

Financial Results for the Third Quarter ended December 31, 2018 [IFRS](Consolidated)

January 31, 2019

Name of the listed company: SEIKO EPSON CORPORATION

Stock Listing: TOKYO

Code: 6724 URL: global.epson.com

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Scheduled date to file Quarterly Securities Report: February 4, 2019

Scheduled starting date of payment for the dividends: -

Reference materials regarding financial results for the period: Yes

Briefing on quarterly financial results: Yes (for analysts)

(Amounts are rounded down to the nearest million yen)

1. Results of Nine months ended December 31, 2018 (From April 1, 2018 to December 31, 2018)

(1) Consolidated Operating Results

(%: Change from same period previous year)

	Revenue		Business profit		Profit from operating activities		Profit before tax		Profit for the period		Profit for the period attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2018	829,035	Δ0.5	58,383	Δ0.1	58,171	11.4	58,876	15.4	46,230	33.1	45,915	32.8
Nine months ended December 31, 2017	833,488	8.8	58,456	8.1	52,239	Δ8.8	51,035	Δ11.1	34,721	Δ26.3	34,562	Δ26.4

Note: Total comprehensive income for the period: Nine months ended December 31, 2018 ¥42,253 million (Δ22.5%)

Nine months ended December 31, 2017 ¥54,487 million (4.2%)

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

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2018	130.36		130.32	
Nine months ended December 31, 2017	98.12		98.11	

(2) Consolidated Financial Position

	Total assets		Total equity		Equity attributable to owners of the parent company		Equity attributable to owners of the parent company ratio	
	Millions of yen		Millions of yen		Millions of yen		%	
As of December 31, 2018	1,030,174		535,439		532,945		51.7	
As of March 31, 2018	1,033,350		515,106		512,727		49.6	

2. Cash Dividends

	Cash dividends per share				
	1 st Quarter	2 nd Quarter	3 rd Quarter	Year End	Year Total
	Yen				
Year ended March 31, 2018	—	30.00	—	32.00	62.00
Year ending March 31, 2019	—	31.00	—		
Year ending March 31, 2019 (Forecast)				31.00	62.00

Note: Changes from the latest announced forecasts: None

3. Forecast for the Fiscal Year ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

(%: Change from same period previous year)

	Revenue		Business profit		Profit from operating activities		Profit before tax		Profit for the period		Profit for the year attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	
For the year ending March 31, 2019	1,070,000	Δ2.9	65,000	Δ13.1	62,000	Δ4.6	61,000	Δ2.7	50,000	19.7	50,000	19.5	141.95

Note: Changes from the latest announced forecasts: Yes

※Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting from changes in the scope of consolidation): None

(2) Changes in accounting policies, or changes in accounting estimates

1. Changes in accounting policies required by IFRS: Yes
2. Changes in accounting policies other than the changes above: None
3. Changes in accounting estimates: None

For details, please refer to page 14 “Notes to Consolidated Financial Statements 2. Changes in Accounting Policies”.

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):

As of December 31, 2018	399,634,778	As of March 31, 2018	399,634,778
As of December 31, 2018	47,397,417	As of March 31, 2018	47,406,139
Nine months ended December 31, 2018	352,230,213	Nine months ended December 31, 2017	352,227,324

2. Treasury shares:

3. Average number of shares:

※This report is not reviewed by certified public accountants nor auditors.

※Explanation of appropriate use of forecast and other special items

(Cautionary statement concerning forward-looking statements)

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.

Assumptions for the forecasts and warnings for users of the forecasts are available on page 4 “Qualitative Information Regarding the Consolidated Financial Outlook”.

(How to access supplementary explanations and details of briefing on financial results)

The Company is scheduled to hold a briefing for analysts on financial results on Thursday, January 31, 2019 and to post materials used at the briefing on the Company’s website on that day.

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 exchange rate of ¥110.36 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2018 First Three Quarters (April 1 to December 31, 2018) 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. Europe and Latin America also gradually recovered, though the economies of some countries, such as Turkey and Argentina, regressed. The Chinese economy had been picking up until recently, but trade friction with the U.S. as well as other factors caused capital expenditure demand to decelerate. The Japanese economy continued to register signs of a gradual economic recovery, as consumer spending picked up in response to a stable employment and improved income situation.

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 ¥111.11 and ¥129.50, respectively. This represents a 1% appreciation in the value of the yen against the dollar and a 1% depreciation in the value of the yen against the euro, year on year.

Epson, which had maintained revenue growth through the second quarter, saw third-quarter revenue decline year on year. In addition to negative foreign exchange effects, this decline was primarily due to the Chinese economic slowdown, which began impacting the robotics solutions business in the wearable and industrial products segment in August and began impacting other reporting segments and businesses particularly since November.

As a result, consolidated revenue for the first three quarters of the fiscal year moved sideways. The Company recorded ¥829.0 billion in revenue for the period, a decrease of 0.5% compared to the same period last year. While revenue from high-capacity ink tank inkjet printers in the printing solutions segment and from 3LCD projectors in the visual communications segment increased, revenue from crystal devices in the wearable & industrial products segment and from robotics solutions declined. Factors such as negative foreign exchange effects also weighed on revenue. Business profit was also consistent with the previous period. The Company recorded ¥58.3 billion in business profit, a year-on-year decline of 0.1%, primarily due to strategic investment in future growth and negative foreign exchange effects. Profit from operating activities was ¥58.1 billion, up 11.4% year on year. Profit before tax was ¥58.8 billion, up 15.4% year on year. And profit for the period attributable to owners of the parent company was ¥45.9 billion, up 32.8 % year on year.

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

Printing Solutions Segment

Printer business revenue decreased. Inkjet printer revenue as a whole increased despite a decrease in ink cartridge printer sales, the result of limiting promotions and maintaining prices even as competitors aggressively stepped up their own price promotions. Revenue growth, while tempered by negative foreign exchange effects, was the result of ongoing growth in sales of high-capacity ink tank inkjet printers in both emerging and advanced countries. Consumables revenue decreased. Although revenue from ink bottles for

high-capacity ink tank inkjet printers grew, ink cartridge sales slipped along with the consumer ink cartridge printer install base. Foreign exchange effects also negatively impacted consumables revenue. Serial impact dot matrix (SIDM) printer revenue declined on lower China demand.

Revenue in the professional printing business was consistent with the previous period. Large-format inkjet printer revenue as a whole was flat year on year, as solid sales in the growing signage and textile printer markets were offset by a combination of negative foreign exchange effects and weaker sales in the photo and graphics markets, where competitors aggressively undercut prices. POS system product revenue was flat year on year.

Segment profit in the printing solutions business was flat year on year despite an increase in revenue from high-capacity ink tank inkjet printers in the printer business. This sideways movement is mainly attributable to strategic investment in future growth and negative foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥546.4 billion, down 1.3% year on year. Segment profit was ¥70.7 billion, down 0.5% year on year.

Visual Communications Segment

Revenue in the visual communications segment increased, although it was tempered by negative foreign exchange effects. The increase was largely due to a spike in 3LCD projector demand prompted by the FIFA World Cup, major contract wins in Asia, and an improved model mix in which high added value products, such as laser projectors in the high-brightness zone, accounted for a higher percentage of total unit shipments. Segment profit in the visual communications segment was consistent with the previous period because the effects of higher revenue were offset by negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥156.4 billion, up 3.7% year on year. Segment profit was ¥18.2 billion, down 0.8% year on year.

Wearable & Industrial Products Segment

Revenue in the wearable products business decreased due to subdued markets for watch movements and low demand in overseas watch markets.

Revenue in the robotics solutions business decreased mainly due to trade friction between the U.S. and China, which caused a pullback in capital expenditure in the Greater China Region.

Revenue in the microdevices business decreased. Although semiconductor revenue grew on higher market demand and increased shipping volume, this growth was more than offset by a decrease in crystal device revenue, which shrank in response to a contraction of the mobile market in China, as well as to a decline in consumer electronics demand in China and elsewhere.

Segment profit in the wearable & industrial products segment declined in response to lower crystal device and robotics solutions revenue and foreign exchange effects.

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥126.0 billion, down 2.1% year on year. Segment profit was ¥6.1 billion, down 8.5% year on year.

Other

Other revenue was flat year on year, amounting to ¥0.6 billion, as was the segment loss of ¥0.4 billion.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥36.3 billion. (Adjustments in the same period last year were negative ¥37.3 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

Assets, Liabilities, and Equity

Total assets at the end of the third quarter were ¥1,030.1 billion, a decrease of ¥3.1 billion from the previous fiscal year end. While cash and cash equivalents decreased by ¥61.2 billion due largely to the acquisition of property, plant, equipment, and intangible assets and to the payment of dividends, total assets increased chiefly due to a ¥28.6 billion increase in inventories, a ¥19.1 billion increase in property, plant and equipment and intangible assets, and a ¥9.5 billion increase in trade and other receivables.

Total liabilities were ¥494.7 billion, down ¥23.5 billion compared to the end of the last fiscal year. Total liabilities decreased mainly because of a ¥21.7 billion decrease in bonds issued, borrowings and lease liabilities.

The equity attributable to owners of the parent company totaled ¥532.9 billion, a ¥20.2 billion increase compared to the previous fiscal year end. While the Company paid ¥22.1 billion in dividends, equity attributable to owners of the parent company increased mainly because retained earnings increased owing to the recording of ¥45.9 billion in profit for the period attributable to owners of the parent company.

Cash Flows

Net cash from operating activities for the first three quarters totaled ¥47.7 billion (compared to ¥49.0 billion in the same period last year). Whereas Epson recorded ¥46.2 billion in profit for the period, there was a ¥27.0 billion increase in inventories and ¥13.6 billion in income taxes paid. Net cash was positively affected by the recording of ¥41.8 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥62.1 billion (compared to ¥57.9 billion in the same period last year). The Company used ¥70.5 billion in the acquisition of property, plant, equipment and the purchase of intangible assets. Meanwhile, there were ¥9.2 billion in proceeds from sales of property, plant and equipment.

Net cash used in financing activities totaled ¥46.9 billion (compared to ¥7.7 billion in positive net cash in the same period last year), chiefly due to ¥22.1 billion in dividends paid, a ¥10.0 billion redemption of bonds payable, and a net decrease of ¥14.3 billion in current borrowings.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the third quarter totaled ¥168.4 billion compared to ¥223.7 billion in the same period last year.

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 rise in the value of the yen and based on factors such as market conditions. The figures in the outlook are based on assumed exchange rates of 105.00 yen to the U.S. dollar and 120.00 yen to the euro in the fourth quarter.

Consolidated Full-Year Financial Outlook

	FY2017	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥1,102.1 billion	¥1,090.0 billion	¥1,070.0 billion	-¥20.0 billion	(-1.8%)
Business profit	¥74.7 billion	¥80.0 billion	¥65.0 billion	-¥15.0 billion	(-18.8%)
Profit from operating activities	¥65.0 billion	¥77.0 billion	¥62.0 billion	-¥15.0 billion	(-19.5%)
Profit before tax	¥62.6 billion	¥76.0 billion	¥61.0 billion	-¥15.0 billion	(-19.7%)
Profit for the period	¥41.7 billion	¥60.0 billion	¥50.0 billion	-¥10.0 billion	(-16.7%)
Profit for the year attributable to owners of the parent company	¥41.8 billion	¥60.0 billion	¥50.0 billion	-¥10.0 billion	(-16.7%)
Foreign exchange rates	1 USD = ¥110.85	1 USD = ¥110.00	1 USD = ¥110.00		
	1 EUR = ¥129.66	1 EUR = ¥128.00	1 EUR = ¥127.00		

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	December 31, 2018	December 31, 2018
<u>Assets</u>			
Current assets			
Cash and cash equivalents	229,678	168,413	1,526,032
Trade and other receivables	165,282	174,844	1,584,305
Inventories	223,227	251,878	2,282,330
Income tax receivables	2,942	5,389	48,831
Other financial assets	1,513	1,838	16,654
Other current assets	16,485	18,828	170,605
Subtotal	639,129	621,192	5,628,778
Non-current assets held for sale	43	-	-
Total current assets	639,172	621,192	5,628,778
Non-current assets			
Property, plant and equipment	297,927	314,294	2,847,897
Intangible assets	22,037	24,778	224,519
Investment property	1,219	1,466	13,283
Investments accounted for using the equity method	1,546	1,517	13,745
Net defined benefit assets	11	0	0
Other financial assets	20,433	16,302	147,716
Other non-current assets	5,299	6,317	57,239
Deferred tax assets	45,701	44,307	401,476
Total non-current assets	394,178	408,982	3,705,889
Total assets	1,033,350	1,030,174	9,334,668

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	December 31, 2018	December 31, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	154,759	149,135	1,351,350
Income tax payables	7,296	6,457	58,508
Bonds issued, borrowings and lease liabilities	36,082	24,122	218,575
Other financial liabilities	201	421	3,814
Provisions	26,403	12,701	115,086
Other current liabilities	97,643	109,469	991,926
Total current liabilities	322,387	302,307	2,739,280
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	130,483	120,670	1,093,421
Other financial liabilities	1,613	1,929	17,479
Net defined benefit liabilities	42,321	48,690	441,192
Provisions	8,954	8,636	78,252
Other non-current liabilities	11,434	11,538	104,548
Deferred tax liabilities	1,049	961	8,707
Total non-current liabilities	195,856	192,427	1,743,629
Total liabilities	518,244	494,735	4,482,919
Equity			
Share capital	53,204	53,204	482,094
Capital surplus	84,364	84,409	764,851
Treasury shares	(30,803)	(30,788)	(278,977)
Other components of equity	47,960	47,420	429,684
Retained earnings	358,001	378,700	3,431,496
Equity attributable to owners of the parent company	512,727	532,945	4,829,150
Non-controlling interests	2,378	2,494	22,598
Total equity	515,106	535,439	4,851,748
Total liabilities and equity	1,033,350	1,030,174	9,334,668

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income Nine months ended December 31, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2017	2018	2018
Revenue	833,488	829,035	7,512,096
Cost of sales	(533,959)	(515,779)	(4,673,604)
Gross profit	299,529	313,256	2,838,492
Selling, general and administrative expenses	(241,072)	(254,873)	(2,309,469)
Other operating income	2,690	5,260	47,662
Other operating expense	(8,908)	(5,472)	(49,583)
Profit from operating activities	52,239	58,171	527,102
Finance income	995	2,043	18,512
Finance costs	(2,244)	(1,418)	(12,848)
Share of profit of investments accounted for using the equity method	45	81	733
Profit before tax	51,035	58,876	533,490
Income taxes	(16,314)	(12,646)	(114,588)
Profit for the period	34,721	46,230	418,901
Profit for the period attributable to:			
Owners of the parent company	34,562	45,915	416,047
Non-controlling interests	159	314	2,845
Profit for the period	34,721	46,230	418,901

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2017	2018	2018
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	10,782	(4,455)	(40,367)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	760	(1,826)	(16,545)
Subtotal	11,542	(6,281)	(56,913)
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	9,078	2,470	22,381
Net changes in fair value of cash flow hedges	(877)	(142)	(1,286)
Share of other comprehensive income of investments accounted for using the equity method	22	(22)	(199)
Subtotal	8,223	2,305	20,886
Total other comprehensive income, net of tax	19,766	(3,976)	(36,027)
Total comprehensive income for the period	54,487	42,253	382,865
Total comprehensive income for the period attributable to:			
Owners of the parent company	54,204	42,017	380,726
Non-controlling interests	282	235	2,129
Total comprehensive income for the period	54,487	42,253	382,865

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2017	2018	2018
Earnings per share for the period:			
Basic earnings per share for the period	98.12	130.36	1.18
Diluted earnings per share for the period	98.11	130.32	1.18

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income Three months ended December 31, 2017 and 2018:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	December 31,		Three months ended
	2017	2018	December 31, 2018
Revenue	306,160	296,658	2,688,093
Cost of sales	(190,450)	(174,973)	(1,585,474)
Gross profit	115,710	121,684	1,102,609
Selling, general and administrative expenses	(85,395)	(90,702)	(821,873)
Other operating income	1,424	4,140	37,513
Other operating expense	(3,188)	(2,554)	(23,142)
Profit from operating activities	28,549	32,568	295,106
Finance income	388	541	4,902
Finance costs	(932)	(1,158)	(10,492)
Share of profit of investments accounted for using the equity method	18	21	190
Profit before tax	28,024	31,973	289,715
Income taxes	(8,461)	(6,108)	(55,346)
Profit for the period	19,563	25,864	234,360
Profit for the period attributable to:			
Owners of the parent company	19,574	25,705	232,919
Non-controlling interests	(11)	159	1,440
Profit for the period	19,563	25,864	234,360

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	December 31,		Three months ended
	2017	2018	December 31, 2018
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	3,597	(7,638)	(69,209)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	693	(1,867)	(16,917)
Subtotal	4,291	(9,505)	(86,127)
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	3,171	(8,852)	(80,210)
Net changes in fair value of cash flow hedges	188	768	6,959
Share of other comprehensive income of investments accounted for using the equity method	8	(11)	(99)
Subtotal	3,368	(8,096)	(73,359)
Total other comprehensive income, net of tax	7,660	(17,601)	(159,487)
Total comprehensive income for the period	27,223	8,262	74,864
Total comprehensive income for the period attributable to:			
Owners of the parent company	27,185	8,170	74,030
Non-controlling interests	38	92	833
Total comprehensive income for the period	27,223	8,262	74,864

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	December 31,		December 31,
	2017	2018	2018
Earnings per share for the period:			
Basic earnings per share for the period	55.57	72.98	0.66
Diluted earnings per share for the period	55.56	72.95	0.66

Quarterly Condensed Consolidated Statement of Changes in Equity**Nine months ended December 31, 2017 and 2018:**

Millions of yen

	Equity attributable to owners of the parent company											Total equity
	Equity attributable to owners of the parent company			Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	
				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)				
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	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)
Dividends	-	-	-	-	-	-	-	-	(21,133)	(21,133)	(116)	(21,250)
Share-based payment transactions	-	30	11	-	-	-	-	-	-	41	-	41
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

SEIKO EPSON CORPORATION

Millions of yen

	Equity attributable to owners of the parent company												
	Other components of equity									Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity					
As of April 1, 2018	53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,001	512,727	2,378	515,106	
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	330	330	-	330	
As of April 1, 2018 (restated)	53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,332	513,058	2,378	515,437	
Profit for the period	-	-	-	-	-	-	-	-	45,915	45,915	314	46,230	
Other comprehensive income	-	-	-	(4,455)	(1,826)	2,526	(142)	(3,897)	-	(3,897)	(78)	(3,976)	
Total comprehensive income for the period	-	-	-	(4,455)	(1,826)	2,526	(142)	(3,897)	45,915	42,017	235	42,253	
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)	
Dividends	-	-	-	-	-	-	-	-	(22,190)	(22,190)	(120)	(22,310)	
Share-based payment transactions	-	44	15	-	-	-	-	-	-	60	-	60	
Transfer from other components of equity to retained earnings	-	-	-	4,455	(1,098)	-	-	3,357	(3,357)	-	-	-	
Total transactions with the owners	-	44	15	4,455	(1,098)	-	-	3,357	(25,547)	(22,130)	(120)	(22,250)	
As of December 31, 2018	53,204	84,409	(30,788)	-	1,734	45,496	189	47,420	378,700	532,945	2,494	535,439	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

	Equity attributable to owners of the parent company												
	Other components of equity									Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity					
As of April 1, 2018	482,094	764,443	(279,113)	-	42,207	389,362	2,999	434,577	3,243,938	4,645,949	21,547	4,667,506	
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	2,990	2,990	-	2,990	
As of April 1, 2018 (restated)	482,094	764,443	(279,113)	-	42,207	389,362	2,999	434,577	3,246,937	4,648,948	21,547	4,670,505	
Profit for the period	-	-	-	-	-	-	-	-	416,047	416,047	2,845	418,901	
Other comprehensive income	-	-	-	(40,367)	(16,545)	22,888	(1,286)	(35,311)	-	(35,311)	(706)	(36,027)	
Total comprehensive income for the period	-	-	-	(40,367)	(16,545)	22,888	(1,286)	(35,311)	416,047	380,726	2,129	382,865	
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)	
Dividends	-	-	-	-	-	-	-	-	(201,069)	(201,069)	(1,087)	(202,156)	
Share-based payment transactions	-	398	135	-	-	-	-	-	-	543	-	543	
Transfer from other components of equity to retained earnings	-	-	-	40,367	(9,949)	-	-	30,418	(30,418)	-	-	-	
Total transactions with the owners	-	398	135	40,367	(9,949)	-	-	30,418	(231,487)	(200,525)	(1,087)	(201,612)	
As of December 31, 2018	482,094	764,851	(278,977)	-	15,712	412,250	1,712	429,684	3,431,496	4,829,150	22,598	4,851,748	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Cash Flows

Nine months ended December 31, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2017	2018	2018
Cash flows from operating activities			
Profit for the period	34,721	46,230	418,901
Depreciation and amortisation	37,162	41,878	379,467
Impairment loss (reversal of impairment loss)	1,664	669	6,061
Finance (income) costs	1,249	(624)	(5,654)
Share of (profit) loss of investments accounted for using the equity method	(45)	(81)	(733)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	568	(3,306)	(29,956)
Income taxes	16,314	12,646	114,588
Decrease (increase) in trade receivables	(21,774)	(8,175)	(74,075)
Decrease (increase) in inventories	(14,668)	(27,079)	(245,369)
Increase (decrease) in trade payables	8,619	2,581	23,387
Increase (decrease) in net defined benefit liabilities	1,419	1,297	11,752
Other	111	(5,358)	(48,550)
Subtotal	65,342	60,680	549,836
Interest and dividends income received	1,011	1,664	15,077
Interest expenses paid	(736)	(925)	(8,381)
Payment for loss on litigation	(564)	-	-
Income taxes paid	(15,967)	(13,661)	(123,785)
Net cash from (used in) operating activities	49,084	47,757	432,738
Cash flows from investing activities			
Proceeds from sales of investment securities	16	2,144	19,427
Purchase of property, plant and equipment	(52,061)	(61,707)	(559,142)
Proceeds from sale of property, plant and equipment	340	9,299	84,260
Purchase of intangible assets	(4,296)	(8,861)	(80,291)
Proceeds from sale of intangible assets	0	6	54
Proceeds from sale of investment property	9	22	199
Purchase of investments in subsidiaries	-	(887)	(8,037)
Other	(2,002)	(2,139)	(19,382)
Net cash from (used in) investing activities	(57,992)	(62,121)	(562,894)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	19,283	(14,352)	(130,047)
Proceeds from non-current borrowings	49,908	-	-
Repayment of non-current borrowings	(50,000)	(135)	(1,223)
Proceeds from issuance of bonds issued	19,896	-	-
Redemption of bonds issued	(10,000)	(10,000)	(90,612)
Payment of lease obligations	(76)	(110)	(996)
Dividends paid	(21,133)	(22,190)	(201,069)
Dividends paid to non-controlling interests	(116)	(120)	(1,087)
Purchase of treasury shares	(2)	(0)	(0)
Net cash from (used in) financing activities	7,759	(46,908)	(425,045)
Effect of exchange rate changes on cash and cash equivalents	3,091	7	63
Net increase (decrease) in cash and cash equivalents	1,942	(61,264)	(555,128)
Cash and cash equivalents at beginning of period	221,782	229,678	2,081,170
Cash and cash equivalents at end of period	223,725	168,413	1,526,032

Notes to Consolidated Financial Statements*1. Note for Going Concern Assumption*

Not applicable.

2. Changes in Accounting Policies

Epson adopted the following standards and interpretations from the quarter ended June 30, 2018.

IFRS		Description of new and revised standards
IFRS 9	Financial Instruments	Amendments to hedge accounting Limited changes to classification and measurement of financial assets, and introduction of an expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	Amendments to accounting treatment for recognising revenue

(1) Adoption of IFRS9 Financial Instruments

Epson adopted IFRS9 Financial Instruments (revised July 2014) (“IFRS9”) from the quarter ended June 30, 2018 in conformity with certain transition provisions.

The impact on the consolidated result of operations from the adoption of IFRS9 was not material.

(2) Adoption of IFRS15 Revenue from Contracts with Customers

Epson adopted IFRS15 Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS15 (issued April 2016) (“IFRS15”) from the quarter ended June 30, 2018.

Epson applied IFRS15 retrospectively to recognise the cumulative effect of initially applying IFRS15 as an adjustment to the opening balance of retained earnings of this annual reporting period.

Epson recognises revenue by applying the following five steps approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when Epson satisfies a performance obligation

Epson is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications, and Wearable & Industrial Products. Usually Epson transfers control of a promised good and satisfies a performance obligation at the time of delivery of the good. Therefore, Epson recognises revenue at the time of its delivery. Revenue is measured at the amount of consideration promised in a contract with a customer that is considered the effects of discount, rebate etc.

The impact on the consolidated result of operations from the adoption of IFRS15 was insignificant.

3. Contingencies

Material litigation

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

Provisions are not recognised when an outflow of resources embodying economic benefits is not probable and an estimate of financial effect is not practicable.

Epson had the following material actions.

(1) The liquid crystal display price-fixing cartel

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

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

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

4. Subsequent Events

No material subsequent events were identified.