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

October 26, 2005

CONSOLIDATED RESULTS FOR THE HALF YEAR ENDED SEPTEMBER 30, 2005

Consolidated Financial Highlights

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

<Income statements and cash flows data>

	Six months ended September 30,			Year ended March 31,	Six months ended September 30,
	2004	**2005**	Change	2005	**2005**
Statements of Income Data:					
Net sales	¥683,474	**¥720,244**	5.4%	¥1,479,750	**$6,363,142**
Operating income	65,866	**6,004**	(90.9%)	90,967	**53,044**
Income before income taxes and minority interest	59,573	**7,699**	(87.1%)	73,647	**68,019**
Net income (loss)	39,473	**(1,161)**	- %	55,689	**(10,257)**
Statements of Cash Flows Data:					
Cash flows from operating activities	61,546	**26,872**	(56.3%)	162,489	**237,406**
Cash flows from investing activities	(44,941)	**(58,398)**	29.9%	(99,396)	**(515,929)**
Cash flows from financing activities	(67,155)	**52,959**	- %	(96,373)	**467,877**
Cash and cash equivalents at the end of the period	217,646	**257,737**	18.4%	234,904	**2,277,030**
Number of Shares Data:					
Number of shares issued	196,364,592	**196,364,592**	- %	196,364,592	**196,364,592**
Number of treasury stock	506	**933**	84.4%	689	**933**
Per Share Data:					
Net income per share -Basic	¥201.02	**(¥5.91)**	- %	¥283.60	**($0.05)**
-Diluted	¥-	**¥-**	- %	¥-	**$-**

Notes

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

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

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

IV. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥113.19 = U.S.$1 at September 30, 2005 has been used for the purpose of presentation.

<Balance sheets data>

	September 30, 2004	September 30, **2005**	March 31, 2005	September 30, **2005**
Total assets	¥1,204,404	**¥1,374,228**	¥1,297,790	**$12,140,896**
Shareholders' equity	460,627	**479,475**	472,870	**4,236,019**
Shareholders' equity ratio (%)	38.2%	**34.9%**	36.4%	**34.9%**
Shareholders' equity per share	¥2,345.78	**¥2,441.77**	¥2,408.13	**$21.57**

Overview of the Business Group

The Epson Group's ("Epson") main business segments comprise the development, manufacturing and marketing of information-related equipment, electronic devices, precision products, and other products. Research and development and product development are conducted primarily by Seiko Epson Corporation ("the Company"). Production and sales are handled by the Company and its subsidiaries and affiliates, domestic and foreign, under the management of the Company's operations divisions.

The business segments, as well as the main subsidiaries and affiliates in each business segment, are described briefly below.

Information-related equipment business segment:

Chiefly comprised of the imaging and information products business and the visual instruments business, this segment develops, manufactures and sells printers, 3LCD projectors, and personal computers among other products.

Operations	Main products	Main subsidiaries and affiliates: Manufacturing company	Main subsidiaries and affiliates: Sales company
Imaging and information products	Color inkjet printers, laser printers, dot matrix printers, large format inkjet printers, and related supplies, color image scanners, mini-printers, printers for use in POS systems and others	Tohoku Epson Corporation Orient Watch Co., Ltd. Epson Portland Inc. Epson El Paso, Inc. Epson Telford Ltd. Epson Precision (Hong Kong) Ltd. Singapore Epson Industrial Pte. Ltd. P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc. Tianjin Epson Co., Ltd.	Epson Sales Japan Corporation Epson America, Inc. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A. Epson Italia s.p.a. Epson Iberica, S.A. Epson Korea Co., Ltd. Epson (Shanghai) Information Equipment Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd. Epson Australia Pty. Ltd.
Visual instruments	3LCD projectors, HDTV LCD projection televisions, LCD monitors, label writers and others	Epson Precision (Hong Kong) Ltd.	
Others	Personal computers and others	-	Epson Sales Japan Corporation Epson Direct Corporation

Electronic devices business segment:

Comprising the display, semiconductor, and quartz device businesses, this segment chiefly develops, manufactures and sells small- and medium-sized LCDs, CMOS LSI, and crystal oscillators among other products.

<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>SANYO EPSON IMAGING DEVICES CORPORATION
Suzhou Epson Co., Ltd.
Sanyo Epson Imaging Devices (H.K.) Ltd.
Sanyo Epson Imaging Devices (Phils.) Inc.</td><td rowspan="3">SANYO EPSON IMAGING DEVICES CORPORATION
Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Semiconductor</td><td>CMOS LSI and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.
Yasu Semiconductor Corporation</td></tr>
<tr><td>Quartz device</td><td>Crystal units,
crystal oscillators and others</td><td>Orient Watch Co., Ltd.
Suzhou Epson Co., Ltd.
Epson Precision (Malaysia) Sdn. Bhd.
Epson Precision (Philippines), Inc.</td></tr>
</table>

Precision products business segment:

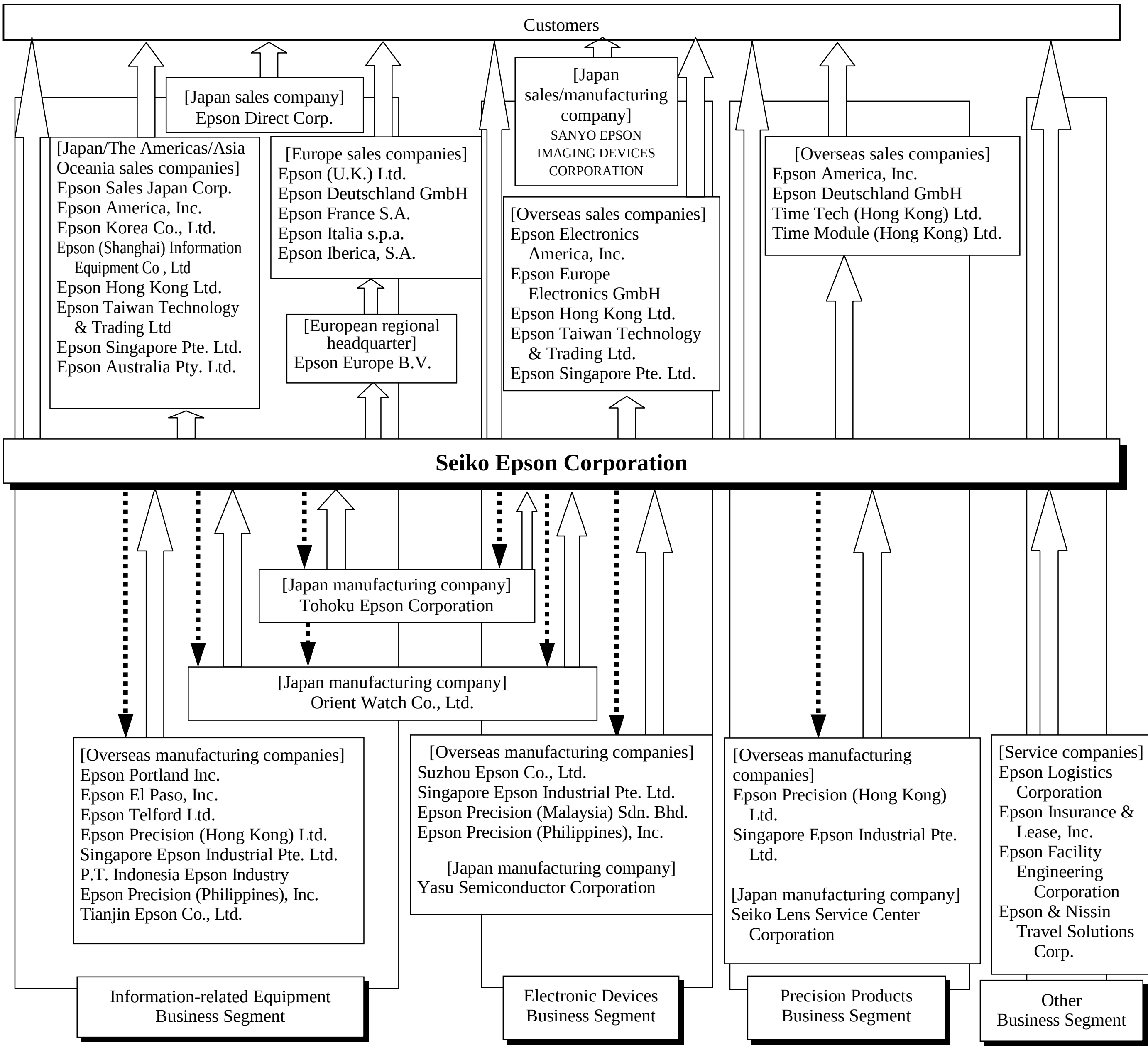
Comprising the watch, optical products, and factory automation systems businesses, this segment chiefly develops, manufactures and sells watches, watch movements, plastic corrective lenses, and precision industrial robots among other products.

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

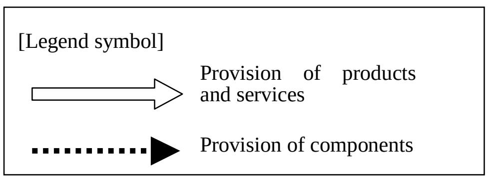
Other business segment:

This segment comprises the businesses of subsidiaries that 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: Yasu Semiconductor Corporation and Time Module (Hong Kong) Ltd. are equity method affiliates. All others are consolidated subsidiaries.



Management policies

1. 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.

This commitment is summarized in the following management philosophy:

"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-Range Management Strategy and Issues

Going forward, the global economy is expected to steadily recover, driven by economic expansion in China and the U.S. As the global economy stabilizes, the Japanese economy's modest recovery is expected to maintain a steady footing. Meanwhile, however, lingering uncertainty remains surrounding oil prices and other factors with the potential to affect corporate performance.

In the IT industry, fields related to displays and imaging-related fields—areas of expertise for Epson—are predicted to grow further in the years ahead as the spread of digital technologies and broadband ushers in a ubiquitous networked society. Meanwhile, Epson's operating environment is expected to remain exceptionally difficult due to intensifying price competition across Epson's markets and a concomitant decline in prices.

In response to this situation, Epson drafted a medium- to long-range corporate vision, *SE07*, as a guiding policy for achieving steady growth and for capitalizing fully on the company's core competencies as a leading name in providing imaging solutions via color printers, 3LCD projectors and small- and medium-sized LCDs. "Digital Image Innovation" is the key theme in *SE07*. Accordingly, Epson is concentrating its management resources in the so-called "3i" imaging fields: imaging on paper (i1), imaging on screen (i2), and imaging on glass (i3). Printers, liquid crystal (“3LCD”) projectors, and displays are the three products symbolizing these high-growth business domains. Epson seeks to further expand each domain and create new markets and businesses by leveraging teamwork and synergies between its finished product and electronic device businesses.

In March 2004, Epson drafted *Action07*, a mid-range action plan for attaining the objectives of *SE07* by

2007. Epson's targets for fiscal 2006 include a recurring profit ratio to net sales of 9% or better on a consolidated basis. At the same time, Epson is working to realize a resilient financial structure as quickly as possible by generating stable cash flows.

During fiscal 2004, the first year of *Action07*, Epson addressed all manner of business issues, but the results of the company's efforts to reform its business structure have met with mixed results, with some businesses clearly benefiting and with others failing to benefit fully due to rapidly changing market conditions.
This fiscal year, therefore, Epson is taking action from a variety of angles, in line with year 2 of the *Action07* plan. In addition to systematically analyzing market changes and trends in each business and developing concrete actions based on growth scenarios in each, Epson is taking action to build a continuously profitable business structure that is resistant to upheaval in the operating environment. The electronic device businesses are currently faced with an extremely challenging business environment due to plummeting prices and intensified competition. However, Epson will move forward on initiatives to reduce costs and to develop the products and technologies that will drive the next phase of growth. In the information-related equipment business, and particularly in inkjet products, Epson seeks to rebound by making a worldwide push to expand sales during the year-end shopping season. Overall, the company aims to get the finished products businesses and the electronic device businesses rolling simultaneously so as to drive steady business growth and establish a high-earnings structure. To realize this aim, the Epson Group is carrying out the following four policies:

- Policy 1. Secure a strong market position in every market by continuing to create competitive products.
- Policy 2. Accomplish concrete action plans designed to revamp the business structure, and lay the foundation for the next rapid advance.
- Policy 3. Maximize the advantage of our original technology and strive to make breakthroughs.
- Policy 4. Get back to the basics of quality, the environment and ethics, and maintain a staunch commitment to showing customers and society "trust-based management."

For policy 1, Epson is solidifying its market positions by creating products that are competitive in terms of both cost and sales/marketing. On the cost front, Epson will further drive down the total consolidated cost ratio via a company-wide project that kicked off in fiscal 2003, and launch to market cost-competitive products. To achieve this objective, Epson will uniformly reform its cost structure throughout all functions, from design and engineering to manufacturing and sales, and will strive to strengthen cost competitiveness and create products that leverage the advantages of Epson-made key parts. On the sales front, Epson will achieve ambitious sales targets in each region by developing and expanding its base of new customers and new channels, and by implementing unified manufacturing and sales market strategies tailored to customer characteristics.

For policy 2, Epson will lay a business foundation that is impervious to market changes by shifting to high-added-value products and optimizing the allocation of resources required to do so, and by accelerating a move to convert the product mix so as to capture future key markets, particularly in the electronic device businesses. As part of this effort, Epson merged several of its liquid crystal display businesses with those of the Sanyo Electric Group on October 1, 2004. Then, one year later, on October 1, 2005, Epson and Toyo Communication Equipment Co., Ltd. merged their respective crystal device businesses to form a new company, Epson Toyocom Corporation. Moving forward, Epson will concentrate further on realizing the benefits of these business mergers at the earliest possible date.

For policy 3, Epson will secure a solid competitive advantage by further developing such core original technologies as its Micro Piezo system for inkjet printers and its 3LCD systems for projectors equipped with HTPS-TFT panels. To achieve the *SE07* objective of digital image innovation, Epson will also steadily develop its numerous R&D projects into real businesses and commercial products based on the company's R&D vision.

For policy 4, Epson will take additional steps to ensure that all personnel put the customer first, maintain legal compliance and practice ethical behavior pursuant to the company's longstanding commitment to the idea of trust-based management. Further, Epson will strive to achieve ambitious objectives and develop its pool of global talent who contribute to the realization of business strategies.

3. Basic Policy on Profit Allocation

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

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

4. Corporate Governance

(1) Basic stance and management structure

Epson's basic stance on corporate governance is encapsulated in its commitment to sustaining trust-based management. Along with the ongoing pursuit of enterprise value enhancement, Epson has initiated a number of practices designed to reinforce management checks and balances and to assure corporate ethical compliance so as to ensure highly transparent and sound management in the eyes of its customers, shareholders, employees and other stakeholders.

Epson uses the statutory auditor system. At the core of this system are five statutory auditors. To further ensure the independence of audits and increase transparency, three of the five members of the board of auditors are outside statutory auditors. Auditors attend each of the statutory auditors' monthly board meetings. They also attend meetings of the Epson Board of Directors, the Management Meeting, and other meetings vital to business execution. Statutory auditors are thus in a position to conduct their audits with the same level of information as directors. In addition, by holding regular meetings with other statutory auditors and with company directors, the statutory auditors are able to directly assess the status of business execution for themselves.

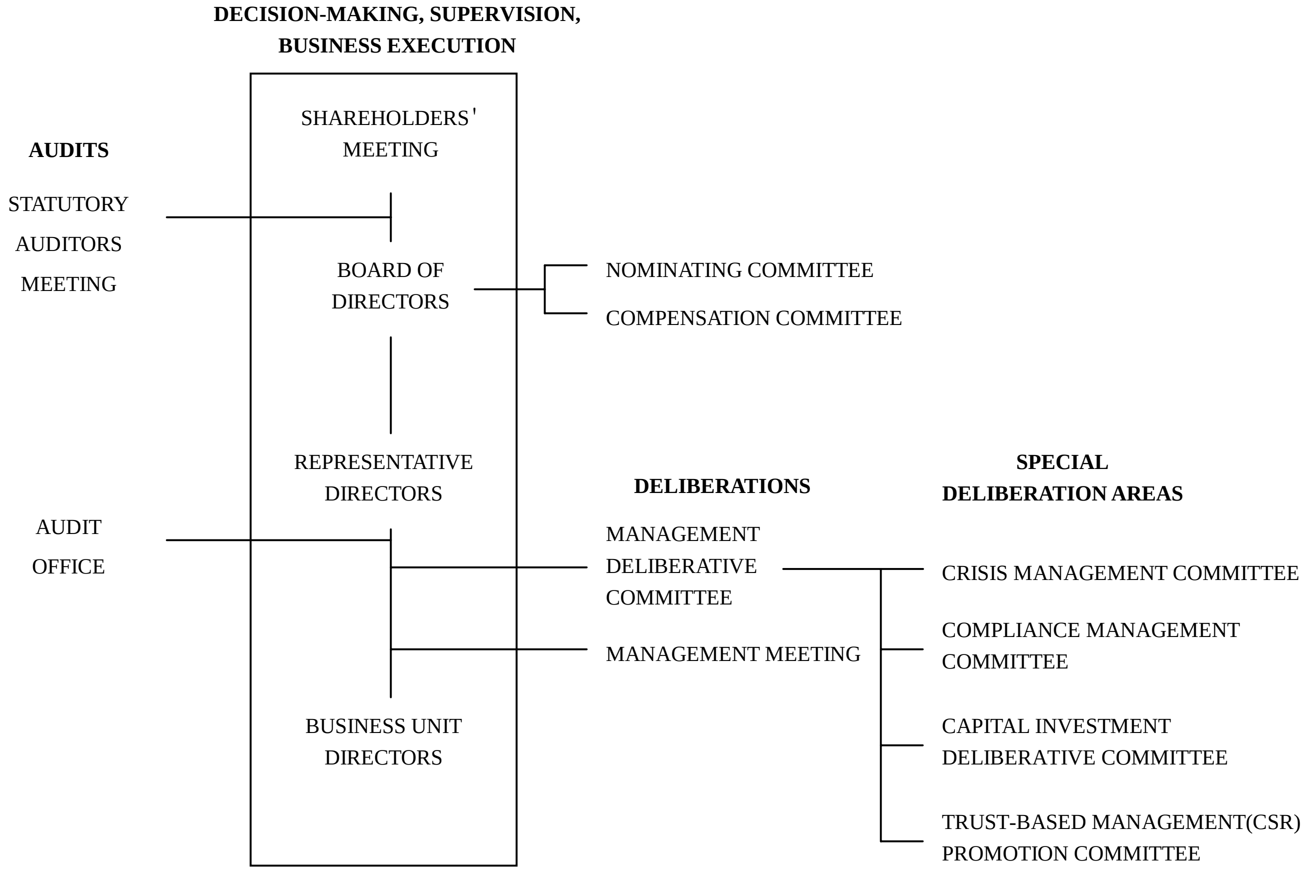
In contrast to the organizational separation of business execution and management oversight common to the "companies with committees" governance framework, Epson vests monitoring functions in the board of directors, which is underpinned by the statutory auditors. Epson's stance is that this system, whereby directors are responsible for business execution, is optimal for monitoring functions in light of the current configuration of Epson's business operations. The same reasoning prompted the decision to forego the appointment of outside directors to the board.

With this stance in mind, Epson is striving to broaden the jurisdictional scope of the board of directors and to select well-qualified director candidates who have the ability to concurrently perform both business-related and management oversight roles, and, as it maintains a governance structure backed by the statutory auditors. While strengthening the operation of this structure, the search for an optimized governance structure will remain an ongoing issue for the consideration of management.

Epson is also increasing transparency in the appointment and remuneration of directors. Two committees specifically responsible for exploring these issues have been put in place. The Nominating Committee is responsible for setting nomination criteria and for selecting candidates. The Compensation Committee is charged with defining the parameters of the remuneration system and drafting policies governing directors' remuneration. These committees conduct extensive deliberations in their respective areas, ultimately presenting their conclusions for consideration by the board of directors.

Epson also has an internal compliance system in place that is designed to prevent any potential legal or internal regulatory violations within its operations. An internal audit office that reports directly to the president regularly audits operations, including those at Epson subsidiaries. The internal audit office evaluates the efficacy of governance processes, requests improvements where needed, and reports audit results to the president. The internal audit office regularly meets with Epson's auditing firm and statutory auditors in an effort to heighten the efficacy of internal audits.

<Management Structure at the Company>



(2) Compliance

Epson views compliance as a means of preventing one of the risks that corporations face, management risk. In contrast to external risk factors such as accidents, natural disasters, or social unrest, the management risk Epson addresses concerns risks directly associated with its corporate activities; in other words, risks stemming from the actions of Epson employees.

To head off risks emerging from corporate activities, Epson has appointed a director who is responsible for CSR and has established a structure for promoting compliance.

Major points of this framework include:

- A Compliance Management Committee for building and maintaining Epson's compliance structure
- A “Management by Trust Office” responsible for operating the internal Compliance Hotline for reporting compliance issues
- In-house compliance training, including a code of conduct manual and Web-based seminars

When it comes to compliance, Epson is aware that no framework alone is enough. It is the thoughts and actions of employees that determine corporate behavior. For this reason, "No Hiding," "No Tricks," and "Report Bad News Quickly" are mantras for Epson's senior management as they strive daily to maintain the company's sound corporate culture.

For Epson, compliance of this kind is the cornerstone of its approach to corporate governance.

(3) Risk management

To remain true to its management philosophy as a company "trusted throughout the world," Epson recognizes that creating a framework for preventing and addressing crises that could seriously jeopardize operations is a priority for management. To this end, Epson has constructed a Group-wide crisis management structure capable of swiftly responding to changes in its business makeup and operating environment. This structure enables the company to head off potential crises or to minimize the effect in the event of one.

The following policies guide Epson's actions concerning risk. To prevent crises, Epson works to (1) anticipate changes by reviewing its corporate structure to ensure optimal flexibility, and (2) task each division to devise "peacetime measures" for dealing with potential crises. When a crisis arises, Epson moves to (1) tackle the crisis with comprehensive capabilities beyond that of the normal corporate hierarchy, and (2) assume full responsibility as befits a good corporate citizen, disregarding corporate egoism.

Epson's risk management structure is designed to manage crises with a potentially material impact on the Group. Uniform risk management is then enacted by each organization across the Group. Should a crisis occur, Epson aims to marshal its comprehensive capabilities to swiftly meet the crisis head-on in an appropriate manner, while ensuring that its posture remains flexible visa-à-vis external changes. To ensure that information regarding significant risks is reported directly to the president, Epson has a Crisis Management Committee, composed of separate sub-committees responsible for risk management for each business unit, that is chaired by the company president. Epson has formulated a Crisis Management Program that defines seven categories of crisis (leakage of sensitive information, damage from disasters, country risk, crimes against the company, computer system crashes, product liability, and quality incidents), as well as the risk management organization, roles, preventative measures, and response for each crisis situation. Information about this program has been compiled into a comprehensive brochure distributed Group-wide to promote an in-depth awareness of crisis management. For stakeholders, Epson utilizes IR and PR to proactively disclose facts in a timely manner regarding the status of risk management.

(4) Conflicts of interest between Epson and its outside directors; and conflicts of interest between Epson and the personal, capital, business or other interests of outside statutory auditors

Epson has no outside directors. There are currently no significant conflicts of interest between Epson and the three outside statutory auditors.

5. Matters Relating to the Parent Company, etc.

None applicable

Operating Performance and Financial Condition

1. Fiscal 2005 First-Half Overview

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

Epson's main markets were as follows. The inkjet printer market was robust in Japan and remained strong in the U.S. and Asia, while demand in Europe was sluggish. The continuing trend toward all-in-one (multifunction) inkjet products accelerated further. Meanwhile, there was fierce price competition in some regions in Europe. The color laser printer market expanded, but market prices further declined.

The projector market grew on heightened demand in the education segment and on continuing demand for traditional business presentation projectors. Meanwhile, prices declined further. The market for microdevice-based projection TVs, which are more cost-competitive than flat-panel large-screen TVs, sharply expanded in America.

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

In the precision products business Epson saw continued sluggishness in the markets for personal products such as watches and corrective lenses, and a slowdown in the factory automation systems business, specifically in the IC handler market.

Fiscal 2005 is the second year in Epson's "*Action07*" action plan, and given the foregoing market environment, the company is taking action based on systematic analyses of market changes and market trends in each business. On the product commercialization end, the inkjet printer business launched to market the *PictureMate Deluxe Viewer Edition* (*Colorio Me E-200* in Japan). Epson also launched a new *Livingstation* large-screen HDTV LCD projection television. The new model offers an even sharper, more vivid picture, yet is priced even lower than its predecessors. Epson also developed inorganic alignment layer technology that enables higher aperture ratios, higher pixel densities, and higher image quality on the HTPS-TFT panels for 3LCD projectors.

The average U.S. dollar-yen and euro-yen exchange rates during the first half were ¥109.48 and ¥135.65, respectively. While the value of the yen against the dollar remained essentially the same compared to the same period last year, the value of the yen against the euro declined by 2%.

As a result of the foregoing factors, fiscal 2005 first-half net sales were ¥720,244 million ($6,363,142 thousand), a 5.4% increase compared to the same period last year. Operating income was ¥6,004 million ($53,044 thousand), a 90.9% decline compared to the same period last year. Income before income taxes and minority interest was ¥7,699 million ($68,019 thousand), a decline of 87.1% compared to the same period last year. And first-half net loss was ¥1,161 million ($10,257 thousand), compared to net income of ¥39,473 million in the same period last year.

Operating Performance Highlights by Business Segments

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

Information-related equipment:

In the imaging and information products business, laser printer (including supplies, as in all printer discussions below) prices continued their downward trajectory, yet volume growth pushed sales revenue higher. Meanwhile, sales revenue in the scanners and others category sank due to declining scanner volume brought about by growth in all-in-one unit demand. Inkjet printer sales revenue declined slightly despite higher volume in all-in-ones. The decline is due to the effects of generally lower prices and a decline in single-function printer volume. Together, these factors resulted in slightly higher sales revenues in the imaging and information products business as a whole.

In the visual instruments business, revenues grew sharply on higher volume in HDTV LCD projection televisions, and especially on higher volume in OEM optical engines. Though adversely affected by lower prices, sales revenues from 3LCD projectors grew owing to increased volume in business projectors, particularly in the American market. Together, these factors resulted in sharply higher sales revenues in the visual instruments business as a whole.

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

As a result of the foregoing factors, first-half net sales in the information-related equipment business segment were ¥440,754 million ($3,893,931 thousand), a 1.4% increase compared to the same period last year, while operating income was ¥15,094 million ($133,351 thousand), a 51.3% decline compared to the same period last year.

Electronic devices:

Epson continued its ongoing emphasis on cost reductions in the electronic device segment while simultaneously accommodating growth in demand from the mobile handset, projector and digital camera markets.

In the display business, revenues from sales of color STN LCDs for mobile phones were down sharply as intensified competition drove prices lower. Revenues from sales of HTPS-TFT panels for 3LCD projectors declined sharply. In addition to falling prices, this decline was due to weaker volume arising from inventory adjustments in the second half of the fiscal year ended March 31, 2005. On the other hand, newly launched sales of amorphous-silicon TFT LCDs and LTPS-TFT LCDs contributed positively to revenues. These factors combined to sharply increase sales revenues for the display business as a whole.

In the semiconductor business, sales revenues from system LSIs and LCD drivers were down sharply due to the twin effects of lower prices and lower volume. As a result of these factors, sales revenues declined sharply in the semiconductor business as a whole.

The quartz device business saw revenues slip due to generally lower prices and because of a decline in high-end product volume as demand for quartz crystal devices for mobile phones shifted to the low-price zone.

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

As a result of the foregoing factors, first-half net sales in the electronic device business segment were ¥257,997 million ($2,279,327 thousand), a 16.9% increase compared to the same period last year, while operating loss was ¥3,095 million ($27,343 thousand) as compared to operating income of ¥37,175 million in the same period last year.

Precision products:

Overall, net sales in the precision products business segment declined slightly. While factors such as volume growth in corrective lenses were positive contributors, net sales revenues were hit by a backlash from the strong demand for IC handlers in the first half of the previous last year, as well as by the effects of a decline in watch volume.

Operating income in the precision products business segment declined chiefly due to lower watch prices, lower watch volume, and lower IC handler sales revenues.

As a result of the foregoing factors, first-half net sales in the precision products business segment were ¥42,959 million ($379,530 thousand), a 1.9% decline compared to the same period last year, while operating income was ¥1,027 million ($9,073 thousand), a 62.7% decline compared to the same period last year.

Operating Performance Highlights by Geographic Segments

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

Japan:

Revenues from STN LCDs, system LSIs, HTPS-TFT panels for 3LCD projectors, and MD-TFD LCDs declined. On the other hand, newly launched sales of amorphous-silicon TFT LCDs and LTPS-TFT LCDs contributed positively to revenues. As a result, net sales were ¥640,464 million ($5,658,309 thousand), up 7.7% from the same period last year, while operating loss was ¥10,148 million ($89,654 thousand) as compared to operating income of ¥43,013 million in the same period last year.

The Americas:

Revenues from sales of 3LCD projectors, terminal modules, inkjet printers and photo-related products increased, while silicon foundry and system LSI revenues declined. As a result, net sales were ¥140,326 million ($1,239,739 thousand), down 0.8% from the same period last year, while operating income was ¥8,234 million ($72,745 thousand), down 4.0% from the same period last year.

Europe:

Revenues from sales of laser printers increased, while revenues from sales of MD-TFD LCDs, inkjet printers and system LSIs declined. As a result, net sales were ¥137,088 million ($1,211,132 thousand), down 11.1% from the same period last year, while operating income was ¥659 million ($5,822 thousand), down 87.6% from the same period last year.

Asia / Oceania:

In addition to a boost in sales revenue provided by new sales in LTPS-TFT LCDs and amorphous-silicon TFT LCDs, the region also saw increased sales revenues from inkjet printers and laser printers. Meanwhile, STN LCD revenues declined. As a result, net sales were ¥407,846 million ($3,603,198 thousand), up

11.6% from the same period last year, while operating income was ¥16,938 million ($149,642 thousand), up 12.7% from the same period last year.

Cash Flow Performance

Net loss from operations for the first half was ¥1,161 million ($10,257 thousand). Depreciation and amortization, principally in the electronic device business segment, was ¥53,147 million ($469,538 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade, decreased by ¥8 million ($71 thousand); notes and accounts payable, trade, increased by ¥54,305 million ($479,768 thousand); and inventories increased by ¥43,204 million ($381,695 thousand). Income taxes paid were ¥13,207 million ($116,680 thousand). As a result, cash inflows from operating activities came to ¥26,872 million ($237,406 thousand).

Cash outflows from investing activities were ¥58,398 million ($515,929 thousand) due to capital expenditures, principally in the information-related equipment business and electronic device business, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period amounted to ¥58,557 million ($517,334 thousand).

Cash flows from financing activities were positive at ¥52,959 million ($467,877 thousand), primarily due to a net increase of ¥53,359 million ($471,411 thousand) in short- and long-term loans accompanying the early procurement of long-term financing intended to meet capital requirements for the year-end shopping season and to contain risks associated with rises in interest rates.

As a result, cash and cash equivalents for the first half was ¥257,737 million ($2,277,030 thousand).

2. Second-Quarter Operating Performance

Second-quarter net sales were adversely affected by a number of factors, including intensified competition that drove down prices for color STN LCDs used in mobile handsets, declines in system LSI prices and volume, and lower prices for HTPS-TFT panels for 3LCD projectors. Nevertheless, net sales for the quarter came in at ¥380,107 million ($3,358,132 thousand), up 8.4% from the same period last year, due to the addition of new sales of amorphous-silicon TFT LCDs and LTPS-TFT LCDs. Second-quarter operating income was ¥11,046 million ($97,588 thousand), down 66.7% compared to the same period last year; income before income taxes and minority interest was ¥11,445 million ($101,113 thousand), down 62.1% from the same period last year; and net income was ¥5,891 million ($52,045 thousand), down 73.1% from the same period last year. These results reflect factors such as declining prices for inkjet printers, lower revenue from and higher costs for HTPS-TFT panels for 3LCD projectors, and lower revenue from color STN LCDs for mobile phones and system LSIs.

3. Full-year forecast

The numbers in the revised business forecast for the full year have not been amended, as no appreciable changes in the operating environment have been observed since the outlook was revised on September 21, 2005. The figures in the forecast are based on assumed full-year exchange rates of ¥109 to the U.S. dollar and ¥134 to the euro.

Consolidated Results Outlook
(Full Year)

	Results for FY2004, ended March 31, 2005	**Plan for FY2005, ending March 31, 2006**	Change
Net sales	¥1,479.8 billion	**¥1,618.0 billion**	+¥138.2 billion (+ 9.3%)
Operating income	¥91.0 billion	**¥44.0 billion**	-¥47.0 billion (-51.6%)
Income before income taxes and minority interest	¥73.6 billion	**¥38.0 billion**	-¥35.6 billion (-48.4%)
Net income	¥55.7 billion	**¥22.0 billion**	-¥33.7 billion (-60.5%)

Cautionary Statement

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

Consolidated Balance Sheets (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	**September 30,**
	2004	**2005**	2005	**2005**
ASSETS				
Current assets:				
Cash and cash equivalents	¥217,646	**¥257,737**	¥234,904	**$2,277,030**
Time deposits	829	**956**	272	**8,446**
Notes and accounts receivable, trade	217,315	**256,169**	256,177	**2,263,177**
Inventories	204,697	**223,407**	176,656	**1,973,734**
Other current assets	72,105	**94,360**	82,344	**833,643**
Allowance for doubtful accounts	(4,051)	**(3,698)**	(3,641)	**(32,671)**
Total current assets	708,541	**828,931**	746,712	**7,323,359**
Property, plant and equipment:				
Buildings and structures	393,311	**427,547**	419,780	**3,777,251**
Machinery and equipment	485,181	**524,568**	521,113	**4,634,402**
Furniture and fixtures	184,289	**195,247**	188,249	**1,724,949**
Land	52,222	**58,907**	58,836	**520,426**
Other	4,563	**13,177**	7,755	**116,415**
	1,119,566	**1,219,446**	1,195,733	**10,773,443**
Accumulated depreciation	(725,172)	**(788,637)**	(754,378)	**(6,967,374)**
	394,394	**430,809**	441,355	**3,806,069**
Investments and other assets:				
Investment securities	38,847	**54,204**	49,894	**478,876**
Intangible assets	22,445	**25,926**	26,530	**229,049**
Other assets	40,925	**35,070**	34,035	**309,833**
Allowance for doubtful accounts	(748)	**(712)**	(736)	**(6,290)**
	101,469	**114,488**	109,723	**1,011,468**
Total assets	¥1,204,404	**¥1,374,228**	¥1,297,790	**$12,140,896**

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

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	**September 30,**
	2004	**2005**	2005	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Short-term bank loans	¥45,290	**¥57,961**	¥30,236	**$512,068**
Current portion of long-term debt	13,567	**140,534**	104,642	**1,241,576**
Notes and accounts payable, trade	141,299	**195,947**	145,036	**1,731,133**
Accounts payable, other	78,945	**78,585**	119,039	**694,275**
Income taxes payable	9,118	**5,853**	12,499	**51,710**
Accrued bonuses	16,440	**17,218**	18,587	**152,116**
Accrued warranty costs	13,725	**14,381**	15,327	**127,052**
Other current liabilities	59,986	**63,305**	59,235	**559,281**
Total current liabilities	378,370	**573,784**	504,601	**5,069,211**
Long-term liabilities:				
Long-term debt	333,636	**250,219**	259,919	**2,210,611**
Accrued pension and severance costs	12,524	**17,109**	14,835	**151,153**
Accrued directors' and statutory auditors' retirement allowances	1,791	**1,976**	1,921	**17,457**
Accrued recycle costs	225	**429**	310	**3,790**
Other long-term liabilities	14,894	**20,949**	16,677	**185,078**
Total long-term liabilities	363,070	**290,682**	293,662	**2,568,089**
Minority interest in subsidiaries	2,337	**30,287**	26,657	**267,577**
Shareholders' equity:				
Common stock	53,204	**53,204**	53,204	**470,042**
Additional paid-in capital	79,501	**79,501**	79,501	**702,368**
Retained earnings	337,281	**347,223**	350,944	**3,067,612**
Net unrealized gains on other securities	2,838	**6,814**	3,743	**60,200**
Translation adjustments	(12,195)	**(7,263)**	(14,519)	**(64,168)**
Treasury stock, at cost	(2)	**(4)**	(3)	**(35)**
Total shareholders' equity	460,627	**479,475**	472,870	**4,236,019**
Commitments and contingent liabilities				
Total liabilities and shareholders' equity	¥1,204,404	**¥1,374,228**	¥1,297,790	**$12,140,896**

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

Consolidated Statements of Income (Unaudited)

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	**2005**	2005	**2005**
Net sales	¥683,474	**¥720,244**	¥1,479,750	**$6,363,142**
Cost of sales	473,249	**562,803**	1,070,011	**4,972,198**
Gross profit	210,225	**157,441**	409,739	**1,390,944**
Selling, general and administrative expenses:				
Salaries and wages	37,375	**38,681**	76,917	**341,735**
Advertising	11,832	**11,703**	32,522	**103,392**
Sales promotion	12,904	**13,193**	31,556	**116,556**
Research and development costs	19,212	**22,551**	42,903	**199,231**
Provision for doubtful accounts	267	**160**	112	**1,414**
Other	62,769	**65,149**	134,762	**575,572**
	144,359	**151,437**	318,772	**1,337,900**
Operating income	65,866	**6,004**	90,967	**53,044**
Other income:				
Interest and dividend income	1,308	**1,819**	2,457	**16,071**
Net gain on foreign exchange	-	**2,304**	-	**20,355**
Rental income	667	**728**	1,531	**6,432**
Other	2,408	**1,910**	4,041	**16,874**
	4,383	**6,761**	8,029	**59,732**
Other expenses:				
Interest expenses	2,913	**2,916**	5,816	**25,762**
Net loss on foreign exchange	2,017	**-**	3,905	**-**
Loss on disposal of fixed assets	1,247	**799**	3,312	**7,059**
Prior pension costs for foreign subsidiaries	2,285	**182**	2,285	**1,608**
Other	2,214	**1,169**	10,031	**10,328**
	10,676	**5,066**	25,349	**44,757**
Income before income taxes and minority interest	59,573	**7,699**	73,647	**68,019**
Income taxes:				
Current	11,417	**6,796**	21,394	**60,041**
Deferred	8,022	**1,291**	(1,493)	**11,406**
	19,439	**8,087**	19,901	**71,447**
Income (loss) before minority interest	40,134	**(388)**	53,746	**(3,428)**
Minority interest in subsidiaries	661	**773**	(1,943)	**6,829**
Net income (loss)	¥39,473	**(¥1,161)**	¥55,689	**($10,257)**
	Yen			U.S. dollars
Per share:				
Net income (loss)	¥201.02	**(¥5.91)**	¥283.60	**($0.05)**
Cash dividends	¥9.00	**¥13.00**	¥22.00	**$0.11**

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

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2004	**2005**	**2005**
Net sales	¥350,547	**¥380,107**	**$3,358,132**
Cost of sales	242,397	**291,236**	**2,572,983**
Gross profit	108,150	**88,871**	**785,149**
Selling, general and administrative expenses:			
Salaries and wages	18,634	**19,345**	**170,907**
Advertising	5,886	**5,786**	**51,118**
Sales promotion	7,113	**7,141**	**63,089**
Research and development costs	10,730	**11,361**	**100,371**
Provision for doubtful accounts	223	**90**	**795**
Other	32,431	**34,102**	**301,281**
	75,017	**77,825**	**687,561**
Operating income	33,133	**11,046**	**97,588**
Other income:			
Interest and dividend income	508	**685**	**6,052**
Net gain on foreign exchange	-	**784**	**6,926**
Rental income	340	**369**	**3,260**
Other	1,088	**818**	**7,227**
	1,936	**2,656**	**23,465**
Other expenses:			
Interest expenses	1,441	**1,494**	**13,199**
Net loss on foreign exchange	760	**-**	**-**
Loss on disposal of fixed assets	1,062	**436**	**3,852**
Other	1,607	**327**	**2,889**
	4,870	**2,257**	**19,940**
Income before income taxes and minority interest	30,199	**11,445**	**101,113**
Income taxes	7,986	**4,478**	**39,562**
Income before minority interest	22,213	**6,967**	**61,551**
Minority interest in subsidiaries	348	**1,076**	**9,506**
Net income	¥21,865	**¥5,891**	**$52,045**

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Six months ended September 30:

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
		Millions of yen						
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Net income for the six months ended September 30, 2004	-	-	-	39,473	-	-	-	39,473
Cash dividends	-	-	-	(1,767)	-	-	-	(1,767)
Net unrealized loss on other securities	-	-	-	-	(249)	-	-	(249)
Translation adjustments	-	-	-	-	-	8,804	-	8,804
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at September 30, 2004	196,364,592	¥53,204	¥79,501	¥337,281	¥2,838	(¥12,195)	(¥2)	¥460,627
Balance at March 31, 2005	196,364,592	¥53,204	¥79,501	¥350,944	¥3,743	(¥14,519)	(¥3)	¥472,870
Net loss for the six months ended September 30, 2005	-	-	-	**(1,161)**	-	-	-	**(1,161)**
Cash dividends	-	-	-	**(2,553)**	-	-	-	**(2,553)**
Decrease due to affiliate excluded under the equity method	-	-	-	**(7)**	-	-	-	**(7)**
Net unrealized gain on other securities	-	-	-	-	**3,071**	-	-	**3,071**
Translation adjustments	-	-	-	-	-	**7,256**	-	**7,256**
Changes in treasury stock	-	-	-	-	-	-	**(1)**	**(1)**
Balance at September 30, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥347,223**	**¥6,814**	**(¥7,263)**	**(¥4)**	**¥479,475**

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

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
	Thousands of U.S. dollars						
Balance at March 31, 2005	$470,042	$702,368	$3,100,486	$33,068	($128,272)	($26)	$4,177,666
Net loss for the six months ended September 30, 2005	-	-	**(10,257)**	-	-	-	**(10,257)**
Cash dividends	-	-	**(22,555)**	-	-	-	**(22,555)**
Decrease due to affiliate excluded under the equity method	-	-	**(62)**	-	-	-	**(62)**
Net unrealized gain on other securities	-	-	-	**27,132**	-	-	**27,132**
Translation adjustments	-	-	-	-	**64,104**	-	**64,104**
Changes in treasury stock	-	-	-	-	-	**(9)**	**(9)**
Balance at September 30, 2005	**$470,042**	**$702,368**	**$3,067,612**	**$60,200**	**($64,168)**	**($35)**	**$4,236,019**

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

Three months ended September 30:

	Millions of yen							
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
Balance at June 30, 2004	196,364,592	¥53,204	¥79,501	¥315,416	¥3,361	(¥17,559)	(¥1)	¥433,922
Net income for the three months ended September 30, 2004	-	-	-	21,865	-	-	-	21,865
Net unrealized loss on other securities	-	-	-	-	(523)	-	-	(523)
Translation adjustments	-	-	-	-	-	5,364	-	5,364
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at September 30, 2004	196,364,592	¥53,204	¥79,501	¥337,281	¥2,838	(¥12,195)	(¥2)	¥460,627
Balance at June 30, 2005	196,364,592	¥53,204	¥79,501	¥341,339	¥4,052	(¥12,356)	(¥3)	¥465,737
Net income for the three months ended September 30, 2005	**-**	**-**	**-**	**5,891**	**-**	**-**	**-**	**5,891**
Decrease due to affiliate excluded under the equity method	-	-	-	**(7)**	-	-	-	**(7)**
Net unrealized gain on other securities	-	-	-	-	**2,762**	-	-	**2,762**
Translation adjustments	-	-	-	-	-	**5,093**	-	**5,093**
Changes in treasury stock	-	-	-	-	-	-	**(1)**	**(1)**
Balance at September 30, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥347,223**	**¥6,814**	**(¥7,263)**	**(¥4)**	**¥479,475**

	Thousands of U.S. dollars						
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock, at cost	Total
Balance at June 30, 2005	$470,042	$702,368	$3,015,629	$35,798	($109,163)	($26)	$4,114,648
Net income for the three months ended September 30, 2005	-	-	**52,045**	-	-	-	**52,045**
Decrease due to affiliate excluded under the equity method	-	-	**(62)**	-	-	-	**(62)**
Net unrealized gain on other securities	-	-	-	**24,402**	-	-	**24,402**
Translation adjustments	-	-	-	-	**44,995**	-	**44,995**
Changes in treasury stock	-	-	-	-	-	**(9)**	**(9)**
Balance at September 30, 2005	**$470,042**	**$702,368**	**$3,067,612**	**$60,200**	**($64,168)**	**($35)**	**$4,236,019**

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

Consolidated Statements of Cash Flows (Unaudited)

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	**2005**	2005	**2005**
Cash flows from operating activities:				
Net income (loss)	¥39,473	**(¥1,161)**	¥55,689	**($10,257)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities -				
Depreciation and amortization	47,009	**53,147**	105,006	**469,538**
Accrual for net pension and severance costs, less payments	5,503	**3,115**	9,188	**27,520**
Net loss on sales and disposal of fixed assets	1,531	**689**	3,566	**6,087**
Equity in net gains under the equity method	(111)	**(98)**	(232)	**(866)**
Deferred income taxes	8,022	**1,291**	(1,493)	**11,406**
Increase (decrease) in allowance for doubtful accounts	154	**(60)**	(214)	**(530)**
(Increase) decrease in notes and accounts receivable, trade	(6,496)	**8**	(43,371)	**71**
Increase in inventories	(44,110)	**(43,204)**	(6,063)	**(381,695)**
Increase in notes and accounts payable, trade	10,406	**54,305**	11,221	**479,768**
Increase (decrease) in accrued income taxes	2,595	**(6,411)**	5,748	**(56,639)**
Other	(2,430)	**(34,749)**	23,444	**(306,997)**
Net cash provided by operating activities	61,546	**26,872**	162,489	**237,406**
Cash flows from investing activities:				
Payments for purchases of property, plant and equipment	(43,266)	**(53,411)**	(92,441)	**(471,870)**
Proceeds from sales of property, plant and equipment	1,285	**1,139**	1,978	**10,063**
Payments for purchases of intangible assets	(3,953)	**(5,146)**	(7,439)	**(45,464)**
Payments of long-term prepaid expenses	(785)	**(326)**	(1,009)	**(2,880)**
Other	1,778	**(654)**	(485)	**(5,778)**
Net cash used in investing activities	(44,941)	**(58,398)**	(99,396)	**(515,929)**
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	(17,924)	**27,205**	(40,577)	**240,348**
Proceeds from long-term debt	-	**40,000**	2,000	**353,388**
Repayments of long-term debt	(47,111)	**(13,846)**	(52,745)	**(122,325)**
Proceeds from issuance of subsidiary stock	-	**2,664**	-	**23,536**
Cash dividends	(1,767)	**(2,553)**	(4,320)	**(22,555)**
Other	(353)	**(511)**	(731)	**(4,515)**
Net cash provided by (used in) financing activities	(67,155)	**52,959**	(96,373)	**467,877**
Effect of exchange rate fluctuations on cash and cash equivalents	3,013	**1,231**	3,001	**10,876**
Net increase (decrease) in cash and cash equivalents	(47,537)	**22,664**	(30,279)	**200,230**
Cash and cash equivalents at the beginning of the period	265,183	**234,904**	265,183	**2,075,307**
Cash and cash equivalents increased by merger of unconsolidated subsidiaries	-	**169**	-	**1,493**
Cash and cash equivalents at the end of the period	¥217,646	**¥257,737**	¥234,904	**$2,277,030**
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥1,458	**¥1,874**	¥2,594	**$16,556**
Interest paid	(¥2,945)	**(¥2,912)**	(¥5,854)	**($25,727)**
Income taxes paid	(¥8,822)	**(¥13,207)**	(¥15,646)	**($116,680)**

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

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2004	**2005**	**2005**
Cash flows from operating activities:			
Net income	¥21,865	**¥5,891**	**$52,045**
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	24,190	**26,891**	**237,574**
Accrual for net pension and severance costs, less payments	1,709	**1,419**	**12,536**
Net loss on sales and disposal of fixed assets	1,205	**382**	**3,375**
Equity in net gains under the equity method	(83)	**(92)**	**(813)**
Deferred income taxes	8,121	**(2,574)**	**(22,740)**
Increase (decrease) in allowance for doubtful accounts	160	**(6)**	**(53)**
Increase in notes and accounts receivable, trade	(24,307)	**(34,820)**	**(307,624)**
Increase in inventories	(16,260)	**(27,569)**	**(243,564)**
Increase in notes and accounts payable, trade	950	**31,006**	**273,929**
Increase (decrease) in accrued income taxes	(4,330)	**3,599**	**31,796**
Other	9,294	**(1,544)**	**(13,641)**
Net cash provided by operating activities	22,514	**2,583**	**22,820**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(22,864)	**(27,959)**	**(247,010)**
Proceeds from sales of property, plant and equipment	739	**343**	**3,030**
Payments for purchases of intangible assets	(2,330)	**(2,159)**	**(19,074)**
Payments of long-term prepaid expenses	(194)	**(174)**	**(1,537)**
Other	(290)	**37**	**327**
Net cash used in investing activities	(24,939)	**(29,912)**	**(264,264)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(2,350)	**22,124**	**195,459**
Proceeds from long-term debt	-	**40,000**	**353,388**
Repayments of long-term debt	(7,281)	**(9,964)**	**(88,029)**
Other	(113)	**(288)**	**(2,544)**
Net cash provided by (used in) financing activities	(9,744)	**51,872**	**458,274**
Effect of exchange rate fluctuations on cash and cash equivalents	2,058	**1,277**	**11,282**
Net increase (decrease) in cash and cash equivalents	(10,111)	**25,820**	**228,112**
Cash and cash equivalents at the beginning of the period	227,757	**231,917**	**2,048,918**
Cash and cash equivalents at the end of the period	¥217,646	**¥257,737**	**$2,277,030**
Supplemental disclosures of cash flow information:			
Cash received and paid during the period for -			
Interest and dividend received	¥604	**¥708**	**$6,255**
Interest paid	(¥1,582)	**(¥1,703)**	**($15,045)**
Income taxes paid	(¥4,195)	**(¥3,452)**	**($30,497)**

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

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of presenting consolidated financial statements:

(1) Background -

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

(2) Basis of presenting consolidated financial statements -

The Company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan while its foreign subsidiaries maintain their records and prepare their financial statements in conformity with accounting principles generally accepted in their respective country of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively "Epson") as of September 30, 2005, and for the three months and six months ended September 30, 2005 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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

2. Summary of significant accounting policies:

(1) Consolidation and investments in affiliates -

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

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

(2) Foreign currency translation and transactions -

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

All the assets and liabilities of foreign subsidiaries and affiliates are translated at the foreign exchange rates prevailing at the respective balance sheet dates, and all the income and expense accounts are translated at the average foreign exchange rates for the respective periods. Foreign currency financial statement translation differences are recorded in the consolidated balance sheets as a separate component of shareholders' equity and minority interest in subsidiaries.

(3) Cash and cash equivalents -

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

(4) Financial instruments -

(a) Investments in debt and equity securities:

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

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

(b) Derivative financial instruments:

Derivative instruments (i.e., forward exchange contracts, interest rate swaps and currency options) are recognized as either assets or liabilities at their respective fair values at the date of contract, and gains and losses arising from changes in fair value are recognized in earnings in the corresponding period. If certain hedging criteria are met, such gains and losses are deferred and accounted for as assets or liabilities.

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

(c) Allowance for doubtful accounts:

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

(5) Inventories -

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

(6) Property, plant and equipment -

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method for the Company and its Japanese subsidiaries and on the straight-line method for foreign subsidiaries at rates based on the estimated useful lives. For buildings acquired by the Company and its Japanese subsidiaries on or after April 1, 1998, depreciation is computed based on the straight-line method, which is prescribed by Japanese income tax laws.

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

(7) Intangible assets -

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

(8) Accrued bonuses -

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

(9) Accrued warranty costs -

Epson provides an accrual for estimated future warranty costs based on the historical relationship of warranty costs to net sales. Specific warranty provisions are made for those products where warranty expenses can be specifically estimated.

(10) Income taxes -

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

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

(11) Pension and severance costs -

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

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

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

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

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

(12) <u>Accrued recycle costs</u> -

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

(13) <u>Revenue recognition</u> -

Revenue from sale of goods is recognized at the time when goods are shipped. Revenue from services is recognized when services are rendered and accepted by customers.

(14) <u>Research and development costs</u> -

Research and development costs are expensed as incurred.

(15) <u>Leases</u> -

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

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

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

(16) <u>Net income per share</u> -

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

(17) Appropriations of retained earnings -

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

(18) Reclassifications -

Certain prior period amounts have been reclassified to conform to the presentations for the six months ended September 30, 2005.

3. U.S. dollar amounts:

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers and are not audited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥113.19 = U.S.$1, the rate of exchange prevailing at September 30, 2005, has been used.

4. Investments in debt and equity securities:

The aggregate cost and market value (carrying value) of other securities with market values, which were included in investment securities account at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

	Millions of yen			
	September 30, 2004			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥4,517	¥3,734	(¥85)	¥8,166
Debt securities	53	3	(-)	56
Other	144	-	(-)	144
Total	¥4,714	¥3,737	(¥85)	¥8,366

	Millions of yen			
	September 30, 2005			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥10,553	¥9,945	(¥32)	¥20,466
Debt securities	53	2	(-)	55
Other	180	-	(-)	180
Total	¥10,786	¥9,947	(¥32)	¥20,701

	Millions of yen			
	March 31, 2005			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥10,670	¥5,184	(¥70)	¥15,784
Debt securities	52	3	(-)	55
Other	175	-	(-)	175
Total	¥10,897	¥5,187	(¥70)	¥16,014

	Thousands of U.S. dollars			
	September 30, 2005			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$93,233	$87,861	($283)	$180,811
Debt securities	468	18	(-)	486
Other	1,590	-	(-)	1,590
Total	$95,291	$87,879	($283)	$182,887

The carrying amount of unlisted equity securities, unlisted debt securities and unlisted other securities, which were included in investment securities account at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
Unlisted securities	2004	2005	2005	2005
Equity securities	¥19,477	¥19,468	¥19,505	$171,994
Debt securities	-	2,700	2,700	23,854
Other	-	163	225	1,440
Total	¥19,477	¥22,331	¥22,430	$197,288

For the six months ended September 30, 2004 and 2005, other-than-temporary impairments of securities with an aggregate market value of ¥0 million and ¥0 million ($0 thousand), respectively, were charged to current income. For the year ended March 31, 2005, there were no other-than-temporary impairments of securities. Impairments are principally recorded in cases where the fair value of other securities with determinable market values has declined in excess of 30% of cost. Those securities are written down to the fair value and the resulting losses are included in current income for the period.

5. Derivative financial instruments:

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

The table below lists contract amounts and fair values of derivatives as at September 30, 2004 and 2005 and as at March 31, 2005 by transactions and type of instrument, excluding derivatives eligible for hedge accounting.

	Millions of yen		
	September 30, 2004		
Instruments	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥5,848	¥5,997	(¥149)
Euro (purchased Japanese yen)	36,231	37,166	(935)
Australian dollar (purchased Japanese yen)	971	983	(12)
Thai baht (purchased U.S. dollar)	257	256	1
U.S. dollar (purchased Euro)	552	554	(2)
Polish zloty (purchased Euro)	249	251	(2)
Purchased -			
U.S. dollar (sold Japanese yen)	271	281	10
Euro (sold Japanese yen)	82	84	2
U.S. dollar (sold Korean won)	697	672	(25)
U.S. dollar (sold Taiwan dollar)	438	444	6
Total unrealized losses from forward exchange contracts			(¥1,106)

There were no interest rate swap transactions outstanding at September 30, 2004 other than derivatives eligible for hedge accounting.

Instruments	Millions of yen September 30, 2005 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥11,473	¥11,767	(¥294)
Euro (purchased Japanese yen)	25,482	25,487	(5)
Sterling pound (purchased Japanese yen)	954	951	3
Australian dollar (purchased Japanese yen)	504	522	(18)
Thai baht (purchased U.S. dollar)	251	251	(0)
Indonesia rupiah (purchased U.S. dollar)	176	176	(0)
Philippine peso (purchased U.S. dollar)	107	107	(0)
Japanese yen (purchased Euro)	412	409	3
Polish zloty (purchased Euro)	139	139	(0)
U.S. dollar (purchased Sterling pound)	477	477	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	719	757	38
Euro (sold Japanese yen)	84	84	0
Indonesia rupiah (sold U.S. dollar)	1,019	974	(45)
U.S. dollar (sold Korean won)	439	456	17
U.S. dollar (sold Taiwan dollar)	212	227	15
Total unrealized losses from forward exchange contracts			(¥286)

There were no interest rate swap transactions outstanding at September 30, 2005 other than derivatives eligible for hedge accounting.

Instruments	Millions of yen March 31, 2005 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥7,017	¥7,225	(¥208)
Euro (purchased Japanese yen)	26,438	26,705	(267)
Sterling pound (purchased Japanese yen)	1,029	1,045	(16)
Australian dollar (purchased Japanese yen)	1,730	1,787	(57)
Thai baht (purchased U.S. dollar)	171	167	4
Japanese yen (purchased Euro)	301	301	0
U.S. dollar (purchased Euro)	642	643	(1)
Polish zloty (purchased Euro)	168	170	(2)
Purchased -			
U.S. dollar (sold Japanese yen)	87	89	2
Euro (sold Japanese yen)	31	31	(0)
U.S. dollar (sold Korean won)	546	539	(7)
U.S. dollar (sold Taiwan dollar)	556	533	(23)
Total unrealized losses from forward exchange contracts			(¥575)

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

Instruments	Thousands of U.S. dollars September 30, 2005 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	$101,361	$103,958	($2,597)
Euro (purchased Japanese yen)	225,126	225,170	(44)
Sterling pound (purchased Japanese yen)	8,428	8,402	26
Australian dollar (purchased Japanese yen)	4,453	4,612	(159)
Thai baht (purchased U.S. dollar)	2,218	2,218	(0)
Indonesia rupiah (purchased U.S. dollar)	1,555	1,555	(0)
Philippine peso (purchased U.S. dollar)	945	945	(0)
Japanese yen (purchased Euro)	3,640	3,613	27
Polish zloty (purchased Euro)	1,228	1,228	(0)
U.S. dollar (purchased Sterling pound)	4,214	4,214	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	6,352	6,688	336
Euro (sold Japanese yen)	742	742	0
Indonesia rupiah (sold U.S. dollar)	9,003	8,605	(398)
U.S. dollar (sold Korean won)	3,879	4,029	150
U.S. dollar (sold Taiwan dollar)	1,873	2,005	132
Total unrealized losses from forward exchange contracts			($2,527)

There were no interest rate swap transactions outstanding at September 30, 2005 other than derivatives eligible for hedge accounting.

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

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

Assets pledged as collateral for secured loans and debt at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

Pledged assets	Millions of yen September 30 2004	2005	March 31, 2005	Thousands of U.S. dollars September 30, 2005
Buildings and structures	¥1,150	¥-	¥-	$-
Machinery and equipment	173	-	-	-
Land	286	-	-	-
Total	¥1,609	¥-	¥-	$-

Secured loans and debt	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
	2004	2005	2005	2005
Current portion of long-term debt	¥4	¥-	¥-	$-

In the six months ended September 30, 2005, the Company entered into line of credit agreements with twelve banks for an aggregate maximum amount of ¥80,000 million ($706,776 thousand). As at September 30, 2005, there were unused credit lines of ¥80,000 million ($706,776 thousand) outstanding and available.

7. Net income (loss) per share:

Calculation of net income (loss) per share for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	2005	2005	2005
Net income (loss) attributable to common shares	¥39,473	(¥1,161)	¥55,689	($10,257)
Weighted average number of common shares outstanding	196,364,201	196,363,762	196,364,103	
	Yen			U.S. dollars
Net income (loss) per share	¥201.02	(¥5.91)	¥283.60	($0.05)

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005.

8. Cash flow information:

Cash and cash equivalents at September 30, 2004 and 2005 and at March 31, 2005 were composed of the following:

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
	2004	2005	2005	2005
Cash and deposits	¥218,872	¥258,997	¥235,597	$2,288,162
Less:				
Short-term bank loans (overdrafts)	(397)	(304)	(421)	(2,686)
Time deposits due over three months	(829)	(956)	(272)	(8,446)
Cash and cash equivalents	¥217,646	¥257,737	¥234,904	$2,277,030

9. Leases:

As described in Note 2 (15), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005 amounted to ¥1,159 million, ¥8,927 million ($78,867 thousand) and ¥10,369 million, respectively.

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the capital lease assets at September 30, 2004 and 2005 and at March 31, 2005 would have been as follows:

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
	2004	2005	2005	2005
Acquisition cost:				
Machinery and equipment	¥2,333	¥78,766	¥79,822	$695,874
Furniture and fixtures	5,219	3,713	4,394	32,803
Intangible assets	1,051	762	851	6,732
	8,603	83,241	85,067	735,409
Less:				
Accumulated depreciation	(5,042)	(44,144)	(38,114)	(389,999)
Accumulated impairment loss	(-)	(1,020)	(1,184)	(9,011)
	(5,042)	(45,164)	(39,298)	(399,010)
Net book value	¥3,561	¥38,077	¥45,769	$336,399

Amounts appearing in the table above include leased property acquired from the SANYO Group in connection with the creation of SANYO EPSON. The acquisition cost, less accumulated depreciation and net book value transferred from the SANYO Group as capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term at October 1, 2004, were as follows:

	Millions of yen
Acquisition cost:	
Machinery and equipment	¥76,744
Furniture and fixtures	1,196
	77,940
Less: accumulated depreciation	(28,498)
Net book value	¥49,442

Depreciation expenses for these leased assets for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005 would have been ¥1,082 million, ¥8,086 million ($71,437 thousand) and ¥9,435 million, 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 six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005 would have been ¥37 million, ¥808 million ($7,138 thousand) and ¥982 million, respectively.

Epson has recognized an impairment loss for future lease payments of impaired capital lease assets at SANYO EPSON, which was recorded in other expenses in accordance with Japanese accounting standards. The amount was ¥1,184 million for the year ended March 31, 2005. For the six months ended September 30, 2004 and 2005, there were no impairment losses for capital leases.

Future lease payments for capital leases at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
Future lease payments	2004	2005	2005	2005
Due within one year	¥1,563	¥16,009	¥16,003	$141,435
Due after one year	2,054	24,743	32,638	218,597
Total	¥3,617	¥40,752	¥48,641	$360,032

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥722 million ($6,379 thousand) and ¥1,184 million as of September 30, 2005 and as of March 31, 2005, respectively. There was no accrued impairment loss as of September 30, 2004. Lease payments for impaired capital lease assets in the six months ended September 30, 2005 were ¥296 million ($2,615 thousand).

Future lease payments for non-cancelable operating leases as a lessee at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

Future lease payments	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
	2004	2005	2005	2005
Due within one year	¥2,945	¥3,368	¥3,228	$29,755
Due after one year	8,518	8,045	9,205	71,075
Total	¥11,463	¥11,413	¥12,433	$100,830

In addition, future lease receipts for non-cancelable operating leases as a lessor at September 30, 2004 and 2005 and at March 31, 2005 were as follows:

Future lease receipts	Millions of yen			Thousands of U.S. dollars
	September 30		March 31,	September 30,
	2004	2005	2005	2005
Due within one year	¥318	¥305	¥319	$2,694
Due after one year	1,923	1,622	1,824	14,330
Total	¥2,241	¥1,927	¥2,143	$17,024

10. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at September 30, 2004 and 2005 and at March 31, 2005 were ¥3,130 million, ¥2,609 million ($23,050 thousand) and ¥2,849 million, respectively. Furthermore, the amount of discounted notes at September 30, 2004 and 2005 and at March 31, 2005 were ¥36 million, ¥15 million ($133 thousand) and ¥11 million, respectively.

11. Segment information:

(1) Business segment information -

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

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

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

Information-related equipment segment, including color inkjet printers, laser printers, dot matrix printers, large format inkjet printers, and related supplies, color image scanners, 3LCD projectors, HDTV LCD projection televisions, LCD monitors, label writers, mini-printers, printers for use in POS systems and personal computers.

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

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

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

The table below summarizes the business segment information of Epson for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005:

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	**2005**	2005	**2005**
Information-related equipment:				
Net sales:				
Customers	¥432,980	**¥439,471**	¥942,401	**$3,882,596**
Inter-segment	1,574	**1,283**	3,628	**11,335**
Total	434,554	**440,754**	946,029	**3,893,931**
Operating expenses	403,583	**425,660**	884,474	**3,760,580**
Operating income	¥30,971	**¥15,094**	¥61,555	**$133,351**
Electronic devices:				
Net sales:				
Customers	¥206,197	**¥237,866**	¥454,616	**$2,101,476**
Inter-segment	14,531	**20,131**	27,995	**177,851**
Total	220,728	**257,997**	482,611	**2,279,327**
Operating expenses	183,553	**261,092**	444,058	**2,306,670**
Operating income (loss)	¥37,175	**(¥3,095)**	¥38,553	**($27,343)**
Precision products:				
Net sales:				
Customers	¥41,505	**¥40,524**	¥76,827	**$358,017**
Inter-segment	2,308	**2,435**	4,316	**21,513**
Total	43,813	**42,959**	81,143	**379,530**
Operating expenses	41,061	**41,932**	78,707	**370,457**
Operating income	¥2,752	**¥1,027**	¥2,436	**$9,073**
Other:				
Net sales:				
Customers	¥2,792	**¥2,383**	¥5,906	**$21,053**
Inter-segment	15,143	**13,852**	28,604	**122,378**
Total	17,935	**16,235**	34,510	**143,431**
Operating expenses	23,063	**23,536**	47,514	**207,933**
Operating loss	(¥5,128)	**(¥7,301)**	(¥13,004)	**($64,502)**
Eliminations and corporate:				
Net sales	(¥33,556)	**(¥37,701)**	(¥64,543)	**($333,077)**
Operating expenses	(33,652)	**(37,980)**	(65,970)	**(335,542)**
Operating income	¥96	**¥279**	¥1,427	**$2,465**
Consolidated:				
Net sales	¥683,474	**¥720,244**	¥1,479,750	**$6,363,142**
Operating expenses	617,608	**714,240**	1,388,783	**6,310,098**
Operating income	¥65,866	**¥6,004**	¥90,967	**$53,044**

The table below summarizes the business segment information of Epson for the three months ended September 30, 2004 and 2005:

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2004	**2005**	**2005**
Information-related equipment:			
Net sales:			
Customers	¥221,161	**¥228,029**	**$2,014,568**
Inter-segment	938	**713**	**6,300**
Total	222,099	**228,742**	**2,020,868**
Operating expenses	206,078	**217,906**	**1,925,135**
Operating income	¥16,021	**¥10,836**	**$95,733**
Electronic devices:			
Net sales:			
Customers	¥106,275	**¥129,618**	**$1,145,136**
Inter-segment	7,355	**11,239**	**99,294**
Total	113,630	**140,857**	**1,244,430**
Operating expenses	95,610	**138,256**	**1,221,451**
Operating income	¥18,020	**¥2,601**	**$22,979**
Precision products:			
Net sales:			
Customers	¥21,649	**¥21,260**	**$187,826**
Inter-segment	1,242	**1,296**	**11,449**
Total	22,891	**22,556**	**199,275**
Operating expenses	21,264	**21,377**	**188,859**
Operating income	¥1,627	**¥1,179**	**$10,416**
Other:			
Net sales:			
Customers	¥1,462	**¥1,200**	**$10,602**
Inter-segment	6,810	**7,105**	**62,770**
Total	8,272	**8,305**	**73,372**
Operating expenses	10,901	**12,125**	**107,121**
Operating loss	(¥2,629)	**(¥3,820)**	**($33,749)**
Eliminations and corporate:			
Net sales	(¥16,345)	**(¥20,353)**	**($179,813)**
Operating expenses	(16,439)	**(20,603)**	**(182,022)**
Operating income	¥94	**¥250**	**$2,209**
Consolidated:			
Net sales	¥350,547	**¥380,107**	**$3,358,132**
Operating expenses	317,414	**369,061**	**3,260,544**
Operating income	¥33,133	**¥11,046**	**$97,588**

(2) Geographic segment information -

Net sales are attributed to geographic segments based on the country location of the Company or the subsidiary that transacted the sale with the external customer. Principal countries and jurisdictions in each geographic segment are as follows:

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

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

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

The table below summarizes the geographic segment information of Epson for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005:

Six months ended September 30:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	**2005**	2005	**2005**
Japan:				
Net sales:				
Customers	¥298,315	**¥357,342**	¥694,344	**$3,157,011**
Inter-segment	296,250	**283,122**	540,694	**2,501,298**
Total	594,565	**640,464**	1,235,038	**5,658,309**
Operating expenses	551,552	**650,612**	1,192,107	**5,747,963**
Operating income (loss)	¥43,013	**(¥10,148)**	¥42,931	**($89,654)**
The Americas:				
Net sales:				
Customers	¥119,012	**¥116,760**	¥242,898	**$1,031,540**
Inter-segment	22,384	**23,566**	41,618	**208,199**
Total	141,396	**140,326**	284,516	**1,239,739**
Operating expenses	132,821	**132,092**	271,363	**1,166,994**
Operating income	¥8,575	**¥8,234**	¥13,153	**$72,745**
Europe:				
Net sales:				
Customers	¥153,071	**¥135,808**	¥325,998	**$1,199,823**
Inter-segment	1,132	**1,280**	2,525	**11,309**
Total	154,203	**137,088**	328,523	**1,211,132**
Operating expenses	148,879	**136,429**	317,000	**1,205,310**
Operating income	¥5,324	**¥659**	¥11,523	**$5,822**
Asia/Oceania:				
Net sales:				
Customers	¥113,076	**¥110,334**	¥216,510	**$974,768**
Inter-segment	252,497	**297,512**	481,541	**2,628,430**
Total	365,573	**407,846**	698,051	**3,603,198**
Operating expenses	350,539	**390,908**	677,897	**3,453,556**
Operating income	¥15,034	**¥16,938**	¥20,154	**$149,642**
Eliminations and corporate:				
Net sales	(¥572,263)	**(¥605,480)**	(¥1,066,378)	**($5,349,236)**
Operating expenses	(566,183)	**(595,801)**	(1,069,584)	**(5,263,725)**
Operating income (loss)	(¥6,080)	**(¥9,679)**	¥3,206	**($85,511)**
Consolidated:				
Net sales	¥683,474	**¥720,244**	¥1,479,750	**$6,363,142**
Operating expenses	617,608	**714,240**	1,388,783	**6,310,098**
Operating income	¥65,866	**¥6,004**	¥90,967	**$53,044**

The table below summarizes the geographic segment information of Epson for the three months ended September 30, 2004 and 2005:

Three months ended September 30:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2004	**2005**	**2005**
Japan:			
Net sales:			
Customers	¥152,025	**¥189,632**	**$1,675,342**
Inter-segment	148,120	**154,058**	**1,361,057**
Total	300,145	**343,690**	**3,036,399**
Operating expenses	277,436	**343,960**	**3,038,784**
Operating income (loss)	¥22,709	**(¥270)**	**($2,385)**
The Americas:			
Net sales:			
Customers	¥62,722	**¥62,537**	**$552,496**
Inter-segment	10,898	**11,368**	**100,433**
Total	73,620	**73,905**	**652,929**
Operating expenses	70,003	**69,658**	**615,408**
Operating income	¥3,617	**¥4,247**	**$37,521**
Europe:			
Net sales:			
Customers	¥77,145	**¥70,111**	**$619,410**
Inter-segment	686	**733**	**6,475**
Total	77,831	**70,844**	**625,885**
Operating expenses	76,043	**70,846**	**625,903**
Operating income (loss)	¥1,788	**(¥2)**	**($18)**
Asia/Oceania:			
Net sales:			
Customers	¥58,655	**¥57,827**	**$510,884**
Inter-segment	125,867	**171,916**	**1,518,827**
Total	184,522	**229,743**	**2,029,711**
Operating expenses	178,105	**221,719**	**1,958,821**
Operating income	¥6,417	**¥8,024**	**$70,890**
Eliminations and corporate:			
Net sales	(¥285,571)	**(¥338,075)**	**($2,986,792)**
Operating expenses	(284,173)	**(337,122)**	**(2,978,372)**
Operating loss	(¥1,398)	**(¥953)**	**($8,420)**
Consolidated:			
Net sales	¥350,547	**¥380,107**	**$3,358,132**
Operating expenses	317,414	**369,061**	**3,260,544**
Operating income	¥33,133	**¥11,046**	**$97,588**

(3) Sales to overseas customers -

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the six months ended September 30, 2004 and 2005 and for the year ended March 31, 2005:

	Millions of yen			Thousands of U.S. dollars
	Six months ended September 30		Year ended March 31,	Six months ended September 30,
	2004	**2005**	2005	**2005**
Overseas sales:				
The Americas	¥122,949	**¥129,584**	¥266,649	**$1,144,836**
Europe	179,779	**160,097**	386,091	**1,414,409**
Asia/Oceania	153,197	**209,583**	292,276	**1,851,604**
Total	455,925	**499,264**	945,016	**4,410,849**
Consolidated net sales	¥683,474	**¥720,244**	¥1,479,750	**$6,363,142**
Percentage:				
The Americas	18.0%	**18.0%**	18.0%	
Europe	26.3	**22.2**	26.1	
Asia/Oceania	22.4	**29.1**	19.8	
Total	66.7%	**69.3%**	63.9%	

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended September 30, 2004 and 2005:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30		Three months ended September 30,
	2004	**2005**	**2005**
Overseas sales:			
The Americas	¥65,046	**¥67,854**	**$599,470**
Europe	93,544	**80,297**	**709,400**
Asia/Oceania	80,523	**122,699**	**1,084,009**
Total	239,113	**270,850**	**2,392,879**
Consolidated net sales	¥350,547	**¥380,107**	**$3,358,132**
Percentage:			
The Americas	18.5%	**17.9%**	
Europe	26.7	**21.1**	
Asia/Oceania	23.0	**32.3**	
Total	68.2%	**71.3%**	

12. Subsequent events:

On October 1, 2005, the Company and Toyo Communication Equipment Co., Ltd. ("Toyo") combined their respective quartz device businesses and commenced operation as the succeeding company, Epson Toyocom Corporation ("Epson Toyocom"). Under business merger agreement and corporate split agreement, the Company split-off its quartz device business (excluding optical devices) and contributed these assets to Epson Toyocom.

The Company acquired 99,000,000 shares of common stock and 20,000,000 shares of subordinate common stock with voting rights issued by Epson Toyocom as a result of the business split and business merger transactions. As a result, Epson Toyocom is owned 67.9% by the Company (without considering dilutive shares). Epson Toyocom is a consolidated subsidiary of the Company.

The Company acquired certain manufacturing and sales business related to quartz devices and optical devices from Toyo as part of the business split. Total assets and liabilities of Toyo at March 31, 2005 were ¥66.4 billion ($586.6 million) and ¥38.9 billion ($343.7 million), respectively, which have been disclosed in securities report of Toyo. The amounts of assets and liabilities to be acquired have not yet been determined.

Supplementary Information

Consolidated Half Year ended September 30, 2005

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment	434.6	440.7	1.4%	1,010.0	6.8%
Imaging & information	377 9	378 5	0 2%	870.0	6.0%
Visual instruments	39.5	46.7	18.3%	108.0	19.1%
Other	24.0	18.5	(22.6%)	39.0	(19.7%)
Intra-segment sales	(6.8)	(3.0)	- %	(7.0)	- %
Electronic devices	220.7	258.0	16.9%	555.0	15.0%
Display	136.5	189.2	38.5%	393.0	24.0%
Semiconductor	71.7	51.2	(28.6%)	109.0	(21.8%)
Quartz device	26.2	25.6	(2.2%)	68.0	36.5%
Other	1.2	1.8	55.2%	3.0	42.9%
Intra-segment sales	(14 9)	(9.8)	- %	(18.0)	- %
Precision products	43.8	43.0	(1.9%)	85.0	4.8%
Other	17.9	16.2	(9.5%)	33.0	(4.4%)
Inter-segment sales	(33.5)	(37.7)	- %	(65.0)	- %
Consolidated sales	683 5	720 2	5.4%	1,618.0	9.3%

2. Business segment information

(Unit: billion yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment					
Net sales:					
Customers	433.0	439.5	1.5%	1,008.0	7.0%
Inter-segment	1.6	1 2	(18.4%)	2.0	(44.9%)
Total	434.6	440.7	1.4%	1,010.0	6.8%
Operating expenses	403.6	425.6	5.5%	945.0	6.8%
Operating income	31.0	15.1	(51.3%)	65.0	5.6%
Electronic devices					
Net sales:					
Customers	206.2	237.8	15.4%	524.0	15.3%
Inter-segment	14.5	20.2	38.5%	31.0	10.7%
Total	220.7	258.0	16.9%	555.0	15.0%
Operating expenses	183.5	261.1	42.2%	565.0	27.2%
Operating income (loss)	37.2	(3.1)	- %	(10.0)	- %
Precision products					
Net sales:					
Customers	41.5	40.5	(2.4%)	80.0	4.1%
Inter-segment	2.3	2.5	5.5%	5.0	15.8%
Total	43.8	43.0	(1.9%)	85.0	4.8%
Operating expenses	41.1	42.0	2.1%	82.0	4.2%
Operating income	2.7	1.0	(62.7%)	3.0	23.2%
Other					
Net sales:					
Customers	2.8	2.4	(14.6%)	6.0	1.6%
Inter-segment	15.1	13.8	(8.5%)	27.0	(5.6%)
Total	17.9	16.2	(9.5%)	33.0	(4.4%)
Operating expenses	23.0	23.5	2.0%	47.0	(1.1%)
Operating loss	(5.1)	(7.3)	- %	(14.0)	- %
Elimination and corporate					
Net sales	(33.5)	(37.7)	- %	(65.0)	- %
Operating expenses	(33.6)	(38.0)	- %	(65.0)	- %
Operating income	0 1	0 3	191.2%	-	- %
Consolidated					
Net sales	683.5	720.2	5.4%	1,618.0	9.3%
Operating expenses	617.6	714.2	15.6%	1,574.0	13.3%
Operating income	65.9	6.0	(90.9%)	44.0	(51.6%)

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Capital expenditure	45.2	37.4	(17.4%)	136.9	(9.5%)
Information-related equipment	14.7	12.9	(12.3%)	31.3	7.5%
Electronic devices	25.3	14.3	(43.5%)	66.0	(33.6%)
Precision products	1.6	2.0	26.7%	5.6	9.8%
Other	3.6	8.2	123.8%	34.0	92.4%
Depreciation and amortization	46.8	52.6	12.6%	113.6	9.0%

4. Research and development

(Unit: billion yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Research and Development	42.0	44.1	4.9%	95.7	7.4%
R&D / sales ratio	6.2%	6.1%		5.9%	

5. Management indices

(Unit: %)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase Point	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 Point
Return on equity (ROE)	9.0%	(0.2%)	(9.2)	4.6%	(8.0)
Return on assets (ROA)	4.9%	0.6%	(4.3)	2.8%	(3.1)
Return on sales (ROS)	8.7%	1.1%	(7.6)	2.3%	(2.7)

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity

2. ROA=Income before income taxes and minority interest / Beginning and ending balance average total assets

3. ROS=Income before income taxes and minority interest / Net sales

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Six months ended September 30, 2004	Six months ended September 30, 2005	Increase
Foreign exchange effect	(16.2)	4.4	20.6
U.S. dollars	(9.5)	(0.5)	9.0
Euro	(0.2)	2.3	2.5
Other	(6.5)	2.6	9.1
Exchange rate			
Yen / U.S. dollars	109.86	109.48	
Yen / Euro	133.32	135.65	

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, 2004	March 31, 2005	September 30, 2005	Increase compared to March 31, 2005
Inventory	204.7	176.7	223.4	46.7
Information-related equipment	140.4	107.4	143 9	36.5
Electronic devices	49.4	54.4	62.5	8 1
Precision products	13.7	13.4	15.1	1.7
Other / Corporate	1 2	1.5	1 9	0.4
				(Unit: days)
Turnover by days	55	44	57	13
Information-related equipment	59	41	60	19
Electronic devices	41	41	44	3
Precision products	57	60	64	4
Other / Corporate	15	16	24	8

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

8. Employees

(Unit: person)

	September 30, 2004	March 31, 2005	September 30, 2005	Increase compared to March 31, 2005
Number of employees at period end	86,919	85,647	98,480	12,833
Domestic	21,151	22,842	22,971	129
Overseas	65,768	62,805	75,509	12,704