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April 30, 2008

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2008

Consolidated Financial Highlights

Income statements and cash flows data

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

	Year ended March 31			Change	Year ended March 31,
	2006	2007	**2008**		**2008**
Statements of Income Data:					
Net sales	¥1,549,568	¥1,416,032	**¥1,347,841**	(4.8%)	**$13,452,853**
Operating income	25,758	50,343	**57,577**	14.4%	**574,686**
Income (loss) before income taxes and minority interest	(20,047)	3,476	**52,045**	- %	**519,467**
Net income (loss)	(17,917)	(7,094)	**19,093**	- %	**190,574**
Statements of Cash Flows Data:					
Cash flows from operating activities	117,497	160,229	**112,060**	(30.1%)	**1,118,478**
Cash flows from investing activities	(95,266)	(76,419)	**(50,770)**	(33.6%)	**(506,742)**
Cash flows from financing activities	19,123	(30,150)	**(70,663)**	134.4%	**(705,292)**
Cash and cash equivalents at the end of the year	280,114	334,873	**316,414**	(5.5%)	**3,158,143**
Per Share Data:					
Net income (loss) per share -Basic	¥(91.24)	¥(36.13)	**¥97.24**	- %	**$0.97**
-Diluted	¥-	¥-	**¥-**	- %	**$-**

Balance sheets data

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

	March 31		
	2007	**2008**	**2008**
Total assets	¥1,284,412	**¥1,139,165**	**$11,370,047**
Equity	494,335	**-**	**-**
Net assets	-	**471,446**	**4,705,522**
Shareholders' equity	470,317	**447,205**	**4,463,572**
Shareholders' equity ratio (%)	36.6%	**39.3%**	**39.3%**
Shareholders' equity per share	¥2,395.14	**¥2,277.45**	**$22.73**

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 '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 ¥100.19 = U.S.$1 at March 31, 2008 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

1. Fiscal 2007 Full-Year Overview

The global economy was in recovery mode for the first half of the year under review, but signs of a slowdown in some sectors emerged in the second half. The U.S. economy showed signs of weakening due to the effects of the sub-prime loan problem, while growth also slowed in Europe. Meanwhile, China and the rest of Asia enjoyed continued economic expansion. In Japan, exports rose, but economic growth was moderated by a slackening of production and capital investment, due to flat personal spending and other factors.

The main markets of the Epson Group ("Epson") were as follows. The inkjet printer market, where demand has continued to shift from single-function printers toward multifunction printers ("all-in-ones"), was flat year over year on the whole, as growth in the markets of Europe and Asia offset a contraction in the Japanese and U.S. markets. The dot-matrix printer market is shrinking on the whole yet expanded 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 educational applications. The rate of growth in home theater projectors, however, slowed due to falling prices for large flat-screen TVs.

Small- and medium-sized display applications showed healthy growth. The mobile phone handset market, the main destination for these displays, remained strong. In addition to new and upgrade demand for low-end phones, demand for 3G phones was robust, especially in Europe and the U.S. The digital camera market expanded, with growth driven chiefly by gains in camera performance and a growing number of new SLR models. Demand for displays in portable media players (PMPs) and portable automotive navigation systems also increased.

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, the price of eyeglass lenses trended downward. Demand for semiconductor equipment manufacturing remained firm.

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.

In the fiscal year under review, the second year of the plan, Epson emphasized higher-margin products while also seeking to expand inkjet printer unit shipments. The company also stepped 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 small- and medium-sized display business experienced a steep deterioration in profitability in the previous 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 in association with the repositioning reduced the fixed asset burden of the business. Epson is also striving to change the structure of its display sales, by capturing demand in areas of growth other than mobile phones and reducing its dependence on handset demand.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year under review were ¥114.28 and ¥161.53, respectively. This represents a 2% appreciation in the value of the yen against the dollar and an 8% depreciation in the value of the yen against the euro compared to the prior year.

Given this environment, net sales for the full fiscal year were ¥1,347,841 million ($13,452,853 thousand), down 4.8% from the prior year. Operating income was ¥57,577 million ($574,686 thousand), up 14.4% from the prior year. Income before income taxes and minority interest was ¥52,045 million ($519,467 thousand), dramatically increased from the prior year. And net income was ¥19,093 million ($190,574 thousand), compared to a net loss of ¥7,094 million the previous year.

Operating Performance Highlights by Business Segments

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

Information-related equipment:

The printer business as a whole saw net sales decline slightly. The inkjet printer net sales (including consumables, as in all printer discussions below) benefited from an increase in multifunction printer unit volume and a weakened yen, but growth in low-priced models acted to moderate revenue. POS system products benefited overall from the weaker yen, but results in terminal modules were adversely affected by a decline in demand for color coupon printers and by lower average unit prices due to growth in single-function receipt printers. Dot-matrix printer unit shipments declined primarily due to a contraction of the European market and inventory adjustments by wholesalers in China. Page 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.
Please note that, as of the fiscal year under review, "page printer" is used instead of "laser printer."

The visual instruments business as a whole reported sales growth. Although results were tempered by price erosion in 3LCD business projectors, sales were driven higher by increased demand for education models, as well as by the market launch of full HDTV-compliant home-theater projectors and affordably priced models with a built-in DVD player.

Operating income in the information-related equipment segment declined despite the benefits of a weaker yen and 3LCD projector revenue growth, mainly because of inkjet printer price erosion.

As a result of the foregoing factors, full-year net sales in the information-related equipment segment were ¥902,970 million ($9,012,583 thousand), down 1.5% from the prior year. Operating income was ¥83,274 million ($831,163 thousand), down 1.1% from the prior year.

Electronic devices:

The display business as a whole posted sharply lower revenue. Amorphous-silicon TFT LCD and LTPS TFT LCD unit shipments increased along with the growing demand for items such as mobile phone handsets, PDA phones, personal media players and digital cameras, but this increase was partially offset by price erosion. Meanwhile, results in the MD-TFD LCD business, which Epson will terminate, and in the color STN LCD business were adversely affected by price erosion and declining unit shipments.

The quartz device business saw total net sales rise slightly thanks to growth in unit shipments, which were buoyed by growth in demand for equipment such as mobile phone handsets and digital cameras, but the rise was tempered by price erosion.

Revenues in the semiconductor business as a whole 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 devices segment narrowed compared to the year ago. Lower fixed costs in amorphous-silicon TFT LCDs contributed to the improvement, though price erosion in crystal devices and in HTPS panels for 3LCD projectors, combined with a decline in MD-TFD LCD net sales, weighed on income.

As a result of the foregoing factors, full-year net sales in the electronic devices segment were ¥395,197 million ($3,944,477 thousand), down 11.1% year over year, while operating loss was ¥17,167 million ($171,346 thousand) versus an operating loss of ¥26,055 million in the year ago.

Precision products

The precision products segment as a whole reported lower net sales. Although watch sales benefited from a rise in the average price zone, total sales in this segment ended lower primarily due to a reduced sales volume of industrial inkjet equipment this year and to price erosion in plastic eyeglass lenses.

Operating income in precision products declined primarily due to price erosion in plastic eyeglass lenses and a deterioration in the watch model mix.

As a result of the foregoing factors, full-year net sales in the precision products segment were ¥83,927 million ($837,680 thousand), down 4.4% from the prior year. Operating income was ¥2,733 million ($27,282 thousand), down 23.6% from the prior year.

Operating Performance Highlights by Geographic Segments

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

Japan

Dot-matrix printer and 3LCD projector revenues increased, whereas MD-TFD LCD, inkjet printer and page printer revenues declined. As a result, net sales were ¥1,192,591 million ($11,903,302 thousand), down 4.1% from the prior year, while operating income was ¥20,444 million ($204,058 thousand), down 41.7% from last year.

The Americas

Amorphous-silicon TFT LCD and 3LCD projector revenues increased, whereas inkjet printer, terminal module and dot-matrix printer revenues declined. As a result, net sales were ¥281,940 million ($2,814,060 thousand), down 3.3% from the prior year, while operating income was ¥8,922 million ($89,057 thousand), down 25.0% from last year.

Europe

Inkjet printer and 3LCD projector revenues increased, whereas page printer and MD-TFD LCD revenues declined. As a result, net sales were ¥299,621 million ($2,990,536 thousand), up 0.1% from the prior year, while operating income was ¥5,749 million ($57,383 thousand) versus an operating loss of ¥408 million last year.

Asia / Oceania

Crystal device revenue increased, while MD-TFD LCD and STN LCD revenues declined. As a result, net sales were ¥751,904 million ($7,504,783 thousand), down 4.5% from the prior year, while operating income was ¥22,461 million ($224,193 thousand), up 6.0% from last year.

2. Liquidity and Financial Position

Financial Condition

Total assets as of March 31, 2008 stood at ¥1,139,165 million ($11,370,047 thousand), a decrease of ¥145,247 million ($1,449,718 thousand) from the previous fiscal year end. This was primarily due to a decrease of current assets such as Notes and accounts receivable, trade by ¥76,681 million ($765,360 thousand), and property, plant and equipment such as machinery and equipment by ¥35,770 million ($357,028 thousand).

Total liabilities stood at ¥667,718 million ($6,664,525 thousand), a decrease of ¥123,010 million ($1,227,772 thousand) from last fiscal year end. Current liabilities decreased ¥91,653 million ($914,801 thousand) and long-term liabilities decreased ¥31,356 million ($312,971 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 decrease in long-term liabilities primarily resulted from decreases in long-term debt and were not offset by a new issuance of corporate bonds worth ¥20,000 million ($199,620 thousand).

Cash Flow Performance

Cash flows from operating activities during the year included income before income taxes and minority interest of ¥52,045 million ($519,467 thousand). For adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities, depreciation and amortization was ¥79,209 million ($790,588 thousand). As for changes to assets and liabilities, inventories decreased by ¥6,357 million ($63,457 thousand). As a result, net cash provided by operating activities was ¥112,060 million ($1,118,478 thousand).

Cash outflows from investing activities amounted to ¥50,770 million ($506,742 thousand) due to capital expenditures, principally in the electronic devices and information-related equipment segments amounting to ¥72,606 million ($724,690 thousand).

Cash outflows from financing activities were ¥70,663 million ($705,292 thousand) include ¥82,426 million ($822,696 thousand) net repayments of short-term and long-term debt and proceeds of ¥20,000 million ($199,620 thousand) from a new issuance of corporate bonds.

As a result, cash and cash equivalents as of March 31, 2008 was ¥316,414 million ($3,158,143 thousand).

Trends in cash flow indices are as follows:

	Year ended March 31				
	2004	2005	2006	2007	2008
Shareholders' equity ratio (%)	34.3	36.4	35.8	36.6	39.3
Market-value based equity ratio (%)	68.4	60.2	48.2	53.0	46.3
Debt redemption years (Years)	2.5	2.4	3.7	2.5	3.1
Interest coverage ratio (Times)	27.6	27.8	17.6	25.0	18.1

*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. Policy on Profit Allocation/ Dividends in the Period under Review and Next Fiscal Year

Epson's efforts to enhance management efficiency and profitability have resulted in the improved cash flows required to fulfill its policy of making stable dividend payments. Following a comprehensive analysis of the funding requirements to support its business strategy and of its financial performance and outlook, Epson intends to maintain in the medium- to long-term a consolidated dividend payout ratio of 30% as its commitment to returning profits to shareholders.

Bolstered by structural reforms and other factors, Epson recorded a net profit for the first time in three fiscal years in the period under review. The Company has decided, however, to further improve its financial strength by proceeding with its planned dividend allocation of ¥32 ($0.32) per share including an interim dividend of ¥16 ($0.16) per share.

Seeking to strengthen its management structure, Epson intends to allocate an internal reserve for capital investment to strengthen its various businesses, and for supporting other business investments and research and development into new technologies.

The Company is planning a dividend allocation of ¥38 ($0.38) per share in the fiscal year ending March 31, 2009.

4. Fourth-Quarter Operating Performance

Fourth-quarter net sales were ¥310,569 million ($3,099,807 thousand), a decline of 9.2% compared to the same period last year. The decline was primarily due to price erosion in inkjet printers and a steep drop in MD-TFD LCD and color STN LCD revenues. Operating income and ordinary income were both down compared to the same period last year. Operating income was ¥1,867 million ($18,636 thousand), down 53.5%, while loss before income taxes and minority interest was ¥2,732 million ($27,275 thousand), compared to a loss before income taxes and minority interest of ¥36,620 million in the same period last year. The decline came despite lower fixed costs in the displays business, as inkjet printer prices continued to erode, dot-matrix printer and POS system product revenues shrank, and 3LCD HTPS TFT panel prices declined. The company recorded a fourth-quarter net loss of ¥3,142 million ($31,364 thousand), compared to a net loss of ¥21,035 million in the same period last year, largely as a result of impairments associated with idle assets at the Chitose Plant, where HTPS TFT panels are fabricated.

5. Fiscal 2008 forecast

The global economy is expected to strengthen during the 2008 fiscal year ending March 31, 2009. The economies of Asia particularly China, are expected to continue to expand. In addition, though its pace becomes moderate, the European economy is expected to continue to recover. Moreover, in Japan, the economy is expected to experience a moderate recovery mainly due to exports for Asia. On the other hand, the U.S. economy faces risk of further slowdown reflecting the sub-prime loan crisis. And the effect of the stresses in financial markets and crude oil prices on the global economies will need to be monitored.

The expectations in Epson's core markets are summarized as follows. Inkjet printer market demand is expected to continue shifting away from single-function printers and toward multifunction printers (all-in-ones). Meanwhile, multifunction printer prices will likely continue downward under intense market competition. The total projector market is expected to grow, but prices will likely continue to slide further under the weight of heavy market competition.

In the market for small- and medium-sized displays, volume is expected to rise, but continued price erosion is predicted.

Given these expectations, in the information-related equipment segment, projector sales are seen rising, primarily in business use. Growth is also forecasted for sales of terminal modules in the American market. Moreover the volume of inkjet printers is also expected to increase. In FY2008, yen-dominated sales figures are expected to decrease due to the assumption of a stronger yen against other currencies compared

with FY2007. As a result, total sales in the information-related equipment segment are expected to decline.
In the electronic devices segment, total sales revenue is expected to decline. Quartz device business sales are projected to rise due to an expansion of the market for mobile phones and personal computers. On the other hand, revenue in the display business is forecasted to decline. Although a concentration of resources on amorphous-silicon TFT LCDs and LTPS TFT LCDs will lead to an increase in shipments, this will be offset by a fall in volume associated with the termination of the MD-TFD LCD business and by price erosion.
In the precision product segment, sales revenues are expected to increase mainly due to sales of industrial inkjet systems.
The figures in the outlook are based on assumed exchange rates of ¥95 to the U.S. dollar and ¥155 to the euro.

Taking into account the foregoing factors, Epson’s expectations for the 2008 fiscal year (ending March 31, 2009) are as follows.

Consolidated Half-Year Results Outlook

	FY2007	**FY2008**	Change	
Net sales	¥656.2 billion	**¥609.0 billion**	-¥47.2 billion	(- 7.2%)
Operating income	¥22.2 billion	**¥11.0 billion**	-¥11.2 billion	(- 50.6%)
Income before income taxes and minority interest	¥22.1 billion	**¥6.0 billion**	-¥16.1 billion	(- 72.9%)
Net income	¥3.2 billion	**¥0 billion**	-¥3.2 billion	(- %)
Foreign exchange rate	$1USD = ¥119 1 EURO = ¥162	**$1USD = ¥95** **1 EURO = ¥155**		

Consolidated Full-Year Results Outlook

	FY2007	**FY2008**	Change	
Net sales	¥1,347.8 billion	**¥1,300.0 billion**	-¥47.8 billion	(- 3.5%)
Operating income	¥57.5 billion	**¥61.0 billion**	+¥3.4 billion	(+ 5.9%)
Income before income taxes and minority interest	¥52.0 billion	**¥54.0 billion**	+¥1.9 billion	(+3.8 %)
Net income	¥19.0 billion	**¥31.0 billion**	+¥11.9 billion	(+62.4 %)
Foreign exchange rate	$1USD = ¥114 1 EURO = ¥162	**$1USD = ¥95** **1 EURO = ¥155**		

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

Epson's main business segment includes the development, manufacturing and marketing of information-related equipment, electronic devices, precision products, and other products. Research and development and product development are mainly conducted by the Company. Production and sales are conducted by the company and its subsidiaries and affiliates, domestic and abroad, under the management of the company's operations divisions.

The following is a brief description of each business segment and the main subsidiaries and affiliates of each business segment.

Information-related equipment business segment:

This segment includes the printer business, the visual instruments business and others. This segment develops, manufactures and sells mainly printers, 3LCD projectors, and personal computers.

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Printer</td><td>Color inkjet printers,
page printers,
dot matrix printers,
large format inkjet printers,
and related supplies,
color image scanners,
mini-printers,
printers for use in POS
systems and others</td><td>Tohoku Epson Corporation
Orient Watch Co., Ltd.
Epson Portland Inc.
Epson El Paso, Inc.
Epson Telford Ltd.
Epson Precision (Hong Kong) Ltd.
Singapore Epson Industrial Pte. Ltd.
P.T. Indonesia Epson Industry
Epson Precision (Philippines), Inc.
Tianjin Epson Co., Ltd.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
Epson Iberica, S.A.
Epson Korea Co., Ltd.
Epson (Shanghai) Information Equipment Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.
Epson Australia Pty. Ltd.</td></tr>
<tr><td>Visual instruments</td><td>3LCD projectors,
LCD monitors,
label writers and others</td><td>Epson Precision (Hong Kong) Ltd.</td></tr>
<tr><td>Others</td><td>Personal computers and others</td><td>-</td><td>Epson Sales Japan Corporation
Epson Direct Corporation</td></tr>
</table>

Electronic devices business segment:

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

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Display</td><td>Small- and medium-sized LCDs,
HTPS-TFT panels for 3LCD projectors and others</td><td>Epson Imaging Devices Corporation
Suzhou Epson Co., Ltd.
Epson Imaging Devices (H.K.) Ltd.
Epson Imaging Devices (Phils.) Inc.</td><td rowspan="3">Epson Toyocom Corporation
Epson Imaging Devices Corporation
Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson (China) Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Quartz device</td><td>Crystal units,
crystal oscillators,
optical devices and others</td><td>Epson Toyocom Corporation
Orient Watch Co., Ltd.
Epson Toyocom Malaysia Sdn. Bhd.
Epson Toyocom (Thailand) Ltd.</td></tr>
<tr><td>Semiconductor</td><td>CMOS LSI and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
</table>

Precision products business segment:

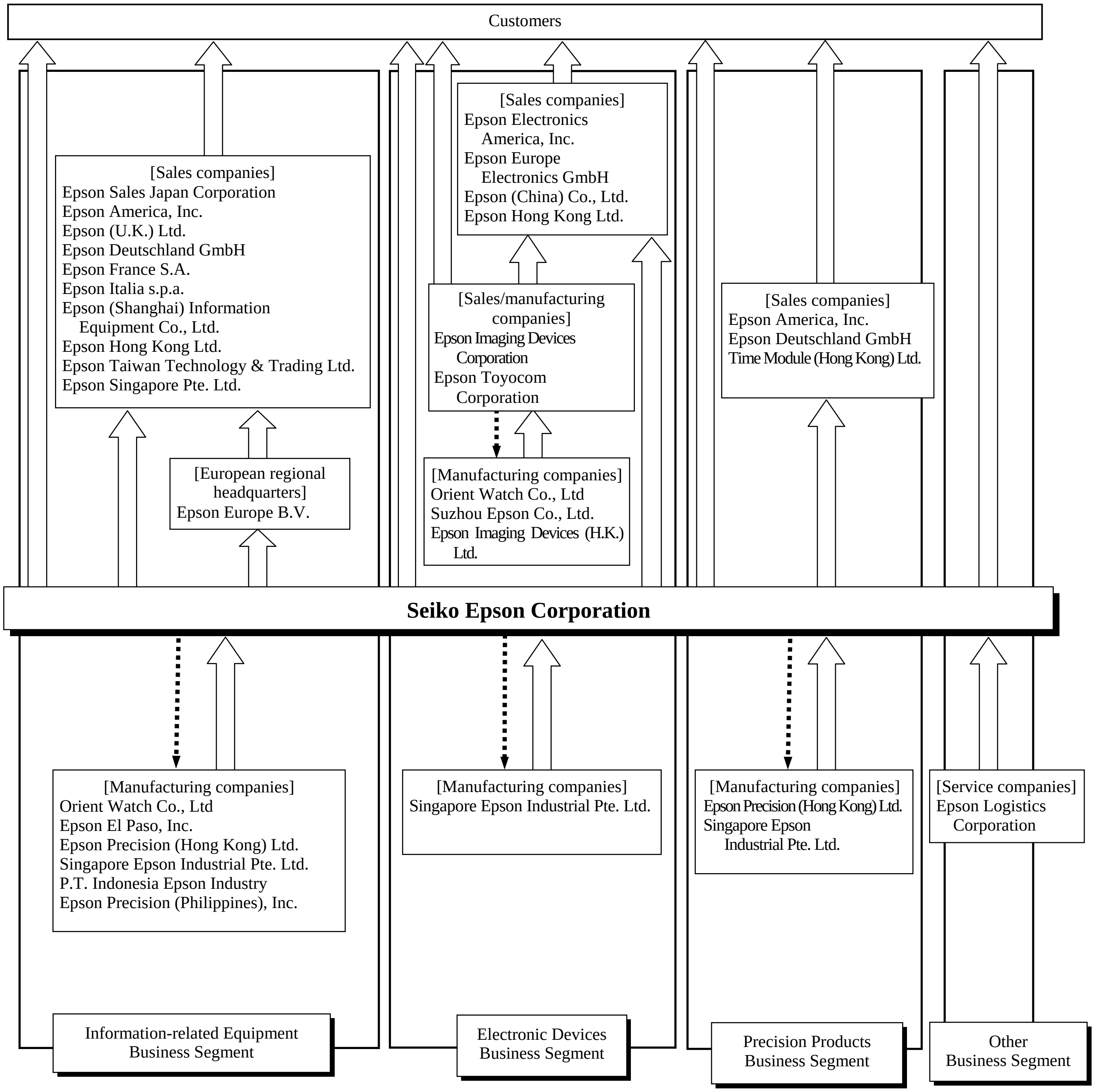
This segment includes the watch business, the optical products business, and the factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

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

Other business segment:

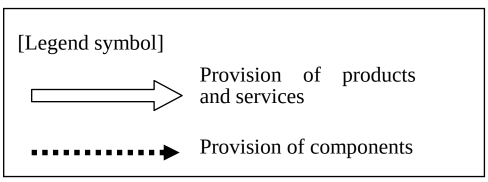
This segment comprises the businesses of subsidiaries that offer services within Epson, and new businesses still in the start-up phase that are aimed at optimizing current management resources.

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



Note: 1. Time Module (Hong Kong) Ltd. is an equity method affiliate. All others are consolidated subsidiaries.

2. Epson Toyocom Corporation, a subsidiary of the Company, is listed on the first section of the Tokyo Stock Exchange.



Management Policy

1. Basic Management Policy

Epson strives to fulfill its responsibilities as a good corporate citizen on a variety of fronts. These responsibilities include paying close attention to corporate ethics and risk management, improving customer satisfaction and product quality, and managing environmental performance. With "creativity and challenge" as the focal point for the Group's collective capabilities, Epson is aiming to further enhance its corporate value.

Epson is a progressive company, trusted throughout the world
because of our commitment to customer satisfaction,
environmental conservation, individuality, and teamwork.
We are confident of our collective skills and meet challenges
with innovative and creative solutions.

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.

Epson remains committed to the original direction of SE07 but 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.

In its mainstay inkjet printer business, Epson sought to boost hardware shipments as it pursued a strategy of balancing short-term profitability with medium-term growth. Going forward, the Company will leverage the advantages of its core Micro Piezo technology to strengthen its efforts to expand into the business, commercial and industrial domains, and to lay the foundations for future profitability. In recent years, the printing industry has begun to shift from analog to digital technologies. Epson believes that inkjet printing using Micro Piezo technology provides the optimum solution for responding to customer demands for high productivity and cost performance in printing multiple small lots. Beginning with a label printer launched in autumn 2007, Epson’s policy commits to offering inkjet printing solutions in various commercial and industrial domains, in addition to developing printers for personal use.

The small- and medium-size 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 has reviewed its product portfolio, deciding to concentrate resources on amorphous-silicon TFT LCDs and low-temperature TFT LCDs, and has made efforts to reduce both fixed and variable costs. As it seeks to further improve its financial performance, Epson will also realign its manufacturing facilities, leading to a significant streamlining of both domestic and overseas manufacturing plants, and will

reallocate human resources to growth areas of the business. The Company is also aiming to continue strengthening its product lineup by leveraging its distinctive technologies.
Epson will hone its technological development capability while maintaining the corporate culture of "monozukuri" (the art and science of manufacturing) that lies at the heart of the Company's values. To promote this, in addition to its regular capital investments, Epson will proactively invest in its various businesses to drive growth in the medium term.

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2007	**2008**	**2008**
ASSETS			
Current assets:			
Cash and cash equivalents	¥334,873	**¥-**	**$-**
Time deposits	2,222	**-**	**-**
Notes and accounts receivable, trade	218,988	**-**	**-**
Inventories	178,623	**-**	**-**
Deferred income taxes	33,235	**-**	**-**
Other current assets	48,991	**-**	**-**
Allowance for doubtful accounts	(3,658)	**-**	**-**
Cash and deposits	-	**171,970**	**1,716,448**
Notes and accounts receivable, trade	-	**187,775**	**1,874,191**
Short-term investments	-	**137,079**	**1,368,195**
Inventories	-	**161,357**	**1,610,514**
Deferred income taxes	-	**29,239**	**291,843**
Other current assets	-	**52,854**	**527,546**
Allowance for doubtful accounts	-	**(3,032)**	**(30,270)**
Total current assets	813,274	**737,245**	**7,358,469**
Property, plant and equipment:			
Buildings and structures	443,713	**435,868**	**4,350,416**
Machinery and equipment	560,587	**536,915**	**5,358,969**
Furniture and fixtures	207,930	**196,487**	**1,961,149**
Land	63,384	**61,434**	**613,181**
Construction in progress	5,804	**5,541**	**55,308**
Other	222	**208**	**2,077**
	1,281,640	**1,236,455**	**12,341,102**
Accumulated depreciation	(902,608)	**(893,193)**	**(8,914,994)**
	379,032	**343,261**	**3,426,108**
Intangible assets	-	**20,660**	**206,214**
Investments and other assets:			
Investment securities	45,739	**-**	**-**
Investments in affiliates	2,443	**-**	**-**
Deferred income taxes	6,451	**-**	**-**
Intangible assets	24,895	**-**	**-**
Other assets	12,925	**-**	**-**
Allowance for doubtful accounts	(347)	**-**	**-**
Investment securities	-	**20,419**	**203,804**
Long-term loans receivable	-	**63**	**630**
Deferred income taxes	-	**5,132**	**51,229**
Other assets	-	**12,560**	**125,367**
Allowance for doubtful accounts	-	**(178)**	**(1,777)**
	92,106	**37,997**	**379,255**
Total fixed assets	-	**401,919**	**4,011,577**
Total assets	¥1,284,412	**¥1,139,165**	**$11,370,047**

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2007	**2008**	**2008**
LIABILITIES			
Current liabilities:			
Notes and accounts payable, trade	¥118,815	**¥100,453**	**$1,002,630**
Short-term borrowings	37,498	**25,283**	**252,353**
Current portion of long-term debt	96,364	**73,047**	**729,087**
Accounts payable, other	107,969	**82,436**	**822,801**
Income taxes payable	7,578	**10,086**	**100,675**
Deferred income taxes	359	**289**	**2,892**
Accrued bonuses	16,950	**20,285**	**202,471**
Accrued bonuses to directors and statutory auditors	-	**154**	**1,544**
Accrued warranty costs	12,726	**11,240**	**112,189**
Accrued litigation and related expenses	4,816	**300**	**3,000**
Other current liabilities	73,050	**61,545**	**614,284**
Total current liabilities	476,125	**385,123**	**3,843,929**
Long-term liabilities:			
Long-term debt	270,046	-	-
Accrued pension and severance costs	25,556	-	-
Accrued recycle costs	738	-	-
Accrued warranty costs	1,496	-	-
Accrued litigation and related expenses	826	-	-
Deferred income taxes	1,978	-	-
Other long-term liabilities	13,312	-	-
Bonds	-	**100,000**	**998,103**
Long-term debt	-	**143,871**	**1,435,987**
Deferred income taxes	-	**7,488**	**74,745**
Accrued pension and severance costs	-	**14,532**	**145,046**
Accrued recycle costs	-	**948**	**9,468**
Accrued warranty costs	-	**830**	**8,284**
Accrued litigation and related expenses	-	**2,955**	**29,494**
Negative goodwill	-	**2,877**	**28,717**
Other long-term liabilities	-	**9,091**	**90,747**
Total long-term liabilities	313,952	**282,595**	**2,820,595**
Total liabilities	-	**667,718**	**6,664,525**
EQUITY			
Common stock			
Authorized - 607,458,368 shares,			
Issued - 196,364,592 shares	53,204	-	-
Additional paid-in capital	79,501	-	-
Retained earnings	313,946	-	-
Treasury stock, at cost			
2007 - 1,595 shares	(6)	-	-
Net unrealized gains on other securities	9,821	-	-
Net unrealized losses on derivative instruments	(35)	-	-
Translation adjustments	13,886	-	-
Minority interest in subsidiaries	24,018	-	-
Total equity	494,335	-	-
NET ASSETS			

Shareholders' equity:			
Common stock			
Authorized - 607,458,368 shares,			
Issued - 196,364,592 shares	-	**53,204**	**531,031**
Additional paid-in capital	-	**79,500**	**793,501**
Retained earnings	-	**326,719**	**3,260,998**
Treasury stock, at cost			
2008 - 2,251 shares	-	**(7)**	**(73)**
Total shareholders' equity	-	**459,417**	**4,585,457**
Valuation, translation differences and other:			
Net unrealized gains on other securities	-	**3,859**	**38,521**
Net unrealized gains on derivative instruments	-	**156**	**1,563**
Translation adjustments	-	**(16,227)**	**(161,969)**
Total valuation, translation differences and other	-	**(12,211)**	**(121,885)**
Minority interest in subsidiaries	-	**24,240**	**241,949**
Total net assets	-	**471,446**	**4,705,522**
Total liabilities and equity	¥1,284,412	**-**	**-**
Total liabilities and net assets	-	**¥1,139,165**	**$11,370,047**

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

Consolidated Statements of Operations
Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	**2008**	**2008**
Net sales	¥1,549,568	¥1,416,032	**¥1,347,841**	**$13,452,853**
Cost of sales	1,194,781	1,059,259	**979,391**	**9,775,345**
Gross profit	354,787	356,773	**368,449**	**3,677,508**
Selling, general and administrative expenses:				
Salaries and wages	78,381	79,582	-	-
Advertising	31,643	26,215	-	-
Sales promotion	31,538	27,476	-	-
Research and development costs	44,570	43,054	-	-
Shipping costs	21,537	20,607	-	-
Provision for doubtful accounts	66	409	-	-
Other	121,294	109,087	-	-
Selling, general and administrative expenses	-	-	**310,871**	**3,102,822**
	329,029	306,430	**310,871**	**3,102,822**
Operating income	25,758	50,343	**57,577**	**574,686**
Other income:				
Interest and dividend income	3,751	5,998	-	-
Net gain on foreign exchange	425	-	-	-
Rental income	1,469	1,620	-	-
Gain on change in interest due to business combination	12,424	-	-	-
Other	6,752	11,313	-	-
	24,821	18,931	-	-
Other expenses:				
Interest expenses	6,730	6,631	-	-
Net loss on foreign exchange	-	7,191	-	-
Loss on disposal of fixed assets	2,331	4,451	-	-
Impairment losses	1,951	866	-	-
Reorganization costs	45,532	41,165	-	-
Provision for litigation and related expenses	8,540	1,129	-	-
Other	5,542	4,365	-	-
	70,626	65,798	-	-
Other income:				
Interest income	-	-	**6,498**	**64,856**
Dividends income	-	-	**4,338**	**43,297**
Rental income	-	-	**1,229**	**12,275**
Other	-	-	**4,902**	**48,928**
	-	-	**16,968**	**169,358**
Other expenses:				
Interest expenses	-	-	**6,406**	**63,947**
Net loss on foreign exchange	-	-	**2,667**	**26,627**
Other	-	-	**2,208**	**22,039**
	-	-	**11,282**	**112,614**
Ordinary income	-	-	**63,263**	**631,430**
Special gains:				
Gain on sales of investment securities	-	-	**2,006**	**20,031**
Reversal of accrued litigation and related expenses	-	-	**2,392**	**23,883**
Other	-	-	**1,661**	**16,586**
	-	-	**6,061**	**60,501**

Special losses:				
Loss on disposal of fixed assets	-	-	**1,972**	**19,688**
Impairment losses	-	-	**10,783**	**107,630**
Other	-	-	**4,523**	**45,144**
	-	-	**17,279**	**172,464**
Income (loss) before income taxes and minority interest	(20,047)	3,476	**52,045**	**519,467**
Income taxes:				
Current	16,564	10,784	**14,341**	**143,146**
Deferred	(7,377)	6,837	**15,881**	**158,514**
	9,187	17,621	**30,223**	**301,660**
Income (loss) before minority interest	(29,234)	(14,145)	**21,822**	**217,806**
Minority interest in subsidiaries	(11,317)	(7,051)	**2,728**	**27,232**
Net income (loss)	¥(17,917)	¥(7,094)	**¥19,093**	**$190,574**
	Yen			U.S. dollars
Per share:				
Net income (loss)	¥(91.24)	¥(36.13)	**¥97.24**	**$0.97**
Cash dividends	¥29.00	¥32.00	**¥32.00**	**$0.32**

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2007	**2008**	**2008**
Net sales	¥341,934	**¥310,569**	**$3,099,807**
Cost of sales	257,223	**226,096**	**2,256,677**
Gross profit	84,711	**84,473**	**843,130**
Selling, general and administrative expenses:			
Salaries and wages	19,940	-	-
Advertising	6,784	-	-
Sales promotion	8,461	-	-
Research and development costs	11,246	-	-
Shipping costs	5,120	-	-
Provision for doubtful accounts	(479)	-	-
Other	29,621	-	-
Selling, general and administrative expenses	-	**82,606**	**824,494**
	80,693	**82,606**	**824,494**
Operating income	4,018	**1,867**	**18,636**
Other income:			
Interest and dividend income	2,018	-	-
Other	4,751	-	-
	6,769	-	-
Other expenses:			
Interest expenses	1,935	-	-
Net loss on foreign exchange	1,586	-	-
Loss on disposal of fixed assets	1,038	-	-
Impairment losses	349	-	-
Reorganization costs	39,161	-	-
Other	3,338	-	-
	47,407	-	-
Other income:			
Interest income	-	**1,717**	**17,143**
Dividends income	-	**59**	**598**
Net gain on foreign exchange	-	**255**	**2,551**
Other	-	**1,611**	**16,085**
	-	**3,644**	**36,378**
Other expenses:			
Interest expenses	-	**1,816**	**18,129**
Other	-	**698**	**6,976**
	-	**2,515**	**25,105**
Ordinary income	-	**2,996**	**29,909**
Special gains:			
Gain on sales of investment securities	-	**1,719**	**17,160**
Reversal of accrued litigation and related expenses	-	**2,392**	**23,883**
Other	-	**804**	**8,032**
	-	**4,916**	**49,075**
Special losses:			
Loss on disposal of fixed assets	-	**596**	**5,953**
Impairment losses	-	**7,064**	**70,509**
Other	-	**2,985**	**29,797**
	-	**10,646**	**106,260**
Loss before income taxes and minority interest	(36,620)	**(2,732)**	**(27,275)**
Income taxes	(16,422)	**195**	**1,953**

Loss before minority interest	(20,198)	**(2,927)**	**(29,228)**
Minority interest in subsidiaries	837	**213**	**2,135**
Net loss	¥(21,035)	**¥(3,142)**	**$(31,364)**

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

Consolidated Statements of Changes in Equity

Year ended March 31:

	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, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥(3)	¥3,743	¥-	¥(14,519)	¥-	¥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	(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.

Consolidated Statements of Changes in Net Assets

Year ended March 31:

	Millions of yen											
		Shareholders' equity					Valuation, translation differences and other					
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on other securities	Net unrealized gains (losses) on derivative instruments	Translation adjustments	Total valuation, translation differences and other	Minority interest in subsidiaries	Total net assets
Balance at March 31, 2007	196,364,592	¥53,204	¥79,501	¥313,946	¥(6)	¥446,645	¥9,821	¥(35)	¥13,886	¥23,672	¥24,018	¥494,335
Reclassified amount at March 31, 2007	-	-	**(1)**	**(1)**	-	**(1)**	**(1)**	**(1)**	**1**	-	-	**(1)**
Net income	-	-	-	**19,093**	-	**19,093**	-	-	-	-	-	**19,093**
Cash dividends	-	-	-	**(6,283)**	-	**(6,283)**	-	-	-	-	-	**(6,283)**
Decrease due to unification of accounting policies applied to foreign subsidiaries	-	-	-	**(36)**	-	**(36)**	-	-	-	-	-	**(36)**
Changes in treasury stock	-	-	-	-	**(1)**	**(1)**	-	-	-	-	-	**(1)**
Other, net	-	-	-	-	-	-	**(5,961)**	**192**	**(30,114)**	**(35,883)**	**222**	**(35,661)**
Balance at March 31, 2008	**196,364,592**	**¥53,204**	**¥79,500**	**¥326,719**	**¥(7)**	**¥459,417**	**¥3,859**	**¥156**	**¥(16,227)**	**¥(12,211)**	**¥24,240**	**¥471,446**

	Thousands of U.S. dollars										
	Shareholders' equity					Valuation, translation differences and other					
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized gains on other securities	Net unrealized gains (losses) on derivative instruments	Translation adjustments	Total valuation, translation differences and other	Minority interest in subsidiaries	Total net assets
Balance at March 31, 2007	$531,031	$793,501	$3,133,503	$(55)	$4,457,981	$98,020	$(353)	$138,605	$236,273	$239,728	$4,933,983
Net income	-	-	**190,574**	-	**190,574**	-	-	-	-	-	**190,574**
Cash dividends	-	-	**(62,716)**	-	**(62,716)**	-	-	-	-	-	**(62,716)**
Decrease due to unification of accounting policies applied to foreign subsidiaries	-	-	**(362)**	-	**(362)**	-	-	-	-	-	**(362)**
Changes in treasury stock	-	-	-	**(18)**	**(18)**	-	-	-	-	-	**(18)**
Other, net	-	-	-	-	-	**(59,499)**	**1,916**	**(300,575)**	**(358,158)**	**2,221**	**(355,937)**
Balance at March 31, 2008	**$531,031**	**$793,501**	**$3,260,998**	**$(73)**	**$4,585,457**	**$38,521**	**$1,563**	**$(161,969)**	**$(121,885)**	**$241,949**	**$4,705,522**

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

Consolidated Statements of Cash Flows
Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	**2008**	**2008**
Cash flows from operating activities:				
Net loss	¥(17,917)	¥(7,094)	**¥-**	**$-**
Adjustments to reconcile net loss to net cash provided by operating activities -				
Depreciation and amortization	109,662	88,830	-	-
Reorganization costs	45,532	41,068	-	-
Accrual for net pension and severance costs, less payments	9,917	(5,102)	-	-
Net loss on sales and disposal of fixed assets	2,250	3,363	-	-
Gain on change in interest due to business combination	(12,424)	-	-	-
Equity in net gains under the equity method	(168)	(138)	-	-
Deferred income taxes	(7,377)	6,837	-	-
Decrease in allowance for doubtful accounts	(537)	(355)	-	-
Provision for litigation and related expenses	8,540	1,129	-	-
Decrease in notes and accounts receivable, trade	23,987	29,897	-	-
(Increase) decrease in inventories	(1,695)	21,281	-	-
Decrease in notes and accounts payable, trade	(20,526)	(10,864)	-	-
Decrease in accrued income taxes	(1,932)	(2,990)	-	-
Other	(19,815)	(5,633)	-	-
Income before income taxes and minority interest	-	-	**52,045**	**519,467**
Adjustments to reconcile income before income taxes and minority interest to net cash provided by operating activities -				
Depreciation and amortization	-	-	**79,209**	**790,588**
Impairment losses	-	-	**10,783**	**107,630**
Equity in net gains under the equity method	-	-	**(104)**	**(1,047)**
Amortization of goodwill	-	-	**(1,254)**	**(12,521)**
Decrease in allowance for doubtful accounts	-	-	**(462)**	**(4,612)**
Increase in accrued bonuses	-	-	**3,526**	**35,200**
Decrease in accrued warranty costs	-	-	**(1,604)**	**(16,016)**
Accrual for net pension and severance costs, less payments	-	-	**(10,872)**	**(108,518)**
Interest and dividend income	-	-	**(10,836)**	**(108,154)**
Interest expenses	-	-	**6,406**	**63,947**
Foreign exchange losses	-	-	**559**	**5,583**
Net gain on sales of fixed assets	-	-	**(474)**	**(4,738)**
Loss on disposal of fixed assets	-	-	**2,593**	**25,890**
Net gain on sales of investment securities	-	-	**(2,010)**	**(20,067)**
Decrease in notes and accounts receivable, trade	-	-	**33,520**	**334,566**
Decrease in inventories	-	-	**6,357**	**63,457**
Decrease in consumption tax payable	-	-	**(1,504)**	**(15,014)**
Decrease in notes and accounts payable, trade	-	-	**(30,734)**	**(306,762)**
Other	-	-	**(15,849)**	**(158,194)**
Subtotal	-	-	**119,294**	**1,190,685**
Interest and dividend received	-	-	**11,956**	**119,336**
Interest paid	-	-	**(6,179)**	**(61,675)**
Income taxes paid	-	-	**(13,011)**	**(129,868)**
Net cash provided by operating activities	117,497	160,229	**112,060**	**1,118,478**
Cash flows from investing activities:				
Decrease in time deposits	-	-	**716**	**7,152**
Payments for purchases of short-term investments	-	-	**(16)**	**(165)**
Proceeds from maturities of short-term investments	1,000	2,000	-	-
Payments for purchases of investment securities	-	-	**(892)**	**(8,905)**
Proceeds from sales of investment securities	-	-	**12,069**	**120,462**

Proceeds from maturities of investment securities	-	-	**8,000**	**79,848**
Payments for purchases of property, plant and equipment	(96,099)	(67,803)	**(66,462)**	**(663,369)**
Proceeds from sales of property, plant and equipment	1,315	7,317	**1,153**	**11,516**
Payments for purchases of intangible assets	(9,272)	(11,513)	**(6,143)**	**(61,320)**
Proceeds from sales of intangible assets	-	-	**3**	**31**
Payments of long-term prepaid expenses	(3,296)	(945)	**(175)**	**(1,755)**
Payments for acquisition of additional stock of an affiliate	-	(3,306)	**-**	**-**
Payments for purchases of subsidiaries' stock	(1,034)	(2,000)	**(336)**	**(3,356)**
Proceeds from sales of subsidiary's stock	-	-	**146**	**1,463**
Proceeds from business combination, net of payment	12,204	-	**-**	**-**
Other	(84)	(169)	**1,167**	**11,655**
Net cash used in investing activities	(95,266)	(76,419)	**(50,770)**	**(506,742)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	18,471	(12,657)	**(12,955)**	**(129,313)**
Proceeds from long-term debt	116,300	120,880	**32,781**	**327,190**
Repayments of long-term debt	(111,786)	(131,119)	**(102,251)**	**(1,020,575)**
Proceeds from issuance of bonds	-	-	**20,000**	**199,620**
Proceeds from issuance of subsidiaries' stock	2,674	-	**-**	**-**
Payments for purchases of treasury stock	-	-	**(1)**	**(18)**
Cash dividends	(5,694)	(6,284)	**(6,283)**	**(62,718)**
Cash dividends paid to minority shareholders	-	-	**(1,426)**	**(14,241)**
Other	(842)	(970)	**(524)**	**(5,236)**
Net cash provided by (used in) financing activities	19,123	(30,150)	**(70,663)**	**(705,292)**
Effect of exchange rate fluctuations on cash and cash equivalents	3,687	1,099	**(9,085)**	**(90,680)**
Net increase (decrease) in cash and cash equivalents	45,041	54,759	**(18,458)**	**(184,237)**
Cash and cash equivalents at the beginning of the year	234,904	280,114	**334,873**	**3,342,380**
Cash and cash equivalents increased by merger of unconsolidated subsidiaries	169	-	**-**	**-**
Cash and cash equivalents at the end of the year	¥280,114	¥334,873	**¥316,414**	**$3,158,143**
Supplemental disclosures of cash flow information:				
Cash received and paid during the year for -				
Interest and dividend received	¥3,794	¥5,983		
Interest paid	¥(6,678)	¥(6,417)		
Income taxes paid	¥(18,496)	¥(13,774)		

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2007	**2008**	**2008**
Cash flows from operating activities:			
Net loss	¥(21,035)	**¥-**	**$-**
Adjustments to reconcile net loss to net cash provided by operating activities -			
Depreciation and amortization	23,355	**-**	**-**
Reorganization costs	39,155	**-**	**-**
Accrual for net pension and severance costs, less payments	(2,197)	**-**	**-**
Net loss on sales and disposal of fixed assets	538	**-**	**-**
Equity in net gains under the equity method	(17)	**-**	**-**
Deferred income taxes	(8,453)	**-**	**-**
Decrease in allowance for doubtful accounts	(889)	**-**	**-**
Provision for litigation and related expenses	1,129	**-**	**-**
Decrease in notes and accounts receivable, trade	43,673	**-**	**-**
Decrease in inventories	22,621	**-**	**-**
Decrease in notes and accounts payable, trade	(9,560)	**-**	**-**
Decrease in accrued income taxes	(11,704)	**-**	**-**
Other	(7,175)	**-**	**-**
Loss before income taxes and minority interest	-	**(2,732)**	**(27,275)**
Adjustments to reconcile loss before income taxes and minority interest to net cash provided by operating activities -			
Depreciation and amortization	-	**20,446**	**204,076**
Impairment losses	-	**7,064**	**70,509**
Equity in net losses under the equity method	-	**7**	**77**
Amortization of goodwill	-	**(314)**	**(3,135)**
Decrease in allowance for doubtful accounts	-	**(352)**	**(3,518)**
Increase in accrued bonuses	-	**10,927**	**109,066**
Decrease in accrued warranty costs	-	**(605)**	**(6,046)**
Accrual for net pension and severance costs, less payments	-	**(2,722)**	**(27,174)**
Interest and dividend income	-	**(1,777)**	**(17,741)**
Interest expenses	-	**1,816**	**18,129**
Foreign exchange losses	-	**707**	**7,063**
Net gain on sales of fixed assets	-	**(310)**	**(3,096)**
Loss on disposal of fixed assets	-	**892**	**8,906**
Net gain on sales of investment securities	-	**(1,719)**	**(17,160)**
Decrease in notes and accounts receivable, trade	-	**63,608**	**634,875**
Decrease in inventories	-	**7,141**	**71,274**
Decrease in consumption tax payable	-	**(2,009)**	**(20,059)**
Decrease in notes and accounts payable, trade	-	**(41,650)**	**(415,719)**
Other	-	**(4,450)**	**(44,419)**
Subtotal	-	**53,965**	**538,633**
Interest and dividend income received	-	**2,293**	**22,890**
Interest paid	-	**(1,862)**	**(18,592)**
Income taxes paid	-	**(5,156)**	**(51,466)**
Net cash provided by operating activities	69,441	**49,239**	**491,463**
Cash flows from investing activities:			
Increase in time deposits	-	**(234)**	**(2,343)**
Payments for purchases of investment securities	-	**(61)**	**(613)**
Proceeds from sales of investment securities	-	**11,719**	**116,972**
Proceeds from maturities of investment securities	-	**3,000**	**29,943**
Payments for purchases of property, plant and equipment	(16,830)	**(14,674)**	**(146,469)**
Proceeds from sales of property, plant and equipment	6,433	**510**	**5,098**

Payments for purchases of intangible assets	(1,474)	**(1,637)**	**(16,340)**
Proceeds from sales of intangible assets	-	**1**	**17**
Payments of long-term prepaid expenses	(93)	**(51)**	**(512)**
Other	129	**340**	**3,401**
Net cash used in investing activities	(11,835)	**(1,086)**	**(10,845)**
Cash flows from financing activities:			
Decrease in short-term borrowings	(13,968)	**(2,675)**	**(26,705)**
Proceeds from long-term debt	90,880	**12,281**	**122,579**
Repayments of long-term debt	(78,422)	**(31,613)**	**(315,538)**
Payments for purchases of treasury stock	-	**(0)**	**(3)**
Cash dividends paid to minority shareholders	-	**(2)**	**(23)**
Other	(177)	**(119)**	**(1,193)**
Net cash used in financing activities	(1,687)	**(22,130)**	**(220,884)**
Effect of exchange rate fluctuations on cash and cash equivalents	(636)	**(9,222)**	**(92,052)**
Net increase in cash and cash equivalents	55,283	**16,799**	**167,681**
Cash and cash equivalents at the beginning of the period	279,590	**299,614**	**2,990,462**
Cash and cash equivalents at the end of the period	¥334,873	**¥316,414**	**$3,158,143**

Supplemental disclosures of cash flow information:	
Cash received and paid during the period for -	
Interest and dividend received	¥1,973
Interest paid	¥(1,903)
Income taxes paid	¥(3,735)

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

Notes to Consolidated Financial Statements

Certain information regarding certain notes such as “Investments in debt and equity securities” and “Derivative instruments” has not been disclosed herein since such information was insignificant to the consolidated results.

1. Basis of presenting consolidated financial statements

(1) Nature of operations

Seiko Epson Corporation (the “Company”) was originally established as a manufacturer of watches but later expanded its business to provide key devices and solutions for the digital color imaging markets through the application of its proprietary technologies. The Company operates its manufacturing and sales business mainly in Japan, the Americas, Europe and Asia/Oceania.

(2) Basis of presenting consolidated financial statements

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan.

Prior to April 1, 2007, the Company used the financial statements prepared by its foreign subsidiaries in conformity with accounting principles generally accepted in their respective countries of domicile for the consolidation process.

On May 17, 2006, the Accounting Standards Board of Japan (ASBJ) issued Practical Issues Task Force No. 18 - “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements”. Effective 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 the Company’s and its consolidated subsidiaries’ and affiliates’ results of operations and financial position for the year ended

March 31, 2008.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively "Epson") 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 Financial Instruments and Exchange Law of Japan.

The accompanying consolidated financial statements formed before the year ended March 31, 2007 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 certain information that is not required under accounting principles generally accepted in Japan, but which is provided herein as additional information. However, neither of the reclassifications nor rearrangements had a material effect on the financial statements. The accompanying consolidated financial statements for the year ended March 31, 2008 and the three months then ended are presented without those reclassifications and rearrangements.

The amounts in the accompanying consolidated financial statements and the notes thereto for periods prior to April 1, 2007 are rounded off. However, amounts in the accompanying consolidated financial statements and the notes thereto for periods from or subsequent to April 1, 2007 are rounded down.

2. Number of group companies

As of March 31, 2008, the Company had 100 consolidated subsidiaries. It has applied the equity method in respect to two unconsolidated subsidiaries and four affiliates.

3. Summary of significant accounting policies

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by Epson. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent in accordance with Japanese accounting standards. All significant inter-company transactions and accounts, along with unrealized inter-company profits, are eliminated upon consolidation.

Investments in affiliates in which Epson has significant influence are accounted for using the equity method. Consolidated income includes Epson's current equity in net income or loss of affiliates after elimination of significant unrealized inter-company profits.

The difference between the cost and the underlying net assets of investments in subsidiaries is recognized as "goodwill" and is included in intangible assets account (if the cost is in excess) or in other long-term liabilities account (if the underlying net asset is in excess). Goodwill is amortized on a straight-line basis over a period of five years.

(2) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are 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 translation adjustments and minority interest in subsidiaries.

(3) Cash and cash equivalents

Cash and cash equivalents included in the consolidated financial statements comprise cash on hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which present low risk of fluctuation in value.

(4) Financial instruments

(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, or 3) other securities. These categories are treated differently for purposes of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair values in the consolidated balance sheets. Changes in unrealized gains and losses are included in current income. Held-to-maturity debt securities are expected to be held to maturity and are recognized at amortized cost computed based on the straight-line method in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Unrealized gains and losses for these other securities are reported as a separate component of equity/net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving-average cost method. Other-than-temporary declines in the value of other securities are reflected in current income.

(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 ASBJ issued an Accounting Standard - ASBJ Statement No. 5 “Accounting Standard for Presentation of Net Assets in the Balance Sheet” and its Implementation Guidance - ASBJ Guidance No. 8 “Guidance on Accounting Standard 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 were met, such gains and losses arising from changes in fair value would be deferred as assets or liabilities. Under the new accounting standards, such gains and losses are recorded as a separate component of equity/net assets, net of taxes.

For interest rate swaps, if certain hedging criteria are met, they 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 significant depreciable assets principally range from eight to fifty years for buildings and structures and from two to eleven years for machinery 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 a residual value is 10 % of acquisition cost.

In line with the fiscal year 2007 Japanese tax reforms, effective 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, 2007. The method requires that property, plant and equipment be depreciated to ¥1 ($0.01) (memorandum value) at the end of their useful lives. As a result of the adoption of the new method, operating income and income before income taxes and minority interest for the year ended March 31, 2008 decreased by ¥2,557 million ($25,530 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

Furthermore, in line with the fiscal year 2007 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 a period of five years commencing from the start of the year following the year in which they have been fully depreciated to their respective depreciable limits using the straight-line method. As a result of the additional depreciation, operating income and income before income taxes and minority interest for the year ended March 31, 2008 decreased by ¥2,409 million ($24,045 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

(7) Intangible assets

Amortization of intangible assets is computed using the straight-line method. Amortization of software for internal use is computed using the straight-line method over its estimated useful life, ranging from three to five years.

(8) Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered to be impaired, an impairment charge is recorded for the excess of the carrying value of the long-lived asset over its recoverable amount.

(9) Accrued bonuses

Accrued bonuses to employees are provided for the estimated amounts which Epson is obligated to pay to its employees after the fiscal year-end for the services provided up to the balance sheet dates.

Accrued bonuses to directors and statutory auditors are provided for the estimated amounts which the Company is obligated to pay to directors and statutory auditors subject to the resolution of general shareholders' meeting held subsequent to the fiscal year-end.

(10) 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.

(11) Accrued litigation and related expenses

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

(12) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

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

(13) 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 the fair value of plan assets. Other Japanese subsidiaries recognize accrued pension and severance costs to employees based on the voluntary retirement benefit payable at the year-end.

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

Unrecognized prior service costs are amortized based on the straight-line method over a period of five years beginning at the date of adoption of the plan amendment. 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 were primarily defined contribution plans.

Prior to June 23 2006, with respect to the Company's directors and statutory auditors, who were 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, the plan was terminated and the benefits granted prior to the termination date were included in other long-term liabilities account.

(14) Accrued recycle costs

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

(15) Presentation of equity/net assets and consolidated statements of changes in equity/net assets

On December 9, 2005, the ASBJ issued an Accounting Standard - ASBJ Statement No. 5 "Accounting Standard for Presentation of Net Assets in the Balance Sheet" and its Implementation Guidance - ASBJ Guidance No. 8 "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet". Effective as of April 1, 2006, Epson has adopted these new accounting standards. Under these new accounting standards, certain items, which were previously presented as assets or liabilities, are now presented as components of equity/net assets. Such items include minority interest in subsidiaries and any unrealized gains or losses on derivative instruments.

On December 27, 2005, the ASBJ issued another Accounting Standard - ASBJ Statement No. 6 "Accounting Standard for Statement of Changes in Net Assets" and its Implementation Guidance - ASBJ Guidance No. 9 "Guidance on Accounting Standard for Statement of Changes in Net Assets". Effective as of April 1, 2006, Epson has adopted these new accounting standards. The consolidated statements of changes in shareholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under these new accounting standards and has been renamed "Consolidated Statements of Changes in Equity/Net Assets" from the year beginning April 1, 2006.

(16) 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.

(17) Research and development costs

Research and development costs are expensed as incurred.

(18) 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/amortization and future estimated lease payments.

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

(19) Net income per share

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

(20) 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.

(21) Reclassifications

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2008.

Consolidated balance sheets

Certificate of deposit which had been included in cash and cash equivalents account in the prior fiscal years has been accounted for short-term investments account starting from the current fiscal year in accordance with Accounting Committee Report No.14 - “Practical Guidance of Accounting for Financial Instruments” amended by the Japanese Institute of Certified Public Accountants on July 4, 2007.

The balances of certificate of deposit as of March 31, 2007 and March 31, 2008 were ¥141,200 million and ¥127,072 million ($1,268,312 thousand), respectively.

4. U.S. dollar amounts

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥100.19 = U.S.$1, the rate of exchange prevailing at March 31, 2008, has been used.

5. Acquisitions

Detail of the acquisitions is not disclosed herein since it is insignificant to the consolidated results.

6. Notes receivable and notes payable maturing at fiscal year-end

Notes receivable and notes payable are settled on the date of clearance. As March 31, 2007 was a bank holiday, notes receivable and notes payable maturing on that date could not be settled and were included in the ending balance of notes and accounts receivable, trade account and notes and accounts payable, trade account as follows:

	Millions of yen
Notes receivable	¥272
Notes payable	463

7. Inventories

Losses recognized and charged to cost of sales as a result of valuation at the lower of cost or market value at March 31, 2007 and 2008 were ¥13,960 million and ¥11,258 million ($112,370 thousand), respectively.

8. Investments in debt and equity securities

Epson classifies all investments in debt and equity securities in either held-to-maturity debt securities or other securities.

Detail of the aggregate cost, market value (carrying value) and net unrealized gains is not disclosed herein since it is insignificant to the consolidated results.

The amount of investments in unconsolidated subsidiaries and affiliates, which was included in investment securities account at March 31, 2008, was ¥2,342 million ($23,380 thousand).

9. 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.

Epson's management believes that credit risk relating to derivative instruments that Epson uses is relatively low since all of its counterparties to the derivative instruments are creditworthy financial institutions.

Forward exchange transactions are approved by the forward exchange committee (which comprises representatives of Epson's management) and executed based on authorization of the general manager of Epson in charge of the finance function in accordance with internal rules and policies developed regarding derivative transaction management.

Interest rate swap transactions are approved and executed based on authorization of the director of Epson in charge of the finance function based on the above-mentioned internal rules and policies. Transactions are executed and managed by the responsible section in the financial department and reported to the general manager.

Detail of the contract amounts and fair values of derivatives is not disclosed herein since it is insignificant to the consolidated results.

10. Credit agreements

As at March 31, 2008, the Company had line-of-credit agreements with twenty-eight financial institutions for an aggregate maximum amount of ¥80,000 million ($798,482 thousand). As at March 31, 2008, there were unused lines of credit of ¥50,000 million ($499,051 thousand) outstanding and available.

11. Goodwill

Epson had goodwill and negative goodwill as at March 31, 2007 and 2008. 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 March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2008
	2007	2008	
Goodwill	¥256	¥423	$4,225
Negative goodwill	4,621	3,300	32,943

12. Pension and severance costs

The Company and its Japanese subsidiaries maintain corporate defined benefit pension plans and defined contribution pension plans covering the majority of their employees.

Some of the Company's Japanese subsidiaries maintain tax qualified pension plans that are non-contributory defined benefit pension plans. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on expense deductibility under Japanese income tax laws.

The funded status of these plans at March 31, 2007 and 2008 was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31, 2008
	2007	2008	
Projected benefit obligations	¥218,077	¥218,019	$2,176,057
Plan assets at fair value	203,930	194,592	1,942,238
Unfunded status	14,147	23,426	233,819
Unrecognized items:			
Prior service cost reduction from plan amendment	6,449	1,343	13,405
Actuarial gains (losses)	3,600	(11,623)	(116,015)
Accrued pension and severance costs - net	24,196	13,145	131,210
Prepaid pension cost	1,360	1,386	13,836
Accrued pension and severance costs	¥25,556	¥14,532	$145,046

The composition of net pension and severance costs for the years ended March 31, 2006, 2007 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	2008	2008
Service cost	¥7,889	¥7,376	¥8,173	$81,578
Interest cost	4,862	5,415	5,613	56,032
Expected return on plan assets	(5,079)	(6,050)	(6,271)	(62,592)
Amortization and expenses:				
Prior service costs	(2,733)	(2,619)	(2,340)	(23,357)
Actuarial losses	8,382	3,119	175	1,750
Net pension and severance costs	13,321	7,241	5,351	53,411
Contribution to defined contribution pension plan	2,976	3,258	3,299	32,929
	¥16,297	¥10,499	¥8,650	$86,340

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2006, 2007 and 2008 were primarily as follows:

	Year ended March 31		
	2006	2007	2008
Discount rate	2.5%	2.5%	2.5%
Long-term rate of return on plan assets	3.0	3.0	3.0

13. Equity/Net assets

The Japanese Corporation Law, which came into effect on May 1, 2006, provides that an amount equal to 10% of dividends shall be distributed as additional paid-in capital or legal reserve on the date of distribution until an aggregated amount of additional paid-in capital and legal reserve equals 25% of common stock. The Commercial Code of Japan, which was in effect before the Japanese Corporation Law, provided that at least 10% of appropriations of retained earnings that were paid in cash shall be appropriated as legal reserve until an aggregated amount of additional paid-in capital and the legal reserve equaled 25% of common stock.

The Japanese Corporation Law stipulates requirements on distributions of retained earnings similar to those of the Commercial Code of Japan. Under the Japanese Corporation Law, such distributions can be made at any time by resolution of the shareholders, or by the board of directors if certain conditions are met.

Under the Japanese Corporation Law, the distributions of retained earnings for a fiscal year is made by resolution of shareholders at a general meeting to be held within three months after the balance sheet date, and accordingly such distributions are recorded at the time of resolution.

The amounts of year-end cash dividends per share and interim cash dividends per share, which the

Company paid to the shareholders of record as at the respective period-ends during the years ended March 31, 2006, 2007 and 2008, were as follows:

	Yen			U.S. dollars
	Year ended March 31			Year ended March 31,
Cash dividends per share	2006	2007	2008	2008
Year-end	¥13.00	¥16.00	¥16.00	$0.16
Interim	16.00	16.00	16.00	0.16
Total	¥29.00	¥32.00	¥32.00	$0.32

The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2007, were June 26, 2006 and November 30, 2006, respectively. The effective dates of the distribution for year-end and interim cash dividends, which were paid during the year ended March 31, 2008, were June 27, 2007 and December 5, 2007, respectively.

The proposed cash dividends of retained earnings of the Company for the year ended March 31, 2008 approved at the general shareholders' meeting, which will be held on June 25, 2008, is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends	¥3,141	$31,358
	Yen	U.S. dollars
Cash dividends per share	¥16.00	$0.16

The effective date of the distribution will be June 26, 2008.

14. Net income (loss) per share

Calculation of net income (loss) per share for the years ended March 31, 2006, 2007 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	2008	2008
Net income (loss) attributable to common shares	¥(17,917)	¥(7,094)	¥19,093	$190,574
	Thousands of shares			
Weighted-average number of common shares outstanding	196,364	196,363	196,362	
	Yen			U.S. dollars
Net income (loss) per share	¥(91.24)	¥(36.13)	¥97.24	$0.97

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 years ended March 31, 2006 and 2007. Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the year ended March 31, 2008.

15. Income taxes

Epson is subject to a number of different income taxes which, in the aggregate, resulted in a statutory income tax rate in Japan of approximately 40.4 % for each of the years ended March 31, 2006, 2007 and 2008.

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2007	2008	2008
Deferred tax assets:			
Property, plant and equipment and intangible assets	¥32,302	¥26,682	$266,319
Net operating tax loss carry-forwards	4,871	18,262	182,281
Inter-company profits on inventories and write downs	9,212	8,776	87,595
Accrued bonuses	5,495	7,358	73,443
Devaluation of investment securities	4,914	5,072	50,626
Accrued pension and severance costs	8,591	4,455	44,469
Accrued warranty costs	4,352	3,510	35,037
Accrued litigation and related expenses	3,637	1,320	13,184
One-time depreciation for assets	-	1,224	12,223
Others	21,699	19,240	192,038
Gross deferred tax assets	95,073	95,903	957,219
Less: valuation allowance	(19,231)	(29,492)	(294,369)
Total deferred tax assets	75,842	66,410	662,849
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries and affiliates	(26,751)	(32,478)	(324,172)
Net unrealized gains on land held by a subsidiary	(2,613)	(2,613)	(26,083)
Net unrealized gains on other securities	(5,347)	(1,510)	(15,074)
Reserve for special depreciation for tax purpose	(2,253)	(1,435)	(14,329)
Others	(1,529)	(1,778)	(17,754)
Gross deferred tax liabilities	(38,493)	(39,816)	(397,414)
Net deferred tax assets	¥37,349	¥26,593	$265,435

The valuation allowance was established mainly against deferred tax assets on future tax-deductible temporary differences and operating tax loss carry-forwards as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future.

Epson has provided for deferred income taxes on all undistributed earnings of overseas subsidiaries and affiliates.

The differences between Epson’s statutory income tax rate and the income tax rate reflected in the consolidated statements of operations were reconciled as follows:

	Year ended March 31		
	2006	2007	2008
Statutory income tax rate	40.4%	40.4%	40.4%
Reconciliation:			
Changes in valuation allowance	(95.8)	365.0	15.2
Entertainment expenses, etc. permanently non-tax deductible	-	-	1.9
Changes in income tax rate of foreign subsidiaries	-	-	1.2
Unrecognized tax benefit for inter-company profit elimination	(20.1)	225.4	-
Impairment of goodwill	-	(43.1)	-
Tax for the prior period	4.4	(16.2)	-
Gain on change in interest due to business combination	24.8	-	-
Other	0.5	(64.5)	(0.6)
Income tax rate per statements of operations	(45.8%)	507.0%	58.1%

16. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the year ended March 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ended March 31, 2008	Year ended March 31, 2008
Salaries and wages	¥83,615	$834,571
Advertising	26,263	262,140
Sales promotion	27,666	276,135
Research and development costs	43,263	431,814
Shipping costs	19,987	199,500
Provision for doubtful accounts	267	2,673
Other	109,806	1,095,986
Total	¥310,871	$3,102,822

17. Research and development costs

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥92,939 million, ¥84,690 million and ¥82,870 million ($827,131 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively.

18. Reorganization costs

The reorganization costs for the year ended March 31, 2006 mainly comprised a consolidation and integration of production sites and a reorganization of production lines accompanying structural reforms.

The reorganization costs for the year ended March 31, 2007 mainly comprised impairment losses, which were associated with certain business assets whose utility value declined as a result of structural reforms accompanying strategic changes in the display business, and a reorganization of production sites.

19. Impairment losses

Epson's business assets are generally 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. The net book value of a business asset was reduced to its recoverable amount when there was substantial deterioration in the asset's future earning potential due to adverse changes in the marketplace resulting in lower product prices or due to change in utilization plan. The carrying value of assets planned to be sold and idle assets is reduced to its recoverable amount when their net selling prices are substantially lower than their carrying values.

For the year ended March 31, 2006, Epson impaired LCD production equipment, semiconductor production equipment, and other. A reduction in value of ¥34,303 million was recognized in reorganization costs and other expenses account. The reduction mainly comprised ¥14,914 million for buildings and structures, ¥10,090 million for machinery and equipment, ¥1,301 million for furniture and fixtures, ¥542 million for intangible assets, and ¥7,102 million for long-term prepaid expenses.

For the year ended March 31, 2007, Epson impaired LCD production equipment and other. A reduction in value of ¥41,733 million was recognized in reorganization costs and other expenses account. The reduction mainly comprised ¥12,672 million for buildings and structures, ¥10,670 million for machinery and equipment, ¥3,785 million for furniture and fixtures, ¥2,772 million for goodwill, and ¥8,977 million for future lease payments.

For the year ended March 31, 2008, Epson incurred impairment losses on its liquid crystal panel production equipment, 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 ¥10,783 million ($107,630 thousand) was recognized in impairment losses account. The reduction mainly comprised ¥5,023 million ($50,140 thousand) for buildings and structures, ¥4,144 million ($41,369 thousand) for machinery and equipment, ¥823 million ($8,222 thousand) for furniture and fixtures, and ¥591 million ($5,907 thousand) for land.

The recoverable amounts of impaired business assets were calculated on the basis of the assets' value in use. The recoverable amounts of assets planned to be sold and idle assets were determined using their net selling prices, which were assessed on the basis of reasonable estimates. The values in use were calculated by applying 5.5% and 6.3% discount rate to the assets' expected future cash flows for the years ended March 31, 2006 and 2007, respectively. The recoverable amounts are determined using their net selling prices, which were assessed on the basis of reasonable estimates for the year ended March 31, 2008.

20. Cash flow information

Cash and cash equivalents at March 31, 2007 and 2008 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2007	2008	2008
Cash and deposits	¥296,764	¥171,970	$1,716,448
Short-term investments	30,983	137,079	1,368,195
Short-term loans receivables	10,000	10,000	99,810
Subtotal	337,747	319,050	3,184,454
Less:			
Short-term borrowings (overdrafts)	(652)	(1,215)	(12,128)
Time deposits due over three months	(2,222)	(1,406)	(14,036)
Short-term investments due over three months	(-)	(14)	(146)
Cash and cash equivalents	¥334,873	¥316,414	$3,158,143

The Company obtained marketable securities, the fair value of which was ¥9,932 million and ¥9,606 million ($95,885 thousand) at March 31, 2007 and 2008, respectively, as deposit for the short-term loans receivables above.

21. Leases

As described in Note 3 (18), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the years ended March 31, 2006, 2007 and 2008 amounted to ¥17,639 million, ¥16,232 million and ¥9,344 million ($93,267 thousand), respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the capital lease assets at March 31, 2007 and 2008 would have been as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2007	2008	2008
Acquisition cost:			
Buildings and structures	¥1,785	¥1,806	$18,029
Machinery and equipment	56,802	37,706	376,348
Furniture and fixtures	2,438	1,709	17,063
Intangible assets	273	111	1,111
	61,298	41,333	412,554
Less:			
Accumulated depreciation/amortization	(42,366)	(26,758)	(267,081)
Accumulated impairment loss	(9,024)	(8,311)	(82,953)
	(51,390)		
Net book value	¥9,908	¥6,263	$62,519

Depreciation/amortization expenses for these leased assets for the years ended March 31, 2006, 2007 and 2008 would have been ¥15,965 million, ¥14,637 million and ¥8,437 million ($84,212 thousand), respectively, 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 years ended March 31, 2006, 2007 and 2008 would have been ¥1,470 million, ¥920 million and ¥525 million ($5,241 thousand), respectively.

Epson has recognized an impairment loss for future lease payments of impaired capital lease assets in accordance with Japanese accounting standards, which was recorded in reorganization costs. The amount was ¥317 million, ¥8,977 million and ¥55 million ($549 thousand) for the years ended March 31, 2006, 2007 and 2008, respectively.

Future lease payments for capital leases at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
Future lease payments	2007	2008	2008
Due within one year	¥8,719	¥6,860	$68,473
Due after one year	11,134	4,770	47,614
Total	¥19,853	¥11,630	$116,088

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥8,989 million and ¥5,610 million ($55,997 thousand) as of March 31, 2007 and 2008, respectively. Lease payments for impaired capital lease assets in the years ended March 31, 2007 and 2008 were ¥188 million and ¥3,406 million ($34,001 thousand), respectively.

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2007 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
Future lease payments	2007	2008	2008
Due within one year	¥5,307	¥4,949	$49,404
Due after one year	10,705	6,651	66,393
Total	¥16,012	¥11,601	$115,797

22. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks at March 31, 2007 and 2008 were ¥2,447 million and ¥2,038 million ($20,346 thousand), respectively.

23. Related party transactions

Detail of related parties and transactions with them is not disclosed herein since it is insignificant to the consolidated results.

24. 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, page 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 years ended March 31, 2006, 2007 and 2008:

Year ended March 31:	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	**2008**	**2008**
Information-related equipment:				
Net sales:				
Customers	¥973,690	¥913,476	**¥900,443**	**$8,987,358**
Inter-segment	2,753	2,854	**2,527**	**25,225**
Total	976,443	916,330	**902,970**	**9,012,583**
Operating expenses	931,422	832,094	**819,696**	**8,181,420**
Operating income	¥45,021	¥84,236	**¥83,274**	**$831,163**
Identifiable assets	¥384,114	¥376,770	**¥344,619**	**$3,439,656**
Depreciation and amortization	¥29,668	¥30,634	**¥29,488**	**$294,327**
Capital expenditures	¥32,395	¥38,652	**¥28,002**	**$279,494**
Electronic devices:				
Net sales:				
Customers	¥489,460	¥411,269	**¥360,072**	**$3,593,897**
Inter-segment	37,507	33,434	**35,124**	**350,579**
Total	526,967	444,703	**395,197**	**3,944,477**
Operating expenses	536,726	470,758	**412,364**	**4,115,823**
Operating loss	¥(9,759)	¥(26,055)	**¥(17,167)**	**$(171,346)**
Identifiable assets	¥414,100	¥356,309	**¥308,313**	**$3,077,292**
Depreciation and amortization	¥59,694	¥42,226	**¥31,558**	**$314,983**
Capital expenditures	¥60,560	¥33,025	**¥21,987**	**$219,457**
Precision products:				
Net sales:				
Customers	¥81,463	¥86,903	**¥82,901**	**$827,443**
Inter-segment	4,315	841	**1,025**	**10,237**
Total	85,778	87,744	**83,927**	**837,680**
Operating expenses	83,427	84,168	**81,193**	**810,398**
Operating income	¥2,351	¥3,576	**¥2,733**	**$27,282**
Identifiable assets	¥57,935	¥60,352	**¥56,634**	**$565,271**
Depreciation and amortization	¥4,146	¥3,513	**¥3,820**	**$38,136**
Capital expenditures	¥4,464	¥4,694	**¥4,460**	**$44,520**
Other:				
Net sales:				
Customers	¥4,955	¥4,384	**¥4,423**	**$44,154**
Inter-segment	28,022	25,926	**24,700**	**246,538**
Total	32,977	30,310	**29,124**	**290,692**
Operating expenses	45,757	42,466	**40,586**	**405,097**
Operating loss	¥(12,780)	¥(12,156)	**¥(11,462)**	**$(114,405)**
Identifiable assets	¥156,936	¥133,677	**¥126,074**	**$1,258,350**
Depreciation and amortization	¥15,797	¥13,230	**¥14,336**	**$143,097**
Capital expenditures	¥23,558	¥12,251	**¥12,560**	**$125,362**
Eliminations and corporate:				
Net sales	¥(72,597)	¥(63,055)	**¥(63,378)**	**$(632,579)**
Operating expenses	(73,522)	(63,797)	**(63,577)**	**(634,571)**
Operating income	¥925	¥742	**¥199**	**$1,991**
Identifiable assets	¥312,121	¥357,304	**¥303,523**	**$3,029,477**
Depreciation and amortization	¥-	¥-	**¥4**	**$43**
Capital expenditures	¥(2,694)	¥(11,074)	**¥(2,018)**	**$(20,151)**
Consolidated:				
Net sales	¥1,549,568	¥1,416,032	**¥1,347,841**	**$13,452,853**
Operating expenses	1,523,810	1,365,689	**1,290,263**	**12,878,167**
Operating income	¥25,758	¥50,343	**¥57,577**	**$574,686**
Identifiable assets	¥1,325,206	¥1,284,412	**¥1,139,165**	**$11,370,047**
Depreciation and amortization	¥109,305	¥89,603	**¥79,209**	**$790,588**
Capital expenditures	¥118,283	¥77,548	**¥64,991**	**$648,683**

The amounts of corporate assets included in "Eliminations and corporate" were ¥327,855 million, ¥374,216 million and ¥322,689 million ($3,220,773 thousand) at March 31, 2006, 2007 and 2008, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

For the year ended March 31, 2006, impairment loss, which was recorded in information-related equipment segment, electronic devices segment, precision products segment and other segment, was ¥426 million, ¥33,343 million, ¥416 million and ¥118 million, respectively.

For the year ended March 31, 2007, impairment loss, which was recorded in information-related equipment segment, electronic devices segment, precision products segment and other segment, was ¥209 million, ¥41,038 million, ¥273 million and ¥213 million, respectively.

For the year ended March 31, 2008, impairment loss, which was recorded in information-related equipment segment, electronic devices segment, precision products segment and other segment, was ¥788 million ($7,868 thousand), ¥9,634 million ($96,157 thousand), ¥56 million ($563 thousand) and ¥304 million ($3,041 thousand), respectively.

As described in Note 3 (6), in line with the fiscal year 2007 Japanese tax reforms, effective 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, 2007. As a result of the adoption of the new method, for the year ended March 31, 2008, operating income of information-related equipment segment, electronic devices segment, precision products segment and other decreased by ¥631 million ($6,306 thousand), ¥1,500 million ($14,975 thousand), ¥142 million ($1,419 thousand) and ¥283 million ($2,829 thousand), respectively from the corresponding amounts 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 March 31, 2007 and 2008:

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2007	**2008**	**2008**
Information-related equipment:			
Net sales:			
Customers	¥227,265	**¥211,623**	**$2,112,218**
Inter-segment	1,125	**819**	**8,184**
Total	228,390	**212,443**	**2,120,402**
Operating expenses	208,954	**200,366**	**1,999,868**
Operating income	¥19,436	**¥12,076**	**$120,534**
Electronic devices:			
Net sales:			
Customers	¥94,451	**¥79,716**	**$795,650**
Inter-segment	6,063	**7,852**	**78,378**
Total	100,514	**87,568**	**874,029**
Operating expenses	112,515	**94,238**	**940,598**
Operating loss	¥(12,001)	**¥(6,669)**	**$(66,569)**
Precision products:			
Net sales:			
Customers	¥18,844	**¥17,912**	**$178,788**
Inter-segment	153	**280**	**2,798**
Total	18,997	**18,193**	**181,586**
Operating expenses	19,744	**18,445**	**184,107**
Operating loss	¥(747)	**¥(252)**	**$(2,521)**
Other:			
Net sales:			
Customers	¥1,374	**¥1,317**	**$13,150**
Inter-segment	6,569	**6,954**	**69,416**
Total	7,943	**8,272**	**82,567**
Operating expenses	10,769	**11,439**	**114,180**
Operating loss	¥(2,826)	**¥(3,167)**	**$(31,613)**
Eliminations and corporate:			
Net sales	¥(13,910)	**(¥15,907)**	**$(158,777)**
Operating expenses	(14,066)	**(15,788)**	**(157,583)**
Operating income (loss)	¥156	**¥(119)**	**$(1,194)**
Consolidated:			
Net sales	¥341,934	**¥310,569**	**$3,099,807**
Operating expenses	337,916	**308,702**	**3,081,171**
Operating income	¥4,018	**¥1,867**	**$18,636**

(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 years ended March 31, 2006, 2007 and 2008:

Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	**2008**	**2008**
Japan:				
Net sales:				
Customers	¥742,093	¥640,727	**¥600,489**	**$5,993,510**
Inter-segment	565,438	602,431	**592,102**	**5,909,791**
Total	1,307,531	1,243,158	**1,192,591**	**11,903,302**
Operating expenses	1,323,858	1,208,070	**1,172,147**	**11,699,243**
Operating income (loss)	¥(16,327)	¥35,088	**¥20,444**	**$204,058**
Identifiable assets	¥791,482	¥703,822	**¥637,716**	**$6,365,070**
The Americas:				
Net sales:				
Customers	¥263,196	¥250,374	**¥247,481**	**$2,470,125**
Inter-segment	45,701	41,264	**34,458**	**343,935**
Total	308,897	291,638	**281,940**	**2,814,060**
Operating expenses	296,267	279,735	**273,018**	**2,725,002**
Operating income	¥12,630	¥11,903	**¥8,922**	**$89,057**
Identifiable assets	¥102,063	¥102,831	**¥87,598**	**$874,328**
Europe:				
Net sales:				
Customers	¥310,902	¥289,286	**¥291,920**	**$2,913,668**
Inter-segment	2,784	10,098	**7,701**	**76,868**
Total	313,686	299,384	**299,621**	**2,990,536**
Operating expenses	306,010	299,792	**293,872**	**2,933,152**
Operating income (loss)	¥7,676	¥(408)	**¥5,749**	**$57,383**
Identifiable assets	¥75,944	¥83,202	**¥80,074**	**$799,225**
Asia/Oceania:				
Net sales:				
Customers	¥233,377	¥235,645	**¥207,949**	**$2,075,550**
Inter-segment	606,268	551,842	**543,954**	**5,429,232**
Total	839,645	787,487	**751,904**	**7,504,783**
Operating expenses	814,220	766,293	**729,442**	**7,280,589**
Operating income	¥25,425	¥21,194	**¥22,461**	**$224,193**
Identifiable assets	¥231,201	¥232,618	**¥206,456**	**$2,060,647**
Eliminations and corporate:				
Net sales	¥(1,220,191)	¥(1,205,635)	**¥(1,178,217)**	**$(11,759,828)**
Operating expenses	(1,216,545)	(1,188,201)	**(1,178,216)**	**(11,759,821)**
Operating loss	¥(3,646)	¥(17,434)	**¥(0)**	**$(7)**
Identifiable assets	¥124,516	¥161,939	**¥127,319**	**$1,270,776**
Consolidated:				
Net sales	¥1,549,568	¥1,416,032	**¥1,347,841**	**$13,452,853**
Operating expenses	1,523,810	1,365,689	**1,290,263**	**12,878,167**
Operating income	¥25,758	¥50,343	**¥57,577**	**$574,686**
Identifiable assets	¥1,325,206	¥1,284,412	**¥1,139,165**	**$11,370,047**

The amounts of corporate assets included in "Eliminations and corporate" were ¥327,855 million, ¥374,216 million and ¥322,689 million ($3,220,773 thousand) at March 31, 2006, 2007 and 2008, respectively, and mainly comprised cash and deposits, securities and short-term loans receivable.

As described in Note 3 (6), in line with the fiscal year 2007 Japanese tax reforms, effective 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, 2007. As a result of the adoption of the new method, for the year ended March 31, 2007, operating income of Japan decreased by ¥2,557 million ($25,530 thousand) from the corresponding amounts 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 March 31, 2007 and 2008:

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2007	**2008**	**2008**
Japan:			
Net sales:			
Customers	¥148,216	**¥139,185**	**$1,389,212**
Inter-segment	132,252	**125,874**	**1,256,352**
Total	280,468	**265,059**	**2,645,565**
Operating expenses	279,969	**272,143**	**2,716,275**
Operating income (loss)	¥499	**¥(7,084)**	**$(70,710)**
The Americas:			
Net sales:			
Customers	¥63,535	**¥59,210**	**$590,979**
Inter-segment	9,581	**6,591**	**65,791**
Total	73,116	**65,801**	**656,770**
Operating expenses	70,228	**64,001**	**638,805**
Operating income	¥2,888	**¥1,799**	**$17,965**
Europe:			
Net sales:			
Customers	¥72,953	**¥69,767**	**$696,352**
Inter-segment	1,723	**1,800**	**17,973**
Total	74,676	**71,568**	**714,325**
Operating expenses	75,950	**70,736**	**706,026**
Operating income (loss)	¥(1,274)	**¥831**	**$8,298**
Asia/Oceania:			
Net sales:			
Customers	¥57,230	**¥42,406**	**$423,263**
Inter-segment	111,376	**109,131**	**1,089,248**
Total	168,606	**151,538**	**1,512,512**
Operating expenses	173,174	**153,701**	**1,534,099**
Operating loss	¥(4,568)	**¥(2,162)**	**$(21,586)**
Eliminations and corporate:			
Net sales	¥(254,932)	**¥(243,398)**	**$(2,429,366)**
Operating expenses	(261,405)	**(251,881)**	**(2,514,035)**
Operating income	¥6,473	**¥8,483**	**$84,669**
Consolidated:			
Net sales	¥341,934	**¥310,569**	**$3,099,807**
Operating expenses	337,916	**308,702**	**3,081,171**
Operating income	¥4,018	**¥1,867**	**$18,636**

(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 years ended March 31, 2006, 2007 and 2008:

Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2006	2007	**2008**	**2008**
Overseas sales:				
The Americas	¥285,127	¥270,484	**¥274,407**	**$2,738,868**
Europe	357,835	341,524	**344,446**	**3,437,937**
Asia/Oceania	421,994	352,388	**301,008**	**3,004,378**
Total	¥1,064,956	¥964,396	**¥919,862**	**$9,181,183**
Consolidated net sales	¥1,549,568	¥1,416,032	**¥1,347,841**	**$13,452,854**
Percentage:				
The Americas	18.4%	19.1%	**20.4%**	
Europe	23.1	24.1	**25.5**	
Asia/Oceania	27.2	24.9	**22.3**	
Total	68.7%	68.1%	**68.2%**	

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended March 31, 2007 and 2008:

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2007	**2008**	**2008**
Overseas sales:			
The Americas	¥67,334	**¥63,387**	**$632,676**
Europe	84,472	**78,739**	**785,898**
Asia/Oceania	82,369	**64,113**	**639,916**
Total	¥234,175	**¥206,240**	**$2,058,492**
Consolidated net sales	¥341,934	**¥310,569**	**$3,099,807**
Percentage:			
The Americas	19.7%	**20.4%**	
Europe	24.7	**25.4**	
Asia/Oceania	24.1	**20.6**	
Total	68.5%	**66.4%**	

Supplementary Information

Consolidated year ended March 31, 2008

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)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase %	Forecast for the year ended March 31, 2009
Information-related equipment	916.3	902.9	(1.5%)	874.0
Printer	781.6	761.2	(2.6%)	728.0
Visual instruments	106 5	111 3	4.5%	113.0
Other	28.9	30.9	6.9%	34.0
Intra-segment sales	(0.7)	(0.5)	-%	(1.0)
Electronic devices	444.7	395.1	(11.1%)	370.0
Display	271.0	224.1	(17.3%)	189.0
Quartz device	97.9	100.7	2.9%	107.0
Semiconductor	91.2	79.7	(12.5%)	79.0
Other	2.9	3.3	16.7%	6.0
Intra-segment sales	(18.3)	(12.7)	-%	(11.0)
Precision products	87.7	83.9	(4.4%)	88.0
Other	30.3	29.1	(3.9%)	34.0
Inter-segment sales	(63.0)	(63.3)	-%	(66.0)
Consolidated sales	1,416.0	1,347.8	(4.8%)	1,300.0

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Information-related equipment					
Net sales:					
Customers	913.5	900.4	(1.4%)	872.0	(3.2%)
Inter-segment	2.8	2.5	(11.4%)	2.0	(20.9%)
Total	916.3	902.9	(1.5%)	874.0	(3.2%)
Operating expenses	832.1	819.6	(1.5%)	794.0	(3.1%)
Operating income	84.2	83.2	(1.1%)	80.0	(3.9%)
Electronic devices					
Net sales:					
Customers	411.2	360.0	(12.4%)	337.0	(6.4%)
Inter-segment	33.5	35.1	5.1%	33.0	(6.0%)
Total	444.7	395.1	(11.1%)	370.0	(6.4%)
Operating expenses	470.7	412.3	(12.4%)	381.0	(7.6%)
Operating loss	(26.0)	(17.1)	-%	(11.0)	-%
Precision products					
Net sales:					
Customers	86.9	82.9	(4.6%)	87.0	4.9%
Inter-segment	0.8	1.0	21.9%	1.0	(2.4%)
Total	87.7	83.9	(4.4%)	88.0	4.9%
Operating expenses	84.1	81.1	(3.5%)	85.0	4.7%
Operating income	3.6	2.7	(23.6%)	3.0	9.8%
Other					
Net sales:					
Customers	4.4	4.4	0.9%	4.0	(9.6%)
Inter-segment	25.9	24.7	(4.7%)	30.0	21.5%
Total	30.3	29.1	(3.9%)	34.0	16.7%
Operating expenses	42.5	40.5	(4.4%)	45.0	10.9%
Operating loss	(12.2)	(11.4)	-%	(11.0)	-%
Elimination and corporate					
Net sales	(63.0)	(63.3)	-%	(66.0)	-%
Operating expenses	(63.7)	(63.5)	-%	(66.0)	-%
Operating income	0.7	0.1	(73.1%)	0	-%
Consolidated					
Net sales	1,416.0	1,347.8	(4.8%)	1,300.0	(3.5%)
Operating expenses	1,365.7	1,290.2	(5.5%)	1,239.0	(4.0%)
Operating income	50.3	57.5	14.4%	61.0	5.9%

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Capital expenditure	73.1	63.9	(12.5%)	83.0	29.8%
Information-related equipment	26.2	25.1	(3.8%)	33.0	31.1%
Electronic devices	35.3	26.5	(24.9%)	32.0	20.6%
Precision products	5.4	4.0	(25.3%)	5.0	23.8%
Other	6.2	8.2	31.7%	13.0	58.2%
Depreciation and amortization	89.6	79.2	(11.6%)	89.0	12.4%
Information-related equipment	30.7	29.4	(3.7%)	32.0	8.5%
Electronic devices	42.2	31.5	(25.3%)	39.0	23.2%
Precision products	3 5	3.8	8.8%	4.0	4.7%
Other	13.2	14.3	8.4%	14.0	(1.7%)

4. Research and development

(Unit: billion yen)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Research and Development	84.7	82.8	(2.1%)	89.0	7.4%
R&D / sales ratio	6.0%	6.1%		6.8%	

5. Management indices

(Unit: %)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase Point	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 Point
Return on equity (ROE)	(1.5%)	4.2%	5.7	6.8%	2.6
Return on assets (ROA)	0.3%	4.3%	4.0	4.7%	0.4
Return on sales (ROS)	0.2%	3.9%	3.7	4.2%	0.3

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)

	Year ended March 31, 2007	Year ended March 31, 2008	Increase
Foreign exchange effect	45.5	16.4	(29.0)
U.S. dollars	8.2	(7.9)	(16.1)
Euro	23.6	20.3	(3.1)
Other	13.7	3.9	(9.7)
Exchange rate			
Yen / U.S. dollars	117.02	114.28	
Yen / Euro	150.09	161.53	

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, 2007	March 31, 2007	March 31, 2008	Increase compared to March 31, 2007
Inventory	194.8	178.6	161 3	(17.2)
Information-related equipment	117.5	102.8	91.0	(11.6)
Electronic devices	58.2	58.8	50.5	(8.1)
Precision products	17.4	15.1	17.4	2.2
Other / Corporate	1.7	1.9	2.2	0.3
Turnover by days	54	46	44	(2)
Information-related equipment	50	41	37	(4)
Electronic devices	53	48	47	(1)
Precision products	72	63	76	13
Other / Corporate	24	23	28	5

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

8. Employees

(Unit: person)

	September 30, 2007	March 31, 2007	March 31, 2008	Increase compared to March 31, 2007
Number of employees at period end	95,129	87,626	88,925	1,299
Domestic	26,411	25,379	25,735	356
Overseas	68,718	62,247	63,190	943