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CONSOLIDATED RESULTS FOR THE NINE MONTHS ENDED DECEMBER 31, 2005

Consolidated Financial Highlights

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

<Income statements and cash flows data>

	Nine months ended December 31,		Change	Year ended March 31,	Nine months ended December 31,
	2004	**2005**		2005	**2005**
Statements of Income Data:					
Net sales	¥1,113,148	**¥1,175,364**	5.6%	¥1,479,750	**$9,954,806**
Operating income	96,843	**23,126**	(76.1%)	90,967	**195,867**
Income before income taxes and minority interest	85,747	**19,931**	(76.8%)	73,647	**168,807**
Net income	59,953	**7,931**	(86.8%)	55,689	**67,172**
Statements of Cash Flows Data:					
Cash flows from operating activities	126,232	**59,518**	(52.9%)	162,489	**504,091**
Cash flows from investing activities	(73,325)	**(69,177)**	(5.7%)	(99,396)	**(585,898)**
Cash flows from financing activities	(82,797)	**102,613**	- %	(96,373)	**869,086**
Cash and cash equivalents at the end of the period	238,450	**332,721**	39.5%	234,904	**2,817,998**
Per Share Data:					
Net income per share -Basic	¥305.32	**¥40.39**	(86.8%)	¥283.60	**$0.34**
-Diluted	¥-	**¥-**	- %	¥-	**$-**

Notes

I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by the Company as required by the Securities and Exchange Law of Japan.

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

III. Diluted net income per share 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 ¥118.07 = U.S.$1 at December 31, 2005 has been used for the purpose of presentation.

<Balance sheets data>

	December 31,		March 31,	December 31,
	2004	**2005**	2005	**2005**
Total assets	¥1,330,822	**¥1,517,184**	¥1,297,790	**$12,849,869**
Shareholders' equity	473,111	**500,288**	472,870	**4,237,215**
Shareholders' equity ratio (%)	35.6%	**33.0%**	36.4%	**33.0%**
Shareholders' equity per share	¥2,409.35	**¥2,547.76**	¥2,408.13	**$21.58**

Operating Performance and Financial Condition

1. Fiscal 2005 Nine-Months Overview

Although elements of concern such as soaring oil prices and an economic slowdown in some parts of Europe were seen during the nine months of the 2005 fiscal year (ending March 31, 2006), the global economy steadily recovered on the back of economic growth in China and the United States. Meanwhile, the Japanese economy showed signs of gradual recovery, with an increase in capital spending accompanying improved corporate earnings and an uptick in personal spending.

The Epson Group's (Epson) main markets were as follows. The inkjet printer market remained strong in Japan, the U.S., and Asia, while demand in Europe was sluggish. Last year's trend toward multifunction inkjet products (all-in-ones) has continued. The laser printer market expanded as sales of color laser models and all-in-ones in the low price zone grew.

The projector market grew on heightened demand in the education and home theater segments, as well as on continuing demand for traditional business presentation projectors. The market for microdevice-based projection TVs, which are more cost-competitive than flat-panel large-screen TVs, also expanded, particularly in America.

The market for electronic devices used in mobile phones remained firm. The market was buoyed by demand from two major sources. One was demand from consumers in Europe, North America and China who are upgrading to handsets with color displays and built-in cameras. The other was continued brisk new demand in emerging markets such as Central and South America, India, and Russia.

Meanwhile, however, prices for products in the information-related equipment business segment and electronic device business segment are in constant decline due primarily to intensified competition in all areas and a shift in demand toward low-priced products.

In the precision products business, the total markets for watches and corrective lenses are not growing, yet an increase in competition and a shift toward the low-price zone are underway. In factory automation systems, sales of IC handlers were driven by solid demand for semiconductors used in finished goods such as personal computers, mobile phones and digital home electronics.

Fiscal 2005 is the second year in Epson's "*Action07*" action plan, and given the foregoing market environment, the company is implementing measures based on systematic analyses of market changes and market trends in each business. On October 1, 2005, Epson Toyocom Corporation, a joint-venture company formed by merging Epson's crystal device business with the operations of Toyo Communication Equipment Co., Ltd., opened its doors for business.

On the product commercialization end, the inkjet printer business launched the *PictureMate Deluxe Viewer Edition* (*Colorio Me E-200* in Japan). Heading into the year-end shopping season, we again bolstered our line of all-in-ones, adding new features such as *Epson Easy Photo Fix*™, image editing software that automatically adjusts portrait photos to correct backlighting, color cast and other undesirable artifacts, allowing users to obtain prints with realistic colors every time. In home projectors, we released the *EMP-TWD1* (*MovieMate 25* in the United States), a portable projector with integrated DVD player and speakers for maximum simplicity and convenience. In HDTV LCD projection televisions, we also rolled out two new true-HDTV models in the *Livingstation G series*.

The average U.S. dollar-yen and euro-yen exchange rates during the nine months were ¥112.10 and ¥136.91, respectively. This represents a 3% fall in the value of the yen against the dollar and a 2% fall in the value of the yen against the euro compared to the same period last year.

As a result of the foregoing factors, net sales for the nine months of the current fiscal year were ¥1,175,364 million ($9,954,806 thousand), up 5.6% compared to the same period last year. Operating income was ¥23,126 million ($195,867 thousand), down 76.1% compared to the same period last year. Income before income taxes and minority interest was ¥19,931 million ($168,807 thousand), down 76.8% compared to the same period last year. And net income was ¥7,931 million ($67,172 thousand), down 86.8% compared to the same period last year.

Operating Performance Highlights by Business Segments

A segment-by-segment breakdown of financial results is provided below.

Information-related equipment:

In the imaging and information products business, laser printer (including supplies, as in all printer discussions below) prices continued their downward trajectory, yet volume growth pushed revenue higher. Inkjet printer results were impacted by a general decline in prices and by a decline in single-function printer volume, yet inkjet printer revenue grew slightly, primarily due to higher volume in all-in-ones and foreign exchange factors. Together, these factors resulted in slightly higher revenue in the information-related equipment business as a whole.

In the visual instruments business, 3LCD projector and HDTV LCD projection television revenues were sharply higher. Within 3LCD projectors, business projector unit shipments grew, particularly in the American market, though revenue was adversely affected by lower prices. HDTV LCD projection television revenue also grew, largely due to higher unit shipments of OEM optical engines. Together, these factors resulted in sharply higher revenue in the visual instruments business as a whole.

Operating income in the information-related equipment business segment declined primarily because of lower prices for inkjet products.

As a result of the foregoing factors, net sales in the information-related equipment business segment for the nine months of the current fiscal year were ¥737,806 million ($6,248,886 thousand), up 3.3% compared to the same period last year, while operating income was ¥30,224 million ($225,984 thousand), down 41.3% compared to the same period last year.

Electronic devices:

In the display business, revenue from amorphous-silicon TFT LCDs and LTPS-TFT LCDs rose sharply due to volume growth. Meanwhile, revenues from color STN LCDs for mobile phones were down as intensified competition drove prices lower. Revenues from HTPS-TFT panels for 3LCD projectors also declined, due to a combination of falling prices and lower unit shipments on weakened demand. As a result of these factors, revenue for the display business as a whole grew sharply.

In the semiconductor business, system LSI and LCD driver revenues were down sharply due to the twin effects of lower prices and lower volume, a result of intensified competition. As a result of these factors, revenues declined sharply in the semiconductor business as a whole.

In the quartz crystal device business, prices declined across the board, but revenues were sharply higher as a result of the business merger with Toyo Communication Equipment Co., Ltd.

Operating income in the electronic device business segment declined. The decline was due to various factors, including sharply lower revenue from HTPS-TFT panels for 3LCD projectors, higher costs accompanying the launch of operations at the Chitose Plant, and sharply lower revenues from color STN LCDs for mobile phones, system LSIs and LCD drivers.

As a result of the foregoing factors, net sales in the information-related equipment business segment for the nine months of the current fiscal year were ¥405,017 million ($3,430,313 thousand), up 12.9% compared to the same period last year, while operating income was ¥122 million ($1,033 thousand), down 99.8% compared to the same period last year.

Precision products:

Within the precision products business segment, corrective lens volume rose and IC handler demand grew due to a strong semiconductor market. Meanwhile, notwithstanding a decline in watch volume, revenue in the precision products business segment as a whole increased slightly.

Operating income in the precision products business segment declined chiefly due to a combination of lower volume and lower prices in watches and an increase of costs associated with additional investments required to increase optical device production.

As a result of the foregoing factors, net sales in the precision products business segment for the nine months of the current fiscal year were ¥65,958 million ($558,635 thousand), up 2.6% compared to the same period last year, while operating income was ¥2,397 million ($20,302 thousand), down 22.3% compared to the same period last year.

Operating Performance Highlights by Geographic Segments

A region-by-region breakdown of financial results is provided below.

Japan:

Amorphous-silicon TFT LCD and LTPS-TFT LCD revenues grew, while revenues from STN LCDs, HTPS-TFT panels for 3LCD projectors, and system LSIs decreased. As a result, net sales were ¥1,018,078 million ($8,622,665 thousand), up 7.7% compared to the same period last year, and operating loss was ¥5,520 million ($46,752 thousand), compared to operating income of ¥61,194 million in the same period last year.

The Americas:

Inkjet printer, LCD projector and terminal module revenues grew, while system LSI and silicon foundry revenues decreased. As a result, net sales were ¥233,885 million ($1,980,901 thousand), up 6.0% compared to the same period last year, and operating income was ¥9,780 million ($82,832 thousand), down 16.7% compared to the same period last year.

Europe:

Laser printer revenue grew, while MD-TFD LCD, inkjet printer and system LSI revenues decreased. As a result, net sales were ¥233,218 million ($1,975,252 thousand), down 6.3% compared to the same period last year, and operating income was ¥3,958 million ($33,522 thousand), down 46.2% compared to the same period last year.

Asia / Oceania:

Inkjet printer, LTPS-TFT LCD, and amorphous-silicon TFT LCD revenues grew, while STN LCD and MD-TFD LCD revenues declined. As a result, net sales were ¥660,018 million ($5,590,056 thousand), up 20.2% compared to the same period last year, and operating income was ¥26,018 million ($220,361 thousand), up 23.1% compared to the same period last year.

Cash Flow Performance

Cash flows from operating activities during the nine months included net income of ¥7,931 million ($67,172 thousand). Depreciation and amortization, principally in the electronic device business segment, was ¥80,916 million ($685,322 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade, increased by ¥45,746 million ($387,448 thousand); notes and accounts payable, trade, increased by ¥42,013 million ($355,831 thousand); and inventories increased by ¥31,995 million ($270,983 thousand). Income taxes paid were ¥16,200 million ($137,207 thousand). As a result, cash inflows from operating activities came to ¥59,518 million ($504,091 thousand).

Cash outflows from investing activities were ¥69,177 million ($585,898 thousand) due to capital expenditures, principally in the electronic device business segments, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period amounted to ¥81,058 million ($686,525 thousand).

Cash flows from financing activities were positive at ¥102,613 million ($869,086 thousand), primarily due to a net increase of ¥106,333 million ($900,593 thousand) from an increase in short-term borrowings to meet capital requirements for the year-end shopping season and from an increase in long-term debt to procure advance long-term financing and an issue of straight bonds intended to contain risks associated with rises in interest rates.

As a result, cash and cash equivalents for the nine months was ¥332,721 million ($2,817,998 thousand).

2. Third-Quarter Operating Performance

Third-quarter net sales were adversely affected by a number of factors, including intensified competition that drove down prices for color STN LCDs used in mobile phone handsets and volume and price declines in system LSIs, LCD drivers and HTPS-TFT panels for 3LCD projectors. Nevertheless, net sales for the quarter came in at ¥455,120 million ($3,854,662 thousand), an increase of 5.9% compared to the same period last year. This increase is primarily due to volume growth in products such as amorphous-silicon TFT LCDs, LTPS-TFT LCDs, inkjet printers and 3LCD projectors, as well as to a net increase in crystal device sales owing to the business merger with Toyo Communication Equipment Co., Ltd. Compared to the same period last year, quarterly operating income was ¥17,122 million ($145,016 thousand), a decline of 44.7%, income before income taxes and minority interest was ¥12,232 million ($103,600 thousand), a decline of 53.3%, and net income was ¥9,092 million ($77,005 thousand), a decline of 55.6%. Although the profit picture for amorphous-silicon TFT LCDs and for LTPS-TFT LCDs improved significantly as volume increased, various factors combined to result in the overall decline, including lower prices for inkjet printers, a steep drop in revenue from semiconductor operations, sharply lower revenue and higher costs for HTPS-TFT panels for 3LCD projectors, and lower prices for STN LCDs for mobile phones.

3. Full-Year Forecast

Full-year net sales and operating income from the information-related equipment business segment are expected to come in lower than previous forecast (on October 26, 2005). Notwithstanding year-on-year growth in sales of consumables for inkjet printers, net sales and operating income are expected to be impacted primarily by a projected decline in sales of inkjet consumables in all markets and a projected decline in sales of printers, particularly in Europe.

Operating income in the electronic device business segment is expected to be in line with the October 26 business forecast. Operating income will benefit from initiatives to reduce costs and improve profitability, though net sales are expected to decline, primarily due to erosion of prices arising from intensified competition and receding volume accompanying a retrenchment in customer demand for small- and medium-sized LCDs and semiconductors. In addition, we are taking a restructuring charge in the third quarter of the current fiscal year and, moreover, plan to do so again in the fourth quarter, for costs associated with a reorganization of the semiconductor and display businesses.

Taking this situation and all other factors into account, we now expect total full-year resluts to come in below the previous forecast and are thus revising our full-year business outlook. The figures in the forecast are based on assumed full-year exchange rates of ¥112 to the U.S. dollar and ¥136 to the euro.

Consolidated Full-Year Results Outlook

	Previous Outlook	**Current Outlook**	Change
Net sales	¥1,618.0 billion	**¥1,553.0 billion**	-¥65.0 billion (-4.0%)
Operating income	¥44.0 billion	**¥24.0 billion**	-¥20.0 billion (-45.5%)
Income before income taxes and minority interest	¥38.0 billion	**(¥11.0 billion)**	-¥49.0 billion (-%)
Net income	¥22.0 billion	**(¥14.0 billion)**	-¥36.0 billion (-%)

Cautionary Statement

This report includes forward-looking statements that are based on management’s view from the information available at the time of the announcement. These statements 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
	December 31		March 31,	**December 31,**
	2004	**2005**	2005	**2005**
ASSETS				
Current assets:				
Cash and cash equivalents	¥238,450	**¥332,721**	¥234,904	**$2,817,998**
Time deposits	695	**1,410**	272	**11,942**
Short-term investments	-	**1,999**	-	**16,931**
Notes and accounts receivable, trade	271,683	**312,818**	256,177	**2,649,428**
Inventories	202,572	**221,676**	176,656	**1,877,496**
Other current assets	81,467	**95,025**	82,344	**804,819**
Allowance for doubtful accounts	(3,808)	**(3,878)**	(3,641)	**(32,845)**
Total current assets	791,059	**961,771**	746,712	**8,145,769**
Property, plant and equipment:				
Buildings and structures	413,262	**446,190**	419,780	**3,779,030**
Machinery and equipment	502,745	**568,683**	521,113	**4,816,490**
Furniture and fixtures	182,302	**206,527**	188,249	**1,749,191**
Land	58,817	**66,901**	58,836	**566,621**
Other	5,148	**19,288**	7,755	**163,361**
	1,162,274	**1,307,589**	1,195,733	**11,074,693**
Accumulated depreciation	(731,883)	**(856,911)**	(754,378)	**(7,257,652)**
	430,391	**450,678**	441,355	**3,817,041**
Investments and other assets:				
Investment securities	48,780	**49,017**	49,894	**415,152**
Intangible assets	28,373	**22,078**	26,530	**186,991**
Other assets	32,965	**34,424**	34,035	**291,556**
Allowance for doubtful accounts	(746)	**(784)**	(736)	**(6,640)**
	109,372	**104,735**	109,723	**887,059**
Total assets	¥1,330,822	**¥1,517,184**	¥1,297,790	**$12,849,869**

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

	Millions of yen			Thousands of U.S. dollars
	December 31		March 31,	**December 31,**
	2004	**2005**	2005	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥46,055	**¥62,868**	¥30,236	**$532,464**
Current portion of long-term debt	14,885	**147,801**	104,642	**1,251,808**
Notes and accounts payable, trade	172,435	**189,454**	145,036	**1,604,590**
Accounts payable, other	104,031	**97,052**	119,039	**821,987**
Income taxes payable	14,288	**13,497**	12,499	**114,314**
Accrued bonuses	10,400	**7,751**	18,587	**65,648**
Accrued warranty costs	14,604	**17,202**	15,327	**145,693**
Other current liabilities	69,428	**74,662**	59,235	**632,354**
Total current liabilities	446,126	**610,287**	504,601	**5,168,858**
Long-term liabilities:				
Bonds	-	**52,700**	-	**446,345**
Long-term debt	348,576	**249,182**	259,919	**2,110,460**
Accrued pension and severance costs	13,681	**30,100**	14,835	**254,934**
Accrued directors' and statutory auditors' retirement allowances	1,856	**2,036**	1,921	**17,244**
Accrued recycle costs	300	**488**	310	**4,133**
Other long-term liabilities	17,434	**26,169**	16,677	**221,640**
Total long-term liabilities	381,847	**360,675**	293,662	**3,054,756**
Minority interest in subsidiaries	29,738	**45,934**	26,657	**389,040**
Shareholders' equity:				
Common stock	53,204	**53,204**	53,204	**450,614**
Additional paid-in capital	79,501	**79,501**	79,501	**673,338**
Retained earnings	355,208	**353,173**	350,944	**2,991,217**
Net unrealized gains on other securities	3,477	**10,128**	3,743	**85,780**
Translation adjustments	(18,277)	**4,286**	(14,519)	**36,300**
Treasury stock, at cost	(2)	**(4)**	(3)	**(34)**
Total shareholders' equity	473,111	**500,288**	472,870	**4,237,215**
Commitments and contingent liabilities				
Total liabilities and shareholders' equity	¥1,330,822	**¥1,517,184**	¥1,297,790	**$12,849,869**

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

Consolidated Statements of Income (Unaudited)

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2004	**2005**	2005	**2005**
Net sales	¥1,113,148	**¥1,175,364**	¥1,479,750	**$9,954,806**
Cost of sales	782,946	**907,426**	1,070,011	**7,685,491**
Gross profit	330,202	**267,938**	409,739	**2,269,315**
Selling, general and administrative expenses:				
Salaries and wages	57,592	**58,797**	76,917	**497,984**
Advertising	23,542	**25,010**	32,522	**211,823**
Sales promotion	22,865	**23,532**	31,556	**199,306**
Research and development costs	30,807	**33,000**	42,903	**279,495**
Provision for doubtful accounts	205	**210**	112	**1,779**
Other	98,348	**104,263**	134,762	**883,061**
	233,359	**244,812**	318,772	**2,073,448**
Operating income	96,843	**23,126**	90,967	**195,867**
Other income:				
Interest and dividend income	1,790	**2,539**	2,457	**21,504**
Net gain on foreign exchange	-	**2,287**	-	**19,370**
Rental income	1,089	**1,095**	1,531	**9,274**
Gain on change in interest due to business combination	-	**12,291**	-	**104,099**
Other	3,425	**4,357**	4,041	**36,902**
	6,304	**22,569**	8,029	**191,149**
Other expenses:				
Interest expenses	4,533	**4,683**	5,816	**39,663**
Net loss on foreign exchange	3,875	**-**	3,905	**-**
Loss on disposal of fixed assets	2,528	**1,390**	3,312	**11,772**
Reorganization costs	-	**17,234**	4,608	**145,964**
Prior pension costs for foreign subsidiaries	2,285	**-**	2,285	**-**
Other	4,179	**2,457**	5,423	**20,810**
	17,400	**25,764**	25,349	**218,209**
Income before income taxes and minority interest	85,747	**19,931**	73,647	**168,807**
Income taxes	25,523	**9,367**	19,901	**79,335**
Income before minority interest	60,224	**10,564**	53,746	**89,472**
Minority interest in subsidiaries	271	**2,633**	(1,943)	**22,300**
Net income	¥59,953	**¥7,931**	¥55,689	**$67,172**
	Yen			U.S. dollars
Per share:				
Net income	¥305.32	**¥40.39**	¥283.60	**$0.34**
Cash dividends	¥22.00	**¥29.00**	¥22.00	**$0.25**

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

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2004	**2005**	**2005**
Net sales	¥429,674	**¥455,120**	**$3,854,662**
Cost of sales	309,697	**344,623**	**2,918,802**
Gross profit	119,977	**110,497**	**935,860**
Selling, general and administrative expenses:			
Salaries and wages	20,217	**20,116**	**170,374**
Advertising	11,710	**13,307**	**112,704**
Sales promotion	9,961	**10,339**	**87,567**
Research and development costs	11,595	**10,449**	**88,498**
Provision for doubtful accounts	(62)	**50**	**423**
Other	35,579	**39,114**	**331,278**
	89,000	**93,375**	**790,844**
Operating income	30,977	**17,122**	**145,016**
Other income:			
Interest and dividend income	482	**720**	**6,098**
Rental income	422	**367**	**3,109**
Gain on change in interest due to business combination	**-**	**12,291**	**104,099**
Other	1,017	**2,447**	**20,725**
	1,921	**15,825**	**134,031**
Other expenses:			
Interest expenses	1,620	**1,767**	**14,966**
Net loss on foreign exchange	1,858	**17**	**144**
Loss on disposal of fixed assets	1,281	**591**	**5,006**
Reorganization costs	**-**	**17,234**	**145,964**
Other	1,965	**1,106**	**9,367**
	6,724	**20,715**	**175,447**
Income before income taxes and minority interest	26,174	**12,232**	**103,600**
Income taxes	6,084	**1,280**	**10,841**
Income before minority interest	20,090	**10,952**	**92,759**
Minority interest in subsidiaries	(390)	**1,860**	**15,754**
Net income	¥20,480	**¥9,092**	**$77,005**

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Nine months ended December 31:

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
		Millions of yen						
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Net income for the nine months ended December 31, 2004	-	-	-	59,953	-	-	-	59,953
Cash dividends	-	-	-	(4,320)	-	-	-	(4,320)
Net unrealized gains on other securities	-	-	-	-	390	-	-	390
Translation adjustments	-	-	-	-	-	2,722	-	2,722
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at December 31, 2004	196,364,592	¥53,204	¥79,501	¥355,208	¥3,477	(¥18,277)	(¥2)	¥473,111
Balance at March 31, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥3,743	(¥14,519)	(¥3)	¥472,870
Net income for the nine months ended December 31, 2005	-	-	-	**7,931**	-	-	-	**7,931**
Cash dividends	-	-	-	**(5,695)**	-	-	-	**(5,695)**
Decrease due to affiliate excluded under the equity method	-	-	-	**(7)**	-	-	-	**(7)**
Net unrealized gains on other securities	-	-	-	-	**6,385**	-	-	**6,385**
Translation adjustments	-	-	-	-	-	**18,805**	-	**18,805**
Changes in treasury stock	-	-	-	-	-	-	**(1)**	**(1)**
Balance at December 31, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥353,173**	**¥10,128**	**¥4,286**	**(¥4)**	**¥500,288**

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
		Millions of yen						
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Net income	-	-	-	55,689	-	-	-	55,689
Cash dividends	-	-	-	(4,320)	-	-	-	(4,320)
Net unrealized gains on other securities	-	-	-	-	656	-	-	656
Translation adjustments	-	-	-	-	-	6,480	-	6,480
Changes in treasury stock	-	-	-	-	-	-	(2)	(2)
Balance at March 31, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥3,743	(¥14,519)	(¥3)	¥472,870

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
	Thousands of U.S. dollars						
Balance at March 31, 2005	$450,614	$673,338	$2,972,338	$31,702	($122,970)	($25)	$4,004,997
Net income for the nine months ended December 31, 2005	-	-	**67,172**	-	-	-	**67,172**
Cash dividends	-	-	**(48,234)**	-	-	-	**(48,234)**
Decrease due to affiliate excluded under the equity method	-	-	**(59)**	-	-	-	**(59)**
Net unrealized gains on other securities	-	-	-	**54,078**	-	-	**54,078**
Translation adjustments	-	-	-	-	**159,270**	-	**159,270**
Changes in treasury stock	-	-	-	-	-	**(9)**	**(9)**
Balance at December 31, 2005	**$450,614**	**$673,338**	**$2,991,217**	**$85,780**	**$36,300**	**($34)**	**$4,237,215**

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

Three months ended December 31:

	Number of shares issued	Millions of yen: Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
Balance at September 30, 2004	196,364,592	¥53,204	¥79,501	¥337,281	¥2,838	(¥12,195)	(¥2)	¥460,627
Net income for the three months ended December 31, 2004	-	-	-	20,480	-	-	-	20,480
Cash dividends	-	-	-	(2,553)	-	-	-	(2,553)
Net unrealized gains on other securities	-	-	-	-	639	-	-	639
Translation adjustments	-	-	-	-	-	(6,082)	-	(6,082)
Changes in treasury stock	-	-	-	-	-	-	(0)	(0)
Balance at December 31, 2004	196,364,592	¥53,204	¥79,501	¥355,208	¥3,477	(¥18,277)	(¥2)	¥473,111
Balance at September 30, 2005	196,364,592	¥53,204	¥79,501	¥347,223	¥6,814	(¥7,263)	(¥4)	¥479,475
Net income for the three months ended December 31, 2005	-	-	-	**9,092**	-	-	-	**9,092**
Cash dividends	-	-	-	**(3,142)**	-	-	-	**(3,142)**
Net unrealized gains on other securities	-	-	-	-	**3,314**	-	-	**3,314**
Translation adjustments	-	-	-	-	-	**11,549**	-	**11,549**
Changes in treasury stock	-	-	-	-	-	-	**(0)**	**(0)**
Balance at December 31, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥353,173**	**¥10,128**	**¥4,286**	**(¥4)**	**¥500,288**

	Thousands of U.S. dollars: Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
Balance at September 30, 2005	$450,614	$673,338	$2,940,823	$57,712	($61,515)	($34)	$4,060,938
Net income for the three months ended December 31, 2005	-	-	**77,005**	-	-	-	**77,005**
Cash dividends	-	-	**(26,611)**	-	-	-	**(26,611)**
Net unrealized gains on other securities	-	-	-	**28,068**	-	-	**28,068**
Translation adjustments	-	-	-	-	**97,815**	-	**97,815**
Changes in treasury stock	-	-	-	-	-	**(0)**	**(0)**
Balance at December 31, 2005	**$450,614**	**$673,338**	**$2,991,217**	**$85,780**	**$36,300**	**($34)**	**$4,237,215**

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

Consolidated Statements of Cash Flows (Unaudited)

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2004	**2005**	2005	**2005**
Cash flows from operating activities:				
Net income	¥59,953	**¥7,931**	¥55,689	**$67,172**
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	75,925	**80,916**	105,006	**685,322**
Reorganization costs	-	**17,234**	4,608	**145,964**
Accrual for net pension and severance costs, less payments	7,585	**8,306**	9,188	**70,348**
Net loss on sales and disposal of fixed assets	2,808	**1,191**	3,566	**10,087**
Gain on change in interest due to business combination	-	**(12,291)**	-	**(104,099)**
Equity in net gains under the equity method	(183)	**(141)**	(232)	**(1,194)**
Deferred income taxes	6,810	**5,084**	(1,493)	**43,059**
Increase (decrease) in allowance for doubtful accounts	4	**(34)**	(214)	**(288)**
Increase in notes and accounts receivable, trade	(59,760)	**(45,746)**	(43,371)	**(387,448)**
Increase in inventories	(30,011)	**(31,995)**	(6,063)	**(270,983)**
Increase in notes and accounts payable, trade	37,693	**42,013**	11,221	**355,831**
Increase (decrease) in accrued income taxes	5,300	**(11,918)**	5,748	**(100,940)**
Other	20,108	**(1,032)**	18,836	**(8,740)**
Net cash provided by operating activities	126,232	**59,518**	162,489	**504,091**
Cash flows from investing activities:				
Proceeds from maturities of short-term investments	-	**1,000**	-	**8,470**
Payments for purchases of property, plant and equipment	(68,353)	**(74,104)**	(92,441)	**(627,628)**
Proceeds from sales of property, plant and equipment	1,922	**1,219**	1,978	**10,325**
Payments for purchases of intangible assets	(5,641)	**(6,954)**	(7,439)	**(58,897)**
Payments of long-term prepaid expenses	(820)	**(1,094)**	(1,009)	**(9,266)**
Payments for purchases of subsidiaries' stock	-	**(1,034)**	-	**(8,758)**
Proceeds from business combination, net of payment	140	**12,204**	140	**103,362**
Other	(573)	**(414)**	(625)	**(3,506)**
Net cash used in investing activities	(73,325)	**(69,177)**	(99,396)	**(585,898)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(26,081)	**31,408**	(40,577)	**266,012**
Proceeds from long-term debt	-	**40,000**	2,000	**338,782**
Repayments of long-term debt	(51,808)	**(15,075)**	(52,745)	**(127,679)**
Proceeds from issuance of bonds	-	**50,000**	-	**423,478**
Proceeds from issuance of subsidiaries' stock	-	**2,674**	-	**22,648**
Cash dividends	(4,320)	**(5,694)**	(4,320)	**(48,226)**
Other	(588)	**(700)**	(731)	**(5,929)**
Net cash provided by (used in) financing activities	(82,797)	**102,613**	(96,373)	**869,086**
Effect of exchange rate fluctuations on cash and cash equivalents	3,157	**4,694**	3,001	**39,756**
Net increase (decrease) in cash and cash equivalents	(26,733)	**97,648**	(30,279)	**827,035**
Cash and cash equivalents at the beginning of the period	265,183	**234,904**	265,183	**1,989,532**
Cash and cash equivalents increased by merger of unconsolidated subsidiaries	-	**169**	-	**1,431**
Cash and cash equivalents at the end of the period	¥238,450	**¥332,721**	¥234,904	**$2,817,998**
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥1,932	**¥2,554**	¥2,594	**$21,631**
Interest paid	(¥4,336)	**(¥4,361)**	(¥5,854)	**($36,936)**
Income taxes paid	(¥13,413)	**(¥16,200)**	(¥15,646)	**($137,207)**

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

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2004	**2005**	**2005**
Cash flows from operating activities:			
Net income	¥20,480	**¥9,092**	**$77,005**
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	28,916	**27,769**	**235,191**
Reorganization costs	-	**17,234**	**145,964**
Accrual for net pension and severance costs, less payments	2,082	**5,191**	**43,966**
Net loss on sales and disposal of fixed assets	1,277	**502**	**4,252**
Gain on change in interest due to business combination	-	**(12,291)**	**(104,099)**
Equity in net gains under the equity method	(72)	**(43)**	**(364)**
Deferred income taxes	(1,212)	**3,793**	**32,125**
Increase (decrease) in allowance for doubtful accounts	(150)	**26**	**220**
Increase in notes and accounts receivable, trade	(53,264)	**(45,754)**	**(387,516)**
Decrease in inventories	14,099	**11,209**	**94,935**
(Increase) decrease in notes and accounts payable, trade	27,287	**(12,292)**	**(104,108)**
Increase (decrease) in accrued income taxes	2,705	**(5,507)**	**(46,642)**
Other	22,538	**33,717**	**285,568**
Net cash provided by operating activities	64,686	**32,646**	**276,497**
Cash flows from investing activities:			
Proceeds from maturities of short-term investments	-	**1,000**	**8,470**
Payments for purchases of property, plant and equipment	(25,087)	**(20,693)**	**(175,260)**
Proceeds from sales of property, plant and equipment	637	**80**	**678**
Payments for purchases of intangible assets	(1,688)	**(1,808)**	**(15,313)**
Payments of long-term prepaid expenses	(35)	**(768)**	**(6,505)**
Payments for purchases of subsidiaries' stock	-	**(1,034)**	**(8,758)**
Proceeds from business combination, net of payment	140	**12,204**	**103,362**
Other	(2,351)	**240**	**2,033**
Net cash used in investing activities	(28,384)	**(10,779)**	**(91,293)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(8,157)	**4,203**	**35,597**
Repayments of long-term debt	(4,697)	**(1,229)**	**(10,409)**
Proceeds from issuance of bonds	-	**50,000**	**423,478**
Proceeds from issuance of subsidiaries' stock	-	**10**	**85**
Cash dividends	(2,553)	**(3,141)**	**(26,603)**
Other	(235)	**(189)**	**(1,601)**
Net cash provided by (used in) financing activities	(15,642)	**49,654**	**420,547**
Effect of exchange rate fluctuations on cash and cash equivalents	144	**3,463**	**29,330**
Net increase in cash and cash equivalents	20,804	**74,984**	**635,081**
Cash and cash equivalents at the beginning of the period	217,646	**257,737**	**2,182,917**
Cash and cash equivalents at the end of the period	¥238,450	**¥332,721**	**$2,817,998**
Supplemental disclosures of cash flow information:			
Cash received and paid during the period for -			
Interest and dividend received	¥474	**¥680**	**$5,759**
Interest paid	(¥1,391)	**(¥1,449)**	**($12,272)**
Income taxes paid	(¥4,591)	**(¥2,993)**	**($25,349)**

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 December 31, 2005, and for the three months and nine months ended December 31, 2005 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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 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.

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) Foreign currency translation and transactions -

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are taken into income currently.

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 sheets as a separate component of shareholders' equity and minority interest in subsidiaries.

(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 present low risk of fluctuation in value.

(4) Financial instruments –

(a) Investments in debt and equity securities:

Investments in debt and equity securities are classified into three categories: 1) trading securities, 2) held-to-maturity debt securities, 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 amortized cost computed based on the straight-line method in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of shareholders' equity, net of tax. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving average cost method. Other than temporary declines in the value of other securities are reflected in current income.

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

For interest rate swaps, if certain hedging criteria are met, interest rate swaps are not recognized at their fair values as an alternative method under Japanese accounting standards. The amounts received or paid for such interest rate swap arrangements are charged or credited to income as incurred.

(c) Allowance for doubtful accounts:

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

(5) Inventories -

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

(6) Property, plant and equipment -

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method for the Company and its Japanese subsidiaries and on the straight-line method for foreign subsidiaries at rates based on 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.

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 its estimated useful life, 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 applicable period-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.

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

(11) Pension and severance costs -

The Company and some of its Japanese subsidiaries recognize accrued pension and severance costs to employees based on the actuarial valuation of projected benefit obligation and plan assets at fair value. Other Japanese subsidiaries above recognize accrued pension and severance costs to employees based on the voluntary retirement benefit payable at the period end.

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

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

Most of the Company's foreign subsidiaries have various retirement plans, which are primarily defined contribution plans, 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) Accrued recycle costs -

At the time of sale, accrued recycle costs are provided for estimated future returns of consumer personal computers.

(13) 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.

(14) Research and development costs -

Research and development costs are expensed as incurred.

(15) 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.

(16) Net income per share -

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

(17) 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.

(18) Reclassifications -

Certain prior period amounts have been reclassified to conform to the presentations for the three months and nine months ended December 31, 2005.

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 ¥118.07 = U.S.$1, the rate of exchange prevailing at December 31, 2005, has been used.

4. Notes receivable and notes payable maturing at period-end:

Notes receivable and notes payable are settled on the date of clearance. As December 31, 2005 was a bank holiday, notes receivable and notes payable maturing on that date could not be settled were included in the ending balance of notes and accounts receivable, trade and notes and accounts payable, trade as follows:

	Millions of yen	Thousands of U.S. dollars
Notes receivable	¥259	$2,194
Notes payable	3,371	28,551

5. Investments in debt and equity securities:

The aggregate cost and market value (carrying value) of other securities with market values, which were included in investment securities account at December 31, 2005 was as follows:

	Millions of yen			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥10,889	¥15,967	(¥17)	¥26,839
Debt securities	53	1	(-)	54
Other	185	-	(-)	185
Total	¥11,127	¥15,968	(¥17)	¥27,078

	Thousands of U.S. dollars			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$92,225	$135,233	($144)	$227,314
Debt securities	449	9	(-)	458
Other	1,567	-	(-)	1,567
Total	$94,241	$135,242	($144)	$229,339

The carrying amount of unlisted equity securities and unlisted other securities, which were included in investment securities account at December 31, 2005 was as follows:

Unlisted securities	Millions of yen	Thousands of U.S. dollars
Equity securities	¥19,460	$164,818
Other	141	1,194
Total	¥19,601	$166,012

The carrying amount of held-to-maturity debt securities, which were included in cash and cash equivalents account and short-term investments account at December 31, 2005 was disclosed as follows:

	Millions of yen	Thousands of U.S. dollars
Commercial paper	¥5,999	$50,809
Unlisted debt securities	1,999	16,931
Total	¥7,998	$67,740

For the nine months ended December 31, 2005, other-than-temporary impairments of securities with an aggregate market value of ¥3 million ($25 thousand) were charged to current income. Impairments are 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.

6. 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 borrowings. Epson uses derivative instruments only for hedging purposes and not for purposes of trading or speculation.

The table below lists contract amounts and fair values of derivatives as at December 31, 2005 by transactions and type of instrument, excluding derivatives eligible for hedge accounting.

	Millions of yen		
Instruments	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥7,678	¥7,777	(¥99)
Euro (purchased Japanese yen)	16,650	17,144	(494)
Sterling pound (purchased Japanese yen)	1,471	1,460	11
Australian dollar (purchased Japanese yen)	1,156	1,156	(0)
Thai baht (purchased U.S. dollar)	224	225	(1)
Philippine peso (purchased U.S. dollar)	142	144	(2)
Japanese yen (purchased Euro)	967	965	2
Polish zloty (purchased Euro)	146	145	1
U.S. dollar (purchased Sterling pound)	533	533	0
Purchased -			
U.S. dollar (sold Japanese yen)	5,945	5,828	(117)
Euro (sold Japanese yen)	16	16	(0)
Indonesia rupiah (sold U.S. dollar)	797	817	20
U.S. dollar (sold Korean won)	976	952	(24)
U.S. dollar (sold Taiwan dollar)	240	235	(5)
Total unrealized losses from forward exchange contracts			(¥708)

There were no interest rate swap transactions outstanding at December 31, 2005 other than derivatives eligible for hedge accounting.

Instruments	Thousands of U.S. dollars Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	$65,029	$65,867	($838)
Euro (purchased Japanese yen)	141,018	145,202	(4,184)
Sterling pound (purchased Japanese yen)	12,459	12,366	93
Australian dollar (purchased Japanese yen)	9,791	9,791	(0)
Thai baht (purchased U.S. dollar)	1,897	1,905	(8)
Philippine peso (purchased U.S. dollar)	1,203	1,220	(17)
Japanese yen (purchased Euro)	8,190	8,173	17
Polish zloty (purchased Euro)	1,236	1,228	8
U.S. dollar (purchased Sterling pound)	4,514	4514	0
Purchased -			
U.S. dollar (sold Japanese yen)	50,352	49,361	(991)
Euro (sold Japanese yen)	136	136	(0)
Indonesia rupiah (sold U.S. dollar)	6,750	6,919	169
U.S. dollar (sold Korean won)	8,266	8,063	(203)
U.S. dollar (sold Taiwan dollar)	2,032	1,990	(42)
Total unrealized losses from forward exchange contracts			($5,996)

There were no interest rate swap transactions outstanding at December 31, 2005 other than derivatives eligible for hedge accounting.

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.

7. Credit agreements:

In the nine months ended December 31, 2005, the Company entered into line of credit agreements with twelve banks for an aggregate maximum amount of ¥80,000 million ($677,564 thousand). As at December 31, 2005, there were unused credit lines of ¥80,000 million ($677,564 thousand) outstanding and available.

8. Net income per share:

Calculation of net income per share for the nine months ended December 31, 2005 was as follows:

	Millions of yen	Thousands of U.S. dollars
Net income attributable to common shares	¥7,931	$67,172
Weighted average number of common shares outstanding:		
-Basic	196,363,724	
	Yen	U.S. dollars
Net income per share:		
-Basic	¥40.39	$0.34

The potential common shares upon conversion of convertible bond with anti-dilutive effect was excluded from the computation of net income per share for the nine months ended December 31, 2005.

9. Reorganization costs:

Reorganization costs are associated with a reorganization of production sites accompanying a restructuring of the semiconductor business.

The business strategy was reworked in conjunction with the reorganization. As a result, an impairment loss of ¥7,102 million ($60,151 thousand) on investment in semiconductor technology (long-term prepaid expenses) that has no future projected use was recognized and was included in reorganization costs.

10. Cash flow information:

Cash and cash equivalents at December 31, 2005 was composed of the following:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥328,817	$2,784,933
Short-term investments	7,998	67,740
Sub-total	336,815	2,852,673
Less:		
Short-term borrowings (overdrafts)	(685)	(5,802)
Time deposits due over three months	(1,410)	(11,942)
Short-term investments due over three months	(1,999)	(16,931)
Cash and cash equivalents	¥332,721	$2,817,998

11. Leases:

As described in Note 2 (15), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the nine months ended December 31, 2005 amounted to ¥13,297 million ($112,620 thousand).

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 December 31, 2005 would have been as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Machinery and equipment	¥78,679	$666,376
Furniture and fixtures	3,766	31,896
Intangible assets	747	6,327
	83,192	704,599
Less:		
Accumulated depreciation	(47,428)	(401,694)
Accumulated impairment loss	(568)	(4,811)
	(47,996)	(406,505)
Net book value	¥35,196	$298,094

Depreciation expenses for these leased assets for the nine months ended December 31, 2005 would have been ¥12,040 million ($101,973 thousand), if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no residual value.

Interest expense for these capital leases for the nine months ended December 31, 2005 would have been ¥1,156 million ($9,791 thousand).

Future lease payments for capital leases at December 31, 2005 was as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥15,822	$134,005
Due after one year	21,543	182,460
Total	¥37,365	$316,465

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥341 million ($2,888 thousand) as of December 31, 2005. Lease payments for impaired capital lease assets in the nine months ended December 31, 2005 were ¥400 million ($3,388 thousand).

Future lease payments for non-cancelable operating leases as a lessee at December 31, 2005 was as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥4,079	$34,547
Due after one year	10,302	87,254
Total	¥14,381	$121,801

In addition, future lease receipts for non-cancelable operating leases as a lessor at December 31, 2005 was as follows:

Future lease receipts	Millions of yen	Thousands of U.S. dollars
Due within one year	¥327	$2,769
Due after one year	1,571	13,306
Total	¥1,898	$16,075

12. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at December 31, 2005 was ¥3,067 million ($25,976 thousand).

13. Segment information:

(1) Business segment information -

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

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

Epson 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, large format inkjet printers, and related supplies, color image scanners, 3LCD projectors, HDTV LCD projection televisions, LCD monitors, label writers, mini-printers, printers for use in POS systems and personal computers.

Electronic devices segment, including small- and medium-sized LCDs, HTPS-TFT panels for 3LCD projectors, CMOS LSI, 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 businesses still in the start-up phase, are categorized within "Other".

The table below summarizes the business segment information of Epson for the nine months ended December 31, 2004 and 2005 and for the year ended March 31, 2005:

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2004	**2005**	2005	**2005**
Information-related equipment:				
Net sales:				
Customers	¥711,567	**¥735,977**	¥942,401	**$6,233,395**
Inter-segment	2,412	**1,829**	3,628	**15,491**
Total	713,979	**737,806**	946,029	**6,248,886**
Operating expenses	662,522	**707,582**	884,474	**5,992,902**
Operating income	¥51,457	**¥30,224**	¥61,555	**$255,984**
Electronic devices:				
Net sales:				
Customers	¥336,627	**¥373,582**	¥454,616	**$3,164,072**
Inter-segment	22,058	**31,435**	27,995	**266,241**
Total	358,685	**405,017**	482,611	**3,430,313**
Operating expenses	307,965	**404,895**	444,058	**3,429,280**
Operating income	¥50,720	**¥122**	¥38,553	**$1,033**
Precision products:				
Net sales:				
Customers	¥60,846	**¥62,418**	¥76,827	**$528,653**
Inter-segment	3,462	**3,540**	4,316	**29,982**
Total	64,308	**65,958**	81,143	**558,635**
Operating expenses	61,222	**63,561**	78,707	**538,333**
Operating income	¥3,086	**¥2,397**	¥2,436	**$20,302**
Other:				
Net sales:				
Customers	¥4,108	**¥3,387**	¥5,906	**$28,686**
Inter-segment	21,384	**20,454**	28,604	**173,236**
Total	25,492	**23,841**	34,510	**201,922**
Operating expenses	34,380	**34,181**	47,514	**289,497**
Operating loss	(¥8,888)	**(¥10,340)**	(¥13,004)	**($87,575)**
Eliminations and corporate:				
Net sales	(¥49,316)	**(¥57,258)**	(¥64,543)	**($484,950)**
Operating expenses	(49,784)	**(57,981)**	(65,970)	**(491,073)**
Operating income	¥468	**¥723**	¥1,427	**$6,123**
Consolidated:				
Net sales	¥1,113,148	**¥1,175,364**	¥1,479,750	**$9,954,806**
Operating expenses	1,016,305	**1,152,238**	1,388,783	**9,758,939**
Operating income	¥96,843	**¥23,126**	¥90,967	**$195,867**

The table below summarizes the business segment information of Epson for the three months ended December 31, 2004 and 2005:

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2004	**2005**	**2005**
Information-related equipment:			
Net sales:			
Customers	¥278,587	**¥296,506**	**$2,511,273**
Inter-segment	838	**546**	**4,624**
Total	279,425	**297,052**	**2,515,897**
Operating expenses	258,939	**281,922**	**2,387,753**
Operating income	¥20,486	**¥15,130**	**$128,144**
Electronic devices:			
Net sales:			
Customers	¥130,430	**¥135,716**	**$1,149,454**
Inter-segment	7,527	**11,304**	**95,740**
Total	137,957	**147,020**	**1,245,194**
Operating expenses	124,412	**143,803**	**1,217,947**
Operating income	¥13,545	**¥3,217**	**$27,247**
Precision products:			
Net sales:			
Customers	¥19,341	**¥21,894**	**$185,432**
Inter-segment	1,154	**1,105**	**9,359**
Total	20,495	**22,999**	**194,791**
Operating expenses	20,161	**21,629**	**183,188**
Operating income	¥334	**¥1,370**	**$11,603**
Other:			
Net sales:			
Customers	¥1,316	**¥1,004**	**$8,503**
Inter-segment	6,241	**6,602**	**55,916**
Total	7,557	**7,606**	**64,419**
Operating expenses	11,317	**10,645**	**90,158**
Operating loss	(¥3,760)	**(¥3,039)**	**($25,739)**
Eliminations and corporate:			
Net sales	(¥15,760)	**(¥19,557)**	**($165,639)**
Operating expenses	(16,132)	**(20,001)**	**(169,400)**
Operating income	¥372	**¥444**	**$3,761**
Consolidated:			
Net sales	¥429,674	**¥455,120**	**$3,854,662**
Operating expenses	398,697	**437,998**	**3,709,646**
Operating income	¥30,977	**¥17,122**	**$145,016**

(2) Geographic segment information -

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. Principal countries and jurisdictions in each geographic segment are as follows:

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

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

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

The table below summarizes the geographic segment information of Epson for the nine months ended December 31, 2004 and 2005 and for the year ended March 31, 2005:

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2004	**2005**	2005	**2005**
Japan:				
Net sales:				
Customers	¥512,393	**¥574,443**	¥694,344	**$4,865,275**
Inter-segment	433,137	**443,635**	540,694	**3,757,390**
Total	945,530	**1,018,078**	1,235,038	**8,622,665**
Operating expenses	884,336	**1,023,598**	1,192,107	**8,669,417**
Operating income (loss)	¥61,194	**(¥5,520)**	¥42,931	**($46,752)**
The Americas:				
Net sales:				
Customers	¥185,774	**¥197,189**	¥242,898	**$1,670,102**
Inter-segment	34,915	**36,696**	41,618	**310,799**
Total	220,689	**233,885**	284,516	**1,980,901**
Operating expenses	208,951	**224,105**	271,363	**1,898,069**
Operating income	¥11,738	**¥9,780**	¥13,153	**$82,832**
Europe:				
Net sales:				
Customers	¥246,994	**¥231,186**	¥325,998	**$1,958,042**
Inter-segment	2,031	**2,032**	2,525	**17,210**
Total	249,025	**233,218**	328,523	**1,975,252**
Operating expenses	241,671	**229,260**	317,000	**1,941,730**
Operating income	¥7,354	**¥3,958**	¥11,523	**$33,522**
Asia/Oceania:				
Net sales:				
Customers	¥167,987	**¥172,546**	¥216,510	**$1,461,387**
Inter-segment	381,015	**487,472**	481,541	**4,128,669**
Total	549,002	**660,018**	698,051	**5,590,056**
Operating expenses	527,870	**634,000**	677,897	**5,369,695**
Operating income	¥21,132	**¥26,018**	¥20,154	**$220,361**
Eliminations and corporate:				
Net sales	(¥851,098)	**(¥969,835)**	(¥1,066,378)	**($8,214,068)**
Operating expenses	(846,523)	**(958,725)**	(1,069,584)	**(8,119,972)**
Operating income (loss)	(¥4,575)	**(¥11,110)**	¥3,206	**($94,096)**
Consolidated:				
Net sales	¥1,113,148	**¥1,175,364**	¥1,479,750	**$9,954,806**
Operating expenses	1,016,305	**1,152,238**	1,388,783	**9,758,939**
Operating income	¥96,843	**¥23,126**	¥90,967	**$195,867**

The table below summarizes the geographic segment information of Epson for the three months ended December 31, 2004 and 2005:

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2004	**2005**	**2005**
Japan:			
Net sales:			
Customers	¥214,078	**¥217,101**	**$1,838,748**
Inter-segment	136,887	**160,513**	**1,359,473**
Total	350,965	**377,614**	**3,198,221**
Operating expenses	332,784	**372,986**	**3,159,024**
Operating income	¥18,181	**¥4,628**	**$39,197**
The Americas:			
Net sales:			
Customers	¥66,762	**¥80,429**	**$681,197**
Inter-segment	12,531	**13,130**	**111,206**
Total	79,293	**93,559**	**792,403**
Operating expenses	76,130	**92,013**	**779,309**
Operating income	¥3,163	**¥1,546**	**$13,094**
Europe:			
Net sales:			
Customers	¥93,923	**¥95,378**	**$807,809**
Inter-segment	899	**752**	**6,369**
Total	94,822	**96,130**	**814,178**
Operating expenses	92,792	**92,831**	**786,237**
Operating income	¥2,030	**¥3,299**	**$27,941**
Asia/Oceania:			
Net sales:			
Customers	¥54,911	**¥62,212**	**$526,908**
Inter-segment	128,518	**189,960**	**1,608,876**
Total	183,429	**252,172**	**2,135,784**
Operating expenses	177,331	**243,092**	**2,058,880**
Operating income	¥6,098	**¥9,080**	**$76,904**
Eliminations and corporate:			
Net sales	(¥278,835)	**(¥364,355)**	**($3,085,924)**
Operating expenses	(280,340)	**(362,924)**	**(3,073,804)**
Operating income (loss)	¥1,505	**(¥1,431)**	**($12,120)**
Consolidated:			
Net sales	¥429,674	**¥455,120**	**$3,854,662**
Operating expenses	398,697	**437,998**	**3,709,646**
Operating income	¥30,977	**¥17,122**	**$145,016**

(3) Sales to overseas customers -

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the nine months ended December 31, 2004 and 2005 and for the year ended March 31, 2005:

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2004	**2005**	2005	**2005**
Overseas sales:				
The Americas	¥206,672	**¥214,145**	¥266,649	**$1,813,712**
Europe	290,122	**267,091**	386,091	**2,262,141**
Asia/Oceania	226,988	**325,970**	292,276	**2,760,820**
Total	723,782	**807,206**	945,016	**6,836,673**
Consolidated net sales	¥1,113,148	**¥1,175,364**	¥1,479,750	**$9,954,806**
Percentage:				
The Americas	18.6%	**18.2%**	18.0%	
Europe	26.0	**22.7**	26.1	
Asia/Oceania	20.4	**27.8**	19.8	
Total	65.0%	**68.7%**	63.9%	

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended December 31, 2004 and 2005:

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2004	**2005**	**2005**
Overseas sales:			
The Americas	¥83,723	**¥84,561**	**$716,194**
Europe	110,343	**106,994**	**906,191**
Asia/Oceania	73,791	**116,387**	**985,746**
Total	267,857	**307,942**	**2,608,131**
Consolidated net sales	¥429,674	**¥455,120**	**$3,854,662**
Percentage:			
The Americas	19.5%	**18.6%**	
Europe	25.7	**23.5**	
Asia/Oceania	17.1	**25.6**	
Total	62.3%	**67.7%**	

Supplementary Information

Consolidated Nine months ended December 31, 2005

Cautionary Statement

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements 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.

1. Sales by division

(Unit: billion yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment	714.0	737.8	3 3%	986.0	4.2%
Imaging & information	625 3	638 1	2.0%	851.0	3.7%
Visual instruments	63.8	77.2	21.1%	103.0	13.6%
Other	35.1	27.3	(22 3%)	38.0	(21.7%)
Intra-segment sales	(10.2)	(4.8)	- %	(6.0)	- %
Electronic devices	358.7	405.0	12.9%	522.0	8.2%
Display	225.2	289.9	28.8%	365.0	15.2%
Semiconductor	114.7	78.8	(31 2%)	102.0	(26.9%)
Quartz device	38.0	48.1	26.4%	70.0	40.5%
Other	1.6	2.4	44.6%	3.0	42.9%
Intra-segment sales	(20.8)	(14 2)	- %	(18.0)	- %
Precision products	64.3	66.0	2.6%	85.0	4.8%
Other	25.5	23.8	(6.5%)	36.0	4.3%
Inter-segment sales	(49.4)	(57.2)	- %	(76.0)	- %
Consolidated sales	1,113 1	1,175.4	5.6%	1,553.0	5.0%

2. Business segment information

(Unit: billion yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment					
Net sales:					
Customers	711.6	736.0	3.4%	984.0	4.4%
Inter-segment	2.4	1.8	(24.2%)	2.0	(44.9%)
Total	714.0	737.8	3.3%	986.0	4.2%
Operating expenses	662 5	707.6	6.8%	942.0	6.5%
Operating income	51.5	30.2	(41.3%)	44.0	(28.5%)
Electronic devices					
Net sales:					
Customers	336.6	373.6	11.0%	484.0	6.5%
Inter-segment	22.1	31.4	42.5%	38.0	35.7%
Total	358.7	405.0	12.9%	522.0	8.2%
Operating expenses	308.0	404.9	31.5%	532.0	19.8%
Operating income (loss)	50.7	0 1	(99.8%)	(10.0)	- %
Precision products					
Net sales:					
Customers	60.8	62.4	2.6%	80.0	4.1%
Inter-segment	3.5	3.6	2.2%	5.0	15.8%
Total	64.3	66.0	2.6%	85.0	4.8%
Operating expenses	61.2	63.6	3.8%	82.0	4.2%
Operating income	3 1	2.4	(22.3%)	3.0	23.1%
Other					
Net sales:					
Customers	4.1	3.4	(17.5%)	5.0	(15.3%)
Inter-segment	21.4	20.4	(4.3%)	31.0	8.4%
Total	25.5	23.8	(6.5%)	36.0	4.3%
Operating expenses	34.4	34.1	(0.6%)	49.0	3.1%
Operating loss	(8.9)	(10 3)	- %	(13.0)	- %
Elimination and corporate					
Net sales	(49.4)	(57.2)	- %	(76.0)	- %
Operating expenses	(49.8)	(57 9)	- %	(76.0)	- %
Operating income	0.4	0.7	55.1%	-	- %
Consolidated					
Net sales	1,113.1	1,175.4	5.6%	1,553.0	5.0%
Operating expenses	1,016.3	1,152.3	13.4%	1,529.0	10.1%
Operating income	96.8	23.1	(76.1%)	24.0	(73.6%)

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Capital expenditure	112.6	81.0	(28.1%)	128.4	(15.1%)
Information-related equipment	21.4	17.6	(17.7%)	32.7	12.3%
Electronic devices	80.3	45.3	(43.6%)	61.5	(38.1%)
Precision products	3.2	2.8	(12.6%)	5.7	11.4%
Other	7.7	15.3	98.3%	28.5	60.8%
Depreciation and amortization	75.7	80.5	6.4%	108.4	4.0%

4. Research and development

(Unit: billion yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Research and Development	63.9	67.6	5.7%	91.3	2.5%
R&D / sales ratio	5.7%	5.8%		5.9%	

5. Management indices

(Unit: %)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase Point	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 Point
Return on equity (ROE)	13.5%	1.6%	(11.9%)	(3.0%)	(15.6%)
Return on assets (ROA)	6.8%	1.4%	(5.4%)	(0.8%)	(6.7%)
Return on sales (ROS)	7.7%	1.7%	(6.0%)	(0.7%)	(5.7%)

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Income before income taxes and minority interest / Beginning and ending balance average total assets
3. ROS=Income before income taxes and minority interest / Net sales

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Nine months ended December 31, 2004	Nine months ended December 31, 2005	Increase
Foreign exchange effect	(14.3)	19.4	33.7
U.S. dollars	(11.8)	6.7	18.5
Euro	4.6	3.9	(0.7)
Other	(7.1)	8.8	15.9
Exchange rate			
Yen / U.S. dollars	108.56	112.10	
Yen / Euro	134.60	136.91	

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

7. Inventory

(Unit: billion yen)

	December 31, 2004	March 31, 2005	December 31, 2005	Increase compared to March 31, 2005
Inventory	202.6	176.7	221.7	45.0
Information-related equipment	119.8	107.4	135 2	27.8
Electronic devices	67.9	54.4	68.4	14.0
Precision products	13.6	13.4	16.2	2.8
Other / Corporate	1 3	1.5	1 9	0.4
				(Unit: days)
Turnover by days	50	44	52	8
Information-related equipment	46	41	50	9
Electronic devices	52	41	46	5
Precision products	58	60	68	8
Other / Corporate	14	16	21	5

Note: Turnover by days=Ending balance of inventory / Sales per day

8. Employees

(Unit: person)

	December 31, 2004	March 31, 2005	December 31, 2005	Increase compared to March 31, 2005
Number of employees at period end	86,415	85,647	96,987	11,340
Domestic	22,893	22,842	23,956	1,114
Overseas	63,522	62,805	73,031	10,226