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CONSOLIDATED RESULTS FOR
THE SECOND QUARTER ENDED SEPTEMBER 30, 2016 (IFRS basis)

Consolidated Financial Highlights

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2016
	2015	2016		
Revenue	542,981	487,569	(10.2%)	4,821,687
Business profit (Note)	40,244	25,729	(36.1%)	254,440
Profit from operating activities	41,709	27,773	(33.4%)	274,653
Profit before tax	40,106	27,073	(32.5%)	267,731
Profit for the period	26,166	18,605	(28.9%)	183,989
Profit for the period attributable to owners of the parent company	26,027	18,445	(29.1%)	182,407
Total comprehensive income for the period	16,305	(15,992)	-%	(158,148)
Basic earnings per share (in ¥1, $1 unit)	72.75	52.09		0.52
Diluted earnings per share (in ¥1, $1 unit)	-	-		-

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

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2016	September 30, 2016	September 30, 2016
Total assets	941,340	899,891	8,899,238
Total equity	470,676	433,374	4,285,739
Equity attributable to owners of the parent company	467,818	430,946	4,261,728
Equity attributable to owners of the parent company ratio (%)	49.7%	47.9%	47.9%

Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2016
	2015	2016		
Net cash provided by (used in) operating activities	27,026	33,207	22.9%	328,392
Net cash provided by (used in) investing activities	(36,937)	(37,123)	-%	(367,118)
Net cash provided by (used in) financing activities	(41,987)	(15,654)	-%	(154,806)
Cash and cash equivalents at end of period	190,596	201,196	5.6%	1,989,675

Notes

I. Figures in “Change” column are comparisons with the same period of the previous year.

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

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 ¥101.12 = U.S.$1 as of September 30, 2016 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2016 First-Half (April 1 to September 30, 2016) Overview

On the whole, the global economy basically continued to gradually recover throughout in the first half of the year under review. Regionally, the U.S. economy continued to recover, fueled by an increase in consumer spending and improvement in the employment situation. In Europe, the limited impact of Britain's exit from the European Union and a drop in the unemployment rate provided traction for a gradual economic recovery. In China and Latin America, on the other hand, the economic slowdown continued. In Japan an uptick in consumer sentiment 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.

Demand for inkjet printers continued to decline, as the Japanese consumer market contracted sharply and the North America also shrank. 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 firm in North America and Japan, but demand in China and Latin America was subdued due to the effects of economic deceleration. Serial-impact dot-matrix (SIDM) printer demand was firm in China, where a major tax overhaul produced extra demand in the tax collection market, but demand continued to contract in the Americas and Europe.

Demand for education and business projectors expanded in Japan. Projector demand also increased in Europe ahead of major sporting events. However, total sales were subdued due to the effects of the economic slowdown in Latin America, inventory adjustments in the North American retail market, and weak demand for education projectors in Europe.

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 was generally firm in Europe but 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 Europe and the Americas, as well as in Japan, where sales to the automotive industry were firm.

Against this backdrop, Epson began the new 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 first half of the year under review were ¥105.29 and ¥118.15, respectively. This represents a 14% appreciation in the value of the yen against the dollar and a 13% appreciation in the value of the yen against the euro compared to the same period last 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.

The foregoing factors are reflected in our financial results for the first half of the year. Revenue was ¥487.5 billion, down 10.2% year on year. Business profit was ¥25.7 billion, down 36.1% year on year. Profit from operating activities was ¥27.7 billion, down 33.4% year on year. Profit before tax was ¥27.0 billion, down 32.5% year on year. Profit for the period was ¥18.6 billion, down 28.9% 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. On the other hand, shipments of ink cartridge models were level with those in the same period last year despite the contracting market, but revenue was dragged down by a drop in average selling prices and 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 revenue decreased due 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 ongoing extra demand in the Chinese tax collection system market.

Revenue in the professional printing business decreased.

Total revenue from large-format printers decreased, partly due to foreign exchange effects. Sales of Epson's new products in the growing signage market were strong and demand in the textile segment was firm, though a slow economy tempered revenue in the latter. Total revenue decreased because revenue in the existing photo and graphics markets fell in response to intensified price competition and foreign exchange effects. Revenue from consumables decreased due to 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 same period last year in Japan and North America. 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 ¥318.6 billion, down 10.7% year on year. Segment profit was ¥33.9 billion, down 22.9% year on year.

Visual Communications Segment

Visual communications revenue decreased.

Total 3LCD projector revenue decreased mainly due to a contraction of the education market in Europe, a continued contraction of the North American and Latin American markets, and foreign exchange effects. These factors outweighed unit shipment and sales growth that accompanied the release of new projectors in the high-brightness category and an increase in demand for models in the volume zone in Europe in advance of major sporting events.

Segment profit in the visual communications segment decreased despite an increase in profit accompanying unit shipment growth. The decrease in segment profit was primarily due to strategic investment and spending on medium-term growth, as well as foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥87.7 billion, down 7.8% year on year. Segment profit was ¥7.1 billion, down 18.8% 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 decreased. Although sales of industrial robots increased on demand in China, IC handler revenue was dragged lower by a drop in lower average selling prices to smartphone chip manufacturers and because of foreign exchange effects.

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 decreased despite higher unit volume on increased silicon foundry demand. The decrease in revenue is mainly due to a decline in volume to a major automotive account and foreign exchange effects.

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 ¥81.0 billion, down 11.4% year on year. Segment profit was ¥3.9 billion, down 55.6% year on year.

Other

Other revenue amounted to ¥0.6 billion, up 4.9% year on year. Segment loss was ¥0.2 billion, compared to a segment loss of ¥0.3 billion in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥19.0 billion. (Adjustments in the previous fiscal year were negative ¥21.3 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and selling, general and administrative expenses associated with things such as new businesses and corporate functions.

Liquidity and Financial Position

Total assets at the end of the second quarter were ¥899.8 billion, a decrease of ¥41.4 billion from the previous fiscal year end. While cash and cash equivalents increased due to an issue of ¥50 billion in bonds payable, total assets decreased mainly because of a ¥29.3 billion decrease in cash and cash equivalents owing largely to a redemption of bonds payable, a repurchase of own shares, and dividend payments. A ¥6.3 billion decrease in trade and other receivables and a ¥4.9 billion decrease in inventories also contributed to decrease in total assets.

Total liabilities were ¥466.5 billion, down ¥4.1 billion compared to the end of the last fiscal year. Although liabilities were increased by the issue of ¥50 billion in bonds payable, total liabilities decreased primarily because there was a ¥30 billion redemption of bonds payable, a ¥16.1 billion reduction in short-term loans payable, and a ¥7.8 billion decrease in other current liabilities and other non-current liabilities.

The equity attributable to owners of the parent company totaled ¥430.9 billion, a ¥36.8 billion decrease compared to the previous fiscal year end. While retained earnings increased because we posted ¥18.4 billion in profit for the period, equity attributable to owners of the parent company decreased due to ¥10.7 billion in dividend payments, a ¥10.3 billion payment for the acquisition of own shares, and a ¥28.6 billion decrease in other components of equity, including a decrease in the exchange differences on translation of foreign operations associated with the appreciation of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

Epson revised its full-year consolidated financial outlook after adjusting its exchange rate assumptions in light of the rise in the value of the yen and based on factors such as the conditions in markets where Epson operates.

The figures in the outlook are based on assumed exchange rates of 100.00 yen to the U.S. dollar and 110.00 yen to the euro in the third and fourth quarters.

Consolidated Full-Year Financial Outlook

	FY2015	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥1,092.4 billion	¥1,030.0 billion	¥1,000.0 billion	-¥30.0 billion	(-2.9%)
Business profit	¥84.9 billion	¥72.0 billion	¥60.0 billion	-¥12.0 billion	(-16.7%)
Profit from operating activities	¥94.0 billion	¥70.0 billion	¥60.0 billion	-¥10.0 billion	(-14.3%)
Profit before tax	¥91.5 billion	¥69.0 billion	¥59.0 billion	-¥10.0 billion	(-14.5%)
Profit for the period	¥46.0 billion	¥54.0 billion	¥46.0 billion	-¥8.0 billion	(-14.8%)
Profit for the year attributable to owners of the parent company	¥45.7 billion	¥54.0 billion	¥46.0 billion	-¥8.0 billion	(-14.8%)
Exchange rates	$1USD = ¥120.14	$1USD = ¥106.00	$1USD = ¥103.00		
	1 EUR = ¥132.58	1 EUR = ¥121.00	1 EUR = ¥114.00		

Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2016	September 30, 2016	September 30, 2016
Assets				
Current assets				
Cash and cash equivalents		230,498	201,196	1,989,675
Trade and other receivables		151,660	145,291	1,436,817
Inventories		201,608	196,674	1,944,956
Income tax receivables		1,232	2,399	23,724
Other financial assets	10	1,674	2,815	27,838
Other current assets		14,335	15,343	151,753
Subtotal		601,010	563,720	5,574,763
Non-current assets held for sale		441	37	365
Total current assets		601,451	563,757	5,575,128
Non-current assets				
Property, plant and equipment		244,463	239,277	2,366,267
Intangible assets		18,179	20,884	206,526
Investment property		1,967	1,864	18,433
Investments accounted for using the equity method		1,605	1,402	13,864
Other financial assets	10	21,962	20,671	204,420
Other non-current assets		5,122	4,996	49,450
Deferred tax assets		46,587	47,036	465,150
Total non-current assets		339,888	336,133	3,324,110
Total assets		941,340	899,891	8,899,238

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2016	September 30, 2016	September 30, 2016
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		130,624	127,863	1,264,467
Income tax payables		6,830	6,498	64,260
Bonds issued, borrowings and lease liabilities	6,10	61,654	25,527	252,442
Other financial liabilities	10	824	393	3,886
Provisions		23,019	20,385	201,592
Other current liabilities		102,065	94,819	937,710
Total current liabilities		325,019	275,487	2,724,357
Non-current liabilities				
Bonds issued, borrowings and lease liabilities	6,10	80,100	119,853	1,185,255
Other financial liabilities	10	1,640	1,373	13,577
Net defined benefit liabilities		54,845	60,882	602,076
Provisions		4,941	5,182	51,246
Other non-current liabilities		3,114	2,536	25,131
Deferred tax liabilities		1,001	1,199	11,857
Total non-current liabilities		145,644	191,028	1,889,142
Total liabilities		470,663	466,516	4,613,499
Equity				
Share capital		53,204	53,204	526,147
Capital surplus		84,321	84,321	833,870
Treasury shares	7	(20,471)	(30,810)	(304,687)
Other components of equity		57,989	29,381	290,556
Retained earnings		292,775	294,850	2,915,842
Equity attributable to owners of the parent company		467,818	430,946	4,261,728
Non-controlling interests		2,858	2,428	24,011
Total equity		470,676	433,374	4,285,739
Total liabilities and equity		941,340	899,891	8,899,238

Quarterly Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2015 and 2016:

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2015	2016	2016
Revenue	5	542,981	487,569	4,821,687
Cost of sales		(351,236)	(319,752)	(3,162,105)
Gross profit		191,744	167,817	1,659,582
Selling, general and administrative expenses		(151,500)	(142,088)	(1,405,142)
Other operating income		4,700	3,018	29,845
Other operating expense		(3,234)	(974)	(9,632)
Profit from operating activities		41,709	27,773	274,653
Finance income		892	709	7,011
Finance costs		(2,587)	(1,426)	(14,101)
Share of profit of investments accounted for using the equity method		90	17	168
Profit before tax		40,106	27,073	267,731
Income taxes		(13,906)	(8,462)	(83,683)
Profit from continuing operations		26,199	18,611	184,048
Loss from discontinued operations		(33)	(5)	(59)
Profit for the period		26,166	18,605	183,989
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		(2,792)	(5,655)	(55,923)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		(912)	(84)	(841)
Subtotal		(3,704)	(5,740)	(56,764)
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		(5,516)	(29,618)	(292,898)
Net changes in fair value of cash flow hedges		(625)	806	7,970
Share of other comprehensive income of investments accounted for using the equity method		(14)	(45)	(445)
Subtotal		(6,156)	(28,857)	(285,373)
Total other comprehensive income, net of tax		(9,860)	(34,598)	(342,137)
Total comprehensive income for the period		16,305	(15,992)	(158,148)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2015	2016	2016
Profit for the period attributable to:				
Owners of the parent company		26,027	18,445	182,407
Non-controlling interests		138	160	1,582
Profit for the period		26,166	18,605	183,989
Total comprehensive income for the period attributable to:				
Owners of the parent company		16,230	(15,800)	(156,250)
Non-controlling interests		75	(192)	(1,898)
Total comprehensive income for the period		16,305	(15,992)	(158,148)

	Notes	Yen		U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2015	2016	2016
Earnings per share for the period:				
Basic earnings per share for the period	9	72.75	52.09	0.52
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	9	72.84	52.11	0.52
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	9	(0.09)	(0.02)	(0.00)

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended September 30, 2015 and 2016:

	Notes	Millions of yen		Thousands of U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2015	2016	2016
Revenue	5	282,066	248,470	2,457,179
Cost of sales		(179,773)	(157,308)	(1,555,666)
Gross profit		102,293	91,161	901,513
Selling, general and administrative expenses		(78,562)	(71,900)	(711,036)
Other operating income		4,314	1,972	19,501
Other operating expense		(2,624)	(438)	(4,332)
Profit from operating activities		25,421	20,795	205,646
Finance income		358	224	2,215
Finance costs		(1,746)	(317)	(3,125)
Share of profit of investments accounted for using the equity method		27	0	0
Profit before tax		24,060	20,703	204,736
Income taxes		(8,445)	(6,297)	(62,282)
Profit from continuing operations		15,614	14,405	142,454
Loss from discontinued operations		(6)	(2)	(30)
Profit for the period		15,608	14,402	142,424
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		(5,770)	(1,584)	(15,664)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		(3,310)	569	5,627
Subtotal		(9,081)	(1,015)	(10,037)
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		(11,133)	(4,404)	(43,563)
Net changes in fair value of cash flow hedges		1,066	(1,696)	(16,772)
Share of other comprehensive income of investments accounted for using the equity method		(29)	(4)	(39)
Subtotal		(10,096)	(6,105)	(60,374)
Total other comprehensive income, net of tax		(19,177)	(7,120)	(70,411)
Total comprehensive income for the period		(3,568)	7,282	72,013

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2015	2016	2016
Profit for the period attributable to:				
Owners of the parent company		15,498	14,325	141,663
Non-controlling interests		110	77	761
Profit for the period		15,608	14,402	142,424
Total comprehensive income for the period attributable to:				
Owners of the parent company		(3,564)	7,255	71,746
Non-controlling interests		(4)	27	267
Total comprehensive income for the period		(3,568)	7,282	72,013

	Notes	Yen		U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2015	2016	2016
Earnings per share for the period:				
Basic earnings per share for the period	9	43.32	40.66	0.40
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	9	43.34	40.67	0.40
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	9	(0.02)	(0.01)	(0.00)

Quarterly Condensed Consolidated Statement of Changes in Equity

Six months ended September 30, 2015 and 2016:

		Millions of yen											
		Equity attributable to owners of the parent company											
					Other components of equity								
	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2015		53,204	84,321	(20,464)	-	7,149	74,868	1,055	83,073	294,191	494,325	2,982	497,308
Profit for the period		-	-	-	-	-	-	-	-	26,027	26,027	138	26,166
Other comprehensive income		-	-	-	(2,792)	(902)	(5,476)	(625)	(9,797)	-	(9,797)	(63)	(9,860)
Total comprehensive income for the period		-	-	-	(2,792)	(902)	(5,476)	(625)	(9,797)	26,027	16,230	75	16,305
Acquisition of treasury shares		-	-	(5)	-	-	-	-	-	-	(5)	-	(5)
Dividends	8	-	-	-	-	-	-	-	-	(14,311)	(14,311)	(111)	(14,422)
Transfer from other components of equity to retained earnings		-	-	-	2,792	(14)	-	-	2,777	(2,777)	-	-	-
Total transactions with the owners		-	-	(5)	2,792	(14)	-	-	2,777	(17,088)	(14,316)	(111)	(14,427)
As of September 30, 2015		53,204	84,321	(20,470)	-	6,232	69,391	430	76,053	303,130	496,239	2,946	499,185

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

		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		-	-	-	-	-	-	-	-	18,445	18,445	160	18,605
Other comprehensive income		-	-	-	(5,653)	(82)	(29,314)	806	(34,245)	-	(34,245)	(352)	(34,598)
Total comprehensive income for the period		-	-	-	(5,653)	(82)	(29,314)	806	(34,245)	18,445	(15,800)	(192)	(15,992)
Acquisition of treasury shares	7	-	-	(10,338)	-	-	-	-	-	-	(10,338)	-	(10,338)
Dividends	8	-	-	-	-	-	-	-	-	(10,733)	(10,733)	(237)	(10,970)
Transfer from other components of equity to retained earnings		-	-	-	5,653	(16)	-	-	5,637	(5,637)	-	-	-
Total transactions with the owners		-	-	(10,338)	5,653	(16)	-	-	5,637	(16,370)	(21,071)	(237)	(21,309)
As of September 30, 2016		53,204	84,321	(30,810)	-	4,433	24,301	645	29,381	294,850	430,946	2,428	433,374

(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		526,147	833,870	(202,453)	-	44,807	530,253	(1,592)	573,468	2,895,321	4,626,353	28,252	4,654,605
Profit for the period		-	-	-	-	-	-	-	-	182,407	182,407	1,582	183,989
Other comprehensive income		-	-	-	(55,903)	(810)	(289,914)	7,970	(338,657)	-	(338,657)	(3,480)	(342,137)
Total comprehensive income for the period		-	-	-	(55,903)	(810)	(289,914)	7,970	(338,657)	182,407	(156,250)	(1,898)	(158,148)
Acquisition of treasury shares	7	-	-	(102,234)	-	-	-	-	-	-	(102,234)	-	(102,234)
Dividends	8	-	-	-	-	-	-	-	-	(106,141)	(106,141)	(2,343)	(108,484)
Transfer from other components of equity to retained earnings		-	-	-	55,903	(158)	-	-	55,745	(55,745)	-	-	-
Total transactions with the owners		-	-	(102,234)	55,903	(158)	-	-	55,745	(161,886)	(208,375)	(2,343)	(210,718)
As of September 30, 2016		526,147	833,870	(304,687)	-	43,839	240,339	6,378	290,556	2,915,842	4,261,728	24,011	4,285,739

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Quarterly Condensed Consolidated Statement of Cash Flows

Six months ended September 30, 2015 and 2016:

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2015	2016	2016
Cash flows from operating activities				
Profit for the period		26,166	18,605	183,989
Depreciation and amortisation		23,471	21,091	208,573
Impairment loss and reversal of impairment loss		(3,007)	106	1,048
Finance (income) costs, net		1,694	717	7,090
Share of (profit) loss of investments accounted for using the equity method		(90)	(17)	(168)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		261	118	1,166
Income taxes		13,906	8,462	83,683
Decrease (increase) in trade receivables		1,125	(3,717)	(36,758)
Decrease (increase) in inventories		(15,289)	(15,604)	(154,311)
Increase (decrease) in trade payables		7,590	17,662	174,663
Increase (decrease) in net defined benefit liabilities		624	848	8,386
Other, net		(16,737)	(5,115)	(50,572)
Subtotal		39,716	43,157	426,789
Interest and dividend income received		909	745	7,367
Interest expenses paid		(633)	(541)	(5,350)
Payments for loss on litigation		(1,003)	-	-
Income taxes paid		(11,962)	(10,154)	(100,414)
Net cash provided by (used in) operating activities		27,026	33,207	328,392
Cash flows from investing activities				
Proceeds from sales of investment securities		30	46	454
Purchase of property, plant and equipment		(33,635)	(31,074)	(307,298)
Proceeds from sales of property, plant and equipment		235	597	5,903
Purchase of intangible assets		(3,261)	(3,883)	(38,399)
Proceeds from sales of intangible assets		31	0	0
Proceeds from sales of investment property		6	13	128
Purchase of investments in subsidiaries		(500)	(2,743)	(27,126)
Other, net		156	(79)	(780)
Net cash provided by (used in) investing activities		(36,937)	(37,123)	(367,118)
Cash flows from financing activities				
Net increase (decrease) in current borrowings		12,575	(14,057)	(139,035)
Repayment of non-current borrowings		(86)	-	-
Proceeds from issuance of bonds issued		-	49,759	492,078
Redemption of bonds issued		(40,000)	(30,000)	(296,677)
Payments of lease obligations		(47)	(47)	(464)
Dividends paid	8	(14,311)	(10,733)	(106,141)
Dividends paid to non-controlling interests		(111)	(236)	(2,333)
Purchase of treasury shares		(5)	(10,338)	(102,234)
Net cash provided by (used in) financing activities		(41,987)	(15,654)	(154,806)
Effect of exchange rate changes on cash and cash equivalents		(2,836)	(9,731)	(96,243)
Net increase (decrease) in cash and cash equivalents		(54,734)	(29,302)	(289,775)
Cash and cash equivalents at beginning of period		245,330	230,498	2,279,450
Cash and cash equivalents at end of period		190,596	201,196	1,989,675

Notes to Consolidated Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

Epson's quarterly condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting", under the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements, as the Company meets the criteria of a "Specified Company applying Designated International Accounting Standards" defined under Article 1-2 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.
The quarterly condensed consolidated financial statements of Epson do not contain all the information required in annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended March 31, 2016.

3. Changes in Accounting Policies and Changes in Accounting Estimates

The significant accounting policies adopted for the quarterly condensed consolidated financial statements of Epson are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2016, except for changes in presentation as described below.
Epson calculated income taxes for the six-month period ended September 30, 2016 based on an estimated average annual effective income tax rate.

(Changes in presentation)
The presentation of certain items in the quarterly condensed consolidated financial statements has been changed from the first quarter ended June 30, 2016. The changes are made to aim for improving the presentation clear and understandable for users of the quarterly condensed consolidated financial statements. Other related presentation has been changed along with the changes of the quarterly condensed 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 Quarterly Condensed Consolidated Statement of Financial Position

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

4. Significant Accounting Estimates and Judgments

The preparation of Epson's quarterly condensed consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of September 30, 2016. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of September 30, 2016. 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 its subsequent periods. Estimates and assumptions having a significant effects on the amounts recognised in Epson's quarterly condensed consolidated financial statements are consistent with those for the fiscal year ended March 31, 2016.

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.
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, 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: Six months ended September 30, 2015

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

(Note 1) Segment profit (loss) (Business profit) 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 (¥21,309) million comprised “Eliminations” of ¥237 million and “Corporate expenses” of (¥21,547) 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.

FY2016: Six months ended September 30, 2016

	Millions of yen						
	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	318,507	87,692	77,235	483,435	314	3,820	487,569
Inter-segment revenue	123	12	3,777	3,912	341	(4,254)	-
Total revenue	318,630	87,704	81,012	487,347	656	(434)	487,569
Segment profit (loss) (Business profit) (Note 1)	33,944	7,186	3,990	45,121	(294)	(19,097)	25,729
					Other operating income (expense)		2,043
					Profit from operating activities		27,773
					Finance income (costs), net		(717)
					Share of profit of investments accounted for using the equity method		17
					Profit before tax		27,073

(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 (¥19,097) million comprised “Eliminations” of ¥235 million and “Corporate expenses” of (¥19,332) 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.

FY2016: Six months ended September 30, 2016

	Thousands of U.S. dollars						
	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	3,149,802	867,207	763,796	4,780,805	3,115	37,767	4,821,687
Inter-segment revenue	1,217	118	37,351	38,686	3,372	(42,058)	-
Total revenue	3,151,019	867,325	801,147	4,819,491	6,487	(4,291)	4,821,687
Segment profit (loss) (Business profit) (Note 1)	335,690	71,064	39,458	446,212	(2,918)	(188,854)	254,440
					Other operating income (expense)		20,213
					Profit from operating activities		274,653
					Finance income (costs), net		(7,090)
					Share of profit of investments accounted for using the equity method		168
					Profit before tax		267,731

(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 ($188,854) thousand comprised “Eliminations” of $2,324 thousand and “Corporate expenses” of ($191,178) 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.

FY2015: Three months ended September 30, 2015

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

(Note 1) Segment profit (loss) (Business profit) 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 (¥10,279) million comprised “Eliminations” of ¥117 million and “Corporate expenses” of (¥10,397) 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.

FY2016: Three months ended September 30, 2016

	Millions of yen						
	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	161,253	46,081	38,399	245,734	177	2,558	248,470
Inter-segment revenue	54	12	2,134	2,200	174	(2,374)	-
Total revenue	161,307	46,093	40,534	247,935	351	183	248,470
Segment profit (loss) (Business profit) (Note 1)	21,081	5,023	2,340	28,445	(85)	(9,098)	19,261
					Other operating income (expense)		1,534
					Profit from operating activities		20,795
					Finance income (costs), net		(93)
					Share of profit of investments accounted for using the equity method		0
					Profit before tax		20,703

(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 (¥9,098) million comprised “Eliminations” of ¥120 million and “Corporate expenses” of (¥9,219) 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.

FY2016: Three months ended September 30, 2016

	Thousands of U.S. dollars						
	Reportable segments						
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	1,594,679	455,706	379,747	2,430,132	1,751	25,296	2,457,179
Inter-segment revenue	535	118	21,103	21,756	1,720	(23,476)	-
Total revenue	1,595,214	455,824	400,850	2,451,888	3,471	1,820	2,457,179
Segment profit (loss) (Business profit) (Note 1)	208,486	49,673	23,140	281,299	(850)	(89,972)	190,477
					Other operating income (expense)		15,169
					Profit from operating activities		205,646
					Finance income (costs), net		(910)
					Share of profit of investments accounted for using the equity method		0
					Profit before tax		204,736

(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 ($89,972) thousand comprised “Eliminations” of $1,196 thousand and “Corporate expenses” of ($91,168) 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.

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
	March 31, 2016	September 30, 2016	September 30, 2016
Current borrowings	31,104	14,949	147,834
Current portion of non-current borrowings	500	500	4,944
Current portion of bonds issued (Note)	29,989	9,989	98,783
Non-current borrowings	50,000	50,000	494,462
Bonds issued (Note)	29,928	69,714	689,430
Lease liabilities	233	227	2,244
Total	141,755	145,381	1,437,697
Current liabilities	61,654	25,527	252,442
Non-current liabilities	80,100	119,853	1,185,255
Total	141,755	145,381	1,437,697

(Note) Issuance of "Bonds issued"
There was no issuance of "Bonds issued" for the six months ended September 30, 2015.

The issued "Bonds issued" for the six months ended September 30, 2016 were as follows:

FY2016: Six months ended September 30, 2016

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 13th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.10	September 21, 2021	20,000	197,784
The Company	The 14th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.27	September 21, 2023	20,000	197,784
The Company	The 15th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.34	September 18, 2026	10,000	98,892

(Note) Redemption of “Bonds issued”
The redeemed “Bonds issued” for the six months ended September 30, 2015 were as follows:

FY2015: Six months ended September 30, 2015

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

The redeemed “Bonds issued” for the six months ended September 30, 2016 were as follows:

FY2016: Six months ended September 30, 2016

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 7th Series unsecured straight bonds (with inter-bond pari passu clause)	June 14, 2011	0.72	June 14, 2016	20,000	197,784
The Company	The 10th Series unsecured straight bonds (with inter-bond pari passu clause)	September 11, 2013	0.33	September 9, 2016	10,000	98,892

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

The Company resolved at the meeting of its Board of Directors held on April 28, 2016 to repurchase its own shares and repurchase method. The share repurchase was implemented as follows:

Details of the repurchase

(1) Class of shares repurchased	Ordinary shares
(2) Total number of shares repurchased	5,370,000 shares
(3) Total repurchase amount	9,987,101,600 yen
(4) Repurchase period	May 2, 2016 - June 30, 2016 (on an agreement base)
(5) Repurchase method	Through securities company using discretionary transactions method

8. Dividends

Dividends paid were as follows:

FY2015: Six months ended September 30, 2015

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

FY2016: Six months ended September 30, 2016

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

FY2016: Six months ended September 30, 2016

(Resolution)	Class of shares	Thousands of U.S. dollars	U.S. dollars	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2016)	Ordinary shares	106,141	0.29	March 31, 2016	June 29, 2016

Dividends whose basis dates were during the six months ended September 30, 2015 and 2016, but whose effective dates were subsequent to September 30, 2015 and 2016 were as follows:

FY2015: Six months ended September 30, 2015

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

FY2016: Six months ended September 30, 2016

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Board of Directors (October 27, 2016)	Ordinary shares	10,572	30	September 30, 2016	November 30, 2016

FY2016: Six months ended September 30, 2016

(Resolution)	Class of shares	Thousands of U.S. dollars	U.S. dollars	Basis date	Effective date
		Total dividends	Dividends per share		
Board of Directors (October 27, 2016)	Ordinary shares	104,549	0.29	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.

9. Earnings per Share

Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2015	2016	2016
Profit from continuing operations attributable to owners of the parent company	26,060	18,450	182,466
Loss from discontinued operations attributable to owners of the parent company	(33)	(5)	(59)
Profit used for calculation of basic earnings per share	26,027	18,445	182,407

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2015	2016	2016
Profit from continuing operations attributable to owners of the parent company	15,504	14,327	141,693
Loss from discontinued operations attributable to owners of the parent company	(6)	(2)	(30)
Profit used for calculation of basic earnings per share	15,498	14,325	141,663

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

	Thousands of shares	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Weighted-average number of ordinary shares	357,775	354,092

	Thousands of shares	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Weighted-average number of ordinary shares	357,775	352,300

10. Fair Value of Financial Instruments

(1) Fair value measurement

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

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

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

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

(Bonds issued)
The fair values 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 chart 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 September 30, 2016	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings (Note)	65,449	-	65,544	-	65,544
Bonds issued (Note)	79,704	-	80,333	-	80,333
Total	145,153	-	145,877	-	145,877

FY2016: As of September 30, 2016	Thousands of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings (Note)	647,240	-	648,180	-	648,180
Bonds issued (Note)	788,213	-	794,432	-	794,432
Total	1,435,453	-	1,442,612	-	1,442,612

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 September 30, 2016	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	2,537	-	2,537
Equity securities	13,578	-	2,314	15,892
Total	13,578	2,537	2,314	18,430
Financial liabilities measured at fair value				
Derivative financial liabilities	-	393	-	393
Total	-	393	-	393

FY2016: As of September 30, 2016	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	25,089	-	25,089
Equity securities	134,276	-	22,883	157,159
Total	134,276	25,089	22,883	182,248
Financial liabilities measured at fair value				
Derivative financial liabilities	-	3,886	-	3,886
Total	-	3,886	-	3,886

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
	Six months ended September 30,		Six months ended September 30,
	2015	2016	2016
Balance as of April 1	2,406	2,054	20,312
Gains and losses			
Other comprehensive income	(336)	311	3,075
Sales	(30)	-	-
Other	-	(51)	(504)
Balance as of September 30	2,040	2,314	22,883

11. 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 and certain of its consolidated subsidiaries are 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.

12. Subsequent Events

No material subsequent events were identified.

Supplementary Information

Consolidated Second Quarter ended September 30, 2016

Cautionary Statement

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

1. Revenue by division

(Unit: billion yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Printing Solutions	356.6	318.6	(10.7%)	670.0	(9.0%)
Printers	249.4	222.0	(11.0%)	472.0	(9.0%)
Professional Printing	100.4	88.9	(11.4%)	182.0	(9.7%)
Other	7.8	8.3	5.9%	18.0	(0.6%)
Inter-segment revenue	(1.1)	(0.7)	-%	(2.0)	-%
Visual Communications	95.1	87.7	(7.8%)	170.0	(7.6%)
Wearable & Industrial Products	91.4	81.0	(11.4%)	160.0	(6.1%)
Wearable Products	32.1	27.9	(13.0%)	53.0	(12.7%)
Robotics Solutions	8.4	7.8	(7.2%)	16.0	3.8%
Microdevices,Other	54.5	48.2	(11.6%)	96.0	(5.7%)
Inter-segment revenue	(3.7)	(3.0)	-%	(5.0)	-%
Other	0.6	0.6	4.9%	1.0	(28.8%)
Corporate expenses & Eliminations	(0.9)	(0.4)	-%	(1.0)	-%
Consolidated revenue	542.9	487.5	(10.2%)	1,000.0	(8.5%)

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

2. Business segment information

(Unit: billion yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Printing Solutions					
Revenue:					
External	356.4	318.5	(10.7%)	670.0	(9.0%)
Inter-segment	0.1	0.1	(26.2%)	0.0	-%
Total	356.6	318.6	(10.7%)	670.0	(9.0%)
Segment profit (loss)	44.0	33.9	(22.9%)	85.0	(18.8%)
Visual Communications					
Revenue:					
External	95.1	87.6	(7.8%)	170.0	(7.6%)
Inter-segment	0.0	0.0	(64.6%)	0.0	-%
Total	95.1	87.7	(7.8%)	170.0	(7.6%)
Segment profit (loss)	8.8	7.1	(18.8%)	14.0	(10.2%)
Wearable & Industrial Products					
Revenue:					
External	88.1	77.2	(12.4%)	153.0	(6.9%)
Inter-segment	3.2	3.7	14.9%	7.0	16.1%
Total	91.4	81.0	(11.4%)	160.0	(6.1%)
Segment profit (loss)	8.9	3.9	(55.6%)	6.0	(38.9%)
Other					
Revenue:					
External	0.2	0.3	6.8%	0.0	-%
Inter-segment	0.3	0.3	3.1%	1.0	53.5%
Total	0.6	0.6	4.9%	1.0	(28.8%)
Segment profit (loss)	(0.3)	(0.2)	-%	(1.0)	-%
Corporate expenses & Eliminations					
Revenue:					
External	2.8	3.8	32.2%	7.0	(4.3%)
Inter-segment	(3.8)	(4.2)	-%	(8.0)	-%
Total	(0.9)	(0.4)	-%	(1.0)	-%
Segment profit (loss)	(21.3)	(19.0)	-%	(44.0)	-%
Consolidated					
Revenue	542.9	487.5	(10.2%)	1,000.0	(8.5%)
Business profit (loss)	40.2	25.7	(36.1%)	60.0	(29.4%)

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

3. Revenue to overseas customers

(Unit: billion yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase	Increase %
Overseas Revenue				
The Americas	165.9	139.6	(26.3)	(15.9%)
Europe	106.7	95.9	(10.7)	(10.1%)
Asia/Oceania	150.9	138.6	(12.2)	(8.1%)
Total	423.6	374.2	(49.3)	(11.6%)
Consolidated revenue	542.9	487.5	(55.4)	(10.2%)
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	30.6	28.7		
Europe	19.7	19.7		
Asia/Oceania	27.8	28.4		
Total	78.0	76.8		

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

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

4. Capital expenditure / Depreciation and amortisation

(Unit: billion yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Capital expenditure	31.4	25.8	(18.0%)	77.0	10.9%
Printing Solutions	18.6	14.6	(21.3%)	43.0	17.4%
Visual Communications	3.2	3.8	18.8%	11.0	2.2%
Wearable & Industrial Products	4.0	3.1	(21.9%)	11.0	6.9%
Other / Coporate expenses	5.5	4.1	(25.4%)	12.0	2.2%
Depreciation and amortisation	23.2	20.8	(10.0%)	47.0	3.5%

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

5. Research and development

(Unit: billion yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase %	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 %
Research and Development	25.9	26.2	1.1%	57.0	7.2%
R&D / revenue ratio	4.8%	5.4%		5.7%	

6. Management indices

(Unit: %)

	Six months ended September 30, 2015	Six months ended September 30, 2016	Increase Point	Forecast for the year ended March 31, 2017	Increase compared to year ended March 31, 2016 Point
ROE	5.3%	4.1%	(1.2)	10.0%	0.5
ROA (Business profit)	4.1%	2.8%	(1.3)	6.5%	(2.2)
ROA (Profit from operating activities)	4.2%	3.0%	(1.2)	6.5%	(3.2)
ROS (Business profit)	7.4%	5.3%	(2.1)	6.0%	(1.8)
ROS (Profit from operating activities)	7.7%	5.7%	(2.0)	6.0%	(2.6)

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)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Foreign exchange effect on revenue		(65.7)
U.S. dollars		(24.3)
Euro		(10.8)
Other		(30.5)
Foreign exchange effect on business profit		(15.5)
U.S. dollars		4.7
Euro		(7.5)
Other		(12.7)
Exchange rate		
Yen / U.S. dollars	121.80	105.29
Yen / Euro	135.07	118.15

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, 2015	March 31, 2016	September 30, 2016	Increase compared to March 31, 2016
Inventory	234.2	201.6	196.6	(4.9)
Printing Solutions	133.0	108.7	111.2	2.5
Visual Communications	55.9	47.1	42.0	(5.0)
Wearable & Industrial Products	44.3	45.1	42.6	(2.4)
Other / Coporate expenses	0.9	0.6	0.7	0.0
Turnover by days	79	67	74	7
Printing Solutions	68	54	64	10
Visual Communications	107	94	88	(6)
Wearable & Industrial Products	89	97	96	(1)
Other / Coporate expenses	47	27	30	3

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

9. Employees

(Unit: person)

	September 30, 2015	March 31, 2016	September 30, 2016	Increase compared to March 31, 2016
Number of employees at period end	71,777	67,605	73,340	5,735
Domestic	18,804	18,699	19,221	522
Overseas	52,973	48,906	54,119	5,213