

(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 78th Ordinary General Meeting of Shareholders

May 29, 2020

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 78th 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”).

To prevent the spread of the novel coronavirus infection, please refrain from attending the meeting this year and exercise your voting rights by mail or via the Internet, etc. no later than 5:00 p.m., Wednesday, June 24, 2020 (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., Wednesday, June 24, 2020 (Japan time).

Voting by Internet

To vote by Internet, please log into the shareholders’ voting websites at <https://evote.tr.mufg.jp/> to register your approval or disapproval (Japanese only). Voting by Internet must be completed no later than 5:00 p.m., Wednesday, June 24, 2020 (Japan time).

Sincerely yours,

Yasunori Ogawa
President and Representative Director

Seiko Epson Corporation
4-1-6 Shinjuku, Shinjuku-ku, Tokyo

Description

1. Date and Time 10:00 a.m., Thursday, June 25, 2020 (Japan time)
(Reception starts at 9:00 a.m.)

2. Place “Parque” 2nd Floor, Rako Hananoi Hotel,
2-1200-3, Takashima, Suwa-shi, Nagano
We have changed the venue to the location of our Head Office to ensure a smooth and safe operation under the influence of the novel coronavirus infection.

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, 2020 (from April 1, 2019 to March 31, 2020).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020).

Proposals:

1. Appropriation of Surplus
2. Election of Eight Directors Who Are Not Audit & Supervisory Committee Members
3. Election of Four Directors Who Are Audit & Supervisory Committee Members
4. Bonus to Directors Who Are Not Audit & Supervisory Committee Members

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 <https://www.epson.jp/IR/> (Japanese) and <https://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 receptionist.

*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 this fiscal year, the Company proposes to pay 31 yen per share. Moreover, 31 yen was paid out as an interim dividend; hence, the annual dividend will be 62 yen per share, the same amount as the previous fiscal year.

(1) Type of Dividend Property

Cash

(2) Distribution of Dividend

31 yen per share of common stock, total amount 10,731,912,475 yen

(3) Effective Date of Distribution

June 26, 2020

(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 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).

Share Repurchase

Considering its current share price and from the perspectives of optimizing capital efficiency and further enhancing shareholder returns, the Company repurchased its own shares during the period from May to August 2019 in an amount of 9.9 billion yen (total repurchase amount (maximum): 10 billion yen).


Proposal 2: Election of Eight 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. Accordingly, we propose to appoint eight (8) 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 Director 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 22).

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

Candidate No.	Name		Current titles and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Minoru Usui	Reappointment	Chairman and Director	13 / 13 meetings (100%)
2	Yasunori Ogawa	Reappointment	President and Representative Director	13 / 13 meetings (100%)
3	Koichi Kubota	Reappointment	Representative Director Senior Managing Executive Officer Chief Operating Officer, Printing Solutions Operations Division	13 / 13 meetings (100%)
4	Tatsuaki Seki	Reappointment	Director, Managing Executive Officer Chief Compliance Officer General Administrative Manager, Management Control Division	13 / 13 meetings (100%)
5	Masayuki Kawana	Reappointment	Director, Executive Officer General Administrative Manager, Human Resources Division General Administrative Manager, Health Management Office Chairman, Epson Sales Japan Corporation	13 / 13 meetings (100%)
6	Toshiya Takahata	Reappointment	Director, Executive Officer General Administrative Manager, Corporate Strategy Division General Administrative Manager, DX Division General Administrative Manager, Sustainability Promotion Office	10 / 10 meetings (100%)
7	Hideaki Omiya	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)
8	Mari Matsunaga	Reappointment Outside Director Independent Director	Outside Director	12 / 13 meetings (92.3%)

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
 Minoru Usui (April 22, 1955) Reappointment	Nov. 1979	Joined Shinshu Seiki Co., Ltd. (now the Company)	180,500
	Jun. 2002	Director of the Company	
	Oct. 2007	Managing Director of the Company	Attendance at meetings of the Board of Directors 13 / 13 meetings (100%)
	Jun. 2008	President and Representative Director of the Company	
	Apr. 2020	Chairman and Director of the Company (current position)	

1 **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 business affairs. Also, as a President and Representative Director for the past 11 years and 9 months, he has been in charge of management of Epson, while leading the formulation of its Corporate Vision, reinforcement of operational foundation and establishment of a new business model.

With him serving as a Chairman and Director and remaining in office as the Chairman of the Board of Directors hereafter, we have nominated him as a candidate for Director in the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business affairs 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
 Yasunori Ogawa (April 11, 1962) Reappointment	Apr. 1988	Joined the Company	15,600
	Apr. 2017	Chief Operating Officer, Visual Products Operations Division of the Company	
	Jun. 2017	Executive Officer of the Company	Attendance at meetings of the Board of Directors 13 / 13 meetings (100%)
	Jun. 2018	Director of the Company	
	Oct. 2018	General Administrative Manager, Technology Development Division of the Company	
	Jun. 2019	Managing Executive Officer of the Company, Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment of the Company	
	Apr. 2020	President and Representative Director of the Company (current position)	


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Reason for nominating Yasunori Ogawa as a Director

Mr. Ogawa has determined important management matters and monitored business affairs as a Director. Based on his wealth of experience and achievements as a Chief Operating Officer of the Visual Products Operations Division, General Administrative Manager of the Technology Development Division, and Chief Operating Officer of Wearable Products & Industrial Solutions Operations Segment, he has led the establishment and reinforcement of operational foundation and companywide technology base toward achieving Epson 25.

We have nominated him as a candidate for Director, considering that, as a President and Representative Director, he will be able to continue to show outstanding 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	
3	 Koichi Kubota (April 3, 1959) Reappointment	Apr. 1983	Joined Epson Corporation (now the Company)	33,300
		Jun. 2012	Director of the Company (current position)	
		Jun. 2013	Chief Operating Officer, Printer Operations Division of the Company	Attendance at meetings of the Board of Directors 13 / 13 meetings (100%)
		Jun. 2015	Managing Director of the Company	
		Apr. 2016	Deputy General Administrative Manager, Corporate Planning Division of the Company (in charge of sales planning and brand communication)	
		Jun. 2016	Managing Executive Officer of the Company	
		Apr. 2017	Chief Operating Officer, Printing Solutions Operations Division of the Company (current position)	
Jun. 2017	Senior Managing Executive Officer of the Company (current position)			
Oct. 2018	Representative Director of the Company (current position)			

Reason for nominating Koichi Kubota as a Director

Mr. Kubota has determined important management matters and monitored business affairs 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 initiatives for creating new customer values through inkjet innovation as a Chief Operating Officer of the Printing Solutions 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 affairs 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
		Apr. 1983 Joined Epson Corporation (now the Company)	
		Nov. 2005 General Manager, BS Business Management Department of the Company	9,800
		Oct. 2014 General Manager, Finance & General Accounting Department of the Company	Attendance at meetings of the Board of Directors
		Oct. 2015 Deputy General Administrative Manager, Management Control Division of the Company (in charge of Finance & General Accounting)	13 / 13 meetings (100%)
		Jun. 2016 Director of the Company (current position), Executive Officer of the Company,	
		Chief Compliance Officer of the Company (current position), General Administrative Manager, Management Control Division of the Company (current position)	
		Jun. 2019 Managing Executive Officer of the Company (current position)	



Tatsuaki Seki
(December 26, 1960)
Reappointment


4

Reason for nominating Tatsuaki Seki as a Director

Mr. Seki has determined important management matters and monitored business affairs as a Director. He has a wealth of experience and achievements in financing & accounting and business management. As a 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 and companywide systems 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 affairs 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	 Masayuki Kawana (July 27, 1964) Reappointment	Apr. 1988	Joined Seiko Epson Cooperative Union	12,100
		Mar. 1999	Joined the Company	
		Jun. 2014	Director of the Company (current position) General Administrative Manager, Human Resources Division of the Company (current position)	Attendance at meetings of the Board of Directors 13 / 13 meetings (100%)
		Jun. 2015	President of Orient Watch Co., Ltd.	
		Jun. 2016	Executive Officer of the Company (current position)	
		Oct. 2016	General Administrative Manager, CSR Management Office of the Company	
		Jun. 2018	Chairman of Epson Sales Japan Corporation (current position)	
Apr. 2020	General Administrative Manager, Health Management Office of the Company (current position)			

Reason for nominating Masayuki Kawana as a Director

Mr. Kawana has determined important management matters and monitored business affairs 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 affairs 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
		Apr. 1986 Joined the Company	
		Apr. 2012 Deputy Chief Operating Officer, Printer Operations Division of the Company	13,000
		Jun. 2014 Executive Officer of the Company	Attendance at meetings of the Board of Directors
		Jun. 2015 General Administrative Manager, Intellectual Property Division of the Company	
		Jun. 2016 Executive Officer of the Company (current position)	
		Oct. 2018 General Administrative Manager, Corporate Planning Division of the Company	
		Apr. 2019 General Administrative Manager, DX Division of the Company (current position)	
	 Toshiya Takahata (November 19, 1963) Reappointment	Jun. 2019 Director of the Company (current position)	
		Apr. 2020 General Administrative Manager, Corporate Strategy Division of the Company (current position)	
		General Administrative Manager, Sustainability Promotion Office of the Company (current position)	


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Reason for nominating Toshiya Takahata as a Director

Mr. Takahata has determined important management matters and monitored business affairs as a Director. After having experienced formulation and execution of growth strategies and product strategies as a Deputy Chief Operating Officer of the Printer Operations Division, he has been supervising the enhancement of research function, open innovation, development of business models leveraging digital technology and creation of an IT platform as a General Administrative Manager of the Corporate Strategy Division, Sustainability Promotion Office and DX Division since April 2020.

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 affairs 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)	Shares of the Company's stock owned	Shares of the Company's stock owned	
 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.	11,600	
	Apr. 2013	Chairman of the Board of Mitsubishi Heavy Industries, Ltd.		
	Jun. 2014	Outside Director of the Company (current position)	Attendance at meetings of the Board of Directors	
	Jun. 2016	Outside Director of Mitsubishi Corporation		
	Jun. 2018	Outside Director of Nomura Research Institute, Ltd. (current position)	13 / 13 meetings	
	Apr. 2019	Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd.	(100%)	
	Jun. 2019	Adviser of Mitsubishi Heavy Industries, Ltd. (current position)		
	Important concurrent positions held at other companies			
		Adviser of Mitsubishi Heavy Industries, Ltd.		
	Outside Director of Nomura Research Institute, Ltd.			

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Reason for nominating Hideaki Omiya as an Outside Director

Mr. Omiya has served as a President and CEO and 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 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 affairs at Mitsubishi Heavy Industries, Ltd. The Company has had no transactions with Mitsubishi Heavy Industries, Ltd. in the past three years.

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 an Outside Director

At the conclusion of this Meeting, six 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
		Apr. 1977 Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.)	6,600
		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	Attendance at meetings of the Board of Directors
		Jul. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT Docomo, Inc.), Head of Planning Office for Gateway Business Dept.	12 / 13 meetings (92.3%)
		Apr. 2000 Representative of Mari Matsunaga Office, Inc.	
		June 2012 Outside Director of MS&AD Insurance Group Holdings, Inc. (current position)	
		Outside Director of Terumo Corporation	
		Jun. 2014 Outside Director of Rohto Pharmaceutical Co., Ltd. (current position)	
8	Reappointment	Jun. 2016 Outside Director of the Company (current position)	



Mari Matsunaga
(November 13, 1954)

Outside Director
Independent Director

Important concurrent positions held at other companies

Outside Director of MS&AD Insurance Group Holdings, Inc.

Outside Director of Rohto Pharmaceutical Co., Ltd.

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 by expressing actively opinions including findings and proposals regarding managerial issues from the viewpoints of open innovation promotion, 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

The Company has had no transactions with Ms. Matsunaga in the past three years.

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 an Outside Director

At the conclusion of this Meeting, four years 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 Representative Director, 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 determined that the election of Directors who are not Audit & Supervisory Committee Members is reasonable and 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.

Proposal 3: Election of Four Directors Who Are Audit & Supervisory Committee Members


The terms of office of all four (4) Directors who are Audit & Supervisory Committee Members will expire at the conclusion of this Meeting. Accordingly, we propose to appoint four (4) Directors who are Audit & Supervisory Committee Members.

The candidates for Directors who are Audit & Supervisory Committee Members have been nominated after consideration by the Director 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 22).

This Proposal has obtained the consent of the Audit & Supervisory Committee.

The candidates for Directors who are Audit & Supervisory Committee Members are as follows:

Candidate No.	Name		Current titles and responsibilities at the Company	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Committee
1	Taro Shigemoto	Reappointment	Director Full-Time Audit & Supervisory Committee Member	13 / 13 meetings (100%)	15 / 15 meetings (100%)
2	Yoshio Shirai	Reappointment Outside Director Independent Director	Outside Director Audit & Supervisory Committee Member	13 / 13 meetings (100%)	15 / 15 meetings (100%)
3	Susumu Murakoshi	New appointment Outside Director Independent Director	—	—	—
4	Michiko Ohtsuka	New appointment Outside Director Independent Director	—	—	—

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned	
1	 Taro Shigemoto (June 4, 1962) Reappointment	Apr. 1985	Joined the Company	13,500
		Apr. 2003	General Manager, TP Business Management Department of the Company	
		Oct. 2008	General Administrative Manager, Management Division of Epson Engineering (Shenzhen) Ltd.	Attendance at meetings of the Board of Directors
		Feb. 2014	President of Epson Engineering (Shenzhen) Ltd.	13 / 13 meetings (100%)
		Jun. 2016	Special Audit & Supervisory Officer of the Company, General Administrative Manager, Audit & Supervisory Committee Office of the Company	Attendance at meetings of the Audit & Supervisory Committee
		Jun. 2018	Director, Full-Time Audit & Supervisory Committee Member of the Company (current position)	15 / 15 meetings (100%)

Reason for nominating Taro Shigemoto as a Director

Mr. Shigemoto has appropriately audited and monitored business affairs from a companywide perspective as a Full-Time Audit & Supervisory Committee Member. Having served as representative of an overseas subsidiary, he has a wealth of experience and achievements in overall functions related to management control and business control, and has led business growth and enhancement of governance at affiliates, while maintaining a balance between a corporate perspective and an operational perspective.

We have nominated him as a candidate for Director who is Audit & Supervisory Committee Member with the expectation that, as a Full-Time Audit & Supervisory Committee Member, he will continue to appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

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. Taro Shigemoto 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	
2	 Yoshio Shirai (May 1, 1948) Outside Director Independent Director Reappointment	Jun. 2001	Member of the Board of Directors of Toyota Motor Corporation	10,500
		Jun. 2003	Managing Officer of Toyota Motor Corporation	
		Jun. 2005	Senior Executive Member of the Board of Directors of Toyota Motor Corporation	Attendance at meetings of the Board of Directors
		Jun. 2007	Executive Vice President, Member of the Board of Hino Motors, Ltd.	
		Jun. 2008	President, Member of the Board of Hino Motors, Ltd.	
		Jun. 2013	Councilor of Hino Motors, Ltd.	13 / 13 meetings (100%)
		Jun. 2015	Advisor of Toyota Tsusho Corporation	Attendance at meetings of the Audit & Supervisory Committee
		Jun. 2016	Outside Director and Audit & Supervisory Committee Member of the Company (current position)	
		Jun. 2017	Advisor of Hino Motors, Ltd., Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd. (current position)	

Important concurrent positions held at other companies

Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.

Reason for nominating Yoshio Shirai as an Outside Director

Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee Member of the Company. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee Member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

Independence of duties

Mr. Shirai was involved in business affairs at Toyota Tsusho Corporation in the past five years. The Company has had no transactions with Toyota Tsusho Corporation in the past three years. The Company has registered Mr. Shirai as an Independent Director with the Tokyo Stock Exchange. If he is reappointed as proposed, he will continue to serve as an Independent Director.

The term of office as an Outside Director (Audit & Supervisory Committee Member)

At the conclusion of this Meeting, four 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. Yoshio Shirai, 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 an Outside Director, the Company intends to renew the aforementioned contract with him.

Note 3: Matters regarding occurrence of illegal conduct, violation of the Articles of Incorporation and other fraudulent business execution which occurred at a company where a candidate for Outside Director is serving as officer during the past five years

Fujikura Ltd., where Mr. Shirai serves as Outside Director and Audit & Supervisory Committee Member, announced in August 2018 that there were misconducts related to product quality control, such as submission of test and inspection reports to clients that contained values different from actual measurement values, as well as omission of quality inspections that were agreed upon by Fujikura Ltd. and its clients.

Mr. Shirai had been unaware of the conduct until it was revealed; however, he had given various advice and warnings to the Board of Directors from the perspective of compliance. Even after he recognized such conducts, he has been appropriately performing his duties by providing recommendation on measures to prevent recurrence of such conduct such as sincere commitment to compliance and enhancement of management structure.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned		
3	 Susumu Murakoshi (September 1, 1950) Outside Director Independent Director New appointment	Apr. 1976	Registered as an attorney-at-law	—	
		Apr. 1984	Attorney-at-law of Susumu Murakoshi Law Office		
		Mar. 1988	Attorney-at-law of Shin-Chiyoda Sogo Law Office (to present)		
		May 2001	Chairman, Human Rights Protection Committee of Japan Federation of Bar Associations		
		Apr. 2008	Vice President of Japan Federation of Bar Associations President of Dai-Ichi Tokyo Bar Association		
		Apr. 2014	President of Japan Federation of Bar Associations		
		May 2017	President of Japan Attorneys Political Association (current position)		
		Apr. 2019	Member (Chief investigator) of Compliance Team of the Ministry of Education, Culture, Sports, Science and Technology (current position)		
		Important concurrent positions held at other companies			
		Attorney-at-law President of Japan Attorneys Political Association			

Reason for nominating Susumu Murakoshi as an Outside Director

Mr. Murakoshi has a high level of expertise as an attorney. Having served as the President of Japan Federation of Bar Associations and the President of Japan Attorneys Political Association, he has a wealth of experience in the legal community. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee Member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

Although he has never been involved in corporate management except as an outside officer, we believe that he will perform his duties as an Outside Director who is Audit & Supervisory Committee Member appropriately because of the above reasons.


Independence of duties

The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Mr. Murakoshi who is an attorney-at-law, and the law office to which he belongs.

If he is appointed as proposed, he will serve as an Independent Director as stipulated by the Tokyo Stock Exchange.

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

Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with him 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.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned		
4	 Michiko Ohtsuka (November 26, 1958) Outside Director Independent Director New appointment	Apr. 1981	Joined SUMITOMO CORPORATION	—	
		Oct. 1986	Joined Asahi Shinwa Audit & Accounting Office (now KPMG AZSA LLC)		
		Aug. 1990	Registered as Certified Public Accountant		
		May 2013	Certified Public Accountant of Ohtsuka Certified Public Accountant Office (to present)		
		Apr. 2014	Auditor (part-time) of Pharmaceuticals and Medical Devices Agency		
		Apr. 2015	Auditor (part-time) of Japan National Tourism Organization (current position)		
		Jun. 2015	Outside Audit & Supervisory Board Member of FUJI KOSAN COMPANY, LTD.		
		Jun. 2016	Outside Director and Audit & Supervisory Committee Member of FUJI KOSAN COMPANY, LTD. (current position)		
		Important concurrent positions held at other companies Certified Public Accountant Outside Director and Audit & Supervisory Committee Member of FUJI KOSAN COMPANY, LTD.			

Reason for nominating Michiko Ohtsuka as an Outside Director

Ms. Ohtsuka has a high level of expertise as a certified public accountant. She has experience and considerable insight as an independent officer of a listed company. We have nominated her as a candidate for Outside Director who is Audit & Supervisory Committee Member with the expectation that she will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

Although she has never been involved in corporate management except as an outside officer, we believe that she will perform her duties as an Outside Director who is Audit & Supervisory Committee Member appropriately because of the above reasons.

Independence of duties

The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Ms. Ohtsuka who is a certified public accountant, and there is no transactional relationship.

If she is appointed as proposed, she will serve as an Independent Director as stipulated by the Tokyo Stock Exchange.

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

Note 2: If the candidate is appointed as a Director, the Company intends to conclude a liability limitation contract with her 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.

(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 22) 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 Representative Director 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.

Activities of the Director Nomination Committee

The Committee met four times during the period from April 2019 to the time of the dispatch of this convocation notice. The Committee deliberated on matters including policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidates proposal, successor plan, internal rules concerning Chairman and Director, and areas of expertise particularly expected of Directors.

(Reference)

Matrix of areas of expertise particularly expected for Directors (Schedule after the conclusion of this Meeting)

Epson clarifies a management system toward achieving the Management Philosophy and Corporate Vision by utilizing a matrix as below.

Name	Title	Areas of expertise particularly expected by the Company							Diversity
		Corporate management	Collaboration Open innovation	IT Digital	Finance Accounting	HR Personnel development	Legal affairs Compliance	Global (Internationality)	Gender
Minoru Usui	Chairman and Director	●	●	●	●	●	●	●	Male
Yasunori Ogawa	President and Representative Director	●	●	●	●	●	●	●	Male
Koichi Kubota	Representative Director Senior Managing Executive Officer	●	●				●	●	Male
Tatsuaki Seki	Director Managing Executive Officer	●		●	●		●	●	Male
Masayuki Kawana	Director Executive Officer	●				●	●	●	Male
Toshiya Takahata	Director Executive Officer	●	●	●			●	●	Male
Hideaki Omiya	Outside Director	●	●	●	●	●	●	●	Male
Mari Matsunaga	Outside Director	●	●	●		●	●	●	Female
Taro Shigemoto	Director Full-Time Audit & Supervisory Committee Member	●			●		●	●	Male
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	●	●		●	●	●	●	Male
Susumu Murakoshi	Outside Director Audit & Supervisory Committee Member	●			●	●	●	●	Male
Michiko Ohtsuka	Outside Director Audit & Supervisory Committee Member	●	●		●	●	●	●	Female

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 partner¹, or has served as an executive² within the past five years in an entity for which the Company is a major business partner;
 - (2) The person is a major business partner³ 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 compensation⁴ (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 shareholder⁵ 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 lender⁶ 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 donation⁷ 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 4: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

The Company proposes to pay bonuses of 85,280,000 yen in total to the six Directors who are not Audit & Supervisory Committee Members excluding Outside Directors as of March 31, 2020 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 Representative Director, 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 determined that the payment of bonuses to Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) is appropriate and 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.

(Reference)

Policies and Procedures for Determining Compensation of Officers

With an aim to ensure transparency and objectivity, compensation of officers is 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.

Activities of the Director Compensation Committee

The Committee met four times during the period from April 2019 to the time of the dispatch of this convocation notice. The Committee deliberated on matters including the amount of base compensation and bonuses for each Director, extension of the performance-linked stock compensation plan and a performance-based coefficient.

---End---

(Appendix)

Business Report

(from April 1, 2019 to March 31, 2020)

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

1.1 Business progress and results

(1) Overview

Please refer to page 1 of Financial Results for the Year ended March 31, 2020.
(https://global.epson.com/IR/financial_results/2019/pdf/results_2019_full_e.pdf)

(2) Overview by Segment

Please refer to page 1 to 3 of Financial Results for the Year ended March 31, 2020.
(https://global.epson.com/IR/financial_results/2019/pdf/results_2019_full_e.pdf)

1.2 Overview of capital expenditures

Capital expenditures for the consolidated fiscal year under review were concentrated in key strategic areas, primarily new products, increase in production capacity, 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 and software) for the consolidated fiscal year under review amounted to 80,090 million yen.

As an overview of the major capital expenditures for the consolidated fiscal year under review, the Company completed construction of a new building that houses a factory for producing prototypes and volume-producing large-format and industrial inkjet printers and a test laboratory function for digital textile printing at Hirooka Office.

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	43,575	(6.9%)
Visual Communications Business	14,141	24.0%
Wearable & Industrial Products Business	14,777	5.7%
Other and overall	7,596	(23.1%)
Total	80,090	(2.4%)

Note: Due to changes in accounting policies (application of a new accounting standard for leases), right-of-use assets are included from the consolidated fiscal year under review.

1.3 Overview of financing

The Company issued unsecured corporate bonds totaling 30.0 billion yen which will be appropriated for redemption of corporate bonds, capital expenditures and operating capital.

The Company raised the funds by means of non-current borrowings in the amount of 30.0 billion yen from financial institutions.

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

As part of its efforts to strengthen the inkjet printheads external sales and open innovation toward achieving the Epson 25 Corporate Vision, the Company entered into a partnership agreement with printed electronics startup Elephantech Inc. in July 2019 and invested in the company in October 2019.

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

Not applicable.

1.8 Issues to be addressed

In March 2019, Epson established the Epson 25 Phase 2 Mid-Range Business Plan (FY2019-2021) (hereinafter, the “Phase 2 Mid-Range Business Plan”), a three-year plan starting in FY2019, toward achieving the Epson 25 Corporate Vision (hereinafter, “Epson 25”) that describes what Epson would like to achieve in the days ahead.

Looking back on FY2019, the first year of the Phase 2 Mid-Range Business Plan, revenue decreased year on year due to a harsh business environment including the worldwide economic downturn caused by U.S.-China trade friction and the ongoing yen appreciation against Euro and emerging countries’ currencies. Business profit also decreased despite efforts to reduce fixed costs based on priorities. Against this backdrop, progress in the strategies for future growth included collaboration and open innovation with a startup in Japan, review on product portfolios and capital expenditures concentrated in key strategic areas.

In the area of inkjet innovation, unit shipments of high-capacity ink tank printers increased in developed markets, in addition to emerging markets, and sales of office shared inkjet printers grew as we worked to acquire large projects in Europe and rolled out Academic Plan service in Japan. Nonetheless, as it should take a while to displace inkjet printers with laser printers, we will hereafter accelerate deploying subscription-based services globally with an aim of strengthening customer contacts to expand our B2B sales structure.

In the area of visual innovation, we launched new products with laser light source for strategic areas, including high-lumen projectors and OS built-in home projectors. However, the existing market conditions were challenging, affected by a trend toward flat panel displays with lower prices.

In the area of wearables innovation, while low- and mid-priced watches were negatively affected by a shrinking market, Epson worked to increase production efficiency and narrowed down management resources while focusing the resources on the areas of strength for Epson.

In the area of robotics innovation, sales of robots were weak due to the impact of U.S.-China trade friction and other factors, which offset our efforts to explore solution selling market with new products and various applications.

On the assumption that a business environment in FY2020 continues to be harsh, Epson intends to accomplish allocation and conversion of management resources based on priorities and build a stable earnings base for future growth. Meanwhile, the business environment currently surrounding Epson continues to be uncertain with respect to the intensifying competition, spread of novel coronavirus infection and unstable global economic climate. Given this situation, we will execute efficient investments in response to future risks. Epson maintains sound financial standing at present, but will take all possible measures to ensure smooth financing using commitment line agreements with financial institutions, among others.

In addressing the spread of novel coronavirus infection, which is the most pressing issue, Epson places the highest priority on ensuring safety and health of all stakeholders including our employees and their families, and customers and shareholders. At the same time, Epson takes prompt actions to bring production and sales operations back to normal and break out of the current disruptions as early as possible. During the period under the influence of the infection spread, as well as after the influence settles down, our society will see people’s lifestyle drastically shifting to a one where traveling, human contact and face-to-face interaction are no more essential. In response to these major changes to be faced by society, we will accelerate our ongoing initiatives including “digitization,” “work-style reform,” and “environmental impact reduction,” aiming to address anticipated social issues in a proactive manner. In addition, toward resolving social issues that must be tackled by Epson, which will become even clearer, we intend to propel our initiatives for “advancing the frontiers of industry” and “achieving sustainability in a circular economy.”

In view of these circumstances, we will make disciplined capital expenditures to achieve future growth through continuously resolving issues faced by the society. By speedily and steadily executing the following strategies under the Phase 2 Mid-Range Business Plan according to changes in the environment, Epson will look to sustain growth and increase corporate value over the medium- to long term.

(1) Phase 2 business plan concept

Following the Phase 1 Mid-Range Business Plan, we will continue to commit to the goals of Epson 25, and transform business operations to achieve high profitability by managing priorities in responding to social issues and changes in the business environment.

Policies

1) Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation

- ◆ Strengthen solution selling business
- ◆ Rapidly strengthen product portfolio, including through collaboration
- ◆ Strengthen external sales of core devices and open innovation
- ◆ Invest management resources in robotics to accelerate growth to make it a core business

2) Strengthen global operation under Head Office control

- ◆ Select and focus on priority business areas and regions
- ◆ Improve the organization and allocate personnel to strengthen B2B solution selling
- ◆ Strengthen company-wide integrated IT infrastructure

3) Invest management resources in a disciplined manner according to the economic environment and strategy effectiveness

- ◆ Rebuild product portfolios based on priorities
- ◆ Strengthen financial discipline

(2) Financial targets under Phase 2 business plan and Epson 25

	FY2021 Target	FY2025 Target
Revenue	¥1,200 billion	¥1,700 billion
Printing Solutions	¥780 billion	-
Visual Communications	¥225 billion	-
Wearable & Industrial Products	¥195 billion	-
Business profit (Note 1)	¥96 billion	¥200 billion
ROS	8%	12%
ROE	Sustain over 10%	15%
Exchange Rate USD/EUR/Other (Note 2)	¥110/¥125/92	¥115/¥125/100

Note 1: 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). Business profit is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.

Note 2: Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 in FY2025.

(3) New initiatives

Initiatives in each of our innovation areas

Inkjet innovation

- ◆ In the home & SOHO, and office shared printers (*), Epson is transitioning away from a business model that is reliant on consumables by accelerating the displacement of laser printers and ink cartridge printers with high-capacity ink models such as high-capacity ink tank printers and high-speed linehead inkjet multifunction printers.

* Office shared printer: A printer category for high-print volume office users

- ◆ In the commercial and industrial segments, rapidly expand the lineup of high productivity products through platforming and collaboration with partners. Expand business by responding to a diverse range of needs with external print head sales and open innovation.
- ◆ Capture needs spawned by rapid digitization and embrace collaboration and open innovation to create new printing services.

Visual innovation

- ◆ Refine laser light source platforms, expand the lineup in the high-lumen and other segments, and promote the advantages of projectors.

- ◆ Develop new markets by creating demand in the spatial design market with accent lighting projectors, and by developing small projectors.
- ◆ Expand applications of smart glasses by enhancing interface models connectable to PCs and smartphones and accelerating open innovation through external sales of optical engine module.

Wearables innovation

- ◆ Continue to focus resources on the high-value-added analog watch segment to capitalize on Epson's unique technologies.

Robotics innovation

- ◆ Accelerate the growth of robotics into a future core business by leveraging a solid foundation of technology and infrastructure while also actively collaborating with partners to further increase product competitiveness and improve its ability to propose solutions.
- ◆ Use AI to further improve usability and enter the collaborative robot market.

Strengthening sales capabilities

- ◆ Epson will strengthen Head Office control over global sales strategies and management functions while simultaneously transitioning to B2B sales methods that emphasize customer intimacy and solution selling.

Sustainability initiatives

- ◆ For our sustainability initiatives, we will approach heightened expectations for achieving sustainability as a business opportunity. For example, we will accelerate innovation using printing and environmental performance, ink versatility and other advantages of inkjet technology to contribute to sustainability.

(4) Financial targets under Phase 2 business plan

1) Cash Flow

- ◆ Restore our ability to generate cash flow by steadily growing profit and increasing operations efficiency.
- ◆ By allocating generated cash to growth areas based on identified priorities, we will pay steady dividends while maintaining a healthy financial structure.

	Phase 1 Mid-range Result	Phase 2 Mid-range Target
Operating CF	3-year total: ¥258.1 billion	3-year total: ¥370 billion
FCF	3-year total: ¥24.9 billion	3-year total: ¥170 billion

2) R&D Expenses and Capital Expenditure

	Phase 1 Mid-range Result	Phase 2 Mid-range Target
R&D expenses	3-year total: ¥161.3 billion	Aggressively invest in new products and key technologies necessary to achieve Epson 25
Capital expenditure (excluding lease)	3-year total: ¥236.8 billion	3-year total: ¥200 billion (Production capacity, new products)

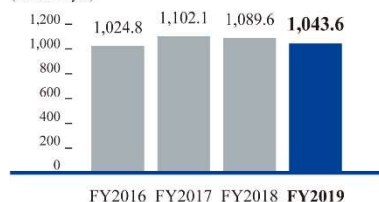
1.9 Status of assets and income (loss)

(Millions of yen unless otherwise stated)

Item	FY2016	FY2017	FY2018	FY2019
Revenue	1,024,856	1,102,116	1,089,676	1,043,600
Business profit	65,807	74,785	70,498	40,861
Profit from operating activities	67,892	65,003	71,355	39,479
Profit for the period attributable to owners of the parent company	48,320	41,836	53,710	7,733
Basic earnings per share (yen)	136.82	118.78	152.49	22.26
Total assets	974,387	1,033,350	1,038,389	1,040,910
Equity attributable to owners of the parent company	492,196	512,727	540,181	503,746
Equity attributable to owners of the parent company ratio (%)	50.5	49.6	52.0	48.4

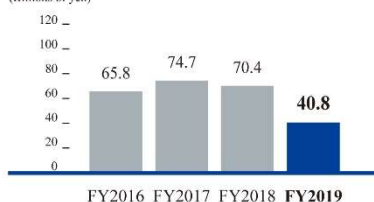
Revenue

(Billions of yen)



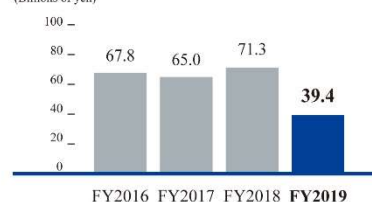
Business profit

(Billions of yen)



Profit from operating activities

(Billions of yen)



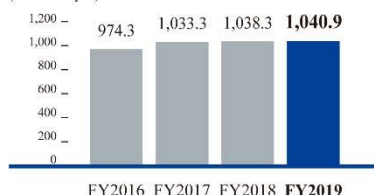
Profit for the period attributable to owners of the parent company / Basic earnings per share for the period

■ Profit for the period attributable to owners of the parent company
○ Basic earnings per share for the period



Total assets

(Billions of yen)



Equity attributable to owners of the parent company / Equity attributable to owners of the parent company (%)

■ Equity attributable to owners of the parent company
○ Equity attributable to owners of the parent company (%)



Notes

1. The Company prepares the consolidated financial statements on the basis of International Financial Reporting Standards (IFRS), in accordance with Article 120, Paragraph 1 of the Company Accounting Ordinance.
2. 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).
3. In the calculation of basic earnings per share, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares is deducted from weighted-average number of ordinary shares outstanding during the period.

1.10 Status of significant parent companies and subsidiaries (as of March 31, 2020)

(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
	Epson Direct Corporation	Nagano	JPY 150 million	100.0% (100.0%)	Printing Solutions
	Miyazaki Epson Corporation	Miyazaki	JPY 100 million	100.0%	Wearable & Industrial Products
	Tohoku Epson Corporation	Yamagata	JPY 100 million	100.0%	Printing Solutions Wearable & Industrial Products
	Akita Epson Corporation	Akita	JPY 80 million	100.0%	Printing Solutions Wearable & Industrial Products
	Epson Atmix Corporation	Aomori	JPY 450 million	100.0%	Wearable & Industrial Products
Americas	U.S. Epson, Inc.	U.S.A.	USD 126,941 thousand	100.0%	Holding company
	Epson America, Inc.	U.S.A.	USD 40,000 thousand	100.0% (100.0%)	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	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
	Epson (U.K.) Ltd.	U.K.	GBP 1,600 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Deutschland GmbH	Germany	EUR 5,200 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Europe Electronics GmbH	Germany	EUR 2,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	Epson France S.A.S.	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
For.Tex S.r.l.	Italy	EUR 80 thousand	100.0% (100.0%)	Printing Solutions
Epson Iberica, S.A.U.	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
Fratelli Robustelli S.r.l.	Italy	EUR 90 thousand	100.0% (100.0%)	Printing Solutions
Epson (China) Co., Ltd.	China	CNY 1,211 million	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Epson Singapore Pte. Ltd.	Singapore	SGD 200 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Epson Korea Co., Ltd.	South Korea	KRW 1,466 million	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Epson Hong Kong Ltd.	China	HKD 2,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Epson Taiwan Technology & Trading Ltd.	Taiwan	TWD 25,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
PT. Epson Indonesia	Indonesia	IDR 918,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson (Thailand) Co., Ltd.	Thailand	THB 103,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Philippines Corporation	Philippines	PHP 50,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Australia Pty. Ltd.	Australia	AUD 1,000 thousand	100.0%	Printing Solutions Visual Communications
Epson India Pvt. Ltd.	India	INR 108,628 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
Epson Engineering (Shenzhen) Ltd.	China	USD 56,641 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
Epson Precision (Shenzhen) Ltd.	China	USD 25,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
Orient Watch (Shenzhen) Ltd.	China	CNY 37,748 thousand	100.0% (100.0%)	Wearable & Industrial Products

Asia and Oceania

Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
Tianjin Epson Co., Ltd.	China	CNY 172,083 thousand	80.0% (80.0%)	Printing Solutions
Singapore Epson Industrial Pte. Ltd.	Singapore	SGD 71,700 thousand	100.0%	Wearable & Industrial Products
PT. Epson Batam	Indonesia	USD 7,000 thousand	100.0% (100.0%)	Printing Solutions
PT. Indonesia Epson Industry	Indonesia	USD 23,000 thousand	100.0%	Printing Solutions
Epson Precision (Thailand) Ltd.	Thailand	THB 3,250,000 thousand	100.0%	Wearable & Industrial Products
Epson Precision (Philippines), Inc.	Philippines	USD 157,533 thousand	100.0%	Printing Solutions Visual Communications
Epson Precision Malaysia Sdn. Bhd.	Malaysia	MYR 16,000 thousand	100.0%	Wearable & Industrial Products
Epson Precision (Johor) Sdn. Bhd.	Malaysia	MYR 22,800 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, 2020)

Epson is organized into operations divisions under global 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), 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), Osaka Office (Osaka-shi, Osaka)

Subsidiaries

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

1.12 Status of employees (as of March 31, 2020)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	48,875	1,106
Visual Communications Business	10,455	(1,572)
Wearable & Industrial Products Business	12,345	(703)
Other	403	25
Corporate	3,530	105
Total	75,608	(1,039)

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, 2020)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	50,798
MUFG Bank, Ltd.	21,511
The Hachijuni Bank, Ltd.	8,300

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) Establishment of Epson X Investment Corporation

The Company has established Epson X Investment Corporation (“EXI”), a new corporate venture capital subsidiary on March 16, 2020 with an aim to “Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation,” which is one of the basic policies of its Phase 2 Mid-Range Business Plan.

EXI will form a venture capital fund as a joint investment with Global Brain Corporation, an independent venture capital company (Epson will have a 99% interest in a new corporate venture fund). Fund management will target investments in venture companies worldwide with a total of 5 billion yen available for investment.

(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 adjointed. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

(3) Allegation by a consumer organization in France

Regarding the inkjet printer products sold in France, authorities have initiated investigations following an allegation made by a consumer organization in the country in 2017, pursuant to consumer protection law. The consumer organization alleges that Epson shortens the life of its products, which was never Epson’s intention. Giving the highest priority to quality and environment, Epson will continue to offer designs that meet customer needs.

Progress, result and resolution timing of the investigations, and their impact on Epson’s financial performance and its future business development are not predictable at this time.

2. Matters related to Company Shares (as of March 31, 2020)

- 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 53,444,053 shares of treasury stock)
- 2.3 Number of shareholders 45,788 persons
- 2.4 Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	54,424,400	15.72
Japan Trustee Services Bank, Ltd. (Trust Account)	24,647,100	7.11
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.77
Seiko Holdings Corporation	12,000,000	3.46
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.52
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.35
Trust & Custody Services Bank, Ltd. (Trust Account)	7,510,400	2.16
Epson Group Employees' Shareholding Association	7,309,864	2.11
Mikiko Kidosaki	6,855,302	1.98
Minako Hattori	6,855,302	1.98

Note: Although the Company holds 53,444,053 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 (259,468 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, 2020)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	President and Representative Director	
Koichi Kubota	Representative Director Senior Managing Executive Officer	Chief Operating Officer, Printing Solutions Operations Division
Tatsuaki Seki	Director Managing Executive Officer Chief Compliance Officer	General Administrative Manager, Management Control Division
Yasunori Ogawa	Director Managing Executive Officer	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment General Administrative Manager, Technology Development Division
Masayuki Kawana	Director Executive Officer	General Administrative Manager, Human Resources Division General Administrative Manager, CSR Management Office Chairman of Epson Sales Japan Corporation
Toshiya Takahata	Director Executive Officer	General Administrative Manager, Corporate Planning Division General Administrative Manager, DX Division
Hideaki Omiya	Outside Director	Adviser of Mitsubishi Heavy Industries, Ltd. Outside Director of Nomura Research Institute, Ltd.
Mari Matsunaga	Outside Director	Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of Rohto Pharmaceutical Co., Ltd.
Taro Shigemoto	Director Full-Time Audit & Supervisory Committee Member	
Michihiro Nara	Outside Director Audit & Supervisory Committee Member	Attorney-at-law Outside Director of the Board of Oji Holdings Corporation Outside Director of Nihon Tokushu Toryo Co., Ltd.
Chikami Tsubaki	Outside Director Audit & Supervisory Committee Member	Certified Public Accountant Outside Audit & Supervisory Board Member of Heiwa Real Estate Co., Ltd.
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.

- 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. Toshiya Takahata was elected as Director at the Ordinary General Meeting of Shareholders held on June 26, 2019 and assumed office.
 3. Mr. Minoru Usui retired from the post of President and Representative Director and assumed office of Chairman and Director on April 1, 2020.

4. Mr. Yasunori Ogawa assumed office of President and Representative Director and left his post as Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment and General Administrative Manager, Technology Development Division on April 1, 2020.
5. Director and Audit & Supervisory Committee Member Ms. Chikami Tsubaki has professional knowledge and experience as a certified public accountant, thus she has considerable knowledge in finance and accounting.
6. 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 an 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. Taro Shigemoto as a Full-Time Audit & Supervisory Committee Member.
7. There are no special interests between the Company and the entities where each Outside Director holds significant concurrent positions.
8. Changes in the responsibilities of Directors after 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 General Administrative Manager, Health Management Office Chairman of Epson Sales Japan Corporation	General Administrative Manager, Human Resources Division General Administrative Manager, CSR Management Office Chairman of Epson Sales Japan Corporation	April 1, 2020
Toshiya Takahata	General Administrative Manager, Corporate Strategy Division General Administrative Manager, Sustainability Promotion Office General Administrative Manager, DX Division	General Administrative Manager, Corporate Planning Division General Administrative Manager, DX Division	April 1, 2020

9. List of Executive Officers (excluding Directors concurrently serving as Executive Officers) as of March 31, 2020 is as follows.

Name	Title	Areas of responsibility
Motonori Okumura	Managing Executive Officer	General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering and Manufacturing)
Junichi Watanabe	Managing Executive Officer	Chief Operating Officer, Wearable Products Operations Division Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)
Hideki Shimada	Managing Executive Officer	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for DTF and PaperLab Business; in charge of Quality Assurance, Production Engineering and Production Control)
Akihiro Fukaishi	Executive Officer	President, Epson (China) Co., Ltd.
Yoshiyuki Moriyama	Executive Officer	Chairman and President, Epson Engineering (Shenzhen) Ltd.
Naoyuki Saeki	Executive Officer	General Administrative Manager, Sales & Marketing Division
Nobuyuki Shimotome	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Kazuyoshi Yamamoto	Executive Officer	President, Epson Europe B.V.
Munenori Ando	Executive Officer	Managing Director, Epson Singapore Pte. Ltd.

Name	Title	Areas of responsibility
Hitoshi Igarashi	Executive Officer	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for LFP Business; in charge of Planning and Mechanical Design)
Keith Kratzberg	Executive Officer	President, Epson America, Inc.
Isamu Otsuka	Executive Officer	President, Epson Atmix Corporation
Eiichi Abe	Executive Officer	President, PT. Indonesia Epson Industry
Kazuhiro Ichikawa	Executive Officer	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Development, Material Development, Environment and Analysis & Research) General Manager, PL Business Management Department
Keijiro Naito	Executive Officer	Chief Operating Officer, Visual Products Operations Division
Yoshifumi Yoshida	Executive Officer	Chief Operating Officer, Robotics Solutions Operations Division
Andrea Zoeckler	Executive Officer	Senior Vice President, Epson America, Inc.
Yoshiro Nagafusa	Executive Officer	Senior Vice President, Epson Europe B.V.
Satoru Hosono	Executive Officer	Deputy General Administrative Manager, Technology Development Division (responsible for IJS Business)
Fuminori Suzumura	Executive Officer	President, Epson Sales Japan Corporation
Akifumi Takei	Executive Officer	President, Epson Precision (Philippines), Inc.
Sunao Murata	Technology Officer	Deputy General Administrative Manager, DX Division (in charge of System Promotion)
Tsuyoshi Kitahara	Technology Officer	In charge of Exploration for New Technology Development, Technology Development Division General Manager, Advanced Production Technology Development Department (in charge of New Domain Technology Development (Component Development))

- (1) Ms. Andrea Zoeckler and Messrs. Yoshiro Nagafusa, Satoru Hosono, Fuminori Suzumura and Akifumi Takei assumed offices of Executive Officer as of June 26, 2019.
- (2) Mr. Kazunori Kumakura retired from the post of Executive Officer as of December 31, 2019
- (3) Changes in the responsibilities of Executive Officers from the day following the conclusion date of the Ordinary General Meeting of Shareholders held on June 26, 2019 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Motonori Okumura	General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality Assurance, Production Engineering and Manufacturing)	General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base)	October 1, 2019
Junichi Watanabe	Chief Operating Officer, Wearable Products Operations Division Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)	Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base) Chief Operating Officer, Wearable Products Operations Division Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)	October 1, 2019
Hideki Shimada	Deputy Chief Operating Officer, Printing Solutions Operations	Deputy Chief Operating Officer, Printing Solutions Operations	October 1, 2019

	Division (responsible for DTF and PaperLab Business; in charge of Quality Assurance, Production Engineering and Production Control)	Division (in charge of DTF, PaperLab Business, Production Engineering, Quality Assurance and Production Control)	
Hitoshi Igarashi	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for LFP Business; in charge of Planning and Mechanical Design)	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of LFP Business, Planning and Mechanical Design)	October 1, 2019
Kazuhiro Ichikawa	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Development, Material Development, Environment and Analysis & Research) General Manager, PL Business Management Department	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Development, Material Development, Environment and Analysis & Research) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)	October 1, 2019
Satoru Hosono	Deputy General Administrative Manager, Technology Development Division (responsible for IJS Business)	Deputy General Administrative Manager, Technology Development Division (in charge of IJS Business Promotion)	October 1, 2019

(4) 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
Hitoshi Igarashi	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for LFP Business; in charge of Planning and Design)	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for LFP Business; in charge of Planning and Mechanical Design)	April 1, 2020
Kazuhiro Ichikawa	General Administrative Manager, Technology Development Division	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Technology Development, Material Development, Environment and Analysis & Research) General Manager, PL Business Management Department	April 1, 2020
Keijiro Naito	Chief Operating Officer, Robotics Solutions Operations Division	Chief Operating Officer, Visual Products Operations Division	April 1, 2020
Yoshifumi Yoshida	Deputy General Administrative Manager, Technology Development Division (in charge of Automation Technology Development)	Chief Operating Officer, Robotics Solutions Operations Division	April 1, 2020
Satoru Hosono	Deputy General Administrative Manager, Technology Development Division (in charge of CAE Analysis and Material Development)	Deputy General Administrative Manager, Technology Development Division (responsible for IJS Business)	April 1, 2020

10. 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, 2020 is as follows.

Name	Title	Areas of responsibility
Akihiko Toeda	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. Taro Shigemoto, Mr. Michihiro Nara, Ms. Chikami Tsubaki and Mr. 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

(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)	8 (2)	250 (28)	17 (-)	85 (-)	37 (-)	389 (28)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	4 (3)	81 (48)				81 (48)
Total	12	331	17	85	37	471

- Notes
1. 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.
 2. The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.
 3. 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.
 4. The amount above includes bonuses to be paid to Directors in the amount of 85 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 25, 2020.
 5. 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 based on Japanese Generally Accepted Accounting Principles (JGAAP) concerning the stock delivery points granted in the current fiscal year.
 6. 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 affairs, 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 which is determined comprehensively based on factors such as responsibilities and position of each officer.

Of base compensation, the variable portion for officers with executive duties reflects the annual performance results based on the evaluation criteria set for each role. (Variable range: $\pm 20\%$)

Stock compensation (variable)

Stock-based compensation system for officers with executive duties wherein Company's shares are delivered using a trust scheme. It is awarded in accordance with the achievement level with respect to the medium term operating performance targets such as business profit, return on sales and return on equity. (Variable range: $\pm 20\%$)

Bonuses (variable)

An annually-paid monetary compensation for officers with executive duties, which is determined by the achievement level of the annual operating performance targets. If a certain level of business profit is not attained, bonuses may not be paid at all.

It reflects the annual performance results based on the evaluation criteria set for each role. (Variable range of months for bonuses: ± 1.2 months)

(Reference) Performance-linked stock compensation

The Company introduced a transparent and fair stock compensation plan that is tied to performance to more clearly show how director compensation is tied to the Company's share price, to heighten directors' sense of shared interest with shareholders, and to show a commitment to increasing long-term corporate value.

The plan is designed such that the rate of stock compensation versus base compensation ranges between 10% and 22% depending on position, while the number of shares issued depends on achievement with respect to financial indicators (e.g., mid-term business profit, ROS, and ROE targets) over a 3-year period.

Performance-based coefficient for FY2016 through FY2018 was 0.90x.

Performance-Based Coefficient Formula

Performance-based coefficient = {(business profit coefficient) + (ROS coefficient) + (ROE coefficient) + (cash flows from operating activities coefficient) + (qualitative evaluation coefficient x 2)} ÷ 6

Determination Table for FY2019–FY2021

Quantitative evaluation				Qualitative evaluation*	Performance-based coefficient
At end of FY2021		Average over the three years from FY2019 to FY2021	Cumulative over the three years from FY2019 to FY2021	At end of FY2021	
Business profit	ROS	ROE	Operating CF		
¥116 billion or more	10% or higher	12% or more	¥390 billion or more	Far above expectations	1.20x
¥106 billion or more	9% or higher	11% or more	¥380 billion or more	Above expectations	1.10x
¥96 billion or more	8% or higher	10% or more	¥370 billion or more	Met expectations	1.00x
¥86 billion or more	7% or higher	9% or more	¥360 billion or more	Below expectations	0.90x
Less than ¥86 billion	Lower than 7%	Less than 9%	Less than ¥360 billion	Far below expectations	0.80x

* Qualitative evaluation items and method

The Director Compensation Committee qualitatively evaluates performance based on progress against Epson 25 Phase 3 Mid-Range Business Plan financial targets, the effects of currency volatility, progress in ESG management (environment assessment, CSR survey ranking and evaluation of the effectiveness of the Board of Directors), etc.

Changes from FY2016–FY2018:

- Variable range of performance-based coefficient was expanded from “0.90x to 1.10x” to “0.80x to 1.20x.”
- “Progress in ESG management” was added as a qualitative evaluation item.
- Target figures under the Epson 25 Phase 2 Mid-Range Business Plan were reflected.

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 open innovation promotion, etc.	Meetings of the Board of Directors: 12 / 13 meetings (92.3%)

(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: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 15 / 15 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: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 15 / 15 meetings (100%)
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: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 15 / 15 meetings (100%)

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	Compensation for audit certificate service (Millions of yen)	Compensation for non-audit service (Millions of yen)
The Company	153	2
Consolidated subsidiaries	41	—
Total	194	2

- 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 financial auditor's compensation, etc. for this fiscal year under review 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, 35 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 Audit & Supervisory Committee 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, if the Audit & Supervisory Committee deems that (i) the quality of audit, quality control, independence and other aspects of the financial auditor are likely to hinder the execution of proper audits, (ii) an audit system more appropriate to the Company would be achieved by replacing the audit firm, or (iii) otherwise it would be necessary, 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.

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 content of the Company's basic policy regarding the internal control system is described below.

Seiko Epson Corporation ("Epson" or "the Company") considers its Management Philosophy to be its most important management 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 as members the outside directors and Audit & Supervisory Committee members. The Compliance Committee will meet to hear and discuss important matters concerning the Company's compliance program. It will report its findings and offers 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 threatens social order and security.

2. System for Ensuring Proper Financial Reporting

- (1) The creation of proper financial reports is recognized as a critical issue. The Company shall build, on the orders of the president, a system that enables internal control over financial reporting to be properly arranged, implemented, and evaluated. The financial reports will not be limited in scope to evaluations and reporting required by the Financial Instruments and Exchange Act but will also include reporting over the scope deemed necessary by management.
- (2) A basic regulation and other regulations and standards pertaining to internal control over financial reporting shall be created, and their observance shall be obligatory across the entire Epson Group.
- (3) Continuously evaluate whether the internal controls that have been put in place for financial reporting are effectively and properly functioning, and take corrective action where needed.

3. Business execution system

- (1) The Company shall formulate long-term vision statements and mid-range business plans, and it shall set clear med-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.
 - 1) Current business performance and performance outlook
 - 2) Risk management responses
 - 3) Status of key business operations

4. 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.

5. 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, the 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.

6. 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.

7. 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 department 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, the internal audit departments, and others to report the state of management within their respective companies. A system shall be put in place to protect reporters from reprisal for having made a report, and the identity of the reporter shall be protected even if the President or a Board Member, for example, is asked to make corrections and so forth based on the report.
- (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 implementation status for this 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 execution of compliance in business affairs, was held twice during the fiscal year to be reported on important matters concerning the Company's compliance programs. After discussing and giving advice regarding those matters, it reported its findings and offered opinions to the Board of Directors.
Specifically, as important matters, it discussed monitoring results on compliance, individual compliance issues and global compliance programs. In addition, as to the whistleblowing system, it confirmed the reporting status by way of Epson Hotline and a global whistleblowing system, and the operation status of the whistleblowing systems at each Group company.
- 2) Progress of the Company's compliance programs and risk management programs, and implementation status of the whistleblowing system were regularly reported to and discussed at the Corporate Strategy Council, a deliberative organ that meets for important issues in principal once a week. The deliberation result is also reported to the Board of Directors.
- 3) Principles of Corporate Behavior, a set of principles to realize the Management Philosophy indicating the ideal direction of the Group, were translated into 17 languages and have been informed to the Group employees. To raise awareness and help them better understand the Principles, the Company also established Epson Global Code of Conduct which breaks down the actions of the Principles of Corporate Behavior.
- 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 concerning the enhancement of compliance awareness, a feature article related to compliance was posted on its company newsletter, discussions intended to mitigate compliance risks were held at each workplace, and other activities were held. In addition, the Company established regional CCO (R-CCO) in each region to support CCO. Upon defining a Group-wide target level, improvement programs are conducted based on assessment of each Group company to raise the level of overall compliance.
- 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 monthly enhancement programs for Information Security Enhancement, CS & Quality, Environmental Awareness, etc.

(2) System for ensuring proper financial reporting

- 1) Internal control over financial reporting is evaluated in accordance with evaluation standards generally accepted.
- 2) The Company adopts an autonomous distributed assessment system in which operations divisions and subsidiaries subject to evaluations and reporting required by the Financial Instruments and Exchange Act conduct a self-assessment on the status of arrangement and implementation of internal control over financial reporting, while Group J-SOX supervisory department ensures the validity of the assessment results. Other operations divisions and subsidiaries in the scope deemed necessary by management also make a self-assessment on internal control over financial reporting every year. In this way, operations divisions and subsidiaries are proactively implementing plan-do-check-act (PDCA) cycle for internal control over financial reporting on an ongoing basis, thereby working to ensure proper financial reporting across the Group.

(3) Business execution system

- 1) We are implementing the medium-term business plan and annual business plan based on the Epson 25 Corporate Vision indicating the ideal direction of the Group toward FY2025.
- 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.

(4) 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 progress was reported monthly to the management team including Outside Directors, while 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.

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

- 1) In line with regulations for the management of affiliated companies, pre-approval from the Company was sought or report was made to the Company regarding certain business executions by the subsidiaries. The investments that meet certain criteria have been resolved after deliberation at the Board of Directors of the Company.
- 2) The internal audit departments 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 22 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 Representative Director and the Audit & Supervisory Committee of the Company and actions deemed necessary for control have been taken.

(6) Safeguarding and management of work-related information

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

(7) 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.
The Member also examined the important documents related to management decision-making upon receipt.
- 2) The Company has the Audit & Supervisory Committee Office to support the work of Audit & Supervisory Committee Members.
- 3) Audit & Supervisory Committee held regular meetings with representative directors, including Outside Directors who are not Audit & Supervisory Committee Members.
- 4) Audit & Supervisory Committee regularly discussed financial auditor's audit plan, audit progress and audit result reporting with the financial auditor. In addition, Full-Time Audit & Supervisory Committee Member and his 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 the internal audit departments at the beginning of the fiscal year and received regular reports from the internal audit departments on a quarterly basis. The reporting was made with the presence of the financial auditor for information sharing. Full-Time Audit & Supervisory Committee Member was regularly reported by the 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 the internal audit departments and Audit & Supervisory Committee.
- 6) Audit & Supervisory Committee interviewed Directors who are not Audit & Supervisory Committee Members, Executive Officers, Directors and Audit & Supervisory Board Members of major subsidiaries in Japan and overseas, as well as the internal audit departments and received an explanation on the state of management within the Epson Group, including subsidiaries. Furthermore, Full-Time Audit & Supervisory Committee Member received reports from responsible departments for compliance and risk management and Head Office supervisory departments, etc. on a regular basis, and confirmed the management status.
- 7) The expenses required to execute the duties of Audit & Supervisory Committee were properly budgeted for in advance. The Company promptly paid such expenses.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2020)

(Millions of yen)

Item	As of March 31, 2020	(Reference) As of March 31, 2019	Item	As of March 31, 2020	(Reference) As of March 31, 2019
Assets			Liabilities		
Current Assets	609,846	622,575	Current liabilities	272,274	297,473
Cash and cash equivalents	196,262	175,238	Trade and other payables	125,069	144,399
Trade and other receivables	157,782	173,173	Income tax payables	3,286	3,814
Inventories	233,434	250,763	Bonds issued, borrowings and lease liabilities	22,320	21,363
Income tax receivables	5,217	3,994	Other financial liabilities	363	331
Other financial assets	3,159	1,466	Provisions	11,406	12,677
Other current assets	13,989	17,938	Other current liabilities	109,827	114,887
			Non-current liabilities	262,598	198,169
Non-current assets	431,064	415,814	Bonds issued, borrowings and lease liabilities	187,362	120,987
Property, plant and equipment	360,517	321,956	Other financial liabilities	1,877	1,955
Intangible assets	29,052	25,191	Net defined benefit liabilities	52,964	53,498
Investment property	1,043	1,461	Provisions	7,585	9,134
Investments accounted for using the equity method	1,512	1,571	Other non-current liabilities	11,814	11,697
Net defined benefit assets	33	—	Deferred tax liabilities	993	894
Other financial assets	16,959	17,907	Total liabilities	534,873	495,642
Other non-current assets	1,871	6,028	Equity		
Deferred tax assets	20,072	41,696	Equity attributable to owners of the parent company	503,746	540,181
			Share capital	53,204	53,204
			Capital surplus	84,434	84,427
			Treasury shares	(40,953)	(30,788)
			Other components of equity	37,451	50,440
			Retained earnings	369,609	382,897
			Non-controlling interests	2,290	2,565
			Total equity	506,037	542,747
Total assets	1,040,910	1,038,389	Total liabilities and equity	1,040,910	1,038,389

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

Consolidated Statement of Comprehensive Income (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Revenue	1,043,600	1,089,676
Cost of sales	(681,600)	(677,064)
Gross profit	362,000	412,612
Selling, general and administrative expenses	(321,138)	(342,113)
Other operating income	5,181	6,393
Other operating expense	(6,563)	(5,536)
Profit from operating activities	39,479	71,355
Finance income	2,306	2,450
Finance costs	(2,150)	(1,865)
Share of profit of investments accounted for using the equity method	77	99
Profit before tax	39,713	72,040
Income taxes	(31,889)	(17,995)
Profit for the period	7,823	54,044
Profit for the period attributable to owners of the parent company	7,733	53,710
Profit for the period attributable to non-controlling interests	90	334
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax	967	(9,378)
Remeasurement of net defined benefit liabilities (assets)	2,442	(8,052)
Net gain (loss) on revaluation of financial assets measured at FVTOCI	(1,475)	(1,325)
Items that may be reclassified subsequently to profit or loss, net of tax	(12,660)	4,876
Exchange differences on translation of foreign operations	(13,068)	5,082
Net changes in fair value of cash flow hedges	441	(195)
Share of other comprehensive income of investments accounted for using the equity method	(33)	(10)
Total other comprehensive income, net of tax	(11,693)	(4,501)
Total comprehensive income for the period	(3,869)	49,542
Total comprehensive income for the period attributable to owners of the parent company	(3,783)	49,235
Total comprehensive income for the period attributable to non-controlling interests	(86)	307

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

Consolidated Statement of Changes in Equity
(from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Equity attributable to owners of the parent company					
	Share capital	Capital surplus	Treasury shares	Other components of equity		
				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, 2019	53,204	84,427	(30,788)	—	2,234	48,069
Cumulative effects of change in accounting policy	—	—	—	—	—	—
Balance as of April 1, 2019 (restated)	53,204	84,427	(30,788)	—	2,234	48,069
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	2,442	(1,475)	(12,925)
Total comprehensive income for the period	—	—	—	2,442	(1,475)	(12,925)
Acquisition of treasury shares	—	—	(10,224)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	7	59	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(2,442)	970	—
Total transactions with the owners	—	7	(10,164)	(2,442)	970	—
Balance as of March 31, 2020	53,204	84,434	(40,953)	—	1,729	35,144

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total equity attributable to owners of the parent company		
	Net changes in fair value of cash flow hedges	Total other components of equity				
Balance as of April 1, 2019	136	50,440	382,897	540,181	2,565	542,747
Cumulative effects of change in accounting policy	—	—	(847)	(847)	—	(847)
Balance as of April 1, 2019 (restated)	136	50,440	382,049	539,333	2,565	541,899
Profit for the period	—	—	7,733	7,733	90	7,823
Other comprehensive income	441	(11,516)	—	(11,516)	(176)	(11,693)
Total comprehensive income for the period	441	(11,516)	7,733	(3,783)	(86)	(3,869)
Acquisition of treasury shares	—	—	—	(10,224)	—	(10,224)
Dividends	—	—	(21,646)	(21,646)	(188)	(21,835)
Share-based payment transactions	—	—	—	66	—	66
Transfer from other components of equity to retained earnings	—	(1,472)	1,472	—	—	—
Total transactions with the owners	—	(1,472)	(20,173)	(31,803)	(188)	(31,992)
Balance as of March 31, 2020	577	37,451	369,609	503,746	2,290	506,037

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

(Reference) Consolidated Statement of Cash Flows (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Amount	Amount in previous fiscal year
Cash flows from operating activities		
Profit for the period	7,823	54,044
Depreciation and amortisation	68,416	56,137
Impairment loss (reversal of impairment loss)	581	743
Finance (income) costs	(156)	(585)
Share of (profit) loss of investments accounted for using the equity method	(77)	(99)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property	672	(3,221)
Income taxes	31,889	17,995
Decrease (increase) in trade receivables	12,407	(4,750)
Decrease (increase) in inventories	9,224	(24,915)
Increase (decrease) in trade payables	(11,420)	(6,826)
Increase (decrease) in net defined benefit liabilities	1,863	1,663
Other	(10,136)	3,095
Subtotal	111,088	93,282
Interest and dividends income received	2,084	2,055
Interest expenses paid	(1,181)	(1,164)
Proceeds from insurance income	2,614	377
Income taxes paid	(12,281)	(17,588)
Net cash from (used in) operating activities	102,324	76,961
Cash flows from investing activities		
Purchase of investment securities	(1,041)	(900)
Proceeds from sales of investment securities	25	2,144
Purchase of property, plant and equipment	(65,250)	(79,858)
Proceeds from sales of property, plant and equipment	840	9,313
Purchase of intangible assets	(10,457)	(10,445)
Proceeds from sale of intangible assets	14	13
Proceeds from sale of investment property	16	22
Purchase of investments in subsidiaries	—	(887)
Other	(280)	(2,142)
Net cash from (used in) investing activities	(76,131)	(82,738)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(9,816)	(16,832)
Proceeds from non-current borrowings	29,948	—
Repayment of non-current borrowings	—	(135)
Proceeds from issuance of bonds issued	29,846	—
Redemption of bonds issued	(10,000)	(10,000)
Payments of lease liabilities	(8,203)	(150)
Dividends paid	(21,646)	(22,190)
Dividends paid to non-controlling interests	(188)	(120)
Purchase of treasury shares	(10,224)	(0)
Net cash from (used in) financing activities	(283)	(49,430)
Effect of exchange rate changes on cash and cash equivalents	(4,901)	767
Net increase (decrease) in cash and cash equivalents	21,007	(54,439)
Cash and cash equivalents at beginning of period	175,238	229,678
Cash and cash equivalents at end of period	196,245	175,238

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

Non-Consolidated Financial Statements
Balance Sheet (as of March 31, 2020)

(Millions of yen)

Item	As of March 31, 2020	(Reference) As of March 31, 2019	Item	As of March 31, 2020	(Reference) As of March 31, 2019
Assets			Liabilities		
Current assets	304,233	318,199	Current liabilities	145,413	163,296
Cash and deposits	28,487	29,589	Notes payable - trade	3,302	4,375
Notes receivable - trade	128	174	Accounts payable - trade	62,513	77,297
Accounts receivable - trade	120,743	134,228	Current portion of bonds issued	—	10,000
Securities	67,500	61,500	Current portion of long-term borrowings	14,000	—
Merchandise and finished goods	6,844	6,926	Lease liabilities	88	31
Work in process	16,148	13,951	Accounts payable - other	41,634	42,270
Raw materials and supplies	22,339	23,189	Accrued expenses	6,821	7,243
Short-term loans receivable	6,686	14,750	Income taxes payable	348	781
Accounts receivable - other	28,328	24,274	Deposits received	4,514	5,825
Other	7,027	9,616	Provision for bonuses	9,812	12,255
			Provision for directors' bonuses	85	71
Non-current assets	374,724	376,287	Provision for product warranties	1,730	2,117
(Property, plant and equipment)	(186,531)	(176,760)	Asset retirement obligations	—	90
Buildings	89,801	73,083	Other	562	935
Structures	3,673	3,310	Non-current liabilities	202,150	150,790
Machinery and equipment	55,712	49,941	Bonds issued	100,000	70,000
Vehicles	56	64	Non-current borrowings	66,500	50,500
Tools, furniture and fixtures	8,037	8,429	Lease liabilities	1,278	446
Land	28,482	28,630	Provision for retirement benefits	29,867	25,256
Construction in progress	767	13,299	Provision for product warranties	295	594
Other	0	0	Asset retirement obligations	3,155	2,908
(Intangible assets)	(9,841)	(9,652)	Other	1,053	1,084
Software	6,381	6,182	Total liabilities	347,564	314,086
Other	3,460	3,470	Net assets		
(Investments and other assets)	(178,351)	(189,875)	Shareholders' equity	329,105	378,146
Investment securities	8,266	8,694	Share capital	53,204	53,204
Shares of subsidiaries and affiliates	133,346	133,683	Capital surplus	84,321	84,321
Long-term prepaid expenses	2,529	3,413	Legal capital surplus	84,321	84,321
Deferred tax assets	32,667	42,369	Retained earnings	232,473	271,370
Other	1,556	1,731	Legal retained earnings	3,132	3,132
Allowance account for credit losses	(16)	(17)	Other retained earnings	229,341	268,238
			Retained earnings brought forward	229,341	268,238
			Treasury shares	(40,893)	(30,749)
			Valuation and translation adjustments	2,287	2,253
			Valuation difference on available-for-sale securities	1,696	2,104
			Deferred gains or losses on hedges	590	149
			Total net assets	331,393	380,400
Total assets	678,957	694,487	Total liabilities and net assets	678,957	694,487

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

Statement of Income (from April 1, 2019 to March 31, 2020)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Net sales	715,768	790,424
Cost of sales	670,531	706,484
Gross profit	45,236	83,940
Selling, general and administrative expenses	72,671	75,459
Operating income (loss)	(27,434)	8,480
Non-operating income	23,984	29,573
Interest and dividend income	21,091	25,046
Foreign exchange gains	—	832
Other	2,892	3,694
Non-operating expenses	4,920	4,157
Interest expenses	531	460
Foreign exchange losses	948	—
Other	3,440	3,697
Ordinary income (loss)	(8,370)	33,896
Extraordinary income	2,647	3,771
Gain on sales of property, plant and equipment and intangible assets	13	2,327
Insurance claim income	2,462	—
Other	170	1,443
Extraordinary losses	2,839	2,414
Loss on sales of property, plant and equipment and intangible assets	127	3
Loss on disposal of property, plant and equipment and intangible assets	350	292
Impairment loss	410	208
Loss on valuation of investment securities	966	—
Loss on valuation of shares of subsidiaries	508	—
Other	476	1,909
Income (loss) before income taxes	(8,563)	35,252
Income taxes - current	(854)	1,895
Income taxes - deferred	9,532	2,728
Total income taxes	8,677	4,623
Net income (loss)	(17,240)	30,629

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

Statement of Changes in Net Assets
(from April 1, 2019 to March 31, 2020)

(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	Total retained earnings		
				Retained earnings brought forward			
Balance as of April 1, 2019	53,204	84,321	3,132	268,238	271,370	(30,749)	378,146
Changes of items during the period							
Dividends	—	—	—	(21,656)	(21,656)	—	(21,656)
Net loss	—	—	—	(17,240)	(17,240)	—	(17,240)
Acquisition of treasury shares	—	—	—	—	—	(10,203)	(10,203)
Disposal of treasury shares	—	—	—	—	—	59	59
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	(38,897)	(38,897)	(10,143)	(49,040)
Balance as of March 31, 2020	53,204	84,321	3,132	229,341	232,473	(40,893)	329,105

	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, 2019	2,104	149	2,253	380,400
Changes of items during the period				
Dividends	—	—	—	(21,656)
Net loss	—	—	—	(17,240)
Acquisition of treasury shares	—	—	—	(10,203)
Disposal of treasury shares	—	—	—	59
Net changes of items other than shareholders' equity	(407)	441	33	33
Total changes of items during the period	(407)	441	33	(49,007)
Balance as of March 31, 2020	1,696	590	2,287	331,393

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

May 12, 2020

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Designated and
Engagement Partner, Certified Public Accountant Makoto Usui

Designated and
Engagement Partner, Certified Public Accountant Yoshiyuki Sakuma

Designated and
Engagement Partner, Certified Public Accountant Yoshitomo Matsuura

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Seiko Epson Corporation (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the above consolidated financial statements, prepared with the omission of some disclosure items required under the Designated International Financial Reporting Standards in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, present fairly, in all material respects, the financial position and results of operations of the corporate group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under Designated International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair

presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under Designated International Financial Reporting Standards.

The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting which allows companies to prepare consolidated financial statements with the omission of some disclosure items required under Designated International Financial Reporting Standards, assess the

presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Transcript of financial auditor’s audit report

Independent Auditor’s Report

May 12, 2020

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Tokyo Office

Designated and
Engagement Partner,

Certified Public Accountant Makoto Usui

Designated and
Engagement Partner,

Certified Public Accountant Yoshiyuki Sakuma

Designated and
Engagement Partner,

Certified Public Accountant Yoshitomo Matsuura

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Seiko Epson Corporation (the “Company”) for the 78th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in “Auditor’s Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules.” We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management and the Audit & Supervisory Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.
- To express an opinion on the financial statements and the accompanying supplementary schedules, obtain sufficient and appropriate audit evidence relating to the financial information on components, which is included in the financial statements and the accompanying supplementary schedules. The auditor is responsible

for giving instructions on, monitoring, and performing audits relating to the financial information on components. The auditor is solely responsible for audit opinions.

The auditor reports to the Audit & Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit & Supervisory Committee regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

Transcript of the Audit & Supervisory Committee's audit report

Audit Report

The Audit & Supervisory Committee audited the Directors' execution of their duties during the 78th fiscal year, from April 1, 2019 to March 31, 2020, 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 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, as well as the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, and the Notes for the

Non-consolidated Financial Statements) and the supplementary schedules prepared in conformity with the latter part of paragraph 1 Article 120 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 policies 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 14, 2020

Audit & Supervisory Committee, Seiko Epson Corporation

Full-Time Audit & Supervisory Committee Member:

Taro Shigemoto

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 78th Ordinary General Meeting of Shareholders

[Business Report]

Basic Policy regarding Company Control

[Consolidated Financial Statements and Non-consolidated Financial Statements]

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(from April 1, 2019 to March 31, 2020)

SEIKO EPSON CORPORATION

In accordance with laws and regulations and Article 15 of the Articles of Incorporation, abovementioned items are posted on the Company's website.
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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”).

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 while 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.

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 the Epson 25 Corporate Vision, which describes what the company would like to achieve by the start of the 2025 fiscal year.

In FY2019, which was the first year in Epson 25 Phase 2 Mid-Range Business Plan (FY2019-2021), our progress in the strategies for future growth included collaboration and open innovation with a startup in Japan, review on product portfolios and capital expenditures concentrated in key strategic areas.

(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, at the June 2008 General Meeting of Shareholders, the Company introduced a measure to prevent large-scale acquisition of the Company shares (hereinafter called “the Plan”), which has been renewed every three years to date.

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 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 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 Outside Directors. Actions of the special committee shall include examination of stock acquisition details, requesting information from the Board of Directors regarding alternative proposals, disclosing information to shareholders, and negotiating with parties intending to make acquisitions. The special committee shall advise the Board of Directors regarding the necessity of anti-takeover measures, and the Board of Directors shall promptly accept or reject a resolution to invoke preventive measures, by following that advice (except in cases where following such advice could be considered a violation of Directors' obligation to exercise the duty of due care of a prudent manager).

3. Decisions made by the 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 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 updated after being approved by shareholders at the general shareholders' meeting;

b) it contains provisions for reasonable and objective implementation;

c) the special committee comprising Outside Directors 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 Board of Directors is required to follow the recommendations of the special committee regarding the necessity of anti-takeover measures (except in cases where following such advice could be considered a violation of Directors' obligation to exercise the duty of due care of a prudent manager);

e) the special committee may solicit expert opinions from third parties at Epson's expense;

f) the period necessary for each process after an acquirer expressed the intention to purchase is specified;

g) in case of acquiring stock acquisition rights from non-qualified parties, it is clarified that any economic profit such as cash will not be delivered; and

h) 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.

[Reference]

Discontinuation of the Plan

The effective term of the Plan shall be until the closing of the 78th Ordinary General Meeting of Shareholders scheduled on June 25, 2020.

As a result of careful examination in light of the recent trends involving takeover defense measures as well as opinions of institutional investors and other shareholders in and outside Japan, the Company resolved at its Board of Directors meeting held on May 14, 2020 to discontinue the Plan. For details, please see the press release dated May 14, 2020, “Discontinuation (Abolition) of Countermeasures to Large-Scale Acquisition of Seiko Epson Shares (Takeover Defense Measures).”

Even after the abolition of the Plan, the Company is committed to increasing its corporate value over the medium to long term. Additionally, the Company will request those who intend to conduct a large-scale acquisition of the Company shares to provide sufficient information necessary to properly judge whether or not to accept such acquisition, for the benefit of maintaining and increasing its corporate value and common interests of shareholders. The Company will also disclose its Board’s opinions on such a large-scale acquisition in order to secure time and information necessary for shareholders to judge whether or not to accept such acquisition, while taking appropriate measures pursuant to the Financial Instruments and Exchange Act, the Companies Act and other applicable laws and regulations.

Notes to the Consolidated Financial Statements

Significant Basis of Preparing Consolidated Financial Statements

1. Basis of Preparing Consolidated Financial Statements

The Company and its affiliates (“Epson”) prepare its consolidated financial statements on the basis of International Financial Reporting Standards (“IFRS”), in compliance with Paragraph 1 Article 120 of the Company Accounting Ordinance. In compliance with the second sentence of the Paragraph 1, certain disclosures and notes required by IFRS are omitted.

2. Scope of Consolidation

Number of Subsidiaries: 82

The major subsidiaries of the Company are as follows:

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

(Reason for the change in subsidiaries)

(Increase: 2 subsidiaries)

Two subsidiaries have been added to the scope of consolidation for new establishment.

Epson Subscription Europe B.V.

Epson X Investment Corporation

(Decrease: 2 subsidiaries)

Two subsidiaries have been excluded from the scope of consolidation due to liquidation.

Orient Watch (Beijing) Co., Ltd.

E&G Electronic (Shenzhen) Ltd.

3. Application of Equity Method

The affiliates accounted for using the equity method are as follows:

Epson & Nissin Travel Solutions Corporation

Shanghai Sanhuan Magnetics Co., Ltd.

4. Reporting Period of Subsidiaries

The reporting date of certain overseas subsidiaries is December 31, and the subsidiaries prepare, for consolidation purposes, additional financial information as of the date of 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 measured at their fair values plus transaction costs that are directly attributable to the acquisition of the financial assets at initial recognition. However, in the measurement after initial recognition (subsequent measurement), the transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets are initially recognised on the trade date when Epson becomes a party to the contractual provisions of the financial instrument.

(ii) Classification and Subsequent Measurement

At initial recognition, financial assets are classified either as financial assets measured subsequently at amortised cost, or financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

(a) Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

- 1) The financial asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows.
- 2) 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.

(b) Financial assets are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

- 1) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- 2) 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.

(c) Financial assets except for those provided above are classified as financial assets measured at fair value through profit or loss.

However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income, such as certain investments that are not held for trading purposes, are recognised in other comprehensive income and the cumulative change in fair value in other comprehensive income is transferred to retained earnings when equity instruments are derecognised or the decline in their fair values are significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from them expire or when substantially all the risks and rewards incidental to ownership of them are transferred.

(iv) Impairment

For impairment of financial assets, an allowance is recognised for expected credit losses.

At each reporting date, Epson assesses if there has been a significant increase in credit risk since initial recognition of the financial asset.

If credit risk of the financial asset has not increased significantly since initial recognition, the allowance for the financial asset is measured at an amount equal to 12-month expected credit losses. Meanwhile, if credit risk of the financial asset has increased significantly since initial

recognition, the allowance for the financial asset is measured at an amount equal to lifetime expected credit losses.

However, allowance for trade receivables, contract assets and lease receivables are measured at an amount equal to lifetime expected credit losses.

Expected credit losses of financial instruments are estimated by reflecting the following factors.

- (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- (b) Time value of money
- (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

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

2) Derivatives

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

A gain or loss on a derivative is recognised in profit or loss. However, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge of cash flow hedges and hedges of net investments in foreign operations are recognised in other 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 realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortisation of Assets

1) Property, Plant, and Equipment (excluding right-of-use assets)

Except for asset that is not subject to depreciation such as land, asset is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major asset is as follows:

- Buildings and structures: 10 to 35 years
- Machinery and vehicles: 2 to 17 years

The estimated useful life, depreciation method and residual value are reviewed at each fiscal year- end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

2) Intangible Assets

An intangible asset with a finite useful life is amortised using the straight-line method over its estimated useful life. The estimated useful life of major intangible asset with a finite useful life is as follows:

- Software: 3 to 10 years

The estimated useful life and amortisation method of an asset are reviewed at each fiscal year-end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

An intangible asset with an indefinite useful life or an intangible asset not yet available for use is not amortised.

3) Right-of-use Assets

Right-of-use asset is usually depreciated using the straight-line method over the lease term.

4) Investment Property

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

The estimated useful life, depreciation method and residual value of an asset are reviewed at each fiscal year-end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

(3) Accounting Basis for Provisions

Epson recognises provision when it has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

(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 and the related current service cost and past service cost, using the projected unit credit method. For a discount rate, a discount period is set based on the estimated timing of benefit payments in each period, and the discount rate is determined by reference to market yields as of the end of the fiscal year on high quality corporate bonds for the period corresponding to the discount period. The net defined benefit liability (asset) is measured by deducting the fair value of any plan assets (including adjustments of the net defined benefit asset and the asset ceiling, if necessary) from the present value of the defined benefit obligation. Net interest on the net defined benefit liability (asset) is recognised in profit or loss.

Remeasurements of the net defined benefit liability (asset) are recognised in other comprehensive income and transferred to retained earnings immediately. Past service cost is recognised as an expense at the earlier of when a plan amendment or curtailment occurs and when any related restructuring costs or termination benefits are recognised.

The contribution payable to a defined contribution plan is recognised as an expense.

(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 determines its functional currency and measures its results and financial position in that currency.

A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the transaction or a rate that approximates the actual rate at the rate of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.

Assets and liabilities of foreign operations are translated into Japanese yen at the closing rate, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in 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 to which hedge accounting is applied 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 financial reporting periods for which the hedges were designated.

Epson classifies hedging relationships that meet the qualifying criteria for hedge accounting in the following categories and applies hedge accounting to the hedging relationships.

1) Fair Value Hedge

A gain or loss on a derivative is recognised in profit or loss. The hedging gain or loss on the hedged items attributable to the hedged risks adjusts the carrying amount of the hedged item and is recognised in profit or loss.

2) Cash Flow Hedge

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss. The amounts of hedging instruments recognised 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 recognised in 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 recognised in 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 recognised in other comprehensive income continue to be recognised in equity until the forecast transactions or firm commitments occur.

3) Hedges of a Net Investment in Foreign Operations

Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised in profit or loss. On the disposal of the foreign operation, the cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income is reclassified to profit or loss.

(7) Accounting Method Regarding Goodwill

Goodwill acquired in a business combination is measured at the amount recognised at the acquisition date less any accumulated impairment losses.

Goodwill is not amortised and allocated to a cash-generating unit that is identified according to business. The cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. An impairment loss is recognised in profit or loss and not reversed in a subsequent period.

Changes in Accounting Policies

(Adoption of IFRS16 Leases)

Epson adopted IFRS16 Leases (issued January 2016) (“IFRS16”) for the consolidated fiscal year under review.

At inception of a contract, Epson assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and recognises lease liabilities and right-of-use assets at the commencement date.

Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Right-of-use assets are measured at the amount of the initial measurement of lease liabilities adjusted for any initial direct costs, the prepaid lease payments, restoration costs and other costs. Right-of-use assets are usually depreciated using the straight-line method over the lease term. Interest expenses on lease liabilities are presented on the consolidated statement of comprehensive income separately from the depreciation expenses for right-of-use assets.

Epson does not recognise lease liabilities and right-of-use assets to either short-term leases that have a lease term of 12 months or less, or low-value leases. Epson recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Epson applied IFRS16 retrospectively to recognise the cumulative effect of initially applying IFRS16 as an adjustment to the opening balance of retained earnings of the reporting period.

For leases previously classified as operating leases applying IAS17 Leases (“IAS17”), lease liabilities and right-of-use assets were recognised at the date of initial application. Lease liabilities were measured at the present value of the lease payments that are not paid at the date of initial application, discounted using the lessee’s incremental borrowing rate at that date. The weighted average of the lessee’s incremental borrowing rate applied to lease liabilities at the date of initial application was 1.4%. Right-of-use assets were mainly

measured at the amount of lease liabilities adjusted for the prepaid lease payments and other costs. Epson used the following practical expedients when initially applying IFRS16.

- Epson accounted for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.
- Epson used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases applying IAS17, the carrying amounts of lease obligations and leased assets for the years ended March 31, 2019 were the carrying amounts of lease liabilities and right-of-use assets at the date of initial application.

As a result of these, Epson recognised right-of-use assets of 31,455 million yen, lease liabilities of 28,701 million yen and retained earnings of (847) million yen at the date of initial application. The difference between the lease liabilities at the date of initial application and the total of future minimum lease payments under non-cancellable operating leases disclosed applying IAS17 at the end of the previous reporting period immediately preceding the date of initial application (29,033 million yen) was mainly due to the discount calculation by the lessee's incremental borrowing rate and lease obligations measured under IAS17.

Epson presents right-of-use assets as "Property, plant and equipment" on the consolidated statement of financial position.

Additional Information

For assessing the recoverability of deferred tax assets and impairment tests of non-financial assets, Epson reflected impacts of the coronavirus pandemic in its accounting estimates considering updates to the initial planned targets based on recent business results under the assumption that the impacts on its global operation may last through the first half of the next consolidated fiscal year. Actual results may differ from these estimates based on the assumption.

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,190 million yen
Other financial assets (non-current)	64 million yen

2. Accumulated Depreciation and Accumulated Impairment

Losses of Property, Plant and Equipment	940,355 million yen
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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
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2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting held on June 26, 2019	Ordinary shares	(Note 1) 10,924 million yen	31 yen	March 31, 2019	June 27, 2019
Board of Directors Meeting held on October 30, 2019	Ordinary shares	(Note 2) 10,731 million yen	31 yen	September 30, 2019	November 29, 2019

(Note 1) Total dividends include dividends of 5 million yen for the Company's shares held by BIP trust.

(Note 2) Total dividends include dividends of 4 million yen for the Company's shares held by BIP trust.

(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
Annual Shareholders Meeting to be held on June 25, 2020	Ordinary shares	(Note) 10,731 million yen	Retained earnings	31 yen	March 31, 2020	June 26, 2020

(Note) Total dividends include dividends of 8 million yen for the Company's shares held by BIP trust.

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 departments 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 does 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 equity securities and bonds receivable of customers and suppliers mainly as investments of surplus funds or to strengthen relationships with them; those bonds and 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 departments of the Company regularly monitor the status of the occurrence and collection of bad debts, and report them to the Executive Committee of the Company.

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 departments of the Company regularly monitor 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 departments 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 departments of the Company regularly report 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. 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 Value of Financial Instruments

(1) Fair Value Measurement

Fair values of financial instruments 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 by using the interest rates that would be applied if similar new borrowings were conducted.

(Bonds issued)

The fair values of the bonds issued by Epson are calculated based on prices obtained from financial institutions.

(2) Fair Value Hierarchy

The fair value hierarchy of financial instruments is categorised 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 amortised cost

The carrying amounts and the fair value hierarchy of financial instruments measured at amortised 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 amortised cost					
Borrowings	81,679	—	81,802	—	81,802
Bonds issued	99,677	—	99,767	—	99,767
Total	181,356	—	181,569	—	181,569

“Borrowings” and “Bonds issued” in the table above include their current portion.

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	—	1,631	—	1,631
Equity securities	8,036	—	2,927	10,964
Bonds receivable	—	—	690	690
Total	8,036	1,631	3,617	13,285
Financial liabilities measured at fair value				
Derivative financial liabilities	—	352	—	352
Total	—	352	—	352

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

The movement of financial instruments categorised within Level 3 of the fair value hierarchy was as follows:

(Millions of yen)

	Amount
Balance at beginning of period	3,100
Gains and losses	
Other comprehensive income	(514)
Purchase	1,041
Sales	(3)
Other	(5)
Balance at end of period	3,617

Per Share Data

- | | |
|---|--------------|
| 1. Equity attributable to owners of the parent company, per share | 1,456.20 yen |
| 2. Basic earnings per share | 22.26 yen |

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of ordinary shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 259,468 shares and 201,257 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 amortised cost (straight-line method).

Shares of 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 assets are as follows:

- Buildings: 10 to 35 years
- Machinery and equipment: 5 to 17 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortised using the straight-line method.

The estimated useful life of major intangible assets 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 (excluding those who are not Audit & Supervisory Committee 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 amortised 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 amortised 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 recognised 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 recognised.

(2) Hedging Instruments and Hedged Items

Forward foreign exchange contracts and non-deliverable forwards: 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.

7. Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System

Pursuant to the treatment in Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39; March 31, 2020), Epson does not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28; February 16, 2018) with respect to the transition to group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc.” (Act No. 8 of 2020) as well as items for which the non-consolidated taxation system was revised in line with the transition to group tax sharing system. Accordingly, the amounts of deferred tax assets and deferred tax liabilities are presented pursuant to the provisions in the Income Tax Act before the amendment.

Changes in Presentation

(Statement of Income)

“Loss on disaster” (1,289 million yen for the previous fiscal year), which was presented independently under “extraordinary losses” in the previous fiscal year has been included in and presented as “other” under “extraordinary losses” from the current fiscal year due to its decreased financial materiality.

The amount of “loss on disaster” included in “other” under “extraordinary losses” for the current fiscal year is 115 million yen.

Additional Information

For assessing the recoverability of deferred tax assets and impairment tests of non-financial assets, Epson reflected impacts of the coronavirus pandemic in its accounting estimates considering updates to the initial planned targets based on recent business results under the assumption that the impacts on its global operation may last through the first half of the next fiscal year. Actual results may differ from these estimates based on the assumption.

Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment	626,196 million yen
2. Debt Guarantees	
Epson provides guarantees for the debt obligations of its affiliate as follows.	
PT. Epson Batam	2,551 million yen
3. Monetary Receivables from and Payables to Affiliates	
Short-term monetary receivables:	136,695 million yen
Long-term monetary receivables:	0 million yen
Short-term monetary payables:	54,130 million yen
Long-term monetary payables:	833 million yen

Statement of Income

Transactions with Affiliates	
Sales to affiliates:	646,277 million yen
Purchases from affiliates:	391,056 million yen
Other operating transactions with affiliates:	32,424 million yen
Transactions with affiliates other than operating transactions:	22,571 million yen

Statement of Changes in Net Assets

Number of Treasury Shares as of the End of the Fiscal Year under Review	
Treasury shares	53,703,521 shares

Note: The total number of treasury shares includes 259,468 shares of the Company's shares held by BIP trust.

Tax-Effect Accounting

Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

(Millions of yen)

Deferred tax assets	
Loss carried forward	22,972
Non-current assets (impairment losses and excess of depreciation)	18,183
Provision for retirement benefits	9,094
Loss on valuation of shares	5,653
Loss on valuation of inventories	4,266
Provision for bonuses	3,013
Other	6,403
Subtotal	<u>69,588</u>
Valuation allowance for unused tax losses	(21,154)
Valuation allowance for deductible temporary differences	<u>(14,427)</u>
Valuation allowance subtotal	<u>(35,581)</u>
Total deferred tax assets	34,007
Deferred tax liabilities	
Asset retirement cost corresponding to asset retirement obligations	(618)
Valuation difference on available-for-sale securities	(402)
Other	<u>(319)</u>
Total deferred tax liabilities	<u>(1,339)</u>
Net deferred tax assets	<u>32,667</u>

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)	113,344	Accounts receivable - trade	17,606
			Lending of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	170
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	179,483	Accounts receivable - trade	34,354
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	140,757	Accounts receivable - trade	18,486
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	122,563	Accounts payable - trade	6,564
					Accounts receivable - other	3,424
PT. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	110,617	Accounts payable - trade	11,597
					Accounts receivable - other	2,930
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	58,635	Accounts receivable - trade	14,354

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 2: 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 Epson.
- 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 Epson.
- Note 4: Purchase prices are determined by adding an appropriate profit for the manufacturing companies on the manufacturing costs.
- Note 5: The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.

Per Share Data

- | | |
|-------------------------|------------|
| 1. Net Assets per Share | 957.97 yen |
| 2. Loss per Share | 49.63 yen |

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 259,468 shares and 201,257 shares, respectively.

Revenue Recognition

Epson is mainly engaged in the manufacture and sale of products of the Printing Solutions business, the Visual Communications business, and the Wearable & Industrial Products business. In the sale of these products, control of a good is usually transferred to the customer when the good is delivered, and the Epson’s performance obligation is deemed to have been satisfied. Therefore, Epson recognises revenue at the time of delivery.