SEIKO EPSON CORPORATION

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

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CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED JUNE 30, 2007

Consolidated Financial Highlights

Income statements and cash flows data

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

	Three months ended June 30		Change	Year ended March 31,	Three months ended June 30,
	2006	**2007**		2007	**2007**
Statements of Income Data:					
Net sales	¥322,036	**¥318,592**	(1.1%)	¥1,416,032	**$2,584,715**
Operating income	7,014	**11,665**	66.3%	50,343	**94,637**
Income before income taxes and minority interest	5,582	**12,305**	120.4%	3,476	**99,830**
Net income (loss)	(5,679)	**1,287**	- %	(7,094)	**10,441**
Statements of Cash Flows Data:					
Cash flows from operating activities	15,584	**1,262**	(91.9%)	160,229	**10,239**
Cash flows from investing activities	(35,977)	**(11,764)**	(67.3%)	(76,419)	**(95,441)**
Cash flows from financing activities	(9,400)	**1,949**	- %	(30,150)	**15,812**
Cash and cash equivalents at the end of the period	249,249	**330,916**	32.8%	334,873	**2,684,699**
Per Share Data:					
Net income (loss) per share -Basic	¥(28.92)	**¥6.56**	- %	¥(36.13)	**$0.05**
-Diluted	¥-	**¥-**	- %	¥-	**$-**

Balance sheets data

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

	June 30		March 31,	June 30,
	2006	**2007**	2007	**2007**
Total assets	¥1,276,514	**¥1,303,141**	¥1,284,412	**$10,572,294**
Equity	491,614	**507,672**	494,335	**4,118,708**
Shareholders' equity	462,749	**483,370**	470,317	**3,921,548**
Shareholders' equity ratio (%)	36.3%	**37.1%**	36.6%	**37.1%**
Shareholders' equity per share	¥2,356.60	**¥2,461.62**	¥2,395.14	**$19.97**

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

V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥123.26 = U.S.$1 at June 30, 2007 has been used for the purpose of presentation.

Qualitative, Financial and Other Information

Fiscal 2007 First-Quarter Overview

A global economic recovery continued throughout Epson's first quarter. Although a decline in housing starts and other indicators pointed to a slowdown in the U.S. economy, the economies of China and the rest of Asia continued to expand, while a recovery was seen in Europe. Meanwhile, the Japanese economy also recovered, with improved corporate earnings spurring a rise in capital expenditure, and personal spending on the increase.

The main markets of the Epson Group (“Epson”) were as follows. The inkjet printer market was flat year-over-year, as demand in Europe, the U.S. and Asia shifted farther toward multifunction printers ("all-in-ones") and away from single-function printers. The Japanese inkjet printer market contracted year-over-year. The dot matrix printer market, though shrinking overall, recorded strong growth in Asia. In POS systems, demand for POS receipt printers for small and mid-sized retailers remained strong.
The projector market expanded on increased demand for business projectors, especially models used in educational applications, though the overall growth rate slowed. The market for home theater projectors expanded, but the pace of growth slackened due to the emergence of competitively priced large-screen flat-panel TVs.
Small- and medium-sized LCDs showed healthy growth. The mobile phone handset market, the main destination for these displays, remained strong. In addition to new and upgrade demand for low-end phones, demand for 3G phones was robust, especially in Europe and the U.S. The digital camera and portable music player markets, two more markets for small- and medium-sized LCDs, were both steady performers. Demand for automotive and portable navigation systems also increased, especially in Europe and the U.S.
Meanwhile, however, the markets for Epson's information-related equipment and electronic device products suffered from continued price erosion due to fierce competition in every segment and a relentless shift of demand toward the low-price zone.
In precision products, prices for watches and eyeglass lenses continued to decline, and demand for semiconductor manufacturing equipment decelerated.

Epson launched, in March 2006, a mid-range business plan called “*Creativity and Challenge 1000*” and is driving a variety of actions designed to improve business performance and restart growth.
Now in the second year of the plan, Epson is adhering to a strategy that emphasizes higher-margin products while also taking action to expand inkjet printer unit volume. The Company is also stepping up its efforts to penetrate business and industrial segments where it can leverage the benefits of Epson's Micro Piezo technology, which it intends to develop into a core source of future profit.
Meanwhile, the small- and medium-sized display business experienced a steep deterioration in profitability last fiscal year, largely due to a significantly different business environment than that assumed when the mid-range business plan was created. The worsening of the profit picture prompted Epson to reposition the business both strategically and structurally. The reorganization costs recorded in association with the repositioning further reduced the fixed asset burden of the business. Epson is also striving to change the structure of its display business, by capturing demand in areas other than mobile phones and reducing its dependence on handset demand.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first quarter of the year under review were ¥120.78 and ¥162.72, respectively. This represents a 5% decline in the value of the yen against the dollar and a 13% decline in the value of the yen against the euro compared to the same period last year.

As a result of the foregoing factors, net sales for the first quarter of the current fiscal year were ¥318,592 million ($2,584,715 thousand), down 1.1% from the same period last year. Operating income was ¥11,665 million ($94,637 thousand), up 66.3% from the same period last year. Income before income taxes and minority interest was ¥12,305 million ($99,830 thousand), up 120.4% from the same period last year. And net income for the quarter was ¥1,287 million ($10,441 thousand), compared to a net loss of ¥5,679 million in the same period last year.

Operating Performance Highlights by Business Segment

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

Information-related equipment

Benefiting from a weakened yen, printer business revenue grew overall. Inkjet printer (including consumables, as in all printer discussions below) sales were boosted by an increase in multifunction printer unit volume. Likewise, dot matrix printer and terminal module sales also benefited from stronger demand. Laser printer revenue was affected by a decline in unit volume brought about by a tighter focus on high added value models rather than low-end models.

Visual instruments business revenue rose, on the whole. While LCD monitor demand declined in the amusement segment, and 3LCD business projector prices slipped, overall sales grew due to higher demand from the education segment.

Operating income in the information-related equipment segment increased. A number of factors contributed to the increase. Among them were the effects of a weakened yen, a laser printer model mix that was improved by redefining the marketing territories, and higher revenues from dot matrix printers and terminal modules.

As a result of the foregoing factors, first-quarter net sales in the information-related equipment segment were ¥210,061 million ($1,704,211 thousand), up 4.6% compared to the same period last year, while operating income was ¥19,278 million ($156,401 thousand), up 36.5% compared to the same period last year.

Electronic devices

Display business revenue declined sharply overall. Although unit volume of amorphous-silicon TFT LCDs rose due to increased demand for mobile phone handsets and other applications, prices for LTPS TFT LCDs and color STN LCDs declined due to fierce competition. In addition, revenues in the MD-TFD LCD business, which Epson plans to terminate, fell due to price erosion and declining demand.

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

Revenues in the semiconductor business as a whole declined. Although unit shipments of mixed-signal products to non-cellular markets increased, revenues were hurt by a decline in LCD driver shipments to handset manufacturers and a broad decline in prices.

Operating loss in the electronic devices segment was flat year on year. Although the model mix in the quartz device business took an unfavorable turn, Epson pared losses by reducing its costs for HTPS TFT LCDs and by improving the profitability of its semiconductor business by moving forward on structural reforms.

As a result of the foregoing factors, first-quarter net sales in the electronic devices segment were ¥97,754 million ($793,071 thousand), down 10.5% compared to the same period last year, while operating loss was ¥5,298 million ($42,982 thousand) versus an operating loss of ¥5,397 million in the same period last year.

Precision products

The precision products segment as a whole reported lower revenue. Although unit shipments of watches increased, sales revenue was negatively affected by a decline in demand for IC handlers and lower prices for plastic corrective lenses.

Operating income in the precision products segment declined due to a worsening of the watch model mix.

As a result of the foregoing factors, first-quarter net sales in the precision products segment were ¥19,170 million ($155,525 thousand), down 4.2% compared to the same period last year, while operating income was ¥64 million ($519 thousand), down 95.2% compared to the same period last year.

Operating Performance Highlights by Geographic Segment

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

Japan

3LCD projector and dot matrix printer revenues increased, while inkjet printer, MD-TFD LCD and laser printer revenues declined. As a result, net sales were ¥288,419 million ($2,339,924 thousand), down 4.8% compared to the same period last year, while operating income was ¥10,934 million ($88,707 thousand), down 42.2% compared to the same period last year.

The Americas

3LCD projector, amorphous-silicon TFT LCD and terminal module revenues increased, while semiconductor revenue declined. As a result, net sales were ¥70,180 million ($569,365 thousand), up 5.2% compared to the same period last year, while operating income was ¥3,171 million ($25,726 thousand), down 10.0% compared to the same period last year.

Europe

Terminal module, 3LCD projector and dot matrix printer revenues increased, while MD-TFD LCD revenue declined. As a result, net sales were ¥67,801 million ($550,065 thousand), up 2.4% compared to the same period last year, while operating income was ¥421 million ($3,415 thousand) as compared to an operating loss of ¥1,488 million in the same period last year.

Asia / Oceania

Inkjet printer, 3LCD projector, dot matrix printer, quartz device and amorphous-silicon TFT LCD revenues increased, while revenues from MD-TFD LCDs, STN LCDs, and LTPS TFT LCDs declined. As a result, net sales were ¥185,495 million ($1,504,908 thousand), up 2.8% compared to the same period last year, while operating income was ¥5,548 million ($45,011 thousand), down 15.3% compared to the same period last year.

Liquidity and Financial Position

Cash Flow Performance

Cash flows from operating activities during the first quarter included net income of ¥1,287 million ($10,441 thousand). For adjustments to reconcile net income to net cash provided by operating activities, depreciation and amortization, principally in the electronic devices and information-related equipment segments, was ¥18,659 million ($151,379 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade increased by ¥8,107 million ($65,771 thousand), while inventories increased ¥5,539 million ($44,937 thousand). Notes and accounts payable, trade increased by ¥7,997 million ($64,879 thousand). Income taxes paid were ¥2,604 million ($21,126 thousand). As a result, net cash provided by operating activities was ¥1,262 million ($10,239 thousand).

Included in cash outflows from investing activities was a total payment of ¥18,393 million ($149,222 thousand) including payments for capital expenditures, principally in the electronic devices and information-related equipment segments, and payments for amounts that came due during this period for tangible and intangible fixed assets acquired at the end of the previous period. There were proceeds of ¥5,000 million ($40,565 thousand) from redemption of investment securities. In total, cash outflows from investing activities amounted to ¥11,764 million ($95,441 thousand).

Cash inflows from financing activities were ¥1,949 million ($15,812 thousand), primarily due to proceeds of ¥20,000 million ($162,259 thousand) from a new issuance of corporate bonds, and despite repayment of long-term debt and payment of cash dividends.

As a result, cash and cash equivalents for the first quarter was ¥330,916 million ($2,684,699 thousand).

Financial Condition

Total assets as of June 30, 2007 stood at ¥1,303,141 million ($10,572,294 thousand), an increase of ¥18,729 million ($151,947 thousand) from last fiscal year end, primarily due to an increase of current assets such as inventories and notes and accounts receivable, trade by ¥19,998 million ($162,242 thousand).

Total liabilities stood at ¥795,469 million ($ 6,453,586 thousand), an increase of ¥5,392 million ($43,745 thousand) from last fiscal year end. Current liabilities decreased ¥11,582 million ($93,964 thousand) while long-term liabilities increased ¥16,974 million ($137,709 thousand). The decline in current liabilities primarily resulted from decreases in accounts payable, other and short-term borrowings (including the current portion of long-term debt). The increase in long-term liabilities primarily resulted from a new issuance of corporate bonds by ¥20,000 million ($162,259 thousand).

Quantitative information regarding the consolidated financial outlook

Since Epson presented its full-year outlook on April 26, 2007, the U.S. economy has showed signs of slowing but the Chinese economy has continued to expand while the European economy has been in recovery mode. In Japan, meanwhile, the economic recovery is expected to continue on the back of sustained strength in the corporate sector and domestic consumer demand, though the effect of crude oil prices remains a source of uncertainty.

Epson expects to see benefits from actions designed to strike a balance between inkjet printer profitability and unit growth in the printer business. In the display business, on the other hand, Epson anticipates fluctuations in demand and movement in prices, especially for LCDs in the mobile phone market. Given this situation, Epson has decided to reiterate both its full-year and first-half outlook.

The figures in the outlook are based on assumed exchange rates of ¥116 to the U.S. dollar and ¥158 to the euro.

Consolidated Half-Year Results Outlook

	FY2006	**FY2007**	Change
Net sales	¥677.4 billion	**¥656.0 billion**	-¥21.4 billion (-3.2%)
Operating income	¥21.0 billion	**¥19.0 billion**	-¥2.0 billion (-9.3%)
Income before income taxes and minority interest	¥16.2 billion	**¥16.0 billion**	-¥0.2 billion (-1.3%)
Net income	¥0.4 billion	**¥7.0 billion**	+¥6.6 billion (-%)
Foreign exchange rate	$1USD = ¥115 1 euro = ¥146	**$1USD = ¥118** **1 euro = ¥161**	

Consolidated Full-Year Results Outlook

	FY2006	**FY2007**	Change
Net sales	¥1,416.0 billion	**¥1,393.0 billion**	-¥23.0 billion (-1.6%)
Operating income	¥50.3 billion	**¥61.0 billion**	+¥10.7 billion (+21.2%)
Income before income taxes and minority interest	¥3.5 billion	**¥55.0 billion**	+¥51.5 billion (-%)
Net income (loss)	(¥7.1 billion)	**¥30.0 billion**	+¥37.1 billion (-%)
Foreign exchange rate	$1USD = ¥117 1 euro = ¥150	**$1USD = ¥116** **1 euro = ¥158**	

Cautionary Statement

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

Consolidated Balance Sheets

	Millions of yen			Thousands of U.S. dollars
	June 30		March 31,	**June 30,**
	2006	**2007**	2007	**2007**
ASSETS				
Current assets:				
Cash and cash equivalents	¥249,249	**¥330,916**	¥334,873	**$2,684,699**
Time deposits	2,175	**1,783**	2,222	**14,465**
Notes and accounts receivable, trade	224,614	**228,875**	218,988	**1,856,847**
Inventories	199,124	**190,309**	178,623	**1,543,964**
Other current assets	80,909	**85,235**	82,226	**691,506**
Allowance for doubtful accounts	(3,592)	**(3,846)**	(3,658)	**(31,202)**
Total current assets	752,479	**833,272**	813,274	**6,760,279**
Property, plant and equipment:				
Buildings and structures	450,018	**444,823**	443,713	**3,608,819**
Machinery and equipment	557,006	**571,217**	560,587	**4,634,245**
Furniture and fixtures	208,978	**213,384**	207,930	**1,731,170**
Other	73,988	**69,655**	69,410	**565,106**
	1,289,990	**1,299,079**	1,281,640	**10,539,340**
Accumulated depreciation	(870,966)	**(920,081)**	(902,608)	**(7,464,555)**
	419,024	**378,998**	379,032	**3,074,785**
Investments and other assets:				
Investment securities	48,034	**47,776**	48,182	**387,603**
Intangible assets	24,407	**24,382**	24,895	**197,810**
Other assets	33,065	**18,994**	19,376	**154,097**
Allowance for doubtful accounts	(495)	**(281)**	(347)	**(2,280)**
	105,011	**90,871**	92,106	**737,230**
Total assets	¥1,276,514	**¥1,303,141**	¥1,284,412	**$10,572,294**

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

	Millions of yen			Thousands of U.S. dollars
	June 30		March 31,	**June 30,**
	2006	**2007**	2007	**2007**
LIABILITIES AND EQUITY				
Current liabilities:				
Short-term borrowings	¥44,375	**¥34,895**	¥37,498	**$283,101**
Current portion of long-term debt	125,652	**89,987**	96,364	**730,058**
Notes and accounts payable, trade	117,802	**126,152**	118,815	**1,023,463**
Income taxes payable	21,320	**13,917**	7,578	**112,908**
Accrued bonuses	8,835	**10,157**	16,950	**82,403**
Accrued warranty costs	16,427	**12,375**	12,726	**100,397**
Accrued litigation and related expenses	5,970	**5,393**	4,816	**43,753**
Other current liabilities	151,822	**171,667**	181,378	**1,392,723**
Total current liabilities	492,203	**464,543**	476,125	**3,768,806**
Long-term liabilities:				
Long-term debt	252,886	**284,757**	270,046	**2,310,214**
Accrued pension and severance costs	26,951	**20,889**	25,556	**169,471**
Accrued recycle costs	606	**802**	738	**6,506**
Accrued warranty costs	-	**1,378**	1,496	**11,180**
Accrued litigation and related expenses	2,349	**-**	826	**-**
Other long-term liabilities	9,905	**23,100**	15,290	**187,409**
Total long-term liabilities	292,697	**330,926**	313,952	**2,684,780**
Equity:				
Common stock				
Authorized - 607,458,368 shares,				
Issued - 196,364,592 shares	53,204	**53,204**	53,204	**431,640**
Additional paid-in capital	79,501	**79,501**	79,501	**644,986**
Retained earnings	318,503	**312,055**	313,946	**2,531,681**
Treasury stock, at cost				
June 30, 2006 - 1,422 shares				
June 30, 2007 - 1,747 shares				
March 31, 2007 - 1,595 shares	(5)	**(6)**	(6)	**(49)**
Net unrealized gains on other securities	9,647	**12,290**	9,821	**99,708**
Net unrealized losses on derivative instruments	(267)	**(955)**	(35)	**(7,748)**
Translation adjustments	2,166	**27,281**	13,886	**221,330**
Minority interest in subsidiaries	28,865	**24,302**	24,018	**197,160**
Total equity	491,614	**507,672**	494,335	**4,118,708**
Contingent liabilities				
Total liabilities and equity	¥1,276,514	**¥1,303,141**	¥1,284,412	**$10,572,294**

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

Consolidated Statements of Income

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2006	**2007**	2007	**2007**
Net sales	¥322,036	**¥318,592**	¥1,416,032	**$2,584,715**
Cost of sales	246,925	**236,755**	1,059,259	**1,920,777**
Gross profit	75,111	**81,837**	356,773	**663,938**
Selling, general and administrative expenses:				
Salaries and wages	19,756	**20,842**	79,582	**169,090**
Advertising	4,059	**4,017**	26,215	**32,590**
Sales promotion	4,634	**5,374**	27,476	**43,599**
Research and development costs	9,873	**9,705**	43,054	**78,736**
Shipping costs	4,739	**4,600**	20,607	**37,319**
Provision for doubtful accounts	-	**117**	409	**949**
Other	25,036	**25,517**	109,087	**207,018**
	68,097	**70,172**	306,430	**569,301**
Operating income	7,014	**11,665**	50,343	**94,637**
Other income:				
Interest and dividend income	1,479	**2,194**	5,998	**17,800**
Other	1,920	**1,737**	12,933	**14,092**
	3,399	**3,931**	18,931	**31,892**
Other expenses:				
Interest expenses	1,569	**1,581**	6,631	**12,826**
Net loss on foreign exchange	2,369	**219**	7,191	**1,777**
Loss on disposal of fixed assets	377	**422**	4,451	**3,423**
Impairment losses	73	**422**	866	**3,424**
Other	443	**647**	46,659	**5,249**
	4,831	**3,291**	65,798	**26,699**
Income before income taxes and minority interest	5,582	**12,305**	3,476	**99,830**
Income taxes	13,794	**10,696**	17,621	**86,776**
Income (loss) before minority interest	(8,212)	**1,609**	(14,145)	**13,054**
Minority interest in subsidiaries	(2,533)	**322**	(7,051)	**2,613**
Net income (loss)	¥(5,679)	**¥1,287**	¥(7,094)	**$10,441**
	Yen			U.S. dollars
Per share:				
Net income (loss)	¥(28.92)	**¥6.56**	¥(36.13)	**$0.05**
Cash dividends	¥16.00	**¥16.00**	¥32.00	**$0.13**

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

Consolidated Statements of Cash Flows

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2006	**2007**	2007	**2007**
Cash flows from operating activities:				
Net income (loss)	¥(5,679)	**¥1,287**	¥(7,094)	**$10,441**
Adjustments to reconcile net income (loss) to net cash provided by operating activities -				
Depreciation and amortization	20,903	**18,659**	88,830	**151,379**
Accrual for net pension and severance costs, less payments	(2,309)	**(4,894)**	(5,102)	**(39,705)**
Net loss on sales and disposal of fixed assets	349	**437**	3,363	**3,545**
Equity in net gains under the equity method	(29)	**(14)**	(138)	**(113)**
Decrease in allowance for doubtful accounts	(77)	**(50)**	(355)	**(405)**
(Increase) decrease in notes and accounts receivable, trade	20,121	**(8,107)**	29,897	**(65,771)**
(Increase) decrease in inventories	(7,290)	**(5,539)**	21,281	**(44,937)**
Increase (decrease) in notes and accounts payable, trade	(11,189)	**7,997**	(10,864)	**64,879**
Increase (decrease) in accrued income taxes	7,698	**8,052**	(2,990)	**65,325**
Other	(6,914)	**(16,566)**	43,401	**(134,399)**
Net cash provided by operating activities	15,584	**1,262**	160,229	**10,239**
Cash flows from investing activities:				
Proceeds from maturities of short-term investments	2,000	**-**	2,000	**-**
Proceeds from redemption of investment securities	-	**5,000**	52	**40,565**
Payments for purchases of property, plant and equipment	(24,968)	**(16,981)**	(67,803)	**(137,766)**
Proceeds from sales of property, plant and equipment	184	**353**	7,317	**2,864**
Payments for purchases of intangible assets	(3,148)	**(1,412)**	(11,513)	**(11,456)**
Payments of long-term prepaid expenses	(430)	**(112)**	(945)	**(909)**
Other	(9,615)	**1,388**	(5,527)	**11,261**
Net cash used in investing activities	(35,977)	**(11,764)**	(76,419)	**(95,441)**
Cash flows from financing activities:				
Decrease in short-term borrowings	(5,230)	**(2,722)**	(12,657)	**(22,083)**
Proceeds from long-term debt	-	**21,000**	120,880	**170,371**
Repayments of long-term debt	(752)	**(12,680)**	(131,119)	**(102,872)**
Cash dividends	(3,142)	**(3,142)**	(6,284)	**(25,491)**
Other	(276)	**(507)**	(970)	**(4,113)**
Net cash provided by (used in) financing activities	(9,400)	**1,949**	(30,150)	**15,812**
Effect of exchange rate fluctuations on cash and cash equivalents	(1,072)	**4,596**	1,099	**37,287**
Net increase (decrease) in cash and cash equivalents	(30,865)	**(3,957)**	54,759	**(32,103)**
Cash and cash equivalents at the beginning of the period	280,114	**334,873**	280,114	**2,716,802**
Cash and cash equivalents at the end of the period	¥249,249	**¥330,916**	¥334,873	**$2,684,699**
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥1,493	**¥2,199**	¥5,983	**$17,840**
Interest paid	¥(1,272)	**¥(1,307)**	¥(6,417)	**$(10,604)**
Income taxes paid	¥(6,017)	**¥(2,604)**	¥(13,774)	**$(21,126)**

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

Notes to Consolidated Financial Statements

1. Number of group companies

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

2. Changes in significant accounting policies

(1) Unification of Accounting Policies Applied to Foreign Subsidiaries

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

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

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

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

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

Accompanying FY2007 Japanese tax reforms, effective as of April 1, 2007, the Company and its Japanese subsidiaries adopted the 250% declining-balance method for depreciation of property, plant and equipment (excluding buildings) acquired on or after April 1. According to this change, property, plant and equipment are to be depreciated to ¥1 (memorandum price) at the end of their useful life. Property, plant and equipment that were acquired before April 1, 2007, and that have been depreciated to the final depreciable limit, are to be depreciated to ¥1 over five years commencing at the start of the following fiscal year using the straight-line method.

3. Credit agreements

As at June 30, 2007, the Company had line-of-credit agreements with eleven banks for an aggregate maximum amount of ¥80,000 million ($649,035 thousand). As at June 30, 2007, there were unused credit lines of ¥50,000 million ($405,647 thousand) outstanding and available.

4. Goodwill

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

	Millions of yen	Thousands of U.S. dollars
Goodwill	¥202	$1,639
Negative goodwill	4,291	34,813

5. Cash dividends

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

Cash dividend per share	Yen	U.S. dollars
Year-end	¥16.00	$0.13

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

6. Net income per share

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

	Millions of yen	Thousands of U.S. dollars
Net income attributable to common shares	¥1,287	$10,441
	Thousands of shares	
Weighted-average number of common shares outstanding	196,363	
	Yen	U.S. dollars
Net income per share	¥6.56	$0.05

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

7. Cash flow information

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

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥290,951	$2,360,466
Short-term investments	32,976	267,532
Short-term loans receivables	10,000	81,129
Subtotal	333,927	2,709,127
Less:		
Short-term borrowings (overdrafts)	(1,228)	(9,963)
Time deposits due over three months	(1,783)	(14,465)
Cash and cash equivalents	¥330,916	$2,684,699

8. Leases

Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the three months ended June 30, 2007 amounted to ¥2,808 million ($22,781 thousand).

If capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the capital lease assets at June 30, 2007 would have been as follows:

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Buildings and structures	¥1,785	$14,481
Machinery and equipment	48,532	393,737
Furniture and fixtures	2,267	18,392
Intangible assets	141	1,144
	52,725	427,754
Less:		
Accumulated depreciation	(36,226)	(293,899)
Accumulated impairment loss	(8,894)	(72,156)
	(45,120)	(366,055)
Net book value	¥7,605	$61,699

Depreciation expenses for these leased assets for the three months ended June 30, 2007 would have been ¥2,529 million ($20,518 thousand), if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no residual value.

Interest expense for these capital leases for the three months ended June 30, 2007 would have been ¥159 million ($1,290 thousand).

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

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥7,955	$64,538
Due after one year	9,367	75,994
Total	¥17,322	$140,532

Amounts appearing in the table above include amounts to be paid on capital leases which have accrued impairment losses amounting to ¥7,659 million ($62,137 thousand) as of June 30, 2007. Lease payments for impaired capital lease assets in the three months ended June 30, 2007 were ¥1,308 million ($10,612 thousand).

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

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥5,392	$43,745
Due after one year	8,958	72,676
Total	¥14,350	$116,421

9. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks at June 30, 2007 were ¥2,371 million ($19,236 thousand). Furthermore, the amount of discounted notes at June 30, 2007 was ¥23 million ($187 thousand).

10. Segment information

(1) Business segment information

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

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

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

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

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

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

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

The table below summarizes the business segment information of Epson for the three months ended June 30, 2006 and 2007 and for the year ended March 31, 2007:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2006	**2007**	2007	**2007**
Information-related equipment:				
Net sales:				
Customers	¥200,061	**¥209,438**	¥913,476	**$1,699,156**
Inter-segment	669	**623**	2,854	**5,055**
Total	200,730	**210,061**	916,330	**1,704,211**
Operating expenses	186,607	**190,783**	832,094	**1,547,810**
Operating income	¥14,123	**¥19,278**	¥84,236	**$156,401**
Electronic devices:				
Net sales:				
Customers	¥101,418	**¥89,181**	¥411,269	**$723,520**
Inter-segment	7,776	**8,573**	33,434	**69,551**
Total	109,194	**97,754**	444,703	**793,071**
Operating expenses	114,591	**103,052**	470,758	**836,053**
Operating loss	¥(5,397)	**¥(5,298)**	¥(26,055)	**$(42,982)**
Precision products:				
Net sales:				
Customers	¥19,670	**¥18,997**	¥86,903	**$154,121**
Inter-segment	346	**173**	841	**1,404**
Total	20,016	**19,170**	87,744	**155,525**
Operating expenses	18,681	**19,106**	84,168	**155,006**
Operating income	¥1,335	**¥64**	¥3,576	**$519**
Other:				
Net sales:				
Customers	¥887	**¥976**	¥4,384	**$7,918**
Inter-segment	7,136	**5,933**	25,926	**48,134**
Total	8,023	**6,909**	30,310	**56,052**
Operating expenses	11,290	**9,506**	42,466	**77,121**
Operating loss	¥(3,267)	**¥(2,597)**	¥(12,156)	**$(21,069)**
Eliminations and corporate:				
Net sales	¥(15,927)	**¥(15,302)**	¥(63,055)	**$(124,144)**
Operating expenses	(16,147)	**(15,520)**	(63,797)	**(125,912)**
Operating income	¥220	**¥218**	¥742	**$1,768**
Consolidated:				
Net sales	¥322,036	**¥318,592**	¥1,416,032	**$2,584,715**
Operating expenses	315,022	**306,927**	1,365,689	**2,490,078**
Operating income	¥7,014	**¥11,665**	¥50,343	**$94,637**

(2) Geographic segment information

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

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

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

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

The table below summarizes the geographic segment information of Epson for the three months ended June 30, 2006 and 2007 and for the year ended March 31, 2007:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2006	**2007**	2007	**2007**
Japan:				
Net sales:				
Customers	¥147,083	**¥138,117**	¥640,727	**$1,120,534**
Inter-segment	155,807	**150,302**	602,431	**1,219,390**
Total	302,890	**288,419**	1,243,158	**2,339,924**
Operating expenses	283,966	**277,485**	1,208,070	**2,251,217**
Operating income	¥18,924	**¥10,934**	¥35,088	**$88,707**
The Americas:				
Net sales:				
Customers	¥56,216	**¥59,962**	¥250,374	**$486,468**
Inter-segment	10,467	**10,218**	41,264	**82,897**
Total	66,683	**70,180**	291,638	**569,365**
Operating expenses	63,161	**67,009**	279,735	**543,639**
Operating income	¥3,522	**¥3,171**	¥11,903	**$25,726**
Europe:				
Net sales:				
Customers	¥62,143	**¥66,122**	¥289,286	**$536,443**
Inter-segment	4,071	**1,679**	10,098	**13,622**
Total	66,214	**67,801**	299,384	**550,065**
Operating expenses	67,702	**67,380**	299,792	**546,650**
Operating income (loss)	¥(1,488)	**¥421**	¥(408)	**$3,415**
Asia/Oceania:				
Net sales:				
Customers	¥56,594	**¥54,391**	¥235,645	**$441,270**
Inter-segment	123,776	**131,104**	551,842	**1,063,638**
Total	180,370	**185,495**	787,487	**1,504,908**
Operating expenses	173,816	**179,947**	766,293	**1,459,897**
Operating income	¥6,554	**¥5,548**	¥21,194	**$45,011**
Eliminations and corporate:				
Net sales	¥(294,121)	**¥(293,303)**	¥(1,205,635)	**$(2,379,547)**
Operating expenses	(273,623)	**(284,894)**	(1,188,201)	**(2,311,325)**
Operating loss	¥(20,498)	**¥(8,409)**	¥(17,434)	**$(68,222)**
Consolidated:				
Net sales	¥322,036	**¥318,592**	¥1,416,032	**$2,584,715**
Operating expenses	315,022	**306,927**	1,365,689	**2,490,078**
Operating income	¥7,014	**¥11,665**	¥50,343	**$94,637**

(3) Sales to overseas customers

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended June 30, 2006 and 2007 and for the year ended March 31, 2007:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2006	**2007**	2007	**2007**
Overseas sales:				
The Americas	¥59,794	**¥65,872**	¥270,484	**$534,415**
Europe	73,795	**80,362**	341,524	**651,972**
Asia/Oceania	85,450	**75,782**	352,388	**614,814**
Total	219,039	**222,016**	964,396	**1,801,201**
Consolidated net sales	¥322,036	**¥318,592**	¥1,416,032	**$2,584,715**
Percentage:				
The Americas	18.6%	**20.7%**	19.1%	
Europe	22.9	**25.2**	24.1	
Asia/Oceania	26.5	**23.8**	24.9	
Total	68.0%	**69.7%**	68.1%	

Supplementary Information

Consolidated First Quarter ended June 30, 2007

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Information-related equipment	200.7	210 1	4.6	904.0	(1.3)
Printer	170.0	176.4	3.7	760.0	(2.8)
Visual instruments	24.8	26.3	6 2	113.0	6.1
Other	6.2	7.5	21.7	32.0	10.6
Intra-segment sales	(0.3)	(0.1)	-	(1.0)	-
Electronic devices	109 2	97.7	(10.5)	433.0	(2.6)
Display	66.6	56.4	(15.2)	261.0	(3.7)
Quartz device	23.2	23.2	0 2	105.0	7.2
Semiconductor	22.2	20.6	(7.4)	77.0	(15.5)
Other	1.2	1.6	28.0	3.0	3.7
Intra-segment sales	(4.0)	(4.1)	-	(13.0)	-
Precision products	20.0	19.2	(4.2)	86.0	(2.0)
Other	8.0	6.9	(13.9)	31.0	2.3
Inter-segment sales	(15.9)	(15.3)	-	(61.0)	-
Consolidated sales	322.0	318.6	(1.1)	1,393.0	(1.6)

2. Business segment information

(Unit: billion yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Information-related equipment					
Net sales:					
Customers	200.0	209.4	4.7	902.0	(1.3)
Inter-segment	0.7	0.7	(6.8)	2.0	(29.9)
Total	200.7	210.1	4.6	904.0	(1.3)
Operating expenses	186.6	190.8	2.2	834.0	0.2
Operating income	14.1	19.3	36.5	70.0	(16.9)
Electronic devices					
Net sales:					
Customers	101.4	89.2	(12.1)	400.0	(2.7)
Inter-segment	7.8	8.5	10.2	33.0	(1.3)
Total	109 2	97.7	(10.5)	433.0	(2.6)
Operating expenses	114.6	103.0	(10.1)	433.0	(8.0)
Operating loss	(5.4)	(5.3)	-	-	-
Precision products					
Net sales:					
Customers	19.7	19.0	(3.4)	85.0	(2.2)
Inter-segment	0 3	0.2	(49.9)	1.0	18.9
Total	20.0	19.2	(4.2)	86.0	(2.0)
Operating expenses	18.6	19.1	2.3	81.0	(3.8)
Operating income	1.4	0 1	(95.2)	5.0	39.8
Other					
Net sales:					
Customers	0.9	1.0	10.1	6.0	36.9
Inter-segment	7.1	5.9	(16.9)	25.0	(3.6)
Total	8.0	6 9	(13.9)	31.0	2.3
Operating expenses	11.3	9 5	(15.8)	45.0	6.0
Operating loss	(3.3)	(2.6)	-	(14.0)	-
Elimination and corporate					
Net sales	(15.9)	(15.3)	-	(61.0)	-
Operating expenses	(16 1)	(15 5)	-	(61.0)	-
Operating income	0 2	0 2	(0.9)	-	-
Consolidated					
Net sales	322.0	318.6	(1.1)	1,393.0	(1.6)
Operating expenses	315.0	306.9	(2.6)	1,332.0	(2.5)
Operating income	7.0	11.7	66.3	61.0	21.2

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Capital expenditure	14.6	15.1	3.9	88.0	20.4
Information-related equipment	8.0	6.2	(21.2)	33.0	26.2
Electronic devices	5.1	6.8	32.2	32.0	(9.4)
Precision products	0.9	0.7	(24.0)	5.0	(7.6)
Other	0.6	1.4	144.2	18.0	188.5
Depreciation and amortization	21.1	19.0	(10.0)	91.0	1.6

4. Research and development

(Unit: billion yen)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase %	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 %
Research and Development	20.9	20.1	(4.0)	90.0	6.3
R&D / sales ratio	6.5%	6.3%		6.5%	

5. Management indices

(Unit: %)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase Point	Forecast for the year ended March 31, 2008	Increase compared to year ended March 31, 2007 Point
Return on equity (ROE)	(1.2%)	0 3%	1.5	6 3%	7.8
Return on assets (ROA)	0.4%	1.0%	0.6	4.4%	4.1
Return on sales (ROS)	1.7%	3.9%	2.2	3 9%	3.7

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)

	Three months ended June 30, 2006	Three months ended June 30, 2007	Increase
Foreign exchange effect	11.5	16.0	4.5
U.S. dollars	3.5	4.0	0.5
Euro	3.5	7.7	4.2
Other	4.5	4.3	(0.2)
Exchange rate			
Yen / U.S. dollars	114.50	120.78	
Yen / Euro	143.78	162.72	

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

7. Inventory

(Unit: billion yen)

	June 30, 2006	March 31, 2007	June 30, 2007	Increase compared to March 31, 2007
Inventory	199 1	178.6	190.3	11.7
Information-related equipment	110.7	102.8	109 2	6.4
Electronic devices	68.5	58.8	62.1	3.3
Precision products	17.8	15.1	17.3	2.2
Other / Corporate	2 1	1.9	1.7	(0.2)
				(Unit: days)
Turnover by days	56	46	54	8
Information-related equipment	50	41	47	6
Electronic devices	57	48	58	10
Precision products	81	63	82	19
Other / Corporate	24	23	22	(1)

Note: Turnover by days=Ending balance of inventory / Prior 3 months (Prior 12 months) sales per day

8. Employees

(Unit: person)

	June 30, 2006	March 31, 2007	June 30, 2007	Increase compared to March 31, 2007
Number of employees at period end	93,717	87,626	93,146	5,520
Domestic	23,760	25,379	26,444	1,065
Overseas	69,957	62,247	66,702	4,455