hardware volume up, but sales down on lower consumables volume
- BS: SIDM remained steady in China, POS volume and sales up for retailers in Europe and China

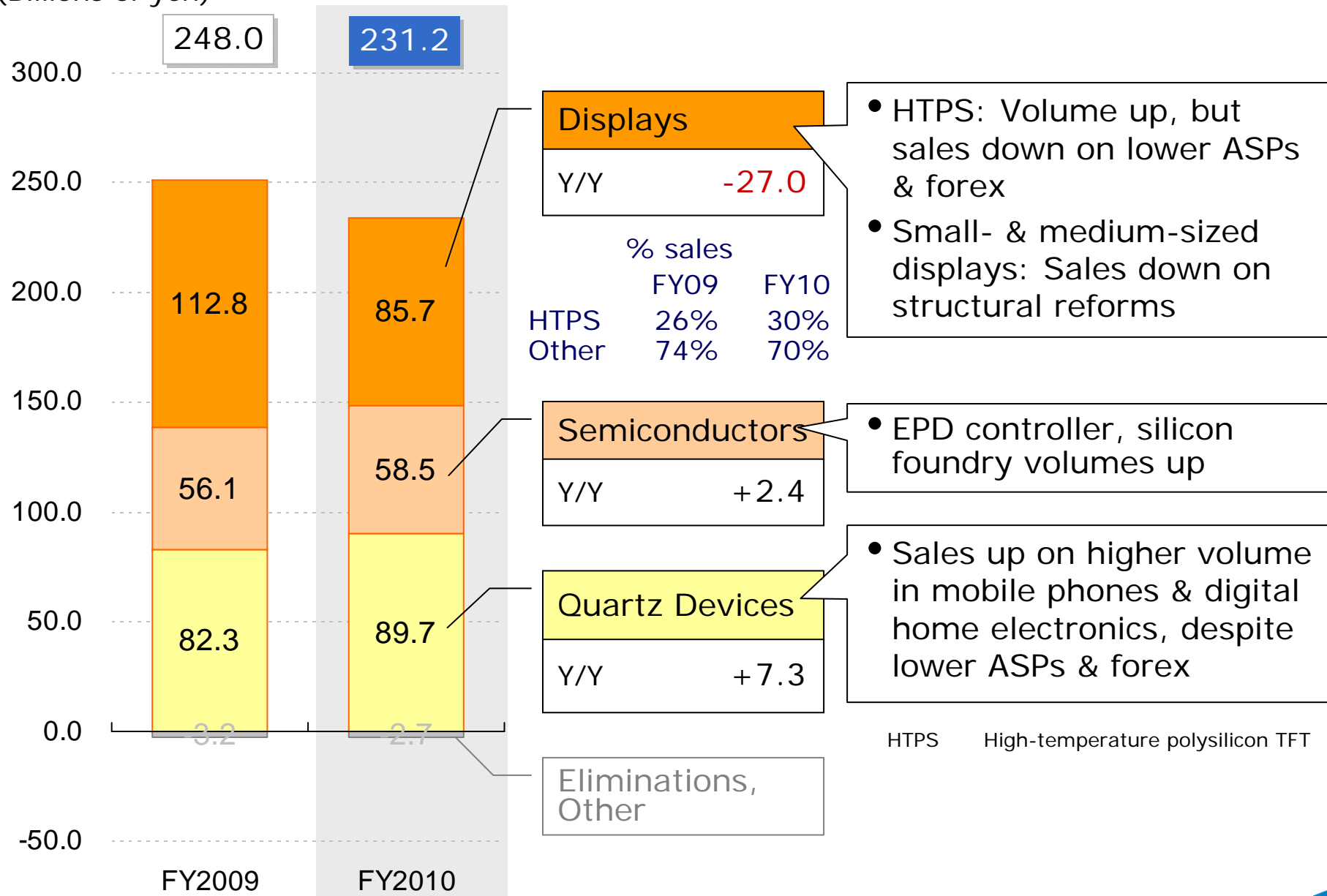
- IJP Inkjet printer
- PP Page printer
- BS Business systems
- POS Point of sales
- SCN Scanner
- PRJ Projector

# Net Sales Comparison (Full Year)

## ▶ Electronic Devices Segment



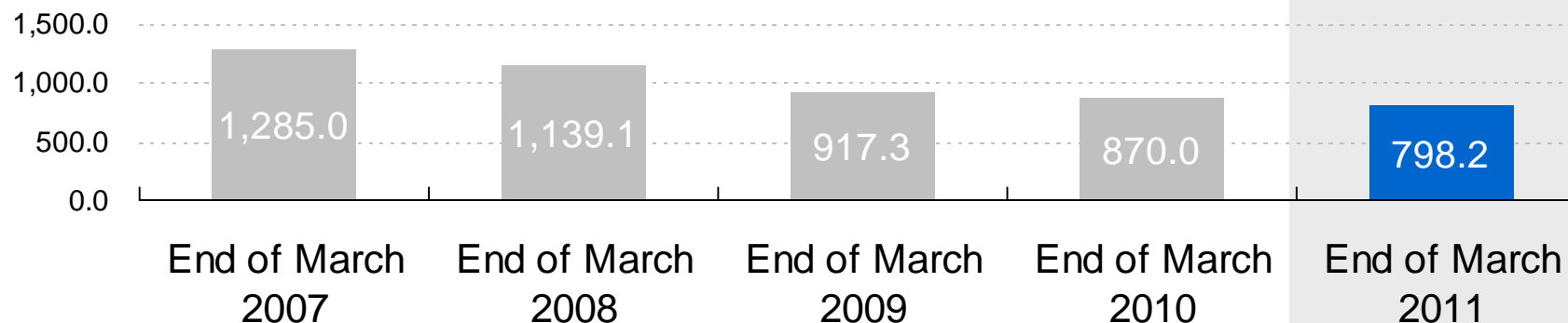
(Billions of yen)



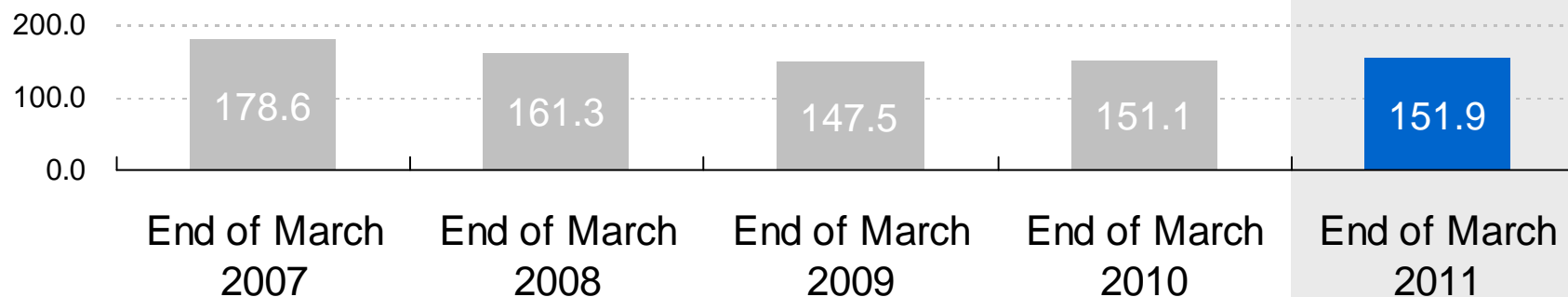
# Statistics of Balance Sheet Items

(Billions of yen)

## Total assets



## Inventories

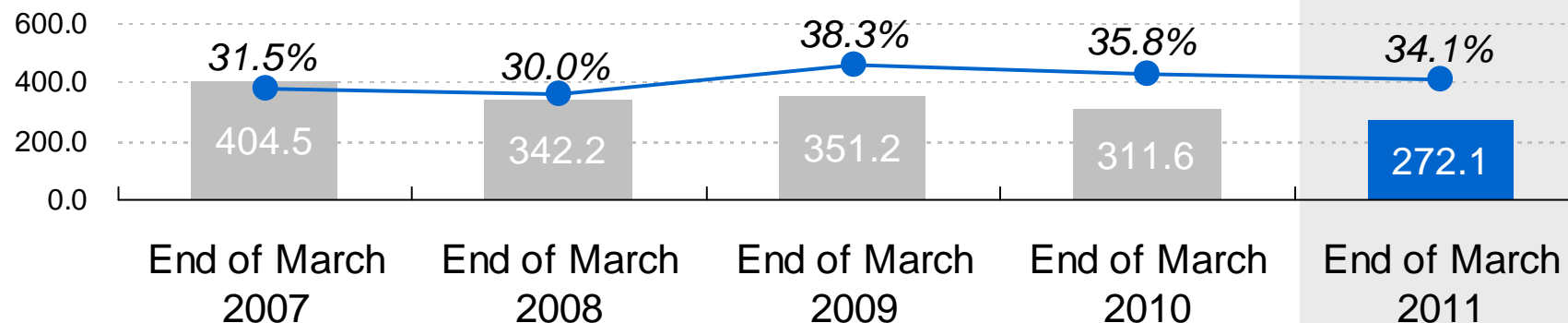




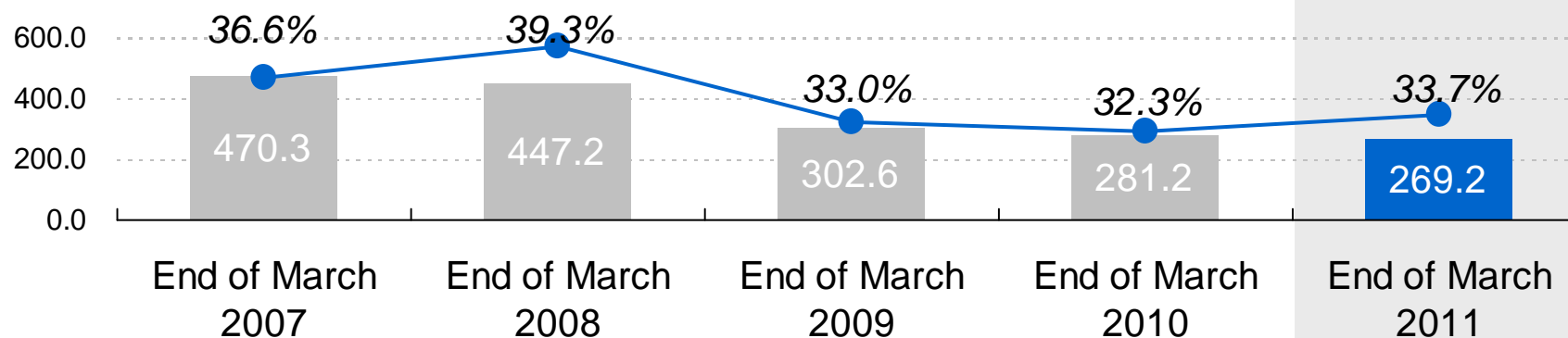
# Statistics of Balance Sheet Items

(Billions of yen)

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



## Shareholders' equity & equity ratio



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

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

# Financial Highlights (Fourth Quarter)



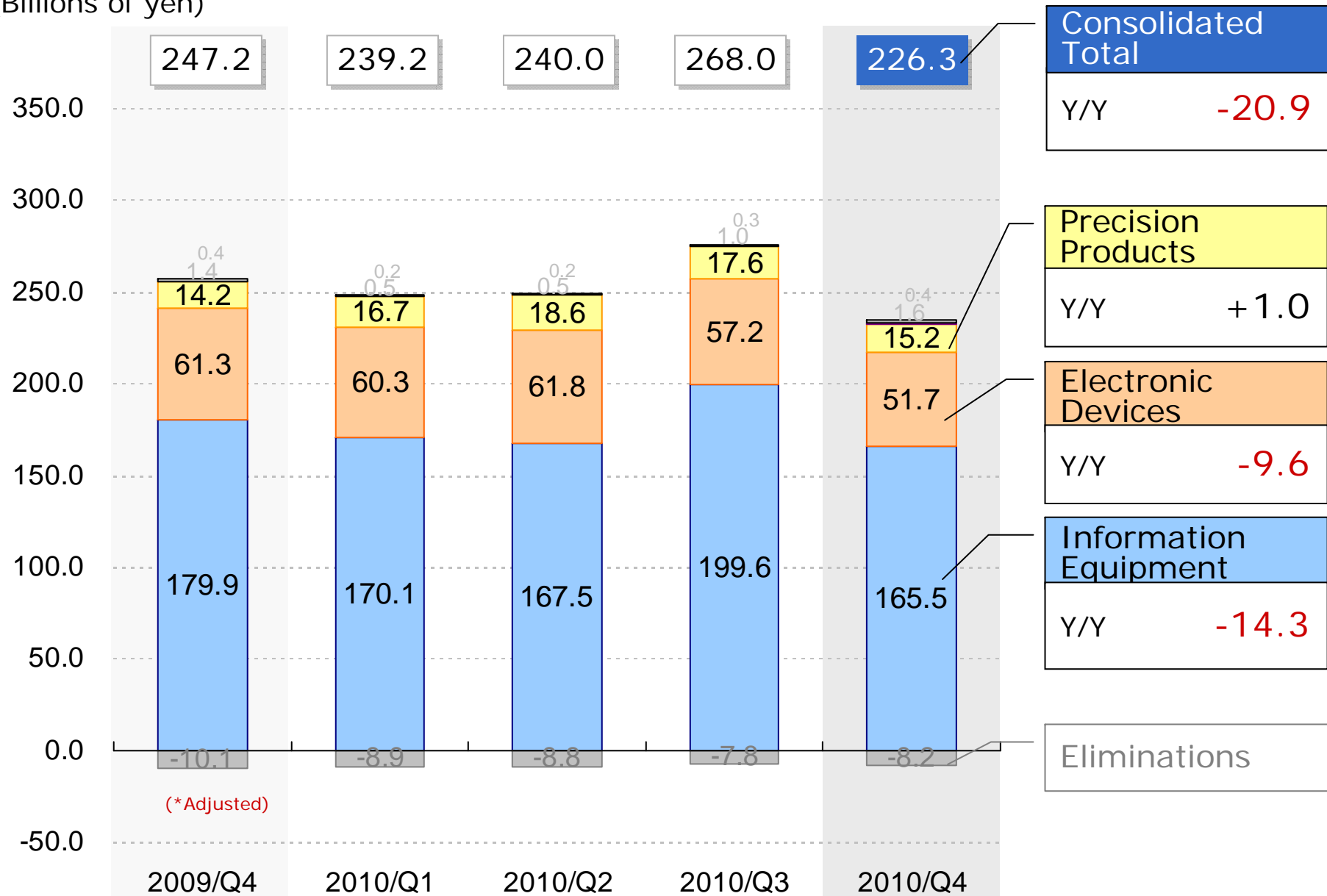
(Billions of yen)	FY2009		FY2010		Change	
	Q4 Actual	%	Q4 Actual	%	Amount	%
Net Sales	247.2	-	226.3	-	-20.9	-8.5%
Operating Income	-3.9	-1.6%	-1.1	-0.5%	+2.7	-
Ordinary Income	-2.5	-1.0%	-1.3	-0.6%	+1.2	-
Net Income Before Income Taxes	-8.2	-3.4%	-10.8	-4.8%	-2.5	-
Quarterly Net Income	-15.0	-6.1%	-6.7	-3.0%	+8.2	-
EPS	-¥75.33		-¥33.86			
Exchange Rate	USD	¥90.70	¥82.34			
	EUR	¥125.62	¥112.57			

# Quarterly Net Sales

## ► By business segment



(Billions of yen)



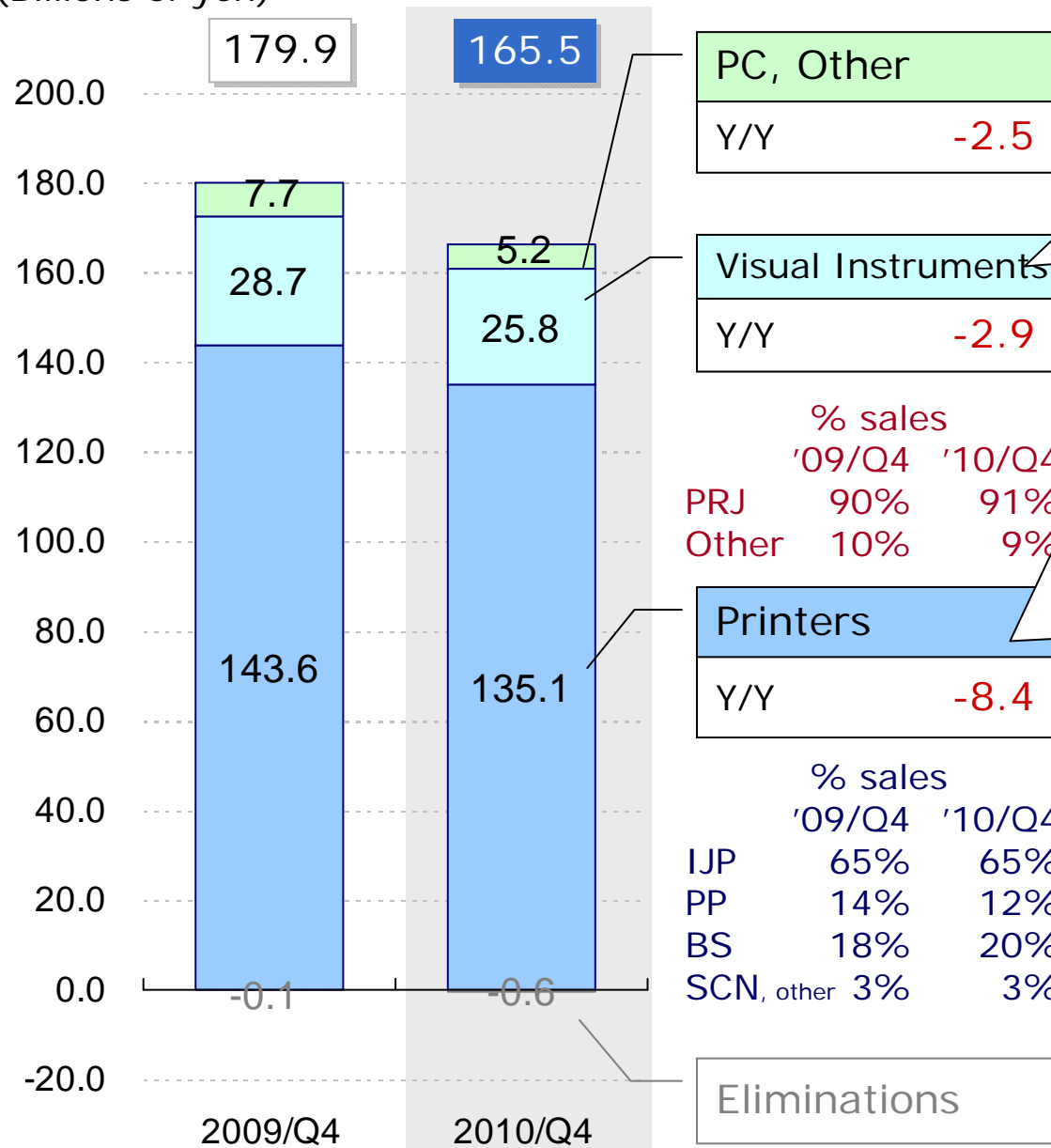
(\*Adjusted)

# Quarterly Net Sales Comparison

## Information Equipment Segment



(Billions of yen)



- PRJ: Sales down on lower volume in enterprise & education, forex

- IJP: Sales down on lower hardware volume & higher consumables volume, forex
- PP: Hardware volume up, but sales down on lower consumables volume
- BS: SIDM remained steady in China, POS sales flat despite higher volume for retailers in Europe, the U.S., and China

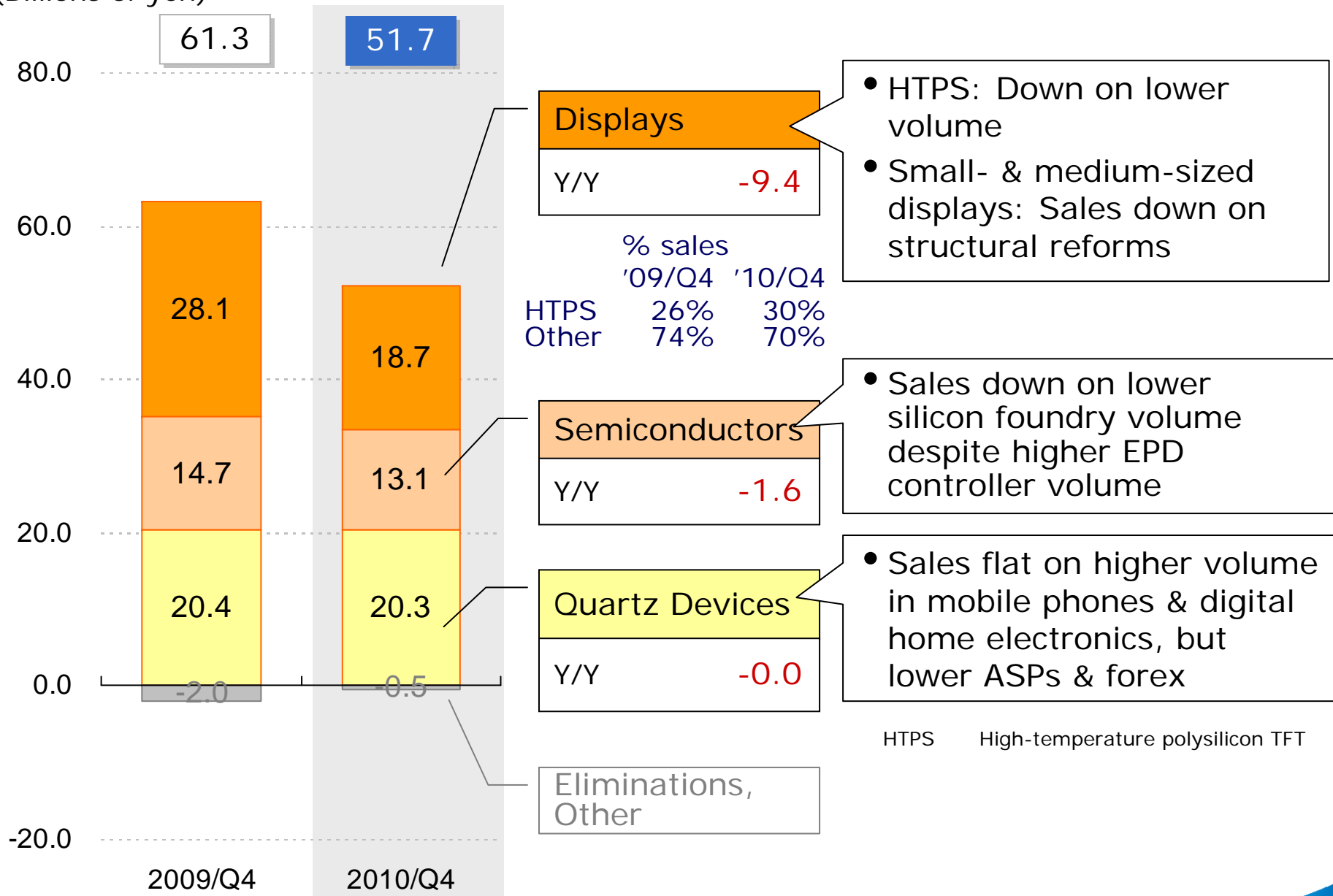
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# Quarterly Net Sales Comparison

## ▶ Electronic Devices Segment



(Billions of yen)



- HTPS: Down on lower volume
- Small- & medium-sized displays: Sales down on structural reforms

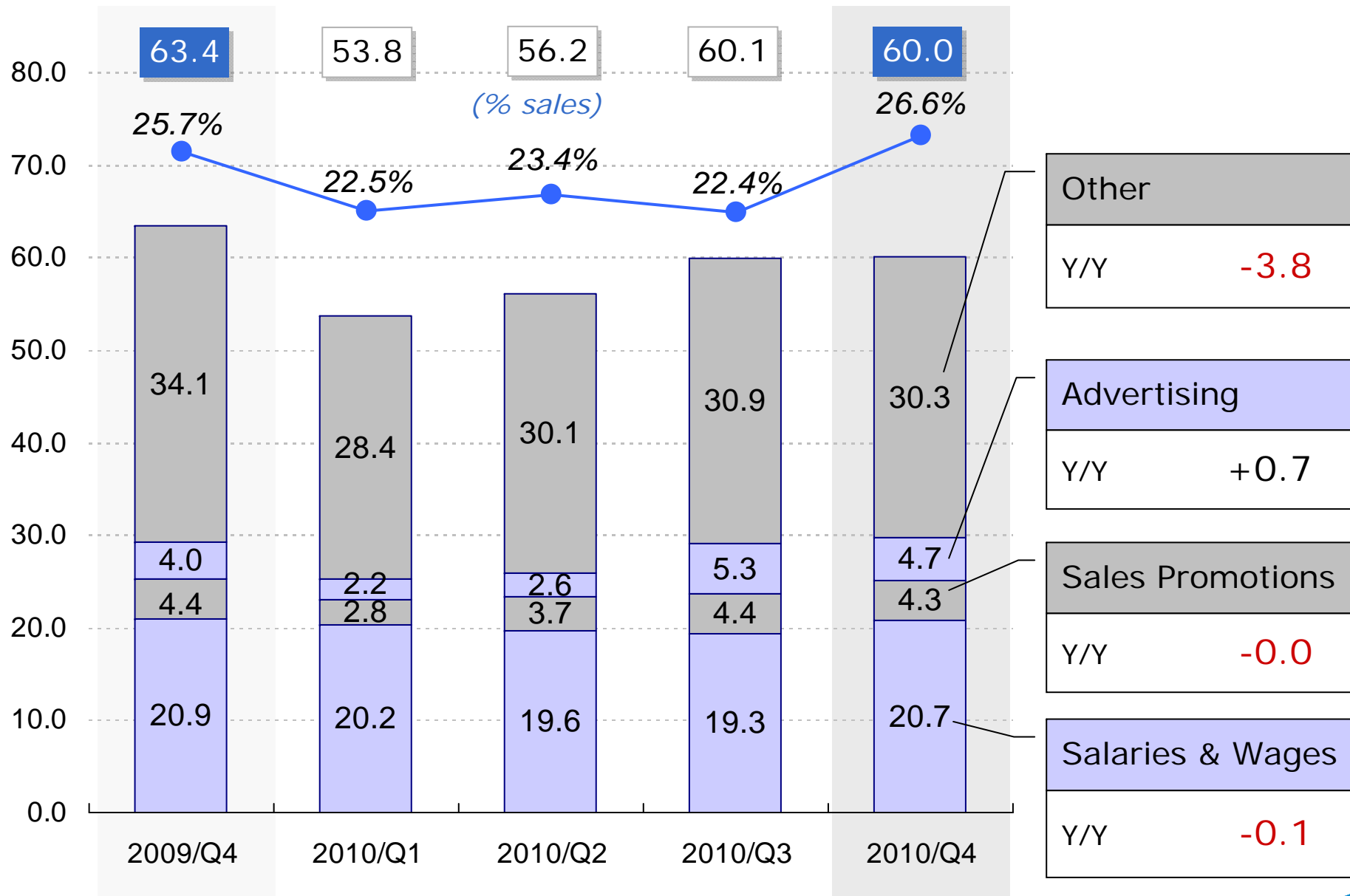
- Sales down on lower silicon foundry volume despite higher EPD controller volume

- Sales flat on higher volume in mobile phones & digital home electronics, but lower ASPs & forex

# Quarterly Selling, General and Administrative Expenses



(Billions of yen)

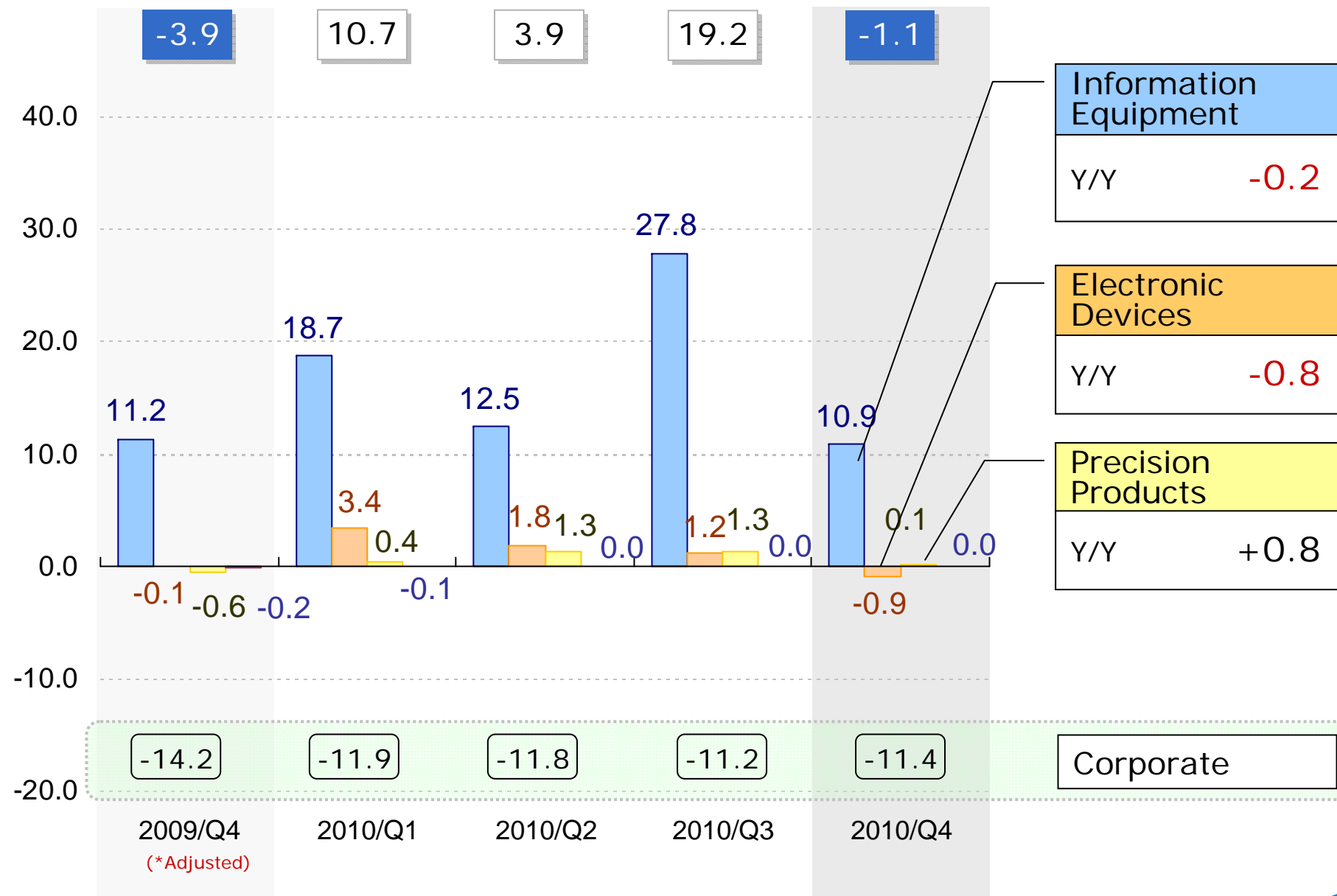


# Quarterly Operating Income

## ► By business segment



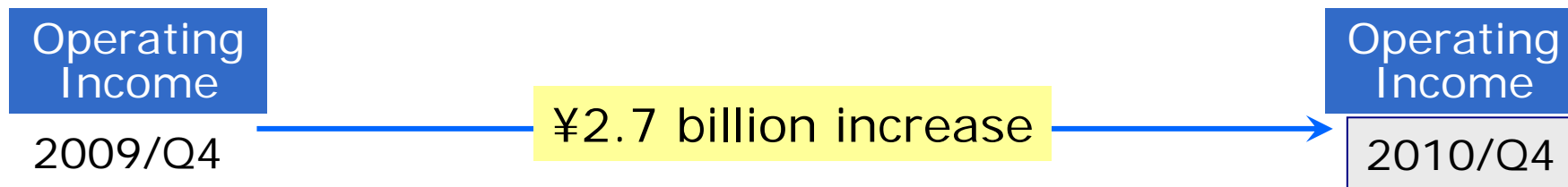
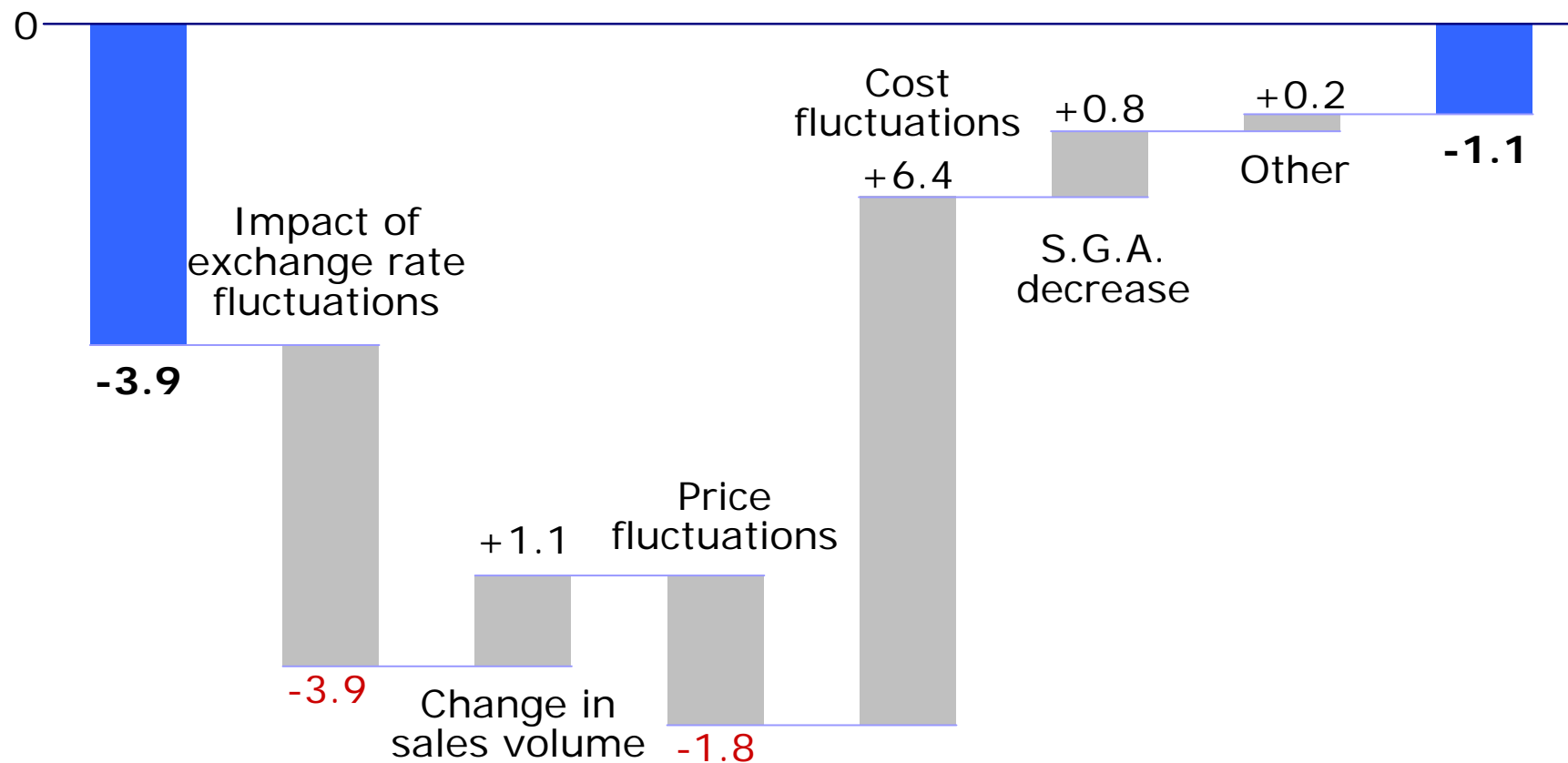
(Billions of yen)



# Operating Income Fluctuation Cause Analysis



(Billions of yen)



\*FY2009 income figures are based on previous standard



- 1) FY2010 Financial Results
- 2) FY2011 Financial Outlook

**\*Caution:**

There are changes to segment reporting from FY2011.  
Please refer to slide 2 for details on the changes.

# FY2011 Financial Outlook



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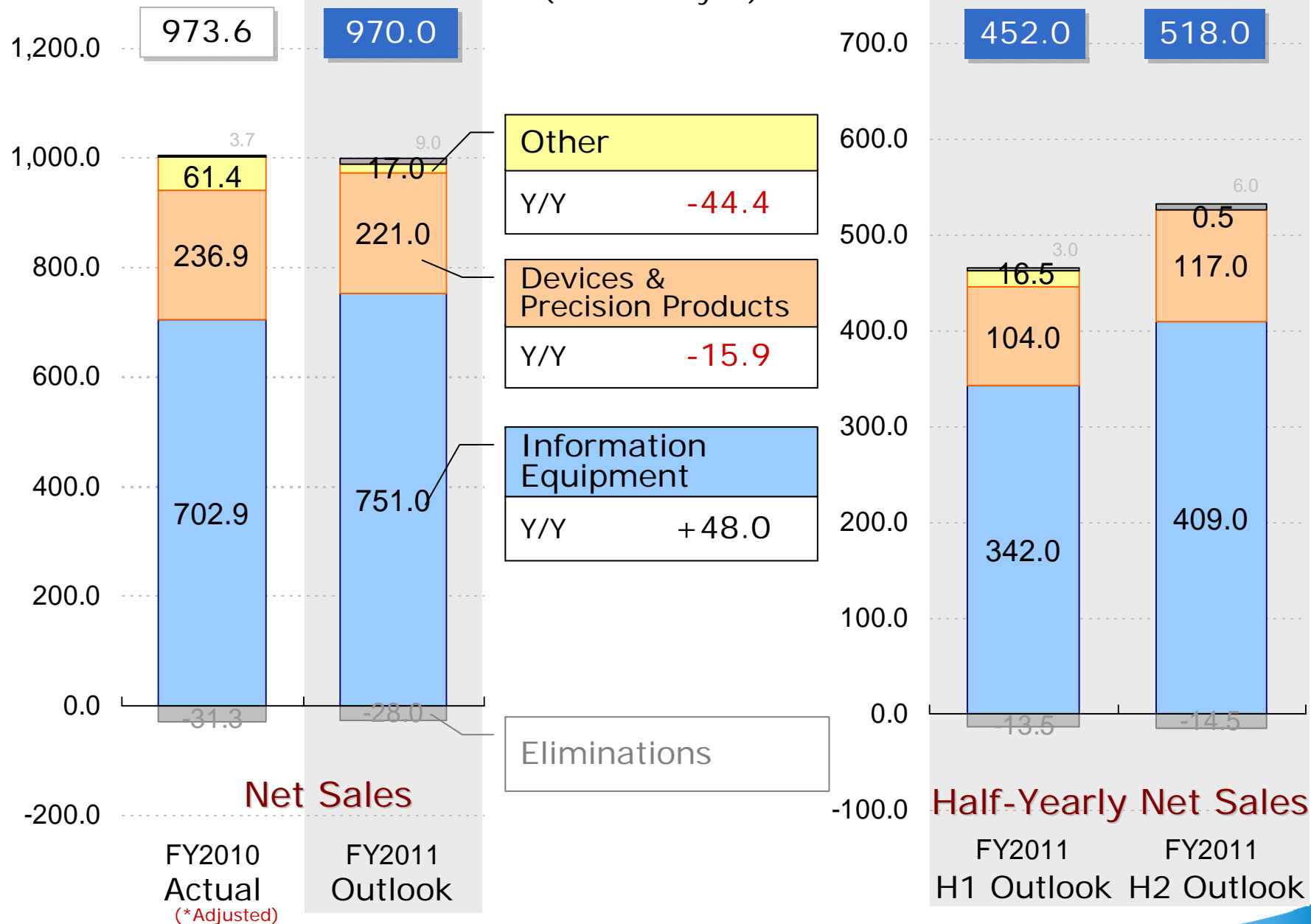
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# FY2011 Financial Outlook (Net Sales)

## ► By business segment



(Billions of yen)

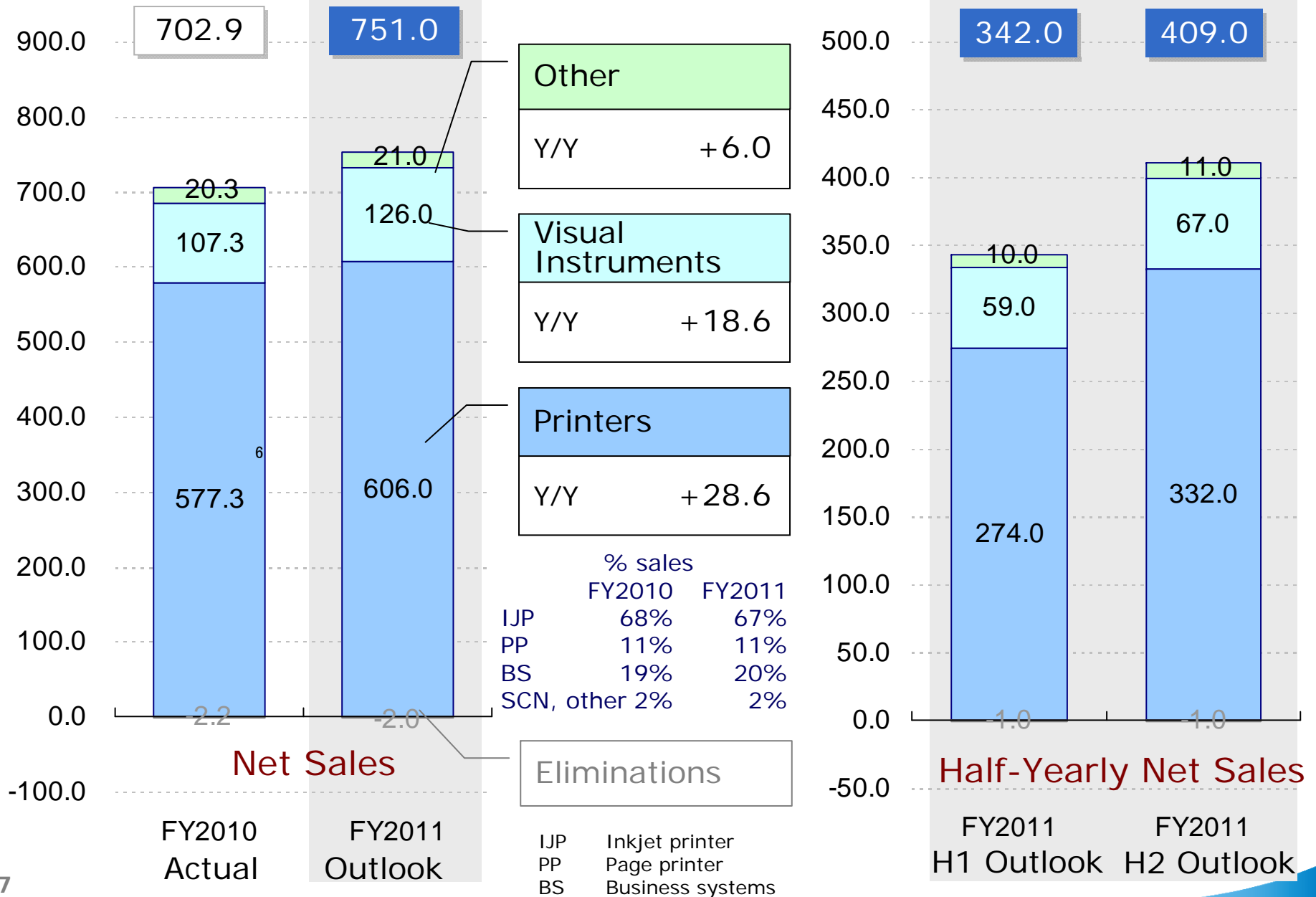


# Net Sales Outlook by Business

## Information Equipment Segment



(Billions of yen)

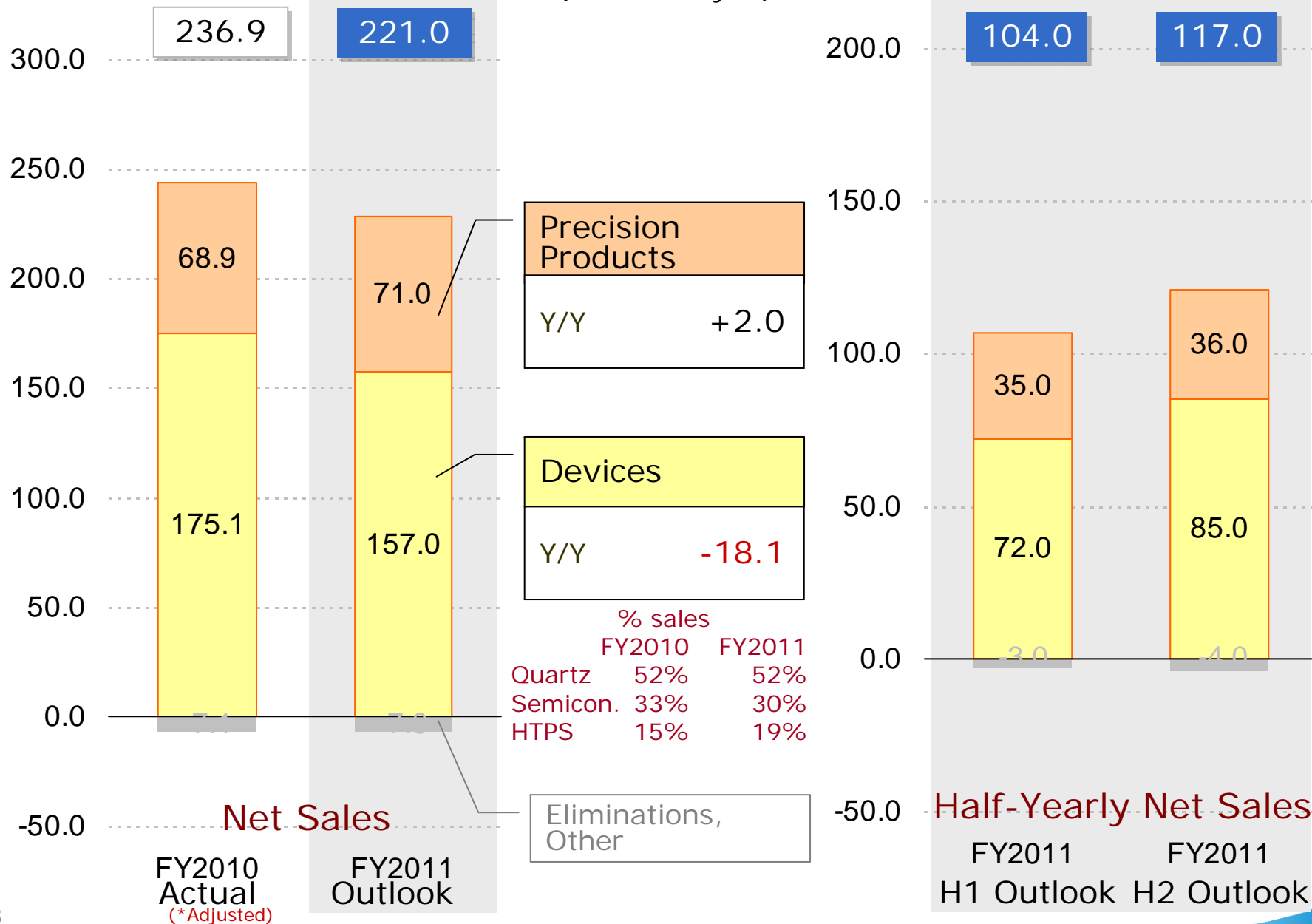


# Net Sales Outlook by Business

## ► Devices & Precision Products Segment

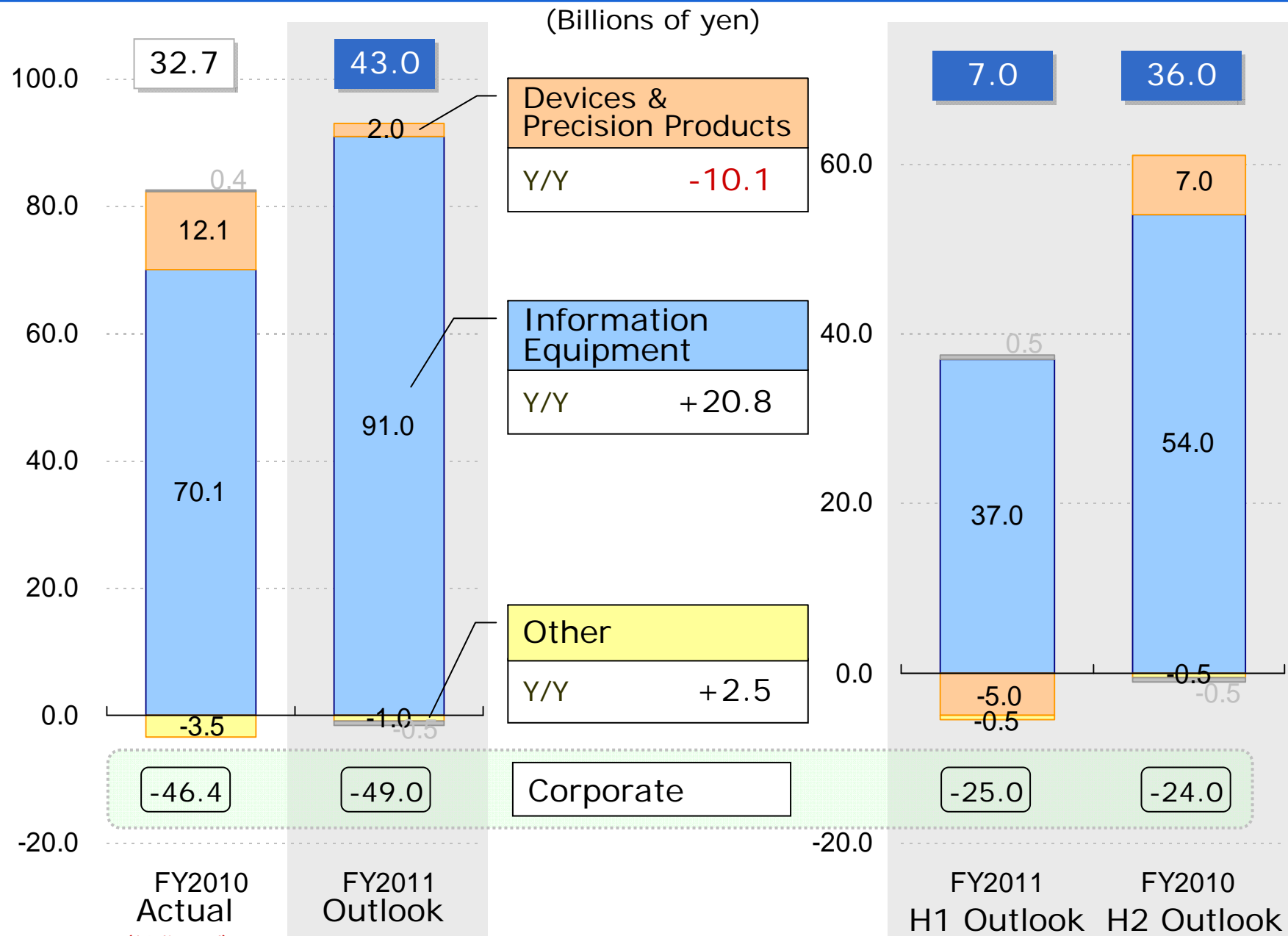


(Billions of yen)



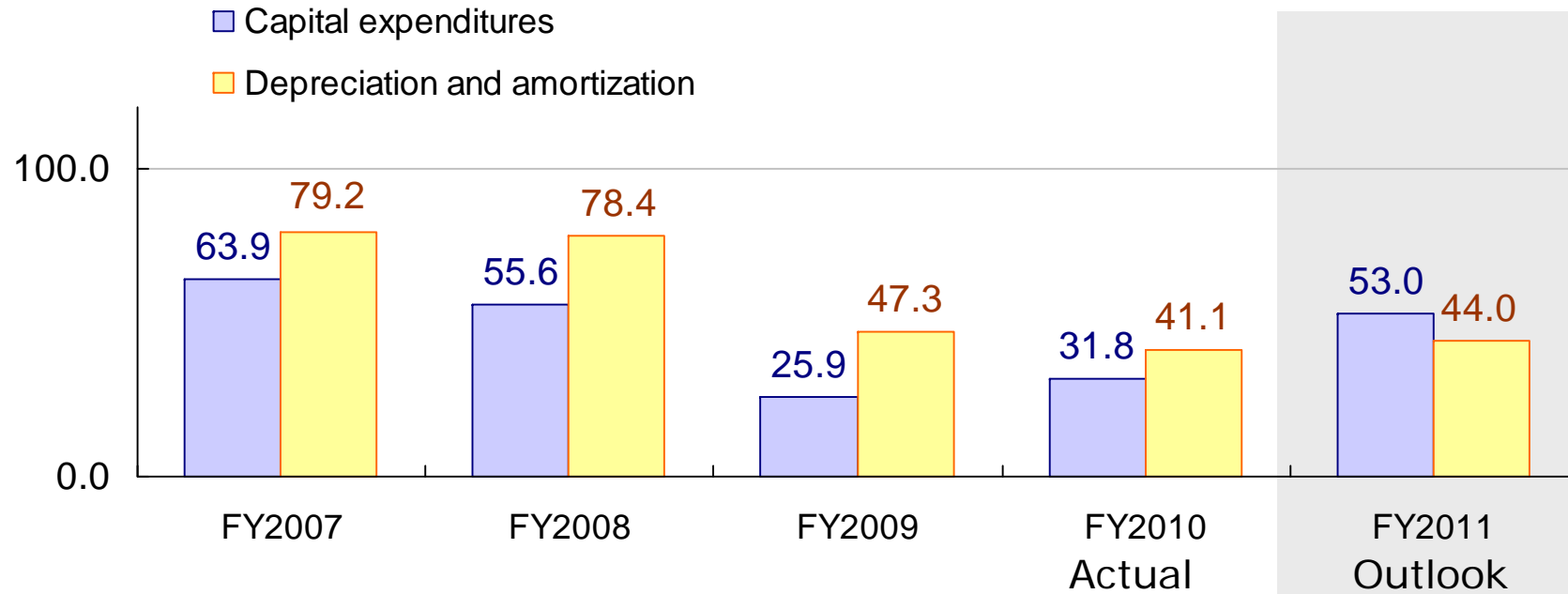
# FY2011 Financial Outlook (Operating Income)

► By business segment



# Outlook for Capital Expenditure and Depreciation & Amortization Expenses

(Billions of yen)

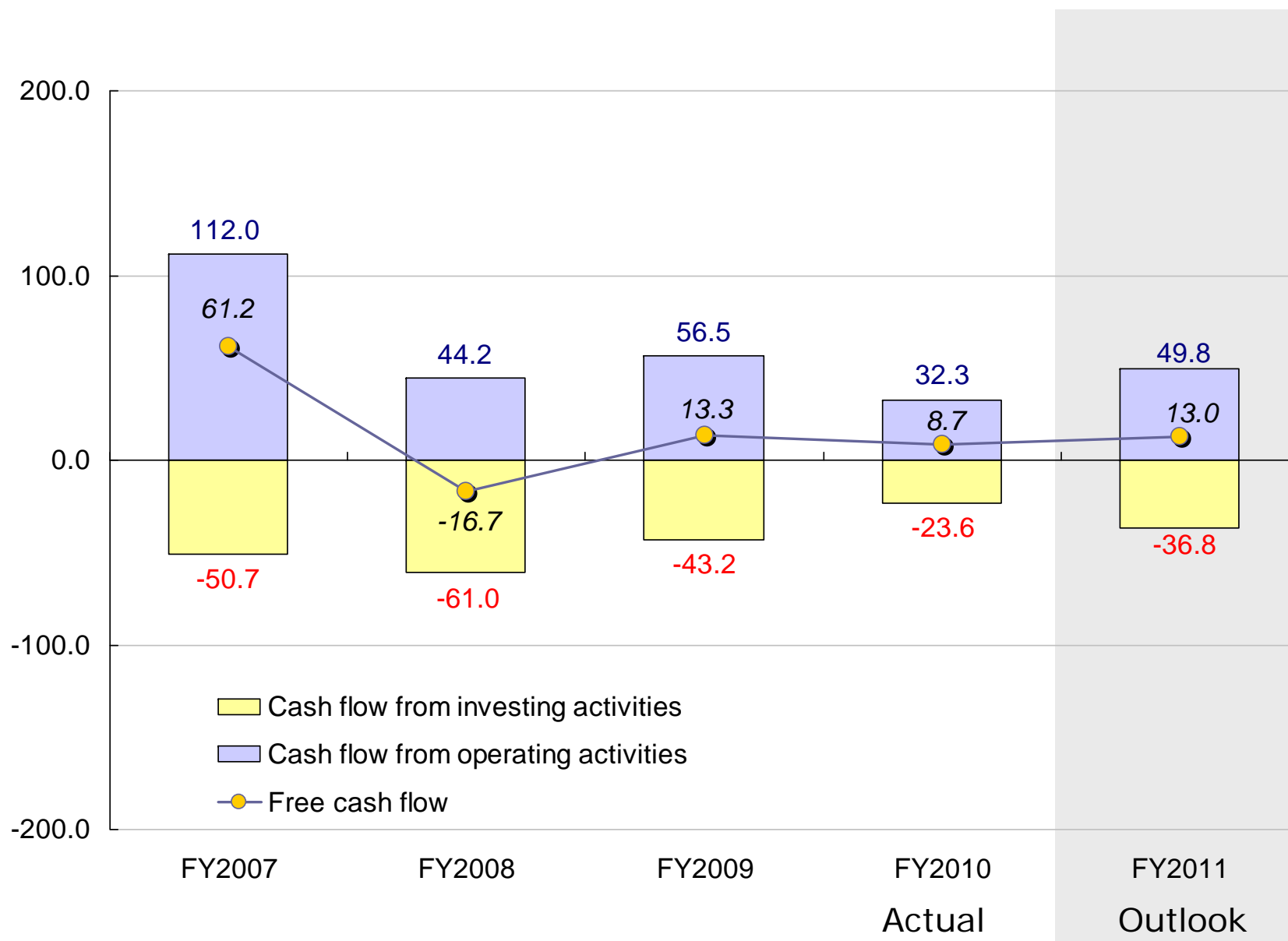


## Breakdown by segment

	FY2010 Actual		FY2011 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	17.8	21.7	30.0	24.0
Devices & Precision Products	11.0	13.2	14.0	15.0
Other/Adjustments	2.9	6.2	9.0	5.0

# Free Cash Flow Outlook

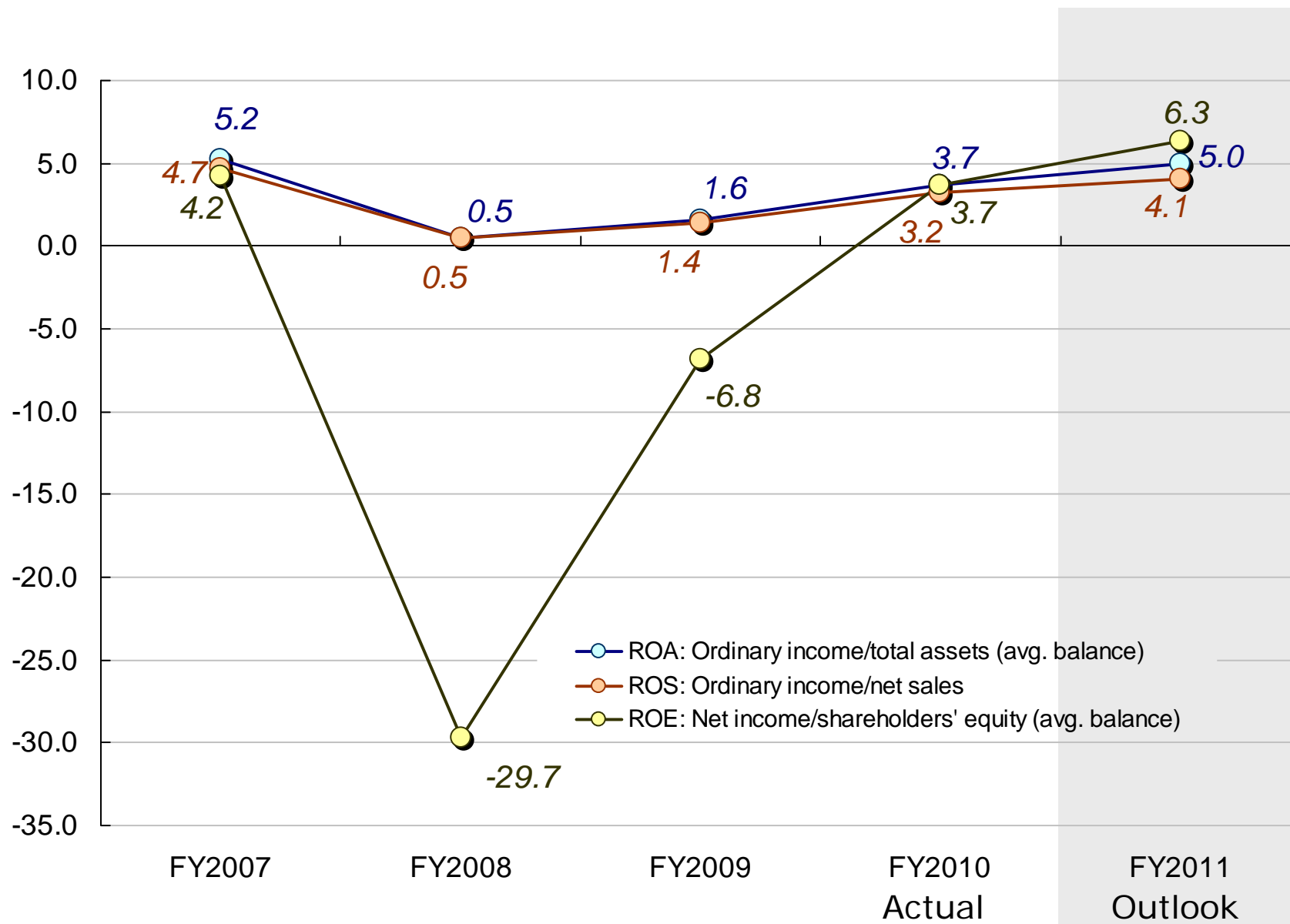
(Billions of yen)





# Main Management Indicators

(%)



**EPSON**  
EXCEED YOUR VISION