

# SEIKO EPSON CORPORATION



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## CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2011

### Consolidated Financial Highlights

**Income statements and cash flows data** (Millions of yen, thousands of U.S. dollars, except for per share data)

	Six months ended September 30		Change	Six months ended September 30, 2011
	2010	2011		
<b>Statements of Income Data:</b>				
Net sales	¥479,286	<b>¥425,518</b>	(11.2%)	<b>\$5,551,441</b>
Operating income	14,659	<b>6,774</b>	(53.8%)	<b>88,375</b>
Ordinary income	14,848	<b>6,146</b>	(58.6%)	<b>80,182</b>
Net income (loss)	7,458	<b>(4,370)</b>	-%	<b>(57,012)</b>
Comprehensive income	(14,356)	<b>(19,433)</b>	-%	<b>(253,529)</b>
<b>Statements of Cash Flows Data:</b>				
Net cash provided by (used in) operating activities	(5,353)	<b>5,965</b>	-%	<b>77,821</b>
Net cash provided by (used in) investing activities	(11,243)	<b>(21,035)</b>	-%	<b>(274,429)</b>
Net cash provided by (used in) financing activities	(3,177)	<b>(5,440)</b>	-%	<b>(70,971)</b>
Cash and cash equivalents at end of period	224,744	<b>184,995</b>	(17.7%)	<b>2,413,502</b>
<b>Per Share Data:</b>				
Net income (loss) per share -Basic	¥37.33	<b>(¥21.89)</b>	-%	<b>(\$0.28)</b>
-Diluted	¥-	<b>¥-</b>	-%	<b>\$-</b>

### **Balance sheets data**

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

	September 30, 2011	March 31, 2011	September 30, 2011
Total assets	<b>¥749,952</b>	¥798,229	<b>\$9,784,109</b>
Net assets	<b>248,404</b>	270,808	<b>3,240,756</b>
Shareholders' equity	<b>246,962</b>	269,262	<b>3,221,943</b>
Shareholders' equity ratio (%)	<b>32.9%</b>	33.7%	<b>32.9%</b>
Shareholders' equity per share	<b>¥1,240.13</b>	¥1,347.71	<b>\$16.17</b>

### **Cash dividends per share data**

(Yen, U.S. dollars)

Cash dividends per share	September 30		
	2010	2011	2011
Interim	¥10.00	<b>¥13.00</b>	<b>\$0.16</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 ¥76.65 = U.S.\$1 as of September 30, 2011, has been used for the purpose of presentation.

## Operating Performance Highlights and Financial Condition

### **Fiscal 2011 Second Quarter Overview**

The global economy continued to gradually grow overall in the second quarter of the year under review, though the pace weakened. U.S. economic growth was weighed down by continuing high unemployment, inflation, and sluggish personal spending, and virtually ground to a halt during the period. The European economy picked up in general, but the pace of growth was slowed by a number of factors, chief among them the impact on financial and capital markets from heightened concerns over Europe's financial system as a result of mounting uncertainty over the financial futures of some E.U. member states, and continued high unemployment. China and India posted growth on expanded internal demand. Other parts of Asia also enjoyed economic growth, though there were some signs of weakening. In Japan, meanwhile, the economy showed signs of picking up, though the March 11, 2011, earthquake and tsunami broadly affected consumption, production, and investment and the situation remains challenging.

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 belt-tightening 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. While the serial dot-matrix printer (SIDM) market is contracting in America, Europe, and Japan, demand remained firm in some regions, including China, Southeast Asia, and South Asia. In POS systems retailer capital investment showed signs of a recovery and Chinese demand is high, but U.S. retailers remain reluctant to invest. The projector growth trend weakened compared to the strong second quarter of last year.

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

New mobile phone demand, underpinned by steady increases in unit volume in India and China, was firm across the quarter, though deceleration was seen in some regions. Smartphones drove the overall mobile phone market, with one new model after another 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 watches, signs of a rebound in demand were seen in the U.S., Asia, and Japan, but European demand weakened with the unemployment high. Robot demand also increased in tandem 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 earthquake and tsunami disaster while at the same time working to "set Epson on a new growth path" as planned from the start, 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 were ¥79.82 and ¥113.80, respectively. This represents a 10% appreciation in the value of the yen against the dollar and

a 0% appreciation in the value of the yen against the euro compared to the same period last year.

Net sales were ¥425,518 million (\$5,551,441 thousand), down 11.2% year over year. Operating income was ¥6,774 million (\$88,375 thousand), down 53.8% year over year. Ordinary income was ¥6,146 million (\$80,182 thousand), down 58.6% year over year. Net loss was ¥4,370 million (\$57,012 thousand) compared to net income of ¥7,458 million in the same period last year.

## **Operating Performance Highlights by Reporting Segments**

A breakdown of the second-quarter financial results in each reporting segment is provided below. Note that, effective this fiscal year, in addition to consolidating the net sales, expenses, and other financials of the transferred small- and medium-sized displays business under the "Other" segment, the old electronic devices segment and precision products segment have been combined and are being reported together as the Devices and Precision Products Segment. The quarterly financial results corresponding to last fiscal year have been restated in accordance with these segment changes for comparison purposes.

### **Information-related equipment**

The printer business reported a decline in net sales (including both printer units and consumables). Consumer inkjet unit shipments declined due to the effects of the earthquake disaster and aggressive pricing by competitors. Unit shipments of large-format printers for enterprise grew despite the effects of the earthquake, largely owing to steady general demand from the signage market and launches of new products in Europe and the U.S. Meanwhile, sales of consumables declined as printer use slumped due to the effects of the earthquake and a slowing of economic growth. On the other hand, 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 the earthquake resulted in lower printer use. Factors resulting in increased printer revenue were largely canceled out by gains in the yen.

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, net sales in the imaging products segment were ¥316,636 million (\$4,130,946 thousand), down 6.2% year over year, while segment income was ¥26,308 million (\$343,235 thousand), down 16.0% year over year.

### **Devices & Precision Products**

Devices business net sales were down sharply.

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

Net sales in this business were also lower as a result of some opto-devices being transferred to the visual instruments business.

Semiconductor shipments declined due to a drop in orders for LCD controllers and silicon foundry products, in part because of the effects of the disaster.

Sales of high-temperature polysilicon TFT LCD (HTPS) panels for 3LCD projectors were hurt by a respite in projector demand, which was firm across the first half of last year.

The precision products business posted slightly lower net sales year over year despite a rebound in watch sales. In addition to a decline in sales of IC handlers compared to last year's resurgent second quarter, net sales were hurt by lower sales of plastic eyeglass lenses especially in U.S. and Japan.

Segment income in the devices and precision products segment declined despite a rebound in watch income owing to a plunge in revenue from quartz devices, semiconductors, HTPS panels, and plastic eyeglass lenses.

As a result of the foregoing factors, net sales in the devices and precision products segment were ¥104,913 million (\$1,368,727 thousand), down 16.0% year over year, while segment income was ¥4,146 million (\$54,090 thousand), down 55.4% year over year.

## Other

Net sales from other operations were ¥15,837 million (\$206,628 thousand), down 50.6% year over year. Segment loss was ¥694 million (\$9,067 thousand), an improvement over the ¥2,333 million segment loss recorded 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 income of reporting segments were -¥22,985 million (-\$299,883 thousand), compared to a segment loss of ¥23,614 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 ¥749,952 million (\$9,784,109 thousand), a decrease of ¥48,276 million from the previous fiscal year end. The decrease is primarily due to a ¥25,403 million decrease in cash and deposits, a ¥18,735 million decrease in accounts receivable resulting from the decline in net sales, and a ¥9,395 million decrease in property, plant, and equipment due to continued rigorous screening and selection of capital investments.

Total liabilities were ¥501,547 million (\$6,543,353 thousand), down ¥25,873 million compared to the end of the last fiscal year. While ¥40,000 million was raised through an issue of corporate bonds, total liabilities decreased chiefly due to a ¥43,784 million decline in short-term and long-term loans payable, a ¥14,838 million decrease in accounts payable and other current liabilities, and a ¥5,922 million decrease in the provision for retirement benefits.

Total net assets were ¥248,404 million (\$3,240,756 thousand), down ¥22,403 million compared to the previous fiscal year end. This was primarily due to the recording of a ¥16,112 million foreign currency translation adjustment associated with advances in the value of the yen and a ¥6,368 million decline in retained earnings resulting from the recording of a net loss and dividend payments.

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

The full-year consolidated financial outlook is as announced today.

The figures in the outlook are based on assumed second-half exchange rates of 75 yen to the U.S. dollar and 105 yen to the euro.

## **Consolidated Full-Year Results Outlook**

	FY2011 Full-Year	Previous Outlook	Current Outlook	Change (B-A)
Net sales	¥973.6 billion	¥970.0 billion	¥910.0 billion	-¥60.0 billion ( - 6.2%)
Operating Income	¥32.7 billion	¥43.0 billion	¥33.0 billion	-¥10.0 billion (-23.3%)
Ordinary income	¥31.1 billion	¥40.0 billion	¥31.0 billion	-¥9.0 billion (-22.5%)
Net income	¥10.2 billion	¥17.0 billion	¥10.0 billion	-¥7.0 billion (-41.2%)
Foreign exchange rate	\$1USD = ¥86 1 euro = ¥113	\$1USD = ¥80 1 euro = ¥112	\$1USD = ¥77 1 euro = ¥109	

## **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.

# SEIKO EPSON CORPORATION

## Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	September 30, 2011	September 30, 2011
<u>Assets</u>			
Current assets			
Cash and deposits	¥125,807	¥100,404	\$1,309,902
Notes and accounts receivable-trade	140,564	121,828	1,589,406
Short-term investment securities	76,009	75,009	978,590
Merchandise and finished goods	90,900	90,443	1,179,947
Work in process	37,133	39,668	517,521
Raw materials and supplies	23,876	22,214	289,810
Other	51,241	59,566	777,159
Allowance for doubtful accounts	(2,003)	(1,667)	(21,748)
Total current assets	543,530	507,468	6,620,587
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	399,318	388,010	5,062,100
Machinery, equipment and vehicles	439,113	421,361	5,497,208
Tools, furniture and fixtures	156,671	147,940	1,930,071
Other	59,651	59,845	780,770
Accumulated depreciation	(841,132)	(812,930)	(10,605,740)
Total property, plant and equipment	213,623	204,227	2,664,409
Intangible assets	14,616	14,641	191,011
Investments and other assets			
Investments and other assets, gross	26,532	23,688	309,041
Allowance for doubtful accounts	(73)	(72)	(939)
Total investments and other assets	26,458	23,615	308,102
Total noncurrent assets	254,699	242,484	3,163,522
Total assets	¥798,229	¥749,952	\$9,784,109

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	September 30, 2011	September 30, 2011
<b>Liabilities</b>			
Current liabilities			
Notes and accounts payable-trade	¥72,833	¥72,669	\$948,062
Short-term loans payable	31,129	22,391	292,120
Current portion of bonds	30,000	50,000	652,315
Current portion of long-term loans payable	42,093	14,546	189,771
Provision for bonuses	16,681	17,246	224,996
Provision for product warranties	8,199	7,362	96,046
Other	114,484	99,646	1,300,070
<b>Total current liabilities</b>	<b>315,422</b>	<b>283,863</b>	<b>3,703,380</b>
Noncurrent liabilities			
Bonds payable	60,000	80,000	1,043,705
Long-term loans payable	107,500	100,000	1,304,631
Provision for retirement benefits	26,289	20,366	265,701
Provision for loss on litigation	2,102	1,861	24,279
Provision for product warranties	420	607	7,919
Provision for recycling costs	478	514	6,705
Other	15,208	14,334	187,033
<b>Total noncurrent liabilities</b>	<b>211,999</b>	<b>217,684</b>	<b>2,839,973</b>
<b>Total liabilities</b>	<b>527,421</b>	<b>501,547</b>	<b>6,543,353</b>
<b>Net assets</b>			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	694,116
Capital surplus	84,321	84,321	1,100,078
Retained earnings	193,602	187,233	2,442,700
Treasury stock			
September 30, 2011 - 674,255 shares			
March 31, 2011 - 23,924 shares	(38)	(932)	(12,159)
<b>Total shareholders' equity</b>	<b>331,088</b>	<b>323,826</b>	<b>4,224,735</b>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,558	2,160	28,180
Deferred gains or losses on hedges	(572)	899	11,728
Foreign currency translation adjustment	(63,812)	(79,924)	(1,042,699)
<b>Total accumulated other comprehensive income</b>	<b>(61,826)</b>	<b>(76,864)</b>	<b>(1,002,791)</b>
Minority interests	1,545	1,442	18,812
<b>Total net assets</b>	<b>270,808</b>	<b>248,404</b>	<b>3,240,756</b>
<b>Total liabilities and net assets</b>	<b>¥798,229</b>	<b>¥749,952</b>	<b>\$9,784,109</b>

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



# SEIKO EPSON CORPORATION

## Consolidated Statements of Income Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30		Six months ended September 30, 2011
	2010	2011	
Net sales	¥479,286	¥425,518	\$5,551,441
Cost of sales	354,569	311,813	4,068,010
Gross profit	124,716	113,705	1,483,431
Selling, general and administrative expenses	110,057	106,930	1,395,056
Operating income	14,659	6,774	88,375
Non-operating income:			
Interest income	465	609	7,945
Rent income	762	870	11,350
Foreign exchange gains	49	-	-
Other	2,590	2,119	27,684
Total non-operating income	3,867	3,600	46,979
Non-operating expenses:			
Interest expenses	2,283	1,894	24,709
Foreign exchange losses	-	806	10,515
Other	1,395	1,528	19,948
Total non-operating expenses	3,679	4,229	55,172
Ordinary income	14,848	6,146	80,182
Extraordinary income:			
Gain on sales of noncurrent assets	70	536	6,992
Gain on revision of retirement benefit plan	-	364	4,748
Other	912	162	2,128
Total extraordinary income	983	1,063	13,868
Extraordinary loss:			
Loss on disaster	-	2,088	27,240
Loss on transfer of subsidiary's equity	-	2,024	26,405
Other	2,404	2,998	39,140
Total extraordinary losses	2,404	7,111	92,785
Income before income taxes and minority interests	13,427	97	1,265
Income taxes	5,884	4,403	57,429
Income (loss) before minority interests	7,542	(4,305)	(56,164)
Minority interests in income	83	64	848
Net income (loss)	¥7,458	(¥4,370)	(\$57,012)

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Comprehensive Income

### Six months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30		Six months ended September 30,
	2010	2011	2011
Income (loss) before minority interests	¥7,542	(¥4,305)	(\$56,164)
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,325)	(393)	(5,127)
Deferred gains or losses on hedges	(1,213)	1,472	19,204
Foreign currency translation adjustment	(19,217)	(16,162)	(210,882)
Share of other comprehensive income of associates accounted for using equity method	(140)	(43)	(560)
Total other comprehensive income	(21,898)	(15,127)	(197,365)
Comprehensive income	(¥14,356)	(¥19,433)	(\$253,529)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥14,304)	(¥19,408)	(\$253,203)
Comprehensive income attributable to minority interests	(¥52)	(¥25)	(\$326)

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Income Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30, 2011
	2010	2011	
Net sales	¥240,084	¥207,782	\$2,710,789
Cost of sales	179,959	150,605	1,964,840
Gross profit	60,125	57,177	745,949
Selling, general and administrative expenses	56,202	54,034	704,945
Operating income	3,922	3,143	41,004
Non-operating income:			
Interest income	227	292	3,809
Foreign exchange gains	-	565	7,371
Other	1,538	1,557	20,326
Total non-operating income	1,766	2,415	31,506
Non-operating expenses:			
Interest expenses	1,156	933	12,172
Foreign exchange losses	171	-	-
Other	715	868	11,337
Total non-operating expenses	2,044	1,801	23,509
Ordinary income	3,644	3,756	49,001
Extraordinary income:			
Gain on sales of noncurrent assets	37	99	1,291
Other	289	43	574
Total extraordinary income	326	143	1,865
Extraordinary loss:			
Loss on transfer of subsidiary's equity	-	2,024	26,405
Loss on valuation of investment securities	1,038	1,117	14,572
Other	205	1,162	15,159
Total extraordinary losses	1,244	4,304	56,136
Income (loss) before income taxes and minority interests	2,726	(404)	(5,270)
Income taxes	3,118	676	8,820
Loss before minority interests	(392)	(1,080)	(14,090)
Minority interests in income	93	65	861
Net loss	(¥485)	(¥1,146)	(\$14,951)

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Comprehensive Income

### Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2010	2011	2011
Loss before minority interests	(¥392)	(¥1,080)	(\$14,090)
Other comprehensive income			
Valuation difference on available-for-sale securities	186	(406)	(5,296)
Deferred gains or losses on hedges	(2,050)	795	10,371
Foreign currency translation adjustment	(3,609)	(12,945)	(168,910)
Share of other comprehensive income of associates accounted for using equity method	(68)	(29)	(378)
<b>Total other comprehensive income</b>	<b>(5,542)</b>	<b>(12,586)</b>	<b>(164,213)</b>
<b>Comprehensive income</b>	<b>(¥5,934)</b>	<b>(¥13,667)</b>	<b>(\$178,303)</b>
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥5,963)	(¥13,673)	(\$178,381)
Comprehensive income attributable to minority interests	¥28	¥6	\$78

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

# SEIKO EPSON CORPORATION

## Consolidated Statements of Cash Flows

### Six months ended September 30:

	Millions of yen		Thousands of
			U.S. dollars
	Six months ended September 30	Six months ended September 30	Six months ended September 30,
	2010	2011	2011
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥13,427	¥97	\$1,265
Depreciation and amortization	19,878	18,188	237,286
Equity in (earnings) losses of affiliates	(64)	(55)	(717)
Amortization of goodwill	(196)	436	5,688
Increase (decrease) in allowance for doubtful accounts	(84)	(149)	(1,943)
Increase (decrease) in provision for bonuses	3,570	789	10,293
Increase (decrease) in provision for product warranties	(1,425)	(148)	(1,930)
Increase (decrease) in provision for retirement benefits	571	589	7,684
Interest and dividends income	(651)	(777)	(10,136)
Interest expenses	2,283	1,894	24,709
Foreign exchange losses (gains)	(0)	(140)	(1,826)
Loss (gain) on sales of noncurrent assets	(97)	(593)	(7,736)
Loss on retirement of noncurrent assets	317	364	4,748
Loss (gain) on sales of investment securities	5	(37)	(482)
Loss on transfer of subsidiary's equity	—	2,024	26,405
Decrease (increase) in notes and accounts receivable-trade	(2,276)	18,065	235,681
Decrease (increase) in inventories	(26,555)	(19,158)	(249,941)
Increase (decrease) in accrued consumption taxes	712	1,777	23,183
Increase (decrease) in notes and accounts payable-trade	(8,004)	(1,683)	(21,956)
Other, net	(1,454)	(4,783)	(62,428)
<b>Subtotal</b>	<b>(47)</b>	<b>16,698</b>	<b>217,847</b>
Interest and dividends income received	1,379	1,336	17,429
Interest expenses paid	(2,279)	(1,846)	(24,083)
Payments for business restructuring	—	(6,061)	(79,073)
Income taxes paid	(4,405)	(4,161)	(54,299)
<b>Net cash provided by (used in) operating activities</b>	<b>(5,353)</b>	<b>5,965</b>	<b>77,821</b>
Net cash provided by (used in) investing activities			
Purchase of investment securities	(1)	(192)	(2,504)
Proceeds from sales of investment securities	166	139	1,813
Purchase of property, plant and equipment	(14,173)	(15,131)	(197,403)
Proceeds from sales of property, plant and equipment	179	733	9,547
Purchase of intangible assets	(1,174)	(1,193)	(15,564)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,940)	(25,309)
Payments for transfer of equity in subsidiaries resulting in change in scope of consolidation	—	(3,119)	(40,691)
Other, net	3,760	(331)	(4,318)
<b>Net cash provided by (used in) investing activities</b>	<b>(11,243)</b>	<b>(21,035)</b>	<b>(274,429)</b>
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	14,428	(7,200)	(93,933)
Repayment of long-term loans payable	(34,894)	(35,046)	(457,221)
Proceeds from issuance of bonds	20,000	40,000	521,852
Repayments of lease obligations	(647)	(293)	(3,822)
Purchase of treasury stock	(0)	(893)	(11,690)
Cash dividends paid	(1,997)	(1,997)	(26,053)
Cash dividends paid to minority shareholders	(65)	(8)	(104)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,177)</b>	<b>(5,440)</b>	<b>(70,971)</b>
Effect of exchange rate change on cash and cash equivalents	(10,190)	(6,271)	(81,828)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(29,965)</b>	<b>(26,782)</b>	<b>(349,407)</b>
Cash and cash equivalents at beginning of period	254,590	211,777	2,762,909
Increase in cash and cash equivalents from newly consolidated subsidiary	119	—	—
<b>Cash and cash equivalents at end of period</b>	<b>¥224,744</b>	<b>¥184,995</b>	<b>\$2,413,502</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. **Business transfer**

**The subsidiary’s equity transfer**

As of February 2, 2011, the Company and Sony Corporation executed an agreement for transferring all of the equity of its subsidiary, 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 business transfer**

Transferred to	Sony (China) Limited
Business activities	Production of small-and medium-sized TFT LCD displays
Date of transfer	July 1, 2011
Loss on transfer of subsidiary’s equity	¥2,024 million (\$26,405 thousand)

Carrying amounts of assets and liabilities transferred as of June 30, 2011, were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥21,361	\$278,682
Noncurrent assets	1,043	13,607
Total	<u>¥22,404</u>	<u>\$292,289</u>
Current liabilities	¥11,882	\$155,016
Noncurrent liabilities	-	-
Total	<u>¥11,882</u>	<u>\$115,016</u>

## Outline of the business

- (a) Net sales ¥14,747 million (\$192,393 thousand)  
(three months ended June 30, 2011)
- (b) Operating income ¥0 million (\$0 thousand)  
(three months ended June 30, 2011)
- (c) The business was included in none of the “Reporting segments” but in the “Other”.

Since the business transfer was executed at the beginning of the three months ended September 30, 2011, income from this business was not generated during the same period.

### 3. Net income (loss) per share

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30		Six months ended September 30,
	2010	2011	2011
Net income (loss) attributable to common shares	¥7,458	(¥4,370)	(\$57,012)
	Thousands of shares		
Weighted-average number of common shares outstanding	199,795	199,676	
	Yen		U.S. dollars
Net income (loss) per share	¥37.33	(¥21.89)	(\$0.28)

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

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2010	2011	2011
Net income (loss) attributable to common shares	(¥485)	(¥1,146)	(\$14,951)
	Thousands of shares		
Weighted-average number of common shares outstanding	199,794	199,560	
	Yen		U.S. dollars
Net income (loss) per share	(¥2.43)	(¥5.75)	(\$0.07)

## 4. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30		Six months ended September 30,
	2010	2011	2011
Salaries and wages	¥38,249	¥37,277	\$486,327
Research and development costs	12,193	10,978	143,222
Other	59,613	58,674	765,507
<b>Total</b>	<b>¥110,057</b>	<b>¥106,930</b>	<b>\$1,395,056</b>

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

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2010	2011	2011
Salaries and wages	¥18,796	¥18,209	\$237,560
Research and development costs	6,239	5,590	72,928
Other	31,166	30,233	394,457
<b>Total</b>	<b>¥56,202</b>	<b>¥54,034</b>	<b>\$704,945</b>

## 5. Loss on disaster

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



6. Cash flow information

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

	Millions of yen		Thousands of U.S. dollars
	September 30		September 30,
	2010	2011	2011
Cash and deposits	¥128,774	¥100,404	\$1,309,902
Short-term investment securities	86,010	75,009	978,590
Short-term loans receivables	10,000	10,000	130,463
Less:			
Short-term loans payable (overdrafts)	(4)	(0)	(0)
Time deposits due over three months	(26)	(407)	(5,323)
Short-term investment securities due over three months	(10)	(10)	(130)
Cash and cash equivalents	¥224,744	¥184,995	\$2,413,502

The Company obtained marketable securities, the fair value of which was ¥10,015 million and ¥9,995 million (\$130,397 thousand) as of September 30, 2010 and 2011, respectively, as deposit for the short-term loans receivables above.

7. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2011 and as of September 30, 2011, were ¥1,090 million and ¥722 million (\$9,419 thousand), respectively.

8. 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 and six months ended September 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.

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 and six months ended September 30, 2010 and 2011:

# SEIKO EPSON CORPORATION

## Six months ended September 30:

Millions of yen

Six months ended September 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	¥337,144	¥111,089	¥448,233	¥30,593	¥478,826	¥459	-	¥479,286
Inter-segment	592	13,882	14,474	1,494	15,968	670	(¥16,639)	-
Total	337,736	124,971	462,708	32,087	494,795	1,129	(16,639)	479,286
Segment income (loss)	¥31,315	¥9,291	¥40,606	(¥2,333)	¥38,273	(¥23,809)	¥195	¥14,659

Millions of yen

Six months ended September 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	¥315,489	¥93,502	¥408,992	¥15,488	¥424,481	¥1,036	-	¥425,518
Inter-segment	1,147	11,410	12,558	348	12,906	51	(¥12,958)	-
Total	316,636	104,913	421,550	15,837	437,388	1,087	(12,958)	425,518
Segment income (loss)	¥26,308	¥4,146	¥30,455	(¥694)	¥29,760	(¥23,089)	¥103	¥6,774

Thousands of U.S. dollars

Six months ended September 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	\$4,115,982	\$1,219,856	\$5,335,838	\$202,074	\$5,537,912	\$13,529	-	\$5,551,441
Inter-segment	14,964	148,871	163,835	4,554	168,389	665	(\$169,054)	-
Total	4,130,946	1,368,727	5,499,673	206,628	5,706,301	14,194	(169,054)	5,551,441
Segment income (loss)	\$343,235	\$54,090	\$397,325	(\$9,067)	\$388,258	(\$301,226)	\$1,343	\$88,375

# SEIKO EPSON CORPORATION

## Three months ended September 30:

Millions of yen

Three months ended September 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	¥167,256	¥57,261	¥224,517	¥15,287	¥239,805	¥279	-	¥240,084
Inter-segment	292	6,696	6,989	779	7,768	318	(¥8,087)	-
Total	167,548	63,957	231,506	16,066	247,573	598	(8,087)	240,084
Segment income (loss)	¥12,551	¥4,139	¥16,690	(¥947)	¥15,743	(¥11,889)	¥69	¥3,922

Millions of yen

Three months ended September 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	¥158,281	¥48,342	¥206,623	¥489	¥207,113	¥669	-	¥207,782
Inter-segment	607	5,826	6,433	242	6,676	42	(¥6,719)	-
Total	158,888	54,169	213,057	732	213,790	711	(6,719)	207,782
Segment income (loss)	¥12,997	¥2,026	¥15,024	(¥376)	¥14,647	(¥11,530)	¥26	¥3,143

Thousands of U.S. dollars

Three months ended September 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	\$2,064,984	\$630,684	\$2,695,668	\$6,393	\$2,702,061	\$8,728	-	\$2,710,789
Inter-segment	7,919	76,021	83,940	3,170	87,110	548	(\$87,658)	-
Total	2,072,903	706,705	2,779,608	9,563	2,789,171	9,276	(87,658)	2,710,789
Segment income (loss)	\$169,576	\$26,431	\$196,007	(\$4,918)	\$191,089	(\$150,424)	\$339	\$41,004

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.

## 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 Second Quarter ended September 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, exchange rate fluctuations.

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## 1. Sales by division

(Unit: billion yen)

	Six months ended September 30,		Increase %
	2010	2011	
Information-related equipment	337.7	316.6	(6.2%)
Printer	273.8	255.6	(6.7%)
Visual instruments	54.7	54.0	(1.3%)
Other	10.1	8.1	(19.7%)
Intra-segment sales	(1.0)	(1.2)	-%
Devices & Precision Products	124.9	104.9	(16.0%)
Devices	93.0	72.9	(21.6%)
Precision Products	35.7	35.2	(1.4%)
Intra-segment sales	(3.8)	(3.2)	-%
Other	32.0	15.8	(50.6%)
Corporate expenses	1.1	1.0	(3.7%)
Inter-segment sales	(16.6)	(12.9)	-%
Consolidated sales	479.2	425.5	(11.2%)

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".

(Unit: billion yen)

	Year ended March 31,		Increase %
	2011	Forecast for 2012	
Information-related equipment	713.9	715.0	0.1%
Printer	577.3	569.0	(1.5%)
Visual products	118.3	128.0	8.1%
Other	20.3	20.0	(1.9%)
Intra-segment sales	(2.2)	(2.0)	-%
Devices & Precision Products	212.6	184.0	(13.5%)
Devices	149.5	119.0	(20.4%)
Precision Products	68.9	70.0	1.6%
Intra-segment sales	(5.8)	(5.0)	-%
Other	61.4	17.0	(72.3%)
Corporate expenses	3.7	3.0	(20.3%)
Inter-segment sales	(18.1)	(9.0)	-%
Consolidated sales	973.6	910.0	(6.5%)

Note: 1. On October 1, 2011, Epson merged the Visual Instruments Operations Division (Information-Related Equipment Segment) with the TFT Operations Division (Devices & Precision Products Segment), responsible for high-temperature polysilicon (HTPS) TFT LCDs, to form the Visual Products Operations Division (Information-Related Equipment Segment).

Accompanying this change, Epson will from the third quarter of the current fiscal year adjust the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

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)

	Six months ended September 30,		Increase %
	2010	2011	
<b>Information-related equipment</b>			
Net sales:			
Customers	337.1	315.4	(6.4%)
Inter-segment	0.5	1.1	93.5%
Total	337.7	316.6	(6.2%)
Operating expenses	306.4	290.3	(5.3%)
Segment income (loss)	31.3	26.3	(16.0%)
<b>Devices &amp; Precision Products</b>			
Net sales:			
Customers	111.0	93.5	(15.8%)
Inter-segment	13.8	11.4	(17.8%)
Total	124.9	104.9	(16.0%)
Operating expenses	115.6	100.7	(12.9%)
Segment income (loss)	9.2	4.1	(55.4%)
<b>Other</b>			
Net sales:			
Customers	30.5	15.4	(49.4%)
Inter-segment	1.4	0.3	(76.6%)
Total	32.0	15.8	(50.6%)
Operating expenses	34.4	16.5	(52.0%)
Segment income (loss)	(2.3)	(0.6)	-%
<b>Corporate expenses</b>			
Net sales:			
Customers	0.4	1.0	125.8%
Inter-segment	0.6	0.0	(92.4%)
Total	1.1	1.0	(3.7%)
Operating expenses	24.9	24.1	(3.1%)
Segment income (loss)	(23.8)	(23.0)	-%
<b>Eliminations</b>			
Net sales	(16.6)	(12.9)	-%
Operating expenses	(16.8)	(13.0)	-%
Segment income (loss)	0.1	0.1	(46.9%)
<b>Consolidated</b>			
Net sales	479.2	425.5	(11.2%)
Operating expenses	464.6	418.7	(9.9%)
Operating income (loss)	14.6	6.7	(53.8%)

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

(Unit: billion yen)

	Year ended March 31,		Increase %
	2011	Forecast for 2012	
<b>Information-related equipment</b>			
Net sales:			
Customers	713.0	715.0	0.3%
Inter-segment	0.8	0.0	-%
Total	713.9	715.0	0.1%
Operating expenses	642.8	638.0	(0.8%)
Segment income (loss)	71.0	77.0	8.3%
<b>Devices &amp; Precision Products</b>			
Net sales:			
Customers	200.2	176.0	(12.1%)
Inter-segment	12.4	8.0	(35.5%)
Total	212.6	184.0	(13.5%)
Operating expenses	201.4	183.0	(9.2%)
Segment income (loss)	11.2	1.0	(91.1%)
<b>Other</b>			
Net sales:			
Customers	59.4	16.0	(73.1%)
Inter-segment	1.9	1.0	(49.4%)
Total	61.4	17.0	(72.3%)
Operating expenses	65.0	18.0	(72.3%)
Segment income (loss)	(3.5)	(1.0)	-%
<b>Corporate expenses</b>			
Net sales:			
Customers	0.8	3.0	242.7%
Inter-segment	2.8	0.0	-%
Total	3.7	3.0	(20.3%)
Operating expenses	50.2	47.0	(6.4%)
Segment income (loss)	(46.4)	(44.0)	-%
<b>Eliminations</b>			
Net sales	(18.1)	(9.0)	-%
Operating expenses	(18.5)	(9.0)	-%
Segment income (loss)	0.4	0.0	-%
<b>Consolidated</b>			
Net sales	973.6	910.0	(6.5%)
Operating expenses	940.9	877.0	(6.8%)
Operating income (loss)	32.7	33.0	0.9%

Note: 1. On October 1, 2011, Epson merged the Visual Instruments Operations Division (Information-Related Equipment Segment) with the TFT Operations Division (Devices & Precision Products Segment), responsible for high-temperature polysilicon (HTPS) TFT LCDs, to form the Visual Products Operations Division (Information-Related Equipment Segment).

Accompanying this change, Epson will from the third quarter of the current fiscal year adjust the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

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)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2010 %
	2010	2011		
Japan				
Net sales:				
Customers	196.9	164.5	(32.3)	(16.5%)
Inter-segment	237.2	218.7	(18.4)	(7.8%)
Total	434.2	383.3	(50.8)	(11.7%)
Operating expenses	440.4	379.9	(60.4)	(13.7%)
Segment income (loss)	(6.2)	3.3	9.6	-%
The Americas				
Net sales:				
Customers	101.8	87.2	(14.5)	(14.3%)
Inter-segment	7.7	6.6	(1.0)	(13.8%)
Total	109.5	93.8	(15.6)	(14.3%)
Operating expenses	103.3	89.7	(13.6)	(13.2%)
Segment income (loss)	6.1	4.1	(2.0)	(32.9%)
Europe				
Net sales:				
Customers	86.2	79.4	(6.8)	(7.9%)
Inter-segment	2.7	2.2	(0.4)	(16.7%)
Total	89.0	81.7	(7.2)	(8.2%)
Operating expenses	84.2	85.2	0.9	1.1%
Segment income (loss)	4.7	(3.5)	(8.2)	-%
Asia/Oceania				
Net sales:				
Customers	94.3	94.3	0.0	0.0%
Inter-segment	199.8	167.7	(32.0)	(16.1%)
Total	294.1	262.0	(32.0)	(10.9%)
Operating expenses	278.7	251.0	(27.7)	(10.0%)
Segment income (loss)	15.3	11.0	(4.2)	(28.0%)
Eliminations				
Net sales	(447.5)	(395.4)	52.0	-%
Operating expenses	(442.2)	(387.2)	54.9	-%
Segment income (loss)	(5.3)	(8.2)	(2.9)	-%
Consolidated				
Net sales	479.2	425.5	(53.7)	(11.2%)
Operating expenses	464.6	418.7	(45.8)	(9.9%)
Operating income (loss)	14.6	6.7	(7.8)	(53.8%)

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)

	Six months ended September 30,		Increase	Increase compared to previous year September 30, 2010 %
	2010	2011		
Overseas Sales				
The Americas	103.7	88.7	(15.0)	(14.5%)
Europe	87.5	80.7	(6.8)	(7.8%)
Asia/Oceania	113.6	109.8	(3.8)	(3.3%)
Total	304.9	279.2	(25.6)	(8.4%)
Consolidated sales	479.2	425.5	(53.7)	(11.2%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	21.6	20.9		
Europe	18.3	19.0		
Asia/Oceania	23.7	25.8		
Total	63.6	65.6		

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)

	Six months ended September 30,		Increase %
	2010	2011	
Capital expenditure	14.4	13.0	(9.8%)
Information-related equipment	7.8	9.5	20.7%
Devices & Precision Products	5.6	2.7	(52.1%)
Other / Corporate expenses	0.8	0.7	(10.7%)
Depreciation and amortization	19.8	18.1	(8.5%)

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".

(Unit: billion yen)

	Year ended March 31,		Increase %
	2011	Forecast for 2012	
Capital expenditure	31.8	46.0	44.6%
Information-related equipment	18.6	31.0	66.5%
Devices & Precision Products	10.2	9.0	(12.4%)
Other / Corporate expenses	2.9	6.0	105.4%
Depreciation and amortization	41.1	41.0	(0.4%)

Note: 1. On October 1, 2011, Epson merged the Visual Instruments Operations Division (Information-Related Equipment Segment) with the TFT Operations Division (Devices & Precision Products Segment), responsible for high-temperature polysilicon (HTPS) TFT LCDs, to form the Visual Products Operations Division (Information-Related Equipment Segment).

Accompanying this change, Epson will from the third quarter of the current fiscal year adjust the composition of its reporting segments, and has therefore recalculated segment information from the previous fiscal year.

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)

	Six Months ended September 30,		Increase %	Forecast for the year ended March 31, 2012	Increase compared to year ended March 31, 2011 %
	2010	2011			
Research and Development	27.2	27.5	1.0%	59.0	8.5%
R&D / sales ratio	5.7%	6.5%		6.5%	

# SEIKO EPSON CORPORATION

## 7. Management indices

(Unit: %)

	Six months ended September 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)	2.7%	(1.7%)	(4.4)	3.8%	0.1
Return on assets (ROA)	1.7%	0.8%	(0.9)	4.0%	0.3
Return on sales (Operating)	3.1%	1.6%	(1.5)	3.6%	0.2
Return on sales (Ordinary)	3.1%	1.4%	(1.7)	3.4%	0.2

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

## 8. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Six Months ended September 30,		Increase
	2010	2011	
Foreign exchange effect	(28.7)	(16.3)	12.4
U.S. dollars	(9.8)	(12.5)	(2.6)
Euro	(14.7)	(0.0)	14.7
Other	(4.1)	(3.8)	0.3
Exchange rate			
Yen / U.S. dollars	88.95	79.82	
Yen / Euro	113.85	113.80	

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

## 9. Inventory

(Unit: billion yen)

	September 30,	March 31,	September 30,	Increase compared to March 31, 2011
	2010	2011	2011	
Inventory	163.6	151.9	152.3	0.4
Information-related equipment	113.2	104.3	108.7	4.4
Devices & Precision Products	42.1	41.2	42.4	1.1
Other / Corporate expenses	8.3	6.3	1.3	(5.0)
(Unit: day)				
Turnover by days	62	57	66	9
Information-related equipment	61	54	63	9
Devices & Precision Products	62	64	74	10
Other / Corporate expenses	46	36	14	(22)

- Note 1. Turnover by days = Ending balance of inventory / Prior 6 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".

# SEIKO EPSON CORPORATION

## 10. Employees

(Unit: person)

	September 30, 2010	March 31, 2011	September 30, 2011	Increase compared to March 31, 2011
Number of employees at period end	79,914	74,551	78,901	4,350
Domestic	21,325	20,704	20,512	(192)
Overseas	58,589	53,847	58,389	4,542