



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

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**CONSOLIDATED RESULTS FOR  
THE FIRST QUARTER ENDED JUNE 30, 2011**

**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, 2011
	2010	2011		
<b>Statements of Income Data:</b>				
Net sales	¥239,201	<b>¥217,735</b>	(9.0%)	<b>\$2,697,076</b>
Operating income	10,736	<b>3,631</b>	(66.2%)	<b>44,977</b>
Ordinary income	11,203	<b>2,389</b>	(78.7%)	<b>29,592</b>
Net income (loss)	7,944	<b>(3,223)</b>	-%	<b>(39,923)</b>
Comprehensive income	(8,421)	<b>(5,766)</b>	-%	<b>(71,423)</b>
<b>Statements of Cash Flows Data:</b>				
Net cash provided by (used in) operating activities	(6,435)	<b>(5,225)</b>	-%	<b>(64,721)</b>
Net cash provided by (used in) investing activities	(1,780)	<b>(8,432)</b>	-%	<b>(104,446)</b>
Net cash provided by (used in) financing activities	(14,421)	<b>26,712</b>	-%	<b>330,880</b>
Cash and cash equivalents at end of period	222,806	<b>223,765</b>	0.4%	<b>2,771,770</b>
<b>Per Share Data:</b>				
Net income (loss) per share -Basic	¥39.76	<b>(¥16.13)</b>	-%	<b>(\$0.19)</b>
-Diluted	¥-	<b>¥-</b>	-%	<b>\$-</b>

**Balance sheets data**

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

	June 30, 2011	March 31, 2011	June 30, 2011
Total assets	<b>¥800,310</b>	¥798,229	<b>\$9,913,415</b>
Net assets	<b>262,966</b>	270,808	<b>3,257,351</b>
Shareholders' equity	<b>261,530</b>	269,262	<b>3,239,563</b>
Shareholders' equity ratio (%)	<b>32.7%</b>	33.7%	<b>32.7%</b>
Shareholders' equity per share	<b>¥1,309.00</b>	¥1,347.71	<b>\$16.21</b>

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 ¥80.73 = U.S.\$1 as of June 30, 2011, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

**Fiscal 2011 First Quarter Overview**

Overall, the global economy continued to grow in the first quarter of the year under review, though the growth rate has slowed. The economic picture varied by region. In the U.S., economic growth slowed mainly due to continued high unemployment, inflation, and a slowing of personal spending. In Europe, there was considerable variation from country to country. In general, however, the economy picked up despite continued high unemployment. China and India recorded growth, mainly due to internal demand. Other parts of Asia also enjoyed economic growth, though there were some signs of weakening. The Japanese economy, meanwhile, was broadly impacted by the devastating March 11, 2011, East Japan Earthquake. Spending, manufacturing, and investment were all affected. However, there were signs of recovery in some areas such as the production supply chain.

The situation in the main markets of the Epson Group (Epson) was as follows.

Demand for consumer inkjet printers was steady overall, though there was some regional variation. Business inkjet printer demand was weakened by corporate spending restraints in the printing industry and other sectors in the face of concern over economic uncertainty in Europe and America. In the expanding economies of China and other parts of Asia, however, business inkjet demand steadily climbed. Serial dot-matrix printer (SIDM) market shrunk in America, Europe, and Japan, while demand remained firm in other regions, including China, Southeast Asia, and South Asia. In POS systems retailer capital investment registered signs of a recovery, however the rate was weak with U.S. retailers still reluctant to invest. The projector growth trend weakened compared to the strong first quarter of last year.

Demand for the main electronic device applications generally remained steady across the period.

New mobile phone demand was firm, underpinned by steady increases in unit volume in India and China. Smartphones drove the overall mobile phone market, with a rush of new models launched as transmission speeds grew faster. The digital camera market remained steady, with sales of SLR models particularly firm. The tablet PC market also expanded. On the other hand, television and PC orders were generally weak, especially in the advanced economies, while the portable media player (PMP) market trended downward as the first round of demand wound down and as media player features become more common on mobile phone handsets.

In other areas, signs of demand growth in the watch business were seen as the economy improved. Robot demand also increased along with the rise in demand for automobiles in overseas markets.

Epson is currently operating under the final year of 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. In the current fiscal year the company will adapt to the environmental changes brought about by the East Japan Earthquake while at the same time accomplish to "set Epson on a new growth path" as initially planned, setting the stage for the next mid-range business plan for achieving the goals of SE15.

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 ¥81.74 and ¥117.40, respectively. This represents an 11% appreciation in the value of the yen against the dollar and a 0% depreciation in the value of the yen against the euro compared to the same period last year.

First-quarter net sales were ¥217,735 million (\$2,697,076 thousand), down 9.0% year over year. Operating income was ¥3,631 million (\$44,977 thousand), down 66.2% year over year. Ordinary income was ¥2,389 million (\$29,592 thousand), down 78.7%. Net loss was ¥3,223 million (\$39,923 thousand) compared to net income of ¥7,944 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. Note that effective this fiscal year, income and expenses for the transferred small and medium sized displays business have been aggregated to "Other" Segment, and previous Electronic Devices Segment and Precision Products Segment have been combined and are being reported together as the Devices and Precision Products Segment. Segment information for the three months ended June 30, 2010 and 2011 was calculated and compared on the basis of the review mentioned above.

#### **Information-related equipment**

The printer business reported a decline in net sales (including both printer units and consumables). In inkjet printers, unit shipments of consumer models declined due to the effects of the earthquake and aggressive pricing by competitors. Unit shipments of large-format printers for enterprise grew despite the effects of the disaster, largely due to steady general demand from the signage market and tender business wins in Europe and America. Meanwhile, consumables unit shipments declined as printer use fell due to the effects of the disaster and a slowing of economic growth, while changes in the model mix brought about an increase in average selling prices. SIDM printer unit shipments increased due to demand associated with China's tax collection system. Sales of page printer consumables declined in part because of a decline in the install base but also because of a lower printer utilization rate associated with the disaster. Factors resulting in increased printer revenue were largely canceled due by the effects of yen appreciation.

The visual instruments business also reported lower net sales. Although there were signs of a drop in demand for education projectors in the U.S., business 3LCD projector net sales benefitted from steady growth in unit shipments in Asia and an increase in average unit prices along with growth in sales of higher-end units such as short-throw lens models. Increased demand for full-HD home-theater projectors in the U.S. also contributed to higher net sales. Overall, net sales were canceled out by the effects of yen appreciation.

Segment income in the information-related equipment segment declined. It was hurt by yen appreciation and the effects of lower revenue resulting from decreased volume.

As a result of the foregoing factors, first-quarter net sales in the information-related equipment segment were ¥157,748 million (\$1,954,019 thousand), down 7.3% year over year, while segment income was ¥13,310 million (\$164,883 thousand), down 29.1% year over year.

#### **Devices & Precision Products**

Devices business net sales fell steeply.

Quartz device sales were negatively impacted by advancing price erosion in tuning-fork and AT-cut crystals,

as well as by the transfer of some opto-devices to the visual instruments business.

Semiconductor shipments declined due to a drop in orders for silicon foundry products, ASICs, and many other products, in part because of the effects of the earthquake.

Sales of high-temperature polysilicon TFT LCD (HTPS) panels for 3LCD projectors were hurt by a respite in projector demand, compared to the firm demand during the first quarter of last year.

In the precision products business, sales of IC handlers decreased compared to the same period last year, when a surge in demand was seen, but net sales increased slightly as a result of a rebound in watch sales.

Segment income in the devices and precision products segment declined despite a rebound in watch income because net sales of quartz devices, semiconductors, and HTPS panels all fell sharply.

As a result of the foregoing factors, first-quarter net sales in the devices and precision products segment were ¥50,744 million (\$628,564 thousand), down 16.8% year over year, while segment income was ¥2,119 million (\$26,247 thousand), down 58.9% year over year.

## Other

First-quarter net sales in the Other segment were ¥15,105 million (\$187,118 thousand), down 5.7% year over year, while segment loss was ¥318 million (\$3,939 thousand), compared to a ¥1,385 million segment loss in the same period last year. The transfer of the small- and medium-sized displays business resulted in the decline in net sales, while a restructuring effort, including the transfer of this business, reduced fixed costs and other expenses.

## Adjustments

Adjustments to total profit of segments was -¥11,480 million (-\$142,214 thousand), compared to -¥11,793 million in the same period last year. The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

## **Qualitative Information Regarding the Consolidated Financial Position**

Total assets were ¥800,310 million (\$9,913,415 thousand), an increase of ¥2,080 million compared to the last fiscal year end. Plant, property, and equipment declined by ¥3,695 million due to continuous careful selection of investments, and notes and accounts receivable declined by ¥6,835 million due to decrease of net sales. On the other hand, cash and cash deposits increased by ¥11,988 million due to issuance of bonds, and inventory increased by 2,409 million due to an increase of work in process, raw materials, and supplies. Total liabilities were ¥537,344 million (\$6,656,064 thousand), an increase of ¥9,923 million compared to the last fiscal year end. Total liabilities increased by ¥40,000 million through an issuance of corporate bonds. On the other hand, total liabilities decreased by ¥11,641 million through a decrease of short and long term loans payable, and by ¥14,777 through a decrease in the provision for retirement benefits and provision for bonuses.

Total net assets were ¥262,966 million (\$3,257,351 thousand), a decrease of ¥7,842 million compared to the last fiscal year end, primarily because of a ¥5,221 million decline in retained earnings due to a net loss

and dividend payments, and because the appreciation of the yen resulted in the recording of a -¥3,200 million foreign currency translation adjustment.

**Qualitative Information Regarding the Consolidated Financial Outlook**

The consolidated financial outlooks for the first half and full year have not been revised since they were announced on April 28, 2011.

The breakdown within each reporting segment has been changed based on the operating environment and financial performance to date in each business.

The figures in the outlook are based on assumed exchange rates of ¥80 to the U.S. dollar and ¥110 to the euro.

**Consolidated First-Half Results Outlook**

(Billions of yen)

	REF: FY2010 First-Half Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)
Net sales	479.2	452.0	452.0	-
Operating Income	14.6	7.0	7.0	-
Ordinary income	14.8	5.0	5.0	-
First-half net income	7.4	-11.0	-11.0	-
Foreign exchange rate	\$1USD = ¥89 1 euro = ¥114	\$1USD = ¥80 1 euro = ¥115	\$1USD = ¥81 1 euro = ¥114	

**Consolidated Full-Year Results Outlook**

(Billions of yen)

	REF: FY2010 Full-Year Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)
Net sales	973.6	970.0	970.0	-
Operating Income	32.7	43.0	43.0	-
Ordinary income	31.1	40.0	40.0	-
Net income	10.2	17.0	17.0	-
Foreign exchange rate	\$1USD = ¥86 1 euro = ¥113	\$1USD = ¥80 1 euro = ¥115	\$1USD = ¥80 1 euro = ¥112	

Reference

**Consolidated First-Half Results Outlook**

(Billions of yen)

		Information related equipment	Devices & precision products	Other	Adjustments	Consolidated
Previous Outlook	Net sales	342.0	104.0	16.5	-10.5	452.0
	Segment income	37.0	-5.0	-0.5	-24.5	7.0
Current Outlook	Net sales	337.0	111.0	16.0	-12.0	452.0
	Segment income	28.0	4.0	-1.0	-24.0	7.0

**Consolidated Full-Year Results Outlook**

(Billions of yen)

		Information related equipment	Devices & precision products	Other	Adjustments	Consolidated
Previous Outlook	Net sales	751.0	221.0	17.0	-19.0	970.0
	Segment income	91.0	2.0	-1.0	-49.0	43.0
Current Outlook	Net sales	751.0	225.0	18.0	-24.0	970.0
	Segment income	85.0	6.0	-1.0	-47.0	43.0

**Cautionary Statement**

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

# SEIKO EPSON CORPORATION

## Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	June 30, 2011	June 30, 2011
<u>Assets</u>			
Current assets			
Cash and deposits	¥125,807	¥119,797	\$1,483,921
Notes and accounts receivable-trade	140,564	133,728	1,656,484
Short-term investment securities	76,009	94,007	1,164,461
Merchandise and finished goods	90,900	88,644	1,098,030
Work in process	37,133	40,073	496,383
Raw materials and supplies	23,876	25,601	317,118
Other	51,241	50,670	627,713
Allowance for doubtful accounts	(2,003)	(2,033)	(25,182)
<b>Total current assets</b>	<b>543,530</b>	<b>550,491</b>	<b>6,818,928</b>
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	399,318	395,986	4,905,066
Machinery, equipment and vehicles	439,113	435,528	5,394,871
Tools, furniture and fixtures	156,671	151,770	1,879,970
Other	59,651	61,578	762,803
Accumulated depreciation	(841,132)	(834,937)	(10,342,338)
<b>Total property, plant and equipment</b>	<b>213,623</b>	<b>209,927</b>	<b>2,600,372</b>
Intangible assets	14,616	13,577	168,177
Investments and other assets			
Investments and other assets, gross	26,532	26,387	326,842
Allowance for doubtful accounts	(73)	(73)	(904)
<b>Total investments and other assets</b>	<b>26,458</b>	<b>26,313</b>	<b>325,938</b>
<b>Total noncurrent assets</b>	<b>254,699</b>	<b>249,818</b>	<b>3,094,487</b>
<b>Total assets</b>	<b>¥798,229</b>	<b>¥800,310</b>	<b>\$9,913,415</b>

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

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	June 30, 2011	June 30, 2011
<u>Liabilities</u>			
Current liabilities			
Notes and accounts payable-trade	¥72,833	¥75,148	\$930,855
Short-term loans payable	31,129	19,487	241,384
Current portion of bonds	30,000	50,000	619,348
Current portion of long-term loans payable	42,093	43,093	533,791
Provision for bonuses	16,681	8,602	106,552
Provision for product warranties	8,199	8,197	101,535
Other	114,484	108,394	1,342,740
<b>Total current liabilities</b>	<b>315,422</b>	<b>312,925</b>	<b>3,876,205</b>
Noncurrent liabilities			
Bonds payable	60,000	80,000	990,957
Long-term loans payable	107,500	106,500	1,319,212
Provision for retirement benefits	26,289	19,591	242,673
Provision for loss on litigation	2,102	2,089	25,876
Provision for product warranties	420	490	6,069
Provision for recycling costs	478	496	6,143
Other	15,208	15,251	188,929
<b>Total noncurrent liabilities</b>	<b>211,999</b>	<b>224,418</b>	<b>2,779,859</b>
<b>Total liabilities</b>	<b>527,421</b>	<b>537,344</b>	<b>6,656,064</b>
<u>Net assets</u>			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	659,036
Capital surplus	84,321	84,321	1,044,481
Retained earnings	193,602	188,380	2,333,457
Treasury stock			
June 30, 2011 - 23,976 shares			
March 31, 2011 - 23,924 shares	(38)	(38)	(470)
<b>Total shareholders' equity</b>	<b>331,088</b>	<b>325,867</b>	<b>4,036,504</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,558	2,571	31,846
Deferred gains or losses on hedges	(572)	104	1,288
Foreign currency translation adjustment	(63,812)	(67,012)	(830,062)
<b>Total accumulated other comprehensive income</b>	<b>(61,826)</b>	<b>(64,337)</b>	<b>(796,928)</b>
Minority interests	1,545	1,435	17,775
<b>Total net assets</b>	<b>270,808</b>	<b>262,966</b>	<b>3,257,351</b>
<b>Total liabilities and net assets</b>	<b>¥798,229</b>	<b>¥800,310</b>	<b>\$9,913,415</b>

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



# SEIKO EPSON CORPORATION

## Consolidated 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, 2011
	2010	2011	
Net sales	¥239,201	¥217,735	\$2,697,076
Cost of sales	174,609	161,207	1,996,878
Gross profit	64,591	56,527	700,198
Selling, general and administrative expenses	53,854	52,896	655,221
Operating income	10,736	3,631	44,977
Non-operating income:			
Interest income	238	317	3,926
Rent income	370	415	5,140
Foreign exchange gains	220	-	-
Other	1,443	1,017	12,611
Total non-operating income	2,273	1,750	21,677
Non-operating expenses:			
Interest expenses	1,126	960	11,891
Foreign exchange losses	-	1,372	16,994
Other	680	659	8,177
Total non-operating expenses	1,806	2,992	37,062
Ordinary income	11,203	2,389	29,592
Extraordinary income:			
Gain on sales of noncurrent assets	33	436	5,400
Gain on revision of retirement benefit plan	-	364	4,508
Other	623	119	1,488
Total extraordinary income	657	920	11,396
Extraordinary loss:			
Loss on disaster	-	1,777	22,011
Other	1,160	1,030	12,772
Total extraordinary losses	1,160	2,807	34,783
Income before income taxes and minority interests	10,700	501	6,205
Income taxes	2,765	3,726	46,140
Income (loss) before minority interests	7,934	(3,224)	(39,935)
Minority interests in loss	(10)	(1)	(12)
Net income (loss)	¥7,944	(¥3,223)	(\$39,923)

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

**Consolidated Statements of Comprehensive 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	2011	2011
Income (loss) before minority interests	¥7,934	(¥3,224)	(\$39,935)
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,511)	12	148
Deferred gains or losses on hedges	837	676	8,373
Foreign currency translation adjustment	(15,608)	(3,216)	(39,836)
Share of other comprehensive income of associates accounted for using equity method	(72)	(14)	(173)
<b>Total other comprehensive income</b>	<b>(16,355)</b>	<b>(2,541)</b>	<b>(31,488)</b>
<b>Comprehensive income</b>	<b>(¥8,421)</b>	<b>(¥5,766)</b>	<b>(\$71,423)</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥8,340)	(¥5,734)	(\$71,040)
Comprehensive income attributable to minority interests	(¥80)	(¥31)	(\$383)

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

**Consolidated 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,
	2010	2011	2011
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥10,700	¥501	\$6,205
Depreciation and amortization	9,807	9,164	113,551
Equity in (earnings) losses of affiliates	(20)	(20)	(247)
Amortization of goodwill	(98)	218	2,700
Increase (decrease) in allowance for doubtful accounts	(15)	67	829
Increase (decrease) in provision for bonuses	(5,449)	(8,054)	(99,764)
Increase (decrease) in provision for product warranties	(1,206)	165	2,043
Increase (decrease) in provision for retirement benefits	510	(702)	(8,695)
Interest and dividends income	(422)	(483)	(5,982)
Interest expenses	1,126	960	11,891
Foreign exchange losses (gains)	(604)	396	4,905
Loss (gain) on sales of noncurrent assets	(44)	(491)	(6,082)
Loss on retirement of noncurrent assets	186	137	1,697
Loss (gain) on sales of investment securities	5	(17)	(210)
Decrease (increase) in notes and accounts receivable-trade	339	7,616	94,339
Decrease (increase) in inventories	(10,939)	(4,756)	(58,912)
Increase (decrease) in accrued consumption taxes	1,585	1,004	12,436
Increase (decrease) in notes and accounts payable-trade	(6,096)	1,102	13,650
Other, net	(3,957)	(3,094)	(38,325)
<b>Subtotal</b>	<b>(4,595)</b>	<b>3,716</b>	<b>46,029</b>
Interest and dividends income received	949	485	6,007
Interest expenses paid	(842)	(659)	(8,163)
Payments for business restructuring	—	(5,948)	(73,677)
Income taxes paid	(1,947)	(2,819)	(34,917)
<b>Net cash provided by (used in) operating activities</b>	<b>(6,435)</b>	<b>(5,225)</b>	<b>(64,721)</b>
Net cash provided by (used in) investing activities			
Purchase of investment securities	(0)	(192)	(2,378)
Proceeds from sales of investment securities	166	21	260
Purchase of property, plant and equipment	(5,231)	(8,232)	(101,981)
Proceeds from sales of property, plant and equipment	91	544	6,738
Purchase of intangible assets	(643)	(561)	(6,949)
Other, net	3,837	(11)	(136)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,780)</b>	<b>(8,432)</b>	<b>(104,446)</b>
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(11,200)	(11,123)	(137,780)
Proceeds from issuance of bonds	—	40,000	495,478
Repayments of lease obligations	(399)	(166)	(2,082)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(1,997)	(1,997)	(24,736)
Other, net	(822)	(0)	(0)
<b>Net cash provided by (used in) financing activities</b>	<b>(14,421)</b>	<b>26,712</b>	<b>330,880</b>
Effect of exchange rate change on cash and cash equivalents	(9,266)	(1,065)	(13,218)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(31,903)</b>	<b>11,988</b>	<b>148,495</b>
Cash and cash equivalents at beginning of period	254,590	211,777	2,623,275
Increase in cash and cash equivalents from newly consolidated subsidiary	119	—	—
<b>Cash and cash equivalents at end of period</b>	<b>¥222,806</b>	<b>¥223,765</b>	<b>\$2,771,770</b>

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 2011.

1. Basis of presenting consolidated financial statements

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

2. Net income (loss) per share

The calculation of net income (loss) per share for the three months ended June 30, 2010 and 2011, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2010	2011	2011
Net income (loss) attributable to common shares	¥7,944	(¥3,223)	(\$39,923)
	Thousands of shares		
Weighted-average number of common shares outstanding	199,795		199,793
	Yen		U.S. dollars
Net income (loss) per share	¥39.76	(¥16.13)	(\$0.19)

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. 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, 2011.

3. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the three months ended June 30, 2010 and 2011, were as follows:

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2010	2011	2011
Salaries and wages	¥19,452	¥19,067	\$236,182
Research and development costs	5,954	5,387	66,728
Other	28,447	28,441	352,311
<b>Total</b>	<b>¥53,854</b>	<b>¥52,896</b>	<b>\$655,221</b>

#### 4. Loss on disaster

Loss on disaster for the three months ended June 30, 2011, mainly comprised incurred losses related to the Great East Japan Earthquake.

#### 5. Cash flow information

Cash and cash equivalents as of June 30, 2010 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	June 30		June 30,
	2010	2011	2011
Cash and deposits	¥132,836	¥119,797	\$1,483,921
Short-term investments securities	80,011	94,007	1,164,461
Short-term loans receivables	10,000	10,000	123,869
Less:			
Short-term loans payable (overdrafts)	(4)	(0)	(0)
Time deposits due over three months	(25)	(29)	(358)
Short-term investments securities due over three months	(11)	(10)	(123)
<b>Cash and cash equivalents</b>	<b>¥222,806</b>	<b>¥223,765</b>	<b>\$2,771,770</b>

The Company obtained marketable securities, the fair value of which was ¥10,011 million and ¥10,008 million (\$123,968 thousand) as of June 30, 2010 and 2011, respectively, as deposit for the short-term loans receivables above.

#### 6. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2011 and as of June 30, 2011, were ¥1,090 million and ¥870 million (\$10,776 thousand), respectively.

7. Segment information

Epson decided to terminate the small- and medium-sized LCD business that was categorized under “Electronic devices” in the prior fiscal year. As a result, Epson has changed the segment and categorized this business under “Other” from the first quarter ended June 30, 2011.

In addition, Epson reviewed the management systems of the electronic devices and the precision products segments. As a result, Epson has changed the segment and consolidated these reporting segments into “Devices & precision products” from the first quarter ended June 30, 2011.

Segment information for the three months ended June 30, 2010 and 2011 was calculated on the basis of the review mentioned above.

Summary of reporting segments

The company divides its business into the following two 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, label writers and personal computers.

The devices & precision products segment mainly includes crystal units, crystal oscillators, quartz sensors, CMOS LSIs, HTPS-TFT panels for 3LCD projectors, watches, watch movements, plastic corrective lenses, precision industrial robots, IC handlers and industrial inkjet equipment.

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## 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 and 2011:

Millions of yen								
Three months ended June 30, 2010								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥169,888	¥53,828	¥223,716	¥15,305	¥239,021	¥179	-	¥239,021
Inter-segment	300	7,185	7,485	715	8,200	351	(¥8,552)	-
Total	170,188	61,013	231,202	16,020	247,222	530	(8,552)	239,201
Segment income (loss)	¥18,763	¥5,151	¥23,915	(¥1,385)	¥22,530	(¥11,920)	¥126	¥10,736

Millions of yen								
Three months ended June 30, 2011								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	¥157,208	¥45,160	¥202,368	¥14,999	¥217,368	¥367	-	¥217,735
Inter-segment	539	5,584	6,124	106	6,230	8	(¥6,238)	-
Total	157,748	50,744	208,492	15,105	223,598	375	(6,238)	217,735
Segment income (loss)	¥13,310	¥2,119	¥15,430	(¥318)	¥15,112	(¥11,558)	¥77	¥3,631

Thousands of U.S. dollars								
Three months ended June 30, 2011								
Reporting segments			Other [Note 1]	Total	Adjustments		Consolidated quarterly statement of income totals	
Information- related equipment	Devices & precision products	Sub-Total			Corporate expenses [Note 2]	Eliminations		
Net sales:								
Customers	\$1,947,331	\$559,395	\$2,506,726	\$185,804	\$2,692,530	\$4,546	-	\$2,697,076
Inter-segment	6,688	69,169	75,857	1,314	77,171	98	(\$77,269)	-
Total	1,954,019	628,564	2,582,583	187,118	2,769,701	4,644	(77,269)	2,697,076
Segment income (loss)	\$164,883	\$26,247	\$191,130	(\$3,939)	\$187,191	(\$143,167)	\$953	\$44,977

Note;

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

## 8. Subsequent events

### **The subsidiary's equity transfer**

As of February 2, 2011, the Company and Sony Corporation ("Sony") executed an agreement for transferring all of the equity of Suzhou Epson Co., Ltd. ("Suzhou Epson"), to the Sony Group. The Company, as of July 1, 2011, transferred Suzhou Epson to the Sony Group. As part of its SE15 long-range corporate vision and mid-range business plan, Epson is completing business structure reforms in its small- and medium-sized TFT LCD business. In implementing these reforms, in April 2010 Epson transferred to the Sony Group certain assets of the small- and medium-sized display front-end process manufacturing-related business operated by its subsidiary, Epson Imaging Devices Corporation ("Epson Imaging"). Epson has determined that it would also be beneficial to transfer Suzhou Epson, which undertook the back-end and touch panel assembly processes of Epson Imaging's display business, to the Sony Group.

### **Outline of transfer**

Transferred to:	Sony (China) Limited
Outline of Suzhou Epson:	
(a) Company name	Suzhou Epson Co., Ltd.
(b) Business activities	Production of small-and medium-sized TFT LCD displays
(c) Net sales	¥14,747 million (\$182,670 thousand) (three months ended June 30, 2011)
(d) Total assets	¥22,404 million (\$277,517 thousand) (as of June 30, 2011)
(e) Total liabilities	¥11,882 million (\$147,181 thousand) (as of June 30, 2011)
(f) Ownership before transfer	Seiko Epson Corporation 100% (including indirect ownership)

### **Selling price and date of transfer**

Selling price	CNY 775 million (¥9,664 million, calculated at the foreign exchange rate as of June 30, 2011; \$119,707 thousand)
Ownership after transfer	-%
Date of transfer	July 1, 2011

## 9. Other

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



**Supplementary Information**

Consolidated First Quarter ended June 30, 2011

**Cautionary Statement**

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

# SEIKO EPSON CORPORATION

## 1. Sales by division

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
	2010	2011			
Information-related equipment	170.1	157.7	(7.3%)	751.0	6.8%
Printer	136.9	127.2	(7.1%)	609.0	5.5%
Visual instruments	28.8	27.0	(6.3%)	122.0	13.6%
Other	4.8	4.0	(17.5%)	21.0	3.0%
Intra-segment sales	(0.4)	(0.5)	-%	(1.0)	-%
Devices & Precision Products	61.0	50.7	(16.8%)	225.0	(5.0%)
Devices	45.8	35.0	(23.7%)	159.0	(9.2%)
Precision Products	16.9	17.2	1.9%	72.0	4.5%
Intra-segment sales	(1.7)	(1.5)	-%	(6.0)	-%
Other	16.0	15.1	(5.7%)	18.0	(70.7%)
Corporate expenses	0.5	0.3	(29.2%)	3.0	(20.3%)
Inter-segment sales	(8.5)	(6.2)	-%	(27.0)	-%
Consolidated sales	239.2	217.7	(9.0%)	970.0	(0.4%)

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

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

# SEIKO EPSON CORPORATION

## 2. Business segment information

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
	2010	2011			
<b>Information-related equipment</b>					
Net sales:					
Customers	169.8	157.2	(7.5%)	750.0	6.9%
Inter-segment	0.3	0.5	79.6%	1.0	(3.8%)
Total	170.1	157.7	(7.3%)	751.0	6.8%
Operating expenses	151.4	144.4	(4.6%)	666.0	5.3%
Segment income (loss)	18.7	13.3	(29.1%)	85.0	21.2%
<b>Devices &amp; Precision Products</b>					
Net sales:					
Customers	53.8	45.1	(16.1%)	201.0	(4.9%)
Inter-segment	7.1	5.5	(22.3%)	24.0	(5.8%)
Total	61.0	50.7	(16.8%)	225.0	(5.0%)
Operating expenses	55.8	48.6	(13.0%)	219.0	(2.5%)
Segment income (loss)	5.1	2.1	(58.9%)	6.0	(50.7%)
<b>Other</b>					
Net sales:					
Customers	15.3	14.9	(2.0%)	16.0	(73.1%)
Inter-segment	0.7	0.1	(85.2%)	2.0	1.3%
Total	16.0	15.1	(5.7%)	18.0	(70.7%)
Operating expenses	17.4	15.4	(11.4%)	19.0	(70.8%)
Segment income (loss)	(1.3)	(0.3)	-%	(1.0)	-%
<b>Corporate expenses</b>					
Net sales:					
Customers	0.1	0.3	104.5%	3.0	242.7%
Inter-segment	0.3	0.0	(97.6%)	0.0	-%
Total	0.5	0.3	(29.2%)	3.0	(20.3%)
Operating expenses	12.4	11.9	(4.2%)	50.0	(0.4%)
Segment income (loss)	(11.9)	(11.5)	-%	(47.0)	-%
<b>Eliminations</b>					
Net sales	(8.5)	(6.2)	-%	(27.0)	-%
Operating expenses	(8.6)	(6.3)	-%	(27.0)	-%
Segment income (loss)	0.1	0.0	(38.6%)	0.0	-%
<b>Consolidated</b>					
Net sales	239.2	217.7	(9.0%)	970.0	(0.4%)
Operating expenses	228.4	214.1	(6.3%)	927.0	(1.5%)
Operating income (loss)	10.7	3.6	(66.2%)	43.0	31.5%

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

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

# SEIKO EPSON CORPORATION

## 3. Geographic segment information

(Unit: billion yen)

	Three months ended June 30,		Increase	Increase compared to previous year June 30, 2010 %
	2010	2011		
Japan				
Net sales:				
Customers	98.9	86.5	(12.4)	(12.6%)
Inter-segment	115.3	106.3	(9.0)	(7.8%)
Total	214.2	192.8	(21.4)	(10.0%)
Operating expenses	213.5	188.5	(25.0)	(11.7%)
Segment income (loss)	0.7	4.3	3.5	488.3%
The Americas				
Net sales:				
Customers	51.7	43.2	(8.5)	(16.5%)
Inter-segment	3.9	3.1	(0.8)	(20.6%)
Total	55.7	46.3	(9.3)	(16.8%)
Operating expenses	52.3	44.5	(7.7)	(14.8%)
Segment income (loss)	3.4	1.8	(1.6)	(47.1%)
Europe				
Net sales:				
Customers	43.2	40.1	(3.0)	(7.1%)
Inter-segment	1.2	1.1	(0.1)	(10.0%)
Total	44.5	41.3	(3.2)	(7.2%)
Operating expenses	42.4	42.9	0.5	1.2%
Segment income (loss)	2.0	(1.6)	(3.7)	-%
Asia/Oceania				
Net sales:				
Customers	45.2	47.8	2.6	5.7%
Inter-segment	99.4	83.8	(15.6)	(15.8%)
Total	144.7	131.6	(13.0)	(9.0%)
Operating expenses	136.3	126.1	(10.2)	(7.5%)
Segment income (loss)	8.3	5.5	(2.7)	(33.5%)
Eliminations				
Net sales	(220.1)	(194.4)	25.6	-%
Operating expenses	(216.2)	(188.0)	28.1	-%
Segment income (loss)	(3.8)	(6.4)	(2.5)	-%
Consolidated				
Net sales	239.2	217.7	(21.4)	(9.0%)
Operating expenses	228.4	214.1	(14.3)	(6.3%)
Operating income (loss)	10.7	3.6	(7.1)	(66.2%)

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

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

# SEIKO EPSON CORPORATION

## 4. Sales to overseas customers

(Unit: billion yen)

	Three months ended June 30,		Increase	Increase compared to previous year June 30, 2010 %
	2010	2011		
Overseas Sales				
The Americas	52.8	43.9	(8.8)	(16.8%)
Europe	43.5	40.6	(2.8)	(6.7%)
Asia/Oceania	54.3	54.3	(0.0)	(0.1%)
Total	150.7	138.9	(11.8)	(7.8%)
Consolidated sales	239.2	217.7	(21.4)	(9.0%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	22.1	20.2		
Europe	18.2	18.7		
Asia/Oceania	22.7	24.9		
Total	63.0	63.8		

Note: 1. Overseas sales are attributed to geographic segments based on the country or region location of the Company or the subsidiary.

Principal countries and jurisdictions in each geographic segment are as follows.

2. Exports transacted through an intermediary such as trading companies are not included in overseas sales.

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

5. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
	2010	2011			
Capital expenditure	5.3	6.0	12.6%	53.0	66.6%
Information-related equipment	3.0	4.4	45.1%	30.0	68.4%
Devices & Precision Products	2.1	1.1	(46.1%)	14.0	26.4%
Other / Corporate expenses	0.1	0.4	198.0%	9.0	208.1%
Depreciation and amortization	9.8	9.1	(6.6%)	44.0	6.9%

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

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

6. Research and development

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
	2010	2011			
Research and Development	13.2	13.2	0.1%	64.0	17.7%
R&D / sales ratio	5.5%	6.1%		6.6%	

7. Management indices

(Unit: %)

	Three months ended June 30,		Increase Point	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 Point
	2010	2011			
Return on equity (ROE)	2.9%	(1.2%)	(4.1)	6.4%	2.7
Return on assets (ROA)	1.3%	0.3%	(1.0)	5.0%	1.3
Return on sales (Operating)	4.5%	1.7%	(2.8)	4.4%	1.0
Return on sales (Ordinary)	4.7%	1.1%	(3.6)	4.1%	0.9

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity

2. ROA=Ordinary income / Beginning and ending balance average total assets

3. Return on sales (Operating)=Operating income / Net sales

4. Return on sales (Ordinary)=Ordinary income / Net sales

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## 8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Three months ended June 30,		Increase
	2010	2011	
Foreign exchange effect	(10.9)	(9.6)	1.2
U.S. dollars	(4.0)	(7.5)	(3.4)
Euro	(5.7)	0.1	5.9
Other	(1.0)	(2.2)	(1.1)
Exchange rate			
Yen / U.S. dollars	92.01	81.74	
Yen / Euro	116.99	117.40	

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

## 9. Inventory

(Unit: billion yen)

	June 30,	March 31,	June 30,	Increase compared to March 31, 2011
	2010	2011	2011	
Inventory	149.9	151.9	154.3	2.4
Information-related equipment	99.5	104.3	103.3	(0.9)
Devices & Precision Products	42.4	41.2	42.8	1.6
Other / Corporate expenses	7.9	6.3	8.1	1.7
Turnover by days	57	57	64	7
Information-related equipment	53	54	60	6
Devices & Precision Products	63	64	77	13
Other / Corporate expenses	44	36	48	12

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

2. Turnover by days for FY2010 has been recalculated using the method for calculating segment information in FY2011.

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

## 10. Employees

(Unit: person)

	June 30,	March 31,	June 30,	Increase compared to March 31, 2011
	2010	2011	2011	
Number of employees at period end	77,639	74,551	78,949	4,398
Domestic	21,494	20,704	20,755	51
Overseas	56,145	53,847	58,194	4,347