



First Quarter Financial Results Fiscal Year 2011 (Ending March 2012)

July 29, 2011

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

From FY2011

- With the aim of rapidly rebuilding and strengthening the manufacturing platform, the "Electronic Devices Segment" and "Precision Products Segment" have been consolidated under the new "Devices & Precision Products Segment."
- With the termination of operations in small- and medium-sized displays, profit and loss figures in this business 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.

■ Changes in reporting segments.

1) FY2011 Q1 Financial Results

2) FY2011 Financial Outlook

Financial Highlights (First Quarter)



(Billions of yen)	FY2010		FY2011		Change	
	Q1 Actual	%	Q1 Actual	%	Amount	%
Net Sales	239.2	-	217.7	-	-21.4	-9.0%
Operating Income	10.7	4.5%	3.6	1.7%	-7.1	-66.2%
Ordinary Income	11.2	4.7%	2.3	1.1%	-8.8	-78.7%
Net Income Before Income Taxes	10.7	4.5%	0.5	0.2%	-10.1	-95.3%
Quarterly Net Income	7.9	3.3%	-3.2	-1.5%	-11.1	-
EPS	¥39.76		-¥16.13			
Exchange Rate	USD	¥92.01	¥81.74			
	EUR	¥116.99	¥117.40			

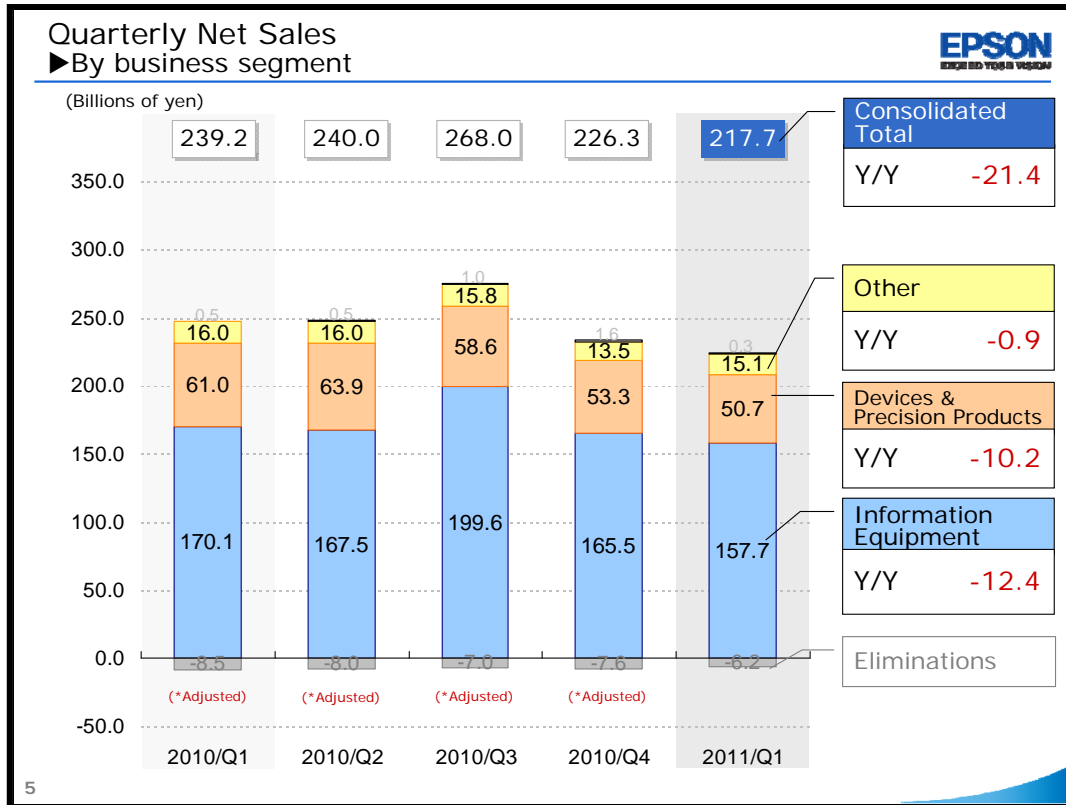
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■ First-quarter results for the 2011 fiscal year

- Net sales were ¥217.7 billion, down 9.0% year over year. The profit picture looks like this: operating income was ¥3.6 billion, down ¥7.1 billion; ordinary income was ¥2.3 billion, down ¥8.8 billion; and net income was down ¥11.1 billion, for a loss of ¥3.2 billion.
- We estimate that the disaster in northeastern Japan had an approximately ¥7.9 billion negative impact on net sales and a ¥3.3 billion negative impact on operating income in the first quarter. In addition, we recorded a ¥1.7 billion extraordinary loss.

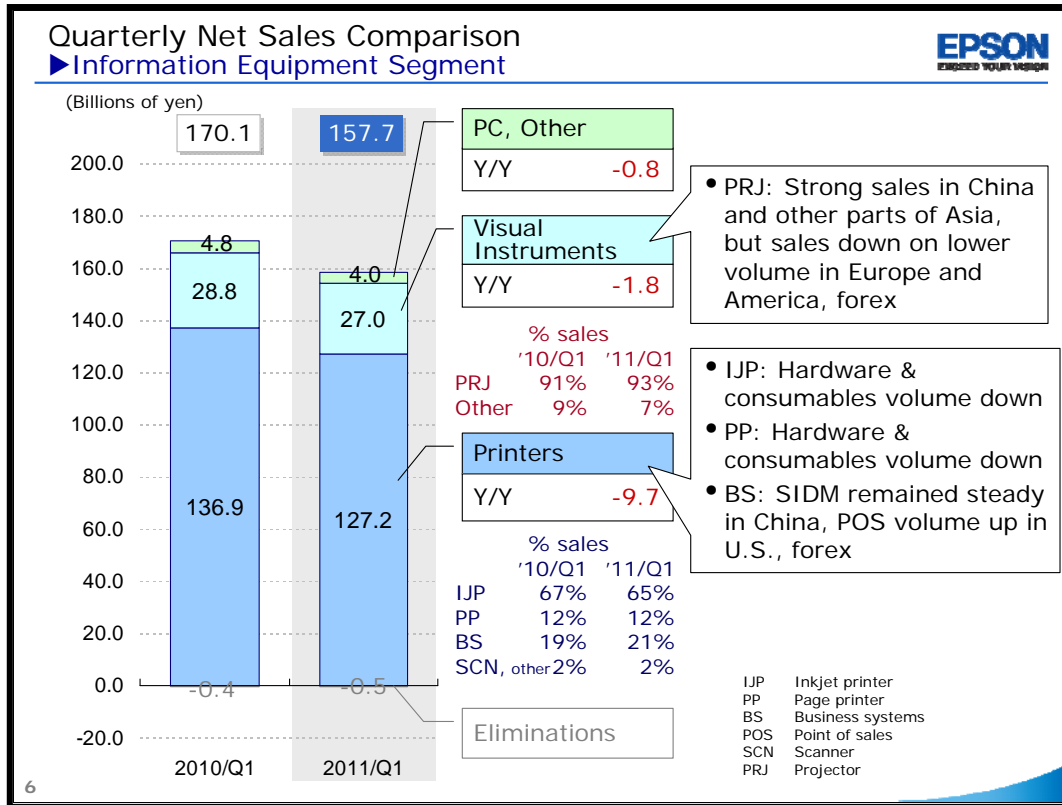
Compared to last year we expect the soaring yen to adversely affect net sales by 9.6 billion yen and operating income by 1.9 billion yen.

- With profits at low levels in the first quarter, after-tax income was negative due to an imbalance between domestic and overseas income levels. Nevertheless, we are on pace to meet our forecast of ¥7 billion in first-half operating income. As I will discuss a little later, the information-related equipment segment is off to a somewhat slow start, but overall we are steadily recovering from the earthquake.



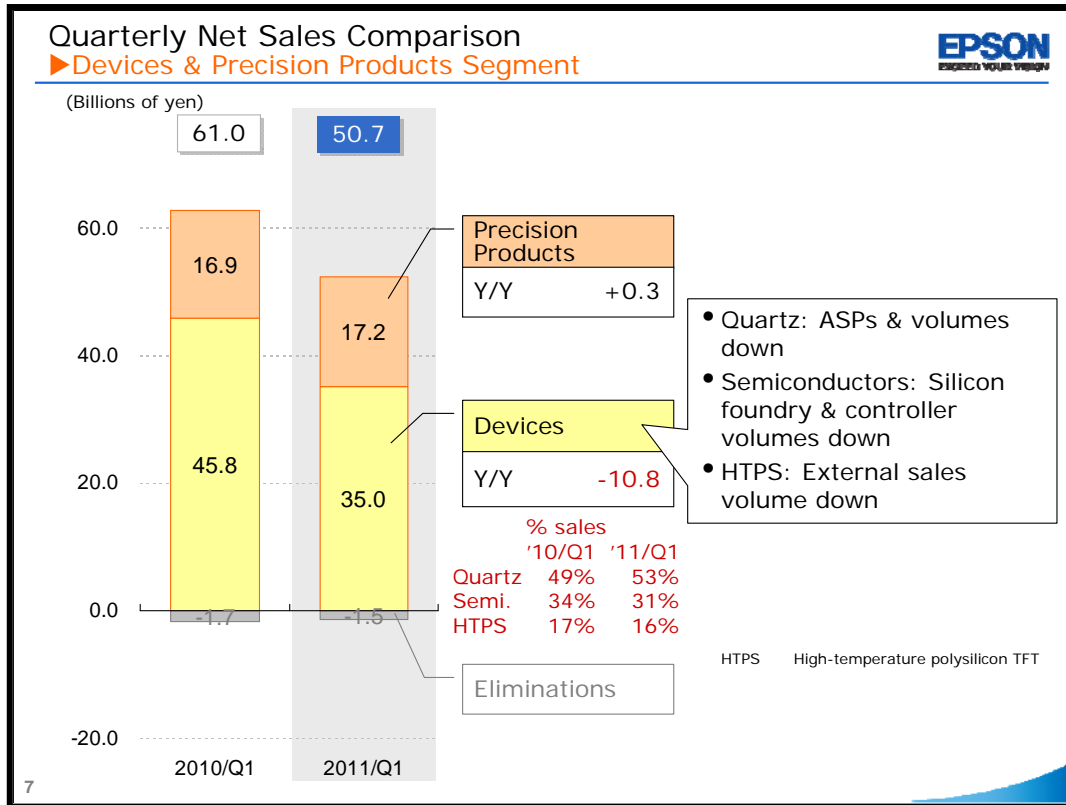
■ Trends in net sales for consecutive quarters in each segment

- Information-related equipment net sales declined by ¥12.4 billion, and devices and precision products net sales declined by ¥10.2 billion year over year.
- Suzhou Epson, a consolidated subsidiary in China that contracted back-end manufacturing of small- and medium-sized displays from Sony Mobile Display, was transferred to the Sony Group on July 1, 2011.
- With this transfer, the restructuring of the small- and medium-sized displays business was completed. Net sales from this business, which have been included in the Other segment up to the first quarter, will vanish from the second quarter.

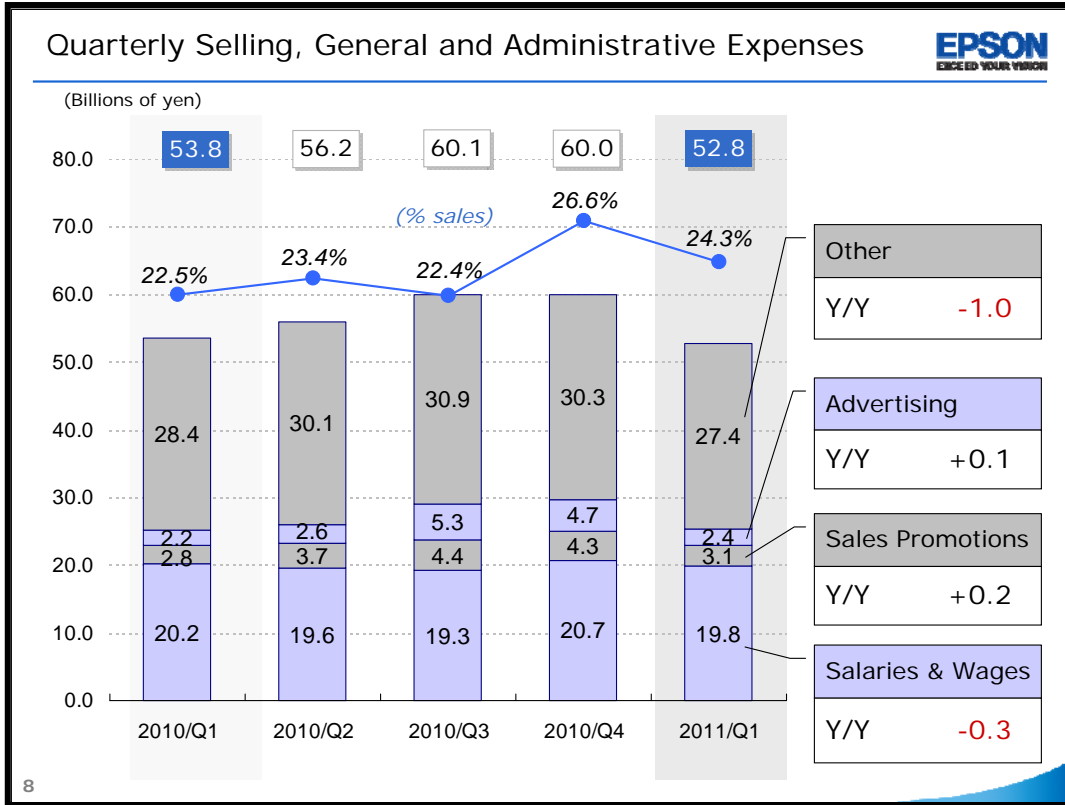


■ Quarterly net sales in the businesses that make up the information-related equipment segment compared to the previous year

- Printer business net sales were down ¥9.7 billion year over year.
- Inkjet printer net sales declined due to a drop in unit shipments of both printers and consumables. By region, market gradually rebounded in Japan despite concerns over the effects of the disaster, and was basically flat year over year in both the Americas and Europe. Unit shipments in Japan were about level with the same period last year, thanks to ongoing promotional efforts. In the Americas, Europe and Asia, on the other hand, unit shipments declined. One factor in the decline was that we had to curtail our sales promotions due to production constraints caused by earthquake-related disruptions in the supply of certain components, but the effects of price cuts by our printer competitors were also a factor. Inkjet consumables volume fell as a result of the decline in printer sales.
- Page printer net sales decreased, as printer and consumables unit shipments ended below expectations. This shortfall was primarily the result of earthquake-related product supply issues and the postponement of business tenders in Europe until the second quarter.
- Business systems net sales grew despite the effects of yen appreciation because unit shipments of POS-related products to the U.S. increased and because SIDM printer sales were steady in China and elsewhere.
- In visual instruments, projector sales were generally strong in China and other parts of Asia but were down in the European and American education markets. Overall, projector unit shipments were flat year-to-year, but net sales declined by ¥1.8 billion due to foreign exchange effects.

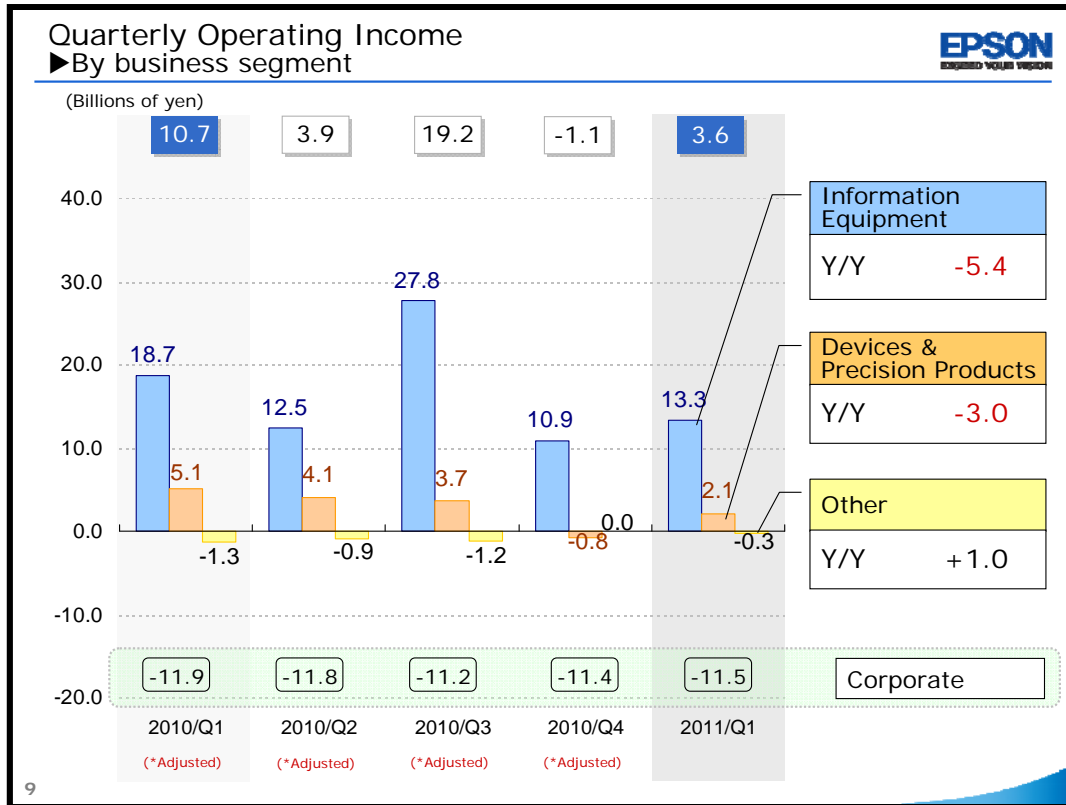


- Quarterly net sales in the devices and precision products segment compared to the previous year
- The disaster had a direct impact on Epson's device and other operations, as four Epson Group production sites in the stricken region were damaged to various extents.
- All device production facilities in the region have resumed production, except the Epson Toyocom plant in Fukushima, which remains closed.
- Quartz devices net sales declined due to a drop in average selling prices and a fall in demand as a result of the earthquake.
- Semiconductor net sales declined because, in addition to a dip in silicon foundry volume due to the effects of temporary production stoppages caused by blackouts, controller unit shipments fell.
- Projector HTPS panel net sales fell as the volume of external sales declined.



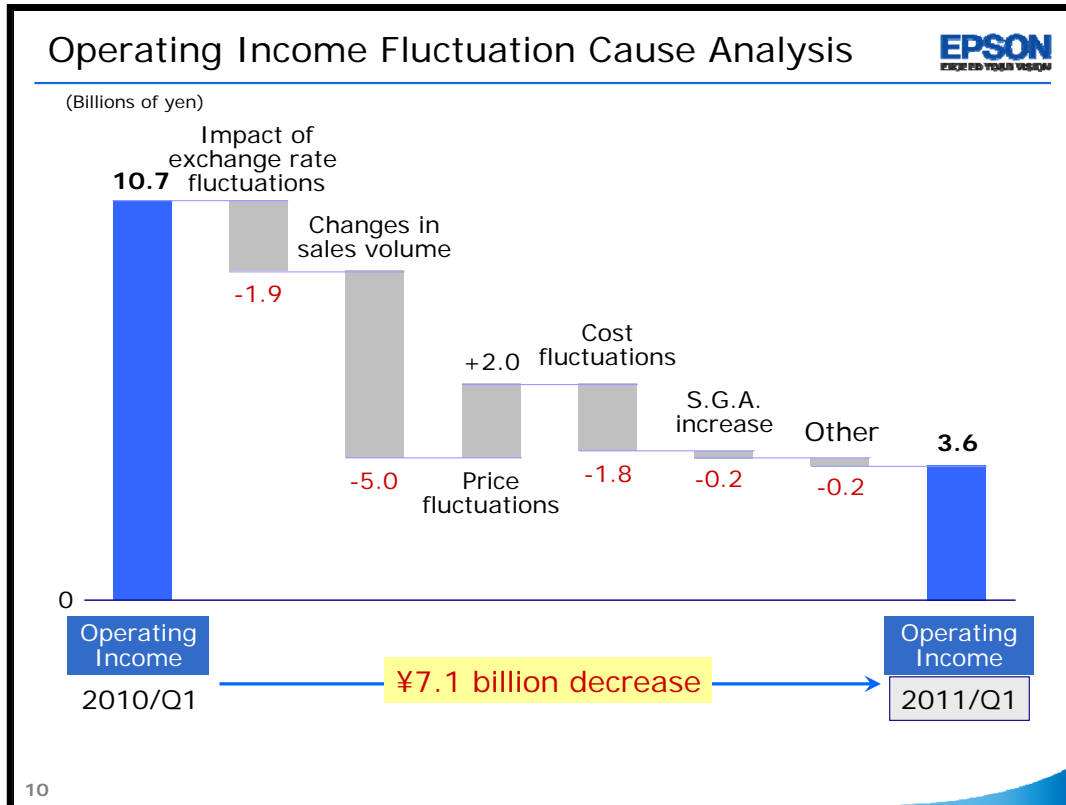
■ Quarterly selling, general and administrative expenses

- As shown here, quarterly selling, general and administrative expenses were near last year's level, largely because of efforts to improve cost efficiency.



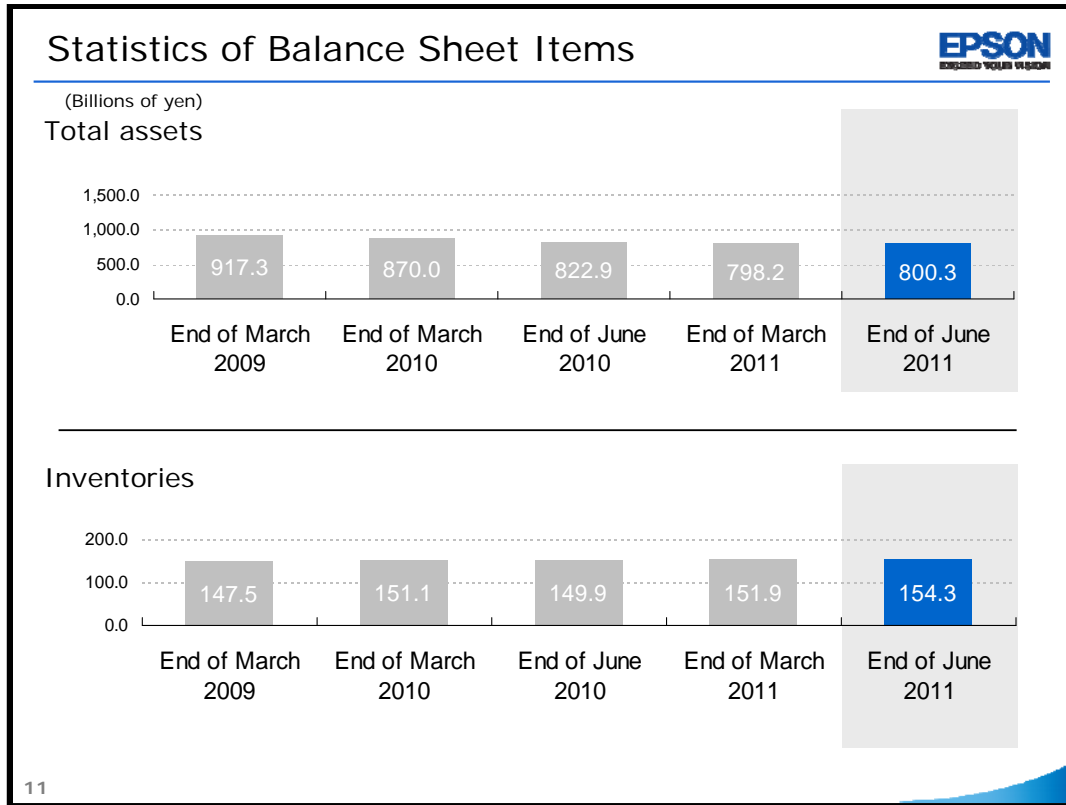
■ Breakdown of quarterly operating income by segment

- Information-related equipment posted operating income of ¥13.3 billion, a decline of ¥5.4 billion year over year.
- Inkjet printer operating income declined primarily as a result of a decrease in the volume of consumables
- Business systems operating income was up on higher net sales. Projector and page printer operating income levels were down due to a decline in net sales.
- Devices and precision products reported ¥2.1 billion in operating income, down ¥3.0 billion year over year.
- In quartz devices and semiconductors, operating income decreased due to a drop in net sales and as a result of a lower production line capacity utilization rate. Projector HTPS operating income was down due to a decline in net sales.



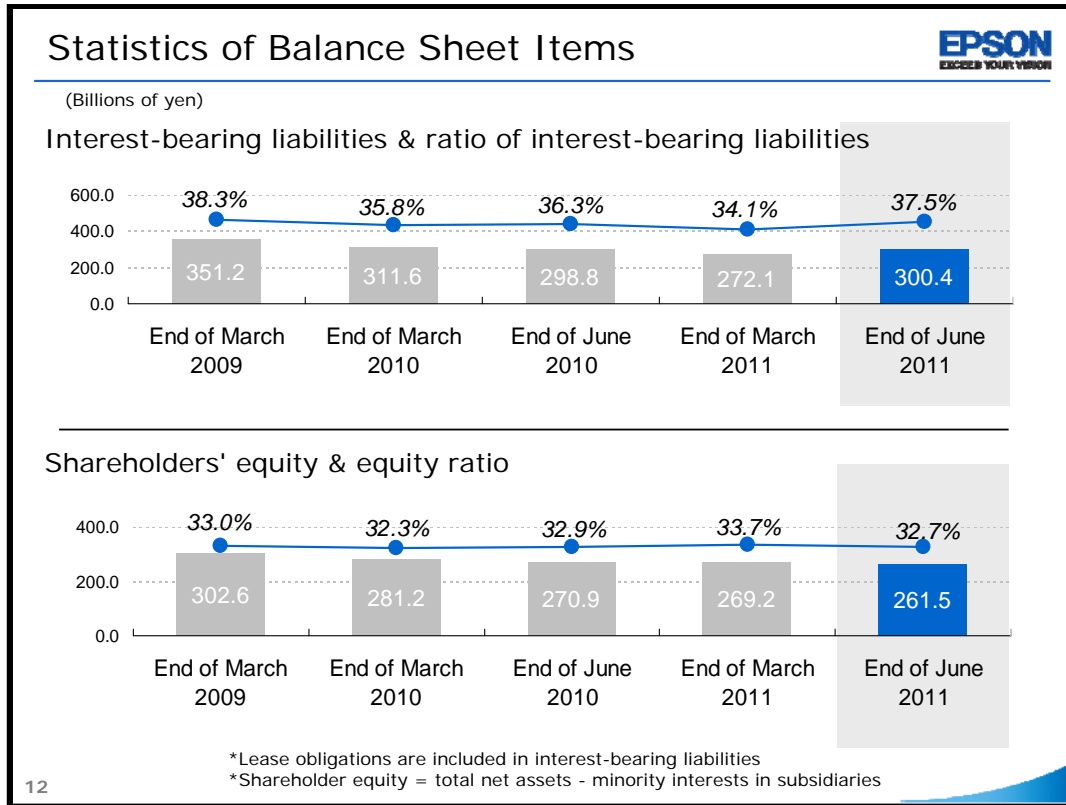
■ Cause analysis of the decrease in operating income

- Operating income was ¥3.6 billion for the quarter versus ¥10.7 billion in the first quarter of fiscal 2010. While price fluctuations contributed positively to operating income, volume fluctuations, foreign exchange fluctuations, and cost fluctuations were all negative factors.



■ **Statistics of balance sheet items**

- **Total assets increased by ¥2.0 billion because current assets increased as a result of an increase in inventory, whereas property, plant, and equipment decreased due to a rigorous approach to the screening and selection of capital investments.**



■ Statistics of balance sheet items

- **Interest-bearing liabilities increased by ¥28.2 billion compared to the end of the previous fiscal year, with a corporate bond issue in June. The ratio of interest-bearing liabilities to total assets was 37.5%. Net interest-bearing liabilities were ¥76.6 billion.**

- **Shareholders' equity, hurt by the effects of the strong yen on foreign currency translations, fell by ¥7.7 billion. As a result, the equity ratio was 32.7%.**

1) FY2011 Q1 Financial Results

2) FY2011 Financial Outlook

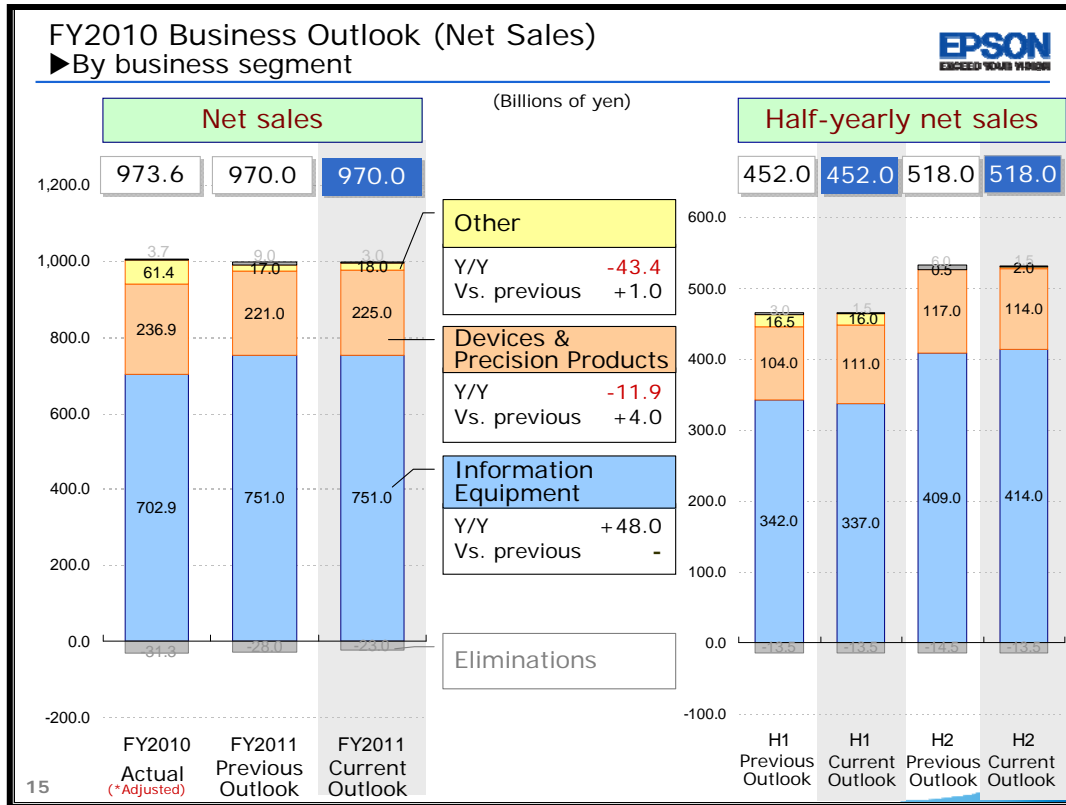
■ Fiscal 2011 business outlook

FY2011 Business Outlook								EPSON	
▶Year-over-year									
(Billions of yen)	FY2010		FY2011				Change (amount, %)		
	Actual	%	Previous Outlook	%	Current Outlook	%	Y/Y	Vs. Prev. Outlook	
Net Sales	973.6	-	970.0	-	970.0	-	-3.6 -0.4%	-	
Operating Income	32.7	3.4%	43.0	4.4%	43.0	4.4%	+10.2 +31.5%	-	
Ordinary Income	31.1	3.2%	40.0	4.1%	40.0	4.1%	+8.8 +28.3%	-	
Net Income Before Income Taxes	15.3	1.6%	30.0	3.1%	30.0	3.1%	+14.6 +95.0%	-	
Net Income	10.2	1.1%	17.0	1.8%	17.0	1.8%	+6.7 +66.0%	-	
EPS	¥51.25		¥85.09		¥85.09				
Exchange Rate	USD	¥85.72	¥80.00		¥80.00		Exchange rate assumptions from FY2011/Q2 onward USD: ¥80.00 EUR: ¥110.00		
	EUR	¥113.12	¥115.00		¥112.00				

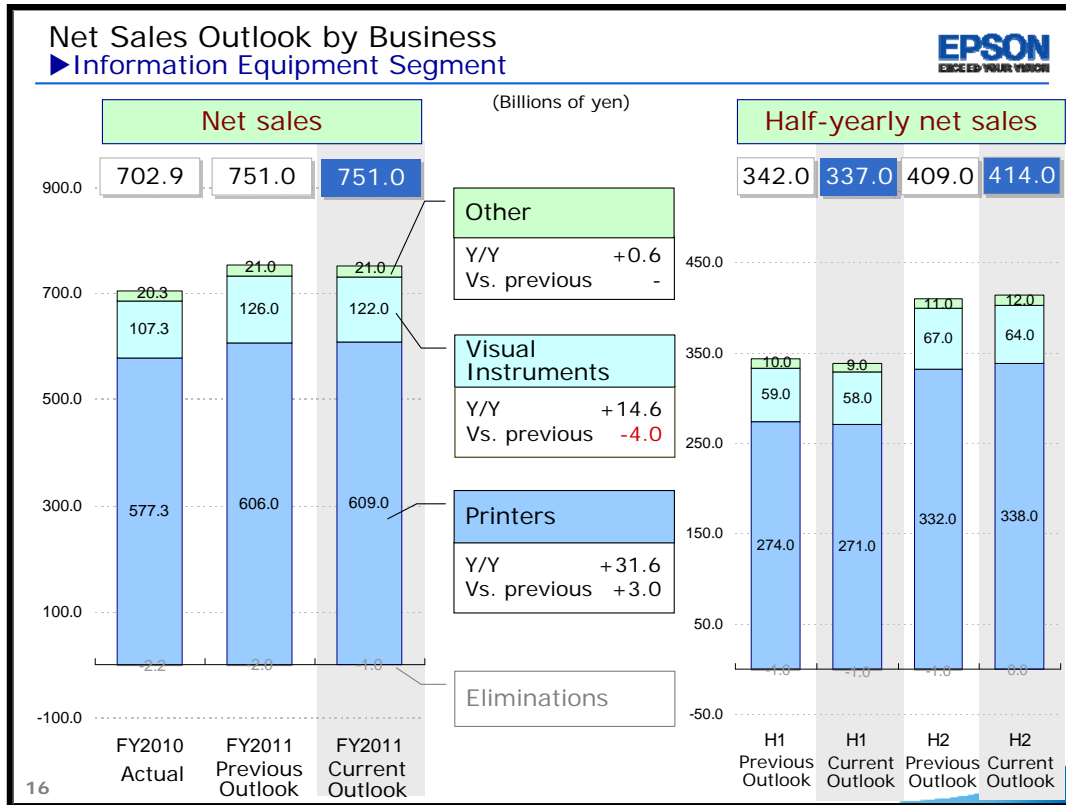
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■ Fiscal 2011 business outlook

- This slide shows the fiscal 2011 full-year financial outlook. After analyzing the first-quarter results and adjusting the first-half and full-year estimates in each business segment based on a revised yen-euro exchange rate of 110 yen to the euro, we are reiterating our previous full-year outlook. Against the US dollar, we are leaving our assumption unchanged at 80 yen to the dollar.
- We expect the effects of the disaster on full-year results to be worse than originally estimated on April 28 in the information-related equipment segment, where most of the impact will be felt in the first half, but less severe in the devices and precision products segment. The total negative impact is expected to be about the same as previously estimated, with net sales taking a ¥32 billion hit and operating income a ¥13 billion hit.
- Elements of uncertainty dot the business landscape heading into the second half. The unknowns include the effects of the earthquake, the direction of exchange rates, and the stability of the economies of Europe. Regardless, we will continue to work toward our targets for the year and put Epson back on the path to growth in order to achieve the SE15 long-range corporate vision.
- At our last earnings release, on April 28th, we had not yet decided on the annual dividend because of uncertainty about the effect of the disaster on our financial performance. However, given that our latest full-year financial outlook shows a year-over-year increase in income, we plan to increase the annual dividend by 6 yen, to 26 yen. The annual dividend will consist of a 13-yen interim dividend and a 13-yen year-end dividend.

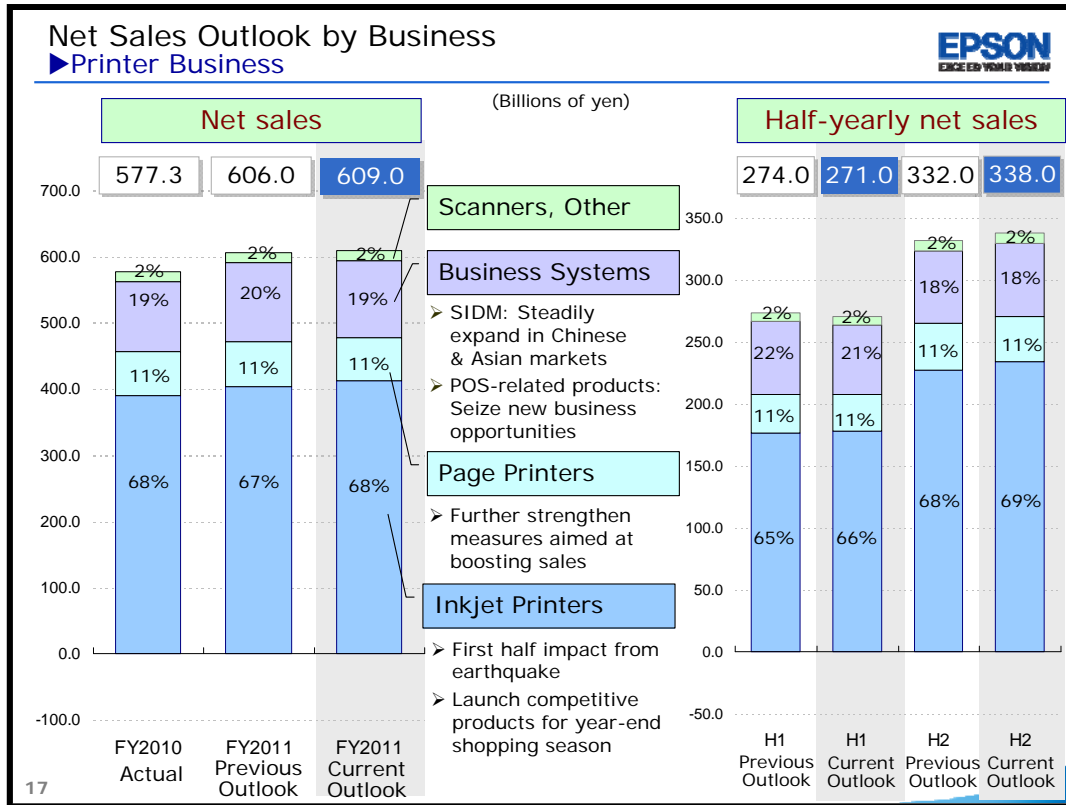


- Net sales outlook for fiscal 2011 broken down by segment and by first half and second half.
- We have revised the first- and second-half outlooks for both information-related equipment and devices and precision products.



■ Breakdown of estimated net sales by business in the information-related equipment segment

- The visual instruments business expects continued strength in the projector market in the near term, especially in China and other parts of Asia. Worldwide, unit volume growth is expected to be about 10%. We are aiming to grow our projector unit shipments at an annual rate of 20% or more, which is faster than the market growth rate, by strengthening our product lineup from the second quarter with products that meet customer's needs and that are more competitive than ever before.



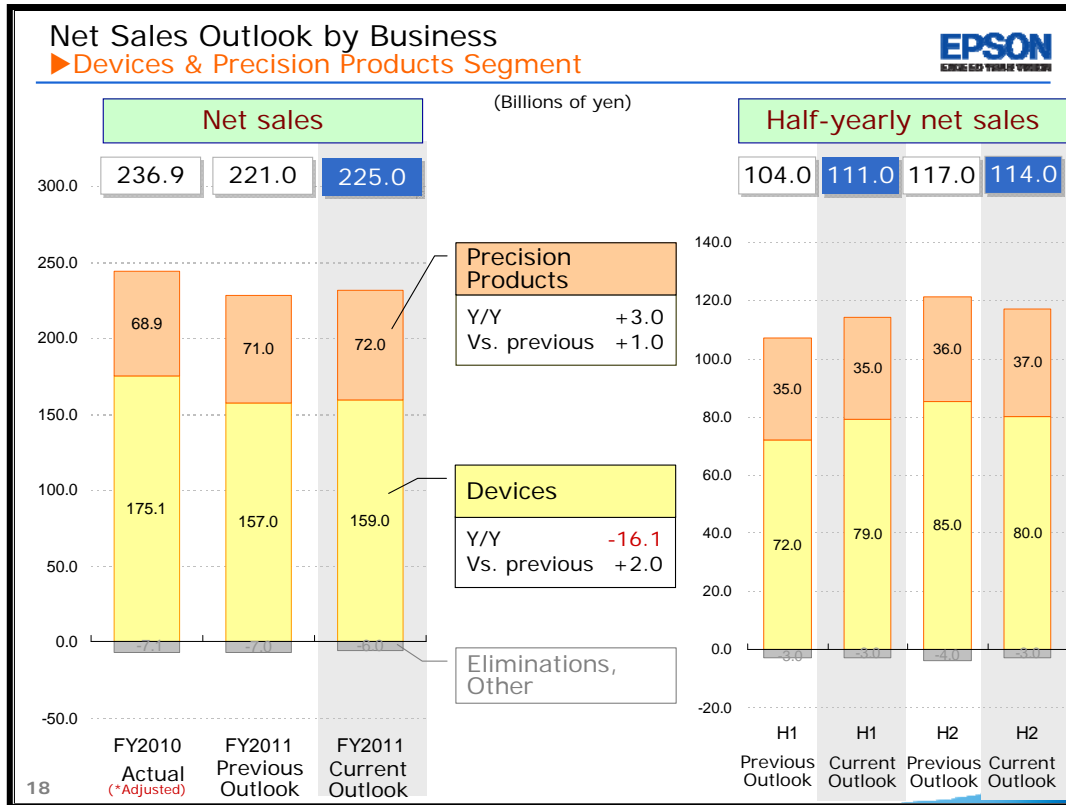
■ Net sales outlook for printer business by product

- We will revise our assumptions about inkjet printer unit shipments because of a slow start in the first quarter in terms of sales due to production constraints associated with the earthquake.

We previously planned for about a 2% increase in unit shipments compared to fiscal 2010, when we sold 15.3 million units. Under the current outlook, however, we anticipate a roughly 2% decline in unit shipments compared to fiscal 2010.

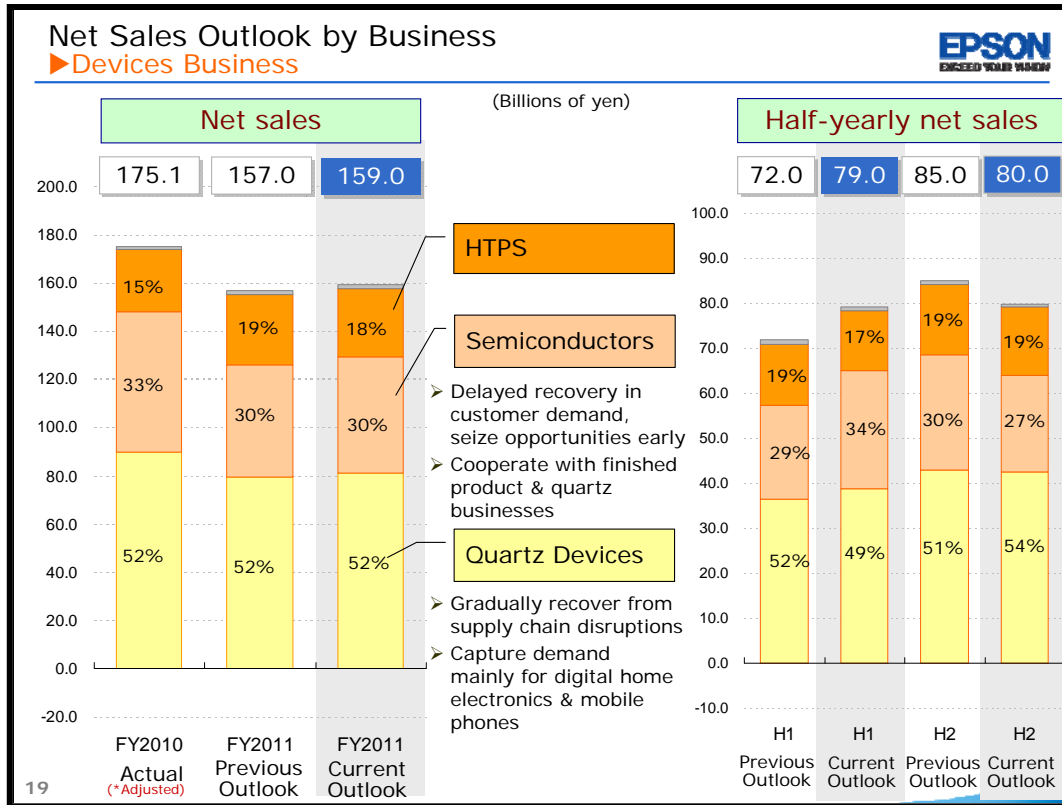
On the other hand, by the second half of August we should see constraints on components procurements ease and should be able to return to full production, so we expect to launch compelling new products for the year-end shopping season on schedule and will actively promote sales around the globe.

- In page printers we will seek to expand sales by launching new products that are differentiated by features such as compactness and energy efficiency.
- In business systems we will aim to steadily grow profits in two ways. First, we will look to reel in orders in China and other Asian countries where demand for tax collection systems continues to be strong. Second, we will grow profits by expanding and enhancing our POS printer lineup.



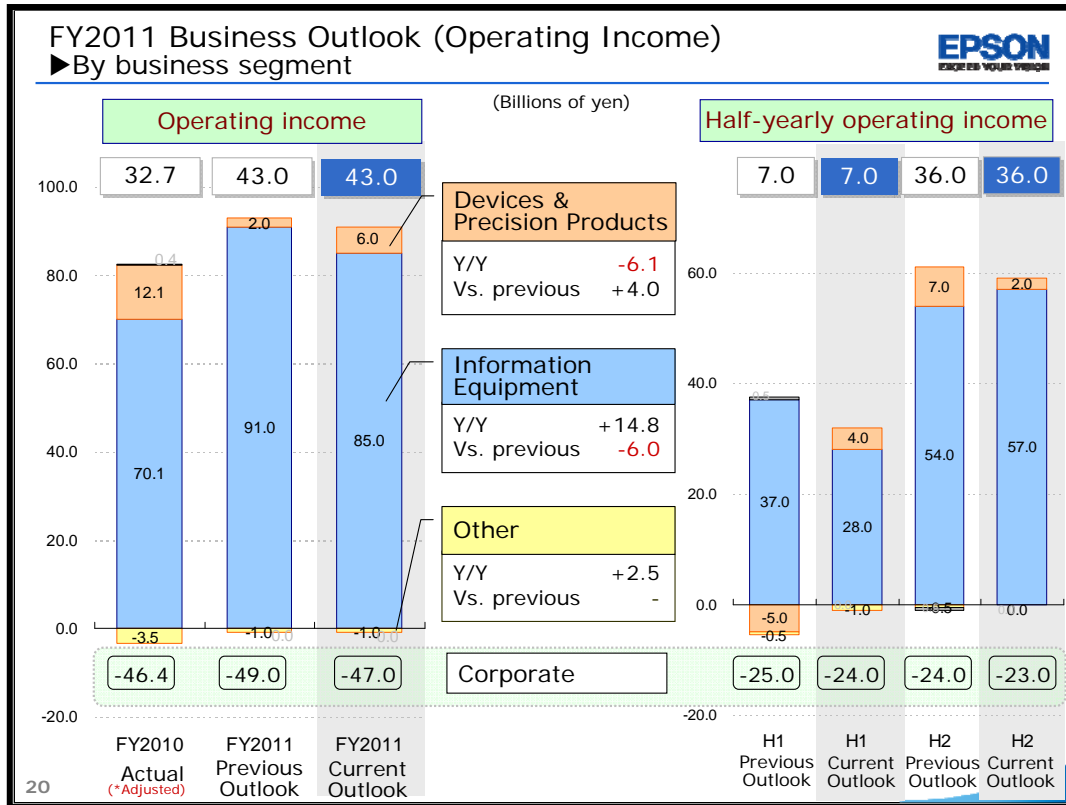
■ **Breakdown of projected net sales by business in the devices and precision products segment**

- **Precision product net sales are expected to be in line with the previous outlook.**



■ **Net sales outlook for the devices business by product**

- **Sales of quartz devices were somewhat soft in the first quarter, partly because of a wider decline in industry manufacturing output, but we see demand rebounding gradually from the second quarter onward. Going forward, we will capture demand driven by an increasing number of digital home electronics and portable equipment products.**
- **In semiconductors, however, customer demand for silicon foundry products was affected by the earthquake, and we expect the second-half recovery to lag.. We will continue to capture as many orders as we can and seek an early recovery from the disaster. At the same time, we will strengthen cooperation with internal customers in the finished products and quartz device businesses, in line with the policies set forth in our mid-range business plan.**
- **The HTPS panel business will continue to meet internal demand for projectors.**



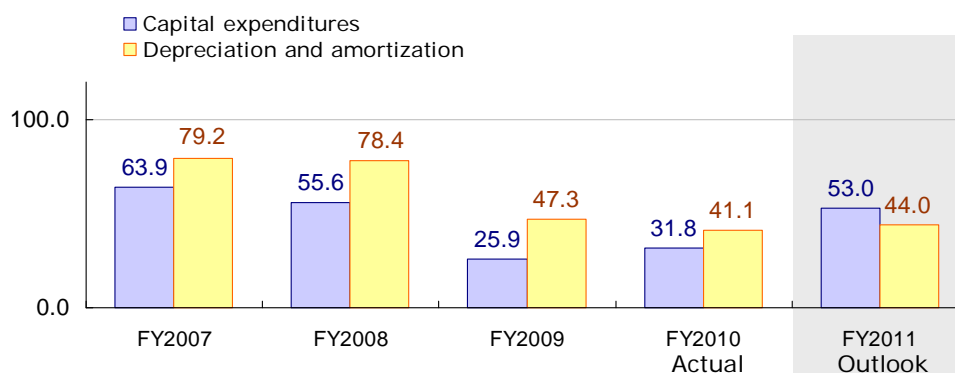
■ **Fiscal 2011 full-year operating income outlook, with figures broken down by segment and by half**

- **We downwardly revised our income forecast for the first half in information-related equipment, largely because of ground lost in the first quarter. However, we upgraded our operating income estimate along with an improved net sales outlook. We anticipate reducing costs in our inkjet printer operations by introducing standardized new platforms with streamlined designs as originally planned.**
- **We also upwardly revised the first-half outlook for devices and precision products. On top of fixed cost cuts, in quartz devices, we saw benefits from efforts to maintain prices in the first quarter, while in semiconductors we were able to meet customer demand with product in inventory from before the disaster. We expect second-half operating income to come in lower than stated in the previous outlook because, in quartz devices, customer demand will rebound but prices are expected to erode, while in semiconductors, customer demand is not expected to return as soon as originally thought.**

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

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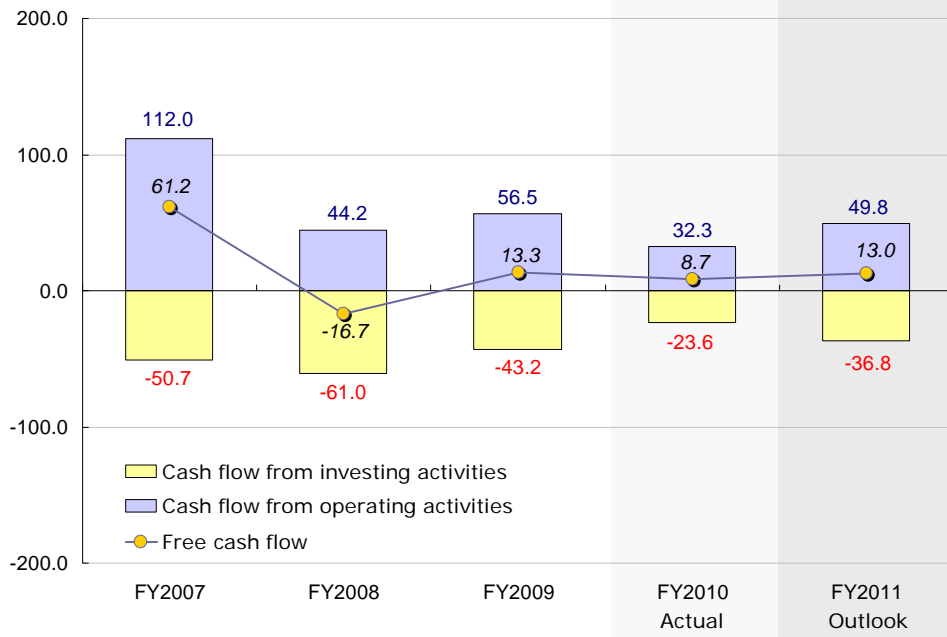
■ Outlook for capital expenditures and depreciation and amortization

- There was no change from the previous outlook.

Free Cash Flow Outlook



(Billions of yen)

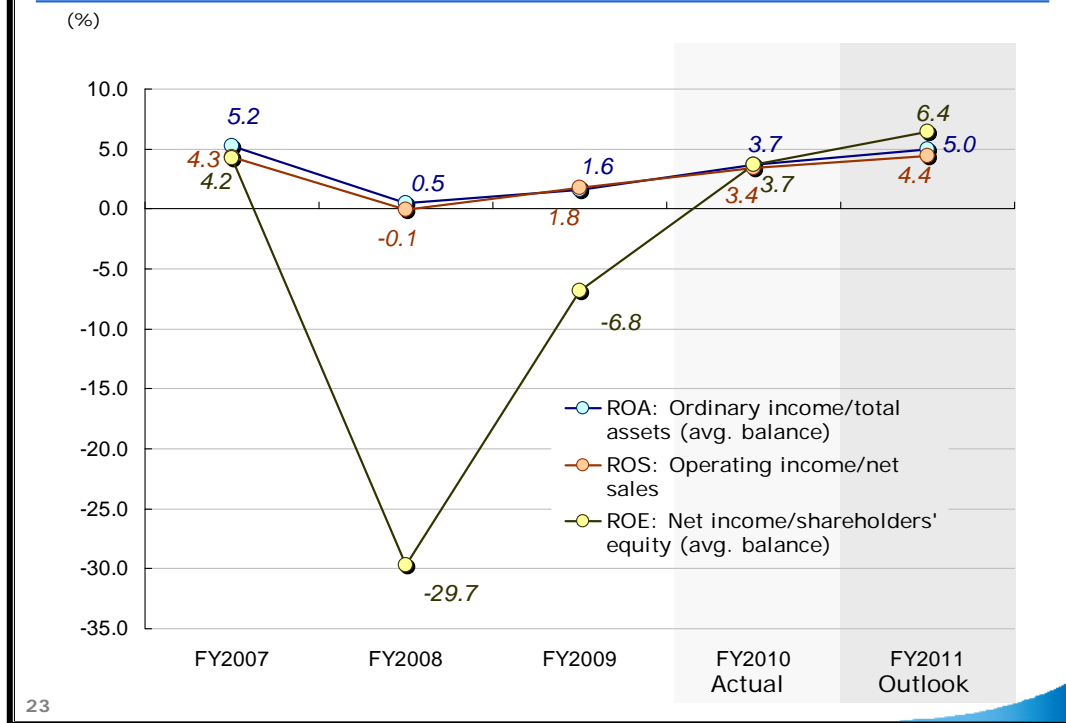


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■ Cash flows outlook

- Likewise, the outlook for cash flows has not changed.

Main Management Indicators



■ Major management performance indicators

- The ROS (operating income/ net sales) forecast is 4.4 %, ROA 5.0 %, and ROE 6.4 %.

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