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**CONSOLIDATED RESULTS FOR  
THE SECOND QUARTER ENDED SEPTEMBER 30, 2014 (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, 2014
	2013	2014		
Revenue	¥471,371	¥512,807	8.8%	\$4,685,308
Business profit (Note)	33,570	50,910	51.7%	465,144
Profit from operating activities	30,433	78,582	158.2%	717,971
Profit before tax	29,523	80,618	173.1%	736,573
Profit for the period	19,897	65,684	230.1%	600,127
Profit for the period attributable to owners of the parent company	19,844	65,587	230.5%	599,241
Total comprehensive income for the period	¥35,574	¥87,302	145.4%	\$797,642
Basic earnings per share (in ¥1, \$1 unit)	¥110.93	¥366.63		\$3.35
Diluted earnings per share (in ¥1, \$1 unit)	-	-		-

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

**Quarterly Condensed Consolidated Statement of Financial Position**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2014	September 30, 2014	September 30, 2014
Total assets	¥908,890	¥963,874	\$8,806,523
Total equity	364,757	445,341	4,068,899
Equity attributable to owners of the parent company	¥362,371	¥442,786	\$4,045,555
Equity attributable to owners of the parent company ratio (%)	39.9%	45.9%	45.9%

**Quarterly Condensed Consolidated Statements of Cash Flows**

	Millions of yen		Change	Thousands of U.S. dollars
	Six months ended September 30			Six months ended September 30, 2014
	2013	2014		
Net cash provided by (used in) operating activities	¥37,586	¥39,243	4.4%	\$358,547
Net cash provided by (used in) investing activities	(20,831)	(24,041)	-%	(219,652)
Net cash provided by (used in) financing activities	(11,015)	(19,000)	-%	(173,595)
Cash and cash equivalents at end of period	¥195,069	¥214,470	9.9%	\$1,959,524

## Notes

- I. Quarterly Condensed Consolidated Financial Statements were disclosed according to IFRS from the three months ended June 30, 2014.
- II. Figures in 'Change' column are comparisons with the same period of the previous year.
- III. Diluted earnings per share is presented only if there are dilutive factors present.
- IV. Equity attributable to owners of the parent company is equity excluding non-controlling interest in subsidiaries.
- V. 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 ¥109.45 = U.S.\$1 as of September 30, 2014 has been used for the purpose of presentation.

## Operating Performance Highlights and Financial Condition

### **Fiscal 2014 First-Half (April 1 to September 30, 2014) Overview**

The global economy basically continued to gradually head toward recovery in the first half of the year under review. The U.S. economy, boosted by lower unemployment and higher personal spending, continued its upswing. Although there are geopolitical risks and other causes for concern, the European economy as a whole appears to be rallying back, with manufacturing picking up and signs of improvement in the still-high unemployment rate. Asia has continued to gradually recover, but there is a growing sense of uncertainty due to a slowing of the pace of economic expansion in China and stagnation across the ASEAN economic community as a whole. Japan's economy as a whole continued to register signs of a gradual recovery, although a spending rush in advance of a consumption tax hike in April produced a backlash that resulted in weakness in some sectors.

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

The demand for inkjet printers remained firm in Europe but contracted in Japan due to a delayed recovery in personal spending following the consumption tax hike. Demand also decreased slightly in North America. Demand for large-format printers decreased somewhat in Japan but was flat in Europe. Meanwhile, demand trended upward in China and remained firm in the U.S. Demand for serial-impact dot-matrix (SIDM) printers shrank in the Americas, Europe, and in China, where demand for these printers, which are used in tax collection systems, temporarily ran 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 grew in the Americas and Europe heading into the FIFA World Cup. Demand was also firm in China and other parts of Asia.

Demand from mobile phone manufacturers, the main consumers of Epson's electronic devices, was mixed. While orders for devices used in smartphones were firm, orders for devices used in feature phones continued to decelerate. In the PC market, tablet sales were firm, but demand for notebook and desktop models declined somewhat. In the digital camera market demand for MILC (mirrorless interchangeable-lens camera) models was firm, but sales of compact camera and SLR (single-lens reflex) remained weak.

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. Demand remained firm in other markets outside Asia. Industrial robot demand increased primarily in the smartphone and automotive sectors, while demand for IC handlers was also firm.

At the start of the 2013 fiscal year Epson began working under an updated three-year plan called the SE15 Updated Second-Half Mid-Range Business Plan (FY2013-15). 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 profit 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. 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.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first half of the year were ¥103.04 and ¥138.91, respectively. This represents a 4% depreciation in the value of the yen against the dollar and a 7% depreciation in the value of the yen against the euro compared to the same period last year.

First-half revenue was ¥512.8 billion (\$4,685,308 thousand), up 8.8% year over year. Business profit was ¥50.9 billion (\$465,144 thousand), up 51.7% year over year. Profit from operating activities was ¥78.5 billion (\$717,971 thousand), up 158.2% year over year. Profit for the period was ¥65.6 billion (\$600,127 thousand), up 230.1% year over year.

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

## **Information-Related Equipment Segment**

Revenue in the printing systems business increased.

The inkjet printer business reported revenue growth. Although unit shipments of ink cartridge printers declined, printer revenue grew due to increased shipments of high-capacity ink tank models and higher average selling prices. Revenue from consumables also rose owing to the effects of improvement in the composition of the install base. Revenue in the inkjet printer business as a whole was also boosted by foreign exchange effects. Large-format printer revenue was driven up by unit growth in Asia and foreign exchange effects. Page printer revenue decreased due to a decline in consumables volume. SIDM printer revenue fell. Although revenue benefited from foreign exchange effects, it fell because Chinese demand for SIDM printers, which are used in tax collection systems, has temporarily run its course and because unit shipments declined in the Americas and Europe. POS system product revenue increased because of unit shipment growth in Europe and foreign exchange effects.

Revenue in the visual communications business increased.

Business 3LCD projector revenue increased as a result of unit shipment growth in Asia and the Americas and foreign exchange effects. Home-theater 3LCD projector revenue also increased, driven higher by unit shipment growth in all major markets.

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 ¥422.9 billion (\$3,864,770 thousand), up 10.3% year over year. Segment profit was ¥67.7 billion (\$618,683 thousand), up 59.0% year over year.

## **Devices & Precision Products Segment**

Revenue in the microdevices business increased.

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.

Revenue in the precision products business increased. Contributing factors included premium watch unit growth, which boosted average selling prices, and foreign exchange effects.

Segment profit in the devices and precision products segment decreased despite beneficial foreign

exchange effects across the segment due to the effects of falling prices for crystal devices.

As a result of the foregoing factors, revenue in the devices and precision products segment was ¥79.4 billion (\$725,536 thousand), up 3.8% year over year. Segment profit was ¥7.1 billion (\$65,043 thousand), down 13.2% year over year.

## **Sensing & Industrial Solutions Segment**

Revenue in the sensing and industrial solutions segment increased.

In factory automation systems, industrial robot revenue growth was driven by orders from Asia, while IC handler revenue growth was fueled by orders from smartphone chip manufacturers.

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 ¥12.8 billion (\$117,067 thousand), up 82.7% year over year. Segment loss was ¥4.0 billion (\$36,783 thousand), compared to a segment loss of ¥4.7 billion in the same period last year.

## **Other**

First-half revenue in the Other segment was ¥0.6 billion (\$5,673 thousand), up 12.1% year over year. Segment loss was ¥0.1 billion (\$1,799 thousand), the same level recorded in the same period last year.

## **Adjustments**

Adjustments to total profit of reporting segments amounted to negative ¥19.7 billion (\$180,000 thousand), compared to negative ¥12.3 billion in adjustments in the same period last year. The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

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

Total assets at the end of the second quarter were ¥963.8 billion (\$8,806,523 thousand), an increase of ¥54.9 billion from the previous fiscal year end. This increase was primarily due to a ¥34.8 billion increase in inventories, a ¥13.6 billion increase in trade and other receivables, and a ¥2.9 billion increase in cash and cash equivalents.

Total liabilities were ¥518.5 billion (\$4,737,624 thousand), down ¥25.5 billion compared to the end of the last fiscal year. While trade and other payables increased by ¥12.4 billion, total liabilities decreased mainly because of a ¥36.9 billion decrease in net defined benefit liabilities accompanying changes to Epson's defined-benefit plan for employees in Japan and because of a ¥9.6 billion decrease in other financial liabilities associated with a decrease in bonds payable.

The equity attributable to owners of the parent company totaled ¥442.7 billion (\$4,045,555 thousand), an ¥80.4 billion increase compared to the previous fiscal year end. This was primarily due to a ¥66.2 billion increase in retained earnings and a ¥14.1 billion increase in other components of equity, including a change in the foreign currency translation adjustment associated with the depreciation of the yen.

## Qualitative Information Regarding the Consolidated Financial Outlook

Given the recent trend of financial results, Epson revised its full-year consolidated financial outlook. Details were released today in an announcement.

The figures for the third quarter onward are based on assumed exchange rates of 100.00 yen to the U.S. dollar and 135.00 yen to the euro.

Epson's financial outlook for the 2014 fiscal year is presented below.

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

	(Reference)	Previous Outlook	Current Outlook	Change	
	FY2013 Full-Year Result				
Revenue	¥1,008.4 billion	¥1,040.0 billion	¥1,060.0 billion	+¥20.0 billion	(+1.9%)
Business profit	¥90.0 billion	¥92.0 billion	¥105.0 billion	+¥13.0 billion	(+14.1%)
Profit from operating activities	¥79.5 billion	¥120.0 billion	¥132.0 billion	+¥12.0 billion	(+10.0%)
Profit before tax	¥77.9 billion	¥119.0 billion	¥132.0 billion	+¥13.0 billion	(+10.9%)
Profit for the year	¥84.4 billion	¥100.0 billion	¥111.0 billion	+¥11.0 billion	(+11.0%)
Profit for the year attributable to owners of the parent company	¥84.2 billion	¥100.0 billion	¥111.0 billion	+¥11.0 billion	(+11.0%)
Foreign exchange rate	\$1USD = ¥100.23	\$1USD = ¥100.00	\$1USD = ¥102.00		
	1 euro = ¥134.37	1 euro = ¥136.00	1 euro = ¥137.00		

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of
		March 31, 2014	September 30, 2014	U.S. dollars September 30, 2014
<b>Assets</b>				
Current assets				
Cash and cash equivalents	10	¥211,510	¥214,470	\$1,959,524
Trade and other receivables	10	154,309	167,958	1,534,563
Inventories		181,581	216,401	1,977,167
Income tax receivables		2,284	1,561	14,262
Other financial assets	10	505	777	7,099
Other current assets		10,452	11,291	103,191
<b>Total current assets</b>		<b>560,645</b>	<b>612,461</b>	<b>5,595,806</b>
Non-current assets				
Property, plant and equipment		222,556	219,825	2,008,451
Intangible assets		18,947	18,529	169,291
Investment properties		10,273	12,686	115,906
Investments accounted for using the equity method		3,858	4,093	37,396
Net defined benefit assets		10	29	264
Other financial assets	10	21,881	24,220	221,288
Other non-current assets		2,931	5,097	46,619
Deferred tax assets		67,786	66,929	611,502
<b>Total non-current assets</b>		<b>348,245</b>	<b>351,413</b>	<b>3,210,717</b>
<b>Total assets</b>		<b>¥908,890</b>	<b>¥963,874</b>	<b>\$8,806,523</b>

# SEIKO EPSON CORPORATION

	Notes	Millions of yen		Thousands of
		March 31, 2014	September 30, 2014	U.S. dollars September 30, 2014
<b>Liabilities and equity</b>				
Liabilities				
Current liabilities				
Trade and other payables	10	¥123,463	¥135,930	\$1,241,936
Income tax payables		13,689	14,902	136,153
Other financial liabilities	6,10	82,471	102,605	937,460
Provisions		22,397	24,646	225,180
Other current liabilities		94,064	99,046	904,972
<b>Total current liabilities</b>		<b>336,087</b>	<b>377,132</b>	<b>3,445,701</b>
Non-current liabilities				
Other financial liabilities	6,10	141,942	112,193	1,025,061
Net defined benefit liabilities		56,362	19,383	177,094
Provisions		5,401	6,311	57,661
Other non-current liabilities		3,698	2,875	26,297
Deferred tax liabilities		640	636	5,810
<b>Total non-current liabilities</b>		<b>208,045</b>	<b>141,400</b>	<b>1,291,923</b>
<b>Total liabilities</b>		<b>544,132</b>	<b>518,533</b>	<b>4,737,624</b>
Equity				
Share capital		53,204	53,204	486,103
Capital surplus		84,321	84,321	770,406
Treasury shares		(20,457)	(20,461)	(186,943)
Other components of equity		49,716	63,867	583,518
Retained earnings		195,587	261,856	2,392,471
<b>Equity attributable to owners of the parent company</b>		<b>362,371</b>	<b>442,786</b>	<b>4,045,555</b>
Non-controlling interests		2,385	2,554	23,344
<b>Total equity</b>		<b>364,757</b>	<b>445,341</b>	<b>4,068,899</b>
<b>Total liabilities and equity</b>		<b>¥908,890</b>	<b>¥963,874</b>	<b>\$8,806,523</b>



# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income

### Six months ended September 30, 2013 and 2014:

	Notes	Millions of yen		Thousands of U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2013	2014	2014
Revenue	5	¥471,371	¥512,807	\$4,685,308
Cost of sales		(312,365)	(325,292)	(2,972,060)
Gross profit		159,006	187,515	1,713,248
Selling, general and administrative expenses		(125,435)	(136,605)	(1,248,104)
Other operating income	8	3,582	32,751	299,232
Other operating expenses		(6,719)	(5,079)	(46,405)
Profit from operating activities		30,433	78,582	717,971
Finance income		1,325	2,930	26,770
Finance costs		(2,285)	(1,000)	(9,136)
Share of profit of investments accounted for using the equity method		49	106	968
Profit before tax		29,523	80,618	736,573
Income taxes		(7,445)	(14,682)	(134,143)
Profit from continuing operations		22,077	65,936	602,430
Loss from discontinued operations		(2,180)	(251)	(2,303)
Profit for the period		19,897	65,684	600,127
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		4,593	7,300	66,697
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		1,338	1,300	11,886
Subtotal		5,932	8,601	78,583
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		8,249	12,068	110,281
Net changes in fair value of cash flow hedges		1,429	830	7,583
Share of other comprehensive income of investments accounted for using the equity method		66	117	1,068
Subtotal		9,745	13,015	118,932
Total Other comprehensive income, net of tax		15,677	21,617	197,515
Total comprehensive income for the period		¥35,574	¥87,302	\$797,642

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars	
	Six months ended September 30,		Six months ended September 30,	
	Notes	2013	2014	2014
Profit for the period attributable to:				
Owners of the parent company		¥19,844	¥65,587	\$599,241
Non-controlling interests		52	97	886
<b>Profit for the period</b>		<b>¥19,897</b>	<b>¥65,684</b>	<b>\$600,127</b>
Total comprehensive income for the period attributable to:				
Owners of the parent company		¥35,418	¥87,038	\$795,230
Non-controlling interests		155	264	2,412
<b>Total comprehensive income for the period</b>		<b>¥35,574</b>	<b>¥87,302</b>	<b>\$797,642</b>

	Notes	Yen		U.S. dollars
		Six months ended September 30,		Six months ended September 30,
		2013	2014	2014
Earnings (loss) per share for the period:				
Basic earnings (loss) per share for the period	9	¥110.93	¥366.63	\$3.35
Earnings (loss) per share from continuing operations for the period:				
Basic earnings (loss) per share for the period	9	¥123.11	¥368.04	\$3.36
Earnings (loss) per share from discontinued operations for the period:				
Basic earnings (loss) per share for the period	9	(¥12.19)	(¥1.41)	(\$0.01)

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended September 30, 2013 and 2014:

	Notes	Millions of yen		Thousands of U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2013	2014	2014
Revenue	5	¥249,367	¥266,549	\$2,435,349
Cost of sales		(161,503)	(168,416)	(1,538,748)
Gross profit		87,863	98,133	896,601
Selling, general and administrative expenses		(63,966)	(70,733)	(646,258)
Other operating income		1,791	944	8,624
Other operating expenses		(2,601)	(4,382)	(40,036)
Profit from operating activities		23,088	23,962	218,931
Finance income		1,056	2,360	21,562
Finance costs		(1,164)	(491)	(4,486)
Share of profit of investments accounted for using the equity method		29	45	411
Profit before tax		23,010	25,876	236,418
Income taxes		(7,935)	(6,669)	(60,941)
Profit from continuing operations		15,074	19,206	175,477
Loss from discontinued operations		(160)	(118)	(1,087)
Profit for the period		14,914	19,087	174,390
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		3,093	3,478	31,777
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		836	714	6,523
Subtotal		3,929	4,192	38,300
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		(941)	16,457	150,372
Net changes in fair value of cash flow hedges		553	71	648
Share of other comprehensive income of investments accounted for using the equity method		26	130	1,187
Subtotal		(360)	16,658	152,207
Total Other comprehensive income, net of tax		3,568	20,851	190,507
Total comprehensive income for the period		¥18,482	¥39,938	\$364,897

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars	
	Three months ended September 30,		Three months ended September 30,	
	Notes	2013	2014	
Profit for the period attributable to:				
Owners of the parent company		¥14,830	¥18,995	\$173,550
Non-controlling interests		83	92	840
<b>Profit for the period</b>		<b>¥14,914</b>	<b>¥19,087</b>	<b>\$174,390</b>
Total comprehensive income for the period attributable to:				
Owners of the parent company		¥18,411	¥39,642	\$362,202
Non-controlling interests		71	295	2,695
<b>Total comprehensive income for the period</b>		<b>¥18,482</b>	<b>¥39,938</b>	<b>\$364,897</b>

	Notes	Yen		U.S. dollars
		Three months ended September 30,		Three months ended September 30,
		2013	2014	2014
Earnings (loss) per share for the period:				
Basic earnings (loss) per share for the period	9	¥82.90	¥106.18	\$0.97
Earnings (loss) per share from continuing operations for the period:				
Basic earnings (loss) per share for the period	9	¥83.80	¥106.85	\$0.98
Earnings (loss) per share from discontinued operations for the period:				
Basic earnings (loss) per share for the period	9	(¥0.89)	(¥0.66)	(\$0.01)

**Quarterly Condensed Consolidated Statement of Changes in Equity**

**Six months ended September 30, 2013 and 2014:**

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, 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	—	—	—	—	—	—	—	—	19,844	19,844	52	19,897
Other comprehensive income (loss)	—	—	—	¥4,593	1,368	8,182	1,429	15,574	—	15,574	102	15,677
Total comprehensive income (loss) for the period	—	—	—	4,593	1,368	8,182	1,429	15,574	19,844	35,418	155	35,574
Acquisition of treasury shares	—	—	(0)	—	—	—	—	—	—	(0)	—	(0)
Dividends	—	—	—	—	—	—	—	—	(1,252)	(1,252)	(110)	(1,362)
Transfer from other components of equity to retained earnings	—	—	—	(4,593)	—	—	—	(4,593)	4,593	—	—	—
Total transactions with the owners	—	—	(0)	(¥4,593)	—	—	—	(4,593)	3,341	(1,252)	(110)	(1,362)
As of September 30, 2013	¥53,204	¥84,321	(¥20,454)	—	¥3,835	¥33,968	¥134	¥37,939	¥125,062	¥280,072	¥2,109	¥282,181

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

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, 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	—	—	—	—	—	—	—	—	65,587	65,587	97	65,684
Other comprehensive income (loss)	—	—	—	¥7,300	1,367	11,952	830	21,450	—	21,450	166	21,617
Total comprehensive income (loss) for the period	—	—	—	7,300	1,367	11,952	830	21,450	65,587	87,038	264	87,302
Acquisition of treasury shares	—	—	(3)	—	—	—	—	—	—	(3)	—	(3)
Dividends	—	—	—	—	—	—	—	—	(6,618)	(6,618)	(95)	(6,714)
Transfer from other components of equity to retained earnings	—	—	—	(7,300)	—	—	—	(7,300)	7,300	—	—	—
Total transactions with the owners	—	—	(3)	(¥7,300)	—	—	—	(7,300)	681	(6,622)	(95)	(6,718)
As of September 30, 2014	¥53,204	¥84,321	(¥20,461)	—	¥6,699	¥56,999	¥168	¥63,867	¥261,856	¥442,786	¥2,554	¥445,341

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars												
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, 2014	\$486,103	\$770,406	(\$186,916)	—	\$48,717	\$411,558	(\$6,049)	\$454,226	\$1,786,998	\$3,310,817	\$21,819	\$3,332,636
Profit (loss) for the period	—	—	—	—	—	—	—	—	599,241	599,241	886	600,127
Other comprehensive income (loss)	—	—	—	\$66,697	12,489	109,220	7,583	195,989	—	195,989	1,526	197,515
Total comprehensive income (loss) for the period	—	—	—	66,697	12,489	109,220	7,583	195,989	599,241	795,230	2,412	797,642
Acquisition of treasury shares	—	—	(27)	—	—	—	—	—	—	(27)	—	(27)
Dividends	—	—	—	—	—	—	—	—	(60,465)	(60,465)	(887)	(61,352)
Transfer from other components of equity to retained earnings	—	—	—	(66,697)	—	—	—	(66,697)	66,697	—	—	—
Total transactions with the owners	—	—	(27)	(\$66,697)	—	—	—	(66,697)	6,232	(60,492)	(887)	(61,379)
As of September 30, 2014	\$486,103	\$770,406	(\$186,943)	—	\$61,206	\$520,778	\$1,534	\$583,518	\$2,392,471	\$4,045,555	\$23,344	\$4,068,899

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statements of Cash Flows

### Six months ended September 30, 2013 and 2014:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended
	2013	2014	September 30, 2014
Cash flows from operating activities			
Profit for the period	¥19,897	¥65,684	\$600,127
Depreciation and amortization	20,463	21,865	199,771
Impairment loss	671	2,140	19,552
Finance (income) costs, net	960	(1,929)	(17,634)
Share of (profit) loss of investments accounted for using the equity method	(49)	(106)	(968)
Loss (gain) on sales and disposal of fixed assets, net	229	303	2,768
Income taxes	7,445	14,682	134,143
Loss on litigation	1,807	-	-
Decrease (increase) in trade and other receivables	(2,445)	(6,831)	(62,412)
Decrease (increase) in inventories	(7,527)	(25,944)	(237,039)
Increase (decrease) in trade and other payables	14,794	12,970	118,501
Increase (decrease) in net defined benefit liabilities	(2,730)	(27,115)	(247,738)
Other, net	(7,025)	(4,309)	(39,368)
Subtotal	46,491	51,409	469,703
Interest and dividend income received	1,515	1,296	11,841
Interest expenses paid	(1,379)	(770)	(7,035)
Payments for loss on litigation	(3,822)	(191)	(1,745)
Income taxes paid	(5,217)	(12,500)	(114,217)
Net cash provided by (used in) operating activities	37,586	39,243	358,547
Cash flows from investing activities			
Purchase of property, plant and equipment	(18,314)	(18,848)	(172,206)
Proceeds from sales of property, plant and equipment	207	118	1,078
Purchase of intangible assets	(2,826)	(2,148)	(19,625)
Purchase of investments in subsidiaries	-	(639)	(5,838)
Other, net	101	(2,523)	(23,061)
Net cash provided by (used in) investing activities	(20,831)	(24,041)	(219,652)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payables	(24,459)	(2,106)	(19,241)
Repayments of long-term loans payables	(5,000)	-	-
Proceeds from issuance of bonds payable	20,000	10,000	91,365
Redemption of bonds payable	-	(20,000)	(182,731)
Payments of lease obligations	(192)	(176)	(1,608)
Dividends paid	(1,252)	(6,618)	(60,465)
Dividends paid to non-controlling interests	(110)	(95)	(888)
Purchase of treasury shares	(0)	(3)	(27)
Net cash provided by (used in) financing activities	(11,015)	(19,000)	(173,595)
Effect of exchange rate changes on cash and cash equivalents	4,675	6,758	61,744
Net increase (decrease) in cash and cash equivalents	10,415	2,959	27,044
Cash and cash equivalents at beginning of period	184,654	211,510	1,932,480
Cash and cash equivalents at end of period	¥195,069	¥214,470	\$1,959,524

## Notes to Quarterly Condensed Consolidated Financial Statements

### 1. Reporting Entity

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

### 2. Basis of Preparation

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

The quarterly condensed consolidated financial statements of Epson do not contain all the information required in annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended March 31, 2014.

### 3. Changes in Accounting Policies and Changes in Accounting Estimates

The significant accounting policies adopted for the quarterly condensed consolidated financial statements of Epson are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2014 except for the following.

(1) Income taxes for the six months ended September 30, 2014 were computed based on an estimated average annual effective income tax rate.

(2) The following are the accounting standards and interpretations applied by Epson from the three months ended June 30, 2014, in compliance with each transitional provision. These standards and interpretations did not have a material impact on the quarterly condensed consolidated financial statements of Epson.

IFRS		Summaries of new or amended IFRS standards or interpretations
IFRS 10	Consolidated Financial Statement	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

### 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, 2014. 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, 2014. 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 recognized in the period of the change and its subsequent periods. Estimates and assumptions having a significant effects on the amounts recognized in Epson’s quarterly condensed consolidated financial statements are consistent with those for the fiscal year ended March 31, 2014.



# SEIKO EPSON CORPORATION

## 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 its 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: “Information-related equipment,” “Devices & precision products,” and “Sensing & industrial solutions”. They are determined by types of products, characteristics, 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.

Six months ended September 30, 2013

	Millions of yen						Consolidated
	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions				
<b>Revenue</b>							
External revenue	¥383,462	¥74,253	¥6,931	¥464,647	¥357	¥6,365	¥471,371
Inter-segment revenue	186	2,286	82	2,555	196	(2,752)	-
<b>Total revenue</b>	<b>383,648</b>	<b>76,540</b>	<b>7,013</b>	<b>467,203</b>	<b>554</b>	<b>3,613</b>	<b>471,371</b>
<b>Segment profit (loss)</b>							
(Business profit (loss)) (Note 1)	¥42,587	¥8,204	(¥4,760)	¥46,031	(¥151)	(¥12,309)	33,570
Other operating income (expenses)							(3,136)
<b>Profit from operating activities</b>							<b>30,433</b>
Finance income (costs)							(960)
Share of profit (loss) of investments accounted for using the equity method							49
<b>Profit before tax</b>							<b>¥29,523</b>

# SEIKO EPSON CORPORATION

(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) The intra-group services business was categorized within “Other”.

(Note 3) Adjustments to business profit of (¥12,309) million comprised “Eliminations” of ¥74 million and “Corporate expenses” of (¥12,383) 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.

Six months ended September 30, 2014

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Millions of yen							
Revenue							
External revenue	¥422,715	¥76,534	¥12,702	¥511,953	¥331	¥522	¥512,807
Inter-segment revenue	281	2,876	110	3,268	290	(3,559)	-
Total revenue	422,997	79,410	12,813	515,222	621	(3,036)	512,807
Segment profit (loss) (Business profit (loss)) (Note 1)	¥67,715	¥7,119	(¥4,026)	¥70,808	(¥196)	(¥19,701)	50,910
Other operating income (expenses)							27,672
Profit from operating activities							78,582
Finance income (costs)							1,929
Share of profit (loss) of investments accounted for using the equity method							106
Profit before tax							¥80,618

(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) The intra-group services business was categorized within “Other”.

(Note 3) Adjustments to business profit of (¥19,701) million comprised “Eliminations” of ¥78 million and “Corporate expenses” of (¥19,780) 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.

# SEIKO EPSON CORPORATION

Six months ended September 30, 2014

Thousands of US dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions				
Revenue							
External revenue	\$3,862,194	\$699,260	\$116,061	\$4,677,515	\$3,024	\$4,769	\$4,685,308
Inter-segment revenue	2,576	26,276	1,006	29,858	2,649	(32,507)	-
Total revenue	<u>3,864,770</u>	<u>725,536</u>	<u>117,067</u>	<u>4,707,373</u>	<u>5,673</u>	<u>(27,738)</u>	<u>4,685,308</u>
Segment profit (loss) (Business profit (loss)) (Note 1)	<u>\$618,683</u>	<u>\$65,043</u>	<u>(\$36,783)</u>	<u>\$646,943</u>	<u>(\$1,799)</u>	<u>(\$180,000)</u>	<u>465,144</u>
Other operating income (expenses)							252,827
Profit from operating activities							717,971
Finance income (costs)							17,634
Share of profit (loss) of investments accounted for using the equity method							968
Profit before tax							<u>\$736,573</u>

(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) The intra-group services business was categorized within "Other".

(Note 3) Adjustments to business profit of (\$180,000) thousand comprised "Eliminations" of \$712 thousand and "Corporate expenses" of (\$180,712) 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.

# SEIKO EPSON CORPORATION

Three months ended September 30, 2013

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions				
Revenue							
External revenue	¥201,014	¥38,569	¥3,323	¥242,907	¥203	¥6,256	¥249,367
Inter-segment revenue	106	1,207	58	1,373	97	(1,470)	-
Total revenue	201,120	39,777	3,381	244,280	300	4,786	249,367
Segment profit (loss) (Business profit (loss)) (Note 1)	¥26,176	¥4,171	(¥2,693)	¥27,654	(¥56)	(¥3,700)	23,897
Other operating income (expenses)							(809)
Profit from operating activities							23,088
Finance income (costs)							(107)
Share of profit (loss) of investments accounted for using the equity method							29
Profit before tax							¥23,010

(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) The intra-group services business was categorized within "Other".

(Note 3) Adjustments to business profit of (¥3,700) million comprised "Eliminations" of ¥37 million and "Corporate expenses" of (¥3,737) 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.

# SEIKO EPSON CORPORATION

Three months ended September 30, 2014

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Millions of yen							
Revenue							
External revenue	¥221,042	¥38,973	¥6,016	¥266,032	¥174	¥342	¥266,549
Inter-segment revenue	126	1,502	60	1,689	143	(1,832)	-
Total revenue	221,168	40,476	6,076	267,721	318	(1,490)	266,549
Segment profit (loss) (Business profit (loss)) (Note 1)	¥37,495	¥2,813	(¥2,251)	¥38,056	(¥64)	(¥10,591)	27,399
Other operating income (expenses)							(3,437)
Profit from operating activities							23,962
Finance income (costs)							1,868
Share of profit (loss) of investments accounted for using the equity method							45
Profit before tax							¥25,876

(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) The intra-group services business was categorized within "Other".

(Note 3) Adjustments to business profit of (¥10,591) million comprised "Eliminations" of ¥42 million and "Corporate expenses" of (¥10,634) 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.

# SEIKO EPSON CORPORATION

Three months ended September 30, 2014

Thousands of US dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information- related equipment	Devices & precision products	Sensing & Industrial Solutions				
Revenue							
External revenue	\$2,019,581	\$356,080	\$54,965	\$2,430,626	\$1,598	\$3,125	\$2,435,349
Inter-segment revenue	1,151	13,732	548	15,431	1,307	(16,738)	-
Total revenue	2,020,732	369,812	55,513	2,446,057	2,905	(13,613)	2,435,349
Segment profit (loss) (Business profit (loss)) (Note 1)	\$342,567	\$25,701	(\$20,566)	\$347,702	(\$594)	(\$96,765)	250,343
Other operating income (expenses)							(31,412)
Profit from operating activities							218,931
Finance income (costs)							17,076
Share of profit (loss) of investments accounted for using the equity method							411
Profit before tax							\$236,418

(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) The intra-group services business was categorized within "Other".

(Note 3) Adjustments to business profit of (\$96,765) thousand comprised "Eliminations" of \$383 thousand and "Corporate expenses" of (\$97,148) 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.

# SEIKO EPSON CORPORATION

## 6. Other Financial Liabilities

The breakdown of Other financial liabilities was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2014	September 30, 2014	September 30, 2014
Derivative financial liabilities	¥2,296	¥1,706	\$15,587
Short-term loans payable	57,945	58,847	537,661
Current portion of long-term loans payable	1,999	1,999	18,264
Current portion of bonds payable	19,993	39,953	365,034
Long-term loans payable	50,501	50,502	461,416
Bonds payable (Note 1) (Note 2)	89,772	59,821	546,560
Other	1,904	1,968	17,999
<b>Total</b>	<b>¥224,413</b>	<b>¥214,799</b>	<b>\$1,962,521</b>
Current liabilities	¥82,471	¥102,605	\$937,460
Non-current liabilities	141,942	112,193	1,025,061
<b>Total</b>	<b>¥224,413</b>	<b>¥214,799</b>	<b>\$1,962,521</b>

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 payable and loans payable were classified as financial liabilities measured at amortized cost. There were no financial covenants on bonds payable and loans payable that had a significant impact on Epson's financing activities.

### (Note 1) Issuance of bonds payable

The bonds payable issued for the six months ended September 30, 2013, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance
			%		Millions of yen
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 Company	The 11th Series unsecured straight bonds (with inter-bond pari passu clause)	September 11, 2013	0.57	September 11, 2018	¥10,000

The bonds payable issued for the six months ended September 30, 2014, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance	Total amount of issuance
			%		Millions of yen	Thousands of U.S. dollars
The Company	The 12th Series unsecured straight bonds (with inter-bond pari passu clause)	June 13, 2014	0.35	June 13, 2019	¥10,000	\$91,365

# SEIKO EPSON CORPORATION

(Note 2) Redemption of bonds payable

There were not any redeemed bonds payable for the six months ended September 30, 2013.

The bonds payable redeemed for the six months ended September 30, 2014, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance	Total amount of issuance
			%		Millions of yen	Thousands of U.S. dollars
The Company	The 6th Series unsecured straight bonds (with inter-bond pari passu clause)	June 14, 2011	0.49	June 13, 2014	¥20,000	\$182,731

7. Dividends

Dividends paid during the six months ended September 30, 2013 and 2014, were as follows:

Six months ended September 30, 2013

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Millions of yen	Yen		
Annual Shareholders Meeting (June 24, 2013)	Ordinary shares	¥1,252	¥7	March 31, 2013	June 25, 2013

Six months ended September 30, 2014

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

Six months ended September 30, 2014

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Thousands of U.S. dollars	U.S. dollars		
Annual Shareholders Meeting (June 24, 2014)	Ordinary shares	\$60,465	\$0.33	March 31, 2014	June 25, 2014

Dividends whose basis dates were in the six months ended September 30, 2013 and 2014, but effective dates were later than September 30, 2013 and 2014 were as follows:

Six months ended September 30, 2013

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Millions of yen	Yen		
Board of Directors (October 31, 2013)	Ordinary shares	¥2,325	¥13	September 30, 2013	December 6, 2013



## SEIKO EPSON CORPORATION

Six months ended September 30, 2014

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Millions of yen	Yen		
Board of Directors (October 31, 2014)	Ordinary shares	¥6,261	¥35	September 30, 2014	December 5, 2014

Six months ended September 30, 2014

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Thousands of U.S. dollars	U.S. dollars		
Board of Directors (October 31, 2014)	Ordinary shares	\$57,204	\$0.31	September 30, 2014	December 5, 2014

### 8. Other Operating Income

The breakdown of Other operating income for the three months ended September 30, 2013 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended
	2013	2014	September 30, 2014
Income from the amendment of defined benefit plan (Note)	-	¥30,071	\$274,746
Other	¥3,582	2,680	24,486
Total	¥3,582	¥32,751	\$299,232

(Note)As a result of revision to defined benefit plan, Epson recognize a ¥30,071 million (\$274,746 thousand) decline in expenses associated with past service costs at the company and certain domestic subsidiaries. This translates to a ¥30,071 million (\$274,746 thousand) increase in other operating income for the six months ended September 30, 2014.

# SEIKO EPSON CORPORATION

## 9. Earnings per Share

Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30, 2014
	2013	2014	
Profit from continuing operations attributable to owners of the parent company	¥22,024	¥65,838	\$601,544
Loss from discontinued operations attributable to owners of the parent company	(2,180)	(251)	(2,303)
Profit used for calculation of basic earnings per share	¥19,844	¥65,587	\$599,241

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30, 2014
	2013	2014	
Profit from continuing operations attributable to owners of the parent company	¥14,990	¥19,114	\$174,637
Loss from discontinued operations attributable to owners of the parent company	(160)	(118)	(1,087)
Profit used for calculation of basic earnings per share	¥14,830	¥18,995	\$173,550

### (2) Weighted-average number of ordinary shares outstanding

	Six months ended September 30, 2013	Six months ended September 30, 2014
	Thousands of shares	Thousands of shares
Weighted-average number of shares	178,892	178,890

  

	Three months ended September 30, 2013	Three months ended September 30, 2014
	Thousands of shares	Thousands of shares
Weighted-average number of shares	178,892	178,890

## 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.

#### (Investment securities and bonds)

When market values for investment securities are available, such values are used as the fair values. The fair values of the investment securities 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.

#### (Loans payable)

As short-term loans payable are settled on a short-term basis, the fair values approximate their carrying amounts. For long-term loans payable that are 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 long-term loans payable 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 payable)

The fair values of bonds payable are determined mainly based on market prices.

#### (Lease obligations)

Per each lease obligation classified per certain period, the fair values are calculated based on the present value of the total amount discounted by the interest rate, which took into account the period to maturity and the credit risk.

#### (Other)

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

# SEIKO EPSON CORPORATION

## (2) Fair values of financial instruments

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2014		September 30, 2014		September 30, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets measured at fair value</b>						
Derivative financial assets	¥169	¥169	¥377	¥377	\$3,444	\$3,444
Investment securities	16,784	16,784	18,531	18,531	169,310	169,310
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	211,510	211,510	214,470	214,470	1,959,524	1,959,524
Trade and other receivables	154,309	154,309	167,958	167,958	1,534,563	1,534,563
Bonds	103	103	112	112	1,023	1,023
Other receivables	5,329	5,329	5,976	5,976	54,610	54,610
<b>Financial liabilities measured at fair value</b>						
Derivative financial liabilities	2,296	2,296	1,706	1,706	15,587	15,587
<b>Financial liabilities measured at amortized cost</b>						
Trade and other payables	123,463	123,463	135,930	135,930	1,241,936	1,241,936
<b>Interest-bearing debt</b>						
Loans payable	110,446	110,631	111,349	111,502	1,017,341	1,018,748
Bonds payable	109,765	110,588	99,775	100,565	911,594	918,821
Lease obligations	340	340	199	199	1,818	1,818
Other payables	¥1,563	¥1,563	¥1,769	¥1,769	\$16,181	\$16,181

# SEIKO EPSON CORPORATION

## (3) Fair value hierarchy

The fair value hierarchies of financial instruments are categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at quoted market prices in active markets with respect to identical assets or liabilities

Level 2: Fair value calculated using inputs other than quoted market prices 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 doesn't 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 the fair value hierarchies are deemed to have occurred at the end of the reporting period.

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

March 31, 2014	Millions of yen			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	¥169	-	¥169
Investment securities	¥14,178	-	¥2,606	16,784
Total	¥14,178	169	¥2,606	16,953
Derivative financial liabilities	-	¥2,296	-	¥2,296

September 30, 2014	Millions of yen			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	¥377	-	¥377
Investment securities	¥15,958	-	¥2,573	18,531
Total	¥15,958	377	¥2,573	18,909
Derivative financial liabilities	-	¥1,706	-	¥1,706

September 30, 2014	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	\$3,444	-	\$3,444
Investment securities	\$145,801	-	\$23,509	169,310
Total	\$145,801	3,444	\$23,509	172,754
Derivative financial liabilities	-	\$15,587	-	\$15,587

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy for the six months ended September 30, 2014.

Movement of the financial instruments categorized within Level 3 of the fair value hierarchy was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2013	FY2014	FY2014
	(Apr.1 through Sep.30, 2013)	(Apr.1 through Sep.30, 2014)	(Apr.1 through Sep.30, 2014)
Balance as of April 1	¥2,731	¥2,606	\$23,810
Comprehensive income			
Other comprehensive income	(173)	(8)	(73)
Disposals	-	(25)	(228)
Balance as of September 30	¥2,558	¥2,573	\$23,509

## 11. Contingencies

### Material litigation

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

Provisions are not recognized either if an outflow of resources embodying economic benefits are 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 multiple countries, including 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 printer.

The organization for collecting copyright fees on behalf of copyright holders, Verwertungsgesellschaft Wort (“VG Wort”), 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. On 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. For specific copyright rates, they will be considered by the lower court of the Germany in future.

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. After that, Reprobel also brought a civil suit against EEB. As a result, These two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

12. Subsequent Events

No important subsequent events.

Supplementary Information

Consolidated Second Quarter ended September 30, 2014

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, 2015	Increase compared to year ended March 31, 2014 %
	2013	2014			
Information-related equipment	383.6	422.9	10.3%	888.0	5.6%
Printing Systems	294.9	320.3	8.6%	686.0	5.4%
Visual Communications	79.0	91.4	15.8%	182.0	10.0%
Other	10.3	12.0	17.0%	22.0	(17.3%)
Inter-segment revenue	(0.6)	(0.9)	-%	(2.0)	-%
Devices & precision products	76.5	79.4	3.8%	153.0	2.8%
Microdevices	47.8	49.1	2.7%	94.0	1.1%
Precision Products	31.0	33.7	8.7%	65.0	6.5%
Inter-segment revenue	(2.2)	(3.4)	-%	(6.0)	-%
Sensing & industrial solutions	7.0	12.8	82.7%	23.0	42.2%
Other	0.5	0.6	12.1%	1.0	(25.0%)
Corporate expenses & Eliminations	3.6	(3.0)	-%	(5.0)	-%
Consolidated revenue	471.3	512.8	8.8%	1,060.0	5.1%

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, 2015	Increase compared to year ended March 31, 2014 %
	2013	2014			
Information-related equipment					
Revenue:					
External	383.4	422.7	10.2%	888.0	5.6%
Inter-segment	0.1	0.2	51.0%	0.0	-%
Total	383.6	422.9	10.3%	888.0	5.6%
Segment profit (loss)	42.5	67.7	59.0%	142.0	14.7%
Devices & precision products					
Revenue:					
External	74.2	76.5	3.1%	145.0	0.8%
Inter-segment	2.2	2.8	25.8%	8.0	64.1%
Total	76.5	79.4	3.8%	153.0	2.8%
Segment profit (loss)	8.2	7.1	(13.2%)	12.0	10.5%
Sensing & industrial solutions					
Revenue:					
External	6.9	12.7	83.3%	23.0	44.1%
Inter-segment	0.0	0.1	34.8%	0.0	-%
Total	7.0	12.8	82.7%	23.0	42.2%
Segment profit (loss)	(4.7)	(4.0)	-%	(10.0)	-%
Other					
Revenue:					
External	0.3	0.3	(7.3%)	0.0	-%
Inter-segment	0.1	0.2	47.3%	1.0	126.4%
Total	0.5	0.6	12.1%	1.0	(25.0%)
Segment profit (loss)	(0.1)	(0.1)	-%	0.0	-%
Corporate expenses & Eliminations					
Revenue:					
External	6.3	0.5	(91.8%)	4.0	(41.7%)
Inter-segment	(2.7)	(3.5)	-%	(9.0)	-%
Total	3.6	(3.0)	-%	(5.0)	-%
Segment profit (loss)	(12.3)	(19.7)	-%	(39.0)	-%
Consolidated					
Revenue	471.3	512.8	8.8%	1,060.0	5.1%
Business profit (loss)	33.5	50.9	51.7%	105.0	16.6%

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 %
	2013	2014		
Overseas Revenue				
The Americas	125.9	140.2	14.3	11.4%
Europe	97.9	110.5	12.6	12.9%
Asia/Oceania	127.9	133.7	5.8	4.6%
Total	351.7	384.6	32.8	9.4%
Consolidated revenue	471.3	512.8	41.4	8.8%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	26.7	27.4		
Europe	20.8	21.6		
Asia/Oceania	27.1	26.1		
Total	74.6	75.0		

Note: 1. Overseas revenue are attributed to geographic segments based on the country or region location of the Company or the subsidiary.

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 (including Hong Kong), Singapore, Malaysia, Taiwan, Thailand, the Philippines, Australia, New Zealand, Indonesia, Korea and India etc.

## 4. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Six months ended September 30,			Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 %
	2013	2014	Increase %		
Capital expenditure	14.8	19.6	31.9%	50.0	32.2%
Information-related equipment	11.7	14.2	21.2%	34.0	26.4%
Devices & precision products	2.5	2.6	2.2%	9.0	12.4%
Sensing & industrial solutions	0.2	0.4	52.7%	2.0	140.3%
Other / Coporate expenses	0.2	2.3	791.9%	5.0	139.6%
Depreciation and amortization	20.0	21.6	7.9%	44.0	8.1%

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, 2015	Increase compared to year ended March 31, 2014 %
	2013	2014			
Research and Development	22.8	22.9	0.5%	49.0	0.3%
R&D / revenue ratio	4.8%	4.5%		4.6%	

## 6. Management indices

(Unit: %)

	Six months ended September 30,		Increase Point	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 Point
	2013	2014			
ROE	7.5%	16.3%	8.8	26.3%	(1.4)
ROA (Business profit)	4.0%	5.4%	1.4	11.4%	1.0
ROA (Profit from operating activities)	3.6%	8.4%	4.8	14.3%	5.1
ROS (Business profit)	7.1%	9.9%	2.8	9.9%	1.0
ROS (Profit from operating activities)	6.5%	15.3%	8.8	12.5%	4.6

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

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

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

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

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

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

(Unit: billion yen)

	Six months ended September 30,		Increase
	2013	2014	
Foreign exchange effect on revenue	69.9	16.4	(53.5)
U.S. dollars	36.6	8.0	(28.6)
Euro	16.7	5.2	(11.4)
Other	16.5	3.1	(13.4)
Foreign exchange effect on business profit	17.2	5.2	(11.9)
U.S. dollars	2.9	0.2	(2.7)
Euro	11.5	3.7	(7.7)
Other	2.8	1.2	(1.5)
Exchange rate			
Yen / U.S. dollars	98.85	103.04	
Yen / Euro	130.00	138.91	

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, 2013	March 31, 2014	September 30, 2014	Increase compared to March 31, 2014
Inventory	177.8	181.5	216.4	34.8
Information-related equipment	136.8	140.2	172.0	31.7
Devices & precision products	36.3	37.1	39.1	1.9
Sensing & industrial solutions	4.1	3.6	4.7	1.0
Other / Corporate expenses	0.5	0.4	0.5	0.0
(Unit: day)				
Turnover by days	69	66	77	11
Information-related equipment	65	61	74	13
Devices & precision products	87	91	90	(1)
Sensing & industrial solutions	107	83	67	(16)
Other / Corporate expenses	13	25	87	62

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 6 months (Prior 12 months) revenue per day

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

## 9. Employees

(Unit: person)

	September 30, 2013	March 31, 2014	September 30, 2014	Increase compared to March 31, 2014
Number of employees at period end	73,639	73,171	72,021	(1,150)
Domestic	18,288	18,372	18,314	(58)
Overseas	55,351	54,799	53,707	(1,092)