

First Half and Second Quarter Financial Results Fiscal Year 2008 (Ending March 31, 2009)

October 29, 2008

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.

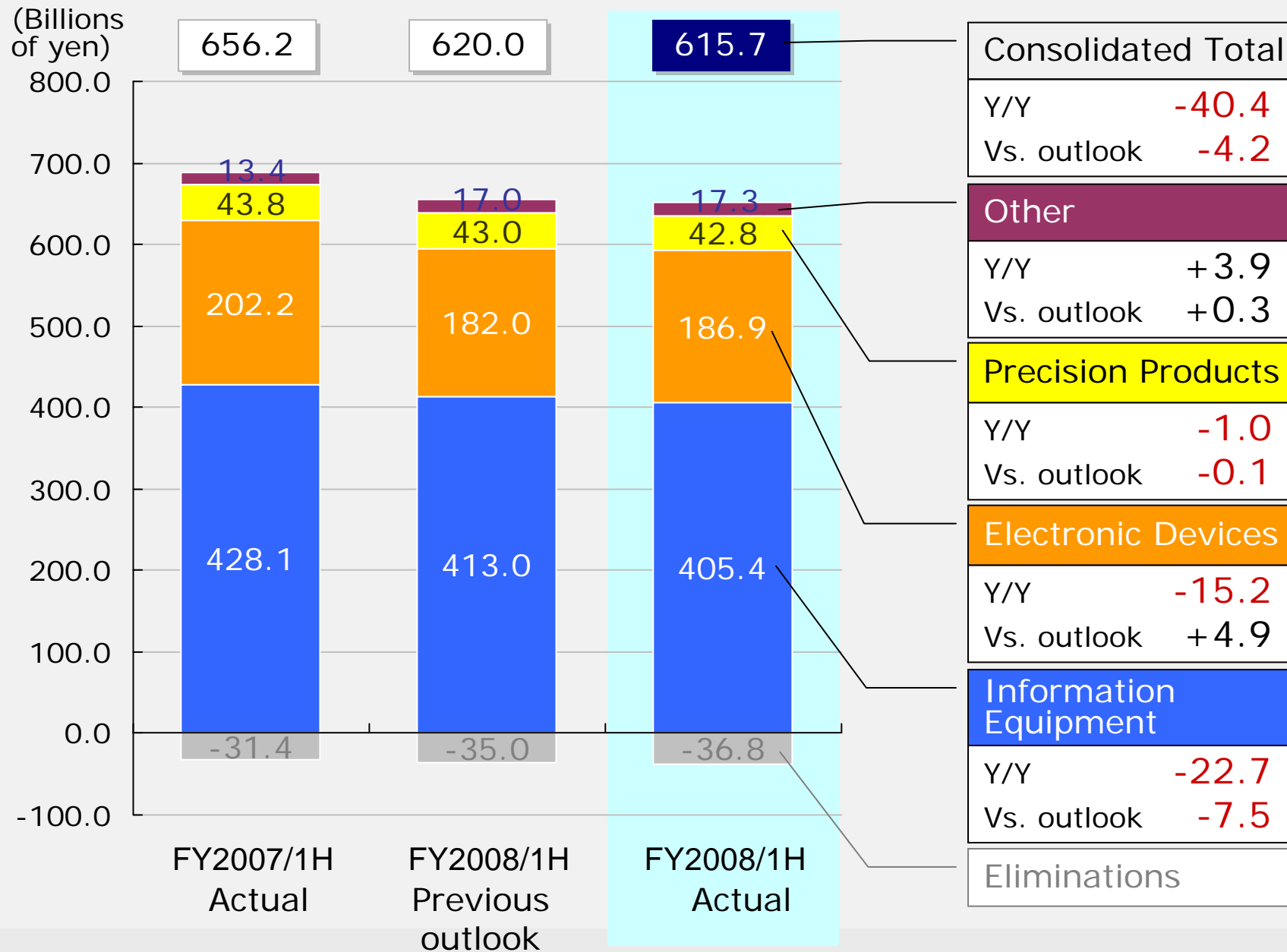
Percentages are rounded off to one decimal place.

First Half Financial Highlights

(Billions of yen)	FY2007		FY2008				Change (amount, %)	
	Actual	%	Previous Outlook	%	Actual	%	Y/Y	Vs. 7/30 Outlook
Net sales	656.2	-	620.0	-	615.7	-	-40.4 -6.2%	-4.2 -0.7%
Operating income	22.2	3.4%	30.0	4.8%	28.0	4.6%	+5.7 +25.8%	-1.9 -6.6%
Ordinary income	25.8	3.9%	30.0	4.8%	27.4	4.5%	+1.6 +6.4%	-2.5 -8.3%
Net income before income taxes	22.1	3.4%	22.0	3.5%	20.4	3.3%	-1.7 -7.8%	-1.5 -7.1%
Net income	3.2	0.5%	13.0	2.1%	11.7	1.9%	+8.4 +259.8%	-1.2 -9.8%
EPS	¥16.59		¥66.20		¥59.69			
Exchange rate	USD	¥119.33	¥102.00		¥106.11			
	EUR	¥162.30	¥162.00		¥162.68			

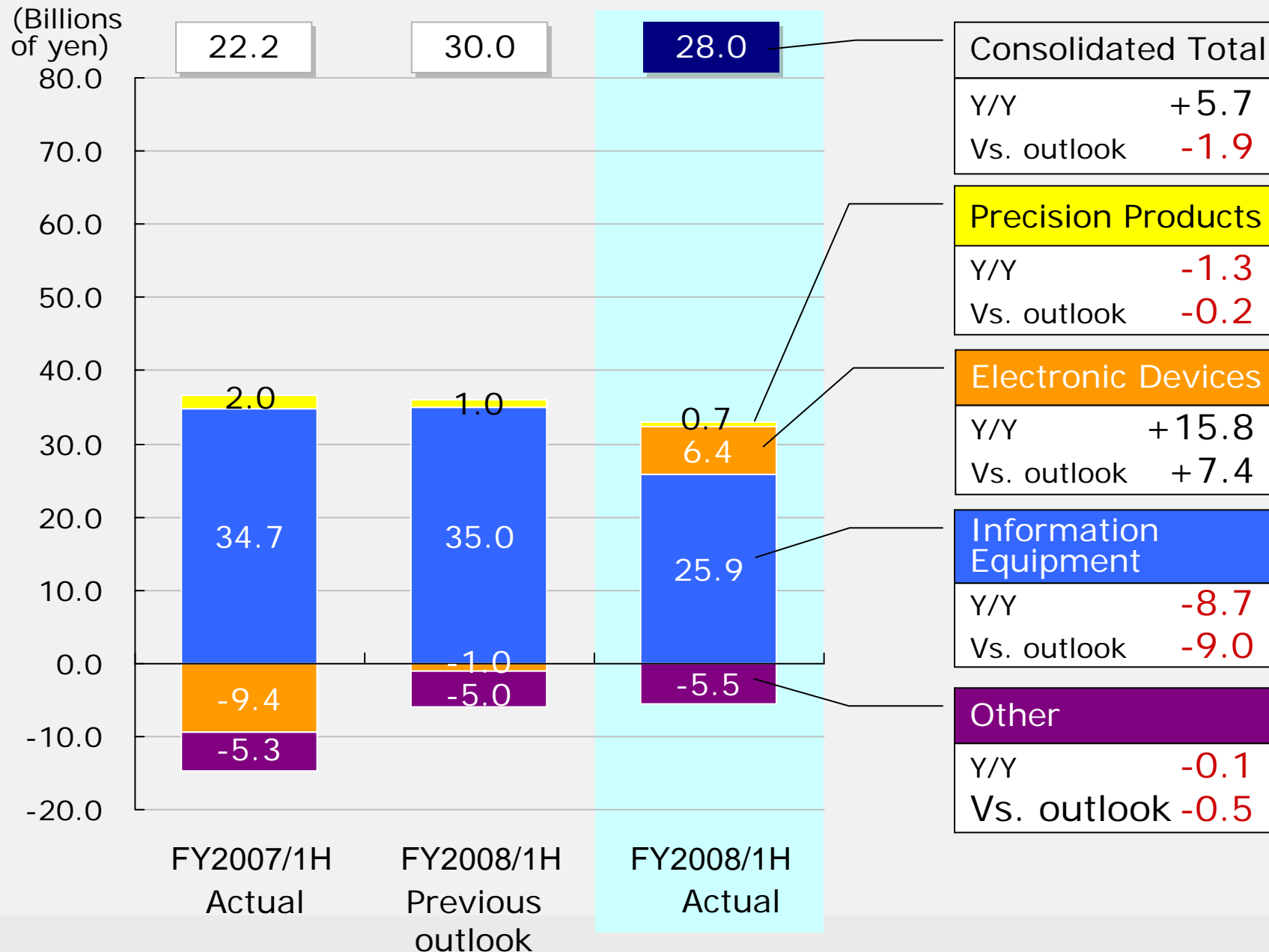
1H Financial Highlights—Net Sales Comparison

► By business segment



1H Financial Highlights—Operating Income Comparison

► By business segment



Full-Year Business Outlook

(Billions of yen)	FY2007		FY2008				Change (amount, %)	
	Actual	%	Previous outlook	%	Current outlook	%	Y/Y	Vs. 7/30 outlook
Net sales	1,347.8	-	1,300.0	-	1,263.0	-	-84.8 -6.3%	-37.0 -2.8%
Operating income	57.5	4.3%	68.0	5.2%	45.0	3.6%	-12.5 -21.8%	-23.0 -33.8%
Ordinary income	63.2	4.7%	70.0	5.4%	53.0	4.2%	-10.2 -16.2%	-17.0 -24.3%
Net income Before income taxes	52.0	3.9%	60.0	4.6%	43.0	3.4%	-9.0 -17.4%	-17.0 -28.3%
Net income	19.0	1.4%	35.0	2.7%	27.0	2.1%	+7.9 +41.4%	-8.0 -22.9%
EPS	¥97.24		¥178.24		¥137.50			
Exchange rate	USD	¥114.28	¥101.00		¥103.00			
	EUR	¥161.53	¥161.00		¥149.00			

*Current outlook 2H exchange rate assumption:
USD: ¥100.00
EUR: ¥135.00

■ View of the external environment

Increased uncertainty over macroeconomic situation and exchange rates compared to previous announcement (July 30)

Noticeable trend towards corporate belt-tightening

→ Increasing uncertainty due to economic downturn

■ Approach to current outlook

2H exchange rate assumption:

In light of recent trends (stronger yen), ¥100/USD, ¥135/EUR

Business environment:

At this stage, the environment is fluid due to uncertainty. We expect a hit due to the stronger yen, but we will respond by emphasizing sales of our highly rated new inkjet printer models and consumables in the year-end shopping season.

The economic downturn has cut into demand for mobile phones and electronic components. We will focus on winning orders while continuing our efforts to improve cost efficiency.

We have revised our income outlook in light of these adjustments

Reference:

■ Expected impact of EUR exchange rate fluctuations in 2H of FY2008

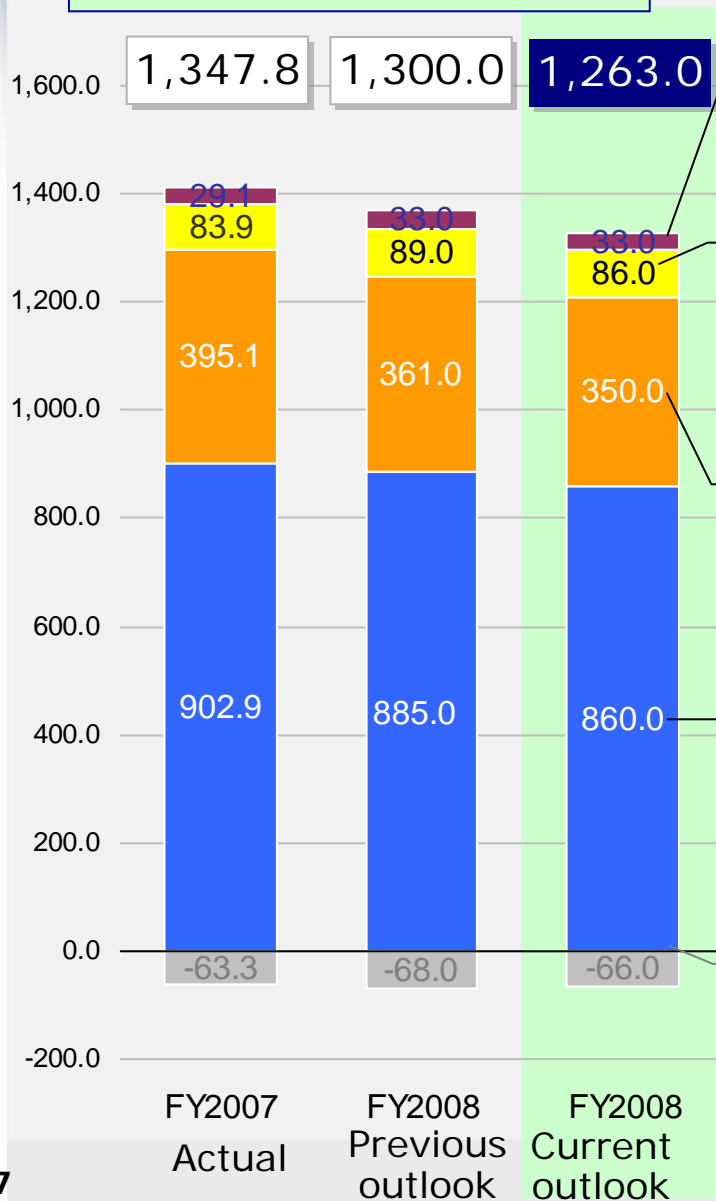
Operating income takes a ¥600M hit & ordinary income a ¥300M hit for every ¥1 in appreciation against the Euro

FY2008 Business Outlook (Net Sales)

► By business segment

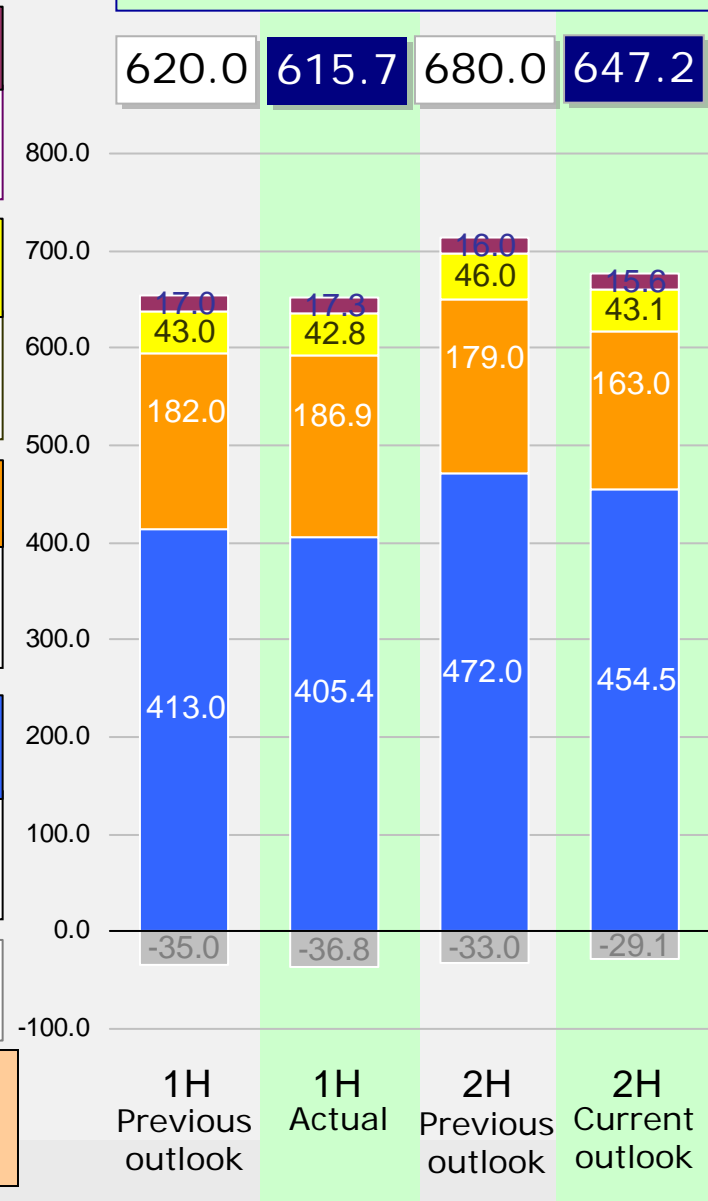
Full Year

(Billions of yen)



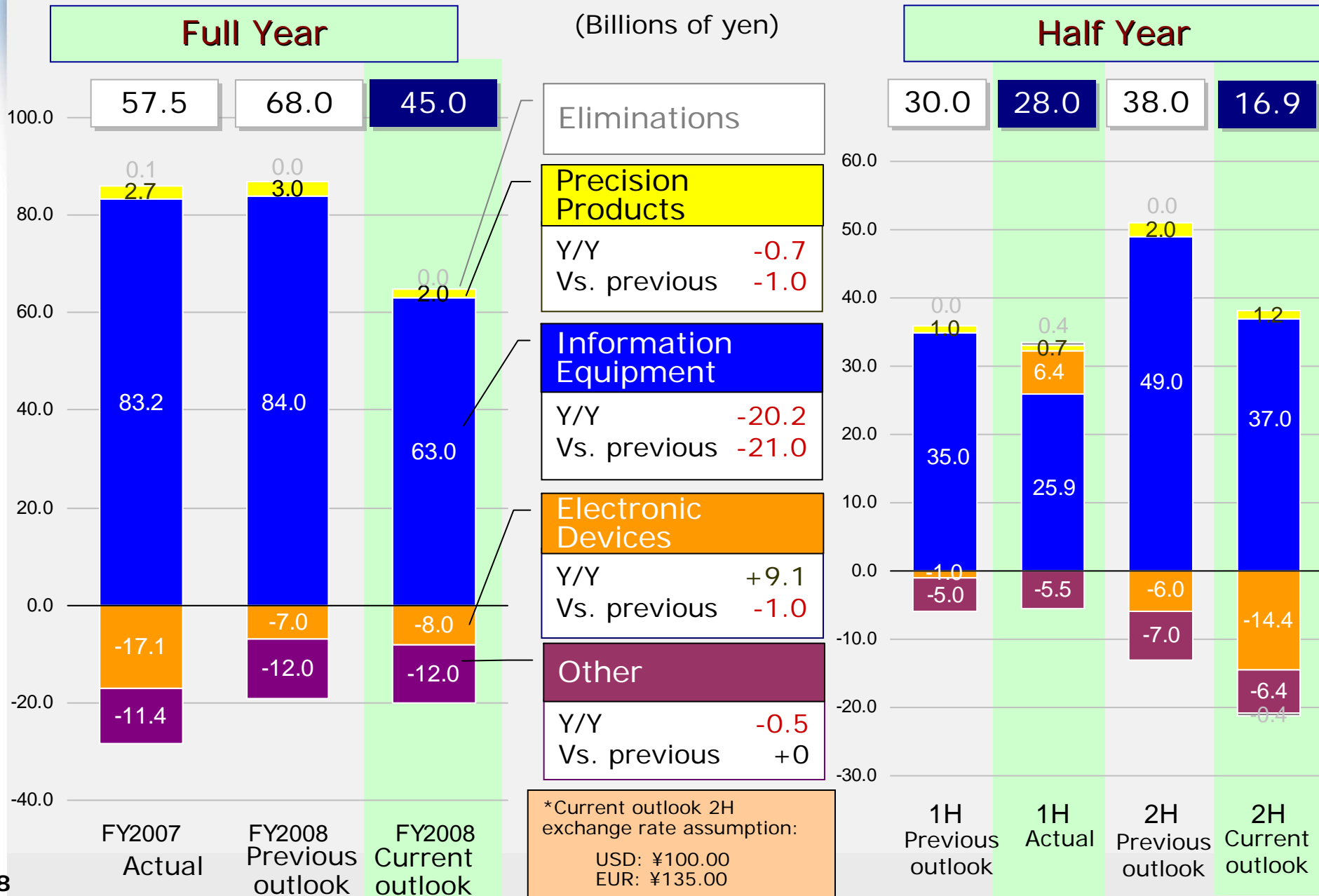
Other	Y/Y	+3.8
	Vs. previous	+0
Precision Products	Y/Y	+2.0
	Vs. previous	-3.0
Electronic Devices	Y/Y	-45.1
	Vs. previous	-11.0
Information Equipment	Y/Y	-42.9
	Vs. previous	-25.0
Eliminations		
* Current outlook 2H exchange rate assumption: USD: ¥100.00 EUR: ¥135.00		

Half Year



FY2008 Business Outlook (Operating Income)

► By business segment



Information Equipment

Continue our inkjet-centered strategy from the initial plan. Expand sales and maximize unit shipments to offset the recent worsening of the market environment.

- **Inkjet printers**

- Maintain stable income and aim for mid- to long-range income growth

- 1) Consumer products: Continue sales and marketing of attractive new products that lead to consumable sales
- 2) Business products: Although there is concern over corporate belt-tightening due to the economic downturn, we will launch new products

- Pursue cost reductions

- Strengthen initiatives to leverage Micro Piezo technology in the business and industrial sectors

- **Business systems**

Offset declining business investment in POS products with steady demand for SIDM in emerging nations

- **Page printers**

- Continue sales of high-margin models with an eye on print volume

- **Projectors**

- Introduce attractive new models to strengthen our line of products for business, education and home markets

Electronic Devices

Despite the impact of softening demand for electronic components due to the economic downturn, sales are still on track to meet the previous full-year forecast

- **Small- and medium-sized displays**

- Reinforce efforts to win early orders and capture new applications during the mobile phone market slowdown caused by the economic downturn

- **HTPS**

- Strengthen initiatives to cut costs and improve spending efficiency amid weak demand from other companies

- **Quartz devices**

- Step up efforts to capture orders for non-cellular applications to offset falling demand for mobile phones due to the economic downturn

Epson Toyocom revised its outlook on October 27

Major changes facing the company

■ Globalization

Global economy being driven by emerging markets

■ Environment

New value in reducing environmental impact

■ Business model

Emergence of major companies as industry becomes increasingly horizontally integrated

Epson's strengths

- **Global manufacturing and sales infrastructure**
- +
- **Excellent energy-saving, miniaturization, and precision technologies**



Direction of Future Growth

- Change the world of printing with innovations in Micro Piezo technology
- Become the overwhelming leader in big screen moving images with innovations in projection technology
- Develop devices that can drive the use of IT and advances in industry with user interface innovations
- Focus on emerging markets, and shift emphasis from consumer markets to industrial markets
- Build a new business model that focuses on Epson's strengths and real customer value

- 1) FY2008 1H Financial Results
- 2) FY2008 Business Outlook

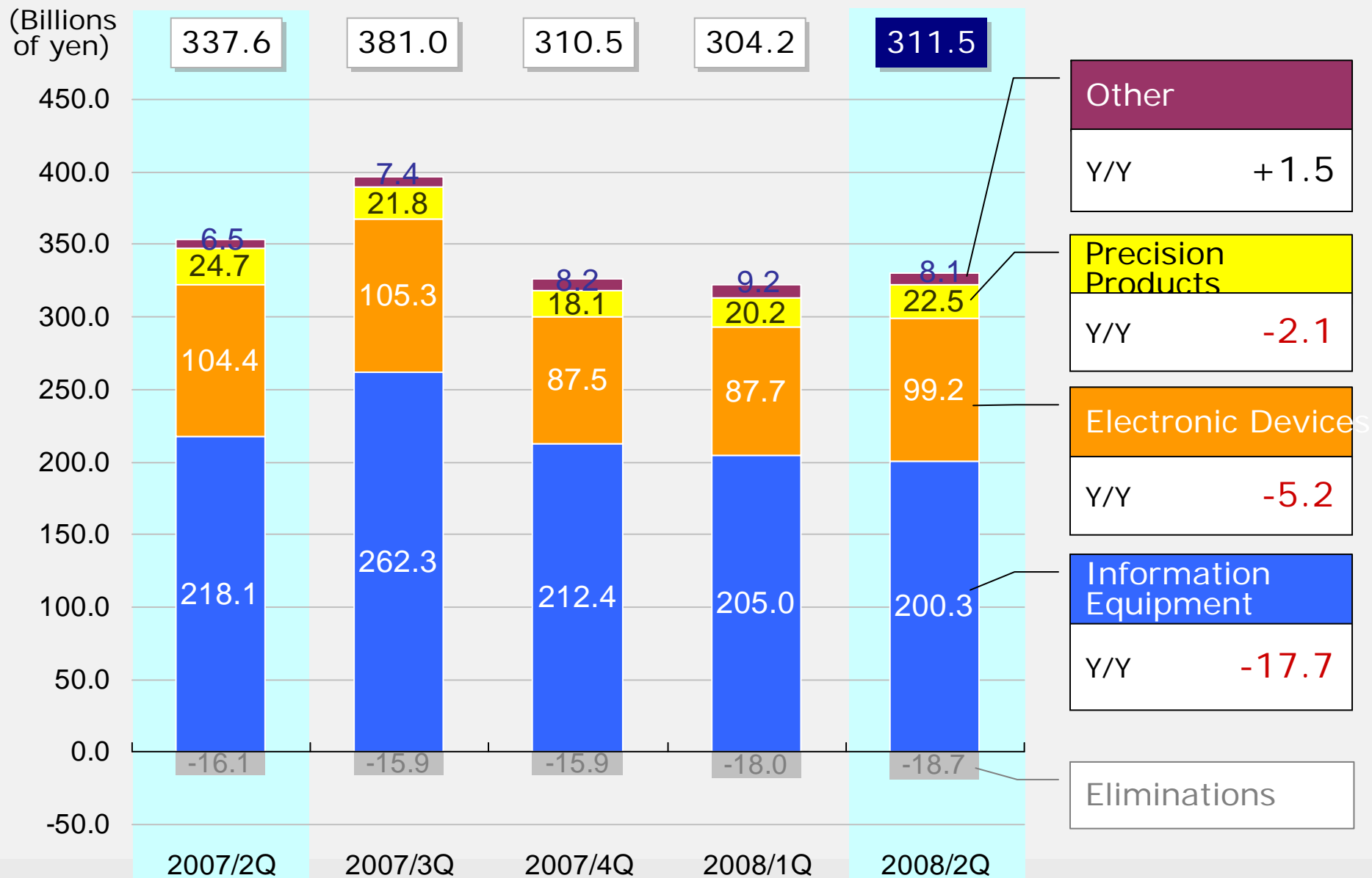
Second Quarter Financial Highlights

► Versus the year-ago period

(Billions of yen)		FY2007		FY2008		Change	
		2Q Actual	%	2Q Actual	%	Amount	% Change
Net sales		337.6	-	311.5	-	-26.1	-7.7%
Operating income		10.5	3.1%	5.6	1.8%	-4.9	-46.8%
Ordinary income		12.8	3.8%	5.5	1.8%	-7.3	-57.1%
Net income before income taxes		9.8	2.9%	4.7	1.5%	-5.1	-52.2%
Quarterly net income		1.9	0.6%	1.4	0.5%	-0.5	-27.9%
EPS		¥10.03		¥7.23			
Exchange rate	USD	¥117.87		¥107.66			
	EUR	¥161.88		¥161.93			

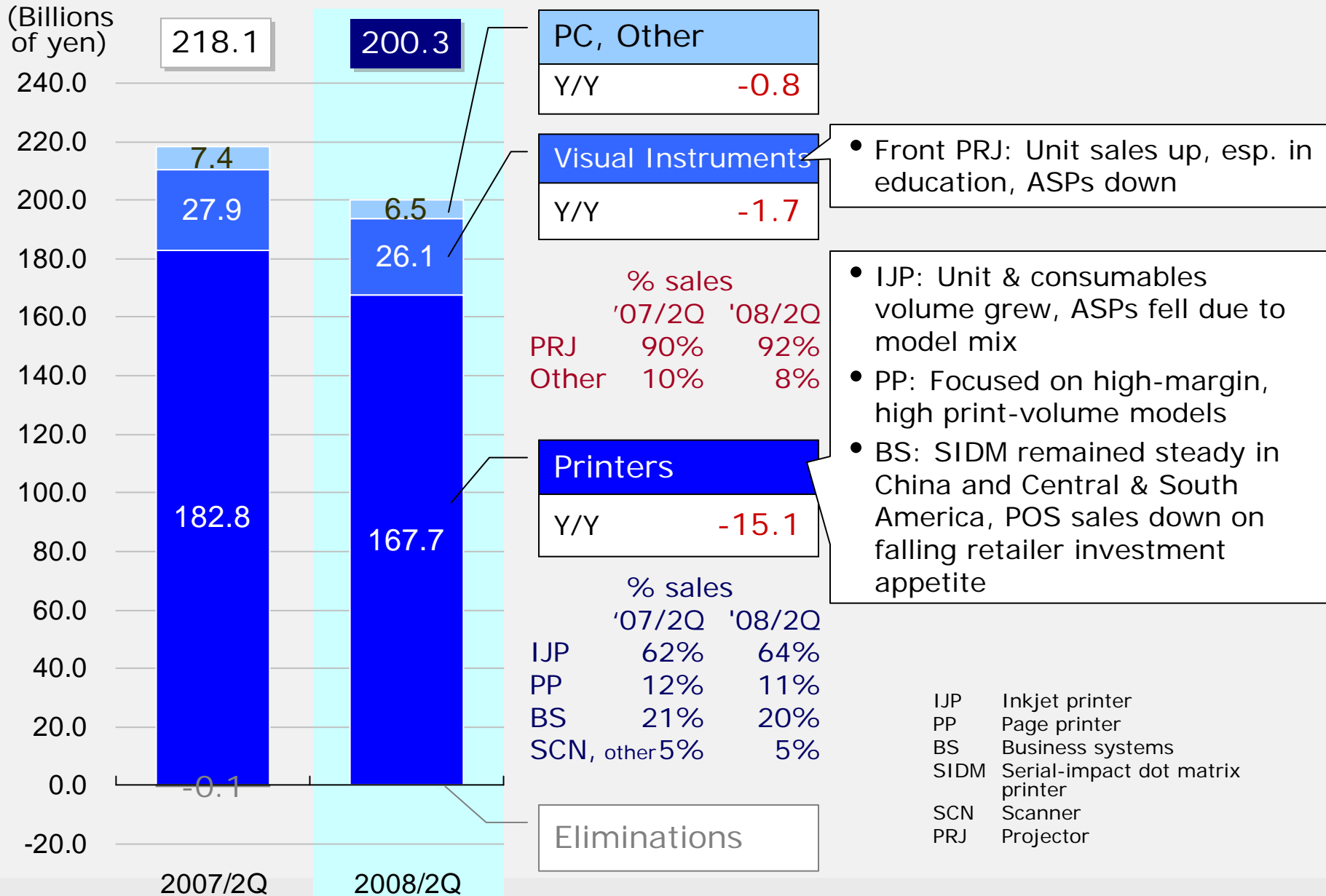
Quarterly Net Sales

► By business segment



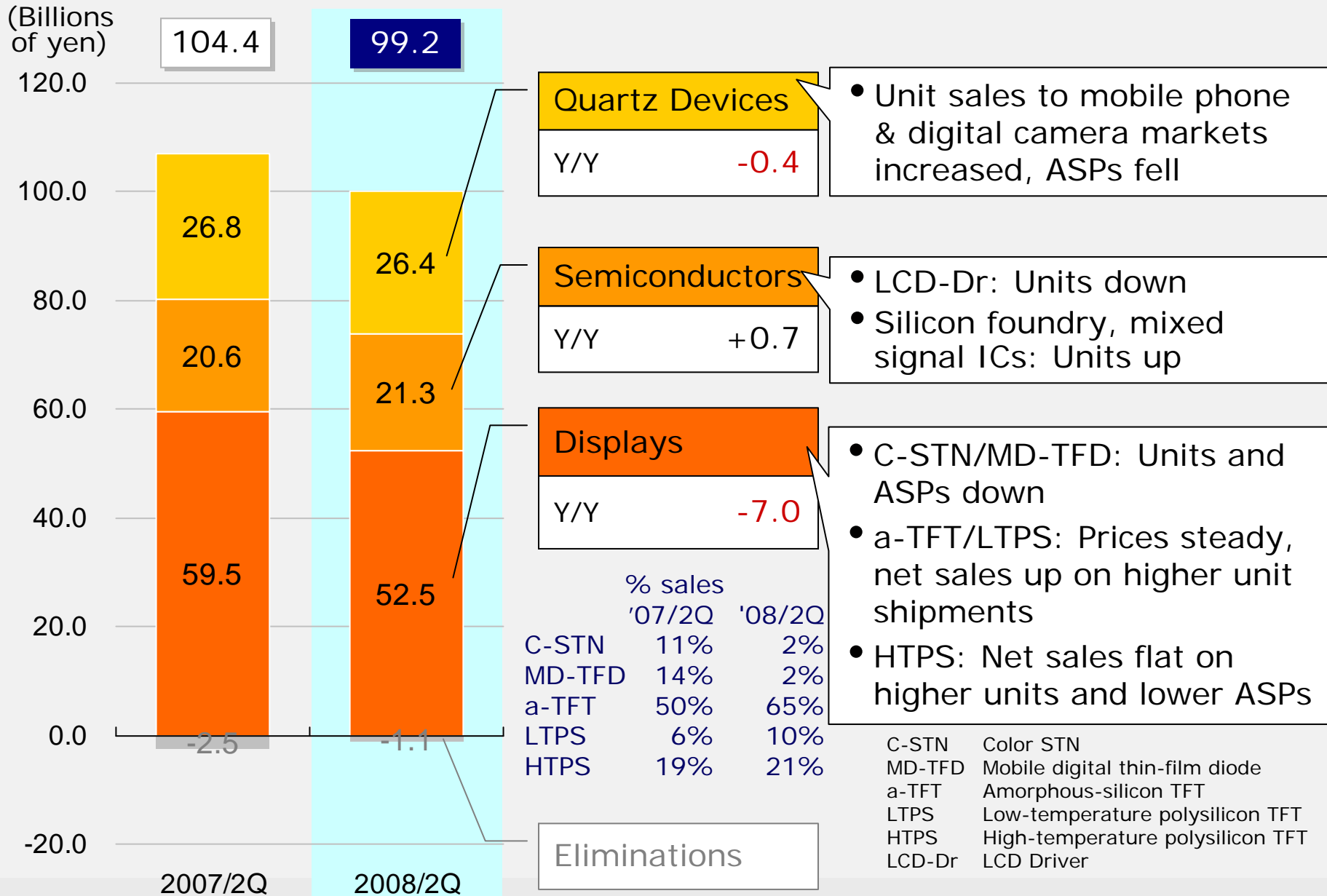
Quarterly Net Sales Comparison

Information equipment segment

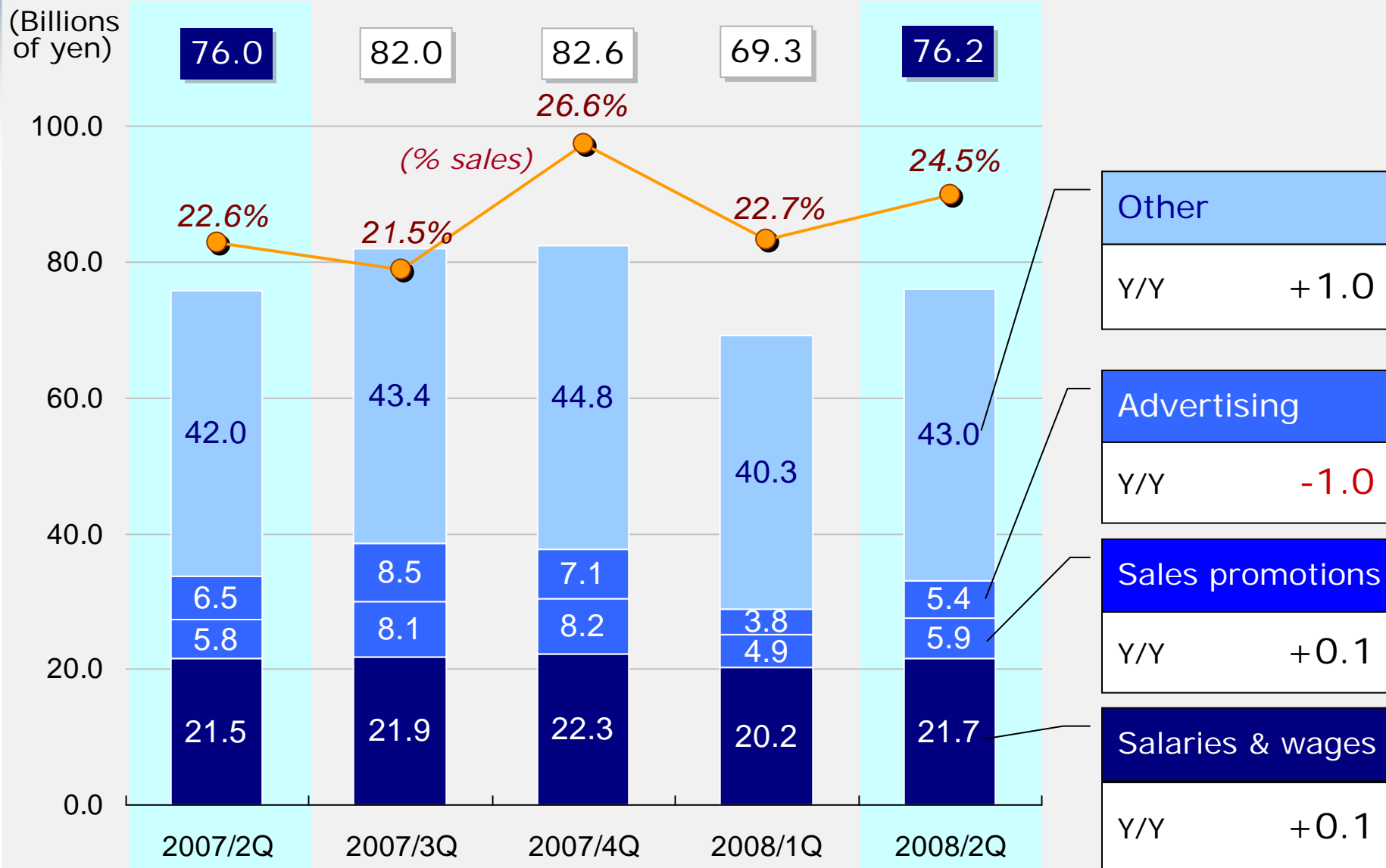


Quarterly Net Sales Comparison

▶ Electronic device segment

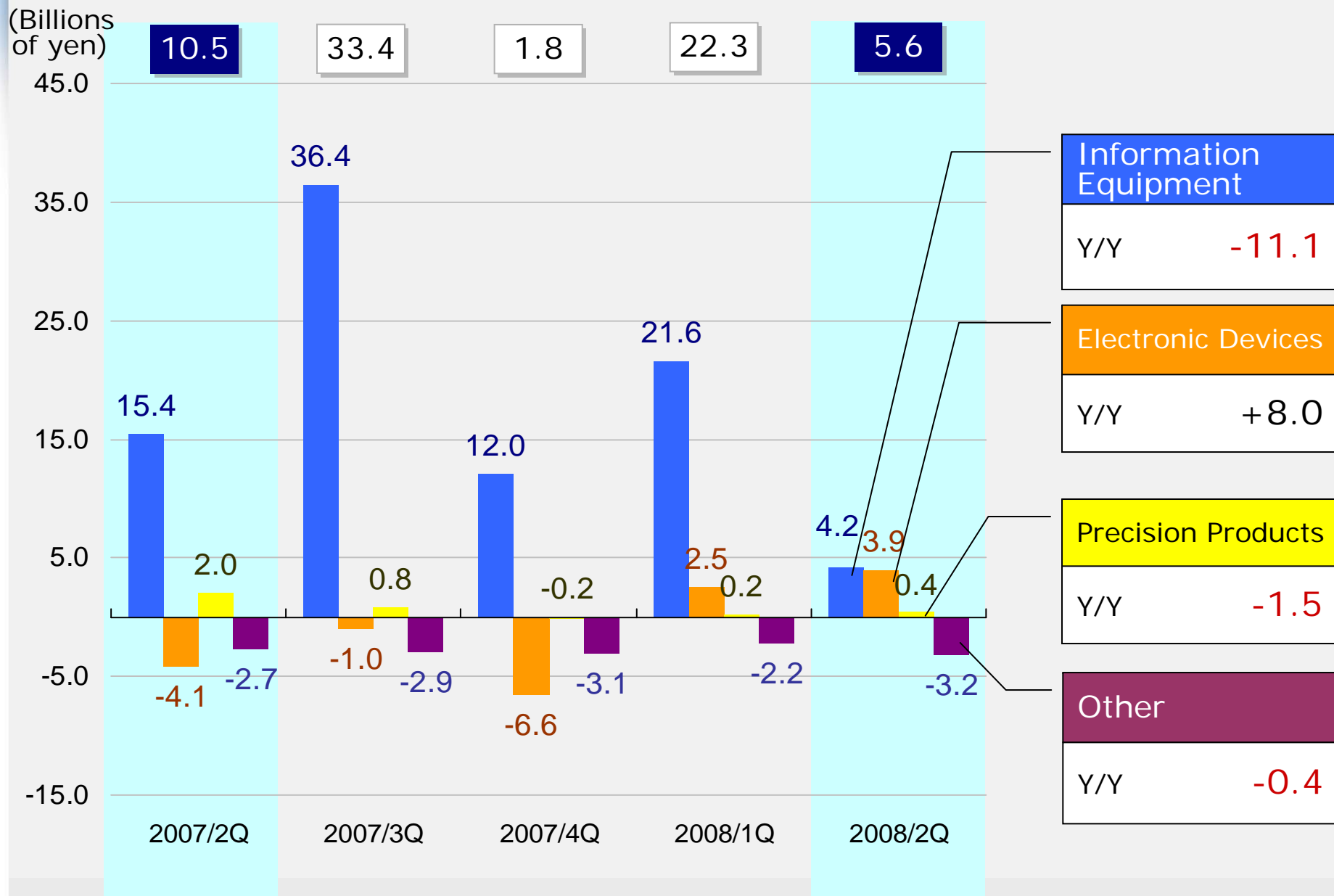


Quarterly Selling, General and Administrative Expenses

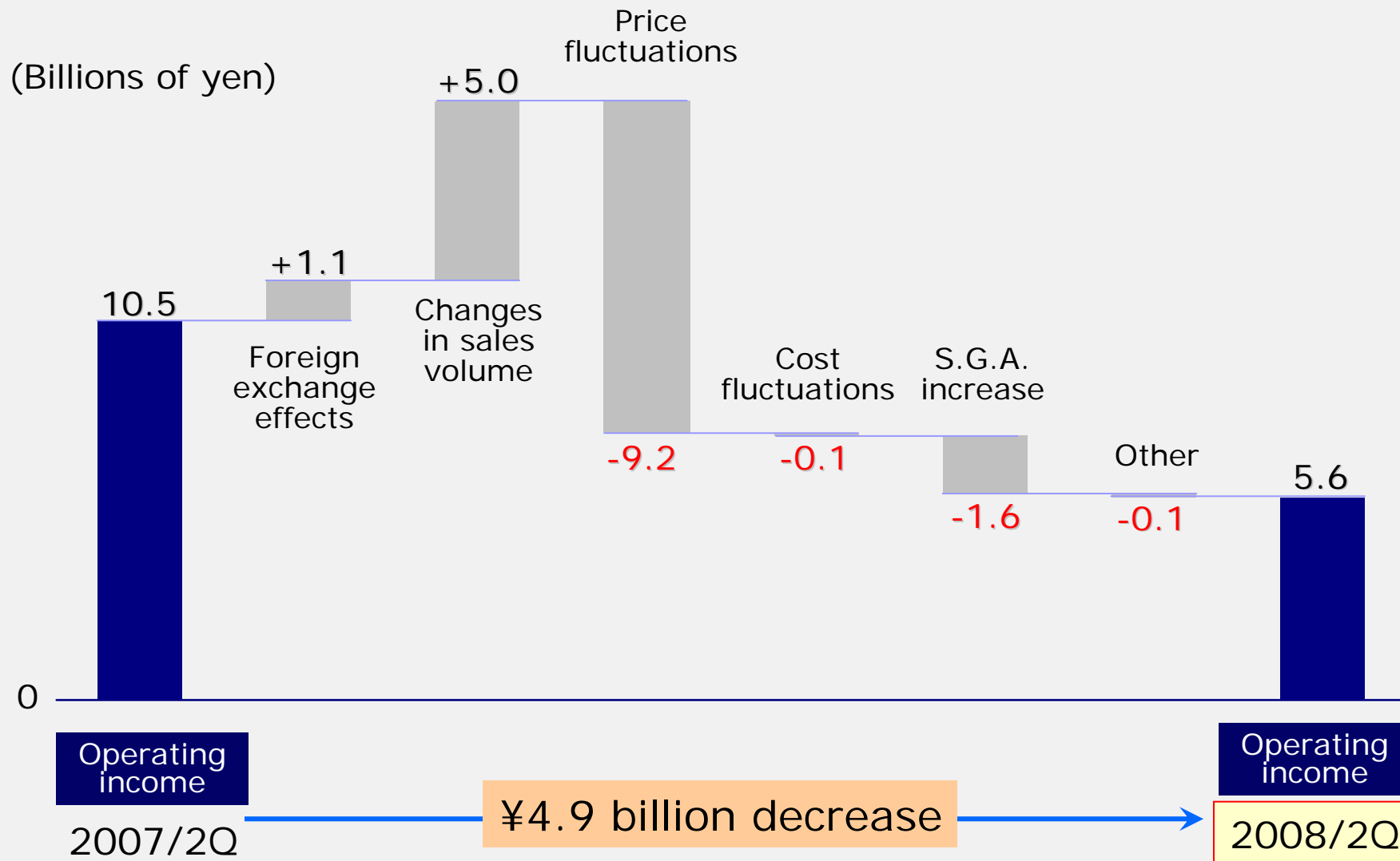


Quarterly Operating Income

► By business segment

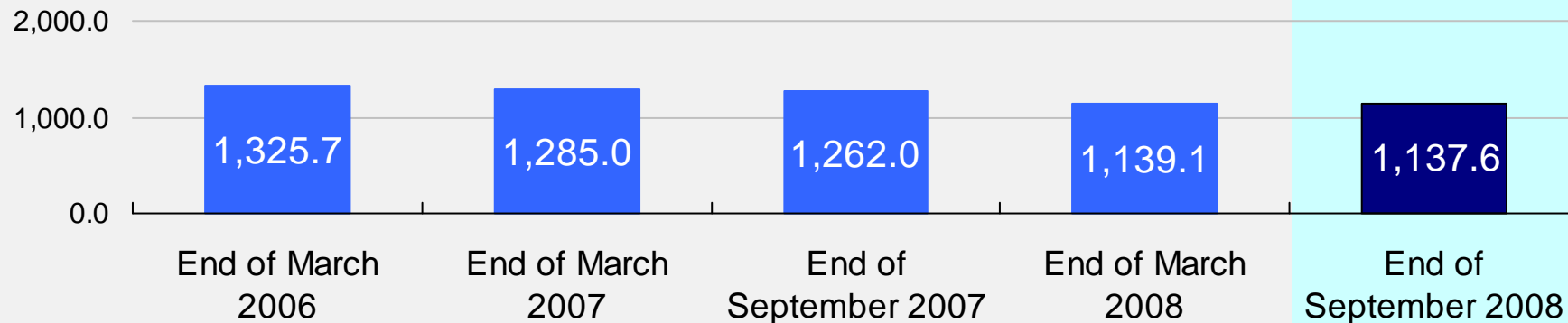


Operating Income Fluctuation Cause Analysis



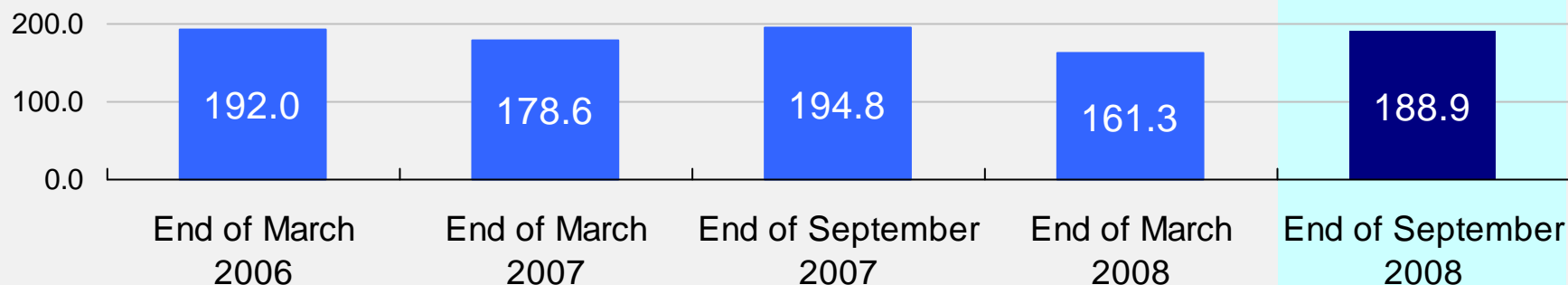
Total assets

(Billions of yen)



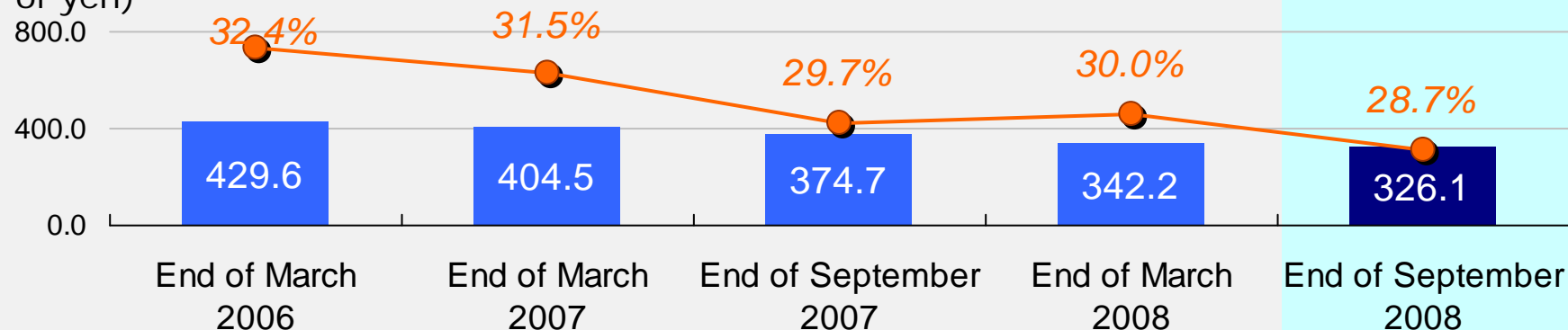
Inventories

(Billions of yen)



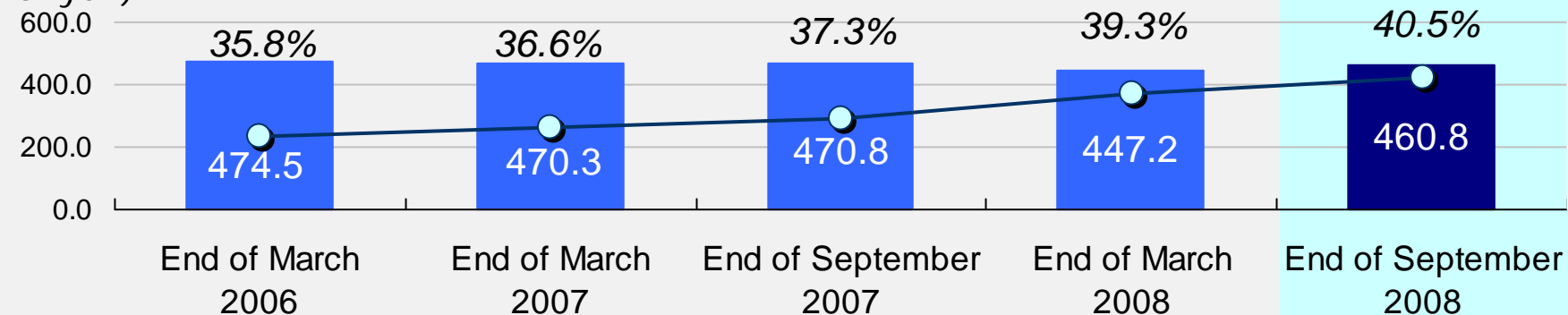
Interest-bearing liabilities & ratio of interest-bearing liabilities

(Billions of yen)



Shareholders' equity & equity ratio

(Billions of yen)



* Interest-bearing liabilities include lease obligations from FY2008

* Shareholder equity = total net assets – minority interests in subsidiaries

- 1) FY2008 1H Financial Results
- 2) FY2008 Business Outlook

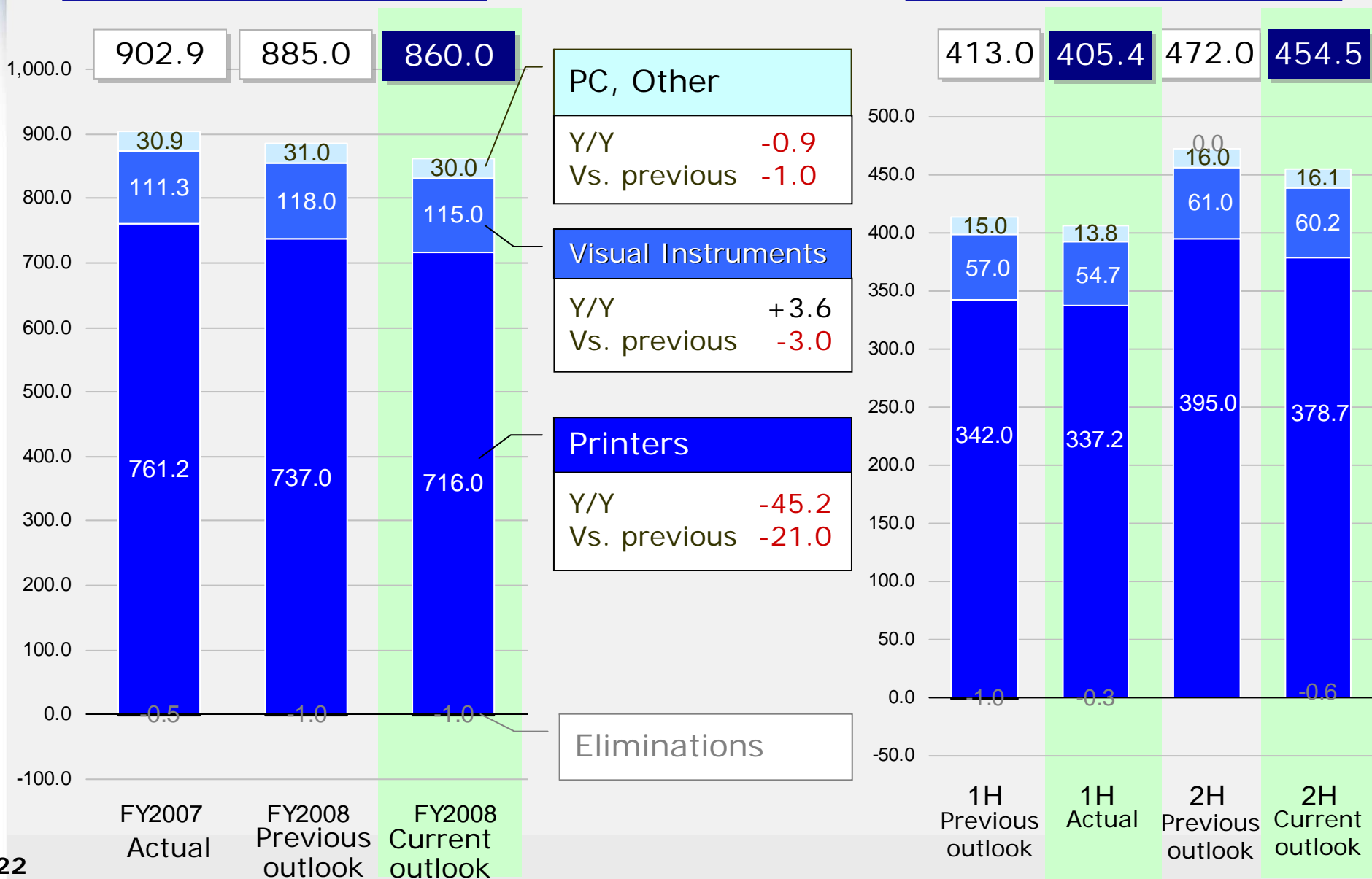
Net Sales Outlook by Business

Information-related equipment segment

Full Year

(Billions of yen)

Half Year



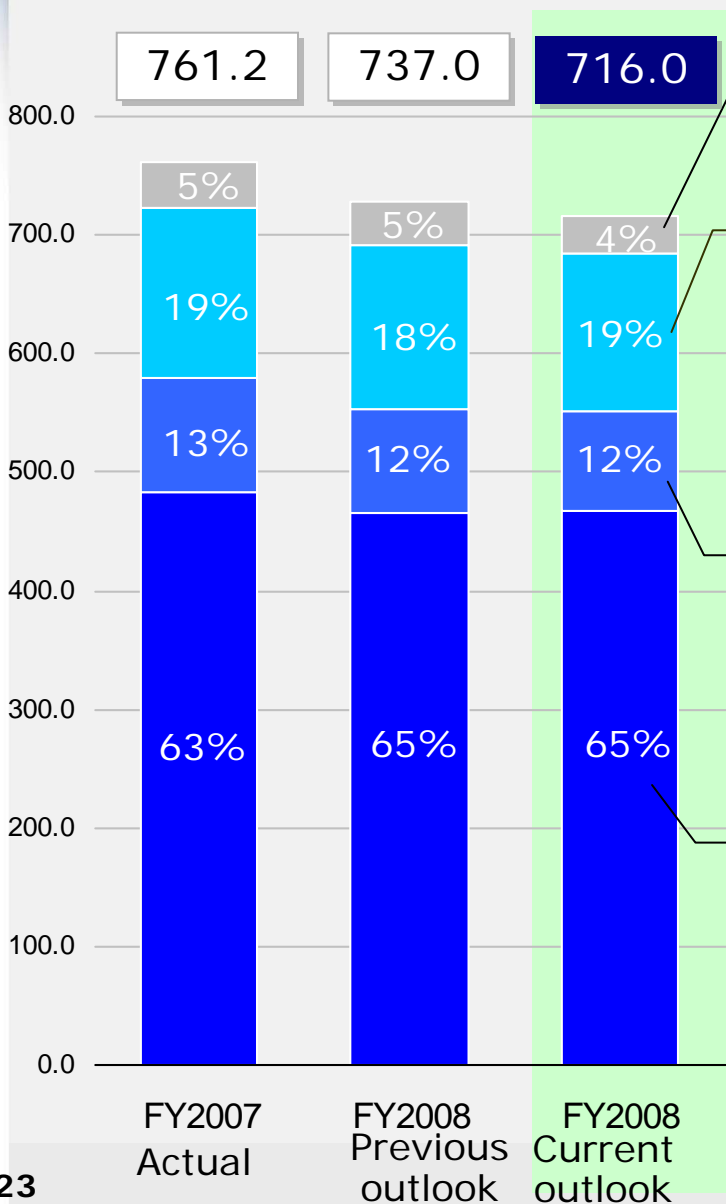
Net Sales Outlook by Business

► Printer business

Full Year

(Billions of yen)

Half Year



Scanners, Other

Business Systems

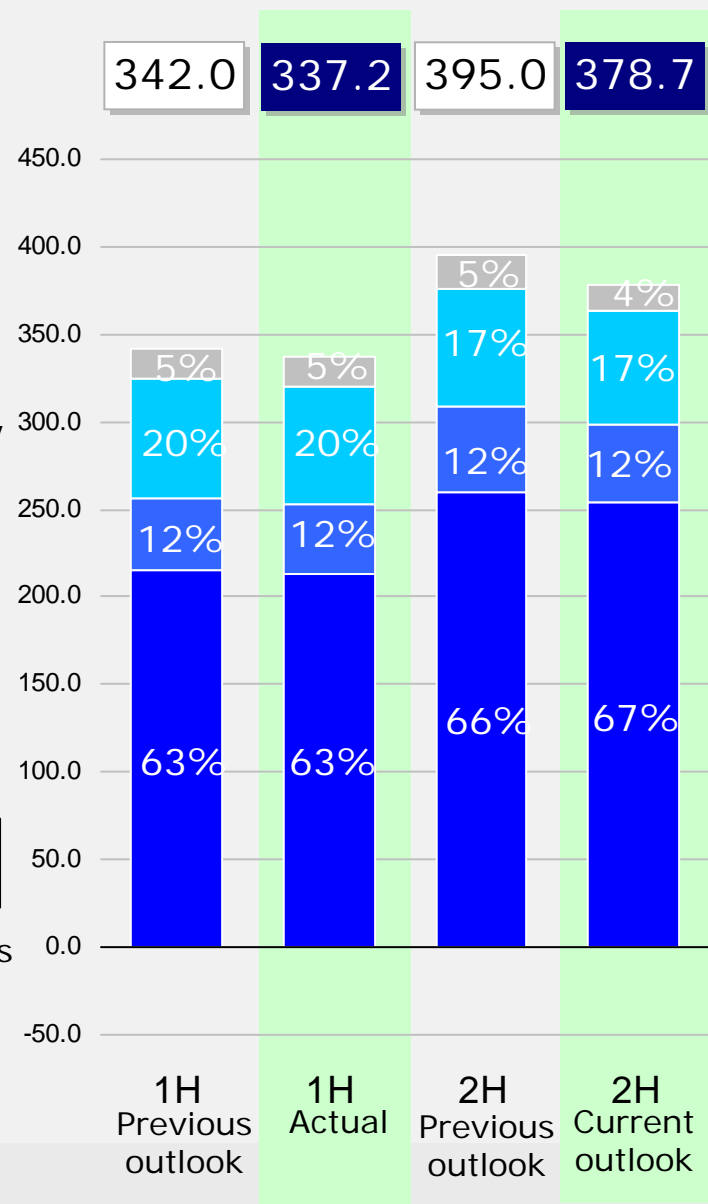
- Impact of economic slowdown on POS
- SIDM remains steady in China, etc.

Page Printers

- Focus on high print-volume regions & products

Inkjet Printers

- Expand unit shipments with an eye to future consumables sales
- Flexibly adapt to market trends



1H Previous outlook

1H Actual

2H Previous outlook

2H Current outlook

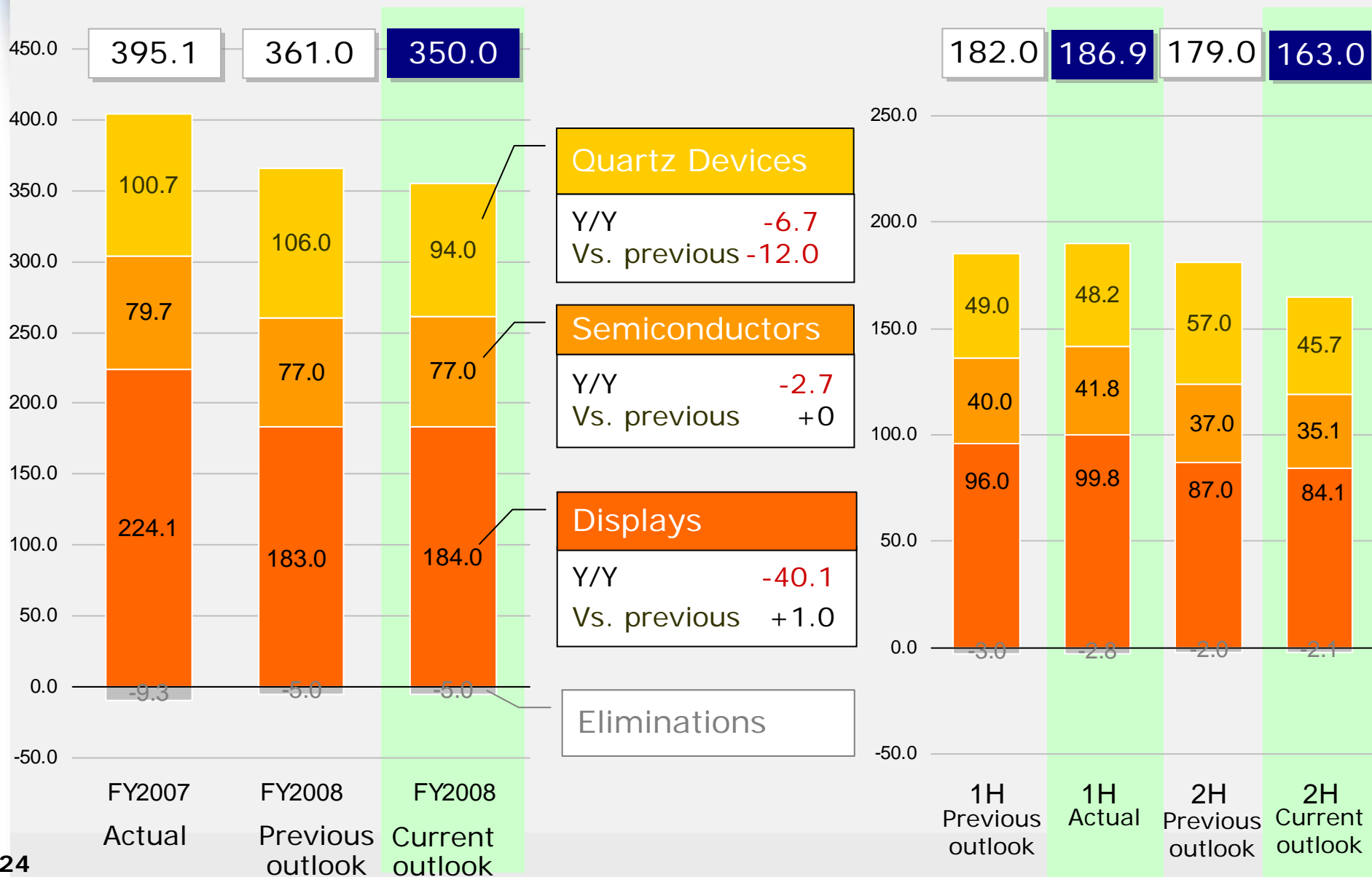
Net Sales Outlook by Business

▶ Electronic devices segment

Full Year

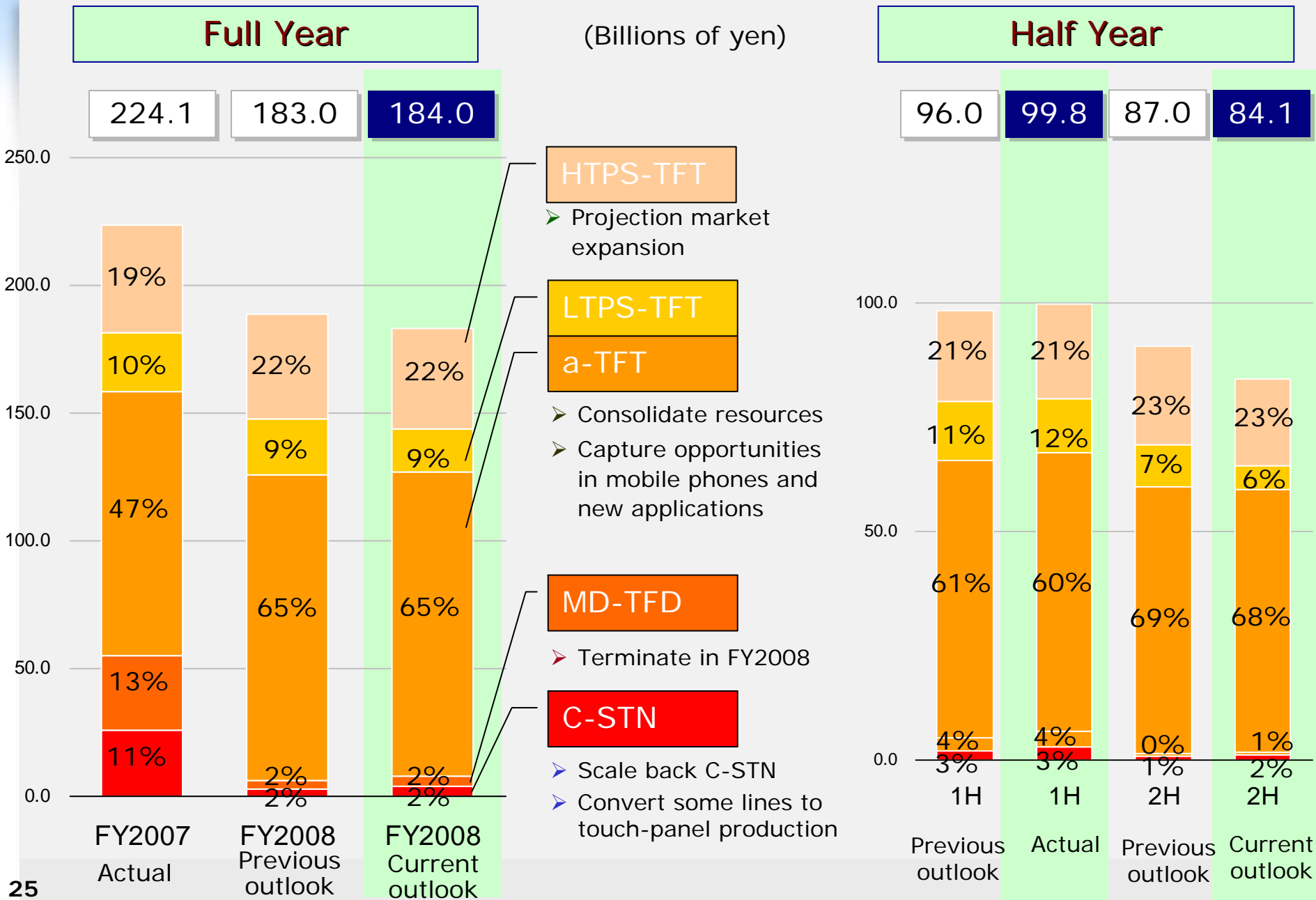
(Billions of yen)

Half Year



Net Sales Outlook by Business

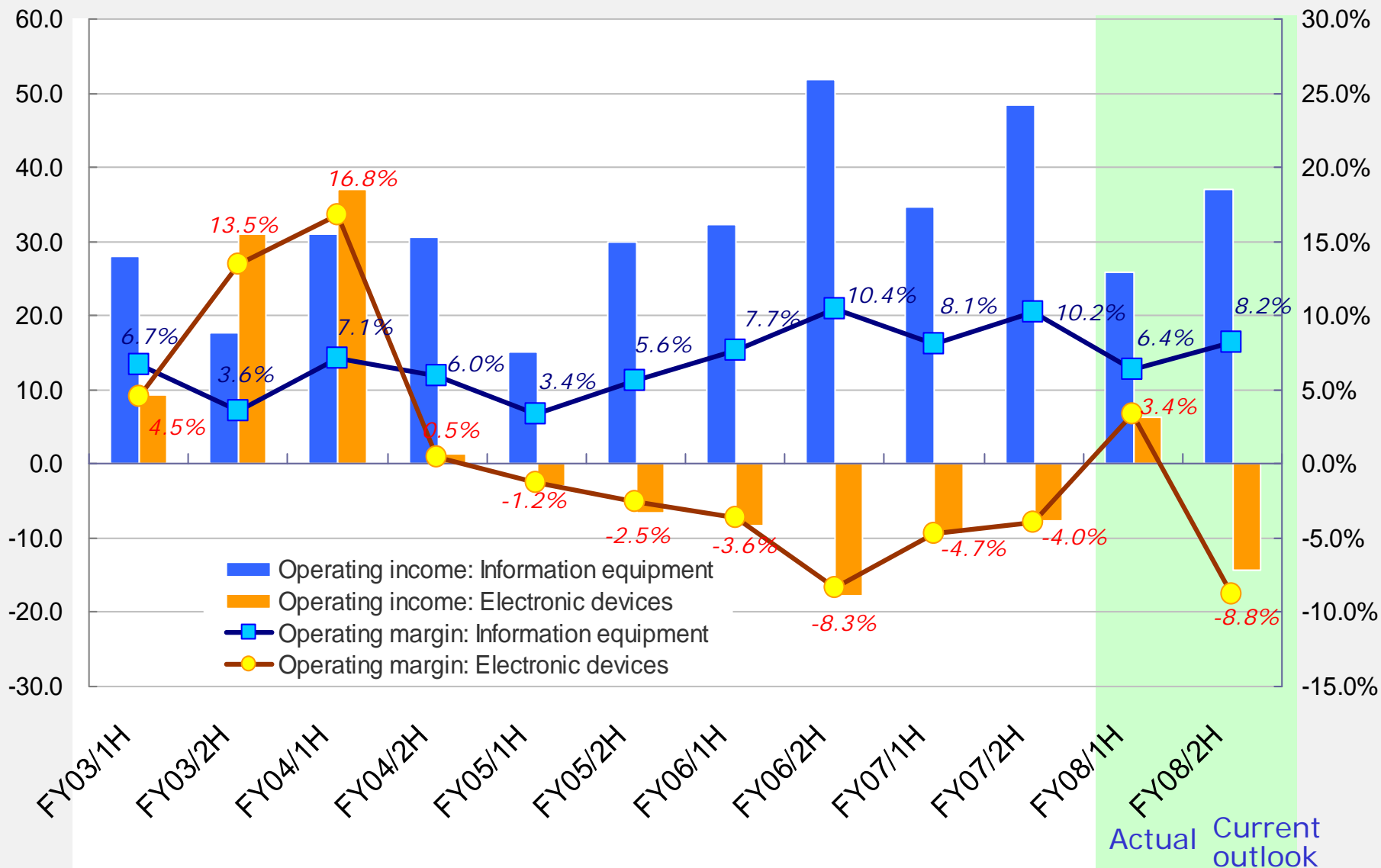
► Display business



Operating Income Trend

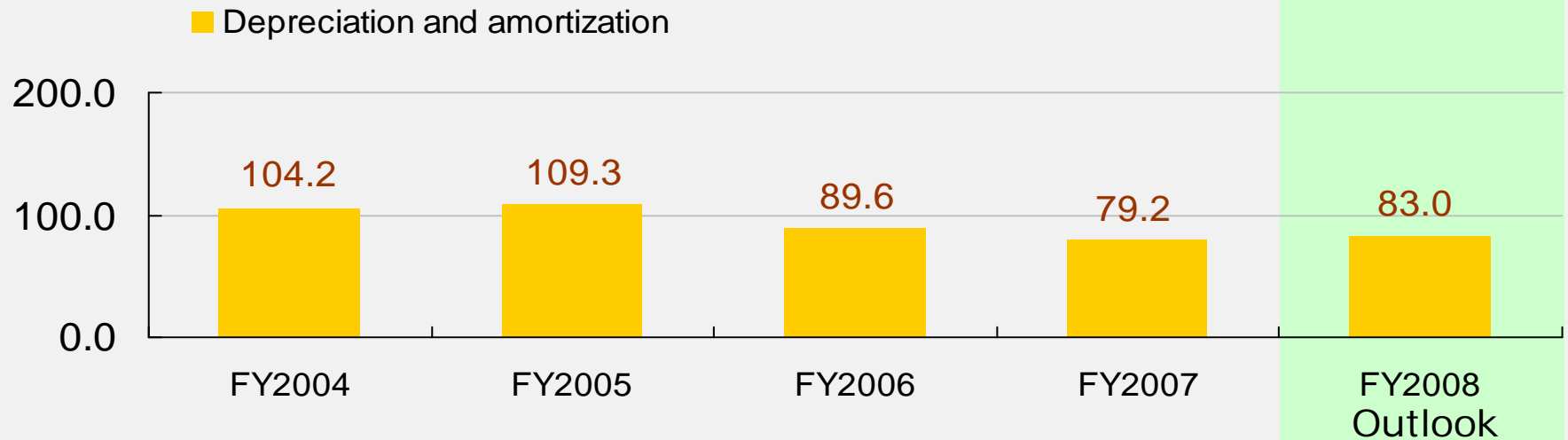
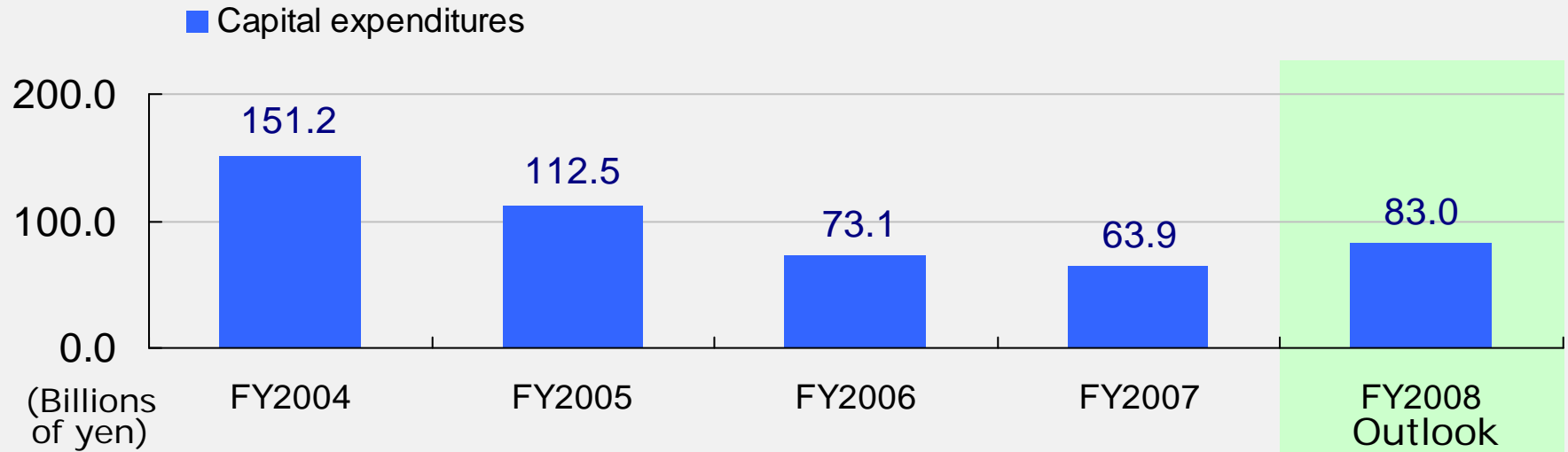
Operating income (billions of yen)

Operating margin



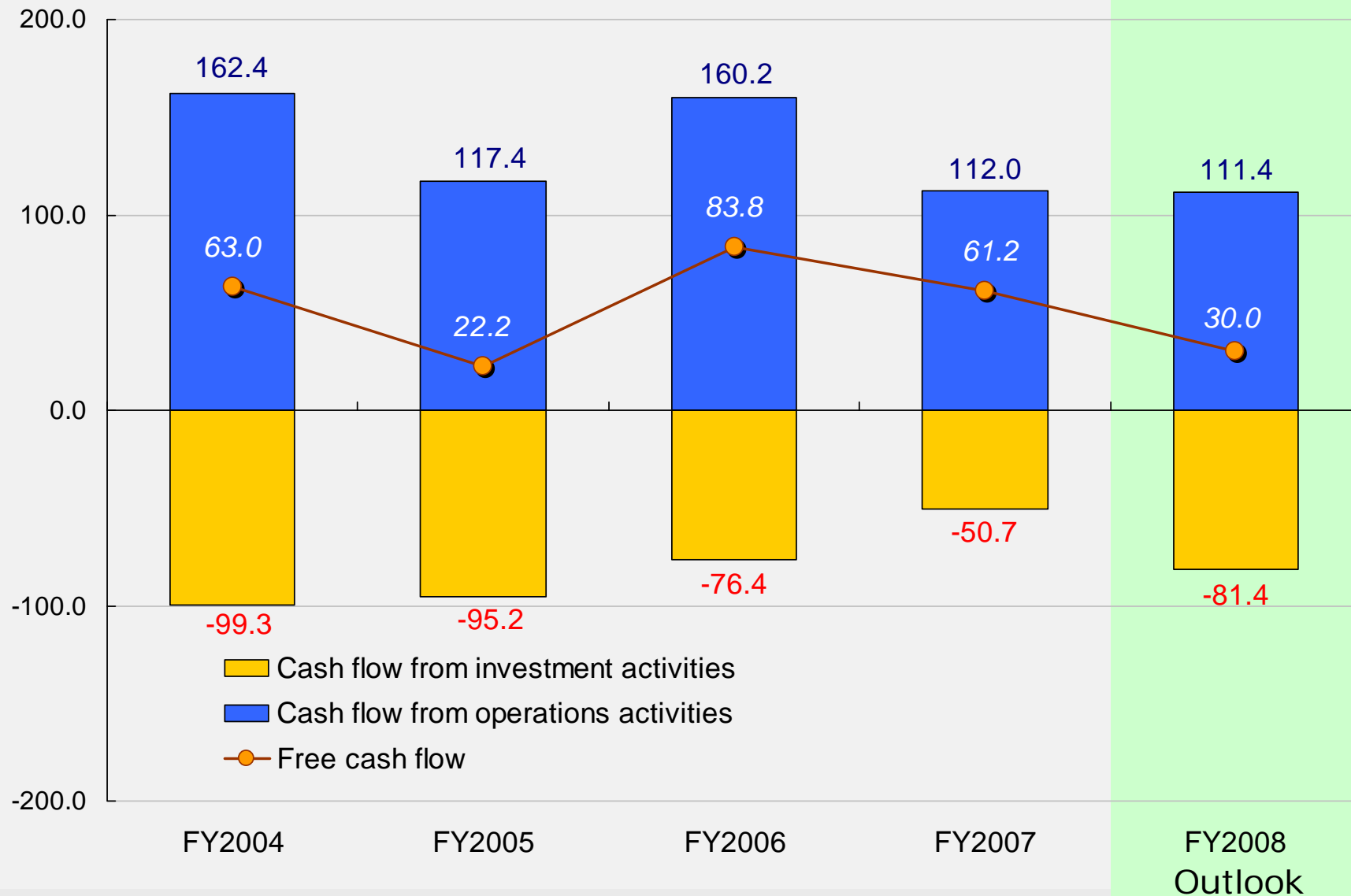
Actual Current outlook

Outlook for Capital Expenditures and Depreciation & Amortization Expenses

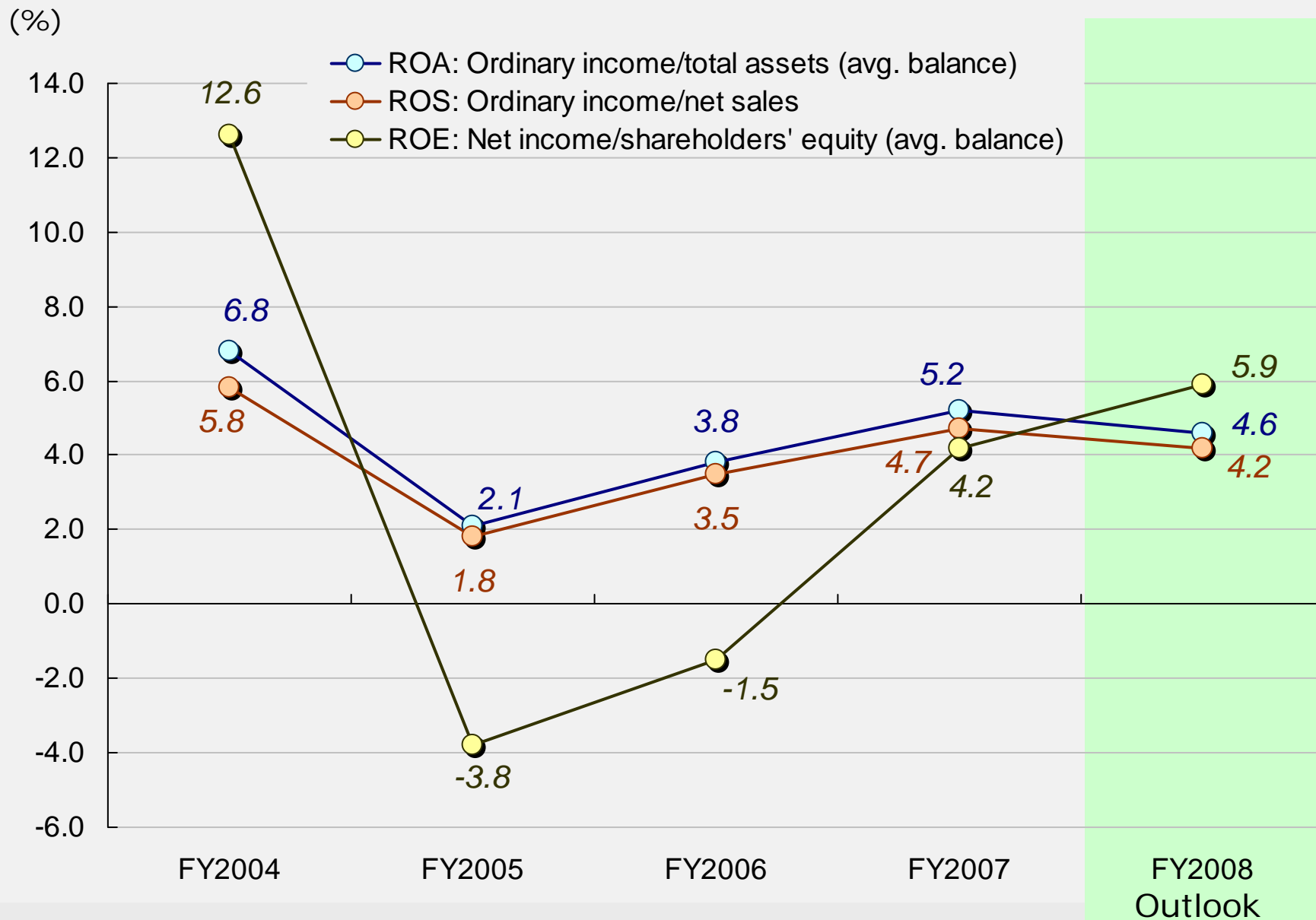


Free Cash Flow Outlook

(Billions of yen)



Main Management Indicators



EPSON
EXCEED YOUR VISION