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CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED DECEMBER 31, 2008

Consolidated Financial Highlights

Income statements and cash flows data

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

	Nine months ended December 31		Change	Nine months ended December 31, 2008
	2007	2008		
Statements of Income Data:				
Net sales	¥1,037,271	**¥906,356**	-12.6%	**$9,956,673**
Operating income	55,710	**32,703**	-41.3%	**359,255**
Ordinary income	60,266	**37,543**	-37.7%	**412,424**
Net income	22,236	**11,889**	-46.5%	**130,605**
Statements of Cash Flows Data:				
Cash flows from operating activities	62,820	**20,969**	-66.6%	**230,352**
Cash flows from investing activities	(49,683)	**(46,831)**	-5.7%	**(514,456)**
Cash flows from financing activities	(48,532)	**(46,779)**	-3.6%	**(513,885)**
Cash and cash equivalents at the end of the period	299,614	**235,372**	-21.4%	**2,585,653**
Per Share Data:				
Net income per share -Basic	¥113.24	**¥60.55**	-46.5%	**$0.66**
-Diluted	¥-	**¥-**	- %	**$-**

Balance sheets data

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

	December 31, 2008	March 31, 2008	December 31, 2008
Total assets	**¥1,044,927**	¥1,139,165	**$11,478,930**
Net assets	**437,911**	471,446	**4,810,623**
Shareholders' equity	**416,597**	447,205	**4,576,480**
Shareholders' equity ratio (%)	**39.9%**	39.3%	**39.9%**
Shareholders' equity per share	**¥2,121.58**	¥2,277.45	**$23.30**

Notes

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

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

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

IV. Shareholders' equity is equity excluding minority interests 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 ¥91.03 = U.S.$1 at December 31, 2008 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2008 Third-Quarter Overview

Note: Year over year change figures (%) are provided for reference.

Third Quarter Operating Performance

The economic environment during the three months of the third quarter of the year under review was harsh. The U.S. was in recession, with the financial crisis contributing to a rise in the unemployment rate and a decline in personal spending. The European economy likewise showed signs of having fallen into recession, while the economies of Asia, weighed down by the deceleration of the previously buoyant Chinese economy, also slowed. The Japanese economic picture also worsened during the quarter, with capital expenditures and exports declining in step with the global economic slowdown, triggering declines in production and corporate earnings, along with a rapid deterioration in the employment situation.

The main markets of the Epson Group ("Epson") were as follows. In inkjet printers it became evident that the market is trending toward a year over year decline as the recession deepens. The serial-impact dot-matrix (SIDM) printer market remained soft. In addition to the shrinking markets of Europe, America and Japan, SIDM sales were impacted by a dulling of growth in China, Southeast Asia, and South America due to the recession. The market for POS systems also showed the effects of curbed spending by retailers due to the recession.

Business projector sales increased from the year-ago period, but the growth rate tapered sharply. Many of the main applications for small- and medium-sized displays have also been affected by the recession. In the mobile phone handset market, new demand for low-end phones in the emerging economies of Africa, the Middle East and Asia, most notably China and India, either peaked out or weakened after a period of strength that extended across the first half of the fiscal year. At the same time, upgrade demand for 3G phones in Europe, the U.S. and Japan plummeted. The rate of growth in PDA phones, digital cameras and portable media players (PMPs) also fell sharply.

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 an ongoing shift of demand toward the low-price zone.

In our precision products segment, demand for watches and semiconductor manufacturing equipment softened as a result of the recession, while eyeglass lens revenues suffered from continued price erosion.

Given the business environment, Epson is engaged in the following projects in fiscal 2008.

First, in the inkjet printer business we are aiming for continued unit sales growth by launching highly competitive products and by adopting a marketing strategy designed to expand print volume. We are also intent on grooming our business and industrial inkjet technology into a core business and source of future profit. Toward this end, we continue to fortify our efforts to penetrate those segments where we can leverage the advantages of our Micro Piezo technology.

We are also in the process of transforming our small- and medium-sized display business. Specifically, we are further concentrating our management resources on amorphous-silicon TFT LCDs (a-TFTs) and low-temperature polysilicon TFT LCDs (LTPS). We are also aiming to reduce our dependence on mobile phone handset demand by continuing last year's efforts to capture business opportunities in other markets.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the third quarter of the year under review were ¥96.32 and ¥126.74, respectively. This represents a 14.9% appreciation in the value of the yen against the dollar and a 22.7% appreciation in the value of the yen against the euro compared to the same period last year.

Third-quarter net sales were ¥290,571 million ($3,192,035 thousand), down 23.7% compared to the same period last year. Also on a year over year basis, operating income was down 86.0% to ¥4,694 million ($51,565 thousand), ordinary income declined 70.8% to ¥10,046 million ($110,359 thousand), and net income was ¥169 million ($1,856 thousand), down 99.1%.

Operating Performance Highlights by Business Segments

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

Information-related equipment

The printer business as a whole posted sharply lower net sales. Inkjet printer (including consumables, as in all printer discussions below) net sales were constrained primarily by yen appreciation, a decline in unit shipments, and an increase of units in the low-price zone as a percentage of total sales. SIDM printers and terminal module sales were weighed down by the effects of a strong yen and a decline in demand as the recession deepened. Against a background of the slumping economy, page printer unit shipments declined in the face of fierce competition and a flagging market.

The visual instruments business also reported sharply lower net sales. Although 3LCD projector unit shipments increased, net sales were tempered by the effects of yen appreciation and price erosion.

Operating income in the information-related equipment segment declined. Income was hit primarily by the appreciation of the yen in combination with erosion in prices for inkjet printers and 3LCD projectors, and declines in unit shipments of SIDM printers and POS systems.

As a result of the foregoing factors, third-quarter net sales in the information-related equipment segment were ¥205,941 million ($2,262,365 thousand), down 21.5% from the same period the previous year, while operating income was ¥13,979 million ($153,542 thousand), down 61.7% from the prior year.

Electronic devices

The display business as a whole posted sharply lower net sales. Amid a general slowdown in the mobile phone handset market, the display business saw demand spike for a-TFTs for certain handset models that were selling comparatively well. LTPS demand for applications including digital cameras and mobile phones declined. Sales of high-temperature polysilicon TFT panels (HTPS) for 3LCD projectors were hurt by a sudden slowing of projector market growth. Unit shipments of both MD-TFD LCDs (TFD), a business Epson is scheduled to terminate, and color STN LCDs (CSTN), a business where production operations are to be significantly downsized, declined.

The quartz device business saw net sales plummet due to the recession and steep production adjustments in a host of applications, including mobile phone handsets, digital cameras and digital home electronics.

Semiconductor business net sales fell sharply. A cutback in unit shipments of LCD drivers to handset manufacturers as part of strategic changes to the product mix contributed to the decline, as did the recession and a drop-off in silicon foundry volume.

Electronic devices segment losses expanded. Although operating income benefited from the cost reductions that accompanied structural changes in the display business and from increased unit shipments of a-TFTs, profitability rapidly deteriorated due to significant declines in quartz device and semiconductor business revenues.

As a result of the foregoing factors, third-quarter net sales in the electronic devices segment were ¥74,707 million ($820,685 thousand), down 29.1% year over year, while operating loss was ¥5,866 million ($64,440 thousand) versus an operating loss of ¥1,043 million in the same period last year.

Precision products

The precision products segment saw net sales sharply decline due to slumping watch prices and unit volume, as well as to a decline in IC handler unit volume.

Operating income in this segment decreased as a result of lower net sales.
As a result of the foregoing factors, third-quarter net sales in the precision products segment were ¥18,007 million ($197,802 thousand), down 17.6% year over year, while operating loss was ¥179 million ($1,966 thousand) versus an operating profit of ¥889 million in the same period last year.

Operating Performance Highlights by Geographic Segments

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

Japan

Inkjet printer, crystal device, CSTN, TFD, LTPS, terminal module, semiconductor and page printer net sales declined. Net sales were ¥266,706 million ($2,929,905 thousand), down 18.8% year over year, while operating loss was ¥11,268 million ($123,772 thousand) versus operating income of ¥16,710 million last year.

The Americas

Amorphous TFT sales increased, while net sales from inkjet printers, terminal modules and SIDM printers declined. Net sales were ¥56,985 million ($625,990 thousand), down 22.9% year over year, while operating loss was ¥2,272 million ($24,958 thousand) versus operating income of ¥1,339 million in the same period last year.

Europe

Europe reported lower net sales from inkjet printers, page printers and SIDMs. Net sales were ¥63,342 million ($695,835 thousand), down 30.0% year over year, while operating income was ¥3,069 million ($33,714 thousand), down 36.3% from the same period last year.

Asia / Oceania

Inkjet printer, TFD, crystal device, CSTN, LTPS, a-TFT and page printer net sales declined. Net sales were ¥148,967 million ($1,636,449 thousand), down 26.5% year over year, while operating income was ¥5,425 million ($59,595 thousand), down 31.5% compared to the same period last year.

Operating performance for the first three quarters

Net sales for the first three quarters (nine months) of the year under review were ¥906,356 million ($9,956,673 thousand), down 12.6% compared to the same period last year despite an increase in unit shipments of a-TFT LCDs for use in mobile phones, PDA phones and PMPs. Factors contributing to the decline included yen appreciation, lower TFD and CSTN unit shipments, an increase in low-priced units as a percentage of total inkjet printer sales, and a rapid and steep drop-off in demand for crystal devices. Income was down in every category compared to the first three quarters of last year despite the benefits of lower costs associated with structural reforms in the display business and increased unit shipments of a-TFT LCDs. Operating income was ¥32,703 million ($359,255 thousand), down 41.3%, ordinary income was ¥37,543 million ($412,424 thousand), down 37.7%, and net income was ¥11,889 million ($130,605 thousand), down 46.5%. Income was hurt by price erosion in inkjet printers, SIDM printers and 3LCD projectors, as well as by declines in POS system product and crystal device unit volumes due to the economic recession. Yen appreciation was also a factor in the decline.

Liquidity and Financial Position

Financial Condition

Total assets were ¥1,044,927 million ($11,478,930 thousand), a decline of ¥94,237 million ($1,035,230 thousand) compared to the last fiscal year end. The decrease is attributed primarily to a ¥65,658 million ($ 721,278 thousand) decline in cash and deposits and other current assets, as well as a ¥21,005 million ($230,748 thousand) decline in physical fixed assets. Total liabilities were ¥607,016 million ($6,668,307 thousand), down ¥60,702 million ($666,835 thousand) compared to the end of the last fiscal year. Current liabilities decreased by ¥48,191 million ($529,396 thousand), while long-term liabilities were down ¥12,510 million ($137,427 thousand). The decrease in current liabilities was mainly due to a reduction in the current portion of long-term borrowings. The decrease in long-term liabilities was primarily due to a decline in long-term loans payable.

Fiscal year 2008 Forecast

The full year outlook has not been revised since the outlook was updated on January 30, 2009.

Consolidated Full-Year Results Outlook

	Ref: FY2007 Full-Year Results	Current Outlook	Change
Net sales	¥1,347.8 billion	¥1,138.0 billion	-¥209.8 billion (-15.6%)
Operating income	¥57.5 billion	¥6.0 billion	-¥51.5 billion (-89.6%)
Ordinary income	¥63.2 billion	¥13.0 billion	-¥50.2 billion (-79.5%)
Net income	¥19.0 billion	-¥4.0 billion	-¥23.0 billion (-)
Foreign exchange rate	$1USD = ¥114 1 euro = ¥162	$1USD = ¥100 1 euro = ¥142	

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
	December 31, 2008	March 31, 2008	December 31, 2008
Assets			
Current assets:			
Cash and deposits	¥113,263	¥171,970	$1,244,238
Notes and accounts receivable-trade	185,819	187,775	2,041,340
Short-term investment securities	113,008	137,079	1,241,436
Merchandise and finished goods	108,669	86,344	1,193,771
Work in process	41,031	49,618	450,741
Raw materials and supplies	22,637	25,394	248,676
Other	90,595	82,094	995,221
Allowance for doubtful accounts	(3,440)	(3,032)	(37,789)
Total current assets	671,586	737,245	7,377,634
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	431,449	435,868	4,739,635
Machinery, equipment and vehicles	550,373	536,915	6,046,072
Tools, furniture and fixtures	186,301	196,487	2,046,589
Other	64,784	67,184	711,677
Accumulated depreciation	(910,652)	(893,193)	(10,003,866)
Total property, plant and equipment	322,256	343,261	3,540,107
Intangible assets	20,787	20,660	228,365
Investments and other assets:			
Investment securities	14,288	20,419	156,959
Other	16,222	17,756	178,204
Allowance for doubtful accounts	(213)	(178)	(2,339)
Total investments and other assets	30,297	37,997	332,824
Total noncurrent assets	373,341	401,919	4,101,296
Total assets	¥1,044,927	¥1,139,165	$11,478,930

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

	Millions of yen		Thousands of U.S. dollars
	December 31, 2008	March 31, 2008	December 31, 2008
Liabilities			
Current liabilities:			
Notes and accounts payable-trade	¥99,797	¥100,453	$1,096,308
Short-term loans payable	34,094	25,283	374,535
Current portion of long-term loans payable	39,809	73,047	437,317
Income taxes payable	8,456	10,086	92,892
Provision for bonuses	6,102	20,285	67,032
Provision for product warranties	9,653	11,240	106,041
Provision for loss on litigation	1,063	300	11,677
Other	137,954	144,426	1,515,516
Total current liabilities	336,931	385,123	3,701,318
Noncurrent liabilities:			
Bonds payable	100,000	100,000	1,098,538
Long-term loans payable	133,316	143,871	1,464,577
Provision for retirement benefits	12,122	14,532	133,164
Accrued recycle costs	938	948	10,304
Provision for product warranties	600	830	6,591
Provision for loss on litigation	6,642	2,955	72,964
Negative goodwill	2,086	2,877	22,915
Other	14,377	16,580	157,936
Total noncurrent liabilities	270,084	282,595	2,966,989
Total liabilities	607,016	667,718	6,668,307
Net assets			
Shareholders' equity:			
Capital stock			
Authorized - 607,458,368 shares			
Issued - 196,364,592 shares	53,204	53,204	584,467
Capital surplus	79,500	79,500	873,338
Retained earnings	331,736	326,719	3,644,249
Treasury stock			
December 31, 2008 - 2,929 shares			
March 31, 2008 - 2,251 shares	(8)	(7)	(87)
Total shareholders' equity	464,432	459,417	5,101,967
Valuation and translation adjustments:			
Valuation difference on available-for-sale securities	1,752	3,859	19,246
Deferred gains or losses on hedges	598	156	6,569
Foreign currency translation adjustment	(50,185)	(16,227)	(551,301)
Total valuation and translation adjustments	(47,835)	(12,211)	(525,486)
Minority interests	21,314	24,240	234,142
Total net assets	437,911	471,446	4,810,623
Total liabilities and net assets	¥1,044,927	¥1,139,165	$11,478,930

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

Consolidated Statements of Income

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31, 2008	Nine months ended December 31, 2008
	2007	2008		
Net sales	¥1,037,271	¥906,356	¥1,347,841	$9,956,673
Cost of sales	753,295	653,641	979,391	7,180,512
Gross profit	283,976	252,714	368,449	2,776,161
Selling, general and administrative expenses	228,265	220,011	310,871	2,416,906
Operating income	55,710	32,703	57,577	359,255
Non-operating income:				
Interest income	4,780	3,594	6,498	39,481
Foreign exchange gains	-	1,347	-	14,808
Others	8,806	5,086	10,470	55,883
Total non-operating income	13,586	10,029	16,968	110,172
Non-operating expenses:				
Interest expenses	4,590	4,117	6,406	45,226
Foreign exchange losses	2,923	-	2,667	-
Others	1,516	1,071	2,208	11,777
Total non-operating expenses	9,030	5,189	11,282	57,003
Ordinary income	60,266	37,543	63,263	412,424
Extraordinary income:				
Gain on sales of noncurrent assets	146	124	-	1,362
Reversal of provision for loss on litigation	-	272	2,392	2,988
Amortization of net retirement benefit obligation at transition	368	-	-	-
Insurance income	274	-	-	-
Others	355	544	3,668	5,987
Total extraordinary income	1,144	941	6,061	10,337
Extraordinary loss:				
Loss on valuation of inventories	-	4,569	-	50,192
Provision for loss on litigation	-	4,546	-	49,939
Others	6,632	9,620	17,279	105,691
Total extraordinary losses	6,632	18,736	17,279	205,822
Income before income taxes and minority interests	54,778	19,748	52,045	216,939
Income taxes-current	30,027	7,625	30,223	83,775
Minority interests in income	2,514	233	2,728	2,559
Net income	¥22,236	¥11,889	¥19,093	$130,605

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

Consolidated Statements of Income

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31, 2008
	2007	2008	
Net sales	¥381,004	¥290,571	$3,192,035
Cost of sales	265,479	211,416	2,322,498
Gross profit	115,524	79,154	869,537
Selling, general and administrative expenses	82,078	74,460	817,972
Operating income	33,446	4,694	51,565
Non-operating income:			
Foreign exchange gains	-	4,429	48,654
Others	3,221	2,524	27,727
Total non-operating income	3,221	6,953	76,381
Non-operating expenses:			
Interest expenses	1,337	1,335	14,665
Foreign exchange losses	560	-	-
Others	349	266	2,922
Total non-operating expenses	2,247	1,601	17,587
Ordinary income	34,419	10,046	110,359
Extraordinary income:			
Reversal of compensation cost for factory operation	-	144	1,593
Insurance income	274	-	-
Others	273	88	966
Total extraordinary income	547	233	2,559
Extraordinary loss:			
Loss on valuation of investment securities	261	2,525	27,738
Provision for loss on litigation	-	4,546	49,961
Loss on prior period adjustment at consolidated subsidiaries	-	3,134	34,429
Others	2,094	755	8,293
Total extraordinary losses	2,355	10,963	120,421
Income before income taxes and minority interests	32,611	(683)	(7,503)
Income taxes-current	12,747	(604)	(6,646)
Minority interests in income	885	(247)	(2,713)
Net income	¥18,978	¥169	$1,856

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

Consolidated Statements of Cash Flows

Nine months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31		Nine months ended December 31, 2008
	2007	2008	
Consolidated quarterly statements of cash flows			
Net cash provided by (used in) operating activities			
Income before income taxes and minority interests	¥54,778	¥19,748	$216,939
Depreciation and amortization	58,762	58,451	642,106
Impairment loss	3,719	-	-
Equity in (earnings) losses of affiliates	(112)	(44)	(483)
Amortization of goodwill	(940)	(908)	(9,974)
Increase (decrease) in allowance for doubtful accounts	(109)	904	9,930
Increase (decrease) in provision for bonuses	(7,400)	(13,824)	(151,862)
Increase (decrease) in provision for product warranties	(998)	(910)	(9,996)
Increase (decrease) in provision for retirement benefits	(8,149)	(2,482)	(27,265)
Interest and dividends income	(9,058)	(3,919)	(43,051)
Interest expenses	4,590	4,117	45,226
Foreign exchange losses (gains)	(148)	540	5,932
Loss (gain) on sales of noncurrent assets	(164)	(157)	(1,724)
Loss on retirement of noncurrent assets	1,701	1,703	18,708
Loss (gain) on sales of investment securities	(291)	(57)	(626)
Decrease (increase) in notes and accounts receivable-trade	(30,087)	(1,509)	(16,576)
Decrease (increase) in inventories	(783)	(30,873)	(339,176)
Increase (decrease) in accrued consumption taxes	505	1,833	20,136
Increase (decrease) in notes and accounts payable-trade	10,916	(5,006)	(54,992)
Other, net	(11,399)	7,914	86,938
Subtotal	65,329	35,519	390,190
Interest and dividends income received	9,662	3,897	42,810
Interest expenses paid	(4,316)	(4,189)	(46,017)
Income taxes paid	(7,855)	(14,257)	(156,631)
Net cash provided by (used in) operating activities	62,820	20,969	230,352
Net cash provided by (used in) investment activities			
Decrease (increase) in time deposits	951	358	3,932
Purchase of short-term investment securities	(16)	-	-
Purchase of investment securities	(830)	(457)	(5,020)
Proceeds from sales of investment securities	349	393	4,317
Proceeds from redemption of investment securities	5,000	-	-
Purchase of property, plant and equipment	(51,788)	(39,572)	(434,689)
Proceeds from sales of property, plant and equipment	642	301	3,306
Purchase of intangible assets	(4,506)	(6,569)	(72,163)
Proceeds from sales of intangible assets	1	10	109
Purchase of long-term prepaid expenses	(124)	(256)	(2,812)
Purchase of investments in subsidiaries	(336)	(1,456)	(15,994)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	146	-	-
Other, net	826	415	4,558
Net cash provided by (used in) investment activities	(49,683)	(46,831)	(514,456)
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	(10,280)	10,964	120,443
Proceeds from long-term loans payable	20,500	-	-
Repayment of long-term loans payable	(70,637)	(43,778)	(480,931)
Proceeds from issuance of bonds	20,000	-	-
Repayments of lease obligations	-	(6,383)	(70,119)
Purchase of treasury stock	(1)	(1)	(10)
Cash dividends paid	(6,283)	(6,872)	(75,491)
Cash dividends paid to minority shareholders	(1,424)	(708)	(7,777)
Other, net	(405)	-	-
Net cash provided by (used in) financing activities	(48,532)	(46,779)	(513,885)
Effect of exchange rate change on cash and cash equivalents	137	(8,400)	(92,289)
Net increase (decrease) in cash and cash equivalents	(35,258)	(81,042)	(890,278)
Cash and cash equivalents at beginning of period	334,873	316,414	3,475,931
Cash and cash equivalents at end of period	¥299,614	¥235,372	$2,585,653

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

Notes to Consolidated Financial Statements

With the exception of the sections listed below, the “Basis of presenting consolidated financial statements” and “Summary of significant accounting policies” have been omitted as there were no significant changes to the versions printed in the Seiko Epson Annual Report 2008.

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

1. Basis of presenting consolidated financial statements

The amounts in the accompanying consolidated financial statements and the notes thereto for the periods starting from April 1, 2007 are rounded down.

Certain prior period amounts have been reclassified to conform to the presentations for the current periods.

2. Number of group companies

As of December 31, 2008, the Company had 98 consolidated subsidiaries. It has applied the equity method in respect to two unconsolidated subsidiaries and four affiliates.

3. Changes in significant accounting policies

(1) Change in the Accounting Standard for the Measurement of Inventories

Effective April 1, 2008, Epson adopted the Accounting Standards Board of Japan (ASBJ) Statement No.9, “Accounting Standard for Measurement of Inventories, released on July 5, 2006. In conjunction with the adoption of this accounting standard, Epson modified the measurement method for valuing inventories.

As a result, Operating income and Ordinary income for the nine months ended December 31, 2008 increased by ¥973 million ($10,688 thousand), and Income before income taxes and minority interests for the nine months ended December 31, 2008 decreased by ¥3,595 million ($39,492 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

The influence on segment information by the adoption of this standard is noted in the relevant sections.

(2) Change in the Accounting Standard for Lease Transactions

Effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, “Accounting Standard for Lease Transactions” and its Guidance No.16, “Guidance on Accounting Standard for Lease Transactions”, as revised on March 30, 2007.

Prior to April 1, 2008, capital leases, other than those under which ownership of the assets would be transferred to the lessee at the end of the lease term, were accounted for as operating leases. Under these accounting standards, these leases are accounted for as capital leases and depreciated/amortized in accordance with the straight-line method over the periods of the leases, assuming no residual value.

As a result, Operating income and Ordinary income for the nine months ended December 31, 2008 increased by ¥594 million ($6,525 thousand) and ¥347 million ($3,811 thousand), respectively, and Income before income taxes and minority interests for the nine months ended December 31, 2008 decreased by ¥298 million ($3,273 thousand) from the corresponding amounts which would have been reported if the previous method had been applied consistently.

The influence on segment information by the adoption of these standards is noted in the relevant sections.

(3) Completed-Contract Method, Percentage-of-Completion Method

Effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.15, “Accounting Standard for Construction Contracts” and its Guidance No.18, “Guidance on Accounting Standard for Construction Contracts”, issued on December 27, 2007.

Prior to April 1, 2008, the Company and its domestic subsidiaries applied the completed-contract method for recognizing revenues and costs of long-term construction contracts. Under ASBJ Statement No.15 and its Guidance No.18, the percentage-of-completion method shall be applied if the outcome of the construction activity is deemed certain during the course of the activity during the quarterly period, otherwise the completed-contract method shall be applied. The percentage of completion at the end of each quarterly period shall be estimated based on the percentage of the cost incurred to the estimated total cost.

The adoption of these standards did not have a material effect on Epson’s results of operations and financial position for the nine months ended December 31, 2008. The contract revenue and related costs that were computed based on the percentage of completion of construction activities as of April 1, 2008 were recorded in Extraordinary income as a result of offsetting contract revenue of ¥157 million ($1,724 thousand) against related costs of ¥113 million ($1,241 thousand).

4. Credit agreements

As at December 31, 2008, the Company had line-of-credit agreements with twenty-eight financial institutions for an aggregate maximum amount of ¥80,000 million ($878,831 thousand). As at December 31, 2008, there were unused lines of credit of ¥50,000 million ($549,269 thousand) outstanding and available.

5. Goodwill

Epson had goodwill and negative goodwill as at December 31, 2008 and as at March 31, 2008. Goodwill and negative goodwill are amortized on a straight-line basis in accordance with Japanese accounting standards. Negative goodwill was recorded in long-term liabilities after being offset against goodwill. The amounts of goodwill and negative goodwill before offsetting as at December 31, 2008 and as at March 31, 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	December 31, 2008	March 31, 2008	December 31, 2008
Goodwill	¥516	¥423	$5,668
Negative goodwill	2,602	3,300	28,583

6. Cash dividends

The amount of year-end cash dividends per share and interim cash dividends per share, which the Company paid to the shareholders of record at last fiscal year-end and last half-year end during the nine months ended December 31, 2008, was as follows:

Cash dividends per share	Yen	U.S. dollars
Year-end	¥16.00	$0.17
Interim	19.00	0.20
Total	¥35.00	$0.38

The effective dates of the distribution for year-end and interim cash dividends, which were paid during the nine months ended December 31, 2008, were June 26, 2008 and December 5, 2008, respectively

7. Net income per share

Calculation of net income per share for the nine months ended December 31, 2008 was as follows:

	Millions of yen	Thousands of U.S. dollars
	Nine months ended December 31, 2008	
Net income attributable to common shares	¥11,889	$130,605

	Thousands of shares
Weighted-average number of common shares outstanding	196,362

	Yen	U.S. dollars
Net income per share	¥60.55	$0.66

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the nine months ended December 31, 2008.

Calculation of net income per share for the three months ended December 31, 2008 was as follows:

	Millions of yen	Thousands of U.S. dollars
	Three months ended December 31, 2008	
Net income attributable to common shares	¥169	$1,856

	Thousands of shares
Weighted-average number of common shares outstanding	196,361

	Yen	U.S. dollars
Net income per share	¥0.86	$0.00

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding during the three months ended December 31, 2008.

8. Selling, general and administrative expenses

The significant components of selling, general and administrative expenses for the nine months ended December 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Nine months ended December 31, 2008	
Salaries and wages	¥58,210	$639,459
Research and development costs	¥33,122	$363,858

The significant components of selling, general and administrative expenses for the three months ended December 31, 2008 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Three months ended December 31, 2008	
Salaries and wages	¥18,378	$201,889
Research and development costs	¥11,365	$124,848

9. Cash flow information

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

	Millions of yen	Thousands of U.S. dollars
	December 31, 2008	
Cash and deposits	¥113,263	$1,244,238
Short-term investments	113,008	1,241,436
Short-term loans receivables	10,000	109,853
Less:		
Short-term borrowings (overdrafts)	(7)	(76)
Time deposits due over three months	(879)	(9,656)
Short-term investments due over three months	(12)	(131)
Cash and cash equivalents	¥235,372	$2,585,653

The Company obtained marketable securities, the fair value of which was ¥9,840 million ($108,096 thousand) and ¥9,606 million at December 31, 2008 and at March 31, 2008, respectively, as deposit for the short-term loans receivables above.

10. Contingent liabilities

Contingent liabilities for guarantee of employees' housing loans from banks at December 31, 2008 and at March 31, 2008 were ¥1,778 million ($19,532 thousand) and ¥2,038 million, respectively. Furthermore, the amount of discounted notes at December 31, 2008 was ¥4 million ($43 thousand).

11. Segment information

(1) Business segment information

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

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

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

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

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

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

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

The table below summarizes the business segment information of Epson for the three months ended December 31, 2007 and 2008:

Three months ended December 31:

	Millions of yen Three months ended December 31, 2007						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥261,822	¥96,621	¥21,590	¥970	¥381,004	-	¥381,004
Inter-segment	534	8,753	260	6,441	15,989	¥(15,989)	-
Total	262,356	105,374	21,850	7,411	396,993	(15,989)	381,004
Operating income (loss)	¥36,456	¥(1,043)	¥889	¥(2,933)	¥33,368	¥77	¥33,446

	Millions of yen Three months ended December 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥205,312	¥66,785	¥17,590	¥882	¥290,571	-	¥290,571
Inter-segment	628	7,922	416	6,717	15,684	¥(15,684)	-
Total	205,941	74,707	18,007	7,599	306,255	(15,684)	290,571
Operating income (loss)	¥13,979	¥(5,866)	¥(179)	¥(3,007)	¥4,925	(¥231)	¥4,694

	Thousands of U.S. dollars Three months ended December 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$2,255,454	$733,659	$193,233	$9,689	$3,192,035	-	$3,192,035
Inter-segment	6,911	87,026	4,569	73,788	172,294	$(172,294)	-
Total	2,262,365	820,685	197,802	83,477	3,364,329	(172,294)	3,192,035
Operating income (loss)	$153,542	$(64,440)	$(1,966)	$(33,033)	$54,103	$(2,538)	$51,565

The table below summarizes the business segment information of Epson for the nine months ended December 31, 2007 and 2008:

Nine months ended December 31:

	Millions of yen						
	Nine months ended December 31, 2007						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥688,820	¥280,356	¥64,988	¥3,106	¥1,037,271	-	¥1,037,271
Inter-segment	1,707	27,271	745	17,745	47,470	¥(47,470)	-
Total	690,527	307,628	65,734	20,852	1,084,741	(47,470)	1,037,271
Operating income (loss)	¥71,197	¥(10,497)	¥2,986	¥(8,294)	¥55,391	¥319	¥55,710

	Millions of yen						
	Nine months ended December 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥609,537	¥234,378	¥59,658	¥2,781	¥906,356	-	¥906,356
Inter-segment	1,861	27,283	1,150	22,216	52,512	¥(52,512)	-
Total	611,399	261,662	60,808	24,997	958,868	(52,512)	906,356
Operating income (loss)	¥39,925	¥558	¥556	¥(8,536)	¥32,504	¥198	¥32,703

	Thousands of U.S. dollars						
	Nine months ended December 31, 2008						
	Information-related equipment	Electronic devices	Precision products	Other	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$6,696,024	$2,574,733	$655,366	$30,550	$9,956,673	-	$9,956,673
Inter-segment	20,466	299,714	12,633	244,051	576,864	$(576,864)	-
Total	6,716,490	2,874,447	667,999	274,601	10,533,537	(576,864)	9,956,673
Operating income (loss)	$438,604	$6,129	$6,107	$(93,771)	$357,069	$2,186	$359,255

Change in the Accounting Standard for the Measurement of Inventories

As described in Note 3 (1), effective April 1, 2008, Epson adopted ASBJ Statement No.9, "Accounting Standard for Measurement of Inventories", issued on July 5, 2006.

As a result, for the nine months ended December 31, 2008, Operating income from information-related equipment segment, electronic devices segment, precision products segment and other increased by ¥903 million ($9,919 thousand), ¥12 million ($131 thousand), ¥42 million ($461 thousand) and ¥16 million ($175 thousand), respectively from the corresponding amounts which would have been reported if the previous method had been applied consistently.

Change in the Accounting Standard for Lease Transactions

As described in Note 3 (2), effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, "Accounting Standard for Lease Transactions", and ASBJ Guidance No.16, "Guidance on Accounting Standard for Lease Transactions", as amended on March 30, 2007.

As a result, for the nine months ended December 31, 2008, Operating income from information-related equipment segment, electronic devices segment, precision products segment and other increased by ¥12 million ($131 thousand), ¥574 million ($6,305 thousand), ¥2 million ($21 thousand) and ¥5 million ($54 thousand), respectively from the corresponding amounts which would have been reported if the previous method had been applied consistently.

(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 December 31, 2007 and 2008:

Three months ended December 31:

	Millions of yen						
	Three months ended December 31, 2007						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥173,688	¥65,542	¥88,383	¥53,390	¥381,004	-	¥381,004
Inter-segment	154,798	8,345	2,089	149,277	314,510	(314,510)	-
Total	328,486	73,887	90,472	202,667	695,514	(314,510)	381,004
Operating income (loss)	¥16,710	¥1,339	¥4,822	¥7,922	¥30,795	¥2,651	¥33,446

	Millions of yen						
	Three months ended December 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥142,723	¥50,875	¥61,683	¥35,288	¥290,571	-	¥290,571
Inter-segment	123,982	6,109	1,659	113,678	245,430	¥(245,430)	-
Total	266,706	56,985	63,342	148,967	536,001	(245,430)	290,571
Operating income (loss)	¥(11,268)	¥(2,272)	¥3,069	¥5,425	¥(5,045)	¥9,739	¥4,694

	Thousands of U.S. dollars						
	Three months ended December 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$1,567,891	$558,881	$677,611	$387,652	$3,192,035	-	$3,192,035
Inter-segment	1,362,014	67,109	18,224	1,248,797	2,696,144	$(2,696,144)	-
Total	2,929,905	625,990	695,835	1,636,449	5,888,179	(2,696,144)	3,192,035
Operating income (loss)	($123,772)	($24,958)	$33,714	$59,595	($55,421)	$106,986	$51,565

The table below summarizes the geographic segment information of Epson for the nine months ended December 31, 2007 and 2008:

Nine months ended December 31:

	Millions of yen						
	Nine months ended December 31, 2007						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥461,304	¥188,271	¥222,152	¥165,542	¥1,037,271	-	¥1,037,271
Inter-segment	466,228	27,867	5,900	434,823	934,819	¥(934,819)	-
Total	927,532	216,138	228,053	600,365	1,972,090	(934,819)	1,037,271
Operating income (loss)	¥27,529	¥7,122	¥4,917	¥24,624	¥64,194	¥(8,483)	¥55,710

	Millions of yen						
	Nine months ended December 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	¥408,431	¥171,766	¥190,364	¥135,794	¥906,356	-	¥906,356
Inter-segment	425,580	21,825	5,022	380,224	832,652	¥(832,652)	-
Total	834,011	193,591	195,387	516,018	1,739,008	(832,652)	906,356
Operating income (loss)	¥(35)	¥3,289	¥7,940	¥17,039	¥28,233	¥4,469	¥32,703

	Thousands of U.S. dollars						
	Nine months ended December 31, 2008						
	Japan	The Americas	Europe	Asia/Oceania	Total	Eliminations and corporate	Consolidated
Net sales:							
Customers	$4,486,786	$1,886,916	$2,091,222	$1,491,749	$9,956,673	-	$9,956,673
Inter-segment	4,675,174	239,756	55,168	4,176,908	9,147,006	$(9,147,006)	-
Total	9,161,960	2,126,672	2,146,390	5,668,657	19,103,679	(9,147,006)	9,956,673
Operating income (loss)	($383)	$36,130	$87,223	$187,180	$310,150	$49,105	$359,255

Change in the Accounting Standard for the Measurement of Inventories

As described in Note 3 (1), effective April 1, 2008, Epson adopted ASBJ Statement No.9, “Accounting Standard for Measurement of Inventories”, issued on July 5, 2006.

As a result, for the nine months ended December 31, 2008, Operating income from Japan decreased by ¥371 million ($4,075 thousand) and operating income from the Eliminations and corporate increased by ¥1,345 million ($14,775 thousand),from the corresponding amounts which would have been reported if the previous method had been applied consistently.

Change in the Accounting Standard for Lease Transactions

As described in Note 3 (2), effective April 1, 2008, the Company and its domestic subsidiaries adopted ASBJ Statement No.13, “Accounting Standard for Lease Transactions”, and ASBJ Guidance No.16, “Guidance on Accounting Standard for Lease Transactions”, as amended on March 30, 2007.

As a result, for the nine months ended December 31, 2008, Operating income from Japan increased by ¥594 million ($6,525 thousand) from the corresponding amount which would have been reported if the previous method had been applied consistently.

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 December 31, 2007 and 2008:

Three months ended December 31:

	Millions of yen			
	Three months ended December 31, 2007			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥75,802	¥103,327	¥77,417	¥256,547
Consolidated net sales				¥381,004
Percentage of overseas sales to consolidated net sales (%)	19.9%	27.1%	20.3%	67.3%

	Millions of yen			
	Three months ended December 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥58,181	¥66,198	¥57,072	¥181,452
Consolidated net sales				¥290,571
Percentage of overseas sales to consolidated net sales (%)	20.0%	22.8%	19.6%	62.4%

	Thousands of U.S. dollars			
	Three months ended December 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$639,140	$727,210	$626,970	$1,993,320
Consolidated net sales				$3,192,035
Percentage of overseas sales to consolidated net sales (%)	20.0%	22.8%	19.6%	62.4%

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

Nine months ended December 31:

	Millions of yen			
	Nine months ended December 31, 2007			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥211,019	¥265,707	¥236,895	¥713,622
Consolidated net sales				¥1,037,271
Percentage of overseas sales to consolidated net sales (%)	20.4%	25.6%	22.8%	68.8%

	Millions of yen			
	Nine months ended December 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	¥191,094	¥210,977	¥209,410	¥611,482
Consolidated net sales				¥906,356
Percentage of overseas sales to consolidated net sales (%)	21.1%	23.3%	23.1%	67.5%

	Thousands of U.S. dollars			
	Nine months ended December 31, 2008			
	The Americas	Europe	Asia/Oceania	Total
Overseas sales	$2,099,242	$2,317,664	$2,300,461	$6,717,367
Consolidated net sales				$9,956,673
Percentage of overseas sales to consolidated net sales (%)	21.1%	23.3%	23.1%	67.5%

Supplementary Information

Consolidated Nine months ended December 31, 2008

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Information-related equipment	690.5	611.3	(11.5%)	784.0	(13.2%)
Printer	585.8	514.1	(12.2%)	656.0	(13.8%)
Visual instruments	83.1	78.5	(5.5%)	103.0	(7.5%)
Other	22.0	19.1	(12.9%)	27.0	(12.8%)
Intra-segment sales	(0.4)	(0.4)	-%	(2.0)	-%
Electronic devices	307.6	261.6	(14.9%)	312.0	(21.1%)
Display	176.9	141.9	(19.8%)	170.0	(24.1%)
Quartz device	77.0	67.0	(13.0%)	81.0	(19.6%)
Semiconductor	61.2	56.1	(8.3%)	65.0	(18.5%)
Other	2.9	2.3	(20.9%)	4.0	18.4%
Intra-segment sales	(10.4)	(5.7)	-%	(8.0)	-%
Precision products	65.8	60.8	(7.5%)	75.0	(10.6%)
Other	20.9	24.9	19.9%	32.0	9.9%
Inter-segment sales	(47.5)	(52.5)	-%	(65.0)	-%
Consolidated sales	1,037.3	906.3	(12.6%)	1,138.0	(15.6%)

2. Business segment information

(Unit: billion yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Information-related equipment					
Net sales:					
Customers	688.8	609.5	(11.5%)	782.0	(13.2%)
Inter-segment	1.7	1.8	9.0%	2.0	(20.9%)
Total	690.5	611.3	(11.5%)	784.0	(13.2%)
Operating expenses	619.3	571.4	(7.7%)	743.0	(9.4%)
Operating income	71.2	39.9	(43.9%)	41.0	(50.8%)
Electronic devices					
Net sales:					
Customers	280.4	234.3	(16.4%)	279.0	(22.5%)
Inter-segment	27.2	27.2	0.0%	33.0	(6.0%)
Total	307.6	261.6	(14.9%)	312.0	(21.1%)
Operating expenses	318.1	261.1	(17.9%)	334.0	(19.0%)
Operating income (loss)	(10.5)	0.5	-%	(22.0)	-%
Precision products					
Net sales:					
Customers	65.0	59.6	(8.2%)	74.0	(10.7%)
Inter-segment	0.8	1.1	54.4%	1.0	(2.4%)
Total	65.8	60.8	(7.5%)	75.0	(10.6%)
Operating expenses	62.8	60.2	(4.0%)	76.0	(6.4%)
Operating income	3.0	0.5	(81.3%)	(1.0)	-%
Other					
Net sales:					
Customers	3.1	2.7	(10.5%)	3.0	(32.2%)
Inter-segment	17.8	22.2	25.2%	29.0	17.4%
Total	20.9	24.9	19.9%	32.0	9.9%
Operating expenses	29.2	33.5	15.1%	44.0	8.4%
Operating loss	(8.3)	(8.5)	-%	(12.0)	-%
Elimination and corporate					
Net sales	(47.5)	(52.5)	-%	(65.0)	-%
Operating expenses	(47.8)	(52.7)	-%	(65.0)	-%
Operating income	0.3	0.1	(37.8%)	0	-%
Consolidated					
Net sales	1,037.3	906.3	(12.6%)	1,138.0	(15.6%)
Operating expenses	981.6	873.6	(11.0%)	1,132.0	(12.3%)
Operating income	55.7	32.7	(41.3%)	6.0	(89.6%)

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Capital expenditure	43.9	38.5	(12.2%)	68.0	6.3%
Information-related equipment	16.5	19.1	16.0%	32.0	27.2%
Electronic devices	20.5	14.5	(29.0%)	24.0	(9.5%)
Precision products	2.3	2.1	(9.9%)	4.0	(1.0%)
Other	4.6	2.8	(39.3%)	8.0	(2.6%)
Depreciation and amortization	58.8	58.4	(0.5%)	79.0	(0.3%)

4. Research and development

(Unit: billion yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase %	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 %
Research and Development	62.0	60.9	(1.7%)	81.0	(2.3%)
R&D / sales ratio	6.0%	6.7%		7.1%	

5. Management indices

(Unit: %)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase Point	Forecast for the year ended March 31, 2009	Increase compared to year ended March 31, 2008 Point
Return on equity (ROE)	4.7%	2.8%	(1.9%)	(0.9%)	(5.1%)
Return on assets (ROA)	4.7%	3.4%	(1.3%)	1.2%	(4.0%)
Return on sales (ROS)	5.8%	4.1%	(1.7%)	1.1%	(3.6%)

Note 1. ROE=Net income / Beginning and ending balance average shareholders' equity
2. ROA=Ordinary income / Beginning and ending balance average total assets
3. ROS=Ordinary income / Net sales

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Nine months ended December 31, 2007	Nine months ended December 31, 2008	Increase
Foreign exchange effect	29.7	(61.4)	(91.2)
U.S. dollars	2.2	(30.2)	(32.4)
Euro	20.3	(17.8)	(38.1)
Other	7.2	(13.4)	(20.6)
Exchange rate			
Yen / U.S. dollars	117.28	102.84	
Yen / Euro	162.82	150.70	

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)

	December 31, 2007	March 31, 2008	December 31, 2008	Increase compared to March 31, 2008
Inventory	180.4	161.3	172.3	10.9
Information-related equipment	105.5	91.0	105.3	14.2
Electronic devices	55.7	50.5	47.7	(2.7)
Precision products	17.2	17.4	17.5	0.0
Other / Corporate	2.0	2.2	1.6	(0.5)
				(Unit: days)
Turnover by days	48	44	52	8
Information-related equipment	42	37	47	10
Electronic devices	50	47	50	3
Precision products	72	76	79	3
Other / Corporate	26	28	18	(10)

Note: Turnover by days=Ending balance of inventory / Prior 9 months (Prior 12 months) sales per day

8. Employees

(Unit: person)

	December 31, 2007	March 31, 2008	December 31, 2008	Increase compared to March 31, 2008
Number of employees at period end	93,282	88,925	81,934	(6,991)
Domestic	26,119	25,735	25,379	(356)
Overseas	67,163	63,190	56,555	(6,635)