EPSON
EXCEED YOUR VISION

3-5 Owa 3-chome Suwa, Nagano
392-8502, Japan
Tel: +81-266-52-3131
http://global.epson.com/

April 28, 2017

CONSOLIDATED RESULTS FOR YEAR ENDED MARCH 31, 2017 (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, 2017
	2016	2017		
Revenue	1,092,481	1,024,856	(6.2%)	9,135,003
Business profit (Note)	84,951	65,807	(22.5%)	586,568
Profit from operating activities	94,026	67,892	(27.8%)	605,151
Profit before tax	91,530	67,470	(26.3%)	601,390
Profit for the period	46,067	48,426	5.1%	431,642
Profit for the period attributable to owners of the parent company	45,772	48,320	5.6%	430,698
Total comprehensive income for the period	(1,469)	55,982	-	498,992
Basic earnings per share (in ¥1, $1 unit)	127.94	136.82		1.22
Diluted earnings per share (in ¥1, $1 unit)	127.94	136.82		1.22

(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, 2016	March 31, 2017	March 31, 2017
Total assets	941,340	974,387	8,685,150
Total equity	470,676	494,722	4,409,680
Equity attributable to owners of the parent company	467,818	492,196	4,387,164
Equity attributable to owners of the parent company ratio (%)	49.7%	50.5%	50.5%

Consolidated Statement of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Year ended March 31,			Year ended March 31, 2017
	2016	2017		
Net cash provided by (used in) operating activities	113,054	96,873	(14.3%)	863,472
Net cash provided by (used in) investing activities	(51,558)	(75,759)	-	(675,274)
Net cash provided by (used in) financing activities	(67,171)	(26,691)	-	(237,908)
Cash and cash equivalents at end of period	230,498	221,782	(3.8%)	1,976,842

Cash dividends per share

	Yen		U.S. dollars
	March 31, 2016	March 31, 2017	March 31, 2017
Interim	30.00	30.00	0.26
Year-end	30.00	30.00	0.26
Total	60.00	60.00	0.52

Notes

I. Consolidated Financial Statements are disclosed according to IFRS.

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

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

IV. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥112.19 = U.S.$1 as of March 31, 2017 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2016 Full-Year Overview

On the whole, the global economy continued its gradual recovery during the year under review. Regionally, the U.S. economy continued to recover, fueled by an increase in consumer spending and an improved employment situation. The economic slowdown in Latin America, however, continued. In Europe the economy also gradually recovered, with a drop in the unemployment rate. Meanwhile, the Chinese economy showed signs of picking up. In Japan improved corporate earnings, an uptick in consumer spending, and an improvement in the employment situation signaled a continuation of a gradual economic recovery.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Total demand for inkjet printers was stagnant due to the continuing contraction of the Japanese consumer market and a shrinking of the North American and Western European markets. On the other hand, there was solid demand for high-capacity ink tank printers, as the entry of other companies had the effect of boosting recognition. Large-format inkjet printer demand was subdued in China and Latin America due to economic deceleration but remained firm in North America and Japan. Serial-impact dot-matrix (SIDM) printer demand in China in the first half of the year was driven by that country’s change from a business tax to a value added tax (B2V tax reform). However, demand continued to contract in the Americas and Europe.
Projector demand increased in Europe ahead of major sporting events, but overall demand was subdued due to the effects of the economic slowdown in Latin America, a sluggish North American retail market, and weak demand for education projectors in some major European countries. However, signs of a slight recovery were seen throughout the second half of the year.
Demand was mixed in the main markets for Epson's electronic devices. In the mobile phone market, demand for feature phones continued to decline while demand for smart phones remained firm, owing primarily to growth of emerging market manufacturers in China and elsewhere. Demand in the digital camera market was subdued. Demand for watches fell sharply overall due to softening demand from tourists to Japan, declines in demand in China and North America, and a soft market for watch movements.
Demand for industrial robots remained firm in the Americas and China, as well as in Japan, where sales to the automotive industry were firm.

Against this backdrop, Epson began the 2016 fiscal year under the Epson 25 Phase 1 Mid-Range Business Plan (FY2016-18). The Phase 1 Plan delineates the first phase of work toward achieving the Epson 25 Corporate Vision, which sets forth a goal of creating a new connected age of people, things and information with efficient, compact and precision technologies. During the three years of the Phase 1 Plan 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 average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year were ¥108.38 and ¥118.79, respectively. This represents a 10% appreciation in the value of the yen against both the dollar and the euro compared to the previous fiscal year. The yen also continued to ride high against currencies other than the U.S. dollar and euro. The yen gained more against the Chinese yuan, British pound, and some Latin American currencies than it did against the U.S. dollar and euro due to the effects of an economic slowdown and other factors.

Epson's consolidated full-year financial results reflect the foregoing factors. Revenue was ¥1,024.8 billion, down 6.2% year on year. Business profit was ¥65.8 billion, down 22.5% year on year. Profit from operating activities was ¥67.8 billion, down 27.8% year on year. Profit before tax was ¥67.4 billion, down 26.3% year on year. Profit for the period was ¥48.4 billion, up 5.1% year on year.

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

Printing Solutions Segment

Printer business revenue decreased.

Total inkjet printer revenue declined. High-capacity ink tank printer revenue continued to expand, as the entry of other companies into the high-capacity ink tank printer market boosted market recognition and helped to fuel a sharp increase in unit shipments. However, given the contracting market, unit shipments of ink cartridge models declined mainly in the home market. Revenue was also dragged down by foreign exchange effects. Although consumables unit volume decreased, the product mix is improving, with consumables for office printers, which have a higher unit price, accounting for a greater percentage of total consumables sales. However, revenue from consumables decreased due to the negative effects of foreign exchange.

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

In SIDM printers, foreign exchange effects caused revenue to decline despite extra first-half demand in the Chinese tax collection system market.

Revenue in the professional printing business decreased.

Large-format inkjet printer total revenue decreased, partly due to foreign exchange effects. Sales of Epson's new products in the growing signage market were strong, and sales expanded in the textile printing segment on heightened demand. However, a decrease in unit shipments in the existing photo and graphics markets resulted in a decline in total revenue in this category. Consumables sales also decreased on lower revenue, a result of a decline in printer unit sales and foreign exchange effects.

POS system product revenue decreased. Although demand for low-end models was firm in Europe, total unit shipments declined due to a lack of large orders such as those received in the previous fiscal year in Japan and North America. Unit volume also decreased in China. Revenue was also hurt by foreign exchange effects.

Segment profit in the printing solutions segment decreased even though profit rose on increased sales of high-capacity ink tank inkjet printers. The decrease in segment profit was due to a combination of factors, including a decrease in large-format inkjet printer sales, strategic investment and spending on medium-term growth, and foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥686.6 billion, down 6.8% year on year. Segment profit was ¥84.1 billion, down 19.7% year on year.

Visual Communications Segment

Visual communications revenue decreased.
Total 3LCD projector revenue decreased. The education market contracted in some of the main countries of Europe. The North American and Latin American markets also continued to shrink. However, unit shipments and sales increased owing to the release of new projectors in the high-brightness category, expanded sales in Asia, and an increase in demand for models in the volume zone in Europe in advance of major sporting events. Nevertheless, revenue was hurt by foreign exchange effects.

Segment profit in the visual communications segment increased. Although hurt by foreign exchange, segment profit increased thanks to unit shipment growth and the expansion of the high-brightness projector segment, which improved product mix.

As a result of the foregoing factors, revenue in the visual communications segment was ¥179.6 billion, down 2.4% year on year. Segment profit was ¥16.1 billion, up 3.5% year on year.

Wearable and Industrial Products Segment

Revenue in the wearable products business as a whole decreased. Average selling prices for watches in the Japanese market rose due to the release of new watch products, but unit volume fell because purchases by foreign visitors to Japan decelerated and demand in overseas markets was subdued. Revenue was also hurt by a weak watch movements market and foreign exchange effects.
Revenue in the robotics solutions business increased. Although hurt by foreign exchange effects, revenue increased primarily due to industrial robot unit shipment growth in China and because of a rise in IC handler revenue as a result of firm demand for smart phones in China.
Revenue in the microdevices business decreased. Revenue from crystal devices decreased due to a decline in unit shipments to manufacturers of cell phones and other personal electronics and because of foreign exchange effects. Semiconductor revenue increased despite a decline in volume to a major automotive account and foreign exchange effects. The increase was due to a rise in sales volume linked to growth in silicon foundry demand.
The surface finishing business developed new customers, and the metal powders business, which reported firm sales of high-performance material powders for mobile equipment, both saw revenue decline due to foreign exchange effects.

Segment profit in the wearable and industrial products segment decreased due to lower sales in the microdevices business and wearable products business.

As a result of the foregoing factors, revenue in the wearable and industrial products segment was ¥158.5 billion, down 7.0% year on year. Segment profit was ¥7.8 billion, down 20.4% year on year.

Other

Other revenue amounted to ¥1.5 billion, up 7.4% year on year. Segment loss was ¥0.4 billion, compared to a segment loss of ¥0.5 billion in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥41.7 billion. (Adjustments in the previous fiscal year were negative ¥44.6 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

Liquidity and Financial Position

Total assets at the end of the fiscal year were ¥974.3 billion, an increase of ¥33.0 billion from the previous fiscal year end. This increase was mainly due to a ¥34.1 billion increase in property, plant and equipment and intangible assets.
Total liabilities were ¥479.6 billion, up ¥9.0 billion compared to the end of the previous fiscal year. Although liabilities decreased due to a ¥30.0 billion redemption of bonds payable, a ¥14.9 billion reduction in short-term loans payable, and a ¥9.5 billion decrease in net defined benefit liabilities, total liabilities increased mainly because of an issue of ¥50.0 billion in bonds payable and an ¥11.0 billion increase in trade and other payables.
The equity attributable to owners of the parent company totaled ¥492.1 billion, a ¥24.3 billion increase compared to the end of previous fiscal year. While we paid ¥21.2 billion in dividends and ¥10.3 billion to repurchase Seiko Epson shares, equity attributable to owners of the parent company increased mainly due to an increase of retained earnings, which we posted ¥48.3 billion in profit for the period.

Net cash provided by operating activities during the year totaled ¥96.8 billion (compared to ¥113.0 billion in the previous fiscal year). Net cash decreased primarily because whereas we had ¥48.4 billion in profit for the period, depreciation and amortization totaled ¥43.6 billion.
Net cash used in investing activities totaled ¥75.7 billion (compared to ¥51.5 billion in the previous fiscal year), mainly because Epson used ¥77.5 billion in the acquisition of property, plant, equipment and purchase of intangible assets.
Net cash used in financing activities totaled ¥26.6 billion (compared to ¥67.1 billion in the previous fiscal year). While it had ¥49.7 billion in proceeds from the issuance of bonds, Epson also recorded a net decrease of ¥14.3 billion in short-term borrowings and paid ¥30.0 billion in a bond redemption, ¥21.2 billion in dividends, and ¥10.3 billion in a share repurchase.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥221.7 billion (compared to ¥230.4 billion at the end of the previous fiscal year).

Policy on Profit Allocation / Dividends in the Period and Next Fiscal Year, and Share Repurchase

Epson 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, Epson 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, Epson has set a consolidated dividend payout ratio in the range of 40% as a medium-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 Epson's main operations (and which is very similar to operating income under Japanese accounting standards, both conceptually and numerically). Epson 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.
Epson's full-year financial performance was in line with the outlook primarily as a result of strategic progress in Epson's businesses and despite currency volatility.
Epson plans to pay an annual dividend of ¥60 per share, as forecast at the beginning of the fiscal year. In addition, between May and June 2016, Epson repurchased ¥9.9 billion in Seiko Epson shares [the total acquisition price (maximum): ¥10 billion] as a way to optimize capital efficiency and increase shareholder returns.
Epson plans to pay an annual dividend of ¥60 per share for the 2017 fiscal year.

Fiscal 2017 Forecast

Although there are concerns over factors that could apply downward pressure on the global economy, such as a rising tide of protectionism and heightened geopolitical risks, the global economy expected to be gradually recovered in the 2017 fiscal year as an economic recovery centered on manufacturing causes exports to pick up.
During the year, Epson will continue to execute the first phase of a mid-range business plan designed to achieving the goals set forth in Epson 25. Under this plan Epson will build a robust foundation for business by sustaining the results of successful strategic initiatives pursued to date, developing products for the future, and aggressively investing as needed.
The figures in the outlook are based on assumed exchange rates of 105.00 yen to the U.S. dollar and 110.00 yen to the euro. Epson's financial outlook for the 2017 fiscal year is presented below.

Consolidated Full-Year Financial Outlook

	FY2016 Result	FY2017 Plan	Change	
Revenue	¥1,024.8 billion	¥1,030.0 billion	+¥5.1 billion	(+0.5%)
Business profit	¥65.8 billion	¥67.0 billion	+¥1.1 billion	(+1.8%)
Profit from operating activities	¥67.8 billion	¥64.0 billion	-¥3.8 billion	(-5.7%)
Profit before tax	¥67.4 billion	¥64.0 billion	-¥3.4 billion	(-5.1%)
Profit for the year	¥48.4 billion	¥49.0 billion	+¥0.5 billion	(+1.2%)
Profit for the year attributable to owners of the parent company	¥48.3 billion	¥49.0 billion	+¥0.6 billion	(+1.4%)
Exchange rates	$1 US = ¥108.38	$1 US = ¥105.00		
	1 EUR = ¥118.79	1 EUR = ¥110.00		

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.

Printing Solutions Business Segment

This segment comprises the printer business, professional printing business, and others. The businesses in this segment leverage Epson's original 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, color image scanners, and related consumables, as well as office papermaking systems.

Professional printing business
This business is primarily responsible for large-format 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, office papermaking systems</td><td rowspan="2">Tohoku Epson Corporation
Akita Epson Corporation
Epson Portland Inc.
Epson Telford Ltd.
Fratelli Robustelli S.r.l.
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 Philippines Corporation
Epson Australia Pty. Ltd.
Epson India Pvt. Ltd.</td></tr>
<tr><td>Professional printing</td><td>Large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers, and related consumables, and others</td></tr>
<tr><td>Others</td><td>PCs and other equipment</td><td>—</td><td>Epson Sales Japan Corporation
Epson Direct Corporation</td></tr>
</table>

Visual Communications Business Segment

The businesses in this segment leverage Epson's original microdisplay and projection technologies to develop, manufacture, and sell 3LCD projectors for business, education, and the home; high-temperature polysilicon TFT LCD 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 LCD panels 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 Philippines Corporation 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 ultrafine and ultraprecision 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 useful products that use high-accuracy sensors to connect people and information.

Watch business
This business primarily develops, manufactures, and sells watches and watch movements. Effective April 1, 2017, Seiko Epson succeeded to the watch sales operations (excluding domestic sales operations in Japan) of Orient Watch Co., Ltd. via an absorption-type company split. Epson Sales Japan Corporation, a consolidated subsidiary of Seiko Epson, succeeded to the domestic sales operations of Orient Watch.

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

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.

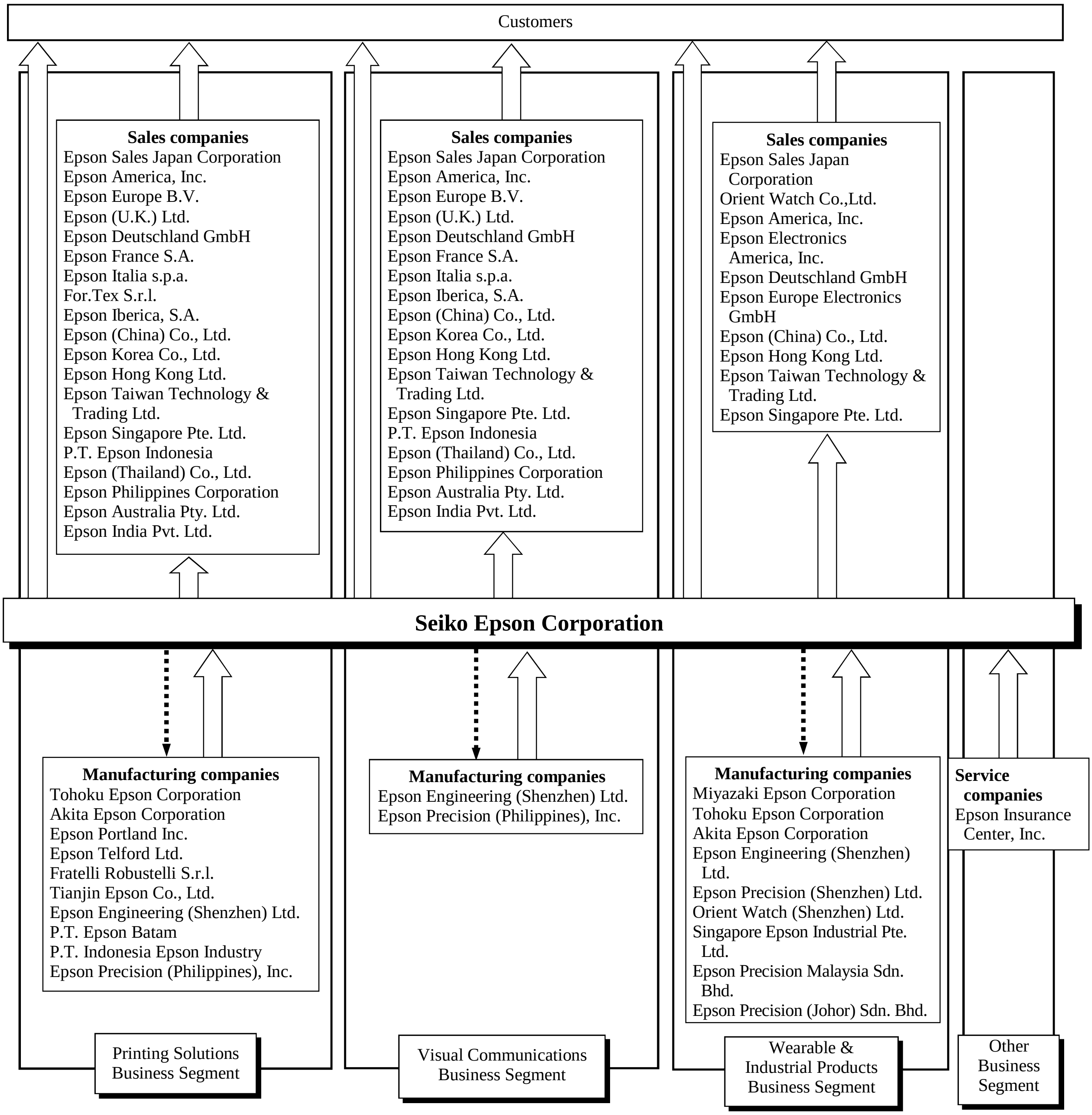
The major Epson Group companies involved in this segment are listed in the table below.

<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>Akita Epson Corporation
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 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>

Other Business Segment

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.

Legend symbol

Provision of products and services

Provision of components

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 play a central role in creating a better world as 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 aspires to be an indispensable company,
trusted throughout the world for our commitment to openness,
customer satisfaction and sustainability.
We respect individuality while promoting teamwork,
and are committed to delivering unique value
through innovative and creative solutions.

EXCEED YOUR VISION

As Epson employees,
we always strive to exceed our own vision,
and to produce results that bring surprise and delight
to our customers.

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

Epson will begin the 2016 fiscal year under a new 10-year corporate vision and a new mid-range business plan. The Epson 25 Corporate Vision describes what Epson 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 medium- to long term by steadily 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. Use advanced products and software so customers can easily, conveniently, and securely use our products anywhere and anytime.

Environment. Contribute to the development of a sustainable society by leveraging efficient, compact and precision technologies to reduce the environmental impact of products and services across their life cycles.

Performance. Create new and higher value by providing outstanding products that contribute to

customer productivity, accuracy and creativity.
Advances in information and communications technology will interconnect vast amounts of information on the Internet, causing cyberspace to expand indefinitely. As a manufacturing company that specializes in generating value in the real world, 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. Epson 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, 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

Printing: inkjet innovation

Refine original Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

Visual communications: visual innovation

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

Wearables: wearables innovation

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

Robotics: robotics innovation

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.

Microdevices: Support the four innovations

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

(2) Epson 25 Mid-Range Business Plan (FY2016-2018)

The Epson 25 Mid-Range Business Plan (FY2016-2018) 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 Epson 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, as the Epson 25 aims to achieve. 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 on a continuous basis.

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 our efficient, compact and precision technologies, advance our actuator, optical control, and sensor technologies, and bring in data communications technology to continue to create new customer value.

Manufacturing. Provide timely products that others cannot easily imitate. Offer them at highly competitive costs and quality.

Sales and support. Strengthen the office and industrial domains, establish optimum area sales organization, improve products quality with a market-driven (market-in) approach, and transform the brand image.

Environment. Expand initiatives to reduce environmental impacts across product and service life cycles and supply chains.

These strategies enabled Epson to launch sales of the PaperLab, the world’s first* office papermaking system to use a dry process, and announce the development of high-speed linehead inkjet multifunction and single-function printers during the fiscal year under review. PaperLab is designed to enhance security and reduce environmental impacts. It uses Epson’s proprietary dry fiber technology to securely destroy confidential documents and produce new paper from the recycled fibers, all on-site. The new linehead inkjet products will revolutionize office printing with their high speeds, outstanding image quality, and low power consumption.
Epson also released a powerful new laser projector for the promising high-brightness segment of the market, began a reorganization to accelerate growth in the wearable products business, and launched new products that will lower the barriers currently discouraging manufacturers from introducing

robots into their production operations.
In addition, to build the business infrastructure needed to achieve future growth, Epson moved steadily forward on projects to increase production line efficiency and automation. It also began construction on new factories and started up operations at others.

* PaperLab is the first office papermaking system to use a dry process, per Epson research conducted in November 2016.

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, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2016	March 31, 2017	March 31, 2017
Assets				
Current assets				
Cash and cash equivalents		230,498	221,782	1,976,842
Trade and other receivables		151,660	155,704	1,387,859
Inventories		201,608	208,512	1,858,561
Income tax receivables		1,232	2,476	22,069
Other financial assets	13	1,674	754	6,720
Other current assets		14,335	13,176	117,464
Subtotal		601,010	602,406	5,369,515
Non-current assets held for sale		441	39	357
Total current assets		601,451	602,446	5,369,872
Non-current assets				
Property, plant and equipment		244,463	275,195	2,452,936
Intangible assets		18,179	21,553	192,111
Investment property		1,967	1,288	11,480
Investments accounted for using the equity method		1,605	1,438	12,817
Net defined benefit assets		-	0	0
Other financial assets	13	21,962	20,544	183,117
Other non-current assets		5,122	5,486	48,939
Deferred tax assets		46,587	46,433	413,878
Total non-current assets		339,888	371,940	3,315,278
Total assets		941,340	974,387	8,685,150

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2016	March 31, 2017	March 31, 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		130,624	141,633	1,262,438
Income tax payables		6,830	7,263	64,738
Bonds issued, borrowings and lease liabilities	6,13	61,654	76,200	679,204
Other financial liabilities	13	824	1,318	11,747
Provisions		23,019	21,981	195,926
Other current liabilities		102,065	102,992	918,035
Total current liabilities		325,019	351,389	3,132,088
Non-current liabilities				
Bonds issued, borrowings and lease liabilities	6,13	80,100	70,371	627,248
Other financial liabilities	13	1,640	1,586	14,136
Net defined benefit liabilities		54,845	45,281	403,609
Provisions		4,941	6,209	55,343
Other non-current liabilities		3,114	3,521	31,423
Deferred tax liabilities		1,001	1,304	11,623
Total non-current liabilities		145,644	128,275	1,143,382
Total liabilities		470,663	479,664	4,275,470
Equity				
Share capital	7	53,204	53,204	474,231
Capital surplus	7	84,321	84,321	751,591
Treasury shares	7	(20,471)	(30,812)	(274,641)
Other components of equity	7	57,989	53,176	473,990
Retained earnings		292,775	332,306	2,961,993
Equity attributable to owners of the parent company		467,818	492,196	4,387,164
Non-controlling interests		2,858	2,526	22,516
Total equity		470,676	494,722	4,409,680
Total liabilities and equity		941,340	974,387	8,685,150

Consolidated Statement of Comprehensive Income

Years ended March 31, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2016	2017	2017
Revenue	5	1,092,481	1,024,856	9,135,003
Cost of sales		(694,821)	(658,882)	(5,872,912)
Gross profit		397,660	365,974	3,262,091
Selling, general and administrative expenses		(312,708)	(300,167)	(2,675,523)
Other operating income	9	14,807	5,421	48,319
Other operating expense	10	(5,732)	(3,335)	(29,736)
Profit from operating activities		94,026	67,892	605,151
Finance income	11	1,652	1,383	12,327
Finance costs	11	(4,252)	(1,858)	(16,560)
Share of profit of investments accounted for using the equity method		104	53	472
Profit before tax		91,530	67,470	601,390
Income taxes		(45,421)	(18,461)	(164,551)
Profit from continuing operations		46,109	49,009	436,839
Loss from discontinued operations		(42)	(582)	(5,197)
Profit for the period		46,067	48,426	431,642
Profit for the period attributable to:				
Owners of the parent company		45,772	48,320	430,698
Non-controlling interests		294	106	944
Profit for the period		46,067	48,426	431,642

	Notes	Millions of yen Year ended March 31, 2016	Millions of yen Year ended March 31, 2017	Thousands of U.S. dollars Year ended March 31, 2017
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		(22,161)	10,785	96,131
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		(2,610)	2,219	19,788
Subtotal		(24,771)	13,005	115,919
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		(21,309)	(5,477)	(48,809)
Net changes in fair value of cash flow hedges		(1,215)	47	418
Share of other comprehensive income of investments accounted for using the equity method		(240)	(20)	(178)
Subtotal		(22,765)	(5,450)	(48,569)
Total other comprehensive income, net of tax		(47,536)	7,555	67,350
Total comprehensive income for the period		(1,469)	55,982	498,992
Total comprehensive income for the period attributable to:				
Owners of the parent company		(1,456)	56,028	499,402
Non-controlling interests		(12)	(46)	(410)
Total comprehensive income for the period		(1,469)	55,982	498,992

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen Year ended March 31, 2016	Yen Year ended March 31, 2017	U.S. dollars Year ended March 31, 2017
Earnings per share for the period:				
Basic earnings per share for the period	12	127.94	136.82	1.22
Diluted earnings per share for the period	12	127.94	136.82	1.22
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	12	128.06	138.47	1.23
Diluted earnings per share for the period	12	128.06	138.46	1.23
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	12	(0.12)	(1.65)	(0.01)
Diluted loss per share for the period	12	(0.12)	(1.65)	(0.01)

Consolidated Statement of Changes in Equity

Years ended March 31, 2016 and 2017:

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, 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)
Share-based payment transactions		-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
Changes in intesets in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
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

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, 2016		53,204	84,321	(20,471)	-	4,533	53,616	(160)	57,989	292,775	467,818	2,858	470,676
Profit for the period		-	-	-	-	-	-	-	-	48,320	48,320	106	48,426
Other comprehensive income		-	-	-	10,790	2,221	(5,351)	47	7,707	-	7,707	(152)	7,555
Total comprehensive income for the period		-	-	-	10,790	2,221	(5,351)	47	7,707	48,320	56,028	(46)	55,982
Acquisition of treasury shares	7	-	-	(10,340)	-	-	-	-	-	-	(10,340)	-	(10,340)
Dividends	8	-	-	-	-	-	-	-	-	(21,299)	(21,299)	(237)	(21,537)
Share-based payment transactions		-	12	-	-	-	-	-	-	-	12	-	12
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	26	26
Changes in interests in subsidiaries		-	(12)	-	-	(10)	0	-	(9)	-	(21)	(75)	(97)
Transfer from other components of equity to retained earnings		-	-	-	(10,790)	(1,720)	-	-	(12,510)	12,510	-	-	-
Total transactions with the owners		-	0	(10,340)	(10,790)	(1,730)	0	-	(12,520)	(8,789)	(31,650)	(285)	(31,936)
As of March 31, 2017		53,204	84,321	(30,812)	-	5,024	48,265	(112)	53,176	332,306	492,196	2,526	494,722

(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, 2016		474,231	751,591	(182,476)	-	40,405	477,902	(1,416)	516,891	2,609,635	4,169,872	25,466	4,195,338
Profit for the period		-	-	-	-	-	-	-	-	430,698	430,698	944	431,642
Other comprehensive income		-	-	-	96,176	19,805	(47,695)	418	68,704	-	68,704	(1,354)	67,350
Total comprehensive income for the period		-	-	-	96,176	19,805	(47,695)	418	68,704	430,698	499,402	(410)	498,992
Acquisition of treasury shares	7	-	-	(92,165)	-	-	-	-	-	-	(92,165)	-	(92,165)
Dividends	8	-	-	-	-	-	-	-	-	(189,847)	(189,847)	(2,112)	(191,959)
Share-based payment transactions		-	106	-	-	-	-	-	-	-	106	-	106
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	231	231
Changes in interests in subsidiaries		-	(106)	-	-	(98)	0	-	(98)	-	(204)	(659)	(863)
Transfer from other components of equity to retained earnings		-	-	-	(96,176)	(15,331)	-	-	(111,507)	111,507	-	-	-
Total transactions with the owners		-	0	(92,165)	(96,176)	(15,429)	0	-	(111,605)	(78,340)	(282,110)	(2,540)	(284,650)
As of March 31, 2017		474,231	751,591	(274,641)	-	44,781	430,207	(998)	473,990	2,961,993	4,387,164	22,516	4,409,680

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Consolidated Statement of Cash Flows

Years ended March 31, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2016	2017	2017
Cash flows from operating activities				
Profit for the period		46,067	48,426	431,642
Depreciation and amortisation		45,923	43,679	389,330
Impairment loss and reversal of impairment loss		(2,210)	239	2,130
Finance (income) costs, net		2,600	475	4,233
Share of (profit) loss of investments accounted for using the equity method		(104)	(53)	(472)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		(6,886)	96	855
Income taxes		45,421	18,461	164,551
Decrease (increase) in trade receivables		10,661	(3,691)	(32,899)
Decrease (increase) in inventories		6,610	(10,729)	(95,632)
Increase (decrease) in trade payables		(8,915)	10,892	97,085
Increase (decrease) in net defined benefit liabilities		1,514	156	1,390
Other, net		(3,215)	8,399	74,884
Subtotal		137,468	116,352	1,037,097
Interest and dividend income received		1,664	1,414	12,603
Interest expenses paid		(1,218)	(981)	(8,744)
Payments for loss on litigation		(4,144)	-	-
Income taxes paid		(20,715)	(19,910)	(177,484)
Net cash provided by (used in) operating activities		113,054	96,873	863,472
Cash flows from investing activities				
Proceeds from sales of investment securities		51	3,103	27,658
Purchase of property, plant and equipment		(59,614)	(70,637)	(629,619)
Proceeds from sales of property, plant and equipment		582	746	6,649
Purchase of intangible assets		(6,538)	(6,899)	(61,493)
Proceeds from sales of intangible assets		31	24	213
Proceeds from sales of investment property		13,969	1,088	9,697
Purchase of investments in subsidiaries		(500)	(2,743)	(24,449)
Other, net		460	(441)	(3,930)
Net cash provided by (used in) investing activities		(51,558)	(75,759)	(675,274)
Cash flows from financing activities				
Net increase (decrease) in current borrowings		(1,819)	(14,374)	(128,151)
Proceeds from non-current borrowings		-	500	4,456
Repayment of non-current borrowings		(86)	(500)	(4,456)
Proceeds from issuance of bonds issued		-	49,759	443,524
Redemption of bonds issued		(40,000)	(30,000)	(267,403)
Payments of lease obligations		(103)	(101)	(900)
Dividends paid	8	(25,044)	(21,299)	(189,847)
Dividends paid to non-controlling interests		(111)	(236)	(2,103)
Payments for purchase of subsidiaries' equity from non-controlling interests		-	(97)	(863)
Purchase of treasury shares		(6)	(10,340)	(92,165)
Net cash provided by (used in) financing activities		(67,171)	(26,691)	(237,908)
Effect of exchange rate changes on cash and cash equivalents		(9,155)	(3,139)	(27,980)
Net increase (decrease) in cash and cash equivalents		(14,832)	(8,716)	(77,690)
Cash and cash equivalents at beginning of period		245,330	230,498	2,054,532
Cash and cash equivalents at end of period		230,498	221,782	1,976,842

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://global.epson.com/). 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 ¥112.19 to U.S. $1 as of March 31, 2017.

(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 2016.

(6) Changes in Presentation

The presentation of certain items in the consolidated financial statements has been changed from the fiscal year 2016. The changes are made to aim for improving the presentation clear and understandable for users of the consolidated financial statements.
Other related presentation has been changed along with the changes of the consolidated financial statements.
Comparative information in respect of the preceding period of the items has also been changed in presentation.

Changes in presentation of financial liabilities in Consolidated Statement of Financial Position

Before the changes	After the changes
Other financial liabilities	Bonds issued, borrowings and lease liabilities
	Other financial liabilities

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. Goodwill is recognised in the consolidated statement of financial position, 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. 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.

A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the 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 their 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 realise 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
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 10 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.
Except for assets that are not subject to depreciation such as land, investment property is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major investment properties that are subject to depreciation 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) Share-based Payment

The Company has employed a framework referred to as BIP (Board Incentive Plan) trust as performance-linked equity-settled share-based payment plan for eligible officers. The shares of the Company held by the trust are recognised as treasury shares. The Company measures the service received at the fair value of its shares granted at the grant date and recognises the consideration as expenses over the vesting period while the corresponding amount is recognised as an increase in equity.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) 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 realised 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.

(20) 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.

(21) 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. For the purpose of calculating diluted earnings per share, the rights for the treasury shares held by the BIP trust to be received by eligible officers are adjusted.

(22) Dividends

Year-end dividend distributions to the shareholders of the Company are recognised as liabilities in the period in which the distribution is approved at 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 or when it is required annually.
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.
The reportable segments of Epson are composed of three segments: “Printing Solutions”, “Visual Communications” and “Wearable & Industrial Products”. They are determined by types of products, nature of products, and markets.
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, large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers and related consumables, office papermaking systems, 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 equipment, 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.

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. “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.

FY2016: Year ended March 31, 2017

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	686,353	179,642	150,674	1,016,671	787	7,398	1,024,856
Inter-segment revenue	265	39	7,873	8,179	721	(8,901)	-
Total revenue	686,619	179,682	158,548	1,024,850	1,509	(1,502)	1,024,856
Segment profit (loss) (Business profit) (Note 1)	84,127	16,142	7,813	108,084	(482)	(41,794)	65,807
Other operating income (expense)							2,085
Profit from operating activities							67,892
Finance income (costs), net							(475)
Share of profit of investments accounted for using the equity method							53
Profit before tax							67,470

Other items

	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation expense	(23,079)	(7,885)	(7,956)	(38,920)	(22)	(4,272)	(43,215)
Impairment loss and Reversal of impairment loss on other than financial assets	(45)	(0)	(161)	(206)	-	(32)	(239)
Segment assets	376,782	115,024	133,982	625,790	299	348,297	974,387
Capital expenditures	43,930	10,201	9,189	63,321	2	11,995	75,319

(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 (¥41,794) million comprised “Eliminations” of ¥496 million and “Corporate expenses” of (¥42,291) million. “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 ¥348,297 million comprised “Eliminations” of (¥3,992) million and “Corporate assets” of ¥352,290 million.

FY2016: Year ended March 31, 2017

Thousands of U.S. dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenue	6,117,791	1,601,230	1,343,025	9,062,046	7,014	65,943	9,135,003
Inter-segment revenue	2,363	356	70,184	72,903	6,436	(79,339)	-
Total revenue	6,120,154	1,601,586	1,413,209	9,134,949	13,450	(13,396)	9,135,003
Segment profit (loss) (Business profit) (Note 1)	749,881	143,880	69,640	963,401	(4,305)	(372,528)	586,568
						Other operating income (expense)	18,583
						Profit from operating activities	605,151
						Finance income (costs), net	(4,233)
						Share of profit of investments accounted for using the equity method	472
						Profit before tax	601,390

Other items

	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation expense	(205,714)	(70,282)	(70,915)	(346,911)	(196)	(38,087)	(385,194)
Impairment loss and Reversal of impairment loss on other than financial assets	(401)	(0)	(1,435)	(1,836)	-	(294)	(2,130)
Segment assets	3,358,447	1,025,260	1,194,241	5,577,948	2,665	3,104,537	8,685,150
Capital expenditures	391,577	90,926	81,905	564,408	17	106,927	671,352

(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 ($372,528) thousand comprised “Eliminations” of $4,430 thousand and “Corporate expenses” of ($376,958) thousand. “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 $3,104,537 thousand comprised “Eliminations” of ($35,582) thousand and “Corporate assets” of $3,140,119 thousand.

(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,
	2016	2017	2017
Japan	168,114	188,412	1,679,401
The Philippines	26,404	31,436	280,203
Indonesia	23,281	29,146	259,791
China	25,704	25,048	223,264
Other	27,833	30,918	275,624
Total	271,338	304,962	2,718,283

(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,
	2016	2017	2017
Japan	264,012	251,395	2,240,796
The United States	227,849	202,416	1,804,224
China	144,466	129,834	1,157,268
Other	456,152	441,210	3,932,715
Total	1,092,481	1,024,856	9,135,003

(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. Bonds issued, Borrowings and Lease liabilities

The breakdown of "Bonds issued, borrowings and lease liabilities" was as follows:

	Millions of yen		Thousands of U.S. dollars	%	Due
	March 31,		March 31,	Average interest rate (Note 1)	
	2016	2017	2017		
Current borrowings	31,104	16,118	143,666	1.42	-
Current portion of non-current borrowings	500	50,000	445,672	0.56	-
Current portion of bonds issued (Note 2)	29,989	9,995	89,089	-	-
Non-current borrowings	50,000	499	4,447	0.28	2022
Bonds issued (Note 2)	29,928	69,742	621,653	-	-
Lease liabilities	233	216	1,925	2.40	2017 to 2022
Total	141,755	146,572	1,306,452		
Current liabilities	61,654	76,200	679,204		
Non-current liabilities	80,100	70,371	627,248		
Total	141,755	146,572	1,306,452		

(Note 1) The average interest rate is calculated using the interest rate and outstanding balance as of March 31, 2017.
(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		Thousands of U.S. dollars
						March 31,		March 31,
						2016	2017	2017
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)	-	-
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 (10,000)	89,134 (89,134)
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)	-	-
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	89,134
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	89,134
The Company	The 13th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.10	Non	Sep 21, 2021	-	20,000	178,269
The Company	The 14th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.27	Non	Sep 21, 2023	-	20,000	178,269
The Company	The 15th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.34	Non	Sep 18, 2026	-	10,000	89,134
						60,000 (30,000)	80,000 (10,000)	713,074 (89,134)

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

Bonds issued, borrowings and lease liabilities 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 authorised shares as of March 31, 2016 and 2017 was 1,214,916,736 ordinary shares.

(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, 2015	199,817,389	53,204	84,321		
Increase (decrease) (Note2)	199,817,389	-	-		
As of March 31, 2016	399,634,778	53,204	84,321	474,231	751,591
Increase (decrease)	-	-	0	-	0
As of March 31, 2017	399,634,778	53,204	84,321	474,231	751,591

(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, 2015	20,928,657	20,464	
Increase (decrease) (Note1)	20,931,739	6	
As of March 31, 2016	41,860,396	20,471	182,476
Increase (decrease) (Note2)	5,551,261	10,340	92,165
As of March 31, 2017 (Note3)	47,411,657	30,812	274,641

(Note1) 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.

(Note2) Increase in the number of treasury shares during the year ended March 31, 2017 resulted from:

the purchase by the resolution of the board of directors	5,370,000 shares
the purchase by BIP trust	180,000 shares
the purchase of odd shares	1,261 shares

(Note3) The number of treasury shares as of March 31, 2017 includes 180,000 shares held by BIP trust.

(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:

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

FY2016: Year ended March 31, 2017

(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
Board of Directors (October 27, 2016)	Ordinary shares	10,572	30	September 30, 2016	November 30, 2016

FY2016: Year ended March 31, 2017

(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	95,668	0.26	March 31, 2016	June 29, 2016
Board of Directors (October 27, 2016)	Ordinary shares	94,232	0.26	September 30, 2016	November 30, 2016

(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 for the dividends with a basis date on or before March 31, 2015 was stated by the actual dividends paid without adjusting the effect of the shares split.

Dividends whose basis dates were during the years ended March 31, 2016 and 2017, but whose effective dates were subsequent to March 31, 2016 and 2017 were as follows:

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 28, 2016)	Ordinary shares	10,733	30	March 31, 2016	June 29, 2016

FY2016: Year ended March 31, 2017

(Plan of Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2017)	Ordinary shares	10,572	30	March 31, 2017	June 29, 2017

FY2016: Year ended March 31, 2017

(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, 2017)	Ordinary shares	94,232	0.26	March 31, 2017	June 29, 2017

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,
	2016	2017	2017
Foreign exchange gain	931	1,258	11,213
Gain on sales of property, plant and equipment, intangible assets and investment property	7,733	680	6,061
Income from reversal of impairment loss	3,828	-	-
Other	2,314	3,482	31,045
Total	14,807	5,421	48,319

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,
	2016	2017	2017
Loss on the disposal of property, plant and equipment and intangible assets	(755)	(750)	(6,685)
Other	(4,977)	(2,584)	(23,051)
Total	(5,732)	(3,335)	(29,736)

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,
	2016	2017	2017
Interest income	1,275	1,007	8,985
Dividend income	340	364	3,244
Other	36	11	98
Total	1,652	1,383	12,327

Finance Costs	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2016	2017	2017
Interest expense	(1,319)	(826)	(7,381)
Employee benefit expense	(700)	(704)	(6,275)
Foreign exchange loss (Note)	(2,177)	(301)	(2,682)
Other	(55)	(25)	(222)
Total	(4,252)	(1,858)	(16,560)

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

12. Earnings per Share

(1) Basis of calculating basic earnings per share

(A) 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,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	45,815	48,903	435,895
Loss from discontinued operations attributable to owners of the parent company	(42)	(582)	(5,197)
Profit used for calculation of basic earnings per share	45,772	48,320	430,698

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

	Thousands of shares	
	Year ended March 31, 2016	Year ended March 31, 2017
Weighted-average number of ordinary shares	357,775	353,160

(2) Basis of calculating diluted earnings per share

(A) 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,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	45,815	48,903	435,895
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	45,815	48,903	435,895
Loss from discontinued operations attributable to owners of the parent company	(42)	(582)	(5,197)
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(42)	(582)	(5,197)
Profit attributable to owners of the parent company	45,772	48,320	430,698
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	45,772	48,320	430,698

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

	Thousands of shares	
	Year ended March 31, 2016	Year ended March 31, 2017
Weighted-average number of ordinary shares	357,775	353,160
Effect of dilutive securities		
BIP trust for eligible officers	-	20
Diluted outstanding shares	357,775	353,181

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 are calculated based on prices obtained from financial institutions.

(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 value hierarchy

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

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

(A) Financial instruments measured at amortised cost

The carrying amounts and the fair value hierarchy of financial instruments measured at amortised cost were as follows. The fair values of financial instruments that are not listed on the table below approximate the carrying amounts.

FY2015: As of March 31, 2016

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings (Note)	81,604	-	81,728	-	81,728
Bonds issued (Note)	59,917	-	60,297	-	60,297
Total	141,521	-	142,025	-	142,025

FY2016: As of March 31, 2017

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings (Note)	66,618	-	66,674	-	66,674
Bonds issued (Note)	79,738	-	79,838	-	79,838
Total	146,356	-	146,512	-	146,512

FY2016: As of March 31, 2017

	Thousands of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings (Note)	593,785	-	594,295	-	594,295
Bonds issued (Note)	710,742	-	711,632	-	711,632
Total	1,304,527	-	1,305,927	-	1,305,927

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.

(Note) Current portion is included.

(B) Financial instruments measured at fair value
The fair value hierarchy of financial instruments measured at fair value was as follows:

FY2015: As of March 31, 2016

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
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 measured at fair value				
Derivative financial liabilities	-	823	-	823
Total	-	823	-	823

FY2016: As of March 31, 2017

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	449	-	449
Equity securities	13,310	-	2,498	15,809
Total	13,310	449	2,498	16,258
Financial liabilities measured at fair value				
Derivative financial liabilities	-	1,112	-	1,112
Total	-	1,112	-	1,112

FY2016: As of March 31, 2017

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	4,002	-	4,002
Equity securities	118,638	-	22,265	140,903
Total	118,638	4,002	22,265	144,905
Financial liabilities measured at fair value				
Derivative financial liabilities	-	9,911	-	9,911
Total	-	9,911	-	9,911

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,
	2016	2017	2017
Balance as of April 1	2,406	2,054	18,308
Gains and losses			
Other comprehensive income	(319)	550	4,902
Sales	(32)	(54)	(481)
Other	-	(51)	(464)
Balance as of March 31	2,054	2,498	22,265

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 Company is currently under investigation by a certain anti-monopoly-related authority, regarding allegations of involvement in a liquid crystal display price-fixing cartel.

(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.

15. Subsequent Events

No material subsequent events were identified.

Supplementary Information

Consolidated year ended March 31, 2017

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, 2016	Year ended March 31, 2017	Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
Printing Solutions	736.3	686.6	(6.8%)	689.0	0.3%
Printers	518.9	481.2	(7.3%)	486.0	1.0%
Professional Printing	201.6	188.6	(6.5%)	186.0	(1.4%)
Other	18.1	18.4	1.9%	19.0	3.0%
Inter-segment revenue	(2.3)	(1.6)	-%	(2.0)	-%
Visual Communications	184.0	179.6	(2.4%)	182.0	1.3%
Wearable & Industrial Products	170.4	158.5	(7.0%)	163.0	2.8%
Wearable Products	60.7	50.7	(16.4%)	50.0	(1.5%)
Robotics Solutions	15.4	16.9	9.9%	19.0	12.2%
Microdevices, Other	101.8	96.5	(5.2%)	99.0	2.6%
Inter-segment revenue	(7.5)	(5.6)	-%	(5.0)	-%
Other	1.4	1.5	7.4%	1.0	(33.7%)
Corporate expenses & Eliminations	0.2	(1.5)	-%	(5.0)	-%
Consolidated revenue	1,092.4	1,024.8	(6.2%)	1,030.0	0.5%

Note: The intra-group services business was categorized within “Other”.

2. Business segment information

(Unit: billion yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
Printing Solutions					
Revenue:					
External	736.0	686.3	(6.7%)	689.0	0.4%
Inter-segment	0.3	0.2	(21.0%)	0.0	-%
Total	736.3	686.6	(6.8%)	689.0	0.3%
Segment profit (loss)	104.7	84.1	(19.7%)	90.0	7.0%
Visual Communications					
Revenue:					
External	183.9	179.6	(2.4%)	182.0	1.3%
Inter-segment	0.0	0.0	11.2%	0.0	-%
Total	184.0	179.6	(2.4%)	182.0	1.3%
Segment profit (loss)	15.5	16.1	3.5%	18.0	11.5%
Wearable & Industrial Products					
Revenue:					
External	164.3	150.6	(8.3%)	155.0	2.9%
Inter-segment	6.0	7.8	30.6%	8.0	1.6%
Total	170.4	158.5	(7.0%)	163.0	2.8%
Segment profit (loss)	9.8	7.8	(20.4%)	12.0	53.6%
Other					
Revenue:					
External	0.7	0.7	4.5%	0.0	-%
Inter-segment	0.6	0.7	10.8%	1.0	38.6%
Total	1.4	1.5	7.4%	1.0	(33.7%)
Segment profit (loss)	(0.5)	(0.4)	-%	(1.0)	-%
Corporate expenses & Eliminations					
Revenue:					
External	7.3	7.3	1.2%	4.0	(45.9%)
Inter-segment	(7.0)	(8.9)	-%	(9.0)	-%
Total	0.2	(1.5)	-%	(5.0)	-%
Segment profit (loss)	(44.6)	(41.7)	-%	(52.0)	-%
Consolidated					
Revenue	1,092.4	1,024.8	(6.2%)	1,030.0	0.5%
Business profit (loss)	84.9	65.8	(22.5%)	67.0	1.8%

Note: The intra-group services business was categorized within “Other”.

3. Revenue to overseas customers

(Unit: billion yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase	Increase %
Overseas Revenue				
The Americas	320.0	290.9	(29.0)	(9.1%)
Europe	226.3	211.9	(14.4)	(6.4%)
Asia/Oceania	282.0	270.5	(11.4)	(4.1%)
Total	828.4	773.4	(55.0)	(6.6%)
Consolidated revenue	1,092.4	1,024.8	(67.6)	(6.2%)
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	29.3	28.4		
Europe	20.7	20.7		
Asia/Oceania	25.8	26.4		
Total	75.8	75.5		

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, Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

4. Capital expenditure / Depreciation and amortisation

(Unit: billion yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
Capital expenditure	69.4	75.3	8.5%	76.0	0.9%
Printing Solutions	36.6	43.9	20.0%	43.0	(2.1%)
Visual Communications	10.7	10.2	(5.2%)	13.0	27.4%
Wearable & Industrial Products	10.2	9.1	(10.7%)	10.0	8.8%
Other / Coporate expenses	11.7	11.9	2.2%	10.0	(16.7%)
Depreciation and amortisation	45.3	43.2	(4.8%)	45.0	4.1%
Printing Solutions	24.1	23.0	(4.6%)	24.0	4.0%
Visual Communications	7.4	7.8	6.3%	8.0	1.5%
Wearable & Industrial Products	8.1	7.9	(2.6%)	8.0	0.5%
Other / Coporate expenses	5.6	4.2	(23.6%)	5.0	16.4%

Note: The intra-group services business was categorized within “Other”.

5. Research and development

(Unit: billion yen)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
Research and Development	53.1	52.7	(0.8%)	54.0	2.4%
R&D / revenue ratio	4.9%	5.1%		5.2%	

6. Management indices

(Unit: %)

	Year ended March 31, 2016	Year ended March 31, 2017	Increase Point	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 Point
ROE	9.5%	10.1%	0.6	9.7%	(0.4)
ROA (Business profit)	8.7%	6.9%	(1.8)	6.8%	(0.1)
ROA (Profit from operating activities)	9.7%	7.1%	(2.6)	6.5%	(0.6)
ROS (Business profit)	7.8%	6.4%	(1.4)	6.5%	0.1
ROS (Profit from operating activities)	8.6%	6.6%	(2.0)	6.2%	(0.4)

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, 2016	Year ended March 31, 2017
Foreign exchange effect on revenue	14.8	(96.2)
U.S. dollars	29.8	(34.6)
Euro	(8.3)	(19.3)
Other	(6.6)	(42.2)
Foreign exchange effect on business profit	(17.7)	(23.7)
U.S. dollars	(4.5)	6.2
Euro	(5.8)	(13.6)
Other	(7.3)	(16.3)
Exchange rate		
Yen / U.S. dollars	120.14	108.38
Yen / Euro	132.58	118.79

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 Third Quarter FY2015.
In previous supplementary information, Latin American currencies were calculated and shown as USD transactions.

8. Inventory

(Unit: billion yen)

	September 30, 2016	March 31, 2016	March 31, 2017	Increase compared to March 31, 2016
Inventory	196.6	201.6	208.5	6.9
Printing Solutions	111.2	108.7	114.4	5.7
Visual Communications	42.0	47.1	46.9	(0.1)
Wearable & Industrial Products	42.6	45.1	46.3	1.2
Other / Coporate expenses	0.7	0.6	0.7	0.1
Turnover by days	74	67	74	7
Printing Solutions	64	54	61	7
Visual Communications	88	94	95	1
Wearable & Industrial Products	96	97	107	10
Other / Coporate expenses	30	27	31	4

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

9. Employees

(Unit: person)

	September 30, 2016	March 31, 2016	March 31, 2017	Increase compared to March 31, 2016
Number of employees at period end	73,340	67,605	72,420	4,815
Domestic	19,221	18,699	19,175	476
Overseas	54,119	48,906	53,245	4,339