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CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2006

Consolidated Financial Highlights

<Income statements and cash flows data> (Millions of yen, thousands of U.S. dollars, except for per share data)

	Three months ended June 30		Change	Year ended March 31,	Three months ended June 30,
	2005	**2006**		2006	**2006**
Statements of Income Data:					
Net sales	¥340,137	**¥322,036**	(5.3%)	¥1,549,568	**$2,794,481**
Operating income (loss)	(5,042)	**7,014**	- %	25,758	**60,864**
Income (loss) before income taxes and minority interest	(3,746)	**5,582**	- %	(20,047)	**48,438**
Net loss	(7,052)	**(5,679)**	- %	(17,917)	**(49,280)**
Statements of Cash Flows Data:					
Cash flows from operating activities	24,289	**15,584**	(35.8%)	117,497	**135,231**
Cash flows from investing activities	(28,486)	**(35,977)**	26.3%	(95,266)	**(312,192)**
Cash flows from financing activities	1,087	**(9,400)**	- %	19,123	**(81,569)**
Cash and cash equivalents at the end of the period	231,917	**249,249**	7.5%	280,114	**2,162,869**
Per Share Data:					
Net loss per share -Basic	(¥35.91)	**(¥28.92)**	- %	(¥91.24)	**($0.25)**
-Diluted	¥-	**¥-**	- %	¥-	**$-**

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 ¥115.24 = U.S.$1 at June 30, 2006 has been used for the purpose of presentation.

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

	June 30		March 31,	June 30,
	2005	**2006**	2006	**2006**
Total assets	¥1,281,976	**¥1,276,514**	¥1,325,206	**$11,077,005**
Shareholders’ equity	465,737	**462,749**	474,520	**4,015,524**
Shareholders’ equity ratio (%)	36.3%	**36.3%**	35.8%	**36.3%**
Shareholders’ equity per share	¥2,371.81	**¥2,356.60**	¥2,416.54	**$20.45**

Operating Performance Highlights and Financial Condition

Fiscal 2006 First-Quarter Overview

Although crude oil prices soared and there were other elements of concern during the first quarter of the year under review, the global economy steadily recovered on the back of economic growth in China and the United States. Meanwhile, the Japanese economy showed signs of recovery, with an increase in capital spending and an uptick in personal spending accompanying improved corporate earnings.

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

The projector market grew as demand for business projectors, especially low-priced models, and home-theater models expanded.

The market for electronic devices used in mobile phones remained firm. Contributing to this firmness were demand from consumers in the U.S. who are upgrading to handsets with color displays and built-in cameras, as well as demand from new cellular subscribers in the emerging markets of Asia and Africa.

Meanwhile, however, the information-related equipment segment and the electronic devices segment are seeing prices for their products in continual decline due to intensified competition in all areas. Moreover, they are seeing demand shift steadily toward the low end.

Markets for precision products are seeing little growth, with demand for watches and corrective lenses shifting toward the low end. In factory automation systems, sales of IC handlers were driven by solid demand for semiconductors used in mobile phones and digital home electronics.

In response to these difficult market conditions and to last year's deterioration in financial performance, Epson established "*Creativity and Challenge 1000*," a new mid-range business plan in March 2006, and is presently pressing forward with various policies to initiate a business recovery and restart growth. In the current fiscal year, Epson is operating under a lighter fixed cost burden as a result of efforts taken to restructure fixed costs in the previous fiscal year, primarily in the electronic devices segment. In inkjet printers, Epson is implementing market programs aimed at generating profit. As a result, the Company is carefully overhauling the product lineup in each region with a policy of reducing shipments of unprofitable models, including those that generate low print volumes.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first quarter of the year under review were ¥114.50 and ¥143.78, respectively. This represents a 6% depreciation in the value of the yen against the dollar and a 6% depreciation 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 first quarter of the current fiscal year were ¥322,036 million ($2,794,481 thousand), down 5.3% from the same period last year. Operating income was ¥7,014 million ($60,864 thousand), compared to an operating loss of ¥5,042 million in the same period last year. Income before income taxes and minority interest was ¥5,582 million ($48,438 thousand), compared to loss before income taxes and minority interest of ¥3,746 million in the same period last year. Net loss for the quarter was ¥5,679 million ($49,280 thousand), compared to a quarterly net loss of ¥7,052 million in the same period last year.

Operating Performance Highlights by Business Segment

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

Information-related equipment:

Printer business revenues declined on the whole. Inkjet printer revenue (including revenues from supplies, as in all printer discussions below) declined due to a pair of factors. One was an initiative, conducted in line with the first year of Epson's mid-range business plan, to deliberately reduce shipments of certain models. The other was price erosion. Dot-matrix printer and terminal module revenues were affected by an increase in low-priced models as a percentage of sales, but results were also affected by a weakening of the yen and an increase in demand. Laser printer unit shipments declined due to intensified competition, particularly among low-end models.

Visual instruments business revenue was sharply higher, on the whole. OEM demand for projection TV engines declined. On the other hand, however, 3LCD projector demand grew sharply, especially for popularly priced business models.

Operating income in the information-related equipment segment increased. The increase is primarily due to an overhaul of the product lineup to emphasize profitability, to reduced selling, general and administrative expenses and a commensurate improvement in profitability, and to higher revenue from 3LCD projectors.

As a result of the foregoing factors, first-quarter net sales in the information-related equipment segment were ¥200,730 million ($1,741,843 thousand), down 5.3% compared to the same period last year, while operating income was ¥14,123 million ($122,553 thousand), up 231.7% compared to the same period last year.

Please note that from this quarter the imaging and information products business will be known as the printer business.

Electronic devices:

The display business posted sharply lower total revenue. The decline in revenue came despite increased mobile handset demand, as intensified competition drove prices for MD-TFD LCDs, amorphous-silicon TFT LCDs and color STN LCDs lower.

The semiconductor business reported lower total revenue. This decline was due to lower volume in system LSIs, a result of intensified competition, and both lower volume and lower prices in other semiconductor products.

The quartz device business saw revenue grow sharply as a result of the business merger with Toyo Communication Equipment Co., Ltd., despite an across-the-board decline in unit prices.

The electronic devices segment reported a narrower loss despite declining prices for MD-TFD LCDs and color STN LCDs. The improvement in operating loss was due primarily to the effect of cost reductions in amorphous-silicon TFT LCDs; improved profitability of the semiconductor business, where fixed costs decreased largely as a result of impairment charges taken last fiscal year; and the effects of the merger with Toyo Communication Equipment, in the quartz device business.

As a result of the foregoing factors, first-quarter net sales in the electronic devices segment were ¥109,194 million ($947,535 thousand), down 6.8% compared to the same period last year, while operating loss was ¥5,397 million ($46,833 thousand) versus an operating loss of ¥5,696 million in the same period last year.

Precision products:

The precision products segment saw total revenue decline despite a rise in demand for IC handlers owing to a strong semiconductor market, but this decline is due primarily to the transfer of the optical device business to the electronic devices segment.

Operating income in the precision products segment increased, as high added-value watch products comprised a larger percentage of total revenues.

As a result of the foregoing factors, first-quarter net sales in the precision products segment were ¥20,016 million ($173,690 thousand), down 1.9% compared to the same period last year, while operating income was ¥1,335 million ($11,585 thousand) versus an operating loss of ¥152 million in the same period last year.

Operating Performance Highlights by Geographic Segment

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

Japan:

Quartz device and inkjet printer revenues increased, while revenues from MD-TFD LCDs, amorphous-silicon TFT LCDs, STN LCDs, and LTPS TFT LCDs declined. As a result, net sales were ¥302,890 million ($2,628,341 thousand), up 2.1% compared to the same period last year, while operating income was ¥18,924 million ($164,214 thousand) as compared to an operating loss of ¥9,878 million in the same period last year.

The Americas:

3LCD projector, quartz device, amorphous-silicon TFT LCD and dot-matrix printer revenues increased, while inkjet printer revenue declined. As a result, net sales were ¥66,683 million ($578,645 thousand), up 0.4% compared to the same period last year, while operating income was ¥3,522 million ($30,562 thousand), down 11.7% compared to the same period last year.

Europe:

3LCD projector and quartz device revenues grew, while inkjet printer revenue declined. As a result, net sales were ¥66,214 million ($574,575 thousand), down 0.0% compared to the same period last year, while operating loss was ¥1,488 million ($12,912 thousand) versus operating income of ¥661 million in the same period last year.

Asia / Oceania:

Amorphous-silicon TFT LCD and quartz device revenues increased, while inkjet printer and MD-TFD LCD revenues declined. As a result, net sales were ¥180,370 million ($1,565,168 thousand), up 1.3% compared to the same period last year, while operating income was ¥6,554 million ($56,872 thousand), down 26.5% compared to the same period last year.

Cash Flow Performance

Cash inflows from operating activities in the first quarter were ¥15,584 million ($135,231 thousand). Net loss was ¥5,679 million ($49,280 thousand). Depreciation and amortization, principally in the electronic devices segment, was ¥20,903 million ($181,387 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade decreased by ¥20,121 million ($174,601 thousand), while notes and accounts payable, trade decreased by ¥11,189 million ($97,093 thousand). Inventories increased ¥7,290 million ($63,259 thousand). Income taxes paid were ¥6,017 million ($52,213 thousand).

Included in cash outflows from investing activities was a total payment of ¥28,116 million ($243,978 thousand) including payments for capital expenditures, principally in the information-related equipment and electronic devices segments, and payments for amounts that came due during this period for tangible and intangible fixed assets acquired at the end of the previous period. In total, cash outflows from investing activities amounted to ¥35,977 million ($312,192 thousand).

Cash outflows from financing activities were ¥9,400 million ($81,569 thousand), primarily due to repayment of short-term borrowings and payment of cash dividends.

As a result, cash and cash equivalents for the first quarter was ¥249,249 million ($2,162,869 thousand).

Fiscal 2006 Forecast

The U.S. and Chinese economies have continued to expand since Epson presented its full-year outlook, on April 25, 2006. Japan's economic recovery, meanwhile, is expected to continue, though the effects of high prices for crude oil and changes in interest rates will need to be watched. Given this situation, Epson forecasts that it will see in the printer business the effects of policies to emphasize profitability in inkjet printers, and in the electronic devices segment the effects of policies to restructure fixed costs. In the display business, Epson forecasts steady growth in volume for LCDs for mobile phones. However, market growth for non-mobile phone applications remains limited, and Epson stands by its previously-announced forecasts for the half-year and for the full fiscal year.

The figures in the outlook are based on assumed exchange rates of ¥110.00 to the U.S. dollar and ¥139.00 to the euro.

Consolidated Half-Year Results Outlook

	FY2005	**Current Outlook**	Change
Net sales	¥720.2 billion	**¥706.0 billion**	-¥14.2 billion (- 2.0%)
Operating income	¥6.0 billion	**¥2.0 billion**	- ¥4.0 billion (- 66.7%)
Income (loss) before income taxes and minority interest	¥7.7 billion	**(¥4.0 billion)**	-¥11.7 billion (-%)
Net loss	(¥1.2 billion)	**(¥11.0 billion)**	- ¥9.8 billion (-%)
Foreign exchange rate	$1USD = ¥109.48 1 euro = ¥135.65	**$1USD = ¥110.00** **1 euro = ¥139.00**	

Consolidated Full-Year Results Outlook

	FY2005	**Current Outlook**	Change
Net sales	¥1,549.6 billion	**¥1,555.0 billion**	+ ¥5.4 billion (+ 0.4%)
Operating income	¥25.8 billion	**¥40.0 billion**	+¥14.2 billion (+ 55.3%)
Income (loss) before income taxes and minority interest	(¥20.0 billion)	**¥33.0 billion**	+¥53.0 billion (-%)
Net income (loss)	(¥17.9 billion)	**¥14.0 billion**	+¥31.9 billion (-%)
Foreign exchange rate	$1USD = ¥113.31 1 euro = ¥137.86	**$1USD = ¥110.00** **1 euro = ¥139.00**	

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
	June 30		March 31,	**June 30,**
	2005	**2006**	2006	**2006**
ASSETS				
Current assets:				
Cash and cash equivalents	¥231,917	**¥249,249**	¥280,114	**$2,162,869**
Time deposits	889	**2,175**	2,363	**18,874**
Notes and accounts receivable, trade	220,836	**224,614**	244,770	**1,949,098**
Inventories	192,950	**199,124**	192,015	**1,727,907**
Other current assets	93,769	**80,909**	79,817	**702,091**
Allowance for doubtful accounts	(3,627)	**(3,592)**	(3,677)	**(31,170)**
Total current assets	736,734	**752,479**	795,402	**6,529,669**
Property, plant and equipment:				
Buildings and structures	422,092	**450,018**	450,071	**3,905,050**
Machinery and equipment	520,284	**557,006**	568,293	**4,833,443**
Furniture and fixtures	190,397	**208,978**	208,944	**1,813,415**
Land	58,857	**66,891**	66,874	**580,450**
Other	13,288	**7,097**	6,200	**61,585**
	1,204,918	**1,289,990**	1,300,382	**11,193,943**
Accumulated depreciation	(767,705)	**(870,966)**	(874,264)	**(7,557,844)**
	437,213	**419,024**	426,118	**3,636,099**
Investments and other assets:				
Investment securities	49,536	**48,034**	49,810	**416,817**
Intangible assets	25,854	**24,407**	24,287	**211,793**
Other assets	33,352	**33,065**	30,043	**286,923**
Allowance for doubtful accounts	(713)	**(495)**	(454)	**(4,296)**
	108,029	**105,011**	103,686	**911,237**
Total assets	¥1,281,976	**¥1,276,514**	¥1,325,206	**$11,077,005**

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

	Millions of yen			Thousands of U.S. dollars
	June 30		March 31,	**June 30,**
	2005	**2006**	2006	**2006**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term borrowings	¥35,508	**¥44,375**	¥49,804	**$385,066**
Current portion of long-term debt	101,495	**125,652**	113,731	**1,090,351**
Notes and accounts payable, trade	166,457	**117,802**	128,605	**1,022,232**
Accounts payable, other	93,955	**85,655**	102,341	**743,275**
Income taxes payable	5,913	**21,320**	12,274	**185,005**
Accrued bonuses	8,828	**8,835**	11,833	**76,666**
Accrued warranty costs	14,611	**16,427**	17,974	**142,546**
Accrued litigation and related expenses	-	**5,970**	6,191	**51,805**
Other current liabilities	64,073	**66,167**	64,618	**574,167**
Total current liabilities	490,840	**492,203**	507,371	**4,271,113**
Long-term liabilities:				
Bonds	-	**52,700**	52,700	**457,306**
Long-term debt	259,206	**200,186**	212,859	**1,737,123**
Accrued pension and severance costs	16,061	**26,951**	31,397	**233,868**
Accrued directors' and statutory auditors' retirement allowances	1,916	**-**	2,096	**-**
Accrued recycle costs	373	**606**	554	**5,259**
Accrued litigation and related expenses	-	**2,349**	2,349	**20,384**
Other long-term liabilities	18,800	**9,905**	9,655	**85,951**
Total long-term liabilities	296,356	**292,697**	311,610	**2,539,891**
Minority interest in subsidiaries	29,043	**28,865**	31,705	**250,477**
Shareholders' equity:				
Common stock				
Authorized - 607,458,368 shares, Issued - 196,364,592 shares	53,204	**53,204**	53,204	**461,680**
Additional paid-in capital	79,501	**79,501**	79,501	**689,873**
Retained earnings	341,339	**318,503**	327,324	**2,763,823**
Net unrealized gains on other securities	4,052	**9,647**	10,567	**83,712**
Net unrealized losses on derivative instruments	-	**(267)**	-	**(2,317)**
Translation adjustments	(12,356)	**2,166**	3,929	**18,796**
Treasury stock, at cost June 30, 2005 - 849 shares June 30, 2006 - 1,422 shares March 31, 2006 - 1,307 shares	(3)	**(5)**	(5)	**(43)**
Total shareholders' equity	465,737	**462,749**	474,520	**4,015,524**
Commitments and contingent liabilities				
Total liabilities and shareholders' equity	¥1,281,976	**¥1,276,514**	¥1,325,206	**$11,077,005**

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

Consolidated Statements of Income (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2005	**2006**	2006	**2006**
Net sales	¥340,137	**¥322,036**	¥1,549,568	**$2,794,481**
Cost of sales	271,567	**246,925**	1,194,781	**2,142,702**
Gross profit	68,570	**75,111**	354,787	**651,779**
Selling, general and administrative expenses:				
Salaries and wages	19,336	**19,756**	78,381	**171,434**
Advertising	5,917	**4,059**	31,643	**35,222**
Sales promotion	6,052	**4,634**	31,538	**40,212**
Research and development costs	11,190	**9,873**	44,570	**85,673**
Shipping costs	4,711	**4,739**	21,537	**41,123**
Other	26,406	**25,036**	121,360	**217,251**
	73,612	**68,097**	329,029	**590,915**
Operating income (loss)	(5,042)	**7,014**	25,758	**60,864**
Other income:				
Interest and dividend income	1,134	**1,479**	3,751	**12,834**
Net gain on foreign exchange	1,520	**-**	425	**-**
Rental income	359	**351**	1,469	**3,046**
Other	1,092	**1,569**	19,176	**13,615**
	4,105	**3,399**	24,821	**29,495**
Other expenses:				
Interest expenses	1,422	**1,569**	6,730	**13,615**
Net loss on foreign exchange	-	**2,369**	-	**20,557**
Loss on disposal of fixed assets	363	**377**	2,331	**3,271**
Other	1,024	**516**	61,565	**4,478**
	2,809	**4,831**	70,626	**41,921**
Income (loss) before income taxes and minority interest	(3,746)	**5,582**	(20,047)	**48,438**
Income taxes	3,609	**13,794**	9,187	**119,698**
Loss before minority interest	(7,355)	**(8,212)**	(29,234)	**(71,260)**
Minority interest in subsidiaries	(303)	**(2,533)**	(11,317)	**(21,980)**
Net loss	(¥7,052)	**(¥5,679)**	(¥17,917)	**($49,280)**
	Yen			U.S. dollars
Per share:				
Net loss	(¥35.91)	**(¥28.92)**	(¥91.24)	**($0.25)**
Cash dividends	¥13.00	**¥16.00**	¥29.00	**$0.14**

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Net unrealized losses on derivative instruments	Translation adjustments	Treasury stock, at cost	Total
		Millions of yen							
Balance at March 31, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥3,743	¥-	(¥14,519)	(¥3)	¥472,870
Net loss for the three months ended June 30, 2005	-	-	-	(7,052)	-	-	-	-	(7,052)
Cash dividends	-	-	-	(2,553)	-	-	-	-	(2,553)
Net unrealized gains on other securities	-	-	-	-	309	-	-	-	309
Translation adjustments	-	-	-	-	-	-	2,163	-	2,163
Changes in treasury stock	-	-	-	-	-	-	-	(0)	(0)
Balance at June 30, 2005	196,364,592	¥53,204	¥79,501	¥341,339	¥4,052	¥-	(¥12,356)	(¥3)	¥465,737
Balance at March 31, 2006	196,364,592	¥53,204	¥79,501	¥327,324	¥10,567	¥-	¥3,929	(¥5)	¥474,520
Net loss for the three months ended June 30, 2006	-	-	-	**(5,679)**	-	-	-	-	**(5,679)**
Cash dividends	-	-	-	**(3,142)**	-	-	-	-	**(3,142)**
Net unrealized losses on other securities	-	-	-	-	**(920)**	-	-	-	**(920)**
Effect of change in the accounting standards	-	-	-	-	-	**(267)**	-	-	**(267)**
Translation adjustments	-	-	-	-	-	-	**(1,763)**	-	**(1,763)**
Changes in treasury stock	-	-	-	-	-	-	-	**(0)**	**(0)**
Balance at June 30, 2006	**196,364,592**	**¥53,204**	**¥79,501**	**¥318,503**	**¥9,647**	**(¥267)**	**¥2,166**	**(¥5)**	**¥462,749**

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Net unrealized losses on derivative instruments	Translation adjustments	Treasury stock, at cost	Total
		Millions of yen							
Balance at March 31, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥3,743	¥-	(¥14,519)	(¥3)	¥472,870
Net loss	-	-	-	(17,917)	-	-	-	-	(17,917)
Cash dividends	-	-	-	(5,695)	-	-	-	-	(5,695)
Decrease due to affiliates excluded under the equity method	-	-	-	(8)	-	-	-	-	(8)
Net unrealized gains on other securities	-	-	-	-	6,824	-	-	-	6,824
Translation adjustments	-	-	-	-	-	-	18,448	-	18,448
Changes in treasury stock	-	-	-	-	-	-	-	(2)	(2)
Balance at March 31, 2006	196,364,592	¥53,204	¥79,501	¥327,324	¥10,567	¥-	¥3,929	(¥5)	¥474,520

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Net unrealized losses on derivative instruments	Translation adjustments	Treasury stock, at cost	Total
	Thousands of U.S. dollars							
Balance at March 31, 2006	$461,680	$689,873	$2,840,368	$91,695	$-	$34,094	($43)	$4,117,667
Net loss for the three months ended June 30, 2006	-	-	**(49,280)**	-	-	-	-	**(49,280)**
Cash dividends	-	-	**(27,265)**	-	-	-	-	**(27,265)**
Net unrealized losses on other securities	-	-	-	**(7,983)**	-	-	-	**(7,983)**
Effect of change in the accounting standards	-	-	-	-	**(2,317)**	-	-	**(2,317)**
Translation adjustments	-	-	-	-	-	**(15,298)**	-	**(15,298)**
Changes in treasury stock	-	-	-	-	-	-	**(0)**	**(0)**
Balance at June 30, 2006	**$461,680**	**$689,873**	**$2,763,823**	**$83,712**	**($2,317)**	**$18,796**	**($43)**	**$4,015,524**

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

Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2005	**2006**	2006	**2006**
Cash flows from operating activities:				
Net loss	(¥7,052)	**(¥5,679)**	(¥17,917)	**($49,280)**
Adjustments to reconcile net loss to net cash provided by operating activities -				
Depreciation and amortization	26,256	**20,903**	109,662	**181,387**
Accrual for net pension and severance costs, less payments	1,696	**(2,309)**	9,917	**(20,036)**
Net loss on sales and disposal of fixed assets	307	**349**	2,250	**3,028**
Equity in net gains under the equity method	(6)	**(29)**	(168)	**(252)**
Deferred income taxes	3,865	**79**	(7,377)	**685**
Decrease in allowance for doubtful accounts	(54)	**(77)**	(537)	**(668)**
Decrease in notes and accounts receivable, trade	34,828	**20,121**	23,987	**174,601**
Increase in inventories	(15,635)	**(7,290)**	(1,695)	**(63,259)**
Increase (decrease) in notes and accounts payable, trade	23,299	**(11,189)**	(20,526)	**(97,093)**
Increase (decrease) in accrued income taxes	(10,010)	**7,698**	(1,932)	**66,800**
Other	(33,205)	**(6,993)**	21,833	**(60,682)**
Net cash provided by operating activities	24,289	**15,584**	117,497	**135,231**
Cash flows from investing activities:				
Proceeds from maturities of short-term investments	-	**2,000**	1,000	**17,355**
Payments for purchases of property, plant and equipment	(25,452)	**(24,968)**	(96,099)	**(216,661)**
Proceeds from sales of property, plant and equipment	796	**184**	1,315	**1,597**
Payments for purchases of intangible assets	(2,987)	**(3,148)**	(9,272)	**(27,317)**
Payments of long-term prepaid expenses	(152)	**(430)**	(3,296)	**(3,731)**
Other	(691)	**(9,615)**	11,086	**(83,435)**
Net cash used in investing activities	(28,486)	**(35,977)**	(95,266)	**(312,192)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	5,081	**(5,230)**	18,471	**(45,384)**
Repayments of long-term debt	(3,882)	**(752)**	(111,786)	**(6,525)**
Proceeds from issuance of subsidiaries' stock	2,664	**-**	2,674	**-**
Cash dividends	(2,553)	**(3,142)**	(5,694)	**(27,265)**
Other	(223)	**(276)**	115,458	**(2,395)**
Net cash provided by (used in) financing activities	1,087	**(9,400)**	19,123	**(81,569)**
Effect of exchange rate fluctuations on cash and cash equivalents	(46)	**(1,072)**	3,687	**(9,302)**
Net increase (decrease) in cash and cash equivalents	(3,156)	**(30,865)**	45,041	**(267,832)**
Cash and cash equivalents at the beginning of the period	234,904	**280,114**	234,904	**2,430,701**
Cash and cash equivalents increased by merger of unconsolidated subsidiaries	169	**-**	169	**-**
Cash and cash equivalents at the end of the period	¥231,917	**¥249,249**	¥280,114	**$2,162,869**
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥1,166	**¥1,493**	¥3,794	**$12,956**
Interest paid	(¥1,209)	**(¥1,272)**	(¥6,678)	**($11,038)**
Income taxes paid	(¥9,755)	**(¥6,017)**	(¥18,496)	**($52,213)**

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 countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively "Epson") as of June 30, 2006, and for the three months ended June 30, 2006 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 accounting principles generally accepted 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 translation adjustments 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 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.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) issued an Accounting Standard - ASBJ Statement No. 5 “Accounting Standards for Presentation of Net Assets in the Balance Sheet” and its Implementation Guidance - ASBJ Guidance No. 8 “Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet”. Effective as of April 1, 2006, Epson has adopted these new accounting standards. Prior to April 1, 2006, if certain hedging criteria are met, such gains and losses arising from changes in fair value were deferred as assets or liabilities. Under the new accounting standards, such gains and losses are recorded as a separate component of shareholders' equity, net of tax.

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 fiscal 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) Accrued litigation and related expenses -

Accrued litigation and related expenses are provided for estimated future compensation payment and litigation expenses.

(11) 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.

(12) 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 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 the majority 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.

Prior to June 23 2006, with respect to the Company’s directors and statutory auditors, who are not covered by the benefit plans for employees described above, provision was made for retirement benefits based on internal rules regarding directors’ and statutory auditors’ retirement benefits. On June 23, 2006, such plan was terminated and the benefits granted prior to the termination date are recorded as other long-term liabilities.

(13) Accrued recycle costs -

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

(14) 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.

(15) Research and development costs -

Research and development costs are expensed as incurred.

(16) 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.

(17) Net income per share -

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

(18) Dividends -

Dividends are charged to retained earnings in the fiscal year in which they are paid after approval by the shareholders. 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.

(19) Reclassifications -

Certain prior period amounts have been reclassified to conform to the presentations for the three months ended June 30, 2006.

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 ¥115.24 = U.S.$1, the rate of exchange prevailing at June 30, 2006, 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 were included in investment securities account at June 30, 2006, were as follows:

	Millions of yen			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥10,942	¥15,167	(¥84)	¥26,025
Debt securities	53	1	(-)	54
Other	227	-	(-)	227
Total	¥11,222	¥15,168	(¥84)	¥26,306

	Thousands of U.S. dollars			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$94,949	$131,612	($729)	$225,832
Debt securities	460	9	(-)	469
Other	1,970	-	(-)	1,970
Total	$97,379	$131,621	($729)	$228,271

The carrying amount of unlisted equity securities and other, which was included in investment securities account at June 30, 2006, was as follows:

Other securities	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities	¥19,317	$167,624
Other	127	1,102
Total	¥19,444	$168,726

The carrying amount of held-to-maturity debt securities, which was included in cash and cash equivalents account at June 30, 2006, was disclosed as follows:

Held-to-maturity debt securities	Millions of yen	Thousands of U.S. dollars
Commercial paper	¥39,978	$346,911

For the three months ended June 30, 2006, other-than-temporary impairments of securities with an aggregate market value of ¥103 million ($894 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.

5. Derivative 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 June 30, 2006 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)	¥14,889	¥15,152	(¥263)
Euro (purchased Japanese yen)	15,480	16,046	(566)
Australian dollar (purchased Japanese yen)	798	797	1
Thai baht (purchased U.S. dollar)	247	247	(0)
Philippine peso (purchased U.S. dollar)	81	81	0
Japanese yen (purchased Euro)	822	822	0
U.S. dollar (purchased Euro)	2,891	2,883	8
Polish zloty (purchased Euro)	143	144	(1)
Purchased -			
U.S. dollar (sold Japanese yen)	405	411	6
Euro (sold Japanese yen)	60	60	0
U.S. dollar (sold Korean won)	1,707	1,701	(6)
U.S. dollar (sold Taiwan dollar)	340	343	3
Total unrealized losses from forward exchange contracts			(¥818)

There were no interest rate swap transactions outstanding at June 30, 2006 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)	$129,200	$131,482	($2,282)
Euro (purchased Japanese yen)	134,329	139,240	(4,911)
Australian dollar (purchased Japanese yen)	6,925	6,916	9
Thai baht (purchased U.S. dollar)	2,143	2,143	(0)
Philippine peso (purchased U.S. dollar)	703	703	0
Japanese yen (purchased Euro)	7,133	7,133	0
U.S. dollar (purchased Euro)	25,087	25,018	69
Polish zloty (purchased Euro)	1,241	1,250	(9)
Purchased -			
U.S. dollar (sold Japanese yen)	3,514	3,566	52
Euro (sold Japanese yen)	521	521	0
U.S. dollar (sold Korean won)	14,813	14,761	(52)
U.S. dollar (sold Taiwan dollar)	2,950	2,976	26
Total unrealized losses from forward exchange contracts			($7,098)

There were no interest rate swap transactions outstanding at June 30, 2006 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.

6. Assets pledged as collateral:

Assets pledged as collateral for notes and accounts payable, trade account and accounts payable, other account of ¥708 million ($6,144 thousand) at June 30, 2006 were as follows:

Pledged assets	Millions of yen	Thousands of U.S. dollars
Cash and cash equivalents	¥1,500	$13,016

7. Credit agreements:

As at June 30, 2006, the Company had line of credit agreements with eleven banks for an aggregate maximum amount of ¥80,000 million ($694,203 thousand). As at June 30, 2006, there were unused credit lines of ¥80,000 million ($694,203 thousand) outstanding and available.

8. Goodwill:

Epson recognized goodwill and negative goodwill as at June 30, 2006. Negative goodwill was recorded in other long-term liabilities account after offsetting against goodwill in accordance with Japanese accounting standards. The amounts of goodwill and negative goodwill before offsetting as at June 30, 2006 were as follows:

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥2,201	$19,099
Negative goodwill	¥5,814	$50,451

9. Cash dividends:

The amounts of year-end cash dividend per share, which the Company paid to the shareholders of record as at March 31, 2006 for the three months ended June 30, 2006, were as follows:

Cash dividend per share	Yen	U.S. dollars
Year-end	¥16.00	$0.14

10. Net loss per share:

Calculation of net loss per share for the three months ended June 30, 2006 was as follows:

	Millions of yen	Thousands of U.S. dollars
Net loss attributable to common shares	(¥5,679)	($49,280)
Weighted average number of common shares outstanding	196,363,183	
	Yen	U.S. dollars
Net loss per share	(¥28.92)	($0.25)

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the three months ended June 30, 2006. The potential common shares issuable upon conversion of convertible bonds with anti-dilutive effect was excluded from the computation of net loss per share for the three months ended June 30, 2006.

11. Cash flow information:

Cash and cash equivalents at June 30, 2006 were composed of the following:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥212,865	$1,847,145
Short-term investments	39,978	346,911
Sub-total	252,843	2,194,056
Less:		
Short-term borrowings (overdrafts)	(1,419)	(12,313)
Time deposits due over three months	(2,175)	(18,874)
Cash and cash equivalents	¥249,249	$2,162,869

12. Leases:

As described in Note 2 (16), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the three months ended June 30, 2006 amounted to ¥4,273 million ($37,079 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 June 30, 2006 would have been as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Machinery and equipment	¥77,789	$675,017
Furniture and fixtures	3,205	27,812
Intangible assets	519	4,504
	81,513	707,333
Less:		
Accumulated depreciation	(53,392)	(463,311)
Accumulated impairment loss	(774)	(6,717)
	(54,166)	(470,028)
Net book value	¥27,347	$237,305

Depreciation expenses for these leased assets for the three months ended June 30, 2006 would have been ¥3,858 million ($33,478 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 three months ended June 30, 2006 would have been ¥275 million ($2,386 thousand).

Future lease payments for capital leases at June 30, 2006 were as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥13,943	$120,991
Due after one year	15,541	134,858
Total	¥29,484	$255,849

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥447 million ($3,879 thousand) as of June 30, 2006. Lease payments for impaired capital lease assets in the three months ended June 30, 2006 were ¥91 million ($790 thousand).

Future lease payments for non-cancelable operating leases as a lessee at June 30, 2006 were as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥4,518	$39,205
Due after one year	11,410	99,011
Total	¥15,928	$138,216

In addition, future lease receipts for non-cancelable operating leases as a lessor at June 30, 2006 were as follows:

Future lease receipts	Millions of yen	Thousands of U.S. dollars
Due within one year	¥321	$2,785
Due after one year	1,443	12,522
Total	¥1,764	$15,307

13. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at June 30, 2006 were ¥2,835 million ($24,601 thousand). Furthermore, the amount of discounted notes at June 30, 2006 was ¥13 million ($113 thousand).

14. 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, mini-printers, printers for use in POS systems, 3LCD projectors, HDTV LCD projection televisions, LCD monitors, label writers and personal computers.

Electronic devices segment, including small- and medium-sized LCDs, HTPS-TFT panels for 3LCD projectors, CMOS LSI, crystal units, crystal oscillators and optical devices.

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".

On April 1, 2006, the Company's optical device business (excluding the corrective lens business) was transferred to a consolidated subsidiary, Epson Toyocom Corporation. The Company's optical device business, which boasts expertise in optical components for 3LCD projectors, was merged with Epson Toyocom's optical device business, which specializes in areas such as image correction for digital cameras and optical pickup components for DVD recorders. This reorganization seeks to efficiently combine markets, technologies, and development resources with the objective of bolstering the Epson's technology development capabilities, enhancing its market competitiveness, and increasing the value of its business.

With this reorganization, the results of the Company's optical device business, which were formerly reported under precision products segment, are reported under electronic devices segment. This change is effective from the current fiscal year. The effect of the reorganization on segment information is immaterial and is thus not reported herein.

The table below summarizes the business segment information of Epson for the three months ended June 30, 2005 and 2006 and for the year ended March 31, 2006:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2005	**2006**	2006	**2006**
Information-related equipment:				
Net sales:				
Customers	¥211,442	**¥200,061**	¥973,690	**$1,736,038**
Inter-segment	570	**669**	2,753	**5,805**
Total	212,012	**200,730**	976,443	**1,741,843**
Operating expenses	207,754	**186,607**	931,422	**1,619,290**
Operating income	¥4,258	**¥14,123**	¥45,021	**$122,553**
Electronic devices:				
Net sales:				
Customers	¥108,248	**¥101,418**	¥489,460	**$880,059**
Inter-segment	8,892	**7,776**	37,507	**67,476**
Total	117,140	**109,194**	526,967	**947,535**
Operating expenses	122,836	**114,591**	536,726	**994,368**
Operating loss	(¥5,696)	**(¥5,397)**	(¥9,759)	**($46,833)**
Precision products:				
Net sales:				
Customers	¥19,264	**¥19,670**	¥81,463	**$170,687**
Inter-segment	1,139	**346**	4,315	**3,003**
Total	20,403	**20,016**	85,778	**173,690**
Operating expenses	20,555	**18,681**	83,427	**162,105**
Operating income (loss)	(¥152)	**¥1,335**	¥2,351	**$11,585**
Other:				
Net sales:				
Customers	¥1,183	**¥887**	¥4,955	**$7,697**
Inter-segment	6,747	**7,136**	28,022	**61,923**
Total	7,930	**8,023**	32,977	**69,620**
Operating expenses	11,411	**11,290**	45,757	**97,970**
Operating loss	(¥3,481)	**(¥3,267)**	(¥12,780)	**($28,350)**
Eliminations and corporate:				
Net sales	(¥17,348)	**(¥15,927)**	(¥72,597)	**($138,207)**
Operating expenses	(17,377)	**(16,147)**	(73,522)	**(140,116)**
Operating income	¥29	**¥220**	¥925	**$1,909**
Consolidated:				
Net sales	¥340,137	**¥322,036**	¥1,549,568	**$2,794,481**
Operating expenses	345,179	**315,022**	1,523,810	**2,733,617**
Operating income (loss)	(¥5,042)	**¥7,014**	¥25,758	**$60,864**

(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 three months ended June 30, 2005 and 2006 and for the year ended March 31, 2006:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2005	**2006**	2006	**2006**
Japan:				
Net sales:				
Customers	¥167,710	**¥147,083**	¥742,093	**$1,276,319**
Inter-segment	129,064	**155,807**	565,438	**1,352,022**
Total	296,774	**302,890**	1,307,531	**2,628,341**
Operating expenses	306,652	**283,966**	1,323,858	**2,464,127**
Operating income (loss)	(¥9,878)	**¥18,924**	(¥16,327)	**$164,214**
The Americas:				
Net sales:				
Customers	¥54,223	**¥56,216**	¥263,196	**$487,817**
Inter-segment	12,198	**10,467**	45,701	**90,828**
Total	66,421	**66,683**	308,897	**578,645**
Operating expenses	62,434	**63,161**	296,267	**548,083**
Operating income	¥3,987	**¥3,522**	¥12,630	**$30,562**
Europe:				
Net sales:				
Customers	¥65,697	**¥62,143**	¥310,902	**$539,248**
Inter-segment	547	**4,071**	2,784	**35,327**
Total	66,244	**66,214**	313,686	**574,575**
Operating expenses	65,583	**67,702**	306,010	**587,487**
Operating income (loss)	¥661	**(¥1,488)**	¥7,676	**($12,912)**
Asia/Oceania:				
Net sales:				
Customers	¥52,507	**¥56,594**	¥233,377	**$491,097**
Inter-segment	125,596	**123,776**	606,268	**1,074,071**
Total	178,103	**180,370**	839,645	**1,565,168**
Operating expenses	169,189	**173,816**	814,220	**1,508,296**
Operating income	¥8,914	**¥6,554**	¥25,425	**$56,872**
Eliminations and corporate:				
Net sales	(¥267,405)	**(¥294,121)**	(¥1,220,191)	**($2,552,248)**
Operating expenses	(258,679)	**(273,623)**	(1,216,545)	**(2,374,376)**
Operating loss	(¥8,726)	**(¥20,498)**	(¥3,646)	**($177,872)**
Consolidated:				
Net sales	¥340,137	**¥322,036**	¥1,549,568	**$2,794,481**
Operating expenses	345,179	**315,022**	1,523,810	**2,733,617**
Operating income (loss)	(¥5,042)	**¥7,014**	¥25,758	**$60,864**

(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 three months ended June 30, 2005 and 2006 and for the year ended March 31, 2006:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2005	**2006**	2006	**2006**
Overseas sales:				
The Americas	¥61,730	**¥59,794**	¥285,127	**$518,865**
Europe	79,800	**73,795**	357,835	**640,359**
Asia/Oceania	86,884	**85,450**	421,994	**741,496**
Total	228,414	**219,039**	1,064,956	**1,900,720**
Consolidated net sales	¥340,137	**¥322,036**	¥1,549,568	**$2,794,481**
Percentage:				
The Americas	18.2%	**18.6%**	18.4%	
Europe	23.5	**22.9**	23.1	
Asia/Oceania	25.5	**26.5**	27.2	
Total	67.2%	**68.0%**	68.7%	

Supplementary Information

Consolidated First Quarter ended June 30, 2006

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)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase %	Forecast for the year ended March 31, 2007	Increase compared to year ended March 31, 2006 %
Information-related equipment	212.0	200.7	(5.3%)	948.0	(2.9%)
Printer	183.6	170.0	(7.4%)	808.0	(3.8%)
Visual instruments	20.9	24.8	18.1%	107.0	2.2%
Other	8.9	6.2	(30.4%)	34.0	(11.2%)
Intra-segment sales	(1.4)	(0.3)	-%	(1.0)	-%
Electronic devices	117 1	109.2	(6.8%)	550.0	4.4%
Display	84.6	66.6	(21.3%)	362.0	(1.7%)
Semiconductor	24.3	22.2	(8.8%)	106.0	3.3%
Quartz device	11.9	23.2	95.4%	98.0	38.7%
Other	1.0	1.2	20.8%	3.0	2.6%
Intra-segment sales	(4.7)	(4.0)	-%	(19.0)	-%
Precision products	20.4	20.0	(1.9%)	90.0	4.9%
Other	7.9	8.0	1.2%	39.0	18.3%
Inter-segment sales	(17.3)	(15.9)	-%	(72.0)	-%
Consolidated sales	340 1	322.0	(5.3%)	1,555.0	0.4%

2. Business segment information

(Unit: billion yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase %	Forecast for the year ended March 31, 2007	Increase compared to year ended March 31, 2006 %
Information-related equipment					
Net sales:					
Customers	211.4	200.0	(5.4%)	943.0	(3.2%)
Inter-segment	0.6	0.7	17.2%	5.0	81.6%
Total	212.0	200.7	(5.3%)	948.0	(2.9%)
Operating expenses	207.7	186.6	(10.2%)	896.0	(3.8%)
Operating income	4 3	14.1	231.7%	52.0	15.5%
Electronic devices					
Net sales:					
Customers	108.2	101.4	(6.3%)	517.0	5.6%
Inter-segment	8 9	7.8	(12.5%)	33.0	(12.0%)
Total	117.1	109.2	(6.8%)	550.0	4.4%
Operating expenses	122.8	114.6	(6.7%)	549.0	2.3%
Operating income (loss)	(5.7)	(5.4)	-%	1.0	-%
Precision products					
Net sales:					
Customers	19.3	19.7	2.1%	89.0	9.3%
Inter-segment	1 1	0 3	(69.6%)	1.0	(76.8%)
Total	20.4	20.0	(1.9%)	90.0	4.9%
Operating expenses	20.5	18.6	(9.1%)	86.0	3.1%
Operating income (loss)	(0.1)	1.4	-%	4.0	70.1%
Other					
Net sales:					
Customers	1.2	0.9	(25.1%)	6.0	21.1%
Inter-segment	6.7	7.1	5.8%	33.0	17.8%
Total	7 9	8.0	1.2%	39.0	18.3%
Operating expenses	11.4	11.3	(1.1%)	56.0	22.4%
Operating loss	(3.5)	(3.3)	-%	(17.0)	-%
Elimination and corporate					
Net sales	(17.3)	(15.9)	-%	(72.0)	-%
Operating expenses	(17 3)	(16 1)	-%	(72.0)	-%
Operating income	0.0	0 2	659.1%	0.0	-%
Consolidated					
Net sales	340.1	322.0	(5.3%)	1,555.0	0.4%
Operating expenses	345.1	315.0	(8.7%)	1,515.0	(0.6%)
Operating income (loss)	(5.0)	7.0	-%	40.0	55.3%

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase %	Forecast for the year ended March 31, 2007	Increase compared to year ended March 31, 2006 %
Capital expenditure	19.3	14.6	(24.4%)	100.0	(11.2%)
Information-related equipment	5.9	8.0	33.3%	34.0	17.1%
Electronic devices	6.1	5.1	(15.5%)	45.0	(21.6%)
Precision products	1.2	0.9	(20.1%)	6.0	33.5%
Other	6.1	0.6	(90.7%)	15.0	(30.6%)
Depreciation and amortization	26.3	21.1	(19.7%)	103.0	(5.8%)

4. Research and development

(Unit: billion yen)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase %	Forecast for the year ended March 31, 2007	Increase compared to year ended March 31, 2006 %
Research and Development	21.0	20.9	(0.5%)	96.0	3.2%
R&D / sales ratio	6.2%	6.5%		6.2%	

5. Management indices

(Unit: %)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase Point	Forecast for the year ended March 31, 2007	Increase compared to year ended March 31, 2006 Point
Return on equity (ROE)	(1.5%)	(1.2%)	0.3	2 9%	6.7
Return on assets (ROA)	(0.3%)	0.4%	0.7	2 5%	4.0
Return on sales (ROS)	(1.1%)	1.7%	2.8	2 1%	3.4

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)

	Three months ended June 30, 2005	Three months ended June 30, 2006	Increase
Foreign exchange effect	0.9	11.5	10.6
U.S. dollars	(1.1)	3.5	4.6
Euro	1.6	3.5	1.9
Other	0.4	4.5	4.1
Exchange rate			
Yen / U.S. dollars	107.69	114.50	
Yen / Euro	135.57	143.78	

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)

	June 30, 2005	March 31, 2006	June 30, 2006	Increase compared to March 31, 2006
Inventory	193.0	192.0	199.1	7.1
Information-related equipment	116.0	112.9	110.7	(2.2)
Electronic devices	61.3	61.6	68.5	6.9
Precision products	13.8	15.5	17.8	2.3
Other / Corporate	1 9	2.0	2.1	0.1
				(Unit: days)
Turnover by days	52	45	56	11
Information-related equipment	50	42	50	8
Electronic devices	48	43	57	14
Precision products	62	66	81	15
Other / Corporate	24	22	24	2

Note: Turnover by days=Ending balance of inventory / Prior 3 months sales per day

8. Employees

(Unit: person)

	June 30, 2005	March 31, 2006	June 30, 2006	Increase compared to March 31, 2006
Number of employees at period end	93,529	90,701	93,717	3,016
Domestic	23,291	23,522	23,760	238
Overseas	70,238	67,179	69,957	2,778