

Financial Results for the Second Quarter ended September 30, 2023 [IFRS](Consolidated)

October 27, 2023

Stock Listing: TOKYO

Name of the listed company: SEIKO EPSON CORPORATION

Code: 6724 URL: <https://corporate.epson/en/investors/>

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Scheduled date to file Quarterly Securities Report: October 31, 2023 Scheduled starting date of payment for the dividends: November 30, 2023

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, 2023 (From April 1, 2023 to September 30, 2023)

(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, 2023	638,533	0.9	24,428	△50.7	27,933	△52.8	38,363	△46.5	27,482	△45.5	27,479	△45.5
Six months ended September 30, 2022	633,127	15.0	49,510	△0.4	59,152	22.9	71,730	49.9	50,391	38.0	50,386	38.0

Note: Total comprehensive income for the period: Six months ended September 30, 2023 ¥72,860 million (△26.2%)

Six months ended September 30, 2022 ¥98,722 million (133.8%)

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, 2023	82.88	82.87
Six months ended September 30, 2022	146.00	145.96

(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, 2023	1,377,097	786,846	786,711	57.1
As of March 31, 2023	1,341,575	727,477	727,352	54.2

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, 2023	—	31.00	—	41.00	72.00
Year ending March 31, 2024	—	37.00	—	—	—
Year ending March 31, 2024 (Forecast)	—	—	—	37.00	74.00

Note: Changes from the latest announced forecasts: None

Breakdown of dividend for the year ended March 31, 2023:

Regular dividend: 62.00 yen

Anniversary dividend: 10.00 yen (including in the year-end dividend)

3. Forecast for the Fiscal Year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

(%: 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, 2024	1,360,000	2.2	80,000	△15.9	80,000	△17.6	91,000	△12.3	65,000	△13.4	65,000	△13.4	196.01

Note: Changes from the latest announced forecasts: Yes

※Notes

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

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

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

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

(3) Number of shares outstanding

(share)

1. Issued shares (including treasury shares):

As of September 30, 2023	385,022,278	As of March 31, 2023	385,022,278
As of September 30, 2023	53,398,560	As of March 31, 2023	53,506,635
Six months ended September 30, 2023	331,554,809	Six months ended September 30, 2022	345,108,337

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, October 27, 2023 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 ¥149.405 = 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 2023 First-Half (April 1 to September 30, 2023)

The global economy in the first half of the year under review showed stronger signs of a global economic slowdown, with ongoing high inflation and the tightening of monetary policy by countries around the world. The slow pace of economic recovery in China is having a particularly significant impact on the global economy, but a deceleration of the European economy is also becoming apparent. Meanwhile, although US consumption has thus far remained firm, consumption going forward is uncertain. Looking at the situation by product market, the device market in particular is in a prolonged inventory adjustment phase and demand has fallen sharply.

The future is clouded by uncertainty, with the potential for ongoing high global inflation and a protracted economic slowdown, so Epson will continue to closely monitor the situation moving forward.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the first half of the year were ¥140.83 and ¥153.30, respectively. This represents a 5% depreciation in the value of the yen against the dollar and an 11% depreciation in the value of the yen against the euro compared to the prior-year period. The yen also remained weak against the currencies of some emerging countries, in places such as Latin America.

The positive effects of a weaker yen helped to boost revenue to ¥638.5 billion, an increase of 0.9% from the prior-year period, with the printing solutions segment the primary beneficiary.

Business profit was ¥24.4 billion, down 50.7% from the prior-year period, because the positive foreign exchange effects of a weak yen were more than offset by a sharp drop in revenue in the microdevices business. Profit from operating activities was ¥27.9 billion, down 52.8% from the prior-year period. Profit before tax was ¥38.3 billion, down 46.5% from the prior-year period. Profit for the period attributable to owners of the parent company was ¥27.4 billion, down 45.5% from the prior-year period.

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

Printing Solutions Segment

Revenue in the office and home printing business increased. While unit sales of ink cartridge printers sharply decreased, inkjet printer revenue slightly increased. Revenue benefitted from an increase in unit sales of high-capacity ink tank printers, sharp growth in sales of office shared inkjet printers with the launch of new linehead inkjet printers, and positive foreign exchange effects. In inkjet printer consumables, ink cartridge sales increased slightly due to positive foreign exchange effects while sales of ink bottles for high-capacity ink tank printers and ink for office shared printers sharply increased.

Revenue in the commercial and industrial printing business increased. Commercial and industrial inkjet printer revenue decreased because unit sales declined in Europe and North America, where investment demand fell along with rising interest rates. Sales of consumables for commercial and industrial inkjet printers increased on continuing print demand. Sales of small printers increased due to positive foreign exchange effects, though market demand declined in Europe and North America as inflation and other factors caused the market to deteriorate.

Revenue in the printhead sales business sharply increased primarily owing to increased demand in China. Segment profit in the printing solutions segment decreased mainly as a result of higher selling, general and administrative expenses associated with stepped up business activity.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥437.3 billion, up 5.8%

from the prior-year period. Segment profit was ¥37.3 billion, down 6.0% from the prior-year period.

Visual Communications Segment

Sales in the visual communications segment decreased in China, Europe, and North America, but segment revenue negligibly increased due to positive foreign exchange effects.

Despite the increase in revenue from foreign exchange, segment profit in the visual communications segment sharply decreased mainly because of the negative effect on profit of production control.

As a result of the foregoing factors, revenue in the visual communications segment was ¥110.2 billion, up 1.0% from the prior-year period. Segment profit was ¥14.6 billion, down 23.1% from the prior-year period.

Manufacturing-Related & Wearables Segment

Revenue in the manufacturing solutions business sharply decreased due to a substantial decrease in sales in China.

Revenue in the wearable products business decreased compared to the prior-year period, when domestic sales of new products with high unit prices increased.

Revenue in the microdevices business sharply decreased. Crystal device sales sharply decreased because of a decline in demand due to market inventory adjustments that caused a decrease in sales mainly in China.

Semiconductor sales decreased due to a decline in demand associated with market inventory adjustments.

Segment profit in the manufacturing-related and wearables segment sharply decreased primarily due to lower revenue in the microdevices business.

As a result of the foregoing factors, revenue in the manufacturing-related and wearables segment was ¥92.6 billion, down 18.2% from the prior-year period. Segment profit was ¥1.7 billion, down 90.0% from the prior-year period.

Adjustments

Adjustments to the total profit of reporting segments amounted to negative ¥29.4 billion. (Adjustments in the prior-year period were negative ¥27.3 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 half were ¥1,377.0 billion, an increase of ¥35.5 billion from the previous fiscal year end. This was mainly due to a ¥3.8 billion increase in trade and other receivables, an ¥11.6 billion increase in inventories, a ¥3.6 billion increase in property, plant and equipment, a ¥4.5 billion increase in deferred tax assets, and a ¥5.0 billion increase in other financial assets.

Total liabilities were ¥590.2 billion, down ¥23.8 billion compared to the end of the previous fiscal year. Total liabilities decreased because of a ¥26.8 billion decrease in bonds issued, borrowings and lease liabilities.

The equity attributable to owners of the parent company totaled ¥786.7 billion, a ¥59.3 billion increase compared to the previous fiscal year end. The main reasons for the increase were that, while there were ¥13.5 billion in dividend payments, Epson recorded ¥27.4 billion in profit for the period attributable to owners of the parent company and ¥45.3 billion in other comprehensive income, the primary component of which was exchange differences on translation of foreign operations.

Cash Flows

Net cash from operating activities for the first half of the year totaled ¥61.5 billion (compared to ¥21.0 billion in the prior-year period). This was due to having recorded ¥27.4 billion in profit for the period and to factors such as a ¥34.2 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥31.5 billion (compared to ¥33.2 billion used in the prior-year period). This decrease was mainly due to ¥25.7 billion used in purchases of property, plant and equipment and intangible assets.

Net cash used in financing activities totaled ¥45.8 billion (compared to ¥29.6 billion used in the prior-year period). This increase was primarily due to a ¥30.0 billion redemption of bonds and ¥13.5 billion in dividend payments.

As a result of the foregoing, the balance of cash and cash equivalents at the end of the first half, combined with the effects of exchange rate volatility, totaled ¥268.1 billion, up ¥0.7 billion from the end of last fiscal year.

Qualitative Information Regarding the Consolidated Financial Outlook

Epson is lowering its full-year consolidated financial outlook for the fiscal year ending March 31, 2024, from the previous outlook, even after factoring in the positive effect of a weak yen. This reflects our view that the market environment will remain challenging, with continued inflation and a slowdown in the Chinese economy, among other factors, in the third quarter and beyond. The figures in the outlook are based on assumed exchange rates from the third quarter of 149.00 yen to the U.S. dollar and 158.00 yen to the euro. For details, please see the fiscal year 2023 (ending March 2024) second-quarter financial results presentation that was announced simultaneously with this report.

Consolidated Full-Year Financial Outlook

	FY2022 Result	Previous Outlook (A)	Current Outlook (B)	Change (B-A)	
Revenue	¥1,330.3 billion	¥1,380.0 billion	¥1,360.0 billion	-¥20.0 billion	(-1.4%)
Business profit	¥95.1 billion	¥100.0 billion	¥80.0 billion	-¥20.0 billion	(-20.0%)
Profit from operating activities	¥97.0 billion	¥96.0 billion	¥80.0 billion	-¥16.0 billion	(-16.7%)
Profit before tax	¥103.7 billion	¥101.0 billion	¥91.0 billion	-¥10.0 billion	(-9.9%)
Profit for the period	¥75.0 billion	¥72.0 billion	¥65.0 billion	-¥7.0 billion	(-9.7%)
Profit for the period attributable to owners of the parent company	¥75.0 billion	¥72.0 billion	¥65.0 billion	-¥7.0 billion	(-9.7%)
Exchange rates	1 USD = ¥135.44	1 USD = ¥137.00	1 USD = ¥145.00		
	1 EUR = ¥140.90	1 EUR = ¥153.00	1 EUR = ¥156.00		

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Financial Position

	Millions of yen		Thousands of U.S. dollars
	March 31, 2023	September 30, 2023	September 30, 2023
<u>Assets</u>			
Current assets			
Cash and cash equivalents	267,380	268,116	1,794,558
Trade and other receivables	201,801	205,604	1,376,152
Inventories	389,473	401,106	2,684,689
Income tax receivables	7,655	10,607	70,994
Other financial assets	2,164	3,810	25,501
Other current assets	24,030	26,090	174,626
Total current assets	892,505	915,336	6,126,541
Non-current assets			
Property, plant and equipment	360,866	364,500	2,439,677
Intangible assets	25,425	26,198	175,348
Investment property	1,097	1,097	7,342
Investments accounted for using the equity method	2,102	2,173	14,544
Net defined benefit assets	1,447	1,748	11,699
Other financial assets	23,976	27,341	182,999
Other non-current assets	2,220	2,173	14,544
Deferred tax assets	31,932	36,527	244,483
Total non-current assets	449,069	461,760	3,090,659
Total assets	1,341,575	1,377,097	9,217,208

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	Millions of yen		Thousands of U.S. dollars
	March 31, 2023	September 30, 2023	September 30, 2023
<u>Liabilities and equity</u>			
Liabilities			
Current liabilities			
Trade and other payables	159,658	151,996	1,017,342
Income tax payables	5,798	14,697	98,370
Bonds issued, borrowings and lease liabilities	38,613	21,552	144,252
Other financial liabilities	3,337	4,213	28,198
Provisions	11,327	11,733	78,531
Other current liabilities	152,900	151,592	1,014,638
Total current liabilities	371,635	355,786	2,381,352
Non-current liabilities			
Bonds issued, borrowings and lease liabilities	194,668	184,870	1,237,374
Other financial liabilities	3,717	4,409	29,510
Net defined benefit liabilities	13,164	12,558	84,053
Provisions	8,252	8,694	58,190
Other non-current liabilities	15,615	16,650	111,442
Deferred tax liabilities	7,044	7,281	48,733
Total non-current liabilities	242,461	234,464	1,569,318
Total liabilities	614,097	590,250	3,950,670
Equity			
Share capital	53,204	53,204	356,105
Capital surplus	83,979	83,949	561,888
Treasury shares	(55,586)	(55,454)	(371,165)
Other components of equity	119,455	163,240	1,092,600
Retained earnings	526,299	541,771	3,626,190
Equity attributable to owners of the parent company	727,352	786,711	5,265,626
Non-controlling interests	125	135	903
Total equity	727,477	786,846	5,266,530
Total liabilities and equity	1,341,575	1,377,097	9,217,208

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income

Six months ended September 30, 2022 and 2023:

	Millions of yen		Thousands of U.S. dollars
	Six months ended September 30,		Six months ended September 30,
	2022	2023	2023
Revenue	633,127	638,533	4,273,839
Cost of sales	(412,042)	(424,967)	(2,844,396)
Gross profit	221,084	213,566	1,429,443
Selling, general and administrative expenses	(171,573)	(189,137)	(1,265,934)
Other operating income	11,361	5,006	33,506
Other operating expense	(1,720)	(1,501)	(10,046)
Profit from operating activities	59,152	27,933	186,961
Finance income	13,573	11,710	78,377
Finance costs	(1,062)	(1,281)	(8,574)
Share of profit of investments accounted for using the equity method	66	0	0
Profit before tax	71,730	38,363	256,771
Income taxes	(21,338)	(10,881)	(72,828)
Profit for the period	50,391	27,482	183,942
Profit for the period attributable to:			
Owners of the parent company	50,386	27,479	183,922
Non-controlling interests	5	2	13
Profit for the period	50,391	27,482	183,942

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of
	Six months ended		U.S. dollars
	September 30,		Six months ended
	2022	2023	September 30, 2023
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	(7,466)	1,557	10,421
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	1,385	1,653	11,063
Subtotal	(6,081)	3,210	21,485
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	51,672	41,291	276,369
Net changes in fair value of cash flow hedges	2,696	830	5,555
Share of other comprehensive income of investments accounted for using the equity method	41	44	294
Subtotal	54,411	42,167	282,232
Total other comprehensive income, net of tax	48,330	45,378	303,724
Total comprehensive income for the period	98,722	72,860	487,667
Total comprehensive income for the period attributable to:			
Owners of the parent company	98,711	72,848	487,587
Non-controlling interests	10	11	73
Total comprehensive income for the period	98,722	72,860	487,667

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Six months ended		Six months ended
	September 30,		September 30,
	2022	2023	2023
Earnings per share for the period:			
Basic earnings per share for the period	146.00	82.88	0.55
Diluted earnings per share for the period	145.96	82.87	0.55

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Comprehensive Income

Three months ended September 30, 2022 and 2023:

	Millions of yen		Thousands of
	Three months ended		U.S. dollars
	September 30,		Three months ended
	2022	2023	September 30, 2023
Revenue	335,253	323,693	2,166,547
Cost of sales	(219,811)	(217,863)	(1,458,204)
Gross profit	115,442	105,829	708,336
Selling, general and administrative expenses	(88,586)	(97,000)	(649,241)
Other operating income	2,062	569	3,808
Other operating expense	(980)	(1,178)	(7,884)
Profit from operating activities	27,937	8,220	55,018
Finance income	7,222	2,431	16,271
Finance costs	(516)	(561)	(3,754)
Share of profit (loss) of investments accounted for using the equity method	45	(1)	(6)
Profit before tax	34,689	10,089	67,527
Income taxes	(10,979)	(2,796)	(18,714)
Profit for the period	23,709	7,292	48,806
Profit for the period attributable to:			
Owners of the parent company	23,707	7,291	48,800
Non-controlling interests	2	1	6
Profit for the period	23,709	7,292	48,806

SEIKO EPSON CORPORATION

	Millions of yen		Thousands of U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2022	2023	2023
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss, net of tax			
Remeasurement of net defined benefit liabilities (assets)	(3,249)	(1,376)	(9,209)
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	622	733	4,906
Subtotal	(2,627)	(643)	(4,303)
Items that may be reclassified subsequently to profit or loss, net of tax			
Exchange differences on translation of foreign operations	14,467	9,491	63,525
Net changes in fair value of cash flow hedges	2,429	1,690	11,311
Share of other comprehensive income of investments accounted for using the equity method	(2)	19	127
Subtotal	16,893	11,201	74,970
Total other comprehensive income, net of tax	14,266	10,558	70,666
Total comprehensive income for the period	37,975	17,850	119,473
Total comprehensive income for the period attributable to:			
Owners of the parent company	37,974	17,848	119,460
Non-controlling interests	1	2	13
Total comprehensive income for the period	37,975	17,850	119,473

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Yen		U.S. dollars
	Three months ended September 30,		Three months ended September 30,
	2022	2023	2023
Earnings per share for the period:			
Basic earnings per share for the period	68.87	21.99	0.15
Diluted earnings per share for the period	68.86	21.99	0.15

Quarterly Condensed Consolidated Statement of Changes in Equity**Six months ended September 30, 2022 and 2023:**

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, 2022	53,204	84,010	(40,808)	-	3,560	87,146	(1,638)	89,068	480,154	665,628	112	665,740	
Profit for the period	-	-	-	-	-	-	-	-	50,386	50,386	5	50,391	
Other comprehensive income	-	-	-	(7,466)	1,385	51,708	2,696	48,324	-	48,324	5	48,330	
Total comprehensive income for the period	-	-	-	(7,466)	1,385	51,708	2,696	48,324	50,386	98,711	10	98,722	
Acquisition of treasury shares	-	-	(9,799)	-	-	-	-	-	-	(9,799)	-	(9,799)	
Dividends	-	-	-	-	-	-	-	-	(10,726)	(10,726)	(0)	(10,726)	
Share-based payment transactions	-	(26)	108	-	-	-	-	-	-	82	-	82	
Transfer from other components of equity to retained earnings	-	-	-	7,466	-	-	-	7,466	(7,466)	-	-	-	
Total transactions with the owners	-	(26)	(9,690)	7,466	-	-	-	7,466	(18,193)	(20,443)	(0)	(20,443)	
As of September 30, 2022	53,204	83,984	(50,499)	-	4,945	138,855	1,058	144,859	512,348	743,896	122	744,018	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

	Millions of yen												
	Equity attributable to owners of the parent company									Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Total other components of 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							
As of April 1, 2023	53,204	83,979	(55,586)	-	5,711	114,972	(1,227)	119,455	526,299	727,352	125	727,477	
Profit for the period	-	-	-	-	-	-	-	-	27,479	27,479	2	27,482	
Other comprehensive income	-	-	-	1,557	1,653	41,327	830	45,369	-	45,369	9	45,378	
Total comprehensive income for the period	-	-	-	1,557	1,653	41,327	830	45,369	27,479	72,848	11	72,860	
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)	
Dividends	-	-	-	-	-	-	-	-	(13,592)	(13,592)	(0)	(13,592)	
Share-based payment transactions	-	(30)	132	-	-	-	-	-	-	102	-	102	
Transfer from other components of equity to retained earnings	-	-	-	(1,557)	(26)	-	-	(1,584)	1,584	-	-	-	
Total transactions with the owners	-	(30)	131	(1,557)	(26)	-	-	(1,584)	(12,007)	(13,490)	(0)	(13,490)	
As of September 30, 2023	53,204	83,949	(55,454)	-	7,337	156,299	(396)	163,240	541,771	786,711	135	786,846	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Thousands of U.S. dollars												
	Equity attributable to owners of the parent company									Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Other components of equity					Total other components of 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							
As of April 1, 2023	356,105	562,089	(372,049)	-	38,224	769,532	(8,212)	799,538	3,522,633	4,868,324	836	4,869,161	
Profit for the period	-	-	-	-	-	-	-	-	183,922	183,922	13	183,942	
Other comprehensive income	-	-	-	10,421	11,063	276,610	5,555	303,664	-	303,664	60	303,724	
Total comprehensive income for the period	-	-	-	10,421	11,063	276,610	5,555	303,664	183,922	487,587	73	487,667	
Acquisition of treasury shares	-	-	(0)	-	-	-	-	-	-	(0)	-	(0)	
Dividends	-	-	-	-	-	-	-	-	(90,974)	(90,974)	(0)	(90,974)	
Share-based payment transactions	-	(200)	883	-	-	-	-	-	-	682	-	682	
Transfer from other components of equity to retained earnings	-	-	-	(10,421)	(174)	-	-	(10,602)	10,602	-	-	-	
Total transactions with the owners	-	(200)	876	(10,421)	(174)	-	-	(10,602)	(80,365)	(90,291)	(0)	(90,291)	
As of September 30, 2023	356,105	561,888	(371,165)	-	49,108	1,046,143	(2,650)	1,092,600	3,626,190	5,265,626	903	5,266,530	

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

SEIKO EPSON CORPORATION

Quarterly Condensed Consolidated Statement of Cash Flows

Six months ended September 30, 2022 and 2023:

	Millions of yen		Thousands of
			U.S. dollars
	Six months ended September 30, 2022	2023	Six months ended September 30, 2023
Cash flows from operating activities			
Profit for the period	50,391	27,482	183,942
Depreciation and amortisation	34,369	34,211	228,981
Impairment loss (reversal of impairment loss)	79	228	1,526
Finance (income) costs	(12,511)	(10,428)	(69,796)
Share of (profit) loss of investments accounted for using equity method	(66)	(0)	(0)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property	366	98	655
Income taxes	21,338	10,881	72,828
Decrease (increase) in trade receivables	(9,385)	8,006	53,585
Decrease (increase) in inventories	(47,828)	22,797	152,585
Increase (decrease) in trade payables	19,661	(2,927)	(19,591)
Increase (decrease) in net defined benefit liabilities	(877)	(119)	(796)
Other	(17,080)	(19,253)	(128,864)
Subtotal	38,459	70,975	475,051
Interest and dividends income received	1,226	2,421	16,204
Interest expenses paid	(631)	(716)	(4,792)
Income taxes paid	(18,050)	(11,171)	(74,769)
Net cash from (used in) operating activities	21,002	61,509	411,693
Cash flows from investing activities			
Purchase of investment securities	-	(853)	(5,709)
Proceeds from sale of investment securities	-	41	274
Purchase of property, plant and equipment	(22,399)	(22,220)	(148,723)
Proceeds from sale of property, plant and equipment	165	186	1,244
Purchase of intangible assets	(4,248)	(3,508)	(23,479)
Proceeds from sale of intangible assets	8	0	0
Other	(6,800)	(5,185)	(34,704)
Net cash from (used in) investing activities	(33,274)	(31,538)	(211,090)
Cash flows from financing activities			
Net increase (decrease) in current borrowings	591	2,616	17,509
Redemption of bonds issued	-	(30,000)	(200,796)
Payment of lease liabilities	(4,484)	(4,900)	(32,796)
Dividends paid	(10,726)	(13,592)	(90,974)
Dividends paid to non-controlling interests	(0)	(0)	(0)
Purchase of treasury shares	(9,799)	(0)	(0)
Decrease (increase) in deposits for purchase of treasury shares	(5,200)	-	-
Net cash from (used in) financing activities	(29,619)	(45,877)	(307,064)
Effect of exchange rate changes on cash and cash equivalents	23,728	16,642	111,388
Net increase (decrease) in cash and cash equivalents	(18,163)	736	4,926
Cash and cash equivalents at beginning of period	335,239	267,380	1,789,632
Cash and cash equivalents at end of period	317,076	268,116	1,794,558

Notes to Consolidated Financial Statements

1. Note for Going Concern Assumption

Not applicable.

2. Changes in Accounting Policies

Epson adopted the following standard from the quarter ended June 30, 2023.

IFRS		Description of new and revised standards
IAS 12	Income Taxes	Clarification of deferred tax accounting for leases and decommissioning obligations

Adoption of IAS 12 Income Taxes

Epson adopted IAS 12 Income Taxes (revised May 2021) from the quarter ended June 30, 2023. The impact on the consolidated result of operations from the adoption of this standard was insignificant.

3. Contingencies

Material litigation

In general, litigation has uncertainties and it is difficult to make a reliable estimate of financial effect of the possibility of an outflow of resources embodying economic benefits. 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 adjointed. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

4. Subsequent Events

Not applicable.