Financial Results for the First Quarter ended June 30, 2019
[IFRS](Consolidated)

July 30, 2019

Name of the listed company: SEIKO EPSON CORPORATION   Stock Listing: TOKYO

Code: 6724   URL: global.epson.com

Representative: Minoru Usui, President

Inquiries: Tatsuaki Seki, Director, General Administrative Manager of the Management Control   Tel: +81-266-52-3131

Scheduled date to file Quarterly Securities Report: August 1, 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 Three months ended June 30, 2019（From April 1, 2019 to June 30, 2019）

(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	%
Three months ended June 30, 2019	249,627	Δ4.2	4,511	Δ69.2	3,429	Δ74.6	2,865	Δ80.0	248	Δ97.8	249	Δ97.8
Three months ended June 30, 2018	260,460	2.2	14,624	Δ12.7	13,491	Δ8.2	14,334	Δ0.8	11,226	8.9	11,166	9.4

Note: Total comprehensive income for the period: Three months ended June 30, 2019 (¥6,950) million (－%)

Three months ended June 30, 2018 ¥17,989 million (24.3%)

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
Three months ended June 30, 2019	0.71	0.71
Three months ended June 30, 2018	31.70	31.70

(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 June 30, 2019	1,045,648	517,969	515,696	49.3
As of March 31, 2019	1,038,389	542,747	540,181	52.0

2. Cash Dividends

	Cash dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year End	Year Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2019	－	31.00	－	31.00	62.00
Year ending March 31, 2020	－				
Year ending March 31, 2020 (Forecast)		31.00	－	31.00	62.00

Note: Changes from the latest announced forecasts: None

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

(%: 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	%	Yen
For the year ending March 31, 2020	1,130,000	3.7	65,000	Δ7.8	60,000	Δ15.9	59,000	Δ18.1	45,000	Δ16.7	45,000	Δ16.2	129.07

Note: Changes from the latest announced forecasts: None

※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 12 “Notes to Consolidated Financial Statements 2. Changes in Accounting Policies”.

(3) Number of shares outstanding (share)

1. Issued shares (including treasury shares):	As of June 30, 2019	399,634,778	As of March 31, 2019	399,634,778
2. Treasury shares:	As of June 30, 2019	50,988,675	As of March 31, 2019	47,397,639
3. Average number of shares:	Three months ended June 30, 2019	350,871,422	Three months ended June 30, 2018	352,228,629

※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 Tuesday, July 30, 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 ¥107.685 = U.S.$1 at the end of the reporting period has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Overview of the Fiscal 2019 First Quarter (April 1 to June 30, 2019)

The global economy generally continued to gradually recover during the first quarter of the year under review, but there were signs in certain regions of economic deceleration and mounting uncertainty due to the effects of U.S.-China trade friction and other factors. 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 and concern of further economic deceleration. Regionally, the U.S. economy continued to steadily recover, fueled by an increase in consumer spending and improvement in the employment situation. Europe gradually recovered. On the other hand, ongoing deceleration was seen in some regions in Latin America. The Chinese economy gradually slowed due to trade friction with the U.S. as well as other factors. The Japanese economy continued to register signs of a gradual economic recovery, as consumer spending picked up in response to a stable employment picture 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 quarter of the fiscal year were ¥109.93 and ¥123.54, respectively. This represents a 1% depreciation in the value of the yen against the dollar and a 5% appreciation in the value of the yen against the euro, year on year.

Against this backdrop, Epson recorded ¥249.6 billion in revenue for the period, a decline of 4.2% compared to the same period last year. In addition to the effects of yen appreciation against the euro and emerging market currencies, revenue was hurt chiefly by lower revenue in SOHO/ Home ink cartridge printers and serial impact dot matrix printers in the printing solutions segment and lower revenue in robotics solutions in the wearable & industrial products segment. Business profit was ¥4.5 billion, a 69.2% decrease from the same period last year. This decrease is attributed mainly to a deteriorating external environment that hurt revenue, strategic investment in future growth, and negative foreign exchange effects. Profit from operating activities was ¥3.4 billion, down 74.6% year on year. Profit before tax was ¥2.8 billion, down 80.0% year on year. And profit for the period attributable to owners of the parent company was ¥0.2 billion, down 97.8% year on year.

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

Printing Solutions Segment

Printer business revenue decreased. Office/ Home inkjet printer revenue as a whole decreased. Although high-capacity ink tank printer revenue increased in developed markets, it was flat year on year in some parts of Asia due to sluggish markets. Meanwhile, SOHO/ Home ink cartridge printer revenue decreased due to a combination of negative foreign exchange effects and shrinking sales, 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 printers grew, ink cartridge sales slipped along with the SOHO/ Home ink cartridge printer install base. Foreign exchange effects also negatively impacted consumables revenue. Serial impact dot matrix printer revenue

decreased due to a decline in sales associated with market contraction and negative foreign exchange effects.
Revenue in the professional printing business increased. Commercial and industrial inkjet printer revenue increased on the whole owing to solid demand in the growing signage and textile printer markets. POS system product revenue grew on increased demand associated with tax reforms in Italy.

Segment profit in the printing solutions business decreased due to a combination of a year-on-year decline in sales, strategic investment in future growth, and negative foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥163.2 billion, down 2.1% year on year. Segment profit was ¥13.6 billion, down 23.5% year on year.

Visual Communications Segment

Visual communications revenue decreased despite firm demand for high added value laser projectors. This lower revenue was due to a contraction in shipments of other 3LCD projectors compared to the same period last year, when demand spiked ahead of the FIFA World Cup, as well as to negative foreign exchange effects.

Segment profit in the visual communications segment declined due to a combination of strategic investment in future growth and negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥49.2 billion, down 4.2% year on year. Segment profit was ¥4.3 billion, down 38.8% year on year.

Wearable & Industrial Products Segment

Revenue in the wearable products business decreased due to a decline in watch volume and a subdued watch movements market.
Revenue in the robotics solutions business fell sharply compared to the same period last year mainly due to ongoing 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 because semiconductor revenue decreased on lower foundry demand, while quartz crystal devices business revenue dropped on lower demand from consumer electronics manufacturers in China and elsewhere.

Segment profit in the wearable & industrial products segment declined mainly in response to a drop in robotics solutions revenue and foreign exchange effects.

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥38.1 billion, down 11.7% year on year. Segment loss was ¥1.0 billion compared to a ¥1.7 billion segment profit in the same period last year.

Other

Other revenue amounted to ¥0.2 billion, up 7.1% year on year. Segment loss was ¥0.2 billion, compared to a segment loss of ¥0.1 billion in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥12.3 billion. (Adjustments in the same period last year were negative ¥12.0 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 first quarter were ¥1,045.6 billion, an increase of ¥7.2 billion from the previous fiscal year end. There was a ¥16.3 billion decrease in cash and cash equivalents caused largely by the acquisition of property, plant, equipment, and intangible assets and by the payment of dividends. There was also a ¥15.4 billion decrease in trade and other receivables. However, these were more than offset by a ¥31.2 billion increase in property, plant and equipment resulting primarily from an accounting policy change (the application of a new lease accounting standard) and a ¥5.1 billion increase in inventories.

Total liabilities were ¥527.6 billion, up ¥32.0 billion compared to the end of the last fiscal year. Although there was a ¥6.9 billion decrease in other current liabilities, total liabilities increased mainly because of a ¥42.9 billion increase in bonds issued, borrowings and lease liabilities resulting mainly from an accounting policy change (the application of a new lease accounting standard).

The equity attributable to owners of the parent company totaled ¥515.6 billion, a ¥24.4 billion decrease compared to the previous fiscal year end. This decrease was primarily due to ¥10.9 billion in dividend payments, an ¥8.6 billion decrease in other components of equity, including a decrease in the exchange differences on translation of foreign operations associated with the appreciation of the yen, and a ¥5.8 billion acquisition of Seiko Epson shares.

Cash Flows

Net cash from operating activities during the quarter totaled ¥13.9 billion. The total for the year-ago period was ¥10.4 billion. Whereas Epson recorded ¥0.2 billion in profit for the period, there was an ¥11.2 billion increase in inventories and ¥3.7 billion in income taxes paid. However, net cash increased primarily owing to the recording of ¥16.4 billion in depreciation and amortization and a ¥12.0 billion decrease in trade receivables.

Net cash used in investing activities totaled ¥17.6 billion (compared to ¥25.8 billion in the same period last year), mainly because the Company used ¥17.8 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities decreased from ¥10.2 billion in the same period last year to ¥9.3 billion in this quarter because a ¥29.9 billion increase in non-current borrowings was more than offset by

items such as the ¥10.9 billion in dividends paid, a ¥10.0 billion purchase of treasury shares and deposits, a ¥10.0 billion redemption of bonds payable, and a net decrease of ¥6.3 billion in current borrowings.
As a result of the foregoing, the balance of cash and cash equivalents at the end of the first quarter totaled ¥158.9 billion compared to ¥204.6 billion in the same period last year.

Qualitative Information Regarding the Consolidated Financial Outlook

The consolidated financial outlook for the full year has not changed since it was announced on April 26, 2019. The figures in the outlook are based on assumed exchange rates from the second quarter of 110.00 yen to the U.S. dollar and 125.00 yen to the euro.

Consolidated Full-Year Financial Outlook

	FY2018	Previous Outlook (A)	Current Outlook (B)	Change (B - A)
Revenue	¥1,089.6 billion	¥1,130.0 billion	¥1,130.0 billion	-
Business profit	¥70.4 billion	¥65.0 billion	¥65.0 billion	-
Profit from operating activities	¥71.3 billion	¥60.0 billion	¥60.0 billion	-
Profit before tax	¥72.0 billion	¥59.0 billion	¥59.0 billion	-
Profit for the period	¥54.0 billion	¥45.0 billion	¥45.0 billion	-
Profit for the year attributable to owners of the parent company	¥53.7 billion	¥45.0 billion	¥45.0 billion	-
Foreign exchange rates	1 USD = ¥110.86	1 USD = ¥110.00	1 USD = ¥110.00	
	1 EUR = ¥128.40	1 EUR = ¥125.00	1 EUR = ¥125.00	

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	June 30, 2019	June 30, 2019
Assets			
Current assets			
Cash and cash equivalents	175,238	158,915	1,475,739
Trade and other receivables	173,173	157,697	1,464,428
Inventories	250,763	255,872	2,376,115
Income tax receivables	3,994	4,005	37,191
Other financial assets	1,466	2,159	20,049
Other current assets	17,938	23,595	219,111
Total current assets	622,575	602,244	5,592,645
Non-current assets			
Property, plant and equipment	321,956	353,188	3,279,825
Intangible assets	25,191	24,566	228,128
Investment property	1,461	1,202	11,162
Investments accounted for using the equity method	1,571	1,472	13,669
Other financial assets	17,907	17,638	163,792
Other non-current assets	6,028	1,987	18,451
Deferred tax assets	41,696	43,347	402,535
Total non-current assets	415,814	443,403	4,117,592
Total assets	1,038,389	1,045,648	9,710,247

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	June 30, 2019	June 30, 2019
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	144,399	143,578	1,333,314
Income tax payables	3,814	3,570	33,152
Bonds issued, borrowings and lease liabilities	21,363	12,045	111,854
Other financial liabilities	331	361	3,352
Provisions	12,677	11,266	104,619
Other current liabilities	114,887	107,914	1,002,126
Total current liabilities	297,473	278,736	2,588,438
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	120,987	173,281	1,609,147
Other financial liabilities	1,955	2,006	18,628
Net defined benefit liabilities	53,498	52,459	487,152
Provisions	9,134	9,182	85,267
Other non-current liabilities	11,697	11,122	103,282
Deferred tax liabilities	894	891	8,274
Total non-current liabilities	198,169	248,943	2,311,770
Total liabilities	495,642	527,679	4,900,208
Equity			
Share capital	53,204	53,204	494,070
Capital surplus	84,427	84,430	784,046
Treasury shares	(30,788)	(36,663)	(340,465)
Other components of equity	50,440	41,742	387,630
Retained earnings	382,897	372,983	3,463,648
Equity attributable to owners of the parent company	540,181	515,696	4,788,930
Non-controlling interests	2,565	2,272	21,098
Total equity	542,747	517,969	4,810,038
Total liabilities and equity	1,038,389	1,045,648	9,710,247

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2018 and 2019:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2018	2019	2019
Revenue	260,460	249,627	2,318,122
Cost of sales	(166,438)	(164,894)	(1,531,262)
Gross profit	94,022	84,733	786,859
Selling, general and administrative expenses	(79,397)	(80,221)	(744,959)
Other operating income	565	728	6,760
Other operating expense	(1,698)	(1,811)	(16,817)
Profit from operating activities	13,491	3,429	31,842
Finance income	1,324	714	6,630
Finance costs	(504)	(1,284)	(11,923)
Share of profit of investments accounted for using the equity method	22	5	46
Profit before tax	14,334	2,865	26,605
Income taxes	(3,108)	(2,616)	(24,293)
Profit for the period	11,226	248	2,303
Profit for the period attributable to:			
Owners of the parent company	11,166	249	2,312
Non-controlling interests	59	(0)	(0)
Profit for the period	11,226	248	2,303

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2018	2019	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)	1,169	1,603	14,886
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(157)	(285)	(2,646)
Subtotal	1,011	1,317	12,230
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	4,930	(8,810)	(81,812)
Net changes in fair value of cash flow hedges	827	316	2,934
Share of other comprehensive income of investments accounted for using the equity method	(6)	(22)	(204)
Subtotal	5,751	(8,517)	(79,091)
Total other comprehensive income, net of tax	6,763	(7,199)	(66,852)
Total comprehensive income for the period	17,989	(6,950)	(64,540)
Total comprehensive income for the period attributable to:			
Owners of the parent company	17,938	(6,846)	(63,574)
Non-controlling interests	51	(104)	(965)
Total comprehensive income for the period	17,989	(6,950)	(64,540)

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2018	2019	2019
Earnings per share for the period:			
Basic earnings per share for the period	31.70	0.71	0.01
Diluted earnings per share for the period	31.70	0.71	0.01

Quarterly Condensed Consolidated Statement of Changes in Equity

Three months ended June 30, 2018 and 2019:

Millions of yen

	Equity attributable to owners of the parent company										Non-controlling interests	Total equity
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company		
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	–	–	–	–	–	–	–	–	11,166	11,166	59	11,226
Other comprehensive income	–	–	–	1,169	(157)	4,931	827	6,771	–	6,771	(7)	6,763
Total comprehensive income for the period	–	–	–	1,169	(157)	4,931	827	6,771	11,166	17,938	51	17,989
Acquisition of treasury shares	–	–	(0)	–	–	–	–	–	–	(0)	–	(0)
Dividends	–	–	–	–	–	–	–	–	(11,271)	(11,271)	(120)	(11,391)
Share-based payment transactions	–	13	–	–	–	–	–	–	–	13	–	13
Transfer from other components of equity to retained earnings	–	–	–	(1,169)	–	–	–	(1,169)	1,169	–	–	–
Total transactions with the owners	–	13	(0)	(1,169)	–	–	–	(1,169)	(10,101)	(11,258)	(120)	(11,378)
As of June 30, 2018	53,204	84,378	(30,803)	–	4,501	47,902	1,158	53,562	359,397	519,738	2,310	522,048

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Millions of yen											
	Equity attributable to owners of the parent company											
				Other components of equity								
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2019	53,204	84,427	(30,788)	-	2,234	48,069	136	50,440	382,897	540,181	2,565	542,747
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	(847)	(847)	-	(847)
As of April 1, 2019 (restated)	53,204	84,427	(30,788)	-	2,234	48,069	136	50,440	382,049	539,333	2,565	541,899
Profit for the period	-	-	-	-	-	-	-	-	249	249	(0)	248
Other comprehensive income	-	-	-	1,603	(285)	(8,729)	316	(7,095)	-	(7,095)	(104)	(7,199)
Total comprehensive income for the period	-	-	-	1,603	(285)	(8,729)	316	(7,095)	249	(6,846)	(104)	(6,950)
Acquisition of treasury shares	-	-	(5,879)	-	-	-	-	-	-	(5,879)	-	(5,879)
Dividends	-	-	-	-	-	-	-	-	(10,919)	(10,919)	(188)	(11,108)
Share-based payment transactions	-	2	4	-	-	-	-	-	-	7	-	7
Transfer from other components of equity to retained earnings	-	-	-	(1,603)	-	-	-	(1,603)	1,603	-	-	-
Total transactions with the owners	-	2	(5,874)	(1,603)	-	-	-	(1,603)	(9,315)	(16,791)	(188)	(16,980)
As of June 30, 2019	53,204	84,430	(36,663)	-	1,949	39,340	452	41,742	372,983	515,696	2,272	517,969

(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								
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
As of April 1, 2019	494,070	784,018	(285,907)	-	20,745	446,385	1,262	468,403	3,555,713	5,016,306	23,819	5,040,135
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	(7,865)	(7,865)	-	(7,865)
As of April 1, 2019 (restated)	494,070	784,018	(285,907)	-	20,745	446,385	1,262	468,403	3,547,838	5,008,432	23,819	5,032,260
Profit for the period	-	-	-	-	-	-	-	-	2,312	2,312	(0)	2,303
Other comprehensive income	-	-	-	14,886	(2,646)	(81,060)	2,934	(65,886)	-	(65,886)	(965)	(66,852)
Total comprehensive income for the period	-	-	-	14,886	(2,646)	(81,060)	2,934	(65,886)	2,312	(63,574)	(965)	(64,540)
Acquisition of treasury shares	-	-	(54,594)	-	-	-	-	-	-	(54,594)	-	(54,594)
Dividends	-	-	-	-	-	-	-	-	(101,397)	(101,397)	(1,745)	(103,152)
Share-based payment transactions	-	18	37	-	-	-	-	-	-	65	-	65
Transfer from other components of equity to retained earnings	-	-	-	(14,886)	-	-	-	(14,886)	14,886	-	-	-
Total transactions with the owners	-	18	(54,547)	(14,886)	-	-	-	(14,886)	(86,502)	(155,927)	(1,745)	(157,682)
As of June 30, 2019	494,070	784,046	(340,465)	-	18,099	365,324	4,197	387,630	3,463,648	4,788,930	21,098	4,810,038

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Quarterly Condensed Consolidated Statement of Cash Flows

Three months ended June 30, 2018 and 2019:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2018	2019	2019
Cash flows from operating activities			
Profit for the period	11,226	248	2,303
Depreciation and amortisation	13,308	16,410	152,388
Impairment loss (reversal of impairment loss)	58	198	1,838
Finance (income) costs	(820)	569	5,283
Share of (profit) loss of investments accounted for using the equity method	(22)	(5)	(46)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	136	226	2,098
Income taxes	3,108	2,616	24,293
Decrease (increase) in trade receivables	9,143	12,072	112,104
Decrease (increase) in inventories	(12,530)	(11,295)	(104,889)
Increase (decrease) in trade payables	5,041	7,983	74,132
Increase (decrease) in net defined benefit liabilities	257	874	8,116
Other	(12,046)	(12,715)	(118,075)
Subtotal	16,862	17,185	159,585
Interest and dividends income received	509	757	7,029
Interest expenses paid	(286)	(292)	(2,711)
Income taxes paid	(6,634)	(3,709)	(34,443)
Net cash from (used in) operating activities	10,451	13,940	129,451
Cash flows from investing activities			
Purchase of property, plant and equipment	(22,220)	(16,589)	(154,051)
Proceeds from sale of property, plant and equipment	156	410	3,807
Purchase of intangible assets	(1,069)	(1,246)	(11,570)
Proceeds from sale of intangible assets	0	0	0
Proceeds from sale of investment property	22	-	-
Purchase of investments in subsidiaries	(887)	-	-
Other	(1,855)	(207)	(1,922)
Net cash from (used in) investing activities	(25,853)	(17,633)	(163,746)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	1,188	(6,380)	(59,246)
Proceeds from non-current borrowings	-	29,948	278,107
Redemption of bonds issued	-	(10,000)	(92,863)
Payment of lease liabilities	(38)	(1,829)	(16,984)
Dividends paid	(11,271)	(10,919)	(101,397)
Dividends paid to non-controlling interests	(120)	(188)	(1,745)
Purchase of treasury shares	(0)	(5,879)	(54,594)
Decrease (increase) in deposits for purchase of treasury shares	-	(4,141)	(38,454)
Net cash from (used in) financing activities	(10,241)	(9,389)	(87,189)
Effect of exchange rate changes on cash and cash equivalents	589	(3,246)	(30,143)
Net increase (decrease) in cash and cash equivalents	(25,054)	(16,329)	(151,636)
Cash and cash equivalents at beginning of period	229,678	175,238	1,627,320
Cash and cash equivalents at end of period	204,623	158,909	1,475,683

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, 2019.

IFRS		Description of new and revised standards
IFRS 16	Leases	Amendments to the principles for the recognition, measurement, presentation and disclosure of leases Recognition of assets and liabilities for most leases by lessees Substantially unchanged in lessor accounting

Adoption of IFRS16 Leases

Epson adopted IFRS16 Leases (issued January 2016) ("IFRS16") from the quarter ended June 30, 2019.
At inception of a contract, Epson assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and recognises lease liabilities and right-of-use assets at the commencement date.
Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Right-of-use assets are measured at the amount of the initial measurement of lease liabilities adjusted for any initial direct costs, the prepaid lease payments, restoration costs and other costs. Right-of-use assets are usually depreciated using the straight-line method over the lease term. Interest expenses on lease liabilities are presented on the consolidated statement of comprehensive income separately from the depreciation expenses for right-of-use assets.
Epson does not recognise lease liabilities and right-of-use assets to either short-term leases that have a lease term of 12 months or less, or low-value leases. Epson recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Epson applied IFRS16 retrospectively to recognise the cumulative effect of initially applying IFRS16 as an adjustment to the opening balance of retained earnings of this annual reporting period.
For leases previously classified as operating leases applying IAS17 Leases ("IAS17"), lease liabilities and right-of-use assets were recognised at the date of initial application. Lease liabilities were measured at the present value of the lease payments that are not paid at the date of initial application, discounted using the lessee's incremental borrowing rate at that date. The weighted average of the lessee's incremental borrowing rate applied to lease liabilities at the date of initial application was 1.4%. Right-of-use assets were mainly measured at the amount of lease liabilities adjusted for the prepaid lease payments and other costs. Epson used the following practical expedients when initially applying IFRS16.
・Epson accounted for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.
・Epson used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.
For leases previously classified as finance leases applying IAS17, the carrying amounts of lease obligations and leased assets for the years ended March 31, 2019 were the carrying amounts of lease liabilities and right-of-use assets at the date of initial application.
As a result of these, Epson recognised right-of-use assets of ¥31,455 million ($292,101 thousand), lease liabilities of ¥28,701 million ($266,527 thousand) and retained earnings of (¥847 million) (($7,865 thousand)) at the date of initial application. The difference between the lease liabilities at the date of initial application and the total of future minimum lease payments under non-cancellable operating leases disclosed applying IAS17 at the end of the reporting period immediately preceding the date of initial application (¥29,033 million ($269,610 thousand)) was mainly due to the discount calculation by the lessee's incremental borrowing rate and lease

obligations measured under IAS17.

Epson presents right-of-use assets as “Property, plant and equipment” on the quarterly condensed consolidated statement of financial position from the quarter ended June 30, 2019.

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 either an outflow of resources embodying economic benefits is not probable or an estimate of financial effect is not practicable.
Epson had the following material action.

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.

4. Subsequent Events

Issuance of straight bonds by the Company

In accordance with a comprehensive resolution on the issue of unsecured straight bonds at the board of directors meeting held on June 4, 2019, the Company issued the bonds on July 19, 2019 as follows.

Name of bonds issued	The 18th Series unsecured straight bonds issued (with interbond pari passu clause)	The 19th Series unsecured straight bonds issued (with interbond pari passu clause)
Amount of bonds issued	¥10 billion（$92,863 thousand）	¥20 billion（$185,726 thousand）
Issue price	¥100 per value of ¥100	
Interest rate	0.20%	0.30%
Collateral	Non	Non
Maturity date	July 17, 2026	July 19, 2029
Purpose of funding	Redemption of bonds, capital expenditures and operating capital	