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**CONSOLIDATED RESULTS FOR
THE FIRST QUARTER ENDED JUNE 30, 2004**

Consolidated Financial Highlights

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

<Income statements and cash flows data>

	Three months ended June 30,		Change	Year ended March 31,	Three months ended June 30,
	2003	2004		2004	2004
Statements of Income Data:					
Net sales	¥315,193	¥332,927	5.6%	¥1,413,243	\$3,070,433
Operating income	14,217	32,733	130.2%	77,401	301,881
Income before income taxes and minority interest	12,284	29,374	139.1%	65,058	270,904
Net income	5,967	17,608	195.1%	38,031	162,391
Statements of Cash Flows Data:					
Cash flows from operating activities	33,182	39,032	17.6%	182,669	359,974
Cash flows from investing activities	(22,697)	(20,002)	(11.9%)	(65,329)	(184,469)
Cash flows from financing activities	88,987	(57,411)	- %	(40,918)	(529,475)
Cash and cash equivalents at end of the period	291,985	227,757	(22.0%)	265,183	2,100,498
Per Share Data:					
Net Income per share -Basic	¥38.62	¥89.67	132.2%	¥204.70	\$0.83
-Diluted	¥38.57	¥-	- %	¥204.53	\$-

Notes

- I. The consolidated figures are prepared on the basis of accounting principles generally accepted in Japan, which are different from in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated figures prepared by the Company as required by the Securities and Exchange Law of Japan.
- II. Figures in 'Change' column are comparisons with the same period of the previous year.
- III. Diluted net income per share are presented only if there are dilutive factors present.
- IV. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥108.43 = U.S.\$1 at June 30, 2004 has been used for the purpose of presentation.

<Balance Sheets data>

	March 31, 2004	June 30, 2004	June 30, 2003	June 30, 2004
Total assets	¥1,206,491	¥1,180,607	¥1,289,876	\$10,888,195
Shareholders' equity	414,367	433,922	386,928	4,001,863
Debt / Equity ratio (%)	34.3%	36.8%	30.0%	36.8%
Shareholders' equity per share	¥2,110.20	¥2,209.78	¥2,016.67	\$20.38

Operating Performance Highlights

The global economy during this first quarter continued to steadily recover, led by a strong economic recovery in the U.S., business expansion in China, and even signs of a general upturn in the countries of Europe and Asia.

The Japanese economy also continued to steadily recover. Manufacturing exhibited signs of growth, supported by rising exports and capital spending. Meanwhile, personal spending picked up, as evidenced by strong sales figures for DVD recorders, thin-profile televisions and other consumer electronics.

Epson's main markets were as follows. In the information-related equipment business, inkjet printer demand softened in Japan but remained strong in America and Europe. The U.S. saw a clear trend toward low-priced multifunction printers, with low-priced units accounted for an increasing percentage of the multifunction printer market. In Europe, too, multifunction printers accounted for a rising percentage of inkjet printer sales, and the market structure is gradually approaching that of America. Low-priced color laser printers are driving market growth. Sales volumes of business projectors are growing steadily as a whole, and the educational market is undergoing particularly rapid expansion due to a filling out of low-priced models. Sales of home projectors are expanding in Japan and Europe. Meanwhile, the market for microdevice-based projection TVs, which are more affordable than flat-panel large-screen TVs, is sharply expanding in America.

In the electronic device business, Epson saw the continued steadiness in the market for electronic devices used in mobile phones. This strength came from two main sources. One was replacement demand from consumers especially in Western Europe and North America who are upgrading from their old monochrome-screen handsets to new color models. The other was the continuing robust, new demand for low-cost handsets with monochrome displays that is being driven by declining communications charges in such emerging markets as Central and South America, India, and Russia.

The precision products business saw continued sluggishness in the markets for personal products such as watches and eyeglass lenses but ongoing strength in industrial products such as factory automation systems and optical devices.

Under these market conditions, Epson is carrying out an initiative to reduce the total cost ratio. The initiative is designed to radically rebuild the company's profit structure into one that allows it to generate stable income in any market environment. Epson is focusing particularly on reforming the cost structure of its information-related equipment business and other finished products businesses.

Epson came out with a number of newly developed products during the quarter. As for inkjet printers, Epson launched the *PictureMate*, a compact, portable photo printer. A PC-less, home photofinishing solution, the *PictureMate* directly prints photos taken with digital cameras and cameras built in mobile phones. In the visual instruments business, Epson rolled out *Livingstation*, a HDTV LCD projection television, to the Japanese market. The domestic release follows last fiscal year's U.S. market launch of these large-screen TVs, which use Epson's high-temperature polysilicon TFT liquid crystal panels. In the electronic devices business, Epson has continued to implement structural reforms and ongoing cost reduction programs. Meanwhile, the company is planning and carrying out investment designed to further

strengthen its electronic devices for mobile handsets and visual instruments.

Also during the quarter, Epson and SANYO Electric Co., Ltd. concluded a formal joint venture agreement to integrate their respective liquid crystal display businesses.

The average exchange rates for the US dollar and the euro in this first quarter were ¥109.77 and ¥132.28 respectively. Compared with the same period last year, these rates represent a 7% increase in the value of the yen against the dollar and a 2% increase in the value of the euro against the yen.

As a result, Epson's net sales for this first quarter increased by 5.6% on the same period last year to ¥332,927 million (\$3,070,433 thousand). Operating income rose by 130.2% on the same period last year to ¥32,733 million (\$301,881 thousand), and income before income taxes and minority interest also jumped 139.1% to ¥29,374 million (\$270,904 thousand). Quarterly net income rose 195.1% on the same period last year to ¥17,608 million (\$162,391 thousand).

Operating Performance Highlights by Business Segments

Information-related equipment:

In the information-related equipment segment, Epson responded to fierce price competition in inkjet printer and LCD projector markets by accelerating its cost-cutting efforts on the one hand while extending strategy of balancing product features and added value by area on the other.

In the imaging and information products business, sales from laser printers (including their related supplies, and the same applies to various printers mentioned below) increased sharply due to higher sales volume in supplies. Although impacted by a decline in single-function printer volume, overall inkjet printer sales increased due to higher volume in multifunction printers. Terminal module and related product sales increased sharply due to strong dealer sales to small and midsize stores in Europe and America. Scanners and others sales volume fell sharply due to declining scanner demand brought about by the popularity of multifunction printers. Together, these factors resulted in an increase in sales in the imaging and information products business as a whole.

In the visual instruments business, liquid-crystal projector sales, though squeezed by a shift toward low-price models, still rose due to increased sales volumes of home projectors in Japan and Europe.

Operating income in the information-related equipment segment declined due to changes in the profit structure brought about by a rapid shift toward multifunction printers since the second half of last fiscal year.

First-quarter net sales in the information-related equipment segment thus increased by 3.6% on the same period last year to ¥212,455 million (\$1,959,375 thousand), and operating income decreased by 4.0% on the same period last year to ¥14,950 million (\$137,877 thousand).

Electronic devices:

Epson continued its ongoing emphasis on cost reductions in the electronic device segment.

In the display business, sales of STN LCDs for mobile phones declined sharply due to the effects of scaled-back monochrome STN LCD production as well as to the effects of intensified competition with rivals in the color STN LCD arena. Sales from high-temperature polysilicon TFT liquid crystal panels for LCD projector applications increased sharply, as a strong projector market more than offset the impact of declining unit prices for the smaller panel sizes. MD-TFD liquid crystal display sales grew sharply as European, US, and Chinese markets turned toward active color panels for mobile phones. This resulted in slightly lower sales for the display business as a whole.

In the semiconductor business, system LSI sales soared due to volume growth in image-processing semiconductors that seized on a wave of feature-rich mobile phones equipped with cameras and other

devices. Silicon foundry sales soared due to an increase in order volume. LCD driver sales declined as higher color LCD driver volume was unable to make up for falling unit prices. This resulted in an increase in sales in the semiconductor business as a whole.

Quartz device business sales rose sharply due to volume growth in tuning fork crystals and crystal clock oscillators for mobile phones, PCs, and digital still camera applications.

Operating income in the electronic device business segment increased as a result of total cost-reduction activities and higher net sales in the semiconductor and quartz device businesses.

First-quarter net sales for the electronic devices segment thus increased by 9.7% on the same period last year to ¥107,098 million (\$987,716 thousand), and operating income soared by 2,316.9% on the same period last year to ¥19,155 million (\$176,658 thousand).

Precision products:

In the precision products segment, Epson developed products aligned with market needs. In the watch business, for example, the company introduced an independently developed radio-controlled watch.

In the watch business, branded product sales were sluggish outside the high-end price zone, but strength in Europe and America enabled Epson to extend sales volumes of OEM movements. The optical products business grew sales volumes of single-vision eyeglass lenses in the strong North American market. It also achieved higher volumes in optical devices where growth was spurred by the expanding digital visual instrument markets. In the factory automation systems business, IC handler sales volumes grew in the healthy semiconductor marketplace. This resulted in an increase in sales in the precision products segment as a whole.

Operating income in the precision instruments business segment grew due to increased sales of factory automation systems and optical devices.

First-quarter net sales in the precision products segment thus increased by 16.1% on the same period last year to ¥20,922 million (\$192,954 thousand), and operating income soared by 472.8% on the same period last year to ¥1,125 million (\$10,375 thousand).

Operating Performance Highlights by Geographic Segments

Japan:

Sales from inkjet printers and high-temperature polysilicon TFT liquid crystal panels for LCD projectors grew, while sales from STN LCDs declined. As a result, net sales reached ¥294,420 million (\$2,715,300 thousand), up 7.3% from the same period last year, while operating income came in at ¥20,304 million (\$187,254 thousand), up 85.4% from the same period last year.

The Americas:

The inkjet printer and silicon foundry businesses experienced higher sales, while scanner sales declined. As a result, net sales reached ¥67,776 million (\$625,067 thousand), up 10.7% from the same period last year, while operating income came in at ¥4,958 million (\$45,725 thousand), up 421.0% from the same period last year.

Europe:

Inkjet printer and MD-TFD liquid crystal display sales increased, while STN LCD sales declined. As a result, net sales reached ¥76,372 million (\$704,344 thousand), up 23.2% from the same period last year, while operating income came in at ¥3,536 million (\$32,611 thousand), soaring 2,568.3% from the same period last year.

Asia / Oceania:

Inkjet printer and MD-TFD liquid crystal display sales increased, while STN LCD sales declined. As a result, net sales reached ¥181,051 million (\$1,669,750 thousand), up 15.1% from the same period last year, while operating income came in at ¥8,617 million (\$79,471 thousand), up 125.2% from the same period last year.

Cash Flow Performance

Net income for this quarter was ¥17,608 million (\$162,391 thousand). Depreciation and amortization, principally in the electronic devices business segment, was ¥22,819 million (\$210,449 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade decreased by ¥17,811 million (\$164,263 thousand), notes and accounts payable, trade increased by ¥9,456 million (\$87,208 thousand) and inventories increased by ¥27,850 million (\$256,848 thousand). As a result, cash inflows from operating activities came to ¥39,032 million (\$359,974 thousand).

Cash outflows from investing activities were ¥20,002 million (\$184,469 thousand) due to capital expenditures, principally in the imaging and information products business, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period which amounted to ¥22,025 million (\$203,126 thousand).

Cash flows from financing activities were negative at ¥57,411 million (\$529,475 thousand), primarily resulting from net payments of ¥55,404 million (\$510,966 thousand) from short- and long-term loans in accordance with new loans and loan repayments.

As a result, cash and cash equivalents as of June 30, 2004 was ¥227,757 million (\$2,100,498 thousand).

Forecast for fiscal year ending March 31, 2005

Epson observes no major change in the business environment from the previous outlook except for the following points;

For the first half-year income is forecasted to increase due to the progress of the further cost reduction. For the second half-year reflecting the business plan of the liquid crystal joint venture "SANYO EPSON IMAGING DEVICES CORPORATION", net sales would increase, while income changes slightly.

The exchange rate for the year is assumed as U.S.\$1 = ¥107 and Euro1 = ¥131.

Outlook for Consolidated Results

Half year

	Previous Outlook	Current Outlook	Change
Net Sales	¥691.0 billion	¥689.0 billion	-¥2.0 billion (-0.3%)
Income before income tax and minority interest	¥43.0 billion	¥55.0 billion	+¥12.0 billion (+27.9%)
Net income	¥26.0 billion	¥33.0 billion	+¥7.0 billion (+26.9%)

Full year

	Previous Outlook	Current Outlook	Change
Net Sales	¥1,492.0 billion	¥1,557.0 billion	+¥65.0 billion (+4.4%)
Income before income tax and minority interest	¥95.0 billion	¥108.0 billion	+¥13.0 billion (+13.7%)
Net income	¥58.0 billion	¥65.0 billion	+¥7.0 billion (+12.1%)

Cautionary Statement

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

Consolidated Balance Sheets (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	March 31, 2004	June 30, 2004	June 30, 2003	June 30, 2004
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	¥265,183	¥227,757	¥291,985	\$2,100,498
Time deposits	509	493	459	4,547
Notes and accounts receivable, trade	210,381	192,413	204,997	1,774,536
Inventories	155,856	184,698	182,828	1,703,385
Other current assets	80,940	83,036	77,951	765,803
Allowance for doubtful accounts	(3,700)	(3,768)	(4,584)	(34,751)
Total current assets	<u>709,169</u>	<u>684,629</u>	<u>753,636</u>	<u>6,314,018</u>
Property, plant and equipment:				
Buildings and structures	376,195	376,985	379,912	3,476,759
Machinery and equipment	469,448	475,790	467,727	4,387,992
Furniture and fixtures	176,867	182,746	182,556	1,685,382
Land	52,106	52,150	53,819	480,956
Other	12,388	17,467	11,828	161,090
	<u>1,087,004</u>	<u>1,105,138</u>	<u>1,095,842</u>	<u>10,192,179</u>
Accumulated depreciation	(693,973)	(711,896)	(664,051)	(6,565,489)
	<u>393,031</u>	<u>393,242</u>	<u>431,791</u>	<u>3,626,690</u>
Investments and other assets:				
Investment securities	39,085	39,241	37,077	361,902
Intangible assets	23,160	21,918	25,984	202,140
Other assets	42,801	42,327	42,264	390,362
Allowance for doubtful accounts	(755)	(750)	(876)	(6,917)
	<u>104,291</u>	<u>102,736</u>	<u>104,449</u>	<u>947,487</u>
Total assets	<u>¥1,206,491</u>	<u>¥1,180,607</u>	<u>¥1,289,876</u>	<u>\$10,888,195</u>

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

	Millions of yen			Thousands of U.S. dollars
	March 31, 2004	June 30, 2004	June 30, 2003	June 30, 2004
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities:				
Short-term bank loans	¥62,851	¥47,335	¥134,584	\$436,549
Current portion of long-term debt	47,380	10,793	67,659	99,539
Notes and accounts payable, trade	132,331	141,168	126,417	1,301,927
Accounts payable, other	81,785	79,692	62,656	734,963
Income taxes payable	6,731	13,795	7,199	127,225
Accrued bonuses	17,083	8,236	8,183	75,957
Accrued warranty costs	14,283	13,541	15,462	124,882
Other current liabilities	55,129	57,653	58,293	531,707
Total current liabilities	<u>417,573</u>	<u>372,213</u>	<u>480,453</u>	<u>3,432,749</u>
Long-term liabilities:				
Long-term debt	346,769	343,643	398,728	3,169,261
Accrued pension and severance costs	8,055	11,298	9,150	104,196
Accrued directors' and statutory auditors' retirement allowances	1,729	1,693	1,683	15,614
Other long-term liabilities	15,456	15,915	10,329	146,777
Total long-term liabilities	<u>372,009</u>	<u>372,549</u>	<u>419,890</u>	<u>3,435,848</u>
Minority interest in subsidiaries	<u>2,542</u>	<u>1,923</u>	<u>2,605</u>	<u>17,735</u>
Shareholders' equity:				
Common stock, no par value -				
2003 - Authorized 607,458,368 shares, issued 191,864,592 shares	-	-	49,091	-
2004 - Authorized 607,458,368 shares, issued 196,364,592 shares	53,204	53,204	-	490,676
Additional paid-in capital	79,501	79,501	72,499	733,201
Retained earnings	299,575	315,416	269,279	2,908,937
Net unrealized gains on other securities	3,087	3,361	1,001	30,997
Translation adjustments	(20,999)	(17,559)	(4,942)	(161,939)
Treasury stock	(1)	(1)	(0)	(9)
Total shareholders' equity	<u>414,367</u>	<u>433,922</u>	<u>386,928</u>	<u>4,001,863</u>
Commitments and contingent liabilities				
Total liabilities and shareholders' equity	<u>¥1,206,491</u>	<u>¥1,180,607</u>	<u>¥1,289,876</u>	<u>\$10,888,195</u>

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

Consolidated Statements of Income (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2003	2004	2004	2004
Net sales	¥315,193	¥332,927	¥1,413,243	\$3,070,433
Cost of sales	224,851	230,852	1,013,959	2,129,042
Gross profit	90,342	102,075	399,284	941,391
Selling, general and administrative expenses:				
Salaries and wages	19,218	18,741	77,748	172,840
Advertising	6,275	5,946	30,854	54,837
Sales promotion	6,399	5,791	31,740	53,408
Research and development costs	9,924	8,482	41,139	78,226
Shipping costs	4,037	4,674	20,527	43,106
Provision for doubtful accounts	363	44	414	406
Other	29,909	25,664	119,461	236,687
	76,125	69,342	321,883	639,510
Operating income	14,217	32,733	77,401	301,881
Other income:				
Interest and dividend income	522	800	1,684	7,378
Other	1,665	1,647	6,381	15,190
	2,187	2,447	8,065	22,568
Other expenses:				
Interest expenses	1,638	1,472	6,478	13,575
Net loss on foreign exchange	1,151	1,257	500	11,593
Loss on disposal of property, plant and equipment	490	185	3,711	1,706
Prior pension costs for foreign subsidiaries	-	2,285	-	21,074
Other	841	607	9,719	5,597
	4,120	5,806	20,408	53,545
Income before income taxes and minority interest	12,284	29,374	65,058	270,904
Income taxes	6,224	11,453	26,573	105,626
Income before minority interest	6,060	17,921	38,485	165,278
Minority interest in subsidiaries	93	313	454	2,887
Net income	¥5,967	¥17,608	¥38,031	\$162,391
		Yen		U.S. dollars
Per share:				
Net income	¥38.62	¥89.67	¥204.70	\$0.83
Cash dividends	¥9.00	¥9.00	¥18.00	\$0.08

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Millions of yen							
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at March 31, 2003	151,864,592	¥12,531	¥10,259	¥264,874	¥167	(¥6,515)	(¥0)	¥281,316
Net income for the three months ended June 30, 2003	-	-	-	5,967	-	-	-	5,967
Issuance of common stock under public offering	40,000,000	36,560	62,240	-	-	-	-	98,800
Cash dividends	-	-	-	(1,367)	-	-	-	(1,367)
Bonuses to directors and statutory auditors	-	-	-	(195)	-	-	-	(195)
Net unrealized gain on other securities	-	-	-	-	834	-	-	834
Translation adjustments	-	-	-	-	-	1,573	-	1,573
Balance at June 30, 2003	191,864,592	¥49,091	¥72,499	¥269,279	¥1,001	(¥4,942)	(¥0)	¥386,928
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Net income for the three months ended June 30, 2004	-	-	-	17,608	-	-	-	17,608
Cash dividends	-	-	-	(1,767)	-	-	-	(1,767)
Net unrealized gain on other securities	-	-	-	-	274	-	-	274
Translation adjustments	-	-	-	-	-	3,440	-	3,440
Changes in treasury stock	-	-	-	-	-	-	(0)	(0)
Balance at June 30, 2004	196,364,592	¥53,204	¥79,501	¥315,416	¥3,361	(¥17,559)	(¥1)	¥433,922

	Millions of yen							
	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at March 31, 2003	151,864,592	¥12,531	¥10,259	¥264,874	¥167	(¥6,515)	(¥0)	281,316
Net income	-	-	-	38,031	-	-	-	38,031
Issuance of common stock under public offering	44,500,000	40,673	69,242	-	-	-	-	109,915
Cash dividends	-	-	-	(3,134)	-	-	-	(3,134)
Bonuses to directors and statutory auditors	-	-	-	(196)	-	-	-	(196)
Net unrealized gain on other securities	-	-	-	-	2,920	-	-	2,920
Translation adjustments	-	-	-	-	-	(14,484)	-	(14,484)
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367

	Thousands of U.S. dollars							
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total	
Balance at March 31, 2004	\$490,676	\$733,201	\$2,762,842	\$28,470	(\$193,664)	(\$9)	\$3,821,516	
Net income for the three months ended June 30, 2004	-	-	162,391	-	-	-	162,391	
Cash dividends	-	-	(16,296)	-	-	-	(16,296)	
Net unrealized gain on other securities	-	-	-	2,527	-	-	2,527	
Translation adjustments	-	-	-	-	31,725	-	31,725	
Changes in treasury stock	-	-	-	-	-	(0)	(0)	
Balance at June 30, 2004	\$490,676	\$733,201	\$2,908,937	\$30,997	(\$161,939)	(\$9)	\$4,001,863	

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

Consolidated Statements of Cash Flows (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2003	2004	2004	2004
Cash flows from operating activities:				
Net income	¥5,967	¥17,608	¥38,031	\$162,391
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	26,371	22,819	111,018	210,449
Accrual for net pension and severance costs, less payments	(1,176)	3,794	(13,338)	34,990
Net loss on sales and disposal of property, plant and equipment	393	326	5,511	3,006
Equity in net gains under the equity method	(55)	(28)	(172)	(258)
Deferred income taxes	282	(99)	11,363	(913)
Increase (decrease) in allowance for doubtful accounts	324	(6)	(261)	(55)
Increase (decrease) in accrued income taxes	(851)	6,925	(1,826)	63,866
Decrease in notes and accounts receivable, trade	13,689	17,811	6,224	164,263
(Increase) decrease in inventories	(13,478)	(27,850)	4,042	(256,848)
Increase in notes and accounts payable, trade	8,802	9,456	13,247	87,208
Other	(7,086)	(11,724)	8,830	(108,125)
Net cash provided by operating activities	33,182	39,032	182,669	359,974
Cash flows from investing activities:				
Payment for purchases of property, plant and equipment	(20,622)	(20,402)	(65,416)	(188,158)
Proceeds from sales of property, plant and equipment	383	546	4,309	5,036
Payments for purchases of intangible assets	(3,138)	(1,623)	(7,917)	(14,968)
Payments of long-term prepaid expenses	(29)	(591)	(441)	(5,451)
Other	709	2,068	4,136	19,072
Net cash used in investing activities	(22,697)	(20,002)	(65,329)	(184,469)
Cash flows from financing activities:				
Decrease in short-term borrowings	(7,592)	(15,574)	(76,076)	(143,632)
Proceeds from long-term debt	2,500	-	92,530	-
Repayments of long-term debt	(3,253)	(39,830)	(164,304)	(367,334)
Issuance of common stock	98,800	-	109,915	-
Cash dividends	(1,367)	(1,767)	(3,134)	(16,296)
Other	(101)	(240)	151	(2,213)
Net cash provided by (used in) financing activities	88,987	(57,411)	(40,918)	(529,475)
Effect of exchange rate fluctuations on cash and cash equivalents	225	955	(3,527)	8,807
Net increase (decrease) in cash and cash equivalents	99,697	(37,426)	72,895	(345,163)
Cash and cash equivalents at the beginning of the period	192,288	265,183	192,288	2,445,661
Cash and cash equivalents at the end of the period	¥291,985	¥227,757	¥265,183	\$2,100,498
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	¥537	¥854	¥1,681	\$7,876
Interest paid	(¥1,194)	(¥1,363)	(¥6,610)	(\$12,570)
Income taxes paid	(¥6,793)	(¥4,627)	(¥17,036)	(\$42,673)

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

Notes to Consolidated Financial Statements (Unaudited)1. Basis of presenting consolidated financial statements:(1) Background -

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

(2) Basis of presenting consolidated financial statements -

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

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively “Epson”) as of June 30, 2004, and for the three months ended June 30, 2004 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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

2. Summary of significant accounting policies:(1) Consolidation and investments in affiliates -

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

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

(2) Foreign currency translation and transactions -

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Receivables and payables in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates.

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

(3) Cash and cash equivalents -

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

(4) Financial instruments -

(a) Investments in debt and equity securities:

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

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

(b) Derivative financial instruments:

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

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

(c) Allowance for doubtful accounts:

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

(5) Inventories -

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

(6) Property, plant and equipment -

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

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

(7) Intangible assets -

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

(8) Impairment of long-lived assets -

On August 9, 2002, the Business Accounting Council of Japan issued accounting standards entitled “Statement of Opinion on the Establishment of Accounting Standards for Impairment of Fixed Assets”. Further, on October 31, 2003, the Accounting Standards Board of Japan issued Financial Accounting Standards Implementation Guidance No. 6 - “Application Guidance on Accounting Standards for Impairment of Fixed Assets”. Effective as of March 31, 2004, Epson has elected to early adopt these accounting standards for impairment of fixed assets.

(9) Accrued bonuses -

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

On March 9, 2004, the Accounting Standards Board of Japan issued accounting standards concerning accounting for bonuses to directors and statutory auditors, effective for the first fiscal year ending after this standards issued. In the financial statements for fiscal years prior to April 1, 2003, “bonuses to directors and statutory auditors”, which are determined through appropriation of retained earnings by resolution of general shareholders’ meeting subsequent to fiscal year-end, are reflected in retained earnings of the current year. Under the accounting standards, “bonuses to directors and statutory auditors” are expensed as incurred. Effective as of March 31, 2004, Epson has adopted the accounting standards.

(10) Accrued warranty costs -

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

(11) Income taxes -

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

On May 29, 2003, the Company obtained approval from the National tax agency to file a consolidated tax return system effective from the year beginning April 1, 2003. The Company has adopted the consolidated tax return system for the calculation of income taxes effective from the year ended March 31, 2004. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

(12) Pension and severance costs -

The Company and its Japanese subsidiaries maintain defined benefit pension plans and defined contribution pension plans covering substantially all of their employees.

The Company and some of its Japanese subsidiaries maintain the welfare pension plan which is funded in conformity with the funding requirements of the Japanese Welfare Pension Insurance Law.

To supplement the welfare pension plan, the Company and some of its Japanese subsidiaries maintain tax qualified pension plans which are non-contributory defined benefit pension plans. These companies contribute amounts required to maintain sufficient plan assets to provide for accrued benefits, subject to limitations on expense deductibility under Japanese income tax laws.

The Company and one consolidated subsidiary changed approximately half of its tax qualified defined benefit plans to new tax qualified defined contribution plans and the remaining half from tax qualified defined benefit plans to new tax qualified corporate defined benefit plans effective from the year beginning April 1, 2004.

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

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

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

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

(13) Revenue recognition -

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

(14) Research and development costs -

Research and development costs are expensed as incurred.

(15) Leases -

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

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

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

(16) Net income per share -

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

Under the Japanese accounting standards concerning accounting for bonus to directors and statutory auditors, effective for the fiscal years beginning on or after April 1, 2003, the bonus to directors and statutory auditors have been charged to income in the year ended March 31, 2004.

(17) Appropriations of retained earnings -

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

the shareholders of record as of September 30 of each year.

3. U.S. dollar amounts:

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers and are not audited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥108.43 = U.S.\$1, the rate of exchange prevailing at June 30, 2004, has been used.

4. Investments in debt and equity securities:

The aggregate cost and market value (carrying value) of other securities with market values, which was included in investment securities at June 30, 2004 was as follows:

	Millions of yen			Market value (carrying value)
	Cost	Gross unrealized		
		Gains	Losses	
Equity securities	¥4,392	¥4,584	(¥63)	¥8,913
Debt securities	53	3	(-)	56
Other	138	-	(-)	138
Total	¥4,583	¥4,587	(¥63)	¥9,107

	Thousands of U.S. dollars			Market value (carrying value)
	Cost	Gross unrealized		
		Gains	Losses	
Equity securities	\$40,505	\$42,277	(\$581)	\$82,201
Debt securities	489	27	(-)	516
Other	1,273	-	(-)	1,273
Total	\$42,267	\$42,304	(\$581)	\$83,990

The carrying amount of unlisted investment securities at June 30, 2004 was ¥19,006 million (\$175,284 thousand).

For the three months ended June 30, 2004, there were no other-than-temporary impairments of securities with an aggregate market value. Impairments are principally recorded in cases where the fair value of other securities with determinable market values has declined in excess of 30% of cost. Those securities are written down to the fair value and the resulting losses are included in current income for the period.

5. Derivative financial instruments:

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

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

Instruments	Millions of yen		Unrealized gains (losses)
	Contract amounts	Fair values	
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥3,849	¥3,879	(¥30)
Euro (purchased Japanese yen)	26,378	26,109	269
Sterling pound (purchased Japanese yen)	1,404	1,367	37
Australian dollar (purchased Japanese yen)	1,323	1,325	(2)
Thai baht (purchased U.S. dollar)	184	183	1
Polish zloty (purchased Euro)	345	349	(4)
Purchased -			
U.S. dollar (sold Japanese yen)	3,767	3,740	(27)
U.S. dollar (sold Taiwan dollar)	429	436	7
Euro (sold Japanese yen)	25	25	(0)
Total unrealized gains from forward exchange contracts			¥251

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

Instruments	Thousands of U.S. dollars		Unrealized gains (losses)
	Contract amounts	Fair values	
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	\$35,497	\$35,774	(\$277)
Euro (purchased Japanese yen)	243,272	240,791	2,481
Sterling pound (purchased Japanese yen)	12,948	12,607	341
Australian dollar (purchased Japanese yen)	12,202	12,220	(18)
Thai baht (purchased U.S. dollar)	1,697	1,688	9
Polish zloty (purchased Euro)	3,182	3,219	(37)
Purchased -			
U.S. dollar (sold Japanese yen)	34,741	34,492	(249)
U.S. dollar (sold Taiwan dollar)	3,956	4,021	65
Euro (sold Japanese yen)	231	231	(0)
Total unrealized gains from forward exchange contracts			\$2,315

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

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

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

Assets pledged as collateral for secured loans and debt at June 30, 2004 was as follows:

Pledged assets	Millions of yen	Thousands of U.S. dollars
Land	¥287	\$2,647
Buildings and structures	1,176	10,846
Machinery and equipment	175	1,614
Total	¥1,638	\$15,107
Secured loans and debt	Millions of yen	Thousands of U.S. dollars
Current portion of long-term debt	¥12	\$111

In the three months ended June 30, 2004, Epson entered into line of credit agreements with four banks for an aggregate maximum amount of ¥40,000 million (\$368,902 thousand). As at June 30, 2004, there were unused credit lines of ¥40,000 million (\$368,902 thousand) outstanding and available.

7. Net income per share:

Net income per share for the three months ended June 30, 2004 was as follows:

	Millions of yen	Thousands of U.S. dollars
Net income attributable to common shares	¥17,608	\$162,391
Weighted average number of common shares outstanding	196,364,297	
	Yen	U.S. dollars
Net income per share	¥89.67	\$0.83

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the three months ended June 30, 2004.

8. Cash flow information:

Cash and cash equivalents at June 30, 2004 was composed of the following:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash and deposits	¥228,689	\$2,109,094
Less:		
Short-term bank loans (overdrafts)	(439)	(4,049)
Time deposits due over three months	(493)	(4,547)
Cash and cash equivalents	<u>¥227,757</u>	<u>\$2,100,498</u>

9. Leases:

As described in Note 2 (15), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the three months ended June 30, 2004 amounted to ¥594 million (\$5,478 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, 2004 would have been as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Acquisition cost:		
Machinery and equipment	¥2,344	\$21,618
Furniture and fixtures	5,826	53,730
Intangible assets	1,066	9,831
	<u>9,236</u>	<u>85,179</u>
Less: accumulated depreciation	<u>5,543</u>	<u>51,120</u>
Net book value	<u>¥3,693</u>	<u>\$34,059</u>

Depreciation expenses for these leased assets for the three months ended June 30, 2004 would have been ¥554 million (\$5,109 thousand), if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no remaining value.

Interest expense for these capital leases for the three months ended June 30, 2004 would have been ¥20 million (\$184 thousand).

Future lease payments for capital leases at June 30, 2004 was as follows:

<u>Future lease payments</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Due within one year	¥1,702	\$15,697
Due after one year	<u>2,074</u>	<u>19,127</u>
Total	<u>¥3,776</u>	<u>\$34,824</u>

Future lease payments for non-cancelable operating leases as a lessee at June 30, 2004 was as follows:

<u>Future lease payments</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Due within one year	¥2,859	\$26,367
Due after one year	<u>8,380</u>	<u>77,285</u>
Total	<u>¥11,239</u>	<u>\$103,652</u>

In addition, future lease receipts for non-cancelable operating leases as a lessor at June 30, 2004 was as follows:

<u>Future lease receipts</u>	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Due within one year	¥307	\$2,831
Due after one year	<u>1,953</u>	<u>18,012</u>
Total	<u>¥2,260</u>	<u>\$20,843</u>

10. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at June 30, 2004 was ¥3,399 million (\$31,347 thousand). Furthermore, the amount of discounted notes, which consisted of discounted letters of credit, at June 30, 2004 was ¥49 million (\$452 thousand).

11. Segment information:

(1) Business segment information -

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

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

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

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

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

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

Operations not categorized in any of the above segments, such as services offered within Epson and new business 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, 2003 and 2004:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2003	2004	2004	2004
Information-related equipment:				
Net sales:				
Customers	¥204,665	¥211,819	¥917,116	\$1,953,509
Inter-segment	474	636	3,264	5,866
Total	205,139	212,455	920,380	1,959,375
Operating expenses	189,560	197,505	874,478	1,821,498
Operating income	¥15,579	¥14,950	¥45,902	\$137,877
Electronic devices:				
Net sales:				
Customers	¥91,894	¥99,922	¥413,540	\$921,535
Inter-segment	5,739	7,176	27,613	66,181
Total	97,633	107,098	441,153	987,716
Operating expenses	96,840	87,943	400,532	811,058
Operating income	¥793	¥19,155	¥40,621	\$176,658
Precision products:				
Net sales:				
Customers	¥17,353	¥19,856	¥77,736	\$183,123
Inter-segment	671	1,066	3,366	9,831
Total	18,024	20,922	81,102	192,954
Operating expenses	17,828	19,797	78,292	182,579
Operating income	¥196	¥1,125	¥2,810	\$10,375
Other:				
Net sales:				
Customers	¥1,281	¥1,330	¥4,851	\$12,266
Inter-segment	5,330	8,333	24,606	76,851
Total	6,611	9,663	29,457	89,117
Operating expenses	8,972	12,162	41,480	112,164
Operating loss	(¥2,361)	(¥2,499)	(¥12,023)	(\$23,047)
Eliminations and corporate:				
Net Sales	(¥12,214)	(¥17,211)	(¥58,849)	(\$158,729)
Operating expenses	(12,224)	(17,213)	(58,940)	(158,747)
Operating income	¥10	¥2	¥91	\$18
Consolidated:				
Net Sales	¥315,193	¥332,927	¥1,413,243	\$3,070,433
Operating expenses	300,976	300,194	1,335,842	2,768,552
Operating income	¥14,217	¥32,733	¥77,401	\$301,881

(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, 2003 and 2004:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31, 2004	Three months ended June 30, 2004
	2003	2004	2004	2004
Japan:				
Net sales:				
Customers	¥156,134	¥146,290	¥686,553	\$1,349,165
Inter-segment	118,171	148,130	491,089	1,366,135
Total	274,305	294,420	1,177,642	2,715,300
Operating expenses	263,356	274,116	1,141,043	2,528,046
Operating income	¥10,949	¥20,304	¥36,599	\$187,254
The Americas:				
Net sales:				
Customers	¥51,259	¥56,290	¥224,683	\$519,137
Inter-segment	9,977	11,486	42,320	105,930
Total	61,236	67,776	267,003	625,067
Operating expenses	60,284	62,818	255,937	579,342
Operating income	¥952	¥4,958	¥11,066	\$45,725
Europe:				
Net sales:				
Customers	¥61,145	¥75,926	¥297,772	\$700,231
Inter-segment	828	446	2,497	4,113
Total	61,973	76,372	300,269	704,344
Operating expenses	61,841	72,836	290,719	671,733
Operating income	¥132	¥3,536	¥9,550	\$32,611
Asia / Oceania:				
Net sales:				
Customers	¥46,655	¥54,421	¥204,235	\$501,900
Inter-segment	110,647	126,630	478,878	1,167,850
Total	157,302	181,051	683,113	1,669,750
Operating expenses	153,476	172,434	664,517	1,590,279
Operating income	¥3,826	¥8,617	¥18,596	\$79,471
Eliminations and corporate:				
Net Sales	(¥239,623)	(¥286,692)	(¥1,014,784)	(\$2,644,028)
Operating expenses	(237,981)	(282,010)	(1,016,374)	(2,600,848)
Operating income (loss)	(¥1,642)	(¥4,682)	¥1,590	(\$43,180)
Consolidated:				
Net Sales	¥315,193	¥332,927	¥1,413,243	\$3,070,433
Operating expenses	300,976	300,194	1,335,842	2,768,552
Operating income	¥14,217	¥32,733	¥77,401	\$301,881

(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, 2003 and 2004:

	Millions of yen			Thousands of U.S. dollars
	Three months ended June 30		Year ended March 31,	Three months ended June 30,
	2003	2004	2004	2004
Overseas sales:				
The Americas	¥55,303	¥57,903	¥235,116	\$534,012
Europe	80,228	86,235	363,424	795,306
Asia/Oceania	69,703	72,674	310,806	670,239
Total	205,234	216,812	909,346	1,999,557
Consolidated net sales	<u>¥315,193</u>	<u>¥332,927</u>	<u>¥1,413,243</u>	<u>\$3,070,433</u>
Percentage:				
The Americas	17.5%	17.4%	16.6%	
Europe	25.5	25.9	25.7	
Asia/Oceania	22.1	21.8	22.0	
Total	<u>65.1%</u>	<u>65.1%</u>	<u>64.3%</u>	

Supplementary Information

Consolidated First Quarter ended June 30, 2004

Cautionary Statement

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

1 . Sales by division

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2005
	2003	2004		
Information-related equipment	205.2	212.4	3.6%	958.0
Imaging & information	164.5	186.1	13.1%	822.0
Visual instruments	17.2	18.4	7.2%	101.0
System device & PC	26.8	-	- %	-
Other	-	10.9	- %	48.0
Intra-segment sales	(3.3)	(3.0)	- %	(13.0)
Electronic devices	97.6	107.1	9.7%	543.0
Display	66.5	65.2	(1.9%)	371.0
Semiconductor	33.7	36.9	9.4%	153.0
Quartz device	9.0	12.8	41.8%	49.0
Other	0.8	0.7	(8.0%)	3.0
Intra-segment sales	(12.4)	(8.5)	- %	(33.0)
Precision products	18.0	20.9	16.1%	86.0
Other	6.6	9.7	46.2%	35.0
Inter-segment sales	(12.2)	(17.2)	- %	(65.0)
Consolidated sales	315.2	332.9	5.6%	1,557.0

(Note) Divisional category of information-related equipment segment is changed to "Imaging & information", "Visual instruments" and "Other" from the three months ended June 30, 2004 and the year ended March 31, 2005.

(Note) The divisional category of information-related equipment segment was “Imaging & information”, “Visual instruments” and “System device & PC” before the fiscal year beginning on April 1, 2004. System device division was united to Imaging & information division in the year ended March 31, 2004. The divisional category of information related equipment segment was changed to “Imaging & information”, “Visual instruments” and “Other” from the three months ended June 30, 2004 and the year ended March 31, 2005.

As a result of it, net sales increased by ¥16.0 billion in Imaging & information for the three months ended June 30, 2004, as compared with the amount of Imaging & information which was reported in the three months ended June 30, 2003, and decreased by ¥16.0 billion in Other for the three months ended June 30, 2004, as compared with the amount of System device & PC which was reported in the three months ended June 30, 2003.

Net sales will increase by ¥62.0 billion in Imaging & information for the year ended March 31, 2005, as compared with the amount of Imaging & information which was reported in the year ended March 31, 2004, and will decrease by ¥62.0 billion in Other for the year ended March 31, 2005, as compared with the amount of System device & PC which was reported in the year ended March 31, 2004.

The table below summarizes the sales by division of Epson for the three months ended June 30, 2003 and 2004, and the year ended March 31, 2005. The sales by division for the three months ended June 30, 2003 was categorized as if the new divisional classification had been applied retroactively.

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Information-related equipment	205.2	212.4	3.6%	958.0	4.1%
Imaging & information	178.3	186.1	4.4%	822.0	3.7%
Visual instruments	17.2	18.4	7.2%	101.0	15.7%
Other	13.0	10.9	(15.6%)	48.0	(11.2%)
Intra-segment sales	(3.3)	(3.0)	- %	(13.0)	- %
Electronic devices	97.6	107.1	9.7%	543.0	23.1%
Display	66.5	65.2	(1.9%)	371.0	24.3%
Semiconductor	33.7	36.9	9.4%	153.0	4.5%
Quartz device	9.0	12.8	41.8%	49.0	13.3%
Other	0.8	0.7	(8.0%)	3.0	3.6%
Intra-segment sales	(12.4)	(8.5)	- %	(33.0)	- %
Precision products	18.0	20.9	16.1%	86.0	6.0%
Other	6.6	9.7	46.2%	35.0	18.8%
Inter-segment sales	(12.2)	(17.2)	- %	(65.0)	- %
Consolidated sales	315.2	332.9	5.6%	1,557.0	10.2%

2. Business segment information

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Information-related equipment					
Net sales					
Customers	204.7	211.8	3.5%	957.0	4.3%
Inter-segment	0.5	0.6	33.9%	1.0	(69.4%)
Total	205.2	212.4	3.6%	958.0	4.1%
Operating expenses	189.6	197.5	4.2%	892.0	2.0%
Operating income	15.6	14.9	(4.0%)	66.0	43.8%
Electronic devices					
Net sales					
Customers	91.9	99.9	8.7%	513.0	24.1%
Inter-segment	5.7	7.2	25.0%	30.0	8.6%
Total	97.6	107.1	9.7%	543.0	23.1%
Operating expenses	96.8	87.9	(9.2%)	486.0	21.3%
Operating income	0.8	19.2	2,316.9%	57.0	40.3%
Precision products					
Net sales					
Customers	17.3	19.8	14.4%	81.0	4.2%
Inter-segment	0.7	1.1	58.9%	5.0	48.5%
Total	18.0	20.9	16.1%	86.0	6.0%
Operating expenses	17.8	19.8	11.0%	81.0	3.5%
Operating income	0.2	1.1	472.8%	5.0	77.9%
Other					
Net sales					
Customers	1.3	1.4	3.8%	6.0	23.7%
Inter-segment	5.3	8.3	56.4%	29.0	17.9%
Total	6.6	9.7	46.2%	35.0	18.8%
Operating expenses	9.0	12.2	35.6%	46.0	10.9%
Operating loss	(2.4)	(2.5)	-%	(11.0)	-%
Elimination and corporate					
Net sales	(12.2)	(17.2)	-%	(65.0)	-%
Operating expenses	(12.2)	(17.2)	-%	(65.0)	-%
Operating income	0.0	0.0	(83.6%)	0.0	-%
Consolidated					
Net sales	315.2	332.9	5.6%	1,557.0	10.2%
Operating expenses	301.0	300.2	(0.3%)	1,440.0	7.8%
Operating income	14.2	32.7	130.2%	117.0	51.2%

3 . Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Capital expenditure	13.1	20.4	55.8%	181.0	163.2%
Information-related equipment	9.0	6.2	(31.5%)	37.3	13.0%
Electronic devices	2.1	11.6	448.4%	114.8	438.6%
Precision products	0.6	0.6	8.0%	4.8	21.2%
Other	1.4	2.0	46.6%	24.1	129.8%
Depreciation and amortization	26.2	22.7	(13.5%)	116.7	5.8%

4. Research and development

(Unit: billion yen)

	Three months ended June 30,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Research and Development	20.6	20.9	1.4%	93.6	3.4%
R&D / sales ratio	6.5%	6.3%		6.0%	

5. Management indices

(Unit: %)

	Three months ended June 30,		Increase Point	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 Point
	2003	2004			
Return on equity (ROE)	1.8%	4.2%	2.4	14.6%	3.7
Return on assets (ROA)	1.0%	2.5%	1.5	8.7%	3.3
Return on sales (ROS)	3.9%	8.8%	4.9	6.9%	2.3

- Note 1. ROE=Net Income / Beginning and ending balance average shareholders' equity
 2. ROA=Income before income tax and minority interest / Beginning and ending balance average total assets
 3. ROS=Income before income tax and minority interest / Net sales

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Three months ended June 30,		Increase
	2003	2004	
Foreign exchange effect	0.1	(9.3)	(9.4)
U.S. dollars	(3.9)	(4.8)	(0.9)
Euro	6.0	(1.4)	(7.4)
Other	(2.0)	(3.1)	(1.1)
Exchange rate			
Yen / U.S. dollars	118.50	109.77	
Yen / Euro	134.66	132.28	

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,	March 31,	June 30,	Increase compared to March 31, 2004
	2003	2004	2004	
Inventory	182.8	155.9	184.7	28.8
Information-related equipment	112.2	96.9	120.3	23.4
Electronic devices	54.9	45.7	49.5	3.8
Precision products	13.9	12.1	13.4	1.3
Other/ Corporate	1.8	1.2	1.5	0.3
	(Unit: days)			
Turnover by days	53	40	50	10
Information-related equipment	50	39	52	13
Electronic devices	51	38	42	4
Precision products	70	55	58	3
Other/ Corporate	26	15	15	-

Note: Turnover by days=ending balance of inventory / prior 3 months sales per day

8. Employees

(Unit: person)

	June 30,	March 31,	June 30,	Increase compared to March 31, 2004
	2003	2004	2004	
Number of employees at period end	79,311	84,899	85,643	744
Domestic	20,593	21,044	21,207	163
Overseas	58,718	63,855	64,436	581