EPSON
EXCEED YOUR VISION

SEIKO EPSON CORPORATION
3-5 Owa 3-chome Suwa, Nagano
392-8502, Japan
Tel: +81-266-52-3131
http://global.epson.com/

April 28, 2011

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2011

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, 2011
	2010	**2011**		
Statements of Income Data:				
Net sales	¥985,363	**¥973,663**	(1.2%)	**$11,709,717**
Operating income	18,227	**32,709**	79.5%	**393,373**
Ordinary income	13,875	**31,174**	124.7%	**374,912**
Net income (loss)	(19,791)	**10,239**	-%	**123,138**
Statements of Cash Flows Data:				
Cash flows from operating activities	56,542	**32,395**	(42.7%)	**389,597**
Cash flows from investing activities	(43,203)	**(23,615)**	-%	**(284,004)**
Cash flows from financing activities	(41,087)	**(42,691)**	-%	**(513,421)**
Cash and cash equivalents at the end of the period	254,590	**211,777**	(16.8%)	**2,546,927**
Per Share Data:				
Net income (loss) per share -Basic	(¥99.34)	**¥51.25**	-%	**$0.61**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

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

	March 31		
	2010	**2011**	**2011**
Total assets	¥870,090	**¥798,229**	**$9,599,867**
Net assets	282,864	**270,808**	**3,256,861**
Shareholders' equity	281,295	**269,262**	**3,238,268**
Shareholders' equity ratio (%)	32.3%	**33.7%**	**33.7%**
Shareholders' equity per share	¥1,407.92	**¥1,347.71**	**$16.20**

Cash dividends per share data

(Yen, U.S. dollars)

	March 31		
Cash dividends per share	2010	**2011**	**2011**
Interim	¥-	**¥10.00**	**$0.12**
Year-end	10.00	**10.00**	**0.12**
Total	¥10.00	**¥20.00**	**$0.24**

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. Cash dividend per share (year-end) for the year ended March 31, 2011, is subject to approval at the general shareholders' meeting.
VI. 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 ¥83.15 = U.S.$1 as of March 31, 2011, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Operating Performance Highlights

Fiscal 2010 Full-Year Overview

Overall, the global economy saw continued modest growth during the fiscal year under review despite a credit crunch, high unemployment, and other causes of deceleration. The economic picture varied by region. In the U.S., economic stimulus measures spurred modest economic growth, though continued high unemployment and other factors weighed down the recovery. Europe also experienced high unemployment, but the economy bounced off bottom and began to show signs of recovering. China and India recorded growth, mainly due to internal demand. As a whole, the other countries of Asia were also headed toward recovery. The Japanese economy, meanwhile, was picking up in the first half according to indicators such as personal consumption, exports, and increases in manufacturing. In the second half, however, the economy was already in a holding pattern when northeastern Japan was struck by the devastating March 11 earthquake and tsunami, leaving a great deal of economic uncertainty in its wake.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Demand for consumer inkjet printers was steady overall, though there was some regional variation. . Business inkjet printer demand was weakened by corporate belt-tightening in the printing industry and other sectors in the face of concern over economic uncertainty in Europe and America. In the expanding economies of China and other parts of Asia, however, business inkjet demand steadily climbed. While the serial dot-matrix printer (SIDM) market is contracting in America, Europe, and Japan, demand remained firm in some regions, including China, Southeast Asia, and South Asia. In POS systems, retailer capital investment trended upward but lacked vigor. In projectors, the expansion of demand lost some of its momentum in the second half. Nevertheless, full-year projector demand grew, especially for low-end business and education models and for full high-definition models for home theater.
Demand for the main electronic device applications generally remained steady across the period.
New mobile phone demand, underpinned by steady increases in unit volume in India and China, held firm. Upgrade demand drove the mobile phone market as a whole, with faster transmissions speeds providing traction for a raft of new smartphones. The digital camera market remained steady, with sales of SLR models particularly firm. The television market grew, especially in the low price zone. Meanwhile, the market for the closely watched new category of tablet PCs expanded. The portable media player (PMP) market, on the other hand, trended slightly downward as the first round of demand wound down and as media player features become more common on mobile phone handsets.
Markets associated with the precision products segment also showed signs of recovery, with demand for watches climbing in tandem with improvement in the economy. With corporate manufacturing on the mend, demand for semiconductor manufacturing equipment and robots increased. In the eyeglass lens market prices continued to erode.

Epson is currently operating under a mid-range business plan that seeks to restore profitability and rebuild the business foundations of the company as it moves toward the long-range SE15 goal of becoming a community of robust businesses. Now in the second year of the three-year mid-range plan, we are looking to reach break-even or better in net income and to set a profit-generating corporate structure firmly in place. In conjunction with this effort, we advanced toward completion of a reorganization of the small- and medium-sized displays business and made headway on growth initiatives in the key business domains of printers, projectors and quartz devices.

Included in the extraordinary losses recorded for the 2010 fiscal year were a ¥9,909 million in business structure improvement expenses accompanying the transfer of the small- and medium-sized displays business and a ¥4,755 million loss on disaster associated with the effects of the earthquake and tsunami in eastern Japan.

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 ¥85.72 and ¥113.12, respectively. This represents an 8% appreciation in the value of the yen against the dollar and a 14% appreciation in the value of the yen against the euro, year-over-year.

As a result of the foregoing factors, net sales for the full fiscal year were ¥973,663 million ($11,709,717 thousand), down 1.2% from the prior year. Operating income was ¥32,709 million ($393,373 thousand), up 79.5% from the prior year. Ordinary income was ¥31,174 million ($374,912 thousand), up 124.7% from the prior year. And net income was ¥10,239 million ($123,138 thousand), compared to a net loss of ¥19,791 million in the previous year.

A breakdown of the financial results in each reporting segment is provided below. Please note that, with the application on March 27, 2009 of Accounting Standard No. 17, "Revised accounting Standard for Disclosures about Segments of an Enterprise and Related information," Epson has changed the method it uses to account for segment information, effective from the current fiscal year. The main change is that expenses associated with corporate R&D are consolidated under corporate expenses instead of being apportioned to reporting segments as they were in the past.

Operating Performance Highlights by Reporting Segments

Information-related equipment

Net sales in the printer business as a whole declined slightly. Inkjet printer unit shipments increased, as sales of consumer models in the U.S. remained steady throughout the first half. Unit shipments of large-format printers for enterprise grew, largely due to business wins in the U.S. photo and signage markets and expanded demand in the robust Chinese market. Meanwhile, consumables units shipments declined along with changes in the model mix, while average selling prices rose. Office inkjet printer sales were firm, thanks to a series of business wins. SIDM printer unit shipments rode higher on the back of increased demand associated with China's tax collection system, while shipments of POS system products grew, owing mainly increased demand from small- and medium-sized retailers. Page printer hardware shipments increased as a result of successful tenders, but net sales were adversely affected by ongoing price erosion, as well as by a decline in sales of consumables due to a smaller page printer install base. Net sales of the printer business were largely canceled out by gains in the yen.

The visual instruments business as a whole reported increased net sales. Although tempered to some extent by the strong yen, unit shipments of 3LCD business projectors increased, as demand for education models remained firm in Europe, America, and Asia. Moreover, average selling prices rose as a result of the popularity of short-throw lens projectors and other higher-end models. Increased demand for full-HD home-theater projectors also contributed to higher net sales.

Segment income in the information-related equipment segment declined compared to the same period last year, when last year's segment income is recalculated using the accounting method applied this year (as with all segments below). The decline was due to yen appreciation and price erosion, which outweighed increased unit shipments of SIDM printers and 3LCD projectors.

As a result of the foregoing factors, full-year net sales in the information-related equipment segment were ¥702,918 million ($8,453,626 thousand), down 1.4% from the prior year. Segment income was ¥70,151 million ($848,630 thousand), compared to operating income of ¥38,030 million in the previous year. Segment income in the same period last year, recalculated using the accounting method applied this year, was ¥71,748 million.

Electronic devices

The quartz device business reported higher net sales. Although hurt by yen appreciation, net sales were boosted by increases in shipments of most products due to the economic recovery, which buoyed demand for electronic devices in general.

The semiconductor business as a whole saw net sales increase. Unit shipments of silicon foundry products, analog ICs, and monochrome LCD drivers for automotive applications increased due to firm demand for electronic components in general. Higher average selling prices brought about by changes in the model mix were also seen to boost revenue.

The displays business as a whole posted sharply lower net sales. Unit shipments of high-temperature polysilicon TFT liquid-crystal panels for 3LCD projectors ("HTPS panels") increased due to increased demand, especially in the first half, for education and other projectors. However, net sales were hurt by the effects of the strong yen and price erosion. The small- and medium-sized displays business is in the process of being transferred and thus saw net sales decline.

Segment income in the electronic devices business segment increased. In addition to higher revenues, an improved product mix, and lower fixed costs in the semiconductor business, segment income benefited from lower costs associated with the small- and medium-sized displays business. Segment income was, however, negatively impacted by factors such as yen appreciation, a worsening of the product mix in the quartz device business, and HTPS panel price erosion.

As a result of the foregoing factors, full-year net sales in the electronic devices segment were ¥231,235 million ($2,780,938 thousand), down 6.8% from the prior year, while segment income was ¥5,569 million ($66,975 thousand) versus an operating loss of ¥9,266 million a year ago. Segment income in the same period last year, recalculated using the accounting method applied this year, was ¥1,529 million.

Precision products

The precision products segment reported higher demand for IC handlers and robots accompanying a rebound in corporate manufacturing. Sales of watches, meanwhile, also showed signs of rebounding, and the segment as a whole posted improved income and, along with it, increased segment income.
As a result of the foregoing factors, full-year net sales in the precision products segment were ¥68,276 million ($821,118 thousand), up 18.2% from the prior year. Segment income was ¥3,307 million ($39,771 thousand), compared to operating loss of ¥4,111 million in the year ago period. Segment loss in the same

period last year, recalculated using the accounting method applied this year, was ¥1,311 million.

Other

Full-year net sales in the “Other” segment were ¥1,279 million ($15,382 thousand), compared to ¥19,714 million in the same period last year. Segment loss for the year was ¥286 million ($3,451 thousand), compared to an operating loss of ¥6,669 million in the same period last year. The main reason for the decline in income is that subsidiaries that provided internal services to Epson were dissolved and their functions transferred to various Epson businesses in the previous fiscal year. Segment loss in the same period last year, recalculated using the accounting method applied this year, was ¥100 million.

Adjustments

Segment loss was ¥46,032 million ($533,602 thousand). The loss was primarily due to the recording of research and development expenses for basic research and new businesses that do not belong to a reporting segment, as well as to the recording of selling, general and administrative expenses, largely comprised of Head Office expenses. Segment loss in the same period last year, recalculated using the accounting method applied this year, was ¥53,639 million.

Liquidity and Financial Position

Financial Condition

Total assets declined by ¥71,861 million compared to the previous fiscal year end, to ¥798,229 million ($9,599,867 thousand). The main reason for the decline was a ¥52,680 million decrease in current assets. The primary cause of the decrease in current assets was that short-term investment securities and cash and deposits declined by a total of ¥42,811 million, mainly due to repayment of interest-bearing liabilities and payment of notes and accounts payable-trade. Total property, plant and equipment declined by ¥11,731 million. This was largely a result of rigorous screening and selection of capital investment projects. Total liabilities declined by ¥59,804 million compared to the end of the previous fiscal year, to ¥527,421 million ($6,343,006 thousand). In addition to repayment of interest-bearing liabilities, which caused the total of short-term loans payable, the current portion of bonds, the current portion of long-term loans payable, bonds payable, and long-term loans payable to decrease by ¥38,338 million, the decline in current assets was also due to a ¥17,935 million decrease in notes and accounts payable-trade.

Although retained earnings increased by ¥6,243 million mainly due to the recording of net income, total net assets decreased by ¥12,056 million primarily because the foreign currency translation adjustment declined by ¥16,106 million, to -¥63,812 million (-$767,429 thousand), due to the appreciation of the yen versus the euro, dollar and other currencies compared to the previous fiscal year end.

Cash Flow Performance

Net cash provided by operating activities during the year was ¥32,395 million ($389,597 thousand), compared to ¥56,542 million in the previous fiscal year. This decrease was due mainly to a ¥23,318 million decrease in notes and accounts payable-trade accompanying repayment of things such as notes and accounts payable-trade and a ¥15,665 million ($188,394 thousand) increase in inventories due chiefly to a strategic build-up of product inventory for the following year. On the other hand, income before income taxes and minority interests was ¥15,381 million ($184,978 thousand), depreciation and amortization totaled ¥41,159 million ($494,999 thousand), and notes and accounts receivable-trade decreased by ¥8,225 million ($98,917 thousand).

Net cash used in investing activities was ¥23,615 million ($284,004 thousand), compared to ¥43,203 million the previous fiscal year. Comprising the bulk of this was ¥28,308 million ($340,444 thousand) in purchases of property, plant, and equipment associated mainly with new products.

Net cash used in financing activities was ¥42,691 million ($513,421 thousand). Most of this was used for repayment of loans.

As a result, cash and cash equivalents at end of period totaled ¥211,777 million ($2,546,927), compared to ¥254,590 million at the end of the previous fiscal year.

Policy on Profit Allocation/ Dividends in the Period 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. Epson's goal is to sustain a consolidated dividend payout ratio of 30% over the medium- to long-term.

Epson recorded unforeseen extraordinary losses during the year, including a ¥4,755 million loss associated with inventory and equipment, as a result of the March 11, 2011, earthquake and tsunami in northeastern Japan. Nevertheless, Epson will pay a 10-yen year-end dividend, as planned. The two main considerations

in this decision were the Company's policy of paying stable dividends and the fact that it posted positive net income, thus achieving the goal established at the beginning of the period of reaching or exceeding break-even in this income category. The planned annual dividend will thus be 20-yen per share.
The 2011 fiscal year dividend has not yet been determined at this time, as the Company wants to wait until it has a clearer picture of the effect that the Tohoku disaster will have on its earnings.

Fourth-Quarter Operating Performance

Net sales for the fourth quarter (three months) of the year under review were ¥226,333 million ($2,721,984 thousand), down 8.5% year-over-year. The decline was due to numerous factors, including the effects of yen appreciation, as well as lower unit shipments of inkjet printers, 3LCD projectors and semiconductors due to a slowing of the pace of economic recovery and uncertainty going forward. Among other contributing factors was a decrease in revenue from the small- and medium-sized displays business. Operating loss was ¥1,181 million ($14,203 thousand), compared to an operating loss of ¥3,928 million in the same period last year. Although a decline in unit shipments and the effects of the strong yen contributed to the loss, it was narrowed compared to last year through reductions in costs and improvements in model mixes. Ordinary loss was ¥1,344 million ($16,163 thousand), compared to an ordinary loss of ¥2,565 million in the same period last year. Net loss for the quarter was ¥6,764 million ($81,346 thousand), compared to a net loss of ¥15,050 million in the same period last year, due to the recording of extraordinary losses.

Fiscal 2011 forecast

The global economy is expected to continue to gradually rebound during the 2011 fiscal year ending March 31, 2012. Internal demand will drive expansion in China and India. The recovery in other countries in Asia is also expected to continue. The U.S. is expected to steadily rebound. A gradual pickup is also anticipated in Europe, though there will be variation from country to country. In Japan, on the other hand, the disaster in northeastern Japan is expected to have widespread repercussions. This situation notwithstanding, Epson will respond to the changes in the business landscape and aim to "set Epson on a new growth path," the goal of the final year of the mid-range business plan.
In the information-related equipment segment, Epson will look to realize customer value, grow net sales, and improve its ability to generate earnings by continuing to strengthen and accelerate the strategies it has in place.
Aiming to rapidly build a stronger manufacturing platform, Epson will merge the electronic devices segment and precision products segment in fiscal 2011 to create the new devices and precision products segment. In this segment, Epson will pursue actions to address issues, reorganize its businesses, and improve profitability.
Some of the Company's production facilities were damaged by the Tohoku earthquake and its aftershocks. However, all except the Epson Toyocom plant in Fukushima have been restored and are already, or soon will be, back in production
The figures in the outlook are based on assumed exchange rates of 80 yen to the U.S. dollar and 115 yen to the euro.
Taking into account the foregoing factors, Epson's expectations for the 2011 fiscal year (ending March 31, 2012) are as follows.

Consolidated Half-Year Results Outlook

	FY2010 (Result)	FY2011 (Outlook)	Change
Net sales	¥479.2 billion	¥452.0 billion	-¥27.2 billion (-5.7 %)
Operating income	¥14.6 billion	¥7.0 billion	-¥7.6 billion (-52.2%)
Ordinary income	¥14.8 billion	¥5.0 billion	-¥9.8 billion (-66.3%)
Net income (loss)	¥7.4 billion	(¥11.0) billion	-¥18.4 billion (-)
Foreign exchange rate	1USD = ¥89 1 euro = ¥114	1USD = ¥80 1 euro = ¥115	

Consolidated Full-Year Results Outlook

	FY2010 (Result)	FY2011 (Outlook)	Change
Net sales	¥973.6 billion	¥970.0 billion	-¥3.6 billion (-0.4%)
Operating income	¥32.7 billion	¥43.0 billion	+¥10.2 billion (+31.5%)
Ordinary income	¥31.1 billion	¥40.0 billion	+¥8.8 billion (+28.3%)
Net income	¥10.2 billion	¥17.0 billion	+¥6.7 billion (+66.0%)
Foreign exchange rate	1USD = ¥86 1 euro = ¥113	1USD = ¥80 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 trends, competition, technology trends, and exchange rate fluctuations. The report also includes the impact of the earthquake in Japan based on available information. However, the situation may change due to unpredicted events.

Overview of the Business Group

Epson's main business segments include 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's Corporate Research & Development Division and by the operations divisions' research and development functions. 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.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Printer	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	Tohoku Epson Corporation Akita Epson Corporation Epson Portland Inc. Epson El Paso, Inc. Epson Engineering (Shenzhen) Ltd. Singapore Epson Industrial Pte. Ltd. P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc. Tianjin Epson Co., Ltd.	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 (China) Co., Ltd Epson Korea Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd. Epson Australia Pty. Ltd.
Visual instruments	3LCD projectors, label writers and others	Epson Engineering (Shenzhen) Ltd. Epson Precision (Philippines), Inc.	
Others	Personal computers and others	-	Epson Direct Corporation

Electronic devices business segment:

This segment includes the quartz device business, the semiconductor business and the display business. This segment develops, manufactures and sells mainly crystal oscillators, CMOS LSI and HTPS-TFT panels for 3LCD projectors.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Quartz device	Crystal units, crystal oscillators, quartz sensors, optical devices and others	Epson Toyocom Corporation Akita Epson Corporation Epson Toyocom Malaysia Sdn. Bhd.	Epson Toyocom Corporation Epson Imaging Devices Corporation Epson Electronics America, Inc. Epson Europe Electronics GmbH Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
Semiconductor	CMOS LSI and others	Singapore Epson Industrial Pte. Ltd.	
Display	HTPS-TFT panels for 3LCD projectors, small- and medium-sized LCDs and others	Epson Imaging Devices Corporation Suzhou Epson Co., Ltd. Epson Engineering (Shenzhen) Ltd.	

Note: Epson Imaging Devices Corporation transferred certain assets associated with the small- and medium-sized TFT LCD business to the Sony Group on April 1, 2010, and terminated production at the end of December 2010.

Precision products business segment:

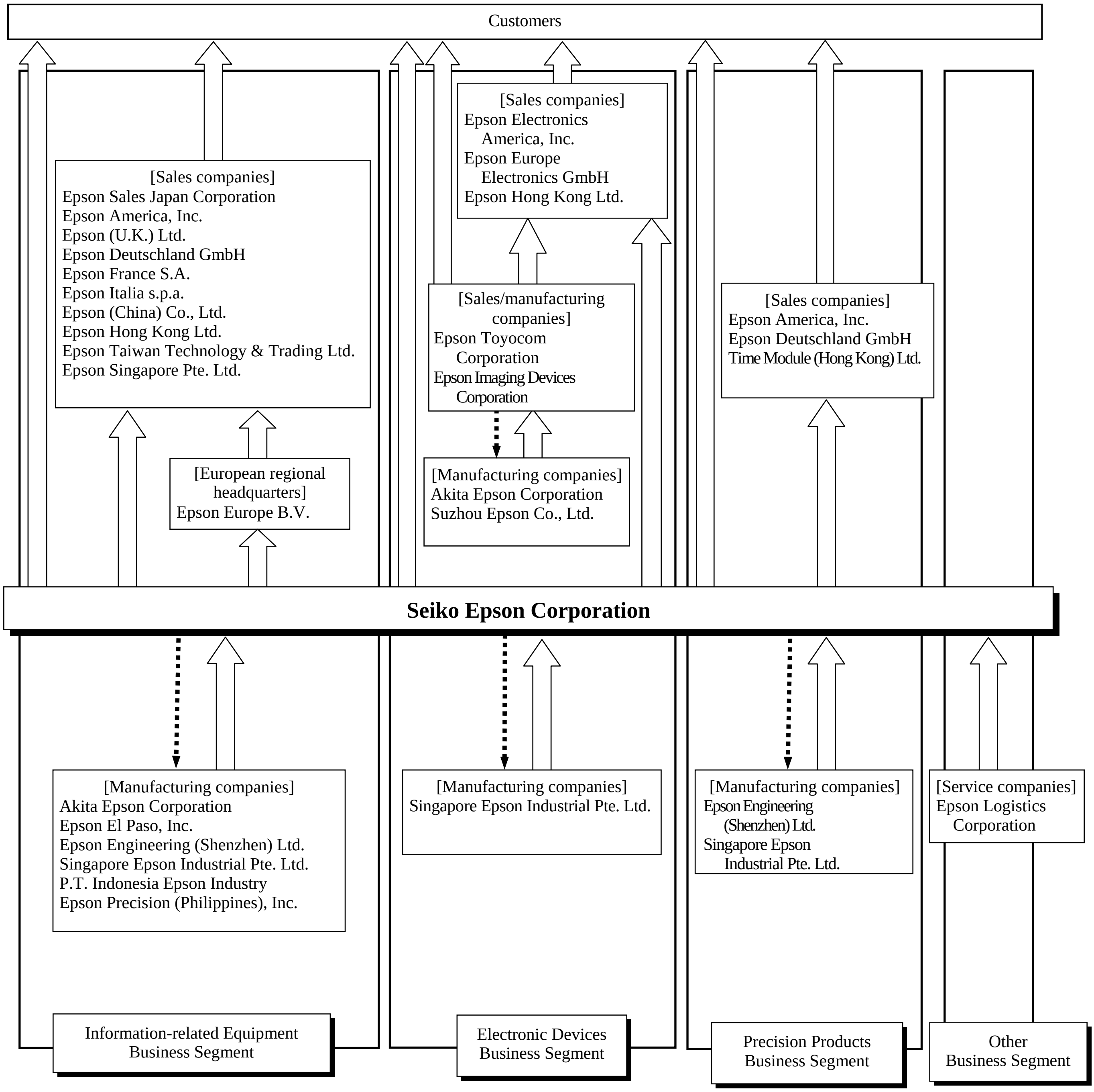
This segment includes the watch business, the optical products business, and the factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

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

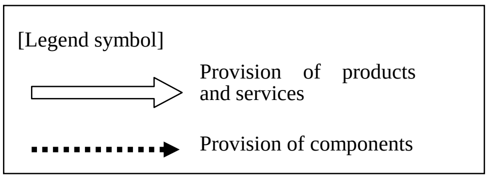
Other business segment:

Operations not categorized in any of the above segments, such as intra-group services, are categorized within “Other.”

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



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



Management Policy

1. Basic Management Policy

Epson strives to fulfill its responsibilities as a good corporate citizen on a variety of fronts. Based on the following Management Philosophy, 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

Epson’s operating environment is marked by an acceleration of trends including the increasing influence of developing markets on the global economy and a shift to sustainable industrial and economic activities. With society being transformed by changes such as these, we believe that customer values are also 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, under this policy Epson established its SE15 Long-Range Corporate Vision in March 2009, setting out its vision for the period up to 2015. We 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 “compact, energy-saving, high-precision technologies” as its core strengths since its foundation, 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 continuing severe business conditions, the SE15 (First Half) Mid-Range Business Plan describes how Epson will combine its strengths to respond to this situation. Epson 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 further 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. In fiscal 2011, which is the final year of the SE15 (First Half) Mid-Range Business Plan, the Company will step up its efforts to move onto the growth path set out in SE15, and will continue to strengthen its business structure and pursue its ongoing structural reforms.

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

Plans for businesses with growth potential

Printers

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. We will also seek to expand into the commercial and industrial sectors through the application of Micro Piezo technology.

Projectors

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 HTPS TFT LCD technology, and enter and develop new business domains.

Quartz devices and sensors

By drawing on the technical expertise it has accumulated over the years and by rebuilding its manufacturing structure, Epson is looking to create high-value-added microdevices, The Company aims to reinforce its position as the leading company in the crystal 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.

Please note that Epson manufacturing sites in the Tohoku area of Japan were affected by the earthquake that struck that region in March 2011. While carefully confirming the situation regarding employees and facilities, the Company steadily restarted production as it sought to resume operations. Going forward, Epson will carefully assess the impact of the earthquake on demand while seeking to minimize the impact of the disaster on its business.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Assets			
Current assets			
Cash and deposits	¥193,117	¥125,807	$1,513,012
Notes and accounts receivable-trade	144,435	140,564	1,690,487
Short-term investment securities	51,511	76,009	914,119
Merchandise and finished goods	90,284	90,900	1,093,205
Work in process	39,198	37,133	446,578
Raw materials and supplies	21,710	23,876	287,143
Deferred tax assets	9,307	12,419	149,356
Other	48,903	38,821	466,929
Allowance for doubtful accounts	(2,258)	(2,003)	(24,088)
Total current assets	596,210	543,530	6,536,741
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	405,096	399,318	4,802,381
Machinery, equipment and vehicles	467,364	439,113	5,280,974
Tools, furniture and fixtures	174,014	156,671	1,884,197
Land	54,912	54,744	658,376
Construction in progress	4,318	4,792	57,630
Other	127	114	1,432
Accumulated depreciation	(880,479)	(841,132)	(10,115,838)
Total property, plant and equipment	225,354	213,623	2,569,152
Intangible assets			
Goodwill	2,873	2,632	31,653
Other	15,187	11,984	144,125
Total intangible assets	18,060	14,616	175,778
Investments and other assets			
Investment securities	16,087	13,319	160,180
Long-term loans receivable	47	47	565
Deferred tax assets	4,551	4,236	50,944
Other	9,978	8,929	107,384
Allowance for doubtful accounts	(200)	(73)	(877)
Total investments and other assets	30,464	26,458	318,196
Total noncurrent assets	273,879	254,699	3,063,126
Total assets	¥870,090	¥798,229	$9,599,867

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥90,768	¥72,833	$875,923
Short-term loans payable	21,739	31,129	374,371
Current portion of bonds	30,000	30,000	360,793
Current portion of long-term loans payable	35,728	42,093	506,229
Accounts payable-other	58,576	51,112	614,696
Income taxes payable	10,024	6,472	77,835
Deferred tax liabilities	83	116	1,395
Provision for bonuses	14,484	16,681	200,613
Provision for product warranties	9,928	8,199	98,604
Other	57,317	56,782	682,950
Total current liabilities	328,652	315,422	3,793,409
Noncurrent liabilities			
Bonds payable	70,000	60,000	721,587
Long-term loans payable	151,593	107,500	1,292,844
Deferred tax liabilities	10,207	8,921	107,288
Provision for retirement benefits	20,008	26,289	316,163
Provision for loss on litigation	—	2,102	25,279
Provision for product warranties	450	420	5,051
Provision for recycling costs	396	478	5,748
Other	5,917	6,287	75,637
Total noncurrent liabilities	258,574	211,999	2,549,597
Total liabilities	587,226	527,421	6,343,006
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	639,855
Capital surplus	84,321	84,321	1,014,082
Retained earnings	187,358	193,602	2,328,346
Treasury stock			
March 31, 2011 - 23,924 shares			
March 31, 2010 - 22,089 shares	(35)	(38)	(457)
Total shareholders' equity	324,847	331,088	3,981,826
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	4,023	2,558	30,763
Deferred gains or losses on hedges	130	(572)	(6,879)
Foreign currency translation adjustment	(47,705)	(63,812)	(767,429)
Total accumulated other comprehensive income	(43,552)	(61,826)	(743,545)
Minority interests	1,568	1,545	18,580
Total net assets	282,864	270,808	3,256,861
Total liabilities and net assets	¥870,090	¥798,229	$9,599,867

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

Consolidated Statements of Income
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Net sales	¥985,363	¥973,663	$11,709,717
Cost of sales	725,894	710,700	8,547,204
Gross profit	259,469	262,963	3,162,513
Selling, general and administrative expenses	241,241	230,253	2,769,140
Operating income	18,227	32,709	393,373
Non-operating income:			
Interest income	1,259	938	11,280
Rent income	1,014	1,562	18,785
Amortization of negative goodwill	1,368	708	8,514
Other	4,084	3,741	45,016
Total non-operating income	7,726	6,951	83,595
Non-operating expenses:			
Interest expenses	5,070	4,225	50,811
Foreign exchange losses	5,076	1,239	14,900
Rent expenses on real estates	613	944	11,352
Other	1,318	2,076	24,993
Total non-operating expenses	12,078	8,485	102,056
Ordinary income	13,875	31,174	374,912
Extraordinary income:			
Gain on sales of noncurrent assets	595	2,274	27,348
Reversal of provision for product warranties	87	873	10,499
Gain on transfer of business	-	513	6,169
Other	1,394	490	5,917
Total extraordinary income	2,078	4,152	49,933
Extraordinary loss:			
Loss on disaster	-	4,755	57,185
Business structure improvement expenses	-	9,909	119,170
Provision for loss on litigation	-	2,013	24,209
Other	16,753	3,267	39,303
Total extraordinary losses	16,753	19,945	239,867
Income (loss) before income taxes and minority interests	(799)	15,381	184,978
Income taxes-current	13,740	9,121	109,692
Income taxes-deferred	5,249	(4,149)	(49,897)
Total income taxes	18,989	4,971	59,795
Income (loss) before minority interests	(19,789)	10,409	125,183
Minority interests in income	1	170	2,045
Net income (loss)	(¥19,791)	¥10,239	$123,138

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

Consolidated Statements of Income
Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2010	2011	2011
Net sales	¥247,247	¥226,333	$2,721,984
Cost of sales	187,686	167,418	2,013,458
Gross profit	59,561	58,914	708,526
Selling, general and administrative expenses	63,490	60,096	722,729
Operating income (loss)	(3,928)	(1,181)	(14,203)
Non-operating income:			
Interest income	244	242	2,910
Rent income	229	396	4,762
Other	3,051	1,023	12,315
Total non-operating income	3,525	1,662	19,987
Non-operating expenses:			
Interest expenses	1,196	929	11,172
Foreign exchange losses	-	5	60
Other	965	890	10,715
Total non-operating expenses	2,161	1,825	21,947
Ordinary income (loss)	(2,565)	(1,344)	(16,163)
Extraordinary income:			
Gain on sales of noncurrent assets	52	2,143	25,772
Reversal of provision for product warranties	35	873	10,499
Other	1,074	70	854
Total extraordinary income	1,162	3,087	37,125
Extraordinary loss:			
Loss on disaster	-	4,755	57,185
Business structure improvement expenses	-	4,566	54,912
Other	6,882	3,233	38,883
Total extraordinary losses	6,882	12,555	150,980
Income (loss) before income taxes and minority interests	(8,285)	(10,811)	(130,018)
Income taxes	6,793	(4,066)	(48,900)
Income (loss) before minority interests	(15,078)	(6,745)	(81,118)
Minority interests in income (loss)	(28)	19	228
Net income (loss)	(¥15,050)	(¥6,764)	($81,346)

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

Consolidated Statements of Comprehensive Income
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Income (loss) before minority interests	(¥19,789)	¥10,409	$125,183
Other comprehensive income			
Valuation difference on available-for-sale securities	1,188	(1,460)	(17,558)
Deferred gains or losses on hedges	2,306	(702)	(8,442)
Foreign currency translation adjustment	(8,457)	(16,099)	(193,627)
Share of other comprehensive income of associates accounted for using equity method	(55)	(135)	(1,623)
Total other comprehensive income	(5,018)	(18,398)	(221,250)
Comprehensive income	(¥24,807)	(¥7,988)	($96,067)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥24,746)	(¥8,034)	($96,620)
Comprehensive income attributable to minority interests	(¥61)	¥46	$553

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

Consolidated Statements of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥53,204	¥53,204	$639,855
Changes of items during the period			
Total changes of items during the period	-	-	-
Balance at the end of current period	53,204	53,204	639,855
Capital surplus			
Balance at the end of previous period	79,500	84,321	1,014,082
Changes of items during the period			
Increase by share exchanges	4,820	-	-
Total changes of items during the period	4,820	-	-
Balance at the end of current period	84,321	84,321	1,014,082
Retained earnings			
Balance at the end of previous period	208,524	187,358	2,253,253
Changes of items during the period			
Dividends from surplus	(1,374)	(3,995)	(48,045)
Net income (loss)	(19,791)	10,239	123,138
Total changes of items during the period	(21,165)	6,243	75,093
Balance at the end of current period	187,358	193,602	2,328,346
Treasury stock			
Balance at the end of previous period	(8)	(35)	(420)
Changes of items during the period			
Purchase of treasury stock	(27)	(2)	(37)
Disposal of treasury stock	0	-	-
Total changes of items during the period	(26)	(2)	(37)
Balance at the end of current period	(35)	(38)	(457)
Total shareholders' equity			
Balance at the end of previous period	341,220	324,847	3,906,770
Changes of items during the period			
Increase by share exchanges	4,820	-	-
Dividends from surplus	(1,374)	(3,995)	(48,045)
Net income (loss)	(19,791)	10,239	123,138
Purchase of treasury stock	(27)	(2)	(37)
Disposal of treasury stock	0	-	-
Total changes of items during the period	(16,372)	6,241	75,056
Balance at the end of current period	324,847	331,088	3,981,826
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	2,835	4,023	48,382
Changes of items during the period			
Net changes of items other than shareholders' equity	1,188	(1,464)	(17,619)
Total changes of items during the period	1,188	(1,464)	(17,619)
Balance at the end of current period	4,023	2,558	30,763
Deferred gains or losses on hedges			
Balance at the end of previous period	(2,175)	130	1,563
Changes of items during the period			
Net changes of items other than shareholders' equity	2,306	(702)	(8,442)
Total changes of items during the period	2,306	(702)	(8,442)
Balance at the end of current period	130	(572)	(6,879)
Foreign currency translation adjustment			
Balance at the end of previous period	(39,255)	(47,705)	(573,722)
Changes of items during the period			
Net changes of items other than shareholders' equity	(8,449)	(16,106)	(193,707)
Total changes of items during the period	(8,449)	(16,106)	(193,707)
Balance at the end of current period	(47,705)	(63,812)	(767,429)

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2010	March 31, 2011	March 31, 2011
Total accumulated other comprehensive income			
Balance at the end of previous period	(38,596)	(43,552)	(523,777)
Changes of items during the period			
Net changes of items other than shareholders' equity	(4,955)	(18,274)	(219,768)
Total changes of items during the period	(4,955)	(18,274)	(219,768)
Balance at the end of current period	(43,552)	(61,826)	(743,545)
Minority interests			
Balance at the end of previous period	16,007	1,568	18,857
Changes of items during the period			
Net changes of items other than shareholders' equity	(14,439)	(22)	(277)
Total changes of items during the period	(14,439)	(22)	(277)
Balance at the end of current period	1,568	1,545	18,580
Total net assets			
Balance at the end of previous period	318,631	282,864	3,401,850
Changes of items during the period			
Increase by share exchanges	4,820	-	-
Dividends from surplus	(1,374)	(3,995)	(48,045)
Net income (loss)	(19,791)	10,239	123,138
Purchase of treasury stock	(27)	(2)	(37)
Disposal of treasury stock	0	-	-
Net changes of items other than shareholders' equity	(19,394)	(18,297)	(220,045)
Total changes of items during the period	(35,767)	(12,056)	(144,989)
Balance at the end of current period	¥282,864	¥270,808	$3,256,861

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, 2010	March 31, 2011	March 31, 2011
Consolidated statements of cash flows			
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥799)	¥15,381	$184,978
Depreciation and amortization	47,395	41,159	494,999
Equity in (earnings) losses of affiliates	(126)	(77)	(926)
Amortization of goodwill	(462)	240	2,886
Business structure improvement expenses	—	9,909	119,170
Loss on disaster	—	4,755	57,185
Increase (decrease) in allowance for doubtful accounts	(918)	(192)	(2,309)
Increase (decrease) in provision for bonuses	2,931	2,309	27,769
Increase (decrease) in provision for product warranties	58	(1,309)	(15,742)
Increase (decrease) in provision for retirement benefits	8,287	329	3,956
Interest and dividends income	(1,536)	(1,174)	(14,119)
Interest expenses	5,070	4,225	50,811
Foreign exchange losses (gains)	(1,165)	(60)	(721)
Loss (gain) on sales of noncurrent assets	(286)	(2,303)	(27,696)
Loss on retirement of noncurrent assets	1,038	895	10,763
Loss (gain) on sales of investment securities	(365)	19	228
Decrease (increase) in notes and accounts receivable-trade	(8,373)	8,225	98,917
Decrease (increase) in inventories	(7,128)	(15,665)	(188,394)
Increase (decrease) in accrued consumption taxes	(667)	(761)	(9,152)
Increase (decrease) in notes and accounts payable-trade	17,646	(23,318)	(280,432)
Other, net	12,898	2,643	31,785
Subtotal	73,497	45,230	543,956
Interest and dividends income received	336	2,023	24,329
Interest expenses paid	(5,131)	(4,320)	(51,954)
Income taxes paid	(12,159)	(10,538)	(126,734)
Net cash provided by (used in) operating activities	56,542	32,395	389,597
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	523	(2)	(0)
Purchase of investment securities	(14)	(7)	(84)
Proceeds from sales of investment securities	929	260	3,126
Purchase of property, plant and equipment	(27,196)	(28,308)	(340,444)
Proceeds from sales of property, plant and equipment	895	2,844	34,192
Purchase of intangible assets	(4,640)	(2,286)	(27,492)
Proceeds from sales of intangible assets	5	12	144
Purchase of long-term prepaid expenses	(204)	(699)	(8,406)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	53	637
Proceeds from transfer of business	—	4,062	48,851
Other, net	(13,501)	455	5,472
Net cash provided by (used in) investing activities	(43,203)	(23,615)	(284,004)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(20,382)	10,092	121,371
Proceeds from long-term loans payable	2,000	—	—
Repayment of long-term loans payable	(18,543)	(37,728)	(453,734)
Proceeds from issuance of bonds	—	20,000	240,529
Redemption of bonds	—	(30,000)	(360,819)
Repayments of lease obligations	(2,654)	(989)	(11,894)
Purchase of treasury stock	(27)	(2)	(24)
Proceeds from sales of treasury stock	0	—	—
Cash dividends paid	(1,374)	(3,995)	(48,045)
Cash dividends paid to minority shareholders	(105)	(67)	(805)
Net cash provided by (used in) financing activities	(41,087)	(42,691)	(513,421)
Effect of exchange rate change on cash and cash equivalents	(2,000)	(9,020)	(108,491)
Net increase (decrease) in cash and cash equivalents	(29,749)	(42,932)	(516,319)
Cash and cash equivalents at beginning of period	284,340	254,590	3,061,815
Increase in cash and cash equivalents from newly consolidated subsidiary	—	119	1,431
Cash and cash equivalents at end of period	¥254,590	¥211,777	$2,546,927

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

Notes to Consolidated Financial Statements

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 required by Japanese standards 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 are rounded down.

2. Number of group companies

As of March 31, 2011, the Company had 92 consolidated subsidiaries. It has applied the equity method in respect to one unconsolidated subsidiary 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 the intangible assets account (if the cost is in excess) or in the noncurrent 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 included in income for the current period.

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.

Interest rate swaps meeting certain hedging criteria are not recognized at their fair values under exceptional processes recognized in 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 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 8 to 50 years for buildings and structures, and from 2 to 12 years for machinery, equipment and vehicles.

(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 is calculated on the basis of the estimated amounts that Epson is obligated to pay its employees after the fiscal year-end for services provided up to the balance sheet dates.

Provision for bonuses to directors and statutory auditors are provided for the estimated amounts that the Company is obligated to pay to directors and statutory auditors subject to the resolution of the 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 is 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 income. 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 Japanese tax regulations.

(13) Provision for retirement benefits

The Company and some of its Japanese subsidiaries recognize provision for retirement benefits to employees based on the actuarial valuation of projected benefit obligation and the fair value of plan assets.

Other Japanese subsidiaries recognize provision for retirement benefits 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. Unrecognized 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 are primarily defined contribution plans.

(14) Provision for recycling costs

At the time of sale, provision for recycling costs is calculated based on 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 charged as incurred.

(17) Leases

Epson leases certain office space, machinery and equipment and computer equipment from third parties using capital leases. Most of the capital leases are other than those under which ownership of the assets will be transferred to the lessee at the end of the lease term, and 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 shareholders. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the registered shareholders as of September 30 of each year.

(20) Changes in significant accounting policies

Effective April 1, 2010, Epson adapted ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and its Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations," issued on March 31, 2008.

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, 2011.

(21) Comprehensive income

Effective from the year ended March 31, 2011, Epson adapted ASBJ Statement No. 25, "Accounting Standard for Presentation of Comprehensive Income" which was announced on June 30, 2010. According to the announcement, comprehensive income for the years ended March 31, 2010 and 2011, are presented.

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 ¥83.15 = U.S.$1, the exchange rate prevailing as of March 31, 2011, has been used.

5. Business transfer

(1) LCDs business transfer

As of April 1, 2010, Epson transferred a part of its business and some assets in the field of small- and medium-sized liquid crystal displays ("LCDs") to Sony Corporation ("Sony") and Sony Mobile Display Corporation ("SMD"). In a changing market environment, Epson had found it difficult to distinguish its small- and medium-sized display business from the competition, and judged that transferring the aforementioned business to the Sony Group was the most appropriate way of optimizing its liquid crystal technologies and amorphous silicon TFT production capability.

Outline of transfer

Date of transfer: April 1, 2010

Gain on business transfer: ¥513 million ($6,169 thousand)

Carrying amounts of assets and liabilities transferred:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,604	$43,355
Noncurrent assets	228	2,742
Total	¥3,833	$46,097
Current liabilities	¥231	$2,778
Noncurrent liabilities	54	649
Total	¥285	$3,427

The business transferred was included in the electronic devices segment.

(2) The subsidiary's equity transfer

As of February 2, 2011, the Company and Sony executed an agreement for transferring all of the equity of Suzhou Epson Co., Ltd. ("Suzhou Epson"), to the Sony Group. As part of its SE15 long-range corporate vision and mid-range business plan, Epson is completing business structure reforms in its small- and medium-sized TFT LCD business. In implementing these reforms, in April 2010 Epson transferred to the Sony Group certain assets of the small- and medium-sized display front-end process manufacturing-related business operated by its subsidiary, Epson Imaging Devices Corporation ("Epson Imaging"). Epson has now determined that it would also be beneficial to transfer Suzhou Epson, which undertook the back-end and touch panel assembly processes of Epson Imaging's display business, to the Sony Group.

Outline of transfer

Transferred to: Sony (China) Limited

Outline of Suzhou Epson:

(a) Company name Suzhou Epson Co., Ltd.

(b) Business activities Production of small-and medium-sized TFT LCD displays

(c) Net sales ¥59,913 million ($720,541 thousand) (fiscal year ended March 31, 2011)

(d) Total assets ¥19,443 million ($233,830 thousand) (as of March 31, 2011)

(e) Total liabilities ¥8,034 million ($96,620 thousand) (as of March 31, 2011)

(f) Ownership before transfer Seiko Epson Corporation 100% (including indirect ownership)

Agreed-upon purchase price and date of transfer:

Agreed-upon purchase price	CNY 775 million (¥9,827 million, calculated at the foreign exchange rate as of March 31, 2011; $118,184 thousand)
Ownership after transfer	-%
Date of transfer	Planned for the first half of the fiscal year ending March 31, 2012

The business transferred was included in the electronic devices segment.

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations as of March 31, 2010 and 2011, were ¥30,115 million and ¥30,654 million ($368,659 thousand), respectively.

7. Investment securities for unconsolidated subsidiaries and affiliates

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in investment securities account as of March 31, 2010 and 2011, were ¥2,804 million and ¥2,131 million ($25,628 thousand), respectively.

8. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2010 and 2011. Goodwill and negative goodwill are amortized on a straight-line basis in accordance with Japanese accounting standards. Goodwill or negative goodwill is recorded on the balance sheets after offsetting. The amounts of goodwill and negative goodwill before offsetting as of March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2010	2011	2011
Goodwill	¥3,703	¥2,754	$33,120
Negative goodwill	830	122	1,467

9. Retirement benefits

The Company and its Japanese subsidiaries maintain corporate defined benefit pension plans and defined contribution pension plans covering the majority of their employees. In certain cases, additional severance costs may be provided.

The funded status of these plans as of March 31, 2010 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2010	2011	2011
Projected benefit obligations	¥229,649	¥233,973	$2,813,866
Plan assets at fair value	193,268	197,622	2,376,693
Unfunded status	36,381	36,351	437,173
Unrecognized items:			
Actuarial gains (losses)	(17,081)	(16,828)	(202,381)
Prior service cost reduction from plan amendment	(476)	(219)	(2,646)
Provision for retirement benefits - net	18,822	19,303	232,146
Prepaid pension cost	1,186	1,213	14,588
Provision for retirement benefits	¥20,008	¥20,516	$246,734

In addition to the above-mentioned provision for retirement benefits, additional severance costs of ¥5,772 million ($69,416 thousand), which related to business structure improvement, were recorded in provision for retirement benefits as of March 31, 2011.

The composition of net pension and severance costs for the years ended March 31, 2010 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2010	2011	2011
Service cost	¥8,257	¥7,744	$93,132
Interest cost	5,944	6,064	72,928
Expected return on plan assets	(5,720)	(6,263)	(75,321)
Amortization and expenses:			
Actuarial losses	6,999	3,952	47,528
Prior service costs	257	257	3,104
Net pension and severance costs	15,737	11,755	141,371
Contribution to defined contribution pension plan	3,581	3,613	43,451
	¥19,319	¥15,368	$184,822

In addition to the above-mentioned net pension and severance costs, additional severance costs of ¥6,239 million ($75,033 thousand), which related to specific reorganization programs, were recorded in business structure improvement expenses for the year ended March 31, 2011.

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2010 and 2011, were primarily as follows:

	Year ended March 31	
	2010	2011
Discount rate	2.5%	2.5%
Long-term rate of return on plan assets	3.2	3.2

10. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2010 and 2011, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2010	2011	2011
Net income (loss) attributable to common shares	(¥19,791)	¥10,239	$123,138
	Thousands of shares		
Weighted-average number of common shares outstanding	199,225	199,794	
	Yen		U.S. dollars
Net income (loss) per share	(¥99.34)	¥51.25	$0.61

Diluted net loss per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the years ended March 31, 2010. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the year ended March 31, 2011.

11. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2010	2011	2011
Salaries and wages	¥73,239	¥76,609	$921,334
Advertising	15,303	14,918	179,410
Sales promotion	16,052	15,420	185,447
Shipping costs	14,325	14,815	178,171
Research and development costs	32,316	23,986	288,466
Allowance for doubtful accounts	517	266	3,199
Other	89,485	84,236	1,013,101
Total	¥241,241	¥230,253	$2,769,128

12. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥68,849 million and ¥54,377 million ($653,962 thousand) for the years ended March 31, 2010 and 2011, respectively.

13. Business structure improvement expenses

Business structure improvement expenses for the year and the three months ended March 31, 2011, comprised expenses related to the termination of the small- and medium-sized displays business.

14. Loss on disaster

Loss on disaster for the year and the three months ended March 31, 2011, comprised incurred losses related to the Great East Japan Earthquake.

15. Cash flow information

Cash and cash equivalents as of March 31, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2010	2011	2011
Cash and deposits	¥193,117	¥125,807	$1,513,012
Short-term investment securities	51,511	76,009	914,119
Short-term loans receivables	10,000	10,000	120,264
Less:			
Short-term loans payable (overdrafts)	(0)	(2)	(24)
Time deposits due over three months	(27)	(27)	(324)
Short-term investment securities due over three months	(11)	(10)	(120)
Cash and cash equivalents	¥254,590	¥211,777	$2,546,927

The Company obtained marketable securities, the fair value of which was ¥9,918 million and ¥10,008 million ($120,360 thousand) as of March 31, 2010 and 2011, respectively, as deposit for the short-term loans receivables above.

16. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others were ¥1,413 million and ¥1,090 million ($13,108 thousand) as of March 31, 2010 and 2011, respectively.

17. Segment information

From the current fiscal year, Epson adopted ASBJ Statement No.17, “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (Revised on March 27, 2009) and its implementation guidelines, ASBJ Guidance No.20, “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information,” issued on March 21, 2008. As a result, segment information for three months ended March 31, 2010 was based on the standard before revision. The same information for three months ended March 31, 2011, or year ended March 31, 2010 and 2011 is based on the revised standard.

(1) Year ended March 31:

(a) Summary of reporting segments

Epson and its subsidiaries conduct manufacturing and sales of products worldwide under the management of the Company’s operations divisions. In order for the board of directors to determine the allocation of resources and assess business results, the operations divisions make individual financial reports, and correspond to business segments that are subject to regular review.
Epson has consolidated these business segments into three reporting segments based on the type and characteristics of products and services, and on manufacturing and sales methods. These are the information-related equipment segment, the electronic devices segment and the precision products segment. Epson conducts development, manufacturing and sales within its reporting segments as follows.

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

The electronic devices segment mainly includes crystal units, crystal oscillators, quartz sensors, optical devices, CMOS LSIs, HTPS-TFT panels for 3LCD projectors and small- and medium-sized LCDs.

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

(b) Measurement of the amount of sales, income (loss), assets and other in each reporting segment

The accounting policies of the reporting segments are the same as “Basis of presenting consolidated financial statements”.

Segment income (loss) is based on operating income (loss).

Transfer prices between operating segments are on an arm’s length basis.

(c) Information of the amount of sales , income (loss), assets and other in each reporting segment

The following table summarizes the reporting segment information of Epson for the year ended March 31, 2010 and 2011:

	Millions of yen							
	Year ended March 31, 2010							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Electronic devices	Precision products	Total				
Net sales:								
Customers	¥711,378	¥215,534	¥56,284	¥983,197	¥1,182	¥984,379	¥983	¥985,363
Inter-segment	1,314	32,466	1,461	35,243	282	35,526	(35,526)	-
Total	712,692	248,001	57,746	1,018,440	1,465	1,019,905	(34,542)	985,363
Segment income (loss)	71,748	1,529	(1,311)	71,966	(100)	71,866	(53,639)	18,227
Segment assets	302,253	154,693	45,696	502,643	1,411	504,055	366,035	870,090
Other								
Depreciation and amortization	24,319	10,455	3,842	38,618	38	38,656	8,446	47,103
Increase in property, plant, equipment and intangible assets	12,502	9,862	1,876	24,240	7	24,247	2,941	27,189
Amortization of goodwill	¥–	¥866	¥–	¥866	¥–	¥866	¥38	¥905

Millions of yen

	Year ended March 31, 2011							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Electronic devices	Precision products	Total				
Net sales:								
Customers	¥701,879	¥203,491	¥66,628	¥971,999	¥788	¥972,788	¥875	¥973,663
Inter-segment	1,039	27,743	1,647	30,430	490	30,921	(30,921)	-
Total	702,918	231,235	68,276	1,002,430	1,279	1,003,709	(30,046)	973,663
Segment income (loss)	70,151	5,569	3,307	79,028	(286)	78,741	(46,032)	32,709
Segment assets	311,486	142,000	46,087	499,574	837	500,412	297,816	798,229
Other								
Depreciation and amortization	21,638	9,820	3,381	34,840	38	34,879	6,092	40,971
Increase in property, plant, equipment and intangible assets	17,813	9,965	1,856	29,634	5	29,639	2,324	31,963
Amortization of goodwill	¥–	¥910	¥–	¥910	¥–	¥910	¥38	¥949

Thousands of U.S. dollars

	Year ended March 31, 2011							
	Reporting segments				Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Electronic devices	Precision products	Total				
Net sales:								
Customers	$8,441,131	$2,447,276	$801,298	$11,689,705	$9,489	$11,699,194	$10,523	$11,709,717
Inter-segment	12,495	333,662	19,820	365,977	5,893	371,870	(371,870)	-
Total	8,453,626	2,780,938	821,118	12,055,682	15,382	12,071,064	(361,347)	11,709,717
Segment income (loss)	843,680	66,975	39,771	950,426	(3,451)	946,975	(553,602)	393,373
Segment assets	3,746,085	1,707,757	554,263	6,008,105	10,079	6,018,184	3,581,683	9,599,867
Other								
Depreciation and amortization	260,241	118,099	40,661	419,001	469	419,470	73,266	492,736
Increase in property, plant, equipment and intangible assets	214,228	119,843	22,321	356,392	60	356,452	27,949	384,401
Amortization of goodwill	$–	$10,944	$–	$10,944	$–	$10,944	$469	$11,413

Notes;

1. Intra-group services are categorized within “Other.”

2. Adjustments were as follows.

Net sales	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Corporate expenses	¥3,196	¥3,764	$45,267
Eliminations	(37,738)	(33,810)	(406,614)
Total	(¥34,542)	(¥30,046)	($361,347)

Segment income (loss)	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Corporate expenses [Note]	(¥53,831)	(¥46,440)	($558,508)
Eliminations	191	408	4,906
Total	(¥53,639)	(¥46,032)	($553,602)

[Note] Corporate expenses that are categorized under adjustments within segment income comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

Segment assets	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Corporate expenses	¥378,169	¥310,168	$3,730,221
Eliminations	(12,134)	(12,351)	(148,538)
Total	¥366,035	¥297,816	$3,581,683

Other

(1) Depreciation and amortization that is categorized under adjustments comprises expenses that do not correspond to the reporting segments. It includes expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

(2) Increase in property, plant, equipment and intangible assets;

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2010	2011	2011
Corporate expenses	¥1,689	¥2,173	$26,134
Intangible assets [Note]	1,252	151	1,815
Total	¥2,941	¥2,324	$27,949

[Note] Intangible assets are non-subject to regular review as capital expenditure.

(3) Amortization of goodwill that is categorized under adjustments does not correspond to the reporting segments.

3. Segment income (loss) has been adjusted to match consolidated operating income (loss).

(d) Information of geographic areas

Sales by country:

The following table summarizes the amount of revenue from external customers for the year ended March 31, 2011:

	Millions of yen			
	Year ended March 31, 2011			
	Japan	The United States	China (including Hong Kong)	Total
Net sales	¥370,124	¥134,203	¥107,848	¥612,176

	Thousands of U.S. dollars			
	Year ended March 31, 2011			
	Japan	The United States	China (including Hong Kong)	Total
Net sales	$4,451,294	$1,613,986	$1,297,029	$7,362,309

[Note] Each country’s net sales are based on the location of the customers.

Property, plant and equipment by country:

The following table summarizes property, plant and equipment by countries for the year ended March 31, 2011:

	Millions of yen
	Year ended March 31, 2011
	Japan
Property, plant and equipment	¥165,402

	Thousands of U.S. dollars
	Year ended March 31, 2011
	Japan
Property, plant and equipment	$1,989,200

(e) Information of impairment loss

The following table summarizes information of impairment loss in each reporting segments for the year ended March 31, 2011:

	Millions of yen					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Impairment loss	¥208	¥1,052	¥8	¥0	¥428	¥1,698

	Thousands of U.S. dollars					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Impairment loss	$2,501	$12,676	$96	$0	$5,147	$20,420

[Note] Impairment loss that is categorized under corporate expenses comprises losses that do not correspond to the reporting segments. It includes losses relating to research and development for new businesses and basic technology, and general corporate losses.

(f) Information of goodwill

The following table summarizes information of goodwill in each reporting segments for the year ended March 31, 2011:

	Millions of yen					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Goodwill	¥−	¥2,664	¥−	¥−	¥89	¥2,754

	Thousands of U.S. dollars					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Goodwill	$−	$32,050	$−	$−	$1,070	$33,120

[Note] Goodwill that is categorized under corporate expenses does not correspond to the reporting segments.

The following table summarizes information of amortization of negative goodwill and balance of negative goodwill from the subsidiary's acquisitions before April 1, 2010 as follows

	Millions of yen					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Amortization of negative goodwill	¥−	¥660	¥48	¥−	¥−	¥708
Negative goodwill	¥−	¥−	¥122	¥−	¥−	¥122

	Thousands of U.S. dollars					
	Year ended March 31, 2011					
	Information-related equipment	Electronic devices	Precision products	Other	Corporate expenses [Note]	Total
Amortization of negative goodwill	$−	$7,937	$577	$−	$−	$8,514
Negative goodwill	$−	$−	$1,467	$−	$−	$1,467

(2) <u>Three months ended March 31:</u>

The following table summarizes the business segment information of Epson for the three months ended March 31, 2010:

	Millions of yen						
	Three months ended March 31, 2010						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥179,584	¥53,255	¥13,887	¥519	¥247,247	-	¥247,247
Inter-segment	328	8,088	368	1,383	10,169	(¥10,169)	-
Total	179,913	61,344	14,256	1,903	257,417	(10,169)	247,247
Operating income (loss)	¥2,342	(¥2,901)	(¥1,379)	(¥2,152)	(¥4,089)	¥160	(¥3,928)

The following table summarizes the business segment information of Epson for the three months ended March 31, 2011:

Millions of yen

	Three months ended March 31, 2011								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals [Note 3]
	Information-related equipment	Electronic devices	Precision products	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥165,293	¥45,596	¥14,859	¥225,749	¥294	¥226,043	¥289	-	¥226,333
Inter-segment	228	6,144	408	6,781	121	6,903	1,322	(¥8,226)	-
Total	165,521	51,741	15,268	232,531	415	232,947	1,612	(8,226)	226,333
Segment income (loss)	¥10,976	(¥982)	¥169	¥10,163	(¥35)	¥10,128	(¥11,415)	¥105	(¥1,181)

Thousands of U.S. dollars

	Three months ended March 31, 2011								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals [Note 3]
	Information-related equipment	Electronic devices	Precision products	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	$1,987,901	$548,358	$178,701	$2,714,960	$3,536	$2,718,496	$3,488	-	$2,721,984
Inter-segment	2,744	73,902	4,918	81,564	1,467	83,031	15,898	($98,929)	-
Total	1,990,645	622,260	183,619	2,796,524	5,003	2,801,527	19,386	(98,929)	2,721,984
Segment income (loss)	$132,001	($11,809)	$2,032	$122,224	($421)	$121,803	($137,268)	$1,262	($14,203)

Notes;

1. Intra-group services are categorized within “Other.”
2. Corporate expenses that are categorized under adjustments within segment income comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses.
3. Segment income (loss) has been adjusted to match consolidated quarterly operating income (loss).

18. Other

The Company and related subsidiaries are subject to allegations concerning a TFT-LCD price-fixing cartel, and received from competition authorities in the United States and elsewhere instructions and notices to submit relevant materials. In August 2009, Epson Imaging Devices Corporation, a consolidated subsidiary of the Company, concluded a plea agreement by which it paid a fine of U.S.$26 million to the United States Department of Justice, and criminal procedures were completed in October 2009. Related civil lawsuits have been brought before courts in United States and elsewhere by clients and others.

Supplementary Information

Consolidated year ended March 31, 2011

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 trends, competition, technology trends, and exchange rate fluctuations. The report also includes the impact of the earthquake in Japan based on available information. However, the situation may change due to unpredicted events.

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase %
Information-related equipment	712.6	702.9	(1.4%)
Printer	593.2	577.3	(2.7%)
Visual instruments	99.1	107.3	8.2%
Other	20.9	20.3	(2.9%)
Intra-segment sales	(0.7)	(2.2)	-%
Electronic devices	248.0	231.2	(6.8%)
Quartz device	82.3	89.7	8.9%
Semiconductor	56.1	58.5	4.3%
Display	112.8	85.7	(24.0%)
Other	1.3	1.3	(4.7%)
Intra-segment sales	(4.6)	(4.0)	-%
Precision products	57.7	68.2	18.2%
Other	1.4	1.2	(12.7%)
Corporate expenses	3.1	3.7	17.8%
Inter-segment sales	(37.7)	(33.8)	-%
Consolidated sales	985.3	973.6	(1.2%)

Note: 1. Due to the application of Accounting Standard No. 17, “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information,” Epson has decided to use its management approach to calculate segment information in FY2010.

2. The figures for FY2009 have been recalculated using the new method.

(Unit: billion yen)

	Year ended March 31, 2011	Year ended March 31, Forecast for 2012	Increase %
Information-related equipment	702.9	751.0	6.8%
Printer	577.3	606.0	5.0%
Visual instruments	107.3	126.0	17.4%
Other	20.3	21.0	3.0%
Intra-segment sales	(2.2)	(2.0)	-%
Devices & Precision Products	236.9	221.0	(6.7%)
Devices	175.1	157.0	(10.3%)
Precision Products	68.9	71.0	3.0%
Intra-segment sales	(7.1)	(7.0)	-%
Other	61.4	17.0	(72.3%)
Corporate expenses	3.7	9.0	139.1%
Inter-segment sales	(31.3)	(28.0)	-%
Consolidated sales	973.6	970.0	(0.4%)

Note: 1.The segment information figures for FY2010 have been recalculated using the method used in FY2011.

2. "Other" is business segment not categorized in reporting segments. The small- and medium-sized displays is included in "Other".

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase %
Information-related equipment			
Net sales:			
Customers	711.3	701.8	(1.3%)
Inter-segment	1.3	1.0	(21.0%)
Total	712.6	702.9	(1.4%)
Operating expenses	640.9	632.7	(1.3%)
Operating income (loss)	71.7	70.1	(2.2%)
Electronic devices			
Net sales:			
Customers	215.5	203.4	(5.6%)
Inter-segment	32.4	27.7	(14.5%)
Total	248.0	231.2	(6.8%)
Operating expenses	246.4	225.6	(8.4%)
Operating income (loss)	1.5	5.5	264.3%
Precision products			
Net sales:			
Customers	56.2	66.6	18.4%
Inter-segment	1.4	1.6	12.7%
Total	57.7	68.2	18.2%
Operating expenses	59.0	64.9	10.0%
Operating income (loss)	(1.3)	3.3	-%
Other			
Net sales:			
Customers	1.1	0.7	(33.3%)
Inter-segment	0.2	0.4	73.5%
Total	1.4	1.2	(12.7%)
Operating expenses	1.5	1.5	0.1%
Operating income (loss)	(0.1)	(0.2)	-%
Corporate Expenses			
Net sales			
Customers	0.9	0.8	(11.0%)
Inter-segment	2.2	2.8	30.6%
Total	3.1	3.7	17.8%
Operating expenses	57.0	50.2	(12.0%)
Operating income (loss)	(53.8)	(46.4)	-%
Eliminations			
Net sales	(37.7)	(33.8)	-%
Operating expenses	(37.9)	(34.2)	-%
Operating income (loss)	0.1	0.4	112.5%
Consolidated			
Net sales	985.3	973.6	(1.2%)
Operating expenses	967.1	940.9	(2.7%)
Operating income (loss)	18.2	32.7	79.5%

Note: The segment information figures for FY2009 have been recalculated using the method used in FY2010.

(Unit: billion yen)

	Year ended March 31, 2011	Year ended March 31, Forecast for 2012	Increase %
Information-related equipment			
Net sales:			
Customers	701.8	751.0	7.0%
Inter-segment	1.0	0.0	-%
Total	702.9	751.0	6.8%
Operating expenses	632.7	660.0	4.3%
Operating income (loss)	70.1	91.0	29.7%
Devices & Precision Products			
Net sales:			
Customers	211.4	198.0	(6.4%)
Inter-segment	25.4	23.0	(9.7%)
Total	236.9	221.0	(6.7%)
Operating expenses	224.7	219.0	(2.5%)
Operating income (loss)	12.1	2.0	(83.6%)
Other			
Net sales:			
Customers	59.4	17.0	(71.4%)
Inter-segment	1.9	0.0	-%
Total	61.4	17.0	(72.3%)
Operating expenses	65.0	18.0	(72.3%)
Operating income (loss)	(3.5)	(1.0)	-%
Corporate expenses			
Net sales:			
Customers	0.8	4.0	357.0%
Inter-segment	2.8	5.0	73.1%
Total	3.7	9.0	139.1%
Operating expenses	50.2	58.0	15.5%
Operating income (loss)	(46.4)	(49.0)	-%
Eliminations			
Net sales	(31.3)	(28.0)	-%
Operating expenses	(31.7)	(28.0)	-%
Operating income (loss)	0.4	0.0	-%
Consolidated			
Net sales	973.6	970.0	(0.4%)
Operating expenses	940.9	927.0	(1.5%)
Operating income (loss)	32.7	43.0	31.5%

Note: 1. The segment information figures for FY2010 have been recalculated using the method used in FY2011.
2. “Other” is business segment not categorized in reporting segments. The small- and medium-sized displays is included in “Other”.

3. Geographic segment information

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase	Increase compared to previous year March 31, 2010 %
Japan				
Net sales:				
Customers	402.4	404.1	1.6	0.4%
Inter-segment	466.0	462.6	(3.3)	(0.7%)
Total	868.4	866.7	(1.7)	(0.2%)
Operating expenses	893.6	860.5	(33.1)	(3.7%)
Segment income (loss)	(25.1)	6.2	31.4	-%
The Americas				
Net sales:				
Customers	209.5	195.6	(13.8)	(6.6%)
Inter-segment	19.7	14.1	(5.6)	(28.4%)
Total	229.3	209.8	(19.4)	(8.5%)
Operating expenses	220.8	204.8	(16.0)	(7.3%)
Segment income (loss)	8.4	5.0	(3.4)	(40.6%)
Europe				
Net sales:				
Customers	207.8	187.0	(20.8)	(10.0%)
Inter-segment	6.3	5.3	(0.9)	(15.7%)
Total	214.2	192.4	(21.7)	(10.2%)
Operating expenses	207.4	189.0	(18.4)	(8.9%)
Segment income (loss)	6.7	3.4	(3.3)	(49.5%)
Asia/Oceania				
Net sales:				
Customers	165.4	186.7	21.3	12.9%
Inter-segment	390.0	383.8	(6.1)	(1.6%)
Total	555.4	570.6	15.1	2.7%
Operating expenses	528.1	549.9	21.7	4.1%
Segment income (loss)	27.2	20.6	(6.6)	(24.2%)
Eliminations				
Net sales	(882.1)	(865.9)	16.1	-%
Operating expenses	(883.0)	(863.3)	19.7	-%
Segment income (loss)	0.9	(2.6)	(3.5)	-%
Consolidated				
Net sales	985.3	973.6	(11.6)	(1.2%)
Operating expenses	967.1	940.9	(26.1)	(2.7%)
Operating income (loss)	18.2	32.7	14.4	79.5%

Note: Net sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary. Principal countries and jurisdictions in each geographic segment are as follows.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

4. Sales to overseas customers

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase	Increase compared to previous year March 31, 2010 %
Oversea Sales				
The Americas	217.6	199.2	(18.4)	(8.5%)
Europe	212.9	189.5	(23.3)	(11.0%)
Asia/Oceania	209.8	217.3	7.5	3.6%
Total	640.3	606.1	(34.2)	(5.3%)
Consolidated sales	985.3	973.6	(11.6)	(1.2%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	22.1	20.5		
Europe	21.6	19.5		
Asia/Oceania	21.3	22.3		
Total	65.0	62.3		

Note: The above table shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

5. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase %
Capital expenditure	25.9	31.8	22.7%
Information-related equipment	12.5	17.8	42.5%
Electronic devices	9.8	9.9	1.0%
Precision products	1.8	1.8	(1.1%)
Other / Corporate expenses	1.6	2.1	28.4%
Depreciation and amortization	47.3	41.1	(13.2%)
Information-related equipment	24.4	21.7	(11.2%)
Electronic devices	10.4	9.8	(5.8%)
Precision products	3.9	3.3	(13.3%)
Other / Corporate expenses	8.5	6.1	(27.8%)

(Unit: billion yen)

	Year ended March 31, 2011	Year ended March 31, Forecast for 2012	Increase %
Capital expenditure	31.8	53.0	66.6%
Information-related equipment	17.8	30.0	68.4%
Devices & Precision Products	11.0	14.0	26.4%
Other / Adjustments	2.9	9.0	208.1%
Depreciation and amortization	41.1	44.0	6.9%
Information-related equipment	21.7	24.0	10.4%
Devices & Precision Products	13.2	15.0	13.6%
Other / Adjustments	6.2	5.0	(19.4%)

Note: 1.The segment information figures for FY2010 have been recalculated using the method used in FY2011.
2. “Other” is business segment not categorized in reporting segments. The small- and medium-sized displays is included in “Other”.

6. Research and development

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
Research and Development	68.8	54.3	(21.0%)	64.0	17.7%
R&D / sales ratio	7.0%	5.6%		6.6%	

7. Management indices

(Unit: %)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase Point	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 Point
Return on equity (ROE)	(6.8%)	3.7%	10.5	6.3%	2.6
Return on assets (ROA)	1.6%	3.7%	2.1	5.0%	1.3
Return on sales (ROS)	1.4%	3.2%	1.8	4.1%	0.9

Note: 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Ordinary income / Beginning and ending balance average total assets
3. ROS=Ordinary income / Net sales

8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2010	Year ended March 31, 2011	Increase
Foreign exchange effect	(49.3)	(59.8)	(10.5)
U.S. dollars	(20.3)	(21.6)	(1.2)
Euro	(15.4)	(30.0)	(14.5)
Other	(13.4)	(8.2)	5.2
Exchange rate			
Yen / U.S. dollars	92.85	85.72	
Yen / Euro	131.15	113.12	

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

9. Inventory

(Unit: billion yen)

	September 30, 2010	March 31, 2010	March 31, 2011	Increase compared to March 31, 2010
Inventory	163.6	151.1	151.9	0.7
Information-related equipment	113.2	98.7	104.3	5.5
Electronic devices	34.8	37.3	31.0	(6.2)
Precision products	14.1	13.8	15.1	1.2
Other / Corporate expenses	1.4	1.2	1.3	0.1
Turnover by days	62	56	57	1
Information-related equipment	61	51	54	3
Electronic devices	52	55	49	(6)
Precision products	73	88	81	(7)
Other / Corporate expenses	165	97	99	2

Note: 1. Turnover by days=Ending (Interim) balance of inventory / Prior 12 (6) months sales per day
2. Turnover by days for FY2009 has been recalculated using the method for calculating segment information in FY2010.

10. Employees

(Unit: person)

	September 30, 2010	March 31, 2010	March 31, 2011	Increase compared to March 31, 2010
Number of employees at period end	79,914	77,936	74,551	(3,385)
Domestic	21,325	22,602	20,704	(1,898)
Overseas	58,589	55,334	53,847	(1,487)