

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

October 29, 2020

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: global.epson.com

Representative: Yasunori Ogawa, President

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Scheduled date to file Quarterly Securities Report: November 2, 2020 Scheduled starting date of payment for the dividends: November 30, 2020

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, 2020 (From April 1, 2020 to September 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	%
Six months ended September 30, 2020	439,117	△14.9	14,661	△23.4	9,286	△52.0	6,972	△63.5	4,272	△65.2	4,232	△65.5
Six months ended September 30, 2019	516,106	△3.1	19,148	△30.1	19,334	△24.5	19,107	△29.0	12,278	△39.7	12,258	△39.3

Note: Total comprehensive income for the period: Six months ended September 30, 2020 ¥9,348 million (100.5%)

Six months ended September 30, 2019 ¥4,662 million (△86.3%)

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, 2020	12.23		12.23	
Six months ended September 30, 2019	35.14		35.13	

#### (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, 2020	1,082,733	504,183	502,349	46.4
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				
Year ended March 31, 2020	—	31.00	—	31.00	62.00
Year ending March 31, 2021	—	31.00			
Year ending March 31, 2021 (Forecast)			—	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	960,000	△8.0	35,000	△14.3	28,000	△29.1	24,000	△39.6	8,000	2.3	8,000	3.4	23.12

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 September 30, 2020	399,634,778	As of March 31, 2020	399,634,778
As of September 30, 2020	53,655,137	As of March 31, 2020	53,703,521
Six months ended September 30, 2020	345,957,031	Six months ended September 30, 2019	348,836,990

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 Thursday, October 29, 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 ¥105.795 = 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 2020 First-Half (April 1 to September 30, 2020) Overview

New coronavirus infections continue unabated around the world, but lockdowns, travel restrictions, and other measures that have limited global economic activity are being eased or lifted, and economic activity around the world is gradually resuming. On the other hand, global economic trends leave little room for optimism and will be closely monitored because some countries and regions are beginning to restrict economic activity again due to a second wave of infections, and there are concerns that the financial and capital markets will suffer further damage. 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. Meanwhile, China is seeing economic activity pick up, and its economy is expected to head toward a gradual recovery. On the other hand, developed countries are seen easing restrictions at an early stage and are expected to rebound from bottom, but Epson will continue to closely watch the COVID-19 infection trend as cases again increase.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro for the first half of the year were ¥106.85 and ¥121.24, respectively. Compared to the same period last year, the yen appreciated by 2% against the dollar but stayed essentially the same against the euro. The yen also rose against the currencies of some emerging countries, in places such as China and Latin America.

Revenue was down in every business segment and was ¥439.1 billion for the period, a decline of 14.9% year on year. In developed countries, the pandemic caused a spike in at-home demand that benefited revenue in the inkjet printer business. However, revenue was hit hard by decreased demand in emerging markets where economic activity was restricted. Business profit was ¥14.6 billion, down 23.4% 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 COVID-19. Profit from operating activities was ¥9.2 billion, down 52.0% year on year. Profit before tax was ¥6.9 billion, down 63.5% year on year. And profit for the period attributable to owners of the parent company was ¥4.2 billion, down 65.5% year on year.

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

### Printing Solutions Segment

Printer business revenue decreased. In office and home inkjet printers, demand climbed sharply for high-capacity ink tank printers, ink cartridge printers, and consumables due to greater print demand from people working or learning from home. However, total office and home inkjet printer sales decreased for a variety of reasons, including insufficient product supply due to temporary reductions or shutdowns of manufacturing operations as the virus spread, restrictions on economic activity in India and some other regions, and negative foreign exchange effects. On the other hand, consumables revenue increased owing to actions taken to increase production and avoid supply shortages. Serial impact dot matrix printer revenue decreased due to negative foreign exchange effects and a decline in sales associated with a market contraction.

Revenue in the professional printing business decreased. Commercial and industrial inkjet printer and consumables sales fell sharply in the first quarter due to a combination of negative foreign exchange effects and restrictions on economic activity around the world due to the pandemic. Nevertheless, second quarter revenue was flat year on year owing primarily to the capture of large orders for photo and proofing printers and strong sales of corporate printers, CAD printers, and dye-sublimation transfer printers. POS system product revenue decreased. This was both a counteraction 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 ¥307.8 billion, down 9.8% year on year. Segment profit was ¥39.6 billion, up 15.2% year on year.

## Visual Communications Segment

Visual communications revenue decreased. Although demand in the education market is seen trending upward as schools reopen, revenue decreased primarily due to a combination of factors that includes restrictions placed on economic activity around the world to slow the spread of the new coronavirus, the postponement or cancellation of events, 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 ¥61.1 billion, down 38.1% year on year. Segment loss was ¥2.6 billion, compared to a ¥10.4 billion segment profit 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 jumped 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 sales rose along with demand in sectors such as PCs and healthcare. However, revenue decreased chiefly due to the pandemic, which dulled demand for devices used in smartphone and automotive applications and caused manufacturing operations to temporarily stop, leading

to a supply shortage of some parts. In the semiconductor business, total revenue decreased despite firm foundry demand. The decrease was the results of lower internal sales, negative foreign exchange effects, and other factors.

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 ¥70.6 billion, down 8.8% year on year. Segment profit was ¥1.9 billion compared to a ¥1.0 billion segment loss in the same period last year.

## Other

Other revenue amounted to ¥0.3 billion, down 16.5% year on year. Segment loss was ¥0.3 billion, equaling the ¥0.3 billion segment loss of the same period last year.

## Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥24.0 billion. (Adjustments in the same period last year were negative ¥24.4 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 ¥1,082.7 billion, an increase of ¥41.8 billion from the previous fiscal year end. Although trade and other receivables decreased by ¥21.0 billion, total assets increased chiefly because cash and cash equivalents increased by ¥58.0 billion, largely because of an issue of bonds.

Total liabilities were ¥578.5 billion, up ¥43.6 billion compared to the end of the last fiscal year. Although trade and other payables decreased by ¥14.4 billion, total liabilities increased mainly due to a ¥65.9 billion increase in bonds and borrowings and lease liabilities due to an issue of green bonds.

The equity attributable to owners of the parent company totaled ¥502.3 billion, a ¥1.3 billion decrease compared to the previous fiscal year end. Epson recorded ¥4.2 billion in profit for the period attributable to owners of the parent company and recorded ¥5.0 billion in other comprehensive income, the primary component of which was the remeasurement of the defined benefit plan, but the equity attributable to owners of the parent company decreased mainly because of the payment of ¥10.7 billion in dividends.

### Cash Flows

Net cash from operating activities for the first two quarters of the year totaled ¥45.5 billion (compared to ¥28.4 billion in the same period last year). Whereas Epson recorded a ¥4.2 billion profit for the period, there were negative factors such as a ¥14.2 billion increase in inventories. However, net cash was positively affected by the recording of ¥35.1 billion in depreciation and amortization and a ¥16.2 billion decrease in notes and accounts receivable-trade.

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Net cash used in investing activities totaled ¥33.5 billion (compared to ¥41.9 billion in the same period last year), mainly because Epson used ¥32.0 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Although Epson paid ¥10.7 billion in dividends and repaid ¥5.0 billion in long-term loans payable, net cash from financing activities totaled ¥46.8 billion (compared to ¥15.0 billion in the same period last year), chiefly due to a ¥69.6 billion issue of bonds.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the second quarter totaled ¥254.2 billion compared to ¥172.6 billion in the same period last year.

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

Epson revised its full-year consolidated financial outlook upward after adjusting its exchange rate assumptions based on the decline in the value of the yen and on financial trends through the second quarter. The figures in the outlook are based on assumed exchange rates from the third quarter of 105.00 yen to the U.S. dollar and 122.00 yen to the euro.

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

	FY2019	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥1,043.6 billion	¥930.0 billion	¥960.0 billion	+¥30.0 billion	(+3.2%)
Business profit	¥40.8 billion	¥20.0 billion	¥35.0 billion	+¥15.0 billion	(+75.0%)
Profit from operating activities	¥39.4 billion	¥16.0 billion	¥28.0 billion	+¥12.0 billion	(+75.0%)
Profit before tax	¥39.7 billion	¥14.0 billion	¥24.0 billion	+¥10.0 billion	(+71.4%)
Profit for the period	¥7.8 billion	¥1.0 billion	¥8.0 billion	+¥7.0 billion	(+700.0%)
Profit for the year attributable to owners of the parent company	¥7.7 billion	¥1.0 billion	¥8.0 billion	+¥7.0 billion	(+700.0%)
Exchange rates	1 USD = ¥108.74	1 USD = ¥106.00	1 USD = ¥106.00		
	1 EUR = ¥120.85	1 EUR = ¥118.00	1 EUR = ¥122.00		

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## Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2020	September 30, 2020	September 30, 2020
<u>Assets</u>			
Current assets			
Cash and cash equivalents	196,262	254,275	2,403,468
Trade and other receivables	157,782	136,727	1,292,376
Inventories	233,434	247,110	2,335,743
Income tax receivables	5,217	3,375	31,901
Other financial assets	3,159	1,069	10,104
Other current assets	13,989	17,332	163,826
Total current assets	609,846	659,890	6,237,440
Non-current assets			
Property, plant and equipment	360,517	350,140	3,309,608
Intangible assets	29,052	26,990	255,116
Investment property	1,043	1,246	11,777
Investments accounted for using the equity method	1,512	1,551	14,660
Net defined benefit assets	33	36	340
Other financial assets	16,959	17,791	168,164
Other non-current assets	1,871	2,103	19,878
Deferred tax assets	20,072	22,982	217,231
Total non-current assets	431,064	422,843	3,996,814
Total assets	1,040,910	1,082,733	10,234,254

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2020	September 30, 2020	September 30, 2020
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	125,069	110,656	1,045,947
Income tax payables	3,286	2,901	27,420
Bonds issued, borrowings and lease liabilities	22,320	36,326	343,362
Other financial liabilities	363	2,907	27,477
Provisions	11,406	10,706	101,195
Other current liabilities	109,827	107,270	1,013,942
<b>Total current liabilities</b>	<b>272,274</b>	<b>270,768</b>	<b>2,559,364</b>
<b>Non-current liabilities</b>			
Bonds issued, borrowings and lease liabilities	187,362	239,292	2,261,846
Other financial liabilities	1,877	2,238	21,154
Net defined benefit liabilities	52,964	45,889	433,753
Provisions	7,585	7,159	67,668
Other non-current liabilities	11,814	11,837	111,886
Deferred tax liabilities	993	1,363	12,883
<b>Total non-current liabilities</b>	<b>262,598</b>	<b>307,781</b>	<b>2,909,220</b>
<b>Total liabilities</b>	<b>534,873</b>	<b>578,549</b>	<b>5,468,585</b>
<b>Equity</b>			
Share capital	53,204	53,204	502,897
Capital surplus	84,434	84,396	797,731
Treasury shares	(40,953)	(40,873)	(386,341)
Other components of equity	37,451	33,453	316,205
Retained earnings	369,609	372,168	3,517,822
<b>Equity attributable to owners of the parent company</b>	<b>503,746</b>	<b>502,349</b>	<b>4,748,324</b>
Non-controlling interests	2,290	1,834	17,335
<b>Total equity</b>	<b>506,037</b>	<b>504,183</b>	<b>4,765,660</b>
<b>Total liabilities and equity</b>	<b>1,040,910</b>	<b>1,082,733</b>	<b>10,234,254</b>

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## Quarterly Condensed Consolidated Statement of Comprehensive Income

### Six months ended September 30, 2019 and 2020:

	Millions of yen		Thousands of
	Six months ended		U.S. dollars
	September 30,		Six months ended
	2019	2020	September 30, 2020
Revenue	516,106	439,117	4,150,640
Cost of sales	(336,625)	(292,607)	(2,765,792)
Gross profit	179,480	146,509	1,384,838
Selling, general and administrative expenses	(160,331)	(131,847)	(1,246,249)
Other operating income	1,286	1,572	14,858
Other operating expense	(1,101)	(6,947)	(65,664)
Profit from operating activities	19,334	9,286	87,773
Finance income	1,133	679	6,418
Finance costs	(1,394)	(3,052)	(28,848)
Share of profit of investments accounted for using the equity method	35	58	548
Profit before tax	19,107	6,972	65,901
Income taxes	(6,829)	(2,700)	(25,521)
Profit for the period	12,278	4,272	40,379
Profit for the period attributable to:			
Owners of the parent company	12,258	4,232	40,001
Non-controlling interests	19	39	368
Profit for the period	12,278	4,272	40,379

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	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2019	2020	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)	3,085	9,050	85,542
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	42	352	3,327
Subtotal	3,128	9,402	88,869
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(11,720)	(1,840)	(17,392)
Net changes in fair value of cash flow hedges	1,013	(2,494)	(23,573)
Share of other comprehensive income of investments accounted for using the equity method	(37)	7	66
Subtotal	(10,744)	(4,326)	(40,890)
Total other comprehensive income, net of tax	(7,616)	5,076	47,979
Total comprehensive income for the period	4,662	9,348	88,359
Total comprehensive income for the period attributable to:			
Owners of the parent company	4,806	9,284	87,754
Non-controlling interests	(144)	63	595
Total comprehensive income for the period	4,662	9,348	88,359

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2019	2020	2020
Earnings per share for the period:			
Basic earnings per share for the period	35.14	12.23	0.12
Diluted earnings per share for the period	35.13	12.23	0.12

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## Quarterly Condensed Consolidated Statement of Comprehensive Income Three months ended September 30, 2019 and 2020:

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2019	2020	2020
Revenue	266,478	245,900	2,324,306
Cost of sales	(171,731)	(166,011)	(1,569,176)
Gross profit	94,747	79,888	755,120
Selling, general and administrative expenses	(80,110)	(69,594)	(657,819)
Other operating income	1,367	674	6,370
Other operating expense	(99)	(3,736)	(35,313)
Profit from operating activities	15,905	7,232	68,358
Finance income	832	183	1,729
Finance costs	(524)	(1,619)	(15,303)
Share of profit of investments accounted for using the equity method	30	22	207
Profit before tax	16,242	5,817	54,983
Income taxes	(4,213)	(1,301)	(12,297)
Profit for the period	12,029	4,516	42,686
Profit for the period attributable to:			
Owners of the parent company	12,009	4,478	42,327
Non-controlling interests	19	37	349
Profit for the period	12,029	4,516	42,686

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	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	September 30,		Three months ended
	2019	2020	September 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)	1,481	3,659	34,585
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	328	(90)	(850)
Subtotal	1,810	3,569	33,735
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	(2,910)	(2,041)	(19,292)
Net changes in fair value of cash flow hedges	697	(832)	(7,864)
Share of other comprehensive income of investments accounted for using the equity method	(14)	10	94
Subtotal	(2,227)	(2,863)	(27,061)
Total other comprehensive income, net of tax	(416)	705	6,663
Total comprehensive income for the period	11,612	5,221	49,350
Total comprehensive income for the period attributable to:			
Owners of the parent company	11,652	5,147	48,650
Non-controlling interests	(39)	73	690
Total comprehensive income for the period	11,612	5,221	49,350

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	September 30,		September 30,
	2019	2020	2020
Earnings per share for the period:			
Basic earnings per share for the period	34.63	12.95	0.12
Diluted earnings per share for the period	34.61	12.94	0.12

**Quarterly Condensed Consolidated Statement of Changes in Equity****Six months ended September 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 for the period	-	-	-	-	-	-	-	-	12,258	12,258	19	12,278
Other comprehensive income	-	-	-	3,085	42	(11,594)	1,013	(7,452)	-	(7,452)	(163)	(7,616)
Total comprehensive income for the period	-	-	-	3,085	42	(11,594)	1,013	(7,452)	12,258	4,806	(144)	4,662
Acquisition of treasury shares	-	-	(10,020)	-	-	-	-	-	-	(10,020)	-	(10,020)
Dividends	-	-	-	-	-	-	-	-	(10,919)	(10,919)	(188)	(11,108)
Sharebased payment transactions	-	19	10	-	-	-	-	-	-	30	-	30
Transfer from other components of equity to retained earnings	-	-	-	(3,085)	-	-	-	(3,085)	3,085	-	-	-
Total transactions with the owners	-	19	(10,010)	(3,085)	-	-	-	(3,085)	(7,834)	(20,909)	(188)	(21,098)
As of September 30, 2019	53,204	84,447	(40,798)	-	2,277	36,475	1,150	39,903	386,474	523,230	2,233	525,463

(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, 2020	53,204	84,434	(40,953)	-	1,729	35,144	577	37,451	369,609	503,746	2,290	506,037
Profit for the period	-	-	-	-	-	-	-	-	4,232	4,232	39	4,272
Other comprehensive income	-	-	-	9,050	352	(1,856)	(2,494)	5,052	-	5,052	23	5,076
Total comprehensive income for the period	-	-	-	9,050	352	(1,856)	(2,494)	5,052	4,232	9,284	63	9,348
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(10,723)	(10,723)	(519)	(11,243)
Sharebased payment transactions	-	(38)	80	-	-	-	-	-	-	41	-	41
Transfer from other components of equity to retained earnings	-	-	-	(9,050)	-	-	-	(9,050)	9,050	-	-	-
Total transactions with the owners	-	(38)	79	(9,050)	-	-	-	(9,050)	(1,673)	(10,682)	(519)	(11,201)
As of September 30, 2020	53,204	84,396	(40,873)	-	2,082	33,288	(1,916)	33,453	372,168	502,349	1,834	504,183

(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, 2020	502,897	798,090	(387,097)	-	16,342	332,189	5,453	353,995	3,493,633	4,761,529	21,645	4,783,184
Profit for the period	-	-	-	-	-	-	-	-	40,001	40,001	368	40,379
Other comprehensive income	-	-	-	85,542	3,327	(17,543)	(23,573)	47,752	-	47,752	217	47,979
Total comprehensive income for the period	-	-	-	85,542	3,327	(17,543)	(23,573)	47,752	40,001	87,754	595	88,359
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(101,356)	(101,356)	(4,905)	(106,271)
Sharebased payment transactions	-	(359)	756	-	-	-	-	-	-	387	-	387
Transfer from other components of equity to retained earnings	-	-	-	(85,542)	-	-	-	(85,542)	85,542	-	-	-
Total transactions with the owners	-	(359)	746	(85,542)	-	-	-	(85,542)	(15,813)	(100,968)	(4,905)	(105,874)
As of September 30, 2020	502,897	797,731	(386,341)	-	19,679	314,646	(18,110)	316,205	3,517,822	4,748,324	17,335	4,765,660

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

# SEIKO EPSON CORPORATION

## Quarterly Condensed Consolidated Statement of Cash Flows

### Six months ended September 30, 2019 and 2020:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2019	2020	2020
<b>Cash flows from operating activities</b>			
Profit (loss) for the period	12,278	4,272	40,379
Depreciation and amortisation	33,199	35,198	332,700
Impairment loss (reversal of impairment loss)	199	336	3,175
Finance (income) costs	261	2,373	22,430
Share of (profit) loss of investments accounted for using the equity method	(35)	(58)	(548)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	346	162	1,531
Income taxes	6,829	2,700	25,521
Decrease (increase) in trade receivables	7,089	16,218	153,296
Decrease (increase) in inventories	(18,402)	(14,220)	(134,410)
Increase (decrease) in trade payables	6,263	4,384	41,438
Increase (decrease) in net defined benefit liabilities	1,408	1,618	15,293
Other	(15,069)	(3,732)	(35,275)
<b>Subtotal</b>	<b>34,369</b>	<b>49,252</b>	<b>465,541</b>
Interest and dividends income received	1,179	725	6,852
Interest expenses paid	(540)	(488)	(4,612)
Income taxes paid	(6,562)	(3,962)	(37,449)
<b>Net cash from (used in) operating activities</b>	<b>28,445</b>	<b>45,527</b>	<b>430,332</b>
<b>Cash flows from investing activities</b>			
Purchase of investment securities	(91)	-	-
Purchase of property, plant and equipment	(38,081)	(29,396)	(277,858)
Proceeds from sale of property, plant and equipment	532	88	831
Purchase of intangible assets	(3,905)	(2,605)	(24,623)
Proceeds from sale of intangible assets	4	21	198
Proceeds from sale of investment property	4	-	-
Other	(403)	(1,673)	(15,813)
<b>Net cash from (used in) investing activities</b>	<b>(41,939)</b>	<b>(33,566)</b>	<b>(317,273)</b>
<b>Cash flows from financing activities</b>			
Net increase (decrease) in current borrowings	(9,931)	(1,312)	(12,401)
Proceeds from non-current borrowings	29,948	-	-
Repayment of non-current borrowings	-	(5,000)	(47,261)
Proceeds from issuance of bonds issued	29,846	69,676	658,594
Redemption of bonds issued	(10,000)	-	-
Payment of lease liabilities	(3,707)	(5,281)	(49,917)
Dividends paid	(10,919)	(10,723)	(101,356)
Dividends paid to non-controlling interests	(188)	(519)	(4,905)
Purchase of treasury shares	(10,020)	(0)	(0)
<b>Net cash from (used in) financing activities</b>	<b>15,027</b>	<b>46,839</b>	<b>442,733</b>
Effect of exchange rate changes on cash and cash equivalents	(4,120)	(771)	(7,287)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,586)</b>	<b>58,029</b>	<b>548,504</b>
Cash and cash equivalents at beginning of period	175,238	196,245	1,854,955
Cash and cash equivalents at end of period	172,652	254,275	2,403,468

## **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, Repobel also brought a civil suit against EEB. As a result, these two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

### *3. Subsequent Events*

No material subsequent events were identified.

### *4. Additional Information*

#### **Impacts of the covid-19 on accounting estimates**

While the situation of the covid-19 pandemic and its impact on Epson’s business activities differ among business divisions depending on their characteristics and the regions where they have operations, we expect the recovery trend in the economy from first-half to second-half in many countries as we expected before. There are no significant changes from the previous consolidated fiscal year in accounting estimates and assumptions applied for assessing the recoverability of deferred tax assets and impairment tests of non-financial assets, and so on.