

(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 79th Ordinary General Meeting of Shareholders

June 2, 2021

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 79th Ordinary General Meeting of Shareholders. We have sent shareholders residing in Japan the convocation notice and attached documents in Japanese, which were compiled in accordance with 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 and exercise your voting rights by mail or via the Internet, etc. no later than 5:00 p.m., Thursday, June 24, 2021 (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., Thursday, June 24, 2021 (Japan time).

Voting via the Internet

To vote via the Internet, please log into the shareholders’ voting website at <https://evote.tr.mufg.jp/> to register your approval or disapproval (Japanese only). Voting via the Internet must be completed no later than 5:00 p.m., Thursday, June 24, 2021 (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., Friday, June 25, 2021 (Japan time)
(Reception starts at 9:00 a.m.)

2. Place “Ruby Hall,” 2nd Floor, the Main Building, Hotel Beniya,
2-7-21 Kogan-dori, Suwa-shi, Nagano
The venue is different from the previous year’s meeting.

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, 2021 (from April 1, 2020 to March 31, 2021).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021).

Proposals:

1. Appropriation of Surplus
2. Election of Seven Directors Who Are Not Audit & Supervisory Committee Members
3. Election of One Director Who Is an Audit & Supervisory Committee Member
4. Bonus to Directors Who Are Not Audit & Supervisory Committee Members

4. Convocation rules

- (1) If you exercise your voting rights both by mail and via the Internet, we will treat the vote via the Internet as valid.
- (2) If you exercise your voting rights via the 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 10,731,886,311 yen

(3) Effective Date of Distribution

June 28, 2021

(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).


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

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

The candidates for Directors who are not Audit & Supervisory Committee Members have been nominated after consideration by the 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 17).

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 General Administrative Manager, Sales & Marketing Division	13 / 13 meetings (100%)
4	Tatsuaki Seki	Reappointment	Director, Managing Executive Officer Chief Compliance Officer General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	13 / 13 meetings (100%)
5	Taro Shigemoto	New appointment	Director Full-Time Audit & Supervisory Committee Member	13 / 13 meetings (100%)
6	Hideaki Omiya	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)
7	Mari Matsunaga	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)

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)	
	Jun. 2002	Director of the Company	197,800
	Oct. 2007	Managing Director of the Company	
	Jun. 2008	President and Representative Director of the Company	Attendance at meetings of the Board of Directors
	Apr. 2020	Chairman and Director of the Company (current position)	13 / 13 meetings (100%)

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 11 years and 9 months in the past, he had 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.

We have nominated him as a candidate for Director with the expectation that he will continue to serve as a Chairman and Director and remain in office as the Chairman of the Board of Directors, to make appropriate managerial decisions from a companywide perspective and monitor business affairs, aiming 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. 1988 Joined the Company	
		Apr. 2017 Chief Operating Officer, Visual Products Operations Division of the Company	24,800
		Jun. 2017 Executive Officer of the Company	Attendance at meetings of the Board of Directors
		Jun. 2018 Director of the Company	
		Oct. 2018 General Administrative Manager, Technology Development Division of the Company	13 / 13 meetings (100%)
		Jun. 2019 Managing Executive Officer of the Company, Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment of the Company	
	Yasunori Ogawa (April 11, 1962) Reappointment	Apr. 2020 President and Representative Director of the Company (current position)	



Yasunori Ogawa
(April 11, 1962)
Reappointment

2

Reason for nominating Yasunori Ogawa as a Director

Mr. Ogawa has determined important management matters and monitored business affairs as a Director. With his wealth of experience and achievements, as a President and Representative Director, he has led the improvement in the Company's corporate value over the medium- to long-term and further development of the Group amid a rapidly-changing management environment.

We have nominated him as a candidate for Director, considering that 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 by practicing his management style of inducing the generation of innovations through reforms of organizational culture and achieving both contributions to society and happiness of employees.

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)	38,200
		Jun. 2012	Director of the Company	
		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	
		Jun. 2017	Senior Managing Executive Officer of the Company (current position)	
		Oct. 2018	Representative Director of the Company (current position)	
Apr. 2021	General Administrative Manager, Sales & Marketing Division 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 primarily in overseas sales operations in the information-related equipment business, which is the Company's core 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, aiming 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	14,400
		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	
		Jun. 2019 Managing Executive Officer of the Company (current position)	
4	Tatsuaki Seki (December 26, 1960) Reappointment	Oct. 2020 General Administrative Manager, Corporate Strategy and Management Control Division of the Company (current position), General Administrative Manager, Sustainability Promotion Office of the Company (current position)	

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 Corporate Strategy and Management Control Division, he has led the establishment of management control systems from a broad perspective such as by comprehensively spearheading the formulation of the companywide long-term growth strategies and the Mid-Range Business Plan.

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, aiming 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	 Taro Shigemoto (June 4, 1962) New appointment	Apr. 1985	Joined the Company	17,900
		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 13 / 13 meetings (100%)
		Feb. 2014	President of Epson Engineering (Shenzhen) Ltd.	
		Jun. 2016	Special Audit & Supervisory Officer of the Company, General Administrative Manager, Audit & Supervisory Committee Office of the Company	
Jun. 2018	Director, Full-Time Audit & Supervisory Committee Member of the Company (current position)			

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 with the expectation that, going forward, he will make appropriate managerial decisions from a companywide perspective and monitor business affairs, aiming 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
 Hideaki Omiya (July 25, 1946) Outside Director Independent Director Reappointment	Apr. 2007	Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd.	16,000
	Apr. 2008	President and CEO of Mitsubishi Heavy Industries, Ltd.	
	Apr. 2013	Chairman of the Board of Mitsubishi Heavy Industries, Ltd.	Attendance at meetings of the Board of Directors 13 / 13 meetings (100%)
	Jun. 2014	Outside Director of the Company (current position)	
	Jun. 2016	Outside Director of Mitsubishi Corporation	
	Jun. 2018	Outside Director of Nomura Research Institute, Ltd. (current position)	Important concurrent positions held at other companies Adviser of Mitsubishi Heavy Industries, Ltd. Outside Director of Nomura Research Institute, Ltd.
	Apr. 2019	Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd.	
Jun. 2019	Adviser of Mitsubishi Heavy Industries, Ltd. (current position)		

6 **Reason for nominating Hideaki Omiya as an Outside Director and outline of expected roles**

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 utilize his wealth of experience and insight to monitor corporate management appropriately, aiming 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, seven years will have passed since his initial appointment.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned	
7	 Mari Matsunaga (November 13, 1954) Outside Director Independent Director Reappointment	Apr. 1977	Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.)	9,300
		Jul. 1986	Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd.	Attendance at meetings of the Board of Directors
		Jul. 1988	Editor in chief of Travaille published by Recruit Holdings Co., Ltd	
		Jul. 1997	Joined NTT Mobile Communications Network, Inc. (now NTT Docomo, Inc.), Head of Planning Office for Gateway Business Dept.	13 / 13 meetings (100%)
		Apr. 2000	Representative of Mari Matsunaga Office, Inc.	
		June 2012	Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of Terumo Corporation	
		Jun. 2014	Outside Director of Rohto Pharmaceutical Co., Ltd.	
Jun. 2016	Outside Director of the Company (current position)			

Important concurrent positions held at other companies

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Reason for nominating Mari Matsunaga as an Outside Director and outline of expected roles

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 utilize her wealth of experience and insight to monitor corporate management appropriately, aiming 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, five 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.

Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract with an insurance company. If each candidate is elected and assumes office of Director who is not an Audit & Supervisory Committee Member, he/she will be insured under the said insurance contract. In addition, the Company plans to renew the said insurance contract with the same contents at the time of next renewal.

An outline of the contents of the said insurance contract is as stated in “Outline of directors and officers liability insurance contract” (please refer to page 35).

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 One Director Who Is an Audit & Supervisory Committee Member

Among Directors who are Audit & Supervisory Committee Members, Mr. Taro Shigemoto will retire by resignation at the conclusion of this Meeting. Accordingly, we propose to appoint one (1) Director who is an Audit & Supervisory Committee Member as his substitute. In accordance with the provisions of the Company's Articles of Incorporation, the term of office of the Director who is an Audit & Supervisory Committee Member to be elected as a substitute will expire at the time of expiration of the term of office of the retiring Director who is an Audit & Supervisory Committee Member.

The candidate for a Director who is an Audit & Supervisory Committee Member has 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.

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

The candidate for a Director who is an Audit & Supervisory Committee Member is as follows:

Name (Date of Birth)	Summary of career, title, and responsibilities		Shares of the Company's stock owned
 Masayuki Kawana (July 27, 1964) New appointment	Apr. 1988	Joined Seiko Epson Cooperative Union	
	Mar. 1999	Joined the Company	15,100
	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
	Jun. 2015	President of Orient Watch Co., Ltd.	13 / 13 meetings
	Jun. 2016	Executive Officer of the Company (current position)	(100%)
	Oct. 2016	General Administrative Manager, CSR Management Office of the Company	
	Jun. 2018	Chairman of Epson Sales Japan Corporation	
	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 who is an Audit & Supervisory Committee Member with the expectation that, going forward, 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.

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.

Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract with an insurance company. If the candidate is elected and assumes office of Director who is an Audit & Supervisory Committee Member, he will be insured under the said insurance contract. In addition, the Company plans to renew the said insurance contract with the same contents at the time of next renewal.

An outline of the contents of the said insurance contract is as stated in “Outline of directors and officers liability insurance contract” (please refer to page 35).

(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) Considering the role that Officers are required to fulfill and the nomination criteria that Epson has established, Officers must be able to contribute to an increase in corporate value by demonstrating qualities such as superior insight, accountability, ability to motivate and lead, credibility, character, oversight capability, management insight, professional insight, influence, leadership, creativity, and innovativeness.
- 2) Outside Directors must satisfy “Criteria for Independence of Outside Directors” (please refer to page 17) 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 eight times during the period from April 2020 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, changes to the timing of appointment of Executive Officers, and chairpersons of the Director Nomination Committee and the Director Compensation Committee.

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---

(Reference)

Matrix of areas of expertise particularly expected for Directors (skill matrix)

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

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design Technology Production	Sales Marketing	IT Digital	Finance Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	●	●	●				
President and Representative Director	Yasunori Ogawa	●	●		●			
Representative Director Senior Managing Executive Officer	Koichi Kubota	●		●				●
Director Managing Executive Officer	Tatsuaki Seki				●	●	●	
Director Executive Officer	Taro Shigemoto					●	●	●
Outside Director	Hideaki Omiya	●	●		●			
Outside Director	Mari Matsunaga			●	●			
Director Full-Time Audit & Supervisory Committee Member	Masayuki Kawana					●	●	
Outside Director Audit & Supervisory Committee Member	Yoshio Shirai	●	●					●
Outside Director Audit & Supervisory Committee Member	Susumu Murakoshi					●	●	
Outside Director Audit & Supervisory Committee Member	Michiko Ohtsuka					●	●	

* Up to three areas of expertise particularly expected are stated.

Proposal 4: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

The Company proposes to pay bonuses of 76,480,000 yen in total to the five Directors who are not Audit & Supervisory Committee Members excluding Officers who do not have executive duties (Chairman and Director without the right of representation and Outside Directors) as of March 31, 2021 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 in this Proposal have been determined after consideration by the Director Compensation Committee, in which Outside Directors make significant contributions, in accordance with the decision-making policies, etc. on compensation for individual Directors who are not Audit & Supervisory Committee Members, which have been determined by the Board of Directors (please refer to page 36 to 40). Accordingly, the Company believes the details are reasonable.

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 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)

Activities of the Director Compensation Committee

The Committee met seven times during the period from April 2020 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, as well as granting of basic points under the performance-linked compensation system.

---End---

(Appendix)

Business Report

(from April 1, 2020 to March 31, 2021)

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, 2021.
(https://global.epson.com/IR/financial_results/2020/pdf/results_2020_full_e.pdf)

(2) Overview by Segment

Please refer to page 1 to 3 of Financial Results for the Year ended March 31, 2021.
(https://global.epson.com/IR/financial_results/2020/pdf/results_2020_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 52,878 million yen.

An overview of the major capital expenditures for the consolidated fiscal year under review is as follows:

- Added a new production line for print chips at Hirooka Office
- Added a new production line for superfine alloy powders at Epson Atmix Corporation

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	27,285	(37.4%)
Visual Communications Business	8,078	(42.9%)
Wearable & Industrial Products Business	10,514	(28.8%)
Other and overall	6,999	(7.9%)
Total	52,878	(34.0%)

1.3 Overview of financing

The Company issued unsecured corporate bonds (green bonds) totaling 70.0 billion yen which will be appropriated for capital expenditures pertaining to products that contribute to reducing environmental burden (buildings, production facilities, etc.) and R&D expenses among other purposes, with the aim of realizing sustainable and enriched society.

In addition, amid an uncertain outlook due to the novel coronavirus pandemic, the Company entered into a commitment line contract for an environmentally conscious financing product with a main partner bank in May 2020, as part of its efforts to strengthen the financial foundation in preparation for emergencies. There is no outstanding balance of executed borrowings based on the said commitment line contract as of March 31, 2021.

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

Not applicable.

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

The Company, from the perspectives of clarifying its business portfolio and appropriately allocating management resources, entered into a contract with Kanematsu Corporation in January 2021 to transfer the IC test handler business of its Robotics Solutions Business, and transferred the business in April 2021.

Note: As of April 1, 2021, the Robotics Solutions Business has been renamed into the Manufacturing Solutions Business.

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

Epson boldly undertakes challenges and strives to make innovations beyond its own conventions and vision in order to solve social issues, based on the Company’s unique strengths of efficient, compact, and precision technologies since the time of its founding. Based on the Management Philosophy and global tagline, we are making efforts to have all employees share values and act autonomously while demonstrating their comprehensive strengths. By doing so, we will continuously create and provide game-changing customer value in a timely fashion, play a central role as an indispensable company in building a better society, and achieve sustainable growth and improvement of our corporate value over the medium to long term.

In March 2021, we revised our Corporate Vision and established “Epson 25 Renewed,” with the goal of achieving sustainability and enriching communities, which we have set as our aspirational goal to pursue into the future. In response to environmental issues that Epson views as very important, we have revised “Environmental Vision 2050” with the aims of becoming carbon negative and underground resource* free by 2050.

*Non-renewable resources such as oil and metals

(1) Our aspirational goal that Epson will pursue into the future

At present, humanity is facing a wide range of social issues, including climate change and the novel coronavirus pandemic. We believe that we have entered an era in which people aspire to achieve a variety of enrichment, including not only material and economic wealth, but also spiritual and cultural enrichment. Sustainability is a fundamental requirement for achieving this. With this background, Epson develops its business by always focusing on social issues as a starting point, considering what we can do to solve them, and how we can use our technologies to solve problems and contribute to society. This is how we work to realize our abovementioned aspirational goal that Epson will pursue into the future.

(2) “Epson 25 Renewed”

1) Reflecting on “Epson 25”

The social environment has changed significantly since we established our previous “Epson 25” Corporate Vision. We have been expanding our products and services and strengthening our foundation, but have not yet achieved sufficient results, and we recognize that there have been some issues and causes as listed below.

As a response based on these reflections, we will redefine our business area goals and evolve our strategies. Simultaneously, we will strengthen our efforts for the environment, DX, and co-creation across business domains going forward. In addition, we will clarify our business portfolio, allocate management resources appropriately, and work to further strengthen the business infrastructure that supports strategy execution.

Issue	Cause	Response
<ul style="list-style-type: none"> ◆ Plan assumed excessive revenue growth ◆ Strategy execution lacked speed ◆ Slow response to environmental changes 	<ul style="list-style-type: none"> ◆ Unmindful of customer and competitor perspectives, together with mindset that superior products would be enough to drive sales ◆ Lack of sensitivity to changes in societal demands and weakness in incorporating them in company-wide strategy ◆ Lack of ability to execute strategy and over-emphasis on self-reliance 	<ul style="list-style-type: none"> ◆ Redefine business area goals and evolve strategies ◆ Strengthen company-wide strategy across businesses ◆ Allocate management resources to new areas and growth areas by clarifying business portfolio ◆ Strengthen business infrastructure to execute strategy

2) Recognizing our external environment

In achieving “Epson 25 Renewed,” we recognize the following as the external environment surrounding Epson.

- ◆ With digitalization and the evolution of technologies such as AI, the megatrend towards diversified consumption and lifestyles is accelerating and moving forward faster than expected.
- ◆ There is growing demand to solve social issues including environmental issues.

- ◆ Decentralization is accelerating along with demand for new lifestyles, including telecommuting and contact-free exchanges.
- ◆ The importance of “connecting” and “information” is growing further in response to issues such as obstruction and division of communication due to decentralization.

3) Vision statement

On this occasion, we have established the vision statement for “Epson 25 Renewed,” which is “Co-creating sustainability and enriching communities to connect people, things, and information by leveraging our efficient, compact, and precision technologies and digital technologies.”

Based on the aforementioned recognition of our external environment, we will provide solutions that connect people, things, and information in a smart manner to society as a whole, including people’s personal lives, industries, and manufacturing sites, in order to achieve our aspirational goal. The three most important initiatives in doing so are the environment, DX, and co-creation.

(Environmental initiatives)

- ◆ Promote decarbonization and close the resource loop, develop environmental technologies, and provide products and services that reduce environmental impacts.

(DX initiatives)

- ◆ Contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs.

(Co-creation initiatives)

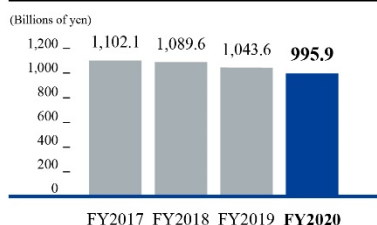
- ◆ Leveraging our technologies and product families, solve societal issues with partners by providing core devices and a place for co-creation and networking, as well as through collaboration and investment.

1.9 Status of assets and income (loss)

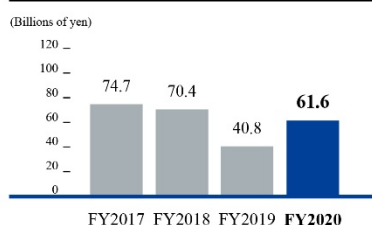
(Millions of yen unless otherwise stated)

Item	FY2017	FY2018	FY2019	FY2020
Revenue	1,102,116	1,089,676	1,043,600	995,940
Business profit	74,785	70,498	40,861	61,642
Profit from operating activities	65,003	71,355	39,479	47,654
Profit for the period attributable to owners of the parent company	41,836	53,710	7,733	30,922
Basic earnings per share (yen)	118.78	152.49	22.26	89.38
Total assets	1,033,350	1,038,389	1,040,910	1,161,314
Equity attributable to owners of the parent company	512,727	540,181	503,746	550,924
Equity attributable to owners of the parent company ratio (%)	49.6	52.0	48.4	47.4

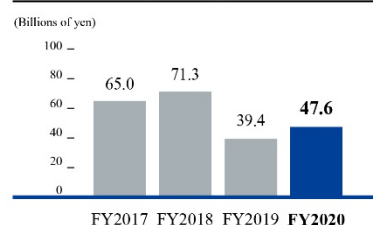
Revenue



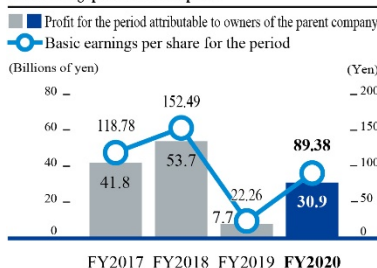
Business profit



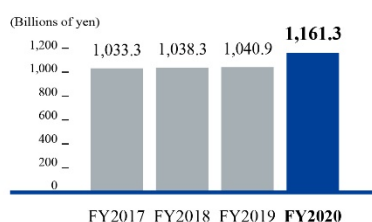
Profit from operating activities



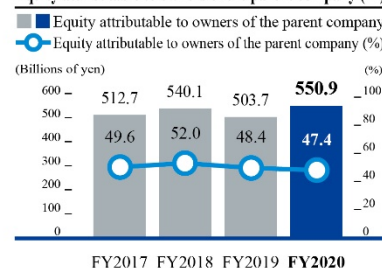
Profit for the period attributable to owners of the parent company / Basic earnings per share for the period



Total assets



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 Regulation on Corporate Accounting.
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, 2021)

(1) Relationship with the parent company

Not applicable.

(2) Status of Significant Subsidiaries

	Company name	Location	The Company's percentage of equity participation	Main business
Japan	Epson Sales Japan Corporation	Tokyo	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Direct Corporation	Nagano	100.0% (100.0%)	Printing Solutions
	Miyazaki Epson Corporation	Miyazaki	100.0%	Wearable & Industrial Products
	Tohoku Epson Corporation	Yamagata	100.0%	Printing Solutions Wearable & Industrial Products
	Akita Epson Corporation	Akita	100.0%	Printing Solutions Wearable & Industrial Products
	Epson Atmix Corporation	Aomori	100.0%	Wearable & Industrial Products
	Epson X Investment Corporation	Tokyo	100.0%	Venture investment & development
Americas	U.S. Epson, Inc.	U.S.A.	100.0%	Holding company
	Epson America, Inc.	U.S.A.	100.0% (100.0%)	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Portland Inc.	U.S.A.	100.0% (100.0%)	Printing Solutions
Europe	Epson Europe B.V.	The Netherlands	100.0%	Regional headquarters Printing Solutions Visual Communications
	Epson (U.K.) Ltd.	U.K.	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Deutschland GmbH	Germany	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Europe Electronics GmbH	Germany	100.0% (100.0%)	Wearable & Industrial Products
	Epson France S.A.S.	France	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Italia S.p.A.	Italy	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Como Printing Technologies S.r.l.	Italy	100.0% (100.0%)	Printing Solutions
	Epson Iberica, S.A.U.	Spain	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Telford Ltd.	U.K.	100.0% (100.0%)	Printing Solutions

Company name	Location	The Company's percentage of equity participation	Main business
Epson (China) Co., Ltd.	China	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Epson Singapore Pte. Ltd.	Singapore	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
Epson Korea Co., Ltd.	South Korea	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Epson Hong Kong Ltd.	China	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
Epson Taiwan Technology & Trading Ltd.	Taiwan	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
PT. Epson Indonesia	Indonesia	100.0% (100.0%)	Printing Solutions Visual Communications
Epson (Thailand) Co., Ltd.	Thailand	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Philippines Corporation	Philippines	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Australia Pty. Ltd.	Australia	100.0%	Printing Solutions Visual Communications
Epson India Pvt. Ltd.	India	100.0% (100.0%)	Printing Solutions Visual Communications
Epson Precision (Hong Kong) Ltd.	China	100.0%	Printing Solutions Visual Communications
Epson Engineering (Shenzhen) Ltd.	China	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
Orient Watch (Shenzhen) Ltd.	China	100.0% (100.0%)	Wearable & Industrial Products
Tianjin Epson Co., Ltd.	China	80.0% (80.0%)	Printing Solutions
Singapore Epson Industrial Pte. Ltd.	Singapore	100.0%	Wearable & Industrial Products
PT. Epson Batam	Indonesia	100.0% (100.0%)	Printing Solutions
PT. Indonesia Epson Industry	Indonesia	100.0%	Printing Solutions
Epson Precision (Thailand) Ltd.	Thailand	100.0%	Wearable & Industrial Products
Epson Precision (Philippines), Inc.	Philippines	100.0%	Printing Solutions Visual Communications
Epson Precision Malaysia Sdn. Bhd.	Malaysia	100.0%	Wearable & Industrial Products
Epson Precision (Johor) Sdn. Bhd.	Malaysia	100.0% (100.0%)	Wearable & Industrial Products

Asia and Oceania

Notes:

1. Percentage of equity participation indicated inside parentheses refers to indirect ownership percentage.
2. There are no specified wholly-owned subsidiaries.
3. Fratelli Robustelli S.r.l. and For.Tex S.r.l., the Company's wholly-owned subsidiaries, conducted an absorption-type merger as of December 2020 with Fratelli Robustelli S.r.l. as the surviving company and For.Tex S.r.l. as the absorbed company. In conjunction, Fratelli Robustelli S.r.l. changed its trade name to Epson Como Printing Technologies S.r.l.
4. Epson (China) Co., Ltd., the Company's wholly-owned subsidiary, made Tianjin Epson Co., Ltd. into its wholly-owned subsidiary as of April 2021.

1.11 Principal business locations and plants (as of March 31, 2021)

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, 2021)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	54,895	6,020
Visual Communications Business	9,820	(635)
Wearable & Industrial Products Business	10,853	(1,492)
Other	381	(22)
Corporate	3,995	465
Total	79,944	4,336

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, 2021)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	43,800
MUFG Bank, Ltd.	14,536
The Hachijuni Bank, Ltd.	7,300

1.14 Other material facts concerning the current status

(1) 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 Repobel subsequently filing a suit against EEB, the two lawsuits were adjoined. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

(2) 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, 2021)

- 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 53,444,897 shares of treasury stock)
- 2.3 Number of shareholders 43,476 persons
- 2.4 Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,964,200	17.32
Custody Bank of Japan, Ltd. (Trust Account)	26,254,100	7.58
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
Epson Group Employees' Shareholding Association	7,569,979	2.18
Mikiko Kidosaki	6,855,302	1.98
Minako Hattori	6,855,302	1.98
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	6,771,500	1.95

Note: Although the Company holds 53,444,897 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 (210,928 shares) owned by the officer compensation BIP Trust.

2.5 Shares delivered to management as compensation for execution of duties during the fiscal year under review

Category	Number of shares (shares)	Number of individuals eligible for delivery (persons)
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	16,600 (-)	6 (-)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	- (-)	- (-)
Total	16,600	6

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, 2021)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	Chairman and Director	
Yasunori Ogawa	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, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office
Masayuki Kawana	Director Executive Officer	General Administrative Manager, Human Resources Division General Administrative Manager, Health Management Office Chairman of Epson Sales Japan Corporation
Toshiya Takahata	Director Executive Officer	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	
Taro Shigemoto	Director Full-Time Audit & Supervisory Committee Member	
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.
Susumu Murakoshi	Outside Director Audit & Supervisory Committee Member	President of Japan Attorneys Political Association
Michiko Ohtsuka	Outside Director Audit & Supervisory Committee Member	

- Notes
1. The Company registered Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka as Independent Directors with the Tokyo Stock Exchange.
 2. Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka were elected as Directors who are Audit & Supervisory Committee Members at the Ordinary General Meeting of Shareholders held on June 25, 2020 and assumed office.
 3. Director and Audit & Supervisory Committee Member Ms. Michiko Ohtsuka has professional knowledge and experience as a certified public accountant, thus she has considerable knowledge in finance and accounting.
 4. 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.

5. There are no special interests between the Company and the entities where each Outside Director holds significant concurrent positions.
6. Changes in the responsibilities of Directors between the day after the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020 and the end of the fiscal year under review are as follows

Name	After change	Before change	Date of change
Tatsuaki Seki	General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	General Administrative Manager, Management Control Division	October 1, 2020
Toshiya Takahata	General Administrative Manager, DX Division	General Administrative Manager, Corporate Strategy Division General Administrative Manager, Sustainability Promotion Office General Administrative Manager, DX Division	October 1, 2020

7. 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
Koichi Kubota	General Administrative Manager, Sales & Marketing Division	Chief Operating Officer, Printing Solutions Operations Division	April 1, 2021
Masayuki Kawana	General Administrative Manager, Human Resources Division General Administrative Manager, Health Management Office	General Administrative Manager, Human Resources Division General Administrative Manager, Health Management Office Chairman of Epson Sales Japan Corporation	April 1, 2021
Toshiya Takahata	-	General Administrative Manager, DX Division	April 1, 2021

8. List of Executive Officers (excluding Directors concurrently serving as Executive Officers) as of March 31, 2021 is as follows.

Name	Title	Areas of responsibility
Motonori Okumura	Managing Executive Officer	In charge of Safety Promotion, Human Resources Division
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	General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for DTF and PaperLab Business)
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	In charge of Specific Projects, Sales & Marketing Division

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 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	General Administrative Manager, Technology Development Division
Keijiro Naito	Executive Officer	Chief Operating Officer, Robotics Solutions Operations Division
Yoshifumi Yoshida	Executive Officer	Deputy General Administrative Manager, Production Planning Division (in charge of Automation Technology Development) Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Technology Development (Engineering))
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 (in charge of Foundational Technology Development)
Fuminori Suzumura	Executive Officer	President, Epson Sales Japan Corporation
Akifumi Takei	Executive Officer	President, Epson Precision (Philippines), Inc.
Junkichi Yoshida	Executive Officer	Deputy General Administrative Manager, DX Division (in charge of DX Promotion) Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Business Strategies)
Samba Moorthy	Executive Officer	Managing Director, Epson India Pvt. Ltd.
Yoichi Yamada	Executive Officer	Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for BIJ and Label Press Business; in charge of Component Design)
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) Messrs. Junkichi Yoshida, Samba Moorthy and Yoichi Yamada assumed offices of Executive Officer as of June 25, 2020.
- (2) Changes in the positions and responsibilities of Executive Officers after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Junichi Watanabe	Managing Executive Officer Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)	Managing Executive Officer Chief Operating Officer, Wearable Products Operations Division Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)	April 1, 2021

Name	After change	Before change	Date of change
Hideki Shimada	Managing Executive Officer General Administrative Manager, Production Planning Division	Managing Executive Officer General Administrative Manager, Production Planning Division Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for DTF and PaperLab Business)	April 1, 2021
Sunao Murata	Executive Officer Deputy General Administrative Manager, DX Division (in charge of System Promotion)	Technology Officer Deputy General Administrative Manager, DX Division (in charge of System Promotion)	April 1, 2021
Hitoshi Igarashi	Executive Officer Deputy Chief Operating Officer, Printing Solutions Division (in charge of P Commercial & Industrial Operations, PaperLab Business and Planning and Design) Chief Operating Officer, P Commercial & Industrial Operations Division	Executive Officer Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for LFP Business; in charge of Planning and Design)	April 1, 2021
Keijiro Naito	Executive Officer Chief Operating Officer, Manufacturing Solutions Operations Division	Executive Officer Chief Operating Officer, Robotics Solutions Operations Division	April 1, 2021
Yoshiro Nagafusa	Executive Officer President, Epson Europe B.V.	Executive Officer Senior Vice President, Epson Europe B.V.	April 1, 2021
Junkichi Yoshida	Executive Officer Chief Operating Officer, Printing Solutions Division	Executive Officer Deputy General Administrative Manager, DX Division (in charge of DX Promotion) Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Business Strategies)	April 1, 2021
Yoichi Yamada	Executive Officer Deputy Chief Operating Officer, Printing Solutions Division (in charge of P Office & Home Operations and Component Design) Chief Operating Officer, P Office & Home Operations Division	Executive Officer Deputy Chief Operating Officer, Printing Solutions Operations Division (responsible for BIJ and Label Press Business; in charge of Component Design)	April 1, 2021
Tomoo Takaso	Executive Officer General Administrative Manager, DX Division	Deputy Chief Operating Officer, Microdevices Operations Division (Semiconductor Domain; in charge of Quality, Engineering, Production Control and Production)	April 1, 2021
Yasunori Yoshino	Executive Officer Chief Operating Officer, Visual Products Operations Division	Chief Operating Officer, Visual Products Operations Division	April 1, 2021
Tsuyoshi Kitahara	Professional 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))	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))	April 1, 2021
Munenori Ando	Professional Officer In charge of Specific Projects, Sales & Marketing Division	Executive Officer In charge of Specific Projects, Sales & Marketing Division	April 1, 2021

(3) Messrs. Motonori Okumura, Naoyuki Saeki and Kazuyoshi Yamamoto retired from the posts of Executive Officer as of March 31, 2021.

(4) Messrs. Tomoo Takaso and Yasunori Yoshino assumed offices of Executive Officer as of April 1, 2021.

9. 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, 2021 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. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka, 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 Outline of directors and officers liability insurance contract

The Company has entered into a directors and officers liability insurance contract, whose outline is as follows.

1. Scope of the insured
 - (1) Directors, Executive Officers, Professional Officers and Special Audit & Supervisory Officers of the Company
 - (2) Directors and Audit & Supervisory Board Members of the Company's domestic subsidiaries
 - (3) Employees in management positions of the Company and its domestic subsidiaries
 - (4) Individuals occupying officer positions of companies other than the Company or its domestic subsidiaries based on a request or an instruction from the Company
 - (5) The Company and its domestic subsidiaries
2. Actual ratio of premiums paid by the insured
The premiums are paid by the Company, and the insured does not effectively bear a ratio of the premiums.
3. Outline of events insured against
Damages (legal compensation for damages, litigation expenses, etc.) arising from claims for damages due to the execution of duties by the insured will be covered.
4. Measures to ensure the appropriateness of the execution of duties by officers, etc. is maintained
An exemption clause is included in the contract, which stipulates to the effect that damages arising from personal offers of illegal profit, criminal acts, etc. will not be covered.

4.4 Compensation to Directors

1. Total amount of compensation

(Millions of yen)

Category	Number of individuals (Persons)	Base compensation		Performance-linked compensation		Total
		Fixed (monetary)	Variable (monetary)	Bonuses (monetary)	Stock compensation (non-monetary)	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	8 (2)	290 (28)	9 (-)	76 (-)	24 (-)	400 (28)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	6 (5)	81 (48)	/	/	/	81 (48)
Total	14	372	9	76	24	482

- Notes
- 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.
 - The amount above includes bonuses to be paid to Directors in the amount of 76 million yen (amount to be paid to five Directors excluding Chairman and Director without the right of representation, 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 Ordinary General Meeting of Shareholders scheduled on June 25, 2021.
 - 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.
 - The number of individuals above includes two Directors who are Audit & Supervisory Committee Members who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020.
 - Stock options are not granted.

2. Decision-making policies, etc. on compensation for individual Directors who are not Audit & Supervisory Committee Members

The Company has established its decision-making policies on compensation for individual Directors who are not Audit & Supervisory Committee Members.

<Method of determining the decision-making policies>

Decision-making policies are determined by the Board of Directors upon deliberation of its contents at the Director Compensation Committee, in which Outside Directors make significant contributions.

<Outline of contents of the decision-making policies>

(1) Basic stance

The Company's officer compensation shall consist of base compensation, which is comprised of fixed compensation and a variable portion, bonuses, which is performance-linked compensation, and stock compensation, which is performance-linked, non-monetary 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.

Compensation for Officers who have executive duties

- Compensation shall be incentive to improve business performance in order to increase corporate value in both the near and long terms.
- Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.
- 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

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

- (2) Decision-making policies on base compensation for individual Directors who are not Audit & Supervisory Committee Members

Base compensation

Base compensation is 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: $\pm 20\%$)

- (3) Decision-making policies on performance-linked compensation for Directors who are not Audit & Supervisory Committee Members

Bonuses

Bonuses are annually-paid monetary compensation for officers with executive duties, which are 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)

[Details of performance indicators and reasons for selection thereof]

In consideration of the nature of bonuses as a short-term incentive, the amount of annual business profit is set as a performance indicator, taking into account factors such as the incurrence of non-recurring losses.

[Calculation method]

The amount of bonuses payable are calculated by multiplying the monthly amount of base compensation by a certain number of months determined according to the achievement level of the abovementioned performance indicators, in accordance with the calculation standards predetermined by the Board of Directors. The final amount payable is determined by the General Meeting of Shareholders to ensure transparency.

[Results of performance indicators]

Details are as stated in “1.9 Status of assets and income (loss)” (please refer to page 25).

Performance-linked stock compensation (officer compensation BIP trust)

Details are as stated in “(4) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee Members.”

- (4) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee Members

Performance-linked stock compensation (officer compensation BIP trust)

This is a stock compensation system for officers with executive duties wherein Company’s shares are delivered using a trust scheme. Under this system, the Company contributes money up to 500 million yen in total for each target period, which covers a period of three consecutive fiscal years, to the trust as compensation for officers eligible for this system. During each target period, the said trust uses the

entrusted money to acquire up to 300,000 shares (in the event of a share split, share consolidation, etc., the said maximum number of shares will fluctuate in proportionate to the ratio of split or consolidation) of the Company's ordinary shares from the stock market or the Company (disposal of treasury shares). Every July during the trust period, basic points are granted based on positions and other factors. The number of points will fluctuate by multiplying the said basic points by a performance-based coefficient determined based on the achievement level of the Company's medium- to long-term performance targets (the maximum number of total points per year is 100,000 points, and one point is equivalent to one share). In principle, after the elapse of three years from the date of grant of basic points, approximately 50% of the Company's ordinary shares equivalent to the number of points after multiplying the performance-based coefficient determined based on the achievement level of the Company's medium-term performance targets, which include business profit, ROS, and ROE, are delivered from the trust, and the remainder is paid as money equivalent to the cash value of the Company's ordinary shares for the purpose of appropriating it as funds to pay withholding taxes and other taxes.

The plan is designed such that the ratio of stock compensation to base compensation ranges between 10% and 22% depending on position, while the number of shares issued depends on the achievement level of financial indicators during a target period (three years).

Under the stock compensation system, mechanisms (malus and clawback clauses) have been established with which the Company may cause officers to forfeit the right to receive delivery of shares and demand a refund of the amount equivalent to the shares already delivered by the Company in the event of violations of laws and regulations, internal regulations, etc. by officers.

[Details of performance indicators and reasons for selection thereof]

The Company has selected quantitative evaluations (business profit, ROS, ROE, cash flows from operating activities) as well as qualitative evaluations as indicators, so that the performance-linked compensation based on performance indicators can provide appropriate incentives to Directors and for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value.

[Calculation method]

Calculated by multiplying basic points granted based on factors such as positions by the performance-based coefficient calculated using the following formula (one point is equivalent to one ordinary share in the Company).

- Formula

$$\text{Performance-based coefficient} = \{(\text{business profit coefficient}) + (\text{ROS coefficient}) + (\text{ROE coefficient}) + (\text{cash flows from operating activities coefficient}) + (\text{qualitative evaluation coefficient} \times 2)\} \div 6$$

- 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 the previous 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.

[Results of performance indicators]

As a result of calculations in accordance with the above formula and determination table, the performance-based coefficient for FY2016–FY2018 was 0.90x.

(5) Decision-making policies on the ratio of compensation for individual Directors who are not Audit & Supervisory Committee Members

With regard to the policies on decisions on the ratio of compensation by category for Directors who are not Audit & Supervisory Committee Members (excluding Chairman and Director without the right of representation and Outside Directors), the monthly compensation of “base compensation” is used as the basis to calculate “bonuses,” which are calculated by multiplying a certain number of months determined based on the achievement level of performance indicators. In addition, “stock compensation” is designed so that it ranges between 10% and 22% of the monthly base compensation depending on position, with the ratio of “stock compensation” increasing commensurate with position. For FY2020, the composition ratio of the total amount of compensation for Directors who are not Audit & Supervisory Committee Members (excluding Chairman and Director without the right of representation and Outside Directors) was as follows: approximately 67% as base compensation, approximately 25% as bonuses, and approximately 8% as stock compensation.

(6) Matters regarding delegation of decisions on compensation for individual Directors who are not Audit & Supervisory Committee Members

The Board of Directors has provided Mr. Yasunori Ogawa, President and Representative Director, with discretion to determine matters including the amounts of compensation for individual Directors who are not Audit & Supervisory Committee Members, as he is in a position to oversee the overall performance of the Company. Mr. Ogawa determines the amounts of compensation for individual Directors who are not Audit & Supervisory Committee Members based on the content discussed and approved by the Director Compensation Committee, in which Outside Directors make significant contributions, so that the said authority is exercised appropriately.

(7) Other important matters regarding decisions on the details of compensation for individual Directors who are not Audit & Supervisory Committee Members

Under the stock compensation system, mechanisms (malus and clawback clauses) have been established with which the Company may cause officers to forfeit the right to receive delivery of shares and demand a refund of the amount equivalent to the shares already delivered by the Company in the event of violations of laws and regulations, internal regulations, etc. by officers.

<Reasons why the Board of Directors has determined that the details of compensation for individual Directors who are not Audit & Supervisory Committee Members for the fiscal year under review comply with the said decision-making policies>

The Board of Directors has confirmed the following points and determined that the compensation for Directors who are not Audit & Supervisory Committee Members for the fiscal year under review complies with the said policies.

- A fair, transparent, and rigorous reporting by the Director Compensation Committee in which Outside Directors make significant contributions has been conducted.
- The Audit & Supervisory Committee shared and discussed the details that were discussed by the Director Compensation Committee and reported that there were no items to be stated at the General Meeting of Shareholders.

3. Decision-making policies, etc. on compensation for individual Directors who are Audit & Supervisory Committee Members

The Company has established its decision-making policies on compensation for individual Directors who are Audit & Supervisory Committee Members.

<Method of determining the decision-making policies>

Decision-making policies are determined by the Audit & Supervisory Committee.

<Outline of contents of the decision-making policies>

The Company's compensation for individual Directors who are Audit & Supervisory Committee Members shall be decided by taking into consideration factors such as whether he or she is Full-Time or not, how the audit work has been divided, and the details and levels of compensation for Directors who are not Audit & Supervisory Committee Members.

Given their roles to monitor the management as a whole based on independence from the business affairs, the Company pays only fixed compensation to Directors who are Audit & Supervisory Committee Members. In addition, basic stance for such fixed compensation is as stated in "Compensation for Officers who do not have executive duties" (please refer to page 37), and it is determined by the Board of Directors upon deliberation of its contents at the Director Compensation Committee, in which Outside Directors make significant contributions.

4. Resolutions by the General Meeting of Shareholders on compensation for Directors

Base compensation

Upon the resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum base compensation was set at 62 million yen per month for Directors who are not Audit & Supervisory Committee Members (including 10 million yen per month for Outside Directors). At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors who are not Audit & Supervisory Committee Members was eight (including two Outside Directors).

In addition, upon the resolution at the said Ordinary General Meeting of Shareholders, the maximum base compensation was set at 20 million yen per month for Directors who are Audit & Supervisory Committee Members. At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors who are Audit & Supervisory Committee Members was four.

Performance-linked stock compensation (officer compensation BIP trust)

Upon the resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum amount of performance-linked stock compensation for Directors who are not Audit & Supervisory Committee Members (excluding those who are independent from business execution, such as Outside Directors, as well as those residing overseas) was set at 500 million yen in total over a period of three fiscal years, with the maximum number of total points to be granted per year set at 100,000 points (one point is equivalent to one share in the Company). Upon the resolution at the Board of Directors meeting held on May 16, 2019, these standards have been continued. At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors who are not Audit & Supervisory Committee Members was six.

4.5 Main activities of Outside Directors

(1) Outside Directors

Name	Outline of comments at meetings of the Board of Directors and duties performed in relation to expected roles	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 has fulfilled his role in appropriately supervising management by actively expressing 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 experience through her involvement in the management of multiple companies as outside officers, she has fulfilled her role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from the viewpoints of open innovation promotion, etc.	Meetings of the Board of Directors: 13 / 13 meetings (100%)

(2) Outside Directors, Audit & Supervisory Committee Members

Name	Outline of comments at meetings of the Board of Directors and Audit & Supervisory Committee and duties performed in relation to expected roles	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Yoshio Shirai	Based on considerable experience and insight as a corporate manager and engineer, he has fulfilled his role in appropriately supervising management by actively expressing 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: 17 / 17 meetings (100%)
Susumu Murakoshi	Based on a high level of expertise as an attorney-of-law and a considerable insight and experience through his involvement in the legal community including as the President of Japan Federation of Bar Association, he has fulfilled his role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from a perspective of a legal professional.	Meetings of the Board of Directors: 10 / 10 meetings (100%) Meetings of the Audit & Supervisory Committee: 12 / 12 meetings (100%)

Name	Outline of comments at meetings of the Board of Directors and Audit & Supervisory Committee and duties performed in relation to expected roles	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Michiko Ohtsuka	Based on a high level of expertise as a certified public accountant and a considerable insight and experience through her involvement in the management of a listed company as outside officer, she has fulfilled her role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from a perspective of finance and accounting professional.	Meetings of the Board of Directors: 10 / 10 meetings (100%) Meetings of the Audit & Supervisory Committee: 12 / 12 meetings (100%)

- Notes
1. Attendance at meetings of the Board of Directors for Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka are counted based on 10 meetings held after their appointment at the Ordinary General Meeting of Shareholders on June 25 2020.
 2. Attendance at meetings of the Audit & Supervisory Committee for Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka are counted based on 12 meetings held after their appointment at the Ordinary General Meeting of Shareholders on June 25 2020.

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	154	2
Consolidated subsidiaries	43	—
Total	197	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, 33 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.

The Company partially revised its Basic Policy regarding the Internal Control System by a resolution at the Board of Directors meeting held on February 25, 2021. The major revisions are as follows, with revised sections underlined. (Effective date: April 1, 2021)

- ◆ Revision toward stronger cooperation between the Audit & Supervisory Committee and the Internal Audit Office

1. Compliance

- (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 and the head of the internal audit control departments shall be able to attend meetings of the Compliance Committee as observers.

7. Audit system

- (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. Furthermore, prior consent from the Audit & Supervisory Committee must be obtained for the appointment and dismissal of the head of the internal audit control departments.

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, a global whistleblowing system, and a partner 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 principle 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. Furthermore, to raise awareness and help them better understand the Principles, the Company has 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, workplace activities aimed at creating an environment with better communication that can prevent fraud and detect it early were conducted, 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, managers in charge conveyed their messages and e-learning was 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. In addition, we established our new Corporate Vision, "Epson 25 Renewed," in March 2021.
- 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. As our response to the novel coronavirus, the Company followed the provisions of the crisis management program to confirm the status at our locations in various countries, issue specific instructions according to their respective risk level, and develop infection prevention measures, directed by top management with the purposes of ensuring the safety of group employees and their families, preventing the spread of the novel coronavirus infection, and continuing and restoring operation of business. 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) At the beginning of the fiscal year, the internal audit departments of the Company had planned 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. Amid

restrictions on auditing activities due to the spread of the novel coronavirus infection, they conducted 14 audits by using online communication and revising the audit process, upon reviewing the subjects of audits and timing of implementation. They also conducted follow-up audits to confirm the status of the improvement progress of issues from last year's audit, starting with the auditees that can accommodate audits. 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. There was a change in the General Administrative Manager of the Internal Audit Office during the fiscal year, which was done based on a resolution of the Audit & Supervisory Committee to provide consent.
- 6) Audit & Supervisory Committee interviewed Directors who are not Audit & Supervisory Committee Members, Executive Officers, Chief Operating Officers who are not Executive Officers, General Administrative Managers of Divisions, 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, Head Office supervisory departments, Audit & Supervisory Board Members of subsidiaries in Japan, 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.
- 8) At the Company, Full-Time Audit & Supervisory Committee Members, the internal audit departments, responsible departments for compliance and risk management, and the Audit & Supervisory Committee Office regularly exchange opinions, in order to discuss and share risk awareness across the entire group and other matters. These organizations cooperate and make cohesive efforts to follow the maintenance and operation status of our internal control system and make further improvements.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2021)

(Millions of yen)

Item	As of March 31, 2021	(Reference) As of March 31, 2020	Item	As of March 31, 2021	(Reference) As of March 31, 2020
Assets			Liabilities		
Current Assets	739,997	609,846	Current liabilities	305,943	272,274
Cash and cash equivalents	304,007	196,262	Trade and other payables	134,149	125,069
Trade and other receivables	161,332	157,782	Income tax payables	7,305	3,286
Inventories	256,366	233,434	Bonds issued, borrowings and lease liabilities	28,127	22,320
Income tax receivables	3,518	5,217	Other financial liabilities	2,361	363
Other financial assets	1,156	3,159	Provisions	11,014	11,406
Other current assets	13,160	13,989	Other current liabilities	122,973	109,827
Subtotal	739,540	609,846	Subtotal	305,931	272,274
Assets held for sale	457	—	Liabilities directly associated with assets held for sale	12	—
Non-current assets	421,317	431,064	Non-current liabilities	302,421	262,598
Property, plant and equipment	344,637	360,517	Bonds issued, borrowings and lease liabilities	237,780	187,362
Intangible assets	27,976	29,052	Other financial liabilities	2,730	1,877
Investment property	1,246	1,043	Net defined benefit liabilities	33,087	52,964
Investments accounted for using the equity method	1,718	1,512	Provisions	7,757	7,585
Net defined benefit assets	140	33	Other non-current liabilities	13,483	11,814
Other financial assets	20,213	16,959	Deferred tax liabilities	7,582	993
Other non-current assets	1,614	1,871	Total liabilities	608,365	534,873
Deferred tax assets	23,770	20,072	Equity		
Total assets	1,161,314	1,040,910	Equity attributable to owners of the parent company	550,924	503,746
			Share capital	53,204	53,204
			Capital surplus	84,418	84,434
			Treasury shares	(40,874)	(40,953)
			Other components of equity	54,869	37,451
			Retained earnings	399,306	369,609
			Non-controlling interests	2,025	2,290
			Total equity	552,949	506,037
			Total liabilities and equity	1,161,314	1,040,910

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

Consolidated Statement of Comprehensive Income (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Revenue	995,940	1,043,600
Cost of sales	(643,563)	(681,600)
Gross profit	352,377	362,000
Selling, general and administrative expenses	(290,735)	(321,138)
Other operating income	3,225	5,181
Other operating expense	(17,213)	(6,563)
Profit from operating activities	47,654	39,479
Finance income	1,317	2,306
Finance costs	(4,137)	(2,150)
Share of profit of investments accounted for using the equity method	99	77
Profit before tax	44,933	39,713
Income taxes	(13,937)	(31,889)
Profit for the period	30,995	7,823
Profit for the period attributable to owners of the parent company	30,922	7,733
Profit for the period attributable to non- controlling interests	73	90
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax	21,726	967
Remeasurement of net defined benefit liabilities /assets)	20,220	2,442
Net gain (loss) on revaluation of financial assets measured at FVTOCI	1,505	(1,475)
Items that may be reclassified subsequently to profit or loss, net of tax	16,096	(12,660)
Exchange differences on translation of foreign operations	17,172	(13,068)
Net changes in fair value of cash flow hedges	(1,130)	441
Share of other comprehensive income of investments accounted for using the equity method	54	(33)
Total other comprehensive income, net of tax	37,822	(11,693)
Total comprehensive income for the period	68,818	(3,869)
Total comprehensive income for the period attributable to owners of the parent company	68,564	(3,783)
Total comprehensive income for the period attributable to non-controlling interests	254	(86)

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

Consolidated Statement of Changes in Equity
(from April 1, 2020 to March 31, 2021)

(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, 2020	53,204	84,434	(40,953)	—	1,729	35,144
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	20,220	1,503	17,047
Total comprehensive income for the period	—	—	—	20,220	1,503	17,047
Acquisition of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	(16)	80	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	(20,220)	(3)	—
Total transactions with the owners	—	(16)	78	(20,220)	(3)	—
Balance as of March 31, 2021	53,204	84,418	(40,874)	—	3,229	52,192

	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, 2020	577	37,451	369,609	503,746	2,290	506,037
Profit for the period	—	—	30,922	30,922	73	30,995
Other comprehensive income	(1,130)	37,641	—	37,641	181	37,822
Total comprehensive income for the period	(1,130)	37,641	30,922	68,564	254	68,818
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	(21,449)	(21,449)	(519)	(21,968)
Share-based payment transactions	—	—	—	63	—	63
Transfer from other components of equity to retained earnings	—	(20,224)	20,224	—	—	—
Total transactions with the owners	—	(20,224)	(1,225)	(21,386)	(519)	(21,906)
Balance as of March 31, 2021	(552)	54,869	399,306	550,924	2,025	552,949

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

(Reference) Consolidated Statement of Cash Flows (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Amount	Amount in previous fiscal year
Cash flows from operating activities		
Profit (loss) for the period	30,995	7,823
Depreciation and amortisation	69,852	68,416
Impairment loss (reversal of impairment loss)	7,823	581
Finance (income) costs	2,820	(156)
Share of (profit) loss of investments accounted for using the equity method	(99)	(77)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property	316	672
Income taxes	13,937	31,889
Decrease (increase) in trade receivables	(1,004)	12,407
Decrease (increase) in inventories	(12,865)	9,224
Increase (decrease) in trade payables	13,151	(11,420)
Increase (decrease) in net defined benefit liabilities	2,888	1,863
Other	14,779	(10,136)
Subtotal	142,595	111,088
Interest and dividends income received	1,365	2,084
Interest expenses paid	(1,111)	(1,181)
Proceeds from insurance income	339	2,614
Income taxes paid	(9,966)	(12,281)
Net cash from (used in) operating activities	133,222	102,324
Cash flows from investing activities		
Purchase of investment securities	(297)	(1,041)
Proceeds from sales of investment securities	26	25
Purchase of property, plant and equipment	(47,504)	(65,250)
Proceeds from sales of property, plant and equipment	467	840
Purchase of intangible assets	(8,371)	(10,457)
Proceeds from sale of intangible assets	21	14
Proceeds from sale of investment property	—	16
Other	(1,790)	(280)
Net cash from (used in) investing activities	(57,448)	(76,131)
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(889)	(9,816)
Proceeds from non-current borrowings	—	29,948
Repayment of non-current borrowings	(14,000)	—
Proceeds from issuance of bonds issued	69,676	29,846
Redemption of bonds issued	—	(10,000)
Payments of lease liabilities	(9,667)	(8,203)
Dividends paid	(21,449)	(21,646)
Dividends paid to non-controlling interests	(519)	(188)
Purchase of treasury shares	(1)	(10,224)
Net cash from (used in) financing activities	23,150	(283)
Effect of exchange rate changes on cash and cash equivalents	8,837	(4,901)
Net increase (decrease) in cash and cash equivalents	107,761	21,007
Cash and cash equivalents at beginning of period	196,245	175,238
Cash and cash equivalents at end of period	304,007	196,245

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

Non-Consolidated Financial Statements
Balance Sheet (as of March 31, 2021)

(Millions of yen)

Item	As of March 31, 2021	(Reference) As of March 31, 2020	Item	As of March 31, 2021	(Reference) As of March 31, 2020
Assets			Liabilities		
Current assets	367,319	304,233	Current liabilities	168,786	145,413
Cash and deposits	65,037	28,487	Notes payable - trade	3,208	3,302
Notes receivable - trade	161	128	Accounts payable - trade	79,432	62,513
Accounts receivable - trade	159,491	120,743	Current portion of bonds issued	20,000	—
Securities	51,000	67,500	Current portion of long-term borrowings	500	14,000
Merchandise and finished goods	5,032	6,844	Lease liabilities	89	88
Work in process	15,401	16,148	Accounts payable - other	32,973	41,634
Raw materials and supplies	20,799	22,339	Accrued expenses	7,302	6,821
Short-term loans receivable	15,060	6,686	Income taxes payable	1,182	348
Accounts receivable - other	28,954	28,328	Deposits received	6,797	4,514
Other	6,380	7,027	Provision for bonuses	13,241	9,812
			Provision for directors' bonuses	70	85
Non-current assets	366,233	374,724	Provision for product warranties	1,437	1,730
(Property, plant and equipment)	(174,260)	(186,531)	Other	2,550	562
Buildings	87,964	89,801	Non-current liabilities	255,862	202,150
Structures	3,492	3,673	Bonds issued	150,000	100,000
Machinery and equipment	46,558	55,712	Non-current borrowings	66,000	66,500
Vehicles	50	56	Lease liabilities	1,189	1,278
Tools, furniture and fixtures	7,608	8,037	Provision for retirement benefits	34,262	29,867
Land	28,340	28,482	Provision for product warranties	235	295
Construction in progress	245	767	Asset retirement obligations	3,153	3,155
Other	—	0	Other	1,020	1,053
(Intangible assets)	(9,820)	(9,841)	Total liabilities	424,649	347,564
Software	6,862	6,381	Net assets		
Other	2,958	3,460	Shareholders' equity	306,426	329,105
(Investments and other assets)	(182,153)	(178,351)	Share capital	53,204	53,204
Investment securities	9,870	8,266	Capital surplus	84,321	84,321
Shares of subsidiaries and affiliates	131,953	133,346	Legal capital surplus	84,321	84,321
Long-term prepaid expenses	2,657	2,529	Retained earnings	209,716	232,473
Deferred tax assets	36,127	32,667	Legal retained earnings	3,132	3,132
Other	1,560	1,556	Other retained earnings	206,583	229,341
Allowance account for credit losses	(16)	(16)	Retained earnings brought forward	206,583	229,341
			Treasury shares	(40,814)	(40,893)
			Valuation and translation adjustments	2,477	2,287
			Valuation difference on available-for-sale securities	3,016	1,696
			Deferred gains or losses on hedges	(539)	590
			Total net assets	308,904	331,393
Total assets	733,553	678,957	Total liabilities and net assets	733,553	678,957

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

Statement of Income (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Net sales	714,821	715,768
Cost of sales	643,644	670,531
Gross profit	71,176	45,236
Selling, general and administrative expenses	71,705	72,671
Operating loss	(528)	(27,434)
Non-operating income	3,041	23,984
Interest and dividend income	317	21,091
Other	2,724	2,892
Non-operating expenses	4,935	4,920
Interest expenses	688	531
Foreign exchange losses	625	948
Other	3,621	3,440
Ordinary loss	(2,422)	(8,370)
Extraordinary income	73	2,647
Gain on sales of property, plant and equipment and intangible assets	70	13
Insurance claim income	—	2,462
Other	3	170
Extraordinary losses	3,595	2,839
Loss on sales of property, plant and equipment and intangible assets	—	127
Loss on disposal of property, plant and equipment and intangible assets	170	350
Impairment loss	2,947	410
Loss on valuation of shares of subsidiaries	476	508
Loss on valuation of investment securities	—	966
Other	—	476
Loss before income taxes	(5,943)	(8,563)
Income taxes - current	(1,403)	(854)
Income taxes - deferred	(3,246)	9,532
Total income taxes	(4,649)	8,677
Net loss	(1,293)	(17,240)

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

Statement of Changes in Net Assets
(from April 1, 2020 to March 31, 2021)

(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, 2020	53,204	84,321	3,132	229,341	232,473	(40,893)	329,105
Changes of items during the period							
Dividends	—	—	—	(21,463)	(21,463)	—	(21,463)
Net loss	—	—	—	(1,293)	(1,293)	—	(1,293)
Acquisition of treasury shares	—	—	—	—	—	(1)	(1)
Disposal of treasury shares	—	—	—	—	—	80	80
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	(22,757)	(22,757)	78	(22,678)
Balance as of March 31, 2021	53,204	84,321	3,132	206,583	209,716	(40,814)	306,426

	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, 2020	1,696	590	2,287	331,393
Changes of items during the period				
Dividends	—	—	—	(21,463)
Net loss	—	—	—	(1,293)
Acquisition of treasury shares	—	—	—	(1)
Disposal of treasury shares	—	—	—	80
Net changes of items other than shareholders' equity	1,320	(1,130)	189	189
Total changes of items during the period	1,320	(1,130)	189	(22,488)
Balance as of March 31, 2021	3,016	(539)	2,477	308,904

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, 2021

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 Ryuichi Minami

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, 2020 through March 31, 2021.

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, 2021

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 Ryuichi Minami

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 79th fiscal year from April 1, 2020 through March 31, 2021.

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, 2021, 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 79th fiscal year, from April 1, 2020 to March 31, 2021, 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 Regulation on Corporate Accounting 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 18, 2021

Audit & Supervisory Committee, Seiko Epson Corporation

Full-Time Audit & Supervisory Committee Member: Taro Shigemoto

Outside Audit & Supervisory Committee Member: Yoshio Shirai

Outside Audit & Supervisory Committee Member: Susumu Murakoshi

Outside Audit & Supervisory Committee Member: Michiko Ohtsuka

(Note) Audit & Supervisory Committee Members, namely, Mr. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka 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 79th 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, 2020 to March 31, 2021)

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.

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. Basic policy

The Company aims to continue to create game-changing customer value by taking on challenges boldly and creating innovation beyond its own common sense and vision, drawing on efficient, compact, and precision technologies, its unique strengths ever since its founding, and to play a central role as an indispensable company for making the world a better place.

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 (hereinafter “large-scale acquisition”) should ultimately be referred to a decision by the shareholders.

However, the Company believes that shareholders should determine whether or not to accept a proposal on a large-scale acquisition of the Company shares in an appropriate manner. To this end, it is vital that shareholders are provided necessary information and opinions from both the potential large-scale acquirer of the Company shares and the Company’s Board of Directors, with sufficient time ensured for shareholders to consider them.

The Company believes that it is essential for an entity controlling decisions on the Company’s financial and business policies be a party that fully understands the Company’s business activity and source of corporate value as well as the importance of having executives and employees work together to create corporate value, continuing to create and take on challenges while embracing its established business culture and preserving and acquiring the customers’ trust.

2. Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

The Company reviewed its long-term vision in March 2021 and established Epson 25 Renewed Corporate Vision, with the aspirational goal of *achieving sustainability and enriching communities*, to pursue into the future.

Under Epson 25 Renewed Corporate Vision, the Company will redefine business area goals and evolve strategies while strengthening company-wide strategy across businesses centred on the *environment, DX and co-creation* in the future. In addition, the Company will allocate management resources to new areas and growth areas by clarifying its business portfolio and further strengthen business infrastructure to execute strategy.

(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

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.

3. Decisions made by the Board of Directors regarding specific actions and the justification for those decisions

The specific actions described above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders. These actions do not impair the common interest of its shareholders and are in accordance with the above basic policy. In addition, these actions are deemed to be not intended for keeping Epson Directors in their posts.

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 in compliance with International Financial Reporting Standards (“IFRS”), pursuant to the provision of Article 120, Paragraph 1 of the Regulation on Corporate Accounting. In accordance with the provisions of the latter part of the same paragraph, the consolidated financial statements are prepared with the omission of some disclosure items required by IFRS.

2. Scope of Consolidation

Number of Subsidiaries: 80

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
Epson X Investment 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.
Epson Como Printing Technologies S.r.l.	Epson Iberica, S.A.U.
Epson Telford Ltd.	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.	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: 1 subsidiary)

One subsidiary has been added to the scope of consolidation for new establishment.

EP-GB Investment Limited Partnership

(Decrease: 3 subsidiaries)

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

Epson Paulista Ltda.

For. Tex S.r.l.

One subsidiary has been excluded from the scope of consolidation due to liquidation.

Epson Norway Research and Development AS

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 recognised 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 recognised 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.

Notes to Accounting Estimates

The preparation of Epson's consolidated financial statements includes management estimates and assumptions for measurements of income, expenses, assets and liabilities, and disclosure of contingencies as of the end of the fiscal year. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors, including impacts of the covid-19 pandemic deemed to be reasonable as of the end of the fiscal year. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognised in the period of the change and subsequent periods.

Among the above estimates and assumptions, the following were items that may have a material effect on the amounts recognised in Epson's consolidated financial statements:

(1) Impairment of Non-financial Assets

Epson performs an impairment test for property, plant and equipment, goodwill, intangible assets, investment property and right-of-use assets ("asset") when there is any indication that the recoverable amount has fallen below the carrying amount of the assets or when it is required annually.

The impairment test is performed by comparing the carrying amount and the recoverable amount of assets or cash-generating units. If the recoverable amount falls below the carrying amount, impairment losses are recognised. Recoverable amount is the higher of fair value less costs of disposal and value in use of assets or cash-generating units with certain assumptions of useful life, future cash flow of an asset, discount rate and long-term growth rate. Value in use is the present value of the future cash flows expected to be derived from assets or cash-generating units and in measuring the value in use, Epson bases cash flow projections on the most recent business plan and others approved by management which includes assumptions such as projected growth in revenue. If an estimate is required for the periods beyond the period covered

by the business plan, etc., Epson takes future uncertainties into consideration. The future cash flows include net cash flows from the disposal of the assets or cash-generating units. These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson's consolidated financial statements in future periods.

The major contents of impairment loss recorded for the consolidated fiscal year under review is described in "Other Notes – 2. Impairment Loss."

(2) Post-employment Benefits

Epson has several types of post-employment benefit plans, including defined benefit plans.

The present value of defined benefit obligations on each of these plans and the related service costs and others are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates.

The actuarial assumptions are determined based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions. Any changes in these assumptions could have a material impact on Epson's consolidated financial statements in future periods.

(3) Provisions

Epson recognises provisions based on the best estimates of the expenditures required to settle the obligations, taking into account risks and uncertainty related to the obligations as of the fiscal year end date.

Expenditures necessary for settling the obligations are calculated by taking all possible future results into account. However, they may be affected by unexpected events or changes in conditions which may have a material impact on Epson's consolidated financial statements in future periods.

Major provisions including estimates and assumptions which may have a material impact on Epson's consolidated financial statements in future periods are as follows:

1) Provision for Product Warranties

For warranty expenditures, Epson recognises the provisions for estimated amounts based on the rate of historical service contract expenses to sales as well as estimated amounts for those products where future warranty expenses can be reliably estimated. (Balance at end of period: 11,865 million yen)

2) Asset Retirement Obligations

Epson recognises provisions for asset retirement obligation which derive from the acquisition, construction, development or normal use of property, plant and equipment. Epson is required to bear the amount of asset retirement obligation that it is probable that Epson will pay in light of historical experience. (Balance at end of period: 3,947 million yen)

3) Provision for Loss on Litigation

Epson recognises provisions 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 period. (Balance at end of period: 614 million yen)

(4) Income Taxes

Epson, which conducts business around the world, makes reasonable estimates of income tax to be paid to local tax authorities in accordance with local laws and regulations, and recognises income taxes payable and current tax expense based on these estimates.

Calculating income taxes payable and current tax expense requires estimates and judgments on various factors, including, for example, the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or experience of prior tax investigation.

Therefore, there may be differences between the amount recognised as income taxes payable and current tax expense and the amount of actual income taxes. These differences may have a material impact on Epson's consolidated financial statements in future periods.

In addition, deferred tax assets are recognised to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilised.

In recognising the deferred tax assets, Epson judges the possibility of future taxable income and reasonably estimate the timing and amount of future taxable income based on factors such as the business plan which includes assumptions such as projected growth in revenue.

The timing and amount of taxable income may be affected by variable and uncertain future economic conditions, and changes could have a material impact on Epson's consolidated financial statements in future periods.

(5) Contingencies

With regard to contingencies, any items that may have a material impact on business in the future are disclosed in light of all the available evidence as of the fiscal year end date and by taking into account the probability of these contingencies and their impact on financial reporting. The content of contingencies is stated in "Other Notes – 1. Contingencies."

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,110 million yen
Other financial assets (non-current)	54 million yen

2. Accumulated Depreciation and Accumulated Impairment

Losses of Property, Plant and Equipment	987,253 million yen
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Consolidated Statement of Changes in Equity

- Total Number of Fully Paid Issued Shares as of the End of the Consolidated Fiscal Year under Review

Common stock: 399,634,778 shares

- Cash Dividends

- (1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting held on June 25, 2020	Ordinary shares	(Note 1) 10,731 million yen	31 yen	March 31, 2020	June 26, 2020
Board of Directors Meeting held on October 29, 2020	Ordinary shares	(Note 2) 10,731 million yen	31 yen	September 30, 2020	November 30, 2020

(Note 1) Total dividends include dividends of 8 million yen for the Company's shares held by BIP trust.

(Note 2) Total dividends include dividends of 6 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, 2021	Ordinary shares	(Note) 10,731 million yen	Retained earnings	31 yen	March 31, 2021	June 28, 2021

(Note) Total dividends include dividends of 6 million yen for the Company's shares held by BIP trust.

Financial Instruments

- 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 and other means 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

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

1) Financial instruments measured at amortised cost

The carrying amounts and the levels based on 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	66,436	—	66,742	—	66,742
Bonds issued	169,463	—	170,017	—	170,017
Total	235,899	—	236,759	—	236,759

“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 levels based on the fair value hierarchy of financial instruments measured at fair value were as follows:

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	—	356	—	356
Equity securities	9,782	—	3,388	13,171
Bonds receivable	—	—	586	586
Total	9,782	356	3,974	14,114
Financial liabilities measured at fair value				
Derivative financial liabilities	—	2,332	—	2,332
Total	—	2,332	—	2,332

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	3,617
Gains and losses	
Other comprehensive income	79
Purchase	297
Sales	(20)
Balance at end of period	3,974

Per Share Data

1. Equity attributable to owners of the parent company, per share 1,592.36 yen
2. Basic earnings per share 89.38 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 210,928 shares and 222,290 shares, respectively.

Other Notes

1. Contingencies

Material litigation

In general, litigation has uncertainties and it is difficult to make a reliable estimate of financial effect of the possibility of an outflow of resources embodying economic benefits.

Provisions are not recognised when either an outflow of resources embodying economic benefits is not probable or an estimate of financial effect is not practicable.

Epson had the following material action.

(The civil action on copyright fee of ink-jet printers)

In June 2010, Epson Europe B.V. (“EEB”), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Reprobel (“Reprobel”), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. After that, Reprobel also brought a civil suit against EEB. As a result, these two lawsuits were adjointed. EEB’s claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

2. Impairment Loss

Epson’s business assets are generally grouped by business segment under the Company’s management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level.

Impairment loss recognised in the consolidated fiscal year under review was mainly for business assets that belong to the wearable products business which is a part of the Wearable & Industrial Products Segment by reviewing its business strategy at the end of the consolidated fiscal year as reflecting a decline in profitability of the business. An impairment loss of 7,516 million yen was recognised, including the amount which had been already recognised during the consolidated fiscal year. The recoverable amount (9,704 million yen) was determined at value in use by estimating future cash flows over 5 years, based on the business plan, etc. approved by management and net cash inflows from the disposal of assets and by discounting the future cash flows to the present value at the pretax discount rate (7.5%).

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, etc.: 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

(Adoption of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31; March 31, 2020) for the non-consolidated financial statements from the fiscal year ended March 31, 2021, and has provided notes on significant accounting estimates in the non-consolidated financial statements.

However, details for the previous fiscal year are not stated in these notes in accordance with the transitional arrangements stipulated in the proviso to Paragraph 11 of the accounting standard.

Notes to Accounting Estimates

The preparation of the Company’s non-consolidated financial statements includes management estimates and assumptions for measurements of income, expenses, assets and liabilities, and disclosure of contingencies as of the end of the fiscal year. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors, including impacts of the covid-19 pandemic deemed to be reasonable as of the end of the fiscal year. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change and subsequent periods.

Among the above estimates and assumptions, the following were items that may have a material effect on the amounts recognized in the Company’s non-consolidated financial statements:

(1) Impairment of Non-current Assets

The amount of impairment loss recorded for this fiscal year under review was 2,947million yen, and the main content is described in “Other Notes – Impairment Loss.”

The content regarding estimates and assumptions is as described in “Notes to the Consolidated Financial Statements - Notes to Accounting Estimates - (1) Impairment of Non-financial Assets.”

Statement of Changes in Net Assets

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

Treasury shares 53,655,825 shares

Note: The total number of treasury shares includes 210,928 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	
Excess of depreciation of non-current assets	18,611
Provision for retirement benefits	10,433
Loss carried forward	7,984
Loss on valuation of shares	5,212
Loss on valuation of inventories	4,004
Provision for bonuses	3,493
Other	6,375
Subtotal	<u>56,115</u>
Valuation allowance for deductible temporary differences	(10,657)
Valuation allowance for unused tax losses	<u>(7,984)</u>
Valuation allowance subtotal	<u>(18,642)</u>
Total deferred tax assets	37,473
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(683)
Property, plant and equipment (asset retirement obligations)	(567)
Other	<u>(94)</u>
Total deferred tax liabilities	<u>(1,345)</u>
Net deferred tax assets	<u>36,127</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)	107,157	Accounts receivable - trade	18,562
			Depositing of excess funds (Note 2)	(Note 3)	Deposits received	49
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	199,642	Accounts receivable - trade	61,859
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	135,968	Accounts receivable - trade	22,478
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	100,128	Accounts payable - trade	13,397
					Accounts receivable - other	4,111
PT. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	115,315	Accounts payable - trade	15,420
					Accounts receivable - other	2,844
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	76,394	Accounts receivable - trade	13,770
Epson Singapore Pte. Ltd.	Direct holding 100%	Regional headquarters of Southeast Asia; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	37,008	Accounts receivable - trade	9,212
Epson Engineering (Shenzhen) Ltd.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	62,083	Accounts payable - trade	7,917
					Accounts receivable - other	3,467

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 | 892.84 yen |
| 2. Loss per Share | 3.74 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 210,928 shares and 222,290 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 product is usually transferred to the customer when the product is delivered, and Epson’s performance obligation is deemed to have been satisfied. Therefore, Epson recognises revenue at the time of delivery.

Other Notes

Impairment Loss

Epson’s business assets are generally grouped by business segment under the Company’s management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level. Impairment loss recognized in the fiscal year under review was mainly for business assets that belong to wearable products business. This was because the recoverable amount fell below the carrying amount as a result of a decline in profitability of the business and the subsequent review of business strategies, and therefore the carrying amount was reduced to the recoverable amount. An impairment loss of 2,870 million yen was recognized, with the recoverable amount calculated using net realizable value.