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**CONSOLIDATED RESULTS FOR  
THE SECOND QUARTER ENDED SEPTEMBER 30, 2017 (IFRS basis)**

**Consolidated Financial Highlights**

**Quarterly Condensed Consolidated Statement of Comprehensive Income**

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2017
	2016	2017		
Revenue	487,569	527,327	8.2%	4,682,772
Business profit (Note)	25,729	28,142	9.4%	249,916
Profit from operating activities	27,773	23,689	(14.7%)	210,363
Profit before tax	27,073	23,011	(15.0%)	204,342
Profit for the period	18,605	15,157	(18.5%)	134,597
Profit for the period attributable to owners of the parent company	18,445	14,987	(18.7%)	133,088
Total comprehensive income for the period	(15,992)	27,264	-	242,109
Basic earnings per share (in ¥1, \$1 unit)	52.09	42.55		0.38
Diluted earnings per share (in ¥1, \$1 unit)	52.09	42.54		0.38

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

**Quarterly Condensed Consolidated Statement of Financial Position**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	September 30, 2017	September 30, 2017
Total assets	974,387	1,039,545	9,231,373
Total equity	494,722	511,330	4,540,715
Equity attributable to owners of the parent company	492,196	508,676	4,517,147
Equity attributable to owners of the parent company ratio (%)	50.5%	48.9%	48.9%

**Quarterly Condensed Consolidated Statement of Cash Flows**

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30,			Six months ended September 30, 2017
	2016	2017		
Net cash provided by (used in) operating activities	33,207	26,664	(19.7%)	236,781
Net cash provided by (used in) investing activities	(37,123)	(41,731)	-	(370,579)
Net cash provided by (used in) financing activities	(15,654)	22,861	-	203,010
Cash and cash equivalents at end of period	201,196	231,438	15.0%	2,055,217

## Notes

- I. Figures in “Change” column are comparisons with the same period of the previous year.
- II. Equity attributable to owners of the parent company is equity excluding non-controlling interest in subsidiaries.
- III. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥112.61 = U.S.\$1 as of September 30, 2017 has been used for the purpose of presentation.

## Operating Performance Highlights and Financial Condition

### **Fiscal 2017 First-Half (April 1 to September 30, 2017) Overview**

The global economy basically continued to gradually head toward recovery in the first half of the year under review. Regionally, the U.S. economy continued to steadily recover, fueled by an increase in consumer spending and improvement in the employment situation. The Latin American and European economies gradually recovered, and the Chinese economy showed signs of picking up. The Japanese economy continued to register signs of a gradual economic recovery, as consumer spending remained stable in response to a firm employment and income situation.

The situation in the main markets of the Epson Group ("Epson") was as follows.

Inkjet printer demand was firm in the Americas, but the consumer inkjet printer market in Japan continued to shrink. Demand for high-capacity ink tank printers expanded steadily. Large-format inkjet printer demand stayed firm. Serial-impact dot-matrix (SIDM) printer demand contracted in China after spiking last year with the enactment of the "Business Tax to VAT reforms". Demand also shrank in the Americas and Europe.

Projector demand contracted after spiking last year ahead of major sporting events in Europe. Ongoing slackness in the North American retail market contributed to the contraction.

Demand for smart phones, one of the main markets for Epson's electronic devices, was soft amid ongoing channel inventory adjustments. Demand for watches slowly recovered in Japan. Demand for watch movements was firm. Demand for industrial robots steadily expanded, particularly in China.

Against this backdrop, Epson formulated the Epson 25 Phase 1 Mid-Range Business Plan (FY2016-18), in March 2016. The Phase 1 Plan delineates the first phase of work toward achieving the Epson 25 Corporate Vision, which sets forth a goal of creating a new connected age of people, things and information with efficient, compact and precision technologies. During the three years of the Phase 1 Plan Epson will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro in the first half of the fiscal year were ¥111.04 and ¥126.24, respectively. This represents 5% depreciation in the value of the yen against the dollar and 7% depreciation in the value of the yen against the euro, year on year.

The foregoing factors are reflected in our first half financial results. Revenue was ¥527.3 billion, up 8.2% year on year. Business profit was ¥28.1 billion, up 9.4% year on year. Profit from operating activities was ¥23.6 billion, down 14.7% year on year. Profit before tax was ¥23.0 billion, down 15.0% year on year. Profit for the period was ¥15.1 billion, down 18.5% year on year.

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

## **Printing Solutions Segment**

Printer business revenue increased.

Inkjet printer revenue continued to expand, as high-capacity ink tank printer unit shipments jumped in emerging economies and as increased market recognition sparked unit shipment growth in developed countries, as well. Foreign exchange effects also boosted inkjet revenue. Consumables revenue was flat year on year.

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

SIDM printer revenue declined compared to the same period last year, when there was special demand in the Chinese tax collection system market.

Revenue in the professional printing business increased.

Total revenue from large-format inkjet printers increased because, in addition to sales growth in the existing photo and graphics markets, we saw solid demand in the growing signage, textile, and label printer markets. Foreign exchange effects also had a positive effect on revenue. Consumables revenue also increased owing to an increase in unit shipments and to foreign exchange effects.

POS system product revenue increased along with an increase in unit shipments of low-end models to meet firm demand in North America. Revenue also benefited from foreign exchange effects.

Although somewhat hurt by a decline in sales of page printers and SIDM printers, printing solutions segment profit rose due to a combination of growth in sales of high-capacity ink tank inkjet printers and large-format inkjet printers, and foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥342.0 billion, up 7.4% year on year. Segment profit was ¥35.9 billion, up 5.9% year on year.

## **Visual Communications Segment**

Visual communications revenue increased.

Total 3LCD projector revenue increased chiefly because firm demand for Epson's laser projectors in the high-brightness segment caused an upsurge in unit shipments of high added value products. Foreign exchange effects also positively affected revenue.

Segment profit in the visual communications segment increased due to unit shipment growth of high-brightness projectors and foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥99.1 billion, up 13.1% year on year. Segment profit was ¥12.7 billion, up 77.5% year on year.

## **Wearable and Industrial Products Segment**

Revenue in the wearable products business got a boost from currency effects but decreased due to a decline in watch sales volume.

Revenue in the robotics solutions business increased. Revenue increased primarily due to industrial robot unit shipment growth in China and because of a rise in IC handler revenue as a result of firm demand for Chinese manufactured smart phones. Foreign exchange also positively affected total revenue.

Revenue in the microdevices business increased. Although positively affected by foreign exchange, crystal device revenue decreased due to a decline in unit shipments to manufacturers of cell phones and other personal electronics. Semiconductor revenue increased despite a decline in volume to a major automotive account. The increase was due to currency effects and a rise in sales volume linked to growth in silicon foundry demand.

Segment profit in the wearable products & industrial solutions segment increased despite lower sales in the wearable products business. The increase was due to sales growth in the robotics solutions business and foreign exchange effects.

As a result of the foregoing factors, revenue in the wearable products & industrial solutions operations segment was ¥86.3 billion, up 6.5% year on year. Segment profit was ¥4.7 billion, up 20.1% year on year.

## **Other**

Other revenue amounted to ¥0.4 billion, down 29.5% year on year. Segment loss was ¥0.2 billion, compared to a segment loss of ¥0.2 billion in the same period last year.

## **Adjustments**

Adjustments to the total profit of reporting segments amounted to negative ¥25.0 billion. (Adjustments in the same period last year were negative ¥19.0 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

## **Liquidity and Financial Position**

Total assets at the end of the second quarter were ¥1,039.5 billion, an increase of ¥65.1 billion from the previous fiscal year end. This increase was mainly due to a ¥25.4 billion increase in inventories, an ¥11.8 billion increase in property, plant and equipment and intangible assets, a ¥10.9 billion increase in trade and other receivables, a ¥9.6 billion increase in cash and cash equivalents, and a ¥4.5 billion increase in deferred tax assets.

Total liabilities were ¥528.2 billion, up ¥48.5 billion compared to the end of the last fiscal year. Although net defined benefit liabilities decreased by ¥5.6 billion and other current liabilities decreased by ¥5.0 billion, total liabilities increased primarily because of a ¥34.1 billion increase in bonds issued, borrowings and lease liabilities under current liabilities and non-current liabilities, an ¥11.8 billion increase in trade and other payables, a ¥7.8 billion increase in other non-current liabilities, and a ¥2.8 billion increase in provisions for current liabilities.

The equity attributable to owners of the parent company totaled ¥508.6 billion, a ¥16.4 billion increase compared to the previous fiscal year end. While we paid ¥10.5 billion in dividends, equity attributable to owners of the parent company increased mainly because retained earnings increased due to the recording of a ¥14.9 billion profit for the period and because of a ¥7.1 billion remeasurement of the defined benefit plan.

## **Qualitative Information Regarding the Consolidated Financial Outlook**

The consolidated financial outlook for the full year has not changed since it was announced on July 27, 2017.

The figures in the outlook are based on assumed exchange rates of 108.00 yen to the U.S. dollar and 123.00 yen to the euro in the third and fourth quarters.

### **Consolidated Full-Year Financial Outlook**

	FY2016	Previous Outlook (A)	Current Outlook (B)	Change (B - A)
Revenue	¥1,024.8 billion	¥1,070.0 billion	¥1,070.0 billion	-
Business profit	¥65.8 billion	¥79.0 billion	¥79.0 billion	-
Profit from operating activities	¥67.8 billion	¥76.0 billion	¥76.0 billion	-
Profit before tax	¥67.4 billion	¥76.0 billion	¥76.0 billion	-
Profit for the period	¥48.4 billion	¥58.0 billion	¥58.0 billion	-
Profit for the year attributable to owners of the parent company	¥48.3 billion	¥58.0 billion	¥58.0 billion	-
Foreign exchange rates	\$1USD = ¥108.38	\$1USD = ¥109.00	\$1USD = ¥110.00	
	1 EUR = ¥118.79	1 EUR = ¥123.00	1 EUR = ¥125.00	

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2017	September 30, 2017	September 30, 2017
<u>Assets</u>				
Current assets				
Cash and cash equivalents		221,782	231,438	2,055,217
Trade and other receivables		155,704	166,656	1,479,939
Inventories		208,512	233,925	2,077,302
Income tax receivables		2,476	2,635	23,399
Other financial assets	10	754	490	4,351
Other current assets		13,176	15,490	137,583
Subtotal		602,406	650,636	5,777,791
Non-current assets held for sale		39	43	381
Total current assets		602,446	650,680	5,778,172
Non-current assets				
Property, plant and equipment		275,195	287,058	2,549,134
Intangible assets		21,553	21,540	191,279
Investment property		1,288	1,281	11,375
Investments accounted for using the equity method		1,438	1,499	13,311
Net defined benefit assets		0	-	-
Other financial assets	10	20,544	20,658	183,447
Other non-current assets		5,486	5,887	52,307
Deferred tax assets		46,433	50,939	452,348
Total non-current assets		371,940	388,865	3,453,201
Total assets		974,387	1,039,545	9,231,373

# SEIKO EPSON CORPORATION

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2017	September 30, 2017	September 30, 2017
<b><u>Liabilities and equity</u></b>				
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables		141,633	153,485	1,362,978
Income tax payables		7,263	8,073	71,689
Bonds issued, borrowings and lease liabilities	6,10	76,200	100,399	891,563
Other financial liabilities	10	1,318	3,639	32,315
Provisions		21,981	24,786	220,104
Other current liabilities		102,992	97,988	870,174
<b>Total current liabilities</b>		<b>351,389</b>	<b>388,372</b>	<b>3,448,823</b>
<b>Non-current liabilities</b>				
Bonds issued, borrowings and lease liabilities	6,10	70,371	80,309	713,160
Other financial liabilities	10	1,586	1,680	14,918
Net defined benefit liabilities		45,281	39,632	351,940
Provisions		6,209	5,658	50,244
Other non-current liabilities		3,521	11,358	100,891
Deferred tax liabilities		1,304	1,203	10,682
<b>Total non-current liabilities</b>		<b>128,275</b>	<b>139,842</b>	<b>1,241,835</b>
<b>Total liabilities</b>		<b>479,664</b>	<b>528,215</b>	<b>4,690,658</b>
<b>Equity</b>				
Share capital		53,204	53,204	472,462
Capital surplus		84,321	84,337	748,929
Treasury shares	7	(30,812)	(30,802)	(273,528)
Other components of equity		53,176	58,028	515,311
Retained earnings		332,306	343,908	3,053,973
<b>Equity attributable to owners of the parent company</b>		<b>492,196</b>	<b>508,676</b>	<b>4,517,147</b>
Non-controlling interests		2,526	2,654	23,568
<b>Total equity</b>		<b>494,722</b>	<b>511,330</b>	<b>4,540,715</b>
<b>Total liabilities and equity</b>		<b>974,387</b>	<b>1,039,545</b>	<b>9,231,373</b>

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income Six months ended September 30, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S.
		Six months ended		dollars
		2016	2017	Six months ended September 30, 2017
Revenue	5	487,569	527,327	4,682,772
Cost of sales		(319,752)	(343,508)	(3,050,422)
Gross profit		167,817	183,819	1,632,350
Selling, general and administrative expenses		(142,088)	(155,676)	(1,382,434)
Other operating income		3,018	1,266	11,242
Other operating expense		(974)	(5,719)	(50,795)
Profit from operating activities		27,773	23,689	210,363
Finance income		709	607	5,390
Finance costs		(1,426)	(1,312)	(11,641)
Share of profit of investments accounted for using the equity method		17	26	230
Profit before tax		27,073	23,011	204,342
Income taxes		(8,462)	(7,853)	(69,745)
Profit from continuing operations		18,611	15,157	134,597
Loss from discontinued operations		(5)	-	-
Profit for the period		18,605	15,157	134,597
Profit for the period attributable to:				
Owners of the parent company		18,445	14,987	133,088
Non-controlling interests		160	170	1,509
Profit for the period		18,605	15,157	134,597

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	Notes	2016	2017
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
		Remeasurement of net defined benefit liabilities (assets)	63,795
		Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	595
		Subtotal	64,390
Items that may be reclassified subsequently to profit or loss, net of tax			
		Exchange differences on translation of foreign operations	52,464
		Net changes in fair value of cash flow hedges	(9,457)
		Share of other comprehensive income of investments accounted for using the equity method	115
		Subtotal	43,122
		Total other comprehensive income, net of tax	107,512
		Total comprehensive income for the period	242,109
Total comprehensive income for the period attributable to:			
		Owners of the parent company	239,943
		Non-controlling interests	2,166
		Total comprehensive income for the period	242,109

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2016	2017	2017
Earnings per share for the period:				
	9	52.09	42.55	0.38
	9	52.09	42.54	0.38
Earnings per share from continuing operations for the period:				
	9	52.11	42.55	0.38
	9	52.11	42.54	0.38
Earnings per share from discontinued operations for the period:				
	9	(0.02)	-	-
	9	(0.02)	-	-

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income Three months ended September 30, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S.
		Three months ended		dollars
		2016	2017	Three months ended September 30, 2017
Revenue	5	248,470	272,521	2,420,042
Cost of sales		(157,308)	(179,988)	(1,598,330)
Gross profit		91,161	92,533	821,712
Selling, general and administrative expenses		(71,900)	(81,148)	(720,610)
Other operating income		1,972	673	5,976
Other operating expense		(438)	(3,057)	(27,157)
Profit from operating activities		20,795	9,000	79,921
Finance income		224	215	1,909
Finance costs		(317)	(672)	(5,966)
Share of profit of investments accounted for using the equity method		0	12	106
Profit before tax		20,703	8,555	75,970
Income taxes		(6,297)	(3,702)	(32,884)
Profit from continuing operations		14,405	4,852	43,086
Loss from discontinued operations		(2)	-	-
Profit for the period		14,402	4,852	43,086
Profit for the period attributable to:				
Owners of the parent company		14,325	4,782	42,474
Non-controlling interests		77	69	612
Profit for the period		14,402	4,852	43,086

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S.
	Three months ended		dollars
	September 30,		Three months ended
Notes	2016	2017	September 30, 2017
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	(1,584)	3,935	34,943
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	569	(175)	(1,563)
Subtotal	(1,015)	3,759	33,380
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(4,404)	3,364	29,901
Net changes in fair value of cash flow hedges	(1,696)	809	7,184
Share of other comprehensive income of investments accounted for using the equity method	(4)	8	71
Subtotal	(6,105)	4,182	37,156
Total other comprehensive income, net of tax	(7,120)	7,942	70,536
Total comprehensive income for the period	7,282	12,795	113,622
Total comprehensive income for the period attributable to:			
Owners of the parent company	7,255	12,673	112,548
Non-controlling interests	27	121	1,074
Total comprehensive income for the period	7,282	12,795	113,622

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Three months ended		Three months ended
		September 30,		September 30,
		2016	2017	2017
Earnings per share for the period:				
Basic earnings per share for the period	9	40.66	13.58	0.12
Diluted earnings per share for the period	9	40.66	13.58	0.12
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	9	40.67	13.58	0.12
Diluted earnings per share for the period	9	40.67	13.58	0.12
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	9	(0.01)	-	-
Diluted loss per share for the period	9	(0.01)	-	-

**Quarterly Condensed Consolidated Statement of Changes in Equity****Six months ended September 30, 2016 and 2017:**

Millions of yen												
Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				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				
As of April 1, 2016	53,204	84,321	(20,471)	-	4,533	53,616	(160)	57,989	292,775	467,818	2,858	470,676
Profit for the period	-	-	-	-	-	-	-	-	18,445	18,445	160	18,605
Other comprehensive income	-	-	-	(5,653)	(82)	(29,314)	806	(34,245)	-	(34,245)	(352)	(34,598)
Total comprehensive income for the period	-	-	-	(5,653)	(82)	(29,314)	806	(34,245)	18,445	(15,800)	(192)	(15,992)
Acquisition of treasury shares	7	-	(10,338)	-	-	-	-	-	-	(10,338)	-	(10,338)
Dividends	8	-	-	-	-	-	-	-	(10,733)	(10,733)	(237)	(10,970)
Share-based payment transactions	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	5,653	(16)	-	-	5,637	(5,637)	-	-	-
Total transactions with the owners	-	-	(10,338)	5,653	(16)	-	-	5,637	(16,370)	(21,071)	(237)	(21,309)
As of September 30, 2016	53,204	84,321	(30,810)	-	4,433	24,301	645	29,381	294,850	430,946	2,428	433,374

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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Millions of yen

Equity attributable to owners of the parent company												
Notes	Other components of equity								Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total 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				
As of April 1, 2017	53,204	84,321	(30,812)	-	5,024	48,265	(112)	53,176	332,306	492,196	2,526	494,722
Profit for the period	-	-	-	-	-	-	-	-	14,987	14,987	170	15,157
Other comprehensive income	-	-	-	7,184	66	5,846	(1,065)	12,031	-	12,031	74	12,106
Total comprehensive income for the period	-	-	-	7,184	66	5,846	(1,065)	12,031	14,987	27,019	244	27,264
Acquisition of treasury shares	7	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Dividends	8	-	-	-	-	-	-	-	(10,566)	(10,566)	(116)	(10,683)
Share-based payment transactions	-	16	11	-	-	-	-	-	-	28	-	28
Transfer from other components of equity to retained earnings	-	-	-	(7,184)	4	-	-	(7,180)	7,180	-	-	-
Total transactions with the owners	-	16	10	(7,184)	4	-	-	(7,180)	(3,386)	(10,539)	(116)	(10,656)
As of September 30, 2017	53,204	84,337	(30,802)	-	5,095	54,111	(1,178)	58,028	343,908	508,676	2,654	511,330

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

Equity attributable to owners of the parent company												
Notes	Other components of equity								Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total 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				
As of April 1, 2017	472,462	748,787	(273,616)	-	44,622	428,596	(1,003)	472,215	2,950,954	4,370,802	22,432	4,393,234
Profit for the period	-	-	-	-	-	-	-	-	133,088	133,088	1,509	134,597
Other comprehensive income	-	-	-	63,795	586	51,931	(9,457)	106,855	-	106,855	657	107,512
Total comprehensive income for the period	-	-	-	63,795	586	51,931	(9,457)	106,855	133,088	239,943	2,166	242,109
Acquisition of treasury shares	7	-	(8)	-	-	-	-	-	-	(8)	-	(8)
Dividends	8	-	-	-	-	-	-	-	(93,828)	(93,828)	(1,030)	(94,858)
Share-based payment transactions	-	142	96	-	-	-	-	-	-	238	-	238
Transfer from other components of equity to retained earnings	-	-	-	(63,795)	36	-	-	(63,759)	63,759	-	-	-
Total transactions with the owners	-	142	88	(63,795)	36	-	-	(63,759)	(30,069)	(93,598)	(1,030)	(94,628)
As of September 30, 2017	472,462	748,929	(273,528)	-	45,244	480,527	(10,460)	515,311	3,053,973	4,517,147	23,568	4,540,715

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Cash Flows

### Six months ended September 30, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended		Six months ended
		September 30,	September 30,	September 30,
		2016	2017	2017
<b>Cash flows from operating activities</b>				
Profit for the period		18,605	15,157	134,597
Depreciation and amortisation		21,091	24,367	216,383
Impairment loss and reversal of impairment loss		106	878	7,796
Finance (income) costs, net		717	704	6,251
Share of (profit) loss of investments accounted for using the equity method		(17)	(26)	(230)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net		118	386	3,427
Income taxes		8,462	7,853	69,745
Decrease (increase) in trade receivables		(3,717)	(8,623)	(76,574)
Decrease (increase) in inventories		(15,604)	(19,646)	(174,460)
Increase (decrease) in trade payables		17,662	17,021	151,149
Increase (decrease) in net defined benefit liabilities		848	917	8,143
Other, net		(5,115)	(490)	(4,331)
<b>Subtotal</b>		<b>43,157</b>	<b>38,501</b>	<b>341,896</b>
Interest and dividend income received		745	629	5,585
Interest expenses paid		(541)	(448)	(3,978)
Payments for loss on litigation		-	(564)	(5,008)
Income taxes paid		(10,154)	(11,452)	(101,714)
<b>Net cash provided by (used in) operating activities</b>		<b>33,207</b>	<b>26,664</b>	<b>236,781</b>
<b>Cash flows from investing activities</b>				
Proceeds from sales of investment securities		46	-	-
Purchase of property, plant and equipment		(31,074)	(38,432)	(341,284)
Proceeds from sales of property, plant and equipment		597	305	2,708
Purchase of intangible assets		(3,883)	(2,443)	(21,694)
Proceeds from sales of intangible assets		0	0	0
Proceeds from sales of investment property		13	9	79
Purchase of investments in subsidiaries		(2,743)	-	-
Other, net		(79)	(1,171)	(10,388)
<b>Net cash provided by (used in) investing activities</b>		<b>(37,123)</b>	<b>(41,731)</b>	<b>(370,579)</b>
<b>Cash flows from financing activities</b>				
Net increase (decrease) in current borrowings		(14,057)	23,695	210,406
Proceeds from issuance of bonds issued		49,759	19,896	176,680
Redemption of bonds issued		(30,000)	(10,000)	(88,802)
Payments of lease obligations		(47)	(46)	(408)
Dividends paid	8	(10,733)	(10,566)	(93,828)
Dividends paid to non-controlling interests		(236)	(116)	(1,030)
Purchase of treasury shares		(10,338)	(1)	(8)
<b>Net cash provided by (used in) financing activities</b>		<b>(15,654)</b>	<b>22,861</b>	<b>203,010</b>
Effect of exchange rate changes on cash and cash equivalents		(9,731)	1,861	16,536
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(29,302)</b>	<b>9,655</b>	<b>85,748</b>
Cash and cash equivalents at beginning of period		230,498	221,782	1,969,469
Cash and cash equivalents at end of period		201,196	231,438	2,055,217

**Notes to Consolidated Financial Statements***1. Reporting Entity*

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

*2. Basis of Preparation*

Epson’s quarterly condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”, under the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements, as the Company meets the criteria of a “Specified Company applying Designated International Accounting Standards” defined under Article 1-2 of the Ordinance.

Epson’s quarterly condensed consolidated financial statements do not contain all the information required in annual consolidated financial statements, therefore they should be used in combination with the consolidated financial statements for the fiscal year ended March 31, 2017.

*3. Significant Accounting Policies*

The significant accounting policies adopted for Epson’s quarterly condensed consolidated financial statements are the same as those for Epson’s consolidated financial statements for the fiscal year ended March 31, 2017. Epson calculated income taxes for the six-month period ended September 30, 2017 based on an estimated average annual effective income tax rate.

*4. Significant Accounting Estimates and Judgments*

The preparation of Epson’s quarterly condensed consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of September 30, 2017. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of September 30, 2017. Given their nature, actual results may differ from the outcome of those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognised in the period of the change and its subsequent periods. Estimates and assumptions having a significant effects on the amounts recognised in Epson’s quarterly condensed consolidated financial statements are consistent in principle with those for the fiscal year ended March 31, 2017.

## 5. Segment Information

### (1) Outline of Reportable Segments

The reportable segments of Epson are determined based on the operating segments that are components of Epson about which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The reportable segments of Epson are composed of three segments: “Printing Solutions”, “Visual Communications” and “Wearable & Industrial Products”. They are determined by types of products, nature of products, and markets. Epson conducts development, manufacturing and sales within its reportable segments as follows:

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

## (2) Revenues and Performances for Reportable Segments

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

FY2016: Six months ended September 30, 2016

Millions of yen

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

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥19,097) million comprised "Eliminations" of ¥235 million and "Corporate expenses" of (¥19,332) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2017: Six months ended September 30, 2017

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
<b>Revenue</b>							
External revenue	341,960	99,169	81,991	523,121	87	4,118	527,327
Inter-segment revenue	135	1	4,324	4,460	374	(4,835)	-
<b>Total revenue</b>	<b>342,095</b>	<b>99,170</b>	<b>86,316</b>	<b>527,582</b>	<b>462</b>	<b>(717)</b>	<b>527,327</b>
<b>Segment profit (loss)</b>							
(Business profit) (Note 1)	35,947	12,754	4,791	53,493	(275)	(25,075)	28,142
					Other operating income (expense)		(4,453)
					Profit from operating activities		23,689
					Finance income (costs), net		(704)
					Share of profit of investments accounted for using the equity method		26
					Profit before tax		23,011

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥25,075) million comprised "Eliminations" of ¥242 million and "Corporate expenses" of (¥25,317) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2017: Six months ended September 30, 2017

Thousands of U.S. dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
<b>Revenue</b>							
External revenue	3,036,694	880,641	728,096	4,645,431	772	36,569	4,682,772
Inter-segment revenue	1,189	9	38,407	39,605	3,330	(42,935)	-
<b>Total revenue</b>	<b>3,037,883</b>	<b>880,650</b>	<b>766,503</b>	<b>4,685,036</b>	<b>4,102</b>	<b>(6,366)</b>	<b>4,682,772</b>
<b>Segment profit (loss)</b>							
(Business profit) (Note 1)	319,225	113,258	42,545	475,028	(2,441)	(222,671)	249,916
					Other operating income (expense)		(39,553)
					Profit from operating activities		210,363
					Finance income (costs), net		(6,251)
					Share of profit of investments accounted for using the equity method		230
					Profit before tax		204,342

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (\$222,671) thousand comprised "Eliminations" of \$2,149 thousand and "Corporate expenses" of (\$224,820) thousand. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2016: Three months ended September 30, 2016

Millions of yen

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

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥9,098) million comprised "Eliminations" of ¥120 million and "Corporate expenses" of (¥9,219) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2017: Three months ended September 30, 2017

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
<b>Revenue</b>							
External revenue	176,038	52,812	41,076	269,928	44	2,549	272,521
Inter-segment revenue	66	0	2,215	2,283	177	(2,460)	-
<b>Total revenue</b>	<b>176,105</b>	<b>52,813</b>	<b>43,292</b>	<b>272,211</b>	<b>221</b>	<b>89</b>	<b>272,521</b>
<b>Segment profit (loss)</b>							
(Business profit) (Note 1)	13,838	7,490	2,400	23,728	(105)	(12,238)	11,384
					Other operating income (expense)		(2,384)
					Profit from operating activities		9,000
					Finance income (costs), net		(457)
					Share of profit of investments accounted for using the equity method		12
					Profit before tax		8,555

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥12,238) million comprised "Eliminations" of ¥121 million and "Corporate expenses" of (¥12,359) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2017: Three months ended September 30, 2017

Thousands of U.S. dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
<b>Revenue</b>							
External revenue	1,563,263	468,990	364,763	2,397,016	390	22,636	2,420,042
Inter-segment revenue	595	0	19,678	20,273	1,572	(21,845)	-
<b>Total revenue</b>	<b>1,563,858</b>	<b>468,990</b>	<b>384,441</b>	<b>2,417,289</b>	<b>1,962</b>	<b>791</b>	<b>2,420,042</b>
<b>Segment profit (loss)</b>							
(Business profit) (Note 1)	122,885	66,512	21,312	210,709	(932)	(108,675)	101,102
					Other operating income (expense)		(21,181)
					Profit from operating activities		79,921
					Finance income (costs), net		(4,057)
					Share of profit of investments accounted for using the equity method		106
					Profit before tax		75,970

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (\$108,675) thousand comprised "Eliminations" of \$1,075 thousand and "Corporate expenses" of (\$109,750) thousand. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

6. Bonds issued, Borrowings and Lease liabilities

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	September 30, 2017	September 30, 2017
Current borrowings	16,118	40,312	357,978
Current portion of non-current borrowings	50,000	50,000	444,010
Current portion of bonds issued (Note)	9,995	9,991	88,722
Non-current borrowings	499	499	4,431
Bonds issued (Note)	69,742	79,677	707,567
Lease liabilities	216	227	2,015
<b>Total</b>	<b>146,572</b>	<b>180,708</b>	<b>1,604,723</b>
Current liabilities	76,200	100,399	891,563
Non-current liabilities	70,371	80,309	713,160
<b>Total</b>	<b>146,572</b>	<b>180,708</b>	<b>1,604,723</b>

(Note) Issuance of “Bonds issued”

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

FY2016: Six months ended September 30, 2016

Company	Bonds name	Issue date	<u>%</u> Interest rate	Maturity date	<u>Millions of yen</u> Total amount of issuance
The Company	The 13th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.10	September 21, 2021	20,000
The Company	The 14th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.27	September 21, 2023	20,000
The Company	The 15th Series unsecured straight bonds (with inter-bond pari passu clause)	September 21, 2016	0.34	September 18, 2026	10,000

The issued “Bonds issued” for the six months ended September 30, 2017 were as follows:

FY2017: Six months ended September 30, 2017

Company	Bonds name	Issue date	<u>%</u> Interest rate	Maturity date	<u>Millions of yen</u> Total amount of issuance	<u>Thousands of U.S. dollars</u> Total amount of issuance
The Company	The 16th Series unsecured straight bonds (with inter-bond pari passu clause)	September 6, 2017	0.26	September 6, 2024	10,000	88,802
The Company	The 17th Series unsecured straight bonds (with inter-bond pari passu clause)	September 6, 2017	0.36	September 6, 2027	10,000	88,802

(Note) Redemption of “Bonds issued”

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

FY2016: Six months ended September 30, 2016

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

The redeemed “Bonds issued” for the six months ended September 30, 2017 were as follows:

FY2017: Six months ended September 30, 2017

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 9th Series unsecured straight bonds (with inter-bond pari passu clause)	September 12, 2012	0.67	September 12, 2017	10,000	88,802

Bonds issued, borrowings and lease liabilities are classified as financial liabilities measured at amortised cost. There are no financial covenants on bonds issued and borrowings that have a significant impact on Epson's financing activities.

## 7. Equity and Other Equity Items

In the six months ended September 30, 2016, the Company repurchased its own shares based on the resolution at the meeting of its Board of Directors held on April 28, 2016.

### Details of the repurchase

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

## 8. Dividends

Dividends paid were as follows:

FY2016: Six months ended September 30, 2016

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

FY2017: Six months ended September 30, 2017

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

FY2017: Six months ended September 30, 2017

(Resolution)	Class of shares	Thousands of U.S. dollars	U.S. dollars	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2017)	Ordinary shares	93,881	0.26	March 31, 2017	June 29, 2017

Dividends whose basis dates were during the six months ended September 30, 2016 and 2017, but whose effective dates were subsequent to September 30, 2016 and 2017 were as follows:

FY2016: Six months ended September 30, 2016

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

FY2017: Six months ended September 30, 2017

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Board of Directors (October 26, 2017)	Ordinary shares	10,572	30	September 30, 2017	November 30, 2017

FY2017: Six months ended September 30, 2017

(Resolution)	Class of shares	Thousands of U.S. dollars	U.S. dollars	Basis date	Effective date
		Total dividends	Dividends per share		
Board of Directors (October 26, 2017)	Ordinary shares	93,881	0.26	September 30, 2017	November 30, 2017

*9. Earnings per Share*

**(1) Basis of calculating basic earnings per share**

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	18,450	14,987	133,088
Loss from discontinued operations attributable to owners of the parent company	(5)	-	-
Profit used for calculation of basic earnings per share	18,445	14,987	133,088

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	14,327	4,782	42,474
Loss from discontinued operations attributable to owners of the parent company	(2)	-	-
Profit used for calculation of basic earnings per share	14,325	4,782	42,474

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

	Thousands of shares	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Weighted-average number of ordinary shares	354,092	352,226

	Thousands of shares	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Weighted-average number of ordinary shares	352,300	352,228

**(2) Basis of calculating diluted earnings per share**

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	18,450	14,987	133,088
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	18,450	14,987	133,088
Loss from discontinued operations attributable to owners of the parent company	(5)	-	-
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(5)	-	-
Profit attributable to owners of the parent company	18,445	14,987	133,088
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	18,445	14,987	133,088

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	14,327	4,782	42,474
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	14,327	4,782	42,474
Loss from discontinued operations attributable to owners of the parent company	(2)	-	-
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(2)	-	-
Profit attributable to owners of the parent company	14,325	4,782	42,474
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	14,325	4,782	42,474

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

	Thousands of shares	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Weighted-average number of ordinary shares	354,092	352,226
Effect of dilutive securities		
BIP trust for eligible officers	-	60
Diluted outstanding shares	354,092	352,286

	Thousands of shares	
	Three months ended September 30, 2016	Three months ended September 30, 2017
Weighted-average number of ordinary shares	352,300	352,228
Effect of dilutive securities		
BIP trust for eligible officers	-	80
Diluted outstanding shares	352,300	352,308

(Note) In the calculation of basic earnings per share and diluted earnings per share, because the shares of the Company held by BIP trust are accounted as treasury shares, the number of those shares are deducted from weighted-average number of common shares outstanding during the period.

## 10. Fair Value of Financial Instruments

### (1) Fair value measurement

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

#### (Derivatives)

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

#### (Equity securities and bonds receivable)

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

#### (Borrowings)

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

#### (Bonds issued)

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

#### (Lease obligations)

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

#### (Other)

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

**(2) Fair value hierarchy**

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

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities

Level 2: Fair value calculated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: Fair value calculated using valuation techniques including unobservable inputs for the assets and liabilities

Epson does not have any financial instruments for which there is significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.

The transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period.

**(A) Financial instruments measured at amortised cost**

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

FY2016: As of March 31, 2017

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

FY2017: As of September 30, 2017

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings (Note)	90,812	-	90,830	-	90,830
Bonds issued (Note)	89,668	-	89,769	-	89,769
Total	180,481	-	180,599	-	180,599

FY2017: As of September 30, 2017

	Thousands of U.S. dollars				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings (Note)	806,419	-	806,589	-	806,589
Bonds issued (Note)	796,289	-	797,167	-	797,167
Total	1,602,708	-	1,603,756	-	1,603,756

(Note) Current portion is included.

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

# SEIKO EPSON CORPORATION

## (B) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value was as follows:

FY2016: As of March 31, 2017

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

FY2017: As of September 30, 2017

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	151	-	151
Equity securities	13,101	-	2,726	15,828
<b>Total</b>	<b>13,101</b>	<b>151</b>	<b>2,726</b>	<b>15,980</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	-	3,626	-	3,626
<b>Total</b>	<b>-</b>	<b>3,626</b>	<b>-</b>	<b>3,626</b>

FY2017: As of September 30, 2017

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	1,340	-	1,340
Equity securities	116,339	-	24,207	140,546
<b>Total</b>	<b>116,339</b>	<b>1,340</b>	<b>24,207</b>	<b>141,886</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	-	32,199	-	32,199
<b>Total</b>	<b>-</b>	<b>32,199</b>	<b>-</b>	<b>32,199</b>

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

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2016	2017	2017
Balance as of April 1	2,054	2,498	22,182
Gains and losses			
Other comprehensive income	311	227	2,025
Other	(51)	-	-
Balance as of September 30	2,314	2,726	24,207

## *11. Contingencies*

### Material litigation

In general, litigation has uncertainties and it is difficult to make reliable judgments for the possibility of an outflow of resources embodying economic benefits and to estimate the financial effect.

Provisions are not recognised either if an outflow of resources embodying economic benefits is not probable or to estimate the financial effect is not practicable. Epson was contending the following material actions.

#### **(1) The liquid crystal display price-fixing cartel**

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

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

In June 2010, Epson Europe B.V. (“EEB”), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Repobel (“Reprobel”), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. After that, Repobel also brought a civil suit against EEB. As a result, these two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

## *12. Subsequent Events*

No material subsequent events were identified.

Supplementary Information

Consolidated Second Quarter ended September 30, 2017

Cautionary Statement

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

## 1. Revenue by division

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31,	Increase compared to year ended March 31, 2017
	2016	2017		2018	%
Printing Solutions	318.6	342.0	7.4%	722.0	5.2%
Printers	222.0	238.8	7.5%	519.0	7.8%
Professional Printing	88.9	95.7	7.7%	186.0	(1.4%)
Other	8.3	8.2	(1.4%)	18.0	(2.4%)
Inter-segment revenue	(0.7)	(0.6)	-%	(1.0)	-%
Visual Communications	87.7	99.1	13.1%	191.0	6.3%
Wearable & Industrial Products	81.0	86.3	6.5%	163.0	2.8%
Wearable Products	27.9	26.6	(4.7%)	48.0	(5.5%)
Robotics Solutions	7.8	13.4	71.4%	22.0	30.0%
Microdevices, Other	48.2	49.5	2.7%	98.0	1.5%
Inter-segment revenue	(3.0)	(3.3)	-%	(5.0)	-%
Other	0.6	0.4	(29.5%)	1.0	(33.7%)
Corporate expenses & Eliminations	(0.4)	(0.7)	-%	(7.0)	-%
Consolidated revenue	487.5	527.3	8.2%	1,070.0	4.4%

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

## 2. Business segment information

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017			
<b>Printing Solutions</b>					
Revenue:					
External	318.5	341.9	7.4%	722.0	5.2%
Inter-segment	0.1	0.1	9.5%	0.0	-%
Total	318.6	342.0	7.4%	722.0	5.2%
Segment profit (loss)	33.9	35.9	5.9%	101.0	20.1%
<b>Visual Communications</b>					
Revenue:					
External	87.6	99.1	13.1%	191.0	6.3%
Inter-segment	0.0	0.0	(91.9%)	0.0	-%
Total	87.7	99.1	13.1%	191.0	6.3%
Segment profit (loss)	7.1	12.7	77.5%	21.0	30.1%
<b>Wearable &amp; Industrial Products</b>					
Revenue:					
External	77.2	81.9	6.2%	155.0	2.9%
Inter-segment	3.7	4.3	14.5%	8.0	1.6%
Total	81.0	86.3	6.5%	163.0	2.8%
Segment profit (loss)	3.9	4.7	20.1%	10.0	28.0%
<b>Other</b>					
Revenue:					
External	0.3	0.0	(72.2%)	0.0	-%
Inter-segment	0.3	0.3	9.8%	1.0	38.6%
Total	0.6	0.4	(29.5%)	1.0	(33.7%)
Segment profit (loss)	(0.2)	(0.2)	-%	(1.0)	-%
<b>Corporate expenses &amp; Eliminations</b>					
Revenue:					
External	3.8	4.1	7.8%	2.0	(73.0%)
Inter-segment	(4.2)	(4.8)	-%	(9.0)	-%
Total	(0.4)	(0.7)	-%	(7.0)	-%
Segment profit (loss)	(19.0)	(25.0)	-%	(52.0)	-%
<b>Consolidated</b>					
Revenue	487.5	527.3	8.2%	1,070.0	4.4%
Business profit (loss)	25.7	28.1	9.4%	79.0	20.0%

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

## 3. Revenue to overseas customers

(Unit: billion yen)

	Six months ended September 30,		Increase	Increase %
	2016	2017		
Overseas Revenue				
The Americas	139.6	159.9	20.2	14.5%
Europe	95.9	102.3	6.4	6.7%
Asia/Oceania	138.6	153.0	14.3	10.4%
Total	374.2	415.3	41.0	11.0%
Consolidated revenue	487.5	527.3	39.7	8.2%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	28.7	30.3		
Europe	19.7	19.4		
Asia/Oceania	28.4	29.0		
Total	76.8	78.8		

Note: 1. Overseas revenue is based on the location of the customers.

Principal countries and jurisdictions in each geographic segment are as follows.

2. Exports transacted through an intermediary such as trading companies are not included in overseas revenue.

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

## 4. Capital expenditure / Depreciation and amortisation

(Unit: billion yen)

	Six months ended September 30,			Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017	Increase %		
Capital expenditure	25.8	34.6	34.3%	76.0	0.9%
Printing Solutions	14.6	23.0	56.8%	43.0	(2.1%)
Visual Communications	3.8	4.7	22.1%	13.0	27.4%
Wearable & Industrial Products	3.1	4.1	32.1%	10.0	8.8%
Other / Corporate expenses	4.1	2.7	(32.7%)	10.0	(16.7%)
Depreciation and amortisation	20.8	24.0	15.3%	45.0	4.1%

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

## 5. Research and development

(Unit: billion yen)

	Six months ended September 30,		Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017			
Research and Development	26.2	24.4	(7.0%)	54.0	2.4%
R&D / revenue ratio	5.4%	4.6%		5.0%	

## 6. Management indices

(Unit: %)

	Six months ended September 30,		Increase Point	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 Point
	2016	2017			
ROE	4.1%	3.0%	(1.1)	11.3%	1.2
ROA (Business profit)	2.8%	2.8%	0.0	7.9%	1.0
ROA (Profit from operating activities)	3.0%	2.4%	(0.6)	7.6%	0.5
ROS (Business profit)	5.3%	5.3%	0.0	7.4%	1.0
ROS (Profit from operating activities)	5.7%	4.5%	(1.2)	7.1%	0.5

Note: 1.ROE=Profit for the period attributable to owners of the parent company / Beginning and ending balance average equity attributable to owners of the parent company

2.ROA(Business profit)=Business profit / Beginning and ending balance average total assets

3.ROA(Profit from operating activities)=Profit from operating activities / Beginning and ending balance average total assets

4.ROS(Business profit)= Business profit / Revenue

5.ROS(Profit from operating activities)= Profit from operating activities / Revenue

## 7. Foreign exchange fluctuation effect on revenue and business profit

(Unit: billion yen)

	Six months ended September 30,	
	2016	2017
Foreign exchange effect on revenue	(65.7)	21.5
U.S. dollars	(24.3)	8.7
Euro	(10.8)	4.9
Other	(30.5)	7.8
Foreign exchange effect on business profit	(15.5)	5.0
U.S. dollars	4.7	(2.4)
Euro	(7.5)	3.0
Other	(12.7)	4.3
Exchange rate		
Yen / U.S. dollars	105.29	111.04
Yen / Euro	118.15	126.24

Note: Foreign exchange effect = (Foreign currency revenue or business profit for the period) x (Average exchange rate for the period – Average exchange rate for the same prior period)

## 8. Inventory

(Unit: billion yen)

	September 30, 2016	March 31, 2017	September 30, 2017	Increase compared to March 31, 2017
Inventory	196.6	208.5	233.9	25.4
Printing Solutions	111.2	114.4	132.2	17.8
Visual Communications	42.0	46.9	52.6	5.7
Wearable & Industrial Products	42.6	46.3	47.6	1.3
Other / Corporate expenses	0.7	0.7	1.3	0.5
(Unit: day)				
Turnover by days	74	74	81	7
Printing Solutions	64	61	71	10
Visual Communications	88	95	97	2
Wearable & Industrial Products	96	107	101	(6)
Other / Corporate expenses	30	31	60	29

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

## 9. Employees

(Unit: person)

	September 30, 2016	March 31, 2017	September 30, 2017	Increase compared to March 31, 2017
Number of employees at period end	73,340	72,420	80,928	8,508
Domestic	19,221	19,175	19,616	441
Overseas	54,119	53,245	61,312	8,067