



# Fourth Quarter Financial Results Fiscal Year 2011 (Ending March 2012)

April 27, 2012

**SEIKO EPSON CORPORATION**

## ■ Disclaimer regarding forward-looking statements

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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

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Numbers are rounded to the unit indicated.  
Percentages are rounded off to one decimal place.

## Changes to segment reporting

### 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.

### Visual Products Operations Division (October 1 Organizational Change)

- The "Visual Instruments Operations Division" (projectors) of the information equipment segment and the "TFT (HTPS) business" of the devices and precision products segment were consolidated into the new "Visual Products Operations Division" under the information equipment segment to help ensure growth and expansion in the visual products business domain.

\* In this presentation, FY2010 financial results and FY2011 financial results and forecasts have been restated to reflect the changes above

- Changes in reporting segments

FY2011 Results  
FY2012 Outlook

FY2011  
Q4 Results

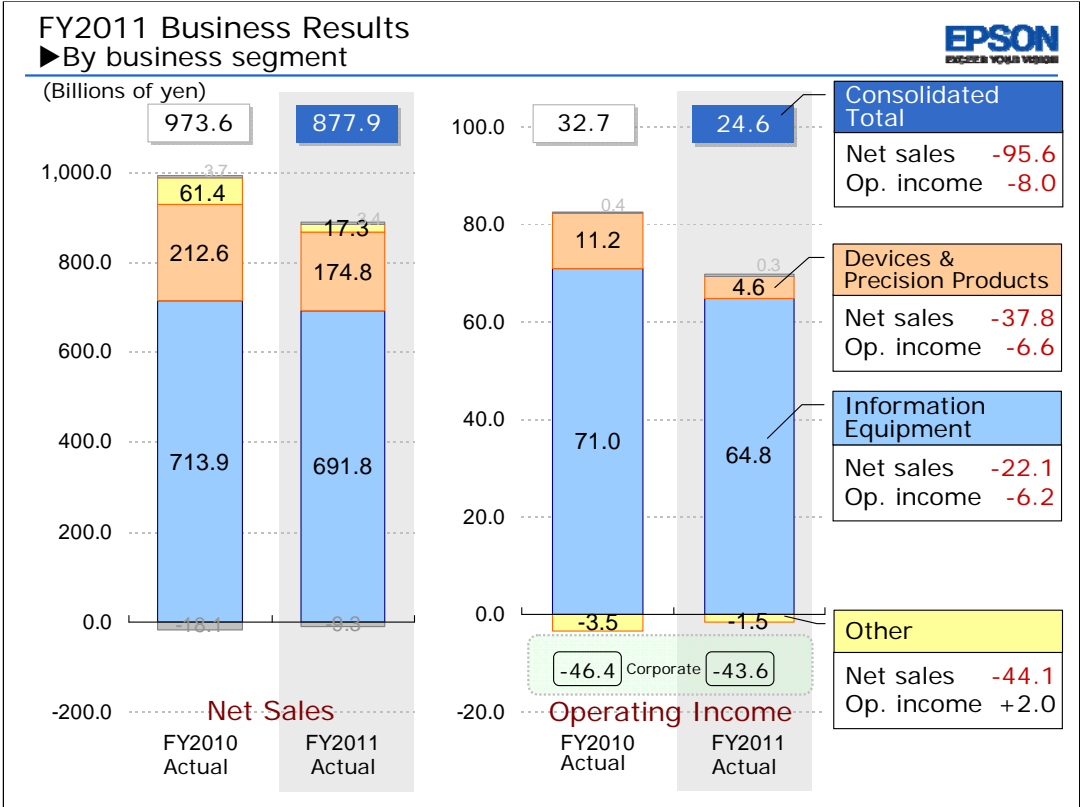
## Financial Highlights (Full Year)



(Billions of yen)	FY2010		FY2011				Change (amount, %)	
	Actual	%	1/31 Outlook	%	Actual	%	Y/Y	Vs. 1/31 Outlook
Net Sales	973.6	-	880.0	-	877.9	-	-95.6 -9.8%	-2.0 -0.2%
Operating Income	32.7	3.4%	27.0	3.1%	24.6	2.8%	-8.0 -24.7%	-2.3 -8.8%
Ordinary Income	31.1	3.2%	27.0	3.1%	27.0	3.1%	-4.1 -13.3%	+0 +0.1%
Net Income Before Income taxes	15.3	1.6%	15.0	1.7%	15.6	1.8%	+0.2 +1.6%	+0.6 +4.1%
Net Income	10.2	1.1%	5.0	0.6%	5.0	0.6%	-5.2 -50.9%	+0 +0.6%
EPS	¥51.25		¥26.06		¥26.22			
Exchange Rate	USD	¥85.72	¥78.00		¥79.08			
	EUR	¥113.12	¥108.00		¥108.98			

### ■ FY2011 financial results

- We achieved ¥877.9 billion in net sales, ¥24.6 billion in operating income, and ¥5 billion in net income.



■ Net sales and operating income broken out by segment

## FY2011 Summary



### ■ Inkjet printers

- ✓ Extra costs due to use of air transport in response to manufacturing & supply delays from earthquake in Japan and flooding in Thailand
- ✓ Lower hardware volume in H1 impacted recovery in consumables demand
- ✓ Launched competitive new products aimed at home, office & emerging markets in H2
- ✓ Although hardware volume fell short of annual target, growth was steady in almost all regions even as European and American markets contracted in H2

### ■ Business systems

- ✓ Despite weakening Chinese demand for SIDM for tax collection systems, sales remained steady due to successful tenders
- ✓ Solid sales of POS-related products to retailers in Americas and Asia, but fewer large orders in developed economies

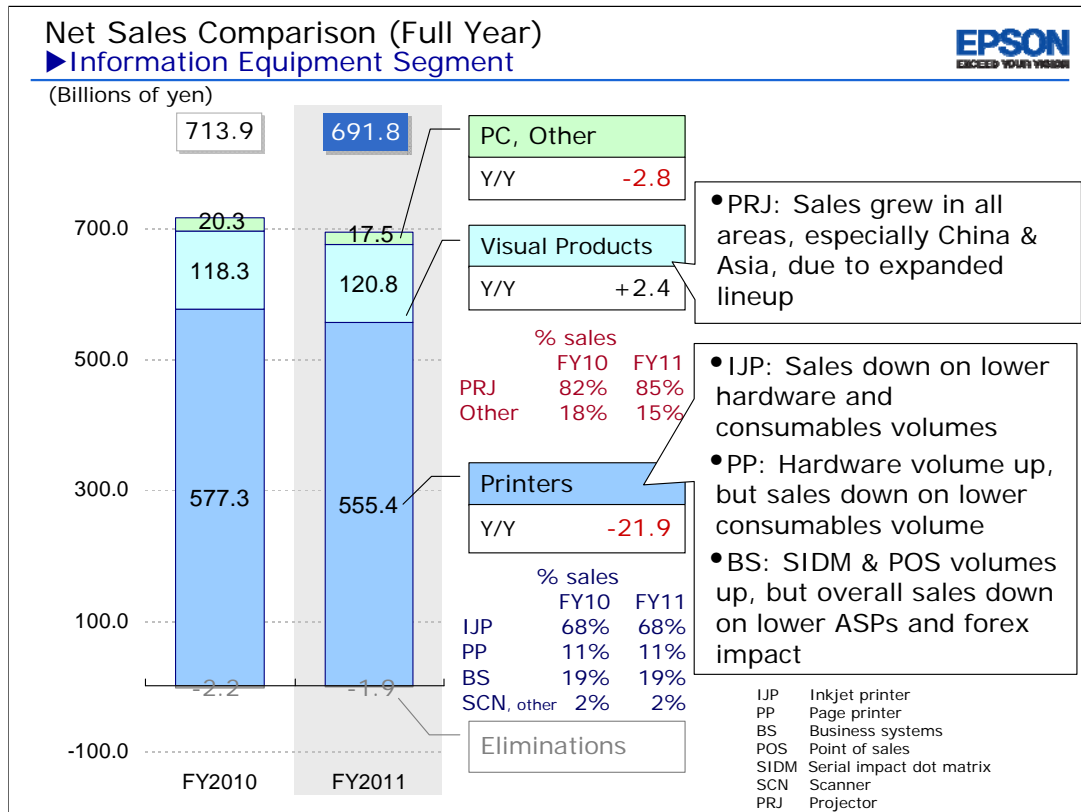
### ■ Projectors

- ✓ Shipments fell short of annual targets, but sales grew in all areas, especially in China & Asia, due to expanded lineup for home, business and education markets

### ■ Microdevices

- ✓ Made steady progress in realigning business despite impact of economic downturn
- ✓ Made progress on right-sizing by shifting personnel to growth areas in information equipment

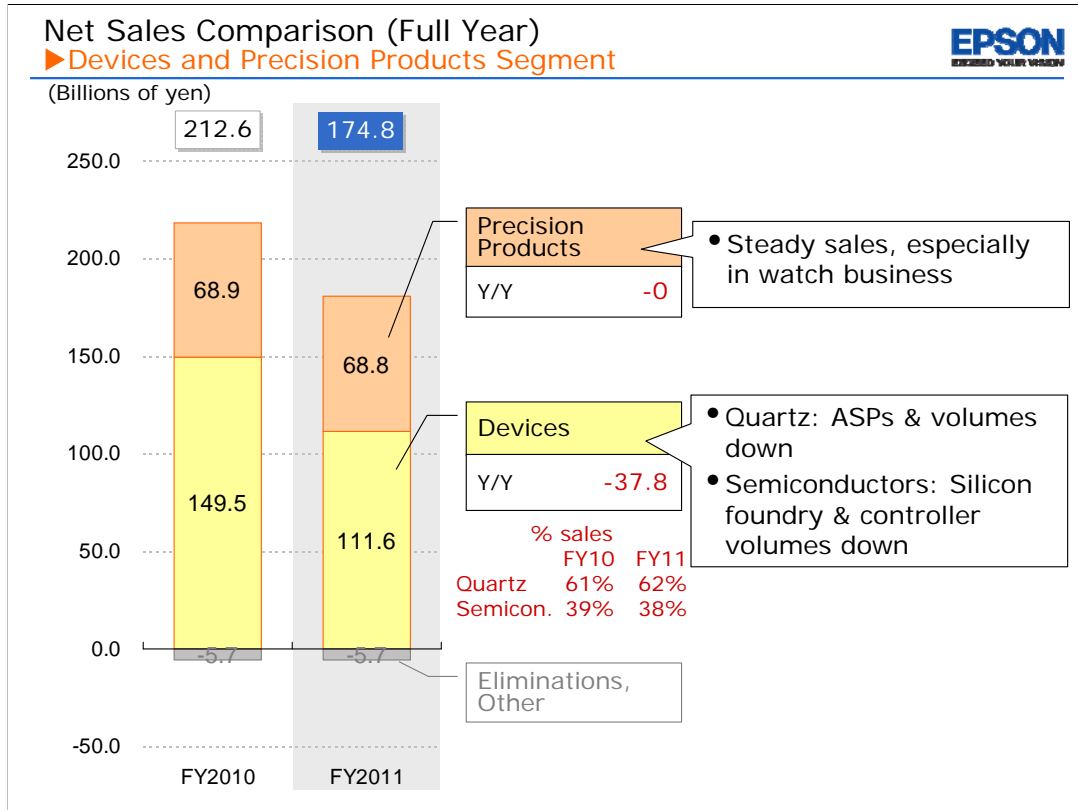
## ■ FY2011 summary



■ FY2011 information-related equipment segment

- First-half inkjet printer results were hurt by manufacturing delays and materials shortages in the aftermath of the disaster in northeastern Japan. Printer unit shipments plunged compared to the same period last year, and consumables demand declined. In the second half, meanwhile, the inkjet products we launched in the autumn were extremely well received, but the flooding in Thailand caused more manufacturing and supply delays, and we ended up having to air-freight products and allocate them by region. As a result, we fell short of our printer unit sales target for the year. In the second half, however, we increased worldwide inkjet unit shipments by nearly 10% even as the European and American markets contracted compared to the previous year. We are starting to see results from our efforts to strengthen the competitiveness of our products. Recent weekly share data show that Epson has consistently held a 20% share of the North American market and a 30% or higher share in the big five European economies.
- SIDM printer sales were solid despite a weakening in the second half of Chinese demand for SIDM printers used in tax collection systems. The strong showing was due at least in part to tender business wins. Sales of POS-related products to retailers in the Americas and Asia were solid, but the market for large orders in advanced countries was soft.
- Projector unit shipments fell short of our ambitious target, but we still managed to achieve 15% annual unit shipment growth. An expanded lineup of 3LCD projectors for the home, business, and high-lumen segments helped fuel this growth, as did demand from the education market in emerging regions.





■ FY2011 devices and precision products segment

► Net sales in microdevices, consisting of quartz devices and semiconductors, dropped sharply, primarily in response to the economic slowdown, which cast a pall on demand. With these businesses struggling, we took a number of actions in fiscal 2011 to realign them toward profitability. We combined the quartz and semiconductor businesses, consolidated production sites, and made progress toward right-sizing operations by transferring personnel to growth areas, especially in information-related equipment.

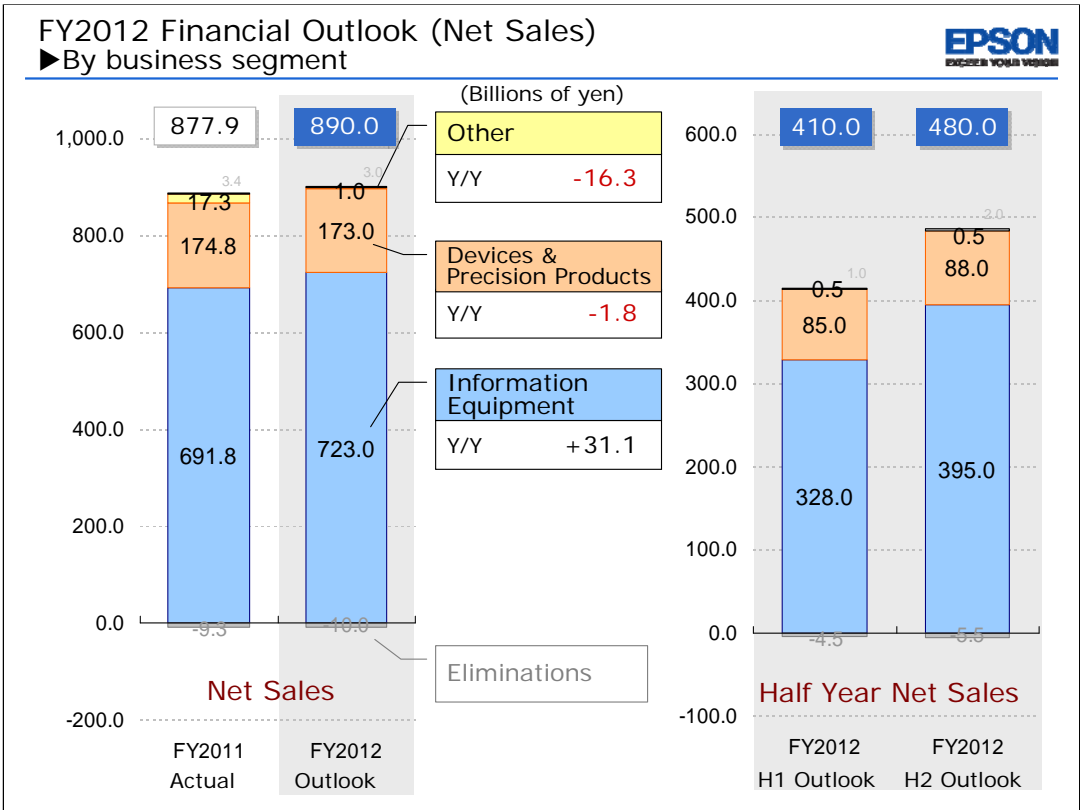
## FY2012 Financial Outlook



(Billions of yen)	FY2011		FY2012		Change	
	Full-Year Actual	%	Full-Year Outlook	%	Amount	%
Net Sales	877.9	-	890.0	-	+12.0	+1.4%
Operating Income	24.6	2.8%	35.0	3.9%	+10.3	+42.1%
Ordinary Income	27.0	3.1%	33.0	3.7%	+5.9	+22.1%
Net Income Before Income Taxes	15.6	1.8%	23.0	2.6%	+7.3	+47.2%
Net Income	5.0	0.6%	14.0	1.6%	+8.9	+178.2%
EPS	¥26.22		¥78.26			
Exchange Rate	USD	¥79.08	¥75.00			
	EUR	¥108.98	¥100.00			

### ■ FY2012 full-year financial outlook

- We see net sales increasing by ¥12 billion, to ¥890 billion, in 2012. We expect operating income to grow by about ¥10.3 billion, to around ¥35 billion. These figures are based on assumed exchange rates of 75 yen to the US dollar and 100 yen to the euro.
- The figures in the fiscal 2012 outlook are identical to the financial targets in the mid-range business plan presented on March 15.
- Further, we are forecasting net income to grow by ¥8.9 billion, to ¥14 billion.



- FY2012 net sales outlook with figures broken down by segment
- In the information-related equipment segment we expect net sales to increase by ¥31.1 billion year-over-year. In the devices and precision products segment we see net sales further declining by ¥1.8 billion.

## FY2012 Initiatives



### ■ Inkjet printers

- ✓ Expand lineup of products for home, office and emerging markets in effort to increase unit volume by 10% or more compared to last year
- ✓ Deploy compact inkjet models across home and office markets
- ✓ Expand sales in commerce by targeting signage, CAD & emerging markets with lower cost large-format printers based on standardized platforms
- ✓ Grow hardware unit sales, and expand consumables revenue from H2

### ■ Business systems

- ✓ In addition to steady demand for SIDM in Chinese tax collection systems, capture new demand from banks and rural communities, and move to win tender business
- ✓ In POS-related products, meet demand from large, medium and small retailers, develop new demand by proposing intelligent systems, and boost sales and marketing capabilities

### ■ Projectors

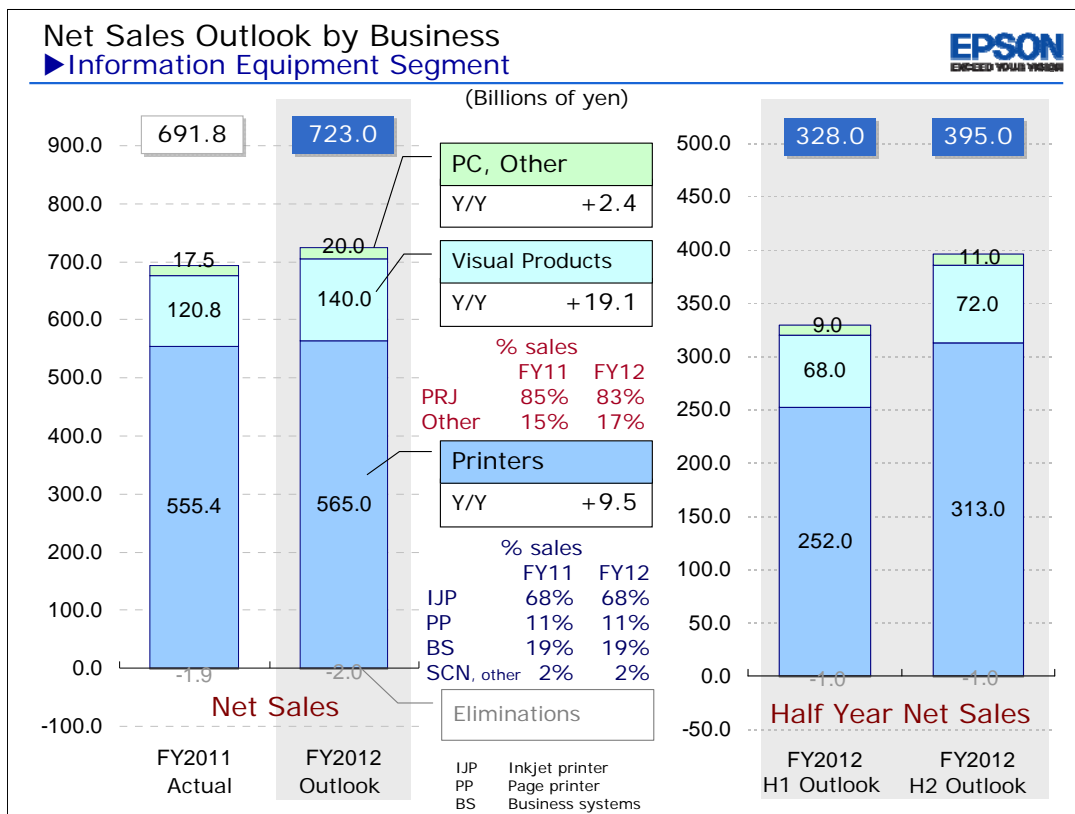
- ✓ Expand in business and high-lumen markets in developed economies
- ✓ In emerging markets, capture demand for education models and build up our sales and marketing organization

### ■ Microdevices

- ✓ Complete workforce restructuring and right-size the business
- ✓ Accelerate efforts to create high added value products
- ✓ Restore profitability by reducing variable and fixed costs

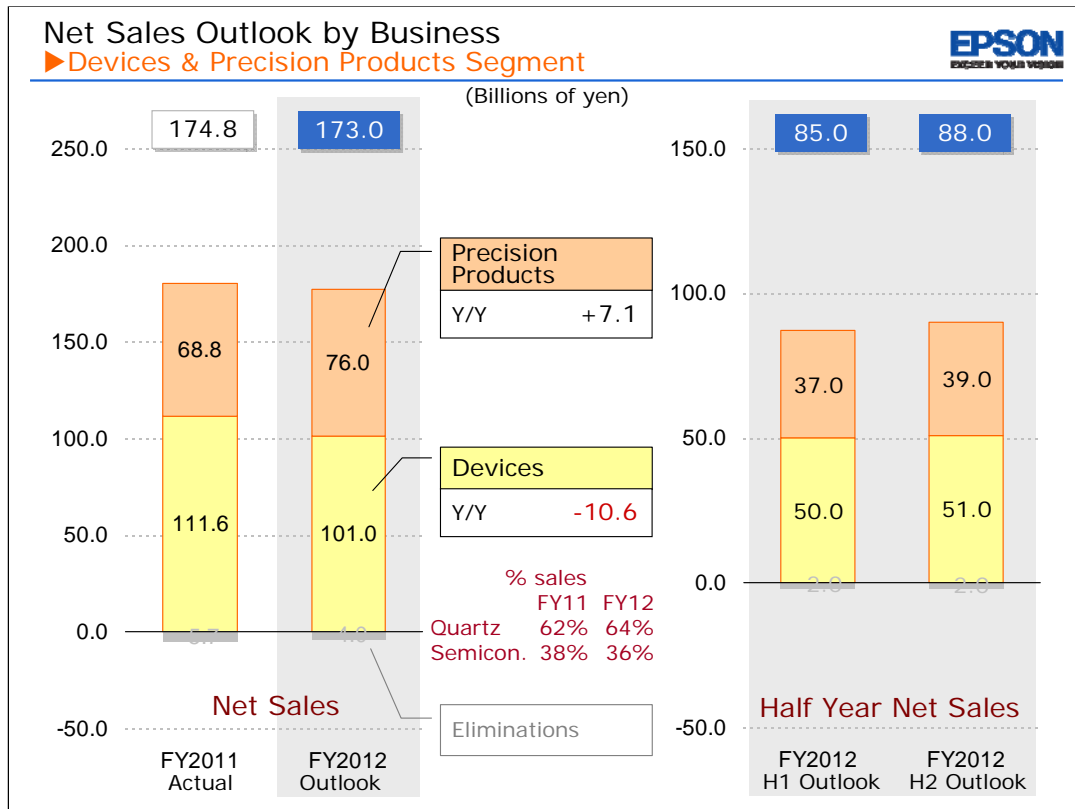
### ■ Main initiatives for FY2012

- Having gained traction and confidence last year, we are going to accelerate the execution of our SE15 mid-range business plan this year.
- I'll discuss the key objectives and actions presented here as we review the figures for each segment on the next couple of slides.



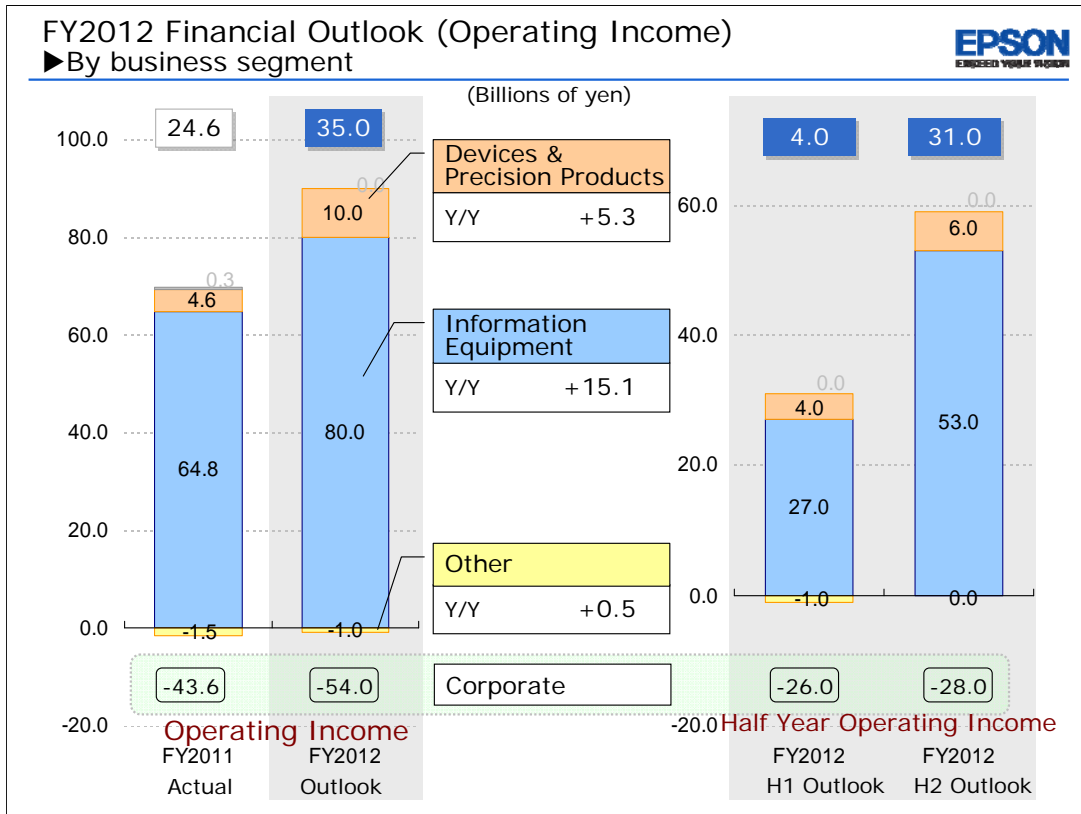
■ FY2012 information-related equipment segment

- In the printer business, we expect full-year net sales of ¥565 billion, an increase of ¥9.5 billion year over year. We will seek to expand net sales and income by carrying out the actions we have planned based on our mid-range strategies in each business.
- In inkjet printers we expect to grow net sales, and will further expand our lineup of inkjet printers for the home, office, and emerging markets to ensure that we achieve this. Last fiscal year we shipped 14.6 million inkjet printers. This year we plan to increase this figure by at least 10% or more. At the same time, new inkjet printers based on the compact models we introduced last year will be rolled out to the home and office markets. These compact models will increase our competitiveness and lower our costs. We are looking to reduce our costs and expand business in the commercial sector by introducing large-format printers designed on standardized platforms and by filling out our lineup for the signage, CAD, and emerging markets.
- In page printers we will continue to introduce competitive new products.
- In business systems, we expect to see continued steady demand for SIDM printers, though demand driven by tax collection system installations in China has already passed the peak. We will also move to win tender business and capture emerging demand for SIDM printers from banks and rural communities. In POS-related products we will meet retailer demand, develop new demand by, for example, proposing intelligent systems, and beefing up our sales and marketing capabilities.
- We expect visual products net sales to be around ¥140 billion, up ¥19.1 billion year over year. In 3LCD projectors we aim to grow our market share and increase unit shipments by 20% or more year over year. To do so, we will strengthen our projector lineup so as to provide greater traction for expansion in the business and high-lumen markets in developed economies. We will grow in emerging markets, meanwhile, by capturing education demand and building up our sales and marketing organization.
- The first-half information-related equipment net sales outlook reflects our expectations of inkjet printer unit shipment growth. On the other hand, also factored into the outlook are an expected decline in SIDM demand for tax collection systems and a lag in the recovery of consumables demand associated with the decline in inkjet printer shipments in the first half of last year. In the second half we expect sales of consumables to grow as a result of anticipated increases in first-half inkjet printer unit shipments and shipments of office inkjet products. The launch of new large-format printers and expanded sales of POS-related products will also add to revenue.



■ FY2012 devices and precision products segment

- In the devices business we expect net sales of ¥101 billion, a year over year decrease of ¥10.6 billion. Although we expect unit shipments of quartz devices to increase as demand rebounds, we expect falling ASPs to erode net sales.
- In precision products we expect net sales to increase by ¥7.1 billion, to ¥76 billion, due to increased unit shipments of watch movements and solar-powered radio-controlled watches, a recovery in demand for IC handlers, and expanded demand for robots.



■ FY2012 full-year operating income outlook broken down by segment

- We see information-related equipment operating income increasing by ¥15.1 billion year over year.
- Inkjet printer operating income is expected to grow in both first and second halves.  
 In the first half we expect operating income to rise on increased printer shipments and profit improvement measures. Weighing on this income will be the decrease in printer unit shipments in the first half of last year, which will cause demand for consumables to lag, as well as ramped up printer production volume in preparation for the year-end shopping season and the effects of yen appreciation. In the second half we expect operating income to benefit from an enhanced lineup of new products that will increase net sales. Operating income should also benefit from sales of consumables, which we expect to rise as we sell more inkjet printers into the office market. Moreover, we expect income to improve as we reduce our costs by selling more compact inkjet models.
- We expect page printer operating income to decline, while both business systems and visual products operating income will grow.
- Devices and precision products operating income is expected to increase by ¥5.3 billion year-over-year. We will restore profitability by reducing the workforce by transferring personnel to growth businesses so that the size of the organization is more in line with revenues. Under the smaller, streamlined organization, we will accelerate initiatives to create high-added-value products and reduce fixed and variable costs.
- Corporate expenses are expected to temporarily increase due to the reshuffling of the workforce in the microdevices business.

FY2011 Results  
FY2012 Outlook

FY2011  
Q4 Results



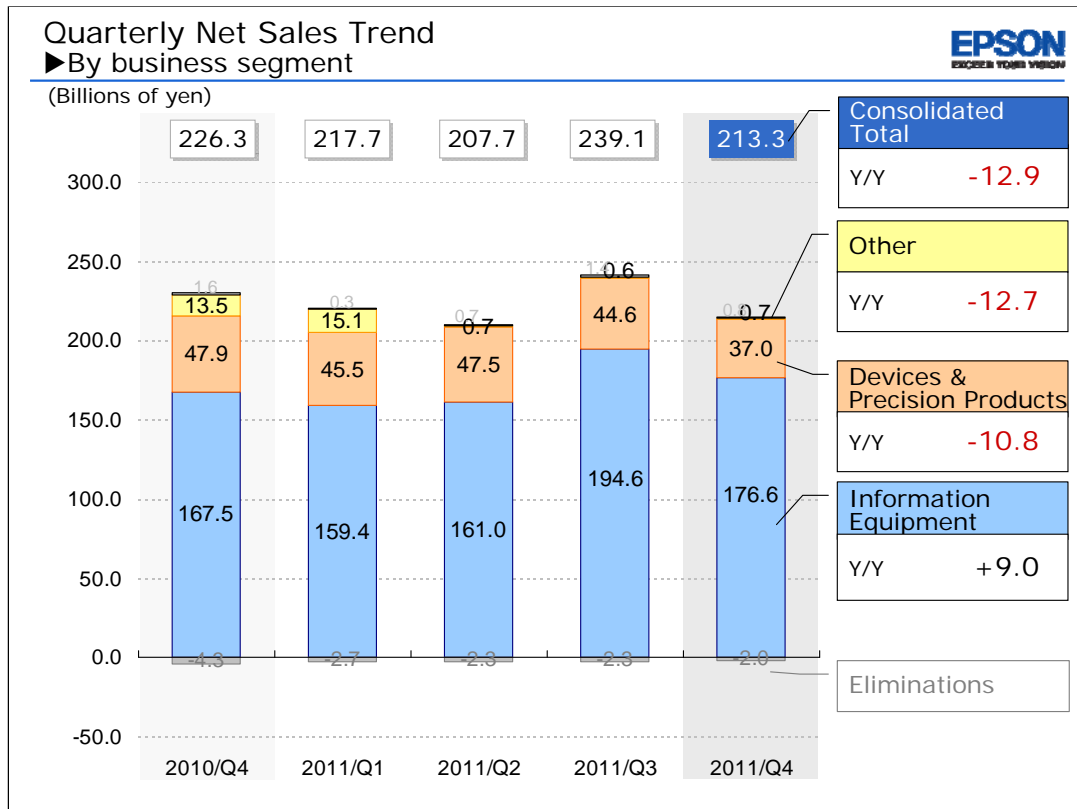
## Financial Highlights (Fourth Quarter)



(Billions of yen)	FY2010		FY2011		Change	
	Q4 Actual	%	Q4 Actual	%	Amount	%
Net Sales	226.3	-	213.3	-	-12.9	-5.7%
Operating Income	-1.1	-0.5%	3.5	1.7%	+4.7	-
Ordinary Income	-1.3	-0.6%	5.5	2.6%	+6.9	-
Net Income Before Income Taxes	-10.8	-4.8%	7.0	3.3%	+17.8	-
Quarterly Net Income	-6.7	-3.0%	4.6	2.2%	+11.3	-
EPS	-¥33.86		¥25.90			
Exchange Rate	USD	¥82.34	¥79.28			
	EUR	¥112.57	¥103.98			

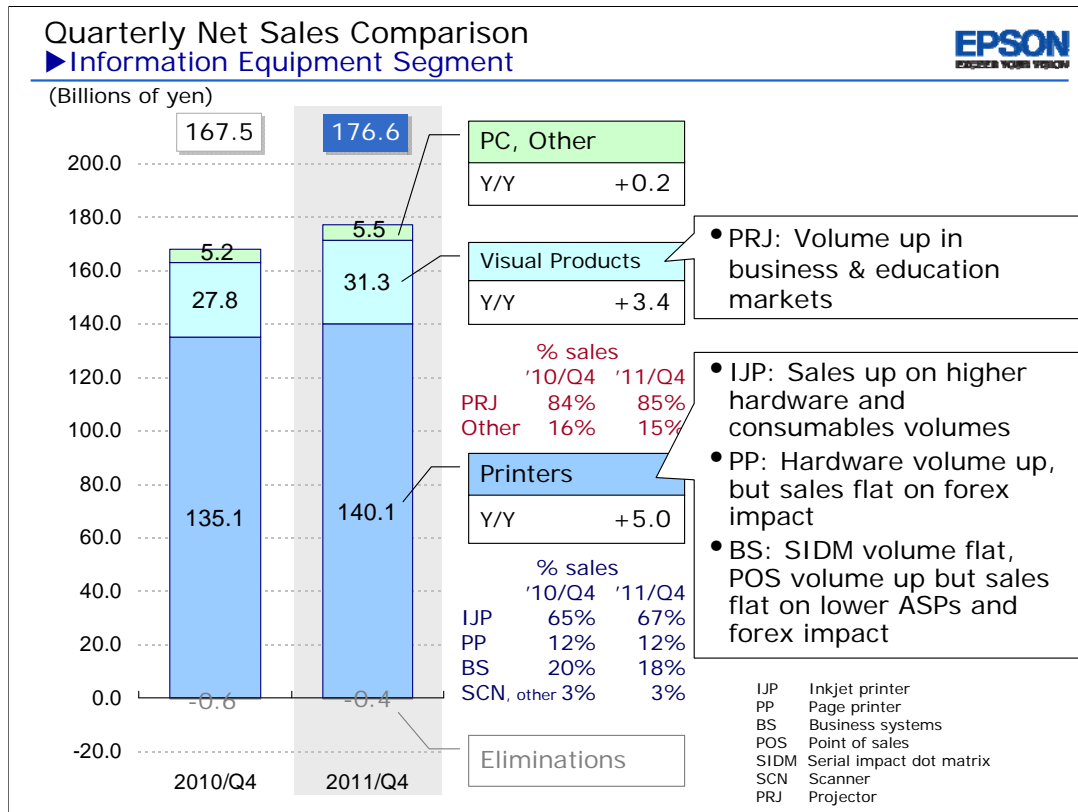
### ■ FY2011 fourth-quarter results

- In the fourth quarter we had ¥213.3 billion in net sales, a 5.7% decline year over year. On the income front, however, operating income rose ¥4.7 billion year over year, to ¥3.5 billion, while net income increased ¥11.3 billion, to ¥4.6 billion.



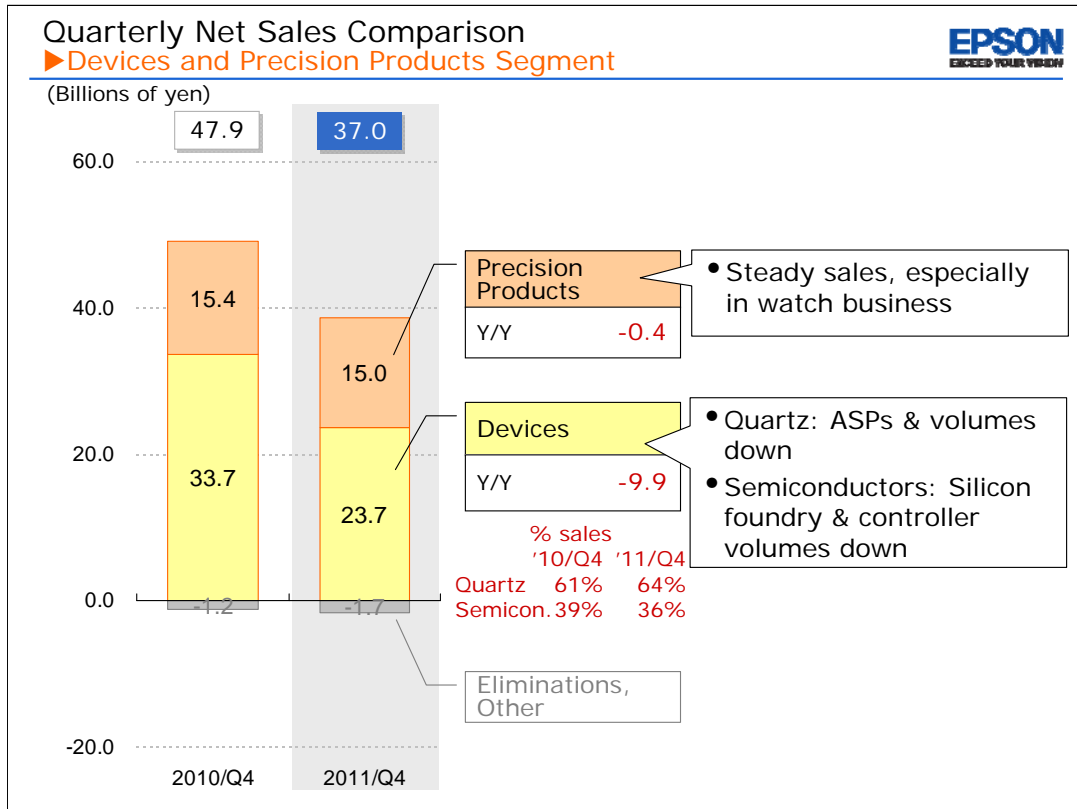
■ Net sales for consecutive quarters in each segment

- In the information-related equipment segment, net sales increased by ¥9 billion. Devices and precision products segment net sales declined by ¥10.8 billion.
- The drop in net sales in the Other segment is due to the termination of the small- and medium-sized displays business.
- Foreign exchange effects resulted in an approximately ¥6.6 billion decrease in net sales for the quarter, mostly in the information-related equipment segment.



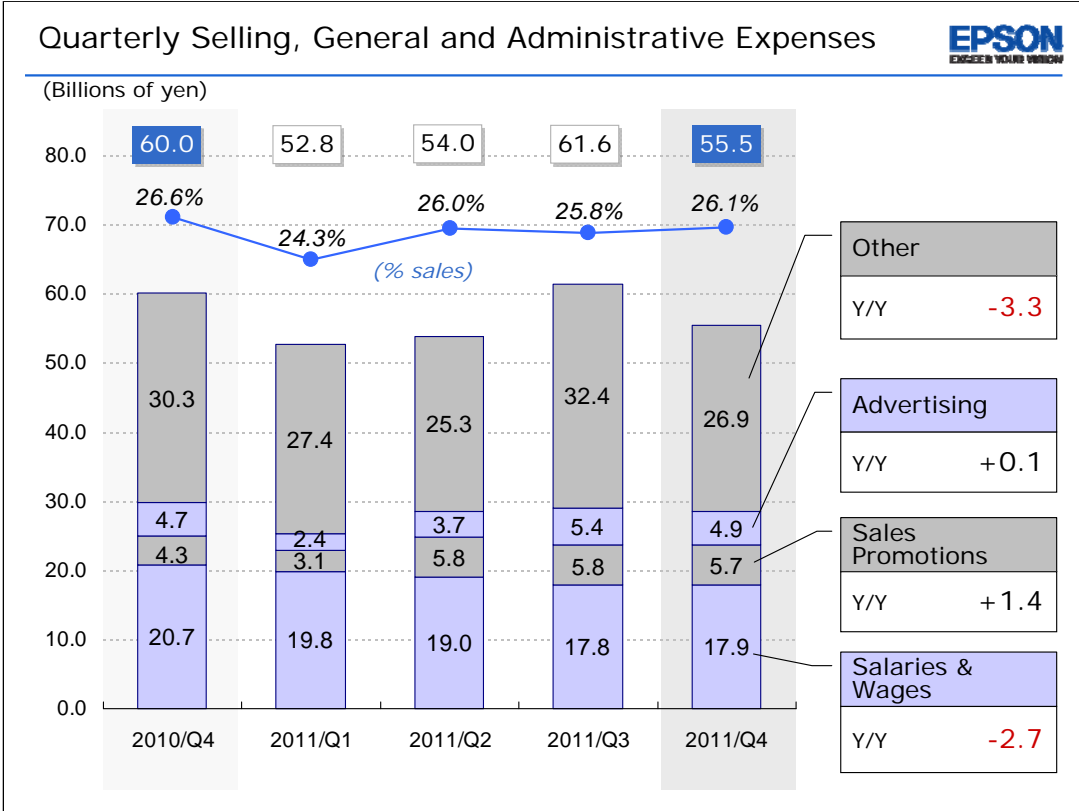
- Quarterly net sales in the businesses that make up the information-related equipment segment
  - The businesses in this segment were all hurt by the effects of yen appreciation.
  - The printer business reported a ¥5 billion increase in net sales.
  - Inkjet printer net sales increased along with growth in unit shipments of both printers and consumables. Although the overall printer market shrank in Europe and America, Epson's unit shipments increased in almost all markets, including North America, Europe, Asia, and Japan. We were also able to grow consumables volume in Japan, the Americas, and Europe – everywhere except Asia, where we are switching to a new business model.
  - We were able to increase unit shipments of page printers in Japan and Asia, particularly by aggressively pursuing tender business, but net sales were in line with last year due to foreign exchange effects and other factors.
  - In business systems, unit shipments of SIDM printers were flat year over year, with sales coming primarily in China, where they are used in tax collection systems, and from tender business wins in Europe. Unit shipments of POS-related products increased thanks to strong sales to retailers in Europe, America, and China. However, both SIDM printer and POS-related product net sales declined. Most of our sales in these products came in the volume price zone. This, plus foreign exchange effects, took their toll on income.
  - Visual products net sales increased by ¥3.4 billion year over year. Powering this growth were increases in unit shipments of business projectors in developed economies, and of business and education projectors in Asia.

- Now, let's see how we performed against the previous outlook.
- Net sales of inkjet printers exceeded the outlook on higher consumables sales, even though printer unit shipments were lower than expected.
- Business systems net sales ended below expectations because of a shortfall in POS-related products.
- Page printer net sales were all basically in line with the outlook.
- Visual products net sales were lower than expected, as we shipped fewer units than anticipated.

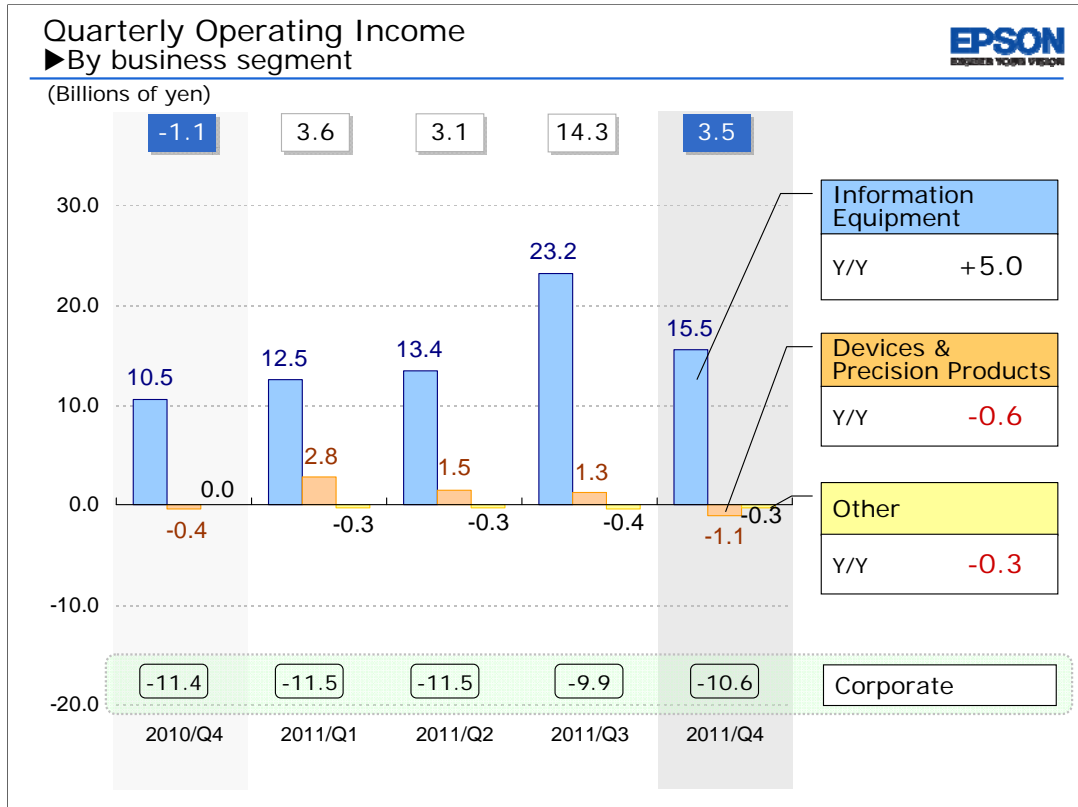


■ Quarterly net sales in the Devices and Precision Products Segment

- In devices, net sales declined in both quartz devices and semiconductors. Quartz device sales declined due to erosion of ASPs and because demand was weakened by the economic slowdown. Semiconductor net sales decreased because of declines both in silicon foundry and controller shipments.
- Precision products net sales, underpinned by solid sales in the watch business, were basically in line with last year.
- Net sales in the devices and precision products segment as a whole were close to the numbers in our latest outlook. Although factory automation products were lower than expected, both quartz devices and semiconductors exceeded expectations.



- Quarterly selling, general and administrative expenses
- We continued to spend aggressively to promote product sales during the quarter. At the same time, however, we reduced our total SGA expenses by finding ways to improve cost efficiency.



■ Breakdown of quarterly operating income by segment

- For the company as a whole, foreign exchange effects had an approximately ¥1.8 billion negative impact on operating income.
- Information-related equipment posted operating income of ¥15.5 billion, an increase of ¥5 billion, year over year.
- Inkjet printer operating income increased as a result of improved printer profitability and increased consumables volume.
- Visual products operating income grew on top of increased net sales. Cost reductions translated into higher page printer operating income.
- Business systems net sales receded, leading to lower operating income.
- Devices and precision products reported an operating loss of ¥1.1 billion, ¥600 million worse than the same period last year. While precision product operating income grew due to an increase in high value added products in the watch business, device operating income shrank along with declining quartz device and semiconductor revenue.

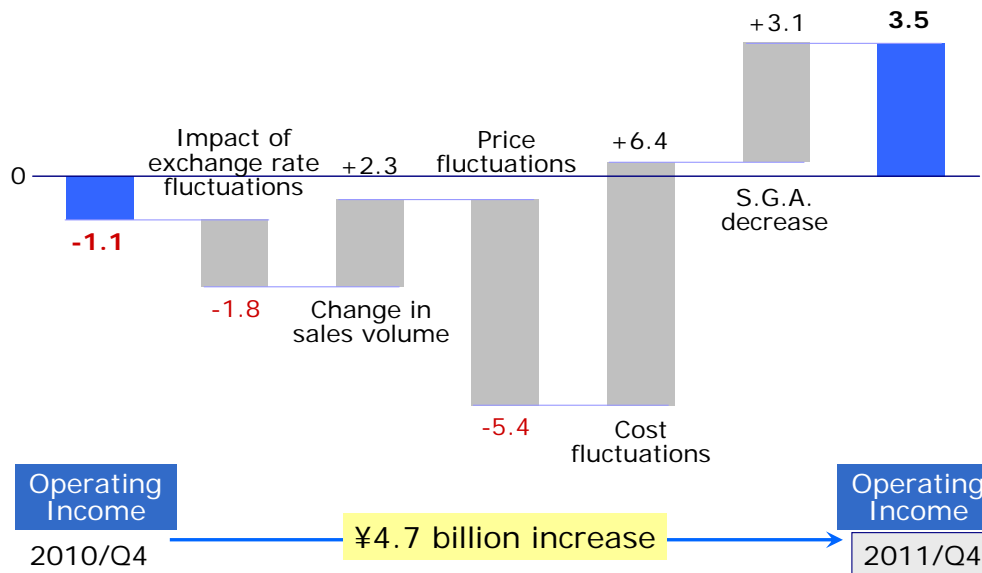
- Next, let's see how operating income in each segment stacked up against the outlook.
- Information-related equipment came in below the outlook.
- Inkjet printer operating income ended lower than expected. Operating income was hurt by the disaster in Japan and the flooding in Thailand, which forced a delay in cost reduction plans. We attempted to make up for this lost income in the fourth quarter, but experienced another setback due to the weakening of the yen versus the dollar, which caused our costs to rise. We were also affected by our failure to meet sales target for high-margin large-format printers and an increase in variable costs caused by the higher cost of procuring materials.
- Business systems did not meet the outlook, as projected sales failed to materialize.
- Page printer operating income exceeded the outlook thanks to higher than expected sales of consumables.
- Visual products operating income came in basically as forecast.
- Devices and precision products operating income exceeded the outlook primarily as a result of personnel transfers from devices to growth areas that reduced our fixed costs, and expedited efforts to improve the variable cost ratio.



## Operating Income Fluctuation Cause Analysis



(Billions of yen)



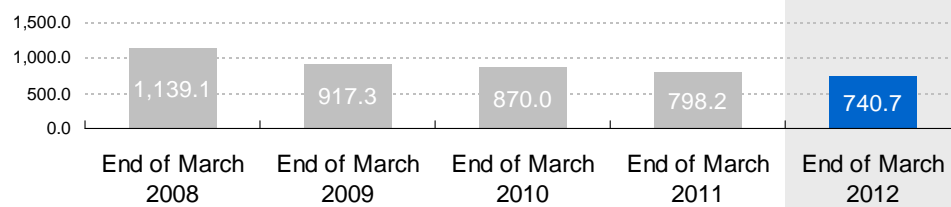
- Cause analysis of the increase in operating income compared to the same period last year
- Operating income for the quarter was ¥3.5 billion compared to an operating loss of ¥1.1 billion in the fourth quarter of fiscal 2010. While price fluctuations and currency exchange rates had a negative effect on operating income, factors such as cost fluctuations, lower SGA costs, and volume fluctuations contributed positively.

## Statistics of Balance Sheet Items

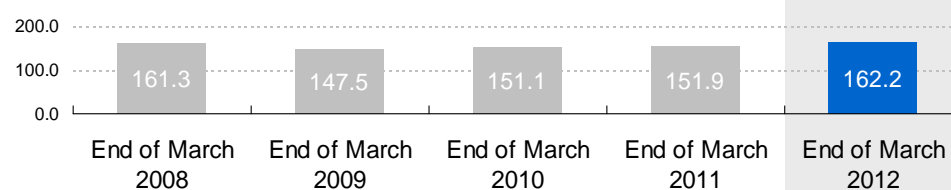


(Billions of yen)

### Total assets



### Inventories



#### ■ Major items on the balance sheet

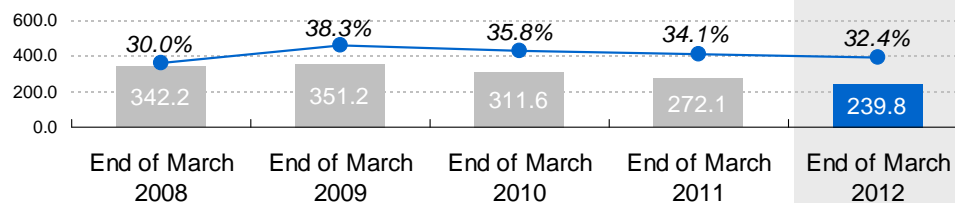
- Total assets decreased by ¥57.4 billion compared to the end of March 2011. Although inventory increased, total assets decreased due to factors such as a decrease in cash reserves.

## Statistics of Balance Sheet Items

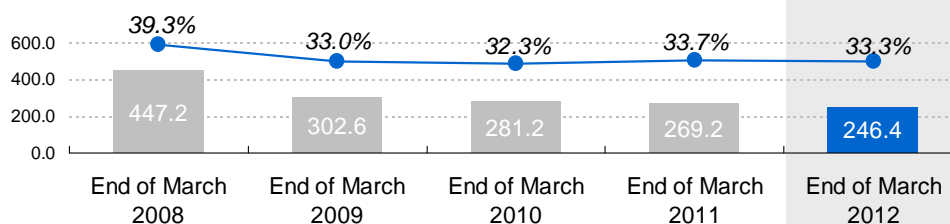


(Billions of yen)

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



### Shareholders' equity & equity ratio



\*Lease obligations are included in interest-bearing liabilities

\*Shareholder equity = total net assets - minority interests in subsidiaries

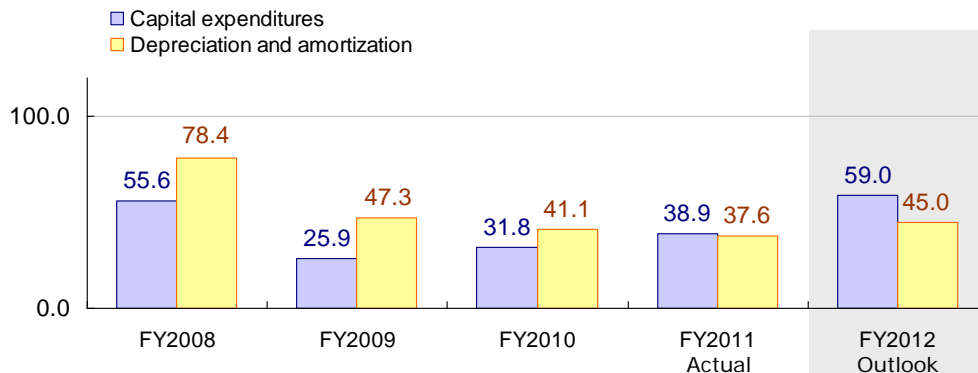
#### ■ Statistics of balance sheet items

- Interest-bearing liabilities decreased by ¥32.3 billion from the end of the previous fiscal year due to the repayment of loans. The ratio of interest-bearing liabilities to total assets was 32.4%. Net interest-bearing liabilities were ¥89.8 billion.
- Shareholders' equity decreased by ¥22.8 billion, primarily due to an acquisition of Epson treasury stock executed last November. This brought the equity ratio to 33.3%.

## Outlook for Capital Expenditure and Depreciation & Amortization Expenses



(Billions of yen)



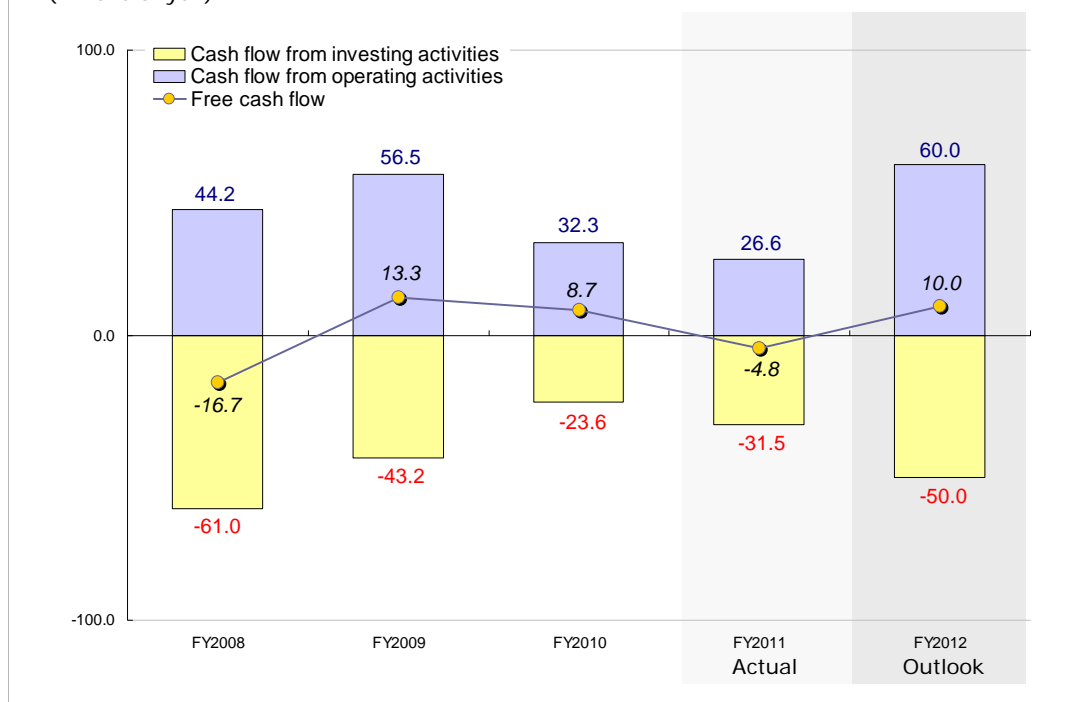
Breakdown by segment	FY2011 Actual		FY2012 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	29.5	22.7	42.0	28.0
Devices & Precision Products	6.8	10.1	12.0	12.0
Other/Adjustments	2.5	4.6	5.0	5.0

- Outlook for capital expenditures and depreciation and amortization expenses
- We have budgeted ¥59 billion in capital expenditures for fiscal 2012, with most spending focused on information-related equipment. Depreciation and amortization are expected to increase to ¥45 billion due to the higher capital expenditures.

## Free Cash Flow Outlook



(Billions of yen)



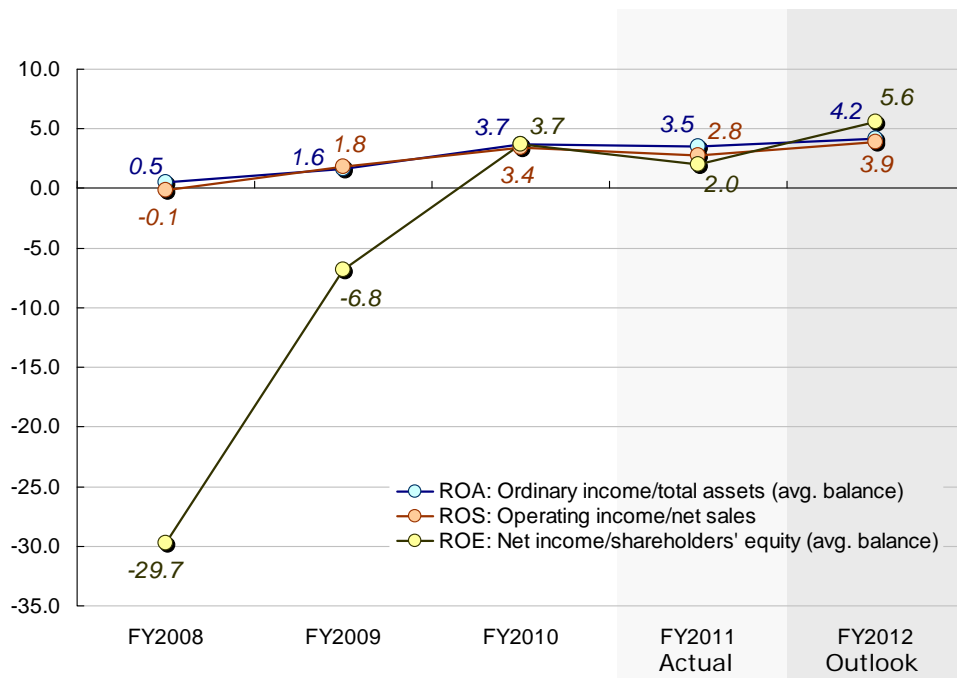
### ■ Cash flows

- Fiscal 2011 free-cash flows were minus ¥4.8 billion, a year-over-year decrease of ¥13.6 billion.
- Net cash provided by operating activities was ¥26.6 billion, ¥5.7 billion less than the year ago period, due to the increase in inventories, among other things.
- Net cash used in investing activities was ¥31.5 billion, an increase of ¥7.9 billion compared to the year ago period, due to an increase in capital expenditures.
- Fiscal 2012 free cash flows are forecast to be ¥10 billion. Net cash used in investing activities will increase due to an increase in capital expenditures, but we expect net cash used in operating activities to improve as a result of an improvement in net income before income taxes and a reduction in inventory.

## Main Management Indicators



(%)



■ Major management performance indicators

- ROS of 3.9 %, ROA of 4.2 %, and ROE of 5.6 %.

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