SEIKO EPSON CORPORATION
3-3-5 Owa, Suwa, Nagano
392-8502, Japan
Tel: +81-266-52-3131
http://www.epson.co.jp/

October 30, 2003

CONSOLIDATED RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2003

Consolidated Financial Highlights

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

<Income statements and cash flows data>

	Six months ended September 30,		Change	Year ended March 31,	Six months ended September 30,
	2003	2002		2003	2003
Statements of Income Data:					
Net sales	¥657,854	¥601,997	9.3%	¥1,322,453	$5,913,294
Operating income	33,115	12,278	169.7%	49,360	297,663
Income before income taxes and minority interest	28,789	6,795	323.7%	31,629	258,777
Net income	16,563	2,105	686.8%	12,510	148,881
Statements of Cash Flows Data:					
Cash flows from operating activities	73,092	56,965	28.3%	159,504	657,007
Cash flows from investing activities	(41,968)	(66,356)	(36.8%)	(107,943)	(377,240)
Cash flows from financing activities	49,221	46,821	5.1%	9,111	442,436
Cash and cash equivalents at end of the period	270,009	167,764	60.9%	192,288	2,427,047
Per Share Data:					
Net Income per share -Basic	¥94.53	¥13.86	582.0%	¥81.08	$0.85
-Diluted	¥94.36	-	- %	-	$0.85

Notes

I. The consolidated figures are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

II. Figures in 'Change' column are comparisons with the same period of the previous year.

III. As a result of a change in accounting standards, bonuses to directors and statutory auditors, which are appropriated from retained earnings subsequent to fiscal year end and not reflected in the statement of income of the fiscal year, were reflected in the calculation of net income per share for the period ending September 30, 2003 as if they were charged to income in such fiscal year. Comparative figures have been presented as though the new standard had been applied retroactively. Diluted net income per share are presented only if there are dilutive factors present.

IV. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥111.25 = U.S.$1 at September 30, 2003 has been used for the purpose of presentation.

<Balance Sheets data>

	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Total assets	¥1,250,829	¥1,196,080	¥1,238,105	$11,243,407
Shareholders' equity	398,870	¥281,316	272,035	3,585,348
Debt / Equity ratio (%)	31.9%	23.5%	22.0%	31.9%
Shareholders' equity per share	¥2,031.27	1,851.13	¥1,791.30	$18.26

Overview of the Business Group

Epson Group's ("Epson") main business segment includes the development, manufacturing and marketing of information-related equipment, electronic devices, precision products, and other products. As for development activities, research and development, and product development are mainly conducted by Seiko Epson Corporation ("the company"). Production activity and sales activity are conducted by the company and its subsidiaries and affiliates, domestic and abroad, under the management of the division system.
The following is a brief description of each business segment and the main subsidiaries and affiliates of each business segment.

Information-related equipment business segment:
This segment includes imaging and information products business, visual instruments business, system device business, and personal computers business. This segment develops, manufactures and sells mainly printers, LCD projectors, mini-printers and personal computers.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Imaging and information products	Inkjet printers, laser printers, dot matrix printers, multi-function printers, large format inkjet printers, and related supplies Color image scanners and others	Tohoku Epson Corporation Orient Watch Co., Ltd. Epson Portland Inc. Epson El Paso, Inc. Epson Telford Ltd. Epson Precision (Hong Kong) Ltd. Singapore Epson Industrial Pte. Ltd. P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc.	Epson Sales Japan Corporation Epson OA Supply Corporation Epson America, Inc. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A. Epson Italia s.p.a. Epson Iberica, S.A. Epson Korea Co., Ltd. Epson(Shanghai)Information Equipment Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd. Epson Australia Pty. Ltd.
Visual instruments	LCD projectors LCD monitors, label writers and others	Epson Precision (Hong Kong) Ltd.	
System devices	Mini-printers POS system-related products and others	Epson Precision (Hong Kong) Ltd.	
Personal computers	PC	-	Epson Sales Japan Corporation Epson Direct Corporation

Electronic devices business segment:

This segment includes display business, semiconductor business, and quartz device business. This segment develops, manufactures and sells mainly small and medium-sized LCD displays, CMOS LSI, and crystal oscillators.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Display	Small and medium-sized LCD modules High-temp. Poly-Si TFT LCD modules for LCD projectors and others	Suzhou Epson Co., Ltd. Epson Precision (Hong Kong) Ltd. Epson Industrial (Taiwan) Corporation	Epson Electronics America, Inc. Epson Europe Electronics GmbH Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
Semiconductor	CMOS LSI and others	Tohoku Epson Corporation Singapore Epson Industrial Pte. Ltd. Yasu Semiconductor Corporation	
Quartz device	Crystal units, crystal oscillators and others	Orient Watch Co., Ltd. Suzhou Epson Co., Ltd. Epson Precision (Malaysia) Sdn. Bhd. Epson Precision (Philippines), Inc.	

Precision products business segment:

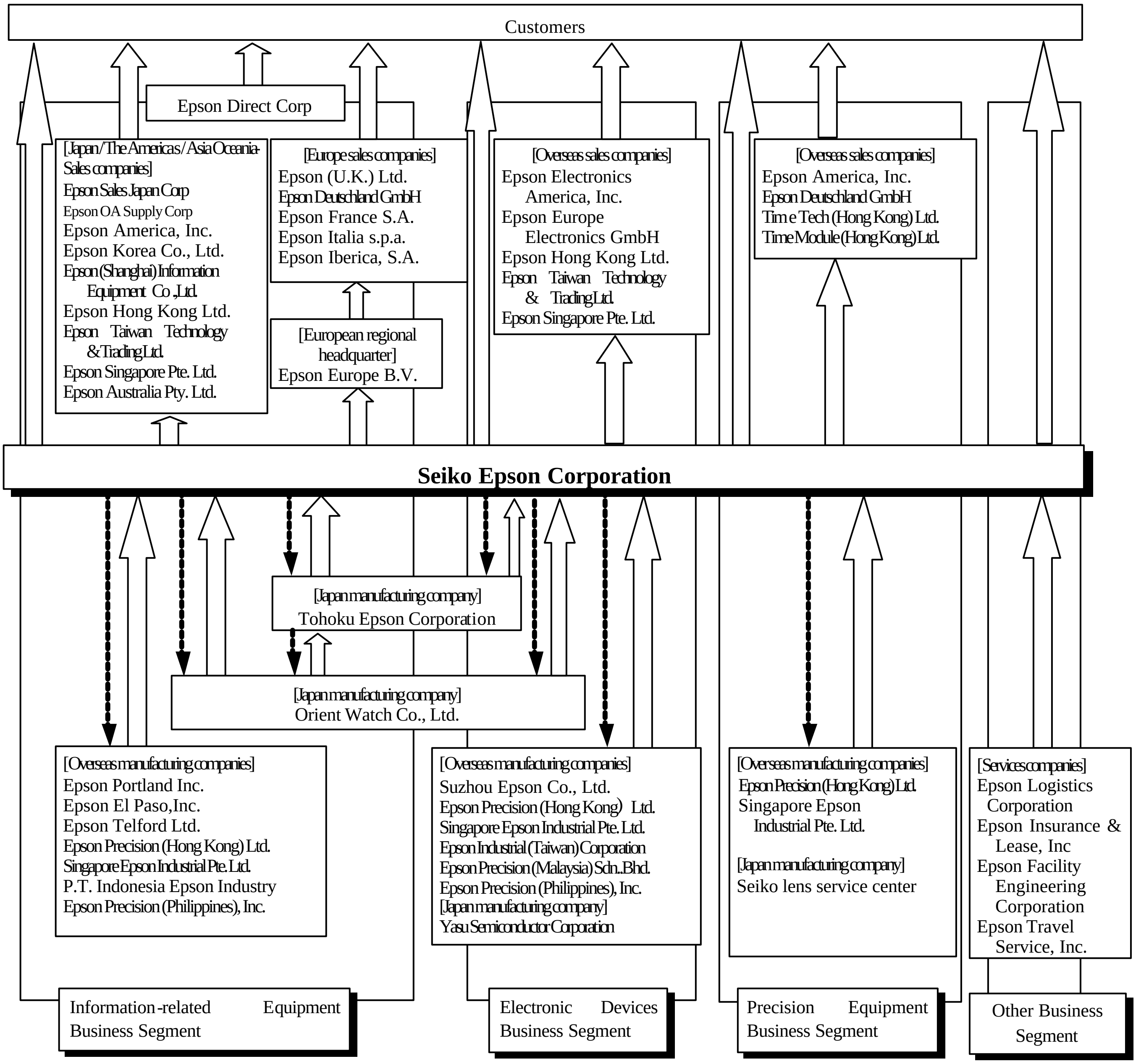
This segment includes watch business, optical products business, and factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

Operations	Main products	Main subsidiaries and affiliates	
		Manufacturing company	Sales company
Watch	Watches Watch movements and others	Epson Precision (Hong Kong) Ltd. Singapore Epson Industrial Pte. Ltd.	Time Tech (Hong Kong) Ltd. Time Module (Hong Kong) Ltd.
Optical products	Plastic corrective lenses Optical devices and others	Seiko Lens Service Center Corporation	-
Factory automation systems	Precision industrial robots IC handlers and others	-	Epson America, Inc. Epson Deutschland GmbH

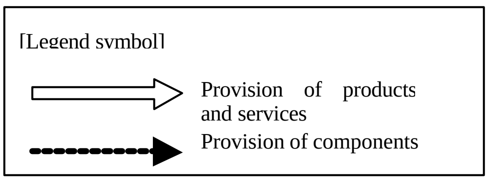
Other business segment:

This segment comprises the businesses of subsidiaries that offers services within Epson and new business still in the start-up phase that are aimed to make the best use of management resources.

The following operations system diagram describes the overview of the business group outlined above.



Note: Yasu Semiconductor Corporation and Time Module (Hong Kong) Ltd. are equity method affiliates. All others are consolidated subsidiaries.



Management Policy

The basic stance of Epson Group ("Epson") on management is "Epson S&A (Start together and Achieve together)" and Epson hopes to continue developing valuable and reliable products that will truly satisfy its customers.

To be specific, Epson has set out its SE07 vision, a guideline for steady growth and its basic strategy over the medium- to long-term to use its foundation as a leading company by providing imaging solutions in the fields of color printers, LCD projectors, and small and medium- sized LCDs.

Under the slogan of "Digital Image Innovation", SE07 looks to three developing business areas (3i)—namely, imaging on paper (i1), imaging on screen (i2), imaging on glass (i3)—in the fields of color printers, projectors and displays, all of which are representative products in the imaging field. By incorporating the SE07 concept, Epson will concentrate its management resources in these "3i" fields and expand each business by combining its strengths in finished products and devices. At the same time, Epson aims to generate novel businesses and markets while combining and consolidating the 3i fields.

Medium- to Long-term Management Strategy

In accordance with the basic SE07 concept above, Epson will focus on the following 5 points to implement its medium- to long-term growth strategy.

Concentrating management resources on the 3i businesses:

Epson will concentrate its management resources on the areas of printers (imaging on paper), LCD projector (imaging on screen), and small and medium-sized LCD (imaging on glass).

A pioneer in these areas, Epson has always provided a wide range of products, securing the leading position in these areas due to its advanced technology and wealth of experience. Epson believes that these markets are and will continue to expand alongside the development of digitalization. Epson's vision is to maintain its superiority by concentrating its management resources in these areas and creating more valuable products.

Epson plans to renew its image in the business domain of printers (imaging on paper), an image that is currently recognized as a peripheral PC equipment, by offering digital printing solutions tailored to the user levels, such as home-use, professional, or mini-laboratory, thereby expanding the range of products, such as photographs, copies, and printing, to cater for any demand for printing of users. Epson's marketing strategy for products on the home-use market is to improve the performance of the Micro-Piezo inkjet printer. More specifically, Epson intends to add new value to the field of home photo-printing using inkjet printers, encapsulating that new value in the phrase "long-term preservation." Epson will achieve this by introducing products that produce even higher-quality photos—the time-proven hallmark of Epson's products—and that use pigment-based ink, which enables high-quality photos to be preserved over long periods of time. In addition, Epson will reinforce the multi-function printer lineup as well as strengthen its lineup of printers capable of printing digital-image content from sources without using a personal computer.

As for the LCD projector field (imaging on screen), Epson will focus on providing data projectors for business use and LCD projectors for the home-use market. Epson aims to introduce a brighter, smaller and more user-friendly data projector, a move designed to boost customer satisfaction, and Epson will also improve the price competitiveness of its data projectors by shifting manufacturing overseas and other cost-reduction measures. Through these initiatives, Epson will strive to expand its position as a leader in the data projector market. For the home-use market, Epson plans to develop optical engines with high contrast ratios and low noise levels and will aim to introduce, ahead of its competitors, products with attractive designs and appealing prices. Epson will also put efforts into marketing to increase customer awareness of the Epson brand in the home-use projector market.

In the face of market expansion, Epson has decided to establish at the Chitose Plant a production line that uses the cutting-edge 300 mm glass wafers, and it has started organizing a reinforced production system for LCD glass panels with high-temperature polysilicon TFT to be used for LCD projectors.

Epson has continued to focus its development efforts on color displays for small and medium-sized displays (imaging on glass). In the mobile handset market, the movement to color display phones gains momentum on a global basis, so that the demand for displays with high resolution, low power consumption and low cost is strengthened. Epson enjoys a leading position in the market for LCDs for use in mobile phone handsets due to its strength in compact product design, a strength based on its expertise in low power consumption and high-density assembly technology, as well as its substantial manufacturing capabilities and extensive product lineup. Epson has led the shift to color display phones by quickly developing and marketing color LCDs for mobile handsets, and Epson will continue to provide distinctive high-resolution, compact, low power consumption displays.

Epson will integrate the 3i businesses above to open up new markets by offering solutions to answer demands for home imaging, digital office, and ubiquitous imaging.

Strengthening Epson's competitive edge through continued investment in development, design, and technology:

Epson will continue to focus heavily on research and development activities to further strengthen its unique advantages in development, design, and production technology. The principal themes of Epson's R&D are as follows:

1. Advance the Micro-Piezo inkjet technology in order to supply the market with leading-edge photo printers
2. Develop novel pigment-based ink and novel dye-based ink which make high quality printing of photos with bright colors possible while also significantly boosting preservation performance by improving light and ozone resistant performance.
3. Develop color LCDs with lower power consumption and higher resolution, while integrating and maximizing their peripheral functions, to meet customer needs
4. Develop the next generation technologies of low-temperature polysilicon TFT LCD modules and organic LEDs (light-emitting displays)
5. Cut processing costs substantially for electronic devices by incorporating thin film production technologies that use the inkjet's technology for industrial applications while simultaneously reducing the burden on the environment

Enhancing quality and customer satisfaction:

Epson will make every effort to continue providing customers with reliable high-value added products. Epson intends to enhance customer satisfaction by striving to provide products that are a fusion of user-friendly designs and high-quality, as well as by establishing a global after-sales service system, which will also incorporate Epson's overseas branches and subsidiaries.

Epson will continue to meet customer needs in the electronic devices business with world-leading technology, and will reinforce the partnership between Epson and its customers by their collaborating hand in hand in the design and development of novel products. Epson will pursue to provide display system solutions ahead of its competitors by bringing together color LCDs and the technology to integrate the capacity of other peripheral functions. By providing customers with an even higher level of service matched to their specific needs, Epson aims to thus build an even stronger relationship with its customers.

In the field of LCD projectors, while continuing to develop products that meet the requested specifications arising from business situations and distinctive products that satisfy the needs of, or target the distinctive characteristics of, specific regional markets, Epson aims to further enhance brand awareness and boost its market presence, particularly by working to expand new markets, such as the LCD home-projector market.

Pursuing further in efficiency of productivity:

Epson works to boost productivity overall by joining the design, production, and sales stages. Using its unique, superior production capabilities, which are derived from Epson's watch production, Epson is expanding upon company-wide efforts to facilitate development of superior novel products with speed.
Pushing ahead with the creation of its unique supply chain management structure, Epson continues to

work toward the swift response to market changes as a result of collaboration of manufacturing and sales, and implementing its system for manufacturing, distribution, and sales so that it can provide customers with products from a minimum of stock. Epson will also continue to improve productivity at its overseas facilities, and to make efforts to further reduce manufacturing costs by those facilities increasing the procurement of parts from their respective local suppliers. In addition, Epson develops its businesses by adopting the division system that manages the processes from manufacturing through to sales on a global scale as the support system for the foregoing.

Environmental management and improving company value:
Epson is actively engaged in environmental preservation, a matter of considerable importance to Epson as a company. In fact, from its earliest days, Epson has been active in helping to preserve the environment, such as eliminating the usage of specified chlorofluorocarbons in all the manufacturing processes in 1993. Epson's achievements in its environment preservation activities are also increasingly being recognized: it has had the honor of being bestowed such awards as the "Minister of Economy, Trade and Industry's Global Environment Award" in 2001 and the Asahi Shimbun's "Environment for Tomorrow Award" in 2003. Consumer and customer preferences are increasingly toward companies and products that respect and value the environment. Epson is devoted, therefore, to reforms to make production processes friendlier to the environment, which Epson values highly, and is committed to taking energy-conserving measures and developing recyclable products. We at Epson believe that this devotion and commitment will also further reinforce the company's presence in many product markets.

Challenges – Interim Report

Epson is conducting business by concentrating its management resources on imaging based on SE07, its basic concept over the medium- to long-term. The business climate, however, remains harsh with increasing competition and a declining trend in the prices of its consumer products in the area of imaging.

Epson realizes the urgent need to build a strong corporate structure that can produce profits even under these difficult market conditions. Specifically, Epson is developing measures focusing on the following four points, which make up the annual management policy.

Building a stronger corporate structure through cost competitiveness:
The prices of inkjet printers and LCD projectors, Epson's flagship products, remain on a downward trend and are expected to continue to do so for the time being. Epson will reinforce its lineup of high value-added products and increase cost competitiveness by procurement renovation on a company wide basis and further reducing defective cost.

Specifically, as to the decrease of inventory, besides cutting inventory in its sales and manufacturing companies, Epson is implementing measures with a view to reform its distribution system and improve its production centers, while also striving to strengthen its business structure.

Successful introduction of new products to the market:
The selling season for Epson's main product – the inkjet printer – is the end of year, especially in the domestic market. Epson recognizes that the timely introduction of the strategic products to the market is imperative to boost business results. Therefore, Epson will identify technological challenges concerning its significant new products that must be overcome to ensure such products are put on the market at the right time and it will resolve any challenges as a group.

Steps in new markets towards SE07:
Epson is taking its first steps in new markets towards SE07. It has already introduced its multi-function inkjet printers, which enable printing of high-quality photos, as strategic products in the photography market and has begun introducing strategic products to new markets, products such as "dreamio," a new brand of home projector. In order to accelerate the momentum towards the realization of SE07, Epson has established the Imaging Products Marketing Division, which umbrellas both the information and imaging products business and the visual instrument business, to strengthen the integrated marketing function. Based on these structural changes, Epson intends to promote integrated business activities in the i1 and i2 domains.

In addition, Epson will establish the Brand Strategy Office to reinforce the Epson brand in entering new markets.

Accomplishment of operational reform:
The objective of operational reform is to streamline Epson's operations more by reshaping employee awareness, reviewing operations from scratch, and accelerating personnel mobility and transfers of personnel to the areas of focus. This undertaking has continued for a year and a half and has, during this time, been adopted by Epson's subsidiaries and is gradually showing results throughout the entire group company. Epson will continue these undertakings, especially by improving efficiency in the staff departments, developing a system that supports a strong corporate structure.

Basic Policy regarding the Allocation of Profits

Epson intends to improve the cash flow, efficiency of the management and profitability and to return profits to the shareholders upon comprehensive consideration of business results and financial conditions while setting forth the basic policy to continue the stable dividends.

Epson intends to allocate the internal reserve to capital investment for strengthening the corporate structure and research and development investment for new technologies to strengthen the management structure for the future.

Status of Corporate Governance

Basic Policy and Status of Implementation of Measures concerning Corporate Governance:
Epson's basic objectives in the area of corporate governance are to continue to increase corporate value and maintain a high level of transparency and soundness in its operation through strengthening management surveillance functions and ensuring compliance with corporate ethics for customers, employees, shareholders and other stakeholders.

(1) Initiatives to increase corporate value and strengthen surveillance functions

To remain a winner under rapidly changing competitive conditions, Epson is aware that rapid decision making in the management of its operations is extremely important. Accordingly, Epson has delegated substantial management authority to each of its businesses, thus making it possible for the general managers of each business to make decisions autonomously and conduct business activities with speed and flexibility. On the other hand, Epson's board of directors concentrates on supervising the conduct of operations in every business and formulating policies that involve the activities of multiple business domains and giving direction on significant subjects that transcends individual businesses from a strategic corporate perspective. Epson's management deliberation committee and management committee which meet weekly, give thorough consideration to items to be considered by the board and provide assistance to the board in reaching decisions. Through these activities, these committees can set the direction flexibly and efficiently for matters that require approval of representative directors.

Please note that in selecting members of the board of directors, Epson believes that the people best qualified for rapidly making decisions that accurately reflect the company's actual circumstances are those who can share the company's management stance and philosophy. For this reason, Epson does not appoint outside directors to the board and is working to enhance its functions with the current membership system.

To provide for sufficient checks on decision making, Epson is working to enhance its management surveillance functions by improving the quality of audits implemented by its statutory auditors, conducting internal inspections.

Epson has four statutory auditors, including two external statutory auditors, who meet each month to confirm the conduct of management activities. In addition, statutory auditors are participating members not only of the board of directors but also other deliberative groups within the company, including the management deliberation committee. Under this system, statutory auditors are thus in a position to conduct their audits based on the same level of information as members of the board of directors.

Internal auditing functions, including audits of subsidiaries, are conducted periodically by the Auditing Office, which reports directly to the president of the company, and the scope of the department's activities includes the examination of internal operating procedures. Under this system, issues and points for improvement that are selected from the results of internal audits are reported directly to the president and follow-up reports are made on subsequent progress towards improvement.

In addition, prior to preparing plans for audits, the statutory auditors and Auditing Office confer in advance regarding their ideas for accounting policy and accounting plans. Moreover, they exchange reports on auditing results periodically with the objective of enhancing the quality of auditing activities.

(2) Strengthening compliance functions

In1997, Epson prepared its Code of Conduct for Personnel in Management Positions, to provide a set of guidelines for corporate ethics, with the aim of promoting a keener awareness among personnel of their compliance responsibilities as members of society. In 2001, Epson issued its Code of Conduct for Employees to encourage greater sensitivity and understanding of compliance among all staff members. The company conducts regular training programs based on these codes of conduct for various levels of management and staff. In addition, in 2001, Epson established its Compliance Management Committee and began to take action to improve its systems for enhancing functions for ensuring compliance on a day-to-day basis and preventing compliance violations. Other initiatives to strengthen compliance functions include the formation of the Legal Compliance Promotion Office to be responsible for gathering information related to compliance issues (through the Compliance Hotline), which is one of the functions of the Compliance Management Committee.

(3) Upgrading the risk management system

Epson is aware that building a framework for the prevention and resolution of risks that have a significant impact on the management of the company is vital in terms of management. It is creating a company-wide formation of risk management policies in response to changes in its business structure and environment, and is endeavoring to carry out risk prevention and mitigation strategies. Specifically, in addition to establishing separate individual programs for the prevention and reduction of risks that are grasped by each department regarding their business areas, Epson classifies specific risks that require prevention and reduction across the group and is developing programs to address these specific risks. Epson intends to improve the quality of its emergency control system by modeling it on the risk control program, which worked effectively in the riot in Indonesia and the earthquake in Taiwan that Epson experienced in the past. As part of Epson's risk management system, the Risk Management Committee, which is chaired by the President, manages specific risks that affect the entire group and has broad powers to carry out emergency measures.

(4) Enhancing corporate disclosure

Epson emphasizes the timely disclosure ad prompt release of accurate corporation information to the public in accordance with the spirit of fair disclosure and in fulfillment of its responsibilities to be accountable to shareholders, investors and all other stakeholders.
Specific initiatives include the prompt release of quarterly financial reports and expansion of the contents of disclosure. Epson works to promote an accurate understanding of its activities through information meetings, the use of its website, and other means. Epson endeavors on a continuing basis to detect any divergences between the views of management and market participants by providing feedback, obtained through investors and public relation activities, to management on the views of persons outside the company. In addition, Epson maintains a basic policy of actively disclosing information on risks that emerge within the Epson Group.
Looking forward, Epson is scheduled to release its medium-term plan for the group. By disclosing information on its future plans and objectives, the company aims to provide information that will assist investors in making decisions. Releasing this information will also encourage observers outside the company to follow Epson's progress towards its objectives and contribute to effective corporate governance.
Along with these initiatives to strengthen corporate governance, Epson is closely following

developments in the corporate environment as well as trends in the market with the aim of making further improvements in its corporate governance structure.

Summary of personal, financial, business and any other interests in the company of its outside directors and outside statutory auditors:
There are no such interests.

Operating Performance Highlights

The global economy got off to a shaky start in this half year because of many destabilizing factors, particularly the SARS (severe acute respiratory syndrome) epidemic, which broke out in Asia, and concerns over international affairs. In the latter half of this half year , however, due to the recovery of the U.S. economy and the economic expansion of China, where exports were strong, the economy continued to expand. While the global economy showed signs of recovery, however, economies in parts of Europe and Asia showed signs of a setback.

In Japan, continued high unemployment and the cooler than usual summer made for lackluster personal spending levels. On the other hand, corporate profits in Japan were buoyed by the upturn in the U.S. economy and there was an increase in capital expenditure, all of which led the overall Japanese economy, driven by increased corporate spending , to show signs of a turnaround.

As for the main markets of the Epson Group ("Epson"), in the information-related equipment business, personal computer markets showed signs of recovery, notably in Japan and the U.S. markets. In the inkjet printer market, photo printer sales showed steady growth, pulled along by the popularity of digital camera. Sales of multi-function printers (printers that can print, scan, and copy) also boosted considerably. In Japan in particular, mobile phones with high-resolution cameras were extremely popular, and that popularity has given rise to new demand for digital photography. Meanwhile, the appearance of low-price multi-function printers, mainly in North America, led to the rapid growth in the market for multi-function printers, resulting to declining prices of inkjet printers and multi-function printers. LCD (liquid crystal display) projectors experienced an increase in demand because of an expansion in home-projector and education markets, but the average unit price of those projectors fell significantly because of intensified competition among the products in the most popular price range.

In the electronic devices business, while the mobile phone market continued strongly, in overseas markets there was more movement away from phones with monochrome displays to color-display phones, a movement which has produced a rise in demand for color LCDs and color LCD drivers.

The precision products business, however, remains locked in a tough market with lackluster personal spending.

Even under these market conditions, Epson continued its push to further differentiate its products from its competitors in the market, setting a stage for business expansion in the future. Epson continued working hard to drive sales up by introducing a range of strongly competitive products onto the market. In creating these competitive products, which are produced using Epson's unique technologies, Epson used its collective strength of being able to comprehensively control the production process, from the development of key devices through to complete products. Epson also further strengthened and enhanced its line-up of products fitted with pigment ink for inkjet printers, while simultaneously promoting sales with Epson's catch phrase, "DURABrite", which defines Epson's inks as inks that allow materials to maintain a freshly printed appearance over time.

In addition, Epson has strengthened its growth ability and improved its managerial efficiency by focusing its managerial resources on Epson's strong businesses with high growth potential in inkjet printers and multi-function printers, two of Epson's products that has an advantage with their high-quality photo resolution, LCD projectors and their key component, the high-temperature polysilicon TFT (thin film transistor), both of which are expected to command strong growth among home users and information providers, and small and medium LCDs for the portable information devices characterized by their compact, high-resolution, low power-consumption.

Epson has recommenced construction on its new factory (Epson's Chitose plant) to produce the high-temperature polysilicon TFT mentioned above and prepare for the expansion of its market that is expected to follow the coming of the digital society. In continuing with its group-wide reforms for cost reduction and procurement and its business reforms in the management sector, Epson also aims to establish a robust group character that can respond quickly and flexibly to changed environments.

The average exchange rate for this half year were ¥118.05 for the yen against the US dollar and ¥133.46 for the yen against the Euro. Compared with the same period last year, these rates represent a 4% strengthening of the yen against the dollar but a 14% weakening of the yen against the Euro.

As a result of the above circumstances, Epson's net sales for this half year increased by 9.3% on the same period last year to ¥657,854 million ($5,913,294 thousand). Operating income rose by 169.7% on the same period last year to ¥33,115 million ($297,663 thousand), and income before income taxes and minority interest also increased to 323.7% to ¥28,789 million ($258,777 thousand). Net income shot up by 686.8% to ¥16,563 million ($148,881 thousand).

Operating Performance Highlights by Business Segments

Information-related equipment:

Epson worked hard to boost sales of information-related equipment, focusing on sales of products fitted with Epson's unique pigment ink called PX Ink in Japan and DURABrite overseas, activity for a lift in sales by promoting its strategy for Europe, Asia and Oceania of replacing monochrome laser printers with color printers and introduction of new LCD projectors into the market at the most popular price range.

In the imaging and information products business, inkjet printers and multi-function printers (including their related supplies, and the same applies to various printers mentioned below) were affected by the drop in unit price for printers, however, sales increase was achieved due to the rise in the number of printers in use and in the amount of printing being done such as the printing of digital photographs and graphics, led to a jump in ink cartridges sold. Unit prices of laser printers dropped, however sales increase was achieved through growth in sales of related supplies caused by climbing sales of color printers which require a relatively substantial amount of related supplies and an increase in the number of printers being in use (including monochrome printers). Scanners, affected by the expansion of the market for multi-function printers, took a cut in sales. Overall, sales for the imaging and information products business increased.

The visual instruments business did not fare as well, with monitor modules experiencing a considerable drop in sales due to fewer orders for entertainment units, which are the core product among monitor modules, and decreased sales in completed monitors. LCD projectors expanded appreciably in quantity, however sales amount decreased, due to further price reductions. Overall, as a result of these adverse conditions, sales decreased in the visual instruments business.

Sales were up in the system devices business, as improved sales in the U.S. of highly value-added products proposed for novel uses and the successful direct approach to customers carried out in Europe and America boosted sales of terminal modules. These increased sales helped supplement the considerably reduced sales in mini-printer mechanisms, a reduction resulting from the end of the special demand for printers that were being used in elections in Brazil. Consequently, the system devices and personal computer businesses were able to post an overall increased sales.

Operating income in the information-related business decreased as a result of, among other things, reduced market prices and increased sales expenses.

This resulted in net sales for the information-related equipment business segment for the this first half year increasing by 2.5% on the same period last year to ¥422,449 million ($3,797,294 thousand), and operating income decreasing by 16.7% on the same period last year to ¥28,200 million ($253,483 thousand).

Electronic devices:

In the electronics device segment, reductions in procurement costs and cuts in fixed expenses were carried out in the electronic devices business. Epson also made considerable efforts in implementing strategies to boost sales, such as actively promoting color LCDs in Europe and America and expanding sales of LCD controllers.

In the display business, color STN LCDs and MD-TFD LCDs secured significant sales increases as a result of overseas mobile phone markets' push for replacing monochrome displays with color displays and the quantitative increase of actual units on the market due to the introduction of new types of mobile phones to the Japanese market. On the other hand, sales from monochrome STN LCDs decreased significantly due to reduced demand and, although quantity of high-temperature polysilicon TFT units for LCD projectors increased, the increasing miniaturization of panels and continuous price reduction led to a decrease in sales. Notwithstanding those sales decrease, however, the display business comfortably recorded an overall appreciable increase in sales.

The semiconductor business performed strongly, ending this half year with substantial sales growth. This growth was led by the boosted demand for high-priced color LCD drivers, a boost associated with the growing change to color mobile phone displays.

While the quartz devices business was affected by falling prices, unit increases in crystal oscillators and real-time clock modules, both for mobile phones and digital still camera, led to sales gains overall.

Operating income for the electronic devices segment thus shows significant profit recovery through increased sales for all businesses and through decreases in fixed expenses (such as depreciation) and selling, general and administrative expenses (such as research and development expenses).

This resulted in net sales for the electronic devices business segment for this first half year increasing by 29.1% on the same period last year to ¥210,352 million ($1,890,804 thousand), and operating income was ¥9,441 million ($84,863 thousand) (operating loss was ¥22,250 million on the same period last year).

Precision products:

Facing harsh market conditions in the precision product business segment, Epson developed new products to meet customer's needs and launched initiatives to expand its customer base.

In the watch business, branded products saw a polarization of consumption, with consumption being sharply divided between low- and high-priced products, and that polarization led to reduced quantity of medium-priced products, which are Epson's core products. While there was a steady increase in sales of optical devices in the optical products business, lackluster consumer spending led to sluggish sales of corrective lenses. As a result, sales in the precision instruments business yielded a reduced sales.

Operating income increased for the precision products segment by managing to cut costs, mainly through shifting manufacturing overseas and increasing efficiency in materials procurement.

This resulted in net sales for the precision products business segment for this first half year decreasing by 6.6% on the same period last year to ¥38,581 million ($346,786 thousand), and operating income increasing by 136.7% on the same period last year to ¥1,425 million ($12,809 thousand).

Operating Performance Highlights by Geographic Segments

Japan:

Sales increased for MD-TFD LCDs, color STN LCDs. As a result, net sales increased 7.6% on the same period last year to ¥560,349 million ($5,036,845 thousand), and operating income increased by 1946.5% on the same period last year to ¥18,132 million ($162,984 thousand).

The Americas:

Sales increased for terminal modules, however, scanners and dot matrix printers faced reduced sales. As a result, net sales decreased 0.6% on the same period last year to ¥128,374 million ($1,153,923 thousand), and operating income decreased by 0.8% on the same period last year to ¥3,200 million ($28,764 thousand).

Europe:
Sales rose for inkjet printers, multi-function printers, color STN LCDs and laser printers. As a result, net sales increased 19.1% on the same period last year to ¥126,486 million ($1,136,953 thousand), and operating income increased by 187.2% on the same period last year to ¥1,769 million ($15,901 thousand).

Asia / Oceania:
Sales of inkjet printers and multi-function printers decreased, however, sales were up for MD-TFD LCDs and color STN LCD's. As a result, net sales increased 10.3% on the same period last year to ¥326,745 million ($2,937,033 thousand), and operating income increased by 18.9% on the same period last year to ¥9,963 million ($89,555 thousand).

Cash Flow Performance

Net income for this first half was ¥16,563 million ($148,881 thousand). Depreciation and amortization, principally from the electronic devices business segment, was ¥53,868 million ($484,207 thousand). As for changes to assets and liabilities, inventory increased by ¥14,740 million ($132,494 thousand). As a result, cash flows from operating activities came to ¥73,092 million ($657,007 thousand).

Cash flows from investing activities ran a deficit of ¥41,968 million ($377,240 thousand) mainly due to payments of capital expenditure, principally in the imaging and information products business, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period which amounted to ¥46,357 million ($416,692 thousand).

Cash flows from financial activities yielded a cash flow revenue of ¥49,221 million ($442,436 thousand), which includes revenue of ¥109,915 million ($988,000 thousand) from the issuance of new stocks, which was due to Epson's listing on the stock exchange and the exercise of over allotment in association with the listing and reduction of ¥59,221 million ($532,323 thousand) from short- and long-term loans in accordance with new loans and loan repayments.

As a result, cash and cash equivalents as of September 30, 2003 became ¥270,009 million ($2,427,047 thousand).

Highlights of the Second Quarter

Sales for the second quarter rose by 10.7% on the same period last year to ¥342,661 million ($3,080,099 thousand), substantially boosted by revenues from the electronic devices business, in which LCDs for mobile phones performed well, and augmented sales in the information-related equipment business. Even with the decrease of income for the information-related equipment business caused by price reduction, operating income finished higher than the same period last year with a 138.0% jump to ¥18,898 million ($169,870 thousand), which was due to a considerable recovery achieved in the electronic devices business. This recovery in the electronic devices business was in part due to increased sales and reduced depreciation costs, which in turn was as a result of stringent, decisive investment decisions. Net income for this quarter likewise rocketed up 233.4% on the same period last year to ¥10,595 million ($95,236 thousand).

Interim Cash Dividend

On October 30, 2003, the board of directors approved the declaration of interim cash dividend at ¥9.00 ($0.08) per share to the shareholders of record as at September 30, 2003.

Forecast for fiscal year ending March 31, 2004

Epson's outlook for the latter period remains unchanged from the October 22 forecast. The assumption for foreign exchange rate for the 2nd half year are U.S.$1=¥115 and Euro1=¥130. Foreign exchange effect to income are limited due to balanced accounts receivables and payables for U.S.$ and, foreign exchange contract are concluded for Euro to hedge foreign exchange fluctuations.

Outlook for Consolidated Results

Full year

	FY 2002	Current Outlook	Change
Net Sales	¥1,322.5 billion	¥1,414.0 billion	¥91.5 billion
Income before income tax and minority interest	¥31.6 billion	¥57.0 billion	¥25.4 billion
Net income	¥12.5 billion	¥33.0 billion	¥ 20.5 billion

Cautionary Statement

This report includes forward-looking statements which are based on management's view from the information available at the time of the announcement. These statements involve 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 trend, competition, technology trend, exchange rate fluctuations.

Consolidated Balance Sheets (Unaudited)

	Millions of yen				Thousands of U.S. dollars
	September 30, 2003	March 31, 2003	Change	September 30, 2002	September 30, 2003
ASSETS					
Current assets:					
Cash and cash equivalents	¥270,009	¥192,288	¥77,721	¥167,764	$2,427,047
Time deposits	410	498	(88)	9,324	3,686
Notes and accounts receivable, trade	214,228	218,280	(4,052)	215,656	1,925,645
Inventories	177,286	167,478	9,808	184,996	1,593,582
Other current assets	81,975	71,010	10,965	78,562	736,854
Allowance for doubtful accounts	(4,138)	(4,244)	106	(4,421)	(37,196)
Total current assets	739,770	645,310	94,460	651,881	6,649,618
Property, plant and equipment:					
Buildings and structures	376,632	378,268	(1,636)	378,140	3,385,456
Machinery and equipment	462,091	472,977	(10,886)	464,563	4,153,627
Furniture and fixtures	178,309	177,972	337	173,244	1,602,778
Land	53,468	53,794	(326)	54,762	480,611
Other	10,764	11,962	(1,198)	11,385	96,755
	1,081,264	1,094,973	(13,709)	1,082,094	9,719,227
Accumulated depreciation	(666,941)	(652,204)	(14,737)	(615,579)	(5,994,975)
	414,323	442,769	(28,446)	466,515	3,724,252
Investments and other assets:					
Investment securities	38,202	35,906	2,296	27,297	343,389
Intangible assets	24,715	26,955	(2,240)	29,069	222,157
Other assets	34,579	46,020	(11,441)	64,522	310,822
Allowance for doubtful accounts	(760)	(880)	120	(1,179)	(6,831)
	96,736	108,001	(11,265)	119,709	869,537
Total assets	¥1,250,829	¥1,196,080	¥54,749	¥1,238,105	$11,243,407

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

	Millions of yen				Thousands of U.S. dollars
	September 30, 2003	March 31, 2003	Change	September 30, 2002	September 30, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Short-term bank loans	¥116,212	¥142,198	¥(25,986)	¥192,795	$1,044,602
Current portion of long-term debt	82,681	70,258	12,423	59,698	743,200
Notes and accounts payable, trade	133,706	115,966	17,740	121,176	1,201,852
Accounts payable, other	57,215	77,492	(20,277)	58,912	514,292
Income taxes payable	6,569	8,316	(1,747)	7,597	59,047
Accrued bonuses	15,606	13,590	2,016	16,073	140,279
Accrued warranty costs	13,044	14,275	(1,231)	23,060	117,249
Other current liabilities	57,251	50,992	6,259	51,420	514,616
Total current liabilities	482,284	493,087	(10,803)	530,731	4,335,137
Long-term liabilities:					
Long-term debt	348,270	396,934	(48,664)	394,445	3,130,517
Accrued pension and severance costs	8,900	9,242	(342)	25,415	80,000
Accrued directors' and statutory auditors' retirement allowances	1,606	2,403	(797)	2,273	14,436
Other long-term liabilities	8,359	10,490	(2,131)	11,132	75,137
Total long-term liabilities	367,135	419,069	(51,934)	433,265	3,300,090
Minority interest in subsidiaries	2,540	2,608	(68)	2,074	22,832
Shareholders' equity:					
Common stock, no par value	53,204	12,531	40,673	12,531	478,238
Additional paid-in capital	79,501	10,259	69,242	10,259	714,616
Retained earnings	279,874	264,874	15,000	255,571	2,515,721
Net unrealized gains on other securities	1,856	167	1,689	(73)	16,683
Translation adjustments	(15,565)	(6,515)	(9,050)	(6,253)	(139,910)
Treasury stock	(0)	(0)	-	(0)	(0)
Total shareholders' equity	398,870	281,316	117,554	272,035	3,585,348
Commitments and contingent liabilities					
Total liabilities and shareholders' equity	¥1,250,829	¥1,196,080	¥54,749	¥1,238,105	$11,243,407

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

Consolidated Statements of Income (Unaudited)

Six months ended September 30:

	Millions of yen					Thousands of U.S. dollars
	Six months ended September 30,				Year ended March 31,	Six months ended September 30,
	2003	2002	Change		2003	2003
Net sales	¥657,854	¥601,997	¥55,857	9.3%	¥1,322,453	$5,913,294
Cost of sales	472,312	445,781	26,531	6.0%	959,865	4,245,501
Gross profit	185,542	156,216	29,326	18.8%	362,588	1,667,793
Selling, general and administrative expenses:						
Salaries and wages	38,360	36,542	1,818	5.0%	72,597	344,809
Advertising	12,233	10,112	2,121	21.0%	30,138	109,960
Sales promotion	13,427	11,542	1,885	16.3%	30,364	120,692
Research and development costs	20,693	20,854	(161)	(0.8%)	42,787	186,004
Shipping costs	8,624	7,748	876	11.3%	19,756	77,519
Provision for doubtful accounts	418	437	(19)	(4.3%)	665	3,757
Other	58,672	56,703	1,969	3.5%	116,921	527,389
	152,427	143,938	8,489	5.9%	313,228	1,370,130
Operating income	33,115	12,278	20,837	169.7%	49,360	297,663
Other income:						
Interest and dividend income	851	554	297	53.6%	1,289	7,649
Reversal of specific warranty costs	-	-	-		2,982	-
Gain on transfer to government of the substitutional portion of pension liabilities	-	-	-	-	17,577	-
Other	2,929	3,974	(1,045)	(26.3%)	7,950	26,328
	3,780	4,528	(748)	(16.5%)	29,798	33,977
Other expenses:						
Interest expenses	3,286	2,963	323	10.9%	6,257	29,537
Net loss on foreign exchange	171	3,168	(2,997)	(94.6%)	5,552	1,537
Loss on disposal of property, plant and equipment	1,729	1,396	333	23.9%	3,233	15,542
Reorganization costs	1,563	98	1,465	1494.9%	23,955	14,049
Other	1,357	2,386	(1,029)	(43.1%)	8,532	12,198
	8,106	10,011	(1,905)	(19.0%)	47,529	72,863
Income before income taxes and minority interest	28,789	6,795	21,994	323.7%	31,629	258,777
Income taxes:						
Current	5,960	6,943	(983)	(14.2%)	12,368	53,573
Deferred	6,043	(2,470)	8,513	-	6,289	54,319
	12,003	4,473	7,530	168.3%	18,657	107,892
Income before minority interest	16,786	2,322	14,464	622.9%	12,972	150,885
Minority interest in subsidiaries	223	217	6	2.8%	462	2,004
Net income	¥16,563	¥2,105	¥14,458	686.8%	¥12,510	$148,881

	Yen					U.S. dollars
Per share:						
Net income (loss)	¥94.53	¥13.86	¥80.67	582.0%	¥81.08	$0.85
Cash dividends	¥9.00	¥9.00	-	-	¥18.00	$0.08

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

Three months ended September 30:

	Millions of yen				Thousands of U.S. dollars
	Three months ended September 30,				Three months ended September 30,
	2003	2002	Change		2003
Net sales	¥342,661	¥309,600	¥33,061	10.7%	$3,080,099
Cost of sales	247,461	229,535	17,926	7.8%	2,224,369
Gross profit	95,200	80,065	15,135	18.9%	855,730
Selling, general and administrative expenses:					
Salaries and wages	19,142	18,175	967	5.3%	172,063
Advertising	5,958	5,648	310	5.5%	53,555
Sales promotion	7,028	6,203	825	13.3%	63,173
Research and development costs	10,769	10,294	475	4.6%	96,800
Shipping costs	4,587	3,892	695	17.9%	41,231
Provision for doubtful accounts	55	376	(321)	(85.4%)	494
Other	28,763	27,536	1,227	4.5%	258,544
	76,302	72,124	4,178	5.8%	685,860
Operating income	18,898	7,941	10,957	138.0%	169,870
Other income:					
Interest and dividend income	329	206	123	59.7%	2,957
Net gain on foreign exchange	980	-	980	-	8,809
Other	1,264	2,160	(896)	(41.5%)	11,362
	2,573	2,366	207	8.7%	23,128
Other expenses:					
Interest expenses	1,648	1,486	162	10.9%	14,814
Net loss on foreign exchange	-	114	(114)	-	-
Loss on disposal of property, plant and equipment	1,239	1,051	188	17.9%	11,137
Reorganization costs	1,563	98	1,465	1494.9%	14,049
Other	517	1,524	(1,007)	(66.1%)	4,647
	4,967	4,273	694	16.2%	44,647
Income before income taxes and minority interest	16,504	6,034	10,470	173.5%	148,351
Income taxes	5,779	2,745	3,034	110.5%	51,946
Income before minority interest	10,725	3,289	7,436	226.1%	96,405
Minority interest in subsidiaries	130	111	19	17.1%	1,169
Net income	¥10,595	¥3,178	¥7,417	233.4%	$95,236

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

Consolidated Statements of Change in Shareholders' Equity (Unaudited)
Six months ended September 30:

	Number of shares issued	Common stock	Additional paid-in capital	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
		Millions of yen						
Balance at March 31, 2002	151,864,592	¥12,531	¥10,259	¥1,286	¥1,342	¥(0)	¥254,931	¥280,349
Net income for the six months ended September 30, 2002	-	-	-	-	-	-	2,105	2,105
Cash dividends	-	-	-	-	-	-	(1,367)	(1,367)
Bonuses to directors and statutory auditors	-	-	-	-	-	-	(98)	(98)
Net unrealized losses on other securities	-	-	-	(1,359)	-	-	-	(1,359)
Translation adjustments	-	-	-	-	(7,595)	-	-	(7,595)
Balance at September 30, 2002	151,864,592	¥12,531	¥10,259	¥(73)	¥(6,253)	¥(0)	¥255,571	¥272,035
Balance at March 31, 2003	151,864,592	¥12,531	¥10,259	¥167	¥(6,515)	¥(0)	¥264,874	¥281,316
Net income for the half year ended September 30, 2003	-	-	-	-	-	-	16,563	16,563
Issuance of common stock under public offering	44,500,000	40,673	69,242	-	-	-	-	109,915
Cash dividends	-	-	-	-	-	-	(1,367)	(1,367)
Bonuses to directors and statutory auditors	-	-	-	-	-	-	(196)	(196)
Net unrealized gain on other securities	-	-	-	1,689	-	-	-	1,689
Translation adjustments	-	-	-	-	(9,050)	-	-	(9,050)
Changes in treasury stock	-	-	-	-	-	(0)	-	(0)
Balance at September 30, 2003	196,364,592	¥53,204	¥79,501	¥1,856	¥(15,565)	¥(0)	¥279,874	¥398,870

	Number of shares issued	Common stock	Additional paid-in capital	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
		Millions of yen						
Balance at March 31, 2002	151,864,592	¥12,531	¥10,259	¥1,286	¥1,342	¥(0)	¥254,931	¥280,349
Net income	-	-	-	-	-	-	12,510	12,510
Cash dividends	-	-	-	-	-	-	(2,734)	(2,734)
Bonuses to directors and statutory auditors	-	-	-	-	-	-	(98)	(98)
Increase due to affiliates newly accounted for under the equity method	-	-	-	-	-	-	265	265
Net unrealized losses on other securities	-	-	-	(1,119)	-	-	-	(1,119)
Translation adjustments	-	-	-	-	(7,857)	-	-	(7,857)
Balance at March 31, 2003	151,864,592	¥12,531	¥10,259	¥167	¥(6,515)	¥(0)	¥264,874	¥281,316

	Common stock	Additional paid-in capital	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
	Thousands of U.S. dollars						
Balance at March 31, 2003	$112,638	$92,216	$1,501	$(58,562)	$(0)	$2,380,890	$2,528,683
Net income for the six months ended September 30, 2003	-	-	-	-	-	148,881	148,881
Issuance of common stock under public offering	365,600	622,400	-	-	-	-	988,000
Cash dividends	-	-	-	-	-	(12,288)	(12,288)
Bonuses to directors and statutory auditors	-	-	-	-	-	(1,762)	(1,762)
Net unrealized gain on other securities	-	-	15,182	-	-	-	15,182
Translation adjustments	-	-	-	(81,348)	-	-	(81,348)
Changes in treasury stock	-	-	-	-	(0)	-	(0)
Balance at September 30, 2003	$478,238	$714,616	$16,683	$(139,910)	$(0)	$2,515,721	$3,585,348

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

Three months ended September 30:

	Number of shares issued	Common stock	Additional paid-in capital	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
		Millions of yen						
Balance at June 30, 2002	151,864,592	¥12,531	¥10,259	¥795	¥(9,195)	¥(0)	¥252,393	¥266,783
Net income for the three months ended September 30, 2002	-	-	-	-	-	-	3,178	3,178
Bonuses to directors and statutory auditors	-	-	-	-	-	-	-	-
Net unrealized losses on other securities	-	-	-	(868)	-	-	-	(868)
Translation adjustments	-	-	-	-	2,942	-	-	2,942
Balance at September 30, 2002	151,864,592	¥12,531	¥10,259	¥(73)	¥(6,253)	¥(0)	¥255,571	¥272,035
Balance at June 30, 2003	191,864,592	¥49,091	¥72,499	¥1,001	¥(4,942)	¥(0)	¥269,279	¥386,928
Net income for the three months ended September 30, 2003	-	-	-	-	-	-	10,595	10,595
Issuance of common stock under public offering	4,500,000	4,113	7,002			-	-	11,115
Net unrealized gain on other securities	-	-	-	855	-	-	-	855
Translation adjustments	-	-	-	-	(10,623)	-	-	(10,623)
Changes in treasury stock	-	-	-	-	-	(0)	-	(0)
Balance at September 30, 2003	196,364,592	¥53,204	¥79,501	¥1,856	¥(15,565)	¥(0)	¥279,874	¥398,870

	Common stock	Additional paid-in capital	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Retained earnings	Total
	Thousands of U.S. dollars						
Balance at June 30, 2003	$441,267	$651,677	$8,998	$(44,422)	$(0)	$2,420,485	$3,478,005
Net income for the six months ended September 30, 2003	-	-	-	-	-	95,236	95,236
Issuance of common stock under public offering	36,971	62,939	-	-	-	-	99,910
Net unrealized gain on other securities	-	-	7,685	-	-	-	7,685
Translation adjustments	-	-	-	(95,488)	-	-	(95,488)
Changes in treasury stock	-	-	-	-	(0)	-	(0)
Balance at September 30, 2003	$478,238	$714,616	$16,683	$(139,910)	$(0)	$2,515,721	$3,585,348

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

Consolidated Statements of Cash Flows (Unaudited)

Six months ended September 30:

	Millions of yen				Thousands of U.S. dollars
	Six months ended September 30,			Year ended March 31,	Six months ended September 30,
	2003	2002	Change	2003	2003
Cash flows from operating activities:					
Net income	¥16,563	¥2,105	¥14,458	¥12,510	$148,881
Adjustments to reconcile net income to net cash provided by operating activities-					
Depreciation and amortization	53,868	59,300	(5,432)	127,406	484,207
Reorganization costs	1,563	-	1,563	23,002	14,049
Accrual for net pension and severance costs, less payments	(1,729)	(23)	(1,706)	(18,212)	(15,542)
Net loss on sales and disposal of property, plant and equipment	1,796	986	810	1,978	16,144
Equity in net (gains) losses under the equity method	(121)	(35)	(86)	95	(1,088)
Deferred income taxes	6,043	(2,470)	8,513	6,289	54,319
(Increase) decrease in allowance for doubtful accounts	43	36	7	(459)	387
Accrued income taxes	(2,264)	(1,771)	(493)	(1,839)	(20,351)
Decrease in notes and accounts receivable, trade	2,939	23,374	(20,435)	20,636	26,418
(Increase) decrease in inventories	(14,740)	(15,694)	954	2,471	(132,494)
Increase (decrease) in notes and accounts payable, trade	16,561	4,658	11,903	(3,613)	148,863
Other	(7,430)	(13,501)	6,071	(10,760)	(66,786)
Net cash provided by operating activities	73,092	56,965	16,127	159,504	657,007
Cash flows from investing activities:					
Payment for purchases of property, plant and equipment	(41,569)	(53,080)	11,511	(85,274)	(373,654)
Proceeds from sales of property, plant and equipment	1,712	3,663	(1,951)	7,872	15,389
Payments for purchases of intangible assets	(4,788)	(3,792)	(996)	(8,898)	(43,038)
Payments of long-term prepaid expenses	(124)	(2,141)	2,017	(10,943)	(1,115)
Other	2,801	(11,006)	13,807	(10,700)	25,178
Net cash used in investing activities	(41,968)	(66,356)	24,388	(107,943)	(377,240)
Cash flows from financing activities:					
Increase (decrease) in short-term borrowings	(23,832)	(7,226)	(16,606)	(56,723)	(214,220)
Proceeds from long-term debt	27,500	110,101	(82,601)	150,644	247,191
Repayments of long-term debt	(62,889)	(54,331)	(8,558)	(81,568)	(565,294)
Issuance of common stock	109,915	-	109,915	-	988,000
Cash dividends	(1,367)	(1,367)	-	(2,734)	(12,288)
Other	(106)	(356)	250	(508)	(953)
Net cash provided by financing activities	49,221	46,821	2,400	9,111	442,436
Effect of exchange rate fluctuations on cash and cash equivalents	(2,624)	(975)	(1,649)	307	(23,587)
Net increase in cash and cash equivalents	77,721	36,455	41,266	60,979	698,616
Cash and cash equivalents at beginning of the period	192,288	131,309	60,979	131,309	1,728,431
Cash and cash equivalents at end of the period	¥270,009	¥167,764	¥102,245	¥192,288	$2,427,047
Supplemental disclosures of cash flow information:					
Cash received and paid during the year for-					
Interest and dividend received	¥861	¥1,471	¥(610)	¥2,227	$7,739
Interest paid	¥(3,259)	¥(3,675)	¥416	¥(6,143)	$(29,294)
Income taxes paid	¥(8,224)	¥(8,714)	¥490	¥(14,207)	$(73,924)

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

Three months ended Septembe r 30:

	Millions of yen			Thousands of U.S. dollars
	Three months ended September 30,			Three months ended September 30, 2003
	2003	2002	Change	
Cash flows from operating activities:				
Net income	¥10,595	¥3,178	¥7,417	$95,236
Adjustments to reconcile net income to net cash provided by operating activities-				
Depreciation and amortization	27,497	30,437	(2,940)	247,164
Reorganization costs	1,563	-	1,563	14,049
Accrual for net pension and severance costs, less payments	(553)	4	(557)	(4,971)
Net loss on sales and disposal of property, plant and equipment	1,403	1,073	330	12,611
Equity in net (gains) losses under the equity method	(66)	29	(95)	(593)
Deferred income taxes	5,761	(1,907)	7,668	51,784
(Increase) decrease in allowance for doubtful accounts	(281)	202	(483)	(2,526)
Accrued income taxes	(1,413)	4,739	(6,152)	(12,701)
Decrease in notes and accounts receivable, trade	(10,750)	(8,096)	(2,654)	(96,629)
(Increase) decrease in inventories	(1,262)	(10,715)	9,453	(11,344)
Increase (decrease) in notes and accounts payable, trade	7,759	660	7,099	69,744
Other	(343)	2,110	(2,453)	(3,083)
Net cash provided by operating activities	39,910	21,714	18,196	358,741
Cash flows from investing activities:				
Payment for purchases of property, plant and equipment	(20,947)	(26,536)	5,589	(188,288)
Proceeds from sales of property, plant and equipment	1,329	1,573	(244)	11,946
Payments for purchases of intangible assets	(1,650)	(1,978)	328	(14,831)
Payments of long-term prepaid expenses	(95)	(2,121)	2,026	(854)
Other	2,092	(11,514)	13,606	18,805
Net cash used in investing activities	(19,271)	(40,576)	21,305	(173,222)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(16,240)	(26,279)	10,039	(145,977)
Proceeds from long-term debt	25,000	100,354	(75,354)	224,719
Repayments of long-term debt	(59,636)	(53,747)	(5,889)	(536,054)
Issuance of common stock	11,115	-	11,115	99,910
Cash dividends	-	-	-	-
Other	(5)	17	(22)	(45)
Net cash provided by financing activities	(39,766)	20,345	(60,111)	(357,447)
Effect of exchange rate fluctuations on cash and cash equivalents	(2,849)	549	(3,398)	(25,609)
Net increase in cash and cash equivalents	(21,976)	2,032	(24,008)	(197,537)
Cash and cash equivalents at beginning of the period	291,985	165,732	126,253	2,624,584
Cash and cash equivalents at end of the period	¥270,009	¥167,764	¥102,245	$2,427,047
Supplemental disclosures of cash flow information:				
Cash received and paid during the year for-				
Interest and dividend received	¥324	¥751	¥(427)	$2,912
Interest paid	¥(2,065)	¥(2,133)	¥68	$(18,562)
Income taxes paid (refunded)	¥(1,431)	¥86	¥(1,517)	$(12,863)

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

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of presenting consolidated financial statements:

(1) Background -

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 while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective country of domicile. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively "Epson") as of September 30, 2003, and for the three months and six months ended September 30, 2003 are an English translation of the Japanese consolidated financial statements of Epson, which have been prepared in accordance with accounting principles and practices generally accepted in Japan. The interim consolidated financial statements reflect all adjustments, consisting of normal recurring items, which are, in the opinion of management, necessary to present a fair statement of the results of the interim period presented. The results of operations for any interim period are not necessarily indicative of results for the full year.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles and practices in Japan, but which is provided herein as additional information. However, none of the reclassifications nor rearrangements have a material effect on the financial statements.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

2. 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 and 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 unrealized inter-company profits.

(2) Translation of foreign currency transactions and accounts -

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.

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 financial statement translation differences are recorded in the consolidated balance sheet as a separate component of shareholders' equity.

(3) Cash and cash equivalents -

Cash and cash equivalents included in the consolidated financial statements are composed of 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 represent low risk of fluctuation in value.

(4) Financial instruments -

(a) Investments in debt and equity securities:

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

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. 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 historical or amortized cost 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 shareholders' equity, net of tax. Other securities for which market quotations are unavailable are stated at cost, based on the weighted average cost method. Other than temporary declines in the value of other securities are reflected in current income.

(b) Derivative financial 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. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

(c) Allowance for doubtful accounts:

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

(5) Inventories -

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

(6) Property, plant and equipment -

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method for the Company and its Japanese subsidiaries and on the straight-line method for foreign subsidiaries at rates based on the 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. When property, plant or equipment is retired or disposed of, the difference between the net book value and sales proceeds, if any, is charged or credited to income.

The estimated useful lives of depreciable assets principally range from eight to fifty years for buildings and structures and principally range from two to eleven years for machinery and equipment.

(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 their estimated useful lives, ranging from three to five years.

(8) Accrued bonuses -

Accrued bonuses to employees are provided for the estimated amounts which Epson is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

(9) Accrued warranty costs -

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.

(10) 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.

In May 29, 2003, the Company obtained approval from the National tax agency for filing consolidated tax returns from the year beginning April 1, 2003. The company has adopted the consolidated tax return system for the calculation of income taxes effective from the six months ended September 30, 2003.

(11) Pension and severance costs -

The Company and some of its Japanese subsidiaries maintain a contributory defined benefit welfare pension plan (the "welfare pension plan") covering substantially all of their employees. The welfare pension plan is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law. The welfare pension plan covers the substitutional portion of the governmental welfare pension program and non-substitutional portion under which contributions are made by these companies and their employees.

To supplement the welfare pension plan, the Company and some of its Japanese subsidiaries maintain tax qualified pension plans which are non-contributory defined benefit pension plans. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on expense deductibility under Japanese income tax laws.

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 and actuarial gains and losses are amortized based on the straight-line method over a period of five years.

Most of the Company's foreign subsidiaries have various retirement plans, which are primarily defined contribution plans, covering substantially all of their employees. Epson's funding policy for these defined contribution plans is to contribute annually an amount equal to a certain percentage of the participants' annual salaries.

With respect to the Company's directors and statutory auditors, who are not covered by the benefit plans for employees described above, provision is made for retirement benefits based on internal rules regarding directors' and statutory auditors' retirement benefits. In accordance with the Commercial Code of Japan, payments of retirement benefits for directors and statutory auditors are subject to approval by a resolution at the Company's shareholders' meeting.

(12) 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.

(13) Research and development costs -

Research and development costs are expensed as incurred.

(14) Leases -

Epson leases certain office space, machinery and equipment and computer equipment from third parties.

Under Japanese accounting standards, capital leases, other than those under which ownership of the assets will be transferred to the lessee at the end of the lease term, are allowed to be accounted for as operating leases with footnote disclosure of the estimated acquisition cost, estimated accumulated depreciation and future estimated lease payments.

Epson has recorded substantially all leases as operating leases in the manner described in the preceding paragraph.

(15) Net income per share -

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

On September 25, 2002, the Accounting Standards Board of Japan issued new accounting standards concerning accounting for net income per share, effective for fiscal years beginning on or after April 1, 2002. Epson has adopted these new accounting standards from the fiscal year commencing on April 1, 2002. Under the new accounting standards, "bonuses to directors and statutory auditors", which is determined through appropriation of retained earnings by resolution of general shareholders' meeting subsequent to fiscal year-end and not reflected in the accounts of the current year, should be reflected in the calculation of net income per share, as if "bonuses to directors and statutory auditors" was charged to income in the current year.

(16) Appropriations of retained earnings -

Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after approval by the shareholders as required under the Commercial Code of Japan. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the shareholders of record as of September 30 of each year.

3. 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 and are not audited. 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 ¥111.25 = U.S.$1, the rate of exchange prevailing at September 30, 2003, has been used.

4. Investments in debt and equity securities:

The aggregate cost and market value (carrying value) of other securities with market values, which was included in investment securities at September 30, 2003, March 31,2003, and September 30, 2002 were as follows:

	Millions of yen			
	September 30, 2003			
		Gross unrealized		Market value
	Cost	Gains	Losses	(carrying value)
Equity securities	¥4,338	¥3,115	¥(70)	¥7,383
Debt securities	52	4	-	56
Other	594	77	(11)	660
Total	¥4,984	¥3,196	¥(81)	¥8,099

	Millions of yen			
	March 31, 2003			
		Gross unrealized		Market value
	Cost	Gains	Losses	(carrying value)
Equity securities	¥4,337	¥564	¥(235)	¥4,666
Debt securities	52	5	(-)	57
Other	582	-	(42)	540
Total	¥4,971	¥569	¥(277)	¥5,263

	Millions of yen			
	September 30, 2002			
		Gross unrealized		Market value
	Cost	Gains	Losses	(carrying value)
Equity securities	¥5,992	¥508	¥(456)	¥6,044
Debt securities	53	5	(-)	58
Other	714	0	(117)	597
Total	¥6,759	¥513	¥(573)	¥6,699

	Thousands of U.S. dollars			
	September 30, 2003			
		Gross unrealized		Market value
	Cost	Gains	Losses	(carrying value)
Equity securities	$38,993	$28,000	$(629)	$66,364
Debt securities	467	36	-	503
Other	5,340	692	(99)	5,933
Total	$44,800	$28,728	$(728)	$72,800

The carrying amount of unlisted investment securities at September 30, 2003, March 31, 2003 and September 30, 2002 were ¥19,228 million ($172,836 thousand), ¥19,515 million and ¥9,563 million, respectively.

For the six months ended September 30, 2003 and 2002 and for the year ended March 31,2003, devaluation of the values of other securities with an aggregate market value of ¥0 million ($0 thousand), ¥446 million and ¥2,251 million, respectively, were charged to current income. The devaluation is principally recorded in cases where the fair value of other securities with determinable market values 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.

5. Derivative financial instruments:

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

The table below lists contract amounts, notional amounts and fair values of derivatives as at September 30, 2003, March 31, 2003 and September 30, 2002, respectively, by transactions and type of instrument, excluding derivatives eligible for hedge accounting.

	Millions of yen		
	September 30, 2003		
Instruments	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar	¥4,597	¥4,352	¥245
Euro	35,399	33,644	1,755
Sterling pound	362	370	(8)
Australian dollar	1,490	1,497	(7)
Swiss Francs	1,910	1,903	7
Thai bath	269	273	(4)
Polish Zloty	28	28	(0)
Purchased -			
U.S. dollar	1,747	1,716	(31)
Euro	3	3	(0)
Sterling pound	373	370	(3)
Japanese yen	286	283	(3)
Total unrealized gains from forward exchange contracts			¥1,951

There were no interest rate swap transactions outstanding at September 30, 2003.

Instruments	Millions of yen March 31, 2003 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar	¥8,196	¥8,239	¥(43)
Euro	20,086	20,740	(654)
Sterling pound	679	681	(2)
Australian dollar	553	555	(2)
Swiss Francs	1,541	1,552	(11)
Thai baht	150	149	1
Purchased -			
U.S. dollar	5,903	6,054	151
Euro	17	17	0
Japanese yen	214	213	(1)
Total unrealized losses from forward exchange contracts			¥(561)

There were no interest rate swap transactions outstanding at March 31, 2003.

Instruments	Millions of yen September 30, 2002 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar	¥6,702	¥6,895	¥(193)
Euro	24,401	24,983	(582)
Sterling pound	2,297	2,320	(23)
Australian dollar	1,396	1,412	(16)
Thai baht	246	253	(7)
Purchased -			
U.S. dollar	6,427	6,475	48
Euro	3,869	3,904	35
Total unrealized losses from forward exchange contracts			¥(738)

There were no interest rate swap transactions outstanding at September 30, 2002.

Instruments	Thousands of U.S. dollars		
	September 30, 2003		
	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar	$41,321	$39,119	$2,202
Euro	318,193	302,418	15,775
Sterling pound	3,254	3,326	(72)
Australian dollar	13,393	13,456	(63)
Swiss Francs	17,169	17,106	63
Thai baht	2,418	2,454	(36)
Polish Zloty	252	252	(0)
Purchased -			
U.S. dollar	15,703	15,425	(278)
Euro	27	27	(0)
Sterling pound	3,353	3,326	(27)
Japanese yen	2,571	2,544	(27)
Total unrealized gains from forward exchange contracts			$17,537

There were no interest rate swap transactions outstanding at September 30, 2003.

These forward exchange contracts were entered into for hedging purposes. Unrealized gains and losses from these contracts are recognized in earnings. Forward exchange contracts assigned individually to monetary items denominated in foreign currencies are excluded from the above table.

6. Assets pledged as collateral for secured loans and debt:

Assets pledged as collateral for secured loans and debt at September 30, 2003, March 31, 2003 and September 30, 2002 were as follows:

Pledged assets	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Land	¥386	¥727	¥386	$3,469
Buildings and structures	1,527	1,602	1,650	13,726
Machinery and equipment	425	483	568	3,820
Furniture and fixtures	21	26	-	189
Total	¥2,359	¥2,838	¥2,604	$21,204

Secured loans and debt	Millions of yen September 30, 2003	Millions of yen March 31, 2003	Millions of yen September 30, 2002	Thousands of U.S. dollars September 30, 2003
Current portion of long-term debt	¥119	¥194	¥202	$1,070
Long-term debt	4	30	123	36
Total	¥123	¥224	¥325	$1,106

In the six months ended September 30, 2003, Epson has line of credit agreements with four banks for an aggregate maximum amount of ¥40,000 million ($359,551 thousand). As at September 30, 2003, there were unused credit lines of ¥40,000 million ($359,551 thousand) outstanding and available.

7. Pension Plan:

On July 15, 2003, the Company and, on August 22, 2003, one consolidated subsidiary decided to change approximately half of its tax-qualified pension plans from defined benefit plans to new non-tax-qualified defined contribution plans and the remaining half from tax-qualified defined benefit plans to new non-tax-qualified defined benefit plans both beginning April 1, 2004. The Company is in the process of estimating the effect on income for this plan amendment for the year ending March 31, 2004 in accordance with "Accounting for Transfers between Retirement Benefit Plans" ("Financial Accounting Standards Implementation Guidance No.1" issued by Accounting Standards Board of Japan). In order to effect the change, the Company and one consolidated subsidiary must make a contribution to the pension fund for the unfunded portion of the tax-qualified defined benefit plans at the date of transfer, March 31, 2004. The additional contribution amount has not yet been determined.

8. Shareholders' equity:

The shares of common stock were listed on the First Section of the Tokyo Stock Exchange on June 24, 2003. At the same time as the listing, 40,000,000 shares of common stock were issued by the Company with the aggregate net proceeds of ¥98,800 million ($888,090 thousand). Of the 40,000,000 shares, 23,805,500 shares of common stock were offered in Japan and 16,194,500 were offered outside of Japan in an international offering. As a result of this issuance, common stock and additional paid-in capital increased ¥36,560 ($328,629 thousand) and ¥62,240 ($559,461 thousand), respectively.

In addition to the 40,000,000 shares of common stock issued on June 24, 2003, Nikko Citigroup Limited offered to the public in Japan 4,500,000 existing shares in order to provide for an over-allotment and to create a short position in the shares of common stock. In connection with the offering of the over-allotted shares, a resolution at the board of directors' meeting held on June 16, 2003 was made for Epson to grant Nikko Citigroup Limited an option to purchase 4,500,000 new shares of common stock solely to cover the short position in the shares of common stock created by the offering of the over-allotted shares. Nikko Citigroup Limited exercised this option on July 18, 2003 and payment to Epson was completed on July 23, 2003. As a result, 4,500,000 shares of common stock were issued on July 24, 2003. Due to this issuance, common stock and additional paid-in capital increased ¥4,113 million ($36,971 thousand) and ¥7,002 million ($62,939 thousand), respectively, resulting in 196,364,592 shares of outstanding common stock. Epson intends to use the proceeds for financing capital expenditures and for research and development.

9. Net income per share:

Net income per share for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2003	2002	2003	2003
Net income attributable to common shares	¥16,563	¥2,105	¥12,510	$148,881
Less: Bonuses to directors and statutory auditors	(-)	(-)	(196)	(-)
	¥16,563	¥2,105	¥12,314	$148,881
Weighted average number of common shares outstanding	175,200,552	151,864,511	151,864,511	
	Yen	Yen	Yen	U.S. dollars
Net income per share:				
-Basic	¥94.53	¥13.86	¥81.08	$0.85
-Diluted	¥94.36	-	-	$0.85

In connection with the offering of the over-allotted shares granted to Nikko Citigroup Limited, 310,394 potential common shares were included in the diluted number of shares outstanding.

10. Reorganization costs:

The reorganization costs for the six months ended September 30, 2003 mainly represents reorganization for certain overseas manufacturing plants in the display business.

11. Cash flow information:

Cash and cash equivalents at September 30, 2003, March 31, 2003 and September 30, 2002 were composed of the following:

	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Cash and deposits	¥272,187	¥194,334	¥178,010	$2,446,625
Investment with maturities of three months or less	-	-	1	-
Sub-total	272,187	194,334	178,011	2,446,625
Less:				
Short-term bank loans (overdrafts)	(1,768)	(1,548)	(922)	(15,892)
Time deposits due over three months	(410)	(498)	(9,324)	(3,686)
Investments held for more than three months	(0)	(-)	(1)	(0)
Cash and cash equivalents	¥270,009	¥192,288	¥167,764	$2,427,047

12. Leases:

As described in Note 2 (14), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the six months ended September 30, 2003, 2002 and for the year ended March 31, 2003 amounted to ¥1,929 million ($17,339 thousand), ¥5,457 million, and ¥9,039 million respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the capital lease assets at September 30, 2003, March 31, 2003 and September 30, 2002 would have been as follows:

	Millions of yen			Thousands of U.S. dollars
	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Acquisition cost:				
Machinery and equipment	¥3,145	¥13,728	¥26,804	$28,270
Furniture and fixtures	6,741	7,082	7,544	60,593
Intangible assets	1,506	1,919	2,354	13,537
	11,392	22,729	36,702	102,400
Less: accumulated depreciation	(6,790)	(17,586)	(28,982)	(61,034)
Net book value	¥4,602	¥5,143	¥7,720	$41,366

Depreciation expenses for these leased assets for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 would have been ¥1,791 million ($16,099 thousand), ¥5,088 million and ¥8,422 million, respectively, if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no remaining value.

Interest expense for these capital leases for the six months ended September 30, 2003 and 2002 and for the year ended March 31, 2003 would have been ¥54 million ($485 thousand), ¥135 million, and ¥214 million, respectively.

Future lease payments for capital leases at September 30, 2003, March 31, 2003 and September 30, 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
Future lease payments	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Due within one year	¥2,182	¥2,812	¥5,091	$19,613
Due after one year	2,504	2,469	2,899	22,508
Total	¥4,686	¥5,281	¥7,990	$42,121

Future lease payments for non-cancelable operating leases as a lessee at September 30, 2003, March 31, 2003 and September 30, 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
Future lease payments	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Due within one year	¥2,898	¥2,983	¥2,748	$26,049
Due after one year	10,244	10,071	7,229	92,081
Total	¥13,142	¥13,054	¥9,977	$118,130

In addition, future lease receipts for non-cancelable operating leases as a lessor at September 30, 2003, March 31, 2003 and September 30, 2002 were as follows:

	Millions of yen			Thousands of U.S. dollars
Future lease receipts	September 30, 2003	March 31, 2003	September 30, 2002	September 30, 2003
Due within one year	¥346	¥338	¥328	$3,110
Due after one year	2,435	2,589	2,736	21,888
Total	¥2,781	¥2,927	¥3,064	$24,998

13. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at September 30, 2003, March 31, 2003 and September 30, 2002 were ¥4,118 million ($37,016 thousand), ¥4,534 million, and ¥4,871, million, respectively. In addition, contingent liabilities for guarantee of bank loans to Xeus Inc., an affiliate of the company at September 30, 2002, was ¥38 million. Furthermore, the amount of discounted notes, which consisted of discounted letters of credit, at September 30, 2003, March 31, 2003 and September 30, 2002 were ¥19 million ($171 thousand), ¥160 million, and ¥83 million, respectively.

14. Segment information:

(1) Business segment information-

	Millions of yen					Thousands of U.S. dollars
	Six months ended September 30,				Year ended March 31,	Six months ended September 30,
	2003	2002	Change		2003	2003
Information-related equipment:						
Net sales						
Customers	¥421,137	¥409,866	¥11,271	2.7%	¥911,459	$3,785,501
Inter-segment	1,312	2,465	(1,153)	(46.8%)	4,398	11,793
Total	422,449	412,331	10,118	2.5%	915,857	3,797,294
Operating expenses	394,249	378,495	15,754	4.2%	835,431	3,543,811
Operating income (loss)	¥28,200	¥33,836	¥(5,636)	(16.7%)	¥80,426	$253,483
Electronic devices:						
Net sales						
Customers	¥197,258	¥149,396	¥47,862	32.0%	¥328,460	$1,773,105
Inter-segment	13,094	13,499	(405)	(3.0%)	25,828	117,699
Total	210,352	162,895	47,457	29.1%	354,288	1,890,804
Operating expenses	200,911	185,145	15,766	8.5%	382,288	1,805,941
Operating income (loss)	¥9,441	¥(22,250)	¥31,691	-	¥(28,000)	$84,863
Precision products:						
Net sales						
Customers	¥37,091	¥40,130	¥(3,039)	(7.6%)	¥77,155	$333,393
Inter-segment	1,490	1,186	304	25.6%	2,590	13,393
Total	38,581	41,316	(2,735)	(6.6%)	79,745	346,786
Operating expenses	37,156	40,714	(3,558)	(8.7%)	79,100	333,977
Operating income (loss)	¥1,425	¥602	¥823	136.7%	¥645	$12,809
Other:						
Net sales						
Customers	¥2,368	¥2,605	¥(237)	(9.1%)	¥5,379	$21,295
Inter-segment	11,422	8,668	2,754	31.8%	20,931	102,670
Total	13,790	11,273	2,517	22.3%	26,310	123,965
Operating expenses	19,917	11,487	8,430	73.4%	30,042	179,039
Operating income (loss)	¥(6,127)	¥(214)	¥(5,913)	-	¥(3,732)	$(55,074)
Eliminations and corporate:						
Net Sales	¥(27,318)	¥(25,818)	¥(1,500)	-	¥(53,747)	$(245,555)
Operating expenses	(27,494)	(26,122)	(1,372)	-	(53,768)	(247,137)
Operating income (loss)	¥176	¥304	¥(128)	(42.1%)	¥21	$1,582
Consolidated:						
Net Sales	¥657,854	¥601,997	¥55,857	9.3%	¥1,322,453	$5,913,294
Operating expenses	624,739	589,719	35,020	5.9%	1,273,093	5,615,631
Operating income (loss)	¥33,115	¥12,278	¥20,837	169.7%	¥49,360	$297,663

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

Information-related equipment segment, including color inkjet printers, laser printers, dot matrix printers, multi-function printers, large format printers, and related supplies, color image scanners, LCD projectors, LCD monitors, label writers, mini-printers, printers of use in POS systems and personal computers.

Electronic devices segment, including semiconductor products, small and medium-sized LCD modules, TFT LCD modules for LCD projectors, crystal units and crystal oscillators.

Precision products segment, including watches, watch movements, plastic corrective lenses, precision industrial robots and IC handlers.

Operations not categorized in any of the above segments, such as services offered within Epson and new business still in the start-up phase, are categorized within “Other”.

	Millions of yen				Thousands of U.S. dollars
	Three months ended September 30,				Three months ended September 30,
	2003	2002	Change		2003
Information-related equipment:					
Net sales					
Customers	¥216,472	¥206,037	¥10,435	5.1%	$1,945,816
Inter-segment	838	1,670	(832)	(49.8%)	7,532
Total	217,310	207,707	9,603	4.6%	1,953,348
Operating expenses	204,689	192,453	12,236	6.4%	1,839,901
Operating income (loss)	¥12,621	¥15,254	¥(2,633)	(17.3%)	$113,447
Electronic devices:					
Net sales					
Customers	¥105,364	¥81,615	¥23,749	29.1%	$947,092
Inter-segment	7,355	7,988	(633)	(7.9%)	66,112
Total	112,719	89,603	23,116	25.8%	1,013,204
Operating expenses	104,071	97,576	6,495	6.7%	935,469
Operating income (loss)	¥8,648	¥(7,973)	¥16,621	-	$77,735
Precision products:					
Net sales					
Customers	¥19,738	¥20,662	¥(924)	(4.5%)	$177,420
Inter-segment	819	679	140	20.6%	7,362
Total	20,557	21,341	(784)	(3.7%)	184,782
Operating expenses	19,328	20,639	(1,311)	(6.4%)	173,735
Operating income (loss)	¥1,229	¥702	¥527	75.1%	$11,047
Other:					
Net sales					
Customers	¥1,087	¥1,286	¥(199)	(15.5%)	$9,771
Inter-segment	6,092	4,054	2,038	50.3%	54,760
Total	7,179	5,340	1,839	34.4%	64,531
Operating expenses	10,945	5,539	5,406	97.6%	98,382
Operating income (loss)	¥(3,766)	¥(199)	¥(3,567)	-	$(33,851)
Eliminations and corporate:					
Net Sales	¥(15,104)	¥(14,391)	¥(713)	-	$(135,766)
Operating expenses	(15,270)	(14,548)	(722)	-	(137,258)
Operating income (loss)	¥166	¥157	¥9	5.7%	$1,492
Consolidated:					
Net Sales	¥342,661	¥309,600	¥33,061	10.7%	$3,080,099
Operating expenses	323,763	301,659	22,104	7.3%	2,910,229
Operating income (loss)	¥18,898	¥7,941	¥10,957	138.0%	$169,870

(2) Geographic segment information-

	Millions of yen					Thousands of U.S. dollars
	Six months ended September 30,				Year ended March 31, 2003	Six months ended September 30, 2003
	2003	2002	Change			
Japan:						
Net sales						
Customers	¥324,439	¥293,335	¥31,104	10.6%	¥637,544	$2,916,306
Inter-segment	235,910	227,296	8,614	3.8%	478,441	2,120,539
Total	560,349	520,631	39,718	7.6%	1,115,985	5,036,845
Operating expenses	542,217	519,745	22,472	4.3%	1,097,056	4,873,861
Operating income (loss)	¥18,132	¥886	¥17,246	1946.5%	¥18,929	$162,984
The Americas:						
Net sales						
Customers	¥107,768	¥112,429	¥(4,661)	(4.1%)	¥230,263	$968,701
Inter-segment	20,606	16,765	3,841	22.9%	39,315	185,222
Total	128,374	129,194	(820)	(0.6%)	269,578	1,153,923
Operating expenses	125,174	125,969	(795)	(0.6%)	262,468	1,125,159
Operating income (loss)	¥3,200	¥3,225	¥(25)	(0.8%)	¥7,110	$28,764
Europe:						
Net sales						
Customers	¥124,929	¥104,035	¥20,894	20.1%	¥258,278	$1,122,957
Inter-segment	1,557	2,172	(615)	(28.3%)	5,573	13,996
Total	126,486	106,207	20,279	19.1%	263,851	1,136,953
Operating expenses	124,717	105,591	19,126	18.1%	260,665	1,121,052
Operating income (loss)	¥1,769	¥616	¥1,153	187.2%	¥3,186	$15,901
Asia / Oceania:						
Net sales						
Customers	¥100,718	¥92,198	¥8,520	9.2%	¥196,368	$905,330
Inter-segment	226,027	203,954	22,073	10.8%	439,632	2,031,703
Total	326,745	296,152	30,593	10.3%	636,000	2,937,033
Operating expenses	316,782	287,775	29,007	10.1%	620,376	2,847,478
Operating income (loss)	¥9,963	¥8,377	¥1,586	18.9%	¥15,624	$89,555
Eliminations and corporate:						
Net Sales	¥(484,100)	¥(450,187)	¥(33,913)	-	(¥962,961)	$(4,351,460)
Operating expenses	(484,151)	(449,361)	(34,790)	-	(967,472)	(4,351,919)
Operating income (loss)	¥51	¥(826)	¥877	-	¥4,511	$459
Consolidated:						
Net Sales	¥657,854	¥601,997	¥55,857	9.3%	¥1,322,453	$5,913,294
Operating expenses	624,739	589,719	35,020	5.9%	1,273,093	5,615,631
Operating income (loss)	¥33,115	¥12,278	¥20,837	169.7%	¥49,360	$297,663

Net sales are attributed to geographic segments based on the country location of the Company or the subsidiary that transacted the sale with the external customer.

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

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

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

	Millions of yen				Thousands of U.S. dollars
	Three months ended September 30,				Three months ended September 30,
	2003	2002	Change		2003
Japan:					
Net sales					
Customers	¥168,305	¥150,339	¥17,966	12.0%	$1,512,854
Inter-segment	117,739	114,746	2,993	2.6%	1,058,328
Total	286,044	265,085	20,959	7.9%	2,571,182
Operating expenses	278,861	265,197	13,664	5.2%	2,506,616
Operating income (loss)	¥7,183	¥(112)	¥7,295	-	$64,566
The Americas:					
Net sales					
Customers	¥56,509	¥56,984	¥(475)	(0.8%)	$507,946
Inter-segment	10,629	8,973	1,656	18.5%	95,542
Total	67,138	65,957	1,181	1.8%	603,488
Operating expenses	64,890	64,097	793	1.2%	583,281
Operating income (loss)	¥2,248	¥1,860	¥388	20.9%	$20,207
Europe:					
Net sales					
Customers	¥63,784	¥53,172	¥10,612	20.0%	$573,339
Inter-segment	729	650	79	12.2%	6,553
Total	64,513	53,822	10,691	19.9%	579,892
Operating expenses	62,876	53,288	9,588	18.0%	565,177
Operating income (loss)	¥1,637	¥534	¥1,103	206.6%	$14,715
Asia / Oceania:					
Net sales					
Customers	¥54,063	¥49,105	¥4,958	10.1%	$485,959
Inter-segment	115,380	105,364	10,016	9.5%	1,037,124
Total	169,443	154,469	14,974	9.7%	1,523,083
Operating expenses	163,306	149,921	13,385	8.9%	1,467,919
Operating income (loss)	¥6,137	¥4,548	¥1,589	34.9%	$55,164
Eliminations and corporate:					
Net Sales	¥(244,477)	¥(229,733)	¥(14,744)	-	$(2,197,546)
Operating expenses	(246,170)	(230,844)	(15,326)	-	(2,212,764)
Operating income (loss)	¥1,693	¥1,111	¥582	52.4%	$15,218
Consolidated:					
Net Sales	¥342,661	¥309,600	¥33,061	10.7%	$3,080,099
Operating expenses	323,763	301,659	22,104	7.3%	2,910,229
Operating income (loss)	¥18,898	¥7,941	¥10,957	138.0%	$169,870

(3) Sales to overseas customers-

	Millions of yen					Thousands of U.S. dollars
	Six months ended September 30,				Year ended March 31,	Six months ended September 30,
	2003	2002	Change		2003	2003
Overseas sales:						
The Americas	¥114,731	¥118,278	¥(3,547)	(3.0%)	¥239,936	$1,031,290
Europe	164,654	128,923	35,731	27.7%	318,575	1,480,036
Asia/Oceania	153,719	123,417	30,302	24.6%	274,307	1,381,744
Total	433,104	370,618	62,486	16.9%	832,818	3,893,070
Consolidated sales	¥657,854	¥601,997	¥55,857	9.3%	¥1,322,453	$5,913,294
Percentage:						
The Americas	17.4%	19.6%			18.1%	
Europe	25.0	21.4			24.1	
Asia/Oceania	23.4	20.5			20.8	
Total	65.8%	61.5%			63.0%	

	Millions of yen				Thousands of U.S. dollars
	Three months ended September 30,				Three months ended September 30,
	2003	2002	Change		2003
Overseas sales:					
The Americas	¥59,428	¥59,430	(2)	(0.0%)	$534,184
Europe	84,426	67,464	16,962	25.1%	758,886
Asia/Oceania	84,016	66,521	17,495	26.3%	755,200
Total	227,870	193,415	34,455	17.8%	2,048,270
Consolidated sales	¥342,661	¥309,600	33,061	10.7%	$3,080,099
Percentage:					
The Americas	17.4%	19.2%			
Europe	24.6	21.8			
Asia/Oceania	24.5	21.5			
Total	66.5%	62.5%			