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April 30, 2013

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2013

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, 2013
	2012	**2013**		
Statements of Income Data:				
Net sales	¥877,997	**¥851,297**	(3.0%)	**$9,051,536**
Operating income	24,626	**21,255**	(13.7%)	**225,996**
Ordinary income	27,022	**17,629**	(34.8%)	**187,442**
Net income (loss)	5,032	**(10,091)**	-%	**(107,293)**
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	26,678	**42,992**	61.2%	**457,118**
Net cash provided by (used in) investing activities	(31,528)	**(39,511)**	-%	**(420,106)**
Net cash provided by (used in) financing activities	(57,406)	**21,298**	-%	**226,454**
Cash and cash equivalents at the end of the period	150,029	**184,639**	23.1%	**1,963,200**
Per Share Data:				
Net income (loss) per share -Basic	¥26.22	**(¥56.41)**	-%	**($0.59)**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

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

	March 31		
	2012	**2013**	**2013**
Total assets	¥740,769	**¥778,547**	**$8,278,011**
Net assets	248,140	**258,806**	**2,751,791**
Shareholders' equity	246,442	**256,745**	**2,729,877**
Shareholders' equity ratio (%)	33.3%	**33.0%**	**33.0%**
Shareholders' equity per share	¥1,377.60	**¥1,435.20**	**$15.25**

Cash dividends per share data

(Yen, U.S. dollars)

	March 31		
Cash dividends per share	2012	**2013**	**2013**
Interim	¥13.00	**¥13.00**	**$0.14**
Year-end	13.00	**7.00**	**0.07**
Total	¥26.00	**¥20.00**	**$0.21**

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, 2013, 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 ¥94.05 = U.S.$1 as of March 31, 2013, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2012 Full Year Overview

In the year under review, the global economy as a whole grew slowly, largely due to the effects of uncertainty over the financial futures of some E.U. member states and concerns over sharp fiscal tightening in the U.S. Regionally, the U.S. economy showed signs of a pickup at the end of the period, with factors such as a drop in the unemployment rate and an uptick in personal spending providing a boost. In Europe, the economy showed continued weak movement due to factors such as high unemployment and uncertainty about the financial futures of several European states. In Asia, the pace of economic expansion in China slowed primarily because of sluggish Chinese exports. India also saw the rate of economic growth weaken, with a high real interest rate a major factor. On the other hand, signs of a pickup in economic activity driven primarily by internal demand were seen in other Asian countries. The Japanese economy stayed in a holding pattern as exports and production declined in sympathy with the global economic slowdown, but there were signs of a bottoming out owing to improvement in the export environment toward the end of the period and the effects of economic and financial policies.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Inkjet printer demand contracted in North America and Europe. Japan saw a sustained recovery in demand across the first half before dropping off in the second half. Large-format inkjet printer shipments were moderated by spending restraints in the printing and photo industries due to the murky economic outlook, while demand was seen decelerating in the once firm Asian markets, especially in China. Serial impact dot-matrix (SIDM) printer demand shrank in America, Europe and Japan and plummeted in China, where SIDM printers are used in tax collection systems. POS system product shipments to Southeast Asia and to small and medium-sized retailers in the Americas were solid during the period owing to an upswing in capital expenditure. However, a continued reluctance to invest on the part of large European retailers moderated sales. In 3LCD projectors demand growth was seen slowing in North America, Europe, and China.
Demand for the main applications for electronic devices remained steady across the period, but there were clear areas of strength and of weakness, depending on the product category. Smartphone demand continued to expand, while conventional mobile phone demand continued to decline. In the PC market demand for tablets was robust, while notebook and desktop PC sales slumped. In digital cameras, the market for SLR (single-lens reflex) and MILC (mirrorless interchangeable-lens camera) models expanded, but smartphones significantly eroded demand for compact cameras, especially in the latter half of the period.
In the precision products market, watch demand rebounded in Japan and other parts of Asia but showed signs of softening in Europe and America. Robot demand increased in the first half primarily on higher demand from electronics and IT manufacturers in China and Taiwan. However, signs of a general softening of the market emerged in the second half, and IC handler demand weakened as chip makers curtailed investments.

Epson began fiscal 2012 under the SE15 Second-Half Mid-Range Business Plan (FY2012-14), a three-year income growth plan that upheld the basic direction of the strategies outlined in Epson's SE15 Long-Range Corporate Vision but was predicated on revenue growth. Despite executing the plan, however, Epson found itself forced to revise its financial forecasts downward twice in the first half of fiscal 2012, largely because of a persistently difficult business environment.

Given this situation, Epson re-examined and adjusted the strategies and financial targets set forth in the SE15 Second-Half Mid-Range Business Plan and, in March 2013, established a new three-year plan, the Updated SE15 Second-Half Mid-Range Business Plan (FY2013-15). We remain firmly committed to the course charted in SE15 but the tactics and emphasis will change. Under the updated basic policy we will pursue a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. Epson will work steadily during the three years of the updated plan to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.

The main extraordinary losses for the year under review included a ¥16,268 million ($172,971 thousand) litigation loss resulting primarily from the payment of a settlement in a lawsuit involving allegations of involvement in an LCD price-fixing cartel.
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 ¥83.11 and ¥107.14, respectively. This represents a 5% depreciation in the value of the yen against the dollar and a 2% 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 ¥851,297 million ($9,051,536 thousand), down 3.0% from the prior year. Operating income was ¥21,255 million ($225,996 thousand), down 13.7% from the prior year. Ordinary income was ¥17,629 million ($187,442 thousand), down 34.8% from the prior year. And net loss was ¥10,091 million ($107,293 thousand), compared to net income of ¥5,032 million in the previous year.

Operating Performance Highlights by Reporting Segments

A breakdown of the financial results in each reporting segment is provided below.

Information-Related Equipment Segment

The printer business as a whole reported a decline in net sales (including both printer units and consumables).
In the inkjet printer business the average selling prices of inkjet models that use ink cartridges rose but hardware unit shipments decreased, causing net sales in that category to decline. On the whole, however, net sales in inkjet printer hardware grew thanks to unit shipment growth in high-capacity ink tank models. Net sales of consumables for inkjet printers declined. Large-format printer (LFP) unit shipments declined in the face of an ongoing slump in hardware demand in the printing industry, but new high-end products bumped up average selling prices and, as a result, net sales. Even though shipments of LFP consumables shrank in response to declining print volume in the printing industry, consumables net sales increased thanks largely to the new LFPs in the high price zone, which helped increase average selling prices. Page printer sales decreased primarily due to the effects of corporate cost cutting. Serial-impact dot-matrix (SIDM) printer net sales decreased. In addition to erosion of average selling prices and lower unit volume in China, where demand for SIDM printers used in tax collection systems was particularly robust in the same period last year, net sales were also hurt by a decline in unit shipments in other parts of Asia and

Europe. POS systems product net sales grew. Although net sales were hurt by the effects of falling selling prices in the Americas and a decline in unit shipments in Europe, where customers were reluctant to spend due to the slow economy, unit shipments increased on strong, steady demand from small- and medium-sized retailers in the Americas and Southeast Asia. The printer business as a whole was affected by the weaker yen.

Net sales in the visual products business increased.
The visual products business as a whole reported net sales growth thanks to an increase in 3LCD projector unit shipments and foreign exchange effects.
Unit shipments of business 3LCD projectors increased in every region. Particularly large growth was seen in entry-level and short-throw lens models. Home-theater 3LCD projector unit shipments also increased. Demand in Europe was driven higher by major sporting events, while net sales benefited from an increase in average selling prices due to strong sales of high-priced models such as full-HD (1080p) projectors.

Segment income in the information-related equipment segment declined. In addition to a decline in income due to foreign exchange effects, segment income fell due to decreased income mainly from SIDM printers, and POS systems products.
As a result of the foregoing factors, net sales in the information-related equipment segment were ¥688,029 million ($7,315,566 thousand), down 0.5% year over year, while segment income was ¥52,670 million ($560,032 thousand), down 18.8% year over year.

Devices & Precision Products Segment
Net sales in the devices business declined.
Crystal device net sales declined. Tuning-fork crystal net sales fell due falls in unit shipments and unit prices. AT-cut crystal unit sales also declined despite unit shipment growth, as unit prices plummeted. Semiconductor net sales decreased. While silicon foundry order volume increased, net sales were heavily impacted by a decline in unit shipments of LCD controllers and LCD drivers for automotive applications.

Net sales in the precision products business declined.
The watch business reported an increase in net sales. This revenue growth was primarily the result of increases in unit shipments of solar GPS watches, solar radio-controlled watches, and high-end models, as well as a jump in average selling prices. In factory automation systems, sales of robots increased on a jump in orders from China and other regions in Asia. On the other hand, sales of IC handlers decreased due to sluggish demand from semiconductor manufacturers serving the PC and mobile phone markets.

Segment income in the devices and precision products segment increased thanks to a rebound in crystal product profit and increased watch profits.
As a result of the foregoing factors, net sales in the devices and precision products segment were ¥156,872 million ($1,667,963 thousand), down 10.3% year over year, while segment income was ¥7,658 million ($81,424 thousand), up 65.4% year over year.

Other
Net sales from other operations in the year under review were ¥1,273 million ($13,535 thousand), down 92.6% year over year. Segment loss was ¥1,191 million ($12,663 thousand), compared to a ¥1,545 million

segment loss recorded in the same period last year. The decrease in net sales is a result of the termination of the small- and medium-sized display business.

Adjustments

Adjustments to the total income of reporting segments amounted to -¥37,883 million (-$402,797 thousand), compared to -¥43,345 million recorded in the same period last year. Adjustments were mainly due to the recording of income related to patents and to selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

Liquidity and Financial Position

Financial Condition

Total assets were ¥778,547 ($8,278,011 thousand) million, an increase of ¥37,778 million compared to the last fiscal year end. The majority of this increase is accounted for by a ¥34,586 increase in cash and deposits and short-term investment securities.

Total liabilities were ¥519,740 million ($5,526,220 thousand), a ¥27,111 million increase compared to the last fiscal year end. While notes and accounts payable-trade declined by ¥20,177 million, total liabilities increased mainly because of a ¥4,702 million increase in a provision for bonuses, a ¥5,896 million increase in the provision for retirement benefits, and a ¥32,314 million total net increase in short-term loans payable, long-term loans payable, and bonds payable.

Total net assets were ¥258,806 million ($2,751,791 thousand), up ¥10,666 million compared to the previous fiscal year end. Although the company recorded a net loss and there was a ¥14,742 million decrease in retained earnings due to the payment of dividends, total net assets increased chiefly due to weakening of the yen, which led to a ¥25,160 million increase in foreign currency translation adjustments.

Cash Flow Performance

Net cash provided by operating activities during the year was ¥42,992 million ($457,118 thousand), compared to ¥26,678 million in the previous fiscal year. Although certain factors such as a ¥3,479 million loss before income taxes and minority interests and a payment of ¥10,692 million in income taxes had a negative effect, cash flows from operating activities increased on the whole because of factors such as the recording of ¥39,320 million in depreciation and amortization expenses and a ¥18,588 million decrease in inventory.

Net cash used in investing activities was ¥39,511 million ($420,106 thousand), up from ¥31,528 million in the previous fiscal year. Although the company recorded ¥3,147 million in income associated with a business transfer, it also recorded ¥43,846 million for the purchase of property, plant and equipment and the purchase of intangible assets.

Net cash from financing activities was ¥21,298 million ($226,454 thousand), compared to a negative cash flow of ¥57,406 million in the previous fiscal year. While there was a ¥10,000 million net decrease in bonds and a ¥4,651 million payment of dividends, net cash from financing activities increased mainly due to a ¥36,462 million net increase in short-term and long-term loans payable.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥184,639 million ($1,963,200 thousand) compared to ¥150,029 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 will pay a year-end dividend of 7 yen per share. This figure was reached based on the company's financial performance for the 2012 fiscal year as well as on a comprehensive analysis of the company's financial situation, including mid-term financial performance trends and factors such as cash flows. The planned annual dividend will thus be 20 yen per share.

Epson plans to pay an annual dividend of 26 yen per share for the 2013 fiscal year.

Fiscal 2013 Forecast

The global economic situation in the fiscal year beginning April 2013 is expected to be as unpredictable as ever. While the economies of the U.S. and Japan are showing signs of picking up, the pace of economic growth in China and other emerging nations is slowing. Meanwhile, significant uncertainty remains about the future of the European economy in the face of financial crises and other problems.

Given this situation, Epson updated its mid-range business plan and, under this plan, will pursue a basic strategy of managing its businesses so that they create steady profit and avoiding the single-minded pursuit of revenue growth. Epson is resolved to make the 2012 fiscal year the bottom in terms of income and will make the generation of steady income its top priority.

Epson's financial outlook for the 2013 fiscal year (ending March 31, 2014) is presented below. Please note that Epson revised its exchange rate assumptions since announcing its financial targets on March 13, 2013. The new exchange rates, which reflect the recent weakening of the yen, are 90 yen to the US dollar and 120 yen to the euro.

Consolidated Half-Year Result and Outlook

	FY2012 (Result)	FY2013 (Outlook)	Change	
Net sales	¥388.2 billion	¥430.0 billion	41.7 billion	10.7%
Operating income	- ¥14.1 billion	¥3.0 billion	17.1 billion	(-)
Ordinary income	- ¥14.1 billion	¥1.0 billion	15.1 billion	(-)
Net income	- ¥35.4 billion	- ¥5.0 billion	30.4 billion	(-)
Foreign exchange rate	1 USD = ¥79 1 euro = ¥100	1 USD = ¥90 1 euro = ¥120		

Consolidated Full-Year Result and Outlook

	FY2012 (Result)	FY2013 (Outlook)	Change	
Net sales	¥851.2 billion	¥910.0 billion	58.7 billion	6.9%
Operating income	¥21.2 billion	¥33.0 billion	11.7 billion	55.3%
Ordinary income	¥17.6 billion	¥30.0 billion	12.3 billion	70.2%
Net income	- ¥10.0 billion	¥13.0 billion	23.0 billion	(-)
Foreign exchange rate	1 USD = ¥83 1 euro = ¥107	1 USD = ¥90 1 euro = ¥120		

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.

Overview of the Business Group

Epson develops, manufactures, markets and provides services related to information-related equipment, electronic devices, and precision 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.

Please note that the segment categories were changed in April 2013 to the information-related equipment business segment, the devices and precision products business segment, the sensing and industrial solutions business segment, and the other business segment.

Information-related Equipment Business Segment

This segment includes the printer business, the visual products business and others. The businesses in this segment develop, manufacture and sell mainly printers, 3LCD projectors, HTPS-TFT panels for 3LCD projectors and personal computers.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Printer</td><td>Color inkjet printers,
page printers,
dot matrix printers,
large format inkjet printers,
and related supplies,
color image scanners,
mini-printers, and
printers for use in POS systems</td><td>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.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
Epson Iberica, S.A.
Epson (China) Co., Ltd
Epson Korea Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual products</td><td>3LCD projectors, HTPS-TFT panels for 3LCD projectors, and label printers</td><td>Epson Engineering (Shenzhen) Ltd.
Epson Precision (Philippines), Inc.</td></tr>
<tr><td>Others</td><td>Personal computers</td><td>-</td><td>Epson Direct Corporation</td></tr>
</table>

Devices & Precision Products Business Segment

This segment includes the devices business and the precision products business. The businesses in this segment develop, manufacture and sell mainly crystal units, CMOS LSI, watches, watch movements, and precision industrial robots.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td rowspan="2">Devices</td><td>[Quartz devices]
Crystal units,
crystal oscillators, and
quartz sensors</td><td>Epson Toyocom Corporation
Akita Epson Corporation
Epson Toyocom Malaysia Sdn. Bhd.</td><td rowspan="2">Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>[Semiconductors]
CMOS LSIs</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
<tr><td rowspan="2">Precision products</td><td>[Watches]
Watches and
watch movements</td><td>Epson Precision (Shenzhen) Ltd.
Singapore Epson Industrial Pte. Ltd.</td><td>Time Module (Hong Kong) Ltd.</td></tr>
<tr><td>[Factory automation systems]
Precision industrial robots,
IC handlers, and
industrial inkjet equipment</td><td>Epson Engineering (Shenzhen) Ltd.</td><td>Epson America, Inc.
Epson Deutschland GmbH
Epson (China) Co., Ltd.</td></tr>
</table>

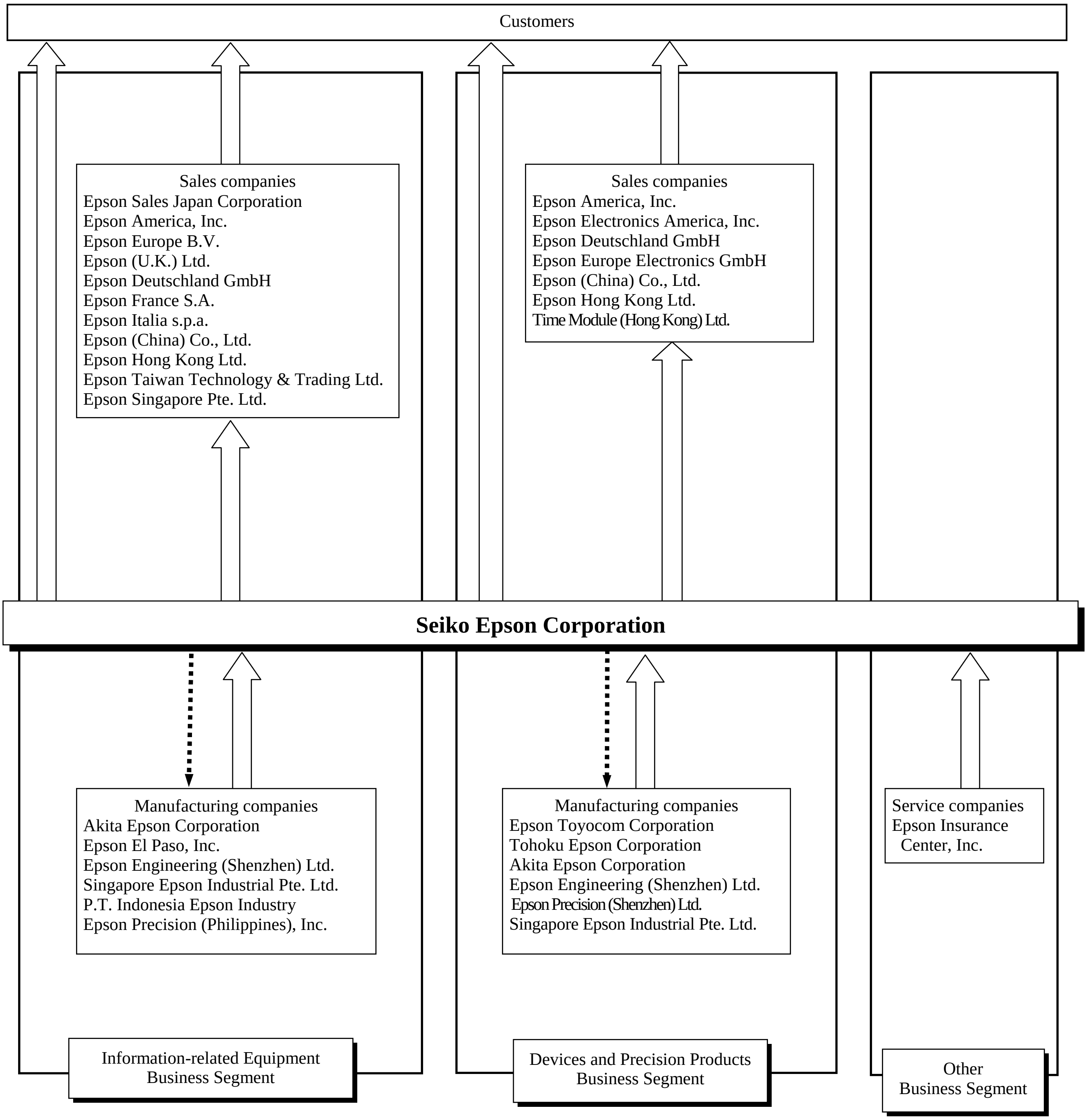
Notes:

1. Seiko Epson Corporation acquired in an absorption-type split the sales function of Epson Toyocom Corporation on April 1, 2012.
2. Epson transferred its optical products business to Hoya Corporation and Hoya Group companies on February 1, 2013.
3. On April 1, 2013, Epson Toyocom Corporation changed its name to Miyazaki Epson Corporation, and Epson Toyocom Malaysia Sdn. Bhd. changed its name to Epson Precision Malaysia Sdn. Bhd..

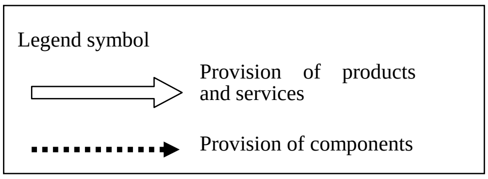
Other Business Segment

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. Fundamental management policy

Epson seeks to become an indispensable company by forging a community of robust businesses built on a foundation of long-established core competencies, especially precision technologies and technologies that reduce product size, space and energy requirements, and by providing products and services that delight customers around the world.
Using the Epson Management Philosophy below as a guide, we will strive to achieve our vision with employees who embrace a common set of values that enhance customer value and who act on their own initiative.

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- and long-term corporate strategy and issues to be addressed

Epson began fiscal 2012 under the SE15 Second-Half Mid-Range Business Plan (FY2012-14), a three-year income growth plan that upheld the basic direction of the strategies outlined in Epson's SE15 Long-Range Corporate Vision but was predicated on revenue growth. Despite executing the plan, however, Epson found itself forced to twice revise its financial forecasts downward in the first half of fiscal 2012, largely because of a persistently difficult business environment.
Given this situation, Epson reviewed and revised the strategies and financial targets set forth in the SE15 Second-Half Mid-Range Business Plan and, in March 2013, established a new three-year plan, the Updated SE15 Second-Half Mid-Range Business Plan (FY2013-15). We remain firmly committed to the course charted in SE15 but the tactics and emphasis will change. Under the updated basic policy we will pursue a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. Epson will work steadily during the three years of the updated plan to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.
The global economic situation remains as unpredictable as ever. While the economies of the U.S. and Japan are showing signs of picking up, the pace of economic growth in China and other emerging nations is slowing. Meanwhile, significant uncertainty remains about the future of the European economy in the face of financial crises and other problems. Society is changing, shifting increasingly toward sustainable industry and sustainable economic activity. This trend will likely alter the kind of customer value that Epson will need to provide.
Under this type of business environment, we will remake Epson into a company that once again posts strong growth. We will achieve this by focusing our management resources on strategic segments where we can continue to leverage our unique strengths, by expanding our business segments, and by building stronger new businesses that will carry the future. Ultimately, we aim to achieve 10% ROS and 10% or better ROE on a sustained basis as early as possible during the mid-range business plan that starts in fiscal 2016, by which time Epson will have established a stable profit structure.

Management Policies and Basic Strategies in Each Business

The names of the business segments were changed as of April 2013, in conjunction with the establishment of the updated mid-range business plan.

Printing Systems Business

In the printing systems business we will look to create an innovative printing environment by leveraging inkjet technology. In inkjet printers we will, over the medium term, improve the model mix, realign the product mix and business model, and boost competitiveness by launching inkjet units that sport a new print head. At the same time, we will further enhance service and support, including IT solutions. In the business systems business, we will achieve steady income growth by uncovering new demand while maintaining a grip on the top share in existing segments.

Visual Communications Business

In the visual communications business we will create new forms of visual communication using microdisplay technology. In projectors, we will strengthen Epson's position in existing product domains and in new product domains, such as high-brightness projectors, by enhancing our ability to provide new solutions and boosting our sales network. This will lead to the growth of new business domains and profitability improvements. Head-mounted displays (HMD) have the potential to change the way we live and work. Going forward, we will open up new applications and generate new value by unlocking the potential of these products as hands-free information tools.

Microdevices and Precision Products Businesses

In these businesses we will use well-honed technology to continue creating unique products that rivals cannot replicate. The microdevices business has shored up its profit structure by revamping its product portfolio and cost structure. Going forward, we will secure steady income in this business by being a leader in miniaturization and performance and by creating products that provide customer value. The precision products business, undergirded by unique technology, will strive to improve profitability going forward by strengthening its lineup of high-added-value products such as solar GPS watches and by growing its small yet highly profitable metal powder and surface finishing businesses.

Industrial Solutions Business

In the industrial solutions business we will employ advanced mechatronics to create robots and production systems that dramatically increase productivity. Epson's track record and a reputation for reliability have made us the market share leader in SCARA and 6-axis robots. Meanwhile, Epson textile printing systems and label presses are steadily gaining traction in the market. We will develop industrial solutions into a future core growth business by employing advanced mechatronics, including unique inkjet and intelligent robot technologies, to create industrial robots, production equipment, and inkjet systems that dramatically increase productivity.

Sensing Systems Business

The sensing systems business will use high-precision sensors to create new value to improve people's lives. Over the past few years, we have been delving into Epson's storehouse of component and sensing systems technologies to build new businesses around new sensing products, such as wristwatch-like GPS running monitors and pulse monitors. Going forward, we will take larger strides in developing products for applications in sports, healthcare, medicine, and industrial monitoring of facilities and infrastructure. These products will be integrated with new cloud-based systems. Epson's innovative solutions will drive new growth by converting raw data about the state of human and infrastructure health, for example, into a practical and visual format.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2013	March 31, 2013
Assets			
Current assets			
Cash and deposits	¥123,093	¥106,678	$1,134,269
Notes and accounts receivable-trade	139,309	132,289	1,406,581
Short-term investment securities	19,010	70,012	744,412
Merchandise and finished goods	99,472	95,853	1,019,170
Work in process	41,524	45,677	485,667
Raw materials and supplies	21,258	21,998	233,896
Deferred tax assets	12,678	14,765	156,990
Other	32,336	33,582	357,101
Allowance for doubtful accounts	(1,493)	(1,399)	(14,875)
Total current assets	487,190	519,457	5,523,211
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	393,081	395,133	4,201,307
Machinery, equipment and vehicles	417,229	420,835	4,474,587
Tools, furniture and fixtures	150,841	162,368	1,726,400
Land	54,731	51,878	551,600
Construction in progress	5,700	4,451	47,325
Other	102	120	1,300
Accumulated depreciation	(808,600)	(817,398)	(8,691,100)
Total property, plant and equipment	213,086	217,388	2,311,419
Intangible assets			
Goodwill	1,758	887	9,431
Other	13,307	12,481	132,706
Total intangible assets	15,066	13,368	142,137
Investments and other assets			
Investment securities	12,614	13,440	142,902
Long-term loans receivable	36	38	404
Deferred tax assets	3,776	5,307	56,427
Other	9,068	9,594	102,010
Allowance for doubtful accounts	(68)	(47)	(499)
Total investments and other assets	25,426	28,332	301,244
Total noncurrent assets	253,579	259,089	2,754,800
Total assets	¥740,769	¥778,547	$8,278,011

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2013	March 31, 2013
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥77,427	¥57,249	$608,708
Short-term loans payable	30,812	53,626	570,186
Current portion of bonds	40,000	—	—
Current portion of long-term loans payable	30,500	75,000	797,448
Accounts payable-other	56,695	51,782	550,579
Income taxes payable	7,631	7,338	78,022
Deferred tax liabilities	76	1	10
Provision for bonuses	8,333	13,035	138,596
Provision for product warranties	7,626	7,624	81,063
Other	54,210	61,030	648,956
Total current liabilities	313,314	326,688	3,473,568
Noncurrent liabilities			
Bonds payable	60,000	90,000	956,937
Long-term loans payable	77,500	52,500	558,213
Deferred tax liabilities	8,696	10,786	114,683
Provision for retirement benefits	23,407	29,304	311,578
Provision for loss on litigation	1,963	2,159	22,955
Provision for product warranties	659	652	6,932
Provision for recycle costs	560	577	6,135
Other	6,525	7,072	75,219
Total noncurrent liabilities	179,314	193,052	2,052,652
Total liabilities	492,628	519,740	5,526,220
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	565,699
Capital surplus	84,321	84,321	896,555
Retained earnings	194,047	179,305	1,906,485
Treasury stock			
March 31, 2013 - 20,925,261 shares			
March 31, 2012 - 20,924,404 shares	(20,453)	(20,453)	(217,480)
Total shareholders' equity	311,119	296,376	3,151,259
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,838	2,621	27,868
Deferred gains or losses on hedges	(1,013)	(1,911)	(20,318)
Foreign currency translation adjustment	(65,502)	(40,342)	(428,931)
Total accumulated other comprehensive income	(64,676)	(39,631)	(421,381)
Minority interests	1,697	2,061	21,913
Total net assets	248,140	258,806	2,751,791
Total liabilities and net assets	¥740,769	¥778,547	$8,278,011

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

Consolidated Statements of Operations

Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2013	March 31, 2013
Net sales	¥877,997	¥851,297	$9,051,536
Cost of sales	629,151	616,857	6,558,830
Gross profit	248,846	234,439	2,492,706
Selling, general and administrative expenses	224,219	213,184	2,266,710
Operating income	24,626	21,255	225,996
Non-operating income:			
Interest income	1,110	805	8,559
Rent income	1,549	1,200	12,759
Foreign exchange gains	1,396	—	—
Other	4,661	2,321	24,689
Total non-operating income	8,718	4,327	46,007
Non-operating expenses:			
Interest expenses	3,573	3,041	32,333
Foreign exchange losses	—	2,944	31,302
Other	2,748	1,967	20,926
Total non-operating expenses	6,322	7,953	84,561
Ordinary income	27,022	17,629	187,442
Extraordinary income:			
Insurance income	1,252	4,463	47,453
Gain on revision of retirement benefit plan	364	—	—
Other	1,025	220	2,350
Total extraordinary income	2,643	4,684	49,803
Extraordinary loss:			
Impairment loss	586	4,605	48,963
Loss on litigation	6,052	16,268	172,971
Loss on transfer of subsidiary's equity	2,024	—	—
Other	5,380	4,919	52,301
Total extraordinary losses	14,043	25,792	274,235
Income (loss) before income taxes and minority interests	15,622	(3,479)	(36,990)
Income taxes-current	10,622	7,964	84,679
Income taxes-deferred	(218)	(1,521)	(16,172)
Total income taxes	10,404	6,443	68,507
Income (loss) before minority interests	5,217	(9,922)	(105,497)
Minority interests in income	185	168	1,796
Net income (loss)	¥5,032	(¥10,091)	($107,293)

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, 2012	March 31, 2013	March 31, 2013
Income (loss) before minority interests	¥5,217	(¥9,922)	($105,497)
Other comprehensive income			
Valuation difference on available-for-sale securities	(719)	777	8,261
Deferred gains or losses on hedges	(440)	(897)	(9,537)
Foreign currency translation adjustment	(1,649)	25,353	269,569
Share of other comprehensive income of associates accounted for using equity method	1	102	1,084
Total other comprehensive income	(2,807)	25,335	269,377
Comprehensive income	¥2,409	¥15,413	$163,880
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	¥2,181	¥14,954	$159,011
Comprehensive income attributable to minority interests	¥228	¥458	$4,869

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, 2012	March 31, 2013	March 31, 2013
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥53,204	¥53,204	$565,699
Changes of items during the period			
Total changes of items during the period	―	―	―
Balance at the end of current period	53,204	53,204	565,699
Capital surplus			
Balance at the beginning of current period	84,321	84,321	896,555
Changes of items during the period			
Total changes of items during the period	―	―	―
Balance at the end of current period	84,321	84,321	896,555
Retained earnings			
Balance at the beginning of current period	193,602	194,047	2,063,230
Changes of items during the period			
Dividends from surplus	(4,586)	(4,651)	(49,452)
Net income (loss)	5,032	(10,091)	(107,293)
Total changes of items during the period	445	(14,742)	(156,745)
Balance at the end of current period	194,047	179,305	1,906,485
Treasury stock			
Balance at the beginning of current period	(38)	(20,453)	(217,480)
Changes of items during the period			
Purchase of treasury stock	(20,415)	(0)	(0)
Total changes of items during the period	(20,415)	(0)	(0)
Balance at the end of current period	(20,453)	(20,453)	(217,480)
Total shareholders' equity			
Balance at the beginning of current period	331,088	311,119	3,308,004
Changes of items during the period			
Dividends from surplus	(4,586)	(4,651)	(49,452)
Net income (loss)	5,032	(10,091)	(107,293)
Purchase of treasury stock	(20,415)	(0)	(0)
Total changes of items during the period	(19,969)	(14,742)	(156,745)
Balance at the end of current period	311,119	296,376	3,151,259
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	2,558	1,838	19,543
Changes of items during the period			
Net changes of items other than shareholders' equity	(719)	783	8,325
Total changes of items during the period	(719)	783	8,325
Balance at the end of current period	1,838	2,621	27,868
Deferred gains or losses on hedges			
Balance at the beginning of current period	(572)	(1,013)	(10,781)
Changes of items during the period			
Net changes of items other than shareholders' equity	(440)	(897)	(9,537)
Total changes of items during the period	(440)	(897)	(9,537)
Balance at the end of current period	(1,013)	(1,911)	(20,318)
Foreign currency translation adjustment			
Balance at the beginning of current period	(63,812)	(65,502)	(696,448)
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,690)	25,160	267,517
Total changes of items during the period	(1,690)	25,160	267,517
Balance at the end of current period	(65,502)	(40,342)	(428,931)

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	March 31, 2013	March 31, 2013
Total accumulated other comprehensive income			
Balance at the beginning of current period	(61,826)	(64,676)	(687,686)
Changes of items during the period			
Net changes of items other than shareholders' equity	(2,850)	25,045	266,305
Total changes of items during the period	(2,850)	25,045	266,305
Balance at the end of current period	(64,676)	(39,631)	(421,381)
Minority interests			
Balance at the beginning of current period	1,545	1,697	18,054
Changes of items during the period			
Net changes of items other than shareholders' equity	152	363	3,859
Total changes of items during the period	152	363	3,859
Balance at the end of current period	1,697	2,061	21,913
Total net assets			
Balance at the beginning of current period	270,808	248,140	2,638,372
Changes of items during the period			
Dividends from surplus	(4,586)	(4,651)	(49,452)
Net income (loss)	5,032	(10,091)	(107,293)
Purchase of treasury stock	(20,415)	(0)	(0)
Net changes of items other than shareholders' equity	(2,698)	25,409	270,164
Total changes of items during the period	(22,667)	10,666	113,419
Balance at the end of current period	¥248,140	¥258,806	$2,751,791

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, 2012	March 31, 2013	March 31, 2013
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥15,622	(¥3,479)	($36,990)
Depreciation and amortization	37,651	39,320	418,075
Impairment loss	586	4,605	48,963
Equity in (earnings) losses of affiliates	(85)	(132)	(1,403)
Amortization of goodwill	873	871	9,261
Increase (decrease) in allowance for doubtful accounts	(425)	(265)	(2,817)
Increase (decrease) in provision for bonuses	(8,224)	4,411	46,900
Increase (decrease) in provision for product warranties	(199)	(715)	(7,602)
Increase (decrease) in provision for retirement benefits	3,374	5,136	54,609
Interest and dividends income	(1,373)	(1,018)	(10,824)
Interest expenses	3,573	3,041	32,333
Foreign exchange losses (gains)	(2,250)	(4,570)	(48,591)
Loss (gain) on sales of noncurrent assets	(872)	13	138
Loss on retirement of noncurrent assets	760	936	9,952
Loss (gain) on sales of investment securities	(150)	(5)	(53)
Insurance income	(1,252)	(4,463)	(47,453)
Loss on litigation	6,052	16,268	172,971
Loss on transfer of subsidiary's equity	2,024	—	—
Decrease (increase) in notes and accounts receivable-trade	(995)	6,862	72,961
Decrease (increase) in inventories	(20,360)	18,588	197,639
Increase (decrease) in accrued consumption taxes	2,005	577	6,135
Increase (decrease) in notes and accounts payable-trade	4,822	(17,169)	(182,551)
Other, net	5,884	(4,230)	(44,966)
Subtotal	47,042	64,583	686,687
Interest and dividends income received	2,292	1,833	19,489
Interest expenses paid	(3,709)	(3,099)	(32,950)
Proceeds from insurance income	1,252	4,463	47,453
Payments for loss on litigation	(6,207)	(14,095)	(149,867)
Payments for business restructuring	(6,061)	—	—
Income taxes paid	(7,929)	(10,692)	(113,694)
Net cash provided by (used in) operating activities	26,678	42,992	457,118
Net cash provided by (used in) investing activities			
Purchase of investment securities	(777)	(0)	(0)
Proceeds from sales of investment securities	162	6	63
Purchase of property, plant and equipment	(32,709)	(39,816)	(423,349)
Proceeds from sales of property, plant and equipment	1,723	1,105	11,749
Purchase of intangible assets	(3,998)	(4,030)	(42,849)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,940)	—	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	132	—	—
Proceeds from transfer of equity in subsidiaries resulting in change in scope of consolidation	6,358	—	—
Proceeds from transfer of business	—	3,147	33,460
Other, net	(480)	75	820
Net cash provided by (used in) investing activities	(31,528)	(39,511)	(420,106)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(248)	16,962	180,350
Proceeds from long-term loans payable	500	50,000	531,632
Repayment of long-term loans payable	(42,093)	(30,500)	(324,295)
Proceeds from issuance of bonds	40,000	30,000	318,979
Redemption of bonds	(30,000)	(40,000)	(425,305)
Repayments of lease obligations	(553)	(417)	(4,433)
Purchase of treasury stock	(20,415)	(0)	(0)
Cash dividends paid	(4,586)	(4,651)	(49,452)
Cash dividends paid to minority shareholders	(9)	(94)	(1,022)
Net cash provided by (used in) financing activities	(57,406)	21,298	226,454
Effect of exchange rate change on cash and cash equivalents	509	9,830	104,530
Net increase (decrease) in cash and cash equivalents	(61,747)	34,609	367,996
Cash and cash equivalents at beginning of period	211,777	150,029	1,595,204
Cash and cash equivalents at end of period	¥150,029	¥184,639	$1,963,200

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, 2013, the Company had 88 consolidated subsidiaries. It has applied the equity method in respect to one unconsolidated subsidiary and six 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.

In line with the fiscal year 2012 Japanese tax reforms, effective April 1, 2012, the Company and its Japanese subsidiaries adopted the 200% declining-balance method for depreciation of property, plant and equipment (excluding buildings) acquired on or after April 1, 2012. The adoption of the new method did not have a material effect on Epson’s results of operations and financial position for the year ended March 31, 2013.

(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.

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 ¥94.05 = U.S.$1, the exchange rate prevailing as of March 31, 2013, has been used.

5. Business transfer

The business transfer

As of November 16, 2012, the Company concluded an agreement with Hoya Corporation ("Hoya") about the transfer of the optical products business of the Company and related subsidiaries to Hoya group. As a result of this agreement, on February 1, 2013, the Company and related subsidiaries transferred their optical products business to Hoya Group.

According to the terms of the deal, the two groups' related businesses will be merged and leveraged worldwide.

Outline of business transfer

Transferred to	Hoya group
Business activities	Development, manufacture and sales of eyeglass lenses
Date of transfer	February 1, 2013
Loss on transfer of business	¥1,790 million ($19,032 thousand)

Transferred carrying amounts of assets and liabilities as of January 31, 2013, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,224	$13,014
Noncurrent assets	3,317	35,268
Total	¥4,541	$48,282
Current liabilities	-	-
Noncurrent liabilities	-	-
Total	-	-

Accounting method

Investments in the transferred optical products business of the Company and related subsidiaries are deemed as liquidated, and the difference between the market value of assets received and the amount of shareholders' equity corresponding to the transferred business is recognized as the loss on transfer.

Name of the reporting segment in which the business was included

Devices & precision products segment

Outline of the business

(a) Net sales ¥8,233 million ($87,538 thousand)
(year ended March 31, 2013)

(b) Operating income ¥173 million ($1,839 thousand)
(year ended March 31, 2013)

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations as of March 31, 2012 and 2013, were ¥31,031 million and ¥31,594 million ($335,927 thousand), respectively.

7. Investment securities for unconsolidated subsidiaries and affiliates

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in the investment securities account as of March 31, 2012 and 2013, were ¥2,996 million and ¥3,390 million ($36,044 thousand), respectively.

8. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2012 and 2013. 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, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2012	2013	2013
Goodwill	¥1,832	¥912	$9,696
Negative goodwill	74	25	265

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, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2012	2013	2013
Projected benefit obligations	¥238,316	¥276,540	$2,940,350
Plan assets at fair value	201,870	217,702	2,314,747
Unfunded status	36,446	58,837	625,603
Unrecognized items:			
Actuarial gains (losses)	(14,554)	(31,087)	(330,558)
Prior service cost reduction from plan amendment	286	215	2,286
Provision for retirement benefits - net	22,178	27,964	297,331
Prepaid pension cost	1,229	1,339	14,247
Provision for retirement benefits	¥23,407	¥29,304	$311,578

The composition of net pension and severance costs for the years ended March 31, 2012 and 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2012	2013	2013
Service cost	¥7,486	¥7,166	$76,193
Interest cost	6,146	6,332	67,325
Expected return on plan assets	(6,473)	(5,293)	(56,278)
Amortization and expenses:			
Actuarial losses	8,085	8,867	94,279
Prior service costs	147	(71)	(754)
Net pension and severance costs	15,391	17,001	180,765
Contribution to defined contribution pension plan	4,153	4,151	44,136
	¥19,544	¥21,152	$224,901

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2012 and 2013, were primarily as follows:

	Year ended March 31	
	2012	2013
Discount rate	2.5%	1.7%
Long-term rate of return on plan assets	3.2	2.5

10. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2012 and 2013, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2012	2013	2013
Net income (loss) attributable to common shares	¥5,032	(¥10,091)	($107,293)
	Thousands of shares		
Weighted-average number of common shares outstanding	191,885	178,893	
	Yen		U.S. dollars
Net income (loss) per share	¥26.22	(¥56.41)	($0.59)

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the year ended March 31, 2012. Diluted net income per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the year ended March 31, 2013.

11. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2012 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2012	2013	2013
Salaries and wages	¥71,691	¥74,046	$787,304
Advertising	16,559	14,956	159,021
Sales promotion	20,714	18,128	192,748
Shipping costs	18,809	12,647	134,471
Research and development costs	21,526	18,992	201,935
Allowance for doubtful accounts	143	(5)	(53)
Other	74,774	74,420	791,284
Total	¥224,219	¥213,184	$2,266,710

12. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥52,106 million and ¥49,923 million ($530,813 thousand) for the years ended March 31, 2012 and 2013, respectively.

13. Loss on litigation

Loss on litigation for the year ended March 31, 2012 and 2013, comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

14. Impairment losses

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

For the year ended March 31, 2013, Epson incurred impairment losses on its idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥4,605 million ($48,963 thousand) was recognized in impairment losses account. The reduction mainly comprised ¥1,165 million

($12,387 thousand) for buildings and structures, and ¥2,821 million ($29,994 thousand) for land. The recoverable amounts are determined using their net selling prices, which were assessed on the basis of reasonable estimates.

15. Cash flow information

Cash and cash equivalents as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2012	2013	2013
Cash and deposits	¥123,093	¥106,678	$1,134,269
Short-term investment securities	19,010	70,012	744,412
Short-term loans receivables	8,000	8,000	85,060
Less:			
Short-term loans payable (overdrafts)	(9)	—	—
Time deposits due over three months	(54)	(39)	(414)
Short-term investment securities due over three months	(10)	(12)	(127)
Cash and cash equivalents	¥150,029	¥184,639	$1,963,200

The Company obtained marketable securities, the fair value of which was ¥7,999 million and ¥7,997 million ($85,029 thousand) as of March 31, 2012 and 2013, respectively, as deposit for the short-term loans receivables above.

Detail of decreased assets and liabilities due to the transfer of business.

Detail of assets and liabilities as of transferring date and proceeds from the transfer of optical products business were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,224	$13,014
Noncurrent assets	3,317	35,268
Loss on transfer of business	(1,739)	(18,490)
Total	2,802	29,792
Unpaid amount of transfer of business	345	3,668
Proceeds from transfer of business	¥3,147	$33,460

¥51 million ($542 thousand) is the variance of “loss on transfer of business” with the Note of Business transfer, is due to the influence of the exchange rate.

16. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others were ¥528 million and ¥391 million ($4,157 thousand) as of March 31, 2012 and 2013, respectively.

17. Segment information

(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 two 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 and the devices & 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, HTPS-TFT panels for 3LCD projectors, label printers and personal computers.

The devices & precision products segment mainly includes crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, 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, 2012 and 2013:

	Millions of yen						
	Year ended March 31, 2012						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	¥691,234	¥166,823	¥858,058	¥16,582	¥874,640	¥3,356	¥877,997
Inter-segment	567	7,987	8,554	734	9,288	(9,288)	-
Total	691,801	174,811	866,612	17,316	883,929	(5,932)	877,997
Segment income (loss) (Operating income)	64,888	4,629	69,517	(1,545)	67,971	(43,345)	24,626
Segment assets	355,074	133,358	488,432	4,424	492,857	247,911	740,769
Other							
Depreciation and amortization	22,706	10,175	32,882	223	33,105	4,441	37,547
Increase in property, plant, equipment and intangible assets	29,510	6,853	36,363	312	36,675	4,610	41,285
Amortization of goodwill	¥–	¥883	¥883	¥–	¥883	¥38	¥922

	Millions of yen						
	Year ended March 31, 2013						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	¥687,570	¥150,840	¥838,411	¥856	¥839,267	¥12,029	¥851,297
Inter-segment	458	6,031	6,490	416	6,907	(6,907)	-
Total	688,029	156,872	844,901	1,273	846,175	5,122	851,297
Segment income (loss) (Operating income)	52,670	7,658	60,329	(1,191)	59,138	(37,883)	21,255
Segment assets	367,600	118,980	486,580	3,734	490,314	288,232	778,547
Other							
Depreciation and amortization	26,229	8,739	34,968	96	35,065	4,114	39,179
Increase in property, plant, equipment and intangible assets	33,447	7,939	41,386	9	41,395	2,018	43,413
Amortization of goodwill	¥–	¥883	¥883	¥–	¥883	¥36	¥919

	Thousands of U.S. dollars						
	Year ended March 31, 2013						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	$7,310,697	$1,603,827	$8,914,524	$9,101	$8,923,625	$127,911	$9,051,536
Inter-segment	4,869	64,136	69,005	4,434	73,439	(73,439)	-
Total	7,315,566	1,667,963	8,983,529	13,535	8,997,064	54,472	9,051,536
Segment income (loss) (Operating income)	560,032	81,424	641,456	(12,663)	628,793	(402,797)	225,996
Segment assets	3,908,560	1,265,071	5,173,631	39,702	5,213,333	3,064,678	8,278,011
Other							
Depreciation and amortization	278,884	92,918	371,802	1,031	372,833	43,743	416,576
Increase in property, plant, equipment and intangible assets	355,630	84,412	440,042	96	440,138	21,456	461,594
Amortization of goodwill	$-	$9,388	$9,388	$-	$9,388	$383	$9,771

Notes;

1. Intra-group services and small- and medium-sized LCD business are categorized within "Other."

2. Adjustments were as follows.

Net sales

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Corporate expenses [Note]	¥3,416	¥12,082	$128,475
Eliminations	(9,348)	(6,960)	(74,003)
Total	(¥5,932)	¥5,122	$54,472

Segment income (loss)
(Operating income)

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Corporate expenses [Note]	(¥43,650)	(¥38,160)	($405,742)
Eliminations	304	277	2,945
Total	(¥43,345)	(¥37,883)	($402,797)

Segment assets

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Corporate expenses [Note]	¥254,198	¥295,982	$3,147,070
Eliminations	(6,286)	(7,749)	(82,392)
Total	¥247,911	¥288,232	$3,064,678

[Note] Corporate expenses comprise expenses that do not correspond to the reporting segments. These include income related to patents and expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

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
	2012	2013	2013
Corporate expenses	¥2,233	¥1,759	$18,703
Intangible assets [Note]	2,377	259	2,753
Total	¥4,610	¥2,018	$21,456

[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.

(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, 2012 and 2013:

	Millions of yen				
	Year ended March 31, 2012				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥313,940	¥120,199	¥109,115	¥334,741	¥877,997

	Millions of yen				
	Year ended March 31, 2013				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥266,644	¥139,067	¥102,500	¥343,085	¥851,297

	Thousands of U.S. dollars				
	Year ended March 31, 2013				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	$2,835,130	$1,478,649	$1,089,845	$3,647,912	$9,051,536

[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, 2012 and 2013:

	Millions of yen		
	Year ended March 31, 2012		
	Japan	Other	Total
Property, plant and equipment	¥162,597	¥50,488	¥213,086

	Millions of yen		
	Year ended March 31, 2013		
	Japan	Other	Total
Property, plant and equipment	¥155,176	¥62,212	¥217,388

	Thousands of U.S. dollars		
	Year ended March 31, 2013		
	Japan	Other	Total
Property, plant and equipment	$1,649,930	$661,489	$2,311,419

(e) Information of impairment loss

The following table summarizes information of impairment loss in each reporting segments for the year ended March 31, 2012 and 2013:

Millions of yen

	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	¥179	¥88	¥0	¥317	¥586

Millions of yen

	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	¥551	¥133	¥−	¥3,920	¥4,605

Thousands of U.S. dollars

	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	$5,858	$1,414	$−	$41,691	$48,963

[Note] Corporate expenses comprise expenses that do not correspond to the reporting segments. These include income related to patents and expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

(f) Information of goodwill

The following table summarizes information of goodwill in each reporting segments for the year ended March 31, 2012 and 2013:

Millions of yen

	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	¥−	¥1,781	¥−	¥50	¥1,832

Millions of yen

	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	¥−	¥898	¥−	¥14	¥912

	Thousands of U.S. dollars				
	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	$−	$9,548	$−	$148	$9,696

[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 for the year ended March 31, 2012 and 2013:

	Millions of yen				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	¥−	¥48	¥−	¥−	¥48
Negative goodwill	¥−	¥74	¥−	¥−	¥74

	Millions of yen				
	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	¥−	¥48	¥−	¥−	¥48
Negative goodwill	¥−	¥25	¥−	¥−	¥25

	Thousands of U.S. dollars				
	Year ended March 31, 2013				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	$−	$510	$−	$−	$510
Negative goodwill	$−	$265	$−	$−	$265

(g) Information of gain on negative goodwill

Gain on negative goodwill did not occur during the year ended March 31, 2012 and 2013:

(2) Three months ended March 31:

The following table summarizes the business segment information of Epson for the three months ended March 31, 2012 and 2013:

	Millions of yen							
	Three months ended March 31, 2012							
	Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:								
Customers	¥176,519	¥35,389	¥211,908	¥573	¥212,482	¥895	-	¥213,377
Inter-segment	100	1,696	1,796	207	2,004	3	(¥2,008)	-
Total	176,620	37,085	213,705	780	214,486	899	(2,008)	213,377
Segment income (loss) (Operating income)	¥15,585	(¥1,126)	¥14,458	(¥373)	¥14,084	(¥10,657)	¥93	¥3,521

	Millions of yen							
	Three months ended March 31, 2013							
	Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations	
Net sales:								
Customers	¥183,416	¥33,500	¥216,916	¥345	¥217,262	¥9,881	-	¥227,144
Inter-segment	102	1,016	1,118	97	1,215	2	(¥1,218)	-
Total	183,518	34,516	218,035	442	218,478	9,884	(1,218)	227,144
Segment income (loss) (Operating income)	¥14,076	¥325	¥14,401	(¥213)	¥14,187	(¥4,774)	¥47	¥9,460

	Thousands of U.S. dollars							
	Three months ended March 31, 2013							
	Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated
	Information-related equipment	Devices & precision products	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:								
Customers	$1,950,197	$356,193	$2,306,390	$3,679	$2,310,069	$105,071	-	$2,415,140
Inter-segment	1,084	10,803	11,887	1,031	12,918	32	($12,950)	-
Total	1,951,281	366,996	2,318,277	4,710	2,322,987	105,103	(12,950)	2,415,140
Segment income (loss) (Operating income)	$149,665	$3,455	$153,120	($2,275)	$150,845	($50,760)	$499	$100,584

Notes;

1. Intra-group services and small- and medium-sized LCD business are categorized within “Other.”
2. Corporate expenses comprise expenses that do not correspond to the reporting segments. These include income related to patents and expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

Supplementary Information

Consolidated year ended March 31, 2013

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.

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase %
Information-related equipment	691.8	688.0	(0.5%)
Printer	555.4	540.3	(2.7%)
Visual Products	120.8	130.8	8.3%
Other	17.5	17.5	0.1%
Intra-segment sales	(1.9)	(0.7)	-%
Devices & Precision Products	174.8	156.8	(10.3%)
Devices	111.6	93.4	(16.3%)
Precision Products	68.8	67.3	(2.2%)
Intra-segment sales	(5.7)	(3.9)	-%
Other	17.3	1.2	(92.6%)
Corporate expenses	3.4	12.0	253.7%
Inter-segment sales	(9.3)	(6.9)	-%
Consolidated sales	877.9	851.2	(3.0%)

Note: “Other” is business segment not categorized in reporting segments. The small- and medium-sized displays is included in “Other”.

(Unit: billion yen)

	Year ended March 31, 2013	Year ended March 31, Forecast for 2014	Increase %
Information-related equipment	685.8	745.0	8.6%
Printing Systems	538.1	578.0	7.4%
Visual Communications	130.8	150.0	14.6%
Other	17.5	18.0	2.4%
Intra-segment sales	(0.7)	(1.0)	-%
Devices & Precision Products	140.7	149.0	5.8%
Microdevices	93.3	96.0	2.8%
Precision Products	51.3	58.0	12.9%
Intra-segment sales	(3.9)	(5.0)	-%
Sensing/Industrial solutions	11.4	19.0	66.5%
Other	1.2	1.0	(21.5%)
Corporate expenses	18.9	4.0	(78.9%)
Inter-segment sales	(7.0)	(8.0)	-%
Consolidated sales	851.2	910.0	6.9%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase %
Information-related equipment			
Net sales:			
Customers	691.2	687.5	(0.5%)
Inter-segment	0.5	0.4	(19.1%)
Total	691.8	688.0	(0.5%)
Operating expenses	626.9	635.3	1.3%
Segment income (loss)	64.8	52.6	(18.8%)
Devices & Precision Products			
Net sales:			
Customers	166.8	150.8	(9.6%)
Inter-segment	7.9	6.0	(24.5%)
Total	174.8	156.8	(10.3%)
Operating expenses	170.1	149.2	(12.3%)
Segment income (loss)	4.6	7.6	65.4%
Other			
Net sales:			
Customers	16.5	0.8	(94.8%)
Inter-segment	0.7	0.4	(43.2%)
Total	17.3	1.2	(92.6%)
Operating expenses	18.8	2.4	(86.9%)
Segment income (loss)	(1.5)	(1.1)	-%
Corporate expenses			
Net sales:			
Customers	3.3	12.0	258.4%
Inter-segment	0.0	0.0	(11.4%)
Total	3.4	12.0	253.7%
Operating expenses	47.0	50.2	6.7%
Segment income (loss)	(43.6)	(38.1)	-%
Eliminations			
Net sales	(9.3)	(6.9)	-%
Operating expenses	(9.6)	(7.2)	-%
Segment income (loss)	0.3	0.2	(9.1%)
Consolidated			
Net sales	877.9	851.2	(3.0%)
Operating expenses	853.3	830.0	(2.7%)
Segment income (loss)	24.6	21.2	(13.7%)

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

(Unit: billion yen)

	Year ended March 31, 2013	Year ended March 31, Forecast for 2014	Increase %
Information-related equipment			
Net sales:			
Customers	685.4	744.0	8.5%
Inter-segment	0.4	1.0	129.8%
Total	685.8	745.0	8.6%
Operating expenses	634.1	675.0	6.4%
Segment income (loss)	51.7	70.0	35.3%
Devices & Precision Products			
Net sales:			
Customers	134.7	143.0	6.1%
Inter-segment	6.0	6.0	(0.7%)
Total	140.7	149.0	5.8%
Operating expenses	132.1	138.0	4.4%
Segment income (loss)	8.6	11.0	27.3%
Sensing/Industrial solutions			
Net sales:			
Customers	11.3	19.0	67.7%
Inter-segment	0.0	0.0	-%
Total	11.4	19.0	66.5%
Operating expenses	21.0	27.0	28.4%
Segment income (loss)	(9.6)	(8.0)	-%
Other			
Net sales:			
Customers	0.8	1.0	16.7%
Inter-segment	0.4	0.0	-%
Total	1.2	1.0	(21.5%)
Operating expenses	1.4	1.0	(30.5%)
Segment income (loss)	(0.1)	0.0	-%
Corporate expenses			
Net sales:			
Customers	18.9	3.0	(84.2%)
Inter-segment	0.0	1.0	-%
Total	18.9	4.0	(78.9%)
Operating expenses	48.6	44.0	(9.5%)
Segment income (loss)	(29.6)	(40.0)	-%
Eliminations			
Net sales	(7.0)	(8.0)	-%
Operating expenses	(7.2)	(8.0)	-%
Segment income (loss)	0.2	0.0	-%
Consolidated			
Net sales	851.2	910.0	6.9%
Operating expenses	830.0	877.0	5.7%
Segment income (loss)	21.2	33.0	55.3%

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

3. Geographic segment information

(Unit: billion yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase	Increase compared to previous year March 31, 2012 %
Japan				
Net sales:				
Customers	352.0	312.3	(39.7)	(11.3%)
Inter-segment	413.4	407.2	(6.2)	(1.5%)
Total	765.5	719.5	(45.9)	(6.0%)
Operating expenses	774.4	713.2	(61.2)	(7.9%)
Segment income (loss)	(8.9)	6.3	15.2	-%
The Americas				
Net sales:				
Customers	176.5	197.6	21.1	12.0%
Inter-segment	12.1	13.8	1.7	14.2%
Total	188.6	211.5	22.9	12.1%
Operating expenses	184.1	205.7	21.6	11.7%
Segment income (loss)	4.4	5.7	1.3	29.0%
Europe				
Net sales:				
Customers	174.9	170.7	(4.2)	(2.4%)
Inter-segment	4.9	6.6	1.6	33.3%
Total	179.9	177.3	(2.5)	(1.4%)
Operating expenses	178.4	178.4	0.0	0.0%
Segment income (loss)	1.4	(1.0)	(2.5)	-%
Asia/Oceania				
Net sales:				
Customers	174.5	170.5	(3.9)	(2.2%)
Inter-segment	356.5	360.9	4.4	1.2%
Total	531.0	531.5	0.5	0.1%
Operating expenses	510.9	512.8	1.8	0.4%
Segment income (loss)	20.0	18.7	(1.3)	(6.5%)
Eliminations				
Net sales	(787.1)	(788.7)	(1.5)	-%
Operating expenses	(794.6)	(780.2)	14.4	-%
Segment income (loss)	7.5	(8.5)	(16.0)	-%
Consolidated				
Net sales	877.9	851.2	(26.7)	(3.0%)
Operating expenses	853.3	830.0	(23.3)	(2.7%)
Segment income (loss)	24.6	21.2	(3.3)	(13.7%)

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, 2012	Year ended March 31, 2013	Increase	Increase compared to previous year March 31, 2012 %
Overseas Sales				
The Americas	175.6	200.3	24.7	14.1%
Europe	178.1	175.2	(2.9)	(1.6%)
Asia/Oceania	210.3	209.1	(1.2)	(0.6%)
Total	564.0	584.6	20.5	3.7%
Consolidated Sales	877.9	851.2	(26.7)	(3.0%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	20.0	23.5		
Europe	20.3	20.6		
Asia/Oceania	24.0	24.6		
Total	64.2	68.7		

Note: 1. Overseas 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.
2. Exports transacted through an intermediary such as trading companies are not included in oversea 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, 2012	Year ended March 31, 2013	Increase %
Capital expenditure	38.9	43.1	10.9%
Information-related equipment	29.5	33.4	13.3%
Devices & Precision Products	6.8	7.9	15.9%
Other / Coporate expenses	2.5	1.7	(30.5%)
Depreciation and amortization	37.6	39.3	4.4%
Information-related equipment	22.7	26.3	15.6%
Devices & Precision Products	10.1	8.7	(14.0%)
Other / Coporate expenses	4.6	4.2	(9.7%)

Note: “Other” is business segment not categorized in reporting segments. The small- and medium-sized displays is included in “Other”.

(Unit: billion yen)

	Year ended March 31, 2013	Year ended March 31, Forecast for 2014	Increase %
Capital expenditure	43.1	44.0	2.0%
Information-related equipment	33.4	30.0	(10.3%)
Devices & Precision Products	6.7	11.0	63.6%
Sensing/Industrial solutions	0.5	1.0	72.8%
Other / Coporate expenses	2.4	2.0	(16.8%)
Depreciation and amortization	39.3	44.0	11.9%
Information-related equipment	26.3	31.0	17.7%
Devices & Precision Products	8.0	9.0	11.2%
Sensing/Industrial solutions	0.5	1.0	70.1%
Other / Coporate expenses	4.3	3.0	(30.4%)

Note: 1.The segment information figures for FY2012 have been recalculated using the method used in FY2013.
2. “Other” is business segment not categorized in reporting segments.

6. Research and development

(Unit: billion yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase %	Forecast for the year ended March 31, 2014	Increase compared to previous year March 31, 2013 %
Research and Development	52.1	49.9	(4.2%)	49.0	(1.8%)
R&D / sales ratio	5.9%	5.9%		5.4%	

7. Management indices

(Unit: %)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase Point	Forecast for the year ended March 31, 2014	Increase compared to previous year March 31, 2013 Point
Return on equity (ROE)	2.0%	(4.0%)	(6.0)	5.2%	9.2
Return on assets (ROA)	3.5%	2.3%	(1.2)	3.9%	1.6
Return on sales (Operating)	2.8%	2.5%	(0.3)	3.6%	1.1
Return on sales (Ordinary)	3.1%	2.1%	(1.0)	3.3%	1.2

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Ordinary income / Beginning and ending balance average total assets
3. Return on sales (Operating)=Operating income / Net sales
4. Return on sales (Ordinary)=Ordinary income / Net sales

8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase
Foreign exchange effect	(31.9)	18.9	50.8
U.S. dollars	(17.7)	12.2	29.9
Euro	(7.6)	(2.1)	5.4
Other	(6.5)	8.8	15.3
Exchange rate			
Yen / U.S. dollars	79.08	83.11	
Yen / Euro	108.98	107.14	

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, 2012	March 31, 2012	March 31, 2013	Increase compared to March 31, 2012
Inventory	181.0	162.2	163.5	1.2
Information-related equipment	143.0	125.3	123.1	(2.1)
Devices & Precision Products	36.4	35.6	38.2	2.5
Other / Corporate expenses	1.5	1.3	2.1	0.8
				(Unit: day)
Turnover by days	85	68	70	2
Information-related equipment	85	66	65	(1)
Devices & Precision Products	79	75	89	14
Other / Corporate expenses	200	24	60	36

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 12 months (Prior 6 months) sales per day
2. “Other” is business segment not categorized in reporting segments. The small- and medium-sized displays is included in “Other”.

10. Employees

(Unit: person)

	September 30, 2012	March 31, 2012	March 31, 2013	Increase compared to March 31, 2012
Number of employees at period end	81,461	75,303	68,761	(6,542)
Domestic	19,371	19,765	18,234	(1,531)
Overseas	62,090	55,538	50,527	(5,011)