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**CONSOLIDATED RESULTS FOR
THE NINE MONTHS ENDED DECEMBER 31, 2004****Consolidated Financial Highlights**

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

<Income statements and cash flows data>

	Nine months ended December 31,		Change	Year ended March 31,	Nine months ended December 31,
	2003	2004		2004	2004
Statements of Income Data:					
Net sales	¥1,055,924	¥1,113,148	5.4%	¥1,413,243	\$10,681,777
Operating income	65,013	96,843	49.0%	77,401	929,306
Income before income taxes and minority interest	57,933	85,747	48.0%	65,058	822,829
Net income	33,731	59,953	77.7%	38,031	575,309
Statements of Cash Flows Data:					
Cash flows from operating activities	138,590	126,232	(8.9%)	182,669	1,211,323
Cash flows from investing activities	(51,785)	(73,325)	41.6%	(65,329)	(703,627)
Cash flows from financing activities	30,681	(82,797)	- %	(40,918)	(794,521)
Cash and cash equivalents at the end of the period	306,971	238,450	(22.3%)	265,183	2,288,168
Per Share Data:					
Net income per share -Basic	¥185.04	¥305.32	65.0%	¥204.70	\$2.93
-Diluted	¥184.84	¥-	- %	¥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 ¥104.21 = U.S.\$1 at December 31, 2004 has been used for the purpose of presentation.

<Balance Sheets data>

	December 31, 2003	December 31, 2004	March 31, 2004	December 31, 2004
Total assets	¥1,293,407	¥1,330,822	¥1,206,491	\$12,770,579
Shareholders' equity	411,393	473,111	414,367	4,539,977
Shareholders' equity ratio (%)	31.8%	35.6%	34.3%	35.6%
Shareholders' equity per share	¥2,095.05	¥2,409.35	¥2,110.20	\$23.12

Operating Performance Highlights and Financial Results

1. Fiscal 2004 Nine-Months Overview

The global economy during the first nine months of our 2004 fiscal year showed elements of future uncertainty, including skyrocketing crude oil prices and increases in certain production material inventories, yet the Chinese economy continued to expand, while the U.S. and European economies continued to grow and recover. The Japanese economy also continued to register tones of recovery though some economic indicators, such as personal spending and manufacturing, shown 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. At the same time, the demand for single-function photo and small format ("personal photo labs") printers is also growing, especially in the U.S. and Europe. The color laser printer market is expanding, but unit prices are declining.

The projector market saw prices begin to fall once again after a brief lull during which they appeared to have bottomed out, but demand remains robust. In the commercial segment, demand from the business presentations market is driving sales of mobile projectors and traditional desktop models, while demand in the education market continues to grow. Sales of home projectors are expanding in Japan and Europe. Meanwhile, the market for microdevice-based projection TVs, which are more cost-competitive than flat-panel large-screen TVs, is sharply expanding in the United States.

The market for electronic devices used in mobile phones remained firm. This strength came from two main sources. One was replacement demand from consumers in Western Europe, North America and China who are upgrading from their old monochrome-screen handsets to new color models and camera-phones. The other was the continuing robust, demand for new models in such emerging markets as Central and South America, India and Russia.

In the precision products business segment we saw continued sluggishness in the markets for watches, eyeglass lenses and other personal products. However, orders for factory automation systems and optical devices remained strong due to robust demand for digital consumer devices.

In response to these market conditions, Epson is carrying out an initiative to reduce the consolidated total cost ratio. This initiative is designed to radically rebuild the company's profit structure into one that allows it to generate stable income in any market environment. Epson is focusing particularly on reforming the cost structure of its information-related equipment business and other finished products businesses. We also opened the doors to SANYO EPSON IMAGING DEVICES CORPORATION, a joint-venture company formed by integrating certain of Epson's liquid crystal display businesses and those of SANYO Electric Co., Ltd., 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. A PC-less, "personal photo lab," the *PictureMate* directly prints photos taken with a digital camera or camera-phone. For the year-end shopping

season, Epson bolstered its lineup of all-in-one printers in anticipation of growth 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, Epson is investing in additional capacity for electronic devices used in mobile handsets and visual instruments. At the same time, the company continues to drive down costs in order to fortify its position.

The average exchange rates of the yen against the U.S. dollar and against the euro during the nine months were ¥108.56 and ¥134.60, respectively. This represents a 6% increase in the value of the yen against the dollar and a 2% decrease in the value of the yen against the euro compared to the same period last year.

As a result of the foregoing factors, consolidated net sales for the nine months of the current fiscal year were ¥1,113,148 million (\$10,681,777 thousand), a 5.4% increase on the same period last year. Operating income was ¥96,843 million (\$929,306 thousand), a 49.0% increase on the same period last year. Income before income taxes and minority interest was ¥85,747 million (\$822,829 thousand), a 48.0% increase on the same period last year. And net income was ¥59,953 million (\$575,309 thousand), a 77.7% increase on the same period last year.

Operating Performance Highlights by Business Segments

Information-related equipment:

In the information-related equipment business segment, we drove the "Epson = Photo" strategy world-wide, increasing market awareness of our photo products and helping Epson seize 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 unfurling a strategy of balancing product features and added value by area on the other.

In the imaging and information products business, revenues from sales of inkjet printers (including supplies, as in all printer discussions below) grew, as higher volume in all-in-one units 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, revenues in monitor modules grew due to strong demand. Revenues from liquid crystal projectors rose slightly on higher volume in both home and business projectors, though they were squeezed particularly by a shift toward low-priced business projectors. Large-screen HDTV LCD televisions, which we launched to market last fiscal year, contributed to higher revenue. Together, these factors resulted in slightly increased sales revenues in the visual instruments business as a whole.

Operating income in the information-related equipment segment increased due to substantive benefits yielded by our initiative to reduce the consolidated total cost ratio.

As a result of the foregoing factors, net sales in the information-related equipment business segment for the nine months of the current fiscal year were ¥713,979 million (\$6,851,348 thousand), a 3.9% increase on the same period last year, while operating income was ¥51,457 million (\$493,782 thousand), a 20.7% increase on the same period last year.

Electronic devices:

Epson continued its ongoing emphasis on cost reductions in the electronic device segment while simultaneously accommodating growth in demand from the mobile handset, projector and digital camera

markets.

In the display business, we launched new low-temperature polysilicon TFT LCDs and amorphous-silicon TFT LCDs, while a robust projector market drove revenues from high-temperature polysilicon TFT LCDs sharply higher. Meanwhile, 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 display for mobile phones also declined, as stepped-up competition put downward pressure on unit prices. Despite these declines, however, sales revenues in the display business as a whole edged slightly higher. These factors combined to produce a slight decrease in revenue for the display business as a whole.

In the semiconductor business, LCD driver sales revenue fell sharply, mainly due to plummeting prices for color LCD drivers. Meanwhile, system LSI revenue soared, largely due to volume growth in image-processing semiconductors that seized on a wave of feature-rich mobile phones. Silicon foundry revenue also jumped due to an increase in order volume. These factors combined to produce a slight increase in revenue for 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.

Operating income in the electronic device business segment increased as a result of total cost-reduction activities in each of the businesses.

As a result of the foregoing factors, net sales in the electronic device business segment for the nine months of the current fiscal year were ¥358,685 million (\$3,441,944 thousand), a 9.1% increase on the same period last year, while operating income was ¥50,720 million (\$486,710 thousand), a 80.1% increase on the same period last year.

Precision products:

In the precision products business segment, Epson saw stronger sales volumes of eyeglass lenses to the North American market, as well as volume growth in optical devices accompanying the expansion of the liquid crystal projector market. The number of IC handlers sold grew due to a particularly brisk first half in the semiconductor market, which was driven by digital consumer electronics. This resulted in an increase in sales revenues in the precision products segment as a whole.

Operating income in the precision products business segment grew on higher sales revenues.

As a result of the foregoing factors, net sales in the precision products business segment for the nine months of the current fiscal year were ¥64,308 million (\$617,100 thousand), a 5.0% increase on the same period last year, while operating income was ¥ 3,086 million (\$29,613 thousand), a 2.2% increase on the same period last year.

Operating Performance Highlights by Geographic Segments

Japan:

Epson saw revenue growth from inkjet printers, high-temperature polysilicon TFT liquid crystal panels for LCD projectors, logic ICs and laser printers. Revenues from MD-TFD liquid crystal displays and STN liquid crystal displays declined. The new launch of low-temperature polysilicon TFT LCDs and amorphous-silicon TFT LCDs also contributed to sales. As a result, net sales were ¥945,530 million (\$9,073,314 thousand), a 6.3% increase on the same period last year, and operating income was ¥61,194 million (\$587,218 thousand), an 83.5% increase on the same period last year.

The Americas:

The inkjet printer and silicon foundry businesses experienced higher revenues. As a result, net sales were ¥220,689 million (\$2,117,733 thousand), an 11.0% increase on the same period last year, and operating income was ¥11,738 million (\$112,638 thousand), a 67.2% increase on the same period last year.

Europe:

Inkjet printer, MD-TFD liquid crystal display and logic IC revenues increased, while STN LCD revenues declined. As a result, net sales were ¥249,025 million (\$2,389,646 thousand), a 15.5% increase on the same period last year, and operating income was ¥7,354 million (\$70,569 thousand), a 0.8% increase on the same period last year.

Asia / Oceania:

Inkjet printer, LCD projector and laser printer revenues increased, while STN LCD and dot-matrix printer revenues declined. As a result, net sales were ¥549,002 million (\$5,268,228 thousand), a 4.5% increase on the same period last year, and operating income was ¥21,132 million (\$202,783 thousand), a 12.6% increase on the same period last year.

Cash Flow Performance

Net income for nine months period of the 2004 fiscal year was ¥59,953 million (\$575,309 thousand). Depreciation and amortization, principally in the electronic device business segment, was ¥75,925 million (\$728,577 thousand). As for changes to assets and liabilities, notes and accounts receivable, trade increased by ¥59,760 million (\$573,457 thousand), notes and accounts payable, trade increased by ¥37,693 million (\$361,702 thousand) and inventories increased by ¥30,011 million (\$287,986 thousand). Payment for income tax was ¥13,413 million (\$128,711 thousand). As a result, cash inflows from operating activities came to ¥126,232 million (\$1,211,323 thousand).

Cash outflows from investing activities were ¥73,325 million (\$703,627 thousand) due to capital expenditures, principally in the electronic device business segment, and amounts that came due during this period for tangible and intangible fixed assets acquired at the end of last period amounted to ¥73,994 million (\$710,047 thousand).

Cash flows from financing activities were negative at ¥82,797 million (\$794,521 thousand), primarily resulting from net payments of ¥77,889 million (\$747,424 thousand) from short- and long-term loans in accordance with loan repayments.

As a result, cash and cash equivalents during the nine months of the 2004 fiscal year was ¥ 238,450 million (\$2,288,168 thousand).

2. Third-Quarter Operating Performance

Despite a decline in LCD sales volumes brought about by fierce competition in the handset LCD market and the effects of plummeting prices for color LCD drivers, the company's third-quarter net sales were ¥429,674 million (\$4,123,155 thousand), a 7.9% increase on the same period last year. Two primary factors contributed to this increase. One was the increased revenue from sales of all-in-one printers, a result of the inkjet printer market's continuing shift from single-function printers to multifunction units. The other was that Epson started selling low-temperature polysilicon TFT LCDs and amorphous TFT LCDs. Operating income was ¥30,977 million (\$297,256 thousand), a 2.9% decrease on the same period last year. Although cost reduction initiatives yielded substantive benefits in the information-related equipment business, the electronic device business saw costs increase and prices plummet due to fierce competition. Income before

income taxes and minority interest was ¥26,174 million (\$251,166 thousand), a 10.2% decrease on the same period last year. And net income for the quarter was ¥20,480 million (\$196,526 thousand), a 19.3% increase on the same period last year.

3. Full-Year Forecast

We expect continued savings from our across-the-board programs to reduce our consolidated total cost ratio. We also anticipate substantive benefits from our new products in the information-related equipment business segment — and particularly from the growing volume of all-in-ones that we launched for the year-end shopping season. On the other hand, we expect the business environment to grow even more challenging in the fourth quarter. In addition to plummeting prices for large-sized display panels in the electronic devices business segment, we expect further declines in prices for LCD drivers and for small- and medium-sized display panels used in mobile phones.

Taking into account the foregoing factors, we are standing by our previous (October 26, 2004) full-year financial outlook.

The figures in the forecast are based on assumed full-year exchange rates of ¥108 to the U.S. dollar and ¥134 to the euro.

Consolidated Full-Year Results Outlook

	FY2003	Current Outlook	Change
Net Sales	¥1,413.2 billion	¥1,532.0 billion	+¥118.8 billion (+8.4%)
Income before income taxes and minority interest	¥65.1 billion	¥108.0 billion	+¥42.9 billion (+66.0%)
Net income	¥38.0 billion	¥65.0 billion	+¥27.0 billion (+70.9%)

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 (Unaudited)

	Millions of yen			Thousands of U.S. dollars
	December 31, 2003	December 31, 2004	March 31, 2004	December 31, 2004
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	¥306,971	¥238,450	¥265,183	\$2,288,168
Time deposits	412	695	509	6,669
Notes and accounts receivable, trade	252,995	271,683	210,381	2,607,072
Inventories	168,218	202,572	155,856	1,943,883
Other current assets	79,664	81,467	80,940	781,758
Allowance for doubtful accounts	(4,088)	(3,808)	(3,700)	(36,542)
Total current assets	<u>804,172</u>	<u>791,059</u>	<u>709,169</u>	<u>7,591,008</u>
Property, plant and equipment:				
Buildings and structures	375,309	413,262	376,195	3,965,666
Machinery and equipment	459,909	502,745	469,448	4,824,345
Furniture and fixtures	174,984	182,302	176,867	1,749,372
Land	52,720	58,817	52,106	564,408
Other	10,730	5,148	12,388	49,400
	<u>1,073,652</u>	<u>1,162,274</u>	<u>1,087,004</u>	<u>11,153,191</u>
Accumulated depreciation	(677,490)	(731,883)	(693,973)	(7,023,155)
	<u>396,162</u>	<u>430,391</u>	<u>393,031</u>	<u>4,130,036</u>
Investments and other assets:				
Investment securities	38,348	48,780	39,085	468,093
Intangible assets	23,751	28,373	23,160	272,268
Other assets	31,734	32,965	42,801	316,333
Allowance for doubtful accounts	(760)	(746)	(755)	(7,159)
	<u>93,073</u>	<u>109,372</u>	<u>104,291</u>	<u>1,049,535</u>
Total assets	<u>¥1,293,407</u>	<u>¥1,330,822</u>	<u>¥1,206,491</u>	<u>\$12,770,579</u>

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

	Millions of yen			Thousands of U.S. dollars
	December 31, 2003	December 31, 2004	March 31, 2004	December 31, 2004
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>				
Current liabilities:				
Short-term bank loans	¥73,842	¥46,055	¥62,851	\$441,944
Current portion of long-term debt	85,091	14,885	47,380	142,837
Notes and accounts payable, trade	160,147	172,435	132,331	1,654,688
Accounts payable, other	69,515	104,031	81,785	998,282
Income taxes payable	12,518	14,288	6,731	137,108
Accrued bonuses	7,949	10,400	17,083	99,798
Accrued warranty costs	12,800	14,604	14,283	140,140
Other current liabilities	68,989	69,428	55,129	666,232
Total current liabilities	<u>490,851</u>	<u>446,126</u>	<u>417,573</u>	<u>4,281,029</u>
Long-term liabilities:				
Long-term debt	369,837	348,576	346,769	3,344,938
Accrued pension and severance costs	8,437	13,681	8,055	131,283
Accrued directors' and statutory auditors' retirement allowances	1,668	1,856	1,729	17,810
Other long-term liabilities	8,683	17,734	15,456	170,176
Total long-term liabilities	<u>388,625</u>	<u>381,847</u>	<u>372,009</u>	<u>3,664,207</u>
Minority interest in subsidiaries	<u>2,538</u>	<u>29,738</u>	<u>2,542</u>	<u>285,366</u>
Shareholders' equity:				
Common stock, no par value - Authorized - 607,458,368 shares, Issued - 196,364,592 shares	53,204	53,204	53,204	510,546
Additional paid-in capital	79,501	79,501	79,501	762,892
Retained earnings	295,275	355,208	299,575	3,408,579
Net unrealized gains on other securities	1,941	3,477	3,087	33,365
Translation adjustments	(18,527)	(18,277)	(20,999)	(175,386)
Treasury stock	(1)	(2)	(1)	(19)
Total shareholders' equity	<u>411,393</u>	<u>473,111</u>	<u>414,367</u>	<u>4,539,977</u>
Commitments and contingent liabilities				
Total liabilities and shareholders' equity	<u>¥1,293,407</u>	<u>¥1,330,822</u>	<u>¥1,206,491</u>	<u>\$12,770,579</u>

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

Consolidated Statements of Income (Unaudited)

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2003	2004	2004	2004
Net sales	¥1,055,924	¥1,113,148	¥1,413,243	\$10,681,777
Cost of sales	753,148	782,946	1,013,959	7,513,156
Gross profit	302,776	330,202	399,284	3,168,621
Selling, general and administrative expenses:				
Salaries and wages	57,829	57,592	77,748	552,653
Advertising	22,065	23,542	30,854	225,909
Sales promotion	23,367	22,865	31,740	219,413
Research and development costs	30,509	30,807	41,139	295,624
Shipping costs	15,207	14,680	20,527	140,870
Provision for doubtful accounts	461	205	414	1,967
Other	88,325	83,668	119,461	802,879
	237,763	233,359	321,883	2,239,315
Operating income	65,013	96,843	77,401	929,306
Other income:				
Interest and dividend income	1,208	1,790	1,684	17,177
Net gain on foreign exchange	263	-	-	-
Other	4,703	4,514	6,381	43,316
	6,174	6,304	8,065	60,493
Other expenses:				
Interest expenses	4,973	4,533	6,478	43,498
Net loss on foreign exchange	-	3,875	500	37,184
Loss on disposal of property, plant and equipment	2,638	2,528	3,711	24,259
Reorganization costs	2,044	-	2,044	-
Prior pension costs for foreign subsidiaries	-	2,285	-	21,927
Other	3,599	4,179	7,675	40,102
	13,254	17,400	20,408	166,970
Income before income taxes and minority interest	57,933	85,747	65,058	822,829
Income taxes	23,795	25,523	26,573	244,919
Income before minority interest	34,138	60,224	38,485	577,910
Minority interest in subsidiaries	407	271	454	2,601
Net income	¥33,731	¥59,953	¥38,031	\$575,309
		Yen		U.S. dollars
Per share:				
Net income	¥185.04	¥305.32	¥204.70	\$2.93
Cash dividends	¥18.00	¥22.00	¥18.00	\$0.21

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

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2003	2004	2004
Net sales	¥398,070	¥429,674	\$4,123,155
Cost of sales	280,836	309,697	2,971,855
Gross profit	117,234	119,977	1,151,300
Selling, general and administrative expenses:			
Salaries and wages	19,469	20,217	194,002
Advertising	9,832	11,710	112,369
Sales promotion	9,940	9,961	95,586
Research and development costs	9,816	11,595	111,266
Shipping costs	6,583	5,470	52,490
Provision for doubtful accounts	43	(62)	(595)
Other	29,653	30,109	288,926
	85,336	89,000	854,044
Operating income	31,898	30,977	297,256
Other income:			
Interest and dividend income	357	482	4,625
Net gain on foreign exchange	434	-	-
Other	1,774	1,439	13,809
	2,565	1,921	18,434
Other expenses:			
Interest expenses	1,687	1,620	15,546
Net loss on foreign exchange	-	1,858	17,829
Loss on disposal of property, plant and equipment	909	1,281	12,293
Reorganization costs	481	-	-
Other	2,242	1,965	18,856
	5,319	6,724	64,524
Income before income taxes and minority interest	29,144	26,174	251,166
Income taxes	11,792	6,084	58,382
Income before minority interest	17,352	20,090	192,784
Minority interest in subsidiaries	184	(390)	(3,742)
Net income	¥17,168	¥20,480	\$196,526

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

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

Nine months ended December 31:

Millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at March 31, 2003	151,864,592	¥12,531	¥10,259	¥264,874	¥167	(¥6,515)	(¥0)	¥281,316
Net income for the nine months ended December 31, 2003	-	-	-	33,731	-	-	-	33,731
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	-	-	-	-	1,774	-	-	1,774
Translation adjustments	-	-	-	-	-	(12,012)	-	(12,012)
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at December 31, 2003	196,364,592	¥53,204	¥79,501	¥295,275	¥1,941	(¥18,527)	(¥1)	¥411,393
Balance at March 31, 2004	196,364,592	¥53,204	¥79,501	¥299,575	¥3,087	(¥20,999)	(¥1)	¥414,367
Net income for the nine months ended December 31, 2004	-	-	-	59,953	-	-	-	59,953
Cash dividends	-	-	-	(4,320)	-	-	-	(4,320)
Net unrealized gain on other securities	-	-	-	-	390	-	-	390
Translation adjustments	-	-	-	-	-	2,722	-	2,722
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at December 31, 2004	196,364,592	¥53,204	¥79,501	¥355,208	¥3,477	(¥18,277)	(¥2)	¥473,111

Millions of yen

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

Thousands of U.S. dollars

	Common stock	Additional paid-in capital	Retained Earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at March 31, 2004	\$510,546	\$762,892	\$2,874,725	\$29,623	(\$201,507)	(\$10)	\$3,976,269
Net income for the nine months ended December 31, 2004	-	-	575,309	-	-	-	575,309
Cash dividends	-	-	(41,455)	-	-	-	(41,455)
Net unrealized gain on other securities	-	-	-	3,742	-	-	3,742
Translation adjustments	-	-	-	-	26,121	-	26,121
Changes in treasury stock	-	-	-	-	-	(9)	(9)
Balance at December 31, 2004	\$510,546	\$762,892	\$3,408,579	\$33,365	(\$175,386)	(\$19)	\$4,539,977

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

Three months ended December 31:

Millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock	Total
Balance at September 30, 2003	196,364,592	¥53,204	¥79,501	¥279,874	¥1,856	(¥15,565)	(¥0)	¥398,870
Net income for the three months ended December 31, 2003	-	-	-	17,168	-	-	-	17,168
Cash dividends	-	-	-	(1,767)	-	-	-	(1,767)
Net unrealized gain on other securities	-	-	-	-	85	-	-	85
Translation adjustments	-	-	-	-	-	(2,962)	-	(2,962)
Changes in treasury stock	-	-	-	-	-	-	(1)	(1)
Balance at December 31, 2003	196,364,592	¥53,204	¥79,501	¥295,275	¥1,941	(¥18,527)	(¥1)	¥411,393
Balance at September 30, 2004	196,364,592	¥53,204	¥79,501	¥337,281	¥2,838	(¥12,195)	(¥2)	¥460,627
Net income for the three months ended December 31, 2004	-	-	-	20,480	-	-	-	20,480
Cash dividends	-	-	-	(2,553)	-	-	-	(2,553)
Net unrealized gain on other securities	-	-	-	-	639	-	-	639
Translation adjustments	-	-	-	-	-	(6,082)	-	(6,082)
Changes in treasury stock	-	-	-	-	-	-	(0)	(0)
Balance at December 31, 2004	196,364,592	¥53,204	¥79,501	¥355,208	¥3,477	(¥18,277)	(¥2)	¥473,111

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 September 30, 2004	\$510,546	\$762,892	\$3,236,552	\$27,233	(\$117,024)	(\$19)	\$4,420,180
Net income for the three months ended December 31, 2004	-	-	196,526	-	-	-	196,526
Cash dividends	-	-	(24,499)	-	-	-	(24,499)
Net unrealized gain on other securities	-	-	-	6,132	-	-	6,132
Translation adjustments	-	-	-	-	(58,362)	-	(58,362)
Changes in treasury stock	-	-	-	-	-	(0)	(0)
Balance at December 31, 2004	\$510,546	\$762,892	\$3,408,579	\$33,365	(\$175,386)	(\$19)	\$4,539,977

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

Consolidated Statements of Cash Flows (Unaudited)**Nine months ended December 31:**

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2003	2004	2004	2004
Cash flows from operating activities:				
Net income	¥33,731	¥59,953	¥38,031	\$575,309
Adjustments to reconcile net income to net cash provided by operating activities -				
Depreciation and amortization	81,888	75,925	111,018	728,577
Reorganization costs	2,044	-	2,044	-
Increase (decrease) in allowance for doubtful accounts	54	4	(261)	38
Accrual for net pension and severance costs, less payments	(2,430)	7,585	(13,338)	72,786
Net loss on sales and disposal of property, plant and equipment	2,214	2,808	5,511	26,945
Equity in net gains under the equity method	(166)	(183)	(172)	(1,756)
Deferred income taxes	8,350	6,810	11,363	65,349
(Increase) decrease in notes and accounts receivable, trade	(36,397)	(59,760)	6,224	(573,457)
(Increase) decrease in inventories	(6,737)	(30,011)	4,042	(287,986)
Increase in notes and accounts payable, trade	41,591	37,693	13,247	361,702
Increase (decrease) in accrued income taxes	3,565	5,300	(1,826)	50,859
Other	10,883	20,108	6,786	192,957
Net cash provided by operating activities	<u>138,590</u>	<u>126,232</u>	<u>182,669</u>	<u>1,211,323</u>
Cash flows from investing activities:				
Payments for purchases of property, plant and equipment	(52,312)	(68,353)	(65,416)	(655,916)
Proceeds from sales of property, plant and equipment	3,712	1,922	4,309	18,444
Payments for purchases of intangible assets	(6,095)	(5,641)	(7,917)	(54,131)
Payments of long-term prepaid expenses	(348)	(820)	(441)	(7,869)
Other	3,258	(433)	4,136	(4,155)
Net cash used in investing activities	<u>(51,785)</u>	<u>(73,325)</u>	<u>(65,329)</u>	<u>(703,627)</u>
Cash flows from financing activities:				
Decrease in short-term borrowings	(65,240)	(26,081)	(76,076)	(250,274)
Proceeds from long-term debt	52,500	-	92,530	-
Repayments of long-term debt	(63,542)	(51,808)	(164,304)	(497,150)
Issuance of common stock	109,915	-	109,915	-
Cash dividends	(3,134)	(4,320)	(3,134)	(41,455)
Other	182	(588)	151	(5,642)
Net cash provided by (used in) financing activities	<u>30,681</u>	<u>(82,797)</u>	<u>(40,918)</u>	<u>(794,521)</u>
Effect of exchange rate fluctuations on cash and cash equivalents	(2,803)	3,157	(3,527)	30,295
Net increase (decrease) in cash and cash equivalents	114,683	(26,733)	72,895	(256,530)
Cash and cash equivalents at the beginning of the period	192,288	265,183	192,288	2,544,698
Cash and cash equivalents at the end of the period	<u>¥306,971</u>	<u>¥238,450</u>	<u>¥265,183</u>	<u>\$2,288,168</u>
Supplemental disclosures of cash flow information:				
Cash received and paid during the period for -				
Interest and dividend received	<u>¥1,227</u>	<u>¥1,932</u>	<u>¥1,681</u>	<u>\$18,539</u>
Interest paid	<u>(¥4,726)</u>	<u>(¥4,336)</u>	<u>(¥6,610)</u>	<u>(¥41,608)</u>
Income taxes paid	<u>(¥11,880)</u>	<u>(¥13,413)</u>	<u>(¥17,036)</u>	<u>(¥128,711)</u>

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

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2003	2004	2004
Cash flows from operating activities:			
Net income	¥17,168	¥20,480	\$196,526
Adjustments to reconcile net income to net cash provided by operating activities -			
Depreciation and amortization	28,020	28,916	277,478
Reorganization costs	481	-	-
Increase (decrease) in allowance for doubtful accounts	11	(150)	(1,439)
Accrual for net pension and severance costs, less payments	(701)	2,082	19,979
Net loss on sales and disposal of property, plant and equipment	418	1,277	12,254
Equity in net gains under the equity method	(45)	(72)	(691)
Deferred income taxes	2,307	(1,212)	(11,630)
Increase in notes and accounts receivable, trade	(39,336)	(53,264)	(511,122)
Decrease in inventories	8,003	14,099	135,294
Increase in notes and accounts payable, trade	25,030	27,287	261,846
Increase in accrued income taxes	5,829	2,705	25,957
Other	18,313	22,538	216,275
Net cash provided by operating activities	65,498	64,686	620,727
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment	(10,743)	(25,087)	(240,735)
Proceeds from sales of property, plant and equipment	2,000	637	6,113
Payments for purchases of intangible assets	(1,307)	(1,688)	(16,198)
Payments of long-term prepaid expenses	(224)	(35)	(336)
Other	457	(2,211)	(21,217)
Net cash used in investing activities	(9,817)	(28,384)	(272,373)
Cash flows from financing activities:			
Decrease in short-term borrowings	(41,408)	(8,157)	(78,275)
Proceeds from long-term debt	25,000	-	-
Repayments of long-term debt	(653)	(4,697)	(45,072)
Cash dividends	(1,767)	(2,553)	(24,499)
Other	288	(235)	(2,255)
Net cash used in financing activities	(18,540)	(15,642)	(150,101)
Effect of exchange rate fluctuations on cash and cash equivalents	(179)	144	1,382
Net increase in cash and cash equivalents	36,962	20,804	199,635
Cash and cash equivalents at the beginning of the period	270,009	217,646	2,088,533
Cash and cash equivalents at the end of the period	¥306,971	¥238,450	\$2,288,168
Supplemental disclosures of cash flow information:			
Cash received and paid during the period for -			
Interest and dividend received	¥366	¥474	\$4,549
Interest paid	(¥1,467)	(¥1,391)	(\$13,348)
Income taxes paid	(¥3,656)	(¥4,591)	(\$44,055)

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

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of presenting consolidated financial statements:

(1) Background -

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

(2) Basis of presenting consolidated financial statements -

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

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively “Epson”) as of December 31, 2004, and for the three months and nine months ended December 31, 2004 are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

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

2. Summary of significant accounting policies:

(1) Consolidation and investments in affiliates -

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

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

(2) Foreign currency translation and transactions -

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

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

(3) Cash and cash equivalents -

Cash and cash equivalents included in the consolidated financial statements are composed of cash on hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with initial maturities of three months or less and which 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, based on the weighted average cost method. Other than temporary declines in the value of other securities are reflected in current income.

(b) Derivative financial instruments:

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

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

(c) Allowance for doubtful accounts:

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

(5) Inventories -

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

(6) Property, plant and equipment -

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

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

(7) Intangible assets -

Amortization of intangible assets is computed using the straight-line method. Amortization of software

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

(8) Impairment of long-lived assets -

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

(9) Accrued bonuses -

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

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

(10) Accrued warranty costs -

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

(11) Income taxes -

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

On May 29, 2003, the Company obtained approval from the National tax agency to file a consolidated tax return system effective from the year beginning April 1, 2003. The Company has adopted the consolidated tax return system for the calculation of income taxes effective from the year ended March 31,

2004. Under the consolidated tax return system, the Company consolidates all wholly owned domestic subsidiaries based on the Japanese tax regulations.

(12) Pension and severance costs -

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

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

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

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

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

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

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

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

at the Company's shareholders' meeting.

(13) Revenue recognition -

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

(14) Research and development costs -

Research and development costs are expensed as incurred.

(15) Leases -

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

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

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

(16) Net income per share -

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

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

(17) Appropriations of retained earnings -

Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after approval by the shareholders as required under the Commercial Code of Japan. In addition to year-end dividends, the board of directors may declare interim cash dividends by resolution to the shareholders of record as of September 30 of each year.

3. U.S. dollar amounts:

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are

included solely for the convenience of readers and are not audited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥104.21 = U.S.\$1, the rate of exchange prevailing at December 31, 2004, has been used.

4. Notes receivable and notes payable maturing at period-end:

Notes receivable and notes payable are settled on the date of clearance. As December 31, 2004 was a bank holiday, notes receivable and notes payable maturing on that date could not be settled were included in the ending balance of notes and accounts receivable, trade and notes and accounts payable, trade as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Notes receivable	¥132	\$1,267
Notes payable	3,635	34,881

5. Investments in debt and equity securities:

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

	<u>Millions of yen</u>			<u>Market value (carrying value)</u>
	<u>Cost</u>	<u>Gross unrealized</u>		
		<u>Gains</u>	<u>Losses</u>	
Equity securities	¥10,669	¥4,802	(¥81)	¥15,390
Debt securities	53	3	-	56
Other	149	-	-	149
Total	<u>¥10,871</u>	<u>¥4,805</u>	<u>(¥81)</u>	<u>¥15,595</u>

	<u>Thousands of U.S. dollars</u>			<u>Market value (carrying value)</u>
	<u>Cost</u>	<u>Gross unrealized</u>		
		<u>Gains</u>	<u>Losses</u>	
Equity securities	\$102,380	\$46,080	(\$777)	\$147,683
Debt securities	508	29	-	537
Other	1,430	-	-	1,430
Total	<u>\$104,318</u>	<u>\$46,109</u>	<u>(\$777)</u>	<u>\$149,650</u>

As at December 31, 2004, the carrying amount of unlisted equity securities and unlisted debt securities, which were included in investment securities account, were ¥19,477 million (\$186,901 thousand) and

¥2,700 million (\$25,909 thousand), respectively.

For the nine months ended December 31, 2004, other-than-temporary impairments of securities with an aggregate market value of ¥0 million (\$0 thousand) was charged to current income. 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.

6. Derivative financial instruments:

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

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

Instruments	Millions of yen		
	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	¥6,705	¥6,593	¥112
Euro (purchased Japanese yen)	37,529	39,544	(2,015)
Sterling pound (purchased Japanese yen)	1,384	1,392	(8)
Australian dollar (purchased Japanese yen)	1,087	1,107	(20)
Thai baht (purchased U.S. dollar)	214	215	(1)
Japanese yen (purchased Euro)	1,009	1,015	(6)
U.S. dollar (purchased Euro)	363	363	0
Sterling pound (purchased Euro)	500	502	(2)
Polish zloty (purchased Euro)	200	207	(7)
Purchased -			
U.S. dollar (sold Japanese yen)	17	17	(0)
Euro (sold Japanese yen)	5	5	0
U.S. dollar (sold Korean won)	1,728	1,568	(160)
U.S. dollar (sold Taiwan dollar)	432	415	(17)
Total unrealized losses from forward exchange contracts			<u>(¥2,124)</u>

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

Instruments	Thousands of U.S. dollars		
	Contract amounts	Fair values	Unrealized gains (losses)
Forward exchange contracts:			
Sold -			
U.S. dollar (purchased Japanese yen)	\$64,341	\$63,266	\$1,075
Euro (purchased Japanese yen)	360,129	379,465	(19,336)
Sterling pound (purchased Japanese yen)	13,281	13,358	(77)
Australian dollar (purchased Japanese yen)	10,431	10,623	(192)
Thai baht (purchased U.S. dollar)	2,053	2,063	(10)
Japanese yen (purchased Euro)	9,682	9,740	(58)
U.S. dollar (purchased Euro)	3,483	3,483	0
Sterling pound (purchased Euro)	4,798	4,817	(19)
Polish zloty (purchased Euro)	1,919	1,986	(67)
Purchased -			
U.S. dollar (sold Japanese yen)	163	163	(0)
Euro (sold Japanese yen)	48	48	0
U.S. dollar (sold Korean won)	16,582	15,047	(1,535)
U.S. dollar (sold Taiwan dollar)	4,145	3,982	(163)
Total unrealized losses from forward exchange contracts			<u><u>(\$20,382)</u></u>

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

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

7. Credit agreements:

For the nine months ended December 31, 2004, Epson entered into line of credit agreements with four banks for an aggregate maximum amount of ¥50,000 million (\$479,800 thousand). As at December 31, 2004, there were unused credit lines of ¥50,000 million (\$479,800 thousand) outstanding and available.

8. Net income per share:

Calculation of net income per share for the nine months ended December 31, 2004 was as follows:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Net income attributable to common shares	<u>¥59,953</u>	<u>\$575,309</u>
Weighted average number of common shares outstanding	<u>196,364,154</u>	
	<u>Yen</u>	<u>U.S. dollars</u>
Net income per share	<u>¥305.32</u>	<u>\$2.93</u>

Epson had no dilutive potential common shares, such as convertible debt or warrants, outstanding for the nine months ended December 31, 2004.

9. Cash flow information:

Cash and cash equivalents at December 31, 2004 was composed of the following:

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash and deposits	¥239,568	\$2,298,896
Less:		
Short-term bank loans (overdrafts)	(423)	(4,059)
Time deposits due over three months	<u>(695)</u>	<u>(6,669)</u>
Cash and cash equivalents	<u>¥238,450</u>	<u>\$2,288,168</u>

10. Leases:

As described in Note 2 (15), Epson, as a lessee, charges periodic capital lease payments to expense when paid. Such payments for the nine months ended December 31, 2004 amounted to ¥5,781 million (\$55,475 thousand).

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

	Millions of yen	Thousands of U.S. dollars
Acquisition cost:		
Machinery and equipment	¥80,877	\$776,096
Furniture and fixtures	5,946	57,058
Intangible assets	898	8,617
	87,721	841,771
Less: accumulated depreciation	(37,070)	(355,724)
Net book value	¥50,651	\$486,047

Amounts appearing in the table above include leased property that was transferred to Epson from SANYO Electric Co., Ltd. and its subsidiaries (“SANYO Group”) in conjunction with the combination of their respective liquid crystal businesses.

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	\$736,436
Furniture and fixtures	1,196	11,477
	77,940	747,913
Less: accumulated depreciation	(28,498)	(273,467)
Net book value	¥49,442	\$474,446

Depreciation expenses for these leased assets for the nine months ended December 31, 2004 would have been ¥5,277 million (\$50,638 thousand), if they were computed in accordance with the straight-line method over the periods of these capital leases, assuming no remaining value.

Interest expense for these capital leases for the nine months ended December 31, 2004 would have been ¥524 million (\$5,028 thousand).

Future lease payments for capital leases at December 31, 2004 was as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥16,023	\$153,757
Due after one year	36,265	347,999
Total	¥52,288	\$501,756

Future lease payments for non-cancelable operating leases as a lessee at December 31, 2004 was as follows:

Future lease payments	Millions of yen	Thousands of U.S. dollars
Due within one year	¥3,005	\$28,836
Due after one year	8,125	77,968
Total	¥11,130	\$106,804

In addition, future lease receipts for non-cancelable operating leases as a lessor at December 31, 2004 was as follows:

Future lease receipts	Millions of yen	Thousands of U.S. dollars
Due within one year	¥325	\$3,119
Due after one year	1,902	18,251
Total	¥2,227	\$21,370

11. Commitments and contingent liabilities:

Contingent liabilities for guarantee of employees' housing loans from banks at December 31, 2004 was ¥2,743 million (\$26,322 thousand). Furthermore, the amount of discounted notes, which consisted of discounted letters of credit, at December 31, 2004 was ¥27 million (\$259 thousand).

12. 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 business still in the start-up phase, are categorized within “Other”.

The table below summarizes the business segment information of Epson for the nine months ended December 31, 2003 and 2004 and for the year ended March 31, 2004:

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended December 31,
	2003	2004	2004	2004
Information-related equipment:				
Net sales:				
Customers	¥685,257	¥711,567	¥917,116	\$6,828,203
Inter-segment	1,992	2,412	3,264	23,145
Total	687,249	713,979	920,380	6,851,348
Operating expenses	644,600	662,522	874,478	6,357,566
Operating income	¥42,649	¥51,457	¥45,902	\$493,782
Electronic devices:				
Net sales:				
Customers	¥307,976	¥336,627	¥413,540	\$3,230,275
Inter-segment	20,897	22,058	27,613	211,669
Total	328,873	358,685	441,153	3,441,944
Operating expenses	300,718	307,965	400,532	2,955,234
Operating income	¥28,155	¥50,720	¥40,621	\$486,710
Precision products:				
Net sales:				
Customers	¥58,967	¥60,846	¥77,736	\$583,879
Inter-segment	2,305	3,462	3,366	33,221
Total	61,272	64,308	81,102	617,100
Operating expenses	58,252	61,222	78,292	587,487
Operating income	¥3,020	¥3,086	¥2,810	\$29,613
Other:				
Net sales:				
Customers	¥3,724	¥4,108	¥4,851	\$39,420
Inter-segment	17,961	21,384	24,606	205,201
Total	21,685	25,492	29,457	244,621
Operating expenses	30,570	34,380	41,480	329,911
Operating loss	(¥8,885)	(¥8,888)	(¥12,023)	(\$85,290)
Eliminations and corporate:				
Net sales	(¥43,155)	(¥49,316)	(¥58,849)	(\$473,236)
Operating expenses	(43,229)	(49,784)	(58,940)	(477,727)
Operating income	¥74	¥468	¥91	\$4,491
Consolidated:				
Net sales	¥1,055,924	¥1,113,148	¥1,413,243	\$10,681,777
Operating expenses	990,911	1,016,305	1,335,842	9,752,471
Operating income	¥65,013	¥96,843	¥77,401	\$929,306

The table below summarizes the business segment information of Epson for the three months ended December 31, 2003 and 2004:

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2003	2004	2004
Information-related equipment:			
Net sales:			
Customers	¥264,120	¥278,587	\$2,673,323
Inter-segment	680	838	8,042
Total	264,800	279,425	2,681,365
Operating expenses	250,351	258,939	2,484,781
Operating income	¥14,449	¥20,486	\$196,584
Electronic devices:			
Net sales:			
Customers	¥110,718	¥130,430	\$1,251,607
Inter-segment	7,803	7,527	72,229
Total	118,521	137,957	1,323,836
Operating expenses	99,807	124,412	1,193,858
Operating income	¥18,714	¥13,545	\$129,978
Precision products:			
Net sales:			
Customers	¥21,876	¥19,341	\$185,596
Inter-segment	815	1,154	11,074
Total	22,691	20,495	196,670
Operating expenses	21,096	20,161	193,465
Operating income	¥1,595	¥334	\$3,205
Other:			
Net sales:			
Customers	¥1,356	¥1,316	\$12,629
Inter-segment	6,539	6,241	59,888
Total	7,895	7,557	72,517
Operating expenses	10,653	11,317	108,598
Operating loss	(¥2,758)	(¥3,760)	(\$36,081)
Eliminations and corporate:			
Net sales	(¥15,837)	(¥15,760)	(\$151,233)
Operating expenses	(15,735)	(16,132)	(154,803)
Operating income (loss)	(¥102)	¥372	\$3,570
Consolidated:			
Net sales	¥398,070	¥429,674	\$4,123,155
Operating expenses	366,172	398,697	3,825,899
Operating income	¥31,898	¥30,977	\$297,256

(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 nine months ended December 31, 2003 and 2004 and for the year ended March 31, 2004:

Nine months ended December 31:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended
	2003	2004	2004	December 31, 2004
Japan:				
Net sales:				
Customers	¥520,211	¥512,393	¥686,553	\$4,916,927
Inter-segment	369,624	433,137	491,089	4,156,387
Total	889,835	945,530	1,177,642	9,073,314
Operating expenses	856,479	884,336	1,141,043	8,486,096
Operating income	<u>¥33,356</u>	<u>¥61,194</u>	<u>¥36,599</u>	<u>\$587,218</u>
The Americas:				
Net sales:				
Customers	¥166,593	¥185,774	¥224,683	\$1,782,689
Inter-segment	32,251	34,915	42,320	335,044
Total	198,844	220,689	267,003	2,117,733
Operating expenses	191,825	208,951	255,937	2,005,095
Operating income	<u>¥7,019</u>	<u>¥11,738</u>	<u>¥11,066</u>	<u>\$112,638</u>
Europe:				
Net sales:				
Customers	¥213,510	¥246,994	¥297,772	\$2,370,156
Inter-segment	2,041	2,031	2,497	19,490
Total	215,551	249,025	300,269	2,389,646
Operating expenses	208,253	241,671	290,719	2,319,077
Operating income	<u>¥7,298</u>	<u>¥7,354</u>	<u>¥9,550</u>	<u>\$70,569</u>
Asia/Oceania:				
Net sales:				
Customers	¥155,610	¥167,987	¥204,235	\$1,612,005
Inter-segment	369,744	381,015	478,878	3,656,223
Total	525,354	549,002	683,113	5,268,228
Operating expenses	506,592	527,870	664,517	5,065,445
Operating income	<u>¥18,762</u>	<u>¥21,132</u>	<u>¥18,596</u>	<u>\$202,783</u>
Eliminations and corporate:				
Net sales	(¥773,660)	(¥851,098)	(¥1,014,784)	(\$8,167,144)
Operating expenses	(772,238)	(846,523)	(1,016,374)	(8,123,242)
Operating income (loss)	<u>(¥1,422)</u>	<u>(¥4,575)</u>	<u>¥1,590</u>	<u>(\$43,902)</u>
Consolidated:				
Net sales	¥1,055,924	¥1,113,148	¥1,413,243	\$10,681,777
Operating expenses	990,911	1,016,305	1,335,842	9,752,471
Operating income	<u>¥65,013</u>	<u>¥96,843</u>	<u>¥77,401</u>	<u>\$929,306</u>

The table below summarizes the geographic segment information of Epson for the three months ended December 31, 2003 and 2004:

Three months ended December 31:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended December 31,
	2003	2004	2004
Japan:			
Net sales:			
Customers	¥195,772	¥214,078	\$2,054,294
Inter-segment	133,714	136,887	1,313,569
Total	329,486	350,965	3,367,863
Operating expenses	314,262	332,784	3,193,398
Operating income	¥15,224	¥18,181	\$174,465
The Americas:			
Net sales:			
Customers	¥58,825	¥66,762	\$640,649
Inter-segment	11,645	12,531	120,247
Total	70,470	79,293	760,896
Operating expenses	66,651	76,130	730,544
Operating income	¥3,819	¥3,163	\$30,352
Europe:			
Net sales:			
Customers	¥88,581	¥93,923	\$901,286
Inter-segment	484	899	8,627
Total	89,065	94,822	909,913
Operating expenses	83,536	92,792	890,433
Operating income	¥5,529	¥2,030	\$19,480
Asia/Oceania:			
Net sales:			
Customers	¥54,892	¥54,911	\$526,926
Inter-segment	143,717	128,518	1,233,260
Total	198,609	183,429	1,760,186
Operating expenses	189,810	177,331	1,701,670
Operating income	¥8,799	¥6,098	\$58,516
Eliminations and corporate:			
Net sales	(¥289,560)	(¥278,835)	(\$2,675,703)
Operating expenses	(288,087)	(280,340)	(2,690,146)
Operating income (loss)	(¥1,473)	¥1,505	\$14,443
Consolidated:			
Net sales	¥398,070	¥429,674	\$4,123,155
Operating expenses	366,172	398,697	3,825,899
Operating income	¥31,898	¥30,977	\$297,256

(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 nine months ended December 31, 2003 and 2004 and for the year ended March 31, 2004:

	Millions of yen			Thousands of U.S. dollars
	Nine months ended December 31		Year ended March 31,	Nine months ended
	2003	2004	2004	December 31, 2004
Overseas sales:				
The Americas	¥175,856	¥206,672	¥235,116	\$1,983,226
Europe	267,004	290,122	363,424	2,784,013
Asia/Oceania	239,824	226,988	310,806	2,178,179
Total	682,684	723,782	909,346	6,945,418
Consolidated net sales	<u>¥1,055,924</u>	<u>¥1,113,148</u>	<u>¥1,413,243</u>	<u>\$10,681,777</u>
Percentage:				
The Americas	16.7%	18.6%	16.6%	
Europe	25.3	26.0	25.7	
Asia/Oceania	22.7	20.4	22.0	
Total	<u>64.7%</u>	<u>65.0%</u>	<u>64.3%</u>	

The table below shows sales to overseas customers by geographic region, and as a percentage of consolidated net sales, for the three months ended December 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31		Three months ended
	2003	2004	December 31, 2004
Overseas sales:			
The Americas	¥61,125	¥83,723	\$803,407
Europe	102,350	110,343	1,058,852
Asia/Oceania	86,105	73,791	708,099
Total	249,580	267,857	2,570,358
Consolidated net sales	<u>¥398,070</u>	<u>¥429,674</u>	<u>\$4,123,155</u>
Percentage:			
The Americas	15.4%	19.5%	
Europe	25.7	25.7	
Asia/Oceania	21.6	17.1	
Total	<u>62.7%</u>	<u>62.3%</u>	

Supplementary Information

Consolidated Nine months ended December 31, 2004

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)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2005
	2003	2004		
Information-related equipment	687.2	714.0	3.9%	976.0
Imaging & information	552.1	625.3	13.2%	841.0
Visual instruments	62.3	63.8	2.4%	98.0
System device & PC	83.3	-	- %	-
Other	-	35.1	- %	49.0
Intra-segment sales	(10.5)	(10.2)	- %	(12.0)
Electronic devices	328.9	358.7	9.1%	500.0
Display	225.5	225.2	(0.1%)	340.0
Semiconductor	111.4	114.7	2.9%	137.0
Quartz device	31.1	38.0	22.4%	50.0
Other	2.3	1.6	(28.8%)	2.0
Intra-segment sales	(41.4)	(20.8)	- %	(29.0)
Precision products	61.3	64.3	5.0%	86.0
Other	21.7	25.5	17.6%	32.0
Inter-segment sales	(43.2)	(49.4)	- %	(62.0)
Consolidated sales	1,055.9	1,113.1	5.4%	1,532.0

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

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

As a result of it, net sales increased by ¥48.3 billion in Imaging & information for the nine months ended December 31, 2004, as compared with the amount of Imaging & information which was reported in the nine months ended December 31, 2003, and decreased by ¥48.3 billion in Other for the nine months ended December 31, 2004, as compared with the amount of System device & PC which was reported in the nine months ended December 31, 2003.

Net sales will increase by ¥62.5 billion in Imaging & information for the year ended March 31, 2005, as compared with the amount of Imaging & information which was reported in the year ended March 31, 2004, and will decrease by ¥62.5 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 nine months ended December 31, 2003 and 2004 and for the year ended March 31, 2005. The sales by division for the nine months ended December 31, 2003 was categorized as if the new divisional classification had been applied retroactively.

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Information-related equipment	687.2	714.0	3.9%	976.0	6.0%
Imaging & information	596.7	625.3	4.8%	841.0	6.1%
Visual instruments	62.2	63.8	2.4%	98.0	12.2%
Other	38.8	35.1	(9.4%)	49.0	(9.4%)
Intra-segment sales	(10.5)	(10.2)	- %	(12.0)	- %
Electronic devices	328.9	358.7	9.1%	500.0	13.3%
Display	225.5	225.2	(0.1%)	340.0	13.9%
Semiconductor	111.4	114.7	2.9%	137.0	(6.4%)
Quartz device	31.1	38.0	22.4%	50.0	15.7%
Other	2.3	1.6	(28.8%)	2.0	(31.0%)
Intra-segment sales	(41.4)	(20.8)	- %	(29.0)	- %
Precision products	61.3	64.3	5.0%	86.0	6.0%
Other	21.7	25.5	17.6%	32.0	8.6%
Inter-segment sales	(43.2)	(49.4)	- %	(62.0)	- %
Consolidated sales	1,055.9	1,113.1	5.4%	1,532.0	8.4%

2. Business segment information

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Information-related equipment					
Net sales					
Customers	685.2	711.6	3.8%	974.0	6.2%
Inter-segment	2.0	2.4	21.1%	2.0	(38.7%)
Total	687.2	714.0	3.9%	976.0	6.0%
Operating expenses	644.6	662.5	2.8%	899.0	2.8%
Operating income	42.6	51.5	20.7%	77.0	67.7%
Electronic devices					
Net sales					
Customers	308.0	336.6	9.3%	472.0	14.1%
Inter-segment	20.9	22.1	5.6%	28.0	1.4%
Total	328.9	358.7	9.1%	500.0	13.3%
Operating expenses	300.7	308.0	2.4%	452.0	12.8%
Operating income	28.2	50.7	80.1%	48.0	18.2%
Precision products					
Net sales					
Customers	59.0	60.8	3.2%	81.0	4.2%
Inter-segment	2.3	3.5	50.2%	5.0	48.5%
Total	61.3	64.3	5.0%	86.0	6.0%
Operating expenses	58.3	61.2	5.1%	81.0	3.5%
Operating income	3.0	3.1	2.2%	5.0	77.9%
Other					
Net sales					
Customers	3.7	4.1	10.3%	5.0	3.1%
Inter-segment	17.9	21.4	19.1%	27.0	9.7%
Total	21.6	25.5	17.6%	32.0	8.6%
Operating expenses	30.5	34.4	12.5%	45.0	8.5%
Operating loss	(8.9)	(8.9)	-%	(13.0)	-%
Elimination and corporate					
Net sales	(43.1)	(49.4)	-%	(62.0)	-%
Operating expenses	(43.2)	(49.8)	-%	(62.0)	-%
Operating income	0.1	0.4	531.6%	0.0	-%
Consolidated					
Net sales	1,055.9	1,113.1	5.4%	1,532.0	8.4%
Operating expenses	990.9	1,016.3	2.6%	1,415.0	5.9%
Operating income	65.0	96.8	49.0%	117.0	51.2%

3 . Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Capital expenditure	40.4	112.6	178.9%	166.6	142.2%
Information-related equipment	24.0	21.4	(10.6%)	33.6	1.8%
Electronic devices	10.2	80.3	686.5%	110.4	418.2%
Precision products	1.6	3.2	92.9%	5.2	30.3%
Other	4.6	7.7	69.3%	17.4	65.8%
Depreciation and amortization	81.4	75.7	(7.0%)	109.7	(0.6%)

4. Research and development

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 %
	2003	2004			
Research and Development	66.1	63.9	(3.4%)	92.7	2.5%
R&D / sales ratio	6.3%	5.7%		6.1%	

5. Management indices

(Unit: %)

	Nine months ended December 31,		Increase Point	Forecast for the year ended March 31, 2005	Increase compared to year ended March 31, 2004 Point
	2003	2004			
Return on equity (ROE)	9.7%	13.5%	3.8	14.6%	3.7
Return on assets (ROA)	4.7%	6.8%	2.1	8.7%	3.3
Return on sales (ROS)	5.5%	7.7%	2.2	7.0%	2.4

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)

	Nine months ended December 31,		Increase
	2003	2004	
Foreign exchange effect	(4.1)	(14.3)	(10.2)
U.S. dollars	(12.4)	(11.8)	0.6
Euro	16.0	4.6	(11.4)
Other	(7.7)	(7.1)	0.6
Exchange rate			
Yen / U.S. dollars	115.01	108.56	
Yen / Euro	132.12	134.60	

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

7. Inventory

(Unit: billion yen)

	December 31,	March 31,	December 31,	Increase compared to March 31, 2004
	2003	2004	2004	
Inventory	168.2	155.9	202.6	46.7
Information-related equipment	102.8	96.9	119.8	22.9
Electronic devices	52.4	45.7	67.9	22.2
Precision products	12.0	12.1	13.6	1.5
Other / Corporate	1.0	1.2	1.3	0.1
	(Unit: days)			
Turnover by days	44	40	50	10
Information-related equipment	41	39	46	7
Electronic devices	44	38	52	14
Precision products	54	55	58	3
Other / Corporate	16	15	14	(1)

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

8. Employees

(Unit: person)

	December 31,	March 31,	December 31,	Increase compared to March 31, 2004
	2003	2004	2004	
Number of employees at period end	92,070	84,899	86,415	1,516
Domestic	21,100	21,044	22,893	1,849
Overseas	70,970	63,855	63,522	(333)