SEIKO EPSON CORPORATION

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

October 31, 2007

CONSOLIDATED RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2007

Consolidated Financial Highlights

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

	Six months ended September 30		Change	Year ended March 31,	Six months ended September 30,
	2006	**2007**		2007	**2007**
Statements of Income Data:					
Net sales	¥677,390	**¥656,268**	(3.1%)	¥1,416,032	**$5,685,420**
Operating income	20,960	**22,264**	6.2%	50,343	**192,879**
Income before income taxes and minority interest	16,218	**22,167**	36.7%	3,476	**192,038**
Net income (loss)	413	**3,257**	688.9%	(7,094)	**28,216**
Statements of Cash Flows Data:					
Cash flows from operating activities	49,638	**29,201**	(41.2%)	160,229	**252,976**
Cash flows from investing activities	(47,560)	**(33,865)**	(28.8%)	(76,419)	**(293,381)**
Cash flows from financing activities	(13,497)	**(33,715)**	149.8%	(30,150)	**(292,082)**
Cash and cash equivalents at the end of the period	269,078	**296,724**	10.3%	334,873	**2,570,597**
Per Share Data:					
Net income (loss) per share -Basic	¥2.10	**¥16.59**	690%	¥(36.13)	**$0.14**
-Diluted	¥-	**¥-**	- %	¥-	**$-**

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

	September 30		March 31,	September 30,
	2006	**2007**	2007	**2007**
Total assets	¥1,324,843	**¥1,261,290**	¥1,284,412	**$10,926,882**
Equity	502,345	**495,985**	494,335	**4,296,847**
Shareholders' equity	475,408	**470,897**	470,317	**4,079,503**
Shareholders' equity ratio (%)	35.9%	**37.3%**	36.6%	**37.3%**
Shareholders' equity per share	¥2,421.06	**¥2,398.10**	¥2,395.14	**$20.78**

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 Financial Instruments and Exchange Law of Japan (formerly the Securities and Exchange Law of Japan).

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

III. Diluted net income per share is presented only if there are dilutive factors present.

IV. Shareholders' equity is equity excluding minority interest in subsidiaries.

V. 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 ¥115.43 = U.S.$1 at September 30, 2007 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

1. Operating Performance Highlights

Fiscal 2007 First-Half Operating Performance

A global economic recovery continued throughout the period under review. Although the effects of a decline in housing starts and other indicators could be seen in the U.S. economy, the economies of China and the rest of Asia continued to expand, while an improvement was seen in Europe. Meanwhile, the Japanese economy also performed well, with improved corporate earnings spurring a rise in capital expenditure, and personal spending on the rise.

The main markets of the Epson Group ("Epson") were as follows. The inkjet printer market was flat year-over-year, as demand in Europe, the U.S. and Asia shifted farther toward multifunction printers ("all-in-ones") and away from single-function printers. The Japanese inkjet printer market contracted year-over-year. The dot-matrix printer market, though shrinking overall, recorded strong growth in Asia. In POS systems, demand for POS receipt printers for small and mid-sized retailers remained strong.

The projector market expanded on increased demand for business projectors, especially models used in education, though the overall growth rate slowed. The market for home theater projectors expanded, but, compared to the previous year, the pace of growth slackened due to the emergence of competitively priced large-screen flat-panel TVs.

Small- and medium-sized LCD applications showed healthy growth. The mobile phone handset market, the main destination for these LCDs, remained strong. In addition to new and upgrade demand for low-end phones, demand for 3G models was robust, especially in Europe and the U.S. The digital camera and portable music player markets, two more markets for small- and medium-sized LCDs, were both steady performers. Demand for automotive and portable navigation systems also increased, especially in Europe and the U.S.

Meanwhile, however, the markets for Epson's information-related equipment and electronic device products suffered from continued price erosion due to fierce competition in every segment and a relentless shift of demand toward the low-price zone.

In precision products, prices for watches and eyeglass lenses continued to decline, and demand for semiconductor manufacturing equipment decelerated.

In March 2006 Epson launched a mid-range business plan called "Creativity and Challenge 1000." In line with this plan, the company has been driving a variety of actions designed to improve business performance and restart growth.

Now in the second year of the plan, Epson is emphasizing higher-margin products while also seeking to expand inkjet printer unit shipments. The company is also stepping up its efforts to penetrate business and industrial segments where it can leverage the benefits of its Micro Piezo technology, which it intends to develop into a core source of future profit.

Meanwhile, the display business experienced a steep deterioration in profitability last fiscal year, largely due to a significantly different business environment than that assumed when the mid-range business plan was created. The worsening of the profit picture prompted Epson to reposition the business both strategically and structurally. The reorganization costs recorded last fiscal year in association with the repositioning further reduced the fixed cost burden of the business. Epson is also striving to change the structure of its display sales, by capturing demand for non-mobile-phone applications and reducing its dependence on handset demand.

The average U.S. dollar-yen and euro-yen exchange rates during the period under review were ¥119.33 and ¥162.30, respectively, a 3% decline in the value of the yen against the dollar and an 11% decline in the value of the yen against the euro compared to the same period last year.

Compared to the same period last year, consolidated net sales for the first half of the year under review were ¥656,268 million ($5,685,420 thousand), down 3.1%. Operating income was ¥22,264 million ($192,879 thousand), up 6.2%. Income before income taxes and minority interest was ¥22,167 million ($192,038 thousand), up 36.7%. And net income was ¥3,257 million ($28,216 thousand), up 688.9%.

Operating Performance Highlights by Business Segment

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

Information-related equipment

Total printer business sales revenue grew slightly. Although prices declined, inkjet printer (including consumables, as in all printer discussions below) sales benefited from a weakened yen and an increase in multifunction printer unit volume. In POS system products solid growth was seen in sales associated with color coupon printers equipped with a pay-per-print system. Laser printer sales were affected by a decline in unit volume brought about by a tighter focus on high-added-value models rather than low-end models.

Total sales in the visual instruments business rose despite softer demand for LCD monitors from the amusement sector and declining prices for 3LCD business projectors. The rise was primarily due to increased demand for 3LCD projectors used in education.

Operating income in the information-related equipment segment increased, notwithstanding the effects of factors such as inkjet printer price erosion and a spending hike designed to expand unit shipments. Among the factors contributing to the increase were the effects of a weaker yen, increased revenue from POS system products, dot-matrix printers and 3LCD projectors, and a laser printer model mix that was improved by redefining the marketing territories and concentrating on more profitable models.

As a result of the foregoing factors, first-half net sales in the information-related equipment business segment were ¥428,171 million ($3,709,356 thousand), up 2.4% compared to the same period last year, while operating income was ¥34,741 million ($300,970 thousand), up 7.5% compared to the same period last year.

Electronic devices

The display business as a whole posted sharply lower revenue. While unit shipments of amorphous-silicon TFT LCDs rose due to increased demand for mobile phone handsets and other applications, prices and orders for color STN LCDs and LTPS TFT LCDs declined. In addition, revenues in the MD-TFD LCD business, which Epson plans to terminate, fell due to price erosion and declining demand.

In the quartz device business total net sales rose slightly. Although unit shipments were buoyed by rising demand for equipment such as mobile phone handsets, digital cameras and PCs, the proportion of low-priced units increased as a percentage of total sales.

Total semiconductor sales declined. Although unit shipments of mixed-signal products to non-handset markets increased, revenues were hurt by a drop in LCD driver shipments to handset manufacturers and a broad decline in prices.

Operating loss in the electronic device business segment widened compared to the same period last year. In addition to a worsening of the model mix brought about by factors such as price erosion in the quartz device and semiconductor businesses, operating loss was exacerbated by a slower than anticipated improvement in the profitability of the display business, despite a lighter fixed cost burden, as a result of a sharp fall in sales revenue.

As a result of the foregoing factors, first-half net sales in the electronic devices business segment were ¥202,254 million ($1,752,179 thousand), down 12.5% compared to the same period last year, while operating loss was ¥9,454 million ($81,902 thousand) versus an operating loss of ¥8,334 million in the same period last year.

Precision products

The precision products segment reported lower total sales. Although watch sales benefited from a rise in the average price zone and a weaker yen, total sales in this segment ended lower primarily due to a recoil from last year's strong sales of industrial inkjet systems and price erosion in plastic eyeglass lenses.

Operating income in the precision instruments business segment declined, as the benefits of the higher average price zone for watches was more than offset by a worsening of the model mix.

As a result of the foregoing factors, first-half net sales in the precision products business segment were ¥43,883 million ($380,170 thousand), down 4.7% compared to the same period last year, while operating income was ¥2,097 million ($18,167 thousand), down 24.8% compared to the same period last year.

Operating Performance Highlights by Geographic Segment

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

Japan

3LCD projector and dot-matrix printer net sales increased. Meanwhile, MD-TFD LCD, STN LCD, laser printer, and LTPS TFT LCD net sales declined. As a result, net sales were ¥599,046 million ($5,189,691 thousand), down 3.3% compared to the same period last year, while operating income was ¥10,818 million ($93,719 thousand), down 48.5% compared to the same period last year.

The Americas

3LCD projector and amorphous-silicon TFT LCD net sales increased, while terminal module, inkjet printer and semiconductor net sales declined. As a result, net sales were ¥142,251 million ($1,232,357 thousand), up 1.5% compared to the same period last year, while operating income was ¥5,784 million ($50,108 thousand), down 29.5% compared to the same period last year.

Europe

Inkjet printer and terminal module net sales increased, while MD-TFD LCD, quartz device and laser printer net sales declined. As a result, net sales were ¥137,581 million ($1,191,900 thousand), up 3.0% compared to the same period last year, while operating income was ¥95 million ($823 thousand) as compared to an operating loss of ¥2,297 million in the same period last year.

Asia / Oceania

Inkjet printer, quartz device and dot-matrix printer net sales increased, while MD-TFD LCD and STN LCD net sales declined. As a result, net sales were ¥397,698 million ($3,445,361 thousand), down 1.4% compared to the same period last year, while operating income was ¥16,702 million ($144,694 thousand), down 1.4% compared to the same period last year.

Second-Quarter Operating Performance

Second-quarter net sales were ¥337,676 million ($2,925,375 thousand), down 5.0% compared to the same quarter last year. Although net sales benefited from a weaker yen and higher unit shipments in the inkjet printer business and higher unit shipments in the amorphous-silicon TFT LCD business, the effects of a decline in unit shipments and price erosion in the MD-TFD LCD, color STN LCD and semiconductor businesses contributed to the overall decline. Compared to the same period last year, operating income was down 24.0% to ¥10,599 million ($91,822 thousand), income before income taxes and minority interest was down 7.3% to ¥9,862 million ($85,437 thousand), and quarterly net income was down 67.7% to ¥1,970 million ($17,067 thousand). Although income benefited from higher net sales and lower fixed costs in amorphous-silicon TFT LCDs, total income declined primarily due to eroding prices and increased spending in inkjet printers and eroding prices in semiconductors and color STN LCDs.

2. Liquidity and Financial Position

Financial Condition

Total assets as of September 30, 2007 stood at ¥1,261,290 million ($10,926,882 thousand), a decrease of ¥23,122 million ($200,312 thousand) from last fiscal year end. This was primarily due to an decrease of current assets such as cash and deposits by ¥8,184 million ($70,900 thousand), and property, plant and equipment such as buildings and structures and machinery and equipment by ¥10,590 million ($91,744 thousand).

Total liabilities stood at ¥765,305 million ($ 6,630,035 thousand), a decrease of ¥24,772 million ($214,606 thousand) from last fiscal year end. Current liabilities decreased ¥36,206 million ($313,662 thousand) while long-term liabilities increased ¥11,434 million ($99,056 thousand). The decline in current liabilities primarily resulted from decreases in short-term borrowings (including the current portion of long-term debt) and other factors. The increase in long-term liabilities primarily resulted from a new issuance of corporate bonds by ¥20,000 million ($173,265 thousand).

Cash Flow Performance

Cash flows from operating activities during the first half included net income of ¥3,257 million ($28,216 thousand). For adjustments to reconcile net income to net cash provided by operating activities, depreciation and amortization, principally in the electronic devices and information-related equipment segments, was ¥37,968 million ($328,927 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade increased by ¥7,432 million ($64,385 thousand), while inventories increased ¥15,832 million ($137,157 thousand). Notes and accounts payable, trade increased by ¥23,812 million ($206,290 thousand). Income taxes paid were ¥4,662 million ($40,388 thousand). As a result, net cash provided by operating activities was ¥29,201 million ($252,976 thousand).

Included in cash outflows from investing activities was a total payment of ¥40,821 million ($353,642 thousand) including payments for capital expenditures, principally in the electronic devices and information-related equipment 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. There were proceeds of ¥5,000 million ($43,316 thousand) from redemption of investment securities. In total, cash outflows from investing activities amounted to ¥33,865 million ($293,381 thousand).

Cash outflows from financing activities were ¥33,715 million ($292,082 thousand). There were proceeds of ¥20,000 million ($173,265 thousand) from a new issuance of corporate bonds, despite repayments of long-term debt and payments of cash dividends.

As a result, cash and cash equivalents as of September 30, 2007 was ¥296,724 million ($2,570,597 thousand).

Trends in cash flow indices are as follows:

	Year ended March 31				Six months ended September 30, 2007
	2004	2005	2006	2007	
Shareholders' equity ratio (%)	34.3	36.4	35.8	36.6	37.3
Market-value based equity ratio (%)	68.4	60.2	48.2	53.0	44.3
Debt redemption years (Years)	2.5	2.4	3.7	2.5	6.4
Interest coverage ratio (Times)	27.6	27.8	17.6	25.0	9.4

*Shareholders' equity ratio = Shareholders' equity / Total assets
(Shareholders' equity is equity excluding minority interest in subsidiaries.)
*Market-value based equity ratio = Total market value of shares/ Total assets
*Debt redemption years = Interest-bearing debt / Cash flows from operating activities
(For interim period, cash flows from operating activities are doubled for conversion to annual amount)
*Interest coverage ratio = Cash flows from operating activities / Interest paid

Notes
I. Each index is calculated based upon consolidated financial figures.
II. Market values are calculated based upon the number of shares issued, excluding treasury stock.

3. Basic Policy on Profit Allocation

Epson strives for the ongoing enhancement of management efficiency and profitability. These efforts are resulting in the improved cash flows required to fulfill Epson's basic policy of consistently providing a stable payment of dividends. Epson is thus committed to returning profits to shareholders, following a comprehensive analysis of the Company's funding needs in light of future business strategies, as well as its performance and financial outlook.

Epson intends to allocate an internal reserve to capital investment to strengthen its corporate structure, and to invest in research and development for new technologies to strengthen the Company's future management structure.

Epson has decided on an interim dividend allocation of ¥16 ($0.14) per share, based on the policy above. Dividend allocation for the year end is also planned at ¥16 ($0.14) per share.

4. Fiscal 2007 forecast

The full year outlook has not been revised since the outlook was updated on October 29, 2007, as no appreciable changes in the operating environment have been observed. The figures in the forecast are based on assumed full-year exchange rates of ¥117 to the U.S. dollar and ¥161 to the euro.

Consolidated Full-Year Results Outlook

	FY2006	**FY2007**	Change	
Net sales	¥1,416.0 billion	**¥1,379.0 billion**	-¥37.0 billion	(-2.6%)
Operating income	¥50.3 billion	**¥56.0 billion**	+¥5.7 billion	(+11.2%)
Income before income taxes and minority interest	¥3.5 billion	**¥53.0 billion**	+¥49.5 billion	(-%)
Net income (loss)	(¥7.1 billion)	**¥23.0 billion**	+¥30.1 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 are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trend, competition, technology trend, exchange rate fluctuations.

Overview of the Business Group

This section has been omitted as there have been no changes to the version issued at the end of the previous fiscal year.

Management Policies

1. Basic Management Policy

This section has been omitted as Epson has not made any significant changes to its Basic Management Policy outlined in the "Consolidated results for year ended March 31, 2007". Please refer to the following for details:
http://www.epson.co.jp/e/IR/pdf/results_2006_full_e.pdf

2. Medium- to Long-Term Management Strategy and Issues

In 2003, Epson charted its future course with a medium- to long-term corporate vision, SE07. SE07 outlines the Company's plans for achieving steady growth into the future and for fully capitalizing on its core competencies as a leading name in imaging solutions. Targeting the convergence of imaging domains is at the heart of the corporate vision. In line with this vision, Epson is concentrating its management resources in business domains where it can leverage its strengths; namely, the so-called "3i" imaging fields: imaging on paper (i1), imaging on screen (i2), and imaging on glass (i3). Epson seeks to further expand each domain by leveraging teamwork and synergies between its finished product and electronic device businesses, while at the same time creating new markets and businesses by emphasizing teamwork and convergence in the "3i" fields.

However, Epson is operating in an extremely difficult business environment. The Company is faced with intensifying price competition and shrinking product cycle times. These are largely a result of two factors. One is the escalating competition brought about by advances in digital technology that have lowered barriers to market entry. The other is product and technology maturation, which is making differentiation increasingly difficult.

Under these difficult market conditions, Epson established, in March 2006, a new mid-range business plan called "Creativity and Challenge 1000" and began driving a variety of actions designed to improve the profitability of its businesses. As part of the measures implemented in its core inkjet printer business, Epson has, in the current fiscal year, made efforts to boost printer sales as it seeks to achieve a balance between short-term profitability and medium-term growth. Going forward, Epson will seek to leverage the advantages of its core Micro Piezo inkjet technology, and will strengthen its efforts to establish this technology in the business and industrial markets as it looks to create a profit-generating business for the future.

The display business has been slow to recover, largely because the business landscape assumed by the mid-range business plan has undergone unforeseen upheaval. In response to this situation, Epson in March 2007 reassessed the direction of this business and took a loss on impairment of fixed assets in the fiscal year ended March 31, 2007. These measures have put Epson in a financial position to pursue its business strategies. As a result, the Company will allocate its resources to amorphous-silicon TFT LCDs and LTPS TFT LCDs in the current fiscal year, and improve its product lineup by concentrating on its distinctive technologies. However, results this year have not recovered according to plan due to delays in realigning the display business product portfolio, and the Company will implement further measures going forward.

In the current fiscal year, Epson will strive to further improve profitability but expects net income to decline from the prior year, primarily in the display business. Fiscal 2007, the second year in Epson's mid-range business plan, is a period for accelerating the actions outlined in the plan. These actions are designed to leverage the company's core technologies to create "real customer value" and to achieve growth in income-generating net sales revenue in and beyond fiscal 2008. Individual action plans and strategies will be developed on the basis of the Epson Group's mid-range management policies outlined below.

Epson Group Mid-Range Business Policies

- Redefine & reinforce the business and product portfolio

  Reinforce and maintain No. 1 product families and further enhance capabilities in research, technology and product development to drive solid growth in the future.

- Streamline costs

  Rebuild all businesses and operations around cost, driving home efficiency of all costs.

- Reform the corporate culture

  Everyone must go back to the fundamentals of Epson found in the spirit of “Creativity and challenge,” “S&A (Start together and achieve together)” and “One Epson” to radically boost earnings potential and ensure solid future growth.

- Reform the governance system

  During the previous fiscal year Epson introduced a corporate executive officer system, reduced the number of directors, and shortened the terms of directors. Moving forward, the Company will strive for greater separation between the corporate management and oversight function and the operations function. Moreover, Epson will seek to increase transparency and energy at all levels of management.

- Reorganize the device businesses

  Results this year have not recovered according to plan due to delays in realigning the display business product portfolio, and the Company will implement further measures going forward.

Consolidated Balance Sheets

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	**September 30,**
	2006	**2007**	2007	**2007**
ASSETS				
Current assets:				
Cash and cash equivalents	¥269,078	**¥296,724**	¥334,873	**$2,570,597**
Time deposits	2,680	**1,415**	2,222	**12,259**
Notes and accounts receivable, trade	256,465	**227,979**	218,988	**1,975,041**
Inventories	214,438	**194,830**	178,623	**1,687,863**
Other current assets	83,590	**87,947**	82,226	**761,907**
Allowance for doubtful accounts	(4,127)	**(3,805)**	(3,658)	**(32,964)**
Total current assets	822,124	**805,090**	813,274	**6,974,703**
Property, plant and equipment:				
Buildings and structures	454,284	**442,611**	443,713	**3,834,454**
Machinery and equipment	578,806	**565,300**	560,587	**4,897,340**
Furniture and fixtures	213,415	**208,519**	207,930	**1,806,454**
Land	67,977	**63,321**	63,384	**548,566**
Other	5,511	**8,061**	6,026	**69,835**
	1,319,993	**1,287,812**	1,281,640	**11,156,649**
Accumulated depreciation	(902,303)	**(919,370)**	(902,608)	**(7,964,740)**
	417,690	**368,442**	379,032	**3,191,909**
Investments and other assets:				
Investment securities	47,947	**46,203**	48,182	**400,268**
Intangible assets	23,454	**23,546**	24,895	**203,985**
Other assets	14,100	**18,284**	19,376	**158,399**
Allowance for doubtful accounts	(472)	**(275)**	(347)	**(2,382)**
	85,029	**87,758**	92,106	**760,270**
Total assets	¥1,324,843	**¥1,261,290**	¥1,284,412	**$10,926,882**

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

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	**September 30,**
	2006	**2007**	2007	**2007**
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	¥90,547	**¥33,471**	¥37,498	**$289,968**
Current portion of long-term debt	129,425	**59,378**	96,364	**514,407**
Notes and accounts payable, trade	151,491	**145,539**	118,815	**1,260,842**
Accounts payable, other	91,178	**86,930**	107,969	**753,097**
Income taxes payable	13,232	**10,435**	7,578	**90,401**
Accrued bonuses	17,097	**19,481**	16,950	**168,769**
Accrued warranty costs	15,955	**11,919**	12,726	**103,257**
Accrued litigation and related expenses	6,181	**5,050**	4,816	**43,750**
Other current liabilities	65,519	**67,716**	73,409	**586,641**
Total current liabilities	580,625	**439,919**	476,125	**3,811,132**
Long-term liabilities:				
Long-term debt	199,305	**281,070**	270,046	**2,434,982**
Accrued pension and severance costs	28,018	**19,083**	25,556	**165,321**
Accrued recycle costs	617	**822**	738	**7,121**
Accrued warranty costs	-	**1,392**	1,496	**12,059**
Accrued litigation and related expenses	2,063	**-**	826	**-**
Other long-term liabilities	11,870	**23,019**	15,290	**199,420**
Total long-term liabilities	241,873	**325,386**	313,952	**2,818,903**
Equity:				
Common stock				
Authorized - 607,458,368 shares,				
Issued - 196,364,592 shares	53,204	**53,204**	53,204	**460,920**
Additional paid-in capital	79,501	**79,501**	79,501	**688,738**
Retained earnings	324,595	**314,025**	313,946	**2,720,480**
Treasury stock, at cost				
September 30, 2006 - 1,422 shares				
September 30, 2007 - 1,747 shares				
March 31, 2007 - 1,595 shares	(5)	**(6)**	(6)	**(52)**
Net unrealized gains on other securities	9,658	**11,501**	9,821	**99,636**
Net unrealized gains (losses) on derivative instruments	(259)	**119**	(35)	**1,031**
Translation adjustments	8,714	**12,553**	13,886	**108,750**
Minority interest in subsidiaries	26,937	**25,088**	24,018	**217,344**
Total equity	502,345	**495,985**	494,335	**4,296,847**
Contingent liabilities				
Total liabilities and equity	¥1,324,843	**¥1,261,290**	¥1,284,412	**$10,926,882**

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

Consolidated Statements of Income

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2006	**2007**	2007	**2007**
Net sales	¥677,390	**¥656,268**	¥1,416,032	**$5,685,420**
Cost of sales	515,848	**487,816**	1,059,259	**4,226,077**
Gross profit	161,542	**168,452**	356,773	**1,459,343**
Selling, general and administrative expenses:				
Salaries and wages	39,118	**41,354**	79,582	**358,260**
Advertising	9,032	**10,560**	26,215	**91,484**
Sales promotion	10,577	**11,266**	27,476	**97,600**
Research and development costs	20,361	**20,396**	43,054	**176,696**
Shipping costs	9,543	**9,740**	20,607	**84,380**
Provision for doubtful accounts	521	**280**	409	**2,426**
Other	51,430	**52,592**	109,087	**455,618**
	140,582	**146,188**	306,430	**1,266,464**
Operating income	20,960	**22,264**	50,343	**192,879**
Other income:				
Interest and dividend income	2,756	**7,583**	5,998	**65,693**
Rental income	782	**603**	1,620	**5,224**
Other	4,469	**2,777**	11,313	**24,058**
	8,007	**10,963**	18,931	**94,975**
Other expenses:				
Interest expenses	3,174	**3,253**	6,631	**28,182**
Net loss on foreign exchange	3,788	**2,363**	7,191	**20,471**
Loss on disposal of fixed assets	2,176	**871**	4,451	**7,546**
Impairment losses	345	**2,612**	866	**22,628**
Reorganization costs	1,970	**-**	41,165	**-**
Other	1,296	**1,961**	5,494	**16,989**
	12,749	**11,060**	65,798	**95,816**
Income before income taxes and minority interest	16,218	**22,167**	3,476	**192,038**
Income taxes:				
Current	8,334	**9,328**	10,784	**80,810**
Deferred	12,184	**7,953**	6,837	**68,899**
	20,518	**17,281**	17,621	**149,709**
Income (loss) before minority interest	(4,300)	**4,886**	(14,145)	**42,329**
Minority interest in subsidiaries	(4,713)	**1,629**	(7,051)	**14,113**
Net income (loss)	¥413	**¥3,257**	¥(7,094)	**$28,216**
	Yen			U.S. dollars
Per share:				
Net income (loss)	¥2.10	**¥16.59**	¥(36.13)	**$0.14**
Cash dividends	¥16.00	**¥16.00**	¥32.00	**$0.14**

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

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2006	**2007**	**2007**
Net sales	¥355,354	**¥337,676**	**$2,925,375**
Cost of sales	268,923	**251,061**	**2,175,007**
Gross profit	86,431	**86,615**	**750,368**
Selling, general and administrative expenses	72,485	**76,016**	**658,546**
Operating income	13,946	**10,599**	**91,822**
Other income:			
Interest and dividend income	1,277	**5,389**	**46,686**
Rental income	431	**311**	**2,694**
Other	2,900	**1,332**	**11,540**
	4,608	**7,032**	**60,920**
Other expenses:			
Interest expenses	1,605	**1,672**	**14,485**
Net loss on foreign exchange	1,419	**2,144**	**18,574**
Loss on disposal of fixed assets	1,799	**449**	**3,890**
Impairment losses	272	**2,190**	**18,973**
Reorganization costs	1,970	**-**	**-**
Other	853	**1,314**	**11,383**
	7,918	**7,769**	**67,305**
Income before income taxes and minority interest	10,636	**9,862**	**85,437**
Income taxes	6,724	**6,585**	**57,047**
Income before minority interest	3,912	**3,277**	**28,390**
Minority interest in subsidiaries	(2,180)	**1,307**	**11,323**
Net income	¥6,092	**¥1,970**	**$17,067**

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

Consolidated Statements of Changes in Equity

Six months ended September 30:

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on other securities	Net unrealized gains (losses) on derivative instruments	Translation adjustments	Minority interest in subsidiaries	Total equity
		Millions of yen								
Balance at March 31, 2006	196,364,592	¥53,204	¥79,501	¥327,324	¥(5)	¥10,567	¥-	¥3,929	¥-	¥474,520
Reclassified balance at March 31, 2006	-	-	-	-	-	-	-	-	31,705	31,705
Net income for the six months ended September 30, 2006	-	-	-	413	-	-	-	-	-	413
Cash dividends	-	-	-	(3,142)	-	-	-	-	-	(3,142)
Changes in treasury stock	-	-	-	-	(0)	-	-	-	-	(0)
Other, net	-	-	-	-	-	(909)	(259)	4,785	(4,768)	(1,151)
Balance at September 30, 2006	196,364,592	¥53,204	¥79,501	¥324,595	¥(5)	¥9,658	¥(259)	¥8,714	¥26,937	¥502,345
Balance at March 31, 2007	196,364,592	¥53,204	¥79,501	¥313,946	¥(6)	¥9,821	¥(35)	¥13,886	¥24,018	¥494,335
Net income for the six months ended September 30, 2007	-	-	-	**3,257**	-	-	-	-	-	**3,257**
Cash dividends	-	-	-	**(3,142)**	-	-	-	-	-	**(3,142)**
Decrease due to unification of accounting policies applied to foreign subsidiaries	-	-	-	**(36)**	-	-	-	-	-	**(36)**
Changes in treasury stock	-	-	-	-	**(0)**	-	-	-	-	**(0)**
Other, net	-	-	-	-	-	**1,680**	**154**	**(1,333)**	**1,070**	**1,571**
Balance at September 30, 2007	**196,364,592**	**¥53,204**	**¥79,501**	**¥314,025**	**¥(6)**	**¥11,501**	**¥119**	**¥12,553**	**¥25,088**	**¥495,985**

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on other securities	Net unrealized losses on derivative instruments	Translation adjustments	Minority interest in subsidiaries	Total equity
		Millions of yen								
Balance at March 31, 2006	196,364,592	¥53,204	¥79,501	¥327,324	¥(5)	¥10,567	¥-	¥3,929	¥-	¥474,520
Reclassified balance at March 31, 2006	-	-	-	-	-	-	-	-	31,705	31,705
Net loss	-	-	-	(7,094)	-	-	-	-	-	(7,094)
Cash dividends	-	-	-	(6,284)	-	-	-	-	-	(6,284)
Changes in treasury stock	-	-	-	-	(1)	-	-	-	-	(1)
Other, net	-	-	-	-	-	(746)	(35)	9,957	(7,687)	1,489
Balance at March 31, 2007	196,364,592	¥53,204	¥79,501	¥313,946	¥(6)	¥9,821	¥(35)	¥13,886	¥24,018	¥494,335

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

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on other securities	Net unrealized gains on derivative instruments	Translation adjustments	Minority interest in subsidiaries	Total equity
	Thousands of U.S. dollars								
Balance at March 31, 2007	$460,920	$688,738	$2,719,796	$(52)	$85,082	$(303)	$120,297	$208,074	$4,282,552
Net income for the six months ended September 30, 2007	**-**	**-**	**28,216**	**-**	**-**	**-**	**-**	**-**	**28,216**
Cash dividends	**-**	**-**	**(27,220)**	**-**	**-**	**-**	**-**	**-**	**(27,220)**
Decrease due to unification of accounting policies applied to foreign subsidiaries	**-**	**-**	**(312)**	**-**	**-**	**-**	**-**	**-**	**(312)**
Changes in treasury stock	-	-	-	**(0)**	-	-	-	-	**(0)**
Other, net	-	-	-	-	**14,554**	**1,334**	**(11,547)**	**9,270**	**13,611**
Balance at September 30, 2007	**$460,920**	**$688,738**	**$2,720,480**	**$(52)**	**$99,636**	**$1,031**	**$108,750**	**$217,344**	**$4,296,847**

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

Consolidated Statements of Cash Flows

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2006	**2007**	2007	**2007**
Cash flows from operating activities:				
Net income (loss)	¥413	**¥3,257**	¥(7,094)	**$28,216**
Adjustments to reconcile net income (loss) to net cash provided by operating activities -				
Depreciation and amortization	42,948	**37,968**	88,830	**328,927**
Impairment losses	524	**2,612**	1,146	**22,628**
Reorganization costs	1,937	**-**	41,068	**-**
Accrual for net pension and severance costs, less payments	(2,527)	**(6,574)**	(5,102)	**(56,952)**
Net loss on sales and disposal of fixed assets	1,896	**857**	3,363	**7,424**
Equity in net gains under the equity method	(110)	**(58)**	(138)	**(502)**
Deferred income taxes	12,184	**7,953**	6,837	**68,899**
Increase (decrease) in allowance for doubtful accounts	343	**70**	(355)	**606**
(Increase) decrease in notes and accounts receivable, trade	(9,879)	**(7,432)**	29,897	**(64,385)**
(Increase) decrease in inventories	(18,316)	**(15,832)**	21,281	**(137,157)**
Increase (decrease) in notes and accounts payable, trade	22,693	**23,812**	(10,864)	**206,290**
Increase (decrease) in accrued income taxes	(401)	**4,666**	(2,990)	**40,423**
Other	(2,067)	**(22,098)**	(5,650)	**(191,441)**
Net cash provided by operating activities	49,638	**29,201**	160,229	**252,976**
Cash flows from investing activities:				
Proceeds from maturities of short-term investments	2,000	**-**	2,000	**-**
Proceeds from redemption of investment securities	-	**5,000**	52	**43,316**
Payments for purchases of property, plant and equipment	(40,115)	**(37,784)**	(67,803)	**(327,332)**
Proceeds from sales of property, plant and equipment	643	**421**	7,317	**3,647**
Payments for purchases of intangible assets	(5,687)	**(3,037)**	(11,513)	**(26,310)**
Payments of long-term prepaid expenses	(728)	**(121)**	(945)	**(1,048)**
Payments for acquisition of additional stock of an affiliate	(3,306)	**-**	(3,306)	**-**
Other	(367)	**1,656**	(2,221)	**14,346**
Net cash used in investing activities	(47,560)	**(33,865)**	(76,419)	**(293,381)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	40,805	**(3,963)**	(12,657)	**(34,333)**
Proceeds from long-term debt	-	**40,500**	120,880	**350,862**
Repayments of long-term debt	(50,572)	**(66,463)**	(131,119)	**(575,786)**
Cash dividends	(3,142)	**(3,142)**	(6,284)	**(27,220)**
Other	(588)	**(647)**	(970)	**(5,605)**
Net cash used in financing activities	(13,497)	**(33,715)**	(30,150)	**(292,082)**
Effect of exchange rate fluctuations on cash and cash equivalents	383	**230**	1,099	**1,992**
Net increase (decrease) in cash and cash equivalents	(11,036)	**(38,149)**	54,759	**(330,495)**
Cash and cash equivalents at the beginning of the period	280,114	**334,873**	280,114	**2,901,092**
Cash and cash equivalents at the end of the period	¥269,078	**¥296,724**	¥334,873	**$2,570,597**
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥2,804	**¥4,034**	¥5,983	**$34,948**
Interest paid	¥(3,126)	**¥(3,096)**	¥(6,417)	**$(26,821)**
Income taxes paid	¥(8,735)	**¥(4,662)**	¥(13,774)	**$(40,388)**

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

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2006	**2007**	**2007**
Cash flows from operating activities:			
Net income	¥6,092	**¥1,970**	**$17,067**
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	22,045	**19,309**	**167,279**
Impairment losses	309	**2,190**	**18,973**
Reorganization costs	1,937	**-**	**-**
Accrual for net pension and severance costs, less payments	(218)	**(1,680)**	**(14,554)**
Net loss on sales and disposal of fixed assets	1,547	**420**	**3,638**
Equity in net gains under the equity method	(81)	**(44)**	**(381)**
Increase in allowance for doubtful accounts	420	**120**	**1,039**
(Increase) decrease in notes and accounts receivable, trade	(30,000)	**675**	**5,848**
Increase in inventories	(11,026)	**(10,293)**	**(89,171)**
Increase in notes and accounts payable, trade	33,882	**15,815**	**137,009**
Decrease in accrued income taxes	(8,099)	**(3,386)**	**(29,334)**
Other	17,246	**2,843**	**24,630**
Net cash provided by operating activities	34,054	**27,939**	**242,043**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(15,147)	**(20,803)**	**(180,222)**
Proceeds from sales of property, plant and equipment	459	**68**	**589**
Payments for purchases of intangible assets	(2,539)	**(1,625)**	**(14,078)**
Payments of long-term prepaid expenses	(298)	**(9)**	**(78)**
Payments for acquisition of additional stock of an affiliate	(3,306)	**-**	**-**
Other	9,248	**268**	**2,322**
Net cash used in investing activities	(11,583)	**(22,101)**	**(191,467)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	46,035	**(1,241)**	**(10,751)**
Proceeds from long-term debt	-	**19,500**	**168,934**
Repayments of long-term debt	(49,820)	**(53,783)**	**(465,936)**
Other	(312)	**(140)**	**(1,213)**
Net cash used in financing activities	(4,097)	**(35,664)**	**(308,966)**
Effect of exchange rate fluctuations on cash and cash equivalents	1,455	**(4,366)**	**(37,824)**
Net increase (decrease) in cash and cash equivalents	19,829	**(34,192)**	**(296,214)**
Cash and cash equivalents at the beginning of the period	249,249	**330,916**	**2,866,811**
Cash and cash equivalents at the end of the period	¥269,078	**¥296,724**	**$2,570,597**
Supplemental disclosures of cash flow information:			
Cash received and paid during the period for -			
Interest and dividend received	¥1,311	**¥1,835**	**$15,897**
Interest paid	¥(1,854)	**¥(1,789)**	**$(15,499)**
Income taxes paid	¥(2,718)	**¥(2,058)**	**$(17,829)**

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

Notes to Consolidated Financial Statements

With the exception of the sections listed below, the "Basis of presenting consolidated financial statements" and "Summary of significant accounting policies" have been omitted as there were no significant changes to the versions printed in the Seiko Epson Annual Report 2007.

Moreover, some notes such as "Investments in debt and equity securities" and "Derivative instruments" have not been disclosed herein since they are insignificant to the consolidated results.

1. Number of group companies

As of September 30, 2007, the Company had 104 consolidated subsidiaries. It has applied the equity method in respect to 2 unconsolidated subsidiaries and to 6 affiliates.

2. Changes in significant accounting policies

(1) Unification of Accounting Policies Applied to Foreign Subsidiaries

On May 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No. 18 - "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements". Effective as of April 1, 2007, Epson has elected to early adopt the new accounting standards.

For the presentation of consolidated financial statements, the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should be unified, in principle. However, prior to April 1, 2007, the accounting policies applied to a parent company and those of foreign subsidiaries were tentatively not required to be uniform. This rule applied unless the accounting policies of foreign subsidiaries were acknowledged as unreasonable. Under the new accounting standards, financial statements prepared by foreign subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process. In addition, some items should be adjusted in the consolidation process so that net income is accurately accounted for, unless they are not material.

The adoption of the new accounting standards did not have a material effect on Epson's results of operations and financial position for the six months ended September 30, 2007.

(2) Change in depreciation method for property, plant and equipment

Prior to April 1, 2007, depreciation of property, plant and equipment (excluding buildings acquired on or after April 1, 1998) for the Company and its Japanese subsidiaries was mainly computed based on the declining-balance method, assuming the residual value is 10 % of the acquisition cost.

Accompanying FY2007 Japanese tax reforms, effective as of April 1, 2007, the Company and its Japanese subsidiaries adopted the 250% declining-balance method for depreciation of property, plant and equipment (excluding buildings) acquired on or after April 1. According to this change, property, plant and equipment are to be depreciated to ¥1 ($0.01) (memorandum price) at the end of their useful life. As a result of adopting the new method, operating income and income before income taxes and minority interest for the six months ended September 30, 2007 decreased by ¥665 million ($5,761 thousand), as compared with the amount which would have been reported if the previous method had been applied consistently.

Furthermore, accompanying FY2007 Japanese tax reforms, property, plant and equipment that were acquired before April 1, 2007, and that have been depreciated to the final depreciable limit (5% of acquisition costs), are to be depreciated to ¥1 ($0.01) over five years commencing at the start of the following fiscal year using the straight-line method. As a result of the additional depreciation, operating income and income before income taxes and minority interest for the six months ended September 30, 2007 decreased by ¥1,231 million ($10,664 thousand), as compared with the amount which would have been reported if the previous method had been applied consistently.

3. Credit agreements

As at September 30, 2007, the Company had line-of-credit agreements with twenty eight financial institutions for an aggregate maximum amount of ¥80,000 million ($693,061 thousand). As at September 30, 2007, there were unused credit lines of ¥50,000 million ($433,163 thousand) outstanding and available.

4. Goodwill

Epson had goodwill and negative goodwill as at September 30, 2007. Goodwill and negative goodwill are amortized on a straight-line basis in accordance with Japanese accounting standards. Negative goodwill was recorded in other long-term liabilities account after being offset against goodwill. The amounts of goodwill and negative goodwill before offsetting as at September 30, 2007 were as follows:

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥183	$1,585
Negative goodwill	3,961	34,315

5. Cash dividends

The amount of year-end cash dividends per share, which the Company paid to the shareholders of record at last fiscal year-end during the six months ended September 30, 2007, was as follows:

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

The effective date of the distribution for year-end cash dividends, which was paid during the six months ended September 30, 2007, was June 27, 2007.

On October 31, 2007, the board of directors declared interim cash dividends by resolution to the shareholders of record as at September 30, 2007. The amounts of the interim cash dividends, which will be paid to shareholders, are as follows:

	Millions of yen	Thousands of U.S. dollars
Interim cash dividends	¥3,142	$27,220
	Yen	U.S. dollars
Cash dividend per share	¥16.00	$0.14

The effective date of the distribution for the interim cash dividends is December 5, 2007.

6. Net income per share

Calculation of net income per share for the six months ended September 30, 2007 was as follows:

	Millions of yen	Thousands of U.S. dollars
Net income attributable to common shares	¥3,257	$28,216
	Thousands of shares	
Weighted-average number of common shares outstanding	196,363	
	Yen	U.S. dollars
Net income per share	¥16.59	$0.14

Diluted net income per share was not calculated herein since Epson had no potential common shares, which have dilutive effect issuable upon conversion of convertible bonds, outstanding for the six months ended September 30, 2007.

7. Impairment losses

Epson's business assets generally are grouped by business segment under the Company's management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level. Impairment tests were performed for both types of assets.

For the six months ended September 30, 2007, Epson impaired both production equipment planned for consolidation and idle assets. The carrying value of these assets was reduced to its recoverable amount. A reduction in value of ¥2,612 million ($22,628 thousand) was recognized in impairment losses account. The reduction mainly comprised machinery and equipment.

The recoverable amounts are determined using their net selling prices, which were assessed on the basis of reasonable estimates.

8. Cash flow information

Cash and cash equivalents at September 30, 2007 comprised the following:

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥144,469	$1,251,572
Short-term investments	144,468	1,251,564
Short-term loans receivables	10,000	86,633
Subtotal	298,937	2,589,769
Less:		
Short-term borrowings (overdrafts)	(798)	(6,913)
Time deposits due over three months	(1,415)	(12,259)
Cash and cash equivalents	¥296,724	$2,570,597

The Company obtained marketable securities, the fair value of which was ¥9,963 million ($86,312 thousand) at September 30, 2007, as deposit for the short-term loans receivables above.

9. Leases

Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the six months ended September 30, 2007 amounted to ¥5,235 million ($45,352 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 September 30, 2007 would have been as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Buildings and structures	¥1,785	$15,464
Machinery and equipment	38,895	336,958
Furniture and fixtures	2,030	17,586
Intangible assets	137	1,187
	42,847	371,195
Less:		
Accumulated depreciation	(25,757)	(223,140)
Accumulated impairment loss	(8,442)	(73,135)
	(34,199)	(296,275)
Net book value	¥8,648	$74,920

Depreciation expenses for these leased assets for the six months ended September 30, 2007 would have been ¥4,720 million ($40,891 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 six months ended September 30, 2007 would have been ¥297 million ($2,573 thousand).

Future lease payments for capital leases at September 30, 2007 were as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥7,500	$64,974
Due after one year	7,577	65,642
Total	¥15,077	$130,616

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥6,539 million ($56,649 thousand) as of September 30, 2007. Lease payments for impaired capital lease assets in the six months ended September 30, 2007 were ¥2,428 million ($21,034 thousand).

Future lease payments for non-cancelable operating leases as a lessee at September 30, 2007 were as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥5,177	$44,850
Due after one year	7,925	68,656
Total	¥13,102	$113,506

10. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks at September 30, 2007 were ¥2,225 million ($19,276 thousand). Furthermore, the amount of discounted notes at September 30, 2007 was ¥11 million ($95 thousand).

11. Segment information

(1) Business segment information

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

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

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

Information-related equipment segment mainly includes 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, LCD monitors, label writers and personal computers.

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

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

Operations not categorized in any of the above segments, such as 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 six months ended September 30, 2006 and 2007 and for the year ended March 31, 2007:

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31, 2007	Six months ended September 30, 2007
	2006	**2007**	2007	**2007**
Information-related equipment:				
Net sales:				
Customers	¥416,818	**¥426,998**	¥913,476	**$3,699,194**
Inter-segment	1,175	**1,173**	2,854	**10,162**
Total	417,993	**428,171**	916,330	**3,709,356**
Operating expenses	385,684	**393,430**	832,094	**3,408,386**
Operating income	¥32,309	**¥34,741**	¥84,236	**$300,970**
Electronic devices:				
Net sales:				
Customers	¥212,917	**¥183,735**	¥411,269	**$1,591,744**
Inter-segment	18,156	**18,519**	33,434	**160,435**
Total	231,073	**202,254**	444,703	**1,752,179**
Operating expenses	239,407	**211,708**	470,758	**1,834,081**
Operating loss	¥(8,334)	**¥(9,454)**	¥(26,055)	**$(81,902)**
Precision products:				
Net sales:				
Customers	¥45,549	**¥43,399**	¥86,903	**$375,977**
Inter-segment	517	**484**	841	**4,193**
Total	46,066	**43,883**	87,744	**380,170**
Operating expenses	43,279	**41,786**	84,168	**362,003**
Operating income	¥2,787	**¥2,097**	¥3,576	**$18,167**
Other:				
Net sales:				
Customers	¥2,106	**¥2,136**	¥4,384	**$18,505**
Inter-segment	13,329	**11,304**	25,926	**97,929**
Total	15,435	**13,440**	30,310	**116,434**
Operating expenses	21,674	**18,802**	42,466	**162,886**
Operating loss	¥(6,239)	**¥(5,362)**	¥(12,156)	**$(46,452)**
Eliminations and corporate:				
Net sales	¥(33,177)	**¥(31,480)**	¥(63,055)	**$(272,719)**
Operating expenses	(33,614)	**(31,722)**	(63,797)	**(274,815)**
Operating income	¥437	**¥242**	¥742	**$2,096**
Consolidated:				
Net sales	¥677,390	**¥656,268**	¥1,416,032	**$5,685,420**
Operating expenses	656,430	**634,004**	1,365,689	**5,492,541**
Operating income	¥20,960	**¥22,264**	¥50,343	**$192,879**

As described in Note 2 (2), accompanying FY2007 Japanese tax reforms, effective as of April 1, 2007, the Company and its Japanese subsidiaries adopted the 250% declining-balance method for depreciation of property, plant and equipment (excluding buildings) acquired on or after April 1. According to this change, property, plant and equipment are to be depreciated to ¥1 ($0.01) (memorandum price) at the end of their useful life. As a result of adopting the new method, for the six months ended September 30, 2007, operating income of information-related equipment segment, electronic devices segment and precision products segment and other decreased by ¥146 million ($1,265 thousand), ¥406 million ($3,517 thousand), ¥45 million ($390 thousand) and ¥68 million ($589 thousand), respectively, as compared with the amount which would have been reported if the previous method had been applied consistently.

The table below summarizes the business segment information of Epson for the three months ended September 30, 2006 and 2007:

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2006	**2007**	**2007**
Information-related equipment:			
Net sales:			
Customers	¥216,757	**¥217,560**	**$1,884,779**
Inter-segment	506	**550**	**4,764**
Total	217,263	**218,110**	**1,889,543**
Operating expenses	199,077	**202,647**	**1,755,583**
Operating income	¥18,186	**¥15,463**	**$133,960**
Electronic devices:			
Net sales:			
Customers	¥111,499	**¥94,554**	**$819,146**
Inter-segment	10,380	**9,946**	**86,165**
Total	121,879	**104,500**	**905,311**
Operating expenses	124,816	**108,656**	**941,315**
Operating loss	¥(2,937)	**¥(4,156)**	**$(36,004)**
Precision products:			
Net sales:			
Customers	¥25,879	**¥24,402**	**$211,401**
Inter-segment	171	**311**	**2,694**
Total	26,050	**24,713**	**214,095**
Operating expenses	24,598	**22,680**	**196,483**
Operating income	¥1,452	**¥2,033**	**$17,612**
Other:			
Net sales:			
Customers	¥1,219	**¥1,160**	**$10,049**
Inter-segment	6,193	**5,371**	**46,531**
Total	7,412	**6,531**	**56,580**
Operating expenses	10,384	**9,296**	**80,534**
Operating loss	¥(2,972)	**¥(2,765)**	**$(23,954)**
Eliminations and corporate:			
Net sales	¥(17,250)	**¥(16,178)**	**$(140,154)**
Operating expenses	(17,467)	**(16,202)**	**(140,362)**
Operating income	¥217	**¥24**	**$208**
Consolidated:			
Net sales	¥355,354	**¥337,676**	**$2,925,375**
Operating expenses	341,408	**327,077**	**2,833,553**
Operating income	¥13,946	**¥10,599**	**$91,822**

(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 six months ended September 30, 2006 and 2007 and for the year ended March 31, 2007:

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2006	**2007**	2007	**2007**
Japan:				
Net sales:				
Customers	¥310,604	**¥287,616**	¥640,727	**$2,491,692**
Inter-segment	309,146	**311,430**	602,431	**2,697,999**
Total	619,750	**599,046**	1,243,158	**5,189,691**
Operating expenses	598,724	**588,228**	1,208,070	**5,095,972**
Operating income	¥21,026	**¥10,818**	¥35,088	**$93,719**
The Americas:				
Net sales:				
Customers	¥119,424	**¥122,729**	¥250,374	**$1,063,233**
Inter-segment	20,757	**19,522**	41,264	**169,124**
Total	140,181	**142,251**	291,638	**1,232,357**
Operating expenses	131,983	**136,467**	279,735	**1,182,249**
Operating income	¥8,198	**¥5,784**	¥11,903	**$50,108**
Europe:				
Net sales:				
Customers	¥127,384	**¥133,770**	¥289,286	**$1,158,884**
Inter-segment	6,180	**3,811**	10,098	**33,016**
Total	133,564	**137,581**	299,384	**1,191,900**
Operating expenses	135,861	**137,486**	299,792	**1,191,077**
Operating income (loss)	¥(2,297)	**¥95**	¥(408)	**$823**
Asia/Oceania:				
Net sales:				
Customers	¥119,978	**¥112,153**	¥235,645	**$971,611**
Inter-segment	283,494	**285,545**	551,842	**2,473,750**
Total	403,472	**397,698**	787,487	**3,445,361**
Operating expenses	386,538	**380,996**	766,293	**3,300,667**
Operating income	¥16,934	**¥16,702**	¥21,194	**$144,694**
Eliminations and corporate:				
Net sales	¥(619,577)	**¥(620,308)**	¥(1,205,635)	**$(5,373,889)**
Operating expenses	(596,676)	**(609,173)**	(1,188,201)	**(5,277,424)**
Operating loss	¥(22,901)	**¥(11,135)**	¥(17,434)	**$(96,465)**
Consolidated:				
Net sales	¥677,390	**¥656,268**	¥1,416,032	**$5,685,420**
Operating expenses	656,430	**634,004**	1,365,689	**5,492,541**
Operating income	¥20,960	**¥22,264**	¥50,343	**$192,879**

As described in Note 2 (2), accompanying FY2007 Japanese tax reforms, effective as of April 1, 2007, the Company and its Japanese subsidiaries adopted the 250% declining-balance method for depreciation of property, plant and equipment (excluding buildings) acquired on or after April 1. According to this change, property, plant and equipment are to be depreciated to ¥1 ($0.01) (memorandum price) at the end of their useful life. As a result of adopting the new method, for the six months ended September 30, 2007, operating income of Japan decreased by ¥665 million ($5,761 thousand), as compared with the amount which would have been reported if the previous method had been applied consistently.

The table below summarizes the geographic segment information of Epson for the three months ended September 30, 2006 and 2007:

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2006	**2007**	**2007**
Japan:			
Net sales:			
Customers	¥163,521	**¥149,499**	**$1,295,149**
Inter-segment	153,339	**161,128**	**1,395,893**
Total	316,860	**310,627**	**2,691,042**
Operating expenses	314,758	**310,743**	**2,692,047**
Operating income (loss)	¥2,102	**¥(116)**	**$(1,005)**
The Americas:			
Net sales:			
Customers	¥63,208	**¥62,767**	**$543,767**
Inter-segment	10,290	**9,304**	**80,603**
Total	73,498	**72,071**	**624,370**
Operating expenses	68,822	**69,458**	**601,733**
Operating income	¥4,676	**¥2,613**	**$22,637**
Europe:			
Net sales:			
Customers	¥65,241	**¥67,648**	**$586,052**
Inter-segment	2,109	**2,132**	**18,470**
Total	67,350	**69,780**	**604,522**
Operating expenses	68,159	**70,106**	**607,346**
Operating loss	¥(809)	**¥(326)**	**$(2,824)**
Asia/Oceania:			
Net sales:			
Customers	¥63,384	**¥57,762**	**$500,407**
Inter-segment	159,718	**154,441**	**1,337,963**
Total	223,102	**212,203**	**1,838,370**
Operating expenses	212,722	**201,049**	**1,741,740**
Operating income	¥10,380	**¥11,154**	**$96,630**
Eliminations and corporate:			
Net sales	¥(325,456)	**¥(327,005)**	**$(2,832,929)**
Operating expenses	(323,053)	**(324,279)**	**(2,809,313)**
Operating loss	¥(2,403)	**¥(2,726)**	**$(23,616)**
Consolidated:			
Net sales	¥355,354	**¥337,676**	**$2,925,375**
Operating expenses	341,408	**327,077**	**2,833,553**
Operating income	¥13,946	**¥10,599**	**$91,822**

(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 six months ended September 30, 2006 and 2007 and for the year ended March 31, 2007:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2006	**2007**	2007	**2007**
Overseas sales:				
The Americas	¥128,013	**¥135,217**	¥270,484	**$1,171,420**
Europe	156,468	**162,380**	341,524	**1,406,740**
Asia/Oceania	181,727	**159,478**	352,388	**1,381,599**
Total	466,208	**457,075**	964,396	**3,959,759**
Consolidated net sales	¥677,390	**¥656,268**	¥1,416,032	**$5,685,420**
Percentage:				
The Americas	18.9%	**20.6%**	19.1%	
Europe	23.1	**24.7**	24.1	
Asia/Oceania	26.8	**24.3**	24.9	
Total	68.8%	**69.6%**	68.1%	

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended September 30, 2006 and 2007:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2006	**2007**	**2007**
Overseas sales:			
The Americas	¥68,219	**¥69,345**	**$600,754**
Europe	82,673	**82,018**	**710,543**
Asia/Oceania	96,277	**83,696**	**725,080**
Total	247,169	**235,059**	**2,036,377**
Consolidated net sales	¥355,354	**¥337,676**	**$2,925,375**
Percentage:			
The Americas	19.2%	**20.5%**	
Europe	23.3	**24.3**	
Asia/Oceania	27.1	**24.8**	
Total	69.6%	**69.6%**	

Supplementary Information

Consolidated Half Year ended September 30, 2007

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Information-related equipment	418.0	428.2	2.4	922.0	0.6
Printer	353.4	359.3	1.7	778.0	(0.5)
Visual instruments	52.2	54.2	3.8	113.0	6.1
Other	12.8	14.9	16.3	32.0	10.6
Intra-segment sales	(0.4)	(0.2)	-	(1.0)	-
Electronic devices	231.1	202.3	(12.5)	401.0	(9.8)
Display	141.8	116.0	(18.2)	227.0	(15.9)
Quartz device	49.4	50.1	1.3	105.0	7.2
Semiconductor	47.1	41.2	(12.6)	78.0	(14.4)
Other	1.9	2.4	25.9	3.0	3.7
Intra-segment sales	(9.1)	(7.4)	-	(12.0)	-
Precision products	46.1	43.9	(4.7)	85.0	(3.1)
Other	15.4	13.4	(12.9)	30.0	(1.0)
Inter-segment sales	(33.2)	(31.5)	-	(59.0)	-
Consolidated sales	677.4	656.3	(3.1)	1,379.0	(2.6)

2. Business segment information

(Unit: billion yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Information-related equipment					
Net sales:					
Customers	416.8	427.0	2.4	920.0	0.7
Inter-segment	1.2	1.2	(0.2)	2.0	(29.9)
Total	418.0	428.2	2.4	922.0	0.6
Operating expenses	385.7	393.5	2.0	838.0	0.7
Operating income	32.3	34.7	7.5	84.0	(0.3)
Electronic devices					
Net sales:					
Customers	212.9	183.7	(13.7)	368.0	(10.5)
Inter-segment	18.2	18.6	2.0	33.0	(1.3)
Total	231.1	202.3	(12.5)	401.0	(9.8)
Operating expenses	239.4	211.7	(11.6)	421.0	(10.6)
Operating loss	(8.3)	(9.4)	-	(20.0)	-
Precision products					
Net sales:					
Customers	45.6	43.4	(4.7)	84.0	(3.3)
Inter-segment	0.5	0.5	(6.3)	1.0	18.9
Total	46.1	43.9	(4.7)	85.0	(3.1)
Operating expenses	43.3	41.8	(3.4)	81.0	(3.8)
Operating income	2.8	2.1	(24.8)	4.0	11.9
Other					
Net sales:					
Customers	2.1	2.2	1.4	7.0	59.7
Inter-segment	13.3	11.2	(15.2)	23.0	(11.3)
Total	15.4	13.4	(12.9)	30.0	(1.0)
Operating expenses	21.6	18.8	(13.3)	42.0	(1.1)
Operating loss	(6.2)	(5.4)	-	(12.0)	-
Elimination and corporate					
Net sales	(33.2)	(31.5)	-	(59.0)	-
Operating expenses	(33.6)	(31.8)	-	(59.0)	-
Operating income	0.4	0.3	(44.7)	-	-
Consolidated					
Net sales	677.4	656.3	(3.1)	1,379.0	(2.6)
Operating expenses	656.4	634.0	(3.4)	1,323.0	(3.1)
Operating income	21.0	22.3	6.2	56.0	11.2

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Capital expenditure	32.6	30.6	(6.1)	84.0	14.9
Information-related equipment	14.6	11.6	(20.9)	32.0	22.4
Electronic devices	14.8	14.6	(1.4)	33.0	(6.5)
Precision products	1.9	1.3	(32.0)	5.0	(7.6)
Other	1.3	3.1	152.7	14.0	124.4
Depreciation and amortization	43.3	38.6	(10.9)	85.0	(5.1)

4. Research and development

(Unit: billion yen)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Research and Development	42.1	41.0	(2.6)	86.0	1.5
R&D / sales ratio	6.2%	6.2%		6.2%	

5. Management indices

(Unit: %)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase Point	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 Point
Return on equity (ROE)	0.1%	0.7%	0.6	4.8%	6.3
Return on assets (ROA)	1.2%	1.7%	0.5	4.2%	3.9
Return on sales (ROS)	2.4%	3.4%	1.0	3.8%	3.6

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)

	Six months ended September 30, 2006	Six months ended September 30, 2007	Increase
Foreign exchange effect	24.0	25.8	1.8
U.S. dollars	6.3	5.2	(1.1)
Euro	9.0	13.5	4.5
Other	8.7	7.1	(1.6)
Exchange rate			
Yen / U.S. dollars	115.38	119.33	
Yen / Euro	145.97	162.30	

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)

	September 30, 2006	March 31, 2007	September 30, 2007	Increase compared to March 31, 2007
Inventory	214.4	178.6	194.8	16.2
Information-related equipment	128.9	102.8	117.5	14.7
Electronic devices	67.8	58.8	58.2	(0.6)
Precision products	16.0	15.1	17.4	2.3
Other / Corporate	1.7	1.9	1.7	(0.2)
				(Unit: days)
Turnover by days	58	46	54	8
Information-related equipment	56	41	50	9
Electronic devices	54	48	53	5
Precision products	64	63	72	9
Other / Corporate	21	23	24	1

Note: Turnover by days=Interim (Ending) balance of inventory / Prior 6 (12) months sales per day

8. Employees

(Unit: person)

	September 30, 2006	March 31, 2007	September 30, 2007	Increase compared to March 31, 2007
Number of employees at period end	102,025	87,626	95,129	7,503
Domestic	24,333	25,379	26,411	1,032
Overseas	77,692	62,247	68,718	6,471