

Financial Results for the Year ended March 31, 2022 [IFRS] (Consolidated)

April 28, 2022

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: global.epson.com

Representative: Yasunori Ogawa, President

Inquiries: Tatsuaki Seki, Director, General Administrative Manager, Corporate Strategy and Management Control Division Tel: +81-266-52-3131

Scheduled date of Annual Shareholders Meeting: June 28, 2022

Scheduled starting date of payment for the dividends: June 29, 2022

Scheduled date to file Annual Securities Report: June 29, 2022

Reference materials regarding financial results for the period: Yes

Briefing on financial results: Yes (for analysts)

(Amounts are rounded down to the nearest million yen)

1. Results of the Year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(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, 2022	1,128,914	13.4	89,637	45.4	94,479	98.3	97,162	116.2	92,302	197.8	92,288	198.4
Year ended March 31, 2021	995,940	△4.6	61,642	50.9	47,654	20.7	44,933	13.1	30,995	296.2	30,922	299.9

Note: Total comprehensive income for the period: Year ended March 31, 2022 ¥136,226 million (97.9 %)

Year ended March 31, 2021 ¥68,818 million (- %)

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, 2022	266.73	266.64	15.2	7.4	7.9
Year ended March 31, 2021	89.38	89.35	5.9	5.6	6.2

*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, 2022 ¥113 million

Year ended March 31, 2021 ¥99 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, 2022	1,266,420	665,740	665,628	52.6	1,923.68
As of March 31, 2021	1,161,314	552,949	550,924	47.4	1,592.36

(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, 2022	110,801	(44,083)	(51,771)	335,239
Year ended March 31, 2021	133,222	(57,448)	23,150	304,007

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, 2021	-	31.00	-	31.00	62.00	21,463	69.4	4.1
Year ended March 31, 2022	-	31.00	-	31.00	62.00	21,463	23.2	3.5
Year ending March 31, 2023 (Forecast)	-	31.00	-	31.00	62.00		32.0	

3. Forecast for the Year ending March 31, 2022 (From April 1, 2022 to March 31, 2023)

(%: 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, 2023	1,320,000	16.9	100,000	11.6	96,000	1.6	95,000	△2.2	67,000	△27.4	67,000	△27.4	193.63

※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: None
2. Changes in accounting policies other than the changes above: None
3. Changes in accounting estimates: Yes

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

(3) Number of shares outstanding

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

	(share)			
As of March 31, 2022	399,634,778	As of March 31, 2021	399,634,778	
As of March 31, 2022	53,616,006	As of March 31, 2021	53,655,825	
Year ended March 31, 2022	346,006,323	Year ended March 31, 2021	345,968,147	

(Reference) Summary of Non-Consolidated Financial Results

1. Results of the Year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(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, 2022	823,448	15.2	56,883	-	123,515	-	115,569	-
Year ended March 31, 2021	714,821	△0.1	(528)	-	(2,422)	-	(1,293)	-

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Year ended March 31, 2022	334.01		-	
Year ended March 31, 2021	(3.74)		-	

(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, 2022	824,898	401,950	48.7	1,161.64
As of March 31, 2021	733,553	308,904	42.1	892.84

(Reference) Shareholders' equity: As of March 31, 2022 ¥401,950 million As of March 31, 2021 ¥308,904 million

※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 “Outlook.”

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

The Company is scheduled to hold a briefing for analysts on financial results on Thursday, April 28, 2022 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 ¥122.290 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Operating Results Overview

Global growth, negative in the prior year, surged during the year under review as demand rebounded with the relaxation of lockdowns in many countries. Even as the world economy continues to recover from the COVID-19 pandemic, however, shortages of semiconductors and other components and disruptions of global supply chains due to logistics delays persist. The turmoil in global supply chains could both expand and persist due to China's zero-COVID policy (and lockdowns) and Russia's invasion of Ukraine. The global economic recovery is expected to decelerate, with many countries tightening their monetary policies in the face of expanding and persistent inflationary pressures.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year were ¥112.37 and ¥130.55, respectively. This represents a 6% depreciation of the yen against the dollar and a 6% depreciation of the yen against the euro compared to the prior period. The yen also weakened against the currencies of some emerging countries, in places such as China and Latin America.

Given this situation, revenue in all business segments was negatively impacted by product shortages resulting from global supply bottlenecks. Nevertheless, revenue rebounded from the prior period, when COVID-19 sapped market demand, and ended at ¥1,128.9 billion, up 13.4% compared to the prior period. Business profit was ¥89.6 billion, up 45.4% compared to the prior period. Although manufacturing costs rose as an imbalance between supply and demand caused transport costs and component prices to soar, business profit increased mainly owing to higher selling prices, advertising and promotional expense containment, and positive foreign exchange effects. Profit from operating activities was ¥94.4 billion, up 98.3% compared to the prior period. Profit before tax was ¥97.1 billion, up 116.2% compared to the prior period. Profit for the period attributable to owners of the parent company was ¥92.2 billion, up 198.4% compared to the prior period, chiefly due to an increase in deferred tax assets.

A breakdown of the financial results in each reporting segment is provided below. The reporting segments were changed at the start of the fiscal year based on the Epson 25 Renewed corporate vision established in March 2021. The three reporting segments are printing solutions, visual communications, and manufacturing-related and wearables.

Printing Solutions Segment

Revenue in the office and home printing business increased. High-capacity ink tank printer and ink cartridge printer sales sharply increased. Print demand from people working and learning from home has been settling down compared to last fiscal year but still carried over into the current fiscal year. Revenue also rose because we were able to grow unit sales of high-capacity ink tank printers in North America and elsewhere while also sustaining higher selling prices, though revenue was tempered somewhat by constrained product supply associated with logistics delays and component shortages. Sales of consumables decreased compared to the prior period, when sales sharply increased on extra demand from those working and learning from home.

Revenue in the commercial and industrial printing business sharply increased. Large-format inkjet printer revenue increased owing largely to a rebound in demand in Europe and the Americas and to the launch of new products, though the increase was modulated by product shortages and an economic slowdown in China, which resulted in a deceleration of the signage market. Sales of consumables

increased in Europe, the Americas, and China. Small printer sales were hit hard by component shortages, which limited our ability to supply products, but we increased sales by meeting increased demand from the retail and food service industry in Europe, the Americas, and China. Printhead sales increased primarily on continued strong sales in China.

Segment profit in the printing solutions segment was in line with the prior period despite a decrease in sales of ink cartridge printer consumables and soaring transport costs and component prices, which hurt profitability. The increase in segment profit was primarily the result of a combination of increased revenue from sales of high-capacity ink tank printers, large-format inkjet printers, and small printers, pricing measures taken in response to the balance between supply and demand, ongoing reductions of advertising and promotion costs and other fixed costs, and positive foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥779.9 billion, up 12.8% compared to the prior period. Segment profit was ¥106.4 billion, up 0.2% compared to the prior period.

Visual Communications Segment

The visual communications business was unable to fully meet the robust demand due to product shortages, yet revenue grew primarily through pricing measures and an improved model mix.

Segment profit in visual communications sharply increased primarily due to a combination of higher revenue, continued cost containment associated with business restructuring, and positive foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥159.0 billion, up 12.4% compared to the prior period. Segment profit was ¥15.3 billion, up 1,038.4% compared to the prior period.

Manufacturing-Related & Wearables Segment

Revenue in the manufacturing solutions business increased despite a loss of sales associated with the transfer of the IC test handler business. Revenue increased mainly due to an increase in sales to customers in China in the lithium-ion battery manufacturing industry, a recovery in demand for automotive products in Europe, and the capture of medical market demand in the Americas.

Revenue in the wearable products business increased on strong sales of luxury products and on sales of watch movements as demand recovered.

Revenue in the microdevices business as a whole sharply increased. Crystal device revenue sharply increased on a continuing rise in demand for in-vehicle applications and a wider range of other applications. Meanwhile, semiconductor sales also increased on robust demand.

Segment profit in the manufacturing-related and wearables segment sharply increased owing to higher revenue and cost containment associated with business restructuring in the wearable products business.

As a result of the foregoing factors, revenue in the manufacturing-related and wearables segment was ¥191.9 billion, up 16.0% compared to the prior period. Segment profit was ¥23.0 billion, up 336.0% prior period.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥55.2 billion. (Adjustments in the previous fiscal year were negative ¥51.2 billion.) The main components of the adjustment were

basic technology research and development expenses that do not correspond to the reporting segments and earnings and expenses associated with things such as new businesses and corporate functions.

Financial Position Overview

Total assets at the end of the fiscal year were ¥1,266.4 billion, an increase of ¥105.1 billion from the previous fiscal year end. This increase was mainly due to a ¥52.0 billion increase in inventories, a ¥31.2 billion increase in cash and cash equivalents, and a ¥10.9 billion increase in deferred tax assets.

Total liabilities were ¥600.6 billion, a decrease of ¥7.6 billion compared to the end of the last fiscal year. Although trade and other payables increased by ¥12.0 billion, total liabilities decreased mainly due to a ¥22.7 billion decrease in bonds issued, borrowings and lease liabilities.

The equity attributable to owners of the parent company totaled ¥665.6 billion, a ¥114.7 billion increase compared to the previous fiscal year end. While Epson recorded ¥92.2 billion in profit for the period attributable to owners of the parent company and recorded ¥43.9 billion in other comprehensive income, the primary component of which was exchange differences on translation of foreign operations, the equity attributable to owners of the parent company increased mainly because there were ¥21.4 billion in dividend payments.

Cash Flows Overview

Net cash from operating activities during the year totaled ¥110.8 billion. The total for the previous year was ¥133.2 billion. Whereas Epson recorded ¥92.3 billion in profit for the period, there was a ¥28.2 billion increase in inventories and ¥22.4 billion in income taxes paid. Net cash was positively affected by the recording of ¥64.5 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥44.0 billion (compared to ¥57.4 billion in the previous year), mainly because Epson used ¥43.8 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities totaled ¥51.7 billion (compared to ¥23.1 billion in positive net cash in the previous year), chiefly due to ¥21.4 billion in dividends paid and ¥20.0 billion in redemption of bonds.

As a result, cash and cash equivalents at the end of the fiscal year totaled ¥335.2 billion (compared to ¥304.0 billion at the end of the previous fiscal year).

Outlook

The financial outlook for the 2022 fiscal year ending March 31, 2023 is summarized below. The figures in the outlook are based on assumed exchange rates of 121.00 yen to the U.S. dollar and 132.00 yen to the euro.

For details, please see the fiscal year 2021 (ending March 2022) full-year financial results presentation that was announced simultaneously with this report.

Consolidated Full-Year Financial Outlook

	FY2021 Result	FY2022 Plan	Change	
Revenue	¥1,128.9 billion	¥1,320.0 billion	+¥191.0 billion	(+16.9%)
Business profit	¥89.6 billion	¥100.0 billion	+¥10.3 billion	(+11.6%)
Profit from operating activities	¥94.4 billion	¥96.0 billion	+¥1.5 billion	(+1.6%)
Profit before tax	¥97.1 billion	¥95.0 billion	-¥2.1 billion	(-2.2%)
Profit for the period	¥92.3 billion	¥67.0 billion	-¥25.3 billion	(-27.4%)
Profit for the period attributable to owners of the parent company	¥92.2 billion	¥67.0 billion	-¥25.2 billion	(-27.4%)
Exchange rates	1 USD = ¥112.37	1 USD = ¥121.00		
	1 EUR = ¥130.55	1 EUR = ¥132.00		

Consolidated Statement of Financial Position**Years ended March 31, 2021 and 2022:**

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2022	March 31, 2022
<u>Assets</u>			
Current assets			
Cash and cash equivalents	304,007	335,239	2,741,344
Trade and other receivables	161,332	168,221	1,375,590
Inventories	256,366	308,385	2,521,751
Income tax receivables	3,518	5,057	41,352
Other financial assets	1,156	769	6,288
Other current assets	13,160	16,797	137,353
Subtotal	739,540	834,469	6,823,689
Assets held for sale	457	-	-
Total current assets	739,997	834,469	6,823,689
Non-current assets			
Property, plant and equipment	344,637	343,172	2,806,214
Intangible assets	27,976	24,218	198,037
Investment property	1,246	1,108	9,060
Investments accounted for using the equity method	1,718	2,040	16,681
Net defined benefit assets	140	2,278	18,627
Other financial assets	20,213	20,192	165,115
Other non-current assets	1,614	4,181	34,189
Deferred tax assets	23,770	34,757	284,217
Total non-current assets	421,317	431,950	3,532,177
Total assets	1,161,314	1,266,420	10,355,875

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	March 31, 2022	March 31, 2022
<u>Liabilities and equity</u>			
Liabilities			
Current liabilities			
Trade and other payables	134,149	146,201	1,195,527
Income tax payables	7,305	12,233	100,032
Bonds issued, borrowings and lease liabilities	28,127	26,297	215,038
Other financial liabilities	2,361	4,497	36,773
Provisions	11,014	10,993	89,892
Other current liabilities	122,973	131,817	1,077,904
Subtotal	305,931	332,040	2,715,185
Liabilities directly associated with assets held for sale	12	-	-
Total current liabilities	305,943	332,040	2,715,185
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	237,780	216,853	1,773,268
Other financial liabilities	2,730	3,788	30,975
Net defined benefit liabilities	33,087	24,210	197,972
Provisions	7,757	8,042	65,761
Other non-current liabilities	13,483	13,680	111,865
Deferred tax liabilities	7,582	2,064	16,877
Total non-current liabilities	302,421	268,640	2,196,745
Total liabilities	608,365	600,680	4,911,930
Equity			
Share capital	53,204	53,204	435,064
Capital surplus	84,418	84,010	686,973
Treasury shares	(40,874)	(40,808)	(333,698)
Other components of equity	54,869	89,068	728,334
Retained earnings	399,306	480,154	3,926,355
Equity attributable to owners of the parent company	550,924	665,628	5,443,028
Non-controlling interests	2,025	112	915
Total equity	552,949	665,740	5,443,944
Total liabilities and equity	1,161,314	1,266,420	10,355,875

Consolidated Statement of Comprehensive Income**Years ended March 31, 2021 and 2022:**

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2021	2022	2022
Revenue	995,940	1,128,914	9,231,449
Cost of sales	(643,563)	(710,462)	(5,809,649)
Gross profit	352,377	418,451	3,421,792
Selling, general and administrative expenses	(290,735)	(328,814)	(2,688,805)
Other operating income	3,225	10,214	83,522
Other operating expense	(17,213)	(5,372)	(43,928)
Profit from operating activities	47,654	94,479	772,581
Finance income	1,317	4,698	38,416
Finance costs	(4,137)	(2,128)	(17,401)
Share of profit of investments accounted for using the equity method	99	113	924
Profit before tax	44,933	97,162	794,521
Income taxes	(13,937)	(4,859)	(39,733)
Profit for the period	30,995	92,302	754,779
Profit for the period attributable to:			
Owners of the parent company	30,922	92,288	754,665
Non-controlling interests	73	14	114
Profit for the period	30,995	92,302	754,779

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	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2021	2022	2022
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	20,220	10,541	86,196
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	1,505	(199)	(1,627)
Subtotal	21,726	10,341	84,561
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	17,172	34,573	282,713
Net changes in fair value of cash flow hedges	(1,130)	(1,085)	(8,872)
Share of other comprehensive income of investments accounted for using the equity method	54	95	776
Subtotal	16,096	33,582	274,609
Total other comprehensive income, net of tax	37,822	43,924	359,179
Total comprehensive income for the period	68,818	136,226	1,113,958

Total comprehensive income for the period attributable to:			
Owners of the parent company	68,564	136,206	1,113,795
Non-controlling interests	254	20	163
Total comprehensive income for the period	68,818	136,226	1,113,958

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Year ended March 31,		Year ended March 31,
	2021	2022	2022
Earnings per share for the period:			
Basic earnings per share for the period	89.38	266.73	2.18
Diluted earnings per share for the period	89.35	266.64	2.18

Consolidated Statement of Changes in Equity**Years ended March 31, 2021 and 2022**

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, 2020	53,204	84,434	(40,953)	-	1,729	35,144	577	37,451	369,609	503,746	2,290	506,037	
Profit for the period	-	-	-	-	-	-	-	-	30,922	30,922	73	30,995	
Other comprehensive income	-	-	-	20,220	1,503	17,047	(1,130)	37,641	-	37,641	181	37,822	
Total comprehensive income for the period	-	-	-	20,220	1,503	17,047	(1,130)	37,641	30,922	68,564	254	68,818	
Acquisition of treasury shares	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)	
Dividends	-	-	-	-	-	-	-	-	(21,449)	(21,449)	(519)	(21,968)	
Share-based payment transactions	-	(16)	80	-	-	-	-	-	-	63	-	63	
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer from other components of equity to retained earnings	-	-	-	(20,220)	(3)	-	-	(20,224)	20,224	-	-	-	
Total transactions with the owners	-	(16)	78	(20,220)	(3)	-	-	(20,224)	(1,225)	(21,386)	(519)	(21,906)	
As of March 31, 2021	53,204	84,418	(40,874)	-	3,229	52,192	(552)	54,869	399,306	550,924	2,025	552,949	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Millions of yen

	Equity attributable to owners of the parent company												Total equity
	Equity attributable to owners of the parent company			Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests		
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	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, 2021	53,204	84,418	(40,874)	-	3,229	52,192	(552)	54,869	399,306	550,924	2,025	552,949	
Profit for the period	-	-	-	-	-	-	-	-	92,288	92,288	14	92,302	
Other comprehensive income	-	-	-	10,541	(199)	34,662	(1,085)	43,918	-	43,918	6	43,924	
Total comprehensive income for the period	-	-	-	10,541	(199)	34,662	(1,085)	43,918	92,288	136,206	20	136,226	
Acquisition of treasury shares	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)	
Dividends	-	-	-	-	-	-	-	-	(21,451)	(21,451)	(394)	(21,846)	
Share-based payment transactions	-	(6)	66	-	-	-	-	-	-	59	-	59	
Changes in ownership interest in subsidiaries	-	(401)	-	-	-	291	-	291	-	(109)	(1,539)	(1,648)	
Transfer from other components of equity to retained earnings	-	-	-	(10,541)	530	-	-	(10,010)	10,010	-	-	-	
Total transactions with the owners	-	(408)	65	(10,541)	530	291	-	(9,719)	(11,440)	(21,502)	(1,933)	(23,436)	
As of March 31, 2022	53,204	84,010	(40,808)	-	3,560	87,146	(1,638)	89,068	480,154	665,628	112	665,740	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

	Equity attributable to owners of the parent company												Total equity
	Equity attributable to owners of the parent company			Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests		
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	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, 2021	435,064	690,309	(334,238)	-	26,404	426,788	(4,513)	448,679	3,265,238	4,505,061	16,558	4,521,620	
Profit for the period	-	-	-	-	-	-	-	-	754,665	754,665	114	754,779	
Other comprehensive income	-	-	-	86,196	(1,627)	283,441	(8,872)	359,129	-	359,129	49	359,179	
Total comprehensive income for the period	-	-	-	86,196	(1,627)	283,441	(8,872)	359,129	754,665	1,113,795	163	1,113,958	
Acquisition of treasury shares	-	-	(8)	-	-	-	-	-	-	(8)	-	(8)	
Dividends	-	-	-	-	-	-	-	-	(175,410)	(175,410)	(3,221)	(178,640)	
Share-based payment transactions	-	(49)	539	-	-	-	-	-	-	482	-	482	
Changes in ownership interest in subsidiaries	-	(3,279)	-	-	-	2,379	-	2,379	-	(891)	(12,584)	(13,476)	
Transfer from other components of equity to retained earnings	-	-	-	(86,196)	4,333	-	-	(81,854)	81,854	-	-	-	
Total transactions with the owners	-	(3,336)	531	(86,196)	4,333	2,379	-	(79,475)	(93,548)	(175,827)	(15,806)	(191,642)	
As of March 31, 2022	435,064	686,973	(333,698)	-	29,111	712,617	(13,394)	728,334	3,926,355	5,443,028	915	5,443,944	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Consolidated Statement of Cash Flows**Years ended March 31, 2021 and 2022:**

	Millions of yen		Thousands of
	Year ended		U.S. dollars
	March 31,		Year ended
	2021	2022	March 31, 2022
Cash flows from operating activities			
Profit (loss) for the period	30,995	92,302	754,779
Depreciation and amortisation	69,852	64,595	528,211
Impairment loss (reversal of impairment loss)	7,823	1,460	11,938
Finance (income) costs	2,820	(2,569)	(21,007)
Share of (profit) loss of investments accounted for using the equity method	(99)	(113)	(924)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	316	232	1,897
Income taxes	13,937	4,859	39,733
Decrease (increase) in trade receivables	(1,004)	3,006	24,580
Decrease (increase) in inventories	(12,865)	(28,230)	(230,844)
Increase (decrease) in trade payables	13,151	2,175	17,785
Increase (decrease) in net defined benefit liabilities	2,888	1,532	12,527
Other	15,119	(6,428)	(52,563)
Subtotal	142,935	132,823	1,086,131
Interest and dividends income received	1,365	1,470	12,020
Interest expenses paid	(1,111)	(1,071)	(8,757)
Income taxes paid	(9,966)	(22,420)	(183,334)
Net cash from (used in) operating activities	133,222	110,801	906,051
Cash flows from investing activities			
Purchase of investment securities	(297)	(747)	(6,108)
Proceeds from sales of investment securities	26	622	5,086
Purchase of property, plant and equipment	(47,504)	(38,602)	(315,659)
Proceeds from sale of property, plant and equipment	467	245	2,003
Purchase of intangible assets	(8,371)	(5,242)	(42,865)
Proceeds from sale of intangible assets	21	33	269
Proceeds from sale of investment property	-	352	2,878
Other	(1,790)	(746)	(6,100)
Net cash from (used in) investing activities	(57,448)	(44,083)	(360,479)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	(889)	-	-
Proceeds from non-current borrowings	-	500	4,088
Repayment of non-current borrowings	(14,000)	(500)	(4,088)
Proceeds from issuance of bonds issued	69,676	-	-
Redemption of bonds issued	-	(20,000)	(163,545)
Payment of lease liabilities	(9,667)	(8,275)	(67,667)
Dividends paid	(21,449)	(21,451)	(175,410)
Dividends paid to non-controlling interests	(519)	(394)	(3,221)
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(1,648)	(13,476)
Purchase of treasury shares	(1)	(1)	(8)
Net cash from (used in) financing activities	23,150	(51,771)	(423,346)
Effect of exchange rate changes on cash and cash equivalents	8,837	16,285	133,167
Net increase (decrease) in cash and cash equivalents	107,761	31,232	255,392
Cash and cash equivalents at beginning of period	196,245	304,007	2,485,951
Cash and cash equivalents at end of period	304,007	335,239	2,741,344

Notes to Consolidated Financial Statements

1. Note for Going Concern Assumption

Not applicable.

2. Changes in Accounting Estimates

Change of Useful Life

From the year ended March 31, 2022, Epson changed the useful life of machinery of the visual communications business based on actual usage of the assets, as reviewing its production strategy in its business structural reform and others.

As a result of this change, profit from operating activities and profit before tax for the year ended March 31, 2022 increased by ¥2,567 million (\$20,991 thousand) compared to the previous estimates.

3. 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.

From the beginning of this fiscal year, Epson changed its organisational structure and the reportable segments into three segments: "Printing Solutions", "Visual Communications" and "Manufacturing-related & Wearables." They are determined by types of products, nature of products, and markets. Segments information for the year ended March 31, 2021 has been reclassified based on new reportable segments.

Epson conducts development, manufacturing and sales within its reportable segments as follows:

Reportable segments	Main products
Printing Solutions	Office/ Home inkjet printers, serial impact dot matrix printers, page printers, color image scanners, dry process office papermaking systems, commercial and industrial inkjet printers, inkjet printheads, printers for use in POS systems, label printers, printer consumables, and others
Visual Communications	3LCD projectors, smart glasses, and others
Manufacturing-related & Wearables	Industrial robots, compact injection molders, wristwatches, watch movements, quartz crystal devices, semiconductors, metal powders, surface finishing, PC, and others

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(2) Revenues and Performances of Reportable Segments

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

FY2020: Year ended March 31, 2021

	Millions of yen				Adjustments (Note 2)	Consolidated	
	Reportable segments						
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal			
Revenue							
External revenues	691,201	141,468	157,157	989,827	6,113	995,940	
Intersegment revenues	(4)	1	8,298	8,294	(8,294)	-	
Total revenue	691,196	141,469	165,455	998,121	(2,180)	995,940	
Segment profit (loss) (Business profit) (Note 1)	106,226	1,348	5,281	112,856	(51,214)	61,642	
						Other operating income (expense)	(13,988)
						Profit from operating activities	47,654
						Finance income (costs)	(2,820)
						Share of profit of investments accounted for using the equity method	99
						Profit before tax	44,933

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Reportable segments					
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(38,065)	(13,062)	(10,335)	(61,462)	(7,973)	(69,436)
Impairment losses of assets other than financial assets	(0)	(60)	(Note 4) (7,763)	(7,823)	(0)	(7,823)
Segment assets	447,846	121,029	142,327	711,203	450,111	1,161,314
Capital expenditures	27,266	8,078	10,534	45,878	6,999	52,878

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

(Note 2) "Adjustments" of (¥51,214) million in Segment profit (loss) (Business profit) comprised ¥616 million in eliminated intersegment transactions and (¥51,830) million in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) "Adjustments" of ¥450,111 million in Segment assets included elimination of intersegment transactions of (¥15,128) million and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

(Note 4) Epson recognised impairment losses of (¥7,516) million in total for the asset that belongs to the wearable products business which is a part of the Manufacturing-related & Wearables Segment by reviewing its business strategy because of declining profitability of the business. The amount includes certain amount of impairment losses that Epson has already recognised.

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FY2021: Year ended March 31, 2022

	Millions of yen						
	Reportable segments				Adjustments (Note 2)	Consolidated	
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal			
Revenue							
External revenues	779,920	159,034	182,586	1,121,540	7,373	1,128,914	
Intersegment revenues	27	0	9,398	9,426	(9,426)	-	
Total revenue	779,947	159,034	191,984	1,130,966	(2,052)	1,128,914	
Segment profit (loss) (Business profit) (Note 1)	106,471	15,354	23,026	144,851	(55,214)	89,637	
						Other operating income (expense)	4,842
						Profit from operating activities	94,479
						Finance income (costs)	2,569
						Share of profit of investments accounted for using the equity method	113
						Profit before tax	97,162

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(37,732)	(10,321)	(8,717)	(56,771)	(7,696)	(64,468)
Impairment losses of assets other than financial assets	(137)	(1)	(26)	(165)	(1,295)	(1,460)
Segment assets	503,833	131,538	159,030	794,401	472,018	1,266,420
Capital expenditures	28,443	4,183	11,314	43,941	4,344	48,285

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

(Note 2) "Adjustments" of (¥55,214) million in Segment profit (loss) (Business profit) comprised ¥581 million in eliminated intersegment transactions and (¥55,796) million in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) "Adjustments" of ¥472,018 million in Segment assets included elimination of intersegment transactions of (¥6,815) million and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

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FY2021: Year ended March 31, 2022

Thousands of U.S. dollars

	Reportable segments				Adjustments (Note 2)	Consolidated	
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal			
Revenue							
External revenues	6,377,626	1,300,466	1,493,057	9,171,150	60,291	9,231,449	
Intersegment revenues	220	0	76,850	77,079	(77,079)	-	
Total revenue	6,377,847	1,300,466	1,569,907	9,248,229	(16,779)	9,231,449	
Segment profit (loss)							
(Business profit) (Note 1)	870,643	125,554	188,290	1,184,487	(451,500)	732,987	
						Other operating income (expense)	39,594
						Profit from operating activities	772,581
						Finance income (costs)	21,007
						Share of profit of investments accounted for using the equity method	924
						Profit before tax	794,521

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(308,545)	(84,397)	(71,281)	(464,232)	(62,932)	(527,173)
Impairment losses of assets other than financial assets	(1,120)	(8)	(212)	(1,349)	(10,589)	(11,938)
Segment assets	4,119,985	1,075,623	1,300,433	6,496,042	3,859,825	10,355,875
Capital expenditures	232,586	34,205	92,517	359,318	35,522	394,840

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

(Note 2) "Adjustments" of (\$451,500) thousand in Segment profit (loss) (Business profit) comprised \$4,751 thousand in eliminated intersegment transactions and of (\$456,259) thousand in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) "Adjustments" of \$3,859,825 thousand in Segment assets included elimination of intersegment transactions of (\$55,728) thousand and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

(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,
	2021	2022	2022
Japan	223,430	207,846	1,699,615
The Philippines	42,698	43,289	353,986
Indonesia	29,351	31,894	260,806
China	23,589	27,244	222,781
Other	56,405	62,407	510,319
Total	375,474	372,681	3,047,518

(Note) Non-current assets, excluding Investments accounted for using the equity method, 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,
	2021	2022	2022
Japan	221,285	229,100	1,873,415
The United States	209,641	238,361	1,949,145
China	144,821	171,437	1,401,888
Other	420,192	490,015	4,006,991
Total	995,940	1,128,914	9,231,449

(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.

4. 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,	
	2021	2022	2022	
Profit for the period attributable to owners of the parent company	30,922	92,288	754,665	
Profit for the period not attributable to owners of the parent company	-	-	-	
Profit used for calculation of basic earnings per share	30,922	92,288	754,665	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	345,968	346,006	346,006	
Basic earnings per share	(Yen) 89.38	(Yen) 266.73	(\$ 2.18	

(2) Basis of calculating diluted earnings per share

	Millions of yen		Thousands of U.S. dollars	
	Year ended March 31,		Year ended March 31,	
	2021	2022	2022	
Profit used for calculation of basic earnings per share	30,922	92,288	754,665	
Adjustments	-	-	-	
Profit used for calculation of diluted earnings per share	30,922	92,288	754,665	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	345,968	346,006	346,006	
Effect of dilutive potential ordinary shares				
BIP trust for eligible officers (Thousands of Shares)	110	105	105	
Weighted-average number of ordinary shares diluted (Thousands of Shares)	346,078	346,112	346,112	
Diluted earnings per share	(Yen) 89.35	(Yen) 266.64	(\$ 2.18	

(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.

5. *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. Epson does not recognise provisions 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.

6. *Subsequent Events*

No material subsequent events were identified.