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SEIKO EPSON CORPORATION

ANNUAL REPORT 2015

April 2014 - March 2015

40 YEARS EPSON BRAND

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 quickly introduce new products and services, consumption trends, competition, technology trends, and exchange rate fluctuations.

In this annual report, "Epson" or the "Group" refers to the Epson Group, while "the Company" may refer to the Group or the parent company, Seiko Epson Corporation.

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Consolidated Financial Highlights

Seiko Epson Corporation and Subsidiaries

For the years ended March 31

	IFRS		
	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Statement of Comprehensive Income			
Revenue	1,008,407	**1,086,341**	**9,040,034**
Information-related equipment business segment	841,228	**907,296**	**7,550,105**
Devices and precision products business segment	148,779	**156,297**	**1,300,632**
Sensing and industrial solutions business segment	16,174	**23,396**	**194,690**
Other	1,333	**1,390**	**11,566**
Adjustments	891	**(2,038)**	**(16,959)**
Gross profit	362,589	**395,924**	**3,294,699**
Selling, general and administrative expenses	(272,501)	**(294,648)**	**(2,451,926)**
Profit from operating activities	79,549	**131,380**	**1,093,284**
Profit before tax	77,977	**132,536**	**1,102,904**
Profit for the period attributable to owners of the parent company	84,203	**112,560**	**936,673**
Total comprehensive income for the period	120,480	**145,483**	**1,210,643**

Statement of Cash Flows			
Net cash provided by (used in) operating activities	114,859	**108,828**	**905,617**
Net cash provided by (used in) investing activities	(41,244)	**(32,735)**	**(272,405)**
Free cash flows	73,615	**76,093**	**633,212**
Net cash provided by (used in) financing activities	(56,567)	**(55,392)**	**(460,946)**

Statement of Financial Position			
Current assets	560,645	**650,383**	**5,412,191**
Non-current assets	348,245	**355,898**	**2,961,629**
Total assets	908,890	**1,006,282**	**8,373,820**
Current liabilities	336,087	**355,442**	**2,957,826**
Non-current liabilities	208,045	**153,531**	**1,277,624**
Equity attributable to owners of the parent company	362,371	**494,325**	**4,113,547**

	IFRS		
	Millions of yen		Thousands of U.S. dollars
	2014	**2015**	**2015**
Per Share Data (yen and U.S. dollars)			
Basic earnings per share (Note 2)	235.35	**314.61**	**2.62**
Cash dividends per share (Note 4)	50.00	**115.00**	**0.95**
Equity attributable to owners of the parent company, per share (Note2)	1,012.83	**1,381.66**	**11.50**

Financial Ratios (%)		
Equity attributable to owners of the parent company, ratio	39.9	**49.1**
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)	27.7	**26.3**
ROA (Profit from operating activities/ Beginning and ending balance average total assets)	9.2	**13.7**
ROS (Profit from operating activities/ Revenue)	7.9	**12.1**

Number of Employees		
Information-related equipment business segment	55,104	**52,010**
Devices and precision products business segment	13,723	**12,787**
Sensing and industrial solutions business segment	1,197	**1,246**
Other	252	**306**
Corporate	2,895	**3,529**
Total	73,171	**69,878**

Notes

1. The Consolidated Financial Statements have been prepared on the basis of International Financial Reporting Standards (IFRS) from the year ended March 31, 2014.
2. Seiko Epson Corporation (the “Company”) completed the Company’s ordinary shares split into two shares with an effective date of April 1, 2015. Per share data are calculated under the assumption that the share splits took effect at the beginning of the year ended March 31, 2014.
3. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.17 =U.S.$1 as of March 31, 2015.
4. In this table, cash dividends per share refers to the amount paid for each share in each fiscal year.
5. Equity attributable to owners of the parent company is equity excluding non-controlling interests in subsidiaries.

For the years ended March 31

	JGAAP				
	Millions of yen				
	2010	2011	2012	2013	2014
Statements of Income					
Net sales	985,363	973,663	877,997	851,297	1,003,606
Information-related equipment	712,692	702,918	-	-	-
Electronic devices	248,001	231,235	-	-	-
Precision products	57,746	68,276	-	-	-
Other	19,714	1,279	-	-	-
Eliminations and corporate	(52,791)	(30,046)	-	-	-
Information-related equipment business segment	-	713,936	691,801	688,029	-
Devices and precision products business segment	-	212,670	174,811	156,872	-
Other	-	61,446	17,316	1,273	-
Eliminations and corporate	-	(14,390)	(5,932)	5,122	-
Information-related equipment business segment	-	-	-	685,862	836,436
Devices and precision products business segment	-	-	-	140,790	148,956
Sensing and industrial solutions business segment	-	-	-	11,413	16,181
Other	-	-	-	1,273	1,334
Eliminations and corporate	-	-	-	11,957	699
Gross profit	259,469	262,963	248,846	234,439	322,976
Selling, general and administrative expenses	241,241	230,253	224,219	213,184	238,007
Operating income	18,227	32,709	24,626	21,255	84,968
Ordinary income	13,875	31,174	27,022	17,629	78,121
Income (loss) before income taxes and minority interests	(799)	15,381	15,622	(3,479)	71,916
Net income (loss)	(19,791)	10,239	5,032	(10,091)	83,698

Research and development costs	68,849	54,377	52,106	49,923	50,531
Capital expenditures	25,937	31,813	38,908	43,155	37,825
Depreciation and amortization	47,395	41,159	37,651	39,320	38,725

Net cash provided by (used in) operating activities	56,542	32,395	26,678	42,992	111,253
Net cash provided by (used in) investing activities	(43,203)	(23,615)	(31,528)	(39,511)	(39,519)
Free cash flows	13,338	8,780	(4,849)	3,480	71,733
Net cash provided by (used in) financing activities	(41,087)	(42,691)	(57,406)	21,298	(56,567)

	JGAAP				
	Millions of yen				
	2010	2011	2012	2013	2014
Balance Sheet					
Current assets	596,210	543,530	487,190	519,457	602,452
Property, plant and equipment (net of accumulated depreciation)	225,354	213,623	213,086	217,388	216,170
Total assets	870,090	798,229	740,769	778,547	865,872
Current liabilities	328,652	315,422	313,314	326,688	313,636
Non-current liabilities	258,574	211,999	179,314	193,052	200,505
Net assets	282,864	270,808	248,140	258,806	351,730

Number of Employees					
Information-related equipment	45,863	44,711	-	-	-
Electronic devices	22,439	20,659	-	-	-
Precision products	5,839	5,985	-	-	-
Information-related equipment business segment	-	-	55,841	50,823	55,104
Devices and precision products business segment	-	-	16,101	13,859	13,723
Sensing and industrial solutions business segment	-	-	-	-	1,197
Other	590	245	249	241	252
Corporate	3,206	2,951	3,112	3,838	2,895
Total	77,936	74,551	75,303	68,761	73,171

Per Share Data (yen and U.S. dollars)					
Net income (loss) (Note 1)	(99.34)	51.25	26.22	(56.41)	233.94
Cash dividends (Note 3)	7.00	20.00	26.00	20.00	50.00
Shareholders’ equity (Note1)	1,407.92	1,347.71	1,377.60	1,435.20	976.41

Financial Ratios (%)					
Shareholders’ equity ratio	32.3	33.7	33.3	33.0	40.3
ROE (net income (loss)/average shareholders’ equity at beginning and end of year)	(6.8)	3.7	2.0	(4.0)	27.6
ROA (ordinary income/average total assets at beginning and end of year)	1.6	3.7	3.5	2.3	9.5
ROS (operating income/net sales)	1.8	3.4	2.8	2.5	8.5

Notes

1. Seiko Epson Corporation (the “Company”) completed the Company’s ordinary shares split into two shares with an effective date of April 1, 2015. Per share data are calculated under the assumption that the share splits took effect at the beginning of the year ended March 31, 2014.
2. Ordinary income is a common item on financial statements in Japan, which is calculated by adding to or subtracting from operating income items such as interest income, rent income, interest expenses and foreign exchange gains or losses.
3. In this table, cash dividends per share refers to the amount paid for each share in each fiscal year.
4. Shareholders’ equity is net assets excluding minority interests.

Information on the Company

1. Overview of the business group

Epson is primarily engaged in developing, manufacturing, selling, and providing services for products in four business segments: information-related equipment, devices and precision products, sensing and industrial solutions, and other.

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 businesses is provided below along with a list of the main Epson Group companies involved in each segment.

(1) Information-related equipment business segment

This segment comprises the printing systems business, visual communications business, and others. The businesses in this segment leverage Epson's unique Micro Piezo, a micro-display, and other technologies to develop, manufacture, and sell products.
The main activities of these businesses are described below.

Printing systems business

This business is primarily responsible for home and office inkjet printers, page printers, and color image scanners, as well as commercial inkjet printers, serial impact dot matrix (SIDM) printers, POS system products, inkjet label printers, and related consumables.

Visual communications business

This business is primarily responsible for 3LCD projectors for business, education, and the home; high-temperature polysilicon TFT panels for 3LCD projectors; and label printers and smart glasses.

Others

In the Others business, PCs are sold in the Japanese market through a domestic subsidiary.

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

Business area	Main products	Main subsidiaries and affiliates	
		Manufacturing companies	Sales companies
Printing Systems	Inkjet printers, page printers, color image scanners, commercial inkjet printers, serial impact dot matrix printers, printers for use in POS systems, inkjet label printers, related consumables and others	Tohoku Epson Corporation Akita Epson Corporation Epson Portland Inc. Epson Telford Ltd. Tianjin Epson Co., Ltd. Epson Engineering (Shenzhen) Ltd. P.T. Epson Batam P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc.	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. Epson Australia Pty. Ltd. Epson India Pvt. Ltd.
Visual Communications	3LCD projectors, high-temperature polysilicon TFT panels for 3LCD projectors, label printers, smart glasses and others	Epson Engineering (Shenzhen) Ltd. Epson Precision (Philippines), Inc.	
Others	Personal computers and others	—	Epson Sales Japan Corporation Epson Direct Corporation

(2) Devices and precision products business segment
This segment comprises the micro-devices business and precision products business. These businesses leverage Epson's traditional strengths in areas such as micromachining, low-power design, and high-density assembly to develop, manufacture and sell a variety of products.

The main activities of these businesses are described below.

Micro-devices business
This business is primarily responsible for offering small electronic devices that are highly accurate and energy efficient. It also develops and manufactures devices to meet the needs of other businesses within the Epson Group.

Quartz device business
The business mainly 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.

Precision products business
Based on ultra-fine and ultra-precision processing technologies, and high-density mounting technologies, this business develops and manufactures watches, and provides metal powders and surface finishing.

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

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

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

Business area	Main products	Main subsidiaries and affiliates	
		Manufacturing companies	Sales companies
Micro-devices	[Quartz device business] Crystal units, crystal oscillators, quartz sensors and others	Miyazaki Epson Corporation Akita Epson Corporation Epson Precision Malaysia Sdn. Bhd.	Epson Electronics America, Inc. Epson Europe Electronics GmbH Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
	[Semiconductor business] CMOS LSIs and others	Tohoku Epson Corporation Singapore Epson Industrial Pte. Ltd.	
Precision products	[Watch business] Watches, watch movements and others	Epson Precision (Shenzhen) Ltd. Orient Watch (Shenzhen) Ltd. Epson Precision (Johor) Sdn. Bhd.	Orient Watch Co., Ltd. Time Module (Hong Kong) Ltd.
	[Others] Metal powders, surface finishing	Epson Atmix Corporation Singapore Epson Industrial Pte. Ltd.	

(3) Sensing and industrial solutions business segment

This segment uses advanced precision mechatronics and other technologies to provide industrial robots and other production systems that dramatically increase productivity. In the fields of personal health and sports, these businesses combine sensing systems that have extremely accurate built-in sensors with cloud-based services to provide products and services that improve quality of life.

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

Business area	Main products	Main subsidiaries and affiliates	
		Manufacturing companies	Sales companies
Sensing and industrial solutions	Industrial robots, IC handlers, industrial inkjet printing systems, sensing systems and others	Akita Epson Corporation Epson Engineering (Shenzhen) Ltd.	Epson Sales Japan Corporation Epson America, Inc. Epson Deutschland GmbH Epson (China) Co., Ltd. Epson Hong Kong Ltd.

(4) Other

This segment comprises the businesses of Epson Group companies that offer services for and within the Epson Group.

2. Major equipment and facilities

Epson's major equipment and facilities are as follows.

(1) Seiko Epson Corporation

As of March 31, 2015

Name of plant (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Head Office (Suwa-shi, Nagano)	Overall administration and other	Other facilities	1,484	101	1,247 (43,322) [3,171]	102	2,936	555
Tokyo Office (Shinjuku-ku, Tokyo)	Overall administration and other	Other facilities	19	−	− (−)	1	21	36
Hirooka Office (Shiojiri-shi, Nagano)	Information-related equipment Other	Printer development and design and component manufacturing facilities Research and development facilities	17,820	11,582	5,753 (189,347) [22,989]	2,338	37,494	4,769
Matsumoto Minami Plant (Matsumoto-shi, Nagano)	Information-related equipment	Printer development and design facilities	1,419	704	3,764 (179,759) [1,758]	265	6,153	697
Toyoshina Plant (Azumino-shi, Nagano)	Information-related equipment Sensing and industrial solutions	3LCD projector and smart glasses development and design facilities Factory automation development, design and manufacturing facilities	1,808	948	− (−) [108,004]	1,556	4,313	1,724
Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano)	Information-related equipment Other	Printer components and liquid crystal panel manufacturing facilities Research and development facilities	5,329	11,163	1,443 (113,082) [28,909]	807	18,744	908
Chitose Plant (Chitose-shi, Hokkaido)	Information-related equipment	Liquid crystal panel manufacturing facilities	2,082	904	1,375 (160,528)	777	5,140	201
Ina Plant (Minowa-machi, Kamiina-gun, Nagano)	Devices and precision products	Crystal device development and design facilities	2,197	1,454	129 (39,943) [1,502]	163	3,945	478
Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano)	Devices and precision products Sensing and industrial solutions Other	Semiconductor and sensing systems development and design facilities Research and development facilities	7,872	1,355	1,996 (247,143)	731	11,956	1,045
Sakata Plant (Sakata-shi, Yamagata)	Devices and precision products	Semiconductor manufacturing facilities Other	5,918	3,578	2,177 (538,828)	729	12,404	91
Hino Office (Hino-shi, Tokyo)	Devices and precision products	Sales facilities	3,022	1	8,346 (40,725)	24	11,394	218

Name of plant (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Shiojiri Plant (Shiojiri-shi, Nagano)	Devices and precision products	Watch manufacturing facilities	1,669	2,356	1,047 (41,836) [5,764]	380	5,454	656

(2) Domestic subsidiaries

As of March 31, 2015

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Tohoku Epson Corporation (Sakata-shi, Yamagata)	Information-related equipment Devices and precision products	Printer component and semiconductor manufacturing facilities	2	6	— (—)	730	739	2,076
Akita Epson Corporation (Yuzawa-shi, Akita)	Information-related equipment Devices and precision products Sensing and industrial solutions	Printer component, crystal device, and sensing system manufacturing facilities	1,714	148	650 (65,436)	339	2,852	851
Epson Atmix Corporation (Hachinohe-shi, Aomori)	Devices and precision products	Manufacturing facilities for metal powders, etc.	2,640	1,719	209 (20,495) [34,208]	131	4,701	196

(3) Overseas subsidiaries

As of March 31, 2015

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Epson Engineering (Shenzhen) Ltd. (Shenzhen, China)	Information-related equipment Sensing and industrial solutions	Printer, 3LCD projector, liquid crystal panel and factory automation manufacturing facilities	3,395	3,349	— (—) [64,104]	4,157	10,902	10,449
Singapore Epson Industrial Pte. Ltd. (Singapore)	Information-related equipment Devices and precision products	Printer consumables, semiconductor, and watch manufacturing facilities and surface finishing facilities	3,822	7,720	66 (41,065) [50,276]	1,047	12,657	5,687
P.T. Indonesia Epson Industry (Bekasi, Indonesia)	Information-related equipment	Printer manufacturing facilities	3,505	4,629	— (—) [254,871]	4,684	12,819	8,754

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m^2)	Other	Total	
Epson Precision (Philippines), Inc. (Lipa, Philippines)	Information-related equipment	Printer and 3LCD projector manufacturing facilities	8,709	3,150	621 (100,000) [130,000]	3,152	15,633	8,946
Epson Precision Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)	Devices and precision products	Crystal device manufacturing facilities	555	3,471	379 (32,437)	36	4,443	2,107

Notes

1. The above figures do not include consumption tax.
2. "Other" under the book value column includes tools, furniture and fixtures and other property, plant and equipment, but does not include construction in progress.
3. Portions of land are leased from companies not included in consolidated accounts. The size of each area of leased land is indicated in brackets [ ].
4. Tohoku Epson Corporation uses a portion of the facilities of the Sakata Plant.
5. Figures for Singapore Epson Industrial Pte. Ltd. and Epson Precision (Philippines), Inc., are included in consolidated business results.
6. The above book value amounts are after adjustments for consolidated accounts.

3. Overview of capital expenditures

Capital expenditures for the consolidated fiscal year under review were concentrated in key strategic areas, primarily new products and rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, Epson continued to carefully select investments and efficiently utilize existing facilities in an effort to generate stable cash flow.

As a result of these efforts, total capital expenditures (including property, plant and equipment, software and lease rights) amounted to ¥45.4 billion.

No equipment with significant impact on production capacity was sold or removed.

Capital expenditures in each business segment are discussed below.

Information-related equipment segment
Investment used for commercializing new products such as printers and 3LCD projectors, etc., and for rationalizing, upgrading and maintaining equipment and facilities amounted to ¥30.1 billion in the fiscal year under review.

Devices and precision products segment
Investment used for commercializing new products such as crystal devices and watches, etc., and for rationalizing, upgrading and maintaining equipment and facilities amounted to ¥7.7 billion in the fiscal year under review.

Sensing and industrial solutions segment
Investment used for commercializing new products such as factory automation systems and sensing systems and for rationalizing, upgrading and maintaining equipment and facilities amounted to ¥1.1 billion in the fiscal year under review.

Other and overall
Investment in R&D and other activities amounted to ¥6.3 billion in the fiscal year under review.

4. Plans for new additions or disposals

Epson plans to allocate ¥70.0 billion to capital expenditures for the consolidated fiscal year ending March 31, 2016. The business segmentation method has been changed effective from the consolidated fiscal year ending March 31, 2016.

Business segment	Planned amount of capital expenditures (100 million yen)	Main type and purpose of equipment and facilities
Printing solutions	320	Commercializing new products; rationalizing, upgrading and maintaining equipment and facilities, etc.
Visual communications	90	Commercializing new products; rationalizing, upgrading and maintaining equipment and facilities, etc.
Wearable & Industrial products	90	Commercializing new products; rationalizing, upgrading and maintaining equipment and facilities, etc.
Other and overall	200	Increase of production capacity, investment in research and development, etc.
Total	700	–

Notes

1. The above amounts do not include consumption tax.
2. Required funds will be covered by current funds in hand.
3. There are no plans to dispose of or sell major equipment and facilities with the exception of disposals and sales associated with regular and ongoing upkeep of equipment and facilities.

5. Major management contracts

Reciprocal technical assistance agreements

Name of contracting company	Name of other party	Country	Type of contract	Contract period
Seiko Epson Corporation	Hewlett-Packard Company	U.S.A.	License to use patents relating to information-related equipment	May 1, 2012 until the expiry of the patents
Seiko Epson Corporation	International Business Machines Corporation	U.S.A.	License to use patents relating to information-related equipment	April 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Microsoft Corporation	U.S.A.	License to use patents relating to information-related equipment and software used by such equipment	September 29, 2006 until the expiry of the patents
Seiko Epson Corporation	Eastman Kodak Company	U.S.A.	License to use patents relating to information-related equipment	October 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Xerox Corporation	U.S.A.	License to use patents relating to electrophotography and inkjet printers	March 31, 2008 until the expiry of the patents
Seiko Epson Corporation	Texas Instruments Incorporated	U.S.A.	License to use patents relating to semiconductors and information-related equipment	April 1, 2008 until March 31, 2018
Seiko Epson Corporation	Canon Incorporated	Japan	License to use patents relating to information-related equipment	August 22, 2008 until the expiry of the patents

Risks Related to Epson's Business Operations

At present, we have identified the following significant factors as risks that could have a materially adverse effect on our future business, financial condition or operating results and that should thus be taken into account by investors. There may be other risk factors of which we are unaware at this time. We strive to recognize, prevent, and control potential risks and to address risks that materialize. Also, all forward-looking statements hereunder were made at Epson's discretion as of the date this Annual Report was submitted.

1. Our financial performance could be adversely affected by fluctuations in printer sales.
The ¥907.2 billion in revenue in the information-related equipment segment in the year ended March 31, 2015 accounted for more than 80% of Epson's consolidated revenue of ¥1,086.3 billion. Inkjet printers (including printer consumables) for the home, emerging markets, as well as for office, commercial, and industrial applications accounted for a large majority of our revenue and profit. Consequently, a decrease in revenue from printers and printer consumables could have a materially adverse effect on our operating results.

2. Our financial performance could be adversely affected by competition.
Adverse effects of competition on sales
All of our products, including our core printer and projector products, are subject to the effects of vigorous competition, which could cause, among other things, prices to fall, demand to shift toward lower-priced products, and unit shipments to decline.
We are taking strategic action to address the risk of such declines in prices and unit shipments. On one hand, we must provide products tailored to customer needs in each market along with high-value products and services. On the other hand, we must reduce manufacturing costs by increasing design and development efficiency and by reducing fixed costs.
However, there is no assurance we will succeed in these efforts, and if we are unable effectively to counteract downward pressure on prices, our operating results could be adversely affected.

Adverse effects of competition on technology
Some of the products that we sell contain technology that places Epson in competition against other companies. For example:

- The Micro Piezo technology[1] that we use in our inkjet printers competes with the thermal inkjet technologies[2] of other companies;
- The 3LCD technology[3] that we use in our projectors competes with other companies' DLP technologies[4].

We believe that the technologies we use in these products are superior to the alternative technologies of other companies. However, if consumer opinion with respect to our technologies changes, or if other revolutionary technologies appear on the market and compete with our technologies, we could lose our competitive advantage and our operating results could be adversely affected.

[1]Micro Piezo technology is an inkjet technology created by Epson that manipulates piezoelectric elements to fire small droplets of ink from nozzles.

[2]Thermal inkjet technology (also known as bubble-jet technology) is a printer technology in which the ink is heated to create bubbles and the pressure from the bubbles is used to fire the ink.

[3]3LCD technology uses high-temperature polysilicon TFT liquid-crystal panels as light valves. The light from the light source is divided into the three primary colors (red, blue and green) using special mirrors, the picture is created on separate LCDs for each color, and then the picture is recombined without loss and projected on the screen.

[4]DLP technology uses a digital micro-mirror device (DMD) as a display device. A DMD is a semiconductor on which a large number of micro mirrors are arranged, each mirror directing light onto its own individual pixel. An image is formed by the light from the light source being reflected from the mirrors onto the screen. DLP and DMD are registered trademarks of Texas Instruments Incorporated.

The emergence of new competitors
We presently face competition from powerful companies that have advanced technological capabilities, abundant financial resources, or strong financial compositions. We also face competition from companies around the world that have market recognition, strong supply capacities, or the ability to compete on price. There is, therefore, a possibility that other companies could use their brand power, technological strength,

ability to procure funds, marketing power, sales skills, low-cost production ability, or other advantages to enter business areas where we are active.

3. Sudden changes in the business environment could affect Epson.

We are laying a strong foundation to achieve sustained growth by concentrating our management resources on the four areas of printing, visual communications, quality of life, and manufacturing, as we believe these are areas that promise future growth and where we can leverage our unique strengths. To achieve sustained growth, we are executing strategies based on a long-range vision and a mid-range business plan. Since we consider technological advantage to be a critical component of competitive strength, we are driving advances in our unique core technologies, including Micro Piezo printheads, micro-displays, sensing systems, and robots, all of which originated from the compact, energy-saving, high-precision technologies that have been Epson's unique strengths since the Company was founded. By driving advances and combining these technologies to create platforms, we are developing and manufacturing products and providing services that meet the needs of our customers.

However, the pace of technological change is generally rapid and product life cycles are usually short in the product markets in which we are focusing our management resources. In addition, demand and capital expenditure trends in Epson's main markets move in tandem with the global economy and could hurt demand for Epson's products, and there is no guarantee that the mid-range plan and business strategies we are pursuing will be successful.

We must understand the needs of markets and customers, and we must invest and conduct research and development from a medium- and long-range perspective based on product market forecasts. We must also pursue a strategy of creating development and design platforms that enable us to transition quickly and smoothly from existing products to new products.

If we are unable to adequately adapt to changes in market needs and technological innovations, or if economic downturns or other factors cause demand to fall and prevent a recovery, or if we are unable to adequately accommodate sudden changes in demand in our main markets, our operating results could be adversely affected.

4. Our revenue and earnings could be adversely impacted by sales of third-party inkjet printer consumables.

Ink cartridges, which comprise the bulk of consumables sold for inkjet printers, are an important source of revenue and profit for Epson. However, third parties also supply ink cartridges and other inkjet printer consumables that can be used in Epson printers. These alternative products are typically sold for less than genuine Epson brand consumables and are more prevalent in emerging markets compared to the markets of developed countries.

To counter sales of third-party consumables for inkjet printers, we must emphasize the quality of genuine Epson products and must look to continuously realize customer value by further enhancing customer convenience with inkjet printers tailored to the needs of customers in each market. Printer models equipped with high-capacity ink tanks are an example of such products. We also take legal measures if any of the patent rights or trademark rights we hold over our ink cartridges are infringed upon.

However, there is no assurance that any of these efforts will be effective, and if our ink cartridge revenue declines because unit shipments of Epson brand ink cartridges shrink as sales of alternative products expand and as we lose market share, or if we must lower the prices of Epson brand products to stay competitive, our operating results could be adversely affected.

5. Expanding businesses overseas entails risks for Epson.

We continue to expand our businesses overseas, and overseas revenue accounted for more than 70% of our consolidated revenue for the business year ended March 31, 2015. We have production sites all over Asia, including China, Indonesia, Singapore, Malaysia and the Philippines, as well as in the United States, the United Kingdom, and other countries. We have also established many sales companies all over the world. As of the end of March 31, 2015, our overseas employees accounted for more than 70% of our total workforce.

We believe that our global presence provides many advantages. For example, it enables us to undertake marketing activities aligned with the market needs of individual regions. It also makes us cost-competitive by reducing manufacturing costs and lead times. There are, however, unavoidable risks associated with overseas manufacturing and sales operations. These include but are not limited to changes in national laws, ordinances, or regulations related to manufacturing and sales; social, political or economic changes; transport delays; damage to infrastructure (e.g., power supply); currency exchange restrictions; insufficient skilled labor; changes in regional labor environments; changes in taxes, regulations or the like protective of trade; and laws, ordinances, regulations or the like related to the import and export of Epson products.

6. Procuring products from certain suppliers entails risks for Epson.

We procure some parts and materials from third parties, but we generally conduct ongoing transactions without entering into long-term purchase agreements. We try to multi-source parts and materials. However, certain parts and materials are procured from a single source because procuring them from an alternative supplier is not possible. We must have procurement operations that are stable and efficient, so we work with our suppliers to maintain product quality, improve products, and reduce costs. However, if our manufacturing and sales activities were to be disrupted due to things such as supplier parts shortages or supplier quality problems, our operating results could adversely be affected.

7. Problems could arise relating to quality issues.

The existence of quality guarantees on Epson products and the details of those guarantees differ from one customer account to another, depending on the agreement we have entered into with them. If an Epson product is defective or does not conform to the required standard, it may have to be replaced or repaired or otherwise reworked at Epson’s expense. Or, if the product causes personal injury or property damage, we could bear product liability or hold other liability.

We could also be held liable to a customer and could incur expenses for repairs or corrections on the grounds that we did not adequately display or explain an Epson product’s features or performance. Furthermore, product quality problems could cause loss of trust in Epson products, and we could lose major accounts or see a drop in demand for our products, any of which might adversely affect our operating results.

8. Epson’s intellectual property rights activities expose Epson to certain risks.

Patent rights and other intellectual property rights are extremely important for maintaining our competitiveness. We have independently developed many of the technologies we need, and we acquire patent rights, trademark rights, and other forms of intellectual property rights for them. We also license the intellectual property rights for products and technologies. We must strengthen our intellectual property portfolio by placing personnel in key positions to manage our intellectual property.

If any of the following situations relating to intellectual property were to occur, our operating results could adversely be affected.

- An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid.
- A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property.
- New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions.
- Intellectual property rights that we hold might not give us a competitive advantage, or we might not be able to use them effectively.
- We or any of our customers could be accused by a third party of infringing on intellectual property rights, which could force us to spend a large amount of time and money to resolve this and associated issues, or which could interfere with our efforts to focus our management resources.
- If a third-party’s claim of intellectual property right infringement were to be upheld, we could incur material damage if required to pay large amounts in compensation or royalties or if forced to stop using the applicable technology.
- A suit could be brought against Epson by an employee or other person seeking remuneration for an invention or the like, potentially forcing us to spend significant time and money to resolve the issue and, depending on the outcome, potentially requiring us to pay a large sum as remuneration.

9. Epson is vulnerable to risks of problems arising relating to the environment.

Epson is subject, both in Japan and overseas, to various environmental regulations concerning industrial waste and emissions into the atmosphere that arise from manufacturing processes. Environmental conservation is one of our most important management policies, and we proactively engage in environmental conservation efforts on a variety of fronts, in line with “Environmental Vision 2050” and our mid-range action plans. For example, we have programs to develop and manufacture products that have a small environmental footprint. We also have programs to reduce energy use, promote the recovery and recycling of end-of-life products, ensure compliance with international substance regulations (primarily the RoHS Directive and REACH regulations in the EU), and improve environmental management systems. Thanks to these efforts, we have not had any serious environmental issues to date. In the future, however, it is possible that an environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or force a halt of production. Moreover, new regulations could be enacted that would require major expenditures, and, if such a situation should occur, Epson’s operating results could be adversely affected.

10. Epson faces risks concerning the hiring and retention of personnel.
We must hire and retain talented personnel both in Japan and overseas to develop advanced new technologies and manufacture advanced new products, but the competition for such personnel is becoming increasingly intense. We must hire and retain talented personnel by, for example, introducing compensation and benefit packages that are commensurate with roles and by proactively promoting people with the right skills overseas. If we are unable to continue to hire and keep enough of such employees, or if we are unable to pass along technologies and skills, we could find it difficult or impossible to execute our business plans.

11. Fluctuations in foreign currency exchanges create risks for Epson.
A significant portion of our revenue is denominated in U.S. dollars or the euro. We expanded our overseas procurement and moved our production sites overseas, causing our dollar-denominated expenses to rise, and although our dollar-denominated revenue and expenses are more or less counterbalanced, our euro-denominated revenue is still greater than our euro-denominated expenses. Also, although we use currency forwards and other means to hedge against the risks inherent in foreign currency exchanges, unfavorable movements in the exchange rates of foreign currencies such as the U.S. dollar or euro against the yen could adversely affect our financial situation and financial results.

12. There are risks inherent in pension systems.
We have a defined-benefit pension plan and a lump-sum payment on retirement as defined-benefit plans.
We revised the defined-benefit retirement pension plan in April 2014 in response to a drop in the rate of return on pension assets and an increase in the number of beneficiaries. The revisions are designed to enable us to adapt to future market changes and maintain stable operations into the future. However, if there is a change in the operating results of the pension assets or in the ratio used as the basis for calculating retirement allowance liabilities, our financial position and operating results could be adversely affected.

13. Epson is vulnerable to proceedings relating to antitrust laws and regulations.
With business operations that span the globe, Epson is subject in Japan and overseas to proceedings relating to antitrust laws and regulations, such as those prohibiting private monopolies and those protecting fair trade. Overseas authorities sometimes investigate or gather information on certain industries and, in conjunction with this, Epson’s market conditions and sales methods may come under investigation. Such investigations and proceedings, or violations of applicable statutes, could interfere with our sales activities. They could also potentially damage Epson’s credibility or result in a large civil fine. Any of these could adversely affect our operating results.
Seiko Epson and certain of its consolidated subsidiaries are currently under investigation by the European Commission and other anti-trust law regulatory authorities regarding allegations of involvement in a liquid crystal display price-fixing cartel. It is difficult at this time to predict the outcome of these investigations and when they may be settled.

14. Epson is at risk of material legal actions being brought against it.
Epson conducts businesses internationally. We are engaged primarily in the development, manufacture and sale of printing solutions, visual communications equipment, and wearable and industrial products, as well as the provision of services related thereto. Given the nature of these businesses, there is a possibility that an action could be brought or legal proceedings could be started against Epson regarding, for example, intellectual property rights, product liability, antitrust laws or environmental regulations.

As of the date we submitted our Annual Securities Report, Epson was contending with the following material actions.
In Germany, the organization for collecting copyright fees on behalf of copyright holders, Verwertungsgesellschaft Wort (“VG Wort”), has brought a series of legal actions seeking payment of copyright fees against importers and vendors of PCs, printers and other digital equipment that is capable of reproducing copyrighted works.
In January 2004, VG Wort brought a civil action against Epson Deutschland GmbH (“EDG”), a consolidated subsidiary of Seiko Epson, to seek payment of copyright fees on single-function printers. The court initially ruled that single-function printers are subject to a copyright fee and decreed that EDG pay the fee at a rate of between 10 to 256.70 euros per printer depending on the printer’s printable pages per minute. However, the claim was dismissed by the appeals court and the Supreme Court. The plaintiff, however, unsatisfied with this ruling, appealed to the Federal Constitutional Court of Germany. In December 2010, the Federal Constitutional Court ruled that the August 2008 ruling of the Supreme Court violates rights set forth in Article 14 of the constitutional law of Germany. It thus dismissed the ruling of the Supreme Court and referred the case back to the Supreme Court for review. Then, in July 2011, the Supreme Court referred the case to the Court of Justice of the European Union, and an inquiry was begun in October 2012, but in June 2013 the Court of Justice of the European Union issued a ruling that would allow EU member states to impose copyright fees on printer and PC manufacturers. In response to this ruling, the Supreme Court, in July 2014, also ruled that printers and PCs are subject to copyright fees, and the high court began an appellate review of specific copyright fees.
Companies in general, including Epson, and industry organizations are showing a willingness to take a stance against the expansion of the scope of such copyright fees.
In June 2010, Epson Europe B.V. (“EEB”), a consolidated subsidiary of Seiko Epson, brought a civil suit against La SCRL Reprobel (“Reprobel”), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. With Reprobel subsequently filing a suit against EEB, the two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.
Apart from this, civil actions have been brought against Epson and certain of our consolidated subsidiaries by customers in the United States, regarding allegations of involvement in a liquid crystal display price-fixing cartel.
It is difficult at this time to predict the outcome of these civil actions and when they may be settled, but our operating results and future business could be affected, depending on the outcomes of suits and legal proceedings.

15. Epson is vulnerable to certain risks in internal control over financial reporting.

We are building and using internal controls to ensure the reliability of financial reporting. With the establishment and operation of internal controls for financial reporting high on our list of important management issues, we have been pursuing a Groupwide effort to audit and improve corporate oversight of our Group companies. However, since there is no assurance that we will be able to establish and operate an effective internal control system on a continuous basis, and since there are inherent limitations to internal control systems, if the internal controls that Epson implements fail to function effectively, or if there are deficiencies in internal control over financial reporting or material weaknesses in the internal controls, it might adversely affect the reliability of our financial reporting.

16. Epson is vulnerable to risks inherent in its tie-ups with other companies.

One of our business strategy options is to enter into business tie-ups with other companies. However, the parties may review the arrangements of tie-ups, and there is a possibility that tie-ups could be dissolved or be subject to changes. There is also no assurance that the business strategy of tie-ups will succeed or contribute to our operating results exactly as expected.

17. Epson could be severely affected in the event of a natural or other disaster.

We have research and development, procurement, manufacturing, logistics, sales and service sites around the globe, and our operating results could be adversely affected by any number of unpredictable events, including but not limited to natural disasters, pandemics involving new strains of the influenza virus, infection by computer viruses, leaks or theft of customer data, failures of mission-critical internal IT systems, supply chain disruptions, and acts of terrorism or war.

The central region of Nagano Prefecture, home to some of our key plants and offices, has numerous cities and towns designated as “Areas Requiring Enhanced Measures to Respond to Disasters” due to the high risk of a large-scale disaster in the event of an earthquake in the Tokai region. Moreover, an active fault line traces the Itoigawa–Shizuoka geotectonic line through the middle of the Nagano Prefecture region.
We revised our earthquake-response policy after the new designation of Areas Requiring Enhanced Measures to Respond to Disasters in April 2002, and we planned disaster drills, prepared earthquake disaster management and response plans, and established business continuity plans to mitigate the effects of disasters to the extent possible.
However, if a major earthquake occurs in the central Nagano Prefecture region, it is possible that, despite these countermeasures, the effect on Epson could be extreme.
Although Epson is insured against losses arising from earthquakes, the scope of indemnification is limited.

18. Laws, regulations, or licenses and the like pose risks for Epson.
Epson is a multinational corporation with a variety of business operations around the globe. We ensure compliance with the laws and regulations of the countries in which we operate by building a robust compliance framework in each country and each business and by communicating the nature and importance of compliance requirements internally. To expand our businesses in the future, we must strengthen our sales and marketing activities that target new customers, including public institutions, and we must develop new areas, such as the health and medical markets, where legal, regulatory, and compliance requirements are extremely strict. Compliance remains high on our list of important management issues, and we are developing measures to prevent and control potential issues as appropriate. However, if we were to violate or potentially violate laws and regulations relating to, among others, corruption, advertising and labeling, personal data and privacy protection, or if the authorities were to introduce stricter laws and regulations or impose more stringent laws, we could see our credibility damaged, could become subject to the imposition of a large civil fine, could see constraints placed on our business activities, or could see the costs of complying with such laws and regulations increase. Any of the foregoing could adversely affect our financial performance and future business development.

Business Conditions

1. Overview of business results

(1) Operating results

On the whole, the global economy continued its gradual recovery during the year under review. Regionally, the U.S. economy continued to expand, with strong consumer spending and solid job growth. The European economy as a whole continues to pick up, but elements of uncertainty, such as a recession in Russia and the rekindling of fiscal problems, remain. China's growth rate slowed. However, the Indian economy picked up, and the economies of ASEAN countries also continued to gradually recover. Although a temporary dip was seen following a hike in the consumption tax, the Japanese economy continued to gradually recover on the whole, largely due to an improved export environment owing to the weaker yen, the effects of government economic measures, and lower crude oil prices.

The main markets for the products of the Epson Group ("Epson") fared as follows.
Demand for inkjet printers remained firm in Europe but contracted in Japan compared to last year due to delayed recovery in consumer spending following the consumption tax hike. Demand also decreased slightly in North America. Demand for large-format printers decreased somewhat in Japan but moved sideways in Europe and remained firm in the United States. Demand for serial-impact dot-matrix (SIDM) printers is slipping in the Americas and Europe, and is now on a downward trend in China, where demand for SIDM printers used in tax collection systems has temporarily run its course. Demand for point-of-sale (POS) system products was similar to that in the same period last year in both the Americas and Europe. Demand for projectors was firm thanks largely to growth in the Americas and Asia, where the FIFA World Cup helped drive unit sales higher in the first half of the year.
In the main markets for Epson's electronic devices demand was mixed. While demand for feature phones continued to decelerate, there was firm demand for smartphones. Digital camera market demand was sluggish.
In the precision products market, Japanese demand for watches temporarily contracted, particularly for premium models, following a run-up in sales prior to the increase in the consumption tax, but demand has gradually recovered in the latter part of the period. Markets were solid in the Americas and Europe. Industrial robot demand increased in the smartphone and automotive sectors, while demand for IC handlers was also firm.

Given the foregoing market conditions, Epson established the SE15 Updated Mid-Range Business Plan (FY2013–FY2015), in March 2013. Under the updated three-year plan, we have maintained the basic strategic course charted by the SE15 Long-Range Corporate Vision. The basic strategy has been to manage our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority has been steady profit and cash flow. To achieve this in the existing segments, we have been readjusting our product mixes and adopting new business models. Meanwhile, we have been aggressively developing markets in new segments.
The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year under review were ¥109.93 and ¥138.77, respectively. This represents 10% depreciation in the value of the yen against the dollar and 3% depreciation in the value of the yen against the euro, year over year.

The foregoing factors are reflected in our consolidated financial results for the 2014 fiscal year, the second year of our updated business plan. Revenue was ¥1,086.3 billion ($9,040,034 thousand), up 7.7% year over year. Business profit was ¥101.2 billion ($842,773 thousand), up 12.4% year over year. Profit from operating activities was ¥131.3 billion ($1,093,284 thousand), up 65.2% year over year. Profit before tax was ¥132.5 billion ($1,102,904 thousand), up 70% year over year. Profit for the period was ¥112.7 billion ($938,545 thousand), up 33.6% year over year.

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

A breakdown of the financial results in each reporting segment is as follows.

Information-Related Equipment Business Segment
Printing systems revenue increased, helped in part by foreign exchange effects.
We succeeded in sharply expanding inkjet printer revenue despite a decline in ink cartridge printer shipments because a reinforced lineup of printers with high-capacity ink tanks had strong sales especially in emerging markets. We also reinforced our business inkjet printer lineup for a resolute entry into the business market. At the same time, we launched a managed print services business in Japan. Under this new business model, customers pay a flat fee for a package that includes printer, ink, and maintenance service. In addition, revenue from consumables also rose due to an improved composition of the install base.
In large-format inkjet printers we saw ongoing firm demand in the large-photo and color calibration (proofing) markets. In the professional photo market we increased revenue by launching compact, high-performance new models. In the inkjet textile printing market, the range of applications expanded to encompass everything from apparel to small personal items and interior goods. Meanwhile, we expanded the territories where we sell direct-to-garment printers to capture opportunities created by a rise in demand for custom and original T-shirts.
Page printer revenue decreased due to a decline in unit shipments, the result of Epson’s focus on selling high-added-value models.
SIDM printer revenue was flat year over year because the effects of a temporary lull in demand in China and a decline in unit shipments in the Americas and Europe were offset by foreign exchange effects and increased sales of low-priced models in Asia.
POS system product revenue increased because of unit shipment growth in Europe and expanded sales of label printers for on-demand, in-house printing.
Visual communications revenue increased, owing in part to foreign exchange effects. 3LCD projector revenue grew sharply in the Americas and Asia. This growth was the result of an expanded and improved lineup of high-performance products, the special demand generated by the FIFA World Cup, and increased sales in the education market.
Segment profit in the information-related equipment segment increased due to a combination of revenue growth from major products and foreign exchange effects.
As a result of the foregoing factors, revenue in the information-related equipment segment was ¥907.2 billion ($7,550,105 thousand), up 7.9% year over year. Segment profit was ¥133.6 billion ($1,112,299 thousand), up 8.0% year over year.

Devices and Precision Products Business Segment
Revenue in the micro-devices business increased, in part due to foreign exchange effects.
Crystal device revenue fell due to ongoing price erosion in the markets for AT-cut crystal and tuning-fork crystal products. Semiconductor revenue increased due to growth in internal demand and external sales, including silicon foundry orders.
Precision products revenue increased owing to factors such as increased sales of premium watches, which lifted average selling prices, and foreign exchange effects.
Segment profit in the devices and precision products segment increased, in part due to revenue gains resulting from foreign exchange effects.
As a result of the foregoing factors, revenue in the devices and precision products segment was ¥156.2 billion ($1,300,632 thousand), up 5.1% year over year. Segment profit was ¥14.8 billion ($123,508 thousand), up 36.7% year over year.

Sensing and Industrial Solutions Business Segment
Revenue in the sensing and industrial solutions segment increased.
In factory automation systems, industrial robot net sales grew on increased orders from Asia, while IC handler net sales grew on increased orders from manufacturers of semiconductors for smartphones.
Segment profit in the sensing and industrial solutions segment increased primarily due to increased revenue from sales of industrial robots.
As a result of the foregoing factors, revenue in the sensing and industrial solutions segment was ¥23.3 billion ($194,690 thousand), up 44.6% year over year. Segment loss was ¥9.0 billion ($75,193 thousand), compared to a segment loss of ¥9.9 billion in the same period last year.
The loss in this new segment comprises strategic investment and up-front expenses for development of new products and markets. We will continue to work to strengthen this segment, which we see as a key area in which we can leverage our strengths to deliver innovative products and services.

Other

Other revenue was ¥1.3 billion ($11,566 thousand), up 4.2% year over year. Segment loss was ¥0.3 billion ($2,646 thousand), compared to a ¥0.2 billion segment loss last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥37.8 billion ($315,195 thousand). (Adjustments in the previous fiscal year were negative ¥34.3 billion.) The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

(2) Cash flow performance

Net cash provided by operating activities during the year was ¥108.8 billion ($905,617 thousand), compared to ¥114.8 billion in the previous fiscal year. Although depreciation and amortization totaling ¥44.9 billion versus ¥112.7 billion in profit for the period added to net cash, a ¥25.3 billion decrease in net defined benefit liabilities and a ¥19.2 billion increase in inventories contributed to the decrease in net cash from operating activities.
Net cash used in investing activities was ¥32.7 billion ($272,405 thousand) compared to ¥41.2 billion in the previous fiscal year, as the ¥42.7 billion spent on the purchase of property, plant, equipment, and intangible assets was partially offset by things such as the sale of certain noncurrent assets.
Net cash used in financing activities was ¥55.3 billion ($460,946 thousand), compared to ¥56.5 billion last fiscal year, as the Company had a ¥42.1 billion net decrease in short-term and long-term loans payable and bonds payable and ¥12.8 billion in dividends paid.
As a result of the foregoing, the fiscal year-end balance of cash and cash equivalents totaled ¥245.3 billion ($2,041,524 thousand) compared to ¥211.5 billion at the end of the previous fiscal year.

(3) Parallel disclosure

Differences between the main items on IFRS consolidated financial statements and those on consolidated financial statements prepared based on Japanese accounting standards
(Expenses associated with post-employment benefits)
Under Japanese accounting standards, Epson wrote off actuarial gains and losses and past service costs over a certain period of time. Under IFRS, remeasurements of net defined benefit liabilities and assets are recognized in full as other comprehensive income in the period in which they are incurred and transferred to retained earnings immediately. Past service costs are recognized as a net loss either in the period when the plan is amended or curtailed, or in the period when associated restructuring costs or termination benefits are recognized, whichever is earlier. Since actuarial assumptions for defined benefit liabilities differ, retirement benefit costs are additionally recognized.
Due to these effects, the cost of sales and selling, general and administrative expenses in the fiscal year 2013 decreased by ¥6,435 million when calculated based on IFRS rather than on Japanese standards, while other comprehensive income increased by ¥13,086 million. Cost of sales, selling, general and administrative expenses, and finance costs in the fiscal year 2014 increased by ¥6,247 million, other operating income increased by ¥30,071 million, and other comprehensive income decreased by ¥1,512 million.

*Please refer to the following for Epson’s financial results for previous years:
http://global.epson.com/IR/

2. Manufacturing, orders received and sales

(1) Actual manufacturing

The following table shows actual manufacturing information by segment in the fiscal year under review.

Business segment	Year ended March 31, 2015 (From April 1, 2014, to March 31, 2015) (Millions of yen)	Change compared to previous fiscal year (%)
Information-related equipment	886,416	107.9
Devices and precision products	152,960	111.4
Sensing and industrial solutions	23,973	159.3
Total for the reporting segments	1,063,350	109.2
Other	592	78.9
Total	1,063,942	109.2

Notes

1. The above figures are based on sales prices. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. The above figures include outsourced manufacturing.

(2) Orders received

Epson’s policy is to manufacture products based on sales forecasts. Accordingly, this section does not apply.

(3) Actual sales

The following table shows actual sales information by segment in the fiscal year under review.

Business segment	Year ended March 31, 2015 (From April 1, 2014, to March 31, 2015) (Millions of yen)	Change compared to previous fiscal year (%)
Information-related equipment	906,701	107.8
Devices and precision products	150,292	104.4
Sensing and industrial solutions	23,182	145.2
Total for the reporting segments	1,080,176	107.9
Other	808	90.6
Total	1,080,984	107.9

Notes

1. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. No customer accounts for more than 10% of the actual total sales.

3. Analysis of financial condition and results of operations

(1) Analysis of operating results

Revenue

Consolidated revenue was ¥1,086.3 billion, a year-over-year increase of ¥77.9 billion (7.7%).
Revenue for each reporting segment is discussed below.
The information-related equipment segment recorded revenue of ¥907.2 billion, a year-over-year increase of ¥66.0 billion (7.9%). The segment as a whole benefited from foreign exchange effects as well as from the factors described below.

Inkjet printer revenue expanded sharply despite a decline in ink cartridge printer shipments because a reinforced lineup of printers with high-capacity ink tanks had strong sales especially in emerging markets. The Company also reinforced its business inkjet printer lineup for a resolute entry into the business market. At the same time, the Company launched a managed print services business in Japan. Under this new business model, customers pay a flat fee for a package that includes printer, ink, and maintenance service. In addition, revenue from consumables rose along with an improved composition of the install base. In large-format inkjet printers Epson saw ongoing firm demand in the large-photo and color calibration (proofing) markets. In the professional photo market, the Company increased revenue from both printers and ink by launching compact, high-performance new models. In the inkjet textile printing market, the range of applications expanded to encompass everything from apparel to small personal items and interior goods. Meanwhile, the Company expanded the territories where we sell direct-to-garment printers to capture opportunities created by a rise in demand for custom and original T-shirts. Page printer revenue decreased due to a decline in unit shipments, the result of Epson’s focus on selling high-added-value models. SIDM printer revenue was flat year over year because the effects of a temporary lull in demand in China and a decline in unit shipments in the Americas and Europe were offset by foreign exchange effects and increased sales of low-priced models in Asia. POS system product revenue increased due to unit shipment growth in Europe and expanded sales of label printers for on-demand, in-house printing. Visual communications revenue increased, owing in part to foreign exchange effects. 3LCD projector revenue grew sharply in the Americas and Asia. This growth was the result of an expanded and improved lineup of high-performance products, the special demand generated by the FIFA World Cup, and increased sales in the education market.

The devices and precision products segment recorded revenue of ¥156.2 billion, a year-over-year increase of ¥7.5 billion (5.1%). The factors that contributed most significantly to this change are described below.

Crystal device revenue fell due to ongoing price erosion in the markets for AT-cut crystal and tuning-fork crystal products. Semiconductor revenue increased due to growth in internal demand and external sales, including silicon foundry orders. Watch revenue increased primarily because of growth in sales of premium watches, which lifted average selling prices, and foreign exchange effects.

The sensing and industrial solutions segment recorded revenue of ¥23.3 billion, a year-over-year increase of ¥7.2 billion (44.6%). In factory automation systems, industrial robot revenue grew on increased orders from Asia, while IC handler revenue grew on increased orders from manufacturers of semiconductors for smartphones.

In the “other” segment, revenue was ¥1.3 billion, a 4.2% increase from the previous year.

Cost of sales and gross profit

Cost of sales was ¥690.4 billion, a year-over-year increase of ¥44.5 billion (6.9%). In addition to foreign exchange effects, the increase in cost of sales is due largely to higher material and processing costs associated with an increase in revenue.

As a result, gross profit was ¥3,959 billion, up ¥33.3 billion (9.2%) year over year.

Selling, general and administrative expenses and business profit

Selling, general and administrative (SG&A) expenses were ¥294.6 billion, an increase of ¥22.1 billion (8.1%). In addition to foreign exchange effects, the increase in SG&A expenses is largely a result of higher labor costs, primarily in the form of bonuses, associated with the Company's improved financial performance.
As a result, business profit was ¥101.2 billion, up ¥11.1 billion (12.4%) year over year.

Segment profit (business profit) in each reporting segment was as follows.

Segment profit in the information-related equipment segment was ¥133.6 billion, up ¥9.8 billion (8.0%) year over year. This was due primarily to increased sales of key products, in addition to foreign exchange effects.

Segment profit in the devices and precision products segment was ¥14.8 billion, up ¥3.9 billion (36.7%) year over year. This increase was due to revenue growth, including foreign exchange effects.

Segment loss in the sensing and industrial solutions segment was ¥9.0 billion, a ¥900 million improvement compared with the ¥9.9 billion loss in the previous period. This improvement was primarily due to industrial robot profit growth.

In the "other" segment loss was ¥300 million, compared with a ¥200 million loss in the previous period.

As for adjustments, segment loss was ¥37.8 billion, a ¥3.5 billion increase over the ¥34.3 billion loss incurred in the previous period. Adjustments consisted primarily of patent royalties, R&D expenses for basic research and new businesses that do not belong to a reporting segment, and SG&A expenses, comprising Head Office expenses.

Other operating income, other operating expenses, and profit from operating activities

Other operating income was ¥39.9 billion, a year-over-year increase of ¥39.9 billion (565.3%). The increase in other operating income resulted from changes in the defined-benefit plan in Japan that reduced past service costs by ¥30 billion and the sale of assets. Other operating expenses were ¥9.8 billion, a year-over-year decrease of ¥6.7 billion (40.7%). Other operating expenses decreased because the foreign exchange loss shrank from ¥9.2 billion last fiscal year to ¥2.5 billion this fiscal year. As a result, profit from operating activities was ¥131.3 billion, a year-over-year increase of ¥51.8 billion (65.2%).

Finance income and finance costs

Finance income was ¥3.2 billion, a year-over-year increase of ¥500 million (21.7%). The increase in finance income was primarily due to an increase in interest income. Finance costs were ¥2.3 billion, a year-over-year decrease of ¥2.1 billion (47.6%). The decrease in finance costs was primarily due to a decrease in interest paid.

Profit before tax

The foregoing resulted in profit before tax of ¥132.5 billion, a year-over-year increase of ¥54.5 billion (70.0%).

Income taxes

Income taxes were ¥18.6 billion, a ¥27.9 billion increase compared with the previous period. The increase in income taxes was mainly because the negative ¥27.8 billion corporate tax adjustment recorded in the previous period fell to negative ¥4.5 billion.

Profit for the year

Profit for the year was ¥112.7 billion, a year-over-year increase of ¥28.3 billion (33.6%).

(2) Liquidity and capital resources

Cash flow

Net cash provided by operating activities was ¥108.8 billion, a decrease of ¥6.0 billion compared with the previous period. Although profit for the period and income taxes were both higher, by ¥28.3 billion and ¥27.9 billion, respectively, net cash provided by operating activities declined mainly because of a ¥20.5 billion effect from net defined benefit liabilities, a ¥17.6 billion effect from increased inventories, a ¥16.9 billion effect caused by higher income taxes paid, and a ¥12.1 billion effect from a decrease in trade payables. Net cash used in investing activities totaled ¥32.7 billion, a year-over-year decrease of ¥8.5 billion. This was primarily due to a ¥13.7 billion increase in income on the sale of an investment property.

Net cash used in financing activities totaled ¥55.3 billion, a year-over-year decrease of ¥1.1 billion. Although dividends paid increased by ¥9.3 billion, net cash used in financing activities decreased mainly because the net change in interest-bearing liabilities decreased by ¥10.4 billion.

As a result of the foregoing factors, cash and cash equivalents at the end of the fiscal year stood at ¥245.3 billion, an increase of ¥33.8 billion compared with the end of the previous fiscal year, giving Epson sufficient liquidity.

The combined total of short-term loans payable, long-term loans payable, and bonds payable was ¥185.9 billion, a decrease of ¥34.5 billion compared with the previous period, owing to progress in repaying general interest-bearing liabilities.

Long-term loans payable (excluding the current portion) at the end of the period totaled ¥50.5 billion, at a weighted average interest rate of 0.70% due in 2017. These borrowings were obtained as unsecured loans primarily from banks.

Financial condition

Total assets were ¥1,006.2 billion, an increase of ¥97.3 billion compared with the end of the previous fiscal year. This increase was primarily due to a ¥38.8 billion increase in inventories, a ¥33.8 billion increase in cash and cash equivalents, and a ¥13.1 billion increase in trade and other receivables.

Total liabilities were ¥508.9 billion, down ¥35.1 billion compared with the end of the previous fiscal year. While trade and other payables increased by ¥16.5 billion, total liabilities decreased mainly because of a ¥36.2 billion decrease in other financial liabilities included in current and non-current liabilities accompanying a net reduction in short-term and long-term loans payable and bonds payable, as well as a ¥25.1 billion decrease in net defined benefit liabilities accompanying changes to Epson’s defined-benefit plan for employees in Japan.

The equity attributable to owners of the parent company totaled ¥494.3 billion, a ¥131.9 billion increase compared with the previous fiscal year-end. This was primarily due to a ¥98.6 billion increase in retained earnings and a ¥33.3 billion increase in other components of equity, including changes in the exchange differences on translation of foreign operations associated with the depreciation of the yen.

Working capital, defined as current assets less current liabilities, was ¥294.9 billion, an increase of ¥70.3 billion compared with the end of the previous fiscal year.

The ratio of interest-bearing liabilities to total assets declined to 18.5% from 24.3% at the end of the previous fiscal year.

4. Research and development activities

Epson conducts research and development to create products and services that offer value that exceeds customer expectations. We seek to create value by driving advances in our unique core technologies in the areas of Micro Piezo printheads, microdisplays, sensing, and robotics. We also create value by turning these core technologies—all of which evolved from Epson's long-established strengths in compact, energy-saving, high-precision technologies—into platforms that meet the needs of a wide spectrum of customers.
The R&D divisions of our operations follow these basic guidelines to develop core technologies and shared technology platforms that will strengthen the Company's market position, in both the near and long term. Meanwhile, the mission of Corporate R&D is to develop new and existing core technologies as well as shared technology platforms so as to create new businesses and revolutionize existing ones.
Total R&D spending during the fiscal year was ¥47.8 billion. The information-related equipment segment accounted for ¥24.4 billion, the devices and precision products segment for ¥4.5 billion, and the sensing and industrial solutions segment for ¥5.2 billion. The "other" segment and corporate segment accounted for the remaining ¥13.5 billion.
The main R&D accomplishments in each segment are described below.

Information-related equipment
In the printing systems business, Epson released a compact new inkjet consumer printer that, aside from printing photos taken with a digital camera or smartphone, allows users to easily create original stickers, labels, and postcards using a smartphone app. Measuring 249 mm x 176 mm x 85 mm tall (W x D x H), the product is small enough to rest on the palm of a hand. When not in use, it can be stored vertically on a bookshelf and easily taken down and transported to wherever it is needed.
Epson also released its first mobile inkjet printers. Equipped with a built-in battery[1], these printers are the smallest and lightest in their class[2] thanks primarily to smaller paper-feed and paper-transport rollers, a higher component layout density, which was achieved by dividing circuits up into multiple smaller circuit boards, and an aluminum frame that reduced the weight of the products while giving additional strength. Users can conveniently slip these compact printers into a briefcase along with a tablet PC and take them out on the road. When not in use, the printers can be stored in a desk drawer.
In addition, the Company released a color inkjet label printer that prints attractive product labels that can be affixed to bottles and packages. The printer can also be used to print identifying labels that increase the visibility and recognition of materials, chemicals, and other products in a manufacturing setting.
Last year we developed a new type of PrecisionCore printhead that has an expanded range of applications and is used to build Epson PrecisionCore lineheads. The color inkjet label printer is the first product in Japan to employ high-speed PrecisionCore lineheads. The product prints at rates of up to 300 mm/second and, with 600 x 1,200 dpi resolution, provides excellent image quality. It is ideal for customers who want to reduce costs by printing the labels they need when they need them, on-demand, in quantities of about 1,000 labels.
In the visual communications business, the Company released a new wall-mounted ultra-short throw projector for educational purposes that has a built-in electronic blackboard function with finger touch-enabled operation. The operation of this interactive projector is intuitive. Users can use familiar hand gestures to select tool icons on the electronic blackboard, zoom or shrink images, or scroll through content. Teachers can use arrows, triangles, circles and other simple graphics to grab and hold students' attention. With this product, teachers and students can write on images with a pen and erase things with their fingers, much like on a traditional blackboard.
The Company also developed a new home theater projector that employs a laser light source, an Epson first. Featuring 4K Enhancement Technology[3], the product supports amazing 4K content. This projector achieves absolute black[4], displaying zero lumens during full-black scenes, such as when the scene changes.

[1] Can print up to approximately 50 color prints or 100 monochrome prints on a fully charged battery. Performance may vary depending on usage conditions.
[2] It is the smallest and lightest A4 inkjet printer in Japan as of June 2014, as per Epson research. The printer is 309 mm wide, 154 mm deep, 61 mm high and weighs approximately 1.6 kg.
[3] 4K Enhancement Technology shifts each pixel diagonally by 0.5 pixels to double the resolution to 3840 x 2160 and achieve ultra-high definition.
[4] A screen brightness of zero lumens in a completely dark room from which all outside sources of light are

blocked.

Devices and precision products

In the microdevices business, the Company commercialized a new series of microcontrollers with 16-bit flash memory built in. These low-power microcontrollers operate on 1.2 V and are designed specifically for small sensor products, such as electronic locks, motion sensors, and gas alarms used in the industrial and housing sectors, as well as for wearable products that will be paired with smartphones.

By eliminating the circuitry for a liquid crystal display, Epson was able to reduce the surface area of these products by up to 87% compared with earlier models.

Sensing and industrial solutions

The Company released Pulsense activity trackers that monitor heart rate, exercise intensity, caloric intake and consumption, sleep quality, and stress level comfortably at the wrist. In addition to measuring acceleration, these products are equipped with a unique Epson sensor that accurately measures pulse by using the light-absorbing property of hemoglobin in blood. The sensor works by shining light from an LED on blood vessels near the surface of the skin of the wrist and measuring blood flow based on the amount of reflected light. All of the data taken with Pulsense products can be uploaded to a PC or smartphone for review and analysis using a special website or mobile app. These activity monitors can continuously track the wearer’s heart rate for up to about 36 hours at a time and can thus record the wearer’s activity, whether exercise or sleep patterns, around the clock.

The Company also released a new IC test handler that is perfectly suited for use in testing smartphone ICs, demand for which remains robust. This handler has the same basic features of its predecessor, but we increased the standard contact pressure it exerts when plugging ICs into test sockets, to allow the handler to accommodate chips with high pin counts. The handler gives users flexibility in designing their test environments, because the hands that transport ICs inside the system can be configured for either inline 4-site test mode[5] or square 4-site test mode[6], and the handler can also be upgraded to an 8-site test mode[7].

[5] A mode in which four ICs are simultaneously tested in a series

[6] A mode in which four ICs are arranged in a 2 x 2 configuration for simultaneous testing

[7] A mode in which eight ICs are simultaneously tested

5. Issues for Fiscal 2015

At the start of the 2013 fiscal year Epson began working under an updated three-year plan called the Updated SE15 Second-Half Mid-Range Business Plan (FY2013–FY2015). We have been closely adhering to the strategic course charted by the SE15 Long-Range Corporate Vision and, in line with the updated plan, are pursuing a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady income and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. Working under a new mid-range plan from the 2016 fiscal year, we will move steadily forward to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.

Although the outlook is not entirely clear, the global economy as a whole is expected to continue growing. The economies of the U.S. and other developed countries are by and large in recovery mode, but economic growth is seen slowing in some emerging nations. Society is changing, shifting increasingly toward sustainable industry and sustainable economic activity. This trend will likely alter the kind of customer value that Epson will need to provide.

In this type of business environment, we will remake Epson into a company that once again posts strong growth. We will achieve this by focusing our management resources on the four areas described below, where we can continue to leverage the strengths of our unique core technologies, by expanding our business segments, and by building stronger new businesses that will support the Company's growth in the future. Ultimately, we aim to consistently achieve a return on sales (business profit*/revenue) of 10% and return on equity (profit for the period/equity attributable to owners of the parent company) of 10% or more as early as possible by remaining even more mindful of the cost of capital.

*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.

Strategies in Each Area

Printing

In printing, we will look to use Epson's unique Micro Piezo inkjet technology to create an innovative printing environment. In inkjet printers, we will work to sell more high-end consumer models, which tend to generate higher print volume. We will also continue to upgrade and expand our lineup of products tailored to the needs of consumers in emerging countries. We will launch powerful new office printers equipped with state-of-the-art Micro Piezo print-heads and build up our managed print services business, a new business model, to further increase our competitiveness. Digital inkjet printing systems are increasingly replacing conventional analog systems in the commercial, industrial, and business printing markets, where they are used to print everything from billboards to wrapping film for food products to textiles. By creating new customer value in the form of shorter production processes and lower environmental impact, we will tap more deeply into these markets and build strong core businesses that will sustain future growth. In business systems, we will achieve steady income growth by uncovering new demand while maintaining a grip on the top share in existing segments.

Visual Communications

In the visual communications business we will create new forms of visual communication using micro-display technology. Epson is the leader in liquid-crystal projectors and has a high market share in the home and business segments. However, to expand the business and increase our earnings power, we also want to further elevate our position in the high-lumen, short-throw, and ultra-short throw projector niches, and to do so, we will enhance our ability to propose solutions and will build up our sales network. Epson's smart glasses have the potential to change the way we live and work. Epson’s smart glasses have the potential to change the way we live and work. Offering a see-through display and hands-free navigation, they give Epson the opportunity to create new applications and new value for both consumer and industrial markets.

Quality of Life

We will use high-accuracy sensing technology to create new value that improves the quality of life. Epson has been building new businesses around innovative sensing products such as wristwatch-like GPS running monitors and heart rate monitors, and we intend to continue to capitalize on our sensing technologies, which combine semiconductors and crystal devices, and the technical expertise accumulated in the watch business, to help enrich the lives of our customers. Going forward, we want to provide life-enriching wearable personal devices in the health, sports, and medical fields, and toward that end are integrating cloud technology and building a product development process that will be able to efficiently serve diversified markets. Meanwhile, in the industrial sector, such as in the monitoring of building, equipment, and infrastructure soundness, we will drive growth by creating innovative sensing solutions that provide insightful, useful information that would otherwise be invisible.

Manufacturing

Epson has long contributed to factory automation in a wide range of fields with SCARA robots, compact six-axis robots, and other precision assembly robots. With labor shortages looming and labor costs soaring in emerging countries, Epson will use its advanced robotics technologies to help usher in next-generation manufacturing by providing robots and production equipment that radically boost throughput in production processes that have traditionally been difficult to automate.

6. Dividend policy

The Company is a proponent of paying regular dividends, and in the interests of all stakeholders, we strive to achieve sustained business growth through the creation of customer value, generate stable cash flow by improving profitability and using management resources efficiently, invest on the basis of a strategy for growth, and build a robust financial structure that is capable of withstanding changes in the business environment.

The Company's dividend policy is to pay cash dividends twice a year. The year-end dividend is determined by resolution of the general shareholders' meeting and the interim dividend is determined at a meeting of the board of directors.

In consequence of successful implementation of the business strategy and favorable exchange rates, business performance has improved significantly. Since the introduction of International Financial Reporting Standards (IFRS), the Company defines capital as business profit from the principal business of the Company (very similar to operating income under Japanese accounting standard [J-GAAP]) minus a sum equivalent to the statutory effective tax rate. Therefore, based on the long-term target for a consolidated dividend payout ratio of 30%, the Company has paid an annual dividend of 115 yen per share this year.
The Company will work steadily to improve corporate value, and will consider future raises in the consolidated dividend payout ratio over the medium term in accordance with the policy above.

(Reference) The Company's approach to annual dividends (forecast)
Annual dividend (forecast): [Business profit (forecast) - Sum equivalent to the statutory effective tax rate] × the target consolidated dividend payout ratio

The Company's Articles of Incorporation allow the Company to issue an interim dividend with a record date of September 30 every year by resolution of the board of directors.

The Company's distribution of retained earnings for the fiscal year under review is as follows.

Distribution of retained earnings for the fiscal year under review

Date approved	Cash dividends (Millions of yen)	Cash dividend per share (Yen)
October 31, 2014, by resolution of the board of directors	6,261	35
June 25, 2015, by resolution of the general shareholders' meeting	14,311	80

Corporate Governance

1. Approach to corporate governance

(1) Corporate governance system

Outline

Epson's basic approach to corporate governance is geared toward

- continuously increasing corporate value; and
- reinforcing business checks and balances, practicing sound corporate ethics, and ensuring business transparency and health.

The Company has a board of directors and a board of corporate auditors. The board of directors had 10 members, including two outside directors, as of the date the Annual Securities Report was submitted. It meets once a month and convenes extraordinary meetings as needed. The board of directors makes decisions on basic management policies, key business operations, period-end closing, disclosure timeframes, and other important issues. Various management bodies have been created to advise the board of directors or president, deliberate on issues to facilitate decision making, and oversee and enhance the execution of business. Epson's board of corporate auditors consists of five corporate auditors, including three outside corporate auditors. It strives to ensure greater independence and transparency of audits.
The names of the outside directors and outside auditors have been reported to the Tokyo Stock Exchange (TSE) for they are considered to be independent directors/auditors as defined by the TSE.

The main corporate management bodies and their aims are described below:

Corporate Strategy Council and Corporate Management Meetings

The Corporate Strategy Council and corporate management meetings are convened to thoroughly deliberate on matters before they are referred to the board of directors.

Compliance Committee

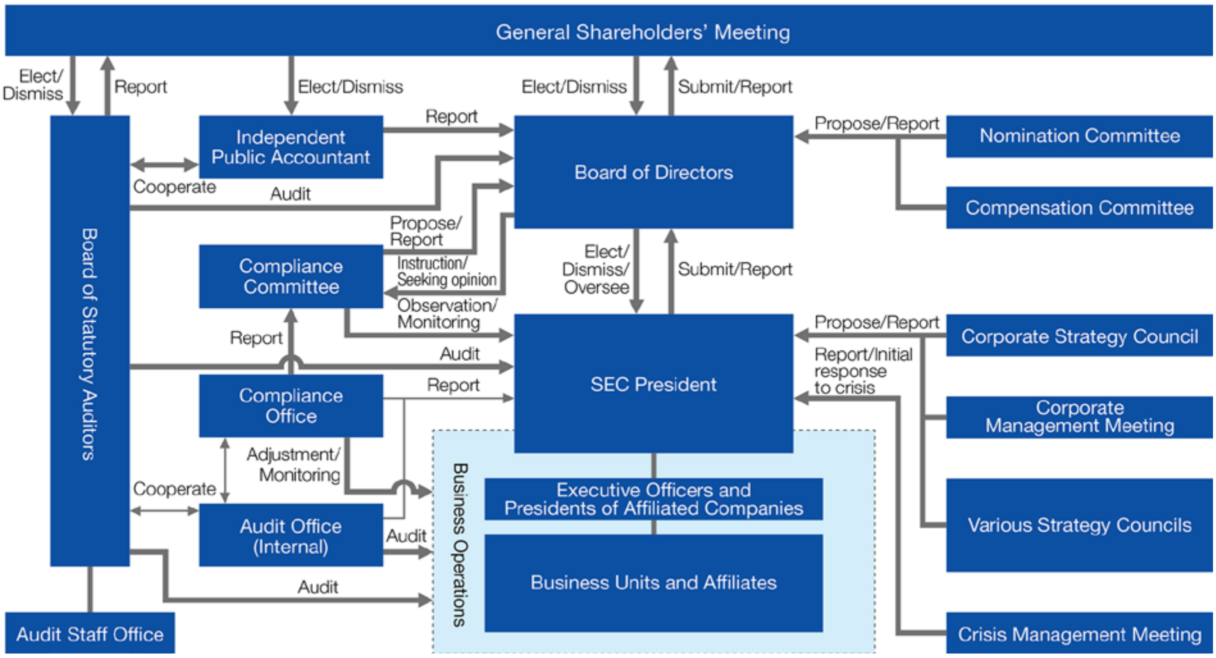
The Compliance Committee meets to hear and discuss important matters concerning Epson's compliance programs. It reports its findings and offers opinions to the board of directors.

Nomination Committee and Compensation Committee

As advisory bodies to the board of directors, the Nomination Committee screens board of director candidates, and the Compensation Committee deliberates on director remuneration issues. The Company strives to ensure the transparency and objectivity of deliberations, with outside directors sitting on both of the committees and corporate auditors able to attend committee meetings as observers.

Epson's system of corporate governance is schematically represented below:

Epson's System of Corporate Governance



Reasons for adopting the current system of corporate governance

Epson is looking to initiate fresh growth by developing and executing strategic measures based on the Updated SE15 Second-Half Mid-Range Business Plan (FY2013–FY2015), which is aimed at achieving the goals set forth in Epson's SE15 Long-Range Corporate Vision.

As it moves forward on the updated mid-range business plan, the Company believes that it will be important to have a governance system that strikes a good balance between business speed and efficiency on the one hand and effective oversight of management on the other.

For this reason, the Company employs an agile, practical management organization wherein directors who understand the situation inside the Company simultaneously oversee multiple key business operations, while the outside directors conduct checks to assure that business decisions make sense.

In addition, Epson employs independent outside directors and independent corporate auditors to ensure a sound management audit function. The names of the outside directors and outside auditors have been reported to the Tokyo Stock Exchange (TSE) as they are considered to be independent directors/auditors as defined by the TSE.

Internal control system

The Company passed a resolution at the April 30, 2015, meeting of the board of directors to partially amend Epson's basic internal control system policy. The content of the revised basic policy is described below.

Basic internal control system policy

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

Compliance

(1) The Company will establish "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company will also establish regulations that spell out things such as basic compliance requirements and the organizational framework.

(2) A member of the board will be selected to serve as the Chief Compliance Officer (CCO). The CCO will head an organization that oversees and monitors the execution of all compliance operations.

(3) The Company also created a Compliance Committee to serve as an advisory body to the board of directors. The Compliance Committee will be chaired by the CCO and have as members the outside directors, outside corporate auditors, and a director appointed by the board of directors. The Compliance Committee

will meet to hear and discuss important matters concerning the Company's compliance program. It will report its findings and offer opinions to the board of directors.

(4) Compliance promotion and enforcement will be supervised by the president of Seiko Epson. Group-wide compliance programs will be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries will be promoted by the respective chief operating officers of the divisions. A dedicated compliance department will help to ensure the coverage and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.

(5) The Corporate Strategy Council, an advisory body to the president comprising members of the board of directors of the Company, will address important matters with respect to compliance promotion and enforcement in the Epson Group as a whole, including subsidiaries. The Council will strive to ensure the effectiveness of compliance by exhaustively discussing and analyzing the implementation of programs for assuring observance of statutes, internal regulations, business ethics, and initiatives in high-risk and other key areas.

(6) The Company, including its subsidiaries, will strive to provide an effective whistleblowing system. Employees will be encouraged and will be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls will be in place to protect whistleblowers from reprisal, and allegations will be reported to the Company's corporate auditors, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.

(7) The Company will strive to enhance legal awareness by providing Epson Group employees with web-based training and other educational opportunities.

(8) The president of Seiko Epson will periodically report important compliance-related matters to the board of directors and will take measures as needed to respond to issues.

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

Business execution system

(1) The Company will formulate long-term vision statements and mid-range business plans, and it will set clear medium- and long-range goals for the Epson Group as a whole.

(2) The Company will institute a system that will ensure the appropriate and efficient execution of business. To that end, the Company will establish regulations governing organizational management, levels of authority , the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.

(3) Personnel responsible for business operations will report the matters below to the board of directors at least once every three months.
- Current business performance and performance outlook
- Risk management responses
- Status of key business operations

Risk management

(1) The Company will establish a basic risk management regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.

(2) Overall responsibility for risk management in the Epson Group, including subsidiaries, will belong to the president of Seiko Epson. Group-wide risk management will be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business will be managed by the chief operating officer of that business, including subsidiaries consolidated under it. The Company will also set up a department that will supervise risk management, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.

(3) The Corporate Strategy Council strives to ensure effective management of serious risks that could have an egregious affect on society by dynamically and exhaustively discussing and analyzing ways to identify and

control risks. Also, when major risks become apparent, the president will lead the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.
(4) The president of Seiko Epson will periodically report to the board of directors on critical risk management issues and formulate appropriate measures to respond to these issues.

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

Safeguarding and management of work-related information
(1) Information on business operations will be safeguarded and managed under regulations governing, among other things, document control, management approval, and contracts, with directors and corporate auditors reviewing these and other relevant documents on an ongoing basis.
(2) The Company strives to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with internal information security regulations.

Audit system
(1) Corporate auditors will have the authority to conduct interviews with directors and other personnel whenever they deem such interviews necessary based on corporate regulations governing auditors and audit procedures.
(2) Corporate auditors will also be authorized to attend Corporate Strategy Council sessions, corporate management meetings, and other important business meetings that will enable them to conduct audits based on the same information as that available to directors. Corporate auditors will also routinely review important documents related to management decision making.
(3) The Company will establish a Corporate Auditors' Office that will be staffed with full-time employees. Evaluations and transfers of Corporate Auditors' Office employees will require the approval of corporate auditors. If the number of full-time employees required for audit operations is insufficient, or if they lack the requisite expertise, etc., and if corporate auditors acknowledge that special circumstances hinder the effectiveness of audits, corporate auditors will be able to make the necessary requests to the representative director or the board of directors.
(4) Per a corporate auditor audit regulation, corporate auditors will be able to ask directors and persons from the internal audit department and elsewhere to report or explain the state of management within the Epson Group, including subsidiaries, and will be able to view supporting materials. Corporate auditors will, where necessary, be able to ask subsidiary company directors, auditors, internal audit groups, and other personnel to report the state of management within their respective companies.
(5) Corporate auditors shall strive to enhance the effectiveness of audits by holding regular discussions with the internal audit department and with independent public accountants.
(6) Corporate auditors will directly assess business operations by holding regular meetings with representative directors.
(7) The expenses required to execute the duties of corporate auditors will be properly budgeted for in advance.

In addition, expenses required to execute the duties of corporate auditors when emergency or extraordinary audits are needed will be promptly paid in advance or refunded on each occasion.

(2) Internal audits

Epson's internal compliance system guards against potential legal and internal regulatory violations in departmental operations, and the internal audit organization, with a staff of 20, directly reports to the president the results of routine internal audits, including those conducted at Epson subsidiaries. The audit organization evaluates the effectiveness of the governance process and requests improvements where needed.

(3) Outside directors and outside corporate auditors

View on independence

The Epson board of directors has established criteria concerning the independence of outside directors. In compliance with these criteria, it selects candidates for outside directors and outside corporate auditors who do not have potential conflicts of interest with general shareholders. The outside directors and the outside auditors that are currently engaged all meet the independence criteria.

The criteria concerning the independence of outside directors are listed below.

Outside director independence criteria

Epson does not select as candidates for outside director persons to whom any of the following apply:

(1) A person who receives significant business[1] from Epson or a person who has within the last five years been employed as an executive officer[2] of a company that receives significant business from Epson

(2) A person who is a major business partner[3] of Epson or a person who has within the last five years been employed as an executive officer of a company that is a major business partner of Epson

(3) A consultant, an accounting professional such as a certified public accountant, or a legal professional such as an attorney who, in the last three years, has received from Epson a large sum of money[4] or other property for reasons other than director remuneration (including any person who has belonged to or been employed as an executive officer or the like with a company, union or other group that has received such property in the last three years)

(4) A person who is a major Epson shareholder[5] or a person who, within the last five years, has been an executive officer or corporate auditor of a company that is a major Epson shareholder

(5) A person who is employed as an executive officer or corporate auditor of a company or other group in which Epson is a major shareholder

(6) A person who has belonged within the last 10 years to an auditing company that has conducted a statutory audit of Epson

(7) A person who has belonged to Epson's managing underwriter within the last 10 years

(8) A person who has received a large donation[6] from Epson (a person who belongs to a legal entity, union or other group that has received a large donation from Epson and has been employed therein as an executive officer or the equivalent)

(9) A person from a company that employs a former Epson employee as an outside director

(10) The spouse or other immediate family member of a person to whom any of items (1) through (9) apply

Notes

[1]A "person who receives significant business from Epson" is a person or supplier who has received payments amounting to 2% or more of the person's or supplier's annual consolidated sales for any fiscal year in the last three years.

[2]An "executive officer" is an employee in a senior executive management position, including executive, managing director, operating officer, or general manager or higher position.

[3]A "person who is a major business partner of Epson" is a person or customer who has furnished Epson with payments amounting to 2% or more of Epson's annual consolidated sales for any fiscal year in the last three years.

[4]A "large sum of money" is, in the case of an individual, an amount which, on average in any of the last three years, is equal to ¥10,000,000 or more, or, in the case of a group, equivalent to 2% or more of the group's total revenue.

[5] "Major shareholder" means a person who owns, either directly or indirectly, 10% or more of the outstanding voting rights.

[6]A "large donation" is a donation in an amount which, on average in any of the last three years, exceeds the greater of ¥10,000,000 or 30% of the group's total annual expenses.

Outside directors

Epson's board has two outside directors. No special interests exist between the Company and the outside directors.

Outside Director Toshiharu Aoki was an executive at Nippon Telegraph and Telephone Corporation and at NTT Data Corporation. Epson has not had business transactions with either Nippon Telegraph and Telephone Corporation or NTT Data Corporation for the past three years, and neither company is considered a major supplier under Epson's outside director independence criteria.

Outside Director Hideaki Omiya is Chairman of Mitsubishi Heavy Industries, Ltd. Although Epson and Mitsubishi Heavy Industries have bought and sold semiconductor fabrication equipment and had other business transactions within the past three years, Mitsubishi Heavy Industries is not considered a major supplier under Epson's outside director independence criteria, as the value of transactions is less than 0.1% of the consolidated revenue of either company.

Outside corporate auditors

Each of Epson's three outside corporate auditors draws on a wealth of experience and keen insight when conducting audits, and offers frank opinions to the board of directors. No special interests exist between the Company and any of the outside corporate auditors.

Outside corporate auditor Yoshiro Yamamoto is a former Fuji Bank, Ltd. (presently Mizuho Corporate Bank, Ltd.) executive who has been retired from the bank for more than 10 years. He was invited to become an auditor because he fits the needs of the Company and for no other reason, such as a recommendation by Fuji Bank, Ltd. Net interest-bearing liabilities account for only a small percentage of the Company's total assets, and the Company's dependence on bank loans is low. Furthermore, the Company deals with multiple financial institutions and does not depend on Mizuho Corporate Bank, Ltd. for a high proportion of its borrowing. There is therefore no special relationship between the Company and Mizuho Corporate Bank, Ltd., and Mizuho Corporate Bank, Ltd. does not influence Epson's decision making.

Outside corporate auditor Kenji Miyahara was an executive at Sumitomo Corporation. Epson has not had business transactions with Sumitomo Corporation over the last three years.

Outside corporate auditor Michihiro Nara is an attorney, but the Company has never engaged him or the law office to which he belongs to perform duties under an advisory agreement or under any other separate agreement, nor does it plan to do so in the future.

There is no particular system of coordination between outside corporate auditors and audit functions in the Group; however, corporate auditors take the initiative to consult with the internal audit organization and independent public accountants. Each time an issue is identified by an audit, details are passed on to the outside corporate auditors to keep them informed as appropriate. Moreover, corporate auditors participate in the Compliance Committee, which supervises compliance programs, and they conduct inquiries at departments where a significant incident involving internal control has occurred. Corporate auditors are thus kept abreast of operational issues and the status of measures to address those issues.

(4) Director remuneration

Basic policy

Directors serve to enhance corporate value, both in the immediate and long terms, and Epson has designed its system of director remuneration to provide them with incentives to improve business performance.

The monthly salaries of directors are decided by the board of directors after deliberation by the Compensation Committee and in consideration of Epson's business performance. Director bonuses are paid only if the Company has achieved a level of profit that increases corporate value. The desired level of profit is predefined by the board of directors after deliberation by the Compensation Committee, and the board of directors submits to the general shareholders for approval a proposal for the total amount of director bonuses to be paid in a given period, the amount to be commensurate with the level of performance with respect to profit.

Furthermore, a portion of the monthly salaries of directors is paid as Epson stock so that remuneration is linked to share price, and to serve as an incentive for improving business performance in the long term.

Remuneration paid

Category	Total remuneration (millions of yen)	Remuneration breakdown (millions of yen)		Number of individuals
		Basic salary	Bonuses	
Directors (including total for outside directors)	456 (26)	356 (26)	99 (—)	13 (2)
Corporate auditors (including total for outside corporate auditors)	106 (44)	106 (44)	— (—)	7 (3)
Total	563	463	99	20

Notes

1. The number of individuals above includes three directors and two corporate auditors who retired at the closing of the general shareholders' meeting on June 24, 2014.
2. Epson introduced a stock performance (stock-based) component to the remuneration system to link remuneration more closely to share price, so Epson stock accounts for a portion of the basic salary.
3. A resolution passed at the general shareholders' meeting of June 26, 2001, established the maximum base remuneration at ¥70 million per month for directors and at ¥12 million per month for corporate auditors.
4. The remuneration paid includes ¥99 million in director bonuses (bonuses to be paid to the eight directors, excluding outside directors), which were approved at the June 25, 2015 regular general shareholders' meeting. There is no bonus system for corporate auditors.
5. The directors who retired at the closing of the general shareholders' meeting held on June 24, 2014 were paid a retirement benefit of ¥41 million based on the resolution of the general shareholders' meeting held on June 23, 2006, on the payment of director retirement benefits.
6. Stock options are not granted.

(5) Stock holdings

Balance sheet total of stocks held for reasons other than pure investment

22 companies ¥15,925 million

Issuing company, number, and balance sheet total of stocks held for reasons other than pure investment

Previous fiscal year

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	8,077	Maintain and strengthen business ties
Mizuho Financial Group, Inc.	15,008,880	3,061	Maintain and strengthen business ties
Seiko Holdings Corporation	1,644,080	675	Maintain and strengthen business ties
The Hachijuni Bank, Ltd.	489,500	287	Maintain and strengthen business ties
Iwasaki Electric Co., Ltd.	1,000,000	253	Maintain and strengthen business ties
Hakuto Co., Ltd.	190,000	183	Maintain and strengthen business ties

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
Marubun Corporation.	332,640	178	Maintain and strengthen business ties
King Jim Co., Ltd.	221,980	158	Maintain and strengthen business ties
Otsuka Corporation	10,000	134	Maintain and strengthen business ties
Joshin Denki Co., Ltd.	70,000	57	Maintain and strengthen business ties
Pixelworks, Inc.	100,000	57	Maintain and strengthen business ties
Nippon BS Broadcasting Corporation	16,600	30	Maintain and strengthen business ties

Current Fiscal year

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	9,636	Maintain and strengthen business ties
Mizuho Financial Group, Inc.	15,008,880	3,168	Maintain and strengthen business ties
Seiko Holdings Corporation	1,644,080	996	Maintain and strengthen business ties
The Hachijuni Bank, Ltd.	489,500	415	Maintain and strengthen business ties
Hakuto Co., Ltd.	190,000	272	Maintain and strengthen business ties
Marubun Corporation	332,640	263	Maintain and strengthen business ties
King Jim Co., Ltd.	221,980	180	Maintain and strengthen business ties
Otsuka Corporation	30,000	153	Maintain and strengthen business ties
Joshin Denki Co., Ltd.	70,000	66	Maintain and strengthen business ties
Pixelworks, Inc.	100,000	60	Maintain and strengthen business ties

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
Nippon BS Broadcasting Corporation	33,200	41	Maintain and strengthen business ties

Stocks held for pure investment
None

(6) Accounting audits
(a) Names and other details of corporate public accountants performing audits

Name of CPA		Audit company	No. of successive years performing audits
Designated and Engagement Partner, Certified Public Accountant	Hidetoshi Watanabe	Ernst & Young ShinNihon LLC	2
Designated and Engagement Partner, Certified Public Accountant	Seiji Yamamoto	Ernst & Young ShinNihon LLC	2
Designated and Engagement Partner, Certified Public Accountant	Takahiro Yamazaki	Ernst & Young ShinNihon LLC	4

(b) Composition of auditing team
The auditing team comprises 43 staff including 15 certified public accountants, eight junior accountants, and 20 other accounting staff.

(7) Outline of contract limiting liability
The Company’s contract with the outside directors and outside corporate auditors is based on Article 427, Paragraph 1, of the Japanese Companies Act, and the contract stipulations determining the liability for damages on Article 423, Paragraph 1, of the same law. Said contract also stipulates that the limit of liability for damages shall be the legal maximum.
Limited liability is recognized only in cases where the outside directors and the outside corporate auditors performed their duties in good faith and were not grossly negligent.

(8) Number of directors
Epson’s Articles of Incorporation determine the maximum number of directors to be ten.

(9) Election and retirement of directors
According to its Articles of Incorporation, directors of the Company can be elected by a majority vote by at least one third of shareholders with voting rights, and not through cumulative voting.
Provisions regarding the retirement of directors do not vary from the provisions of the Japanese Companies Act.

(10) Items for approval at the General Shareholders’ Meeting that can be determined by the board of directors
Treasury stock acquisition
The Company’s Articles of Incorporation allow the Company to acquire treasury stock through stock market trade and other means by resolution of the board of directors. This enables a more flexible capital policy in response to a changing business environment.

Director and auditor exemption from liability
When liability falls under the requirements stipulated in Article 426, Paragraph 1, of the Japanese Companies Act, the Company's Articles of Incorporation allow the Company to exempt the directors and auditors from liability for damages in Article 423, Paragraph 1, of the Japanese Companies Act up to the amount remaining after the legal minimum liability is deducted from the total liability amount by resolution of the board of directors. This allows the directors to fully apply themselves to their expected task of building an organization capable of aggressive business expansion, and allows the corporate auditors to fulfill their functions accordingly.

Interim dividend
The Company's Articles of Incorporation allow the Company to declare an interim dividend with a date of record of September 30 every year by resolution of the board of directors. This provides the Company with flexibility in paying dividends to shareholders.

(11) Special resolution requirements of the General Shareholders' Meeting
The Company's Articles of Incorporation set forth the requirements for a special resolution of the general shareholders' meeting stipulated in Article 309, Paragraph 2, of the Japanese Companies Act as a two-thirds majority vote by at least one third of shareholders with voting rights. This policy is intended to ensure the smooth operation of the general shareholders' meeting by relaxing the quorum requirements for special resolutions at the general shareholders' meeting.

2. Details of audit remuneration

(1) Remuneration for audits by certified public accountants

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit work	Remuneration for audit certification work	Remuneration for non-audit work
Filing company	197	13	158	2
Consolidated subsidiaries	67	4	66	2
Total	264	17	225	5

(2) Other important remuneration

Previous fiscal year

Total payments for audits carried out on behalf of 64 consolidated overseas subsidiaries by certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2014, amounted to ¥549 million.

Fiscal year under review

Total payments for audits carried out on behalf of 63 consolidated overseas subsidiaries by certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2015, amounted to ¥562 million.

(3) Non-audit work performed by auditing certified public accountant at filing company

Previous fiscal year

Remuneration paid for non-audit work performed by the certified public accountant was for consultancy services in IFRS.

Fiscal year under review

Remuneration paid for non-audit work performed by the certified public accountant was for various consultancy services.

(4) Governing policy for auditor remuneration

This does not apply because remuneration for auditing services is determined according to the nature of the audit work.

3. Basic policy regarding company control

At its meeting on April 30, 2008, Epson's board of directors agreed on a basic policy governing persons who control our financial and business policy decisions (hereinafter the "basic policy").

(1) Overview

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

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

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

(2) Summary of measures in support of the basic policy

1) Specific actions in support of the basic policy

   Under the Updated SE15 Second-Half Mid-Range Business Plan (FY2013–FY2015), the Company remains firmly committed to the strategies outlined in the SE15 Long-Range Corporate Vision but has adopted new tactics and a different emphasis. Under the updated basic policy, Epson will pursue a basic strategy of managing its businesses so that they create steady profit while avoiding any over-emphasis on revenue growth. The top priority will be steady income and cash flow.

   Going forward, Epson will transform itself into a company that once again posts strong growth by focusing its management resources in areas where it can capitalize on its unique strengths, by expanding its business segments, and by building stronger new businesses that will support Company growth in the future.

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

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

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

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

(3) Decisions made by the Epson board of directors regarding specific actions and the justification for those decisions

The actions described in (2) 1) above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders in a continuous and sustained manner. These actions support the basic policy.

As well as having been introduced and updated in order to ensure and enhance corporate value and the common interests of shareholders, the Plan is in accordance with the basic policy outlined in (1) above. Specifically, the Plan guarantees fairness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because, among other things, a) it was introduced (and updated) after being approved by shareholders at the general shareholders' meeting; b) it contains provisions for reasonable and objective implementation; c) a special committee comprising members with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee; d) the special committee may solicit expert opinions from third parties at Epson's expense; and e) the Plan was determined to be valid for approximately three years and may be abolished by the board of directors at any time. The Plan is not for keeping Epson executive officers in their posts.

Management

Directors, statutory auditors and executive officers of the Company as of the date when the annual securities report (*yukashoken-houkokusho*) was submitted and their functions are listed below.

Name	Position	Current function
Minoru Usui	President (Representative Director)	
Noriyuki Hama	Senior Managing Director (Representative Director)	General Administrative Manager, Management Control Division, and General Administrative Manager, Compliance Office
Shigeki Inoue	Managing Director	General Administrative Manager, Business Infrastructure Development Division
Yoneharu Fukushima	Managing Director	Chief Operating Officer, Robotics Solutions Operations Division, and General Administrative Manager, Corporate Research & Development Division
Koichi Kubota	Managing Director	Chief Operating Officer, Printer Operations Division
Motonori Okumura	Director	General Administrative Manager, Imaging Products Key Component Research & Engineering Division
Junichi Watanabe	Director	Chief Operating Officer, Visual Products Operations Division, and Deputy General Administrative Manager, Business Infrastructure Development Division
Masayuki Kawana	Director	General Administrative Manager, Human Resources Division, and President, Orient Watch Co., Ltd.
Toshiharu Aoki	Outside Director	
Hideaki Omiya	Outside Director	
Kenji Kubota	Standing Statutory Auditor	

Seiichi Hirano	Standing Statutory Auditor	
Yoshiro Yamamoto	Outside Statutory Auditor	
Kenji Miyahara	Outside Statutory Auditor	
Michihiro Nara	Outside Statutory Auditor	

John Lang	Managing Executive Officer	President and Chief Executive Officer, Epson America, Inc.
Tadaaki Hagata	Managing Executive Officer	President, Epson Precision (Philippines), Inc.
Kiyofumi Koike	Executive Officer	Chairman, Epson (China) Co., Ltd.
Yasukazu Kitamatsu	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division
Hideki Shimada	Executive Officer	Deputy Chief Operating Officer, Printer Operations Division
Masayuki Kitamura	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Akihiro Fukaishi	Executive Officer	Deputy Chief Operating Officer, Professional Printing Operations Division
Sunao Murata	Executive Officer	Chief Operating Officer, Professional Printing Operations Division
Yoshiyuki Moriyama	Executive Officer	Chief Operating Officer, Wearable Products Operations Division
Toshiya Takahata	Executive Officer	General Administrative Manager, Intellectual Property Division
Tsuyoshi Kitahara	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division
Naoyuki Saeki	Executive Officer	President, Epson Sales Japan Corporation
Nobuyuki Shimotome	Executive Officer	Deputy General Administrative Manager, Corporate Research & Development Division
Kazuyoshi Yamamoto	Executive Officer	President, Epson Europe B.V.

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Seiko Epson Corporation and Subsidiaries

Consolidated Statement of Financial Position

Years ended March 31, 2014 and 2015:

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2014	March 31, 2015	March 31, 2015
Assets				
Current assets				
Cash and cash equivalents	8,35	211,510	245,330	2,041,524
Trade and other receivables	9,35	154,309	167,482	1,393,708
Inventories	10	181,581	220,426	1,834,284
Income tax receivables		2,284	1,963	16,335
Other financial assets	11,35	505	3,544	29,491
Other current assets	12	10,452	11,539	96,050
Subtotal		560,645	650,287	5,411,392
Non-current assets held for sale		-	96	799
Total current assets		560,645	650,383	5,412,191
Non-current assets				
Property, plant and equipment	13,15	222,556	227,257	1,891,129
Intangible assets	14	18,947	19,170	159,524
Investment property	17	10,273	4,758	39,593
Investments accounted for using the equity method		3,858	3,232	26,895
Net defined benefit assets	23	10	7	58
Other financial assets	11,35	21,881	25,345	210,909
Other non-current assets	12	2,931	5,958	49,615
Deferred tax assets	18	67,786	70,168	583,906
Total non-current assets		348,245	355,898	2,961,629
Total assets		908,890	1,006,282	8,373,820

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2014	March 31, 2015	March 31, 2015
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	19,35	123,463	140,047	1,165,407
Income tax payables		13,689	8,384	69,767
Other financial liabilities	20,35	82,471	75,745	630,315
Provisions	21	22,397	24,322	202,396
Other current liabilities	22	94,064	106,942	889,941
Total current liabilities		336,087	355,442	2,957,826
Non-current liabilities				
Other financial liabilities	20,35	141,942	112,466	935,890
Net defined benefit liabilities	23	56,362	31,234	259,915
Provisions	21	5,401	6,141	51,102
Other non-current liabilities	22	3,698	2,977	24,801
Deferred tax liabilities	18	640	711	5,916
Total non-current liabilities		208,045	153,531	1,277,624
Total liabilities		544,132	508,973	4,235,450
Equity				
Share capital	24	53,204	53,204	442,739
Capital surplus	24	84,321	84,321	701,680
Treasury shares	24	(20,457)	(20,464)	(170,292)
Other components of equity	24	49,716	83,073	691,297
Retained earnings		195,587	294,191	2,448,123
Equity attributable to owners of the parent company		362,371	494,325	4,113,547
Non-controlling interests		2,385	2,982	24,823
Total equity		364,757	497,308	4,138,370
Total liabilities and equity		908,890	1,006,282	8,373,820

Consolidated Statement of Comprehensive Income

Years ended March 31, 2014 and 2015:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2014	2015	2015
Revenue	7,26	1,008,407	1,086,341	9,040,034
Cost of sales	10,13, 14	(645,818)	(690,416)	(5,745,335)
Gross profit		362,589	395,924	3,294,699
Selling, general and administrative expenses	13,14, 27	(272,501)	(294,648)	(2,451,926)
Other operating income	29	5,998	39,907	332,087
Other operating expense	13,30	(16,537)	(9,802)	(81,576)
Profit from operating activities		79,549	131,380	1,093,284
Finance income	31	2,685	3,268	27,194
Finance costs	31	(4,428)	(2,320)	(19,296)
Share of profit of investments accounted for using the equity method		170	207	1,722
Profit before tax		77,977	132,536	1,102,904
Income taxes	18	9,345	(18,631)	(155,047)
Profit from continuing operations		87,322	113,904	947,857
Loss from discontinued operations	32	(2,880)	(1,118)	(9,312)
Profit for the period		84,442	112,785	938,545
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)	33	13,086	(1,512)	(12,582)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	33	2,785	2,121	17,641
Subtotal		15,871	608	5,059
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations	33	19,378	30,113	250,605
Net changes in fair value of cash flow hedges	33	632	1,718	14,296
Share of other comprehensive income of investments accounted for using the equity method	33	154	257	2,138
Subtotal		20,166	32,089	267,039
Total other comprehensive income, net of tax		36,038	32,698	272,098
Total comprehensive income for the period		120,480	145,483	1,210,643

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2014	2015	2015
Profit for the period attributable to:				
Owners of the parent company		84,203	112,560	936,673
Non-controlling interests		239	225	1,872
Profit for the period		84,442	112,785	938,545
Total comprehensive income for the period attributable to:				
Owners of the parent company		120,047	144,841	1,205,301
Non-controlling interests		432	642	5,342
Total comprehensive income for the period		120,480	145,483	1,210,643

	Notes	Yen		U.S. dollars
		Year ended March 31,		Year ended March 31,
		2014	2015	2015
Earnings (loss) per share for the period:				
Basic earnings (loss) per share for the period	34	235.35	314.61	2.62
Earnings (loss) per share from continuing operations for the period:				
Basic earnings (loss) per share for the period	34	243.40	317.74	2.65
Earnings (loss) per share from discontinued operations for the period:				
Basic earnings (loss) per share for the period	34	(8.05)	(3.13)	(0.03)

Consolidated Statement of Changes in Equity

Years ended March 31, 2014 and 2015:

Millions of yen

	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
		Equity attributable to owners of the parent company											
					Other components of equity								
As of April 1, 2013		53,204	84,321	(20,453)	-	2,467	25,785	(1,295)	26,958	101,876	245,905	2,063	247,969
Profit (loss) for the period		-	-	-	-	-	-	-	-	84,203	84,203	239	84,442
Other comprehensive income (loss)		-	-	-	13,086	2,864	19,260	632	35,844	-	35,844	193	36,038
Total comprehensive income (loss) for the period		-	-	-	13,086	2,864	19,260	632	35,844	84,203	120,047	432	120,480
Acquisition of treasury shares	24	-	-	(4)	-	-	-	-	-	-	(4)	-	(4)
Dividends	25	-	-	-	-	-	-	-	-	(3,577)	(3,577)	(110)	(3,688)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	(13,086)	-	-	-	(13,086)	13,086	-	-	-
Total transactions with the owners		-	-	(4)	(13,086)	-	-	-	(13,086)	9,508	(3,581)	(110)	(3,692)
As of March 31, 2014		53,204	84,321	(20,457)	-	5,332	45,046	(662)	49,716	195,587	362,371	2,385	364,757

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Millions of yen

	Notes	Equity attributable to owners of the parent company											
					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	Non-controlling interests	Total equity
As of April 1, 2014		53,204	84,321	(20,457)	-	5,332	45,046	(662)	49,716	195,587	362,371	2,385	364,757
Profit (loss) for the period		-	-	-	-	-	-	-	-	112,560	112,560	225	112,785
Other comprehensive income (loss)		-	-	-	(1,512)	2,253	29,821	1,718	32,281	-	32,281	416	32,698
Total comprehensive income (loss) for the period		-	-	-	(1,512)	2,253	29,821	1,718	32,281	112,560	144,841	642	145,483
Acquisition of treasury shares	24	-	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Dividends	25	-	-	-	-	-	-	-	-	(12,880)	(12,880)	(95)	(12,975)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	50	50
Transfer from other components of equity to retained earnings		-	-	-	1,512	(436)	-	-	1,075	(1,075)	-	-	-
Total transactions with the owners		-	-	(6)	1,512	(436)	-	-	1,075	(13,955)	(12,887)	(45)	(12,932)
As of March 31, 2015		53,204	84,321	(20,464)	-	7,149	74,868	1,055	83,073	294,191	494,325	2,982	497,308

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

	Notes	Equity attributable to owners of the parent company											
					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	Non-controlling interests	Total equity
As of April 1, 2014		442,739	701,680	(170,243)	-	44,379	374,862	(5,517)	413,724	1,627,576	3,015,476	19,865	3,035,341
Profit (loss) for the period		-	-	-	-	-	-	-	-	936,673	936,673	1,872	938,545
Other comprehensive income (loss)		-	-	-	(12,582)	18,748	248,166	14,296	268,628	-	268,628	3,470	272,098
Total comprehensive income (loss) for the period		-	-	-	(12,582)	18,748	248,166	14,296	268,628	936,673	1,205,301	5,342	1,210,643
Acquisition of treasury shares	24	-	-	(49)	-	-	-	-	-	-	(49)	-	(49)
Dividends	25	-	-	-	-	-	-	-	-	(107,181)	(107,181)	(800)	(107,981)
Acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	416	416
Transfer from other components of equity to retained earnings		-	-	-	12,582	(3,637)	-	-	8,945	(8,945)	-	-	-
Total transactions with the owners		-	-	(49)	12,582	(3,637)	-	-	8,945	(116,126)	(107,230)	(384)	(107,614)
As of March 31, 2015		442,739	701,680	(170,292)	-	59,490	623,028	8,779	691,297	2,448,123	4,113,547	24,823	4,138,370

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Consolidated Statement of Cash Flows

Years ended March 31, 2014 and 2015:

		Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
	Notes	2014	2015	2015
Cash flows from operating activities				
Profit for the period		84,442	112,785	938,545
Depreciation and amortisation		41,375	44,907	373,695
Impairment loss		4,429	3,563	29,649
Finance (income) costs, net		1,742	(948)	(7,898)
Share of (profit) loss of investments accounted for using the equity method		(170)	(207)	(1,722)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		650	(4,288)	(35,682)
Income taxes		(9,345)	18,631	155,047
Decrease (increase) in trade receivables		(7,225)	(2,279)	(18,964)
Decrease (increase) in inventories		(1,650)	(19,252)	(160,206)
Increase (decrease) in trade payables		12,148	21	174
Increase (decrease) in net defined benefit liabilities		(4,830)	(25,355)	(210,992)
Other, net		8,685	8,842	73,570
Subtotal		130,251	136,419	1,135,216
Interest and dividend income received		2,099	2,481	20,645
Interest expenses paid		(2,693)	(1,552)	(12,915)
Payments for loss on litigation		(4,068)	(859)	(7,148)
Income taxes paid		(10,729)	(27,660)	(230,181)
Net cash provided by (used in) operating activities		114,859	108,828	905,617
Cash flows from investing activities				
Proceeds from sales of investment securities		14	249	2,072
Purchase of property, plant and equipment		(33,725)	(37,045)	(308,271)
Proceeds from sales of property, plant and equipment		564	272	2,263
Purchase of intangible assets		(8,261)	(5,738)	(47,749)
Proceeds from sales of intangible assets		36	29	241
Proceeds from sales of investment property		251	14,012	116,601
Purchase of investments in subsidiaries		-	(1,097)	(9,128)
Other, net		(124)	(3,417)	(28,434)
Net cash provided by (used in) investing activities		(41,244)	(32,735)	(272,405)
Cash flows from financing activities				
Net increase (decrease) in current borrowings		2,503	(30,167)	(251,036)
Repayments of non-current borrowings		(75,000)	(2,000)	(16,670)
Proceeds from issuance of bonds issued		20,000	10,000	83,215
Redemption of bonds issued		-	(20,000)	(166,430)
Payments of lease obligations		(379)	(241)	(2,005)
Dividends paid	25	(3,577)	(12,880)	(107,181)
Dividends paid to non-controlling interests		(110)	(95)	(790)
Purchase of treasury shares		(4)	(6)	(49)
Net cash provided by (used in) financing activities		(56,567)	(55,392)	(460,946)
Effect of exchange rate changes on cash and cash equivalents		9,808	13,118	109,169
Net increase (decrease) in cash and cash equivalents		26,856	33,819	281,435
Cash and cash equivalents at beginning of period	8	184,654	211,510	1,760,089
Cash and cash equivalents at end of period	8	211,510	245,330	2,041,524

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 “7. 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 the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, as Epson meets the criteria of a “Specified company” defined under Article 1-2, Paragraph 1, Item 2 of the 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 ¥120.17 to U.S. $1 as of March 31, 2015.

(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.

3. Significant Accounting Policies

(1) Basis of Consolidation

The consolidated financial statements include financial statements of Epson, and interests in investments in associates and joint ventures.

(A) Subsidiaries
A subsidiary is an entity that is controlled by Epson. Epson has control over the entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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 intercompany transaction are eliminated on consolidation. Comprehensive income for subsidiaries is attributed to owners of the parent company and 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, including the power to participate in the financial and operating policy decisions of the investee. 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
Joint venture is a joint arrangement whereby Epson and the other parties that have joint control of the arrangement which is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the activities that significantly affect the investee’s returns require the unanimous consent of the parties sharing control, have rights to the net assets of the arrangement. Epson accounts for that investment using the equity method.

(2) Business Combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed, all non-controlling interests and equity instruments issued by the Company in exchange for control over an acquiree. Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognised as goodwill in the consolidated statement of financial position. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognised as profit in the consolidated statement of comprehensive income. Acquisition related costs incurred are recognised as expenses. The additional acquisition of non-controlling interests after obtaining control is accounted for as a capital transaction and no goodwill is recognised with respect to such transaction.

(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 specifies its own functional currency and measures transactions based on it. Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the fiscal year end date. Differences arising from the translation and settlement are recognised as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investments in foreign operations (foreign subsidiaries), financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised as other comprehensive income.
The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate. The resulting translation differences are recognised as other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognised as 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) Other Financial Assets
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 as profit or loss. However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income are recognised as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognised or the decline in its fair value is significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

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

(B) Impairment of Financial Assets
At the end of each fiscal year, Epson assesses whether there is any objective evidence that financial assets measured at amortised cost are impaired. Evidence of impairment includes significant financial difficulty of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower. Epson assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.
If there is any objective evidence that impairment losses on financial assets measured at amortised cost have been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows.
When impairment is recognised, the carrying amount of the financial asset is reduced by an allowance account for credit losses and impairment losses are recognised in profit or loss. The carrying amount of financial assets measured at amortised cost is directly reduced for the impairment when they are expected to become uncollectible in the future and all collaterals are implemented or transferred to Epson.
If the amount of the impairment losses provided decreases due to an event occurring after the impairment was recognised, the previously recognised impairment losses are reversed into profit through the allowance account for credit losses.

(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
After initial recognition, financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method. Amortisation under the effective interest method and gains or losses on derecognition are recognised as profit or loss in the consolidated statement of comprehensive income.

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

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

(E) Derivatives Accounting
Epson utilizes derivatives, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.
Changes in fair value of derivatives are recognised as profit or loss in the consolidated statement of comprehensive income. However, the gains or losses on hedging instruments relating to the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognised as 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. Hedges that meet the requirements for hedge accounting are classified in the following categories.

(i) Fair Value Hedge
Changes in fair value of derivatives are recognised as profit or loss in the consolidated statement of comprehensive income. Regarding changes in fair value of hedged items attributable to the hedged risks, the carrying amount of the hedged item is adjusted and the change is recognised as profit or loss in the consolidated statement of comprehensive income.

(ii) Cash Flow Hedge
The effective portion of gains or losses on hedging instruments is recognised as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognised immediately as 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 as other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.
When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognised in other components of equity as other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognised in other components of equity through other comprehensive income continue to be recognised in other component of equity until the forecast transactions or firm commitments occur.

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

(G) Fair Value of Financial Instruments
Fair value of financial instruments that are traded in active financial markets at the fiscal year end 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 investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months 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 costs are determined by using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

(7) Property, Plant and Equipment

Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.
The cost 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.
Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items were as follows:

- Buildings and structures: 10 to 35 years
- Machinery and vehicles: 2 to 12 years

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

(8) Intangible Assets

(A) Goodwill
Goodwill is measured at cost less accumulated impairment losses.
Goodwill is not amortised. It is allocated to cash-generating units that are identified according to locations and types of businesses and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognised as profit or loss in the consolidated statement of comprehensive income and not reversed in subsequent periods.

(B) Intangible Assets other than Goodwill
Intangible assets are measured by using the cost model and are stated at cost less accumulated amortisation and accumulated impairment losses.
Intangible assets acquired separately are measured at cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognised at fair value at the acquisition date. Expenditures on internally generated intangible assets are recognised as expenses in the period incurred, except for development expense that satisfy the capitalisation criteria.
Intangible assets with finite useful lives are amortised using the straight-line method over their estimated useful lives and are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortisation method of intangible assets with finite useful lives are reviewed at fiscal year end, and the effect of any changes in estimate would be accounted for on a prospective basis.
The estimated useful life of major intangible assets with finite useful lives was as follows:

- Software: 3 to 5 years

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortised, but they are tested for impairment individually or by cash-generating unit annually or whenever there is any indication of impairment.

(9) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to Epson. All other leases are classified as operating leases.
In finance lease transactions, leased assets and lease obligations are recognised in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the finance cost and the reduction of the lease obligations based on the effective interest method. Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms.

In operating lease transactions, lease payments are recognised as an expense using the straight-line method over the lease terms in the consolidated statement of comprehensive income. Contingent rents are recognised as an expense in the period in which they are incurred.
Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with the terms of that, 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, even if the arrangement does not take the legal form of a lease.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.
Investment property is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.
The estimated useful life of major investment property is 35 years.

(11) Impairment of Non-financial Assets

Epson assesses for each fiscal year whether there is any indication that an asset may be impaired. If any such indication exists, or in cases where the impairment test is required each fiscal year, the recoverable amount of the asset is estimated. If the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less sales costs or its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognised and the carrying amount is reduced to the recoverable amount. In determining the value in use, estimated future cash flows 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.
Epson assesses whether there is any indication that impairment losses recognised in prior years for an asset other than goodwill may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognised in prior years.

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

An asset or asset group whose value is expected to be recovered through a sales transaction rather than through continuing use is classified into a non-current asset and disposal group held-for-sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and Epson management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortised and is measured at the lower of its carrying amount or its fair value less sales costs.
Assets and asset groups that have already been disposed of or that are classified as held-for-sale are recognised as discontinued operations when they meet any of the following:
• Separate major line of business or geographical area of operations
• Part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations
• Subsidiary acquired exclusively with a view to resale

(13) Post-employment Benefits

Epson sponsors defined benefit plans and defined contribution plans as post-employment benefits plans. For each defined benefit plan, Epson calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the fiscal year end date on high quality corporate bonds. Net of liabilities or assets for defined benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets (including adjustments for the asset ceiling for defined benefit plans and minimum funding requirements, if necessary). Net interest costs derived from net of liabilities or assets for defined benefit plans are recognised as finance costs.
Remeasurements of net of liabilities or assets for defined benefit plans are recognised in full as other comprehensive income in the period when they are incurred and transferred to retained earnings immediately. Past service costs are recognised as profit or loss at the earlier of when a plan amendment or scale down occurs and when any related restructuring costs or termination benefits are recognised. The expenses for post-employment benefits for defined contribution plans are recognised as expenses at the time of contribution.

(14) Provisions

Epson recognises provisions when it has legal obligations or constructive obligations resulting from prior events and when it is probable that the obligations are required to be settled and the amount of the obligations can be estimated reliably.
Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations.

(15) Revenue

(A) Sale of Goods
Epson sells information-related equipment, devices and precision products, and sensing and industrial solutions. Revenue from the sale of these goods is recognised when the significant risks and rewards of ownership of the goods transfer to the buyers, Epson retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the future economic benefits will flow to Epson, and the amount of revenue and the corresponding costs can be measured reliably. Therefore, revenue is usually recognised at the time of delivery of goods to customers. In addition, revenue is recognised at fair value of the consideration received or receivable less discounts and rebates.

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

(C) Dividend Income
Dividend income is 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 fiscal year end date when the service is provided.

(16) Government Grants

A government grant is recognised at fair value when there is a reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.
Government grants that are related to expense items are recognised in profit on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate, and unexpired grants are recognised in liabilities as deferred income. With regard to government grants related to assets, the amount of the grants is deducted from the cost of the assets.

(17) Borrowing Costs

With respect to assets that require a substantial period of time to get ready for their intended use or sale, the borrowing costs that are directly attributable to the acquisition, construction or production of the assets are capitalized as part of the cost of the assets. Other borrowing costs are recognised as an expense in the period when they are incurred.

(18) Income Taxes

Income taxes in the consolidated statement of comprehensive income are presented as the total of current tax expense and deferred tax expense.
Current tax expense is measured at the amount that is expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, Epson uses the tax rates and tax laws that have been enacted or substantively enacted by the fiscal year end date. The current tax expense is recognised in profit or loss, except for taxes arising from items that are recognised in other comprehensive income or directly in equity and taxes arising from business combinations.
Deferred tax expense is calculated based on the temporary differences between the tax base and accounting bases for assets and liabilities at the fiscal year end date. Deferred tax assets are recognised for deductible temporary differences, 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. Deferred tax liabilities are recognised for all taxable temporary differences.

The deferred tax assets or liabilities are not recognised for the following temporary differences:
• The initial recognition of goodwill
• The initial recognition of assets or liabilities in transactions that are not business combinations and affect neither accounting profit nor taxable profit or tax loss at the time of transaction
• Deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is probable that the temporary differences will not reverse in the foreseeable future and it is not probable that future taxable profits will be available against which they can be utilized
• Taxable temporary differences arising from 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 differences will not reverse in the foreseeable future.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the fiscal year end date.

(19) Treasury Shares

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

(20) Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares.

(21) Dividends

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

(22) Contingencies

(A) Contingent Liabilities
Epson discloses contingent liabilities in the notes to consolidated financial statements if it has possible obligations at the fiscal year end date but their existence cannot be confirmed at that date, or if it has present obligations as a result of past events but which those obligations do not meet the recognition criteria of a provision.

(B) Contingent Assets
Epson discloses contingent assets in the notes to consolidated financial statements if an inflow of future economic benefits to Epson is probable, but not virtually certain at the fiscal year end date.

(23) Reclassification

Certain reclassifications have been made to the prior year amounts to conform to the current year presentation.

4. Significant Accounting Estimates and Judgments

The preparation of Epson's consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of the fiscal year end date. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. Given their nature, actual results may differ from those estimates and assumptions.
The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognised in the period of the change and subsequent periods.
Among the above estimates and assumptions, the following were items that may have a material effect on the amounts recognised in Epson's consolidated financial statements:

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

Epson performs an impairment test for property, plant and equipment, goodwill, intangible assets and investment property when there is any indication that the recoverable amount has fallen below the carrying amount of the assets.
The impairment test is performed by comparing the carrying amount and the recoverable amount of assets. If the recoverable amount falls below the carrying amount, impairment losses are recognised. The recoverable amount is mainly calculated based on the discounted cash flow model. Certain assumptions are made for the useful lives and the future cash flows of the assets, discount rates and long-term growth rates. 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.
The method for calculating the recoverable amount is stated in “13. Property, Plant and Equipment.”

(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.
These actuarial assumptions and related sensitivity analysis are stated in “23. Post-employment Benefits.”

(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.
The nature and amount of recognised provisions are stated in “21. Provisions.”

(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 recognizing 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.
The content and amounts related to income taxes are stated in "18. Income Taxes."

(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.
The content of contingencies is stated in "39. Contingencies."

5. Changes in Accounting Policies

The following are the accounting standards and interpretations applied by Epson from fiscal year 2014 ended March 31, 2015. These standards and interpretations did not have a material impact on the consolidated financial statements of Epson.

IFRS		Summaries of new or amended IFRS standards or interpretations
IFRS 10	Consolidated Financial Statements	Accounting for investments held by investment entities
IFRS 12	Disclosure of Interests in Other Entities	Additional disclosure for investments held by investment entities
IAS 32	Financial Instruments: Presentation	Clarification of criteria for offsetting financial assets and liabilities and addition of application guidance
IAS 36	Impairment of Assets	Disclosure of recoverable amounts for non-financial assets
IAS 39	Financial Instruments: Recognition and Measurement	Exception to the requirement for the discontinuation of hedge accounting
IFRIC 21	Levies	Recognition of liabilities related to levies

6. New Accounting Standards Not Yet Adopted

Basis of preparation by the date of approval of the consolidated financial statements, new accounting standards, amended standards and new interpretations that have been issued, but have not been early adopted by Epson are as follows.
The implications from adoption of these standards and interpretations are assessed by Epson; however, based on the Company's evaluation, none of them will have a material impact on its operating results and financial condition.

IFRS		Mandatory adoption (from the year beginning)	Timing of adoption by Epson	Description of new and revised standards
IFRS 9	Financial Instruments	January 1, 2018	To be determined	Amendments to hedge accounting Limited changes to classification and measurement of financial assets, and introduction of an expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	January 1, 2017	To be determined	Amendments to accounting treatment for recognising revenue

7. 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 is mainly engaged in the manufacture and sale of “Information-related equipment”, “Devices & precision products” and “Sensing & industrial solutions”. The reportable segments of Epson are composed of three segments. 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
Information-related equipment	Inkjet printers, page printers, color image scanners, commercial inkjet printers, serial impact dot matrix printers, printers for use in POS systems, inkjet label printers and related consumables, 3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers, smart glasses, personal computers and others.
Devices & precision products	Crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, metal powders, surface finishing and others.
Sensing & industrial solutions	Industrial robots, IC handlers, industrial inkjet printing systems, sensing systems 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.

FY2013: Year ended March 31, 2014

Millions of yen

	Reportable segments						
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	840,783	143,905	15,964	1,000,653	892	6,862	1,008,407
Inter-segment revenue	444	4,873	210	5,529	441	(5,970)	-
Total revenue	841,228	148,779	16,174	1,006,182	1,333	891	1,008,407
Segment profit (loss) (Business profit (loss)) (Note 1)	123,778	10,857	(9,975)	124,661	(260)	(34,312)	90,087
Other operating income (expense)							(10,538)
Profit from operating activities							79,549
Finance income (costs), net							(1,742)
Share of profit of investments accounted for using the equity method							170
Profit before tax							77,977

Other items

	Reportable segments						
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal	Other (Note 2)	Adjustments	Consolidated
Depreciation and amortisation expense	(27,365)	(7,638)	(728)	(35,732)	(21)	(4,957)	(40,711)
Impairment losses on other than financial assets	(200)	(106)	(359)	(665)	-	(3,763)	(4,429)
Segment assets	434,296	123,742	11,876	569,915	845	338,129	908,890
Capital expenditures	26,452	7,984	696	35,132	10	3,846	38,989

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

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

(Note 3) Adjustments to business profit of (¥34,312) million comprised “Eliminations” of ¥145 million and “Corporate expenses” of (¥34,458) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2014: Year ended March 31, 2015

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal			
Revenue							
External revenue	906,701	150,292	23,182	1,080,176	808	5,356	1,086,341
Inter-segment revenue	594	6,004	213	6,813	581	(7,395)	-
Total revenue	907,296	156,297	23,396	1,086,989	1,390	(2,038)	1,086,341
Segment profit (loss) (Business profit (loss)) (Note 1)	133,665	14,842	(9,036)	139,471	(318)	(37,877)	101,275
					Other operating income (expense)		30,104
					Profit from operating activities		131,380
					Finance income (costs), net		948
					Share of profit of investments accounted for using the equity method		207
					Profit before tax		132,536

Other items

	Reportable segments				Other (Note 2)	Adjustments	Consolidated
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal			
Depreciation and amortisation expense	(31,424)	(7,769)	(668)	(39,862)	(20)	(4,595)	(44,478)
Impairment losses on other than financial assets	(120)	(346)	(243)	(710)	-	(2,852)	(3,563)
Segment assets	488,289	127,714	14,710	630,714	564	375,003	1,006,282
Capital expenditures	24,028	7,152	1,737	32,918	11	8,181	41,112

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

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

(Note 3) Adjustments to business profit of (¥37,877) million comprised “Eliminations” of ¥335 million and “Corporate expenses” of (¥38,213) million. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

FY2014: Year ended March 31, 2015

Thousands of U.S. dollars

	Reportable segments						
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	7,545,145	1,250,670	192,918	8,988,733	6,732	44,569	9,040,034
Inter-segment revenue	4,960	49,962	1,772	56,694	4,834	(61,528)	-
Total revenue	7,550,105	1,300,632	194,690	9,045,427	11,566	(16,959)	9,040,034
Segment profit (loss) (Business profit (loss)) (Note 1)	1,112,299	123,508	(75,193)	1,160,614	(2,646)	(315,195)	842,773
					Other operating income (expense)		250,511
					Profit from operating activities		1,093,284
					Finance income (costs), net		7,898
					Share of profit of investments accounted for using the equity method		1,722
					Profit before tax		1,102,904

Other items

	Reportable segments						
	Information-related equipment	Devices & precision products	Sensing & industrial solutions	Subtotal	Other (Note 2)	Adjustments	Consolidated
Depreciation and amortisation expense	(261,505)	(64,650)	(5,558)	(331,713)	(166)	(38,246)	(370,125)
Impairment losses on other than financial assets	(1,007)	(2,879)	(2,022)	(5,908)	-	(23,741)	(29,649)
Segment assets	4,063,328	1,062,777	122,409	5,248,514	4,693	3,120,613	8,373,820
Capital expenditures	250,920	64,500	9,669	325,089	99	52,834	378,022

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

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

(Note 3) Adjustments to business profit of ($315,195) thousand comprised “Eliminations” of $2,796 thousand and “Corporate expenses” of ($317,991) thousand. The corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

(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,
	2014	2015	2015
Japan	175,034	163,689	1,362,145
The Americas	4,840	6,776	56,386
China(including Hong Kong)	23,498	26,464	220,221
Other	55,193	63,447	528,004
Total	258,567	260,377	2,166,756

(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,
	2014	2015	2015
Japan	280,936	276,238	2,298,726
The United States	177,935	205,215	1,707,705
China(including Hong Kong and Macao)	132,504	148,176	1,233,053
Other	417,031	456,710	3,800,550
Total	1,008,407	1,086,341	9,040,034

(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.

8. Cash and Cash Equivalents

The breakdown of “Cash and cash equivalents” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Cash and deposits	118,510	111,330	926,437
Short-term investments	93,000	134,000	1,115,087
Total	211,510	245,330	2,041,524

9. Trade and Other Receivables

The breakdown of “Trade and other receivables” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Notes and trade receivables	145,311	156,440	1,301,822
Other receivables	10,495	12,563	104,543
Allowance account for credit losses	(1,497)	(1,521)	(12,657)
Total	154,309	167,482	1,393,708

Trade and other receivables are presented net of the allowance account for credit losses in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortised cost.

10. Inventories

The breakdown of “Inventories” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Merchandise and finished goods	109,708	140,825	1,171,881
Work in process	49,994	54,360	452,359
Raw materials	16,979	19,250	160,189
Supplies	4,898	5,989	49,855
Total	181,581	220,426	1,834,284

The amount of inventories included in cost of sales recognised as an expense totaled (¥639,595) million and (¥676,128) million (($5,626,429) thousand) for the years ended March 31, 2014 and 2015, respectively. Losses recognised as cost of sales as a result of valuations for the years ended March 31, 2014 and 2015 were (¥27,542) million and (¥32,138) million (($267,437) thousand), respectively. In addition, Epson has no inventories pledged as collateral.

11. Other Financial Assets

(1) The breakdown of "Other financial assets"

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Derivative assets	169	3,181	26,470
Equity securities	16,784	19,639	163,426
Bonds receivable	103	108	898
Time deposits	69	44	366
Other	5,520	5,980	49,772
Allowance account for credit losses	(260)	(64)	(532)
Total	22,386	28,889	240,400
Current assets	505	3,544	29,491
Non-current assets	21,881	25,345	210,909
Total	22,386	28,889	240,400

Derivative assets are classified as financial assets measured at fair value through profit or loss, excluding a case where hedge accounting is applied. Equity securities held for other than trading purposes are classified as financial assets measured at fair value through other comprehensive income, and time deposits and bonds receivable are classified as financial assets measured at amortised cost.

(2) Names of major equity securities measured at fair value through other comprehensive income, their fair values and dividends received

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2014		March 31, 2015		March 31, 2015	
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
NGK Insulators, Ltd.	8,077	75	9,636	93	80,186	773
Mizuho Financial Group, Inc.	3,061	90	3,168	105	26,362	873

Equity securities are held mainly for strengthening relationships with investees. Therefore, they are designated as financial assets measured at fair value through other comprehensive income.

12. Other Assets

The breakdown of "Other current assets" and "Other non-current assets" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Prepaid expense	8,854	13,620	113,339
Advances to suppliers	1,582	1,954	16,260
Other	2,947	1,922	16,066
Total	13,384	17,497	145,665
Current assets	10,452	11,539	96,050
Non-current assets	2,931	5,958	49,615
Total	13,384	17,497	145,665

13. Property, Plant and Equipment

(1) Schedule of Property, Plant and Equipment

The schedules of the cost, accumulated depreciation and accumulated impairment losses, and carrying amount of "Property, plant and equipment" were as follows:

Millions of yen

Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2013	462,245	440,929	164,656	4,447	2,407	1,074,686
Individual acquisition	1,117	2,883	7,194	21,774	219	33,189
Transfer from(to) investment property	2,924	-	-	-	-	2,924
Sale or disposal	(2,561)	(19,599)	(15,651)	(67)	(127)	(38,006)
Exchange differences on translation of foreign operations	4,382	7,741	7,807	260	17	20,209
Transfer from construction in progress	3,393	10,770	6,431	(20,595)	-	-
Other	(630)	(2,048)	30	(636)	43	(3,241)
As of March 31, 2014	470,871	440,677	170,468	5,184	2,561	1,089,762
Individual acquisition	810	6,682	7,613	24,001	580	39,687
Acquisition of subsidiary	1,416	44	145	-	-	1,606
Transfer to(from) investment property	(9,462)	-	-	-	-	(9,462)
Transfer to(from) non-current assets held for sale	(396)	-	-	-	-	(396)
Sale or disposal	(7,057)	(14,268)	(12,145)	(45)	(12)	(33,529)
Exchange differences on translation of foreign operations	6,968	14,422	14,004	334	4	35,734
Transfer from construction in progress	5,332	14,134	5,714	(25,206)	24	-
Other	(13)	(1,641)	(1,190)	(125)	(19)	(2,989)
As of March 31, 2015	468,469	460,050	184,611	4,143	3,137	1,120,412

Thousands of U.S. dollars

Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2014	3,918,373	3,667,113	1,418,557	43,138	21,312	9,068,493
Individual acquisition	6,740	55,604	63,351	199,725	4,837	330,257
Acquisition of subsidiary	11,792	366	1,206	-	-	13,364
Transfer to(from) investment property	(78,738)	-	-	-	-	(78,738)
Transfer to(from) non-current assets held for sale	(3,295)	-	-	-	-	(3,295)
Sale or disposal	(58,725)	(118,731)	(101,065)	(374)	(118)	(279,013)
Exchange differences on translation of foreign operations	57,984	120,013	116,534	2,779	52	297,362
Transfer from construction in progress	44,370	117,616	47,549	(209,752)	217	-
Other	(116)	(13,655)	(9,884)	(1,040)	(177)	(24,872)
As of March 31, 2015	3,898,385	3,828,326	1,536,248	34,476	26,123	9,323,558

	Millions of yen					
Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2013	(322,777)	(384,099)	(142,914)	-	(1,009)	(850,800)
Depreciation expense (Note)	(9,922)	(13,266)	(12,259)	-	(7)	(35,456)
Impairment losses	(2,939)	(306)	(256)	(5)	-	(3,508)
Transfer to(from) investment property	(2,924)	-	-	-	-	(2,924)
Sale or disposal	2,348	19,377	15,255	4	9	36,994
Exchange differences on translation of foreign operations	(2,257)	(5,645)	(6,447)	-	(16)	(14,365)
Other	709	2,103	141	-	(98)	2,855
As of March 31, 2014	(337,763)	(381,837)	(146,481)	(0)	(1,122)	(867,205)
Depreciation expense (Note)	(9,398)	(14,186)	(14,129)	-	(9)	(37,724)
Impairment losses	(2,960)	(249)	(135)	-	-	(3,345)
Acquisition of subsidiary	(765)	(43)	(128)	-	-	(937)
Transfer from(to) investment property	6,175	-	-	-	-	6,175
Transfer from(to) non-current assets held for sale	300	-	-	-	-	300
Sale or disposal	6,830	13,725	11,910	0	5	32,472
Exchange differences on translation of foreign operations	(3,185)	(10,445)	(11,674)	-	(2)	(25,307)
Other	(35)	1,595	1,010	-	(152)	2,417
As of March 31, 2015	(340,803)	(391,441)	(159,629)	-	(1,280)	(893,155)

	Thousands of U.S. dollars					
Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2014	(2,810,709)	(3,177,473)	(1,218,948)	0	(9,354)	(7,216,484)
Depreciation expense (Note)	(78,205)	(118,049)	(117,575)	-	(92)	(313,921)
Impairment losses	(24,640)	(2,072)	(1,123)	-	-	(27,835)
Acquisition of subsidiary	(6,375)	(357)	(1,065)	-	-	(7,797)
Transfer from(to) investment property	51,385	-	-	-	-	51,385
Transfer from(to) non-current assets held for sale	2,496	-	-	-	-	2,496
Sale or disposal	56,836	114,213	99,109	0	59	270,217
Exchange differences on translation of foreign operations	(26,504)	(86,918)	(97,145)	-	(26)	(210,593)
Other	(291)	13,263	8,388	-	(1,257)	20,103
As of March 31, 2015	(2,836,007)	(3,257,393)	(1,328,359)	-	(10,670)	(7,432,429)

(Note)Depreciation expense for property, plant and equipment was included in cost of sales and selling, general and administrative expenses in the consolidated statement of comprehensive income.

Carrying Amount	Millions of yen					
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2013	139,468	56,829	21,741	4,447	1,397	223,885
As of March 31, 2014	133,107	58,839	23,986	5,183	1,438	222,556
As of March 31, 2015	127,665	68,609	24,982	4,143	1,856	227,257

Carrying Amount	Thousands of U.S. dollars					
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2014	1,107,664	489,640	199,609	43,138	11,958	1,852,009
As of March 31, 2015	1,062,378	570,933	207,889	34,476	15,453	1,891,129

The carrying amount of property, plant and equipment includes the carrying amount of the following leased assets:

Leased Assets	Millions of yen			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of April 1, 2013	684	75	183	943
As of March 31, 2014	223	62	116	402
As of March 31, 2015	109	98	76	284

Leased Assets	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2014	1,865	515	965	3,345
As of March 31, 2015	916	815	632	2,363

(2) Impairment Losses

Epson’s business assets are generally grouped by business segment under the Company’s management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level.
Impairment losses recognised in the years ended March 31, 2014 and 2015, represent the losses related to idle assets that Epson has no plan to use in the future, and the carrying amount was reduced to the recoverable amounts. They were recognised as other operating expense in the consolidated statement of comprehensive income.
The recoverable amounts of these assets are determined using their fair values less disposal cost, which were assessed on the basis of reasonable estimates such as a valuation by an external real estate appraiser.

14. Intangible Assets

The schedules of the cost, accumulated amortisation and accumulated impairment losses, and carrying amount of "Intangible assets" were as follows:

	Millions of yen					
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of April 1, 2013	35,870	14,080	4,559	1,841	4,059	60,411
Individual acquisition	4,912	1,455	1,710	-	215	8,294
Sale or disposal	(4,356)	-	(14)	-	(111)	(4,481)
Exchange differences on translation of foreign operations	676	-	-	6	258	941
Other	519	-	-	-	(18)	500
As of March 31, 2014	37,622	15,536	6,255	1,848	4,403	65,666
Individual acquisition	4,149	770	1,338	-	124	6,383
Acquisition of subsidiary	125	-	161	402	0	689
Sale or disposal	(2,385)	-	-	-	(32)	(2,417)
Exchange differences on translation of foreign operations	892	-	1	75	(57)	912
Other	1,181	-	(336)	-	(333)	511
As of March 31, 2015	41,586	16,306	7,421	2,326	4,104	71,744

	Thousands of U.S. dollars					
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of March 31, 2014	313,073	129,283	52,051	15,378	36,657	546,442
Individual acquisition	34,526	6,408	11,134	-	1,048	53,116
Acquisition of subsidiary	1,040	-	1,340	3,353	0	5,733
Sale or disposal	(19,846)	-	-	-	(267)	(20,113)
Exchange differences on translation of foreign operations	7,422	-	8	624	(465)	7,589
Other	9,844	-	(2,779)	-	(2,812)	4,253
As of March 31, 2015	346,059	135,691	61,754	19,355	34,161	597,020

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Millions of yen					
As of April 1, 2013	(28,497)	(11,281)	(2,397)	-	(2,207)	(44,383)
Amortisation expense (Note)	(2,903)	(937)	(1,071)	-	(577)	(5,490)
Impairment losses	(14)	-	(72)	-	(107)	(194)
Sale or disposal	4,221	-	0	-	92	4,313
Exchange differences on translation of foreign operations	(557)	-	-	-	(163)	(721)
Other	(252)	-	-	-	8	(243)
As of March 31, 2014	(28,005)	(12,219)	(3,541)	-	(2,953)	(46,719)
Amortisation expense (Note)	(3,839)	(1,036)	(1,380)	-	(556)	(6,813)
Impairment losses	(3)	-	(77)	-	(5)	(86)
Acquisition of subsidiary	(114)	-	(112)	-	-	(227)
Sale or disposal	2,343	-	-	-	5	2,349
Exchange differences on translation of foreign operations	(582)	-	(18)	-	(0)	(600)
Other	(476)	-	-	-	-	(476)
As of March 31, 2015	(30,678)	(13,255)	(5,130)	-	(3,509)	(52,574)

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2014	(233,044)	(101,680)	(29,466)	-	(24,584)	(388,774)
Amortisation expense (Note)	(31,938)	(8,622)	(11,502)	-	(4,632)	(56,694)
Impairment losses	(24)	-	(640)	-	(51)	(715)
Acquisition of subsidiary	(956)	-	(932)	-	-	(1,888)
Sale or disposal	19,497	-	-	-	50	19,547
Exchange differences on translation of foreign operations	(4,843)	-	(149)	-	(0)	(4,992)
Other	(3,980)	-	-	-	-	(3,980)
As of March 31, 2015	(255,288)	(110,302)	(42,689)	-	(29,217)	(437,496)

(Note) Amortisation expense for intangible assets was included in cost of sales and selling, general and administrative expenses in the consolidated statement of comprehensive income.

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Millions of yen					
As of April 1, 2013	7,372	2,798	2,162	1,841	1,852	16,027
As of March 31, 2014	9,617	3,316	2,714	1,848	1,450	18,947
As of March 31, 2015	10,907	3,050	2,291	2,326	594	19,170

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2014	80,029	27,603	22,585	15,378	12,073	157,668
As of March 31, 2015	90,771	25,389	19,065	19,355	4,944	159,524

15. Finance Lease Transactions

Epson leases industrial uninterruptible power supply, host computers and computer terminals as a lessee. The total of future minimum lease payments, future finance costs and their present value for leased assets recognised based on the finance lease contracts by maturity were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Not later than 1 year			
Total of future minimum lease payments	237	72	598
Future finance costs	(5)	(2)	(16)
Present value	232	70	582
Later than 1 year and not later than 5 years			
Total of future minimum lease payments	110	111	932
Future finance costs	(2)	(2)	(17)
Present value	108	108	915
Later than 5 years			
Total of future minimum lease payments	-	0	0
Future finance costs	-	(0)	(0)
Present value	-	0	0
Total			
Total of future minimum lease payments	348	185	1,530
Future finance costs	(7)	(4)	(33)
Present value	340	180	1,497

16. Operating Lease Transactions

(1) Future Minimum Lease Payments under Non-cancellable Operating Leases

The total of future minimum lease payments under non-cancellable operating leases was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Not later than 1 year	3,083	4,497	37,421
Later than 1 year and not later than 5 years	6,861	8,663	72,099
Later than 5 years	1,487	1,529	12,723
Total	11,432	14,690	122,243

(2) Total of Minimum Lease Payments and Contingent Rents

The total of minimum lease payments and contingent rents of operating lease contracts recognised as an expense was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Total of minimum lease payments	7,136	7,399	61,571
Contingent rents	269	114	948

17. Investment Property

(1) Schedule of Investment Property

The schedule of the carrying amount of “Investment property” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Balance at the beginning of the year	11,583	10,273	85,487
Expenditure after acquisition	41	459	3,819
Transfer from(to) property, plant and equipment	(0)	3,286	27,353
Depreciation expense	(336)	(170)	(1,414)
Impairment losses	(726)	(126)	(1,048)
Sale or disposal	(288)	(8,972)	(74,653)
Exchange differences on translation of foreign operations	-	6	49
Balance at the end of the year	10,273	4,758	39,593
Breakdown of “Balance at the beginning of the year”			
Cost	18,065	11,491	95,614
Accumulated depreciation and accumulated impairment losses	(6,481)	(1,217)	(10,127)
Total	11,583	10,273	85,487
Breakdown of “Balance at the end of the year”			
Cost	11,491	11,595	96,487
Accumulated depreciation and accumulated impairment losses	(1,217)	(6,837)	(56,894)
Total	10,273	4,758	39,593

(2) Fair Value

The carrying amount and the fair value of “Investment property” were as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2014		March 31, 2015		March 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment property	10,273	11,236	4,758	4,380	39,593	36,448

The fair value of investment property is determined on the basis of a valuation conducted by an external real estate appraiser. The valuation is made in accordance with the income approach using Level 3 inputs which include the future cash flow.

18. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

The breakdown of “Deferred tax assets” and “Deferred tax liabilities” by major causes of their occurrence were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Carryforward of unused tax losses	30,752	29,168	242,722
Inter-company profits and write downs on inventories	21,305	22,654	188,516
Fixed assets (Note 1)	5,561	7,425	61,787
Net defined benefit liabilities	14,155	5,280	43,937
Other	20,068	27,948	232,589
Total deferred tax assets	91,843	92,477	769,551
Undistributed profit	(12,789)	(14,186)	(31,730)
Fixed assets (Note 1)	(6,760)	(3,813)	(118,049)
Other	(5,148)	(5,019)	(41,782)
Total deferred tax liabilities	(24,697)	(23,020)	(191,561)
Net deferred tax assets(Note2)	67,145	69,457	577,990

(Note 1) “Fixed assets” include impairment losses and excess of depreciation of property, plant and equipment, intangible assets and investment property.

(Note 2) The difference between the net amount of deferred tax assets recognised in the years ended March 31, 2014 and 2015, less the respective net amounts of deferred tax assets recognised directly in equity and in other comprehensive income, is mainly attributable to the impact of foreign exchange movements.

Epson assesses its ability to utilize carryforward of unused tax losses in future periods based on the Mid-Range Business Plan and financial forecasts approved by the Board of Directors annually. This takes account of Epson’s medium and long-term strategy and financial plans and the expected future economic outlook. The ability to utilize carryforward of unused tax losses in future periods for recognising deferred tax assets also takes account of material tax adjusting items, the expected future taxable income and the period (if any) in which carryforward of unused tax losses might expire. Epson believes that the recognised deferred tax assets are probable and the tax benefits can be realized based on the prior taxable income and the expected future taxable income when the deferred tax assets can be recognised.

Epson does not recognise deferred tax assets for some carryforward of unused tax losses and some deductible temporary differences. Epson reduces the amount of the deferred tax assets to the extent that it is no longer probable that the tax benefits can be realized with based on an individual analysis of each company’s condition as a result of assessing the recoverability of the deferred tax assets.

The amounts of carryforward of unused tax losses, for which deferred tax assets have not been recognised, as of March 31, 2014 and 2015, were ¥45,409 million and ¥8,247 million ($68,627 thousand), respectively. The amounts of deductible temporary differences, for which deferred tax assets have not been recognised, as of March 31, 2014 and 2015, were ¥278,308 million and ¥240,737 million ($2,003,303 thousand), respectively. The deductible temporary differences are not expired under present tax laws. The expiration schedule of carryforward of unused tax losses was as follows.

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
1st year	646	-	-
2nd year	10	-	-
3rd year	97	-	-
4th year	792	-	-
5th year and thereafter	43,861	8,247	68,627
Total	45,409	8,247	68,627

Epson has no taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised as of March 31, 2014 and 2015.

(2) Tax Expense

"Tax expense" recognised as an expense was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2014	2015	2015
Current tax expense	(18,464)	(23,216)	(193,192)
Deferred tax expense	27,810	4,584	38,145
Total	9,345	(18,631)	(155,047)

Deferred tax expense increased by ¥2,199 million and ¥3,424 million ($28,492 thousand) due to the effect of changes in Japanese applicable tax rates for the years ended March 31, 2014 and 2015, respectively.
Deferred tax expense includes the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period. These benefits that reduce deferred tax expense was ¥32,191 million and ¥13,253 million ($110,285 thousand) for the years ended March 31, 2014 and 2015, respectively.
In addition, deferred tax expense includes benefits arising from the reversal of previous write-downs of deferred tax assets. These effects that increased deferred tax expense was ¥9,656 million for the year ended March 31, 2014.

(3) Reconciliation of the Effective Tax Rate

The breakdown of major items that caused differences between the effective statutory tax rate and the actual tax rate was as follows.
Epson is subject mainly to corporate tax, inhabitant tax, and enterprise tax, and the effective statutory tax rates calculated based on these taxes were 37.8% and 35.4% for the years ended March 31, 2014 and 2015, respectively. The Special Corporation Tax for Reconstruction has been abolished in this fiscal year. Foreign subsidiaries are subject to income tax at their locations.

	%	
	Year ended March 31, 2014	Year ended March 31, 2015
Effective statutory tax rate	37.8	35.4
Different tax rates applied to foreign subsidiaries	(4.7)	(5.4)
Expenses not deductible for tax purposes	(1.4)	(0.8)
Reassessment of recoverability of deferred tax assets	(54.6)	(18.8)
Other	10.9	3.7
Actual tax rate	(12.0)	14.1

19. Trade and Other Payables

The breakdown of “Trade and other payables” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Notes and trade payables	72,821	80,359	668,710
Other payables	50,642	59,688	496,697
Total	123,463	140,047	1,165,407

Trade and other payables are classified as financial liabilities measured at amortised cost.

20. Other Financial Liabilities

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

	Millions of yen		Thousands of U.S. dollars	%	Due
	March 31,		March 31,	Average interest rate (Note 1)	
	2014	2015	2015		
Derivative financial liabilities	2,296	259	2,155	-	-
Current borrowings	57,945	35,380	294,416	1.19	-
Current portion of non-current borrowings	1,999	53	441	0.86	-
Current portion of bonds issued (Note 2)	19,993	39,978	332,678	-	-
Non-current borrowings	50,501	50,533	420,512	0.70	2017
Bonds issued (Note 2)	89,772	59,853	498,069	-	-
Other	1,904	2,153	17,934	-	-
Total	224,413	188,211	1,566,205		
Current liabilities	82,471	75,745	630,315		
Non-current liabilities	141,942	112,466	935,890		
Total	224,413	188,211	1,566,205		

(Note 1) The average interest rate is calculated using the interest rate and outstanding balance as of March 31, 2015.
(Note 2) The summary of issuing conditions of the bonds issued was as follows:

Company	Name of bonds issued	Issue date	% interest rate	Collateral	Maturity date	Millions of yen March 31 2014	Millions of yen March 31 2015	Thousands of U.S. dollars March 31, 2015
The Company	The 5th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 3, 2010	0.58	Non	Sep 3, 2015	20,000	20,000 (20,000)	166,430 (166,430)
The Company	The 6th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jun 14, 2011	0.49	Non	Jun 13, 2014	20,000 (20,000)	–	–
The Company	The 7th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jun 14, 2011	0.72	Non	Jun 14, 2016	20,000	20,000	166,430
The Company	The 8th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 12, 2012	0.55	Non	Sep 11, 2015	20,000	20,000 (20,000)	166,430 (166,430)
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	83,215
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	83,215
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	83,215
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	83,215
						110,000 (20,000)	100,000 (40,000)	832,150 (332,860)

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

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

21. Provisions

The breakdown and the schedule of “Provisions” were as follows:

FY2013: Year ended March 31, 2014

Millions of yen

	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2013	8,276	6,543	1,166	2,676	4,325	22,988
Arising during the year	9,458	6,359	322	592	4,128	20,861
Utilised	(8,054)	(6,543)	(91)	(298)	(3,570)	(18,558)
Unused amounts reversed	(164)	-	-	(1)	(55)	(220)
Exchange differences on translation of foreign operations	583	1,083	33	483	543	2,727
As of March 31, 2014	10,100	7,443	1,431	3,452	5,371	27,799
Current liabilities	9,597	7,443	36	917	4,401	22,397
Non-current liabilities	502	-	1,394	2,534	969	5,401
Total	10,100	7,443	1,431	3,452	5,371	27,799

FY2014: Year ended March 31, 2015

Millions of yen

	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2014	10,100	7,443	1,431	3,452	5,371	27,799
Arising during the year	10,699	7,973	102	1,076	6,429	26,280
Utilised	(9,788)	(7,443)	(76)	(916)	(4,482)	(22,707)
Unused amounts reversed	(324)	-	-	-	(691)	(1,016)
Exchange differences on translation of foreign operations	690	(149)	17	(285)	(164)	108
As of March 31, 2015	11,376	7,823	1,474	3,326	6,461	30,463
Current liabilities	10,043	7,823	30	866	5,558	24,322
Non-current liabilities	1,333	-	1,443	2,460	902	6,141
Total	11,376	7,823	1,474	3,326	6,461	30,463

FY2014: Year ended March 31, 2015

Thousands of U.S. dollars

	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2014	84,047	61,937	11,908	28,725	44,713	231,330
Arising during the year	89,024	66,338	848	8,945	53,535	218,690
Utilised	(81,451)	(61,937)	(632)	(7,622)	(37,315)	(188,957)
Unused amounts reversed	(2,696)	-	-	-	(5,758)	(8,454)
Exchange differences on translation of foreign operations	5,741	(1,239)	141	(2,371)	(1,383)	889
As of March 31, 2015	94,665	65,099	12,265	27,677	53,792	253,498
Current liabilities	83,573	65,099	249	7,206	46,269	202,396
Non-current liabilities	11,092	-	12,016	20,471	7,523	51,102
Total	94,665	65,099	12,265	27,677	53,792	253,498

(1) Provision for product warranties

Epson recognises an accrual for estimated future warranty costs based on the rate of historical service contract expenses to sales. Other specific warranty provisions are made for those products where future warranty expenses can be specifically estimated. Most of these expenses are expected to be incurred in the next fiscal year.

(2) Provision for rebates

Epson recognises provisions for rebates, related to sales made on or prior to the fiscal year end, that are paid to distributors or customers based on direct outcomes such as the sales performance or early payment. These expenses are expected to be paid in the next fiscal year.

(3) Asset retirement obligations

Epson recognises a provision for retirement costs of property, plant and equipment for which Epson is required to bear, and which derive from the acquisition, construction, development or normal use of such assets to the amount that it is probable that Epson will pay in light of historical experience. These expenses are expected to be paid mainly after one year or more. However, they may be affected by future business plans.

(4) Provision for loss on litigation

Epson recognises a provision for loss on litigation based on the estimated future compensation payment and litigation expenses which need to be provided at each fiscal year end. These expenses are expected to be paid mainly after one year or more.

22. Other Liabilities

The breakdown of “Other current liabilities” and “Other non-current liabilities” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Accrued expense	26,859	26,916	223,982
Accrued bonus to employees	25,984	34,124	283,964
Accrued employee’s unused paid vacations	24,496	25,069	208,612
Other	20,421	23,809	198,184
Total	97,763	109,920	914,742
Current liabilities	94,064	106,942	889,941
Non-current liabilities	3,698	2,977	24,801
Total	97,763	109,920	914,742

23. Post-employment Benefits

The Company and some Japanese subsidiaries have the following defined benefit plans: defined benefit corporate pension plans and lump-sum severance plans. In addition, they also have defined contribution plans.
Some overseas subsidiaries have defined benefit plans and defined contribution plans.
Epson's major defined benefit plans are administrated by the Corporate Pension Fund (the "Fund") in accordance with the Defined-Benefit Corporate Pension Act (Act No. 50 of 2001).
The benefits of defined benefit plans are determined based on conditions, such as years of service, the salary proportional method based on average employee salaries for services or final base salaries for retirement benefits and a funded method based on the points employees have earned for each year of service.
The Fund has a Board of Representatives consisting of representatives of the Company and its Japanese subsidiaries and representatives of the plan participants in accordance with the rules of the Fund. The Board of Representatives is responsible for changes in the rules of the Fund, dismissal of the board members including members who execute operations related to the administration and investment of pension reserves for the Fund, and resolutions of the business report and the closing of account.

(1) Schedule of Defined Benefit Obligations

The schedule of the defined benefit obligations was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Balance at the beginning of the year	290,201	293,895	2,445,660
Service cost	11,169	10,687	88,932
Interest cost	4,605	4,337	36,090
Remeasurement			
Actuarial gains and losses arising from changes in demographic assumptions	(1,863)	2,749	22,875
Actuarial gains and losses arising from changes in financial assumptions	(2,682)	19,492	162,203
Past service cost and losses (gains) arising from settlements	(58)	(30,071)	(250,237)
Exchange differences on translation of foreign operations	5,252	1,175	9,779
Benefits paid	(12,730)	(9,229)	(76,799)
Balance at the end of the year	293,895	293,035	2,438,503

(2) Schedule of Plan Assets

The schedule of the plan assets was as follows.

Epson's major defined benefit plans are regulated by maintaining a balance between the pension obligations and plan assets through reviewing the financial condition of the fund that affects future benefits.

Epson plans to pay contributions of ¥7,784 million ($64,774 thousand) for the year ending March 31, 2016.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Balance at the beginning of the year	218,116	237,543	1,976,724
Interest income	3,362	3,807	31,672
Remeasurement			
Return on plan assets	11,472	20,257	168,569
Exchange differences on translation of foreign operations	2,339	396	3,313
Contributions by the employer	11,948	7,345	61,121
Contributions by plan participants	1,647	1,223	10,177
Benefits paid	(11,343)	(8,764)	(72,930)
Balance at the end of the year	237,543	261,808	2,178,646

(3) Schedule of Right to Reimbursement

As Epson's major defined benefit plans are corporate defined benefit pension plans, there are no contributions from third parties.

(4) Effect of Asset Ceiling

There was no effect from the asset ceiling.

(5) Reconciliation of Defined Benefit Obligations and Plan Assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities or assets recognised in the consolidated statement of financial position were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Funded defined benefit obligations	288,220	286,837	2,386,925
Plan assets	(237,543)	(261,808)	(2,178,646)
Subtotal	50,676	25,029	208,279
Unfunded defined benefit obligations	5,675	6,198	51,578
Net defined benefit liabilities or assets recognised in the consolidated statement of financial position	56,351	31,227	259,857
Net defined benefit liabilities	56,362	31,234	259,915
Net defined benefit assets	(10)	(7)	(58)
Net defined benefit liabilities and assets recognised in the consolidated statement of financial position	56,351	31,227	259,857

(6) Breakdown of Plan Assets

The breakdown of plan assets by major category was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Investments quoted in active markets			
Equity securities	18,495	24,580	204,543
Bonds receivable	134	117	973
Alternative investments	19,909	20,934	174,203
Cash and deposits	3,185	4,433	36,889
Other	2,374	3,666	30,533
Total	44,100	53,732	447,141
Investments unquoted in active markets			
Pooled funds (Equity securities)	32,587	40,690	338,603
Pooled funds (Bonds receivable)	66,274	69,875	581,467
General accounts of life insurance companies (Note 1)	82,716	84,780	705,511
Alternative investments	11,865	12,729	105,924
Total	193,443	208,075	1,731,505

(Note 1) A certain interest rate and principal for the general accounts of life insurance companies are guaranteed by life insurance companies.

(Note 2)In plan assets, there are no transferable financial instruments, real estate held by Epson or other assets used by Epson.

The investment strategy for Epson’s plan assets was as follows:
Epson’s plan assets under defined benefit plans are managed in accordance with the rules of the Fund for securing stable returns in the middle- and long-term in order to ensure the redemption of the defined benefit obligations. Epson sets a best qualified asset mix policy through performing pension ALM, which is combined management of assets and liabilities” by an external agency to secure stable returns.Epson invests plan assets consistently with the asset mix policy which includes setting of the risk, target rate of return and composition ratio of plan assets by asset category

(7) Matters Related to Actuarial Assumptions

The major item of actuarial assumptions was as follows:

	%	
	March 31, 2014	March 31, 2015
Discount rate	1.7	1.3

The valuation of defined benefit obligations reflects judgments on uncertain future events. The sensitivities of defined benefit obligations due to changes of 1% in the discount rate as of March 31, 2015 were as follows. Each of these sensitivities assumes that other variables remain fixed. Negative figures show a decrease in the defined benefit obligations, while positive figures show an increase.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31, 2015
Discount rate (1% increase)	(47,049)	(391,520)
Discount rate (1% decrease)	54,928	457,085

The weighted-average duration of the defined benefit obligations at March 31, 2015 was 15.5 years.

(8) Defined Contribution Plans

Expenses for the defined contribution plans were ¥14,388 million and ¥17,875 million ($148,747 thousand) for the years ended March 31, 2014 and 2015, respectively.

24. Equity and Other Equity Items

(1) Share Capital and Capital Surplus

(A) Authorised Shares
The number of authorized shares as of March 31, 2014 and 2015 was 607,458,368 ordinary shares.
The Company completed the Company's common shares split into two shares with an effective date of April 1, 2015. As a result, the number of authorized shares increased 607,458,368 shares to 1,214,916,736 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) (Note2)	Share capital	Capital surplus	Share capital	Capital surplus
As of April 1, 2013	199,817,389	53,204	84,321		
Increase (decrease)	-	-	-		
As of March 31, 2014	199,817,389	53,204	84,321	442,739	701,680
Increase (decrease)	-	-	-	-	-
As of March 31, 2015	199,817,389	53,204	84,321	442,739	701,680

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

(Note2) The Company completed the Company's common shares split into two shares with an effective date of April 1, 2015. As a result, the number of ordinary shares increased 199,817,389 shares to 399,634,778 shares.

(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(Note2)	Amount	Amount
As of April 1, 2013	20,925,261	20,453	
Increase (decrease) (Note1)	1,822	4	
As of March 31, 2014	20,927,083	20,457	170,243
Increase (decrease) (Note1)	1,574	6	49
As of March 31, 2015	20,928,657	20,464	170,292

(Note1) The reason for the increase was due to the purchase of odd shares.

(Note2) The Company completed the Company's common shares split into two shares with an effective date of April 1, 2015. As a result, the number of treasury shares increased 20,928,657 shares to 41,857,314 shares.

(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.

25. Dividends

Dividends paid were as follows:

FY2013: Year ended March 31, 2014

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 24, 2013)	Ordinary shares	1,252	7	March 31, 2013	June 25, 2013
Board of Directors (October 31, 2013)	Ordinary shares	2,325	13	September 30, 2013	December 6, 2013

FY2014: Year ended March 31, 2015

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 24, 2014)	Ordinary shares	6,618	37	March 31, 2014	June 25, 2014
Board of Directors (October 31, 2014)	Ordinary shares	6,261	35	September 30, 2014	December 5, 2014

FY2014: Year ended March 31, 2015

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 24, 2014)	Ordinary shares	55,071	0.30	March 31, 2014	June 25, 2014
Board of Directors (October 31, 2014)	Ordinary shares	52,110	0.29	September 30, 2014	December 5, 2014

Dividends whose basis dates were during the years ended March 31, 2014 and 2015, but whose effective dates were subsequent to March 31, 2014 and 2015 were as follows:

FY2013: Year ended March 31, 2014

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

FY2014: Year ended March 31, 2015

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

FY2014: Year ended March 31, 2015

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 25, 2015)	Ordinary shares	119,089	0.66	March 31, 2015	June 26, 2015

26. Revenue

The breakdown of “Revenue” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Sale of goods	992,826	1,071,687	8,918,091
Royalty income	10,331	8,201	68,244
Other	5,250	6,452	53,699
Total	1,008,407	1,086,341	9,040,034

27. Selling, General and Administrative Expenses

The breakdown of “Selling, general and administrative expenses” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Employee benefit expense	(88,925)	(94,749)	(788,458)
Research and development expense	(48,535)	(47,837)	(398,077)
Promotion expense	(24,106)	(28,722)	(239,011)
Service contract expense	(19,006)	(20,109)	(167,337)
Advertising expense	(16,215)	(19,823)	(164,957)
Transportation expense	(14,786)	(18,162)	(151,135)
Other	(60,926)	(65,245)	(542,951)
Total	(272,501)	(294,648)	(2,451,926)

28. Employee Benefit Expenses

The employee benefit expenses included in the consolidated statement of comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Salaries and wages	(191,346)	(206,796)	(1,720,862)
Legal welfare expense	(20,130)	(19,660)	(163,601)
Welfare expense	(9,328)	(10,653)	(88,649)
Expenses of post-employment benefits			
Expense for defined contribution plans	(14,388)	(17,875)	(148,747)
Expense for defined benefit plans	(1,277)	(12,303)	(102,398)
Total	(236,471)	(267,289)	(2,224,257)

29. 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,
	2014	2015	2015
Income from a revision of the defined benefit plan (Note)	-	30,071	250,237
Gains on sales of property, plant and equipment, intangible assets and investment property	359	5,270	43,854
Other	5,638	4,564	37,996
Total	5,998	39,907	332,087

(Note)As a result of a revision to the defined benefit plan, Epson recognised a ¥30,071 million ($250,237thousand) decline in expenses associated with past service costs at the Company and certain domestic subsidiaries. This resulted in a ¥30,071 million ($250,237 thousand) increase in other operating income for the year ended March 31, 2015.

30. 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,
	2014	2015	2015
Impairment losses	(4,429)	(3,563)	(29,649)
Foreign exchange losses	(9,230)	(2,595)	(21,594)
Other	(2,877)	(3,643)	(30,333)
Total	(16,537)	(9,802)	(81,576)

31. 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,
	2014	2015	2015
Interest income	1,394	2,159	17,966
Dividend income	225	278	2,313
Foreign exchange gains (Note)	-	567	4,718
Other	1,065	263	2,197
Total	2,685	3,268	27,194

Finance Costs	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2014	2015	2015
Interest expense	(2,955)	(1,559)	(12,973)
Foreign exchange losses (Note)	(179)	-	-
Employee benefit expense	(1,241)	(531)	(4,418)
Other	(51)	(229)	(1,905)
Total	(4,428)	(2,320)	(19,296)

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

32. Discontinued Operations

As of April 1, 2010, Epson transferred a part of its business and some assets in the field of small- and medium-sized liquid crystal displays to Sony Corporation and Sony Mobile Display Corporation and terminated the production operation at the end of December, 2010. The profit and loss related to allegations concerning a LCD price-fixing cartel that occurred during the years ended March 31, 2014 and 2015 was classified into “Discontinued operations”.
As of November 16, 2012, Epson concluded an agreement with Hoya Corporation (“Hoya”) about the transfer of the optical products business of the Company and related subsidiaries to Hoya group.
After the Company and related subsidiaries transferred their optical products business to Hoya Group on February 1, 2013, the profit and loss related to the optical products business was classified into “Discontinued operations”.

(1) Reportable Segments

Small- and medium-sized liquid crystal displays business: Other
Optical products business: Devices & precision products

(2) The analysis of profit and loss of discontinued operations

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Selling, general and administrative expenses	(653)	(459)	(3,819)
Other operating income	-	1,000	8,321
Other operating expense	(2,227)	(1,659)	(13,814)
Loss from operating activities	(2,880)	(1,118)	(9,312)
Loss before tax	(2,880)	(1,118)	(9,312)
Loss from discontinued operations	(2,880)	(1,118)	(9,312)

(3) The analysis of cash flow of discontinued operations

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2014	2015	2015
Net cash provided by (used in) operating activities	(4,721)	(411)	(3,420)
Total	(4,721)	(411)	(3,420)

33. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and tax effects for each component of "Other comprehensive income" were as follows:

FY2013: Year ended March 31, 2014

	Millions of yen				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	13,228	-	13,228	(142)	13,086
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	4,606	-	4,606	(1,821)	2,785
Exchange differences on translation of foreign operations	19,513	(134)	19,378	-	19,378
Net changes in fair value of cash flow hedges	946	106	1,052	(420)	632
Share of other comprehensive income of investments accounted for using the equity method	154	-	154	-	154
Total	38,449	(27)	38,421	(2,383)	36,038

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2014: Year ended March 31, 2015

	Millions of yen				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	(1,016)	-	(1,016)	(496)	(1,512)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	2,244	-	2,244	(123)	2,121
Exchange differences on translation of foreign operations	31,219	(1,106)	30,113	-	30,113
Net changes in fair value of cash flow hedges	2,418	149	2,568	(850)	1,718
Share of other comprehensive income of investments accounted for using the equity method	257	-	257	-	257
Total	35,124	(956)	34,167	(1,469)	32,698

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2014: Year ended March 31, 2015

	Thousands of U.S. dollars				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	(8,454)	-	(8,454)	(4,128)	(12,582)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	18,673	-	18,673	(1,032)	17,641
Exchange differences on translation of foreign operations	259,808	(9,203)	250,605	-	250,605
Net changes in fair value of cash flow hedges	20,120	1,240	21,360	(7,064)	14,296
Share of other comprehensive income of investments accounted for using the equity method	2,138	-	2,138	-	2,138
Total	292,285	(7,963)	284,322	(12,224)	272,098

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

34. Earnings per Share

Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2014	2015	2015
Profit from continuing operations attributable to owners of the parent company	87,083	113,678	945,985
Loss from discontinued operations attributable to owners of the parent company	(2,880)	(1,118)	(9,312)
Profit used for calculation of basic earnings per share	84,203	112,560	936,673

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

	Thousands of shares	
	Year ended March 31, 2014	Year ended March 31, 2015
Weighted-average number of ordinary shares	357,783	357,779

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

35. Financial Instruments

(1) Capital Management

Epson selects the most effective fund management method focusing on the preservation of funds in view of safeness and flexibility. In addition, Epson obtains financing from bank loans and bonds issued. Epson has a policy not to transact derivatives for speculation purposes, but for avoiding the risks stated below.
Epson manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital (equity attributable to owners of the parent company). The amounts were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2014	2015	2015
Interest-bearing debt	220,553	185,978	1,547,613
Cash and cash equivalents	(211,510)	(245,330)	(2,041,524)
Net interest-bearing debt	9,042	(59,351)	(493,911)
Capital (equity attributable to owners of the parent company)	362,371	494,325	4,113,547

Epson monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a sound and flexible financial condition for future investment. Epson monitor credit ratings for financial soundness and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Financial Risk Management

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

(3) Credit Risk

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

The analysis of the aging of "Trade and other receivables" that are past due but not impaired as of March 31, 2015 was as follows. It includes amounts considered recoverable by credit insurance and collateral.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31, 2015
Within 30 days	9,174	76,368
Over 30 days, within 60 days	713	5,933
Over 60 days, within 90 days	229	1,905
Over 90 days	752	6,257
Total	10,871	90,463

Epson uses an allowance account for credit losses to record impairment losses on the uncollectible amounts of individually significant trade receivables at the end of the reporting period and to record impairment losses on trade receivables that are not individually significant at an amount based on the historical loan loss ratio at the end of the reporting period. The allowance account for credit losses against the financial assets is included in "Trade and other receivables" in the consolidated statement of financial position.

The schedule of the allowance account for credit losses of "Trade and other receivables" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Balance at the beginning of the year	1,454	1,758	14,629
Addition (Note)	455	478	3,961
Decrease (utilised)	(160)	(483)	(4,019)
Decrease (reversal)	(158)	(311)	(2,588)
Other	167	145	1,206
Balance at the end of the year	1,758	1,586	13,189

(Note) Trade and other receivables for which impairment was recognised individually at March 31, 2014 and 2015 were ¥250 million and ¥52 million ($432 thousand), respectively; and their corresponding allowance account for credit losses were ¥250 million and ¥52 million ($432 thousand), respectively.

(4) Liquidity Risk

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

The financial liability balance (including derivative financial instruments) by maturity was as follows:

FY2013: As of March 31, 2014

	Millions of yen							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	123,463	123,463	123,463	-	-	-	-	-
Borrowings	110,446	110,445	59,945	-	500	50,000	-	-
Bonds issued	109,765	110,000	20,000	40,000	30,000	10,000	10,000	-
Lease obligations	340	343	235	56	33	14	4	-
Other	1,563	1,563	3	182	60	22	37	1,256
Total	345,580	345,816	203,648	40,239	30,593	60,036	10,042	1,256
Derivative financial liabilities								
Foreign exchange forward contract	2,296	2,296	2,296	-	-	-	-	-
Total	2,296	2,296	2,296	-	-	-	-	-

FY2014: As of March 31, 2015

	Millions of yen							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	140,047	140,047	140,047	-	-	-	-	-
Borrowings	85,966	85,966	35,433	533	50,000	-	-	-
Bonds issued	99,831	100,000	40,000	30,000	10,000	10,000	10,000	-
Lease obligations	180	185	72	51	31	18	9	0
Other	1,973	1,973	3	98	108	419	185	1,158
Total	327,999	328,172	215,557	30,682	60,140	10,438	10,194	1,159
Derivative financial liabilities								
Foreign exchange forward contract	259	259	259	-	-	-	-	-
Total	259	259	259	-	-	-	-	-

FY2014: As of March 31, 2015

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	1,165,407	1,165,407	1,165,407	-	-	-	-	-
Borrowings	715,369	715,369	294,857	4,435	416,077	-	-	-
Bonds issued	830,747	832,145	332,861	249,646	83,215	83,215	83,208	-
Lease obligations	1,497	1,539	635	424	257	149	74	0
Other	16,437	16,437	26	816	908	3,496	1,547	9,644
Total	2,729,457	2,730,897	1,793,786	255,321	500,457	86,860	84,829	9,644
Derivative financial liabilities								
Foreign exchange forward contract	2,155	2,155	2,155	-	-	-	-	-
Total	2,155	2,155	2,155	-	-	-	-	-

(5) Foreign Exchange Risk
Epson operates businesses globally and, therefore, is exposed to the following risks due to foreign exchange fluctuation:

(A) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.

(B) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

(C) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

Epson hedges against risk (A) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts.

Epson does not hedge against risk (B) and (C), in principle.
In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson's Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial and general accounting department of the Company regularly reports the performances to the Executive Committee of the Company.
The breakdown of currency derivatives was follows:

Derivative transactions to which hedge accounting is not applied

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2014			2015			2015		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contract									
Buying	2,571	-	72	3,238	-	(52)	26,945	-	(432)
Selling	37,357	-	(1,080)	34,957	-	1,383	290,905	-	11,508
Non-Deliverable Forward									
Selling	3,297	-	(48)	2,940	-	36	24,465	-	299
Total	43,226	-	(1,055)	41,136	-	1,367	342,315	-	11,375

Derivative transactions to which hedge accounting is applied

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2014			2015			2015		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value (Note)
Foreign exchange forward contract									
Selling	40,101	-	(898)	37,030	-	1,557	308,155	-	12,948
Non-Deliverable Forward									
Selling	6,615	-	(105)	8,172	-	(44)	68,003	-	(366)
Total	46,716	-	(1,004)	45,203	-	1,512	376,158	-	12,582

(Note) Cash flow hedge is applied, and derivative transactions are measured at fair value in the consolidated statement of financial position.

Foreign Exchange Sensitivity Analysis
In cases where each currency other than the functional currency that denominates the financial instruments held by Epson as of March 31, 2015 increases by 10% in value against the functional currency, the impact on profit before tax in the consolidated statement of comprehensive income was as follows.
The impact from the translation of functional currency-denominated financial instruments, and assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, it is based on the assumption that currencies other than the currencies used for the calculation do not fluctuate.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31, 2015
Profit before tax	1,389	11,558

(6) Interest Rate Risk

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

Interest Rate Sensitivity Analysis
In cases where the interest rate of financial instruments held by Epson as of March 31, 2015 increases by 100bp, the impact on profit before tax in the consolidated statement of comprehensive income was as follows:
The analysis included financial instruments affected by interest rate fluctuation and based on the assumption that other factors, including the impacts of foreign exchange fluctuation, were constant.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2015	March 31, 2015
Profit before tax	700	5,825

(7) Market Price Fluctuation Risk

With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities in accordance with Epson's Securities Operation Regulation.
Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively. The equity price fluctuation risks are calculated based on the price of equity instruments at the fiscal year end. In cases where the equity price changes by 5% in value, the impact on other comprehensive income before tax effects as of March 31, 2015 was ¥986 million ($8,205 thousand) due to the changes in the fair value.

(8) Fair Value of Financial Instruments

(A) Fair value measurement
The fair values of financial assets and liabilities are determined as follows:

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

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

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

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

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

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

(B) Fair values of financial instruments

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

	Millions of yen				Thousands of U.S. dollars	
	March 31,				March 31,	
	2014		2015		2015	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value						
Derivative financial assets	169	169	3,181	3,181	26,470	26,470
Equity securities	16,784	16,784	19,639	19,639	163,426	163,426
Financial assets measured at amortised cost						
Cash and cash equivalents	211,510	211,510	245,330	245,330	2,041,524	2,041,524
Trade and other receivables	154,309	154,309	167,482	167,482	1,393,708	1,393,708
Bonds receivable	103	103	108	108	898	898
Other receivables	5,329	5,329	5,960	5,960	49,606	49,606
Financial liabilities measured at fair value						
Derivative financial liabilities	2,296	2,296	259	259	2,155	2,155
Financial liabilities measured at amortised cost						
Trade and other payables	123,463	123,463	140,047	140,047	1,165,407	1,165,407
Interest-bearing debt						
Borrowings	110,446	110,631	85,966	86,118	715,369	716,634
Bonds issued	109,765	110,588	99,831	100,466	830,747	836,032
Lease obligations	340	340	180	180	1,497	1,497
Other payables	1,563	1,563	1,973	1,973	16,437	16,437

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

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

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

FY2013: As of March 31, 2014

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	169	-	169
Equity securities	14,178	-	2,606	16,784
Total	14,178	169	2,606	16,953
Financial liabilities				
Derivative financial liabilities	-	2,296	-	2,296
Total	-	2,296	-	2,296

FY2014: As of March 31, 2015

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

FY2014: As of March 31, 2015

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	26,470	-	26,470
Equity securities	143,405	-	20,021	163,426
Total	143,405	26,470	20,021	189,896
Financial liabilities				
Derivative financial liabilities	-	2,155	-	2,155
Total	-	2,155	-	2,155

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during the years ended March 31, 2014 and 2015.

Classification by hierarchy regarding financial assets and liabilities not measured at fair value

FY2013: As of March 31, 2014

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Bonds receivable	-	103	-	103
Total	-	103	-	103
Financial liabilities				
Borrowings	-	110,631	-	110,631
Bonds issued	-	110,588	-	110,588
Lease obligations	-	-	340	340
Total	-	221,219	340	221,560

FY2014: As of March 31, 2015

	Millions of yen			
	Level 1	Level 2	Level 3	Total
Financial assets				
Bonds receivable	-	108	-	108
Total	-	108	-	108
Financial liabilities				
Borrowings	-	86,118	-	86,118
Bonds issued	-	100,466	-	100,466
Lease obligations	-	-	180	180
Total	-	186,584	180	186,765

FY2014: As of March 31, 2015

	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Financial assets				
Bonds receivable	-	898	-	898
Total	-	898	-	898
Financial liabilities				
Borrowings	-	716,634	-	716,634
Bonds issued	-	836,032	-	836,032
Lease obligations	-	-	1,497	1,497
Total	-	1,552,666	1,497	1,554,163

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,
	2014	2015	2015
Balance at the beginning of the year	2,731	2,606	21,685
Gains and losses			
Other comprehensive income	(125)	(174)	(1,456)
Sales	-	(25)	(208)
Other	-	0	0
Balance at the end of the year	2,606	2,406	20,021

36. Principal Subsidiaries

Principal subsidiaries as of March 31, 2015 were as follows:

Company name	Location	Main business	Ownership percentage of voting rights (%) (Note)
Epson Sales Japan Corporation	Shinjuku-ku, Tokyo	Sales of information-related equipment and sensing and industrial solutions	100.0
Epson Direct Corporation	Matsumoto-shi, Nagano	Sales of information-related equipment	100.0 (100.0)
Orient Watch Co., Ltd.	Chiyoda-ku, Tokyo	Sales of devices and precision products	100.0
Miyazaki Epson Corporation	Miyazaki-shi, Miyazaki	Manufacture of devices and precision products	100.0
Tohoku Epson Corporation	Sakata-shi, Yamagata	Manufacture of information-related equipment, devices and precision products	100.0
Akita Epson Corporation	Yuzawa-shi, Akita	Manufacture of information-related equipment, devices and precision products, and sensing and industrial solutions	100.0
Epson Atmix Corporation	Hachinohe-shi, Aomori	Manufacture and sales of devices and precision products	100.0
U.S. Epson, Inc.	Long Beach, U.S.A.	Holding company	100.0
Epson America, Inc.	Long Beach, U.S.A.	Regional headquarters, Sales of information-related equipment and sensing and industrial solutions	100.0 (100.0)
Epson Electronics America, Inc.	San Jose, U.S.A.	Sales of devices and precision products	100.0 (100.0)
Epson Portland Inc.	Portland, U.S.A.	Manufacture of information-related equipment	100.0 (100.0)
Epson El Paso, Inc.	El Paso, U.S.A.	Distribution of information-related equipment	100.0 (100.0)
Epson Europe B.V.	Amsterdam, the Netherlands	Regional headquarters, Sales of information-related equipment	100.0
Epson (U.K.) Ltd.	Hemel Hempstead, UK	Sales of information-related equipment	100.0 (100.0)
Epson Deutschland GmbH	Dusseldorf, Germany	Sales of information-related equipment and sensing and industrial solutions	100.0 (100.0)
Epson Europe Electronics GmbH	Munich, Germany	Sales of devices and precision products	100.0 (100.0)
Epson France S.A.	Levallois-Perret, France	Sales of information-related equipment	100.0 (100.0)

Company name	Location	Main business	Ownership percentage of voting rights (%) (Note)
Epson Italia s.p.a.	Milan, Italy	Sales of information-related equipment	100.0 (100.0)
Epson Iberica, S.A.	Cerdanyola, Spain	Sales of information-related equipment	100.0 (100.0)
Epson Telford Ltd.	Telford, UK	Manufacture of information-related equipment	100.0 (100.0)
Epson (China) Co., Ltd.	Beijing, China	Regional headquarters, Sales of information-related equipment and sensing and industrial solutions	100.0
Epson Korea Co., Ltd.	Seoul, Korea	Sales of information-related equipment	100.0
Epson Hong Kong Ltd.	Hong Kong, China	Sales of information-related equipment, devices and precision products and sensing and industrial solutions	100.0
Epson Taiwan Technology & Trading Ltd.	Taipei, Taiwan	Sales of information-related equipment, devices and precision products	100.0
Epson Singapore Pte. Ltd.	Singapore	Regional headquarters, Sales of information-related equipment, devices and precision products	100.0
Epson Australia Pty. Ltd.	North Ryde, Australia	Sales of information-related equipment	100.0
Epson India Pvt. Ltd.	Bangalore, India	Sales of information-related equipment	100.0 (100.0)
Tianjin Epson Co., Ltd.	Tianjin, China	Manufacture of information-related equipment	80.0 (80.0)
Epson Precision (Hong Kong), Ltd.	Hong Kong, China	Procurement of information-related equipment components	100.0
Epson Engineering (Shenzhen) Ltd.	Shenzhen, China	Manufacture of information-related equipment and sensing and industrial solutions	100.0 (100.0)
Epson Precision (Shenzhen) Ltd.	Shenzhen, China	Manufacture of devices and precision products	100.0 (100.0)
Orient Watch (Shenzhen) Ltd.	Shenzhen, China	Manufacture of devices and precision products	100.0 (100.0)
Singapore Epson Industrial Pte. Ltd.	Singapore	Manufacture of devices and precision products	100.0
P.T. Epson Batam	Batam, Indonesia	Manufacture of information-related equipment	100.0 (100.0)
P.T. Indonesia Epson Industry	Bekasi, Indonesia	Manufacture of information-related equipment	100.0

Company name	Location	Main business	Ownership percentage of voting rights (%) (Note)
Epson Precision (Philippines), Inc.	Lipa, Philippines	Manufacture of information-related equipment	100.0
Epson Precision Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	Manufacture of devices and precision products	100.0
Epson Precision (Johor) Sdn. Bhd.	Johor, Malaysia	Manufacture of devices and precision products	100.0 (100.0)

(Note) Ownership percentage of voting rights indicated inside parentheses refers to indirect ownership percentage.

37. Related Parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. There were no significant transactions between the Company, its subsidiaries and other related parties.

The remuneration of directors and other members of key management personnel was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31		Year ended March 31,
	2014	2015	2015
Short-term remuneration	564	563	4,685

(Note 1) Epson introduced a stock performance (stock-based) remuneration system to link remuneration more closely to share price, so a certain portion of short-term remuneration is allotted for the purchase of Epson Stock.

(Note 2) A director who retired at the closing of the general shareholders' meeting held on June 24, 2014 receipted a retirement benefit of ¥41 million based on the resolution of the general shareholders' meeting held on June 23, 2006, on the payment of director retirement benefits.

38. Commitments

Commitments for the acquisition of assets were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31		March 31,
	2014	2015	2015
Acquisition of property, plant and equipment	6,167	4,706	39,169
Acquisition of intangible assets	927	1,519	12,640
Total	7,094	6,226	51,809

39. Contingencies

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

(1) The liquid crystal display price-fixing cartel

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

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

Verwertungsgesellschaf Wort (“VG Wort”), the organization for collecting copyright fees on behalf of copyright holders, has brought a civil action against Epson Deutschland GmbH(“EDG”), a consolidated subsidiary of the Company, to seek payment of copyright fees on single-function printers.
The claim was dismissed by the supreme court. The plaintiff, however, unsatisfied with this ruling, appealed to the Federal Constitutional Court of Germany. In December 2010, the Federal Constitutional Court ruled that the ruling of the supreme court violates rights set forth in Article 14 of the constitutional law of Germany. It thus dismissed the ruling of the supreme court and referred the case back to the supreme court for review. In July 2011, the supreme court referred the case to the Court of Justice of the European Union, and an inquiry was begun in October 2012. In June 2013, the Court of Justice of the European Union ruled that EU member states can impose levies on printer and PC manufacturers in order to compensate copyrights holders for unauthorized reproduction of their work. In response to this, the supreme court judged that printer and PC are liable to copyright levies, in July 2014. The specific copyright rates are under consideration again by the high court of the Germany.
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.

40. Subsequent Events

Share splits

The Company completed the Company's ordinary shares split as below with an effective date of April 1, 2015 based on the resolution by the Company's Board of Directors on January 30, 2015.

(1) Purpose of share splits

The Company, in the light of recent share price trends, aims to make it easier for investors to invest in the Company and expand its investor base by reducing the investment unit amount of the Company's shares and enhancing the liquidity of its ordinary shares.

(2) Method of share splits

Each share of the Company's ordinary shares held by registered shareholders as of the basis date of March 31, 2015, was split into two shares on the effective date of April 1, 2015.

(3) Increase in number of ordinary shares due to share split

Ordinary shares: 199,817,389 shares

Earnings per share was calculated under the assumption that the share splits took effect at the beginning of the previous fiscal year.

41. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Minoru Usui (President and Representative Director) and Noriyuki Hama (Senior Managing Director and General Administrative Manager, Management Control Division) on June 25, 2015.

Report of Independent Auditors

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Independent Auditor's Report

The Board of Directors
Seiko Epson Corporation

We have audited the accompanying consolidated financial statements of Seiko Epson Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seiko Epson Corporation and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 25, 2015

Additional Information

1. Principal subsidiaries and affiliates

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Consolidated subsidiaries					
Epson Sales Japan Corporation *	Shinjuku-ku, Tokyo	4,000 (million JPY)	Sales of information-related equipment and sensing and industrial solutions	100.0	Sales of the Company's products, Interlocking directors, Financial assistance, Rental of assets
Epson Direct Corporation	Matsumoto-shi, Nagano	150 (million JPY)	Sales of information-related equipment	100.0 (100.0)	Sales of PCs, etc., Rental of assets
Orient Watch Co., Ltd.	Chiyoda-ku, Tokyo	100 (million JPY)	Sales of devices and precision products	100.0	Sales of watches, Financial assistance, Rental and borrowing of assets
Miyazaki Epson Corporation	Miyazaki-shi, Miyazaki	100 (million JPY)	Manufacture of devices and precision products	100.0	Manufacture of crystal devices
Tohoku Epson Corporation	Sakata-shi, Yamagata	100 (million JPY)	Manufacture of information-related equipment, devices and precision products	100.0	Manufacture of printer components and semiconductors, Interlocking directors
Akita Epson Corporation	Yuzawa-shi, Akita	80 (million JPY)	Manufacture of information-related equipment, devices and precision products, and sensing and industrial solutions	100.0	Manufacture of printer components, crystal devices, and sensing systems, Financial assistance, Borrowing of assets
Epson Atmix Corporation	Hachinohe-shi, Aomori	450 (million JPY)	Manufacture and sales of devices and precision products	100.0	Manufacture and sales of metal powders, etc., Financial assistance, Rental of assets
U.S. Epson, Inc. *	Long Beach, U.S.A.	111,941 (thousand USD)	Holding company	100.0	Holding company in Americas, Interlocking directors
Epson America, Inc. *	Long Beach, U.S.A.	40,000 (thousand USD)	Regional headquarters, Sales of information-related equipment and sensing and industrial solutions	100.0 (100.0)	Regional headquarters in Americas, Sales of printers and other PC peripherals and sales of factory automation products, Interlocking directors
Epson Electronics America, Inc.	San Jose, U.S.A.	10,000 (thousand USD)	Sales of devices and precision products	100.0 (100.0)	Sales of electronic devices
Epson Portland Inc.	Portland, U.S.A.	31,150 (thousand USD)	Manufacture of information-related equipment	100.0 (100.0)	Manufacture of printer consumables, Interlocking directors
Epson El Paso, Inc.	El Paso, U.S.A.	51,000 (thousand USD)	Distribution of information-related equipment	100.0 (100.0)	Distribution of printer consumables, Interlocking directors

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Europe B.V. *	Amsterdam, the Netherlands	95,000 (thousand EUR)	Regional headquarters, Sales of information-related equipment	100.0	Regional headquarters in Europe, Sales of printers and other PC peripherals, Interlocking directors, Guaranty of liabilities
Epson (U.K.) Ltd.	Hemel Hempstead, UK	1,600 (thousand GBP)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Interlocking directors, Guaranty of liabilities
Epson Deutschland GmbH	Dusseldorf, Germany	5,200 (thousand EUR)	Sales of information-related equipment and sensing and industrial solutions	100.0 (100.0)	Sales of printers and other PC peripherals, and sales of factory automation products, Guaranty of liabilities
Epson Europe Electronics GmbH	Munich, Germany	2,000 (thousand EUR)	Sales of devices and precision products	100.0 (100.0)	Sales of electronic devices, Interlocking directors, Guaranty of liabilities
Epson France S.A.	Levallois-Perret, France	4,000 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals
Epson Italia s.p.a.	Milan, Italy	3,000 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Guaranty of liabilities
Epson Iberica, S.A.	Cerdanyola, Spain	1,900 (thousand EUR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Guaranty of liabilities,
Epson Telford Ltd.	Telford, UK	8,000 (thousand GBP)	Manufacture of information-related equipment	100.0 (100.0)	Manufacture of printer consumables, Interlocking directors
Epson (China) Co., Ltd. *	Beijing, China	1,211 (million CNY)	Regional headquarters, Sales of information-related equipment and sensing and industrial solutions	100.0	Regional headquarters in China, Sales of printers and other PC peripherals and factory automation products, Interlocking directors
Epson Korea Co., Ltd.	Seoul, Korea	1,466 (million KRW)	Sales of information-related equipment	100.0	Sales of printers and other PC peripherals
Epson Hong Kong Ltd.	Hong Kong, China	2,000 (thousand HKD)	Sales of information-related equipment, devices and precision products and sensing and industrial solutions	100.0	Sales of printers and other PC peripherals, electronic devices and factory automation products
Epson Taiwan Technology & Trading Ltd.	Taipei, Taiwan	25,000 (thousand TWD)	Sales of information-related equipment, devices and precision products	100.0	Sales of printers and other PC peripherals, and sales of electronic devices, Guaranty of liabilities

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Singapore Pte. Ltd.	Singapore	200 (thousand SGD)	Regional headquarters, Sales of information-related equipment, devices and precision products	100.0	Regional headquarters in Asia-Pacific, Sales of printers and other PC peripherals, and sales of electronic devices, Interlocking directors, Guaranty of liabilities
Epson Australia Pty. Ltd.	North Ryde, Australia	1,000 (thousand AUD)	Sales of information-related equipment	100.0	Sales of printers and other PC peripherals, Guaranty of liabilities
Epson India Pvt. Ltd.	Bangalore, India	108,628 (thousand INR)	Sales of information-related equipment	100.0 (100.0)	Sales of printers and other PC peripherals, Interlocking directors, Guaranty of liabilities
Tianjin Epson Co., Ltd.	Tianjin, China	172,083 (thousand CNY)	Manufacture of information-related equipment	80.0 (80.0)	Manufacture of printer consumables, etc., Interlocking directors
Epson Precision (Hong Kong), Ltd. *	Hong Kong, China	81,602 (thousand USD)	Procurement of information-related equipment components	100.0	Procurement of printer and 3LCD projector components,
Epson Engineering (Shenzhen) Ltd. *	Shenzhen, China	56,641 (thousand USD)	Manufacture of information-related equipment and sensing and industrial solutions	100.0 (100.0)	Manufacture of printers, 3LCD projectors, liquid crystal panels and factory automation products, etc., Interlocking directors
Epson Precision (Shenzhen) Ltd.	Shenzhen, China	25,000 (thousand USD)	Manufacture of devices and precision products	100.0 (100.0)	Manufacture of watches, etc., Interlocking directors
Orient Watch (Shenzhen) Ltd.	Shenzhen, China	37,748 (thousand CNY)	Manufacture of devices and precision products	100.0 (100.0)	Manufacture of watches, etc.,
Singapore Epson Industrial Pte. Ltd.	Singapore	71,700 (thousand SGD)	Manufacture of devices and precision products	100.0	Manufacture of semiconductors, and surface finishing, Interlocking directors, Guaranty of liabilities
P.T. Epson Batam	Batam, Indonesia	7,000 (thousand USD)	Manufacture of information-related equipment	100.0 (100.0)	Manufacture of printer consumables, Interlocking directors Guaranty of liabilities
P.T. Indonesia Epson Industry *	Bekasi, Indonesia	23,000 (thousand USD	Manufacture of information-related equipment	100.0	Manufacture of printers, Interlocking directors, Guaranty of liabilities
Epson Precision (Philippines), Inc. *	Lipa, Philippines	157,533 (thousand USD)	Manufacture of information-related equipment	100.0	Manufacture of printers and 3LCD projectors, Interlocking directors, Guaranty of liabilities

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Precision Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	16,000 (thousand MYR)	Manufacture of devices and precision products	100.0	Manufacture of crystal devices, Interlocking directors, Guaranty of liabilities
Epson Precision (Johor) Sdn. Bhd.	Johor, Malaysia	22,800 (thousand MYR)	Manufacture of devices and precision products	100.0 (100.0)	Manufacture of watches, etc., Guaranty of liabilities
50 other companies	–	–	–	–	–
Equity method affiliates Time Module (Hong Kong) Ltd.	Hong Kong, China	5,001 (thousand HKD)	Sales of devices and precision products	33.3	Sales of watch movements
Four other companies	–	–	–	–	–

Notes

1. Ownership percentage of voting rights indicated inside parentheses refers to indirect ownership percentage.
2. *indicates a specified subsidiary (*tokutei-kogaisha*).
3. The revenue (excluding eliminations of sales among consolidated subsidiaries) of Epson Sales Japan Corporation and Epson America, Inc. each amounts to more than 10% of the consolidated revenue. Key information on the operations of these subsidiaries is as follows.

(Millions of yen)

Company name	Revenue	Profit before tax	Profit for the period	Total equity	Total assets
Epson Sales Japan Corporation	202,453	4,801	2,641	13,915	66,681
Epson America, Inc.	298,334	5,626	4,018	34,332	149,989

The amounts for Epson America, Inc. are included in consolidated business results.

2. Distribution of ownership among shareholders

As of March 31, 2014

Category	Share ownership (100 shares per unit)								Shares less than one unit (Shares)
	Government and regional public bodies	Japanese financial institutions	Japanese securities companies	Other Japanese corporations	Foreign institutions and others		Japanese individuals and others	Total	
					Institutions	Individuals			
Number of shareholders (Persons)	–	89	37	420	521	26	47,131	48,224	–
Number of shares owned (Units)	–	492,560	72,570	282,010	511,321	125	638,561	1,997,147	102,689
Percentage of shares owned (%)	–	24.66	3.63	14.12	25.60	0.01	31.98	100.00	–

Notes

1. 20,928,657 shares of treasury stock are included as 209,286 units under “Japanese individuals and others” and 57 shares under “Shares less than one unit.”
2. Three units in the name of Japan Securities Depository Center, Inc. are included under “Other Japanese corporations.”

3. Major shareholders

As of March 31, 2015

Name	Address	Number of shares held	Shareholding ratio (%)
Sanko Kigyo Kabushiki Kaisha	6-1 Ginza 5-chome, Chuo-ku, Tokyo	10,000,000	5.00
Japan Trustee Services Bank, Ltd. (Trustee Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	7,851,000	3.92
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3 Hamamatsu-cho 2-chome, Minato-ku, Tokyo	7,793,200	3.90
Seiko Holdings Corporation	5-11 Ginza 4-chome, Chuo-ku, Tokyo	6,000,000	3.00
Yasuo Hattori	Minato-ku, Tokyo	5,966,306	2.98
Noboru Hattori	Minato-ku, Tokyo	5,599,968	2.80
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust & Custody Services Bank, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	4,368,000	2.18
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the re-trust, Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,076,900	2.04
Seiko Epson Corporation Employees' Shareholding Association	3-5, Owa 3-chome, Suwa-shi, Nagano	3,886,158	1.94
NGK INSULATORS, LTD.	2-56, Suda-cho, Mizuho-ku, Nagoya-shi, Aichi	3,450,000	1.72
Total	—	58,991,532	29.52

Notes:

1. Although the Company holds 20,928,657 shares of treasury stock, the Company is excluded from the above list of major shareholders. (The ratio of the treasury shares held by the Company to the total number of shares issued is 10.47%.)
2. The shares held by Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the re-trust, Trust & Custody Services Bank, Ltd., were contributed by Mizuho Bank, Ltd. to the trust assets of the Retirement benefit trust.
3. Mizuho Bank, Ltd. and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of May 22, 2014, claiming that they hold the Company's shares as follows as of May 15, 2014. However, we have not been able to confirm the number of shares they held at the end of the fiscal year under review. Therefore, they are not included in the above major shareholders.

Name	Address	Number of shares held	Shareholding ratio (%)
Mizuho Bank, Ltd.	5-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo	6,947,000	3.48
Mizuho Trust & Banking Co., Ltd.	2-1, Yaesu 1-chome, Chuo-ku, Tokyo	2,696,800	1.35
Mizuho Asset Management Co., Ltd.	5-27, Mita 3-chome, Minato-ku, Tokyo	459,500	0.23
Total	―	10,103,300	5.06

4. Epson stock price

(1) High and low stock prices for the previous five years

Year	69th year	70th year	71st year	72nd year	73rd year
Fiscal year	March 2011	March 2012	March 2013	March 2014	Mar 2015
High (¥)	1,700	1,499	1,183	3,390	5,970 □2,333
Low (¥)	1,032	881	431	795	2,752 □2,120

Notes

1. High and low stock prices noted above are based on Tokyo Stock Exchange (First Section) data.
2. The □ mark indicates the highest and lowest ex-rights prices after a stock split (the 2-for-1 stock split implemented on April 1, 2015).

(2) High and low stock prices for the previous six months

Month	October 2014	November	December	January 2015	February	March
High (¥)	5,280	5,790	5,970	5,090	4,505	4,885 □2,333
Low (¥)	4,495	5,030	4,940	4,775	4,055	4,405 □2,120

Notes

1. High and low stock prices noted above are based on Tokyo Stock Exchange (First Section) data.
2. The □ mark indicates the highest and lowest ex-rights prices after a stock split (the 2-for-1 stock split implemented on April 1, 2015).

5. Corporate data and investor information

(1) Company name	Seiko Epson Corporation
(2) Founded	May 1942
(3) Head office	3-5 Owa 3-chome, Suwa, Nagano 392-8502, Japan Tel: +81-266-52-3131(main)
(4) Tokyo office	Shinjuku NS Building, 4-1 Nishi-shinjuku 2-chome, Shinjuku-ku, Tokyo 163-0811, Japan Tel: +81-3-3348-8531(main)

(5) Investor information

Closing of accounts	March 31
Regular general shareholders' meeting	June
Date for confirmation to shareholders of the cash dividend payment date	March 31
Date for confirmation to shareholders of the interim cash dividend payment date	September 30
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent's business address	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 10-11, Higashisuna 7-chome, Koto-ku, Tokyo Tel: +81-3-6701-5000 http://www.tr.mufg.jp/english/
Intermediary offices	Head Office and Branches of Mitsubishi UFJ Trust and Banking Corporation
Posting of public notices	Public notices will be posted electronically. In the event of accidents or other circumstances preventing the electronic posting of information, such information will be made available through the *Nihon Keizai Shimbun* newspaper (Japanese)
Web address	http://www.pronexus.co.jp/koukoku/6724/6724.html (Japanese)

Better Products for a Better Future

At Epson, we know that planning for the future requires a strong commitment
to the environment. That is why we strive to create innovative products
that are reliable, recyclable, and energy efficient.
Better products that use fewer resources help ensure a better future for us all.

SEIKO EPSON CORPORATION

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