(Note) This document has been translated from the Japanese original for reference purposes only. If there is any discrepancy between the Japanese original and the translated document, the original Japanese document shall prevail.

(Translation)

Notice of the 74th Ordinary General Meeting of Shareholders

May 27, 2016

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 74th Ordinary General Meeting of Shareholders. We have sent shareholders residing in Japan the convocation notice and attached documents in Japanese, which were compiled according to the Japanese Companies Act. Under this Act, there is no obligation to provide materials in languages other than Japanese. However, we have enclosed an English translation for the reference of non-Japanese shareholders. It is not intended to influence shareholders in exercising their voting rights. Unfortunately, we are only able to provide official documents in Japanese. We ask for your understanding in this matter and thank you for your continued support of the Seiko Epson Corporation (hereinafter the "Company").

If you are unable to attend the meeting, please vote by using one of the following methods no later than 5:00 p.m., Monday, June 27, 2016 (Japan time). Prior to voting, you may wish to review the "Reference Materials for the Ordinary General Meeting of Shareholders" document, provided herein.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form whether you approve or disapprove of each of the proposals and return the completed form to us. The completed form must be received no later than 5:00 p.m., Monday, June 27, 2016 (Japan time).

Voting by Internet

To vote by Internet, please log into the shareholders' voting websites at http://www.evote.jp/ to register your approval or disapproval (Japanese only). Voting by Internet must be completed no later than 5:00 p.m., Monday, June 27, 2016 (Japan time).

Sincerely yours,

Minoru Usui

President

Seiko Epson Corporation
4-1-6 Shinjuku,
Shinjuku-ku, Tokyo

Description

1. Date and Time: 10:00 a.m., Tuesday, June 28, 2016 (Japan time)

2. Place: "Daigo" 2nd Basement Floor, Sheraton Miyako Hotel Tokyo, 1-1-50, Shirokanedai, Minato-ku, Tokyo

3. Meeting Agenda:

Reporting:

1. Report on the business reports, the consolidated financial statements and the reports of the Accounting Auditors and of the Audit & Supervisory Board regarding the consolidated financial statements for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016).

Proposals:

Proposal 1: Appropriation of Surplus

Proposal 2: Partial Amendments to the Articles of Incorporation

Proposal 3: Election of Eight Directors Who Are Not Audit & Supervisory Committee Members

Proposal 4: Election of Four Directors Who Are Audit & Supervisory Committee Members

Proposal 5: Determination of Amounts of Remuneration for Directors Who Are Not Audit & Supervisory Committee Members

Proposal 6: Determination of Amounts of Remuneration for Directors Who Are Audit & Supervisory Committee Members

Proposal 7: Bonus to Directors

Proposal 8: Determination of Amounts and Details of Performance-Linked Stock Compensation for Directors, etc.

4. Convocation rules:

(1) If you exercise your voting rights by both mail and Internet, we will treat the vote by Internet as valid.

(2) If you exercise your voting rights by Internet on multiple occasions, we will treat the last vote as valid.

5. Notes:

(1) Any revisions to the reference materials for the Ordinary General Meeting of Shareholders, the business reports, the consolidated financial statements, and the non-consolidated financial statements shall be posted on the Company's website at http://www.epson.jp/IR/ (Japanese) and http://global.epson.com/IR/ (English).

(2) If attending the meeting in person, please remember to bring the ballot enclosed within these materials and to hand it to a receptionist.

(3) If you exercise your voting rights by proxy, you should appoint as proxy another shareholder with voting rights in the Company. A written letter of

proxy should be brought to the meeting and handed to the reception.

***The Company offers institutional investors access to ICJ Inc.'s electronic voting platform.**

Reference Materials for the Ordinary General Meeting of Shareholders

Proposals and related items

Proposal 1: Appropriation of Surplus

Items Relating to the Year-End Dividend

With respect to the year-end cash dividends on common stock shares for the fiscal year, the Company proposes to pay 30 yen per share. Moreover, 30 yen was paid out as an interim dividend; hence, the annual dividend will be 60 yen per share.

The Company paid 115 yen as annual dividend per share in the previous fiscal year. It is equivalent to 57.5 yen by taking into consideration the Company's common stock split as of April 1, 2015. Thus the annual dividend for the fiscal year will be an increase of 2.5 yen per share compared to the previous fiscal year.

(1) Type of Dividend Property
Cash

(2) Distribution of Dividend
30 yen per share of common stock, total amount 10,733,231,460 yen

(3) Effective Date of Distribution
June 29, 2016

(Reference)

The Company's Dividend Policy

The Company strives to sustain business growth through the creation of customer value and to generate stable cash flow by improving profitability and using management resources efficiently. While the top priority is on strategic investment in growth, the Company also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment.

In line with this policy, the Company has set a consolidated dividend payout ratio in the range of 40% as a mid-term target, the ratio based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company's main operations. The Company intends to be more active in giving back to shareholders by agilely repurchasing the Company's shares as warranted by share price, the capital situation, and other factors.

Note: Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

◆Repurchase of the Company's shares

The Company resolved at the meeting of its Board of Directors on April 28, 2016 to repurchase its shares with the repurchase period from May 2, 2016 to June 30, 2016 (maximum share repurchase cost of 10,000 million yen or maximum number of shares of 7,000,000 shares).

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reason for proposal

(1) Amendments regarding the transition to a company with an Audit & Supervisory Committee

The Company has strove to continuously enhance and strengthen corporate governance that realizes transparent, fair, timely and decisive decision-making to promote sustainable growth and increase corporate value over the mid- to long-term, with the appointment of more than one Outside Director and the establishment of a discretional advisory committees regarding the nomination of and remuneration for the officers.

The Company has determined to make the transition from the current company with the Audit & Supervisory Board to a company with an Audit & Supervisory Committee to enhance the effectiveness of its corporate governance by further improving the supervisory function of and enhancing discussions at the Board of Directors meetings, as well as by speeding up decision-making in management. Accordingly, the Company proposes to newly establish provisions relating to the Directors who are Audit & Supervisory Committee Members and Audit & Supervisory Committee, delete provisions relating to the Audit & Supervisory Board Members and the Audit & Supervisory Board, as well as newly establish provisions relating to delegation of the authority to Executive Directors to enhance the management effectiveness and timely decision-making, and make other necessary amendments.

(2) Amendments regarding the scope of liability limitation contract

The Company proposes to amend certain provisions to enable the Company to conclude liability limitation contracts with Directors who do not execute business so that the Company will be able to secure appropriate personnel in the future and Directors can fully perform their expected roles. The Company has obtained prior consent of each Audit & Supervisory Board Member with regard to this amendment.

(3) Other overall-related amendments

In connection with the addition and deletion of provisions, subsequent numbering of Articles and other necessary amendments are proposed. This proposal shall become effective at the conclusion of this Meeting.

2. Details of amendments

Details of the amendments are as follows.

(Amendments are underlined)

Current Articles of incorporation	Proposed Amendments
Chapter 1. General Provisions	**Chapter 1. General Provisions**
(Governing Bodies) Article 4. The Company shall be governed by the General Meeting of Shareholders and by its Directors. In addition, the Company shall establish the following governing bodies: (1) Board of Directors (2) Audit & Supervisory Board Members (3) Audit & Supervisory Board (4) Accounting Auditors	(Governing Bodies) Article 4. The Company shall be governed by the General Meeting of Shareholders and by its Directors. In addition, the Company shall establish the following governing bodies: (1) Board of Directors (2) Audit & Supervisory Committee <Deleted> (3) Accounting Auditors
Chapter 4. Directors and Board of Directors	**Chapter 4. Directors and Board of Directors**
(Number of Directors) Article 18. The number of Directors of the Company shall not exceed ten (10).	(Number of Directors) Article 18. The number of the Directors other than Directors who are Audit & Supervisory Committee Members (hereinafter, “Directors who are not Audit & Supervisory Committee Members”) of the Company shall not exceed nine (9).
<Newly established>	2. The number of the Directors who are Audit & Supervisory Committee Members of the Company shall not exceed five (5).
(Method of Electing Directors) Article 19. <Omitted>	(Method of Electing Directors) Article 19. <Unchanged>
<Newly established>	2. The election of Directors provided in the foregoing Item shall distinguish between Directors who

Current Articles of incorporation	Proposed Amendments
	are Audit & Supervisory Committee Members and Directors who are not Audit & Supervisory Committee Members.
2. <Omitted>	3. <Unchanged>
3. <Omitted>	4. <Unchanged>
(Term of Office)	(Term of Office)
Article 20. The term of office of Directors shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the final fiscal year that ends within one (1) year of such Directors' election.	Article 20. The term of office of Directors who are not Audit & Supervisory Committee Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the final fiscal year that ends within one (1) year of such Directors' election.
<Newly established>	2. The term of office of Directors who are Audit & Supervisory Committee Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the final fiscal year that ends within two (2) years of such Directors' election.
<Newly established>	3. The term of office of Directors who are Audit & Supervisory Committee Members elected to fill a vacancy caused by the resignation of Directors who are Audit & Supervisory Committee Members prior to the expiry of such Directors' term of office shall expire at the time the term of office of their predecessor expires.
<Newly established>	4. The election of substitutes for Directors who are Audit & Supervisory Committee Members shall be effective up to the

Current Articles of incorporation	Proposed Amendments
	beginning of the Ordinary General Meeting of Shareholders for the final fiscal year that ends within two (2) years of such Directors' election.
(Representative Directors and Directors with titles)	(Representative Directors)
Article 21. The Board of Directors shall appoint the Representative Directors by its resolution.	Article 21. The Board of Directors shall appoint the Representative Directors from among Directors who are not Audit & Supervisory Committee Members by its resolution.
2. The Board of Directors may, by resolution, appoint one (1) Chairman, a certain number of Vice Chairman, one (1) President, and a certain number of Vice Presidents, Senior Managing Directors and Managing Directors.	<Deleted>
(Convocation Notice for Board of Directors Meeting) Article 22. The notice of convocation for Board of Directors meetings shall be delivered to each Director and Audit & Supervisory Board Member at least three (3) days in advance; provided, however, that such period of advance notice may be shortened in case of an emergency.	(Convocation Notice for Board of Directors Meeting) Article 22. The notice of convocation for Board of Directors meetings shall be delivered to each Director at least three (3) days in advance; provided, however, that such period of advance notice may be shortened in case of an emergency.
2. Board of Directors meeting may be convened without the Company's convocation procedures with the unanimous consent of the Directors and Audit & Supervisory Board Members.	2. Board of Directors meeting may be convened without the Company's convocation procedures with the unanimous consent of the Directors.

Current Articles of incorporation	Proposed Amendments
<Newly established>	(Delegation of decision-making on important business executions) Article 24. The Company may, by resolution of the Board of Directors, delegate to Directors all or part of the authority of decision-making on important business executions (excluding matters listed in each Item of Article 399-13, Paragraph 5 of the Companies Act).
(Person Authorized to Convene Board of Directors Meetings and Chairperson)	(Person Authorized to Convene Board of Directors Meetings and Chairperson)
Article 24. <Omitted >	Article 25. <Unchanged>
2. <Omitted >	2. <Unchanged>
<Newly established>	3. Notwithstanding the foregoing two Paragraphs, Audit & Supervisory Committee Members appointed by the Audit & Supervisory Committee may convene the Board of Directors Meetings.
(Honorary Chairmen, Senior Corporate Advisors and Corporate Advisors)	(Honorary Chairmen, Senior Corporate Advisors and Corporate Advisors)
Article 25. <Omitted>	Article 26. <Unchanged>
(Exemption from Directors' Liabilities)	(Exemption from Directors' Liabilities)
Article 26. <Omitted>	Article 27. <Unchanged>
2. If conditions stipulated under Article 427, Paragraph 1 of the Companies Act apply, the Company may conclude a contract with Outside Directors limiting their liability for damages as defined under Article 423, Paragraph 1 of the Companies Act. This is provided, however, that the Company may limit such liability for damages only to the extent	2. If conditions stipulated under Article 427, Paragraph 1 of the Companies Act apply, the Company may conclude a contract with Directors (excluding those who are Executive Directors, etc. provided in Article 2, Item 15-(a)) limiting their liability for damages as defined under Article 423, Paragraph 1 of the Companies Act. This is provided, however, that the

Current Articles of incorporation	Proposed Amendments
provided for under applicable laws and ordinances.	Company may limit such liability for damages only to the extent provided for under applicable laws and ordinances.
Chapter 5. Audit & Supervisory Board Members and Audit & Supervisory Board	**Chapter 5. Audit & Supervisory Committee**
<Newly established>	(Convocation Notice for Audit & Supervisory Committee meeting) Article 28. The notice of convocation for Audit & Supervisory Committee meetings shall be delivered to each Audit & Supervisory Committee Member at least three (3) days in advance; provided, however, that such period of advance notice may be shortened in case of an emergency. 2. An Audit & Supervisory Committee meeting may be convened without the Company's convocation procedures with the unanimous consent of the Audit & Supervisory Committee Members.
(Number of Audit & Supervisory Board Members) Article 27 The number of the Audit & Supervisory Board Members of the Company shall not exceed five (5).	<Deleted>
(Method of Electing Audit & Supervisory Board Members) Article 28 An Audit & Supervisory Board Member shall be elected by a resolution of the General Meeting of Shareholders.	<Deleted>

Current Articles of incorporation	Proposed Amendments
2. Resolutions for the election of Audit & Supervisory Board Members shall require that more than one-third (1/3) of shareholders entitled to vote be present and that a majority vote in the affirmative.	
(Term of Office)	<Deleted>
Article 29. The term of office of Audit & Supervisory Board Members shall expire at the conclusion of the Ordinary General Meeting of Shareholders for the final fiscal year that ends within four (4) year of such Audit & Supervisory Board Members' election.	
2. The term of office of Audit & Supervisory Board Members elected to fill a vacancy caused by the resignation of Audit & Supervisory Board Members prior to the expiry of such Audit & Supervisory Board Members' term of office shall expire at the time the term of office of their predecessor expires.	
(Full-Time Audit & Supervisory Board Members)	<Deleted>
Article 30 The Audit & Supervisory Board shall appoint Full-Time Audit & Supervisory Board Members by its resolution.	
(Convocation Notice for Audit & Supervisory Board Meeting)	<Deleted>
Article 31. The notice of convocation for Audit & Supervisory Board	

Current Articles of incorporation	Proposed Amendments
meetings shall be delivered to each Audit & Supervisory Board Member at least three (3) days in advance; provided ,however, that such period of advance notice may be shortened in case of an emergency. 2. An Audit & Supervisory Board meeting may be convened without the Company's convocation procedures with the unanimous consent of the Audit & Supervisory Board Members. (Exemption from Audit & Supervisory Board Members' Liabilities) Article 32. By resolution of the Board of Directors, the Company may exempt Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from liability for damages as defined under Article 423, Paragraph 1 of the Companies Act if conditions stipulated under Article 426, Paragraph 1 of the Companies Act apply. In such instances, the Company may exempt such Members up to an amount that is derived by deducting the minimum amount of liability required under applicable laws and ordinances from the amount of liability for damages. 2. If conditions stipulated under Article 427, Paragraph 1 of the Companies Act apply, the	<Deleted>

Current Articles of incorporation	Proposed Amendments
Company may conclude a contract with Outside Audit & Supervisory Board Members limiting their liability for damages as defined under Article 423, Paragraph 1 of the Companies Act. This is provided, however, that the Company may limit such liability for damages only to the extent provided for under applicable laws and ordinance.	
Chapter 6. Accounts (Fiscal Year) Article 33 – Article 36 <Omitted>	**Chapter 6. Accounts** (Fiscal Year) Article 29 – Article 32 <Unchanged>
<Newly established>	Supplementary provision (Transitional Measures for Exemption from Liabilities of Audit & Supervisory Board Members Prior to Transition to a company with an Audit & Supervisory Committee) Article 1. The exemption of liabilities of the acts of Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) provided in Article 423, Paragraph 1 of the Companies Act and liability limitation agreements concluded with Outside Audit & Supervisory Board Members prior to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending on March 31, 2016 shall remain in accordance with Article 32 of the Articles of Incorporation prior to the amendments effective from the conclusion of the aforementioned Ordinary General Meeting of Shareholders.

Proposal 3: Election of Eight Directors Who Are Not Audit & Supervisory Committee Members

The Company will make the transition to a company with an Audit & Supervisory Committee on the condition that Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved by this Meeting as proposed. Accordingly, the terms of office of all ten incumbent Directors will expire at the conclusion of this Meeting. We propose to appoint eight Directors who are not Audit & Supervisory Committee Members by distinguishing them from Directors who are Audit & Supervisory Committee Members.

The candidates for Directors who are not Audit & Supervisory Committee Members have been nominated after consideration by the Nomination Committee in which Outside Directors make significant contributions in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the “Standard of Outside Officers’ Independence” (please refer to page 25).

This Proposal shall become effective on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation” come into force.

The candidates for the position of Directors who are not Audit & Supervisory Committee Members are as follows:

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company’s stock owned
1	 Minoru Usui (April 22, 1955)	Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company) Jun. 2002 Director of the Company Oct. 2007 Managing Director of the Company Jun. 2008 Representative Director (current position) and President of the Company (current position) **Reason for nominating Minoru Usui as a Director** As the Chairman of the Board of Directors, Mr. Usui has managed the Board of Directors in an appropriate manner, made important decisions on management and monitored in business executions appropriately. Also, as President and Representative Director, he has led the bold reform in business portfolio responding to changes in the business environment and creation of new business models and helped realization of the corporate long-term vision SE15 and achievement of the performance recovery. We have nominated him as a candidate for Director expecting that he will continue to demonstrate strong leadership aimed at sustainable growth and improvement in the Company’s corporate value over the medium to long term under the new “Epson 25” Corporate Vision.	150,100

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company’s stock owned
2	 Shigeki Inoue (October 10, 1955)	Apr. 1979 Joined the Company Jun. 2011 Executive Officer of the Company Jun. 2012 Director of the Company Jun. 2013 General Administrative Manager, Business Infrastructure Development Division Jun. 2014 Managing Director of the Company (current position) Dec. 2015 Chief Operating Officer, Wearable Products Operations Division (current position) Apr. 2016 General Administrative Manager, Corporate Planning Division (current position)	17,700

Reason for nominating Shigeki Inoue as a Director

Mr. Inoue has determined important management matters and monitored in business executions appropriately as a Director. He has a wealth of experience and achievements in preparing management plans, establishing an appropriate management cycle toward achievement of such plans and strengthening Group management. He has also been responsible for promote the Epson 25 Corporate Vision. We have nominated him as a candidate for Director expecting that he will monitor corporate management appropriately and promote the Epson 25 Corporate Vision from a companywide point of view aimed at achieving sustainable growth and improvement the Company’s corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company's stock owned
3	 Yoneharu Fukushima (January 17, 1954)	Feb. 1982 Joined the Company Jun. 2009 Executive Officer of the Company Jun. 2010 Director of the Company Jun. 2010 General Administrative Manager, Corporate Research & Development Division Apr. 2015 Chief Operating Officer of the Robotics Solutions Operations Division of the Company (current position) Jun. 2015 Managing Director of the Company (current position) Apr. 2016 General Administrative Manager, First Technology Development Division (current position)	36,500

Reason for nominating Yoneharu Fukushima as a Director

Mr. Fukushima has determined important management matters and monitored in business executions appropriately as a Director. He has led the technological development of the Company and shown leadership by putting the Robotics Solutions Operations on the path of growth as a person in charge. We have nominated him as a candidate for Director expecting that he will supervise the corporate management and promote the Epson 25 Corporate Vision from a companywide point of view aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company's stock owned
4	 Koichi Kubota (April 3, 1959)	Apr. 1983 Joined Epson Corporation (now the Company) Jun. 2010 Executive Officer of the Company Jun. 2012 Director of the Company Jun. 2013 Chief Operating Officer of the Printer Operations Division of the Company (current position) Jun. 2015 Managing Director of the Company (current position) Apr. 2016 Deputy General Administrative Manager, Corporate Planning Division (responsible for sales planning and brand communication) (current position)	23,200

Reason for nominating Koichi Kubota as a Director

Mr. Kubota has determined important management matters and monitored in business executions appropriately as a Director. Based on his wealth of experience and achievements centering on overseas sales operations in the information-related equipment business, he has worked to reform the Company's business models as Chief Operating Officer of the Printer Operations Division. We have nominated him as a candidate for Director expecting that he will monitor corporate management appropriately and promote the Epson 25 Corporate Vision from a companywide point of view aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company’s stock owned
5	 Masayuki Kawana (July 27, 1964)	Apr. 1988 Joined Seiko Epson Cooperative Union Mar. 1999 Joined the Company Oct. 2008 General Manager, Human Resources Department of the Company Jun. 2014 Director of the Company (current position) General Administrative Manager, Human Resources Division of the Company (current position) Jun. 2015 President, Orient Watch Co., Ltd. (current position)	5,800

Reason for nominating Masayuki Kawana as a Director

Mr. Kawana has determined important management matters and monitored in business executions appropriately as a Director. He has a wealth of experience and achievements primarily in human resource management, and has managed important subsidiaries energetically as President of Orient Watch Co., Ltd since June, 2015. We have nominated him as a candidate for Director in expecting that he will monitor corporate management appropriately and promote the Epson 25 Corporate Vision from a companywide point of view aimed at achieving sustainable growth and improving the Company’s corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company’s stock owned
6	 Tatsuaki Seki (December 26, 1960) New Candidate	Apr. 1983 Joined Epson Corporation (now the Company) Nov. 2005 General Manager, BS Business Management Department of the Company Oct. 2014 General Manager, Finance & General Accounting Department of the Company Oct. 2015 Deputy General Administrative Manager of the Management Control Division (responsible for Finance & General Accounting) (current position)	-

Reason for nominating Tatsuaki Seki as a Director

He has a wealth of experience and achievements in financing & accounting and business management. He has led the new initiatives aggressively from a broad perspective regarding a change in the structure of the profit management of the Company recently. We have nominated him as a candidate for Director expecting that he will continue making use of such experience and achievements, monitor corporate management appropriately, and promote the Epson 25 Corporate Vision from a companywide point of view aimed at achieving sustainable growth and improving the Company’s corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company's stock owned
7	 Hideaki Omiya (July 25, 1946) Outside Director Candidate	Apr. 2007 Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd. Apr. 2008 President and CEO of Mitsubishi Heavy Industries, Ltd. Apr. 2013 Chairman of the Board of Mitsubishi Heavy Industries, Ltd. (current position) Jun. 2014 Director of the Company (current position) **Important concurrent positions held at other companies** Chairman of the Board of Mitsubishi Heavy Industries, Ltd. **Reason for nominating Hideaki Omiya as an Outside Director** Mr. Omiya has served as a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has considerable experience and insight as a chief executive and engineer. He has monitored corporate management appropriately offering proposals actively regarding important decision making in management from an objective and comprehensive perspective. We have nominated him as a candidate for independent Outside Director expecting that he will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term. **Independence of duties** Mr. Omiya was involved in business execution at Mitsubishi Heavy Industries, Ltd. Although the Company has had transactions involving the purchase and sale of semiconductor manufacturing equipment with Mitsubishi Heavy Industries, Ltd. in the past three years, these transactions are immaterial, totaling less than 0.1% of the consolidated net sales of the Company and Mitsubishi Heavy Industries, Ltd. and thus does not fall under the category of "major business partner" as prescribed in the "Standard of Outside Officers' Independence." The Company has registered Mr. Omiya as an Independent Director with the Tokyo Stock Exchange. If this Proposal is approved as proposed, he will continue to serve as an Independent Director. **Period spent as an Outside Director** At the conclusion of this Meeting, two years will have passed since his initial appointment.	3,400

Note 1: There are no special interests between the candidate and the Company.

Note 2: The Company has concluded a liability limitation contract with Mr. Hideaki Omiya, who is incumbent Outside Director of the Company, to limit his liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act. If he is reappointed as a Director, the Company intends to renew the aforementioned contract with him.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company's stock owned
8	 Mari Matsunaga (November 13, 1954) Outside Director Candidate New Candidate	Apr. 1977 Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.) Jul. 1986 Editor in chief of *Shushoku Journal* published by Recruit Holdings Co., Ltd. Jul. 1988 Editor in chief of *Travaille* published by Recruit Holdings Co., Ltd Jul. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT DoCoMo, Inc.), Head of Planning Office for Gateway Business Dept. Apr. 2000 Representative, Mari Matsunaga Office, Inc. Jun. 2012 Independent Director, MS&AD Insurance Group Holdings, Inc. (current position) Jun. 2012 Independent Director of TERUMO CORPORATION (current position) Jun. 2014 Independent Director, ROHTO Pharmaceutical Co., Ltd. (current position) **Important concurrent positions held at other companies** Independent Director, MS&AD Insurance Group Holdings, Inc. Independent Director of TERUMO CORPORATION Independent Director, ROHTO Pharmaceutical Co., Ltd.	-

Reason for nominating Mari Matsunaga as an Outside Director

Ms. Matsunaga has created new business models and has a considerable insight and experiences through her involvement in the management of multiple companies as Outside Officers. We have nominated her as a candidate for independent Outside Director expecting that she will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Independence of duties

Although the Company has asked Ms. Matsunaga to give speech in the past three years, the speaker expenses were less than 500,000 yen and thus does not fall under the category of "a large sum of money and other properties" as prescribed in the "Standard of Outside Officers' Independence."

If she is appointed as Outside Director as proposed, she will be an Independent Director stipulated by the Tokyo Stock Exchange.

Note 1: There are no special interests between the candidate and the Company.

Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with her to limit her liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act.

Note 3: Her name on the family register is Mari Aoki.

Proposal 4: Election of Four Directors Who Are Audit & Supervisory Committee Members

The Company will make the transition to a company with an Audit & Supervisory Committee on the condition that Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved by this Meeting as proposed. Accordingly, we propose to appoint four Directors who are Audit & Supervisory Committee Members by distinguishing them from Directors who are not Audit & Supervisory Committee Members as proposed.

The candidates for Directors who are Audit & Supervisory Committee Members have been nominated after consideration by the Nomination Committee in which Outside Directors make significant contributions in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the “Standard of Outside Officers’ Independence” (please refer to page 25).

This Proposal shall become effective on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation” come into force.

The candidates for the position of Directors who are Audit & Supervisory Committee Members are as follows:

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company’s stock owned
1	 Noriyuki Hama (July 6, 1954)	Apr. 1978 Joined the Company Jun. 2003 Director of the Company Jun. 2006 Executive Officer of the Company Jun. 2010 Director of the Company Jun. 2012 Managing Director of the Company Jun. 2014 Representative Director (current position), Senior Managing Director (current position), Chief Compliance Officer (current position), and General Administrative Manager of the Management Control Division (current position)	61,300

Reason for nominating Noriyuki Hama as a Director

Mr. Hama has determined important management matters and supervised in business executions appropriately as a Director. In addition to a wealth of experience and achievements in overall business administration and operation of manufacturing and sales companies overseas, he has a wide range of knowledge of financial affairs and accounting, corporate governance, and compliance. We have nominated him as a candidate for Director who is Audit & Supervisory Committee Member expecting that he will appropriately supervise and contribute to the soundness of the Company’s management aimed at achieving sustainable growth and improving the Company’s corporate value over the medium to long term.

Note 1: There are no special interests between the candidate and the Company.

Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with him to limit his liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities, and significant concurrent positions held at other companies	Shares of the Company's stock owned
2	 Michihiro Nara (May 17, 1946) Outside Director Candidate New Candidate	Apr. 1974 Registered as an attorney-at-law Apr. 2006 Vice President of Japan Federation of Bar Associations Apr. 2006 Chairman of Daiichi Tokyo Bar Association Mar. 2011 Member of Legislative Council of the Ministry of Justice Jun. 2013 Audit & Supervisory Board Member of the Company (current position) Jun. 2014 Outside Director of the Board, Oji Holdings Corporation (current position) Jun. 2015 Independent Auditor, CHORI CO., LTD. (current position) Jun. 2015 Outside Director of NIHON TOKUSHU TORYO CO., LTD. (current position) **Important concurrent positions held at other companies** Attorney-at-law Outside Director of the Board, Oji Holdings Corporation Independent Auditor, CHORI CO., LTD. Outside Director of NIHON TOKUSHU TORYO CO., LTD.	3,100

Reason for nominating Michihiro Nara as an Outside Director

Mr. Nara has a high level of expertise as an attorney. He has considerable insight and experiences through his involvement in the management of multiple companies as an independent outside officer and achievements as an Outside Audit & Supervisory Board Member of the Company. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee Member expecting that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Although he has never been involved in corporate management except as an outside officer, we believe that he will perform his duties as a Director who is Audit & Supervisory Committee member appropriately because of the above reasons.

Independence of duties

The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Mr. Nara who is an attorney-at-law, and the law office to which he belongs.

The Company has registered Mr. Nara as an Independent officer with the Tokyo Stock Exchange. If this Proposal is approved as proposed, he will continue to serve as an Independent Director.

Note 1: There are no special interests between the candidate and the Company.

Note 2: The Company has concluded a liability limitation contract with Mr. Nara, who is incumbent Outside Audit & Supervisory Board Member of the Company, to limit his liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act. If he is reappointed as Outside Director, the Company intends to renew the aforementioned contract with him.

Note 3: Matters regarding occurrence of illegal conduct, violation of the Articles of Incorporation and other fraudulent business execution which occurred at a company where a candidate for outside director is serving as officer during the past five years

NIHON TOKUSHU TORYO CO., LTD., where Mr. Nara serves as Outside Director, announced in October 2015 that a former employee of said company had illegally obtained the fund for transfer payments to a business counterpart in August 2015.

Mr. Nara had been unaware of the conduct; however, he had given various advice and warnings to the Board of Directors from the perspective of compliance. Since he recognized such conducts, he has been appropriately performing his duties by providing recommendation on measures to prevent recurrence of such conduct such as sincere commitment to compliance and enhancement of management structure.

Candidate No.	Name (Date of Birth)	Summary of career, title, responsibilities and significant concurrent positions held at other companies	Shares of the Company's stock owned
3	 Chikami Tsubaki (August 6, 1947) Outside Director Candidate New Candidate	Apr. 1970 Joined EBARA-Infilco Co., Ltd. (now EBARA CORPORATION) May 1975 Joined Asahi & Co. (now KPMG AZSA LLC) Mar. 1979 Registered as Certified Public Accountant Jul. 1999 Managing Director of Asahi & Co. (now KPMG AZSA LLC) Jul. 2004 Chief Executive of the Japanese Institute of Certified Public Accountants Jun. 2013 Outside Audit & Supervisory Board Member of NKSJ Holdings, Inc. (now Sompo Japan Nipponkoa Holdings, Inc.) (current position) Jun. 2014 Statutory Auditor of HEIWA REAL ESTATE CO., LTD. (current position) Important concurrent positions held at other companies Certified Public Accountant Outside Audit & Supervisory Board Member of Sompo Japan Nipponkoa Holdings, Inc. Statutory Auditor of HEIWA REAL ESTATE CO., LTD.	-

Reason for nominating Chikami Tsubaki as an Outside Director

Ms. Tsubaki has a high level of expertise as a certified public accountant. She has a considerable insight and experiences through her involvement in the management of multiple companies as independent outside officer, We have nominated her as a candidate for Outside Director who is Audit & Supervisory Committee Member expecting that she will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Although she has never been involved in corporate management except as an outside officer, we believe that she will perform her duties as a Director who is Audit & Supervisory Committee member appropriately because of the above reasons.

Independence of duties

The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Ms. Tsubaki who is a certified public accountant, and there is no transactional relationship.

If she is appointed as Outside Director as proposed, she will be an Independent Director stipulated by the Tokyo Stock Exchange.

Note 1: There are no special interests between the candidate and the Company.

Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with her to limit her liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act.

<table>
<tr><th>Candidate No.</th><th>Name (Date of Birth)</th><th>Summary of career, title, responsibilities and significant concurrent positions held at other companies</th><th>Shares of the Company’s stock owned</th></tr>
<tr><td>4</td><td>
Yoshio Shirai
(May 1, 1948)
Outside Director Candidate
New Candidate</td><td>Jun. 2001 Member of the Board of Directors, TOYOTA MOTOR CORPORATION
Jun. 2003 Managing Officer, TOYOTA MOTOR CORPORATION
Jun. 2005 Senior Executive Member of the Board of Directors, TOYOTA MOTOR CORPORATION
Jun. 2007 Executive Vice President, Member of the Board, Hino Motors, Ltd.
Jun. 2008 President, Member of the Board, Hino Motors, Ltd.
Jun. 2013 Councilor, Hino Motors, Ltd. (current position)
Jun. 2013 Vice Chairman, Toyota Tsusho Corporation
Jun. 2015 Advisor, Toyota Tsusho Corporation (current position)
Important concurrent positions held at other companies
Councilor, Hino Motors, Ltd.
Advisor, Toyota Tsusho Corporation</td><td>-</td></tr>
<tr><td></td><td colspan="2">Reason for nominating Yoshio Shirai as an Outside Director
Mr. Shirai has served as Directors at TOYOTA MOTOR CORPORATION, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee Member expecting that he will appropriately supervise and contribute to the soundness of the Company’s management aimed at achieving sustainable growth and improving the Company’s corporate value over the medium to long term.

Independence of duties
Mr. Shirai has served as a business executor at Hino Motors, Ltd. and Toyota Tsusho Corporation in the past five years. The Company has had no transactions with Hino Motors, Ltd. and Toyota Tsusho Corporation in the past three years, and thus, none of the aforementioned two companies falls under the category of “major business partner” as prescribed in the “Standard of Outside Officers’ Independence.”
If he is appointed as a Director as proposed, he will be an Independent Director stipulated by the Tokyo Stock Exchange.</td><td></td></tr>
</table>

Note 1: There are no special interests between the candidate and the Company.
Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with him to limit his liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act.

Reference: Standard of Outside Officers' Independence

The Company shall not nominate a person as an Outside Officer candidate who falls under any of the below.

a) A person which deems the Company as a major business partner [*Note 1], or in the case of a company, an executing person [*Note 2] of a contractor in the past five years.

b) A person which the Company deems as a major business partner [*Note 3], or in the case of a company, an executing person of a customer in the past five years.

c) A business consultant, certified public accountant or lawyer who has received monies, etc. (meaning a large sum of money and other properties [*Note 4]) other than Officers' remuneration from the Company in the past three years, or in the case where the receiver of the monies, etc. is an entity including corporate entities and unions, a quasi-executing person who has belonged to the payee's group in the past three years.

d) A major shareholder [*Note 5] of the Company, or in the case of a company, an executing person or Audit & Supervisory Board Member of the shareholder in the past five years.

e) An executing person or Audit & Supervisory Board Member in a corporation of which the major shareholder is the Company.

f) A person who has belonged to an auditing firm which has conducted a legal accounting audit of the Company in the past ten years.

g) A person who has belonged to a leading managing underwriter of the Company in the past ten years.

h) A payee of a large donation [*Note 6], or in the case the receiver of the donation is an entry including corporate entities and unions, a judicial partner, general partner, or quasi-executing person who has belonged to the payee group at any time.

i) A person coming from a corporation which has a relationship of interlocking Outside Officers [*Note 7] with the Company.

j) A spouse or relative within the second degree of kinship of a person having the interests listed above.

Note 1: *"Person which deems the Company as a major business partner" means a business partner (mainly supplier) who has received payment not less than 2% of its consolidated net sales from the Company in any fiscal year of the past three years.*

Note 2: *"Executing person" means an Executive Officer, Executive Director or Operating Officer, employee occupying a senior management position higher than general manager.*

Note 3: *"Person which the Company deems as a major business partner" means a business partner (mainly buyer) who has made payment not less than 2% of the Company's consolidated net sales to the Company in any fiscal year of the past three years.*

Note 4: *"A large sum of money and other properties" means average compensation (other than Officers' remuneration) which exceeds the below for the past three years:*
i) no less than 10 million yen in the case where the payee is a person or
ii) no less than 2% of the annual revenues at any fiscal year in the case where the payee is a group.

Note 5: *"Major shareholder" means a shareholder who holds directly or indirectly no less than 10% of the voting power.*

Note 6: *"Large sum of donation" means a donation whose annual average in the past three years exceeds either;*
i) 10 million yen or
ii) 30% of the annual expense of the group, whichever is higher.

Note 7: *"Interlocking Outside Officers" means mutual dispatch of Outside Officers between the Company and another corporation.*

End

Proposal 5: Determination of Amounts of Remuneration for Directors Who Are Not Audit & Supervisory Committee Members

A resolution passed at the General Shareholders' Meeting of June 26, 2001 established the maximum base remuneration at 70 million yen per month for Directors of the Company. The Company will make the transition to a company with an Audit & Supervisory Committee on the condition that Proposal 2 "Partial Amendments to the Articles of Incorporation" is approved by this Meeting. Accordingly, in pursuant to the provisions in Article 361, Paragraph 1 and Paragraph 2 of the Companies Act, we propose to abolish the current framework of remuneration for Directors and newly set the maximum base remuneration at 62 million yen per month (of which 10 million yen per month for Outside Directors) for Directors who are not Audit & Supervisory Committee Members by taking into account the responsibilities and duties of the position and other circumstances.

The number of incumbent Directors is ten (of which, two are Outside Directors). If Proposal 2 "Partial Amendments to the Articles of Incorporation" and Proposal 3 "Election of Eight Directors Who Are Not Audit & Supervisory Committee Members" are approved as proposed, the number of Directors who are not Audit & Supervisory Committee Members will be eight (of which, two are Outside Directors).

This proposal has been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contributions.

This Proposal shall become effective on the condition that the amendments to the Articles of Incorporation in Proposal 2 "Partial Amendments to the Articles of Incorporation" come into force.

Proposal 6: Determination of Amounts of Remuneration for Directors Who Are Audit & Supervisory Committee Members

The Company will make the transition to a company with an Audit & Supervisory Committee on the condition that Proposal 2 "Partial Amendments to the Articles of Incorporation" is approved by this Meeting. Accordingly, in pursuant to the provisions in Article 361, Paragraph 1 and Paragraph 2 of the Companies Act, we propose to set the maximum base remuneration at 20 million yen per month for Directors who are Audit & Supervisory Committee Members by taking into account the responsibilities and duties of the position and other circumstances.

If Proposal 2 "Partial Amendments to the Articles of Incorporation" and Proposal 4 "Election of Four Directors Who Are Audit & Supervisory Committee Members" are approved as proposed, the number of Directors who are Audit & Supervisory Committee Members will be four.

This proposal has been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contributions.

This Proposal shall become effective on the condition that the amendments to the Articles of Incorporation in Proposal 2 "Partial Amendments to the Articles of Incorporation" come into force.

Proposal 7: Bonus to Directors

The Company proposes to pay bonuses of 94,902,500 yen in total to the eight Directors excluding Outside Directors as of March 31, 2016 based on the monthly remuneration by taking business performance for the current fiscal year into consideration.

The total amount and beneficiaries of the bonus payment have been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contributions.

The Company would like to provide the Board of Directors with discretion to determine remuneration for each Director.

Proposal 8: Determination of Amounts and Details of Performance-Linked Stock Compensation for Directors, etc.

1. Reasons for the proposal and grounds to consider the compensation to be reasonable

Currently, the compensation for Directors of the Company (excluding Outside Directors) consists of “basic remuneration” and “bonuses.” The Company proposes that a performance-linked stock compensation plan (hereinafter, the “Plan”) for Directors and Executive Officers who have entered into delegation agreements with the Company (excluding those at positions independent from business execution such as Outside Directors and Directors who are Audit & Supervisory Committee Members, as well as overseas residents. Hereinafter, the “Officers”) be newly introduced. As the Plan has been designed to include Executive Officers by taking into account the possibility that such Executive Officers will newly assume the office of Directors during the target period of the Plan, therefore this proposal proposes the overall amounts and details of the Plan.

The Company will introduce the Plan for the purpose of showing its commitment to promoting sustainable growth and increasing its mid- to long-term corporate value, in addition to clarifying the link between the remuneration for the Officers and the Company’s share value and strengthening the sense of sharing common interests with shareholders. Accordingly, the Company deems the introduction of the Plan reasonable.

In this proposal, the Company proposes that a new performance-linked stock compensation be provided to the Officers by distinguishing it from the amounts of maximum base remuneration per month for Directors who are not Audit & Supervisory Committee Members proposed in the Proposal 5 (up to 62 million yen per month) and the bonus to Directors proposed in the Proposal 7.

The number of the Officers at the conclusion of this Meeting will be six Directors, if the Proposal 3 is approved as proposed, and fourteen Executive Officers who are not concurrently serving as Directors.

This proposal has been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contribution. This Proposal shall become effective on the condition that the amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation” come into force.

2. Amounts of remuneration and details of the Plan

(1) Outline of the Plan

The trust uses the amount of remuneration for the Officers contributed by the Company as the source of funds to acquire the Company’s shares. The trust is a stock compensation plan wherein the Company’s shares and cash equivalent to the amounts obtained through the conversion of the Company’s shares into cash (hereinafter, “the Company’s shares, etc.”) will be awarded and delivered (hereinafter, the “Delivery, etc.”) to the Officers based on their positions and levels of achievement of operating performance targets, etc. (Please see (2) and below for details.)

1) Persons eligible for the Delivery, etc. of the Company's shares, etc. under this Proposal	Directors and Executive Officers of the Company (excluding those at positions independent from business execution such as Outside Directors and Directors who are Audit & Supervisory Committee Members, as well as overseas residents)

2) Impact of the Company's shares under this Proposal on the total number of shares outstanding	
The maximum amount of the funds to be contributed by the Company (as described in (2) below)	･A total of 500 million yen for the three consecutive fiscal years
The maximum number of the Company's shares, etc. to be acquired by the Officers and method of acquiring the Company's shares by the trust (as described in (3) below)	･The maximum number of annual total points to be awarded to the Officers shall be 100,000 points (one point is equal to one share of the Company). ･The trust will acquire the Company's shares in the stock market or from the Company (disposal of treasury shares) up to 300,000 shares for three fiscal years. (The maximum number of shares approximately corresponds to 0.08% of the total number of shares outstanding as of March 31, 2016.)

3) Period for the delivery of the shares to the Officers (as described in (4) below)	･The shares will be delivered, in principle, after the lapse of three years following the awarding of basic points.

(2) The maximum amount of the funds to be contributed by the Company

The Company will introduce the Plan for the three consecutive fiscal years (initially the three fiscal years starting from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019, and in case of extension of trust term described below, three consecutive fiscal years thereafter. Hereinafter, "Target Period"). The Company will contribute cash as remunerations for the Officers, with the maximum amount of 500 million yen in total for each Target Period, and establish (including the extension of the trust period described below) a trust with a trust period of three years (hereinafter, the "Trust"), having the Officers who satisfy the beneficiary requirements as beneficiaries. According to the trust administrator's instructions, the Trust uses the funds trusted as the source to acquire the Company's shares in the stock market or from the Company (disposal of treasury shares) up to 300,000 shares (if an event such as a share split or reverse share split occurs, the maximum number of shares may fluctuate in accordance with the relevant share split ratio or reverse share split ratio) for each Target Period.

At the expiry of the trust period, the Trust may be continued as a new stock compensation plan by modifying certain provisions of the trust agreement and via additional contributions thereto. In such cases, the Company may extend the trust period of the Trust for the same period as the initial trust period, entrust additional contributions to the Trust per each extended trust period, and continue to grant points to the Officers during the extended trust period. In cases where such additional contributions are made and there are remaining Company's shares and money (hereinafter, the "Remaining Shares, etc.") in the trust assets as of the last day of the previous trust period, the total amount of the Remaining Shares, etc. and the additional contribution of trust money shall be within the maximum amount of 500 million yen.

(3) The calculation method and the maximum number of the Company's shares, etc. to be acquired by the Officers

In the Plan, the basic points are awarded corresponding to the positions and other factors in July every year (except for 2016 which shall be in October) during the Target Period, and the number of points fluctuates by multiplying said basic points by the performance-based coefficient, which reflects the levels of achievement of the mid- to long-term operating performance targets of the Company. In this scheme, one (1) point is equivalent to one (1) Company's share. However, if it is recognized that an adjustment of the number of points is required for fairness due to a stock split or a reverse stock split during the trust period, adjustment of the number of points shall be made in proportion to the ratio of said stock split or reverse stock split. In addition, the Delivery, etc. will be made to the Officers of the Company's Shares, etc. equivalent to the number of points after the performance coefficient is multiplied, in principle, after the lapse of three years from the day on which the basic points were awarded.

The maximum number of annual total points which may be awarded to the Officers (the result of multiplying the total number of annual basic points which may be awarded to the Officers by the maximum performance based coefficient) shall be 100,000 points.

(4) Period for the delivery of the shares to the Officers

As for the Delivery, etc. of the Company Shares, etc. to the Officers, 50% of the Company's shares equivalent to the number of points after being multiplied by the relevant performance coefficient (the number of resulting shares less than one unit to be rounded down) shall be delivered from the Trust upon the Officers taking the predetermined procedures for identifying eligibility, in principle, after the lapse of three years from the day on which the basic points were awarded. For the remaining portion of the Company's shares, the cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust shall be delivered to the Officers.

In case of the retirement of Officers during the trust period, said Officers may, in principle, receive the Delivery, etc. of the Company's Shares, etc. according to the number of accumulated points they hold at that point. Meanwhile, if any of the Officers passes away during the trust period, in principle, the successor of said Officer shall receive the delivery of cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust for the Company's shares according to the number of accumulated points held by such Officer at that point.

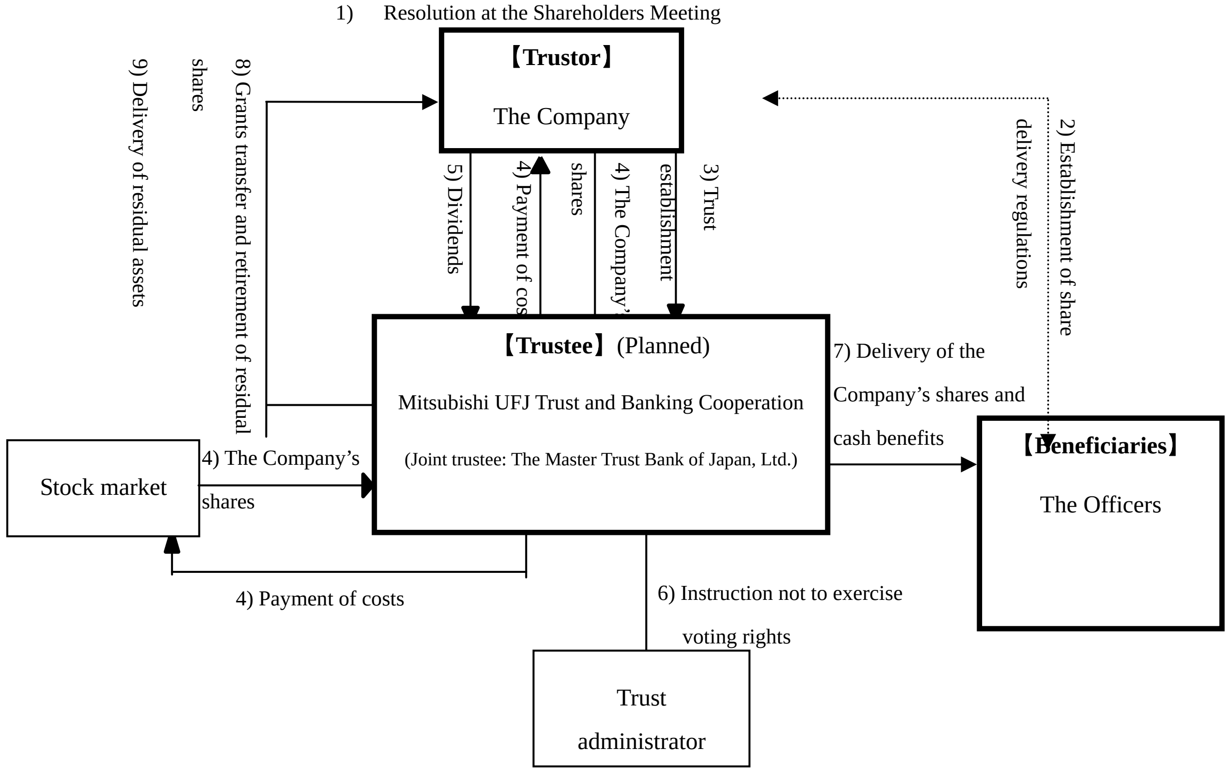
(5) Voting rights regarding the Company's shares in the Trust

To ensure the neutrality of Company's management, voting rights for the Company's shares in the Trust shall not be exercised during the trust period.

(6) Other details related to the Trust

Other details concerning the Trust shall be determined by the Board of Directors each time the Trust is established, or additional contributions to the Trust or modifications of provisions of the trust agreement are made.

(Reference) The Plan framework



Note: The Trustor may continue the Plan by contributing additional money as funds for acquiring its own shares for the Trust within the scope of the funds for acquiring shares, of which the amount is subject to approval by resolution at the Shareholders Meeting.

1) The Company will obtain approval by resolution at the Shareholders Meeting related to the introduction of the Plan.
2) The Company will establish share delivery regulations related to the content of the Plan.
3) In accordance with the trust agreement, Epson contributes funds on the trustee's behalf within the scope of approval by resolution at the Shareholders Meeting in 1) above and establishes a trust having the Officers who satisfy the beneficiary conditions as beneficiaries (hereinafter, the "Trust").
4) According to the trust administrator's instructions, the Trust uses funds contributed as in 3) above as the source of funds to acquire the Company's shares in the stock market or from the Company (disposal of treasury shares).
5) The allocation of surplus funds in the Trust for the Company's shares is handled in the same manner as for other Company's shares, and is appropriated for necessary expenses for the Plan.
6) Throughout the trust period, voting rights are not to be exercised on Company's shares within the Trust.
7) During the trust period, the Officers are awarded a specific number of points each year based on their position and other factors, in accordance with the share delivery regulations established in 2) above. Such points fluctuate according to the levels of achievement of mid-range operating performance targets. Furthermore, Company's shares, which correspond to a certain proportion of such points, will be delivered to the Officers, in principle, after the lapse of three years following the awarding of basic points. As regards the Company's shares corresponding to the remaining portion of points, the Officers will receive cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust as prescribed in the trust agreement.
8) If residual shares remain in the Trust at the expiry of the trust period in the event that operating performance targets are not met during the trust period, The Company may continue to use the Trust via additional contributions thereto or by modifying any provisions of the trust agreement. Otherwise, the Company will acquire such residual shares without charge, through gratis transfer of these residual shares from the Trust, and retire them by resolution of the Board of Directors.
9) Upon the termination of the Trust, residual assets remaining after allocation to beneficiaries are to be attributed to the Company within the scope of trust expense reserve after subtracting funds for acquiring shares from the trust money. The portion exceeding the trust expense reserve is planned to be donated to organization(s) having no interests with the Company and any of its officers.

End

(Appendix)

Business Report

(from April 1, 2015 to March 31, 2016)

1. Matters related to the Current Status of the Epson Group

1.1 Business progress and results

(1) Overview

The global economic recovery in the fiscal year under review lost momentum primarily due to an economic deceleration in China and other emerging nations and plummeting resource prices. Regionally, the U.S. economy continued to gradually expand, leading the Federal Reserve to raise rates in December after seven years near zero, as job growth and an improved labor market fueled rising wages and buoyed consumption, but a cautious approach to rate hikes is being taken. The Latin American economy slowed due to falling prices for natural resources and currency devaluations. The European economy as a whole continues to gradually recover, but elements of uncertainty remain, such as the refugee problem and Russian recession. The Chinese economy is gradually decelerating. In other Asian countries, on the other hand, there were signs that domestic demand was behind a pickup in economic activity. In Japan, employment and the income environment continued to improve partly in response to government fiscal and monetary policies, but the economy as a whole tread water due to factors such as uncertainty caused by an economic slowdown in emerging countries and pressure on the earnings of exporters as a result of the surge in the value of yen after the start of the year

The situation in the main markets of the Epson Group (“Epson”) was as follows.

Inkjet printer demand was flat year on year in North America and Europe. Large-format inkjet printer demand was firm in North America and Japan, but demand in Latin America was subdued due to the effects of economic deceleration.

Serial-impact dot-matrix (SIDM) printer demand was firm in China owing to upgrade demand in the tax collection systems market, but demand continued to contract in the Americas and Europe. Demand for point-of-sale (POS) system products remained stable in North America, Europe, and Japan.

Demand for projectors in the European education market was weak. It was also subdued in China largely due to concerns about an economic downturn and in Latin America due to the effects of an economic slowdown.

	(Billions of yen)	Year-on-year change
Revenue	1092.4	Up 0.6 %
Business profit	84.9	Down 16.1 %
Profit from operating activities	94.0	Down 28.4 %
Profit for the period	46.0	Down 59.2 %

Note: Please refer to page 41 for business profit.

Cell phones and digital cameras are the main applications markets for Epson's electrical devices. In the cell phone market, while demand for conventional phone continued to decline, demand for smart phones remained firm. Demand in the digital camera market was subdued.

In the precision products market, demand for watches was generally firm in Europe but weakened in Japan in the second half due to soft demand from overseas visitors and in China due to a slowdown in spending. Demand for industrial robots increased in the electronics and electrical machinery industry in response to a growing need for automation.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the 2015 fiscal year were ¥120.14 and ¥132.58, respectively. This represents a 9% depreciation in the value of the yen against the dollar and a 4% appreciation in the value of the yen against the euro, year-over-year. The yen appreciated against the currencies of some emerging countries in places such as Latin America.

Epson’s consolidated full-year financial results reflect the foregoing factors. Revenue was ¥1,092.4 billion, up 0.6% year over year. Business profit was ¥84.9 billion, down 16.1% year over year. Profit from operating activities was ¥94.0 billion, down 28.4% year over year. Profit before tax was ¥91.5 billion, down 30.9% year over year. Profit for the period was ¥46.0 billion, down 59.2% year over year. Profit from operating activities in the previous fiscal year included a profit resulting from changes in the defined-benefit plan in Japan that reduced past service costs by ¥30 billion. While tax expenses were lower in the previous fiscal year due to the recognition of deferred tax assets arising from the carry-forward of unused tax losses, the profit for this fiscal year was weighed down by an increase in tax expenses due to the partial reversal of deferred tax assets arising from the carry-forward of unused tax losses.

(2) Overview by Segment

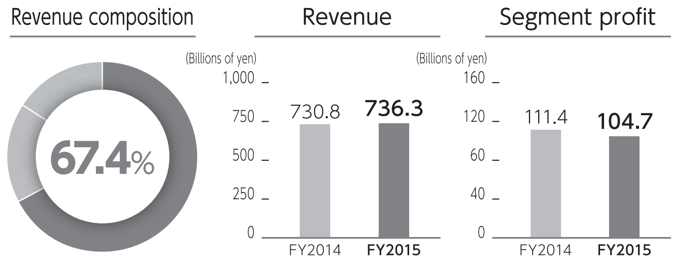
Printing Solutions Business Segment

Revenue

736.3 billion yen
(up **0.8**% year on year)

Segment profit

104.7 billion yen
(down **6.0**% year on year)



* As the business segments were changed from FY2015, the segment information figures for FY2014 have been recalculated using the method used in FY2015.

Main businesses

The businesses in this segment leverage Epson’s unique Micro Piezo and other technologies to develop, manufacture, sell products, and provide ancillary services.

- ○ Printers Business
  Inkjet printers, serial impact dot matrix printers (SIDM), page printers, color image scanners, related consumables and others
- ○ Professional Printing Business
  Commercial inkjet printers, industrial inkjet printing systems, POS system products, label printers, related consumables and others
- ○ Others
  PCs and others

Printer business revenue increased, helped in part by foreign exchange effects.

Inkjet printer revenue increased despite a decline in ink cartridge printer shipments. Revenue jumped because we continued to rapidly expand sales of high-capacity ink tank printers in Asia and elsewhere by reinforcing the lineup and expanding the sales territory. Revenue from consumables also increased, the result of an improved install base composition.

Page printer revenue decreased due to the result of Epson's focus on selling high added value models and due to a decrease in revenue from toners.

SIDM printer total revenue decreased. Although there was continuing stable demand in the Chinese tax collection system market, and although passbook printer sales were driven higher by hardware and system upgrade demand in both Europe and China, unit shipments declined due to the contraction of the European and American markets and a decline in demand in Asian countries other than China.

Revenue in the professional printing business increased, helped in part by foreign exchange effects.

Large-format inkjet printer revenue declined as sales were weighed down by the effects of steep currency devaluations and economic deceleration in Latin America, China's slowing growth, and stepped up price cutting by competitors in the large photo and color proof printing markets. However, inkjet textile printer revenue grew, driven by an expanded range of applications from apparel to small personal items and interior goods.

POS system product revenue grew primarily because of increased demand for compact receipt printers in the Americas and Europe. Meanwhile, sales of label printers that enable on-demand in-house printing increased along with a growing need for the use of color labels.

Segment profit in the printing solutions segment decreased due to a combination of factors, including ink cartridge printer price competition in Japan and North America; the stronger U.S. dollar, which caused the cost of products manufactured overseas to rise; and strategic investment and spending on mid-term growth.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥736.3 billion, up 0.8% year on year. Segment profit was ¥104.7 billion, down 6.0% year on year.

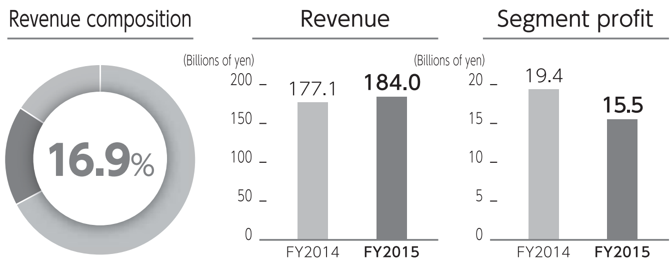
Visual Communications Business Segment

Revenue

184.0 billion yen
(up **3.9**% year on year)

Segment profit

15.5 billion yen
(down **19.7**% year on year)



* As the business segments were changed from FY2015, the segment information figures for FY2014 have been recalculated using the method used in FY2015.

Main businesses

The businesses in this segment leverage Epson's unique microdisplay and projection technologies to develop, manufacture and sell a variety of products, and provide ancillary services.

○ Visual Communications Business
3LCD projectors, high-temperature polysilicon TFT panels for 3LCD projectors, smart eyewear and others

Visual communications revenue increased, owing in part to foreign exchange effects. 3LCD projector sales were affected by downward pressure from the effects of a decrease in tender offers in the European education sector, steep currency devaluations and economic deceleration in Latin America, and China's slowing growth. However, sales of new entry-level models were strong in Asia, and unit shipments and revenue increased in North America and Japan.

Segment profit in the visual communications segment decreased primarily due to the decrease in education tenders, which led to a decline in sales of high added value products, the appreciation of the dollar, which caused manufacturing costs for products produced overseas to rise, and strategic investment and spending on mid-term growth.

As a result of the foregoing factors, revenue in the visual communications segment was ¥184.0 billion, up 3.9% year on year. Segment profit was ¥15.5 billion, down 19.7% year on year.

Wearable & Industrial Products Business Segment

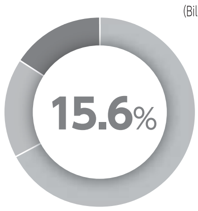
Revenue

170.4 billion yen
(down **1.8**% year on year)

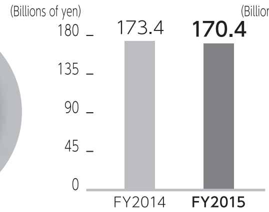
Segment profit

9.8 billion yen
(down **5.0**% year on year)

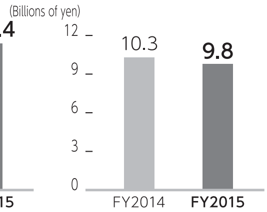
Revenue composition



Revenue



Segment profit



* As the business segments were changed from FY2015, the segment information figures for FY2014 have been recalculated using the method used in FY2015.

Main businesses

The businesses in this segment leverage its ultra-precision machining and processing technologies, high-density mounting and assembly technologies, energy-efficient technologies, highly-accurate sensing technology, advanced precision mechatronics and other technologies to develop, manufacture and sell a variety of products, and provide ancillary services.

○ Wearable Products Business
  - Watches (watches, watch movements and others)
  - Sensing systems

○ Robotics Solutions Business
  - Industrial robots, IC handlers and others

○ Microdevices, Other Business
  - Quartz device (crystal units, crystal oscillators, quartz sensors and others)
  - Semiconductor (CMOS LSI and other chips)
  - Metal powders
  - Surface finishing

Although unit sales of watches and watch movements decreased, revenue in the wearable products business increased primarily owing to higher average selling prices, a result of increased sales of luxury watch models, and foreign exchange effects.

Revenue in the robotics solutions business increased. Although Epson did not receive a large order for industrial robots as it did last fiscal year, sales grew on increased orders in China, Japan, and Europe. IC handler revenue decreased due to a combination of slowing growth in semiconductors for smartphones and dealer inventory adjustments.

Revenue in the microdevices business decreased despite foreign exchange effects. In crystal devices, sales in the automotive sector grew, but revenue fell due to a combination of price erosion and a decline in unit volume of products used in for cell phones and other personal electronics. Semiconductor revenue decreased due to worsening market conditions.

The surface finishing business, which developed new customers, and the metal powders business, which reported strong sales of high-performance material powders for mobile equipment, both recorded revenue growth.

Segment profit in the wearable and industrial products segment decreased mainly as a result of lower semiconductor sales in the microdevices business and higher manufacturing costs in the wearable products business.

As a result of the foregoing factors, revenue in the wearable and industrial products segment was ¥170.4 billion, down 1.8% year on year. Segment profit was ¥9.8 billion, down 5.0% year on year.

Other (services for and within the Epson Group)
Other revenue amounted to ¥1.4 billion, up 1.1% year on year. Segment loss was ¥0.5 billion compared to a ¥0.3 billion segment loss in the previous fiscal year.

1.2 Overview of capital expenditures

Capital expenditures for the consolidated fiscal year under review were concentrated in key strategic areas, primarily new products and rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, Epson continued to carefully select investments and efficiently utilize existing facilities in an effort to improve cash flow. As a result of these efforts, total capital expenditures (of property, plant and equipment, software and lease rights) amounted to 69,423 million yen.

In the Printing Solutions Business and Visual Communications Business, Epson made investments in the manufacturing facilities to raise the production capacity of inkjet printers and projectors.

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	36,623	65.0% increase
Visual Communications Business	10,764	56.5% increase
Wearable & Industrial Products Business	10,293	23.1% increase
Other and overall	11,743	46.8% increase
Total	69,423	52.8% increase

1.3 Overview of financing

There are no particular items to note with regard to financing during the fiscal year under review.

1.4 Shares and other equity holdings, or acquisition or disposal of subscription rights to shares of other companies

With an aim to strengthen the digital textile printing business, Epson Italia s.p.a., a consolidated subsidiary of the Company, acquired all the shares of For.Tex S.r.l. specializing in sales of textile printing inks and consulting business in May 2015.

1.5 Business transfers, absorption-type company splits or incorporation-type company splits

Not applicable.

1.6 Assignment of business from other companies

Not applicable.

1.7 Succession of rights and obligations due to absorption-type mergers or absorption-type company splits

Not applicable.

1.8 Issues to be addressed

Epson will begin the 2016 fiscal year under a new 10-year corporate vision and a new mid-range business plan. The Epson 25 Corporate Vision describes what the company would like to achieve by the start of the 2025 fiscal year. Meanwhile, the Epson 25 Mid-Range Business Plan (FY2016-2018) is a three-year plan for the first phase of work toward achieving the vision.

Epson will look to sustain growth and increase corporate value over the long term by executing the strategies described below.

(1) Epson 25 Corporate Vision

The Epson 25 Corporate Vision (hereafter called "Epson 25"), which was created based on an understanding of the mega trends, changes, and other forces that will shape Epson's business in the future, contains the following vision statement: "Creating a new connected age of people, things and information with efficient, compact and precision technologies."

“Efficient, compact and precision technologies” are original technologies that will create the value that Epson will provide to its customers in three areas: smart technologies, the environment, and performance.

- Smart technologies. Created by combining leading-edge Epson products with advanced software, the technologies will allow customers to easily, conveniently, and securely use their products anytime, anywhere.
- Environment. Epson will exploit its innovative technologies to provide customers with value in the form of reduced environmental impacts across the life cycles of its products and services.
- Performance. Epson will create new and higher value by providing outstanding products that contribute to customer productivity, accuracy and creativity.

Advances in information and communication technologies will interconnect vast amounts of information on the Internet, causing cyber space to expand indefinitely. As a real-world manufacturing company, Epson will play an important role in "creating a new connected age of people, things and information" by using attractive, advanced products as leverage to collaborate with IT companies and increase the value of the technologies it provides to customers.
In this "new connected age" Epson aims to free people from repetitive manual labor and from unnecessary wastes of time and energy. Epson's goal is to heighten people's creativity, and to create a sustainable and affluent society in which people enjoy safe and healthy lifestyles.
In line with this vision, Epson will provide value in the form of smart technologies, the environment, and performance in four areas of innovation: inkjet innovation, visual innovation, wearables innovation and robotics innovation. The company will drive innovations in these areas by achieving the vision in each of its businesses. To support the realization of Epson 25, Epson will further strengthen its business infrastructure and company-wide information systems in the areas of human resources, technology, manufacturing, sales & support, and the environment.
Epson set out financial performance targets in Epson 25. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2025 fiscal year, ¥1,700 billion in revenue, ¥200 billion in business profit, a 12% return on sales (business profit/revenue), and a 15% return on equity (profit for the period/equity attributable to owners of the parent company).

Note: Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

<Vision in Each Business>
Printing: Inkjet innovation
Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

Visual communications: Visual innovation
Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.

Wearables: Wearables innovation
Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.

Robotics: Robotics innovation
Combine our core technologies with sensing and smart technologies in manufacturing, expand

applications, and create a future in which robots support people in a wide variety of situations.

Microdevices: Supporting the four innovations
Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.

(2) Epson 25 Mid-Range Business Plan (FY2016-2018)
The Epson 25 Mid-Range Business Plan (FY2016-2018) (hereinafter, “Mid-Range Business Plan”) is a roadmap for the first phase of work toward achieving the Epson 25 vision. During this phase Epson will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.
The basic strategy for achieving this will be to continue to grow by further increasing its competitive edge in businesses where SE15 strategic initiatives were successful, and to quickly address issues and establish a path to growth in businesses where the company was unable to fully advance. Epson will look to ensure growth by creating products and services that generate customer value in “smart technologies, the environment, and performance.” While taking care to grow profit over the short term, Epson will also invest management resources as appropriate, quickly establish new business models, and strengthen its sales organizations to achieve the Epson 25 vision. Epson will also position itself for future growth by pursing the business strategies below and by building up its business infrastructure.
These moves will enable Epson to aim to achieve the following financial performance targets in FY2018, the final year of the phase 1 plan. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2018 fiscal year, ¥1,200 billion in revenue, ¥96 billion in business profit, an 8% return on sales, and a 10% or higher return on equity.

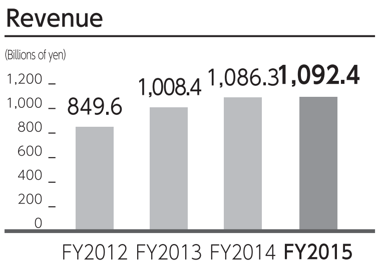
<Strategies in Each Business>
In the printer business, Epson will aim to establish a competitive advantage in the home printer market by boosting the attractiveness of its products, and getting office market development on track with linehead models.
In professional printing we will establish a competitive advantage with hardware, improve support and other organizational infrastructure, and achieve solid growth in new domains.
In visual communications we will further strengthen its presence in the projection market and will use laser light sources to pave the way to rapid growth in new markets.
In wearable products, we will lay the foundation for building wearables into a core business by refining watch resources and combining them with sensors to create families of differentiated products.
In robotics solutions we will create a framework for growth on top of Epson's technology base.
In microdevices, we will create a stable business platform in the quartz business by building competitive strength. The semiconductor business, meanwhile, will create new core technologies and devices.

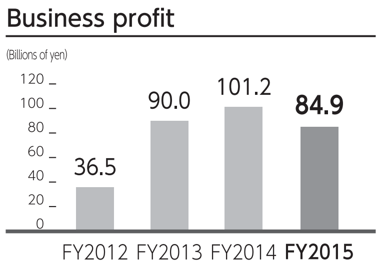
<Strengthening Business Infrastructure>
Technology: Refine the Company’s existing technologies, advance its actuator, optical control, and sensor technologies, and leverage information and communications technology to generate new customer value.
Manufacturing: Supply products that others cannot imitate with outstanding cost competitiveness and quality.
Sales and support: Strengthen the office and industrial domains and optimize the sales organization, focus on a market-driven approach, and transform the brand.
Environment: Expand initiatives to reduce environmental impacts across product and service life cycles and supply chains.

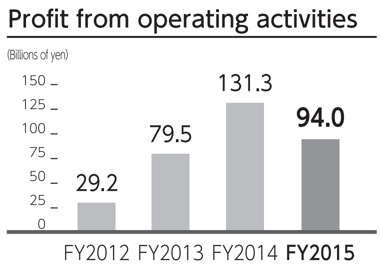
1.9 Status of assets and income (loss)

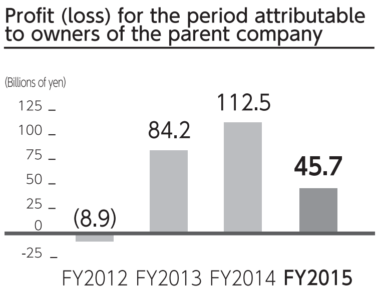
(Millions of yen unless otherwise stated)

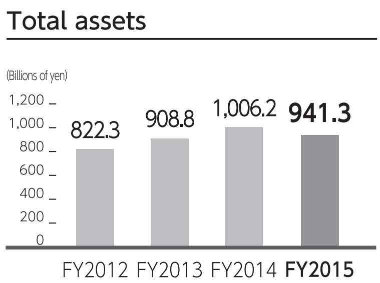
Item	FY2012	FY2013	FY2014	FY2015
Revenue	849,631	1,008,407	1,086,341	1,092,481
Business profit	36,597	90,087	101,275	84,951
Profit from operating activities	29,268	79,549	131,380	94,026
Profit (loss) for the period attributable to owners of the parent company	(8,907)	84,203	112,560	45,772
Equity attributable to owners of the parent company	245,905	362,371	494,325	467,818
Total assets	822,365	908,890	1,006,282	941,340
Equity attributable to owners of the parent company (%)	29.9	39.9	49.1	49.7

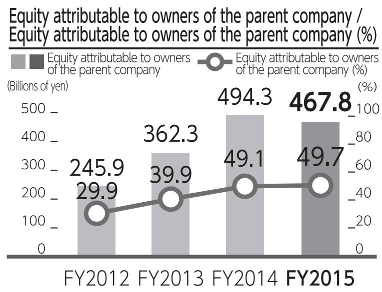












Notes

1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) from FY2014, in accordance with Article 120, Paragraph 1 of the Company Accounting Ordinance. For reference purpose, the figures based on IFRS are shown for FY2012 and FY2013.
2. Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

1.10 Status of significant parent companies and subsidiaries (as of March 31, 2016)

(1) Relationship with the parent company

Not applicable.

(2) Status of Significant Subsidiaries

	Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
Japan	Epson Sales Japan Corporation	Tokyo	JPY 4,000 million	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Tohoku Epson Corporation	Yamagata	JPY 100 million	100.0%	Printing Solutions Wearable & Industrial Products
	Epson Direct Corporation	Nagano	JPY 150 million	100.0% (100.0%)	Printing Solutions
	Akita Epson Corporation	Akita	JPY 80 million	100.0%	Printing Solutions Wearable & Industrial Products
	Epson Atmix Corporation	Aomori	JPY 450 million	100.0%	Wearable & Industrial Products
	Orient Watch Co., Ltd.	Tokyo	JPY 100 million	100.0%	Wearable & Industrial Products
	Miyazaki Epson Corporation	Miyazaki	JPY 100 million	100.0%	Wearable & Industrial Products
North America	U.S. Epson, Inc.	U.S.A.	USD 126,941 thousand	100.0%	Holding company
	Epson America, Inc.	U.S.A.	USD 40,000 thousand	100.0% (100.0%)	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Electronics America, Inc.	U.S.A.	USD 10,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	Epson El Paso, Inc.	U.S.A.	USD 51,000 thousand	100.0% (100.0%)	Printing Solutions
	Epson Portland Inc.	U.S.A.	USD 31,150 thousand	100.0% (100.0%)	Printing Solutions
Europe	Epson Europe B.V.	The Netherlands	EUR 95,000 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications
	Epson Deutschland GmbH	Germany	EUR 5,200 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson France S.A.	France	EUR 4,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications

	Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
	Epson Italia s.p.a.	Italy	EUR 3,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson (U.K.) Ltd.	U.K.	GBP 1,600 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Telford Ltd.	U.K.	GBP 8,000 thousand	100.0% (100.0%)	Printing Solutions
	Epson Iberica, S.A.	Spain	EUR 1,900 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Europe Electronics GmbH	Germany	EUR 2,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	For.Tex S.r.l.	Italy	EUR 80 thousand	100.0% (100.0%)	Printing Solutions
Asia and Oceania	P.T. Indonesia Epson Industry	Indonesia	USD 23,000 thousand	100.0%	Printing Solutions
	Epson Engineering (Shenzhen) Ltd.	China	USD 56,641 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Precision (Philippines), Inc.	Philippines	USD 157,533 thousand	100.0%	Printing Solutions Visual Communications
	Epson (China) Co., Ltd.	China	CNY 1,211 million	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Singapore Epson Industrial Pte. Ltd.	Singapore	SGD 71,700 thousand	100.0%	Wearable & Industrial Products
	Epson Singapore Pte. Ltd.	Singapore	SGD 200 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Hong Kong Ltd.	China	HKD 2,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Taiwan Technology & Trading Ltd.	Taiwan	TWD 25,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Precision Malaysia Sdn. Bhd.	Malaysia	MYR 16,000 thousand	100.0%	Wearable & Industrial Products
	Epson Precision (Shenzhen) Ltd.	China	USD 25,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	Epson Precision (Hong Kong) Ltd.	China	USD 81,602 thousand	100.0%	Printing Solutions Visual Communications

Company name		Location	Paid-in capital	The Company's percentage of equity participation	Main business
	Epson India Pvt. Ltd.	India	INR 108,628 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Australia Pty. Ltd.	Australia	AUD 1,000 thousand	100.0%	Printing Solutions Visual Communications
	Tianjin Epson Co., Ltd.	China	CNY 172,083 thousand	80.0% (80.0%)	Printing Solutions
	P.T. Epson Indonesia	Indonesia	IDR 918 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson (Thailand) Co., Ltd.	Thailand	THB 103,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Korea Co., Ltd.	South Korea	KRW 1,466 million	100.0%	Printing Solutions Visual Communications
	Epson Precision (Johor) Sdn. Bhd.	Malaysia	MYR 22,800 thousand	100.0% (100.0%)	Wearable & Industrial Products
	P.T. Epson Batam	Indonesia	USD 7,000 thousand	100.0% (100.0%)	Printing Solutions
	Orient Watch (Shenzhen) Ltd.	China	CNY 37,748 thousand	100.0% (100.0%)	Wearable & Industrial Products

Notes:
1. Percentage of equity participation indicated inside parentheses refers to indirect ownership percentage.
2. There are no specified wholly-owned subsidiaries.

1.11 Principal business locations and plants (as of March 31, 2016)

Epson is organized into operations divisions under consolidated management. The majority of advanced R&D and product development is conducted in Japan (by Corporate R&D and R&D organizations in the various operations divisions), while manufacturing and sales activities are conducted around the world by Epson Group manufacturing and sales companies, both in Japan and abroad.

<The Company>

Registered Head Office	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
Head Office	3-3-5 Owa, Suwa-shi, Nagano
Offices	Hirooka Office (Shiojiri-shi, Nagano), Toyoshina Plant (Azumino-shi, Nagano), Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano), Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano), Shiojiri Plant (Shiojiri-shi, Nagano), Matsumoto Minami Plant (Matsumoto-shi, Nagano), Murai Plant (Matsumoto-shi, Nagano), Ina Plant (Minowa-machi, Kamiina-gun, Nagano), Matsumoto Plant (Matsumoto-shi, Nagano), Kanbayashi Plant (Matsumoto-shi, Nagano), Hino Office (Hino-shi, Tokyo), Sakata Plant (Sakata-shi, Yamagata), Chitose Plant (Chitose-shi, Hokkaido)

Note: The Company has changed its Registered Head office location from 2-4-1 Nishishinjuku, Shinjuku-ku, Tokyo to 4-1-6 Shinjuku, Shinjuku-ku, Tokyo as of February 29, 2016.

<Subsidiaries>

For detail, please refer to "1.10 Status of significant parent companies and subsidiaries."

1.12 Status of employees (as of March 31, 2016)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	41,051	-
Visual Communications Business	10,041	-
Wearable & Industrial Products Business	13,312	-
Other	340	-
Corporate	2,861	-
Total	67,605	(2,273)

Notes:

1. The number of employees represents the number of persons in employment.
2. As the business segments were changed from FY2015, year-on-year change by segment is not stated.
3. The number of employees represented as Corporate represents administrative staff not assigned to any particular business segment.

1.13 Major lenders (as of March 31, 2016)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	49,680
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,379
Mitsubishi UFJ Trust and Banking Corporation	5,225
THE HACHIJUNI BANK, LTD.	5,000

Note: The borrowing amounts include some borrowings from the overseas subsidiaries, etc. of each bank.

1.14 Other material facts concerning the current status

(1) Sale of real estate
With an aim to streamline management resources and further strengthen the financial structure, the Company sold the land (Samukawa-machi, Koza-gun, Kanagawa) held by the Company in December 2015.

(2) Allegations of involvement in a liquid crystal display price-fixing cartel
Civil actions have been brought against Epson by customers in the United States, regarding allegations of involvement in a liquid crystal display price-fixing cartel of which criminal proceedings were settled in the United States in 2009. Moreover, the Company is currently under investigation by certain anti-monopoly-related authorities.

(3) Legal actions concerning copyright fees in Germany
Verwertungsgesellschaf Wort, the organization for collecting copyright fees on behalf of copyright holders, brought a civil action against Epson Deutschland GmbH (“EDG”), a consolidated subsidiary of the Company, to seek payment of copyright fees on single-function printers in January 2014. While preparing for litigation proceedings, EDG also negotiated with the organization through BITKOM (Bundesverband Informationswirtschaft,Telekommunikation und neue Medien e.V.), a German IT industry association, towards a settlement. As the mutual agreement was made, the litigation was withdrawn and the case was settled.

(4) Legal actions concerning copyright fees in Belgium
In 2010, Epson Europe B.V. (“EEB”), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Reprobel (“Reprobel”), a Belgium-based group that collects

copyright royalties, seeking restitution for copyright royalties for multifunction printers. With Reprobel subsequently filing a suit against EEB, the two lawsuits were adjoined. EEB's claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

2. Matters related to Company Shares (as of March 31, 2016)

2.1 Total number of shares authorized to be issued 1,214,916,736 shares

2.2 Total number of shares outstanding 399,634,778 shares (including 41,860,396 shares of treasury stock)

2.3 Number of shareholders 51,557 persons

2.4 Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.59
Japan Trustee Services Bank, Ltd. (Trustee Account)	16,635,900	4.64
The Master Trust Bank of Japan, Ltd. (Trust account)	16,440,000	4.59
Seiko Holdings Corporation	12,000,000	3.35
Yasuo Hattori	11,932,612	3.33
Noboru Hattori	11,199,936	3.13
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.44
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.27
Seiko Epson Corporation Employees' Shareholding Association	7,677,116	2.14
NGK INSULATORS, LTD.	6,900,000	1.92

Note: Although the Company holds 41,860,396 shares of treasury shares, the Company is excluded from the above list of major shareholders. Shareholding ratio is calculated by deducting treasury shares.

3. Matters related to the Subscription Rights to Shares, etc. of the Company

Not applicable.

4. Matters related to Management

4.1 Names, etc. of Directors and Statutory Auditors (as of March 31, 2016)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	Representative Director President	
Noriyuki Hama	Representative Director Senior Managing Director Chief Compliance Officer	General Administrative Manager, Management Control Division
Shigeki Inoue	Managing Director	Chief Operating Officer, Wearable Products Operations Division, and General Administrative Manager, Business Infrastructure Development Division
Yoneharu Fukushima	Managing Director	Chief Operating Officer, Robotics Solutions Operations Division, and General Administrative Manager, Corporate Research & Development Division
Koichi Kubota	Managing Director	Chief Operating Officer, Printer Operations Division
Motonori Okumura	Director	General Administrative Manager, Imaging Products Key Components Research & Engineering Division
Junichi Watanabe	Director	Chief Operating Officer, Visual Products Operations Division, and Deputy General Administrative Manager, Business Infrastructure Development Division (in charge of Production, Procurement and Logistics)
Masayuki Kawana	Director	General Administrative Manager, Human Resources Division President, Orient Watch Co., Ltd.
Toshiharu Aoki	Director	
Hideaki Omiya	Director	
Kenji Kubota	Full-time Audit & Supervisory Board Member	
Yoshiro Yamamoto	Audit & Supervisory Board Member	
Kenji Miyahara	Audit & Supervisory Board Member	
Michihiro Nara	Audit & Supervisory Board Member	

Notes
1. Mr. Toshiharu Aoki and Mr. Hideaki Omiya are outside directors. The Company registered them as independent directors with the Tokyo Stock Exchange.
2. Mr. Yoshiro Yamamoto, Mr. Kenji Miyahara and Mr. Michihiro Nara are outside Audit & Supervisory Board Members. The Company registered them as independent auditors with the Tokyo Stock Exchange.

3. The significant concurrent positions held by outside officers are hereinafter stated in “4.3 Maters related to outside officers.”
4. Mr. Seiichi Hirano retired from his position of Audit & Supervisory Board Member by resignation as of January 31, 2016.
5. Full-time Audit & Supervisory Board Member, Mr. Kenji Kubota, has years of experience at the financial and accounting department of the Company, and has considerable knowledge in finance and accounting.
6. Changes in the responsibilities of officers from the day following the closing date of the Ordinary General Meeting of Shareholders held on June 25, 2015 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Noriyuki Hama	General Administrative Manager, Management Control Division	General Administrative Manager, Management Control Division and Compliance Office	October 1, 2015
Shigeki Inoue	Chief Operating Officer, Wearable Products Operations Division, and General Administrative Manager, Business Infrastructure Development Division	General Administrative Manager, Business Infrastructure Development Division	December 1, 2015

7. Changes in responsibilities of officers after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Shigeki Inoue	Chief Operating Officer, Wearable Products Operations Division, and General Administrative Manager, Corporate Planning Division	Chief Operating Officer, Wearable Products Operations Division, and General Administrative Manager, Business Infrastructure Development Division	April 1, 2016
Yoneharu Fukushima	Chief Operating Officer, Robotics Solutions Operations Division, and General Administrative Manager, First Technology Development Division	Chief Operating Officer, Robotics Solutions Operations Division, and General Administrative Manager, Corporate Research & Development Division	April 1, 2016
Koichi Kubota	Chief Operating Officer, Printer Operations Division, and Deputy General Administrative Manager, Corporate Planning Division (in charge of Sales Planning, Brand & Communication)	Chief Operating Officer, Printer Operations Division	April 1, 2016
Motonori Okumura	General Administrative Manager, Second Technology Development Division	General Administrative Manager, Imaging Products Key Components Research & Engineering Division	April 1, 2016
Junichi Watanabe	Chief Operating Officer, Visual Products Operations Division, and General Administrative Manager, Production Planning Division	Chief Operating Officer, Visual Products Operations Division, and Deputy General Administrative Manager, Business Infrastructure Development Division (in charge of Production, Procurement and Logistics)	April 1, 2016

8. Status of executive officers as of March 31, 2016 is as follows.

Name	Title	Areas of responsibility

Name	Title	Areas of responsibility
John Lang	Managing Executive Officer	President, Epson America, Inc.
Tadaaki Hagata	Managing Executive Officer	President, Epson Precision (Philippines), Inc.
Kiyofumi Koike	Executive Officer	Chairman and president, Epson (China) Co., Ltd.
Yasumasa Kitamatsu	Executive Officer	Deputy General Administrative Manager, Imaging Products Key Components Research & Engineering Division (in charge of Manufacturing Efficiency Promotion)
Hideki Shimada	Executive Officer	Deputy Chief Operating Officer, Printer Operations Division (in charge of Production Engineering, Quality Assurance, Production Control)
Masayuki Kitamura	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Akihiro Fukaishi	Executive Officer	Deputy Chief Operating Officer, Professional Printing Operations Division (in charge of Sales & Marketing and Production Control)
Sunao Murata	Executive Officer	Chief Operating Officer, Professional Printing Operations Division
Yoshiyuki Moriyama	Executive Officer	Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering, and Manufacturing)
Toshiya Takahata	Executive Officer	General Administrative Manager, Intellectual Property Division
Tsuyoshi Kitahara	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division (in charge of Industrial Component & Technology Development)
Naoyuki Saeki	Executive Officer	President, Epson Sales Japan Corporation
Nobuyuki Shimotome	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division (in charge of NM Business Promotion and Device Development)
Kazuyoshi Yamamoto	Executive Officer	President, Epson Europe B.V.

(1) Mr. Nobuyuki Shimotome and Mr. Kazuyoshi Yamamoto assumed their respective offices of executive officer as of June 25, 2015.

(2) Changes in the responsibilities of executive officers from the day following the closing date of the Ordinary General Meeting of Shareholders held on June 25, 2015 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Yasumasa Kitamatsu	Deputy General Administrative Manager, Imaging Products Key Components Research & Engineering Division (in charge of Manufacturing Efficiency Promotion)	Deputy General Administrative Manager, Corporate Research & Development Division (in charge of Production Engineering)	October 1, 2015
Yoshiyuki Moriyama	Deputy Chief Operating Officer, Wearable Products Operations Division	Chief Operating Officer, Wearable Products Operations Division	December 1, 2015

	(in charge of Quality Assurance, Production Engineering, and Manufacturing)		

(3) Changes in the responsibilities of executive officers after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Yasumasa Kitamatsu	Deputy General Administrative Manager, Second Technology Development Division (in charge of Manufacturing Efficiency Promotion, Production Engineering Center, Monozukuri-Juku, Safety Promotion)	Deputy General Administrative Manager, Imaging Products Key Components Research & Engineering Division (in charge of Manufacturing Efficiency Promotion)	April 1, 2016
Yoshiyuki Moriyama	Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Technology, and Manufacturing)	Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering, and Manufacturing)	April 1, 2016
Tsuyoshi Kitahara	Deputy General Administrative Manager, First Technology Development Division (in charge of New Technology Development)	Deputy General Administrative Manager, Corporate Research & Development Division (in charge of industrial Component & Technology Development)	April 1, 2016
Nobuyuki Shimotome	Deputy General Administrative Manager, First Technology Development Division (in charge of NM Business Promotion and Device Development)	Deputy General Administrative Manager, Corporate Research & Development Division (in charge of NM Business Promotion and Device Development)	April 1, 2016

4.2 Remuneration to Directors and Audit & Supervisory Board Members

Category	Number of individuals (Persons)	Base remuneration (Millions of yen)	Bonuses (Millions of yen)	Total (Millions of yen)
Directors (of which, outside directors)	10 (2)	359 (28)	94 (-)	454 (28)
Audit & Supervisory Board Members (of which, outside Audit & Supervisory Board Members)	5 (3)	96 (39)		96 (39)
Total	15	455	94	550

Notes
1. The data above includes remuneration paid to an Audit & Supervisory Board Member who retired as of January 31, 2016.
2. The Company introduced a stock performance (stock-based) component to the remuneration system to link remuneration more closely to share price, so the Company stock accounts for a portion of the basic salary.
3. A resolution passed at the Ordinary General Meeting of Shareholders of June 26, 2001, established the maximum base remuneration at 70 million yen per month for Directors and at 12 million yen per month for Audit & Supervisory Board Members.
4. The data above includes bonus to be paid to Directors in the amount of 94 million yen (amount to be paid to eight Directors excluding Outside Directors), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at

the General Meeting of Shareholders scheduled on June 28, 2016. We have not introduced bonus system for Audit & Supervisory Board Members.

5. Based on the abolition of retirement allowance system for executives resolved at the Ordinary General Meeting of Shareholders held on June 23, 2006, the Company plans to pay retirement allowance in the amount of 15 million yen for an eligible Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) who will retire as of the conclusion of the Ordinary General Meeting of Shareholders to be held on June 28, 2016.
6. Stock options are not granted.

4.3 Matters related to outside officers

(1) Significant concurrent positions and relations between the Company and entities where its outside officers hold concurrent positions

Title	Name	Significant concurrent positions
Outside Director	Toshiharu Aoki	Not applicable
	Hideaki Omiya	Chairman of Mitsubishi Heavy Industries, Ltd.
Outside Audit & Supervisory Board Member	Yoshiro Yamamoto	Audit & Supervisory Board Member, Credit Saison Co., Ltd.
	Kenji Miyahara	Not applicable
	Michihiro Nara	Attorney-at-law Outside Director of the Board, Oji Holdings Corporation Outside Corporate Auditor of NIHON TOKUSHU TORYO CO., LTD. Independent Auditor, CHORI CO., LTD.

Note: There is no special relationship between the entities where outside officers hold concurrent positions and the Company.

(2) Main activities during the fiscal year

Each Outside Director proactively made remarks at the meetings of the Board of Directors held during the fiscal year asking questions about the explanation on proposals or to express opinions, advice and suggestions for the overall management issues, from the perspective of highly experienced corporate managers.

Each Outside Audit & Supervisory Board Member proactively made remarks at the meetings of the Board of Directors and meetings of the Audit & Supervisory Board held during the fiscal year asking questions about the explanation on proposals, to confirm the process of deliberation or to express opinions offering new viewpoints drawing on their experiences.

Status of attendance of each outside officer at meetings of the Board of Directors and meetings of the Audit & Supervisory Board is as follows.

Title	Name	Attendance at meetings of the Board of Directors (Attendance rate)	Attendance at meetings of the Audit & Supervisory Board (Attendance rate)
Outside Director	Toshiharu Aoki	13 / 13 meetings (100%)	
	Hideaki Omiya	12 / 13 meetings (92.3%)	
Outside Audit & Supervisory Board Member	Yoshiro Yamamoto	12 / 13 meetings (92.3%)	16 / 16 meetings (100%)
	Kenji Miyahara	11 / 13 meetings (84.6%)	15 / 16 meetings (93.7%)
	Michihiro Nara	12 / 13 meetings (92.3%)	16 / 16 meetings (100%)

(3) Outline of liability limitation contracts

The Company has entered into contracts with all the outside officers which limit their liability to the damages under Article 423, Paragraph 1 of the Companies Act. The maximum liability amount under such contracts shall be the minimum liability amount stipulated in laws and regulations.

5. Accounting Auditor

5.1 Accounting auditor's name

Ernst & Young ShinNihon LLC

5.2 Accounting auditor's remuneration, etc. for the fiscal year under review

Category	Amount paid (Millions of yen)
1) Amount of the remuneration, etc. to be paid by the Company to accounting auditor as compensation for the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act	147
2) Total amount of cash and other financial profit to be paid by the Company and its consolidated subsidiaries to accounting auditor	217

Notes

1. Taking into consideration the "Practical Guidelines for Cooperation with Accounting Auditor" announced by the Japan Audit & Supervisory Board Members Association, the Audit & Supervisory Board has given consent to the remuneration, etc., to be paid to the accounting auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of confirming the auditing time and auditing remuneration of the auditing plan, as well as the auditing plan and its results for the previous fiscal year, and examining the validity of quotation for the auditing.
2. Under the audit agreement between the Company and its accounting auditor, remuneration for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount in 1) reflects the total remuneration.
3. The Company entrusts advisory services which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act, and pays fees to the accounting auditor in relation to such services.
4. Of the significant subsidiaries of the Company, 34 overseas subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) by certified public accountants or audit firms other than the accounting auditor of the Company (including those with comparable qualifications abroad).

5.3 Policy regarding determination of dismissal or nonrenewal of appointment of accounting auditor

In the event that the accounting auditor is deemed to have met any of the items set forth in the clauses of Article 340, Paragraph 1 of the Companies Act and it is deemed appropriate to dismiss the accounting auditor, the Audit & Supervisory Board shall dismiss the accounting auditor subject to the unanimous consent of Audit & Supervisory Board Members.

In addition, should (i) disciplinary measures for legal violation and other measures be imposed by regulatory authorities on the accounting auditor, (ii) the quality of audit, quality control, independence and other aspects of the accounting auditor be likely to hinder the execution of proper audits, (iii) other issues occur, and where dismissal or nonrenewal of the accounting auditor are deemed appropriate, the Audit & Supervisory Board shall, based on its resolution, determine the details of the proposal to dismiss or not reappoint the accounting auditor for submission to the General Meeting of Shareholders.

5.4 Business suspension order the accounting auditor received in the past two years

The summary of the order issued by the Financial Services Agency on December 22, 2015 is as follows.

(1) Audit corporation subject to the order

Ernst & Young ShinNihon LLC

(2) Detail of the order

・Business suspension for three months regarding conclusion of new contracts (from January 1, 2016 to March 31, 2016)

・Business improvement order (improvement in business administrative structure)

(3) Grounds for the order

・In auditing the financial statements of TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, March 31, 2012 and March 31, 2013, the certified public accountants who belonged to Ernst & Young ShinNihon LLC, without paying due attention, judged that the company’s financial statements and other documents containing material misstatement to be free of material misstatement.

・The operation of the audit corporation was found to be substantially improper.

6. Internal Control Systems (A system for ensuring that business is conducted suitably by the corporate group)

6.1 Basic Policy

The Company passed a resolution on April 30, 2015, at the meeting of the Board of Directors to partially amend Epson’s basic policy regarding the internal control system. The content of the revised basic policy is described below.

The Company considers its Management Philosophy to be its most important business concept, and to realize it Epson has established Principles of Corporate Behavior that are shared across the Group, including at subsidiaries. The Company will establish the following basic policy regarding the internal control system (a system for ensuring that business is conducted suitably by the corporate group) and provide an improved internal control system for the Epson Group as a whole.

1. Compliance

(1) The Company will establish "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company will also establish regulations that spell out things such as basic compliance requirements and the organizational framework.
(2) A member of the board will be selected to serve as the Chief Compliance Officer (CCO). The CCO will head an organization that oversees and monitors the execution of all compliance operations.
(3) The Company also created a Compliance Committee to serve as an advisory body to the board of directors. The Compliance Committee will be chaired by the CCO and have as members the outside directors, outside audit & supervisory board members, and a director appointed by the board of directors. The Compliance Committee will meet to hear and discuss important matters concerning the Company's compliance program. It will report its findings and offers opinions to the board of directors.
(4) Compliance promotion and enforcement will be supervised by the president of Seiko Epson. Group-wide compliance programs will be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries will be promoted by the respective chief operating officers of the divisions. A dedicated compliance department will help to ensure the coverage and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.
(5) The Corporate Strategy Council, an advisory body to the president comprised of members of the board of directors of the Company, will address important matters with respect to compliance promotion and enforcement of the Epson Group as a whole, including subsidiaries. The Council will strive to ensure the effectiveness of compliance by exhaustively discussing and analyzing the implementation of programs for assuring observance of statutes, internal regulations, business ethics, and initiatives in high-risk and other key areas.
(6) The Company, including its subsidiaries, will strive to provide an effective whistleblowing system. Employees will be encouraged and will be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls will be in place to protect whistleblowers from reprisal, and allegations will be reported to Audit & Supervisory Board Members, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
(7) The Company will strive to enhance legal consciousness by providing Epson Group employees with web-based training and other educational opportunities.
(8) The president of Seiko Epson will periodically report important compliance-related matters to the board of directors and will take measures as needed to respond to issues.

(9) The Company's "Principles of Corporate Behavior" will state that the Company will have no association whatsoever with antisocial forces. The Company will take a firm stance in rejecting any and all contact with antisocial forces that threaten social order and security.

2. Business execution system

(1) The Company will formulate long-term vision statements and mid-range business plans, and it will set clear medium-and long-range goals for the Epson Group as a whole.
(2) The Company will institute a system that will ensure the appropriate and efficient execution of business. To that end, the Company will establish regulations governing organization management, job authorities, the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.
(3) Personnel responsible for business operations will report the matters below to the board of directors at least once every three months.
  a) Current business performance and performance outlook
  b) Risk management responses
  c) Status of key business operations

3. Risk management

(1) The Company will establish a basic risk management regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.
(2) Overall responsibility for risk management in the Epson Group, including subsidiaries, will belong to the president of Seiko Epson. Group-wide risk management will be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business will be managed by the chief operating officer of that business, including at subsidiaries consolidated under them. The Company will also set up a department that will supervise risk management, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.
(3) The Corporate Strategy Council will strive to ensure effective management of serious risks that could have an egregious effect on society by dynamically and exhaustively discussing and analyzing action to identify and control risks. Also, when major risks become apparent, the president will lead the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.
(4) The president of Seiko Epson will periodically report to the board of directors on critical risk management issues and formulate appropriate measures to respond to these issues.

4. Ensuring the appropriateness of operations in the corporate group

(1) The Group's management structure will help to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company will be organized into product-based divisions. Each division will be headed by a chief operating officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office will own global responsibility. Responsibility for providing the framework for business operations at subsidiaries will be owned by the head of each business. Group-wide corporate functions will be the responsibility of the heads of Head Office supervisory departments.
(2) The Company will have business processes that enable business to be controlled on a Group level. This will be accomplished by internal regulations that require subsidiaries to report or acquire pre-approval for certain business operations from the parent company, Seiko Epson, and by requiring issues that meet certain criteria to be submitted to Epson's board of directors for resolution. In certain regions, moreover, the Company will seek to ensure the suitability and efficiency of Group-wide business operations by establishing a company that acts as a regional head office that supervises subsidiaries.
(3) An internal auditing department will conduct audits Group-wide, including subsidiaries,

based on a basic internal audit regulation, thereby strengthening and enhancing internal audits Group-wide, including at subsidiaries.

5. Safeguarding and management of work-related information

(1) Information on business operations will be safeguarded and managed under regulations governing, among other things, document control, management approval, and contracts, with directors and Audit & Supervisory Board Members reviewing these and other relevant documents on an ongoing basis.

(2) The Company strives to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with internal information security regulations.

6. Audit system

(1) Audit & Supervisory Board Members will have the authority to conduct interviews with directors and other personnel whenever they deem such interviews necessary based on corporate regulations governing auditors and audit procedures.

(2) Audit & Supervisory Board Members will also be authorized to attend Corporate Strategy Council sessions, corporate management meetings, and other important business meetings that will enable them to conduct audits based on the same information as that available to directors. Audit & Supervisory Board Members will also routinely review important documents related to management decision making.

(3) The Company will establish an Audit & Supervisory Board Members' Office that will be staffed with full-time employees. Evaluations and transfers of Audit & Supervisory Board Members' Office employees will require the approval of Audit & Supervisory Board Members. If the number of full-time employees required for audit operations is insufficient, or if they lack the requisite expertise, etc., and if Audit & Supervisory Board Members acknowledge that special circumstances hinder the effectiveness of audits, Audit & Supervisory Board Members will be able to make the necessary requests to the representative director or the board of directors.

(4) Per an Audit & Supervisory Board Member audit regulation, Audit & Supervisory Board Members will be able to ask directors and persons from the internal audit department and elsewhere to report or explain the state of management within the Epson Group, including subsidiaries, and will be able to view supporting materials. Audit & Supervisory Board Members will, where necessary, be able to ask subsidiary company directors, auditors, internal audit groups, and other personnel to report the state of management within their respective companies.

(5) Audit & Supervisory Board Members shall strive to enhance the effectiveness of audits by holding regular discussions with the internal audit department and with independent public accountants.

(6) Audit & Supervisory Board Members will directly assess business operations by holding regular meetings with representative directors.

(7) The expenses required to execute the duties of Audit & Supervisory Board Members will be properly budgeted for in advance. In addition, expenses required to execute the duties of Audit & Supervisory Board Members when emergency or extraordinary audits are needed will be promptly paid in advance or refunded on each occasion.

6.2. Summary of Implementation Status of the Internal Control System

Following the partial amendments made to the basic policy regarding the internal control system on April 30, 2015, the Company made an announcement to that effect and its detail internally and to its subsidiaries.

The implementation status of the internal control system for the fiscal year under review based on the basic policy is described below.

(1) Compliance

1) The Compliance Committee, a body that supervises the proper execution of compliance in execution of business, was held twice during the fiscal year to discuss important matters concerning Epson’s compliance programs. It reported its findings and offered opinions to the Board of Directors.
Specifically, as important matters, it discussed monitoring results on compliance and individual compliance issues. In addition, as to the whistleblowing system, it confirmed the reporting status by way of Epson Hotline, and the operation status of the whistleblowing systems at each Group company.
2) The Corporate Strategy Council was held in principal once a week to discuss the Company-wide important policies, corporate strategy and other important management issues. As one of the important management issues, it reported and discussed the progress of the Company’s compliance programs such as month-long activities and risk management programs.
3) The Management Philosophy indicating the ideal direction of the Group is posted at each workplace. At Managerial Policy Meetings where business plan for the fiscal year is communicated to the Group employees, all the participants read out loud the Management Philosophy for confirmation, under the President’s leadership. In addition, Principles of Corporate Behavior indicating the behavior that all the Group employees should observe are posted on the Company’s website and other places so that they can be viewed at any time.
4) To raise compliance awareness of Group employees, the Company set October as “Compliance Month.” During that month, the CCO as well as representatives of operations divisions and each Group company transmitted a message saying that self-reliant and responsible behavior of each and every employee based on high ethical sense is essential, a feature article related to compliance was posted on its company newsletter, and other activities were held.
5) With an aim to raise compliance awareness and promote specific operations, e-learning and group trainings were held to raise compliance awareness of Group employees through Information Security Enhancement Month, CS & Quality Month, Environmental Awareness Month and other campaigns.

(2) Business execution system
1) The Epson 25 Corporate Vision indicating the ideal direction of the Group toward 2025 was formulated.
2) Regular meeting of the Board of Directors was held 13 times to report and discuss matters related to business performance, risk management measures and status of key business operations.
3) To ensure the compliance of laws and the Company’s Articles of Incorporation in the execution of businesses, regulations governing organizational management, job authority, division of responsibilities, the management of affiliated companies, and other regulations and standards were prepared for organizational, efficient and sound corporate management. Particularly, important provisions including the basis for Group management are in Group-wide operation at each company.

(3) Risk management
1) Risks that could have a significant impact on Group management were specified at the beginning of the fiscal year as Company-wide major risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.
Risks that could have a significant impact on business were specified by each business as major business risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a semi-annual basis.
2) As an initial response procedure in case of major risks, the Company developed a crisis management program. When major risks occur, the Company formed the Crisis Management Committee chaired by the President and took a swift initial response in line

with the crisis management program. In addition, the actual cases addressed by the Crisis Management Committee were reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.

(4) Ensuring the appropriateness of operations in the corporate group

1) Regarding the business execution by the subsidiaries, the Company confirmed that pre-approval from the Company were sought or report was made to the Company in line with regulations for the management of affiliated companies. The investments that meet certain criteria have been resolved after deliberation at the Board of Directors of the Company.
2) An internal auditing department of the Company conducted a follow-up audit to confirm the status of the improvement progress of issues from last year’s audit, alongside conducting 35 audits on the Company’s operations divisions, the departments of the Tokyo office, as well as the Company’s domestic and overseas subsidiaries, in accordance with the Basic Regulation for Internal Audit. Its findings were reported to the President and Audit & Supervisory Board Members of the Company and actions deemed necessary for control have been taken.

(5) Safeguarding and management of work-related information

Information on business operations are being safeguarded and managed under Document Management Rules, Document Approval Rules, Contract Management Rules, Information Security Basic Rules, and other related rules, with Directors and Audit & Supervisory Board Members reviewing these and other relevant documents on an ongoing basis.

(6) Audit system

1) Audit & Supervisory Board Members attended the meetings of the Board of Directors, Corporate Strategy Council, Corporate Management Meetings, and other important business meetings and confirmed the status of the execution of duties.
2) The Company established an Audit & Supervisory Board Members’ Office that is staffed with full-time employees to appropriately support audit work.
3) Audit & Supervisory Board Members held regular meetings with representative directors and the accounting auditor.
4) Audit & Supervisory Board Members enhance the effectiveness of audits by holding regular discussions with the internal audit department and with the accounting auditor.
5) Audit & Supervisory Board Members were regularly reported by the internal audit department once a month and by responsible departments for compliance and for personnel affairs, etc. on a quarterly basis, and confirmed the control status.
6) The expenses required to execute the duties of Audit & Supervisory Board Members were properly budgeted for in advance. The Company promptly paid such expenses.

7. Basic Policy regarding Company Control

The Company has established a basic policy as follows regarding governing persons who control its financial and business policy decisions (hereinafter the "basic policy").

7.1 Overview the basic policy

The Company believes that its shareholders should be determined through free trade on the market. Therefore, the decision as to whether to accept a takeover offer that would allow another party to acquire a controlling share of the Company and thus gain power over the Company's financial and business decisions should ultimately be put before the shareholders.

To ensure and enhance the corporate value and common interests of shareholders, Epson believes it is essential for the Company's directors, managers, and employees to work as a team to create value, to pursue the Epson tradition of creativity and challenge, and to earn and keep the trust of its customers.

Not all large-scale acquisitions of shares enhance the value of the company whose shares are being acquired, nor do they always serve the common interests of shareholders. Epson recognizes the need to use all necessary and appropriate means to protect the Company's corporate value and the common interests of its shareholders against persons seeking to improperly acquire large numbers of shares in an attempt to gain control over decisions concerning the Company's financial and business policies.

7.2 Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

The Company established in March 2016 a new long-range corporate vision and a new mid-range business plan. The "Epson 25" Corporate Vision describes what the company would like to achieve by the start of the 2025 fiscal year. Meanwhile, the "Epson 25 Mid-Range Business Plan (FY2016 - 2018)" is a three-year plan for the first phase of work toward achieving the vision.

The Mid-Range Business Plan (FY2016 - 2018) is a roadmap for the first phase of work toward achieving the Epson 25 vision. During this phase the Company will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.

(2) Efforts to deter parties who are deemed inappropriate based on Epson's basic policy in gaining control over the Company's financial and business policy decision making

Aiming to ensure and enhance corporate value and the common interests of its shareholders, Epson introduced a series of measures to prevent large-scale acquisition of Epson shares. The measures were approved at the June 2008 General Meeting of Shareholders and updated at the June 2011 General Meeting of Shareholders. The old measures were formally reworded and shareholders approved their updating at the June 24, 2014 General Meeting of Shareholders. (The updated measures are hereinafter called "the Plan.")

The purpose of the Plan is to prevent large-scale acquisitions of Epson stock certificates that do not enhance corporate value or that are not in the common interests of shareholders by having shareholders decide whether to allow such acquisitions and by giving the Epson Board of Directors the time and information they need to present shareholders with an alternative proposal and enable the Board to discuss and negotiate with the acquirer on behalf of shareholders. Specifically, a party that intends to acquire 20% or more of stock certificates outstanding or to stage a takeover bid shall be required to submit in advance to the Epson Board of Directors a statement of intent as well as sufficient and necessary information for decision making on the part of shareholders and for evaluation and consideration by a special committee. The party shall also be required to comply with the procedures defined in the Plan. Furthermore, the Plan allows for the activation of provisions to halt the acquisition in question if, for example, it is not conducted in line with the Plan or it is deemed contrary to Epson's value as a company or the common interest of its shareholders.

To prevent the Epson Board of Directors from making arbitrary decisions about using anti-takeover measures, the decision to invoke preventive measures is subject to the assessment of a special committee made up of highly independent external parties. Actions of the special committee shall include examination of stock acquisition details, requesting information from the Epson Board of Directors regarding alternative proposals, disclosing information to shareholders, and negotiating with parties intending to make acquisitions. The special committee shall advise the Epson Board of Directors regarding the necessity of anti-takeover measures, and the Epson Board of Directors shall promptly accept or reject a resolution to invoke preventive measures, paying the utmost consideration to that advice.

7.3 Decisions made by the Epson Board of Directors regarding specific actions and the justification for those decisions

The specific actions in support of the basic policy described above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders in a continuous and sustained manner. These actions support the basic policy.

As well as having been introduced and updated in order to ensure and enhance corporate value and the common interests of shareholders, the Plan is in accordance with the basic policy. Specifically, the Plan guarantees fairness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because, among other things, a) it was introduced (and updated) after being approved by shareholders at the general shareholders' meeting; b) it contains provisions for reasonable and objective implementation; c) a special committee comprising members with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee; d) the special committee may solicit expert opinions from third parties at Epson's expense; and e) the Plan was determined to be valid for approximately three years and may be abolished by the Board of Directors at any time. The Plan is not for keeping Epson executive officers in their posts.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	601,451	Current liabilities	325,019
Cash and cash equivalents	230,498	Trade and other payables	130,624
Trade and other receivables	151,660	Income tax payables	6,830
Inventories	201,608	Other financial liabilities	62,479
Income tax receivables	1,232	Provisions	23,019
Other financial assets	1,674	Other current liabilities	102,065
Other current assets	14,335	Non-current liabilities	145,644
Subtotal	601,010	Other financial liabilities	81,741
Non-current assets held for sale	441	Net defined benefit liabilities	54,845
Non-current assets	339,888	Provisions	4,941
Property, plant and equipment	244,463	Other non-current liabilities	3,114
Intangible assets	18,179	Deferred tax liabilities	1,001
Investment property	1,967	Total liabilities	470,663
Investments accounted for using the equity method	1,605	Equity	
Other financial assets	21,962	Equity attributable to owners of the parent company	467,818
Other non-current assets	5,122	Share capital	53,204
Deferred tax assets	46,587	Capital surplus	84,321
		Treasury shares	(20,471)
		Other components of equity	57,989
		Retained earnings	292,775
		Non-controlling interests	2,858
		Total equity	470,676
Total assets	941,340	Total liabilities and equity	941,340

Note: Figures less than one million yen are rounded down.

Consolidated Statement of Comprehensive Income (from April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
Revenue		1,092,481
Cost of sales		(694,821)
Gross profit		397,660
Selling, general and administrative expenses	(312,708)	
Other operating income	14,807	
Other operating expense	(5,732)	(303,633)
Profit from operating activities		94,026
Finance income	1,652	
Finance costs	(4,252)	
Share of profit of investments accounted for using the equity method	104	(2,495)
Profit before tax		91,530
Income taxes		(45,421)
Profit from continuing operations		46,109
Loss from discontinued operations		(42)
Profit for the period		46,067
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax		
Remeasurement of net defined benefit liabilities (assets)	(22,161)	
Net gain (loss) on revaluation of financial assets measured at FVTOCI	(2,610)	(24,771)
Items that may be reclassified subsequently to profit or loss, net of tax		
Exchange differences on translation of foreign operations	(21,309)	
Net changes in fair value of cash flow hedges	(1,215)	
Share of other comprehensive income of investments accounted for using the equity method	(240)	(22,765)
Total other comprehensive income, net of tax		(47,536)
Total comprehensive income for the period		(1,469)
Profit for the period attributable to:		
Owners of the parent company	45,772	
Non-controlling interests	294	46,067
Total comprehensive income for the period attributable to:		
Owners of the parent company	(1,456)	
Non-controlling interests	(12)	(1,469)

Note: Figures less than one million yen are rounded down.

Consolidated Statement of Changes in Equity (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Equity attributable to owners of the parent company					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations
Balance as of April 1, 2015	53,204	84,321	(20,464)	—	7,149	74,868
Profit (loss) for the period	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	(22,160)	(2,600)	(21,252)
Total comprehensive income (loss) for the period	—	—	—	(22,160)	(2,600)	(21,252)
Acquisition of treasury shares	—	—	(6)	—	—	—
Dividends	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	22,160	(15)	—
Total transactions with the owners	—	—	(6)	22,160	(15)	—
Balance as of March 31, 2016	53,204	84,321	(20,471)	—	4,533	53,616

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the parent company		
	Net changes in fair value of cash flow hedges	Total other components of equity				
Balance as of April 1, 2015	1,055	83,073	294,191	494,325	2,982	497,308
Profit (loss) for the period	—	—	45,772	45,772	294	46,067
Other comprehensive income (loss)	(1,215)	(47,229)	—	(47,229)	(307)	(47,536)
Total comprehensive income (loss) for the period	(1,215)	(47,229)	45,772	(1,456)	(12)	(1,469)
Acquisition of treasury shares	—	—	—	(6)	—	(6)
Dividends	—	—	(25,044)	(25,044)	(111)	(25,155)
Transfer from other components of equity to retained earnings	—	22,145	(22,145)	—	—	—
Total transactions with the owners	—	22,145	(47,189)	(25,050)	(111)	(25,162)
Balance as of March 31, 2016	(160)	57,989	292,775	467,818	2,858	470,676

Note: Figures less than one million yen are rounded down.

Non-Consolidated Financial Statements

Balance Sheet (as of March 31, 2016)

(Millions of yen)

Item	Amount	Item	Amount
Assets		Liabilities	
Current assets	**353,561**	**Current liabilities**	**193,633**
Cash and deposits	10,674	Notes payable - trade	6,273
Notes receivable - trade	128	Accounts payable - trade	86,742
Accounts receivable - trade	121,729	Current portion of bonds issued	30,000
Securities	128,000	Current portion of non-current borrowings	500
Merchandise and finished goods	4,639	Lease obligations	11
Work in process	12,272	Accounts payable - other	37,051
Raw materials and supplies	20,859	Accrued expenses	6,846
Deferred tax assets	12,595	Income taxes payable	2,505
Short-term loans receivable	33,201	Deposits received	5,027
Accounts receivable - other	23,945	Provision for bonuses	14,642
Other	6,684	Provision for directors' bonuses	94
Allowance account for credit losses	(21,168)	Provision for product warranties	2,022
Non-current assets	**304,728**	Asset retirement obligations	98
(Property, plant and equipment)	**131,056**	Other	1,816
Buildings	47,382	**Non-current liabilities**	**110,642**
Structures	2,447	Bonds payable	30,000
Machinery and equipment	39,516	Long-term loans payable	50,000
Vehicles	64	Lease obligations	2
Tools, furniture and fixtures	7,546	Provision for retirement benefits	27,419
Land	33,126	Provision for product warranties	135
Construction in progress	961	Asset retirement obligations	1,535
Other	11	Other	1,549
(Intangible assets)	**9,868**	**Total liabilities**	**304,275**
Software	7,373	**Net assets**	
Other	2,494	**Shareholders' equity**	**349,169**
(Investments and other assets)	**163,803**	**Share capital**	**53,204**
Investment securities	12,894	**Capital surplus**	**84,321**
Shares of subsidiaries and affiliates	127,560	Legal capital surplus	84,321
Long-term prepaid expenses	861	**Retained earnings**	**232,115**
Deferred tax assets	20,253	Legal retained earnings	3,132
Other	2,256	Other retained earnings	228,982
Allowance account for credit losses	(23)	Retained earnings brought forward	228,982
		Treasury shares	**(20,471)**
		Valuation and translation adjustments	**4,845**
		Valuation difference on available-for-sale securities	**4,992**
		Deferred gains or losses on hedges	**(147)**
		Total net assets	**354,015**
Total assets	**658,290**	**Total liabilities and net assets**	**658,290**

Note: Figures less than one million yen are rounded down.

Statement of Income (from April 1, 2015 to March 31, 2016)

(Millions of yen)

Item	Amount	
Net sales		**786,981**
Cost of sales		**696,740**
Gross profit		**90,241**
Selling, general and administrative expenses		**58,360**
Operating income		**31,880**
Non-operating income		
Interest and dividend income	21,289	
Foreign exchange gains	777	
Other	2,069	24,136
Non-operating expenses		
Interest expenses	802	
Other	2,601	3,404
Ordinary income		**52,612**
Extraordinary income		
Gain on sales of non-current assets	11,506	
Other	671	12,178
Extraordinary losses		
Loss on sales of non-current assets	9	
Loss on retirement of non-current assets	297	
Impairment loss	1,236	
Other	597	2,141
Income before income taxes		**62,648**
Income taxes - current	9,534	
Income taxes - deferred	7,078	16,613
Net income		**46,035**

Note: Figures less than one million yen are rounded down.

Statement of Changes in Equity (from April 1, 2015 to March 31, 2016)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance as of April 1, 2015	53,204	84,321	3,132	207,991	211,124	(20,464)	328,184
Changes of items during the period							
Dividends	－	－	－	(25,044)	(25,044)	－	(25,044)
Net income	－	－	－	46,035	46,035	－	46,035
Acquisition of treasury shares	－	－	－	－	－	(6)	(6)
Net changes of items other than shareholders' equity	－	－	－	－	－	－	－
Total changes of items during the period	－	－	－	20,991	20,991	(6)	20,984
Balance as of March 31, 2016	53,204	84,321	3,132	228,982	232,115	(20,471)	349,169

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2015	7,161	1,016	8,177	336,362
Changes of items during the period				
Dividends	－	－	－	(25,044)
Net income	－	－	－	46,035
Acquisition of treasury shares	－	－	－	(6)
Net changes of items other than shareholders' equity	(2,168)	(1,163)	(3,332)	(3,332)
Total changes of items during the period	(2,168)	(1,163)	(3,332)	17,652
Balance as of March 31, 2016	4,992	(147)	4,845	354,015

Note: Figures less than one million yen are rounded down.

Audit Reports

Transcript of accounting auditor's audit report on consolidated financial statements

Independent Auditor's Report

April 28, 2016

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Hidetoshi Watanabe
Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Takahiro Yamazaki

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated statement of financial position, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity of Seiko Epson Corporation for the consolidated fiscal year from April 1, 2015 to March 31, 2016, including notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

Auditors' Responsibility

Our responsibility is to express independent opinions on consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied depending on auditor judgment on the basis of the assessment of the risks of material misstatements of the consolidated financial statements arising from fraud or error. The purpose of the audit of the consolidated financial statements is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to consolidated financial statements of the corporate group which consists of Seiko Epson Corporation and its consolidated subsidiaries in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of accounting auditor's audit report

<u>Independent Auditor's Report</u>

April 28, 2016

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Hidetoshi Watanabe
Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Takahiro Yamazaki

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the financial statements, namely the balance sheet, the statements of income, and the statements of changes in equity of Seiko Epson Corporation for the 74th fiscal year from April 1, 2015 to March 31, 2016, including notes to non-consolidated financial statements and supplementary schedules thereto.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements and supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present financial statements and supplementary schedules thereto that are free from material misstatements caused by fraud or error.

Auditors' Responsibility

Our responsibility is to express independent opinions on financial statements and supplementary schedules thereto based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereto are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules thereto. Audit procedures are selected and applied depending on auditors' judgment on the basis of the assessment of the risks of material misstatements of the financial statements and the supplementary schedules thereto arising from fraud or error. The purpose of the audit of the financial statements and the supplementary schedules thereto is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements and the supplementary schedules thereto in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the supplementary schedules thereto referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to such financial statements and the supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of the Audit & Supervisory Board's audit report

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the Directors' execution of their duties during the 74th fiscal year, from April 1, 2015 to March 31, 2016, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows.

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Contents Thereof

(1) The Audit & Supervisory Board established audit policies, determined the division of duties, etc. and received reports from all the Audit & Supervisory Board Members regarding the execution of audits and the results thereof. In addition, we received reports, and sought explanations as necessary, from Directors, etc. and the Accounting Auditor regarding the execution of their duties.

(2) In reference to auditor's audit rules established by the Audit & Supervisory Board, in accordance with the audit policies, division of duties, etc. of Audit & Supervisory Board Members, each Audit & Supervisory Board Member worked to communicate with Directors, the Internal Audit Department, and other employees, etc., gather information, and improve an auditing environment, and executed audits through the following methods.

1) We attended the Board of Directors meetings and other important meetings, received reports from Directors and other employees, etc., regarding the execution of their duties, requested reports as required, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's Head Office and primary Business Offices. Furthermore, with regard to the Company's subsidiaries, the Audit & Supervisory Board worked to communicate and exchange information with Directors, Audit & Supervisory Board Members, etc., of subsidiaries, and received reports from them as necessary.

2) With respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Directors with laws, regulations and the Articles of Incorporation in the execution of their duties and other systems required to ensure the properness of the operations of the corporate group composed of a joint stock company (kabushiki-kaisha) and its subsidiaries as stipulated in Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the system (internal control system) developed based on such resolution of the Board of Directors contained in the Business Report, we received regular reports regarding the status of formulation and operation of such system from Directors and other employees, etc., sought explanations as necessary, and expressed opinion thereon.

3) With respect to the basic policy provided in Article 118, Item 3 (a) of the Ordinance for Enforcement of the Companies Act and the initiatives provided in (b) of the same Item, in light of the status, etc., of deliberations in the Board of Directors and other meetings, further consideration of its content was given.

4) Moreover, we monitored and verified whether the Accounting Auditor had maintained its

independence and conducted audits appropriately, received reports regarding the execution of their duties, and sought explanations as necessary. We received notification from the Accounting Auditor that “Systems for Ensuring Appropriate Execution of Duties” (matters provided in each item of Article 131 of the Ordinance on Accounting of Companies) have been established in accordance with “Quality Control Standard for Auditing,” (October 28, 2005; Business Accounting Council), etc., and sought explanations as necessary.

Based on the above, we examined the Business report and the supplementary schedules, the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Equity, and the Notes for the Non-consolidated Financial Statements) and the supplementary schedules, as well as the Consolidated Financial Statements (the Consolidated Statements of Financial Position, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, and the Notes for the Consolidated Financial Statements prepared in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards) for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Report, etc.

1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company’s condition.

2) No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.

3) We found that the Board of Directors’ resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the execution of duties by Directors concerning the internal control system or the content of the Business Report concerning the internal control system.

4) We found no matters requiring note on our part with respect to the basic policy regarding governing persons who control the Company’s financial and business policy decisions, stated in the Business Report. The initiatives taken pursuant to Article 118, Item 3 (a) of the Ordinance for Enforcement of the Companies Act, stated in the Business Report, are in line with the said basic policy, and in our opinion, said basic policy is deemed not to harm the common interest of the Company’s shareholders, nor is it for the purpose of maintaining the position of the Company’s officers.

(2) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Consolidated Financial Statements

We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 6, 2016

Audit & Supervisory Board, Seiko Epson Corporation

Full-time Audit & Supervisory Board Member:	Kenji Kubota
Outside Audit & Supervisory Board Member:	Yoshiro Yamamoto
Outside Audit & Supervisory Board Member:	Kenji Miyahara
Outside Audit & Supervisory Board Member:	Michihiro Nara

End

Dear shareholders with Voting Rights

Internet Disclosure Information for the Notice of the 74th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(from April 1, 2015 to March 31, 2016)

SEIKO EPSON CORPORATION

In accordance with laws and regulations and Article 15 of the Articles of Incorporation, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are posted on the Company's website.

Notes to the Consolidated Financial Statements

Significant Basis of Presenting Consolidated Financial Statements

1. Basis for Presenting Consolidated Financial Statements

The Company and its subsidiaries and affiliates (hereinafter collectively referred to as "Epson") prepares its consolidated financial statements on the basis of International Financial Reporting Standards (hereinafter referred to as "IFRS"), in compliance with Article 120, Paragraph 1 of the Company Accounting Ordinance. In compliance with the second sentence of Article 120, Paragraph 1 of the Company Accounting Ordinance, certain disclosures and notes required on the basis of IFRS are omitted.

2. Scope of Consolidation

Number of Consolidated Subsidiaries: 86

The major consolidated subsidiaries of the Company are as follows:

Epson Sales Japan Corporation	Epson Direct Corporation
Orient Watch Co., Ltd.	Miyazaki Epson Corporation
Tohoku Epson Corporation	Akita Epson Corporation
Epson Atmix Corporation	
U.S. Epson, Inc.	Epson America, Inc.
Epson Electronics America, Inc.	Epson Portland Inc.
Epson El Paso, Inc.	Epson Europe B.V.
Epson (U.K.) Ltd.	Epson Deutschland GmbH
Epson Europe Electronics GmbH	Epson France S.A.
Epson Italia s.p.a.	For. Tex S.r.l.
Epson Iberica, S.A.	Epson Telford Ltd.
Epson (China) Co., Ltd.	Epson Korea Co., Ltd.
Epson Hong Kong Ltd.	Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.	P.T. Epson Indonesia
Epson (Thailand) Co., Ltd.	Epson Australia Pty. Ltd.
Epson India Pvt. Ltd.	Tianjin Epson Co., Ltd.
Epson Precision (Hong Kong), Ltd.	Epson Engineering (Shenzhen) Ltd.
Epson Precision (Shenzhen) Ltd.	Orient Watch (Shenzhen) Ltd.
Singapore Epson Industrial Pte. Ltd.	P.T. Epson Batam
P.T. Indonesia Epson Industry	Epson Precision (Philippines), Inc.
Epson Precision Malaysia Sdn. Bhd.	Epson Precision (Johor) Sdn. Bhd.

(Reasons for the change in consolidated subsidiaries)

(Increase: 1)

An equity method affiliate has been added to the scope of consolidation following the additional acquisition of shares.

For. Tex S.r.l.

(Decrease: 3)

Two consolidated subsidiaries have been excluded from the scope of consolidation due to liquidation.

Mizuumi Service Center Co., Ltd.

Toyocom Shoji Co., Ltd.

One consolidated subsidiary has been excluded from the scope of consolidation due to a merger.

Epson Seattle, Inc.

3. Application of Equity Method

The major equity method affiliates are as follows:

Epson & Nissin Travel Solutions Corporation
Shanghai Sanhuan Magnetics Co., Ltd.*
TekCare corporation

* The company name has been changed from Shanghai Epson Magnetics Co., Ltd. in November 2015.

(Reason for the change in equity method affiliates)
(Decrease: 2)
An equity method affiliate has been added to the scope of consolidation following the additional acquisition of shares.
For. Tex S.r.l.
An equity method affiliate has been excluded from the scope of equity method following the sales of its shares.
Time Module (Hong Kong) Ltd.

4. Fiscal Year of Consolidated Subsidiaries

The closing date of several overseas consolidated subsidiaries is December 31, and accounting documents based on the temporary closing of accounts conducted as of the consolidated closing date are used in preparing the consolidated financial statements.

5. Accounting Policies

(1) Basis and Methods of Valuation of Assets

1) Financial Assets other than Derivatives

(i) Initial Recognition and Measurement

Financial assets are classified into financial assets measured at fair value and those amortized cost at initial recognition.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. Otherwise, they are classified as financial assets measured at fair value.

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes that are measured at fair value through profit or loss. Such designations are applied continuously.

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets, except when classified in the category of financial assets measured at fair value through profit or loss.

Epson recognizes trade and other receivables on the date they are originated. All other financial assets are recognized on the trade date when Epson becomes a party to the contractual provisions of the instrument.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial Assets Measured at Fair Value

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in fair value of financial assets measured at fair value are recognized as profit or loss.

However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or the decline in its fair value is significant. Dividends on the financial assets are recognized in profit or loss for each fiscal year.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from them expire or when they are transferred in transactions in which substantially all the risks and rewards of ownership are transferred.

(iv) Impairment

At the end of each fiscal year, Epson assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired. Evidence of impairment includes significant financial difficulty of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower.

Epson assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.

If there is any objective evidence that impairment losses on financial assets measured at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows.

When impairment is recognized, the carrying amount of the financial asset is reduced by an allowance account and impairment losses are recognized as profit or loss. If the amount of the impairment losses provided decreases due to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed into profit or loss through the allowance account.

2) Derivatives

Epson utilizes derivatives, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

Gains or losses on derivatives are recognized as profit or loss in the consolidated statement of comprehensive income. However, the gains or losses on hedging instruments relating to the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognized as other comprehensive income in the consolidated statement of comprehensive income.

3) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value, and the costs are determined by using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary for completion and estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortization of Assets

1) Property, Plant, and Equipment

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items were as follows:

• Buildings and structures: 10 to 35 years

• Machinery and vehicles: 2 to 12 years

The estimated useful lives, depreciation method and residual value are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives, depreciation method and residual value, the impact of such changes in estimate are accounted for on a prospective basis.

2) Intangible Assets other than Goodwill

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. The estimated useful life of major intangible assets with finite useful lives was as follows:

• Software: 3 to 5 years

The estimated useful lives and depreciation method are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives and depreciation method, the impact of such changes in estimate are accounted for on a prospective basis.

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized.

3) Leased Assets

Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms.

4) Investment Property

Investment property is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major investment property is 35 years.

(3) Accounting Basis for Provisions

Epson recognizes provisions when it has legal obligations or constructive obligations resulting from prior events and when it is probable that the outflow of resources is required to settle such obligations and the amount of the obligations can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations.

(4) Accounting Method Regarding Post-Employment Benefits

Epson has defined benefit plans and defined contribution plans as post-employment benefits plans. For each defined benefit plan, Epson calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the fiscal year end date on high quality corporate bonds. Net of liabilities (assets) for defined benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets (including adjustments for the impact due to limiting net of assets for defined benefit plans to the maximum amount of assets, if necessary). Net interest costs derived from net of liabilities (assets) for defined benefit plans are recognized as profit or loss.

Remeasurements of net of liabilities (assets) for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and transferred to retained earnings immediately. Past service costs are recognized as profit or loss at the earlier of when an amendment to the plan or scale down occurs and when any related restructuring costs or termination benefits are recognized. The expenses for defined contribution plans are recognized as profit or loss.

(5) Foreign Currency Translation

Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson specifies its own functional currency and measures transactions based on it.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the fiscal year end date. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investments in foreign operations (foreign subsidiaries), financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate. The resulting translation differences are recognized as other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations, which has been recognized as other comprehensive income is recognized as profit or loss in the period of disposition.

(6) Hedge Accounting

At the inception of a hedge, Epson formally designates and documents the hedging relationship and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument’s effectiveness is assessed in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, they are assessed on an ongoing basis and determined actually to have been highly effective throughout the designated financial reporting periods.

Epson classifies hedges that meet the requirements for hedge accounting in the following categories.

1) Fair Value Hedge

Gains or losses on derivatives are recognized as profit or loss in the consolidated statement of comprehensive income. Regarding gains or losses on hedged items attributable to the hedged risks, the carrying amount of the hedged item is adjusted and the change is recognized as profit or loss in the consolidated statement of comprehensive income.

2) Cash Flow Hedge

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately as profit or loss in the consolidated statement of comprehensive income.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognized in other components of equity as other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognized in other components of equity through other comprehensive income continue to be recognized in other component of equity until the forecast transactions or firm commitments occur.

3) Hedge of Net Investment in Foreign Operations

The hedge of net investment in foreign operations is accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized as profit or loss in the consolidated statement of comprehensive income. At the time of the disposal of the foreign operations, any related cumulative gains or losses that have been recognized as other comprehensive income are reclassified to profit or loss.

(7) Accounting Method Regarding Goodwill

Goodwill acquired through business combinations is recognized at the date of acquisition and measured at cost less accumulated impairment losses.

Goodwill is not amortized. It is allocated to cash-generating units that are identified according to locations and types of businesses and tested for impairment annually or whenever there is any indication of impairment. Impairment losses recognized on goodwill are recognized as profit or loss in the consolidated statement of comprehensive income and not reversed in subsequent periods.

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,426 million yen
Other financial assets (current)	0 million yen
Other financial assets (non-current)	53 million yen

2. Accumulated Depreciation and Accumulated Impairment Losses of Property, Plant and Equipment
875,449 million yen

Consolidated Statement of Changes in Equity

1. Total Number of Fully Paid Issued Shares as of the End of the Consolidated Fiscal Year Under Review

Common stock: 399,634,778 shares

2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders held on June 25, 2015	Common stock	14,311 million yen	80 yen	March 31, 2015	June 26, 2015
Board of Directors meeting held on October 29, 2015	Common stock	10,733 million yen	30 yen	September 30, 2015	December 4, 2015

Note: Based on the resolution of the Board of Directors' meeting held on January 30, 2015, the Company completed the Company's ordinary shares split into two shares with an effective date of April 1, 2015. Dividends per share with a basis date prior to March 31, 2015 are shown in the actual amount of dividends paid before the share split took effect.

(2) Dividends whose basis date was during the consolidated fiscal year under review, but whose effective date is during the subsequent consolidated fiscal year

The Company presents the following proposal.

Resolution (scheduled)	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders to be held on June 28, 2016	Common stock	10,733 million yen	Retained earnings	30 yen	March 31, 2016	June 29, 2016

Financial Instruments

1. Status of Financial Instruments

(1) Capital Management

Epson selects the most effective fund management method focusing on the preservation of funds in view of safeness and flexibility. In addition, Epson obtains financing from bank loans and bonds issued. Epson has a policy not to transact derivatives for speculation purposes, but for avoiding the risks stated below.
Epson monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a sound and flexible financial condition for future investment. Epson monitors credit ratings for financial soundness and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Financial Risk Management

Epson is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, interest rate risks, and market price fluctuation risks) in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are quarterly reported by the financial and general accounting department to the Executive Committee of the Company.
Epson's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson do not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables, such as notes and trade receivables, resulting from the operating activities of Epson are exposed to customer credit risks.
Epson holds mainly bonds receivable as investments of surplus funds and equity securities of customers and suppliers to strengthen relationships with them; those securities are exposed to the issuers' credit risks.
In addition, through derivative transactions that Epson conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, Epson is exposed to the credit risks of the financial institutions which are counterparties to these transactions.
In principle, Epson sets credit lines or transaction conditions with respect to trade receivables for counterparties based on Epson's Credit Control Regulation in order to prevent credit risks relating to counterparties. In addition, the receivable balances of counterparties are monitored in order to mitigate the credit risks. The financial and general accounting department of the Company regularly monitors the status of the occurrence and collection of bad debts, and reports them to the Executive Committee of the Company. There is no over-concentrated credit risk for a single customer.
With regard to the investment of cash surpluses and derivatives, Epson invests in bonds receivable and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks based on Epson's Capital Management Regulation. In addition, the financial and general accounting department of the Company regularly monitors the performances of these transactions and reports the results to the Executive Committee of the Company.

(4) Liquidity Risk

Epson raises funds by borrowings and bonds issued; however, these liabilities are exposed to the liquidity risk that it would not be able to repay liabilities on the due date due to the deterioration of the financing environment.
Epson establishes a financing plan based on the annual business plan and the financial and general accounting department of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign

exchange fluctuation:
1) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.
2) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
3) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
Epson hedges against risk 1) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks 2) and 3), in principle.
In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson’s Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial and general accounting department of the Company regularly reports the performances to the Executive Committee of the Company.

(6) Interest Rate Risk

Epson’s interest rate risk arises from cash equivalents and interest-bearing debt. Borrowings and bonds issued with floating rates are subject to the effects of changes in future cash flows caused by the fluctuation of market interest rates; while, borrowings and bonds issued with fixed rates are subject to the effects of changes in the fair value caused by the fluctuation of market interest rates.
In response to the fluctuation of market interest rates, Epson reduces the interest rate risk by implementing an interest rate swap and adjusting appropriate proportion of financing between floating rates and fixed rates. In accordance with Epson’s Capital Management Regulation, the interest rate swap is approved by the finance officer of the Company.

(7) Market Price Fluctuation Risk

With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities in accordance with Epson’s Securities Operation Regulation.
Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively.

2. Fair values of financial instruments

The carrying amounts and the fair values of the financial instruments were as follows:

(Millions of yen)

	Carrying amount	Fair value
Financial assets measured at fair value		
Derivative financial assets	1,383	1,383
Equity securities	16,060	16,060
Financial assets measured at amortized cost		
Cash and cash equivalents	230,498	230,498
Trade and other receivables	151,660	151,660
Bonds receivable	88	88
Other receivables	6,104	6,104
Financial liabilities measured at fair value		
Derivative financial liabilities	823	823
Financial liabilities measured at amortized cost		
Trade and other payables	130,624	130,624
Interest-bearing debt		
Borrowings	81,604	81,728
Bonds issued	59,917	60,297
Lease obligations	233	233
Other payables	1,641	1,641

Note: Fair value measurement

(Derivatives)

The fair values are calculated based on prices obtained from financial institutions.

(Equity securities and bonds receivable)

When market values for equity securities and bonds receivable are available, such values are used as the fair values. The fair values of the equity securities and bonds receivable whose market values are unavailable are measured by using the discounted cash flow method, price comparison method based on the prices of similar types of securities and bonds and other valuation methods.

(Borrowings)

As current borrowings are settled on a short-term basis, the fair values approximate their carrying amounts. For non-current borrowings with floating rates, it is assumed that the fair value is equal to the carrying amounts, because the rates are affected in the short term by fluctuations in market interest rates, and because Epson's credit status has not greatly changed since they were implemented. The fair values of non-current borrowings with fixed rates are calculated by the total sum of the principal and interest discounted using the interest rates that would be applied if similar new borrowings were conducted.

(Bonds issued)

The fair values of bonds issued are determined based on market prices.

(Lease obligations)

The fair values are calculated based on the present value of the total amount discounted by the interest rate corresponding to the period to maturity and the credit risk per each lease obligation classified per certain period.

(Other)

Other financial instruments are settled mainly on a short-term basis, and the fair values approximate the carrying amounts.

Per Share Data

1. Equity attributable to owners of the parent company, per share 1,307.58 yen
2. Basic earnings per share 127.94 yen

Subsequent Events

Acquisition of treasury shares

The Company resolved at the meeting of its Board of Directors held on April 28, 2016 to acquire its treasury shares under Article 156, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reasons for acquiring treasury shares
Improvement in capital efficiency and further enhancement of shareholder return

(2) Type of shares to be acquired
Common shares of the Company

(3) Total number of the shares the Company may acquire
7,000,000 shares (maximum)
(Ratio to the total number of shares outstanding excluding treasury shares: 1.95%)

(4) Total amount of the share acquisition cost
10,000 million yen (maximum)

(5) Period of acquisition
From May 2, 2016 to June 30, 2016

(6) Method of acquisition
Discretionary acquisition through a securities company

Others

Introduction of a Performance-Linked Stock Compensation Plan

The Company resolved at the meeting of its Board of Directors held on March 16, 2016, to introduce a new performance-linked stock compensation plan (hereinafter, the “Plan”). For the introduction of the Plan, the Company intends to adopt another resolution at a meeting of the Board of Directors to be held at a later date. Subsequently, the Plan will be submitted for approval at the 74th Ordinary General Meeting of Shareholders (hereinafter, the “Shareholders Meeting”) scheduled to be held on June 28, 2016. The Company also has resolved at the meeting of its Board of Directors held on March 16, 2016 a policy of transitioning to a “company with an Audit & Supervisory Committee” on the condition that necessary amendments to the Articles of Incorporations and others are approved at the Shareholders Meeting. The Plan outlined below is subject to such transition.

(1) Objective for introducing the Plan

1) The Company will introduce the Plan for the Officers (Note 1) that is highly transparent and fair, for the purpose of showing its commitment to promoting sustainable growth and increasing its mid- to long-term corporate value in addition to strengthening the sense of sharing common interests with shareholders (Notes 2 and 3).
The Plan will be designed so that numbers of shares awarded to the respective Officers fluctuates depending on the levels of achievement of the mid- to long-term operating performance targets such as the Company’s business profit, ROS and ROE.

2) The introduction of the Plan is subject to the approval of the resolution at the Shareholders Meeting.

3) The Plan will employ a framework referred to as the officer compensation BIP (Board Incentive Plan) trust (hereinafter, the “BIP Trust”). The BIP Trust is an incentive plan for officers modeled on the U.S. Performance Share and Restricted Stock systems, and the Plan provides the Officers with the Company’s own shares, which will be acquired through the BIP Trust based on the levels of achievement of operating performance targets, etc.
Note 1: “The Officers” means the Company’s Directors and Executive Officers who have entered into delegation agreements with the Company, excluding those at positions independent from business execution such as Outside Directors and Directors who are Audit & Supervisory Committee Members, as well as overseas residents.

Note 2: Pursuant to the introduction of the Plan, the compensation for the Officers will consist of "basic remuneration," "bonuses" and "stock compensation." Meanwhile, the compensation for those at positions independent from business execution such as Outside Directors and Directors who are Audit & Supervisory Committee Members will consist of only the basic remuneration in light of their role of fulfilling the supervisory function on overall management.

Note 3: The Company has established the Director Compensation Committee in which Outside Directors make significant contributions, as an advisory body of the Board of Directors. The Director Compensation Committee has made deliberations on the introduction of the Plan to ensure the transparency and objectivity of the decision process and the results of discussions regarding such a compensation plan.

(2) BIP Trust framework

1) Summary of the Plan

The Plan intends to award and deliver (hereinafter, the "Delivery, etc.") the Company's shares and cash equivalent to the amounts obtained through the conversion of such shares into cash (hereinafter, the "Company's Shares, etc.") to the Officers based on their position and the levels of achievement of operating performance targets as officer compensation for three years from the fiscal year ending March 31, 2017 to the fiscal year ending March 31, 2019 (hereinafter, the "Target Period") (Note).

(Note) If the trust period is extended, the subsequent three fiscal years shall be the Target Period.

2) Procedure for introducing the Plan

At the Shareholders Meeting, necessary details will be determined, such as the maximum amount of funds to be contributed in the Trust and the maximum annual total points that the Officers may be awarded (as specified in 5) below). For an extension of the trust period, the Company will determine upon resolution at the meeting of its Board of Directors, to amend the trust agreement and conduct additional contribution to the Trust at the expiry of the trust period within the scope approved by the Shareholders Meeting.

3) Persons eligible for the Plan (beneficiary requirements)

The Officers may receive the Delivery, etc. of the Company's Shares, etc. from the Trust after the lapse of three years following the awarding of basic points, on the condition that they meet the beneficiary requirements, in the number of shares corresponding to the number of points (as specified in 5) below) following a predetermined procedure for identifying eligibility.

The beneficiary requirements are as follows:

i) Shall be the Officer during the Target Period
(including those who newly assumed office as the Officer during the Target Period);

ii) Must not have retired as a result of a disciplinary dismissal or have conducted certain illegal activities while in office;

iii) The number of points specified in 5) below has been determined; and

iv) Any other requirements necessary to achieve the purpose of the Plan as a stock compensation plan.

(Note) Provided, however, that in the event that retirement or overseas assignment of any of the Officers is decided, the Delivery, etc. of the Company's Shares, etc. will be made to said Officers at that stages.

4) Trust period

The trust period shall be approximately three years from August 2, 2016 (planned) to August 31, 2019 (planned).

The Trust may be extended at the expiry of the trust period by amending the trust agreement and making additional contribution. In such case, the trust period shall be extended for a length of time equivalent to the initial trust period, and the Company shall make additional contribution within the scope of maximum amount of trust money approved by resolution at the Shareholders Meeting for each extended trust period, continuing awarding of points to the Officers during the extended trust period.

5) Number of shares delivered to the Officers
In the Plan, the basic points are awarded corresponding to the positions and other factors in July every year (except for 2016 which shall be in October) during the Target Period, and the number of points fluctuates by multiplying said basic points by the performance-based coefficient, which reflects the levels of achievement of the mid- to long-term operating performance targets such as the Company’s business profit, ROS and ROE. In this scheme, one (1) point is equivalent to one (1) Company’s share. However, if it is recognized that an adjustment of the number of points is required for fairness due to a stock split or a reverse stock split during the trust period, adjustment of the number of points shall be made in proportion to the ratio of said stock split or reverse stock split. In addition, the Delivery, etc. will be made to the Officers of the Company’s Shares, etc. equivalent to the number of points after the performance coefficient is multiplied, in principle, after the lapse of three years from the day on which the basic points were awarded.

6) Maximum amount and planned amount of the trust money to be contributed to the Trust
The maximum amount contributable to the Trust during the Target Period is planned to be approved by resolution at the Shareholders Meeting at 500 million yen, in which case the trust money contributable by the Company shall be subject to such limit. Said maximum trust money, which is the sum of funds for acquiring shares during the Target Period and trust fees and expenses by the Trust, is derived by taking into account factors such as future revisions to compensation levels and the compensation composition ratio, the increase in the number of Officers and the possibility of fluctuations in stock value.
The initial trust money to be contributed to the Trust is planned to be approximately 320 million yen.
If additional contributions are to be made when the trust period is extended, should some Company’s shares and/or some money (hereinafter, the “Residual Shares, etc.”) remain in the Trust on the final day of the trust period before its extension, the sum of the Residual Shares, etc. and the trust money to be additionally contributed shall be within the scope of the maximum amount of the trust money approved by resolution at the Shareholders Meeting.

7) Maximum number of points awarded to the Officers
The maximum number of annual total points which may be awarded to the Officers (the result of multiplying the total number of annual basic points which may be awarded to the Officers by the maximum performance coefficient) is planned to be approved by resolution at the Shareholders Meeting at 100,000 points, in which case the number of points which may be awarded to the Officers shall be subject to such limit.

8) Method of acquiring the Company’s shares by the Trust
According to the trust administrator’s instructions, the Trust will acquire a maximum of 300,000 Company’s shares for each Target Period from the Company (disposal of treasury shares) or in the stock market using funds contributed as the source of funds.
The initial acquisition of the Company’s shares by the Trust is planned to be conducted in the stock market within the scope of the funds for acquiring shares specified in 6) above and of the maximum number of shares to be acquired.
Furthermore, in the event that the number of shares in the Trust may become insufficient for the number of

shares corresponding to the number of points awarded to the Officers during the trust period, due to an increase in the number of Officers or otherwise during the trust period, additional money may be contributed to the Trust for additional acquisition of the Company’s shares within the scope of the maximum limit of trust money and number of shares to be acquired approved by resolution at the Shareholders Meeting.

9) Method of and period for the Delivery, etc. of the Company’s Shares, etc. to the Officers
As for the Delivery, etc. of the Company’s Shares, etc. to the Officers, 50% of the Company’s shares equivalent to the number of points after being multiplied by the relevant performance coefficient (the number of resulting shares less than one unit to be rounded down) shall be delivered from the Trust upon the Officers taking the predetermined procedures for identifying eligibility, in principle, after the lapse of three years from the day on which the basic points were awarded. For the remaining portion of the Company’s shares, the cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust shall be delivered to the Officers.
In case of the retirement of Officers during the trust period, said Officers may, in principle, receive the Delivery, etc. of the Company’s Shares, etc. according to the number of accumulated points they hold at that point. Meanwhile, if any of the Officers passes away during the trust period, in principle, the successor of said Officer shall receive the delivery of cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust for the Company’s shares according to the number of accumulated points held by such Officer at that point.

10) Exercise of voting rights regarding the Company’s shares in the Trust
To ensure the neutrality of Company’s management, voting rights for the Company’s shares in the Trust (namely Company’s shares prior to the Delivery, etc. to the Officers in accordance with 5) above) shall not be exercised during the trust period.

11) Handling of dividends of surplus regarding the Company’s shares in the Trust
Dividends of surplus regarding the Company’s shares in the Trust will be received by the Trust and appropriated to its trust fees and expenses. Any residual assets upon the final termination of the Trust are planned to be donated to organization(s) having no interests with the Company and any of its officers.

12) Handling of residual shares at the termination of the Trust
If there are residual shares at the termination of the Trust in the event that operating performance targets have not been met or due to any other reason, the Company plans to acquire such residual shares at such time through gratis transfer and cancel them by resolution of the Board of Directors as a measure for returning profits to shareholders.

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

- Held-to-maturity debt securities
  Stated at amortized cost (straight-line method).
- Shares of subsidiaries and affiliates
  Stated at cost using the moving-average method.
- Available-for-sale securities
  - Securities with market value:
    Stated at market value based on market prices as of the closing date of the fiscal year under review. (Valuation gains or losses are directly included in a component of net assets. The cost of securities sold is calculated using the moving-average method.)
  - Securities with no market value
    Mainly stated at cost using the moving-average method.

(2) Derivatives

Stated at market value.

(3) Inventories

Mainly stated at cost based on the weighted-average method (balance sheet values are adjusted by writing down the book value where the profitability declines).

2. Depreciation Method for Non-current Assets

(1) Property, Plant and Equipment (excluding leased assets)

Property, plant and equipment are depreciated using the straight-line method.
The estimated useful lives of major asset items are as follows:
• Buildings: 10 to 35 years
• Machinery and equipment: 5 to 12 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortized using the straight-line method.
The estimated useful life of a major asset item is as follows:
• Software: 3 to 5 years

(3) Leased Assets

Leased assets relating to finance lease transactions without transfer of ownership are depreciated over the lease terms by the straight-line method, assuming the residual value is zero.

3. Accounting Basis for Provisions

(1) Allowance account for credit losses

To provide a reserve for possible losses on receivables or loans, the Company records the allowance account for credit losses based on the historical default rates for ordinary receivables and on an estimate of collectability of specific doubtful receivables.

(2) Provision for bonuses

The provision for bonuses is recorded to accrue the bonuses to employees of the Company at an amount estimated to be incurred by the Company for the fiscal year under review.

(3) Provision for directors' bonuses

The provision for directors' bonuses is recorded to accrue the bonuses to Directors and Audit & Supervisory Board Members of the Company at an estimated amount to be paid.

(4) Provision for product warranties

To provide for possible expenditures associated with product warranties, the Company records the provision for product warranties based on the rate of historical after-sales service contract expenses to sales in past fiscal years, as well as for other specific warranty provisions for specific businesses where future warranty expenses can be specifically estimated.

(5) Provision for loss on litigation

To provide for possible litigation-related expenditures, the Company records the provision for loss on litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the fiscal year under review.

(6) Provision for Retirement Benefits

To provide retirement benefits to employees of the Company, the provision for retirement benefits is recorded at an amount calculated based on the projected benefit obligations and plan assets at the end of the fiscal year under review.

Past service cost is amortized for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence.

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence, commencing from the fiscal year following the fiscal year of occurrence.

4. Basis for Translating of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

Monetary receivables and payables denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date of the fiscal year under review. Translation differences are recognized as profit or loss in the fiscal year under review.

5. Hedge Accounting

(1) Hedge Accounting Method

Gains or losses on hedging instruments measured at market value are deferred, in principle, as deferred gains or losses on hedges under net assets until such gains or losses on hedged items are recognized.

(2) Hedging Instruments and Hedged Items

Forward foreign exchange contracts and non-deliverable forwards (NDFs): Amounts of foreign currencies deposited or withdrawn

(3) Hedge Policy

The Company enters into derivative contracts for hedging purposes to restrict foreign exchange fluctuation risks, which are mainly associated with sales denominated in foreign currencies while minimizing the amounts not covered by hedging through the use of netting and other measures.

(4) Assessment of Hedge Effectiveness

The assessment of hedge effectiveness is omitted because the market fluctuation of hedging instruments and hedged items is offset at the start of hedging and it continues to remain offset subsequently since the fluctuation rates of hedging instruments and hedged items are identical.

6. Accounting for Consumption Tax

The tax-exclusion method is used for the accounting of both national and local consumption taxes.

Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment 586,986 million yen

2. Guarantee Obligation

The Company provides the following guarantees for borrowings from banks made by its subsidiaries and/or affiliates.

	(Millions of yen)
P.T. Epson Batam	3,943
Epson Singapore Pte. Ltd.	2,534
Epson Precision (Johor) Sdn. Bhd.	2,277
Epson Precision (Thailand) Ltd.	1,358
Epson Precision (Philippines), Inc.	761
11 other companies	1,085
Total	11,961

3. Monetary Receivables from and Payables to Subsidiaries and Affiliates

Short-term monetary receivables:	161,742 million yen
Long-term monetary receivables:	0 million yen
Short-term monetary payables:	80,072 million yen
Long-term monetary payables:	1,489 million yen

Statement of Income

Transactions with Subsidiaries and Affiliates

Sales to subsidiaries and affiliates:	699,656 million yen
Purchases from subsidiaries and affiliates:	409,792 million yen
Other operating transactions with subsidiaries and affiliates:	24,538 million yen
Transactions with subsidiaries and affiliates other than operating transactions:	23,295 million yen

Statement of Changes in Net Assets

Number of Treasury Shares as of the End of the Fiscal Year under Review

Treasury shares 41,860,396 shares

Tax-Effect Accounting

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

	(Millions of yen)
Deferred tax assets	
Non-current assets (impairment loss and over-depreciation)	14,112
Provision for retirement benefits	8,372
Allowance account for credit losses	6,452
Loss carried forward	6,025
Loss on valuation of shares	5,055
Provision for bonuses	4,527
Loss on valuation of inventories	3,607
Provision for product warranties	682
Lump-sum depreciable assets	311
Other	4,357
Subtotal	53,505
Valuation allowance	(19,087)
Total deferred tax assets	34,418
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,388)
Asset retirement cost corresponding to asset retirement obligations	(180)
Total deferred tax liabilities	(1,569)
Net deferred tax assets	32,849

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Company name	Ownership percentage of voting rights	Relationship with the Company	Description of transactions	Transaction amount	Account item	Fiscal year-end balance
Epson Sales Japan Corporation	Direct holding 100%	Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	123,458	Accounts receivable - trade	19,602
			Lending of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	721
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	204,771	Accounts receivable - trade	32,201
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	146,127	Accounts receivable - trade	22,085
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	56,164	Accounts receivable - trade	7,779
P.T. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	115,390	Accounts payable - trade	15,977
					Accounts receivable - other	2,972
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	96,960	Accounts payable - trade	12,526
					Accounts receivable - other	1,423
Epson Imaging Devices Corporation	Direct holding 100%	Lending of funds	Decrease in loans receivable (Note 2)	4,875	Short-term loans receivable	28,809

Terms and conditions of transactions and their policies

Note 1: Selling prices are determined by subtracting an appropriate margin for the respective sales companies from market prices.

Note 2: Lending of necessary funds and depositing of excess funds are made in accordance with the relevant rules under the system of borrowing and lending funds established by the Epson Group.

Note 3: Lending of necessary funds and depositing of excess funds are not stated in the “Transaction amount” as funds are transferred day by day under the system of borrowing and lending funds within the Group.

Note 4: Purchase prices are determined by adding an appropriate profit for the manufacturing companies on the manufacturing costs.

Note 5: The Company records a total of 21,162 million yen as allowance account for credit losses with regard to doubtful receivables from subsidiaries. A reversal of the allowance account for credit losses of 102 million yen is recorded.

Note 6: The transaction amount does not include consumption taxes, etc., whereas the fiscal year-end balance includes consumption taxes, etc.

Per Share Data

1. Net Assets per Share 989.49 yen
2. Earnings per Share 128.67 yen

Subsequent Events

Acquisition of treasury shares

The Company resolved at the meeting of its Board of Directors held on April 28, 2016 to acquire its treasury shares under Article 156, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reasons for acquiring treasury shares
Improvement in capital efficiency and further enhancement of shareholder return

(2) Type of shares to be acquired
Common shares of the Company

(3) Total number of the shares the Company may acquire
7,000,000 shares (maximum)
(Ratio to the total number of shares outstanding excluding treasury shares: 1.95%)

(4) Total amount of the share acquisition cost
10,000 million yen (maximum)

(5) Period of acquisition
From May 2, 2016 to June 30, 2016

(6) Method of acquisition
Discretionary acquisition through a securities company

Others

1. Gain on sales of non-current assets

The Company sold the following land during the fiscal year and recorded gain on sales of non-current assets of 11,446 million yen.

Location	Usage	Type
Samukawa-machi, Koza-gun, Kanagawa	Idle assets	Land

2. Introduction of a performance-linked stock compensation plan

The notes related to the introduction of a performance-linked stock compensation plan are omitted as the same content is stated in the “Others” section of the Notes to the Consolidated Financial Statements.