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CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED DECEMBER 31, 2014 (IFRS basis)

Consolidated Financial Highlights

Quarterly Condensed Consolidated Statement of Comprehensive Income

	Millions of yen		Change	Thousands of U.S. dollars
	Nine months ended December 31			Nine months ended December 31,2014
	2013	2014		
Revenue	¥755,194	¥814,805	7.9%	$6,759,062
Business profit (Note)	76,591	85,472	11.6%	709,017
Profit from operating activities	70,539	110,675	56.9%	918,083
Profit before tax	70,489	112,622	59.8%	934,234
Profit for the period	42,741	90,618	112.0%	751,704
Profit for the period attributable to owners of the parent company	42,563	90,476	112.6%	750,527
Total comprehensive income for the period	¥81,079	¥139,359	71.9%	$1,156,026
Basic earnings per share (in ¥1, $1 unit)	¥237.93	¥505.77		$4.20
Diluted earnings per share (in ¥1, $1 unit)	-	-		-

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

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31,2014	December 31,2014	December 31,2014
Total assets	¥908,890	¥1,025,300	$8,505,184
Total equity	364,757	491,135	4,074,118
Equity attributable to owners of the parent company	¥362,371	¥488,286	$4,050,485
Equity attributable to owners of the parent company ratio (%)	39.9%	47.6%	47.6%

Quarterly Condensed Consolidated Statements of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Nine months ended December 31			Nine months ended December 31,2014
	2013	2014		
Net cash provided by (used in) operating activities	¥72,608	¥73,540	1.3%	$610,037
Net cash provided by (used in) investing activities	(27,700)	(33,188)	-%	(275,304)
Net cash provided by (used in) financing activities	(14,020)	(36,209)	-%	(300,364)
Cash and cash equivalents at end of period	¥227,896	¥230,311	1.1%	$1,910,501

Notes

I. Quarterly Condensed Consolidated Financial Statements were disclosed according to IFRS from the three months ended June 30, 2014.

II. Figures in ‘Change’ column are comparisons with the same period of the previous year.

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

IV. Equity attributable to owners of the parent company is equity excluding non-controlling interest in subsidiaries.

V. U.S. dollar amounts are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that or any other rate. The rate of ¥120.55 = U.S.$1 as of December 31, 2014 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2014 First Three Quarters (April 1 to December 31, 2014) Overview

The global economy basically continued to gradually head toward recovery for the first three quarters of the year under review. The U.S. economy, boosted by lower unemployment and higher personal spending, continued its upswing. In Europe, the economy continues to pick up, but the situation is growing steadily shakier. This is partly due to recent signs of a slowdown in Germany, the engine that drives the European economy, but there are other causes of concern as well, including geopolitical risks. Asia has continued to gradually recover, but there is a growing sense of uncertainty due to a slowing of the pace of economic expansion in China and stagnation across the ASEAN economic community as a whole. Japan's economy as a whole continued to register signs of a gradual recovery, although weakness is seen in consumer spending and some other economic indicators.

The situation in the main markets of the Epson Group ("Epson") was as follows.
Demand for inkjet printers remained firm in Europe but contracted in Japan compared to last year due to a delayed recovery in personal spending following the consumption tax hike. Demand also decreased slightly in North America. Demand for large-format printers decreased somewhat in Japan but was flat in Europe. Meanwhile, demand trended upward in China and remained firm in the U.S. Demand for serial-impact dot-matrix (SIDM) printers is slipping in the Americas and Europe, and is now on a downward trend in China, where demand for SIDM printers used in tax collection systems has temporarily run its course. Demand for point-of-sale (POS) system products was similar to that in the same period last year in both the Americas and Europe. Demand for projectors was firm thanks largely to growth in the Americas and Asia, where the FIFA World Cup helped drive unit sales higher in the first half of the year.
Demand from mobile phone manufacturers, the main consumers of Epson's electronic devices, was mixed. While orders for devices used in smartphones were firm, orders for devices used in feature phones continued to decelerate. In the PC market, sales of tablets were steady, but demand for notebook and desktop models declined somewhat. In the digital camera market, demand for MILC (mirrorless interchangeable-lens camera) models was firm, but sales of compact camera and SLR (single-lens reflex) remained weak.
In the precision products market, Japanese demand for watches temporarily contracted, particularly for premium models, following a run-up in sales prior to the increase in the consumption tax, but demand has gradually recovered in the latter part of the period. Demand remained firm in other markets outside Asia. Industrial robot demand increased in the smartphone and automotive sectors, while demand for IC handlers was also firm.

At the start of the 2013 fiscal year Epson began working under an updated three-year plan called the SE15 Updated Second-Half Mid-Range Business Plan (FY2013-15). We have been closely adhering to the strategic course charted by the SE15 Long-Range Corporate Vision and, in line with the updated plan, are pursuing a basic strategy of managing our businesses so that they create steady profit while avoiding the single-minded pursuit of revenue growth. Our top priority will be steady profit and cash flow. To achieve this in existing segments, we will readjust our product mixes and adopt new business models. Meanwhile, we will aggressively develop markets in new segments. We will move steadily forward to lay the foundation for a metamorphosis during which Epson will change from being primarily a company that provides consumer imaging products into a company that once again posts strong growth by creating and providing new information solutions and equipment for businesses and professionals, as well as consumers.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro for the first three quarters of the year were ¥106.87 and ¥140.30, respectively. This represents an 8% depreciation in the value of the yen against the dollar and a 6% depreciation in the value of the yen against the euro compared to the same period last year.

Revenue for the first nine months of the year was ¥814.8 billion ($6,759,062 thousand), up 7.9% year over year. Business profit was ¥85.4 billion ($709,017 thousand), up 11.6% year over year. Profit from operating activities was ¥110.6 billion ($918,083 thousand), up 56.9% year over year. Profit for the period was ¥90.6 billion ($751,704 thousand), up ¥112.0% year over year.

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

Information-Related Equipment Segment

Revenue in the printing systems business increased.
Inkjet printer revenue grew, as increased unit shipments of high-capacity ink tank models and higher average selling prices more than compensated for a decline in ink cartridge printer shipments. Revenue from consumables also rose owing to the effects of improvement in the composition of the install base. Foreign exchange effects also boosted revenue. Large-format printer revenue was driven up by unit growth in Asia and by foreign exchange effects. Page printer revenue decreased due to a decline in consumables volume. SIDM printer revenue fell. Although revenue benefited from foreign exchange effects, it fell because Chinese demand for SIDM printers, which are used in tax collection systems, has temporarily run its course and because unit shipments declined in the Americas and Europe. POS system product revenue increased because of unit shipment growth in Europe and foreign exchange effects.
Revenue in the visual communications business increased.
Business 3LCD projector revenue increased as a result of unit shipment growth in the Americas and Asia and foreign exchange effects. Home-theater 3LCD projector revenue also increased, driven higher by unit shipment growth in all major markets.
Segment profit in the information-related equipment segment increased due to a combination of revenue growth from major products and foreign exchange effects.

As a result of the foregoing factors, revenue in the information-related equipment segment was ¥679.6 billion ($5,638,176 thousand), up 8.5% year over year. Segment profit was ¥110.0 billion ($912,508 thousand), up 15.4% year over year.

Devices & Precision Products Segment

Revenue in the microdevices business increased, in part due to foreign exchange effects.
Crystal device revenue fell due to ongoing price erosion in the markets for AT-cut crystal and tuning-fork crystal products. Semiconductor revenue increased due to growth in internal demand and external sales, including silicon foundry orders.

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

Segment profit in the devices and precision products segment increased. This increase was due not only to the effects of foreign exchange on the segment as a whole but also to the effect of cost reductions in the microdevices business.

As a result of the foregoing factors, revenue in the devices and precision products segment was ¥120.4 billion ($999,253 thousand), up 4.9% year over year. Segment profit was ¥12.1 billion ($100,929 thousand), up 10.6% year over year.

Sensing & Industrial Solutions Segment

Revenue in the sensing and industrial solutions segment increased.
In factory automation systems, industrial robot revenue growth was driven by orders from Asia, while IC handler revenue growth was fueled by orders from smartphone chip manufacturers.
Segment profit in the sensing and industrial solutions segment increased primarily due to increased revenue from sales of industrial robots.

As a result of the foregoing factors, revenue in the sensing and industrial solutions segment was ¥18.6 billion ($154,715 thousand), up 75.5% year over year. Segment loss was ¥5.9 billion ($49,738 thousand) compared to a segment loss of the ¥7.5 billion in the same period last year.

Other

Revenue for the first three quarters of the year in the Other segment was ¥0.9 billion ($8,220 thousand), up 11.9% year over year. Segment loss was ¥0.2 billion ($2,190 thousand), the same as in the year-ago period. .

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥30.4 billion ($252,492 thousand), compared to negative ¥21.9 billion in adjustments in the same period last year. The loss mainly comprises selling, general and administrative expenses for areas that do not correspond to the reporting segments, such as research and development expenses for new businesses and basic technology, and general corporate expenses.

Qualitative Information Regarding the Consolidated Financial Position

Total assets at the end of the third quarter were ¥1,025.3 billion ($8,505,184 thousand), an increase of ¥116.4 billion from the previous fiscal year end. This increase was primarily due to a ¥47.1 billion increase in inventories, a ¥39.0 billion increase in trade and other receivables, and a ¥18.8 billion increase in cash and cash equivalents.
Total liabilities were ¥534.1 billion ($4,431,066 thousand), down ¥9.9 billion compared to the end of the last fiscal year. While trade and other payables increased by ¥30.9 billion, total liabilities decreased mainly because of a ¥42.7 billion decrease in net defined benefit liabilities accompanying changes to Epson's defined-benefit plan for employees in Japan.
The equity attributable to owners of the parent company totaled ¥488.2 billion ($4,050,485 thousand), a ¥125.9 billion increase compared to the previous fiscal year end. This was primarily due to a ¥90.9 billion increase in retained earnings and a ¥35.0 billion increase in other components of equity, including a change in the foreign currency translation adjustment associated with the depreciation of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

Given the recent trend of financial results, Epson revised its full-year consolidated financial outlook.

The figures in the outlook are based on assumed fourth-quarter exchange rates of 115.00 yen to the U.S. dollar and 135.00 yen to the euro.

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

Consolidated Full-Year Outlook

	(Reference) FY2013 Full-Year Result	Previous Outlook	Current Outlook	Change	
Revenue	¥1,008.4 billion	¥1,060.0 billion	¥1,090.0 billion	+¥30.0 billion	(+2.8%)
Business profit	¥90.0 billion	¥105.0 billion	¥105.0 billion	-	-
Profit from operating activities	¥79.5 billion	¥132.0 billion	¥132.0 billion	-	-
Profit before tax	¥77.9 billion	¥132.0 billion	¥132.0 billion	-	-
Profit for the year	¥84.4 billion	¥111.0 billion	¥111.0 billion	-	-
Profit for the year attributable to owners of the parent company	¥84.2 billion	¥111.0 billion	¥111.0 billion	-	-
Foreign exchange rate	$1USD = ¥100.23	$1USD = ¥102.00	$1USD = ¥109.00		
	1 euro = ¥134.37	1 euro = ¥137.00	1 euro = ¥139.00		

Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2014	December 31, 2014	December 31, 2014
Assets				
Current assets				
Cash and cash equivalents	10	¥211,510	¥230,320	$1,910,576
Trade and other receivables	10	154,309	193,408	1,604,379
Inventories		181,581	228,688	1,897,038
Income tax receivables		2,284	521	4,321
Other financial assets	10	505	958	7,946
Other current assets		10,452	11,249	93,334
Subtotal		560,645	665,146	5,517,594
Non-current assets held for sale	10	-	241	1,999
Total current assets		560,645	665,387	5,519,593
Non-current assets				
Property, plant and equipment		222,556	224,289	1,860,547
Intangible assets		18,947	18,949	157,187
Investment properties		10,273	12,234	101,484
Investments accounted for using the equity method		3,858	4,409	36,574
Net defined benefit assets		10	40	331
Other financial assets	10	21,881	24,252	201,177
Other non-current assets		2,931	6,533	54,248
Deferred tax assets		67,786	69,201	574,043
Total non-current assets		348,245	359,913	2,985,591
Total assets		¥908,890	¥1,025,300	$8,505,184

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2014	December 31, 2014	December 31, 2014
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables	10	¥123,463	¥154,417	$1,280,937
Income tax payables		13,689	12,085	100,248
Other financial liabilities	6,10	82,471	98,243	814,956
Provisions		22,397	27,316	226,594
Other current liabilities		94,064	105,149	872,271
Total current liabilities		336,087	397,213	3,295,006
Non-current liabilities				
Other financial liabilities	6,10	141,942	112,440	932,725
Net defined benefit liabilities		56,362	13,637	113,123
Provisions		5,401	6,653	55,188
Other non-current liabilities		3,698	3,499	29,060
Deferred tax liabilities		640	719	5,964
Total non-current liabilities		208,045	136,951	1,136,060
Total liabilities		544,132	534,164	4,431,066
Equity				
Share capital		53,204	53,204	441,343
Capital surplus		84,321	84,321	699,469
Treasury shares		(20,457)	(20,463)	(169,746)
Other components of equity		49,716	84,734	702,895
Retained earnings		195,587	286,490	2,376,524
Equity attributable to owners of the parent company		362,371	488,286	4,050,485
Non-controlling interests		2,385	2,849	23,633
Total equity		364,757	491,135	4,074,118
Total liabilities and equity		¥908,890	¥1,025,300	$8,505,184

Quarterly Condensed Consolidated Statement of Comprehensive Income

Nine months ended December 31, 2013 and 2014:

	Notes	Millions of yen		Thousands of U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2013	2014	2014
Revenue	5	¥755,194	¥814,805	$6,759,062
Cost of sales		(481,212)	(515,373)	(4,275,189)
Gross profit		273,981	299,431	2,483,873
Selling, general and administrative expenses		(197,389)	(213,959)	(1,774,856)
Other operating income	8	4,824	33,901	281,219
Other operating expenses		(10,877)	(8,699)	(72,153)
Profit from operating activities		70,539	110,675	918,083
Finance income		3,050	3,297	27,349
Finance costs		(3,226)	(1,531)	(12,699)
Share of profit of investments accounted for using the equity method		126	181	1,501
Profit before tax		70,489	112,622	934,234
Income taxes		(25,240)	(20,958)	(173,853)
Profit from continuing operations		45,248	91,664	760,381
Loss from discontinued operations		(2,507)	(1,045)	(8,677)
Profit for the period		42,741	90,618	751,704
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		10,587	13,271	110,087
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		3,050	1,425	11,829
Subtotal		13,637	14,697	121,916
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		25,821	33,869	280,955
Net changes in fair value of cash flow hedges		(1,256)	(38)	(315)
Share of other comprehensive income of investments accounted for using the equity method		135	213	1,766
Subtotal		24,700	34,044	282,406
Total Other comprehensive income, net of tax		38,338	48,741	404,322
Total comprehensive income for the period		¥81,079	¥139,359	$1,156,026

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen		Thousands of U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2013	2014	2014
Profit for the period attributable to:				
Owners of the parent company		¥42,563	¥90,476	$750,527
Non-controlling interests		177	142	1,177
Profit for the period		¥42,741	¥90,618	$751,704
Total comprehensive income for the period attributable to:				
Owners of the parent company		¥80,606	¥138,800	$1,151,389
Non-controlling interests		473	559	4,637
Total comprehensive income for the period		¥81,079	¥139,359	$1,156,026

	Notes	Yen		U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2013	2014	2014
Earnings (loss) per share for the period:				
Basic earnings (loss) per share for the period	9	¥237.93	¥505.77	$4.20
Earnings (loss) per share from continuing operations for the period:				
Basic earnings (loss) per share for the period	9	¥251.94	¥511.61	$4.25
Earnings (loss) per share from discontinued operations for the period:				
Basic earnings (loss) per share for the period	9	(¥14.02)	(¥5.84)	($0.05)

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended December 31, 2013 and 2014:

	Notes	Millions of yen		Thousands of U.S. dollars
		Three months ended December 31,		Three months ended December 31,
		2013	2014	2014
Revenue	5	¥283,823	¥301,997	$2,505,159
Cost of sales		(168,847)	(190,081)	(1,576,781)
Gross profit		114,975	111,916	928,378
Selling, general and administrative expenses		(71,954)	(77,353)	(641,667)
Other operating income		1,241	1,149	9,531
Other operating expenses		(4,157)	(3,619)	(30,029)
Profit from operating activities		40,105	32,092	266,213
Finance income		1,859	663	5,499
Finance costs		(1,075)	(826)	(6,842)
Share of profit of investments accounted for using the equity method		77	74	613
Profit before tax		40,966	32,004	265,483
Income taxes		(17,794)	(6,276)	(52,070)
Profit from continuing operations		23,171	25,727	213,413
Loss from discontinued operations		(327)	(793)	(6,586)
Profit for the period		22,843	24,933	206,827
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)		5,993	5,971	49,531
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)		1,711	124	1,028
Subtotal		7,705	6,095	50,559
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations		17,572	21,801	180,855
Net changes in fair value of cash flow hedges		(2,686)	(869)	(7,208)
Share of other comprehensive income of investments accounted for using the equity method		69	96	796
Subtotal		14,955	21,028	174,443
Total Other comprehensive income, net of tax		22,660	27,124	225,002
Total comprehensive income for the period		¥45,504	¥52,057	$431,829

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Millions of yen Three months ended December 31, 2013	 2014	Thousands of U.S. dollars Three months ended December 31, 2014
Profit for the period attributable to:				
Owners of the parent company		¥22,719	¥24,889	$206,463
Non-controlling interests		124	44	364
Profit for the period		¥22,843	¥24,933	$206,827
Total comprehensive income for the period attributable to:				
Owners of the parent company		¥45,187	¥51,762	$429,382
Non-controlling interests		317	295	2,447
Total comprehensive income for the period		¥45,504	¥52,057	$431,829

	Notes	Yen Three months ended December 31, 2013	 2014	U.S. dollars Three months ended December 31, 2014
Earnings (loss) per share for the period:				
Basic earnings (loss) per share for the period	9	¥127.00	¥139.13	$1.15
Earnings (loss) per share from continuing operations for the period:				
Basic earnings (loss) per share for the period	9	¥128.83	¥143.57	$1.19
Earnings (loss) per share from discontinued operations for the period:				
Basic earnings (loss) per share for the period	9	(¥1.83)	(¥4.44)	($0.04)

Quarterly Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2013 and 2014:

	Notes	Millions of yen											
		Equity attributable to owners of the parent company											
					Other components of equity								
		Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2013		¥53,204	¥84,321	(¥20,453)	−	¥2,467	¥25,785	(¥1,295)	¥26,958	¥101,876	¥245,905	¥2,063	¥247,969
Profit (loss) for the period		−	−	−	−	−	−	−	−	42,563	42,563	177	42,741
Other comprehensive income (loss)		−	−	−	¥10,587	3,081	25,630	(1,256)	38,042	−	38,042	295	38,338
Total comprehensive income (loss) for the period		−	−	−	10,587	3,081	25,630	(1,256)	38,042	42,563	80,606	473	81,079
Acquisition of treasury shares		−	−	(2)	−	−	−	−	−	−	(2)	−	(2)
Dividends	7	−	−	−	−	−	−	−	−	(3,577)	(3,577)	(110)	(3,688)
Transfer from other components of equity to retained earnings		−	−	−	(10,587)	−	−	−	(10,587)	10,587	−	−	−
Total transactions with the owners		−	−	(2)	(¥10,587)	−	−	−	(10,587)	7,009	(3,580)	(110)	(3,690)
As of December 31, 2013		¥53,204	¥84,321	(¥20,456)	−	¥5,548	¥51,416	(¥2,551)	¥54,413	¥151,448	¥322,931	¥2,426	¥325,358

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	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
		Millions of yen											
		Equity attributable to owners of the parent company											
					Other components of equity								
As of April 1, 2014		¥53,204	¥84,321	(¥20,457)	–	¥5,332	¥45,046	(¥662)	¥49,716	¥195,587	¥362,371	¥2,385	¥364,757
Profit (loss) for the period		–	–	–	–	–	–	–	–	90,476	90,476	142	90,618
Other comprehensive income (loss)		–	–	–	¥13,271	1,493	33,597	(38)	48,324	–	48,324	416	48,741
Total comprehensive income (loss) for the period		–	–	–	13,271	1,493	33,597	(38)	48,324	90,476	138,800	559	139,359
Acquisition of treasury shares		–	–	(5)	–	–	–	–	–	–	(5)	–	(5)
Dividends	7	–	–	–	–	–	–	–	–	(12,880)	(12,880)	(95)	(12,975)
Transfer from other components of equity to retained earnings		–	–	–	(13,271)	(34)	–	–	(13,306)	13,306	–	–	–
Total transactions with the owners		–	–	(5)	(¥13,271)	(¥34)	–	–	(13,306)	426	(12,885)	(95)	(12,981)
As of December 31, 2014		¥53,204	¥84,321	(¥20,463)	–	¥6,790	¥78,644	(¥700)	¥84,734	¥286,490	¥488,286	¥2,849	¥491,135

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	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
		Thousands of U.S. dollars											
		Equity attributable to owners of the parent company											
					Other components of equity								
As of April 1, 2014		$441,343	$699,469	($169,705)	–	$44,231	$373,670	($5,491)	$412,410	$1,622,463	$3,005,980	$19,793	$3,025,773
Profit (loss) for the period		–	–	–	–	–	–	–	–	750,527	750,527	1,177	751,704
Other comprehensive income (loss)		–	–	–	$110,087	12,384	278,706	(315)	400,862	–	400,862	3,460	404,322
Total comprehensive income (loss) for the period		–	–	–	110,087	12,384	278,706	(315)	400,862	750,527	1,151,389	4,637	1,156,026
Acquisition of treasury shares		–	–	(41)	–	–	–	–	–	–	(41)	–	(41)
Dividends	7	–	–	–	–	–	–	–	–	(106,843)	(106,843)	(797)	(107,640)
Transfer from other components of equity to retained earnings		–	–	–	(110,087)	(290)	–	–	(110,377)	110,377	–	–	–
Total transactions with the owners		–	–	(41)	(110,087)	(290)	–	–	(110,377)	3,534	(106,884)	(797)	(107,681)
As of December 31, 2014		$441,343	$699,469	($169,746)	–	$56,325	$652,376	($5,806)	$702,895	$2,376,524	$4,050,485	$23,633	$4,074,118

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Quarterly Condensed Consolidated Statement of Cash Flows
Nine months ended December 31, 2013 and 2014:

	Notes	Millions of yen		Thousands of U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2013	2014	2014
Cash flows from operating activities				
Profit for the period		¥42,741	¥90,618	$751,704
Depreciation and amortization		30,769	33,291	276,159
Impairment loss		2,738	2,906	24,106
Finance (income) costs, net		176	(1,766)	(14,650)
Share of (profit) loss of investments accounted for using the equity method		(126)	(181)	(1,501)
Loss (gain) on sales and disposal of propety, plant and equipment, intangible assets and investment property, net		426	266	2,206
Income taxes		25,240	20,958	173,853
Decrease (increase) in trade and other receivables		(28,778)	(22,814)	(189,249)
Decrease (increase) in inventories		(5,884)	(21,083)	(174,890)
Increase (decrease) in trade and other payables		19,549	13,868	115,039
Increase (decrease) in net defined benefit liabilities		(3,281)	(26,854)	(222,762)
Other, net		2,060	8,199	68,031
Subtotal		85,630	97,410	808,046
Interest and dividend income received		1,519	1,964	16,291
Interest expenses paid		(1,683)	(1,163)	(9,647)
Payments for loss on litigation		(3,822)	(859)	(7,125)
Income taxes paid		(9,034)	(23,811)	(197,528)
Net cash provided by (used in) operating activities		72,608	73,540	610,037
Cash flows from investing activities				
Proceeds from sales of investment securities		14	18	149
Purchase of property, plant and equipment		(24,045)	(26,081)	(216,350)
Proceeds from sales of property, plant and equipment		322	194	1,609
Purchase of intangible assets		(3,775)	(3,545)	(29,406)
Purchase of investments in subsidiaries		-	(639)	(5,300)
Other, net		(215)	(3,135)	(26,006)
Net cash provided by (used in) investing activities		(27,700)	(33,188)	(275,304)
Cash flows from financing activities				
Net increase (decrease) in short-term loans payables		(25,041)	(13,004)	(107,872)
Repayments of long-term loans payables		(5,000)	-	-
Proceeds from issuance of bonds payable		20,000	10,000	82,953
Redemption of bonds payable		-	(20,000)	(165,906)
Payments of lease obligations		(287)	(223)	(1,849)
Dividends paid	7	(3,577)	(12,880)	(106,843)
Dividends paid to non-controlling interests		(110)	(95)	(806)
Purchase of treasury shares		(2)	(5)	(41)
Net cash provided by (used in) financing activities		(14,020)	(36,209)	(300,364)
Effect of exchange rate changes on cash and cash equivalents		12,354	14,659	121,591
Net increase (decrease) in cash and cash equivalents		43,242	18,801	155,960
Cash and cash equivalents at beginning of period		184,654	211,510	1,754,541
Cash and cash equivalents at end of period		¥227,896	¥230,311	$1,910,501

Notes to Quarterly Condensed Consolidated Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

Epson's quarterly condensed consolidated financial statements have been prepared in accordance with IAS 34 "*Interim Financial Reporting*", under the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements, as Epson meets the criteria of a "Specified company" defined under Article 1-2, Paragraph 1, Item 2 of Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements.
The quarterly condensed consolidated financial statements of Epson do not contain all the information required in annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended March 31, 2014.

3. Changes in Accounting Policies and Changes in Accounting Estimates

The significant accounting policies adopted for the quarterly condensed consolidated financial statements of Epson are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2014 except for the following.
(1)Income taxes for the nine months ended December 31, 2014 were computed based on an estimated average annual effective income tax rate.

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

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

4. Significant Accounting Estimates and Judgments

The preparation of Epson's quarterly condensed consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of December 31, 2014. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of December 31, 2014. Given their nature, actual results may differ from those estimates and assumptions. The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and its subsequent periods. Estimates and assumptions having a significant effects on the amounts recognized in Epson's quarterly condensed consolidated financial statements are consistent with those for the fiscal year ended March 31, 2014.

5. Segment Information

(1) Outline of Reportable Segments

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

Epson is mainly engaged in the manufacture and sale of “Information-related equipment”, “Devices & precision products” and “Sensing & industrial solutions”. The reportable segments of Epson are composed of three segments: “Information-related equipment,” “Devices & precision products,” and “Sensing & industrial solutions”. They are determined by types of products, characteristics, and markets.

Epson conducts development, manufacturing and sales within its reportable segments as follows:

Reportable segments	Main products
Information-related equipment	Inkjet printers, page printers, color image scanners, commercial inkjet printers, serial impact dot matrix printers, printers for use in POS systems, inkjet label printers and related consumables, 3LCD projectors, HTPS-TFT panels for 3LCD projectors, label printers, smart glasses, personal computers and others.
Devices & precision products	Crystal units, crystal oscillators, quartz sensors, CMOS LSIs, watches, watch movements, metal powders, surface finishing and others.
Sensing & industrial solutions	Industrial robots, IC handlers, industrial inkjet printing systems, sensing systems and others.

(2) Revenues and Performances for Reportable Segments

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

Nine months ended December 31, 2013

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Revenue							
External revenue	¥626,292	¥111,329	¥10,485	¥748,107	¥570	¥6,516	¥755,194
Inter-segment revenue	336	3,490	140	3,968	315	(4,283)	-
Total revenue	626,629	114,819	10,626	752,075	885	2,232	755,194
Segment profit (loss) (Business profit (loss)) (Note 1)	¥95,300	¥11,004	(¥7,526)	¥98,779	(¥249)	(¥21,938)	76,591
Other operating income (expenses)							(6,052)
Profit from operating activities							70,539
Finance income (costs)							(176)
Share of profit (loss) of investments accounted for using the equity method							126
Profit before tax							¥70,489

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of (¥21,938) million comprised “Eliminations” of ¥113 million and “Corporate expenses” of (¥22,051) million. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

Nine months ended December 31, 2014

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Revenue							
External revenue	¥679,230	¥115,885	¥18,485	¥813,601	¥556	¥647	¥814,805
Inter-segment revenue	451	4,574	166	5,191	434	(5,626)	-
Total revenue	679,681	120,460	18,651	818,793	991	(4,979)	814,805
Segment profit (loss) (Business profit (loss)) (Note 1)	¥110,003	¥12,167	(¥5,996)	¥116,174	(¥263)	(¥30,438)	85,472
Other operating income (expenses)							25,202
Profit from operating activities							110,675
Finance income (costs)							1,766
Share of profit (loss) of investments accounted for using the equity method							181
Profit before tax							¥112,622

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of (¥30,438) million comprised “Eliminations” of ¥188 million and “Corporate expenses” of (¥30,626) million. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

Nine months ended December 31, 2014

Thousands of US dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Revenue							
External revenue	$5,634,435	$961,311	$153,338	$6,749,084	$4,612	$5,366	$6,759,062
Inter-segment revenue	3,741	37,942	1,377	43,060	3,608	(46,668)	-
Total revenue	5,638,176	999,253	154,715	6,792,144	8,220	(41,302)	6,759,062
Segment profit (loss) (Business profit (loss)) (Note 1)	$912,508	$100,929	($49,738)	$963,699	($2,190)	($252,492)	709,017
Other operating income (expenses)							209,066
Profit from operating activities							918,083
Finance income (costs)							14,650
Share of profit (loss) of investments accounted for using the equity method							1,501
Profit before tax							$934,234

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of ($252,492) thousand comprised “Eliminations” of $1,560 thousand and “Corporate expenses” of ($254,052) thousand. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

Three months ended December 31, 2013

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Revenue							
External revenue	¥242,830	¥37,075	¥3,554	¥283,459	¥212	¥151	¥283,823
Inter-segment revenue	149	1,204	58	1,412	119	(1,531)	-
Total revenue	242,980	38,279	3,612	284,872	331	(1,380)	283,823
Segment profit (loss) (Business profit (loss)) (Note 1)	¥52,713	¥2,800	(¥2,765)	¥52,748	(¥97)	(¥9,629)	43,021
Other operating income (expenses)							(2,916)
Profit from operating activities							40,105
Finance income (costs)							783
Share of profit (loss) of investments accounted for using the equity method							77
Profit before tax							¥40,966

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of (¥9,629) million comprised “Eliminations” of ¥38million and “Corporate expenses” of (¥9,667) million. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

Three months ended December 31, 2014

Millions of yen

	Reportable segments: Information-related equipment	Reportable segments: Devices & precision products	Reportable segments: Sensing & Industrial Solutions	Reportable segments: Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
Revenue							
External revenue	¥256,514	¥39,350	¥5,782	¥301,648	¥224	¥124	¥301,997
Inter-segment revenue	169	1,698	55	1,923	144	(2,067)	-
Total revenue	256,684	41,049	5,837	303,571	369	(1,942)	301,997
Segment profit (loss) (Business profit (loss)) (Note 1)	¥42,287	¥5,047	(¥1,969)	¥45,365	(¥66)	(¥10,736)	34,562
Other operating income (expenses)							(2,469)
Profit from operating activities							32,092
Finance income (costs)							(162)
Share of profit (loss) of investments accounted for using the equity method							74
Profit before tax							¥32,004

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of (¥10,736) million comprised “Eliminations” of ¥110 million and “Corporate expenses” of (¥10,846) million. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

Three months ended December 31, 2014

Thousands of US dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Information-related equipment	Devices & precision products	Sensing & Industrial Solutions	Subtotal			
Revenue							
External revenue	$2,127,873	$326,429	$47,963	$2,502,265	$1,858	$1,036	$2,505,159
Inter-segment revenue	1,410	14,085	456	15,951	1,202	(17,153)	-
Total revenue	2,129,283	340,514	48,419	2,518,216	3,060	(16,117)	2,505,159
Segment profit (loss) (Business profit (loss)) (Note 1)	$350,783	$41,866	($16,333)	$376,316	($547)	($89,058)	286,711
Other operating income (expenses)							(20,498)
Profit from operating activities							266,213
Finance income (costs)							(1,343)
Share of profit (loss) of investments accounted for using the equity method							613
Profit before tax							$265,483

(Note 1) Segment profit (loss) (Business profit (loss)) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
(Note 2) The intra-group services business was categorized within “Other”.
(Note 3) Adjustments to business profit of ($89,058) thousand comprised “Eliminations” of $912 thousand and “Corporate expenses” of ($89,970) thousand. The Corporate expenses included expenses relating to research and development for new businesses and basic technology, and general corporate expenses which are not attributed to reportable segments.

6. Other Financial Liabilities

The breakdown of Other financial liabilities was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2014	December 31, 2014	December 31, 2014
Derivative financial liabilities	¥2,296	¥3,250	$26,959
Short-term loans payable	57,945	52,954	439,270
Current portion of long-term loans payable	1,999	2,000	16,590
Current portion of bonds payable	19,993	39,966	331,530
Long-term loans payable	50,501	50,500	418,913
Bonds payable (Note 1) (Note 2)	89,772	59,837	496,366
Other	1,904	2,176	18,053
Total	¥224,413	¥210,684	$1,747,681
Current liabilities	¥82,471	¥98,243	$814,956
Non-current liabilities	141,942	112,440	932,725
Total	¥224,413	¥210,684	$1,747,681

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

(Note 1) Issuance of bonds payable

The bonds payable issued for the nine months ended December 31, 2013, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance
			%		Millions of yen
The Company	The 10th Series unsecured straight bonds (with inter-bond pari passu clause)	September 11, 2013	0.33	September 9, 2016	¥10,000
The Company	The 11th Series unsecured straight bonds (with inter-bond pari passu clause)	September 11, 2013	0.57	September 11, 2018	¥10,000

The bonds payable issued for the nine months ended December 31, 2014, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance	Total amount of issuance
			%		Millions of yen	Thousands of U.S. dollars
The Company	The 12th Series unsecured straight bonds (with inter-bond pari passu clause)	June 13, 2014	0.35	June 13, 2019	¥10,000	$82,953

(Note 2) Redemption of bonds payable

There were not any redeemed bonds payable for the nine months ended December 31, 2013.

The bonds payable redeemed for the nine months ended December 31, 2014, were as follows:

Company	Bonds name	Issue date	Interest rate	Maturity date	Total amount of issuance	Total amount of issuance
			%		Millions of yen	Thousands of U.S. dollars
The Company	The 6th Series unsecured straight bonds (with inter-bond pari passu clause)	June 14, 2011	0.49	June 13, 2014	¥20,000	$165,906

7. Dividends

Dividends paid during the nine months ended December 31, 2013 and 2014, were as follows:

Nine months ended December 31, 2013

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

Nine months ended December 31, 2014

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

Nine months ended December 31, 2014

(Resolution)	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
		Thousands of U.S. dollars	U.S. dollars		
Annual Shareholders Meeting (June 24, 2014)	Ordinary shares	$54,898	$0.30	March 31, 2014	June 25, 2014
Board of Directors (October 31, 2014)	Ordinary shares	$51,945	$0.29	September 30, 2014	December 5, 2014

8. Other Operating Income

The breakdown of Other operating income for the nine months ended December 31, 2013 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31, 2014
	2013	2014	
Income from the amendment of defined benefit plan (Note)	-	¥30,071	$249,448
Other	¥4,824	3,829	31,771
Total	¥4,824	¥33,901	$281,219

(Note)As a result of revision to defined benefit plan, Epson recognize a ¥30,071 million ($249,448 thousand) decline in expenses associated with past service costs at the company and certain domestic subsidiaries. This translates to a ¥30,071 million ($249,448 thousand) increase in other operating income for the nine months ended December 31, 2014.

9. Earnings per Share

Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31, 2014
	2013	2014	
Profit from continuing operations attributable to owners of the parent company	¥45,070	¥91,521	$759,204
Loss from discontinued operations attributable to owners of the parent company	(2,507)	(1,045)	(8,677)
Profit used for calculation of basic earnings per share	¥42,563	¥90,476	$750,527

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31, 2014
	2013	2014	
Profit from continuing operations attributable to owners of the parent company	¥23,046	¥25,683	$213,049
Loss from discontinued operations attributable to owners of the parent company	(327)	(793)	(6,586)
Profit used for calculation of basic earnings per share	¥22,719	¥24,889	$206,463

(2)Weighted-average number of ordinary shares outstanding

	Nine months ended December 31,2013	Nine months ended December 31,2014
	Thousands of shares	Thousands of shares
Weighted-average number of shares	178,892	178,890

	Three months ended December 31,2013	Three months ended December 31,2014
	Thousands of shares	Thousands of shares
Weighted-average number of shares	178,891	178,889

10. Fair Value of Financial Instruments

(1) Fair value measurement

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

(Derivatives)

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

(Investment securities and bonds)

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

(Loans payable)

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

(Bonds payable)

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

(Lease obligations)

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

(Other)

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

(2) Fair values of financial instruments

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

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2014		December 31, 2014		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at fair value						
Derivative financial assets	¥169	¥169	¥567	¥567	$4,703	$4,703
Investment securities	16,784	16,784	18,608	18,608	154,359	154,359
Financial assets measured at amortized cost						
Cash and cash equivalents	211,510	211,510	230,320	230,320	1,910,576	1,910,576
Trade and other receivables	154,309	154,309	193,408	193,408	1,604,379	1,604,379
Bonds	103	103	107	107	887	887
Other receivables	5,329	5,329	6,169	6,169	51,173	51,173
Financial liabilities measured at fair value						
Derivative financial liabilities	2,296	2,296	3,250	3,250	26,959	26,959
Financial liabilities measured at amortized cost						
Trade and other payables	123,463	123,463	154,417	154,417	1,280,937	1,280,937
Interest-bearing debt						
Loans payable	110,446	110,631	105,454	105,641	874,773	876,325
Bonds payable	109,765	110,588	99,803	100,684	827,896	835,205
Lease obligations	340	340	165	165	1,368	1,368
Other payables	¥1,563	¥1,563	¥2,010	¥2,010	$16,685	$16,685

(3) Fair value hierarchy

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

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

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

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

December 31, 2014	Millions of yen			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	¥567	-	¥567
Investment securities	¥16,040	-	¥2,567	18,608
Total	¥16,040	567	¥2,567	19,175
Derivative financial liabilities	-	¥3,250	-	¥3,250

December 31, 2014	Thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	$4,703	-	$4,703
Investment securities	$133,056	-	$21,303	154,359
Total	$133,056	4,703	$21,303	159,062
Derivative financial liabilities	-	$26,959	-	$26,959

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy for the nine months ended December 31, 2014.

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

	Millions of yen		Thousands of U.S. dollars
	FY2013	FY2014	FY2014
	(Apr.1 through Dec.31, 2013)	(Apr.1 through Dec.31, 2014)	(Apr.1 through Dec.31, 2014)
Balance as of April 1	¥2,731	¥2,606	$21,617
Comprehensive income			
Other comprehensive income	(141)	(13)	(107)
Disposals	-	(25)	(207)
Balance as of December 31	¥2,590	¥2,567	$21,303

11. Contingencies

Material litigation

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

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

(1) The Liquid crystal display price-fixing cartel

The civil actions have been brought against the Company and certain of its consolidated subsidiaries by multiple customers in multiple countries, including the U.S, regarding allegations of involvement in a liquid crystal display price-fixing cartel.

Moreover, the Company and certain of its consolidated subsidiaries are currently under investigation by the European Commission and other anti-monopoly-related authorities.

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

Verwertungsgesellschaf Wort (“VG Wort”), the organization for collecting copyright fees on behalf of copyright holders, has brought a civil action against Epson Deutschland GmbH(“EDG”), a consolidated subsidiary of the Company, to seek payment of copyright fees on single-function printers.

The claim was dismissed by the supreme court. The plaintiff, however, unsatisfied with this ruling, appealed to the Federal Constitutional Court of Germany. On December 2010, the Federal Constitutional Court ruled that the ruling of the supreme court violates rights set forth in Article 14 of the constitutional law of Germany. It thus dismissed the ruling of the supreme court and referred the case back to the supreme court for review. In July 2011, the supreme court referred the case to the Court of Justice of the European Union, and an inquiry was begun in October 2012. In June 2013, the Court of Justice of the European Union ruled that EU member states can impose levies on printer and PC manufacturers in order to compensate copyrights holders for unauthorized reproduction of their work. In response to this, the supreme court judged that printer and PC are liable to copyright levies, in July 2014. The specific copyright rates are under consideration again by the high court of the Germany.

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

12. Subsequent Events

Share splits

The resolution of the share splits has been made approved by the Company's board of directors held on January 30, 2015.

(1) Purpose of share splits

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

(2) Method of share splits

Each share of the Company's common shares held by registered shareholders as of the basis date of March 31, 2015, will be split into two shares.

(3) Increase in the number of shares due to the share splits (as of January 30, 2015)

(a) Total number of shares issued prior to the share splits (including treasury shares)	199,817,389 shares
(b) Increase in the number of shares due to the share splits	199,817,389 shares
(c) Total number of shares issued after the share splits	399,634,778 shares
(d) Total number of shares authorized to be issued after the share splits	1,214,916,736 shares

(4) Schedule of share splits

(a) Public notice of basis date	March 16, 2015
(b) Basis date	March 31, 2015
(c) Effective date	April 1, 2015

(5) Effect of the share splits on Earnings per Share

Assuming the share splits coming into effect at the beginning of the year ended March 31, 2014, earnings per share for the nine months ended December 31, 2013 and 2014, was as follows:

	Yen		U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2013	2014	2014
Earnings (loss) per share for the period:			
Basic earnings (loss) per share for the period	¥118.96	¥252.88	$2.10
Earnings (loss) per share from continuing operations for the period:			
Basic earnings (loss) per share for the period	¥125.97	¥255.80	$2.12
Earnings (loss) per share from discontinued operations for the period:			
Basic earnings (loss) per share for the period	(¥7.01)	(¥2.92)	($0.02)

(6) Other

(a) Paid-in capital

The Company will not change the amount of its paid-in capital as a result of the share splits.

(b) Year-end dividend

Because the basis date for the year-end dividend is on March 31, the Company plans to pay a year-end dividend per share based on the number of shares issued prior to the share splits.

Supplementary Information

Consolidated Third Quarter ended December 31, 2014

1. Revenue by division

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase %	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 %
Information-related equipment	626.6	679.6	8.5%	912.0	8.4%
Printing Systems	488.9	523.2	7.0%	702.0	7.9%
Visual Communications	122.0	141.3	15.8%	190.0	14.8%
Other	16.7	16.6	(0.7%)	22.0	(17.3%)
Inter-segment revenue	(1.1)	(1.5)	-%	(2.0)	-%
Devices & precision products	114.8	120.4	4.9%	156.0	4.9%
Microdevices	70.9	74.0	4.3%	96.0	3.2%
Precision Products	47.6	51.6	8.4%	66.0	8.2%
Inter-segment revenue	(3.8)	(5.2)	-%	(6.0)	-%
Sensing & industrial solutions	10.6	18.6	75.5%	24.0	48.4%
Other	0.8	0.9	11.9%	1.0	(25.0%)
Corporate expenses & Eliminations	2.2	(4.9)	-%	(3.0)	-%
Consolidated revenue	755.1	814.8	7.9%	1,090.0	8.1%

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

2. Business segment information

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase %	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 %
Information-related equipment					
Revenue:					
External	626.2	679.2	8.5%	911.0	8.4%
Inter-segment	0.3	0.4	34.1%	1.0	124.7%
Total	626.6	679.6	8.5%	912.0	8.4%
Segment profit (loss)	95.3	110.0	15.4%	140.0	13.1%
Devices & precision products					
Revenue:					
External	111.3	115.8	4.1%	150.0	4.2%
Inter-segment	3.4	4.5	31.0%	6.0	23.1%
Total	114.8	120.4	4.9%	156.0	4.9%
Segment profit (loss)	11.0	12.1	10.6%	14.0	28.9%
Sensing & industrial solutions					
Revenue:					
External	10.4	18.4	76.3%	24.0	50.3%
Inter-segment	0.1	0.1	18.0%	0.0	-%
Total	10.6	18.6	75.5%	24.0	48.4%
Segment profit (loss)	(7.5)	(5.9)	-%	(9.0)	-%
Other					
Revenue:					
External	0.5	0.5	(2.4%)	0.0	-%
Inter-segment	0.3	0.4	37.6%	1.0	126.4%
Total	0.8	0.9	11.9%	1.0	(25.0%)
Segment profit (loss)	(0.2)	(0.2)	-%	0.0	-%
Corporate expenses & Eliminations					
Revenue:					
External	6.5	0.6	(90.1%)	5.0	(27.1%)
Inter-segment	(4.2)	(5.6)	-%	(8.0)	-%
Total	2.2	(4.9)	-%	(3.0)	-%
Segment profit (loss)	(21.9)	(30.4)	-%	(40.0)	-%
Consolidated					
Revenue	755.1	814.8	7.9%	1,090.0	8.1%
Business profit (loss)	76.5	85.4	11.6%	105.0	16.6%

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

3. Revenue to overseas customers

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase	Increase %
Overseas Revenue				
The Americas	195.0	218.0	22.9	11.8%
Europe	160.4	177.1	16.7	10.4%
Asia/Oceania	191.0	206.7	15.6	8.2%
Total	546.5	601.9	55.4	10.1%
Consolidated revenue	755.1	814.8	59.6	7.9%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	25.8%	26.8%		
Europe	21.2%	21.7%		
Asia/Oceania	25.3%	25.4%		
Total	72.4%	73.9%		

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

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

4. Capital expenditure / Depreciation and amortization

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase %	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 %
Capital expenditure	22.3	29.3	31.2%	48.0	26.9%
Information-related equipment	16.5	20.9	26.3%	32.0	19.0%
Devices & precision products	4.5	3.9	(13.4%)	9.0	12.4%
Sensing & industrial solutions	0.4	0.6	58.0%	2.0	140.3%
Other / Coporate expenses	0.8	3.8	349.5%	5.0	139.6%
Depreciation and amortization	30.2	32.9	9.0%	44.0	8.1%

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

5. Research and development

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase %	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 %
Research and Development	35.8	35.5	(0.8%)	49.0	0.3%
R&D / revenue ratio	4.7%	4.4%		4.5%	

6. Management indices

(Unit: %)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase Point	Forecast for the year ended March 31, 2015	Increase compared to year ended March 31, 2014 Point
ROE	15.0%	21.3%	6.3	25.5%	(2.2)
ROA (Business profit)	8.7%	8.8%	0.1	11.0%	0.6
ROA (Profit from operating activities)	8.0%	11.4%	3.4	13.8%	4.6
ROS (Business profit)	10.1%	10.5%	0.4	9.6%	0.7
ROS (Profit from operating activities)	9.3%	13.6%	4.3	12.1%	4.2

Note 1.ROE=Profit for the period attributable to owners of the parent company / Beginning and ending balance average equity attributable to owners of the parent company
2.ROA(Business profit)=Business profit / Beginning and ending balance average total assets
3.ROA(Profit from operating activities)=Profit from operating activities / Beginning and ending balance average total assets
4.ROS(Business profit)= Business profit / Revenue
5.ROS(Profit from operating activities)= Profit from operating activities / Revenue

7. Foreign exchange fluctuation effect on revenue and business profit

(Unit: billion yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014	Increase
Foreign exchange effect on revenue	107.7	37.6	(70.1)
U.S. dollars	55.2	21.2	(33.9)
Euro	27.8	7.4	(20.3)
Other	24.7	8.8	(15.9)
Foreign exchange effect on business profit	28.3	8.4	(19.9)
U.S. dollars	4.0	0.4	(3.5)
Euro	19.5	5.3	(14.2)
Other	4.7	2.6	(2.1)
Exchange rate			
Yen / U.S. dollars	99.39	106.87	
Yen / Euro	132.23	140.30	

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

8. Inventory

(Unit: billion yen)

	December 31, 2013	March 31, 2014	December 31, 2014	Increase compared to March 31, 2014
Inventory	189.9	181.5	228.6	47.1
Information-related equipment	147.3	140.2	181.8	41.5
Devices & precision products	37.2	37.1	41.1	3.9
Sensing & industrial solutions	4.6	3.6	5.1	1.4
Other / Corporate expenses	0.8	0.4	0.5	0.0
				(Unit: day)
Turnover by days	69	66	77	11
Information-related equipment	65	61	74	13
Devices & precision products	89	91	94	3
Sensing & industrial solutions	120	83	76	(7)
Other / Corporate expenses	33	25	133	108

Note 1. Turnover by days = Ending (Interim) balance of inventory / Prior 9 months (Prior 12 months) revenue per day
2. The intra-group services business was categorized within “Other”.

9. Employees

(Unit: person)

	December 31, 2013	March 31, 2014	December 31, 2014	Increase compared to March 31, 2014
Number of employees at period end	72,127	73,171	70,632	(2,539)
Domestic	18,219	18,372	18,194	(178)
Overseas	53,908	54,799	52,438	(2,361)