



First Quarter Financial Results Fiscal Year 2010 (Ending March 2011)

July 30, 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 segment reporting based on new management approach

From FY2010

- 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.

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- **As we explained previously, we have adopted a new management approach to reporting on the financial performance of our operating segments in compliance with new accounting standard requirements.**
- **Please note that the fiscal 2009 net sales and income figures for each segment have been adjusted for the sake of comparison against our fiscal 2010 performance and outlook.**

1) FY2010 Q1 Financial Results

2) FY2010 Business Outlook



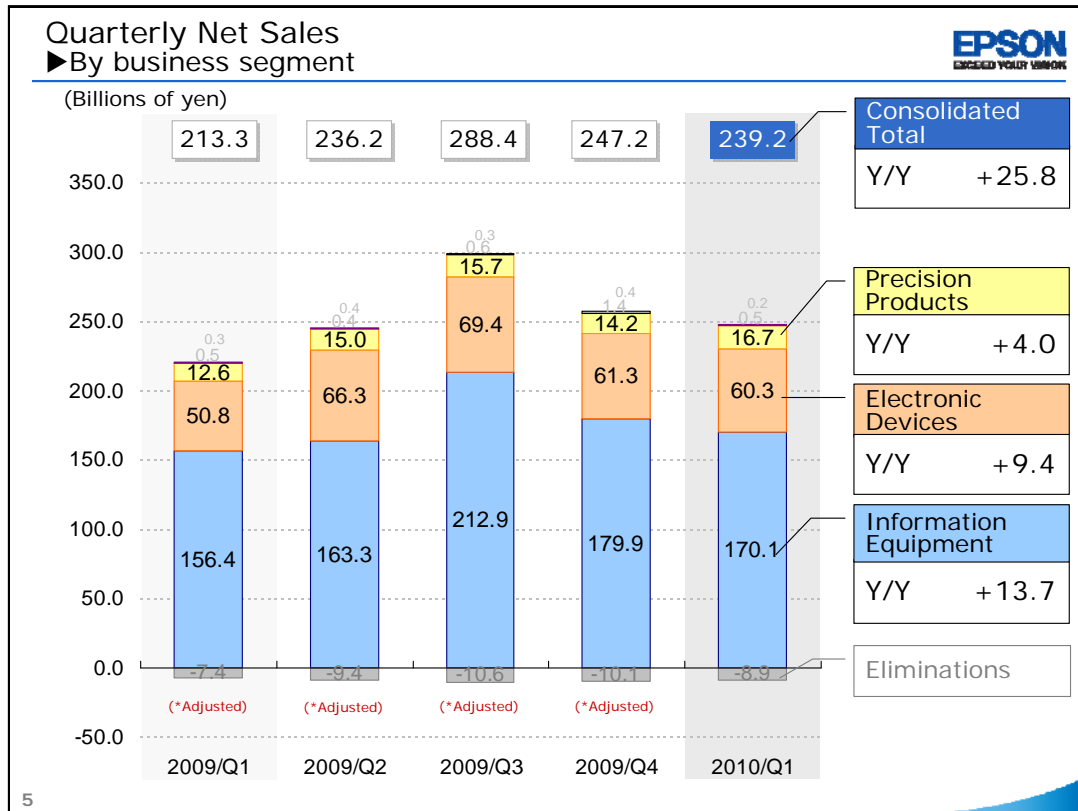
Financial Highlights (First Quarter)



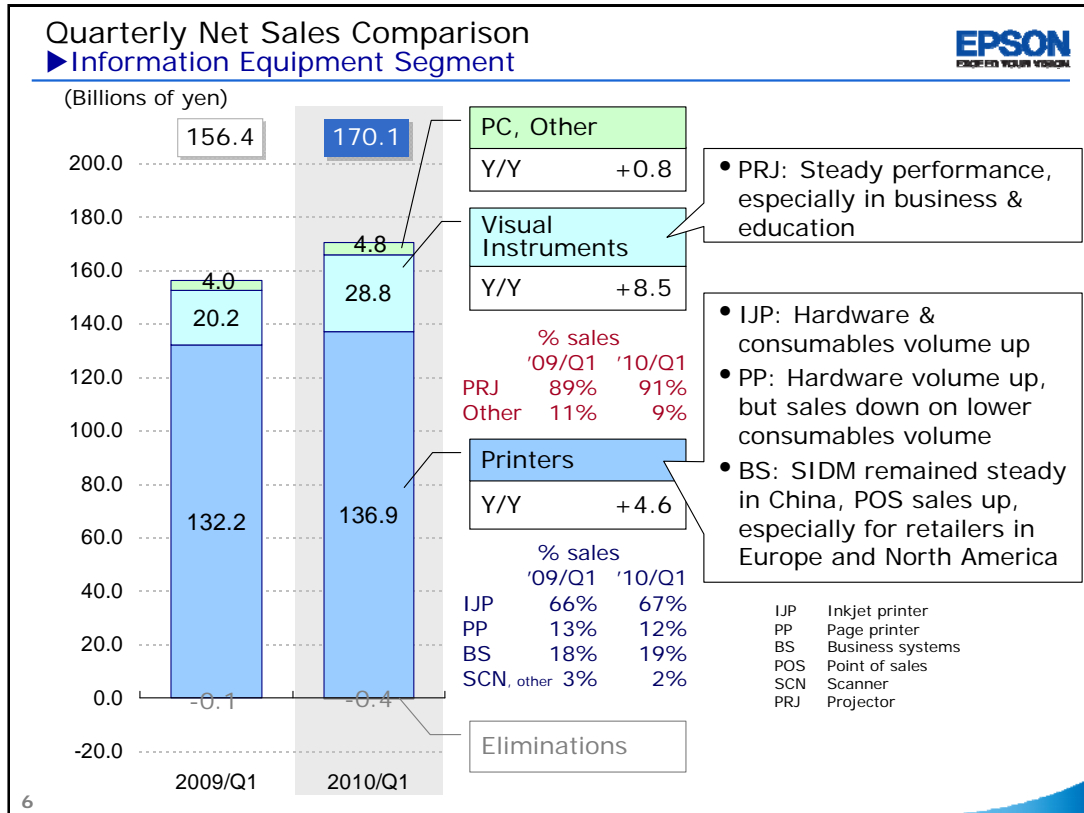
(Billions of yen)	FY2009		FY2010		Change	
	Q1 Actual	%	Q1 Actual	%	Amount	%
Net Sales	213.3	-	239.2	-	+25.8	+12.1%
Operating Income	-12.4	-5.8%	10.7	4.5%	+23.1	-
Ordinary Income	-15.0	-7.1%	11.2	4.7%	+26.2	-
Net Income Before Income Taxes	-16.8	-7.9%	10.7	4.5%	+27.5	-
Quarterly Net Income	-22.3	-10.5%	7.9	3.3%	+30.3	-
EPS	-¥113.24		¥39.76			
Exchange Rate	USD	¥97.32	¥92.01			
	EUR	¥132.57	¥116.99			

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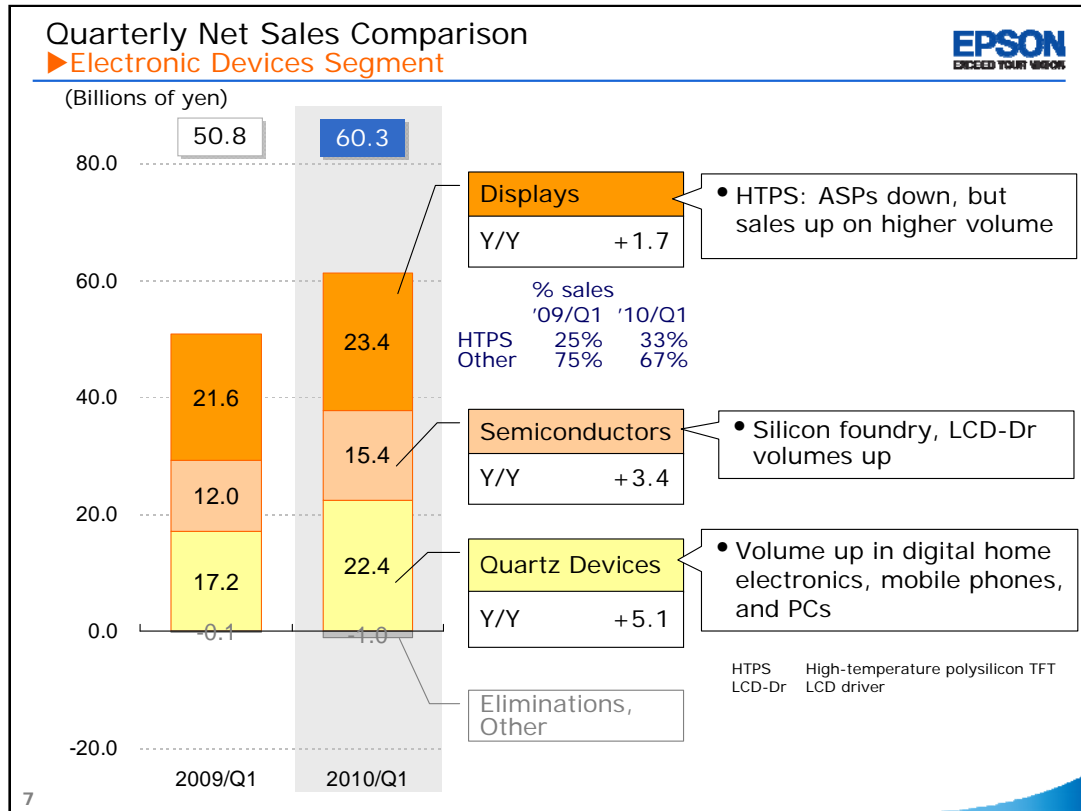
- Epson's first-quarter results for the 2010 fiscal year were as follows.
- Net sales were ¥239.2 billion, up 12.1% year over year. On the income front, we saw significant improvement compared to the same period last year. Operating income was ¥10.7 billion, up ¥23.1 billion. Ordinary income was ¥11.2 billion, up ¥26.2 billion. Net income was ¥7.9 billion, up ¥30.3 billion.
- We ended up far exceeding our internal financial plan for the first quarter.
- Our initial financial plan for the 2010 fiscal year is predicated on the assumption of a turnaround in the business environment, including a rebound in demand for electronic devices and a gradual recovery in demand for enterprise products.
- On the other hand, given our concerns about the impact on the business environment of certain persistent elements of uncertainty, including a shaky European economic situation and foreign exchange fluctuations, we took actions to generate income from the first quarter. Our aim is to restore profitability as early as possible and put us in position to achieve breakeven or better in full-year net income, the target we set at the beginning of the current fiscal year.
- The result is that we were able to far surpass our internal financial plan in the first quarter. Several factors contributed to this. In addition to the ongoing initiatives we first introduced in fiscal 2009 to realign our business portfolio and to strengthen our businesses by reducing fixed costs, profitability improved with a recovery in demand for high-margin enterprise products and a higher-than-expected increase in orders for electronic devices, especially semiconductors.



- Let's take a look at net sales for consecutive quarters in each segment.
- Year-over-year, information-related equipment net sales rose by ¥13.7 billion, while electronic devices increased by ¥9.4 billion. Precision products net sales grew by ¥4 billion.

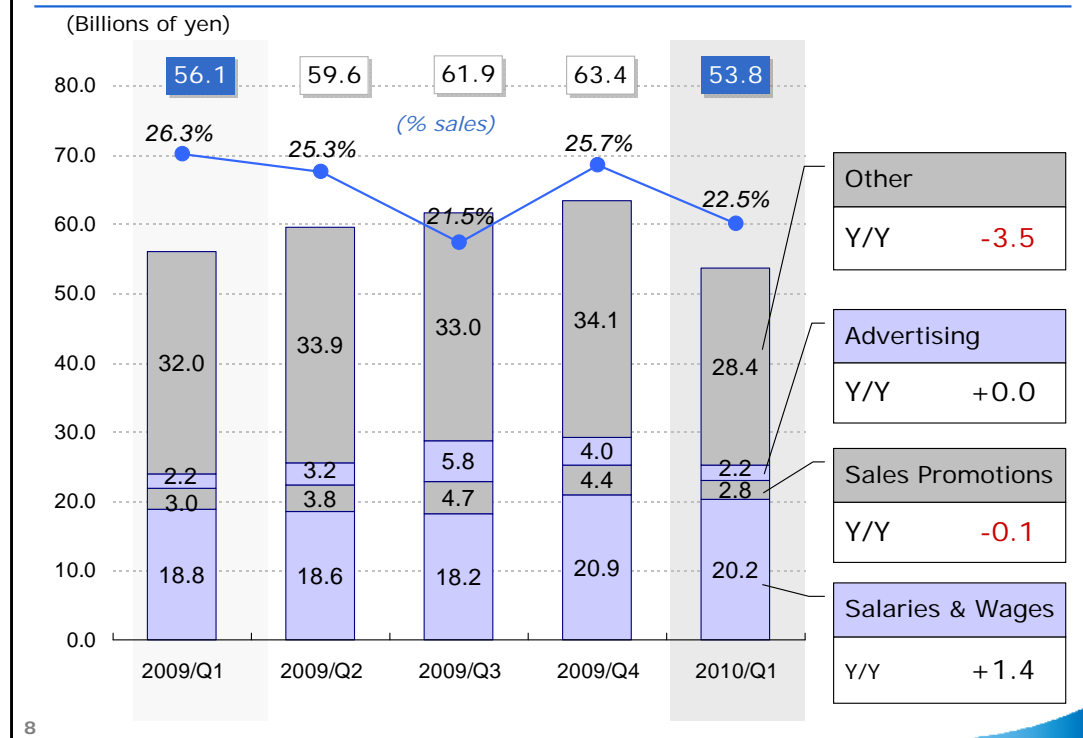


- Let's see how first-quarter net sales in each of the businesses in the information-related equipment segment compare with the same period last year.
- The printer business reported a ¥4.6 billion increase in net sales, year-over-year.
- Inkjet printer net sales grew on increased shipments of printers and consumables, though net sales were adversely impacted by foreign exchange effects.
- With global markets gradually recovering, Epson succeeded in growing its unit shipments in every region compared to the same period last year.
- Page printer unit shipments rose in Europe and Asia, largely due to the aggressive pursuit of tender opportunities, but net sales declined due to a drop in consumables volume and foreign exchange effects.
- Business systems delivered net sales growth. Net sales were buoyed by steady SIDM printer sales in China, as well as by increased unit shipments of POS-related products to retailers in Europe and North America.
- The visual instruments business posted record unit shipments for the first quarter and an ¥8.5 billion increase in net income, year-over-year. Contributing to the increase were strong sales of business and education projectors in Europe, America and Asia, as well as special demand drummed up by promotions timed to coincide with the FIFA World Cup.
- Next, let's look at how net sales stack up against the internal plan we drew up at the start of the fiscal year.
- Inkjet printers were basically in line with plan thanks to ongoing firm demand for both printers and consumables, including for business applications.
- Business systems exceeded the net sales plan mainly as a result of steadily rising demand for SIDM printers generated by the implementation of China's tax collection system and because of demand from the banking sector in India and other regions. Likewise, tender wins in China's banking sector produced steady demand for POS-related products.
- We also beat the plan in page printers owing mainly to tender wins in Europe and Asia.
- In visual instruments we beat the plan due to strong projector sales in the Americas and China.

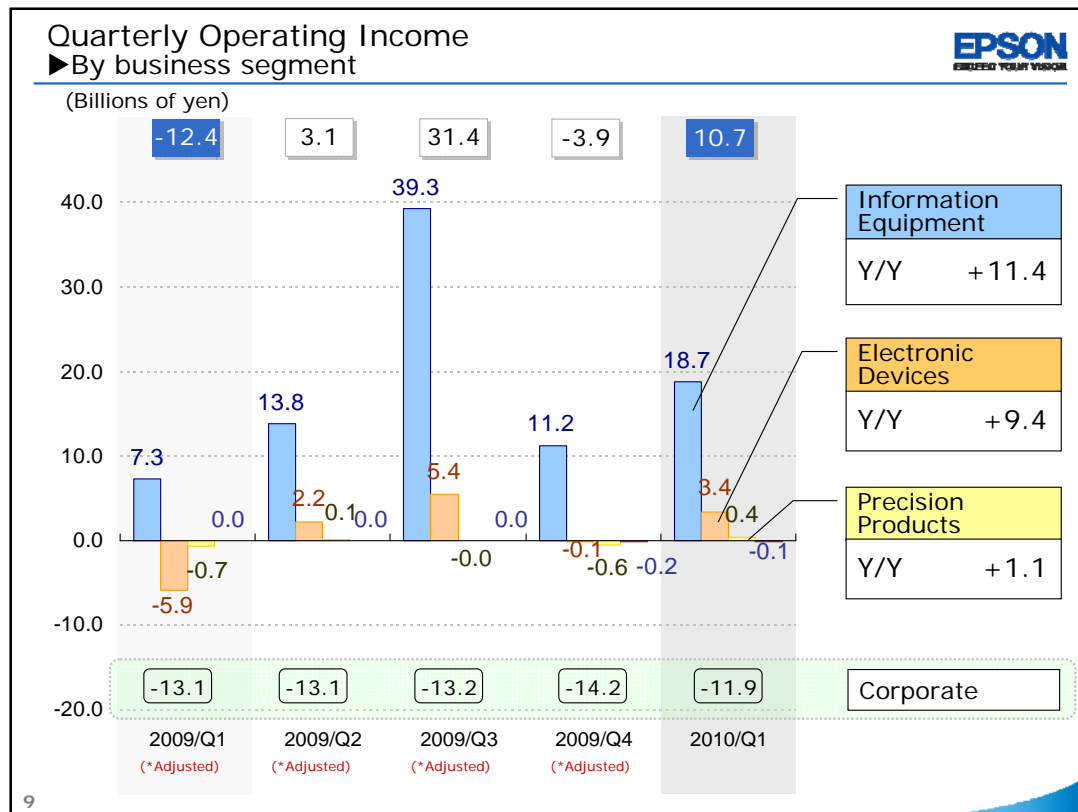


- Here, net sales for the quarter in the electronic devices segment are shown against the results from the year-ago period.
- Every business in the segment – quartz devices, semiconductors, and displays – reported year-over-year gains in net sales. The gains were driven by a steady climb in demand as the economy recovered.
- Quartz device net sales were tempered by a decline in ASPs yet rose by ¥5.1 billion on increased unit shipments, mainly to manufacturers of digital home electronics, mobile phones, and personal computers.
- Semiconductor net sales increased by ¥3.4 billion due to a leap in silicon foundry and driver orders prompted by a surge in demand.
- The displays business reported a ¥1.7 billion year-over-year increase in net sales.
- Although the small- and medium-sized displays business recorded lower net sales, HTPS projector panel net sales grew, as the increase in unit shipments outpaced the decline in ASPs.
- Next, let's review how the businesses in the electronic devices segment fared versus the initial plan. The small- and medium-sized displays business was unable to deliver the planned results. However, the semiconductor, quartz device, and HTPS businesses all beat the plan thanks to stronger-than-expected demand for electronic devices.

Quarterly Selling, General and Administrative Expenses



- Quarterly selling, general and administrative expenses were as shown here.
- Compared to the same period last year, SGA expenses declined by ¥2.2 billion, partly as a result of efforts to improve cost efficiency.

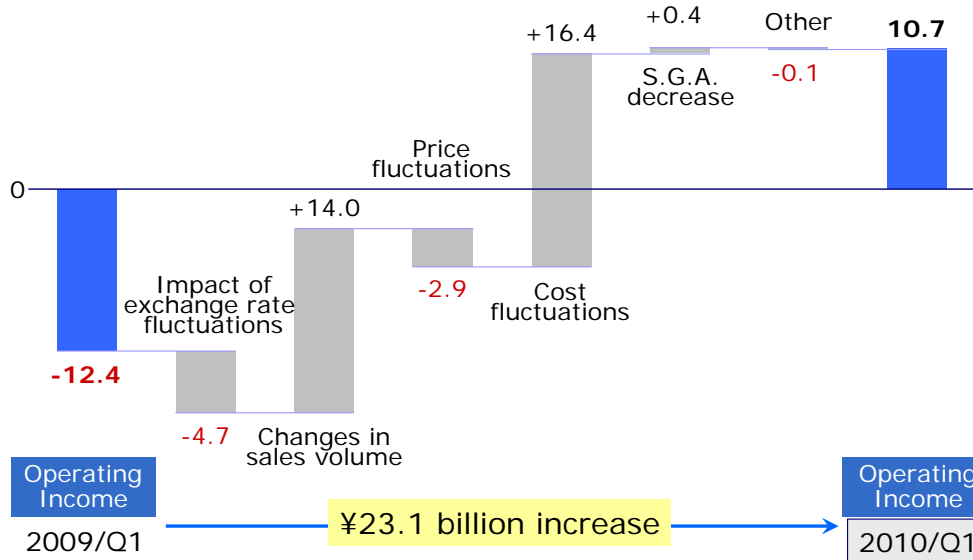


- This slide provides a breakdown of quarterly operating income by segment.
- Information-related equipment reported ¥18.7 billion in operating income, up ¥11.4 billion from the same period last year, with every business in the segment recording net sales growth.
- Electronic devices reported ¥3.4 billion in operating income, up ¥9.4 billion year-over-year.
- In addition to the effect of higher net sales in the semiconductor, quartz device, and displays businesses, operating income was lifted by improved profitability thanks to higher plant utilization rates.
- The results of both the information-related equipment segment and electronic devices segment exceeded the plan.
- On the whole, the businesses in the information-related equipment segment saw demand steadily rise across the quarter. Profitability climbed on higher net sales, especially in business systems, projectors, and other enterprise products. The internal plan was exceeded due to a combination of factors. First, we reduced variable costs across our businesses and especially the inkjet printer business, improving both the variable cost ratio and cost efficiency. In addition, we postponed certain expenses so that we can spend more effectively at the right time as we begin gearing up for the upcoming year-end shopping season in the second and third quarters.
- Electronic devices operating income exceeded the internal plan, primarily as a result of higher net sales in the semiconductor business and improved profitability associated with higher utilization rates.

Operating Income Fluctuation Cause Analysis



(Billions of yen)

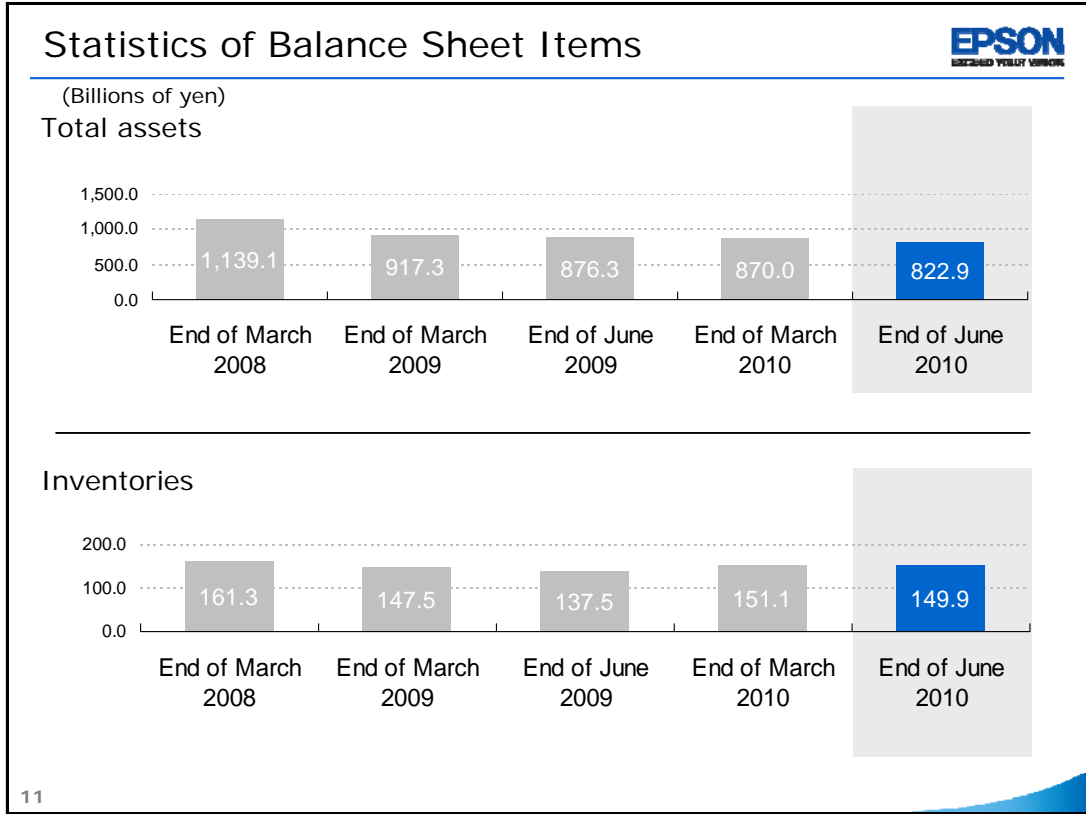


* Profit and loss figures for FY2009 were calculated using the previous standard.

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- This slide shows a cause analysis of the ¥23.1 billion increase in operating income from the same period last year.
- Operating income for the quarter was ¥10.7 billion compared to an operating loss of ¥12.4 billion in the first quarter of fiscal 2009. While the currency exchange rates and price fluctuations had a negative effect on operating income, factors such as cost fluctuations and volume fluctuations contributed positively.



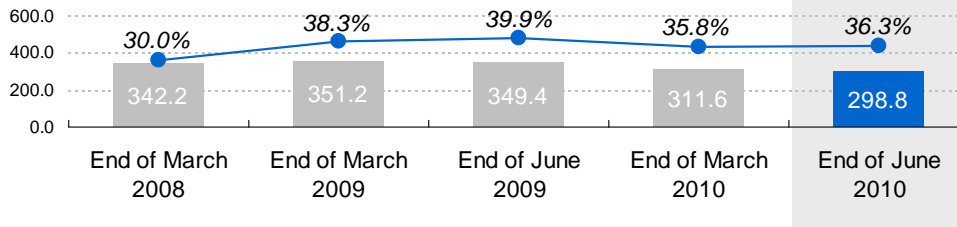
- Next, let's look at some of the major items on the balance sheet.
- Total assets decreased by ¥47.1 billion, largely due to a decline in cash and deposits accompanying the repayment of short-term loans payable.

Statistics of Balance Sheet Items

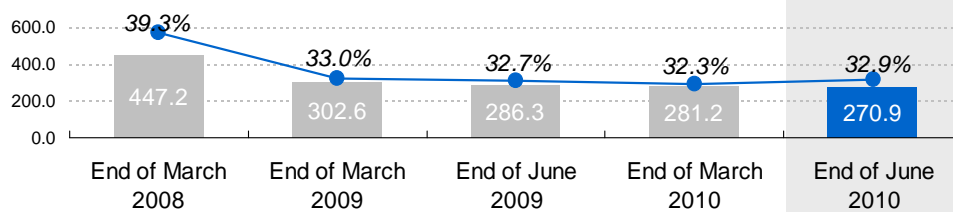


(Billions of yen)

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

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- This shows the statistics of balance sheet items.
- Interest-bearing liabilities decreased by ¥12.8 billion compared to the end of the previous fiscal year. The ratio of interest-bearing liabilities to total assets was 36.3%. Net interest-bearing liabilities were ¥76.0 billion.
- Shareholders' equity declined by ¥10.3 billion. The equity ratio was 32.9%.

1) FY2010 Q1 Financial Results

2) FY2010 Business Outlook

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➤ **Let's turn next to the fiscal 2010 business outlook.**

FY2010 Business Outlook

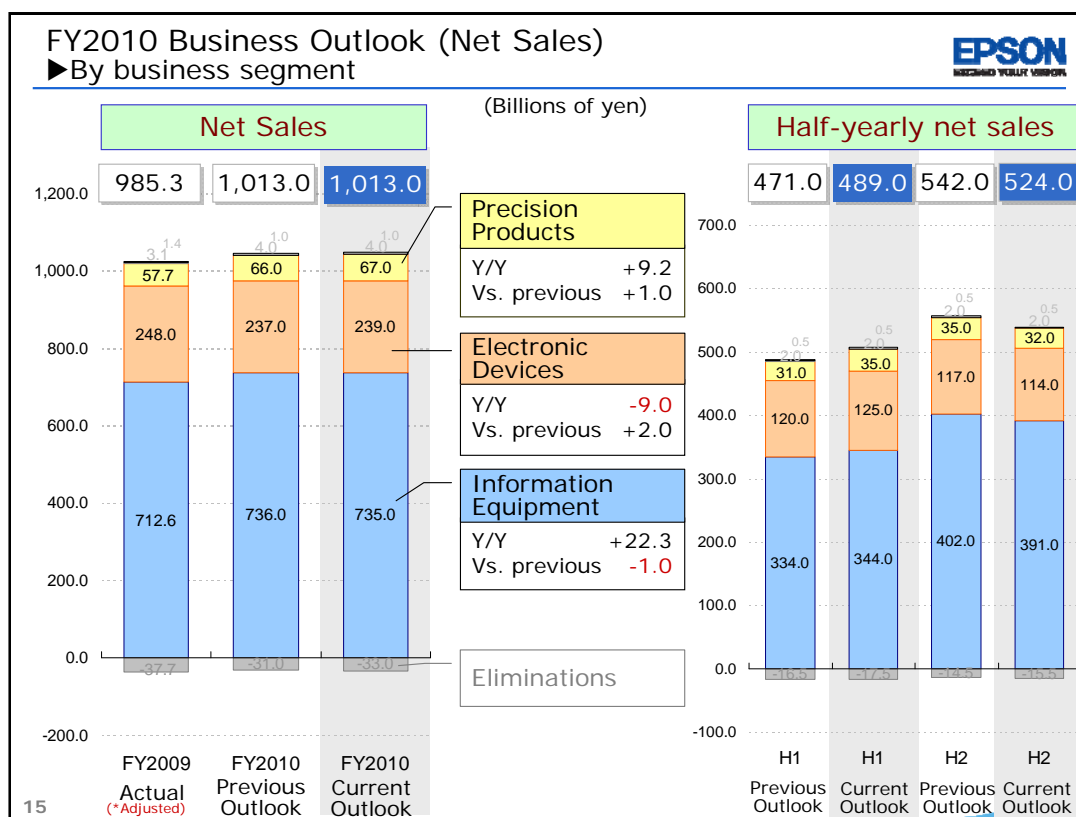
► Year-over-year



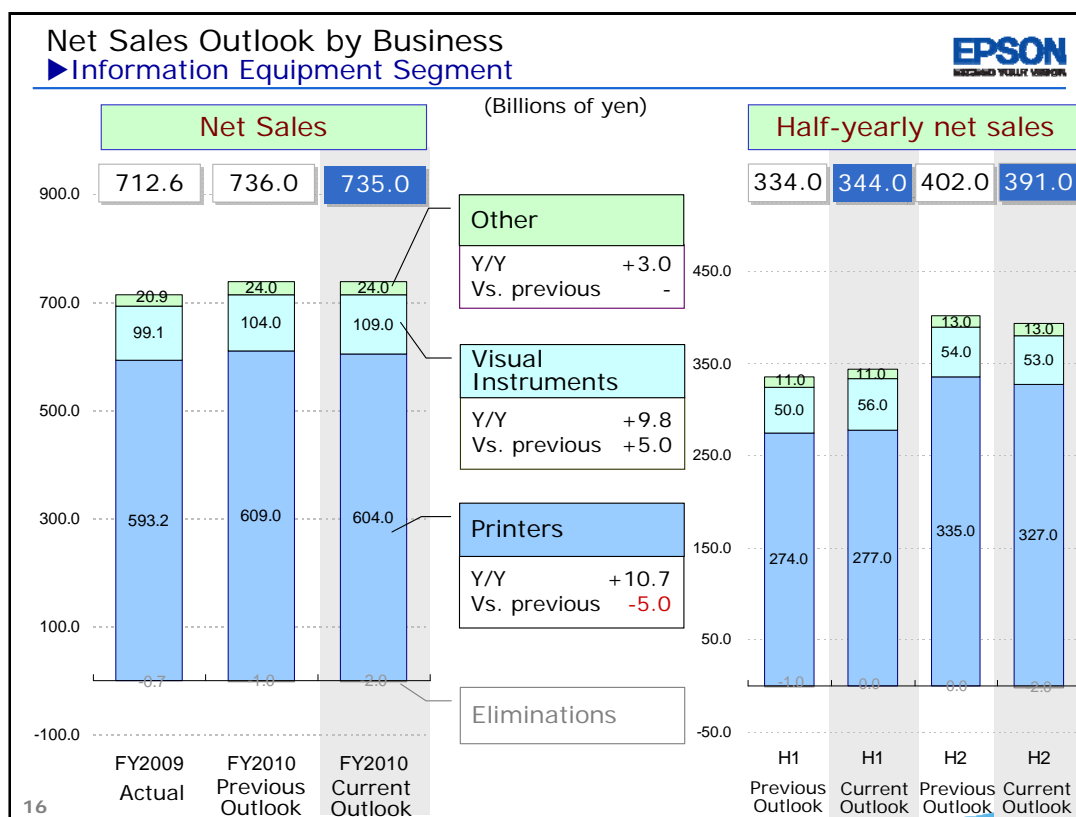
(Billions of yen)	FY2009		FY2010				Change (amount, %)	
	Actual	%	Previous Outlook	%	Current Outlook	%	Y/Y	Vs. Prev. Outlook
Net Sales	985.3	-	1,013.0	-	1,013.0	-	+27.6 +2.8%	-
Operating Income	18.2	1.8%	27.0	2.7%	27.0	2.7%	+8.7 +48.1%	-
Ordinary Income	13.8	1.4%	24.0	2.4%	24.0	2.4%	+10.1 +73.0%	-
Net Income <small>Before Income Taxes</small>	-0.7	-0.1%	12.0	1.2%	12.0	1.2%	+12.7 -	-
Net Income	-19.7	-2.0%	0	-	0	-	+19.7 -	-
EPS	-¥99.34		¥0.00		¥0.00			
Exchange Rate	USD	¥92.85	¥85.00		¥87.00		Exchange rate assumptions from FY2010/Q2 onward USD: ¥85.00 EUR: ¥110.00	
	EUR	¥131.15	¥125.00		¥112.00			

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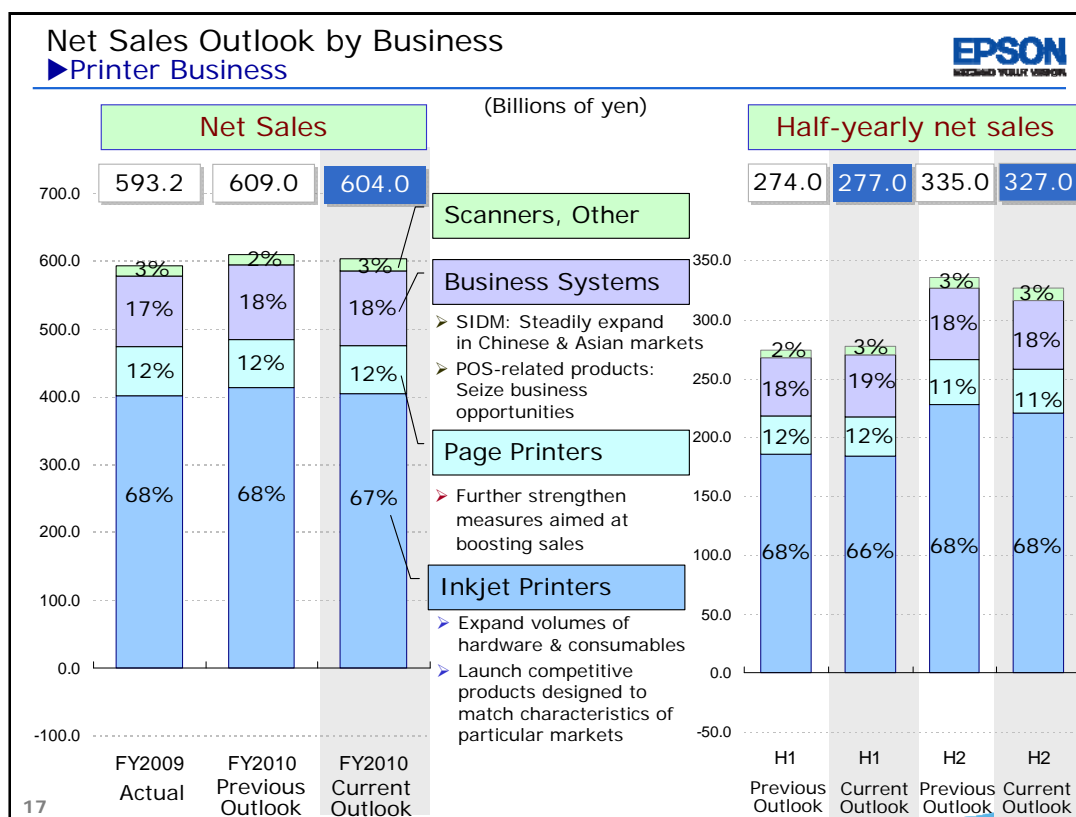
- The fiscal 2010 full-year financial outlook looks like this. Taking into account the first-quarter results and the outlook for each segment, we revised the segment net sales and income figures, as well as the figures for the first and second halves, assuming currency exchange rates of 85 yen to the US dollar and 110 yen to the euro in the second and subsequent quarters. Having done that, we are reiterating our previous full-year outlook.
- The business environment is gradually turning the corner, with, among other things, healthy demand in the electronic device markets and rebounding demand for enterprise products.
- However, elements of uncertainty still cloud the business picture heading into the second half, including, for example, fluctuations in currency exchange rates in the near term and instability in economic trends, especially in Europe.
- The current 2010 fiscal year corresponds to the second year of our three-year mid-range business plan, which is geared toward achieving the goals of the SE15 corporate vision. In line with this plan, we are aiming to set a profit-generating corporate structure firmly in place and, on the income front, in particular, the Epson management team is strongly committed to attaining breakeven or better in net income, regardless of the business environment.
- Going forward, we will steadily implement the strategies set forth in each business and continue our ongoing efforts to strengthen our businesses.



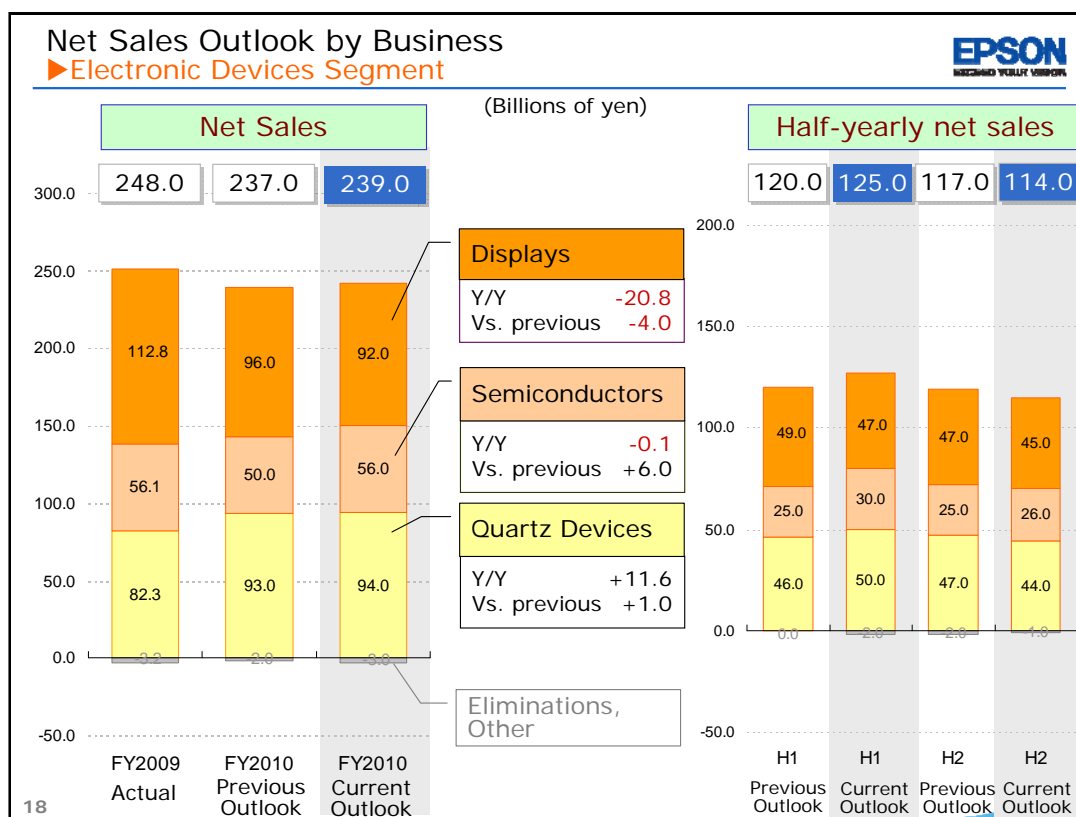
- This slide shows the net sales outlook for fiscal 2010. The figures are broken down by segment and by first half and second half.
- We have downwardly revised the full-year net sales outlook in the information-related equipment segment by ¥1 billion compared to the previous outlook because we anticipate inkjet printer net sales to be impacted by the effects of a euro depreciation, in and after the second quarter, especially in the second half.
- On the other hand, we have upwardly revised the full-year net sales outlook for electronic devices by ¥2 billion because we see the current strong demand lasting up to the third quarter.



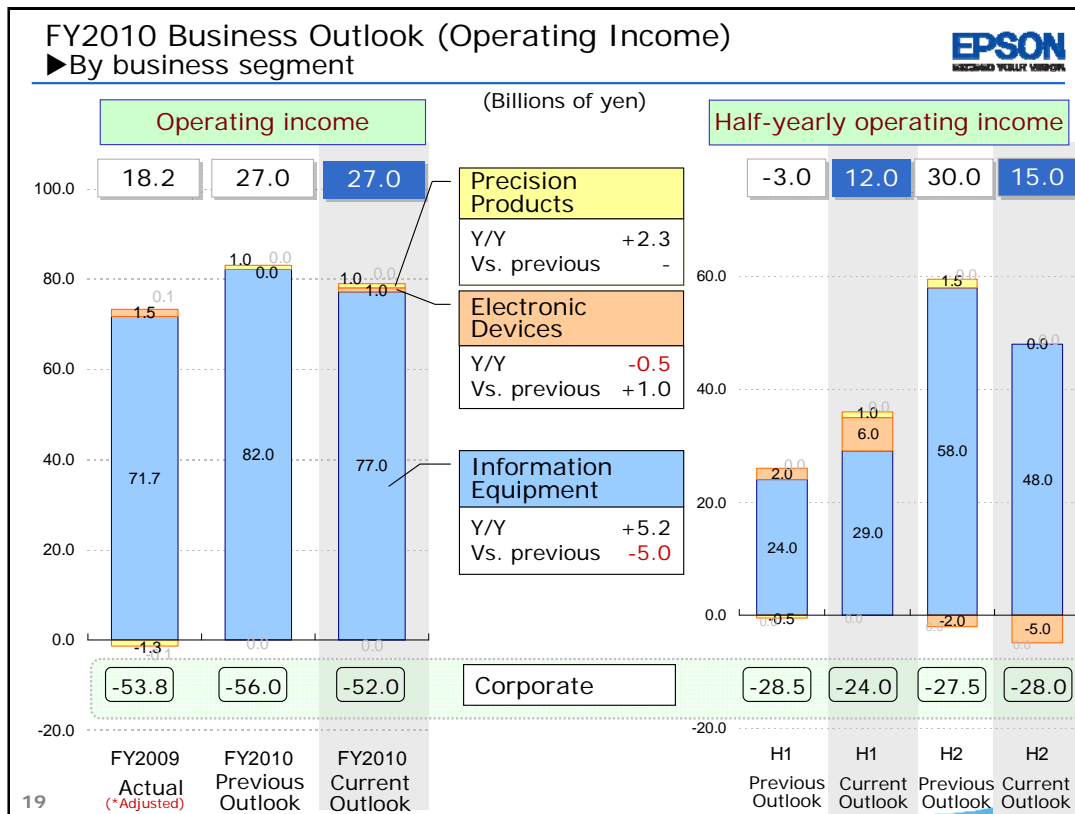
- This slide shows the breakdown of estimated net sales by business in the information-related equipment segment.
- In the visual instruments business, the near-term projector market is showing signs of a stronger-than-expected recovery. Epson has maintained the No. 1 position in this market while expanding its share by delivering products that meet customers' needs.
- While we anticipate further weakening of the euro in the second half, we are forecasting net sales of ¥109 billion, up ¥5 billion from our previous outlook.



- In the printer business, we are forecasting full-year net sales of **¥604 billion**, or **¥5 billion less** than the previous outlook.
- Heading into the second-half year-end shopping season, the inkjet printer business will launch competitive products designed to best satisfy customer needs and the character of the markets. We are planning for a 10% or higher increase in inkjet printer unit shipments compared to fiscal 2009, but we have lowered the outlook for net sales to reflect the effects of euro depreciation.
- Likewise, the net sales outlook for page printers reflects foreign exchange effects.
- We raised our net sales forecast for business systems. Although a weaker euro will hurt net sales, the upward revision is warranted primarily by the strength of demand for SIDM printers in China and other Asian markets.



- This slide shows the breakdown of estimated net sales by business in the electronic devices segment.
- In the quartz device business, we expect to see continued strong demand for crystal products from digital home electronics and mobile phone manufacturers. However, given the current lack of fourth-quarter visibility, we have only raised our previous outlook by ¥1 billion.
- Reflecting robust near-term demand, we upwardly revised the full-year net sales forecast for the semiconductor business by ¥6 billion. The second-half net sales forecast, however, has only been raised by ¥1 billion compared to the previous outlook due to a lack of fourth-quarter visibility.
- We lowered our full-year net sales forecast for displays by ¥4 billion, although demand for HTPS panels from our 3LCD projector business will rise.

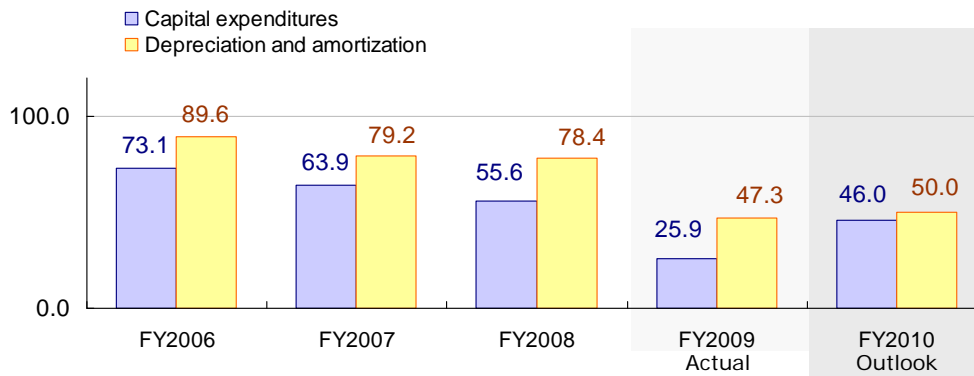


- This slide shows fiscal 2010 full-year operating income outlook. The figures are broken down by segment and by first half and second half.
- In the information-related equipment segment, we lowered the full-year operating income outlook by ¥5 billion compared to the previous outlook. As is the case with net sales, we expect income to be hurt by the effects of euro depreciation, especially in the second half.
- We upwardly revised the first half operating income forecast for electronic devices. This reflects our view that the current strong demand will continue up to the third quarter. Nevertheless, taking into account the sense of uncertainty regarding the fourth quarter, we raised our full-year forecast by ¥1 billion.
- Corporate expenses are seen decreasing by ¥4 billion for the full year as a result of continued efforts at cost efficiency.

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	21.0	26.0
Electronic Devices	9.8	10.4	18.0	12.0
Precision Products	1.8	3.9	3.0	4.0
Corporate/Other	1.6	8.5	4.0	8.0

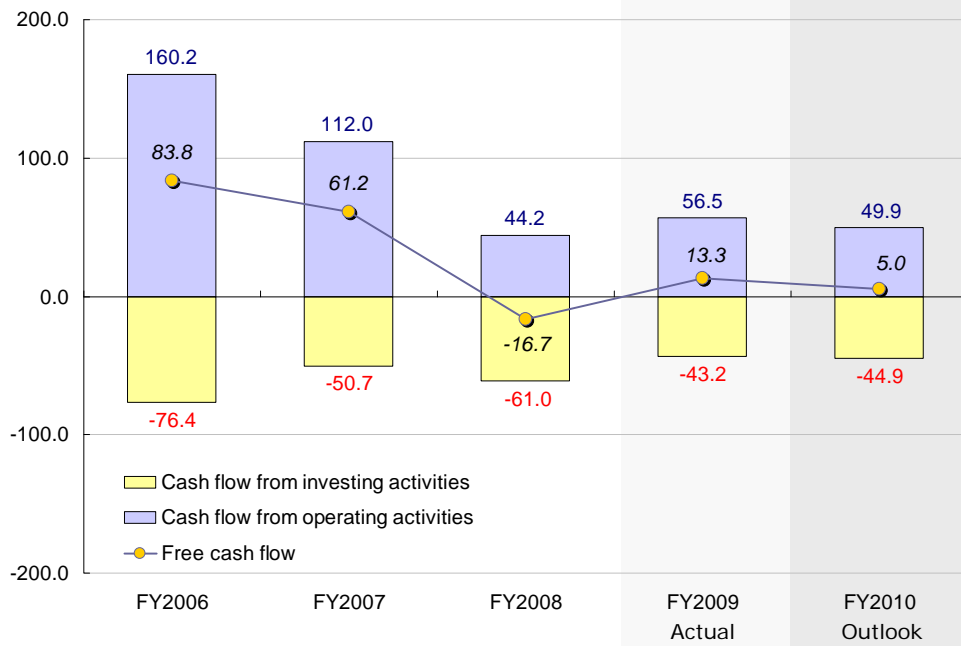
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- **The outlook for capital expenditures and for depreciation and amortization expenses is unchanged.**

Free Cash Flow Outlook



(Billions of yen)

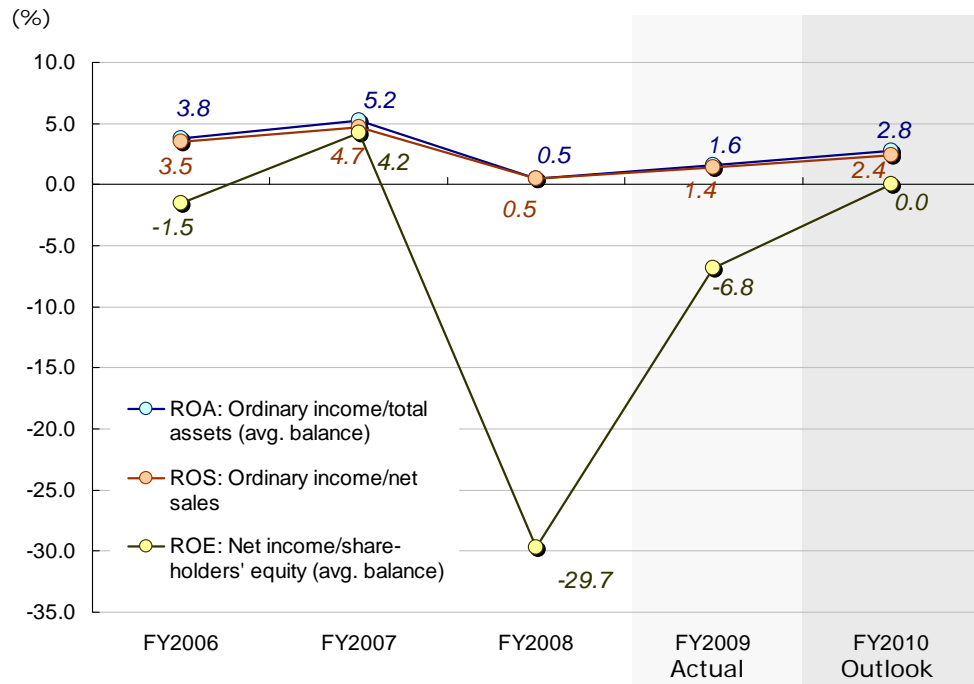


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- The outlook for cash flows is also unchanged.

Main Management Indicators



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- There is no change from the initial outlook in the major management performance indicators.

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