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CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED SEPTEMBER 30, 2015 (IFRS basis)

Consolidated Financial Highlights

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2015
	2014	2015		
Revenue	512,807	542,981	5.9%	4,526,350
Business profit (Note)	50,910	40,244	(20.9%)	335,479
Profit from operating activities	78,582	41,709	(46.9%)	347,690
Profit before tax	80,618	40,106	(50.3%)	334,328
Profit for the period	65,684	26,166	(60.2%)	218,122
Profit for the period attributable to owners of the parent company	65,587	26,027	(60.3%)	216,972
Total comprehensive income for the period	87,302	16,305	(81.3%)	135,920
Basic earnings per share (in ¥1, $1 unit)	183.32	72.75		0.61
Diluted earnings per share (in ¥1, $1 unit)	-	-		-

(Note) Business profit is calculated by subtracting cost of sales and selling, general and administrative expenses from Revenue.

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Total assets	1,006,282	978,899	8,160,211
Total equity	497,308	499,185	4,161,262
Equity attributable to owners of the parent company	494,325	496,239	4,136,703
Equity attributable to owners of the parent company ratio (%)	49.1%	50.7%	50.7%

Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2015
	2014	2015		
Net cash provided by (used in) operating activities	39,243	27,026	(31.1%)	225,291
Net cash provided by (used in) investing activities	(24,041)	(36,937)	-%	(307,910)
Net cash provided by (used in) financing activities	(19,000)	(41,987)	-%	(350,008)
Cash and cash equivalents at end of period	214,470	190,596	(11.1%)	1,588,829

Notes

I. Seiko Epson Corporation (the “Company”) completed the Company’s ordinary shares split with an effective date of April 1, 2015. As a result, each share of the Company’s ordinary shares was split into two shares. Basic earnings per share was calculated under the assumption that the shares split took effect at the beginning of the previous fiscal year.

II. Figures in ‘Change’ column are comparisons with the same period of the previous year.

III. Diluted earnings per share is presented only if there are dilutive factors present.

IV. Equity attributable to owners of the parent company is equity excluding non-controlling interest in subsidiaries.

V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥119.96 = U.S.$1 as of September 30, 2015 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2015 First-Half (April 1 to September 30, 2015) Overview

The global economic recovery in the first half of the current fiscal year lost momentum primarily due to a decelerating Chinese economy, which caused global stock prices to fall and triggered weakness in resource-rich countries. Regionally, the U.S. economy continued to gradually expand, as rising wages, fueled by job growth and a tightening of the labor market, underpinned consumption. However, the Latin American economy slowed due to falling prices for natural resources, as well as currency devaluations. The European economy as a whole continues to gradually recover, but elements of uncertainty remain, such as the Greek fiscal crisis, the refugee problem, and Russian recession. In Asia, China's economy decelerated. Economic growth in ASEAN countries, which saw exports to China decrease, also slowed. In India, however, the economy is picking up. In Japan, the economy on the whole moved sideways because, although employment and the income environment continued to improve partly in response to government policies, these improvements were offset chiefly by export softness and inventory adjustments.

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, Europe, and Japan, but demand in Latin America was subdued due to the effects of economic deceleration. Demand for serial-impact dot-matrix (SIDM) printers continued to contract in the Americas and Europe, but unit sales were firm in China, where we saw ongoing demand from the tax collection systems market. Demand for point-of-sale (POS) system products remained stable in North America and Europe. Projector demand remained firm in North America and Asia but was sluggish in the economically uncertain areas of Europe and Latin America, where there was a backlash in demand from the surge that preceded last year's FIFA World Cup.

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

In the precision products market, watch demand in Japan was strong, aided in part by demand from overseas visitors. Demand was also firm in the Americas and Europe. Demand in China, however, was weak due to lower demand for high-end luxury goods. Industrial robot demand increased in the smartphone and automotive sectors in response to heightened automation needs.

Given the foregoing situation, we at Epson established the SE15 Updated Mid-Range Business Plan (FY2013-15), in March 2013. Under the updated three-year plan, we have maintained the basic strategic course charted by the SE15 Long-Range Corporate Vision. The basic strategy has been to manage our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority has been steady profit and cash flow. To achieve this in existing segments, we have been readjusting our product mixes and adopting new business models. Meanwhile, we have been aggressively developing markets in new segments. We will continue to pursue a basic strategy of managing our businesses so that they create steady profit and avoiding the single-minded pursuit of revenue growth during the 2015 fiscal year, the final year of the updated mid-range business plan. The increased profits that accompany this strategy will be used to fund strategic investments and spending for mid-term growth, with an eye on further growth under the next mid-range business plan.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first half of the year under review were ¥121.80 and ¥135.07, respectively. This represents an 18% depreciation in the value of the yen against the dollar and a 3% appreciation in the value of the yen against the euro, year on year. The yen appreciated against the currencies of some emerging countries in places such as Latin America.

The foregoing factors are reflected in our first half financial results. Revenue was ¥542.9 billion, up 5.9% year on year. Business profit was ¥40.2 billion, down 20.9% year on year. Profit from operating activities was ¥41.7 billion, down 46.9% year on year. Profit before tax was ¥40.1 billion, down 50.3% year on year. Profit for the period was ¥26.1 billion, down 60.2% year on year.

Please note that profit from operating activities in the same period last year included a profit resulting from changes in the defined-benefit plan in Japan that reduced past service costs by ¥30 billion. Note also that profit in the same period last year included the effects of a reduction in tax expenses associated with the use of loss carry-forwards.

A breakdown of the financial results in each reporting segment is provided below.

Note that the operations grouped within each segment changed effective in the first quarter of the current accounting period in conjunction with a reorganization that took effect on April 1, 2015. The reorganization was made to best position Epson for FY2016 and beyond, as well as to facilitate the achievement of the Updated Mid-Range Business Plan. The printing systems business, which was included in the information-related equipment segment, the label printer business, which was included in the visual communications business of the former Information-related equipment segment, and the industrial inkjet printing systems business, which was included in the former sensing and industrial solutions segment, were merged and are reported under the printing solutions segment. Also, a new visual communications segment was created. All the businesses in the former visual communications business, which was included in the former information-related equipment segment, except the label printer business, are now reported under this segment. In addition, the crystal devices, semiconductors, and precision products businesses, all of which were included in the former devices and precision products segment, and the sensing systems and industrial robots and IC handlers businesses, which were included in the former sensing and industrial solutions segment, were merged. They are now reported under the wearable and industrial products segment.

Printing Solutions Segment

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

Inkjet printer revenue on the whole increased because even though ink cartridge printer unit shipments decline, high-capacity ink tank printer revenue continued to grow sharply in Asia and other regions owing to a reinforced lineup. Revenue from consumables also increased, the result of an improved install base composition.

Page printer revenue decreased due to a decline in unit shipments, the result of Epson's focus on selling high added value models.

SIDM printer revenue increased on the whole. Although unit shipments declined in the Americas, sales were firm in China, where upgrade demand surfaced in the tax collection market. Meanwhile, passbook printer sales increased in Europe and China due to replacement demand and system upgrade demand.

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

Large-format inkjet printer revenue grew. Although demand was sluggish due to the effects of currency devaluations and an economic slowdown in Latin America, large-format printer growth was driven by continued firm demand in the large-photo and color calibration (proofing) markets and by an expanded range of applications for inkjet textile printers, from apparel to small personal items and interior goods. Consumables revenue also grew on increased use and demand for ink.
POS system product revenue grew primarily because of increased demand for compact receipt printers in the Americas and Japan. 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 intensified price competition in Japan and North America involving ink cartridge printers; 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 ¥356.6 billion, up 6.1% year on year. Segment profit was ¥44.0 billion, down 20.3% year on year.

Visual Communications Segment

Visual communications revenue increased, owing in part to foreign exchange effects. 3LCD projector revenue grew as a result of an expanded and improved projector lineup that includes high-performance products, especially in North America, Japan, and other parts of Asia.

Segment profit in the visual communications segment decreased primarily due to the appreciation of the dollar, which caused manufacturing costs for products produced overseas to rise and due to strategic investment and spending on mid-term growth.

As a result of the foregoing factors, revenue in the visual communications segment was ¥95.1 billion, up 9.5% year on year. Segment profit was ¥8.8 billion, down 17.5% year on year.

Wearable and Industrial Products Segment

Revenue in the wearable products business increased due to the effect of higher average selling prices due to an increase in sales of high-end watches and firm sales in Japan, the Americas, and Europe, as well as foreign exchange effects.
Revenue in the robotic solutions business decreased after a large order for industrial robots caused sales to jump in the same period last year, but if this order is excluded, 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 industrial 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 the effects of customer inventory adjustments caused by worsening market conditions.
The surface finishing business, which developed new customers, and the alloy 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 increased. This increase was due to revenue growth in the surface finishing business and alloy powders business, as well as to the effect of cost reductions in the microdevices business and the depreciation of local currencies, which lowered manufacturing costs for goods produced overseas.

As a result of the foregoing factors, revenue in the wearable and industrial products segment was ¥91.4 billion, up 1.8% year on year. Segment profit was ¥8.9 billion, up 52.8% year on year.

Other

Other revenue amounted to ¥600 million, up 0.7% year on year. Segment loss was ¥300 million compared to a ¥100 million segment loss in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥21.3 billion. (Adjustments in the same period last year were negative ¥20.7 billion.) The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

Qualitative Information Regarding the Consolidated Financial Position

Total assets at the end of the first half were ¥978.8 billion, a decrease of ¥27.3 billion from the previous fiscal year end. While inventories increased by ¥13.8 billion, property, plant and equipment increased by ¥6.4 billion, and investment properties increased by ¥3.8 billion, total assets decreased primarily because cash and cash equivalents decreased by ¥54.7 billion due in part to the redemption of bonds payable and the payment of dividends.
Total liabilities were ¥479.7 billion, down ¥29.2 billion compared to the end of the last fiscal year. This decrease was mainly because of a ¥27.2 billion decrease in other financial liabilities included in current and non-current liabilities accompanying the redemption of bonds payable.
The equity attributable to owners of the parent company totaled ¥496.2 billion, a ¥1.9 billion increase compared to the previous fiscal year end. While we recorded a ¥26.0 billion profit for the period, retained earnings increased by ¥8.9 billion due to ¥14.3 billion in dividend payments. On the other hand, a ¥7.0 billion decrease in other components of equity, including a decrease in the exchange differences on translation of foreign operations associated with the appreciation of the yen, caused equity attributable to owners of the parent company to increase.

Qualitative Information Regarding the Consolidated Financial Outlook

In light of our recent financial performance, Epson revised its full-year consolidated financial outlook. Details were released today in an announcement.

The figures in the outlook are based on assumed second-half exchange rates of 115.00 yen to the U.S. dollar and 125.00 yen to the euro.

Epson's financial outlook for the 2015 fiscal year is presented below.

Consolidated Financial Outlook

	(Reference) FY2014 Full-Year Result	Previous Outlook	Current Outlook	Change	
Revenue	¥1,086.3 billion	¥1,130.0 billion	¥1,100.0 billion	-¥30.0 billion	(-2.7%)
Business profit	¥101.2 billion	¥102.0 billion	¥82.0 billion	-¥20.0 billion	(-19.6%)
Profit from operating activities	¥131.3 billion	¥100.0 billion	¥91.0 billion	-¥9.0 billion	(-9.0%)
Profit before tax	¥132.5 billion	¥100.0 billion	¥88.0 billion	-¥12.0 billion	(-12.0%)
Profit for the year	¥112.7 billion	¥70.0 billion	¥60.0 billion	-¥10.0 billion	(-14.3%)
Profit for the year attributable to owners of the parent company	¥112.5 billion	¥70.0 billion	¥60.0 billion	-¥10.0 billion	(-14.3%)
Foreign exchange rate	$1USD = ¥109.93	$1USD = ¥117.00	$1USD = ¥118.00		
	1 euro = ¥138.77	1 euro = ¥127.00	1 euro = ¥130.00		

Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2015	September 30, 2015	September 30, 2015
Assets				
Current assets				
Cash and cash equivalents	9	245,330	190,596	1,588,829
Trade and other receivables	9	167,482	167,243	1,394,156
Inventories		220,426	234,267	1,952,875
Income tax receivables		1,963	3,384	28,209
Other financial assets	9	3,544	2,062	17,189
Other current assets		11,539	14,631	121,993
Subtotal		650,287	612,186	5,103,251
Non-current assets held for sale		96	628	5,235
Total current assets		650,383	612,814	5,108,486
Non-current assets				
Property, plant and equipment		227,257	233,756	1,948,616
Intangible assets		19,170	19,331	161,145
Investment property		4,758	8,570	71,440
Investments accounted for using the equity method		3,232	1,722	14,354
Net defined benefit assets		7	2	16
Other financial assets	9	25,345	23,999	200,058
Other non-current assets		5,958	5,502	45,901
Deferred tax assets		70,168	73,199	610,195
Total non-current assets		355,898	366,085	3,051,725
Total assets		1,006,282	978,899	8,160,211

	Notes	Millions of yen March 31, 2015	Millions of yen September 30, 2015	Thousands of U.S. dollars September 30, 2015
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	9	140,047	134,020	1,117,205
Income tax payables		8,384	14,509	120,948
Other financial liabilities	6,9	75,745	78,500	654,384
Provisions		24,322	26,583	221,598
Other current liabilities		106,942	101,706	847,852
Total current liabilities		355,442	355,320	2,961,987
Non-current liabilities				
Other financial liabilities	6,9	112,466	82,506	687,779
Net defined benefit liabilities		31,234	34,305	285,970
Provisions		6,141	4,165	34,719
Other non-current liabilities		2,977	2,545	21,234
Deferred tax liabilities		711	871	7,260
Total non-current liabilities		153,531	124,394	1,036,962
Total liabilities		508,973	479,714	3,998,949
Equity				
Share capital		53,204	53,204	443,514
Capital surplus		84,321	84,321	702,909
Treasury shares		(20,464)	(20,470)	(170,640)
Other components of equity		83,073	76,053	633,995
Retained earnings		294,191	303,130	2,526,925
Equity attributable to owners of the parent company		494,325	496,239	4,136,703
Non-controlling interests		2,982	2,946	24,559
Total equity		497,308	499,185	4,161,262
Total liabilities and equity		1,006,282	978,899	8,160,211

Quarterly Condensed Consolidated Statement of Comprehensive Income
Six months ended September 30, 2014 and 2015:

		Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
	Notes	2014	2015	2015
Revenue	5	512,807	542,981	4,526,350
Cost of sales		(325,292)	(351,236)	(2,927,951)
Gross profit		187,515	191,744	1,598,399
Selling, general and administrative expenses		(136,605)	(151,500)	(1,262,920)
Other operating income		32,751	4,700	39,179
Other operating expense		(5,079)	(3,234)	(26,968)
Profit from operating activities		78,582	41,709	347,690
Finance income		2,930	892	7,435
Finance costs		(1,000)	(2,587)	(21,547)
Share of profit of investments accounted for using the equity method		106	90	750
Profit before tax		80,618	40,106	334,328
Income taxes		(14,682)	(13,906)	(115,931)
Profit from continuing operations		65,936	26,199	218,397
Loss from discontinued operations		(251)	(33)	(275)
Profit for the period		65,684	26,166	218,122
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		7,300	(2,792)	(23,274)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		1,300	(912)	(7,602)
Subtotal		8,601	(3,704)	(30,876)
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		12,068	(5,516)	(46,000)
Net changes in fair value of cash flow hedges		830	(625)	(5,210)
Share of other comprehensive income of investments accounted for using the equity method		117	(14)	(116)
Subtotal		13,015	(6,156)	(51,326)
Total Other comprehensive income, net of tax		21,617	(9,860)	(82,202)
Total comprehensive income for the period		87,302	16,305	135,920

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2014	2015	2015
Profit for the period attributable to:				
Owners of the parent company		65,587	26,027	216,972
Non-controlling interests		97	138	1,150
Profit for the period		65,684	26,166	218,122
Total comprehensive income for the period attributable to:				
Owners of the parent company		87,038	16,230	135,295
Non-controlling interests		264	75	625
Total comprehensive income for the period		87,302	16,305	135,920

	Notes	Yen		U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2014	2015	2015
Earnings per share for the period:				
Basic earnings per share for the period	8	183.32	72.75	0.61
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	8	184.02	72.84	0.61
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	8	(0.70)	(0.09)	(0.00)

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended September 30, 2014 and 2015:

	Notes	Millions of yen Three months ended September 30, 2014	 2015	Thousands of U.S. dollars Three months ended September 30, 2015
Revenue	5	266,549	282,066	2,351,333
Cost of sales		(168,416)	(179,773)	(1,498,608)
Gross profit		98,133	102,293	852,725
Selling, general and administrative expenses		(70,733)	(78,562)	(654,901)
Other operating income		944	4,314	35,961
Other operating expense		(4,382)	(2,624)	(21,873)
Profit from operating activities		23,962	25,421	211,912
Finance income		2,360	358	2,984
Finance costs		(491)	(1,746)	(14,555)
Share of profit of investments accounted for using the equity method		45	27	225
Profit before tax		25,876	24,060	200,566
Income taxes		(6,669)	(8,445)	(70,406)
Profit from continuing operations		19,206	15,614	130,160
Loss from discontinued operations		(118)	(6)	(50)
Profit for the period		19,087	15,608	130,110
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		3,478	(5,770)	(48,099)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		714	(3,310)	(27,601)
Subtotal		4,192	(9,081)	(75,700)
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		16,457	(11,133)	(92,798)
Net changes in fair value of cash flow hedges		71	1,066	8,886
Share of other comprehensive income of investments accounted for using the equity method		130	(29)	(241)
Subtotal		16,658	(10,096)	(84,153)
Total Other comprehensive income, net of tax		20,851	(19,177)	(159,853)
Total comprehensive income for the period		39,938	(3,568)	(29,743)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2014	2015	2015
Profit for the period attributable to:				
Owners of the parent company		18,995	15,498	129,194
Non-controlling interests		92	110	916
Profit for the period		19,087	15,608	130,110
Total comprehensive income for the period attributable to:				
Owners of the parent company		39,642	(3,564)	(29,710)
Non-controlling interests		295	(4)	(33)
Total comprehensive income for the period		39,938	(3,568)	(29,743)

	Notes	Yen		U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2014	2015	2015
Earnings per share for the period:				
Basic earnings per share for the period	8	53.09	43.32	0.36
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	8	53.42	43.34	0.36
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	8	(0.33)	(0.02)	(0.00)

Quarterly Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2014 and 2015:

Millions of yen

	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
		Equity attributable to owners of the parent company											
					Other components of equity								
As of April 1, 2014		53,204	84,321	(20,457)	-	5,332	45,046	(662)	49,716	195,587	362,371	2,385	364,757
Profit for the period		-	-	-	-	-	-	-	-	65,587	65,587	97	65,684
Other comprehensive income		-	-	-	7,300	1,367	11,952	830	21,450	-	21,450	166	21,617
Total comprehensive income for the period		-	-	-	7,300	1,367	11,952	830	21,450	65,587	87,038	264	87,302
Acquisition of treasury shares		-	-	(3)	-	-	-	-	-	-	(3)	-	(3)
Dividends	7	-	-	-	-	-	-	-	-	(6,618)	(6,618)	(95)	(6,714)
Transfer from other components of equity to retained earnings		-	-	-	(7,300)	-	-	-	(7,300)	7,300	-	-	-
Total transactions with the owners		-	-	(3)	(7,300)	-	-	-	(7,300)	681	(6,622)	(95)	(6,718)
As of September 30, 2014		53,204	84,321	(20,461)	-	6,699	56,999	168	63,867	261,856	442,786	2,554	445,341

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

		Millions of yen											
		Equity attributable to owners of the parent company											
					Other components of equity								
	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2015		53,204	84,321	(20,464)	-	7,149	74,868	1,055	83,073	294,191	494,325	2,982	497,308
Profit for the period		-	-	-	-	-	-	-	-	26,027	26,027	138	26,166
Other comprehensive income		-	-	-	(2,792)	(902)	(5,476)	(625)	(9,797)	-	(9,797)	(63)	(9,860)
Total comprehensive income for the period		-	-	-	(2,792)	(902)	(5,476)	(625)	(9,797)	26,027	16,230	75	16,305
Acquisition of treasury shares		-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Dividends	7	-	-	-	-	-	-	-	-	(14,311)	(14,311)	(111)	(14,422)
Transfer from other components of equity to retained earnings		-	-	-	2,792	(14)	-	-	2,777	(2,777)	-	-	-
Total transactions with the owners		-	-	(5)	2,792	(14)	-	-	2,777	(17,088)	(14,316)	(111)	(14,427)
As of September 30, 2015		53,204	84,321	(20,470)	-	6,232	69,391	430	76,053	303,130	496,239	2,946	499,185

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

		Thousands of U.S. dollars											
		Equity attributable to owners of the parent company											
					Other components of equity								
	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2015		443,514	702,909	(170,599)	-	59,639	624,090	8,794	692,523	2,452,400	4,120,747	24,860	4,145,607
Profit for the period		-	-	-	-	-	-	-	-	216,972	216,972	1,150	218,122
Other comprehensive income		-	-	-	(23,274)	(7,554)	(45,639)	(5,210)	(81,677)	-	(81,677)	(525)	(82,202)
Total comprehensive income for the period		-	-	-	(23,274)	(7,554)	(45,639)	(5,210)	(81,677)	216,972	135,295	625	135,920
Acquisition of treasury shares		-	-	(41)	-	-	-	-	-	-	(41)	-	(41)
Dividends	7	-	-	-	-	-	-	-	-	(119,298)	(119,298)	(926)	(120,224)
Transfer from other components of equity to retained earnings		-	-	-	23,274	(125)	-	-	23,149	(23,149)	-	-	-
Total transactions with the owners		-	-	(41)	23,274	(125)	-	-	23,149	(142,447)	(119,339)	(926)	(120,265)
As of September 30, 2015		443,514	702,909	(170,640)	-	51,960	578,451	3,584	633,995	2,526,925	4,136,703	24,559	4,161,262

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Quarterly Condensed Consolidated Statement of Cash Flows

Six months ended September 30, 2014 and 2015:

		Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
	Notes	2014	2015	2015
Cash flows from operating activities				
Profit for the period		65,684	26,166	218,122
Depreciation and amortisation		21,865	23,471	195,656
Impairment loss and reversal of impairment loss		2,140	(3,007)	(25,066)
Finance (income) costs, net		(1,929)	1,694	14,112
Share of (profit) loss of investments accounted for using the equity method		(106)	(90)	(750)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		303	261	2,175
Income taxes		14,682	13,906	115,931
Decrease (increase) in trade receivables		(6,831)	1,125	9,378
Decrease (increase) in inventories		(25,944)	(15,289)	(127,450)
Increase (decrease) in trade payables		12,970	7,590	63,271
Increase (decrease) in net defined benefit liabilities		(27,115)	624	5,201
Other, net		(4,309)	(16,737)	(139,503)
Subtotal		51,409	39,716	331,077
Interest and dividend income received		1,296	909	7,577
Interest expenses paid		(770)	(633)	(5,276)
Payments for loss on litigation		(191)	(1,003)	(8,361)
Income taxes paid		(12,500)	(11,962)	(99,726)
Net cash provided by (used in) operating activities		39,243	27,026	225,291
Cash flows from investing activities				
Proceeds from sales of investment securities		1	30	250
Purchase of property, plant and equipment		(18,848)	(33,635)	(280,385)
Proceeds from sales of property, plant and equipment		118	235	1,958
Purchase of intangible assets		(2,148)	(3,261)	(27,184)
Proceeds from sales of intangible assets		-	31	258
Proceeds from sales of investment property		-	6	50
Purchase of investments in subsidiaries		(639)	(500)	(4,168)
Other, net		(2,524)	156	1,311
Net cash provided by (used in) investing activities		(24,041)	(36,937)	(307,910)
Cash flows from financing activities				
Net increase (decrease) in current borrowings		(2,106)	12,575	104,808
Repayment of non-current borrowings		-	(86)	(716)
Proceeds from issuance of bonds issued		10,000	-	-
Redemption of bonds issued		(20,000)	(40,000)	(333,444)
Payments of lease obligations		(176)	(47)	(391)
Dividends paid	7	(6,618)	(14,311)	(119,298)
Dividends paid to non-controlling interests		(95)	(111)	(926)
Purchase of treasury shares		(3)	(5)	(41)
Net cash provided by (used in) financing activities		(19,000)	(41,987)	(350,008)
Effect of exchange rate changes on cash and cash equivalents		6,758	(2,836)	(23,642)
Net increase (decrease) in cash and cash equivalents		2,959	(54,734)	(456,269)
Cash and cash equivalents at beginning of period		211,510	245,330	2,045,098
Cash and cash equivalents at end of period		214,470	190,596	1,588,829

Notes to Consolidated Financial Statements

1. Reporting Entity

Seiko Epson Corporation (the “Company”) is a stock corporation domiciled in Japan. The addresses of the Company’s registered head office and principal business offices are available on the Company’s website (http://www.epson.jp). The details of businesses and principal business activities of the Company and its affiliates (“Epson”) are stated in “5. Segment Information”.

2. Basis of Preparation

Epson’s quarterly condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, under the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements, as Epson meets the criteria of a “Specified company” defined under Article 1-2 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.
The quarterly condensed consolidated financial statements of Epson do not contain all the information required in annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended March 31, 2015.

3. Changes in Accounting Policies and Changes in Accounting Estimates

The significant accounting policies adopted for the quarterly condensed consolidated financial statements of Epson are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2015.
Epson calculated income taxes for the six months ended September 30, 2015, based on an estimated average annual effective income tax rate.

4. Significant Accounting Estimates and Judgments

The preparation of Epson’s quarterly condensed consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of September 30, 2015. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of September 30, 2015. Given their nature, actual results may differ from those estimates and assumptions.
The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and its subsequent periods. Estimates and assumptions having a significant effects on the amounts recognized in Epson’s quarterly condensed consolidated financial statements are consistent with those for the fiscal year ended March 31, 2015.

5. Segment Information

(1) Outline of reportable segments

The reportable segments of Epson are determined based on the operating segments that are components of Epson about which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.
From the beginning of this fiscal year, Epson changed its organisational structure and the reportable segments into three segments: “Printing Solutions”, “Visual Communications” and “Wearable & Industrial Products”.They are determined by types of products, nature of products, and markets. Segment information for the six months and three months ended September 30, 2014 has been reclassified based on new reportable segments.
Epson conducts development, manufacturing and sales within its reportable segments as follows:

Reportable segments	Main products
Printing Solutions	Inkjet printers, serial impact dot matrix printers, page printers, color image scanners, commercial inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers and related consumables, personal computers and others.
Visual Communications	3LCD projectors, HTPS-TFT panels for 3LCD projectors, smart eyewear and others.
Wearable & Industrial Products	Watches, watch movements, sensing systems, industrial robots, IC handlers, crystal units, crystal oscillators, quartz sensors, CMOS LSIs, Metal powders, surface finishing and others.

(2)Revenues and performances for reportable segments

Revenues and performances for reportable segments were as follows. Transactions between the segments were mainly based on prevailing market prices.

FY2014: Six months ended September 30, 2014

Millions of yen

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	335,895	86,782	86,994	509,672	331	2,803	512,807
Inter-segment revenue	174	90	2,848	3,112	290	(3,403)	-
Total revenue	336,069	86,873	89,842	512,785	621	(599)	512,807
Segment profit (loss) (Business profit (loss)) (Note 1)	55,247	10,722	5,885	71,855	(196)	(20,748)	50,910
					Other operating income (expense)		27,672
					Profit from operating activities		78,582
					Finance income (costs), net		1,929
					Share of profit of investments accounted for using the equity method		106
					Profit before tax		80,618

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
(Note 2) “Other” mainly consists of the intra-group services.
(Note 3) Adjustments to Segment profit (loss)（Business profit (loss)) of (¥20,748) million comprised “Eliminations” of ¥78 million and “Corporate expenses” of (¥20,826) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2015: Six months ended September 30, 2015

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	356,490	95,132	88,172	539,796	294	2,890	542,981
Inter-segment revenue	167	35	3,287	3,490	330	(3,821)	-
Total revenue	356,657	95,168	91,460	543,286	625	(930)	542,981
Segment profit (loss) (Business profit (loss)) (Note 1)	44,035	8,848	8,992	61,876	(321)	(21,309)	40,244
					Other operating income (expense)		1,465
					Profit from operating activities		41,709
					Finance income (costs), net		(1,694)
					Share of profit of investments accounted for using the equity method		90
					Profit before tax		40,106

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
(Note 2) “Other” mainly consists of the intra-group services.
(Note 3) Adjustments to Segment profit (loss) (Business profit (loss)) of (¥21,309) million comprised “Eliminations” of ¥237 million and “Corporate expenses” of (¥21,547) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2015: Six months ended September 30, 2015

Thousands of US dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	2,971,749	793,031	735,019	4,499,799	2,450	24,101	4,526,350
Inter-segment revenue	1,392	300	27,401	29,093	2,760	(31,853)	-
Total revenue	2,973,141	793,331	762,420	4,528,892	5,210	(7,752)	4,526,350
Segment profit (loss) (Business profit (loss)) (Note 1)	367,090	73,757	74,958	515,805	(2,692)	(177,634)	335,479
Other operating income (expense)							12,211
Profit from operating activities							347,690
Finance income (costs), net							(14,112)
Share of profit of investments accounted for using the equity method							750
Profit before tax							334,328

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
(Note 2) “Other” mainly consists of the intra-group services.
(Note 3) Adjustments to Segment profit (loss) (Business profit (loss)) of ($177,634) thousand comprised “Eliminations” of $1,984 thousand and “Corporate expenses” of ($179,618) thousand. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2014: Three months ended September 30, 2014

Millions of yen

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	176,187	44,919	43,888	264,995	174	1,379	266,549
Inter-segment revenue	85	39	1,491	1,616	143	(1,759)	-
Total revenue	176,272	44,959	45,379	266,611	318	(379)	266,549
Segment profit (loss) (Business profit (loss)) (Note 1)	30,439	6,140	2,088	38,668	(64)	(11,204)	27,399
Other operating income (expense)							(3,437)
Profit from operating activities							23,962
Finance income (costs), net							1,868
Share of profit of investments accounted for using the equity method							45
Profit before tax							25,876

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
(Note 2) “Other” mainly consists of the intra-group services.
(Note 3) Adjustments to Segment profit (loss) (Business profit (loss)) of (¥11,204) million comprised “Eliminations” of ¥42 million and “Corporate expenses” of (¥11,246) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2015: Three months ended September 30, 2015

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	184,688	49,987	45,714	280,390	163	1,513	282,066
Inter-segment revenue	76	0	1,710	1,788	168	(1,956)	-
Total revenue	184,765	49,987	47,425	282,178	331	(443)	282,066
Segment profit (loss) (Business profit (loss)) (Note 1)	24,783	4,431	4,914	34,129	(119)	(10,279)	23,730
					Other operating income (expense)		1,690
					Profit from operating activities		25,421
					Finance income (costs), net		(1,388)
					Share of profit of investments accounted for using the equity method		27
					Profit before tax		24,060

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
(Note 2) “Other” mainly consists of the intra-group services.
(Note 3) Adjustments to Segment profit (loss) (Business profit (loss)) of (¥10,279) million comprised “Eliminations” of ¥117 million and “Corporate expenses” of (¥10,397) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2015: Three months ended September 30, 2015

Thousands of US dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	1,539,580	416,697	381,086	2,337,363	1,358	12,612	2,351,333
Inter-segment revenue	650	0	14,254	14,904	1,401	(16,305)	-
Total revenue	1,540,230	416,697	395,340	2,352,267	2,759	(3,693)	2,351,333
Segment profit (loss) (Business profit (loss)) (Note 1)	206,603	36,937	40,963	284,503	(993)	(85,686)	197,824

Other operating income (expense)	14,088
Profit from operating activities	211,912
Finance income (costs), net	(11,571)
Share of profit of investments accounted for using the equity method	225
Profit before tax	200,566

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.

(Note 2) “Other” mainly consists of the intra-group services.

(Note 3) Adjustments to Segment profit (loss) (Business profit (loss)) of ($85,686) thousand comprised “Eliminations” of $984 thousand and “Corporate expenses” of ($86,670) thousand. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

6. Other Financial Liabilities

The breakdown of "Other financial liabilities" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	September 30, 2015	September 30, 2015
Derivative financial liabilities	259	820	6,835
Current borrowings	35,380	47,633	397,074
Current portion of non-current borrowings	53	-	-
Current portion of bonds issued	39,978	29,972	249,849
Non-current borrowings	50,533	50,500	420,973
Bonds issued (Note 1) (Note 2)	59,853	29,913	249,358
Other	2,153	2,167	18,074
Total	188,211	161,006	1,342,163
Current liabilities	75,745	78,500	654,384
Non-current liabilities	112,466	82,506	687,779
Total	188,211	161,006	1,342,163

(Note 1) Issuance of "Bonds issued"

The bonds issued for the six months ended September 30, 2014 were as follows:

FY2014: Six months ended September 30, 2014

Company	Bonds name	Issue date	%	Maturity date	Millions of yen
			Interest rate		Total amount of issuance
The Company	The 12th Series unsecured straight bonds (with inter-bond pari passu clause)	June 13, 2014	0.35	June 13, 2019	10,000

There were not any bonds issued for the six months ended September 30, 2015.

(Note 2) Redemption of "Bonds issued"

The bonds issued redeemed for the six months ended September 30, 2014 were as follows:

FY2014: Six months ended September 30, 2014

Company	Bonds name	Issue date	%	Maturity date	Millions of yen
			Interest rate		Total amount of issuance
The Company	The 6th Series unsecured straight bonds (with inter-bond pari passu clause)	June 14, 2011	0.49	June 13, 2014	20,000

The bonds issued redeemed for the six months ended September 30, 2015 were as follows:

FY2015: Six months ended September 30, 2015

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 5th Series unsecured straight bonds (with inter-bond pari passu clause)	September 3, 2010	0.58	September 3, 2015	20,000	166,722
The Company	The 8th Series unsecured straight bonds (with inter-bond pari passu clause)	September 12, 2012	0.55	September 11, 2015	20,000	166,722

Derivative financial liabilities were classified as financial liabilities measured at fair value through profit or loss excluding those which hedge accounting was applied to, and bonds issued and borrowings were classified as financial liabilities measured at amortised cost. There were no financial covenants on bonds issued and borrowings that had a significant impact on Epson's financing activities.

7. Dividends

Dividends paid were as follows:

FY2014: Six months ended September 30, 2014

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 24, 2014)	Ordinary shares	6,618	37	March 31, 2014	June 25, 2014

FY2015: Six months ended September 30, 2015

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 25, 2015)	Ordinary shares	14,311	80	March 31, 2015	June 26, 2015

FY2015: Six months ended September 30, 2015

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 25, 2015)	Ordinary shares	119,298	0.66	March 31, 2015	June 26, 2015

Dividends whose basis dates were during the six months ended September 30, 2014 and 2015, but whose effective dates were subsequent to September 30, 2014 and 2015 were as follows:

FY2014: Six months ended September 30, 2014

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Board of Directors (October 31, 2014)	Ordinary shares	6,261	35	September 30, 2014	December 5, 2014

FY2015: Six months ended September 30, 2015

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Board of Directors (October 29, 2015)	Ordinary shares	10,733	30	September 30, 2015	December 4, 2015

FY2015: Six months ended September 30, 2015

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Board of Directors (October 29, 2015)	Ordinary shares	89,471	0.25	September 30, 2015	December 4, 2015

(Note) The Company completed the Company’s ordinary shares split with an effective date of April 1, 2015 based on the resolution by the Company’s Board of Directors on January 30, 2015. Dividends per share whose basis date was prior to March 31, 2015 was stated by the actual dividends paid which was before the shares split.

8. Earnings per Share

Basis of calculating basic earnings per share

(1) Profit attributable to ordinary shareholders of the parent company

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2014	2015	2015
Profit from continuing operations attributable to owners of the parent company	65,838	26,060	217,247
Loss from discontinued operations attributable to owners of the parent company	(251)	(33)	(275)
Profit used for calculation of basic earnings per share	65,587	26,027	216,972

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2014	2015	2015
Profit from continuing operations attributable to owners of the parent company	19,114	15,504	129,244
Loss from discontinued operations attributable to owners of the parent company	(118)	(6)	(50)
Profit used for calculation of basic earnings per share	18,995	15,498	129,194

(2)Weighted-average number of ordinary shares outstanding during the period

	Thousands of shares	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Weighted-average number of ordinary shares	357,780	357,775

(Note) The Company completed the Company’s ordinary shares split with an effective date of April 1, 2015 based on the resolution by the Company’s Board of Directors on January 30, 2015. As a result, each share of the Company's ordinary shares was split into two shares. Basic earnings per share was calculated under the assumption that the shares split took effect at the beginning of the previous fiscal year.

	Thousands of shares	
	Three months ended September 30, 2014	Three months ended September 30, 2015
Weighted-average number of ordinary shares	357,779	357,775

(Note) The Company completed the Company's ordinary shares split with an effective date of April 1, 2015 based on the resolution by the Company's Board of Directors on January 30, 2015. As a result, each share of the Company's ordinary shares was split into two shares. Basic earnings per share was calculated under the assumption that the shares split took effect at the beginning of the previous fiscal year.

9. Fair Value of Financial Instruments

(1) Fair value measurement

The fair values of financial assets and liabilities are determined as follows:

(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 by 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.

(2) Fair values of financial instruments

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2015		September 30, 2015		September 30, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value						
Derivative financial assets	3,181	3,181	1,656	1,656	13,804	13,804
Equity securities	19,639	19,639	18,191	18,191	151,642	151,642
Financial assets measured at amortised cost						
Cash and cash equivalents	245,330	245,330	190,596	190,596	1,588,829	1,588,829
Trade and other receivables	167,482	167,482	167,243	167,243	1,394,156	1,394,156
Bonds receivable	108	108	110	110	916	916
Other	5,960	5,960	6,104	6,104	50,885	50,885
Financial liabilities measured at fair value						
Derivative financial liabilities	259	259	820	820	6,835	6,835
Financial liabilities measured at amortised cost						
Trade and other payables	140,047	140,047	134,020	134,020	1,117,205	1,117,205
Interest-bearing debt						
Borrowings	85,966	86,118	98,133	98,259	818,047	819,098
Bonds issued	99,831	100,466	59,885	60,343	499,207	503,026
Lease obligations	180	180	269	269	2,242	2,242
Other	1,973	1,973	1,897	1,897	15,832	15,832

(3) Fair value hierarchy

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities
Level 2: Fair value calculated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3: Fair value calculated using valuation techniques including unobservable inputs for the assets and liabilities
Epson does not have any financial instruments for which there is significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.
The transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Classification by hierarchy regarding financial assets and liabilities measured at fair value

FY2014: As of March 31, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	3,181	-	3,181
Equity securities	17,232	-	2,406	19,639
Total	17,232	3,181	2,406	22,821
Financial liabilities				
Derivative financial liabilities	-	259	-	259
Total	-	259	-	259

FY2015: As of September 30, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	1,656	-	1,656
Equity securities	16,150	-	2,040	18,191
Total	16,150	1,656	2,040	19,847
Financial liabilities				
Derivative financial liabilities	-	820	-	820
Total	-	820	-	820

FY2015: As of September 30, 2015

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	13,804	-	13,804
Equity securities	134,637	-	17,005	151,642
Total	134,637	13,804	17,005	165,446
Financial liabilities				
Derivative financial liabilities	-	6,835	-	6,835
Total	-	6,835	-	6,835

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy at the end of each reporting periods.

The movement of financial instruments categorized within Level 3 of the fair value hierarchy was as follows:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2014	2015	2015
Balance as of April 1	2,606	2,406	20,056
Gains and losses			
Other comprehensive income	(8)	(336)	(2,801)
Sales	(25)	(30)	(250)
Balance as of September 30	2,573	2,040	17,005

10. Contingencies

Material litigation
In general, litigation has uncertainties and it is difficult to make reliable judgments for the possibility of an outflow of resources embodying economic benefits and to estimate the financial effect.
Provisions are not recognised either if an outflow of resources embodying economic benefits is not probable or to estimate the financial effect is not practicable. Epson was contending the following material actions.

(1) The liquid crystal display price-fixing cartel

The civil actions have been brought against the Company and certain of its consolidated subsidiaries by multiple customers in the U.S, regarding allegations of involvement in a liquid crystal display price-fixing cartel.
Moreover, the Company and certain of its consolidated subsidiaries are currently under investigation by the European Commission and other anti-monopoly-related authorities.

(2) The civil action on copyright fee of ink-jet printers

In June 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. After that, Reprobel also brought a civil suit against EEB. As a result, these two lawsuits were adjoined. EEB's claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.
Verwertungsgesellschaft Wort ("VG Wort"), the organization for collecting copyright fees on behalf of copyright holders in Germany, filed a civil lawsuit in January 2004 against Epson Deutschland GmbH ("EDG"), a consolidated subsidiary of the Company, seeking payment of copyright fees for single-function printers. While taking the court procedures, EDG had settlement discussions with VG Wort through Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V. ("BITKOM"), a German business association of IT industry. Finally, BITKOM and VG Wort reached an agreement to settle, upon which the court dismissed the case and it was closed.

11. Subsequent Events

Sales of assets

(1) Reason for sale

The Company has continued to reorganise its business structure with the purpose of building the foundations for ongoing growth based on its Updated SE15 Second-Half Mid-Range Business Plan. Accompanying this reorganisation, the Company has decided to sell an asset with the aim of improving the efficiency of management resources and strengthening its financial structure.

(2) Asset to be sold

(A) Asset	Land (98,310.93 m^2)
(B) Address	2-1-1 Koyato, Koza-gun, Samukawa-machi, Kanagawa, Japan
(C) Current status	Idle asset

Due to the terms of the contract, we are unable to disclose the carrying amount or the sale price of the asset.

(3) Details of purchaser

We are unable to disclose details of the purchaser, which is a Japanese corporation, for contractual reasons. The purchaser has no capital, human resources or business relationship with the Company and it is not a related party of the Company.

(4) Schedule for sale

Resolution by the Company’s Board of Directors	October 29, 2015
Conclusion of contract	October 30, 2015 (planned)
Sale of the asset	End of December 2015 (planned)

(5) Impact on financial results

Gain on sale of the asset of ¥7,700 million ($64,188 thousand) is expected to be recognised as other operating income in the consolidated statement of comprehensive income for the three months ending December 2015. Reversal of impairment loss of ¥3,828 million ($31,910 thousand) was recognised in other operating income in the consolidated statement of comprehensive income for the three months ended September 30, 2015.

Supplementary Information

Consolidated Second Quarter ended September 30, 2015

Cautionary Statement

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

1. Revenue by division

(Unit: billion yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase %	Forecast for the year ended March 31, 2016	Increase compared to year ended March 31, 2015 %
Printing Solutions	336.0	356.6	6.1%	742.0	1.5%
Printers	229.9	249.4	8.5%	525.0	2.7%
Professional Printing	94.9	100.4	5.8%	200.0	0.4%
Other	12.0	7.8	(35.1%)	20.0	(11.3%)
Inter-segment revenue	(0.9)	(1.1)	-%	(3.0)	-%
Visual Communications	86.8	95.1	9.5%	180.0	1.6%
Wearable & Industrial Products	89.8	91.4	1.8%	176.0	1.5%
Wearable Products	29.0	32.1	10.8%	63.0	10.4%
Robotics Solutions	9.9	8.4	(15.2%)	16.0	2.5%
Microdevices,Other	54.4	54.5	0.2%	104.0	(3.6%)
Inter-segment revenue	(3.5)	(3.7)	-%	(7.0)	-%
Other	0.6	0.6	0.7%	1.0	(28.1%)
Corporate expenses & Eliminations	(0.5)	(0.9)	-%	1.0	(70.7%)
Consolidated revenue	512.8	542.9	5.9%	1,100.0	1.3%

Note: 1.The segment information figures for FY2014 have been recalculated using the method used in FY2015.
2.The intra-group services business was categorized within “Other”.

2. Business segment information

(Unit: billion yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase %	Forecast for the year ended March 31, 2016	Increase compared to year ended March 31, 2015 %
Printing Solutions					
Revenue:					
External	335.8	356.4	6.1%	742.0	1.6%
Inter-segment	0.1	0.1	(4.0%)	0.0	-%
Total	336.0	356.6	6.1%	742.0	1.5%
Segment profit (loss)	55.2	44.0	(20.3%)	99.0	(11.2%)
Visual Communications					
Revenue:					
External	86.7	95.1	9.6%	180.0	1.7%
Inter-segment	0.0	0.0	(61.1%)	0.0	-%
Total	86.8	95.1	9.5%	180.0	1.6%
Segment profit (loss)	10.7	8.8	(17.5%)	16.0	(17.6%)
Wearable & Industrial Products					
Revenue:					
External	86.9	88.1	1.4%	170.0	1.4%
Inter-segment	2.8	3.2	15.4%	6.0	1.9%
Total	89.8	91.4	1.8%	176.0	1.5%
Segment profit (loss)	5.8	8.9	52.8%	12.0	16.1%
Other					
Revenue:					
External	0.3	0.2	(11.1%)	0.0	-%
Inter-segment	0.2	0.3	14.1%	1.0	71.9%
Total	0.6	0.6	0.7%	1.0	(28.1%)
Segment profit (loss)	(0.1)	(0.3)	-%	(1.0)	-%
Corporate expenses & Eliminations					
Revenue:					
External	2.8	2.8	3.1%	8.0	(23.6%)
Inter-segment	(3.4)	(3.8)	-%	(7.0)	-%
Total	(0.5)	(0.9)	-%	1.0	(70.7%)
Segment profit (loss)	(20.7)	(21.3)	-%	(44.0)	-%
Consolidated					
Revenue	512.8	542.9	5.9%	1,100.0	1.3%
Business profit (loss)	50.9	40.2	(20.9%)	82.0	(19.0%)

Note: 1.The segment information figures for FY2014 have been recalculated using the method used in FY2015.
2.The intra-group services business was categorized within “Other”.

3. Revenue to overseas customers

(Unit: billion yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase	Increase %
Overseas Revenue				
The Americas	140.2	165.9	25.6	18.3%
Europe	110.5	106.7	(3.8)	(3.5%)
Asia/Oceania	133.7	150.9	17.1	12.8%
Total	384.6	423.6	38.9	10.1%
Consolidated revenue	512.8	542.9	30.1	5.9%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	27.4	30.6		
Europe	21.6	19.7		
Asia/Oceania	26.1	27.8		
Total	75.0	78.0		

Note: 1.Overseas revenue is based on the location of the customers.
Principal countries and jurisdictions in each geographic segment are as follows.
2.Exports transacted through an intermediary such as trading companies are not included in oversea revenue.

Geographic Segment	The name of main countries and jurisdictions
The Americas	The United States, Canada, Brazil, Chile, Argentina, Costa Rica, Colombia, Venezuela, Mexico and Peru etc.
Europe	The United Kingdom, the Netherlands, Germany, France, Italy, Spain, Portugal and Russia etc.
Asia/Oceania	China (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

4. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase %	Forecast for the year ended March 31, 2016	Increase compared to year ended March 31, 2015 %
Capital expenditure	19.6	31.4	60.1%	70.0	54.1%
Printing Solutions	10.8	18.6	72.3%	39.0	75.8%
Visual Communications	3.1	3.2	4.1%	10.0	45.4%
Wearable & Industrial Products	2.8	4.0	40.9%	9.0	7.6%
Other / Coporate expenses	2.8	5.5	94.5%	12.0	50.0%
Depreciation and amortization	21.6	23.2	7.2%	47.0	5.7%

Note: 1.The segment information figures for FY2014 have been recalculated using the method used in FY2015.
2.The intra-group services business was categorized within “Other”.

5. Research and development

(Unit: billion yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase %	Forecast for the year ended March 31, 2016	Increase compared to year ended March 31, 2015 %
Research and Development	22.9	25.9	13.1%	55.0	15.0%
R&D / revenue ratio	4.5%	4.8%		5.0%	

6. Management indices

(Unit: %)

	Six months ended September 30, 2014	Six months ended September 30, 2015	Increase Point	Forecast for the year ended March 31, 2016	Increase compared to year ended March 31, 2015 Point
ROE	16.3%	5.3%	(11.0)	11.8%	(14.5)
ROA (Business profit)	5.4%	4.1%	(1.3)	8.2%	(2.4)
ROA (Profit from operating activities)	8.4%	4.2%	(4.2)	9.1%	(4.6)
ROS (Business profit)	9.9%	7.4%	(2.5)	7.5%	(1.8)
ROS (Profit from operating activities)	15.3%	7.7%	(7.6)	8.3%	(3.8)

Note: 1.ROE=Profit for the period attributable to owners of the parent company / Beginning and ending balance average equity attributable to owners of the parent company
2.ROA(Business profit)=Business profit / Beginning and ending balance average total assets
3.ROA(Profit from operating activities)=Profit from operating activities / Beginning and ending balance average total assets
4.ROS(Business profit)= Business profit / Revenue
5.ROS(Profit from operating activities)= Profit from operating activities / Revenue

7. Inventory

(Unit: billion yen)

	September 30, 2014	March 31, 2015	September 30, 2015	Increase compared to March 31, 2015
Inventory	216.4	220.4	234.2	13.8
Printing Solutions	124.8	121.6	133.0	11.3
Visual Communications	48.4	53.4	55.9	2.4
Wearable & Industrial Products	42.0	44.5	44.3	(0.1)
Other / Coporate expenses	0.9	0.6	0.9	0.2
Turnover by days	77	74	79	5
Printing Solutions	68	61	68	7
Visual Communications	102	110	107	(3)
Wearable & Industrial Products	86	94	89	(5)
Other / Coporate expenses	53	21	47	26

Note: 1.Turnover by days = Ending (Interim) balance of inventory / Prior 6months (Prior 12 months) revenue per day
2.The intra-group services business was categorized within “Other”.

8. Employees

(Unit: person)

	September 30, 2014	March 31, 2015	September 30, 2015	Increase compared to March 31, 2015
Number of employees at period end	72,021	69,878	71,777	1,899
Domestic	18,314	18,627	18,804	177
Overseas	53,707	51,251	52,973	1,722