

# Full-Year & 4Q Financial Results Fiscal Year 2006 (Ending March 2007)

April 26, 2007

Seiko Epson Corporation

## 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.

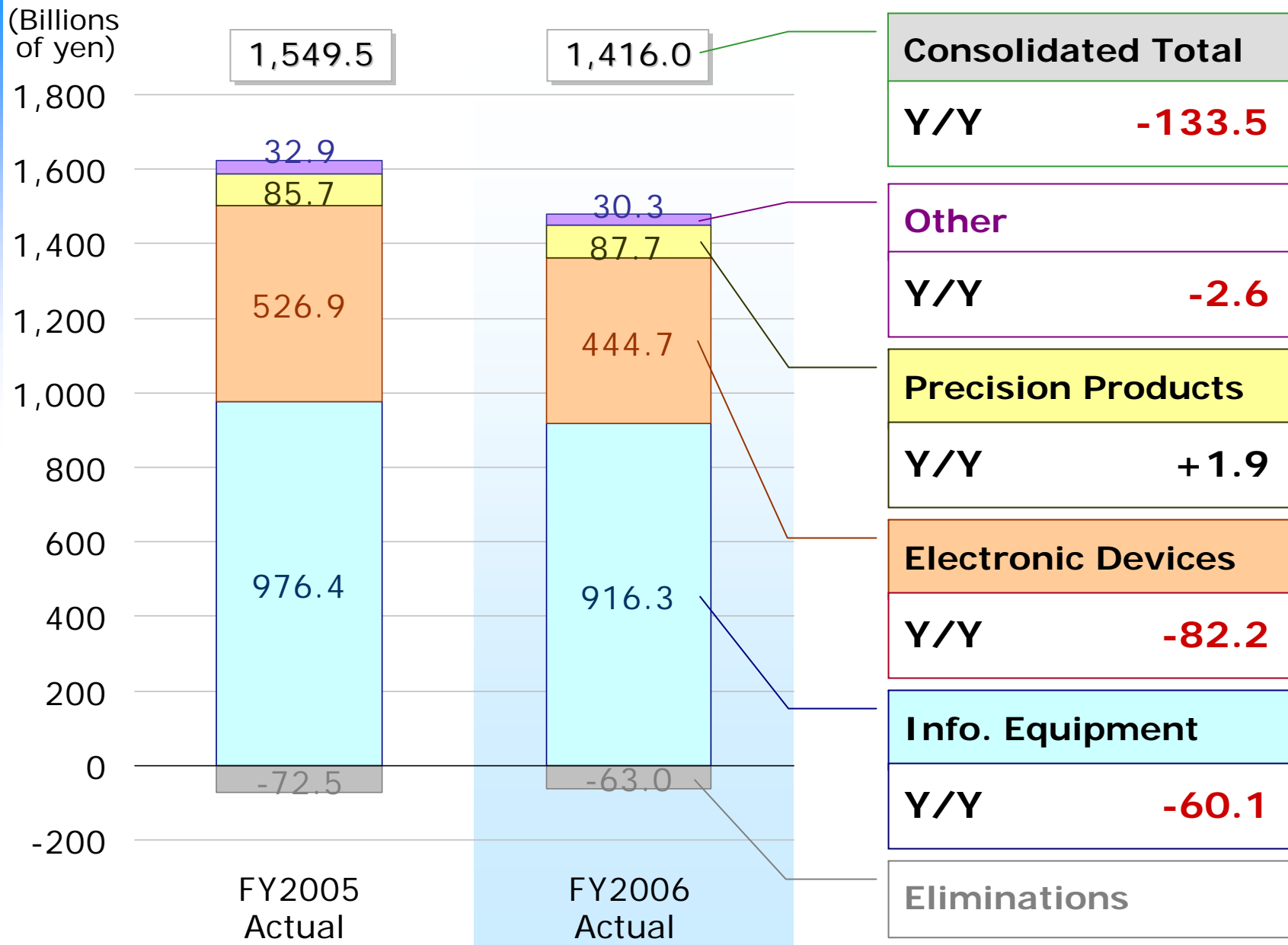
Percentages are rounded off to one decimal place.

1. Overview

2. Detailed  
Explanation

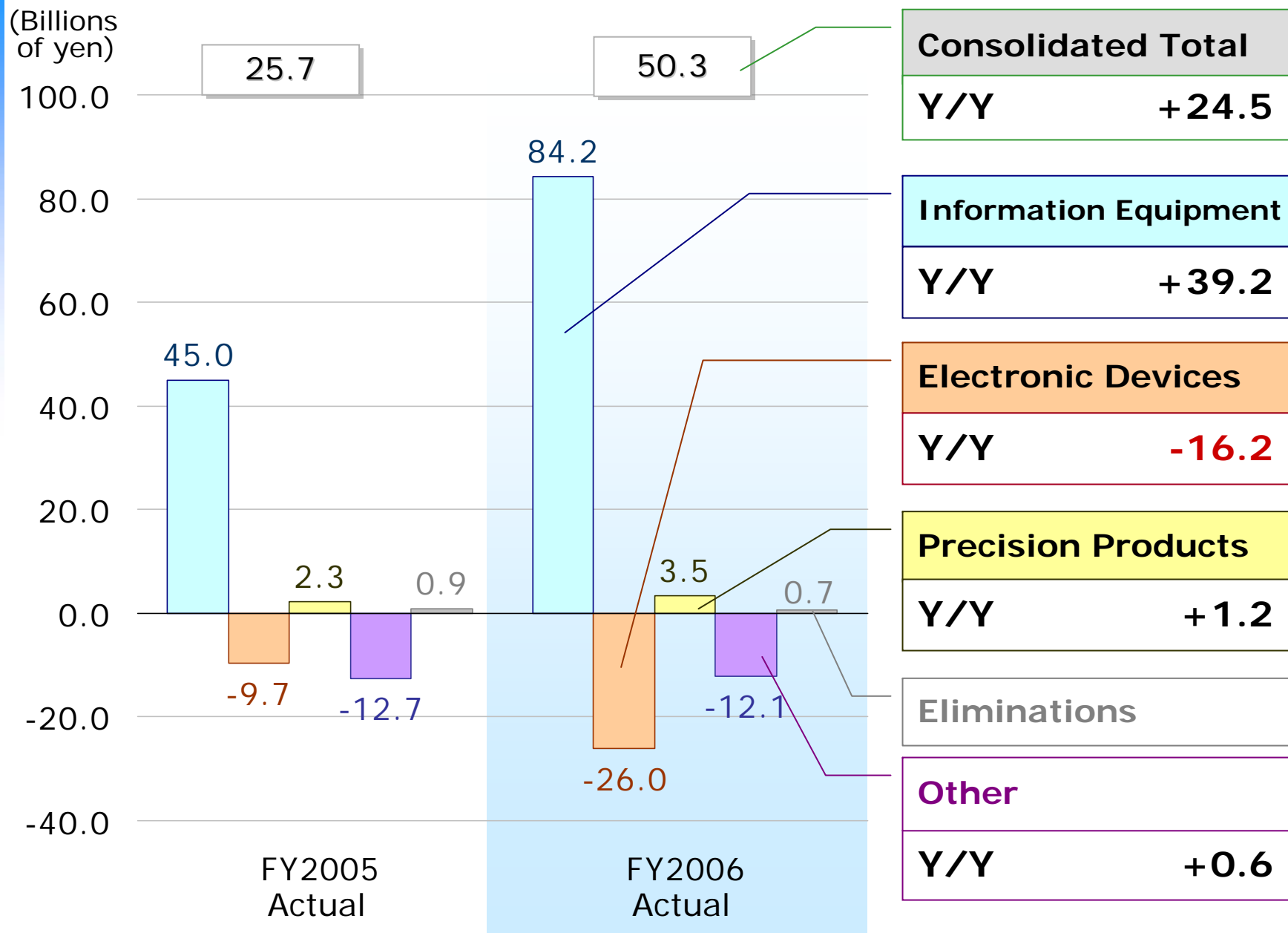
# FY2006 Business Results (Net Sales)

## ► By business segment



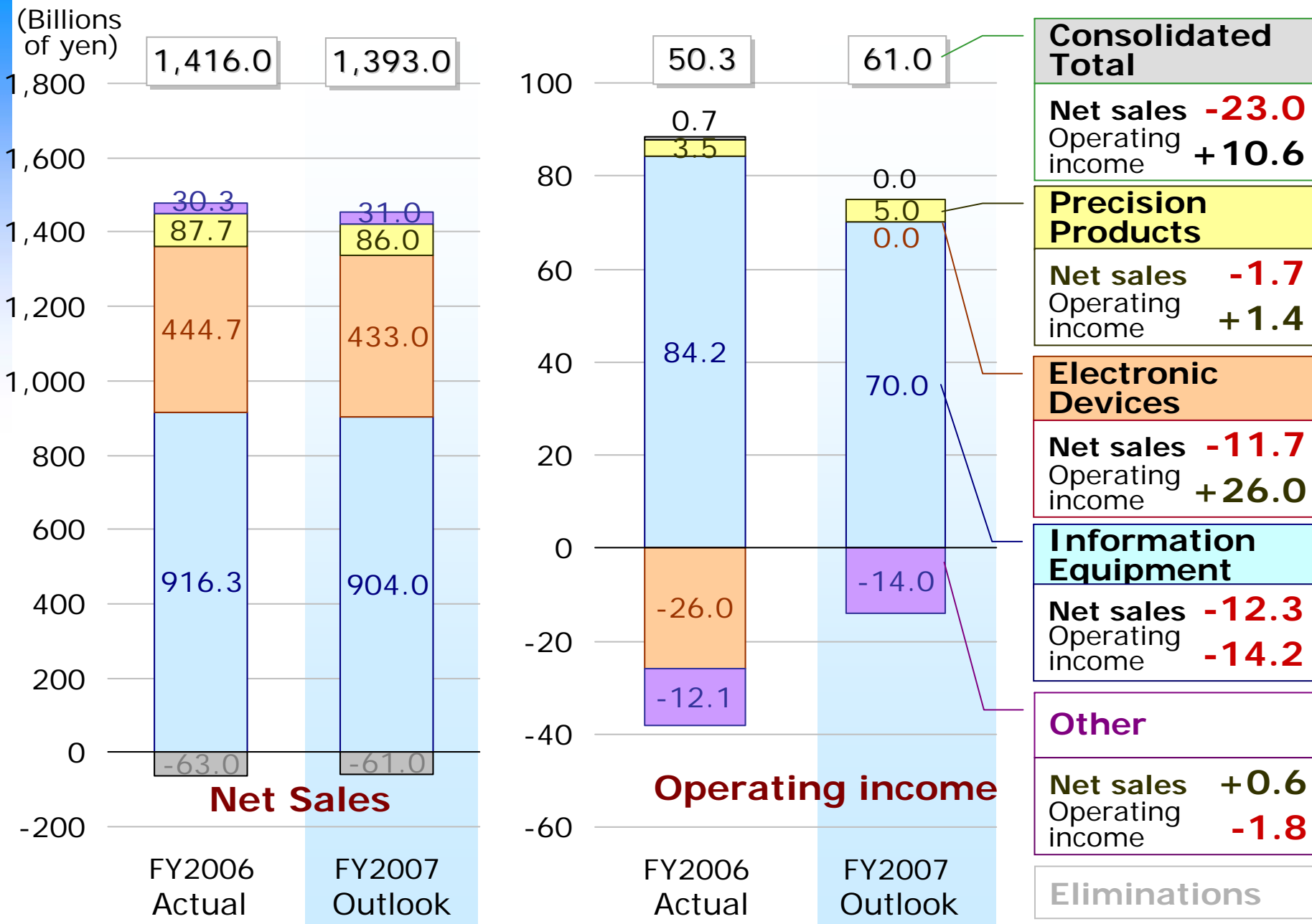
# FY2006 Business Results (Operating Income)

## By business segment



# FY2007 Business Outlook

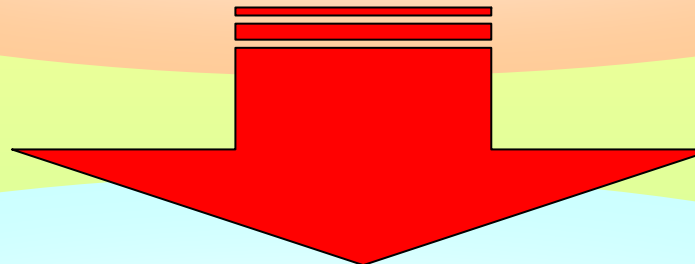
## ► By business segment



## Mid-Range Business Plan Creativity and Challenge 1000

### Year 1: Summary of FY2006

Operating income was up from last year in all businesses except displays due to successful cost reduction initiatives, contingent employee reductions, fixed-cost restructuring and foreign exchange gains that more than offset the effects of intense competition.



### Year 2: FY2007 Initiatives

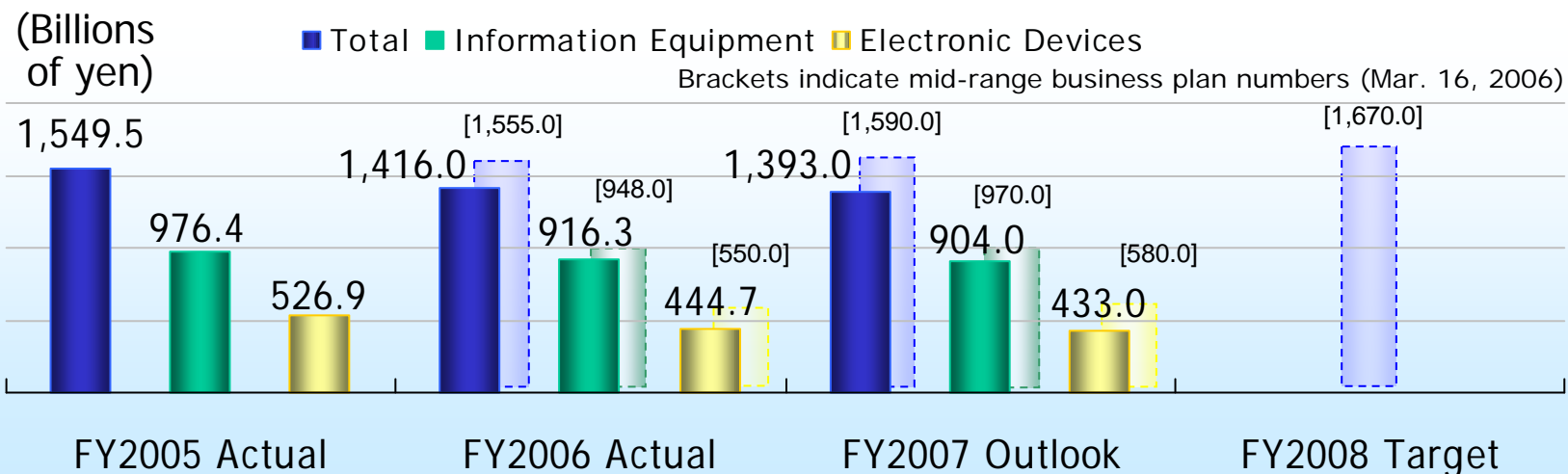
Building on the results of year 1, we will move toward achieving sales growth and our planned objective of ¥100 billion in ordinary income in fiscal 2008.

#### FY2007 Outlook

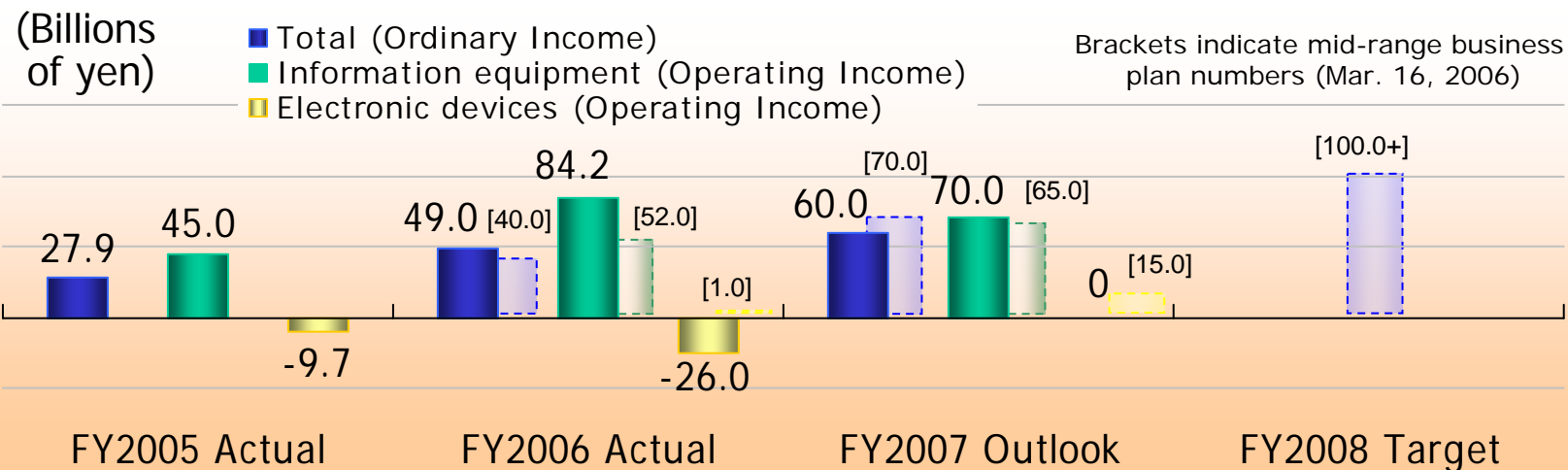
Net Sales	¥1,393 bil
Operating Income	¥61 bil
Ordinary Income	¥60 bil

# FY2007 Outlook Highlights

## Net Sales



## Ordinary Income (operating income for segments)





## Information Equipment Segment

### Inkjet Printers

#### Results of FY2006 Initiatives

- ✓ Cut costs and strengthened business platform through fixed cost reductions
- ✓ Optimized marketing strategy on a regional basis

#### FY2007 Initiatives

- ✓ Optimize balance between short-term profits and mid-term growth
- ✓ Expand printer unit shipments with an eye toward future consumable sales
  1. Fine-tune marketing strategy tailored to print volumes and specific markets
  2. Flexibly adapt to market trends, particularly in Europe and America
  3. Pursue stringent cost reductions
- ✓ Grow the business and industrial sectors into a core profit center in the mid-term

### Business Systems

- ✓ Augment existing businesses by moving into new areas such as coupon printers & mini-labs

### Projectors

- ✓ Pursue the growing business and education markets

## Electronic Device Segment

### Small- & Medium-Sized Displays

#### Results of FY2006 Initiatives

- ✓ Cut costs and strengthened business platform through fixed cost reductions
- ✓ Clarified strategy for reorganization of display business (announced Mar. 14)  
[Move all C-STN offshore, terminate MD-TFD in FY07, concentrate resources on a-TFT & LTPS]

#### FY2007 Initiatives

- ✓ Boost sales to new applications in addition to mobile phones
  1. Customer-engaged sales
  2. Pursue new technologies and regain customer confidence
  3. Pursue stringent cost reductions

### HTPS

- ✓ Take advantage of growing projector market to increase HTPS shipments

### Quartz Devices

- ✓ Take a balanced approach to technology and applications in our three core device categories (timing, sensing, opto)

### Semiconductors

- ✓ Pursue mixed-signal products that use our strength in low-power analog-digital IC technology

1. Overview

2. Detailed  
Explanation

1) FY2006 Financial Results

2) FY2007 Business Outlook

# Financial Highlights (Full Year)

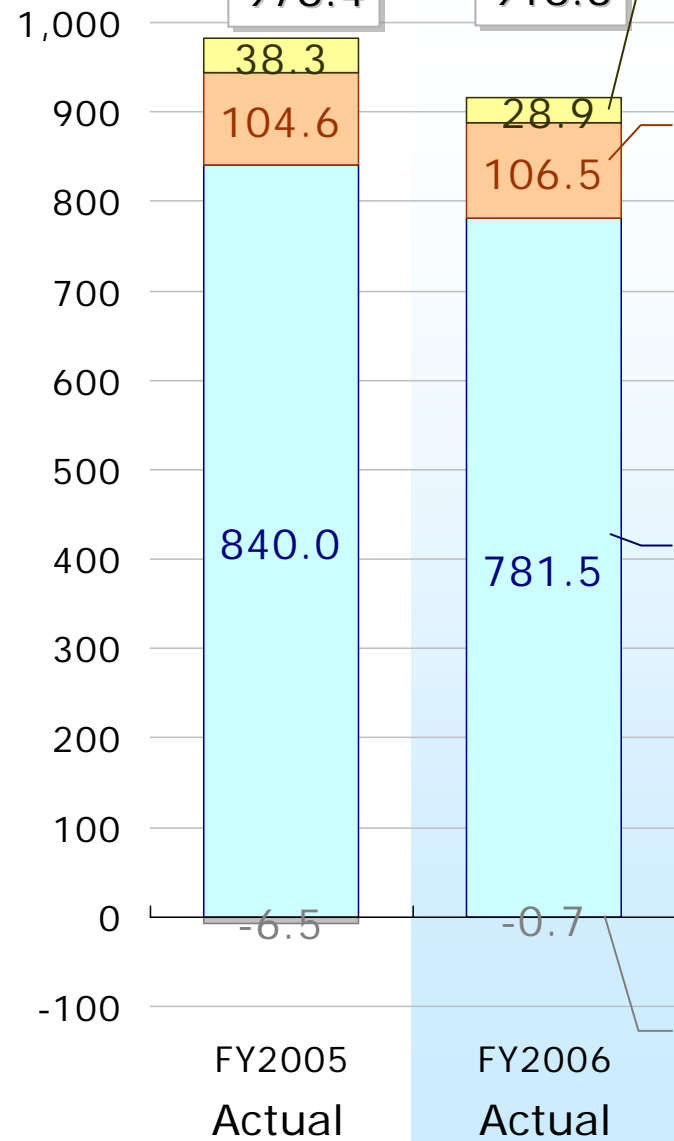
## ► Year-on-year

(Billions of yen)	FY2005		FY2006				Change (amount, %)	
	Actual	%	3/14 Outlook	%	Actual	%	Y/Y	Vs. 3/14 Outlook
Net Sales	1,549.5	-	1,414.0	-	1,416.0	-	-133.5 -8.6%	+2.0 +0.1%
Operating Income	25.7	1.7%	50.0	3.5%	50.3	3.6%	+24.5 +95.5%	+0.3 +0.7%
Ordinary Income	27.9	1.8%	48.0	3.4%	49.0	3.5%	+21.1 +75.4%	+1.0 +2.3%
Net Income <small>Before income taxes</small>	-20.0	-1.3%	0	0.0%	3.4	0.2%	+23.5 -	+3.4 -
Net Income	-17.9	-1.2%	-18.0	-1.3%	-7.0	-0.5%	+10.8 -	+10.9 -
EPS	-¥91.24		-¥91.67		-¥36.13			
Exchange rate	USD	¥113.31	¥117.00		¥117.02			
	EUR	¥137.86	¥150.00		¥150.09			

# Net Sales Comparison (Full Year)

## Information-related equipment segment

(Billions of yen)



**PC, Other**

**Y/Y -9.3**

- **PC: Down on lower volume**

**Visual Instruments**

**Y/Y +1.8**

- **PRJ: Business & home up on higher volume**
- **PTV: Down on lower volume**

% sales

	FY05	FY06
PRJ	74%	86%
PTV	8%	3%
Other	18%	11%

**Printers**

**Y/Y -58.4**

- **IJP: SFP & MFP down on lower volume due to marketing efforts that emphasized profitability**
- **LP: Emphasized models with high PV & profitability**
- **BS: Up on strong TM and SIDM sales**

% sales

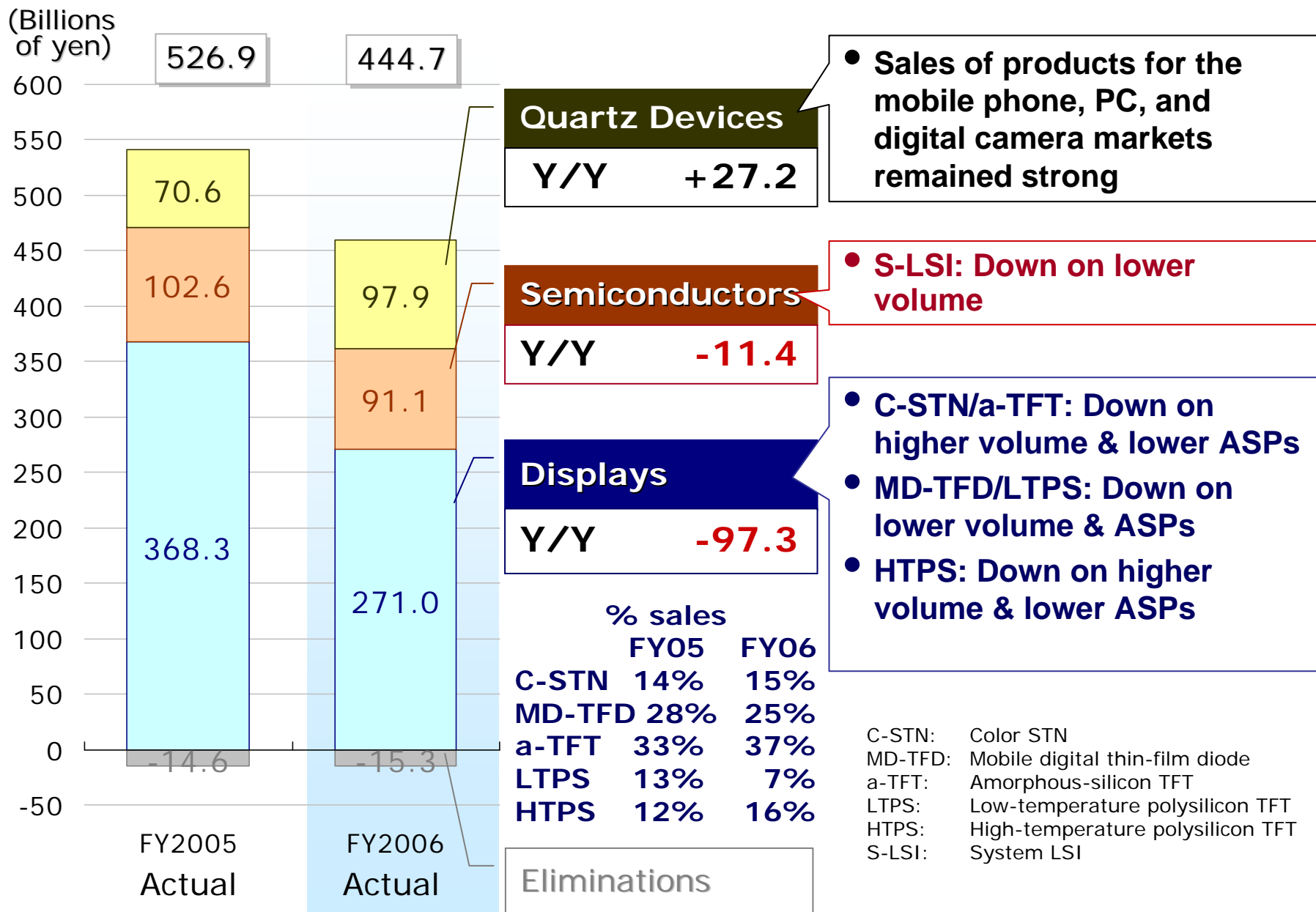
	FY05	FY06
IJP	65%	62%
LP	14%	14%
BS	16%	19%
SCN, other	5%	5%

**Eliminations**

- IJP : Ink Jet Printer
- SFP : Single Function Printer
- MFP : Multi Function Printer
- LP : Laser Printer
- BS : Business System
- TM : Terminal module
- SIDM : Serial-impact dot matrix printer
- SCN : Scanner
- PRJ : Projector
- PTV : Projection TV

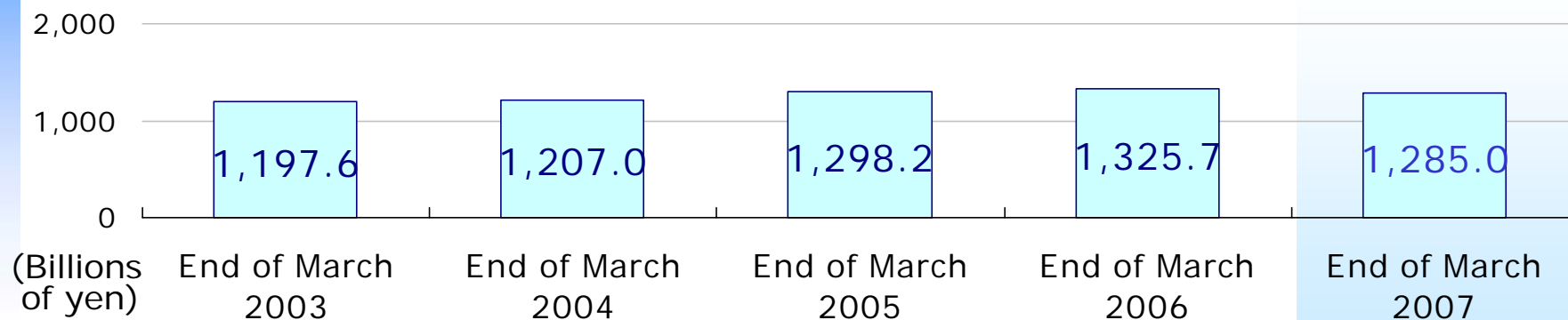
# Net Sales Comparison (Full Year)

## ▶ Electronic device segment

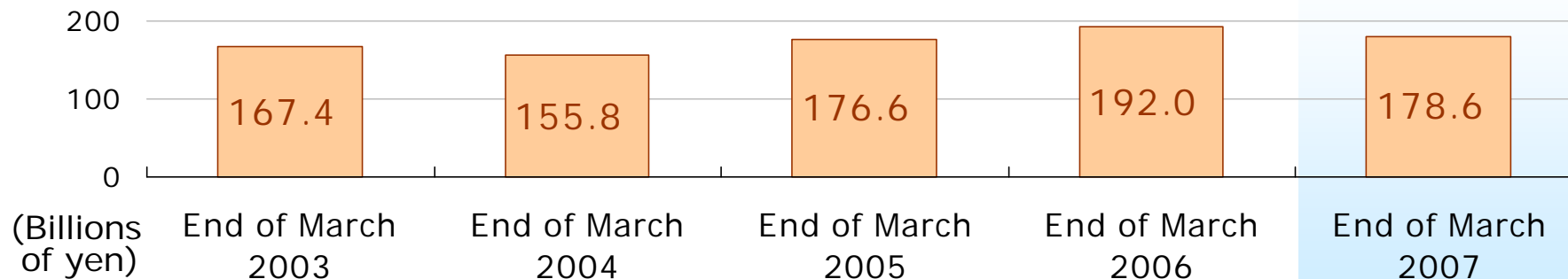


# Statistics of Balance Sheet Items

## Total assets

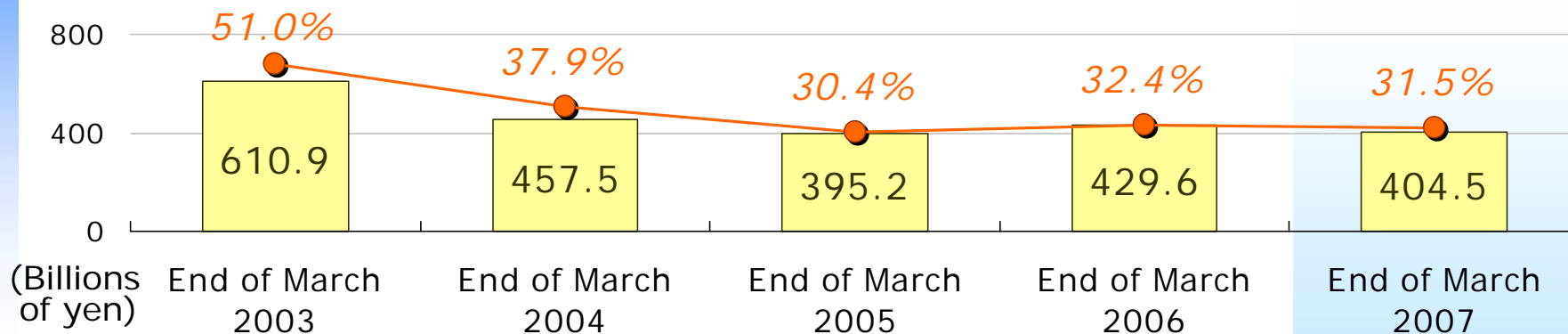


## Inventories

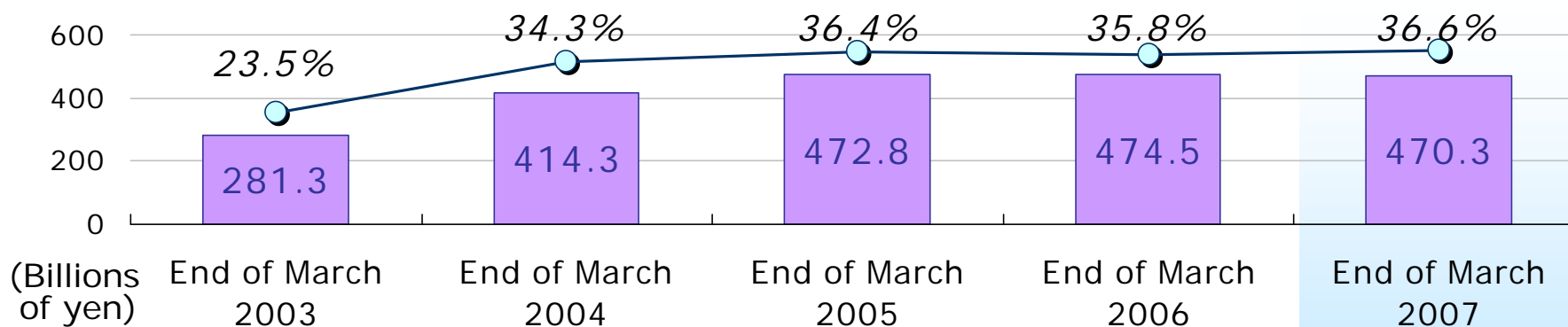




## Interest-bearing liabilities & ratio of interest-bearing liabilities



## Shareholder's equity & equity ratio



The definition of shareholder equity changed due to changes in accounting standards  
 End of March 2007: Shareholder equity = total net assets - minority interests in subsidiaries

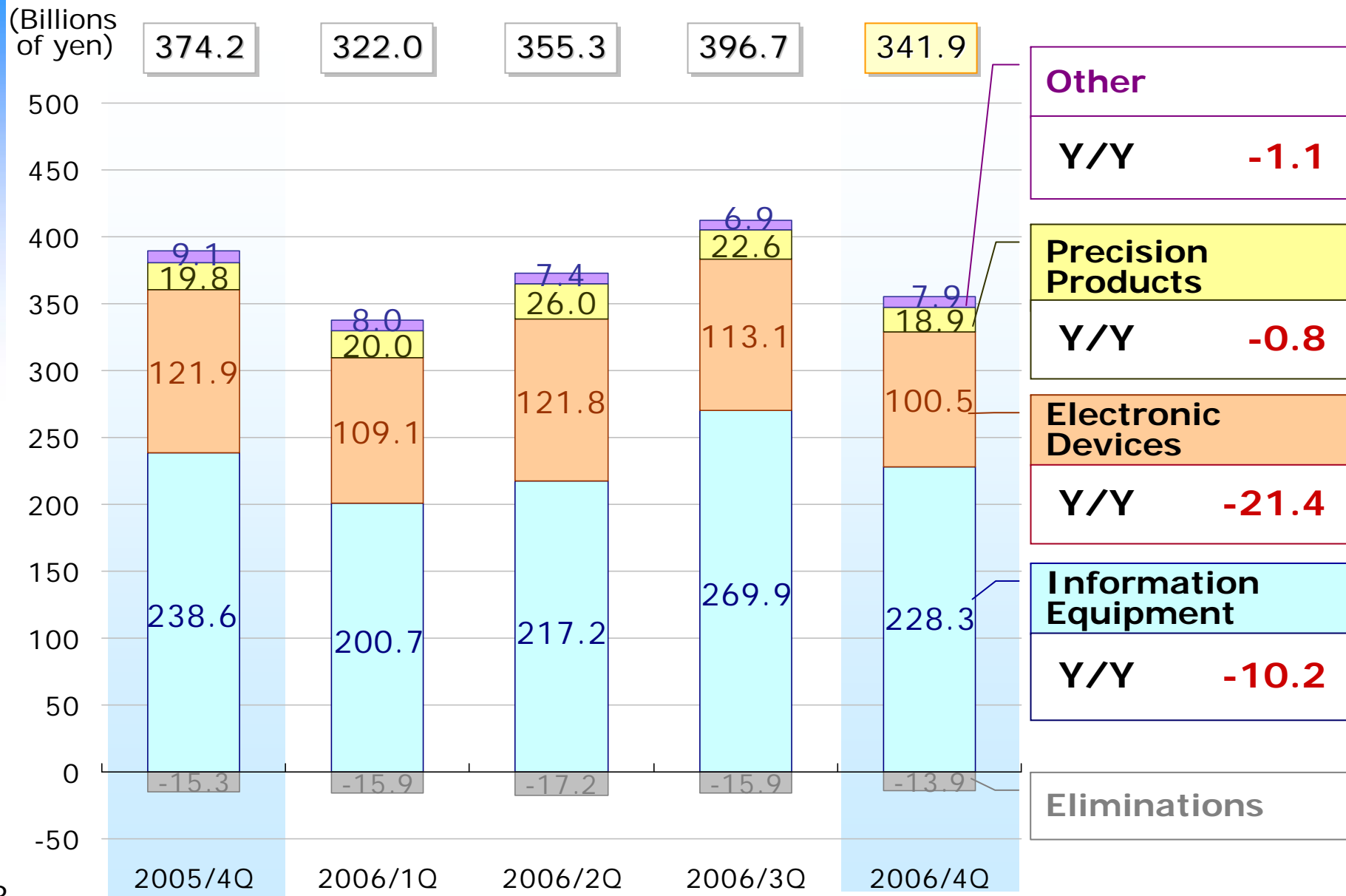
# Fourth-Quarter Financial Highlights

## ▶ Year-on-year

(Billions of yen)		FY2005		FY2006		Change	
		4Q Actual	%	4Q Actual	%	Amount	%
Net Sales		374.2	-	341.9	-	-32.2	-8.6%
Operating Income		2.6	0.7%	4.0	1.2%	+1.3	+52.7%
Ordinary Income		1.1	0.3%	4.0	1.2%	+2.8	+247.4%
Net Income <small>Before income taxes</small>		-39.9	-10.7%	-36.6	-10.7%	+3.3	-
Quarterly Net Income		-25.8	-6.9%	-21.0	-6.2%	+4.8	-
Exchange rate	USD	¥116.94		¥119.52			
	EUR	¥140.70		¥156.50			

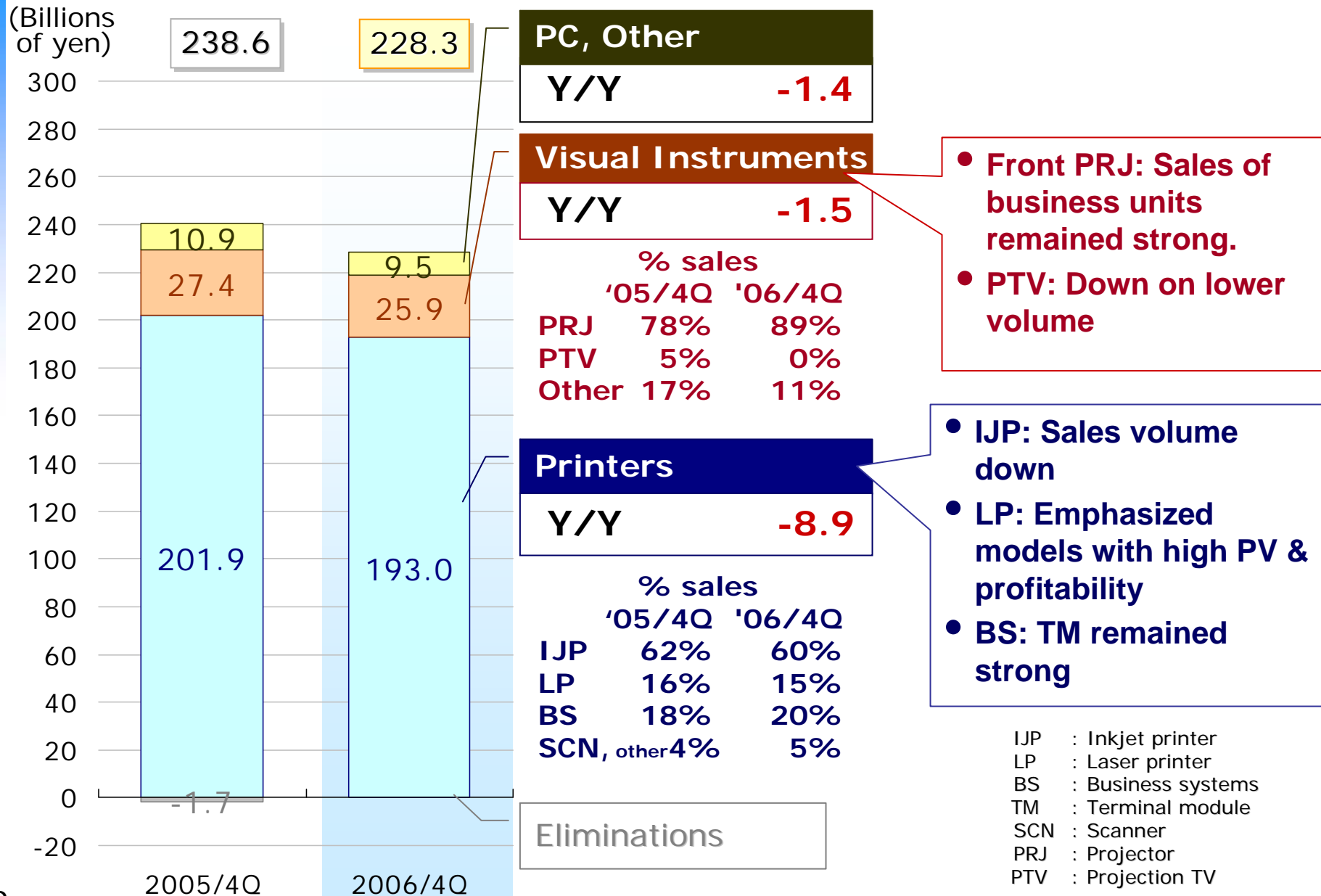
# Quarterly Net Sales

## By business segment



# Quarterly Net Sales Comparison

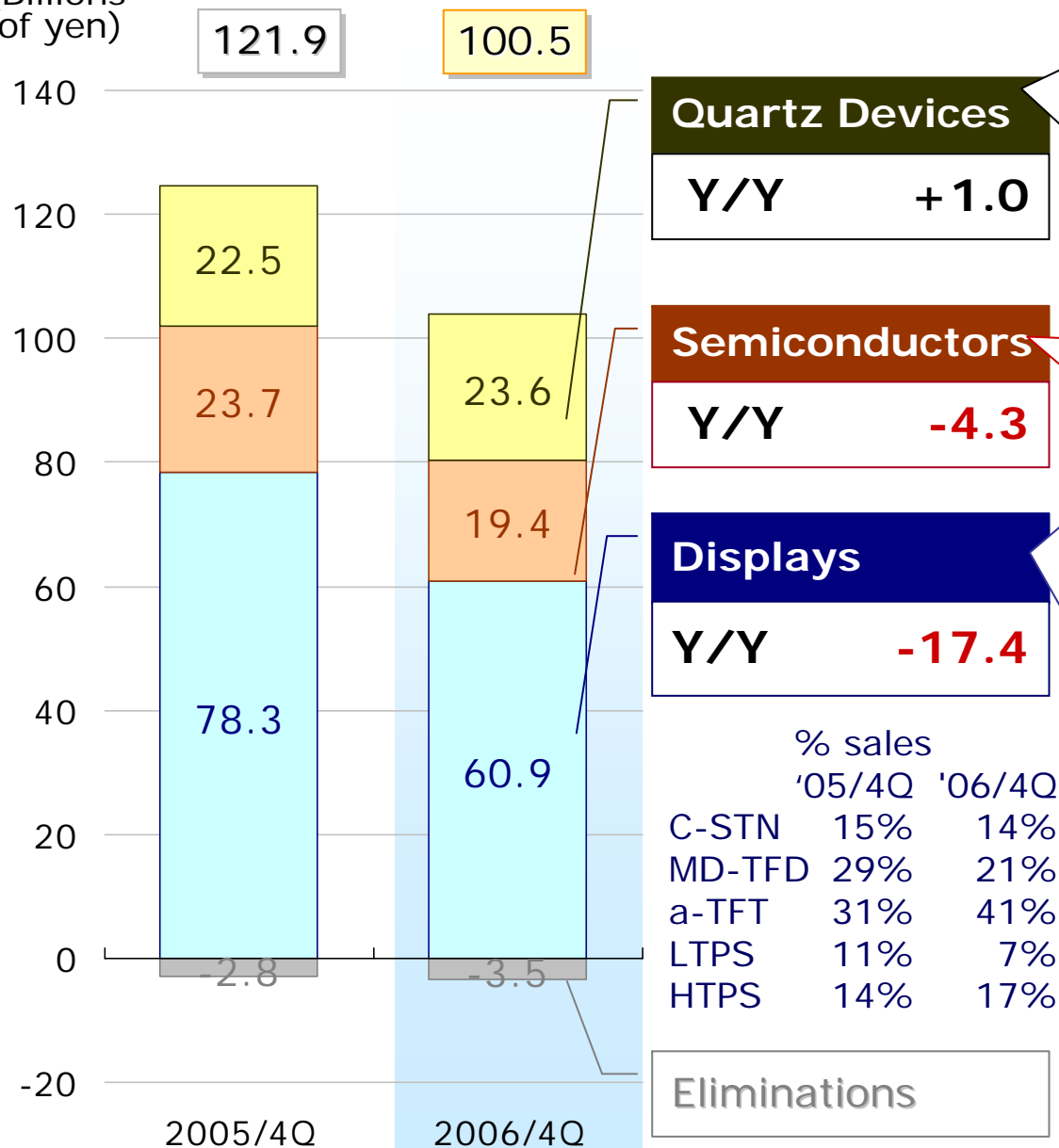
## Information-related equipment segment



# Quarterly Net Sales Comparison

## ▶ Electronic device segment

(Billions of yen)



**Quartz Devices**  
Y/Y +1.0

- Sales of products for the mobile phone, PC, and digital camera markets remained strong

**Semiconductors**  
Y/Y -4.3

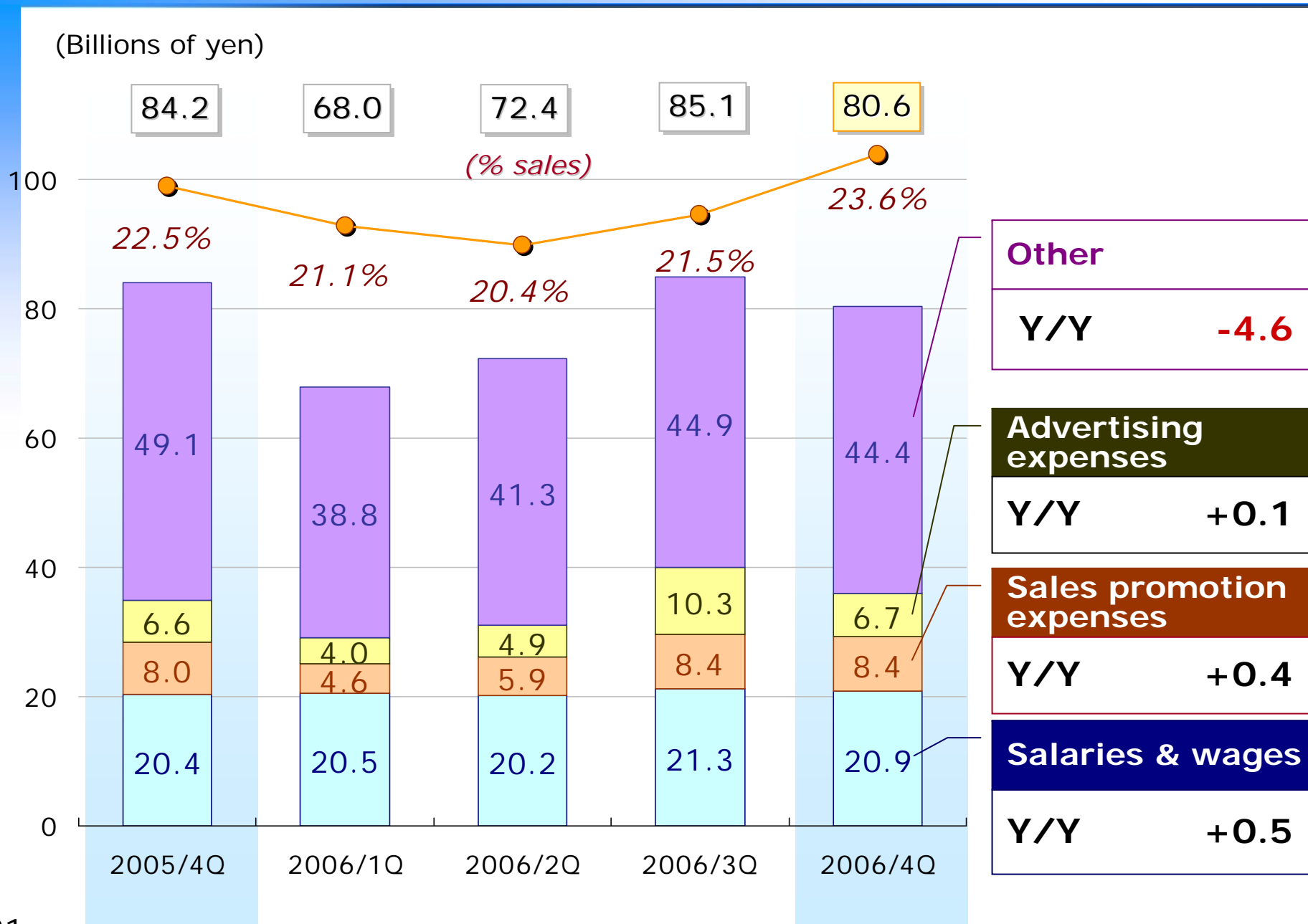
- LCD-Dr: Volume down
- S-LSI: Volume & ASPs down

**Displays**  
Y/Y -17.4

- C-STN/MD-TFD/LTPS: Volume & ASPs down
- a-TFT: ASPs down, sales up on higher volume
- HTPS: Volume up, ASPs down

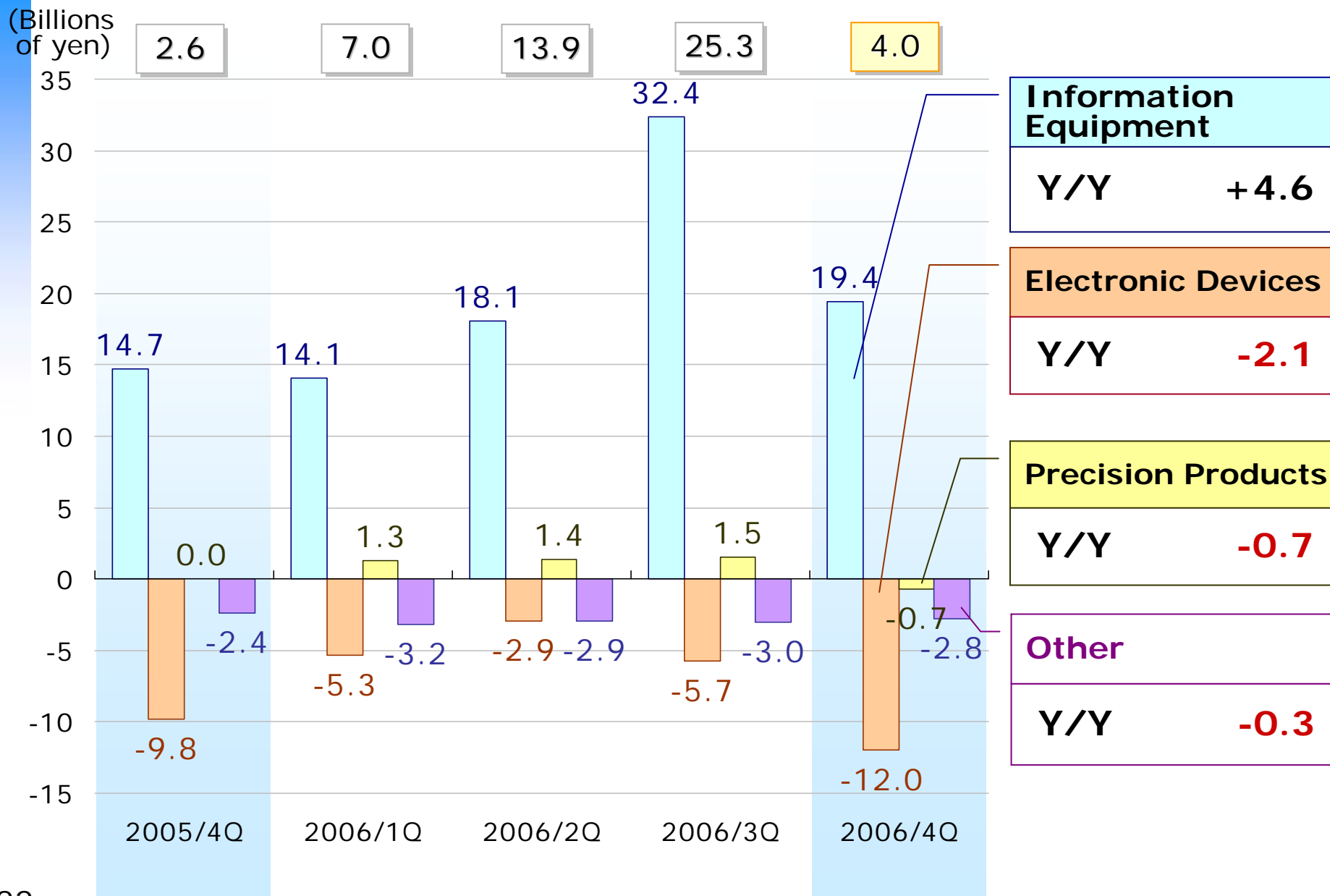
C-STN: Color STN  
 MD-TFD: Mobile digital thin-film diode  
 a-TFT: Amorphous-silicon TFT  
 LTPS: Low-temperature polysilicon TFT  
 HTPS: High-temperature polysilicon TFT  
 LCD-Dr: LCD driver  
 S-LSI: System LSI

# Quarterly Selling, General and Administrative Expenses

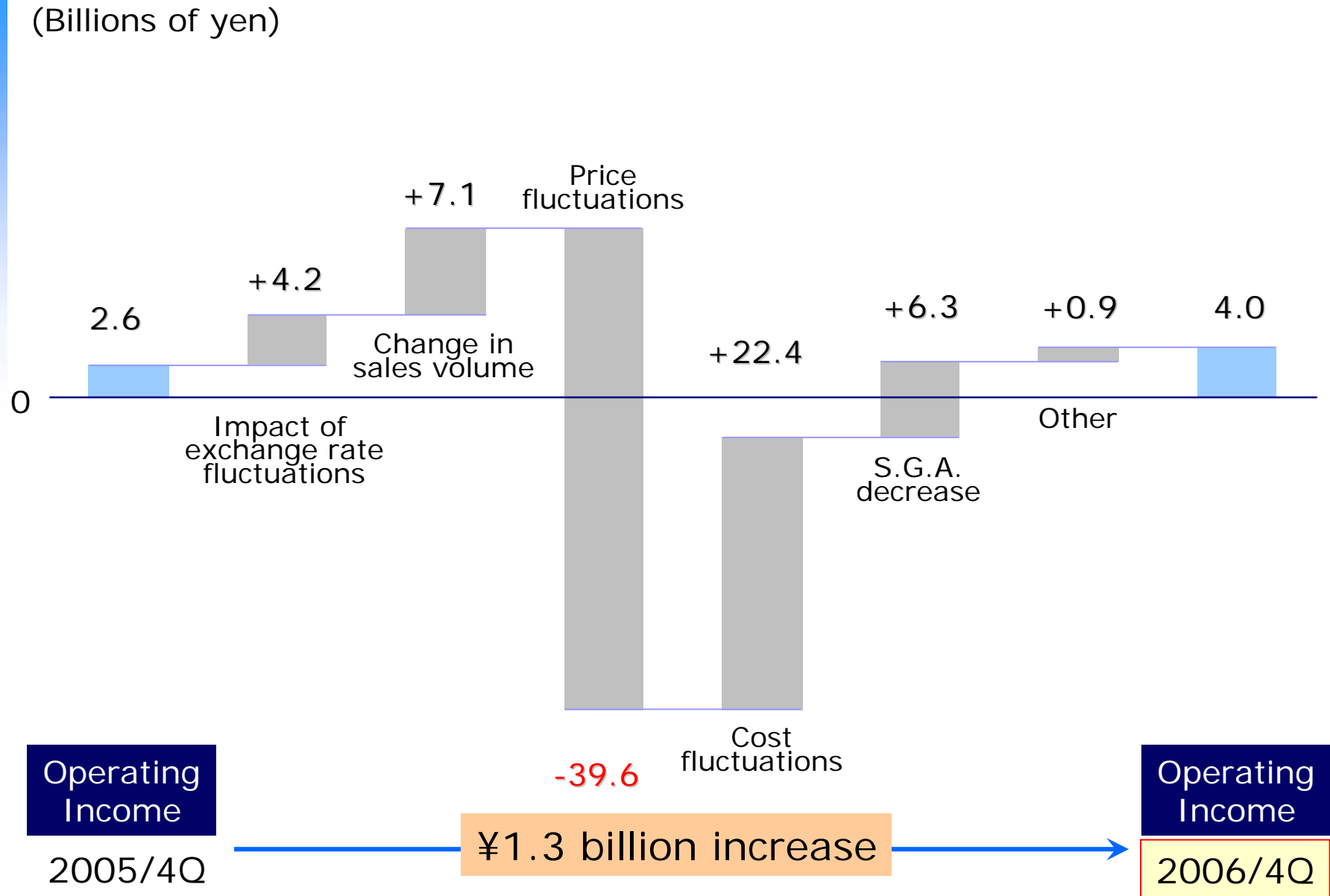


# Quarterly Operating Income

## ► By business segment



# Operating Income Fluctuation Cause Analysis





1) FY2006 Financial Results

2) FY2007 Business Outlook

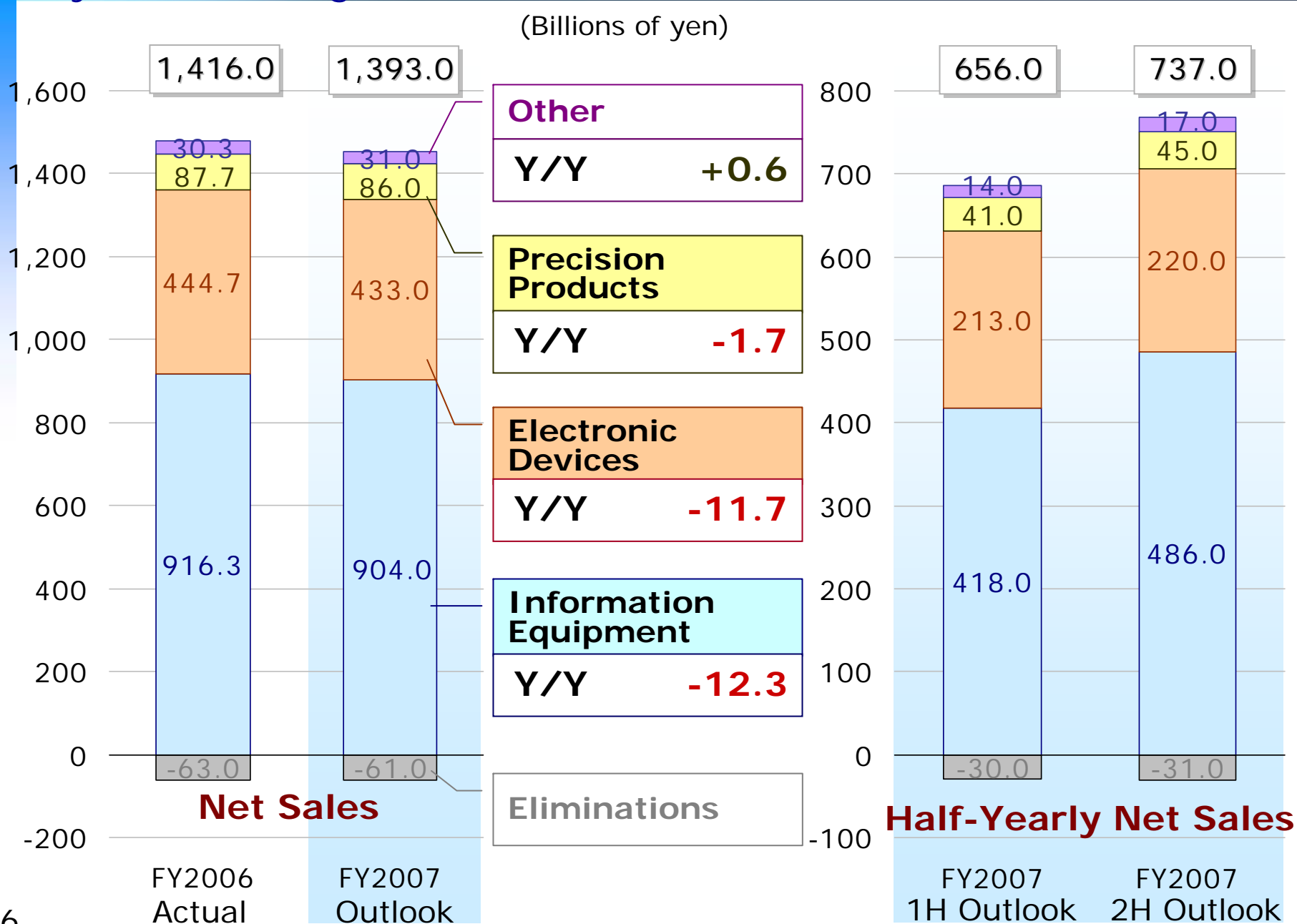
# FY2007 Business Outlook

## ▶ Year-on-year

(Billions of yen)		FY2006		FY2007		Change	
		Actual	%/Sales	Outlook	%/Sales	Amount	%
Net Sales		1,416.0	-	1,393.0	-	-23.0	-1.6%
Operating Income		50.3	3.6%	61.0	4.4%	+10.6	+21.2%
Ordinary Income		49.0	3.5%	60.0	4.3%	+10.9	+22.2%
Net Income <small>Before income taxes</small>		3.4	0.2%	55.0	3.9%	+51.5	+1482.6%
Net Income		-7.0	-0.5%	30.0	2.2%	+37.0	-
EPS		-¥36.13		¥152.78			
Exchange rate	USD	¥117.02		¥114.00			
	EUR	¥150.09		¥148.00			

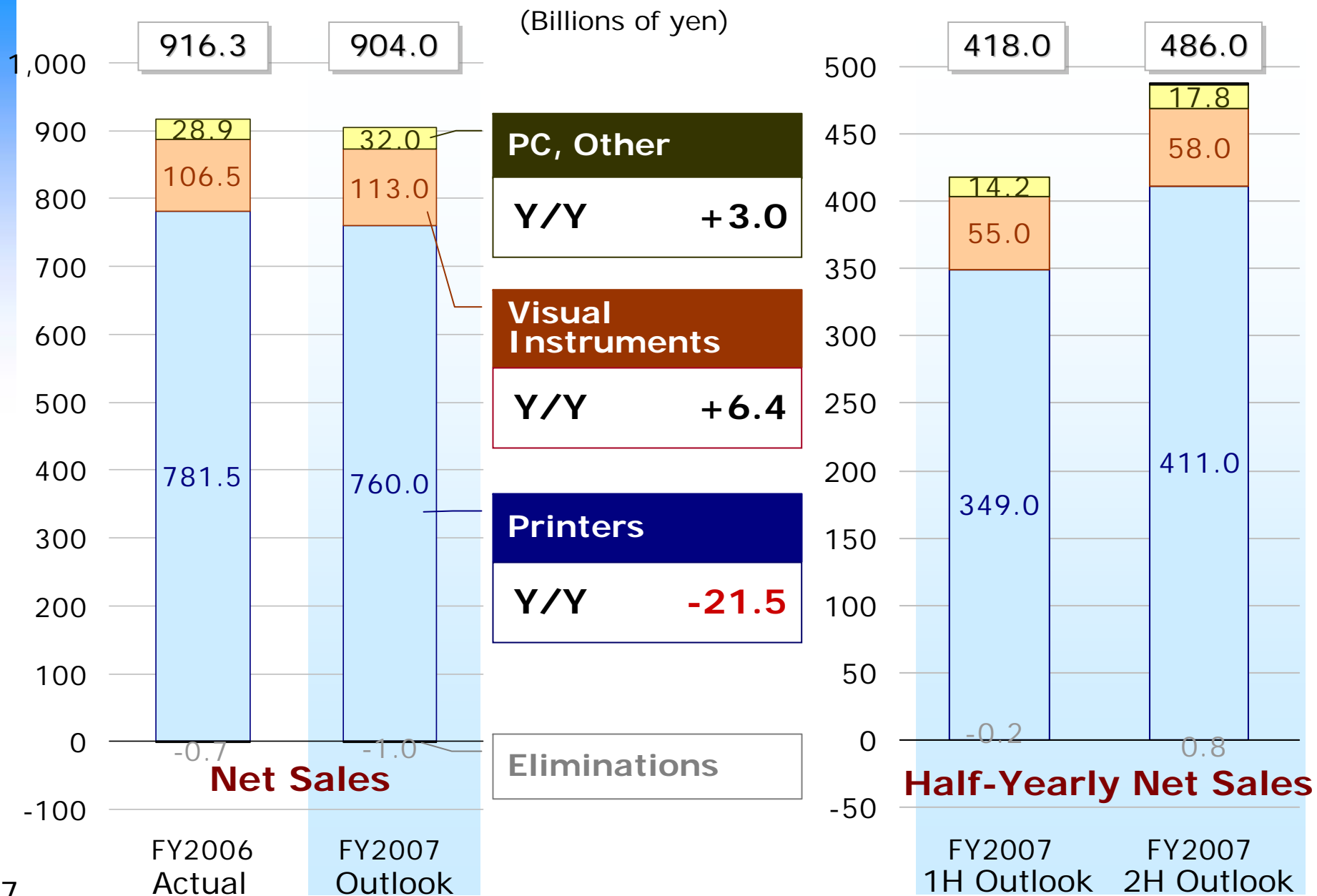
# FY2007 Business Outlook (Net Sales)

## ► By business segment



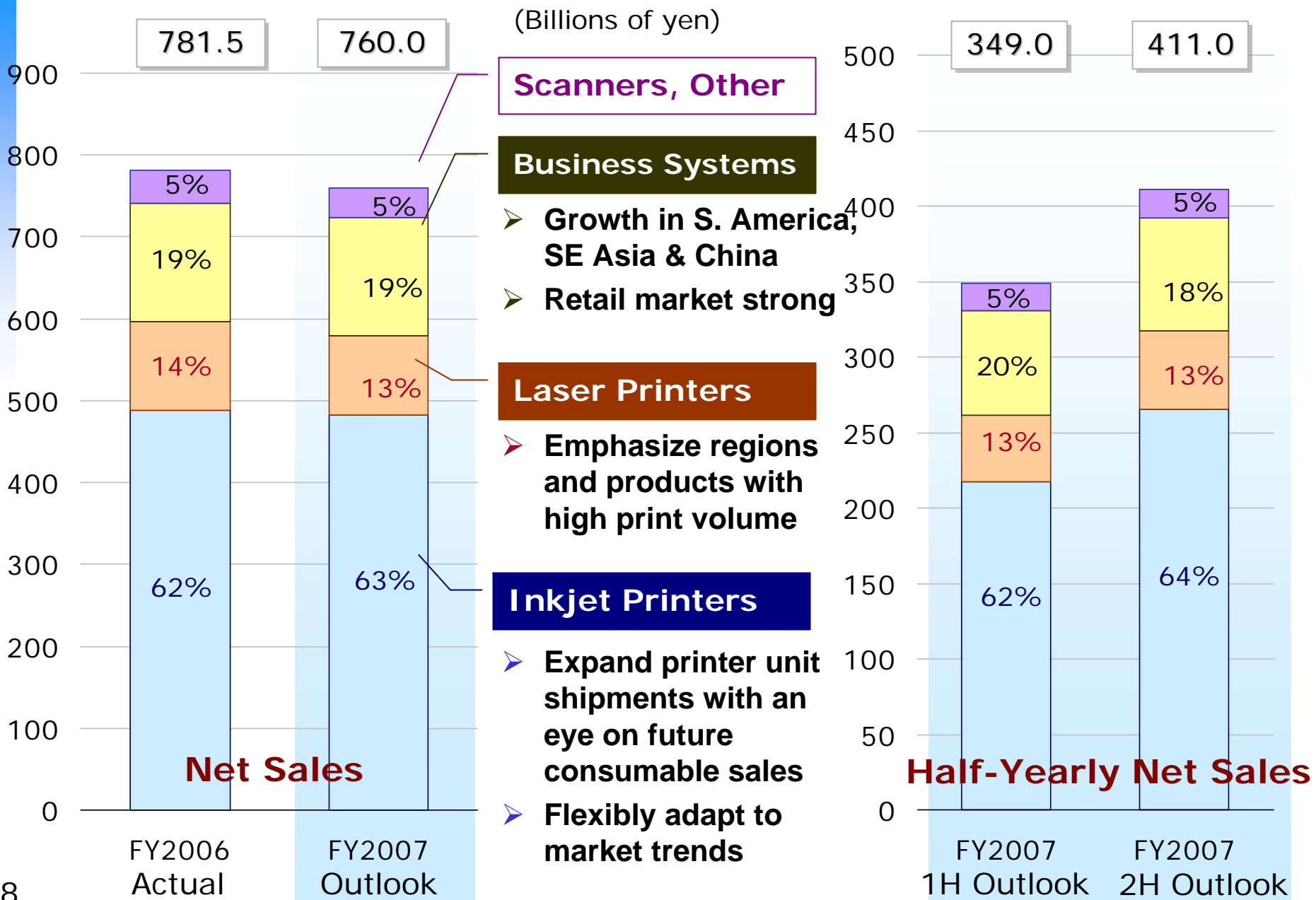
# Net Sales Outlook by Business

## Information-related equipment segment



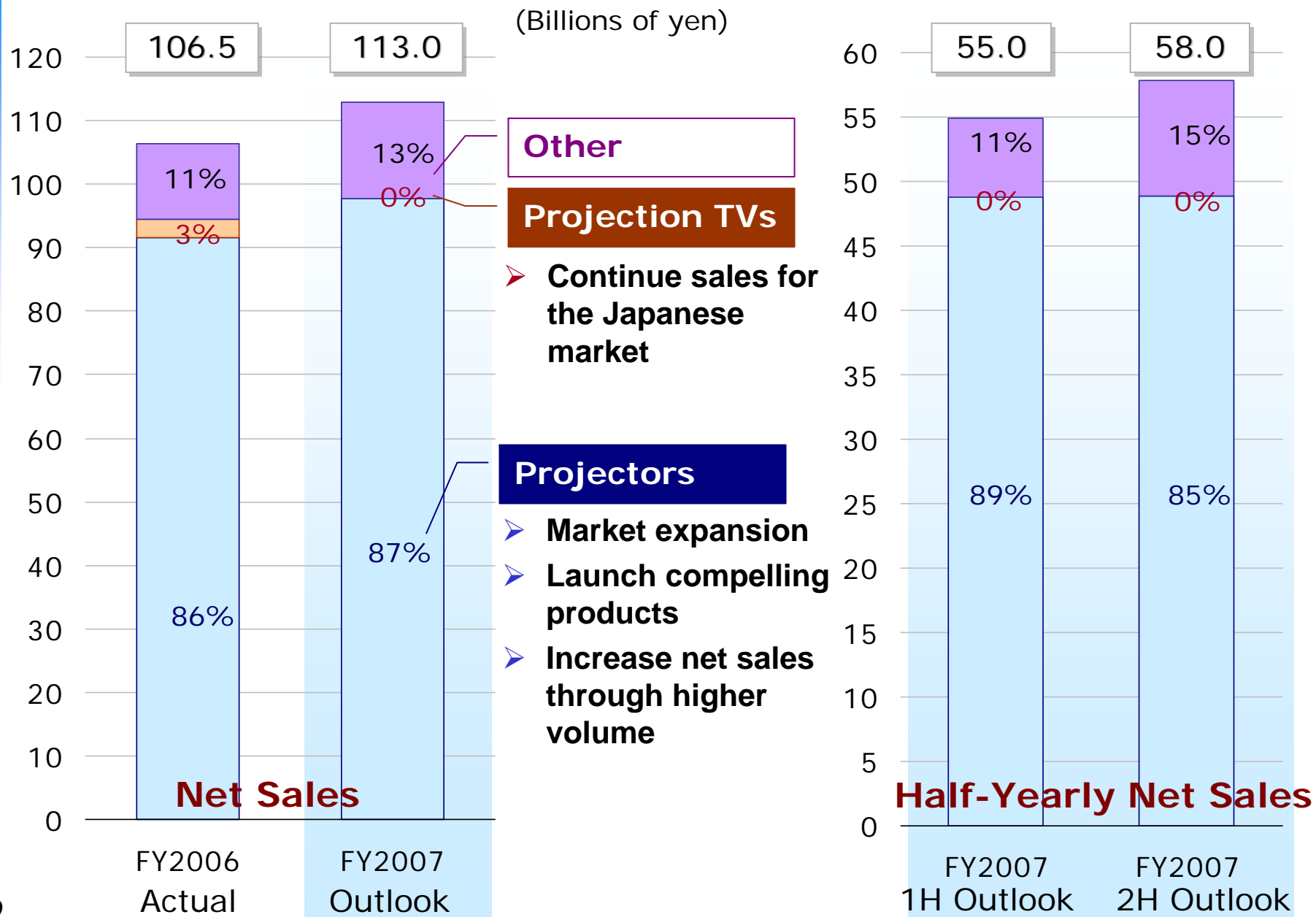
# Net Sales Outlook by Business

## ► Printer business



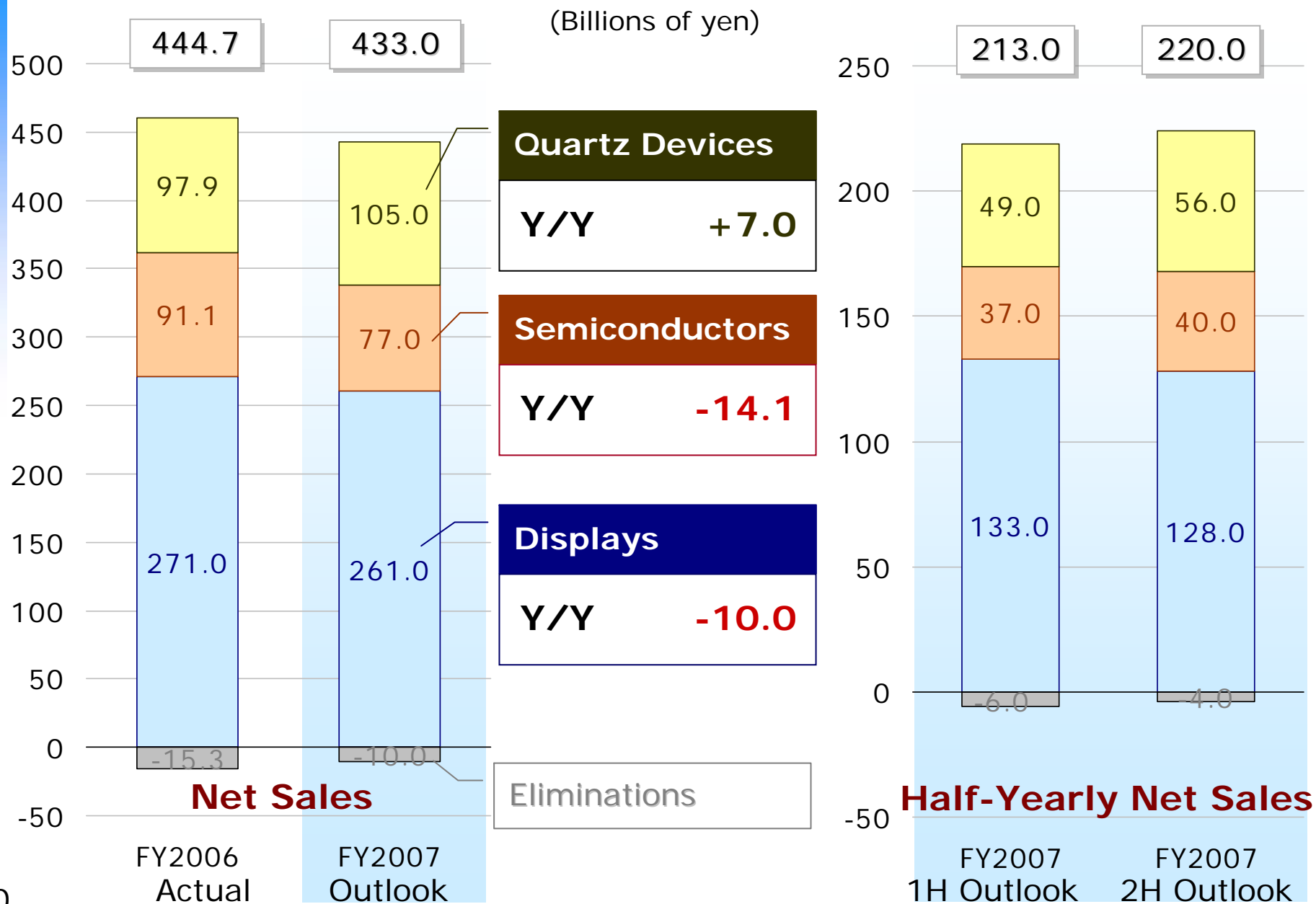
# Net Sales Outlook by Business

## ► Visual instruments business



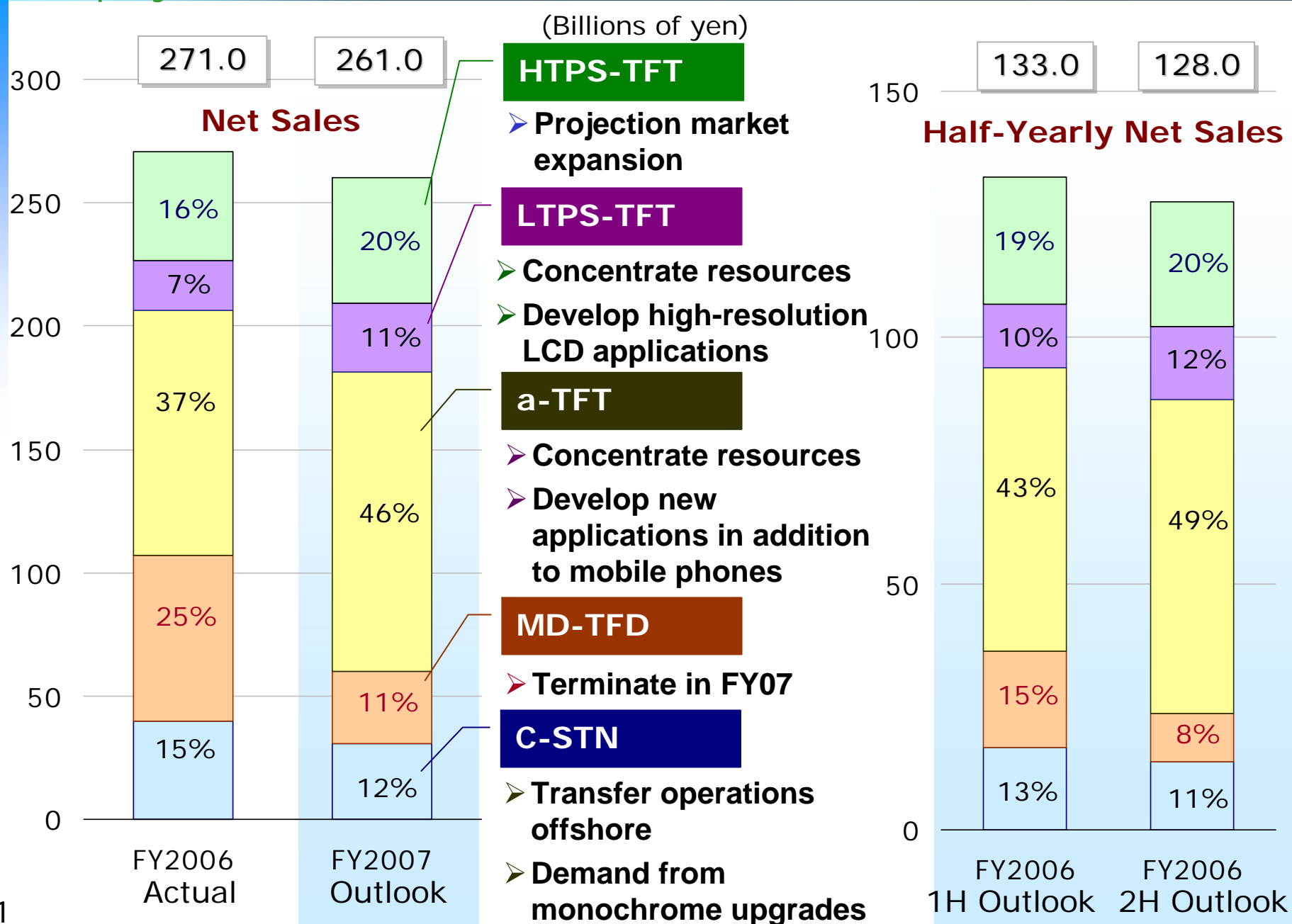
# Net Sales Outlook by Business

## ▶ Electronic device segment



# Net Sales Outlook by Business

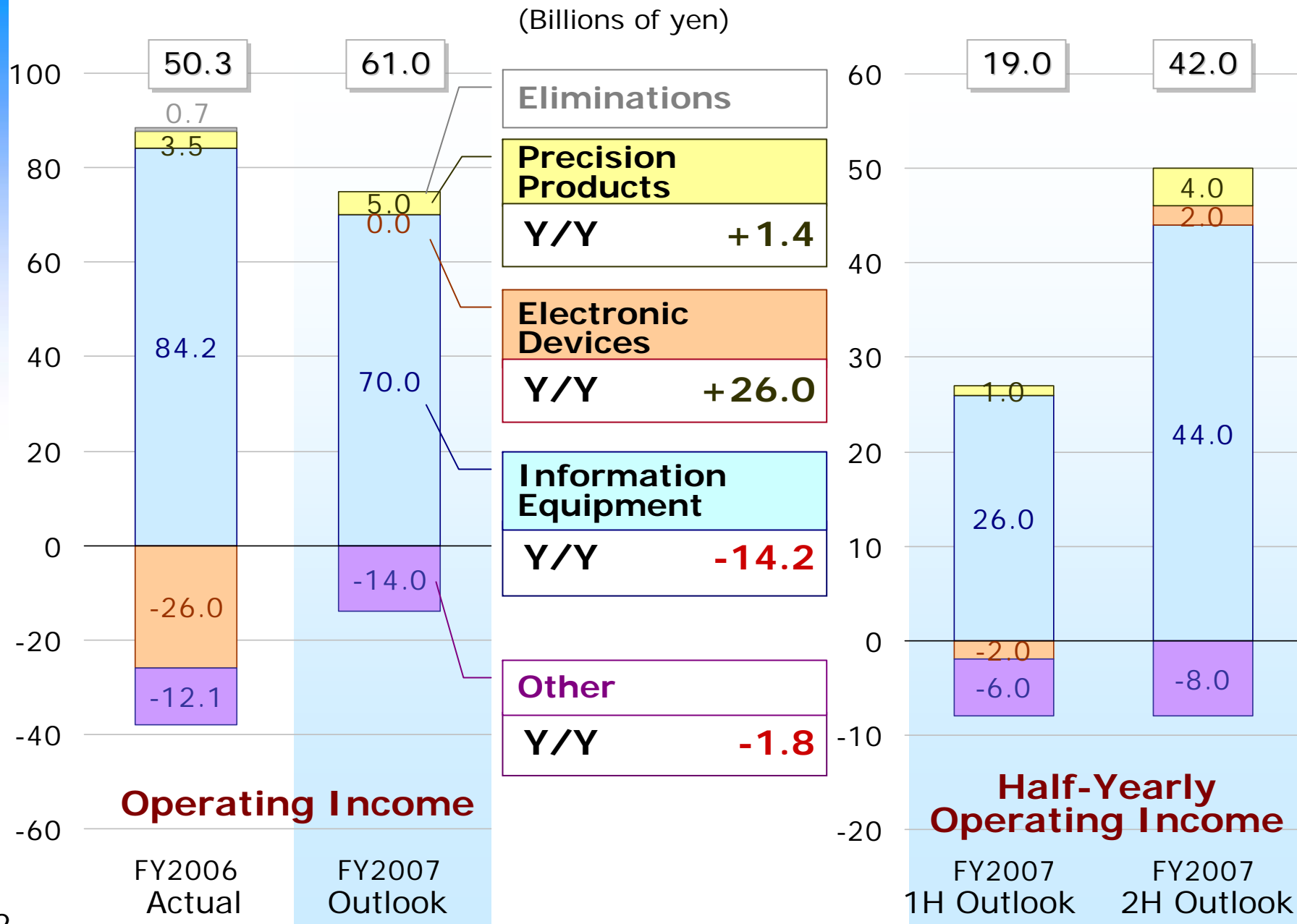
## Display business





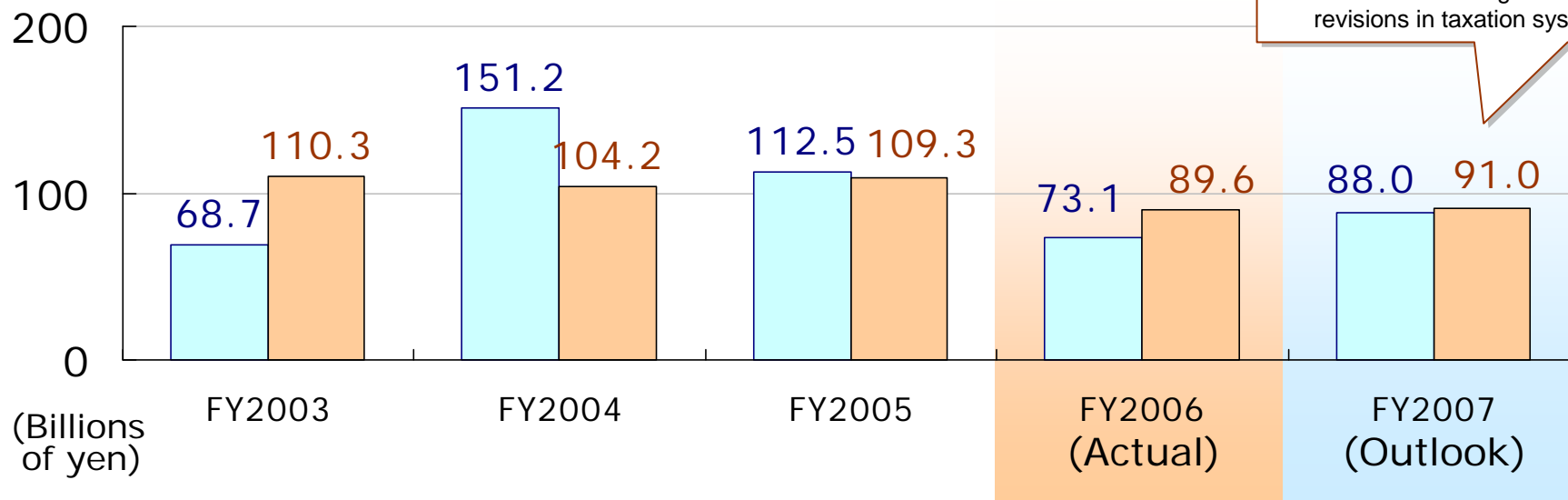
# FY2007 Business Outlook (Operating Income)

## ► By business segment



# Outlook for Capital Expenditure and Depreciation & Amortization Expenses

Capital Expenditures / Depreciation and Amortization Expenses



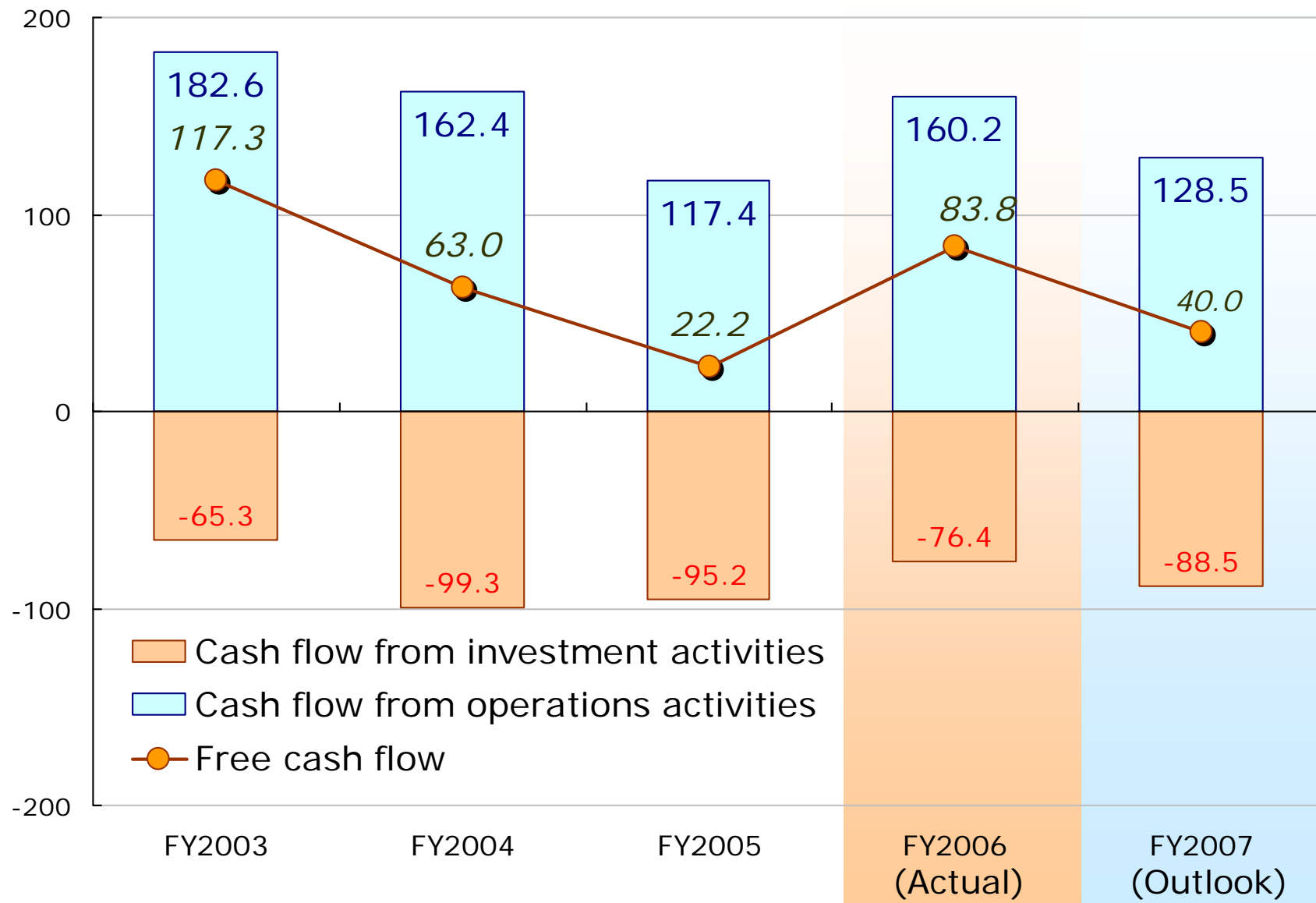
## Key Capital Investments

Investment strategy: Concentrate on strategic areas

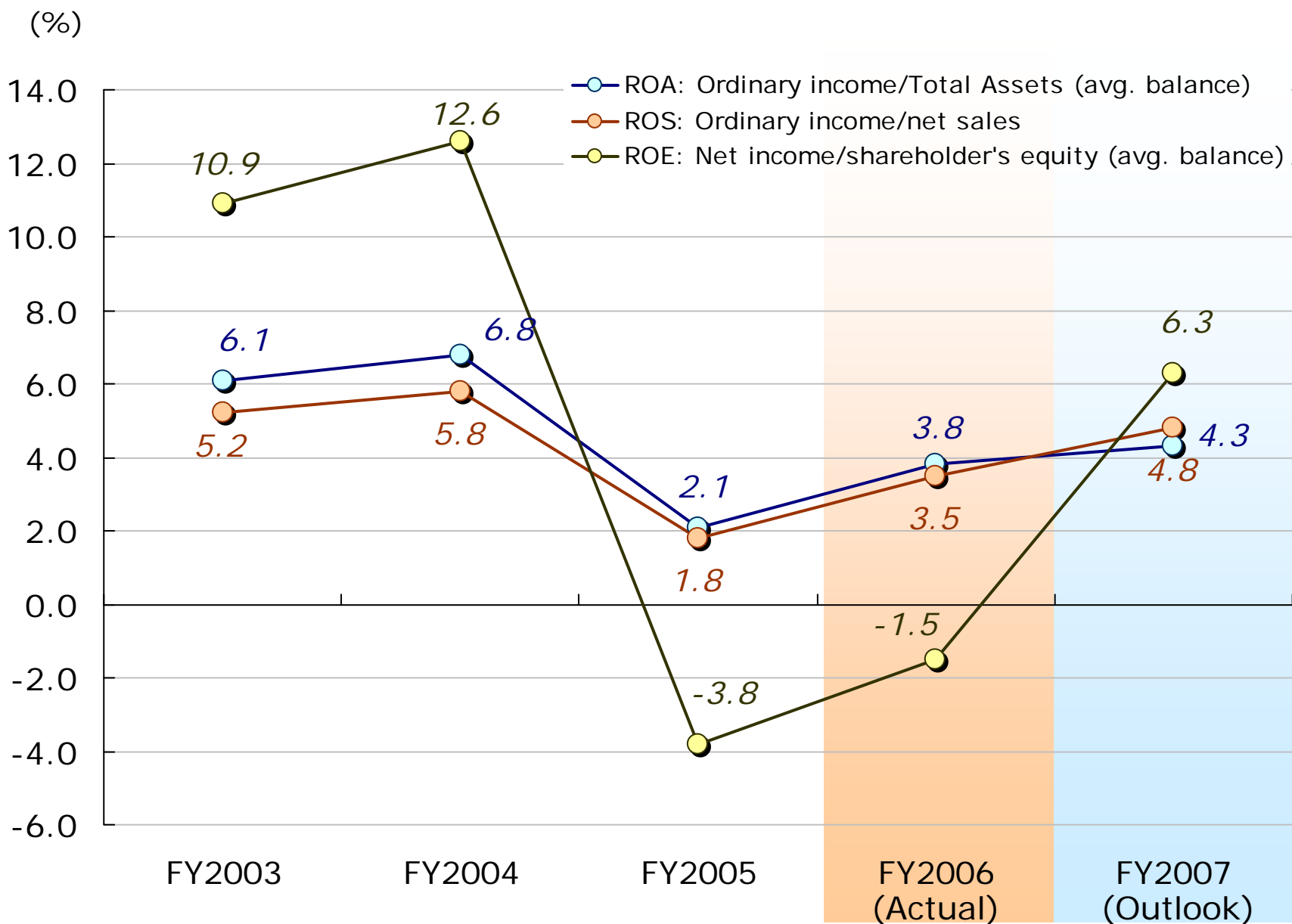
- Finished product business: Invest in new products
- Device business: Invest in additional production capacity

# Free Cash Flow Outlook

(Billions of yen)



# Main Management Indicators



**EPSON**  
EXCEED YOUR VISION