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Full Year & Q4 Financial Results Fiscal Year 2010 (Ending March 2011)

April 28, 2011

SEIKO EPSON CORPORATION

Disclaimer regarding forward-looking statements

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

Numerical values presented herein

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

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Changes to segment reporting based on new management approach

From FY2010

- Under our new management approach, Head Office expenses that were allocated to the various segments and business in proportion to their respective sales will be consolidated under the Corporate Segment from fiscal 2010.
- The functions of subsidiaries that provided services to the Epson Group and whose results were reported under the “Other” segment have been transferred to the various businesses.
- In the slides showing the fiscal 2010 results, fiscal 2009 segment profit and loss figures have been adjusted for the purpose of comparison.

From FY2011

- With the aim of rapidly rebuilding and strengthening the manufacturing base, the “Electronic Devices Segment" and “Precision Products Segment" will be consolidated under the new “Devices & Precision Products Segment."
- With the termination of operations in small- and medium-sized displays, profit and loss figures will be consolidated under the "Other" segment from fiscal 2011 onward.
- In the slides showing the fiscal 2011 outlook, fiscal 2010 segment profit and loss figures have been adjusted for the purpose of comparison.

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■ Changes to segment reporting

Financial Highlights (Full Year)

(Billions of yen)	FY2009		FY2010				Change (amount, %)	
	Actual	%	1/28 Outlook	%	Actual	%	Y/Y	Vs. 1/28 Outlook
Net Sales	985.3	-	980.0	-	973.6	-	-11.6 -1.2%	-6.3 -0.6%
Operating Income	18.2	1.8%	35.0	3.6%	32.7	3.4%	+14.4 +79.5%	-2.2 -6.5%
Ordinary Income	13.8	1.4%	34.0	3.5%	31.1	3.2%	+17.2 +124.7%	-2.8 -8.3%
Net Income Before Income Taxes	-0.7	-0.1%	22.0	2.2%	15.3	1.6%	+16.1 -	-6.6 -30.1%
Net Income	-19.7	-2.0%	10.0	1.0%	10.2	1.1%	+30.0 -	+0.2 +2.4%
EPS	-¥99.34		¥50.05		¥51.25			
Exchange Rate USD	¥92.85		¥85.00		¥85.72			
Exchange Rate EUR	¥131.15		¥112.00		¥113.12			

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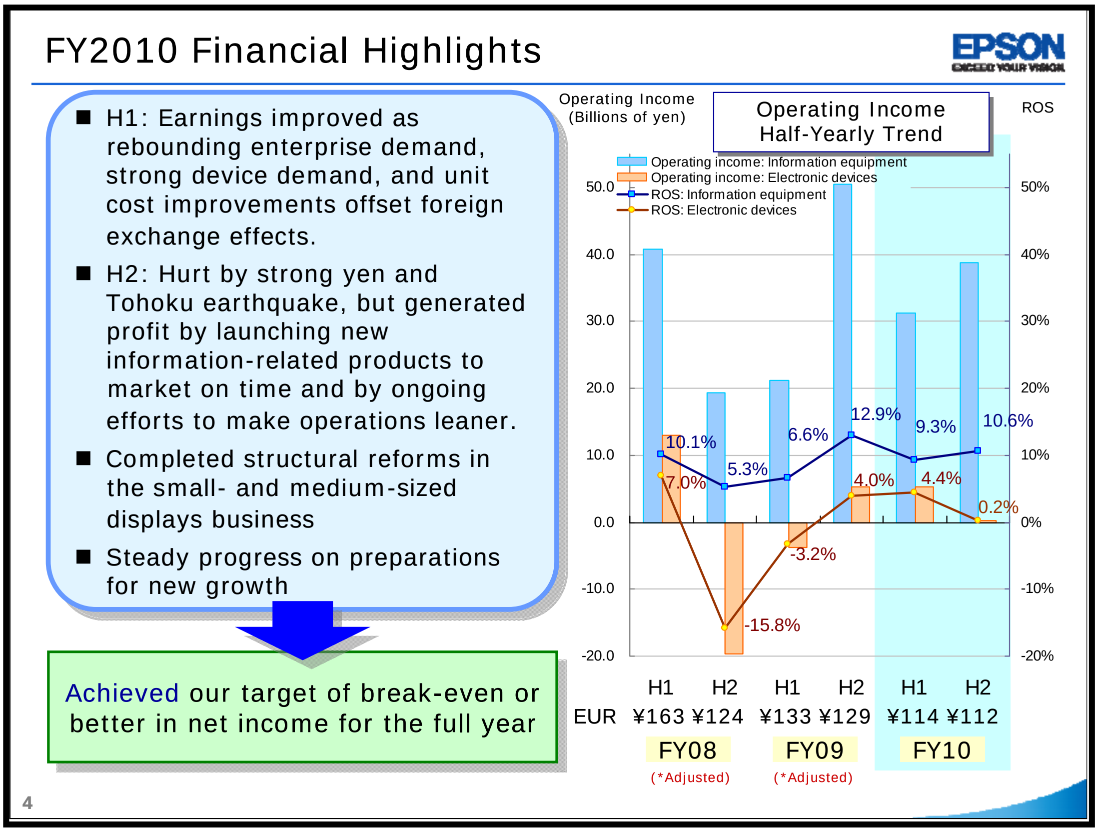
■ **FY2010 financial highlights**

- **The appreciation of the yen against both the euro and the U.S. dollar had an approximately ¥60 billion and ¥24 billion negative impact on net sales and operating income respectively.**
- **Amid the effects of the strong yen, we recorded net sales of ¥973.6 billion, a year-over-year decline of ¥11.6 billion. However, we were able to significantly improve earnings from last year. Operating income was up ¥14.4 billion, to ¥32.7 billion, and net income was up ¥30.0 billion, to ¥10.2 billion.**
- **Net sales and operating income were a little below but basically in line with the forecasts presented in the January outlook. Net income was slightly higher.**



■ FY2010 financial highlights

- ➢ In the first half of the 2010 fiscal year, amid generally improving economic conditions, demand for enterprise products began to pick up, and we captured solid orders for electronic devices, especially semiconductors and quartz devices. We were able to improve earnings despite the soaring yen, largely because of the effects of our ongoing cost improvements.
- ➢ In the second half, we did not ship as many inkjet printers as planned, chiefly because the market rebounded slower than expected. However, demand for projectors, SIDM printers and other enterprise products remained steady.
- ➢ Our financial performance was affected to some extent by demand fluctuations and disruptions in some production operations in the wake of the Tohoku earthquake and tsunami. Even so, we managed to compensate for negative foreign exchange effects and generate profit primarily as a result of efforts to make our operations leaner.
- ➢ We completed the structural reforms in our small- and medium-sized displays business in fiscal 2010. We terminated operations at the end of the year and reached an agreement to transfer our contract assembly operations in China to Sony in the first half of the 2011 fiscal year.

- ➢ Ultimately, we were able to achieve the business objective we set at the start of the year: to reach or exceed break-even in net income.

FY2010 Milestones

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Information Equipment Segment

- IJP: Expanded enterprise lineup and launched products in emerging markets. Began sales of commercial & industrial products. Began adding production capacity in Indonesia and the Philippines.
- BS: Continued to capture SIDM orders in China due to demand for tax collection systems. Worked on growing POS-related product businesses in advanced & emerging markets.
- Projectors: Expanded lineup of products for the enterprise, education, and home markets. Expanded into added value areas such as interactive features. Established production base in the Philippines.

Electronic Devices Segment

- Quartz & Semiconductors: Reorganized operations to strengthen the microdevices business. Expanded quartz device production capacity. Developed areas where we can leverage our semiconductor strengths, such as EPD controllers.
- HTPS: Captured internal and external demand for finished products and developed new demand.

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■ **FY2010 milestones**

- **In the information-related equipment segment, inkjet printer unit shipments outpaced the overall market. We managed to achieve this by significantly expanding and upgrading our lineup of enterprise and emerging market products, which were based on standardized platforms. Sales of commercial and industrial products such as label presses and minilab systems also got off to a smooth start.**
- **In business systems we saw continued steady sales of POS-related products and SIDM printers for tax collection applications in China.**
- **Projector unit shipments grew far faster than the general market thanks to an expanded and improved lineup of products in the enterprise, education, and home categories.**
- **To accommodate future inkjet printer and projector unit growth, we began adding production capacity at manufacturing sites in Indonesia and the Philippines.**
- **In the electronic devices segment, we made advances in expanding quartz device production capacity and in developing areas of the market where we can leverage our semiconductor strengths. We also put in place a new organization to manage the microdevices business in order to steadily improve the profit structure.**

FY2011 Financial Outlook

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(Billions of yen)	FY2010		FY2011		Change	
	Full-Year Actual	%	Full-Year Outlook	%	Amount	%
Net Sales	973.6	-	970.0	-	-3.6	-0.4%
Operating Income	32.7	3.4%	43.0	4.4%	+10.2	+31.5%
Ordinary Income	31.1	3.2%	40.0	4.1%	+8.8	+28.3%
Net Income Before Income Taxes	15.3	1.6%	30.0	3.1%	+14.6	+95.0%
Net Income	10.2	1.1%	17.0	1.8%	+6.7	+66.0%
EPS	¥51.25		¥85.09			
Exchange Rate USD	¥85.72		¥80.00			
Exchange Rate EUR	¥113.12		¥115.00			

The FY2011 financial outlook only takes into account factors from the Tohoku disaster that were known as of the outlook release date.

1) Loss of production at facilities directly damaged by the disaster
2) Risks to procurement of parts/materials and corresponding production fluctuations
3) Risks associated with loss of production capacity due to reductions in power consumption
4) Economic fluctuations due to disaster and fluctuations in end user demand

Business performance may be further impacted by other disaster-related factors that cannot be predicted at this time. We have also factored in actions that we are taking to minimize the effects of risks that could adversely affect financial performance.

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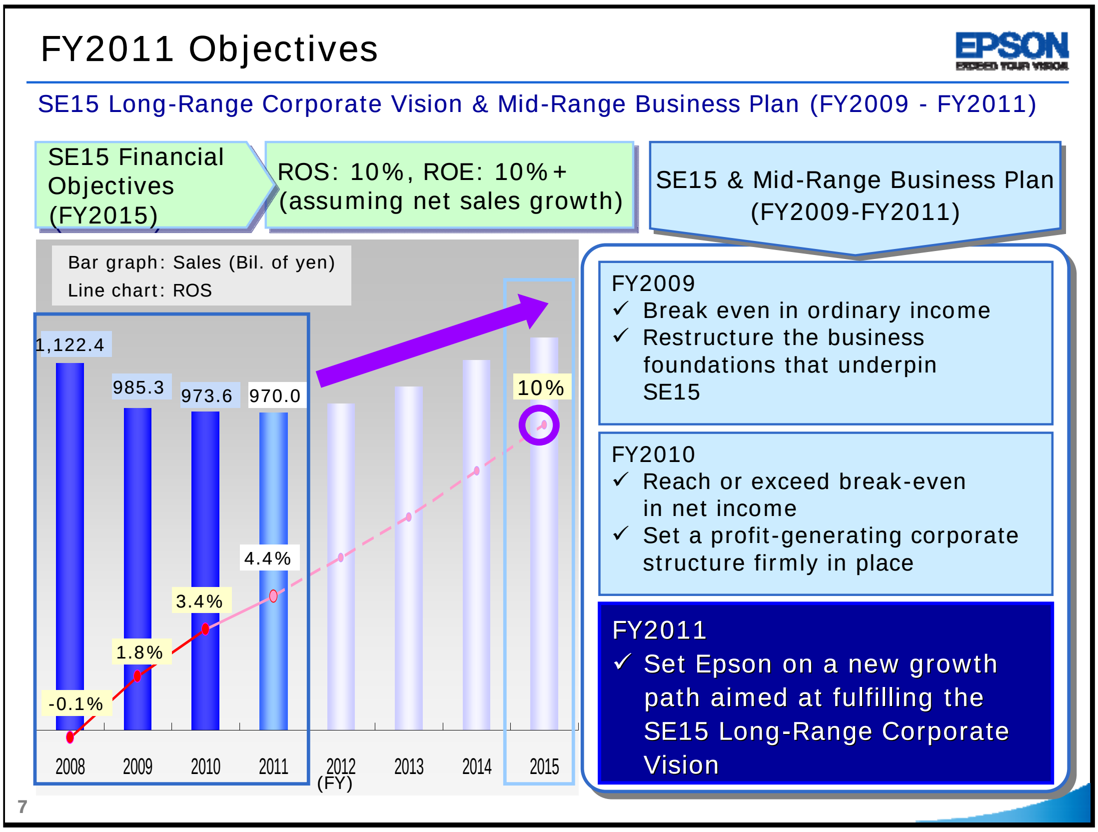
■ **FY2011 full-year financial outlook**

- **We are forecasting net sales of ¥970 billion, which is about the same as the previous year. Operating income expected to increase by ¥10.2 billion, to ¥43.0 billion. Net income is expected to increase by ¥6.7 billion, to ¥17.0 billion.**
- **The Tohoku disaster has given rise to many factors that could negatively affect our financial performance. Please note that only the factors and effects that can be determined at this time have been factored into the fiscal 2011 financial outlook. We have also factored in actions that we are taking to minimize the effects of anticipated risks that could adversely affect financial performance.**
- **Please understand, however, that there are, at present, some elements whose effects cannot be predicted and, as a result, the outlook could change.**



■ **FY2011 objectives**

- **SE15, Epson's long-range corporate vision, provides quantitative financial objectives for fiscal 2015: ROS of at least 10% and ROE that is consistently at or above 10%. These objectives are predicated on net sales growth.**
- **We are advancing toward these objectives in two phases. In the first phase, we are following a three-year SE15 mid-range business plan that runs from fiscal 2009 through fiscal 2011. We achieved the planned objective for 2009, to reach break-even in ordinary income. We also met the planned objective for 2010, to reach or exceed break-even in net income. In addition to meeting our financial objectives for the first two years, we also executed strategies designed to ensure future growth.**
- **These achievements have given us more confidence than ever that we are headed in the right direction.**
- **Our fiscal 2011 objective is to set Epson on a new growth path. And, we set a return-on-sales of 5% as a concrete numerical target that will clearly indicate the level of growth. Our fiscal 2011 plan is built around these objectives.**

Tohoku Earthquake and Tsunami

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Major Epson facilities affected

1. Epson Atmix (metal powders, metal injection molding components, synthetic crystals)
   - ✓ Resumed production of injection molding components & synthetic crystals
   - ✓ Production of metal powders will resume from April 28
2. Akita Epson (printer components, quartz devices, ultra-precision components)
   - ✓ Resumed production of all products
3. Sakata Plant/Tohoku Epson (semiconductors, inkjet printer components)
   - ✓ Resumed production of inkjet printer components and partial production of semiconductors
   - ✓ Production will continue while assessing the power supply and components procurement situation
4. Epson Toyocom Fukushima Plant (quartz devices)
   - ✓ Plant has been closed indefinitely

Impact on other businesses

- ◆ Production may be affected by component procurement issues
- ◆ Impact will be minimized by procuring alternatives and making technical adjustments

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■**Tohoku disaster**

- ➢ **We were significantly affected by the Tohoku area disaster.**
- ➢ **Regretfully, we lost one employee of the Epson Toyocom plant in Fukushima in the tsunami.**
- ➢ **Four of our production sites in the Tohoku area were damaged, directly impacting production primarily of electronic devices. The Sakata plant, a semiconductor fabrication facility, succeeded in resuming limited production in April. However, it is still unclear whether we will be able to secure stable supplies of power and materials. Given this, we expect to see some negative impact on our financial performance.**
- ➢ **The Epson Toyocom plant in Fukushima is located inside the evacuation zone surrounding the crippled Fukushima no. 1 nuclear power plant. So, we are moving ahead on the assumption that the plant will remain closed for the foreseeable future.**
- ➢ **Meanwhile, the disaster is hindering production in our finished products businesses due to difficulty in procuring raw materials, parts, and so forth. We had assumed that unit shipments of inkjet printers in fiscal 2011 would, once again, continue to grow faster than the general market. At present, however, we see sales volumes increasing only very slightly compared to last year due to certain parts procurement issues that are expected to limit production.**
- ➢ **We will roll out recovery measures to other businesses in the information-related equipment segment that could also potentially be significantly impacted by the disaster.**

■ **FY2011 initiatives**

- **Given the situation, we unfortunately had no choice but to forego the original objective of a return on sales of 5% at the start of fiscal 2011. However, the Epson management team is solidly committed to the course we have charted and to business strategies that will lead to the achievement of the SE15 goals.**
- **This year we have lowered our ROS estimate to 4.4%, but we are still adamant about growing income despite the challenges that the disaster and strong yen present.**
- **Toward this end, we will further accelerate and strengthen the strategies we have been pursuing in our core businesses.**
- **In the inkjet printer business, we will enhance and expand our product lineup as we look to provide products optimized for the needs of specific customer segments, including enterprise, emerging and consumer segments.**
- **This year in the projector business we will once again look for growth in unit shipments to outpace the market, and will expand market share by leveraging the competitive advantage that our core technologies provide to offer an extensive product lineup as the No. 1 name in projectors.**
- **Quartz products and semiconductors comprise Epson's microdevices business. These devices are an essential part of Epson's DNA, as they are the most basic building blocks of our compact, energy-saving, high-precision technologies. The combination of these strengths will enable Epson to create compact, low-cost, high-performance devices and modules, displace conventional devices and modules, and increase market share, income, and market presence. To rapidly accomplish all this, we will pursue a variety of projects, including the implementation of forward-looking product strategies, the streamlining of business operations, and the reduction of variable costs.**
- **In short, we will execute these strategies in fiscal 2011 and lay the groundwork for the next three-year plan, which will begin in the 2012 fiscal year as we aim toward the realization of the SE15 long-range corporate vision.**

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1) FY2010 Financial Results

2) FY2011 Financial Outlook

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Financial Highlights (Full Year)

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Net Income	-19.7	-2.0%	10.0	1.0%	10.2	1.1%	+30.0 -	+0.2 +2.4%
EPS	-¥99.34		¥50.05		¥51.25			
Exchange Rate USD	¥92.85		¥85.00		¥85.72			
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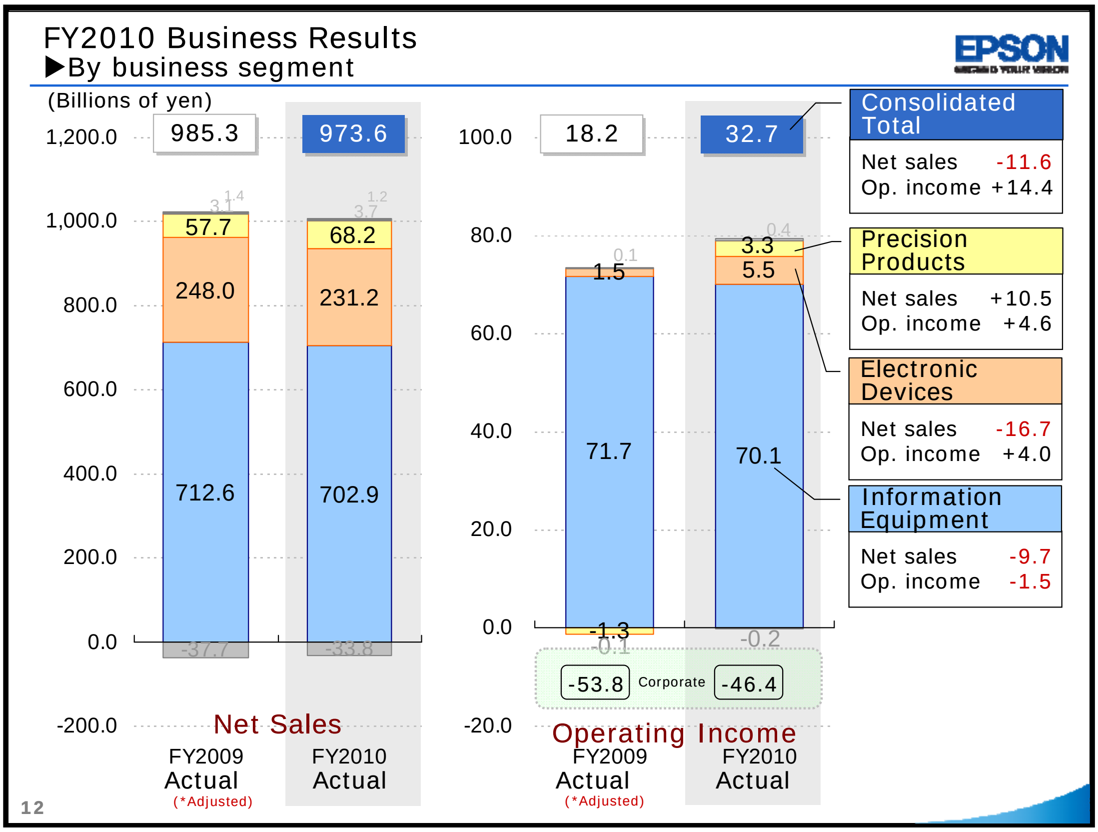
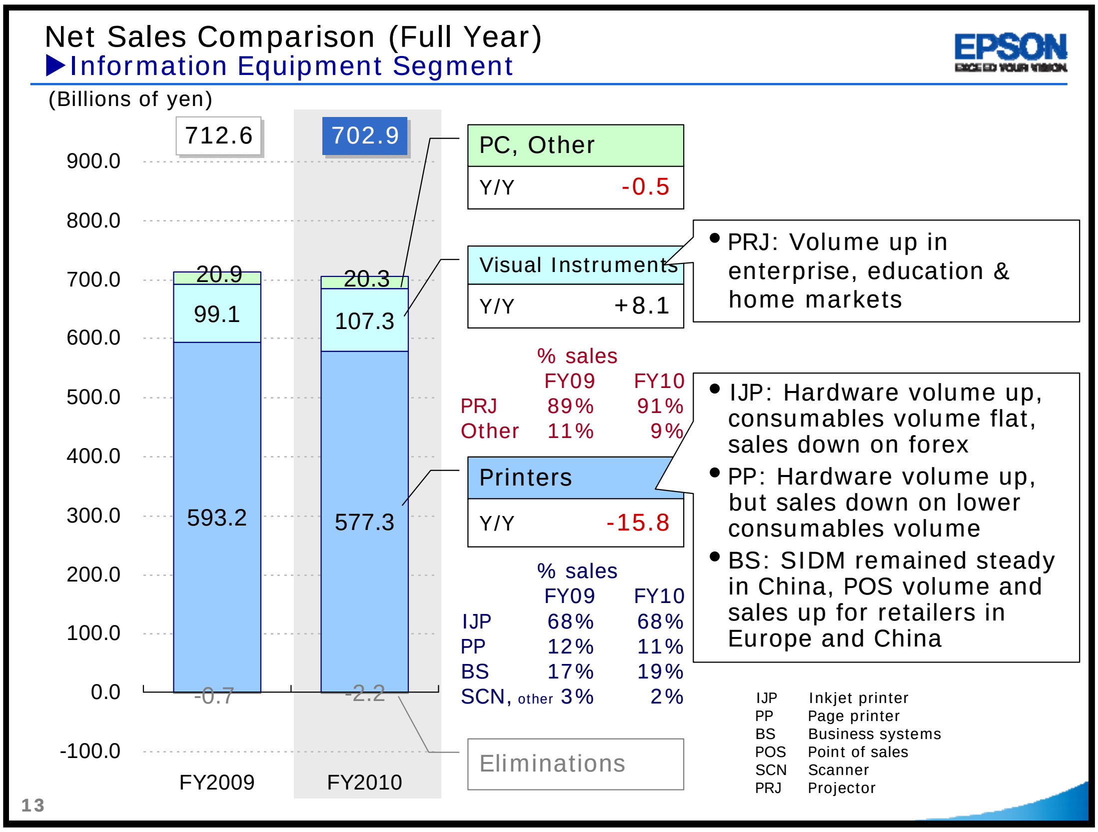
■ FY2010 financial highlights

- Extraordinary loss increased because, even though business structure improvement expenses fell within projections, we recorded a loss on disaster due to damage incurred in the wake of the Tohoku earthquake and tsunami. Net income met guidance due to a decrease in tax expenses, mainly because of a rebalancing of profit allocation with overseas subsidiaries and a transfer of deferred tax assets.



■ FY2010 business results by segment



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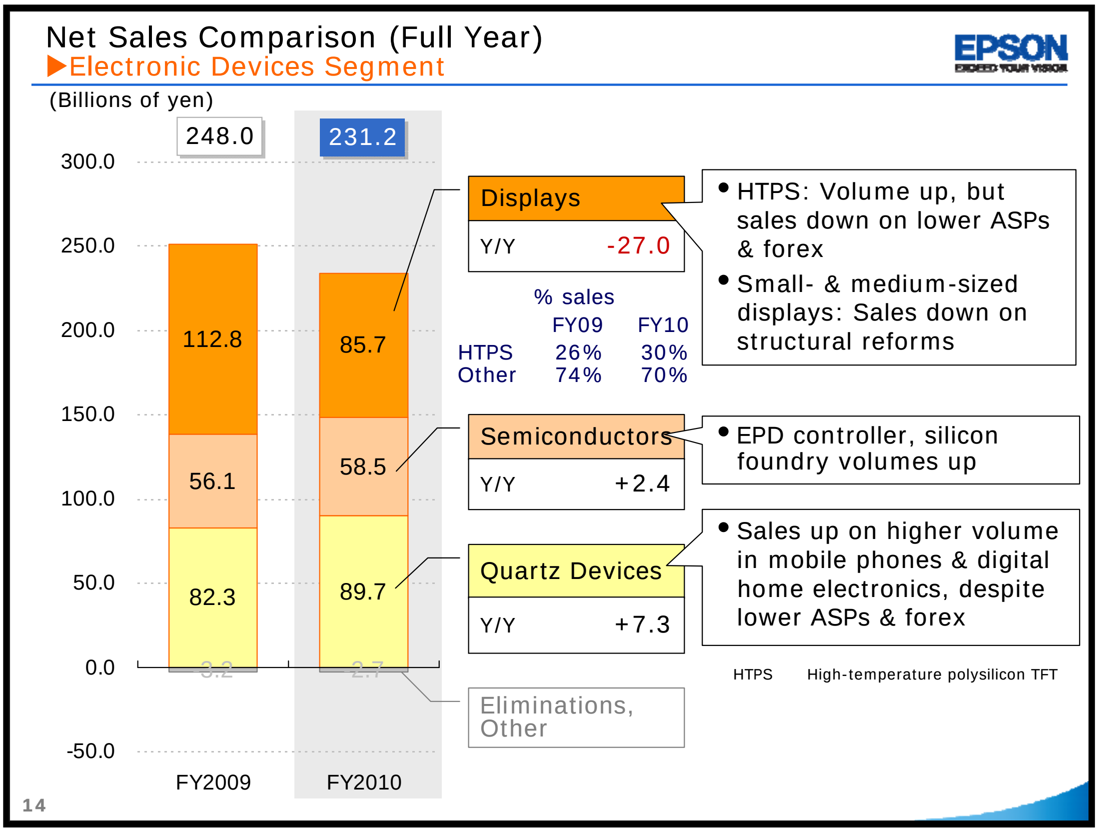
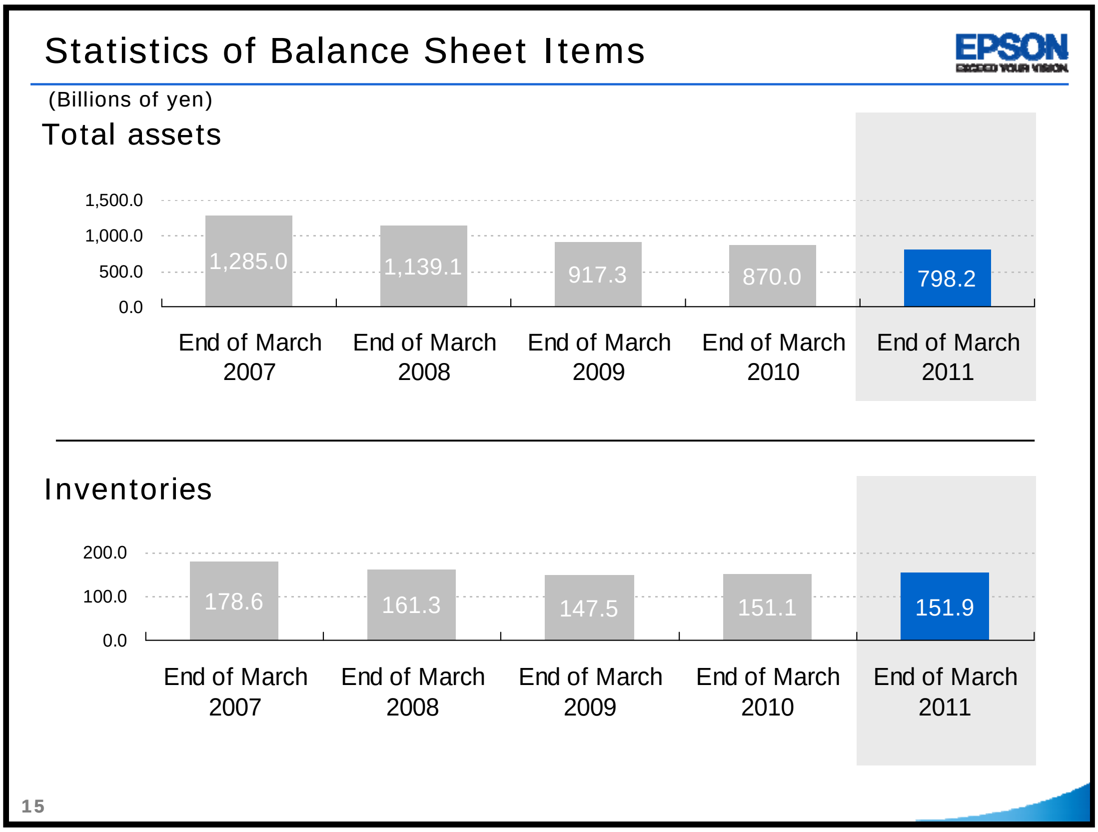
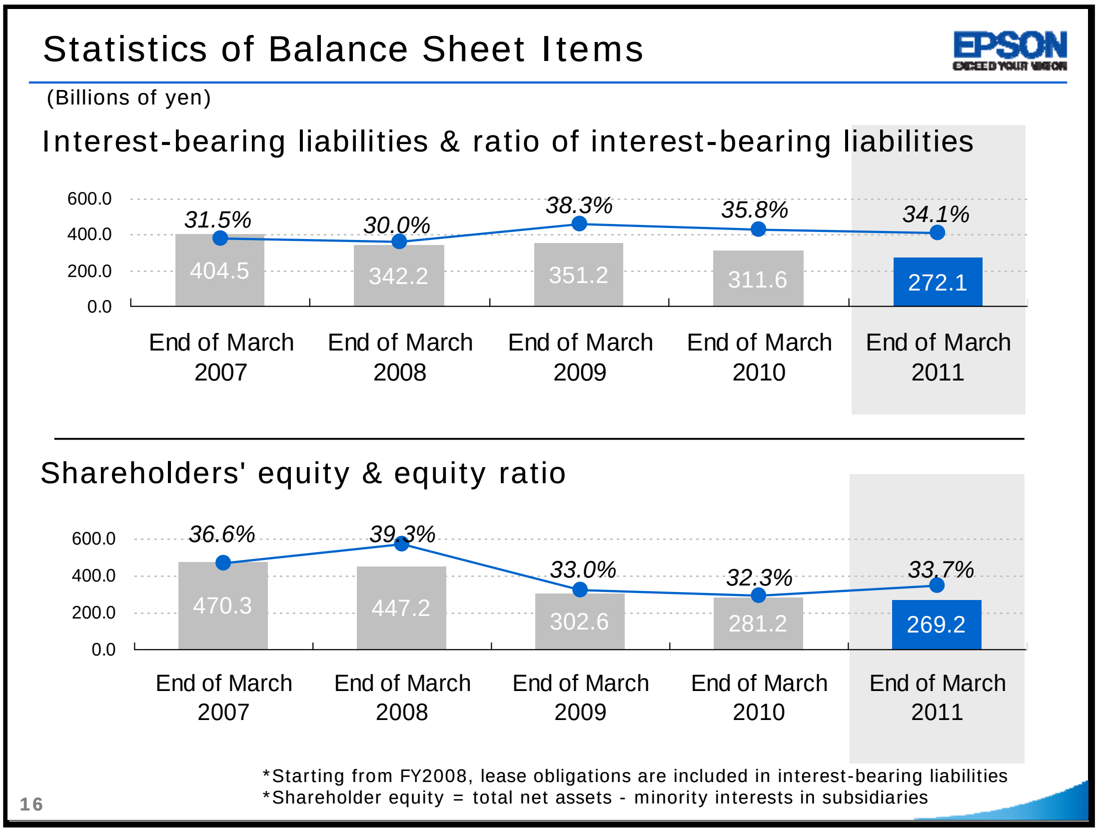


■ FY2010 business results by segment



■ **Statistics of balance sheet items**

➢ **Total assets declined by ¥71.8 billion compared to the end of previous fiscal year primarily because of a decrease in cash and deposits accompanying the repayment of loans, and a decrease in property, plant, and equipment due to a rigorous approach to the screening and selection of capital investments.**



■ **Statistics of balance sheet items**

- **Interest-bearing liabilities decreased by ¥39.5 billion from the end of the previous fiscal year due to the repayment of loans. The ratio of interest-bearing liabilities to total assets was 34.1%. Net interest-bearing liabilities were ¥60.4 billion.**
- **Shareholders' equity decreased by ¥12.0 billion due to the effects of the strong yen and foreign currency translations. As a result, the equity ratio was 33.7%.**

Financial Highlights (Fourth Quarter)

(Billions of yen)	FY2009 Q4 Actual	FY2009 %	FY2010 Q4 Actual	FY2010 %	Change Amount	Change %
Net Sales	247.2	-	226.3	-	-20.9	-8.5%
Operating Income	-3.9	-1.6%	-1.1	-0.5%	+2.7	-
Ordinary Income	-2.5	-1.0%	-1.3	-0.6%	+1.2	-
Net Income Before Income Taxes	-8.2	-3.4%	-10.8	-4.8%	-2.5	-
Quarterly Net Income	-15.0	-6.1%	-6.7	-3.0%	+8.2	-
EPS	-¥75.33		-¥33.86			
Exchange Rate USD	¥90.70		¥82.34			
Exchange Rate EUR	¥125.62		¥112.57			

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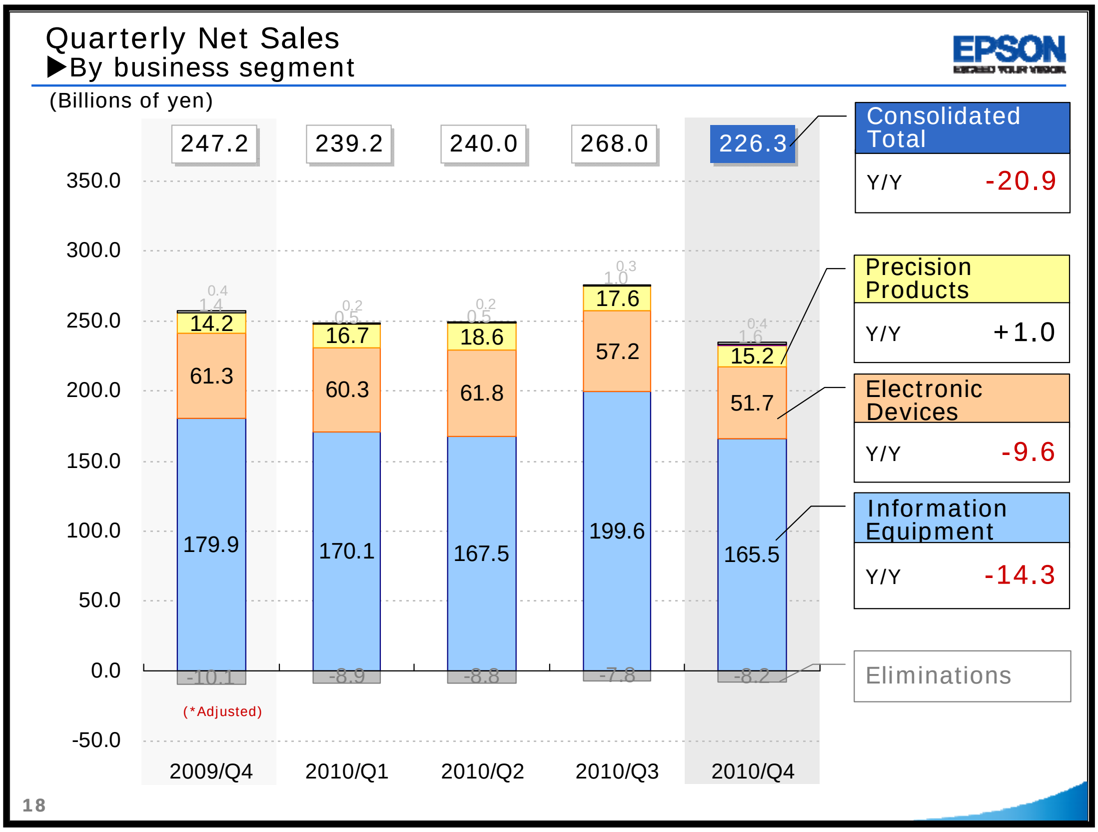
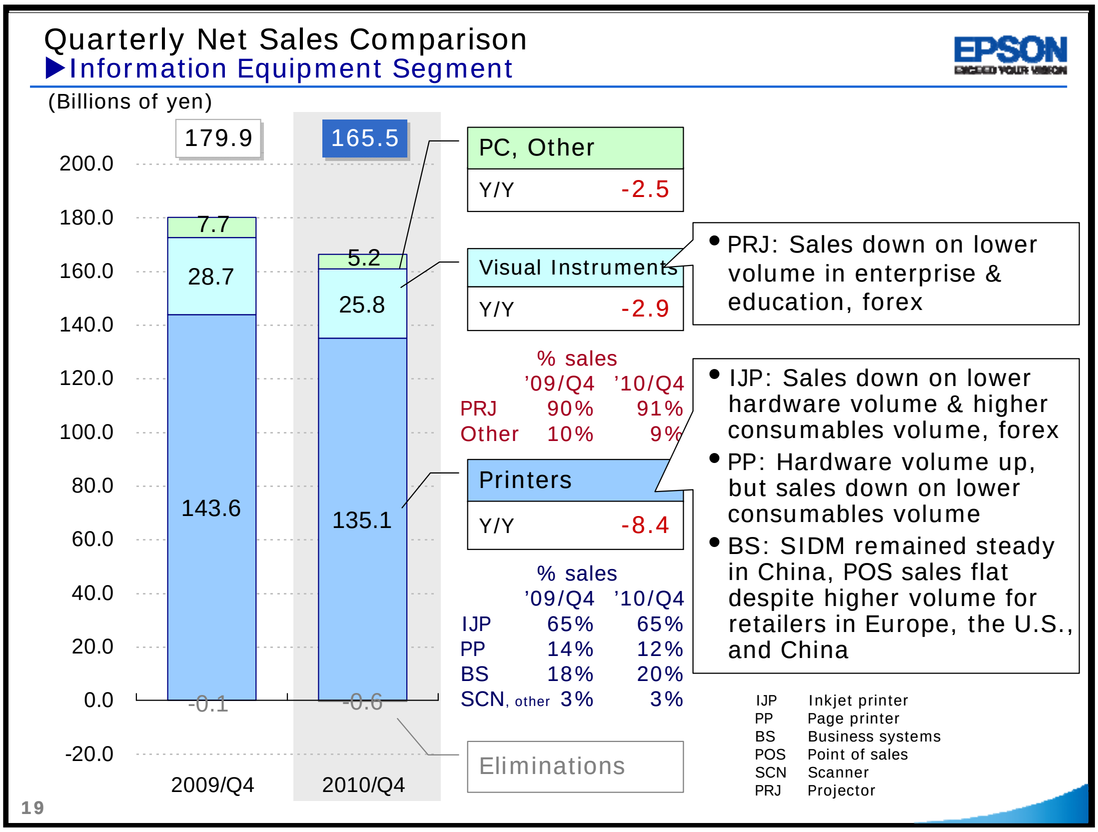
■ **FY2010 fourth-quarter results.**

- **Net sales were ¥226.3 billion, down 8.5% from the same period last year.**
- **On the income front, operating income was negative ¥1.1 billion, which represents a ¥2.7 billion improvement compared to the same period last year. Net income was negative ¥6.7 billion, an ¥8.2 billion improvement.**



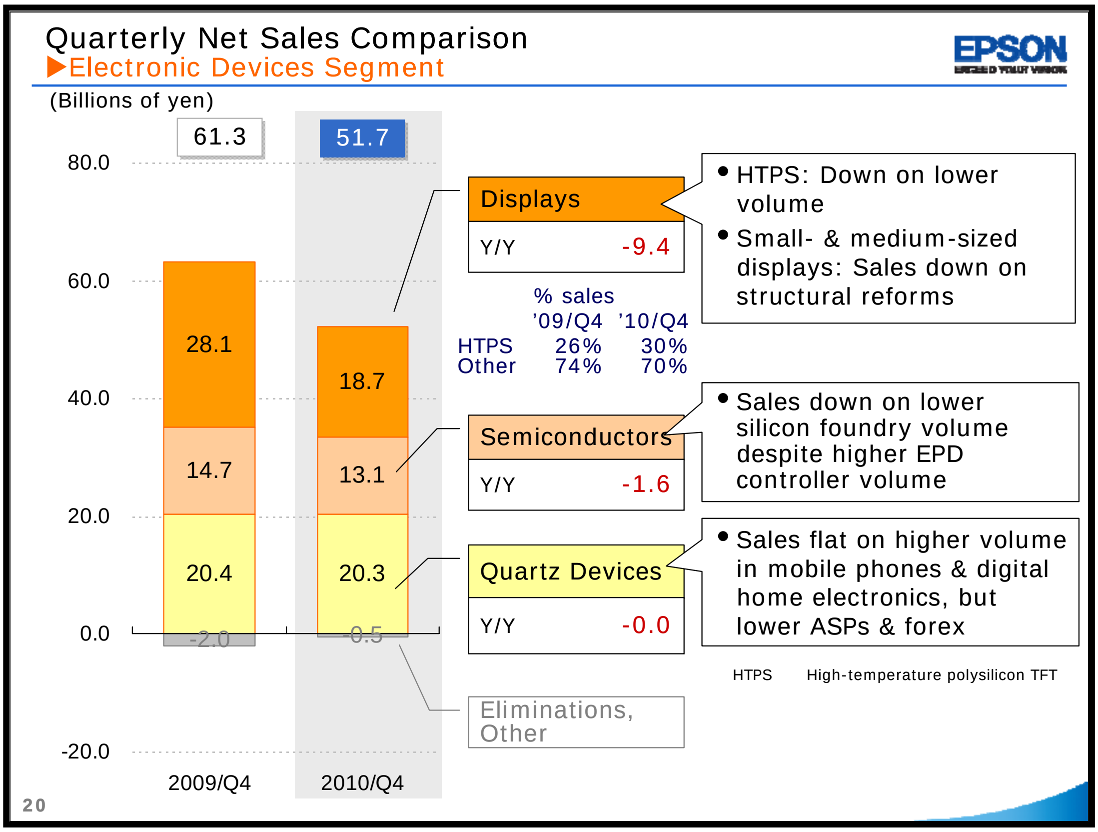
■ **Quarterly net sales by segment**

➢ **Compared to the same period last year, information-related equipment net sales decreased by ¥14.3 billion. Electronic devices net sales declined by ¥9.6 billion. And precision products net sales increased by ¥1.0 billion.**



■ **Quarterly net sales in the information-related equipment segment**

- **The businesses in this segment were all hurt by the effects of yen appreciation.**
- **Printer business net sales were down ¥8.4 billion from a year ago.**
- **Shipments of inkjet printer consumables increased, but printer unit shipments declined, and net sales decreased due to yen appreciation. Seen by region, the American printer market contracted and the European market picked up. Epson's unit shipments in the Americas and Europe were essentially flat year-over-year, but they declined in Asia, where we are migrating to a new business model, and in Japan, where demand has been hurt by the disaster. We managed to increase shipments of consumables in Japan, the Americas, and Europe.**
- **Page printer unit shipments grew in Europe and Asia, largely due to the aggressive pursuit of tender business opportunities, but net sales declined due to a drop in consumables volume in Japan and Europe.**
- **Business systems net sales were basically flat year-over-year. Chinese demand for SIDM printers used in tax collection systems was steady, while unit shipments of POS-related products increased, largely because of European, American, and Chinese retailer demand and demand for coupon printers for Japan.**
- **Visual instruments net sales shrank by ¥2.9 billion compared to the same period last year. Although unit shipments to the enterprise and education markets of Asia increased, they fell short of last year's level in Europe and the U.S. The decline in unit shipments resulted in lower net sales.**
- **Performance against the outlook guidance.**
- **Net sales of inkjet printers ended below guidance, as we failed to achieve our unit shipment target for printers. In business systems, POS-related product net sales fell short of expectations due to a delay in the planned launch of coupon printers in Japan and the U.S. Nevertheless, the forecast was exceeded due to stronger than expected SIDM printer demand in China and other parts of Asia. Page printer net sales ended lower than guidance because of lower than expected unit sales.**
- **Visual instruments recorded net sales that were all basically in line with the outlook.**



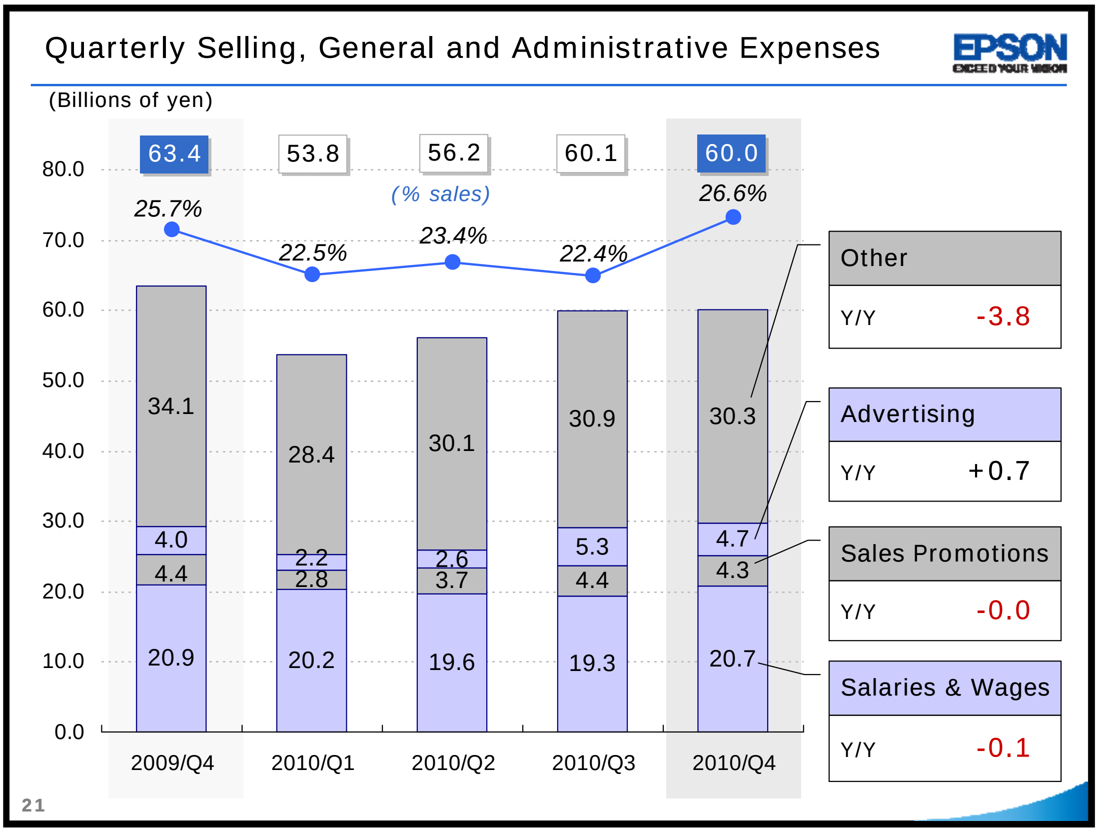
■ **Net sales in the electronic devices segment**

➢ **In quartz devices, net sales were flat year-over-year. Though net sales were hurt by declining ASPs and foreign exchange effects, they were helped by an increase in unit shipments to mobile phone and digital home electronics manufacturers.**

➢ **Semiconductor net sales decreased by 1.6 billion yen despite increased shipments of high added value controllers for electronic paper applications. The decrease was mainly due to a decline in silicon foundry orders.**

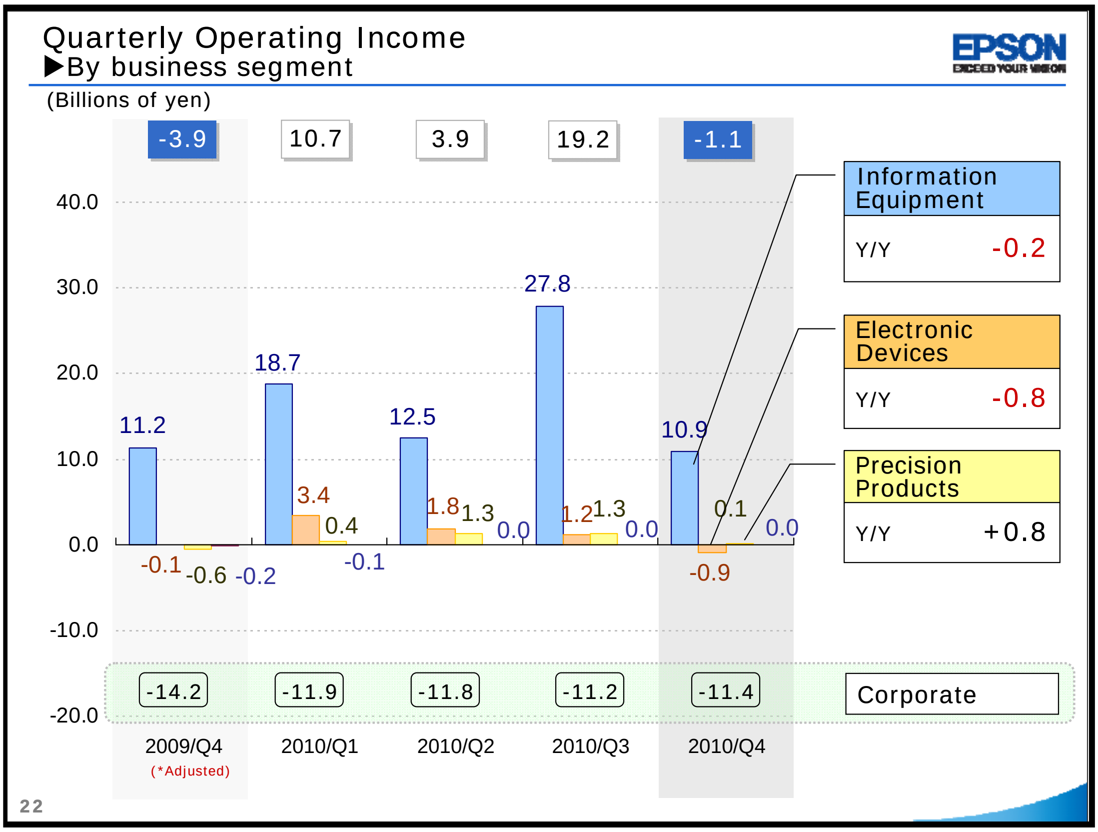
➢ **The displays business reported a ¥9.4 billion year-over-year decline in net sales. The decline is mainly attributable to decreased net sales in the small- and medium-sized displays business and a decline in order volume for projector HTPS panels from outside customers.**

➢ **Net sales in the electronic devices segment were lower than in the January outlook. Although the semiconductor business exceeded expectations largely due to stronger than expected silicon foundry and driver orders, display and quartz device unit shipments were short of guidance.**



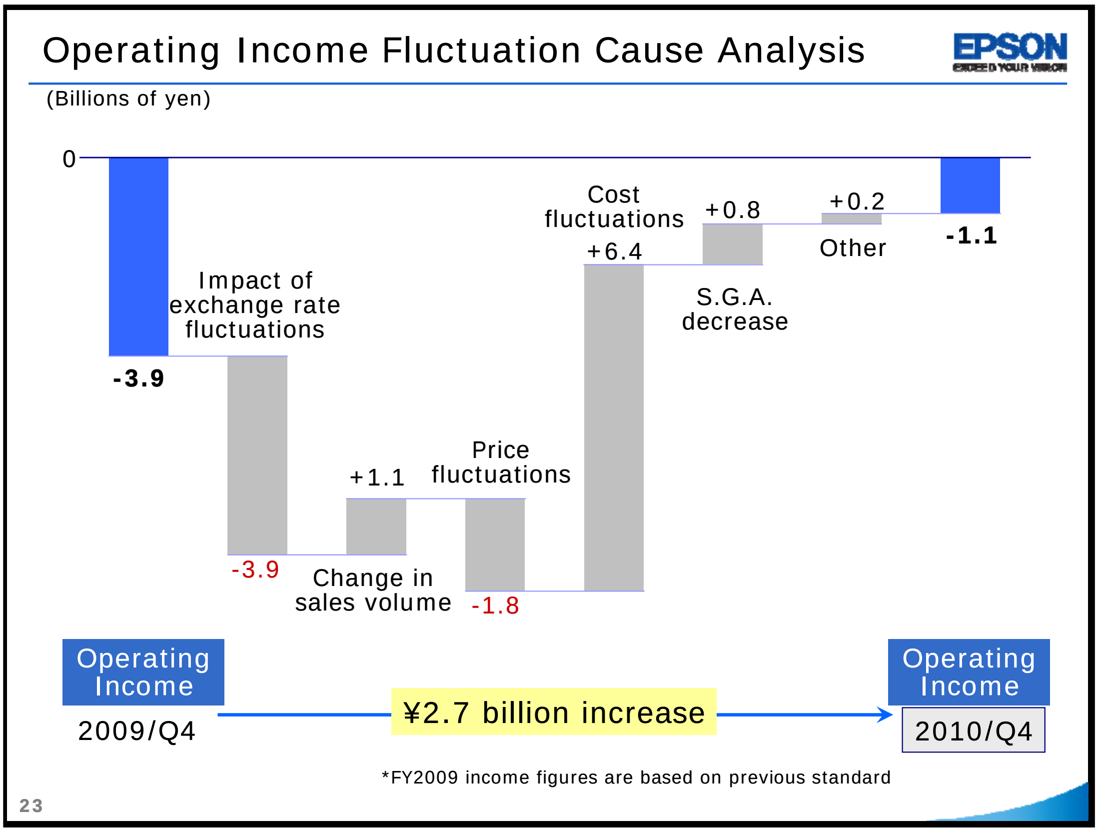
■ Quarterly selling, general and administrative expenses

➢ **SGA expenses changed little year-over-year. This is party due to the effects of yen appreciation and other factors, as well as to our ongoing efforts to improve cost efficiency.**



■ **Quarterly operating income by segment**

- **Information-related equipment operating income was flat year-over-year, at ¥10.9 billion. Inkjet printer operating income increased because, in addition to reducing costs by standardizing platforms, ink cartridge unit shipments grew. In business systems, unit shipments increased, but operating income decreased as a result of eroding ASPs due to a deteriorating model mix. Projector operating income shrank on lower unit shipments.**
- **Electronic devices recorded a loss of ¥0.9 billion. The quartz device business reported lower operating income due to lower ASPs and a delay in implementing planned cost reductions. Semiconductor operating income was helped by an improved model mix that resulted in a rise in average selling prices. Nevertheless, operating income shrank due to a combination of foreign exchange effects and a decline in driver and foundry order volume. Display income increased in conjunction with the termination of small- and medium-sized display production.**
- **Performance against the outlook guidance.**
- **Electronic devices exceeded operating income guidance, but information-related equipment fell short. As a result, total operating income was below forecast.**
- **Information-related equipment operating income was below January guidance. The main reasons were that, in inkjet printers, we did not ship as many large-format printers as expected, and that, in business systems, we saw expenses rise in association with aggressive sales programs designed to capture forthcoming robust demand and develop sales channels.**
- **Electronic device operating income exceeded forecasts mainly due to better than expected semiconductor net sales and fixed cost reductions.**



■ **Operating income fluctuation cause analysis**

➢ **Operating loss for the quarter was ¥1.1 billion compared to an operating loss of ¥3.9 billion in the fourth quarter of fiscal 2009. While currency exchange rates and price fluctuations negatively affected operating income, volume fluctuations and cost fluctuations, especially, went a long way toward narrowing the loss.**

1) FY2010 Financial Results

2) FY2011 Financial Outlook

*Caution:

There are changes to segment reporting from FY2011.
Please refer to slide 2 for details on the changes.

FY2011 Financial Outlook

(Billions of yen)	FY2010 Full-Year Actual	FY2010 %	FY2011 Full-Year Outlook	FY2011 %	Change Amount	Change %
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Operating Income	32.7	3.4%	43.0	4.4%	+10.2	+31.5%
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Net Income	10.2	1.1%	17.0	1.8%	+6.7	+66.0%
EPS	¥51.25		¥85.09			
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We have also factored in actions that we are taking to minimize the effects of risks that could adversely affect financial performance.

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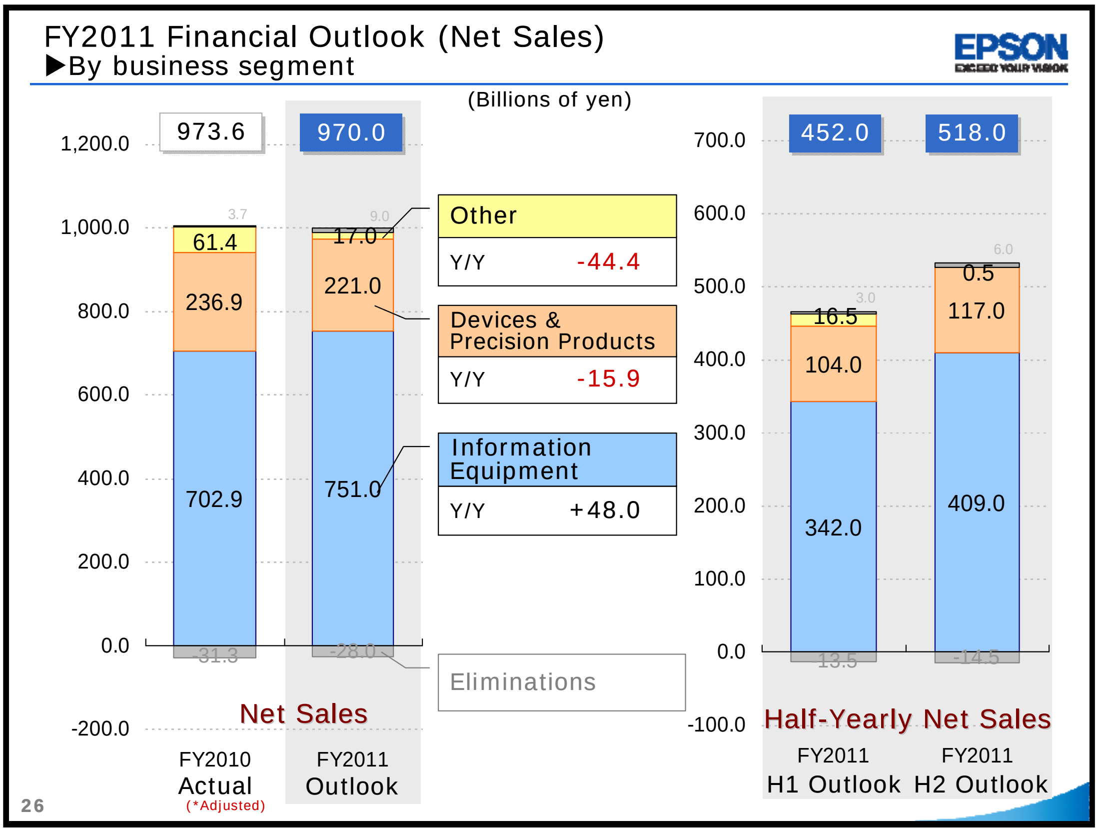
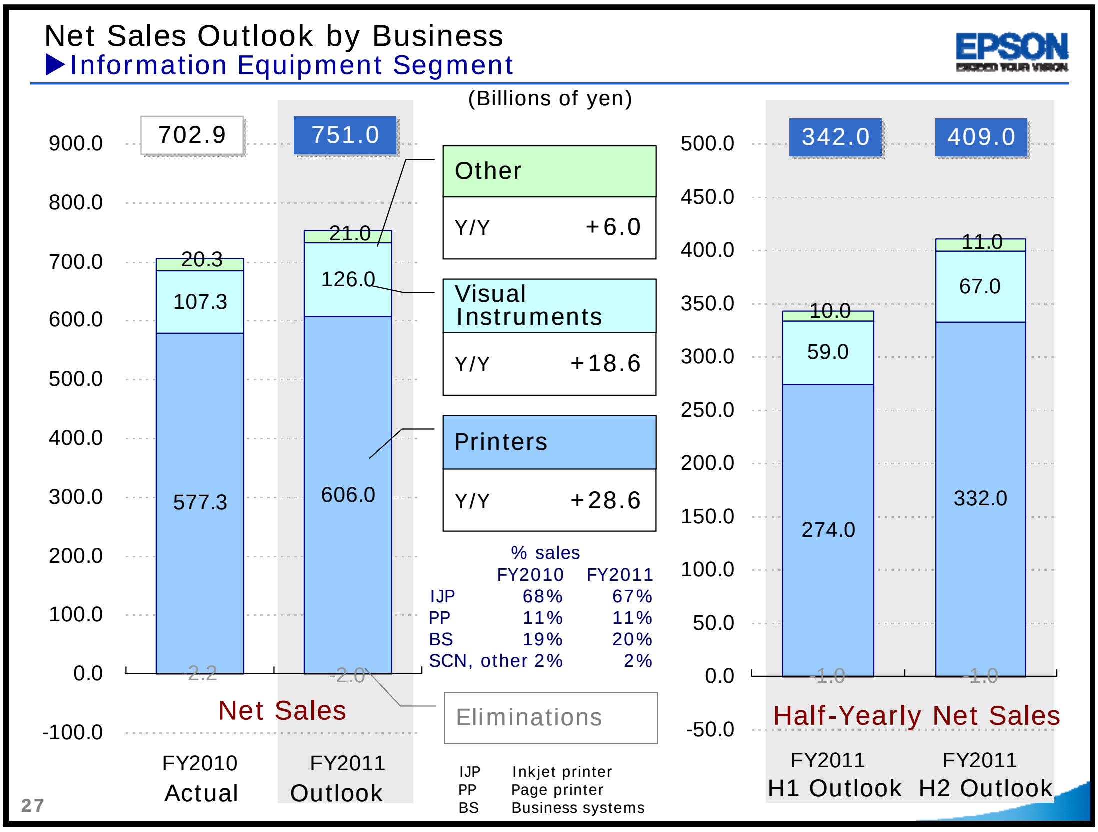
■ FY2011 financial outlook



■ **Net sales outlook broken down by segment and by first and second half.**

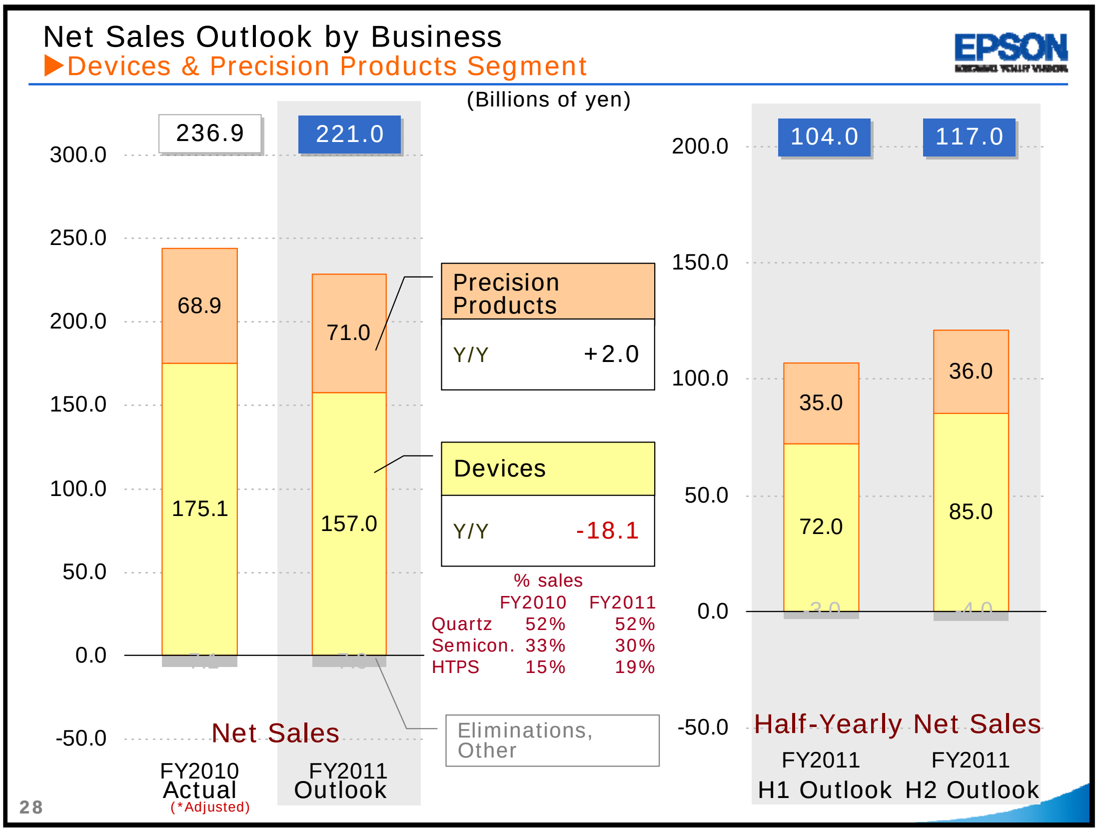
➢ **We expect full-year net sales to increase by ¥48.0 billion year-over-year in information-related equipment and to decrease by ¥15.9 billion in devices & precision products.**



■ **Breakdown of projected net sales by business in the information-related equipment segment**

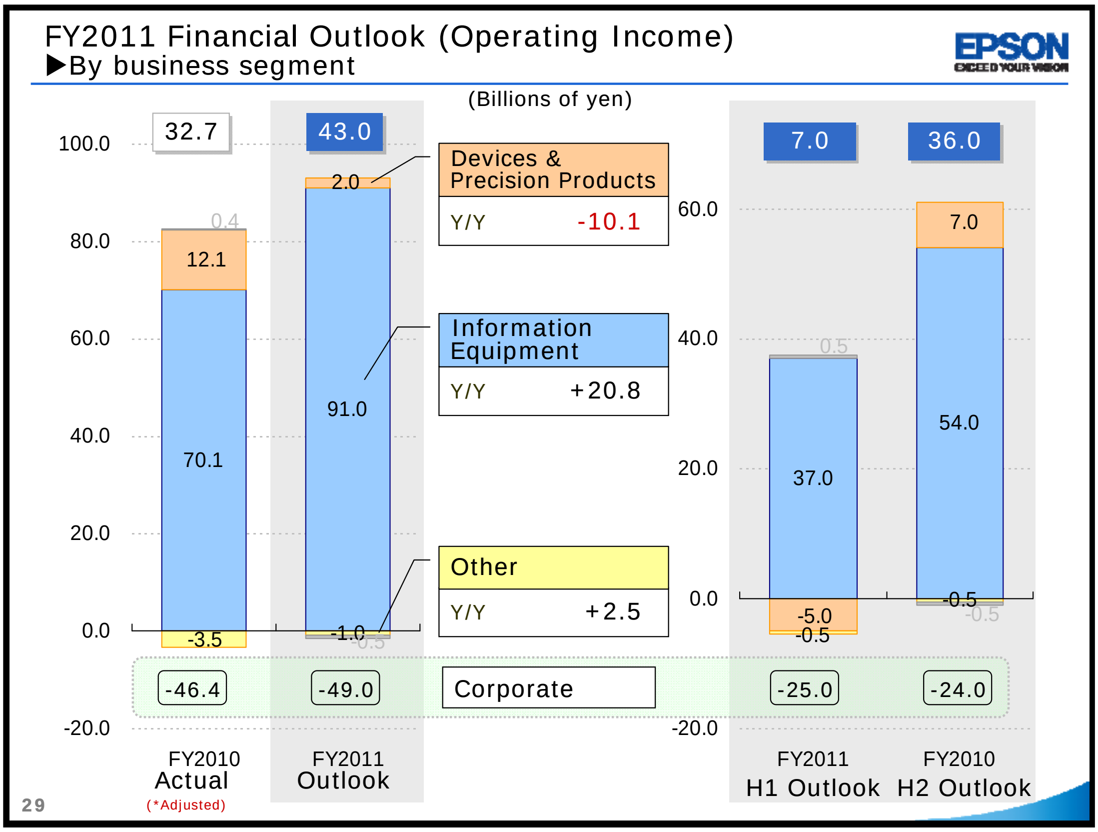
- **We project net sales of ¥606 billion in printers, or ¥28.6 billion more than last year, and ¥126 billion in visual instruments, an ¥18.6 billion increase.**
- **Printer business breakdown**
- **In fiscal 2010 we shipped 15.3 million inkjet printers. This year we are planning on a roughly 2% increase in unit shipments, as production will be constrained to some extent by the effects of the Tohoku disaster. In addition to serving existing markets, we will launch competitive products that are ideally matched to the needs and attributes of the enterprise and emerging markets, as well as to the commercial and industrial sector. We will continue to strengthen our page printer sales promotion efforts and introduce competitive new products. In business systems we expect to increase net sales by capturing sustained steady demand for products used in tax collection systems in China and other parts of Asia, as well as by expanding new businesses, such as that in color coupon printers.**

- **The visual instruments business sees the projector market growing by about another 10% in fiscal 2011 in terms of unit shipments. We aim to maintain our No. 1 market share while growing unit shipments faster than the market, at a rate of about 20%, by providing products that meet the needs of consumers in the enterprise, education, and home projector product categories.**



■ **Breakdown of estimated net sales by business in the devices & precision products segment**

- **In addition to constraints on production resulting from parts procurement issues, this segment is likely to be affected by elements of uncertainty, including the availability of electric power and materials, as well as fluctuations in demand.**
- **Quartz devices are one of the microdevices in our portfolio. We intend to win orders for quartz devices from mobile phone and digital equipment manufacturers, who still see forward growth for their products. In semiconductors, we will move to meet market demand while, at the same time, executing the mid-range business plan so as to strengthen both our finished products and our quartz device business.**
- **We expect unit volume of HTPS panels to rise, primary on internal demand.**



■ **Fiscal 2011 full-year operating income outlook broken down by segment and by first half and second half**

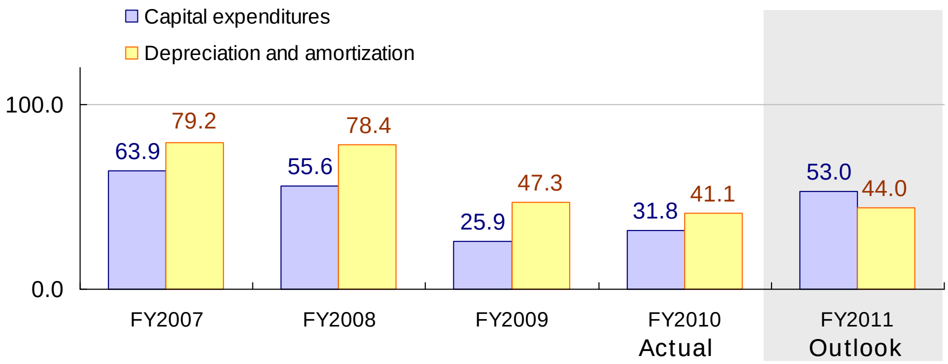
➢ **Information-related equipment operating income should increase by ¥20.8 billion compared to last year. We expect to increase inkjet printer operating income year-over-year by standardizing platforms and parts so as to drive down costs while also spending more efficiently so as to improve profitability and further raising the efficiency of operations. We expect improved profitability in business systems, while page printer and projector profit and loss should basically be in line with last year.**

➢ **In devices and precision products we are forecasting lower operating income. Our expectations reflect the effects of the Tohoku disaster on our quartz and semiconductor microdevices.**

Outlook for Capital Expenditure and Depreciation & Amortization Expenses

EPSON

(Billions of yen)



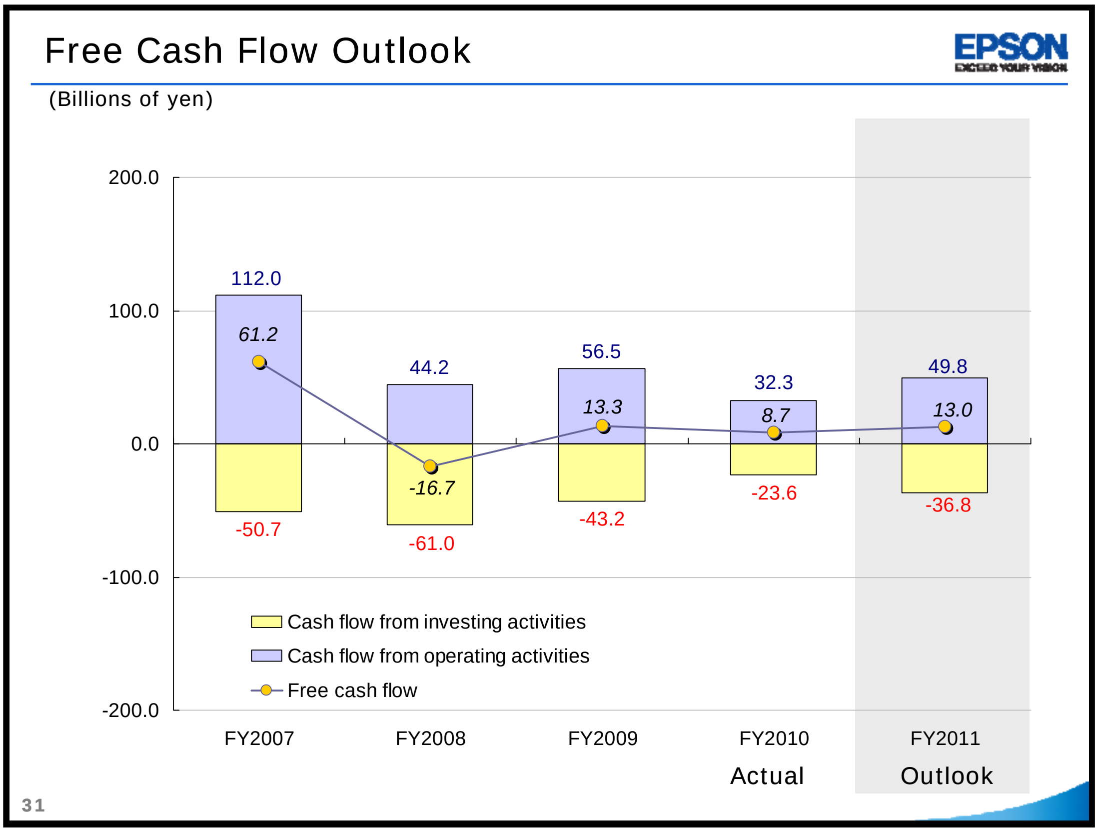
Breakdown by segment	FY2010 Actual		FY2011 Outlook	
	Cap. Ex.	D&A	Cap. Ex.	D&A
Information Equipment	17.8	21.7	30.0	24.0
Devices & Precision Products	11.0	13.2	14.0	15.0
Other/Adjustments	2.9	6.2	9.0	5.0

30

■ **Outlook for capital expenditures and depreciation and amortization expenses.**

➢ **We have budgeted ¥53.0 billion in capital expenditures for fiscal 2011, with most spending focused on information-related equipment.**

➢ **Depreciation and amortization are expected to increase to ¥44.0 billion due to the higher capital expenditures.**



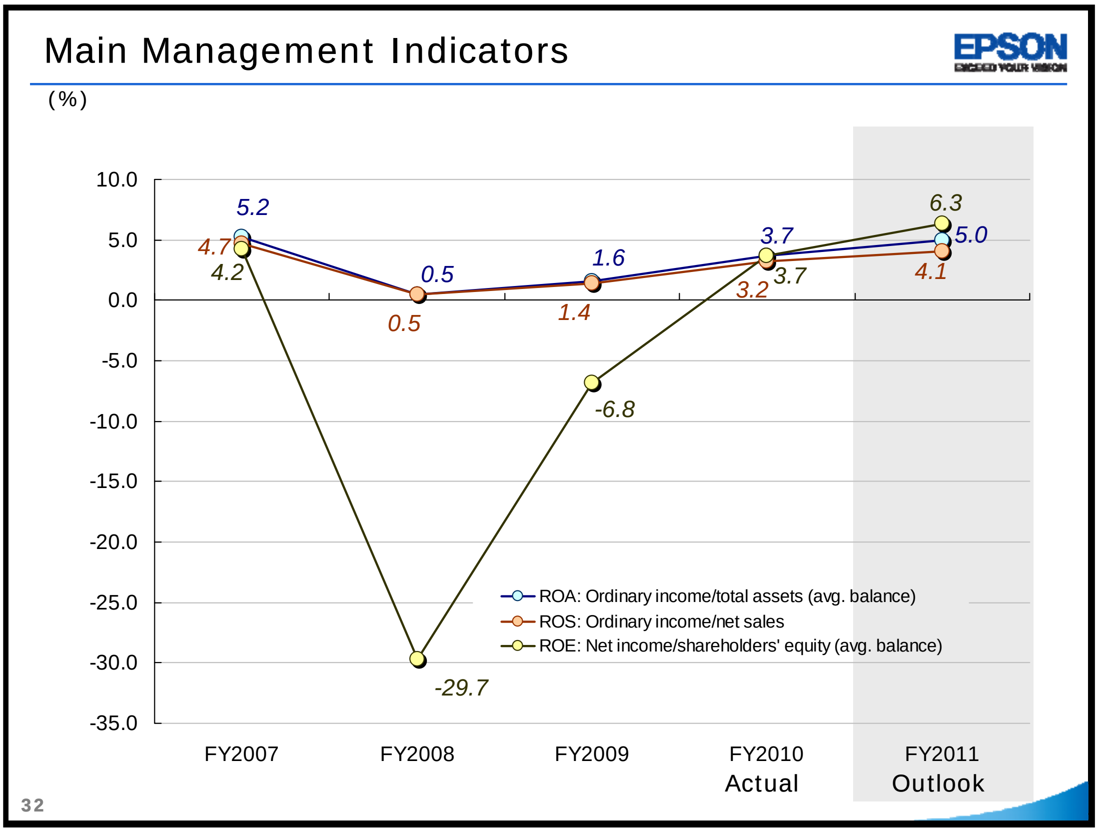
■ **Projected cash flows**

➢ **Fiscal 2010 free-cash flows were ¥8.7 billion, a year-over-year decrease of ¥4.6 billion.**

➢ **Net cash provided by operating activities was ¥32.3 billion, a year-over-year decrease of ¥24.2 billion. Although net income before income taxes improved, increased inventory and other factors contributed to the decline.**

➢ **Net cash used in investing activities was ¥23.6 billion, a decline of ¥19.6 billion year-over-year. The decline was mostly due to a decrease in payments as a result of greater selectivity in capital investments and an increase in income from the sale of plant, property and equipment.**

➢ **We project fiscal 2011 free-cash flows to total ¥13.0 billion, including the effects of the Tohoku disaster. Net cash used in investing activities will increase due to an increase in capital expenditures, but we expect net cash flows used in operating activities to improve as a result of improvement in net income before income taxes and a reduction in inventory.**



■ **Management performance indicators**

➢ **The major management performance indicators derived from the business outlook are ROS of 4.1%, ROA of 5.0%, and ROE of 6.3 %.**

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