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July 30, 2010

CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2010

Consolidated Financial Highlights

Income statements and cash flows data

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

	Three months ended June 30		Change	Three months ended June 30, 2010
	2009	2010		
Statements of Income Data:				
Net sales	¥213,398	**¥239,201**	12.1%	**$2,703,447**
Operating income (loss)	(12,441)	**10,736**	-%	**121,338**
Ordinary income (loss)	(15,058)	**11,203**	-%	**126,616**
Net income (loss)	(22,365)	**7,944**	-%	**89,783**
Statements of Cash Flows Data:				
Cash flows from operating activities	2,245	**(6,435)**	-%	**(72,728)**
Cash flows from investing activities	(22,045)	**(1,780)**	-%	**(20,117)**
Cash flows from financing activities	(3,306)	**(14,421)**	-%	**(162,985)**
Cash and cash equivalents at the end of the period	262,809	**222,806**	(15.2%)	**2,518,150**
Per Share Data:				
Net income (loss) per share -Basic	(¥113.24)	**¥39.76**	-%	**$0.44**
-Diluted	¥-	**¥-**	-%	**$-**

Balance sheets data

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

	June 30, 2010	March 31, 2010	June 30, 2010
Total assets	**¥822,926**	¥870,090	**$9,300,700**
Net assets	**272,381**	282,864	**3,078,447**
Shareholders' equity	**270,957**	281,295	**3,062,353**
Shareholders' equity ratio (%)	**32.9%**	32.3%	**32.9%**
Shareholders' equity per share	**¥1,356.18**	¥1,407.92	**$15.32**

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 interests 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 ¥88.48 = U.S.$1 at June 30, 2010 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2010 First Quarter Overview

In the quarter under review, the U.S. economy, jump-started by the implementation of economic stimulus measures, began to gradually climb out of the recession, though elements of concern, including an increase in the unemployment rate, remain. In Europe, government economic measures helped halt the economic slide, but there is still uncertainty regarding the direction of the recovery due to the high unemployment rate and rising apprehension about the financial situation and financial systems in certain countries. China recorded growth, mainly due to internal demand. The recovery in other parts of Asia remained on track thanks to economic stimulus measures and rising exports to China. In Japan, meanwhile, the employment situation remained difficult but, nevertheless, the economy steadily rallied, with corporate earnings improving due to increased exports to Asia, while personal spending held steady.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Demand for consumer inkjet printers rose as the economy improved. Business inkjet printer demand also trended steadily upward especially in the American, Japanese, and Chinese printing industries as the economy picked up. The serial dot-matrix printer (SIDM) market is contracting in America, Europe, and Japan, but demand moved higher in some regions, including China, Southeast Asia, and South Asia. POS system demand registered signs of recovery as capital expenditures by small retailers rose compared to the same period last year. Projector demand in both the business and education categories was firm, especially for low-end models.
Demand for many of the main applications in which Epson's electronic devices are used also began climbing upward. New mobile phone demand grew steadily in China, other parts of Asia, Africa, the Middle East, and especially in India, where the rise in volume was particularly steep. Upgrade demand also showed signs of returning in the U.S. and increasing in China. Smart phones provided traction in the mobile phone market, with the launch of a succession of compelling new products loaded with more memory and new features, including touch panels. Television and PC demand was steady, while demand for autos rebounded in America and expanded in China. Meanwhile, the market for the much hyped new category of tablet PCs surged.
Markets associated with the precision products segment also showed signs of recovery, with demand for watches climbing in tandem with improvement in the economy. With corporate manufacturing on the mend, demand for IC handlers and robots increased. On the other hand, demand for eyeglass lenses remained weak.

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

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first quarter of the year under review were ¥92.01 and ¥116.99, respectively. This represents a 5%

appreciation in the value of the yen against the dollar and a 12% appreciation in the value of the yen against the euro, year-over-year.

Compared to the same period last year, consolidated first-quarter net sales were ¥239,201 million ($2,703,447 thousand), up 12.1%. Operating income was ¥10,736 million ($121,338 thousand), compared to an operating loss of ¥12,441 million in the same period last year. Ordinary income was ¥11,203 million ($126,616 thousand), compared to an ordinary loss of ¥15,058 million in the same period last year. And net income was ¥7,944 million ($89,783 thousand), compared to a net loss of ¥22,365 million in the same period last year.

Operating Performance Highlights by Reporting Segments

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

Information-related equipment

The printer business reported growth in net sales.
In inkjet printers (including consumables, as in all printer discussions below), unit shipments of consumer models rose as personal spending rebounded, but net sales were constrained by yen appreciation and an increase of units in the low-price zone as a percentage of total sales. In business printers, large-format inkjet printers sold well as demand rebounded in markets including the printing and retail industries. Sales of inkjet printers for the office also steadily rose as orders were captured. SIDM printer unit shipments increased due to demand associated with China's tax collection system. Shipments of POS system printers to small- and medium-sized retailers in Europe and America increased from last year's hard-hit recessionary first quarter. Page printer unit shipments also increased, largely on the strength of successful bids in Europe, but net sales were adversely affected by yen appreciation, as well as by price erosion and a decline in toner sales.

The visual instruments business reported a sharp increase in net sales. Although sales of low-end models grew as a percentage of total sales, sales overall were strong amid an expanding market as a result of healthy demand for education projectors in North America and Asia, combined with promotional programs in Europe and South America timed to coincide with the FIFA World Cup.

Segment income in the information-related equipment segment increased as a result of the higher revenue that accompanied an increase in unit volume compared to recession-hit same period last year.

As a result of the foregoing factors, first-quarter net sales in the information-related equipment segment were ¥170,188 million ($1,923,486 thousand), up 8.8% year over year, while segment income was ¥18,763 million ($212,071 thousand), compared to an operating loss of ¥1,287 million in the same period last year. Segment income in the same period last year, recalculated using the accounting method applied this year, was ¥7,331 million.

Electronic devices

The quartz device business reported sharply higher income on higher unit shipments of most products as a result of a favorable turn in demand of electronic devices as a whole as the economy improved.

The semiconductor business posted sharply higher income on higher volume, particularly in the silicon foundry business and in monochrome LCD drivers for automotive applications as a result of the upturn in demand for electronic components in general.

The displays business on the whole saw net sales increase. Unit shipments of high-temperature polysilicon TFT panels for 3LCD projectors grew in tandem with the expanding projector market, which showed particularly strong growth in the business segment.

Segment income in the electronic devices segment increased due to the effects of increased net sales and a higher capacity utilization ratio associated with the increase in unit shipments.

As a result of the foregoing factors, first-quarter net sales in the electronic devices segment were ¥60,364 million ($682,222 thousand), up 18.7% year-over-year, while segment income was ¥3,446 million ($38,947 thousand), compared to an operating loss of ¥8,587 million in the same period last year. Segment loss in the same period last year, recalculated using the accounting method applied this year, was ¥5,986 million.

Precision products

The precision products segment reported higher demand for IC handlers and robots accompanying a rebound in corporate manufacturing. Sales of watches, meanwhile, also showed signs of rebounding, and the segment as a whole posted sharply improved income and, along with it, increased segment income.
As a result of the foregoing factors, first-quarter net sales in the precision products segment were ¥16,759 million ($189,398 thousand), up 32.1% year-over-year, while segment income was ¥452 million ($5,108 thousand), compared to an operating loss of ¥1,459 million in the same period last year. Segment loss in the same period last year, recalculated using the accounting method applied this year, was ¥746 million.

Other

First-quarter net sales in the “Other” segment were ¥262 million ($2,961 thousand), compared to ¥5,781 million in the same period last year, and segment loss was ¥131 million ($1,481 thousand), compared to an operating loss of ¥1,171 million in the same period last year. The main reason for the decline in income is that subsidiaries that provided internal services to Epson were dissolved and their functions transferred to various Epson businesses in the previous fiscal year, so the sales of these subsidiaries to the various businesses are no longer recorded. Segment income in the same period last year, recalculated using the accounting method applied this year, was ¥51 million.

Adjustments

Segment loss was ¥11,793 million ($133,307 thousand). The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development for new businesses and basic technology, and general corporate expenses. Segment loss in the same period last year, recalculated using the accounting method applied this year, was ¥13,090 million.

Qualitative Information Regarding the Consolidated Financial Position

Total assets declined ¥47,163 million compared to the previous fiscal year end, to ¥822,926 million ($9,300,700 thousand).

A number of factors were responsible for the decline. These included a ¥37,233 million decline in total current assets due to a ¥60,281 million decline in cash and deposits, chiefly as a result of switching certain funds to short-term investment securities, and the repayment of short-term loans payable.

Total liabilities were ¥550,544 million ($6,222,253 thousand), a decrease of ¥36,681 million compared to the previous fiscal year end. The decrease was primarily due to a ¥35,636 million reduction in total current liabilities brought about by a decline in short-term loans payable in conjunction with their repayment, as well as a decline in notes and accounts payable-trade and the provision for bonuses.

Another factor was that the yen-equivalent value of foreign-currency-denominated assets and liabilities declined due to the appreciation of the yen versus the dollar and other currencies compared to the previous fiscal year end. Total net assets declined ¥10,482 million, chiefly due to a ¥15,610 million decline in foreign currency translation adjustments to minus ¥63,315 million ($715,586 thousand).

Qualitative Information Regarding the Consolidated Financial Outlook

In light of recent business trends, Epson revised its first half consolidated financial results outlook. For details, please see today's "Announcement of Revised First Half Financial Results Outlook."

However, Epson has decided to stand by its initial outlook for the full year (see below).

Consolidated Full-Year Results Outlook

	REF: FY2009 Full-Year Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)
Net sales	¥985.3 billion	¥1,013.0 billion	¥1,013.0 billion	-
Operating income	¥18.2 billion	¥27.0 billion	¥27.0 billion	-
Ordinary income	¥13.8 billion	¥24.0 billion	¥24.0 billion	-
Net income	-¥19.7 billion	¥0.0 billion	¥0.0 billion	-
Foreign exchange rate	$1USD = ¥93 1 euro = ¥131	$1USD = ¥85 1 euro = ¥125	$1USD = ¥87 1 euro = ¥112	

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.

Consolidated Quarterly Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	June 30, 2010	March 31, 2010	June 30, 2010
Assets			
Current assets			
Cash and deposits	¥132,836	¥193,117	$1,501,311
Notes and accounts receivable-trade	145,036	144,435	1,639,195
Short-term investment securities	80,011	51,511	904,283
Merchandise and finished goods	89,329	90,284	1,009,595
Work in process	37,391	39,198	422,592
Raw materials and supplies	23,214	21,710	262,364
Other	53,223	58,211	601,528
Allowance for doubtful accounts	(2,063)	(2,258)	(23,316)
Total current assets	558,977	596,210	6,317,552
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	401,023	405,096	4,532,357
Machinery, equipment and vehicles	446,344	467,364	5,044,575
Tools, furniture and fixtures	164,433	174,014	1,858,419
Other	58,948	59,358	666,254
Accumulated depreciation	(851,372)	(880,479)	(9,622,197)
Total property, plant and equipment	219,377	225,354	2,479,408
Intangible assets			
Goodwill	2,971	2,873	33,578
Other	14,173	15,187	160,183
Total intangible assets	17,144	18,060	193,761
Investments and other assets			
Investment securities	13,470	16,087	152,237
Other	14,155	14,577	159,979
Allowance for doubtful accounts	(198)	(200)	(2,237)
Total investments and other assets	27,427	30,464	309,979
Total noncurrent assets	263,949	273,879	2,983,148
Total assets	¥822,926	¥870,090	$9,300,700

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

	Millions of yen		Thousands of U.S. dollars
	June 30, 2010	March 31, 2010	June 30, 2010
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥85,845	¥90,768	$970,219
Short-term loans payable	10,227	21,739	115,585
Current portion of bonds	30,000	30,000	339,059
Current portion of long-term loans payable	34,968	35,728	395,207
Income taxes payable	8,543	10,024	96,552
Provision for bonuses	8,894	14,484	100,519
Provision for product warranties	8,330	9,928	94,145
Other	106,205	115,977	1,200,378
Total current liabilities	293,015	328,652	3,311,664
Noncurrent liabilities			
Bonds payable	70,000	70,000	791,139
Long-term loans payable	151,593	151,593	1,713,302
Provision for retirement benefits	19,957	20,008	225,553
Provision for recycling costs	418	396	4,724
Provision for product warranties	383	450	4,328
Other	15,176	16,124	171,543
Total noncurrent liabilities	257,529	258,574	2,910,589
Total liabilities	550,544	587,226	6,222,253
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	601,311
Capital surplus	84,321	84,321	952,995
Retained earnings	193,305	187,358	2,184,731
Treasury stock			
June 30, 2010 - 22,316 shares			
March 31, 2010 - 22,089 shares	(36)	(35)	(406)
Total shareholders' equity	330,794	324,847	3,738,631
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	2,511	4,023	28,379
Deferred gains or losses on hedges	967	130	10,929
Foreign currency translation adjustment	(63,315)	(47,705)	(715,586)
Total valuation and translation adjustments	(59,837)	(43,552)	(676,278)
Minority interests	1,424	1,568	16,094
Total net assets	272,381	282,864	3,078,447
Total liabilities and net assets	¥822,926	¥870,090	$9,300,700

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

Consolidated Quarterly Statements of Income

Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30, 2010
	2009	2010	
Net sales	¥213,398	¥239,201	$2,703,447
Cost of sales	169,695	174,609	1,973,441
Gross profit	43,703	64,591	730,006
Selling, general and administrative expenses	56,144	53,854	608,668
Operating income (loss)	(12,441)	10,736	121,338
Non-operating income:			
Interest income	415	238	2,689
Foreign exchange gains	—	220	2,486
Other	1,552	1,814	20,514
Total non-operating income	1,968	2,273	25,689
Non-operating expenses:			
Interest expenses	1,324	1,126	12,726
Other	3,261	680	7,685
Total non-operating expenses	4,586	1,806	20,411
Ordinary income (loss)	(15,058)	11,203	126,616
Extraordinary income:			
Gain on transfer of business	—	597	6,747
Other	223	60	678
Total extraordinary income	223	657	7,425
Extraordinary loss:			
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	643	7,267
Other	1,975	516	5,843
Total extraordinary losses	1,975	1,160	13,110
Income (loss) before income taxes and minority interests	(16,811)	10,700	120,931
Income taxes	5,746	2,765	31,262
Income before minority interests	(22,557)	7,934	89,669
Minority interests in loss	(192)	(10)	(114)
Net income (loss)	(¥22,365)	¥7,944	$89,783

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

Consolidated Quarterly Statements of Cash Flows

Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2009	2010	2010
Consolidated quarterly statements of cash flows			
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥16,811)	¥10,700	$120,931
Depreciation and amortization	12,036	9,807	110,838
Equity in (earnings) losses of affiliates	(41)	(20)	(226)
Amortization of goodwill	(168)	(98)	(1,107)
Increase (decrease) in allowance for doubtful accounts	188	(15)	(169)
Increase (decrease) in provision for bonuses	(5,064)	(5,449)	(61,584)
Increase (decrease) in provision for product warranties	(1,190)	(1,206)	(13,630)
Increase (decrease) in provision for retirement benefits	1,883	510	5,764
Interest and dividends income	(641)	(422)	(4,769)
Interest expenses	1,324	1,126	12,726
Foreign exchange losses (gains)	(643)	(604)	(6,826)
Loss (gain) on sales of noncurrent assets	(44)	(44)	(497)
Loss on retirement of noncurrent assets	168	186	2,102
Loss (gain) on sales of investment securities	―	5	56
Decrease (increase) in notes and accounts receivable-trade	(1,644)	339	3,831
Decrease (increase) in inventories	10,551	(10,939)	(123,668)
Increase (decrease) in accrued consumption taxes	2,291	1,585	17,913
Increase (decrease) in notes and accounts payable-trade	448	(6,096)	(68,896)
Other, net	7,039	(3,957)	(44,721)
Subtotal	9,681	(4,595)	(51,932)
Interest and dividends income received	407	949	10,725
Interest expenses paid	(956)	(842)	(9,516)
Income taxes paid	(6,887)	(1,947)	(22,005)
Net cash provided by (used in) operating activities	2,245	(6,435)	(72,728)
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	236	0	0
Purchase of investment securities	(0)	(0)	(0)
Proceeds from sales of investment securities	―	166	1,876
Purchase of property, plant and equipment	(7,651)	(5,231)	(59,106)
Proceeds from sales of property, plant and equipment	72	91	1,028
Purchase of intangible assets	(1,140)	(643)	(7,267)
Proceeds from sales of intangible assets	3	0	0
Purchase of long-term prepaid expenses	(43)	(467)	(5,278)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	―	13	146
Proceeds from transfer of business	―	4,062	45,908
Other, net	(13,521)	228	2,576
Net cash provided by (used in) investing activities	(22,045)	(1,780)	(20,117)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(240)	(11,200)	(126,617)
Repayment of long-term loans payable	(778)	(760)	(8,589)
Repayments of lease obligations	(825)	(399)	(4,509)
Purchase of treasury stock	(3)	(0)	(0)
Cash dividends paid	(1,374)	(1,997)	(22,570)
Cash dividends paid to minority shareholders	(83)	(62)	(700)
Net cash provided by (used in) financing activities	(3,306)	(14,421)	(162,985)
Effect of exchange rate change on cash and cash equivalents	1,576	(9,266)	(104,737)
Net increase (decrease) in cash and cash equivalents	(21,530)	(31,903)	(360,567)
Cash and cash equivalents at beginning of period	284,340	254,590	2,877,373
Increase in cash and cash equivalents from newly consolidated subsidiary	―	119	1,344
Cash and cash equivalents at end of period	¥262,809	¥222,806	$2,518,150

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

Notes to Consolidated Financial Statements

With the exception of the sections listed below, the "Basis of presenting consolidated financial statements" and "Summary of significant accounting policies" have been omitted as there were no significant changes to the relevant sections in the Seiko Epson Annual Report 2010.

In addition, some notes such as "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

The amounts in the accompanying consolidated financial statements and the notes are rounded down.

2. Number of group companies

As of June 30, 2010, the Company had 93 consolidated subsidiaries.

3. Changes in significant accounting policies

Effective April 1, 2010, Epson adapted ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and its Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations", issued on March 31, 2008.
The adoption of these standards did not have a material effect on Epson's results of operations and financial position for the three months ended June 30, 2010.

4. Business transfer

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

Details of transfer

Date of transfer: April 1, 2010

Gain on business transfer: ¥597 million ($6,747 thousand)

Carrying amounts of assets and liabilities transferred:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,604	$40,744
Noncurrent assets	145	1,638
Total	¥3,750	$42,382
Current liabilities	¥231	$2,622
Noncurrent liabilities	53	599
Total	¥285	$3,221

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

5. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2010 and as of June 30, 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, 2010 and as of June 30, 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	June 30, 2010	March 31, 2010	June 30, 2010
Goodwill	¥3,459	¥3,703	$39,093
Negative goodwill	488	830	5,515

6. Cash dividends

In the three months ended June 30, 2010, the Company paid the following cash dividends per share to its registered shareholders at the end of the last fiscal year:

Cash dividends per share	Yen	U.S. dollars
Year-end	¥10.00	$0.11

The effective date of distribution for year-end cash dividends was June 23, 2010.

7. Net income (loss) per share

The calculation of net income (loss) per share for the three months ended June 30, 2009 and 2010, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2009	2010	2010
Net income (loss) attributable to common shares	(¥22,365)	¥7,944	$89,783
	Thousands of shares		
Weighted-average number of common shares outstanding	197,499	199,795	
	Yen		U.S. dollars
Net income (loss) per share	(¥113.24)	¥39.76	$0.44

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 three months ended June 30, 2009. Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the three months ended June 30, 2010.

8. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the three months ended June 30, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2009	2010	2010
Salaries and wages	¥18,015	¥19,452	$219,846
Research and development costs	8,569	5,954	67,292

9. Cash flow information

Cash and cash equivalents as of June 30, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	June 30		June 30,
	2009	2010	2010
Cash and deposits	¥164,647	¥132,836	$1,501,311
Short-term investments	88,511	80,011	904,283
Short-term loans receivables	10,000	10,000	113,019
Less:			
Short-term loans payable (overdrafts)	(0)	(4)	(45)
Time deposits due over three months	(336)	(25)	(294)
Short-term investments due over three months	(11)	(11)	(124)
Cash and cash equivalents	¥262,809	¥222,806	$2,518,150

The Company obtained marketable securities, the fair value of which was ¥9,918 million and ¥10,011 million ($113,144 thousand) as of June 30, 2009 and 2010, respectively, as deposit for the short-term loans receivables above.

10. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2010 and as of June 30, 2010, were ¥1,413 million and ¥1,368 million ($15,461 thousand), respectively.

11. Segment information

From June 30, 2010, Epson adopted ASBJ Statement No.17 (revised on March 27, 2009), "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" and its implementation guidelines, ASBJ Guidance No.20, "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information," issued on March 21, 2008. As a result, segment information for three months ended June 30, 2009 was based on the standard before revision. The same information for three months ended June 30, 2010 is based on the revised standard.

(1) Three months ended June 30, 2009:

Business segment information

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

The company divides its business into the following three business segments categorized by 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 LSIs.

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 three months ended June 30, 2009:

Three months ended June 30:

	Millions of yen						
	Three months ended June 30, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥156,143	¥44,368	¥12,385	¥501	¥213,398	-	¥213,398
Inter-segment	336	6,499	298	5,279	12,414	(¥12,414)	-
Total	156,480	50,868	12,683	5,781	225,813	(12,414)	213,398
Operating income (loss)	(¥1,287)	(¥8,587)	(¥1,459)	(¥1,171)	(¥12,505)	¥64	(¥12,441)

(2) Three months ended June 30, 2010:

(a) Summary of reporting segments

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

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

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

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

(b) Information of the amount of sales and income (loss) in each reporting segment

The following table summarizes the reporting segment information of Epson for the three months ended June 30, 2010:

Millions of yen

	Three months ended June 30, 2010								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals [Note 3]
	Information -related equipment	Electronic devices	Precision products	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	¥169,888	¥52,621	¥16,369	¥238,879	¥142	¥239,021	¥179	-	¥239,201
Inter-segment	300	7,742	389	8,432	120	8,552	351	(8,904)	-
Total	170,188	60,364	16,759	247,312	262	247,574	530	(8,904)	239,201
Segment income (loss)	¥18,763	¥3,446	¥452	¥22,662	(¥131)	¥22,530	(¥11,920)	¥126	¥10,736

Thousands of U.S. dollars

	Three months ended June 30, 2010								
	Reporting segments				Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals [Note 3]
	Information -related equipment	Electronic devices	Precision products	Total			Corporate expenses [Note 2]	Eliminations	
Net sales:									
Customers	$1,920,084	$594,722	$185,002	$2,699,808	$1,605	$2,701,413	$2,034	-	$2,703,447
Inter-segment	3,402	87,500	4,396	95,298	1,356	96,654	3,979	(100,633)	-
Total	1,923,486	682,222	189,398	2,795,106	2,961	2,798,067	6,013	(100,633)	2,703,447
Segment income (loss)	$212,071	$38,947	$5,108	$256,126	($1,481)	$254,645	($134,731)	$1,424	$121,338

Notes;

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

Supplementary Information

Consolidated First Quarter ended June 30, 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)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Information-related equipment	156.4	170.1	8.8%	735.0	3.1%
Printer	132.2	136.9	3.5%	604.0	1.8%
Visual instruments	20.2	28.8	42.1%	109.0	9.9%
Other	4.0	4.8	20.0%	24.0	14.3%
Intra-segment sales	(0.1)	(0.4)	-%	(2.0)	-%
Electronic devices	50.8	60.3	18.7%	239.0	(3.6%)
Display	21.6	23.4	8.3%	92.0	(18.4%)
Quartz device	17.2	22.4	29.8%	94.0	14.2%
Semiconductor	12.0	15.4	28.8%	56.0	(0.2%)
Other	0.5	0.2	(53.9%)	2.0	45.3%
Intra-segment sales	(0.6)	(1.2)	-%	(5.0)	-%
Precision products	12.6	16.7	32.1%	67.0	16.0%
Other [Note]	0.3	0.2	(16.6%)	1.0	(31.7%)
Corporate expenses [Note]	0.5	0.5	(2.4%)	4.0	25.2%
Inter-segment sales [Note]	(7.4)	(8.9)	-%	(33.0)	-%
Consolidated sales	213.3	239.2	12.1%	1,013.0	2.8%

Note: Due to the application of Accounting Standard No. 17, “Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information,” Epson has decided to use its management approach to calculate segment information in FY2010.
The figures for FY2009 have been recalculated using the new method.

2. Business segment information

(Unit: billion yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Information-related equipment					
Net sales:					
Customers	156.1	169.8	8.8%	734.0	3.2%
Inter-segment	0.3	0.3	(10.9%)	1.0	(23.9%)
Total	156.4	170.1	8.8%	735.0	3.1%
Operating expenses	149.1	151.4	1.5%	658.0	2.7%
Segment income (loss)	7.3	18.7	156.0%	77.0	7.3%
Electronic devices					
Net sales:					
Customers	44.3	52.6	18.6%	211.0	(2.1%)
Inter-segment	6.4	7.7	19.1%	28.0	(13.8%)
Total	50.8	60.3	18.7%	239.0	(3.6%)
Operating expenses	56.8	56.9	0.1%	238.0	(3.4%)
Segment income (loss)	(5.9)	3.4	-%	1.0	(34.6%)
Precision products					
Net sales:					
Customers	12.3	16.3	32.2%	65.0	15.5%
Inter-segment	0.2	0.3	30.6%	2.0	36.9%
Total	12.6	16.7	32.1%	67.0	16.0%
Operating expenses	13.4	16.3	21.4%	66.0	11.8%
Segment income (loss)	(0.7)	0.4	-%	1.0	-%
Other					
Net sales:					
Customers	0.2	0.1	(48.3%)	1.0	(15.4%)
Inter-segment	0.0	0.1	204.4%	0.0	-%
Total	0.3	0.2	(16.6%)	1.0	(31.7%)
Operating expenses	0.2	0.3	49.5%	1.0	(36.1%)
Segment income (loss)	0.0	(0.1)	-%	0.0	-%
Corporate expenses					
Net sales:					
Customers	0.2	0.1	(20.6%)	2.0	103.5%
Inter-segment	0.3	0.3	10.5%	2.0	(9.6%)
Total	0.5	0.5	(2.4%)	4.0	25.2%
Operating expenses	13.6	12.4	(9.0%)	56.0	(1.8%)
Segment income (loss)	(13.1)	(11.9)	-%	(52.0)	-%
Eliminations					
Net sales	(7.4)	(8.9)	-%	(33.0)	-%
Operating expenses	(7.5)	(9.0)	-%	(33.0)	-%
Segment income (loss)	0.0	0.1	163.1%	0.0	-%
Consolidated					
Net sales	213.3	239.2	12.1%	1,013.0	2.8%
Operating expenses	225.8	228.4	1.2%	986.0	2.0%
Operating income (loss)	(12.4)	10.7	-%	27.0	48.1%

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

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Capital expenditure	4.8	5.3	11.4%	46.0	77.4%
Information-related equipment	2.0	3.0	49.5%	21.0	68.0%
Electronic devices	1.7	1.9	12.6%	18.0	82.5%
Precision products	0.2	0.2	0.4%	3.0	59.9%
Other / Corporate expenses	0.7	0.0	(89.3%)	4.0	135.7%
Depreciation and amortization	12.0	9.8	(18.5%)	50.0	5.5%

4. Research and development

(Unit: billion yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase %	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 %
Research and Development	17.5	13.2	(24.3%)	76.0	10.4%
R&D / sales ratio	8.2%	5.5%		7.5%	

5. Management indices

(Unit: %)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase Point	Forecast for the year ended March 31, 2011	Increase compared to year ended March 31, 2010 Point
Return on equity (ROE)	(7.6%)	2.9%	10.5	0.0%	6.8
Return on assets (ROA)	(1.7%)	1.3%	3.0	2.8%	1.2
Return on sales (ROS)	(7.1%)	4.7%	11.8	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)

	Three months ended June 30, 2009	Three months ended June 30, 2010	Increase
Foreign exchange effect	(19.4)	(10.9)	8.4
U.S. dollars	(3.9)	(4.0)	(0.1)
Euro	(10.3)	(5.7)	4.5
Other	(5.1)	(1.0)	4.0
Exchange rate			
Yen / U.S. dollars	97.32	92.01	
Yen / Euro	132.57	116.99	

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)

	June 30, 2009	March 31, 2010	June 30, 2010	Increase compared to March 31, 2010
Inventory	137.5	151.1	149.9	(1.2)
Information-related equipment	87.2	98.7	99.5	0.7
Electronic devices	31.4	37.3	34.9	(2.3)
Precision products	17.2	13.8	14.2	0.3
Other / Corporate expenses	1.5	1.2	1.3	0.0
Turnover by days [Note 1]	59	56	57	1
Information-related equipment	51	51	53	2
Electronic devices	56	55	53	(2)
Precision products	123	88	77	(11)
Other / Corporate expenses [Note 2]	169	97	151	54

Note 1: Turnover by days = Ending balance of inventory / Prior 3 months (Prior 12 months) sales per day

Note 2: Turnover by days for FY2009 has been recalculated using the method for calculating segment information in FY2010.

8. Employees

(Unit: person)

	June 30, 2009	March 31, 2010	June 30, 2010	Increase compared to March 31, 2010
Number of employees at period end	75,829	77,936	77,639	(297)
Domestic	24,200	22,602	21,494	(1,108)
Overseas	51,629	55,334	56,145	811