

Financial Results for the First Quarter ended June 30, 2021 [IFRS](Consolidated)

July 30, 2021

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 3, 2021 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, 2021 (From April 1, 2021 to June 30, 2021)

(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, 2021	282,159	46.0	24,248	455.3	23,670	—	23,469	—	17,499	—	17,493	—
Three months ended June 30, 2020	193,217	△22.6	4,366	△3.2	2,054	△40.1	1,154	△59.7	(243)	—	(246)	—

Note: Total comprehensive income for the period: Three months ended June 30, 2021 ¥21,323 million (416.7%)

Three months ended June 30, 2020 ¥4,126 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, 2021	50.56	50.55
Three months ended June 30, 2020	(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, 2021	1,160,433	561,523	561,420	48.4
As of March 31, 2021	1,161,314	552,949	550,924	47.4

2. Cash Dividends

	Cash dividends per share				
	1 st Quarter	2 nd Quarter	3 rd Quarter	Year End	Year Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	31.00	—	31.00	62.00
Year ending March 31, 2022	—				
Year ending March 31, 2022 (Forecast)		31.00	—	31.00	62.00

Note: Changes from the latest announced forecasts: None

3. Forecast for the Fiscal Year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(%: 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, 2022	1,150,000	15.5	75,000	21.7	70,000	46.9	67,000	49.1	48,000	54.9	48,000	55.2	138.73

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: Yes

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

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):

As of June 30, 2021	399,634,778	As of March 31, 2021	399,634,778
As of June 30, 2021	53,646,025	As of March 31, 2021	53,655,825
Three months ended June 30, 2021	345,984,340	Three months ended June 30, 2020	345,944,841

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 “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 30, 2021 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 ¥110.575 = 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 2021 First Quarter (April 1 to June 30, 2021)

The global economy as a whole sprang back more robustly than anticipated during the quarter thanks to the waning impact of the pandemic, the rising rate of vaccinations, and added stimulus in the U.S. The situation remained grim in India, Southeast Asia and Latin America, where lockdowns and other restrictions on economic activity were tightened due to the resurgent pandemic, but the recovery in the U.S. and China continued apace. Japan and Europe, held back to some extent by the renewed upturn in infections, saw a slower but steady recovery.

The upswell in demand from the global recovery has put increasingly severe pressure on the supply chain, including marine transport shipment delays from container shortages and port congestions as well as a growing shortfall in semiconductors and other electronic components. The surge in freight rates and parts prices from the lopsided supply/demand balance has been a key factor behind the rise in transport and manufacturing costs and should continue to be closely watched.

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 ¥109.46 and ¥131.91, respectively. This represents a 2% depreciation in the value of the yen against the dollar and a 11% depreciation in the value of the yen against the euro, year on year. The yen also weakened against the currencies of some emerging countries, in places such as China and Latin America.

Given this environment, revenue strengthened 46.0% year on year to ¥282.1 billion, rebounding strongly from the pandemic-hit results of the previous year despite the lingering impact of supply troubles from logistical delays and the electronic components shortage. Business profit rose 455.3% to ¥24.2 billion as higher manufacturing costs from surging freight fares and component prices were more than offset by hikes in sales prices from greater home printing demand, reductions in advertising and sales promotion costs, and positive foreign exchange effects. Profit from operating activities was ¥23.6 billion, up 1,052.2% year on year. Profit before tax was ¥23.4 billion, up 1,932.6% year on year. And profit for the period attributable to owners of the parent company was ¥17.4 billion (compared to a ¥0.2 billion loss in the same period last year).

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

The segment breakdown has been changed to conform with the Epson 25 Renewed Corporate Vision beginning with the first quarter. The new segments are Printing Solutions, Visual Communications, and Manufacturing-related & Wearables.

Printing Solutions Segment

Revenue in the home and office printing business grew markedly. High-capacity ink tank printers and ink cartridge printers, though afflicted by ongoing supply constraints from parts procurement difficulties and shipment delays, generated impressive sales growth from sustained home printing demand in developed countries and a steep improvement in demand in emerging countries over last year's pandemic-hit results. Consumables revenue fell from the previous year, when sales were boosted sharply by extra demand. This contrasts with an upturn in serial impact dot matrix printer revenue, which had been damaged last year by a slump in emerging countries sales.

The commercial and industrial printing business enjoyed substantial revenue growth. Large-format inkjet printers had suffered last year due to lockdowns and pandemic restrictions, which had deferred

sales activity and product installations and damaged print demand for store posters and other items, but turned around this year with the launch of new models and renewed consumables demand in Europe and the Americas. POS printers benefited from increased demand from retailers and restaurants, primarily in Europe and the Americas.

Segment profit in the printing solutions segment gained considerably despite the jump in freight fares and other costs, bolstered by sales growth and the positive foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥192.3 billion, up 43.1% year on year. Segment profit was ¥26.6 billion, up 55.7% year on year.

Visual Communications Segment

The segment posted buoyant revenue growth over the pandemic-hit results of the previous year as the recovery in the education market and booming home demand easily made up for supply constraints due to parts procurement difficulties.

Segment profit in the visual communications segment grew strongly on higher sales, ongoing cost cuts, and the positive foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥40.7 billion, up 72.8% year on year. Segment profit was ¥4.4 billion versus a ¥2.7 billion segment loss in the same period last year.

Manufacturing-related & Wearables Segment

Manufacturing solutions revenue increased significantly on higher demand and acquisition of new customer contracts in China and resurgent automobile-related demand in the Europe and the U.S.

Revenue in the wearable products business grew on the recovery of global demand mainly in North America and demand for movements.

The microdevices business recorded substantial revenue growth. Quartz crystal device revenues soared on demand for wireless modules and automotive applications along with a widening range of applications, while semiconductors sale picked up on burgeoning demand both at home and abroad.

Profit in the manufacturing-related & wearables segment sharply rose on cost containment in the wearable products business as well as higher sales.

As a result of the foregoing factors, revenue in the manufacturing-related and wearables segment was ¥49.5 billion, up 39.5% year on year. Segment profit was ¥5.6 billion, up 419.1% year on year.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥12.6 billion. (Adjustments in the same period last year were negative ¥11.0 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments, and revenue 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 ¥1,160.4 billion, a decrease of ¥0.8 billion from the previous fiscal year end. This decrease was mainly due to a ¥7.6 billion decrease in property, plant and equipment and a ¥5.8 billion increase in inventories.

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Total liabilities were ¥598.9 billion, down ¥9.4 billion compared to the end of the last fiscal year. This decrease was mainly due to a ¥4.4 billion decrease in other current liabilities and a ¥2.9 billion decrease in net defined benefit liabilities.

The equity attributable to owners of the parent company totaled ¥561.4 billion, a ¥10.4 billion increase compared to the previous fiscal year end. While Epson recorded ¥17.4 billion in profit for the period attributable to owners of the parent company and ¥3.8 billion in other comprehensive income, the primary component of which was the remeasurement of the defined benefit plan, there were ¥10.7 billion in dividend payments.

Cash Flows

Net cash from operating activities during the quarter totaled ¥21.3 billion. The total for the year-ago period was ¥11.8 billion. Whereas Epson recorded a ¥17.4 billion profit for the period, there were negative factors such as a ¥5.3 billion increase in inventories. However, net cash was positively affected by the recording of ¥16.3 billion in depreciation and amortization, ¥5.9 billion in income taxes, and a ¥5.2 billion increase in trade payables.

Net cash used in investing activities totaled ¥11.5 billion (compared to ¥17.3 billion in the same period last year), mainly because Epson used ¥10.7 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities totaled ¥14.7 billion (compared to ¥10.1 billion in the same period last year), chiefly due to ¥10.7 billion in dividends paid and ¥2.1 billion repayment of lease liabilities.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the first quarter totaled ¥299.5 billion compared to ¥180.6 billion in the same period last year.

Qualitative Information Regarding the Consolidated Financial Outlook

The financial outlook for the 2021 fiscal year ending March 31, 2022 is summarized below. The figures in the outlook are based on assumed exchange rates from the second quarter of 108.00 yen to the U.S. dollar and 128.00 yen to the euro.

Consolidated Full-Year Financial Outlook

	FY2020 Result	Previous Outlook (A)	Current Outlook (B)	Change (B - A)	
Revenue	¥995.9 billion	¥1,070.0 billion	¥1,150.0 billion	+¥80.0 billion	(+7.5%)
Business profit	¥61.6 billion	¥60.0 billion	¥75.0 billion	+¥15.0 billion	(+25.0%)
Profit from operating activities	¥47.6 billion	¥57.0 billion	¥70.0 billion	+¥13.0 billion	(+22.8%)
Profit before tax	¥44.9 billion	¥55.0 billion	¥67.0 billion	+¥12.0 billion	(+21.8%)
Profit for the period	¥30.9 billion	¥38.0 billion	¥48.0 billion	+¥10.0 billion	(+26.3%)
Profit for the year attributable to owners of the parent company	¥30.9 billion	¥38.0 billion	¥48.0 billion	+¥10.0 billion	(+26.3%)
Exchange rates	1 USD = ¥106.01	1 USD = ¥107.00	1 USD = ¥108.00		
	1 EUR = ¥123.67	1 EUR = ¥127.00	1 EUR = ¥129.00		

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Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	June 30, 2021	June 30, 2021
<u>Assets</u>			
Current assets			
Cash and cash equivalents	304,007	299,521	2,708,758
Trade and other receivables	161,332	161,158	1,457,454
Inventories	256,366	262,217	2,371,394
Income tax receivables	3,518	5,836	52,778
Other financial assets	1,156	1,081	9,776
Other current assets	13,160	15,309	138,449
Subtotal	739,540	745,124	6,738,629
Assets held for sale	457	-	-
Total current assets	739,997	745,124	6,738,629
Non-current assets			
Property, plant and equipment	344,637	337,015	3,047,840
Intangible assets	27,976	27,009	244,259
Investment property	1,246	1,218	11,015
Investments accounted for using the equity method	1,718	1,735	15,690
Net defined benefit assets	140	152	1,374
Other financial assets	20,213	21,233	192,023
Other non-current assets	1,614	2,000	18,087
Deferred tax assets	23,770	24,943	225,575
Total non-current assets	421,317	415,308	3,755,894
Total assets	1,161,314	1,160,433	10,494,533

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2021	June 30, 2021	June 30, 2021
<u>Liabilities and equity</u>			
Liabilities			
Current liabilities			
Trade and other payables	134,149	132,108	1,194,736
Income tax payables	7,305	8,864	80,162
Bonds issued, borrowings and lease liabilities	28,127	28,611	258,747
Other financial liabilities	2,361	1,694	15,319
Provisions	11,014	10,578	95,663
Other current liabilities	122,973	118,570	1,072,303
Subtotal	305,931	300,429	2,716,970
Liabilities directly associated with assets held for sale	12	-	-
Total current liabilities	305,943	300,429	2,716,970
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	237,780	236,865	2,142,120
Other financial liabilities	2,730	2,890	26,136
Net defined benefit liabilities	33,087	30,179	272,927
Provisions	7,757	7,901	71,453
Other non-current liabilities	13,483	13,126	118,706
Deferred tax liabilities	7,582	7,517	67,981
Total non-current liabilities	302,421	298,480	2,699,344
Total liabilities	608,365	598,909	5,416,314
Equity			
Share capital	53,204	53,204	481,157
Capital surplus	84,418	84,016	759,810
Treasury shares	(40,874)	(40,858)	(369,504)
Other components of equity	54,869	56,312	509,265
Retained earnings	399,306	408,745	3,696,540
Equity attributable to owners of the parent company	550,924	561,420	5,077,277
Non-controlling interests	2,025	103	931
Total equity	552,949	561,523	5,078,209
Total liabilities and equity	1,161,314	1,160,433	10,494,533

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Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended June 30, 2020 and 2021:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	June 30,		Three months ended
	2020	2021	June 30, 2021
Revenue	193,217	282,159	2,551,743
Cost of sales	(126,596)	(181,074)	(1,637,567)
Gross profit	66,620	101,084	914,166
Selling, general and administrative expenses	(62,253)	(76,836)	(694,876)
Other operating income	898	679	6,140
Other operating expense	(3,211)	(1,258)	(11,376)
Profit from operating activities	2,054	23,670	214,062
Finance income	496	505	4,567
Finance costs	(1,432)	(729)	(6,592)
Share of profit of investments accounted for using the equity method	36	23	208
Profit before tax	1,154	23,469	212,245
Income taxes	(1,398)	(5,970)	(53,990)
Profit (loss) for the period	(243)	17,499	158,254
Profit (loss) for the period attributable to:			
Owners of the parent company	(246)	17,493	158,200
Non-controlling interests	2	5	45
Profit (loss) for the period	(243)	17,499	158,254

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	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	June 30,		Three months ended
	2020	2021	June 30, 2021
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	5,390	2,670	24,146
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	443	270	2,441
Subtotal	5,833	2,941	26,597
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	201	439	3,970
Net changes in fair value of cash flow hedges	(1,661)	433	3,915
Share of other comprehensive income of investments accounted for using the equity method	(2)	9	81
Subtotal	(1,463)	882	7,976
Total other comprehensive income, net of tax	4,370	3,824	34,582
Total comprehensive income for the period	4,126	21,323	192,837
Total comprehensive income for the period attributable to:			
Owners of the parent company	4,137	21,315	192,765
Non-controlling interests	(10)	7	63
Total comprehensive income for the period	4,126	21,323	192,837

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended		Three months ended
	June 30,		June 30,
	2020	2021	2021
Earnings per share for the period:			
Basic earnings (loss) per share for the period	(0.71)	50.56	0.46
Diluted earnings (loss) per share for the period	(0.71)	50.55	0.46

Quarterly Condensed Consolidated Statement of Changes in Equity**Three months ended June 30, 2020 and 2021:**

	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
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
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

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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, 2021	53,204	84,418	(40,874)	-	3,229	52,192	(552)	54,869	399,306	550,924	2,025	552,949
Profit for the period	-	-	-	-	-	-	-	-	17,493	17,493	5	17,499
Other comprehensive income	-	-	-	2,670	270	446	433	3,821	-	3,821	2	3,824
Total comprehensive income for the period	-	-	-	2,670	270	446	433	3,821	17,493	21,315	7	21,323
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(10,725)	(10,725)	(390)	(11,115)
Share-based payment transactions	-	(0)	16	-	-	-	-	-	-	15	-	15
Changes in ownership interest in subsidiaries	-	(401)	-	-	-	291	-	291	-	(109)	(1,539)	(1,648)
Transfer from other components of equity to retained earnings	-	-	-	(2,670)	-	-	-	(2,670)	2,670	-	-	-
Total transactions with the owners	-	(402)	16	(2,670)	-	291	-	(2,378)	(8,055)	(10,819)	(1,929)	(12,749)
As of June 30, 2021	53,204	84,016	(40,858)	-	3,500	52,930	(118)	56,312	408,745	561,420	103	561,523

(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, 2021	481,157	763,445	(369,649)	-	29,201	472,005	(4,992)	496,215	3,611,177	4,982,355	18,313	5,000,669
Profit for the period	-	-	-	-	-	-	-	-	158,200	158,200	45	158,254
Other comprehensive income	-	-	-	24,146	2,441	4,033	3,915	34,555	-	34,555	18	34,582
Total comprehensive income for the period	-	-	-	24,146	2,441	4,033	3,915	34,555	158,200	192,765	63	192,837
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)
Dividends	-	-	-	-	-	-	-	-	(96,992)	(96,992)	(3,527)	(100,520)
Share-based payment transactions	-	(0)	144	-	-	-	-	-	-	135	-	135
Changes in ownership interest in subsidiaries	-	(3,626)	-	-	-	2,631	-	2,631	-	(985)	(13,918)	(14,903)
Transfer from other components of equity to retained earnings	-	-	-	(24,146)	-	-	-	(24,146)	24,146	-	-	-
Total transactions with the owners	-	(3,635)	144	(24,146)	-	2,631	-	(21,505)	(72,846)	(97,843)	(17,445)	(115,297)
As of June 30, 2021	481,157	759,810	(369,504)	-	31,652	478,679	(1,067)	509,265	3,696,540	5,077,277	931	5,078,209

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

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Quarterly Condensed Consolidated Statement of Cash Flows

Three months ended June 30, 2020 and 2021:

	Millions of yen		Thousands of U.S. dollars
	Three months ended June 30,		Three months ended June 30,
	2020	2021	2021
Cash flows from operating activities			
Profit (loss) for the period	(243)	17,499	158,254
Depreciation and amortisation	17,678	16,345	147,818
Impairment loss (reversal of impairment loss)	328	3	27
Finance (income) costs	936	223	2,016
Share of (profit) loss of investments accounted for using the equity method	(36)	(23)	(208)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	115	195	1,763
Income taxes	1,398	5,970	53,990
Decrease (increase) in trade receivables	25,770	2,752	24,888
Decrease (increase) in inventories	(21,385)	(5,319)	(48,103)
Increase (decrease) in trade payables	4,898	5,262	47,587
Increase (decrease) in net defined benefit liabilities	1,166	414	3,744
Other	(17,126)	(13,886)	(125,579)
Subtotal	13,500	29,437	266,217
Interest and dividends income received	474	535	4,838
Interest expenses paid	(251)	(221)	(1,998)
Income taxes paid	(1,837)	(8,381)	(75,794)
Net cash from (used in) operating activities	11,885	21,370	193,262
Cash flows from investing activities			
Purchase of investment securities	-	(458)	(4,141)
Purchase of property, plant and equipment	(14,906)	(9,409)	(85,091)
Proceeds from sale of property, plant and equipment	164	8	72
Purchase of intangible assets	(1,193)	(1,326)	(11,991)
Proceeds from sale of intangible assets	15	0	0
Other	(1,428)	(331)	(2,993)
Net cash from (used in) investing activities	(17,348)	(11,517)	(104,155)
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	3,302	215	1,944
Payment of lease liabilities	(2,196)	(2,177)	(19,687)
Dividends paid	(10,723)	(10,725)	(96,992)
Dividends paid to non-controlling interests	(519)	(390)	(3,527)
Payments for acquisition of interests in subsidiaries from non-controlling interests	-	(1,648)	(14,903)
Purchase of treasury shares	(0)	(0)	(0)
Net cash from (used in) financing activities	(10,137)	(14,726)	(133,176)
Effect of exchange rate changes on cash and cash equivalents	(43)	386	3,490
Net increase (decrease) in cash and cash equivalents	(15,644)	(4,486)	(40,569)
Cash and cash equivalents at beginning of period	196,245	304,007	2,749,328
Cash and cash equivalents at end of period	180,601	299,521	2,708,758

Notes to Consolidated Financial Statements

1. Note for Going Concern Assumption

Not applicable.

2. Changes in Accounting Estimates

Change of Useful Life

From the quarter ended June 30, 2021, Epson changed the useful life of machinery of the visual communications business based on actual usage of the assets, as reviewing its production strategy in its business structural reform and others.

As a result of this change, profit from operating activities and profit before tax for the quarter ended June 30, 2021 increased by ¥698 million (\$6,312 thousand) compared to the previous estimates.

3. Contingencies

Material litigation

In general, litigation has uncertainties and it is difficult to make a reliable estimate of financial effect of the possibility of an outflow of resources embodying economic benefits. Epson does not recognise provisions when either an outflow of resources embodying economic benefits is not probable or an estimate of financial effect is not practicable.

Epson had the following material action.

The civil action on copyright fee of ink-jet printers

In June 2010, Epson Europe B.V. (“EEB”), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Repobel (“Repobel”), 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.

4. Subsequent Events

No material subsequent events were identified.