EPSON
EXCEED YOUR VISION

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April 28, 2016

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2016 (IFRS basis)

Consolidated Financial Highlights

Consolidated Statement of Comprehensive Income

	Millions of yen		Change	Thousands of U.S. dollars
	Year ended March 31,			Year ended March 31, 2016
	2015	2016		
Revenue	1,086,341	1,092,481	0.6%	9,695,429
Business profit (Note)	101,275	84,951	(16.1%)	753,922
Profit from operating activities	131,380	94,026	(28.4%)	834,451
Profit before tax	132,536	91,530	(30.9%)	812,300
Profit for the period	112,785	46,067	(59.2%)	408,830
Profit for the period attributable to owners of the parent company	112,560	45,772	(59.3%)	406,221
Total comprehensive income for the period	145,483	(1,469)	-	(13,036)
Basic earnings per share (in ¥1, $1 unit)	314.61	127.94		1.14
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.

Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Total assets	1,006,282	941,340	8,354,100
Total equity	497,308	470,676	4,177,103
Equity attributable to owners of the parent company	494,325	467,818	4,151,739
Equity attributable to owners of the parent company ratio (%)	49.1%	49.7%	49.7%

Consolidated Statement of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Year ended March 31,			Year ended March 31, 2016
	2015	2016		
Net cash provided by (used in) operating activities	108,828	113,054	3.9%	1,003,319
Net cash provided by (used in) investing activities	(32,735)	(51,558)	-	(457,561)
Net cash provided by (used in) financing activities	(55,392)	(67,171)	-	(596,121)
Cash and cash equivalents at end of period	245,330	230,498	(6.0%)	2,045,598

Cash dividends per share

	Yen		U.S. dollars
	March 31, 2015	March 31, 2016	March 31, 2016
Interim	35.00	30.00	0.26
Year-end	80.00	30.00	0.26
Total	115.00	60.00	0.52

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. Consolidated Financial Statements are disclosed according to IFRS.

III. Figures in 'Change' column are comparisons with the same period of the previous year.

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

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

VI. 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 ¥112.68 = U.S.$1 as of March 31, 2016 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2015 Full-Year 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.
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, 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.

Against this backdrop, Epson established a new 10-year corporate vision called "Epson 25" that will steer the Company's activities up to the start of the 2025 fiscal year. At the same time, Epson introduced the Epson 25 Mid-Range Business Plan (FY2016-2018), a three-year plan for the first phase of work toward achieving the Epson 25 vision. Epson 25 was created based on an understanding of the mega trends, changes, and other forces that will shape Epson's business in the future. It contains the following vision statement: "Creating a new connected age of people, things and information with efficient, compact and precision technologies." In line with this vision, Epson will provide customer value in the form of smart technology, the environment, and performance. 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 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. Specifically, Epson will 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.

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.

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

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 and Industrial Products Segment

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
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.

Adjustments
Adjustments to the total profit of reporting segments amounted to negative ¥44.6 billion. (Adjustments in the previous fiscal year were negative ¥39.6 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 fiscal year were ¥941.3 billion, a decrease of ¥64.9 billion from the previous fiscal year end. While property, plant and equipment increased by ¥17.2 billion, total assets decreased primarily because of a ¥15.8 billion decrease in trade and other receivables, an ¥18.8 billion decrease in inventories, a ¥23.5 billion decrease in deferred tax assets, and a ¥14.8 billion decrease in cash and cash equivalents due to redemption of bonds payable and the payment of dividends.
Total liabilities were ¥470.6 billion, down ¥38.3 billion compared to the end of the last fiscal year. Although there was a ¥ 23.6 billion increase in net defined benefit liabilities, there were a ¥9.4 billion decrease in trade and other payables and a ¥43.9 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 ¥467.8 billion, a ¥26.5 billion decrease compared to the previous fiscal year end. Although profit for the period was ¥46.0 billion, retained earnings were flat year on year primarily because Epson recorded ¥25.0 billion in dividends paid and ¥22.1 billion on the remeasurement of the net amount of defined benefit plan liabilities. However, the equity attributable to owners of the parent company decreased because of a ¥25.0 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.

Net cash provided by operating activities during the year was ¥113.0 billion, compared to ¥108.8 billion in the previous fiscal year. While recording ¥46.0 billion in profit for the period, net cash was positively affected by factors such as the recording ¥45.9 billion in depreciation and amortization and the difference of ¥45.4 billion in income taxes recorded and ¥20.7 billion in income taxes paid.
Net cash used in investing activities totaled ¥51.5 billion compared to ¥32.7 billion in the previous year. The Company used ¥66.1 billion in the purchase of property, plant, equipment and in the purchase of intangible assets. Proceeds from sales of investment property provided ¥13.9 billion in cash.
Net cash used in financing activities totaled ¥67.1 billion compared to ¥55.3 billion in the previous year. The Company recorded a ¥40.0 billion redemption of bonds issued and ¥25.0 billion in dividends paid.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥230.4 billion compared to ¥245.3 billion at the end of the previous fiscal year.

Policy on Profit Allocation / Dividends in the Period and Next Fiscal Year, Stock repurchase

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 (and which is very similar to operating income under Japanese accounting standards, both conceptually and numerically). The Company intends to be more active in giving back to shareholders by agilely repurchasing shares as warranted by share price, the capital situation, and other factors.
Although there is evidence that the near-term economic environment has been deteriorating, the Company's full-year financial performance was in line with the outlook primarily as a result of strategic progress in the Company's businesses. The Company therefore plans to pay annual dividends of ¥60 per share, as forecast at the beginning of the fiscal year. (Epson declared a two-for-one stock split of the Company's common shares, effective April 1st, 2015.)
Epson plans to pay an annual dividend of ¥60 per share for the 2016 fiscal year.
In addition, Seiko Epson's board of directors resolved the repurchase of Epson’s own shares at today's board meeting. Please see today's announcement for details.

Fiscal 2016 Forecast

There is a risk that the global economy in the fiscal year ending March 31, 2017 could tread water for a prolonged period of time due to economic deceleration in emerging countries and resource producing countries, but we expect the economy to gradually pick up given the cautious approach to interest rate hikes by the U.S. Federal Reserve Board, a lull in financial market adjustments, and other factors.
Given this outlook, Epson, working under its Mid-Range Business Plan (FY2016-2018), 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.
Epson's financial outlook for the 2016 fiscal year (ending March 2017) is presented below. The figures in

the outlook are based on assumed exchange rates of ¥105.00 to the U.S. dollar and ¥120.00 to the euro.

Consolidated Full-Year Outlook

	FY2015 Result	FY2016 Plan	Change	
Revenue	¥1,092.4 billion	¥1,030. 0 billion	-¥62.4 billion	(-5.7%)
Business profit	¥84.9 billion	¥72.0 billion	-¥12.9 billion	(-15.2%)
Profit from operating activities	¥94.0 billion	¥70.0 billion	-¥24.0 billion	(-25.6%)
Profit before tax	¥91.5 billion	¥69.0 billion	-¥22.5 billion	(-24.6%)
Profit for the period	¥46.0 billion	¥54.0 billion	+¥7.9 billion	(+17.2%)
Profit for the period attributable to owners of the parent company	¥45.7 billion	¥54.0 billion	+¥8.2 billion	(+18.0%)
Foreign exchange rates	$1USD = ¥120.14	$1USD = ¥105.00		
	1 euro = ¥132.58	1 euro = ¥120.00		

Overview of the Business Group

Epson is primarily engaged in developing, manufacturing, selling, and providing services for products in the printing solutions, visual communications, wearable and industrial products, and the other business.

Epson is organized into operations divisions that come 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.

A brief description of Epson's various businesses is provided below along with a list of the main Epson Group companies involved in each segment.

The business segments were changed from the current fiscal year. Details of the changes are stated in "5. Segment Information. "

Printing Solutions Business Segment

This segment comprises the printer business, professional printing business, and others. The businesses in this segment leverage Epson's unique Micro Piezo and other technologies to develop, manufacture, and sell products.
The main activities of these businesses are described below.

Printer business
This business is primarily responsible for home and office inkjet printers, serial impact dot matrix (SIDM) printers, page printers, and color image scanners, and related consumables.

Professional printing business
This business is primarily responsible for commercial inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers, and related consumables.

Others
This business sells PCs in the Japanese market through a domestic subsidiary.

The major Epson Group companies involved in this segment are listed in the table below.

<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main Epson Group companies</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td>Printers</td><td>Inkjet printers, serial impact dot matrix printers, page printers, color image scanners, and related consumables, and others</td><td rowspan="2">Tohoku Epson Corporation
Akita Epson Corporation
Epson Portland Inc.
Epson Telford Ltd.
Tianjin Epson Co., Ltd.
Epson Engineering (Shenzhen) Ltd.
P.T. Epson Batam
P.T. Indonesia Epson Industry
Epson Precision (Philippines), Inc.</td><td rowspan="2">Epson Sales Japan Corporation
Epson America, Inc.
Epson Europe B.V.
Epson (U.K.) Ltd.
Epson Deutschland GmbH
Epson France S.A.
Epson Italia s.p.a.
For.Tex S.r.l.
Epson Iberica, S.A.
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.</td></tr>
<tr><td>Professional printing</td><td>Commercial inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers, and related consumables, and others</td></tr>
</table>

Others	PCs and other equipment	—	Epson Sales Japan Corporation Epson Direct Corporation

Visual Communications Business Segment

The businesses in this segment leverage Epson's unique microdisplay and projection technologies to develop, manufacture, and sell 3LCD projectors for business, education, and the home; high-temperature polysilicon TFT panels for 3LCD projectors; and smart eyewear.

The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Visual communications	3LCD projectors, high-temperature polysilicon TFT LCDs for 3LCD projectors, smart eyewear, and others	Epson Engineering (Shenzhen) Ltd. Epson Precision (Philippines), Inc.	Epson Sales Japan Corporation Epson America, Inc. Epson Europe B.V. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A. Epson Italia s.p.a. Epson Iberica, S.A. 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.

Wearable & Industrial Products Business Segment

This segment comprises the wearable products business, robotics solutions business, and the microdevices business.
The main activities of these businesses are described below.

Wearable products business
This business leverages its ultra-precision machining and processing technologies and its high-density mounting and assembly technologies to develop, manufacture and sell watches, as well as to develop, manufacture and sell products that use high-accuracy sensors to connect people and information.

Watch business
This business primarily develops, manufactures, and sells watches and watch movements.

Sensing system business
This business is primarily engaged in developing, manufacturing, and selling sensing systems and equipment that have extremely accurate built-in sensors and that are used in the personal health and sports fields.

Robotics solutions business
This business uses advanced precision mechatronics and other technologies to develop, manufacture, and sell industrial robots and other production systems that dramatically increase productivity.

Micro-devices and others business
This business designs, manufactures, and sells small, accurate, energy-efficient electronic devices for external customers as well as for other businesses in the Epson Group. It also provides metal powders and

surface finishing services.

Quartz device business
This business provides crystal units, crystal oscillators, and quartz sensors for consumer, automotive, and industrial equipment applications.

Semiconductor business
This business provides CMOS LSIs and other chips mainly for consumer electronics and automotive applications.

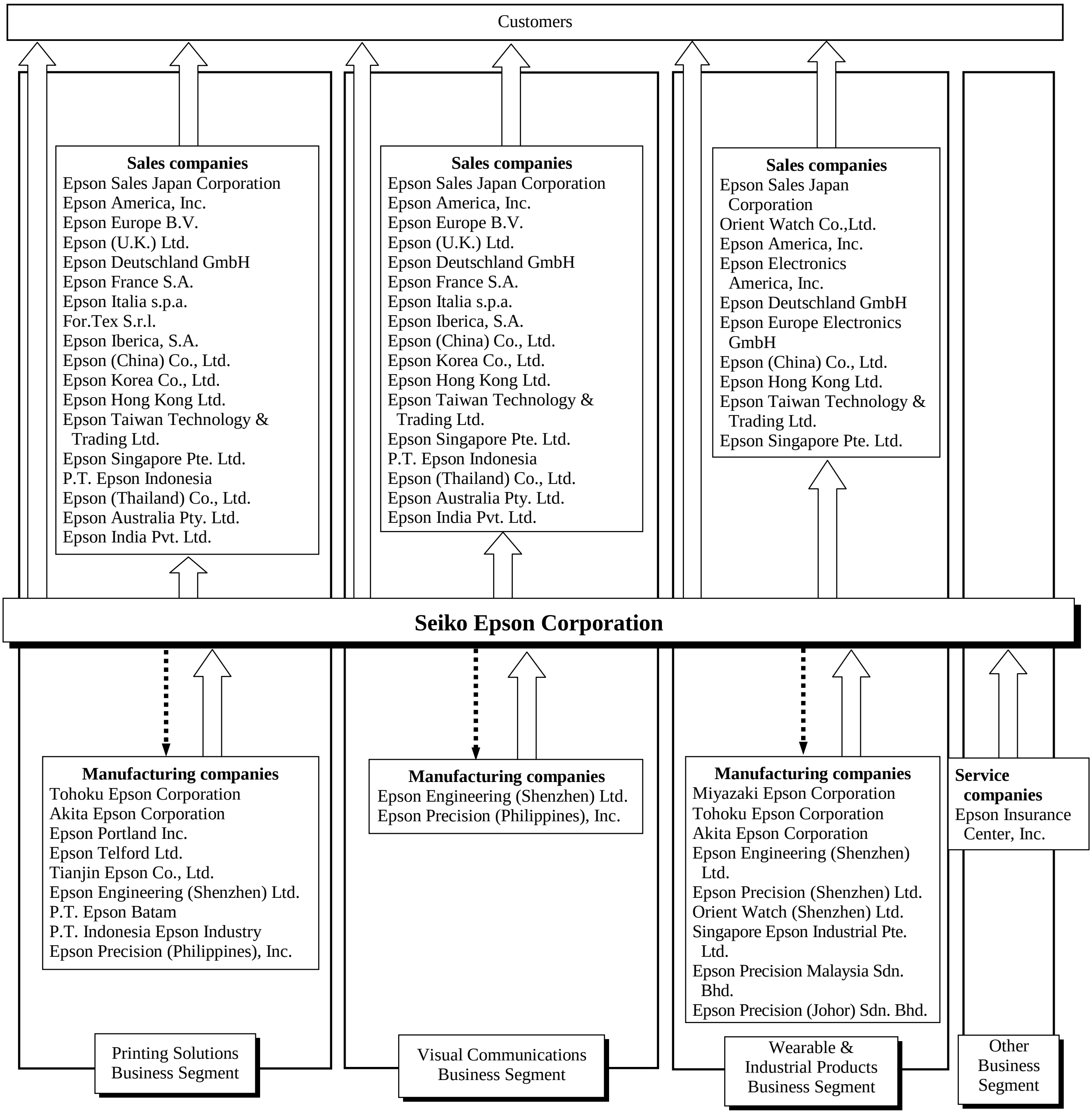
Others
This business develops, manufacturers, and sells a variety of high-performance metal powders for use as raw materials in the production of electronic components, etc. This business also provides high-value-added surface finishing in a wide variety of industrial fields.

The major Epson Group companies involved in this segment are listed in the table below.

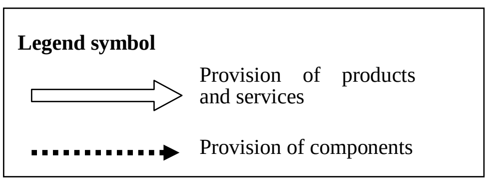
<table>
<tr><th rowspan="2">Business area</th><th rowspan="2">Main products</th><th colspan="2">Main Epson Group companies</th></tr>
<tr><th>Manufacturing companies</th><th>Sales companies</th></tr>
<tr><td rowspan="2">Wearable products</td><td>Watches
Wristwatches, watch movements, and others</td><td>Epson Precision (Shenzhen) Ltd.
Orient Watch (Shenzhen) Ltd.
Epson Precision (Johor) Sdn. Bhd.</td><td>Orient Watch Co., Ltd.
Epson Hong Kong Ltd.</td></tr>
<tr><td>Sensing systems and equipment</td><td>Akita Epson Corporation</td><td>Epson Sales Japan Corporation</td></tr>
<tr><td>Robotics solutions</td><td>Industrial robots, IC handlers, and others</td><td>Epson Engineering (Shenzhen) Ltd.</td><td>Epson Sales Japan Corporation
Epson America, Inc.
Epson Deutschland GmbH
Epson (China) Co., Ltd.
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.</td></tr>
<tr><td rowspan="3">Microdevices and others</td><td>Quartz devices
Crystal units, crystal oscillators, quartz sensors, and others</td><td>Miyazaki Epson Corporation
Epson Precision Malaysia Sdn. Bhd.</td><td rowspan="2">Epson Electronics America, Inc.
Epson Europe Electronics GmbH
Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd.
Epson Singapore Pte. Ltd.</td></tr>
<tr><td>Semiconductors
CMOS LSIs, and others</td><td>Tohoku Epson Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
<tr><td>Others
Metal powders, surface finishing</td><td colspan="2">Epson Atmix Corporation
Singapore Epson Industrial Pte. Ltd.</td></tr>
</table>

<u>Other Business Segment</u>
This segment comprises the businesses of Epson Group companies that offer services for and within the Epson Group.

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



Note: All companies are consolidated subsidiaries.



Management Policy

1. Fundamental management policy

Endowed with a rich legacy of efficient, compact, and precision technologies, Epson seeks to continuously create game-changing customer value and become an indispensable company by forging innovations through challenges that are bold, imaginative, and exceed your vision.
Using the Epson Management Philosophy and the global tagline below as guides, we will strive to achieve our vision with employees who embrace a common set of values, demonstrate teamwork, and exercise initiative to create value that exceeds customer expectations.

Epson Management Philosophy

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

EXCEED YOUR VISION

Epson moves you in a powerful way.
And we do this through our commitment to developing technology
that inspires and empowers people all over the world.

2. Medium- and long-term corporate strategy and issues to be addressed

Seiko Epson Corporation ("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 (FY2016-18) 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 technology 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).

* Business profit is very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically. Epson began using business profit as an indicator after adopting International Financial Reporting Standards (IFRS) in FY2014 to facilitate comparisons with past results.

Vision in Each Business

<u>Printing: inkjet innovation</u>
Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

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

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

<u>Robotics: robotics innovation</u>
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.

<u>Microdevices: Support the four innovations</u>
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) 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 to getting office market development on track with linehead models.
- In professional printing, Epson will establish a competitive advantage with hardware, improve support and other organizational infrastructure, and achieve solid growth in new domains.
- In visual communications Epson will further strengthen its presence in the projection market and use laser light sources to pave the way to rapid growth in new markets.
- In wearable products, Epson 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 Epson will create a framework for growth on top of its technology base.
- In microdevices, Epson 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 Epson'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.

Basic Approach to the Selection of Accounting Standards

Epson has adopted International Financial Reporting Standards (IFRS).
The purpose of adoption of IFRS is creating a truly global operation by introducing a management structure that will enable the company to manage its Group companies and businesses based on unified systems and information.

Consolidated Statement of Financial Position

Years ended March 31, 2015 and 2016:

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2015	March 31, 2016	March 31, 2016
Assets				
Current assets				
Cash and cash equivalents	13	245,330	230,498	2,045,598
Trade and other receivables	13	167,482	151,660	1,345,935
Inventories		220,426	201,608	1,789,208
Income tax receivables		1,963	1,232	10,933
Other financial assets	13	3,544	1,674	14,856
Other current assets		11,539	14,335	127,247
Subtotal		650,287	601,010	5,333,777
Non-current assets held for sale		96	441	3,913
Total current assets		650,383	601,451	5,337,690
Non-current assets				
Property, plant and equipment		227,257	244,463	2,169,533
Intangible assets		19,170	18,179	161,332
Investment property		4,758	1,967	17,456
Investments accounted for using the equity method		3,232	1,605	14,243
Net defined benefit assets		7	-	-
Other financial assets	13	25,345	21,962	194,905
Other non-current assets		5,958	5,122	45,496
Deferred tax assets		70,168	46,587	413,445
Total non-current assets		355,898	339,888	3,016,410
Total assets		1,006,282	941,340	8,354,100

	Notes	Millions of yen March 31, 2015	Millions of yen March 31, 2016	Thousands of U.S. dollars March 31, 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	13	140,047	130,624	1,159,247
Income tax payables		8,384	6,830	60,614
Other financial liabilities	6,13	75,745	62,479	554,481
Provisions		24,322	23,019	204,286
Other current liabilities		106,942	102,065	905,824
Total current liabilities		355,442	325,019	2,884,452
Non-current liabilities				
Other financial liabilities	6,13	112,466	81,741	725,425
Net defined benefit liabilities		31,234	54,845	486,732
Provisions		6,141	4,941	43,849
Other non-current liabilities		2,977	3,114	27,656
Deferred tax liabilities		711	1,001	8,883
Total non-current liabilities		153,531	145,644	1,292,545
Total liabilities		508,973	470,663	4,176,997
Equity				
Share capital	7	53,204	53,204	472,168
Capital surplus	7	84,321	84,321	748,322
Treasury shares	7	(20,464)	(20,471)	(181,673)
Other components of equity	7	83,073	57,989	514,635
Retained earnings		294,191	292,775	2,598,287
Equity attributable to owners of the parent company		494,325	467,818	4,151,739
Non-controlling interests		2,982	2,858	25,364
Total equity		497,308	470,676	4,177,103
Total liabilities and equity		1,006,282	941,340	8,354,100

Consolidated Statement of Comprehensive Income

Years ended March 31, 2015 and 2016:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2015	2016	2016
Revenue	5	1,086,341	1,092,481	9,695,429
Cost of sales		(690,416)	(694,821)	(6,166,321)
Gross profit		395,924	397,660	3,529,108
Selling, general and administrative expenses		(294,648)	(312,708)	(2,775,186)
Other operating income	9	39,907	14,807	131,407
Other operating expense	10	(9,802)	(5,732)	(50,878)
Profit from operating activities		131,380	94,026	834,451
Finance income	11	3,268	1,652	14,660
Finance costs	11	(2,320)	(4,252)	(37,733)
Share of profit of investments accounted for using the equity method		207	104	922
Profit before tax		132,536	91,530	812,300
Income taxes		(18,631)	(45,421)	(403,097)
Profit from continuing operations		113,904	46,109	409,203
Loss from discontinued operations		(1,118)	(42)	(373)
Profit for the period		112,785	46,067	408,830
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		(1,512)	(22,161)	(196,671)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		2,121	(2,610)	(23,163)
Subtotal		608	(24,771)	(219,834)
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		30,113	(21,309)	(189,121)
Net changes in fair value of cash flow hedges		1,718	(1,215)	(10,782)
Share of other comprehensive income of investments accounted for using the equity method		257	(240)	(2,129)
Subtotal		32,089	(22,765)	(202,032)
Total other comprehensive income, net of tax		32,698	(47,536)	(421,866)
Total comprehensive income for the period		145,483	(1,469)	(13,036)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2015	2016	2016
Profit for the period attributable to:				
Owners of the parent company		112,560	45,772	406,221
Non-controlling interests		225	294	2,609
Profit for the period		112,785	46,067	408,830
Total comprehensive income for the period attributable to:				
Owners of the parent company		144,841	(1,456)	(12,930)
Non-controlling interests		642	(12)	(106)
Total comprehensive income for the period		145,483	(1,469)	(13,036)

	Notes	Yen		U.S. dollars
		Year ended March 31,		Year ended March 31,
		2015	2016	2016
Earnings per share for the period:				
Basic earnings per share for the period	12	314.61	127.94	1.14
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	12	317.74	128.06	1.14
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	12	(3.13)	(0.12)	(0.00)

Consolidated Statement of Changes in Equity

Years ended March 31, 2015 and 2016:

Millions of yen

	Notes	Equity attributable to owners of the parent company										Non-controlling interests	Total equity
					Other components of equity								
		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		
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		-	-	-	-	-	-	-	-	112,560	112,560	225	112,785
Other comprehensive income		-	-	-	(1,512)	2,253	29,821	1,718	32,281	-	32,281	416	32,698
Total comprehensive income for the period		-	-	-	(1,512)	2,253	29,821	1,718	32,281	112,560	144,841	642	145,483
Acquisition of treasury shares	7	-	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Dividends	8	-	-	-	-	-	-	-	-	(12,880)	(12,880)	(95)	(12,975)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	50	50
Transfer from other components of equity to retained earnings		-	-	-	1,512	(436)	-	-	1,075	(1,075)	-	-	-
Total transactions with the owners		-	-	(6)	1,512	(436)	-	-	1,075	(13,955)	(12,887)	(45)	(12,932)
As of March 31, 2015		53,204	84,321	(20,464)	-	7,149	74,868	1,055	83,073	294,191	494,325	2,982	497,308

(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		-	-	-	-	-	-	-	-	45,772	45,772	294	46,067
Other comprehensive income		-	-	-	(22,160)	(2,600)	(21,252)	(1,215)	(47,229)	-	(47,229)	(307)	(47,536)
Total comprehensive income for the period		-	-	-	(22,160)	(2,600)	(21,252)	(1,215)	(47,229)	45,772	(1,456)	(12)	(1,469)
Acquisition of treasury shares	7	-	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Dividends	8	-	-	-	-	-	-	-	-	(25,044)	(25,044)	(111)	(25,155)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	22,160	(15)	-	-	22,145	(22,145)	-	-	-
Total transactions with the owners		-	-	(6)	22,160	(15)	-	-	22,145	(47,189)	(25,050)	(111)	(25,162)
As of March 31, 2016		53,204	84,321	(20,471)	-	4,533	53,616	(160)	57,989	292,775	467,818	2,858	470,676

(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		472,168	748,322	(181,620)	-	63,465	664,429	9,363	737,257	2,610,852	4,386,979	26,465	4,413,444
Profit for the period		-	-	-	-	-	-	-	-	406,221	406,221	2,609	408,830
Other comprehensive income		-	-	-	(196,671)	(23,094)	(188,604)	(10,782)	(419,151)	-	(419,151)	(2,715)	(421,866)
Total comprehensive income for the period		-	-	-	(196,671)	(23,094)	(188,604)	(10,782)	(419,151)	406,221	(12,930)	(106)	(13,036)
Acquisition of treasury shares	7	-	-	(53)	-	-	-	-	-	-	(53)	-	(53)
Dividends	8	-	-	-	-	-	-	-	-	(222,257)	(222,257)	(995)	(223,252)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	196,671	(142)	-	-	196,529	(196,529)	-	-	-
Total transactions with the owners		-	-	(53)	196,671	(142)	-	-	196,529	(418,786)	(222,310)	(995)	(223,305)
As of March 31, 2016		472,168	748,322	(181,673)	-	40,229	475,825	(1,419)	514,635	2,598,287	4,151,739	25,364	4,177,103

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Consolidated Statement of Cash Flows

Years ended March 31, 2015 and 2016:

	Notes	Millions of yen Year ended March 31, 2015	 2016	Thousands of U.S. dollars Year ended March 31, 2016
Cash flows from operating activities				
Profit for the period		112,785	46,067	408,830
Depreciation and amortisation		44,907	45,923	407,552
Impairment loss and reversal of impairment loss		3,563	(2,210)	(19,613)
Finance (income) costs, net		(948)	2,600	23,073
Share of (profit) loss of investments accounted for using the equity method		(207)	(104)	(922)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		(4,288)	(6,886)	(61,111)
Income taxes		18,631	45,421	403,097
Decrease (increase) in trade receivables		(2,279)	10,661	94,613
Decrease (increase) in inventories		(19,252)	6,610	58,661
Increase (decrease) in trade payables		21	(8,915)	(79,117)
Increase (decrease) in net defined benefit liabilities		(25,355)	1,514	13,436
Other, net		8,842	(3,215)	(28,514)
Subtotal		136,419	137,468	1,219,985
Interest and dividend income received		2,481	1,664	14,767
Interest expenses paid		(1,552)	(1,218)	(10,809)
Payments for loss on litigation		(859)	(4,144)	(36,776)
Income taxes paid		(27,660)	(20,715)	(183,848)
Net cash provided by (used in) operating activities		108,828	113,054	1,003,319
Cash flows from investing activities				
Proceeds from sales of investment securities		249	51	452
Purchase of property, plant and equipment		(37,045)	(59,614)	(529,055)
Proceeds from sales of property, plant and equipment		272	582	5,165
Purchase of intangible assets		(5,738)	(6,538)	(58,022)
Proceeds from sales of intangible assets		29	31	275
Proceeds from sales of investment property		14,012	13,969	123,970
Purchase of investments in subsidiaries		(1,097)	(500)	(4,437)
Other, net		(3,417)	460	4,091
Net cash provided by (used in) investing activities		(32,735)	(51,558)	(457,561)
Cash flows from financing activities				
Net increase (decrease) in current borrowings		(30,167)	(1,819)	(16,152)
Repayment of non-current borrowings		(2,000)	(86)	(763)
Proceeds from issuance of bonds issued		10,000	-	-
Redemption of bonds issued		(20,000)	(40,000)	(354,987)
Payments of lease obligations		(241)	(103)	(914)
Dividends paid	8	(12,880)	(25,044)	(222,257)
Dividends paid to non-controlling interests		(95)	(111)	(995)
Purchase of treasury shares		(6)	(6)	(53)
Net cash provided by (used in) financing activities		(55,392)	(67,171)	(596,121)
Effect of exchange rate changes on cash and cash equivalents		13,118	(9,155)	(81,266)
Net increase (decrease) in cash and cash equivalents		33,819	(14,832)	(131,629)
Cash and cash equivalents at beginning of period		211,510	245,330	2,177,227
Cash and cash equivalents at end of period		245,330	230,498	2,045,598

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

(1) Compliance with IFRS

Epson's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") as issued by the International Accounting Standards Board which are applied based on the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, as Epson meets the criteria of a "Specified Companies applying Designated IFRS" defined under Article 1-2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) Basis of Measurement

Except for the financial instruments stated in "3. Significant Accounting Policies," Epson's consolidated financial statements are prepared on the cost basis.

(3) Functional Currency and Presentation Currency

Epson's consolidated financial statements are presented in Japanese yen (hereinafter referred to as "yen" or "¥"), which is the functional currency of the Company. The units are in millions of yen unless otherwise noted, and figures less than one million yen are rounded down.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥ 112.68 to U.S. $1 as of March 31, 2016.

(4) Reporting Period of Subsidiaries

The fiscal year end date of certain overseas subsidiaries is December 31, and Epson consolidates financial results of those subsidiaries in conformity with the provisional settlement of accounts as of the consolidated fiscal year end.

(5) Changes in Accounting Policies

There is no application of accounting standard and interpretation newly by Epson from the fiscal year 2015.

3. Significant Accounting Policies

(1) Basis of Consolidation

Consolidated financial statements of Epson include financial statements of the company and subsidiaries, and interests in investments in associates and joint ventures.

(A) Subsidiaries
A subsidiary is an entity that is controlled by Epson. Epson controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date of a subsidiary is the date on which Epson obtains control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which Epson loses control.
All intergroup balances, transactions, unrealised profit or loss arising from intergroup transaction are eliminated on consolidation. Comprehensive income for subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(B) Associates
An associate is an entity over which Epson has significant influence that is the power to participate in the financial and operating policy decisions of the entity. Investments in associates are accounted for using the equity method from the date on which Epson has the significant influence until the date on which it ceases to have the significant influence.

(C) Joint Ventures
A joint venture is a joint arrangement whereby Epson and the other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities, that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing control. Epson accounts for that investment using the equity method.

(2) Business Combinations
Each business combination is accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Epson, the liabilities incurred by Epson to former owners of the acquiree and the equity interests issued by Epson. As the excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Epson's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, goodwill is recognised in the consolidated statement of financial position. If the difference is a negative monetary value, the resulting gain is immediately recognised as profit in the consolidated statement of comprehensive income.
Acquisition-related costs incurred are recognised as expenses except for the costs to issue debt or equity securities.

(3) 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 determines its functional currency and measures its results and financial position in that currency.
Foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of transaction or a rate that approximates the actual rate at the rate of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.
Assets and liabilities of foreign operations are translated into Japanese yen at the closing date, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of the transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss in the period of disposition.

(4) Financial Instruments
Epson accounts for financial instruments in accordance with IFRS 9 "Financial Instruments" (announced in November 2009, revised in October 2010), which Epson has early adopted.

(A) Financial Assets

(i) Initial Recognition and Measurement
Financial assets are classified into financial assets measured at fair value and amortised cost at initial recognition. Financial assets are classified as financial assets measured at amortised 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 must be 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 recognises trade and other receivables on the date they are originated. All other financial assets are recognised 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 Amortised Cost
Financial assets measured at amortised cost are measured at amortised cost using the effective interest method.

(b) Financial Assets Measured at Fair Value
Financial assets other than those measured at amortised cost are measured at fair value.
Changes in fair value of financial assets measured at fair value are recognised in profit or loss. However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income are recognised in other comprehensive income and the cumulative change in fair value in other comprehensive income is transferred to retained earnings when equity instruments are derecognised or the decline in its fair value is significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

(iii) Derecognition
Financial assets are derecognised 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.

(B) Impairment of Financial Assets
At the end of each fiscal year, Epson assesses whether there is any objective evidence that financial assets measured at amortised 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 amortised 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 recognised, the carrying amount of the financial asset is reduced by an allowance account and impairment loss is recognised in profit or loss. If the amount of the impairment loss provided decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss through the allowance account.

(C) Financial Liabilities

(i) Initial Recognition and Measurement
Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. Epson determines the classification at initial recognition.
All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortised cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent Measurement
After initial recognition, financial liabilities are measured based on the classification as follows:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss
Financial liabilities measured at fair value through profit or loss include financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial Liabilities Measured at Amortised Cost
Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest

method.

(iii) Derecognition
Financial liabilities are derecognised when the obligation is discharged, canceled or expired.

(D) Offsetting a Financial Asset and a Financial Liability
A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and Epson intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(E) Derivatives Accounting
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.
Changes in fair value of derivatives are recognised in 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 recognised in other comprehensive income in the consolidated statement of comprehensive income.

(F) Hedge Accounting
At the inception of a hedge, Epson formally designates and documents the hedging relationship to which hedge accounting is applied 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 financial reporting periods for which the hedges were designated. Epson classifies hedging relationships that meet the qualifying criteria for hedge accounting in the following categories and applies hedge accounting to the hedging relationships.

(i) Fair Value Hedge
The gain or loss on the derivative is recognised in profit or loss in the consolidated statement of comprehensive income. The hedging gain or loss on the hedged items attributable to the hedged risks adjust the carrying amount of the hedged item and is recognised in profit or loss in the consolidated statement of comprehensive income.

(ii) Cash Flow Hedge
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognised immediately in profit or loss in the consolidated statement of comprehensive income.
The amounts of hedging instruments recognised 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 recognised in 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 recognised in 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 recognised in other comprehensive income continue to be recognised in equity until the forecast transactions or firm commitments occur.

(iii) Hedges of a Net Investment in Foreign Operation
Hedges of a net investment in foreign operation are accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognised in profit or loss in the consolidated statement of comprehensive income. On the disposal of the foreign operation, the cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income is reclassified from equity to profit or loss.

(G) Fair Value of Financial Instruments
Fair value of financial instruments that are traded in an active market as of the end of fiscal year refers to quoted

market prices or dealer quotations.
If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

(5) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as such that has a short maturity of three months or less from the date of acquisition.

(6) 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 cost of inventories is assigned by using the weighted-average cost formula. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, Plant and Equipment

The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalisation.
After recognition as an asset, property, plant, and equipment is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.
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 assets are 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 expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

(8) Intangible Assets

(A) Goodwill
Goodwill acquired in a business combination is measured at the amount recognised at the acquisition date less any accumulated impairment losses.
Goodwill is not amortised and allocated to a cash-generating unit that is identified according to locations and types of businesses. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. An impairment loss is recognised in profit or loss in the consolidated statement of comprehensive income and not reversed in a subsequent period.

(B) Intangible Assets other than Goodwill
The cost of a separately acquired intangible asset is measured initially at cost, and the cost of intangible asset acquired in a business combination is its fair value at the acquisition date. The cost of internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.
After initial recognition, an intangible asset is measured by using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses.
An intangible asset with a finite useful life is amortised using the straight-line method over its estimated useful life. The estimated useful life of major intangible asset with a finite useful life is as follows:

• Software: 3 to 5 years

The estimated useful lives and amortisation method are reviewed at each fiscal year end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.
An intangible asset with an indefinite useful life or an intangible asset not yet available for use are not amortised and tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired.

(9) Leases

Epson classifies a lease as finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset and a lease as operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset.
At the commencement of the lease term, finance leases are recognised as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present

value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The asset is depreciated using the straight-line method over the shorter of the lease term and its estimated useful life which is consistent with that for depreciable assets that are owned. Contingent rents are recognised as expenses in the periods in which they are incurred.
Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term in the consolidated statement of comprehensive income.
Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.
After recognition as an asset, investment property is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Investment property is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major investment properties is 35 years.

(11) Impairment of Non-financial Assets

Epson assesses whether there is any indication that an asset may be impaired. If any such indication exists, or irrespective of whether there is any indication of impairment, where impairment testing is required, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount for each asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount is measured at the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. If carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss. In determining an asset’s value in use, an estimate of the future cash flows expected to derive from the asset are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.
An impairment loss for goodwill is recognised in profit or loss in the consolidated statement of comprehensive income and not reversed in a subsequent period. Epson assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. If the recoverable amount exceeds the carrying amount of the asset, an impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset in prior years.

(12) Non-current Assets Held for Sale and Discontinued Operations

Epson classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset or disposal group as held for sale is available for immediate sale in its present condition and its sale is highly probable when Epson management commits to a plan to sell the asset or disposal group.
Epson measures the non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The non-current asset is not depreciated or amortised while it is classified as held for sale or while it is part of a disposal group classified as held for sale.
A discontinued operation is a component of an entity, that is a cash-generating unit or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

(13) 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 and the related current service cost and past service cost, using the projected unit credit method. For a discount rate, a discount period is set based on the estimated timing of benefit payments in each period, and the discount rate is determined by reference to market yields as of the end of fiscal year on high quality corporate bonds for the period corresponding to the discount period. The net defined benefit liability (asset) is measured by deducting the fair value of any plan assets (including adjustments of the net defined benefit asset and the asset ceiling, if necessary) from the present value of the defined benefit obligation. Net interest on the net defined benefit liability (asset) is recognised in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognised in other

comprehensive income and transferred to retained earnings immediately. Past service cost is recognised as an expense at the earlier of when a plan amendment or curtailment occurs and when any related restructuring costs or termination benefits are recognised.
The contribution payable to a defined contribution plan is recognised as an expense.

(14) Provisions

Epson recognises provision when it has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Where the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(15) Revenue

(A) Sale of Goods
Epson recognises revenue from the sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyers, Epson retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the economic benefits associated with the transaction will flow to Epson, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The risks and rewards of ownership of the goods are usually transferred at the time of delivery of the goods to customers. The amount of revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates.

(B) Interest
Interest is recognised using the effective interest method.

(C) Dividends
Dividends are recognised when the shareholder’s right to receive payment is established.

(D) Royalties
Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

(E) Rendering of Services
Revenues arising from rendering of services are recognised by reference to the stage of completion of the transaction as of the end of fiscal year.

(16) Government Grants

A government grant is recognised at fair value when there is reasonable assurance that Epson will comply with the conditions attaching to it, and that the grant will be received.
Grants related to assets are deducted in calculating the carrying amount of the asset.
Grants related to income are recognised in profit or loss on a systematic basis over the periods in which Epson recognises as expenses the related costs for which the grants are intended to compensate.

(17) Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.
The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period when they are incurred.

(18) Income Taxes

Income taxes are presented as the total of current tax expense and deferred tax expense.
Current tax is the amount of income taxes payable or recoverable and is recognised as an expense or income and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity or a business combination. For the calculation of the tax amount, Epson uses the tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.
Deferred tax expense is calculated based on a temporary difference that is the difference between the carrying amount of the assets or liabilities in the consolidated financial statements and their tax bases. A deferred tax asset is recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to

the extent that it is probable that future taxable profit will be available against which they can be utilized. A deferred tax liability is recognised for all taxable temporary differences.
A deferred tax liability is not recognised for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction. Also a deferred tax liability is not recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
A deferred tax asset is not recognised for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilized.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.

(19) Treasury Shares

Treasury shares are measured at their cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the treasury shares. Any difference between the carrying amount and the consideration paid is recognised in equity.

(20) Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusting by the number of treasury shares.

(21) Dividends

Year-end dividend distributions to the shareholders of the Company are recognised as liabilities in the period in which the distribution is approved by the Annual Shareholders' Meeting. Interim dividend distributions are recognised as liabilities in the period in which the distribution is approved by Epson's Board of Directors.

4. Significant Accounting Estimates and Judgments

The preparation of Epson's consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of the fiscal year end date. 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 the fiscal year end date. 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 recognised in the period of the change and subsequent periods.
Among the above estimates and assumptions, the following were items that may have a material effect on the amounts recognised in Epson's consolidated financial statements:

(1) Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Investment Property

Epson performs an impairment test for property, plant and equipment, goodwill, intangible assets and investment property when there is any indication that the recoverable amount has fallen below the carrying amount of the assets.
The impairment test is performed by comparing the carrying amount and the recoverable amount of assets. If the recoverable amount falls below the carrying amount, impairment losses are recognised. Recoverable amount is determined with certain assumptions of useful life, future cash flow of an asset, discount rate and long-term growth rate. These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson's consolidated financial statements in future periods.

(2) Post-employment Benefits

Epson has several types of post-employment benefit plans, including defined benefit plans.
The present value of defined benefit obligations on each of these plans and the related service costs and others are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates.
The actuarial assumptions are determined based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson’s consolidated financial statements in future periods.

(3) Provisions

Epson recognises various provisions, including provisions for product warranties and provisions for loss on litigation, in the consolidated statement of financial position.
These provisions are recognised based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the fiscal year end date.
Expenditures necessary for settling the obligations are calculated by taking all possible future results into account; however, they may be affected by unexpected events or changes in conditions which may have a material impact on Epson’s consolidated financial statements in future periods.

(4) Income Taxes

Epson, which conducts business around the world, makes reasonable estimates of income tax to be paid to local tax authorities in accordance with local laws and regulations, and recognises income taxes payable and current tax expense based on these estimates.
Calculating income taxes payable and current tax expense requires estimates and judgments on various factors, including, for example, the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or experience of prior tax investigation.
Therefore, there may be differences between the amount recognised as income taxes payable and current tax expense and the amount of actual income taxes payable and current tax expense. These differences may have a material impact on Epson’s consolidated financial statements in future periods.
In addition, deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. In recognising the deferred tax assets, Epson judges the possibility of future taxable income and reasonably estimate the timing and amount of future taxable income based on the business plan. The timing and amount of taxable income may be affected by variable and uncertain future economic conditions, and changes could have a material impact on Epson’s consolidated financial statements in future periods.

(5) Contingencies

With regard to contingencies, any items that may have a material impact on business in the future are disclosed in light of all the available evidence as of the fiscal year end date and by taking into account the probability of these contingencies and their impact on financial reporting.

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 year ended March 31, 2015 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: Year ended March 31, 2015

Millions of yen

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	730,534	176,938	167,589	1,075,062	808	10,470	1,086,341
Inter-segment revenue	333	247	5,889	6,470	581	(7,052)	-
Total revenue	730,867	177,186	173,478	1,081,532	1,390	3,418	1,086,341
Segment profit (loss) (Business profit) (Note 1)	111,442	19,421	10,338	141,202	(318)	(39,608)	101,275
					Other operating income (expense)		30,104
					Profit from operating activities		131,380
					Finance income (costs), net		948
					Share of profit of investments accounted for using the equity method		207
					Profit before tax		132,536

Other items

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 4)	Consolidated
Depreciation and amortisation expense	(23,011)	(7,242)	(8,075)	(38,329)	(20)	(6,127)	(44,478)
Impairment loss and Reversal of impairment loss on other than financial assets	(38)	(81)	(590)	(710)	-	(2,852)	(3,563)
Segment assets	372,246	119,363	138,596	630,206	564	375,511	1,006,282
Capital expenditures	22,190	6,876	8,360	37,427	12	7,987	45,427

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

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

(Note 3) Adjustments to segment profit (loss) (business profit) of (¥39,608) million comprised “Eliminations” of ¥334million and “Corporate expenses” of (¥39,943) million. The corporate expenses included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) Adjustments to segment assets of ¥375,511 million comprised “Eliminations” of (¥4,583) million and “Corporate assets” of ¥380,095 million.

FY2015: Year ended March 31, 2016

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	736,033	183,997	164,384	1,084,415	753	7,312	1,092,481
Inter-segment revenue	336	35	6,031	6,403	651	(7,055)	-
Total revenue	736,369	184,033	170,415	1,090,819	1,404	257	1,092,481
Segment profit (loss) (Business profit) (Note 1)	104,740	15,593	9,817	130,150	(566)	(44,632)	84,951
Other operating income (expense)							9,074
Profit from operating activities							94,026
Finance income (costs), net							(2,600)
Share of profit of investments accounted for using the equity method							104
Profit before tax							91,530

Other items

	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation expense	(24,183)	(7,420)	(8,171)	(39,775)	(21)	(5,602)	(45,399)
Impairment loss and Reversal of impairment loss on other than financial assets	(251)	(406)	(203)	(861)	-	3,071	2,210
Segment assets	348,610	108,097	130,867	587,576	638	353,125	941,340
Capital expenditures	36,623	10,763	10,293	57,680	40	11,701	69,423

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

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

(Note 3) Adjustments to segment profit (loss) (business profit) of (¥44,632) million comprised “Eliminations” of ¥470 million and “Corporate expenses” of (¥45,102) million. The corporate expenses included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) Adjustments to segment assets of ¥353,125 million comprised “Eliminations” of (¥3,999) million and “Corporate assets” of ¥357,124 million.

FY2015: Year ended March 31, 2016

Thousands of U.S. dollars

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	6,532,073	1,632,925	1,458,857	9,623,855	6,683	64,891	9,695,429
Inter-segment revenue	2,991	310	53,523	56,824	5,777	(62,601)	-
Total revenue	6,535,064	1,633,235	1,512,380	9,680,679	12,460	2,290	9,695,429
Segment profit (loss) (Business profit) (Note 1)	929,535	138,383	87,122	1,155,040	(5,023)	(396,095)	753,922
						Other operating income (expense)	80,529
						Profit from operating activities	834,451
						Finance income (costs), net	(23,073)
						Share of profit of investments accounted for using the equity method	922
						Profit before tax	812,300

Other items

	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 4)	Consolidated
Depreciation and amortisation expense	(214,625)	(65,850)	(72,515)	(352,990)	(186)	(49,726)	(402,902)
Impairment loss on other than financial assets	(2,237)	(3,603)	(1,801)	(7,641)	-	27,254	19,613
Segment assets	3,093,824	959,327	1,161,403	5,214,554	5,662	3,133,884	8,354,100
Capital expenditures	325,027	95,518	91,347	511,892	354	103,861	616,107

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

(Note 2) "Other" consists of the intra-group services.

(Note 3) Adjustments to segment profit (loss) (business profit) of ($396,095) thousand comprised "Eliminations" of $4,171 thousand and "Corporate expenses" of ($400,266) thousand. The corporate expenses included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) Adjustments to segment assets of $3,133,884 million comprised "Eliminations" of ($35,480) million and "Corporate assets" of $3,169,364 million.

(3) Geographic Information

The regional breakdowns of non-current assets and external revenues as of each fiscal year end were as follows:

Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2015	2016	2016
Japan	163,689	168,114	1,491,959
China	26,464	25,704	228,115
Other	70,223	77,520	687,986
Total	260,377	271,338	2,408,060

(Note) Non-current assets, excluding other financial assets, deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2015	2016	2016
Japan	276,238	264,012	2,343,024
The United States	205,215	227,849	2,022,089
China	148,176	144,466	1,282,090
Other	456,710	456,152	4,048,226
Total	1,086,341	1,092,481	9,695,429

(Note) Revenue is segmented by country based on the location of the customers.

(4) Major Customers Information

Epson had no transactions with a single external customer amounting to 10% or more of total external revenue.

6. Other Financial Liabilities

The breakdown of “Other financial liabilities” was as follows:

	Millions of yen		Thousands of U.S. dollars	%	Due
	March 31,		March 31,	Average interest rate (Note 1)	
	2015	2016	2016		
Derivative financial liabilities	259	823	7,303	-	-
Current borrowings	35,380	31,104	276,038	1.15	-
Current portion of non-current borrowings	53	500	4,437	0.65	-
Current portion of bonds issued (Note 2)	39,978	29,989	266,143	-	-
Non-current borrowings	50,533	50,000	443,734	0.68	2017
Bonds issued (Note 2)	59,853	29,928	265,601	-	-
Other	2,153	1,874	16,650	-	-
Total	188,211	144,220	1,279,906		
Current liabilities	75,745	62,479	554,481		
Non-current liabilities	112,466	81,741	725,425		
Total	188,211	144,220	1,279,906		

(Note 1) The average interest rate is calculated using the interest rate and outstanding balance as of March 31, 2016.
(Note 2) The summary of issuing conditions of the bonds issued was as follows:

Company	Name of bonds issued	Issue date	% interest rate	Collateral	Maturity date	Millions of yen March 31, 2015	Millions of yen March 31, 2016	Thousands of U.S. dollars March 31, 2016
The Company	The 5th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 3, 2010	0.58	Non	Sep 3, 2015	20,000 (20,000)	–	–
The Company	The 7th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jun 14, 2011	0.72	Non	Jun 14, 2016	20,000	20,000 (20,000)	177,493 (177,493)
The Company	The 8th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 12, 2012	0.55	Non	Sep 11, 2015	20,000 (20,000)	–	–
The Company	The 9th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 12, 2012	0.67	Non	Sep 12, 2017	10,000	10,000	88,746
The Company	The 10th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 11, 2013	0.33	Non	Sep 9, 2016	10,000	10,000 (10,000)	88,746 (88,746)
The Company	The 11th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 11, 2013	0.57	Non	Sep 11, 2018	10,000	10,000	88,746
The Company	The 12th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jun 13, 2014	0.35	Non	Jun 13, 2019	10,000	10,000	88,746
						100,000 (40,000)	60,000 (30,000)	532,477 (266,239)

*The figures in parentheses represent the current portion of bonds issued.

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. Equity and Other Equity Items

(1) Share Capital and Capital Surplus

(A) Authorised Shares
The number of authorized shares as of March 31, 2015 and 2016 was 607,458,368 ordinary shares and 1,214,916,736 ordinary shares, respectively. Increase in the number of authorized shares during the year ended March 31, 2016 resulted from the Company's common shares split with an effective date of April 1, 2015.

(B) Fully Paid Issued Shares
The schedule of the number of issued shares, the amount of "Share capital" and "Capital surplus" was as follows:

	a share	Millions of yen		Thousands of U.S. dollars	
	Number of ordinary issued shares (Note1)	Share capital	Capital surplus	Share capital	Capital surplus
As of April 1, 2014	199,817,389	53,204	84,321		
Increase (decrease)	-	-	-		
As of March 31, 2015	199,817,389	53,204	84,321	472,168	748,322
Increase (decrease) (Note2)	199,817,389	-	-	-	-
As of March 31, 2016	399,634,778	53,204	84,321	472,168	748,322

(Note1) The shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(Note2) Increase in the number of ordinary issued shares during the year ended March 31, 2016 resulted from the Company's common shares split with an effective date of April 1, 2015.

(2) Treasury Shares

The schedule of the number of treasury shares and the corresponding amount was as follows:

	a share	Millions of yen	Thousands of U.S. dollars
	Number of shares	Amount	Amount
As of April 1, 2014	20,927,083	20,457	
Increase (decrease) (Note1)	1,574	6	
As of March 31, 2015	20,928,657	20,464	181,620
Increase (decrease) (Note2)	20,931,739	6	53
As of March 31, 2016	41,860,396	20,471	181,673

(Note1) Increase in the number of treasury shares during the year ended March 31, 2015 resulted from the purchase of odd shares.

(Note2) Increase in the number of treasury shares during the year ended March 31, 2016 resulted from the purchase of odd shares and the Company's common shares split with an effective date of April 1, 2015.

(3) Other Components of Equity

(A) Remeasurement of net defined benefit liabilities (assets)
Remeasurement of net defined benefit liabilities (assets) comprise actuarial gain and loss on the present value of defined benefit obligations and the return on plan assets excluding amounts included in net interest. The amount is recognised as other comprehensive income when occurred and is transferred immediately from other components of equity to retained earnings.

(B) Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
This is the valuation difference in fair value of financial assets measured at fair value through other comprehensive income.

(C) Exchange differences on translation of foreign operations
This is a foreign currency translation difference that occurs when consolidating financial statements of foreign operations are prepared in foreign currencies.

(D) Net changes in fair value of cash flow hedges
Epson uses derivatives for hedging to avoid the risk of fluctuation in future cash flows. This is the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

8. Dividends

Dividends paid were as follows:

FY2014: Year ended March 31, 2015

(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
Board of Directors (October 31, 2014)	Ordinary shares	6,261	35	September 30, 2014	December 5, 2014

FY2015: Year ended March 31, 2016

(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
Board of Directors (October 29, 2015)	Ordinary shares	10,733	30	September 30, 2015	December 4, 2015

FY2015: Year ended March 31, 2016

(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	127,005	0.70	March 31, 2015	June 26, 2015
Board of Directors (October 29, 2015)	Ordinary shares	95,252	0.26	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.

Dividends whose basis dates were during the years ended March 31, 2015 and 2016, but whose effective dates were subsequent to March 31, 2015 and 2016 were as follows:

FY2014: Year ended March 31, 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: Year ended March 31, 2016

(Plan of Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2016)	Ordinary shares	10,733	30	March 31, 2016	June 29, 2016

FY2015: Year ended March 31, 2016

(Plan of 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 28, 2016)	Ordinary shares	95,252	0.26	March 31, 2016	June 29, 2016

9. Other Operating Income

The breakdown of “Other operating income” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2015	2016	2016
Gain on sales of property, plant and equipment, intangible assets and investment property	5,270	7,733	68,627
Income from reversal of impairment loss	-	3,828	33,972
Foreign exchange gain	-	931	8,262
Income from a revision of the defined benefit plan (Note)	30,071	-	-
Other	4,564	2,314	20,546
Total	39,907	14,807	131,407

(Note)As a result of a revision to the defined benefit plan, Epson recognised a ¥30,071 million decline in expenses associated with past service costs at the Company and certain domestic subsidiaries. This resulted in a ¥30,071 million increase in other operating income for the year ended March 31, 2015.

10. Other Operating Expense

The breakdown of “Other operating expense” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2015	2016	2016
Impairment loss	(3,563)	(1,618)	(14,359)
Loss on litigation	(510)	(829)	(7,357)
Loss on the disposal of property, plant and equipment and intangible assets	(745)	(755)	(6,700)
Foreign exchange loss	(2,595)	-	-
Other	(2,388)	(2,529)	(22,462)
Total	(9,802)	(5,732)	(50,878)

11. Finance Income and Finance Costs

The breakdowns of "Finance income" and "Finance costs" were as follows:

Finance Income	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2015	2016	2016
Interest income	2,159	1,275	11,315
Dividend income	278	340	3,017
Foreign exchange gain (Note)	567	-	-
Other	263	36	328
Total	3,268	1,652	14,660

Finance Costs	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2015	2016	2016
Interest expense	(1,559)	(1,319)	(11,705)
Foreign exchange loss (Note)	-	(2,177)	(19,320)
Employee benefit expense	(531)	(700)	(6,212)
Other	(229)	(55)	(496)
Total	(2,320)	(4,252)	(37,733)

(Note) The increase or decrease in the fair value of currency derivatives is included in the foreign exchange gain (loss).

12. 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
	Year ended March 31,		Year ended March 31,
	2015	2016	2016
Profit from continuing operations attributable to owners of the parent company	113,678	45,815	406,594
Loss from discontinued operations attributable to owners of the parent company	(1,118)	(42)	(373)
Profit used for calculation of basic earnings per share	112,560	45,772	406,221

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

	Thousands of shares	
	Year ended March 31, 2015	Year ended March 31, 2016
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.

13. 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 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,				March 31,	
	2015		2016		2016	
	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	1,383	1,383	12,273	12,273
Equity securities	19,639	19,639	16,060	16,060	142,527	142,527
Financial assets measured at amortised cost						
Cash and cash equivalents	245,330	245,330	230,498	230,498	2,045,598	2,045,598
Trade and other receivables	167,482	167,482	151,660	151,660	1,345,935	1,345,935
Bonds receivable	108	108	88	88	780	780
Other	5,960	5,960	6,104	6,104	54,181	54,181
Financial liabilities measured at fair value						
Derivative financial liabilities	259	259	823	823	7,303	7,303
Financial liabilities measured at amortised cost						
Trade and other payables	140,047	140,047	130,624	130,624	1,159,247	1,159,247
Interest-bearing debt						
Borrowings	85,966	86,118	81,604	81,728	724,209	725,310
Bonds issued	99,831	100,466	59,917	60,297	531,744	535,117
Lease obligations	180	180	233	233	2,067	2,067
Other	1,973	1,973	1,641	1,641	14,583	14,583

(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 inputs unobservable input 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 March 31, 2016

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	1,383	-	1,383
Equity securities	14,006	-	2,054	16,060
Total	14,006	1,383	2,054	17,444
Financial liabilities				
Derivative financial liabilities	-	823	-	823
Total	-	823	-	823

FY2015: As of March 31, 2016

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	12,273	-	12,273
Equity securities	124,299	-	18,228	142,527
Total	124,299	12,273	18,228	154,800
Financial liabilities				
Derivative financial liabilities	-	7,303	-	7,303
Total	-	7,303	-	7,303

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

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
	Year ended March 31,		Year ended March 31,
	2015	2016	2016
Balance as of April 1	2,606	2,406	21,352
Gains and losses			
Other comprehensive income	(174)	(319)	(2,841)
Sales	(25)	(32)	(283)
Other	0	-	-
Balance as of March 31	2,406	2,054	18,228

14. 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 a certain anti-monopoly-related authority.

(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.

15. Subsequent Events

Share repurchase
The Company resolved at the meeting of its Board of Directors held on April 28, 2016 to repurchase its own shares pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase

To optimize capital efficiency and to further enhance shareholder returns

(2) Class of shares to be repurchased

Ordinary shares

(3) Total number of repurchasable shares

7 million shares (maximum) (1.95% of the total number of issued shares (excluding treasury stock))

(4) Total repurchase cost

10 billion yen (maximum)

(5) Repurchase period

May 2, 2016 - June 30, 2016

(6) Repurchase method

Through securities company using discretionary transactions method

Supplementary Information

Consolidated year ended March 31, 2016

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)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Printing Solutions	730.8	736.3	0.8%	695.0	(5.6%)
Printers	511.1	518.9	1.5%	489.0	(5.8%)
Professional Printing	199.1	201.6	1.3%	188.0	(6.8%)
Other	22.5	18.1	(19.7%)	19.0	4.9%
Inter-segment revenue	(1.9)	(2.3)	-%	(1.0)	-%
Visual Communications	177.1	184.0	3.9%	173.0	(6.0%)
Wearable & Industrial Products	173.4	170.4	(1.8%)	163.0	(4.4%)
Wearable Products	57.0	60.7	6.4%	56.0	(7.8%)
Robotics Solutions	15.6	15.4	(1.3%)	18.0	16.8%
Microdevices,Other	107.8	101.8	(5.6%)	96.0	(5.7%)
Inter-segment revenue	(7.0)	(7.5)	-%	(7.0)	-%
Other	1.3	1.4	1.1%	1.0	(28.8%)
Corporate expenses & Eliminations	3.4	0.2	(92.5%)	(2.0)	-%
Consolidated revenue	1,086.3	1,092.4	0.6%	1,030.0	(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”.

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Printing Solutions					
Revenue:					
External	730.5	736.0	0.8%	695.0	(5.6%)
Inter-segment	0.3	0.3	0.6%	0.0	-%
Total	730.8	736.3	0.8%	695.0	(5.6%)
Segment profit (loss)	111.4	104.7	(6.0%)	93.0	(11.2%)
Visual Communications					
Revenue:					
External	176.9	183.9	4.0%	173.0	(6.0%)
Inter-segment	0.2	0.0	(85.5%)	0.0	-%
Total	177.1	184.0	3.9%	173.0	(6.0%)
Segment profit (loss)	19.4	15.5	(19.7%)	15.0	(3.8%)
Wearable & Industrial Products					
Revenue:					
External	167.5	164.3	(1.9%)	156.0	(5.1%)
Inter-segment	5.8	6.0	2.4%	7.0	16.1%
Total	173.4	170.4	(1.8%)	163.0	(4.4%)
Segment profit (loss)	10.3	9.8	(5.0%)	11.0	12.0%
Other					
Revenue:					
External	0.8	0.7	(6.8%)	0.0	-%
Inter-segment	0.5	0.6	12.0%	1.0	53.5%
Total	1.3	1.4	1.1%	1.0	(28.8%)
Segment profit (loss)	(0.3)	(0.5)	-%	(1.0)	-%
Corporate expenses & Eliminations					
Revenue:					
External	10.4	7.3	(30.2%)	6.0	(17.9%)
Inter-segment	(7.0)	(7.0)	-%	(8.0)	-%
Total	3.4	0.2	(92.5%)	(2.0)	(877.0%)
Segment profit (loss)	(39.6)	(44.6)	-%	(46.0)	-%
Consolidated					
Revenue	1,086.3	1,092.4	0.6%	1,030.0	(5.7%)
Business profit (loss)	101.2	84.9	(16.1%)	72.0	(15.2%)

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)

	Year ended December 31, 2015	Year ended December 31, 2016	Increase	Increase %
Overseas Revenue				
The Americas	304.6	320.0	15.3	5.0%
Europe	230.9	226.3	(4.5)	(2.0%)
Asia/Oceania	274.4	282.0	7.5	2.8%
Total	810.1	828.4	18.3	2.3%
Consolidated revenue	1,086.3	1,092.4	6.1	0.6%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	28.0	29.3		
Europe	21.3	20.7		
Asia/Oceania	25.3	25.8		
Total	74.6	75.8		

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)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Capital expenditure	45.4	69.4	52.8%	80.0	15.2%
Printing Solutions	22.1	36.6	65.0%	46.0	25.6%
Visual Communications	6.8	10.7	56.5%	11.0	2.2%
Wearable & Industrial Products	8.3	10.2	23.1%	11.0	6.9%
Other / Coporate expenses	8.0	11.7	46.8%	12.0	2.2%
Depreciation and amortization	44.4	45.3	2.1%	47.0	3.5%
Printing Solutions	23.0	24.1	5.1%	25.0	3.4%
Visual Communications	7.2	7.4	2.5%	8.0	7.8%
Wearable & Industrial Products	8.0	8.1	1.2%	9.0	10.1%
Other / Coporate expenses	6.1	5.6	(8.5%)	5.0	(11.1%)

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)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Research and Development	47.8	53.1	11.2%	57.0	7.2%
R&D / revenue ratio	4.4%	4.9%		5.5%	

6. Management indices

(Unit: %)

	Year ended March 31, 2015	Year ended March 31, 2016	Increase Point	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 Point
ROE	26.3%	9.5%	(16.8)	11.2%	1.7
ROA (Business profit)	10.6%	8.7%	(1.9)	7.6%	(1.1)
ROA (Profit from operating activities)	13.7%	9.7%	(4.0)	7.4%	(2.3)
ROS (Business profit)	9.3%	7.8%	(1.5)	7.0%	(0.8)
ROS (Profit from operating activities)	12.1%	8.6%	(3.5)	6.8%	(1.8)

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. Foreign exchange fluctuation effect on revenue and business profit

(Unit: billion yen)

	Year ended March 31, 2015	Year ended March 31, 2016
Foreign exchange effect on revenue		14.8
U.S. dollars		29.8
Euro		(8.3)
Other		(6.6)
Foreign exchange effect on business profit		(17.7)
U.S. dollars		(4.5)
Euro		(5.8)
Other		(7.3)
Exchange rate		
Yen / U.S. dollars	109.93	120.14
Yen / Euro	138.77	132.58

Note: 1.Foreign exchange effect = (Foreign currency revenue or business profit for the period) x (Average exchange rate for the period – Average exchange rate for the same prior period)
2.Transactions in Latin American currencies are calculated in those currencies from FY2015.
In previous supplementary information, Latin American currencies were calculated and shown as USD transactions.

8. Inventory

(Unit: billion yen)

	September 30, 2015	March 31, 2015	March 31, 2016	Increase compared to March 31, 2015
Inventory	234.2	220.4	201.6	(18.8)
Printing Solutions	133.0	121.6	108.7	(12.9)
Visual Communications	55.9	53.4	47.1	(6.3)
Wearable & Industrial Products	44.3	44.5	45.1	0.5
Other / Coporate expenses	0.9	0.6	0.6	(0.0)
Turnover by days	79	74	67	(7)
Printing Solutions	68	61	54	(7)
Visual Communications	107	110	94	(16)
Wearable & Industrial Products	89	94	97	3
Other / Coporate expenses	47	21	27	6

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

9. Employees

(Unit: person)

	September 30, 2015	March 31, 2015	March 31, 2016	Increase compared to March 31, 2015
Number of employees at period end	71,777	69,878	67,605	(2,273)
Domestic	18,804	18,627	18,699	72
Overseas	52,973	51,251	48,906	(2,345)