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

April 26, 2005

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2005

Consolidated Financial Highlights

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

<Income statements and cash flows data>

	Year ended March 31,			Change	Year ended March 31,
	2003	2004	**2005**		**2005**
Statements of Income Data:					
Net sales	¥1,322,453	¥1,413,243	**¥1,479,750**	4.7%	**$13,779,216**
Operating income	49,360	77,401	**90,967**	17.5%	**847,071**
Income before income taxes and minority interest	31,629	65,058	**73,647**	13.2%	**685,790**
Net income	12,510	38,031	**55,689**	46.4%	**518,568**
Statements of Cash Flows Data:					
Cash flows from operating activities	159,504	182,669	**162,489**	(11.0%)	**1,513,074**
Cash flows from investing activities	(107,943)	(65,329)	**(99,396)**	52.1%	**(925,561)**
Cash flows from financing activities	9,111	(40,918)	**(96,373)**	135.5%	**(897,411)**
Cash and cash equivalents at the end of the year	192,288	265,183	**234,904**	(11.4%)	**2,187,392**
Per Share Data:					
Net income per share -Basic	¥81.08	¥204.70	**¥283.60**	38.5%	**$2.64**
-Diluted	¥-	¥204.53	**¥-**	- %	**$-**

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 ¥107.39 = U.S.$1 at March 31, 2005 has been used for the purpose of presentation.

<Balance sheets data>

	March 31, 2004	**March 31, 2005**	**March 31, 2005**
Total assets	¥1,206,491	**¥1,297,790**	**$12,084,831**
Shareholders' equity	414,367	**472,870**	**4,403,296**
Shareholders' equity ratio (%)	34.3%	**36.4%**	**36.4%**
Shareholders' equity per share	¥2,110.20	**¥2,408.13**	**$22.42**

Overview of the Business Group

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

The following is a brief description of each business segment and the main subsidiaries and affiliates of each business segment.

Information-related equipment business segment:

This segment includes the imaging and information products business, the visual instruments business and others. This segment develops, manufactures and sells mainly printers, LCD projectors, and personal computers.

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

Electronic devices business segment:

This segment includes the display business, the semiconductor business, and the quartz device business. This segment develops, manufactures and sells mainly small and medium-sized LCD displays, CMOS LSI, and crystal oscillators.

<table>
<tr><th rowspan="2">Operations</th><th rowspan="2">Main products</th><th colspan="2">Main subsidiaries and affiliates</th></tr>
<tr><th>Manufacturing company</th><th>Sales company</th></tr>
<tr><td>Display</td><td>Small and medium-sized LCD modules,
TFT LCD modules for LCD projectors and others</td><td>SANYO EPSON IMAGING DEVICES CORPORATION
Suzhou Epson Co., Ltd.
Epson Precision (Hong Kong) Ltd.
Epson Precision (Philippines), Inc.</td><td rowspan="3">SANYO EPSON IMAGING DEVICES CORPORATION
Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Semiconductor</td><td>CMOS LSI and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.
Yasu Semiconductor Corporation</td></tr>
<tr><td>Quartz device</td><td>Crystal units,
crystal oscillators and others</td><td>Orient Watch Co., Ltd.
Suzhou Epson Co., Ltd.
Epson Precision (Malaysia) Sdn. Bhd.
Epson Precision (Philippines), Inc.</td></tr>
</table>

Precision products business segment:

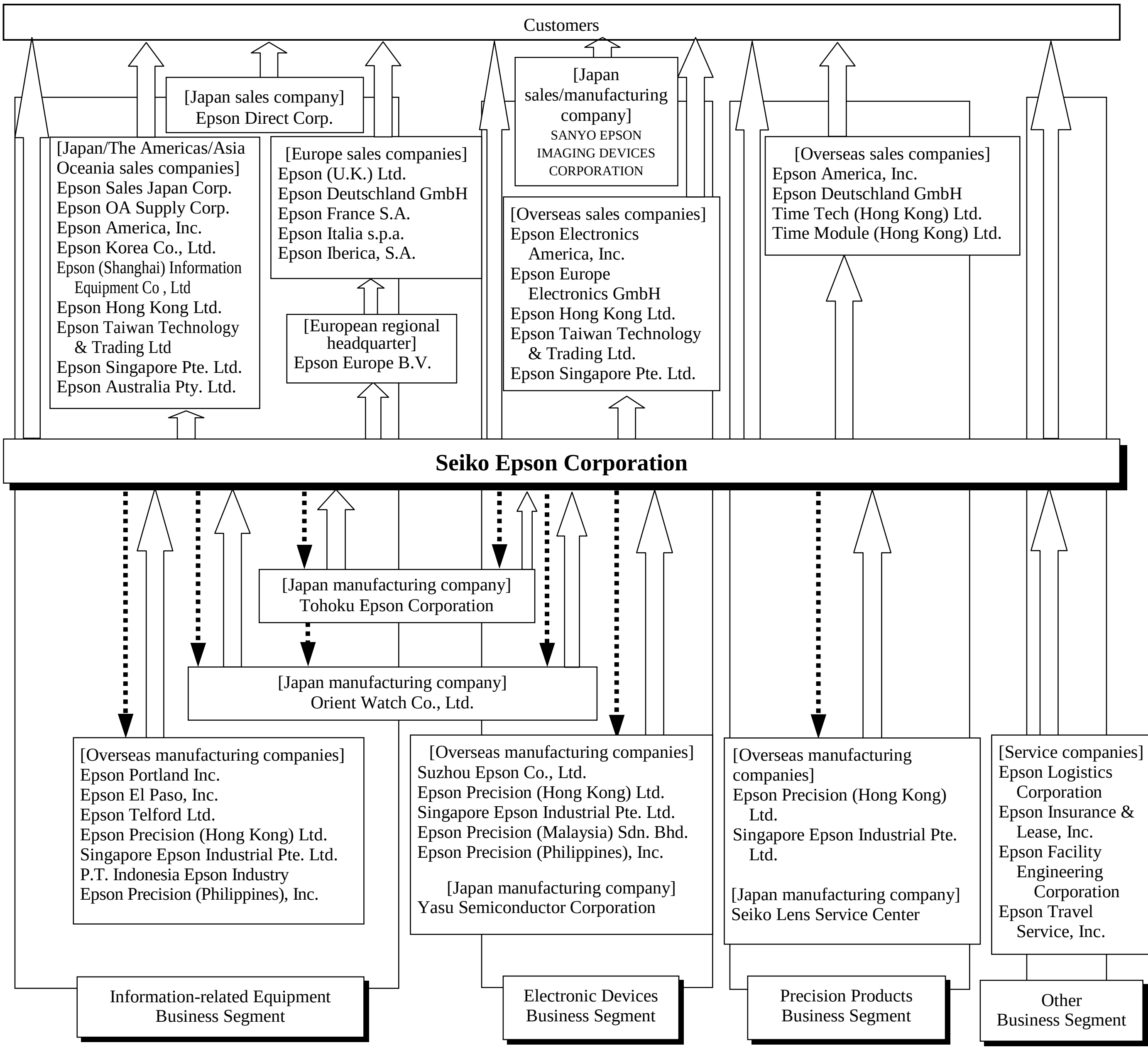
This segment includes the watch business, the optical products business, and the factory automation systems business. This segment develops, manufactures and sells mainly watches, watch movements, plastic corrective lenses, precision industrial robots and others.

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

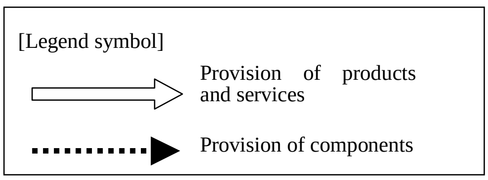
Other business segment:

This segment comprises the businesses of subsidiaries that offer services within Epson, and new businesses still in the start-up phase that are aimed at optimizing current management resources.

The following operations system diagram describes the overview of the business group outlined above.



Note: Yasu Semiconductor Corporation and Time Module (Hong Kong) Ltd. are equity method affiliates.
All others are consolidated subsidiaries.



Management Policy

1. Management Policy

Epson strives to fulfill its responsibilities as a good corporate citizen on a variety of fronts. These responsibilities include paying close attention to corporate ethics and risk management, improving customer satisfaction and product quality, and managing environmental performance. With "creativity and challenge" as the focal point for the Group's collective capabilities, Epson is aiming to further enhance its corporate value.

This commitment is summarized in the following management philosophy:

"Epson is a progressive company, trusted throughout the world
because of our commitment to customer satisfaction,
environmental conservation, individuality, and teamwork.
We are confident of our collective skills and meet challenges
with innovative and creative solutions.

2. Mid- to Long-Range Management Strategy

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

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

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

In March 2004, Epson drafted *Action07*, a mid-range action plan for attaining the objectives of *SE07* by 2007. Epson's targets for fiscal 2006 include an increase in the recurring profit ratio to net sales of more than 9% on a consolidated basis. At the same time, Epson is working to realize a resilient financial structure as quickly as possible by generating stable cash flows.

During fiscal 2004, the first year of *Action07*, Epson addressed all manner of business issues, but the results of the company's efforts to reform its business structure have met with mixed results, with some businesses clearly benefiting and with others failing to benefit fully due to rapidly changing market conditions.

Therefore, in the 2005 fiscal year, the second year of the *Action07* action plan, Epson will systematically analyze market changes and market trends in each business, develop growth scenarios in each, and drive specific actions based on those scenarios. The electronic device businesses are currently faced with an extremely challenging business environment due to plummeting prices and intensified competition. However, Epson aims to establish a stable, high-earnings structure in which its electronic device businesses and information-related equipment businesses complement one another, by reducing costs and developing the products and technologies that will drive the next phase of growth. To realize this aim, the Epson Group is carrying out the following four policies:

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

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

For policy 2, Epson will lay a business foundation that is impervious to market changes by shifting to high-added-value products and optimizing the allocation of resources required to do so, and by accelerating a move to convert the product mix so as to capture future key markets, particularly in the electronic device businesses. As part of this effort, Epson merged several of its liquid crystal display businesses with those of the Sanyo Electric Group on October 1, 2004. Further, Epson has reached an agreement with Toyo Communication Equipment Co., Ltd. to merge the companies' respective crystal device businesses, on

October 1, 2005. Moving forward, Epson will concentrate further on realizing the benefits of these business mergers at the earliest possible date.

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

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

3. Basic Policy on Profit Allocation

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

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

4. Corporate Governance

(1) Basic stance and management structure

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

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

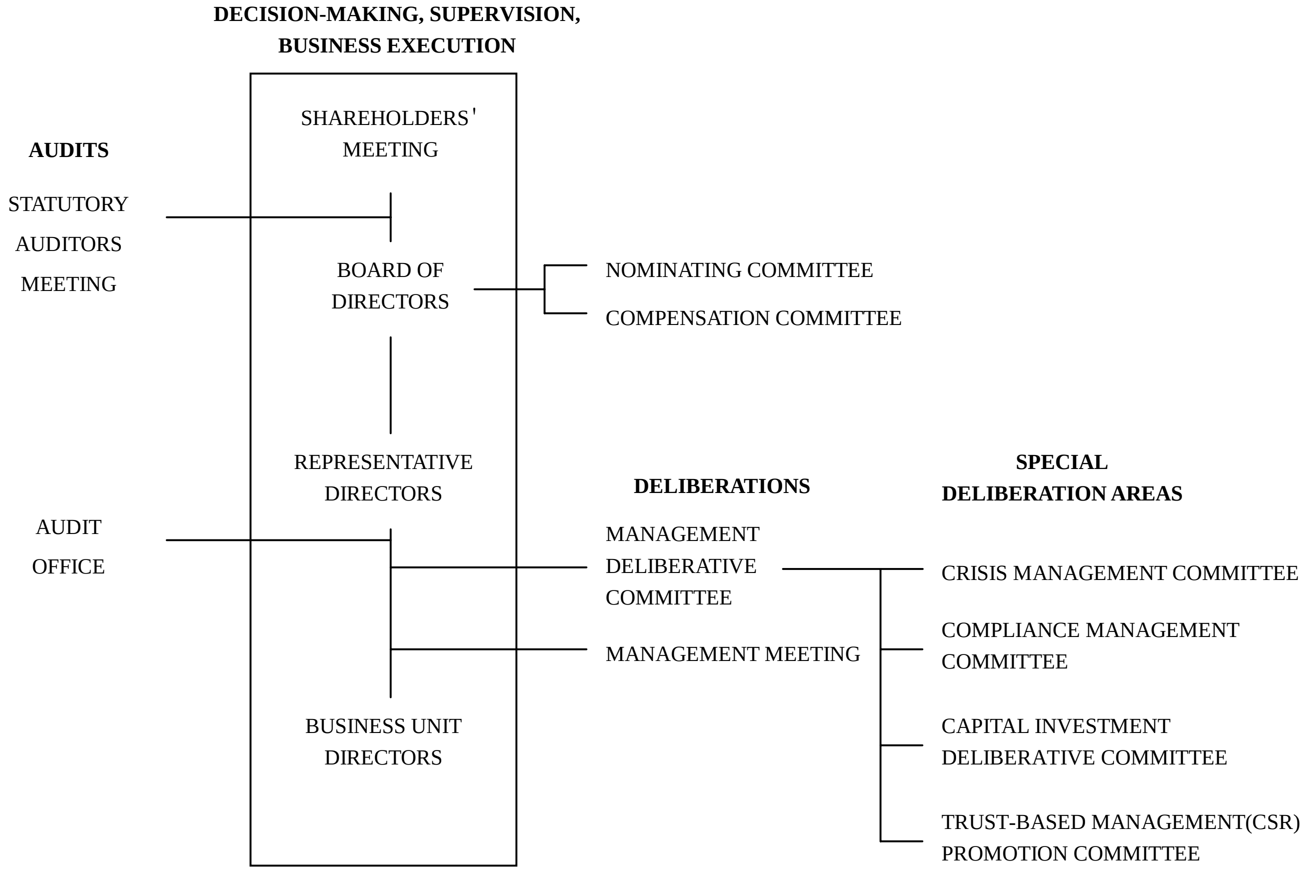
In contrast to the organizational separation of business execution and management oversight common to the "companies with committees" governance framework, Epson vests monitoring functions in the board of directors, which is underpinned by the statutory auditors. Epson's stance is that this system, whereby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

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

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

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

<Management Structure at the Company>



(2) Compliance

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

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

Major points of this framework include:

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

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

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

(3) Risk management

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

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

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

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

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

(5) Executive Officer Remuneration

The remuneration and retirement benefits paid to Epson directors and statutory auditors in the year under review are as follows.

Category	Director		Statutory Auditor		Total	
	Number of recipients	Amount this period (millions of yen)	Number of recipients	Amount this period (millions of yen)	Number of recipients	Amount this period (millions of yen)
Remuneration based on Articles of Incorporation or General Shareholders' Meeting resolution	21	802	7	109	28	911
Retirement benefit based on General Shareholders' Meeting resolution	2	45	2	51	4	97
Total		848		161		1,009

Note:

1. Director and statutory auditor "remuneration based on Articles of Incorporation or General Shareholders' Meeting resolution" includes ¥168 million paid as executive bonuses, which are recognized as an expense.
2. There were 19 directors and 5 statutory auditors as of the end of the year under review.

(6) Accounts auditor and remuneration

• Names of certified public accountants

ChuoAoyama PricewaterhouseCoopers

Names, etc.			Number of years as auditor
Representative and Engagement partner	CPA	Hiroshi Ueno	21
Representative and Engagement Partner	CPA	Yutaka Kuroda	10
Representative and Engagement Partner	CPA	Takashi Ide	7

Note: Includes the number of years as an auditor pursuant to the Special Law of the Commercial Code.

• Audit team composition: 20 CPAs, 14 junior accountants, and 2 account auditors.

• Remuneration paid to accounts auditor

	Amount Paid
(1) Total remuneration payable to accounts auditor by Seiko Epson Corp. and its subsidiary companies	¥237 million
(2) Of the total amount above in (1), the total amount of remuneration payable to the accounts auditor by Seiko Epson Corp. and its subsidiary companies for services rendered pursuant to Japan's Certified Public Accountant Law, Article 2-1 (Auditing and Attestation)	¥152 million
(3) Of the total amount in (2) above, the amount of remuneration payable by Seiko Epson Corp. to accounts auditors as accounts auditors	¥80 million

Note: Because the audit agreement between Seiko Epson Corporation and the accounts auditor does not separate the amounts of audit remuneration for audits pursuant to the Audit and Securities and Exchange Law, and the amounts of audit remuneration pursuant to the Special Law of the Commercial Code, these total amounts are included in the amount in (3).

5. Matters Relating to the Parent Company, etc.

None applicable

Operating Performance Highlights and Financial Condition

1. Fiscal 2004 Full-Year Overview

The global economic environment during the year under review was marked by continued expansion of the Chinese economy, as well as by economic growth and recovery in the U.S. and Europe. The Japanese economy also continued to register tones of recovery, but in the second half of the fiscal year ended March 31, 2005, some economic indictors, such as personal spending and manufacturing, showed signs of weakening.

Epson‘s major markets were as follows. In the inkjet printer business, all-in-ones (units that combine printer, scanner and copier functions) continued to gain market share. In the single-function printer business, demand grew for photo printers and small-format photo printers, especially in the U.S. and European markets. The color laser printer market expanded, but unit prices further declined.

The projector market grew on heightened demand for projectors in the education segment and in the Japanese and European home theater segment, as well as in the traditional business presentation projector segment. On the other hand, however, prices resumed their slide in the second half of the year, after having shown signs of bottoming out in the first half. The market for microdevice-based projection TVs, which are more cost-competitive than flat-panel large-screen TVs, sharply expanded in America.

The market for electronic devices used in mobile phones remained firm. This strength came from two main sources. One was replacement demand from consumers, especially those in Western Europe, North America and China, who are upgrading from their old monochrome-screen handsets to new color models. The other was the continued robust, new demand in such emerging markets as Central and South America, India, and Russia. Meanwhile, however, price erosion progressed due to stepped-up competition.

In the precision products business Epson saw continued sluggishness in the markets for watches, eyeglass lenses, and other personal products but ongoing strength in factory automation systems and optical devices, orders for which were bolstered by a robust demand for digital consumer devices.

Under these market conditions, Epson carried out an initiative to reduce the consolidated total cost ratio. The initiative was designed to radically enhance the company's ability to generate stable income in any market environment. Epson focused particularly on reforming the cost structure of its information-related equipment business and other finished products businesses. Moreover, Sanyo Epson Imaging Devices Corporation, a joint-venture company formed by merging certain of Epson's liquid crystal display businesses with those of the Sanyo Electric Group, opened its doors for business on October 1, 2004.

Epson came out with a number of important new products during the period. In the inkjet printer segment, Epson launched the *PictureMate*, a compact, portable photo printer that has been very well received. A home photofinishing solution, the *PictureMate* directly prints photos taken with a digital camera or camera-phone, without going through a PC. For the year-end shopping season, Epson bolstered its lineup of all-in-one printers to capture growth opportunities in that market. In the visual instruments business, Epson rolled out *Livingstation* HDTV LCD projection televisions 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, the company continued to drive down costs in order to fortify its financial condition while still investing in additional capacity for electronic devices for mobile handsets and visual instruments.

The average U.S. dollar-yen and euro-yen exchange rates during the year under review were ¥107.55 and

¥135.19, respectively, a 5% rise in the value of the yen against the dollar and a 2% decline in the value of the yen against the euro compared to the year ended March 31, 2004.

As a result of the foregoing factors, net sales for the year under review were ¥1,479,750 million ($13,779,216 thousand), a 4.7% increase compared to the year ended March 31, 2004. Operating income was ¥90,967 million ($847,071 thousand), a 17.5% increase compared to the year ended March 31, 2004. Income before income taxes and minority interest was ¥73,647 million ($685,790 thousand), a 13.2% increase compared to the year ended March 31, 2004. And net income was ¥55,689 million ($518,568 thousand), a 46.4% increase compared to the year ended March 31, 2004.

Operating Performance Highlights by Business Segments

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

Information-related equipment:

In the information-related equipment business segment, the company drove the "Epson = Photo" strategy worldwide, increasing market awareness of its photo products and helping Epson maintain a tight grip on the industry lead in photo printers. Epson responded to fierce price competition in inkjet printer and LCD projector markets by beefing up its cost-cutting efforts on the one hand while, on the other, deploying a strategy of balancing product features and added value by area.

In the imaging and information products business, revenues from sales of inkjet printers (including consumables, as in all printer discussions below) grew, as higher volume in all-in-ones and consumables more than made up for a decline in single-function inkjet printer volume. Laser printer sales revenues grew, primarily due to higher consumables volume. Sales revenue in the scanners and others category fell sharply due to a decline in scanner volume brought about by growth in all-in-one unit demand. Together, these factors resulted in increased sales revenues in the imaging and information products business as a whole.

In the visual instruments business, monitor module sales revenues grew sharply on higher demand. Liquid crystal projector sales revenues rose slightly on higher volume in both home and business projectors, though revenues were squeezed particularly by a shift toward low-priced business projectors. Large-screen HDTV LCD televisions, which the company launched to market last fiscal year, contributed to higher revenue. Together, these factors resulted in increased sales revenues in the visual instruments business as a whole.

Operating income in the information-related equipment segment increased due to benefits yielded by the company's initiative to reduce the consolidated total cost ratio, and other factors.

As a result of the foregoing factors, net sales in the information-related equipment business segment for the year under review were ¥946,029 million ($8,809,284 thousand), a 2.8% increase compared to the year ended March 31, 2004, while operating income was ¥61,555 million ($573,191 thousand), a 34.1% increase compared to the year ended March 31, 2004.

Electronic devices:

In the electronic device segment, Epson took steps to accommodate growing demand from, and lower prices in, the mobile handset, projector and digital camera markets, while also investing in the future.

In the display business, revenues from sales of STN LCDs for mobile phones fell sharply due to the effects of scaled-back monochrome STN LCD production as well as to the effects of intensified competition in the color STN LCD display arena. Revenues from sales of MD-TFD liquid crystal displays for mobile phones declined due to the falling unit prices that have accompanied stepped-up competition. Meanwhile, Epson launched sales of low-temperature polysilicon TFT LCDs and amorphous-silicon TFT LCDs, while a robust projector market drove revenues from high-temperature polysilicon TFT LCDs higher, particularly in the first half of the fiscal year. These factors combined to increase sales revenues for the display business as a whole.

In the semiconductor business, revenue from system LSIs soared on the back of volume growth in image-processing semiconductors that seized on a wave of feature-rich mobile phones. However, LCD driver sales revenue fell sharply, largely due to lower prices for color LCD drivers. As a result of these factors, sales revenues declined in the semiconductor business as a whole.

Quartz device business revenues rose sharply on volume growth in crystal units and crystal oscillators for mobile phone and digital camera applications.

Despite the benefits yielded by the company's programs to drive down costs in each business, operating income in the electronic device business segment declined due to a variety of factors. Factors include, but are not limited to, a worsening of profitability in amorphous silicon TFT LCDs due to the effects of plummeting market prices for large-size panels in the second half of the year under review; intensified competition in color LCD drivers and the accompanying erosion of selling prices; and a low rate of capacity utilization for low-temperature polysilicon TFT LCDs since shortly after the business began operations.

As a result of the foregoing factors, net sales in the electronic device business segment for the year under review were ¥482,611 million ($4,494,003 thousand), a 9.4% increase compared to the year ended March 31, 2004, while operating income was ¥38,553 million ($359,000 thousand), a 5.1% decrease compared to the year ended March 31, 2004.

Precision products:

In the precision products business segment, optical device sales volume increased along with the expansion of the liquid crystal projector market. Sales of eyeglass lenses to the North American market also grew. Watch sales were negatively affected by sluggishness in the market as a whole. As a result of these factors, net sales increased slightly in the precision products segment as a whole.

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

As a result of the foregoing factors, net sales in the precision products business segment for the year under review were ¥81,143 million ($755,592 thousand), a 0.0% increase compared to the year ended March 31, 2004, while operating income was ¥2,436 million ($22,684 thousand), a 13.3% decrease compared to the year ended March 31, 2004.

Operating Performance Highlights by Geographic Segments

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

Japan:

Inkjet printer, quartz device, and laser printer revenues increased, while STN LCD and MD-TFD liquid crystal display revenues declined. The new launch of amorphous-silicon TFT LCDs and low-temperature polysilicon TFT LCDs also contributed to sales. As a result, net sales were ¥1,235,038 million ($11,500,494 thousand), up 4.9% from the year ended March 31, 2004, and operating income was ¥42,931 million ($399,767 thousand), up 17.3% from the year ended March 31, 2004.

The Americas:

Revenue grew chiefly from sales of inkjet printers. Net sales were ¥284,516 million ($2,649,371 thousand), up 6.6% from the year ended March 31, 2004, and operating income was ¥13,153 million ($122,479 thousand), up 18.9% from the year ended March 31, 2004.

Europe:

Inkjet printer and MD-TFD liquid crystal display revenues increased, while STN LCD revenues declined. As a result, net sales were ¥328,523 million ($3,059,158 thousand), up 9.4% from the year ended March 31, 2004, and operating income was ¥11,523 million ($107,300 thousand), up 20.7% from the year ended March 31, 2004.

Asia / Oceania:

Inkjet printer and LCD projector revenues increased, while STN LCD and dot-matrix printer revenues declined. As a result, net sales were ¥698,051 million ($6,500,149 thousand), up 2.2% from the year ended March 31, 2004, and operating income was ¥20,154 million ($187,671 thousand), up 8.4% from the year ended March 31, 2004.

Cash Flow Performance

Net income for the full year was ¥55,689 million ($518,568 thousand). Depreciation and amortization, principally in the electronic device business segment, was ¥105,006 million ($977,801 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade increased by ¥43,371 million ($403,864 thousand), notes and accounts payable, trade increased by ¥11,221 million ($104,488 thousand), and inventories increased by ¥6,063 million ($56,458 thousand). Payment for income tax was ¥15,646 million ($145,693 thousand). As a result, cash inflows from operating activities came to ¥162,489 million ($1,513,074 thousand).

Cash outflows from investing activities were ¥99,396 million ($925,561 thousand) due to capital expenditures, principally in the electronic device business, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period amounted to ¥99,880 million ($930,068 thousand).

Cash flows from financing activities were negative at ¥96,373 million ($897,411 thousand), primarily resulting from net payments of ¥91,322 million ($850,377 thousand) from short- and long-term loans in accordance with loan repayments.

As a result, cash and cash equivalents for the 2004 fiscal year was ¥234,904 million ($2,187,392 thousand).

2. Fourth-Quarter Operating Performance

Fourth-quarter net sales were negatively affected by intensified competition that drove down prices for mobile handset LCDs and color LCD drivers, inventory adjustments that caused volume to decline in high-temperature polysilicon TFT liquid crystal panels for liquid crystal projectors, and declining volume in single-function printers and scanners due to growing demand for multifunction printers (all-in-ones). Nevertheless, fourth-quarter net sales were ¥366,602 million ($3,413,744 thousand), a 2.6% increase from the year ended March 31, 2004. This increase is attributed chiefly to increased volume in all-in-ones and to new revenue from sales of amorphous TFT and low-temperature polysilicon TFT LCDs. Fourth-quarter operating loss was ¥5,876 million ($54,716 thousand) versus operating income of ¥12,388 million in the year ago period. Although cost reduction initiatives yielded substantive benefits in the information-related equipment business, the electronic devices business was impacted by factors such as increased and sliding prices due to fierce competition. Fourth-quarter net loss was ¥4,264 million ($39,706 thousand) versus net income of ¥4,300 million in the year ago period.

3. Fiscal 2005 forecast

Although there are elements of uncertainty, including soaring oil prices due to supply and demand pressures and other factors, the global economy is steadily recovering. In addition to a growing economy in the U.S., where capital spending and personal spending are on the rise, the economies of Europe are gradually picking up, while China's business expansion continues apace. In Japan, the corporate sector is seeing sustained strength, and with the global economy gradually recovering, the Japanese economy should continue to steadily recover.

As for Epson's major markets, the inkjet printer market is expected to grow steadily, while the color laser printer market is expected to see sustained high growth. The projector market is expected to grow, especially for home theater applications. And, although the market for microdevice projection TVs is also expected to expand rapidly in markets such as North America and China, prices are expected to continue to fall due to intensified market competition. The mobile phone and digital still camera markets are seen maintaining strength, but further price erosion is projected for the electronic devices used in applications such as mobile phones due to new entrants and additional new production capacity particularly in the display and semiconductor segments.

In the information-related equipment business segment, Epson expects its "Epson = Photo" sales promotion strategy, as well as a large and growing inkjet printer install base, to drive sales of inkjet consumables higher. Laser printer sales are also expected to grow, due to the expansion of the color laser printer market. Falling prices for liquid crystal projectors will have a negative impact on the segment.

The electronic device business segment expects to see a negative impact from plummeting prices in the display and semiconductor businesses in the first half. In the second half, however, sales of small amorphous TFT LCD modules are expected to grow, while demand for high-temperature polysilicon TFT liquid crystal panels for projectors, as well as demand for LCD drivers and silicon foundry services, should increase.

In the precision products business segment, sales of watches, eyeglass lenses, and optical devices are expected to grow in the second half.

The figures in the forecast are based on assumed exchange rates of ¥105 to the U.S. dollar and ¥132 to the euro.

Taking into account the foregoing factors, Epson is forecasting results for the 2005 fiscal year ending March 31, 2006, as follows.

Consolidated Half-Year Results Outlook

	FY2004	**Current Outlook**	Change
Net sales	¥683.5 billion	**¥712.0 billion**	+¥28.5 billion (+ 4.2%)
Income before income taxes and minority interest	¥59.6 billion	**¥14.0 billion**	-¥45.6 billion (-76.5%)
Net income	¥39.5 billion	**¥9.0 billion**	-¥30.5 billion (-77.2%)

Consolidated Full-Year Results Outlook

	FY2004	**Current Outlook**	Change
Net sales	¥1,479.8 billion	**¥1,623.0 billion**	+¥143.2 billion (+ 9.7%)
Income before income taxes and minority interest	¥73.6 billion	**¥82.0 billion**	+¥8.4 billion (+11.3%)
Net income	¥55.7 billion	**¥54.0 billion**	-¥1.7 billion (- 3.0%)

Cautionary Statement

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

Consolidated Balance Sheets

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	**2005**	**2005**
ASSETS			
Current assets:			
Cash and cash equivalents	¥265,183	**¥234,904**	**$2,187,392**
Time deposits	509	**272**	**2,533**
Notes and accounts receivable, trade	210,381	**256,177**	**2,385,482**
Inventories	155,856	**176,656**	**1,644,994**
Deferred income taxes	37,082	**36,849**	**343,133**
Other current assets	43,858	**45,495**	**423,643**
Allowance for doubtful accounts	(3,700)	**(3,641)**	**(33,904)**
Total current assets	709,169	**746,712**	**6,953,273**
Property, plant and equipment:			
Buildings and structures	376,195	**419,780**	**3,908,930**
Machinery and equipment	469,448	**521,113**	**4,852,528**
Furniture and fixtures	176,867	**188,249**	**1,752,947**
Land	52,106	**58,836**	**547,872**
Construction in progress	11,553	**7,633**	**71,078**
Other	835	**122**	**1,136**
	1,087,004	**1,195,733**	**11,134,491**
Accumulated depreciation	(693,973)	**(754,378)**	**(7,024,658)**
	393,031	**441,355**	**4,109,833**
Investments and other assets:			
Investment securities	28,207	**38,444**	**357,985**
Investments in affiliates	10,878	**11,450**	**106,621**
Deferred income taxes	2,764	**6,478**	**60,322**
Intangible assets	23,160	**26,530**	**247,044**
Other assets	40,037	**27,557**	**256,607**
Allowance for doubtful accounts	(755)	**(736)**	**(6,854)**
	104,291	**109,723**	**1,021,725**
Total assets	¥1,206,491	**¥1,297,790**	**$12,084,831**

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	**2005**	**2005**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term bank loans	¥62,851	**¥30,236**	**$281,553**
Current portion of long-term debt	47,380	**104,642**	**974,411**
Notes and accounts payable, trade	132,331	**145,036**	**1,350,554**
Accounts payable, other	81,785	**119,039**	**1,108,474**
Income taxes payable	6,731	**12,499**	**116,389**
Deferred income taxes	267	**794**	**7,394**
Accrued bonuses	17,083	**18,587**	**173,079**
Accrued warranty costs	14,283	**15,327**	**142,723**
Other current liabilities	54,862	**58,441**	**544,194**
Total current liabilities	417,573	**504,601**	**4,698,771**
Long-term liabilities:			
Long-term debt	346,769	**259,919**	**2,420,328**
Accrued pension and severance costs	8,055	**14,835**	**138,141**
Accrued directors' and statutory auditors' retirement allowances	1,729	**1,921**	**17,888**
Accrued recycle costs	110	**310**	**2,887**
Deferred income taxes	7,733	**9,765**	**90,930**
Other long-term liabilities	7,613	**6,912**	**64,364**
Total long-term liabilities	372,009	**293,662**	**2,734,538**
Minority interest in subsidiaries	2,542	**26,657**	**248,226**
Shareholders' equity:			
Common stock, no par value - Authorized - 607,458,368 shares, Issued - 196,364,592 shares	53,204	**53,204**	**495,428**
Additional paid-in capital	79,501	**79,501**	**740,302**
Retained earnings	299,575	**350,944**	**3,267,939**
Net unrealized gains on other securities	3,087	**3,743**	**34,854**
Translation adjustments	(20,999)	**(14,519)**	**(135,199)**
Treasury stock	(1)	**(3)**	**(28)**
Total shareholders' equity	414,367	**472,870**	**4,403,296**
Commitments and contingent liabilities			
Total liabilities and shareholders' equity	¥1,206,491	**¥1,297,790**	**$12,084,831**

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

Consolidated Statements of Income
Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	**2005**	**2005**
Net sales	¥1,322,453	¥1,413,243	**¥1,479,750**	**$13,779,216**
Cost of sales	959,865	1,013,959	**1,070,011**	**9,963,786**
Gross profit	362,588	399,284	**409,739**	**3,815,430**
Selling, general and administrative expenses:				
Salaries and wages	72,597	77,748	**76,917**	**716,240**
Advertising	30,138	30,854	**32,522**	**302,840**
Sales promotion	30,364	31,740	**31,556**	**293,845**
Research and development costs	42,787	41,139	**42,903**	**399,507**
Shipping costs	19,756	20,527	**19,374**	**180,408**
Provision for doubtful accounts	665	414	**112**	**1,043**
Other	116,921	119,461	**115,388**	**1,074,476**
	313,228	321,883	**318,772**	**2,968,359**
Operating income	49,360	77,401	**90,967**	**847,071**
Other income:				
Interest and dividend income	1,289	1,684	**2,457**	**22,879**
Gain on transfer to government of the substitutional portion of pension liabilities	17,577	-	**-**	**-**
Reversal of specific warranty costs	2,982	-	**-**	**-**
Other	7,950	6,381	**5,572**	**51,886**
	29,798	8,065	**8,029**	**74,765**
Other expenses:				
Interest expenses	6,257	6,478	**5,816**	**54,158**
Net loss on foreign exchange	5,552	500	**3,905**	**36,363**
Loss on disposal of property, plant and equipment	3,233	3,711	**3,312**	**30,841**
Reorganization costs	23,955	2,044	**4,608**	**42,909**
Prior pension costs for foreign subsidiaries	-	-	**2,285**	**21,277**
Other	8,532	7,675	**5,423**	**50,498**
	47,529	20,408	**25,349**	**236,046**
Income before income taxes and minority interest	31,629	65,058	**73,647**	**685,790**
Income taxes:				
Current	12,368	15,210	**21,394**	**199,218**
Deferred	6,289	11,363	**(1,493)**	**(13,903)**
	18,657	26,573	**19,901**	**185,315**
Income before minority interest	12,972	38,485	**53,746**	**500,475**
Minority interest in subsidiaries	462	454	**(1,943)**	**(18,093)**
Net income	¥12,510	¥38,031	**¥55,689**	**$518,568**

	Yen			U.S. dollars
Per share:				
Net income	¥81.08	¥204.70	**¥283.60**	**$2.64**
Cash dividends	¥18.00	¥18.00	**¥22.00**	**$0.20**

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2004	**2005**	**2005**
Net sales	¥357,319	**¥366,602**	**$3,413,744**
Cost of sales	260,811	**287,065**	**2,673,107**
Gross profit	96,508	**79,537**	**740,637**
Selling, general and administrative expenses:			
Salaries and wages	19,919	**19,325**	**179,952**
Advertising	8,789	**8,980**	**83,620**
Sales promotion	8,373	**8,691**	**80,929**
Research and development costs	10,630	**12,096**	**112,636**
Shipping costs	5,320	**4,694**	**43,710**
Provision for doubtful accounts	(47)	**(93)**	**(866)**
Other	31,136	**31,720**	**295,372**
	84,120	**85,413**	**795,353**
Operating income (loss)	12,388	**(5,876)**	**(54,716)**
Other income:			
Interest and dividend income	476	**667**	**6,211**
Other	1,678	**1,058**	**9,852**
	2,154	**1,725**	**16,063**
Other expenses:			
Interest expenses	1,505	**1,283**	**11,947**
Net loss on foreign exchange	763	**30**	**279**
Loss on disposal of property, plant and equipment	1,073	**784**	**7,301**
Reorganization costs	-	**4,608**	**42,909**
Other	4,076	**1,244**	**11,584**
	7,417	**7,949**	**74,020**
Income (loss) before income taxes and minority interest	7,125	**(12,100)**	**(112,673)**
Income taxes	2,778	**(5,622)**	**(52,351)**
Income (loss) before minority interest	4,347	**(6,478)**	**(60,322)**
Minority interest in subsidiaries	47	**(2,214)**	**(20,616)**
Net income (loss)	¥4,300	**(¥4,264)**	**($39,706)**

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

Consolidated Statements of Changes in Shareholders' Equity

Year ended March 31:

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
		Millions of yen						
Balance at March 31, 2002	151,864,592	¥12,531	¥10,259	¥254,931	¥1,286	¥1,342	(¥0)	¥280,349
Net income	-	-	-	12,510	-	-	-	12,510
Cash dividends	-	-	-	(2,734)	-	-	-	(2,734)
Bonuses to directors and statutory auditors	-	-	-	(98)	-	-	-	(98)
Increase due to affiliates newly accounted for under the equity method	-	-	-	265	-	-	-	265
Net unrealized loss on other securities	-	-	-	-	(1,119)	-	-	(1,119)
Translation adjustments	-	-	-	-	-	(7,857)	-	(7,857)
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
Net income	-	-	-	**55,689**	-	-	-	**55,689**
Cash dividends	-	-	-	**(4,320)**	-	-	-	**(4,320)**
Net unrealized gain on other securities	-	-	-	-	**656**	-	-	**656**
Translation adjustments	-	-	-	-	-	**6,480**	-	**6,480**
Changes in treasury stock	-	-	-	-	-	-	**(2)**	**(2)**
Balance at March 31, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥350,944**	**¥3,743**	**(¥14,519)**	**(¥3)**	**¥472,870**

	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
	Thousands of U.S. dollars						
Balance at March 31, 2004	$495,428	$740,302	$2,789,598	$28,746	($195,540)	($9)	$3,858,525
Net income	-	-	**518,568**	-	-	-	**518,568**
Cash dividends	-	-	**(40,227)**	-	-	-	**(40,227)**
Net unrealized gain on other securities	-	-	-	**6,108**	-	-	**6,108**
Translation adjustments	-	-	-	-	**60,341**	-	**60,341**
Changes in treasury stock	-	-	-	-	-	**(19)**	**(19)**
Balance at March 31, 2005	**$495,428**	**$740,302**	**$3,267,939**	**$34,854**	**($135,199)**	**($28)**	**$4,403,296**

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

Three months ended March 31:

	Number of shares issued	Millions of yen Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at December 31, 2003	196,364,592	¥53,204	¥79,501	¥295,275	¥1,941	(¥18,527)	(¥1)	¥411,393
Net income for the three months ended March 31, 2004	-	-	-	4,300	-	-	-	4,300
Net unrealized gain on other securities	-	-	-	-	1,146	-	-	1,146
Translation adjustments	-	-	-	-	-	(2,472)	-	(2,472)
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Balance at December 31, 2004	196,364,592	¥53,204	¥79,501	¥355,208	¥3,477	(¥18,277)	(¥2)	¥473,111
Net loss for the three months ended March 31, 2005	-	-	-	**(4,264)**	-	-	-	**(4,264)**
Net unrealized gain on other securities	-	-	-	-	**266**	-	-	**266**
Translation adjustments	-	-	-	-	-	**3,758**	-	**3,758**
Changes in treasury stock	-	-	-	-	-	-	**(1)**	**(1)**
Balance at March 31, 2005	**196,364,592**	**¥53,204**	**¥79,501**	**¥350,944**	**¥3,743**	**(¥14,519)**	**(¥3)**	**¥472,870**

	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 December 31, 2004	$495,428	$740,302	$3,307,645	$32,377	($170,192)	($19)	$4,405,541
Net loss for the three months ended March 31, 2005	-	-	**(39,706)**	-	-	-	**(39,706)**
Net unrealized gain on other securities	-	-	-	**2,477**	-	-	**2,477**
Translation adjustments	-	-	-	-	**34,993**	-	**34,993**
Changes in treasury stock	-	-	-	-	-	**(9)**	**(9)**
Balance at March 31, 2005	**$495,428**	**$740,302**	**$3,267,939**	**$34,854**	**($135,199)**	**($28)**	**$4,403,296**

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

Consolidated Statements of Cash Flows
Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	**2005**	**2005**
Cash flows from operating activities:				
Net income	¥12,510	¥38,031	**¥55,689**	**$518,568**
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	127,406	111,018	**105,006**	**977,801**
Reorganization costs	23,002	2,044	**4,608**	**42,909**
Accrual for net pension and severance costs, less payments	(18,212)	(13,338)	**9,188**	**85,557**
Net loss on sales and disposal of property, plant and equipment	1,978	5,511	**3,566**	**33,206**
Equity in net (gains) losses under the equity method	95	(172)	**(232)**	**(2,160)**
Deferred income taxes	6,289	11,363	**(1,493)**	**(13,903)**
Decrease in allowance for doubtful accounts	(459)	(261)	**(214)**	**(1,993)**
(Increase) decrease in notes and accounts receivable, trade	20,636	6,224	**(43,371)**	**(403,864)**
(Increase) decrease in inventories	2,471	4,042	**(6,063)**	**(56,458)**
Increase (decrease) in notes and accounts payable, trade	(3,613)	13,247	**11,221**	**104,488**
Increase (decrease) in accrued income taxes	(1,839)	(1,826)	**5,748**	**53,525**
Other	(10,760)	6,786	**18,836**	**175,398**
Net cash provided by operating activities	159,504	182,669	**162,489**	**1,513,074**
Cash flows from investing activities:				
Payments for purchases of property, plant and equipment	(85,274)	(65,416)	**(92,441)**	**(860,797)**
Proceeds from sales of property, plant and equipment	7,872	4,309	**1,978**	**18,419**
Payments for purchases of intangible assets	(8,898)	(7,917)	**(7,439)**	**(69,271)**
Payments of long-term prepaid expenses	(10,943)	(441)	**(1,009)**	**(9,396)**
Other	(10,700)	4,136	**(485)**	**(4,516)**
Net cash used in investing activities	(107,943)	(65,329)	**(99,396)**	**(925,561)**
Cash flows from financing activities:				
Decrease in short-term borrowings	(56,723)	(76,076)	**(40,577)**	**(377,847)**
Proceeds from long-term debt	150,644	92,530	**2,000**	**18,624**
Repayments of long-term debt	(81,568)	(164,304)	**(52,745)**	**(491,154)**
Issuance of common stock	-	109,915	**-**	**-**
Cash dividends	(2,734)	(3,134)	**(4,320)**	**(40,227)**
Other	(508)	151	**(731)**	**(6,807)**
Net cash provided by (used in) financing activities	9,111	(40,918)	**(96,373)**	**(897,411)**
Effect of exchange rate fluctuations on cash and cash equivalents	307	(3,527)	**3,001**	**27,945**
Net increase (decrease) in cash and cash equivalents	60,979	72,895	**(30,279)**	**(281,953)**
Cash and cash equivalents at the beginning of the year	131,309	192,288	**265,183**	**2,469,345**
Cash and cash equivalents at the end of the year	¥192,288	¥265,183	**¥234,904**	**$2,187,392**
Supplemental disclosures of cash flow information:				
Cash received and paid during the year for -				
Interest and dividend received	¥2,227	¥1,681	**¥2,594**	**$24,155**
Interest paid	(¥6,143)	(¥6,610)	**(¥5,854)**	**($54,512)**
Income taxes paid	(¥14,207)	(¥17,036)	**(¥15,646)**	**($145,693)**

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2004	**2005**	**2005**
Cash flows from operating activities:			
Net income (loss)	¥4,300	**(¥4,264)**	**($39,706)**
Adjustments to reconcile net income (loss) to net cash provided by operating activities -			
Depreciation and amortization	29,130	**29,081**	**270,798**
Reorganization costs	-	**4,608**	**42,909**
Accrual for net pension and severance costs, less payments	(10,908)	**1,603**	**14,927**
Net loss on sales and disposal of property, plant and equipment	3,297	**758**	**7,058**
Equity in net gains under the equity method	(6)	**(49)**	**(456)**
Deferred income taxes	3,013	**(8,303)**	**(77,316)**
Decrease in allowance for doubtful accounts	(315)	**(218)**	**(2,030)**
Decrease in notes and accounts receivable, trade	42,621	**16,389**	**152,612**
Decrease in inventories	10,779	**23,948**	**223,000**
Decrease in notes and accounts payable, trade	(28,344)	**(26,472)**	**(246,503)**
Increase (decrease) in accrued income taxes	(5,391)	**448**	**4,172**
Other	(4,097)	**(1,272)**	**(11,845)**
Net cash provided by operating activities	44,079	**36,257**	**337,620**
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(13,104)	**(24,088)**	**(224,304)**
Proceeds from sales of property, plant and equipment	597	**56**	**522**
Payments for purchases of intangible assets	(1,822)	**(1,798)**	**(16,743)**
Payments of long-term prepaid expenses	(93)	**(189)**	**(1,760)**
Other	878	**(52)**	**(484)**
Net cash used in investing activities	(13,544)	**(26,071)**	**(242,769)**
Cash flows from financing activities:			
Decrease in short-term borrowings	(10,836)	**(14,496)**	**(134,985)**
Proceeds from long-term debt	40,030	**2,000**	**18,624**
Repayments of long-term debt	(100,762)	**(937)**	**(8,725)**
Other	(31)	**(143)**	**(1,332)**
Net cash used in financing activities	(71,599)	**(13,576)**	**(126,418)**
Effect of exchange rate fluctuations on cash and cash equivalents	(724)	**(156)**	**(1,453)**
Net decrease in cash and cash equivalents	(41,788)	**(3,546)**	**(33,020)**
Cash and cash equivalents at the beginning of the period	306,971	**238,450**	**2,220,412**
Cash and cash equivalents at the end of the period	¥265,183	**¥234,904**	**$2,187,392**
Supplemental disclosures of cash flow information:			
Cash received and paid during the period for -			
Interest and dividend received	¥454	**¥662**	**$6,164**
Interest paid	(¥1,884)	**(¥1,518)**	**($14,135)**
Income taxes paid	(¥5,156)	**(¥2,233)**	**($20,793)**

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

Notes to Consolidated Financial Statements

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") 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.

The excess of the cost over the underlying net equity of investments in subsidiaries and affiliates accounted for under the equity method is recognized as a "consolidation adjustment" included in the intangible assets account and is amortized on a straight-line basis over a period of five years.

(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 present low risk of fluctuation in value.

(4) Financial instruments -

(a) Investments in debt and equity securities:

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

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

As a result of adopting the new accounting standards, property, plant and equipment at March 31, 2004 decreased by ¥1,671 million, and income before income taxes and minority interest for the year ended March 31, 2004 decreased by the same amount, as compared with the amount which would have been reported if the previous standards had been applied consistently.

(9) Accrued bonuses -

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

On March 9, 2004, the Accounting Standards Board of Japan issued new 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 new accounting standards, “bonuses to directors and statutory auditors” are expensed as incurred. Effective as of March 31, 2004, Epson has adopted the new accounting standards.

Effective as of March 31, 2004, accrued bonuses to directors and statutory auditors are provided for the estimated amounts which Epson is obligated to pay to directors and statutory auditors subject to the resolution of general shareholders’ meeting subsequent to the fiscal year-end.

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

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

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

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

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

(13) Accrued recycle costs -

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

(14) 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.

(15) Research and development costs -

Research and development costs are expensed as incurred.

(16) 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.

(17) Net income per share -

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

Under the Japanese accounting standards concerning accounting for bonuses to directors and statutory auditors, effective for fiscal years beginning on or after April 1, 2003, the bonuses to directors and statutory auditors have been charged to income in the years ended March 31, 2004 and 2005.

(18) 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.

(19) Reclassifications -

Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2005.

3. U.S. dollar amounts:

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers and are not audited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥107.39 = U.S.$1, the rate of exchange prevailing at March 31, 2005, has been used.

4. Acquisitions:

(1) Business combination with SANYO Electric Co., Ltd. -

On October 1, 2004, the Company and SANYO Electric Co., Ltd. (“SANYO”), including its subsidiaries Tottori SANYO Electric Co., Ltd. and SANYO LCD Engineering Co., Ltd. transferred their liquid crystal businesses to a joint venture company called SANYO EPSON IMAGING DEVICES CORPORATION (“SANYO EPSON”). The paid-in capital of SANYO EPSON was ¥15,000 million ($139,678 thousand) and it is owned 55% and 45% by the Company and by SANYO, respectively. SANYO EPSON is a consolidated subsidiary of Seiko Epson Corporation.

Epson transferred its D-TFD LCD and STN LCD businesses. SANYO and its subsidiaries (“SANYO Group”) transferred its Low Temperature Poly-Si TFT LCD and Amorphous TFT LCD businesses. The High Temperature Poly-Si TFT LCD business and Organic Light-Emitting displays LCD business of Epson, and Organic Light-Emitting displays LCD business of SANYO Group was not transferred to SANYO EPSON.

Upon acquisition, net cash proceeds of ¥140 million ($1,304 thousand) represented cash and cash equivalents of ¥340 million ($3,166 thousand) held by the SANYO Group at the date of the integration, offset by the cash consideration of ¥200 million ($1,862 thousand) for the integration. Net cash proceeds from acquisition of ¥140 million ($1,304 thousand) was included in cash flows from investing activities in the consolidated statements of cash flows for the year ended March 31, 2005.

The composition of the assets and liabilities acquired from the SANYO Group in the year ended March 31, 2005 was as follows:

	Millions of yen	Thousands of U.S. dollars
	Year ended March 31, 2005	Year ended March 31, 2005
Current assets	¥17,004	$158,339
Fixed assets and other assets	40,930	381,134
Short-term bank loans	(10,365)	(96,517)
Current portion of long-term debt	(5,022)	(46,764)
Current liabilities	(1,618)	(15,067)
Long-term debt	(16,040)	(149,362)
Long-term liabilities	(2,759)	(25,692)
Consolidation adjustment	5,115	47,630
Minority interest in subsidiaries	(27,045)	(251,839)
Consideration for acquisition	¥200	$1,862

(2) Business combination with Toyo Communication Equipment Co., Ltd. -

With the aim of being the leader in the quartz device industry, the Company and Toyo Communication Equipment Co., Ltd. ("Toyo") agreed to combine their respective quartz device businesses. On March 16, 2005, board of directors' meeting of the Company approved the execution of a business merger agreement and corporate split agreement.

Under the agreement, on October 1, 2005, the Company will split-off its quartz device business (excluding optical devices) to Toyo, as the succeeding company, and Toyo will be renamed Epson Toyocom Corporation ("Epson Toyocom"). The Company will purchase 99,000,000 shares of common stock and 20,000,000 shares of subordinate common stock with voting rights issued by Epson Toyocom at the same time of the business split. As a result of this capital increase, the paid-in capital of Epson Toyocom will be ¥9,500 million ($88,463 thousand) and it will be owned 67.9% (without considering dilutive shares) by the Company. Epson Toyocom will be a consolidated subsidiary of the Company.

Assets and liabilities to be acquired are estimated to be ¥63,800 million ($594,096 thousand) and ¥37,100 million ($345,470 thousand), respectively. The final amounts of assets and liabilities to be acquired have not yet been determined. Annual net sales of Toyo for the year ended March 31, 2004 was ¥58,000 million ($540,088 thousand).

5. Inventories:

Losses recognized and charged to cost of sales as a result of valuation at the lower of cost or market value at March 31, 2004 and 2005 were ¥8,300 million and ¥12,845 million ($119,611 thousand), respectively.

6. Investments in debt and equity securities:

Epson's management determined that all investments in debt and equity securities were either held-to-maturity debt securities or other securities.

Net unrealized gains, net of tax, on securities categorized as other securities of ¥3,087 million and ¥3,743 million ($34,854 thousand) as at March 31, 2004 and 2005, respectively, were recorded as a component of shareholders' equity. A related deferred income tax liability thereon of ¥1,021 million and ¥1,384 million ($12,888 thousand) was recorded against deferred income tax assets relating to other temporary differences as at March 31, 2004 and 2005, respectively.

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

	Millions of yen			
	March 31, 2004			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	¥4,352	¥4,051	(¥62)	¥8,341
Debt securities	52	4	(-)	56
Other	615	137	(6)	746
Total	¥5,019	¥4,192	(¥68)	¥9,143

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

	Thousands of U.S. dollars			
	March 31, 2005			
		Gross unrealized		
	Cost	Gains	Losses	Market value (carrying value)
Equity securities	$99,357	$48,273	($652)	$146,978
Debt securities	484	28	(-)	512
Other	1,630	-	(-)	1,630
Total	$101,471	$48,301	($652)	$149,120

As at March 31, 2004 and 2005, the carrying amount of unlisted equity securities, which were included in investment securities account, were ¥19,064 million and ¥19,505 million ($181,628 thousand), respectively.

As at March 31, 2005, the carrying amount of unlisted debt securities and unlisted other securities, which were included in investment securities account, were ¥2,700 million ($25,142 thousand) and ¥225 million ($2,095 thousand), respectively.

For the year ended March 31, 2003, other-than-temporary impairments of securities with an aggregate market value of ¥2,251 million were charged to current income. For the years ended March 31, 2004 and 2005, there were no other-than-temporary impairments of securities. Impairments are principally recorded in cases where the fair value of other securities with determinable market values has declined in excess of 30% of cost. Those securities are written down to the fair value and the resulting losses are included in current income for the period.

7. Intangible assets:

A consolidation adjustment account, representing the excess of cost over net equity of investments in subsidiaries as at March 31, 2004 and 2005, included in intangible assets, were ¥270 million and ¥4,619 million ($43,011 thousand), respectively.

8. Derivative financial instruments:

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

Epson management believes that credit risk relating to derivative instruments that Epson uses is relatively low since all of its counterparties to the derivative instruments are creditworthy financial institutions.

Forward exchange transactions are approved by the Company's Forward Exchange Committee (composed of representatives of Epson management) and executed based on authorization of the general manager of Epson in accordance with internal rules and policies developed regarding derivative transaction management.

Interest rate swap transactions are approved and executed based on authorization of the director of Epson in charge of the finance function based on the above-mentioned internal rules and policies. Execution and management of transactions are done by the responsible section in Financial Management Department and reported to the general manager.

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

Instruments	Millions of yen March 31, 2004 Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥4,213	¥4,170	¥43
Euro (purchased Japanese yen)	29,600	28,885	715
Sterling pound (purchased Japanese yen)	1,593	1,538	55
Australian dollar (purchased Japanese yen)	1,170	1,142	28
Thai baht (purchased U.S. dollar)	205	206	(1)
Polish zloty (purchased Euro)	327	327	(0)
Purchased -			
U.S. dollar (sold Japanese yen)	5,967	5,792	(175)
Euro (sold Japanese yen)	77	75	(2)
Sterling pound (sold Euro)	678	678	(0)
U.S. dollar (sold Korean won)	434	425	(9)
U.S. dollar (sold Taiwan dollar)	758	739	(19)
Total unrealized gains from forward exchange contracts			¥635

There were no interest rate swap transactions outstanding at March 31, 2004 other than derivatives eligible for hedge accounting.

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

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

Instruments	Thousands of U.S. dollars		
	March 31, 2005		
	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	$65,341	$67,278	($1,937)
Euro (purchased Japanese yen)	246,187	248,673	(2,486)
Sterling pound (purchased Japanese yen)	9,582	9,731	(149)
Australian dollar (purchased Japanese yen)	16,109	16,640	(531)
Thai baht (purchased U.S. dollar)	1,592	1,555	37
Japanese yen (purchased Euro)	2,803	2,803	0
U.S. dollar (purchased Euro)	5,978	5,987	(9)
Polish zloty (purchased Euro)	1,564	1,583	(19)
Purchased -			
U.S. dollar (sold Japanese yen)	810	829	19
Euro (sold Japanese yen)	289	289	(0)
U.S. dollar (sold Korean won)	5,084	5,019	(65)
U.S. dollar (sold Taiwan dollar)	5,177	4,963	(214)
Total unrealized losses from forward exchange contracts			($5,354)

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

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

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

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

Pledged assets	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Buildings and structures	¥1,457	¥-	$-
Machinery and equipment	370	-	-
Furniture and fixtures	18	-	-
Land	386	-	-
Total	¥2,231	¥-	$-

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

In the year ended March 31, 2005, Epson entered into line of credit agreements with thirteen banks for an aggregate maximum amount of ¥80,000 million ($744,948 thousand). As at March 31, 2005, there were unused credit lines of ¥80,000 million ($744,948 thousand) outstanding and available.

10. 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 had maintained the welfare pension plan which was funded in conformity with the funding requirement of the Japanese Welfare Pension Insurance Law. The welfare pension plan covered the substitutional portion of the governmental welfare pension program and non-substitutional portion under which contributions are made by companies and their employees.

On June 15, 2001, the Defined Benefit Pension Plan Law was enacted, which allows a company to return the substitutional portion of the pension to the government, thereby eliminating the company's responsibility for future benefits. On January 17, 2003, the Company obtained approval from the Ministry of Health, Labor and Welfare for exemption from the payment of future benefit obligations with respect to the substitutional portion that the Company operates on behalf of the Japanese government. The Company accounted for the return of the substitutional portion at the date of approval, which is allowed as an alternative accounting method in accordance with "Practical Guidance for Accounting for Pensions" issued by the Japanese Institute of Certified Public Accountants. A gain on exemption from the payment of benefit obligations totaling ¥17,577 million was recorded in income for the year ended March 31, 2003.

On February 1, 2004, the Company obtained approval from the Ministry of Health, Labor and Welfare for exemption from the substitutional portion with respect to the benefit obligation related past service that the Company operates on behalf of the Japanese government. A gain on exemption from the payment of benefit obligations related past service was recorded in income for the year ended March 31, 2003. Upon approval for exemption from the substitutional portion with respect to the benefit obligation related past service, welfare pension plan transferred to the corporate defined benefit pension plan.

To supplement the corporate defined benefit 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 funded status of retirement benefit obligations at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Projected benefit obligations	¥202,361	¥176,371	$1,642,341
Plan assets at fair value	183,915	159,769	1,487,746
Unfunded status	18,446	16,602	154,595
Unrecognized items:			
Prior service cost reduction from plan amendment	8,133	10,173	94,729
Actuarial losses	(34,564)	(19,401)	(180,659)
Accrued pension and severance costs - net	(7,985)	7,374	68,665
Prepaid pension cost	16,040	7,461	69,476
Accrued pension and severance costs	¥8,055	¥14,835	$138,141

The composition of net pension and severance costs for the years ended March 31, 2003, 2004 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	2005	2005
Service cost	¥10,627	¥9,352	¥7,397	$68,880
Interest cost	6,960	5,608	4,355	40,553
Expected return on plan assets	(5,830)	(5,055)	(4,728)	(44,027)
Amortization and expenses:				
Prior service costs	(1,338)	(529)	(2,752)	(25,626)
Actuarial losses	10,309	9,537	8,849	82,401
Net pension and severance costs	20,728	18,913	13,121	122,181
Gain on transfer to government of the substitutional portion of pension liabilities	(17,577)	-	-	-
Contribution to defined contribution pension plan	-	-	2,067	19,247
	¥3,151	¥18,913	¥15,188	$141,428

The assumptions used for the actuarial computation of the retirement benefit obligations for the years ended March 31, 2003, 2004 and 2005 were as follows:

	Year ended March 31		
	2003	2004	2005
Discount rate	3.0%	2.5%	2.5%
Long-term rate of return on plan assets	3.5	3.5	3.0

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. As a result of this transfer, gain on transition of retirement benefit plan of ¥207 million ($1,928 thousand) was recorded in other income for the year ended March 31, 2005 in accordance with "Accounting for Transition of Retirement Benefit Plans" ("Financial Accounting Standards Implementation Guidance No.1" issued by Accounting Standards Board of Japan).

The Company had entered into a retirement benefit trust agreement with an outside trust company and contributed certain marketable securities to the employee retirement benefit trust. In December 2004, the Company canceled the retirement benefit trust agreement and trusted marketable securities of ¥6,625 million ($61,691 thousand) were returned to the Company. As a result, prepaid pension cost at March 31, 2005 decreased. Loss on return of trusted marketable securities of ¥328 million ($3,054 thousand) was recorded in other expenses for the year ended March 31, 2005.

The Company has made amendments to the welfare pension plan by raising the commencement age to receive benefits and reduced the related interest rate under the pension plan in fiscal years ended March 31, 2001 and 2002. Further, effective at March 31, 2004, the Company has made amendments to the remaining corporate defined benefit plans by reducing the related interest rate under the pension plans. These amendments have resulted in a negative amount of unrecognized prior service cost.

In addition to the above-mentioned net pension and severance costs, additional severance costs of ¥181 million and ¥1,182 million, which related to specific reorganization programs, were recorded in reorganization costs for the years ended March 31, 2003 and 2004, respectively.

Additional severance costs of ¥2,285 million ($21,277 thousand), which related to specific prior pension costs for foreign subsidiaries, were recorded in the consolidated statements of income for the year ended March 31, 2005.

11. Shareholders' equity:

The Company's retained earnings consists of unappropriated retained earnings and legal reserves required by the Commercial Code of Japan. The retained earnings accumulated by the Company are initially recorded as unappropriated retained earnings and later transferred to legal reserve upon approval at the shareholders' meeting.

Under the Commercial Code of Japan, the Company is permitted to transfer to retained earnings the portion of statutory reserve (additional paid-in capital and legal reserve) in excess of 25% of common stock upon approval at the shareholders' meeting. Any transferred portions will be available for dividend distribution. The Company does not currently make such transfers.

Under the Commercial Code of Japan, the appropriation of retained earnings for a fiscal year is made by resolution of shareholders at a general meeting to be held within three months after the balance sheet date, and accordingly such appropriations are recorded at the time of resolution. The Company may pay interim dividends by resolution of the board of directors once during each fiscal year in accordance with the Commercial Code of Japan and the Company's Articles of Incorporation.

For each of the years ended March 31, 2003 and 2004, the Company paid a year-end cash dividend of ¥9 per share and interim cash dividend of ¥9 per share to the shareholders of record as at the respective period-ends. For the year ended March 31, 2005, the Company paid a year-end cash dividend of ¥9 ($0.08) per share and interim cash dividend of ¥13 ($0.12) per share to the shareholders of record as at the respective period-ends.

The proposed appropriation of retained earnings of the Company for the year ended March 31, 2005 approved at the general shareholders' meeting, which will be held on June 24, 2005, is as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥13 per share	¥2,553	$23,773

The Company's common stock was listed on the First Section of the Tokyo Stock Exchange on June 24, 2003. As a result of the listing, 44,500,000 shares of common stock were issued by the Company with the aggregate net proceeds of ¥109,915 million. Of the 44,500,000 shares, 28,305,500 shares of common stock were offered in Japan and 16,194,500 were offered outside of Japan in an international offering. As a result of this issuance, common stock and additional paid-in capital increased ¥40,673 million and ¥69,242 million, respectively.

There were 225 shares and 689 shares of treasury stock as at March 31, 2004 and 2005, respectively.

12. Net income per share:

Calculation of net income per share for the years ended March 31, 2003, 2004 and 2005 were as follows:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	2005	2005
Net income attributable to common shares	¥12,510	¥38,031	¥55,689	$518,568
Less: Bonuses to directors and statutory auditors	(196)	(-)	(-)	(-)
	¥12,314	¥38,031	¥55,689	$518,568
Weighted average number of common shares outstanding:				
-Basic	151,864,511	185,782,470	196,364,103	
-Diluted	-	185,937,667	-	
	Yen			U.S. dollars
Net income per share:				
-Basic	¥81.08	¥204.70	¥283.60	$2.64
-Diluted	¥-	¥204.53	¥-	$-

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the years ended March 31, 2003 and 2005.

13. Income taxes:

Epson is subject to a number of different income taxes which, in the aggregate, resulted in a statutory income tax rate in Japan of approximately 41.7 % for the year ended March 31, 2003, approximately 43.6 % for the year ended March 31, 2004 and approximately 40.4 % for the year ended March 31, 2005.

The significant components of deferred tax assets and liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Deferred tax assets:			
Property, plant and equipment and intangible assets	¥17,511	¥15,629	$145,535
Inter-company profits on inventories and write downs	7,877	14,048	130,813
Accrued bonuses	6,170	6,718	62,557
Devaluation of investment securities	4,118	5,467	50,908
Accrued warranty costs	3,749	4,856	45,218
Net operating tax loss carry-forwards	13,897	4,255	39,622
Accrued pension and severance costs	2,678	1,815	16,901
Allowance for doubtful accounts	1,250	1,261	11,742
Others	11,579	14,113	131,418
Gross deferred tax assets	68,829	68,162	634,714
Less: valuation allowance	(13,418)	(10,897)	(101,471)
Total deferred tax assets	55,411	57,265	533,243
Deferred tax liabilities:			
Undistributed earnings of overseas subsidiaries	(15,438)	(18,799)	(175,053)
Reserve for special depreciation for tax purpose	(3,059)	(3,807)	(35,450)
Net unrealized gains on other securities	(1,021)	(1,384)	(12,888)
Prepaid pension cost	(3,765)	(-)	(-)
Others	(282)	(507)	(4,721)
Gross deferred tax liabilities	(23,565)	(24,497)	(228,112)
Net deferred tax assets	¥31,846	¥32,768	$305,131

The valuation allowance was established mainly against deferred tax assets on future tax-deductible temporary differences and operating tax loss carry-forwards of certain subsidiaries as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future. The net change in the total valuation allowance for the year ended March 31, 2005 was a decrease of ¥2,521 million ($23,475 thousand).

Epson has provided for deferred income taxes on all undistributed earnings of overseas subsidiaries.

The differences between Epson's statutory income tax rate and the income tax rate reflected in the consolidated statements of income were reconciled as follows:

	Year ended March 31		
	2003	2004	2005
Statutory income tax rate	41.7%	43.6%	40.4%
Reconciliation:			
Tax credits	-	-	(6.9)
Recognized tax benefit for inter-company profit elimination	-	-	(3.6)
Changes in valuation allowance	5.1	(5.2)	(0.6)
Entertainment expenses, etc. permanently non-tax deductible	2.1	1.6	(0.1)
Change in income tax rate	(2.4)	0.9	-
Unrecognized tax benefit for inter-company profit elimination	8.1	-	-
Others	4.4	0.0	(2.2)
Income tax rate per statements of income	59.0%	40.9%	27.0%

The statutory income tax rate used in calculation of deferred tax assets and liabilities has been changed due to a change in Japanese tax laws. At March 31, 2003, deferred tax assets and liabilities expected to be realized in the following year were calculated using a 41.7% tax rate, while those expected to be realized after April 1, 2004 were calculated using a 40.4% tax rate. The effect of this change in accounting estimates for the year ended March 31, 2003 was an increase in net deferred tax assets of ¥778 million and a decrease of income tax expense of ¥774 million.

Under the consolidated tax return system, a temporary 2.0% surtax was assessed on consolidated taxable income for the year ended March 31, 2004. As a result, the aggregated statutory income tax rate for Epson was 43.6% for the year ended March 31, 2004.

For fiscal year beginning April 1, 2004, the 2.0% surtax was not assessed on consolidated taxable income under the consolidated tax return system. Therefore, the aggregated statutory income tax rate for Epson was 40.4% for the year ended March 31, 2005.

14. Research and development costs:

Research and development costs, which are included in cost of sales and selling, general and administrative expenses, totaled ¥85,761 million, ¥90,485 million and ¥89,042 million ($829,146 thousand) for the years ended March 31, 2003, 2004 and 2005, respectively.

15. Reorganization costs:

The reorganization costs for the year ended March 31, 2005 mainly represent costs associated with revamping the product mix accompanying a restructuring of the domestic display business.

The reorganization costs for the year ended March 31, 2004 mainly represent reorganization for certain overseas manufacturing plants in the display business.

The reorganization costs for the year ended March 31, 2003 mainly represent write-off of acquired technologies, as well as reorganization cost for certain domestic manufacturing plants in the semiconductor business.

16. Cash flow information:

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Cash and deposits	¥266,254	¥235,597	$2,193,845
Less:			
Short-term bank loans (overdrafts)	(562)	(421)	(3,920)
Time deposits due over three months	(509)	(272)	(2,533)
Cash and cash equivalents	¥265,183	¥234,904	$2,187,392

17. Leases:

As described in Note 2 (16), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the years ended March 31, 2003, 2004 and 2005 amounted to ¥9,039 million, ¥3,211 million and ¥10,369 million ($96,555 thousand), respectively.

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Acquisition cost:			
Machinery and equipment	¥2,483	¥79,822	$743,291
Furniture and fixtures	5,977	4,394	40,916
Intangible assets	1,133	851	7,924
	9,593	85,067	792,131
Less:			
Accumulated depreciation	(5,450)	(38,114)	(354,912)
Accumulated impairment loss	(-)	(1,184)	(11,025)
	(5,450)	(39,298)	(365,937)
Net book value	¥4,143	¥45,769	$426,194

Amounts appearing in the table above include leased property from the SANYO Group transferred to SANYO EPSON.

The acquisition cost, less accumulated depreciation and net book value transferred from the SANYO Group as capital leases that do not transfer the ownership of the assets to the lessee at the end of the lease term at October 1, 2004, were as follows.

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Machinery and equipment	¥76,744	$714,629
Furniture and fixtures	1,196	11,137
	77,940	725,766
Less: accumulated depreciation	(28,498)	(265,369)
Net book value	¥49,442	$460,397

Depreciation expenses for these leased assets for the years ended March 31, 2003, 2004 and 2005 would have been ¥8,422 million, ¥2,997 million and ¥9,435 million ($87,857 thousand), respectively, if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no residual value.

Interest expense for these capital leases for the years ended March 31, 2003, 2004 and 2005 would have been ¥214 million, ¥97 million and ¥982 million ($9,144 thousand), respectively.

Impairment loss for these capital leases, which was recorded in reorganization costs, was ¥1,184 million ($11,025 thousand) for the year ended March 31, 2005. For the years ended March 31, 2003 and 2004, there were no impairment losses for these capital leases.

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

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
Future lease payments	2004	2005	2005
Due within one year	¥1,910	¥16,003	$149,018
Due after one year	2,286	32,638	303,920
Total	¥4,196	¥48,641	$452,938

Amounts appearing in the table above include accrued impairment loss amounted to ¥1,184 million ($11,025 thousand) as of March 31, 2005. There was no accrued impairment loss as of March 31, 2004.

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

Future lease payments	Millions of yen March 31 2004	2005	Thousands of U.S. dollars March 31, 2005
Due within one year	¥2,729	¥3,228	$30,059
Due after one year	8,511	9,205	85,715
Total	¥11,240	¥12,433	$115,774

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

Future lease receipts	Millions of yen March 31 2004	2005	Thousands of U.S. dollars March 31, 2005
Due within one year	¥301	¥319	$2,970
Due after one year	2,008	1,824	16,985
Total	¥2,309	¥2,143	$19,955

18. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at March 31, 2004 and 2005 were ¥3,744 million and ¥2,849 million ($26,529 thousand), respectively. Furthermore, the amount of discounted notes, which consisted of discounted letters of credit, at March 31, 2004 and 2005 were ¥19 million and ¥11 million ($102 thousand), respectively.

19. Related party transactions:

The Company has entered into real estate lease agreements and certain other agreements with K.K. Sunritz ("Sunritz") in which Mr. Yasuo Hattori, a Vice Chairman and Director of the Company, and their relatives own 9.5% and 71.3% of the outstanding shares of Sunritz, respectively. The Company has also purchased land and buildings from Sunritz.

Mr. Hideaki Yasukawa, a Chairman and Director of the Company, is a Chairman of SE GAKUEN Educational Foundation ("SE GAKUEN"). Mr. Hideaki Yasukawa owns 0.1% of the outstanding shares of the Company.

The Company's management believes that all transactions with related parties as described in the preceding paragraphs and in the table below were in accordance with terms and conditions decided on a market-determined basis.

Transactions with these related parties for the years ended March 31, 2003, 2004 and 2005, and related balances at March 31, 2004 and 2005, were as follows:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	2005	2005
Transactions:				
With Sunritz -				
Rental expenses for real estates	¥124	¥120	¥115	$1,071
With SE GAKUEN -				
Other incomes	11	59	69	643
Other expenses	9	17	3	28
With other related companies -				
Other expenses	1	4	57	531

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2004	2005	2005
Balances:			
With Sunritz -			
Other investments	¥2	¥2	$19
With SE GAKUEN -			
Other current assets	4	4	37
Payables	1	-	-

20. 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, HDTV LCD projection television, 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 businesses still in the start-up phase, are categorized within "Other".

The table below summarizes the business segment information of Epson for the years ended March 31, 2003, 2004 and 2005:

Year ended March 31:	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	**2005**	**2005**
Information-related equipment:				
Net sales:				
Customers	¥911,459	¥917,116	**¥942,401**	**$8,775,500**
Inter-segment	4,398	3,264	**3,628**	**33,784**
Total	915,857	920,380	**946,029**	**8,809,284**
Operating expenses	835,431	874,478	**884,474**	**8,236,093**
Operating income	¥80,426	¥45,902	**¥61,555**	**$573,191**
Identifiable assets	¥384,968	¥366,410	**¥373,172**	**$3,474,923**
Depreciation and amortization	¥34,042	¥33,312	**¥30,488**	**$283,900**
Capital expenditures	¥27,656	¥34,797	**¥26,182**	**$243,803**
Electronic devices:				
Net sales:				
Customers	¥328,460	¥413,540	**¥454,616**	**$4,233,318**
Inter-segment	25,828	27,613	**27,995**	**260,685**
Total	354,288	441,153	**482,611**	**4,494,003**
Operating expenses	382,288	400,532	**444,058**	**4,135,003**
Operating income (loss)	(¥28,000)	¥40,621	**¥38,553**	**$359,000**
Identifiable assets	¥402,248	¥352,755	**¥468,588**	**$4,363,423**
Depreciation and amortization	¥75,111	¥58,006	**¥54,685**	**$509,219**
Capital expenditures	¥35,720	¥20,574	**¥109,197**	**$1,016,826**
Precision products:				
Net sales:				
Customers	¥77,155	¥77,736	**¥76,827**	**$715,402**
Inter-segment	2,590	3,366	**4,316**	**40,190**
Total	79,745	81,102	**81,143**	**755,592**
Operating expenses	79,100	78,292	**78,707**	**732,908**
Operating income	¥645	¥2,810	**¥2,436**	**$22,684**
Identifiable assets	¥50,706	¥52,216	**¥50,352**	**$468,871**
Depreciation and amortization	¥4,037	¥4,013	**¥3,930**	**$36,595**
Capital expenditures	¥3,393	¥4,283	**¥4,899**	**$45,619**
Other:				
Net sales:				
Customers	¥5,379	¥4,851	**¥5,906**	**$54,996**
Inter-segment	20,931	24,606	**28,604**	**266,356**
Total	26,310	29,457	**34,510**	**321,352**
Operating expenses	30,042	41,480	**47,514**	**442,444**
Operating loss	(¥3,732)	(¥12,023)	**(¥13,004)**	**($121,092)**
Identifiable assets	¥143,225	¥149,122	**¥147,448**	**$1,373,014**
Depreciation and amortization	¥12,619	¥14,983	**¥15,138**	**$140,963**
Capital expenditures	¥22,342	¥10,725	**¥17,257**	**$160,695**
Eliminations and corporate:				
Net sales	(¥53,747)	(¥58,849)	**(¥64,543)**	**($601,015)**
Operating expenses	(53,768)	(58,940)	**(65,970)**	**(614,303)**
Operating income	¥21	¥91	**¥1,427**	**$13,288**
Identifiable assets	¥214,933	¥285,988	**¥258,230**	**$2,404,600**
Depreciation and amortization	¥-	¥-	**¥-**	**$-**
Capital expenditures	¥-	¥-	**¥-**	**$-**
Consolidated:				
Net sales	¥1,322,453	¥1,413,243	**¥1,479,750**	**$13,779,216**
Operating expenses	1,273,093	1,335,842	**1,388,783**	**12,932,145**
Operating income	¥49,360	¥77,401	**¥90,967**	**$847,071**
Identifiable assets	¥1,196,080	¥1,206,491	**¥1,297,790**	**$12,084,831**
Depreciation and amortization	¥125,809	¥110,314	**¥104,241**	**$970,677**
Capital expenditures	¥89,111	¥70,379	**¥157,535**	**$1,466,943**

The amounts of corporate assets included in “Eliminations and corporate” were ¥227,464 million, ¥299,661 million and ¥277,312 million ($2,582,289 thousand) at March 31, 2003, 2004 and 2005, respectively, and mainly consisted of cash and cash equivalents, investment securities and short-term loans receivable.

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2004	**2005**	**2005**
Information-related equipment:			
Net sales:			
Customers	¥231,859	**¥230,834**	**$2,149,492**
Inter-segment	1,272	**1,216**	**11,324**
Total	233,131	**232,050**	**2,160,816**
Operating expenses	229,878	**221,952**	**2,066,785**
Operating income	¥3,253	**¥10,098**	**$94,031**
Electronic devices:			
Net sales:			
Customers	¥105,564	**¥117,989**	**$1,098,696**
Inter-segment	6,716	**5,937**	**55,285**
Total	112,280	**123,926**	**1,153,981**
Operating expenses	99,814	**136,093**	**1,267,278**
Operating income (loss)	¥12,466	**(¥12,167)**	**($113,297)**
Precision products:			
Net sales:			
Customers	¥18,769	**¥15,981**	**$148,813**
Inter-segment	1,061	**854**	**7,952**
Total	19,830	**16,835**	**156,765**
Operating expenses	20,040	**17,485**	**162,818**
Operating loss	(¥210)	**(¥650)**	**($6,053)**
Other:			
Net sales:			
Customers	¥1,127	**¥1,798**	**$16,743**
Inter-segment	6,645	**7,220**	**67,231**
Total	7,772	**9,018**	**83,974**
Operating expenses	10,910	**13,134**	**122,301**
Operating loss	(¥3,138)	**(¥4,116)**	**($38,327)**
Eliminations and corporate:			
Net sales	(¥15,694)	**(¥15,227)**	**($141,792)**
Operating expenses	(15,711)	**(16,186)**	**(150,722)**
Operating income	¥17	**¥959**	**$8,930**
Consolidated:			
Net sales	¥357,319	**¥366,602**	**$3,413,744**
Operating expenses	344,931	**372,478**	**3,468,460**
Operating income (loss)	¥12,388	**(¥5,876)**	**($54,716)**

(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 years ended March 31, 2003, 2004 and 2005:

Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	**2005**	**2005**
Japan:				
Net sales:				
Customers	¥637,544	¥686,553	**¥694,344**	**$6,465,630**
Inter-segment	478,441	491,089	**540,694**	**5,034,864**
Total	1,115,985	1,177,642	**1,235,038**	**11,500,494**
Operating expenses	1,097,056	1,141,043	**1,192,107**	**11,100,727**
Operating income	¥18,929	¥36,599	**¥42,931**	**$399,767**
Identifiable assets	¥785,754	¥758,593	**¥851,767**	**$7,931,530**
The Americas:				
Net sales:				
Customers	¥230,263	¥224,683	**¥242,898**	**$2,261,831**
Inter-segment	39,315	42,320	**41,618**	**387,540**
Total	269,578	267,003	**284,516**	**2,649,371**
Operating expenses	262,468	255,937	**271,363**	**2,526,892**
Operating income	¥7,110	¥11,066	**¥13,153**	**$122,479**
Identifiable assets	¥83,814	¥74,024	**¥77,661**	**$723,168**
Europe:				
Net sales:				
Customers	¥258,278	¥297,772	**¥325,998**	**$3,035,646**
Inter-segment	5,573	2,497	**2,525**	**23,512**
Total	263,851	300,269	**328,523**	**3,059,158**
Operating expenses	260,665	290,719	**317,000**	**2,951,858**
Operating income	¥3,186	¥9,550	**¥11,523**	**$107,300**
Identifiable assets	¥73,667	¥73,820	**¥74,867**	**$697,150**
Asia/Oceania:				
Net sales:				
Customers	¥196,368	¥204,235	**¥216,510**	**$2,016,109**
Inter-segment	439,632	478,878	**481,541**	**4,484,040**
Total	636,000	683,113	**698,051**	**6,500,149**
Operating expenses	620,376	664,517	**677,897**	**6,312,478**
Operating income	¥15,624	¥18,596	**¥20,154**	**$187,671**
Identifiable assets	¥204,989	¥193,401	**¥185,522**	**$1,727,554**
Eliminations and corporate:				
Net sales	(¥962,961)	(¥1,014,784)	**(¥1,066,378)**	**($9,929,956)**
Operating expenses	(967,472)	(1,016,374)	**(1,069,584)**	**(9,959,810)**
Operating income	¥4,511	¥1,590	**¥3,206**	**$29,854**
Identifiable assets	¥47,856	¥106,653	**¥107,973**	**$1,005,429**
Consolidated:				
Net sales	¥1,322,453	¥1,413,243	**¥1,479,750**	**$13,779,216**
Operating expenses	1,273,093	1,335,842	**1,388,783**	**12,932,145**
Operating income	¥49,360	¥77,401	**¥90,967**	**$847,071**
Identifiable assets	¥1,196,080	¥1,206,491	**¥1,297,790**	**$12,084,831**

The amounts of corporate assets included in “Eliminations and corporate” were ¥227,464 million, ¥299,661 million and ¥277,312 million ($2,582,289 thousand) at March 31, 2003, 2004 and 2005, respectively, and mainly consisted of cash and cash equivalents, investment securities and short-term loans receivable.

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2004	**2005**	**2005**
Japan:			
Net sales:			
Customers	¥166,342	**¥181,951**	**$1,694,301**
Inter-segment	121,465	**107,557**	**1,001,555**
Total	287,807	**289,508**	**2,695,856**
Operating expenses	284,564	**307,771**	**2,865,918**
Operating income (loss)	¥3,243	**(¥18,263)**	**($170,062)**
The Americas:			
Net sales:			
Customers	¥58,090	**¥57,124**	**$531,930**
Inter-segment	10,069	**6,703**	**62,418**
Total	68,159	**63,827**	**594,348**
Operating expenses	64,112	**62,412**	**581,172**
Operating income	¥4,047	**¥1,415**	**$13,176**
Europe:			
Net sales:			
Customers	¥84,262	**¥79,004**	**$735,674**
Inter-segment	456	**494**	**4,600**
Total	84,718	**79,498**	**740,274**
Operating expenses	82,466	**75,329**	**701,453**
Operating income	¥2,252	**¥4,169**	**$38,821**
Asia/Oceania:			
Net sales:			
Customers	¥48,625	**¥48,523**	**$451,839**
Inter-segment	109,134	**100,526**	**936,083**
Total	157,759	**149,049**	**1,387,922**
Operating expenses	157,925	**150,027**	**1,397,029**
Operating loss	(¥166)	**(¥978)**	**($9,107)**
Eliminations and corporate:			
Net sales	(¥241,124)	**(¥215,280)**	**($2,004,656)**
Operating expenses	(244,136)	**(223,061)**	**(2,077,112)**
Operating income	¥3,012	**¥7,781**	**$72,456**
Consolidated:			
Net sales	¥357,319	**¥366,602**	**$3,413,744**
Operating expenses	344,931	**372,478**	**3,468,460**
Operating income (loss)	¥12,388	**(¥5,876)**	**($54,716)**

(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 years ended March 31, 2003, 2004 and 2005:

Year ended March 31:

	Millions of yen			Thousands of U.S. dollars
	Year ended March 31			Year ended March 31,
	2003	2004	**2005**	**2005**
Overseas sales:				
The Americas	¥239,936	¥235,116	**¥266,649**	**$2,482,997**
Europe	318,575	363,424	**386,091**	**3,595,223**
Asia/Oceania	274,307	310,806	**292,276**	**2,721,631**
Total	832,818	909,346	**945,016**	**8,799,851**
Consolidated net sales	¥1,322,453	¥1,413,243	**¥1,479,750**	**$13,779,216**
Percentage:				
The Americas	18.1%	16.6%	**18.0%**	
Europe	24.1	25.7	**26.1**	
Asia/Oceania	20.8	22.0	**19.8**	
Total	63.0%	64.3%	**63.9%**	

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

Three months ended March 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended March 31		Three months ended March 31,
	2004	**2005**	**2005**
Overseas sales:			
The Americas	¥59,260	**¥59,977**	**$558,497**
Europe	96,420	**95,969**	**893,649**
Asia/Oceania	70,982	**65,288**	**607,953**
Total	226,662	**221,234**	**2,060,099**
Consolidated net sales	¥357,319	**¥366,602**	**$3,413,744**
Percentage:			
The Americas	16.6%	**16.3%**	
Europe	27.0	**26.2**	
Asia/Oceania	19.8	**17.8**	
Total	63.4%	**60.3%**	

Supplementary Information

Consolidated year ended March 31, 2005

Cautionary Statement

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

1. Sales by division

(Unit: billion yen)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase %	Forecast for the year ended March 31, 2006
Information-related equipment	920.4	946.0	2.8%	1,015.0
Imaging & information	733 1	820.3	11.9%	873.0
Visual instruments	87.3	90.7	3.9%	104.0
System device & PC	113.7	-	- %	-
Other	-	48.6	- %	50.0
Intra-segment sales	(13.7)	(13.6)	- %	(12.0)
Electronic devices	441 1	482.6	9.4%	554.0
Display	298.5	316.8	6.1%	383.0
Semiconductor	146.4	139.5	(4.7%)	120.0
Quartz device	43.2	49.8	15.2%	71.0
Other	2.9	2.1	(27.5%)	2.0
Intra-segment sales	(49 9)	(25.6)	- %	(22.0)
Precision products	81.1	81.1	0.0%	89.0
Other	29.5	34.5	17.2%	33.0
Inter-segment sales	(58.9)	(64.5)	- %	(68.0)
Consolidated sales	1,413.2	1,479.7	4.7%	1,623.0

(Note) Divisional category of information-related equipment segment is changed to “Imaging & information”, “Visual instruments” and “Other” from 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 year ended March 31, 2005.

As a result of it, net sales increased by ¥64.0 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 decreased by ¥64.0 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 years ended March 31, 2004, 2005 and 2006. The sales by division for the year ended March 31, 2004 was categorized as if the new divisional classification had been applied retroactively.

(Unit: billion yen)

		Year ended March 31, 2004	Year ended March 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment		920.4	946.0	2.8%	1,015.0	7.3%
	Imaging & information	792.6	820 3	3 5%	873.0	6.4%
	Visual instruments	87.3	90.7	3 9%	104.0	14.7%
	Other	54.0	48.6	(10 2%)	50.0	3.0%
	Intra-segment sales	(13 5)	(13.6)	- %	(12.0)	- %
Electronic devices		441.1	482.6	9.4%	554.0	14.8%
	Display	298.5	316.8	6 1%	383.0	20.9%
	Semiconductor	146.4	139.5	(4.7%)	120.0	(14.0%)
	Quartz device	43.2	49.8	15.2%	71.0	42.5%
	Other	2.9	2.1	(27.5%)	2.0	(4.7%)
	Intra-segment sales	(49 9)	(25.6)	- %	(22.0)	- %
Precision products		81.1	81.1	0.0%	89.0	9.7%
Other		29.5	34.5	17.2%	33.0	(4.4%)
Inter-segment sales		(58.9)	(64.5)	- %	(68.0)	- %
Consolidated sales		1,413 2	1,479.7	4.7%	1,623.0	9.7%

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Information-related equipment					
Net sales:					
Customers	917.1	942.4	2.8%	1,014.0	7.6%
Inter-segment	3.3	3.6	11.2%	1.0	(72.4%)
Total	920.4	946.0	2.8%	1,015.0	7.3%
Operating expenses	874 5	884.4	1.1%	925.0	4.6%
Operating income	45.9	61.6	34.1%	90.0	46.2%
Electronic devices					
Net sales:					
Customers	413.5	454.6	9.9%	519.0	14.2%
Inter-segment	27.6	28.0	1.4%	35.0	25.0%
Total	441 1	482.6	9.4%	554.0	14.8%
Operating expenses	400.5	444.0	10.9%	541.0	21.8%
Operating income	40.6	38.6	(5.1%)	13.0	(66.3%)
Precision products					
Net sales:					
Customers	77.7	76.8	(1.2%)	84.0	9.3%
Inter-segment	3.4	4.3	28.2%	5.0	15.8%
Total	81.1	81.1	0.0%	89.0	9.7%
Operating expenses	78.3	78.7	0.5%	84.0	6.7%
Operating income	2.8	2.4	(13.3%)	5.0	105.2%
Other					
Net sales:					
Customers	4.9	5.9	21.7%	6.0	1.6%
Inter-segment	24.6	28.6	16.2%	27.0	(5.6%)
Total	29.5	34.5	17.2%	33.0	(4.4%)
Operating expenses	41.5	47.5	14.5%	49.0	3.1%
Operating loss	(12.0)	(13.0)	-%	(16.0)	-%
Elimination and corporate					
Net sales	(58.9)	(64.5)	-%	(68.0)	-%
Operating expenses	(59.0)	(65 9)	-%	(68.0)	-%
Operating income	0 1	1.4	1,474.6%	-	-%
Consolidated					
Net sales	1,413.2	1,479.7	4.7%	1,623.0	9.7%
Operating expenses	1,335.8	1,388.7	4.0%	1,531.0	10.2%
Operating income	77.4	91.0	17.5%	92.0	1.1%

3. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Capital expenditure	68.8	151.3	119.9%	148.5	(1.9%)
Information-related equipment	33.0	29.1	(11.7%)	35.4	21.4%
Electronic devices	21.3	99.4	366.0%	68.5	(31.0%)
Precision products	4.0	5.1	28.1%	5.9	15.7%
Other	10.5	17.7	68.8%	38.7	118.5%
Depreciation and amortization	110.3	104.2	(5.5%)	123 9	18.8%
Information-related equipment	33.3	30.5	(8.5%)	33.4	9.7%
Electronic devices	58.0	54.7	(5.7%)	69.0	26.1%
Precision products	4.0	3.9	(2.1%)	4.6	16.4%
Other	15.0	15.1	1.0%	16.9	11.5%

4. Research and development

(Unit: billion yen)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase %	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 %
Research and Development	90.5	89.0	(1.6%)	92.6	4.0%
R&D / sales ratio	6.4%	6.0%		5.7%	

5. Management indices

(Unit: %)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase Point	Forecast for the year ended March 31, 2006	Increase compared to year ended March 31, 2005 Point
Return on equity (ROE)	10.9%	12.6%	1.7	10.9%	(1.7)
Return on assets (ROA)	5.4%	5.9%	0.5	6.0%	0.1
Return on sales (ROS)	4.6%	5.0%	0.4	5 1%	0.1

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

6. Foreign exchange fluctuation effect on net sales

(Unit: billion yen)

	Year ended March 31, 2004	Year ended March 31, 2005	Increase
Foreign exchange effect	(10.4)	(14.0)	(3.6)
U.S. dollars	(19.0)	(13.3)	5.7
Euro	19.5	6.2	(13.3)
Other	(10.9)	(6.9)	4.0
Exchange rate			
Yen / U.S. dollars	113.07	107.55	
Yen / Euro	132.61	135.19	

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

7. Inventory

(Unit: billion yen)

	September 30, 2004	March 31, 2004	March 31, 2005	Increase compared to March 31, 2004
Inventory	204.7	155.9	176.7	20.8
Information-related equipment	140.4	96.9	107.4	10.5
Electronic devices	49.4	45.7	54.4	8.7
Precision products	13.7	12.1	13.4	1 3
Other / Corporate	1 2	1.2	1 5	0 3
				(Unit: days)
Turnover by days	55	40	44	4
Information-related equipment	59	39	41	2
Electronic devices	41	38	41	3
Precision products	57	55	60	5
Other / Corporate	15	15	16	1

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

8. Employees

(Unit: person)

	September 30, 2004	March 31, 2004	March 31, 2005	Increase compared to March 31, 2004
Number of employees at period end	86,919	84,899	85,647	748
Domestic	21,151	21,044	22,842	1,798
Overseas	65,768	63,855	62,805	(1,050)