

Financial Results for the Year ended March 31, 2019 [IFRS] (Consolidated)

April 26, 2019

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: global.epson.com

Representative: Minoru Usui, President

Scheduled date of Annual Shareholders Meeting: June 26, 2019

Scheduled date to file Annual Securities Report: June 27, 2019

Reference materials regarding financial results for the period: Yes

Briefing on financial results: Yes (for analysts)

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Scheduled starting date of payment for the dividends: June 27, 2019

(Amounts are rounded down to the nearest million yen)

1. Results of the Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Consolidated Operating Results

(%: Change from the 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	%
Year ended March 31, 2019	1,089,676	△1.1	70,498	△5.7	71,355	9.8	72,040	15.0	54,044	29.4	53,710	28.4
Year ended March 31, 2018	1,102,116	7.5	74,785	13.6	65,003	△4.3	62,663	△7.1	41,764	△13.8	41,836	△13.4

Note: Total comprehensive income for the period: Year ended March 31, 2019 ¥49,542 million (19.1%)

Year ended March 31, 2018 ¥41,581 million (△25.7%)

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	ROE *1	ROA *2	ROS *3
	Yen	Yen	%	%	%
Year ended March 31, 2019	152.49	152.44	10.2	6.8	6.5
Year ended March 31, 2018	118.78	118.75	8.3	7.4	6.8

*1 Profit for the period attributable to owners of the parent company / Equity attributable to owners of the parent company (avg. balance)
*2 Business profit / Total assets (avg. balance)
*3 Business profit / Revenue

Reference: Equity gains (losses) of affiliates: Year ended March 31, 2019 ¥99 million

Year ended March 31, 2018 ¥74 million

(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	Equity attributable to owners of the parent company, per share
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	1,038,389	542,747	540,181	52.0	1,533.57
As of March 31, 2018	1,033,350	515,106	512,727	49.6	1,455.67

(3) Consolidated Cash Flows

	Net cash from (used in) operating activities	Net cash from (used in) investing activities	Net cash from (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	76,961	(82,738)	(49,430)	175,238
Year ended March 31, 2018	84,279	(74,661)	37	229,678

2. Cash Dividends

	Cash dividends per share					Total cash dividends	Dividend payout ratio	Ratio of dividends to equity attributable to owners of the parent company
	1 st Quarter	2 nd Quarter	3 rd Quarter	Year End	Year Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	-	30.00	-	32.00	62.00	21,848	52.2	4.3
Year ended March 31, 2019	-	31.00	-	31.00	62.00	21,848	40.7	4.1
Year ending March 31, 2020 (Forecast)	-	31.00	-	31.00	62.00		48.5	

3. Forecast for the Year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(%: Change from the 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		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the year ending March 31, 2020	1,130,000	3.7	65,000	△7.8	60,000	△15.9	59,000	△18.1	45,000	△16.7	45,000	△16.2	127.75

※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: Yes

For details, please refer to page 12 “2. Changes in Accounting Policies” and page 13 “3. Changes in Accounting Estimates”.

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):
2. Treasury shares:
3. Average number of shares:

As of March 31, 2019	399,634,778	As of March 31, 2018	399,634,778
As of March 31, 2019	47,397,639	As of March 31, 2018	47,406,139
Year ended March 31, 2019	352,231,945	Year ended March 31, 2018	352,227,639

(Reference) Summary of Non-Consolidated Financial Results

1. Results of the Year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

(1) Non-Consolidated Operating Results

(%: Change from the previous year)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2019	790,424	△3.2	8,480	△45.7	33,896	△21.7	30,629	△25.7
Year ended March 31, 2018	816,898	10.7	15,623	80.2	43,272	70.5	41,220	29.9

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2019	86.96	-
Year ended March 31, 2018	117.03	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	694,487	380,400	54.8	1,079.96
As of March 31, 2018	736,995	373,873	50.7	1,061.45

(Reference) Shareholders' equity: As of March 31, 2019 ¥380,400million As of March 31, 2018 ¥373,873million

※This report is not audited 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 “4. 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 Friday, April 26, 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 ¥110.87 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

1. Operating results overview

On the whole, the global economy continued its gradual recovery during 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 Argentina, regressed. The Chinese economy had been picking up, 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. There is concern of further economic deceleration moving forward. An expansion of the effects of U.S.-China trade friction, the direction of Brexit, and political risks in Latin America are among the factors fueling a growing sense of uncertainty.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year were ¥110.86 and ¥128.40, respectively. The yen-dollar exchange rate was nearly the same as in the previous period while the value of the yen against the euro increased by 1%.

Annual revenue was hurt particularly by the Chinese economic slowdown from the second quarter. Epson recorded ¥1,089.6 billion in revenue, a decrease of 1.1% compared to the prior fiscal year. Although there was revenue growth in high-capacity ink tank inkjet printers in the printing solutions segment and in 3LCD projectors in the visual communications segment, revenue from crystal devices in the wearable & industrial products segment and from the robotics solutions business decreased. Business profit decreased by 5.7% year on year, ending at ¥70.4 billion. The decrease was primarily due to the Chinese economic slowdown and the resulting lower revenue, strategic investment in future growth, and negative foreign exchange effects resulting from plummeting currencies in Latin America and some other emerging nations.

The positive effects of a change in the method of accounting for printhead inventory devaluations are reflected in business profit. Profit from operating activities was ¥71.3 billion, up 9.8% year on year. Profit before tax was ¥72.0 billion, up 15.0% year on year. And profit for the period attributable to owners of the parent company was ¥53.7 billion, up 28.4% 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 moved sideways. Although revenue from high-capacity ink tank inkjet printers grew with ongoing expansion of sales in both emerging and developed markets, these gains were offset by a combination of negative foreign exchange effects and shrinking revenue from ink cartridge printers, the result of limiting promotions and maintaining prices even as competitors aggressively stepped up their own price promotions. 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 as the market contracted.

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. Point-of-sale (POS) system product revenue was flat year on year.

Segment profit in the printing solutions business was flat year on year despite the revenue growth in high-capacity ink tank inkjet printers and the positive effects of the change in the method of accounting for printhead inventory devaluations. This sideways movement is mainly attributable to strategic investment in future growth and the negative foreign exchange effects resulting from plummeting currencies in Latin America and some other emerging nations.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥723.6 billion, down 1.8% year on year. Segment profit was ¥94.5 billion, down 0.4% 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 an improved model mix in which high added value 3LCD laser projectors in the high-brightness zone accounted for a higher percentage of total unit shipments, as well as to strong sales of ultra-short throw education projectors.

Segment profit in the visual communications segment declined because the effects of higher revenue were offset by strategic investment in future growth and negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥203.3 billion, up 2.2% year on year. Segment profit was ¥21.2 billion, down 13.1% year on year.

Wearable & Industrial Products Segment

Revenue in the wearable products business decreased due to sluggish demand for movements and a slow overseas watch market.

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. Semiconductor revenue was flat year on year, but quartz business revenue fell on lower demand for crystal devices in the contracting Chinese mobile and consumer electronics markets.

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 ¥163.4 billion, down 2.3% year on year. Segment profit was ¥5.5 billion, down 23.0% year on year.

Other

Other revenue was flat year on year, amounting to ¥0.9 billion, as was the segment loss of ¥0.5 billion.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥50.2 billion. (Adjustments in the same period last year were negative ¥51.1 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.

2. Financial position overview

Total assets at the end of the fiscal year were ¥1,038.3 billion, an increase of ¥5.0 billion from the previous fiscal year end. While cash and cash equivalents decreased by ¥54.4 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 ¥27.5 billion increase in inventories, a ¥27.1 billion increase in property, plant and equipment and intangible assets, and a ¥7.8 billion increase in trade and other receivables.

Total liabilities were ¥495.6 billion, down ¥22.6 billion compared to the end of the last fiscal year. Total liabilities decreased mainly because of a ¥24.2 billion decrease in bonds issued, borrowings and lease liabilities.

The equity attributable to owners of the parent company totaled ¥540.1 billion, a ¥27.4 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 ¥53.7 billion in profit for the period attributable to owners of the parent company.

3. Cash flow overview

Net cash from operating activities during the year totaled ¥76.9 billion. The total for the previous year was ¥84.2 billion. Whereas Epson recorded ¥54.0 billion in profit for the period, there was a ¥24.9 billion increase in inventories and ¥17.5 billion in income taxes paid. Net cash was positively affected by the recording of ¥56.1 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥82.7 billion (compared to ¥74.6 billion in the previous fiscal year). The Company used ¥90.3 billion in the acquisition of property, plant, equipment and the purchase of intangible assets. Meanwhile, there were ¥9.3 billion in proceeds from sales of property, plant and equipment.

Net cash used in financing activities totaled ¥49.4 billion (compared to ¥0 billion in positive net cash in the previous fiscal year), chiefly due to ¥22.1 billion in dividends paid, a ¥10.0 billion redemption of bonds payable, and a net decrease of ¥16.8 billion in current borrowings.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥175.2 billion (compared to ¥229.6 billion at the end of the previous fiscal year).

4. Outlook

The financial outlook for the 2019 fiscal year ending March 31, 2020 is summarized below. The figures in the outlook are based on assumed exchange rates of 110.00 yen to the U.S. dollar and 125.00 yen to the euro.

Consolidated Full-Year Financial Outlook

	FY2018 Result	FY2019 Plan	Change	
Revenue	¥1,089.6 billion	¥1,130.0 billion	+¥40.3 billion	(+3.7%)
Business profit	¥70.4 billion	¥65.0 billion	-¥5.4 billion	(-7.8%)
Profit from operating activities	¥71.3 billion	¥60.0 billion	-¥11.3 billion	(-15.9%)
Profit before tax	¥72.0 billion	¥59.0 billion	-¥13.0 billion	(-18.1%)
Profit for the period	¥54.0 billion	¥45.0 billion	-¥9.0 billion	(-16.7%)
Profit for the year attributable to owners of the parent company	¥53.7 billion	¥45.0 billion	-¥8.7 billion	(-16.2%)
Foreign exchange rates	1 USD = ¥110.86	1 USD = ¥110.00		
	1 EUR = ¥128.40	1 EUR = ¥125.00		

Consolidated Statement of Financial Position**Years ended March 31, 2018 and 2019:**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2019	March 31, 2019
<u>Assets</u>			
Current assets			
Cash and cash equivalents	229,678	175,238	1,580,571
Trade and other receivables	165,282	173,173	1,561,946
Inventories	223,227	250,763	2,261,775
Income tax receivables	2,942	3,994	36,024
Other financial assets	1,513	1,466	13,222
Other current assets	16,485	17,938	161,793
Subtotal	639,129	622,575	5,615,360
Non-current assets held for sale	43	-	-
Total current assets	639,172	622,575	5,615,360
Non-current assets			
Property, plant and equipment	297,927	321,956	2,903,905
Intangible assets	22,037	25,191	227,212
Investment property	1,219	1,461	13,177
Investments accounted for using the equity method	1,546	1,571	14,169
Net defined benefit assets	11	-	-
Other financial assets	20,433	17,907	161,513
Other non-current assets	5,299	6,028	54,369
Deferred tax assets	45,701	41,696	376,080
Total non-current assets	394,178	415,814	3,750,464
Total assets	1,033,350	1,038,389	9,365,824

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2019	March 31, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	154,759	144,399	1,302,417
Income tax payables	7,296	3,814	34,400
Bonds issued, borrowings and lease liabilities	36,082	21,363	192,685
Other financial liabilities	201	331	2,985
Provisions	26,403	12,677	114,341
Other current liabilities	97,643	114,887	1,036,231
Total current liabilities	322,387	297,473	2,683,079
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	130,483	120,987	1,091,251
Other financial liabilities	1,613	1,955	17,633
Net defined benefit liabilities	42,321	53,498	482,529
Provisions	8,954	9,134	82,384
Other non-current liabilities	11,434	11,697	105,501
Deferred tax liabilities	1,049	894	8,063
Total non-current liabilities	195,856	198,169	1,787,399
Total liabilities	518,244	495,642	4,470,478
Equity			
Share capital	53,204	53,204	479,877
Capital surplus	84,364	84,427	761,495
Treasury shares	(30,803)	(30,788)	(277,694)
Other components of equity	47,960	50,440	454,947
Retained earnings	358,001	382,897	3,453,567
Equity attributable to owners of the parent company	512,727	540,181	4,872,201
Non-controlling interests	2,378	2,565	23,135
Total equity	515,106	542,747	4,895,345
Total liabilities and equity	1,033,350	1,038,389	9,365,824

Consolidated Statement of Comprehensive Income**Years ended March 31, 2018 and 2019:**

	Millions of yen		Thousands of
	Year ended		U.S. dollars
	March 31,		Year ended
	2018	2019	March 31, 2019
Revenue	1,102,116	1,089,676	9,828,411
Cost of sales	(701,268)	(677,064)	(6,106,827)
Gross profit	400,848	412,612	3,721,583
Selling, general and administrative expenses	(326,062)	(342,113)	(3,085,712)
Other operating income	4,860	6,393	57,662
Other operating expense	(14,643)	(5,536)	(49,932)
Profit from operating activities	65,003	71,355	643,591
Finance income	1,277	2,450	22,097
Finance costs	(3,691)	(1,865)	(16,821)
Share of profit of investments accounted for using the equity method	74	99	892
Profit before tax	62,663	72,040	649,770
Income taxes	(20,899)	(17,995)	(162,307)
Profit for the period	41,764	54,044	487,453
Profit for the period attributable to:			
Owners of the parent company	41,836	53,710	484,441
Non-controlling interests	(72)	334	3,012
Profit for the period	41,764	54,044	487,453

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Year ended		U.S. dollars
	March 31,		Year ended
	2018	2019	March 31, 2019
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	4,998	(8,052)	(72,625)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(371)	(1,325)	(11,950)
Subtotal	4,626	(9,378)	(84,585)
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(5,266)	5,082	45,837
Net changes in fair value of cash flow hedges	444	(195)	(1,758)
Share of other comprehensive income of investments accounted for using the equity method	13	(10)	(90)
Subtotal	(4,809)	4,876	43,979
Total other comprehensive income, net of tax	(182)	(4,501)	(40,597)
Total comprehensive income for the period	41,581	49,542	446,847

Total comprehensive income for the period attributable to:			
Owners of the parent company	41,612	49,235	444,078
Non-controlling interests	(30)	307	2,769
Total comprehensive income for the period	41,581	49,542	446,847

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Year ended		Year ended
	March 31,		March 31,
	2018	2019	2019
Earnings per share for the period:			
Basic earnings per share for the period	118.78	152.49	1.38
Diluted earnings per share for the period	118.75	152.44	1.37

Consolidated Statement of Changes in Equity**Years ended March 31, 2018 and 2019**

Millions of yen

	Equity attributable to owners of the parent company											Non-controlling interests	Total equity
				Other components of equity					Retained earnings	Total equity attributable to owners of the parent company			
	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, 2017	53,204	84,321	(30,812)	-	5,024	48,265	(112)	53,176	332,306	492,196	2,526	494,722	
Profit for the period	-	-	-	-	-	-	-	-	41,836	41,836	(72)	41,764	
Other comprehensive income	-	-	-	4,998	(371)	(5,294)	444	(223)	-	(223)	41	(182)	
Total comprehensive income for the period	-	-	-	4,998	(371)	(5,294)	444	(223)	41,836	41,612	(30)	41,581	
Acquisition of treasury shares	-	-	(2)	-	-	-	-	-	-	(2)	-	(2)	
Dividends	-	-	-	-	-	-	-	-	(21,133)	(21,133)	(116)	(21,250)	
Share-based payment transactions	-	43	11	-	-	-	-	-	-	54	-	54	
Transfer from other components of equity to retained earnings	-	-	-	(4,998)	5	-	-	(4,992)	4,992	-	-	-	
Total transactions with the owners	-	43	8	(4,998)	5	-	-	(4,992)	(16,141)	(21,081)	(116)	(21,197)	
As of March 31, 2018	53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,001	512,727	2,378	515,106	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

	Millions of yen											
	Equity attributable to owners of the parent company											
	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, 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	-	-	-	-	-	-	-	-	53,710	53,710	334	54,044
Other comprehensive income	-	-	-	(8,052)	(1,325)	5,099	(195)	(4,474)	-	(4,474)	(27)	(4,501)
Total comprehensive income for the period	-	-	-	(8,052)	(1,325)	5,099	(195)	(4,474)	53,710	49,235	307	49,542
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(22,190)	(22,190)	(120)	(22,310)
Share-based payment transactions	-	62	15	-	-	-	-	-	-	78	-	78
Transfer from other components of equity to retained earnings	-	-	-	8,052	(1,098)	-	-	6,954	(6,954)	-	-	-
Total transactions with the owners	-	62	14	8,052	(1,098)	-	-	6,954	(29,145)	(22,112)	(120)	(22,233)
As of March 31, 2019	53,204	84,427	(30,788)	-	2,234	48,069	136	50,440	382,897	540,181	2,565	542,747

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Thousands of U.S. dollars											
	Equity attributable to owners of the parent company											
	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, 2018	479,877	760,927	(277,829)	-	42,013	387,571	2,985	432,578	3,229,015	4,624,578	21,448	4,646,035
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	2,976	2,976	-	2,976
As of April 1, 2018 (restated)	479,877	760,927	(277,829)	-	42,013	387,571	2,985	432,578	3,232,001	4,627,563	21,448	4,649,021
Profit for the period	-	-	-	-	-	-	-	-	484,441	484,441	3,012	487,453
Other comprehensive income	-	-	-	(72,625)	(11,950)	45,990	(1,758)	(40,353)	-	(40,353)	(243)	(40,597)
Total comprehensive income for the period	-	-	-	(72,625)	(11,950)	45,990	(1,758)	(40,353)	484,441	444,078	2,769	446,847
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(200,144)	(200,144)	(1,082)	(201,226)
Share-based payment transactions	-	559	135	-	-	-	-	-	-	703	-	703
Transfer from other components of equity to retained earnings	-	-	-	72,625	(9,903)	-	-	62,722	(62,722)	-	-	-
Total transactions with the owners	-	559	126	72,625	(9,903)	-	-	62,722	(262,875)	(199,440)	(1,082)	(200,532)
As of March 31, 2019	479,877	761,495	(277,694)	-	20,149	433,561	1,226	454,947	3,453,567	4,872,201	23,135	4,895,345

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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Consolidated Statement of Cash Flows

Years ended March 31, 2018 and 2019:

	Millions of yen		Thousands of
			U.S. dollars
	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2019
Cash flows from operating activities			
Profit for the period	41,764	54,044	487,453
Depreciation and amortisation	49,993	56,137	506,331
Impairment loss (reversal of impairment loss)	2,091	743	6,701
Finance (income) costs	2,414	(585)	(5,276)
Share of (profit) loss of investments accounted for using the equity method	(74)	(99)	(892)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	797	(3,221)	(29,052)
Income taxes	20,899	17,995	162,307
Decrease (increase) in trade receivables	(9,528)	(4,750)	(42,842)
Decrease (increase) in inventories	(17,199)	(24,915)	(224,722)
Increase (decrease) in trade payables	3,087	(6,826)	(61,567)
Increase (decrease) in net defined benefit liabilities	1,612	1,663	14,999
Other	9,887	3,473	31,324
Subtotal	105,745	93,659	844,764
Interest and dividends income received	1,279	2,055	18,535
Interest expenses paid	(1,038)	(1,164)	(10,498)
Payment for loss on litigation	(564)	-	-
Income taxes paid	(21,142)	(17,588)	(158,636)
Net cash from (used in) operating activities	84,279	76,961	694,155
Cash flows from investing activities			
Purchase of investment securities	-	(900)	(8,117)
Proceeds from sales of investment securities	16	2,144	19,337
Purchase of property, plant and equipment	(69,237)	(79,858)	(720,285)
Proceeds from sale of property, plant and equipment	858	9,313	83,999
Purchase of intangible assets	(4,368)	(10,445)	(94,209)
Proceeds from sale of intangible assets	1	13	117
Proceeds from sale of investment property	9	22	198
Purchase of investments in subsidiaries	-	(887)	(8,000)
Other	(1,942)	(2,142)	(19,319)
Net cash from (used in) investing activities	(74,661)	(82,738)	(746,261)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	11,590	(16,832)	(151,817)
Proceeds from non-current borrowings	49,908	-	-
Repayment of non-current borrowings	(50,000)	(135)	(1,217)
Proceeds from issuance of bonds issued	19,896	-	-
Redemption of bonds issued	(10,000)	(10,000)	(90,195)
Payment of lease obligations	(106)	(150)	(1,352)
Dividends paid	(21,133)	(22,190)	(200,144)
Dividends paid to non-controlling interests	(116)	(120)	(1,082)
Purchase of treasury shares	(2)	(0)	(0)
Net cash from (used in) financing activities	37	(49,430)	(445,837)
Effect of exchange rate changes on cash and cash equivalents	(1,759)	767	6,918
Net increase (decrease) in cash and cash equivalents	7,895	(54,439)	(491,016)
Cash and cash equivalents at beginning of period	221,782	229,678	2,071,597
Cash and cash equivalents at end of period	229,678	175,238	1,580,571

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 for the reporting period.

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”) for the reporting period 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”) for the reporting period.

Epson applied IFRS15 retrospectively to recognise the cumulative effect of initially applying IFRS15 as an adjustment to the opening balance of retained earnings of the 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. Changes in Accounting Estimates

Change of Method to Estimate Net Realisable Value of Inventories

Epson has inventories of printheads that are used in several product lines. Epson formerly allocated these printhead inventories to the product lines where Epson intended to finally use them, and the net realisable values of the inventories were calculated by product line after allocation. However, effective from the year ended March 31, 2019, Epson changed a method and began calculating the net realisable value of the printhead itself.

This change was made to better mirror the current business reality. Epson has shifted in recent years toward an emphasis on high-capacity ink tank printers rather than ink cartridge printers and has adopted a strategy of expanding external printhead sales. Meanwhile, a broad range of printhead applications has emerged, making it more difficult to identify product lines at the printhead manufacturing stage.

Under the new method, the cost of sales decreased by ¥5,418 million (\$48,868 thousand), and profit from operating activities and profit before tax increased by the same amount for the year ended March 31, 2019.

4. Segment Information

(1) Outline of Reportable Segments

The reportable segments of Epson are determined based on the operating segments that are components of Epson for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance.

The reportable segments of Epson are composed of three segments: “Printing Solutions”, “Visual Communications” and “Wearable & Industrial Products”. They are determined by types of products, nature of products, and markets. Epson conducts development, manufacturing and sales within its reportable segments as follows:

Reportable segments	Main products
Printing Solutions	Inkjet printers, serial impact dot matrix printers, page printers, color image scanners, large-format inkjet printers, industrial inkjet printing systems, printers for use in POS systems, label printers and related consumables, dry process office papermaking systems, personal computers and others.
Visual Communications	3LCD projectors, HTPS-TFT LCD panels for 3LCD projectors, smart glasses and others.
Wearable & Industrial Products	Wristwatches, watch movements, sensing equipment, industrial robots, IC handlers, crystal units, crystal oscillators, quartz sensors, CMOS LSIs, metal powders, surface finishing and others.

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(2) Revenues and Performances of Reportable Segments

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

FY2017: Year ended March 31, 2018

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenues	736,239	198,889	158,535	1,093,663	187	8,265	1,102,116
Intersegment revenues	449	2	8,801	9,253	749	(10,002)	-
Total revenue	736,688	198,891	167,336	1,102,916	936	(1,737)	1,102,116
Segment profit (loss)							
(Business profit) (Note 1)	94,896	24,423	7,154	126,474	(532)	(51,156)	74,785
					Other operating income (expense)		(9,782)
					Profit from operating activities		65,003
					Finance income (costs)		(2,414)
					Share of profit of investments accounted for using the equity method		74
					Profit before tax		62,663
Other items							
	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation	(26,688)	(8,783)	(8,815)	(44,287)	(17)	(5,145)	(49,449)
Impairment losses of assets other than financial assets	(900)	(23)	(107)	(1,031)	-	(1,060)	(2,091)
Segment assets	410,490	127,325	142,324	680,140	275	352,934	1,033,350
Capital expenditures	46,351	14,338	11,099	71,789	17	7,622	79,430

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

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

(Note 3) "Adjustments" to Segment profit (loss) (Business profit) of (¥51,156) million comprised "Eliminations" of ¥480 million and "Corporate expenses" of (¥51,637) million. "Corporate expenses" included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

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

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FY2018: Year ended March 31, 2019

Millions of yen

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenues	722,958	203,305	154,074	1,080,337	187	9,151	1,089,676
Intersegment revenues	721	3	9,336	10,061	762	(10,824)	-
Total revenue	723,679	203,309	163,410	1,090,399	950	(1,672)	1,089,676
Segment profit (loss)							
(Business profit) (Note 1)	94,554	21,232	5,508	121,296	(541)	(50,256)	70,498
					Other operating income (expense)		856
					Profit from operating activities		71,355
					Finance income (costs)		585
					Share of profit of investments accounted for using the equity method		99
					Profit before tax		72,040
Other items							
	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation	(30,653)	(9,871)	(9,198)	(49,724)	(18)	(5,897)	(55,639)
Impairment losses of assets other than financial assets	(85)	(347)	(106)	(539)	-	(204)	(743)
Segment assets	463,833	129,254	151,921	745,010	284	293,094	1,038,389
Capital expenditures	46,813	11,408	13,980	72,202	10	9,862	82,075

(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 (¥50,256) million comprised "Eliminations" of ¥431 million and "Corporate expenses" of (¥50,687) million. "Corporate expenses" included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 4) "Adjustments" to Segment assets of ¥293,094 million comprised "Eliminations" of (¥5,893) million and "Corporate assets" of ¥298,988 million.

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FY2018: Year ended March 31, 2019

Thousands of U.S. dollars

	Reportable segments				Other (Note 2)	Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Revenue							
External revenues	6,520,772	1,833,724	1,389,681	9,744,177	1,686	82,538	9,828,411
Intersegment revenues	6,503	27	84,206	90,745	6,872	(97,627)	-
Total revenue	6,527,275	1,833,760	1,473,888	9,834,932	8,568	(15,080)	9,828,411
Segment profit (loss)							
(Business profit) (Note 1)	852,836	191,503	49,679	1,094,038	(4,879)	(453,287)	635,861
					Other operating income (expense)		7,720
					Profit from operating activities		643,591
					Finance income (costs)		5,276
					Share of profit of investments accounted for using the equity method		892
					Profit before tax		649,770
Other items							
	Reportable segments				Other (Note 2)	Adjustments (Note 4)	Consolidated
	Printing Solutions	Visual Communi- cations	Wearable & Industrial Products	Subtotal			
Depreciation and amortisation	(276,476)	(89,032)	(82,962)	(448,489)	(162)	(53,188)	(501,839)
Impairment losses of assets other than financial assets	(766)	(3,129)	(956)	(4,861)	-	(1,839)	(6,701)
Segment assets	4,183,575	1,165,815	1,370,262	6,719,671	2,561	2,643,582	9,365,824
Capital expenditures	422,233	102,895	126,093	651,231	90	88,951	740,281

(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 (\$453,287) thousand comprised "Eliminations" of \$3,887 thousand and "Corporate expenses" of (\$457,175) thousand. "Corporate expenses" included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 4) "Adjustments" to Segment assets of \$2,643,582 thousand comprised "Eliminations" of (\$53,152) thousand and "Corporate assets" of \$2,696,743 thousand.

(3) Geographic Information

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

Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2018	2019	2019
Japan	199,251	217,072	1,957,896
The Philippines	41,197	48,803	440,182
Indonesia	30,238	29,082	262,307
China	23,377	23,885	215,432
Other	33,964	37,365	337,016
Total	328,030	356,209	3,212,852

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

External Revenue

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2018	2019	2019
Japan	250,119	251,454	2,268,007
The United States	216,116	212,720	1,918,643
China	144,014	146,957	1,325,489
Other	491,866	478,544	4,316,262
Total	1,102,116	1,089,676	9,828,411

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

(4) Information about Major Customers

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

5. Earnings per Share

(1) Basis of calculating basic earnings per share

	Millions of yen		Thousands of U.S. dollars	
	Year ended March 31,		Year ended March 31,	
	2018	2019	2019	
Profit for the period attributable to owners of the parent company	41,836	53,710	484,441	
Profit for the period not attributable to owners of the parent company	-	-	-	
Profit used for calculation of basic earnings per share	41,836	53,710	484,441	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	352,228	352,232	352,232	
Basic earnings per share	(Yen) 118.78	(Yen) 152.49	(\$)	1.38

(2) Basis of calculating diluted earnings per share

	Millions of yen		Thousands of U.S. dollars	
	Year ended March 31,		Year ended March 31,	
	2018	2019	2019	
Profit used for calculation of basic earnings per share	41,836	53,710	484,441	
Adjustments	-	-	-	
Profit used for calculation of diluted earnings per share	41,836	53,710	484,441	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	352,228	352,232	352,232	
Effect of dilutive potential ordinary shares				
BIP trust for eligible officers (Thousands of Shares)	69	108	108	
Weighted-average number of ordinary shares diluted (Thousands of Shares)	352,297	352,340	352,340	
Diluted earnings per share	(Yen) 118.75	(Yen) 152.44	(\$)	1.37

(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.

6. 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 investigation of the Company by a certain anti-monopoly-related authority regarding allegations of involvement in a liquid crystal display price-fixing cartel has been completed.

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

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

7. Subsequent Events

Share repurchase

The Company resolved at the meeting of its Board of Directors held on April 26, 2019 to repurchase its own shares pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase

To optimize capital efficiency and to further enhance shareholder returns

(2) Class of shares to be repurchased

Ordinary shares

(3) Total number of repurchasable shares

7.5 million (maximum) (2.12% of the total number of issued shares (excluding treasury shares))

(4) Total repurchase cost

10 billion yen (maximum)

(5) Repurchase period

May 7, 2019 – September 20, 2019

(6) Repurchase method

Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)