EPSON
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70th ANNIVERSARY

SEIKO EPSON CORPORATION

ANNUAL REPORT 2012

April 2011 - March 2012

Cautionary Statement

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

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.

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Consolidated Financial Highlights

Seiko Epson Corporation and Subsidiaries

For the years ended March 31

	Millions of yen						Thousands of U.S. dollars
	2007	2008	2009	2010	2011	**2012**	**2012**
Statements of income data							
Net sales	¥1,416,032	¥1,347,841	¥1,122,497	¥985,363	¥973,663	**¥877,997**	**$10,682,528**
Information-related equipment	916,330	902,970	769,850	712,692	702,918	—	—
Electronic devices	444,703	395,197	311,626	248,001	231,235	—	—
Precision products	87,744	83,927	72,697	57,746	68,276	—	—
Other	30,310	29,124	31,828	19,714	1,279	—	—
Eliminations and corporate	(63,055)	(63,378)	(63,506)	(52,791)	(30,046)	—	—
Information-related equipment	—	—	—	—	713,936	**691,801**	**8,417,094**
Devices and precision products business segment	—	—	—	—	212,670	**174,811**	**2,126,913**
Other	—	—	—	—	61,446	**17,316**	**210,695**
Eliminations and corporate	—	—	—	—	(14,390)	**(5,932)**	**(72,174)**
Gross profit	356,773	368,449	289,443	259,469	262,963	**248,846**	**3,027,691**
Selling, general and administrative expenses	306,430	310,871	291,031	241,241	230,253	**224,219**	**2,728,069**
Operating income (loss)	50,343	57,577	(1,588)	18,227	32,709	**24,626**	**299,622**
Income (loss) before income taxes and minority interests	3,476	52,045	(89,559)	(799)	15,381	**15,622**	**190,071**
Net income (loss)	(7,094)	19,093	(111,322)	(19,791)	10,239	**5,032**	**61,223**

Research and development costs	84,690	82,870	82,058	68,849	54,377	**52,106**	**633,970**
Capital expenditures	73,104	63,955	55,624	25,937	31,813	**38,908**	**473,390**
Depreciation and amortization	89,603	79,209	78,406	47,395	41,159	**37,651**	**458,097**

Net cash provided by (used in) operating activities	160,229	112,060	44,253	56,542	32,395	**26,678**	**324,589**
Net cash provided by (used in) investing activities	(76,419)	(50,770)	(61,002)	(43,203)	(23,615)	**(31,528)**	**(383,598)**
Free cash flow	83,810	61,289	(16,748)	13,338	8,780	**(4,849)**	**(59,005)**
Net cash provided by (used in) financing activities	(30,150)	(70,663)	(9,558)	(41,087)	(42,691)	**(57,406)**	**(698,454)**

	Millions of yen						Thousands of U.S. dollars
	2007	2008	2009	2010	2011	**2012**	**2012**
Balance sheet data							
Current assets	¥813,274	¥737,245	¥617,677	¥596,210	¥543,530	**¥487,190**	**$5,927,606**
Property, plant and equipment (net of accumulated depreciation)	379,032	343,261	253,712	225,354	213,623	**213,086**	**2,592,602**
Total assets	1,284,412	1,139,165	917,342	870,090	798,229	**740,769**	**9,012,884**
Current liabilities	476,125	385,123	283,848	328,652	315,422	**313,314**	**3,812,082**
Noncurrent liabilities	313,952	282,595	314,862	258,574	211,999	**179,314**	**2,181,700**
Net assets	494,335	471,446	318,631	282,864	270,808	**248,140**	**3,019,102**

Number of employees						
Information-related equipment	43,623	47,862	41,748	45,863	44,711	**55,841**
Electronic devices	32,551	29,609	19,818	22,439	20,659	—
Precision products	6,636	6,576	6,038	5,839	5,985	—
Devices and precision products business segment	—	—	—	—	—	**16,101**
Other	2,455	2,417	2,151	590	245	**249**
Corporate	2,361	2,461	2,571	3,206	2,951	**3,112**
Total	87,626	88,925	72,326	77,936	74,551	**75,303**

Per share data (yen and U.S. dollars)							
Net income (loss)	(¥36.13)	¥97.24	(¥566.92)	(¥99.34)	¥51.25	**26.22**	**$0.31**
Cash dividends	32.00	32.00	35.00	7.00	20.00	**26.00**	**0.31**
Shareholders' equity	2,395.14	2,277.45	1,541.16	1,407.92	1,347.71	**1,377.60**	**16.76**

Financial ratios (%)						
Shareholders' equity ratio	36.6	39.3	33.0	32.3	33.7	**33.3**
ROE (net income (loss)/average shareholders' equity at beginning and end of year)	(1.5)	4.2	(29.7)	(6.8)	3.7	**2.0**
ROA (income (loss) before income taxes and minority interests/ average total assets at beginning and end of year)	0.3	4.3	(8.7)	(0.1)	1.9	**2.0**
ROS (income (loss) before income taxes and minority interest/ net sales)	0.2	3.9	(8.0)	(0.1)	1.6	**1.8**

Notes

1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥82.19 =U.S.$1 as of March 31, 2012.
2. In this table, cash dividends per share refers to the amount paid for each share in each fiscal year.
3. 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 products business and others. This segment mainly includes the development, manufacture and sales of printers, 3LCD projectors, high-temperature polysilicon TFT panels (“HTPS-TFT panels”) for 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 consumables, color image scanners, mini-printers, point-of-sale (“POS”) system products and others.

Visual products business

The visual products business is responsible for the development, manufacture and sales of 3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers and others.

Others

In Other business, PCs are sold in the Japanese market 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 consumables, 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 Engineering (Shenzhen) 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 Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual products business</td><td>3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers and others</td><td>Epson Engineering (Shenzhen) Ltd.
Epson Precision (Philippines), Inc.</td></tr>
<tr><td>Others</td><td>PCs and others</td><td>–</td><td>Epson Direct Corporation</td></tr>
</table>

(2) Devices and precision products business segment
This segment comprises the device business and precision products business. This segment mainly includes the development, manufacture and sales of crystal oscillators, CMOS LSIs, watches, watch movements, plastic corrective lenses for glasses and horizontally articulated robots.

Details of the main businesses are as follows.

Device business
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 handheld devices and information communications equipment. Products are also developed and manufactured to respond to the needs of other businesses within the Group.

Quartz device business
The quartz device business is responsible for the development, manufacture and sales of crystal units, crystal oscillators and quartz sensors for industrial and consumer products in a wide range of markets. The Company succeeded the sales function of the quartz device business of Epson Toyocom Corporation through an absorption-type corporate split as of April 1, 2012.

Semiconductor business
The semiconductor business is responsible for the development, manufacture and sales of mainly CMOS LSIs 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.

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

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. On April 10, 2012, the Company reached an agreement with HOYA CORPORATION to transfer the optical product business of the Company to HOYA and concluded a basic agreement on the same day.

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
Device business	[Quartz device business] crystal units, crystal oscillators, quartz sensors and others	Epson Toyocom Corporation Akita Epson Corporation Epson Toyocom Malaysia Sdn. Bhd.	Epson Toyocom Corporation Epson Electronics America, Inc. Epson Europe Electronics GmbH

	[Semiconductor business] CMOS LSIs and others	Tohoku Epson Corporation Singapore Epson Industrial Pte. Ltd.	Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
Precision products business	[Watch business] Watches, watch movements and others	Epson Precision (Shenzhen) 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 Engineering (Shenzhen) Ltd.	Epson America, Inc. Epson Deutschland GmbH

(4) Other business segment

This segment comprises the businesses of subsidiaries that offer services for and within the Epson Group.

2. Major equipment and facilities

Epson's major equipment and facilities are as follows.

(1) Seiko Epson Corporation

Correct as of March 31, 2012

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	2,596	93	1,301 (43,888) [3,171]	112	4,103	950
Tokyo Office (Shinjuku-ku, Tokyo)	Overall administration and other	Other facilities	48	―	― (―)	8	56	42
Hirooka Office (Shiojiri-shi, Nagano)	Information-related equipment Other	Printer development and component manufacturing facilities Research and development facilities	19,000	4,906	5,560 (189,347) [22,983]	1,680	31,148	4,687
Matsumoto Minami Plant (Matsumoto-shi, Nagano)	Information-related equipment	Other facilities	938	536	3,637 (179,759) [1,758]	263	5,376	653
Shimauchi Plant (Matsumoto-shi, Nagano)	Information-related equipment	3LCD projector development and design facilities.	591	306	453 (31,340) [918]	434	1,786	796
Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano)	Information-related equipment Devices and precision products Other	Liquid crystal panel and factory automation manufacturing facilities Other facilities	6,545	4,656	1,443 (113,082) [28,909]	647	13,293	1,414
Chitose Plant (Chitose-shi, Hokkaido)	Information-related equipment	Liquid crystal panel manufacturing facilities	2,753	1,457	1,375 (160,528)	138	5,725	202
Ina Plant (Minowa-machi, Kamiina-gun, Nagano)	Devices and precision products	Crystal device manufacturing facilities	2,424	2,012	125 (39,943) [1,502]	89	4,652	693
Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano)	Devices and precision products Other	Semiconductor development and design facilities Research and development facilities	10,482	2,038	1,996 (247,143)	418	14,936	1,020
Sakata Plant (Sakata-shi, Yamagata)	Devices and precision products	Semiconductor manufacturing facilities	7,799	1,237	2,104 (538,828)	265	11,406	176
Hino Office (Hino-shi, Tokyo)	Devices and precision products	Sales facilities	3,406	2	8,303 (40,725)	76	11,789	353
Shiojiri Plant (Shiojiri-shi, Nagano)	Devices and precision products	Watch manufacturing facilities	1,647	763	1,019 (41,836) [5,764]	165	3,595	617
Matsushima Plant (Minowa-machi,	Devices and precision products	Plastic corrective lens development and	1,230	804	421 (8,931)	64	2,520	418

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	
Kamiina-gun, Nagano)		manufacturing facilities			[31,978]			

(2) Domestic subsidiaries

Correct as of March 31, 2012

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)	Devices and precision products	Crystal device manufacturing facilities	1,966	5	7,135 (189,490) [13]	27	9,135	359
Tohoku Epson Corporation (Sakata-shi, Yamagata)	Information-related equipment Devices and precision products	Printer component and semiconductor manufacturing facilities	4	1	— (—)	235	241	2,086
Akita Epson Corporation (Yuzawa-shi, Akita)	Information-related equipment Devices and precision products	Printer component and crystal device manufacturing facilities	1,298	159	677 (68,992)	129	2,264	868

(3) Overseas subsidiaries

Correct as of March 31, 2012

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 Devices and precision products	Printer, liquid crystal projector, liquid crystal panel, watches and factory automation manufacturing facilities	1,769	3,551	— (—) [64,104]	2,482	7,802	14,285
Singapore Epson Industrial Pte. Ltd. (Singapore)	Information-related equipment Devices and precision products	Printer consumables semiconductor and watch manufacturing facilities	2,813	2,468	55 (41,065) [43,534]	582	5,919	4,550
P.T. Indonesia Epson Industry (Bekasi, Indonesia)	Information-related equipment	Printer manufacturing facilities	2,588	1,585	— (—) [201,753]	1,133	5,307	12,024
Epson Precision (Philippines), Inc. (Cabuyao, Philippines)	Information-related equipment	Printer and liquid crystal projector manufacturing facilities	4,433	1,299	57 (17,489) [173,200]	972	6,763	7,152
Epson Toyocom Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)	Devices and precision products	Crystal device manufacturing facilities	316	2,333	314 (32,437)	31	2,995	2,292

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, primarily on new products and production capacity expansion to help foster the development of new businesses and prepare 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) amounted to ¥38,908 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 segment
Investment for commercializing new products such as printers and 3LCD projectors and production capacity expansion amounted to ¥29,510 million in the fiscal year under review.

Devices and precision products segment
Investment for commercializing new products such as crystal devices, watches and plastic corrective lenses, and for rationalizing and upgrading and maintaining equipment and facilities for crystal devices, watches and plastic corrective lenses amounted to ¥6,853 million in the fiscal year under review.

Other businesses and company-wide
Investment in R&D and other activities amounted to ¥2,545 million in the fiscal year under review.

4. Plans for new additions or disposals

Epson plans to invest ¥590 billion in capital expenditures for the consolidated fiscal year ending March 31, 2012.

Business segment	Planned amount of capital expenditures (100 millions of yen)	Main types and purposes of equipment and facilities
Information-related equipment	420	Reinforcing productivity, commercializing new products, rationalizing, upgrading and maintaining equipment and facilities, etc.
Devices & Precision Products	120	Commercializing new products, reinforcing productivity, rationalizing, upgrading and maintaining equipment and facilities, etc.
Other and overall	50	Investment for research and development, etc.
Total	590	–

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

On January 31, 2012, Seiko Epson and a consolidated subsidiary, Epson Toyocom Corporation, agreed upon and concluded an agreement on an absorption-type corporate split to transfer the sales operation of Epson Toyocom's quartz device business to Seiko Epson, effective on April 1, 2012.

Risks Related to Epson's Business Operations

At present, Epson has identified the following significant factors as risks that could have a material adverse affect on its future business, financial condition or operating results and that should thus be taken into account by investors. There may be other risk factors of which Epson is unaware at this time.
Epson strives to recognize, prevent, and control potential risks and to address risks that materialize.
Also, all forward-looking statements hereunder were made at Epson's discretion as of the date this Annual Report was submitted.

1. Epson relies to a significant degree on profits from its printer business.
Epson's ¥691,801 million in sales from its information-related equipment business for the year ended March 2012 constituted 78.8% of Epson's consolidated sales, which were ¥877,997 million. Inkjet and other printers, including printer consumables, accounted for a large majority of the sales and profits of the same business. A decrease in sales of printers and printer consumables could have a material adverse effect on Epson's operating results.

2. Price competition could put downward pressure on prices.
Market prices for Epson's core printers and projectors and for certain electronic devices might continue to decline primarily due to intensified competition and a shift in demand toward lower-priced products.
Epson is striving to improve profitability by reducing production costs by using low-cost designs. At the same time, it is taking measures to fight declining prices by, for example, developing and 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 downward prices, its operating 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) The Micro Piezo*[1] technology that Epson uses in its inkjet printers competes with the thermal*[2] inkjet technologies of other companies;
2) The 3LCD*[3] technology that Epson 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 which could adversely affect its operating results.

*1. Micro Piezo technology is an inkjet technology created by Epson that manipulates piezoelectric elements to fire small droplets of ink from nozzles.
*2. Thermal inkjet technology (also known as bubble-jet technology) is a printer technology in which the ink is heated to create bubbles and the pressure from the bubbles is used to fire the ink.
*3. 3LCD technology uses high-temperature polysilicon TFT liquid-crystal panels 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. DLP technology uses a digital micro-mirror device (DMD) as a display device. A DMD is a semiconductor on which anywhere from hundreds of thousands to millions of micro mirrors are arranged, each mirror directing light onto its own individual pixel. An image is formed 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 uses liquid crystal on silicon (LCOS) as a display device. The reflective LCD panels used in LCOS systems are characterized by a high aperture ratio. 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 genuine consumables might lose market share.
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 have a higher market share in emerging markets than in developed economies.
To counteract the loss in market share of genuine ink cartridges, Epson will pursue a policy of realizing customer value by emphasizing the quality of its genuine products as well as by boosting user-friendliness with inkjet printers tailored to customer needs in each market, such as models equipped with high-capacity ink tanks. 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 net sales from consumable products for inkjet printers declines because, for example, the market share of non-genuine ink cartridges increases further or because genuine ink cartridges lose market share or Epson must reduce the prices of Epson brand products, operating results might adversely be affected.

5. Market changes could affect Epson.
Epson is concentrating management resources on domains in which it can leverage its unique strengths—printing, projection, devices and precision products—and on future growth areas that will support the next generation as it seeks to strengthen its business foundations.
However, because technological innovation and product cycles are changing extremely rapidly in markets where Epson is focusing its managerial resources, the Company may be unable to respond flexibly to such changes and develop and sell competitive products. In addition, reduced demand 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 its main markets, or if economic downturns or other factors prevent a recovery in demand, Epson's operating results could adversely be affected.

6. 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 in Epson's markets. This competition could adversely affect Epson's operating results.
In addition to such competition, there is also the possibility that powerful companies against which Epson does not currently compete 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.

7. Expanding businesses overseas entails risks for Epson.
Epson is continuing to expand its businesses overseas; more than 60% of its consolidated sales for the business year ended March 2012 were overseas sales. Epson has production sites all over Asia, including China, Indonesia, Singapore, Malaysia and the Philippines, as well as in the United States, the United Kingdom, and other countries. It has also established many sales companies all over the world. As of March 2012, overseas employees account for more than 70% of Epson's total workforce.
Epson believes that its global presence provides many advantages. For example, it enables Epson to undertake marketing activities aligned with the market needs of individual regions and leads to greater cost-competitiveness by reducing manufacturing costs and lead times. There are, however, unavoidable risks associated with overseas manufacturing and sales operations. These include but are not limited to changes in national laws, ordinances, or regulations related to manufacturing and sales; social, political or economic changes; transport delays; damage to infrastructure (e.g., power supply); currency exchange restrictions; 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.

8. 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's competitive strength is backed by compact, energy-saving and high-precision technologies that are the source of its core technologies and have produced

advancements including Micro Piezo inkjet head, micro-display, sensing, GPS, image processing, energy-saving and precision mechatronics technologies. By evolving and fusing these technologies into platforms, Epson will continue develop and manufacture products that meet customer needs.
The rapid rate of technological innovation required in most of the fields in which Epson is engaged, however, means that, in order to respond swiftly to customer needs based on changes in technology, Epson sometimes must undertake long-term investments or capital spending based on product and market predictions. Thus, while Epson is making every effort to gauge market and customer needs and will maneuver to respond to the rapid technological innovation on which they depend, if Epson is unable to accurately gauge those market trends or customer needs, or if it cannot appropriately respond to the required technological innovations, its operating results might adversely be affected.

9. 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 global distribution network. It gathers information on product needs in different regions through local subsidiaries and branches, and it strives to reduce lead times 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 operating results could consequently be adversely affected.
Factors that could interfere with the transition to a new product include delays in the development or production of new products, competitors’ timing in introducing their new products, the difficulty in predicting changes in customers’ needs, a decline in purchases of existing products as consumers anticipate new product introductions, and competition between Epson’s existing and new products.

10. Procuring 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. However, certain inkjet printer and other product parts are procured from a single source due to difficulty in procuring alternative parts from other companies. Epson is developing reliable and efficient procurement processes by cooperatively engaging with suppliers to maintain product quality, improve products and reduce costs. However, if its ability to procure were to be adversely affected by, for example, insufficient supply from a third party or poor quality of products supplied, Epson’s operating results could adversely be affected. In principle, Epson strives to procure parts and the like from multiple suppliers.

11. 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 to develop advanced new technologies and manufacture advanced new products, but the competition for such 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 adversely be affected.

12. 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 the U.S. dollar or other foreign currencies linked to it, 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.

13. There are risks inherent in pension systems.
Epson has established defined-benefit pension plans 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 operating results could adversely be affected.

14. 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.

However, if any of the following situations relating to intellectual properties occurs, Epson's operating results could adversely 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 the competitive advantage that Epson had due to that license might be lost.
3) New restrictions might be imposed on an Epson business that were not originally 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 ability to focus its 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.

15. 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 an Epson product is defective or does not conform to the required standard, it may have to be replaced or repaired or otherwise reworked at Epson's expense. Or, if the product causes personal injury or property damage, Epson could bear product liability or hold other liability.

Also, Epson could be held liable to a customer and could incur expenses for repairs or corrections on the grounds that it did not adequately display or explain an Epson product's features or 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 operating results.

16. 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 from manufacturing processes. Environmental conservation is one of Epson's most important management policies, and the Company is proactively engaged in environmental conservation on all fronts. For example, Epson has programs to develop and manufacture products that have a smaller environmental burden, reduce energy use, promote the recovery and recycling of end-of-life products, and improve 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 operating results could adversely be affected.

17. Epson is vulnerable to proceedings relating to antitrust laws and regulations.
With business operations that span the globe, Epson is subject in Japan and overseas to proceedings relating to antitrust laws and regulations, such as those prohibiting private monopolies and those 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. Such investigations and proceedings could obstruct Epson’s sales activities and adversely affect Epson’s operating results.
The Company and certain of its consolidated subsidiaries are currently under investigation by the European Commission and other competition authorities regarding allegations of involvement in a liquid crystal display price-fixing cartel. It is difficult at this time to predict the outcome of these investigations and when they may be settled.

18. Epson is at risk of material legal actions being brought against it.
Epson conducts businesses internationally. Its primary businesses are 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.
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 the appeals court and the supreme court. The plaintiff, however, unsatisfied with this ruling, appealed to the Federal Constitutional Court of Germany. On December 21, 2010, the Federal Constitutional Court ruled that the August 2008 ruling of the supreme court violates rights set forth in Article 14 of the constitutional law of Germany. It thus dismissed the ruling of the supreme court and referred the case back to the supreme court for review. Then, in July 2011, the supreme court referred the case to the Court of Justice of the European Union. Companies in general, including Epson, and industry organizations are showing a willingness to take a stance against the expansion of the scope of such copyright fees.
Apart from this, civil actions have been brought against the Company and certain of its consolidated subsidiaries by multiple customers in multiple countries, including the United States, regarding allegations of involvement in a liquid crystal display price-fixing cartel.
It is difficult at this time to predict the outcome of these civil actions and when they may be settled, but Epson's operating results and future business could be affected, depending on the outcomes of suits and legal proceedings.

19. Epson is vulnerable to certain risks in internal control over financial reporting.
Epson has established and operates internal controls to ensure the reliability of financial reporting.
With the establishment and operation of internal controls over financial reporting high on its list of important management issues, Epson has been pursuing a Group-wide effort to audit and improve corporate oversight of its 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 limitations to internal control systems, if the internal controls that Epson implements fail to function effectively, or if there are deficiencies in internal controls over financial reporting or material weaknesses in the internal controls, it might adversely affect the reliability of Epson’s financial reporting.

20. 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. However, the parties may review the arrangements of tie-ups, and there is a possibility that tie-ups could 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 operating results exactly as expected.

21. Epson might be severely affected in the event of a natural or other disaster.
Epson has research and development, procurement, manufacturing, logistics, sales and services sites around the globe. 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, leak of customer data, supply chain disruption resulting from damage to parts suppliers, act of terrorism or war, and that these could adversely affect Epson's operating results.
The central region of Nagano Prefecture, where Epson has sites for its primary businesses, has numerous cities and towns designated as "Areas Requiring Enhanced Measures to Respond to Disasters" due to the high risk of a large-scale disaster in the event of an earthquake in the Tokai region. Moreover, an active fault line 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 losses arising from earthquakes, the scope of indemnification is limited.

22. Laws and regulations pose risks for Epson.
Some of Epson's businesses involve products that require legal or regulatory approval or licenses. Plastic corrective lenses, for example, are subject to regulation by certain authorities as they are considered medical equipment in Japan. Such products only represent a small percentage of Epson’s total net sales or income, but Epson is subject to the approval and regulatory requirements 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 sales 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 these products and to keep designated records relating to them.
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 operating results.

Business Conditions

1. Overview of business result
(1) Operating results
The global economy continued to grow at a slow pace throughout the year under review, with mounting uncertainty over the financial futures of some E.U. member states and soaring crude oil prices contributing to the slowdown. The economic picture varied by region. In the U.S. economic growth was slowed by factors such as continued high unemployment. In Europe, the economy was seen picking up in the first half, but it later stalled under the weight of continued high unemployment rates and rising uncertainty about the financial futures of several European countries. China and India recorded growth, mainly due to internal demand. As a whole, the other countries of Asia also headed toward recovery. Japan, meanwhile, continued to struggled in the aftermath of the March 11, 2011, earthquake and tsunami, but the economy began to gradually pick up in the second half as government economic measures took effect.

The situation in the main markets of the Epson Group (“Epson”) was as follows.
Demand for consumer inkjet printers was weak due to soft markets, especially in Europe and North America. Business inkjet printer demand picked up in China and other parts of Asia experiencing economic growth but was moderated somewhat by spending restraints in the printing industry and other sectors due to economic uncertainty. While the serial dot-matrix printer (SIDM) market is contracting in America, Europe, and Japan, demand remained firm in some regions, including China, Southeast Asia, and South Asia. In POS systems, capital expenditure by retailers showed signs of a picking up in China and Singapore, but U.S. retailers remained reluctant to invest. In projectors, sales of models for the education market were firm in China but soft in North America, Europe, and Japan due to factors such as education budget cuts.
Demand for the main electronic device applications generally remained steady across the period.
New mobile phone demand, buoyed by demand in emerging markets such as India and China, was firm during the first half of the year but showed signs of weakening in the second half. Meanwhile, a dizzying array of new smartphones with faster transmission speeds provided traction for the upgrade market. The digital camera market remained firm, with sales of SLR models particularly solid, while the tablet PC market also expanded. On the other hand, the television and PC markets were generally weak in the advanced economies. Meanwhile, the market for portable media players trended downward as the first round of demand wound down and as the number of mobile phones with music player features increased.
In the precision products market, watch demand rebounded in America, Japan, and other parts of Asia but showed signs of softening in Europe. Robot demand also increased in tandem with the rise in demand for automobiles in overseas markets.

Epson has been taking action to restore profitability and rebuild the company's business foundations under the first of two three-year business plans designed to achieve the SE15 Long-Range Corporate Vision of becoming a community of robust businesses. In Fiscal 2011, the final year of the first three-year plan, Epson's performance was affected the European financial crisis, the sustained strength of the yen, and a series of devastating natural disasters. Epson responded to these challenges while carrying out the core strategies in the plan. Steady progress in implementing these strategies enabled Epson to expand its business domains and product lineups, as well as to reduce its total costs for a dramatically improved cost structure, thereby putting the company back on a path to growth.

Extraordinary losses recorded for the 2011 fiscal year include a ¥6,052 million payment to settle a lawsuit involving allegations of involvement in an liquid crystal display price-fixing cartel, a ¥2,125 million extraordinary loss on disaster associated with charges in the aftermath of the northeastern Japan earthquake and tsunami, and a ¥2,024 million loss incurred on the transfer of a subsidiary company when the small- and medium-sized displays business was transferred.

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 ¥79.08 and ¥108.98, respectively. This represents an 8% appreciation in the value of the yen against the dollar and a 4% appreciation in the value of the yen against the euro, year-over-year.

Fiscal year net sales were ¥877,997 million ($10,682,528 thousand), down 9.8% year over year. Also on a year over year basis, operating income was down 24.7% to ¥24,626 million ($299,622 thousand), ordinary income declined 13.3% to ¥27,022 million ($328,774 thousand), and net income fell 50.9% to ¥5,032 million ($61,223 thousand).

A breakdown of the financial results in each reporting segment is provided below. Note that, from the first quarter, in addition to consolidating the transferred small- and medium-sized displays business under the "Other" segment, the old electronic devices segment and precision products segment have been combined and are being reported together as the Devices and Precision Products Segment. Further, as of the third quarter, the visual instruments business, which was under the information-related equipment segment, and the HTPS-TFT panels for 3LCD projectors business, which was under the devices and precision products segment, were merged to form the visual products business. The visual products business results are now reported under the information-related equipment segment. The financial results corresponding to last fiscal year have been restated in accordance with these segment changes for comparison purposes.

Information-Related Equipment Segment
Net sales in the Printer business as a whole declined. Consumer inkjet printer sales, including both hardware units and consumables, as in all printer discussions below, declined. Although sales in Japan were brisk, sales in other regions declined due to aggressive pricing by rivals and because Epson curtailed promotions in the aftermath of the earthquake and tsunami. Unit shipments of large-format printers for enterprise were tempered by the earthquake and tsunami yet still grew thanks to the launch of attractive new products in Europe and America. Meanwhile, sales of consumables declined in conjunction with a lower rate of printer use in the aftermath of the disaster in Japan and in a slowing economy. Page printer net sales suffered as the market shifted toward entry-level models, causing average selling prices to drop. Page printer net sales were also hurt by a decrease in consumables sales, the result of a smaller install base in the aftermath of the earthquake and tsunami. SIDM printer unit shipments increased due to demand associated with China’s tax collection system. POS system product unit shipments increased due to growth in sales of low- and medium-priced units to small- and medium-sized retailers. The printer business as a whole was significantly impacted by the strong yen.

Net sales in the visual products business as a whole increased.
In visual instruments, unit shipments of 3LCD business projectors grew in general, but growth was especially solid in Asia. Unit shipments of 3LCD home theatre projectors were buoyed by higher demand for full-HD and 3D models in the U.S. and Europe. The visual instruments business as a whole saw net sales increase, as unit shipment growth more than offset falling average selling prices and the effects of yen appreciation.
The visual products business reported higher unit shipments of HTPS-TFT panels for 3LCD projectors, yet net sales shrank under the weight of the strong yen and falling average selling prices.

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

As a result of the foregoing factors, net sales in the information-related equipment segment were ¥691,801 million ($8,417,094 thousand), down 3.1% year over year, while segment income was ¥64,888 million ($789,488 thousand), down 8.7% year over year.

Devices and Precision Products Segment
Devices business net sales were down sharply. Quartz device sales were negatively impacted by ongoing price erosion in AT-cut and tuning-fork crystals and by a drop in volume of high-speed crystal products in the aftermath of the earthquake and tsunami. Net sales in this business were also lower as a result of some opto-devices being transferred to the visual products business. Semiconductor shipments declined mainly due to a decline in sales of LCD controllers and silicon foundry products, in part because of the effects of the disaster.

Precision product net sales declined slightly. In watches, net sales increased due to a rise in average selling prices. Plastic eyeglass lens net sales were flat year on year because, while volume increased, average selling prices plunged along with an increase in the share of low-price models. In factory automation systems, sales of robots increased on a jump in orders from the automotive industry. On the other hand, sales of IC handlers decreased due to sluggish demand from the PC and traditional mobile phone semiconductor industries.

Segment income in the devices and precision products segment declined despite a rebound in watch income and a narrower loss in quartz devices. Income declined primarily due to lower revenue from semiconductors and IC handlers.

As a result of the foregoing factors, net sales in the devices and precision products segment were ¥174,811 million ($2,126,913 thousand), down 17.8% year over year, while segment income was ¥4,629 million ($56,320 thousand), down 58.8% year over year.

Other
Net sales from other operations in the year under review were ¥17,316 million ($210,695 thousand), down 71.8% year over year. Segment loss was ¥1,545 million ($18,810 thousand) compared to a ¥3,581 million segment loss recorded in the same period last year. Net sales decreased with the transfer of the small- and medium-sized displays business, while a restructuring effort, including the transfer of this business, reduced fixed costs and other expenses, leading to the narrower loss.

Adjustments
Adjustments to total income of reporting segments amounted to -¥43,345 million (-$527,376 thousand), compared to a segment loss of ¥46,032 million in the same period last year. The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

(2) Cash Flow Performance
Net cash provided by operating activities during the year was ¥26,678 million ($324,589 thousand) compared to ¥32,395 million in the previous fiscal year. While the Company recorded ¥15,622 million in income before income taxes and minority interests, ¥37,651 million in depreciation and amortization, and a ¥4,822 million increase in notes and accounts payable-trade, net cash provided by operation activities decreased primarily due mainly to a ¥20,360 million increase in inventories and a payment of ¥6,061 million for business restructuring.
Net cash used in investing activities was ¥31,528 million ($383,598 thousand) compared to ¥23,615 million the previous fiscal year. While the Company recorded an expenditure of ¥36,708 million for the purchase of property, plant and equipment and purchase of intangible assets, and an expenditure of ¥1,940 million for the acquisition of subsidiary shares, it had an income of ¥6,358 million from the transfer of a subsidiary company.
Net cash used in financing activities was ¥57,406 million ($698,454 thousand) compared to ¥42,691 the previous year. The major components of this were a net decrease of ¥32,395 million in interest-bearing liabilities, ¥20,415 million for the acquisition of treasury stock, and ¥4,586 million in dividend payments.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥150,029 million ($1,825,392 thousand) compared to ¥211,777 million at the end of the previous fiscal year.

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

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, 2012 (From April 1, 2011, to March 31, 2012) (Millions of yen)	Change compared to previous year (%)
Information-related equipment	678,555	104.0
Devices and precision products	163,583	78.3
Total for the reporting segments	842,139	97.8
Other	2,021	3.4
Total	844,161	91.8

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, 2012 (From April 1, 2011, to March 31, 2012) (Millions of yen)	Change compared to previous year (%)
Information-related equipment	691,234	96.9
Devices and precision products	166,823	83.3
Total for the reporting segments	858,058	93.9
Other	16,582	27.9
Total	874,640	89.9

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 by ¥95,665 million (9.8%) to ¥877,997 million compared with the previous consolidated fiscal year.

Sales in each reporting segment are discussed below. For comparison purposes, net sales for the previous fiscal year have been recalculated using the method employed for the fiscal year under review.

The information-related equipment segment recorded net sales of ¥691,801 million, a year-over-year decline of ¥22,134 million (3.1%). The factors described below were major contributors to the decline.
Consumer inkjet printer sales in Japan were strong in the second half, but in other regions unit shipments decreased due to the effects of the earthquake and tsunami in Japan and other factors. Page printer unit shipments increased due to sales growth of new products in Japan and other parts of Asia, but consumables volume decreased as demand in Japan shrank as a result of a drop in the printer utilization rate following the earthquake and tsunami. Large-format business printer unit shipments increased due to growth in new product sales, but consumables sales volume decreased as demand declined amid the economic slowdown. Meanwhile, although net sales were hurt by erosion of average selling prices, serial-impact dot-matrix printer (SIDM) unit shipments rose, with demand driven by China's tax collection system and by steady demand in other emerging economies. The Company also recorded growth in unit shipments of 3LCD education projectors in emerging nations and of full-HD and 3D projectors for home-theater applications. Yen appreciation also took a toll across the segment, contributing to the decrease in segment net sales.

The devices and precision products segment recorded net sales of ¥174,811 million, a year-over-year decline of ¥37,859 million (17.8%). The factors described below were major contributors to the decline.
Quartz device net sales were negatively impacted by ongoing price erosion in AT-cut and tuning-fork crystals, a drop in unit shipments of HS products (high-speed crystal oscillators for infrastructure applications) in the aftermath of the earthquake and tsunami, and the transfer of some opto-device to the visual products business. Semiconductor shipments declined mainly due to a decline in sales of LCD controllers and silicon foundry products in the aftermath of the earthquake and tsunami. In factory automation systems, robot shipments increased on a jump in orders from the automotive industry, but IC handler shipments decreased due to sluggish demand from the PC and traditional mobile phone industries. On the other hand, watch average selling prices rose.

In the "Other" segment, net sales were ¥17,316 million, a year-over-year decline of ¥44,130 million (71.8%). This is primarily due to a decline in sales associated with the transfer of the small- and medium-sized liquid crystal displays business.

Cost of sales and gross profit

The cost of sales was ¥629,151 million, a year-over-year decrease of ¥81,549 million (11.5%). The decrease in cost of sales is primarily a reflection of lower net sales, which led to lower material costs, the strong yen, and a decline in depreciation and amortization expenses due to continued curtailment of capital spending.

As a result, gross profit was ¥248,846 million, a ¥14,116 million (5.4%) decrease compared to the previous fiscal year.

Selling, general and administrative expenses and operating income

Selling, general and administrative (SG&A) expenses were ¥224,219 million, down ¥6,033 million (2.6%) year over year. In addition to the effect of the strong yen and lower labor costs, the Company reduced its R&D expenses by continuing to rigorously screen and select spending proposals in the difficult economic environment. Given the foregoing, the Company reported a ¥8,083 million (24.7%) drop in operating income, to ¥24,626 million.

Segment income in each reporting segment was as follows. For comparison purposes, segment income for the previous fiscal year has been recalculated using the method employed for the fiscal year under review.

Segment income in the information-related equipment segment was ¥64,888 million, down ¥6,203 million (8.7%) compared to the previous period. The dip in segment income is primarily a result of lower sales of large-format business printers and consumer inkjet printers, but the effects of the strong yen were also felt across the segment.

Segment income in the devices and precision products segment was ¥4,629 million, down ¥6,601 million (58.8%) compared to the previous period. The Company saw watch income increase as revenue rose and costs were cut. It also narrowed its losses in the quartz device business by lowering costs. Nevertheless, higher expenses and lower net sales due to the strong yen and disaster in Japan, which caused semiconductor sales to fall, took their toll on segment income.

Other segment loss was ¥1,545 million, a ¥2,035 million improvement compared to a ¥3,581 million loss in the previous period.

As for adjustments, segment loss was ¥43,345 million, a ¥2,686 million smaller loss than in the previous period. The smaller loss was primarily due to the recording of R&D expenses for basic research and new businesses that do not belong to a reporting segment, as well as to the recording of SG&A expenses, largely comprised of Head Office expenses, and more rigorous screening of budget expenditures.

Non-operating income and expenses
Net income was ¥2,395 million after non-operating expenses were subtracted from non-operating income. This represents a ¥3,930 million increase in income from the ¥1,534 million net loss recorded in the previous fiscal year. The main reason for the improvement is that the net gain on foreign exchange was ¥1,396 million in the year under review, compared to a loss of ¥1,239 million in the previous period.

Ordinary income
Ordinary income was ¥27,022 million, down ¥4,152 million (13.3%) compared to the previous period.

Extraordinary income and losses
Net loss after subtracting extraordinary loss from extraordinary income was ¥11,399 million, a ¥4,393 million improvement from the ¥15,793 million net loss recorded in the previous period. The Company recorded ¥9,909 million in business structure improvement expenses associated with the transfer and termination of the small- and medium-sized displays business and ¥1,252 million in insurance income for the year. However, the Company also recorded a ¥6,052 million loss on litigation to settle a suit alleging participation in a liquid crystal display price-fixing cartel, a ¥2,125 million loss on disaster accompanying the earthquake and tsunami in northeastern Japan, and a ¥2,024 million loss on transfer of subsidiary's equity along with the transfer of the small- and medium-sized displays business.

Income before income taxes and minority interests
Epson thus recorded income before income taxes and minority interests of ¥15,622 million, an increase of ¥240 million (1.6%) from the previous year.

Income taxes
Income taxes were ¥10,404 million, a ¥5,433 million increase (109.3%) compared to the previous period. This increase is primarily because, whereas the Company accrued deferred tax assets in the previous fiscal year as Seiko Epson's non-consolidated results rebounded, it did not accrue them in the year under review. In addition, the effective tax rate after the application of deferred tax accounting came to 66.6%.

Minority interests in income

Minority interests in income for the period under review were ¥185 million, an increase of ¥14 million (8.6%) compared to the previous period.

Net income
As a result of the foregoing, Epson posted net income of ¥5,032 million, a ¥5,207 million decrease (50.9%) from the previous year.

(2) Liquidity and capital resources
Cash flow
Net cash provided by operating activities in the period under review was ¥26,678 million, down ¥5,716 million from the previous period. Among the factors contributing to increased cash flow were a ¥28,141 million effect from an increase in notes and accounts payable-trade. Conversely, among the factors contributing to the decrease in cash flow were a ¥9,221 million effect from an increase in notes and accounts receivable-trade, a ¥10,533 million effect from a decrease in the provision for bonuses, a ¥6,207 million payment for loss on litigation, and a ¥6,061 million payment for business restructuring.

Net cash used in investing activities totaled ¥31,528 million, up ¥7,913 million from the previous period. While the Company had ¥6,358 million in income from the transfer of a subsidiary, the increase in net cash used in investing activities was primarily due to a ¥6,112 million increase in payments for acquisitions of intangible assets and tangible property, plant and equipment, as well as a ¥1,940 million payment to acquire subsidiary company shares.

Net cash used in financing activities totaled ¥57,406 million, up ¥14,714 million from the previous period. While repayment of interest-bearing liabilities reduced expenditures by ¥6,230 million, total cash used in financing activities increased chiefly due to a ¥20,412 million increase in expenditures due to a purchase of treasury stock.

Due to these factors, as of March 31, 2012, cash and cash equivalents at the end of the period stood at ¥150,029 million, a drop of ¥61,747 million from the previous fiscal year-end, giving Epson sufficient liquidity.

The combined total of short- and long-term loans payable was ¥138,812 million, a decrease of ¥41,910 million compared to the previous period, owing to progress in repaying general interest-bearing liabilities.

Long-term loans payable [excluding the current portion] amount to ¥77,500 million as of March 31, 2012, at a weighted average interest rate of 1.54% and with a repayment deadline of January 2017. These borrowings were obtained as unsecured loans primarily from banks.

Financial condition
Total assets as of March 31, 2012 stood at ¥740,769 million, a decrease of ¥57,459 million from the previous fiscal year-end. The main reason for the decrease in total assets is that the total of cash and deposits and securities decreased by ¥59,713 million, mainly due to repayment of interest-bearing liabilities and the acquisition of treasury stock.

Total liabilities as at March 31, 2012, were ¥492,628 million, down ¥34,792 million from the previous fiscal year-end. While this decrease in total liabilities was a result of a ¥10,000 million increase in financing by means of bonds payable, the Company reduced its total short-term and long-term loans payable by ¥41,910 million as a result of repayment of loans from financial institutions.

Net assets as of March 31, 2012 stood at ¥248,140 million, a decrease of ¥22,667 million from the previous fiscal year-end. The main reason for the decrease was that shareholders' equity decreased by ¥19,969 million due to the acquisition of treasury shares.

Working capital, defined as current assets less current liabilities, was ¥173,875 million, a decrease of ¥54,232 million compared with March 31, 2012.

The ratio of interest-bearing liabilities to total assets declined to 32.4% from 34.1% at the end of the previous fiscal year.

4. Research and development activities

Epson is pursuing innovation in compact, energy-saving, high-precision technologies with the aim of becoming a "community of robust businesses," as set forth in the company's SE15 Long-Range Corporate Vision. The company's research and development programs are designed to achieve this and are thus principally focused on boosting competitiveness by concentrating management resources on areas of strength, reinforcing business foundations, and using the technologies and other assets in the company's portfolio to create new businesses. Operations division R&D develops core technologies and shared technology platforms in order to strengthen the company's market position, both short and long term. Corporate R&D's mission is to develop both new and existing core technologies and shared technology platforms, with the aim of creating new and revolutionizing existing businesses.
Total R&D spending in the year under review was ¥52,106 million. This included ¥26,817 million in the information-related equipment segment, ¥7,541 million in the devices and precision products segment, and ¥17,747 million in the other segment and corporate segment.
The main R&D accomplishments in each segment are described below.

Information-related equipment
In the printer business Epson launched to market new inkjet printers that provide more than enough speed, durability, and print quality for business use. In addition to a 100,000-print durability rating and a 580-sheet paper capacity (with an optional paper tray), an Epson A4 model with a newly developed print head produces up to 24 color prints per minute at 600-dpi resolution.
The visual products business developed what Epson believes is the world's first standalone consumer head mounted display (HMD) with see-through screens that allow the wearer to simultaneously view projected images and see his or her surroundings. Epson's unique optical technology and high-resolution displays combine to produce beautiful images that appear larger the farther the user stares into the distance. (Perceived images are equivalent to viewing a 320-inch display from 20 meters away.) With video content stored on a memory card, the HMD works as a standalone player that does not require connection to other playback equipment. And, since the battery lasts for six hours on a single charge, users can enjoy movies anywhere, at home or on the go, and in any position.

Devices and precision products
In quartz devices, Epson developed a new inertial measurement unit (IMU)[*1]. Using an original approach that combined QMEMS[*2] quartz gyroscopic (angular rate) sensors[*3] with semiconductor technology developed for GPS and other positioning devices, the company commercialized what it believes is one of the smallest and most energy-efficient of all industrial IMUs[*4]. And, while the IMU measures just 24 x 24 x 10 mm and consumes only 30 mA when operating at 3.3V, it nonetheless offers excellent measurement accuracy and stability.
In watches, Epson developed the world's first solar GPS watch. No matter where the wearer is on earth, the watch quickly captures satellite data to pinpoint its location and current time zone. It recognizes all 39 time zones, even when you don't, and the hands adjust automatically to the correct local time at the push of a button.

[*1] A device for sensing inertial motion that consists of angular rate sensors on three axes and accelerometers (sensors that measure changes of velocity per unit of time) in three directions
[*2] QMEMS is a combination of "quartz," a crystalline material that has excellent stability and precision, and "MEMS," micro electro-mechanical systems engineered using microfabrication technology. QMEMS refers to compact, high-performance devices made from quartz material and is a registered trademark of Epson Toyocom Corporation.
[*3] A sensor that measures rotation angle (angular velocity) of an object per unit of time with respect to a reference axis.
[*4] As of the end of May 2011.

Other and corporate
Epson developed a thin, wrist-worn GPS running monitor. Believed to be the lightest device of its kind (as of February 21, 2012), the monitor uses GPS signals to accurately measure and provide distance, pace, speed, time, and other data. Despite its small size, the monitor has a remarkably accurate built-in GPS module. Strapped to a

wrist, it provides runners with accurate performance data on the fly, on any course, so that they can train with maximum effectiveness and enjoyment. The running monitor can operate for up to 12 hours on a full charge with GPS tracking on – more than enough time for long-distance events, from full marathons to trail runs.

5. Issues for Fiscal 2012

A number of megatrends continue to shape the business environment in which Epson operates. These megatrends include, for example, the growing influence of emerging markets on the global economy and product markets, as well as a heightened interest in pursuing sustainable industrial and economic activity. The progression of these trends is transforming the social landscape and, along with it, the customer value that Epson needs to provide.
Viewing these changes as an opportunity to access new avenues of growth, Epson has reassessed and is reinforcing its strengths, and is concentrating its management resources on businesses that have growth potential. For the past three years Epson has been working to reposition its businesses toward profitability and seize new opportunities for growth under the company's SE15 Mid-Range Business Plan (FY2009-11), the first of two three-year plans formulated to bring the company progressively closer to realizing the goals of SE15 Long-Range Corporate Vision, a strategic vision of how Epson wants to be in 2015. This year, in March, Epson kicked off the second three-year plan, the SE15 Mid-Range Business Plan (FY2012-14).
The SE15 Long-Range Corporate Vision paints a picture of Epson as an indispensable company for society. The company seeks to achieve this vision by focusing on the enhancement of its traditional core strengths in compact, energy-saving, high-precision technologies—technologies that are also potentially strong assets for enabling sustainable growth—, developing platforms, and providing products and services that delight customers around the world.
The SE15 Mid-Range Business Plan (FY2012-14) calls for the Epson Group to channel its collective energy into coping with a difficult competitive environment, to accelerate the speed with which business strategies are executed, and to establish a firm map for achieving the SE15 Long-Range Corporate Vision.
Epson is concentrating its management resources in the areas below where it can continue to exploit its unique strengths. It is looking to expand its existing business domains, develop future new businesses, and achieve the fiscal 2015 financial objectives presented in SE15: 10% ROS and 10% or higher ROE on a continuous basis, assuming net sales growth.

Management Policies and Basic Strategies in Each Business Domain
Printing
Epson will use its unique Micro Piezo technology to revolutionize printing in every segment of the printing domain.
Epson will further extend the advantages of this technology (including broad ink and media compatibility and outstanding durability, speed, and accuracy) and deploy it in a broad range of printing segments to revolutionize printing processes. This will allow Epson to augment its solid position in the consumer inkjet printer market with a beefed up presence in the office and emerging markets, as well as in the commercial and industrial sectors.
In addition, in the business systems business, Epson will achieve steady income growth by uncovering new demand while maintaining a grip on the top share in existing segments.

Projection
In the projection domain, Epson will continue creating new realms for projected images and communication with innovative micro-display and optics technologies.
Epson will seek to boost its competitiveness and expand its market share by further polishing its optical and micro-display technologies, particularly its HTPS-TFT panels, the core devices at the heart of 3LCD projectors. By doing so, Epson will aim to be No. 1 in all projector segments and continue creating new categories of products.

Devices and Precision Products
Epson will establish businesses in the devices and precision products domain where it can leverage its unique strengths and capture profits from the value it creates.
The devices business strives to create strong products that offer high customer value and to increase profitability by combining unique QMEMS devices (extremely small, high-performance quartz micro-electromechanical systems microfabricated in a crystalline material on a wafer) with semiconductor technology. In precision products, Epson will build a business by focusing on segments where it can leverage its unique strength in precision mechatronics.

New Domains

Epson will leverage its strengths to create unique core technologies and commercialize them in the optimum form.

The company's compact, energy-saving, high-precision technologies have produced an extensive legacy of unique technologies, including Micro Piezo inkjet head, micro-display, sensing, GPS, image processing, energy-saving, and precision mechatronics technologies. Epson will continue to further refine and combine these technologies to create platforms for new areas of business. In this way Epson will develop new products for the health, sporting, and medical fields and help enable people to lead healthier, more reassuring, fuller lives. Epson will also deploy its strong technologies in both existing and new areas, such as robotics, to spark production process innovations and establish new categories of products that can help customers improve their production efficiency.

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.

Given its policy of paying stable dividends, and in view of the fact that its core strategies are steadily yielding results, the Company paid an annual dividend of 26 yen per share (including a 13-yen interim dividend).

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)
October 28, 2011, by resolution of the board of directors	2,588	13
June 20, 2012, by resolution of the general shareholders' meeting	2,325	13

Corporate Governance

1. Approach to corporate governance
(1) Corporate governance system
Outline
Epson's basic approach to corporate governance is geared toward
- continuously increasing enterprise value; and
- reinforcing business checks and balances, practicing sound corporate ethics, and ensuring business transparency and health.

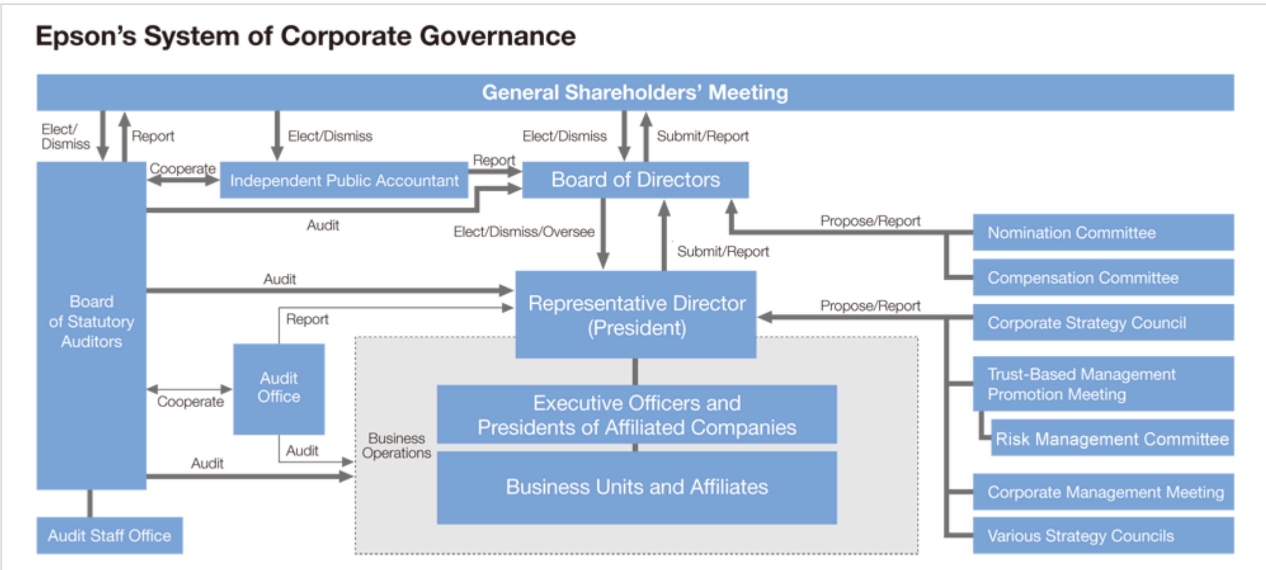
The Company has a board of directors and a board of statutory auditors. The board of directors, which had 10 members as of the date the Annual Securities Report was submitted, meets once a month and convenes extraordinary meetings as needed. The board of directors makes decisions regarding basic management policies, key business operations, period-end closing, disclosure timeframes, and other important issues. Various management bodies have been created to advise the president, deliberate issues to facilitate decision-making, and oversee and enhance the execution of business.
The main corporate management bodies 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 discuss compliance management, focusing primarily on internal control systems, and to deliberate issues relating to risks and the provision of internal controls.

Nomination Committee/ Compensation Committee
The Nomination Committee screens board of director candidates, and the Compensation Committee deliberates 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 looking to initiate fresh growth by developing and executing strategic measures based on the SE15 Second-Half Mid-Range Business Plan (FY2012-14), which is aimed at achieving the goals set forth in Epson's "SE15" Long-Range Corporate Vision.

As it moves forward on the new mid-range business plan, the Company believes that it will be important to have a governance system that strikes a good balance between business speed and efficiency on the one hand and effective oversight of management on the other.
To achieve business speed and efficiency, the Company employs an agile, practical management organization wherein directors who understand the situation inside the Company simultaneously oversee multiple key business operations and always make decisions based on what is best for the Epson Group as a whole.
Meanwhile, to achieve effective oversight of management, the Company has selected one outside director to sit on the board and has engaged independent outside auditors who dispense management advice not only from a compliance perspective but also from a broader business perspective.

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 corporate 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
View on independence
Epson, taking Tokyo Stock Exchange requirements for independent directors under advisement, selects outside directors and outside statutory auditors who do not have potential conflicts of interest with general shareholders. The outside director and the outside auditors that are currently engaged all meet these requirements.

Outside directors
Epson's board has one outside director. No special interests exist between the Company and the outside director. The outside director, Toshiharu Aoki, was an executive at Nippon Telegraph and Telephone Corporation and at NTT Data Corporation. Epson does not currently have a business relationship with Nippon Telegraph and Telephone Corporation. Although Epson does have a business relationship with NTT Data Corporation, which Epson has engaged primarily to build internal information systems, the transaction amount is insignificant when compared to the net sales of both companies.

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. No special interests exist between the Company and any of the outside statutory auditors.

Outside statutory auditor Yoshiro Yamamoto is a former Fuji Bank, Ltd. (now Mizuho Corporate Bank, Ltd.) executive who has been retired from the bank for 10 years. He was invited to become an auditor because he fit the needs of the Company and for no other reason, such as a recommendation by Fuji Bank, Ltd. Net interest-bearing liabilities account for only a small percentage of the Company's total assets, and the Company's dependence on bank loans is low. Furthermore, the Company deals with multiple financial institutions and does not depend on Mizuho Corporate Bank, Ltd. for a high proportion of its borrowing. There is therefore no special relationship between the Company and Mizuho Corporate Bank, Ltd., and Mizuho Corporate Bank, Ltd. does not influence Epson's decision-making.

Outside statutory auditor Tatsuhiro Ishikawa is an attorney, but the Company has never engaged him to perform duties under an advisory agreement or under any other separate agreement, nor does it plan to do so in the future.

Outside statutory auditor Kenji Miyahara was an executive at Sumitomo Corporation. Although the Company trades with Sumitomo Corporation in materials and so on, the transaction amount is insignificant when compared to the net sales of both companies.

There is no particular system of coordination between outside statutory auditors and audit functions in the Group; however, statutory auditors actively consult with the internal Auditing 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.

(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 monthly salaries of directors are set according to their title, and in consideration of Epson's business performance. Director bonuses are paid only if the Company has achieved a level of profit that increases corporate value. The desired level of profit is predefined by the board of directors, and the board of directors submits to the general shareholders for approval a proposal for the total amount of director bonuses to be paid in a given period, the amount to be commensurate with the level of performance with respect to profit.

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	481	481	-	10
Statutory auditors (including total for outside statutory auditors)	121 (60)	121 (60)	- (-)	5 (3)
Total	603	603	-	15

Notes

1. Remuneration paid to directors does not include remuneration paid to personnel who hold the position of director as an additional post.
2. 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.
3. 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.
4. The directors who retired at the closing of the general shareholders' meeting held on June 20, 2012, were

paid a combined total retirement benefit of ¥304 million based on the resolution of the general shareholders' meeting held on June 23, 2006, on the payment of discontinued benefits for retiring directors. This amount was recognized as a provision for allowance of directors' retirement benefits in last year's Annual Securities Report.

5. Stock options are not granted.

(5) Stock holdings

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

22 companies ¥8,434 million

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

Previous fiscal year

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	5,586	Maintain and strengthen business ties
Mizuho Financial Group, Inc.	15,003,480	2,070	Maintain and strengthen business ties
Seiko Holdings Corporation	1,644,080	468	Maintain and strengthen business ties
The Hachijuni Bank, Ltd.	489,500	234	Maintain and strengthen business ties
Hakuto Co., Ltd.	190,000	165	Maintain and strengthen business ties
Iwasaki Electric Co., Ltd.	1,000,000	164	Maintain and strengthen business ties
King Jim Co., Ltd.	221,980	141	Maintain and strengthen business ties
Marubun Corporation	332,640	139	Maintain and strengthen business ties
Joshin Denki Co., Ltd.	70,000	56	Maintain and strengthen business ties
Otuska Corporation	10,000	53	Maintain and strengthen business ties
Pixelworks, Inc.	100,000	29	Maintain and strengthen business ties
Mizuho Trust & Banking Co., Ltd.	10,000	0	Maintain and strengthen business ties

Current Fiscal year

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	4,437	Maintain and strengthen business ties
Mizuho Financial Group, Inc.	15,008,880	2,026	Maintain and strengthen business ties
Seiko Holdings Corporation	1,644,080	327	Maintain and strengthen business ties
The Hachijuni Bank, Ltd.	489,500	238	Maintain and strengthen business ties
Iwasaki Electric Co., Ltd.	1,000,000	174	Maintain and strengthen business ties
Hakuto Co., Ltd.	190,000	156	Maintain and strengthen business ties
King Jim Co., Ltd.	221,980	147	Maintain and strengthen business ties
Marubun Corporation	332,640	139	Maintain and strengthen business ties
Otuska Corporation	10,000	67	Maintain and strengthen business ties
Joshin Denki Co., Ltd.	70,000	57	Maintain and strengthen business ties
Pixelworks, Inc.	100,000	18	Maintain and strengthen business ties

Stocks held for pure investment
None

(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	3
Designated and Engagement Partner, Certified Public Accountant	Takahiro Yamazaki	Ernst & Young ShinNihon LLC	1

Designated and Engagement Partner, Certified Public Accountant	Taisuke Ide	Ernst & Young ShinNihon LLC	3

(b) Composition of auditing team
The auditing team comprises 33 staff including 10 certified public accountants, nine junior accountants, and 14 other accounting staff.

(7) Outline of contract limiting liability
The Company's contract with the outside director and outside statutory auditors 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.
Limited liability is recognized only in cases where the outside director and the outside statutory auditors performed their duties in good faith and were not grossly negligent.

(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	144	13	145	66
Consolidated subsidiaries	124	-	94	-
Total	268	13	240	66

(2) Other important remuneration

Previous fiscal year

Total payments for audits carried out on behalf of 38 consolidated overseas subsidiaries by auditing certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2011, amounted to ¥177 million.

Fiscal year under review

Total payments for audits carried out on behalf of 66 consolidated overseas subsidiaries by auditing certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2012, amounted to ¥356 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 in IFRS.

Fiscal year under review

Remuneration paid for non-audit work performed by the auditing certified public accountant was for consultancy services in IFRS.

(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 believes 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, nor do they always 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) Summary of initiatives to help achieve the basic policy

1) Specific actions supporting actualization of the basic policy
In March 2009 Epson announced SE15 Long-Range Corporate Vision, a strategic vision of how the company wants to be in the 2015 fiscal year. For the past three years the Company has been executing strategies in line with the SE15 Mid-Range Business Plan (FY2009-11), the first of two three-year plans designed to achieve the SE15 Long-Range Corporate Vision.
In the past three years the global economy climbed back from the economic crisis triggered by the Lehman collapse before falling back under the weight of events such as the European debt crisis. In 2011, moreover, the business environment was thrust into further upheaval by the skyrocketing yen and a series of natural disasters, including the devastating earthquake and tsunami in Japan and flooding in Thailand.
Epson's financial performance was significantly impacted by these environmental changes, yet the company still managed to gain traction for growth. This traction is being provided by steady progress in accomplishing the core strategies set forth in SE15 (FY2009-11), which were to expand business domains and product lines and to reduce total costs to dramatically improve the company's cost structure.
The new three-year business plan, the SE15 Mid-Range Business Plan (FY2012-14), is designed to enable Epson to achieve the goals stated in the SE15 Long-Range Corporate Vision, regardless of environmental conditions. Given the results achieved during the past three years under SE15 (FY2009-11), Epson will stay the course and accelerate the execution of strategies.

2) Efforts in preventing parties who are deemed inappropriate based on Epson’s basic policy from gaining control over the Company’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 Original Plan") to prevent large-scale acquisition of Epson shares after shareholders approved the Original Plan at their general meeting held on June 25, 2008. The Original Plan, which was approaching the end of its effective period, was subsequently revised in part, and the updated plan ("the Plan") was approved by shareholders at the June 20, 2011, general shareholders' meeting.
The purpose of the Plan is to prevent large-scale acquisitions of Epson stock certificates that do not enhance corporate value or that are not in the common interests of shareholders by having shareholders decide whether to allow such acquisitions and by giving the Epson board of directors the time and information they need to present shareholders with an alternative proposal and enable the board to discuss and negotiate with the acquirer on behalf of shareholders. Specifically, a party that intends to acquire 20% or more of stock certificates outstanding or to stage a takeover bid shall be required to submit in advance to the Epson board of directors a statement of intent as well as sufficient and necessary information for decision-making on the part of shareholders and for evaluation and consideration by a special committee. The party shall also be required 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 the Epson board of directors from making arbitrary decisions on the activation of provisions, the question of whether to invoke preventive provisions is subject to the assessment 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 regarding the necessity of the activation of provisions, and the Epson board of directors shall promptly accept or reject a resolution to invoke preventive provisions, paying the utmost consideration to that advice.

(3) Decisions made by the Epson board of directors regarding specific actions and the justification for those decisions

The actions described in (2) 1) above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders in a continuous and sustained manner. These actions support actualization of the basic policy.
As well as having been introduced and updated in order to ensure and enhance corporate value and the common interests of shareholders, the Plan is in accordance with the basic policy outlined in (1) above. Specifically, the Plan guarantees fairness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because, among other things, a) it was introduced (and updated) after being approved by shareholders at the general shareholders' meeting; b) it contains provisions for reasonable and objective implementation; c) a special committee comprising members with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee; d) the special committee may solicit expert opinions from third parties at Epson's expense; and e) the Plan was determined to be valid for approximately three years and may be abolished by the board of directors at any time. The Plan is not in place to keep Epson executive officers in their posts.

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
Minoru Usui	President (Representative Director)	
Masayuki Morozumi	Executive Vice President (Representative Director)	Chief Operating Officer, Electronic Devices and Precision Products Operations Segment, Chief Operating Officer, Microdevices Operations Division, and General Administrative Manager, Business Infrastructure Improvement Division
Kenji Kubota	Senior Managing Director (Representative Director)	General Administrative Manager, Corporate Strategy Division
Seiichi Hirano	Managing Director	President, Epson Sales Japan Corporation
Tadaaki Hagata	Managing Director	Chief Operating Officer, Information-related equipment business segment
Noriyuki Hama	Managing Director	General Administrative Manager, Human Resources Division
Yoneharu Fukushima	Director	General Administrative Manager, Corporate Research & Development Division
Koichi Kubota	Director	Chief Operating Officer, Visual Products Operations Division
Shigeki Inoue	Director	Deputy General Administrative Manager, Corporate Strategy Division
Toshiharu Aoki	Outside Director	
Toru Oguchi	Standing Statutory Auditor	
Torao Yajima	Standing Statutory Auditor	
Yoshiro Yamamoto	Outside Statutory Auditor	
Tatsuhiro Ishikawa	Outside Statutory Auditor	

Kenji Miyahara	Outside Statutory Auditor	
Hiroshi Komatsu	Managing Executive Officer	Deputy Chief Operating Officer, Imaging Products Operations Segment
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	President, Tohoku Epson Corporation
Akio Mori	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division
Kiyofumi Koike	Executive Officer	Chairman and President, Epson (China) Co., Ltd.
Ryuhei Miyagawa	Executive Officer	Deputy General Administrative Manager, Business Infrastructure Development Division
Koichi Endo	Executive Officer	Managing Director, Epson Singapore Pte. Ltd
Hiromi Taba	Executive Officer	President, Epson Europe B.V.
Motonori Okumura	Executive Officer	Chief Operating Officer, Printer Operations Division
Takashi Oguchi	Executive Officer	President, P.T. Indonesia Epson Industry
Yasukazu Kitamatsu	Executive Officer	Chief Operating Officer, Commercial Printer Operations Division
Hideki Shimada	Executive Officer	General Administrative Manager, Imaging Products Key Components Research & Engineering Division, and Deputy Chief Operating Officer, Printer Operations Division

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Seiko Epson Corporation and Subsidiaries

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2012	March 31, 2012
Assets			
Current assets			
Cash and deposits	¥125,807	¥123,093	$1,497,663
Notes and accounts receivable-trade	140,564	139,309	1,694,962
Short-term investment securities	76,009	19,010	231,293
Merchandise and finished goods	90,900	99,472	1,210,268
Work in process	37,133	41,524	505,219
Raw materials and supplies	23,876	21,258	258,644
Deferred tax assets	12,419	12,678	154,252
Other	38,821	32,336	393,470
Allowance for doubtful accounts	(2,003)	(1,493)	(18,165)
Total current assets	543,530	487,190	5,927,606
Noncurrent assets			
Property, plant and equipment			
Buildings and structures	399,318	393,081	4,782,589
Machinery, equipment and vehicles	439,113	417,229	5,076,396
Tools, furniture and fixtures	156,671	150,841	1,835,271
Land	54,744	54,731	665,908
Construction in progress	4,792	5,700	69,351
Other	114	102	1,266
Accumulated depreciation	(841,132)	(808,600)	(9,838,179)
Total property, plant and equipment	213,623	213,086	2,592,602
Intangible assets			
Goodwill	2,632	1,758	21,389
Other	11,984	13,307	161,917
Total intangible assets	14,616	15,066	183,306
Investments and other assets			
Investment securities	13,319	12,614	153,473
Long-term loans receivable	47	36	438
Deferred tax assets	4,236	3,776	45,942
Other	8,929	9,068	110,344
Allowance for doubtful accounts	(73)	(68)	(827)
Total investments and other assets	26,458	25,426	309,370
Total noncurrent assets	254,699	253,579	3,085,278
Total assets	¥798,229	¥740,769	$9,012,884

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2012	March 31, 2012
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥72,833	¥77,427	$942,048
Short-term loans payable	31,129	30,812	374,887
Current portion of bonds	30,000	40,000	486,677
Current portion of long-term loans payable	42,093	30,500	371,091
Accounts payable-other	51,112	56,695	689,804
Income taxes payable	6,472	7,631	92,845
Deferred tax liabilities	116	76	924
Provision for bonuses	16,681	8,333	101,387
Provision for product warranties	8,199	7,626	92,785
Other	56,782	54,210	659,634
Total current liabilities	315,422	313,314	3,812,082
Noncurrent liabilities			
Bonds payable	60,000	60,000	730,015
Long-term loans payable	107,500	77,500	942,937
Deferred tax liabilities	8,921	8,696	105,803
Provision for retirement benefits	26,289	23,407	284,791
Provision for loss on litigation	2,102	1,963	23,883
Provision for product warranties	420	659	8,018
Provision for recycling costs	478	560	6,813
Other	6,287	6,525	79,440
Total noncurrent liabilities	211,999	179,314	2,181,700
Total liabilities	527,421	492,628	5,993,782
Net assets			
Shareholders' equity			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 199,817,389 shares	53,204	53,204	647,329
Capital surplus	84,321	84,321	1,025,927
Retained earnings	193,602	194,047	2,360,956
Treasury stock			
March 31, 2012 - 20,924,404 shares			
March 31, 2011 - 23,924 shares	(38)	(20,453)	(248,849)
Total shareholders' equity	331,088	311,119	3,785,363
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,558	1,838	22,362
Deferred gains or losses on hedges	(572)	(1,013)	(12,325)
Foreign currency translation adjustment	(63,812)	(65,502)	(796,945)
Total accumulated other comprehensive income	(61,826)	(64,676)	(786,908)
Minority interests	1,545	1,697	20,647
Total net assets	270,808	248,140	3,019,102
Total liabilities and net assets	¥798,229	¥740,769	$9,012,884

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, 2011	March 31, 2012	March 31, 2012
Net sales	¥973,663	¥877,997	$10,682,528
Cost of sales	710,700	629,151	7,654,837
Gross profit	262,963	248,846	3,027,691
Selling, general and administrative expenses	230,253	224,219	2,728,069
Operating income	32,709	24,626	299,622
Non-operating income:			
Interest income	938	1,110	13,505
Rent income	1,562	1,549	18,846
Foreign exchange gains	—	1,396	16,985
Insurance income	360	977	11,887
Other	4,089	3,683	44,848
Total non-operating income	6,951	8,718	106,071
Non-operating expenses			
Interest expenses	4,225	3,573	43,472
Foreign exchange losses	1,239	—	0
Rent expenses on real estates	944	1,009	12,276
Other	2,076	1,739	21,171
Total non-operating expenses	8,485	6,322	76,919
Ordinary income	31,174	27,022	328,774
Extraordinary income:			
Gain on sales of noncurrent assets	2,274	809	9,843
Insurance income	118	1,252	15,232
Gain on revision of retirement benefit plan	—	364	4,428
Reversal of provision for product warranties	873	—	—
Gain on transfer of business	513	—	—
Other	372	216	2,654
Total extraordinary income	4,152	2,643	32,157
Extraordinary loss:			
Loss on disaster	4,755	2,125	25,854
Loss on litigation	—	6,052	73,634
Loss on transfer of subsidiary's equity	—	2,024	24,625
Business structure improvement expenses	9,909	—	—
Provision for loss on litigation	2,013	—	—
Other	3,267	3,841	46,747
Total extraordinary losses	19,945	14,043	170,860
Income before income taxes and minority interests	15,381	15,622	190,071
Income taxes-current	9,121	10,622	129,249
Income taxes-deferred	(4,149)	(218)	(2,652)
Total income taxes	4,971	10,404	126,597
Income before minority interests	10,409	5,217	63,474
Minority interests in income	170	185	2,251
Net income	¥10,239	¥5,032	$61,223

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

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2012	March 31, 2012
Income before minority interests	¥10,409	¥5,217	$63,474
Other comprehensive income			
Valuation difference on available-for-sale securities	(1,460)	(719)	(8,748)
Deferred gains or losses on hedges	(702)	(440)	(5,353)
Foreign currency translation adjustment	(16,099)	(1,649)	(20,075)
Share of other comprehensive income of associates accounted for using equity method	(135)	1	12
Total other comprehensive income	(18,398)	(2,807)	(34,164)
Comprehensive income	(¥7,988)	¥2,409	$29,310
Comprehensive income attributable to:			
Comprehensive income attributable to owners of the parent	(¥8,034)	¥2,181	$26,536
Comprehensive income attributable to minority interests	¥46	¥228	$2,774

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, 2011	March 31, 2012	March 31, 2012
Shareholders' equity			
Capital stock			
Balance at the beginning of current period	¥53,204	¥53,204	$647,329
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	53,204	53,204	647,329
Capital surplus			
Balance at the beginning of current period	84,321	84,321	1,025,927
Changes of items during the period			
Total changes of items during the period	—	—	—
Balance at the end of current period	84,321	84,321	1,025,927
Retained earnings			
Balance at the beginning of current period	187,358	193,602	2,355,530
Changes of items during the period			
Dividends from surplus	(3,995)	(4,586)	(55,797)
Net income	10,239	5,032	61,223
Total changes of items during the period	6,243	445	5,426
Balance at the end of current period	193,602	194,047	2,360,956
Treasury stock			
Balance at the beginning of current period	(35)	(38)	(462)
Changes of items during the period			
Purchase of treasury stock	(2)	(20,415)	(248,387)
Total changes of items during the period	(2)	(20,415)	(248,387)
Balance at the end of current period	(38)	(20,453)	(248,849)
Total shareholders' equity			
Balance at the beginning of current period	324,847	331,088	4,028,324
Changes of items during the period			
Dividends from surplus	(3,995)	(4,586)	(55,797)
Net income	10,239	5,032	61,223
Purchase of treasury stock	(2)	(20,415)	(248,387)
Total changes of items during the period	6,241	(19,969)	(242,961)
Balance at the end of current period	331,088	311,119	3,785,363
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities			
Balance at the beginning of current period	4,023	2,558	31,110
Changes of items during the period			
Net changes of items other than shareholders' equity	(1,464)	(719)	(8,748)
Total changes of items during the period	(1,464)	(719)	(8,748)
Balance at the end of current period	2,558	1,838	22,362
Deferred gains or losses on hedges			
Balance at the beginning of current period	130	(572)	(6,972)
Changes of items during the period			
Net changes of items other than shareholders' equity	(702)	(440)	(5,353)
Total changes of items during the period	(702)	(440)	(5,353)
Balance at the end of current period	(572)	(1,013)	(12,325)
Foreign currency translation adjustment			
Balance at the beginning of current period	(47,705)	(63,812)	(776,383)
Changes of items during the period			
Net changes of items other than shareholders' equity	(16,106)	(1,690)	(20,562)
Total changes of items during the period	(16,106)	(1,690)	(20,562)
Balance at the end of current period	(63,812)	(65,502)	(796,945)

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2011	March 31, 2012	March 31, 2012
Total accumulated other comprehensive income			
Balance at the beginning of current period	(43,552)	(61,826)	(752,245)
Changes of items during the period			
Net changes of items other than shareholders' equity	(18,274)	(2,850)	(34,663)
Total changes of items during the period	(18,274)	(2,850)	(34,663)
Balance at the end of current period	(61,826)	(64,676)	(786,908)
Minority interests			
Balance at the beginning of current period	1,568	1,545	18,798
Changes of items during the period			
Net changes of items other than shareholders' equity	(22)	152	1,849
Total changes of items during the period	(22)	152	1,849
Balance at the end of current period	1,545	1,697	20,647
Total net assets			
Balance at the beginning of current period	282,864	270,808	3,294,877
Changes of items during the period			
Dividends from surplus	(3,995)	(4,586)	(55,797)
Net income	10,239	5,032	61,223
Purchase of treasury stock	(2)	(20,415)	(248,387)
Net changes of items other than shareholders' equity	(18,297)	(2,698)	(32,814)
Total changes of items during the period	(12,056)	(22,667)	(275,775)
Balance at the end of current period	¥270,808	¥248,140	$3,019,102

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, 2011	March 31, 2012	March 31, 2012
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥15,381	¥15,622	$190,071
Depreciation and amortization	41,159	37,651	458,097
Equity in (earnings) losses of affiliates	(77)	(85)	(1,034)
Amortization of goodwill	240	873	10,621
Loss on litigation	—	6,052	73,634
Loss on disaster	4,755	2,125	25,854
Business structure improvement expenses	9,909	—	—
Increase (decrease) in allowance for doubtful accounts	(192)	(425)	(5,170)
Increase (decrease) in provision for bonuses	2,309	(8,224)	(100,060)
Increase (decrease) in provision for product warranties	(1,309)	(199)	(2,421)
Increase (decrease) in provision for retirement benefits	329	3,374	41,051
Interest and dividends income	(1,174)	(1,373)	(16,705)
Interest expenses	4,225	3,573	43,472
Foreign exchange losses (gains)	(60)	(2,250)	(27,375)
Loss (gain) on sales of noncurrent assets	(2,303)	(872)	(10,609)
Loss on retirement of noncurrent assets	895	760	9,246
Loss (gain) on sales of investment securities	19	(150)	(1,825)
Loss on transfer of subsidiary's equity	—	2,024	24,625
Decrease (increase) in notes and accounts receivable-trade	8,225	(995)	(12,106)
Decrease (increase) in inventories	(15,665)	(20,360)	(247,718)
Increase (decrease) in accrued consumption taxes	(761)	2,005	24,394
Increase (decrease) in notes and accounts payable-trade	(23,318)	4,822	58,668
Other, net	2,826	4,345	52,879
Subtotal	45,413	48,294	587,589
Interest and dividends income received	2,023	2,292	27,886
Interest expenses paid	(4,320)	(3,709)	(45,127)
Payments for loss on litigation	—	(6,207)	(75,520)
Payments for business restructuring	(182)	(6,061)	(73,743)
Income taxes paid	(10,538)	(7,929)	(96,496)
Net cash provided by (used in) operating activities	32,395	26,678	324,589
Net cash provided by (used in) investing activities			
Purchase of investment securities	(7)	(777)	(9,453)
Proceeds from sales of investment securities	260	162	1,971
Purchase of property, plant and equipment	(28,308)	(32,709)	(397,968)
Proceeds from sales of property, plant and equipment	2,844	1,723	20,963
Purchase of intangible assets	(2,286)	(3,998)	(48,643)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,940)	(23,603)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	53	132	1,606
Proceeds from transfer of equity in subsidiaries resulting in change in scope of consolidation	—	6,358	77,357
Proceeds from transfer of business	4,062	—	—
Other, net	(234)	(480)	(5,828)
Net cash provided by (used in) investing activities	(23,615)	(31,528)	(383,598)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	10,092	(248)	(3,017)
Proceeds from long-term loans payable	—	500	6,083
Repayment of long-term loans payable	(37,728)	(42,093)	(512,142)
Proceeds from issuance of bonds	20,000	40,000	486,677
Redemption of bonds	(30,000)	(30,000)	(365,007)
Repayments of lease obligations	(989)	(553)	(6,728)
Purchase of treasury stock	(2)	(20,415)	(248,414)
Cash dividends paid	(3,995)	(4,586)	(55,797)
Cash dividends paid to minority shareholders	(67)	(9)	(109)
Net cash provided by (used in) financing activities	(42,691)	(57,406)	(698,454)
Effect of exchange rate change on cash and cash equivalents	(9,020)	509	6,180
Net increase (decrease) in cash and cash equivalents	(42,932)	(61,747)	(751,283)
Cash and cash equivalents at beginning of period	254,590	211,777	2,576,675
Increase in cash and cash equivalents from newly consolidated subsidiary	119	—	—
Cash and cash equivalents at end of period	¥211,777	¥150,029	$1,825,392

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. Meanwhile 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.

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

2. Number of group companies

As of March 31, 2012, the Company had 89 consolidated subsidiaries. It has applied the equity method in respect to one unconsolidated subsidiary and six affiliates.

3. 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

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 values 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.

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 values 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 values under exceptional processes recognized in Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

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 is 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.

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

(14) Provision for recycling costs

At the time of sale, provision for recycling 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.

(20) Accounting Standard for Accounting Changes and Error Corrections

Effective from the year ended March 31, 2012, Epson adapted the Accounting Standards Board of Japan (“ASBJ”) Statement No. 24, “the Accounting Standard for Accounting Changes and Error Corrections” and its Guidance No.24, “the Guidance on Accounting Standard for Accounting Changes and Error Corrections” which was issued on December 4, 2009.

4. 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 ¥82.19 = U.S.$1, the exchange rate prevailing as of March 31, 2012, has been used.

5. Business transfer

The subsidiary’s equity transfer

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

Outline of business transfer

Transferred to	Sony (China) Limited
Business activities	Production of small-and medium-sized TFT LCD displays
Date of transfer	July 1, 2011
Loss on transfer of subsidiary's equity	¥2,024 million ($24,625 thousand)

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥21,361	$259,897
Noncurrent assets	1,043	12,690
Total	¥22,404	$272,587
Current liabilities	¥11,882	$144,567
Noncurrent liabilities	-	-
Total	¥11,882	$144,567

Outline of the business

(a) Net sales ¥14,747 million ($179,425 thousand) (year ended March 31, 2012)

(b) Operating income ¥0 million ($0 thousand) (year ended March 31, 2012)

6. Inventories

Losses recognized and charged to cost of sales as a result of valuations as of March 31, 2011 and 2012, were ¥30,654 million and ¥31,031 million ($377,552 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 market value (carrying value) 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, 2011 and 2012, comprised the following:

Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2011	2012	2012
Commercial paper	¥9,999	-	-
National government bonds	109	¥100	$1,216
Total	¥10,108	¥100	$1,216

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, 2011 and 2012, were as follows:

Other securities

	Millions of yen			
	March 31, 2011			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥6,188	¥4,049	(¥771)	¥9,466
Certificate of deposit	66,000	-	(-)	66,000
Other	189	-	(-)	189
Total	¥72,378	¥4,049	(¥771)	¥75,655

	Millions of yen			
	March 31, 2012			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥6,188	¥2,920	(¥909)	¥8,199
Certificate of deposit	19,000	-	(-)	19,000
Other	191	-	(-)	191
Total	¥25,379	¥2,920	(¥909)	¥27,391

	Thousands of U.S. dollars			
	March 31, 2012			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$75,290	$35,539	($11,059)	$99,770
Certificate of deposit	231,171	-	(-)	231,171
Other	2,323	-	(-)	2,323
Total	$308,784	$35,539	($11,059)	$333,264

For the years ended March 31, 2011 and 2012, 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, the related gains and losses for the year ended March 31, 2011, were ¥108 million, ¥6 million and ¥26 million, respectively. The total sales of other securities, the related gains for the year ended March 31, 2012, were ¥162 million ($1,971 thousand) and ¥41 million ($498 thousand), respectively.
Unlisted securities, which were carried at costs of ¥1,428million and ¥1,136 million ($13,821 thousand) at March 31, 2011 and 2012 respectively, are not included in this table because market quotations are unavailable, and it is therefore extremely difficult to estimate their market value.

The amounts of investments in unconsolidated subsidiaries and affiliates, which were included in the investment securities account at March 31, 2011 and 2012, were ¥2,131 million and ¥2,996 million ($36,452 thousand), respectively.

8. Short-term and long-term loans payable

Short-term loans payable and long-term loans payable at March 31, 2011 and 2012, comprised the following:

	Millions of yen				Thousands of U.S. dollars
	March 31				March 31,
	2011	2012			2012
	Amount	Amount	Average interest rate	Last due	Amount
Short-term loans payable	¥31,129	¥30,812	0.95%	-	$374,887
Current portion of long-term loans payable	42,093	30,500	1.78	-	371,091
Current portion of lease obligations	461	407	-	-	4,951
Long-term loans payable from financial institutions	107,500	77,500	1.54	2017	942,937
Lease obligations	973	636	-	2017	7,743
Unsecured bonds issued by the Company	20,000	20,000	1.44	2012	243,338
Unsecured bonds issued by the Company	30,000	-	-	-	-
Unsecured bonds issued by the Company	20,000	20,000	1.70	2012	243,338
Unsecured bonds issued by the Company	20,000	20,000	0.58	2015	243,338
Unsecured bonds issued by the Company	-	20,000	0.49	2014	243,338
Unsecured bonds issued by the Company	-	20,000	0.72	2016	243,338
Total	¥272,157	¥239,855			$2,918,299

Average interest rates are calculated using weighted-average interest rates on short-term loans payable, long-term loans payable and bonds payable, as of March 31, 2012.

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 loans payable outstanding as of March 31, 2012, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥30,500	$371,091
2014	75,000	912,521
2015	2,000	24,333
2017	500	6,083
Total	¥108,000	$1,314,028

The maturities of lease obligations outstanding as of March 31, 2012, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥407	$4,951
2014	366	4,480
2015	213	2,591
2016	37	450
2017	16	194
Thereafter	2	24
Total	¥1,043	$12,690

The maturities of bonds outstanding as of March 31, 2012, were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥40,000	$486,676
2015	20,000	243,338
2016	20,000	243,338
2017	20,000	243,338
Total	¥100,000	$1,216,690

9. Goodwill

Epson had goodwill and negative goodwill as of March 31, 2011 and 2012. 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, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2012
	2011	2012	
Goodwill	¥2,754	¥1,832	$22,289
Negative goodwill	122	74	900

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. In certain cases, additional severance costs may be provided.

The funded status of these plans as of March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2011	2012	2012
Projected benefit obligations	¥233,973	¥238,316	$2,899,573
Plan assets at fair value	197,622	201,870	2,456,138
Unfunded status	36,351	36,446	443,435
Unrecognized items:			
Actuarial gains (losses)	(16,828)	(14,554)	(177,076)
Prior service cost reduction from plan amendment	(219)	286	3,479
Provision for retirement benefits - net	19,303	22,178	269,838
Prepaid pension cost	1,213	1,229	14,953
Provision for retirement benefits	¥20,516	¥23,407	$284,791

In addition to the above-mentioned provision for retirement benefits, additional severance costs of ¥5,772 million ($69,416 thousand), which related to business structure improvement, were recorded in provision for retirement benefits as of March 31, 2011.

The composition of net pension and severance costs for the years ended March 31, 2011 and 2012, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2011	2012	2012
Service cost	¥7,744	¥7,486	$91,081
Interest cost	6,064	6,146	74,777
Expected return on plan assets	(6,263)	(6,473)	(78,756)
Amortization and expenses:			
Actuarial losses	3,952	8,085	98,371

Prior service costs	257	147	1,788
Net pension and severance costs	11,755	15,391	187,261
Contribution to defined contribution pension plan	3,613	4,153	50,529
	¥15,368	¥19,544	$237,790

In addition to the above-mentioned net pension and severance costs, additional severance costs of ¥6,239 million ($75,033 thousand), which related to specific reorganization programs, were recorded in business structure improvement expenses for the year ended March 31, 2011.

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2011 and 2012, were primarily as follows:

	Year ended March 31	
	2011	2012
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.

The Company paid the following cash dividends of retained earnings to its registered shareholders at the ends of the fiscal year and interim periods during the years ended March 31, 2011 and 2012:

	Cash dividends per share			Cash dividends		
	Yen		U.S. dollars	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,	Year ended March 31		Year ended March 31,
	2011	2012	2012	2011	2012	2012
Year-end	¥10.00	¥10.00	$0.12	¥1,997	¥1,997	$24,297
Interim	¥10.00	¥13.00	$0.15	¥1,997	¥2,588	$31,488
Total	¥20.00	¥23.00	$0.27	¥3,995	¥4,586	$55,797

The proposed cash dividends of retained earnings of the Company for the year ended March 31, 2012, approved at the general shareholders' meeting, which was held on June 20, 2012, were as follows:

Cash dividends per share		Cash dividends	
Yen	U.S. dollars	Millions of yen	Thousands of U.S. dollars
¥13.00	$0.15	¥2,325	$28,288

The effective date of the distribution was June 21, 2012.

The number of treasury stocks of the Company were increased by an amount equal to the number of 20,900,480 for the year ended March 31, 2012. It was comprised as follows.

	Number of shares
Purchase by the resolution of the board of directors	20,250,000
Purchase from dissenting shareholders based on the Japanese Companies Act	650,000
Purchase of the shares less than one unit	480

12. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2011 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2011	2012	2012
Net income (loss) attributable to common shares	¥10,239	¥5,032	$61,223
	Thousands of shares		
Weighted-average number of common shares outstanding	199,794	191,885	
	Yen		U.S. dollars
Net income (loss) per share	¥51.25	¥26.22	$0.31

Diluted net income per share is not calculated herein since Epson had no dilutive potential common shares outstanding during the years ended March 31, 2011 and 2012.

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, 2011 and 2012.

The significant components of deferred tax assets and liabilities as of March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2011	2012	2012
Deferred tax assets:			
Net operating tax loss carry-forwards	¥65,424	¥78,788	$958,608
Property, plant and equipment and intangible assets (Impairment loss and excess of depreciation)	29,439	16,138	196,349
Inter-company profits on inventories and write downs	20,820	16,060	195,400
Provision for retirement benefits	8,803	7,434	90,448
Provision for bonuses	5,673	2,515	30,599
Devaluation of investment securities	2,842	2,512	30,563
Provision for product warranties	2,252	2,099	25,538
One-time depreciation for assets	1,910	2,055	25,003
Others	21,381	13,375	162,797
Gross deferred tax assets	158,549	140,981	1,715,305
Less: valuation allowance	(138,170)	(121,063)	(1,472,965)
Total deferred tax assets	20,378	19,918	242,340
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliates	(7,504)	(7,728)	(94,026)
Net unrealized gains on land held by a subsidiary	(2,613)	(2,277)	(27,704)
Valuation difference on available-for-sale securities	(744)	(213)	(2,591)
Reserve for special depreciation for tax purpose	(197)	(73)	(888)
Others	(1,701)	(1,944)	(23,677)
Gross deferred tax liabilities	(12,760)	(12,236)	(148,886)
Net deferred tax assets	¥7,617	¥7,681	$93,454

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.

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.4% to 37.8% for temporary differences which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.4% to 35.4% for temporary differences which are expected to reverse from the fiscal year beginning on or after April 1, 2015.

As a result of this change, net deferred tax assets (after netting deferred tax liabilities), valuation difference on available-for-sale securities and deferred gains or losses on hedges increased by ¥465million ($5,657 thousand), ¥37million ($450 thousand) and ¥3million ($36 thousand), respectively and income taxes-deferred decreased by ¥425million ($5,170 thousand).

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	
	2011	2012
Statutory income tax rate	40.4%	40.4%
Reconciliation:		
Tax rate differences in overseas subsidiaries	(39.8)	(24.9)
Entertainment expenses, etc. permanently non-tax deductible	22.2	16.1
Changes in valuation allowance	7.1	48.7
Other	2.5	(13.7)
Income tax rate per statements of income	32.3%	66.6%

14. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the years ended March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2011	2012	2012
Salaries and wages	¥76,609	¥71,691	$872,259
Advertising	14,918	16,559	201,472
Sales promotion	15,420	20,714	252,025
Shipping costs	14,815	18,809	228,847
Research and development costs	23,986	21,526	261,905
Allowance for doubtful accounts	266	143	1,739
Other	84,236	74,774	909,822
Total	¥230,253	¥224,219	$2,728,069

15. Research and development costs

Research and development costs, which are included in the cost of sales and selling, general and administrative expenses, totaled ¥54,377 million and ¥52,106 million ($633,970 thousand) for the years ended March 31, 2011 and 2012, respectively.

16. Business structure improvement expenses

Business structure improvement expenses for the year ended March 31, 2011, comprised expenses related to the termination of the small- and medium-sized displays business.

17. Loss on disaster

Loss on disaster for the years ended March 31, 2011 and 2012, comprised incurred losses related to the Great East Japan Earthquake.

18. Loss on litigation

Loss on litigation for the year ended March 31, 2012, comprised the settlement of the lawsuits concerning the allegations of a liquid crystal display price-fixing cartel.

19. Leases

As of March 31, 2012, capital leases, mainly comprised of uninterruptible power supply, host computers and computer terminals.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
Future lease payments	2011	2012	2012
Due within one year	¥2,337	¥2,135	$25,976
Due after one year	6,671	6,990	85,059
Total	¥9,008	¥9,126	$111,035

20. Cash flow information

Cash and cash equivalents as of March 31, 2011 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2011	2012	2012
Cash and deposits	¥125,807	¥123,093	$1,497,663
Short-term investment securities	76,009	19,010	231,293
Short-term loans receivables	10,000	8,000	97,335
Less:			
Short-term loans payable (overdrafts)	(2)	(9)	(109)
Time deposits due over three months	(27)	(54)	(669)
Short-term investment securities due over three months	(10)	(10)	(121)
Cash and cash equivalents	¥211,777	¥150,029	$1,825,392

The Company obtained marketable securities, the fair value of which was ¥10,008 million and ¥7,999 million ($97,323 thousand) as of March 31, 2011 and 2012, respectively, as deposit for the short-term loans receivables above.

Detail of assets and liabilities for the company which became non-consolidated due to the business transfer.

Detail of assets and liabilities as of transferring date, agreed-upon purchase price and proceeds from sales were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥21,361	$259,885
Noncurrent assets	1,043	12,690
Current liabilities	(11,882)	(144,567)
Loss on transfer of subsidiary's equity	(1,043)	(12,690)
Agreed-upon purchase price of SZE	9,478	115,318
Cash and cash equivalents of SZE	(3,119)	(37,961)
Deduction: proceeds from sales	¥6,358	$77,357

¥981 million ($11,935 thousand) is the variance of "loss on transfer of subsidiary's equity" with the Consolidated Statements of Income, is due to the influence of the exchange rate.

21. Derivative instruments

The table below lists notional amounts and fair value of derivatives as of March 31, 2011 and 2012, by transaction and type of instrument, excluding derivatives qualifying for hedge accounting.

Currency-related transactions

	Millions of yen		
	March 31, 2011		
Instruments	Notional amounts	Fair value	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥18,241	(¥328)	(¥328)
Euro (purchased Japanese yen)	15,547	(788)	(788)
Sterling pound (purchased Japanese yen)	190	0	0
Australian dollar (purchased Japanese yen)	1,039	(39)	(39)
Euro (purchased Singapore dollar)	98	(2)	(2)
Australian dollar (purchased Singapore dollar)	5	(0)	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	2,867	30	30
Euro (sold Japanese yen)	1	0	0
Indonesia rupiah (sold U.S. dollar)	1,746	78	78
Total	¥39,738	(¥1,048)	(¥1,048)

	Millions of yen		
	March 31, 2012		
Instruments	Notional amounts	Fair value	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥7,924	(¥72)	(¥72)
Euro (purchased Japanese yen)	23,938	(1,034)	(1,034)
Sterling pound (purchased Japanese yen)	187	(20)	(20)
Australian dollar (purchased Japanese yen)	1,145	(87)	(87)
Euro (purchased Singapore dollar)	44	0	0
Purchased -			
U.S. dollar (sold Japanese yen)	54	(0)	(0)
Euro (sold Japanese yen)	48	0	0
Indonesia rupiah (sold U.S. dollar)	2,375	(30)	(30)
Total	¥35,718	(¥1,245)	(¥1,245)

Instruments	Notional amounts	Fair value	Unrealized gains (losses)
	Thousands of U.S. dollars		
	March 31, 2012		
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	$96,410	($876)	($876)
Euro (purchased Japanese yen)	291,290	(12,618)	(12,618)
Sterling pound (purchased Japanese yen)	2,275	(243)	(243)
Australian dollar (purchased Japanese yen)	13,931	(1,058)	(1,058)
Euro (purchased Singapore dollar)	535	0	0
Purchased -			
U.S. dollar (sold Japanese yen)	657	(0)	(0)
Euro (sold Japanese yen)	584	0	0
Indonesia rupiah (sold U.S. dollar)	28,896	(365)	(365)
Total	$434,578	($15,160)	($15,160)

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, 2011 and 2012, by transaction and type of instrument, qualifying for hedge accounting.

(a) Currency-related transactions

Instruments	Hedged items	Notional amounts	Fair value
		Millions of yen	
		March 31, 2011	
Forward exchange contracts:			
Sold -			
Euro (purchased Japanese yen)	Forecasted transactions in foreign currency sales	¥24,454	(¥598)
Purchased -			
U.S. dollar (sold Japanese yen)	Forecasted transactions in foreign currency purchase	1,976	44
Total		¥26,430	(¥553)

Instruments	Hedged items	Millions of yen March 31, 2012 Notional amounts	 Fair value
Forward exchange contracts:			
Sold -			
Euro (purchased Japanese yen)	Forecasted transactions in foreign currency sales	¥32,410	(¥933)
Australian dollar (purchased Japanese yen)		1,477	(57)
Purchased -			
U.S. dollar (sold Japanese yen)	Forecasted transactions in foreign currency purchase	963	21
Total		¥34,851	(¥969)

Instruments	Hedged items	Thousands of U.S. dollars March 31, 2012 Notional amounts	 Fair value
Forward exchange contracts:			
Sold -			
Euro (purchased Japanese yen)	Forecasted transactions in foreign currency sales	$394,343	($11,351)
Australian dollar (purchased Japanese yen)		17,970	(693)
Purchased -			
U.S. dollar (sold Japanese yen)	Forecasted transactions in foreign currency purchase	11,716	255
Total		$424,029	($11,789)

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

(b) Interest-related transactions

Instruments	Hedged items	Millions of yen March 31, 2011 Notional amounts	 Due after one year
Interest rate swaps:			
Pay-fixed, receive-floating	Floating interest rate in long-term loans payables	¥50,093	¥50,000

Instruments	Hedged items	Millions of yen March 31, 2012 Notional amounts	 Due after one year
Interest rate swaps:			
Pay-fixed, receive-floating	Floating interest rate in long-term loans payables	¥50,000	¥30,000

Instruments	Hedged items	Thousands of U.S. dollars March 31, 2012 Notional amounts	 Due after one year
Interest rate swaps:			
Pay-fixed, receive-floating	Floating interest rate in long-term loans payables	$608,346	$365,007

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 21 “Financial risk management and fair value of financial instruments.”

22. Comprehensive income

Each component of other comprehensive income for the year ended March 31, 2012 was as follows:

	Millions of yen March 31, 2012	Thousands of U.S. dollars March 31, 2012
Valuation difference on available-for-sale securities		
Gains/(losses) arising during the year	(¥1,234)	($15,013)
Reclassification adjustments to profit or loss	(17)	(219)
Amount before income tax effect	(1,251)	(15,232)
Income tax effect	533	6,484
Total	(719)	(8,748)
Deferred gains or losses on hedges		
Gains/(losses) arising during the year	1,831	22,277
Reclassification adjustments to profit or loss	(2,246)	(27,326)
Amount before income tax effect	(415)	(5,049)
Income tax effect	(25)	(304)
Total	(440)	(5,353)
Foreign currency translation adjustment		
Gains/(losses) arising during the year	(2,808)	(34,164)
Reclassification adjustments to profit or loss	1,159	14,089
Total	(1,649)	(20,075)
Share of other comprehensive income of associates accounted for using equity method		
Gains/(losses) arising during the year	1	12
Total other comprehensive income	(¥2,807)	($34,164)

23. Financial risk management and fair value of financial instruments

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. Epson principally manages its exposure to fluctuations in exchange rates on a net basis and mainly uses forward exchange contracts to reduce the exposures.

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

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 as of March 31, 2011 and 2012, were as follows:

	Millions of yen		
	March 31, 2011		
Instruments	Carrying value	Fair value	Unrealized gains (losses)
Cash and deposits	¥125,807	¥125,807	-
Notes and accounts receivable-trade	140,564	140,564	-
Short-term investment securities	76,009	76,009	-
Investment securities	9,754	9,754	-
Total	¥352,136	¥352,136	-
Notes and accounts payable-trade	72,833	72,833	-
Short-term loans payable	31,129	31,129	-
Accounts payable-other	51,112	51,112	-
Bonds payable (including current portion)	90,000	90,755	¥755
Long-term loans payable (including current portion)	149,593	151,816	2,222
Total	¥394,668	¥397,646	¥2,977
Derivative instruments	(¥1,602)	(¥1,602)	-

Derivative instruments in the table above represent a net amount.

Unlisted securities of ¥1,428 million at March 31, 2011 are not included above because there is no market value and it is therefore extremely difficult to estimate their fair value.

	Millions of yen		
	March 31, 2012		
Instruments	Carrying value	Fair value	Unrealized gains (losses)
Cash and deposits	¥123,093	¥123,093	-
Notes and accounts receivable-trade	139,309	139,309	-
Short-term investment securities	19,010	19,010	-
Investment securities	8,480	8,480	-
Total	¥289,894	¥289,894	-
Notes and accounts payable-trade	77,427	77,427	-
Short-term loans payable	30,812	30,812	-
Accounts payable-other	56,695	56,695	-
Bonds payable (including current portion)	100,000	100,534	¥534
Long-term loans payable (including current portion)	108,000	109,429	1,429
Total	¥372,935	¥374,899	¥1,963
Derivative instruments	(¥2,215)	(¥2,215)	-

	Thousands of U.S. dollars		
	March 31, 2012		
Instruments	Carrying value	Fair value	Unrealized gains (losses)
Cash and deposits	$1,497,663	$1,497,663	-
Notes and accounts receivable-trade	1,694,962	1,694,962	-
Short-term investment securities	231,293	231,293	-
Investment securities	103,175	103,175	-
Total	$3,527,093	$3,527,093	-
Notes and accounts payable-trade	942,048	942,048	-
Short-term loans payable	374,887	374,887	-
Accounts payable-other	689,804	689,804	-
Bonds payable (including current portion)	1,216,692	1,223,189	$6,497
Long-term loans payable (including current portion)	1,314,028	1,331,414	17,386
Total	$4,537,459	$4,561,342	$23,883
Derivative instruments	($26,949)	($26,949)	-

Derivative instruments in the table above represent a net amount.

Unlisted securities of ¥1,136 million ($13,821 thousand) at March 31, 2012 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 investment 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. 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. 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.

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

24. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks and others were ¥1,090 million and

¥528 million ($6,424 thousand) as of March 31, 2011 and 2012, respectively.

25. 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 owned 9.5% and 71.3% of the outstanding shares of Sunritz, respectively as of March 31, 2011.

Mr. Yasuo Hattori, a vice-chairman and director of the Company, and his relatives have owned 26.65% and 52.52% of the outstanding shares of Aoyama Kigyo Kabushiki Kaisha (“Aoyama”), respectively as of March 31, 2012.

Epson has conducted the acquisition of 1,200,000 treasury stocks from Mr. Yasuo Hattori determined by a resolution at its board of directors' meeting held on November 16, 2011 through the off-auction own share repurchase trading system (ToSTNeT-3) on the Tokyo Stock Exchange, at the share price on November 16, 2011 (¥964 per share, $11.72 per share).

Epson has conducted the acquisition of 19,000,000 treasury stocks from Aoyama determined by a resolution at its board of directors' meeting held on November 16, 2011 through the off-auction own share repurchase trading system (ToSTNeT-3) on the Tokyo Stock Exchange, at the share price on November 16, 2011 (¥964 per share, $11.72 per share). Aoyama had been an Epson’s major shareholder, but they haven’t been since this transaction.

A subsidiary of the Company has also entered into real estate lease agreements with Hamazawa Investment Company (“Hamazawa”), which is a subsidiary of Sunritz, as of March 31, 2011.

The company and its subsidiary’s transactions with these related parties for the years ended March 31, 2011 and 2012, and related balances on March 31, 2011 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2011	2012	2012
Transactions:			
With Sunritz -			
Rental expenses for real estates	¥18	-	-
With Mr. Yasuo Hattori -			
Acquisition of treasury stock	-	¥1,156	$14,064
With Aoyama -			
Acquisition of treasury stock	-	18,316	222,849
With Hamazawa -			
Rental expenses for real estates	21	-	-

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2011	2012	2012
Balances:			
With Sunritz -			
Other investments	¥1	-	-

Segment information

(a) Summary of reporting segments

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

Epson decided to terminate the small- and medium-sized LCD business that was categorized under "Electronic devices" in the prior fiscal year. As a result, Epson has changed the segment and categorized this business under "Other" from the first quarter ended June 30, 2011.
In addition, Epson reviewed the management systems of the electronic devices and the precision products segments. As a result, Epson has changed the segment and consolidated these reporting segments into "Devices & precision products" from the first quarter ended June 30, 2011.
Further, Epson changed the management systems of the HTPS-TFT panels for 3LCD projectors business that was categorized under "Devices & precision products" in the second quarter ended September 30, 2011. As a result, Epson has changed the segment and consolidated these reporting segments into "Information-related equipment" from the third quarter ended December 31, 2011.
Segment information for the three months and year ended March 31, 2011 and 2012 was calculated on the basis of the review mentioned above from the first quarter ended June 30, 2010 and 2011.

Epson conducts development, manufacturing and sales within its reporting segments as follows.

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

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

(b) Measurement of the amount of sales, income (loss), assets and other in each reporting segment

The accounting policies of the reporting segments are the same as "Basis of presenting consolidated financial statements".

Segment income (loss) is based on operating income (loss).

Transfer prices between operating segments are on an arm's length basis.

(c) Information of the amount of sales , income (loss), assets and other in each reporting segment

The following table summarizes the reporting segment information of Epson for the year ended March 31, 2011 and 2012:

	Millions of yen						
	Year ended March 31, 2011						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	¥713,056	¥200,259	¥913,315	¥59,472	¥972,788	¥875	¥973,663
Inter-segment	879	12,411	13,290	1,974	15,265	(15,265)	-
Total	713,936	212,670	926,606	61,446	988,053	(14,390)	973,663
Segment income (loss)	71,092	11,231	82,323	(3,581)	78,741	(46,032)	32,709
Segment assets	329,879	144,969	474,848	25,424	500,273	297,956	798,229
Other							
Depreciation and amortization	24,470	10,320	34,790	88	34,879	6,092	40,971
Increase in property, plant, equipment and intangible assets	18,614	10,278	28,892	747	29,639	2,324	31,963
Amortization of goodwill	¥–	¥910	¥910	¥–	¥910	¥38	¥949

	Millions of yen						
	Year ended March 31, 2012						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	¥691,234	¥166,823	¥858,058	¥16,582	¥874,640	¥3,356	¥877,997
Inter-segment	567	7,987	8,554	734	9,288	(9,288)	-
Total	691,801	174,811	866,612	17,316	883,929	(5,932)	877,997
Segment income (loss)	64,888	4,629	69,517	(1,545)	67,971	(43,345)	24,626
Segment assets	355,074	133,358	488,432	4,424	492,857	247,911	740,769
Other							
Depreciation and amortization	22,706	10,175	32,882	223	33,105	4,441	37,547
Increase in property, plant, equipment and intangible assets	29,510	6,853	36,363	312	36,675	4,610	41,285
Amortization of goodwill	¥–	¥883	¥883	¥–	¥883	¥38	¥922

	Thousands of U.S. dollars						
	Year ended March 31, 2012						
	Reporting segments			Other [Note 1]	Total	Adjustments [Note 2]	Consolidated statement of income totals [Note 3]
	Information-related equipment	Devices & precision products	Total				
Net sales:							
Customers	$8,410,196	$2,029,736	$10,439,932	$201,764	$10,641,696	$40,832	$10,682,528
Inter-segment	6,898	97,177	104,075	8,931	113,006	(113,006)	-
Total	8,417,094	2,126,913	10,544,007	210,695	10,754,702	(72,174)	10,682,528
Segment income (loss)	789,488	56,320	845,808	(18,810)	826,998	(527,376)	299,622
Segment assets	4,320,161	1,622,557	5,942,718	53,838	5,996,556	3,016,328	9,012,884
Other							
Depreciation and amortization	276,275	123,798	400,073	2,713	402,786	54,045	456,831
Increase in property, plant, equipment and intangible assets	359,047	83,379	442,426	3,796	446,222	56,089	502,311
Amortization of goodwill	$–	$10,743	$10,743	$–	$10,743	$474	$11,217

Notes;

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

2. Adjustments were as follows.

Net sales

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Corporate expenses [Note]	¥3,764	¥3,416	$41,562
Eliminations	(18,154)	(9,348)	(113,736)
Total	(¥14,390)	(¥5,932)	($72,174)

Segment income (loss)

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Corporate expenses [Note]	(¥46,440)	(¥43,650)	($531,074)
Eliminations	408	304	3,698
Total	(¥46,032)	(¥43,345)	($527,376)

Segment assets

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Corporate expenses [Note]	¥310,168	¥254,198	$3,092,809
Eliminations	(12,212)	(6,286)	(76,481)
Total	¥297,956	¥247,911	$3,016,328

[Note] Corporate expenses comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

Other

(1) Depreciation and amortization that is categorized under adjustments comprises expenses that do not correspond to the reporting segments. It includes expenses relating to research and development for new businesses and basic technology, and general corporate expenses.

(2) Increase in property, plant, equipment and intangible assets;

	Year ended March 31		
	Millions of yen		Thousands of U.S. dollars
	2011	2012	2012
Corporate expenses	¥2,173	¥2,233	$27,169
Intangible assets [Note]	151	2,377	28,920
Total	¥2,324	¥4,610	$56,089

[Note] Intangible assets are non-subject to regular review as capital expenditure.

(3) Amortization of goodwill that is categorized under adjustments does not correspond to the reporting segments.

3. Segment income (loss) has been adjusted to match consolidated operating income (loss).

(d) Information of geographic areas

Sales by country:

The following table summarizes the amount of revenue from external customers for the year ended March 31, 2011 and 2012:

	Millions of yen				
	Year ended March 31, 2011				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥370,124	¥134,203	¥107,848	¥361,487	¥973,663

	Millions of yen				
	Year ended March 31, 2012				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	¥313,940	¥120,199	¥109,115	¥334,741	¥877,997

	Thousands of U.S. dollars				
	Year ended March 31, 2012				
	Japan	The United States	China (including Hong Kong)	Other	Total
Net sales	$3,819,686	$1,462,452	$1,327,594	$4,072,796	$10,682,528

[Note] Each country’s net sales are based on the location of the customers.

Property, plant and equipment by country:

The following table summarizes property, plant and equipment by countries for the year ended March 31, 2011 and 2012:

	Millions of yen		
	Year ended March 31, 2011		
	Japan	Other	Total
Property, plant and equipment	¥165,402	¥48,220	¥213,623

	Millions of yen		
	Year ended March 31, 2012		
	Japan	Other	Total
Property, plant and equipment	¥162,597	¥50,488	¥213,086

	Thousands of U.S. dollars		
	Year ended March 31, 2012		
	Japan	Other	Total
Property, plant and equipment	$1,978,306	$614,296	$2,592,602

(e) Information of impairment loss

The following table summarizes information of impairment loss in each reporting segments for the year ended March 31, 2011 and 2012:

	Millions of yen				
	Year ended March 31, 2011				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	¥208	¥868	¥191	¥428	¥1,698

	Millions of yen				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	¥179	¥88	¥0	¥317	¥586

	Thousands of U.S. dollars				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Impairment loss	$2,177	$1,070	$0	$3,882	$7,129

[Note] Corporate expenses comprise expenses that do not correspond to the reporting segments. These include expenses relating to research and development for new businesses and basic technology, and general corporate expenses

(f) Information of goodwill

The following table summarizes information of goodwill in each reporting segments for the year ended March 31, 2011 and 2012:

	Millions of yen				
	Year ended March 31, 2011				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	¥–	¥2,664	¥–	¥89	¥2,754

	Millions of yen				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	¥–	¥1,781	¥–	¥50	¥1,832

	Thousands of U.S. dollars				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses [Note]	Total
Goodwill	$-	$21,681	$-	$608	$22,289

[Note] Goodwill that is categorized under corporate expenses does not correspond to the reporting segments.

The following table summarizes information of amortization of negative goodwill and balance of negative goodwill from the subsidiary's acquisitions before April 1, 2010 for the year ended March 31, 2011 and 2012:

	Millions of yen				
	Year ended March 31, 2011				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	¥-	¥708	¥-	¥-	¥708
Negative goodwill	¥-	¥122	¥-	¥-	¥122

	Millions of yen				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	¥-	¥48	¥-	¥-	¥48
Negative goodwill	¥-	¥74	¥-	¥-	¥74

	Thousands of U.S. dollars				
	Year ended March 31, 2012				
	Information-related equipment	Devices & precision products	Other	Corporate expenses	Total
Amortization of negative goodwill	$-	$584	$-	$-	$584
Negative goodwill	$-	¥900	$-	$-	$900

(g) Information of gain on negative goodwill

Gain on negative goodwill did not occur during the year ended March 31, 2011 and 2012.

26. Other

The Company and related subsidiaries are subject to allegations concerning a liquid crystal display 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 the United States and elsewhere by clients and others.

Report of Independent Auditors

ERNST & YOUNG

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Independent Auditor's Report

The Board of Directors
Seiko Epson Corporation

We have audited the accompanying consolidated financial statements of Seiko Epson Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seiko Epson Corporation and consolidated subsidiaries as at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 21, 2012

Tokyo, Japan

A member firm of Ernst & Young Global Limited

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 *	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	Hino-shi, Tokyo	100 (million JPY)	Manufacture and sales of devices and precision products	100.0	Manufacture and sales of crystal devices, etc. Rental of assets, Interlocking directors
Tohoku Epson Corporation	Sakata-shi, Yamagata	480 (million JPY)	Manufacture of information-related equipment, devices and precision products	100.0	Manufacture of printer components and semiconductors, Loan of assets
Akita Epson Corporation	Yuzawa-shi, Akita	80 (million JPY)	Manufacture of information-related equipment, devices and precision products	100.0	Manufacture of printer components and crystal devices Financial assistance
U.S. Epson, Inc. *	Long Beach, U.S.A.	111,941 (thousand USD)	Regional headquarters	100.0	Regional headquarters in Americas, Interlocking directors
Epson America, Inc. *	Long Beach, U.S.A.	40,000 (thousand USD)	Sales of information-related equipment, devices 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 devices and precision products	100.0 (100.0)	Sales of electronic devices
Epson Portland Inc. *	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. *	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. *	Amsterdam, Netherlands	95,000 (thousand EUR)	Regional headquarters, Sales of information-related equipment and precision products	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
Epson Deutschland	Dusseldorf,	5,200	Sales of	100.0	Sales of printers and other

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
GmbH	Germany	(thousand EUR)	information-related equipment, devices and precision products	(100.0)	PC peripherals, and sales of factory automation products, Guaranty of liabilities
Epson Europe Electronics GmbH	Munich, Germany	2,000 (thousand EUR)	Sales of devices and precision products	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	1,900 (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. *	Beijing, China	1,211 (million CNY)	Regional headquarters, sales of information-related equipment	100.0	Regional headquarters in China, Sales of printers and other PC peripheral, Guaranty of liabilities
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 Hong Kong Ltd.	Hong Kong, China	2,000 (thousand HKD)	Sales of information-related equipment, devices and precision products	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, devices and precision products	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, devices and precision products	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
Tianjin Epson Co., Ltd.	Tianjin, China	172 (million CNY)	Manufacture of information-related equipment	80.0 (80.0)	Manufacture of printer consumables, etc., Interlocking directors
Epson Precision (Hong Kong), Ltd. *	Hong Kong, China	81,602 (thousand USD)	Manufacture of devices and precision products	100.0	Manufacture of watches, etc., Interlocking directors

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Engineering (Shenzhen) Ltd.	Shenzhen, China	56,641 (thousand USD)	Manufacture of information-related equipment, devices and precision products	100.0 (100.0)	Manufacture of printers, 3LCD projectors, liquid crystal panels and factory automation products, etc., Interlocking directors
Epson Precision (Shenzhen) Ltd.	Shenzhen, China	25,000 (thousand USD)	Manufacture of devices and precision products	100.0 (100.0)	Manufacture of watches, Interlocking directors
Singapore Epson Industrial Pte. Ltd. *	Singapore	71,700 (thousand SGD)	Manufacture of information-related equipment, devices and precision products	100.0	Manufacture of printer consumables, semiconductors, and watches, etc., Guaranty of liabilities, Interlocking directors
P.T. Indonesia Epson Industry *	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. *	Cabuyao, Philippines	57,533 (thousand USD)	Manufacture of information-related equipment and electronic devices	100.0	Manufacture of printers and 3LCD projectors, Guaranty of liabilities, Interlocking directors
Epson Toyocom Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	16,000 (thousand MYR)	Manufacture of devices and precision products	100.0 (100.0)	Manufacture of crystal devices, Interlocking directors
58 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 devices and precision products	33.3	Sales of watch movements
Five other companies	–	–	–	–	–

Notes

1. Ownership percentage of voting rights indicated inside parenthesis refers to indirect ownership percentage.
2. * indicates a specified subsidiary (“tokutei-kogaisha”).
3. 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	209,204	6,110	3,291	14,973	68,067
Epson America, Inc.	168,398	3,563	2,462	25,810	76,469
Epson Europe B.V.	174,920	2,005	1,424	30,245	90,923

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

2. Distribution of ownership among shareholders

Correct as of March 31, 2012

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)	–	65	36	326	313	24	34,615	35,379	—
Number of shares owned (Units)	–	621,776	18,816	375,813	302,926	124	677,426	1,996,881	129,289
Percentage of shares owned (%)	–	31.14	0.94	18.82	15.17	0.01	33.92	100.00	—

Notes

1. 20,924,404 shares of treasury stock are included as 209,244 units in “Japanese individuals and others” and 4 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, 2012

Name	Address	Number of shares held	Shareholding ratio (%)
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	12,742,100	6.37
Japan Trustee Services Bank, Ltd. (Trustee Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	8,310,100	4.15
Seiko Holdings Corporation	5-11 Ginza 4-chome, Chuo-ku, Tokyo	7,948,800	3.97
Seiko Epson Corporation Employees' Shareholding Association	3-5, Owa 3-chome, Suwa-shi, Nagano	6,334,127	3.16
Yasuo Hattori	Minato-ku, Tokyo	5,964,206	2.98
Noboru Hattori	Minato-ku, Tokyo	5,599,968	2.80
The Dai-ichi Mutual Life Insurance Company (Standing proxy: Trusut & Custody Services Bunk, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo) (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,368,000	2.18
Mizuho Corporate Bank, Ltd. (Standing proxy: Trusut & Custody Services Bunk, Ltd.)	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,278,100	2.14
Mizuho Trust & Banking Co., Ltd., Employee pension trust, Mizuho Bank account, Beneficiary of the retrust, Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,076,900	2.04
Total	—	73,910,801	36.98

Notes:

1. Although the Company holds 20,924,404 shares of treasury stock, the Company is excluded from the above list of major shareholders. (The ratio of the treasury shares held by the Company against the total number of shares issued is 10.47%.)
2. Aoyama Kigyo Kabushiki Kaisha, which had been a major shareholder at the end of the previous fiscal year, was no longer a major shareholder at the end of the fiscal year under review.
3. The shares held by Mizuho Trust & Banking Co., Ltd., Employee pension trust, Mizuho Bank account, Beneficiary of the retrust, Trust & Custody Services Bank, Ltd., were contributed by Mizuho Bank to the trust assets of the Employee pension trust.
4. JPMorgan Asset Management (Japan) Limited and its joint holders submitted a Major Shareholding Report to the Director of the Kanto Local Finance Bureau as of May 11, 2011, claiming that they hold the Company's shares as follows as of April 29, 2011. 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 (%)
JPMorgan Asset Management (Japan) Limited	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	9,757,200	4.88
JPMorgan Chase Bank National Association	1111 Polaris Pkwy., Columbus, OH 43240, USA	247,600	0.12
Total	–	10,004,800	5.01

5. Mizuho Corporate Bank, Ltd., and its joint holders submitted a Report of Change as of January 20, 2012, claiming that they held the Company's shares as follows as of January 13, 2012. 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 (%)
Mizuho Corporate Bank, Ltd.	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo	4,278,100	2.14
Mizuho Bank, Ltd.	1-5, Uchisaiwai-cho 1-chome, Chiyoda-ku, Tokyo	5,539,900	2.77
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	3,606,763	1.81
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	3,644,300	1.82
Mizuho Asset Management Co., Ltd.	5-27, Mita 3-chome, Minato-ku, Tokyo	339,800	0.17
Total	—	17,408,863	8.71

6. Mitsubishi UFJ Financial Group, Inc., and its joint holders submitted a Major Shareholding Report as of April 2, 2012, claiming that they hold the Company's shares as follows as of March 26, 2012. 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	8,142,300	4.07
Mitsubishi UFJ Asset Management Co., Ltd.	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	379,500	0.19
Total	–	10,131,800	5.07

4. Epson stock price

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

Year	66th year	67th year	68th year	69th year	70th year
Fiscal year	March 2008	March 2009	March 2010	March 2011	March 2012
High (¥)	4,320	3,300	1,715	1,700	1,499
Low (¥)	1,997	1,001	1,216	1,032	881

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 2011	November	December	January 2012	February	March
High (¥)	1,143	1,063	1,109	1,060	1,118	1,241
Low (¥)	881	928	981	926	951	1,081

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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