(Note) This document has been translated from the Japanese original for reference purposes only. If there is any discrepancy between the Japanese original and the translated document, the original Japanese document shall prevail.

(Translation)

Notice of the 75th Ordinary General Meeting of Shareholders

May 29, 2017

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 75th Ordinary General Meeting of Shareholders. We have sent shareholders residing in Japan the convocation notice and attached documents in Japanese, which were compiled according to the Japanese Companies Act. Under this Act, there is no obligation to provide materials in languages other than Japanese. However, we have enclosed an English translation for the reference of non-Japanese shareholders. It is not intended to influence shareholders in exercising their voting rights. Unfortunately, we are only able to provide official documents in Japanese. We ask for your understanding in this matter and thank you for your continued support of the Seiko Epson Corporation (hereinafter the “Company”).

If you are unable to attend the meeting, please vote by using one of the following methods no later than 5:00 p.m., Tuesday, June 27, 2017 (Japan time). Prior to voting, you may wish to review the “Reference Materials for the Ordinary General Meeting of Shareholders” document, provided herein.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form whether you approve or disapprove of each of the proposals and return the completed form to us. The completed form must be received no later than 5:00 p.m., Tuesday, June 27, 2017 (Japan time).

Voting by Internet

To vote by Internet, please log into the shareholders’ voting websites at http://www.evote.jp/ to register your approval or disapproval (Japanese only). Voting by Internet must be completed no later than 5:00 p.m., Tuesday, June 27, 2017 (Japan time).

Sincerely yours,

Minoru Usui
President

SEIKO EPSON CORPORATION
4-1-6 Shinjuku, Shinjuku-ku, Tokyo

Description

1. Date and Time: 10:00 a.m., Wednesday, June 28, 2017 (Japan time)

2. Place: "Daigo" 2nd Basement Floor, Sheraton Miyako Hotel Tokyo,
1-1-50, Shirokanedai, Minato-ku, Tokyo

3. Meeting Agenda:

Reporting:

1. Report on the business reports, the consolidated financial statements and the reports of the Financial Auditors and of the Audit & Supervisory Committee regarding the consolidated financial statements for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017).

Proposals:

Proposal 1: Appropriation of Surplus

Proposal 2: Election of Seven Directors Who Are Not Audit & Supervisory Committee Members

Proposal 3: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

Proposal 4: Renewal of Countermeasures to Large-Scale Acquisitions of Seiko Epson Shares

4. Convocation rules:

(1) If you exercise your voting rights by both mail and Internet, we will treat the vote by Internet as valid.

(2) If you exercise your voting rights by Internet on multiple occasions, we will treat the last vote as valid.

5. Notes:

(1) Any revisions to the reference materials for the Ordinary General Meeting of Shareholders, the business reports, the consolidated financial statements, and the non-consolidated financial statements shall be posted on the Company's website at http://www.epson.jp/IR/ (Japanese) and http://global.epson.com/IR/ (English).

(2) If attending the meeting in person, please remember to bring the ballot enclosed within these materials and to hand it to a receptionist.

(3) If you exercise your voting rights by proxy, you should appoint as proxy another shareholder with voting rights in the Company. A written letter of proxy should be brought to the meeting and handed to the reception.

***The Company offers institutional investors access to ICJ Inc.'s electronic voting platform.**

Reference Materials for the Ordinary General Meeting of Shareholders

Proposals and related items

Proposal 1: Appropriation of Surplus

Items Relating to the Year-End Dividend

With respect to the year-end cash dividends on common stock shares for the fiscal year, the Company proposes to pay 30 yen per share. Moreover, 30 yen was paid out as an interim dividend; hence, the annual dividend will be 60 yen per share.

(1) Type of Dividend Property
Cash

(2) Distribution of Dividend
30 yen per share of common stock, total amount 10,572,093,630 yen

(3) Effective Date of Distribution
June 29, 2017

(Reference)

The Company’s Dividend Policy

The Company strives to sustain business growth through the creation of customer value and to generate stable cash flow by improving profitability and using management resources efficiently. While the top priority is on strategic investment in growth, the Company also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment.

In line with this policy, the Company has set a consolidated dividend payout ratio in the range of 40% as a mid-term target, the ratio based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company’s main operations. The Company intends to be more active in giving back to shareholders by agilely repurchasing the Company’s shares as warranted by share price, the capital situation, and other factors.

Note: Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

◆Repurchase of the Company’s shares

From the perspectives of optimizing capital efficiency and further enhancing shareholder returns, the Company repurchased the Company’s shares in the amount of 9,900 million yen (total amount of repurchase cost (maximum) : 10,000 million yen) with the repurchase period from May to June, 2016.

Proposal 2: Election of Seven Directors Who Are Not Audit & Supervisory Committee Members

The terms of office of all eight (8) Directors who are not Audit & Supervisory Committee Members will expire at the conclusion of this Meeting. We propose to appoint seven (7) Directors who are not Audit & Supervisory Committee Members.

The candidates for Directors who are not Audit & Supervisory Committee Members have been nominated after consideration by the Nomination Committee in which Outside Directors make significant contributions in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the "Criteria for Independence of Outside Directors" (please refer to page 14).

The candidates for Directors who are not Audit & Supervisory Committee Members are as follows:

Candidate No.	Name		Titles and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Minoru Usui	Reappointment	President and Representative Director	13 / 13 meetings (100%)
2	Shigeki Inoue	Reappointment	Representative Director Senior Managing Executive Officer Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment, and Wearable Products Operations Division, General Administrative Manager, Corporate Planning Division	13 / 13 meetings (100%)
3	Koichi Kubota	Reappointment	Director, Managing Executive Officer Chief Operating Officer, Printing Solutions Operations Division	13 / 13 meetings (100%)
4	Masayuki Kawana	Reappointment	Director, Executive Officer General Administrative Manager, Human Resources Division and CSR Management Office	13 / 13 meetings (100%)
5	Tatsuaki Seki	Reappointment	Director, Executive Officer Chief Compliance Officer General Administrative Manager, Management Control Division	10 / 10 meetings (100%)
6	Hideaki Omiya	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)
7	Mari Matsunaga	Reappointment Outside Director Independent Director	Outside Director	9 / 10 meetings (90.0%)

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
1	 Minoru Usui (April 22, 1955) Reappointment	Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company) Jun. 2002 Director of the Company Oct. 2007 Managing Director of the Company Jun. 2008 President and Representative Director of the Company (current position) **Important concurrent positions held at other companies** President of Japan Business Machine and Information System Industries Association	156,500 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
	Reason for nominating Minoru Usui as a Director As the Chairman of the Board of Directors, Mr. Usui has managed the Board of Directors in an appropriate manner, made important decisions on management and monitored in business executions appropriately. Also, as President and Representative Director, he has established the Epson 25 Corporate Vision and led the transition to a company with an Audit & Supervisory Committee, etc., aiming to embody the Management Philosophy, etc. We have nominated him as a candidate for Director with the expectation that he will continue to show strong leadership aimed at sustainable growth and improvement in the Company's corporate value over the medium to long term.		

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company's stock owned
2	 Shigeki Inoue (October 10, 1955) Reappointment	Apr.	1979	Joined the Company	19,400
		Jun.	2012	Director of the Company	
		Jun.	2014	Managing Director of the Company	**Attendance at meetings of the Board of Directors**
		Dec.	2015	Chief Operating Officer, Wearable Products Operations Division (current position)	13 / 13 meetings (100%)
		Apr.	2016	General Administrative Manager, Corporate Planning Division (current position)	
		Jun.	2016	Representative Director and Senior Managing Executive Officer of the Company (current position)	
		Apr.	2017	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (current position)	

Reason for nominating Shigeki Inoue as a Director

Mr. Inoue has determined important management matters and monitored in business executions appropriately as a Director. Also, he has led the formulation of companywide management strategies and contributed to the strengthening of Group management through formulating management plans and management cycle toward achieving such plans.

We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business executions aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
3	 Koichi Kubota (April 3, 1959) Reappointment	Apr. 1983 Joined Epson Corporation (now the Company) Jun. 2012 Director of the Company (current position) Jun. 2013 Chief Operating Officer, Printer Operations Division of the Company Jun. 2015 Managing Director of the Company Apr. 2016 Deputy General Administrative Manager, Corporate Planning Division (in charge of sales planning and brand communication) Jun. 2016 Managing Executive Officer (current position) Apr. 2017 Chief Operating Officer, Printing Solutions Operations Division (current position)	25,400 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
	Reason for nominating Koichi Kubota as a Director Mr. Kubota has determined important management matters and monitored in business executions appropriately as a Director. Based on his wealth of experience and achievements in particular, in overseas sales operations in the information-related equipment business, he has led the reform of the Company's business models and initiatives to strengthen internal control as Chief Operating Officer of the Printer Operations Division. We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business executions aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.		

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
4	 Masayuki Kawana (July 27, 1964) Reappointment	Apr. 1988 Joined Seiko Epson Cooperative Union Mar. 1999 Joined the Company Oct. 2008 General Manager, Human Resources Department of the Company Jun. 2014 Director of the Company (current position) General Administrative Manager, Human Resources Division of the Company (current position) Jun. 2015 President, Orient Watch Co., Ltd. Jun. 2016 Executive Officer of the Company (current position) Oct. 2016 General Administrative Manager, CSR Management Office (current position)	7,300 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Masayuki Kawana as a Director

Mr. Kawana has determined important management matters and monitored in business executions appropriately as a Director. He has a wealth of experience and achievements primarily in human resource management, and has made significant contributions to the strengthening of corporate competitiveness through personnel system reform, etc.

We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business executions aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
5	 Tatsuaki Seki (December 26, 1960) Reappointment	Apr. 1983 Joined Epson Corporation (now the Company) Nov. 2005 General Manager, BS Business Management Department of the Company Oct. 2014 General Manager, Finance & General Accounting Department of the Company Oct. 2015 Deputy General Administrative Manager, Management Control Division (in charge of Finance & General Accounting) Jun. 2016 Director (current position), Executive Officer (current position), Chief Compliance Officer (current position), General Administrative Manager of the Management Control Division (current position)	1,100 **Attendance at meetings of the Board of Directors** 10 / 10 meetings (100%)
	Reason for nominating Tatsuaki Seki as a Director Mr. Seki has determined important management matters and monitored in business executions appropriately as a Director. He has a wealth of experience and achievements in financing & accounting and business management. As General Administrative Manager of the Management Control Division, he has led the new initiatives aggressively from a broad insight and worked on a change in the structure of the management control of the Company. We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business executions aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.		

Note: There are no special interests between the candidate and the Company.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
6	 Hideaki Omiya (July 25, 1946) Outside Director Independent Director Reappointment	Apr. 2007 Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd. Apr. 2008 President and CEO of Mitsubishi Heavy Industries, Ltd. Apr. 2013 Chairman of the Board of Mitsubishi Heavy Industries, Ltd. (current position) Jun. 2014 Outside Director of the Company (current position) Jun. 2016 Outside Director of Mitsubishi Corporation (current position) **Important concurrent positions held at other companies** Chairman of the Board of Mitsubishi Heavy Industries, Ltd. Outside Director of Mitsubishi Corporation	4,300 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Hideaki Omiya as an Outside Director

Mr. Omiya has served as a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has a wealth of experience and insight as a corporate manager and engineer.

He has monitored corporate management appropriately by expressing opinions actively including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.

We have nominated him as a candidate for independent Outside Director with the expectation that he will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Independence of duties

Mr. Omiya was involved in business execution at Mitsubishi Heavy Industries, Ltd. Although the Company has had transactions involving the purchase and sale of semiconductor manufacturing equipment with Mitsubishi Heavy Industries, Ltd. in the latest three years, these transactions are immaterial, totaling less than 0.1% of the consolidated net sales of the Company and Mitsubishi Heavy Industries, Ltd. and thus does not fall under the category of "major business partner" as prescribed in the "Criteria for Independence of Outside Directors."

The Company has registered Mr. Omiya as an Independent Director with the Tokyo Stock Exchange. If this proposal is approved as proposed, he will continue to serve as an Independent Director.

The term of office as Outside Director

At the conclusion of this Meeting, three years will have passed since his initial appointment.

Note 1: *There are no special interests between the candidate and the Company.*

Note 2: *The Company has concluded a liability limitation contract with Mr. Hideaki Omiya, who is incumbent Outside Director of the Company, to limit his liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act. If he is reappointed as a Director, the Company intends to renew the aforementioned contract with him.*

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
7	 Mari Matsunaga (November 13, 1954) Outside Director Independent Director Reappointment	Apr. 1977 Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.) Jul. 1986 Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd. Jul. 1988 Editor in chief of Travaille published by Recruit Holdings Co., Ltd Jul. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT DOCOMO, INC.), Head of Planning Office for Gateway Business Dept. Apr. 2000 Representative, Mari Matsunaga Office, Inc. Jun. 2012 Outside Director, MS&AD Insurance Group Holdings, Inc. (current position) Jun. 2012 Outside Director of TERUMO CORPORATION (current position) Jun. 2014 Outside Director, ROHTO PHARMACEUTICAL CO., LTD. (current position) Jun. 2016 Outside Director of the Company (current position) **Important concurrent positions held at other companies** Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of TERUMO CORPORATION Outside Director of ROHTO PHARMACEUTICAL CO., LTD.	1,100 **Attendance at meetings of the Board of Directors** 9 / 10 meetings (90.0%)

Reason for nominating Mari Matsunaga as an Outside Director

Ms. Matsunaga has created new business models and has a wealth of experience and considerable insight through her involvement in the management of multiple companies as Outside Officers. She has monitored corporate management appropriately by expressing actively opinions including findings and proposals regarding managerial issues from the viewpoints of diversity and employees' working environment, etc.

We have nominated her as a candidate for independent Outside Director with the expectation that she will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium to long term.

Independence of duties

Although the Company has asked Ms. Matsunaga to give speech in the past three years, the speaker expenses were less than 500,000 yen and thus do not fall under the category of "a large sum of money and other properties" as prescribed in the "Criteria for Independence of Outside Directors."

The Company has registered Ms. Matsunaga as an Independent Director with the Tokyo Stock Exchange. If this proposal is approved as proposed, she will continue to serve as an Independent Director.

The term of office as Outside Director

At the conclusion of this Meeting, one year will have passed since her initial appointment.

Note 1: There are no special interests between the candidate and the Company.

Note 2: The Company has concluded a liability limitation contract with Ms. Mari Matsunaga, who is incumbent Outside Director of the Company, to limit her liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act. If she is reappointed as a Director, the Company intends to renew the aforementioned contract with her.

Note 3: Her name on the family register is Mari Aoki.

■Audit & Supervisory Committee Opinion

For the election of Directors who are not Audit & Supervisory Committee Members, fundamental framework and policies for the Company's Board of Directors and Directors, as well as candidate nominating policies and specific proposals were confirmed at the Director Nomination Committee. The committee consists of all the Outside Directors, including three Outside Directors who are Audit & Supervisory Committee Members, President, and Officer in charge of human resources, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

As a result, Audit & Supervisory Committee concluded that there were no special items to be stated at the General Meeting of Shareholders in accordance with the provision of the Companies Act regarding the election of Directors who are not Audit & Supervisory Committee Members.

(Reference)

◆ Policies and Procedures for Nominating Director Candidates

With an aim to ensure transparency and objectivity, Director candidates who are submitted for their appointments to the General Meeting of Shareholders are determined by the Board of Directors after going through a fair, transparent, and rigorous screening and reporting by the Director Nomination Committee in which Outside Directors make significant contributions.

Policies:

1) Officers must be impartial and possess high integrity and ethical standards.
2) Outside Directors must satisfy "Criteria for Independence of Outside Directors" (please refer to page 14) stipulated by the Board of Directors in order to guarantee their independence.

Note: Regarding the nomination and compensation of Directors and Executive Officers, etc., the Company established a Director Nomination Committee and a Director Compensation Committee as advisory bodies of the Board of Directors. The committees are composed of Outside Directors who make significant contributions with an aim to ensure transparency and objectivity. Both committees are composed of President and Officer in charge of human resources, in addition to Outside Directors who account for the majority thereof. Directors who are Full-Time Audit & Supervisory Committee Members can attend meetings of both committees as observers.

Criteria for Independence of Outside Directors

The Company has established the criteria below to objectively determine whether potential Outside Directors are independent.

1. *A person is not independent if:*

(1) *The person considers the Company to be a major business partner[1], or has served as an executive[2] within the past five years in an entity for which the Company is a major business partner;*

(2) *The person is a major business partner[3] of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.*

(3) *The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation[4] (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;*

(4) *The person is a major shareholder[5] of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;*

(5) *The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;*

(6) *The person is a major lender [6] to the Company or has been an executive of a major lender to the Company within the past five years;*

(7) *The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;*

(8) *The person has been employed by a leading managing underwriter of the Company within the past five years;*

(9) *The person has received a large donation[7] from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;*

(10) *The person came from an entity that employs someone from the Company as an Outside Director; or*

(11) *A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.*

2. *Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.*

Notes

1: *A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.*

2: *"Executive" means an executive officer, executive director or operating officer, or an employee occupying a senior management position of department manager or higher.*

3: *A person (usually a buyer) is a major business partner if 2% or more of the Company's consolidated revenue has come from that partner in any fiscal year within the past three years.*

4: *"A large sum of money or other forms of compensation" means an average annual amount for the past three years that is:*
   - i) *no less than 10 million yen for an individual; or*
   - ii) *no less than 2% of the annual revenues in any fiscal year for a group.*

5: *"Major shareholder" means a shareholder who directly or indirectly holds 10% or more of the voting rights.*

6: *"A major lender" means a financial institution or other major creditor that is indispensable for the Company's financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.*

7: *"Large donation" means a donation whose annual average amount for the past three years exceeds either:*
   - i) *10 million yen or*
   - ii) *30% of the annual expense of the group, whichever is higher.*

---End---

Proposal 3: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

The Company proposes to pay bonuses of 97,880,000 yen in total to the six Directors who are not Audit & Supervisory Committee Members excluding Outside Directors as of March 31, 2017 based on the monthly compensation by taking business performance for the current fiscal year into consideration.

The total amount and beneficiaries of the bonus payment have been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contributions.

The Company would like to provide the Board of Directors with discretion to determine compensation for each Director.

■Audit & Supervisory Committee Opinion

Regarding compensation, etc. for Directors who are not Audit & Supervisory Committee Members, policies for compensation system for Directors, specific calculation methods for the amount of compensation and proposals for bonuses for Directors who are not Audit & Supervisory Committee Members were confirmed at the Director Compensation Committee. The committee consists of all the Outside Directors, including three Outside Directors who are Audit & Supervisory Committee Members, President, and Officer in charge of human resources, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

As a result, Audit & Supervisory Committee concluded that there were no special items to be stated at the General Meeting of Shareholders in accordance with the provision of the Companies Act regarding the payment of bonuses to Directors (excluding Outside Directors) in charge of executive duties.

(Reference)

◆ Policies and Procedures for Determining Compensation of Officers

With an aim to ensure transparency and objectivity, compensation of officers are determined by the General Meeting of Shareholders, the Board of Directors or Audit & Supervisory Committee after going through a fair, transparent, and rigorous reporting by the Director Compensation Committee in which Outside Directors make significant contributions.

Policies:

(Compensation for Officers who have executive duties)

1) Compensation shall be incentive to improve business performance in order to increase corporate value in both the near and long terms.
2) Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.
3) Compensation shall be commensurate with the business performance so that they can demonstrate their management capabilities to the fullest during their terms of offices.

(Compensation for Officers who do not have executive duties)

1) The composition of compensation shall guarantee independence so that these Officers can suitably demonstrate their general management supervisory function, etc.
2) Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.

Proposal 4: Renewal of Countermeasures to Large-Scale Acquisitions of Seiko Epson Shares

The Company, for the purpose of ensuring and enhancing the Company's corporate value and the common interests of its shareholders, received approval from its shareholders for the renewal of the plan for countermeasures to large-scale acquisitions of the Company's shares at the 72nd ordinary general meeting of shareholders of the Company held on June 24, 2014 (the renewed plan for countermeasures to large-scale acquisitions of the Company's shares: the "Existing Plan").

As the Existing Plan is effective until the conclusion of this Meeting, the Company has continually considered the Existing Plan in a multifaceted manner, including whether to continue it, from the viewpoint of maintaining and enhancing the common interests of shareholders and the Company's corporate value.

As a result, the Company has determined that renewing the Existing Plan with certain changes (the renewed plan for countermeasures: the "Plan") would contribute to the Company's corporate value and the common interests of its shareholders. By renewing the Existing Plan, it would help the entire Company advance the strategies toward achieving the Epson 25 Corporate Vision without dispersing its management resources, and that, on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer, it would provide the Company with a measure that ensures the necessary time and information for the shareholders to decide whether or not to accept such proposal or for the Company's board of directors to present an alternative proposal while enabling the board of directors to discuss and negotiate with the acquirer. The Company is therefore asking the shareholders to approve the "Plan."

The purpose of the changes to the Existing Plan is to further enhance its appropriateness and objectivity by even more clearly defining that it is for ensuring that the countermeasure would maintain the common interests of the shareholders and not for maintaining the positions of the executives of the Company. An outline of its content is described below.

(i) To further enhance the objectivity of the decisions made by the Special Committee, the members of the Special Committee shall be solely elected from among highly independent outside directors, while previously, electing external experts was allowed.
(ii) Certain patterns of acquisition, etc. subject to a gratis allotment of stock acquisition rights will be deleted to limit the triggering requirements.
(iii) With regard to the treatment of recommendations of the Special Committee, in order to eliminate arbitrary operation by the management, the board of directors shall make decisions by following the recommendations (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager), while previously, the board of directors were required to make decisions by respecting such recommendations to the maximum extent.

(iv) The period necessary for each process after an Acquirer expressed the intention to purchase will be specified and clarified.
(v) In case of acquiring stock acquisition rights from Non-Qualified Parties, it will be clarified that any economic profit such as cash will not be delivered.
(vi) Some minor modifications and revisions in expression will be made.

1. Purpose of the Plan

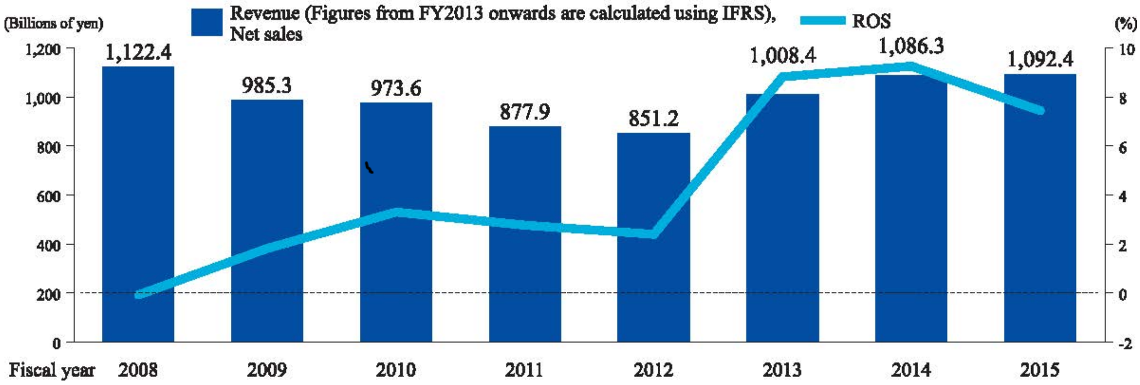
The Plan is to define a certain mechanism against large-scale acquisitions of the shares in the Company, and its purpose is to ensure and enhance the corporate value of the Company and, in turn, the common interests of its shareholders in accordance with the Basic Policy regarding Persons Who Control Decisions on the Company's Financial and Business Policies (the "Basic Policy" in this Proposal; for further details, please refer to pages 70 through 71 of the Appendix herein). Since the introduction of the plan for countermeasures to large-scale acquisitions of the shares in the Company in 2008, the Company has worked to achieve the previous SE15 Corporate Vision that described what the Company would like to achieve by 2015, throughout the effective period of the Existing Plan. Guided by the policies set out in SE15, the Company concentrated management resources and implemented consistent initiatives. As a result, the Company is now structured to generate a steady flow of cash and has achieved a solid financial turnaround.

Furthermore, since the last renewal in 2014, the Company has achieved solid performance even amid a severe business environment, while enhancing shareholder return and solidly promoting measures for further growth.

In addition, the Company has strove to continuously enhance and strengthen corporate governance to maintain and increase its corporate value, with the transition to a company with an Audit & Supervisory Committee and the appointment of independent outside directors accounting for at least one-third of the board members.

In view of these results, the Company believes that the introduction and renewal of the plan for countermeasures to large-scale acquisitions of the shares in the Company have been working effectively to a certain extent in maintaining and increasing the Company's corporate value.

<<Reference: Review on SE15, the Previous Corporate Vision>>



The Company formulated in March 2016 the Epson 25 Corporate Vision aiming for further growth, and is currently advancing strategies toward achieving the vision on a company-wide basis. To continually and constantly enhance the Company's corporate value and the common interests of the shareholders, the Company believes that it is essential that the management team well-versed in the sources of the Company's corporate value and with a strong will to achieve the Epson 25 take the lead in the company-wide efforts to advance the strategies to steadily yield results, guided by an aspiration to become an indispensable company trusted throughout the world by contributing to the society through creating customer value which only the Company can offer.

As set out in the Basic Policy, the Company believes that its shareholders should be decided through free trade in the market, and the determination to accept to an acquisition proposal to purchase a portion of shares that would make it possible to control decisions on the Company's financial and business policies should ultimately be referred to a decision by the shareholders.

Furthermore, the Company believes that, against any acquisition proposal for the shares in the Company, it can explain with confidence to the shareholders the strategic advantage of the Epson 25 as well as the superiority of its current management that is boldly advancing the strategies toward achieving the vision.

However, there are some forms of large-scale acquisitions of shares that benefit neither the Company's corporate value nor the common interests of its shareholders to be ensured and enhanced. Considering the possibility that the management resources could be dispersed and the implementation of the strategies on a company-wide basis could be disrupted by such inappropriate persons who wish to control the decisions on the Company's financial and business policies, the Company believes that, as part of initiatives to prevent it, on occasions when it receives a large-scale acquisition proposal for the shares in the Company from an acquirer, it is necessary to introduce a mechanism that ensures the necessary time and information is made available for the shareholders to decide whether or not to accept such proposal or for the Company's board of directors to present an alternative proposal and that enables the board of directors to discuss and negotiate with the acquirer for the benefit of the shareholders.

Meanwhile, under the current tender offer system, buying up within the market is not subject to control and therefore companies cannot defend against hostile buying up within the market. In addition, even in the case where the tender offer system applies, there are certain restrictions; for example, information is not made available before the commencement of a tender offer, while, as companies are required to submit a position statement within ten business days from the commencement of a tender offer, information is not sufficiently disclosed to the shareholders nor sufficient time can be ensured to consider whether or not to accept to the tender offer. For these reasons, the Company believes that the current system may not always work effectively against a large-scale acquisition of shares in the Company.

Due to the foregoing, the Company has determined that, advancing the strategies on a company-wide basis toward achieving Epson 25 without dispersing management resources and, on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer, ensuring the necessary information and time for consideration for its shareholders in accordance with the Plan would contribute to the corporate value of the Company and the common interests of its shareholders, and therefore decided at the meeting of its board of directors held today to renew the Existing Plan with certain changes, subject to shareholder approval at this Ordinary General Meeting of Shareholders.

In addition, to prevent any management executive who tries to protect his/her own interests from being elected, the Company has established the Director Nomination Committee in which outside directors make significant contribution, and stipulated in its Corporate Governance Policy that, in nominating director candidates, such nominees are required to be impartial and possess high integrity and ethical standards. Regarding the election of directors who are not Audit & Supervisory Committee Members, with the transition to a company with an Audit & Supervisory Committee, where Audit & Supervisory Committee has the right to state its opinions at a general meeting of shareholders, the Company has established a structure under which an even more highly objective judgment is made regarding the election of directors. Moreover, in renewing the Plan, the Company has made certain changes to the Existing Plan, such as having the Special Committee, an organization that will make the substantial decisions in the event of operating the Plan, made up of outside directors only, thereby clarifying that the aim of the Plan is not to maintain the positions of the executives of the Company but to ensure and enhance the corporate value of the Company and the common interests of its shareholders. This further enhanced the appropriateness and transparency of the Plan.

2. Plan Details

2.1 Plan Outline

(1) Establishment of Procedures

The Plan sets out procedures necessary to achieve the purpose stated in 1. above, including the requirement for acquirers to provide information in advance in the case an acquirer intends to make an acquisition or other onerous transfer of shares in the Company, or any similar action or proposes to make such action (that action, “Acquisition”; the party effecting the Acquisition, the “Acquirer”) (for further details, see section 2.2, ‘Procedures for the Plan’ below).

(2) Implementation of the Gratis Allotment of Stock Acquisition Rights

In the event that an Acquirer makes an Acquisition of shares in the Company without following the procedures set out in the Plan, or threatens to cause obvious harm to the corporate value of the Company and the common interests of its shareholders (see section 2.3 below, ‘Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),’ for details of these requirements), the Company will allot stock acquisition rights with (a) an exercise condition that does not allow the Acquirer to exercise the rights and (b) an acquisition provision to the effect that the Company may acquire the stock acquisition rights in exchange for shares in the Company from persons other than the Acquirer (see section 2.4 below, ‘Outline of the Gratis Allotment of Stock Acquisition Rights,’ for the details of these stock acquisition rights; the “Stock Acquisition Rights”), by means of a gratis allotment of stock acquisition rights to all shareholders, except the Company, at that time.

If a gratis allotment of Stock Acquisition Rights were to take place in accordance with the Plan and all shareholders other than the Acquirer received shares in the Company as a result of those shareholders exercising, or the Company acquiring, those Stock Acquisition Rights, the ratio of voting rights in the Company held by the Acquirer may be diluted by up to one half.

(3) Establishment and Use of the Special Committee

The Company will establish the Special Committee as an organization that will eliminate arbitrary decisions by the Company’s board of directors in relation to the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights under the Plan and objectively make the substantial decisions on behalf of the shareholders in the event of operating the Plan. The Special Committee will have three or more members, consisting solely of outside directors of the Company, who are highly independent from the management of the Company (independence requirements that outside directors must satisfy are as stated in the “Criteria for Independence of Outside Directors” on page 14 of the Reference Materials. The business background of the Special Committee members who are expected to assume office when the Plan is renewed will be as described in “Profiles of the Members of the Special Committee” on page 34 of the Reference Materials.)

Also the Company’s board of directors will convene a general meeting of shareholders and confirm the intent of the Company’s shareholders regarding the implementation of the gratis allotment of the Stock Acquisition Rights, if the Special Committee recommends to do so. Transparency with respect to the course of those procedures will be ensured by timely disclosure to all of the Company’s shareholders.

In addition, to enable the Special Committee to make the substantial decisions in the event of operating the Plan, the Company’s board of directors convenes the members of the Special Committee on a regular basis (once every three months as a general rule) to provide information on the business conditions, etc. of the Company in a timely manner.

2.2 Procedures for the Plan

(1) Targeted Acquisitions

The Plan will apply in cases where there is an Acquisition that falls under (i) or (ii) below (the “Large-Scale Acquisitions”). The Acquirer shall follow the procedures set out in the Plan.

(i) An Acquisition that would result in the holding ratio of shares, etc. of a holder amounting to 20% or more of the shares, etc. issued by the Company; or

(ii) An Acquisition that would result in the owning ratio of shares, etc. for shares, etc. of the person carrying out the Acquisition and the owning ratio of shares, etc. of a person having a special relationship with the person carrying out the Acquisition totaling at least 20% of the shares, etc. issued by the Company.

(2) Request to the Acquirer for the Provision of Information

Unless otherwise approved by the Company’s board of directors, any Acquirer will be requested to submit to the Company’s board of directors in a form prescribed by the Company, before effecting an Acquisition, a document written in Japanese which includes the name and address of the Acquirer, the governing law of the country in which the Acquirer is incorporated, the name of the Acquirer’s representative, the Acquirer’s contact details in Japan, an outline of the proposed Acquisition, and a written undertaking that the Acquirer will comply with the procedures set out in the Plan (“Expression of Intent”). The Company’s board of directors will deliver the list of essential and sufficient information (the “Essential Information”) to the Acquirer within ten business days after receiving the Expression of Intent in order for all of the Company’s shareholders to make a determination on, and for the Special Committee to evaluate and consider, the Acquisition. An Acquirer who has received the list shall submit to the Company’s board of directors the Essential Information in a document written in Japanese and in accordance with the list.

The Company's board of directors will promptly provide the Expression of Intent and the Essential Information submitted by the Acquirer to the Special Committee. If the Special Committee determines that the Essential Information submitted by the Acquirer does not contain sufficient details for the Company's shareholders to make a determination on, or for the Special Committee to evaluate and consider, the Acquisition, it may set a reply period and request, directly or through the Company's board of directors, that the Acquirer further provide Essential Information. In such case, the Acquirer should further provide such Essential Information within the relevant time limit. In addition, sixty days from the date on which the Expression of Intent was received will be set as the maximum period for the Acquirer to deliver response (the "Information Provision Period"), and even when the Essential Information has not been sufficiently provided, upon expiration of the Information Provision Period, communication with the Acquirer concerning the provision of information shall be terminated at that time to carry out the Special Committee consideration ((3) (ii) below) based on the information that has been provided up until that point.

Notwithstanding the details and manner of the Acquisition, the information in the following items shall generally be included in the Essential Information.

(i) Details (including the exact name, capital structure, financial position, details and result of previous transactions by the Acquirer similar to the Acquisition, and the effect the pervious transaction had on the corporate value of the target company) of the Acquirer and its group (including joint holders, persons having a special relationship and, in the case of funds, each partner and other constituent members).

(ii) The purpose, method and terms of the Acquisition (including information on the amount and type of consideration for the Acquisition, the timeframe of the Acquisition, the scheme of any related transactions, the legality of the Acquisition method, and the probability that the Acquisition will be made).

(iii) The basis for the calculation of the purchase price of the Acquisition (including the underlying facts and assumptions of the calculation, the calculation method, the numerical data used in the calculation, the details of any expected synergies from any series of transactions relating to the Acquisition including the details of such synergies to be shared with minority shareholders).

(iv) Financial support for the Acquisition (specifically including the name of the fund providers (including all indirect fund providers), financing methods and the terms of any related transactions).

(v) Post-Acquisition management policy, business plan, capital and dividend policies for the Company group.

(vi) Post-Acquisition treatment of and policies for the Company's employees, business partners, customers, and any other stakeholders in the Company.

(vii) Specific measures to avoid any conflict of interest with other shareholders in the Company (if any).

(viii) Any other information that the Special Committee reasonably considers necessary.

Additionally, even during the Information Provision Period, if the Special Committee determines that the Essential Information has been sufficiently provided by the Acquirer, the Company's board of directors will notify the Acquirer to that effect (the "Notification concerning the Completion of Information Provision") and promptly disclose the fact.

The Information Provision Period shall be terminated on the date on which the Company's board of directors gave the Notification concerning the Completion of Information Provision (however, if the Company's board of directors has received request for the provision of information as set out in (3) (i) below from the Special Committee at the time of giving the Notification concerning the Completion of Information Provision, the date of completion of provision of information by the Company's board of directors) or the date on which the Information Provision Period expires, whichever comes first.

(3) Consideration of Acquisition Terms, Negotiation with the Acquirer, and Consideration of an Alternative Proposal

(i) Request to the Company's Board of Directors for the Provision of Information

If the Acquirer submits the Essential Information and any additional Essential Information that the Special Committee requests (if any), the Special Committee may request that the Company's board of directors promptly present an opinion on the terms of the Acquirer's Acquisition (including an opinion to reserve giving such an opinion; hereinafter the same) and supporting materials, alternative proposals (if any), and any other information or materials that the Special Committee considers necessary as needed within a reasonable period determined by the Special Committee for the Company's board of directors to collect information, examine corporate valuation, and consider alternative proposals (including consideration by outside experts, if necessary) in order to compare the information contained in the Essential Information with the business plan and corporate valuation made by the Company's board of directors as well as consider alternative proposals by the Company's board of directors in light of ensuring and enhancing the Company's corporate value and common interests of its shareholders. The Company's board of directors shall provide the information and materials within the Information Provision Period above (however, based on the request of the Special Committee, the board of directors may provide the information and materials even during the Special Committee Consideration Period as set out in (ii) below).

(ii) Special Committee Consideration

Beginning on the day following the expiration date of the Information Provision Period, the Special Committee may set a consideration period up to sixty days (in cases of purchases of all of the Company's shares through a tender offer of the consideration in cash denominated in Japanese yen only) or up to ninety days (in cases of other purchases) (the "Special Committee Consideration Period"). The Special Committee will consider the Acquisition terms, collect information on the materials such as the management plans and business plans of the Acquirer and the Company's board of directors and conduct a comparison thereof, and consider any alternative plan presented by the Company's board of directors, and the like during the Special Committee Consideration Period. Further, if it is necessary in order to improve the terms of the Acquisition from the standpoint of ensuring and enhancing the corporate value of the Company and the common interests of its shareholders, the Special Committee will directly or indirectly through the Company's board of directors discuss and negotiate with the Acquirer, or present the shareholders with the alternative proposal presented by the Company's board of directors, or conduct any similar action.

If the Special Committee directly or indirectly through the Company's board of directors requests the Acquirer provide materials for consideration or any other information, or discuss and negotiate with the Special Committee, the Acquirer must promptly respond to such request.

In order to ensure that the Special Committee's decision contributes to the Company's corporate value and the common interests of its shareholders, the Special Committee may at the cost of the Company obtain advice from independent third parties (including financial advisers, certified public accountants, attorneys, consultants or any other experts).

(iii) Disclosure of Information to Shareholders and Investors

The Company will promptly disclose to all shareholders and investors the fact that an Acquirer has emerged, the fact that it has received an Expression of Intent from the Acquirer, the fact that the Special Committee Consideration Period has commenced, the fact that the Company's board of directors has presented an alternative plan to the Special Committee, and any matters considered appropriate by the Special Committee from the Essential Information or other information.

(4) Judgment by the Special Committee

If an Acquirer emerges, the Special Committee will make recommendations to the Company's board of directors as follows. If the Special Committee makes recommendations or otherwise as listed in (i) or (ii) below to the Company's board of directors, or otherwise believes it to be appropriate, the Company will promptly disclose to all shareholders and investors the fact that recommendations or a resolution was made and an outline thereof and any other matters that the Special Committee considers appropriate.

(i) Non-Compliance by the Acquirer with Procedures set out in the Plan

If the Acquirer fails to comply with the procedures set out in the Plan and the implementation of the gratis allotment of Stock Acquisition Rights is determined to be reasonable, the Special Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights to the Company’s board of directors, regardless of whether the Special Committee Consideration Period has commenced or ended.

However, even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after such recommendation, until the date prior to the Stock Acquisition Rights Exercise Period Commencement Date (defined in (6) of 2.4, ‘Outline of the Gratis Allotment of Stock Acquisition Rights’ below; hereinafter the same), the Special Committee may make a new recommendation (a) that (before gratis allotment has taken effect) the Company should cancel the gratis allotment of Stock Acquisition Rights, or (b) that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

(ii) Compliance by the Acquirer with Procedures set out in the Plan

If the Acquirer complies with the procedures set out in the Plan, the Special Committee will, as a general rule, recommend to the Company’s board of directors the non-implementation of the gratis allotment of Stock Acquisition Rights.

However, even if the Acquirer complies with the procedures set out in the Plan, if as a result of considering the terms of the Acquirer’s Acquisition and discussions, negotiations or the like with the Acquirer, the Special Committee determines that the Acquisition by the Acquirer meets any of the requirements set out below at 2.3, ‘Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),’ and it is reasonable to implement a gratis allotment of Stock Acquisition Rights, the Special Committee will recommend the implementation of the gratis allotment of Stock Acquisition Rights as an exceptional measure. Even after the Special Committee has already made a recommendation for the implementation of the gratis allotment of Stock Acquisition Rights, if (a) the Acquirer withdraws the Acquisition or the Acquisition otherwise ceases to exist after such recommendation, or (b) there is a change in the facts or otherwise upon which the recommendation decision was made and the Special Committee determines that the Acquisition by the Acquirer does not meet any of the requirements set out below at 2.3, ‘Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures),’ or the Acquisition meets the requirement(s) but it is not reasonable to implement the gratis allotment of Stock Acquisition Rights or allow shareholders to exercise the Stock Acquisition Rights, until the date prior to the Stock Acquisition Rights Exercise

Period Commencement Date, the Special Committee may make a new recommendation (a) that (before gratis allotment has taken effect) the Company should cancel the gratis allotment of Stock Acquisition Rights, or (b) that (after the gratis allotment has taken effect) the Company should acquire the Stock Acquisition Rights without consideration.

Even if the Special Committee considers the implementation of the gratis allotment of Stock Acquisition Rights is reasonable, it will recommend that the Company's board of directors convenes a general meeting of shareholders and submits a proposal of the implementation of the gratis allotment of Stock Acquisition Rights if the Special Committee deems it appropriate to obtain a resolution at a general meeting of shareholders on the implementation of the gratis allotment of Stock Acquisition Rights.

(5) Resolutions of the Board of Directors and Convocation of the Shareholders Meeting

In light of the fact that the Special Committee is composed solely of highly independent outside directors, the Company's board of directors will promptly pass a resolution relating to the implementation or non-implementation of a gratis allotment of Stock Acquisition Rights (including cancellation of gratis allotment of Stock Acquisition Rights) by following the recommendations of the Special Committee described above (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager).

If the Special Committee recommends the Company's board of directors convenes a general meeting of shareholders and submits a proposal for the implementation of the gratis allotment of Stock Acquisition Rights, the Company's board of directors will promptly convene the general meeting of shareholders so that the meeting is held as soon as practicably possible and submit a proposal for the implementation of the gratis allotment of Stock Acquisition Rights, unless it is practicably and significantly difficult to convene a general meeting of shareholders. If the general meeting of shareholders resolves to implement the gratis allotment of the Stock Acquisition Rights, the Company's board of directors will promptly resolve to implement the gratis allotment of the Stock Acquisition Rights. However, if the proposal at the general meeting of shareholders to implement the gratis allotment of Stock Acquisition Rights is not approved as proposed, the Company's board of directors will make a resolution for the non-implementation of the gratis allotment of Stock Acquisition Rights.

The Acquirer must not make an Acquisition after the commencement of procedures for the Plan until the Company's board of directors passes a resolution for implementation or non-implementation of the gratis allotment of Stock Acquisition Rights.

If the Company's board of directors passes a resolution for the implementation or non-implementation of the gratis allotment of Stock Acquisition Rights, or the Company's board of directors resolves to convene the above general meeting of shareholders, or the general meeting of shareholders resolves to implement the gratis allotment of Stock Acquisition Rights, the Company's board of directors will promptly disclose to all shareholders and investors an outline of the resolution, and any other matters that the Company's board of directors considers appropriate.

2.3 Requirements for the Implementation of the Gratis Allotment of Stock Acquisition Rights (no violation of procedures)

Even if the Acquirer has complied with the procedures set out in the Plan, the Company intends to implement the gratis allotment of Stock Acquisition Rights by a resolution of the Company's board of directors as described above at (5) of 2.2, 'Procedures for the Plan,' if it is considered that an Acquisition by an Acquirer falls under any of the items below and it is reasonable to implement the gratis allotment of Stock Acquisition Rights. However, the Company's board of directors will, without fail, make its determination as to whether an Acquisition of an Acquirer falls under a requirement below and if it is reasonable or not to implement the gratis allotment of Stock Acquisition Rights following the judgment of the Special Committee in accordance with (4) of section 2.2 above, 'Procedures for the Plan.'

(1) An Acquisition that threatens to cause obvious harm to the corporate value of the Company and, in turn, the common interests of its shareholders through actions such as those described below or any similar action:

(i) Acquisition made with no intention of truly participating in corporate management and for the sole purpose of increasing the share price of the Company and having the Company or the Company's affiliates purchase shares, etc. in the Company at an inflated price (so-called greenmailer).

(ii) Management that achieves an advantage for the Acquirer to the detriment of the Company, such as temporary control of the Company's management for the low-cost acquisition of the Company's material assets.

(iii) Diversion of the Company's assets to secure or repay debts of the Acquirer or its group company.

(iv) Temporary control of the Company's management to bring about a disposal of high-value assets that have no current relevance to the Company's business and declaring temporarily high dividends from the profits of the disposal, or selling the shares at a high price and taking advantage of the opportunity afforded by the sudden rise in share prices created by the temporarily high dividends.

(2) Certain Acquisitions that threaten to have the effect of coercing shareholders into selling shares, such as coercive two-tiered tender offers (meaning acquisitions, etc. of shares including tender offers that do not offer to acquire all shares in the initial acquisition, and set acquisition terms for the second stage that are unfavorable to shareholders or do not set clear terms for the second stage).

(3) In addition to the preceding items, an Acquisition that meets both of the conditions listed below.
   (i) When it is objectively and reasonably presumed that the Company's corporate value and interests and in turn, the common interests of its shareholders may be significantly damaged.
   (ii) In case of non-implementation of countermeasure at the time, it is objectively and reasonably presumed that the Company cannot, or may not be able to prevent the Company's corporate value and interests, and in turn, the common interests of its shareholders from being significantly damaged.

2.4 Outline of the Gratis Allotment of Stock Acquisition Rights

An outline of the gratis allotment of Stock Acquisition Rights scheduled to be implemented under the Plan is described below.

(1) Number of Stock Acquisition Rights

The Company will implement a gratis allotment of Stock Acquisition Rights in the number equivalent to the final and total number of issued shares in the Company (excluding the number of shares in the Company held by the Company at that time) on an allotment date (the "Allotment Date") that is separately determined in a resolution by the Company's board of directors relating to the implementation of the gratis allotment of Stock Acquisition Rights ("Gratis Allotment Resolution").

(2) Shareholders Eligible for Allotment

The Company will allot the Stock Acquisition Rights without consideration to those shareholders, other than the Company, who are recorded in the Company's final shareholder register on the Allotment Date, at a ratio of one Stock Acquisition Right for every one share in the Company held.

(3) Effective Date of Gratis Allotment of Stock Acquisition Rights

The effective date of the gratis allotment of Stock Acquisition Rights will be separately determined in the Gratis Allotment Resolution.

(4) Number of Shares to be Acquired upon Exercise of the Stock Acquisition Rights

The number of shares in the Company to be acquired upon exercise of each Stock Acquisition Right (which shall be book-entry stock prescribed in Article 128, Paragraph 1 of the Act on Book-Entry of Corporate Bonds, Shares, Etc. (Act No. 75 of 2001)) (the "Applicable Number of Shares") shall be one share unless otherwise adjusted.

(5) The Amount to be Contributed upon Exercise of the Stock Acquisition Rights

Contributions upon exercise of the Stock Acquisition Rights are to be in cash, and the amount per share in the Company to be contributed upon exercise of the Stock Acquisition Rights will be an amount separately determined in the Gratis Allotment Resolution within the range between a minimum of one yen and a maximum of any amount equivalent to one-half of the fair market value of one share in the Company. "Fair market value" means the average closing price (including quotations) for regular transactions of the stock of the Company on the Tokyo Stock Exchange on each day during the ninety day period prior to the Gratis Allotment Resolution (excluding the days on which the closing price is not available), with any fraction of a yen after such calculation to be rounded up to the nearest whole yen.

(6) Exercise Period of the Stock Acquisition Rights

The commencement date will be a date separately determined in the Gratis Allotment Resolution (this commencement date of the exercise period shall be referred to as the "Exercise Period Commencement Date"), and the period will be a period from one month to three months long as separately determined in the Gratis Allotment Resolution; provided, however, that if the Company acquires the Stock Acquisition Rights pursuant to the provision of (ii) in paragraph (9) below, the exercise period for the Stock Acquisition Rights with respect to that acquisition will be up to and including the business day immediately prior to the relevant acquisition date. Further, if the final day of the exercise period falls on a holiday for the payment place for the cash payable upon exercise, the final day will be the preceding business day.

(7) Conditions for the Exercise of the Stock Acquisition Rights

As a general rule, the following parties may not exercise the Stock Acquisition Rights (the parties falling under (I) through (VI) below shall collectively be referred to as "Non-Qualified Parties"):

(I) Specified Large Holders;
(II) Joint Holders of Specified Large Holders;
(III) Specified Large Purchasers;
(IV) Persons having a Special Relationship with Specified Large Purchasers;

(V) Any transferee of or successor to the Stock Acquisition Rights of any party falling under (I) through (IV) without the approval of the Company's board of directors; or

(VI) Any Affiliated Party of any party falling under (I) through (V).

Further, nonresidents of Japan who are required to follow certain procedures under foreign laws and regulations to exercise the Stock Acquisition Rights may not as a general rule exercise the Stock Acquisition Rights (provided, however, that certain nonresidents to whom the exemption provision under the applicable law applies may exercise the Stock Acquisition Rights and the Stock Acquisition Rights held by nonresidents will be subject to acquisition by the Company in exchange for shares in the Company as set out in (ii) of paragraph (9) below, 'Acquisition of the Stock Acquisition Rights by the Company.').

(8) Assignment of the Stock Acquisition Rights

Any acquisition of the Stock Acquisition Rights by assignment requires the approval of the Company's board of directors.

(9) Acquisition of the Stock Acquisition Rights by the Company

(i) At any time on or before the date immediately prior to the Exercise Period Commencement Date, if the Company's board of directors recognizes that it is appropriate for the Company to acquire the Stock Acquisition Rights, the Company may, on a day separately determined by the Company's board of directors, acquire all of the Stock Acquisition Rights without consideration.

(ii) On a day separately determined by the Company's board of directors, the Company may acquire all of the Stock Acquisition Rights that have not been exercised before or on the business day immediately prior to such date determined by the Company's board of directors, that are held by parties other than Non-Qualified Parties and, in exchange, deliver shares in the Company in the number equivalent to the number of the Applicable Number of Shares for every one Stock Acquisition Right. Further, if, on or after the date upon which the acquisition takes place, the Company's board of directors recognizes the existence of any party holding Stock Acquisition Rights other than Non-Qualified Parties, the Company may, on a day falling on a date determined by the Company's board of directors after the date upon which the acquisition described above takes place, acquire all of the Stock Acquisition Rights held by that party that have not been exercised by or on the day immediately prior to such date determined by the Company's board of directors (if any) and, in exchange, deliver shares in the Company in the number equivalent to the number of the

Applicable Number of Shares for every one Stock Acquisition Right. The same will apply thereafter. However, if the Company acquires the Stock Acquisition Rights held by the Non-Qualified Parties, the Company will not deliver any economic profit such as cash, as consideration for the acquisition.

(iii) In addition to the above, the Company may, in the Gratis Allotment Resolution, determine other matters relating to acquisition of Stock Acquisition Rights including reasons for Stock Acquisition Rights acquisition.

2.5 Effective Period, Abolition and Amendment of the Plan

The effective period of the Plan (the "Effective Period") shall be the period until the conclusion of the ordinary general meeting of shareholders relating to the final fiscal year ending within three years after the conclusion of this Meeting.

However, if, before the expiration of the Effective Period, (a) a general meeting of shareholders of the Company, or (b) the Company's board of directors consisting of directors elected at a general meeting of shareholders passes a resolution to abolish the Plan, the Plan shall be abolished at that time.

Further, the Company's board of directors may revise or amend the Plan even during the Effective Period of the Plan, if such revision or amendment is not against the purpose of a resolution of this Meeting such as cases where any law, regulation, financial instrument exchange rule or the like concerning the Plan is established, amended or abolished and it is appropriate to reflect such establishment, amendment or abolition, cases where it is appropriate to revise the wording for reasons such as typographical errors and omissions, cases where such revision or amendment is not detrimental to the Company's shareholders, or any similar cases, and subject to the approval of the Special Committee.

If the Plan is abolished, revised, or amended, the Company will promptly disclose facts including the fact that such abolition, revision, amendment or alteration has taken place, and (in the event of a revision or amendment) the details of the revision or amendment and any other matters.

(Reference)

The contents of the Plan are as described in 2 "Plan Details" above. (I) Impact on Shareholders and Investors at the Time of Renewing the Plan and at the Time of the Gratis Allotment of Stock Acquisition Rights, and (II) Decisions and Reasoning of the Company's Board of Directors regarding the Plan are as follows. The Company would like to ask the shareholders to approve this proposal in consideration of these points.

(I) Impact on Shareholders and Investors at the Time of Renewing the Plan and at the Time of the Gratis Allotment of Stock Acquisition Rights

(a) Impact on Shareholders and Investors at the Time of Renewing the Plan

At the time of renewing the Plan, no actual gratis allotment of Stock Acquisition Rights will be implemented, resulting in no direct or material impact on shareholders and investors.

(b) Impact on Shareholders and Investors at the Time of the Gratis Allotment of Stock Acquisition Rights

If the Company's board of directors passes a resolution for a gratis allotment of Stock Acquisition Rights, the Company will make a gratis allotment of Stock Acquisition Rights to the shareholders on the Allotment Date provided separately in the Gratis Allotment Resolution of one Stock Acquisition Right per share in the Company held by the Entitled Shareholders. If the shareholders do not pay the exercise price or perform other procedures necessary for shareholders during the exercise period of Stock Acquisition Rights, the value of all shares they hold in the Company will be diluted by the exercise of Stock Acquisition Rights by other shareholders. However, it is also possible for the Company to acquire the Stock Acquisition Rights of all shareholders other than Non-Qualified Parties and, in exchange, deliver shares in the Company. If the Company carries out that acquisition procedure, all shareholders other than Non-Qualified Parties will come to receive shares in the Company without exercising their Stock Acquisition Rights or paying an amount equivalent to the prescribed exercise price. This will result in a dilution of the value per share in the Company held by the shareholder, but, as a general rule, this will not result in a financial dilution of the overall value of the Company's shares.

In addition, even after the Company's board of directors passes a resolution for gratis allotment of Stock Acquisition Rights, the Company's board of directors may, by following recommendations of the Special Committee described above at section (4) of 2.2, 'Procedures for the Plan' (except in cases where following such recommendations could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager), (a) (on or before the effective date of the gratis allotment of Stock Acquisition Rights), cancel the gratis allotment of Stock Acquisition Rights, or (b) (after the effective date of the gratis allotment of Stock Acquisition Rights and until the day immediately prior to the commencement date of the exercise period of the Stock Acquisition Rights) acquire the Stock Acquisition Rights without consideration. In such cases, no dilution of the value per share in the Company held by the shareholders will result, and it is possible that any shareholders or investors who have sold or bought the shares in the Company expecting to see a dilution of the value per share in the Company may commensurately incur damage as a result of a fluctuation in the share price.

(II) Decisions and Reasoning of the Company's Board of Directors regarding the Plan

With its enhanced appropriateness and objectivity, the Plan is highly rational and is designed to contribute to the corporate value of the Company and the common interests of its shareholders, not to maintain the positions of executives of the Company. For further details, please refer to page 71 of the Appendix herein.

---End---

Profiles of the Members of the Special Committee

At the board of directors meeting to be held after this Meeting, the following five persons are scheduled to be appointed as members of the Special Committee.

All the members are outside directors as prescribed in Article 2, Item (15) of the Companies Act, and have been registered as independent directors under the provisions of the Tokyo Stock Exchange. None of the members has any business relations with or special interest in the Company.

Hideaki Omiya

Mari Matsunaga

* Please refer to page 11 and 12 of this Reference Materials for the profiles of Mr. Omiya and Ms. Matsunaga.

Michihiro Nara

Summary of career

Apr.	1974	Registered as an attorney-at-law
Apr.	2006	Vice President of Japan Federation of Bar Associations
Apr.	2006	Chairman of Daiichi Tokyo Bar Association
Mar.	2011	Member of Legislative Council of the Ministry of Justice
Jun.	2013	Outside Audit & Supervisory Board Member of the Company
Jun.	2014	Outside Director of the Board, Oji Holdings Corporation (current position)
Jun.	2015	Outside Director of NIHON TOKUSHU TORYO CO., LTD. (current position)
Jun.	2016	Outside Director and Audit & Supervisory Committee Member, CHORI CO., LTD. (current position)
Jun.	2016	Outside Director and Audit & Supervisory Committee Member of the Company (current position)

Chikami Tsubaki

Summary of career

Apr.	1970	Joined EBARA-Infilco Co., Ltd. (now EBARA CORPORATION)
May	1975	Joined Asahi & Co. (now KPMG AZSA LLC)
Mar.	1979	Registered as Certified Public Accountant
Jul.	1999	Managing Director of Asahi & Co. (now KPMG AZSA LLC)
Jul.	2004	Chief Executive of the Japanese Institute of Certified Public Accountants
Jun.	2013	Outside Audit & Supervisory Board Member, NKSJ Holdings, Inc. (now Sompo Holdings, Inc.) (current position)
Jun.	2014	Outside Audit & Supervisory Board Member of HEIWA REAL ESTATE CO., LTD. (current position)
Jun.	2016	Outside Director and Audit & Supervisory Committee Member of the Company (current position)

Yoshio Shirai

Summary of career

Jun.	2001	Member of the Board of Directors, TOYOTA MOTOR CORPORATION
Jun.	2003	Managing Officer, TOYOTA MOTOR CORPORATION
Jun.	2005	Senior Executive Member of the Board of Directors, TOYOTA MOTOR CORPORATION
Jun.	2007	Executive Vice President, Member of the Board, Hino Motors, Ltd.
Jun.	2008	President, Member of the Board, Hino Motors, Ltd.
Jun.	2013	Councilor, Hino Motors, Ltd. (current position)
Jun.	2013	Vice Chairman, Toyota Tsusho Corporation
Jun.	2015	Advisor, Toyota Tsusho Corporation (current position)
Jun.	2016	Outside Director and Audit & Supervisory Committee Member of the Company (current position)

---End---

(Appendix)

Business Report

(from April 1, 2016 to March 31, 2017)

1. Matters related to the Current Status of the Epson Group

1.1 Business progress and results

(1) Overview

On the whole, the global economy continued to recover gradually during the fiscal year under review. Regionally, the U.S. economy continued to recover driven by an increase in consumer spending and an improved employment situation. The Latin America economy, however, continued to be slow. The European economy also gradually recovered due to a decline in the unemployment rate while the Chinese economy showed signs of picking up. In Japan, the economy continues to recover gradually due to improved corporate earnings, an uptick in consumer spending and an improvement in the employment situation.

The situation in the main markets of the Company and the companies affiliated with the Company ("Epson") was as follows.

The situation in the main markets of Epson

Inkjet printer	Demand was stagnant due to the continuing contraction of the Japanese consumer market and a shrinking of demands of inkjet printers in the North American and Western European markets. On the other hand, there was solid demand for high-capacity ink tank printers, as the entry of other companies had the effect of boosting recognition.
Large-format inkjet printer	Demand was subdued in China and Latin America due to economic deceleration but remained firm in North America and Japan.
Serial-impact dot-matrix (SIDM) printer	Demand in China in the first half of the year was driven by tax collection system market emerged due to the tax reform of the same country. However, demand continued to contract in the Americas and Europe.
Projectors	Demand increased in Europe thanks to major sporting events, but overall demand was subdued due to the effects of the economic slowdown in Latin America, a sluggish North American retail market and weak demand for education projectors in some major European countries. However, a sign of a slight recovery were seen in the second half of the year.
Electrical devices	In the main markets for electronic devices, demand for feature phones continued to decline while demand for smartphones remained firm, owing primarily to growth of manufacturers in emerging countries centered on China. Demand in the digital camera market was subdued.
Watches	Demand for watches fell sharply overall due to softening demand from visitors to Japan and declines in demand in China and North America. Demand for watch movements also decreased significantly.
Industrial robots	Demand remained firm in the Americas and China. In Japan, demand from the automotive sector was firm.

	(Billions of yen)	Year-on-year change
Revenue	1,024.8	Down 6.2%
Business profit	65.8	Down 22.5%
Profit from operating activities	67.8	Down 27.8%
Profit for the period	48.4	Up 5.1%

Note: Business profit is a profit indicator that EPSON voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

The average exchange rates of the yen during the 2016 fiscal year:
Against the U.S. dollar: ¥108.38 (10% appreciation year-on-year)
Against the euro: ¥118.79 (10% appreciation year-on-year)
The yen also continued to ride high against currencies other than the U.S. dollar and euro. The yen gained more against the Chinese yuan, British pound, and some Latin American currencies than it did against the U.S. dollar and euro due to the effects of an economic slowdown and other factors.

(2) Overview by Segment

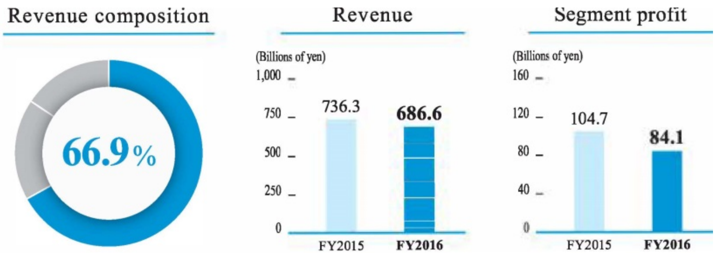
Printing Solutions Business Segment

Revenue

686.6 billion yen
(down 6.8% year on year)

Segment profit

84.1 billion yen
(down 19.7% year on year)



Main businesses

The businesses in this segment leverage Epson's unique Micro Piezo and other technologies to develop, manufacture, sell products, and provide ancillary services.

- Printers Business
  Inkjet printers, serial impact dot matrix printers (SIDM), page printers, color image scanners, related consumables, office papermaking systems and others
- Professional Printing Business
  Commercial inkjet printers, industrial inkjet printing systems, POS system products, label printers, related consumables and others
- Others
  PCs and others

Printer business revenue decreased.

Total inkjet printer revenue declined. High-capacity ink tank printer revenue continued to expand, as the entry of other companies into the high-capacity ink tank printer market boosted market recognition and helped to fuel a sharp increase in unit shipments. However, given the contracting market, unit shipments of ink cartridge models declined mainly in the home market. Revenue was also dragged down by foreign exchange effects. Although consumables unit volume decreased, the product mix is improving, with consumables for office printers, which have a higher unit price, accounting for a greater percentage of total consumables sales. However, revenue from consumables decreased due to the negative effects of foreign exchange.

Page printer sales decreased due to a slump in consumables sales in addition to a decline in unit shipments, the result of Epson's focus on selling high added value models.

In SIDM printers, foreign exchange effects caused revenue to decline despite extra first-half demand in the Chinese tax collection system market

Revenue in the professional printing business decreased.

Large-format inkjet printer total revenue decreased, partly due to foreign exchange effects. Sales of Epson's new products in the growing signage market were strong, and sales expanded in the textile printing segment on heightened demand. However, a decrease in unit shipments in the existing photo and graphics markets resulted in a decline in total revenue in this category. Consumables sales also decreased on lower revenue, a result of a decline in printer unit sales and foreign exchange effects.

POS system product revenue decreased. Although demand for low-end models was firm in Europe, total unit shipments declined due to a lack of large orders such as those received in the previous fiscal year in Japan and North America. Unit volume also decreased in China. Revenue was also hurt by foreign exchange effects.

Segment profit in the printing solutions business segment decreased even though profit rose on increased sales of high-capacity ink tank inkjet printers. The decrease in segment profit was due to a combination of factors, including a decrease in large-format inkjet printer sales, strategic investment and spending on medium-term growth, and foreign exchange effects.

As a result of the foregoing factors, revenue in the printing solutions business segment was ¥686.6 billion, down 6.8% year on year. Segment profit was ¥84.1 billion, down 19.7% year on year.

(Reference)

Introduction of major products

- Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

Colerio printer EP-879AW

High-capacity ink tank printer EW-M770T

High-speed line inkjet multifunction printer WorkForce Enterprise the LX-10000F Series

Inkjet multifunction printer PX-M7070FX

Office papermaking system PaperLab A-8000

Serial-impact dot-matrix (SIDM) printer PLQ-30S

Inkjet label printer ColorWorks TM-C7500

Large-format inkjet printer SureColor SC-P20050X

Inkjet digital label press SurePress L-6034VW

Inkjet digital textile press Monna Lisa EVO TRE

Visual Communications Business Segment

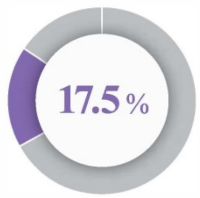
Revenue

179.6 billion yen
(down 2.4% year on year)

Segment profit

16.1 billion yen
(up 3.5% year on year)

Revenue composition



Revenue

Segment profit

Main businesses

The businesses in this segment leverage Epson's unique microdisplay and projection technologies to develop, manufacture and sell a variety of products, and provide ancillary services.

○ Visual Communications Business
3LCD projectors, high-temperature polysilicon TFT panels for 3LCD projectors, smart eyewear and others

Visual communications revenue decreased.

Total 3LCD projector revenue decreased. The education market contracted in some of the main countries of Europe. The North American and Latin American markets also continued to shrink. However, unit shipments and sales increased owing to the release of new projectors in the high-brightness category, expanded sales in Asia, and an increase in demand for models in the volume zone in Europe in advance of major sporting events. Nevertheless, revenue was hurt by foreign exchange effects.

Segment profit in the visual communications business segment increased. Although hurt by foreign exchange, segment profit increased thanks to unit shipment growth and the expansion of the high-brightness projector segment, which improved product mix.

As a result of the foregoing factors, revenue in the visual communications business segment was ¥179.6 billion, down 2.4% year on year. Segment profit was ¥16.1 billion, up 3.5% year on year.

(Reference)

Introduction of major products

- Refine its original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.

Corporate portable projector EB-1795F

Corporate portable multimedia projector EB-2265U

Corporate installation projector EB-5530U

Interactive projector EB-1460UT

Smart glass MOVERIO BT-300

Laser light source business projector EB-L25000U*

Laser light source home projector EH-LS10500

Home projector EH-TW8300W

* Our newly-developed laser light source has achieved 25,000 lm, the brightest in EPSON projectors.

Wearable & Industrial Products Business Segment

Revenue

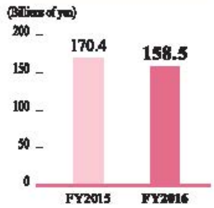
158.5 billion yen
(down 7.0% year on year)

Segment profit

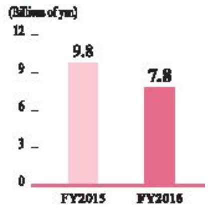
7.8 billion yen
(down 20.4% year on year)

Revenue composition

Revenue



Segment profit



Main businesses

The businesses in this segment leverage its ultra-precision machining and processing technologies, high-density mounting and assembly technologies, energy-efficient technologies, highly-accurate sensing technology, advanced precision mechatronics and other technologies to develop, manufacture and sell a variety of products, and provide ancillary services.

○ Wearable Products Business
Watches (watches, watch movements and others)
Sensing equipment

○ Robotics Solutions Business
Industrial robots, IC handlers and others

○ Microdevices, Other Business
- Quartz device (crystal units, crystal oscillators, quartz sensors and others)
- Semiconductor (CMOS LSI and other chips)
- Metal powders
- Surface finishing

Revenue in the wearable products business as a whole decreased. Average selling prices for watches in the Japanese market rose due to the release of new watch products, but unit volume fell because purchases by foreign visitors to Japan decelerated and demand in overseas markets was subdued. Revenue was also hurt by a weak watch movements market and foreign exchange effects.

Revenue in the robotics solutions business increased. Although hurt by foreign exchange effects, revenue increased primarily due to industrial robot unit shipment growth in China and because of a rise in IC handler revenue as a result of firm demand for smart phones in China.

Revenue in the microdevices business decreased. Revenue from crystal devices decreased due to a decline in unit shipments to manufacturers of cell phones and other personal electronics and because of foreign exchange effects. Semiconductor revenue increased despite a decline in volume to a major automotive account and foreign exchange effects. The increase was due to a rise in sales volume linked to growth in silicon foundry demand.

The surface finishing business developed new customers, and the metal powders business, which reported firm sales of high-performance material powders for mobile equipment, both saw revenue decline due to foreign exchange effects.

Segment profit in the wearable & industrial products business segment decreased due to lower sales in the microdevices business and wearable products business.

As a result of the foregoing factors, revenue in the wearable & industrial products business segment was ¥158.5 billion, down 7.0% year on year. Segment profit was ¥7.8 billion, down 20.4% year on year.

Other (services for and within the Epson Group)

Other revenue amounted to ¥1.5 billion, up 7.4% year on year. Segment loss was ¥0.4 billion compared to a ¥0.5 billion segment loss in the previous fiscal year.

(Reference)

Introduction of major products

- Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.
- Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.
- Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.

GPS Solar Watch Seiko Astron SBXB085

ORIENT STAR SKELETON WZ0041DX

©Disney EPD Wrist Wear [Smart Canvas]

GPS Running Gear WristableGPS SF-850PS

Small-sized 6-axis robot N2-A450

Force sensor S250 series

SCARA Robots T3

Atomic Oscillator* AO6860LAN

16-bit Microcontroller S7C17M11

* An oscillator using natural frequencies of atoms, which is generally 2-digits more accurate than conventional crystal oscillator.

Superfine alloy powder

1.2 Overview of capital expenditures

Capital expenditures for the consolidated fiscal year under review were concentrated in key strategic areas, primarily new products and rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, from the viewpoint of generating stable cash flow, Epson continued to carefully select investments and efficiently utilize existing facilities.

As a result of these efforts, total capital expenditures (of property, plant and equipment, software and lease rights) for the consolidated fiscal year under review amounted to 75,319 million yen. This included investments in the manufacturing facilities in the Printing Solutions Business aiming for strengthening and expansion of the inkjet printers business in future, and other investments.

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	43,930	20.0% increase
Visual Communications Business	10,201	5.2% decrease
Wearable & Industrial Products Business	9,189	10.7% decrease
Other and overall	11,997	2.2% increase
Total	75,319	8.5% increase

1.3 Overview of financing

The Company issued unsecured straight bonds totaling ¥50.0 billion, which will be allocated to the redemption of bonds and operating capital.

1.4 Shares and other equity holdings, or acquisition or disposal of subscription rights to shares of other companies

(1) Acquisition of the entire capital of Fratelli Robustelli S.r.l., Italy

With an aim to strengthen the digital textile printing business, Epson Italia S.p.A., a consolidated subsidiary of the Company, acquired all the shares of Fratelli Robustelli S.r.l. specializing in development, manufacturing and sales of digital textile printers in July 2016.

(2) Transfer of the shares of TAMAYA TECHNICS INC.

The Company transferred all the shares of TAMAYA TECHNICS INC., a consolidated subsidiary of the Company, to KYOWA ELECTRONIC INSTRUMENTS CO., LTD. in March 2017.

1.5 Business transfers, absorption-type company splits or incorporation-type company splits

Not applicable.

1.6 Assignment of business from other companies

Not applicable.

1.7 Succession of rights and obligations due to absorption-type mergers or absorption-type company splits

(1) Restructuring of Orient Watch Co., Ltd.

The Company assumed the rights and obligations of the watch sales business (excluding sales business, etc. in Japan) of Orient Watch Co., Ltd., a consolidated subsidiary of the Company, by way of absorption-type company split with an effective date of April 1, 2017. Its Japan domestic sales business has been assumed by Epson Sales Japan Corporation, a consolidated subsidiary of the Company, by way of absorption-type company split as of the same date.

(2) Merger of Epson Imaging Devices Corporation

The Company merged with Epson Imaging Devices Corporation, a consolidated subsidiary of the Company, through absorption in February 2017.

1.8 Issues to be addressed

Epson formulated in March 2016 a new 10-year corporate vision and a new mid-range business plan. The Epson 25 Corporate Vision describes what the company would like to achieve by the start of the 2025 fiscal year. Meanwhile, the Epson 25 Mid-Range Business Plan (FY2016-2018) is a three-year plan for the first phase of work toward achieving the vision.

Epson will look to sustain growth and increase corporate value over the long term by executing the strategies described below.

(1) Epson 25 Corporate Vision

The Epson 25 Corporate Vision (hereafter called “Epson 25”), which was created based on an understanding of the mega trends, changes, and other forces that will shape Epson's business in the future, contains the following vision statement: “Creating a new connected age of people, things and information with efficient, compact and precision technologies.”

“Efficient, compact and precision technologies” are original technologies that will create the value that Epson will provide to its customers in three areas: smart technologies, the environment, and performance.

- ◆ Smart technologies. Created by combining leading-edge Epson products with advanced software, the technologies will allow customers to easily, conveniently, and securely use their products anytime, anywhere.
- ◆ Environment. Epson will exploit its innovative technologies to provide customers with value in the form of reduced environmental impacts across the life cycles of its products and services.
- ◆ Performance. Epson will create new and higher value by providing outstanding products that contribute to customer productivity, accuracy and creativity.

Advances in information and communication technologies will interconnect vast amounts of information on the Internet, causing cyber space to expand indefinitely. As a real-world manufacturing company, Epson will play an important role in "creating a new connected age of people, things and information" by using attractive, advanced products as leverage to collaborate with IT companies and increase the value of the technologies it provides to customers.

In this "new connected age" Epson aims to free people from repetitive manual labor and from unnecessary wastes of time and energy. Epson's goal is to heighten people's creativity, and to create a sustainable and affluent society in which people enjoy safe and healthy lifestyles.

In line with this vision, Epson will provide value in the form of smart technologies, the environment, and performance in four areas of innovation: inkjet innovation, visual innovation, wearables innovation and robotics innovation. The company will drive innovations in these areas by achieving the vision in each of its businesses. To support the realization of Epson 25, Epson will further strengthen its business infrastructure and company-wide information systems in the areas of human resources, technology, manufacturing, sales & support, and the environment.

Epson set out financial performance targets in Epson 25. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2025 fiscal year, ¥1,700 billion in revenue, ¥200 billion in business profit, a 12% return on sales (business profit/revenue), and a 15% return on equity (profit for the period/equity attributable to owners of the parent company).

Note: Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

<Vision in Each Business>

Printing: Inkjet innovation

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.

Visual communications: Visual innovation

Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.

Wearables: Wearables innovation

Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.

Robotics: Robotics innovation

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.

Microdevices: Supporting the four innovations

Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.

(2) Epson 25 Mid-Range Business Plan (FY2016-2018)

The Epson 25 Mid-Range Business Plan (FY2016-2018) (hereinafter, “Mid-Range Business Plan”) is a roadmap for the first phase of work toward achieving the Epson 25 vision. During this phase Epson will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.

The basic strategy for achieving this will be to continue to grow by further increasing its competitive edge in businesses where SE15 strategic initiatives were successful, and to quickly address issues and establish a path to growth in businesses where the company was unable to fully advance. Epson will look to ensure growth by creating products and services that generate customer value in “smart technologies, the environment, and performance.” While taking care to grow profit over the short term, Epson will also invest management resources as appropriate, quickly establish new business models, and strengthen its sales organizations to achieve the Epson 25 vision. Epson will also position itself for future growth by pursing the business strategies below and by building up its business infrastructure.

These moves will enable Epson to aim to achieve the following financial performance targets in FY2018, the final year of the phase 1 plan. Assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, Epson will aim to achieve, by the 2018 fiscal year, ¥1,200 billion in revenue, ¥96 billion in business profit, an 8% return on sales, and a 10% or higher return on equity.

<Strategies in Each Business>

In the printer business, Epson will aim to establish a competitive advantage in the home printer market by boosting the attractiveness of its products, and getting office market development on track with linehead models.

In professional printing we will establish a competitive advantage with hardware, improve support and other organizational infrastructure, and achieve solid growth in new domains.

In visual communications we will further strengthen its presence in the projection market and will use laser light sources to pave the way to rapid growth in new markets.

In wearable products, we will lay the foundation for building wearables into a core business by refining watch resources and combining them with sensors to create families of differentiated products.
In robotics solutions we will create a framework for growth on top of Epson's technology base.
In microdevices, we will create a stable business platform in the quartz business by building competitive strength. The semiconductor business, meanwhile, will create new core technologies and devices.

<Strengthening Business Infrastructure>
Technology: Refine the Company’s existing technologies, advance its actuator, optical control, and sensor technologies, and leverage information and communications technology to generate new customer value.
Manufacturing: Supply products that others cannot imitate with outstanding cost competitiveness and quality.
Sales and support: Strengthen the office and industrial domains and optimize the sales organization, focus on a market-driven approach, and transform the brand.
Environment: Expand initiatives to reduce environmental impacts across product and service life cycles and supply chains.

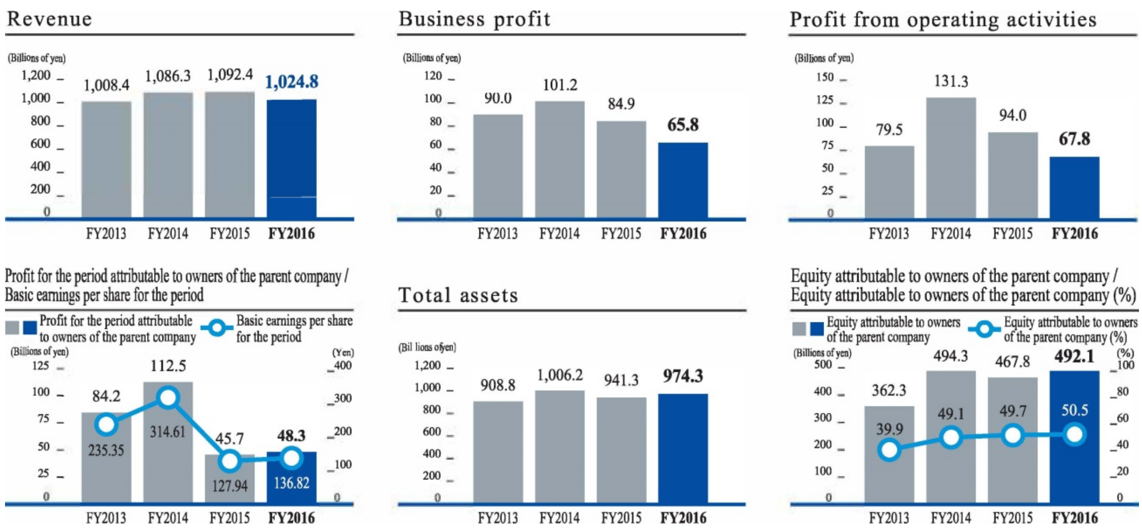
During the fiscal year under review, we launched the PaperLab, the world’s first(Note) office papermaking system using a dry process. Based on our Dry Fiber Technology, which turns waste paper into new paper, the system aims to improve security in facilities such as corporate buildings through secure, on-site destruction of confidential documents and help reduce environmental burden. We also commercialized a high-speed line inkjet multifunction printer that will innovate office environment through providing high-speed and vivid printing with low energy consumption. In addition, for the high-lumen market, which is expected to expand, we commercialized projectors equipped with laser light source unit. Other initiatives includes the reorganization of the Wearable Products Operations for the aim of further growth, and introduction of new products that may further lower the barriers for introducing robots at production sites.
In addition, as a measure to develop business infrastructure for future growth, we steadily promoted labor-saving operations and automation at our production lines along with the preparation for new plant construction and its operation.

Note: The first to use a dry papermaking system for office-use, per Epson research as of November 2016.

1.9 Status of assets and income (loss)

(Millions of yen unless otherwise stated)

Item	FY2013	FY2014	FY2015	FY2016
Revenue	1,008,407	1,086,341	1,092,481	1,024,856
Business profit	90,087	101,275	84,951	65,807
Profit from operating activities	79,549	131,380	94,026	67,892
Profit for the period attributable to owners of the parent company	84,203	112,560	45,772	48,320
Basic earnings per share(yen)	235.35	314.61	127.94	136.82
Total assets	908,890	1,006,282	941,340	974,387
Equity attributable to owners of the parent company	362,371	494,325	467,818	492,196
Equity attributable to owners of the parent company ratio (%)	39.9	49.1	49.7	50.5



Notes

1. The consolidated financial statements have been prepared on the basis of International Financial Reporting Standards (IFRS) from FY2014, in accordance with Article 120, Paragraph 1 of the Company Accounting Ordinance. For reference purpose, the figures based on IFRS are shown for FY2013.
2. Business profit is a profit indicator that the Company voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).
3. The Company implemented common stock split in which each share was split into two shares with an effective date of April 1, 2015. Basic earnings per share are calculated on the assumption that the stock split was implemented at the beginning of FY2013.
4. In the calculation of basic earnings per share, the Company's shares owned by the officer compensation BIP Trust are included in treasury shares to be deducted in calculating the average number of shares for the period.

1.10 Status of significant parent companies and subsidiaries (as of March 31, 2017)

(1) Relationship with the parent company

Not applicable.

(2) Status of Significant Subsidiaries

	Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
Japan	Epson Sales Japan Corporation	Tokyo	JPY 4,000 million	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Japan	Tohoku Epson Corporation	Yamagata	JPY 100 million	100.0%	Printing Solutions Wearable & Industrial Products
Japan	Epson Direct Corporation	Nagano	JPY 150 million	100.0% (100.0%)	Printing Solutions
Japan	Akita Epson Corporation	Akita	JPY 80 million	100.0%	Printing Solutions Wearable & Industrial Products
Japan	Epson Atmix Corporation	Aomori	JPY 450 million	100.0%	Wearable & Industrial Products
Japan	Orient Watch Co., Ltd.	Tokyo	JPY 100 million	100.0%	Wearable & Industrial Products
Japan	Miyazaki Epson Corporation	Miyazaki	JPY 100 million	100.0%	Wearable & Industrial Products
Americas	U.S. Epson, Inc.	U.S.A.	USD 126,941 thousand	100.0%	Holding company
Americas	Epson America, Inc.	U.S.A.	USD 40,000 thousand	100.0% (100.0%)	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Americas	Epson Electronics America, Inc.	U.S.A.	USD 10,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
Americas	Epson El Paso, Inc.	U.S.A.	USD 51,000 thousand	100.0% (100.0%)	Printing Solutions
Americas	Epson Portland Inc.	U.S.A.	USD 31,150 thousand	100.0% (100.0%)	Printing Solutions
Europe	Epson Europe B.V.	The Netherlands	EUR 95,000 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications
Europe	Epson Deutschland GmbH	Germany	EUR 5,200 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
Europe	Epson France S.A.	France	EUR 4,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications

	Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
	Epson Italia S.p.A.	Italy	EUR 3,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson (U.K.) Ltd.	U.K.	GBP 1,600 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Iberica, S.A.	Spain	EUR 1,900 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Telford Ltd.	U.K.	GBP 8,000 thousand	100.0% (100.0%)	Printing Solutions
	Epson Europe Electronics GmbH	Germany	EUR 2,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	For.Tex S.r.l.	Italy	EUR 80 thousand	100.0% (100.0%)	Printing Solutions
	Fratelli Robustelli S.r.l.	Italy	EUR 90 thousand	100.0% (100.0%)	Printing Solutions
Asia and Oceania	P.T. Indonesia Epson Industry	Indonesia	USD 23,000 thousand	100.0%	Printing Solutions
Asia and Oceania	Epson Engineering (Shenzhen) Ltd.	China	USD 56,641 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
Asia and Oceania	Epson Precision (Philippines), Inc.	Philippines	USD 157,533 thousand	100.0%	Printing Solutions Visual Communications
Asia and Oceania	Epson (China) Co., Ltd.	China	CNY 1,211 million	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Asia and Oceania	Singapore Epson Industrial Pte. Ltd.	Singapore	SGD 71,700 thousand	100.0%	Wearable & Industrial Products
Asia and Oceania	Epson Singapore Pte. Ltd.	Singapore	SGD 200 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Asia and Oceania	Epson Hong Kong Ltd.	China	HKD 2,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Asia and Oceania	Epson India Pvt. Ltd.	India	INR 108,628 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Asia and Oceania	Epson Taiwan Technology & Trading Ltd.	Taiwan	TWD 25,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Asia and Oceania	Epson Precision Malaysia Sdn. Bhd.	Malaysia	MYR 16,000 thousand	100.0%	Wearable & Industrial Products
Asia and Oceania	Epson Precision (Shenzhen) Ltd.	China	USD 25,000 thousand	100.0% (100.0%)	Wearable & Industrial Products

Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
Epson Australia Pty. Ltd.	Australia	AUD 1,000 thousand	100.0%	Printing Solutions Visual Communications
P.T. Epson Indonesia	Indonesia	IDR 918,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Precision (Hong Kong) Ltd.	China	USD 81,602 thousand	100.0%	Printing Solutions Visual Communications
Tianjin Epson Co., Ltd.	China	CNY 172,083 thousand	80.0% (80.0%)	Printing Solutions
Epson (Thailand) Co., Ltd.	Thailand	THB 103,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Korea Co., Ltd.	South Korea	KRW 1,466 million	100.0%	Printing Solutions Visual Communications
Epson Philippines Corporation	Philippines	PHP 50,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
P.T. Epson Batam	Indonesia	USD 7,000 thousand	100.0% (100.0%)	Printing Solutions
Epson Precision (Johor) Sdn. Bhd.	Malaysia	MYR 22,800 thousand	100.0% (100.0%)	Wearable & Industrial Products
Orient Watch (Shenzhen) Ltd.	China	CNY 37,748 thousand	100.0% (100.0%)	Wearable & Industrial Products

Notes:
1. Percentage of equity participation indicated inside parentheses refers to indirect ownership percentage.
2. There are no specified wholly-owned subsidiaries.

1.11 Principal business locations and plants (as of March 31, 2017)

Epson is organized into operations divisions under consolidated management. The majority of advanced R&D and product development is conducted in Japan (by Corporate R&D and R&D organizations in the various operations divisions), while manufacturing and sales activities are conducted around the world by Epson Group manufacturing and sales companies, both in Japan and abroad.

<The Company>

Registered Head Office	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
Head Office	3-3-5 Owa, Suwa-shi, Nagano
Offices	Hirooka Office (Shiojiri-shi, Nagano), Toyoshina Plant (Azumino-shi, Nagano), Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano), Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano), Shiojiri Plant (Shiojiri-shi, Nagano), Matsumoto Minami Plant (Matsumoto-shi, Nagano), Murai Plant (Matsumoto-shi, Nagano), Ina Plant (Minowa-machi, Kamiina-gun, Nagano), Matsumoto Plant (Matsumoto-shi, Nagano), Kanbayashi Plant (Matsumoto-shi, Nagano), Hino Office (Hino-shi, Tokyo), Sakata Plant (Sakata-shi, Yamagata), Chitose Plant (Chitose-shi, Hokkaido)

<Subsidiaries>

For detail, please refer to "1.10 Status of significant parent companies and subsidiaries."

1.12 Status of employees (as of March 31, 2017)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	44,789	3,738
Visual Communications Business	10,973	932
Wearable & Industrial Products Business	13,092	(220)
Other	337	(3)
Corporate	3,229	368
Total	72,420	4,815

Notes:

1. The number of employees represents the number of persons in employment.
2. The number of employees represented as Corporate represents administrative staff not assigned to any particular business segment.

1.13 Major lenders (as of March 31, 2017)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	34,391
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,578
Mitsubishi UFJ Trust and Banking Corporation	5,224
THE HACHIJUNI BANK, LTD.	5,000

Note: The borrowing amounts include some borrowings from the overseas subsidiaries, etc. of each bank.

1.14 Other material facts concerning the current status

(1) Allegations of involvement in a liquid crystal display price-fixing cartel
Regarding allegations of involvement in a liquid crystal display price-fixing cartel, the Company is currently under investigation by certain anti-monopoly-related authorities.

(2) Civil actions concerning copyright fees in Belgium
In 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. With Reprobel subsequently filing a suit against EEB, the two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

2. Matters related to Company Shares (as of March 31, 2017)

2.1 Total number of shares authorized to be issued 1,214,916,736 shares

2.2 Total number of shares outstanding 399,634,778 shares (including 47,231,657 shares of treasury stock)

2.3 Number of shareholders 37,089 persons

2.4 Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.67
Japan Trustee Services Bank, Ltd. (Trustee Account)	16,797,700	4.76
The Master Trust Bank of Japan, Ltd. (Trust account)	13,957,500	3.96
Seiko Holdings Corporation	12,000,000	3.40
Yasuo Hattori	11,932,612	3.38
Noboru Hattori	11,199,936	3.17
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.47
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.31
Seiko Epson Corporation Employees' Shareholding Association	7,564,504	2.14
Ichigo Trust Pte. Ltd.	6,766,200	1.92

Note: Although the Company holds 47,231,657 shares of treasury shares, the Company is excluded from the above list of major shareholders. Shareholding ratio is calculated by deducting treasury shares. Treasury shares do not include the Company's shares (180,000 shares) owned by the officer compensation BIP Trust.

3. Matters related to the Subscription Rights to Shares, etc. of the Company

Not applicable.

4. Matters related to Management

4.1 Names, etc. of Directors (as of March 31, 2017)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	President and Representative Director	President of Japan Business Machine and Information System Industries Association
Shigeki Inoue	Representative Director Senior Managing Executive Officer	Chief Operating Officer, Wearable Products Operations Division and General Administrative Manager, Corporate Planning Division
Yoneharu Fukushima	Director Managing Executive Officer	Chief Operating Officer, Robotics Solutions Operations Division and General Administrative Manager, First Technology Development Division
Koichi Kubota	Director Managing Executive Officer	Chief Operating Officer, Printer Operations Division and Deputy General Administrative Manager, Corporate Planning Division (in charge of sales planning and brand communication)
Masayuki Kawana	Director Executive Officer	General Administrative Manager, Human Resources Division and CSR Management Office President, Orient Watch Co., Ltd.
Tatsuaki Seki	Director Executive Officer Chief Compliance Officer	General Administrative Manager, Management Control Division
Hideaki Omiya	Outside Director	Chairman of the Board, Mitsubishi Heavy Industries, Ltd. Outside Director, Mitsubishi Corporation
Mari Matsunaga	Outside Director	Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of TERUMO CORPORATION Outside Director of ROHTO PHARMACEUTICAL CO., LTD
Noriyuki Hama	Director Full-Time Audit & Supervisory Committee Member	
Michihiro Nara	Outside Director Audit & Supervisory Committee Member	Attorney-at-law Outside Director of the Board, Oji Holdings Corporation Outside Director of NIHON TOKUSHU TORYO CO., LTD. Outside Director, Audit & Supervisory Committee Member, CHORI CO., LTD.
Chikami Tsubaki	Outside Director Audit & Supervisory Committee Member	Certified Public Accountant Outside Audit & Supervisory Board Member, Sompo Holdings, Inc. Outside Audit & Supervisory Board Member of HEIWA REAL ESTATE CO., LTD.

Name	Title	Areas of responsibility and significant concurrent positions
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	Councilor, Hino Motors, Ltd. Advisor, Toyota Tsusho Corporation

Notes

1. The Company registered Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Michihiro Nara, Ms. Chikami Tsubaki and Mr. Yoshio Shirai as independent directors with the Tokyo Stock Exchange.
2. Mr. Tatsuaki Seki and Ms. Mari Matsunaga were elected as Directors at the Ordinary General Meeting of Shareholders held on June 28, 2016 and assumed their respective offices.
3. Mr. Noriyuki Hama, who was Representative Director of the Company, was elected as Director and Audit & Supervisory Committee Member at the Ordinary General Meeting of Shareholders held on June 28, 2016 and assumed the office.
4. Ms. Chikami Tsubaki and Mr. Yoshio Shirai were elected as Directors and Audit & Supervisory Committee Members at the Ordinary General Meeting of Shareholders held on June 28, 2016 and assumed their respective offices.
5. Mr. Michihiro Nara retired from his position of Audit & Supervisory Board Member at the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2016. He was elected as Director and Audit & Supervisory Committee Member at the same Meeting and assumed the office.
6. Director and Full-Time Audit & Supervisory Committee Member Mr. Noriyuki Hama has years of experience in the financial and accounting department of the Company, and Director and Audit & Supervisory Committee Member Ms. Chikami Tsubaki has professional knowledge and experience as a Certified Public Accountant, thus both of them have considerable knowledge in finance and accounting.
7. Based on a belief that improving audit environment and smooth collection of in-house information through attending important internal meetings, as well as close coordination with Internal Audit Departments, etc. and daily oversight on the internal control system are necessary to ensure the effectiveness of the activities of the Audit & Supervisory Committee, the Company has appointed Mr. Noriyuki Hama as a Full-Time Audit & Supervisory Committee Member.
8. There are no special interests between the Company and the entities where each Outside Director holds significant concurrent positions.
9. Changes in the responsibilities of Directors from the day following the conclusion date of the Ordinary General Meeting of Shareholders held on June 28, 2016 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Masayuki Kawana	General Administrative Manager, Human Resources Division and CSR Management Office President, Orient Watch Co., Ltd.	General Administrative Manager, Human Resources Division President, Orient Watch Co., Ltd.	October 1, 2016

10. Changes in responsibilities of Directors after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Shigeki Inoue	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment, and Wearable Products Operations Division General Administrative Manager, Corporate Planning Division	Chief Operating Officer, Wearable Products Operations Division General Administrative Manager, Corporate Planning Division	April 1, 2017
Yoneharu Fukushima	Chief Operating Officer, Robotics Solutions Operations Division	Chief Operating Officer, Robotics Solutions Operations Division General Administrative Manager, First Technology Development Division	April 1, 2017
Koichi Kubota	Chief Operating Officer, Printing Solutions Operations Division	Chief Operating Officer, Printer Operations Division Deputy General Administrative Manager, Corporate Planning Division (in charge of sales planning, brand communication)	April 1, 2017
Masayuki Kawana	General Administrative Manager, Human Resources Division and CSR Management Office	General Administrative Manager, Human Resources Division General Administrative Manager, CSR Management Office President, Orient Watch Co., Ltd.	April 1, 2017

11. List of Executive Officers (excluding Directors concurrently serving as Executive Officers) as of March 31, 2017 is as follows.

Name	Title	Areas of responsibility
Tadaaki Hagata	Managing Executive Officer	President, Epson Precision (Philippines), Inc.
Motonori Okumura	Executive Officer	General Administrative Manager, Second Technology Development Division
Junichi Watanabe	Executive Officer	Chief Operating Officer, Visual Products Operations Division General Administrative Manager, Production Planning Division
Kiyofumi Koike	Executive Officer	Chairman and president, Epson (China) Co., Ltd.
Yasumasa Kitamatsu	Executive Officer	Deputy General Administrative Manager, Second Technology Development Division (in charge of Manufacturing Efficiency Promotion, R Component & Technology Development, Production Engineering Center, Monozukuri-Juku, Safety Promotion)
Hideki Shimada	Executive Officer	Deputy Chief Operating Officer, Printer Operations Division (in charge of Production Engineering, Quality Assurance, Production Control)
Masayuki Kitamura	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Akihiro Fukaishi	Executive Officer	Deputy Chief Operating Officer, Professional Printing Operations Division (in charge of Sales & Marketing and Production Control)
Sunao Murata	Executive Officer	Chief Operating Officer, Professional Printing Operations Division
Yoshiyuki Moriyama	Executive Officer	Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering, and Manufacturing)
Toshiya Takahata	Executive Officer	General Administrative Manager, Intellectual Property Division

Name	Title	Areas of responsibility
Tsuyoshi Kitahara	Executive Officer	Deputy General Administrative Manager, First Technology Development Division (in charge of New Technology Development)
Naoyuki Saeki	Executive Officer	President, Epson Sales Japan Corporation
Nobuyuki Shimotome	Executive Officer	Deputy General Administrative Manager, First Technology Development Division (in charge of NM Core Component & Technology Development, Product Innovation Core Component & Technology Development)
Kazuyoshi Yamamoto	Executive Officer	President, Epson Europe B.V.
Munenori Ando	Executive Officer	President, Epson (China) Co., Ltd.
Hitoshi Igarashi	Executive Officer	Deputy Chief Operating Officer, Printer Operations Division (in charge of Planning and Design)
Keith Kratzberg	Executive Officer	President, Epson America, Inc.
Isamu Otsuka	Executive Officer	President, Epson Atmix Corporation

(1) Messrs. Motonori Okumura, Junichi Watanabe, Munenori Ando, Hitoshi Igarashi, Keith Kratzberg and Isamu Otsuka assumed their respective offices of Executive Officer as of June 28, 2016.

(2) Changes in the responsibilities of Executive Officers from the day following the conclusion date of the Ordinary General Meeting of Shareholders held on June 28, 2016 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Nobuyuki Shimotome	Deputy General Administrative Manager, First Technology Development Division (in charge of NM Core Component & Technology Development, Product Innovation Core Component & Technology Development)	Deputy General Administrative Manager, First Technology Development Division (in charge of NM Business Promotion and Device Development)	October 1, 2016
Akihiro Fukaishi	Deputy Chief Operating Officer, Professional Printing Operations Division (in charge of Sales and Production Control)	Deputy Chief Operating Officer, Professional Printing Operations Division (in charge of Sales & Marketing and Production Control)	November 1, 2016

(3) Changes in the responsibilities of Executive Officers after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Motonori Okumura	General Administrative Manager, Technology Development Division Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base)	General Administrative Manager, Second Technology Development Division	April 1, 2017
Junichi Watanabe	General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base)	Chief Operating Officer, Visual Products Operations Division, and General Administrative Manager, Production Planning Division	April 1, 2017
Yasumasa Kitamatsu	Deputy General Administrative Manager, Technology Development Division (in charge of Robotics Innovation Development and Automation Technology Development, Monozukuri-Juku	Deputy General Administrative Manager, Second Technology Development Division (in charge of Manufacturing Efficiency Promotion, R Component & Technology Development, Production Engineering	April 1, 2017

	and Safety Promotion)	Center, Monozukuri-Juku, Safety Promotion)	
Hideki Shimada	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Production Engineering, Quality Assurance, Production Control)	Deputy Chief Operating Officer, Printer Operations Division (in charge of Production Engineering, Quality Assurance, Production Control)	April 1, 2017
Akihiro Fukaishi	President, Epson (China) Co., Ltd.	Deputy Chief Operating Officer, Professional Printing Operations Division (in charge of Sales and Production Control)	April 1, 2017
Sunao Murata	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of IIJ and LW)	Chief Operating Officer, Professional Printing Operations Division	April 1, 2017
Yoshiyuki Moriyama	Chairman and President, Epson Engineering (Shenzhen) Ltd.	Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering, and Manufacturing)	April 1, 2017
Tsuyoshi Kitahara	In charge of Exploration for New Technology Development, Technology Development Division	Deputy General Administrative Manager, First Technology Development Division (in charge of New Technology Development)	April 1, 2017
Nobuyuki Shimotome	Deputy Chief Operating Officer, Microdevices Operations Division (in charge of Administration, Business Strategies, Development & Design)	Deputy General Administrative Manager, First Technology Development Division (in charge of NM Core Component & Technology Development, Product Innovation Core Component & Technology Development)	April 1, 2017
Munenori Ando	General Administrative Manager, Sales & Marketing Division	President, Epson (China) Co., Ltd.	April 1, 2017
Hitoshi Igarashi	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Planning and Design)	Deputy Chief Operating Officer, Printer Operations Division (in charge of Planning and Design)	April 1, 2017

12. The Company has elected Special Audit & Supervisory Officer, a post to support the Audit & Supervisory Committee. The list of Special Audit & Supervisory Officer as of March 31, 2017 is as follows.

Name	Title	Areas of responsibility
Taro Shigemoto	Special Audit & Supervisory Officer	General Administrative Manager of the Audit & Supervisory Committee Office

4.2 Outline of liability limitation contracts

The Company has entered into contracts with its non-executive Directors, namely, Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Noriyuki Hama, Mr. Michihiro Nara, Ms. Chikami Tsubaki and Ms. Yoshio Shirai, which limit their liabilities to the damages pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum liability amount under the contracts shall be the minimum liability amount stipulated in laws and regulations.

4.3 Compensation to Directors and Audit & Supervisory Board Members

(Millions of yen)

Category	Number of individuals (Persons)	Fixed compensation	Variable compensation			Total
		Base compensation		Bonuses	Stock compensation	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	12 (3)	287 (28)	11 (-)	97 (-)	36 (-)	433 (28)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	4 (3)	61 (36)				61 (36)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	4 (3)	17 (9)				17 (9)
Total	20	365	11	97	36	512

Notes
1. The amount of compensation, etc. to Directors who are not Audit & Supervisory Committee Members includes the amount of compensation, etc. to Directors prior to the Company's transition to a company with an Audit & Supervisory Committee.
2. The base compensation for Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) consists of fixed compensation and variable compensation. Of which, variable compensation refers to the monetary compensation that reflects the results of annual performance evaluations based on criteria set according to their respective roles.
3. The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. The acquisition of the Company's shares accounts for a portion of the base compensation.
4. Upon the resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum base compensation was set to at 62 million yen per month for Directors who are not Audit & Supervisory Committee Members (including 10 million yen per month for Outside Directors) and at 20 million yen for Directors who are Audit & Supervisory Committee Members.
5. The amount above includes bonuses to be paid to Directors in the amount of 97 million yen (amount to be paid to six Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee Members), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the General Meeting of Shareholders scheduled on June 28, 2017.
6. From the current fiscal year, the Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders. The stock compensation stated above represents the amount recorded for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).
7. The number of individuals above includes three Directors and four Audit & Supervisory Board Members who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2016.

8. The amount paid to Audit & Supervisory Board Members is the amount paid for the period prior to the Company's transition to a company with an Audit & Supervisory Committee. Amount paid to Directors who are Audit & Supervisory Committee Members is the amount for the period after the transition to a company with an Audit & Supervisory Committee.
9. In addition to the above, based on the abolition of retirement allowance system for executives resolved at the Ordinary General Meeting of Shareholders held on June 23, 2006, the Company paid retirement allowance in the amount of 15 million yen for an Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member) who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2016.
10. Stock options are not granted.

(Reference)

◆ Officer compensation system

The Company's officer compensation shall consist of base compensation, bonuses and stock compensation. Given their roles to monitor the management as a whole as well as their independence from the business execution, the Company pays only fixed compensation as base compensation to Officers who do not have executive duties and therefore does not pay bonuses and stock compensation that are linked with performance and share price.

【Base compensation (fixed/variable)】

A monthly-paid monetary compensation. The amount is determined comprehensively based on factors such as responsibilities and position of each officer, and it incorporates the achievement level of the annual performance that is evaluated based on the evaluation criteria set for each role.

【Bonuses (variable)】

An annually-paid monetary compensation. The amount is determined by the achievement level of the annual performance that is evaluated based on the evaluation criteria set for each role.

【Stock compensation (variable)】

Stock-based compensation system wherein Company's shares are delivered using a trust scheme, based on share delivery points awarded in accordance with considerations such as the levels of achievement with respect to the medium to long-term operating performance targets such as business profit, return on sales and return on equity.

4.4 Main activities of Outside Directors

(1) Outside Directors

Name	Main activities at meetings of the Board of Directors	Attendance at meetings of the Board of Directors (Attendance rate)
Hideaki Omiya	Based on a wealth of experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.	Meetings of the Board of Directors: 13 / 13 meetings (100%)
Mari Matsunaga	Based on a track record of creating new business models and considerable insight and experiences through her involvement in the management of multiple companies as outside officers, she actively expresses opinions including findings and proposals regarding managerial issues from the viewpoints of diversity and employees' working environment, etc.	Meetings of the Board of Directors: 9 / 10 meetings (90.0%)

Note: Ms. Mari Matsunaga's attendance at meetings of the Board of Directors refers to the status for the 10 meetings held after her appointment at the Ordinary General Meeting of Shareholders held on June 28, 2016.

(2) Outside Directors, Audit & Supervisory Committee Members

Name	Main activities at meetings of the Board of Directors and Audit & Supervisory Committee, etc.	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Michihiro Nara	Based on a high level of expertise as an attorney-of-law and a considerable insight and experiences through his involvement in the management of multiple companies as an outside officer, he actively expresses opinions including findings and proposals regarding managerial issues from a perspective of a legal professional.	Meetings of the Board of Directors: 12 / 13 meetings (92.3%) Meetings of the Audit & Supervisory Committee: 10 / 11 meetings (90.9%) Meetings of the Audit & Supervisory Board: 4 / 4 meetings (100%)
Chikami Tsubaki	Based on a high level of expertise as a certified public accountant and a considerable insight and experiences through her involvement in the management of multiple companies as outside officer, she actively expresses opinions including findings and proposals regarding managerial issues from a perspective of finance and accounting professional.	Meetings of the Board of Directors: 10 / 10 meetings (100%) Meetings of the Audit & Supervisory Committee: 11 / 11 meetings (100%)

Name	Main activities at meetings of the Board of Directors and Audit & Supervisory Committee, etc.	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Yoshio Shirai	Based on considerable experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the automotive industry and at a trading firm, different business fields.	Meetings of the Board of Directors: 10 / 10 meetings (100%) Meetings of the Audit & Supervisory Committee: 11 / 11 meetings (100%)

Note 1: Mr. Michihiro Nara's attendance at meetings of the Audit & Supervisory Board refers to the status for the four meetings held prior to the transition to a company with an Audit & Supervisory Committee.

Note 2: The number of attendance at meetings of the Board of Directors of Ms. Chikami Tsubaki and Mr. Yoshio Shirai refers to the status for the 10 meetings held after their appointments at the Ordinary General Meeting of Shareholders held on June 28, 2016.

5. Financial Auditor

5.1 Financial auditor's name

Ernst & Young ShinNihon LLC

5.2 Financial auditor's compensation, etc. for the fiscal year under review

Category	Amount paid (Millions of yen)
1) Amount of the compensation, etc. to be paid by the Company to financial auditor as compensation for the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Act	147
2) Total amount of cash and other financial profit to be paid by the Company and its consolidated subsidiaries to financial auditor	212

Notes 1. Taking into consideration the "Practical Guidelines for Cooperation with Financial Auditor" announced by the Japan Audit & Supervisory Board Members Association, Audit & Supervisory Committee has given consent to the compensation, etc., to be paid to the financial auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of confirming the policies and the content of the auditing plan that form the basis of compensation to the financial auditor, auditing time and auditing compensation, as well as the auditing plan and its results for the previous fiscal year, and examining the validity of quotation for the auditing.

2. Under the audit agreement between the Company and its financial auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount in 1) reflects the total compensation.

3. The Company entrusts advisory services which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act, and pays fees to the financial auditor in relation to such services.

4. Of the significant subsidiaries of the Company, 36 overseas subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) by certified public accountants or audit firms other than the financial auditor of the Company (including those with comparable qualifications abroad).

5.3 Policy regarding determination of dismissal or non-reappointment of financial auditor

In the event that any of the items set forth in the clauses of Article 340, Paragraph 1 of the Companies Act is met, and the Company deems it appropriate to dismiss the financial auditor, the Audit & Supervisory Committee shall dismiss the financial auditor subject to the unanimous consent of Audit & Supervisory Committee Members.

In addition, should (i) disciplinary measures for legal violation and other measures be imposed by regulatory authorities on the financial auditor, (ii) the quality of audit, quality control, independence and other aspects of the financial auditor be likely to hinder the execution of proper audits, and (iii) other issues occur, and where dismissal or nonrenewal of the financial auditor are deemed appropriate, the Audit & Supervisory Committee shall, based on its resolution, determine the details of the proposal to dismiss or not reappoint the financial auditor for submission to the General Meeting of Shareholders.

5.4 Business suspension order the financial auditor received in the past two years

The summary of the order issued by the Financial Services Agency on December 22, 2015 is as follows.

(1) Audit corporation subject to the order

Ernst & Young ShinNihon LLC

(2) Detail of the order

- Business suspension for three months regarding conclusion of new contracts (from January 1, 2016 to March 31, 2016)
- Business improvement order (improvement in business administrative structure)

(3) Grounds for the order

- In auditing the financial statements of TOSHIBA CORPORATION for the fiscal years ended March 31, 2010, March 31, 2012 and March 31, 2013, the certified public accountants who belonged to Ernst & Young ShinNihon LLC, without paying due attention, judged that the company's financial statements and other documents containing material misstatement to be free of material misstatement.
- The operation of the audit corporation was found to be substantially improper.

6. Internal Control Systems (A system for ensuring that business is conducted suitably by the corporate group)

6.1 Basic Policy regarding the Internal Control System

The Company passed a resolution on June 28, 2016, at the meeting of the Board of Directors to partially amend Epson's basic policy regarding the internal control system. The content of the revised basic policy regarding the internal control system is described below.

The Company considers its Management Philosophy to be its most important business concept, and to realize it Epson has established "Principles of Corporate Behavior" a code of conduct that is shared across the Group, including at subsidiaries. The Company shall establish the following basic policy regarding the internal control system (a system for ensuring that business is conducted suitably by the corporate group) and provide an improved internal control system for the Epson Group as a whole.

(1) Compliance

1) The Company has established "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company shall also establish regulations that spell out things such as basic compliance requirements and the organizational framework.
2) The Company shall also create a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee shall be chaired by a Full-Time Audit & Supervisory Committee Member and shall be made up of Outside Directors and Audit & Supervisory Committee Members. The Compliance Committee shall receive reports regularly or as necessary and deliberate important matters concerning the Company's compliance program. It shall report its findings and offer opinions to the Board of Directors. Financial Auditors shall be able to attend meetings of the Compliance Committee as observers.
3) A Chief Compliance Officer ("CCO") shall be chosen to oversee and monitor the execution of all compliance operations. The CCO shall periodically report the state of compliance affairs to the Compliance Committee.
4) Compliance promotion and enforcement shall be supervised by the President of the Company. Group-wide compliance programs shall be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries shall be promoted by the respective Chief Operating Officers of the divisions. A compliance control department shall help to ensure the completeness and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.
5) The Corporate Strategy Council, an advisory body to the President comprised of the Directors and others, addresses important matters with respect to compliance promotion and enforcement of the Epson Group as a whole, including subsidiaries. The Council strives to ensure the effectiveness of compliance by exhaustively discussing and analyzing the state of programs for assuring observance of statutes, internal regulations, business ethics and initiatives in key areas.
6) The Company, including its subsidiaries, shall strive to provide an effective whistleblowing system. Employees shall be encouraged and shall be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls shall be in place to protect whistleblowers from reprisal, and allegations shall be reported to the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
7) The Company shall strive to enhance legal consciousness by providing Epson Group employees with web-based training and other educational opportunities.
8) The President of the Company shall periodically report important compliance-related matters to the Board of Directors and shall take measures as needed to respond to issues.

9) “Principles of Corporate Behavior” shall state that the Company shall have no association whatsoever with organized crime. The Company shall take a firm stance in rejecting any and all contact with organized crime that threaten social order and security.

(2) Business execution system

1) The Company shall formulate long-term vision statements and mid-range business plans, and it shall set clear mid-to long-term goals for the Epson Group as a whole.
2) The Company shall institute a system that shall ensure the appropriate and efficient execution of business. To that end, the Company shall establish regulations governing organization management, job authorities, the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.
3) Personnel responsible for business operations shall report the matters below to the Board of Directors at least once every three months.
   a) Current business performance and performance outlook
   b) Risk management responses
   c) Status of key business operations

(3) Risk management

1) The Company shall establish a basic risk management regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.
2) Overall responsibility for risk management in the Epson Group, including subsidiaries, shall belong to the President of the Company. Group-wide risk management shall be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business shall be managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company shall also set up a risk management control department, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.
3) The Corporate Strategy Council shall strive to ensure effective management of serious risks that could have an egregious effect on the company by dynamically and exhaustively discussing and analyzing action to identify and control risks. Also, when major risks become apparent, the President shall lead the entire company in mounting a swift initial response in line with the Company’s prescribed crisis management program.
4) The President of the Company shall periodically report to the Board of Directors on critical risk management issues and formulate appropriate measures to respond to these issues.

(4) Ensuring the appropriateness of operations in the corporate group

1) The Group's management structure shall help to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company shall be organized into product-based divisions. Each division shall be headed by a Chief Operating Officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office shall own global responsibility. Responsibility for providing the framework for business operations at subsidiaries shall be owned by the head of each business. Group-wide corporate functions shall be the responsibility of the heads of Head Office supervisory departments.
2) The Company shall have business processes that enable business to be controlled on a Group level. This shall be accomplished by internal regulations that require subsidiaries to report or acquire pre-approval for certain business operations from the parent company, Epson, and by requiring issues that meet certain criteria to be submitted to Epson’s Board of Directors for resolution. In certain regions, moreover, the Company shall seek to ensure the suitability and efficiency of Group-wide business operations by establishing a company that acts as a regional head office that supervises subsidiaries.

3) Based on the basic regulation for Internal Audits, internal audit departments shall serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. The internal audit departments shall audit internal controls and the state of operations in all Epson Group companies, including subsidiaries. The findings of the internal audit departments shall be presented to the head of the audited organization along with requests for corrective action. This information shall also be regularly reported to the President of the Company and to the Audit & Supervisory Committee. In this way, Epson shall strive to optimize operations across the entire Group.

(5) Safeguarding and management of information on performance of duties

1) Information on the performance of duties shall be safeguarded and managed in accordance with regulations governing, among other things, document control, management approval, and contracts. All Directors shall be able to access this information at all times.
2) The Company shall strive to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with the Epson Group basic information security regulation.

(6) Audit system

1) The Audit & Supervisory Committee can interview Directors who are not Audit & Supervisory Committee Members, Executive Officers, and other personnel whenever they deem necessary in the performance of duties based on the Audit & Supervisory Committee audit regulation.
2) Audit & Supervisory Committee Members can attend Corporate Strategy Council sessions, Corporate Management Meetings, and other important business meetings that shall enable them to conduct audits based on the same information as that available to Directors who are not Audit & Supervisory Committee Members. Audit & Supervisory Committee shall also routinely review important documents related to management decision-making.
3) An Audit & Supervisory Committee Office shall be set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office shall serve as a Special Audit & Supervisory Officer and shall assign full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office shall discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not Audit & Supervisory Committee Members. Matters relating to the personnel of the office must be approved in advance by the Audit & Supervisory Committee.
4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework shall be created to secure close cooperation between the internal audit departments and others and the Audit & Supervisory Committee.
5) The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits .
6) The Audit & Supervisory Committee shall receive audit reports from the internal audit departments and can issue specific instructions to the internal audit departments as needed. If the instructions issued to the internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the President shall have the internal audit departments respect the instructions of the Audit & Supervisory Committee.
7) Based on the Audit & Supervisory Committee audit regulation, the Audit & Supervisory Committee can ask Directors who are not Audit & Supervisory Committee Members, the compliance control department, and the risk management control department, as well as others to report or explain the state of management within the Epson Group, including subsidiaries. It can also inspect supporting materials. The Audit & Supervisory Committee shall, where necessary, be able to ask subsidiary company Directors, Audit & Supervisory Board Members, internal audit departments and others to report the state of management within their respective companies.

8) The Audit & Supervisory Committee shall strive to enhance the effectiveness of audits by holding regular discussions with Financial Auditors.
9) The Audit & Supervisory Committee and Representative Director shall regularly meet to enable the committee to directly assess business operations.
10) The expenses required by the Audit & Supervisory Committee Members to perform its duties shall be properly budgeted for in advance. However, expenses required to perform the duties of the Audit & Supervisory Committee Members in emergency or extraordinary situations shall be promptly paid in advance or refunded on each occasion.

6.2. Summary of Implementation Status of the Internal Control System

The Company made the transition to a company with an Audit & Supervisory Committee based on the resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016. It also resolved to partially amend the basic policy regarding the internal control system at the meeting of the Board of Directors held on the same day and made an announcement to that effect and its detail to the entire Group including subsidiaries.

The implementation status for the fiscal year under review based on the basic policy regarding the internal control system is described below.

(1) Compliance

1) The Compliance Committee, a body that supervises the proper execution of compliance in execution of business, was held twice during the fiscal year to discuss important matters concerning the Company's compliance programs. It reported its findings and offered opinions to the Board of Directors.
   Specifically, as important matters, it discussed monitoring results on compliance and individual compliance issues. In addition, as to the whistleblowing system, it confirmed the reporting status by way of Epson Hotline, and the operation status of the whistleblowing systems at each Group company.
2) The Corporate Strategy Council was held in principal once a week to discuss the Company-wide important policies, corporate strategy and other important management issues. As one of the important management issues, it reported and discussed the progress of the Company's compliance programs and risk management programs.
3) The Management Philosophy indicating the ideal direction of the Group is posted at each workplace. At Managerial Policy Meetings where business plan for the fiscal year is communicated to the Group employees, all the participants read out loud the Management Philosophy for confirmation, under the President's leadership. In addition, Principles of Corporate Behavior indicating the behavior that all the Group employees should observe are posted on the Group's website and other places so that they can be viewed at any time. To clarify our commitment to playing a leading role as an "indispensable company" for the realization of better society, the Company decided in January 2017 to revise the Management Philosophy, with an enactment date of April 1, 2017.
4) To raise compliance awareness of Group employees, the Company set October as "Compliance Month." During that month, the CCO as well as representatives of operations divisions and each Group company transmitted a message saying that each and every employee is required to act based on high ethical sense, a feature article related to compliance was posted on its company newsletter, and other activities were held.
5) With an aim to raise compliance awareness and promote specific operations, e-learning and group trainings were held to raise compliance awareness of Group employees through Information Security Enhancement Month, CS & Quality Month, Environmental Awareness Month and other campaigns.

(2) Business execution system

1) The Epson 25 Corporate Vision indicating the ideal direction of the Group toward FY2025 was formulated in March 2016. We are implementing the medium term business plan and annual business plan based thereon.
2) Meeting of the Board of Directors was held 13 times to report and discuss matters related to business performance, risk management measures and status of key business operations.
3) To ensure the compliance of laws and the Company's Articles of Incorporation in the execution of businesses, regulations governing organizational management, job authority, division of responsibilities, the management of affiliated companies, and other regulations and standards were prepared for organizational, efficient and sound corporate management. Particularly, important provisions including the basis for Group management are in Group-wide operation at each company.

(3) Risk management

1) Risks that could have a significant impact on Group management were specified at the beginning of the fiscal year as Company-wide major risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.
   Risks that could have a significant impact on business were specified by each business as major business risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a semi-annual basis.
2) As an initial response procedure in case of major risks, the Company developed a crisis management program. When major risks occur, the Company formed the Crisis Management Committee chaired by the President and took a swift initial response in line with the crisis management program. In addition, the actual cases addressed by the Crisis Management Committee were reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.

(4) Ensuring the appropriateness of operations in the corporate group

1) Regarding the business execution by the subsidiaries, the Company confirmed that pre-approval from the Company were sought or report was made to the Company in line with regulations for the management of affiliated companies. The investments that meet certain criteria have been resolved after deliberation at the Board of Directors of the Company.
2) An internal auditing department of the Company conducted a follow-up audit to confirm the status of the improvement progress of issues from last year's audit, alongside conducting 34 audits on the Company's operations divisions, the departments of the Tokyo office, as well as the Company's domestic and overseas subsidiaries, in accordance with the Basic Regulation for Internal Audit. Its findings were reported to the President and Audit & Supervisory Committee Members of the Company and actions deemed necessary for control have been taken.

(5) Safeguarding and management of work-related information

Information on business operations are being safeguarded and managed under Document Management Rules, Document Approval Rules, and Information Security Basic Rules, with Directors inducing Audit & Supervisory Committee Members reviewing these and other relevant documents on an ongoing basis.

(6) Audit system

1) Full-Time Audit & Supervisory Committee Member attended the meetings of the Corporate Strategy Council, Corporate Management Meetings, and other important business meetings and confirmed the status of the execution of duties.
   Full-Time Audit & Supervisory Committee Member also examined the important documents related to management decision-making upon receipt.

2) Following the transition to a company with an Audit & Supervisory Committee, the Company newly established the Audit & Supervisory Committee Office that is headed by Special Audit & Supervisory Officer and is staffed with full-time employees, by increasing the numbers of such employees compared to the prior Audit & Supervisory Board Members' Office, to appropriately support audit work by the Committee.
3) Audit & Supervisory Committee held regular meetings with representative directors.
4) Audit & Supervisory Committee regularly discussed financial auditor's audit plan, audit progress and audit result reporting with the financial auditor. In addition, Audit & Supervisory Committee Members and their assistants accompany the audits of the financial auditor as necessary to enhance the effectiveness of audits.
5) Audit & Supervisory Committee confirmed the audit plan of internal audit departments. Full-Time Audit & Supervisory Committee Member was regularly reported by Internal Audit Departments once a month to confirm the management status of the corporate group. in addition, Full-Time Audit & Supervisory Committee Member and his assistants accompany the internal audits as necessary to enhance the effectiveness of audits, thereby closely cooperating with internal audit departments and Audit & Supervisory Committee.
   Furthermore, Full-Time Audit & Supervisory Committee Member received reports from responsible departments for compliance and for personnel affairs, etc. on a quarterly basis, and confirmed the management status.
6) The expenses required to execute the duties of Audit & Supervisory Committee were properly budgeted for in advance. The Company promptly paid such expenses.

7. Basic Policy regarding Company Control

The Company has established a basic policy as follows regarding persons who control decision on its financial and business policies (hereinafter the "basic policy").

7.1 Overview the basic policy

The Company believes that its shareholders should be decided through free trade in the market, and the determination to accept to an acquisition proposal to purchase a portion of shares that would make it possible to control decisions on the Company's financial and business policies should ultimately be referred to a decision by the shareholders.

The Company believes that it is essential for the Company to have executives and employees work together to create corporate value, to continue to create and take on challenges whilst embracing its established business culture, and to preserve and acquire the customers' trust in order to ensure and enhance the Company's corporate value and the common interests of its shareholders.

However, there are some forms of large-scale acquisitions of shares that benefit neither the target company's corporate value nor the common interests of its shareholders to be ensured and enhanced The Company believes that any person who would make an inappropriate large-scale acquisition of shares in the Company in this manner would be unsuitable to become a person who would control decisions on the Company's financial and business policies, and it is therefore necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such person.

7.2 Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

The Company established in March 2016 a new 10-year corporate vision and a new mid-range business plan. The Epson 25 Corporate Vision describes what the company would like to achieve by the start of the 2025 fiscal year. Meanwhile, the Epson 25 Mid-Range Business Plan (FY2016-2018) is a three-year plan for the first phase of work toward achieving the vision. Meanwhile, the "Epson 25 Mid-Range Business Plan (FY2016 - 2018)" (hereinafter, "Mid-Range Plan (FY2016 - 2018)") is a three-year plan for the first phase of work toward achieving the vision.

Under the Mid-Range Plan (FY2016 - 2018), the Company will sustain the momentum it gained by strategically adopting new business models and developing new market segments under the previous corporate vision. At the same time, it will move forward on product development while aggressively investing as needed to provide a solid business foundation.

(2) Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Viewed as Inappropriate Under the Basic Policy.

Aiming to ensure and enhance corporate value and the common interests of its shareholders, the Company introduced a series of measures to prevent large-scale acquisition of the Company shares. The measures were approved at the June 2008 General Meeting of Shareholders and updated at the June 2011 General Meeting of Shareholders. The old measures were formally reworded and shareholders approved their updating at the June 24, 2014 General Meeting of Shareholders. (The updated measures are hereinafter called "the Plan.")

The purpose of the Plan is to prevent from large-scale acquisitions of shares that benefit neither the target company's corporate value nor the common interests of its shareholders by providing the

Company with a measure that ensures the necessary time and information for the shareholders to decide whether or not to accept such proposal or for the Company's board of directors to present an alternative proposal while enabling the board of directors to discuss and negotiate with the acquirer on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer.

Specifically, a party that intends to acquire 20% or more of stock certificates outstanding or to stage a takeover bid shall be required to submit in advance to the Epson Board of Directors an expression of intent as well as list of essential and sufficient information for decision making on the part of shareholders and for evaluation and consideration by a special committee. The party shall also be required to comply with the procedures defined in the Plan. Furthermore, the Plan allows for the activation of provisions to halt the acquisition in question if, for example, it is not conducted in line with the Plan or it is deemed contrary to Epson's value as a company or the common interest of its shareholders.

To prevent the Epson Board of Directors from making arbitrary decisions about using anti-takeover measures, the decision to invoke preventive measures is subject to the assessment of a special committee made up of highly independent parties. Actions of the special committee shall include examination of stock acquisition details, requesting information from the Epson Board of Directors regarding alternative proposals, disclosing information to shareholders, and negotiating with parties intending to make acquisitions. The special committee shall advise the Epson Board of Directors regarding the necessity of anti-takeover measures, and the Epson Board of Directors shall promptly accept or reject a resolution to invoke preventive measures, paying the utmost consideration to that advice.

As the Existing Plan is effective until the conclusion of the Ordinary General Meeting of Shareholders to be held on June 28, 2017 (the "Annual Shareholders Meeting"), the Company has decided at the meeting of its board of directors held on April 28, 2017 to renew the Plan with certain changes to further enhance its appropriateness and transparency, subject to shareholder approval at the Ordinary General Meeting of Shareholders.

7.3 Decisions made by the Epson Board of Directors regarding specific actions and the justification for those decisions

The specific actions in support of the basic policy described above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders in a continuous and sustained manner. These actions support the basic policy.

As well as having been introduced and updated in order to ensure and enhance corporate value and the common interests of shareholders, the Plan is in accordance with the basic policy. Specifically, the Plan guarantees appropriateness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because, among other things, a) it was introduced (and updated) after being approved by shareholders at the general shareholders' meeting; b) it contains provisions for reasonable and objective implementation; c) a special committee comprising members with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee; d) the special committee may solicit expert opinions from third parties at Epson's expense; and e) the Plan was determined to be valid for approximately three years and may be abolished by the Board of Directors at any time. The Plan is not for keeping Epson executive officers in their posts.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2017)

(Millions of yen)

Item	As of March 31, 2017	(Reference) As of March 31, 2016	Item	As of March 31, 2017	(Reference) As of March 31, 2016
Assets			Liabilities		
Current Assets	**602,446**	**601,451**	**Current liabilities**	**351,389**	**325,019**
Cash and cash equivalents	221,782	230,498	Trade and other payables	141,633	130,624
Trade and other receivables	155,704	151,660	Income tax payables	7,263	6,830
Inventories	208,512	201,608	Bonds issued, borrowings and lease liabilities	76,200	61,654
Income tax receivables	2,476	1,232	Other financial liabilities	1,318	824
Other financial assets	754	1,674	Provisions	21,981	23,019
Other current assets	13,176	14,335	Other current liabilities	102,992	102,065
Subtotal	**602,406**	**601,010**	**Non-current liabilities**	**128,275**	**145,644**
Non-current assets held for sale	39	441	Bonds issued, borrowings and lease liabilities	70,371	80,100
Non-current assets	**371,940**	**339,888**	Other financial liabilities	1,586	1,640
Property, plant and equipment	275,195	244,463	Net defined benefit liabilities	45,281	54,845
Intangible assets	21,553	18,179	Provisions	6,209	4,941
Investment property	1,288	1,967	Other non-current liabilities	3,521	3,114
Investments accounted for using the equity method	1,438	1,605	Deferred tax liabilities	1,304	1,001
Net defined benefit assets	0	—	**Total liabilities**	**479,664**	**470,663**
Other financial assets	20,544	21,962	Equity		
Other non-current assets	5,486	5,122	**Equity attributable to owners of the parent company**	**492,196**	**467,818**
Deferred tax assets	46,433	46,587	Share capital	53,204	53,204
			Capital surplus	84,321	84,321
			Treasury shares	(30,812)	(20,471)
			Other components of equity	53,176	57,989
			Retained earnings	332,306	292,775
			Non-controlling interests	**2,526**	**2,858**
			Total equity	**494,722**	**470,676**
Total assets	**974,387**	**941,340**	**Total liabilities and equity**	**974,387**	**941,340**

Note: Figures less than one million yen are rounded down.

Consolidated Statement of Comprehensive Income (from April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Revenue	**1,024,856**	**1,092,481**
Cost of sales	**(658,882)**	**(694,821)**
Gross profit	**365,974**	**397,660**
Selling, general and administrative expenses	(300,167)	(312,708)
Other operating income	5,421	14,807
Other operating expense	(3,335)	(5,732)
Profit from operating activities	**67,892**	**94,026**
Finance income	1,383	1,652
Finance costs	(1,858)	(4,252)
Share of profit of investments accounted for using the equity method	53	104
Profit before tax	**67,470**	**91,530**
Income taxes	(18,461)	(45,421)
Profit from continuing operations	**49,009**	**46,109**
Loss from discontinued operations	(582)	(42)
Profit for the period	**48,426**	**46,067**
Profit for the period attributable to owners of the parent company	48,320	45,772
Profit for the period attributable to non-controlling interests	106	294
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax	13,005	(24,771)
Remeasurement of net defined benefit liabilities (assets)	10,785	(22,161)
Net gain (loss) on revaluation of financial assets measured at FVTOCI	2,219	(2,610)
Items that may be reclassified subsequently to profit or loss, net of tax	(5,450)	(22,765)
Exchange differences on translation of foreign operations	(5,477)	(21,309)
Net changes in fair value of cash flow hedges	47	(1,215)
Share of other comprehensive income of investments accounted for using the equity method	(20)	(240)
Total other comprehensive income, net of tax	**7,555**	**(47,536)**
Total comprehensive income for the period	**55,982**	**(1,469)**
Total comprehensive income for the period attributable to owners of the parent company	56,028	(1,456)
Total comprehensive income for the period attributable to non-controlling interests	(46)	(12)

Note: Figures less than one million yen are rounded down.

Consolidated Statement of Changes in Equity

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Equity attributable to owners of the parent company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations
Balance as of April 1, 2016	53,204	84,321	(20,471)	—	4,533	53,616
Profit (loss) for the period	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	10,790	2,221	(5,351)
Total comprehensive income (loss) for the period	—	—	—	10,790	2,221	(5,351)
Acquisition of treasury shares	—	—	(10,340)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	12	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—
Changes in interests in subsidiaries	—	(12)	—	—	(10)	0
Transfer from other components of equity to retained earnings	—	—	—	(10,790)	(1,720)	—
Total transactions with the owners	—	0	(10,340)	(10,790)	(1,730)	0
Balance as of March 31, 2017	53,204	84,321	(30,812)	—	5,024	48,265

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity					
	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company		
Balance as of April 1, 2016	(160)	57,989	292,775	467,818	2,858	470,676
Profit (loss) for the period	—	—	48,320	48,320	106	48,426
Other comprehensive income (loss)	47	7,707	—	7,707	(152)	7,555
Total comprehensive income (loss) for the period	47	7,707	48,320	56,028	(46)	55,982
Acquisition of treasury shares	—	—	—	(10,340)	—	(10,340)
Dividends	—	—	(21,299)	(21,299)	(237)	(21,537)
Share-based payment transactions	—	—	—	12	—	12
Acquisition of subsidiaries	—	—	—	—	26	26
Changes in interests in subsidiaries	—	(9)	—	(21)	(75)	(97)
Transfer from other components of equity to retained earnings	—	(12,510)	12,510	—	—	—
Total transactions with the owners	—	(12,520)	(8,789)	(31,650)	(285)	(31,936)
Balance as of March 31, 2017	(112)	53,176	332,306	492,196	2,526	494,722

Note: Figures less than one million yen are rounded down.

(Reference) Consolidated Statement of Cash Flows (from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Amount	Amount in previous fiscal year
Cash flows from operating activities		
Profit for the period	46,067	48,426
Depreciation and amortization	45,923	43,679
Impairment loss and reversal of impairment loss	(2,210)	239
Finance (income) costs, net	2,600	475
Share of (profit) loss of investments accounted for using the equity method	(104)	(53)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property, net	(6,886)	96
Income taxes	45,421	18,461
Decrease (increase) in trade receivables	10,661	(3,691)
Decrease (increase) in inventories	6,610	(10,729)
Increase (decrease) in trade payables	(8,915)	10,892
Increase (decrease) in net defined benefit liabilities	1,514	156
Other, net	(3,215)	8,399
Subtotal	137,468	116,352
Interest and dividend income received	1,664	1,414
Interest expenses paid	(1,218)	(981)
Payments for loss on litigation	(4,144)	—
Income taxes paid	(20,715)	(19,910)
Net cash provided by (used in) operating activities	113,054	96,873
Cash flows from investing activities		
Proceeds from sales of investment securities	51	3,103
Purchase of property, plant and equipment	(59,614)	(70,637)
Proceeds from sales of property, plant and equipment	582	746
Purchase of intangible assets	(6,538)	(6,899)
Proceeds from sales of intangible assets	31	24
Proceeds from sales of investment property	13,969	1,088
Purchase of investments in subsidiaries	(500)	(2,743)
Other, net	460	(441)
Net cash provided by (used in) investing activities	(51,558)	(75,759)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(1,819)	(14,374)
Proceeds from non-current borrowings	—	500
Repayment of non-current borrowings	(86)	(500)
Proceeds from issuance of bonds issued	—	49,759
Redemption of bonds issued	(40,000)	(30,000)
Payments of lease obligations	(103)	(101)
Dividends paid	(25,044)	(21,299)
Dividends paid to non-controlling interests	(111)	(236)
Payments for purchase of subsidiaries' equity from non-controlling interests	—	(97)
Purchase of treasury shares	(6)	(10,340)
Net cash provided by (used in) financing activities	(67,171)	(26,691)
Effect of exchange rate changes on cash and cash equivalents	(9,155)	(3,139)
Net increase (decrease) in cash and cash equivalents	(14,832)	(8,716)
Cash and cash equivalents at beginning of period	245,330	230,498
Cash and cash equivalents at end of period	230,498	221,782

Non-Consolidated Financial Statements

Balance Sheet (as of March 31, 2017)

(Millions of yen)

Item	As of March 31, 2017	(Reference) As of March 31, 2016	Item	As of March 31, 2017	(Reference) As of March 31, 2016
Assets			Liabilities		
Current assets	**359,215**	**353,561**	**Current liabilities**	**230,588**	**193,633**
Cash and deposits	9,156	10,674	Notes payable - trade	6,818	6,273
Notes receivable - trade	191	128	Accounts payable - trade	102,690	86,742
Accounts receivable - trade	136,818	121,729	Current portion of bonds issued	10,000	30,000
Securities	116,500	128,000	Current portion of non-current borrowings	50,000	500
Merchandise and finished goods	4,036	4,639	Lease obligations	3	11
Work in process	14,437	12,272	Accounts payable - other	34,015	37,051
Raw materials and supplies	22,271	20,859	Accrued expenses	7,068	6,846
Deferred tax assets	13,487	12,595	Income taxes payable	162	2,505
Short-term loans receivable	7,835	33,201	Deposits received	4,743	5,027
Accounts receivable - other	28,804	23,945	Provision for bonuses	11,904	14,642
Other	5,678	6,684	Provision for directors' bonuses	97	94
Allowance account for credit losses	(4)	(21,168)	Provision for product warranties	1,323	2,022
Non-current assets	**328,672**	**304,728**	Asset retirement obligations	-	98
(Property, plant and equipment)	**(148,862)**	**(131,056)**	Other	1,760	1,816
Buildings	50,551	47,382	**Non-current liabilities**	**103,083**	**110,642**
Structures	2,341	2,447	Bonds payable	70,000	30,000
Machinery and equipment	45,384	39,516	Long-term loans payable	500	50,000
Vehicles	84	64	Lease obligations	2	2
Tools, furniture and fixtures	7,964	7,546	Provision for retirement benefits	29,589	27,419
Land	33,860	33,126	Provision for product warranties	9	135
Construction in progress	8,670	961	Asset retirement obligations	2,027	1,535
Other	5	11	Other	953	1,549
(Intangible assets)	**(9,120)**	**(9,868)**	**Total liabilities**	**333,671**	**304,275**
Software	7,335	7,373	**Net assets**		
Other	1,784	2,494	**Shareholders' equity**	**349,288**	**349,169**
(Investments and other assets)	**(170,689)**	**(163,803)**	**Share capital**	**53,204**	**53,204**
Investment securities	12,278	12,894	**Capital surplus**	**84,321**	**84,321**
Shares of subsidiaries and affiliates	125,548	127,560	Legal capital surplus	84,321	84,321
Long-term prepaid expenses	1,756	861	**Retained earnings**	**242,535**	**232,115**
Deferred tax assets	29,672	20,253	Legal retained earnings	3,132	3,132
Other	1,457	2,256	Other retained earnings	239,402	228,982
Allowance account for credit losses	(23)	(23)	Retained earnings brought forward	239,402	228,982
			Treasury shares	**(30,772)**	**(20,471)**
			Valuation and translation adjustments	**4,928**	**4,845**
			Valuation difference on available-for-sale securities	**5,027**	**4,992**
			Deferred gains or losses on hedges	**(99)**	**(147)**
			Total net assets	**354,216**	**354,015**
Total assets	**687,887**	**658,290**	**Total liabilities and net assets**	**687,887**	**658,290**

Note: Figures less than one million yen are rounded down.

Statement of Income (from April 1, 2016 to March 31, 2017)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Net sales	**737,916**	**786,981**
Cost of sales	**670,734**	**696,740**
Gross profit	**67,181**	**90,241**
Selling, general and administrative expenses	**58,512**	**58,360**
Operating income	**8,668**	**31,880**
Non-operating income	**20,853**	**24,136**
Interest and dividend income	17,336	21,289
Foreign exchange gains	554	777
Other	2,962	2,069
Non-operating expenses	**4,138**	**3,404**
Interest expenses	565	802
Other	3,572	2,601
Ordinary income	**25,384**	**52,612**
Extraordinary income	**13,080**	**12,178**
Gain on sales of non-current assets	161	11,506
Gain on extinguishment of tie-in shares	9,837	-
Gain on sales of investment securities	2,237	21
Other	842	650
Extraordinary losses	**7,996**	**2,141**
Loss on sales of non-current assets	16	9
Loss on retirement of non-current assets	302	297
Impairment loss	202	1,236
Loss on debt waiver to subsidiaries and affiliates	5,008	-
Loss on valuation of shares of subsidiaries and affiliates	1,877	-
Other	589	597
Income before income taxes	**30,468**	**62,648**
Income taxes - current	1,141	9,534
Income taxes - deferred	(2,399)	7,078
Total income taxes	(1,257)	16,613
Net income	**31,725**	**46,035**

Note: Figures less than one million yen are rounded down.

Statement of Changes in Equity

(from April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2016	53,204	84,321	3,132	228,982	232,115	(20,471)	349,169
Changes of items during the period							
Dividends	—	—	—	(21,305)	(21,305)	—	(21,305)
Net income	—	—	—	31,725	31,725	—	31,725
Acquisition of treasury shares	—	—	—	—	—	(10,301)	(10,301)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	10,420	10,420	(10,301)	118
Balance as of March 31, 2017	53,204	84,321	3,132	239,402	242,535	(30,772)	349,288

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2016	4,992	(147)	4,845	354,015
Changes of items during the period				
Dividends	—	—	—	(21,305)
Net income	—	—	—	31,725
Acquisition of treasury shares	—	—	—	(10,301)
Net changes of items other than shareholders' equity	34	47	82	82
Total changes of items during the period	34	47	82	201
Balance as of March 31, 2017	5,027	(99)	4,928	354,216

Note: Figures less than one million yen are rounded down.

Audit Reports

Transcript of financial auditor’s audit report on consolidated financial statements

Independent Auditor’s Report

April 28, 2017

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Yoshitomo Matsuura

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated statement of financial position, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity of Seiko Epson Corporation for the consolidated fiscal year from April 1, 2016 to March 31, 2017, including notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

Auditors’ Responsibility

Our responsibility is to express independent opinions on consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied depending on auditor judgment on the basis of the assessment of the risks of material misstatements of the consolidated financial statements arising from fraud or error. The purpose of the audit of the consolidated financial statements is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to consolidated financial statements of the corporate group which consists of Seiko Epson Corporation and its consolidated subsidiaries in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of financial auditor's audit report

Independent Auditor's Report

April 28, 2017

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Yoshitomo Matsuura

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the financial statements, namely the balance sheet, the statements of income, and the statements of changes in equity of Seiko Epson Corporation for the 75th fiscal year from April 1, 2016 to March 31, 2017, including notes to non-consolidated financial statements and supplementary schedules thereto.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements and supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present financial statements and supplementary schedules thereto that are free from material misstatements caused by fraud or error.

Auditors' Responsibility

Our responsibility is to express independent opinions on financial statements and supplementary schedules thereto based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereto are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules thereto. Audit procedures are selected and applied depending on auditors' judgment on the basis of the assessment of the risks of material misstatements of the financial statements and the supplementary schedules thereto arising from fraud or error. The purpose of the audit of the financial statements and the supplementary schedules thereto is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements and the supplementary schedules thereto in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the supplementary schedules thereto referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to such financial statements and the supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of the Audit & Supervisory Committee's audit report

Audit Report

The Audit & Supervisory Committee audited the Directors' execution of their duties during the 75th fiscal year, from April 1, 2016 to March 31, 2017, and hereby reports on its method and results as follows.

1. Auditing Method and Contents Thereof

With respect to the resolution of the Board of Directors concerning the matters stipulated in Article 399-13, Paragraph 1, Item 1 (ii) and (iii) of the Companies Act, as well as the system (internal control system) developed based on such resolution of the Board of Directors, we received regular reports regarding the status of formulation and operation of such system from Directors and other employees, etc., sought explanations as necessary, expressed opinion thereon, and executed audits through the following methods.

In addition, with regard to the internal control concerning financial reporting under the Financial Instruments and Exchange Act, we received reports regarding the evaluation of such internal control and audit status thereof from Directors, etc. and Ernst & Young ShinNihon LLC, and sought explanations as necessary.

(1) In conformity with the principles of audits by the Audit & Supervisory Committee stipulated by the Audit & Supervisory Committee and in accordance with audit policies and the division of duties, etc., we, in coordination with the Internal Audit Department and other departments related to internal control, attended important meetings, received reports from Directors and other employees, etc., regarding the execution of their duties, sought explanations as necessary, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's Head Office and primary Business Offices. Furthermore, with regard to the Company's subsidiaries, the Audit & Supervisory Committee worked to communicate and exchange information with Directors, Audit & Supervisory Board Members, etc., of subsidiaries, and received reports from them as necessary.

(2) With respect to the basic policy provided in Article 118, Item 3 (a) of the Ordinance for Enforcement of the Companies Act, and judgment and reasons for the initiatives provided in (b) of the same Item, in light of the status, etc., of deliberations in the Board of Directors and other meetings, further consideration of its content was given.

(3) We monitored and verified whether the Financial Auditor had maintained its independence and conducted audits appropriately, received reports regarding the execution of their duties, and sought explanations as necessary. We received notification from the Financial Auditor that "Systems for Ensuring Appropriate Execution of Duties" (matters provided in each item of Article 131 of the Ordinance on Accounting of Companies) have been established in accordance with "Quality Control Standard for Auditing," (Business Accounting Council), etc., and sought explanations as necessary.

Based on the above, we examined the Business report and the supplementary schedules, the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Equity, and the Notes for the Non-consolidated Financial Statements) and the supplementary schedules, as well as the Consolidated Financial Statements (the Consolidated Statements of Financial Position, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in

Equity, and the Notes for the Consolidated Financial Statements prepared in conformity with the latter part of Article 120, paragraph 1 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards) for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Report, etc.

1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.
2) No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
3) We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the execution of duties by Directors concerning the internal control system or the content of the Business Report concerning the internal control system, including the internal control concerning financial reporting.
4) We found no matters requiring note on our part with respect to the basic policy regarding persons who control decision on the Company's financial and business polices decisions, stated in the Business Report. The initiatives taken pursuant to Article 118, Item 3 (b) of the Ordinance for Enforcement of the Companies Act, stated in the Business Report, are in line with the said basic policy, and in our opinion, said basic policy is deemed not to harm the common interest of the Company's shareholders, nor is it for the purpose of maintaining the position of the Company's officers.

(2) Results of Audit of Consolidated Financial Statements

We found that the methods and the results of the audit conducted by Financial Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audit conducted by Financial Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 16, 2017

Audit & Supervisory Committee, Seiko Epson Corporation

Full-Time Audit & Supervisory Committee Member:	Noriyuki Hama
Outside Audit & Supervisory Committee Member:	Michihiro Nara
Outside Audit & Supervisory Committee Member:	Chikami Tsubaki
Outside Audit & Supervisory Committee Member:	Yoshio Shirai

(Note) Audit & Supervisory Committee Members, namely, Mr. Michihiro Nara, Ms. Chikami Tsubaki and Mr. Yoshio Shirai are outside directors as prescribed in Article 2, Item (15) and Article 331, Paragraph 6 of the Companies Act.

End

Dear shareholders with Voting Rights

Internet Disclosure Information for
the Notice of the 75th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(from April 1, 2016 to March 31, 2017)

SEIKO EPSON CORPORATION

In accordance with laws and regulations and Article 15 of the Articles of Incorporation, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are posted on the Company's website.

Notes to the Consolidated Financial Statements

Significant Basis of Presenting Consolidated Financial Statements

1. Basis for Presenting Consolidated Financial Statements

The Company and its subsidiaries and affiliates (hereinafter collectively referred to as "Epson") prepares its consolidated financial statements on the basis of International Financial Reporting Standards (hereinafter referred to as "IFRS"), in compliance with Article 120, Paragraph 1 of the Company Accounting Ordinance. In compliance with the second sentence of Article 120, Paragraph 1 of the Company Accounting Ordinance, certain disclosures and notes required on the basis of IFRS are omitted.

2. Scope of Consolidation

Number of Consolidated Subsidiaries: 85

The major consolidated subsidiaries of the Company are as follows:

Epson Sales Japan Corporation Epson Direct Corporation
Orient Watch Co., Ltd. Miyazaki Epson Corporation
Tohoku Epson Corporation Akita Epson Corporation
Epson Atmix Corporation
U.S. Epson, Inc. Epson America, Inc.
Epson Electronics America, Inc. Epson Portland Inc.
Epson El Paso, Inc. Epson Europe B.V.
Epson (U.K.) Ltd. Epson Deutschland GmbH
Epson Europe Electronics GmbH Epson France S.A.
Epson Italia S.p.A. For. Tex S.r.l.
Epson Iberica, S.A. Epson Telford Ltd.
Fratelli Robustelli S.r.l. Epson (China) Co., Ltd.
Epson Korea Co., Ltd. Epson Hong Kong Ltd.
Epson Taiwan Technology & Trading Ltd. Epson Singapore Pte. Ltd.
P.T. Epson Indonesia Epson (Thailand) Co., Ltd.
Epson Philippines Corporation Epson Australia Pty. Ltd.
Epson India Pvt. Ltd. Tianjin Epson Co., Ltd.
Epson Precision (Hong Kong), Ltd. Epson Engineering (Shenzhen) Ltd.
Epson Precision (Shenzhen) Ltd. Orient Watch (Shenzhen) Ltd.
Singapore Epson Industrial Pte. Ltd. P.T. Epson Batam
P.T. Indonesia Epson Industry Epson Precision (Philippines), Inc.
Epson Precision Malaysia Sdn. Bhd. Epson Precision (Johor) Sdn. Bhd.

(Reasons for the change in consolidated subsidiaries)

(Increase: 2)

One company has been added to the scope of consolidation following the newly acquisition of shares.
Fratelli Robustelli S.r.l.

One equity method affiliate has been added to the scope of consolidation following the additional acquisition of shares.
TekCare corporation

(Decrease: 3)

Two consolidated subsidiaries have been excluded from the scope of consolidation due to mergers.
Epson Imaging Devices Corporation
epMall Co., Ltd.

One consolidated subsidiary has been excluded from the scope of consolidation following the sales of its shares.
TAMAYA TECHNICS INC.

3. Application of Equity Method

The major equity method affiliates are as follows:

Epson & Nissin Travel Solutions Corporation
Shanghai Sanhuan Magnetics Co., Ltd.

(Reason for the change in equity method affiliates)

(Decrease: 1)

An equity method affiliate has been added to the scope of consolidation following the additional acquisition of shares.

TekCare corporation

4. Fiscal Year of Consolidated Subsidiaries

The closing date of several overseas consolidated subsidiaries is December 31, and accounting documents based on the temporary closing of accounts conducted as of the consolidated closing date are used in preparing the consolidated financial statements.

5. Accounting Policies

(1) Basis and Methods of Valuation of Assets

1) Financial Assets other than Derivatives

(i) Initial Recognition and Measurement

Financial assets are classified into financial assets measured at fair value and those amortized cost at initial recognition.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. Otherwise, they are classified as financial assets measured at fair value.

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.

(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes that are measured at fair value through profit or loss. Such designations are applied continuously.

All financial assets are initially measured at fair value plus transaction costs that are directly attributable to the financial assets, except when classified in the category of financial assets measured at fair value through profit or loss.

Epson recognizes trade and other receivables on the date they are originated. All other financial assets are recognized on the trade date when Epson becomes a party to the contractual provisions of the instrument.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Financial Assets Measured at Fair Value

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in fair value of financial assets measured at fair value are recognized as profit or loss.

However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or the decline in its fair value is significant. Dividends on the financial assets are recognized in profit or loss for each fiscal year.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from them expire or when they are transferred in transactions in which substantially all the risks and rewards of ownership are transferred.

(iv) Impairment

At the end of each fiscal year, Epson assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired. Evidence of impairment includes significant financial difficulty of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower.

Epson assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant.

If there is any objective evidence that impairment losses on financial assets measured at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

When impairment is recognized, the carrying amount of the financial asset is reduced by an allowance account and impairment losses are recognized as profit or loss. If the amount of the impairment losses provided decreases due to an event occurring after the impairment was recognized, the previously recognized impairment losses are reversed into profit or loss through the allowance account.

2) Derivatives

Epson utilizes derivatives, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

Gains or losses on derivatives are recognized as profit or loss in the consolidated statement of comprehensive income. However, the gains or losses on hedging instruments relating to the effective portion of cash flow hedges and hedges of net investments in foreign operations are recognized as other comprehensive income in the consolidated statement of comprehensive income.

3) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value, and the costs are determined by using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs necessary for completion and estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortization of Assets

1) Property, Plant, and Equipment

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items were as follows:

• Buildings and structures: 10 to 35 years

• Machinery and vehicles: 2 to 12 years

The estimated useful lives, depreciation method and residual value are reviewed at each fiscal year end and if there are any changes made to the estimated useful lives, depreciation method and residual value, the impact of such changes in estimate are accounted for on a prospective basis.

2) Intangible Assets

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives. The estimated useful life of major intangible assets with finite useful lives was as follows:

• Software: 3 to 10 years

The estimated useful lives and depreciation method are reviewed at the end of each fiscal year, and if there are any changes made to the estimated useful lives and depreciation method, the impact of such changes in estimate are accounted for on a prospective basis.

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized.

3) Leased Assets

Leased assets are depreciated using the straight-line method over the shorter of their estimated useful lives or lease terms.

4) Investment Property

Except for assets that are not subject to depreciation such as land, investment property is depreciated using the straight-line method over its estimated useful life. Of investment property subject to depreciation, the estimated useful life of major investment property is 35 years.

(3) Accounting Basis for Provisions

Epson recognizes provisions when it has legal obligations or constructive obligations resulting from prior events and when it is probable that the outflow of resources is required to settle such obligations and the amount of the obligations can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations.

(4) Accounting Method Regarding Post-Employment Benefits

Epson has defined benefit plans and defined contribution plans as post-employment benefits plans. For each defined benefit plan, Epson calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the fiscal year end date on high quality corporate bonds. Net of liabilities (assets) for defined benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets (including adjustments for the impact due to limiting net of assets for defined benefit plans to the maximum amount of assets, if necessary). Net interest costs derived from net of liabilities (assets) for defined benefit plans are recognized as profit or loss.

Remeasurements of net of liabilities (assets) for defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and transferred to retained earnings immediately. Past service costs are recognized as profit or loss at the earlier of when an amendment to the plan or scale down occurs and when any related restructuring costs or termination benefits are recognized.

The expenses for defined contribution plans are recognized as profit or loss.

(5) Foreign Currency Translation

Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson specifies its own functional currency and measures transactions based on it.

Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the fiscal year end date. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investments in foreign operations (foreign subsidiaries), financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate. The resulting translation differences are recognized as other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations, which has been recognized as other comprehensive income is recognized as profit or loss in the period of disposition.

(6) Hedge Accounting

At the inception of a hedge, Epson formally designates and documents the hedging relationship and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument’s effectiveness is assessed in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, they are assessed on an ongoing basis and determined actually to have been highly effective throughout the designated financial reporting periods.

Epson classifies hedges that meet the requirements for hedge accounting in the following categories.

1) Fair Value Hedge

Gains or losses on derivatives are recognized as profit or loss in the consolidated statement of comprehensive income. Regarding gains or losses on hedged items attributable to the hedged risks, the carrying amount of the hedged item is adjusted and the change is recognized as profit or loss in the consolidated statement of comprehensive income.

2) Cash Flow Hedge

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately as profit or loss in the consolidated statement of comprehensive income.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognized in other components of equity as other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognized in other components of equity through other comprehensive income continue to be recognized in other component of equity until the forecast transactions or firm commitments occur.

3) Hedge of Net Investment in Foreign Operations

The hedge of net investment in foreign operations is accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized as profit or loss in the consolidated statement of comprehensive income. At the time of the disposal of the foreign operations, any related cumulative gains or losses that have been recognized as other comprehensive income are reclassified to profit or loss.

(7) Accounting Method Regarding Goodwill

Goodwill acquired through business combinations is recognized at the date of acquisition and recorded at cost less accumulated impairment losses.

Goodwill is not amortized. It is allocated to cash-generating units that are identified according to locations and types of businesses and tested for impairment annually or whenever there is any indication of impairment. Impairment losses recognized on goodwill are recognized as profit or loss in the consolidated statement of comprehensive income and not reversed in subsequent periods.

Changes in Presentation

The presentation of certain items in the consolidated financial statements has been changed from the fiscal year under review as described below. The changes are made to aim for improving the presentation clear and understandable for users of the consolidated financial statements.

Changes in presentation of financial liabilities in Consolidated Statement of Financial Position

Before change	After change
Other financial liabilities	Bonds issued, borrowings and lease liabilities
	Other financial liabilities

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,427 million yen
Other financial assets (current)	0 million yen
Other financial assets (non-current)	57 million yen

2. Accumulated Depreciation and Accumulated Impairment Losses of Property, Plant and Equipment
   875,207 million yen

Consolidated Statement of Changes in Equity

1. Total Number of Fully Paid Issued Shares as of the End of the Consolidated Fiscal Year Under Review

Common stock: 399,634,778 shares

2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2016	Common stock	10,733 million yen	30 yen	March 31, 2016	June 29, 2016
Board of Directors meeting held on October 27, 2016	Common stock	10,572 million yen	30 yen	September 30, 2016	November 30, 2016

(2) Dividends whose basis date was during the consolidated fiscal year under review, but whose effective date is during the subsequent consolidated fiscal year

The Company presents the following proposal.

Resolution (scheduled)	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Basis date	Effective date
Ordinary General Meeting of Shareholders to be held on June 28, 2017	Common stock	10,572 million yen	Retained earnings	30 yen	March 31, 2017	June 29, 2017

Financial Instruments

1. Status of Financial Instruments

(1) Capital Management

Epson selects the most effective fund management method focusing on the preservation of funds in view of safeness and flexibility. In addition, Epson obtains financing from bank loans and bonds issued. Epson has a policy not to transact derivatives for speculation purposes, but for avoiding the risks stated below.
Epson monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a sound and flexible financial condition for future investment. Epson monitors credit ratings for financial soundness and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Financial Risk Management

Epson is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, interest rate risks, and market price fluctuation risks) in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are regularly reported by the financial and general accounting department to the Executive Committee of the Company.
Epson's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson do not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables, such as notes and trade receivables, resulting from the operating activities of Epson are exposed to customer credit risks.
Epson holds mainly bonds receivable as investments of surplus funds and equity securities of customers and suppliers to strengthen relationships with them; those securities are exposed to the issuers' credit risks.
In addition, through derivative transactions that Epson conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, Epson is exposed to the credit risks of the financial institutions which are counterparties to these transactions.
In principle, Epson sets credit lines or transaction conditions with respect to trade receivables for counterparties based on Epson's Credit Control Regulation in order to prevent credit risks relating to counterparties. In addition, the receivable balances of counterparties are monitored in order to mitigate the credit risks. The financial and general accounting department of the Company regularly monitors the status of the occurrence and collection of bad debts, and reports them to the Executive Committee of the Company. There is no over-concentrated credit risk for a single customer.
With regard to the investment of cash surpluses and derivatives, Epson invests in bonds receivable and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks based on Epson's Capital Management Regulation. In addition, the financial and general accounting department of the Company regularly monitors the performances of these transactions and reports the results to the Executive Committee of the Company.

(4) Liquidity Risk

Epson raises funds by borrowings and bonds issued; however, these liabilities are exposed to the liquidity risk that it would not be able to repay liabilities on the due date due to the deterioration of the financing environment.
Epson establishes a financing plan based on the annual business plan and the financial and general accounting department of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign exchange fluctuation:

1) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.

2) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

3) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

Epson hedges against risk 1) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks 2) and 3), in principle.

In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson’s Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial and general accounting department of the Company regularly reports the performances to the Executive Committee of the Company.

(6) Interest Rate Risk

Epson’s interest rate risk arises from cash equivalents and interest-bearing debt. Borrowings and bonds issued with floating rates are subject to the effects of changes in future cash flows caused by the fluctuation of market interest rates; while, borrowings and bonds issued with fixed rates are subject to the effects of changes in the fair value caused by the fluctuation of market interest rates.

In response to the fluctuation of market interest rates, Epson reduces the interest rate risk by implementing an interest rate swap and adjusting appropriate proportion of financing between floating rates and fixed rates. In accordance with Epson’s Capital Management Regulation, the interest rate swap is approved by the finance officer of the Company.

(7) Market Price Fluctuation Risk

With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities in accordance with Epson’s Securities Operation Regulation.

Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively.

2. Fair values of financial instruments

(1) Fair value measurement

Fair values of financial assets and financial liabilities are measured as follows.

(Derivatives)

The fair values are calculated based on prices obtained from financial institutions.

(Equity securities and bonds receivable)

When market values for equity securities and bonds receivable are available, such values are used as the fair values. The fair values of the equity securities and bonds receivable whose market values are unavailable are measured by using the discounted cash flow method, price comparison method based on the prices of similar types of securities and bonds and other valuation methods.

(Borrowings)

As current borrowings are settled on a short-term basis, the fair values approximate their carrying amounts. For non-current borrowings with floating rates, it is assumed that the fair value is equal to the carrying amounts, because the rates are affected in the short term by fluctuations in market interest rates, and because Epson's credit status has not greatly changed since they were implemented. The fair values of non-current borrowings with fixed rates are calculated by the total sum of the principal and interest discounted using the interest rates that would be applied if similar new borrowings were conducted.

(Bonds issued)

The fair values are calculated based on prices obtained from financial institutions.

(Lease obligations)

The fair values are calculated based on the present value of the total amount discounted by the interest rate corresponding to the period to maturity and the credit risk per each lease obligation classified per certain period.

(Other)

Other financial instruments are settled mainly on a short-term basis, and the fair values approximate the carrying amounts.

(2) Fair value hierarchy

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities

Level 2: Fair value calculated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: Fair value calculated using valuation techniques including unobservable inputs for the assets and liabilities

Epson does not have any financial instruments for which there are significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.

The transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period.

1) Financial instruments measured at amortized cost

The carrying amounts and the fair value hierarchy of financial instruments measured at amortized cost were as follows. The fair values of financial instruments that are not listed on the table below approximate the carrying amounts.

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Borrowings (Note)	66,618	—	66,674	—	66,674
Bonds issued (Note)	79,738	—	79,838	—	79,838
Total	146,356	—	146,512	—	146,512

(Note) Current portions of repayment and redemption are included.

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during the fiscal year under review.

2) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value was as follows:

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	—	449	—	449
Equity securities	13,310	—	2,498	15,809
Total	13,310	449	2,498	16,258
Financial liabilities measured at fair value				
Derivative financial liabilities	—	1,112	—	1,112
Total	—	1,112	—	1,112

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during the fiscal year under review.

Per Share Data

1. Equity attributable to owners of the parent company, per share 1,397.40 yen
2. Basic earnings per share 136.82 yen

Note: In the calculation of per share data, the Company’s shares owned by the officer compensation BIP Trust are recognized as treasury shares, and are deducted from the number of shares at the end of the period and the average number of shares for the period. The number of treasury shares owned by the trust at the end of the fiscal year under review and the average number of shares for the period are 180,000 shares and 115,888 shares, respectively.

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

- Held-to-maturity debt securities

  Stated at amortized cost (straight-line method).
- Shares of subsidiaries and affiliates

  Stated at cost using the moving-average method.
- Available-for-sale securities
- Securities with market value:

  Stated at market value based on market prices as of the closing date of the fiscal year under review. (Valuation gains or losses are directly included in a component of net assets. The cost of securities sold is calculated using the moving-average method.)
- Securities with no market value

  Mainly stated at cost using the moving-average method.

(2) Derivatives

Stated at market value.

(3) Inventories

Mainly stated at cost based on the weighted-average method (balance sheet values are adjusted by writing down the book value where the profitability declines).

2. Depreciation Method for Non-current Assets

(1) Property, Plant and Equipment (excluding leased assets)

Property, plant and equipment are depreciated using the straight-line method.

The estimated useful lives of major asset items are as follows:

• Buildings: 10 to 35 years

• Machinery and equipment: 5 to 12 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortized using the straight-line method.

The estimated useful life of a major asset item is as follows:

• Software: 3 to 5 years

(3) Leased Assets

Leased assets relating to finance lease transactions without transfer of ownership are depreciated over the lease terms by the straight-line method, assuming the residual value is zero.

3. Accounting Basis for Provisions

(1) Allowance account for credit losses

To provide a reserve for possible losses on receivables or loans, the Company records the allowance account for credit losses based on the historical default rates for ordinary receivables and on an estimate of collectability of specific doubtful receivables.

(2) Provision for bonuses

The provision for bonuses is recorded to accrue the bonuses to employees of the Company at an amount estimated to be incurred by the Company for the fiscal year under review.

(3) Provision for directors' bonuses

The provision for directors' bonuses is recorded to accrue the bonuses to Directors and Audit & Supervisory Board Members of the Company at an estimated amount to be paid.

(4) Provision for product warranties

To provide for possible expenditures associated with product warranties, the Company records the provision for product warranties based on the rate of historical after-sales service contract expenses to sales in past fiscal years, as well as for other specific warranty provisions for specific businesses where future warranty expenses can be specifically estimated.

(5) Provision for loss on litigation

To provide for possible litigation-related expenditures, the Company records the provision for loss on litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the fiscal year under review.

(6) Provision for Retirement Benefits

To provide retirement benefits to employees of the Company, the provision for retirement benefits is recorded at an amount calculated based on the projected benefit obligations and plan assets at the end of the fiscal year under review.

Past service cost is amortized for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence in each fiscal year.

Actuarial gains or losses are amortized for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence in each fiscal year, commencing from the fiscal year following the fiscal year of occurrence.

4. Basis for Translating of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

Monetary receivables and payables denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date of the fiscal year under review. Translation differences are recognized as profit or loss in the fiscal year under review.

5. Hedge Accounting

(1) Hedge Accounting Method

Gains or losses on hedging instruments measured at market value are deferred, in principle, as deferred gains or losses on hedges under net assets until such gains or losses on hedged items are recognized.

(2) Hedging Instruments and Hedged Items

Forward foreign exchange contracts and non-deliverable forwards (NDFs): Amounts of foreign currencies deposited or withdrawn

(3) Hedge Policy

The Company enters into derivative contracts for hedging purposes to restrict foreign exchange fluctuation risks, which are mainly associated with sales denominated in foreign currencies while minimizing the amounts not covered by hedging through the use of netting and other measures.

(4) Assessment of Hedge Effectiveness

The assessment of hedge effectiveness is omitted because the market fluctuation of hedging instruments and hedged items is offset at the start of hedging and it continues to remain offset subsequently since the fluctuation rates of hedging instruments and hedged items are identical.

6. Accounting for Consumption Tax

The tax-exclusion method is used for the accounting of both national and local consumption taxes.

Changes in Presentation

Gain on sales of investment securities, which has been included in and presented as “other” under “extraordinary income” (21 million yen for the previous fiscal year) in the statement of income, is presented separately from the fiscal year under review due to its increased significance.

Balance Sheet

1. **Accumulated Depreciation of Property, Plant and Equipment** 604,165 million yen

2. **Guarantee Obligation**

The Company provides the following guarantees for borrowings from banks made by its subsidiaries and/or affiliates.

	(Millions of yen)
Epson Precision (Philippines), Inc.	4,268
P. T. Epson Batam	4,257
P. T. Indonesia Epson Industry	2,723
Epson Precision (Johor) Sdn. Bhd.	1,996
Epson Precision (Thailand) Ltd.	1,867
12 other companies	757
Total	15,870

3. **Monetary Receivables from and Payables to Subsidiaries and Affiliates**

Short-term monetary receivables: 155,696 million yen
Long-term monetary receivables: 0 million yen
Short-term monetary payables: 93,397 million yen
Long-term monetary payables: 827 million yen

Statement of Income

Transactions with Subsidiaries and Affiliates

Sales to subsidiaries and affiliates: 665,709 million yen
Purchases from subsidiaries and affiliates: 384,304 million yen
Other operating transactions with subsidiaries and affiliates: 30,546 million yen
Transactions with subsidiaries and affiliates other than operating transactions: 44,930 million yen

Statement of Changes in Net Assets

Number of Treasury Shares as of the End of the Fiscal Year under Review

Treasury shares 47,411,657 shares

Note: the total number of treasury shares includes 180,000 shares of the Company's shares owned by the officer compensation BIP Trust.

Tax-Effect Accounting

1. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

Deferred tax assets	(Millions of yen)
Loss carried forward	27,935
Non-current assets (impairment loss and over-depreciation)	16,696
Provision for retirement benefits	9,022
Loss on valuation of shares	5,526
Provision for bonuses	3,659
Loss on valuation of inventories	3,185
Provision for product warranties	399
Lump-sum depreciable assets	260
Other	4,191
Subtotal	70,877
Valuation allowance	(25,870)
Total deferred tax assets	45,007
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,436)
Asset retirement cost corresponding to asset retirement obligations	(410)
Total deferred tax liabilities	(1,847)
Net deferred tax assets	43,159

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Company name	Ownership percentage of voting rights	Relationship with the Company	Description of transactions	Transaction amount	Account item	Fiscal year-end balance
Epson Sales Japan Corporation	Direct holding 100%	Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	117,444	Accounts receivable - trade	19,700
			Lending of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	2,373
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	183,141	Accounts receivable - trade	39,159
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	142,739	Accounts receivable - trade	25,343
P.T. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	107,129	Accounts payable - trade	21,113
					Accounts receivable - other	3,708
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	100,551	Accounts payable - trade	20,964
					Accounts receivable - other	2,000
Epson Imaging Devices Corporation	-	-	Waiver of receivables (Note 5)	25,250	-	-

Terms and conditions of transactions and their policies

Note 1: Selling prices are determined by subtracting an appropriate margin for the respective sales companies from market prices.

Note Lending of necessary funds and depositing of excess funds are made in accordance with the relevant rules under the system of borrowing and lending funds established by the Epson Group.

Note 3: Lending of necessary funds and depositing of excess funds are not stated in the "Transaction amount" as funds are transferred day by day under the system of borrowing and lending funds within the Group.

Note 4: Purchase prices are determined by adding an appropriate profit for the manufacturing companies on the manufacturing costs.

Note 5: The Company has merged with Epson Imaging Devices Corporation (EID) through absorption on February 1, 2017. Of the receivables owed by EID, the Company fully waived the loans to EID prior to this merger. For the total value of receivables waived of 25,250 million yen, allowance for doubtful receivables of 21,161 million yen was allocated. As a result, loss on waiver of receivables to subsidiaries and affiliates of 4,088 million yen was for the fiscal year under review.

Note 6: The transaction amount does not include consumption taxes, etc., whereas the fiscal year-end balance includes consumption taxes, etc.

Per Share Data

1.	Net Assets per Share	1,005.66 yen
2.	Earnings per Share	89.83 yen

Note: In the calculation of per share data, the Company's shares owned by the officer compensation BIP Trust are recognized as treasury shares, and are deducted from the number of shares at the end of the period and the average number of shares for the period. The number of treasury shares owned by the Trust at the end of the fiscal year under review and the average number of shares for the period are 180,000 shares and 115,888 shares, respectively.

Significant Subsequent Events

Common control transaction

The Company absorbed part of the businesses of Orient Watch Co., Ltd. (Orient Watch), a wholly-owned subsidiary of the Company, by way of absorption-type company split with an effective date of April 1, 2017.

(1) Overview of the transaction

1) Name and outline of the business subject to the company split
Name of the business: Wearable Products Business
Outline of the business: Watch sales business (excluding Japan domestic sales)

2) Date of the business combination
April 1, 2017

3) Legal form of the business combination
The company split was an absorption-type company split where Orient Watch was the splitting company and the Company was the succeeding company.

4) Name of the company after the business combination
Seiko Epson Corporation

5) Other matters regarding the outline of the transaction

The Company has decided to absorb the watch sales business of Orient Watch (excluding Japan domestic sales) with the aim of further reinforcing its operational capabilities by optimizing the allocation of management resources within the Group.

(2) Overview of the accounting treatment to be applied

In accordance with the "Accounting Standard for Business Combinations (ASBJ Statement No.21; September13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10; September13, 2013), the transaction will be processed as a common control transaction.

As a result of this transaction, gain on extinguishment of tie-in shares of 1,070 million yen will be recorded under extraordinary income.

Others

1. Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26; March 28, 2016) has been applied from the fiscal year under review.

2. Business combinations

Common control transaction

The Company has merged with Epson Imaging Devices Corporation (EID), a wholly-owned subsidiary of the Company, through absorption with an effective date of February 1, 2017.

(1) Overview of the transaction

1) Name and business lines of the company subject to the business combination
   Name of the company subject to the business combination: Epson Imaging Devices Corporation
   Business lines: Real estate management
2) Date of the business combination
   February 1, 2017
3) Legal form of the business combination
   The merger was conducted through an absorption-type merger method in which the Company was the surviving company and EID was dissolved as the absorbed company.
4) Name of the company after the business combination
   Seiko Epson Corporation
5) Other matters regarding the outline of the transaction
   EID became a 100% subsidiary company of the Company in December 2006 after being initially established as a joint venture involving the Company's small- and medium-sized LCD business in October 2004. While it rolled out operations based on original technology, the business environment dramatically worsened in an increasingly competitive environment. As part of the Group's efforts to refocus its business portfolio, EID streamlined its small- and medium-sized display business and effectively terminated the business by transferring operations to another company in 2011.
   Against this background, the Company has decided to absorb EID as it seeks to consolidate and drive efficiencies in Group operations.

(2) Overview of the accounting treatment applied

In accordance with the "Accounting Standard for Business Combinations (ASBJ Statement No.21; September13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10; September13, 2013), the merger was processed as a common control transaction.

As a result of this transaction, gain on extinguishment of tie-in shares of 9,837 million yen was recorded under extraordinary income.