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EPSON
EXCEED YOUR VISION

April 30, 2009

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2009

Consolidated Financial Highlights

Income statements and cash flows data

(Millions of yen, thousands of U.S. dollars, except for per share data)

	Year ended March 31		Change	Year ended March 31, 2009
	2008	2009		
Statements of Income Data:				
Net sales	¥1,347,841	**¥1,122,497**	-16.7%	**$11,427,232**
Operating income (loss)	57,577	**(1,588)**	-%	**(16,166)**
Ordinary income	63,263	**5,301**	-91.6%	**53,965**
Net income (loss)	19,093	**(111,322)**	-%	**(1,133,279)**
Statements of Cash Flows Data:				
Cash flows from operating activities	112,060	**44,253**	-60.5%	**450,503**
Cash flows from investing activities	(50,770)	**(61,002)**	20.2%	**(621,011)**
Cash flows from financing activities	(70,663)	**(9,558)**	-86.5%	**(97,302)**
Cash and cash equivalents at the end of the period	316,414	**284,340**	-10.1%	**2,894,635**
Per Share Data:				
Net income per share -Basic	¥97.24	**(¥566.92)**	-%	**($5.77)**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

(Millions of yen, thousands of U.S. dollars, except for per share data)

	March 31		
	2008	**2009**	**2009**
Total assets	¥1,139,165	**¥917,342**	**$9,338,715**
Net assets	471,446	**318,631**	**3,243,723**
Shareholders' equity	447,205	**302,623**	**3,080,770**
Shareholders' equity ratio (%)	39.3%	**33.0%**	**33.0%**
Shareholders' equity per share	¥2,277.45	**¥1,541.16**	**$15.68**

Notes

I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

II. Figures in 'Change' column are comparisons with the same period of the previous year.

III. Diluted net income per share is presented only if there are dilutive factors present.

IV. Shareholders' equity is equity excluding minority interest in subsidiaries.

V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥98.23 = U.S.$1 at March 31, 2009 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

1. Operating Performance Highlights

Fiscal 2008 Full-Year Overview

The effects of the financial crisis that began in the United States spilled over into the real world economy throughout the second half of the fiscal year under review, setting off a global recession that rapidly intensified. The Japanese economic picture also worsened during the second half, with capital expenditures and exports declining in step with the global economic slowdown, triggering declines in production and corporate earnings, along with a rapid deterioration in the employment situation.

The situation in the main markets of the Epson Group ("Epson") was as follows.
In inkjet printers it became evident that the market is trending toward a year over year decline as the recession deepens. The serial-impact dot-matrix ("SIDM") printer market remained soft. Despite a steady performance in China and some other countries, SIDM sales were impacted by shrinking markets in Europe, America and Japan and the effects of the recession. Likewise, the market for point-of sales ("POS") systems saw muted demand for receipt printers as retailers sought to curb their spending due to the economic downturn.
In the projector market, business projector sales in the first half were on pace to exceed the fiscal 2007 numbers until the second half, when the sudden economic downturn caused the growth rate to decline.
Many of the main applications for small- and medium-sized displays have also been affected by the recession. In the mobile phone handset market, new demand for low-end phones in the emerging economies of Africa, the Middle East and Asia, most notably China and India, either peaked out or weakened after a period of steadiness that extended across the first half of the fiscal year. At the same time, upgrade demand for 3G phones in Europe, the U.S. and Japan plummeted. The rate of growth in PDA phones, digital cameras and portable media players ("PMPs") also fell sharply.
Meanwhile, however, the markets for Epson's information-related equipment and electronic device products suffered from continued price erosion due to fierce competition in every segment and a relentless shift of demand toward the low-price zone.
In our precision products segment, demand for watches and semiconductor manufacturing equipment softened as a result of the recession, while eyeglass lens revenues suffered from continued price erosion.

To succeed in this very challenging business environment, Epson engaged in a number of key projects in fiscal 2008.
First, in the inkjet printer business Epson aimed to sustain unit sales growth by launching highly competitive products and by adopting a marketing strategy designed to expand print volume. We also continued to groom our business and industrial inkjet technology into a core business and source of future earnings. Toward this end, we continued to fortify our efforts to penetrate segments where we can leverage the advantages of our Micro Piezo technology.
Epson also made strides in transforming its small- and medium-sized display business by further concentrating management resources on amorphous-silicon TFT LCDs ("a-TFTs") and low-temperature polysilicon TFT LCDs ("LTPS") and by seeking to reduce dependence on mobile phone handset demand with an ongoing effort since last year to capture business opportunities in other markets.
However, the transformation of the small- and medium-sized displays and semiconductor businesses stalled due to the sudden downturn, and Epson, concluding that improving the profitability of these businesses

within the current framework would be difficult, took bold new action based on its SE15 Long-Range Corporate Vision. As a result of these actions, Epson recorded restructuring charges and impairments totaling ¥76,244 million ($776,177 thousand). At the same time, tax payments amounted to ¥26,188 million ($266,599 thousand) as Epson wrote-down deferred tax assets due to the deterioration in profitability.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year under review were ¥100.53 and ¥143.48, respectively. This represents a 12% appreciation in the value of the yen against the dollar and an 11% appreciation in the value of the yen against the euro compared to the prior year.

Full-year net sales were ¥1,122,497 million ($11,427,232 thousand), down 16.7% year over year. Operating loss was ¥1,588 million ($16,166 thousand) versus operating income of ¥57,577 million last year. Ordinary income was ¥5,301 million ($53,965 thousand), down 91.6% from the prior year. And net loss was ¥111,322 million ($1,133,279 thousand), compared to a net profit of ¥19,093 million in the previous year.

Operating Performance Highlights by Business Segments

A segment-by-segment breakdown of financial results is provided below.

Information-related equipment

The printer business as a whole saw net sales sharply decline. Inkjet printer (including consumables, as in all printer discussions below) net sales were constrained primarily by yen appreciation, a decline in unit shipments, and an increase of units in the low-price zone as a percentage of total sales. SIDM printers and terminal module sales were weighed down by the effects of a strong yen and a decline in demand as the recession deepened. With the economy slumping, page printer unit shipments declined in the face of fierce competition and a flagging market.

The visual instruments business also reported lower net sales. Although 3LCD projector unit shipments increased, net sales were tempered by the effects of yen appreciation and price erosion.

Operating income in the information-related equipment segment declined. Income was hit primarily by the appreciation of the yen in combination with erosion in prices for inkjet printers and 3LCD projectors and declines in unit shipments of SIDM printers and POS systems.

As a result of the foregoing factors, full-year net sales in the information-related equipment segment were ¥769,850 million ($7,837,252 thousand), down 14.7% year over year, while operating income was ¥30,143 million ($306,861 thousand), down 63.8% year over year.

Electronic devices

The display business as a whole posted sharply lower net sales despite increased first-half demand for a-TFTs from a steady mobile phone handset market. Net sales were weighed down by a decline in demand for LTPS LCDs used in digital cameras. Sales of high-temperature polysilicon TFT panels ("HTPS") for 3LCD projectors were hurt by a sudden slowing of projector market growth in the second half. Unit shipments of both MD-TFD LCDs ("TFD"), a business Epson is scheduled to terminate, and color STN LCDs ("CSTN"), a business where production operations are to be significantly downsized, declined.

The quartz device business saw net sales plummet due to the recession and steep production adjustments in a host of applications, including mobile phone handsets, digital cameras and digital home electronics.

Semiconductor business net sales fell sharply. Several factors contributed to the decline, including a cutback in unit shipments of LCD drivers to handset manufacturers as part of strategic changes to the product mix, declines in unit shipments of other products as the economy went into recession, and the effects of yen appreciation.

Electronic devices segment losses expanded. Although operating income benefited from the cost reductions that accompanied structural changes in the display business and from increased unit shipments of a-TFTs, profitability rapidly deteriorated due to significant declines in quartz device and semiconductor business revenues.

As a result of the foregoing factors, full-year net sales in the electronic device segment were ¥311,626 million ($3,172,411 thousand), down 21.1% year over year, while operating loss was ¥18,249 million ($185,778 thousand) versus operating loss of ¥17,167 million in the year ago period.

Precision products

The precision products segment reported lower operating income as net sales dropped due to a decline in watch and IC handler unit shipments.

As a result of the foregoing factors, full-year net sales in the precision products segment were ¥72,697 million ($740,058 thousand), down 13.4% from the prior year. Operating loss was ¥1,907 million ($19,413 thousand), compared to operating income of ¥2,733 million in the year ago period.

Operating Performance Highlights by Geographic Segments

A region-by-region breakdown of financial results is provided below.

■ Japan

Inkjet printer, TFD, page printer, CSTN, crystal device, terminal module, 3LCD projector and SIDM printer net sales declined. Net sales were ¥998,471 million ($10,164,658 thousand), down 16.3% year over year, while operating loss was ¥44,478 million ($452,781 thousand) versus operating income of ¥20,444 million last year.

■ The Americas

Amorphous TFT net sales increased, while net sales from inkjet printers, terminal modules, 3LCD projectors and SIDM printers declined.

Net sales were ¥242,881 million ($2,472,573 thousand), down 13.9% year over year, while operating income was ¥4,817 million ($49,037 thousand), down 46.0% from the previous year.

■ Europe

Europe reported lower net sales from inkjet printers, page printers and SIDMs. Net sales were ¥244,108 million ($2,485,054 thousand), down 18.5% from the prior year, while operating income was ¥10,170 million ($103,532 thousand), up 76.9% year over year.

■ **Asia / Oceania**

TFD, inkjet printer, CSTN, crystal device, page printer and, a-TFT net sales declined. Net sales were ¥609,573 million ($6,205,557 thousand), down 18.9% from the prior year, while operating income was ¥16,987 million ($172,930 thousand), down 24.4% year over year.

1. Liquidity and Financial Position

Financial Condition

Total assets as of March 31, 2009 were ¥917,342 million ($9,338,715 thousand), a decrease of ¥221,822 million ($2,258,189 thousand) from the previous fiscal year end. This was due to a ¥119,567 million ($1,217,214 thousand) decrease in current assets, chiefly comprising trade notes and accounts receivable and securities, and an ¥89,548 million ($911,615 thousand) decrease in tangible fixed assets. Total liabilities were ¥598,710 million ($6,094,981 thousand), down ¥69,007 million ($702,504 thousand) compared to the end of the last fiscal year. Current liabilities decreased by ¥101,274 million ($1,030,988 thousand), while long-term liabilities increased by ¥32,266 million ($328,473 thousand). The decrease in current liabilities was mainly due to a reduction in the current portion of long-term loans payable. The increase in long-term liabilities was primarily due to an increase in long-term loans payable.

Cash Flow Performance

Cash flows from operating activities during the year under review were ¥44,253 million ($ 450,503 thousand). They consisted primarily of a net loss of ¥89,559 million ($ 911,727 thousand), ¥78,406 million ($798,187 thousand) in depreciation and amortization, and ¥50,239 million ($511,442 thousand) decrease in accounts receivable. Cash flows from investing activities were ¥61,002 million ($ 621,011 thousand) in outflows, primarily due to ¥60,081 million ($611,635 thousand) in capital expenditures in the electronic devices and information-related equipment segments. Cash flows from financing activities were negative ¥9,558 million ($97,302 thousand), chiefly due to repayment of lease obligations totaling ¥7,795 million ($79,354 thousand).

As a result, cash and cash equivalents at the end of the year under review was ¥284,340 million ($2,894,635 thousand).

2. Policy on Profit Allocation/ Dividends in the Period under Review and Next Fiscal Year

Epson strives to continuously enhance its management efficiency and profitability in order to improve its cash flows and enable the Company to fulfill its policy of paying stable dividends. Profits are shared with stockholders as dictated by a comprehensive analysis of the funding requirements to support its business strategy and of its financial performance and situation.

Regrettably, Epson has decided to reduce the year-end dividend for the fiscal year ended March 31, 2009, to ¥7 ($0.07) per share. This decision was reached after taking into account a combination of factors, primarily the wide net loss stemming chiefly from the restructuring charges and impairment losses posted in the electronic devices business and the prospect of a very difficult business environment for the foreseeable future. Epson thus plans to pay a dividend for the year, including the interim dividend of ¥19 ($0.19) per share that has already been paid out, totaling ¥26 ($0.26). This represents a ¥6 ($0.06) decline from the previous fiscal year.

Future dividends remain undecided due to continued future uncertainty in the management environment.

3. Fourth-Quarter Operating Performance

Net sales for the fourth quarter (three months) of the year under review were ¥216,141 million ($2,200,356 thousand), down 30.4% compared to the year-ago quarter. In addition to the effects of yen appreciation, net sales decreased in the information-related equipment segment mainly due to lower inkjet printer, POS system product and page printer unit shipments and an increase in low-priced units as a percentage of total SIDM printer sales. The electronic devices segment saw demand drop across all product categories, including small- and medium-sized displays, HTPS, crystal devices and semiconductors, as the economy turned sharply downward. Operating loss for the quarter was ¥34,291 million ($349,088 thousand), compared to operating income of ¥1,867 million in the same period last year. The loss was the result of steep drops in net income in the electronic devices business, SIDM printers, terminal modules and 3LCD projectors. Ordinary loss was ¥32,241 million ($328,219 thousand), compared to ordinary income of ¥2,996 million in the same period last year. Fourth-quarter net loss was ¥123,211 million ($1,254,311 thousand), compared to a net loss of ¥3,142 million in the year-ago period. The net loss is due primarily to business structure improvement expenses, impairments and a write-down of deferred tax assets.

4. Fiscal 2009 forecast

The global economic recession triggered by the upheaval in financial and capital markets is expected to be prolonged. Likewise, the future direction of the Japanese economy is fraught with uncertainty, with little promise of an early recovery of economic indicators such as corporate earnings, capital spending, and personal spending.

Accordingly, Epson expects to encounter significant challenges in its major markets. The inkjet printer and 3LCD projector markets are likely to continue to contract while competition is likely to intensify.
In electronic devices, the markets for mobile phones, displays and other devices are expected to experience sharply negative growth.

In the information-related equipment segment, Epson anticipates launching products offering enhanced customer value will enable it to maintain or increase market share in its printer and 3LCD projector businesses despite markets that are shrinking due to the economic downturn. Epson expects the yen value of net sales to shrink year on year based on exchange rate assumptions involving a strong yen.
The electronic devices segment is also forecasting a decline in total net sales. In the displays business Epson forecasts lower net sales due to a decline in a-TFT unit volume. The semiconductor business also is likely to see net sales decline, largely due to lower unit shipments and price erosion. The crystal device business is seeking to bolster its position by capturing sensing device business but forecasts lower net sales due to deceleration of the overall market.
In the precision products segment Epson forecasts lower net sales due to reduced unit shipments of watches and factory automation equipment.

With the ongoing recession making for a continuing difficult business environment, Epson will seek to increase the efficiency of its businesses chiefly by lowering variable costs and reducing fixed costs, to enable the Company as a whole to reach break-even in ordinary income.

The figures in the outlook are based on assumed exchange rates of 90 yen to the U.S. dollar and 115 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2009 fiscal year (ending March 31, 2010) are as follows.

Consolidated Half-Year Results Outlook

	FY2008	FY2009	Change
Net sales	¥615.7 billion	¥469.0 billion	-¥146.7 billion (-23.8%)
Operating income	¥28.0 billion	-¥18.0 billion	-¥46.0 billion (-)
Ordinary income	¥27.4 billion	-¥19.0 billion	-¥46.4 billion (-)
Net income	¥11.7 billion	-¥23.0 billion	-¥34.7 billion (-)
Foreign exchange rate	$1USD = ¥106	$1USD = ¥90	
	1 euro = ¥163	1 euro = ¥115	

Consolidated Full-Year Results Outlook

	FY2008	FY2009	Change
Net sales	¥1,122.4 billion	¥1,030.0 billion	-¥92.4 billion (-8.2%)
Operating income	-¥1.5 billion	¥3.0 billion	+¥4.5 billion (-)
Ordinary income	¥5.3 billion	¥0.0 billion	-¥5.3 billion (-)
Net income	-¥111.3 billion	-¥6.0 billion	+¥105.3 billion (-)
Foreign exchange rate	$1USD = ¥101	$1USD = ¥90	
	1 euro = ¥143	1 euro = ¥115	

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trend, competition, technology trend, exchange rate fluctuations.

Overview of the Business Group

Epson's main business segment includes the development, manufacturing and marketing of information-related equipment, electronic devices, precision products, and other products. Research and development and product development are mainly conducted by the Company. Production and sales are conducted by the company and its subsidiaries and affiliates, domestic and abroad, under the management of the company's operations divisions.

The following is a brief description of each business segment and the main subsidiaries and affiliates of each business segment.

Information-related equipment business segment:

This segment includes the printer business, the visual instruments business and others. This segment develops, manufactures and sells mainly printers, 3LCD projectors, and personal computers.

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Printer</td><td>Color inkjet printers,
page printers,
dot matrix printers,
large format inkjet printers,
and related supplies,
color image scanners,
mini-printers,
printers for use in POS
systems and others</td><td>Tohoku Epson Corporation
Orient Watch Co., Ltd.
Epson Portland Inc.
Epson El Paso, Inc.
Epson Telford Ltd.
Epson Precision (Hong Kong) Ltd.
Singapore Epson Industrial Pte. Ltd.
P.T. Indonesia Epson Industry
Epson Precision (Philippines), Inc.
Tianjin Epson Co., Ltd.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
Epson Iberica, S.A.
Epson Korea Co., Ltd.
Epson (Shanghai) Information Equipment Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual instruments</td><td>3LCD projectors,
LCD monitors,
label writers and others</td><td>Epson Precision (Hong Kong) Ltd.</td></tr>
<tr><td>Others</td><td>Personal computers and others</td><td>-</td><td>Epson Sales Japan Corporation
Epson Direct Corporation</td></tr>
</table>

Electronic devices business segment:

This segment includes the display business, the quartz device business, and the semiconductor business. This segment develops, manufactures and sells mainly small- and medium-sized LCDs, crystal oscillators and CMOS LSI.

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Display</td><td>Small- and medium-sized LCDs,
HTPS-TFT panels for 3LCD projectors and others</td><td>Epson Imaging Devices Corporation
Suzhou Epson Co., Ltd.
Epson Imaging Devices (Phils.) Inc.</td><td rowspan="3">Epson Toyocom Corporation
Epson Imaging Devices Corporation
Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson (China) Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Quartz device</td><td>Crystal units,
crystal oscillators,
optical devices and others</td><td>Epson Toyocom Corporation
Orient Watch Co., Ltd.
Epson Toyocom Malaysia Sdn. Bhd.
Epson Toyocom (Thailand) Ltd.</td></tr>
<tr><td>Semiconductor</td><td>CMOS LSI and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
</table>

Precision products business segment:

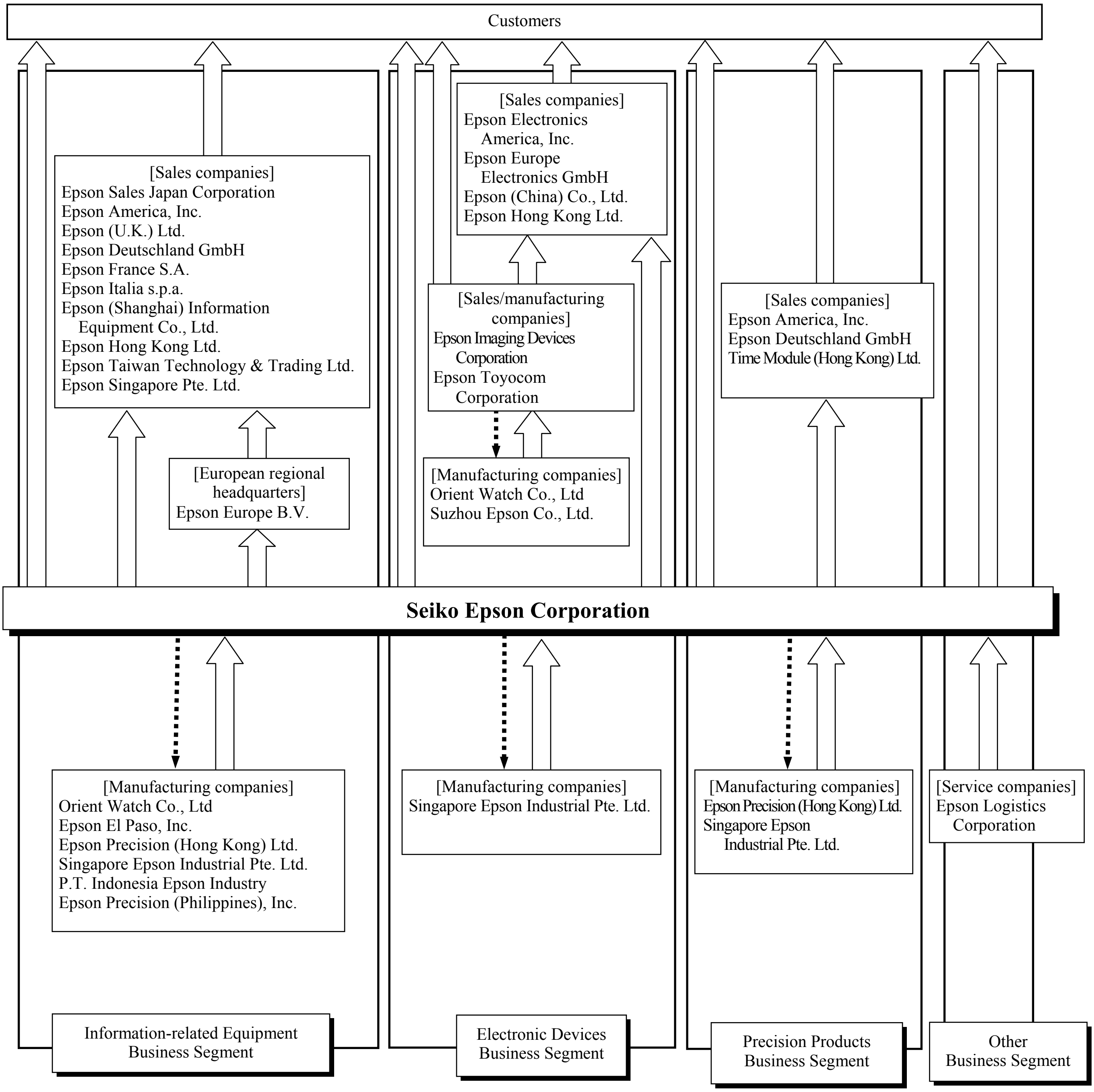
This segment includes the watch business, the optical products business, and the factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Watch	Watches, watch movements and others	Epson Precision (Hong Kong) Ltd. Singapore Epson Industrial Pte. Ltd.	Time Module (Hong Kong) Ltd.
Optical products	Plastic corrective lenses and others	Seiko Lens Service Center Corporation	-
Factory automation systems	Precision industrial robots, IC handlers, industrial inkjet equipment and others	-	Epson America, Inc. Epson Deutschland GmbH

Other business segment:

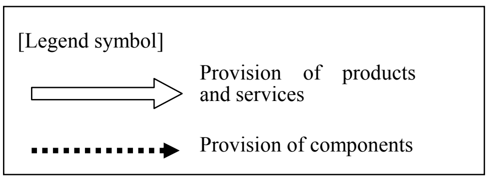
This segment comprises the businesses of subsidiaries that offer services within Epson, and new businesses still in the start-up phase that are aimed at optimizing current management resources.

The following operations system diagram describes the overview of the business group outlined above.



Note: 1. Time Module (Hong Kong) Ltd. is an equity method affiliate. All others are consolidated subsidiaries.

2. Epson Toyocom Corporation, a subsidiary of the Company, is listed on the first section of the Tokyo Stock Exchange.



Management Policy

1. Basic Management Policy

Epson strives to fulfill its responsibilities as a good corporate citizen on a variety of fronts. These responsibilities include paying close attention to corporate ethics and risk management, improving customer satisfaction and product quality, and managing environmental performance. With "creativity and challenge" as the focal point for the Group's collective capabilities, Epson is aiming to further enhance its corporate value.

Epson is a progressive company, trusted throughout the world
because of our commitment to customer satisfaction,
environmental conservation, individuality, and teamwork.
We are confident of our collective skills and meet challenges
with innovative and creative solutions.

2. Medium- to Long-Term Management Strategy and Issues

Impacted by the global economic crisis and the sudden and severe appreciation of the yen, Epson is experiencing an extremely severe operating environment. With society transformed by changes that have overturned traditional assumptions, the Company believes that customer values are set to undergo dramatic change.

Accepting this situation as an opportunity, Epson is implementing structural changes as it seeks to go forward on a new growth path. To do this it will rediscover its traditional strengths, and concentrate management resources on businesses with growth potential and which are strategically important.

More specifically, Epson under this policy established in March 2009 its SE15 Long-Range Corporate Vision that sets out its vision for the period up to 2015. The Company also established the SE15 (First Half) Mid-Range Business Plan, a three-year mid-range business plan beginning in fiscal 2009.

According to the SE15 Long-Range Corporate Vision, Epson will focus on its core strengths since foundation of compact, energy-saving, high-precision technologies, and will leverage these strengths as it looks to achieve sustainable growth. Through the formation of Group-wide platforms, Epson seeks to become a community of robust businesses creating products and services that emotionally engage customers worldwide.

Based on the assumption of severe business conditions, the SE15 (First Half) Mid-Range Business Plan describes how Epson will combine its strengths to respond to this situation. The Company will implement a range of measures to ensure its return to a profit-generating structure on the path to realizing the SE15 Long-Range Corporate Vision.

Going forward, Epson will shift management resources to areas where it can leverage its strengths and to businesses with growth potential and which are strategically important, and will look to foster new businesses to drive future growth. On the other hand, for businesses, which, due to the worsening of the business environment, face a difficult profit scenario within the current framework, Epson will implement far-reaching structural reforms and rebuild the foundations of its business including measures such as merging and retiring business sites and making strategic alliances with other companies.

By launching speedy and efficient initiatives, Epson is looking to achieve by 2015 ROS of 10% or above and ROE of 10% or above on a continuous basis in addition to boosting net sales.

Plans for businesses with growth potential

- **Printer business**

In printers, Epson will leverage its core and proprietary Micro Piezo inkjet technology to further strengthen the foundations of its business. In applications that range from consumer through to business markets, Epson will take the customers' viewpoint as it develops products that provide ease-of-use and which emotionally engage with users.

Epson will also expand operations by increasing the number of models for emerging markets, and launching environmentally-considerate models. The Company will also seek to expand into the commercial and industrial sectors through the application of Micro Piezo technology.

- **Projector business**

As the world's leading manufacturer, Epson aims to maintain top share, increase its presence in the high-end projector market by leveraging the advantages of its core high-temperature polysilicon TFT LCD technology, and seeks to enter and develop new business domains.

- **Quartz device, sensor business**

The Company will make Epson Toyocom a 100% subsidiary to improve management responsiveness and efficiency, and to reinforce Epson Toyocom's position as the leading company in the quartz device market.

Quartz devices will be positioned as the core of Epson's electronic device businesses. By creating synergies with its semiconductor and other technologies, Epson will fortify its lineup of sensing devices and applied products.

Plans for unprofitable businesses

- **Small- and medium-sized display business**

Epson is making efforts to increase efficiency in this business by consolidating domestic operations and accelerating personnel reassignment to growth areas within the Group. The Company is also seeking to overhaul the structure of the display business through a variety of measures including a strategic alliance.

- **Semiconductor business**

Rebuilding its business around products incorporating its traditional core of low-power mixed-signal analog technology, Epson is downsizing its semiconductor business by consolidating domestic manufacturing sites. Management resources, such as semiconductor technology, will be shifted to bolster growth in other business areas, such as printers and quartz devices.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Assets			
Current assets			
Cash and deposits	¥171,970	¥172,921	$1,760,368
Notes and accounts receivable-trade	187,775	134,133	1,365,499
Short-term investment securities	137,079	102,014	1,038,521
Merchandise and finished goods	86,344	91,471	931,192
Work in process	49,618	36,947	376,127
Raw materials and supplies	25,394	19,132	194,767
Deferred tax assets	29,239	12,673	129,013
Other	52,854	51,773	527,092
Allowance for doubtful accounts	(3,032)	(3,389)	(34,500)
Total current assets	737,245	617,677	6,288,079
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	435,868	404,869	4,121,643
Machinery, equipment and vehicles	536,915	518,819	5,281,675
Tools, furniture and fixtures	196,487	184,508	1,878,326
Land	61,434	54,994	559,849
Construction in progress	5,541	2,958	30,125
Other	208	137	1,394
Accumulated depreciation	(893,193)	(912,574)	(9,290,176)
Total property, plant and equipment	343,261	253,712	2,582,836
Intangible assets	20,660	16,789	170,936
Investments and other assets			
Investment securities	20,419	15,281	155,563
Long-term loans receivable	63	44	447
Deferred tax assets	5,132	2,751	28,005
Other	12,560	11,368	115,740
Allowance for doubtful accounts	(178)	(284)	(2,891)
Total investments and other assets	37,997	29,161	296,864
Total noncurrent assets	401,919	299,664	3,050,636
Total assets	¥1,139,165	¥917,342	$9,338,715

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥100,453	¥70,177	$714,415
Short-term loans payable	25,283	42,182	429,420
Current portion of long-term loans payable	73,047	18,543	188,771
Accounts payable-other	82,436	61,748	628,606
Income taxes payable	10,086	6,208	63,198
Deferred tax liabilities	289	274	2,789
Provision for bonuses	20,285	11,572	117,805
Provision for directors' bonuses	154	—	—
Provision for product warranties	11,240	9,813	99,898
Provision for loss on litigation	300	8,214	83,620
Other	61,545	55,113	561,104
Total current liabilities	385,123	283,848	2,889,626
Noncurrent liabilities			
Bonds payable	100,000	100,000	1,018,018
Long-term loans payable	143,871	185,322	1,886,613
Deferred tax liabilities	7,488	5,818	59,228
Provision for retirement benefits	14,532	12,966	131,996
Accrued recycle costs	948	926	9,426
Provision for product warranties	830	677	6,891
Provision for loss on litigation	2,955	45	458
Negative goodwill	2,877	1,729	17,601
Other	9,091	7,375	75,135
Total noncurrent liabilities	282,595	314,862	3,205,366
Total liabilities	667,718	598,710	6,094,992
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 196,364,592 shares	53,204	53,204	541,626
Capital surplus	79,500	79,500	809,325
Retained earnings	326,719	208,524	2,122,814
Treasury stock			
March 31, 2009 - 3,018 shares			
March 31, 2008 - 2,251 shares	(7)	(8)	(81)
Total shareholders' equity	459,417	341,220	3,473,684
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	3,859	2,835	28,861
Deferred gains or losses on hedges	156	(2,175)	(22,152)
Foreign currency translation adjustment	(16,227)	(39,255)	(399,623)
Total valuation and translation adjustments	(12,211)	(38,596)	(392,914)
Minority interests	24,240	16,007	162,953
Total net assets	471,446	318,631	3,243,723
Total liabilities and net assets	¥1,139,165	¥917,342	$9,338,715

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Net sales	¥1,347,841	¥1,122,497	$11,427,232
Cost of sales	979,391	833,053	8,480,648
Gross profit	368,449	289,443	2,946,584
Selling, general and administrative expenses	310,871	291,031	2,962,750
Operating income(loss)	57,577	(1,588)	(16,166)
Non-operating income			
Interest income	6,498	4,288	43,652
Foreign exchange gains	—	3,146	32,026
Other	10,470	7,512	76,495
Total non-operating income	16,968	14,948	152,173
Non-operating expenses			
Interest expenses	6,406	6,110	62,200
Foreign exchange losses	2,667	—	—
Other	2,208	1,947	19,842
Total non-operating expenses	11,282	8,058	82,042
Ordinary income	63,263	5,301	53,965
Extraordinary income			
Gain on sales of noncurrent assets	570	349	3,552
Reversal of provision for loss on litigation	2,392	272	2,769
Reversal of provision for product warranties	—	264	2,687
Other	3,098	583	5,957
Total extraordinary income	6,061	1,469	14,965
Extraordinary loss			
Impairment loss	10,783	20,348	207,146
Business structure improvement expenses	—	55,896	569,031
Other	6,495	20,086	204,480
Total extraordinary losses	17,279	96,331	980,657
Income(loss) before income taxes and minority interests	52,045	(89,559)	(911,727)
Income taxes-current	14,341	7,744	78,835
Income taxes-deferred	15,881	18,443	187,764
Total income taxes	30,223	26,188	266,599
Minority interests in income (loss)	2,728	(4,425)	(45,047)
Net income(loss)	¥19,093	(¥111,322)	($1,133,279)

The accompanying notes are an integral part of these financial statements.

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31, 2009
	2008	2009	
Net sales	¥310,569	¥216,141	$2,200,356
Cost of sales	226,096	179,412	1,826,448
Gross profit	84,473	36,729	373,908
Selling, general and administrative expenses	82,606	71,020	722,996
Operating income(loss)	1,867	(34,291)	(349,088)
Non-operating income			
Interest income	1,717	694	7,065
Foreign exchange gains	255	1,798	18,303
Other	1,671	2,426	24,708
Total non-operating income	3,644	4,919	50,076
Non-operating expenses			
Interest expenses	1,816	1,992	20,278
Other	698	876	8,929
Total non-operating expenses	2,515	2,869	29,207
Ordinary income	2,996	(32,241)	(328,219)
Extraordinary income			
Gain on sales of noncurrent assets	423	224	2,280
Reversal of provision for loss on litigation	2,392	—	—
Reversal of provision for product warranties	—	263	2,677
Gain on sales of investment securities	1,719	—	—
Other	381	40	418
Total extraordinary income	4,916	528	5,375
Extraordinary loss			
Impairment loss	7,064	19,321	196,691
Business structure improvement expenses	—	55,896	569,031
Other	3,581	2,377	24,210
Total extraordinary losses	10,646	77,595	789,932
Income(loss) before income taxes and minority interests	(2,732)	(109,308)	(1,112,776)
Income taxes	195	18,562	188,964
Minority interests in income (loss)	213	(4,658)	(47,429)
Net income(loss)	(¥3,142)	(¥123,211)	($1,254,311)

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥53,204	¥53,204	$541,626
Changes of items during the period			
Total changes of items during the period	–	–	–
Balance at the end of current period	53,204	53,204	541,626
Capital surplus			
Balance at the end of previous period	79,500	79,500	809,325
Changes of items during the period			
Total changes of items during the period	–	–	–
Balance at the end of current period	79,500	79,500	809,325
Retained earnings			
Balance at the end of previous period	313,945	326,719	3,326,061
Changes of items during the period			
Dividends from surplus	(6,283)	(6,872)	(69,968)
Net income (loss)	19,093	(111,322)	(1,133,279)
Effect of changes in accounting policies applied to foreign subsidiaries	(36)	–	–
Total changes of items during the period	12,773	(118,195)	(1,203,247)
Balance at the end of current period	326,719	208,524	2,122,814
Treasury stock			
Balance at the end of previous period	(5)	(7)	(71)
Changes of items during the period			
Purchase of treasury stock	(1)	(1)	(10)
Total changes of items during the period	(1)	(1)	(10)
Balance at the end of current period	(7)	(8)	(81)
Total shareholders' equity			
Balance at the end of previous period	446,645	459,417	4,676,941
Changes of items during the period			
Dividends from surplus	(6,283)	(6,872)	(69,968)
Net income (loss)	19,093	(111,322)	(1,133,279)
Effect of changes in accounting policies applied to foreign subsidiaries	(36)	–	–
Purchase of treasury stock	(1)	(1)	(10)
Total changes of items during the period	12,771	(118,196)	(1,203,257)
Balance at the end of current period	459,417	341,220	3,473,684
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	9,820	3,859	39,285
Changes of items during the period			
Net changes of items other than shareholders' equity	(5,961)	(1,024)	(10,424)
Total changes of items during the period	(5,961)	(1,024)	(10,424)
Balance at the end of current period	3,859	2,835	28,861
Deferred gains or losses on hedges			
Balance at the end of previous period	(35)	156	1,588
Changes of items during the period			
Net changes of items other than shareholders' equity	192	(2,332)	(23,740)
Total changes of items during the period	192	(2,332)	(23,740)
Balance at the end of current period	156	(2,175)	(22,152)
Foreign currency translation adjustment			
Balance at the end of previous period	13,886	(16,227)	(165,193)
Changes of items during the period			
Net changes of items other than shareholders' equity	(30,114)	(23,027)	(234,430)
Total changes of items during the period	(30,114)	(23,027)	(234,430)
Balance at the end of current period	(16,227)	(39,255)	(399,623)

The accompanying notes are an integral part of these financial statements.

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Total valuation and translation adjustments			
Balance at the end of previous period	23,672	(12,211)	(124,320)
Changes of items during the period			
Net changes of items other than shareholders' equity	(35,883)	(26,384)	(268,594)
Total changes of items during the period	(35,883)	(26,384)	(268,594)
Balance at the end of current period	(12,211)	(38,596)	(392,914)
Minority interests			
Balance at the end of previous period	24,018	24,240	246,767
Changes of items during the period			
Net changes of items other than shareholders' equity	222	(8,233)	(83,814)
Total changes of items during the period	222	(8,233)	(83,814)
Balance at the end of current period	24,240	16,007	162,953
Total net assets			
Balance at the end of previous period	494,335	471,446	4,799,388
Changes of items during the period			
Dividends from surplus	(6,283)	(6,872)	(69,968)
Net income (loss)	19,093	(111,322)	(1,133,279)
Effect of changes in accounting policies applied to foreign subsidiaries	(36)	—	—
Purchase of treasury stock	(1)	(1)	(10)
Net changes of items other than shareholders' equity	(35,661)	(34,618)	(352,408)
Total changes of items during the period	(22,889)	(152,815)	(1,555,665)
Balance at the end of current period	¥471,446	¥318,631	$3,243,723

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2008	March 31, 2009	March 31, 2009
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥52,045	(¥89,559)	($911,727)
Depreciation and amortization	79,209	78,406	798,187
Impairment loss	10,783	20,348	207,146
Equity in (earnings) losses of affiliates	(104)	(58)	(590)
Amortization of goodwill	(1,254)	(1,211)	(12,328)
Business structure improvement expenses	—	55,896	569,031
Increase (decrease) in allowance for doubtful accounts	(462)	761	7,747
Increase (decrease) in provision for bonuses	3,526	(8,441)	(85,930)
Increase (decrease) in provision for product warranties	(1,604)	(900)	(9,162)
Increase (decrease) in provision for retirement benefits	(10,872)	(2,247)	(22,874)
Interest and dividends income	(10,836)	(4,618)	(47,012)
Interest expenses	6,406	6,110	62,200
Foreign exchange losses (gains)	559	(57)	(580)
Loss (gain) on sales of noncurrent assets	(474)	(318)	(3,237)
Loss on retirement of noncurrent assets	2,593	2,373	24,157
Loss (gain) on sales of investment securities	(2,010)	(57)	(580)
Decrease (increase) in notes and accounts receivable-trade	33,520	50,239	511,442
Decrease (increase) in inventories	6,357	(3,686)	(37,524)
Increase (decrease) in accrued consumption taxes	(1,504)	440	4,479
Increase (decrease) in notes and accounts payable-trade	(30,734)	(30,931)	(314,883)
Other, net	(15,849)	(13,979)	(142,350)
Subtotal	119,294	58,507	595,612
Interest and dividends income received	11,956	3,792	38,603
Interest expenses paid	(6,179)	(6,259)	(63,717)
Income taxes paid	(13,011)	(11,786)	(119,995)
Net cash provided by (used in) operating activities	112,060	44,253	450,503
Net cash provided by (used in) investing activities			
Net decrease (increase) in time deposits	716	712	7,248
Purchase of short-term investment securities	(16)	—	—
Purchase of investment securities	(892)	(601)	(6,118)
Proceeds from sales of investment securities	12,069	399	4,061
Proceeds from redemption of investment securities	8,000	—	—
Purchase of property, plant and equipment	(66,462)	(52,163)	(531,029)
Proceeds from sales of property, plant and equipment	1,153	564	5,741
Purchase of intangible assets	(6,143)	(7,918)	(80,606)
Proceeds from sales of intangible assets	3	19	193
Purchase of long-term prepaid expenses	(175)	(462)	(4,703)
Purchase of investments in subsidiaries	(336)	(2,371)	(24,137)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	—	(8)	(81)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	146	—	—
Other, net	1,167	827	8,420
Net cash provided by (used in) investing activities	(50,770)	(61,002)	(621,011)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(12,955)	18,851	191,906
Proceeds from long-term loans payable	32,781	90,000	916,217
Repayment of long-term loans payable	(102,251)	(103,029)	(1,048,876)
Proceeds from issuance of bonds	20,000	—	—
Repayments of lease obligations	—	(7,795)	(79,354)
Purchase of treasury stock	(1)	(1)	(10)
Cash dividends paid	(6,283)	(6,872)	(69,958)
Cash dividends paid to minority shareholders	(1,426)	(710)	(7,227)
Other, net	(524)	—	—
Net cash provided by (used in) financing activities	(70,663)	(9,558)	(97,302)
Effect of exchange rate change on cash and cash equivalents	(9,085)	(5,767)	(58,709)
Net increase (decrease) in cash and cash equivalents	(18,458)	(32,074)	(326,519)
Cash and cash equivalents at beginning of period	334,873	316,414	3,221,154
Cash and cash equivalents at end of period	¥316,414	¥284,340	$2,894,635

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Certain information regarding certain notes such as "Investments in debt and equity securities" and "Derivative instruments" has not been disclosed herein since such information was insignificant to the consolidated results.

1. Basis of presenting consolidated financial statements

(1) Nature of operations

Seiko Epson Corporation (the "Company") was originally established as a manufacturer of watches but later expanded its business to provide key devices and solutions for the digital color imaging markets through the application of its proprietary technologies. The Company operates its manufacturing and sales business mainly in Japan, the Americas, Europe and Asia/Oceania.

(2) Basis of presenting consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Meanwhile its foreign subsidiaries maintain their records and prepare their financial statements in conformity with International Financial Reporting Standards or the generally accepted accounting principles in the United States. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

The amounts in the accompanying consolidated financial statements and the notes thereto for periods from or subsequent to April 1, 2007 are rounded down.

2. Number of group companies

As of March 31, 2009, the Company had 97 consolidated subsidiaries. It has applied the equity method in respect to three unconsolidated subsidiaries and five affiliates.

3. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by Epson. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant inter-company transactions and accounts, along with unrealized inter-company profits, are eliminated upon consolidation.

Investments in affiliates in which Epson has significant influence are accounted for using the equity method. Consolidated income includes Epson's current equity in net income or loss of affiliates after elimination of significant unrealized inter-company profits.

The difference between the cost and the underlying net assets of investments in subsidiaries is recognized as "goodwill" and is included in intangible assets account (if the cost is in excess) or in other long-term liabilities account (if the underlying net asset is in excess). Goodwill is amortized on a straight-line basis over a period of five years.

(2) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are taken into income currently.

All the assets and liabilities of foreign subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and all the income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency translation adjustments are recorded in the consolidated balance sheets as translation adjustments and minority interest in subsidiaries.

(3) Cash and cash equivalents

Cash and cash equivalents included in the consolidated financial statements comprise cash on hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present low risk of fluctuation in value.

(4) Financial instruments

(a) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities, 2) held-to-maturity debt securities, or 3) other securities. These categories are treated differently for purposes of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair values in the consolidated balance sheets. Changes in unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving-average cost method. Other-than-temporary declines in the value of other securities are reflected in current income.

(b) Derivative instruments

Derivative instruments (i.e., forward exchange contracts, interest rate swaps and currency options) are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period.

For interest rate swaps, if certain hedging criteria are met, they are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(c) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods.

(5) Inventories

Inventories are stated at the lower of cost or market value, where cost is primarily determined using the weighted-average cost method.

(6) Property, plant and equipment

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method for the Company and its Japanese subsidiaries and on the straight-line method for foreign subsidiaries at rates based on the estimated useful lives. For buildings acquired by the Company and its Japanese subsidiaries on or after April 1, 1998, depreciation is computed based on the straight-line method, which is prescribed by Japanese income tax laws.

The estimated useful lives of significant depreciable assets principally range from eight to fifty years for buildings and structures and from two to twelve years for machinery and equipment.

(7) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Amortization of software for internal use is computed using the straight-line method over its estimated useful life, ranging from three to five years.

(8) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the excess of the carrying value of the long-lived asset over its recoverable amount.

(9) Provision for bonuses

Provision for bonuses to employees are provided for the estimated amounts which Epson is obligated to pay to its employees after the fiscal year-end for the services provided up to the balance sheet dates.

Provision for bonuses to directors and statutory auditors are provided for the estimated amounts which the Company is obligated to pay to directors and statutory auditors subject to the resolution of general shareholders' meeting held subsequent to the fiscal year-end.

(10) Provision for product warranties

Epson provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales. Specific warranty provisions are made for those products where warranty expenses can be specifically estimated.

(11) Provision for loss on litigation

Provision for loss on litigation are mainly provided for the estimated future compensation payment and litigation expenses.

(12) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

The Company applies the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

(13) Pension and severance costs

The Company and some of its Japanese subsidiaries recognize accrued pension and severance costs to employees based on the actuarial valuation of projected benefit obligation and the fair value of plan assets. Other Japanese subsidiaries recognize accrued pension and severance costs to employees based on the voluntary retirement benefit payable at the year-end.

Pension benefits are determined based on years of service, basic rates of pay and conditions under which the termination occurs, and are payable at the option of the retiring employee either in a lump-sum amount or as an annuity. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years beginning at the date of adoption of the plan amendment. Actuarial gains and losses are amortized based on the straight-line method over a period of five years starting from the beginning of the subsequent year.

Most of the Company's foreign subsidiaries have various retirement plans, which were primarily defined contribution plans.

Prior to June 23 2006, with respect to the Company's directors and statutory auditors, who were not covered by the benefit plans for employees described above, provision was made for retirement benefits based on internal rules regarding directors' and statutory auditors' retirement benefits. On June 23, 2006, the plan was terminated and the benefits granted prior to the termination date were included in other long-term liabilities account.

(14) Accrued recycle costs

At the time of sale, accrued recycle costs are provided for the estimated future returns of consumer personal computers.

(15) Revenue recognition

Revenue from sale of goods is recognized at the time when goods are shipped. Revenue from services is recognized when services are rendered and accepted by customers.

(16) Research and development costs

Research and development costs are expensed as incurred.

(17) Leases

Epson leases certain office space, machinery and equipment and computer equipment from third parties. Capital leases, other than those under which ownership of the assets will be transferred to the lessee at the end of the lease term, are depreciated/amortized in accordance with the straight-line method over the periods of the leases, assuming no residual value.

(18) Net income per share

Net income per share is computed based on the weighted-average number of common shares outstanding during each fiscal period.

(19) Dividends

Dividends are charged to retained earnings in the fiscal year in which they are paid after approval by the shareholders. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the shareholders of record as of September 30 of each year.

(20) Change in the Accounting Standard for the Measurement of Inventories

Effective April 1, 2008, Epson adopted the Accounting Standards Board of Japan (ASBJ) Statement No.9, “Accounting Standard for Measurement of Inventories, released on July 5, 2006. In conjunction with the adoption of this accounting standard, Epson modified the measurement method for valuing inventories.

As a result, Operating income and Ordinary income for the year ended March 31, 2009 decreased by ¥697 million ($7,095 thousand), and Income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥5,266 million ($53,608 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

The influence on segment information by the adoption of this standard is noted in the relevant sections.

(21) Change in the Accounting Standard for Lease Transactions

Effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, “Accounting Standard for Lease Transactions” and its Guidance No.16, “Guidance on Accounting Standard for Lease Transactions”, as revised on March 30, 2007.

Prior to April 1, 2008, capital leases, other than those under which ownership of the assets would be transferred to the lessee at the end of the lease term, were accounted for as operating leases. Under these accounting standards, these leases are accounted for as capital leases and depreciated/amortized in accordance with the straight-line method over the periods of the leases, assuming no residual value.

As a result, Operating income and Ordinary income for the year ended March 31, 2009 increased by ¥678 million ($6,902 thousand) and ¥376 million ($3,827 thousand), respectively, and Income before income taxes and minority interests for the year ended March 31, 2009 decreased by ¥269 million ($2,738 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

The influence on segment information by the adoption of these standards is noted in the relevant sections.

(22) Completed-Contract Method, Percentage-of-Completion Method

Effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.15, “Accounting Standard for Construction Contracts” and its Guidance No.18, “Guidance on Accounting Standard for Construction Contracts”, issued on December 27, 2007.

Prior to April 1, 2008, the Company and its domestic subsidiaries applied the completed-contract method for recognizing revenues and costs of long-term construction contracts. Under ASBJ Statement No.15 and its Guidance No.18, the percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity during the quarterly period, otherwise the completed-contract method shall be applied. The percentage of completion at the end of each quarterly period shall be estimated based on the percentage of the cost incurred to the estimated total cost.

The adoption of these standards did not have a material effect on Epson’s results of operations and financial position for the year ended March 31, 2009. The contract revenue and related costs that were computed based on the percentage of completion of construction activities as of April 1, 2008 were recorded in Extraordinary income as a result of offsetting contract revenue of ¥157 million ($1,598 thousand) against related costs of ¥113 million ($1,150 thousand).

4. U.S. dollar amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥98.23 = U.S.$1, the rate of exchange prevailing at March 31, 2009, has been used.

5. Inventories

Losses recognized and charged to cost of sales as a result of valuation at March 31, 2008 and 2009 were ¥11,258 million and ¥30,979 million ($315,372 thousand), respectively.

6. Investments in debt and equity securities

Epson classifies all investments in debt and equity securities in either held-to-maturity debt securities or other securities.

Detail of the aggregate cost, market value (carrying value) and net unrealized gains is not disclosed herein since it is insignificant to the consolidated results.

The amount of investments in unconsolidated subsidiaries and affiliates, which was included in investment securities account at March 31, 2009, was ¥2,939 million ($29,919 thousand).

7. Derivative instruments

Epson enters into forward exchange contracts, currency options and interest rate swaps. Forward exchange contracts and currency options are utilized to hedge currency risk exposures. Interest rate swaps are utilized to hedge against possible future changes in interest rates on borrowings. Epson uses derivative instruments only for hedging purposes and not for purposes of trading or speculation.

Epson's management believes that credit risk relating to derivative instruments that Epson uses is relatively low since all of its counterparties to the derivative instruments are creditworthy financial institutions.

Forward exchange transactions are approved by the forward exchange committee (which includes Epson's financial officer) and executed based on authorization of the general manager of Epson in charge of the finance function in accordance with internal rules and policies developed regarding derivative transaction management.

Interest rate swap transactions are approved and executed based on authorization of the director of Epson in charge of the finance function based on the above-mentioned internal rules and policies. Transactions are executed and managed by the responsible section in the financial department and reported to the general manager.

Detail of the contract amounts and fair values of derivatives is not disclosed herein since it is insignificant to the consolidated results.

8. Goodwill

Epson had goodwill and negative goodwill as at March 31, 2008 and 2009. Goodwill and negative goodwill are amortized on a straight-line basis in accordance with Japanese accounting standards. Negative goodwill was recorded in other long-term liabilities account after being offset against goodwill. The amounts of goodwill and negative goodwill before offsetting as at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2009
	2008	2009	
Goodwill	¥423	¥469	$4,774
Negative goodwill	3,300	2,199	22,386

9. Pension and severance costs

The Company and its Japanese subsidiaries maintain corporate defined benefit pension plans and defined contribution pension plans covering the majority of their employees.

Some of the Company's Japanese subsidiaries maintain tax qualified pension plans that are non-contributory defined benefit pension plans. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on expense deductibility under Japanese income tax laws.

The funded status of these plans at March 31, 2008 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31, 2009
	2008	2009	
Projected benefit obligations	¥218,019	¥219,094	$2,230,418
Plan assets at fair value	194,592	171,621	1,747,134
Unfunded status	23,426	47,473	483,284
Unrecognized items:			
Prior service cost reduction from plan amendment	1,343	(734)	(7,472)
Actuarial gains (losses)	(11,623)	(36,086)	(367,362)
Accrued pension and severance costs - net	13,145	10,653	108,449
Prepaid pension cost	1,386	2,313	23,546
Accrued pension and severance costs	¥14,532	¥12,966	$131,996

The composition of net pension and severance costs for the years ended March 31, 2008 and 2009 was as follows:

	Millions of yen Year ended March 31 2008	 2009	Thousands of U.S. dollars Year ended March 31, 2009
Service cost	¥8,173	¥8,050	$81,950
Interest cost	5,613	5,751	58,546
Expected return on plan assets	(6,271)	(6,895)	(70,192)
Amortization and expenses:			
Prior service costs	(2,340)	(2,077)	(21,144)
Actuarial losses	175	2,155	21,948
Net pension and severance costs	5,351	6,985	71,108
Contribution to defined contribution pension plan	3,299	3,542	36,069
	¥8,650	¥10,528	$107,177

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2008 and 2009 were primarily as follows:

	Year ended March 31 2008	 2009
Discount rate	2.50%	2.50%
Long-term rate of return on plan assets	3.0	3.2

10. Net assets

The Japanese Corporation Law provides that an amount equal to 10% of dividends shall be distributed as additional paid-in capital or legal reserve on the date of distribution until an aggregated amount of additional paid-in capital and legal reserve equals 25% of common stock.

The Japanese Corporation Law stipulates requirements on distributions of retained earnings similar to those of the Commercial Code of Japan. Under the Japanese Corporation Law, such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

Under the Japanese Corporation Law, the distributions of retained earnings for a fiscal year is made by resolution of shareholders at a general meeting to be held within three months after the balance sheet date, and accordingly such distributions are recorded at the time of resolution.

The amounts of year-end cash dividends per share and interim cash dividends per share, which the Company paid to the shareholders of record as at the respective period-ends during the years ended March 31, 2008 and 2009, were as follows:

	Yen		U.S. dollars
	Year ended March 31		Year ended March 31,
Cash dividends per share	2008	2009	2009
Year-end	¥16.00	¥16.00	$0.16
Interim	16.00	19.00	0.19
Total	¥32.00	¥35.00	$0.35

The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2008, were June 27, 2007 and December 5, 2007, respectively. The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2009, were June 26, 2008 and December 5, 2008, respectively.

The proposed cash dividends of retained earnings of the Company for the year ended March 31, 2009 approved at the general shareholders' meeting, which will be held on June 24, 2009, is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,374	$13,987
	Yen	U.S. dollars
Cash dividends per share	¥7.00	$0.07

The effective date of the distribution will be June 25, 2009.

11. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2008 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2008	2009	2009
Net income (loss) attributable to common shares	¥19,093	(¥111,322)	($1,133,279)
	Thousands of shares		
Weighted-average number of common shares outstanding	196,362	196,361	
	Yen		U.S. dollars
Net income (loss) per share	¥97.24	(¥566.92)	($5.77)

Diluted net income per share was not calculated herein since Epson had no potential common shares, which have dilutive effect issuable upon conversion of convertible bonds, outstanding for the years ended March 31, 2008. Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the year ended March 31, 2009.

12. Income taxes

Epson is subject to a number of different income taxes which, in the aggregate, resulted in a statutory income tax rate in Japan of approximately 40.4 % for each of the years ended March 31, 2008 and 2009.

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2008	2009	2009
Deferred tax assets:			
Property, plant and equipment and intangible assets	¥26,682	¥52,045	$529,827
Net operating tax loss carry-forwards	18,262	32,494	330,795
Inter-company profits on inventories and write downs	8,776	18,719	190,562
Accrued bonuses	7,358	3,925	39,957
Devaluation of investment securities	5,072	2,886	29,380
Accrued pension and severance costs	4,455	3,360	34,205
Accrued warranty costs	3,510	3,017	30,713
Accrued litigation and related expenses	1,320	3,340	34,001
One-time depreciation for assets	1,224	1,060	10,791
Others	19,240	16,805	171,133
Gross deferred tax assets	95,903	137,656	1,401,364
Less: valuation allowance	(29,492)	(113,436)	(1,154,800)
Total deferred tax assets	66,410	24,220	246,564
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliates	(32,478)	(9,582)	(97,546)
Net unrealized gains on land held by a subsidiary	(2,613)	(2,613)	(26,600)
Net unrealized gains on other securities	(1,510)	(1,069)	(10,882)
Reserve for special depreciation for tax purpose	(1,435)	(712)	(7,248)
Others	(1,778)	(910)	(9,297)
Gross deferred tax liabilities	(39,816)	(14,888)	(151,573)
Net deferred tax assets	¥26,593	¥9,331	$94,991

The valuation allowance was established mainly against deferred tax assets on future tax-deductible temporary differences and operating tax loss carry-forwards as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future.

Prior to April 1, 2008, Epson had provided for deferred income taxes on all undistributed earnings of overseas subsidiaries and affiliates. However, Epson reversed the part of deferred income taxes on all undistributed earnings of overseas subsidiaries and affiliates for the year ended March 31, 2009 due to Corporate Tax reform.

The differences between Epson's statutory income tax rate and the income tax rate reflected in the consolidated statements of operations were reconciled as follows:

	Year ended March 31	
	2008	2009
Statutory income tax rate	40.40%	40.40%
Reconciliation:		
Changes in valuation allowance	15.2	(99.0)
Reversal of deferred income taxes on undistributed earnings of overseas subsidiaries and affiliates due to Corporate Tax reform	-	21.8
Entertainment expenses, etc. permanently non-tax deductible	1.9	(1.5)
Changes in income tax rate of foreign subsidiaries	1.2	-
Unrecognized tax benefit for inter-company profit elimination	-	7.8
Other	(0.6)	1.3
Income tax rate per statements of operations	58.1%	-29.2%

13. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the year ended March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ended March 31, 2009	Year ended March 31, 2009
Salaries and wages	¥75,978	$773,470
Advertising	22,075	224,727
Sales promotion	22,881	232,932
Research and development costs	43,948	447,398
Shipping costs	16,333	166,273
Provision for doubtful accounts	276	2,809
Other	109,540	1,115,141
Total	¥291,031	$2,962,750

14. Research and development costs

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥82,870 million and ¥82,058 million ($835,365 thousand) for the years ended March 31, 2008 and 2009, respectively.

15. Business structure improvement expenses

The business structure improvement expenses for the year ended March 31, 2009 mainly comprised impairment losses and reorganization cost of production sites as a result of structural reforms accompanying strategic changes in the display business and the semiconductor business.

16. Impairment losses

Epson's business assets are generally grouped by business segment under the Company's management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level. Impairment tests were performed for both types of assets. The net book value of a business asset was reduced to its recoverable amount when there was substantial deterioration in the asset's future earning potential due to adverse changes in the marketplace resulting in lower product prices or due to change in utilization plan. The carrying value of assets planned to be sold and idle assets is reduced to its recoverable amount when their net selling prices are substantially lower than their carrying values.

For the year ended March 31, 2008, Epson incurred impairment losses on its liquid crystal panel production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥10,783 million was recognized in impairment losses account. The reduction mainly comprised ¥5,023 million for buildings and structures, ¥4,144 million for machinery, equipment and vehicles, ¥823 million for tools, furniture and fixtures, and ¥591 million for land.

For the year ended March 31, 2009, Epson incurred impairment losses on its liquid crystal display production equipment, semiconductor production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥73,839 million ($751,695 thousand) was recognized in impairment losses account and the business structure improvement expenses account. The reduction mainly comprised ¥31,744 million ($323,159 thousand) for buildings and structures, ¥24,809 million ($252,560 thousand) for machinery, equipment and vehicles, ¥4,645 million ($47,286 thousand) for tools, furniture and fixtures, ¥6,235 million ($63,473 thousand) for land, ¥3,930 million ($40,008 thousand) for intangible assets. The recoverable amounts are determined using their net selling prices and value in use, which were assessed on the basis of reasonable estimates. The values in use were calculated by applying 6.1% discount rate to the assets' expected future cash flows.

17. Cash flow information

Cash and cash equivalents at March 31, 2008 and 2009 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2008	2009	2009
Cash and deposits	¥171,970	¥172,921	$1,760,368
Short-term investments	137,079	102,014	1,038,521
Short-term loans receivables	10,000	10,000	101,803
Subtotal	319,050	284,935	2,900,692
Less:			
Short-term borrowings (overdrafts)	(1,215)	(4)	(40)
Time deposits due over three months	(1,406)	(576)	(5,875)
Short-term investments due over three months	(14)	(14)	(142)
Cash and cash equivalents	¥316,414	¥284,340	$2,894,635

The Company obtained marketable securities, the fair value of which was ¥9,606 million and ¥9,921 million ($100,997 thousand) at March 31, 2008 and 2009, respectively, as deposit for the short-term loans receivables above.

18. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks at March 31, 2008 and 2009 were ¥2,038 million and ¥1,707 million ($17,377 thousand), respectively.

19. Related party transactions

Detail of related parties and transactions with them is not disclosed herein since it is insignificant to the consolidated results.

20. Segment information

(1) Business segment information

Epson engages primarily in the development, manufacture and sale of computer printers, liquid crystal displays (“LCDs”), semiconductor products and other products.

Epson operates manufacturing facilities in Japan, Asia, the Americas and Europe, and markets its products internationally through a global network of local sales subsidiaries.

Epson engages principally in the following three business segments categorized based on the nature of products, markets and marketing methods.

Information-related equipment segment mainly includes color inkjet printers, page printers, dot matrix printers, large format inkjet printers and related supplies, color image scanners, mini-printers, printers for use in POS systems, 3LCD projectors, LCD monitors, label writers and personal computers.

Electronic devices segment mainly includes small- and medium-sized LCDs, HTPS-TFT panels for 3LCD projectors, crystal units, crystal oscillators, optical devices and CMOS LSI.

Precision products segment mainly includes watches, watch movements, plastic corrective lenses, precision industrial robots, IC handlers and industrial inkjet equipment.

Operations not categorized in any of the above segments, such as services offered within Epson and new businesses still in the start-up phase, are categorized within “Other”.

The table below summarizes the business segment information of Epson for the years ended March 31, 2008 and 2009:

	Millions of yen						
	Year ended March 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥900,443	¥360,072	¥82,901	¥4,423	¥1,347,841	-	¥1,347,841
Inter-segment	2,527	35,124	1,025	24,700	63,378	(63,378)	-
Total	902,970	395,197	83,927	29,124	1,411,219	(63,378)	1,347,841
Operating expenses	¥819,696	¥412,364	¥81,193	¥40,586	¥1,353,841	(¥63,577)	¥1,290,263
Operating income(loss)	¥83,274	(¥17,167)	¥2,733	(¥11,462)	¥57,378	¥199	¥57,577
Identifiable assets	¥344,619	¥308,313	¥56,634	¥126,074	¥835,641	¥303,523	¥1,139,165
Depreciation and amortization	¥29,488	¥31,558	¥3,820	¥14,336	¥79,204	¥4	¥79,209
Impairment loss	¥788	¥9,634	¥56	¥304	¥10,783	-	¥10,783
Capital expenditures	¥28,002	¥21,987	¥4,460	¥12,560	¥67,010	(¥2,018)	¥64,991

	Millions of yen						
	Year ended March 31, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥767,355	¥279,845	¥71,359	¥3,937	¥1,122,497	-	¥1,122,497
Inter-segment	2,494	31,781	1,337	27,891	63,506	(63,506)	-
Total	769,850	311,626	72,697	31,828	1,186,003	(63,506)	1,122,497
Operating expenses	¥739,707	¥329,876	¥74,604	¥43,901	¥1,188,090	(¥64,005)	¥1,124,085
Operating income(loss)	¥30,143	(¥18,249)	(¥1,907)	(¥12,073)	(¥2,086)	¥498	(¥1,588)
Identifiable assets	¥303,490	¥165,130	¥50,510	¥113,664	¥632,795	¥284,546	¥917,342
Depreciation and amortization	¥30,595	¥32,958	¥3,972	¥10,882	¥78,407	(¥1)	¥78,406
Impairment loss	¥133	¥73,218	¥52	¥434	¥73,839	-	¥73,839
Capital expenditures	¥31,578	¥18,763	¥3,752	¥6,695	¥60,788	(¥1,840)	¥58,947

	Thousands of U.S. dollars						
	Year ended March 31, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$7,811,830	$2,848,875	$726,448	$40,079	$11,427,232	-	$11,427,232
Inter-segment	25,422	323,536	13,610	283,935	646,503	($646,503)	-
Total	7,837,252	3,172,411	740,058	324,014	12,073,735	(646,503)	11,427,232
Operating expenses	7,530,391	3,358,189	759,471	446,919	12,094,970	(651,572)	11,443,398
Operating income(loss)	$306,861	($185,778)	($19,413)	($122,905)	($21,235)	$5,069	($16,166)
Identifiable assets	$3,089,608	$1,681,054	$514,201	$1,157,121	$6,441,984	$2,896,731	$9,338,715
Depreciation and amortization	$311,465	$335,518	$40,435	$110,780	$798,198	($11)	$798,187
Impairment loss	$1,375	$745,373	$529	$4,418	$751,695	-	$751,695
Capital expenditures	$321,471	$191,010	$38,196	$68,156	$618,833	($18,742)	$600,091

The amounts of corporate assets included in “Eliminations and corporate” were ¥322,689 million and ¥293,829 million ($2,991,234 thousand) at March 31, 2008 and 2009, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

Change in the Accounting Standard for the Measurement of Inventories

As described in Note 3 (20), effective April 1, 2008, Epson adopted ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, issued on July 5, 2006.

As a result, for the year ended March 31, 2009, Operating income from information-related equipment segment, electronic devices segment, precision products segment decreased by ¥388 million ($3,949 thousand), ¥130 million ($1,323 thousand), ¥192 million ($1,954 thousand), respectively and other increased by ¥14 million ($142 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

Change in the Accounting Standard for Lease Transactions

As described in Note 3 (21), effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, “Accounting Standard for Lease Transactions”, and ASBJ Guidance No.16, “Guidance on Accounting Standard for Lease Transactions”, as amended on March 30, 2007.

As a result, for the year ended March 31, 2009, Operating income from information-related equipment segment, electronic devices segment, precision products segment and other increased by ¥16 million ($162 thousand), ¥620 million ($6,311 thousand), ¥2 million ($20 thousand) and ¥38 million ($386 thousand), respectively from the corresponding amounts which would have been reported if the previous method had been applied consistently.

The table below summarizes the business segment information of Epson for the three months ended March 31, 2008 and 2009:

	Millions of yen						
	Three months ended March 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥211,623	¥79,716	¥17,912	¥1,317	¥310,569	—	¥310,569
Inter-segment	819	7,852	280	6,954	15,907	(15,907)	—
Total	212,443	87,568	18,193	8,272	326,477	(15,907)	310,569
Operating income(loss)	¥12,076	(¥6,669)	(¥252)	(¥3,167)	¥1,986	(¥119)	¥1,867

	Millions of yen						
	Three months ended March 31, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥157,817	¥45,466	¥11,701	¥1,155	¥216,141	—	¥216,141
Inter-segment	633	4,498	187	5,675	10,994	(10,994)	—
Total	158,450	49,964	11,889	6,830	227,135	(10,994)	216,141
Operating income(loss)	(¥9,782)	(¥18,807)	(¥2,464)	(¥3,536)	(¥34,591)	¥300	(¥34,291)

	Thousands of U.S. dollars						
	Three months ended March 31, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$1,606,628	$462,852	$119,118	$11,758	$2,200,356	-	$2,200,356
Inter-segment	6,456	45,790	1,903	57,772	111,921	($111,921)	-
Total	1,613,084	508,642	121,021	69,530	2,312,277	(111,921)	2,200,356
Operating income(loss)	($99,604)	($191,458)	($25,083)	($35,997)	($352,142)	$3,054	($349,088)

(2) Geographic segment information

Net sales are attributed to geographic segments based on the country location of the Company or the subsidiary that transacted the sale with the external customer. Principal countries and jurisdictions in each geographic segment are as follows:

"The Americas" mainly includes the United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru.

"Europe" mainly includes the United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia.

"Asia/Oceania" mainly includes China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India.

The table below summarizes the geographic segment information of Epson for the years ended March 31, 2008 and 2009:

	Millions of yen						
	Year ended March 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥600,489	¥247,481	¥291,920	¥207,949	¥1,347,841	-	¥1,347,841
Inter-segment	592,102	34,458	7,701	543,954	1,178,217	(1,178,217)	-
Total	1,192,591	281,940	299,621	751,904	2,526,058	(1,178,217)	1,347,841
Operating expenses	¥1,172,147	¥273,018	¥293,872	¥729,442	¥2,468,480	(¥1,178,216)	¥1,290,263
Operating income(loss)	¥20,444	¥8,922	¥5,749	¥22,461	¥57,578	¥0	¥57,577
Identifiable assets	¥637,716	¥87,598	¥80,074	¥206,456	¥1,011,845	¥127,319	¥1,139,165

	Millions of yen						
	Year ended March 31, 2009						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥505,477	¥215,950	¥237,754	¥163,314	¥1,122,497	-	¥1,122,497
Inter-segment	492,993	26,931	6,353	446,258	972,537	(972,537)	-
Total	998,471	242,881	244,108	609,573	2,095,035	(972,537)	1,122,497
Operating expenses	¥1,042,949	¥238,064	¥233,937	¥592,585	¥2,107,537	(¥983,452)	¥1,124,085
Operating income(loss)	(¥44,478)	¥4,817	¥10,170	¥16,987	(¥12,502)	¥10,914	(¥1,588)
Identifiable assets	¥450,657	¥79,752	¥70,141	¥154,054	¥754,606	¥162,736	¥917,342

	Thousands of U.S. dollars						
	Year ended March 31, 2009						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$5,145,874	$2,198,411	$2,420,380	$1,662,567	$11,427,232	-	$11,427,232
Inter-segment	5,018,784	274,162	64,674	4,542,990	9,900,610	($9,900,610)	-
Total	10,164,658	2,472,573	2,485,054	6,205,557	21,327,842	(9,900,610)	11,427,232
Operating expenses	10,617,439	2,423,536	2,381,522	6,032,627	21,455,124	(10,011,726)	11,443,398
Operating income(loss)	($452,781)	$49,037	$103,532	$172,930	($127,282)	$111,116	($16,166)
Identifiable assets	$4,587,796	$811,890	$714,048	$1,568,298	$7,682,032	$1,656,683	$9,338,715

The amounts of corporate assets included in “Eliminations and corporate” were ¥322,689 million and ¥293,829 million ($2,991,234 thousand) at March 31, 2008 and 2009, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

Change in the Accounting Standard for the Measurement of Inventories

As described in Note 3 (20), effective April 1, 2008, Epson adopted ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", issued on July 5, 2006.

As a result, for the year ended March 31, 2009, Operating income from Japan decreased by ¥675 million ($6,871 thousand) and operating income from the Eliminations and corporate decreased by ¥21 million ($213 thousand),from the corresponding amounts which would have been reported if the previous method had been applied consistently.

Change in the Accounting Standard for Lease Transactions

As described in Note 3 (21), effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, "Accounting Standard for Lease Transactions", and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions", as amended on March 30, 2007.

As a result, for the year ended March 31, 2009, Operating income from Japan increased by ¥678 million ($6,902 thousand) from the corresponding amount which would have been reported if the previous method had been applied consistently.

The table below summarizes the geographic segment information of Epson for the three months ended March 31, 2008 and 2009:

	Millions of yen						
	Three months ended March 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥139,185	¥59,210	¥69,767	¥42,406	¥310,569	-	¥310,569
Inter-segment	125,874	6,591	1,800	109,131	243,398	(243,398)	-
Total	265,059	65,801	71,568	151,538	553,967	(243,398)	310,569
Operating income(loss)	(¥7,084)	¥1,799	¥831	(¥2,162)	(¥6,615)	¥8,483	¥1,867

	Millions of yen						
	Three months ended March 31, 2009						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥97,046	¥44,184	¥47,390	¥27,520	¥216,141	-	¥216,141
Inter-segment	67,413	5,105	1,330	66,034	139,884	(139,884)	-
Total	164,459	49,290	48,721	93,555	356,026	(139,884)	216,141
Operating income(loss)	(¥44,442)	¥1,528	¥2,230	(¥52)	(¥40,736)	¥6,445	(¥34,291)

	Thousands of U.S. dollars						
	Three months ended March 31, 2009						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$987,958	$449,801	$482,439	$280,158	$2,200,356	-	$2,200,356
Inter-segment	686,299	51,969	13,539	672,238	1,424,045	($1,424,045)	-
Total	1,674,257	501,770	495,978	952,396	3,624,401	(1,424,045)	2,200,356
Operating income(loss)	($452,427)	$15,555	$22,701	($529)	($414,700)	$65,612	($349,088)

(3) Sales to overseas customers

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the years ended March 31, 2008 and 2009:

	Millions of yen Year ended March 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥274,407	¥344,446	¥301,008	¥919,862
Consolidated net sales				¥1,347,841
Percentage of overseas sales to consolidated net sales (%)	20.4%	25.5%	22.3%	68.2%

	Millions of yen Year ended March 31, 2009			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥236,602	¥262,130	¥255,038	¥753,771
Consolidated net sales				¥1,122,497
Percentage of overseas sales to consolidated net sales (%)	21.1%	23.4%	22.7%	67.2%

	Thousands of U.S. dollars Year ended March 31, 2009			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$2,408,653	$2,668,533	$2,596,345	$7,673,531
Consolidated net sales				$11,427,232
Percentage of overseas sales to consolidated net sales (%)	21.1%	23.4%	22.7%	67.2%

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended March 31, 2008 and 2009:

	Millions of yen			
	Three months ended March 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥63,387	¥78,739	¥64,113	¥206,240
Consolidated net sales				¥310,569
Percentage of overseas sales to consolidated net sales (%)	20.4%	25.4%	20.6%	66.4%

	Millions of yen			
	Three months ended March 31, 2009			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥45,507	¥51,153	¥45,628	¥142,289
Consolidated net sales				¥216,141
Percentage of overseas sales to consolidated net sales (%)	21.0%	23.7%	21.1%	65.8%

	Thousands of U.S. dollars			
	Three months ended March 31, 2009			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$463,269	$520,747	$464,512	$1,448,528
Consolidated net sales				$2,200,356
Percentage of overseas sales to consolidated net sales (%)	21.0%	23.7%	21.1%	65.8%

Supplementary Information

Consolidated year ended March 31, 2009

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trend, competition, technology trend, exchange rate fluctuations.

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase %	Forecast for the year ended March 31, 2010
Information-related equipment	902.9	769.8	(14.7%)	721.0
Printer	761.2	645.4	(15.2%)	598.0
Visual instruments	111.3	99.1	(11.0%)	95.0
Other	30.9	25.8	(16.6%)	28.0
Intra-segment sales	(0.5)	(0.5)	-%	0.0
Electronic devices	395.1	311.6	(21.1%)	271.0
Display	224.1	167.7	(25.1%)	135.0
Quartz device	100.7	81.8	(18.8%)	80.0
Semiconductor	79.7	66.6	(16.4%)	55.0
Other	3.3	1.7	(47.6%)	6.0
Intra-segment sales	(12.7)	(6.4)	-%	(5.0)
Precision products	83.9	72.6	(13.4%)	63.0
Other	29.1	31.8	9.3%	26.0
Inter-segment sales	(63.3)	(63.5)	-%	(51.0)
Consolidated sales	1,347.8	1,122.4	(16.7%)	1,030.0

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase %	Forecast for the year ended March 31, 2010	Increase compared to year ended March 31, 2009 %
Information-related equipment					
Net sales:					
Customers	900.4	767.3	(14.8%)	720.0	(6.2%)
Inter-segment	2.5	2.4	(1.3%)	1.0	(59.9%)
Total	902.9	769.8	(14.7%)	721.0	(6.3%)
Operating expenses	819.6	739.7	(9.8%)	694.0	(6.2%)
Operating income	83.2	30.1	(63.8%)	27.0	(10.4%)
Electronic devices					
Net sales:					
Customers	360.0	279.8	(22.3%)	245.0	(12.5%)
Inter-segment	35.1	31.7	(9.5%)	26.0	(18.2%)
Total	395.1	311.6	(21.1%)	271.0	(13.0%)
Operating expenses	412.3	329.8	(20.0%)	284.0	(13.9%)
Operating loss	(17.1)	(18.2)	-%	(13.0)	-%
Precision products					
Net sales:					
Customers	82.9	71.3	(13.9%)	62.0	(13.1%)
Inter-segment	1.0	1.3	30.5%	1.0	(25.2%)
Total	83.9	72.6	(13.4%)	63.0	(13.3%)
Operating expenses	81.1	74.6	(8.1%)	66.0	(11.5%)
Operating income	2.7	(1.9)	-%	(3.0)	-%
Other					
Net sales:					
Customers	4.4	3.9	(11.0%)	3.0	(23.8%)
Inter-segment	24.7	27.8	12.9%	23.0	(17.5%)
Total	29.1	31.8	9.3%	26.0	(18.3%)
Operating expenses	40.5	43.9	8.2%	34.0	(22.6%)
Operating loss	(11.4)	(12.0)	-%	(8.0)	-%
Elimination and corporate					
Net sales	(63.3)	(63.5)	-%	(51.0)	-%
Operating expenses	(63.5)	(64.0)	-%	(51.0)	-%
Operating income	0.1	0.4	149.9%	0.0	-%
Consolidated					
Net sales	1,347.8	1,122.4	(16.7%)	1,030.0	(8.2%)
Operating expenses	1,290.2	1,124.0	(12.9%)	1,027.0	(8.6%)
Operating income	57.5	(1.5)	-%	3.0	-%

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase %	Forecast for the year ended March 31, 2010	Increase compared to year ended March 31, 2009 %
Capital expenditure	63.9	55.6	(13.0%)	58.0	4.3%
Information-related equipment	25.1	26.3	4.5%	27.0	2.6%
Electronic devices	26.5	20.2	(23.6%)	20.0	(1.3%)
Precision products	4.0	3.6	(8.8%)	4.0	8.5%
Other	8.2	5.3	(34.7%)	7.0	30.5%
Depreciation and amortization	79.2	78.4	(1.0%)	57.0	(27.3%)
Information-related equipment	29.4	30.5	3.7%	27.0	(11.8%)
Electronic devices	31.5	32.9	4.2%	15.0	(54.5%)
Precision products	3.8	3.9	4.0%	4.0	0.7%
Other	14.3	10.8	(23.7%)	11.0	1.1%

4. Research and development

(Unit: billion yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase %	Forecast for the year ended March 31, 2010	Increase compared to year ended March 31, 2009 %
Research and Development	82.8	82.0	(1.0%)	87.0	6.0%
R&D / sales ratio	6.1%	7.3%		8.4%	

5. Management indices

(Unit: %)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase Point	Forecast for the year ended March 31, 2010	Increase compared to year ended March 31, 2008 Point
Return on equity (ROE)	4.2%	(29.7%)	(33.9%)	(2.0%)	27.7%
Return on assets (ROA)	4.3%	(8.7%)	(13.0%)	(0.2%)	8.5%
Return on sales (ROS)	3.9%	(8.0%)	(11.9%)	(0.2%)	7.8%

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Income before income taxes and minority interest / Beginning and ending balance average total assets
3. ROS=Income before income taxes and minority interest / Net sales

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2008	Year ended March 31, 2009	Increase
Foreign exchange effect	16.4	(87.9)	(104.3)
U.S. dollars	(7.9)	(36.6)	(28.6)
Euro	20.3	(31.8)	(52.2)
Other	3.9	(19.5)	(23.5)
Exchange rate			
Yen / U.S. dollars	114.28	100.53	
Yen / Euro	161.53	143.48	

Note: Foreign exchange effect=(Foreign currency sales for the period) x (Average rate for the period – Average rate for the same prior period)

7. Inventory

(Unit: billion yen)

	September 30, 2008	March 31, 2008	March 31, 2009	Increase compared to March 31, 2008
Inventory	188.9	161.3	147.5	(13.8)
Information-related equipment	119.2	91.0	93.2	2.1
Electronic devices	50.6	50.5	35.0	(15.5)
Precision products	17.4	17.4	17.7	0.2
Other / Corporate	1.6	2.2	1.5	(0.7)
Turnover by days	56	44	48	4
Information-related equipment	54	37	44	7
Electronic devices	50	47	41	(6)
Precision products	75	76	89	13
Other / Corporate	17	28	18	(10)

Note: Turnover by days=Ending (Interim) balance of inventory / Prior 12 (6) months sales per day

8. Employees

(Unit: person)

	September 30, 2008	March 31, 2008	March 31, 2009	Increase compared to March 31, 2008
Number of employees at period end	93,279	88,925	72,326	(16,599)
Domestic	26,220	25,735	24,190	(1,545)
Overseas	67,059	63,190	48,136	(15,054)