



3-5 Owa 3-chome Suwa, Nagano
392-8502, Japan
Tel: +81-266-52-3131
global.epson.com

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**CONSOLIDATED RESULTS FOR
THE THIRD QUARTER ENDED DECEMBER 31, 2017 (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, 2017
	2016	2017		
Revenue	765,844	833,488	8.8%	7,381,879
Business profit (Note)	54,073	58,456	8.1%	517,730
Profit from operating activities	57,293	52,239	(8.8%)	462,660
Profit before tax	57,382	51,035	(11.1%)	451,997
Profit for the period	47,095	34,721	(26.3%)	307,510
Profit for the period attributable to owners of the parent company	46,984	34,562	(26.4%)	306,102
Total comprehensive income for the period	52,286	54,487	4.2%	482,570
Basic earnings per share (in ¥1, \$1 unit)	132.93	98.12		0.87
Diluted earnings per share (in ¥1, \$1 unit)	132.92	98.11		0.87

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

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	December 31, 2017	December 31, 2017
Total assets	974,387	1,048,457	9,285,776
Total equity	494,722	527,999	4,676,281
Equity attributable to owners of the parent company	492,196	525,306	4,652,431
Equity attributable to owners of the parent company ratio (%)	50.5%	50.1%	50.1%

Quarterly Condensed Consolidated Statement of Cash Flows

	Millions of yen		Change	Thousands of U.S. dollars
	Nine months ended December 31,			Nine months ended December 31, 2017
	2016	2017		
Net cash provided by (used in) operating activities	60,903	49,084	(19.4%)	434,717
Net cash provided by (used in) investing activities	(48,275)	(57,992)	-	(513,612)
Net cash provided by (used in) financing activities	(32,920)	7,759	-	68,718
Cash and cash equivalents at end of period	209,318	223,725	6.9%	1,981,445

Notes

- I. "Change" column shows percent change from the same period of the previous year.
- II. Equity attributable to owners of the parent company is equity excluding non-controlling interest in subsidiaries.
- III. U.S. dollar amounts are presented for the convenience of the readers. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars. The rate of ¥ 112.91 = U.S.\$1 as of December 31, 2017 has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2017 First Three Quarters (April 1 to December 31, 2017) Overview

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

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

Inkjet printer demand continued to contract in Japan and Europe but was flat year on year in the Americas. Demand for high-capacity ink tank printers expanded steadily. Large-format inkjet printer demand stayed firm. Serial-impact dot-matrix (SIDM) printer demand contracted in China after spiking last year with the enactment of B2V tax reforms. Demand also shrank in the Americas and Europe.

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

Demand for smart phones, one of the main markets for Epson's electronic devices, was flat year on year due to market maturation in China. Demand for watches slowly recovered in Japan. Demand for watch movements was firm. Demand for industrial robots expanded, particularly in China.

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

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first three quarters of the fiscal year were ¥111.67 and ¥128.48, respectively. This represents a 5% depreciation in the value of the yen against the dollar and a 9% depreciation in the value of the yen against the euro, year on year.

The foregoing factors are reflected in our financial results for the first three quarters. Revenue was ¥833.4 billion, up 8.8% year on year. Business profit was ¥58.4 billion, up 8.1% year on year. Profit from operating activities was ¥52.2 billion, down 8.8% year on year. Profit before tax was ¥51.0 billion, down 11.1% year on year. Profit for the period was ¥34.7 billion, down 26.3% year on year.

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

Printing Solutions Segment

Printer business revenue increased.

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

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

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

Revenue in the professional printing business increased.

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

POS system product revenue increased owing primarily to unit shipment growth from contract wins in North America and beneficial effects of foreign exchange.

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

As a result of the foregoing factors, revenue in the printing solutions segment was ¥553.7 billion, up 8.4% year on year. Segment profit was ¥71.1 billion, up 8.2% year on year.

Visual Communications Segment

Visual communications revenue increased.

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

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

As a result of the foregoing factors, revenue in the visual communications segment was ¥150.8 billion, up 12.9% year on year. Segment profit was ¥18.3 billion, up 54.5% year on year.

Wearable & Industrial Products Segment

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

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

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

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

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥128.6 billion, up 6.5% year on year. Segment profit was ¥6.7 billion, up 3.7% year on year.

Other

Other revenue amounted to ¥0.6 billion, down 36.4% year on year. Segment loss was ¥0.4 billion, compared to a segment loss of ¥0.4 billion in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥37.3 billion. (Adjustments in the same period last year were negative ¥29.6 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

Liquidity and Financial Position

Total assets at the end of the third quarter were ¥1,048.4 billion, an increase of ¥74.0 billion from the previous fiscal year end. This was chiefly due to a ¥25.7 billion increase in trade and other receivables, a ¥22.5 billion increase in inventories, an ¥18.7 billion increase in property, plant and equipment, a ¥2.9 billion increase in other current assets, and a ¥1.9 billion increase in cash and cash equivalents.

Total liabilities were ¥520.4 billion, up ¥40.7 billion compared to the end of the last fiscal year. Although net defined benefit liabilities decreased by ¥8.6 billion and other current liabilities decreased by ¥6.9 billion, total liabilities increased primarily because of a ¥29.9 billion increase in bonds issued, borrowings and lease liabilities under current liabilities and non-current liabilities, an ¥11.8 billion increase in trade and other payables, a ¥7.9 billion increase in other non-current liabilities, and a ¥4.7 billion increase in provisions for current liabilities.

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The equity attributable to owners of the parent company totaled ¥525.3 billion, a ¥33.1 billion increase compared to the previous fiscal year end. While we paid ¥21.1 billion in dividends, equity attributable to owners of the parent company increased mainly because retained earnings increased due to the recording of a ¥34.5 billion profit for the period and because of a ¥10.7 billion remeasurement of the defined benefit plan. There was also an ¥8.8 billion increase in other components of equity, the majority of which came from an increase in the exchange differences on translation of foreign operations associated with the depreciation of the yen.

Qualitative Information Regarding the Consolidated Financial Outlook

Epson revised its full-year consolidated financial outlook after adjusting its exchange rate assumptions in light of the depreciation in the value of the yen and based on factors such as the conditions in markets where Epson operates. Epson's profit for the period forecast was lowered chiefly because of a reversal of deferred tax assets due to tax reforms in the U.S.

The figures in the outlook are based on assumed exchange rates of 110.00 yen to the U.S. dollar and 130.00 yen to the euro in the fourth quarter.

Consolidated Full-Year Financial Outlook

	FY2016	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥1,024.8 billion	¥1,070.0 billion	¥1,110.0 billion	+¥40.0 billion	(+3.7%)
Business profit	¥65.8 billion	¥79.0 billion	¥79.0 billion	-	-
Profit from operating activities	¥67.8 billion	¥76.0 billion	¥72.0 billion	-¥4.0 billion	(-5.3%)
Profit before tax	¥67.4 billion	¥76.0 billion	¥72.0 billion	-¥4.0 billion	(-5.3%)
Profit for the period	¥48.4 billion	¥58.0 billion	¥51.0 billion	-¥7.0 billion	(-12.1%)
Profit for the year attributable to owners of the parent company	¥48.3 billion	¥58.0 billion	¥51.0 billion	-¥7.0 billion	(-12.1%)
Foreign exchange rates	\$1USD = ¥108.38	\$1USD = ¥110.00	\$1USD = ¥111.00		
	1 EUR = ¥118.79	1 EUR = ¥125.00	1 EUR = ¥129.00		

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Quarterly Condensed Consolidated Statement of Financial Position

	Notes	Millions of yen		Thousands of
		March 31, 2017	December 31, 2017	U.S. dollars December 31, 2017
<u>Assets</u>				
Current assets				
Cash and cash equivalents		221,782	223,725	1,981,445
Trade and other receivables		155,704	181,428	1,606,837
Inventories		208,512	231,039	2,046,222
Income tax receivables		2,476	2,546	22,548
Other financial assets	10	754	402	3,560
Other current assets		13,176	16,171	143,240
Subtotal		602,406	655,313	5,803,852
Non-current assets held for sale		39	266	2,356
Total current assets		602,446	655,579	5,806,208
Non-current assets				
Property, plant and equipment		275,195	293,982	2,603,684
Intangible assets		21,553	21,309	188,725
Investment property		1,288	1,240	10,982
Investments accounted for using the equity method		1,438	1,548	13,710
Net defined benefit assets		0	-	-
Other financial assets	10	20,544	21,825	193,295
Other non-current assets		5,486	6,272	55,586
Deferred tax assets		46,433	46,698	413,586
Total non-current assets		371,940	392,877	3,479,568
Total assets		974,387	1,048,457	9,285,776

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	Notes	Millions of yen		Thousands of
		March 31, 2017	December 31, 2017	U.S. dollars December 31, 2017
Liabilities and equity				
Liabilities				
Current liabilities				
Trade and other payables		141,633	153,452	1,359,064
Income tax payables		7,263	7,928	70,215
Bonds issued, borrowings and lease liabilities	6,10	76,200	46,219	409,343
Other financial liabilities	10	1,318	2,456	21,751
Provisions		21,981	26,759	236,994
Other current liabilities		102,992	96,088	851,043
Total current liabilities		351,389	332,905	2,948,410
Non-current liabilities				
Bonds issued, borrowings and lease liabilities	6,10	70,371	130,258	1,153,644
Other financial liabilities	10	1,586	1,804	15,977
Net defined benefit liabilities		45,281	36,641	324,515
Provisions		6,209	6,137	54,353
Other non-current liabilities		3,521	11,467	101,597
Deferred tax liabilities		1,304	1,242	10,999
Total non-current liabilities		128,275	187,552	1,661,085
Total liabilities		479,664	520,457	4,609,495
Equity				
Share capital		53,204	53,204	471,207
Capital surplus		84,321	84,351	747,064
Treasury shares	7	(30,812)	(30,803)	(272,810)
Other components of equity		53,176	62,040	549,473
Retained earnings		332,306	356,513	3,157,497
Equity attributable to owners of the parent company		492,196	525,306	4,652,431
Non-controlling interests		2,526	2,692	23,850
Total equity		494,722	527,999	4,676,281
Total liabilities and equity		974,387	1,048,457	9,285,776

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Quarterly Condensed Consolidated Statement of Comprehensive Income Nine months ended December 31, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2016	2017	2017
Revenue	5	765,844	833,488	7,381,879
Cost of sales		(493,007)	(533,959)	(4,729,068)
Gross profit		272,836	299,529	2,652,811
Selling, general and administrative expenses		(218,762)	(241,072)	(2,135,081)
Other operating income		4,604	2,690	23,824
Other operating expense		(1,384)	(8,908)	(78,894)
Profit from operating activities		57,293	52,239	462,660
Finance income		1,165	995	8,812
Finance costs		(1,115)	(2,244)	(19,873)
Share of profit of investments accounted for using the equity method		39	45	398
Profit before tax		57,382	51,035	451,997
Income taxes		(10,276)	(16,314)	(144,487)
Profit from continuing operations		47,106	34,721	307,510
Loss from discontinued operations		(10)	-	-
Profit for the period		47,095	34,721	307,510
Profit for the period attributable to:				
Owners of the parent company		46,984	34,562	306,102
Non-controlling interests		111	159	1,408
Profit for the period		47,095	34,721	307,510

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	Millions of yen		Thousands of U.S. dollars	
	Nine months ended December 31,		Nine months ended December 31,	
	Notes	2016	2017	2017
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
		1,806	10,782	95,491
		1,793	760	6,732
		3,600	11,542	102,223
Items that may be reclassified subsequently to profit or loss, net of tax				
		2,659	9,078	80,410
		(1,059)	(877)	(7,767)
		(10)	22	194
		1,590	8,223	72,837
		5,190	19,766	175,060
		52,286	54,487	482,570
Total comprehensive income for the period attributable to:				
		52,244	54,204	480,073
		41	282	2,497
		52,286	54,487	482,570

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Nine months ended December 31,		Nine months ended December 31,
		2016	2017	2017
Earnings per share for the period:				
	9	132.93	98.12	0.87
	9	132.92	98.11	0.87
Earnings per share from continuing operations for the period:				
	9	132.95	98.12	0.87
	9	132.95	98.11	0.87
Earnings per share from discontinued operations for the period:				
	9	(0.03)	-	-
	9	(0.03)	-	-

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income Three months ended December 31, 2016 and 2017:

	Notes	Millions of yen		Thousands of U.S.
		Three months ended		dollars
		December 31,		Three months ended
		2016	2017	December 31, 2017
Revenue	5	278,274	306,160	2,711,540
Cost of sales		(173,255)	(190,450)	(1,686,742)
Gross profit		105,019	115,710	1,024,798
Selling, general and administrative expenses		(76,674)	(85,395)	(756,310)
Other operating income		1,585	1,424	12,611
Other operating expense		(410)	(3,188)	(28,252)
Profit from operating activities		29,519	28,549	252,847
Finance income		1,136	388	3,436
Finance costs		(369)	(932)	(8,245)
Share of profit of investments accounted for using the equity method		22	18	159
Profit before tax		30,309	28,024	248,197
Income taxes		(1,814)	(8,461)	(74,936)
Profit from continuing operations		28,494	19,563	173,261
Loss from discontinued operations		(4)	-	-
Profit for the period		28,490	19,563	173,261
Profit for the period attributable to:				
Owners of the parent company		28,539	19,574	173,358
Non-controlling interests		(49)	(11)	(97)
Profit for the period		28,490	19,563	173,261

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	Millions of yen		Thousands of U.S. dollars	
	Three months ended December 31,		Three months ended December 31,	
	Notes	2016	2017	2017
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss, net of tax				
		7,462	3,597	31,857
		1,878	693	6,146
		9,340	4,291	38,003
Items that may be reclassified subsequently to profit or loss, net of tax				
		32,278	3,171	28,104
		(1,865)	188	1,665
		35	8	70
		30,447	3,368	29,839
		39,788	7,660	67,842
		68,278	27,223	241,103
Total comprehensive income for the period attributable to:				
		68,044	27,185	240,767
		233	38	336
		68,278	27,223	241,103

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Three months ended December 31,		Three months ended December 31,
		2016	2017	2017
Earnings per share for the period:				
	9	81.03	55.57	0.49
	9	81.02	55.56	0.49
Earnings per share from continuing operations for the period:				
	9	81.04	55.57	0.49
	9	81.03	55.56	0.49
Earnings per share from discontinued operations for the period:				
	9	(0.01)	-	-
	9	(0.01)	-	-

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Quarterly Condensed Consolidated Statement of Changes in Equity

Nine months ended December 31, 2016 and 2017:

Millions of yen												
Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2016	53,204	84,321	(20,471)	-	4,533	53,616	(160)	57,989	292,775	467,818	2,858	470,676
Profit for the period	-	-	-	-	-	-	-	-	46,984	46,984	111	47,095
Other comprehensive income	-	-	-	1,811	1,795	2,712	(1,059)	5,259	-	5,259	(69)	5,190
Total comprehensive income for the period	-	-	-	1,811	1,795	2,712	(1,059)	5,259	46,984	52,244	41	52,286
Acquisition of treasury shares	7	-	(10,340)	-	-	-	-	-	-	(10,340)	-	(10,340)
Dividends	8	-	-	-	-	-	-	-	(21,299)	(21,299)	(237)	(21,537)
Share-based payment transactions	-	6	-	-	-	-	-	-	-	6	-	6
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	26	26
Changes in interests in subsidiaries	-	(7)	-	-	(10)	-	-	(10)	-	(18)	(46)	(65)
Transfer from other components of equity to retained earnings	-	-	-	(1,811)	(766)	-	-	(2,577)	2,577	-	-	-
Total transactions with the owners	-	(1)	(10,340)	(1,811)	(776)	-	-	(2,587)	(18,722)	(31,651)	(257)	(31,909)
As of December 31, 2016	53,204	84,319	(30,811)	-	5,552	56,328	(1,219)	60,661	321,037	488,411	2,642	491,053

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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Millions of yen

Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 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	-	-	-	-	-	-	-	-	34,562	34,562	159	34,721
Other comprehensive income	-	-	-	10,782	760	8,977	(877)	19,642	-	19,642	123	19,766
Total comprehensive income for the period	-	-	-	10,782	760	8,977	(877)	19,642	34,562	54,204	282	54,487
Acquisition of treasury shares	7	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Dividends	8	-	-	-	-	-	-	-	(21,133)	(21,133)	(116)	(21,250)
Share-based payment transactions	-	30	11	-	-	-	-	-	-	41	-	41
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(10,782)	4	-	-	(10,778)	10,778	-	-	-
Total transactions with the owners	-	30	8	(10,782)	4	-	-	(10,778)	(10,355)	(21,094)	(116)	(21,210)
As of December 31, 2017	53,204	84,351	(30,803)	-	5,788	57,242	(990)	62,040	356,513	525,306	2,692	527,999

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2017	471,207	746,799	(272,890)	-	44,495	427,464	(1,001)	470,958	2,943,105	4,359,179	22,380	4,381,559
Profit for the period	-	-	-	-	-	-	-	-	306,102	306,102	1,408	307,510
Other comprehensive income	-	-	-	95,491	6,732	79,515	(7,767)	173,971	-	173,971	1,089	175,060
Total comprehensive income for the period	-	-	-	95,491	6,732	79,515	(7,767)	173,971	306,102	480,073	2,497	482,570
Acquisition of treasury shares	7	-	(17)	-	-	-	-	-	-	(17)	-	(17)
Dividends	8	-	-	-	-	-	-	-	(187,166)	(187,166)	(1,027)	(188,193)
Share-based payment transactions	-	265	97	-	-	-	-	-	-	362	-	362
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Changes in interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(95,491)	35	-	-	(95,456)	95,456	-	-	-
Total transactions with the owners	-	265	80	(95,491)	35	-	-	(95,456)	(91,710)	(186,821)	(1,027)	(187,848)
As of December 31, 2017	471,207	747,064	(272,810)	-	51,262	506,979	(8,768)	549,473	3,157,497	4,652,431	23,850	4,676,281

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Cash Flows

Nine months ended December 31, 2016 and 2017:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended		Nine months ended
	December 31,		December 31,
Notes	2016	2017	2017
Cash flows from operating activities			
Profit for the period	47,095	34,721	307,510
Depreciation and amortisation	32,144	37,162	329,129
Impairment loss (reversal of impairment loss)	155	1,664	14,737
Finance (income) costs, net	(49)	1,249	11,061
Share of (profit) loss of investments accounted for using the equity method	(39)	(45)	(398)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net	194	568	5,030
Income taxes	10,276	16,314	144,487
Decrease (increase) in trade receivables	(22,131)	(21,774)	(192,843)
Decrease (increase) in inventories	(9,990)	(14,668)	(129,908)
Increase (decrease) in trade payables	17,013	8,619	76,335
Increase (decrease) in net defined benefit liabilities	968	1,419	12,567
Other, net	88	111	1,001
Subtotal	75,725	65,342	578,708
Interest and dividend income received	1,099	1,011	8,954
Interest expenses paid	(755)	(736)	(6,518)
Payments for loss on litigation	-	(564)	(4,995)
Income taxes paid	(15,166)	(15,967)	(141,432)
Net cash provided by (used in) operating activities	60,903	49,084	434,717
Cash flows from investing activities			
Proceeds from sales of investment securities	1,395	16	141
Purchase of property, plant and equipment	(42,316)	(52,061)	(461,084)
Proceeds from sales of property, plant and equipment	632	340	3,011
Purchase of intangible assets	(5,093)	(4,296)	(38,048)
Proceeds from sales of intangible assets	23	0	0
Proceeds from sales of investment property	444	9	79
Purchase of investments in subsidiaries	(2,743)	-	-
Other, net	(619)	(2,002)	(17,711)
Net cash provided by (used in) investing activities	(48,275)	(57,992)	(513,612)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	(20,666)	19,283	170,771
Proceeds from non-current borrowings	-	49,908	442,015
Repayment of non-current borrowings	-	(50,000)	(442,830)
Proceeds from issuance of bonds issued	49,759	19,896	176,211
Redemption of bonds issued	(30,000)	(10,000)	(88,566)
Payments of lease obligations	(72)	(76)	(673)
Dividends paid	8	(21,299)	(187,166)
Dividends paid to non-controlling interests	(236)	(116)	(1,027)
Payment from purchase of subsidiaries' equity from non-controlling interests	(65)	-	-
Purchase of treasury shares	(10,340)	(2)	(17)
Net cash provided by (used in) financing activities	(32,920)	7,759	68,718
Effect of exchange rate changes on cash and cash equivalents	(887)	3,091	27,385
Net increase (decrease) in cash and cash equivalents	(21,180)	1,942	17,208
Cash and cash equivalents at beginning of period	230,498	221,782	1,964,237
Cash and cash equivalents at end of period	209,318	223,725	1,981,445

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 “5. Segment Information”.

2. Basis of Preparation

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

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

3. Significant Accounting Policies

The significant accounting policies adopted for Epson’s quarterly condensed consolidated financial statements are the same as those for Epson’s consolidated financial statements for the fiscal year ended March 31, 2017.

Epson calculated income taxes for the nine-month period ended December 31, 2017 based on an estimated average annual effective income tax rate.

4. Significant Accounting Estimates and Judgments

The preparation of Epson’s quarterly condensed consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of December 31, 2017. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of December 31, 2017. Given their nature, actual results may differ from the outcome of those estimates and assumptions.

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

5. Segment Information

(1) Outline of Reportable Segments

The reportable segments of Epson are determined based on the operating segments that are components of Epson 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, office papermaking systems, personal computers and others.
Visual Communications	3LCD projectors, HTPS-TFT panels for 3LCD projectors, smart eyewear and others.
Wearable & Industrial Products	Watches, watch movements, sensing equipment, industrial robots, IC handlers, crystal units, crystal oscillators, quartz sensors, CMOS LSIs, metal powder, surface finishing and others.

(2) Revenues and Performances for Reportable Segments

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

FY2016: Nine months ended December 31, 2016

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	510,802	133,640	114,973	759,416	550	5,876	765,844
Inter-segment revenue	194	21	5,861	6,077	535	(6,613)	-
Total revenue	510,997	133,662	120,834	765,494	1,086	(736)	765,844
Segment profit (loss)							
(Business profit) (Note 1)	65,716	11,903	6,527	84,148	(422)	(29,652)	54,073
					Other operating income (expense)		3,219
					Profit from operating activities		57,293
					Finance income (costs), net		49
					Share of profit of investments accounted for using the equity method		39
					Profit before tax		57,382

(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 (¥29,652) million comprised "Eliminations" of ¥375 million and "Corporate expenses" of (¥30,027) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

SEIKO EPSON CORPORATION

FY2017: Nine months ended December 31, 2017

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	553,420	150,866	122,019	826,306	128	7,053	833,488
Inter-segment revenue	288	1	6,620	6,911	563	(7,474)	-
Total revenue	553,709	150,868	128,640	833,218	691	(421)	833,488
Segment profit (loss)							
(Business profit) (Note 1)	71,131	18,393	6,766	96,291	(451)	(37,382)	58,456
					Other operating income (expense)		(6,217)
					Profit from operating activities		52,239
					Finance income (costs), net		(1,249)
					Share of profit of investments accounted for using the equity method		45
					Profit before tax		51,035

(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 (¥37,382) million comprised "Eliminations" of ¥366 million and "Corporate expenses" of (¥37,748) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

SEIKO EPSON CORPORATION

FY2017: Nine months ended December 31, 2017

Thousands of U.S. dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	4,901,445	1,336,161	1,080,674	7,318,280	1,133	62,466	7,381,879
Inter-segment revenue	2,550	18	58,640	61,208	4,986	(66,194)	-
Total revenue	4,903,995	1,336,179	1,139,314	7,379,488	6,119	(3,728)	7,381,879
Segment profit (loss)							
(Business profit) (Note 1)	629,989	162,899	59,923	852,811	(4,004)	(331,077)	517,730
					Other operating income (expense)		(55,070)
					Profit from operating activities		462,660
					Finance income (costs), net		(11,061)
					Share of profit of investments accounted for using the equity method		398
					Profit before tax		451,997

(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 (\$331,077) thousand comprised "Eliminations" of \$3,242 thousand and "Corporate expenses" of (\$334,319) 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.

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FY2016: Three months ended December 31, 2016

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	192,295	45,948	37,737	275,981	236	2,056	278,274
Inter-segment revenue	71	9	2,084	2,164	194	(2,358)	-
Total revenue	192,366	45,957	39,821	278,146	430	(302)	278,274
Segment profit (loss)							
(Business profit) (Note 1)	31,772	4,717	2,536	39,026	(127)	(10,554)	28,344
					Other operating income (expense)		1,175
					Profit from operating activities		29,519
					Finance income (costs), net		767
					Share of profit of investments accounted for using the equity method		22
					Profit before tax		30,309

(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 (¥10,554) million comprised "Eliminations" of ¥140 million and "Corporate expenses" of (¥10,695) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

SEIKO EPSON CORPORATION

FY2017: Three months ended December 31, 2017

Millions of yen

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	211,459	51,697	40,027	303,185	40	2,934	306,160
Inter-segment revenue	153	0	2,296	2,450	188	(2,638)	-
Total revenue	211,613	51,698	42,323	305,635	228	296	306,160
Segment profit (loss)							
(Business profit) (Note 1)	35,183	5,638	1,975	42,797	(176)	(12,306)	30,314
					Other operating income (expense)		(1,764)
					Profit from operating activities		28,549
					Finance income (costs), net		(544)
					Share of profit of investments accounted for using the equity method		18
					Profit before tax		28,024

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

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥12,306) million comprised "Eliminations" of ¥123 million and "Corporate expenses" of (¥12,430) million. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

SEIKO EPSON CORPORATION

FY2017: Three months ended December 31, 2017

Thousands of U.S. dollars

	Reportable segments			Subtotal	Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products				
Revenue							
External revenue	1,872,829	457,860	354,503	2,685,192	354	25,994	2,711,540
Inter-segment revenue	1,354	9	20,335	21,698	1,665	(23,363)	-
Total revenue	1,874,183	457,869	374,838	2,706,890	2,019	2,631	2,711,540
Segment profit (loss)							
(Business profit) (Note 1)	311,612	49,933	17,491	379,036	(1,559)	(108,989)	268,488
					Other operating income (expense)		(15,641)
					Profit from operating activities		252,847
					Finance income (costs), net		(4,809)
					Share of profit of investments accounted for using the equity method		159
					Profit before tax		248,197

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

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (\$108,989) thousand comprised "Eliminations" of \$1,098 thousand and "Corporate expenses" of (\$110,087) thousand. "Corporate expenses" included expenses relating to research and development for basic technology, new businesses and general corporate expenses which are not attributed to reportable segments.

6. Bonds issued, Borrowings and Lease liabilities

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

	Millions of yen		Thousands of U.S. dollars
	March 31, 2017	December 31, 2017	December 31, 2017
Current borrowings	16,118	36,121	319,909
Current portion of non-current borrowings	50,000	-	-
Current portion of bonds issued (Note)	9,995	9,993	88,504
Non-current borrowings	499	50,410	446,461
Bonds issued (Note)	69,742	79,692	705,811
Lease liabilities	216	260	2,302
Total	146,572	176,478	1,562,987
Current liabilities	76,200	46,219	409,343
Non-current liabilities	70,371	130,258	1,153,644
Total	146,572	176,478	1,562,987

(Note) Issuance of “Bonds issued”

The issued “Bonds issued” for the nine months ended December 31, 2016 were as follows:

FY2016: Nine months ended December 31, 2016

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

The issued “Bonds issued” for the nine months ended December 31, 2017 were as follows:

FY2017: Nine months ended December 31, 2017

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 16th Series unsecured straight bonds (with inter-bond pari passu clause)	September 6, 2017	0.26	September 6, 2024	10,000	88,566
The Company	The 17th Series unsecured straight bonds (with inter-bond pari passu clause)	September 6, 2017	0.36	September 6, 2027	10,000	88,566

(Note) Redemption of “Bonds issued”

The redeemed “Bonds issued” for the nine months ended December 31, 2016 were as follows:

FY2016: Nine months ended December 31, 2016

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

The redeemed “Bonds issued” for the nine months ended December 31, 2017 were as follows:

FY2017: Nine months ended December 31, 2017

Company	Bonds name	Issue date	%	Maturity date	Millions of yen	Thousands of U.S. dollars
			Interest rate		Total amount of issuance	Total amount of issuance
The Company	The 9th Series unsecured straight bonds (with inter-bond pari passu clause)	September 12, 2012	0.67	September 12, 2017	10,000	88,566

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

7. Equity and Other Equity Items

In the nine months ended December 31, 2016, the Company repurchased its treasury shares based on the resolution at the meeting of its Board of Directors held on April 28, 2016.

Details of the repurchase

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

8. Dividends

Dividends paid were as follows:

FY2016: Nine months ended December 31, 2016

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

FY2017: Nine months ended December 31, 2017

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

FY2017: Nine months ended December 31, 2017

(Resolution)	Class of shares	Thousands of U.S. dollars	U.S. dollars	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2017)	Ordinary shares	93,632	0.26	March 31, 2017	June 29, 2017
Board of Directors (October 26, 2017)	Ordinary shares	93,632	0.26	September 30, 2017	November 30, 2017

9. Earnings per Share

(1) Basis of calculating basic earnings per share

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

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	46,994	34,562	306,102
Loss from discontinued operations attributable to owners of the parent company	(10)	-	-
Profit used for calculation of basic earnings per share	46,984	34,562	306,102

	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	28,544	19,574	173,358
Loss from discontinued operations attributable to owners of the parent company	(4)	-	-
Profit used for calculation of basic earnings per share	28,539	19,574	173,358

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

	Thousands of shares	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Weighted-average number of ordinary shares	353,467	352,227

	Thousands of shares	
	Three months ended December 31, 2016	Three months ended December 31, 2017
Weighted-average number of ordinary shares	352,223	352,229

(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
	Nine months ended December 31,		Nine months ended December 31,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	46,994	34,562	306,102
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	46,994	34,562	306,102
Loss from discontinued operations attributable to owners of the parent company	(10)	-	-
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(10)	-	-
Profit attributable to owners of the parent company	46,984	34,562	306,102
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	46,984	34,562	306,102

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	Millions of yen		Thousands of U.S. dollars
	Three months ended December 31,		Three months ended December 31,
	2016	2017	2017
Profit from continuing operations attributable to owners of the parent company	28,544	19,574	173,358
Adjustments	-	-	-
Profit from continuing operations attributable to owners of the parent company used for calculation of diluted earnings per share	28,544	19,574	173,358
Loss from discontinued operations attributable to owners of the parent company	(4)	-	-
Adjustments	-	-	-
Loss from discontinued operations attributable to owners of the parent company used for calculation of diluted earnings per share	(4)	-	-
Profit attributable to owners of the parent company	28,539	19,574	173,358
Adjustments	-	-	-
Profit used for calculation of diluted earnings per share	28,539	19,574	173,358

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

	Thousands of shares	
	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Weighted-average number of ordinary shares	353,467	352,227
Effect of dilutive shares		
BIP trust for eligible officers	14	66
Diluted outstanding shares	353,481	352,293

	Thousands of shares	
	Three months ended December 31, 2016	Three months ended December 31, 2017
Weighted-average number of ordinary shares	352,223	352,229
Effect of dilutive shares		
BIP trust for eligible officers	41	78
Diluted outstanding shares	352,265	352,307

(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.

10. Fair Value of Financial Instruments

(1) Fair value measurement

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

(Derivatives)

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

(Equity securities and bonds receivable)

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

(Borrowings)

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

(Bonds issued)

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

(Lease obligations)

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

(Other)

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

(2) Fair value hierarchy

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

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

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

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

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

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

(A) Financial instruments measured at amortised cost

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

FY2016: As of March 31, 2017

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

FY2017: As of December 31, 2017

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings	86,531	-	87,008	-	87,008
Bonds issued	89,685	-	89,885	-	89,885
Total	176,217	-	176,893	-	176,893

FY2017: As of December 31, 2017

	Thousands of U.S. dollars				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings	766,370	-	770,596	-	770,596
Bonds issued	794,315	-	796,076	-	796,076
Total	1,560,685	-	1,566,672	-	1,566,672

“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.

SEIKO EPSON CORPORATION

(B) Financial instruments measured at fair value

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

FY2016: As of March 31, 2017

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	449	-	449
Equity securities	13,310	-	2,498	15,809
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 December 31, 2017

	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	22	-	22
Equity securities	14,118	-	2,656	16,775
Total	14,118	22	2,656	16,798
Financial liabilities measured at fair value				
Derivative financial liabilities	-	2,445	-	2,445
Total	-	2,445	-	2,445

FY2017: As of December 31, 2017

	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	194	-	194
Equity securities	125,037	-	23,523	148,560
Total	125,037	194	23,523	148,754
Financial liabilities measured at fair value				
Derivative financial liabilities	-	21,654	-	21,654
Total	-	21,654	-	21,654

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
	Nine months ended December 31,		Nine months ended December 31,
	2016	2017	2017
Balance as of April 1	2,054	2,498	22,123
Gains and losses			
Other comprehensive income	603	158	1,400
Sales	(54)	(0)	(0)
Other	(51)	-	-
Balance as of December 31	2,552	2,656	23,523

11. 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 Repobel (“Reprobel”), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. After that, Repobel also brought a civil suit against EEB. As a result, these two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

12. Subsequent Events

No material subsequent events were identified.

Supplementary Information

Consolidated Third Quarter ended December 31, 2017

Cautionary Statement

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

1. Revenue by division

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31,	Increase compared to year ended March 31, 2017
	2016	2017		2018	%
Printing Solutions	510.9	553.7	8.4%	745.0	8.5%
Printers	361.3	394.5	9.2%	533.0	10.8%
Professional Printing	138.1	148.1	7.2%	196.0	3.9%
Other	12.5	12.1	(3.4%)	18.0	(2.4%)
Inter-segment revenue	(1.1)	(1.1)	-%	(2.0)	-%
Visual Communications	133.6	150.8	12.9%	198.0	10.2%
Wearable & Industrial Products	120.8	128.6	6.5%	168.0	6.0%
Wearable Products	41.0	39.8	(2.8%)	49.0	(3.5%)
Robotics Solutions	11.4	18.8	64.1%	25.0	47.7%
Microdevices, Other	72.6	74.9	3.1%	100.0	3.6%
Inter-segment revenue	(4.3)	(5.0)	-%	(6.0)	-%
Other	1.0	0.6	(36.4%)	1.0	(33.7%)
Corporate expenses & Eliminations	(0.7)	(0.4)	-%	(2.0)	-%
Consolidated revenue	765.8	833.4	8.8%	1,110.0	8.3%

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

2. Business segment information

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017			
Printing Solutions					
Revenue:					
External	510.8	553.4	8.3%	745.0	8.5%
Inter-segment	0.1	0.2	48.2%	0.0	-%
Total	510.9	553.7	8.4%	745.0	8.5%
Segment profit (loss)	65.7	71.1	8.2%	100.0	18.9%
Visual Communications					
Revenue:					
External	133.6	150.8	12.9%	198.0	10.2%
Inter-segment	0.0	0.0	(92.6%)	0.0	-%
Total	133.6	150.8	12.9%	198.0	10.2%
Segment profit (loss)	11.9	18.3	54.5%	24.0	48.7%
Wearable & Industrial Products					
Revenue:					
External	114.9	122.0	6.1%	159.0	5.5%
Inter-segment	5.8	6.6	13.0%	9.0	14.3%
Total	120.8	128.6	6.5%	168.0	6.0%
Segment profit (loss)	6.5	6.7	3.7%	8.0	2.4%
Other					
Revenue:					
External	0.5	0.1	(76.7%)	0.0	-%
Inter-segment	0.5	0.5	5.1%	1.0	38.6%
Total	1.0	0.6	(36.4%)	1.0	(33.7%)
Segment profit (loss)	(0.4)	(0.4)	-%	(1.0)	-%
Corporate expenses & Eliminations					
Revenue:					
External	5.8	7.0	20.0%	8.0	8.1%
Inter-segment	(6.6)	(7.4)	-%	(10.0)	-%
Total	(0.7)	(0.4)	-%	(2.0)	-%
Segment profit (loss)	(29.6)	(37.3)	-%	(52.0)	-%
Consolidated					
Revenue	765.8	833.4	8.8%	1,110.0	8.3%
Business profit (loss)	54.0	58.4	8.1%	79.0	20.0%

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

3. Revenue to overseas customers

(Unit: billion yen)

	Nine months ended December 31,		Increase	Increase %
	2016	2017		
Overseas Revenue				
The Americas	211.8	241.8	30.0	14.2%
Europe	155.9	170.6	14.7	9.4%
Asia/Oceania	206.4	231.4	25.0	12.1%
Total	574.2	644.0	69.8	12.2%
Consolidated revenue	765.8	833.4	67.6	8.8%
Percentage of overseas revenue to consolidated revenue (%)				
The Americas	27.7	29.0		
Europe	20.4	20.5		
Asia/Oceania	27.0	27.8		
Total	75.0	77.3		

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

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

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

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

4. Capital expenditure / Depreciation and amortisation

(Unit: billion yen)

	Nine months ended December 31,			Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017	Increase %		
Capital expenditure	51.7	54.8	5.9%	78.0	3.6%
Printing Solutions	32.1	34.8	8.3%	44.0	0.2%
Visual Communications	5.5	8.1	46.8%	14.0	37.2%
Wearable & Industrial Products	5.7	6.5	12.7%	10.0	8.8%
Other / Corporate expenses	8.2	5.3	(35.8%)	10.0	(16.7%)
Depreciation and amortisation	31.8	36.7	15.5%	47.0	8.8%

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

5. Research and development

(Unit: billion yen)

	Nine months ended December 31,		Increase %	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 %
	2016	2017			
Research and Development	39.7	37.3	(6.1%)	54.0	2.4%
R&D / revenue ratio	5.2%	4.5%		4.9%	

6. Management indices

(Unit: %)

	Nine months ended December 31,		Increase Point	Forecast for the year ended March 31, 2018	Increase compared to year ended March 31, 2017 Point
	2016	2017			
ROE	9.8%	6.8%	(3.0)	9.9%	(0.2)
ROA (Business profit)	5.6%	5.8%	0.2	7.8%	0.9
ROA (Profit from operating activities)	5.9%	5.2%	(0.7)	7.1%	0.0
ROS (Business profit)	7.1%	7.0%	(0.1)	7.1%	0.7
ROS (Profit from operating activities)	7.5%	6.3%	(1.2)	6.5%	(0.1)

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,	
	2016	2017
Foreign exchange effect on revenue	(91.7)	35.1
U.S. dollars	(33.2)	11.5
Euro	(17.0)	11.0
Other	(41.4)	12.4
Foreign exchange effect on business profit	(23.0)	10.5
U.S. dollars	6.0	(3.1)
Euro	(12.0)	7.2
Other	(17.0)	6.5
Exchange rate		
Yen / U.S. dollars	106.63	111.67
Yen / Euro	118.02	128.48

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, 2016	March 31, 2017	December 31, 2017	Increase compared to March 31, 2017
Inventory	213.4	208.5	231.0	22.5
Printing Solutions	120.1	114.4	131.1	16.7
Visual Communications	46.8	46.9	49.7	2.8
Wearable & Industrial Products	45.6	46.3	48.7	2.4
Other / Corporate expenses	0.7	0.7	1.3	0.5
(Unit: day)				
Turnover by days	77	74	76	2
Printing Solutions	65	61	65	4
Visual Communications	96	95	91	(4)
Wearable & Industrial Products	104	107	104	(3)
Other / Corporate expenses	30	31	42	11

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

9. Employees

(Unit: person)

	December 31, 2016	March 31, 2017	December 31, 2017	Increase compared to March 31, 2017
Number of employees at period end	72,712	72,420	78,843	6,423
Domestic	19,271	19,175	19,594	419
Overseas	53,441	53,245	59,249	6,004