Index to Consolidated Financial Statements
Seiko Epson Corporation and Subsidiaries

Consolidated Statement of Financial Position

Years ended March 31, 2017 and 2018:

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2017	March 31, 2018	March 31, 2018
Assets				
Current assets				
Cash and cash equivalents	8,36	221,782	229,678	2,160,455
Trade and other receivables	9,36	155,704	165,282	1,554,717
Inventories	10	208,512	223,227	2,099,774
Income tax receivables		2,476	2,942	27,673
Other financial assets	11,36	754	1,513	14,231
Other current assets	12	13,176	16,485	155,086
Subtotal		602,406	639,129	6,011,936
Non-current assets held for sale		39	43	405
Total current assets		602,446	639,172	6,012,341
Non-current assets				
Property, plant and equipment	13,15	275,195	297,927	2,802,436
Intangible assets	14	21,553	22,037	207,290
Investment property	17	1,288	1,219	11,466
Investments accounted for using the equity method		1,438	1,546	14,542
Net defined benefit assets	23	0	11	103
Other financial assets	11,36	20,544	20,433	192,202
Other non-current assets	12	5,486	5,299	49,894
Deferred tax assets	18	46,433	45,701	429,884
Total non-current assets		371,940	394,178	3,707,817
Total assets		974,387	1,033,350	9,720,158

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2017	March 31, 2018	March 31, 2018
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	19,36	141,633	154,759	1,455,733
Income tax payables		7,263	7,296	68,629
Bonds issued, borrowings and lease liabilities	20,36	76,200	36,082	339,403
Other financial liabilities	36	1,318	201	1,890
Provisions	21	21,981	26,403	248,358
Other current liabilities	22	102,992	97,643	918,505
Total current liabilities		351,389	322,387	3,032,518
Non-current liabilities				
Bonds issued, borrowings and lease liabilities	20,36	70,371	130,483	1,227,382
Other financial liabilities	36	1,586	1,613	15,172
Net defined benefit liabilities	23	45,281	42,321	398,090
Provisions	21	6,209	8,954	84,225
Other non-current liabilities	22	3,521	11,434	107,584
Deferred tax liabilities	18	1,304	1,049	9,867
Total non-current liabilities		128,275	195,856	1,842,320
Total liabilities		479,664	518,244	4,874,838
Equity				
Share capital	24	53,204	53,204	500,460
Capital surplus	24	84,321	84,364	793,565
Treasury shares	24	(30,812)	(30,803)	(289,746)
Other components of equity	24	53,176	47,960	451,144
Retained earnings		332,306	358,001	3,367,519
Equity attributable to owners of the parent company		492,196	512,727	4,822,942
Non-controlling interests		2,526	2,378	22,378
Total equity		494,722	515,106	4,845,320
Total liabilities and equity		974,387	1,033,350	9,720,158

Consolidated Statement of Comprehensive Income

Years ended March 31, 2017 and 2018:

	Notes	Millions of yen Year ended March 31, 2017	Millions of yen Year ended March 31, 2018	Thousands of U.S. dollars Year ended March 31, 2018
Revenue	7,26	1,024,856	1,102,116	10,367,002
Cost of sales	10,13, 14	(658,882)	(701,268)	(6,596,445)
Gross profit		365,974	400,848	3,770,557
Selling, general and administrative expenses	13,14, 27	(300,167)	(326,062)	(3,067,086)
Other operating income	29	5,421	4,860	45,715
Other operating expense	13,30	(3,335)	(14,643)	(137,739)
Profit from operating activities		67,892	65,003	611,447
Finance income	31	1,383	1,277	12,012
Finance costs	31	(1,858)	(3,691)	(34,719)
Share of profit of investments accounted for using the equity method		53	74	696
Profit before tax		67,470	62,663	589,436
Income taxes	18	(18,461)	(20,899)	(196,585)
Profit from continuing operations		49,009	41,764	392,851
Loss from discontinued operations	32	(582)	-	-
Profit for the period		48,426	41,764	392,851
Profit for the period attributable to:				
Owners of the parent company		48,320	41,836	393,528
Non-controlling interests		106	(72)	(677)
Profit for the period		48,426	41,764	392,851

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2017	2018	2018
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)	33	10,785	4,998	47,013
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	33	2,219	(371)	(3,499)
Subtotal		13,005	4,626	43,514
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations	33	(5,477)	(5,266)	(49,534)
Net changes in fair value of cash flow hedges	33	47	444	4,176
Share of other comprehensive income of investments accounted for using the equity method	33	(20)	13	122
Subtotal		(5,450)	(4,809)	(45,236)
Total other comprehensive income, net of tax		7,555	(182)	(1,722)
Total comprehensive income for the period		55,982	41,581	391,129
Total comprehensive income for the period attributable to:				
Owners of the parent company		56,028	41,612	391,411
Non-controlling interests		(46)	(30)	(282)
Total comprehensive income for the period		55,982	41,581	391,129

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Year ended March 31,		Year ended March 31,
		2017	2018	2018
Earnings per share for the period:				
Basic earnings per share for the period	34	136.82	118.78	1.12
Diluted earnings per share for the period	34	136.82	118.75	1.12
Earnings per share from continuing operations for the period:				
Basic earnings per share for the period	34	138.47	118.78	1.12
Diluted earnings per share for the period	34	138.46	118.75	1.12
Earnings per share from discontinued operations for the period:				
Basic loss per share for the period	34	(1.65)	-	-
Diluted loss per share for the period	34	(1.65)	-	-

Consolidated Statement of Changes in Equity

Years ended March 31, 2017 and 2018:

Millions of yen

	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
		Equity attributable to owners of the parent company			Other components of equity								
As of April 1, 2016		53,204	84,321	(20,471)	-	4,533	53,616	(160)	57,989	292,775	467,818	2,858	470,676
Profit for the period		-	-	-	-	-	-	-	-	48,320	48,320	106	48,426
Other comprehensive income		-	-	-	10,790	2,221	(5,351)	47	7,707	-	7,707	(152)	7,555
Total comprehensive income for the period		-	-	-	10,790	2,221	(5,351)	47	7,707	48,320	56,028	(46)	55,982
Acquisition of treasury shares	24	-	-	(10,340)	-	-	-	-	-	-	(10,340)	-	(10,340)
Dividends	25	-	-	-	-	-	-	-	-	(21,299)	(21,299)	(237)	(21,537)
Share-based payment transactions	35	-	12	-	-	-	-	-	-	-	12	-	12
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	26	26
Changes in interests in subsidiaries		-	(12)	-	-	(10)	0	-	(9)	-	(21)	(75)	(97)
Transfer from other components of equity to retained earnings		-	-	-	(10,790)	(1,720)	-	-	(12,510)	12,510	-	-	-
Total transactions with the owners		-	0	(10,340)	(10,790)	(1,730)	0	-	(12,520)	(8,789)	(31,650)	(285)	(31,936)
As of March 31, 2017		53,204	84,321	(30,812)	-	5,024	48,265	(112)	53,176	332,306	492,196	2,526	494,722

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Millions of yen

		Equity attributable to owners of the parent company											
					Other components of equity								
	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 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		-	-	-	-	-	-	-	-	41,836	41,836	(72)	41,764
Other comprehensive income		-	-	-	4,998	(371)	(5,294)	444	(223)	-	(223)	41	(182)
Total comprehensive income for the period		-	-	-	4,998	(371)	(5,294)	444	(223)	41,836	41,612	(30)	41,581
Acquisition of treasury shares	24	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Dividends	25	-	-	-	-	-	-	-	-	(21,133)	(21,133)	(116)	(21,250)
Share-based payment transactions	35	-	43	11	-	-	-	-	-	-	54	-	54
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
Changes in interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	(4,998)	5	-	-	(4,992)	4,992	-	-	-
Total transactions with the owners		-	43	8	(4,998)	5	-	-	(4,992)	(16,141)	(21,081)	(116)	(21,197)
As of March 31, 2018		53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,001	512,727	2,378	515,106

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

		Equity attributable to owners of the parent company											
					Other components of equity								
	Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2017		500,460	793,161	(289,831)	-	47,269	454,012	(1,063)	500,218	3,125,820	4,629,828	23,751	4,653,579
Profit for the period		-	-	-	-	-	-	-	-	393,528	393,528	(677)	392,851
Other comprehensive income		-	-	-	47,013	(3,489)	(49,817)	4,176	(2,117)	-	(2,117)	395	(1,722)
Total comprehensive income for the period		-	-	-	47,013	(3,489)	(49,817)	4,176	(2,117)	393,528	391,411	(282)	391,129
Acquisition of treasury shares	24	-	-	(18)	-	-	-	-	-	-	(18)	-	(18)
Dividends	25	-	-	-	-	-	-	-	-	(198,786)	(198,786)	(1,091)	(199,877)
Share-based payment transactions	35	-	404	103	-	-	-	-	-	-	507	-	507
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
Changes in interests in subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings		-	-	-	(47,013)	56	-	-	(46,957)	46,957	-	-	-
Total transactions with the owners		-	404	85	(47,013)	56	-	-	(46,957)	(151,829)	(198,297)	(1,091)	(199,388)
As of March 31, 2018		500,460	793,565	(289,746)	-	43,836	404,195	3,113	451,144	3,367,519	4,822,942	22,378	4,845,320

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Consolidated Statement of Cash Flows

Years ended March 31, 2017 and 2018:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2017	2018	2018
Cash flows from operating activities				
Profit for the period		48,426	41,764	392,851
Depreciation and amortisation		43,679	49,993	470,256
Impairment loss (reversal of impairment loss)		239	2,091	19,668
Finance (income) costs		475	2,414	22,707
Share of (profit) loss of investments accounted for using the equity method		(53)	(74)	(696)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property		96	797	7,496
Income taxes		18,461	20,899	196,585
Decrease (increase) in trade receivables		(3,691)	(9,528)	(89,624)
Decrease (increase) in inventories		(10,729)	(17,199)	(161,781)
Increase (decrease) in trade payables		10,892	3,087	29,037
Increase (decrease) in net defined benefit liabilities		156	1,612	15,163
Other		8,399	9,887	93,023
Subtotal		116,352	105,745	994,685
Interest and dividends income received		1,414	1,279	12,030
Interest expenses paid		(981)	(1,038)	(9,763)
Payment for loss on litigation		-	(564)	(5,305)
Income taxes paid		(19,910)	(21,142)	(198,881)
Net cash from (used in) operating activities		96,873	84,279	792,766
Cash flows from investing activities				
Proceeds from sale of investment securities		3,103	16	150
Purchase of property, plant and equipment		(70,637)	(69,237)	(651,274)
Proceeds from sale of property, plant and equipment		746	858	8,070
Purchase of intangible assets		(6,899)	(4,368)	(41,087)
Proceeds from sale of intangible assets		24	1	9
Proceeds from sale of investment property		1,088	9	84
Purchase of investments in subsidiaries		(2,743)	-	-
Other		(441)	(1,942)	(18,247)
Net cash from (used in) investing activities		(75,759)	(74,661)	(702,295)
Cash flows from financing activities				
Net increase (decrease) in current borrowings	20	(14,374)	11,590	109,019
Proceeds from non-current borrowings	20	500	49,908	469,457
Repayment of non-current borrowings	20	(500)	(50,000)	(470,322)
Proceeds from issuance of bonds issued	20	49,759	19,896	187,150
Redemption of bonds issued	20	(30,000)	(10,000)	(94,064)
Payment of lease obligations	20	(101)	(106)	(997)
Dividends paid	25	(21,299)	(21,133)	(198,786)
Dividends paid to non-controlling interests		(236)	(116)	(1,091)
Payment for purchase of subsidiaries’ equity from non-controlling interests		(97)	-	-
Purchase of treasury shares		(10,340)	(2)	(18)
Net cash from (used in) financing activities		(26,691)	37	348
Effect of exchange rate changes on cash and cash equivalents		(3,139)	(1,759)	(16,545)
Net increase (decrease) in cash and cash equivalents		(8,716)	7,895	74,274
Cash and cash equivalents at beginning of period	8	230,498	221,782	2,086,181
Cash and cash equivalents at end of period	8	221,782	229,678	2,160,455

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 (global.epson.com/). The details of businesses and principal business activities of the Company and its affiliates ("Epson") are stated in "7. Segment Information."

2. Basis of Preparation

(1) Compliance with IFRS

Epson's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board which are applied based on the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, as Epson meets the criteria of a "Specified Companies applying Designated IFRS" defined under Article 1-2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) Basis of Measurement

Except for the financial instruments stated in "3. Significant Accounting Policies," Epson's consolidated financial statements are prepared on the cost basis.

(3) Functional Currency and Presentation Currency

Epson's consolidated financial statements are presented in Japanese yen ("yen" or "¥"), which is the functional currency of the Company. The units are in millions of yen unless otherwise noted, and figures less than one million yen are rounded down.
The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106.31 to U.S. $1 at the end of the reporting period.

(4) Reporting Period of Subsidiaries

The fiscal year end date of certain overseas subsidiaries is December 31, and the subsidiaries prepare, for consolidation purposes, additional financial information as of the date of the consolidated financial statements.

3. Significant Accounting Policies

(1) Basis of Consolidation

Consolidated financial statements of Epson include financial statements of the Company and subsidiaries, and interests in investments in associates and joint ventures.

(A) Subsidiaries
A subsidiary is an entity that is controlled by Epson. Epson controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date of a subsidiary is the date on which Epson obtains control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which Epson loses control.
All intergroup balances, transactions, unrealised profit or loss arising from intergroup transaction are eliminated on consolidation. Comprehensive income for subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(B) Associates
An associate is an entity over which Epson has significant influence that is the power to participate in the financial and operating policy decisions of the entity. Investments in associates are accounted for using the equity method from the date on which Epson has the significant influence until the date on which it ceases to have the significant influence.

(C) Joint Ventures
A joint venture is a joint arrangement whereby Epson and the other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities, that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing control. Epson accounts for that investment using the equity method.

(2) Business Combinations

Each business combination is accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Epson, the liabilities incurred by Epson to former owners of the acquiree and the equity interests issued by Epson. Goodwill is recognised in the consolidated statement of financial position, as the excess of the transferred consideration over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is a negative monetary value, the resulting gain is immediately recognised as profit. Acquisition-related costs incurred are recognised as expenses except for the costs to issue debt or equity securities.

(3) Foreign Currency Translation

Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson determines its functional currency and measures its results and financial position in that currency.
A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the transaction or a rate that approximates the actual rate at the date of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.
Assets and liabilities of foreign operations are translated into Japanese yen at the closing date, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of the transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss in the period of disposition.

(4) Financial Instruments

Epson accounts for financial instruments in accordance with IFRS 9 “Financial Instruments” (announced in November 2009, revised in October 2010), which Epson has early adopted.

(A) Financial Assets

(i) Initial Recognition and Measurement
Financial assets are measured at their fair values and classified into financial assets measured subsequently at fair value and amortised cost at initial recognition.
Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met. Otherwise, they are classified as financial assets measured at fair value.

(a) The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes that must be measured at fair value through profit or loss. Such designations are applied continuously.
Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets, except when classified in the category of financial assets measured at fair value through profit or loss.

Epson recognises trade and other receivables on the date they are originated. All other financial assets are recognised on the trade date when Epson becomes a party to the contractual provisions of the instrument.

(ii) Subsequent Measurement
After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortised Cost
Financial assets measured at amortised cost are measured at amortised cost using the effective interest method.

(b) Financial Assets Measured at Fair Value
Financial assets other than those measured at amortised cost are measured at fair value.

Changes in fair value of financial assets measured at fair value are recognised in profit or loss. However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income are recognised in other comprehensive income and the cumulative change in fair value in other comprehensive income is transferred to retained earnings when equity instruments are derecognised or the decline in their fair values are significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

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

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

(C) Financial Liabilities

(i) Initial Recognition and Measurement
Financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured subsequently at amortised cost are measured at their fair value less transaction costs that are directly attributable to the issuance of the financial liabilities.
Financial liabilities are classified into financial liabilities measured subsequently at fair value through profit or loss and financial liabilities measured at amortised cost. Epson determines the classification at initial recognition.
(ii) Subsequent Measurement
After initial recognition, financial liabilities are measured based on the classification as follows:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss
Financial liabilities measured at fair value through profit or loss are measured at fair value and include financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial Liabilities Measured at Amortised Cost
Financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method.

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

(D) Offsetting a Financial Asset and a Financial Liability
A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and Epson intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(E) Derivatives Accounting
Epson utilises derivatives, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.
A gain or loss on a derivative is recognised in profit or loss. However, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge of cash flow hedges and hedges of net investments in foreign operations are recognised in other comprehensive income.

(F) Hedge Accounting
At the inception of a hedge, Epson formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument's effectiveness is assessed in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, they are assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedges were designated. Epson classifies hedging relationships that meet the qualifying criteria for hedge accounting in the following categories and applies hedge accounting to the hedging relationships.

(i) Fair Value Hedge
A gain or loss on a derivative is recognised in profit or loss. The hedging gain or loss on the hedged items attributable to the hedged risks adjust the carrying amount of the hedged item and is recognised in profit or loss.

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

(iii) Hedges of a Net Investment in a Foreign Operation
Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised in profit or loss. On the disposal of the foreign operation, the cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income is reclassified from equity to profit or loss.

(G) Fair Value of Financial Instruments
Fair value of financial instruments that are traded in an active market as of the end of fiscal year refers to quoted market prices or dealer quotations.
If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

(5) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as such that has a short maturity of three months or less from the date of acquisition.

(6) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
Inventories are measured at the lower of cost or net realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, Plant and Equipment

The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalisation.
After recognition as an asset, property, plant, and equipment is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Except for asset that is not subject to depreciation such as land, asset is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major asset is as follows:
• Buildings and structures: 10 to 35 years
• Machinery and vehicles: 2 to 12 years
The estimated useful life, depreciation method and residual value are reviewed at each fiscal year end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

(8) Intangible Assets

(A) Goodwill
Goodwill acquired in a business combination is measured at the amount recognised at the acquisition date less any accumulated impairment losses.
Goodwill is not amortised and allocated to a cash-generating unit that is identified according to business. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. An impairment loss is recognised in profit or loss and not reversed in a subsequent period.

(B) Intangible Assets
The cost of a separately acquired intangible asset is measured initially at cost, and the cost of intangible asset acquired in a business combination is its fair value at the acquisition date. The cost of internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.
After initial recognition, an intangible asset is measured by using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses.
An intangible asset with a finite useful life is amortised using the straight-line method over its estimated useful life. The estimated useful life of major intangible asset with a finite useful life is as follows:
• Software: 3 to 10 years
The estimated useful life and amortisation method of an asset are reviewed at each fiscal year end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.
An intangible asset with an indefinite useful life or an intangible asset not yet available for use is not amortised and tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired.

(9) Leases

Epson classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset and a lease as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset.
At the commencement of the lease term, finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The asset is depreciated using the straight-line method over the shorter of the lease term and its estimated useful life which is consistent with that for depreciable assets that are owned. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.
Contingent rents are recognised as expenses in the periods in which they are incurred.
Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.
After recognition as an asset, investment property is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Except for asset that is not subject to depreciation such as land, investment property is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major investment properties that is subject to depreciation is 35 years.

(11) Impairment of Non-financial Assets

Epson assesses whether there is any indication that an asset may be impaired. If any such indication exists, or irrespective of whether there is any indication of impairment, where impairment testing is required, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount for each asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount is measured at the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use. If carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss. In determining an asset's value in use, an estimate of the future cash flows expected to derive from the asset are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.
An impairment loss for goodwill is recognised in profit or loss and not reversed in a subsequent period. Epson assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. If the recoverable amount exceeds the carrying amount of the asset, an impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset in prior years.

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

Epson classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset or disposal group as held for sale is available for immediate sale in its present condition and its sale is highly probable when Epson management commits to a plan to sell the asset or disposal group.
Epson measures the non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The non-current asset is not depreciated or amortised while it is classified as held for sale or while it is part of a disposal group classified as held for sale.
A discontinued operation is a component of an entity, that is a cash-generating unit or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

(13) Post-employment Benefits

Epson has defined benefit plans and defined contribution plans as post-employment benefits plans.
For each defined benefit plan, Epson calculates the present value of defined benefit obligations and the related current service cost and past service cost, using the projected unit credit method. For a discount rate, a discount period is set based on the estimated timing of benefit payments in each period, and the discount rate is determined by reference to market yields as of the end of the fiscal year on high quality corporate bonds for the period corresponding to the discount period. The net defined benefit liability (asset) is measured by deducting the fair value of any plan assets (including adjustments of the net defined benefit asset and the asset ceiling, if necessary) from the present value of the defined benefit obligation. Net interest on the net defined benefit liability (asset) is recognised in profit or loss. Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and transferred to retained earnings immediately. Past service cost is recognised as an expense at the earlier of when a plan amendment or curtailment occurs and when any related restructuring costs or termination benefits are recognised.
The contribution payable to a defined contribution plan is recognised as an expense.

(14) Share-based Payment

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

(15) Provisions

Epson recognises a provision when it has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.
Where the effect of the time value of money is material, the amount of a provision is measured at the present value of the expenditures expected to be required to settle the obligation.

(16) Revenue

(A) Sale of Goods
Epson recognises revenue from the sale of goods when the significant risks and rewards of ownership of the goods have been transferred to the buyers, Epson retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the economic benefits associated with the transaction will flow to Epson, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The risks and rewards of ownership of the goods are usually transferred at the time of delivery of the goods to customers. The amount of revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates.

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

(C) Dividends
Dividends are recognised when the shareholder’s right to receive payment is established.

(D) Royalties
Royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement.

(E) Rendering of Services
Revenues arising from the rendering of services are recognised by reference to the stage of completion of the transaction as of the end of fiscal year.

(17) Government Grants

A government grant is recognised at fair value when there is reasonable assurance that Epson will comply with the conditions attaching to it, and that the grant will be received.
Grants related to assets are deducted in calculating the carrying amount of the asset.
Grants related to income are recognised in profit or loss on a systematic basis over the periods in which Epson recognises as expenses the related costs for which the grants are intended to compensate.

(18) Borrowing Costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.
The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period when they are incurred.

(19) Income Taxes

Income taxes are presented as the total of current tax expense and deferred tax expense.
Current tax is the amount of income taxes payable or recoverable and is recognised as an expense or income and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity, or a business combination. For the calculation of the tax amount, Epson uses the tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.
Deferred tax expense is calculated based on a temporary difference that is the difference between the carrying amount of the assets or liabilities in the consolidated financial statements and their tax bases. A deferred tax asset is recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised. A deferred tax liability is recognised for all taxable temporary differences.
A deferred tax liability is not recognised for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Also a deferred tax liability is not recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
A deferred tax asset is not recognised for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.

(20) Treasury Shares

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

(21) Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusting by the number of treasury shares. For the purpose of the calculation, the shares of the Company held by BIP trust are excluded because the shares are accounted as treasury shares. For the purpose of calculating diluted earnings per share, the rights for the treasury shares held by the trust to be received by eligible officers are adjusted.

(22) Dividends

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

4. Significant Accounting Estimates and Judgments

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

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

Epson performs an impairment test for property, plant and equipment, goodwill, intangible assets and investment property when there is any indication that the recoverable amount has fallen below the carrying amount of the assets or when it is required annually.
The impairment test is performed by comparing the carrying amount and the recoverable amount of assets. If the recoverable amount falls below the carrying amount, impairment losses are recognised. Recoverable amount is determined with certain assumptions of useful life, future cash flow of an asset, discount rate and long-term growth rate. These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson's consolidated financial statements in future periods.
The method for calculating the recoverable amount is stated in "13. Property, Plant and Equipment."

(2) Post-employment Benefits

Epson has several types of post-employment benefit plans, including defined benefit plans.
The present value of defined benefit obligations on each of these plans and the related service costs and others are

calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates.
The actuarial assumptions are determined based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson's consolidated financial statements in future periods.
These actuarial assumptions and related sensitivity analysis are stated in "23. Post-employment Benefits."

(3) Provisions

Epson recognises various provisions, including provisions for product warranties and provisions for loss on litigation.
These provisions are recognised based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the fiscal year end date.
Expenditures necessary for settling the obligations are calculated by taking all possible future results into account. However, they may be affected by unexpected events or changes in conditions which may have a material impact on Epson's consolidated financial statements in future periods.
The nature and amount of recognised provisions are stated in "21. Provisions."

(4) Income Taxes

Epson, which conducts business around the world, makes reasonable estimates of income tax to be paid to local tax authorities in accordance with local laws and regulations, and recognises income taxes payable and current tax expense based on these estimates.
Calculating income taxes payable and current tax expense requires estimates and judgments on various factors, including, for example, the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or experience of prior tax investigation.
Therefore, there may be differences between the amount recognised as income taxes payable and current tax expense and the amount of actual income taxes. These differences may have a material impact on Epson's consolidated financial statements in future periods.
In addition, deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised. In recognising the deferred tax assets, Epson judges the possibility of future taxable income and reasonably estimate the timing and amount of future taxable income based on the business plan. The timing and amount of taxable income may be affected by variable and uncertain future economic conditions, and changes could have a material impact on Epson's consolidated financial statements in future periods.
The content and amounts related to income taxes are stated in "18. Income Taxes."

(5) Contingencies

With regard to contingencies, any items that may have a material impact on business in the future are disclosed in light of all the available evidence as of the fiscal year end date and by taking into account the probability of these contingencies and their impact on financial reporting.
The content of contingencies is stated in "40. Contingencies."

5. Changes in Accounting Policies

There is no accounting standard and interpretation newly applied by Epson for the reporting period.

6. New Standards and Interpretations Not Yet Applied

The new standards, amended standards and new interpretations that have been issued as of the date of approval of the consolidated financial statements, but have not yet been applied by Epson are as follows.
Epson considers that following standards which will be mandatory for the reporting period ending on March 31, 2019 are expected to have no material effect on the consolidated financial statements.
The potential impacts of IFRS 16-Leases, which will be mandatory for the reporting period ending on March 31, 2020, are currently finalised by Epson.

IFRS		Date of mandatory application (from the fiscal year beginning on or after)	Reporting periods of application by Epson (The reporting period ending)	Description of new and revised standards
IFRS 9	Financial Instruments	January 1, 2018	March 31, 2019	Amendments to hedge accounting Limited changes to classification and measurement of financial assets, and introduction of an expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	March 31, 2019	Amendments to accounting treatment for recognising revenue
IFRS 16	Leases	January 1, 2019	March 31, 2020	Amendments to the principles for the recognition, measurement, presentation and disclosure of leases Recognision of assets and liabilities for most leases by lessees Substantially unchanged in lessor accounting

7. Segment Information

(1) Outline of Reportable Segments

The reportable segments of Epson are determined based on the operating segments that are components of Epson for which discrete financial information is available and whose operating results are regularly reviewed 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, dry process office papermaking systems, personal computers and others.
Visual Communications	3LCD projectors, HTPS-TFT LCD panels for 3LCD projectors, smart glasses and others.
Wearable & Industrial Products	Wristwatches, 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 of Reportable Segments

Revenues and performances of reportable segments were as follows. Transfer prices between the segments were based on prevailing market prices.

FY2016: Year ended March 31, 2017

Millions of yen

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

Other items

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

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

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

(Note 3) “Adjustments” to Segment profit (loss) (Business profit) of (¥41,794) million comprised “Eliminations” of ¥496 million and “Corporate expenses” of (¥42,291) million. “Corporate expenses” included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of ¥348,297 million comprised “Eliminations” of (¥3,992) million and “Corporate assets” of ¥352,290 million.

FY2017: Year ended March 31, 2018

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenues	736,239	198,889	158,535	1,093,663	187	8,265	1,102,116
Intersegment revenues	449	2	8,801	9,253	749	(10,002)	-
Total revenue	736,688	198,891	167,336	1,102,916	936	(1,737)	1,102,116
Segment profit (loss) (Business profit) (Note 1)	94,896	24,423	7,154	126,474	(532)	(51,156)	74,785
					Other operating income (expense)		(9,782)
					Profit from operating activities		65,003
					Finance income (costs)		(2,414)
					Share of profit of investments accounted for using the equity method		74
					Profit before tax		62,663

Other items

	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation	(26,688)	(8,783)	(8,815)	(44,287)	(17)	(5,145)	(49,449)
Impairment losses of assets other than financial assets	(900)	(23)	(107)	(1,031)	-	(1,060)	(2,091)
Segment assets	410,490	127,325	142,324	680,140	275	352,934	1,033,350
Capital expenditures	46,351	14,338	11,099	71,789	17	7,622	79,430

(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 (¥51,156) million comprised “Eliminations” of ¥480 million and “Corporate expenses” of (¥51,637) million. “Corporate expenses” included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of ¥352,934 million comprised “Eliminations” of (¥5,639) million and “Corporate assets” of ¥358,573 million.

FY2017: Year ended March 31, 2018

Thousands of U.S. dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenues	6,925,400	1,870,839	1,491,251	10,287,490	1,768	77,744	10,367,002
Intersegment revenues	4,231	19	82,787	87,037	7,036	(94,073)	-
Total revenue	6,929,631	1,870,858	1,574,038	10,374,527	8,804	(16,329)	10,367,002
Segment profit (loss) (Business profit) (Note 1)	892,645	229,733	67,293	1,189,671	(5,004)	(481,196)	703,471
					Other operating income (expense)		(92,024)
					Profit from operating activities		611,447
					Finance income (costs)		(22,707)
					Share of profit of investments accounted for using the equity method		696
					Profit before tax		589,436

Other items

	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi-cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation	(251,050)	(82,616)	(82,917)	(416,583)	(159)	(48,397)	(465,139)
Impairment losses of assets other than financial assets	(8,476)	(216)	(1,006)	(9,698)	-	(9,970)	(19,668)
Segment assets	3,861,265	1,197,676	1,338,763	6,397,704	2,586	3,319,868	9,720,158
Capital expenditures	436,008	134,869	104,402	675,279	159	71,716	747,154

(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 ($481,196) thousand comprised “Eliminations” of $4,525 thousand and “Corporate expenses” of ($485,721) thousand. “Corporate expenses” included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of $3,319,868 thousand comprised “Eliminations” of ($53,032) thousand and “Corporate assets” of $3,372,900 thousand.

(3) Geographic Information

The regional breakdowns of non-current assets and external revenues as of each fiscal year end were as follows:

Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Japan	188,412	199,251	1,874,245
The Philippines	31,436	41,197	387,517
Indonesia	29,146	30,238	284,432
China	25,048	23,377	219,894
Other	30,918	33,964	319,540
Total	304,962	328,030	3,085,628

(Note) Non-current assets, excluding Other financial assets, Deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Japan	251,395	250,119	2,352,732
The United States	202,416	216,116	2,032,884
China	129,834	144,014	1,354,660
Other	441,210	491,866	4,626,726
Total	1,024,856	1,102,116	10,367,002

(Note) Revenues are segmented by country based on the location of the customers.

(4) Information about Major Customers

Epson had no transactions with a single external customer amounting to 10% or more of total external revenues.

8. Cash and Cash Equivalents

The breakdown of "Cash and cash equivalents" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Cash and deposits	105,188	109,589	1,030,843
Short-term investments	116,593	120,088	1,129,612
Total	221,782	229,678	2,160,455

9. Trade and Other Receivables

The breakdown of "Trade and other receivables" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Notes and trade receivables	143,060	151,032	1,420,675
Other receivables	14,071	15,682	147,521
Allowance account for credit losses	(1,427)	(1,433)	(13,479)
Total	155,704	165,282	1,554,717

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

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

10. Inventories

The breakdown of "Inventories" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Merchandise and finished goods	123,050	131,612	1,238,002
Work in process	55,366	55,651	523,478
Raw materials	22,403	25,159	236,656
Supplies	7,692	10,805	101,638
Total	208,512	223,227	2,099,774

The amount of inventories included in cost of sales recognised as an expense totaled (¥644,777) million and (¥667,638) million (($6,280,105) thousand) for the years ended March 31, 2017 and 2018, respectively. Losses recognised as cost of sales as a result of valuations for the years ended March 31, 2017 and 2018 were (¥31,275) million and (¥29,708) million (($279,446) thousand), respectively. In addition, Epson has no inventories pledged as collateral.

11. Other Financial Assets

(1) The breakdown of "Other financial assets"

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Derivative assets	449	1,080	10,158
Equity securities	15,809	15,242	143,363
Bonds receivable	75	58	545
Time deposits	37	101	950
Other	4,985	5,519	51,915
Allowance account for credit losses	(57)	(53)	(498)
Total	21,298	21,947	206,433
Current assets	754	1,513	14,231
Non-current assets	20,544	20,433	192,202
Total	21,298	21,947	206,433

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

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2017		March 31, 2018		March 31, 2018	
	Fair value	Dividends received (Note)	Fair value	Dividends received (Note)	Fair value	Dividends received (Note)
NGK Insulators, Ltd.	6,317	100	4,597	102	43,241	959
Mizuho Financial Group, Inc.	3,061	112	2,872	112	27,015	1,053

(Note) Dividends received from the derecognised financial assets during the reporting periods are not included.

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

In order to pursue the efficiency of assets held, sales of financial assets measured at fair value through other comprehensive income have been carried out (derecognition). The major description is as follows.

FY2016: Year ended March 31, 2017

	Millions of yen			
	Fair value at the date of sale	Accumulated gains	Dividends received	Accumulated gains transferred into retained earnings (net of tax) (Note)
NGK Insulators, Ltd.	2,884	2,183	50	1,591

(Note) Accumulated gain or loss recognised as other comprehensive income is transferred to retained earnings when an equity instrument is sold or the decline in its fair value is significant.

FY2017: Year ended March 31, 2018

	Millions of yen			
	Fair value at the date of sale	Accumulated gains	Dividends received	Accumulated gains transferred into retained earnings (net of tax) (Note)
NGK Insulators, Ltd.	-	-	-	-

(Note) Accumulated gain or loss recognised as other comprehensive income is transferred to retained earnings when an equity instrument is sold or the decline in its fair value is significant.

FY2017: Year ended March 31, 2018

	Thousands of U.S. dollars			
	Fair value at the date of sale	Accumulated gains	Dividends received	Accumulated gains transferred into retained earnings (net of tax) (Note)
NGK Insulators, Ltd.	-	-	-	-

(Note) Accumulated gain or loss recognised as other comprehensive income is transferred to retained earnings when an equity instrument is sold or the decline in its fair value is significant.

12. Other Assets

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Prepaid expense	13,840	13,829	130,081
Advances to suppliers	1,502	3,939	37,052
Other	3,319	4,016	37,847
Total	18,663	21,784	204,980
Current assets	13,176	16,485	155,086
Non-current assets	5,486	5,299	49,894
Total	18,663	21,784	204,980

13. Property, Plant and Equipment

(1) Schedule of Property, Plant and Equipment

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

	Millions of yen					
Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2016	458,348	461,570	182,418	15,084	2,492	1,119,913
Individual acquisition	3,477	7,019	8,842	50,638	516	70,494
Acquisition of subsidiary	317	49	126	-	29	523
Transfer from (to) investment property	(100)	-	-	-	-	(100)
Sale or disposal	(6,222)	(11,908)	(12,524)	(120)	(64)	(30,840)
Exchange differences on translation of foreign operations	(1,693)	(4,707)	(1,244)	286	(9)	(7,368)
Transfer from construction in progress	9,756	18,115	10,832	(38,704)	-	-
Other	620	(1,812)	(558)	(440)	(28)	(2,219)
As of March 31, 2017	464,504	468,327	187,891	26,744	2,935	1,150,402
Individual acquisition	1,976	5,825	5,736	61,419	309	75,268
Sale or disposal	(6,070)	(9,489)	(11,990)	(12)	(346)	(27,909)
Exchange differences on translation of foreign operations	(1,516)	(510)	(4,949)	(427)	16	(7,389)
Transfer from construction in progress	24,352	23,607	10,915	(58,875)	-	-
Other	565	(1,586)	112	(303)	(2,547)	(3,759)
As of March 31, 2018	483,810	486,174	187,716	28,544	367	1,186,613

	Thousands of U.S. dollars					
Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2017	4,369,334	4,405,295	1,767,387	251,566	27,619	10,821,201
Individual acquisition	18,587	54,792	53,955	577,734	2,936	708,004
Sale or disposal	(57,097)	(89,257)	(112,783)	(112)	(3,275)	(262,524)
Exchange differences on translation of foreign operations	(14,260)	(4,797)	(46,552)	(4,016)	121	(69,504)
Transfer from construction in progress	229,065	222,058	102,671	(553,794)	-	-
Other	5,306	(14,919)	1,063	(2,881)	(23,937)	(35,368)
As of March 31, 2018	4,550,935	4,573,172	1,765,741	268,497	3,464	11,161,809

Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
	Millions of yen					
As of April 1, 2016	(329,606)	(387,615)	(157,965)	(105)	(157)	(875,449)
Depreciation expense (Note)	(8,090)	(16,441)	(13,154)	-	(21)	(37,708)
Impairment losses	(78)	(33)	(74)	(20)	-	(206)
Acquisition of subsidiary	(42)	(42)	(62)	-	(17)	(165)
Transfer to (from) investment property	84	-	-	-	-	84
Sale or disposal	5,883	11,735	12,266	105	21	30,011
Exchange differences on translation of foreign operations	887	3,888	1,032	-	9	5,818
Other	217	1,758	437	0	(5)	2,406
As of March 31, 2017	(330,744)	(386,751)	(157,520)	(20)	(170)	(875,207)
Depreciation expense (Note)	(9,177)	(19,289)	(15,655)	-	(25)	(44,148)
Impairment losses	(893)	(167)	(126)	-	-	(1,187)
Sale or disposal	5,408	9,200	11,701	-	3	26,314
Exchange differences on translation of foreign operations	312	(153)	4,119	-	(12)	4,265
Other	(195)	1,452	(13)	20	15	1,278
As of March 31, 2018	(335,290)	(395,709)	(157,495)	-	(190)	(888,685)

Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2017	(3,111,127)	(3,637,955)	(1,481,704)	(188)	(1,619)	(8,232,593)
Depreciation expense (Note)	(86,323)	(181,441)	(147,258)	-	(254)	(415,276)
Impairment losses	(8,410)	(1,570)	(1,185)	-	-	(11,165)
Sale or disposal	50,870	86,539	110,064	-	48	247,521
Exchange differences on translation of foreign operations	2,934	(1,439)	38,745	-	(122)	40,118
Other	(1,833)	13,648	(131)	188	150	12,022
As of March 31, 2018	(3,153,889)	(3,722,218)	(1,481,469)	-	(1,797)	(8,359,373)

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

Carrying Amount	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
	Millions of yen					
As of April 1, 2016	128,741	73,955	24,452	14,978	2,335	244,463
As of March 31, 2017	133,759	81,575	30,371	26,723	2,764	275,195
As of March 31, 2018	148,520	90,464	30,220	28,544	177	297,927

Carrying Amount	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2017	1,258,207	767,340	285,683	251,378	26,000	2,588,608
As of March 31, 2018	1,397,046	850,954	284,272	268,497	1,667	2,802,436

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

	Millions of yen			
Leased Assets	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of April 1, 2016	63	188	46	298
As of March 31, 2017	57	178	30	267
As of March 31, 2018	282	199	44	526

	Thousands of U.S. dollars			
Leased Assets	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2017	536	1,693	282	2,511
As of March 31, 2018	2,663	1,871	413	4,947

(2) Impairment Losses

Epson’s business assets are generally grouped by business segment under the Company’s management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level.

Impairment losses recognised in the years ended March 31, 2017 and 2018, represent the losses related to idle assets that Epson has no plan to use in the future, and the carrying amounts were reduced to the recoverable amounts. They were recognised as Other operating expense in the consolidated statement of comprehensive income.

The recoverable amounts of these assets are determined using their fair values less disposal cost, which were assessed on the basis of reasonable estimates such as a valuation by an external real estate appraiser. The valuation is made in accordance with the income approach using Level 3 inputs which include the future cash flow.

14. Intangible Assets

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

	Millions of yen					
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of April 1, 2016	44,756	16,580	7,980	2,582	1,994	73,894
Individual acquisition	4,957	11	1,332	-	325	6,627
Acquisition of subsidiary	4	-	-	2,105	594	2,704
Sale or disposal	(1,794)	(0)	-	-	(7)	(1,803)
Exchange differences on translation of foreign operations	(285)	-	(0)	74	17	(194)
Other	11	459	10	-	11	494
As of March 31, 2017	47,651	17,050	9,323	4,761	2,936	81,723
Individual acquisition	4,933	0	696	-	705	6,336
Sale or disposal	(3,132)	(3,240)	(593)	-	(17)	(6,983)
Exchange differences on translation of foreign operations	(180)	-	(9)	203	(10)	3
Other	(489)	-	593	-	523	626
As of March 31, 2018	48,782	13,809	10,010	4,965	4,138	81,706

	Thousands of U.S. dollars					
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of March 31, 2017	448,226	160,380	87,696	44,784	27,627	768,713
Individual acquisition	46,402	0	6,546	-	6,651	59,599
Sale or disposal	(29,461)	(30,487)	(5,578)	-	(159)	(65,685)
Exchange differences on translation of foreign operations	(1,693)	-	(84)	1,919	(114)	28
Other	(4,609)	-	5,578	-	4,930	5,899
As of March 31, 2018	458,865	129,893	94,158	46,703	38,935	768,554

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Millions of yen					
As of April 1, 2016	(33,132)	(14,293)	(6,484)	-	(1,805)	(55,715)
Amortisation expense (Note)	(3,714)	(739)	(1,362)	-	(79)	(5,896)
Impairment losses	(5)	(1)	(23)	-	(1)	(32)
Acquisition of subsidiary	(2)	-	-	-	-	(2)
Sale or disposal	1,688	0	-	-	-	1,689
Exchange differences on translation of foreign operations	209	-	0	-	7	217
Other	40	(459)	-	-	(10)	(429)
As of March 31, 2017	(34,916)	(15,493)	(7,870)	-	(1,888)	(60,169)
Amortisation expense (Note)	(4,116)	(579)	(936)	-	(202)	(5,834)
Impairment losses	(292)	-	(603)	-	(0)	(896)
Sale or disposal	3,127	3,240	593	-	16	6,978
Exchange differences on translation of foreign operations	122	-	8	-	62	193
Other	60	-	-	-	-	60
As of March 31, 2018	(36,014)	(12,832)	(8,808)	-	(2,012)	(59,668)

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2017	(328,435)	(145,734)	(74,028)	-	(17,779)	(565,976)
Amortisation expense (Note)	(38,706)	(5,446)	(8,795)	-	(1,930)	(54,877)
Impairment losses	(2,746)	-	(5,682)	-	(0)	(8,428)
Sale or disposal	29,413	30,477	5,578	-	170	65,638
Exchange differences on translation of foreign operations	1,147	-	75	-	593	1,815
Other	564	-	-	-	-	564
As of March 31, 2018	(338,763)	(120,703)	(82,852)	-	(18,946)	(561,264)

(Note) Amortisation expense for Intangible assets was included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of comprehensive income.

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Millions of yen					
As of April 1, 2016	11,624	2,286	1,496	2,582	188	18,179
As of March 31, 2017	12,734	1,556	1,453	4,761	1,047	21,553
As of March 31, 2018	12,767	977	1,202	4,965	2,125	22,037

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
	Thousands of U.S. dollars					
As of March 31, 2017	119,791	14,646	13,668	44,784	9,848	202,737
As of March 31, 2018	120,102	9,190	11,306	46,703	19,989	207,290

15. Finance Lease Transactions

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Not later than 1 year			
Total of future minimum lease payments	89	140	1,316
Future finance costs	(2)	(3)	(39)
Present value	87	137	1,277
Later than 1 year and not later than 5 years			
Total of future minimum lease payments	131	293	2,793
Future finance costs	(2)	(4)	(47)
Present value	128	289	2,746
Later than 5 years			
Total of future minimum lease payments	0	71	652
Future finance costs	(0)	(0)	(0)
Present value	0	70	652
Total			
Total of future minimum lease payments	221	506	4,761
Future finance costs	(5)	(8)	(86)
Present value	216	497	4,675

16. Operating Lease Transactions

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

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Not later than 1 year	5,581	6,497	61,113
Later than 1 year and not later than 5 years	9,989	12,576	118,305
Later than 5 years	903	2,854	26,846
Total	16,474	21,928	206,264

(2) Total of Minimum Lease Payments and Contingent Rents

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Total of minimum lease payments	8,611	9,203	86,567
Contingent rents	112	118	1,109

17. Investment Property

(1) Schedule of Investment Property

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Balance at the beginning of the year	1,967	1,288	12,115
Transfer from (to) property, plant and equipment	15	-	-
Depreciation expense	(75)	(10)	(94)
Impairment losses	-	(7)	(65)
Sale or disposal	(610)	(34)	(331)
Exchange differences on translation of foreign operations	(8)	(17)	(159)
Balance at the end of the year	1,288	1,219	11,466
Breakdown of “Balance at the beginning of the year”			
Cost	4,173	2,694	25,331
Accumulated depreciation and accumulated impairment losses	(2,205)	(1,405)	(13,216)
Total	1,967	1,288	12,115
Breakdown of “Balance at the end of the year”			
Cost	2,694	2,568	24,145
Accumulated depreciation and accumulated impairment losses	(1,405)	(1,348)	(12,679)
Total	1,288	1,219	11,466

(2) Fair Value

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2017		March 31, 2018		March 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment property	1,288	990	1,219	907	11,466	8,531

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

18. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Inter-company profits and write downs on inventories	19,533	19,487	183,303
Carryforward of unused tax losses	10,828	10,784	101,439
Fixed assets (Note 1)	5,912	6,413	60,323
Net defined benefit liabilities	7,237	6,113	57,501
Other	21,582	20,428	192,166
Total deferred tax assets	65,093	63,226	594,732
Undistributed profit	(13,590)	(12,826)	(120,647)
Fixed assets (Note 1)	(2,668)	(3,058)	(28,764)
Other	(3,705)	(2,689)	(25,304)
Total deferred tax liabilities	(19,965)	(18,574)	(174,715)
Net deferred tax assets (Note 2)	45,128	44,651	420,017

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

(Note 2) The difference between the net amount of deferred tax assets recognised in the years ended March 31, 2017 and 2018, less the respective net amounts of deferred tax assets recognised directly in equity and in other comprehensive income, is mainly attributable to the impact of foreign exchange movements.

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

Epson does not recognise deferred tax assets for some carryforward of unused tax losses and some deductible temporary differences. Epson reduces the amount of the deferred tax assets to the extent that it is no longer probable that the tax benefits can be realised based on an individual analysis of each company's condition as a result of assessing the recoverability of the deferred tax assets.
The amounts of carryforward of unused tax losses, for which deferred tax assets have not been recognised, as of March 31, 2017 and 2018, were ¥57,903 million and ¥41,434 million ($389,746 thousand), respectively. The amounts of deductible temporary differences, for which deferred tax assets have not been recognised, as of March 31, 2017 and 2018, were ¥143,599 million and ¥95,935 million ($902,408 thousand), respectively. The deductible temporary differences are not expired under present tax laws. The expiration schedule of carryforward of unused tax losses was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
1st year	-	-	-
2nd year	-	-	-
3rd year	-	32,907	309,548
4th year	-	7,323	68,883
5th year and thereafter	57,903	1,203	11,315
Total	57,903	41,434	389,746

Epson has no taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised as of March 31, 2017 and 2018.

(2) Tax Expense

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Current tax expense	(18,433)	(20,984)	(197,375)
Deferred tax expense	(27)	84	790
Total	(18,461)	(20,899)	(196,585)

Deferred tax expense decreased by ¥1,791 million mainly due to the effect of changes in Japanese applicable tax rate for the year ended March 31, 2017. Deferred tax expense increased by ¥4,867 million ($45,781 thousand) mainly due to the effect of changes in the U.S. applicable tax rate for the year ended March 31, 2018.
Deferred tax expense includes the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. Due to these effects, the deferred tax expense decreased by ¥5,737 million and decreased by ¥4,854 million ($45,658 thousand) for the years ended March 31, 2017 and 2018, respectively.

(3) Reconciliation of the Effective Tax Rate

The breakdown of major items that caused differences between the effective statutory tax rate and the actual tax rate was as follows.
Epson is subject mainly to corporate tax, inhabitant tax, and enterprise tax, and the effective statutory tax rates calculated based on these taxes were 30.7% for the years ended March 31, 2017 and 2018. Foreign subsidiaries are subject to income tax at their locations.

	%	
	Year ended March 31, 2017	Year ended March 31, 2018
Effective statutory tax rate	30.7	30.7
Different tax rates applied to foreign subsidiaries	(2.7)	(5.5)
Expenses not deductible for tax purposes	(0.3)	2.8
Reassessment of recoverability of deferred tax assets	(2.5)	(5.9)
Changes in applicable tax rates	(2.6)	7.8
Other	4.8	3.5
Actual tax rate	27.4	33.4

19. Trade and Other Payables

The breakdown of "Trade and other payables" was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Notes and trade payables	81,651	81,459	766,240
Other payables	59,981	73,299	689,493
Total	141,633	154,759	1,455,733

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

20. Bonds issued, Borrowings and Lease liabilities

(1) Breakdown of Bonds issued, Borrowings and Lease liabilities

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

	Millions of yen		Thousands of U.S. dollars	%	Due
	March 31,		March 31,	Average interest rate (Note 1)	
	2017	2018	2018		
Current borrowings	16,118	25,949	244,088	2.13	-
Current portion of non-current borrowings	50,000	-	-	-	-
Current portion of bonds issued (Note 2)	9,995	9,995	94,017	-	-
Non-current borrowings	499	50,415	474,226	0.44	2027
Bonds issued (Note 2)	69,742	79,707	749,779	-	-
Lease liabilities	216	497	4,675	1.64	2018 to 2023
Total	146,572	166,565	1,566,785		
Current liabilities	76,200	36,082	339,403		
Non-current liabilities	70,371	130,483	1,227,382		
Total	146,572	166,565	1,566,785		

(Note 1) Average interest rates are the weighted average interest rates for the balances at the end of the reporting period.

(Note 2) The summary of issuing conditions of the bonds issued was as follows:

Company	Name of bonds issued	Issue date	% interest rate	Collateral	Maturity date	Millions of yen March 31, 2017	Millions of yen March 31, 2018	Thousands of U.S. dollars March 31, 2018
The Company	The 9th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 12, 2012	0.67	Non	Sep 12, 2017	10,000 (10,000)	-	-
The Company	The 11th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 11, 2013	0.57	Non	Sep 11, 2018	10,000	10,000 (10,000)	94,064 (94,064)
The Company	The 12th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jun 13, 2014	0.35	Non	Jun 13, 2019	10,000	10,000	94,064
The Company	The 13th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.10	Non	Sep 21, 2021	20,000	20,000	188,129
The Company	The 14th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.27	Non	Sep 21, 2023	20,000	20,000	188,129
The Company	The 15th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.34	Non	Sep 18, 2026	10,000	10,000	94,064
The Company	The 16th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 6, 2017	0.26	Non	Sep 6, 2024	-	10,000	94,064
The Company	The 17th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 6, 2017	0.36	Non	Sep 6, 2027	-	10,000	94,064
						80,000 (10,000)	90,000 (10,000)	846,578 (94,064)

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

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.

(2) Reconciliation of Liabilities arising from Financing Activities

The schedule of "Liabilities arising from Financing Activities" was as follows:

FY2017: Year ended March 31, 2018

Millions of yen

	As of April 1, 2017	Changes from cash flows	Non-cash changes		As of March 31, 2018
			Foreign exchange movement	Other	
Current borrowings	16,118	11,590	(1,760)	-	25,949
Non-current borrowings	50,499	(91)	-	6	50,415
Bonds issued	79,738	9,896	-	68	89,703
Lease liabilities	216	(106)	4	384	497
Total	146,572	21,289	(1,756)	459	166,565

FY2017: Year ended March 31, 2018

Thousands of U.S. dollars

	As of April 1, 2017	Changes from cash flows	Non-cash changes		As of March 31, 2018
			Foreign exchange movement	Other	
Current borrowings	151,613	109,019	(16,544)	-	244,088
Non-current borrowings	475,016	(865)	-	75	474,226
Bonds issued	750,051	93,086	-	659	843,796
Lease liabilities	2,031	(997)	37	3,604	4,675
Total	1,378,711	200,243	(16,507)	4,338	1,566,785

"Non-current borrowings" and "Bonds issued" in the tables above include their current portion.

21. Provisions

The breakdown and the schedule of "Provisions" were as follows:

FY2016: Year ended March 31, 2017

	Millions of yen					
	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2016	11,185	9,072	2,211	133	5,358	27,960
Arising during the year	11,103	9,395	1,149	21	4,461	26,131
Utilised	(10,725)	(9,072)	(499)	-	(3,708)	(24,005)
Unused amounts reversed	(460)	-	(320)	-	(171)	(951)
Exchange differences on translation of foreign operations	(203)	(434)	(16)	(8)	(281)	(944)
As of March 31, 2017	10,899	8,960	2,524	146	5,658	28,190
Current liabilities	9,295	8,960	26	26	3,671	21,981
Non-current liabilities	1,604	-	2,498	119	1,986	6,209
Total	10,899	8,960	2,524	146	5,658	28,190

FY2017: Year ended March 31, 2018

	Millions of yen					
	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2017	10,899	8,960	2,524	146	5,658	28,190
Arising during the year	12,975	9,952	1,236	118	7,352	31,635
Utilised	(10,392)	(8,960)	(43)	(26)	(4,542)	(23,967)
Unused amounts reversed	(507)	-	-	-	(308)	(816)
Exchange differences on translation of foreign operations	(34)	185	2	23	138	315
As of March 31, 2018	12,940	10,138	3,719	262	8,297	35,358
Current liabilities	10,830	10,138	230	81	5,122	26,403
Non-current liabilities	2,110	-	3,488	180	3,175	8,954
Total	12,940	10,138	3,719	262	8,297	35,358

FY2017: Year ended March 31, 2018

	Thousands of U.S. dollars					
	Provision for product warranties	Provision for rebates	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2017	102,520	84,281	23,741	1,373	53,252	265,167
Arising during the year	122,038	93,622	11,627	1,119	69,166	297,572
Utilised	(97,751)	(84,281)	(404)	(244)	(42,764)	(225,444)
Unused amounts reversed	(4,769)	-	-	-	(2,906)	(7,675)
Exchange differences on translation of foreign operations	(319)	1,740	18	216	1,308	2,963
As of March 31, 2018	121,719	95,362	34,982	2,464	78,056	332,583
Current liabilities	101,872	95,362	2,163	761	48,200	248,358
Non-current liabilities	19,847	-	32,819	1,703	29,856	84,225
Total	121,719	95,362	34,982	2,464	78,056	332,583

(1) Provision for product warranties
Epson recognises provisions for estimated future warranty costs based on the rate of historical service contract expenses to sales. Other specific warranty provisions are made for those products where future warranty expenses can be specifically estimated. These expenditures are expected to be paid mainly after two years or more.

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

(3) Asset retirement obligations
Epson recognises provisions for retirement costs of property, plant and equipment for which Epson is required to bear, and which derive from the acquisition, construction, development or normal use of such assets to the amount that it is probable that Epson will pay in light of historical experience. These expenditures are expected to be paid mainly after five years or more. However, they may be affected by future business plans.

(4) Provision for loss on litigation
Epson recognises provisions for loss on litigation based on the estimated future compensation payment and litigation expenses which need to be provided at each fiscal year end. These expenditures are expected to be paid mainly after three years or more.

22. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Accrued expense	28,948	25,792	242,611
Accrued bonus to employees	25,543	28,238	265,619
Accrued employee’s unused paid vacations	24,847	25,156	236,628
Other	27,175	29,890	281,231
Total	106,514	109,078	1,026,089
Current liabilities	102,992	97,643	918,505
Non-current liabilities	3,521	11,434	107,584
Total	106,514	109,078	1,026,089

23. Post-employment Benefits

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

(1) Schedule of Defined Benefit Obligations

The schedule of the defined benefit obligations was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Balance at the beginning of the year	311,452	308,935	2,905,982
Service cost	11,550	10,267	96,576
Interest cost	2,284	2,832	26,639
Remeasurement			
Actuarial gains and losses arising from changes in demographic assumptions	1,341	20,932	196,895
Actuarial gains and losses arising from changes in financial assumptions	(4,502)	(17,455)	(164,189)
Past service cost and losses (gains) arising from settlements	(290)	-	-
Exchange differences on translation of foreign operations	(2,567)	748	7,045
Benefits paid	(10,358)	(9,343)	(87,884)
Effects of business combinations and disposals	26	-	-
Balance at the end of the year	308,935	316,917	2,981,064

(2) Schedule of Plan Assets

The schedule of the plan assets was as follows.
Epson's major defined benefit plans are regulated by maintaining a balance between the pension obligations and plan assets through reviewing the financial condition of the fund that affects future benefits.
Epson plans to pay contributions of ¥7,870 million ($74,028 thousand) for the year ending March 31, 2019.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Balance at the beginning of the year	256,606	263,654	2,480,048
Interest income	1,579	2,064	19,415
Remeasurement			
Return on plan assets	7,498	8,725	82,071
Exchange differences on translation of foreign operations	(1,974)	1,123	10,574
Contributions by the employer	7,149	6,992	65,769
Contributions by plan participants	1,169	1,167	10,977
Benefits paid	(8,375)	(9,119)	(85,777)
Balance at the end of the year	263,654	274,607	2,583,077

(3) Schedule of Right to Reimbursement

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

(4) Effect of Asset Ceiling

There was no effect from the asset ceiling.

(5) Reconciliation of Defined Benefit Obligations and Plan Assets

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Funded defined benefit obligations	303,459	311,041	2,925,782
Plan assets	(263,654)	(274,607)	(2,583,077)
Subtotal	39,804	36,433	342,705
Unfunded defined benefit obligations	5,476	5,876	55,282
Net defined benefit liabilities or assets recognised in the consolidated statement of financial position	45,281	42,309	397,987
Net defined benefit liabilities	45,281	42,321	398,090
Net defined benefit assets	0	(11)	(103)
Net defined benefit liabilities and assets recognised in the consolidated statement of financial position	45,281	42,309	397,987

(6) Breakdown of Plan Assets

The breakdown of plan assets by major category was as follows.
In plan assets, there are no transferable financial instruments, real estate held by Epson or other assets used by Epson.

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Investments quoted in active markets			
Equity securities	16,319	17,338	163,089
Bonds receivable	6,795	4,543	42,733
Alternative investments (Note 1)	2,990	3,306	31,097
Cash and deposits	3,477	3,924	36,910
Other	3,223	3,592	33,809
Total	32,806	32,705	307,638
Investments unquoted in active markets			
Pooled funds (Equity securities)	33,011	30,827	289,972
Pooled funds (Bonds receivable)	57,939	57,927	544,887
General accounts of life insurance companies (Note 2)	102,648	111,373	1,047,624
Alternative investments (Note 1)	36,840	41,297	388,458
Other	408	475	4,498
Total	230,848	241,902	2,275,439

(Note 1) Alternative investments are the investments through hedge funds, multi-asset funds, securitisation funds and other funds.

(Note 2) A certain interest rate and principal for the general accounts of life insurance companies are guaranteed by life insurance companies.

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

(7) Matters Related to Actuarial Assumptions

The major item of actuarial assumptions was as follows:

	%	
	March 31, 2017	March 31, 2018
Discount rate	0.9	1.0

The valuation of defined benefit obligations reflects judgments on uncertain future events. The sensitivities of defined benefit obligations due to changes of 1% in the discount rate as of March 31, 2018 were as follows. Each of these sensitivities assumes that other variables remain fixed. Negative figures show a decrease in the defined benefit obligations, while positive figures show an increase.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2018	March 31, 2018
Discount rate (1% increase)	(47,533)	(447,116)
Discount rate (1% decrease)	56,753	533,844

The weighted-average duration of the defined benefit obligations at March 31, 2018 was 15.8 years.

(8) Defined Contribution Plans

Expenses for the defined contribution plans were ¥18,781 million and ¥20,346 million ($191,383 thousand) for the years ended March 31, 2017 and 2018, respectively.

24. Equity and Other Equity Items

(1) Share Capital and Capital Surplus

(A) Shares Authorised
The number of authorised shares as of March 31, 2017 and 2018 was 1,214,916,736 ordinary shares.

(B) Shares Issued and Fully Paid
The schedule of the number of issued shares and the amount of "Share capital" and "Capital surplus" was as follows:

	a share	Millions of yen		Thousands of U.S. dollars	
	Number of ordinary shares issued (Note)	Share capital	Capital surplus	Share capital	Capital surplus
As of April 1, 2016	399,634,778	53,204	84,321		
Increase (decrease)	-	-	0		
As of March 31, 2017	399,634,778	53,204	84,321	500,460	793,161
Increase (decrease)	-	-	43	-	404
As of March 31, 2018	399,634,778	53,204	84,364	500,460	793,565

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

(2) Treasury Shares

The schedule of the number of treasury shares and the corresponding amount was as follows:

	a share	Millions of yen	Thousands of U.S. dollars
	Number of treasury shares	Amount	Amount
As of April 1, 2016	41,860,396	20,471	
Increase (decrease) (Note1)	5,551,261	10,340	
As of March 31, 2017 (Note3)	47,411,657	30,812	289,831
Increase (decrease) (Note2)	(5,518)	(8)	(85)
As of March 31, 2018 (Note4)	47,406,139	30,803	289,746

(Note 1) Increase in the number of treasury shares during the year ended March 31, 2017 resulted from:

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

(Note 2) Decrease in the number of treasury shares during the year ended March 31, 2018 resulted from:

the derivery to beneficiaries of BIP trust	(6,472)	shares
the purchase of odd shares	954	shares

(Note 3) The number of treasury shares as of March 31, 2017 included 180,000 shares held by BIP trust.

(Note 4) The number of treasury shares as of March 31, 2018 included 173,528 shares held by BIP trust.

(3) Other Components of Equity

(A) Remeasurement of net defined benefit liabilities (assets)

This comprises actuarial gains and losses in the present value of the defined benefit obligation and the return on plan assets excluding amounts included in net interest on the net defined benefit liabilities (assets). The amount is recognised as other comprehensive income and is transferred immediately from other components of equity to retained earnings.

(B) Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
This is the valuation difference in fair value of financial assets measured at fair value through other comprehensive income.

(C) Exchange differences on translation of foreign operations
This is a foreign currency translation difference that occurs when Epson consolidates financial statements of foreign operations prepared in foreign currencies.

(D) Net changes in fair value of cash flow hedges
Epson uses derivatives for hedging to avoid the risk of fluctuation in future cash flows. This is the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

25. Dividends

Dividends paid were as follows:

FY2016: Year ended March 31, 2017

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2016)	Ordinary shares	10,733	30	March 31, 2016	June 29, 2016
Board of Directors Meeting (October 27, 2016)	Ordinary shares	(Note) 10,572	30	September 30, 2016	November 30, 2016

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2017: Year ended March 31, 2018

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2017)	Ordinary shares	(Note1) 10,572	30	March 31, 2017	June 29, 2017
Board of Directors Meeting (October 26, 2017)	Ordinary shares	(Note2) 10,572	30	September 30, 2017	November 30, 2017

(Note 1) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.
(Note 2) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2017: Year ended March 31, 2018

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 28, 2017)	Ordinary shares	(Note1) 99,445	0.28	March 31, 2017	June 29, 2017
Board of Directors Meeting (October 26, 2017)	Ordinary shares	(Note2) 99,445	0.28	September 30, 2017	November 30, 2017

(Note 1) The amount of dividends includes dividends of $52 thousand corresponding to the Company’s shares held by BIP trust.
(Note 2) The amount of dividends includes dividends of $52 thousand corresponding to the Company’s shares held by BIP trust.

Dividends, whose effective dates fall on in the next year, were as follows:

FY2016: Year ended March 31, 2017

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

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2017: Year ended March 31, 2018

(Resolution)	Class of shares	Millions of yen Total dividends	Yen Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2018)	Ordinary shares	(Note) 11,276	32	March 31, 2018	June 28, 2018

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2017: Year ended March 31, 2018

(Resolution)	Class of shares	Thousands of U.S. dollars Total dividends	U.S. dollars Dividends per share	Basis date	Effective date
Annual Shareholders Meeting (June 27, 2018)	Ordinary shares	(Note) 106,067	0.30	March 31, 2018	June 28, 2018

(Note) The amount of dividends includes dividends of $47 thousand corresponding to the Company’s shares held by BIP trust.

26. Revenue

The breakdown of “Revenue” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Sale of goods	1,012,810	1,087,151	10,226,234
Royalty income	4,174	4,255	40,024
Other	7,871	10,709	100,744
Total	1,024,856	1,102,116	10,367,002

27. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Employee benefit expense	(95,939)	(103,354)	(972,194)
Research and development expense	(52,735)	(50,336)	(473,483)
Promotion expense	(29,361)	(33,742)	(317,392)
Advertising expense	(21,053)	(21,886)	(205,869)
Service contract expense	(19,291)	(19,468)	(183,124)
Transportation expense	(16,097)	(18,599)	(174,950)
Other	(65,687)	(78,674)	(740,074)
Total	(300,167)	(326,062)	(3,067,086)

28. Employee Benefit Expenses

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Salaries and wages	(203,531)	(216,443)	(2,035,960)
Legal welfare expense	(18,401)	(20,617)	(193,932)
Welfare expense	(10,372)	(11,160)	(104,976)
Expenses of post-employment benefits			
Expense for defined contribution plans	(18,781)	(20,346)	(191,383)
Expense for defined benefit plans	(1,140)	(5,726)	(53,882)
Total	(252,227)	(274,294)	(2,580,133)

The above table does not include Termination benefits. The amounts related to Termination benefits are stated in “30. Other Operating Expense.”

29. Other Operating Income

The breakdown of “Other operating income” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Insurance income	210	1,684	15,840
Foreign exchange gain	1,258	-	-
Other	3,952	3,175	29,875
Total	5,421	4,860	45,715

30. Other Operating Expense

The breakdown of "Other operating expense" was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Foreign exchange loss	-	(6,182)	(58,150)
Termination benefits	(398)	(3,322)	(31,248)
Impairment loss	(239)	(2,091)	(19,668)
Other	(2,698)	(3,046)	(28,673)
Total	(3,335)	(14,643)	(137,739)

31. Finance Income and Finance Costs

The breakdowns of "Finance income" and "Finance costs" were as follows:

Finance Income	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Interest income	1,007	947	8,919
Dividend income	364	327	3,075
Other	11	2	18
Total	1,383	1,277	12,012

Finance Costs	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Foreign exchange loss (Note)	(301)	(1,662)	(15,644)
Interest expense	(826)	(1,243)	(11,692)
Employee benefit expense	(704)	(768)	(7,224)
Other	(25)	(17)	(159)
Total	(1,858)	(3,691)	(34,719)

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

32. Discontinued Operations

As of April 1, 2010, Epson transferred a part of its business and some assets in the field of small- and medium-sized liquid crystal displays to Sony Corporation and Sony Mobile Display Corporation and terminated the production operation at the end of December, 2010. The profit and loss related to allegations concerning a LCD price-fixing cartel was classified into "Discontinued operations."

(1) Reportable Segments

Small- and medium-sized liquid crystal displays business: Other

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Selling, general and administrative expenses	(16)	-	-
Other operating expense	(565)	-	-
Loss from operating activities	(582)	-	-
Loss before tax	(582)	-	-
Loss from discontinued operations	(582)	-	-

(3) The analysis of cash flow of discontinued operations

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Net cash from (used in) operating activities	(14)	(564)	(5,305)
Total	(14)	(564)	(5,305)

33. Other Comprehensive Income

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

FY2016: Year ended March 31, 2017

	Millions of yen				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	9,959	-	9,959	826	10,785
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	2,768	-	2,768	(548)	2,219
Exchange differences on translation of foreign operations	(5,477)	-	(5,477)	-	(5,477)
Net changes in fair value of cash flow hedges	1,726	(1,658)	67	(20)	47
Share of other comprehensive income of investments accounted for using the equity method	(20)	-	(20)	-	(20)
Total	8,956	(1,658)	7,297	257	7,555

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2017: Year ended March 31, 2018

	Millions of yen				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	5,248	-	5,248	(250)	4,998
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(557)	-	(557)	186	(371)
Exchange differences on translation of foreign operations	(5,266)	-	(5,266)	—	(5,266)
Net changes in fair value of cash flow hedges	(3,836)	4,477	640	(196)	444
Share of other comprehensive income of investments accounted for using the equity method	13	-	13	—	13
Total	(4,398)	4,477	78	(260)	(182)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2017: Year ended March 31, 2018

	Thousands of U.S. dollars				
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	49,365	-	49,365	(2,352)	47,013
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(5,249)	-	(5,249)	1,750	(3,499)
Exchange differences on translation of foreign operations	(49,534)	-	(49,534)	-	(49,534)
Net changes in fair value of cash flow hedges	(36,092)	42,112	6,020	(1,844)	4,176
Share of other comprehensive income of investments accounted for using the equity method	122	-	122	-	122
Total	(41,388)	42,112	724	(2,446)	(1,722)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

34. Earnings per Share

(1) Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Profit from continuing operations attributable to owners of the parent company	48,903	41,836	393,528
Loss from discontinued operations attributable to owners of the parent company	(582)	-	-
Profit used for calculation of basic earnings per share	48,320	41,836	393,528

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

	Thousands of shares	
	Year ended March 31, 2017	Year ended March 31, 2018
Weighted-average number of ordinary shares outstanding	353,160	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
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Profit from continuing operations attributable to owners of the parent company	48,903	41,836	393,528
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	48,903	41,836	393,528
Loss from discontinued operations attributable to owners of the parent company	(582)	-	-
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(582)	-	-
Profit attributable to owners of the parent company	48,320	41,836	393,528
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	48,320	41,836	393,528

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

	Thousands of shares	
	Year ended March 31, 2017	Year ended March 31, 2018
Weighted-average number of ordinary shares outstanding	353,160	352,228
Effect of dilutive potential ordinary shares		
BIP trust for eligible officers	20	69
Weighted-average number of ordinary shares diluted	353,181	352,297

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

35. Share-based Payment

(1) Summary of Performance-Linked Stock Compensation Plan

The Company has employed a framework referred to as BIP (Board Incentive Plan) trust as performance-linked equity-settled share-based payment plan for the Company's directors and executive officers who have been engaged by the Company (collectively referred to hereafter as "Eligible Officers," and excluding outside directors and persons such as Audit and Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside Japan). The plan is intended to heighten directors' sense of shared interest with shareholders and to show a commitment to sustaining growth and increasing corporate value over the medium and long-term.
The Eligible Officers are awarded a specific number of points each year based on their position and other factors (1 point = 1 share). Such points fluctuate depending on the levels of achievement of the medium and long-term operating performance targets of Epson. The vesting condition is basically for the Eligible Officers to render services for three years to a vesting date after a grant date of points.

(2) Number of Granted Points and Weighted Average Fair Value

The fair values of granted points at the grant date are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values. The number of granted points and weighted average fair value at the grant date were as follows:

	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Number of granted points	41,954	42,808	-
Weighted average fair value at the grant date	¥1,754	¥2,313	$22

(3) Stock Compensation Expenses

The total expenses recognised from the performance-linked stock compensation plan were ¥12 million and ¥54 million ($507 thousand) for the years ended March 31, 2017 and 2018, respectively.

36. Financial Instruments

(1) Capital Management

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

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Interest-bearing debt	146,572	166,565	1,566,785
Cash and cash equivalents	(221,782)	(229,678)	(2,160,455)
Net interest-bearing debt	(75,209)	(63,112)	(593,670)
Capital (equity attributable to owners of the parent company)	492,196	512,727	4,822,942

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

(2) Financial Risk Management

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

(3) Credit Risk

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

The analysis of the aging of “Trade and other receivables” and “Other Financial Assets” that are past due but not impaired as of March 31, 2018 was as follows. It includes amounts considered recoverable by credit insurance and collateral.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2018	March 31, 2018
Within 30 days	5,697	53,598
Over 30 days, within 60 days	970	9,124
Over 60 days, within 90 days	146	1,373
Over 90 days	247	2,323
Total	7,061	66,418

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

The schedule of the allowance account for credit losses of “Trade and other receivables” and “Other Financial Assets” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Balance as of April 1	1,479	1,485	13,968
Addition (Note)	401	602	5,651
Decrease (utilised)	(355)	(494)	(4,646)
Decrease (reversal)	(11)	(85)	(799)
Other	(28)	(21)	(197)
Balance as of March 31	1,485	1,486	13,977

(Note) “Trade and other receivables” and “Other Financial Assets” for which impairment was recognised individually at March 31, 2017 and 2018 were ¥33 million and ¥32 million ($301 thousand), respectively; and their corresponding allowance account for credit losses were ¥33 million and ¥32 million ($301 thousand), respectively.

(4) Liquidity Risk

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

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

FY2016: As of March 31, 2017

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	141,633	141,633	141,633	-	-	-	-	-
Borrowings	66,618	66,618	66,118	-	-	-	500	-
Bonds issued	79,738	80,000	10,000	10,000	10,000	-	20,000	30,000
Lease obligations	216	221	89	69	38	18	4	0
Other	1,792	1,792	206	69	42	106	84	1,282
Total	289,998	290,265	218,047	10,138	10,081	125	20,588	31,282
Derivative financial liabilities								
Foreign exchange forward contract	1,112	1,112	1,112	-	-	-	-	-
Total	1,112	1,112	1,112	-	-	-	-	-

FY2017: As of March 31, 2018

Millions of yen

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	154,759	154,759	154,759	-	-	-	-	-
Borrowings	76,364	76,449	25,949	-	14,000	500	18,000	18,000
Bonds issued	89,703	90,000	10,000	10,000	-	20,000	-	50,000
Lease obligations	497	506	140	110	88	62	33	71
Other	1,642	1,642	29	108	9	15	81	1,397
Total	322,968	323,357	190,879	10,218	14,097	20,577	18,114	69,469
Derivative financial liabilities								
Foreign exchange forward contract	171	171	171	-	-	-	-	-
Total	171	171	171	-	-	-	-	-

FY2017: As of March 31, 2018

Thousands of U.S. dollars

	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	1,455,733	1,455,733	1,455,733	-	-	-	-	-
Borrowings	718,314	719,113	244,088	-	131,690	4,703	169,316	169,316
Bonds issued	843,796	846,578	94,064	94,064	-	188,129	-	470,321
Lease obligations	4,675	4,764	1,316	1,034	827	583	310	694
Other	15,454	15,454	324	1,017	85	141	762	13,125
Total	3,037,972	3,041,642	1,795,525	96,115	132,602	193,556	170,388	653,456
Derivative financial liabilities								
Foreign exchange forward contract	1,608	1,608	1,608	-	-	-	-	-
Total	1,608	1,608	1,608	-	-	-	-	-

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign exchange fluctuation:

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

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

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

Epson hedges against risk (A) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts.
Epson does not hedge against risks (B) and (C), in principle.
In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson's Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial and general accounting department of the Company regularly reports the performances to the Executive Committee of the Company.
The breakdown of currency derivatives was follows:

Derivative transactions to which hedge accounting is not applied

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2017			2018			2018		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value
Foreign exchange forward contract									
Buying	6,456	-	(9)	305	-	2	2,868	-	18
Selling	31,577	-	(345)	35,078	-	480	329,979	-	4,524
Non-Deliverable Forward									
Selling	3,761	-	(163)	3,345	-	(71)	31,464	-	(667)
Total	41,794	-	(519)	38,730	-	412	364,311	-	3,875

Derivative transactions to which hedge accounting is applied

	Millions of yen						Thousands of U.S. dollars		
	March 31,						March 31,		
	2017			2018			2018		
	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value	Contract amount	Over one year	Fair value (Note)
Foreign exchange forward contract									
Selling	31,171	-	113	34,371	-	538	323,319	-	5,070
Non-Deliverable Forward									
Selling	7,231	-	(256)	7,799	-	(42)	73,360	-	(395)
Total	38,402	-	(143)	42,171	-	495	396,679	-	4,675

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

Foreign Exchange Sensitivity Analysis

In cases where each currency other than the functional currency that denominates the financial instruments held by Epson as of March 31, 2018 increases by 10% in value against the functional currency, the impact on profit before tax in the consolidated statement of comprehensive income was as follows.

The impact from the translation of functional currency-denominated financial instruments, and assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, it is based on the assumption that currencies other than the currencies used for the calculation do not fluctuate.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2018	March 31, 2018
Profit before tax	1,443	13,573

(6) Interest Rate Risk

Epson's interest rate risk arises from cash equivalents and interest-bearing debt. Borrowings and bonds issued with floating rates are subject to the effects of changes in future cash flows caused by the fluctuation of market interest rates; while, borrowings and bonds issued with fixed rates are subject to the effects of changes in the fair value caused by the fluctuation of market interest rates.

In response to the fluctuation of market interest rates, Epson reduces the interest rate risk by implementing an interest rate swap and adjusting appropriate proportion of financing between floating rates and fixed rates.

In accordance with Epson's Capital Management Regulation, the interest rate swap is approved by the finance officer of the Company.

Interest Rate Sensitivity Analysis

In cases where the interest rate of financial instruments held by Epson as of March 31, 2018 increases by 100bp, the impact on profit before tax in the consolidated statement of comprehensive income was as follows:

The analysis included financial instruments affected by interest rate fluctuation and based on the assumption that other factors, including the impacts of foreign exchange fluctuation, were constant.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2018	March 31, 2018
Profit before tax	1,053	9,904

(7) Market Price Fluctuation Risk

With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities in accordance with Epson's Securities Operation Regulation.

Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively. The equity price fluctuation risks are calculated based on the price of equity instruments at the fiscal year end. In cases where the equity price changes by 5% in value, the impact on other comprehensive income before tax effects as of March 31, 2018 was ¥762 million ($7,167 thousand) due to the changes in the fair value.

(8) Fair Value of Financial Instruments

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

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

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

(Borrowings)
Current borrowings are measured at their carrying amounts, because they are settled on a short-term basis and 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.

(B) 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.

(i) 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 tables below approximate the carrying amounts.

FY2016: As of March 31, 2017

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

FY2017: As of March 31, 2018

	Millions of yen				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings	76,364	-	76,936	-	76,936
Bonds issued	89,703	-	89,944	-	89,944
Total	166,067	-	166,880	-	166,880

FY2017: As of March 31, 2018

	Thousands of U.S. dollars				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings	718,314	-	723,694	-	723,694
Bonds issued	843,796	-	846,053	-	846,053
Total	1,562,110	-	1,569,747	-	1,569,747

“Borrowings” and “Bonds issued” in the tables above include their current portion.

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

(ii) 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
Total	13,310	449	2,498	16,258
Financial liabilities measured at fair value				
Derivative financial liabilities	-	1,112	-	1,112
Total	-	1,112	-	1,112

FY2017: As of March 31, 2018

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	1,080	-	1,080
Equity securities	12,713	-	2,528	15,242
Total	12,713	1,080	2,528	16,322
Financial liabilities measured at fair value				
Derivative financial liabilities	-	171	-	171
Total	-	171	-	171

FY2017: As of March 31, 2018

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	10,158	-	10,158
Equity securities	119,584	-	23,779	143,363
Total	119,584	10,158	23,779	153,521
Financial liabilities measured at fair value				
Derivative financial liabilities	-	1,608	-	1,608
Total	-	1,608	-	1,608

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
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Balance as of April 1	2,054	2,498	23,497
Gains and losses			
Other comprehensive income	550	29	282
Sales	(54)	(0)	(0)
Other	(51)	-	-
Balance as of March 31	2,498	2,528	23,779

37. Principal Subsidiaries

The content of principal subsidiaries is stated in "Additional Information 1. Principal subsidiaries and affiliates."

38. Related Parties

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

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2017	2018	2018
Short-term remuneration	475	419	3,950
Stock compensation	6	25	235
Total	481	445	4,185

(Note) The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. The acquisition of the Company's shares accounts for a portion of the short-term remuneration.

39. Commitments

Commitments for the acquisition of assets after the fiscal year end were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2017	2018	2018
Acquisition of property, plant and equipment	25,994	37,262	350,503
Acquisition of intangible assets	613	2,203	20,722
Total	26,608	39,465	371,225

40. Contingencies

Material litigation
In general, litigation has uncertainties and it is difficult to make reliable estimate 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 had the following material actions.

(1) The liquid crystal display price-fixing cartel

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

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

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

41. Subsequent Events

No material subsequent events were identified.

42. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Minoru Usui (President and Representative Director) and Tatsuaki Seki (Director and General Administrative Manager, Management Control Division) on June 27, 2018.

Report of Independent Auditors

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
ey.com

Independent Auditor's Report

The Board of Directors
Seiko Epson Corporation

We have audited the accompanying consolidated financial statements of Seiko Epson Corporation and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Seiko Epson Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with International Financial Reporting Standards.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 27, 2018

A member firm of Ernst & Young Global Limited