

## Financial Results for the First Quarter ended June 30, 2018 [IFRS](Consolidated)

July 27, 2018

Name of the listed company: SEIKO EPSON CORPORATION

Stock Listing: TOKYO

Code number: 6724 URL: global.epson.com

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Projected date of Quarterly report: July 31, 2018

Projected date of the beginning of cash dividends: —

Reference materials regarding financial results for the period: Yes

Briefing on quarterly financial results: Yes (for Analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Results of Three months ended June 30, 2018 (From April 1, 2018 to June 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	%
Three months ended June 30, 2018	260,460	2.2	14,624	△12.7	13,491	△8.2	14,334	△0.8	11,226	8.9	11,166	9.4
Three months ended June 30, 2017	254,805	6.6	16,757	159.1	14,689	110.5	14,455	126.9	10,304	145.2	10,204	147.7

Note: Total comprehensive income for the period: Three months ended Jun.30, 2018 ¥17,989 million (24.3%)

Three months ended Jun.30, 2017 ¥14,468 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	
Three months ended June 30, 2018	31.70		31.70	
Three months ended June 30, 2017	28.97		28.97	

#### (2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the parent company	Equity attributable to owners of the parent company ratio
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2018	1,034,753	522,048	519,738	50.2
As of March 31, 2018	1,033,350	515,106	512,727	49.6

### 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	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	30.00	—	32.00	62.00
Year ended March 31, 2019	—				
Year ended March 31, 2019 (Forecast)		31.00	—	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	1,050,000	△4.7	80,000	7.0	75,000	15.4	74,000	18.1	58,000	38.9	58,000	38.6	164.67

Note: Changes from the latest announced forecasts: None

## Notes

(1) Changes in status of material subsidiaries during the period (Specified subsidiaries newly consolidated or removed from consolidation): None

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

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

For details, please refer to page 12 “Notes to Consolidated Financial Statements 2. Changes in Accounting Policies”.

(3) Number of shares outstanding

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

As of June 30, 2018	399,634,778	As of March 31, 2018	399,634,778
As of June 30, 2018	47,406,221	As of March 31, 2018	47,406,139
Three months ended June 30, 2018	352,228,629	Three months ended June 30, 2017	352,225,021

\*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, July 27, 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 ¥110.46 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation.

## Operating Performance Highlights and Financial Condition

### Overview of the Fiscal 2018 First-Quarter (April 1 to June 30, 2018)

On the whole, the global economy continued to gradually recover in the quarter 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 is slowing due to currency devaluation in Argentina and Brazil and the economic ramifications of a truck drivers' strike in Brazil. The Chinese economy continued to pick up, but trade friction with the U.S. has become cause for concern. 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 quarter of the fiscal year were ¥109.06 and ¥130.09, respectively. This represents a 2% appreciation in the value of the yen against the dollar and a 7% depreciation in the value of the yen against the euro, year on year.

Against this backdrop, Epson recorded ¥260.4 billion in revenue for the quarter, an increase of 2.2% compared to the same period last year. Revenue growth was driven primarily by increased sales of high-capacity ink tank printers in the printing solutions segment, 3LCD projectors in the visual communications segment, and semiconductors in the wearable & industrial products segment. Business profit came in at ¥14.6 billion, a year-on-year decrease of 12.7%. Although revenue growth and foreign exchange were positive factors, business profit decreased due to strategic investment in future growth and lower revenue from ink cartridges, and because ink cartridge printer production expenses returned to normal this year compared to last, when ink cartridge printer production expenses slipped into the second quarter after a fire at a vendor's facility caused production to be deferred. Profit from operating activities was ¥13.4 billion, down 8.2% year on year. Profit before tax was ¥14.3 billion, down 0.8% year on year. And profit for the period attributable to owners of the parent company was ¥11.1 billion, up 9.4% 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 decreased. 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 products

sales decreased chiefly due to deferment of proposals for tenders in North America.

Segment profit in the printing solutions segment decreased. Although it benefited from high-capacity ink tank printer revenue growth and foreign exchange effects, segment profit decreased due to the effects of a decline in ink cartridge revenue and because ink cartridge printer production expenses returned to normal this year compared to last, when ink cartridge printer production expenses slipped into the second quarter after a fire at a vendor's facility caused production to be deferred.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥166.6 billion, up 0.4% year on year. Segment profit was ¥17.9 billion, down 19.0 % 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 segment, accounted for a higher percentage of total unit shipments.

Segment profit in the visual communications segment increased on higher revenue and foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥51.4 billion, up 10.9% year on year. Segment profit was ¥7.1 billion, up 35.5% 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 increased despite an easing of last year's strong demand for IC handlers from mobile device manufacturers. The revenue growth was largely the result of increased demand and more orders for industrial robots in China, as well as foreign exchange effects.

Revenue in the microdevices business increased. Crystal device revenue decreased due to a decline in volume caused by slowing growth in the mobile market, as well as to price erosion brought about by a transition of demand to the low and medium price ranges. Semiconductor revenue increased as a result of higher volume on increased 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 ¥43.1 billion, up 0.3% year on year. Segment profit was ¥1.7 billion, down 25.3% year on year.

## Other

Other revenue amounted to ¥0.2 billion, down 6.4% year on year. Segment loss was ¥0.1 billion, compared to a segment loss of ¥0.1 billion in the same period last year.

## Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥12.0 billion. (Adjustments in the same period last year were negative ¥12.8 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

## **Liquidity and Financial Position**

### Assets, Liabilities, and Equity

Total assets at the end of the first quarter were ¥1,034.7 billion, an increase of ¥1.4 billion from the previous fiscal year end. While cash and cash equivalents decreased by ¥25.0 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 ¥15.6 billion increase in inventories, a ¥4.9 billion increase in property, plant and equipment and intangible assets, and a ¥4.8 billion increase in other current assets and other non-current assets.

Total liabilities were ¥512.7 billion, down ¥5.5 billion compared to the end of the last fiscal year. Although other current liabilities increased by ¥6.2 billion, total liabilities decreased mainly because of a ¥13.2 billion decrease in provisions for current liabilities and non-current liabilities.

The equity attributable to owners of the parent company was ¥519.7 billion, a ¥7.0 billion increase compared to the previous fiscal year end. Although dividends paid were ¥11.2 billion, equity attributable to owners of the parent company increased mainly because of a ¥5.6 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 ¥11.1 billion in profit for the period attributable to owners of the parent company and a ¥1.1 billion remeasurement of the defined benefit plan.

### Cash Flows

Net cash from operating activities during the quarter was ¥10.4 billion (compared to ¥1.6 billion year on year) due to the following factors: although there was a ¥12.5 billion increase in inventories and ¥6.6 billion in income taxes paid, Epson recorded ¥11.2 billion in profit for the period, a ¥13.3 billion in depreciation and amortization and a ¥5.0 billion increase in trade payables.

Net cash used in investing activities was ¥25.8 billion (compared to ¥18.3 billion year on year), mainly because the Company used ¥23.2 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities was ¥10.2 billion (compared to ¥9.2 billion year on year), chiefly due to ¥11.2 billion in dividends paid.

As a result, cash and cash equivalents at the end of the first quarter were ¥204.6 billion (compared to

¥196.6 billion at the end of the previous first quarter).

## **Qualitative Information Regarding the Consolidated Financial Outlook**

The consolidated financial outlook for the full year has not changed since it was announced on April 27, 2018. The figures in the outlook are based on assumed exchange rates from the second quarter of 100.00 yen to the U.S. dollar and 125.00 yen to the euro.

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

	FY2017	Previous Outlook (A)	Current Outlook (B)	Change (B - A)
Revenue	¥1,102.1 billion	¥1,050.0 billion	¥1,050.0 billion	-
Business profit	¥74.7 billion	¥80.0 billion	¥80.0 billion	-
Profit from operating activities	¥65.0 billion	¥75.0 billion	¥75.0 billion	-
Profit before tax	¥62.6 billion	¥74.0 billion	¥74.0 billion	-
Profit for the period	¥41.7 billion	¥58.0 billion	¥58.0 billion	-
Profit for the year attributable to owners of the parent company	¥41.8 billion	¥58.0 billion	¥58.0 billion	-
Exchange rates	1 USD = ¥110.85	1 USD = ¥100.00	1 USD = ¥102.00	
	1 EUR = ¥129.66	1 EUR = ¥125.00	1 EUR = ¥126.00	

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	June 30, 2018	June 30, 2018
<u>Assets</u>			
Current assets			
Cash and cash equivalents	229,678	204,623	1,852,462
Trade and other receivables	165,282	157,708	1,427,738
Inventories	223,227	238,897	2,162,746
Income tax receivables	2,942	4,917	44,513
Other financial assets	1,513	3,189	28,870
Other current assets	16,485	19,736	178,671
Subtotal	639,129	629,072	5,695,020
Non-current assets held for sale	43	4,698	42,531
Total current assets	639,172	633,771	5,737,561
Non-current assets			
Property, plant and equipment	297,927	300,484	2,720,296
Intangible assets	22,037	24,477	221,591
Investment property	1,219	1,216	11,008
Investments accounted for using the equity method	1,546	1,512	13,688
Net defined benefit assets	11	1	9
Other financial assets	20,433	20,431	184,962
Other non-current assets	5,299	6,947	62,891
Deferred tax assets	45,701	45,911	415,634
Total non-current assets	394,178	400,981	3,630,101
Total assets	1,033,350	1,034,753	9,367,671

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	June 30, 2018	June 30, 2018
<b>Liabilities and equity</b>			
Liabilities			
Current liabilities			
Trade and other payables	154,759	156,454	1,416,386
Income tax payables	7,296	5,430	49,158
Bonds issued, borrowings and lease liabilities	36,082	48,320	437,443
Other financial liabilities	201	330	2,987
Provisions	26,403	12,929	117,046
Other current liabilities	97,643	103,921	940,802
<b>Total current liabilities</b>	<b>322,387</b>	<b>327,387</b>	<b>2,963,851</b>
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	130,483	120,631	1,092,078
Other financial liabilities	1,613	1,737	15,725
Net defined benefit liabilities	42,321	41,605	376,652
Provisions	8,954	9,164	82,962
Other non-current liabilities	11,434	11,225	101,620
Deferred tax liabilities	1,049	952	8,618
<b>Total non-current liabilities</b>	<b>195,856</b>	<b>185,317</b>	<b>1,677,684</b>
<b>Total liabilities</b>	<b>518,244</b>	<b>512,704</b>	<b>4,641,535</b>
Equity			
Share capital	53,204	53,204	481,658
Capital surplus	84,364	84,378	763,878
Treasury shares	(30,803)	(30,803)	(278,861)
Other components of equity	47,960	53,562	484,899
Retained earnings	358,001	359,397	3,253,639
<b>Equity attributable to owners of the parent company</b>	<b>512,727</b>	<b>519,738</b>	<b>4,705,214</b>
Non-controlling interests	2,378	2,310	20,912
<b>Total equity</b>	<b>515,106</b>	<b>522,048</b>	<b>4,726,127</b>
<b>Total liabilities and equity</b>	<b>1,033,350</b>	<b>1,034,753</b>	<b>9,367,671</b>



# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2017	2018	2018
Revenue	254,805	260,460	2,357,957
Cost of sales	(163,519)	(166,438)	(1,506,771)
Gross profit	91,286	94,022	851,185
Selling, general and administrative expenses	(74,528)	(79,397)	(718,785)
Other operating income	593	565	5,114
Other operating expense	(2,662)	(1,698)	(15,372)
Profit from operating activities	14,689	13,491	122,134
Finance income	392	1,324	11,986
Finance costs	(640)	(504)	(4,562)
Share of profit of investments accounted for using the equity method	14	22	199
Profit before tax	14,455	14,334	129,766
Income taxes	(4,150)	(3,108)	(28,136)
Profit for the period	10,304	11,226	101,629
Profit for the period attributable to:			
Owners of the parent company	10,204	11,166	101,086
Non-controlling interests	100	59	534
Profit for the period	10,304	11,226	101,629

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	June 30,		Three months ended
	2017	2018	June 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)	3,249	1,169	10,583
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	241	(157)	(1,421)
Subtotal	3,491	1,011	9,152
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	2,542	4,930	44,631
Net changes in fair value of cash flow hedges	(1,875)	827	7,486
Share of other comprehensive income of investments accounted for using the equity method	5	(6)	(54)
Subtotal	672	5,751	52,064
Total other comprehensive income, net of tax	4,163	6,763	61,225
Total comprehensive income for the period	14,468	17,989	162,855
Total comprehensive income for the period attributable to:			
Owners of the parent company	14,345	17,938	162,393
Non-controlling interests	123	51	461
Total comprehensive income for the period	14,468	17,989	162,855

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	June 30,		June 30,
	2017	2018	2018
Earnings per share for the period:			
Basic earnings per share for the period	28.97	31.70	0.29
Diluted earnings per share for the period	28.97	31.70	0.29

**Quarterly Condensed Consolidated Statement of Changes in Equity**

**Three months ended June 30, 2017 and 2018:**

Millions of yen												
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	Total equity
	Share capital	Capital surplus	Treasury shares	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	-	-	-	-	-	-	-	-	10,204	10,204	100	10,304
Other comprehensive income	-	-	-	3,249	241	2,525	(1,875)	4,140	-	4,140	22	4,163
Total comprehensive income for the period	-	-	-	3,249	241	2,525	(1,875)	4,140	10,204	14,345	123	14,468
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(10,566)	(10,566)	(116)	(10,683)
Share-based payment transactions	-	4	4	-	-	-	-	-	-	9	-	9
Transfer from other components of equity to retained earnings	-	-	-	(3,249)	4	-	-	(3,245)	3,245	-	-	-
Total transactions with the owners	-	4	4	(3,249)	4	-	-	(3,245)	(7,321)	(10,557)	(116)	(10,673)
As of June 30, 2017	53,204	84,326	(30,807)	-	5,270	50,790	(1,988)	54,072	335,190	495,985	2,532	498,517

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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Millions of yen												
Equity attributable to owners of the parent company												
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2018	53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,001	512,727	2,378	515,106
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	330	330	-	330
As of April 1, 2018 (restated)	53,204	84,364	(30,803)	-	4,658	42,970	331	47,960	358,332	513,058	2,378	515,437
Profit for the period	-	-	-	-	-	-	-	-	11,166	11,166	59	11,226
Other comprehensive income	-	-	-	1,169	(157)	4,931	827	6,771	-	6,771	(7)	6,763
Total comprehensive income for the period	-	-	-	1,169	(157)	4,931	827	6,771	11,166	17,938	51	17,989
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(11,271)	(11,271)	(120)	(11,391)
Share-based payment transactions	-	13	-	-	-	-	-	-	-	13	-	13
Transfer from other components of equity to retained earnings	-	-	-	(1,169)	-	-	-	(1,169)	1,169	-	-	-
Total transactions with the owners	-	13	(0)	(1,169)	-	-	-	(1,169)	(10,101)	(11,258)	(120)	(11,378)
As of June 30, 2018	53,204	84,378	(30,803)	-	4,501	47,902	1,158	53,562	359,397	519,738	2,310	522,048

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars												
Equity attributable to owners of the parent company												
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2018	481,658	763,751	(278,861)	-	42,169	389,009	2,996	434,184	3,241,001	4,641,743	21,528	4,663,280
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	2,987	2,987	-	2,987
As of April 1, 2018 (restated)	481,658	763,751	(278,861)	-	42,169	389,009	2,996	434,184	3,243,997	4,644,740	21,528	4,666,277
Profit for the period	-	-	-	-	-	-	-	-	101,086	101,086	534	101,629
Other comprehensive income	-	-	-	10,583	(1,421)	44,640	7,486	61,298	-	61,298	(63)	61,225
Total comprehensive income for the period	-	-	-	10,583	(1,421)	44,640	7,486	61,298	101,086	162,393	461	162,855
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(102,036)	(102,036)	(1,086)	(103,123)
Share-based payment transactions	-	117	-	-	-	-	-	-	-	117	-	117
Transfer from other components of equity to retained earnings	-	-	-	(10,583)	-	-	-	(10,583)	10,583	-	-	-
Total transactions with the owners	-	117	(0)	(10,583)	-	-	-	(10,583)	(91,444)	(101,919)	(1,086)	(103,005)
As of June 30, 2018	481,658	763,878	(278,861)	-	40,747	433,659	10,483	484,899	3,253,639	4,705,214	20,912	4,726,127

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Cash Flows

**Three months ended June 30, 2017 and 2018:**

	Millions of yen		Thousands of U.S. dollars
	Three months ended		Three months ended
	June 30,		June 30,
	2017	2018	2018
Cash flows from operating activities			
Profit for the period	10,304	11,226	101,629
Depreciation and amortisation	11,910	13,308	120,478
Impairment loss (reversal of impairment loss)	594	58	525
Finance (income) costs	247	(820)	(7,423)
Share of (profit) loss of investments accounted for using the equity method	(14)	(22)	(199)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	296	136	1,231
Income taxes	4,150	3,108	28,136
Decrease (increase) in trade receivables	2,836	9,143	82,772
Decrease (increase) in inventories	(8,607)	(12,530)	(113,434)
Increase (decrease) in trade payables	2,435	5,041	45,636
Increase (decrease) in net defined benefit liabilities	474	257	2,326
Other	(13,915)	(12,046)	(109,053)
Subtotal	10,713	16,862	152,652
Interest and dividends income received	409	509	4,608
Interest expenses paid	(214)	(286)	(2,589)
Payment for loss on litigation	(564)	-	-
Income taxes paid	(8,699)	(6,634)	(60,057)
Net cash from (used in) operating activities	1,644	10,451	94,613
Cash flows from investing activities			
Purchase of property, plant and equipment	(16,957)	(22,220)	(201,158)
Proceeds from sale of property, plant and equipment	167	156	1,412
Purchase of intangible assets	(1,303)	(1,069)	(9,677)
Proceeds from sale of intangible assets	0	0	0
Proceeds from sale of investment property	-	22	199
Purchase of investments in subsidiaries	-	(887)	(8,030)
Other	(210)	(1,855)	(16,793)
Net cash from (used in) investing activities	(18,304)	(25,853)	(234,048)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	1,475	1,188	10,755
Payment of lease obligations	(20)	(38)	(344)
Dividends paid	(10,566)	(11,271)	(102,036)
Dividends paid to non-controlling interests	(111)	(120)	(1,086)
Purchase of treasury shares	(0)	(0)	(0)
Net cash from (used in) financing activities	(9,223)	(10,241)	(92,712)
Effect of exchange rate changes on cash and cash equivalents	709	589	5,332
Net increase (decrease) in cash and cash equivalents	(25,174)	(25,054)	(226,815)
Cash and cash equivalents at beginning of period	221,782	229,678	2,079,286
Cash and cash equivalents at end of period	196,607	204,623	1,852,462

**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 three-month period 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 for the quarter ended June 30, 2018 from the adoption of this standard 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 the 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 of the application of IFRS15 is insignificant.

### *3. Contingencies*

#### Material litigation

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

Provisions are not recognised either if an outflow of resources embodying economic benefits is not probable or to estimate the 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.

Epson has decided to discontinue disclosure of some items in Notes to Consolidated Financial Statements from this quarter.

In addition, Epson has decided to discontinue the distribution of “Supplementary Information” within this report. The information will be available in “Explanatory Presentation” on Epson’s website from this quarter.