

**EPSON**  
EXCEED YOUR VISION

Full-Year Financial Results  
Fiscal Year 2004  
(Ending March 2005)

Mid-Range Business Plan (Action07),  
Year 2

April 26, 2005

# Disclaimer

When reviewing this information please note that the information was created as of the date of the information, should be considered in the context of the circumstances prevailing at that time and is only correct as of that date. 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, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

This report is a simple translation of the Japanese version of full year financial results of FY2004 explanatory presentation prepared in Japanese. No reclassification nor rearrangement has been made.

Numerical values: Any portion of an amount less than the unit stated is disregarded.  
Percentages: Rounded off to one decimal place.

## FY2004 Financial Highlights

Full-Year Financial Results

Fourth-Quarter Financial Results

# Full-Year Financial Highlights



## ► Year-on-year comparison

(Billions of yen)		FY2003		FY2004		Increase/decrease	
		Actual	%/sales	Actual	%/sales	Amount	% change
Net Sales		1,413.2	-	1,479.7	-	+66.5	+4.7%
Operating income		77.4	5.5%	90.9	6.1%	+13.5	+17.5%
Ordinary income		73.6	5.2%	85.3	5.8%	+11.6	+15.8%
Net Income <small>Before income taxes</small>		65.0	4.6%	73.6	5.0%	+8.5	+13.2%
Net Income		38.0	2.7%	55.6	3.8%	+17.6	+46.4%
EPS		204.70 yen	204.53 yen	283.60 yen			
Exchange rate	USD	113.07 yen	Amount after adjustment of potential stocks	107.55 yen			
	EUR	132.61 yen		135.19 yen			

Record income

# Full-Year Financial Highlights

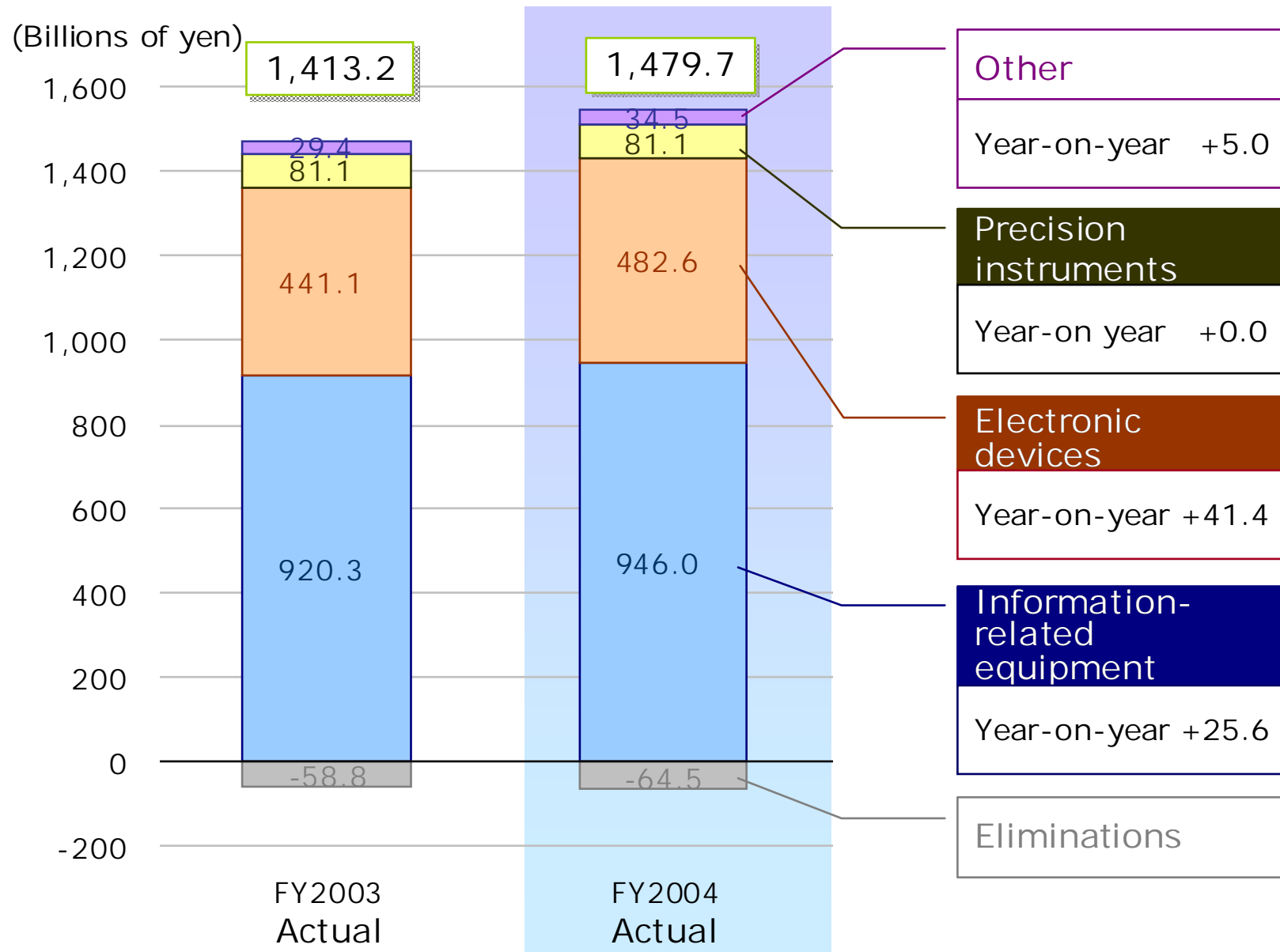


## ► Comparison with the previous outlook (March 23)

(Billions of yen)		FY 2004		FY2004		Increase/decrease	
		Previous outlook	%/sales	Actual	%/sales	Amount	% change
Net Sales		1,473.0	-	1,479.7	-	+6.7	+0.5%
Operating income		90.0	6.1%	90.9	6.1%	+0.9	+1.1%
Ordinary income		85.0	5.8%	85.3	5.8%	+0.3	+0.4%
Net Income Before income taxes		78.0	5.3%	73.6	5.0%	-4.3	-5.6%
Net Income		54.0	3.7%	55.6	3.8%	+1.6	+3.1%
EPS		275.00 yen		283.60 yen			
Exchange rate	USD	107.52 yen		107.55 yen			
	EUR	134.70 yen		135.19 yen			

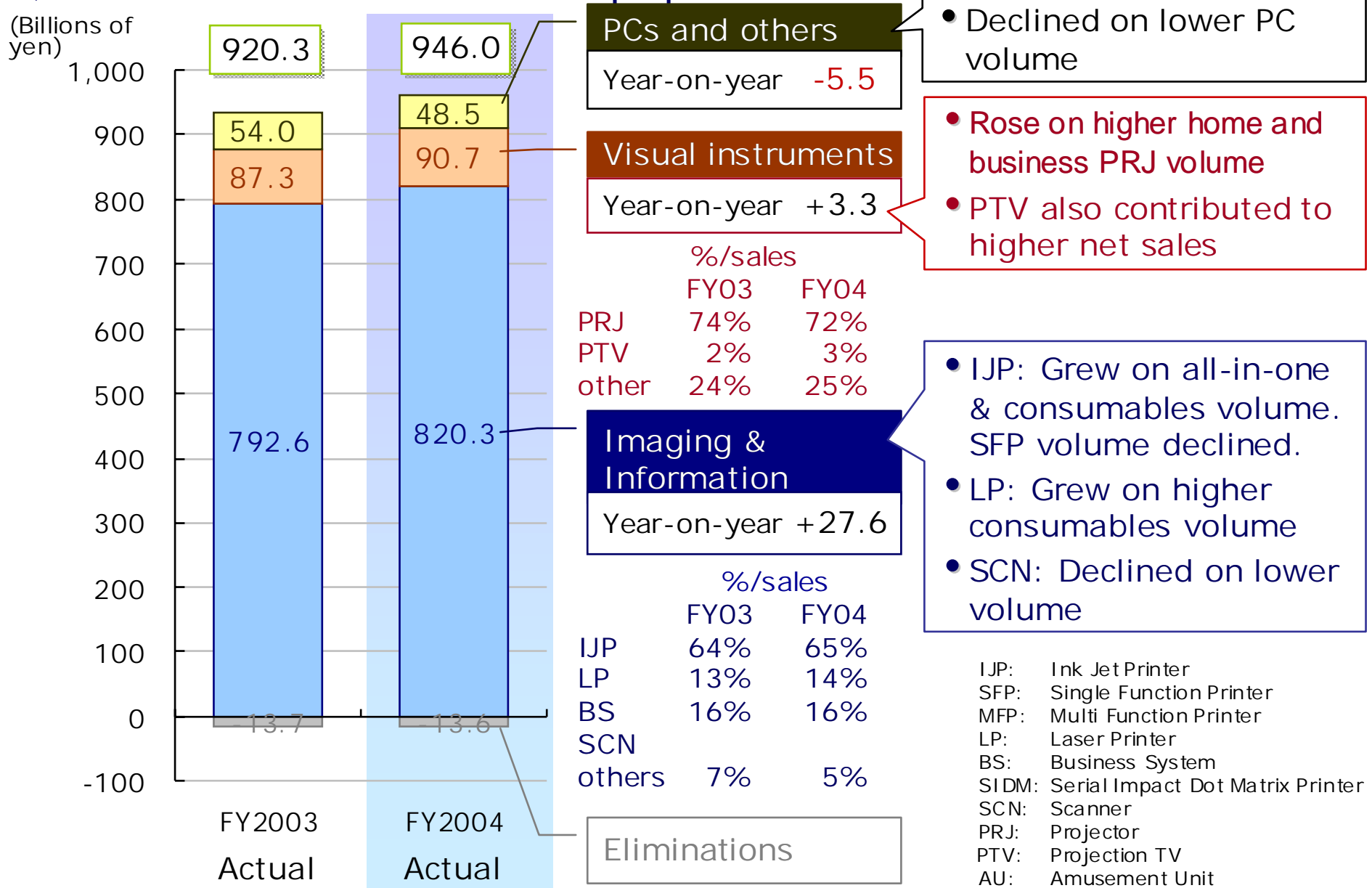
# Net Sales

## ► By business segment



# Net Sales Comparison

## Information-related equipment

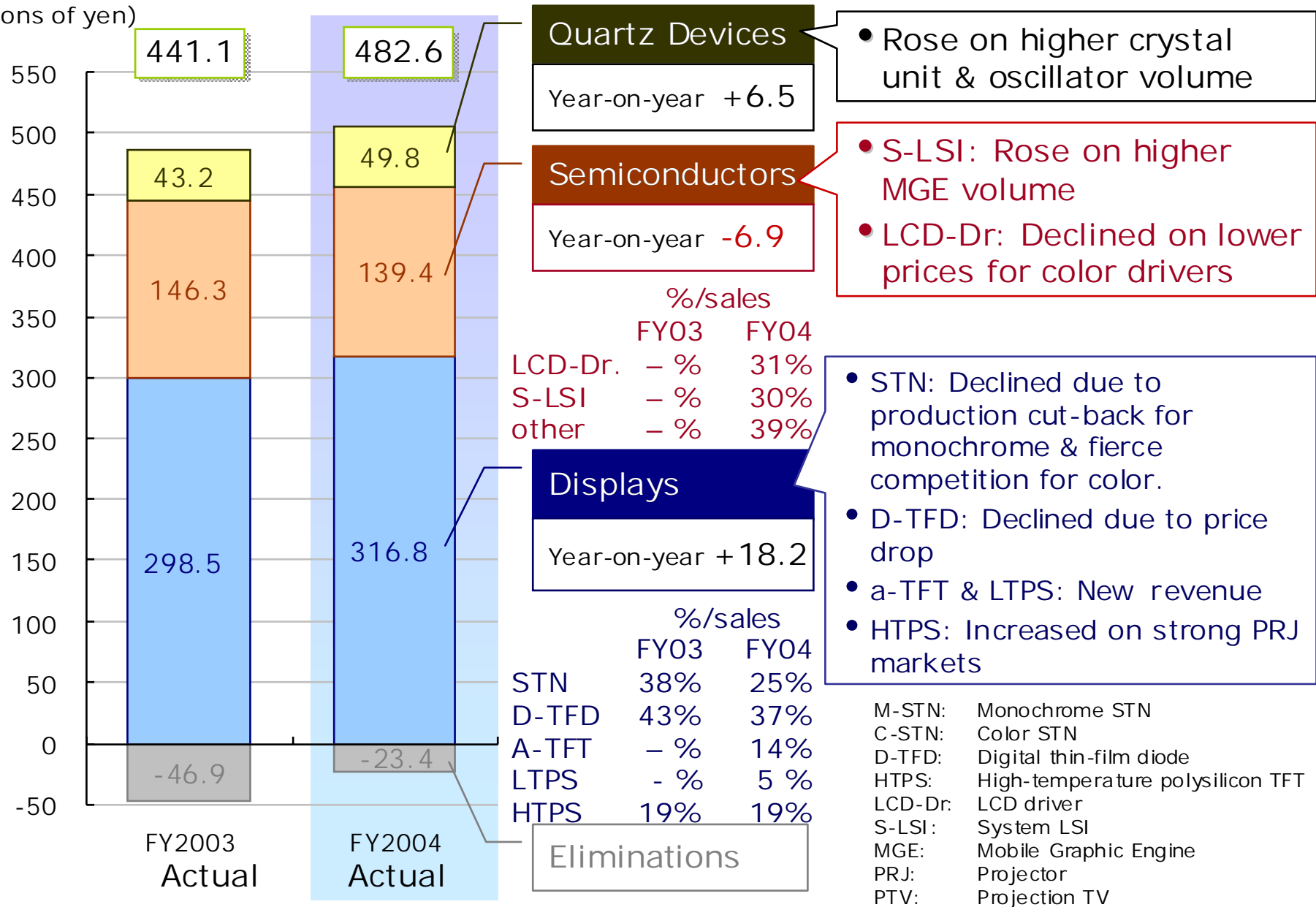




# Net Sales Comparison

## ▶ Electronic devices

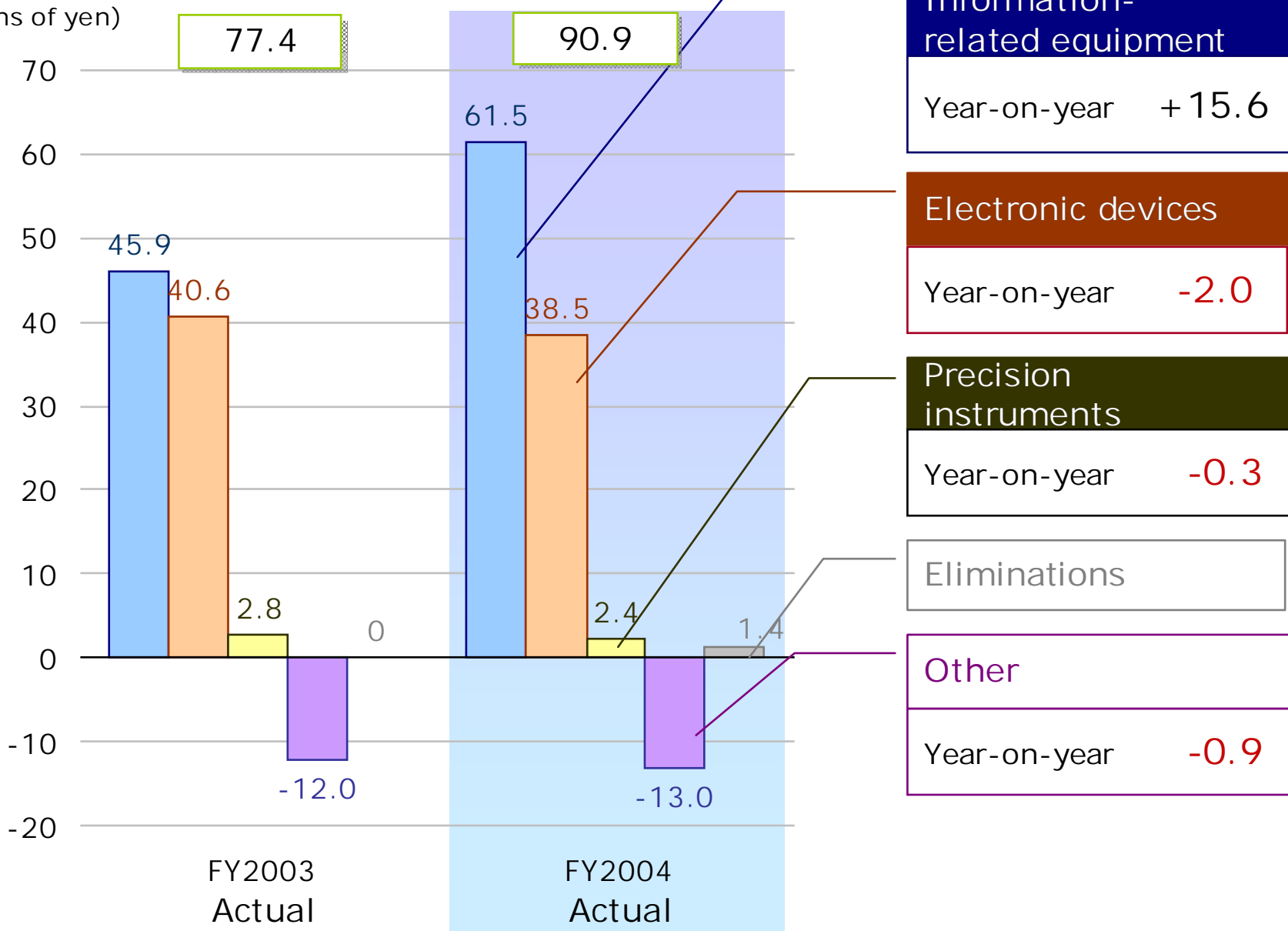
(Billions of yen)



# Operating Income

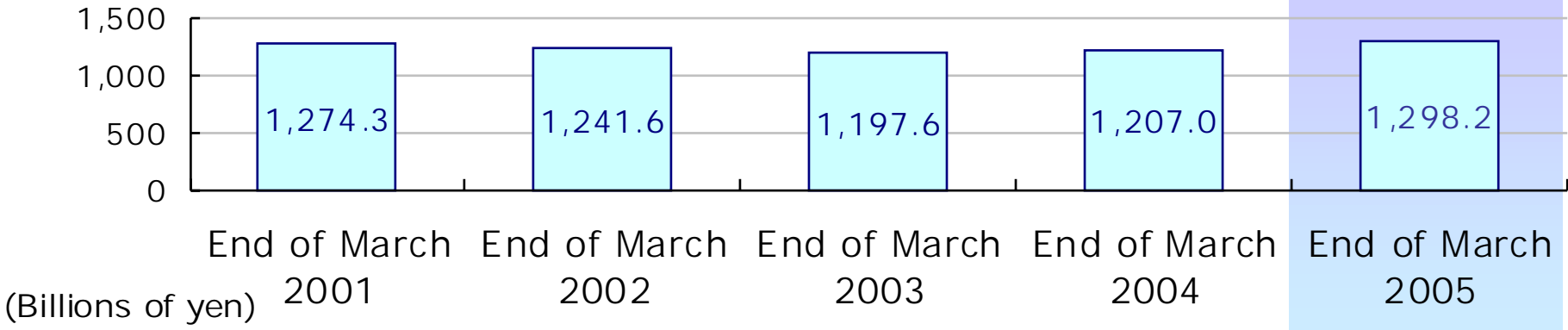
## ► By business segment

(Billions of yen)

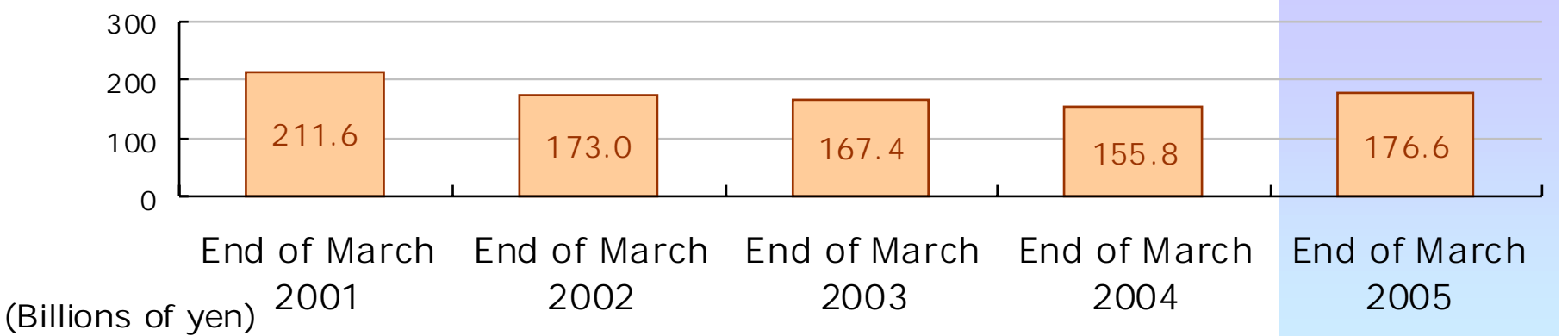


# Statistics of Balance Sheet Items

**Total Assets**

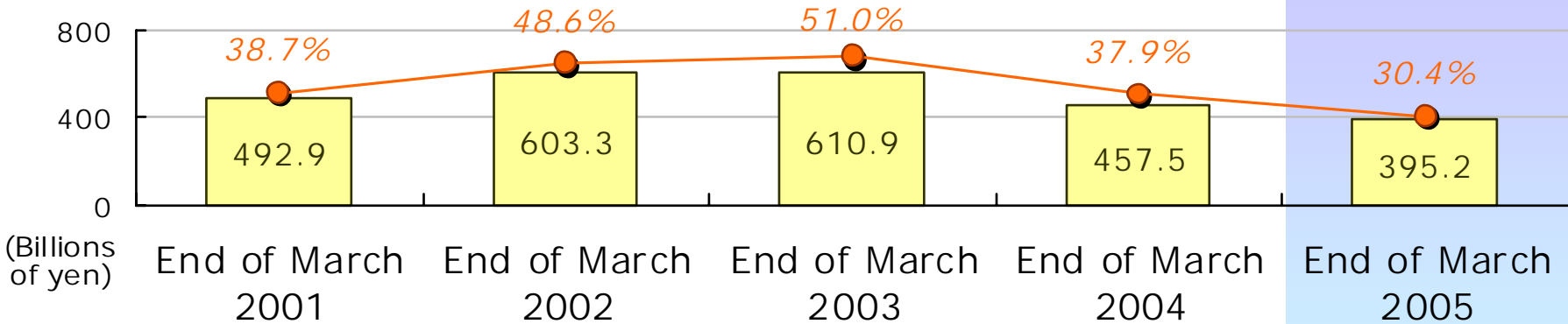


**Inventories**

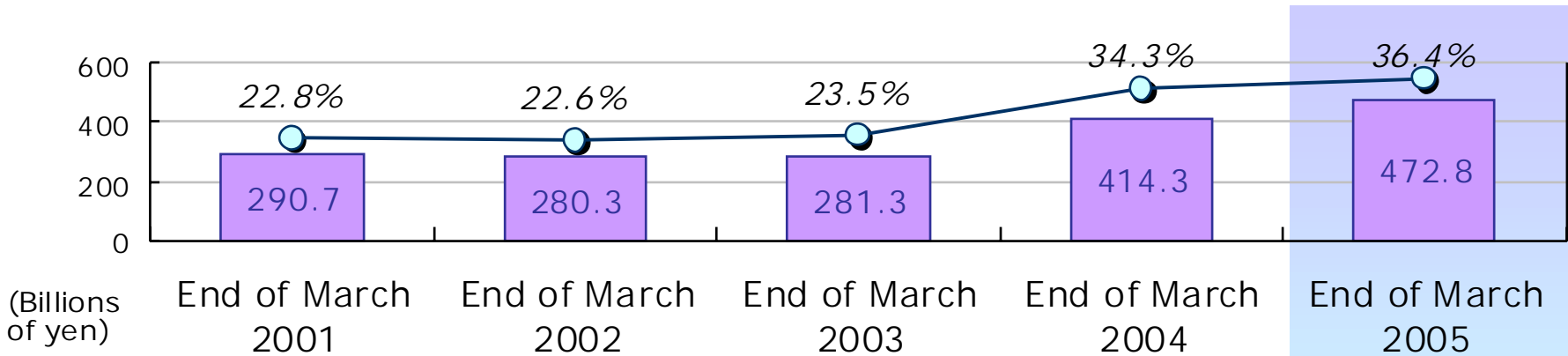


# Statistics of Balance Sheet Items

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



## Shareholder's equity & equity ratio



## FY2004 Financial Highlights

Full-Year Financial Results

Fourth-Quarter Financial Results

# Fourth Quarter Financial Highlights

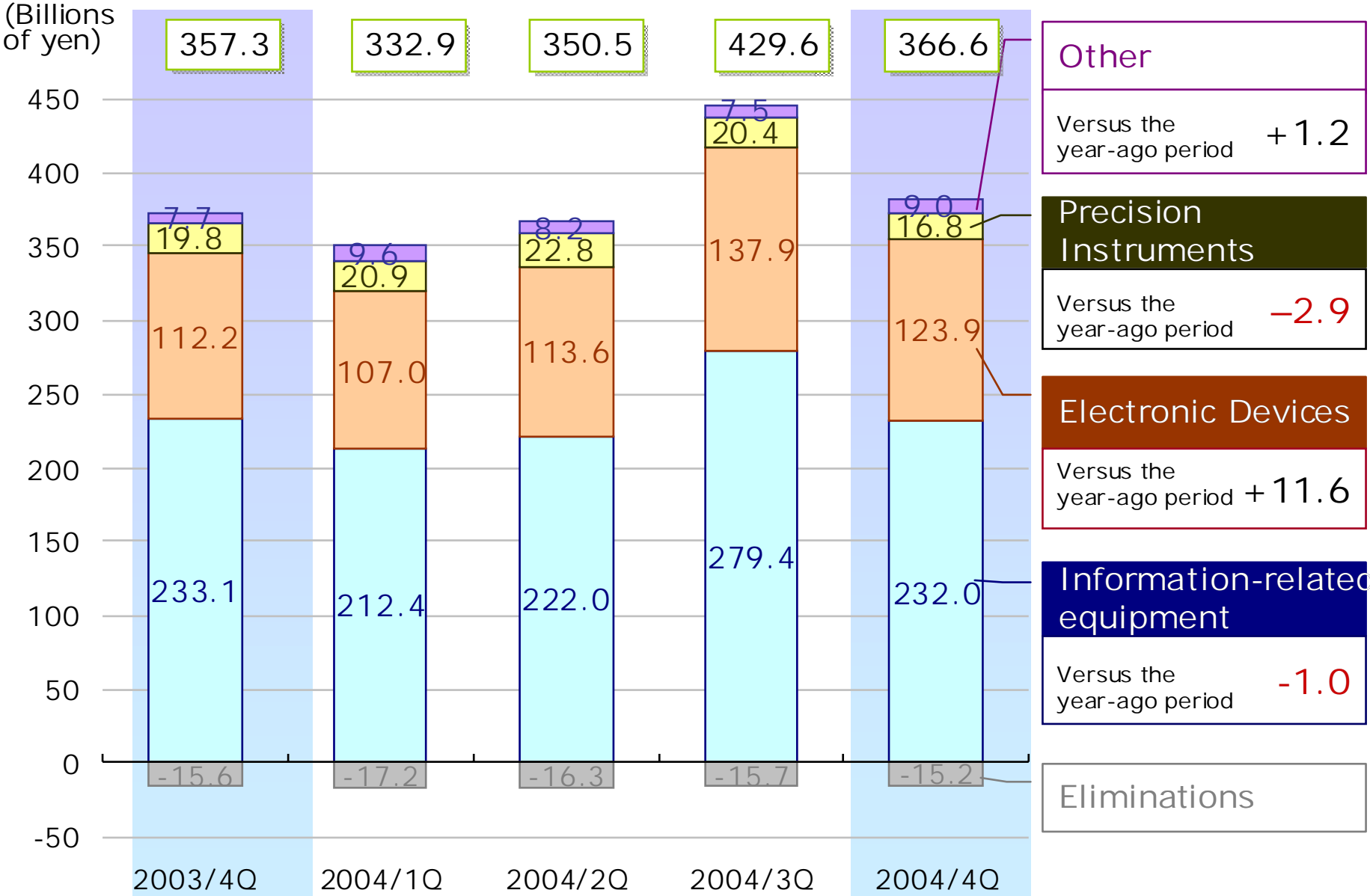


## ► Versus the year-ago period

	(Billions of yen) FY2003		FY2004		Increase/decrease	
	4Q Actual	%/Sales	4Q Actual	%/Sales	Amount	% Change
Net Sales	357.3	-	366.6	-	+9.2	+2.6%
Operating Income	12.3	3.5%	-5.8	-1.6%	-18.2	-147.4%
Ordinary Income	10.1	2.8%	-6.2	-1.7%	-16.4	-162.1%
Net Income Before income taxes	7.1	2.0%	-12.1	-3.3%	-19.2	-269.8%
Net income	4.3	1.2%	-4.2	-1.2%	-8.5	-199.2%

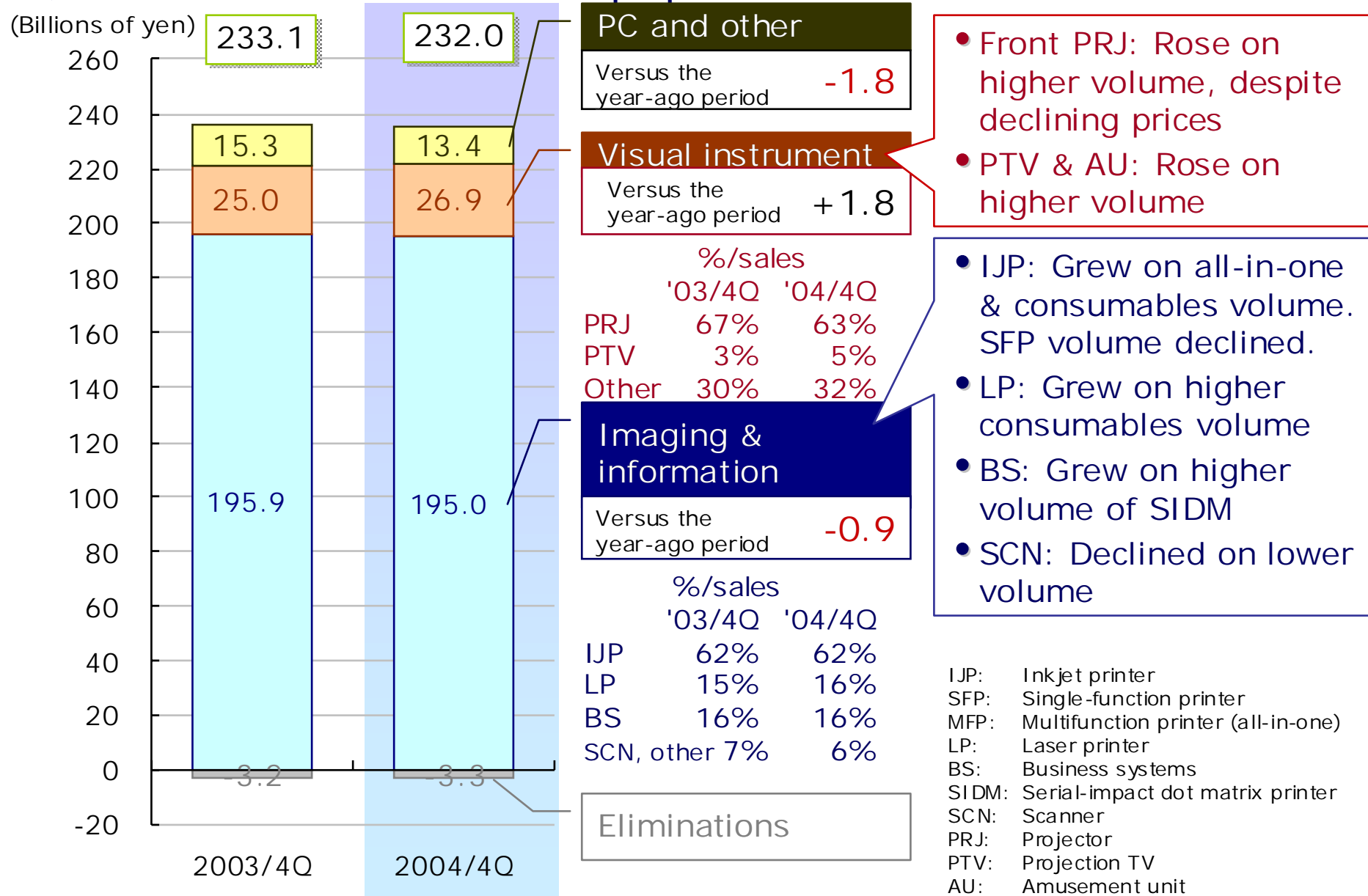
Exchange rate	USD	107.27 yen	104.51 yen
	EUR	134.07 yen	136.94 yen

# Quarterly Net Sales ▶ By business segment



# Quarterly Net Sales Comparison

## ► Information related equipment

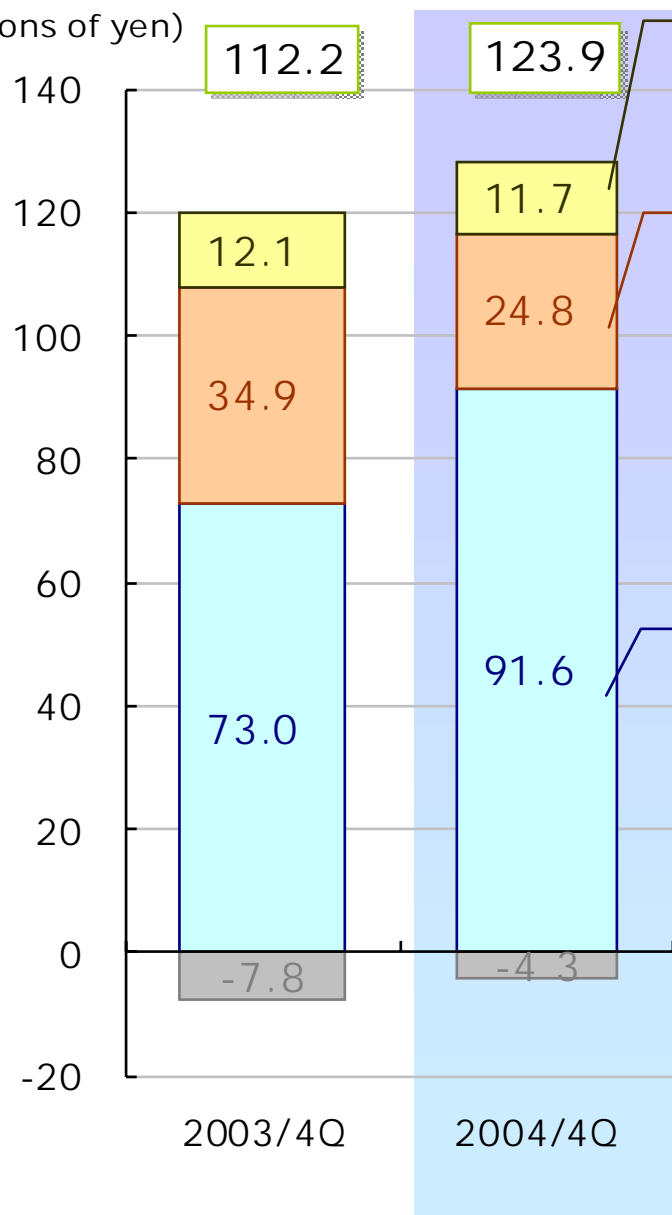




# Quarterly Net Sales Comparison

## ▶ Electronic devices

(Billions of yen)



### Quartz Device

Versus the year-ago period **-0.3**

- Volume for handsets grew, but prices fell

### Semiconductor

Versus the year-ago period **-10.1**

- LCD-Dr: Lower on lower volume & prices due to intensified competition
- S-LSI: Down on lower volume & prices

%/sales

'03/4Q '04/4Q

LCD-Dr. - % 34 %

S-LSI - % 33 %

other - % 33 %

### Display

Versus the year-ago period **+18.6**

- a-TFT & LTPS: New net sales from new operations
- C-STN & D-TFD: Lower despite higher volume, due to competition & lower prices
- HTPS: Down on lower volume due to PRJ inventory adjustments.

%/sales

'03/4Q '04/4Q

STN 32% 19%

D-TFD 44% 31%

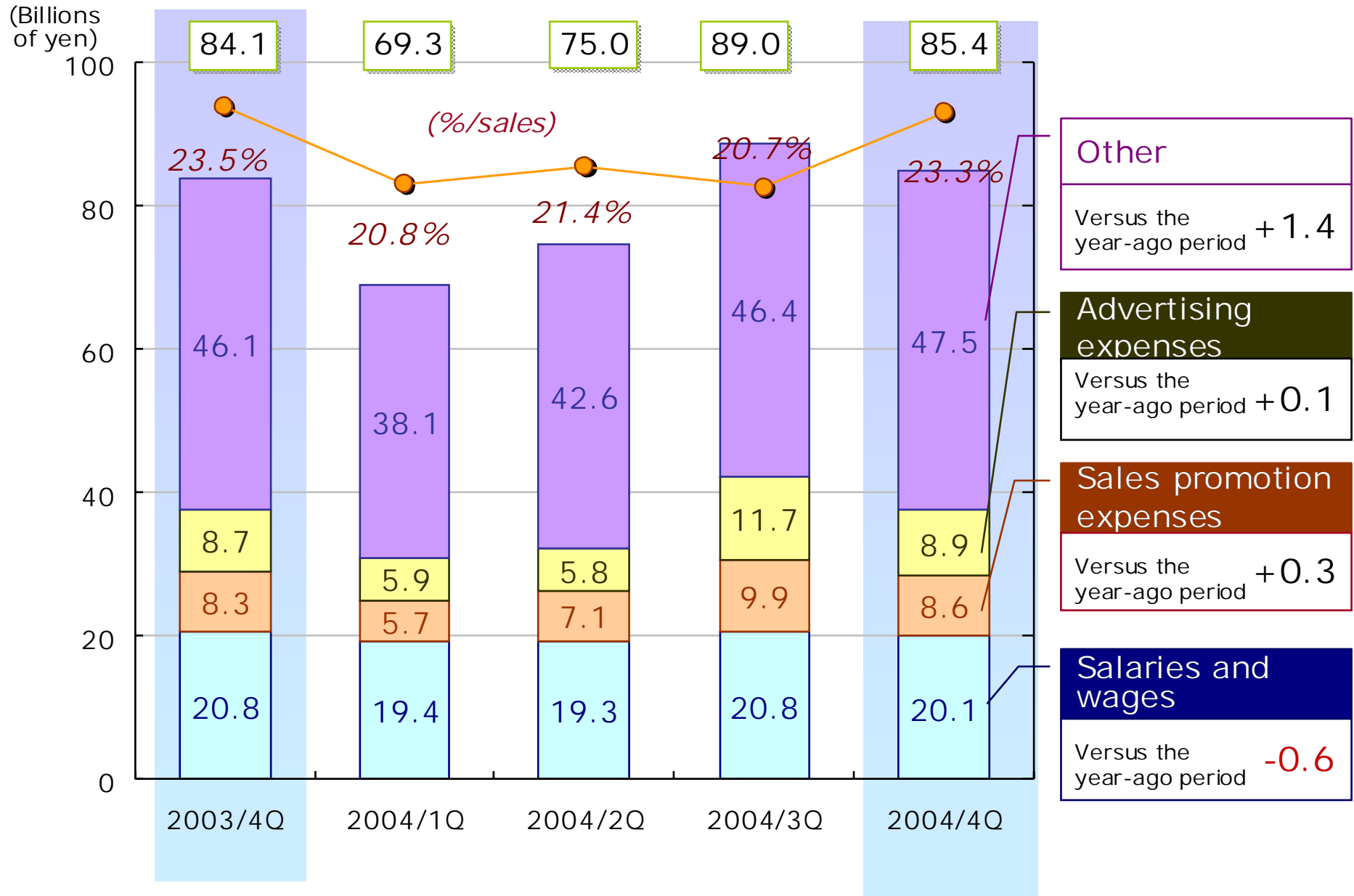
a-TFT - % 30%

LTPS - % 9%

HTPS 24% 11%

- M-STN: Monochrome STN
- C-STN: Color STN
- D-TFD: Digital thin-film diode
- HTPS: High-temperature polysilicon TFT
- LCD-Dr: LCD driver
- S-LSI: System LSI
- MGE: Mobile Graphic Engine
- PRJ: Projector
- PTV: Projection TV

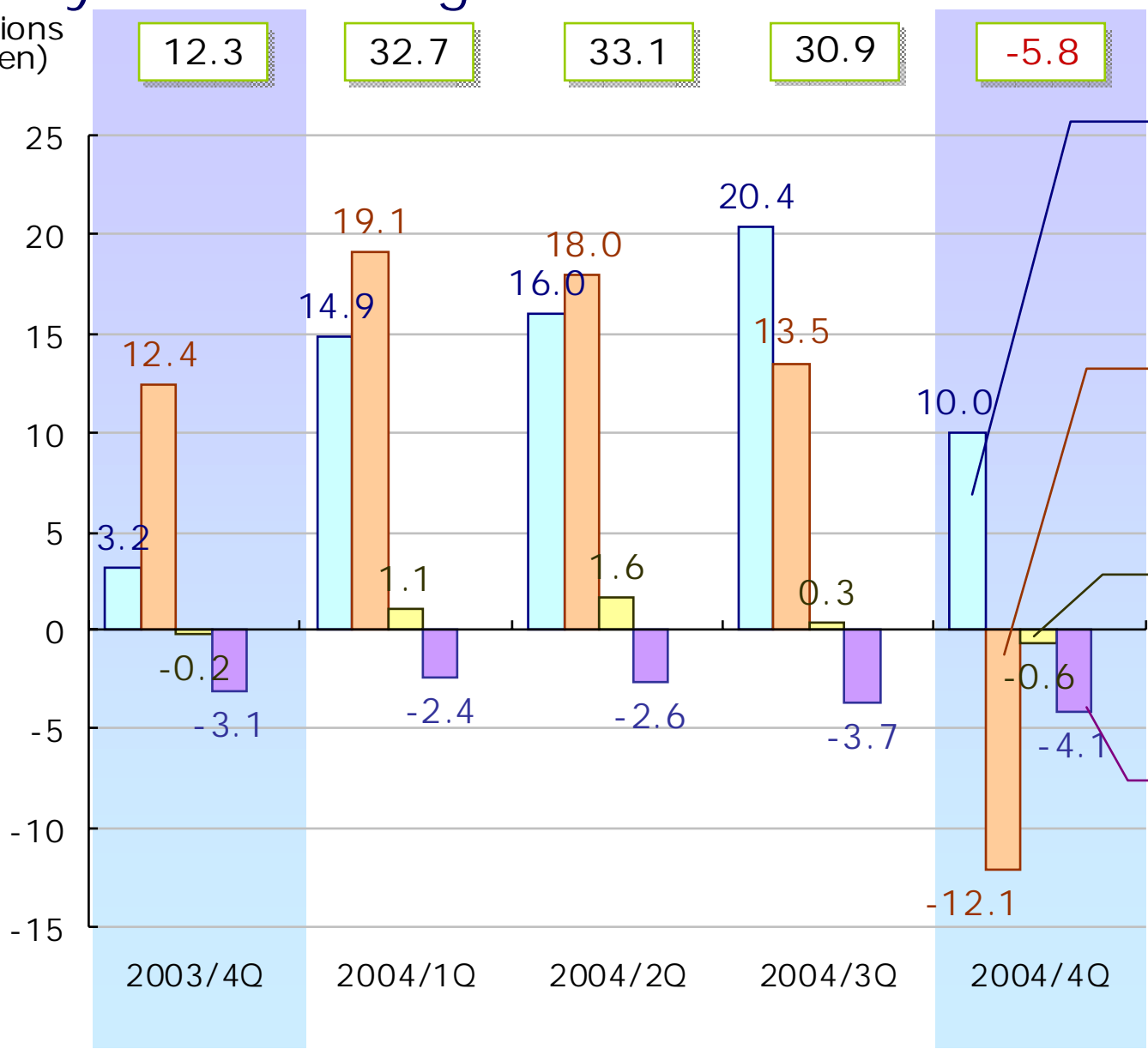
# Quarterly Selling, General and Administrative Expenses



# Quarterly Operating Income

## ► By business segment

(Billions of yen)



**Information related equipment**

Versus the year-ago period **+6.8**

**Electronic devices**

Versus the year-ago period **-24.6**

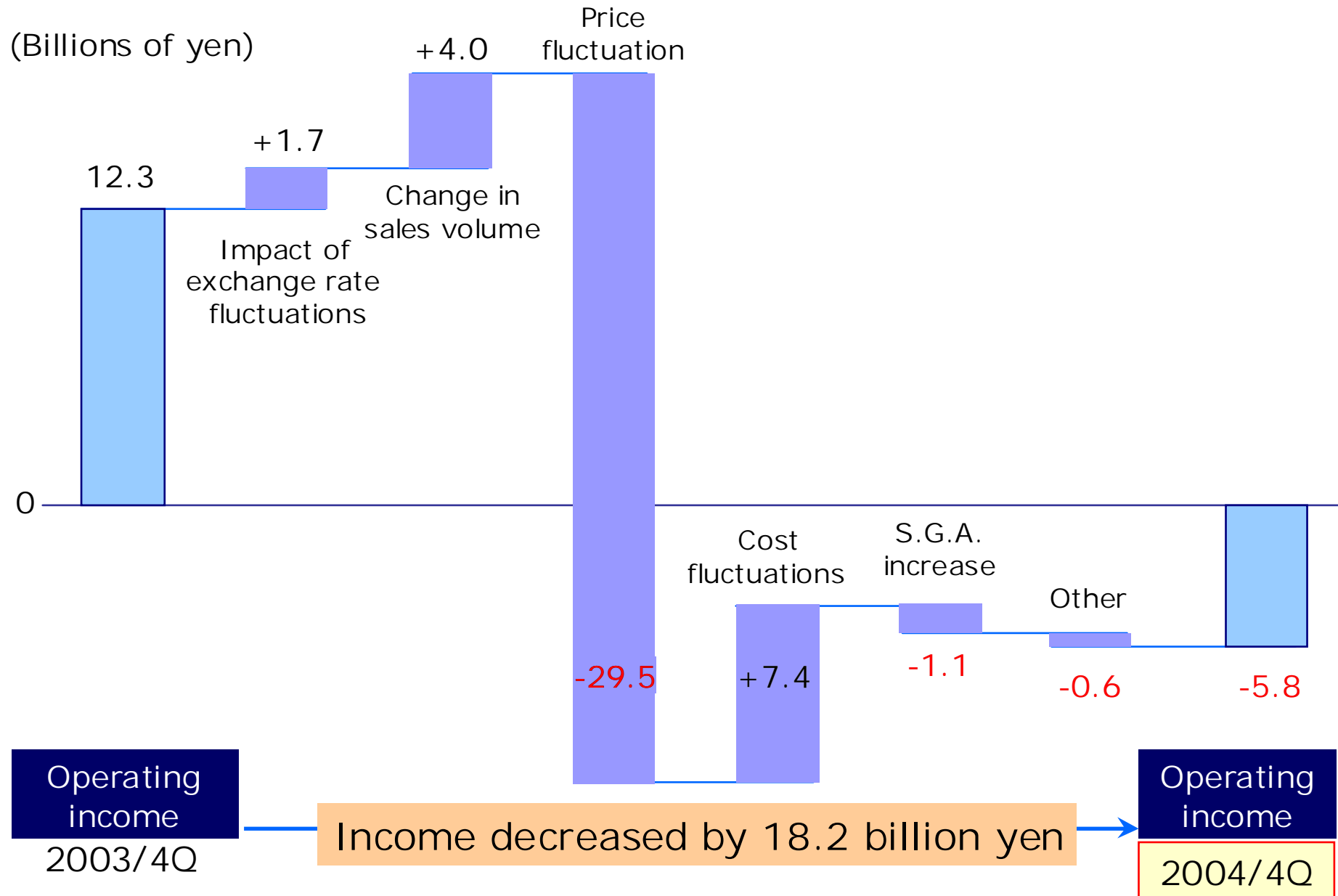
**Precision instruments**

Versus the year-ago period **-0.4**

**Other**

Versus the year-ago period **-0.9**

# Operating Income Fluctuation Cause Analysis



# Mid-Range Business Plan (Action07), Year 2

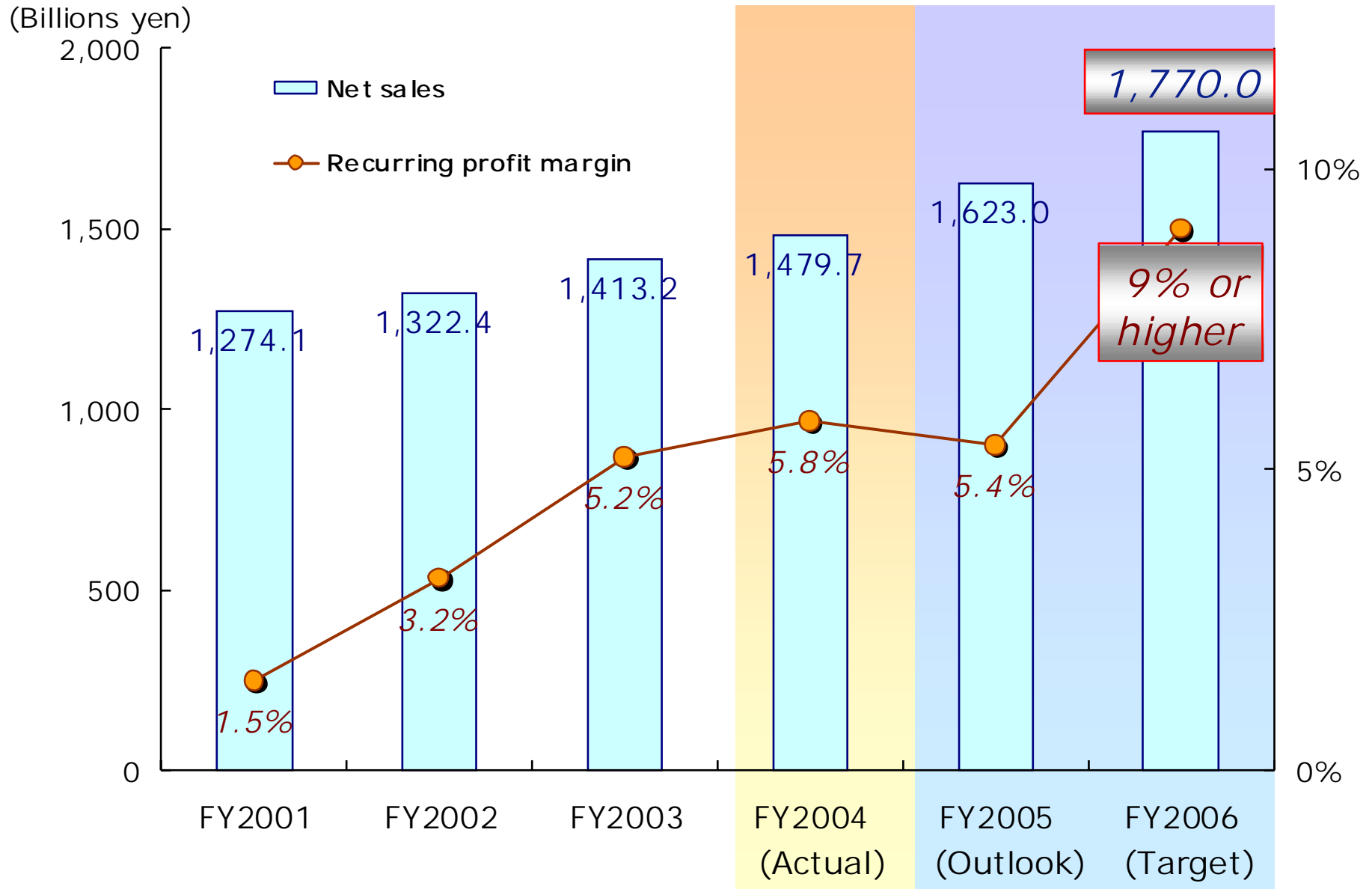
Year 1 Review

Year 2 (FY 2005) Outlook

Year 2 Actions

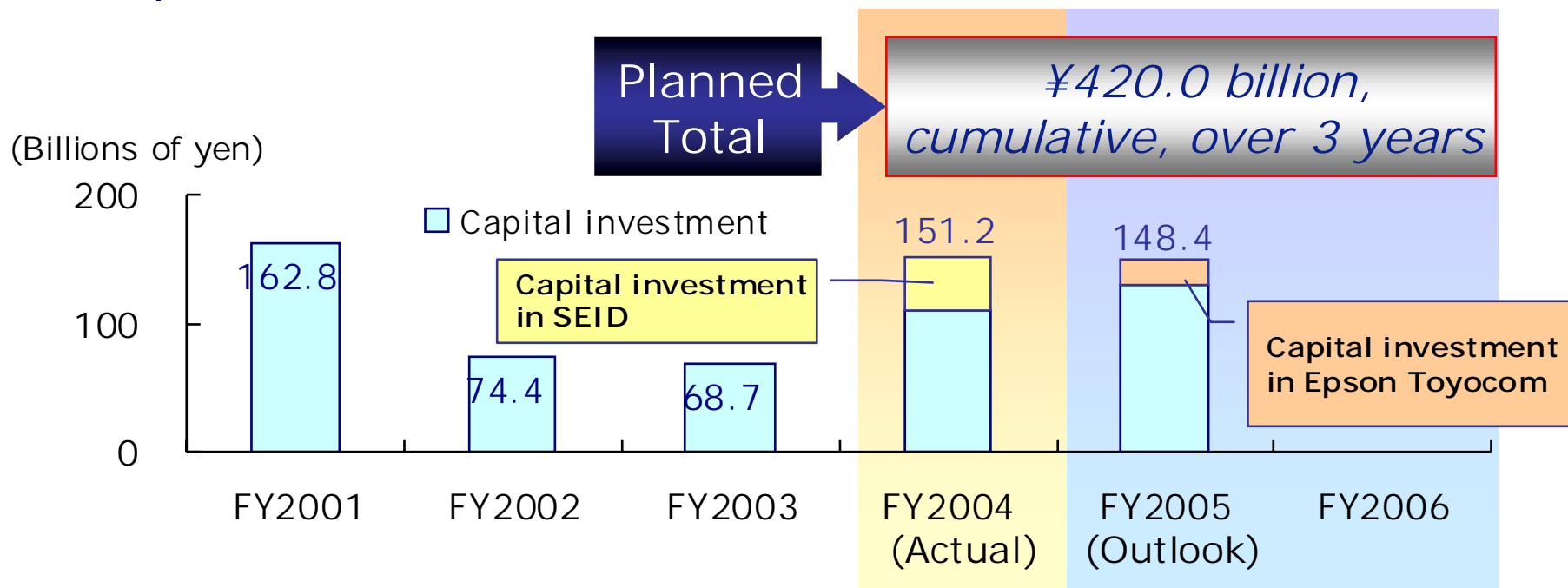
# Action07 Year 1 Review

## ► Net Sales/ROS



# Action07 Year 1 Review

## ▶ Capital investments



### Key capital investments (in FY2005 plan)

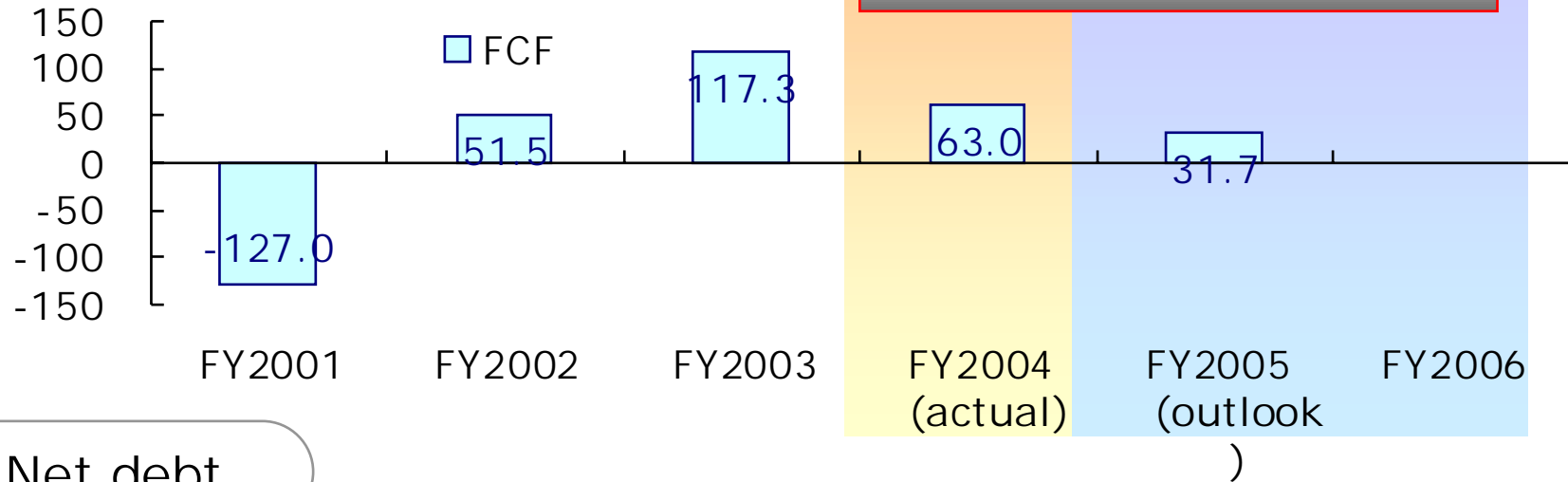
- ▶ Asset acquisition for establishing Epson Toyocom (Kawasaki, etc.)
- ▶ New R&D building for finished products (Hirooka)
- ▶ Investment in smaller a-TFT panels sizes & higher-resolution LTPS panels (SEID)
- ▶ Additional HTPS capacity & new modularization line (Chitose)

# First Year Review of Action07

## ▶ FCF & Interest bearing debt

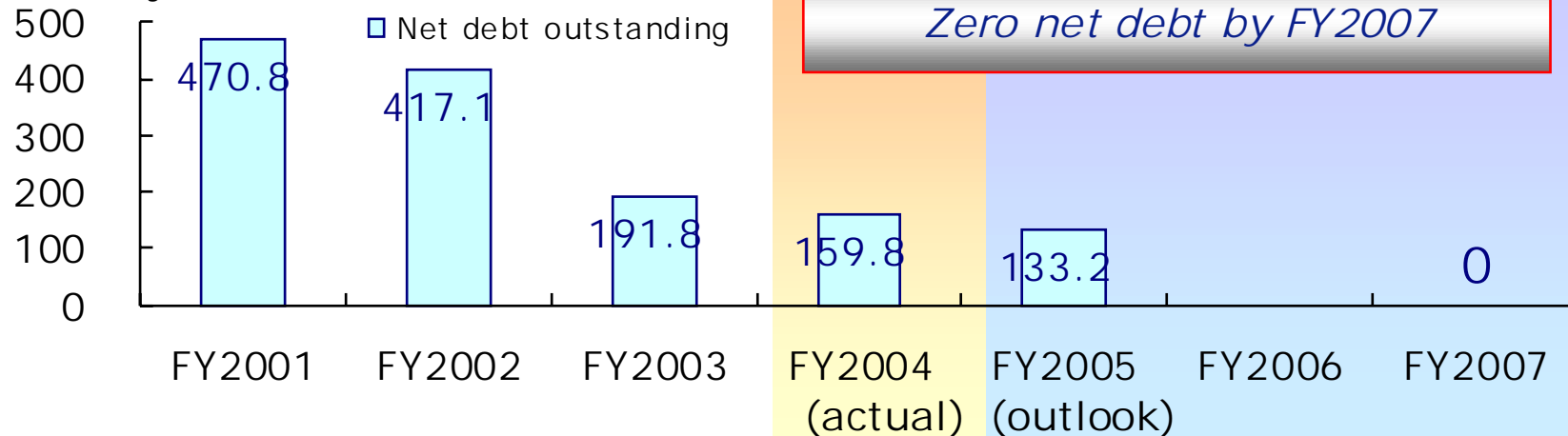
● FCF

(Billions of yen)



● Net debt

(Billions of yen)

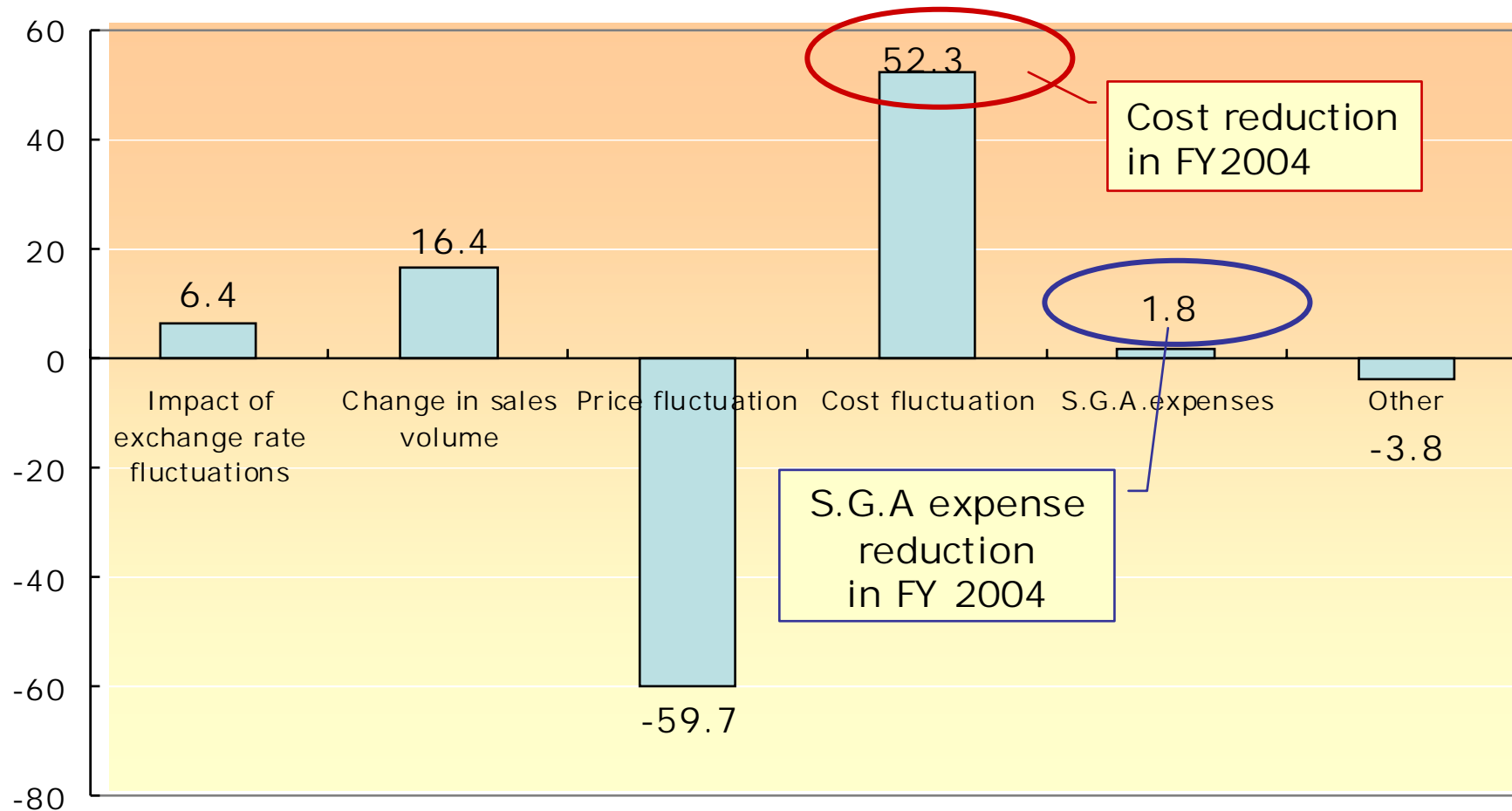




# First Year Review of Action07

## ► Results of consolidated total cost reduction program

Total savings: ¥54.1 billion

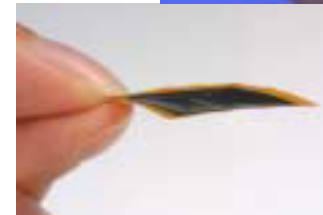


# Action07 First-Year Review

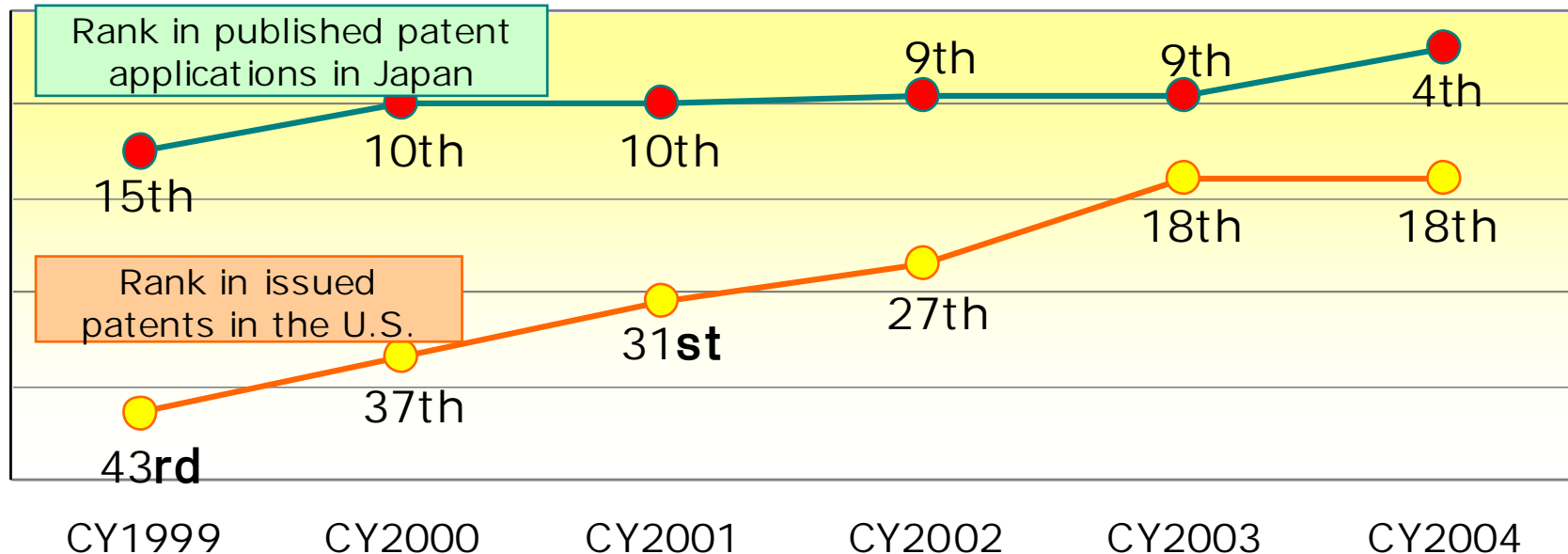
## ▶ R&D

### Results in FY 2004

- ▶ World's first 40" full-color OLED display
- ▶ World's lightest micro flying robot
- ▶ World's first ultra-thin, 20-layer circuit board fabricated using inkjet technology



### Ranking in patent applications



# Mid-Range Business Plan (Action07), Year 2

Year 1 Review

Year 2 (FY 2005) Outlook

Year 2 Actions

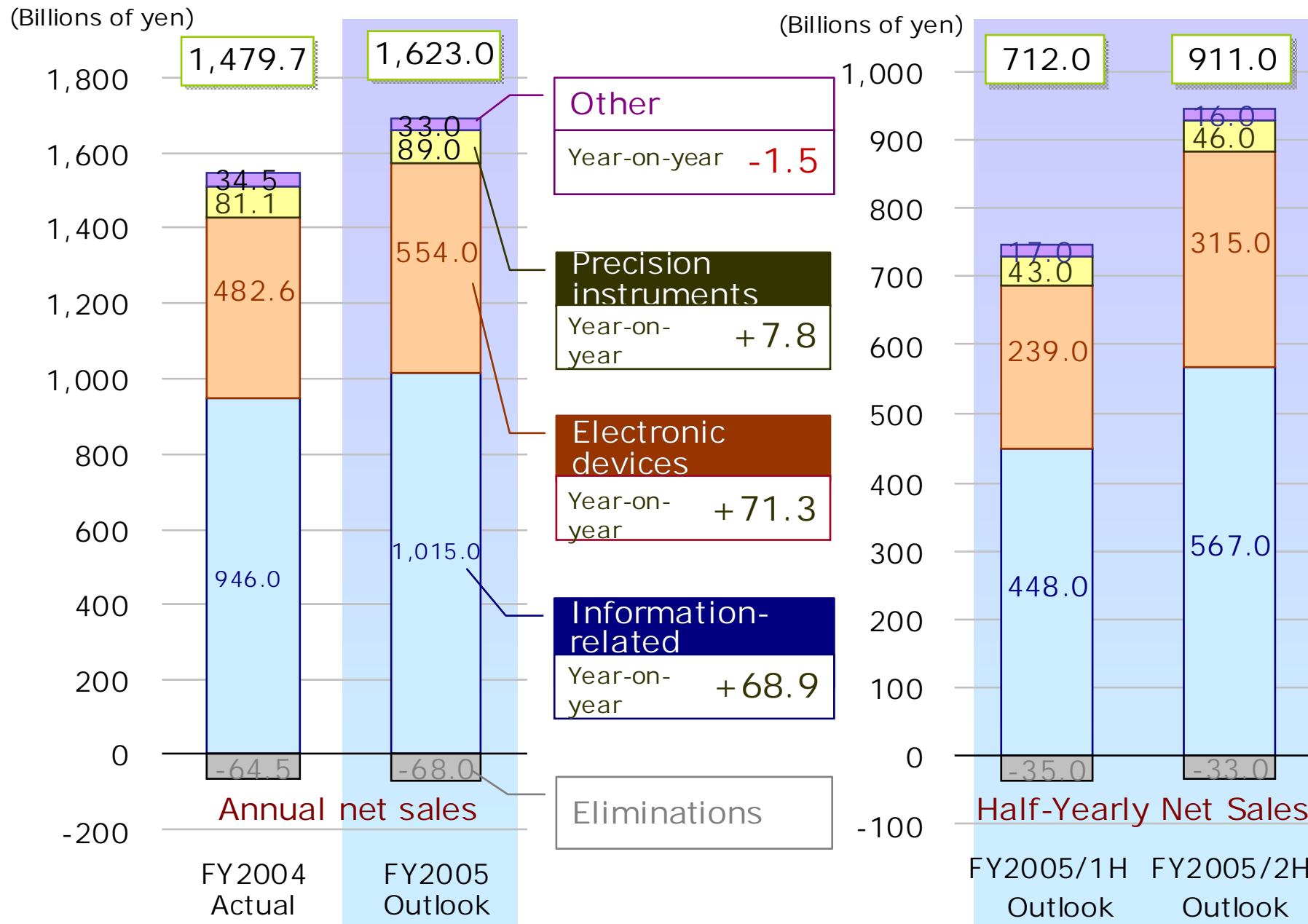
# FY 2005 Business Outlook



## ► Year-on-year comparison

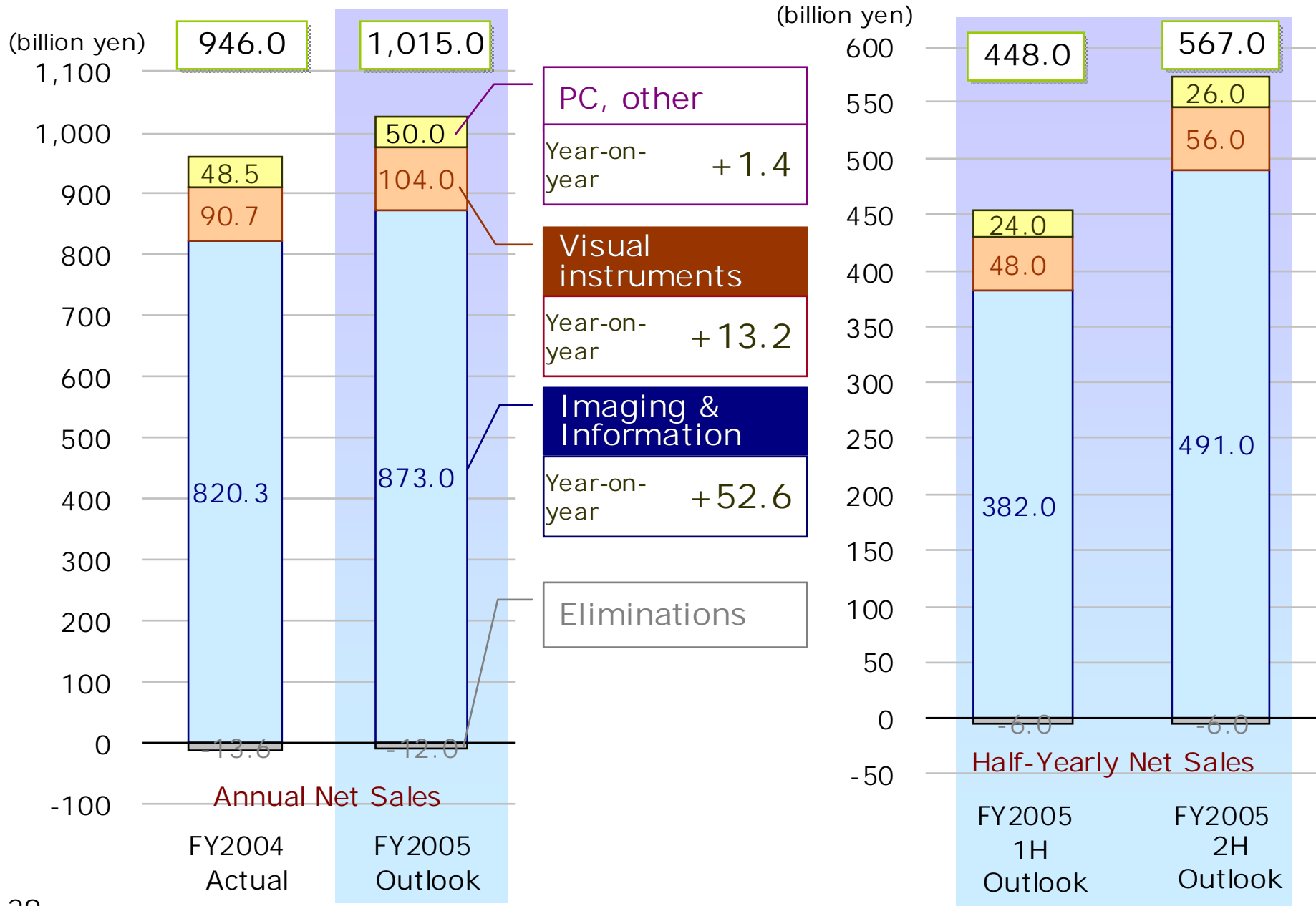
(Billions of yen)		2004		2005		Increase/decrease	
		Actual	%/sales	Outlook	%/sales	Amount	% change
Net Sales		1,479.7	-	1,623.0	-	+143.2	+9.7%
Operating income		90.9	6.1%	92.0	5.7%	+1.0	+1.1%
Ordinary income		85.3	5.8%	88.0	5.4%	+2.6	+3.1%
Net income <small>Before income taxes</small>		73.6	5.0%	82.0	5.1%	+8.3	+11.3%
Net income		55.6	3.8%	54.0	3.3%	-1.6	-3.0%
EPS		283.60 yen		275.00 yen			
Exchange rate	USD	107.55 yen		105 yen			
	EUR	135.19 yen		132 yen			

# Net Sales Outlook ▶ By business segment



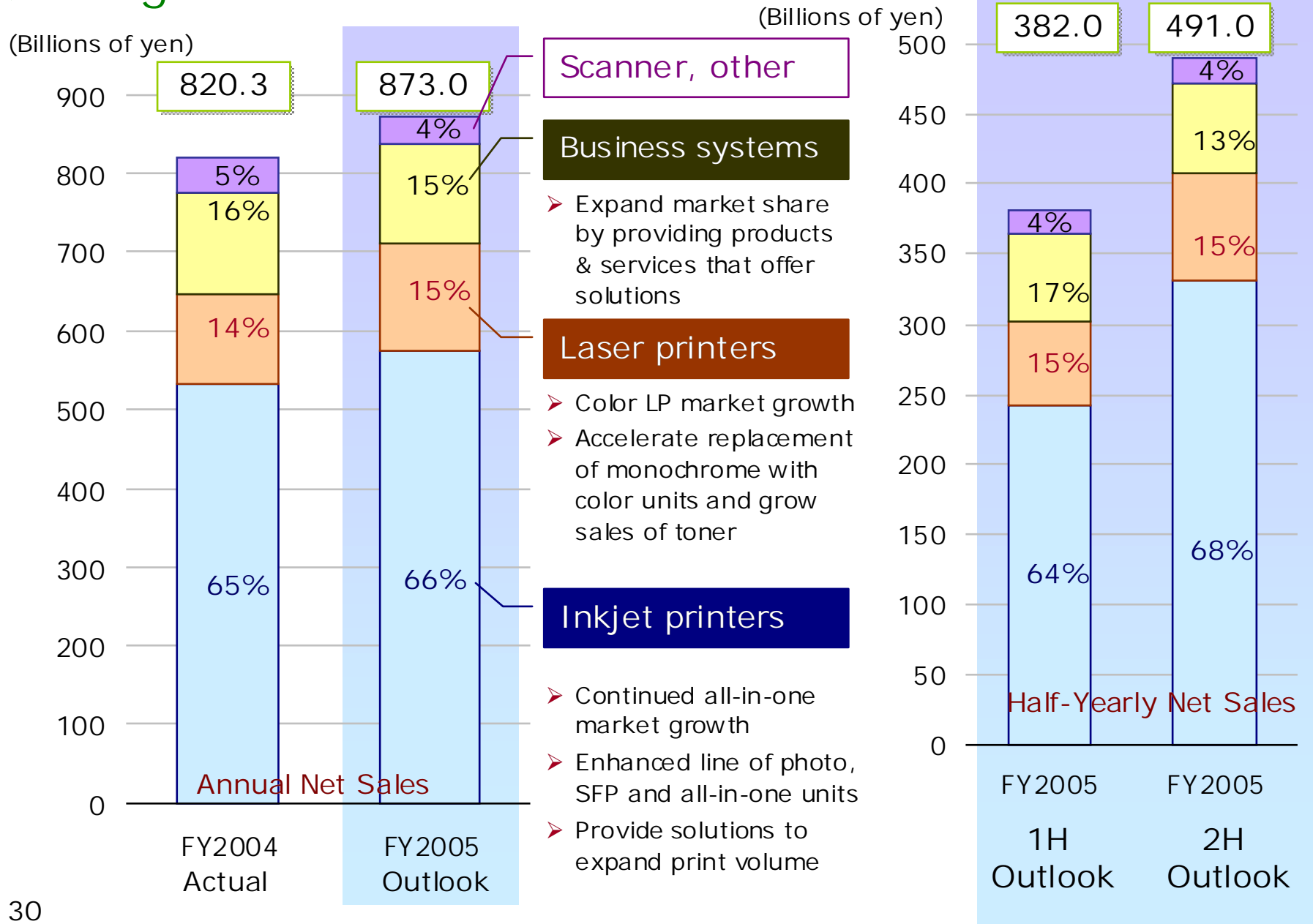
# Net Sales Outlook

## ► Information related equipment segment



# Net Sales Outlook by Business

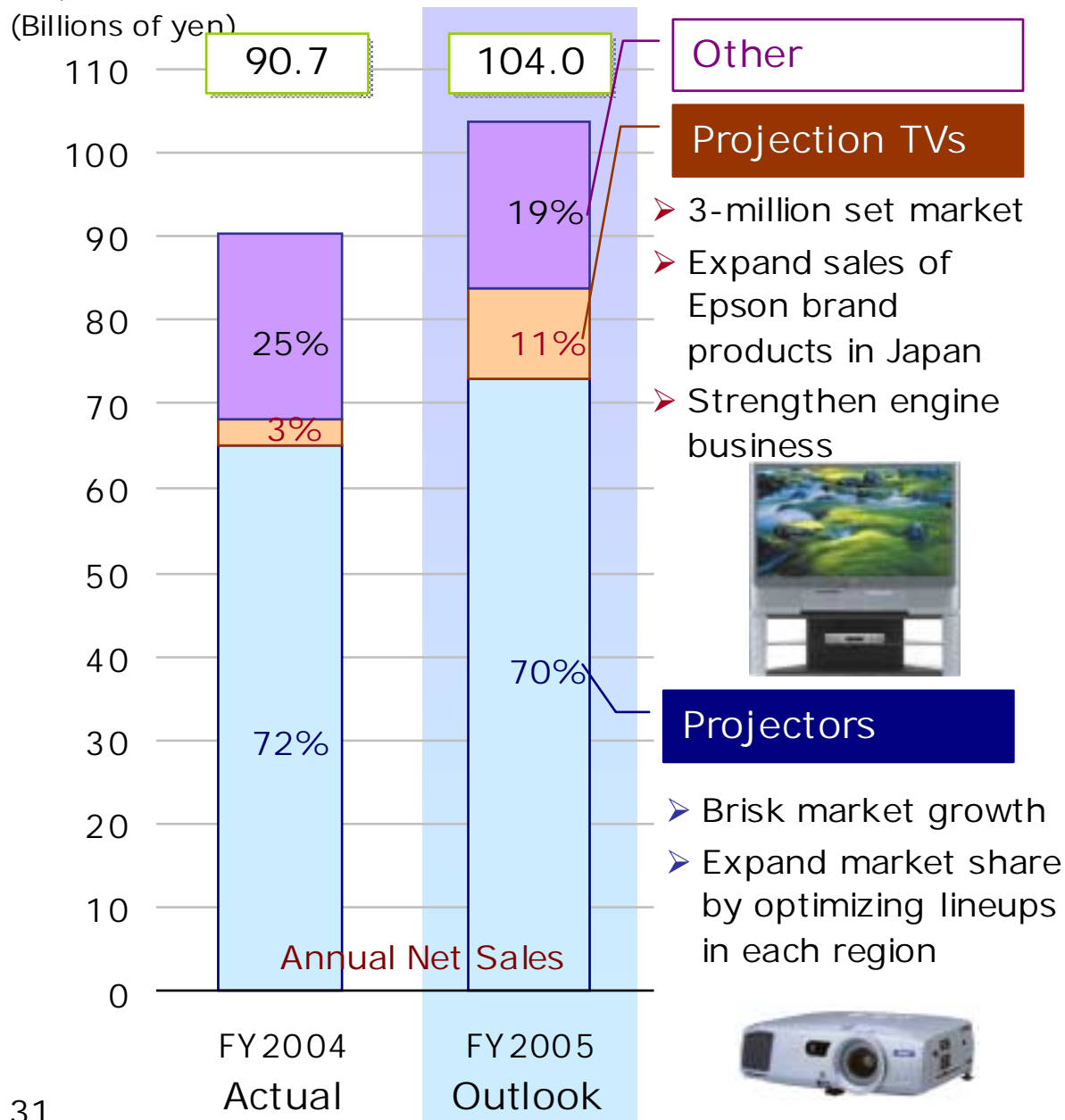
## ► Image & information business



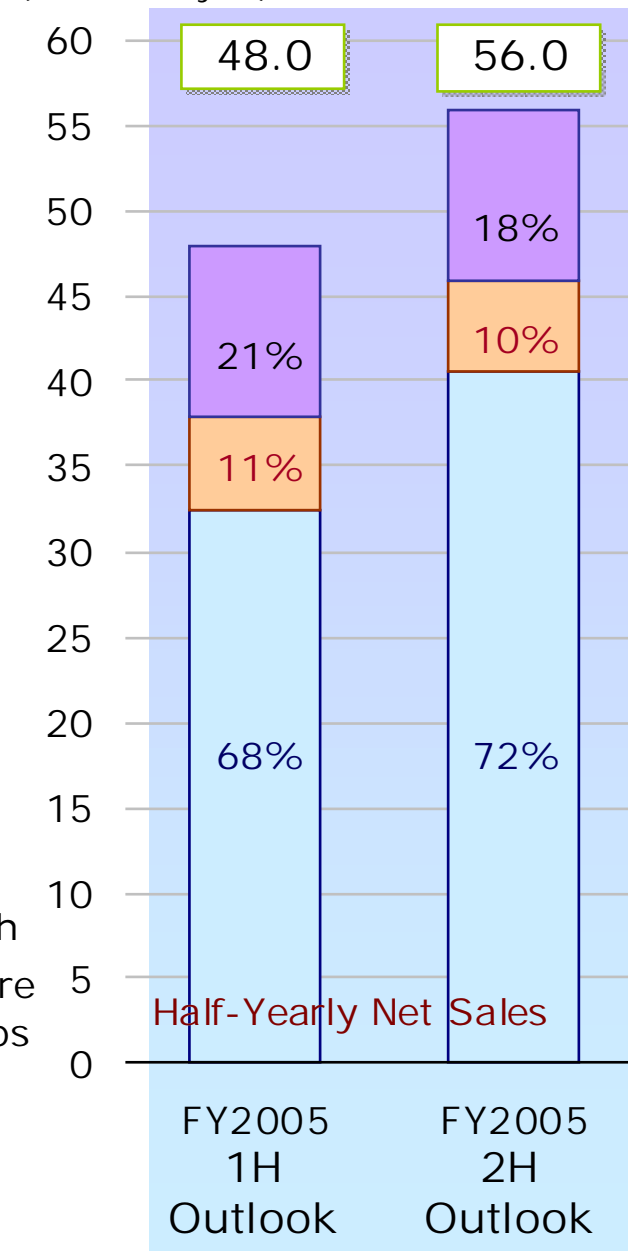
# Net Sales Outlook by Business

## ► Visual Instrument business

(Billions of yen)



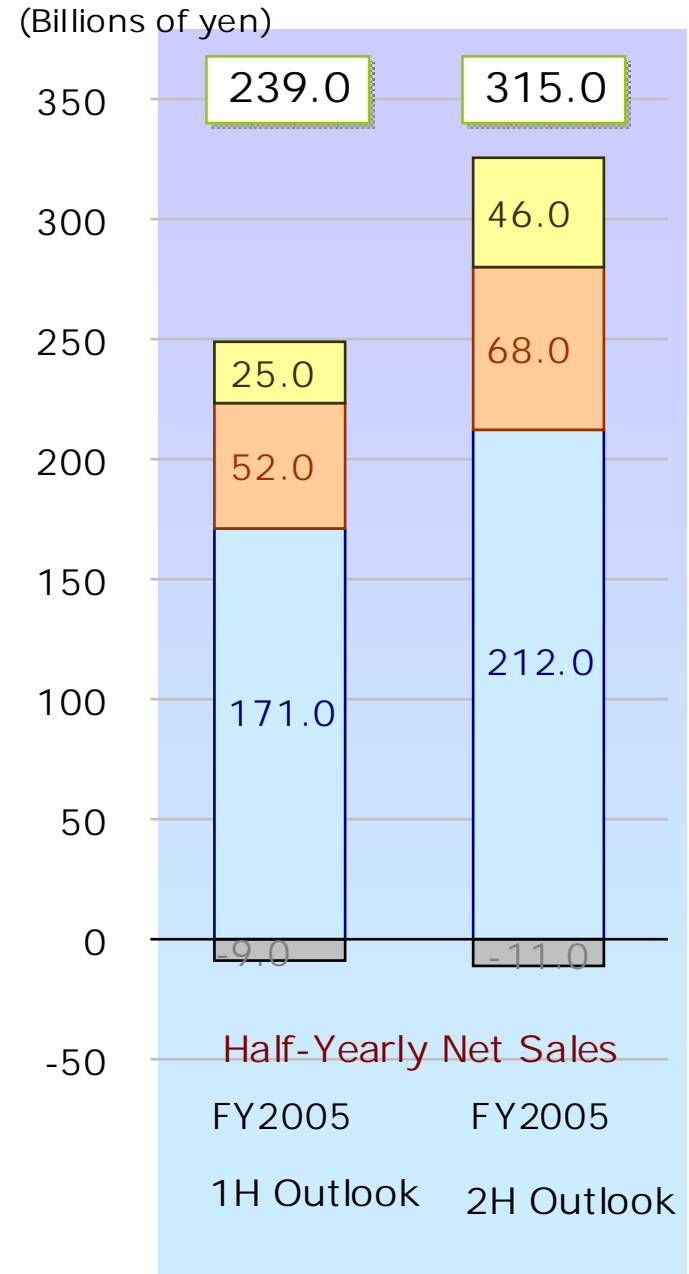
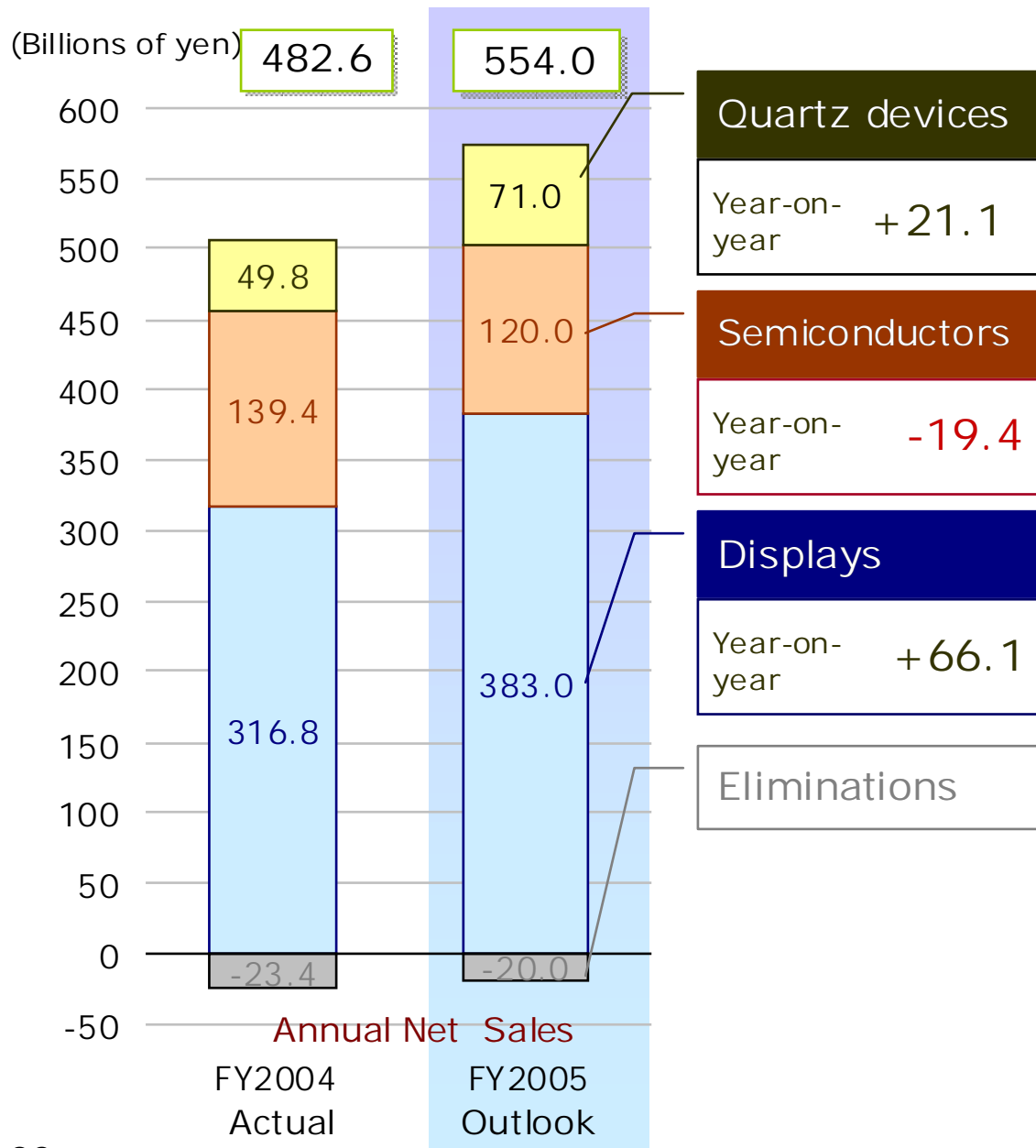
(Billions of yen)



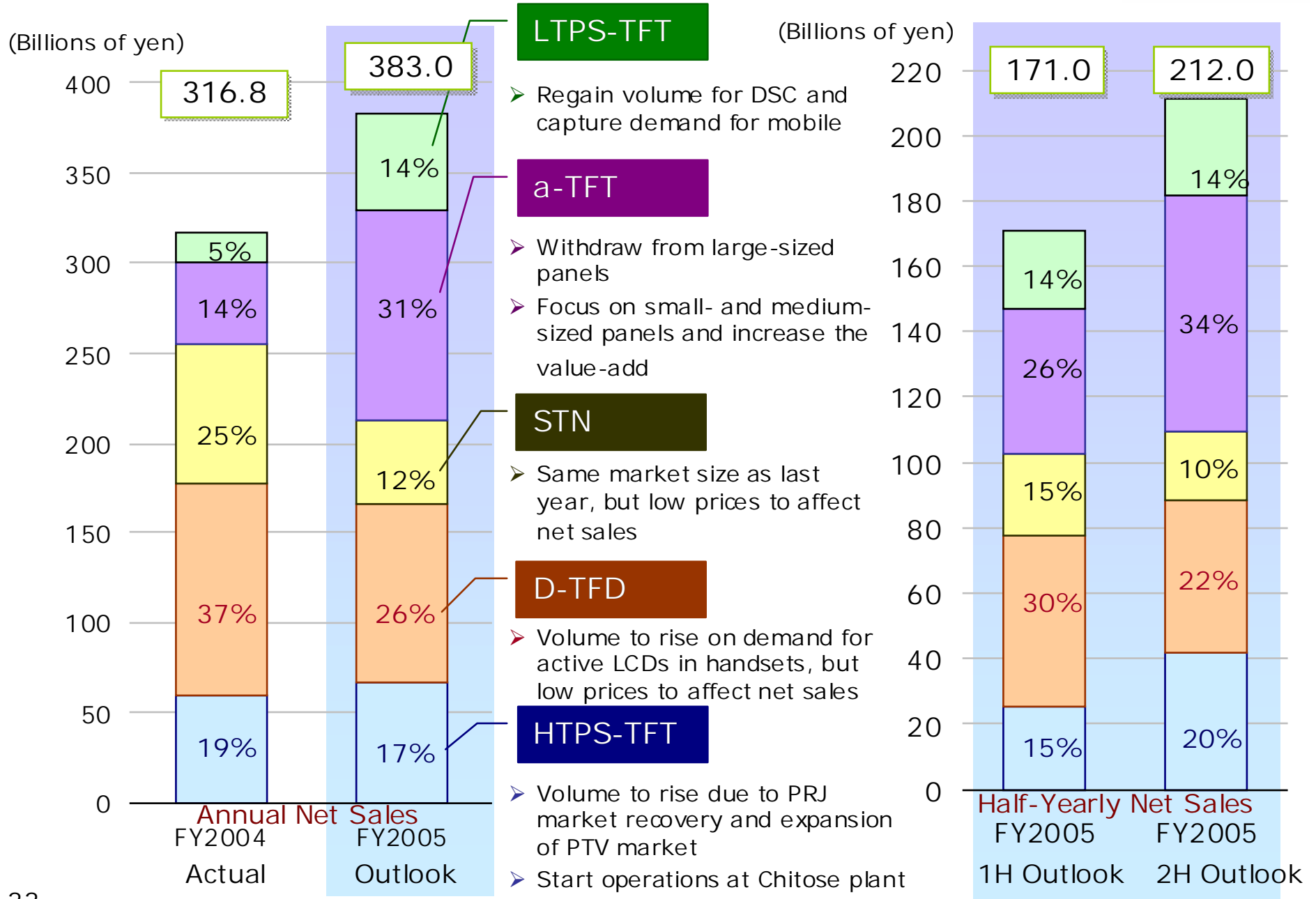


# Net Sales Outlook by Business

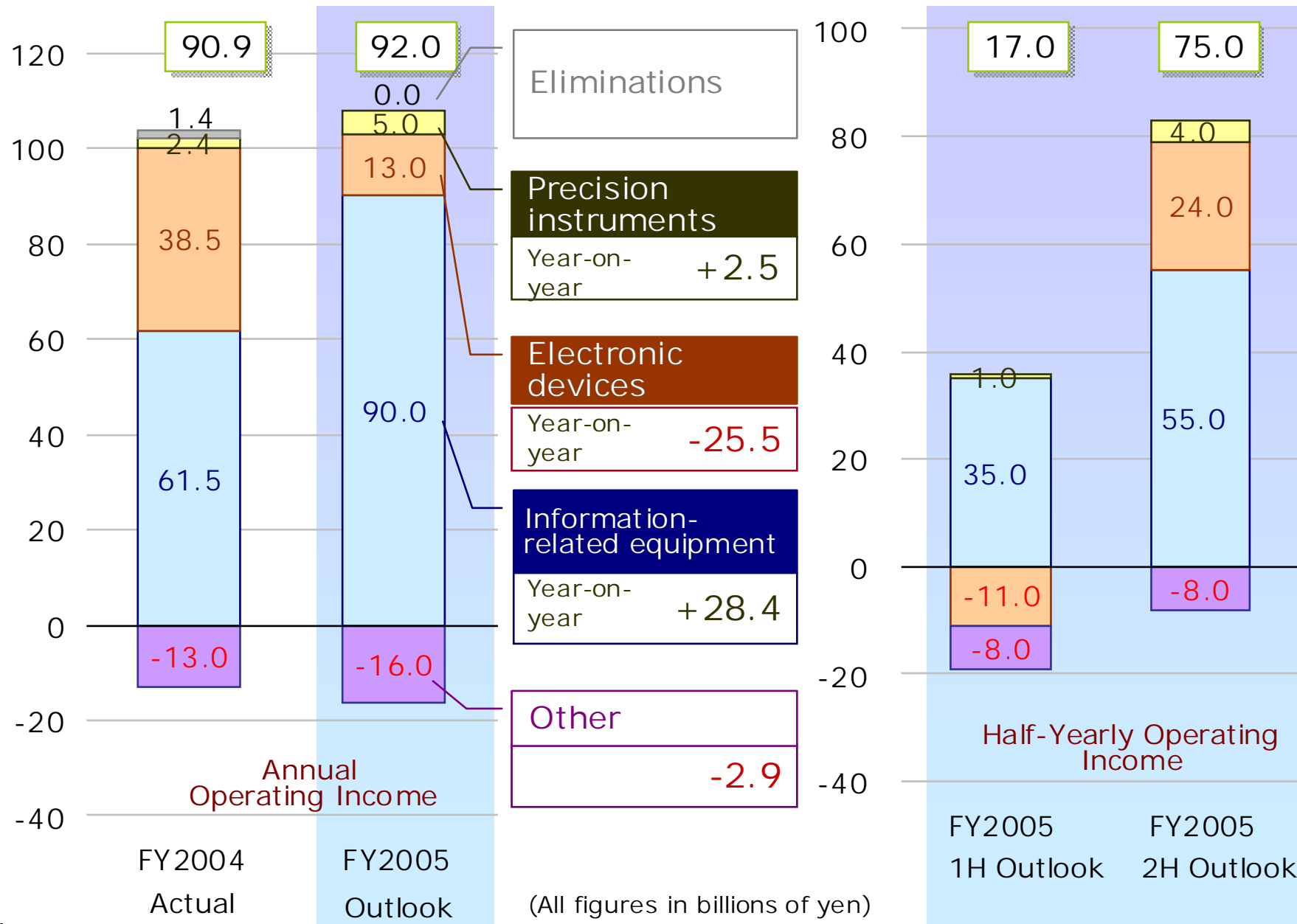
## ▶ Electronic device segment



# Net Sales Outlook by Business ▶ Display business

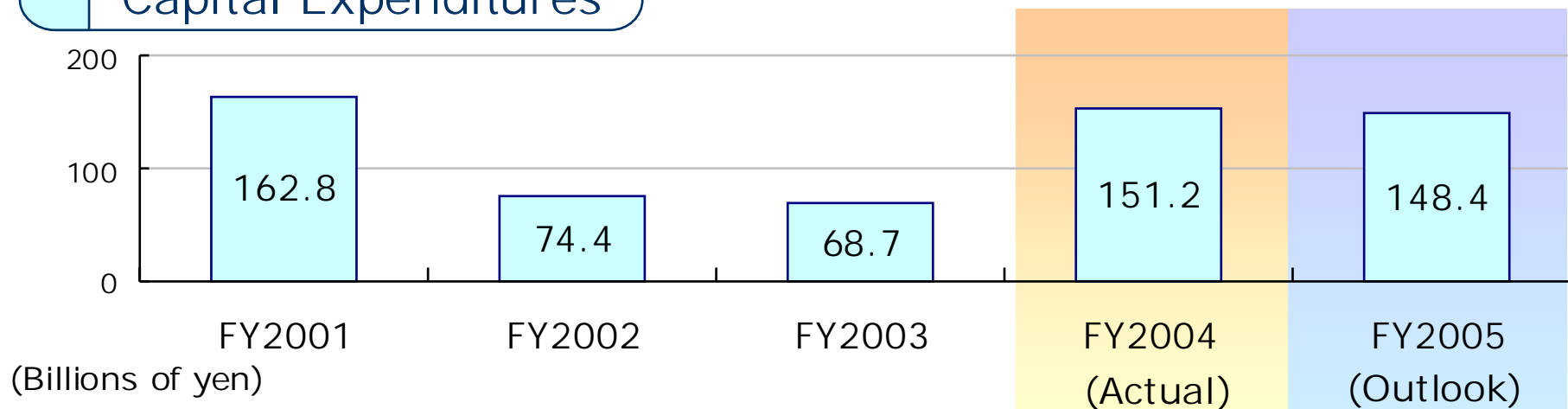


# Operating Income Outlook ▶ by business segment

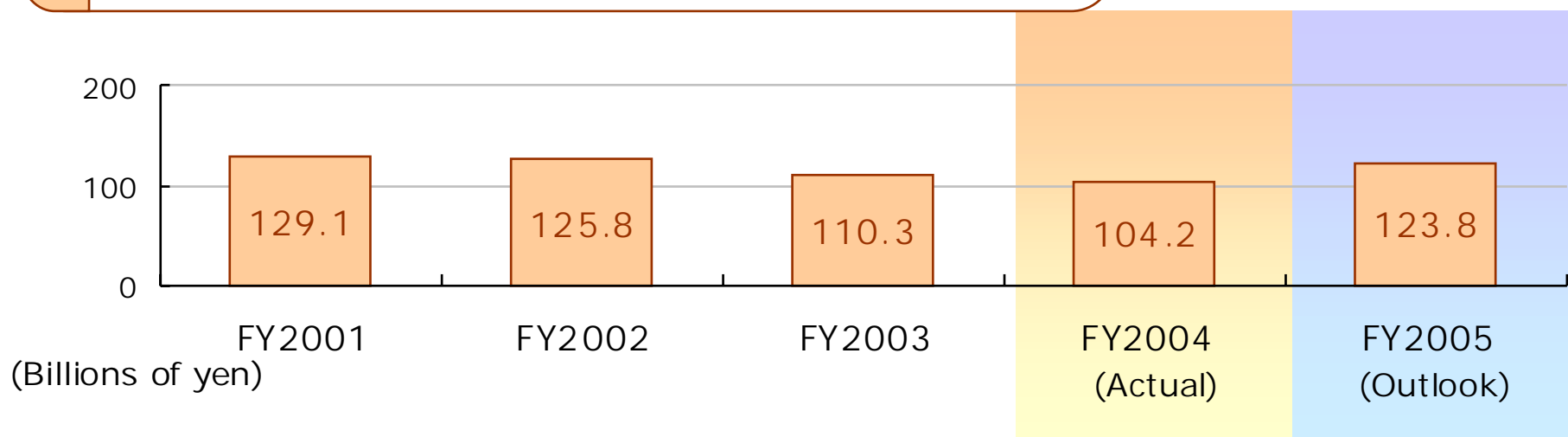


# Outlook for Capital Expenditure and Depreciation & Amortization Expenses

## Capital Expenditures

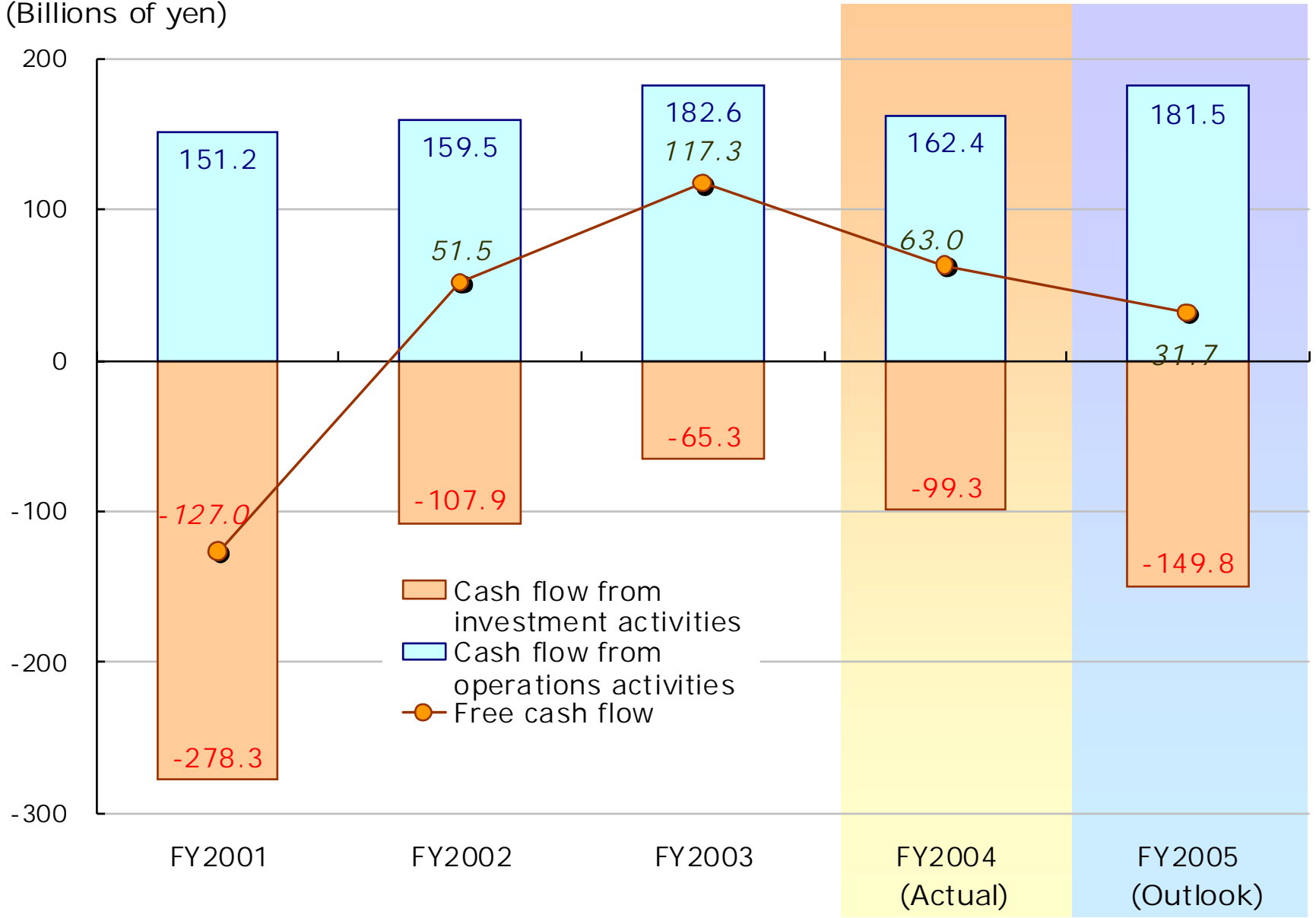


## Depreciation and amortization expenses

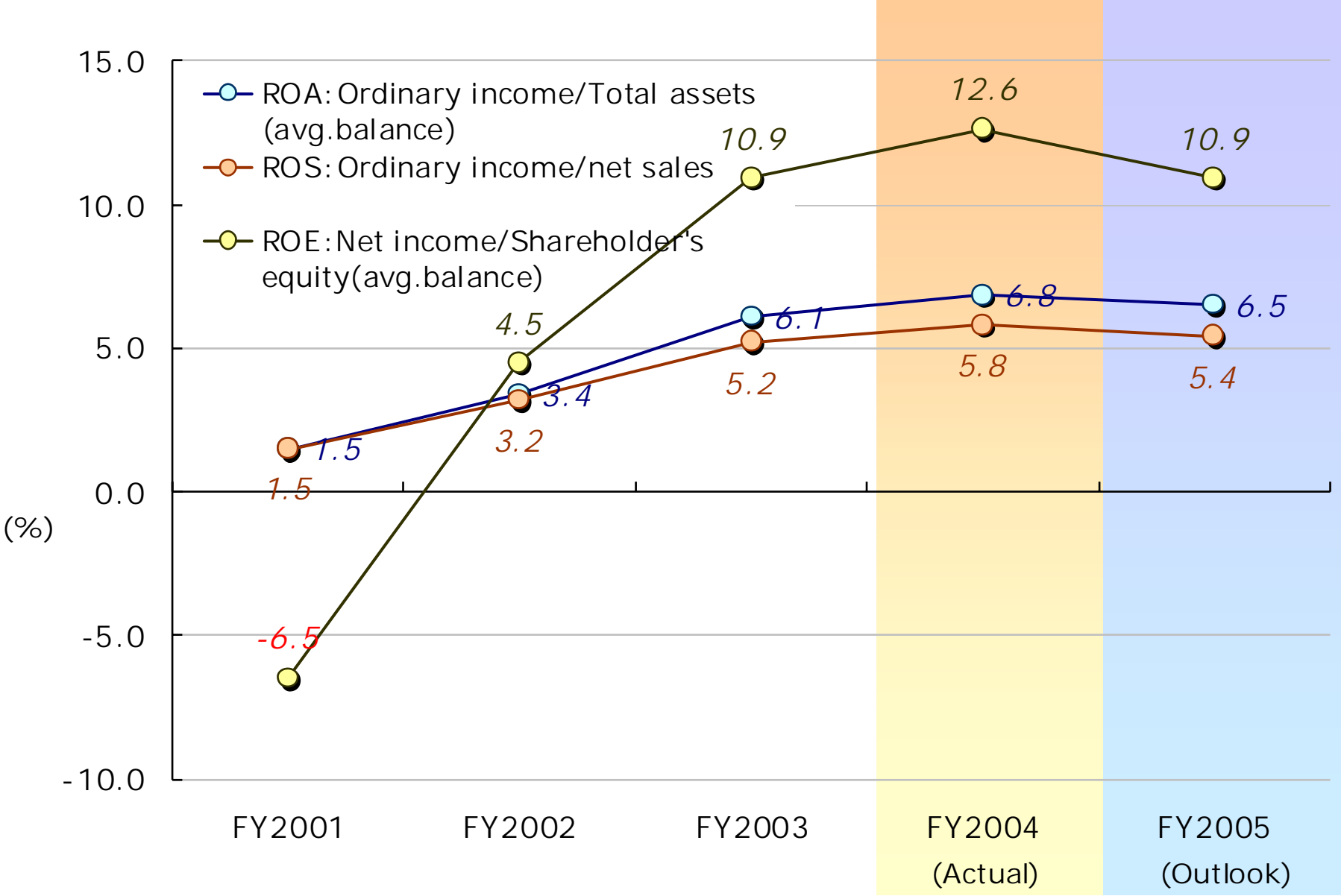


# Free Cash Flows Outlook

(Billions of yen)



# Main Management Metrics



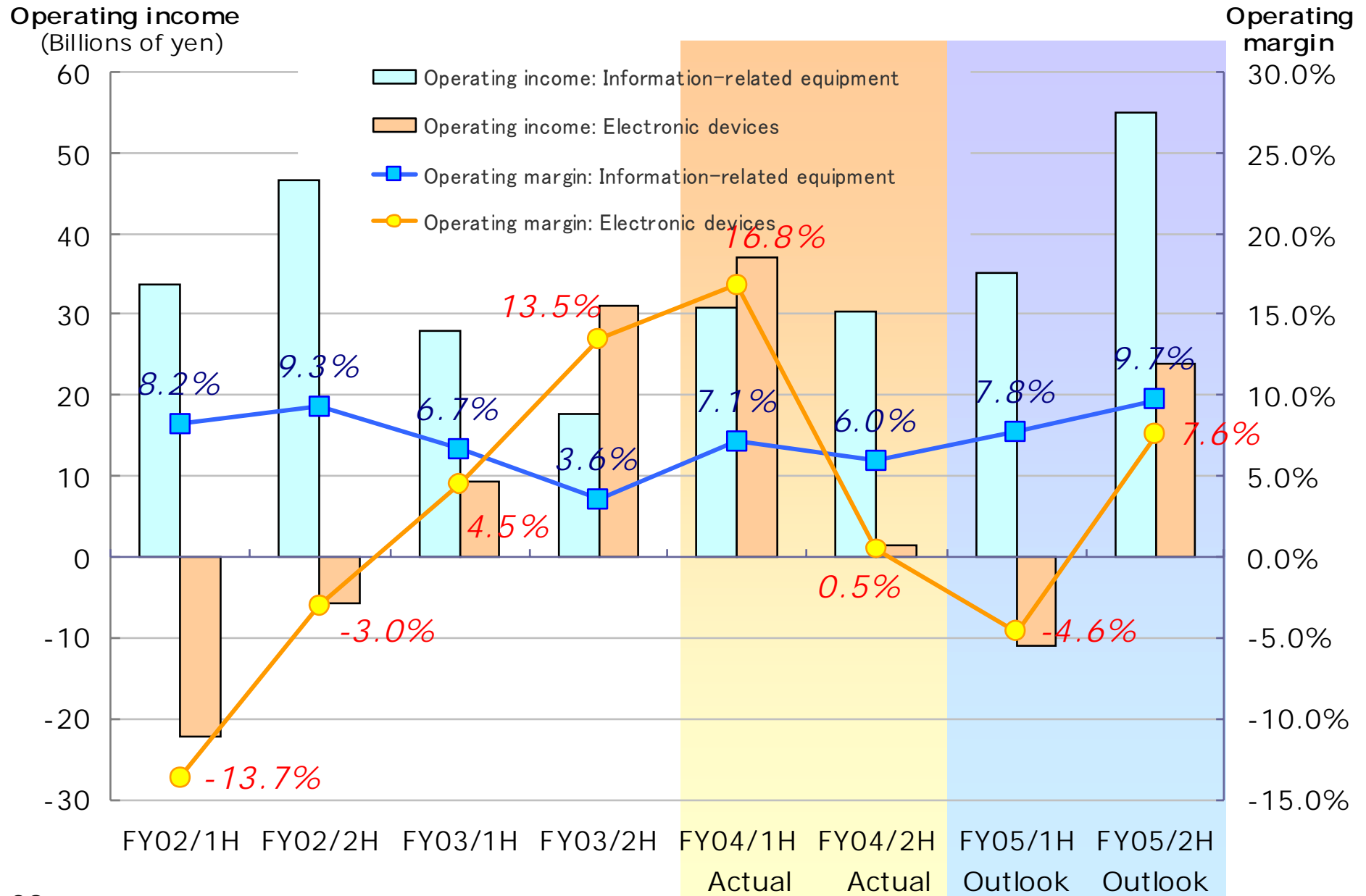
# Mid-Range Business Plan (Action07), Year 2

Year 1 Review

Year 2 (FY 2005) Outlook

Year 2 Actions

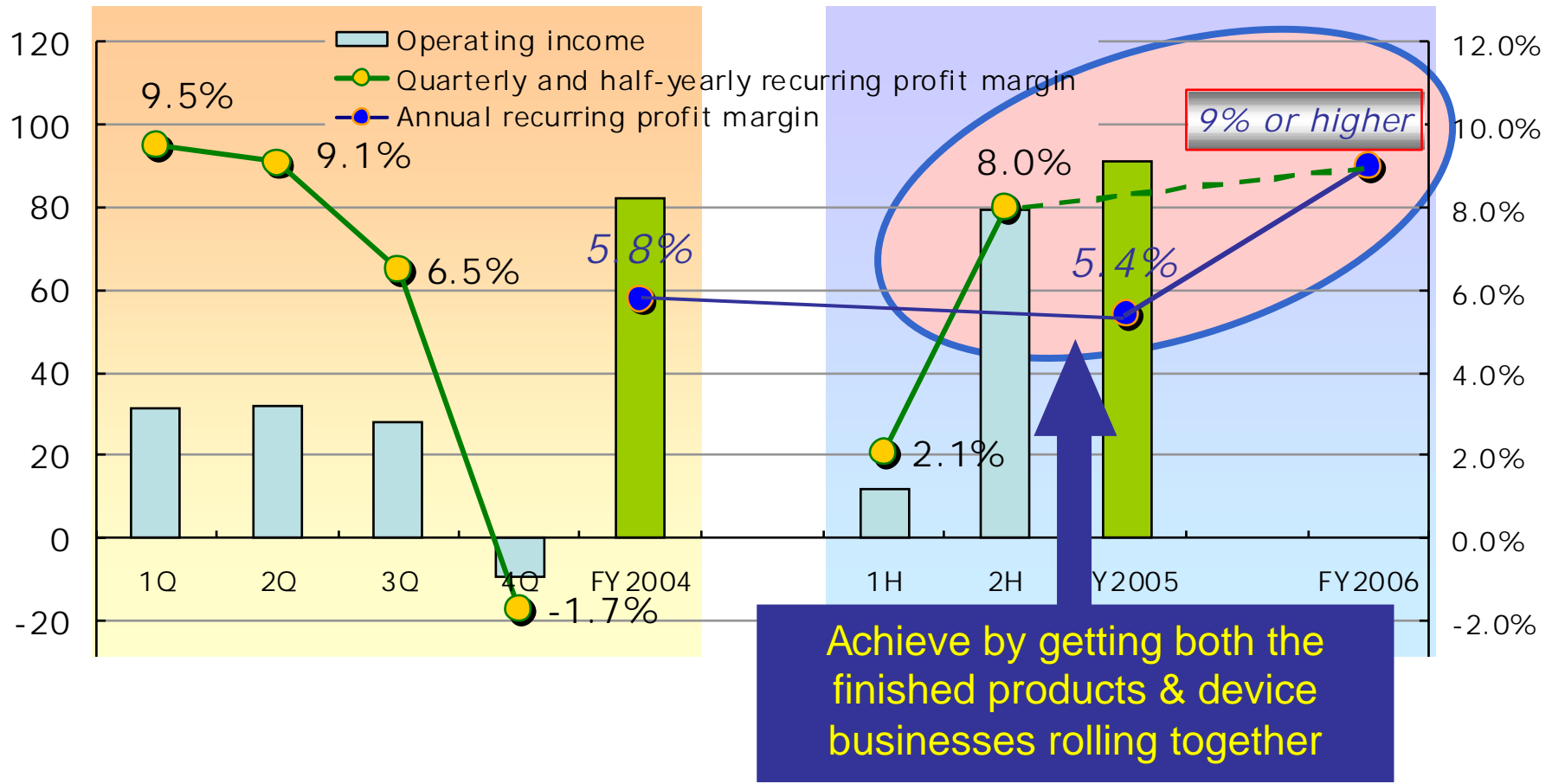
# Operating Income (Actual and Outlook)





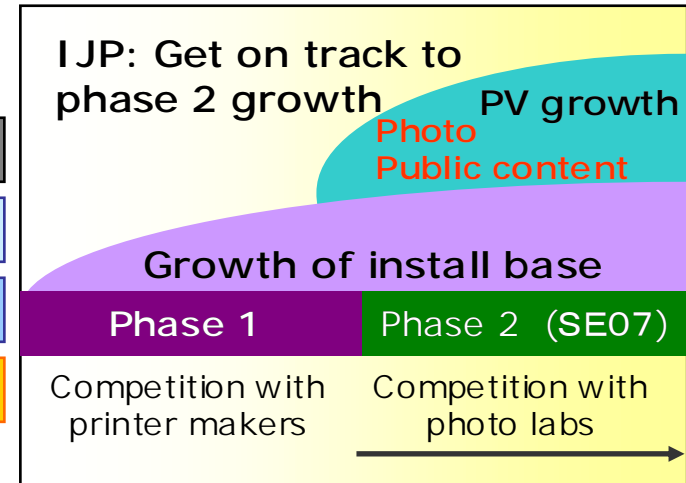
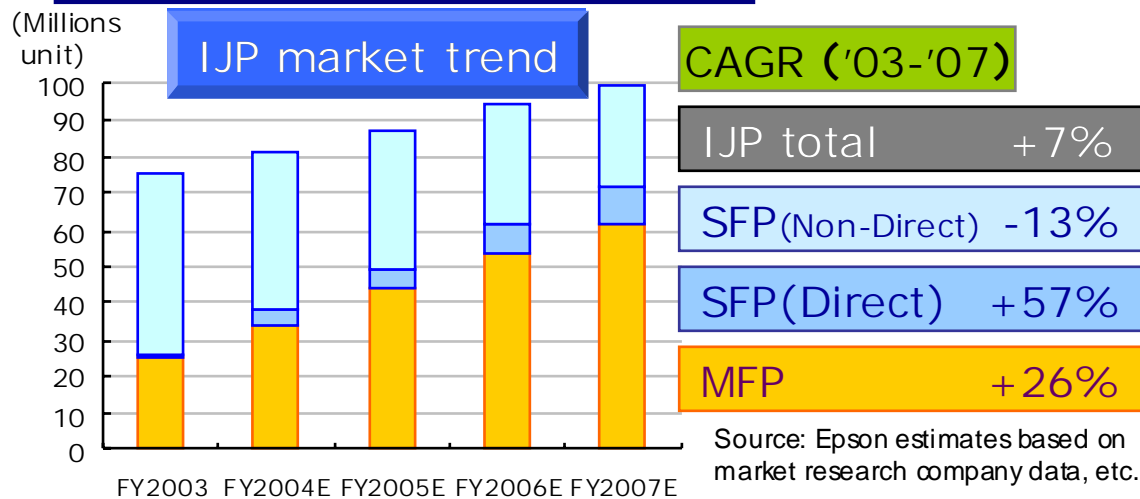
# Management Issues in FY2005

Execute action plans in the first half of FY2005 to jump-start growth after bottoming out in FY2004/Q4, and tie actions into results from the second half.



# Keys to Achieving the FY2005 Plan

## i1 Imaging on Paper



### ◆ Accelerate the "Epson = Photo" strategy

- Grow PV (print volume & print value) by driving the **A to F strategy** to establish a home-photo brand and drive home photo printing
- Expand in the graphics & high-end amateur fields
- Reduce costs further



(Colorio me: E-200)

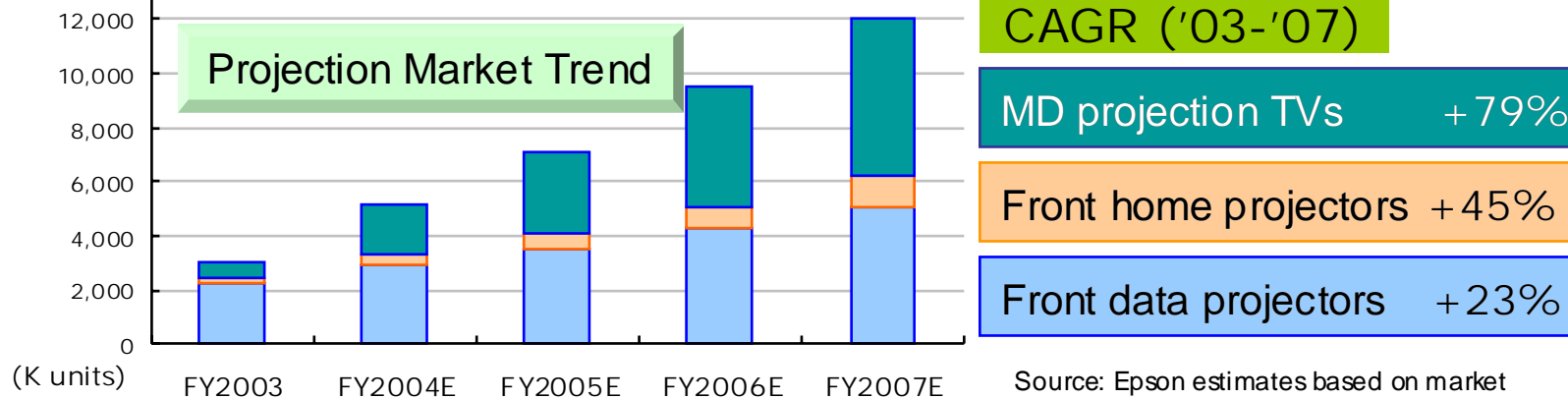
### **A to F strategy**

- A**ffordable
- B**eautiful
- C**onvenient
- D**urable
- E**asy
- F**un

### ◆ Pursue "only by Epson" photo technology

# Keys to Achieving the FY2005 Plan

## i2 Imaging on screen



◆ Advance 3LCD, the No. 1 projection technology

➤ Differentiate with high resolution, luminous efficiency & reliability

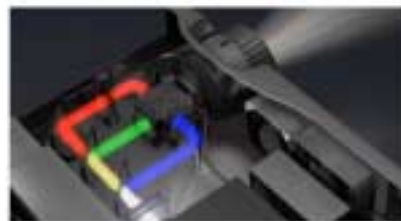
◆ Grow volume and reduce costs

➤ Expand device share by starting operations at the Chitose Plant.



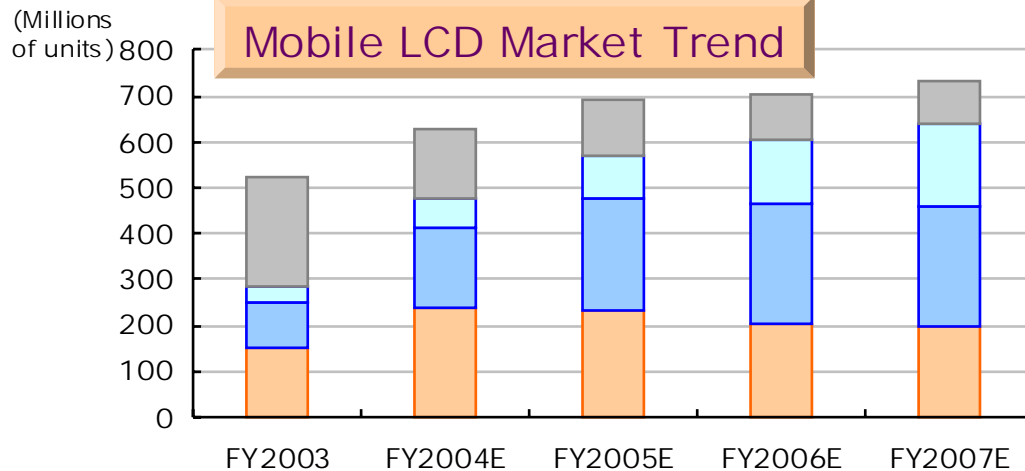
(Chitose Plant)

◆ Projection TV: Grow volumes of both finished products and engines



# Keys to Achieving the FY2005 Plan

## i3 Imaging on glass



### CAGR ('03-'07)

Total panel demand +9%

B/W STN -20%

Active High End +49%

Active Volume Zone +26%

Color STN +8%

Source: Epson estimates based on TSR, D/S and PR data

Note: Does not include sub-displays on back of handsets

- ◆ Build a profitable structure at Sanyo Epson Imaging Devices (SEID).
- ◆ Expand volume in the active panel volume zone, and slash costs.
  - a-TFT is positioned at the heart of business expansion. Rapidly transition to small-sized panels and expand the range of applications.
- ◆ Pursue "only by Epson" display technology.
- ◆ Improve profitability in the semiconductor business.
  - Rehabilitate the LCD driver business.
  - Revamp the product mix by leveraging areas of differentiation & strength.
- ◆ Smoothly launch the new quartz device company (Epson Toyocom)

# Sharing Profits With Shareholders

- Raise the FY2004 estimated year-end dividend as announced
- Plan to raise the interim and year-end dividend in FY2005

(per share)	Interim dividend	Year-end dividend	Annual dividends	Dividend ratio
FY2005	16.0 yen (estimated)	16.0 yen (estimated)	32.0 yen (estimated)	11.6% (estimated)
FY2004	13.0 yen	13.0 yen (estimated)	26.0 yen (estimated)	9.2% (estimated)
FY2003	9.0 yen	9.0 yen	18.0 yen	8.8%

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