

First-Half & 2Q Financial Results
Fiscal Year 2005
(Ending March 31, 2006)

October 26, 2005

SEIKO EPSON CORPORATION

Disclaimer

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

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

Numerical values

All numbers are rounded to the nearest unit.

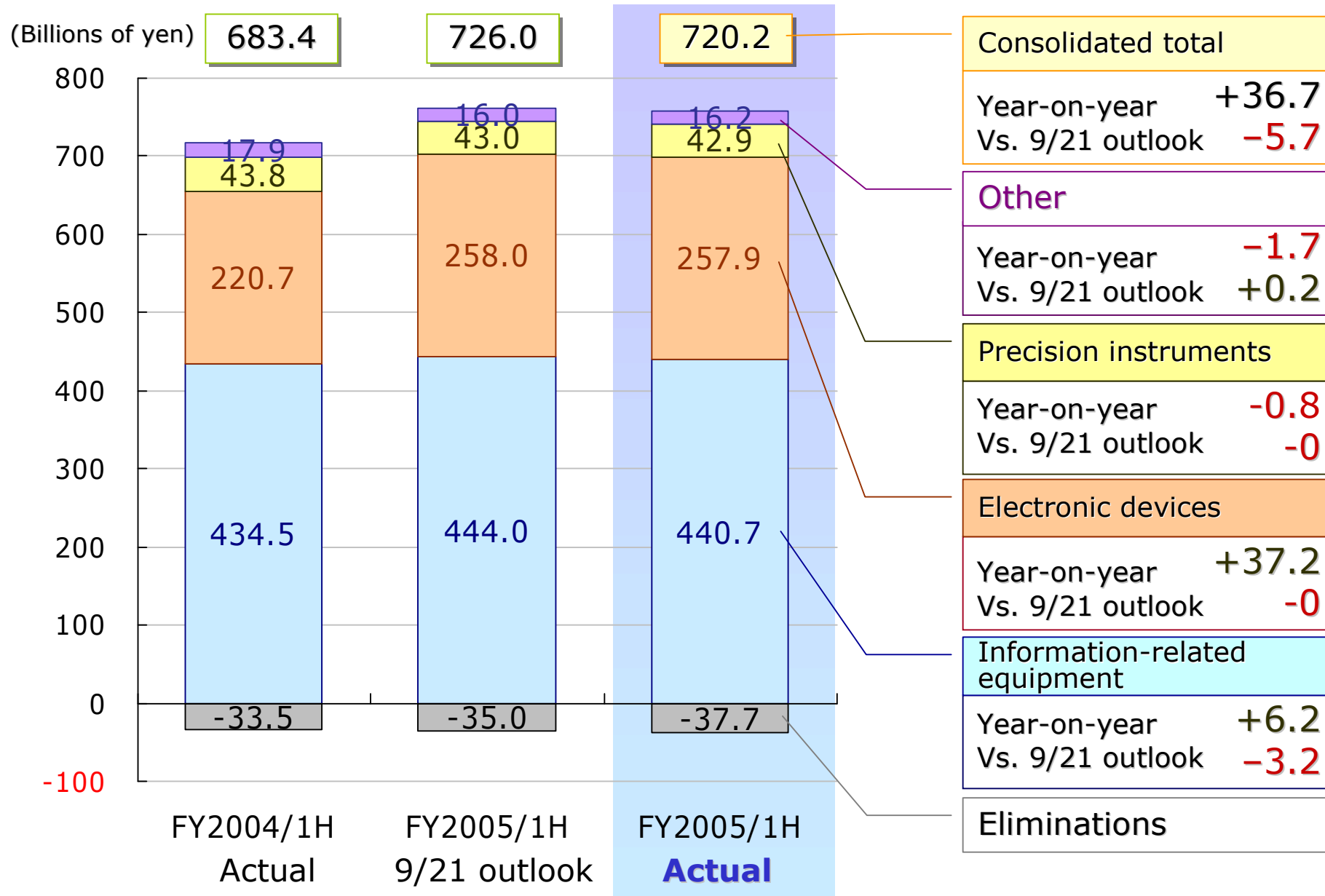
All percentages are rounded off to one decimal place.

1. Overview

2. Details

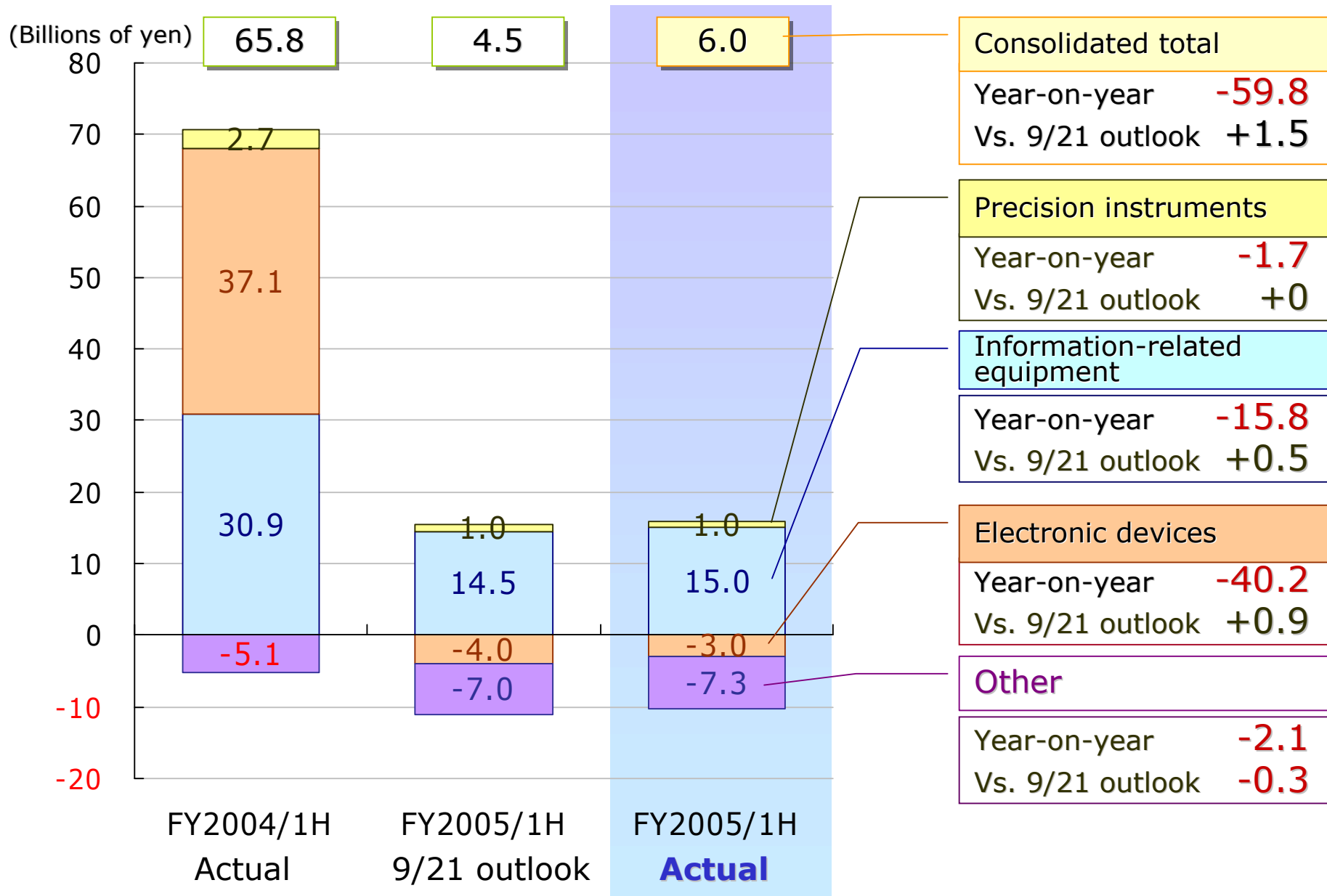
Half-Year Financial Highlights

▶ Net sales (by business segment)



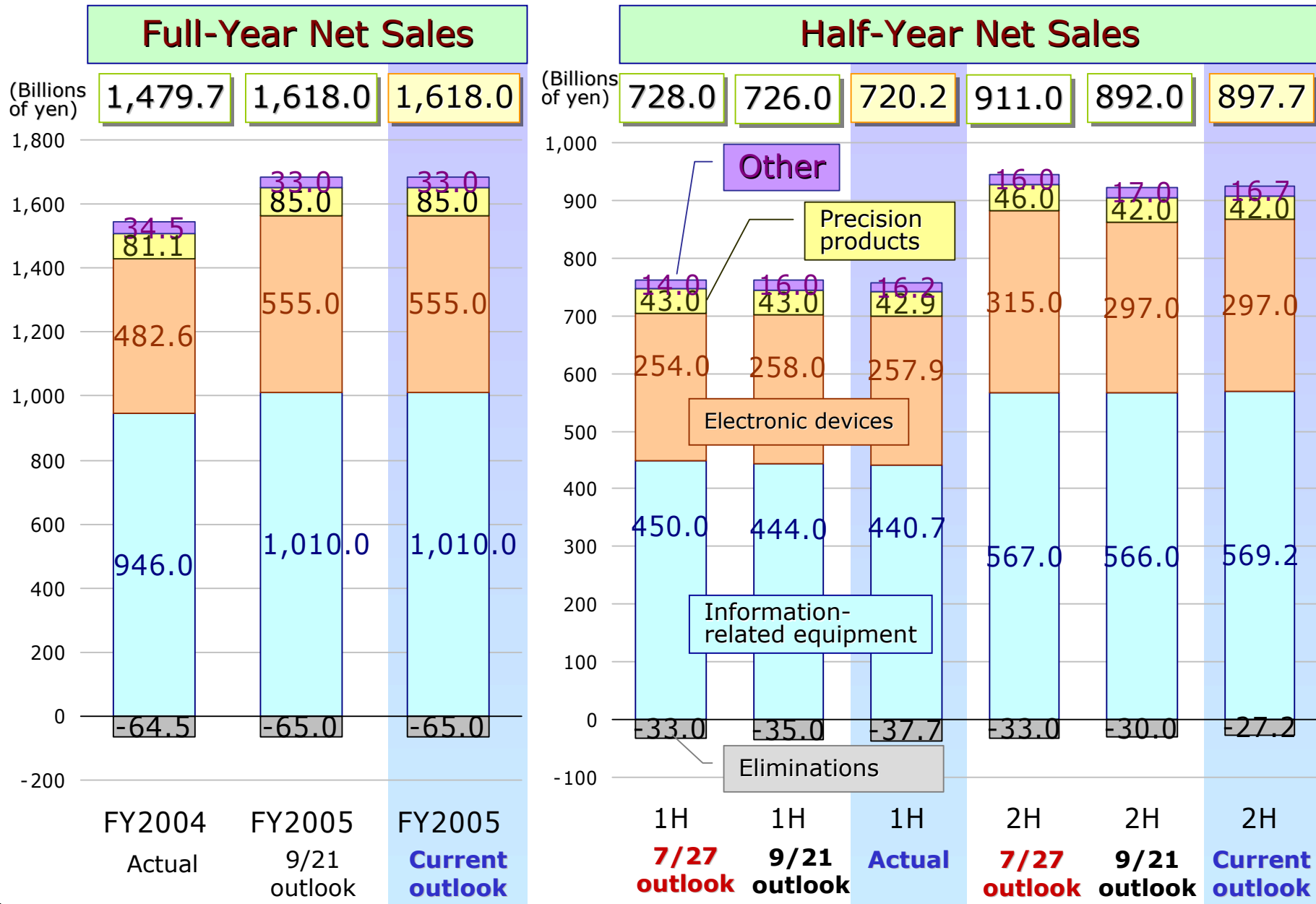
Half-Year Financial Highlights

▶ Operating income (by business segment)



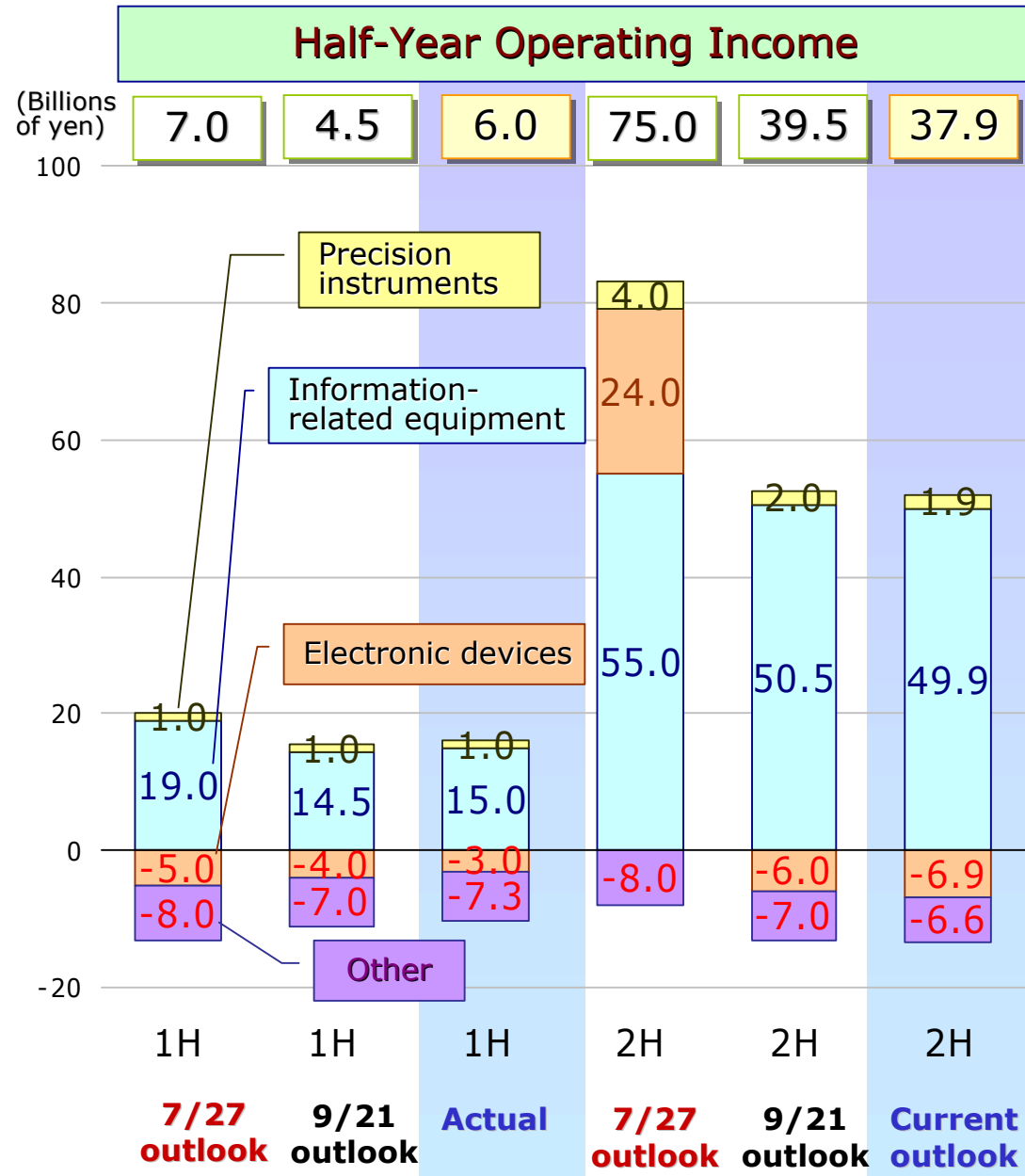
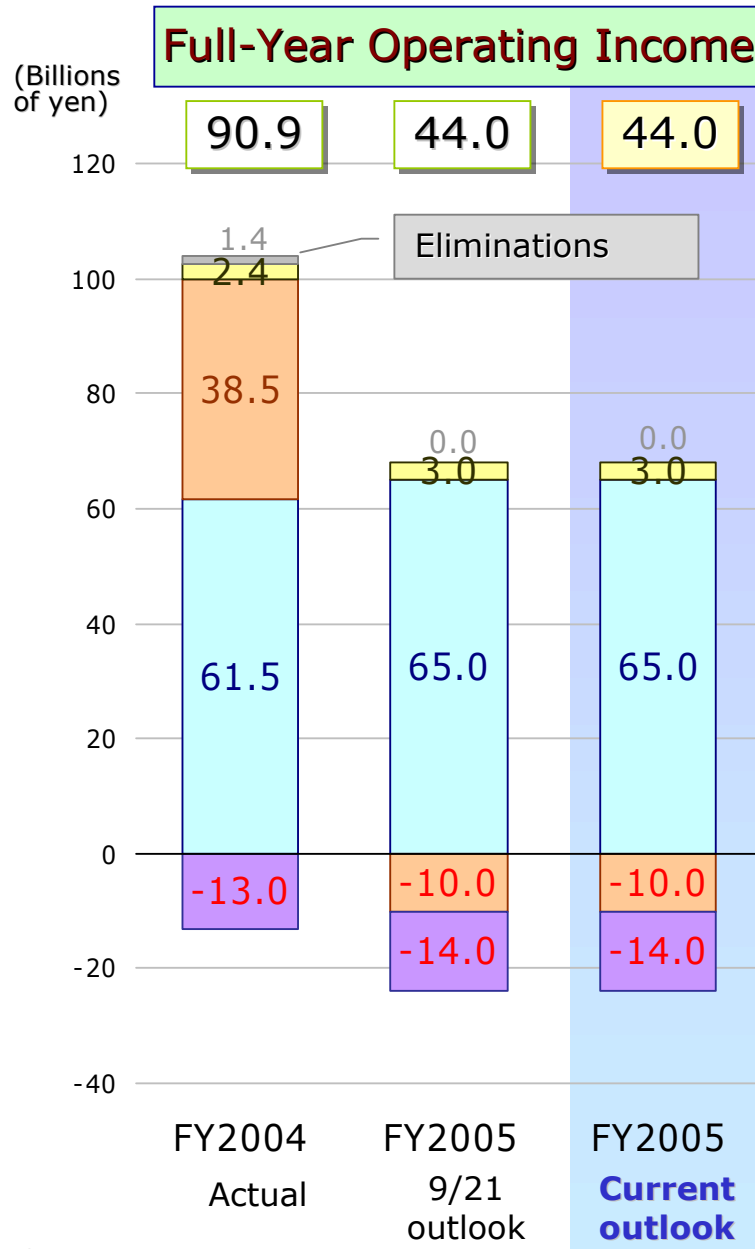
FY2005 Business Outlook

▶ Net sales (by business segment)

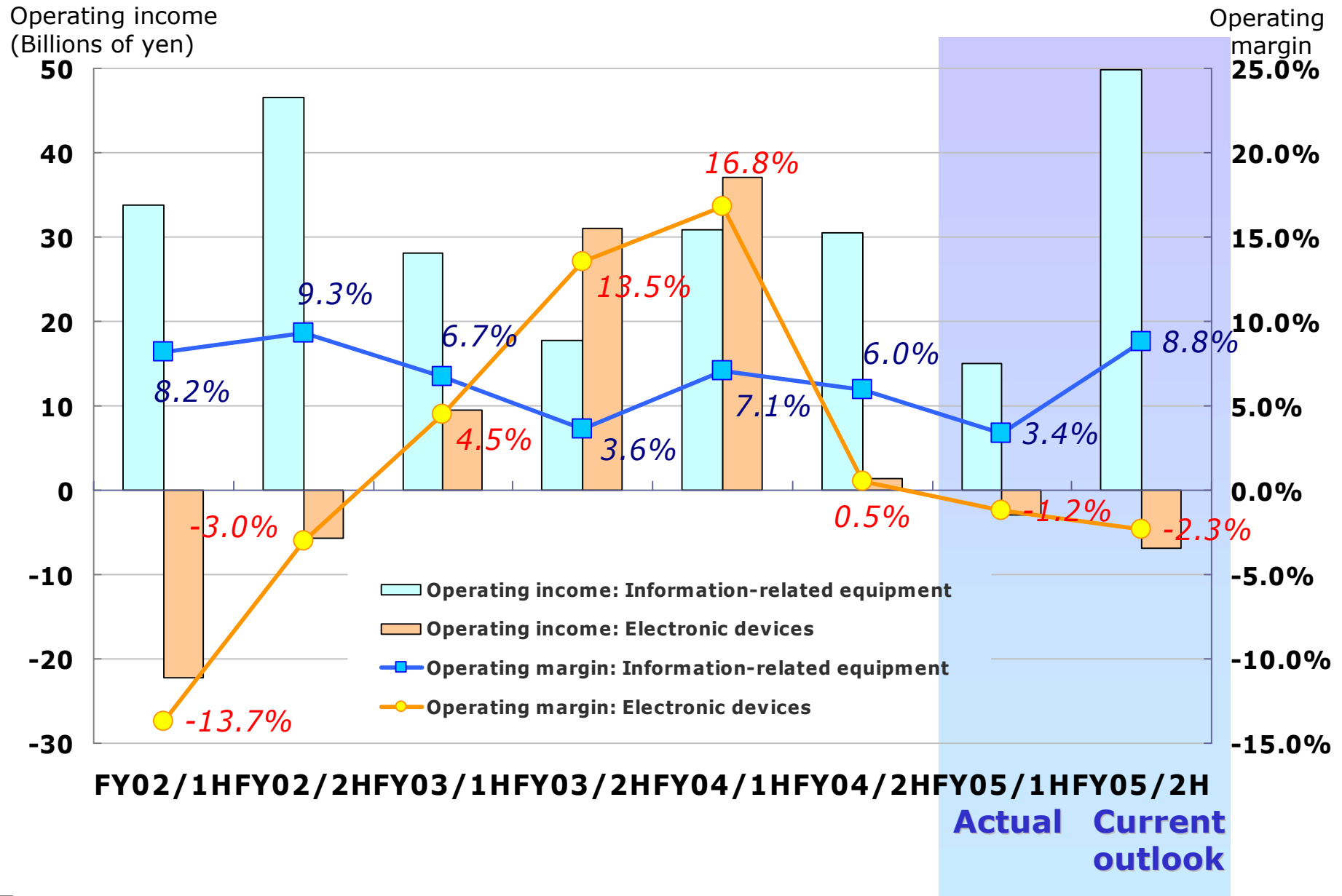


FY2005 Business Outlook

▶ Operating income (by business segment)



Operating Income (Actual and Outlook)



Key second-half actions



- ◆ Expand sales of new inkjet printer products
 - ✓ Smooth start & on-time launches in US, Europe & Japan
 - ✓ Roll out powerful sales promotions tailored to specific regions
 - ✓ Expand sales of ink cartridges
- ◆ Bolster the European inkjet printer business
 - ✓ Drive a pan-European strategy in combination with country-specific strategies
 - ✓ Improve model mix by accelerating the shift toward all-in-ones and expanding sales of direct-print photo models
 - ✓ Increase the ratio of genuine Epson ink cartridges
- ◆ Roll out color laser all-in-ones globally
 - ✓ Achieve low-cost, maintenance-free products & penetrate the low-end office copier market
 - ✓ Expand sales of toner cartridges
- ◆ Drive down costs and expenses



**Photo Direct MFP
Stylus Photo RX520**



**Color Laser MFP
AcuLaser CX11N/LP-A500**

Key second-half actions

◆ Display business

- ✓ C-STN, MD-TFD: Further streamline highly efficient operations
- ✓ a-TFT, LTPS: Reduce costs ahead of market price trends and create high added-value products by accelerating the development of differentiated technology
- ✓ HTPS: Strengthen cost competitiveness and introduce new technologies (inorganic alignment layer, etc.) early



Photo Fine
Chromarich LCD

◆ Semiconductor business

- ✓ Pursue low-cost operations and capture potential orders

◆ Quartz device business



- ✓ Roll out "No. 1" strategy with October start of operations at Epson Toyocom
- ✓ Leverage synergies to overwhelm rivals in timing devices

Keys to achieving the second-half plan

Information-related
equipment

Achieve planned volumes, esp. in IJP

Electronic devices

Reduce costs in pace with market price trends

Key strategies for the second half of FY2005

- Implement measures to solidly improve profitability
 - Drive cost reduction initiatives from all angles in each business
 - Reduce fixed costs & carefully select investments

Recovery & growth strategy for FY2006 and beyond

- Review and revise the medium-range business plan (Action07)
 - Implement structural changes to enhance resistance to changes in operating environment and maintain continuous profitability.
 - Adhere to Action07 targets but rework plans to rebuild the business and restart growth.
 - ⇒ Present plans when 3Q results are announced (in late January)
 - ⇒ Present the medium-range business plan in mid March

1. Overview

2. Details

First Half Financial Highlights



	FY2004		FY2005				Change (amount & %)	
	Actual	%	9/21 outlook	%	Actual	%	Vs. year ago	Vs. 9/21 outlook
(Billions of yen)								
Net sales	683.4	-	726.0	-	720.2	-	+36.7 +5.4%	-5.7 -0.8%
Operating income	65.8	9.6%	4.5	0.6%	6.0	0.8%	-59.8 -90.9%	+1.5 +33.4%
Ordinary income	63.7	9.3%	7.0	1.0%	8.8	1.2%	-54.8 -86.1%	+1.8 +26.8%
Net income before income taxes	59.5	8.7%	5.0	0.7%	7.6	1.1%	-51.8 -87.1%	+2.6 +54.0%
Net income	39.4	5.8%	△2.0	-0.3%	△1.1	-0.2%	-40.6 -102.9%	+0.8 +42.0%
EPS	201.02 yen		- yen		△5.91 yen			
Exchange rate	USD	109.86 yen	- yen		109.48 yen			
	EUR	133.32 yen	- yen		135.65 yen			

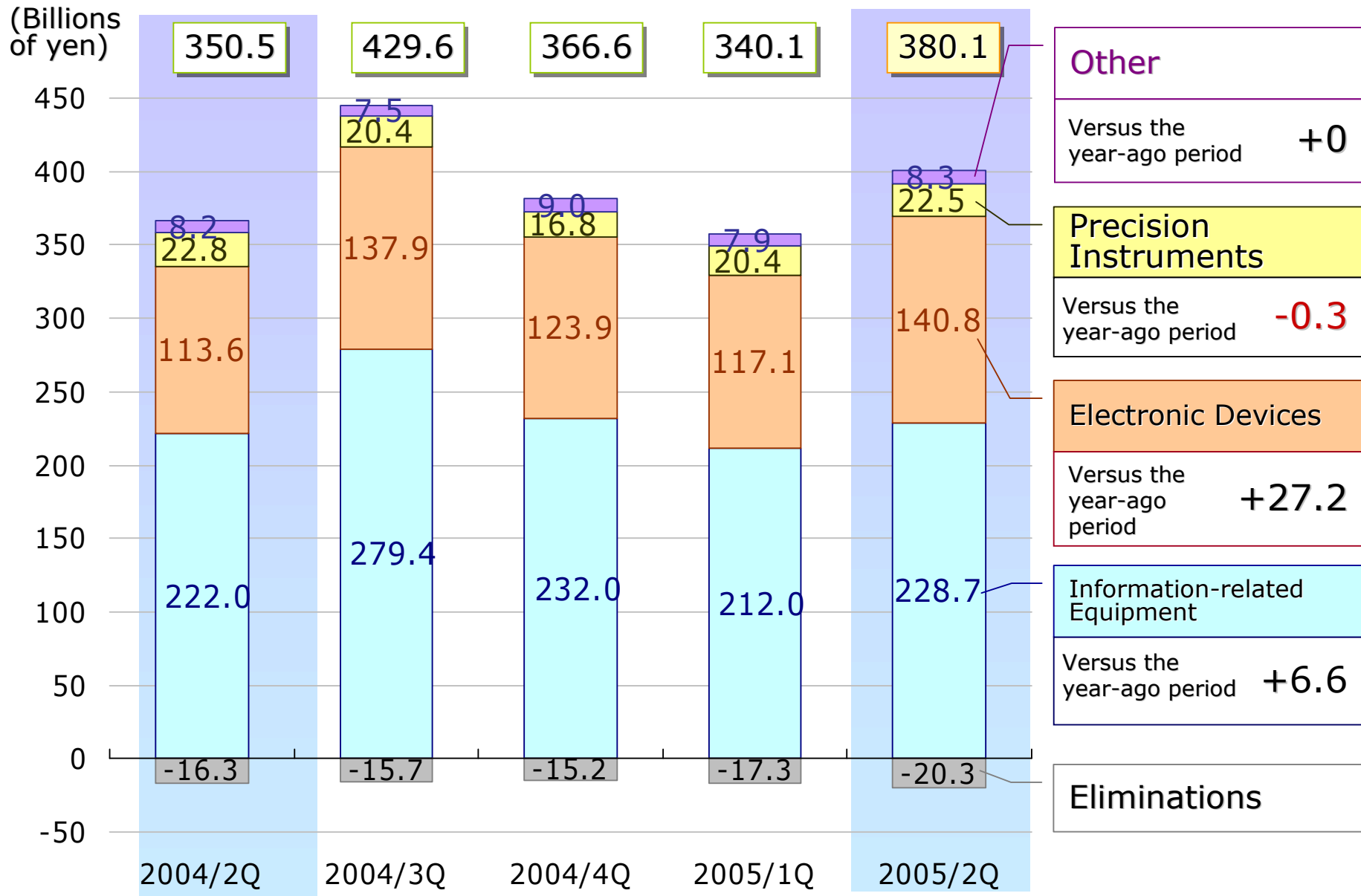
Financial Highlights (2Q)



(Billions of yen)		FY2004		FY2005		Change	
		2Q	%	2Q	%	Amount	%
Net sales		350.5	-	380.1	-	+29.5	+8.4%
Operating income		33.1	9.5%	11.0	2.9%	-22.0	-66.7%
Ordinary income		32.0	9.1%	11.6	3.1%	-20.4	-63.7%
Net income before income taxes		30.1	8.6%	11.4	3.0%	-18.7	-62.1%
Net income		21.8	6.2%	5.8	1.5%	-15.9	-73.1%
Exchange rate	USD	109.96 yen		111.28 yen			
	EUR	134.37 yen		135.72 yen			

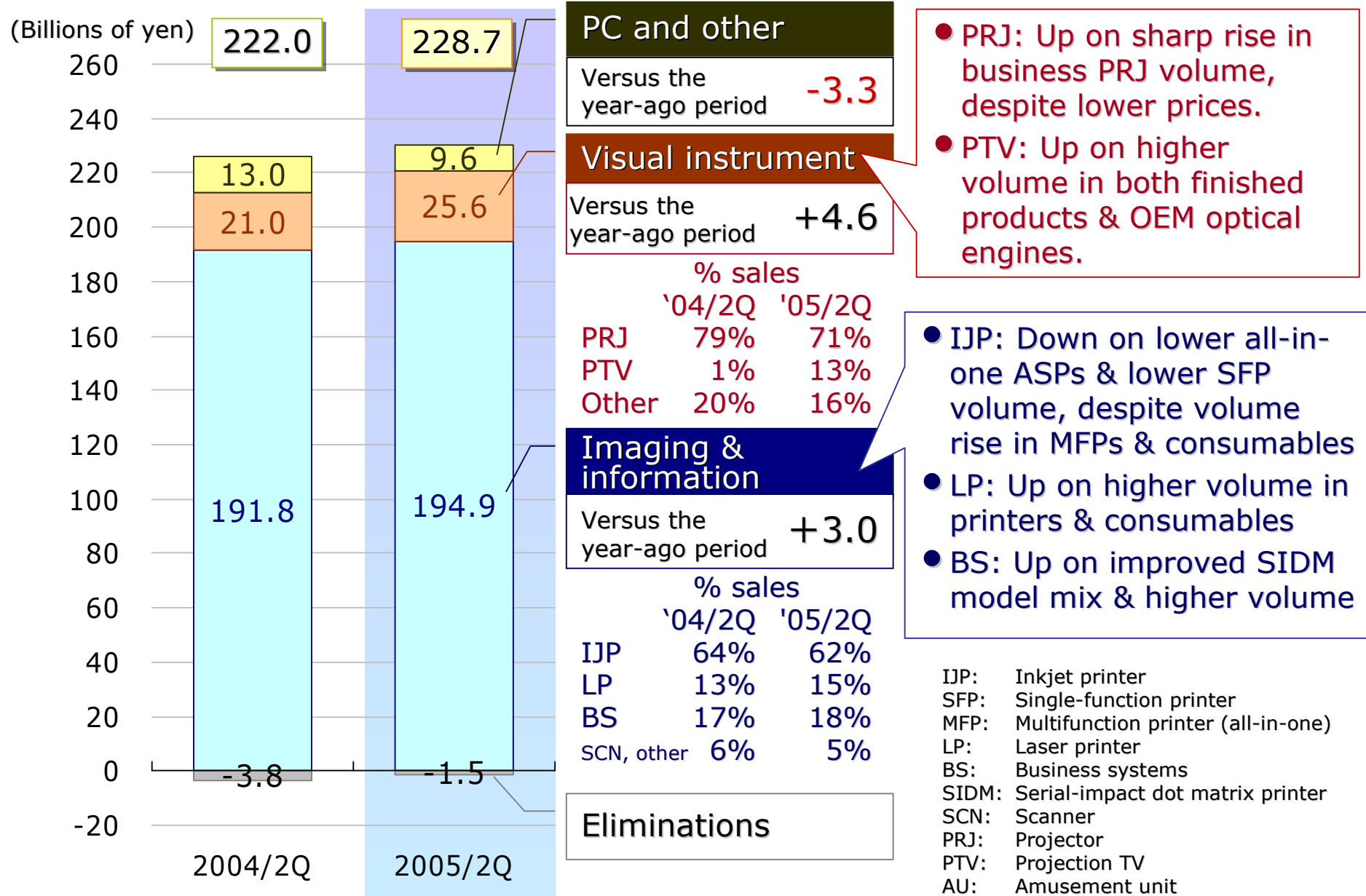
Quarterly Net Sales

► By business segment



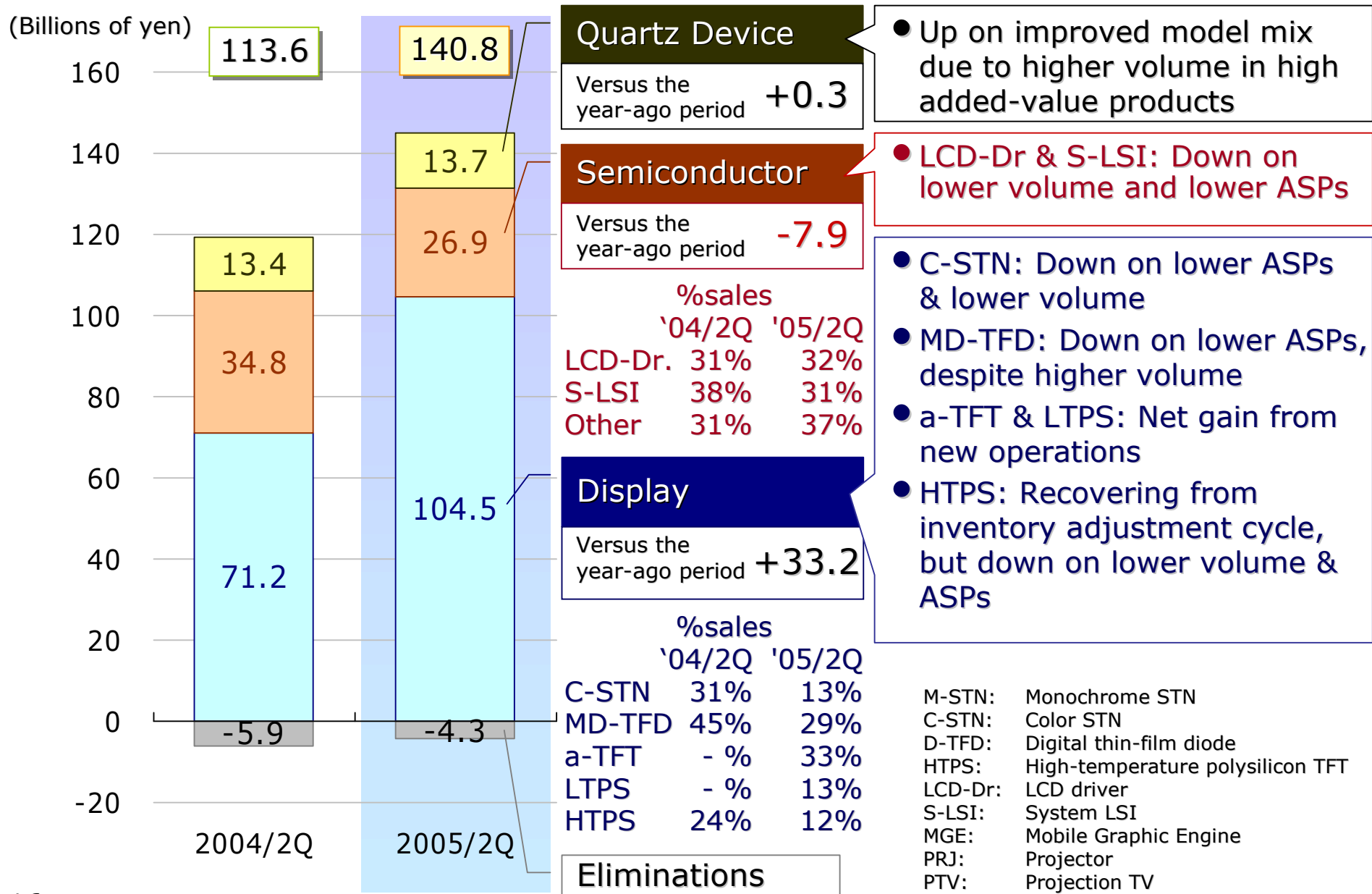
Quarterly Net Sales Comparison

Information related equipment

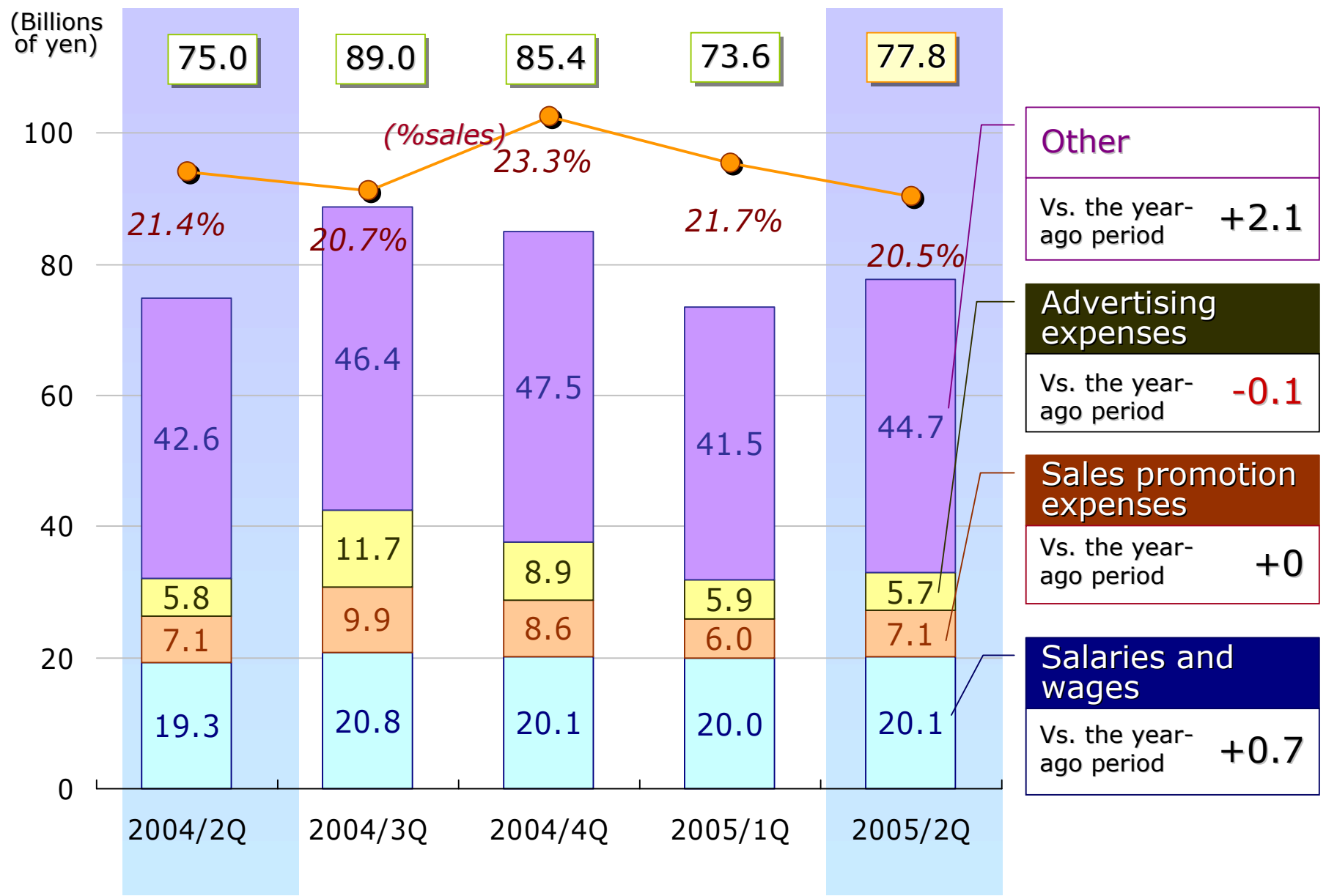


Quarterly Net Sales Comparison

▶ Electronic devices

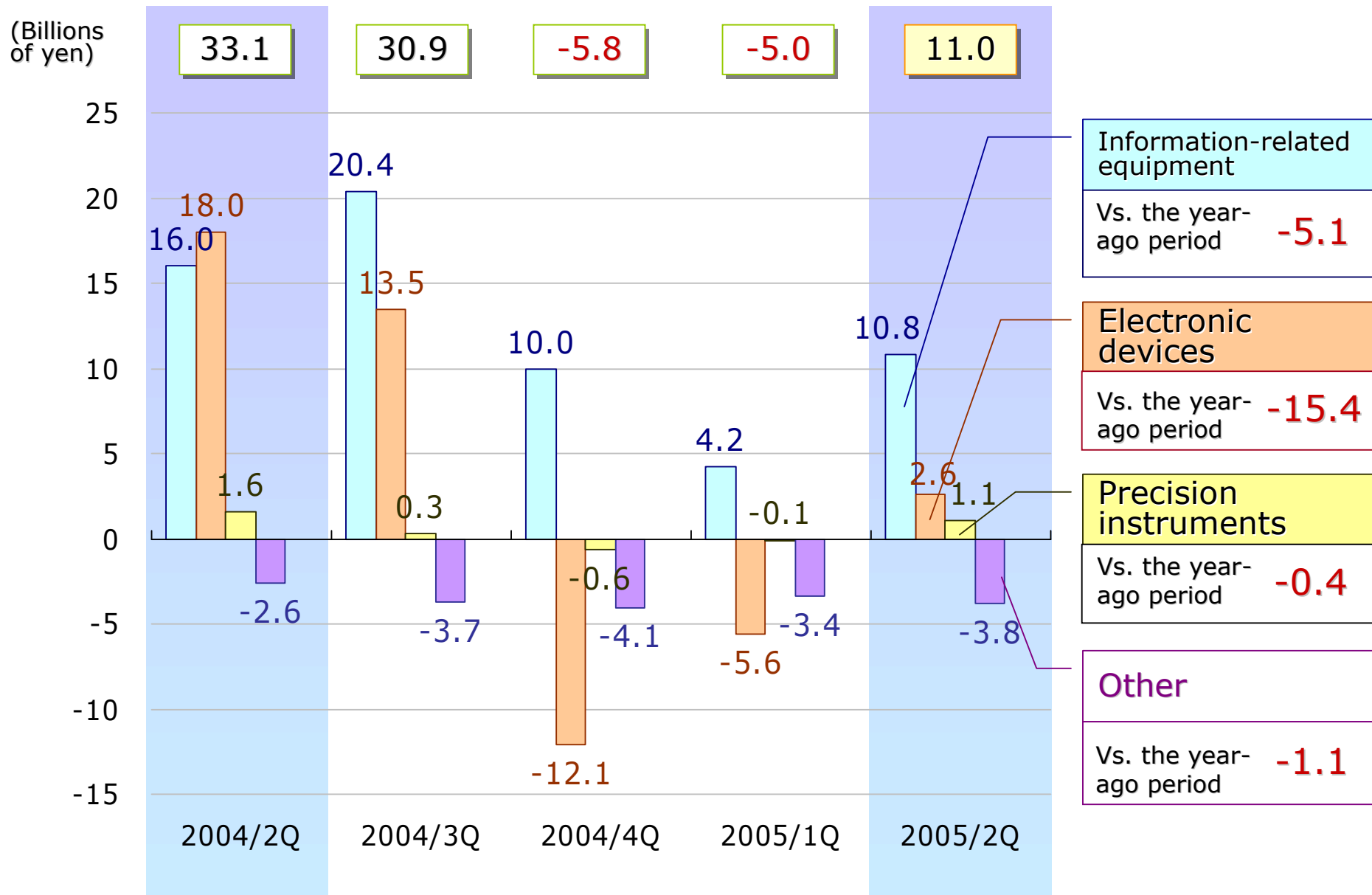


Quarterly Selling, General and Administrative Expenses

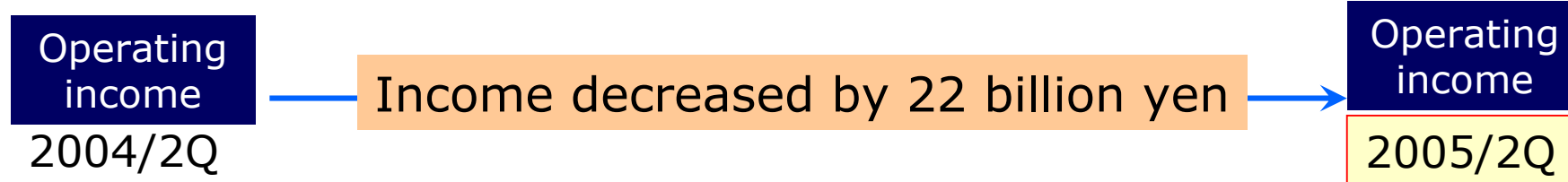
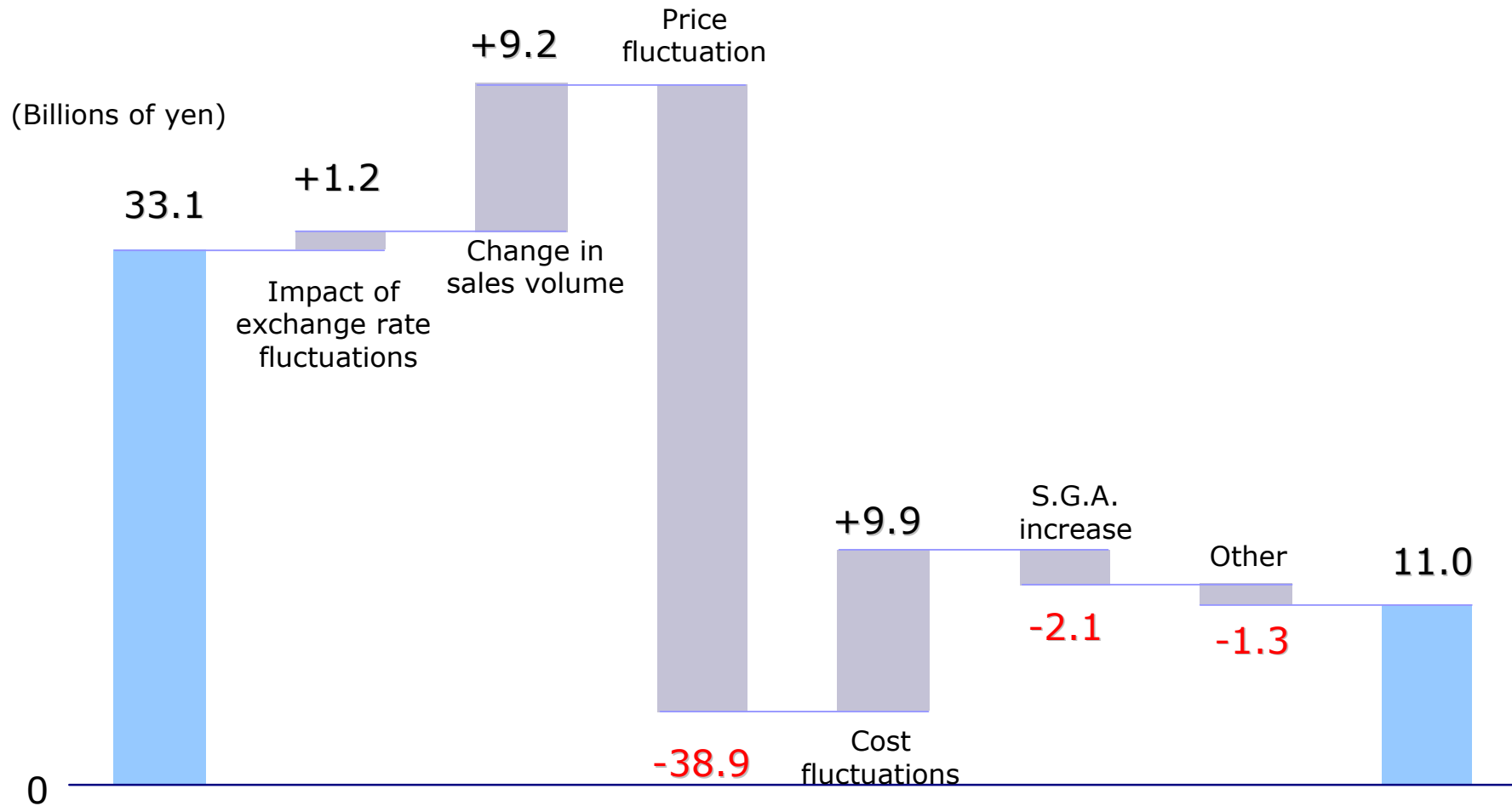


Quarterly Operating Income

► By business segment

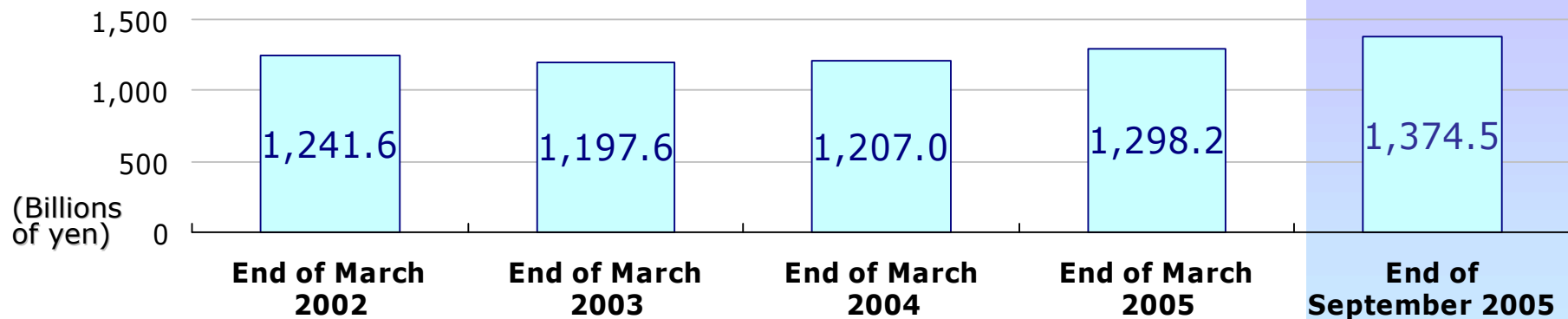


Operating Income Fluctuation Cause Analysis

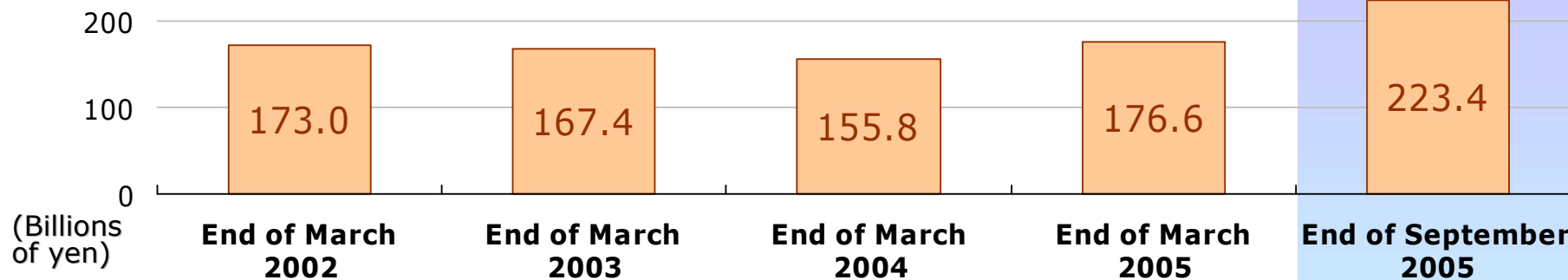


Statistics of Balance Sheet Items

Total Assets

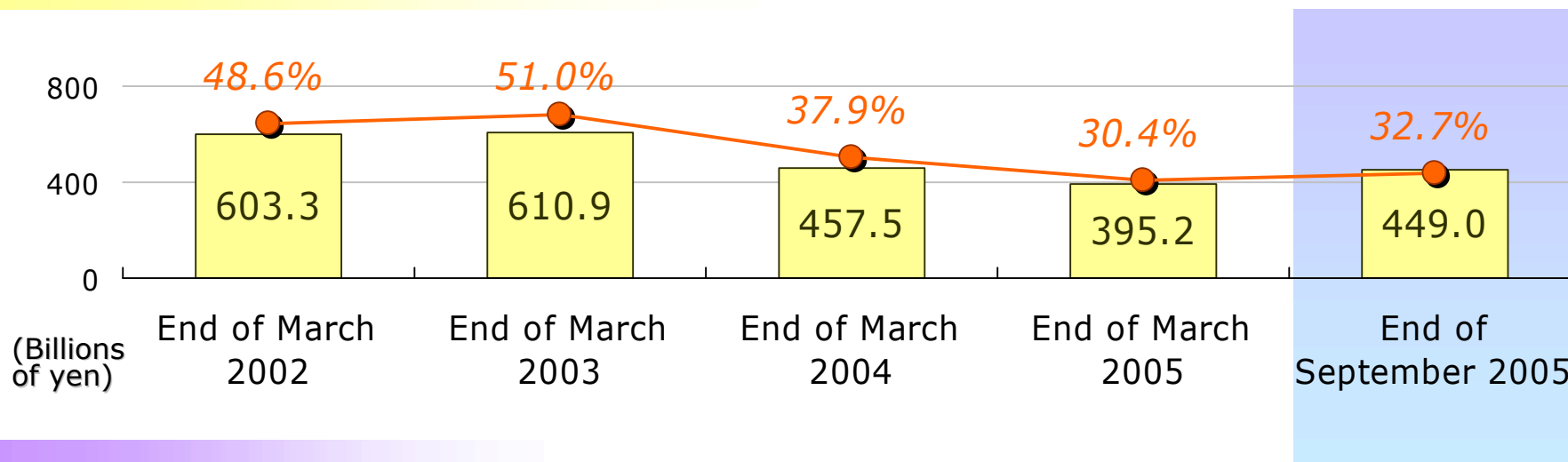


Inventories

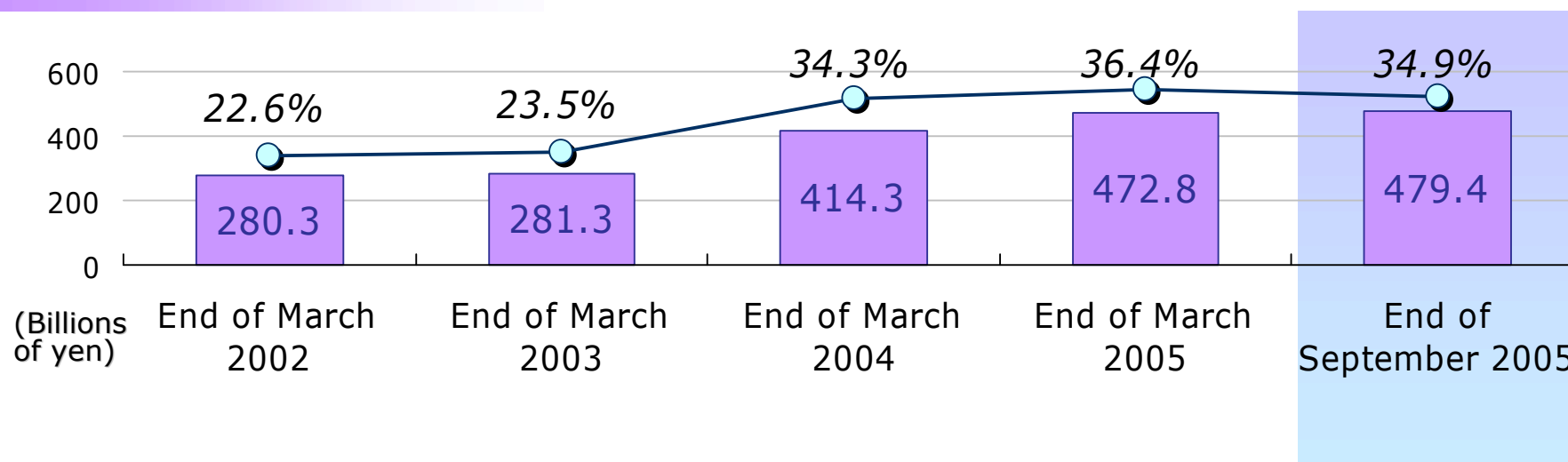


Statistics of Balance Sheet Items

Interest-bearing liabilities & ratio of interest-bearing liabilities



Shareholder's equity & equity ratio



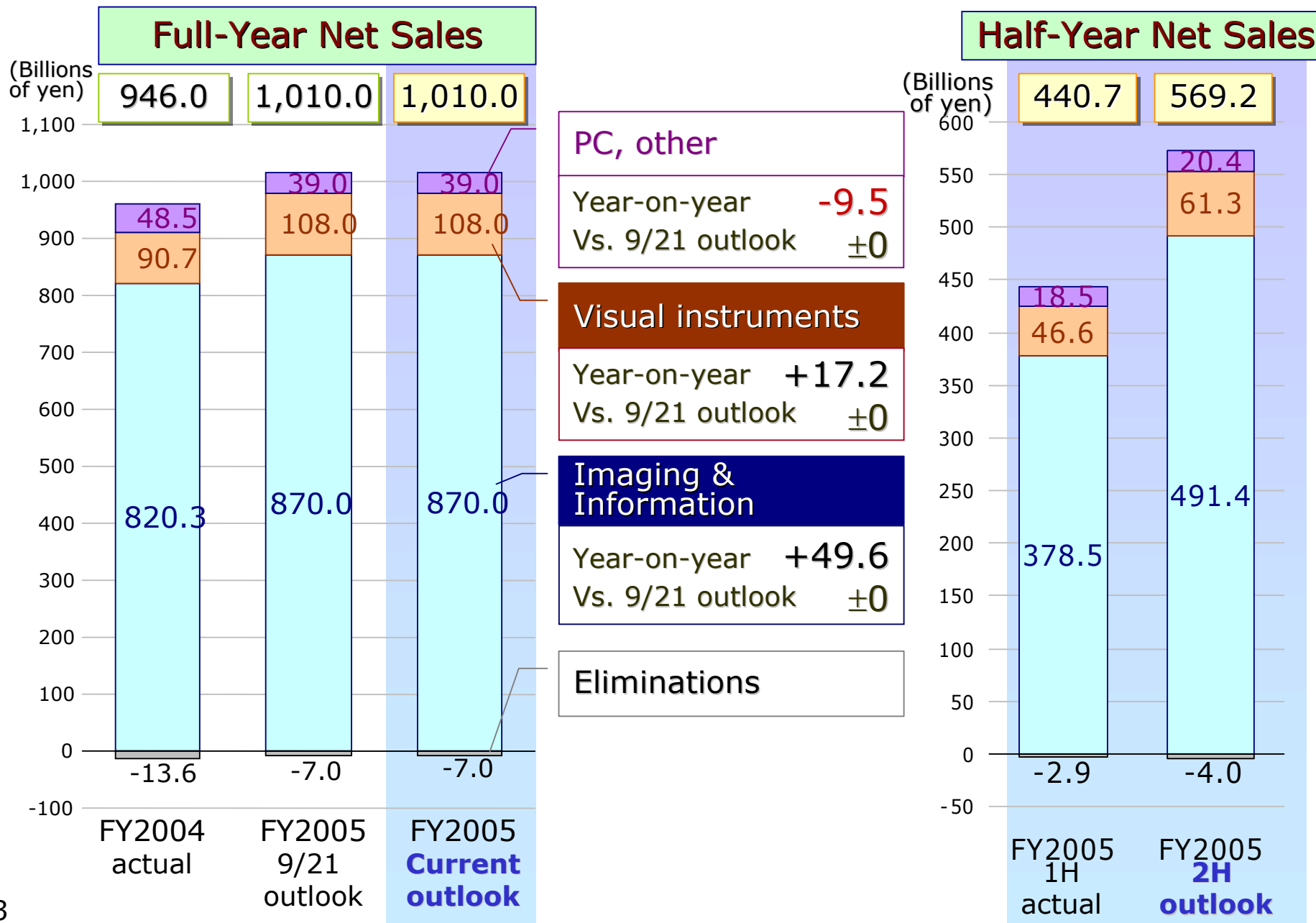
FY2005 Business Outlook



	FY2004		FY2005				Change (amount & %)	
	Actual	%	9/21 outlook	%	Current outlook	%	Vs. year ago	Vs. 9/21 outlook
(Billions of yen)								
Net Sales	1,479.7	-	1,618.0	-	1,618.0	-	+138.2 +9.3%	-
Operating Income	90.9	6.1%	44.0	2.7%	44.0	2.7 %	-46.9 -51.6%	-
Ordinary Income	85.3	5.8%	45.0	2.8%	45.0	2.8 %	-40.3 -47.3%	-
Net Income <small>Before income taxes</small>	73.6	5.0%	38.0	2.3%	38.0	2.3 %	-35.6 -48.4%	-
Net Income	55.6	3.8%	22.0	1.4%	22.0	1.4 %	-33.6 -60.5%	-
EPS	283.60 yen		112.04 yen		112.04 yen			
Exchange rate	USD	107.55 yen	- yen		109.00 yen			
	EUR	135.19 yen	- yen		134.00 yen			

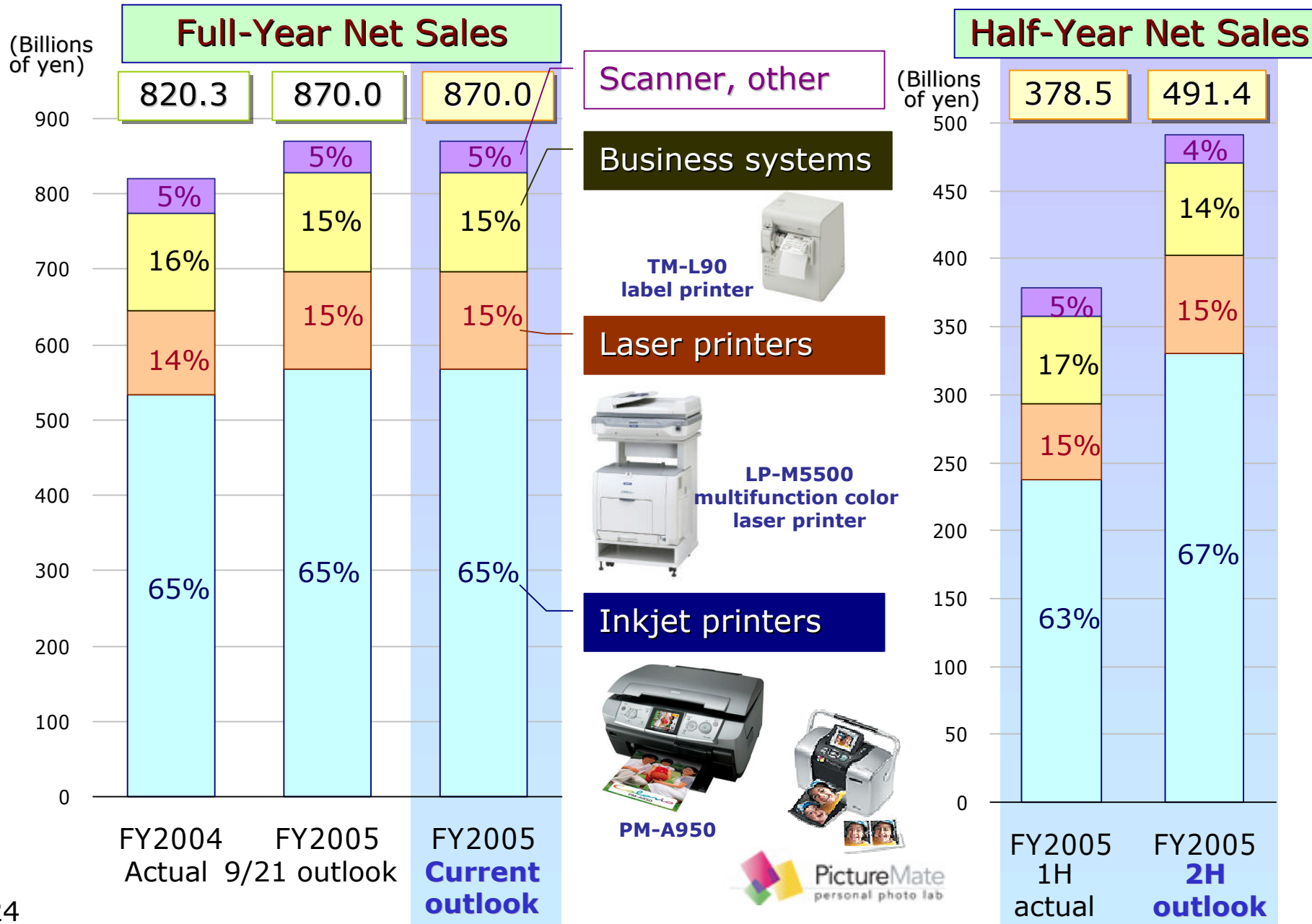
Sales Outlook by Business

Information related equipment segment



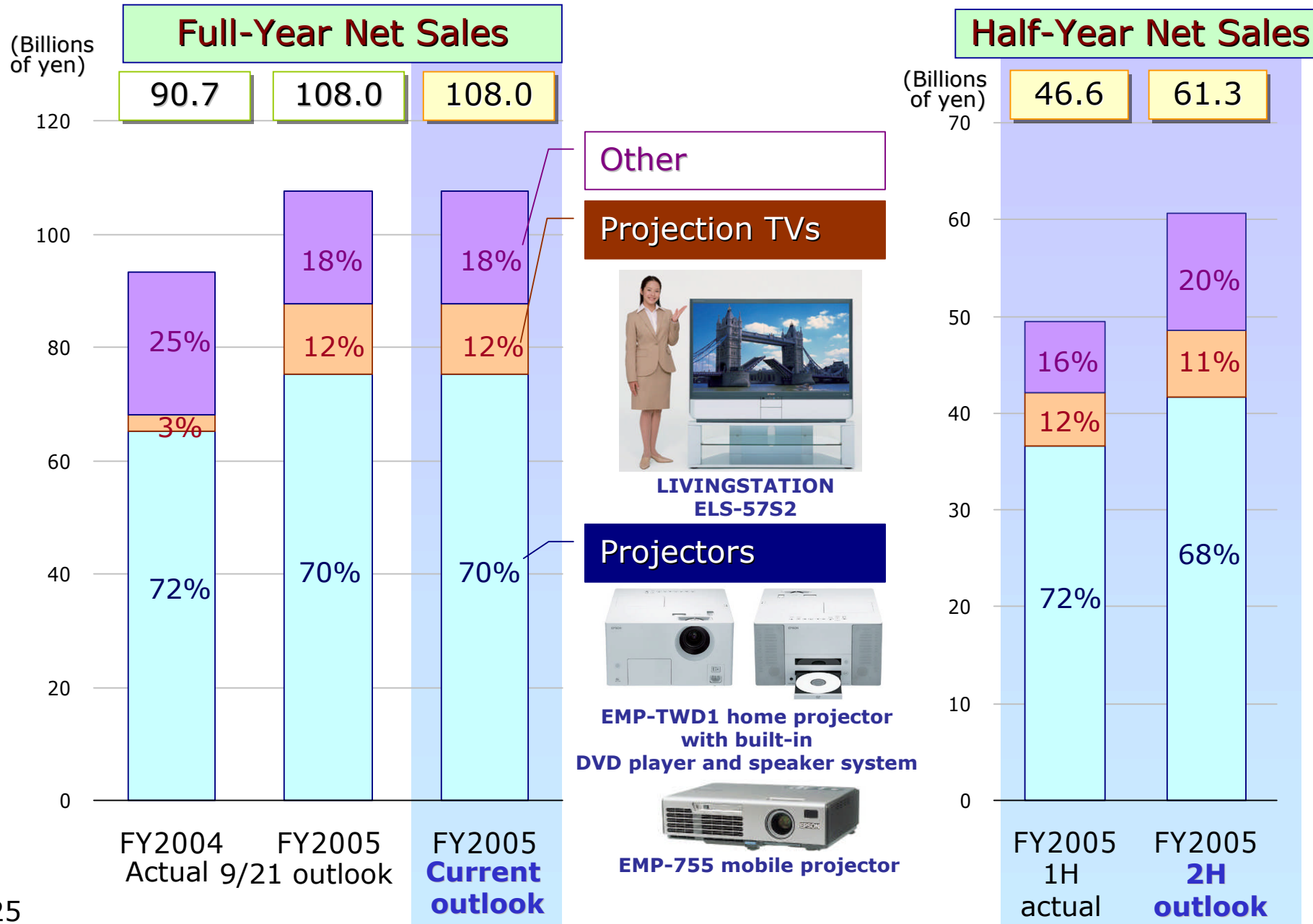
Net Sales Outlook by Business

► Image & information business



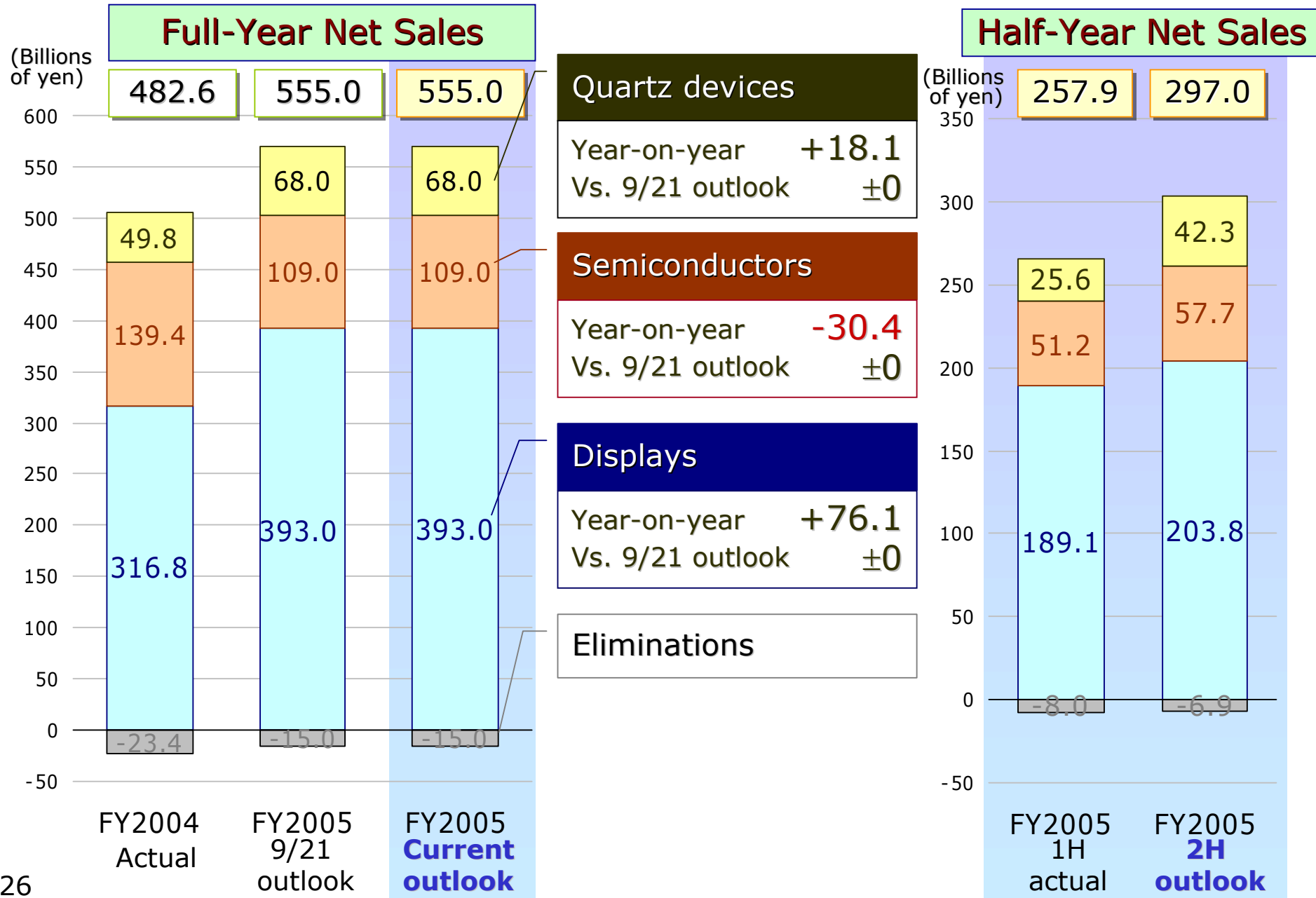
Net Sales Outlook by Business

► Visual Instrument business



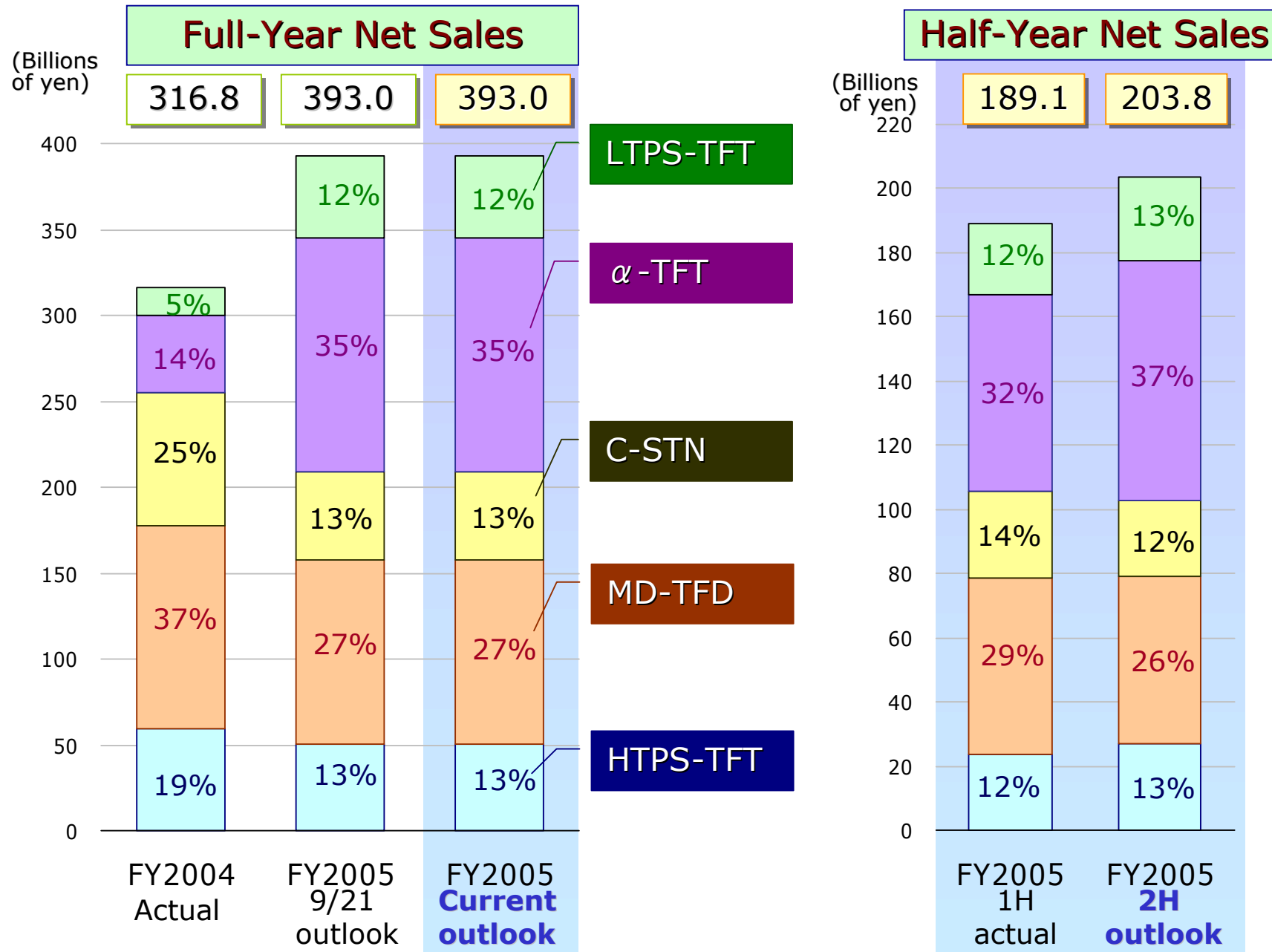
Net Sales Outlook by Business

▶ Electronic device segment



Net Sales Outlook by Business

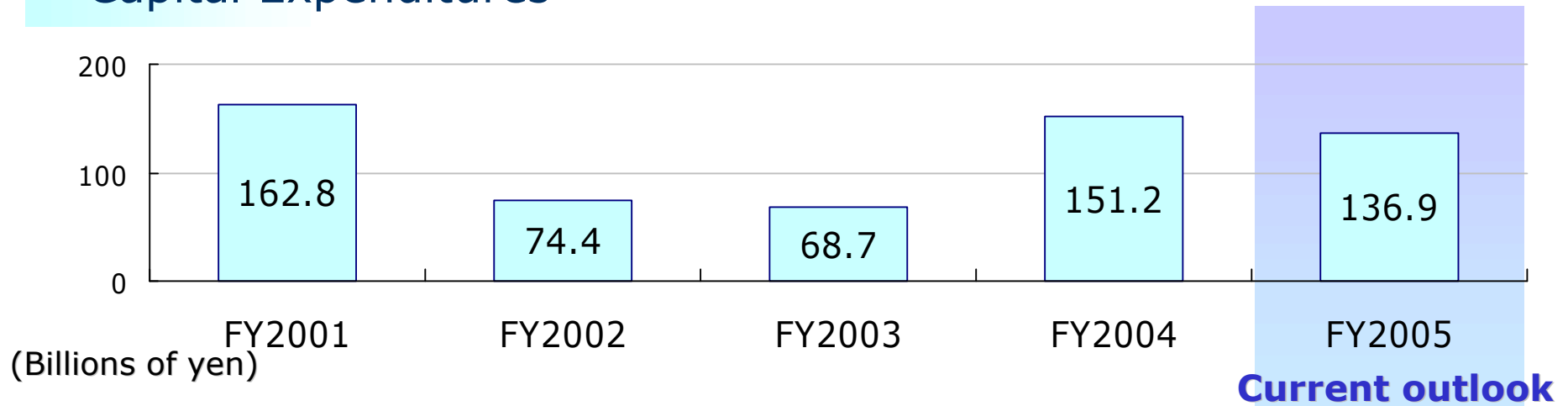
► Display business



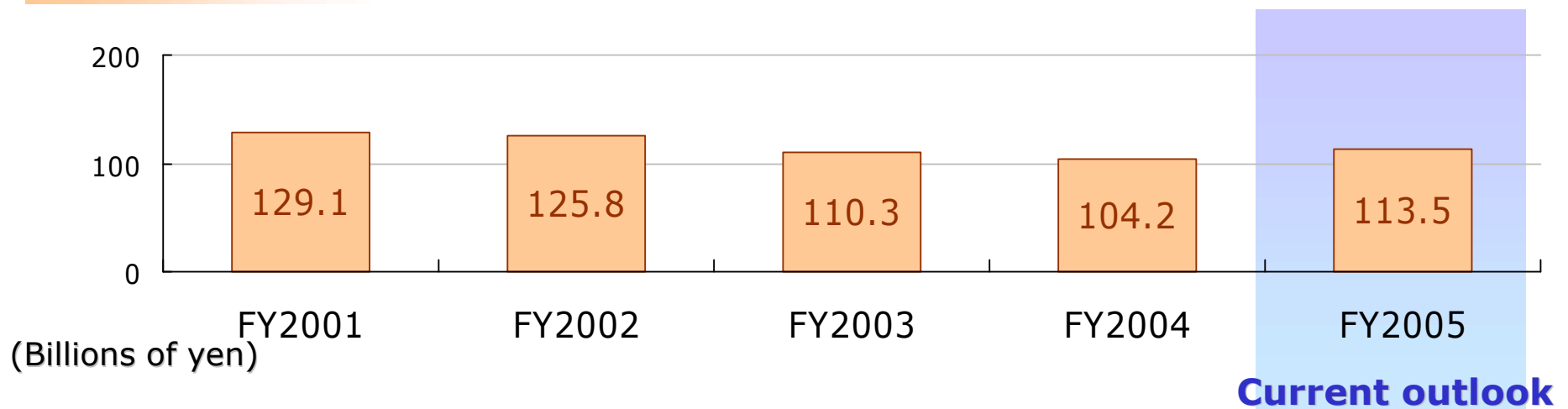
Outlook for Capital Expenditure and Depreciation & Amortization Expenses



Capital Expenditures

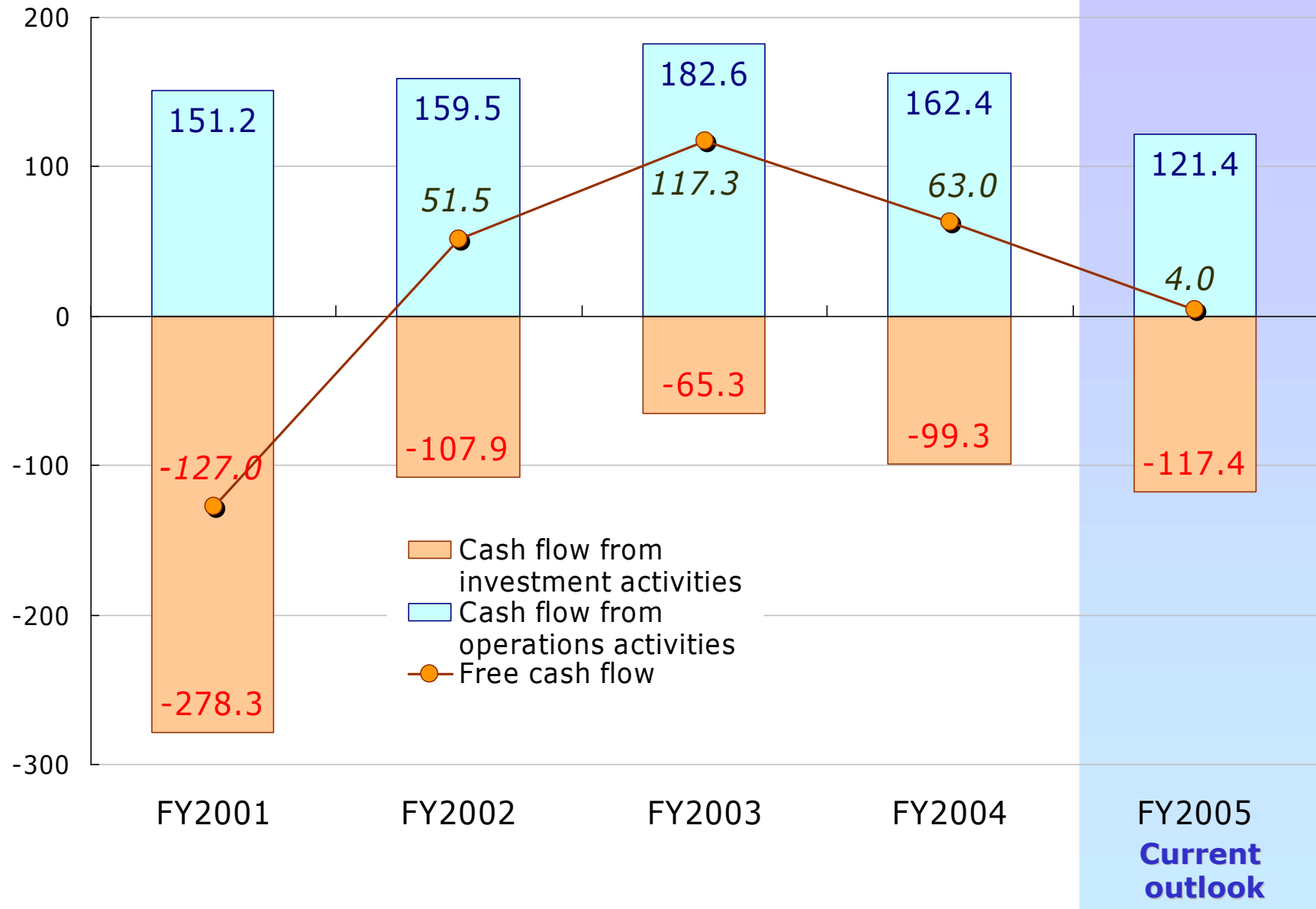


Depreciation and amortization expenses

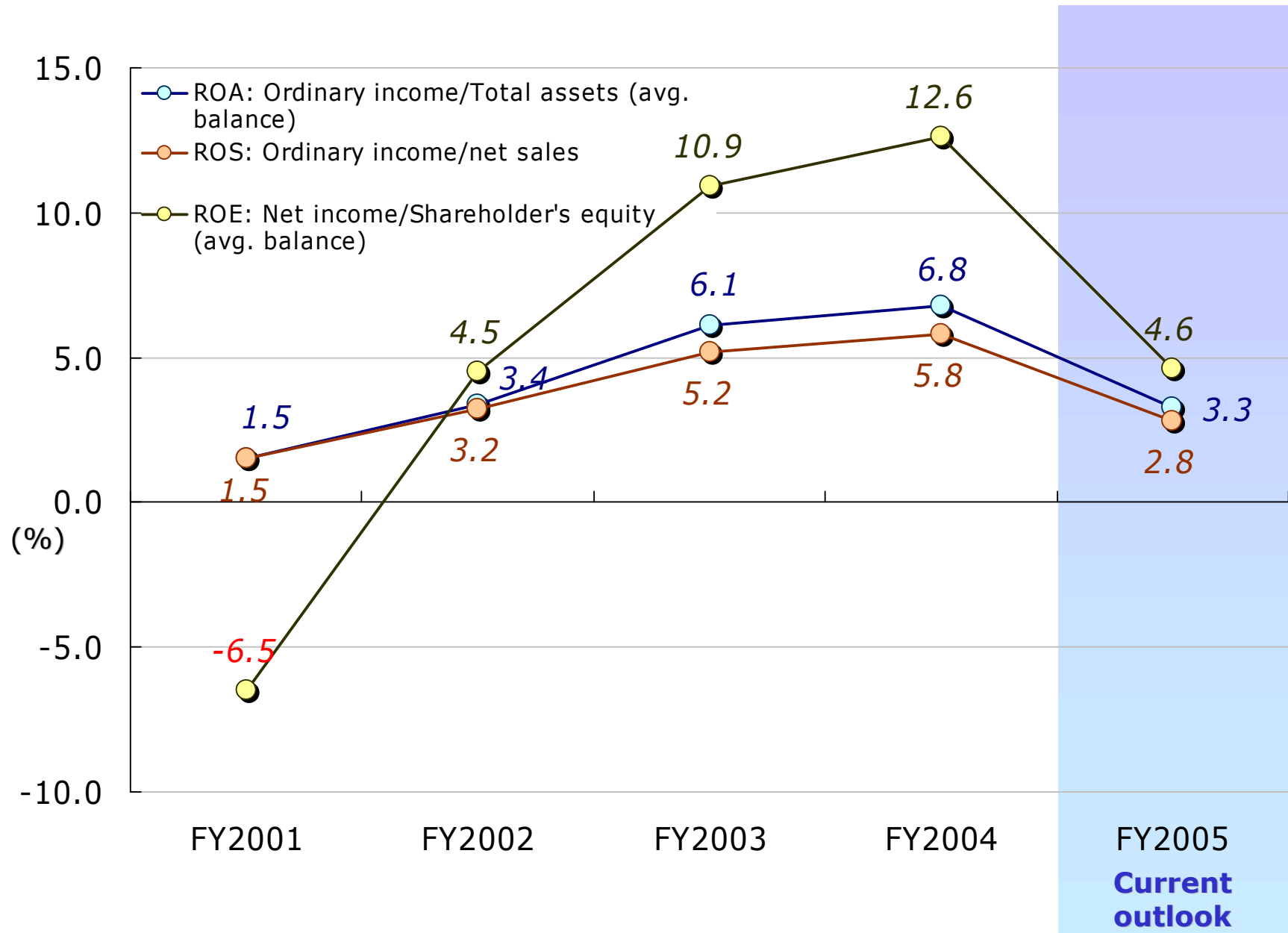


Free Cash Flows Outlook

(Billions of yen)



Main Management Metrics



EPSON
EXCEED YOUR VISION