

## Financial Results for the First Quarter ended June 30, 2020 [IFRS](Consolidated)

July 31, 2020

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: global.epson.com

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Scheduled date to file Quarterly Securities Report: August 4, 2020 Scheduled starting date of payment for the dividends: —

Reference materials regarding financial results for the period: Yes

Briefing on quarterly financial results: Yes (for analysts)

(Amounts are rounded down to the nearest million yen)

### 1. Results of Three months ended June 30, 2020 (From April 1, 2020 to June 30, 2020)

#### (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, 2020	193,217	△22.6	4,366	△3.2	2,054	△40.1	1,154	△59.7	(243)	—	(246)	—
Three months ended June 30, 2019	249,627	△4.2	4,511	△69.2	3,429	△74.6	2,865	△80.0	248	△97.8	249	△97.8

Note: Total comprehensive income for the period: Three months ended June 30, 2020 ¥4,126 million (—%)

Three months ended June 30, 2019 (¥6,950) 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, 2020	(0.71)	(0.71)
Three months ended June 30, 2019	0.71	0.71

#### (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, 2020	1,013,699	498,949	497,189	49.0
As of March 31, 2020	1,040,910	506,037	503,746	48.4

### 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, 2020	—	31.00	—	31.00	62.00
Year ending March 31, 2021	—				
Year ending March 31, 2021 (Forecast)		31.00	—	31.00	62.00

Note: Changes from the latest announced forecasts: None

### 3. Forecast for the Fiscal Year ending March 31, 2021 (From April 1, 2020 to March 31, 2021)

(%: 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, 2021	930,000	△10.9	20,000	△51.1	16,000	△59.5	14,000	△64.7	1,000	△87.2	1,000	△87.1	2.89

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

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):

As of June 30, 2020	399,634,778	As of March 31, 2020	399,634,778
As of June 30, 2020	53,679,051	As of March 31, 2020	53,703,521
Three months ended June 30, 2020	345,944,841	Three months ended June 30, 2019	350,871,422

2. Treasury shares:

3. Average number of shares:

※This report is not reviewed by certified public accountants nor auditors.

※Explanation of appropriate use of forecast and other special items

(Cautionary statement concerning forward-looking statements)

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to timely introduce new products and services in markets, consumption trends, competition, technology trends, and exchange rate fluctuations.

Assumptions for the forecasts and warnings for users of the forecasts are available on page 4 "Qualitative Information Regarding the Consolidated Financial Outlook".

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

The Company is scheduled to hold a briefing for analysts on financial results on Friday, July 31, 2020 and to post materials used at the briefing on the Company's website on that day.

U.S. dollar amounts are presented for the convenience of the readers. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars. The exchange rate of ¥107.705 = 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 2020 First Quarter (April 1 to June 30, 2020)

The global economy rapidly slowed during the first quarter of the year under review due to the worldwide coronavirus pandemic, which forced countries to go into lockdown, restrict travel, and otherwise limit economic activity. The economy is expected to begin to head toward a recovery from the current dire situation as countries gradually reopen their economies. However, the outlook remains clouded by extreme uncertainty because of the many risks that need to be anticipated, such as the coronavirus infection trend, government actions, and the impact on financial and capital markets. By region, emerging economies continue to face a difficult economic environment due to ongoing restrictions on economic activity in parts of India, Southeast Asia, and Latin America. In China, economic activity resumed at an early stage and there have been strong signs of recovery. However, the Chinese economy, which had continued to grow at a high rate, has fallen into a recession, and this is having a substantial negative impact on the world economy. In the advanced economies, restrictions are being gradually eased in Japan, the Americas, and Europe, and the once sharp decline has neared the bottom. However, we must keep a close eye on future trends.

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 ¥107.54 and ¥118.39, respectively. This represents a 2% appreciation in the value of the yen against the dollar and a 4% appreciation in the value of the yen against the euro, year on year. The yen also rose against the currencies of some emerging countries, in places such as China and Latin America.

Given this environment, revenue was negative in every business segment. Epson recorded ¥193.2 billion in revenue for the period, a decline of 22.6% year on year. Revenue was positively affected mainly by increased demand for inkjet printers in advanced countries, where more people began to work from home as the coronavirus spread. However, revenue was hit hard by decreased demand in emerging markets where economic activity was restricted. Business profit was ¥4.3 billion, down 3.2% year on year. While the decrease in revenue had a significant negative impact on business profit, Epson limited the decline by immediately cutting costs across the Epson Group in reaction to the spread of the coronavirus. Profit from operating activities was ¥2.0 billion, down 40.1% year on year. Profit before tax was ¥1.1 billion, down 59.7% year on year. The loss for the period attributable to owners of the parent company was ¥0.2 billion, compared to a ¥0.2 billion profit in the same period last year.

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

### Printing Solutions Segment

Printer business revenue decreased. Office and home inkjet printer revenue decreased. Sales of high-capacity ink tank printers increased in North America, Western Europe, and China due to a rise in demand from the growing number of people who began working or learning from home during the pandemic. In India, Southeast Asia, and South America, on the other hand, sales plummeted mainly due to restrictions on economic activity and because manufacturing operations were temporarily reduced or shut down as the virus

spread, resulting in insufficient product supply. In addition to these negative effects, total office and home inkjet printer revenue also decreased as a result of negative foreign exchange effects. Consumables revenue increased because sales of ink cartridges for SOHO / Home printers increased due to a rise in printing demand from the growing number of people working or learning from home during the pandemic. Serial impact dot matrix printer revenue decreased due to negative foreign exchange effects and a decline in sales associated with market contraction.

Revenue in the professional printing business decreased. Commercial and industrial inkjet printer sales were dealt a heavy blow by the restrictions on economic activity, and a combination of decreased sales and negative foreign exchange effects resulted in lower revenue. POS system product revenue decreased. This was both a counterreaction to the extra demand generated last year by tax reforms in Italy and a result of demand that was weakened by the restrictions on economic activity due to the pandemic.

Other revenue decreased compared to the same period last year, when PC demand rose as users sought to upgrade their operating systems.

Segment profit in the printing solutions segment increased despite the decrease in revenue and negative foreign exchange effects, because sales of consumables increased and because spending was rigorously reviewed and sharply curtailed.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥138.0 billion, down 15.4% year on year. Segment profit was ¥17.5 billion, up 28.4% year on year.

## Visual Communications Segment

Visual communications revenue decreased due to a variety of factors, including the restrictions placed on economic activity around the world to slow the spread of the coronavirus; the postponement or cancellation of events; school closures; the continued shrinkage of the projector market due to the incursion of flat panel displays that began last year; and negative foreign exchange effects.

Epson is being rigorously selective about spending projects and has sharply cut costs in the visual communications segment. Nevertheless, segment profit decreased on lower revenue and negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥23.5 billion, down 52.1% year on year. Segment loss was ¥2.7 billion, compared to a segment profit of ¥4.3 billion in the same period last year.

## Wearable & Industrial Products Segment

Revenue in the wearable products business decreased on a decline in watch unit shipments. This decline was primarily due to the global pandemic, which caused dealers and distributors around the world to voluntarily close and limited economic activity, a sharp decrease in demand from visitors to Japan, and flagging economic conditions, which caused consumer demand to cool. Sales of watch movements also plunged due to a slack overall watch market.

Robotics solutions revenue increased despite a weakened appetite for capital expenditure in the European automotive industry. The increase was fueled largely by a contract win in China that boosted sales.

In the microdevices business, crystal device revenue decreased chiefly due to the pandemic, which caused demand for devices used in smartphone and automotive applications to decrease and which caused manufacturing operations to temporarily stop, leading to a supply shortage of some parts. Semiconductor revenue also decreased due to a deceleration of the automotive industry. Revenue in the microdevices business as a whole decreased due to a decline in semiconductor sales for automotive applications and negative foreign exchange effects.

Segment profit in the wearable and industrial products segment was muted by the effects of lower revenue in the wearable products business yet still increased owing to spending controls and spending cuts.

As a result of the foregoing factors, revenue in the wearable and industrial products segment was ¥31.8 billion, down 16.5% year on year. Segment profit was ¥0.6 billion compared to a ¥1.0 billion segment loss in the same period last year.

## Other

Other revenue amounted to ¥0.1 billion, down 21.2% year on year. Segment loss was ¥0.2 billion, equaling the ¥0.2 billion segment loss of the same period last year.

## Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥10.9 billion. (Adjustments in the same period last year were negative ¥12.3 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

## **Liquidity and Financial Position**

### Assets, Liabilities, and Equity

Total assets at the end of the first quarter were ¥1,013.6 billion, a decrease of ¥27.2 billion from the previous fiscal year end. In addition to a ¥15.6 billion decrease in cash and cash equivalents resulting largely from the payment of dividends, trade and other receivables decreased by ¥28.6 billion. On the other hand, inventories increased by ¥21.8 billion.

Total liabilities were ¥514.7 billion, down ¥20.1 billion compared to the end of the last fiscal year. This decrease was mainly due to a ¥7.4 billion decrease in trade and other payables and a ¥12.9 billion decrease in other current liabilities.

The equity attributable to owners of the parent company totaled ¥497.1 billion, a ¥6.5 billion decrease compared to the previous fiscal year end. Although retained earnings increased due to a ¥5.3 billion remeasurement of the defined benefit plan, the decrease was mainly due to the recording of a ¥0.2 billion loss for the period attributable to owners of the parent company and to ¥10.7 billion in dividend payments.

### Cash Flows

Net cash from operating activities during the quarter totaled ¥11.8 billion. The total for the year-ago period was ¥13.9 billion. Epson recorded a ¥0.2 billion loss for the period. Net cash was negatively affected by a ¥21.3 billion increase in inventories and the recording of ¥17.1 billion in other. However, net cash was

positively affected by the recording of ¥17.6 billion in depreciation and amortization and a ¥25.7 billion decrease in notes and accounts receivable-trade.

Net cash used in investing activities totaled ¥17.3 billion (compared to ¥17.6 billion in the same period last year), mainly because Epson used ¥16.0 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities totaled ¥10.1 billion (compared to ¥9.3 billion in the same period last year), chiefly due to ¥10.7 billion in dividends paid.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the first quarter totaled ¥180.6 billion compared to ¥158.9 billion in the same period last year.

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

The global economy is in a precarious state due to the pandemic, but it should head toward a recovery as economic activity gradually resumes.

Epson did not earlier provide a full-year consolidated financial outlook for the fiscal year ending March 31, 2021, as it was not possible to reasonably calculate the impact of the coronavirus pandemic on our business activities. However, we recently put together an outlook based on forecasts and information that are currently available.

First-half revenue is expected to decrease compared to the same period last year. In the printer business, we expect home use to fuel continued growth in sales of home and office inkjet printers and consumables in developed markets in places such as North America and Western Europe. However, the pandemic is likely to cause product supply delays and weaken demand and sales. Second half revenue will be slightly below the same period in the previous year. Although we expect to benefit from the launch of strategic products, we expect to feel the lingering effects of the pandemic in certain regions.

We are forecasting a year-on-year decrease in every profit category from business profit on down. Given the current challenging business environment, we will slash expenses and spend on priorities throughout the year. Nevertheless, the reduced revenue resulting from the effects of the pandemic will impact profit.

The figures in the outlook are based on assumed exchange rates from the second quarter of 105.00 yen to the U.S. dollar and 118.00 yen to the euro.

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

	FY2019	Previous Outlook (A)	Current Outlook (B)
Revenue	¥1,043.6 billion	-	¥930.0 billion
Business profit	¥40.8 billion	-	¥20.0 billion
Profit from operating activities	¥39.4 billion	-	¥16.0 billion
Profit before tax	¥39.7 billion	-	¥14.0 billion
Profit for the period	¥7.8 billion	-	¥1.0 billion
Profit for the year attributable to owners of the parent company	¥7.7 billion	-	¥1.0 billion
Exchange rates	1 USD = ¥108.74	-	1 USD = ¥106.00
	1 EUR = ¥120.85	-	1 EUR = ¥118.00

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2020	June 30, 2020	June 30, 2020
<u>Assets</u>			
Current assets			
Cash and cash equivalents	196,262	180,601	1,676,811
Trade and other receivables	157,782	129,172	1,199,312
Inventories	233,434	255,294	2,370,307
Income tax receivables	5,217	4,257	39,524
Other financial assets	3,159	2,090	19,404
Other current assets	13,989	16,157	150,011
Total current assets	609,846	587,574	5,455,401
Non-current assets			
Property, plant and equipment	360,517	351,994	3,268,130
Intangible assets	29,052	27,820	258,298
Investment property	1,043	1,112	10,324
Investments accounted for using the equity method	1,512	1,500	13,926
Net defined benefit assets	33	30	278
Other financial assets	16,959	17,833	165,572
Other non-current assets	1,871	2,761	25,634
Deferred tax assets	20,072	23,073	214,224
Total non-current assets	431,064	426,125	3,956,408
Total assets	1,040,910	1,013,699	9,411,810

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	March 31, 2020	June 30, 2020	June 30, 2020
<u>Liabilities and equity</u>			
Liabilities			
Current liabilities			
Trade and other payables	125,069	117,637	1,092,214
Income tax payables	3,286	4,389	40,750
Bonds issued, borrowings and lease liabilities	22,320	25,748	239,060
Other financial liabilities	363	1,419	13,174
Provisions	11,406	11,496	106,735
Other current liabilities	109,827	96,870	899,401
Total current liabilities	272,274	257,561	2,391,356
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	187,362	186,183	1,728,638
Other financial liabilities	1,877	2,123	19,711
Net defined benefit liabilities	52,964	49,106	455,930
Provisions	7,585	7,150	66,385
Other non-current liabilities	11,814	11,448	106,290
Deferred tax liabilities	993	1,175	10,909
Total non-current liabilities	262,598	257,187	2,387,883
Total liabilities	534,873	514,749	4,779,248
Equity			
Share capital	53,204	53,204	493,978
Capital surplus	84,434	84,423	783,835
Treasury shares	(40,953)	(40,912)	(379,852)
Other components of equity	37,451	36,444	338,368
Retained earnings	369,609	364,029	3,379,870
Equity attributable to owners of the parent company	503,746	497,189	4,616,210
Non-controlling interests	2,290	1,760	16,340
Total equity	506,037	498,949	4,632,551
Total liabilities and equity	1,040,910	1,013,699	9,411,810

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2019 and 2020:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	June 30,		Three months ended
	2019	2020	June 30, 2020
Revenue	249,627	193,217	1,793,946
Cost of sales	(164,894)	(126,596)	(1,175,395)
Gross profit	84,733	66,620	618,541
Selling, general and administrative expenses	(80,221)	(62,253)	(577,995)
Other operating income	728	898	8,337
Other operating expense	(1,811)	(3,211)	(29,812)
Profit from operating activities	3,429	2,054	19,070
Finance income	714	496	4,605
Finance costs	(1,284)	(1,432)	(13,295)
Share of profit of investments accounted for using the equity method	5	36	334
Profit before tax	2,865	1,154	10,714
Income taxes	(2,616)	(1,398)	(12,979)
Profit (loss) for the period	248	(243)	(2,256)
Profit (loss) for the period attributable to:			
Owners of the parent company	249	(246)	(2,284)
Non-controlling interests	(0)	2	18
Profit (loss) for the period	248	(243)	(2,256)

# SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	June 30,		Three months ended
	2019	2020	June 30, 2020
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	1,603	5,390	50,044
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(285)	443	4,113
Subtotal	1,317	5,833	54,157
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(8,810)	201	1,866
Net changes in fair value of cash flow hedges	316	(1,661)	(15,421)
Share of other comprehensive income of investments accounted for using the equity method	(22)	(2)	(18)
Subtotal	(8,517)	(1,463)	(13,583)
Total other comprehensive income, net of tax	(7,199)	4,370	40,573
Total comprehensive income for the period	(6,950)	4,126	38,308
Total comprehensive income for the period attributable to:			
Owners of the parent company	(6,846)	4,137	38,410
Non-controlling interests	(104)	(10)	(92)
Total comprehensive income for the period	(6,950)	4,126	38,308

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	June 30,		June 30,
	2019	2020	2020
Earnings per share for the period:			
Basic earnings (loss) per share for the period	0.71	(0.71)	(0.01)
Diluted earnings (loss) per share for the period	0.71	(0.71)	(0.01)

**Quarterly Condensed Consolidated Statement of Changes in Equity****Three months ended June 30, 2019 and 2020:**

	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, 2019	53,204	84,427	(30,788)	-	2,234	48,069	136	50,440	382,897	540,181	2,565	542,747	
Cumulative effects of change in accounting policy	-	-	-	-	-	-	-	-	(847)	(847)	-	(847)	
As of April 1, 2019 (restated)	53,204	84,427	(30,788)	-	2,234	48,069	136	50,440	382,049	539,333	2,565	541,899	
Profit (loss) for the period	-	-	-	-	-	-	-	-	249	249	(0)	248	
Other comprehensive income	-	-	-	1,603	(285)	(8,729)	316	(7,095)	-	(7,095)	(104)	(7,199)	
Total comprehensive income for the period	-	-	-	1,603	(285)	(8,729)	316	(7,095)	249	(6,846)	(104)	(6,950)	
Acquisition of treasury shares	-	-	(5,879)	-	-	-	-	-	-	(5,879)	-	(5,879)	
Dividends	-	-	-	-	-	-	-	-	(10,919)	(10,919)	(188)	(11,108)	
Share-based payment transactions	-	2	4	-	-	-	-	-	-	7	-	7	
Transfer from other components of equity to retained earnings	-	-	-	(1,603)	-	-	-	(1,603)	1,603	-	-	-	
Total transactions with the owners	-	2	(5,874)	(1,603)	-	-	-	(1,603)	(9,315)	(16,791)	(188)	(16,980)	
As of June 30, 2019	53,204	84,430	(36,663)	-	1,949	39,340	452	41,742	372,983	515,696	2,272	517,969	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

	Millions of yen											
	Equity attributable to owners of the parent company											Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	
Remeasurement of net defined benefit liabilities (assets)				Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity					
As of April 1, 2020	53,204	84,434	(40,953)	-	1,729	35,144	577	37,451	369,609	503,746	2,290	506,037
Profit (loss) for the period	-	-	-	-	-	-	-	-	(246)	(246)	2	(243)
Other comprehensive income	-	-	-	5,390	443	211	(1,661)	4,383	-	4,383	(12)	4,370
Total comprehensive income for the period	-	-	-	5,390	443	211	(1,661)	4,383	(246)	4,137	(10)	4,126
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(10,723)	(10,723)	(519)	(11,243)
Share-based payment transactions	-	(11)	40	-	-	-	-	-	-	29	-	29
Transfer from other components of equity to retained earnings	-	-	-	(5,390)	-	-	-	(5,390)	5,390	-	-	-
Total transactions with the owners	-	(11)	40	(5,390)	-	-	-	(5,390)	(5,333)	(10,694)	(519)	(11,214)
As of June 30, 2020	53,204	84,423	(40,912)	-	2,172	35,355	(1,083)	36,444	364,029	497,189	1,760	498,949

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Thousands of U.S. dollars											
	Equity attributable to owners of the parent company											Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	
Remeasurement of net defined benefit liabilities (assets)				Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity					
As of April 1, 2020	493,978	783,937	(380,233)	-	16,053	326,298	5,357	347,718	3,431,679	4,677,090	21,261	4,698,361
Profit (loss) for the period	-	-	-	-	-	-	-	-	(2,284)	(2,284)	18	(2,256)
Other comprehensive income	-	-	-	50,044	4,113	1,959	(15,421)	40,694	-	40,694	(111)	40,573
Total comprehensive income for the period	-	-	-	50,044	4,113	1,959	(15,421)	40,694	(2,284)	38,410	(92)	38,308
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(99,558)	(99,558)	(4,818)	(104,386)
Share-based payment transactions	-	(102)	371	-	-	-	-	-	-	269	-	269
Transfer from other components of equity to retained earnings	-	-	-	(50,044)	-	-	-	(50,044)	50,044	-	-	-
Total transactions with the owners	-	(102)	371	(50,044)	-	-	-	(50,044)	(49,514)	(99,289)	(4,818)	(104,117)
As of June 30, 2020	493,978	783,835	(379,852)	-	20,166	328,257	(10,055)	338,368	3,379,870	4,616,210	16,340	4,632,551

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Cash Flows

**Three months ended June 30, 2019 and 2020:**

	Millions of yen		Thousands of
			U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2019	2020	2020
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	248	(243)	(2,256)
Depreciation and amortisation	16,410	17,678	164,133
Impairment loss (reversal of impairment loss)	198	328	3,045
Finance (income) costs	569	936	8,690
Share of (profit) loss of investments accounted for using the equity method	(5)	(36)	(334)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	226	115	1,067
Income taxes	2,616	1,398	12,979
Decrease (increase) in trade receivables	12,072	25,770	239,264
Decrease (increase) in inventories	(11,295)	(21,385)	(198,551)
Increase (decrease) in trade payables	7,983	4,898	45,476
Increase (decrease) in net defined benefit liabilities	874	1,166	10,825
Other	(12,715)	(17,126)	(159,008)
<b>Subtotal</b>	<b>17,185</b>	<b>13,500</b>	<b>125,342</b>
Interest and dividends income received	757	474	4,400
Interest expenses paid	(292)	(251)	(2,330)
Income taxes paid	(3,709)	(1,837)	(17,055)
<b>Net cash from (used in) operating activities</b>	<b>13,940</b>	<b>11,885</b>	<b>110,347</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(16,589)	(14,906)	(138,396)
Proceeds from sale of property, plant and equipment	410	164	1,522
Purchase of intangible assets	(1,246)	(1,193)	(11,076)
Proceeds from sale of intangible assets	0	15	139
Other	(207)	(1,428)	(13,258)
<b>Net cash from (used in) investing activities</b>	<b>(17,633)</b>	<b>(17,348)</b>	<b>(161,069)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in current borrowings	(6,380)	3,302	30,657
Proceeds from non-current borrowings	29,948	-	-
Redemption of bonds issued	(10,000)	-	-
Payment of lease liabilities	(1,829)	(2,196)	(20,389)
Dividends paid	(10,919)	(10,723)	(99,558)
Dividends paid to non-controlling interests	(188)	(519)	(4,818)
Purchase of treasury shares	(5,879)	(0)	(0)
Decrease (increase) in deposits for purchase of treasury shares	(4,141)	-	-
<b>Net cash from (used in) financing activities</b>	<b>(9,389)</b>	<b>(10,137)</b>	<b>(94,118)</b>
Effect of exchange rate changes on cash and cash equivalents	(3,246)	(43)	(399)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(16,329)</b>	<b>(15,644)</b>	<b>(145,248)</b>
Cash and cash equivalents at beginning of period	175,238	196,245	1,822,060
Cash and cash equivalents at end of period	158,909	180,601	1,676,811

**Notes to Consolidated Financial Statements***1. Note for Going Concern Assumption*

Not applicable.

*2. Contingencies*

Material litigation

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

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

Epson had the following material action.

**The civil action on copyright fee of ink-jet printers**

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

*3. Subsequent Events***Issuance of straight bonds by the Company**

In accordance with a comprehensive resolution on the issuance of unsecured straight bonds at the board of directors meeting held on June 3, 2020, the Company issued the bonds on July 16, 2020 as follows.

Name of bonds issued	The 20th Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bond)	The 21st Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bond)	The 22nd Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bond)
Amount of bonds issued	¥10 billion (\$92,846 thousand)	¥40 billion (\$371,384 thousand)	¥20 billion (\$185,692 thousand)
Issue price	¥100 per value of ¥100		
Interest rate	0.020%	0.230%	0.450%
Collateral	Non	Non	Non
Maturity date	July 14, 2023	July 16, 2025	July 16, 2030
Purpose of funding	The following projects that are eligible to Green Bond Framework: (1) Cost of new building construction at the Hirooka Office (Building 9) (2) Cost of new building construction at the Hirooka Office (Innovation Center Building B) (3) Cost of expansion of factory of a manufacturing subsidiary in the Philippines (4) Cost of R&D activities and production equipment for high-speed linehead inkjet multifunction printers for offices (5) Cost of R&D activities and production equipment for commercial and industrial printers (6) Cost of R&D activities and production equipment for inkjet printers and for applying inkjet printheads (7) Cost of R&D activities and production equipment for applying PaperLab and Dry Fiber Technology (8) Cost of purchasing electricity generated from renewable energy sources		

*4. Additional Information*

**Impacts of the coronavirus pandemic on accounting estimates**

There are no significant changes from the previous consolidated fiscal year in accounting estimates and assumptions about the impacts of the coronavirus pandemic applied for assessing the recoverability of deferred tax assets and impairment tests of non-financial assets, and so on.