EPSON
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Seiko Epson Corporation

Annual Report 2010

April 2009-March 2010

Cautionary Statement

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

In this annual report, "Epson" refers to the Epson Group, while "the Company" may refer to the Group or the parent company, Seiko Epson Corporation.

Table of Contents

Consolidated Financial Highlights

Seiko Epson Corporation and Subsidiaries

For the years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2005	2006	2007	2008	2009	**2010**	**2010**
Statements of income data							
Net sales	¥1,479,750	¥1,549,568	¥1,416,032	¥1,347,841	¥1,122,497	**¥985,363**	**$10,590,745**
Information-related equipment	946,029	976,443	916,330	902,970	769,850	**712,692**	**7,660,105**
Electronic devices	482,611	526,967	444,703	395,197	311,626	**248,001**	**2,665,519**
Precision products	81,143	85,778	87,744	83,927	72,697	**57,746**	**620,646**
Other	34,510	32,977	30,310	29,124	31,828	**19,714**	**211,876**
Eliminations and corporate	(64,543)	(72,597)	(63,055)	(63,378)	(63,506)	**(52,791)**	**(567,401)**
Gross profit	409,739	354,787	356,773	368,449	289,443	**259,469**	**2,788,789**
Selling, general and administrative expenses	318,772	329,029	306,430	310,871	291,031	**241,241**	**2,592,885**
Operating income (loss)	90,967	25,758	50,343	57,577	(1,588)	**18,227**	**195,904**
Income (loss) before income taxes and minority interests	73,647	(20,047)	3,476	52,045	(89,559)	**(799)**	**(8,587)**
Net income (loss)	55,689	(17,917)	(7,094)	19,093	(111,322)	**(19,791)**	**($212,714)**

Research and development costs	89,042	92,939	84,690	82,870	82,058	**68,849**	**739,993**
Capital expenditures	157,535	118,283	77,548	64,991	58,947	**26,885**	**288,961**
Depreciation and amortization	104,241	109,305	89,603	79,209	78,406	**47,395**	**509,404**

Net cash provided by (used in) operating activities	162,489	117,497	160,229	112,060	44,253	**56,542**	**607,717**
Net cash provided by (used in) investing activities	(99,396)	(95,266)	(76,419)	(50,770)	(61,002)	**(43,203)**	**(464,348)**
Free cash flow	63,093	22,231	83,810	61,289	(16,748)	**13,338**	**143,357**
Net cash provided by (used in) financing activities	(96,373)	19,123	(30,150)	(70,663)	(9,558)	**(41,087)**	**(441,605)**

	Millions of yen						Thousands of U.S. dollars
	2005	2006	2007	2008	2009	**2010**	**2010**
Balance sheet data							
Current assets	¥746,712	¥795,402	¥813,274	¥737,245	¥617,677	**¥596,210**	**$6,408,115**
Property, plant and equipment (net of accumulated depreciation)	441,355	426,118	379,032	343,261	253,712	**225,354**	**2,422,130**
Total assets	1,297,790	1,325,206	1,284,412	1,139,165	917,342	**870,090**	**$9,351,784**
Current liabilities	504,601	507,371	476,125	385,123	283,848	**328,652**	**3,532,374**
Noncurrent liabilities	293,662	311,610	313,952	282,595	314,862	**258,574**	**2,779,170**
Net assets	472,870	474,520	494,335	471,446	318,631	**282,864**	**3,040,240**
Number of employees	85,647	90,701	87,626	88,925	72,326	**77,936**	**—**

Per share data (yen and U.S. dollars)							
Net income (loss)	¥283.60	(¥91.24)	(¥36.13)	¥97.24	(¥566.92)	**(¥99.34)**	**($1.06)**
Cash dividends	22.00	29.00	32.00	32.00	35.00	**7.00**	**$0.07**
Shareholders' equity	2,408.13	2,416.54	2,395.14	2,277.45	1,541.16	**1,407.92**	**15.13**

Financial ratios (%)						
Shareholders' equity ratio	36.4	35.8	36.6	39.3	33.0	**32.3**
ROE (net income (loss)/average shareholders' equity at beginning and end of year)	12.6	(3.8)	(1.5)	4.2	(29.7)	**(6 8)**
ROA (income (loss) before income taxes and minority interests/ average total assets at beginning and end of year)	5.9	(1.5)	0.3	4.3	(8.7)	**(0 1)**
ROS (income (loss) before income taxes and minority interest/ net sales)	5.0	(1.3)	0.2	3.9	(8.0)	**(0 1)**

Notes

1. Amounts for periods prior to April 1, 2007, are rounded off. However, amounts for periods from or subsequent to April 1, 2007, are rounded down. Please refer to the "Basis of presenting consolidated financial statements" on page 48.
2. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥93.04=U.S.$1 as of March 31, 2010.
3. In this table, cash dividends per share refers to the amount paid for each share in each fiscal year.
4. Shareholders' equity is net assets excluding minority interests.

Information on the Company

1. Overview of the business group

The Epson Group (“Epson” or the “Group”), which includes Seiko Epson Corporation (“the Company”) and related companies, and is mainly comprised of businesses responsible for the development, manufacture and sales of information-related equipment, electronic devices, precision products, and other products.

Research and development and product development are mainly conducted by the Company (corporate R&D and operations division R&D). Manufacturing and sales are conducted by the Company and its subsidiaries and affiliates, domestic and abroad, under the management of the Company’s operations divisions.

The following is a brief description of each business segment and the main subsidiaries and affiliates of each business segment.

(1) Information-related equipment business segment

This segment comprises the printer business, the visual instruments business and others. This segment mainly includes the development, manufacture and sales of printers, 3LCD projectors, and personal computers (PCs).

Details of the main businesses are as follows.

Printer business

Based on its digital control technologies and digital color image processing technologies, the printer business is responsible for the development, manufacture and sales of products that offer total solutions of color digital data from input through to output. The main products in this business include inkjet printers, page printers, serial impact dot matrix (“SIDM”) printers, large-format inkjet printers and related supplies, color image scanners, mini-printers, point-of-sale (“POS”) system products and others.

Visual instruments business

The visual instruments business is responsible for the development, manufacture and sales of 3LCD projectors, LCD monitors, label writers and others. The manufacture of high-temperature polysilicon (“HTPS”) TFT liquid crystal panels (“HTPS-TFT panels”), which are the key components in 3LCD projectors, is included in the display business.

Others

In the PC business, PCs for the Japanese market are sold through a domestic subsidiary.

The major subsidiaries and affiliates involved in each segment are as follows:

<table>
<tr><th rowspan="2">Business category</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Printer business</td><td>Inkjet printers, page printers, SIDM printers, large-format inkjet printers and related supplies, color image scanners, mini-printers, POS system products and others</td><td>Tohoku Epson Corporation
Akita Epson Corporation
Epson Portland Inc.
Epson El Paso, Inc.
Epson Precision (Hong Kong) Ltd.
Singapore Epson Industrial Pte. Ltd.
P.T. Indonesia Epson Industry
Epson Precision (Philippines), Inc.
Tianjin Epson Co., Ltd.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
Epson Iberica, S.A.
Epson (China) Co., Ltd.
Epson Korea Co., Ltd.
Epson (Shanghai) Information Equipment Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual instruments business</td><td>3LCD projectors, LCD monitors, label writers and others</td><td>Epson Precision (Hong Kong) Ltd.</td></tr>
<tr><td>Others</td><td>PCs and others</td><td>–</td><td>Epson Direct Corporation</td></tr>
</table>

(2) Electronic devices business segment

This segment comprises the display business, the quartz device business, and the semiconductor business. This segment mainly includes the development, manufacture and sales of small- and medium-sized LCDs, crystal oscillators and CMOS LSIs.

Based on their ultra-fine and ultra-precision processing technologies, low-power consumption technologies and high-density mounting technologies, businesses in this segment offer a wide range of electronic devices that are compact, thin, and which save energy. Products are aimed at handled device and various other applications. Products are also developed and manufactured to respond to the needs of other businesses within the Group.

Details of the main businesses are as follows.

Display business

The display business is responsible for the development, manufacture and sales of small- and medium-sized LCDs mainly for handheld devices, and HTPS-TFT panels for 3LCD projectors, and others.
Epson Imaging Devices Corporation, a consolidated subsidiary of the Company, transferred part of its business assets related to the small- to medium-sized TFT-LCD business as of April 1, 2010.

Quartz device business

The quartz device business is responsible for the development, manufacture and sales of crystal units, crystal oscillators, quartz sensors and optical devices for industrial and consumer products in a wide range of markets.

Semiconductor business

The semiconductor business is responsible for the development, manufacture and sales of CMOS LSIs and others with low drive voltage, low power consumption and high durability mainly for handheld devices and other information communications equipment, and PC peripherals. It also develops semiconductors and base technologies for other Group businesses.

The major subsidiaries and affiliates involved in each segment are as follows:

<table>
<tr><th rowspan="2">Business category</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Display business</td><td>Small- and medium-sized LCDs, HTPS-TFT panels for 3LCD projectors and others</td><td>Epson Imaging Devices Corporation
Suzhou Epson Co., Ltd.
Epson Precision (Hong Kong) Ltd.</td><td rowspan="3">Epson Toyocom Corporation
Epson Imaging Devices Corporation
Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Quartz device business</td><td>Crystal units, crystal oscillators, quartz sensors, optical devices and others</td><td>Epson Toyocom Corporation
Akita Epson Corporation
Epson Toyocom Malaysia Sdn. Bhd.</td></tr>
<tr><td>Semiconductor business</td><td>CMOS LSIs and others</td><td>Singapore Epson Industrial Pte. Ltd.</td></tr>
</table>

(3) Precision products business segment

This segment comprises the watch business, the optical products business, and the factory automation products business. This segment mainly includes the development, manufacture and sales of watches, watch movements, plastic corrective lenses, horizontally articulated robots and others.

Based on their ultra-fine and ultra-precision processing technologies that originated in mechanical watches, and high-density mounting technologies, this segment is the birthplace of Epson’s micromechatronics technologies.

Details of the main businesses are as follows.

Watch business
The watch business is responsible for the development, manufacture and sales of Seiko brand watches and watch movements.

Optical products business
The optical products business is responsible for the development, manufacture and sales of Seiko brand plastic corrective lenses.

Factory automation products business
The factory automation products business is responsible for the development, manufacture and sales of horizontally articulated robots and semiconductor testing equipment known as IC handlers, and industrial inkjet equipment.

The major subsidiaries and affiliates involved in each segment are as follows:

Business category	Main products	Main subsidiaries and affiliates	
		Manufacturing companies	Sales companies
Watch business	Watches, watch movements and others	Epson Precision (Hong Kong) Ltd. Singapore Epson Industrial Pte. Ltd.	Time Module (Hong Kong) Ltd.
Optical products business	Plastic corrective lenses and others	Seiko Lens Service Center Corporation Philippines Epson Optical Inc.	–
Factory automation products business	Horizontally articulated robots, IC handlers, industrial inkjet equipment and others	–	Epson America, Inc. Epson Deutschland GmbH

(4) Other business segment
This segment comprises the businesses of subsidiaries that offer services within Epson, and business incubation projects still in the start-up phase that are aimed at optimizing current management resources.

Details of the main businesses are as follows.

Intra-Group service business
The intra-Group service business comprises subsidiaries providing a wide range of services for Epson. In particular, this includes Epson Logistics Corporation, which is responsible for logistics and export-related services, Epson Insurance Center, which provides insurance services, Epson Facility Engineering Corporation, which is responsible for the maintenance of facilities, and Epson & Nissin Travel Solutions Corporation, which is a travel agent.
To streamline the system, including the functional transfers of services within the Group, the functions of some affiliated companies were transferred to the Company as of January 1, 2010.

Business incubation projects
Business incubation projects develop various projects that Epson is trying to nurture into new businesses.

2. Major equipment and facilities

Epson's major equipment and facilities are as follows.

(1) Seiko Epson Corporation

Correct as of March 31, 2010

Name of plant (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Head Office (Suwa-shi, Nagano)	Overall administration and other	Other facilities	3,104	141	1,301 (43,888) [3,202]	190	4,738	932
Tokyo Office (Shinjuku-ku, Tokyo)	Overall administration and other	Other facilities	89	—	— (—)	26	115	80
Hirooka Office (Shiojiri-shi, Nagano)	Information-related equipment, etc.	Printer manufacturing facilities Research and development facilities	22,140	7,393	5,229 (185,726) [26,619]	2,687	37,449	4,628
Matsumoto Minami Plant (Matsumoto-shi, Nagano)	Information-related equipment	Mini-printer manufacturing facilities, etc.	935	286	3,637 (179,759) [1,758]	449	5,309	670
Shimauchi Plant (Matsumoto-shi, Nagano)	Information-related equipment	3LCD projector component manufacturing facilities	723	288	453 (31,340) [918]	506	1,972	653
Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano)	Electronic devices Precision products	Liquid crystal panel and factory automation manufacturing facilities Other facilities	7,866	4,327	1,443 (113,082) [28,909]	1,065	14,702	1,332
Chitose Plant (Chitose-shi, Hokkaido)	Electronic devices	Liquid crystal panel manufacturing facilities	3,219	2,103	1,375 (160,528)	126	6,825	188
Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano)	Electronic devices Other	Semiconductor manufacturing facilities Research and development facilities	12,321	3,563	1,996 (247,143)	731	18,613	1,288
Sakata Plant (Sakata-shi, Yamagata)	Electronic devices	Semiconductor manufacturing facilities	9,270	1,021	2,104 (538,828)	157	12,554	1,065
Hino Office (Hino-shi, Tokyo)	Electronic devices	Sales facilities	3,614	0	8,303 (40,725)	105	12, 024	391
Shiojiri Plant (Shiojiri-shi, Nagano)	Precision products	Watch manufacturing facilities	1,935	1,425	1,019 (41,836) [5,764]	298	4,678	682
Matsushima Plant (Minowa-machi, Kamiina-gun, Nagano)	Precision products	Plastic corrective lens manufacturing facilities	1,456	1,441	421 (8,931) [31,978]	114	3,434	385

(2) Domestic subsidiaries

Correct as of March 31, 2010

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Epson Toyocom Corporation (Hino-shi, Tokyo)	Electronic devices	Crystal device manufacturing facilities	7,405	5,132	7,609 (266,923) [10,849]	440	20,588	1,774
Tohoku Epson Corporation (Sakata-shi, Yamagata)	Information-related equipment	Printer component manufacturing facilities	5	2	— (—)	319	327	1,006
Akita Epson Corporation (Yuzawa-shi, Akita)	Information-related equipment, electronic devices	Printer component and crystal device manufacturing facilities	1,308	226	677 (68,992)	121	2,334	1,036
Epson Imaging Devices Corporation (Tottori-shi, Tottori)	Electronic devices	LCD manufacturing facilities	2,523	—	636 (183,658) [47,687]	—	3,159	1,612

(3) Overseas subsidiaries

Correct as of March 31, 2010

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Epson Precision (Hong Kong) Ltd. (Hong Kong, China)	Information-related equipment Electronic devices Precision products	Printer, LCD, visual instrument and watch manufacturing facilities	2,494	2,866	— (—) [64,104]	1,750	7,111	14,269
Singapore Epson Industrial Pte. Ltd. (Singapore)	Information-related equipment Electronic devices Precision products	Scanner, semiconductor and watch manufacturing facilities	3,136	1,845	58 (41,065) [41,567]	302	5,343	4,328
P.T. Indonesia Epson Industry (Bekasi, Indonesia)	Information-related equipment	Printer manufacturing facilities	1,790	1,112	— (—) [137,131]	427	3,331	7,721
Epson Precision (Philippines), Inc. (Cabuyao, Philippines)	Information-related equipment Electronic devices	Printer and crystal device manufacturing facilities	1,473	230	61 (17,489) [173,200]	139	1,905	3,311
Epson Toyocom Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)	Electronic devices	Crystal device manufacturing facilities	374	1,478	333 (32,437)	39	2,225	2,776

Notes

1. The above figures do not include consumption tax.
2. “Other” in book value figures includes tools, furniture and fixtures and other property, plant and equipment, but does not include construction in progress.
3. Portions of the land are rented from companies not included in consolidated accounts. Each area of the rented land is indicated in parenthesis [ ].
4. Figures for Epson Precision (Hong Kong) Ltd., Singapore Epson Industrial Pte. Ltd. and Epson Precision (Philippines), Inc. are included in consolidated business results.
5. The above book value amounts are after adjustments for consolidated accounts.

3. Overview of capital expenditures

Capital expenditures for the fiscal year under review were concentrated in key strategic areas including new products, developing new businesses, and preparing for future growth. In addition, Epson made moves to restrain new capital spending and efficiently utilize existing facilities in an effort to improve cash flow.

As a result of these efforts, total capital expenditures (including property, plant and equipment, software and lease rights) came to ¥25,937 million.
No equipment with a significant impact on production capacity was sold or removed.
Capital expenditures in each business segment are discussed below.

Information-related equipment
Investment for commercializing new products and for maintaining and renewing equipment and facilities for printers and 3LCD projectors amounted to ¥12,502 million in the fiscal year under review.

Electronic devices
Investment for commercializing new products, and for maintaining and renewing equipment and facilities for small- and medium-sized LCDs and quartz devices amounted to ¥9,862 million in the fiscal year under review.

Precision products
Investment for commercializing new products, and for maintaining and renewing equipment and facilities for watches and plastic corrective lenses amounted to ¥1,876 million in the fiscal year under review.

Other businesses and company-wide
Investment in R&D and other activities amounted to ¥1,697 million in the fiscal year under review.

4. Plans for new additions or disposals

Epson plans to invest ¥46 billion in capital expenditures for the consolidated fiscal year ending March 31, 2011. The breakdown by business segment is as follows.

Business segment	Planned amount of capital expenditures (100 millions of yen)	Main types and purposes of equipment and facilities
Information-related equipment	210	Commercializing new products, reinforcing productivity and maintaining and renewing equipment and facilities, etc.
Electronic devices	180	Commercializing new products, reinforcing productivity and maintaining and renewing equipment and facilities, etc.
Precision products	30	Commercializing new products and maintaining and renewing equipment and facilities, etc.
Other and overall	40	Investment for research and development, etc.
Total	460	–

Notes

1. The above amounts do not include consumption tax.
2. Required funds will be covered by current funds in hand.
3. There are no plans to dispose of or sell major equipment and facilities with the exception of disposals and sales associated with regular and ongoing renewals.
4. The above capital expenditure plan includes property, plant and equipment as well as software and lease rights that are included among intangible assets.

5. Major management contracts

(1) Technology license agreements

Name of contracting company	Name of other party	Country	Type of contract	Contract period
Seiko Epson Corporation	Research Corporation Technologies, Inc.	U.S.A.	License to use patents relating to printing technologies for printers	December 22, 2000 until the expiry of the patents

(2) Reciprocal technical assistance agreements

Name of contracting company	Name of other party	Country	Type of contract	Contract period
Seiko Epson Corporation	Hewlett-Packard Company	U.S.A.	License to use patents relating to inkjet printers	January 1, 2005 until the expiry of the patents
Seiko Epson Corporation	International Business Machines Corporation	U.S.A.	License to use patents relating to information-related equipment	April 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Microsoft Corporation	U.S.A.	License to use patents relating to information-related equipment and software used by such equipment	September 29, 2006 until the expiry of the patents
Seiko Epson Corporation	Eastman Kodak Company	U.S.A.	License to use patents relating to information-related equipment	October 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Xerox Corporation	U.S.A.	License to use patents relating to electrophotography and inkjet printers	March 31, 2008 until the expiry of the patents
Seiko Epson Corporation	Texas Instruments Incorporated	U.S.A.	License to use patents relating to semiconductors and information-related equipment	April 1, 2008 until March 31, 2018
Seiko Epson Corporation	Canon Incorporated	Japan	License to use patents relating to information-related equipment	August 22, 2008 until the expiry of the patents

(3) Other

At a meeting held on April 30, 2009, the Seiko Epson Corporation’s board of directors decided to hold a share exchange that would make Epson Toyocom Corporation a wholly owned subsidiary of parent company Seiko Epson. The share exchange agreement was concluded on the same day, making Epson Toyocom Corporation a wholly owned subsidiary of the Company as of June 1, 2009, the effective date of the share exchange agreement.

On June 30, 2009, Seiko Epson and Sony Corporation formally concluded an agreement to transfer to Sony Corporation and Sony Mobile Display Corporation certain assets of the small- and medium-sized TFT LCD business operated by Epson Imaging Devices Corporation. Epson Imaging Devices transferred certain of the assets associated with said business on April 1, 2010, as per the agreement.

Risks Related to Epson's Business Operations

1. Epson relies to a significant degree on sales and profits from its printer business

Epson's ¥712,692 million in sales from its information-related equipment business for the year ended March 2010 constituted 72.3% of Epson's consolidated sales, which were ¥985,363 million. Inkjet and other printers, including printer consumables, accounted for a large majority of the sales and profits of the information-related equipment business. A decrease in sales of inkjet printers and printer consumables could have a material adverse effect on Epson's results.

2. Price competition causes a downward trend in prices

Market prices for printers, projectors and other information-related equipment have been on a continuous decline due to intensified competition and a shift in demand toward lower-priced products. Meanwhile, prices for crystal devices and color LCDs for mobile phones are being driven down across the board due to intensified competition and other factors, and other products could be similarly affected. Epson is striving to improve profitability by reducing production costs, for example, by using low-cost designs, and is taking measures to fight the trend of declining prices, for example, by expanding sales of high-value-added products. However, there is no assurance that these efforts will succeed, and if Epson is unable to respond effectively to counteract the downward price trend, its results might be adversely affected.

3. Epson's technologies compete with the technologies of other companies

Some of the products that Epson sells contain technology that place Epson in competition against other companies. For example:

1) Epson's Micro Piezo technology[*1] that it uses in its inkjet printers competes with the thermal inkjet technologies[*2] of other companies; and
2) Epson's 3LCD technology[*3] that it uses in its projectors competes with other companies' DLP[*4] and LCOS[*5] technologies.

Epson believes the technology it uses in these types of product is superior to the alternative technologies of other companies, but, if consumer opinion with respect to Epson's technology changes, or if other revolutionary technologies appear on the market and compete with Epson's technologies, Epson may lose that competitive edge and its results might consequently be adversely affected.

*1. Micro Piezo technology is an inkjet printer technology created by Epson that manipulates so-called piezoelectric elements to fire small droplets of ink from the printer nozzle.

*2. Thermal inkjet technology is a type of technology for printers whereby the ink is heated to create bubbles and the pressure from the bubbles is used to fire the ink (also sometimes referred to as bubble jet technology).

*3. 3LCD technology is a technology whereby TFT panels are used as light valves. The light from the light source is divided into the three primary colors (red, blue and green) using special mirrors, the picture is created on separate LCDs for each color and then the picture is recombined and projected on the screen.

*4. The DLP technology is a technology that uses a digital micro-mirror device (DMD) as a display device. A DMD is a semiconductor on which between hundreds of thousands and millions of micro mirrors are arranged, each mirror directing light onto its own individual pixel, and the image is created by the light from the light source being reflected from the mirrors onto the screen. DLP and DMD are trademarks of Texas Instruments Incorporated.

*5. LCOS technology is a technology that uses liquid crystal on silicon (LCOS) as a display device. It is characterized by the extremely large number of openings on the surface of the reflective LCD panel. Because the circuits and the switching elements are etched underneath the reflective layer, there is no need for the BM (a light-blocking layer that prevents light from falling on the pixel transistor area), making for a seamless display of the picture.

4. Epson might experience a reduction in the market share of genuine consumables

Ink cartridges are particularly important inkjet consumables in terms of Epson's sales and profit. There are other parties who supply ink cartridges that can be used in Epson printers. These alternative products are sold for less than genuine Epson ink cartridges and, while they have relatively low market share in Japan and America, they have high market share in certain Asian countries. Against the risk posted by a decline in the share of genuine

ink cartridges, Epson's policy is to continue to earn the support of its customers by maintaining and improving the quality of its genuine products and by striving to boost user-friendliness by using even longer lasting ink and creating application-specific inks. Epson will also take legal measures if any of the patent rights or trademark rights it holds over its ink cartridges are infringed.
There is no assurance, however, that any of these efforts will be effective, and if Epson's sales from consumable products for inkjet printers declines because, for example, in the future the market share of non-genuine ink cartridges increases further or Epson must reduce the prices of its brand products, then Epson's results might consequently be adversely affected.

5. A change in the market could affect Epson

Epson is concentrating management resources on core businesses in which it can leverage its unique strengths – printers, projectors, quartz devices and sensors – and on future growth areas as it seeks to strengthen its business foundations, while at the same time also cultivating new businesses that will support the next generation.
However, because technological innovation and product cycles are changing extremely rapidly in markets that Epson is focusing its managerial resources on , the Company may be unable to respond flexibly to such changes and develop and introduce competitive products. In addition, reduced consumption and capital expenditure in Epson's main markets stemming from economic downturns have hurt demand for Epson's products in the past and may do so in the future.
If, for example, Epson cannot suitably respond to technological innovations in our main markets, or if economic downturns or other factors prevent a recovery in demand, Epson's results could consequently be adversely affected.

6. Trends in the electronic devices market might adversely affect Epson

Certain trends reflect product life cycles and economic conditions in markets for electronic devices such as semiconductors and mobile phone handsets. The electronics industry has historically been subject to large cyclical fluctuations, and Epson could experience a decline in demand for its products, excess production capacity, and falling prices in the future.
Epson has moved to put its electronic devices businesses in a stronger financial position, primarily through restructuring, and make them more resistant to such market fluctuations. However, if product demand remains sluggish for an extended period of time, or if the market deteriorates further, Epson's operating results could be adversely affected. There is also no assurance that Epson can always accurately predict future trends, and it is possible that Epson might not be able to make the right investments at the right time in response to market trends.

7. Epson competes with other companies

Epson presently faces competition from powerful companies with abundant financial resources or strong financial compositions, and from companies in such countries and regions as Taiwan, Korea, or China that have the ability to manufacture competitive products or compete on price level in Epson's markets. This competition could adversely affect Epson's results.
In addition to such competition, there is also the possibility that powerful companies Epson is not currently in competition with may use their brand power, technological strength, ability to procure funds, marketing power, sales skills or low-cost production ability to newly enter a business area of Epson's and compete with it.

8. Expanding businesses overseas entails risks for Epson

Epson is continuing to expand its businesses overseas; 65.0% of its consolidated sales for the business year ended March 2010 were overseas sales. Epson has production sites all over Asia, including China, Indonesia, Singapore and Malaysia, as well as in the United States, the United Kingdom, Mexico, and other countries. It has also established many sales companies all over the world. Epson's employees overseas as of March 2010 accounted for approximately 70% of its overall employees.
Epson believes that this global expansion makes it possible to undertake market activities that precisely ascertain the market needs of each individual region and has many merits, such as leading to the securing of high cost-competitiveness through cuts in production costs and reduced lead times. There are, however, unavoidable risks related to producing and selling products overseas that come with expanding businesses overseas, some of which are changes in government laws, ordinances, or regulations related to production and

sales, social, political or economic changes, transport delays, damage to infrastructure (e.g., power supply), restrictions on currency exchanges, insufficient skilled labor, changes in regional labor environments, changes in taxes, regulations or the like protective of trade, and laws, ordinances, regulations, or the like related to the import and export of Epson products.

9. The intense technological innovation required of Epson entails risks

Epson is engaged in manufacturing and selling products that require advanced technologies, so technological superiority is a vital element of Epson's competitiveness. Epson possesses core technologies—for example, ultra-fine, ultra-precise processing technologies, low-power consumption technologies, thin-film technologies, surface treatment technologies, high-density mounting technologies, digital control technologies and digital color image processing technologies. By evolving and fusing these technologies, Epson has been able to manufacture and sell products that meet customers' needs, thereby developing the presence that it has today. The rate of technological innovation required in most of the fields in which Epson is engaged, however, is so intensely fast, that in order to respond swiftly to customer needs in the face of changes in technology, Epson sometimes must undertake long-term investments or capital spending based on product predictions. Thus, while Epson is making every effort to gauge market and customer needs and will maneuver to respond to the intense technological innovation on which they depend, if Epson is unable to accurately gauge those market trends or customer needs, it may not be able to appropriately respond to the required technological innovations, and its results might be adversely affected.

10. The short lifecycle of certain products makes Epson vulnerable to certain risks

Epson is manufacturing and selling products that generally have short life cycles, such as consumer products. Epson has its own group distribution network throughout the world and is taking various measures, such as trying to understand through its distribution subsidiaries and branches the needs for different products in each region, and striving to reduce lead time by establishing production sites in regions close to consumers. If the transitions from existing products to new ones do not go smoothly, however, Epson's results could consequently be adversely affected.

Factors affecting whether the transition to a new product goes smoothly include delays in the development or production of Epson's new products, competitors' timing in introducing their new products, the difficulty in predicting changes in consumers' needs, a decline in purchases of existing products as consumers anticipate new product introductions, and competition between Epson's existing and new products.

11. Procuring products and outsourcing the manufacture of products entails risks for Epson

Epson procures parts, semi-finished products and finished products from third parties, but it has generally conducted transactions without entering into any long-term purchase agreements. Epson is developing upon its efficient procurement activities by cooperatively engaging with such suppliers in maintaining product quality, improving products and reducing costs. However, if its ability to procure was to be adversely affected by, for example, insufficient supply from a third party, poor quality of products supplied or the like, then Epson's results could consequently be adversely affected. Epson strives to, in principle, procure parts and the like from multiple suppliers, but there are some cases in which it can only procure parts from one company due to the difficulty of procuring an alternative component from another company. One such example is actuators, which are the primary component of the print heads in medium- and low-price inkjet printers. On the manufacturing side of its business, Epson outsources the manufacturing of certain products such as inkjet printers. If demand for such products rises suddenly, it will become difficult to secure alternative or additional manufacturers to outsource to, and Epson might become vulnerable to such risks as an increase in costs or a delay in production.

12. Epson faces risks concerning the hiring and retention of personnel

It is vital that Epson hire and retain talented personnel both in Japan and overseas for the development and manufacture of Epson's advanced new technologies and products, but the competition for recruiting personnel is becoming increasingly intense. Epson is putting considerable effort into securing talented personnel by establishing research and development sites and design sites both in Japan and overseas. If Epson is unable to continue to use or employ an adequate number of talented personnel, however, the implementation of its business plans could be adversely affected.

13. Fluctuations in foreign currency exchanges create risks for Epson

A significant portion of Epson's sales are denominated in U.S. dollars or the euro. Epson is continuing to expand its overseas procurement and move its production sites overseas, thereby attracting an increase in expenses in foreign currencies linked to the euro or U.S. dollar, and, although its U.S. dollar-denominated sales countervail its U.S. dollar-denominated expenses, its euro-denominated sales are still greater than its euro-denominated expenses. Also, although Epson has executed currency forwards and currency options to hedge against the risks inherent in foreign currency exchanges, unfavorable movements in the exchange rates of foreign currencies such as the U.S. dollar or euro against the yen could adversely affect Epson's financial situation or business results.

14. There are risks inherent in pension systems

Epson has established a defined-benefit pension plan (fund-type), a defined-benefit pension plan (contract-type), a tax qualified pension plan and a termination allowance plan.

If, with respect to the defined-benefit pension-type retirement pension plan, there is a change in the operating results of the pension assets or in the ratio used as the basis for calculating retirement allowance liabilities, Epson's results could consequently be adversely affected.

15. Epson's intellectual property rights activities expose Epson to certain risks

Patent rights and other intellectual property rights are extremely important to Epson for maintaining its competitiveness. Epson has itself developed many of the technologies it needs, and it utilizes them as intellectual property in the form of products or technologies by acquiring patent rights, trademark rights and other intellectual property rights for them or entering into agreements with other companies for them. Epson carefully selects the personnel who manage its intellectual properties and is constantly working to strengthen its intellectual property portfolio.

If, however, any of the following situations relating to intellectual properties occurs, Epson's results could consequently be affected.

1) An objection might be raised or an application to invalidate might be filed against an intellectual property right of Epson, and as a result, that right might be recognized as invalid.
2) A third party to whom Epson originally had not granted a license might come to possess a license as a result of a merger with or acquisition of another third party, and Epson's competitive advantage that it had due to that license might consequently be lost.
3) New restrictions might be imposed on an Epson business that were originally not imposed on it as a result of a merger with or acquisition of a third party, and it might be forced to spend money to find a solution to those restrictions.
4) Intellectual property rights that Epson holds might not give it a competitive advantage or Epson might not be able to use them effectively.
5) Epson or one of its customers might be subject to a third-party's claim of an infringement of intellectual property rights and have to spend a considerable amount of time and money to resolve the issue, or such a claim might interfere with Epson's management or focusing of managerial resources.
6) If a third-party's claim of infringement of intellectual property right is upheld, Epson might incur damage in the form of having to pay considerable compensation or royalties or stop using the applicable technology.
7) A suit might be brought against Epson for payment of remuneration to employees or the like for their inventions or the like, which would mean Epson might be forced to spend a considerable amount of time and money to resolve the issue and, as a result, might be required to pay a considerable amount of money in remuneration.

16. Problems may arise relating to the quality of Epson's products

The existence of quality guarantees on Epson's products and the details of those guarantees differ from customer to customer, depending on the agreement it has entered into with them. If there is a defect in an Epson product or it does not conform to the required standard and consequently costs must be incurred to repair defects (such as by replacing or repairing the product) or the product causes damage to a person or property, then there is a possibility Epson might be subject to, for example, product liability.

Also, Epson might be held liable to a customer and might incur expenses for repairs or corrections on the grounds that it did not adequately display or explain an Epson product's performance. Furthermore, if such a problem in quality arises with respect to Epson products, Epson might lose the trust of others in its products, lose major customers or experience a drop in demand for those products, any of which might adversely affect Epson's results.

17. Epson is vulnerable to risks of problems arising relating to the environment

Epson is subject, both in Japan and overseas, to various environmental regulations concerning industrial waste and emissions into the atmosphere that arise during the manufacturing process. Environmental conservation activities are one of Epson's most important management policies, and it is proactively engaged in environmental conservation activities on all fronts by developing and manufacturing products that have less of a burden on the environment, reducing the amount of energy used, promoting the recovery and recycling of end-of-life products and improving environmental management systems. To date, Epson has not had any serious environmental issue, but there is a possibility that in the future Epson might be affected by a compensation claim, incur expenses (such as cleaning expenses), receive a fine, be ordered to cease production or be otherwise affected as a result of environmental damage or that new regulations might be brought in requiring Epson to pay considerable expenses, and, if such a situation should occur, Epson's results could be adversely affected.

18. Epson is vulnerable to proceedings relating to antitrust laws and regulations

As it expands its business globally, Epson is subject in Japan and overseas to proceedings relating to antitrust laws and regulations, such as those prohibiting private monopolies and protecting fair trade. Overseas authorities sometimes investigate and gather information on certain industries and as part of this, Epson's market conditions and sales methods may come under investigation. In the case that such investigations and proceedings take place, there is the risk that Epson's sales activities could be obstructed and, if such a situation should occur, Epson's results could be adversely affected.

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, 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 the United States and elsewhere by clients and others.

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19. Epson is at risk of material legal actions being brought against it

Epson conducts its businesses both in Japan and overseas; its primary businesses being the development, manufacture and sale of information-related equipment, electronic devices and precision equipment. Given the nature of its businesses, there is a possibility that an action could be brought or legal proceedings could be started against it regarding, for example, intellectual property rights, product liability, antitrust laws or environmental regulations. Should that happen, public confidence in Epson might suffer, and resolving and responding to the issue might entail considerable expense and management resources. The results of the action or legal proceedings might also adversely affect Epson's results or the development of Epson's business in the future. As of the date it submitted its Annual Securities Report, Epson was contending the following material actions.

In Germany, the organization for collecting copyright fees on behalf of copyright holders, Verwertungsgesellschaft Wort ("VG Wort"), has brought a series of legal actions seeking payment of copyright fees against importers and venders of PCs, printers and other digital equipment that is capable of reproducing copyrighted works.

In January 2004 VG Wort brought a civil action against Epson Deutschland GmbH ("EDG"), a consolidated subsidiary of the Company, to seek payment of copyright fees on single-function printers. The initial judgment determined that the aforementioned printer is subject to a copyright fee and decreed that EDG pay the fee at a rate of between 10 to 256.70 euros per printer depending on the printer's printable pages per minute, however, the claim was dismissed by both appeals court, and then supreme court judgments. The plaintiff has expressed dissatisfaction with this ruling, and has appealed to the Federal Constitutional Court of Germany.

For multi-function printers, the BITKOM industry association, of which EDG is a member, and the VG Wort agreed to settlement terms regarding the payment of certain fees for copyrighted works. EDG endorsed the terms of the settlement agreement, meaning it has agreed to pay a certain amount in copyright fees.
Companies in general, including Epson, and industry organizations, are taking a stance opposing the expansion of the scope of such copyright fees. Although at this point it is difficult to predict the result of the appeal or even when a decision in the current proceedings will be handed down, if the results of the legal actions or procedures are unfavorable to Epson, Epson's results or future business expansion might consequently be affected.

20. Epson is vulnerable to certain risks in internal control over financial reporting

Epson has established and operates internal control with the aim of ensuring the effectiveness and efficiency of business operations, reliability of financial reporting, compliance with applicable laws and regulations relevant to business activities and safeguarding of assets.
With the establishment and operation of internal controls high on its list of important management issues, Epson has been pursuing a Group-wide effort to audit and improve corporate oversight of our subsidiaries and affiliates. However, since there is no assurance that Epson will be able to establish and operate an effective internal control system on a continuous basis, and since there are inherent limits to internal control systems, if the internal controls that Epson implements fail to function effectively, or if there are deficiencies or material weaknesses in the internal controls, it might adversely affect the reliability of Epson's financial reporting.

21. Epson is vulnerable to risks inherent in its tie-ups with other companies

One of Epson's business strategy options is to enter business tie-ups with other companies. If there is any review of the arrangements of the tie-up between the parties, however, there is a possibility the tie-ups will be dissolved or be subject to changes. There is also no assurance that the business strategy through the tie-ups will succeed or contribute to Epson's results exactly as expected.

22. Epson might be severely affected in the event of a natural disaster

Epson is undertaking a global expansion of its sites for research and development, procurement, manufacturing, logistics, sales and services. It is possible that the regions concerned could be affected by any number of unpredictable events, such as a natural disaster, computer virus, outbreak of an influenza pandemic, act of terrorism or war, and that Epson's results might consequently be affected.
In particular, the central area of Nagano Prefecture, where Epson has sites for its primary businesses, is a region at particularly high risk of earthquakes. There are numerous cities and towns in that region designated as "Areas Requiring Enhanced Measures to Respond to Disasters in Earthquakes" due to high degree of risk of a large-scale disaster in the event of an earthquake in the Tokai region; and an active fault line also traces the Itoigawa Shizuoka geotectonic line through the middle of the Nagano Prefecture region.
The areas classifiable as Areas Requiring Enhanced Measures to Respond to Disasters in Earthquakes were revised in April 2002, so Epson had to revise its earthquake-response policy, look into strengthening numerous buildings that were not built to resist earthquakes, take measures to avoid losses of materials for important parts, and create plans to prevent damage from earthquakes. Epson is also conducting other countermeasures such as partially dispersing its manufacturing sites throughout other regions.
However, if a major earthquake occurs in the central Nagano Prefecture region, it is possible that, despite these countermeasures, the effect on Epson could be extreme.
Although Epson is insured against physical damage in the event of an earthquake, there is still a limit on the amount up to which Epson is covered for such damage.

23. There are risks related to Epson's major shareholders

The Hattori family, who founded Epson, and the individual shareholders who are related to the Hattori family, as well as the companies whose major shareholders are the Hattori family or such individual shareholders, have the power, if they jointly exercise their voting rights in Epson, to influence to a significant degree the outcome of resolutions of a general shareholders' meeting, such as those for the election of directors.
It is also possible that the interests of these major shareholders might conflict with the interests of other shareholders. For example, because the Hattori family is the major shareholder of companies such as Seiko Holdings Corporation that have business dealings with Epson, it is possible that a conflict of interest might arise

between those companies and Epson in transactions or competing businesses. In particular, Seiko Holdings entrusts a large portion of the manufacturing of its watches, its primary business, to Epson.

24. Laws and regulations pose risks for Epson

Epson has businesses in which products require permission or licenses under laws and regulations, such as its plastic corrective lenses, which are subject to regulations of relevant authorities as they are considered medical equipment in Japan. Such products do not represent a high percentage of Epson's overall sales or profit, but Epson is subject to the permission and other regulations of relevant authorities in its manufacturing and manufacturing/sales of those products in Japan.

Also, because the plastic corrective lenses, which are manufactured by Epson, are sold in the United States, Europe and Asia by a distributor subsidiary of Seiko Holdings, Epson is also subject to certain regulations in these regions. For example, relevant authorities in the United States generally make it compulsory to carry out tests of new products and to keep designated records relating to those products.

Regulations governing medical devices in Japan, the United States and other regions have changed in the past, so there is a possibility that they will change again in the future. If they do, there is a possibility the changes might impede the manufacture and sale of Epson's products and thereby adversely affect Epson's results.

Business Conditions

1. Overview of business result

(1) Operating results

The first half of the year under review was affected by the global financial crisis and subsequent steep economic decline. In the second half, however, the global economy, helped by economic measures in various countries, showed signs of picking up.

The economic picture varied by region. The U.S. and Europe saw some benefits in the second half from the economic measures introduced, but the situation remained extremely challenging, with continued high unemployment. China saw an early recovery in internal demand evolve into positive growth. After bottoming out relatively early, other countries and regions in Asia also headed toward recovery, largely as a result of economic stimulus measures and increased exports to China. Japan, meanwhile, saw positive indicators such as an increase in exports, especially to Asia, and a pick-up in production in the second half, but unemployment remains high and business conditions difficult.

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

Consumer inkjet printer demand was steady in Asia, but in other regions sales were hampered by the effects of the economic downturn in the first half. Business inkjet printers showed some signs of recovery but, on the whole, the recovery trend was weak and unit sales remained weak. The serial dot-matrix printer (SIDM) market is contracting in North America, Europe, and Japan, but demand remained firm in some countries, including China, Singapore and some of the surrounding countries. Sales of POS systems turned upward as retailers gradually resumed technology spending, but sales for the year were hurt by the sluggish economy in the first half. Orders for both business and education projectors rebounded sharply in the second half, especially for low-end models.

Many of the main applications for Epson’s electronic devices were also hit in the first half by the recession, but in the second half some began showing signs of having hit bottom or of recovering. New demand for mobile phones ticked upward in the second half in Asia, most notably China, as well as in Africa and the Middle East. Upgrade demand also showed signs of returning in the second half in Europe and America. Demand was driven especially by personal consumers looking to upgrade from mobile phones to smart phones as functions evolved. Government buying incentives in various countries also pumped up demand for certain items, most notably automobiles, televisions and other home electronics products. Sales of PCs were steady as a result of the popularity of compact notebook models and the release of Windows 7. At the same time, demand for digital cameras and portable media players (PMPs) appeared to slacken.

Meanwhile, the products in Epson’s information-related equipment and electronic devices segments suffered from continued price erosion due to across-the-board competition and an ongoing shift of demand toward the low-price zone.

In the precision products segment the ripple effect of economic stimulus measures on personal spending failed to extend beyond items such as TVs and automobiles. There was no carry-over into demand for watches and eyeglass lenses. Semiconductor manufacturing equipment and robot shipments began rising in the second half, as corporate appetite for capital spending increased following the recession and a very lean first half.

At the end of the 2008 fiscal year, Epson established a long-range corporate vision called “SE15” and a three-year “SE15 Mid-Range Business Plan” in response to the rapid changes in the business environment that began last fiscal year.

Under the mid-range business plan, we will reposition ourselves to generate profit and rebuild our business foundations as we move toward the SE15 goal of becoming a community of robust businesses. To this end, we took bold actions in small- and medium-sized displays and semiconductors businesses, which we concluded could not be restored to profitability as they were structured. On the other hand, we identified printers, projectors and crystal devices as growth businesses and strategic businesses in which we can leverage our strengths. Accordingly, we are rapidly shifting our human and management resources to these areas. We began fiscal 2009, the first year in the mid-range business plan, with the aim of reaching breakeven in ordinary income by reinforcing the business foundations that underpin SE15.

For the fiscal year we posted an extraordinary loss of ¥16,753 million. This was primarily because, as with the previous year, we recorded an impairment loss in a part of the electronic devices segment that is not generating sufficient cash flows, and also due to payment of a fine in conjunction with allegations of involvement in an LCD price-fixing cartel. In addition, income taxes totaled ¥18,989 million as the Company considered the taxable income of Seiko Epson Corporation and its wholly-owned domestic subsidiaries, therefore reviewing its calculation of realizable deferred tax assets, and including in taxation charges a write-down of deferred tax assets.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year under review were ¥92.85 and ¥131.15, respectively. This represents an 8% appreciation in the value of the yen against the dollar and a 9% appreciation in the value of the yen against the euro, year-over-year.

As a result of the foregoing factors, net sales for the full fiscal year were ¥985,363 million, down 12.2% from the previous year. Operating income was ¥18,227 million, compared to an operating loss of ¥1,588 million in the previous year. Ordinary income was ¥13,875 million, up 161.7% year-over-year. And net loss was ¥19,791 million, compared to a net loss of ¥111,322 million in the previous year.

The operating results by business segment are summarized below.
Note that from the fiscal year under review, certain operating expenses have been allocated to the various business segments in conjunction with the reallocation to basic R&D of some business incubation projects included in the “Other” segment.

Information-related equipment
The printer business saw net sales decline. Sales of most of our printer products were significantly impacted by the first-half economic situation and the strong yen.
Total unit shipments of inkjet printers (including consumables, as in all printer discussions below) increased versus the previous year because, even though unit shipments of consumer models declined in Europe and Japan, second-half shipments accelerated in North America as new products were launched, and unit sales remained steady in Asia and South America due to the rapid economic recovery in these regions. For business models, meanwhile, we saw demand in some sectors head toward recovery, while average selling prices were buoyed by new models. Nevertheless, the market was slow to rebound and unit shipments declined. SIDM printer unit shipments rode higher on the back of increased demand associated with China’s tax collection system, but revenue was hurt due to an increase in products on the low end. In POS systems products, moreover, we saw a recovery in the second half in demand for retail printers in Europe and America, but results were hurt by the effects of retailers’ first-half spending curbs. The page printer business saw unit volume rise on factors such as successes in tender business, but results were adversely impacted by price erosion and a decline in unit sales from the previous fiscal year.
Visual instruments business net sales edged slightly upward. In the first half net sales suffered from the effects of the recession and yen appreciation, but we saw demand for business projectors, especially lowend models, soar in the second half in the Asian and North American education markets.
Operating income in the information-related equipment segment rose as a result of cost cutting efforts and fixed cost reductions. However, the rise was tempered by the effects of yen appreciation and a decline in unit shipments due to the recession in the first half.
As a result of the foregoing factors, full-year net sales in the information-related equipment segment were ¥712,692 million, down 7.4% from the prior year. Operating income was ¥38,030 million, up 26.2% from the prior year. The reallocation of operating expenses had a ¥3,654 million effect on this segment.

Electronic devices
The displays business as a whole posted sharply lower net sales. Although unit shipments of small- and medium-sized displays to smart-phone manufacturers increased, net sales were affected by a decline in unit shipments to mobile phone, PMP, and other equipment manufacturers that accompanied the reorganization of the business.
The quartz device business reported a slight increase in net sales. Although net sales were moderated by the effects of lower prices associated with yen appreciation and changes in the product mix, we saw increased demand for high-precision quartz sensors used in items such as game equipment. We also saw demand rebound for crystal devices used in various types of digital electronics, as the market recovered from the rapid inventory

adjustments that began as the recession took hold from the second half of the previous fiscal year.
The semiconductor business posted sharply lower net sales. Although a round of industry inventory adjustments came to an end in the second half and demand for electronic devices in general rebounded, the recovery was not enough to make up for the first-half decline in unit shipments.
Operating loss in the electronic devices segment contracted due to a combination of factors: a reduction in depreciation expenses associated with business structure improvement expenses and an impairment loss recorded in the previous fiscal year; the effect of human resources reassignments and other fixed cost reductions; and an increase in capacity utilization rates as the inventory correction cycle neared its end.
As a result of the foregoing factors, full-year net sales in the electronic device segment were ¥248,001 million, down 20.4% year-over-year, while operating loss was ¥9,266 million versus an operating loss of ¥18,249 million in the year ago. The reallocation of operating expenses had a ¥1,105 million effect on this segment.

Precision products
The precision products segment as a whole saw a sharp decline in net sales and, along with this, a wider operating loss. Unit shipments of watches and plastic eyeglass lenses declined, as the impact of economic stimulus measures failed to reach these products. Sales of industrial inkjet systems were also hurt by cutbacks in corporate capital spending.
As a result of the foregoing factors, full-year net sales in the precision products segment were ¥57,746 million, down 20.6% year-over-year, while operating loss was ¥4,111 million versus an operating loss of ¥1,907 million in the year ago period. The reallocation of operating expenses had a ¥292 million effect on this segment.

The operating results by geographic segment are summarized below.

Japan
Net income from sales of small- and medium-sized displays, inkjet printers, semiconductors and watches declined. As a result, net sales were ¥868,495 million, down 13.0% year-over-year, while operating loss was ¥25,193 million, compared to an operating loss of ¥44,478 million last year.

The Americas
Small- and medium-sized displays net sales grew. Meanwhile, net sales from inkjet printers, POS systems products, SIDM printers, crystal devices, and 3LCD projectors declined. As a result, net sales were ¥229,328 million, down 5.6% from the prior year, while operating income was ¥8,472 million, up 75.9% year-over-year.

Europe
Net sales from inkjet printers, SIDM printers, page printers, scanners, and POS systems products declined.
As a result, net sales were ¥214,224 million, down 12.2% from the prior year, while operating income was ¥6,751 million, down 33.6% from last year.

Asia / Oceania
Crystal device and SIDM printer net sales increased, while net sales from small- and medium-sized displays, watches, and semiconductors declined. As a result, net sales were ¥555,434 million, down 8.9% from the prior year, while operating income was ¥27,261 million, up 60.5% from last year.

(2) Cash Flow Performance
Cash flows from operating activities during the year were ¥56,542 million. They consisted primarily of a loss before income taxes and minority interests of ¥799 million, ¥47,395 million in depreciation and amortization, and a ¥17,646 million increase in accounts payable. Cash flows from investing activities were ¥43,203 million in outflows, primarily due to ¥31,836 million in capital expenditures mainly in the information-related equipment and electronic devices segments, and to purchase of investments in subsidiaries of ¥13,405 million.
Cash flows from financing activities were negative ¥41,087 million, due to a net decrease caused by repayment of loans totaling ¥39,580 million.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥254,590 million.

* Please refer to the following for historical information about Epson’s financial results:
http://global.epson.com/IR/investor_relations_fr_archive.htm

2. Manufacturing, orders received and sales

(1) Actual manufacturing

The following table shows actual manufacturing information by segment in the fiscal year under review.

Business segment	Year ended March 31, 2010 (From April 1, 2009, to March 31, 2010) (Millions of yen)	Change compared to previous year (%)
Information-related equipment	688,955	87.8
Electronic devices	200,642	73.9
Precision products	53,266	75.7
Other	795	58.0
Total	943,660	83.7

Notes

1. The above figures are based on sales prices. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. The above figures include outsourced manufacturing.

(2) Orders received

Epson’s policy is to manufacture products based on sales forecasts. Accordingly, this section does not apply.

(3) Actual sales

The following table shows actual sales information by segment in the fiscal year under review.

Business segment	Year ended March 31, 2010 (From April 1, 2009, to March 31, 2010) (Millions of yen)	Change compared to previous year (%)
Information-related equipment	711,378	92.7
Electronic devices	215,534	77.0
Precision products	56,284	78.9
Other	2,165	55.0
Total	985,363	87.8

Notes

1. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. No customer accounts for more than 10% of the actual total sales.

3. Analysis of financial condition and results of operations

(1) Analysis of operating results

Net Sales

Consolidated net sales decreased ¥137,134 million, or 12.2%, to ¥985,363 million compared with the previous consolidated fiscal year.
Sales in each business segment are discussed below.

In the information-related equipment segment, sales declined ¥57,157 million, or 7.4%, to ¥712,692 million. The following major factors contributed to the decrease.
Total inkjet printer unit shipments showed year-over-year growth despite the effects of a stronger yen and a decline in consumer model volume in Europe and Japan. Leading unit shipments higher were North America, where new consumer inkjet models launched in the second half proved popular, and Asia and South America, whose economies headed toward recovery early and where sales remained steady. Business printer volume declined in the wake of a sluggish market recovery, although higher average selling prices were observed for some models on the back of renewed demand and the popularity of new models. POS-related product shipments fell due to the effects of a stronger yen and spending cutbacks in the retail industry precipitated by the first-half economic downturn. Tax system-related demand drove SIDM printer shipments in China, but they were also impacted by a shift to low-cost products and a stronger yen. Page printer unit shipments increased as a result of stronger focus on tender business, but they were also affected by falling prices and the recent historical trend of declining sales volumes. At the same time, net sales from 3LCD projectors remained steady year-over-year due to increased unit shipments driven by low-cost models in the education markets of Asia and North America, despite also being impacted by a stronger yen and the general economic slowdown.

In the electronic devices segment, sales were down ¥63,625 million, or 20.4%, to ¥248,001 million. The following major factors contributed to the decrease.
In the small- and medium-sized displays business, volumes decreased following a structural reorganization. The semiconductor business suffered from reduced first-half shipments despite completing inventory adjustments in the second half in response to the economic downturn, and increased demand for electronic devices overall. On the other hand, quartz device net sales were steady year-over-year as a result of renewed demand.

In the precision products segment, sales declined ¥14,951 million, or 20.6%, to ¥57,746 million. The decline was primarily due to lower watch shipments and reduced volumes of inkjet equipment for industrial use resulting from curbs on capital spending.

In the other segment, sales decreased ¥12,114 million, or 38.1%, to ¥19,714 million. This was a result of no longer recording net sales of affiliates that were providing services to Epson because their functions were transferred to operations divisions.

Cost of sales and gross profit

The cost of sales decreased ¥107,159 million, or 12.9%, to ¥725,894 million, and the cost of sales ratio dropped 0.5 percentage points, to 73.7%. The decline in the cost of sales reflects a decline in materials costs as a result of reduced income, as well as capital spending curbs, reduced depreciation and amortization in the electronic devices segment resulting from impairment losses, and the effects of a stronger yen.
As a result, gross profit declined ¥29,974 million, or 10.4%, to ¥259,469 million. The gross profit margin ratio rose 0.5 percentage points, to 26.3%.

Selling, general and administrative expenses and operating income (loss)

Selling, general and administrative (SG&A) expenses declined ¥49,790 million, or 17.1%, to ¥241,241 million. Facing challenging economic conditions from the outset in addition to the effects of a strong yen, Epson looked to maximize the efficiency of its investment budget and, as a result, reduced its R&D, sales promotion, and advertising expenses. The Company also reduced salaries and wages by revising overall labor costs and reduced travel expenses by streamlining operations. Shipping costs also fell, mainly due to lower revenues and logistics operation reforms.

Reflecting these factors, Epson booked operating income of ¥18,227 million, an improvement of ¥19,815 million from the previous fiscal year.

Operating income in each business segment is analyzed below. Note that from the fiscal year under review the operating expenses of certain incubation projects, in line with their transfer from the “Other” segment to corporate R&D, will be charged to the information-related equipment, electronic devices, and precision equipment segments.

In the information-related equipment segment, operating income increased ¥7,887 million, or 26.2%, to ¥38,030 million. This was the combined result of the decline in gross profit on lower sales and a stronger yen being offset by lower selling, general and administrative (SG&A) expenses, including advertising, sales promotions, labor, shipping, and R&D costs. There was also an additional ¥3,654 million in reallocated operating expenses.

The electronic devices segment recorded an operating loss of ¥9,266 million, an improvement of ¥8,982 million. While net sales declined, the loss was partially offset by the increase in gross profit on lower depreciation expenses associated with the business structure improvement expenses and impairment loss recorded in the previous fiscal year, and lower labor, R&D, and other SG&A expenses. There was also an additional ¥1,105 million in reallocated operating expenses.

The precision products segment was down ¥2,203 million from the previous fiscal year with an operating loss of ¥4,111 million. This was due to the decline in gross profit on lower revenue. There was also an additional ¥292 million in reallocated operating expenses.

In the other segment, while there was an operating loss of ¥6,669 million, the loss was ¥5,403 million less than that of the prior fiscal year. There was also a ¥5,052 million reduction in operating expenses.

Non-operating income and expenses
Non-operating income minus non-operating expenses amounted to a net loss of ¥4,351 million, a decrease of ¥11,241 million from the previous fiscal year’s ¥6,889 million. This was primarily due to two factors. First, interest income fell to ¥1,259 million, down from ¥4,288 million the previous fiscal year as a result of lower overseas interest rates precipitated by the global financial crisis. Second, the ¥3,146 million in foreign exchange gains from the previous fiscal year was offset by ¥5,076 million in foreign exchange losses in the year under review.

Ordinary income
As a result, ordinary income increased ¥8,573 million, or 161.7%, to ¥13,875 million.

Extraordinary income and losses
Extraordinary income minus extraordinary expenses amounted to a net loss of ¥14,675 million, a decrease of ¥80,186 million from ¥94,861 million in the previous fiscal year. This was primarily due to an impairment loss on business assets in the small- and medium-sized display business in the period under review amounting to ¥7,269 million. This compares to extraordinary losses totaling ¥76,244 million in the previous fiscal year due to business restructuring expenses and impairment loss on business assets resulting from worsening profitability in the quartz device business, and further steps in setting the direction of the small- and medium-sized display and semiconductor businesses based on the new SE15 long-range vision.

Loss before income taxes and minority interests
As a result, Epson recorded a loss before income taxes and minority interests of ¥799 million, down ¥88,760 million from the previous period.

Income taxes
Income taxes decreased ¥7,198 million to ¥18,989 million. Certain income taxes increased commensurate with increased income at overseas subsidiaries. However, taxable income declined from the previous fiscal year at the group of domestic companies presenting a consolidated tax return, despite writing down deferred tax assets that

were revised as unlikely to be realized. The effective tax rate after the application of deferred tax accounting came to -2,375.4%.

Minority interests in income

A gain of ¥100 million was recorded for minority interests in subsidiaries, an improvement of ¥4,427 million from the previous fiscal year. This was primarily due to certain minority interests in subsidiaries that had accounted for loss in the previous fiscal year becoming wholly owned subsidiaries in the period under review.

Net loss

As a result, Epson recorded a net loss of ¥19,791 million, down ¥91,531 million from the previous period.

(2) Liquidity and capital resources

Cash flow

Net cash provided by operating activities in the period under review was ¥56,542 million, up ¥12,288 million from the previous fiscal year. This was primarily due to a loss of ¥799 million, in contrast to a loss of ¥89,559 million before income taxes in the previous fiscal year.

The cash flow from investing activities was ¥43,203 million, down ¥17,798 million from the previous fiscal year. The main reason for the decrease was, despite a ¥10,447 million increase in payments for investment securities, payments for purchases of tangible and intangible assets declined by ¥28,245 million year-over-year.

Net cash used in financing activities was ¥41,087 million, down from ¥9,558 million in the previous fiscal year. The main outflows were a net decrease of ¥20,382 million for short- term loans payable and repayments of ¥18,543 million for long-term loans payable, as well as ¥2,654 million for lease obligations and ¥1,374 million for cash dividends paid. The main inflow was ¥2,000 million in proceeds from long-term loans payable.

Due to these factors, as of March 31, 2010, cash and cash equivalents at the end of the year stood at ¥254,590 million, a drop of ¥29,749 million from the previous fiscal year-end, giving Epson sufficient liquidity.

The total of both short- and long-term loans payable decreased and amounted to ¥209,061 million, down ¥36,986 million from the previous fiscal year.

The majority of long-term loans payable [excluding the current portion of long-term loans payable] amounts to ¥151,593 million, at a weighted average interest rate of 1.21% and with a repayment deadline of March 2015. These loans were obtained as unsecured loans primarily from banks.

Financial condition

Total assets as of March 31, 2010 stood at ¥870,090 million, a decrease of ¥47,251 million from the previous fiscal year-end. Current assets were down ¥21,467 million, while fixed assets decreased ¥25,784 million. The decrease in current assets was due mainly to a decline in marketable securities. The decrease in fixed assets was primarily the result of selective capital spending and impairment losses on business assets in the electronic devices business.

Total liabilities were ¥587,226 million, a reduction of ¥11,484 million from the previous fiscal year. Current liabilities increased ¥44,803 million, while long-term liabilities were down ¥56,288 million. The increase in current liabilities was due to revised categorization of bonds due to mature within one year; the decrease in long-term liabilities was due to repayment of long-term loans payable.

Working capital, defined as current assets less current liabilities, was ¥267,558 million, a decrease of ¥66,270 million compared with March 31, 2009.

Total assets declined, and the ratio of interest-bearing debt to total assets dropped from 38.3% to 35.8%.

4. Research and development activities

As set forth in the "SE15" long-range corporate vision, Epson is pursuing innovation in compact, energy-saving, high-precision technologies with the aim of becoming a "community of robust businesses." Epson's research and development programs are designed to achieve this and thus are principally focused on boosting competitiveness by concentrating management resources on areas of strength, reinforcing business foundations, and using the technologies and other assets in Epson's arsenal to create new businesses.
Operations division R&D develops core technologies and shared technology platforms in order to strengthen Epson's market position over the short- to long-term. Corporate R&D's mission is to develop both existing and new core technologies and shared technology platforms for creating new businesses and revolutionizing businesses.
Total R&D spending in the year under review was ¥68,849 million. This included ¥27,403 million in the information-related equipment segment, ¥9,279 million in the electronic devices segment, ¥2,516 million in the precision products segment, and ¥29,649 million in the other segment and company-wide R&D projects.
The main R&D accomplishments in each business segment are described below.

Information-related equipment
In the printer business, Epson developed the world's first water-based white ink for large-format inkjet printers (LFP). In addition to the high-density white ink, certain of the new LFPs come with an ink set that also includes orange and green inks. These new additions give the printers an even wider color gamut. This is especially true in the bright and vivid green to yellow and yellow to red portions of the color space. Moreover, the eco-considerate ink dries quickly at room temperature without the need for heating or other artificial means, gives off very little of the odor that is particularly anathema among food packagers, and does not release volatile organic compounds (VOC). Epson also developed new commercial and industrial inkjet printers, including systems for fabricating liquid crystal color filters, digital textile printing, and industrial label printing. All these printing systems share the ability to fire microdroplets at extraordinary speeds and the competitive technological advantage of ink formulation freedom.
In the visual instruments business Epson developed a 3LCD projector that delivers 6,000 lumens of brightness and a contrast ratio of 5,000:1 thanks to liquid crystal panels fabricated with Epson's original C^2 Fine™ inorganic alignment layer. The projector produces vivid, high-quality images that brightness alone cannot provide.

Electronic devices
In the quartz device business, Epson developed a six-axis sensor (incorporating a three-axis gyro-sensor and a three-axis accelerometer) with a wide dynamic range of 81 to 83 dB (200 Hz output bandwidth) to detect a wide range of motion at both low and high speeds. The sensor, which uses only 6.1 mA of power, was developed for high-quality camera-shake correction applications, compact high-precision navigation systems, and other high-integrity motion tracing and motion tracking applications.
In the display business, Epson developed the ULTIMICRON series of color XGA liquid crystal panels for electronic viewfinders, with different models being developed for use in cameras, camcorders, and head-mounted displays (HMD). In pursuit of the ultimate high-definition experience, Epson also developed WUXGA panels that support not only full-HD images but also the higher resolutions required by special applications. Projectors equipped with these panels can display ultra-high definition 8K images or 4K images in 3D on a 150-inch screen.
In the semiconductor business, Epson and U.S.-based E Ink Corporation jointly developed a controller IC for E Ink's Vizplex™ electronic paper displays (EPD). Targeting applications in the rapidly xepanding markets for products such as eBooks and e-tablets, Epson outfitted this EPD controller with its high-performance display engine and provided support for rich images. The controller manages this while saving space within the display system. Epson also developed a wireless sensor network system that is resistant to water and metals. Capable of transmitting data packets through water and soil using low-frequency band communications*[1], the active radio tags used in the system will run for approximately five to seven years on a single battery while sending data eight times per second[*2].
*1 Established as international standard IEEE 1902.1 in February 2009
*2 Equipped with an ultra-low power microcontroller and with a maximum transmission range of

approximately five meters.

Other businesses and company-wide

Our researchers established technology for depositing uniform layers using an inkjet process. The process exploits Epson's proprietary Micro Piezo inkjet technology to achieve markedly greater accuracy in organic material deposition than the conventional technology. Extremely uniform layers (weight error $< 1\%$) are achieved by precisely controlling the selection and ejection of multi-size droplets of ink material on a substrate so that only the required volume of material is deposited. This technology offers dramatically improved quality and throughput and helped push the advent of large-screen organic light-emitting diode (OLED) TVs a significant step closer to realization.

GL bonding technology was developed to achieve optical components that provide uniform wavefront aberration characteristics. Instead of adhesives made of relatively thick layers of organic material, GL bonding technology uses inorganic glass materials in an ultra-thin film (as thin as 100 nm) to bond together quartz substrates that exhibit high photostability and reduced transmitted wavefront aberrations. Wave plates employing GL bonding technology show no signs of physical changes, transmitted wavefront aberrations, or heat damage even after being exposed for more than 1,000 hours to blue wavelength light irradiation at a power density on the order of 1 W/mm^2.

5. Issues for Fiscal 2010

Epson's operating environment is marked by an acceleration of trends including the increasing influence of developing markets on the global economy and a shift to sustainable industrial and economic activities.
With society being transformed by changes such as these that have overturned traditional assumptions, Epson believes that customer values are also set to undergo dramatic change.
Accepting this situation as an opportunity, Epson is implementing structural changes as it seeks to go forward on a new growth path. To do this it will rediscover its traditional strengths, and concentrate management resources on businesses with growth potential and which are strategically important.
More specifically, under this policy Epson established its SE15 Long-Range Corporate Vision in March 2009, setting out its vision for the period up to 2015. We also established the SE15 (First Half) Mid-Range Business Plan, a three-year mid-range business plan beginning in fiscal 2009.
According to the SE15 Long-Range Corporate Vision, Epson will focus on "compact, energy-saving, highprecision technologies" as its core strengths since its foundation, and will leverage these strengths as it looks to achieve sustainable growth. Through the formation of Group-wide platforms, Epson seeks to become "a community of robust businesses" creating products and services that emotionally engage customers worldwide.
Based on the assumption of continuing severe business conditions, the SE15 (First Half) Mid-Range Business Plan describes how Epson will combine its strengths to respond to this situation. Epson will implement a range of measures to ensure its return to a profit-generating structure on the path to realizing the SE15 Long-Range Corporate Vision.
Going forward, Epson will further shift management resources to areas where it can leverage its strengths and to businesses with growth potential and which are strategically important, and will look to foster new businesses to drive future growth. On the other hand, for businesses facing a difficult profit scenario due to the worsening of the business environment, Epson will implement far-reaching structural reforms and rebuild the foundations of our business. The Company has taken steps to complete measures such as merging and retiring business sites and making strategic alliances with other companies.
By demonstrating Group synergies and launching speedy and efficient initiatives, Epson is looking to achieve by 2015 both ROS and ROE of 10% or above on a continuous basis in addition to boosting net sales.

Plans for businesses with growth potential
Printers
In printers, Epson will leverage its core and proprietary Micro Piezo inkjet technology to further strengthen the foundations of its business. In applications that range from consumer through to business markets, Epson will take the customers' viewpoint as it develops products that provide ease-of-use and which emotionally engage with users.

Epson will also expand operations by increasing the number of models for emerging markets, and launching environmentally considerate models. We will also seek to expand into the commercial and industrial sectors through the application of Micro Piezo technology.

Projectors
As the world's leading manufacturer, Epson aims to maintain top share, increase its presence in the high-end projector market by leveraging the advantages of its core HTPS TFT LCD technology, and enter and develop new business domains.

Quartz devices and sensors
By making Epson Toyocom a wholly owned subsidiary in June 2009 to improve management responsiveness and efficiency, Epson aims to reinforce Epson Toyocom's position as the leading company in the crystal device market.
Quartz devices will be positioned as the core of Epson's electronic device businesses. By creating synergies with its semiconductor and other technologies, Epson will fortify its lineup of sensing devices and applied products.

6. Dividend policy

The Company believes in distributing profits by maintaining stable dividend payments and seeks to increase cash flow through greater management efficiency and improved profitability. On that basis, with the goal of achieving a consistent consolidated dividend payout ratio of 30% over the medium- to long-term, the Company distributes profits to shareholders while taking into account the need for capital to fuel its business strategy and to maintain its business performance and financial standing.

The Company's dividend policy is to pay cash dividends twice a year. The year-end dividend is determined by resolution of the general shareholders' meeting and the interim dividend is determined at a meeting of the board of directors.

This fiscal year, due to the uncertainty surrounding the global economic outlook and our own full-year financial outlook, we took the extremely regrettable decision not to pay an interim dividend. However, from the second half onward there have been clear signs that real business results are recovering so, in line with our policy of returning stable profits to shareholders, we are paying a year-end dividend of ¥10 per share.

The Company's Articles of Incorporation allow the Company to issue an interim dividend with a base date of September 30 every year by resolution of the board of directors.

The Company's distribution of retained earnings for the fiscal year under review is as follows:

Distribution of retained earnings for the fiscal year under review

Date approved	Cash dividends (Millions of yen)	Cash dividend per share (Yen)
June 22, 2010, by resolution of the general shareholders' meeting	1,997	10

* Please refer to the following for historical information about Epson's share dividends:
http://global.epson.com/IR/stock_dividends.htm

Corporate Governance

1. Approach to corporate governance
(1) Corporate governance system
Outline

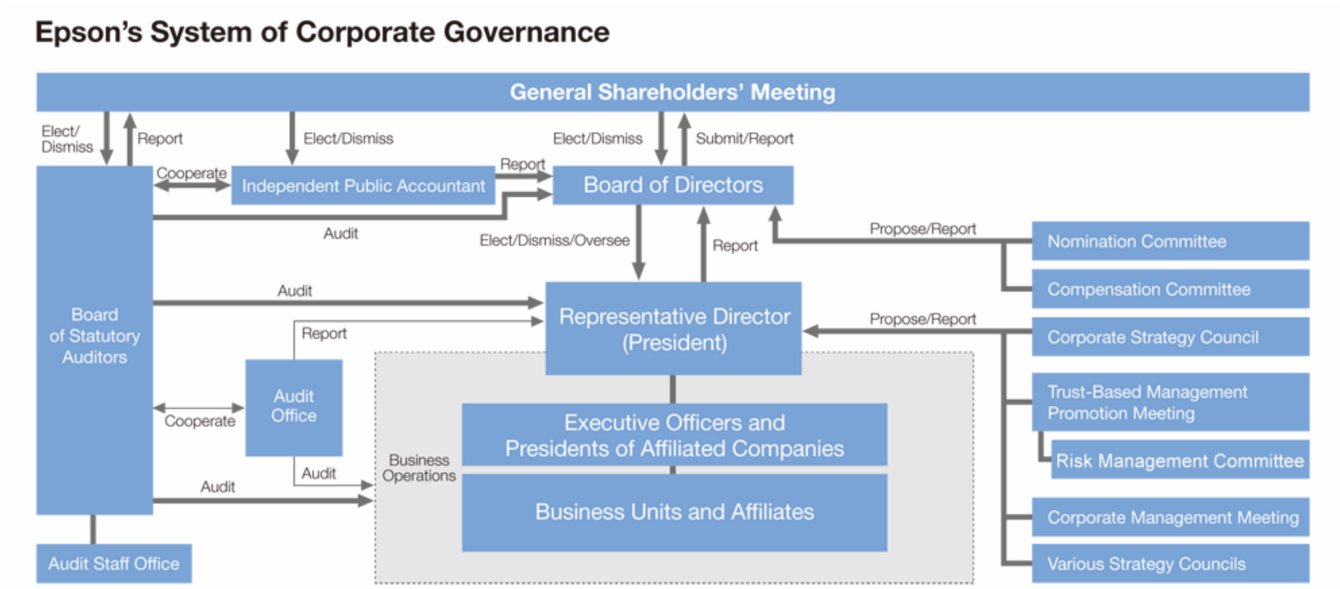
Epson's basic approach to corporate governance is encapsulated in its commitment to sustaining trust-based management. Along with ongoing efforts to increase enterprise value, Epson has initiated a number of practices designed to reinforce management checks and balances and to assure corporate ethics compliance. In so doing, the Company seeks to ensure the transparency and soundness of management in the eyes of its customers, shareholders, employees and other stakeholders.
Epson has a board of directors and a board of auditors. The ten-member board of directors meets once a month and convenes extraordinary meetings as needed. The board of directors makes decisions regarding basic management policies, key business operations, period-end closing, disclosure timeframes, and other important issues. Various other corporate management deliberative bodies are in place to oversee the execution of business operations. The main corporate management meetings and their aims are as follows:

Corporate Strategy Council/ corporate management meeting
The Corporate Strategy Council and corporate management meetings are convened to thoroughly deliberate matters before they are referred to the board of directors.

Trust-Based Management Council
The Trust-Based Management Council meets to oversee legal compliance through internal controls, to discuss risk management issues, and to manage the operating effectiveness of internal controls in general.

Nomination Committee/ Compensation Committee
Epson has established the Nomination Committee for screening board of director candidates and the Compensation Committee for deliberating director remuneration issues.

Epson's system of corporate governance, including the elements above, is as follows:



Reasons for adopting the current system of corporate governance
Epson is currently reorganizing its businesses, focusing management resources on growth areas and key segments to achieve the goals of "SE15," its long-range corporate vision. The current system of corporate governance is ideal for driving reorganization and putting Epson back on a growth trajectory. By having

directors on the board who understand the situation inside the Company simultaneously oversee the execution of business operations, the Company is able to expedite decisions and manage its businesses in a way that is best for the Epson Group as a whole.
Moreover, the engagement of outside auditors and the high degree of independence they bring ensures sufficient oversight of management not only from a compliance perspective but also in terms of advice on the broader aspects of management.

Internal control system and risk management improvements
Epson considers Epson's Management Philosophy to be its most important business concept, and to realize the mission stated in the Management Philosophy, the Company established "Principles of Corporate Behavior," rules for proper business conduct that are shared across the Group, worldwide. Departments within Epson pursue improvements to internal controls based on the Principles of Corporate Behavior. These improvements are reported to the Trust-Based Management Council, which is attended by all directors and auditors. By doing this, Epson is taking action to steadily improve the level of internal control for the entire Group.

Business execution system
Epson is instituting a system that will ensure the appropriate and efficient execution of business. To that end, Epson has established regulations governing each job function, the division of operational duties, and the management of affiliated companies while distributing power and authority across the entire Group.
To ensure the appropriateness of corporate activities, affiliated companies must report or receive prior approval from the parent company for changes in management regulations. Regulations at affiliates that meet certain criteria are put on the agenda for discussion at the parent company's board meetings, thereby creating a system of business oversight for the Group.
Responsibility for the business execution systems of affiliates lies with the person responsible at the relevant operations division, and support for cross-organizational projects and the like is provided by the respective Head Office supervisory departments.
Personnel responsible for business operations must report to the board of directors on the items below at least once every three months.

- Current business performance and performance outlook
- Risk management responses
- Status of key business operations

Safeguarding and management of work-related information
Information on business operations is safeguarded and managed under regulations governing, among other things, document control, management approval, and contracts, with directors and statutory auditors reviewing these and other relevant documents on an ongoing basis.
Regulations include the Basic Information Security Regulation, which helps to prevent leaks by providing Group-wide rules for managing information according to the level of sensitivity.

Compliance-based management
Epson has established Principles of Corporate Behavior for putting its Management Philosophy into practice, as well as regulations that spell out the compliance-based management requirements that underpin the principles, and an organizational compliance framework.
The president holds overall responsibility for management's legal compliance, with the persons responsible at each operations division in charge of compliance management at their respective businesses and subsidiaries. Head Office supervisory departments cooperate with the divisions to drive cross-organizational projects.
Epson has installed a legal compliance hotline and other counseling services for reporting any violations.
There is also web-based and other in-house compliance training for employees, including those at subsidiaries.
The Trust-Based Management Council was established to deliberate legal compliance issues under the leadership of the president. The Trust-Based Management Council manages the overall state of compliance at Epson, including compliance with laws, internal regulations, and corporate ethics, as well as approaches to key areas of compliance. Auditors also take seats on the council to verify the details of legal compliance programs.
The president periodically reports to the board of directors on compliance management issues and formulates appropriate measures to respond to these issues.

Epson's Principles of Corporate Behavior categorically state that the Company will not be involved with anti-social elements in any way.

Risk management

Epson's risk management system is founded on regulations that define the organization, procedures, and other key elements of this system.
Overall responsibility for risk management resides with the president, with the persons responsible at each operations division in charge of risk management at their respective businesses and subsidiaries.
The Trust-Based Management Council was established to deliberate risk management issues under the leadership of the president. The Council identifies important Group risks and manages programs to control them. When major risks become apparent, the president leads the entire company in mounting a swift initial response in line with Epson's prescribed crisis management program.
The president periodically reports to the board of directors on risk management issues and formulates appropriate measures to respond to these issues.

(2) Audit system

Internal audit

Epson's compliance system guards against potential legal and internal regulatory violations in departmental operations, and the Audit Office reports directly to the president the results of routine internal audits, including those conducted at Epson subsidiaries. The Audit Office evaluates the effectiveness of the governance process and requests improvements where needed.

Statutory audit

Epson has assigned three outside statutory auditors to its five-member board of statutory auditors to ensure greater independence and transparency of audits.
Based on corporate regulations governing auditors and audit procedures, statutory auditors have the authority to conduct hearings with directors and other personnel whenever they deem such hearings necessary. Statutory auditors are also authorized to attend important business meetings, which enables the auditors to conduct audits based on the same information as that available to directors. Statutory auditors also routinely review important documents related to management decision making.
Epson has established an Audit Staff Office with specialized personnel to assist the statutory auditors in their duties. The views of the board of statutory auditors are given a great deal of weight in the evaluation and transfer of personnel assigned to this office.
To improve the effectiveness of their audits, statutory auditors consult on a regular basis with the Audit Office and independent public accountants.
Statutory auditors hold regular meetings with representative directors to directly assess business operations.

(3) Outside directors and outside statutory auditors

Outside statutory auditors

Each of Epson's three outside statutory auditors draws on a wealth of experience and keen insight when conducting audits, and offers frank opinions to the board of directors.
There is a high degree of independence between Epson and its three outside statutory auditors because, at present, there are no conflicts of interest between Epson and said auditors, or between Epson and other companies by which the auditors are employed.

There is no particular system of coordination between outside statutory auditors and audit functions in the Group; however, statutory auditors actively consult with the Audit Office and independent public accountants. Each time an issue is identified by an audit, details are passed on to the outside statutory auditors to keep them informed as appropriate. Moreover, statutory auditors take seats on the Trust-Based Management Council, which manages the operational effectiveness of internal controls, and they actively seek explanations from departments where there has been an important incident involving internal control. Statutory auditors are thus kept abreast of operational issues and the status of measures to address those issues.

Outside directors

Epson does not currently have any outside directors. Objective, neutral oversight of management from the outside is an essential element of corporate governance, and oversight of the board of directors at Epson is reinforced by having three outside statutory auditors on its five-member board of statutory auditors. Epson proactively discloses information to statutory auditors, including outside statutory auditors, to ensure the transparency of its decision making and operational processes by, for example, reserving seats for the auditors at all corporate management meetings.

(4) Director remuneration

Basic policy

Directors serve to enhance corporate value, both in the immediate and long terms, and Epson has designed its system of director remuneration to provide them with incentives to improve business performance. The system is detailed as follows.

The specific monthly salaries of directors are set according to their title, and in consideration of Epson's business performance. Director bonuses are paid according to the level of achievement with respect to performance targets predefined by the board of directors. Bonuses are treated as incentives for directors to ensure performance goals for the year are met. Furthermore, a portion of the monthly salaries of directors is paid as Epson stock so that remuneration is linked to share price, and to serve as an incentive for improving business performance in the long term.

Remuneration paid

Category	Total remuneration (millions of yen)	Remuneration breakdown (millions of yen)		Number of individuals
		Basic salary	Bonus	
Directors (Excluding outside directors)	378	378	-	11
Statutory auditors (Excluding outside statutory auditors)	56	56	-	2
Outside directors	55	55	-	3

Notes

1. The numbers above include one director who retired at the closing of the general shareholders' meeting on June 24, 2009.
2. Remuneration paid to directors does not include remuneration paid to personnel who hold the position of director as an additional post.
3. Epson introduced a stock performance (stock-based) component to the remuneration system to link remuneration more closely to share price, so Epson stock accounts for a portion of basic salary.
4. A resolution of the general shareholders' meeting held on June 26, 2001, established the maximum amount of remuneration at ¥70 million per month for directors and at ¥12 million per month for statutory auditors.
5. The remuneration paid does not include director bonuses since bonuses will not be paid for the fiscal year under review.
6. Stock options are not granted as remuneration.
7. In addition to the above, a director who retired at the closing of the general shareholders' meeting held on June 24, 2009, received ¥44 million in retirement benefits pursuant to a resolution at the general shareholders' meeting held on June 23, 2006, on the payment of discontinued benefits for retiring directors.

(5) Stock holdings

Balance sheet total of stocks held for reasons other than pure investment

32 companies ¥11,997 million

Issuing company, number, and balance sheet total of stocks held for reasons other than pure investment

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	7,164	Strengthen business ties
Mizuho Financial Group, Inc.	15,003,480	2,775	Strengthen business ties
Seiko Holdings Corporation	1,644,080	404	Strengthen business ties
The Hachijuni Bank, Ltd.	489,500	260	Strengthen business ties
Marubun Corporation	332,640	188	Strengthen business ties
Iwasaki Electric Co., Ltd.	1,000,000	176	Strengthen business ties
Hakuto Co., Ltd.	190,000	172	Strengthen business ties
King Jim Co., Ltd.	221,980	157	Strengthen business ties
Otuska Corporation	10,000	59	Strengthen business ties
Joshin Denki Co., Ltd.	70,000	59	Strengthen business ties

(6) Accounting audits

(a) Names and other details of corporate public accountants performing audits

Name of CPA		Audit company	No. of successive years performing audits
Designated and Engagement Partner, Certified Public Accountant	Takashi Ide	Ernst & Young ShinNihon LLC	1
Designated and Engagement Partner, Certified Public Accountant	Seiji Yamamoto	Ernst & Young ShinNihon LLC	4
Designated and Engagement Partner, Certified Public Accountant	Taisuke Ide	Ernst & Young ShinNihon LLC	1

Note

On June 26, 2007, the Fuji Accounting Office and Misuzu Audit Corporation completed their terms as independent auditors. The Company accordingly appointed Ernst & Young ShinNihon as its new independent auditor. The above-mentioned successive years performing audits include audits performed with Misuzu Audit Corporation.

(b) Composition of auditing team

The auditing team comprises 43 staff including eight certified public accountants, 16 junior accountants, and 19 other accounting staff.

(7) Outline of contract limiting liability

The Company’s contract with the outside statutory auditor is based on Article 427, Paragraph 1, of the Japanese

Companies Act, and the contract stipulations determining the liability for damages on Article 423, Paragraph 1, of the same law. Said contract also stipulates that the limit of liability for damages shall be the legal maximum. The scope of liability concerning the outside statutory auditor is limited to errors and omissions that occur in good faith and that are not serious.

(8) Number of directors
Epson's Articles of Incorporation determine the maximum number of directors to be ten.

(9) Election and retirement of directors
According to its Articles of Incorporation, directors of the Company can be elected by a majority vote by at least one third of shareholders with voting rights, and not through cumulative voting.
Provisions regarding the retirement of directors do not vary from the provisions of the Japanese Companies Act.

(10) Items for the General Shareholders' Meeting that can be determined by the board of directors
Treasury stock acquisition
The Company's Articles of Incorporation allow the Company to acquire treasury stock through stock market trade and other means by resolution of the board of directors. This enables a more flexible capital policy in response to a changing business environment.

Director and auditor exemption from liability
When liability falls under the requirements stipulated in Article 426, Paragraph 1, of the Japanese Companies Act, the Company's Articles of Incorporation allow the Company to exempt the directors and auditors from liability for damages in Article 423, Paragraph 1, of the Japanese Companies Act up to the amount remaining after the legal minimum liability is deducted from the total liability amount by resolution of the board of directors. This allows the directors to fully apply themselves to their expected role of building an organization capable of aggressive business expansion, and allows the statutory auditors to fulfill their functions accordingly.

Interim dividend
The Company's Articles of Incorporation allow the Company to declare an interim dividend with a date of record of September 30 every year by resolution of the board of directors. This provides the Company with flexibility in paying dividends to shareholders.

(11) Special resolution requirements of the General Shareholders' Meeting
The Company's Articles of Incorporation set forth the requirements for a special resolution of the general shareholders' meeting stipulated in Article 309, Paragraph 2, of the Japanese Companies Act as a two-thirds majority vote by at least one third of shareholders with voting rights. This policy is intended to ensure smooth operation of the general shareholders' meeting by relaxing the quorum requirements for special resolutions in the general shareholders' meeting.

2. Details of audit remuneration
(1) Remuneration for audits by certified public accountants

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit work	Remuneration for audit certification work	Remuneration for non-audit work
Filing company	188	4	159	0
Consolidated subsidiaries	127	-	146	-
Total	316	4	305	0

(2) Other important remuneration
Previous fiscal year
Total payments for audits carried out on behalf of 11 consolidated overseas subsidiaries by auditing certified

public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2010, amounted to ¥31 million.

Fiscal year under review
Total payments for audits carried out on behalf of 26 consolidated overseas subsidiaries by auditing certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2011, amounted to ¥136 million.

(3) Non-audit work performed by auditing certified public accountant at filing company
Previous fiscal year
Remuneration paid for non-audit work performed by the auditing certified public accountant was for consultancy services relating to internal control systems, in particular financial reporting.

Fiscal year under review
Remuneration paid for non-audit work performed by the auditing certified public accountant was for consultancy services, in particular training courses.

(4) Governing policy for auditor remuneration
This does not apply because remuneration for auditing services is determined according to the nature of the audit work.

3. Basic policy regarding company control
At its meeting on April 30, 2008, Epson's board of directors agreed to a basic policy governing persons who control our financial and business policy decisions (hereinafter the "basic policy").

(1) Overview
Epson believe that its shareholders should be determined through free trade on the market. Therefore, the decision as to whether to accept a takeover offer that would allow another party to acquire a controlling share of Epson and thus gain power over the Company's financial and business decisions should ultimately be put before the shareholders.
To ensure and enhance the corporate value and common interests of shareholders, Epson believes it is essential for Epson's directors, managers, and employees to work as a team to create value, to pursue the Epson tradition of creativity and challenge, and to earn and keep the trust of its customers.
Not all large-scale acquisitions of shares enhance the value of the Company whose shares are being acquired, however, nor do they serve the common interests of shareholders. Epson recognizes the need to use all necessary and appropriate means to protect the company's corporate value and the common interests of its shareholders against persons seeking to improperly acquire large numbers of shares in an attempt to gain control over decisions concerning the Company's financial and business policies.

(2) Efforts in preventing parties who are deemed inappropriate based on its basic policy from gaining control over Epson's financial and business policy decision making
Aiming to ensure and enhance corporate value and the common interests of its shareholders, Epson introduced a series of measures (the "Plan") to prevent large-scale acquisition of Epson shares after shareholders approved the Plan at their annual general meeting held on June 25, 2008.
The purpose of the Plan is to allow the Epson board of directors to secure the time and information necessary for shareholders to decide whether to accept the bid or to present shareholders with alternative proposals, and to discuss and negotiate with the acquirer for the benefit of shareholders, in order to prevent large-scale acquisitions of Epson shares that do not enhance corporate value or that are not in the common interest of shareholders.
Specifically, if a party intends to acquire 20% or more of shares outstanding or to stage a takeover bid, they shall be required to submit documentation justifying the acquisition in advance to the Epson board of directors and to comply with the procedures defined in the Plan. Furthermore, the Plan allows for the activation of provisions to halt the acquisition in question if, for example, it is not conducted in line with the Plan or it is deemed contrary to Epson's value as a company or the common interest of its shareholders.

To prevent arbitrary decisions being made by the Epson board of directors in their administration of the Plan, including the activation of preventive provisions, it is subject to the approval of a special committee made up of highly independent external parties. Actions of the special committee shall include examination of stock acquisition details, requesting information from the Epson board of directors regarding alternative proposals, disclosing information to shareholders, and negotiating with parties intending to make acquisitions. The special committee shall advise the Epson board of directors on the necessity to activate the Plan, and the Epson board of directors shall give maximum regard to that advice before implementing their resolutions promptly as an organ of the Japanese Companies Act.

* Please refer to the following release for a more detailed explanation.
http://global.epson.com/newsroom/2008/news_20080430_5.htm

Management

Directors, statutory auditors and executive officers of the Company correct as of the date when the annual securities report ("yukashoken-houkokusho") was submitted and their functions are listed below.

Name	Position	Current function
Seiji Hanaoka	Chairman	
Yasuo Hattori	Vice-Chairman	
Minoru Usui	President (Representative Director)	
Masayuki Morozumi	Senior Managing Director (Representative Director)	General Administrative Manager, Business Infrastructure Improvement Division, and Chief Operating Officer, Precision Products Operations Segment
Kenji Kubota	Managing Director (Representative Director)	General Administrative Manager, Corporate Strategy Division
Torao Yajima	Managing Director	Chief Operating Officer, Electronic Devices Operating Segment, and President, Epson Toyocom Corporation
Seiichi Hirano	Managing Director	General Administrative Manager, Global Sales & Marketing Planning Division, and President, Epson Sales Japan Corporation.
Noriyuki Hama	Director	General Administrative Manager, Human Resources Division, and Chairman, Epson Europe B.V.
Tadaaki Hagata	Director	Chief Operating Officer, Imaging Products Operations Segment
Yoneharu Fukushima	Director	General Administrative Manager, Corporate Research & Development Division
Kenji Uchida	Standing Statutory Auditor	
Toru Oguchi	Standing Statutory Auditor	
Yoshiro Yamamoto	Outside Statutory Auditor	
Tatsuhiro Ishikawa	Outside Statutory Auditor	
Kenji Miyahara	Outside Statutory Auditor	
Hiroshi Komatsu	Managing Executive Officer	Deputy General Administrative Manager, Global Sales & Marketing Planning Division
John Lang	Managing Executive Officer	President and Chief Executive Officer, Epson America, Inc
Masataka Kamiyanagi	Managing Executive Officer	General Administrative Manager, Intellectual Property Division

Akihiko Sakai	Executive Officer	Deputy Chief Operating Officer, Imaging Products Operations Segment, and General Administrative Manager, Imaging Products Business Planning & Management Office
Kazuki Ito	Executive Officer	Vice-Chairman, Epson (China) Co., Ltd.
Akio Mori	Executive Officer	Chief Operating Officer, Watch Operations Division
Kiyofumi Koike	Executive Officer	Chairman and President, Epson (China) Co., Ltd.
Ryuhei Miyagawa	Executive Officer	Chief Operating Officer, Semiconductor Operations Division, and President, Tohoku Epson Corporation
Koichi Endo	Executive Officer	Chairman, Epson Singapore Pte. Ltd. and Chairman, Singapore Epson Industrial Pte. Ltd.
Hiromi Taba	Executive Officer	President, Epson Europe B.V.
Koichi Kubota	Executive Officer	Chief Operating Officer, Visual Instruments Operating Division
Motonori Okumura	Executive Officer	Chief Operating Officer, Imaging & Information Operating Division

Index to Consolidated Financial Statements
Seiko Epson Corporation and Subsidiaries

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March31, 2010
Assets			
Current assets			
Cash and deposits	¥172,921	¥193,117	$2,075,634
Notes and accounts receivable-trade	134,133	144,435	1,552,396
Short-term investment securities	102,014	51,511	553,643
Merchandise and finished goods	91,471	90,284	970,378
Work in process	36,947	39,198	421,302
Raw materials and supplies	19,132	21,710	233,340
Deferred tax assets	12,673	9,307	100,032
Other	51,773	48,903	525,659
Allowance for doubtful accounts	(3,389)	(2,258)	(24,269)
Total current assets	617,677	596,210	6,408,115
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	404,869	405,096	4,353,998
Machinery, equipment and vehicles	518,819	467,364	5,023,258
Tools, furniture and fixtures	184,508	174,014	1,870,313
Land	54,994	54,912	590,197
Construction in progress	2,958	4,318	46,410
Other	137	127	1,399
Accumulated depreciation	(912,574)	(880,479)	(9,463,445)
Total property, plant and equipment	253,712	225,354	2,422,130
Intangible assets			
Goodwill	—	2,873	30,879
Other	16,789	15,187	163,231
Total intangible assets	16,789	18,060	194,110
Investments and other assets			
Investment securities	15,281	16,087	172,904
Long-term loans receivable	44	47	505
Deferred tax assets	2,751	4,551	48,914
Other	11,368	9,978	107,255
Allowance for doubtful accounts	(284)	(200)	(2,149)
Total investments and other assets	29,161	30,464	327,429
Total noncurrent assets	299,664	273,879	2,943,669
Total assets	¥917,342	¥870,090	$9,351,784

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥70,177	¥90,768	$975,580
Short-term loans payable	42,182	21,739	233,652
Current portion of bonds	—	30,000	322,441
Current portion of long-term loans payable	18,543	35,728	384,006
Accounts payable-other	61,748	58,576	629,578
Income taxes payable	6,208	10,024	107,738
Deferred tax liabilities	274	83	892
Provision for bonuses	11,572	14,484	155,674
Provision for product warranties	9,813	9,928	106,706
Provision for loss on litigation	8,214	1,220	13,112
Other	55,113	56,097	602,995
Total current liabilities	283,848	328,652	3,532,374
Noncurrent liabilities			
Bonds payable	100,000	70,000	752,364
Long-term loans payable	185,322	151,593	1,629,331
Deferred tax liabilities	5,818	10,207	109,705
Provision for retirement benefits	12,966	20,008	215,047
Provision for recycle costs	926	396	4,256
Provision for product warranties	677	450	4,836
Provision for loss on litigation	45	—	—
Negative goodwill	1,729	—	—
Other	7,375	5,917	63,631
Total noncurrent liabilities	314,862	258,574	2,779,170
Total liabilities	598,710	587,226	6,311,544
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	571,840
Capital surplus	79,500	84,321	906,287
Retained earnings	208,524	187,358	2,013,736
Treasury stock			
March 31, 2010 - 22,089 shares			
March 31, 2009 - 3,018 shares	(8)	(35)	(376)
Total shareholders' equity	341,220	324,847	3,491,487
Valuation and translation adjustments			
Valuation difference on available-for-sale securities	2,835	4,023	43,239
Deferred gains or losses on hedges	(2,175)	130	1,397
Foreign currency translation adjustment	(39,255)	(47,705)	(512,735)
Total valuation and translation adjustments	(38,596)	(43,552)	(468,099)
Minority interests	16,007	1,568	16,852
Total net assets	318,631	282,864	3,040,240
Total liabilities and net assets	¥917,342	¥870,090	$9,351,784

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

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Net sales	¥1,122,497	¥985,363	$10,590,745
Cost of sales	833,053	725,894	7,801,956
Gross profit	289,443	259,469	2,788,789
Selling, general and administrative expenses	291,031	241,241	2,592,885
Operating income (loss)	(1,588)	18,227	195,904
Non-operating income:			
Interest income	4,288	1,259	13,531
Rent income	1,215	1,014	10,898
Amortization of negative goodwill	1,342	1,368	14,703
Other	8,101	4,084	43,907
Total non-operating income	14,948	7,726	83,039
Non-operating expenses:			
Interest expenses	6,110	5,070	54,492
Foreign exchange losses	—	5,076	54,557
Other	1,947	1,931	20,765
Total non-operating expenses	8,058	12,078	129,814
Ordinary income	5,301	13,875	149,129
Extraordinary income:			
Gain on sales of noncurrent assets	349	595	6,395
Gain on sales of investment securities	57	394	4,234
Reversal of provision for recycle costs	—	593	6,373
Other	1,062	493	5,332
Total extraordinary income	1,469	2,078	22,334
Extraordinary loss:			
Impairment loss	20,348	7,269	78,127
Loss on antitrust law fine	—	2,457	26,407
Other	75,982	7,026	75,516
Total extraordinary losses	96,331	16,753	180,050
Income (loss) before income taxes and minority interests	(89,559)	(799)	(8,587)
Income taxes-current	7,744	13,740	147,678
Income taxes-deferred	18,443	5,249	56,439
Total income taxes	26,188	18,989	204,117
Minority interests in income (loss)	(4,425)	1	10
Net income (loss)	(¥111,322)	(¥19,791)	($212,714)

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

Consolidated Statements of Changes in Net Assets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Shareholders' equity			
Capital stock			
Balance at the end of previous period	¥53,204	¥53,204	$571,840
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	53,204	53,204	571,840
Capital surplus			
Balance at the end of previous period	79,500	79,500	854,482
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Total changes of items during the period	—	4,820	51,805
Balance at the end of current period	79,500	84,321	906,287
Retained earnings			
Balance at the end of previous period	326,719	208,524	2,241,217
Changes of items during the period			
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Total changes of items during the period	(118,195)	(21,165)	(227,481)
Balance at the end of current period	208,524	187,358	2,013,736
Treasury stock			
Balance at the end of previous period	(7)	(8)	(86)
Changes of items during the period			
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Total changes of items during the period	(1)	(26)	(290)
Balance at the end of current period	(8)	(35)	(376)
Total shareholders' equity			
Balance at the end of previous period	459,417	341,220	3,667,453
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Total changes of items during the period	(118,196)	(16,372)	(175,966)
Balance at the end of current period	341,220	324,847	3,491,487
Valuation and translation adjustments			
Valuation difference on available-for-sale securities			
Balance at the end of previous period	3,859	2,835	30,471
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,024)	1,188	12,768
Total changes of items during the period	(1,024)	1,188	12,768
Balance at the end of current period	2,835	4,023	43,239
Deferred gains or losses on hedges			
Balance at the end of previous period	156	(2,175)	(23,388)
Changes of items during the period			
Net changes of items other than shareholders' equity	(2,332)	2,306	24,785
Total changes of items during the period	(2,332)	2,306	24,785
Balance at the end of current period	(2,175)	130	1,397
Foreign currency translation adjustment			
Balance at the end of previous period	(16,227)	(39,255)	(421,925)
Changes of items during the period			
Net changes of items other than shareholders' equity	(23,027)	(8,449)	(90,810)
Total changes of items during the period	(23,027)	(8,449)	(90,810)
Balance at the end of current period	(39,255)	(47,705)	(512,735)

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Total valuation and translation adjustments			
Balance at the end of previous period	(12,211)	(38,596)	(414,842)
Changes of items during the period			
Net changes of items other than shareholders' equity	(26,384)	(4,955)	(53,257)
Total changes of items during the period	(26,384)	(4,955)	(53,257)
Balance at the end of current period	(38,596)	(43,552)	(468,099)
Minority interests			
Balance at the end of previous period	24,240	16,007	172,043
Changes of items during the period			
Net changes of items other than shareholders' equity	(8,233)	(14,439)	(155,191)
Total changes of items during the period	(8,233)	(14,439)	(155,191)
Balance at the end of current period	16,007	1,568	16,852
Total net assets			
Balance at the end of previous period	471,446	318,631	3,424,654
Changes of items during the period			
Increase by share exchanges	—	4,820	51,805
Dividends from surplus	(6,872)	(1,374)	(14,767)
Net income (loss)	(111,322)	(19,791)	(212,714)
Purchase of treasury stock	(1)	(27)	(290)
Disposal of treasury stock	—	0	0
Net changes of items other than shareholders' equity	(34,618)	(19,394)	(208,448)
Total changes of items during the period	(152,815)	(35,767)	(384,414)
Balance at the end of current period	¥318,631	¥282,864	$3,040,240

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

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars
	March 31, 2009	March 31, 2010	March 31, 2010
Consolidated statements of cash flows			
Net cash provided by (used in) operating activities			
Income (loss) before income taxes and minority interests	(¥89,559)	(¥799)	($8,587)
Depreciation and amortization	78,406	47,395	509,404
Impairment loss	20,348	7,269	78,127
Equity in (earnings) losses of affiliates	(58)	(126)	(1,354)
Amortization of goodwill	(1,211)	(462)	(4,965)
Increase (decrease) in allowance for doubtful accounts	761	(918)	(9,866)
Increase (decrease) in provision for bonuses	(8,441)	2,931	31,502
Increase (decrease) in provision for product warranties	(900)	58	623
Increase (decrease) in provision for retirement benefits	(2,247)	8,287	89,069
Interest and dividends income	(4,618)	(1,536)	(16,509)
Interest expenses	6,110	5,070	54,492
Foreign exchange losses (gains)	(57)	(1,165)	(12,521)
Loss (gain) on sales of noncurrent assets	(318)	(286)	(3,073)
Loss on retirement of noncurrent assets	2,373	1,038	11,156
Loss (gain) on sales of investment securities	(57)	(365)	(3,923)
Decrease (increase) in notes and accounts receivable-trade	50,239	(8,373)	(89,993)
Decrease (increase) in inventories	(3,686)	(7,128)	(76,612)
Increase (decrease) in accrued consumption taxes	440	(667)	(7,168)
Increase (decrease) in notes and accounts payable-trade	(30,931)	17,646	189,660
Other, net	41,916	5,629	60,488
Subtotal	58,507	73,497	789,950
Interest and dividends income received	3,792	336	3,611
Interest expenses paid	(6,259)	(5,131)	(55,148)
Income taxes paid	(11,786)	(12,159)	(130,696)
Net cash provided by (used in) operating activities	44,253	56,542	607,717
Net cash provided by (used in) investing activities			
Decrease (increase) in time deposits	712	523	5,621
Purchase of investment securities	(601)	(14)	(150)
Proceeds from sales of investment securities	399	929	9,984
Purchase of property, plant and equipment	(52,163)	(27,196)	(292,304)
Proceeds from sales of property, plant and equipment	564	895	9,619
Purchase of intangible assets	(7,918)	(4,640)	(49,871)
Proceeds from sales of intangible assets	19	5	53
Purchase of long-term prepaid expenses	(462)	(204)	(2,192)
Purchase of investments in subsidiaries	(2,371)	(13,405)	(144,077)
Other, net	819	(95)	(1,031)
Net cash provided by (used in) investing activities	(61,002)	(43,203)	(464,348)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	18,851	(20,382)	(219,090)
Proceeds from long-term loans payable	90,000	2,000	21,496
Repayment of long-term loans payable	(103,029)	(18,543)	(199,301)
Repayments of lease obligations	(7,795)	(2,654)	(28,525)
Purchase of treasury stock	(1)	(27)	(290)
Proceeds from sales of treasury stock	—	0	0
Cash dividends paid	(6,872)	(1,374)	(14,767)
Cash dividends paid to minority shareholders	(710)	(105)	(1,128)
Net cash provided by (used in) financing activities	(9,558)	(41,087)	(441,605)
Effect of exchange rate change on cash and cash equivalents	(5,767)	(2,000)	(21,519)
Net increase (decrease) in cash and cash equivalents	(32,074)	(29,749)	(319,755)
Cash and cash equivalents at beginning of period	316,414	284,340	3,056,104
Cash and cash equivalents at end of period	¥284,340	¥254,590	$2,736,349

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

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

(1) Nature of operations

Seiko Epson Corporation (“the Company”) was originally established as a manufacturer of watches but later expanded its business to provide key devices and solutions for the digital color imaging markets through the application of its proprietary technologies. The Company operates its manufacturing and sales business mainly in Japan, the Americas, Europe and Asia/Oceania.

(2) Basis of presenting consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. Its foreign subsidiaries maintain their records and prepare their financial statements in conformity with International Financial Reporting Standards or the generally accepted accounting principles in the United States. In addition, some items required by Japanese standards should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

In the accompanying consolidated financial statements, “Epson” is referred to as the Company and its consolidated subsidiaries and affiliates.

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

2. Number of group companies

As of March 31, 2010, the Company had 95 consolidated subsidiaries. It has applied the equity method in respect to three unconsolidated subsidiaries and five affiliates.

3. Acquisitions

As of March 11, 2009, the Company owned 66.69% of the issued and outstanding shares of consolidated subsidiary Epson Toyocom Corporation (“Epson Toyocom”). Aiming to make Epson Toyocom a wholly-owned subsidiary, the Company, from March 12, 2009, to April 23, 2009, undertook a tender offer to acquire all of the issued and outstanding shares of Epson Toyocom. As a result, the Company’s ownership of Epson Toyocom’s issued shares rose to 91.05% as of April 30, 2009. On June 1, 2009, the Company conducted a share exchange by which Epson Toyocom became a wholly-owned subsidiary.
By completing this tender offer and share exchange, Epson intended to increase management speed and further improve efficiency with the purpose of enhancing Group synergies, strengthening business foundations and optimizing corporate value.

Details such as acquisition cost, share exchange ratio and calculation method, and goodwill generated are as follows:

Acquisition cost of the subsidiary’s shares

	Millions of yen	Thousands of U.S. dollars
Cash	¥13,045	$140,209
Value of the Company’s shares used for acquisition (Note)	4,820	51,805
Consulting fees, etc.	360	3,869
Total acquisition cost	¥18,225	$195,883

Note: The value of the Company’s shares was based on its share price on the date of the share exchange.

Share exchange ratio and calculation method
Exchange ratio: One share of the Company's common stock for 0.21 share of Epson Toyocom common stock

The above share exchange ratio was calculated after Epson Toyocom selected PwC Advisory Co., Ltd. as third-party consultants, and the Company engaged Merrill Lynch Japan Securities Co., Ltd. from the tender offer stage as financial advisors. The ratio was determined after careful deliberations and close consultations among the various parties.

Details of the number and value of shares exchanged are as follows:
Number of shares exchanged: 3,452,797
Value of shares exchanged: ¥4,820 million ($51,805 thousand)

Goodwill generated
Value of goodwill generated: ¥4,140 million ($44,496 thousand)

The Company recognizes the difference between the acquisition cost of the outstanding Epson Toyocom shares and the decrease in minority interests as goodwill. Goodwill is amortized over five years using the straight-line method.

Accounting for this transaction was based on the "Accounting Standard for Business Combinations" issued by the Business Accounting Council on October 31, 2003 and on the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" issued by the Accounting Standards Board of Japan ("ASBJ") on November 15, 2007.

4. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by Epson. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant inter-company transactions and accounts, along with unrealized inter-company profits, are eliminated upon consolidation.

Investments in affiliates in which Epson has significant influence are accounted for using the equity method. Consolidated income includes Epson's current equity in net income or loss of affiliates after elimination of significant unrealized inter-company profits.

The difference between the cost and the underlying net assets of investments in subsidiaries is recognized as "goodwill" and is included in the intangible assets account (if the cost is in excess) or in the noncurrent liabilities account (if the underlying net asset is in excess). Goodwill is amortized on a straight-line basis over a period of five years.

(2) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and the resulting transaction gains or losses are included in income for the current period.

All the assets and liabilities of foreign subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and all the income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency translation adjustments are recorded in the consolidated balance sheets as translation adjustments and minority interest in subsidiaries.

(3) Cash and cash equivalents

Cash and cash equivalents included in the consolidated financial statements comprise cash on hand, bank deposits that may be withdrawn on demand, and highly liquid investments purchased with initial maturities of three months or less, and which present low risk of fluctuation in value.

(4) Financial instruments

(a) Investments in debt and equity securities

Investments in debt and equity securities are classified into three categories: 1) trading securities, 2) held-to-maturity debt securities, or 3) other securities. These categories are treated differently for purposes of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Changes in unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving-average cost method. Other-than-temporary declines in the value of other securities are reflected in current income.

(b) Derivative instruments

Derivative instruments (i.e., forward exchange contracts, interest rate swaps and currency options) are recognized as either assets or liabilities at their respective fair value at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding fiscal period.

Interest rate swaps meeting certain hedging criteria are not recognized at their fair value under exceptional processes recognized in Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to interest expenses as incurred.

(c) Allowance for doubtful accounts

Allowance for doubtful accounts is calculated based on the aggregate amount of estimated credit losses for doubtful receivables plus an amount for receivables other than doubtful receivables calculated using historical write-off experience from certain prior periods.

(5) Inventories

Inventories are stated at the lower of cost or market value, where cost is primarily determined using the weighted-average cost method.

(6) Property, plant and equipment

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method for the Company and its Japanese subsidiaries, and on the straight-line method for foreign subsidiaries at rates based on estimated useful lives. For buildings acquired by the Company and its Japanese subsidiaries on or after April 1, 1998, depreciation is computed based on the straight-line method, which is prescribed by Japanese income tax laws.

The estimated useful lives of significant depreciable assets principally range from 8 to 50 years for buildings and structures, and from 2 to 12 years for machinery, equipment and vehicles.

(7) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Amortization of software for internal use is computed using the straight-line method over its estimated useful life, ranging from three to five years.

(8) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the excess of the carrying value of the long-lived asset over its recoverable amount.

(9) Provision for bonuses

Provision for bonuses to employees is calculated on the basis of the estimated amounts that Epson is obligated to pay its employees after the fiscal year-end for services provided up to the balance sheet dates.

Provision for bonuses to directors and statutory auditors are provided for the estimated amounts that the Company is obligated to pay to directors and statutory auditors subject to the resolution of the general shareholders' meeting held subsequent to the fiscal year-end.

(10) Provision for product warranties

Epson provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales. Specific warranty provisions are made for those products where warranty expenses can be specifically estimated.

(11) Provision for loss on litigation

Provision for loss on litigation are mainly provided for the estimated future compensation payment and litigation expenses.

(12) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

The Company applies the consolidated tax return system for the calculation of income taxes. Under the consolidated tax return system, the Company consolidates all wholly-owned domestic subsidiaries based on Japanese tax regulations.

(13) Provision for retirement benefits

The Company and some of its Japanese subsidiaries recognize provision for retirement benefits to employees based on the actuarial valuation of projected benefit obligation and the fair value of plan assets. Other Japanese subsidiaries recognize provision for retirement benefits to employees based on the voluntary retirement benefit payable at the year-end.

Pension benefits are determined based on years of service, basic rates of pay and conditions under which the termination occurs, and are payable at the option of the retiring employee either in a lump-sum amount or as an annuity. Contributions to the plans are funded through several financial institutions in accordance with the applicable laws and regulations.

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years beginning at the date of adoption of the plan amendment. Unrecognized actuarial gains and losses are amortized based on the straight-line method over a period of five years starting from the beginning of the subsequent year.

Effective April 1, 2009, the Company and some of its Japanese subsidiaries adopted ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" issued on July 31, 2008. The adoption of the amendments had no effect on Epson's financial results for the year ended March 31, 2010.

Most of the Company's foreign subsidiaries have various retirement plans, which are primarily defined contribution plans.

(14) Provision for recycle costs

At the time of sale, provision for recycle costs is calculated based on the estimated future returns of consumer personal computers.

(15) Revenue recognition

Revenue from sale of goods is recognized at the time when goods are shipped. Revenue from services is recognized when services are rendered and accepted by customers.

(16) Research and development costs

Research and development costs are charged as incurred.

(17) Leases

Epson leases certain office space, machinery and equipment and computer equipment from third parties using capital leases. Most of the capital leases are other than those under which ownership of the assets will be transferred to the lessee at the end of the lease term, and are depreciated/amortized in accordance with the straight-line method over the periods of the leases, assuming no residual value.

(18) Net income per share

Net income per share is computed based on the weighted-average number of common shares outstanding during each fiscal period.

(19) Dividends

Dividends are charged to retained earnings in the fiscal year in which they are paid after approval by shareholders. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the registered shareholders as of September 30 of each year.

5. U.S. dollar amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes 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. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥93.04 = U.S.$1, the exchange rate prevailing on March 31, 2010, has been used.

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations on March 31, 2009 and 2010, were ¥30,979 million and ¥30,115 million ($323,677 thousand), respectively.

7. Investments in debt and equity securities

Epson classifies all investments in debt and equity securities as either held-to-maturity debt securities or other securities.

The carrying amount of held-to-maturity debt securities, which was recognized at amortized cost and included in the short-term investments and investment securities accounts at March 31, 2009, comprised the following:

	Millions of yen
	March 31
Held-to-maturity debt securities	2009
Commercial paper	¥999
National/Local government bonds and other	148
Total	¥1,147

The aggregate cost and market value (carrying value) of other securities with market value, which were included in the investment securities account on March 31, 2009, were as follows:

	Millions of yen			
	March 31, 2009			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥6,878	¥4,111	(¥156)	¥10,833
Other	250	-	(-)	250
Total	¥7,128	¥4,111	(¥156)	¥11,083

The carrying amount of other securities, which was carried at cost and included in the short-term investments account and investment securities account at March 31, 2009, comprised the following:

	Millions of yen
	March 31
Other securities	2009
Certificate of deposit	¥101,000
Unlisted equity securities	809
Corporate bonds	300
Other	14
Total	¥102,124

The aggregate cost and market value (carrying value) of other securities with market value, which were included in the short-term investment securities account and the investment securities account at March 31, 2010, were as follows:

	Millions of yen			
	March 31, 2010			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥6,300	¥5,749	(¥88)	¥11,961
Certificate of deposit	51,500	-	(-)	51,500
Other	227	-	(-)	227
Total	¥58,027	¥5,749	(¥88)	¥63,688

	Thousands of U.S. dollars			
	March 31, 2010			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$67,712	$61,790	($945)	$128,557
Certificate of deposit	553,526	-	(-)	553,526
Other	2,439	-	(-)	2,439
Total	$623,677	$61,790	($945)	$684,522

From the fiscal year ended March 31, 2010, the table above includes certificate of deposit. Unlisted securities, which were carried at a cost of ¥967 million ($10,393 thousand) at March 31, 2010, are not included in this table because market quotations are unavailable, and it is therefore extremely difficult to estimate their market value.

For the year ended March 31, 2009, the total amount of other-than-temporary impairments charged to current income for securities with market value was ¥3,814 million in the aggregate. For the year ended March 31, 2010, the total amount of other-than-temporary impairments charged to current income for securities with market value is not disclosed herein since it is insignificant to the consolidated results. Impairments are principally recorded in cases where the fair value of other securities with determinable market value has declined in excess of 30% of cost. Those securities are written down to the fair value, and the resulting losses are included in current income for the period.

The total sales of other securities and the related gains for the year ended March 31, 2009, are not disclosed herein since they are insignificant to the consolidated results. The total sales of other securities, the related gains and losses for the year ended March 31, 2010, were ¥551 million ($5,922 thousand), ¥394 million ($4,234 thousand) and ¥29 million ($311 thousand), respectively.

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in the investment securities account at March 31, 2009 and 2010, were ¥2,939 million, ¥2,804 million ($30,137 thousand), respectively.

8. Short-term and long-term loans payable

Short-term loans payable and long-term loans payable at March 31, 2009 and 2010, comprised the following:

	Millions of yen				Thousands of U.S. dollars
	March 31				March 31,
	2009	2010			2010
	Amount	Amount	Average interest rate	Last due	Amount
Short-term loans payable	¥42,182	¥21,739	0.73%	-	$233,652
Current portion of long-term loans payable	18,543	35,728	1.00	-	384,006
Current portion of lease obligations	2,582	1,059	-	-	11,404
Long-term loans payable from financial institutions	185,322	151,593	1.21	2015	1,629,331
Lease obligations	2,558	1,533	-	2016	16,491
Unsecured bonds issued by the Company	30,000	30,000	1.05	2010	322,441
Unsecured bonds issued by the Company	20,000	20,000	1.44	2012	214,961
Unsecured bonds issued by the Company	30,000	30,000	1.65	2011	322,441
Unsecured bonds issued by the Company	20,000	20,000	1.70	2012	214,961
Total	¥351,189	¥311,655			$3,349,688

Average interest rates are calculated using weighted-average interest rates on bonds payable, short-term loans payable and long-term loans payable as of March 31, 2010.

Average interest rates on lease obligations are not disclosed herein since interest expenses included in lease payments are allocated based on the straight-line method for the corresponding fiscal years.

The maturities of long-term debt outstanding as of March 31, 2010, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥35,728	$384,006
2012	42,093	452,418
2013	32,500	349,312
2014	75,000	806,105
2015	2,000	21,496
Total	¥187,322	$2,013,337

The maturities of lease obligations outstanding as of March 31, 2010, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥1,059	$11,404
2012	548	5,891
2013	435	4,675
2014	357	3,837
2015	183	1,966
Thereafter	9	96
Total	¥2,593	$27,869

The maturities of bonds outstanding as of March 31, 2010, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥30,000	$322,441
2012	30,000	322,441
2013	40,000	429,923
Total	¥100,000	$1,074,805

9. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2009 and 2010. Goodwill and negative goodwill are amortized on a straight-line basis in accordance with Japanese accounting standards. Goodwill or negative goodwill is recorded on the balance sheets after offsetting. The amounts of goodwill and negative goodwill before offsetting as of March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Goodwill	¥469	¥3,703	$39,799
Negative goodwill	2,199	830	8,920

10. Retirement benefits

The Company and its Japanese subsidiaries maintain corporate defined benefit pension plans and defined contribution pension plans covering the majority of their employees.

Some of the Company’s Japanese subsidiaries maintain tax qualified pension plans that are non-contributory defined benefit pension plans. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on expense deductibility under Japanese income tax laws.

The funded status of these plans at March 31, 2009 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Projected benefit obligations	¥219,094	¥229,649	$2,468,282
Plan assets at fair value	171,621	193,268	2,077,257
Unfunded status	47,473	36,381	391,025
Unrecognized items:			
Actuarial gains (losses)	(36,086)	(17,081)	(183,609)
Prior service cost reduction from plan amendment	(734)	(476)	(5,116)
Provision for retirement benefits - net	10,653	18,822	202,300
Prepaid pension cost	2,313	1,186	12,747
Provision for retirement benefits	¥12,966	¥20,008	$215,047

The composition of net pension and severance costs for the years ended March 31, 2009 and 2010, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Service cost	¥8,050	¥8,257	$88,747
Interest cost	5,751	5,944	63,886
Expected return on plan assets	(6,895)	(5,720)	(61,478)
Amortization and expenses:			
Actuarial losses	2,155	6,999	75,225
Prior service costs	(2,077)	257	2,762
Net pension and severance costs	6,985	15,737	169,142
Contribution to defined contribution pension plan	3,542	3,581	38,499
	¥10,528	¥19,319	$207,641

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2009 and 2010, were primarily as follows:

	Year ended March 31	
	2009	2010
Discount rate	2.5%	2.5%
Long-term rate of return on plan assets	3.2	3.2

11. Net assets

The Japanese Companies Act stipulates that an amount equal to 10% of dividends shall be distributed as additional paid-in capital or legal reserve on the date of distribution until an aggregated amount of additional paid-in capital and legal reserve equals 25% of common stock.

Under the Japanese Companies Act, distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

Under the Japanese Companies Act, the distributions of retained earnings for a fiscal year is made by resolution of shareholders at a general meeting to be held within three months after the balance sheet date, and accordingly such distributions are recorded at the time of resolution.

In the years ended March 31, 2009 and March 31, 2010, the Company paid the following cash dividends per share to its registered shareholders at the ends of year and interim periods:

	Yen		U.S. dollars
	Year ended March 31		Year ended March 31,
Cash dividends per share	2009	2010	2010
Year-end	¥16.00	¥7.00	$0.07
Interim	19.00	-	-
Total	¥35.00	¥7.00	$0.07

The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2009, were June 26, 2008, and December 5, 2008, respectively. The effective date of the distribution for year-end cash dividend, which was paid during the year ended March 31, 2010, was June 25, 2009.

The proposed cash dividends of retained earnings of the Company for the year ended March 31, 2010, approved at the general shareholders' meeting, which was held on June 22, 2010, were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥1,997	$21,463
	Yen	U.S. dollars
Cash dividends per share	¥10.00	$0.10

The effective date of the distribution is June 23, 2010.

12. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2009 and 2010, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Net income (loss) attributable to common shares	(¥111,322)	(¥19,791)	($212,714)
	Thousands of shares		
Weighted-average number of common shares outstanding	196,361	199,225	
	Yen		U.S. dollars
Net income (loss) per share	(¥566.92)	(¥99.34)	($1.06)

Diluted net loss per share is not calculated herein since a net loss was incurred and Epson had no dilutive potential common shares outstanding during the years ended March 31, 2009 and 2010.

13. Income taxes

Epson is subject to a number of different income taxes that amounted to a statutory income tax rate in Japan of approximately 40.4 % for each of the years ended March 31, 2009 and 2010.

The significant components of deferred tax assets and liabilities as of March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Deferred tax assets:			
Property, plant and equipment and intangible assets (Impairment loss and excess of depreciation)	¥52,045	44,082	$473,796
Net operating tax loss carry-forwards	32,494	52,509	564,370
Inter-company profits on inventories and write downs	18,719	20,207	217,186
Provision for bonuses	3,925	4,146	44,561
Devaluation of investment securities	2,886	2,900	31,169
Provision for retirement benefits	3,360	6,331	68,046
Provision for product warranties	3,017	2,966	31,878
One-time depreciation for assets	1,060	1,808	19,432
Others	20,146	14,558	156,505
Gross deferred tax assets	137,656	149,510	1,606,943
Less: valuation allowance	(113,436)	(131,482)	(1,413,177)
Total deferred tax assets	24,220	18,028	193,766
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliates	(9,582)	(8,324)	(89,466)
Net unrealized gains on land held by a subsidiary	(2,613)	(2,613)	(28,084)
Valuation difference on available-for-sale securities	(1,069)	(1,683)	(18,088)
Reserve for special depreciation for tax purpose	(712)	(344)	(3,697)
Others	(910)	(1,493)	(16,082)
Gross deferred tax liabilities	(14,888)	(14,459)	(155,417)
Net deferred tax assets	¥9,331	¥3,568	$38,349

The valuation allowance was established mainly against deferred tax assets on future tax-deductible temporary differences and operating tax loss carry-forwards as it is probable that these deferred tax assets will not be realized within the foreseeable future.

The differences between Epson's statutory income tax rate and the income tax rate reflected in the consolidated statements of income were reconciled as follows:

	Year ended March 31	
	2009	2010
Statutory income tax rate	40.4%	40.4%
Reconciliation:		
Changes in valuation allowance	(99.0)	(3,168.4)
Reversal of deferred income taxes on undistributed earnings of overseas subsidiaries due to corporate tax reform	21.8	-
Tax rate differences in overseas subsidiaries	-	532.9
Entertainment expenses, etc. permanently non-tax deductible	(1.5)	204.0
Unrecognized tax benefit for inter-company profit elimination	7.8	-
Other	1.3	15.8
Income tax rate per statements of operations	(29.2%)	(2,375.4%)

14. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Salaries and wages	¥75,978	¥73,239	$787,177
Advertising	22,075	15,303	164,477
Sales promotion	22,881	16,052	172,527
Shipping costs	16,333	14,325	153,966
Research and development costs	43,948	32,316	347,334
Allowance for doubtful accounts	276	517	5,556
Other	109,540	89,485	961,848
Total	¥291,031	¥241,241	$2,592,885

15. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥82,058 million and ¥68,849 million ($739,993 thousand) for the years ended March 31, 2009 and 2010, respectively.

16. Impairment loss

Epson's business assets are generally grouped by business segment under the Company's management accounting system, and their cash flows are continuously monitored. Assets that Epson plans to sell and idle assets are separately assessed for impairment on the individual asset level. Impairment tests are performed for both types of assets. The net book value of a business asset is reduced to its recoverable amount when there is substantial deterioration in the asset's future earning potential due to adverse changes in the marketplace resulting in lower product prices or due to a change in the utilization plan for the assets. The carrying value of assets that Epson plans to sell and idle assets is reduced to its recoverable amount when their net selling prices are substantially lower than their carrying values.

For the year ended March 31, 2009, Epson incurred an impairment loss on its liquid crystal display production equipment, semiconductor production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥73,839 million was recognized in the impairment loss account and the other account. The reduction mainly comprised ¥31,744 million for buildings and structures, ¥24,809 million for machinery, equipment and vehicles, ¥4,645 million for tools, furniture and fixtures, ¥6,235 million for land, ¥3,930 million for intangible assets. The recoverable amounts are determined using their net selling prices and value in use, which were assessed on the basis of reasonable estimates. The values in use were calculated by applying a 6.1% discount rate to the assets' expected future cash flows.

For the year ended March 31, 2010, Epson incurred an impairment loss on its liquid crystal display production equipment, production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥7,269 million ($78,127 thousand) was recognized in the impairment loss account. The reduction mainly comprised ¥1,074 million ($11,543 thousand) for buildings and structures, ¥3,203 million ($34,426 thousand) for machinery, equipment and vehicles, ¥2,669 million ($28,686 thousand) for tools, furniture and fixtures. The recoverable amounts are determined using their net selling price, which were assessed on the basis of reasonable estimates.

17. Leases

As of March 31, 2009 and 2010, capital leases, mainly comprised of plants, production equipment in the electronic devices segment, host computers and computer terminals.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
Future lease payments	2009	2010	2010
Due within one year	¥4,216	¥2,810	$30,202
Due after one year	9,068	8,872	95,356
Total	¥13,285	¥11,682	$125,558

18. Cash flow information

Cash and cash equivalents as of March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2009	2010	2010
Cash and deposits	¥172,921	¥193,117	$2,075,634
Short-term investments	102,014	51,511	553,643
Short-term loans receivables	10,000	10,000	107,480
Less:			
Short-term loans payable (overdrafts)	(4)	(0)	(0)
Time deposits due over three months	(576)	(27)	(290)
Short-term investments due over three months	(14)	(11)	(118)
Cash and cash equivalents	¥284,340	¥254,590	$2,736,349

The Company obtained marketable securities, the fair value of which was ¥9,921 million and ¥9,918 million ($106,599 thousand) as of March 31, 2009 and 2010, respectively, as deposit for the short-term loans receivables above.

19. Derivatives instruments

Epson enters into forward exchange contracts, currency options and interest rate swaps. Forward exchange contracts and currency options are utilized to hedge currency risk exposure. Interest rate swaps are utilized to hedge against possible future changes in interest rates on loans. Epson uses derivative instruments only for hedging purposes and not for purposes of trading or speculation.

The table below lists notional amounts and fair value of derivatives as of March 31, 2009 and 2010, by transaction and type of instrument, excluding derivatives qualifying for hedge accounting.

(a) Currency-related transactions

	Millions of yen		
	March 31, 2009		
Instruments	Notional amounts	Fair value	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥462	¥460	¥1
Euro (purchased Japanese yen)	18,368	17,403	964
Australian dollar (purchased Japanese yen)	849	874	(25)
Euro (purchased Singapore dollar)	71	72	(0)
Australian dollar (purchased Singapore dollar)	1	1	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	2,129	2,142	12
Euro (sold Japanese yen)	323	326	2
Sterling pound (sold Singapore dollar)	1	1	0
U.S. dollar (sold Taiwan dollar)	281	293	11
U.S. dollar (sold Korean won)	715	676	(39)
Total			¥928

Instruments	Millions of yen March 31, 2010 Notional amounts	Fair value	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥52,622	(¥1,705)	(¥1,705)
Euro (purchased Japanese yen)	20,530	624	624
Australian dollar (purchased Japanese yen)	1,203	(78)	(78)
Singapore dollar (purchased Japanese yen)	2,675	(117)	(117)
Hong Kong dollar (purchased Japanese yen)	3,272	(106)	(106)
Euro (purchased Singapore dollar)	38	0	0
Australian dollar (purchased Singapore dollar)	3	(0)	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	4	0	0
Euro (sold Japanese yen)	124	0	0
U.S. dollar (sold Taiwan dollar)	190	(4)	(4)
Sterling pound (sold Singapore dollar)	9	0	0
Indonesia rupiah (sold U.S. dollar)	1,693	53	53
Total	¥82,369	(¥1,332)	(¥1,332)

Instruments	Thousands of U.S. dollars March 31, 2010 Notional amounts	Fair value	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	$565,655	($18,315)	($18,315)
Euro (purchased Japanese yen)	220,657	6,706	6,706
Australian dollar (purchased Japanese yen)	12,929	(838)	(838)
Singapore dollar (purchased Japanese yen)	28,751	(1,257)	(1,257)
Hong Kong dollar (purchased Japanese yen)	35,167	(1,139)	(1,139)
Euro (purchased Singapore dollar)	408	0	0
Australian dollar (purchased Singapore dollar)	32	(0)	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	42	0	0
Euro (sold Japanese yen)	1,332	0	0
U.S. dollar (sold Taiwan dollar)	2,042	(42)	(42)
Sterling pound (sold Singapore dollar)	96	0	0
Indonesia rupiah (sold U.S. dollar)	18,196	569	569
Total	$885,307	($14,316)	($14,316)

The fair value is calculated based on prices obtained from financial institutions.

The table below lists notional amounts and fair value of derivatives as of March 31, 2010, by transaction and type of instrument, qualifying for hedge accounting.

(a) Currency-related transactions

Instruments	Hedged items	Millions of yen March 31, 2010 Notional amounts	Fair value
Forward exchange contracts:			
Sold -			
Euro (purchased Japanese yen)	Forecasted transactions in foreign currency sales	¥5,297	¥179
Purchased -			
U.S. dollar (sold Japanese yen)	Forecasted transactions in foreign currency purchase	1,077	38
U.S. dollar (sold Taiwan dollar)		283	(3)
Total		¥6,658	¥215

Instruments	Hedged items	Thousands of U.S. dollars March 31, 2010 Notional amounts	Fair value
Forward exchange contracts:			
Sold -			
Euro (purchased Japanese yen)	Forecasted transactions in foreign currency sales	$56,944	$1,934
Purchased -			
U.S. dollar (sold Japanese yen)	Forecasted transactions in foreign currency purchase	11,575	408
U.S. dollar (sold Taiwan dollar)		3,041	(32)
Total		$71,560	$2,310

The fair value is calculated based on prices obtained from financial institutions.

(b) Interest-related transactions

Instruments	Hedged items	Millions of yen March 31, 2010 Notional amounts	Due after one year
Interest rate swaps:			
Pay-fixed, receive-floating	Floating interest rate in long-term loans payables	¥78,822	¥50,093

Instruments	Hedged items	Thousands of U.S. dollars March 31, 2010 Notional amounts	Due after one year
Interest rate swaps:			
Pay-fixed, receive-floating	Floating interest rate in long-term loans payables	$847,184	$538,402

The fair value of interest rate swaps meeting certain hedging criteria and recognized under exceptional treatment in Japanese accounting standards are not disclosed herein. They are included in the fair value of the long-term loans payable disclosed in Note 20 “Financial risk management and fair value of financial instruments.”

20. Financial risk management and fair value of financial instruments

From the year ended March 31, 2010, Epson adopted ASBJ Statement No.10 (revised 2008), “Accounting Standard for Financial Instruments” and its Implementation Guidance - ASBJ Guidance No.19 “Guidance on Disclosures about Fair Value of Financial Instruments,” issued on March 10, 2008. As a result, this note has been introduced for the financial statements from the year ended March 31, 2010.

Financial risk management principles

With the maintenance of funding an essential precondition, Epson places great emphasis on safety and liquidity, and selects operational funding methods that are designed to ensure the maximum possible efficiency. Epson uses methods such as bank loans and bonds to procure funds and others. Epson uses derivative instruments only for hedging purposes and not for purposes of trading or speculation.

Risks associated with financial instruments

Operating receivables such as notes and accounts receivable-trade are exposed to counterparties’ credit risks. Epson operates internationally, exposing its foreign operating receivables to the risk of fluctuations in foreign currency exchange rates.

Investment securities are mainly comprised of shares of companies with which Epson maintains business relations, and are exposed to risks associated with market fluctuations. The majority of notes and accounts payable-trade, accounts payable-other have payment due dates of one year or less. Some of these are foreign currency based, and are therefore exposed to risks associated with foreign currency fluctuations.

Certain interest expenses are exposed to the risk of interest rate fluctuations because of floating interest rates. Interest rate swaps are utilized to hedge against possible future fluctuations in interest rates on loans.

Derivative instruments are mainly comprised of forward exchange contracts and interest rate swaps.

Financial risk management

(1) Credit and default risk

Based on internal rules and policies and procedures, Epson regularly monitors the situation regarding the operating receivables of counterparties, and in addition to reviewing the payment due dates and account balances for each partner, seeks to understand and reduce at an early stage concerns regarding the collection of operating receivables caused by partners’ financial difficulties.

Epson’s management believes that credit risk relating to derivative instruments used by Epson is relatively low since all parties relating to the derivative instruments are creditworthy financial institutions.

(2) Market risk

Epson principally manages its exposure to fluctuations in exchange rates on a net basis and mainly uses forward exchange contracts to reduce the exposures. For risks associated with foreign currency fluctuations, for operating receivables and payables based on foreign currency, Epson, as a basic rule, executes forward exchange transactions for the purpose of hedging for each currency on a monthly basis. Epson makes exchange contracts for foreign currency-based operating receivables and payables that it expects to occur as a result of forecasted transactions. Forward exchange transactions are executed in accordance with internal rules and policies based on foreign exchange management rules and policies.

Interest rate swaps are utilized to hedge against possible future fluctuations in interest rates on loans. Interest rate swap transactions are approved and executed based on the authorization of Epson's director responsible for finance based on internal rules and policies concerning financial management.

For investment securities, Epson regularly reviews the market value and financial results, etc., of the issuing company (counterparty) based on rules and policies for managing investment securities. Epson also takes into consideration the state of the relationship with counterparties as it constantly reviews the level of its holdings.

(3) Liquidity risk

Epson manages liquidity risk by maintaining current liquidity at an appropriate level through creating and updating liquidity plans at appropriate times, and by constantly reviewing the external financial environment.

Fair value of financial instruments

The fair value of each category of Epson's financial instruments and their carrying value in Epson's balance sheets are as follows:

	Millions of yen		
	March 31, 2010		
Instruments	Carrying value	Fair value	Unrealized gains (losses)
Cash and deposits	¥193,117	¥193,117	-
Notes and accounts receivable-trade	144,435	144,435	-
Short-term investment securities	51,500	51,500	-
Investment securities	12,188	12,188	-
Total	¥401,241	¥401,241	-
Notes and accounts payable-trade	90,768	90,768	-
Short-term loans payable	21,739	21,739	-
Accounts payable-other	58,576	58,576	-
Bonds payable (including current portion)	100,000	101,211	¥1,211
Long-term loans payable (including current portion)	187,322	189,764	2,441
Total	¥458,406	¥462,059	¥3,652
Derivative instruments	(¥1,116)	(¥1,116)	-

Instruments	Thousands of U.S. dollars		
	March 31, 2010		
	Carrying value	Fair value	Unrealized gains (losses)
Cash and deposits	$2,075,634	$2,075,634	-
Notes and accounts receivable-trade	1,552,396	1,552,396	-
Short-term investment securities	553,526	553,526	-
Investment securities	131,008	131,008	-
Total	$4,312,564	$4,312,564	-
Notes and accounts payable-trade	975,580	975,580	-
Short-term loans payable	233,652	233,652	-
Accounts payable-other	629,578	629,578	-
Bonds payable (including current portion)	1,074,805	1,087,822	$13,015
Long-term loans payable (including current portion)	2,013,337	2,039,608	26,236
Total	$4,926,952	$4,966,240	$39,251
Derivative instruments	($11,994)	($11,994)	-

Derivative instruments in the table above represent a net amount.

Investments in unconsolidated subsidiaries and affiliates of ¥2,804 million ($30,137 thousand), unlisted securities of ¥967 million ($10,393 thousand) at March 31, 2010, are not included above because there is no market value and it is therefore extremely difficult to estimate their fair value.

The fair value of financial instruments was calculated based on the following methods and premises:

(1) Cash and deposits, notes and accounts receivable-trade and short-term investments securities

Due to the short terms of these financial instruments, it is assumed that their fair value is equal to the carrying amounts.

(2) Investment securities

Fair value was measured using exchange market value.

(3) Notes and accounts payable-trade, short-term loans payable, accounts payable-other

Due to the short terms of these financial instruments, it is assumed that their fair value is equal to the carrying amounts.

(4) Bonds payable (including current portion)

Fair value was measured using market prices.

(5) Long-term loans payable (including current portion)

Because long-term loans payable that are with floating rates are affected in the short term by fluctuations in market interest rates, and because Epson’s credit status has not changed greatly since they were implemented, it is assumed that their fair value is equal to the carrying amounts. The fair value of loans payable based on fixed interest rates are calculated by discounting the total amounts of loans payable using estimated interest rates that would be in effect if similar loan arrangements were entered into. Among items that are based on floating interest rates, the fair value of long-term loans payable whose interest rates become fixed as a result of interest-rate swaps are calculated using the same method as used for determining the fair value of long-term loans payable based on fixed interest rates.

Limitations
Fair value estimates are based on relevant market information. These estimates involve uncertainties and therefore changes in assumptions could affect the estimates.

21. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks as of March 31, 2009, were ¥1,707 million. Contingent liabilities for guarantee of employees' housing loans from banks and others as of March 31, 2010, were ¥1,413 million ($15,187 thousand).

22. Related party transactions

The Company has entered into real estate lease agreements with K.K. Sunritz ("Sunritz"). Mr. Yasuo Hattori, a vice-chairman and director of the Company, and his relatives own 9.5% and 71.3% of the outstanding shares of Sunritz, respectively.

A subsidiary of the Company has also entered into real estate lease agreements with Hamazawa Investment Company ("Hamazawa"), which is a subsidiary of Sunritz.

The company and its subsidiary's transactions with these related parties for the years ended March 31, 2009 and 2010, and related balances on March 31, 2009 and 2010, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Transactions:			
With Sunritz -			
Rental expenses for real estates	¥18	¥18	$193
With Hamazawa -			
Rental expenses for real estates	25	23	247

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2009	2010	2010
Balances:			
With Sunritz -			
Other investments	¥1	¥1	$10

23. Segment information

(1) Business segment information

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

Epson operates manufacturing facilities in Japan, Asia, the Americas and Europe, and markets its products internationally through a global network of local sales subsidiaries.

Epson engages principally in the following three business segments categorized based on the nature of products, markets and marketing methods.

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

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

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

Operations not categorized in any of the above segments, such as intra-group services and business incubation projects, are categorized within "Other".

The following table summarizes the business segment information of Epson for the years ended March 31, 2009 and 2010:

	Millions of yen						
	Year ended March 31, 2009						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥767,355	¥279,845	¥71,359	¥3,937	¥1,122,497	-	¥1,122,497
Inter-segment	2,494	31,781	1,337	27,891	63,506	(¥63,506)	-
Total	769,850	311,626	72,697	31,828	1,186,003	(63,506)	1,122,497
Operating expenses	¥739,707	¥329,876	¥74,604	¥43,901	¥1,188,090	(¥64,005)	¥1,124,085
Operating income (loss)	¥30,143	(¥18,249)	(¥1,907)	(¥12,073)	(¥2,086)	¥498	(¥1,588)
Identifiable assets	¥303,490	¥165,130	¥50,510	¥113,664	¥632,795	¥284,546	¥917,342
Depreciation and amortization	¥30,595	¥32,958	¥3,972	¥10,882	¥78,407	(¥1)	¥78,406
Impairment loss	¥133	¥73,218	¥52	¥434	¥73,839	-	¥73,839
Capital expenditures	¥31,578	¥18,763	¥3,752	¥6,695	¥60,788	(¥1,840)	¥58,947

	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
	Millions of yen						
	Year ended March 31, 2010						
Net sales:							
Customers	¥711,378	¥215,534	¥56,284	¥2,165	¥985,363	-	¥985,363
Inter-segment	1,314	32,466	1,461	17,548	52,791	(¥52,791)	-
Total	712,692	248,001	57,746	19,714	1,038,154	(52,791)	985,363
Operating expenses	¥674,662	¥257,268	¥61,857	¥26,383	¥1,020,172	(¥53,037)	¥967,135
Operating income (loss)	¥38,030	(¥9,266)	(¥4,111)	(¥6,669)	¥17,982	¥245	¥18,227
Identifiable assets	¥302,381	¥154,369	¥46,020	¥102,462	¥605,234	¥264,855	¥870,090
Depreciation and amortization	¥24,464	¥10,457	¥3,913	¥8,588	¥47,425	(¥29)	¥47,395
Impairment loss	¥830	¥5,280	¥89	¥1,068	¥7,269	-	¥7,269
Capital expenditures	¥14,506	¥9,440	¥2,076	¥2,115	¥28,138	(¥1,252)	¥26,885

	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
	Thousands of U.S. dollars						
	Year ended March 31, 2010						
Net sales:							
Customers	$7,645,959	$2,316,573	$604,944	$23,269	$10,590,745	-	$10,590,745
Inter-segment	14,146	348,946	15,702	188,607	567,401	($567,401)	-
Total	7,660,105	2,665,519	620,646	211,876	11,158,146	(567,401)	10,590,745
Operating expenses	$7,251,380	$2,765,110	$664,831	$283,554	$10,964,875	($570,034)	$10,394,841
Operating income (loss)	$408,725	($99,591)	($44,185)	($71,678)	$193,271	$2,633	$195,904
Identifiable assets	$3,250,033	$1,659,168	$494,625	$1,101,268	$6,505,094	$2,846,690	$9,351,784
Depreciation and amortization	$262,973	$112,392	$42,057	$92,304	$509,726	($322)	$509,404
Impairment loss	$8,944	$56,749	$956	$11,478	$78,127	-	$78,127
Capital expenditures	$155,924	$101,461	$22,312	$22,732	$302,429	($13,468)	$288,961

The amounts of corporate assets included in “Eliminations and corporate” were ¥293,829 million and ¥277,820 million ($2,986,027 thousand) at March 31, 2009 and 2010, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

In line with changes to the role of basic R&D accompanying the structural changes in the electronic devices segment, certain operating expenses previously included in business incubation projects in the “other” segment, from the current fiscal year, were allocated to the various business segments. As a result, operating income decreased by ¥3,654 million ($39,285 thousand) in the information-related equipment segment, by ¥1,105 million ($11,876 thousand) in the electronic devices segment, and by ¥292 million ($3,138 thousand) in the precision products segment, and increased by ¥5,052 million ($54,299 thousand) in the “other” segment compared to the corresponding amounts that would have been reported if the previous method had been applied.

In addition, the Company carried out structural changes to certain subsidiaries, transferring as of January 1, 2010, certain intra-group service functions previously included in the "other" segment to the Company's various business segments.

(2) Geographic segment information

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

"The Americas" mainly includes the United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru.

"Europe" mainly includes the United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia.

"Asia/Oceania" mainly includes China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India.

The following table summarizes the geographic segment information of Epson for the years ended March 31, 2009 and 2010:

	Millions of yen						
	Year ended March 31, 2009						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥505,477	¥215,950	¥237,754	¥163,314	¥1,122,497	-	¥1,122,497
Inter-segment	492,993	26,931	6,353	446,258	972,537	(¥972,537)	-
Total	998,471	242,881	244,108	609,573	2,095,035	(972,537)	1,122,497
Operating expenses	¥1,042,949	¥238,064	¥233,937	¥592,585	¥2,107,537	(¥983,452)	¥1,124,085
Operating income (loss)	(¥44,478)	¥4,817	¥10,170	¥16,987	(¥12,502)	¥10,914	(¥1,588)
Identifiable assets	¥450,657	¥79,752	¥70,141	¥154,054	¥754,606	¥162,736	¥917,342

	Millions of yen						
	Year ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥402,482	¥209,565	¥207,881	¥165,432	¥985,363	-	¥985,363
Inter-segment	466,013	19,763	6,343	390,002	882,121	(¥882,121)	-
Total	868,495	229,328	214,224	555,434	1,867,484	(882,121)	985,363
Operating expenses	¥893,689	¥220,856	¥207,473	¥528,173	¥1,850,192	(¥883,056)	¥967,135
Operating income (loss)	(¥25,193)	¥8,472	¥6,751	¥27,261	¥17,292	¥934	¥18,227
Identifiable assets	¥474,883	¥77,748	¥57,642	¥184,444	¥794,719	¥75,370	¥870,090

	Thousands of U.S. dollars						
	Year ended March 31, 2010						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$4,325,936	$2,252,418	$2,234,318	$1,778,073	$10,590,745	-	$10,590,745
Inter-segment	5,008,740	212,414	68,174	4,191,766	9,481,094	($9,481,094)	-
Total	9,334,676	2,464,832	2,302,492	5,969,839	20,071,839	(9,481,094)	10,590,745
Operating expenses	9,605,441	2,373,775	2,229,932	5,676,836	19,885,984	(9,491,143)	10,394,841
Operating income (loss)	($270,765)	$91,057	$72,560	$293,003	$185,855	$10,049	$195,904
Identifiable assets	$5,104,096	$835,640	$619,539	$1,982,416	$8,541,691	$810,093	$9,351,784

The amounts of corporate assets included in “Eliminations and corporate” were ¥293,829 million and ¥277,820 million ($2,986,027 thousand) at March 31, 2009 and 2010, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

(3) Sales to overseas customers

The following table shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the years ended March 31, 2009 and 2010:

	Millions of yen			
	Year ended March 31, 2009			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥236,602	¥262,130	¥255,038	¥753,771
Consolidated net sales				¥1,122,497
Percentage of overseas sales to consolidated net sales (%)	21.1%	23.4%	22.7%	67.2%

	Millions of yen			
	Year ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥217,636	¥212,902	¥209,806	¥640,346
Consolidated net sales				¥985,363
Percentage of overseas sales to consolidated net sales (%)	22.1%	21.6%	21.3%	65.0%

	Thousands of U.S. dollars			
	Year ended March 31, 2010			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$2,339,188	$2,288,284	$2,255,008	$6,882,480
Consolidated net sales				$10,590,745
Percentage of overseas sales to consolidated net sales (%)	22.1%	21.6%	21.3%	65.0%

24. 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.

25. Subsequent events

Significant business transfer

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

Details of transfer

Date of transfer: April 1, 2010

Gain on business transfer: ¥598 million ($6,427 thousand)

Carrying amounts of assets and liabilities transferred:

	Millions of yen	Thousands of U.S. dollars
	March 31, 2010	
Current assets	¥3,605	$38,757
Noncurrent assets	145	1,558
Total	¥3,751	$40,315
Current liabilities	¥231	$2,493
Noncurrent liabilities	54	580
Total	¥286	$3,073

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

Report of Independent Auditors

Report of Independent Auditors

The Board of Directors
Seiko Epson Corporation

We have audited the accompanying consolidated balance sheets of Seiko Epson Corporation and consolidated subsidiaries as of March 31, 2009 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seiko Epson Corporation and consolidated subsidiaries at March 31, 2009 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 5.

Ernst & Young ShinNihon LLC

June 22, 2010

Additional Information

1. Principal subsidiaries and affiliates

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Consolidated subsidiaries					
Epson Sales Japan Corporation *1	Shinjuku-ku, Tokyo	4,000 (million JPY)	Sales of information-related equipment	100.0	Sales of printers and other PC peripherals, Rental of assets, Interlocking directors
Epson Direct Corporation	Matsumoto-shi, Nagano	150 (million JPY)	Sales of information-related equipment	100.0 (100.0)	Sales of PCs, etc., Rental of assets
Epson Toyocom Corporation *1, 2	Hino-shi, Tokyo	12,266 (million JPY)	Manufacture and sales of electronic devices	100.0	Manufacture and sales of crystal devices, etc. Rental of assets
Tohoku Epson Corporation	Sakata-shi, Yamagata	480 (million JPY)	Manufacture of information-related equipment	100.0	Manufacture of printer components, Loan of assets
Akita Epson Corporation	Yuzawa-shi, Akita	80 (million JPY)	Manufacture of information-related equipment and electronic devices	100.0	Manufacture of printer components and crystal devices
Epson Imaging Devices Corporation *1	Tottori-shi, Tottori	55,000 (million JPY)	Manufacture and sales of electronic devices	100.0	Manufacture and sales of LCDs, Rental of assets, Guaranty of liabilities
U.S. Epson, Inc. *1	Long Beach, U.S.A.	111,941 (thousand USD)	Regional headquarters	100.0	Regional headquarters in Americas, Interlocking directors
Epson America, Inc. *1	Long Beach, U.S.A.	40,000 (thousand USD)	Sales of information-related equipment and precision products	100.0 (100.0)	Sales of printers and other PC peripherals, and sales of factory automation products, Interlocking directors
Epson Electronics America, Inc.	San Jose, U.S.A.	10,000 (thousand USD)	Sales of electronic devices	100.0 (100.0)	Sales of electronic devices
Epson Portland Inc. *1	Portland, U.S.A.	31,150 (thousand USD)	Manufacture of information-related equipment	100.0 (100.0)	Manufacture of printer consumables, Interlocking directors
Epson El Paso, Inc. *1	El Paso, U.S.A.	51,000 (thousand USD)	Manufacture of information-related equipment	100.0 (100.0)	Manufacture of printer consumables, Interlocking directors
Epson Europe B.V. *1	Amsterdam, Netherlands	95,000 (thousand EUR)	Regional headquarters	100.0	Regional headquarters in Europe, Sales of printers and other PC peripherals, Guaranty of liabilities, Interlocking directors
Epson (U.K.) Ltd.	Hemel Hempstead, UK	1,600 (thousand GBP)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals Guaranty of liabilities

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Deutschland GmbH	Dusseldorf, Germany	5,200 (thousand EUR)	Sales of information-related equipment and precision products	100.0 (100.0)	Sales of printers and other PC peripherals, and sales of factory automation products, Guaranty of liabilities
Epson Europe Electronics GmbH	Munich, Germany	2,000 (thousand EUR)	Sales of electronic devices	100.0 (100.0)	Sales of electronic devices, Guaranty of liabilities
Epson France S.A.	Levallois-Perret, France	4,000 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals
Epson Italia s.p.a.	Milan, Italy	3,000 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Guaranty of liabilities
Epson Iberica, S.A.	Cerdanyola, Spain	1,500 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Guaranty of liabilities
Epson (China) Co., Ltd. *1	Beijing, China	1,068 (million CNY)	Regional headquarters, sales of information-related equipment	100.0	Regional headquarters in China, Sales of printers and other PC peripheral
Epson Korea Co., Ltd.	Seoul, Korea	1,466 (million KRW)	Sales of information-related equipment	100.0	Sales of printers and other PC peripherals
Epson (Shanghai) Information Equipment Co., Ltd.	Shanghai, China	16 (million CNY)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals
Epson Hong Kong Ltd.	Hong Kong, China	2,000 (thousand HKD)	Sales of information-related equipment and electronic devices	100.0	Sales of printers and other PC peripherals, and sales of electronic devices
Epson Taiwan Technology & Trading Ltd.	Taipei, Taiwan	25,000 (thousand TWD)	Sales of information-related equipment and electronic devices	100.0	Sales of printers and other PC peripherals, and sales of electronic devices, Guaranty of liabilities
Epson Singapore Pte. Ltd.	Singapore	200 (thousand SGD)	Regional headquarters, sales of information-related equipment and electronic devices	100.0	Regional headquarters in South-east Asia, Sales of printers and other PC peripherals, and sales of electronic devices, Guaranty of liabilities
Epson Australia Pty. Ltd.	North Ryde, Australia	1,000 (thousand AUD)	Sales of information-related equipment	100.0	Sales of printers and other PC peripherals, Guaranty of liabilities, Interlocking directors
Suzhou Epson Co., Ltd. *1	Suzhou, China	1,043 (million CNY)	Manufacture of electronic devices	100.0 (80.6)	Manufacture of LCDs

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Tianjin Epson Co., Ltd.	Tianjin, China	172 (million CNY)	Manufacture of information-related equipment	80.0 (18.6)	Manufacture of printer consumables, etc., Interlocking directors
Epson Precision (Hong Kong), Ltd. *1	Hong Kong, China	81,602 (thousand USD)	Manufacture of information-related equipment, electronic devices and precision products	100.0	Manufacture of printers, 3LCD projectors, LCDs and watches, etc., Interlocking directors
Singapore Epson Industrial Pte. Ltd. *1	Singapore	71,700 (thousand SGD)	Manufacture of information-related equipment, electronic devices and precision products	100.0	Manufacture of scanners, semiconductors, and watches, etc., Guaranty of liabilities, Interlocking directors
P.T. Indonesia Epson Industry *1	Bekasi, Indonesia	23,000 (thousand USD	Manufacture of information-related equipment	100.0	Manufacture of printers, Guaranty of liabilities, Interlocking directors
Epson Precision (Philippines), Inc. *1	Cabuyao, Philippines	57,533 (thousand USD)	Manufacture of information-related equipment and electronic devices	100.0	Manufacture of printers and crystal devices, Interlocking directors
Epson Toyocom Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	16,000 (thousand MYR)	Manufacture of electronic devices	100.0 (100.0)	Manufacture of crystal devices
63 other companies	–	–	–	–	–

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and affiliate
Equity method affiliates					
Time Module (Hong Kong) Ltd.	Hong Kong, China	5,001 (thousand HKD)	Sales of precision products	33.3	Sales of watch movements
Four other companies	–	–	–	–	–

Notes

1. Ownership percentage of voting rights indicated inside parenthesis refers to indirect ownership percentage.
2. *1 indicates a specified subsidiary (“tokutei-kogaisha”).
3. *2 submitted the interim report for the 86th year (From April 1, 2009, to March 31, 2010), but did not submit the annual securities report (“yukashoken-houkokusho”).
4. The net sales (excluding eliminations of sales among consolidated subsidiaries) of Epson Sales Japan Corporation, Epson America, Inc. and Epson Europe B.V. each amount to more than 10% of the consolidated net sales. Key information about operations of those subsidiaries is as follows.

(Millions of yen)

Company name	Net sales	Ordinary income	Net income	Total net assets	Total assets
Epson Sales Japan Corporation	203,397	4,336	2,321	14,613	64,464
Epson America, Inc.	179,745	5,653	3,905	23,298	80,160
Epson Europe B.V.	207,881	6,743	5,334	43,666	99,060

Figures for Epson America, Inc. and Epson Europe B.V. are included in consolidated business results.

5. As a result of the share exchange of June 1, 2009, the Company's assumed 100% of the voting rights in Epson Toyocom Corporation and Epson Toyocom Malaysia Sdn. Bhd.

2. Distribution of ownership among shareholders

Correct as of March 31, 2010

Category	Share ownership (100 shares per unit)								Shares less than one unit (Shares)
	Government and regional public bodies	Japanese financial institutions	Japanese securities companies	Other Japanese corporations	Foreign institutions and others		Japanese individuals and others	Total	
					Institutions	Individuals			
Number of shareholders (Persons)	–	67	47	406	357	25	36,294	37,196	–
Number of shares owned (Units)	–	573,553	39,080	567,469	320,933	123	495,625	1,996,783	139,089
Percentage of shares owned (%)	–	28.72	1.95	28.41	16.10	0.00	24.82	100.00	–

Notes

1. 22,089 shares of treasury stock are included as 220 units in “Japanese individuals and others” and 89 shares in “Shares less than one unit.”
2. Four units in the name of Japan Securities Depository Center, Inc. are included under “Other Japanese corporations.”

3. Major shareholders

Correct as of March 31, 2009

Name	Address	Number of shares held	Shareholding ratio (%)
Aoyama Kigyo Kabushiki Kaisha	5-8 Ginza 3-chome, Chuo-ku, Tokyo	20,718,934	10.36
Sanko Kigyo Kabushiki Kaisha	6-1 Ginza 5-chome, Chuo-ku, Tokyo	14,288,500	7.15
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsu-cho 2-chome, Minato-ku, Tokyo	10,149,300	5.07
Seiko Holdings Corporation	5-11 Ginza 4-chome, Chuo-ku, Tokyo	7,948,800	3.97
Japan Trustee Services Bank, Ltd. (Trustee Account)	8-11 Harumi 1-chome, Chuo-ku, Tokyo	7,259,400	3.63
Yasuo Hattori	Minato-ku, Tokyo	7,154,506	3.58
Reijiro Hattori	Minato-ku, Tokyo	7,060,700	3.53
The Dai-ichi Mutual Life Insurance Company	13-1 Yuraku-cho 1-chome, Chiyoda-ku, Tokyo	6,240,000	3.12
Seiko Epson Corporation Employees' Shareholding Association	3-5 Owa 3-chome, Suwa-shi, Nagano	5,638,311	2.82
Noboru Hattori	Minato-ku, Tokyo	5,599,968	2.80
Total	―	92,058,419	46.07

Note

Mitsubishi UFJ Financial Group, Inc., and its joint holders submitted a Major Shareholding Report as of February 1, 2010, claiming that they hold the Company's shares as follows as of January 25, 2010. However, we have not been able to confirm the number of shares they held at the end of the fiscal year under review. Therefore, they are not included in the above major shareholders.

Name	Address	Number of shares held	Shareholding ratio (%)
The Bank of Tokyo-Mitsubishi UFJ,Ltd.	7-1 Marunouchi 2-chome, Chiyoda-ku,Tokyo,Japan	1,610,000	0.81
Mitsubishi UFJ Trust and Banking Corporation	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo	8,043,700	4.03
Mitsubishi UFJ Asset Management	4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo	377,200	0.19
Total	―	10,030,900	5.02

4. Epson stock price

(1) High and low stock prices for the previous five years

Year	64th year	65th year	66th year	67th year	68th year
Fiscal year	March 2006	March 2007	March 2008	March 2009	March 2010
High (¥)	3,970	3,610	4,320	3,300	1,715
Low (¥)	2,650	2,660	1,997	1,001	1,216

Note
High and low stock prices noted above are based on the Tokyo Stock Exchange (First Section) data.

(2) High and low stock prices for the previous six months

Month	October 2009	November	December	January 2010	February	March
High (¥)	1,527	1,436	1,508	1,708	1,715	1,639
Low (¥)	1,313	1,256	1,305	1,477	1,463	1,444

Note
High and low stock prices noted above are based on the Tokyo Stock Exchange (First Section) data.

5. Corporate data and investor information

(1) Company name	Seiko Epson Corporation
(2) Founded	May 1942
(3) Head office	3-5 Owa 3-chome, Suwa, Nagano 392-8502, Japan Tel: -81-266-52-3131(main)
(4) Tokyo office	Shinjuku NS Building, 4-1 Nishishinjuku 2-chome, Shinjuku-ku Tokyo 163-0811, Japan Tel: +81-3-3348-8531
(5) Investor information	
Closing of accounts	March 31
Regular general shareholders' meeting	June
Date for confirmation to shareholders of the cash dividend payment date	March 31
Date for confirmation to shareholders of the interim cash dividend payment date	September 30
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo
Agent's Business Address:	Head Office of Stock Transfer Agency Department Mizuho Trust & Banking Co., Ltd. 2-1, Yaesu 1-chome, Chuo-ku, Tokyo Tel: +81-3-5213-5213 http://www.mizuho-tb.co.jp/english/
Intermediary Offices:	Branches of Mizuho Trust & Banking Co., Ltd Head Office and Branches of Mizuho Investors Securities Co., Ltd.
Posting of Public Notices	Public notices will be posted electronically. In the event of accidents or other circumstances preventing the electronic posting of information, such information will be made available through the *Nihon Keizai Shimbun* newspaper (Japanese)
Web Address	http://www.aspir.co.jp/koukoku/6724/6724.html (Japanese)

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Better Products for a Better Future

At Epson, we know that planning for the future requires a strong commitment to the environment. That is why we strive to create innovative products that are reliable, recyclable, and energy efficient.
Better products that use fewer resources help ensure a better future for us all.