

SEIKO EPSON CORPORATION



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CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2012

Consolidated Financial Highlights

Statements of operations 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, 2012
	2011	2012		
Statements of Operations Data:				
Net sales	¥217,735	¥186,360	(14.4%)	\$2,349,776
Operating income (loss)	3,631	(16,117)	- %	(203,215)
Ordinary income (loss)	2,389	(16,483)	- %	(207,830)
Net loss	(3,223)	(34,467)	- %	(434,585)
Comprehensive income	(5,766)	(43,607)	- %	(549,829)
Statements of Cash Flows Data:				
Net cash provided by (used in) operating activities	(5,225)	(7,792)	- %	(98,247)
Net cash provided by (used in) investing activities	(8,432)	(13,401)	- %	(168,969)
Net cash provided by (used in) financing activities	26,712	(9,286)	- %	(117,084)
Cash and cash equivalents at end of period	223,765	114,440	(48.9%)	1,442,945
Per Share Data:				
Net loss per share -Basic	(¥16.13)	(¥192.67)	- %	(\$2.42)
-Diluted	¥-	¥-	- %	\$-

Balance sheets data

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

	June 30, 2012	March 31, 2012	June 30, 2012
Total assets	¥692,623	¥740,769	\$8,733,110
Net assets	202,112	248,140	2,548,379
Shareholders' equity	200,546	246,442	2,528,634
Shareholders' equity ratio (%)	29.0%	33.3%	29.0%
Shareholders' equity per share	¥1,121.04	¥1,377.60	\$14.13

Notes

- I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by Seiko Epson Corporation (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 ¥79.31 = U.S.\$1 as of June 30, 2012, has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2012 First Quarter Overview

Overall, the global economy saw a weak recovery during the first quarter of the year under review, with factors such as renewed uncertainty over the financial futures of some E.U. member states signaling a slowdown. Regionally, U.S. economic growth recovered at a gradual pace, getting a boost from things such as improved unemployment figures and a rise in consumer spending. In Europe, the economy maintained a holding pattern due to factors such as high unemployment and uncertainty about the financial futures of several European states. In Asia, China posted growth on increased internal demand but saw the pace of expansion slow. Meanwhile, the pace of India's economic expansion slowed during the quarter. Elsewhere in Asia, some countries and regions registered signs of a pick-up, but most economies continued in a holding pattern. Japan saw a pick-up in production activity and exports, but economic expansion was slight due to factors such as the continued strong yen.

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

Inkjet printer demand showed signs of shrinking in North America and Europe, while the pace of expansion in Japan also slowed. Large-format inkjet printer shipments were moderated by spending restraints in the printing and photo industries, while demand was seen decelerating in the once firm Asian markets, such as China. Demand for serial impact dot-matrix printer waned. In addition to continued contraction of the markets in the U.S., Europe, and Japan, demand also showed signs of decelerating in some emerging markets in Southeast and South Asia. POS system product shipments to Southeast Asia and to small and medium-size retailers in the Americas were solid during the quarter owing to an upswing in capital expenditure. However, a continued reluctance to invest on the part of large retailers in the Americas moderated sales. Demand for education projectors was steady in South America, China, India, and other emerging markets. In addition, sports events spurred home projector demand in Europe.

Demand for the main electronic device applications generally remained steady across the period. In mobile handsets, smartphone sales continued to expand, but demand for conventional handsets showed signs of slowing. The digital camera market remained firm, with sales of SLR models particularly solid, while the tablet PC market also expanded. On the other hand, the television and PC markets were, on the whole, weak.

In precision products, watch demand rebounded in Japan and other parts of Asia but showed signs of softening in Europe. Robot demand increased in tandem with rising demand in the electronics industry in places such as China and Taiwan. However, IC handler demand was dampened by investment restraints in the semiconductor market.

Epson began the 2012 fiscal year under a new business plan. The new SE15 Mid-Range Business Plan (FY2012-14), the second of two three-year plans, is designed to achieve the company's long-range corporate vision of becoming a community of robust businesses. Under the SE15 Mid-Range Business Plan (FY2012-14) the Epson Group is looking to channel its collective energy into coping with a difficult business environment, including uncertainty about the financial future in Europe and a strong yen, to accelerate the speed with which it executes business strategies, and to establish a reliable map for achieving the SE15 vision.

Extraordinary losses in the first quarter included a ¥13,320 million (\$167,948 thousand) loss on litigation, the majority of which is attributable to a settlement for a lawsuit involving allegations of involvement in an LCD price-fixing cartel.

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 ¥80.20 and ¥102.91, respectively. This represents a 2% appreciation in the value of the yen against the dollar and a 12% appreciation in the value of the yen against the euro compared to the same period last year.

First-quarter net sales were ¥186,360 million (\$2,349,766 thousand), down 14.4% year over year. Operating loss was ¥16,117 million (\$203,215 thousand) versus operating income of ¥3,631 million in the same quarter last year. Ordinary loss was ¥16,483 million (\$207,830 thousand) versus ordinary income of ¥2,389 million in the same quarter last year. Net loss was ¥34,467 million (\$434,585 thousand) versus a net loss of ¥3,223 million in the same quarter last year.

A breakdown of the financial results in each reporting segment is provided below. Further, as of the third quarter of last fiscal year, the visual instruments business, which was under the information-related equipment segment, and the TFT (high-temperature polysilicon TFT LCD panels for projectors) business, which was under the devices and precision products segment, were merged to form the visual products business. The visual products business results are now reported under the information-related equipment 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 Segment

The printer business as a whole reported a decline in net sales.

Inkjet printer unit shipments increased compared to the same period last year. In addition to expanded sales of models with high-capacity ink tank, unit sales increased in Europe and the Americas compared to the same period last year, when Epson was forced to reduce promotions in the aftermath of the earthquake and tsunami in Japan. Sales of consumables, on the other hand, declined. Unit shipments of large-format printers increased owing to growth of low-end models in Europe, the Americas, and Asia. However, sales of higher price models were sluggish, canceling out the effect of greater volume. Consumables net sales decreased due to a decline in demand from the printing industry. Page printer sales decreased primarily due to the effects of corporate cost cutting. Serial-impact dot-matrix unit shipments declined in China, where demand for use in tax collection systems was particularly robust in the same period last year, as well as in other parts of Asia. POS system product unit shipments increased in response to steady, strong demand from small- and medium-sized retailers in the Americas, though a decline in unit selling prices cancelled out this effect. In Japan, meanwhile, sales declined primarily due to a decrease in unit shipments of products for applications such as coupon printing. The printer business as a whole was significantly impacted by the strong yen.

Net sales in the visual products business increased.

Total unit shipments in the visual instruments business increased. In addition to increased unit shipments of low-end 3LCD business projectors in Asia, the Americas, and Japan, Epson saw unit shipments of projectors for the

education segment expand in Europe. Unit shipments of home-theater projectors also increased in Europe where sports events spurred demand. The visual instruments business as a whole saw net sales increase, as unit shipment growth more than offset falling average selling prices and the effects of yen appreciation.

Segment income in the information-related equipment segment declined mainly due to yen appreciation.

As a result of the foregoing factors, net sales in the information-related equipment segment were ¥147,098 million (\$1,854,735 thousand), down 7.7% year over year. Segment loss was ¥5,935 million (\$74,819 thousand) compared to segment income of ¥12,526 million in the same period last year.

Devices & Precision Products Segment

Net sales in the devices business declined.

In quartz devices, tuning-fork crystals unit shipments decreased, as did prices, while AT-cut crystal prices plummeted. Semiconductor net sales decreased. While silicon foundry order volume increased, net sales were heavily impacted by a decline in unit shipments of LCD controllers, EPD controllers, and LCD drivers for automobile applications.

Net sales in the precision products business increased.

Watch revenue was driven upward by an increase in sales of luxury models and a concomitant rise in average selling prices. Plastic eyeglass lens shipments increased. While an increase in sales of low-priced models caused average selling prices to decline, the release of new products produced unit shipment growth. In factory automation systems, sales of robots increased on a jump in orders from Asia. On the other hand, sales of IC handlers decreased due to sluggish demand from the PC and traditional mobile phone semiconductor industries.

Segment income in the devices and precision products segment declined despite growth in watch profit and a rebound in plastic eyeglass lens profit. Sagging net sales in quartz devices, semiconductors, and factory automation systems were all factors in the decline.

As a result of the foregoing factors, net sales in the devices and precision products segment were ¥41,117 million (\$518,433 thousand), down 9.7% year over year, while segment income was ¥1,915 million (\$24,145 thousand), down 33.9% year over year.

Other

Net sales from other operations in the quarter under review were ¥276 million (\$3,480 thousand), down 98.2% year over year. Segment loss was ¥426 million (\$5,371 thousand) compared to a ¥318 million segment loss recorded in the same period last year. The decrease in net sales is a result of the transfer of the small- and medium-sized display business.

Adjustments

Adjustments to total income of reporting segments amounted to -¥11,672 million (-\$147,170 thousand), compared to a segment loss of ¥11,475 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 at the end of the quarter under review were ¥692,623 million (\$8,733,110 thousand), a decrease of ¥48,146 million from the previous fiscal year end. While product inventories increased by ¥5,606 million, total assets decreased primarily because short-term investment securities and cash and deposits declined by a total of ¥31,600 million and because trade notes and accounts receivable decreased by ¥18,711 million as net sales decreased.

Total liabilities were ¥490,510 million (\$6,184,731 thousand), down ¥2,118 million compared to the end of the last fiscal year. While there was a ¥12,415 million net increase in the total of short-term and long-term loans payable and while other current liabilities increased by ¥4,792 million mostly in conjunction with an increase in accounts payable, total liabilities decreased by ¥20,000 million along with a redemption of corporate bonds.

Total net assets were ¥202,112 million (\$2,548,379 thousand), down ¥46,028 million compared to the previous fiscal year end. This was primarily due to a ¥36,793 million decline in retained earnings and a ¥10,228 million change in the foreign currency adjustment associated with the appreciation of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

Given the recent trend of financial results, Epson revised its consolidated financial outlook for the first half and for the full year. Details were released today in an announcement.

The figures in the outlook are based on assumed exchange rates of 75 yen to the U.S. dollar and 100 yen to the euro.

Taking into account the foregoing factors, Epson's expectations for the 2012 fiscal year (ending March 31, 2013) are as follows.

Consolidated First-Half Results Outlook

	REF: FY2011 First-Half Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Net sales	¥425.5 billion	¥410.0 billion	¥400.0 billion	-¥10.0 billion	(-2.4%)
Operating income	¥6.7 billion	¥4.0 billion	-¥14.0 billion	-¥18.0 billion	(-)
Ordinary income	¥6.1 billion	¥3.0 billion	-¥14.0 billion	-¥17.0 billion	(-)
Net income	-¥4.3 billion	-¥6.0 billion	-¥34.0 billion	-¥28.0 billion	(-)
Foreign exchange rate	\$1USD = ¥80	\$1USD = ¥75	\$1USD = ¥77		
	1 euro = ¥114	1 euro = ¥100	1 euro = ¥102		

Consolidated Full-Year Results Outlook

	REF: FY2011 Full-Year Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Net sales	¥877.9 billion	¥890.0 billion	¥870.0 billion	-¥20.0 billion	(-2.2%)
Operating income	¥24.6 billion	¥35.0 billion	¥28.0 billion	-¥7.0 billion	(-20.0%)
Ordinary income	¥27.0 billion	¥33.0 billion	¥28.0 billion	-¥5.0 billion	(-15.2%)
Net income	¥5.0 billion	¥14.0 billion	¥5.0 billion	-¥9.0 billion	(-64.3%)
Foreign exchange rate	\$1USD = ¥79	\$1USD = ¥75	\$1USD = ¥76		
	1 euro = ¥109	1 euro = ¥100	1 euro = ¥101		

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, 2012	June 30, 2012	June 30, 2012
<u>Assets</u>			
Current assets			
Cash and deposits	¥123,093	¥100,492	\$1,267,078
Notes and accounts receivable-trade	139,309	120,598	1,520,590
Short-term investment securities	19,010	10,010	126,213
Merchandise and finished goods	99,472	102,759	1,295,662
Work in process	41,524	42,567	536,716
Raw materials and supplies	21,258	22,534	284,125
Other	45,014	42,772	539,341
Allowance for doubtful accounts	(1,493)	(1,348)	(16,996)
Total current assets	487,190	440,387	5,552,729
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	393,081	391,182	4,932,316
Machinery, equipment and vehicles	417,229	408,823	5,154,747
Tools, furniture and fixtures	150,841	147,353	1,857,937
Other	60,534	62,671	790,215
Accumulated depreciation	(808,600)	(795,815)	(10,034,232)
Total property, plant and equipment	213,086	214,215	2,700,983
Intangible assets	15,066	14,574	183,759
Investments and other assets			
Investments and other assets, gross	25,495	23,513	296,483
Allowance for doubtful accounts	(68)	(67)	(844)
Total investments and other assets	25,426	23,445	295,639
Total noncurrent assets	253,579	252,235	3,180,381
Total assets	¥740,769	¥692,623	\$8,733,110

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

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2012	June 30, 2012	June 30, 2012
<u>Liabilities</u>			
Current liabilities			
Notes and accounts payable-trade	¥77,427	¥78,424	\$988,828
Short-term loans payable	30,812	44,227	557,647
Current portion of bonds	40,000	20,000	252,175
Current portion of long-term loans payable	30,500	29,500	371,958
Provision for bonuses	8,333	7,276	91,741
Provision for product warranties	7,626	8,219	103,631
Other	118,615	123,407	1,556,060
Total current liabilities	313,314	311,056	3,922,040
Noncurrent liabilities			
Bonds payable	60,000	60,000	756,525
Long-term loans payable	77,500	77,500	977,178
Provision for retirement benefits	23,407	24,585	309,986
Provision for loss on litigation	1,963	1,765	22,254
Provision for product warranties	659	596	7,514
Provision for recycling costs	560	575	7,250
Other	15,222	14,430	181,984
Total noncurrent liabilities	179,314	179,453	2,262,691
Total liabilities	492,628	490,510	6,184,731
<u>Net assets</u>			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	670,835
Capital surplus	84,321	84,321	1,063,182
Retained earnings	194,047	157,254	1,982,776
Treasury stock			
June 30, 2012 - 20,924,489 shares			
March 31, 2012 - 20,924,404 shares	(20,453)	(20,453)	(257,885)
Total shareholders' equity	311,119	274,326	3,458,908
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	1,838	766	9,658
Deferred gains or losses on hedges	(1,013)	1,184	14,928
Foreign currency translation adjustment	(65,502)	(75,731)	(954,847)
Total accumulated other comprehensive income	(64,676)	(73,779)	(930,261)
Minority interests	1,697	1,565	19,732
Total net assets	248,140	202,112	2,548,379
Total liabilities and net assets	¥740,769	¥692,623	\$8,733,110

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

Consolidated Statements of Operations

Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2011	2012	2012
Net sales	¥217,735	¥186,360	\$2,349,766
Cost of sales	161,207	150,850	1,902,042
Gross profit	56,527	35,509	447,724
Selling, general and administrative expenses	52,896	51,627	650,939
Operating income (loss)	3,631	(16,117)	(203,215)
Non-operating income:			
Interest income	317	227	2,862
Rent income	415	310	3,908
Other	1,017	782	9,873
Total non-operating income	1,750	1,320	16,643
Non-operating expenses:			
Interest expenses	960	742	9,355
Foreign exchange losses	1,372	633	7,981
Other	659	310	3,922
Total non-operating expenses	2,992	1,685	21,258
Ordinary income (loss)	2,389	(16,483)	(207,830)
Extraordinary income:			
Gain on sales of noncurrent assets	436	6	75
Gain on revision of retirement benefit plan	364	—	—
Other	119	0	0
Total extraordinary income	920	6	75
Extraordinary loss:			
Loss on litigation	—	13,320	167,948
Loss on disaster	1,777	—	—
Other	1,030	2,144	27,045
Total extraordinary losses	2,807	15,465	194,993
Income (loss) before income taxes and minority interests	501	(31,942)	(402,748)
Income taxes	3,726	2,496	31,472
Loss before minority interests	(3,224)	(34,438)	(434,220)
Minority interests in income (loss)	(1)	28	365
Net loss	(¥3,223)	(¥34,467)	(\$434,585)

The accompanying notes are an integral part of these financial statements

SEIKO EPSON CORPORATION

Consolidated Statements of Comprehensive Income

Three months ended June 30:

	Millions of yen		Thousands of U.S.
	Three months ended		dollars
	June 30,		Three months ended
	2011	2012	June 30, 2012
Loss before minority interests	(¥3,224)	(¥34,438)	(\$434,220)
Other comprehensive income			
Valuation difference on available-for-sale securities	12	(1,071)	(13,503)
Deferred gains or losses on hedges	676	2,197	27,701
Foreign currency translation adjustment	(3,216)	(10,273)	(129,555)
Share of other comprehensive income of associates accounted for using equity method	(14)	(20)	(252)
Total other comprehensive income	(2,541)	(9,168)	(115,609)
Comprehensive income	(¥5,766)	(¥43,607)	(\$549,829)
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥5,734)	(¥43,570)	(\$549,376)
Comprehensive income attributable to minority interests	(¥31)	(¥36)	(\$453)

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

SEIKO EPSON CORPORATION

Consolidated Statements of Cash Flows

Three months ended June 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended		Three months ended
	June 30,		June 30,
	2011	2012	2012
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	¥501	(¥31,942)	(\$402,748)
Depreciation and amortization	9,164	9,008	113,579
Equity in (earnings) losses of affiliates	(20)	(12)	(151)
Amortization of goodwill	218	218	2,748
Increase (decrease) in allowance for doubtful accounts	67	(60)	(756)
Increase (decrease) in provision for bonuses	(8,054)	(951)	(11,990)
Increase (decrease) in provision for product warranties	165	844	10,641
Increase (decrease) in provision for retirement benefits	(702)	1,559	19,657
Interest and dividends income	(483)	(341)	(4,299)
Interest expenses	960	742	9,355
Foreign exchange losses (gains)	396	(458)	(5,774)
Loss (gain) on sales of noncurrent assets	(491)	26	327
Loss on retirement of noncurrent assets	137	258	3,253
Loss (gain) on sales of investment securities	(17)	—	—
Loss on litigation	—	13,320	167,948
Decrease (increase) in notes and accounts receivable-trade	7,616	19,151	241,470
Decrease (increase) in inventories	(4,756)	(12,578)	(158,592)
Increase (decrease) in accrued consumption taxes	1,004	(994)	(12,533)
Increase (decrease) in notes and accounts payable-trade	1,102	403	5,081
Other, net	(3,094)	(3,143)	(39,629)
Subtotal	3,716	(4,950)	(62,413)
Interest and dividends income received	485	1,129	14,234
Interest expenses paid	(659)	(520)	(6,556)
Payments for business restructuring	(5,948)	—	—
Income taxes paid	(2,819)	(3,451)	(43,512)
Net cash provided by (used in) operating activities	(5,225)	(7,792)	(98,247)
Net cash provided by (used in) investing activities			
Purchase of investment securities	(192)	(0)	(0)
Proceeds from sales of investment securities	21	—	—
Purchase of property, plant and equipment	(8,232)	(12,569)	(158,465)
Proceeds from sales of property, plant and equipment	544	49	617
Purchase of intangible assets	(561)	(1,098)	(13,844)
Other, net	(11)	216	2,723
Net cash provided by (used in) investing activities	(8,432)	(13,401)	(168,969)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(11,123)	14,232	179,447
Repayment of long-term loans payable	—	(1,000)	(12,608)
Proceeds from issuance of bonds	40,000	—	—
Redemption of bonds	—	(20,000)	(252,188)
Repayments of lease obligations	(166)	(108)	(1,361)
Purchase of treasury stock	(0)	(0)	(0)
Cash dividends paid	(1,997)	(2,325)	(29,315)
Cash dividends paid to minority shareholders	—	(84)	(1,059)
Other, net	(0)	—	—
Net cash provided by (used in) financing activities	26,712	(9,286)	(117,084)
Effect of exchange rate change on cash and cash equivalents	(1,065)	(5,109)	(64,433)
Net increase (decrease) in cash and cash equivalents	11,988	(35,589)	(448,733)
Cash and cash equivalents at beginning of period	211,777	150,029	1,891,678
Cash and cash equivalents at end of period	¥223,765	¥114,440	\$1,442,945

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 2012.

1. Basis of presenting consolidated financial statements

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

2. Net loss per share

The calculation of net loss per share for the three months ended June 30, 2011 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2011	2012	2012
Net loss attributable to common shares	(¥3,223)	(¥34,467)	\$434,585
	Thousands of shares		
Weighted-average number of common shares outstanding	199,793	178,892	
	Yen		U.S. dollars
Net loss per share	(¥16.13)	(¥192.67)	(\$2.42)

Diluted net income 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 and 2012.

3. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the three months ended June 30, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30		Three months ended June 30,
	2011	2012	2012
Salaries and wages	¥19,067	¥18,161	\$228,987
Research and development costs	5,387	4,958	62,514
Other	28,441	28,507	359,438
Total	¥52,896	¥51,627	\$650,939

4. Loss on litigation

Loss on litigation for the three months ended June 30, 2012, mainly comprised the settlement of the lawsuits concerning the allegations of a LCD price-fixing cartel.

5. 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.

6. Cash flow information

Cash and cash equivalents as of June 30, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	June 30		June 30,
	2011	2012	2012
Cash and deposits	¥119,797	¥100,492	\$1,267,078
Short-term investments securities	94,007	10,010	126,213
Short-term loans receivables	10,000	4,000	50,435
Less:			
Short-term loans payable (overdrafts)	(0)	—	—
Time deposits due over three months	(29)	(52)	(655)
Short-term investments securities due over three months	(10)	(10)	(126)
Cash and cash equivalents	¥223,765	¥114,440	\$1,442,945

The Company obtained marketable securities, the fair value of which was ¥10,008 million and ¥3,996 million (\$50,384 thousand) as of June 30, 2011 and 2012, 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, 2012 and as of June 30, 2012, were ¥528 million and ¥502 million (\$6,329 thousand), respectively.

8. Segment information

Epson reviewed the management systems of the HTPS-TFT panels for 3LCD projectors business that was categorized under “Devices & precision products” in the second quarter ended September 30, 2011. As a result, Epson has changed the segment and consolidated these reporting segments into “Information-related equipment” from the third quarter ended December 31, 2011.

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

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, HTPS-TFT panels for 3LCD projectors, label printers and personal computers.

The devices & precision products segment mainly includes crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, plastic corrective lenses, precision industrial robots, IC handlers and industrial inkjet equipment.

SEIKO EPSON CORPORATION

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, 2011 and 2012:

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	¥159,149	¥43,218	¥202,368	¥14,999	¥217,368	¥367	-	¥217,735
Inter-segment	297	2,291	2,588	106	2,694	8	(¥2,703)	-
Total	159,447	45,509	204,957	15,105	220,062	375	(2,703)	217,735
Segment income (loss)	¥12,526	¥2,898	¥15,425	(¥318)	¥15,107	(¥11,558)	¥82	¥3,631

Millions of yen

Three months ended June 30, 2012

	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	¥146,994	¥38,947	¥185,942	¥161	¥186,103	¥256	-	¥186,360
Inter-segment	103	2,170	2,273	115	2,389	6	(¥2,395)	-
Total	147,098	41,117	188,216	276	188,492	263	(2,395)	186,360
Segment income (loss)	(¥5,935)	¥1,915	(¥4,019)	(¥426)	(¥4,445)	(¥11,693)	¥21	(¥16,117)

Thousands of U.S. dollars

Three months ended June 30, 2012

	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	\$1,853,423	\$491,073	\$2,344,496	\$2,030	\$2,346,526	\$3,240	-	\$2,349,766
Inter-segment	1,312	27,360	28,672	1,450	30,122	75	(\$30,197)	-
Total	1,854,735	518,433	2,373,168	3,480	2,376,648	3,315	(30,197)	2,349,766
Segment income (loss)	(\$74,819)	\$24,145	(\$50,674)	(\$5,371)	(\$56,045)	(\$147,434)	\$264	(\$203,215)

Note;

- Intra-group services and small- and medium-sized LCD business are categorized within "Other."
- 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.

Supplementary Information

Consolidated First Quarter ended June 30, 2012

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.

1. Sales by division

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Information-related equipment	159.4	147.0	(7.7%)	700.0	1.2%
Printer	127.2	113.3	(11.0%)	546.0	(1.7%)
Visual products	28.7	30.3	5.7%	135.0	11.7%
Other	4.0	3.6	(8.8%)	20.0	13.9%
Intra-segment sales	(0.5)	(0.2)	-%	(1.0)	-%
Devices & Precision Products	45.5	41.1	(9.7%)	173.0	(1.0%)
Devices	29.4	24.5	(16.7%)	101.0	(9.6%)
Precision Products	17.2	17.6	2.2%	76.0	10.4%
Intra-segment sales	(1.1)	(1.0)	-%	(4.0)	-%
Other	15.1	0.2	(98.2%)	1.0	(94.2%)
Corporate expenses	0.3	0.2	(30.0%)	3.0	(12.2%)
Inter-segment sales	(2.7)	(2.3)	-%	(7.0)	-%
Consolidated sales	217.7	186.3	(14.4%)	870.0	(0.9%)

Note: 1. Epson has from the third quarter of the last fiscal year adjusted 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".

2. Business segment information

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Information-related equipment					
Net sales:					
Customers	159.1	146.9	(7.6%)	700.0	1.3%
Inter-segment	0.2	0.1	(65.3%)	0.0	-%
Total	159.4	147.0	(7.7%)	700.0	1.2%
Operating expenses	146.9	153.0	4.2%	629.0	0.3%
Segment income (loss)	12.5	(5.9)	-%	71.0	9.4%
Devices & Precision Products					
Net sales:					
Customers	43.2	38.9	(9.9%)	167.0	0.1%
Inter-segment	2.2	2.1	(5.3%)	6.0	(24.9%)
Total	45.5	41.1	(9.7%)	173.0	(1.0%)
Operating expenses	42.6	39.2	(8.0%)	163.0	(4.2%)
Segment income (loss)	2.8	1.9	(33.9%)	10.0	116.0%
Other					
Net sales:					
Customers	14.9	0.1	(98.9%)	0.0	-%
Inter-segment	0.1	0.1	8.7%	1.0	36.2%
Total	15.1	0.2	(98.2%)	1.0	(94.2%)
Operating expenses	15.4	0.7	(95.4%)	2.0	(89.4%)
Segment income (loss)	(0.3)	(0.4)	-%	(1.0)	-%
Corporate expenses					
Net sales:					
Customers	0.3	0.2	(30.1%)	3.0	(10.6%)
Inter-segment	0.0	0.0	(23.5%)	0.0	-%
Total	0.3	0.2	(30.0%)	3.0	(12.2%)
Operating expenses	11.9	11.9	0.2%	55.0	16.9%
Segment income (loss)	(11.5)	(11.6)	-%	(52.0)	-%
Eliminations					
Net sales	(2.7)	(2.3)	-%	(7.0)	-%
Operating expenses	(2.7)	(2.4)	-%	(7.0)	-%
Segment income (loss)	0.0	0.0	(73.8%)	0.0	-%
Consolidated					
Net sales	217.7	186.3	(14.4%)	870.0	(0.9%)
Operating expenses	214.1	202.4	(5.4%)	842.0	(1.3%)
Operating income (loss)	3.6	(16.1)	-%	28.0	13.7%

Note: 1. Epson has from the third quarter of the last fiscal year adjusted 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".

3. Geographic segment information

(Unit: billion yen)

	Three months ended June 30,		Increase	Increase compared to previous year June 30, 2011 %
	2011	2012		
Japan				
Net sales:				
Customers	86.5	65.1	(21.3)	(24.7%)
Inter-segment	106.3	106.7	0.3	0.4%
Total	192.8	171.9	(20.9)	(10.9%)
Operating expenses	188.5	188.1	(0.3)	(0.2%)
Segment income (loss)	4.3	(16.2)	(20.5)	-%
The Americas				
Net sales:				
Customers	43.2	43.6	0.4	1.1%
Inter-segment	3.1	3.4	0.3	9.7%
Total	46.3	47.1	0.7	1.7%
Operating expenses	44.5	45.4	0.8	1.9%
Segment income (loss)	1.8	1.7	(0.0)	(5.0%)
Europe				
Net sales:				
Customers	40.1	36.7	(3.3)	(8.4%)
Inter-segment	1.1	1.2	0.1	9.1%
Total	41.3	38.0	(3.2)	(7.9%)
Operating expenses	42.9	35.0	(7.8)	(18.4%)
Segment income (loss)	(1.6)	2.9	4.6	-%
Asia/Oceania				
Net sales:				
Customers	47.8	40.7	(7.1)	(14.9%)
Inter-segment	83.8	96.2	12.4	14.9%
Total	131.6	137.0	5.3	4.0%
Operating expenses	126.1	131.1	5.0	4.0%
Segment income (loss)	5.5	5.8	0.3	5.5%
Eliminations				
Net sales	(194.4)	(207.7)	(13.2)	-%
Operating expenses	(188.0)	(197.2)	(9.2)	-%
Segment income (loss)	(6.4)	(10.4)	(4.0)	-%
Consolidated				
Net sales	217.7	186.3	(31.3)	(14.4%)
Operating expenses	214.1	202.4	(11.6)	(5.4%)
Operating income (loss)	3.6	(16.1)	(19.7)	-%

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.

4. Sales to overseas customers

(Unit: billion yen)

	Three months ended June 30,		Increase	Increase compared to previous year June 30, 2011 %
	2011	2012		
Overseas Sales				
The Americas	43.9	43.2	(0.7)	(1.7%)
Europe	40.6	37.5	(3.1)	(7.7%)
Asia/Oceania	54.3	49.0	(5.3)	(9.8%)
Total	138.9	129.8	(9.1)	(6.6%)
Consolidated sales	217.7	186.3	(31.3)	(14.4%)
Percentage of overseas sales to consolidated net sales (%)				
The Americas	20.2	23.2		
Europe	18.7	20.1		
Asia/Oceania	24.9	26.3		
Total	63.8	69.7		

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, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Capital expenditure	6.0	12.1	100.5%	59.0	51.6%
Information-related equipment	4.6	10.6	130.2%	43.0	45.7%
Devices & Precision Products	0.9	1.3	33.4%	12.0	75.1%
Other / Corporate expenses	0.4	0.1	(60.2%)	4.0	57.2%
Depreciation and amortization	9.1	9.0	(1.7%)	46.0	22.2%

Note: 1. Epson has from the third quarter of the last fiscal year adjusted 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)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 %
	2011	2012			
Research and Development	13.2	12.1	(8.4%)	52.0	(0.2%)
R&D / sales ratio	6.1%	6.5%		6.0%	

7. Management indices

(Unit: %)

	Three months ended June 30,		Increase Point	Forecast for the year ended March 31, 2013	Increase compared to year ended March 31, 2012 Point
	2011	2012			
Return on equity (ROE)	(1.2%)	(15.4%)	(14.2)	2.1%	0.1
Return on assets (ROA)	0.3%	(2.3%)	(2.6)	3.9%	0.4
Return on sales (Operating)	1.7%	(8.6%)	(10.3)	3.2%	0.4
Return on sales (Ordinary)	1.1%	(8.8%)	(9.9)	3.2%	0.1

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)

	Three months ended June 30,		Increase
	2011	2012	
Foreign exchange effect	(9.6)	(7.2)	2.4
U.S. dollars	(7.5)	(0.9)	6.6
Euro	0.1	(5.2)	(5.3)
Other	(2.2)	(1.0)	1.1
Exchange rate			
Yen / U.S. dollars	81.74	80.20	
Yen / Euro	117.40	102.91	

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, 2012
	2011	2012	2012	
Inventory	154.3	162.2	167.8	5.6
Information-related equipment	108.7	125.3	130.0	4.6
Devices & Precision Products	37.5	35.6	36.5	0.8
Other / Corporate expenses	8.1	1.3	1.4	0.0
(Unit: day)				
Turnover by days	64	68	82	14
Information-related equipment	62	66	80	14
Devices & Precision Products	75	75	81	6
Other / Corporate expenses	48	24	238	214

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

2. Segment sales used for calculating turnover by days for the previous fiscal year has been recalculated using the method for calculating segment information in the third quarter of the previous fiscal year.

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, 2012
	2011	2012	2012	
Number of employees at period end	78,949	75,303	79,770	4,467
Domestic	20,755	19,765	19,868	103
Overseas	58,194	55,538	59,902	4,364