

First-Half (2Q) Financial Results
Fiscal Year 2004
(ending March 2005)

October 26, 2004

SEIKO EPSON CORPORATION

Disclaimer

When reviewing this information please note that the information was created as of the date of the information, should be considered in the context of the circumstances prevailing at that time and is only correct as of that date. The information contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, the competitive environment, market trends, general economic conditions, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

This report is a simple translation of the Japanese version of second quarter result explanatory presentation prepared in Japanese. No reclassification nor rearrangement has been made.

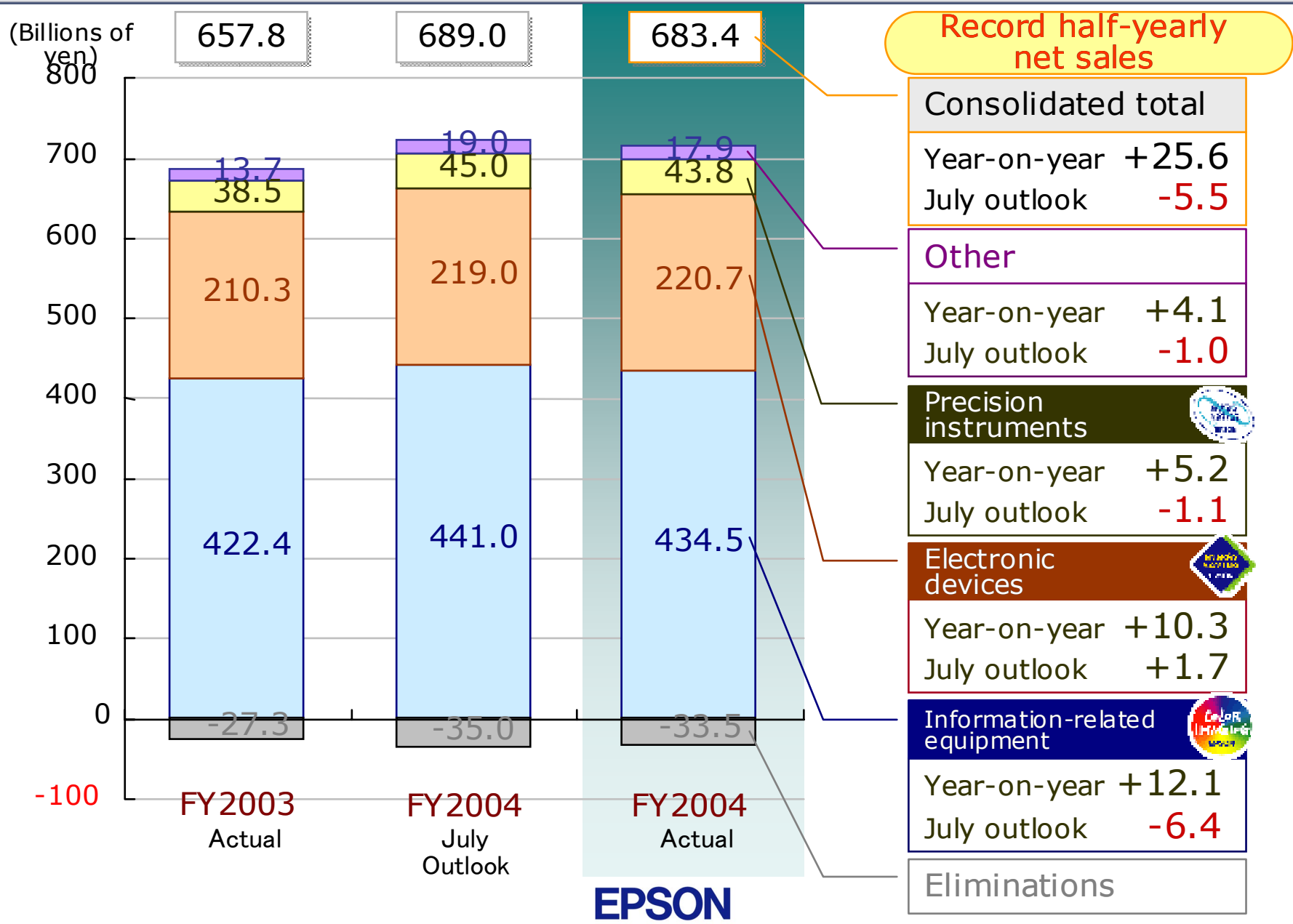
Numerical values: Any portion of an amount less than the unit stated is disregarded.
Percentages: Rounded off to one decimal place.

Overview

Details

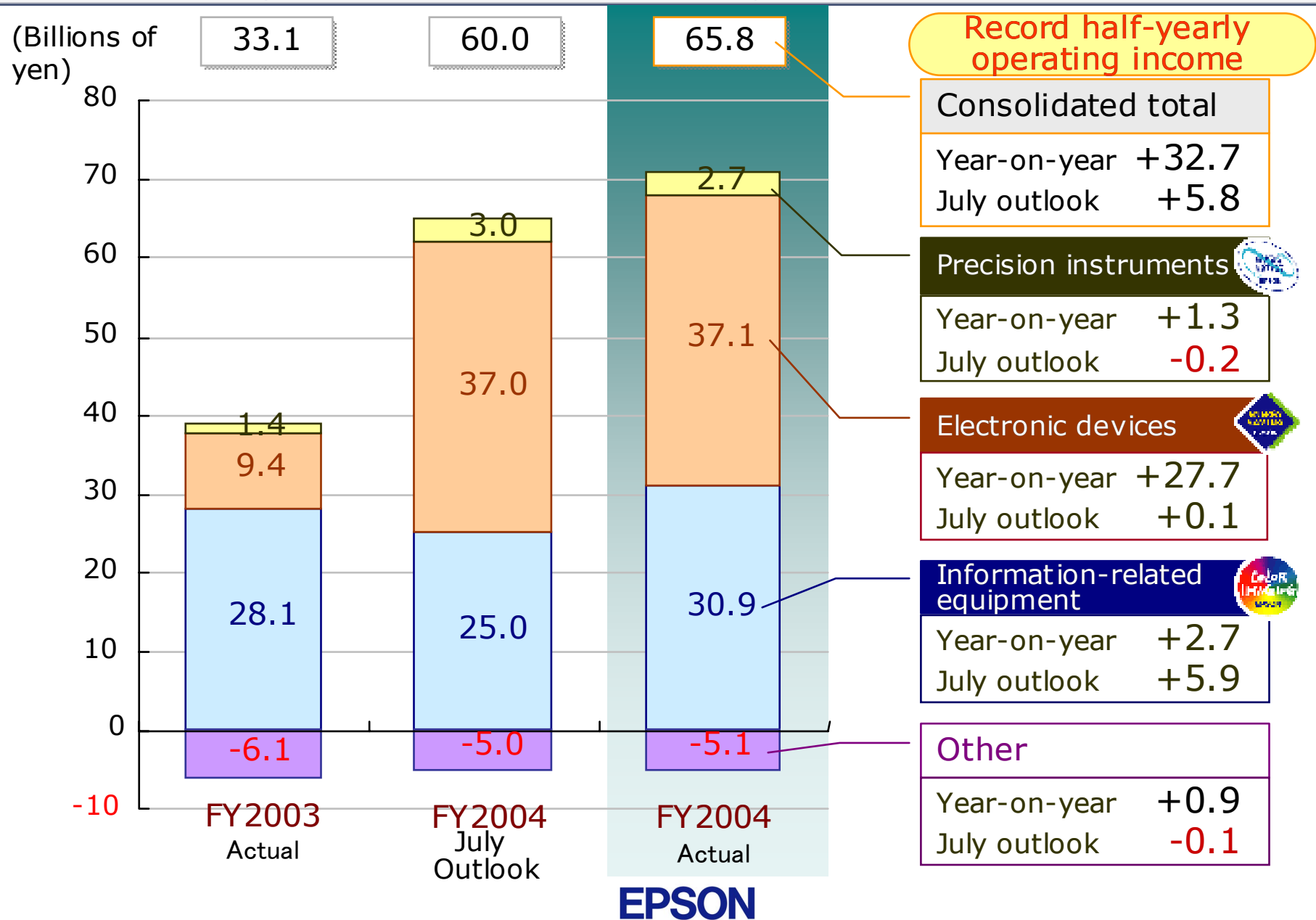
Half-Year Financial Highlights

► Net Sales (by business segment)



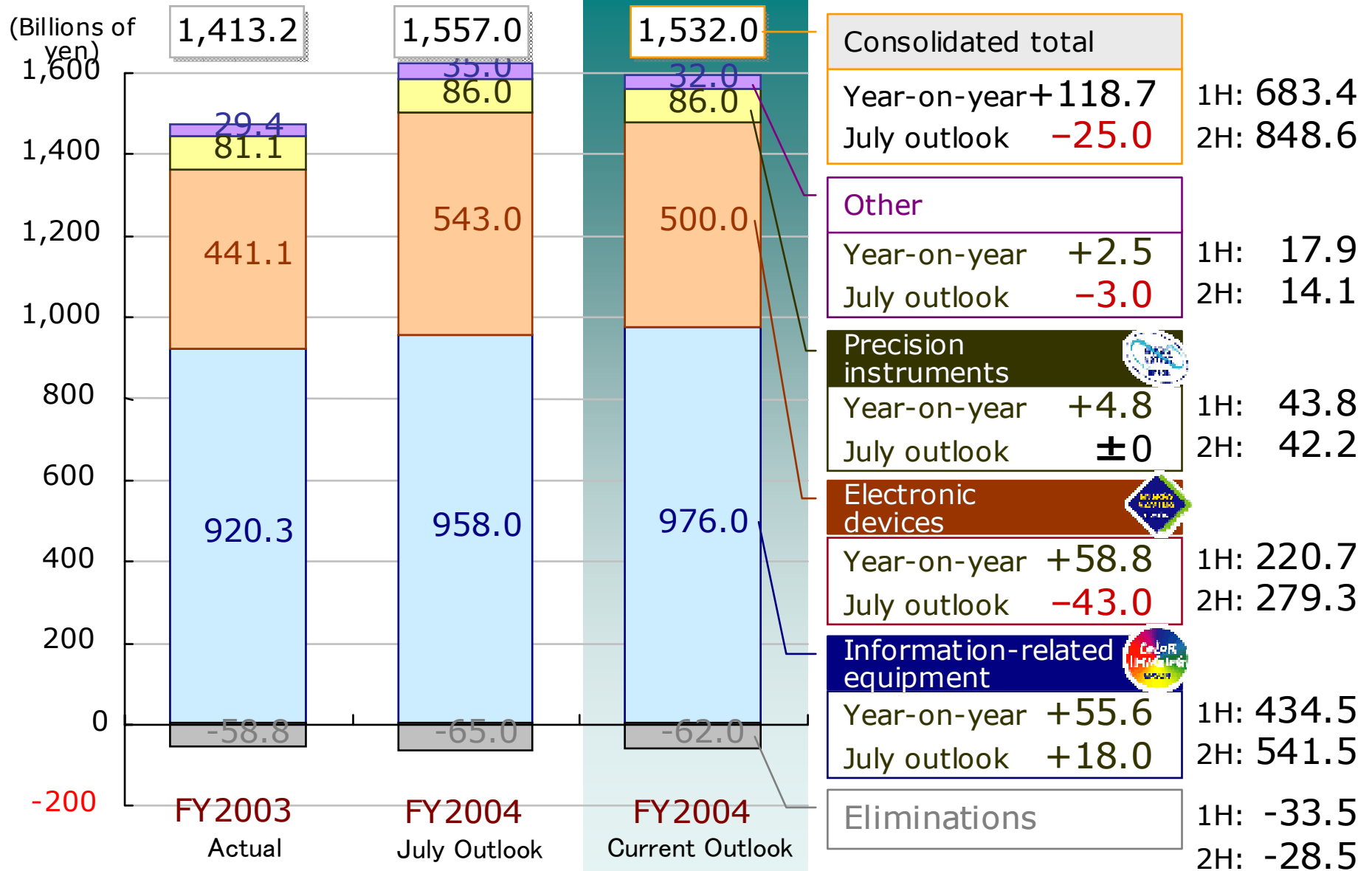
Half-Year Financial Highlights

▶ Operating income (by business segment)



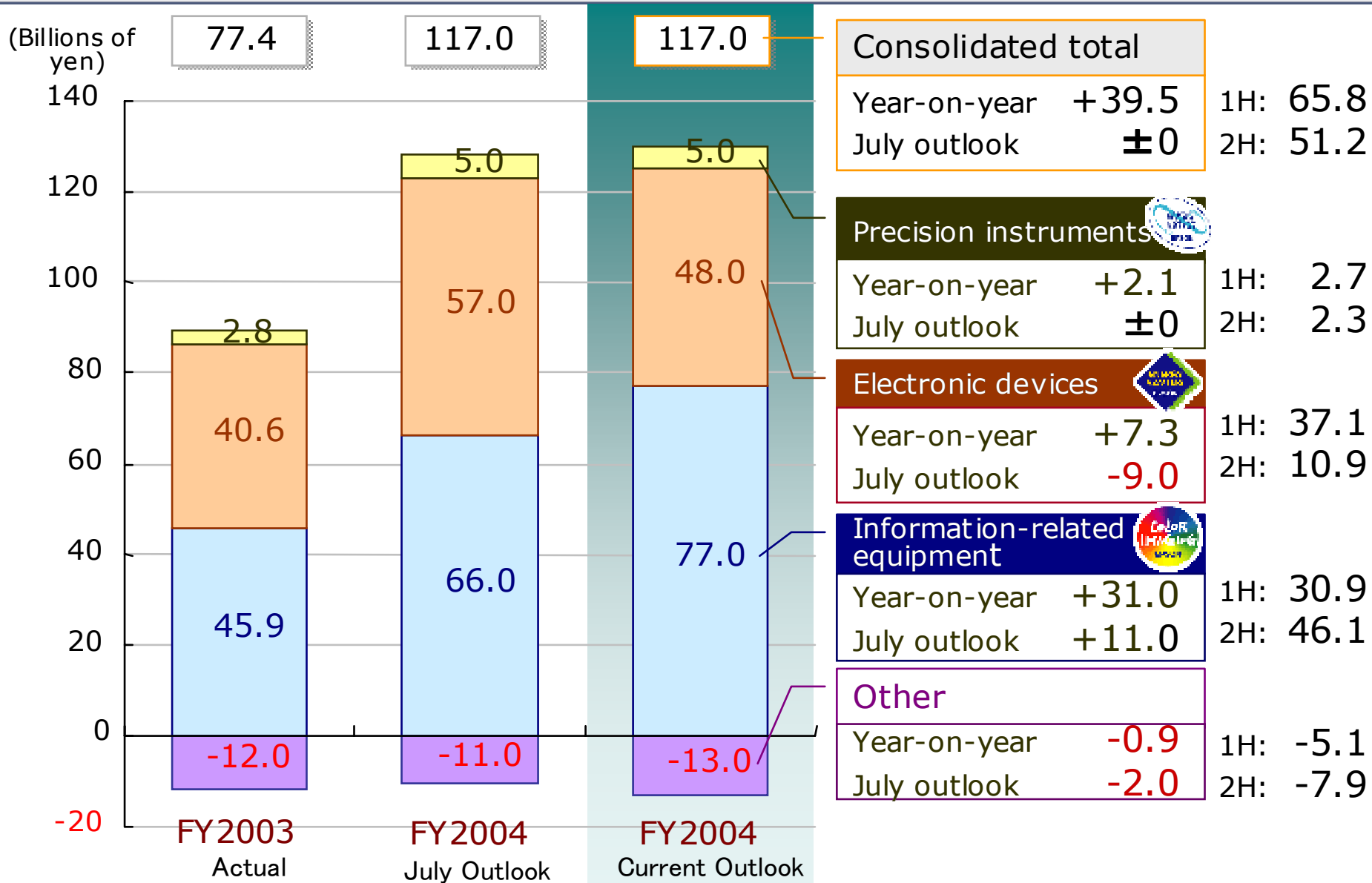
FY2004 Business Outlook

► Net sales (by business segment)

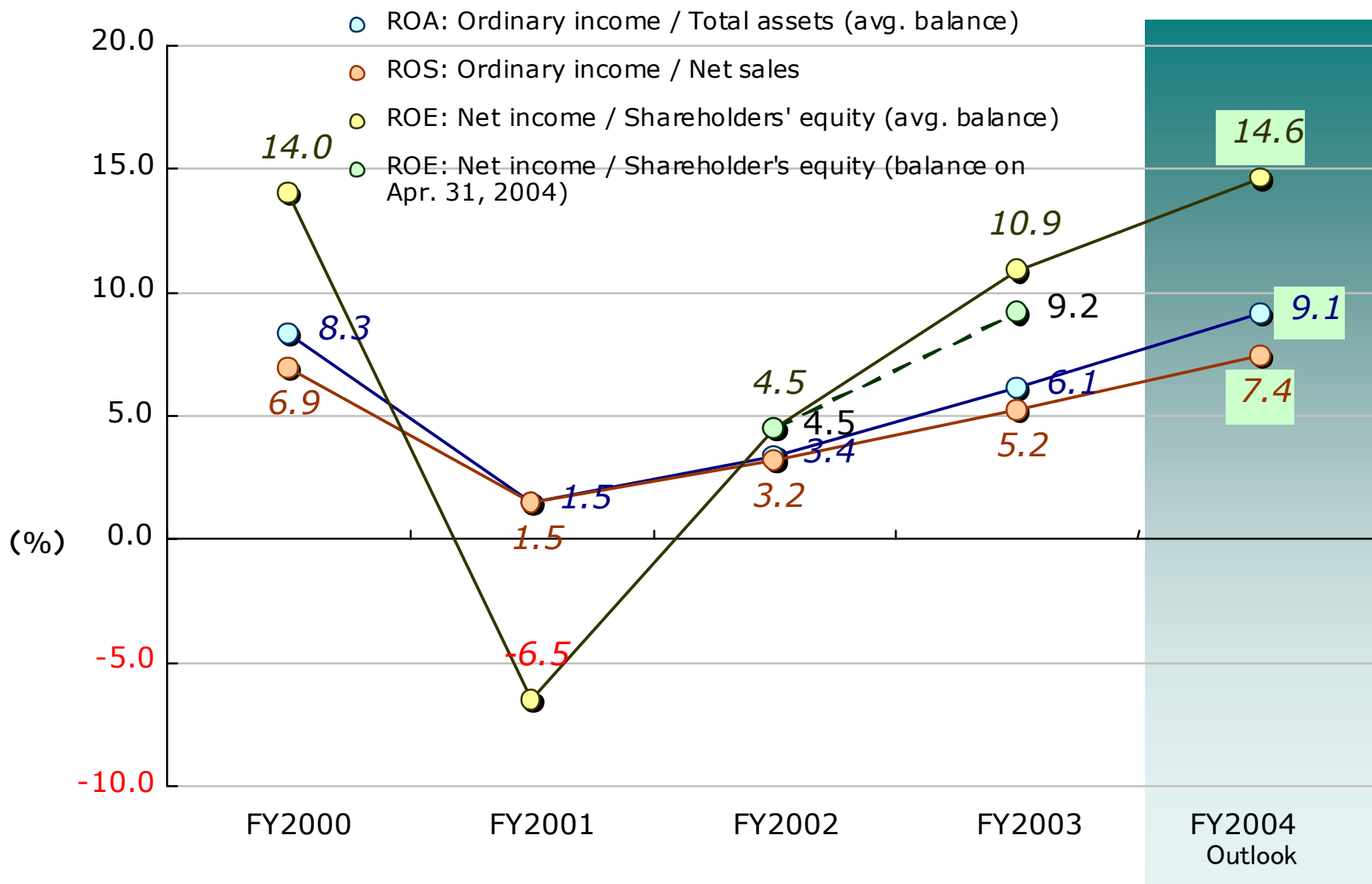


FY2004 Business Outlook

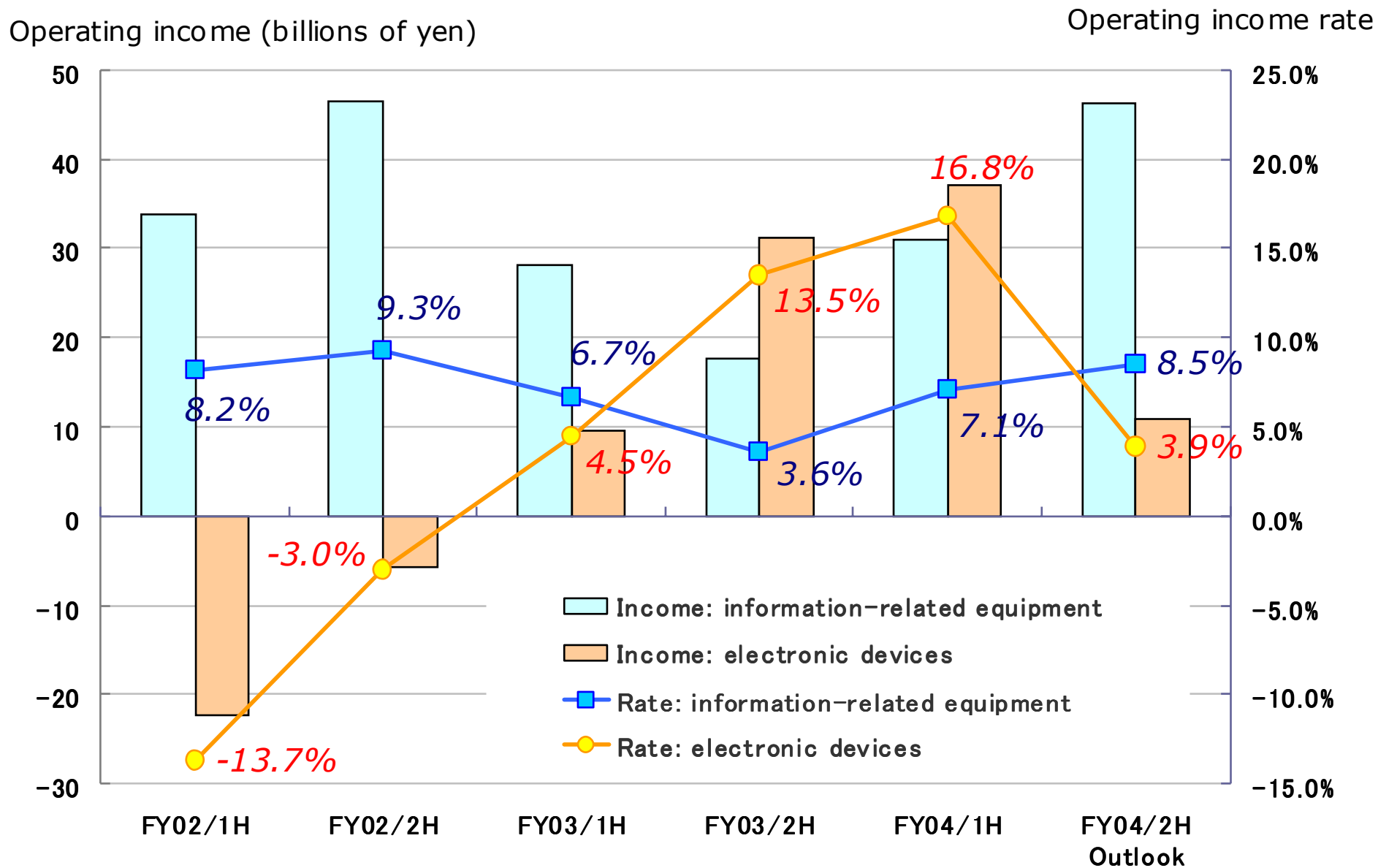
▶ Operating income (by business segment)



Main Management Metrics



Operating Income Trend and Outlook




FY 2004 Second Half

Keys to achieving the second-half outlook

Information-related equipment 

- ◆ Ensure recovery by launching new IJP and other products and by driving sales initiatives.

Electronic devices 

- ◆ Sanyo Epson Imaging Devices start-up
- ◆ Cost competitiveness in line with market changes

Key strategies for the second half

- Drive consolidated total cost reduction activities
 - Product competitiveness: Launch 2nd-half products on time
 - Cost innovations: Reduce manufacturing & SGA costs

Share holder dividends

- Raised first-half dividend & revised dividend outlook

(Per share)	First half	Year end	Full year
Revised	13 yen	13 yen (outlook)	26 yen (outlook)
July outlook	9 yen	9 yen	18 yen

Focus on small- & mid-sized LCDs (high-value-added)

- **Pursue custom business via customer-focus**
- **Leverage core technologies to boost cost competitiveness and reduce costs**

No. 1 in small- & mid-sized displays

Key second-half themes

Overall	Cost reduction, quality & yield, flexible production system
C-STN	Operational efficiency on integrated Suzhou line
D-TFD	Capture of cellular volume zone
a-TFT	Shift to small panels & expand high-value-add segments
LTPS	Increase panel value-add with high-density process

Overview

Details

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FY2004 First-Half & 2Q Financial Results

2

FY2004 Business Outlook

First-Half Financial Highlights

► Versus the year-ago period

(Billions of yen)		FY2003		FY2004		Increase/decrease	
		1H Actual	%/sales	1H Actual	%/sales	Amount	% change
Net Sales		657.8	-	683.4	-	+25.6	+3.9%
Operating Income		33.1	5.0%	65.8	9.6%	+32.7	+98.9%
Ordinary Income		32.1	4.9%	63.7	9.3%	+31.5	+98.4%
Net Income before income taxes		28.7	4.4%	59.5	8.7%	+30.7	+106.9%
Net income		16.5	2.5%	39.4	5.8%	+22.9	+138.3%
EPS		94.53 yen	94.36 yen	201.02 yen			
Exchange rates	USD	118.05 yen	Amount after adjustment of potential stocks	109.86 yen			
	EUR	133.46 yen		133.32 yen			

Half-Year Financial Highlights

► Comparison with the July outlook

	(Billions of yen)	FY2004		FY2004		Increase/decrease	
		1H Outlook	%/sales	1H Actual	%/sales	Amount	% change
Net sales		689.0	-	683.4	-	-5.5	-0.8%
Operating Income		60.0	8.7%	65.8	9.6%	+5.8	+9.8%
Ordinary Income		58.0	8.4%	63.7	9.3%	+5.7	+9.8%
Net Income before income taxes		55.0	8.0%	59.5	8.7%	+4.5	+8.3%
Net Income		33.0	4.8%	39.4	5.8%	+6.4	+19.6%
Exchange rates	USD	110 yen		109.86 yen			
	EUR	131 yen		133.32 yen			

Second Quarter Financial Highlights

► Versus the year-ago period

	(Billions of yen)	FY2003		FY2004		Increase/decrease	
		2Q Actual	%/sales	2Q Actual	%/sales	Amount	% change
Net sales		342.6	-	350.5	-	+7.8	+2.3%
Operating Income		18.8	5.5%	33.1	9.5%	+14.2	+75.3%
Ordinary Income		19.2	5.6%	32.0	9.1%	+12.8	+66.6%
Net Income before income taxes		16.5	4.8%	30.1	8.6%	+13.6	+83.0%
Net Income		10.5	3.1%	21.8	6.2%	+11.2	+106.4%
Exchange rates	USD	117.60 yen		109.96 yen			
	EUR	132.26 yen		134.37 yen			

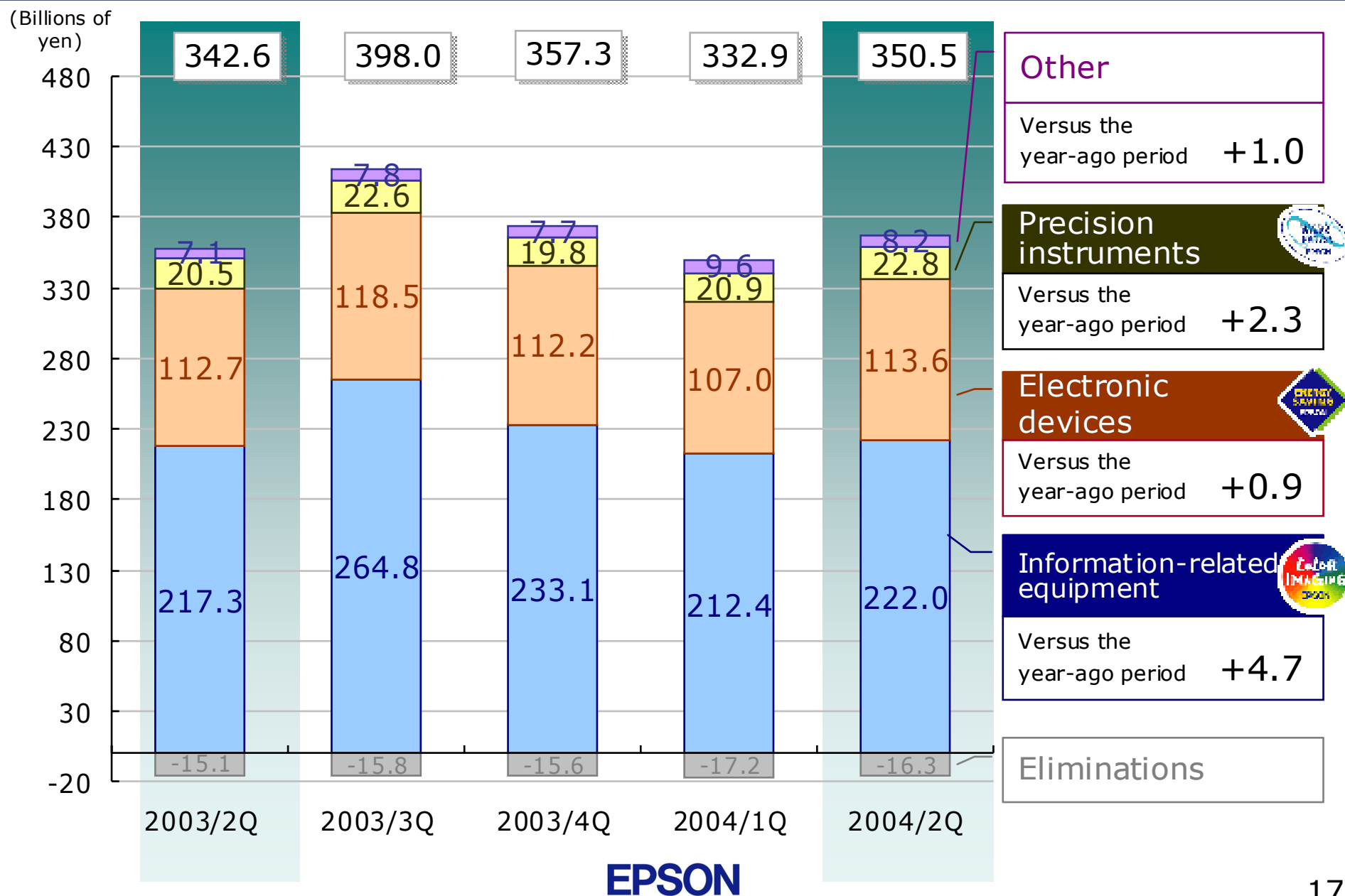
Second Quarter Financial Highlights

► Versus the July outlook

	(Billions of yen)	FY2004		FY2004		Increase/decrease	
		2Q Outlook	%/sales	2Q Actual	%/sales	Amount	% change
Net sales		356.0	-	350.5	-	-5.5	-1.6%
Operating Income		27.2	7.7%	33.1	9.5%	+5.8	+21.5%
Ordinary Income		26.3	7.4%	32.0	9.1%	+5.7	+21.6%
Net Income before income taxes		25.6	7.2%	30.1	8.6%	+4.5	+17.8%
Net Income		15.3	4.3%	21.8	6.2%	+6.4	+42.1%
Exchange rates	USD	110 yen		109.96 yen			
	EUR	130 yen		134.37 yen			

Quarterly Sales

► By business segment

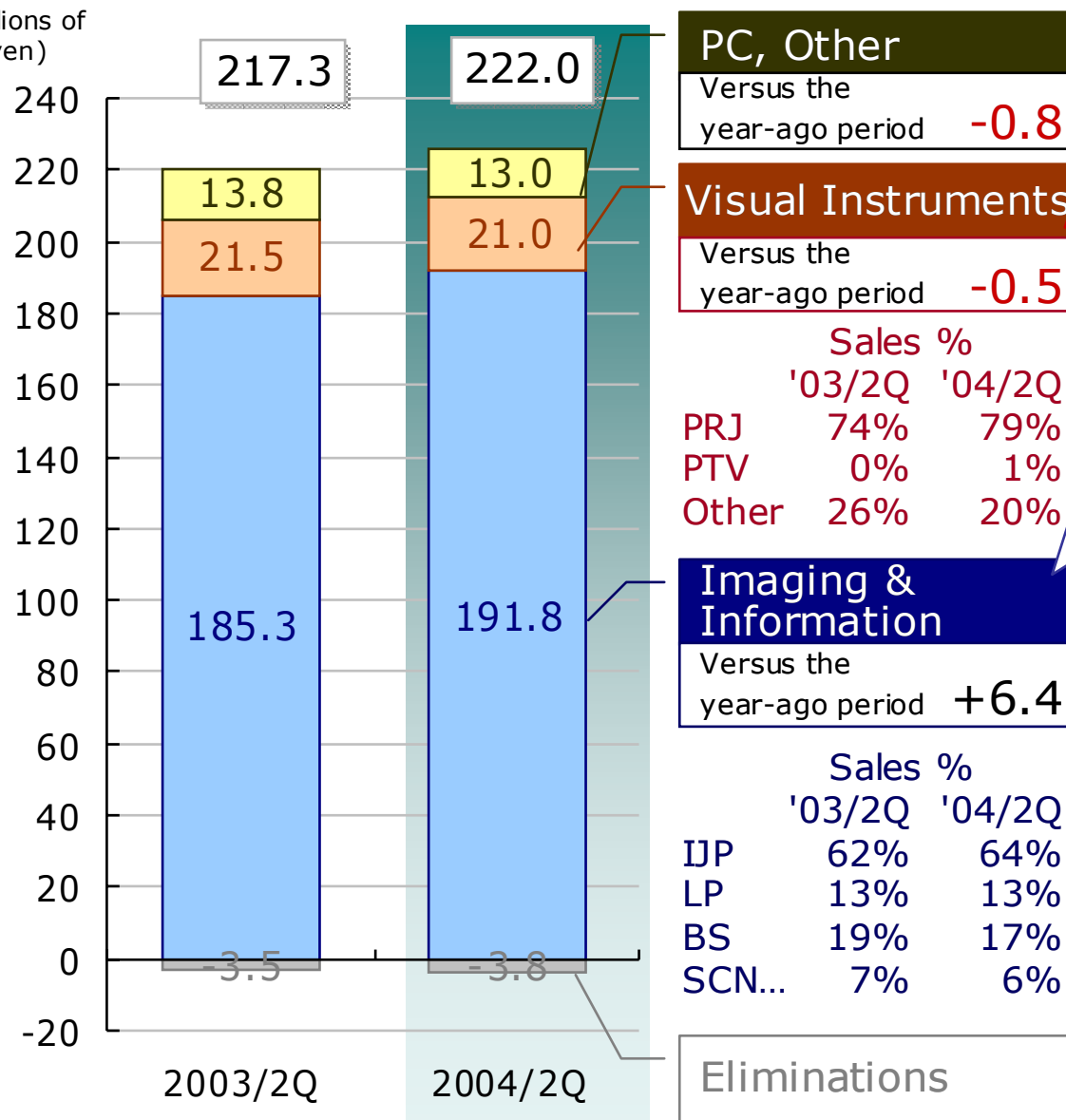


Quarterly Sales

Information-related equipment



(Billions of yen)



- Front PRJ sales rose on higher volume, despite declining prices.
- Overall, sales declined due to lower AU orders.

- IJP: Sales grew on all-in-one & consumables volume. SFP volume declined.
- LP: Sales grew on higher consumables volume.
- BS: Sales declined on lower special demand for SIDM.
- SCN: Sales declined on lower demand due to all-in-one growth.

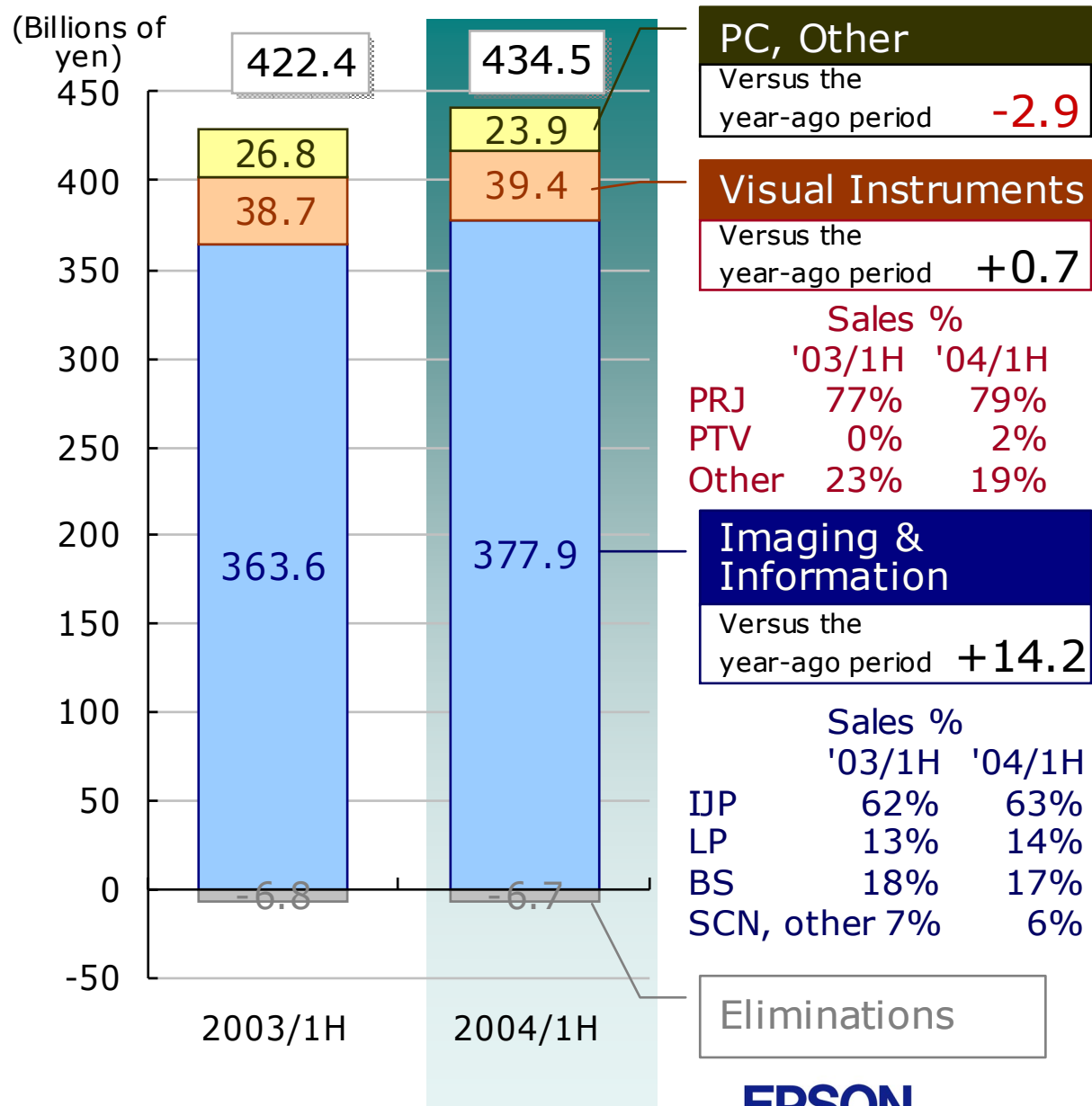
※ IJP : Ink Jet Printer
 SFP : Single Function Printer
 MFP : Multi Function Printer
 LP : Laser Printer
 BS : Business System
 SIDM : Serial Impact Dot Matrix Printer
 SCN : Scanner
 PRJ : Projector
 PTV : Projection TV
 AU : Amusement Unit



First-Half Sales Comparison



Information-related equipment



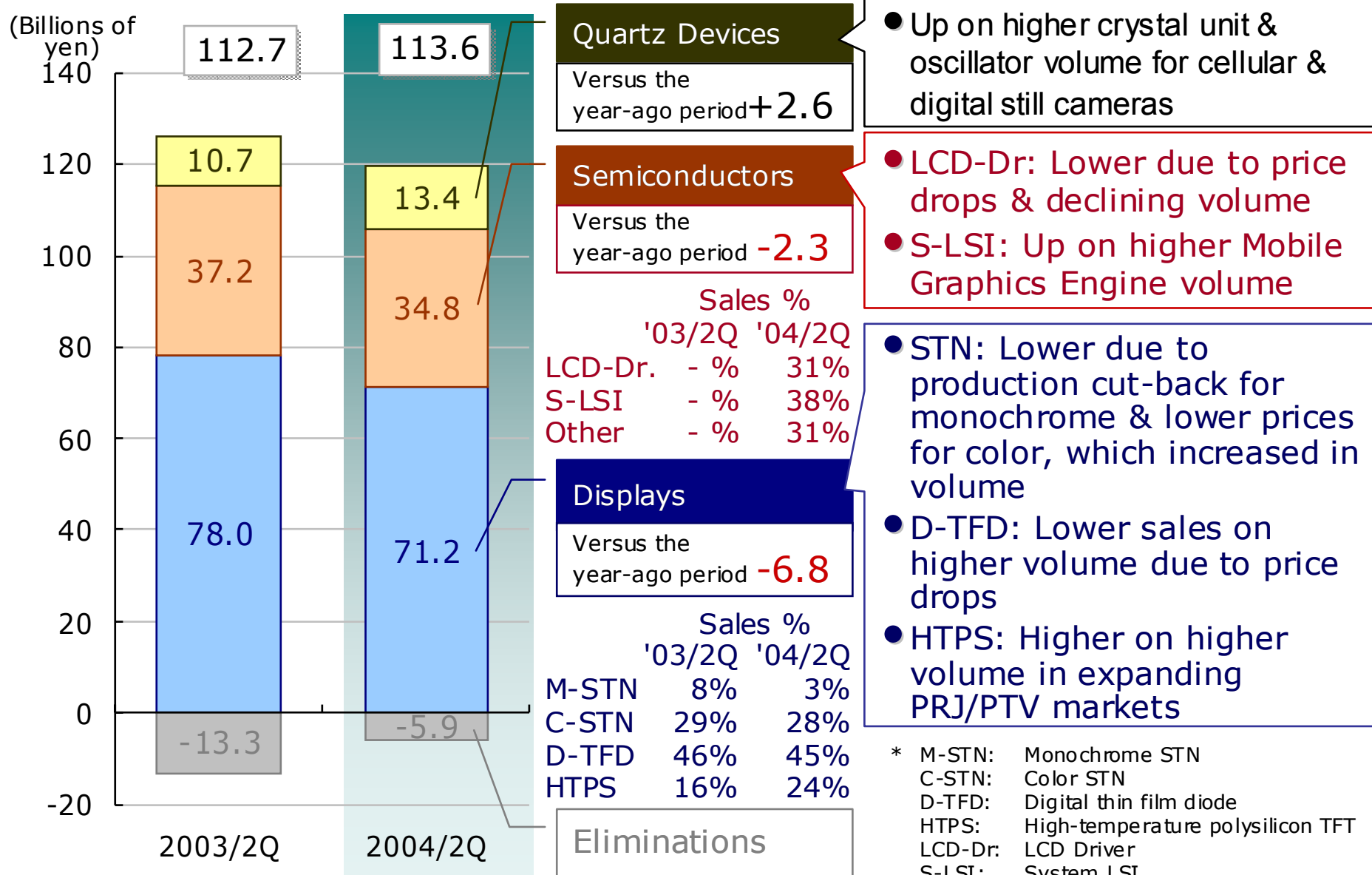
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- SIDM : Serial Impact Dot Matrix Printer
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- AU : Amusement Unit

Second-Quarter Sales Comparison



▶ Electronic devices



- Up on higher crystal unit & oscillator volume for cellular & digital still cameras

- LCD-Dr: Lower due to price drops & declining volume
- S-LSI: Up on higher Mobile Graphics Engine volume

- STN: Lower due to production cut-back for monochrome & lower prices for color, which increased in volume
- D-TFD: Lower sales on higher volume due to price drops
- HTPS: Higher on higher volume in expanding PRJ/PTV markets

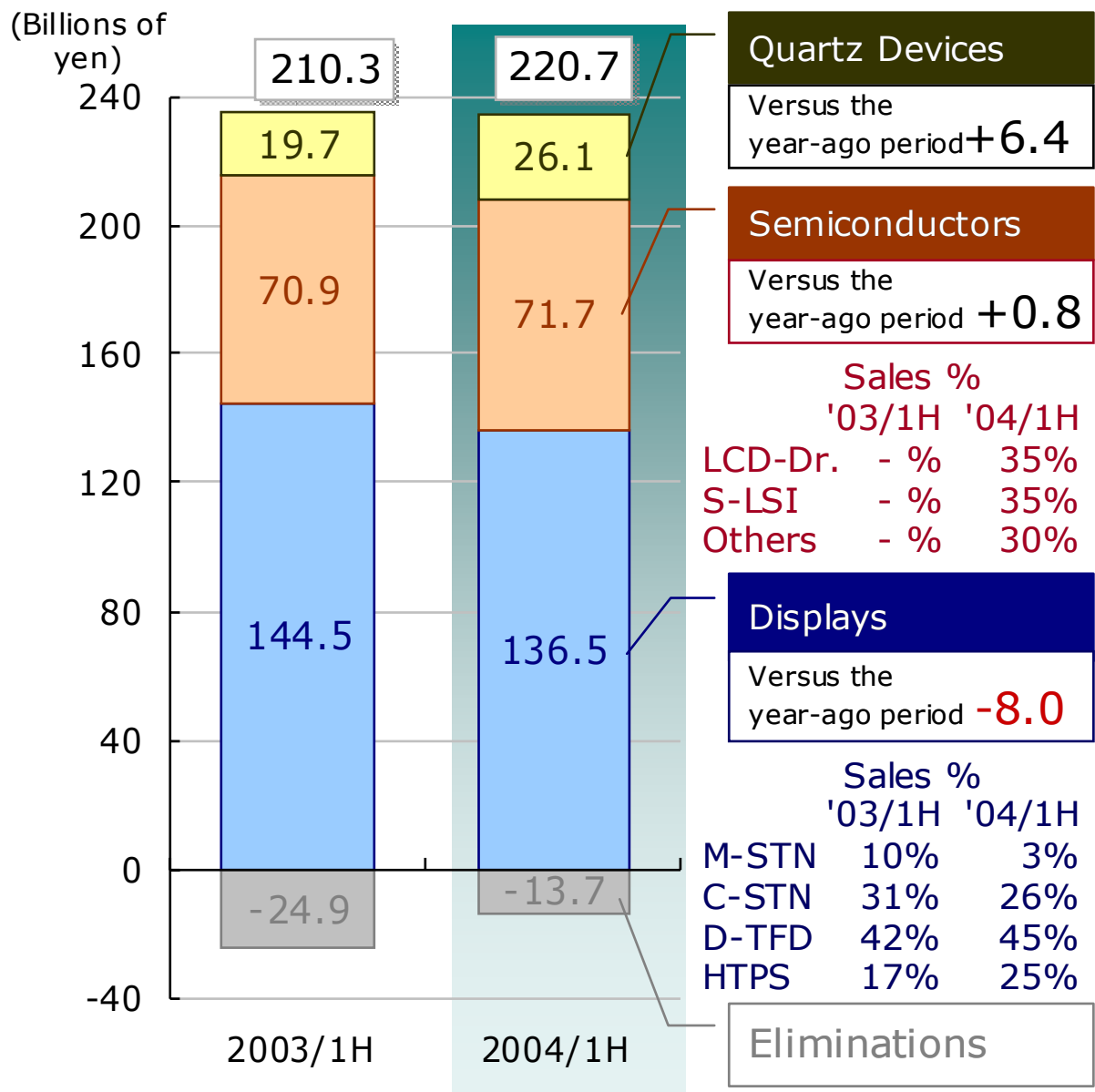
* M-STN: Monochrome STN
 C-STN: Color STN
 D-TFD: Digital thin film diode
 HTPS: High-temperature polysilicon TFT
 LCD-Dr: LCD Driver
 S-LSI: System LSI
 PRJ: Projector
 PTV: Projection TV



First-Half Sales Comparison



▶ Electronic devices

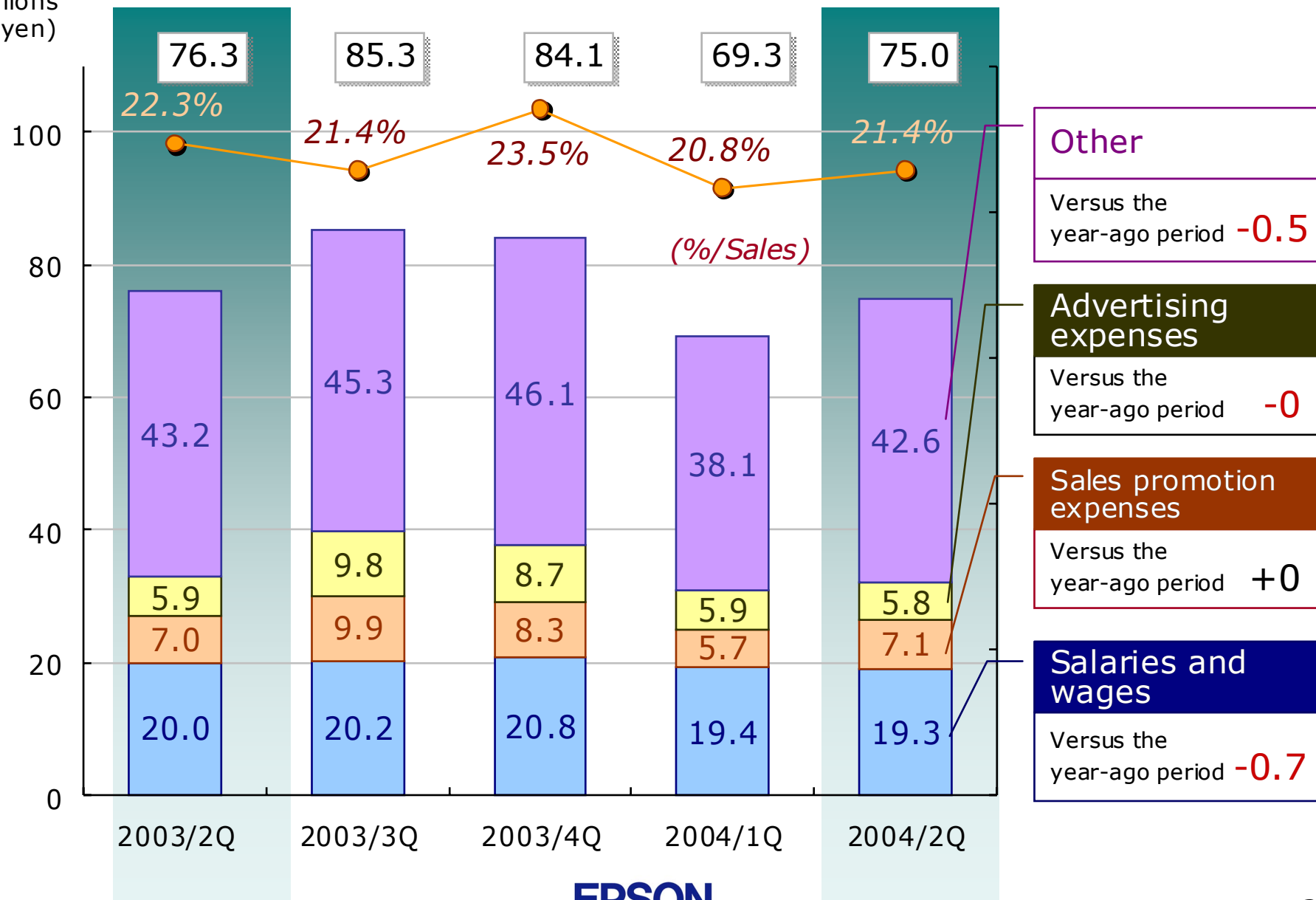


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Quarterly Selling, General and Administrative Expenses

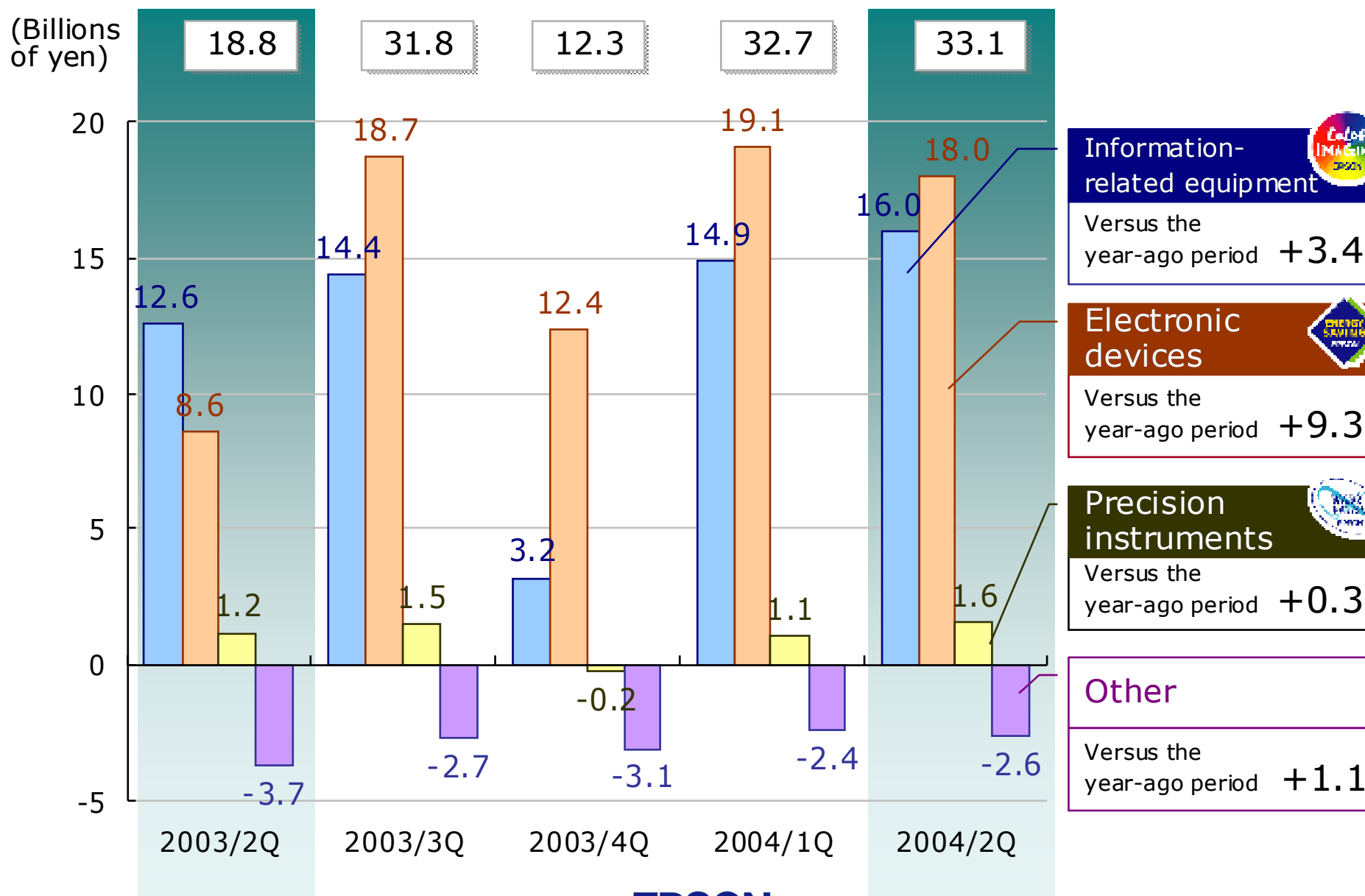
(Billions of yen)



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Quarterly Operating Income

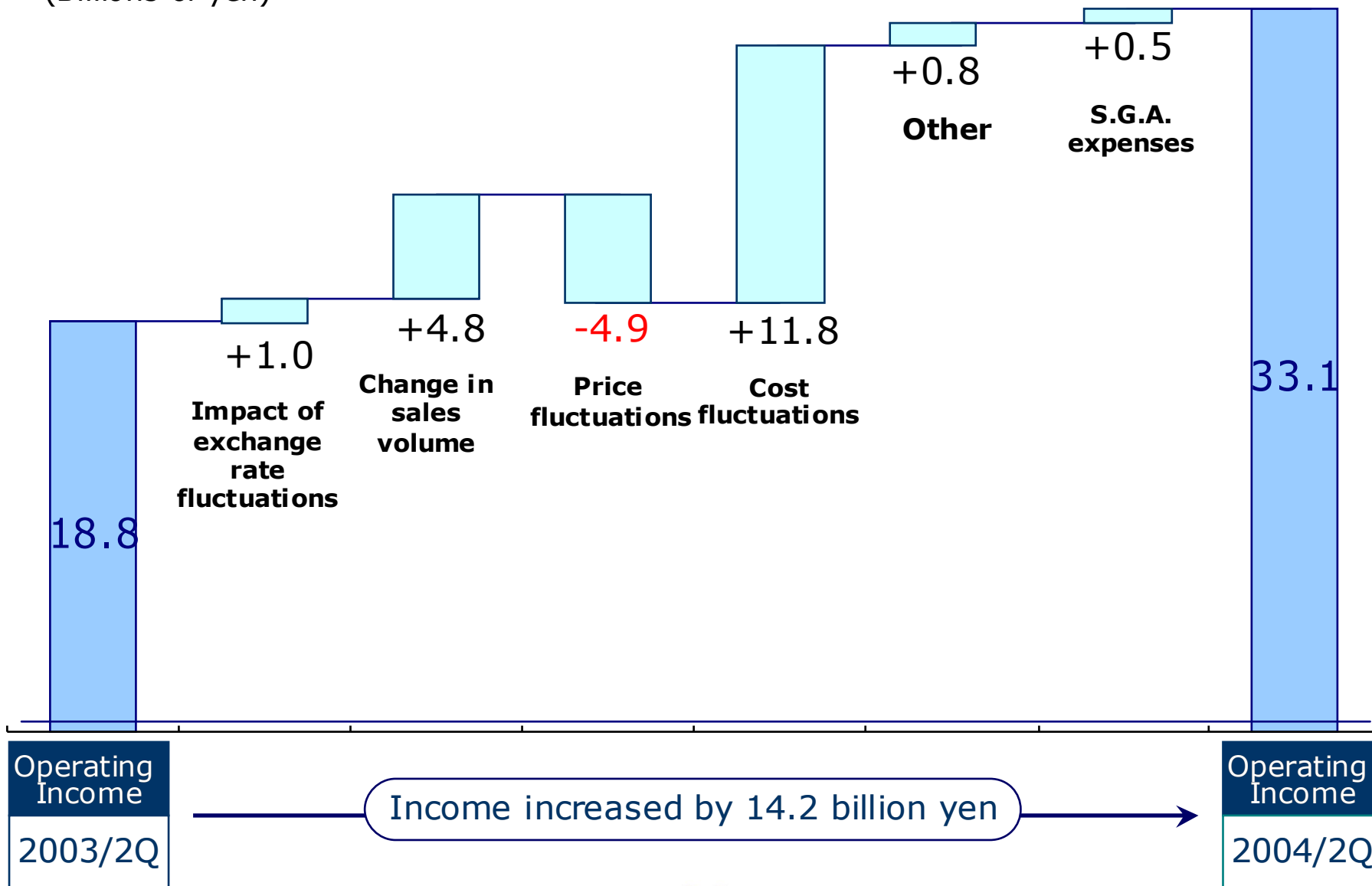
► By business segment



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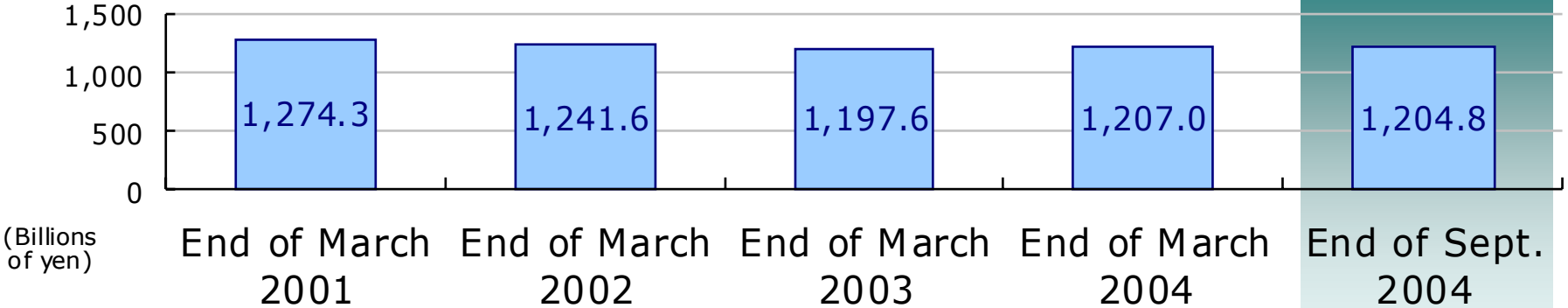
Operating Income Fluctuation Cause Analysis

(Billions of yen)

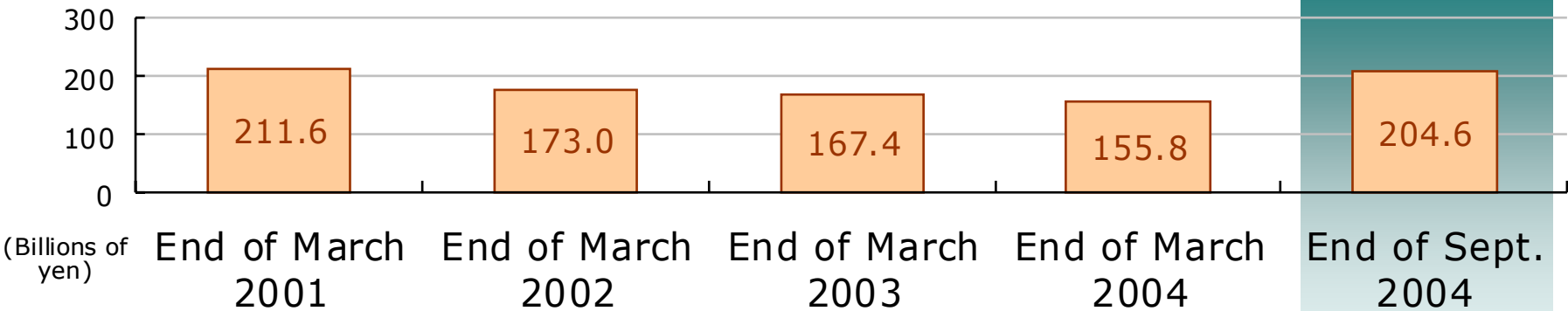


Statistics of Balance Sheet Items

Total Assets

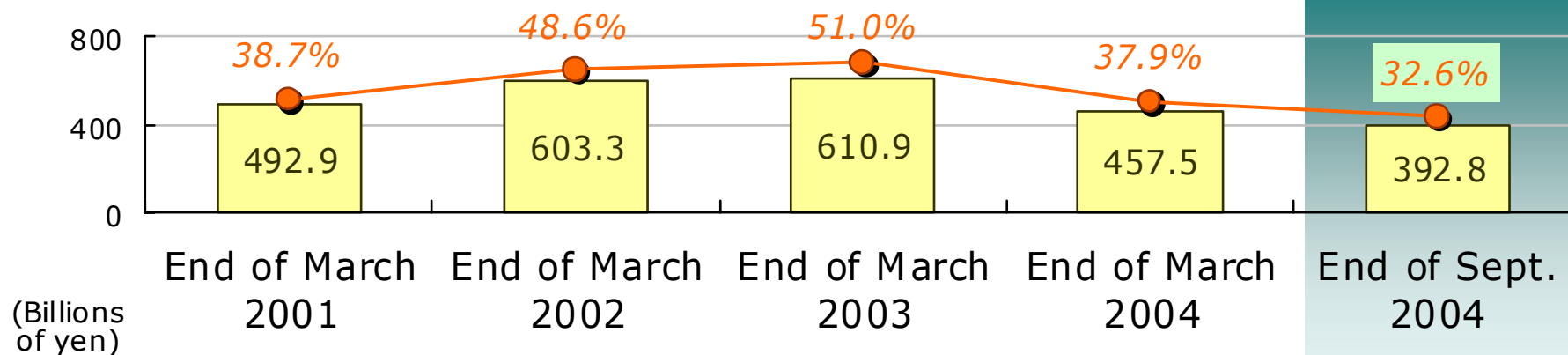


Inventories

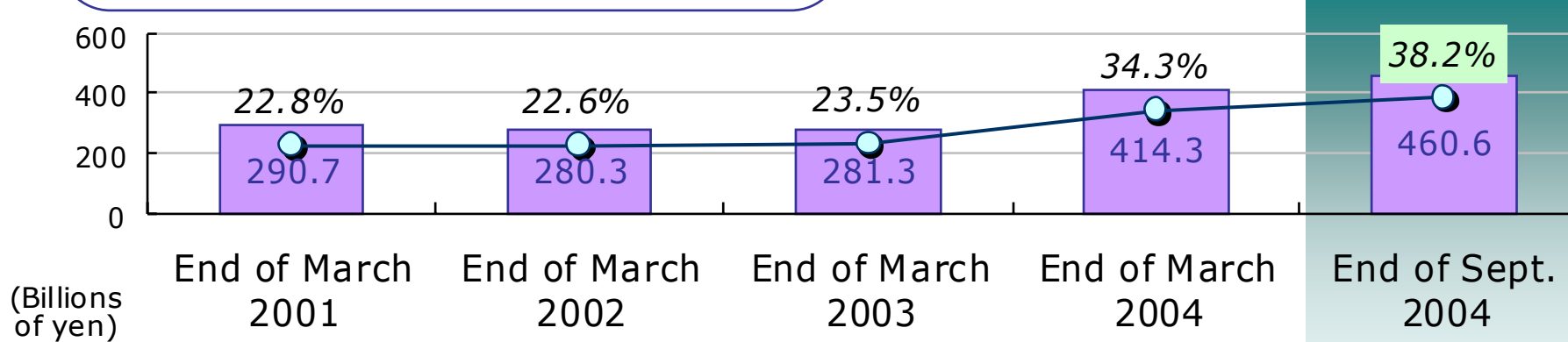


Statistics of Balance Sheet Items

Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholders' equity & equity ratio



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FY2004 First-Half & 2Q Financial Results

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FY2004 Business Outlook

FY2004 Business Outlook

► Year-on-year comparison

(Billions of yen)	FY2003		FY2004		Increase/decrease	
	Actual	%/sales	Current Outlook	%/Sales	Amount	% change
Net sales	1,413.2	-	1,532.0	-	+118.7	+8.4%
Operating income	77.4	5.5%	117.0	7.6%	+39.5	+51.2%
Ordinary Income	73.6	5.2%	113.0	7.4%	+39.3	+53.3%
Net Income before income taxes	65.0	4.6%	108.0	7.0%	+42.9	+66.0%
Net Income	38.0	2.7%	65.0	4.2%	+26.9	+70.9%
EPS	204.70 yen		331.02 yen			
Exchange rate	USD	113.07 yen	108 yen			
	EUR	132.61 yen	132 yen			

FY2004 Business Outlook

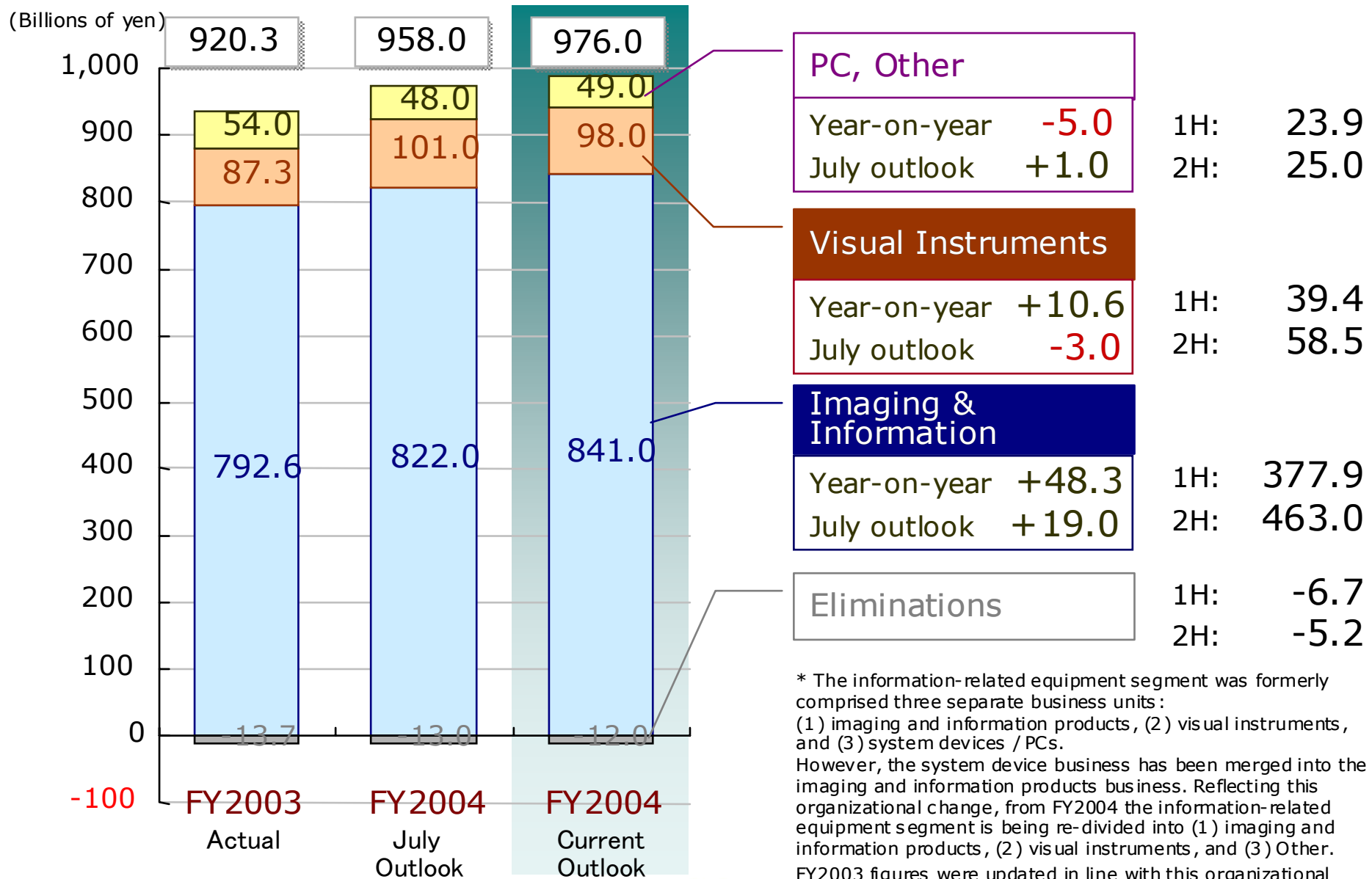
► Versus the July outlook

(Billions of yen)	FY2004		FY2004		Increase/decrease	
	Outlook	%/sales	Current Outlook	%/Sales	Amount	% change
Net sales	1,557.0	-	1,532.0	-	-25.0	-1.6%
Operating income	117.0	7.5%	117.0	7.6%	0	0.0%
Ordinary Income	113.0	7.3%	113.0	7.4%	0	0.0%
Net Income before income taxes	108.0	6.9%	108.0	7.0%	0	0.0%
Net Income	65.0	4.2%	65.0	4.2%	0	0.0%
EPS	331.02 yen		331.02 yen			
Exchange rate	USD	107 yen	108 yen			
	EUR	131 yen	132 yen			

Sales Outlook by Segment



Information-related equipment segment

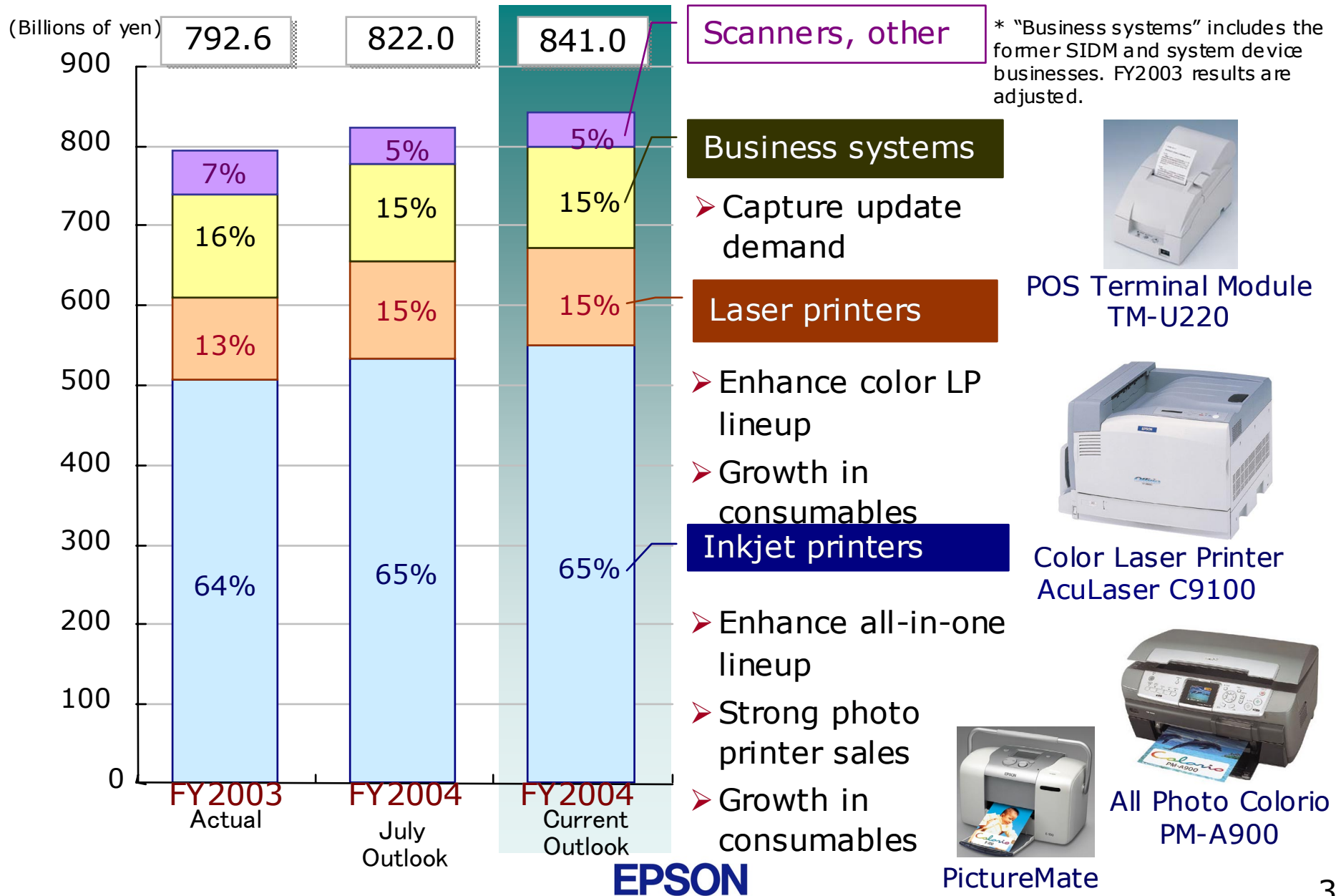


* The information-related equipment segment was formerly comprised three separate business units :
 (1) imaging and information products , (2) visual instruments , and (3) system devices / PCs.
 However, the system device business has been merged into the imaging and information products business. Reflecting this organizational change, from FY2004 the information-related equipment segment is being re-divided into (1) imaging and information products, (2) visual instruments, and (3) Other. FY2003 figures were updated in line with this organizational change.



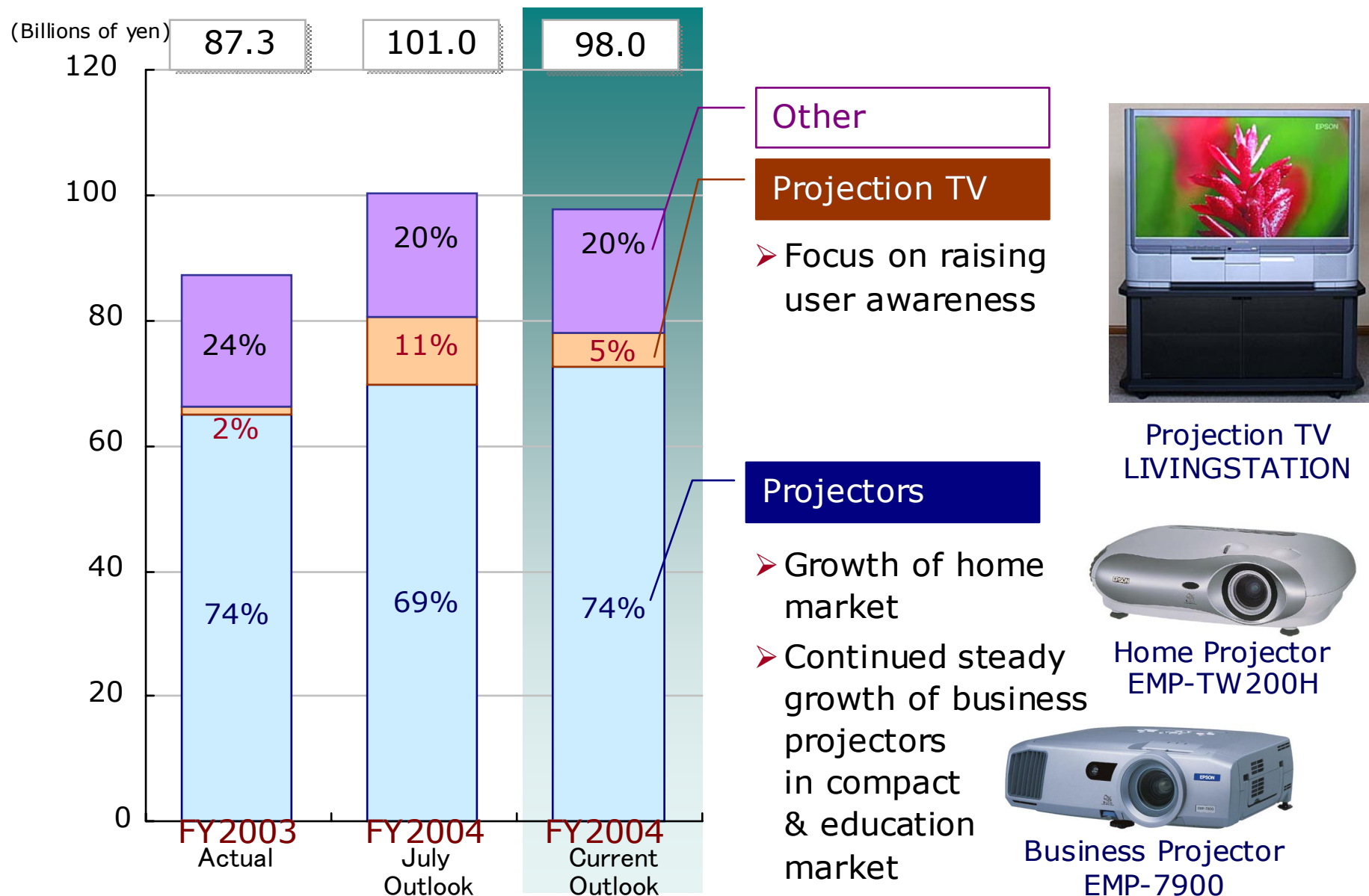
Sales Outlook by Business

▶ Imaging & information products business



Sales Outlook by Business

► Visual instruments business



Projection TV LIVINGSTATION



Home Projector EMP-TW200H

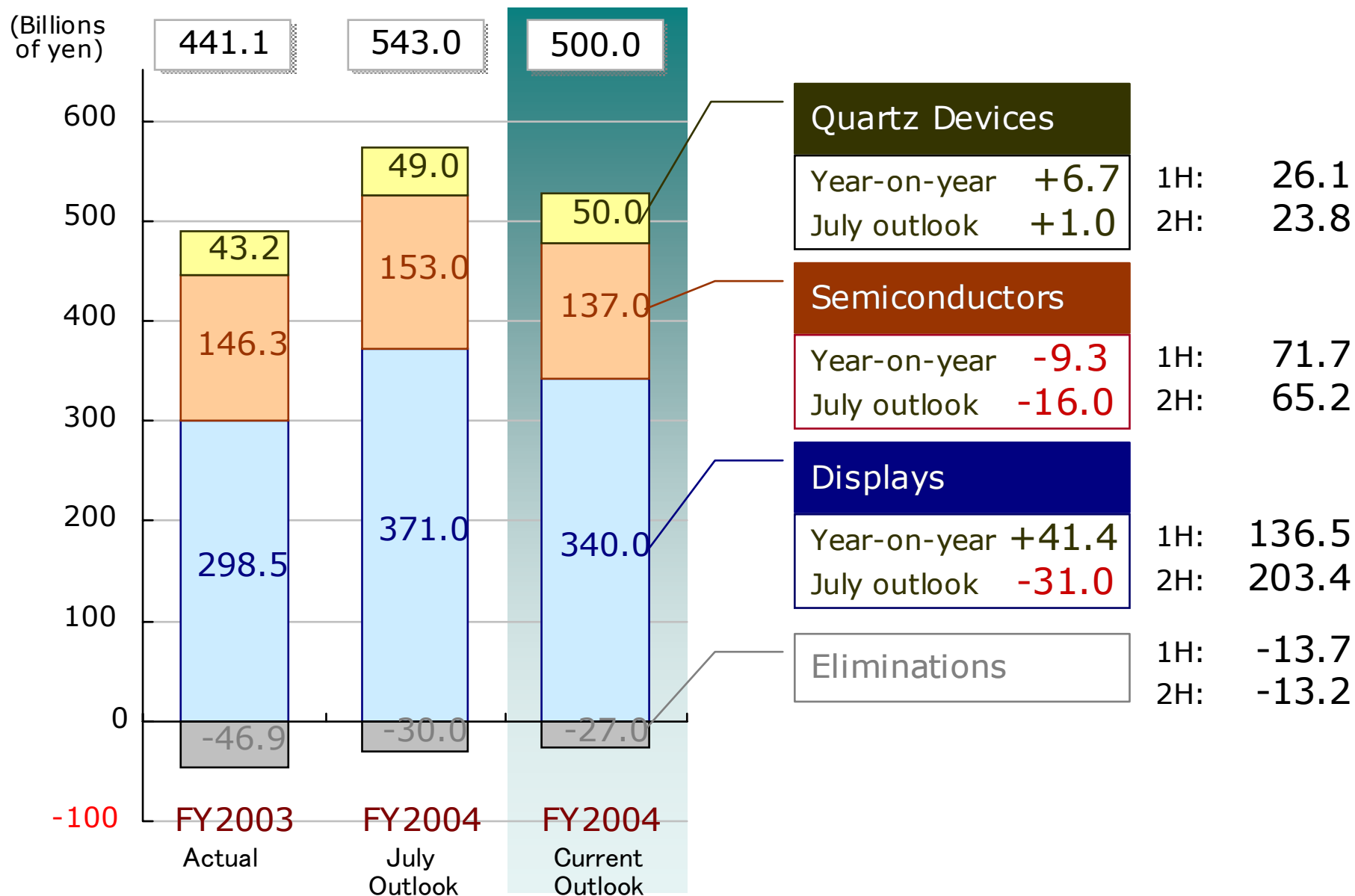


Business Projector EMP-7900

Sales Outlook by Business

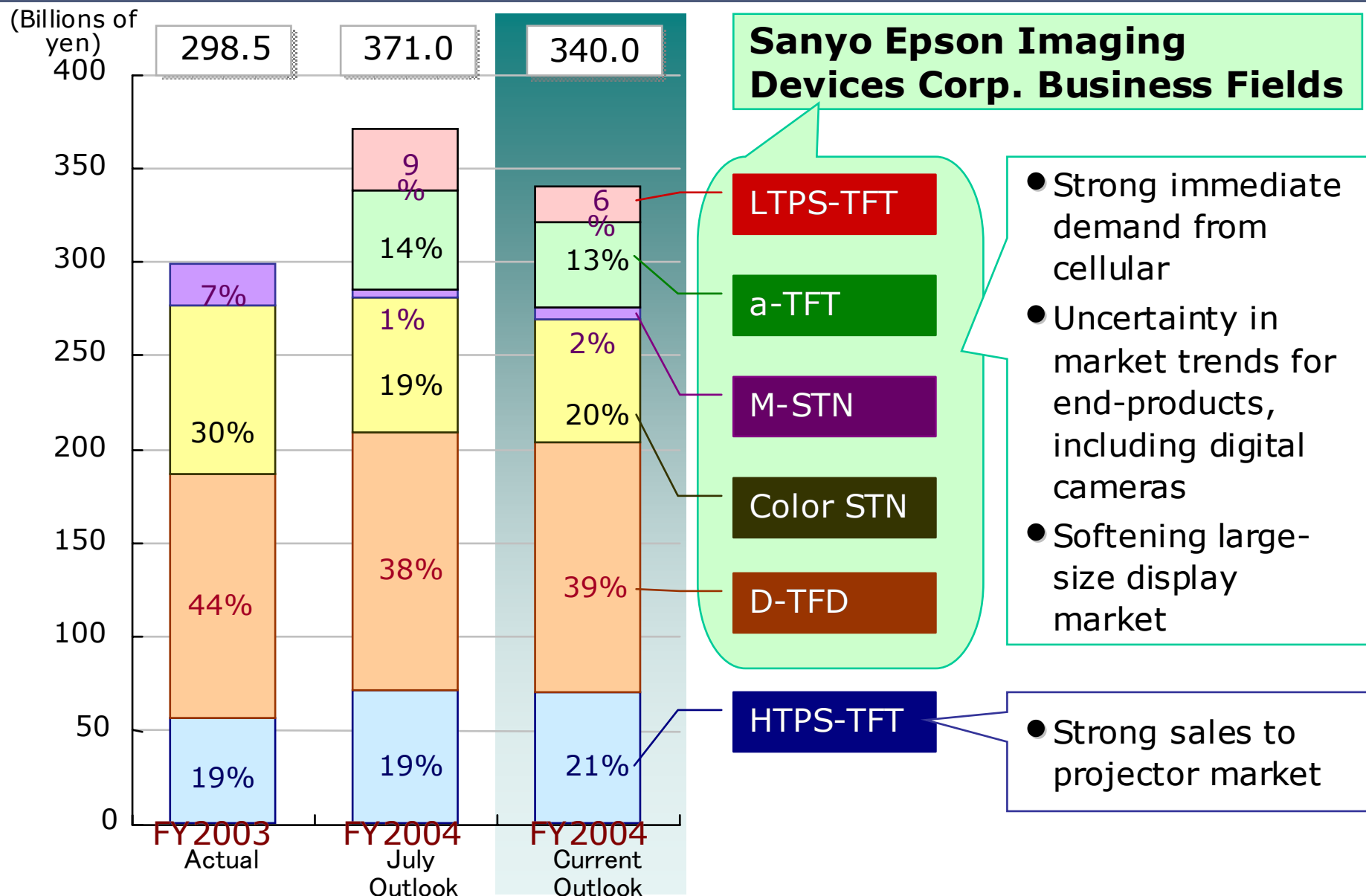


▶ Electronic device segment



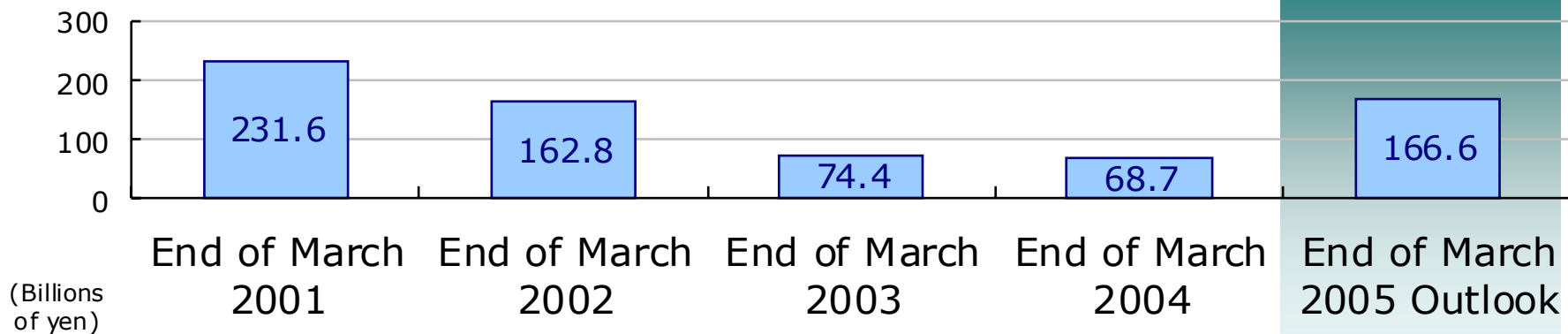
Sales Outlook by Business

► Display business

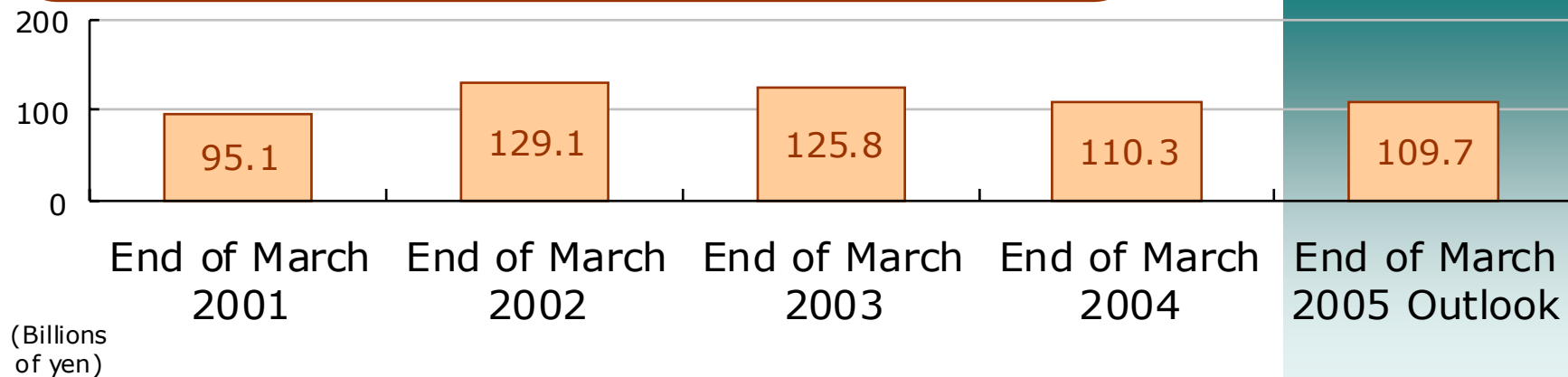


Outlook for Capital Expenditures and Depreciation & Amortization Expenses

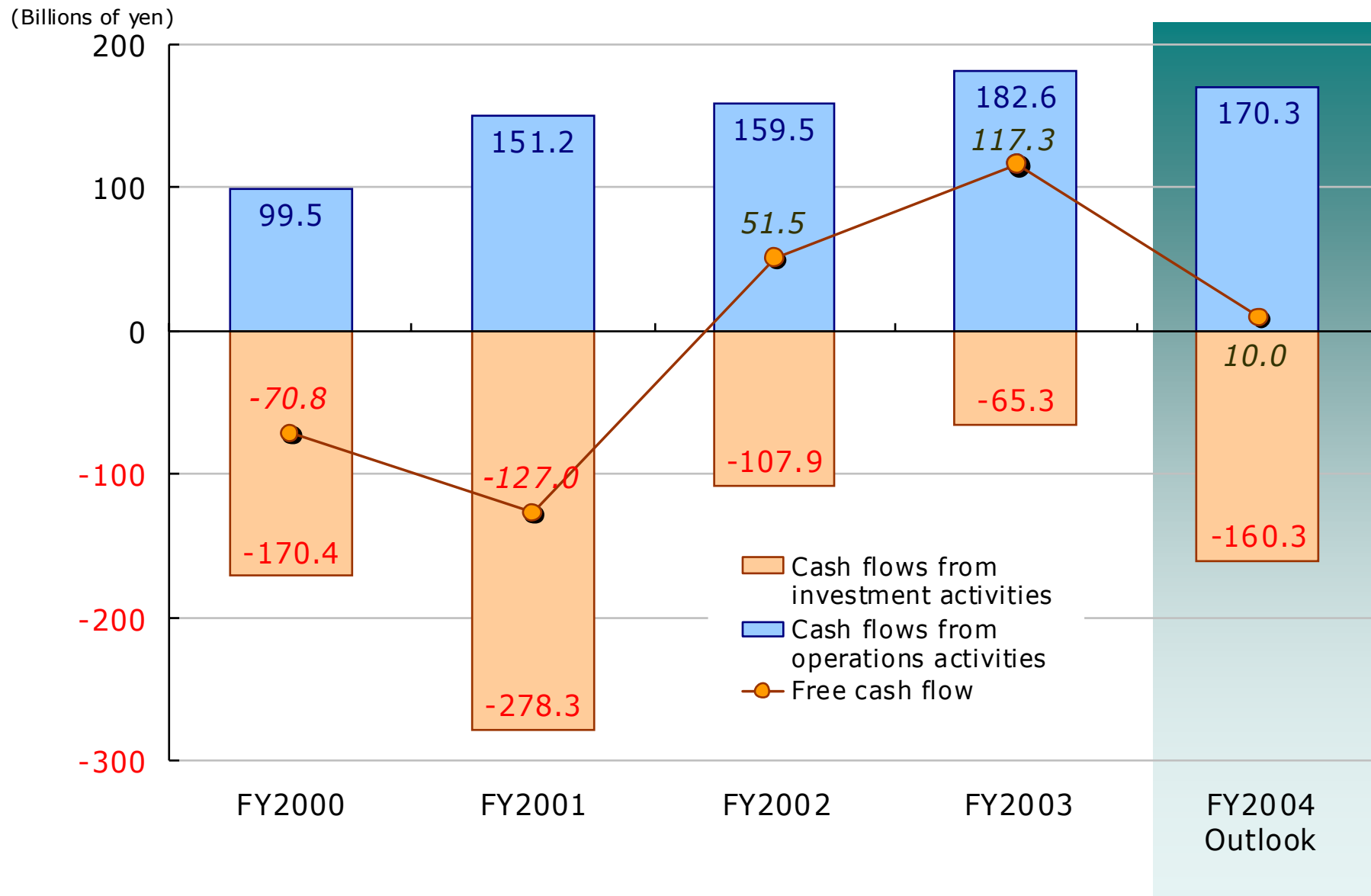
● Capital expenditures



● Depreciation and amortization expenses



Free Cash Flows Outlook



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