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April 30, 2010

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2010

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, 2010
	2009	2010		
Statements of Income Data:				
Net sales	¥1,122,497	**¥985,363**	(12.2%)	**$10,590,745**
Operating income (loss)	(1,588)	**18,227**	-%	**195,904**
Ordinary income	5,301	**13,875**	161.7%	**149,129**
Net income (loss)	(111,322)	**(19,791)**	-%	**(212,714)**
Statements of Cash Flows Data:				
Cash flows from operating activities	44,253	**56,542**	27.8%	**607,717**
Cash flows from investing activities	(61,002)	**(43,203)**	-%	**(464,348)**
Cash flows from financing activities	(9,558)	**(41,087)**	-%	**(441,605)**
Cash and cash equivalents at the end of the period	284,340	**254,590**	(10.5%)	**2,736,349**
Per Share Data:				
Net income (loss) per share -Basic	(¥566.92)	**(¥99.34)**	-%	**($1.06)**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

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

	March 31		
	2009	**2010**	**2010**
Total assets	¥917,342	**¥870,090**	**$9,351,784**
Net assets	318,631	**282,864**	**3,040,240**
Shareholders' equity	302,623	**281,295**	**3,023,388**
Shareholders' equity ratio (%)	33.0%	**32.3%**	**32.3%**
Shareholders' equity per share	¥1,541.16	**¥1,407.92**	**$15.13**

Notes
I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.
II. Figures in 'Change' column are comparisons with the same period of the previous year.
III. Diluted net income per share is presented only if there are dilutive factors present.
IV. Shareholders' equity is equity excluding minority interest in subsidiaries.
V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥93.04 = U.S.$1 at March 31, 2010 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Operating Performance Highlights

Fiscal 2009 Full-Year Overview

The first half of the year under review was affected by the global financial crisis and subsequent steep economic decline. In the second half, however, the global economy, helped by economic measures in various countries, showed signs of picking up.
The economic picture varied by region. The U.S. and Europe saw some benefits in the second half from the economic measures introduced, but the situation remained extremely challenging, with continued high unemployment. China saw an early recovery in internal demand evolve into positive growth. After bottoming out relatively early, other countries and regions in Asia also headed toward recovery, largely as a result of economic stimulus measures and increased exports to China. Japan, meanwhile, saw positive indicators such as an increase in exports, especially to Asia, and a pick-up in production in the second half, but unemployment remains high and business conditions difficult.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Consumer inkjet printer demand was steady in Asia, but in other regions sales were hampered by the effects of the economic downturn in the first half. Business inkjet printers showed some signs of recovery but, on the whole, the recovery trend was weak and unit sales remained weak. The serial dot-matrix printer (SIDM) market is contracting in North America, Europe, and Japan, but demand remained firm in some countries, including China, Singapore and some of the surrounding countries. Sales of POS systems turned upward as retailers gradually resumed technology spending, but sales for the year were hurt by the sluggish economy in the first half. Orders for both business and education projectors rebounded sharply in the second half, especially for low-end models.
Many of the main applications for Epson's electronic devices were also hit in the first half by the recession, but in the second half some began showing signs of having hit bottom or of recovering. New demand for mobile phones ticked upward in the second half in Asia, most notably China, as well as in Africa and the Middle East. Upgrade demand also showed signs of returning in the second half in Europe and America. Demand was driven especially by personal consumers looking to upgrade from mobile phones to smart phones as functions evolved. Government buying incentives in various countries also pumped up demand for certain items, most notably automobiles, televisions and other home electronics products. Sales of PCs were steady as a result of the popularity of compact notebook models and the release of Windows 7. At the same time, demand for digital cameras and portable media players (PMPs) appeared to slacken.
Meanwhile, the products in Epson's information-related equipment and electronic devices segments suffered from continued price erosion due to across-the-board competition and an ongoing shift of demand toward the low-price zone.
In the precision products segment the ripple effect of economic stimulus measures on personal spending failed to extend beyond items such as TVs and automobiles. There was no carry-over into demand for watches and eyeglass lenses. Semiconductor manufacturing equipment and robot shipments began rising in the second half, as corporate appetite for capital spending increased following the recession and a very lean first half.

At the end of the 2008 fiscal year, Epson established a long-range corporate vision called “SE15” and a three-year "SE15 Mid-Range Business Plan” in response to the rapid changes in the business environment that began last fiscal year.

Under the mid-range business plan, we will reposition ourselves to generate profit and rebuild our business foundations as we move toward the SE15 goal of becoming a community of robust businesses. To this end, we took bold actions in small- and medium-sized displays and semiconductors businesses, which we concluded could not be restored to profitability as they were structured. On the other hand, we identified printers, projectors and crystal devices as growth businesses and strategic businesses in which we can leverage our strengths. Accordingly, we are rapidly shifting our human and management resources to these areas. We began fiscal 2009, the first year in the mid-range business plan, with the aim of reaching break-even in ordinary income by reinforcing the business foundations that underpin SE15.

For the fiscal year we posted an extraordinary loss of ¥16,753 million ($180,050 thousand). This was primarily because, as with the previous year, we recorded an impairment loss in a part of the electronic devices segment that is not generating sufficient cash flows, and also due to payment of a fine in conjunction with allegations of involvement in an LCD price-fixing cartel. In addition, income taxes totaled ¥18,989 million ($204,117 thousand) as the Company considered the taxable income of Seiko Epson Corporation and its wholly-owned domestic subsidiaries, therefore reviewing its calculation of realizable deferred tax assets, and including in taxation charges a write-down of deferred tax assets.

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 ¥92.85 and ¥131.15, respectively. This represents an 8% appreciation in the value of the yen against the dollar and a 9% 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 ¥985,363 million ($10,590,745 thousand), down 12.2% from the prior year. Operating income was ¥18,227 million ($195,904 thousand), compared to an operating loss of ¥1,588 million the previous year. Ordinary income was ¥13,875 million ($149,129 thousand), up 161.7% year-over-year. And net loss was ¥19,791 million ($212,714 thousand), compared to a net loss of ¥111,322 million in the previous year.

Operating Performance Highlights by Business Segments

A segment-by-segment breakdown of financial results is provided below. Note that from the fiscal year under review, certain operating expenses have been allocated to the various business segments in conjunction with the reallocation to basic R&D of some business incubation projects included in the "other" segment.

Information-related equipment

The printer business saw net sales decline. Sales of most of our printer products were significantly impacted by the first-half economic situation and the strong yen.

Total unit shipments of inkjet printers (including consumables, as in all printer discussions below) increased versus the previous year because, even though unit shipments of consumer models declined in Europe and Japan, second-half shipments accelerated in North America as new products were launched, and unit sales remained steady in Asia and South America due to the rapid economic recovery in these regions. For business models, meanwhile, we saw demand in some sectors head toward recovery, while average selling prices were buoyed by new models. Nevertheless, the market was slow to rebound and unit shipments declined. SIDM printer unit shipments rode higher on the back of increased demand associated with China’s tax collection system, but revenue was hurt due to an increase in products on the low end. In

POS systems products, moreover, we saw a recovery in the second half in demand for retail printers in Europe and America, but results were hurt by the effects of retailers' first-half spending curbs. The page printer business saw unit volume rise on factors such as successes in tender business, but results were adversely impacted by price erosion and a decline in unit sales from the previous fiscal year.

Visual instruments business net sales edged slightly upward. In the first half net sales suffered from the effects of the recession and yen appreciation, but we saw demand for business projectors, especially low-end models, soar in the second half in the Asian and North American education markets.

Operating income in the information-related equipment segment rose as a result of cost cutting efforts and fixed cost reductions. However, the rise was tempered by the effects of yen appreciation and a decline in unit shipments due to the recession in the first half.

As a result of the foregoing factors, full-year net sales in the information-related equipment segment were ¥712,692 million ($7,660,105 thousand), down 7.4% from the prior year. Operating income was ¥38,030 million ($408,725 thousand), up 26.2% from the prior year. The reallocation of operating expenses had a ¥3,654 million ($39,285 thousand) effect on this segment.

Electronic devices

The displays business as a whole posted sharply lower net sales. Although unit shipments of small- and medium-sized displays to smart-phone manufacturers increased, net sales were affected by a decline in unit shipments to mobile phone, PMP, and other equipment manufacturers that accompanied the reorganization of the business.

The quartz device business reported a slight increase in net sales. Although net sales were moderated by the effects of lower prices associated with yen appreciation and changes in the product mix, we saw increased demand for high-precision quartz sensors used in items such as game equipment. We also saw demand rebound for crystal devices used in various types of digital electronics, as the market recovered from the rapid inventory adjustments that began as the recession took hold from the second half of the previous fiscal year.

The semiconductor business posted sharply lower net sales. Although a round of industry inventory adjustments came to an end in the second half and demand for electronic devices in general rebounded, the recovery was not enough to make up for the first-half decline in unit shipments.

Operating loss in the electronic devices segment contracted due to a combination of factors: a reduction in depreciation expenses associated with business structure improvement expenses and an impairment loss recorded in the previous fiscal year; the effect of human resources reassignments and other fixed cost reductions; and an increase in capacity utilization rates as the inventory correction cycle neared its end.

As a result of the foregoing factors, full-year net sales in the electronic device segment were ¥248,001 million ($2,665,519 thousand), down 20.4% year-over-year, while operating loss was ¥9,266 million ($99,591 thousand) versus an operating loss of ¥18,249 million in the year ago. The reallocation of operating expenses had a ¥1,105 million effect ($11,876 thousand) on this segment.

Precision products

The precision products segment as a whole saw a sharp decline in net sales and, along with this, a wider operating loss. Unit shipments of watches and plastic eyeglass lenses declined, as the impact of economic stimulus measures failed to reach these products. Sales of industrial inkjet systems were also hurt by cutbacks in corporate capital spending.

As a result of the foregoing factors, full-year net sales in the precision products segment were ¥57,746 million ($620,646 thousand), down 20.6% year-over-year, while operating loss was ¥4,111 million ($44,185 thousand) versus an operating loss of ¥1,907 million in the year ago period. The reallocation of operating expenses had a ¥292 million ($3,138 thousand) effect on this segment.

Operating Performance Highlights by Geographic Segments

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

Japan

Net income from sales of small- and medium-sized displays, inkjet printers, semiconductors and watches declined. As a result, net sales were ¥868,495 million ($9,334,676 thousand), down 13.0% year-over-year, while operating loss was ¥25,193 million ($270,765 thousand), compared to an operating loss of ¥44,478 million last year.

The Americas

Small- and medium-sized displays net sales grew. Meanwhile, net sales from inkjet printers, POS systems products, SIDM printers, crystal devices, and 3LCD projectors declined. As a result, net sales were ¥229,328 million ($2,464,832 thousand), down 5.6% from the prior year, while operating income was ¥8,472 million ($91,057 thousand), up 75.9% year-over-year.

Europe

Net sales from inkjet printers, SIDM printers, page printers, scanners, and POS systems products declined. As a result, net sales were ¥214,224 million ($2,302,492 thousand), down 12.2% from the prior year, while operating income was ¥6,751 million ($72,560 thousand), down 33.6% from last year.

Asia / Oceania

Crystal device and SIDM printer net sales increased, while net sales from small- and medium-sized displays, watches, and semiconductors declined. As a result, net sales were ¥555,434 million ($5,969,839 thousand), down 8.9% from the prior year, while operating income was ¥27,261 million ($293,003 thousand), up 60.5% from last year.

Liquidity and Financial Position

Financial Condition

Total assets as of March 31, 2010, were ¥870,090 million ($9,351,784 thousand), a decrease of ¥47,251 million ($507,856 thousand) from the previous fiscal year end. This was due to a ¥21,467 million ($230,728 thousand) decrease in current assets due to the repayments of loans, and a ¥28,358 million ($304,793 thousand) decrease in tangible fixed assets by strictly controlling investments. Total liabilities were ¥587,226 million ($6,311,544 thousand), down ¥11,484 million ($123,430 thousand) compared to the end of the last fiscal year. Current liabilities increased by ¥44,803 million ($481,545 thousand), while long-term liabilities decreased by ¥56,288 million ($604,987 thousand). The increase in current liabilities and the decrease in long-term liabilities were mainly due to a change in disclosure categories as the passage of time caused loans and bonds to shift from long-term to current.

Cash Flow Performance

Cash flows from operating activities during the year were ¥56,542 million ($607,717 thousand). They consisted primarily of a loss before income taxes and minority interests of ¥799 million ($8,587 thousand), ¥47,395 million ($509,404 thousand) in depreciation and amortization, and a ¥17,646 million ($189,660 thousand) increase in accounts payable. Cash flows from investing activities were ¥43,203 million ($464,348 thousand) in outflows, primarily due to ¥31,836 million ($342,175 thousand) in capital expenditures mainly in the information-related equipment and electronic devices segments, and to purchase of investments in subsidiaries of ¥13,405 million ($144,077 thousand).

Cash flows from financing activities were negative ¥41,087 million ($441,605 thousand), due to a net decrease caused by repayment of loans totaling ¥39,580 million ($425,408 thousand).

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥254,590 million ($2,736,349 thousand).

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.

Although Epson has regretfully recorded net losses in successive periods, the Company plans to pay a year-end dividend for the fiscal year ended March 31, 2010, of ¥10 ($0.10) per share because of a steady improvement in the corporate financial situation and a policy of paying stable dividends. Since Epson has already refrained from paying an interim dividend, the year-end dividend will be ¥10 ($0.10), representing a ¥16 ($0.17) decline from the previous fiscal year.

Epson plans to pay a fiscal 2010 dividend of ¥20 ($0.21) per share.

Fourth-Quarter Operating Performance

In the fourth quarter of the year under review Epson saw its results recover compared to the same period last year, when operating performance was hit hard by the steep economic downturn, posting net sales of ¥247,247 million ($2,657,426 thousand), up 14.4% compared to the same period last year. As the economy began to recover, unit shipments of consumer inkjet printers climbed. Unit sales of products for enterprise and institutions also increased in 3LCD projectors, large-format printers, and SIDM printers. Demand for electronic devices, including crystal devices, semiconductors, and high-temperature polysilicon TFT panels for 3LCD projectors, also rose as a round of inventory adjustments came to close. Operating loss improved to ¥3,928 million ($42,218 thousand), from a ¥34,291 million operating loss in the same period last year. The improvement came mainly as a result of increased revenue and reduced fixed and other costs. Ordinary loss was ¥2,565 million ($27,568 thousand), compared to an ordinary loss of ¥32,241 million in the same period last year. Net loss was ¥15,050 million ($161,758 thousand), versus a net loss of ¥123,211 million in the same period last year. The net loss was largely due to the recording of an extraordinary loss and a write-down of deferred tax assets.

Fiscal 2010 forecast

Although the global economy faces the risk of another downturn due to the continued tight employment situation in several regions, the economies of China and other Asian countries are expected to maintain a steady rate of recovery. The Japanese economy is forecasted to continue to recover following the improved economic situation overseas, and because of the effects of government economic stimulus packages.

Competition for Epson in major markets will continue to intensify, although the markets for information-related equipment and electronic devices are expected to experience positive growth.

In the information-related equipment segment, Epson anticipates that the launch of new products offering enhanced customer value will enable it to increase sales compared to the previous fiscal year, and will ensure it maintains market share in the printer and 3LCD projector businesses despite the negative effects of yen appreciation.
In the electronic devices segment, the quartz device business is expected to improve sales by seizing opportunities in sensing devices as the market continues to accelerate . Epson forecasts a slight decline in net sales for the electronic devices segment since the small- and medium-sized display business is expected to experience a decrease in sales as it continues with its business transition.
In the precision products segment, Epson forecasts higher net sales due to the launch of new products and the recovery of markets for its products.

With ongoing keen competition making for a harsh business environment, Epson will seek to increase the efficiency of its businesses chiefly by focusing on core businesses, by improving the variable cost ratio and reducing fixed costs with the aim of enabling the Company achieve break-even in net income.

The figures in the outlook are based on assumed exchange rates of 85 yen to the U.S. dollar and 125 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2010 fiscal year (ending March 31, 2011) are as follows.

Consolidated Half-Year Results Outlook

	FY2009 (Result)	FY2010 (Outlook)	Change
Net sales	¥449.6 billion	¥471.0 billion	+¥21.3 billion (+4.8%)
Operating income (loss)	(¥9.3 billion)	(¥3.0 billion)	+¥6.3 billion (-)
Ordinary income (loss)	(¥14.4 billion)	(¥4.0 billion)	+¥10.4 billion (-)
Net income (loss)	(¥29.1 billion)	(¥10.0 billion)	+¥19.1 billion (-)
Foreign exchange rate	1USD = ¥95 1 euro = ¥133	1USD = ¥85 1 euro = ¥125	

Consolidated Full-Year Results Outlook

	FY2009 (Result)	FY2010 (Outlook)	Change
Net sales	¥985.3 billion	¥1,013.0 billion	+¥27.6 billion (+2.8%)
Operating income	¥18.2 billion	¥27.0 billion	+¥8.7 billion (+48.1%)
Ordinary income	¥13.8 billion	¥24.0 billion	+¥10.1 billion (+73.0%)
Net income (loss)	(¥19.7 billion)	¥0.0 billion	+¥19.7 billion (-)
Foreign exchange rate	1USD = ¥93 1 euro = ¥131	1USD = ¥85 1 euro = ¥125	

Cautionary Statement

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

Overview of the Business Group

Epson’s main business segments include the development, manufacturing and marketing of information-related equipment, electronic devices, precision products, and other products. Research and development and product development are mainly conducted by the Company’s Corporate Research & Development Division and by the operations divisions’ research and development functions. Production and sales are conducted by the company and its subsidiaries and affiliates, domestic and abroad, under the management of the company’s operations divisions.

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

Information-related equipment business segment:

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

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

Electronic devices business segment:

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

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

Precision products business segment:

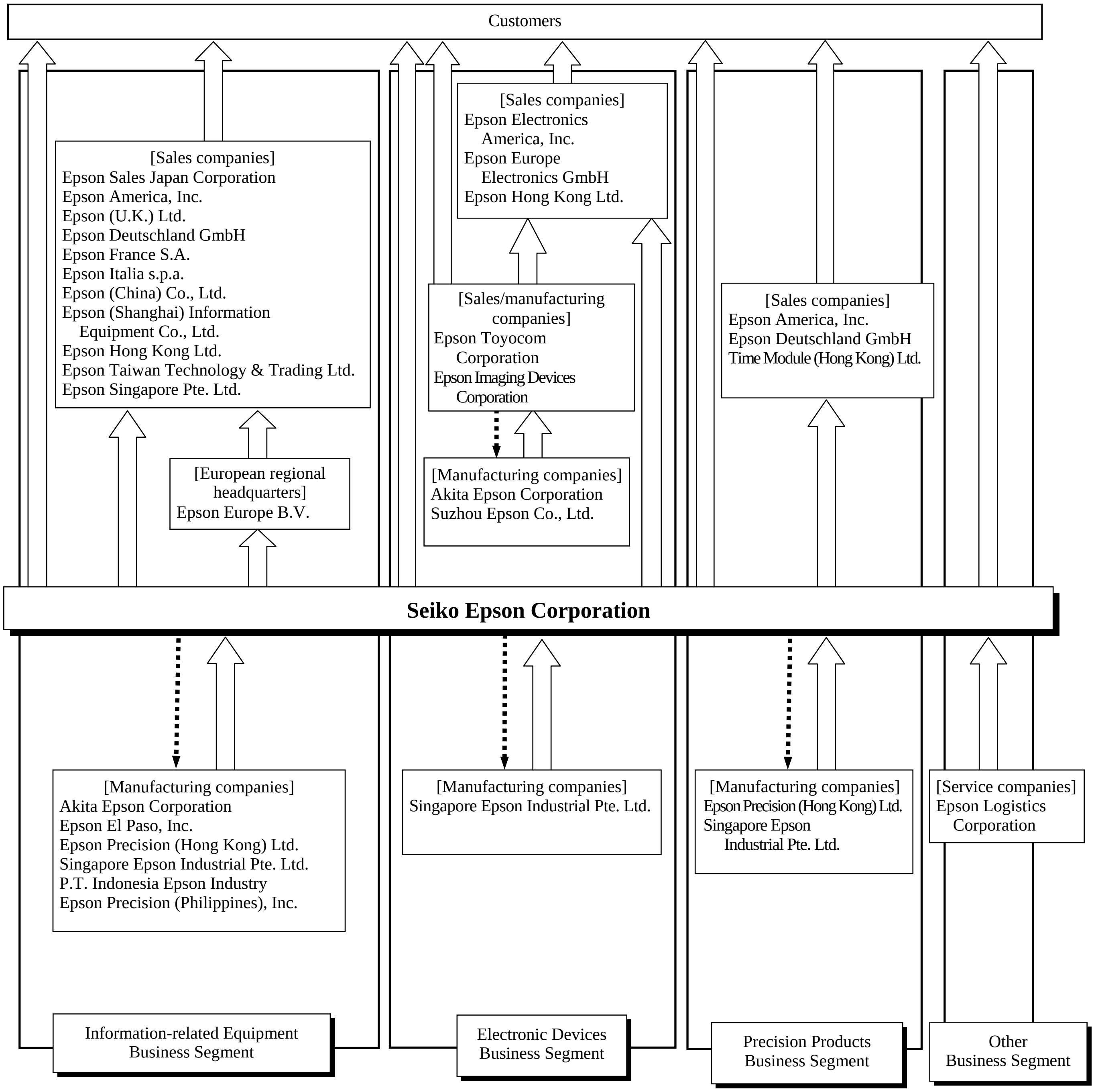
This segment includes the watch business, the optical products business, and the factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Watch</td><td>Watches,
watch movements and others</td><td>Epson Precision (Hong Kong) Ltd.
Singapore Epson Industrial Pte. Ltd.</td><td>Time Module (Hong Kong) Ltd.</td></tr>
<tr><td>Optical products</td><td>Plastic corrective lenses and others</td><td>Seiko Lens Service Center Corporation
Philippines Epson Optical Inc.</td><td>-</td></tr>
<tr><td>Factory automation systems</td><td>Precision industrial robots,
IC handlers,
industrial inkjet equipment and others</td><td>-</td><td>Epson America, Inc.
Epson Deutschland GmbH</td></tr>
</table>

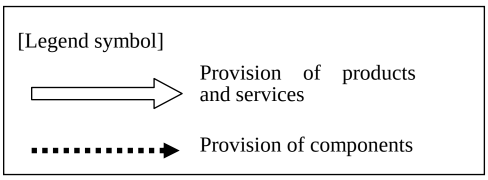
Other business segment:

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

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



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



Management Policy

1. Basic Management Policy

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

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

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

Epson’s operating environment is marked by an acceleration of trends including the increasing influence of developing markets on the global economy and a shift to sustainable industrial and economic activities. With society being transformed by changes such as these that have overturned traditional assumptions, we believe that customer values are also set to undergo dramatic change.

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

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

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

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

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

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

Plans for businesses with growth potential

Printers

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

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

Projectors

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

Quartz devices and sensors

By making Epson Toyocom a wholly owned subsidiary in June 2009 to improve management responsiveness and efficiency, Epson aims to reinforce Epson Toyocom's position as the leading company in the crystal device market.

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

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March31, 2010
Assets			
Current assets			
Cash and deposits	¥172,921	¥193,117	$2,075,634
Notes and accounts receivable-trade	134,133	144,435	1,552,396
Short-term investment securities	102,014	51,511	553,643
Merchandise and finished goods	91,471	90,284	970,378
Work in process	36,947	39,198	421,302
Raw materials and supplies	19,132	21,710	233,340
Deferred tax assets	12,673	9,307	100,032
Other	51,773	48,903	525,659
Allowance for doubtful accounts	(3,389)	(2,258)	(24,269)
Total current assets	617,677	596,210	6,408,115
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	404,869	405,096	4,353,998
Machinery, equipment and vehicles	518,819	467,364	5,023,258
Tools, furniture and fixtures	184,508	174,014	1,870,313
Land	54,994	54,912	590,197
Construction in progress	2,958	4,318	46,410
Other	137	127	1,399
Accumulated depreciation	(912,574)	(880,479)	(9,463,445)
Total property, plant and equipment	253,712	225,354	2,422,130
Intangible assets			
Goodwill	—	2,873	30,879
Other	16,789	15,187	163,231
Total intangible assets	16,789	18,060	194,110
Investments and other assets			
Investment securities	15,281	16,087	172,904
Long-term loans receivable	44	47	505
Deferred tax assets	2,751	4,551	48,914
Other	11,368	9,978	107,255
Allowance for doubtful accounts	(284)	(200)	(2,149)
Total investments and other assets	29,161	30,464	327,429
Total noncurrent assets	299,664	273,879	2,943,669
Total assets	¥917,342	¥870,090	$9,351,784

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥70,177	¥90,768	$975,580
Short-term loans payable	42,182	21,739	233,652
Current portion of bonds	—	30,000	322,441
Current portion of long-term loans payable	18,543	35,728	384,006
Accounts payable-other	61,748	58,576	629,578
Income taxes payable	6,208	10,024	107,738
Deferred tax liabilities	274	83	892
Provision for bonuses	11,572	14,484	155,674
Provision for product warranties	9,813	9,928	106,706
Provision for loss on litigation	8,214	1,220	13,112
Other	55,113	56,097	602,995
Total current liabilities	283,848	328,652	3,532,374
Noncurrent liabilities			
Bonds payable	100,000	70,000	752,364
Long-term loans payable	185,322	151,593	1,629,331
Deferred tax liabilities	5,818	10,207	109,705
Provision for retirement benefits	12,966	20,008	215,047
Provision for recycle costs	926	396	4,256
Provision for product warranties	677	450	4,836
Provision for loss on litigation	45	—	—
Negative goodwill	1,729	—	—
Other	7,375	5,917	63,631
Total noncurrent liabilities	314,862	258,574	2,779,170
Total liabilities	598,710	587,226	6,311,544
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	571,840
Capital surplus	79,500	84,321	906,287
Retained earnings	208,524	187,358	2,013,736
Treasury stock			
March 31, 2010 - 22,089 shares			
March 31, 2009 - 3,018 shares	(8)	(35)	(376)
Total shareholders' equity	341,220	324,847	3,491,487
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	2,835	4,023	43,239
Deferred gains or losses on hedges	(2,175)	130	1,397
Foreign currency translation adjustment	(39,255)	(47,705)	(512,735)
Total valuation and translation adjustments	(38,596)	(43,552)	(468,099)
Minority interests	16,007	1,568	16,852
Total net assets	318,631	282,864	3,040,240
Total liabilities and net assets	¥917,342	¥870,090	$9,351,784

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

Consolidated Statements of Income
Year ended March 31:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Net sales	¥1,122,497	¥985,363	$10,590,745
Cost of sales	833,053	725,894	7,801,956
Gross profit	289,443	259,469	2,788,789
Selling, general and administrative expenses	291,031	241,241	2,592,885
Operating income (loss)	(1,588)	18,227	195,904
Non-operating income:			
Interest income	4,288	1,259	13,531
Rent income	1,215	1,014	10,898
Amortization of negative goodwill	1,342	1,368	14,703
Other	8,101	4,084	43,907
Total non-operating income	14,948	7,726	83,039
Non-operating expenses:			
Interest expenses	6,110	5,070	54,492
Foreign exchange losses	—	5,076	54,557
Other	1,947	1,931	20,765
Total non-operating expenses	8,058	12,078	129,814
Ordinary income	5,301	13,875	149,129
Extraordinary income:			
Gain on sales of noncurrent assets	349	595	6,395
Gain on sales of investment securities	57	394	4,234
Reversal of provision for recycle costs	—	593	6,373
Other	1,062	493	5,332
Total extraordinary income	1,469	2,078	22,334
Extraordinary loss:			
Impairment loss	20,348	7,269	78,127
Loss on antitrust law fine	—	2,457	26,407
Other	75,982	7,026	75,516
Total extraordinary losses	96,331	16,753	180,050
Income (loss) before income taxes and minority interests	(89,559)	(799)	(8,587)
Income taxes-current	7,744	13,740	147,678
Income taxes-deferred	18,443	5,249	56,439
Total income taxes	26,188	18,989	204,117
Minority interests in income (loss)	(4,425)	1	10
Net income (loss)	(¥111,322)	(¥19,791)	($212,714)

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31, 2010
	2009	2010	
Net sales	¥216,141	¥247,247	$2,657,426
Cost of sales	179,412	187,686	2,017,261
Gross profit	36,729	59,561	640,165
Selling, general and administrative expenses	71,020	63,490	682,383
Operating income (loss)	(34,291)	(3,928)	(42,218)
Non-operating income:			
Foreign exchange gains	1,798	1,005	10,801
Other	3,120	2,519	27,085
Total non-operating income	4,919	3,525	37,886
Non-operating expenses:			
Interest expenses	1,992	1,196	12,854
Other	876	965	10,382
Total non-operating expenses	2,869	2,161	23,236
Ordinary income (loss)	(32,241)	(2,565)	(27,568)
Extraordinary income:			
Reversal of provision for recycle costs	―	562	6,040
Gain on sales of investment securities	―	388	4,170
Other	528	211	2,279
Total extraordinary income	528	1,162	12,489
Extraordinary loss:			
Impairment loss	19,321	3,068	32,975
Other	58,273	3,813	40,993
Total extraordinary losses	77,595	6,882	73,968
Income (loss) before income taxes and minority interests	(109,308)	(8,285)	(89,047)
Income taxes	18,562	6,793	73,011
Minority interests in income (loss)	(4,658)	(28)	(300)
Net income (loss)	(¥123,211)	(¥15,050)	($161,758)

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

Consolidated Statements of Changes in Equity

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥53,204	¥53,204	$571,840
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	53,204	53,204	571,840
Capital surplus			
Balance at the end of previous period	79,500	79,500	854,482
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Total changes of items during the period	—	4,820	51,805
Balance at the end of current period	79,500	84,321	906,287
Retained earnings			
Balance at the end of previous period	326,719	208,524	2,241,217
Changes of items during the period			
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Total changes of items during the period	(118,195)	(21,165)	(227,481)
Balance at the end of current period	208,524	187,358	2,013,736
Treasury stock			
Balance at the end of previous period	(7)	(8)	(86)
Changes of items during the period			
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Total changes of items during the period	(1)	(26)	(290)
Balance at the end of current period	(8)	(35)	(376)
Total shareholders' equity			
Balance at the end of previous period	459,417	341,220	3,667,453
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Total changes of items during the period	(118,196)	(16,372)	(175,966)
Balance at the end of current period	341,220	324,847	3,491,487
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	3,859	2,835	30,471
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,024)	1,188	12,768
Total changes of items during the period	(1,024)	1,188	12,768
Balance at the end of current period	2,835	4,023	43,239
Deferred gains or losses on hedges			
Balance at the end of previous period	156	(2,175)	(23,388)
Changes of items during the period			
Net changes of items other than shareholders' equity	(2,332)	2,306	24,785
Total changes of items during the period	(2,332)	2,306	24,785
Balance at the end of current period	(2,175)	130	1,397
Foreign currency translation adjustment			
Balance at the end of previous period	(16,227)	(39,255)	(421,925)
Changes of items during the period			
Net changes of items other than shareholders' equity	(23,027)	(8,449)	(90,810)
Total changes of items during the period	(23,027)	(8,449)	(90,810)
Balance at the end of current period	(39,255)	(47,705)	(512,735)

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Total valuation and translation adjustments			
Balance at the end of previous period	(12,211)	(38,596)	(414,842)
Changes of items during the period			
Net changes of items other than shareholders' equity	(26,384)	(4,955)	(53,257)
Total changes of items during the period	(26,384)	(4,955)	(53,257)
Balance at the end of current period	(38,596)	(43,552)	(468,099)
Minority interests			
Balance at the end of previous period	24,240	16,007	172,043
Changes of items during the period			
Net changes of items other than shareholders' equity	(8,233)	(14,439)	(155,191)
Total changes of items during the period	(8,233)	(14,439)	(155,191)
Balance at the end of current period	16,007	1,568	16,852
Total net assets			
Balance at the end of previous period	471,446	318,631	3,424,654
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Net changes of items other than shareholders' equity	(34,618)	(19,394)	(208,448)
Total changes of items during the period	(152,815)	(35,767)	(384,414)
Balance at the end of current period	¥318,631	¥282,864	$3,040,240

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, 2009	March 31, 2010	March 31, 2010
Consolidated statements of cash flows			
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥89,559)	(¥799)	($8,587)
Depreciation and amortization	78,406	47,395	509,404
Impairment loss	20,348	7,269	78,127
Equity in (earnings) losses of affiliates	(58)	(126)	(1,354)
Amortization of goodwill	(1,211)	(462)	(4,965)
Increase (decrease) in allowance for doubtful accounts	761	(918)	(9,866)
Increase (decrease) in provision for bonuses	(8,441)	2,931	31,502
Increase (decrease) in provision for product warranties	(900)	58	623
Increase (decrease) in provision for retirement benefits	(2,247)	8,287	89,069
Interest and dividends income	(4,618)	(1,536)	(16,509)
Interest expenses	6,110	5,070	54,492
Foreign exchange losses (gains)	(57)	(1,165)	(12,521)
Loss (gain) on sales of noncurrent assets	(318)	(286)	(3,073)
Loss on retirement of noncurrent assets	2,373	1,038	11,156
Loss (gain) on sales of investment securities	(57)	(365)	(3,923)
Decrease (increase) in notes and accounts receivable-trade	50,239	(8,373)	(89,993)
Decrease (increase) in inventories	(3,686)	(7,128)	(76,612)
Increase (decrease) in accrued consumption taxes	440	(667)	(7,168)
Increase (decrease) in notes and accounts payable-trade	(30,931)	17,646	189,660
Other, net	41,916	5,629	60,488
Subtotal	58,507	73,497	789,950
Interest and dividends income received	3,792	336	3,611
Interest expenses paid	(6,259)	(5,131)	(55,148)
Income taxes paid	(11,786)	(12,159)	(130,696)
Net cash provided by (used in) operating activities	44,253	56,542	607,717
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	712	523	5,621
Purchase of investment securities	(601)	(14)	(150)
Proceeds from sales of investment securities	399	929	9,984
Purchase of property, plant and equipment	(52,163)	(27,196)	(292,304)
Proceeds from sales of property, plant and equipment	564	895	9,619
Purchase of intangible assets	(7,918)	(4,640)	(49,871)
Proceeds from sales of intangible assets	19	5	53
Purchase of long-term prepaid expenses	(462)	(204)	(2,192)
Purchase of investments in subsidiaries	(2,371)	(13,405)	(144,077)
Other, net	819	(95)	(1,031)
Net cash provided by (used in) investing activities	(61,002)	(43,203)	(464,348)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	18,851	(20,382)	(219,090)
Proceeds from long-term loans payable	90,000	2,000	21,496
Repayment of long-term loans payable	(103,029)	(18,543)	(199,301)
Repayments of lease obligations	(7,795)	(2,654)	(28,525)
Purchase of treasury stock	(1)	(27)	(290)
Proceeds from sales of treasury stock	—	0	0
Cash dividends paid	(6,872)	(1,374)	(14,767)
Cash dividends paid to minority shareholders	(710)	(105)	(1,128)
Net cash provided by (used in) financing activities	(9,558)	(41,087)	(441,605)
Effect of exchange rate change on cash and cash equivalents	(5,767)	(2,000)	(21,519)
Net increase (decrease) in cash and cash equivalents	(32,074)	(29,749)	(319,755)
Cash and cash equivalents at beginning of period	316,414	284,340	3,056,104
Cash and cash equivalents at end of period	¥284,340	¥254,590	$2,736,349

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

Notes to Consolidated Financial Statements

Some notes such as “Leases”, “Related party transactions”, “Financial Instruments” “Investments in debt and equity securities” and “Derivative instruments” are not included because the figures to which they refer are insignificant to the consolidated results.

1. Basis of presenting consolidated financial statements

(1) Nature of operations

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

(2) Basis of presenting consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Meanwhile its foreign subsidiaries maintain their records and prepare their financial statements in conformity with International Financial Reporting Standards or the generally accepted accounting principles in the United States. In addition, some items 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, 2010, the Company had 95 consolidated subsidiaries. It has applied the equity method in respect to three unconsolidated subsidiaries and five affiliates.

3. Acquisitions

As of March 11, 2009, the Company owned 66.69% of the issued and outstanding shares of consolidated subsidiary Epson Toyocom Corporation (“Epson Toyocom”). Aiming to make Epson Toyocom a wholly-owned subsidiary, the Company, from March 12, 2009, to April 23, 2009, undertook a tender offer to acquire all of the issued and outstanding shares of Epson Toyocom. As a result, the Company’s ownership of Epson Toyocom’s issued shares rose to 91.05% as of April 30, 2009. On June 1, 2009, the Company conducted a share exchange by which Epson Toyocom became a wholly-owned subsidiary.
By completing this tender offer and share exchange, Epson intended to increase management speed and further improve efficiency with the purpose of enhancing Group synergies, strengthening business foundations and optimizing corporate value.

Details such as acquisition cost, share exchange ratio and calculation method, and goodwill generated are as follows:

Acquisition cost of the subsidiary's shares

	Millions of yen	Thousands of U.S. dollars
Cash	¥13,045	$140,209
Value of the Company's shares used for acquisition (Note)	4,820	51,805
Consulting fees, etc.	360	3,869
Total acquisition cost	¥18,225	$195,883

Note: The value of the Company's shares was based on its share price on the date of the share exchange.

Share exchange ratio and calculation method

Exchange ratio: One share of the Company's common stock for 0.21 share of Epson Toyocom common stock

The above share exchange ratio was calculated after Epson Toyocom selected PwC Advisory Co., Ltd. as third-party consultants, and the Company engaged Merrill Lynch Japan Securities Co., Ltd. from the tender offer stage as financial advisors. The ratio was determined after careful deliberations and close consultations among the various parties.

Details of the number and value of shares exchanged are as follows:

Number of shares exchanged: 3,452,797

Value of shares exchanged: ¥4,820 million ($51,805 thousand)

Goodwill generated

Value of goodwill generated: ¥4,140 million ($44,496 thousand)

The Company recognizes the difference between the acquisition cost of the outstanding Epson Toyocom shares and the decrease in minority interests as goodwill. Goodwill is amortized over five years using the straight-line method.

Accounting for this transaction was based on the "Accounting Standard for Business Combinations" issued by the Business Accounting Council on October 31, 2003 and on the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" issued by the Accounting Standards Board of Japan ("ASBJ") on November 15, 2007.

4. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

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

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

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

(2) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and the resulting transaction gains or losses are included in income for the current period.

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

(3) Cash and cash equivalents

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

(4) Financial instruments

(a) Investments in debt and equity securities

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

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

(b) Derivative instruments

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

Interest rate swaps meeting certain hedging criteria are not recognized at their fair values under exceptional processes recognized in Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(c) Allowance for doubtful accounts

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

(5) Inventories

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

(6) Property, plant and equipment

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

The estimated useful lives of significant depreciable assets principally range from 8 to 50 years for buildings and structures, and from 2 to 12 years for machinery, equipment and vehicles.

(7) Intangible assets

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

(8) Impairment of long-lived assets

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

(9) Provision for bonuses

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

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

(10) Provision for product warranties

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

(11) Provision for loss on litigation

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

(12) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of 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.

Effective April 1, 2009, the Company and some of its Japanese subsidiaries adopted ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" issued on July 31, 2008. The adoption of the amendments had no effect on Epson's financial results for the year ended March 31, 2010.

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

(14) Provision for recycle costs

At the time of sale, provision for recycle 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.

5. 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 ¥93.04 = U.S.$1, the exchange rate prevailing on March 31, 2010, has been used.

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations on March 31, 2009 and 2010, were

¥30,979 million and ¥30,115 million ($323,677 thousand), respectively.

7. Investment securities for unconsolidated subsidiaries and affiliates

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in investment securities account on March 31, 2009 and 2010, were ¥2,939 million and ¥2,804 million ($30,137 thousand), respectively.

8. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2009 and 2010. 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, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Goodwill	¥469	¥3,703	$39,799
Negative goodwill	2,199	830	8,920

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.

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

The funded status of these plans at March 31, 2009 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Projected benefit obligations	¥219,094	¥229,649	$2,468,282
Plan assets at fair value	171,621	193,268	2,077,257
Unfunded status	47,473	36,381	391,025
Unrecognized items:			
Actuarial gains (losses)	(36,086)	(17,081)	(183,609)
Prior service cost reduction from plan amendment	(734)	(476)	(5,116)
Provision for retirement benefits - net	10,653	18,822	202,300
Prepaid pension cost	2,313	1,186	12,747
Provision for retirement benefits	¥12,966	¥20,008	$215,047

The composition of net pension and severance costs for the years ended March 31, 2009 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Service cost	¥8,050	¥8,257	$88,747
Interest cost	5,751	5,944	63,886
Expected return on plan assets	(6,895)	(5,720)	(61,478)
Amortization and expenses:			
Actuarial losses	2,155	6,999	75,225
Prior service costs	(2,077)	257	2,762
Net pension and severance costs	6,985	15,737	169,142
Contribution to defined contribution pension plan	3,542	3,581	38,499
	¥10,528	¥19,319	$207,641

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2009 and 2010, were primarily as follows:

	Year ended March 31	
	2009	2010
Discount rate	2.5%	2.5%
Long-term rate of return on plan assets	3.2	3.2

10. Net assets

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

Under the Japanese Companies Act, distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

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

In the years ended March 31, 2009 and March 31, 2010, the Company paid the following cash dividends per share to its registered shareholders at the ends of year and interim periods:

	Yen		U.S. dollars
	Year ended March 31		Year ended March 31,
Cash dividends per share	2009	2010	2010
Year-end	¥16.00	¥7.00	$0.07
Interim	19.00	-	-
Total	¥35.00	¥7.00	$0.07

The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2009, were June 26, 2008, and December 5, 2008, respectively. The effective date of the distribution for year-end cash dividend, which was paid during the year ended March 31, 2010, was June 25, 2009.

The proposed cash dividends of retained earnings of the Company for the year ended March 31, 2010 subject to approval at the general shareholders' meeting, which will be held on June 22, 2010, is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,997	$21,463

	Yen	U.S. dollars
Cash dividends per share	¥10.00	$0.10

The effective date of the distribution will be June 23, 2010.

11. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2009 and 2010, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Net income (loss) attributable to common shares	(¥111,322)	(¥19,791)	($212,714)
	Thousands of shares		
Weighted-average number of common shares outstanding	196,361	199,225	
	Yen		U.S. dollars
Net income (loss) per share	(¥566.92)	(¥99.34)	($1.06)

Diluted net loss per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the years ended March 31, 2009 and 2010.

12. Income taxes

Epson is subject to a number of different income taxes that amounted to a statutory income tax rate in Japan of approximately 40.4 % for each of the years ended March 31, 2009 and 2010.

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Deferred tax assets:			
Property, plant and equipment and intangible assets (Impairment loss and excess of depreciation)	¥52,045	44,082	$473,796
Net operating tax loss carry-forwards	32,494	52,509	564,370
Inter-company profits on inventories and write downs	18,719	20,207	217,186
Provision for bonuses	3,925	4,146	44,561
Devaluation of investment securities	2,886	2,900	31,169
Provision for retirement benefits	3,360	6,331	68,046
Provision for product warranties	3,017	2,966	31,878
One-time depreciation for assets	1,060	1,808	19,432
Others	20,146	14,558	156,505
Gross deferred tax assets	137,656	149,510	1,606,943
Less: valuation allowance	(113,436)	(131,482)	(1,413,177)
Total deferred tax assets	24,220	18,028	193,766
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliates	(9,582)	(8,324)	(89,466)
Net unrealized gains on land held by a subsidiary	(2,613)	(2,613)	(28,084)
Valuation difference on available-for-sale securities	(1,069)	(1,683)	(18,088)
Reserve for special depreciation for tax purpose	(712)	(344)	(3,697)
Others	(910)	(1,493)	(16,082)
Gross deferred tax liabilities	(14,888)	(14,459)	(155,417)
Net deferred tax assets	¥9,331	¥3,568	$38,349

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

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

	Year ended March 31	
	2009	2010
Statutory income tax rate	40.4%	40.4%
Reconciliation:		
Changes in valuation allowance	(99.0)	(3,168.4)
Reversal of deferred income taxes on undistributed earnings of overseas subsidiaries due to corporate tax reform	21.8	-
Tax rate differences in overseas subsidiaries	-	532.9
Entertainment expenses, etc. permanently non-tax deductible	(1.5)	204.0
Unrecognized tax benefit for inter-company profit elimination	7.8	-
Other	1.3	15.8
Income tax rate per statements of operations	(29.2%)	(2,375.4%)

13. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Salaries and wages	¥75,978	¥73,239	$787,177
Advertising	22,075	15,303	164,477
Sales promotion	22,881	16,052	172,527
Shipping costs	16,333	14,325	153,966
Research and development costs	43,948	32,316	347,334
Allowance for doubtful accounts	276	517	5,556
Other	109,540	89,485	961,848
Total	¥291,031	¥241,241	$2,592,885

14. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥82,058 million and ¥68,849 million ($739,993 thousand) for the years ended March 31, 2009 and 2010, respectively.

15. Impairment loss

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 that Epson plans to sell and idle assets are separately assessed for impairment on the individual asset level. Impairment tests are performed for both types of assets. The net book value of a business asset is reduced to its recoverable amount when there is substantial deterioration in the asset's future earning potential due to adverse changes in the marketplace resulting in lower product prices or due to a change in the utilization plan for the assets. The carrying value of assets that Epson plans to sell 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, 2009, Epson incurred an impairment loss on its liquid crystal display production equipment, semiconductor production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥73,839 million was recognized in the impairment loss account and the other account. The reduction mainly comprised ¥31,744 million for buildings and structures, ¥24,809 million for machinery, equipment and vehicles, ¥4,645 million for tools, furniture and fixtures, ¥6,235 million for land, ¥3,930 million for intangible assets. The recoverable amounts are determined using their net selling prices and value in use, which were assessed on the basis of reasonable estimates. The values in use were calculated by applying a 6.1% discount rate to the assets' expected future cash flows.

For the year ended March 31, 2010, Epson incurred an impairment loss on its liquid crystal display production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥7,269 million ($78,127 thousand) was recognized in the impairment loss account. The reduction mainly comprised ¥1,074 million ($11,543 thousand) for buildings and structures, ¥3,203 million ($34,426 thousand) for machinery, equipment and vehicles, ¥2,669 million ($28,686 thousand) for tools, furniture and fixtures. The recoverable amounts are determined using their net selling price, which were assessed on the basis of reasonable estimates.

16. Cash flow information

Cash and cash equivalents as of March 31, 2009 and 2010, were as follows:

	Millions of yen March 31 2009	Millions of yen March 31 2010	Thousands of U.S. dollars March 31, 2010
Cash and deposits	¥172,921	¥193,117	$2,075,634
Short-term investments	102,014	51,511	553,643
Short-term loans receivables	10,000	10,000	107,480
Less:			
Short-term borrowings (overdrafts)	(4)	(0)	(0)
Time deposits due over three months	(576)	(27)	(290)
Short-term investments due over three months	(14)	(11)	(118)
Cash and cash equivalents	¥284,340	¥254,590	$2,736,349

The Company obtained marketable securities, the fair value of which was ¥9,921 million and ¥9,918 million ($106,599 thousand) as of March 31, 2009 and 2010, respectively, as deposit for the short-term loans receivables above.

17. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks as of March 31, 2009, were ¥1,707 million. Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2010, were ¥1,413 million ($15,187 thousand).

18. Segment information

(1) Business segment information

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

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

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

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, LCD monitors, label writers and personal computers.

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

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

Operations not categorized in any of the above segments, such as intra-group services and business incubation projects, are categorized within "Other".

The following table summarizes the business segment information of Epson for the years ended March 31, 2009 and 2010:

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

	Millions of yen						
	Year ended March 31, 2010						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥711,378	¥215,534	¥56,284	¥2,165	¥985,363	-	¥985,363
Inter-segment	1,314	32,466	1,461	17,548	52,791	(¥52,791)	-
Total	712,692	248,001	57,746	19,714	1,038,154	(52,791)	985,363
Operating expenses	¥674,662	¥257,268	¥61,857	¥26,383	¥1,020,172	(¥53,037)	¥967,135
Operating income (loss)	¥38,030	(¥9,266)	(¥4,111)	(¥6,669)	¥17,982	¥245	¥18,227
Identifiable assets	¥302,381	¥154,369	¥46,020	¥102,462	¥605,234	¥264,855	¥870,090
Depreciation and amortization	¥24,464	¥10,457	¥3,913	¥8,588	¥47,425	(¥29)	¥47,395
Impairment loss	¥830	¥5,280	¥89	¥1,068	¥7,269	-	¥7,269
Capital expenditures	¥14,506	¥9,440	¥2,076	¥2,115	¥28,138	(¥1,252)	¥26,885

	Thousands of U.S. dollars						
	Year ended March 31, 2010						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$7,645,959	$2,316,573	$604,944	$23,269	$10,590,745	-	$10,590,745
Inter-segment	14,146	348,946	15,702	188,607	567,401	($567,401)	-
Total	7,660,105	2,665,519	620,646	211,876	11,158,146	(567,401)	10,590,745
Operating expenses	$7,251,380	$2,765,110	$664,831	$283,554	$10,964,875	($570,034)	$10,394,841
Operating income (loss)	$408,725	($99,591)	($44,185)	($71,678)	$193,271	$2,633	$195,904
Identifiable assets	$3,250,033	$1,659,168	$494,625	$1,101,268	$6,505,094	$2,846,690	$9,351,784
Depreciation and amortization	$262,973	$112,392	$42,057	$92,304	$509,726	($322)	$509,404
Impairment loss	$8,944	$56,749	$956	$11,478	$78,127	-	$78,127
Capital expenditures	$155,924	$101,461	$22,312	$22,732	$302,429	($13,468)	$288,961

The amounts of corporate assets included in "Eliminations and corporate" were ¥293,829 million and ¥277,820 million ($2,986,027 thousand) at March 31, 2009 and 2010, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

In line with changes to the role of basic R&D accompanying the structural changes in the electronic devices segment, certain operating expenses previously included in business incubation projects in the "other" segment, from the current fiscal year, were allocated to the various business segments. As a result, operating income decreased by ¥3,654 million ($39,285 thousand) in the information-related equipment segment, by ¥1,105 million ($11,876 thousand) in the electronic devices segment, and by ¥292 million ($3,138 thousand) in the precision products segment, and increased by ¥5,052 million ($54,299 thousand) in the "other" segment compared to the corresponding amounts that would have been reported if the previous method had been applied.

In addition, the Company carried out structural changes to certain subsidiaries, transferring as of January 1, 2010, certain intra-group service functions previously included in the "other" segment to the Company's various business segments.

The following table summarizes the business segment information of Epson for the three months ended March 31, 2009 and 2010:

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

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

	Thousands of U.S. dollars Three months ended March 31, 2010						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$1,930,202	$572,388	$149,258	$5,578	$2,657,426	-	$2,657,426
Inter-segment	3,548	86,930	3,955	14,864	109,297	($109,297)	-
Total	1,933,750	659,318	153,213	20,442	2,766,723	(109,297)	$2,657,426
Operating income (loss)	$25,182	($31,180)	($14,821)	($23,129)	($43,948)	$1,730	($42,218)

(2) Geographic segment information

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

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

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

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

The following table summarizes the geographic segment information of Epson for the years ended March 31, 2009 and 2010:

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

	Millions of yen Year ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥402,482	¥209,565	¥207,881	¥165,432	¥985,363	-	¥985,363
Inter-segment	466,013	19,763	6,343	390,002	882,121	(¥882,121)	-
Total	868,495	229,328	214,224	555,434	1,867,484	(882,121)	985,363
Operating expenses	¥893,689	¥220,856	¥207,473	¥528,173	¥1,850,192	(¥883,056)	¥967,135
Operating income (loss)	(¥25,193)	¥8,472	¥6,751	¥27,261	¥17,292	¥934	¥18,227
Identifiable assets	¥474,883	¥77,748	¥57,642	¥184,444	¥794,719	¥75,370	¥870,090

	Thousands of U.S. dollars Year ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$4,325,936	$2,252,418	$2,234,318	$1,778,073	$10,590,745	-	$10,590,745
Inter-segment	5,008,740	212,414	68,174	4,191,766	9,481,094	($9,481,094)	-
Total	9,334,676	2,464,832	2,302,492	5,969,839	20,071,839	(9,481,094)	10,590,745
Operating expenses	9,605,441	2,373,775	2,229,932	5,676,836	19,885,984	(9,491,143)	10,394,841
Operating income (loss)	($270,765)	$91,057	$72,560	$293,003	$185,855	$10,049	$195,904
Identifiable assets	$5,104,096	$835,640	$619,539	$1,982,416	$8,541,691	$810,093	$9,351,784

The amounts of corporate assets included in “Eliminations and corporate” were ¥293,829 million and ¥277,820 million ($2,986,027 thousand) at March 31, 2009 and 2010, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

The following table summarizes the geographic segment information of Epson for the three months ended March 31, 2009 and 2010:

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

	Millions of yen						
	Three months ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥101,188	¥53,512	¥54,145	¥38,400	¥247,247	-	¥247,247
Inter-segment	115,513	3,455	1,239	90,847	211,057	(¥211,057)	-
Total	216,702	56,968	55,385	129,248	458,304	(211,057)	247,247
Operating income (loss)	(¥1,132)	(¥131)	(¥3,068)	(¥725)	(¥5,058)	¥1,129	(¥3,928)

	Thousands of U.S. dollars						
	Three months ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$1,087,598	$575,150	$581,953	$412,725	$2,657,426	-	$2,657,426
Inter-segment	1,241,575	37,134	13,316	976,429	2,268,454	($2,268,454)	-
Total	2,329,173	612,284	595,269	1,389,154	4,925,880	(2,268,454)	2,657,426
Operating income (loss)	($12,189)	($1,407)	($32,975)	($7,792)	($54,363)	$12,145	($42,218)

(3) Sales to overseas customers

The following table shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the years ended March 31, 2009 and 2010:

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

	Millions of yen Year ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥217,636	¥212,902	¥209,806	¥640,346
Consolidated net sales				¥985,363
Percentage of overseas sales to consolidated net sales (%)	22.1%	21.6%	21.3%	65.0%

	Thousands of U.S. dollars Year ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$2,339,188	$2,288,284	$2,255,008	$6,882,480
Consolidated net sales				$10,590,745
Percentage of overseas sales to consolidated net sales (%)	22.1%	21.6%	21.3%	65.0%

The following table shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended March 31, 2009 and 2010:

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

	Millions of yen			
	Three months ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥54,582	¥54,756	¥45,840	¥155,179
Consolidated net sales				¥247,247
Percentage of overseas sales to consolidated net sales (%)	22.1%	22.2%	18.5%	62.8%

	Thousands of U.S. dollars			
	Three months ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$586,650	$588,533	$492,691	$1,667,874
Consolidated net sales				$2,657,426
Percentage of overseas sales to consolidated net sales (%)	22.1%	22.2%	18.5%	62.8%

19. Other

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

20. Subsequent events

Significant business transfer

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

Details of transfer

Date of transfer: April 1, 2010

Gain on business transfer: ¥598 million ($6,427 thousand)

Carrying amounts of assets and liabilities transferred:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2010	
Current assets	¥3,605	$38,757
Noncurrent assets	145	1,558
Total	¥3,751	$40,315
Current liabilities	¥231	$2,493
Noncurrent liabilities	54	580
Total	¥286	$3,073

The business transferred was included in the electronic devices segment. Some Epson employees have been temporarily seconded to SMD.

Supplementary Information

Consolidated year ended March 31, 2010

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase %	Forecast for the year ended March 31, 2011
Information-related equipment	769.8	712.6	(7.4%)	736.0
Printer	645.4	593.2	(8.1%)	609.0
Visual instruments	99.1	99.1	0.1%	104.0
Other	25.8	20.9	(18.7%)	24.0
Intra-segment sales	(0.5)	(0.7)	-%	(1.0)
Electronic devices	311.6	248.0	(20.4%)	237.0
Display	167.7	112.8	(32.8%)	96.0
Quartz device	81.8	82.3	0.6%	93.0
Semiconductor	66.6	56.1	(15.9%)	50.0
Other	1.7	1.3	(22.3%)	2.0
Intra-segment sales	(6.4)	(4.6)	-%	(4.0)
Precision products	72.6	57.7	(20.6%)	66.0
Other	31.8	19.7	(38.1%)	1.0
Corporate	—	—	-%	4.0
Inter-segment sales	(63.5)	(52.7)	-%	(31.0)
Consolidated sales	1,122.4	985.3	(12.2%)	1,013.0

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase %	Forecast for the year ended March 31, 2011
Information-related equipment				
Net sales:				
Customers	767.3	711.3	(7.3%)	735.0
Inter-segment	2.4	1.3	(47.3%)	1.0
Total	769.8	712.6	(7.4%)	736.0
Operating expenses	739.7	674.6	(8.8%)	654.0
Operating income (loss)	30.1	38.0	26.2%	82.0
Electronic devices				
Net sales:				
Customers	279.8	215.5	(23.0%)	210.0
Inter-segment	31.7	32.4	2.2%	27.0
Total	311.6	248.0	(20.4%)	237.0
Operating expenses	329.8	257.2	(22.0%)	237.0
Operating income (loss)	(18.2)	(9.2)	-%	0.0
Precision products				
Net sales:				
Customers	71.3	56.2	(21.1%)	65.0
Inter-segment	1.3	1.4	9.3%	1.0
Total	72.6	57.7	(20.6%)	66.0
Operating expenses	74.6	61.8	(17.1%)	65.0
Operating income (loss)	(1.9)	(4.1)	-%	1.0
Other				
Net sales:				
Customers	3.9	2.1	(45.0%)	1.0
Inter-segment	27.8	17.5	(37.1%)	0.0
Total	31.8	19.7	(38.1%)	1.0
Operating expenses	43.9	26.3	(39.9%)	1.0
Operating income (loss)	(12.0)	(6.6)	-%	0.0
Corporate				
Net sales	—	—	-%	4.0
Operating expenses	—	—	-%	60.0
Operating income (loss)	—	—	-%	(56.0)
Elimination				
Net sales	(63.5)	(52.7)	-%	(31.0)
Operating expenses	(64.0)	(53.0)	-%	(31.0)
Operating income (loss)	0.4	0.2	(50.8%)	0.0
Consolidated				
Net sales	1,122.4	985.3	(12.2%)	1,013.0
Operating expenses	1,124.0	967.1	(14.0%)	986.0
Operating income (loss)	(1.5)	18.2	-%	27.0

Note: Not mention about increase ratio between 2010 and 2011 due to the change of segmentation

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Capital expenditure	55.6	25.9	(53.4%)	46.0	77.4%
Information-related equipment	26.3	12.5	(52.5%)	21.0	68.0%
Electronic devices	20.2	9.8	(51.4%)	18.0	82.5%
Precision products	3.6	1.8	(49.1%)	3.0	59.9%
Other / Corporate	5.3	1.6	(68.4%)	4.0	135.7%
Depreciation and amortization	78.4	47.3	(39.6%)	50.0	5.5%
Information-related equipment	30.5	24.4	(20.0%)	26.0	6.3%
Electronic devices	32.9	10.4	(68.2%)	12.0	14.3%
Precision products	3.9	3.9	(1.5%)	4.0	2.2%
Other / Corporate	10.8	8.5	(21.1%)	8.0	(6.9%)

4. Research and development

(Unit: billion yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Research and Development	82.0	68.8	(16.1%)	76.0	10.4%
R&D / sales ratio	7.3%	7.0%		7.5%	

5. Management indices

(Unit: %)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase Point	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 Point
Return on equity (ROE)	(29.7%)	(6.8%)	22.9	0.0%	6.8
Return on assets (ROA)	0.5%	1.6%	1.1	2.8%	1.2
Return on sales (ROS)	0.5%	1.4%	0.9	2.4%	1.0

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

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2009	Year ended March 31, 2010	Increase
Foreign exchange effect	(87.9)	(49.3)	38.6
U.S. dollars	(36.6)	(20.3)	16.2
Euro	(31.8)	(15.4)	16.3
Other	(19.5)	(13.4)	6.0
Exchange rate			
Yen / U.S. dollars	100.53	92.85	
Yen / Euro	143.48	131.15	

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

7. Inventory

(Unit: billion yen)

	September 30, 2009	March 31, 2009	March 31, 2010	Increase compared to March 31, 2009
Inventory	146.7	147.5	151.1	3.6
Information-related equipment	96.1	93.2	98.7	5.5
Electronic devices	33.6	35.0	37.3	2.3
Precision products	15.5	17.7	13.8	(3.8)
Other / Corporate	1.4	1.5	1.2	(0.3)
Turnover by days	60	48	56	8
Information-related equipment	55	44	51	7
Electronic devices	53	41	55	14
Precision products	102	89	88	(1)
Other / Corporate	23	18	23	5

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

8. Employees

(Unit: person)

	September 30, 2009	March 31, 2009	March 31, 2010	Increase compared to March 31, 2009
Number of employees at period end	78,376	72,326	77,936	5,610
Domestic	23,917	24,190	22,602	(1,588)
Overseas	54,459	48,136	55,334	7,198