

Financial Results for the Second Quarter ended September 30, 2018 [IFRS](Consolidated)

October 30, 2018

Name of the listed company: SEIKO EPSON CORPORATION

Stock Listing: TOKYO

Code: 6724 URL: global.epson.com

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Scheduled date to file Quarterly Securities Report: November 1, 2018

Scheduled starting date of payment for the dividends: November 30, 2018

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 Six months ended September 30, 2018 (From April 1, 2018 to September 30, 2018)

(1) Consolidated Operating Results

(%: Change from same period previous year)

	Revenue		Business profit		Profit from operating activities		Profit before tax		Profit for the period		Profit for the period attributable to owners of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	532,377	1.0	27,400	△2.6	25,602	8.1	26,903	16.9	20,365	34.4	20,210	34.8
Six months ended September 30, 2017	527,327	8.2	28,142	9.4	23,689	△14.7	23,011	△15.0	15,157	△18.5	14,987	△18.7

Note: Total comprehensive income for the period: Six months ended September 30, 2018 ¥33,990 million (24.7%)

Six months ended September 30, 2017 ¥27,264 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	
	Yen		Yen	
Six months ended September 30, 2018	57.38		57.36	
Six months ended September 30, 2017	42.55		42.54	

(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 September 30, 2018	1,054,989		538,069		535,667		50.8	
As of March 31, 2018	1,033,350		515,106		512,727		49.6	

2. Cash Dividends

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

Note: Changes from the latest announced forecasts: None

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

(%: Change from same period previous year)

	Revenue		Business profit		Profit from operating activities		Profit before tax		Profit for the period		Profit for the year attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
For the year ending March 31, 2019	1,090,000	△1.1	80,000	7.0	77,000	18.5	76,000	21.3	60,000	43.7	60,000	43.4	170.34

Note: Changes from the latest announced forecasts: Yes

※Notes

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

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

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

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

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):

As of September 30, 2018	399,634,778	As of March 31, 2018	399,634,778
As of September 30, 2018	47,406,347	As of March 31, 2018	47,406,139
Six months ended September 30, 2018	352,228,568	Six months ended September 30, 2017	352,226,461

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 Tuesday, October 30, 2018 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 ¥113.45 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation.

Operating Performance Highlights and Financial Condition

Fiscal 2018 First-Half (April 1 to September 30, 2018) Overview

The global economy basically continued to gradually head toward recovery in the first half of the year under review. Regionally, the U.S. economy continued to steadily recover, fueled by an increase in consumer spending and improvement in the employment situation. Europe gradually recovered. Latin America is also recovering, but the pace of recovery in Argentina and Brazil is slowing due to devaluation of their currencies. The Chinese economy continued to pick up, but the effects of trade friction with the U.S. are becoming apparent. The Japanese economy continued to register signs of a gradual economic recovery, as consumer spending picked up in response to a stable employment and improved income situation.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first two quarters of the fiscal year were ¥110.26 and ¥129.88, respectively. This represents a 1% appreciation in the value of the yen against the dollar and a 3% depreciation in the value of the yen against the euro, year on year.

Against this backdrop, Epson recorded ¥532.3 billion in revenue for the period, an increase of 1.0% compared to the same period last year. Revenue growth was driven primarily by increased sales of high-capacity ink tank inkjet printers in the printing solutions segment, 3LCD projectors in the visual communications segment, and semiconductors in the wearable & industrial products segment. Business profit was ¥27.4 billion, a year-on-year decline of 2.6%, as strategic investment in future growth and negative foreign exchange effects more than offset the increase in revenue. Profit from operating activities was ¥25.6 billion, up 8.1% year on year. Profit before tax was ¥26.9 billion, up 16.9% year on year. And profit for the period attributable to owners of the parent company was ¥20.2 billion, up 34.8% year on year.

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

Printing Solutions Segment

Printer business revenue increased. Inkjet printer revenue as a whole increased despite a decrease in ink cartridge printer sales, the result of limiting promotions and maintaining prices even as competitors aggressively stepped up their own price promotions. The increase in revenue came from continued strong growth in sales of high-capacity ink tank printers in both emerging and advanced countries. Consumables revenue decreased. Although revenue from ink bottles for high-capacity ink tank printers grew, ink cartridge sales slipped along with the consumer ink cartridge printer install base.

Revenue in the professional printing business increased. Large-format inkjet printer revenue was flat year on year, as solid sales in the growing signage, textile, and label printer markets were offset by weaker sales in the photo and graphics markets, where competitors aggressively undercut prices. POS system product revenue increased owing primarily to strong sales in China.

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

As a result of the foregoing factors, revenue in the printing solutions segment was ¥344.7 billion, up 0.8% year on year. Segment profit was ¥36.2 billion, up 1.0% year on year.

Visual Communications Segment

Visual communications revenue increased. The increase in revenue was largely due to a spike in 3LCD projector demand prompted by the FIFA World Cup, as well as to an improved model mix in which high added value products, such as laser projectors in the high-brightness zone, accounted for a higher percentage of total unit shipments.

Segment profit in the visual communications segment increased due to the effects of higher revenue.

As a result of the foregoing factors, revenue in the visual communications segment was ¥105.3 billion, up 6.3% year on year. Segment profit was ¥13.4 billion, up 5.6% year on year.

Wearable & Industrial Products Segment

Revenue in the wearable products business decreased due to a sluggish watch market.

Revenue in the robotics solutions business decreased due to a combination of factors including a slowing mobile market growth and the effects of 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 was consistent with the preceding period, as an increase in semiconductor revenue resulting from higher market demand and increased shipping volume was offset by a decrease in crystal device revenue resulting from a decline in consumer electronics market demand.

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

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥84.0 billion, down 2.6% year on year. Segment profit was ¥3.4 billion, down 28.3% year on year.

Other

Other revenue amounted to ¥0.4 billion, down 4.2% year on year. Segment loss was ¥0.2 billion, compared to a segment loss of ¥0.2 billion in the same period last year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥25.5 billion. (Adjustments in the same period last year were negative ¥25.0 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 second quarter were ¥1,054.9 billion, an increase of ¥21.6 billion from the previous fiscal year end. While cash and cash equivalents decreased by ¥50.4 billion due largely to the acquisition of property, plant, equipment, and intangible assets and to the payment of dividends, total assets increased chiefly due to a ¥33.1 billion increase in inventories, a ¥20.2 billion increase in property, plant and equipment and intangible assets, a ¥7.5 billion increase in trade and other receivables, and a ¥3.6 billion increase in other current and non-current assets.

Total liabilities were ¥516.9 billion, down ¥1.3 billion compared to the end of the last fiscal year. Although trade and other payables increased by ¥9.5 billion, total liabilities decreased mainly because of a ¥14.0 billion decrease in bonds issued, borrowings and lease liabilities.

The equity attributable to owners of the parent company totaled ¥535.6 billion, a ¥22.9 billion increase compared to the previous fiscal year end. Although dividends paid totaled ¥11.2 billion, equity attributable to owners of the parent company increased mainly because of a ¥10.4 billion increase in other components of equity, primarily consisting of an increase in exchange differences on translation of foreign operations associated with a decrease in the value of the yen, and because retained earnings increased due to the recording of ¥20.2 billion in profit for the period attributable to owners of the parent company.

Cash Flows

Net cash from operating activities for the first two quarters of the year totaled ¥20.7 billion (compared to ¥26.6 billion in the same period last year). Whereas Epson recorded ¥20.3 billion in profit for the period, there was a ¥24.6 billion increase in inventories. However, net cash increased primarily owing to the recording of ¥27.5 billion in depreciation and amortization expenses.

Net cash used in investing activities totaled ¥45.4 billion (compared to ¥41.7 billion in the same period last year), mainly because Epson used ¥43.7 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities totaled ¥28.3 billion (compared to ¥22.8 billion in positive net cash in the same period last year), chiefly due to ¥11.2 billion in dividends paid and a ¥10.0 billion redemption of bonds payable.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the second quarter totaled ¥179.2 billion compared to ¥231.4 billion in the same period last year.

Qualitative Information Regarding the Consolidated Financial Outlook

The Company revised its consolidated financial outlook in conjunction with revised second-half budget exchange rates of 110.00 yen to the U.S. dollar and 127.00 yen to the euro. The revised outlook also takes into account factors such as the effects of the powerful earthquake that struck Hokkaido in September and the sale of some assets.

Consolidated Full-Year Financial Outlook

	FY2017	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥1,102.1 billion	¥1,050.0 billion	¥1,090.0 billion	+¥40.0 billion	(+3.8%)
Business profit	¥74.7 billion	¥80.0 billion	¥80.0 billion	-	-
Profit from operating activities	¥65.0 billion	¥75.0 billion	¥77.0 billion	+¥2.0 billion	(+2.7%)
Profit before tax	¥62.6 billion	¥74.0 billion	¥76.0 billion	+¥2.0 billion	(+2.7%)
Profit for the period	¥41.7 billion	¥58.0 billion	¥60.0 billion	+¥2.0 billion	(+3.4%)
Profit for the year attributable to owners of the parent company	¥41.8 billion	¥58.0 billion	¥60.0 billion	+¥2.0 billion	(+3.4%)
Foreign exchange rates	1 USD = ¥110.85	1 USD = ¥102.00	1 USD = ¥110.00		
	1 EUR = ¥129.66	1 EUR = ¥126.00	1 EUR = ¥128.00		

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	September 30, 2018	September 30, 2018
<u>Assets</u>			
Current assets			
Cash and cash equivalents	229,678	179,266	1,580,132
Trade and other receivables	165,282	172,855	1,523,622
Inventories	223,227	256,369	2,259,753
Income tax receivables	2,942	5,109	45,033
Other financial assets	1,513	1,329	11,714
Other current assets	16,485	18,542	163,437
Subtotal	639,129	633,471	5,583,702
Non-current assets held for sale	43	5,156	45,447
Total current assets	639,172	638,628	5,629,158
Non-current assets			
Property, plant and equipment	297,927	314,720	2,774,085
Intangible assets	22,037	25,533	225,059
Investment property	1,219	1,429	12,595
Investments accounted for using the equity method	1,546	1,532	13,503
Net defined benefit assets	11	-	-
Other financial assets	20,433	20,943	184,601
Other non-current assets	5,299	6,918	60,978
Deferred tax assets	45,701	45,282	399,136
Total non-current assets	394,178	416,360	3,669,986
Total assets	1,033,350	1,054,989	9,299,153

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	September 30, 2018	September 30, 2018
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	154,759	164,267	1,447,924
Income tax payables	7,296	6,054	53,362
Bonds issued, borrowings and lease liabilities	36,082	32,051	282,512
Other financial liabilities	201	1,329	11,714
Provisions	26,403	13,116	115,610
Other current liabilities	97,643	115,923	1,021,798
Total current liabilities	322,387	332,742	2,932,939
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	130,483	120,499	1,062,133
Other financial liabilities	1,613	1,903	16,773
Net defined benefit liabilities	42,321	40,237	354,667
Provisions	8,954	9,006	79,382
Other non-current liabilities	11,434	11,481	101,198
Deferred tax liabilities	1,049	1,048	9,237
Total non-current liabilities	195,856	184,177	1,623,420
Total liabilities	518,244	516,920	4,556,368
Equity			
Share capital	53,204	53,204	468,964
Capital surplus	84,364	84,398	743,922
Treasury shares	(30,803)	(30,803)	(271,511)
Other components of equity	47,960	58,434	515,063
Retained earnings	358,001	370,434	3,265,174
Equity attributable to owners of the parent company	512,727	535,667	4,721,613
Non-controlling interests	2,378	2,401	21,163
Total equity	515,106	538,069	4,742,785
Total liabilities and equity	1,033,350	1,054,989	9,299,153

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2017 and 2018:

	Millions of yen		Thousands of
	Six months ended		U.S. dollars
	September 30,		Six months ended
	2017	2018	September 30, 2018
Revenue	527,327	532,377	4,692,613
Cost of sales	(343,508)	(340,806)	(3,004,019)
Gross profit	183,819	191,571	1,688,594
Selling, general and administrative expenses	(155,676)	(164,170)	(1,447,069)
Other operating income	1,266	1,125	9,916
Other operating expense	(5,719)	(2,924)	(25,773)
Profit from operating activities	23,689	25,602	225,667
Finance income	607	2,221	19,576
Finance costs	(1,312)	(980)	(8,638)
Share of profit of investments accounted for using the equity method	26	59	520
Profit before tax	23,011	26,903	237,135
Income taxes	(7,853)	(6,537)	(57,620)
Profit for the period	15,157	20,365	179,506
Profit for the period attributable to:			
Owners of the parent company	14,987	20,210	178,140
Non-controlling interests	170	155	1,366
Profit for the period	15,157	20,365	179,506

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Six months ended		U.S. dollars
	September 30,		Six months ended
	2017	2018	September 30, 2018
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	7,184	3,182	28,047
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	66	41	361
Subtotal	7,251	3,224	28,417
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	5,907	11,322	99,797
Net changes in fair value of cash flow hedges	(1,065)	(910)	(8,021)
Share of other comprehensive income of investments accounted for using the equity method	13	(10)	(88)
Subtotal	4,855	10,401	91,679
Total other comprehensive income, net of tax	12,106	13,625	120,096
Total comprehensive income for the period	27,264	33,990	299,603

Total comprehensive income for the period attributable to:			
Owners of the parent company	27,019	33,847	298,342
Non-controlling interests	244	143	1,260
Total comprehensive income for the period	27,264	33,990	299,603

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Six months ended		Six months ended
	September 30,		September 30,
	2017	2018	2018
Earnings per share for the period:			
Basic earnings per share for the period	42.55	57.38	0.51
Diluted earnings per share for the period	42.54	57.36	0.51

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended September 30, 2017 and 2018:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	September 30,		Three months ended
	2017	2018	September 30, 2018
Revenue	272,521	271,917	2,396,800
Cost of sales	(179,988)	(174,368)	(1,536,959)
Gross profit	92,533	97,549	859,841
Selling, general and administrative expenses	(81,148)	(84,772)	(747,219)
Other operating income	673	1,385	12,208
Other operating expense	(3,057)	(2,051)	(18,078)
Profit from operating activities	9,000	12,110	106,743
Finance income	215	897	7,906
Finance costs	(672)	(476)	(4,195)
Share of profit of investments accounted for using the equity method	12	37	326
Profit before tax	8,555	12,569	110,788
Income taxes	(3,702)	(3,429)	(30,224)
Profit for the period	4,852	9,139	80,555
Profit for the period attributable to:			
Owners of the parent company	4,782	9,043	79,709
Non-controlling interests	69	96	846
Profit for the period	4,852	9,139	80,555

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	September 30,		Three months ended
	2017	2018	September 30, 2018
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	3,935	2,013	17,743
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(175)	199	1,754
Subtotal	3,759	2,212	19,497
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	3,364	6,392	56,342
Net changes in fair value of cash flow hedges	809	(1,738)	(15,319)
Share of other comprehensive income of investments accounted for using the equity method	8	(4)	(35)
Subtotal	4,182	4,649	40,978
Total other comprehensive income, net of tax	7,942	6,861	60,475
Total comprehensive income for the period	12,795	16,000	141,031
Total comprehensive income for the period attributable to:			
Owners of the parent company	12,673	15,909	140,229
Non-controlling interests	121	91	802
Total comprehensive income for the period	12,795	16,000	141,031

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	September 30,		September 30,
	2017	2018	2018
Earnings per share for the period:			
Basic earnings per share for the period	13.58	25.67	0.23
Diluted earnings per share for the period	13.58	25.66	0.23

Quarterly Condensed Consolidated Statement of Changes in Equity**Six months ended September 30, 2017 and 2018:**

Millions of yen												
Equity attributable to owners of the parent company												
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of liabilities (assets)	Net gain (loss) on revaluation of net defined benefit financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2017	53,204	84,321	(30,812)	-	5,024	48,265	(112)	53,176	332,306	492,196	2,526	494,722
Profit for the period	-	-	-	-	-	-	-	-	14,987	14,987	170	15,157
Other comprehensive income	-	-	-	7,184	66	5,846	(1,065)	12,031	-	12,031	74	12,106
Total comprehensive income for the period	-	-	-	7,184	66	5,846	(1,065)	12,031	14,987	27,019	244	27,264
Acquisition of treasury shares	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Dividends	-	-	-	-	-	-	-	-	(10,566)	(10,566)	(116)	(10,683)
Share-based payment transactions	-	16	11	-	-	-	-	-	-	28	-	28
Transfer from other components of equity to retained earnings	-	-	-	(7,184)	4	-	-	(7,180)	7,180	-	-	-
Total transactions with the owners	-	16	10	(7,184)	4	-	-	(7,180)	(3,386)	(10,539)	(116)	(10,656)
As of September 30, 2017	53,204	84,337	(30,802)	-	5,095	54,111	(1,178)	58,028	343,908	508,676	2,654	511,330

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Millions of yen

	Equity attributable to owners of the parent company											Total equity		
	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, 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	-	-	-	-	-	-	-	-	20,210	20,210	155	20,365		
Other comprehensive income	-	-	-	3,182	41	11,323	(910)	13,637	-	13,637	(12)	13,625		
Total comprehensive income for the period	-	-	-	3,182	41	11,323	(910)	13,637	20,210	33,847	143	33,990		
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)		
Dividends	-	-	-	-	-	-	-	-	(11,271)	(11,271)	(120)	(11,391)		
Share-based payment transactions	-	33	-	-	-	-	-	-	-	33	-	33		
Transfer from other components of equity to retained earnings	-	-	-	(3,182)	19	-	-	(3,163)	3,163	-	-	-		
Total transactions with the owners	-	33	(0)	(3,182)	19	-	-	(3,163)	(8,107)	(11,238)	(120)	(11,358)		
As of September 30, 2018	53,204	84,398	(30,803)	-	4,719	54,294	(579)	58,434	370,434	535,667	2,401	538,069		

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars

	Equity attributable to owners of the parent company											Total equity		
	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, 2018	468,964	743,622	(271,511)	-	41,057	378,757	2,917	422,741	3,155,583	4,519,409	20,960	4,540,379		
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	2,908	2,908	-	2,908		
As of April 1, 2018 (restated)	468,964	743,622	(271,511)	-	41,057	378,757	2,917	422,741	3,158,501	4,522,327	20,960	4,543,296		
Profit for the period	-	-	-	-	-	-	-	-	178,140	178,140	1,366	179,506		
Other comprehensive income	-	-	-	28,047	361	99,806	(8,021)	120,202	-	120,202	(105)	120,096		
Total comprehensive income for the period	-	-	-	28,047	361	99,806	(8,021)	120,202	178,140	298,342	1,260	299,603		
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)		
Dividends	-	-	-	-	-	-	-	-	(99,347)	(99,347)	(1,057)	(100,405)		
Share-based payment transactions	-	290	-	-	-	-	-	-	-	290	-	290		
Transfer from other components of equity to retained earnings	-	-	-	(28,047)	167	-	-	(27,880)	27,880	-	-	-		
Total transactions with the owners	-	290	(0)	(28,047)	167	-	-	(27,880)	(71,458)	(99,056)	(1,057)	(100,114)		
As of September 30, 2018	468,964	743,922	(271,511)	-	41,595	478,572	(5,103)	515,063	3,265,174	4,721,613	21,163	4,742,785		

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Cash Flows

Six months ended September 30, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2017	2018	2018
Cash flows from operating activities			
Profit for the period	15,157	20,365	179,506
Depreciation and amortisation	24,367	27,576	243,067
Impairment loss (reversal of impairment loss)	878	563	4,962
Finance (income) costs	704	(1,241)	(10,938)
Share of (profit) loss of investments accounted for using the equity method	(26)	(59)	(520)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	386	96	846
Income taxes	7,853	6,537	57,620
Decrease (increase) in trade receivables	(8,623)	156	1,375
Decrease (increase) in inventories	(19,646)	(24,601)	(216,844)
Increase (decrease) in trade payables	17,021	6,355	56,015
Increase (decrease) in net defined benefit liabilities	917	573	5,050
Other	(490)	(6,179)	(54,464)
Subtotal	38,501	30,142	265,685
Interest and dividends income received	629	1,114	9,819
Interest expenses paid	(448)	(712)	(6,275)
Payment for loss on litigation	(564)	-	-
Income taxes paid	(11,452)	(9,797)	(86,355)
Net cash from (used in) operating activities	26,664	20,746	182,864
Cash flows from investing activities			
Purchase of property, plant and equipment	(38,432)	(37,370)	(329,396)
Proceeds from sale of property, plant and equipment	305	1,382	12,181
Purchase of intangible assets	(2,443)	(6,377)	(56,209)
Proceeds from sale of intangible assets	0	2	17
Proceeds from sale of investment property	9	22	193
Purchase of investments in subsidiaries	-	(887)	(7,818)
Other	(1,171)	(2,268)	(19,991)
Net cash from (used in) investing activities	(41,731)	(45,495)	(401,013)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	23,695	(6,735)	(59,365)
Repayment of non-current borrowings	-	(135)	(1,189)
Proceeds from issuance of bonds issued	19,896	-	-
Redemption of bonds issued	(10,000)	(10,000)	(88,144)
Payment of lease obligations	(46)	(73)	(643)
Dividends paid	(10,566)	(11,271)	(99,347)
Dividends paid to non-controlling interests	(116)	(120)	(1,057)
Purchase of treasury shares	(1)	(0)	(0)
Net cash from (used in) financing activities	22,861	(28,336)	(249,766)
Effect of exchange rate changes on cash and cash equivalents	1,861	2,673	23,561
Net increase (decrease) in cash and cash equivalents	9,655	(50,411)	(444,345)
Cash and cash equivalents at beginning of period	221,782	229,678	2,024,486
Cash and cash equivalents at end of period	231,438	179,266	1,580,132

Notes to Consolidated Financial Statements

1. Note for Going Concern Assumption

Not applicable.

2. Changes in Accounting Policies

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

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

(1) Adoption of IFRS9 Financial Instruments

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

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

(2) Adoption of IFRS15 Revenue from Contracts with Customers

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

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

Epson recognises revenue by applying the following five steps approach.

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

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

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

Step 5: Recognise revenue when Epson satisfies a performance obligation

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

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

3. Contingencies

Material litigation

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

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

Epson had the following material actions.

(1) The liquid crystal display price-fixing cartel

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

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

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

4. Subsequent Events

No material subsequent events were identified.