

## Financial Results for the Third Quarter ended December 31, 2019 [IFRS](Consolidated)

January 31, 2020

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: global.epson.com

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Scheduled date to file Quarterly Securities Report: February 4, 2020 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, 2019 (From April 1, 2019 to December 31, 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	%
Nine months ended December 31, 2019	795,956	△4.0	36,846	△36.9	37,003	△36.4	36,459	△38.1	24,589	△46.8	24,528	△46.6
Nine months ended December 31, 2018	829,035	△0.5	58,383	△0.1	58,171	11.4	58,876	15.4	46,230	33.1	45,915	32.8

Note: Total comprehensive income for the period: Nine months ended December 31, 2019 ¥24,248 million (△42.6%)

Nine months ended December 31, 2018 ¥42,253 million (△22.5%)

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, 2019	70.51		70.48	
Nine months ended December 31, 2018	130.36		130.32	

#### (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, 2019	1,086,332	534,136	531,802	49.0
As of March 31, 2019	1,038,389	542,747	540,181	52.0

### 2. Cash Dividends

	Cash dividends per share				
	1 <sup>st</sup> Quarter	2 <sup>nd</sup> Quarter	3 <sup>rd</sup> Quarter	Year End	Year Total
	Yen				
Year ended March 31, 2019	—	31.00	—	31.00	62.00
Year ending March 31, 2020	—	31.00	—		
Year ending March 31, 2020 (Forecast)				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	1,060,000	△2.7	42,000	△40.4	37,000	△48.1	36,000	△50.0	27,000	△50.0	27,000	△49.7	78.05

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 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, 2019	399,634,778	As of March 31, 2019	399,634,778
As of December 31, 2019	53,705,408	As of March 31, 2019	47,397,639
Nine months ended December 31, 2019	347,874,030	Nine months ended December 31, 2018	352,230,213

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 Friday, January 31, 2020 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 ¥108.805 = 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 2019 First Three Quarters (April 1 to December 31, 2019) Overview

The global economy, on the whole, continued to gradually head toward recovery for the first three quarters of the year under review. On the other hand, although it was announced that the U.S. and China have reached an agreement on phase one of a trade deal, there is a prevailing sense of economic uncertainty and economic deceleration. A number of factors are seen fueling further uncertainty and concerns of continued economic deceleration, including the trade situation between the U.S. and China, which bears monitoring, and rising geopolitical tensions, such as those between the U.S. and Iran. Regionally, the U.S., European, and Japanese economies continue to recover on the whole, but the Chinese economy is gradually slowing due in large part to ongoing trade friction with the U.S. Meanwhile, in India, some parts of Latin America, and other emerging nations, the slowing trend continued.

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 ¥108.65 and ¥121.08, respectively. This represents a 2% appreciation in the value of the yen against the dollar and a 7% appreciation in the value of the yen against the euro, year on year. The yen also rose against the currencies of some emerging countries, in places such as China and Latin America.

Against this backdrop, Epson recorded ¥795.9 billion in revenue for the period, a 4.0% decrease compared to the same period last year. Although certain market factors led to extra demand for, and revenue growth in, POS system products in the printing solutions segment and PCs, total revenue decreased because, in addition to negative foreign exchange effects associated with the rise of the yen, revenue declined in the visual communications segment in response to a shrinking market and in the wearable and industrial products segment. Business profit was ¥36.8 billion, a 36.9% decrease from the same period last year. Epson is investing more efficiently in future growth by tightening the focus on core competencies, but business profit was heavily impacted by a fall in revenue associated with the deteriorating external environment and by negative foreign exchange effects. Profit from operating activities was ¥37.0 billion, down 36.4% year on year. Profit before tax was ¥36.4 billion, down 38.1% year on year. And profit for the period attributable to owners of the parent company was ¥24.5 billion, down 46.6% 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 increased. Although sales of high-capacity ink tank printers declined in India and some other regions where markets were sluggish, sales increased in North America, Western Europe, Japan, and other advanced economies owing to stepped up sales promotions and product-awareness building campaigns aimed at end-users. Meanwhile, total SOHO/ Home ink cartridge printer revenue decreased chiefly due to a combination of negative foreign exchange effects and lower unit shipments, 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 slightly. Commercial and industrial inkjet printer revenue moved sideways due to negative foreign exchange effects, which offset ongoing solid demand in the growing signage and textile printer markets. POS system product revenue grew on increased demand associated with tax reforms in Italy.

Other revenue increased due to a rise in PC demand as users upgrade their operating systems.

Segment profit in the printing solutions business decreased despite the effects of revenue growth in areas such as POS system products and PCs. The decrease was a result of strategic investment in future growth as well as negative foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥534.1 billion, down 2.3% year on year. Segment profit was ¥59.4 billion, down 16.0% year on year.

## Visual Communications Segment

Visual communications revenue decreased despite firm demand for high added value laser projectors. In addition to negative foreign exchange effects, revenue was hurt by a decline in sales of projectors in the volume zone in response to a contraction of the projector markets of Europe, America, China, India, and some other regions.

Although Epson is streamlining its investments in future growth, segment profit in the visual communications segment declined on lower revenue as well as negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥145.7 billion, down 6.8% year on year. Segment profit was ¥13.4 billion, down 26.2% year on year.

## Wearable & Industrial Products Segment

Revenue in the wearable products business decreased. Despite sustained firm demand for products in the high-price zone, demand for products in the low- and mid-price zones decreased, resulting in a decline in watch unit shipments. A watch movements market was also subdued.

Revenue in the robotics solutions business continues to be adversely impacted by U.S.-China trade friction. Although there are recent signs that sales in China are recovering and will exceed the previous period, revenue fell as investment demand decelerated particularly in the European automotive industry.

Revenue in the microdevices business decreased, as quartz crystal devices business revenue moved sideways while semiconductor revenue fell on lower foundry demand. Foreign exchange also negatively affected revenue.

Segment profit in the wearable & industrial products segment declined chiefly in response to a sharp drop in wearable products business and robotics solutions business revenue, as well as because of foreign exchange effects.

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥116.9 billion, down 7.2% year on year. Segment profit was ¥0.7 billion, down 88.5% year on year.

## Other

Other revenue amounted to ¥0.6 billion, down 1.0% year on year. Segment loss was ¥0.4 billion. Segment loss was ¥0.4 billion in the same period last year.

## Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥36.3 billion. (Adjustments in the same period last year were also negative ¥36.3 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 ¥1,086.3 billion, an increase of ¥47.9 billion from the previous fiscal year end. This increase was mainly due to a ¥32.4 billion increase in property, plant and equipment resulting primarily from an accounting policy change (the application of a new lease accounting standard) and a ¥12.2 billion increase in cash and cash equivalents

Total liabilities were ¥552.1 billion, up ¥56.5 billion compared to the end of the last fiscal year. Although there was a ¥9.4 billion decrease in trade and other payables and a ¥4.8 billion decrease in other current liabilities, total liabilities increased mainly because of a ¥73.7 billion increase in bonds issued and in borrowings and lease liabilities resulting mainly from an accounting policy change (the application of a new lease accounting standard) and an issue of corporate bonds.

The equity attributable to owners of the parent company totaled ¥531.8 billion, a ¥8.3 billion decrease compared to the previous fiscal year end. Although retained earnings increased owing to the recording of ¥24.5 billion in profit for the period attributable to owners of the parent company, this decrease was largely the result of ¥21.6 billion in dividend payments and a ¥10.2 billion purchase of treasury shares.

### Cash Flows

Net cash from operating activities for the first three quarters of the fiscal year totaled ¥66.4 billion (compared to ¥47.7 billion in the same period last year). Whereas Epson recorded ¥24.5 billion in profit for the period and ¥10.3 billion in income taxes paid, net cash was positively affected by the recording of ¥50.6 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥57.9 billion (compared to ¥62.1 billion in the same period last year), mainly because Epson used ¥57.0 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash from financing activities totaled ¥6.0 billion, whereas ¥46.9 billion was used in the same period last year. While non-current borrowings increased by ¥29.9 billion and there was a ¥29.8 billion bond issue, items such as the ¥21.6 billion in dividends paid, a ¥10.2 billion purchase of treasury shares, a ¥10.0 billion redemption of bonds payable, a ¥5.8 billion payment of lease liabilities, and a ¥5.8 billion net decrease in current borrowings added to net cash from financing activities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the third quarter totaled ¥187.5 billion compared to ¥168.4 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 October 30, 2019. The figures in the outlook are based on assumed exchange rates of 105.00 yen to the U.S. dollar and 115.00 yen to the euro in the fourth quarter.

### **Consolidated Full-Year Financial Outlook**

	FY2018	Previous Outlook (A)	Current Outlook (B)	Change (B - A)
Revenue	¥1,089.6 billion	¥1,060.0 billion	¥1,060.0 billion	-
Business profit	¥70.4 billion	¥42.0 billion	¥42.0 billion	-
Profit from operating activities	¥71.3 billion	¥37.0 billion	¥37.0 billion	-
Profit before tax	¥72.0 billion	¥36.0 billion	¥36.0 billion	-
Profit for the period	¥54.0 billion	¥27.0 billion	¥27.0 billion	-
Profit for the year attributable to owners of the parent company	¥53.7 billion	¥27.0 billion	¥27.0 billion	-
Exchange rates	1 USD = ¥110.86	1 USD = ¥107.00	1 USD = ¥108.00	
	1 EUR = ¥128.40	1 EUR = ¥118.00	1 EUR = ¥120.00	

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	December 31, 2019	December 31, 2019
<u>Assets</u>			
Current assets			
Cash and cash equivalents	175,238	187,533	1,723,569
Trade and other receivables	173,173	174,410	1,602,959
Inventories	250,763	254,757	2,341,408
Income tax receivables	3,994	4,092	37,608
Other financial assets	1,466	955	8,777
Other current assets	17,938	16,712	153,595
Total current assets	622,575	638,461	5,867,938
Non-current assets			
Property, plant and equipment	321,956	354,412	3,257,313
Intangible assets	25,191	27,811	255,604
Investment property	1,461	1,044	9,595
Investments accounted for using the equity method	1,571	1,517	13,942
Net defined benefit assets	-	11	101
Other financial assets	17,907	20,004	183,851
Other non-current assets	6,028	1,588	14,594
Deferred tax assets	41,696	41,479	381,223
Total non-current assets	415,814	447,871	4,116,272
Total assets	1,038,389	1,086,332	9,984,210

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	December 31, 2019	December 31, 2019
<u>Liabilities and equity</u>			
Liabilities			
Current liabilities			
Trade and other payables	144,399	134,939	1,240,191
Income tax payables	3,814	5,074	46,633
Bonds issued, borrowings and lease liabilities	21,363	26,891	247,148
Other financial liabilities	331	1,529	14,052
Provisions	12,677	11,948	109,811
Other current liabilities	114,887	109,998	1,010,964
<b>Total current liabilities</b>	<b>297,473</b>	<b>290,381</b>	<b>2,668,820</b>
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	120,987	189,164	1,738,559
Other financial liabilities	1,955	2,263	20,798
Net defined benefit liabilities	53,498	49,333	453,407
Provisions	9,134	8,108	74,518
Other non-current liabilities	11,697	11,880	109,186
Deferred tax liabilities	894	1,064	9,778
<b>Total non-current liabilities</b>	<b>198,169</b>	<b>261,815</b>	<b>2,406,277</b>
<b>Total liabilities</b>	<b>495,642</b>	<b>552,196</b>	<b>5,075,097</b>
Equity			
Share capital	53,204	53,204	488,984
Capital surplus	84,427	84,419	775,874
Treasury shares	(30,788)	(40,956)	(376,416)
Other components of equity	50,440	43,630	400,992
Retained earnings	382,897	391,505	3,598,226
<b>Equity attributable to owners of the parent company</b>	<b>540,181</b>	<b>531,802</b>	<b>4,887,661</b>
Non-controlling interests	2,565	2,334	21,451
<b>Total equity</b>	<b>542,747</b>	<b>534,136</b>	<b>4,909,112</b>
<b>Total liabilities and equity</b>	<b>1,038,389</b>	<b>1,086,332</b>	<b>9,984,210</b>



# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income Nine months ended December 31, 2018 and 2019:

	Millions of yen		Thousands of U.S. dollars
	Nine months ended December 31,		Nine months ended December 31,
	2018	2019	2019
Revenue	829,035	795,956	7,315,435
Cost of sales	(515,779)	(516,529)	(4,747,291)
Gross profit	313,256	279,426	2,568,135
Selling, general and administrative expenses	(254,873)	(242,579)	(2,229,483)
Other operating income	5,260	2,241	20,596
Other operating expense	(5,472)	(2,084)	(19,153)
Profit from operating activities	58,171	37,003	340,085
Finance income	2,043	1,696	15,587
Finance costs	(1,418)	(2,296)	(21,101)
Share of profit of investments accounted for using the equity method	81	55	505
Profit before tax	58,876	36,459	335,085
Income taxes	(12,646)	(11,869)	(109,085)
Profit for the period	46,230	24,589	225,991
Profit for the period attributable to:			
Owners of the parent company	45,915	24,528	225,430
Non-controlling interests	314	60	551
Profit for the period	46,230	24,589	225,991

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Nine months ended		U.S. dollars
	December 31,		Nine months ended
	2018	2019	December 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)	(4,455)	6,577	60,447
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(1,826)	635	5,836
Subtotal	(6,281)	7,212	66,283
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	2,470	(6,182)	(56,817)
Net changes in fair value of cash flow hedges	(142)	(1,347)	(12,379)
Share of other comprehensive income of investments accounted for using the equity method	(22)	(24)	(220)
Subtotal	2,305	(7,554)	(69,426)
Total other comprehensive income, net of tax	(3,976)	(341)	(3,134)
Total comprehensive income for the period	42,253	24,248	222,857
Total comprehensive income for the period attributable to:			
Owners of the parent company	42,017	24,291	223,252
Non-controlling interests	235	(42)	(386)
Total comprehensive income for the period	42,253	24,248	222,857

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Nine months ended		Nine months ended
	December 31,		December 31,
	2018	2019	2019
Earnings per share for the period:			
Basic earnings per share for the period	130.36	70.51	0.65
Diluted earnings per share for the period	130.32	70.48	0.65

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income Three months ended December 31, 2018 and 2019:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	December 31,		Three months ended
	2018	2019	December 31, 2019
Revenue	296,658	279,849	2,572,023
Cost of sales	(174,973)	(179,903)	(1,653,444)
Gross profit	121,684	99,946	918,579
Selling, general and administrative expenses	(90,702)	(82,248)	(755,921)
Other operating income	4,140	1,092	10,036
Other operating expense	(2,554)	(1,121)	(10,302)
Profit from operating activities	32,568	17,669	162,391
Finance income	541	563	5,174
Finance costs	(1,158)	(901)	(8,280)
Share of profit of investments accounted for using the equity method	21	20	183
Profit before tax	31,973	17,351	159,468
Income taxes	(6,108)	(5,039)	(46,312)
Profit for the period	25,864	12,311	113,147
Profit for the period attributable to:			
Owners of the parent company	25,705	12,270	112,770
Non-controlling interests	159	41	376
Profit for the period	25,864	12,311	113,147

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	December 31,		Three months ended
	2018	2019	December 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)	(7,638)	3,491	32,084
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(1,867)	592	5,440
Subtotal	(9,505)	4,084	37,535
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(8,852)	5,538	50,898
Net changes in fair value of cash flow hedges	768	(2,361)	(21,699)
Share of other comprehensive income of investments accounted for using the equity method	(11)	13	119
Subtotal	(8,096)	3,190	29,318
Total other comprehensive income, net of tax	(17,601)	7,274	66,853
Total comprehensive income for the period	8,262	19,586	180,010
Total comprehensive income for the period attributable to:			
Owners of the parent company	8,170	19,485	179,081
Non-controlling interests	92	101	928
Total comprehensive income for the period	8,262	19,586	180,010

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	December 31,		December 31,
	2018	2019	2019
Earnings per share for the period:			
Basic earnings per share for the period	72.98	35.47	0.33
Diluted earnings per share for the period	72.95	35.45	0.33

**Quarterly Condensed Consolidated Statement of Changes in Equity**  
**Nine months ended December 31, 2018 and 2019:**

	Millions of yen												
	Equity attributable to owners of the parent company											Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company			
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

# SEIKO EPSON CORPORATION

	Millions of yen											
	Equity attributable to owners of the parent company											Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	
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, 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	-	-	-	-	-	-	-	-	24,528	24,528	60	24,589
Other comprehensive income	-	-	-	6,577	635	(6,102)	(1,347)	(237)	-	(237)	(103)	(341)
Total comprehensive income for the period	-	-	-	6,577	635	(6,102)	(1,347)	(237)	24,528	24,291	(42)	24,248
Acquisition of treasury shares	-	-	(10,224)	-	-	-	-	-	-	(10,224)	-	(10,224)
Dividends	-	-	-	-	-	-	-	-	(21,646)	(21,646)	(188)	(21,835)
Share-based payment transactions	-	(8)	56	-	-	-	-	-	-	48	-	48
Transfer from other components of equity to retained earnings	-	-	-	(6,577)	4	-	-	(6,573)	6,573	-	-	-
Total transactions with the owners	-	(8)	(10,167)	(6,577)	4	-	-	(6,573)	(15,073)	(31,822)	(188)	(32,011)
As of December 31, 2019	53,204	84,419	(40,956)	-	2,874	41,966	(1,211)	43,630	391,505	531,802	2,334	534,136

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Thousands of U.S. dollars											
	Equity attributable to owners of the parent company											Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	
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, 2019	488,984	775,947	(282,964)	-	20,532	441,790	1,249	463,581	3,519,112	4,964,670	23,574	4,988,254
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	(7,784)	(7,784)	-	(7,784)
As of April 1, 2019 (restated)	488,984	775,947	(282,964)	-	20,532	441,790	1,249	463,581	3,511,318	4,956,876	23,574	4,980,460
Profit for the period	-	-	-	-	-	-	-	-	225,430	225,430	551	225,991
Other comprehensive income	-	-	-	60,447	5,836	(56,081)	(12,379)	(2,178)	-	(2,178)	(946)	(3,134)
Total comprehensive income for the period	-	-	-	60,447	5,836	(56,081)	(12,379)	(2,178)	225,430	223,252	(386)	222,857
Acquisition of treasury shares	-	-	(93,966)	-	-	-	-	-	-	(93,966)	-	(93,966)
Dividends	-	-	-	-	-	-	-	-	(198,943)	(198,943)	(1,727)	(200,680)
Share-based payment transactions	-	(73)	514	-	-	-	-	-	-	441	-	441
Transfer from other components of equity to retained earnings	-	-	-	(60,447)	36	-	-	(60,410)	60,410	-	-	-
Total transactions with the owners	-	(73)	(93,442)	(60,447)	36	-	-	(60,410)	(138,532)	(292,468)	(1,727)	(294,205)
As of December 31, 2019	488,984	775,874	(376,416)	-	26,414	385,699	(11,130)	400,992	3,598,226	4,887,661	21,451	4,909,112

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Cash Flows

**Nine months ended December 31, 2018 and 2019:**

	Millions of yen		Thousands of
			U.S. dollars
	Nine months ended December 31, 2018	2019	Nine months ended December 31, 2019
Cash flows from operating activities			
Profit for the period	46,230	24,589	225,991
Depreciation and amortisation	41,878	50,610	465,144
Impairment loss (reversal of impairment loss)	669	365	3,354
Finance (income) costs	(624)	600	5,514
Share of (profit) loss of investments accounted for using the equity method	(81)	(55)	(505)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	(3,306)	596	5,477
Income taxes	12,646	11,869	109,085
Decrease (increase) in trade receivables	(8,175)	(3,322)	(30,531)
Decrease (increase) in inventories	(27,079)	(8,466)	(77,808)
Increase (decrease) in trade payables	2,581	3,064	28,160
Increase (decrease) in net defined benefit liabilities	1,297	2,162	19,870
Other	(5,358)	(6,192)	(56,909)
Subtotal	60,680	75,822	696,861
Interest and dividends income received	1,664	1,744	16,028
Interest expenses paid	(925)	(812)	(7,462)
Income taxes paid	(13,661)	(10,302)	(94,683)
Net cash from (used in) operating activities	47,757	66,450	610,725
Cash flows from investing activities			
Purchase of investment securities	-	(1,041)	(9,567)
Proceeds from sales of investment securities	2,144	22	202
Purchase of property, plant and equipment	(61,707)	(50,085)	(460,318)
Proceeds from sale of property, plant and equipment	9,299	770	7,076
Purchase of intangible assets	(8,861)	(6,972)	(64,077)
Proceeds from sale of intangible assets	6	12	110
Proceeds from sale of investment property	22	16	147
Purchase of investments in subsidiaries	(887)	-	-
Other	(2,139)	(656)	(6,029)
Net cash from (used in) investing activities	(62,121)	(57,934)	(532,457)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	(14,352)	(5,837)	(53,646)
Proceeds from non-current borrowings	-	29,948	275,244
Repayment of non-current borrowings	(135)	-	-
Proceeds from issuance of bonds issued	-	29,846	274,307
Redemption of bonds issued	(10,000)	(10,000)	(91,907)
Payment of lease liabilities	(110)	(5,839)	(53,664)
Dividends paid	(22,190)	(21,646)	(198,943)
Dividends paid to non-controlling interests	(120)	(188)	(1,727)
Purchase of treasury shares	(0)	(10,224)	(93,966)
Net cash from (used in) financing activities	(46,908)	6,058	55,677
Effect of exchange rate changes on cash and cash equivalents	7	(2,279)	(20,945)
Net increase (decrease) in cash and cash equivalents	(61,264)	12,295	113,000
Cash and cash equivalents at beginning of period	229,678	175,238	1,610,569
Cash and cash equivalents at end of period	168,413	187,533	1,723,569

**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 (\$289,095 thousand), lease liabilities of ¥28,701 million (\$263,783 thousand) and retained earnings of (¥847 million) ((\$7,784 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 (\$266,835 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 Repobel (“Reprobel”), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. After that, Repobel also brought a civil suit against EEB. As a result, these two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

### *4. Subsequent Events*

No material subsequent events were identified.