

# Annual Report 2023

SEIKO EPSON CORPORATION

April 2022 - March 2023

**Note:** This document has been extracted and translated for reference purposes only from the Japanese original report (Yukashoken-Hokokusho) issued on June 28, 2023, which was created in accordance with the Financial Instruments and Exchange Act. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

## **Cautionary Statement**

This report includes forward-looking statements that are based on management's view from the information available at the time of the announcement. These statements are subject to various risks and uncertainties. Actual results may be materially different from those discussed in the forward-looking statements. The factors that may affect Epson include, but are not limited to, general economic conditions, the ability of Epson to continue to quickly introduce new products and services, consumption trends, competition, technology trends, and exchange rate fluctuations.

In this annual report, "Epson" or the "Group" refers to the Epson Group, while "the Company" may refer to the Group or the parent company, Seiko Epson Corporation.

# Annual Securities Report

(81st term)

From April 1, 2022  
to March 31, 2023

SEIKO EPSON CORPORATION

**(E01873)**

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## Corporate Data and Investor Information

<b>(1) Company name</b>	Seiko Epson Corporation
<b>(2) Founded</b>	May 1942
<b>(3) Head office</b>	3-5, Owa 3-chome, Suwa, Nagano 392-8502, Japan Tel: +81-266-52-3131 (main)
<b>(4) Tokyo office</b>	JR Shinjuku Miraina Tower, 4-1-6 Shinjuku, Tokyo 160-8801, Japan Tel: +81 3-5368-0700 (main)
<b>(5) Investor information</b>	
<b>Closing of accounts</b>	March 31
<b>Regular general shareholders' meeting</b>	June
<b>Date for confirmation to shareholders of the cash dividend payment date</b>	March 31
<b>Date for confirmation to shareholders of the interim cash dividend payment date</b>	September 30
<b>Transfer agent</b>	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
<b>Agent's business address</b>	Stock Transfer Agency Department Mitsubishi UFJ Trust and Banking Corporation 1-1, Nikkocho, Fuchu, Tokyo, Japan Tel: +81-42-204-0303 <a href="https://www.tr.mufg.jp/english/">https://www.tr.mufg.jp/english/</a>
<b>Intermediary offices</b>	Head Office and Branches of Mitsubishi UFJ Trust and Banking Corporation
<b>Posting of public notices</b>	Public notices will be posted electronically. In the event of accidents or other circumstances preventing the electronic posting of information, such information will be made available through the <i>Nihon Keizai Shimbun</i> newspaper (Japanese).
<b>Public notice website address</b>	<a href="https://kmasterplus.pronexus.co.jp/main/corp/6/7/6724/index.html">https://kmasterplus.pronexus.co.jp/main/corp/6/7/6724/index.html</a> (Japanese)

# SEIKO EPSON CORPORATION

## Part 1. Company Information

### I. Overview of Company

#### 1. Key financial data

#### Consolidated financial highlights

	Millions of yen					Thousands of U.S. dollars
	2019	2020	2021	2022	2023	2023
For the years ended March 31						
Revenue	1,089,676	1,043,600	995,940	1,128,914	1,330,331	<b>9,982,598</b>
Profit before tax	72,040	39,713	44,933	97,162	103,755	<b>778,561</b>
Profit for the period attributable to owners of the parent company	53,710	7,733	30,922	92,288	75,043	<b>563,111</b>
Total comprehensive income for the period	49,542	(3,869)	68,818	136,226	112,913	<b>847,281</b>
Equity attributable to owners of the parent company	540,181	503,746	550,924	665,628	727,352	<b>5,457,937</b>
Total assets	1,038,389	1,040,910	1,161,314	1,266,420	1,341,575	<b>10,066,971</b>
Equity attributable to owners of the parent company, per share	Yen 1,533.57	Yen 1,456.20	Yen 1,592.36	Yen 1,923.68	Yen <b>2,194.02</b>	\$ <b>16.46</b>
Basic earnings per share	Yen 152.49	Yen 22.26	Yen 89.38	Yen 266.73	Yen <b>220.75</b>	\$ <b>1.66</b>
Diluted earnings per share	Yen 152.44	Yen 22.25	Yen 89.35	Yen 266.64	Yen <b>220.70</b>	\$ <b>1.66</b>
Equity attributable to owners of the parent company ratio	% 52.02	% 48.39	% 47.44	% 52.56	% <b>54.22</b>	-
Return on equity	% 10.20	% 1.48	% 5.86	% 15.17	% <b>10.77</b>	-
Price earnings ratio	times 11.12	times 52.56	times 20.14	times 6.90	times <b>8.52</b>	-
Dividend payout ratio	% 40.7	% 278.5	% 69.4	% 23.2	% <b>32.6</b>	-
Total shareholder return (Comparison index: TOPIX (Dividend included))	% 92.9 (95.0)	% 68.4 (85.9)	% 105.0 (122.1)	% 110.5 (124.6)	% <b>116.4</b> <b>(131.8)</b>	-
Net cash from (used in) operating activities	76,961	102,324	133,222	110,801	<b>61,311</b>	<b>460,068</b>
Net cash from (used in) investing activities	(82,738)	(76,131)	(57,448)	(44,083)	<b>(61,602)</b>	<b>(462,251)</b>
Net cash from (used in) financing activities	(49,430)	(283)	23,150	(51,771)	<b>(79,349)</b>	<b>(595,422)</b>
Cash and cash equivalents at end of period	175,238	196,245	304,007	335,239	<b>267,380</b>	<b>2,006,378</b>
Number of employees	persons 76,647	persons 75,608	persons 79,944	persons 77,642	Persons <b>79,906</b>	-

(Note) The Consolidated Financial Statements have been prepared on the basis of International Financial Reporting Standards (IFRS) from the year ended March 31, 2014.

U.S. dollar amounts are presented for the convenience of the readers. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars. The exchange rate of ¥133.265 = U.S.\$1 at the end of the reporting period has been used for the purpose of presentation

# SEIKO EPSON CORPORATION

## 2. Company milestones

Date	Event
5/1942	Daiwa Kogyo, Ltd. established to manufacture watch parts, launching the watch business
5/1959	Sales & marketing taken over from the Suwa factory of Daini Seikosha Co., Ltd. (now Seiko Instruments Inc.) and the business name was changed to Suwa Seikosha, Ltd.
9/1959	Reorganized to form Suwa Seikosha Co., Ltd.
12/1961	Domestic manufacturing company Shinshu Seiki Co., Ltd. (later Epson Corporation) established
8/1968	Manufacturing company Tenryu Singapore Pte. Ltd. (now Singapore Epson Industrial Pte. Ltd.) established
9/1968	Mini-printer business launched
11/1973	Semiconductor business launched
2/1974	Manufacturing company Suwa Overseas Ltd. [now Epson Precision (Hong Kong) Ltd.] established
4/1975	Sales company Epson America, Inc. established
	Corrective lenses business launched (the business was transferred in 2/2013)
6/1975	EPSON established as a company brand in non-watch businesses
	Liquid crystal display business launched
7/1976	Quartz crystal device business launched
12/1978	Computer printer business launched
11/1979	Sales company Epson Deutschland GmbH established in Germany
10/1980	Sales company Epson Electronics Trading Ltd. (now Epson Hong Kong Ltd.) established
11/1982	Sales company Epson Electronics (Singapore) Pte. Ltd. (now Epson Singapore Pte. Ltd.) established
5/1983	Domestic sales company Epson Sales Japan Corporation established
1/1985	Domestic manufacturing company Shonai Electronics Industry Corporation (now Tohoku Epson Corporation) established
2/1985	Manufacturing company Epson Portland Inc. established in the U.S.
11/1985	Suwa Seikosha Co., Ltd. and Epson Corporation merged to form Seiko Epson Corporation
1/1987	Manufacturing company Epson Telford Ltd. established in the U.K.
1/1989	LCD projector business launched
9/1989	Sales company Epson Semiconductor GmbH (now Epson Europe Electronics GmbH) established in Germany
1/1990	Regional head office Epson Europe B.V. established in the Netherlands
1/1993	U.S. Epson, Inc. established
11/1993	Domestic sales company Epson Direct Corporation established
7/1994	Manufacturing company P.T. Indonesia Epson Industry established
2/1996	Manufacturing company Suzhou Epson Quartz Devices Co., Ltd. (later Suzhou Epson Co., Ltd.) established in China (all rights and obligations transferred in 7/2011)
11/1996	Sales company Epson Electronics America, Inc. established (absorbed by Epson America, Inc. in 4/2018)
4/1998	Regional head office Epson (China) Co., Ltd. established
3/2001	Orient Watch Co., Ltd. made a wholly owned subsidiary
6/2003	Seiko Epson shares listed on Section 1 of the Tokyo Stock Exchange
10/2004	Liquid crystal display business split off to form Sanyo Epson Imaging Devices Corporation
10/2005	Quartz device business split off to form Epson Toyocom Corporation (now Miyazaki Epson Corporation)
12/2006	Sanyo Epson Imaging Devices Corporation made a wholly owned subsidiary through the acquisition of additional shares. Business name changed to Epson Imaging Devices Corporation (certain assets of the small- and medium-sized LCDs business were transferred in 4/2010). Epson Imaging Devices was absorbed by Seiko Epson in 2/2017, with the latter the surviving company.

## SEIKO EPSON CORPORATION

Date	Event
11/2008	Additional shares of Orient Watch Co., Ltd. acquired in a takeover bid
3/2009	Orient Watch Co., Ltd. made a wholly owned subsidiary via an exchange of shares (the watch sales business was split off and absorbed in 4/2017, with Seiko Epson and Epson Sales Japan the succeeding companies)
4/2009	Additional shares of Epson Toyocom Corporation (now Miyazaki Epson Corporation) acquired in a takeover bid
6/2009	Epson Toyocom Corporation (now Miyazaki Epson Corporation) made a wholly owned subsidiary via an exchange of shares (sales, marketing and certain other functions related to the quartz device business were split off and absorbed in 4/2012, with Seiko Epson the succeeding company)
4/2015	Executed a 2-for-1 stock split of common shares
6/2016	Transitioned from a company with an audit & supervisory board to a company with an audit & supervisory committee
7/2017	Construction completed on a new factory at manufacturing subsidiary Epson Precision (Philippines), Inc. to expand production capacity for inkjet printers and projectors
6/2018	Construction completed on a new factory at the Hirooka Office in Nagano Prefecture to expand inkjet printhead production capacity
3/2020	Construction completed on a new building at the Hirooka Office in Nagano Prefecture to reinforce commercial and industrial printing R&D and production capacity
4/2022	Company stock transferred from the 1 <sup>st</sup> Section of the Tokyo Stock Exchange to the Prime Market in conjunction with a reorganization of the Tokyo Stock Exchange's market segments



## 3. Description of business

Epson is primarily engaged in developing, manufacturing, selling, and providing services for products in the printing solutions, visual communications, manufacturing-related and wearables, and the other business.

Epson is organized into operations divisions that come 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.

A brief description of Epson's various businesses is provided below along with a list of the main Epson Group companies involved in each segment.

Based on the Epson 25 Renewed corporate vision, the three reporting segments of Epson are printing solutions, visual communications, and manufacturing-related and wearables. Each reporting segment is the same as the segments used in "V. Financial Information, Consolidated financial statements, etc., (1) Consolidated financial statements, Notes to Consolidated Financial Statements, 6. Segment Information."

### **Printing Solutions Business Segment**

This segment comprises the office and home printing business, commercial and industrial printing business, and others. The businesses in this segment leverage Epson's original Micro Piezo as well as dry fiber technology and other technologies to develop, manufacture, and sell products and provide services related thereto.

The main activities of these businesses are described below.

#### **Office and home printing business**

This business is primarily responsible for office and home inkjet printers, serial impact dot matrix (SIDM) printers, page printers, color image scanners, dry process office papermaking systems, and related consumables.

#### **Commercial and industrial printing business**

This business is primarily responsible for inkjet printers for commercial and industrial applications, inkjet printheads, printers for use in POS systems, label printers, and related consumables.

# SEIKO EPSON CORPORATION

The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Office and home printing business	Inkjet printers for office and home, serial impact dot matrix printers, page printers, color image scanners, dry process office papermaking systems, and related consumables, and others	Tohoku Epson Corporation Akita Epson Corporation Epson Portland Inc. Epson do Brasil Industria e Comercio Ltda. Epson Telford Ltd. Epson Como Printing Technologies S.r.l.	Epson Sales Japan Corporation Epson America, Inc. Epson do Brasil Industria e Comercio Ltda. Epson Europe B.V. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A.S. Epson Italia S.p.A. Epson Como Printing Technologies S.r.l. Epson Iberica, S.A.U. 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.
Commercial and industrial printing business	Commercial and industrial inkjet printers, inkjet printheads, printers for use in POS systems, label printers, and related consumables, and others	Epson Engineering (Shenzhen) Ltd. Tianjin Epson Co., Ltd. PT. Epson Batam PT. Indonesia Epson Industry Epson Precision (Philippines), Inc.	

## **Visual Communications Business Segment**

The businesses in this segment leverage Epson's original microdisplay and projection technologies to develop, manufacture, and sell 3LCD projectors mainly for business, education, the home, and event as well as smart glasses and provide services related thereto.

The major Epson Group companies involved in this segment are listed in the table below.

Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Visual communications	3LCD projectors, smart glasses, and others	Epson Engineering (Shenzhen) Ltd. Epson Precision (Philippines), Inc.	Epson Sales Japan Corporation Epson America, Inc. Epson do Brasil Industria e Comercio Ltda. Epson Europe B.V. Epson (U.K.) Ltd. Epson Deutschland GmbH Epson France S.A.S. Epson Italia S.p.A. Epson Iberica, S.A.U. 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.

## **Manufacturing-related and wearables Business Segment**

This segment comprises the manufacturing solutions business, wearable products business, microdevices business, and the PC business and develops, manufactures and sells the products below, and provides services related thereto. The main activities of these businesses are described below.

### **Manufacturing solutions business**

This business leverages advanced precision mechatronics, high-accuracy sensing technology, software technology and other technologies to develop, manufacture, and sell industrial robots, compact injection molders and other production systems that dramatically increase productivity.

### **Wearable products business**

This business leverages its ultrafine and ultraprecision machining and processing technologies, its high-density mounting and assembly technologies and high-accuracy sensing technology to develop, manufacture and sell wristwatches, watch movements and others.

### **Microdevices and others business**

This business deals with small, accurate, energy-efficient devices for external customers, and also develops and manufactures devices tailored to needs of other businesses in the Epson Group. It also operates metal powders business and surface finishing services business.

#### **Quartz device business**

This business provides crystal units, crystal oscillators, and quartz sensors for consumer, automotive, and industrial equipment applications.

#### **Semiconductor business**

This business provides CMOS LSIs and other chips mainly for consumer electronics and automotive applications.

#### **Others**

This business develops, manufactures, and sells a variety of high-performance metal powders for use as raw materials in the production of electronic components, etc. This business also provides high-value-added surface finishing in a wide variety of industrial fields.

### **PC business**

This business sells PCs in the Japanese market through a domestic subsidiary.

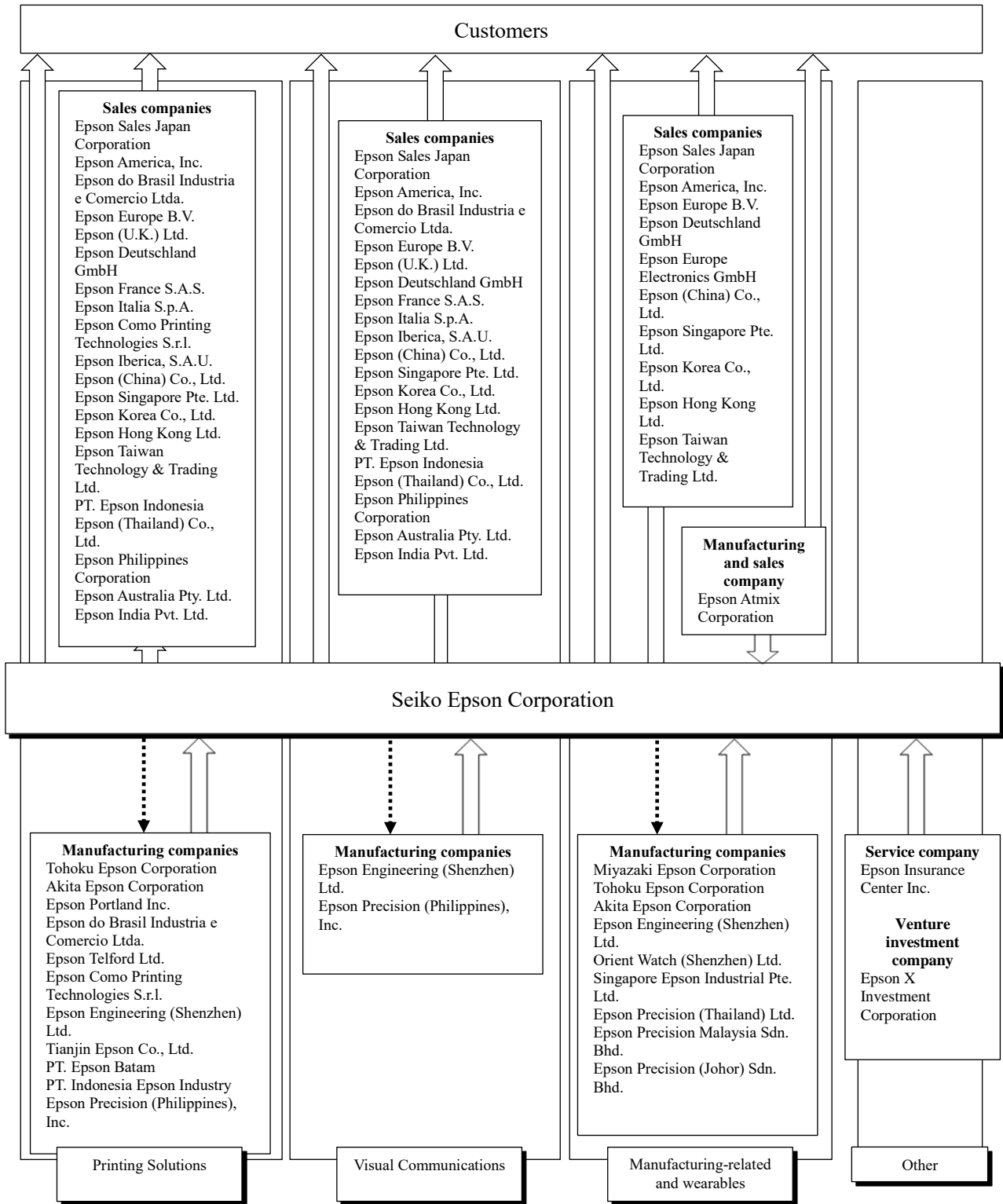
# SEIKO EPSON CORPORATION

The major Epson Group companies involved in this segment are listed in the table below.

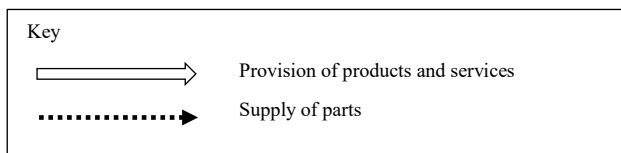
Business area	Main products	Main Epson Group companies	
		Manufacturing companies	Sales companies
Manufacturing solutions	Industrial robots, compact injection molders, and others	Epson Engineering (Shenzhen) Ltd.	Epson Sales Japan Corporation Epson America, Inc. Epson Deutschland GmbH Epson (China) Co., Ltd. Epson Korea Co., Ltd. Epson Hong Kong Ltd. Epson Taiwan Technology & Trading Ltd.
Wearable products	Wristwatches, watch movements, and others	Akita Epson Corporation Orient Watch (Shenzhen) Ltd. Epson Precision (Thailand) Ltd. Epson Precision (Johor) Sdn. Bhd.	Epson Sales Japan Corporation Epson Europe B.V. Epson (China) Co., Ltd. Epson Hong Kong Ltd.
Microdevices and others	<b>Quartz devices</b> Crystal units, crystal oscillators, quartz sensors, and others	Miyazaki Epson Corporation Epson Precision (Thailand) Ltd. Epson Precision Malaysia Sdn. Bhd.	Epson America, Inc. Epson Europe Electronics GmbH Epson Singapore Pte. Ltd. Epson Korea Co., Ltd. Epson Hong Kong Ltd.
	<b>Semiconductors</b> CMOS LSIs, and others	Tohoku Epson Corporation Singapore Epson Industrial Pte. Ltd.	Epson Taiwan Technology & Trading Ltd.
	<b>Others</b> Metal powders, surface finishing	Epson Atmix Corporation Singapore Epson Industrial Pte. Ltd.	
PC business	PC, and others	-	Epson Sales Japan Corporation Epson Direct Corporation

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The business activities diagram below shows the abovementioned points.



(Note) All companies shown above are consolidated subsidiaries.



## 4. Subsidiaries and other affiliated entities

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
(Consolidated subsidiaries)					
Epson Sales Japan Corporation *	Shinjuku-ku, Tokyo	4,000 (million JPY)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Sales of the Company's products, Interlocking directors, Rental and borrowing of assets, Financial assistance
Epson Direct Corporation	Shiojiri-shi, Nagano	150 (million JPY)	Manufacturing-related and wearables	100.0 (100.0)	Sales of PCs, etc., Rental of assets
Miyazaki Epson Corporation	Miyazaki-shi, Miyazaki	100 (million JPY)	Manufacturing-related and wearables	100.0	Manufacture of crystal devices
Tohoku Epson Corporation	Sakata-shi, Yamagata	100 (million JPY)	Printing solutions, Manufacturing-related and wearables	100.0	Manufacture of printer components and semiconductors, Financial assistance
Akita Epson Corporation	Yuzawa-shi, Akita	80 (million JPY)	Printing solutions, Manufacturing-related and wearables	100.0	Manufacture of printer components and watch movements, Financial assistance
Epson Atmix Corporation	Hachinohe-shi, Aomori	450 (million JPY)	Manufacturing-related and wearables	100.0	Manufacture and sales of metal powders, synthetic quartz crystal, etc., Rental and borrowing of assets
Epson X Investment Corporation	Chiyoda-ku, Tokyo	100 (million JPY)	Other (Venture investment & development)	100.0	Venture investment company, Interlocking directors, Financial assistance
U.S. Epson, Inc. *	Los Alamitos, U.S.A.	126,941 (thousand USD)	Holding company	100.0	Holding company in Americas, Interlocking directors
Epson America, Inc. *	Los Alamitos, U.S.A.	40,000 (thousand USD)	Regional headquarters, Printing solutions, Visual communications, Manufacturing-related and wearables	100.0 (100.0)	Regional headquarters in Americas, Sales of printers, 3LCD projectors, factory automation products, and electronic devices, etc., Interlocking directors, Financial assistance
Epson do Brasil Industria e Comercio Ltda.	Sao Paulo, Brazil	25,773 (thousand USD)	Printing solutions, Visual communications	100.0 (100.0)	Manufacture and sales of printers, etc. and sales of 3LCD projectors, etc.
Epson Portland Inc.	Hillsboro, U.S.A.	31,150 (thousand USD)	Printing solutions	100.0 (100.0)	Manufacture of printer consumables, etc.

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Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Europe B.V. *	Amsterdam, the Netherlands	95,000 (thousand EUR)	Regional headquarters, Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Regional headquarters in Europe, Sales of printers, 3LCD projectors and watches, etc., Interlocking directors, Financial assistance
Epson (U.K.) Ltd.	Hemel Hempstead, UK	1,600 (thousand GBP)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc., Guaranty of liabilities
Epson Deutschland GmbH	Meerbusch, Germany	5,200 (thousand EUR)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0 (100.0)	Sales of printers, 3LCD projectors and factory automation products, etc.
Epson Europe Electronics GmbH	Munich, Germany	2,000 (thousand EUR)	Manufacturing-related and wearables	100.0 (100.0)	Sales of electronic devices Interlocking directors
Epson France S.A.S.	Levallois-Perret, France	4,000 (thousand EUR)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Italia S.p.A.	Milan, Italy	3,000 (thousand EUR)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Como Printing Technologies S.r.l.	Como, Italy	170 (thousand EUR)	Printing solutions	100.0 (100.0)	Development, manufacture and sales of printers, etc.
Epson Iberica, S.A.U.	Barcelona, Spain	1,900 (thousand EUR)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Telford Ltd.	Telford, UK	8,000 (thousand GBP)	Printing solutions	100.0 (100.0)	Manufacture of printer consumables
Epson (China) Co., Ltd. *	Beijing, China	1,211 (million CNY)	Regional headquarters, Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Regional headquarters in China, Sales of printers, 3LCD projectors, factory automation products and electronic devices, etc., Interlocking directors
Epson Singapore Pte. Ltd.	Singapore	200 (thousand SGD)	Regional headquarters, Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Regional headquarters in Southeast Asia, Sales of printers, 3LCD projectors and electronic devices, etc., Interlocking directors
Epson Korea Co., Ltd.	Seoul, Korea	1,466 (million KRW)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Sales of printers, 3LCD projectors and factory automation products and electronic devices, etc.

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Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Hong Kong Ltd.	Hong Kong, China	2,000 (thousand HKD)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Sales of printers, 3LCD projectors, watch movements, factory automation products and electronic devices, etc.
Epson Taiwan Technology & Trading Ltd.	Taipei, Taiwan	25,000 (thousand TWD)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0	Sales of printers, 3LCD projectors, factory automation products and electronic devices, etc., Financial assistance
PT. Epson Indonesia	Jakarta, Indonesia	918,000 (thousand IDR)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson (Thailand) Co., Ltd.	Bangkok, Thailand	215,308 (thousand THB)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Philippines Corporation	Pasig, Philippines	50,000 (thousand PHP)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Australia Pty. Ltd.	North Ryde, Australia	1,000 (thousand AUD)	Printing solutions, Visual communications	100.0	Sales of printers and 3LCD projectors, etc., Financial assistance
Epson India Pvt. Ltd.	Bangalore, India	108,628 (thousand INR)	Printing solutions, Visual communications	100.0 (100.0)	Sales of printers and 3LCD projectors, etc.
Epson Precision (Hong Kong) Ltd.	Hong Kong, China	32,641 (thousand USD)	Printing solutions, Visual communications	100.0	Management of components of printers and 3LCD projectors, etc. used for contract services
Epson Engineering (Shenzhen) Ltd. *	Shenzhen, China	56,641 (thousand USD)	Printing solutions, Visual communications, Manufacturing-related and wearables	100.0 (100.0)	Manufacture of printers, 3LCD projectors and factory automation products, etc.
Orient Watch (Shenzhen) Ltd.	Shenzhen, China	37,748 (thousand CNY)	Manufacturing-related and wearables	100.0 (100.0)	Manufacture of watches, etc.
Tianjin Epson Co., Ltd.	Tianjin, China	172,083 (thousand CNY)	Printing solutions	100.0 (100.0)	Manufacture of printer consumables, etc.
Singapore Epson Industrial Pte. Ltd.	Singapore	71,700 (thousand SGD)	Manufacturing-related and wearables	100.0	Manufacture of semiconductors, and surface finishing, etc.
PT. Epson Batam	Batam, Indonesia	7,000 (thousand USD)	Printing solutions	100.0 (100.0)	Manufacture of printer consumables, etc., Guaranty of liabilities
PT. Indonesia Epson Industry *	Bekasi, Indonesia	23,000 (thousand USD)	Printing solutions	100.0	Manufacture of printers, Interlocking directors
Epson Precision (Thailand) Ltd. *	Chachoengsao, Thailand	3,250,000 (thousand THB)	Manufacturing-related and wearables	100.0	Manufacture of watches and crystal devices, Financial assistance



# SEIKO EPSON CORPORATION

Company name	Location	Paid-in capital or amount invested	Main business	Ownership percentage of voting rights (%)	Relationship between parent company and subsidiary
Epson Precision (Philippines), Inc. *	Lipa, Philippines	157,533 (thousand USD)	Printing solutions, Visual communications	100.0	Manufacture of printers and 3LCD projectors, Financial assistance
Epson Precision Malaysia Sdn. Bhd.	Kuala Lumpur, Malaysia	16,800 (thousand MYR)	Manufacturing-related and wearables	100.0	Manufacture of crystal devices
Epson Precision (Johor) Sdn. Bhd.	Johor, Malaysia	52,800 (thousand MYR)	Manufacturing-related and wearables	100.0 (100.0)	Manufacture of watch components
36 other companies	—	—	—	—	—
(Equity method affiliates) Three companies					

(Notes) 1. Ownership percentage of voting rights indicated inside parentheses refers to indirect ownership percentage.

2. \* indicates a specified subsidiary (*tokutei-kogaisha*).

3. The revenue (excluding revenues among consolidated subsidiaries) of Epson Sales Japan Corporation, Epson America, Inc. and Epson (China) Co., Ltd. each amounts to more than 10% of the consolidated revenue. Key information on the operations of these subsidiaries is as follows.

(Millions of yen)

Company name	Revenue	Profit before tax	Profit for the period	Total equity	Total assets
Epson Sales Japan Corporation	164,365	2,432	1,787	19,512	75,165
Epson America, Inc.	433,212	8,374	5,348	64,574	237,166
Epson (China) Co., Ltd.	145,475	9,768	7,074	45,356	81,741

Figures for Epson America, Inc. are included in consolidated business results.

## 5. Employees

### (1) Information about group

As of March 31, 2023

Segment name	Number of employees (Persons)
Printing Solutions	54,496
Visual Communications	10,106
Manufacturing-related and wearables	11,362
Reportable segment total	75,964
Others	411
Corporate (company-wide)	3,531
Total	79,906

(Notes) 1. The number of employees indicates the number of full-time employees.

2. The number of employees represented as corporate (company-wide) refers to administrative staff not assigned to any particular business segment.

### (2) Information about reporting company

As of March 31, 2023

Number of employees (Persons)	Average age (Years)	Average length of service (Years)	Average annual salary (Thousands of yen)
12,918	43.7	19.0	8,115

Segment name	Number of employees (Persons)
Printing Solutions	6,015
Visual Communications	1,503
Manufacturing-related and wearables	2,411
Reportable segment total	9,929
Others	—
Corporate (company-wide)	2,989
Total	12,918

(Notes) 1. The number of employees indicates the number of full-time employees.

2. Average age, average length of service, and average annual salary have been calculated based on data for regular salaried employees at reporting companies.
3. Average annual salary includes bonuses and extra wages.
4. The number of employees represented as corporate (company-wide) refers to administrative staff not assigned to any particular business segment.
5. The number of employees in the Manufacturing-related and wearables segment increased by 289 compared to the previous fiscal year. This was mainly due to strengthening businesses in growth areas, etc.

### (3) Status of labor union

A labor union has been organized at the Company and some of its consolidated subsidiaries.

As relations between management and labor of the Company and these consolidated subsidiaries are good, there are no particular matters to be reported here.

(4) Percentage of female workers in management positions, percentage of male workers taking childcare leave, and wage difference between male and female workers

① Seiko Epson Corporation

Fiscal year under review					Supplementary explanation
Percentage of female workers in management positions (%)	Percentage of male workers taking childcare leave (%)	Wage difference between male and female workers (%)			
		All workers	Regular workers	Non-regular workers	
4.1	97.2	76.5	76.7	77.8	There are no differences in our wage system between wages for males and females of the same grade, but the low percentage of upper level positions and grades occupied by women are the primary reason for the differences.

- (Notes)
1. The percentage of female workers in management positions and the wage differences between male and female workers are calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
  2. The percentage of female workers in management positions is the female management position ratio for the organization of Seiko Epson Corporation.
  3. The percentage of male workers taking childcare leave is based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), and is calculated based on Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
  4. The wage differences between male and female workers represent the ratio of women's wages to men's wages.
  5. The percentage of male workers taking childcare leave and the wage differences between male and female workers are calculated from the aggregate figures for employees hired by Seiko Epson Corporation (not including those seconded from other companies in the Group).
  6. In terms of the wage difference between male and female workers, the wage difference at the managerial level is 97.1%.

② Consolidated subsidiaries

For Epson Group companies in Japan with 101 or more regularly employed workers, the three items required of companies with 301 or more regularly employed workers by the Act on the Promotion of Women's Active Engagement in Professional Life are disclosed (as of March 2023). The sum of the numbers of employees of Seiko Epson Corporation and the 10 Group companies in Japan listed below covers approximately 99% of the total number of employees in Japan.

Fiscal year under review						Supplementary explanation
Company name	Percentage of female workers in management positions (%)	Percentage of male workers taking childcare leave (%)	Wage difference between male and female workers (%)			
			All workers	Regular workers	Non-regular workers	
Epson Sales Japan Corporation	7.0	52.2	85.7	79.9	118.5	
Tohoku Epson Corporation	4.9	100.0	74.5	74.7	53.2	Wage difference between male and female non-regular workers is due to differences in the contracts of contract employees.
Akita Epson Corporation	0.0	100.0	76.3	79.5	90.5	
Miyazaki Epson Corporation	0.0	50.0	76.8	73.2	88.1	

# SEIKO EPSON CORPORATION

Fiscal year under review						Supplementary explanation
Company name	Percentage of female workers in management positions (%)	Percentage of male workers taking childcare leave (%)	Wage difference between male and female workers (%)			
			All workers	Regular workers	Non-regular workers	
Epson Avasys Corporation	15.0	50.0	75.8	76.5	45.1	Wage difference between male and female non-regular workers is due to differences in the contracts of contract employees.
Epson Atmix Corporation	11.1	75.0	86.0	83.4	–	All non-regular workers are men.
Epson Direct Corporation	6.7	0.0	114.9	–	114.9	There are no regular workers employed by the company (only those seconded from Seiko Epson Corporation).
Epson Logistics Corporation	0.0	–	120.3	84.3	100.1	Regarding male workers taking childcare leave, there are none eligible.
Epson Mizube Corporation	12.5	–	99.1	104.6	97.9	Same as above.
Epson Repair Corporation	0.0	50.0	70.4	77.8	86.2	

- (Notes) 1. The percentage of female workers in management positions and the wage differences between male and female workers are calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. The percentage of female workers in management positions is the female management position ratio for the organization of each company (based on enrollment).
3. The percentage of male workers taking childcare leave is based on the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991), and is calculated based on Article 71-4, item (i) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991).
4. The wage differences between male and female workers represent the ratio of women's wages to men's wages.
5. The percentage of male workers taking childcare leave and the wage differences between male and female workers are calculated from the aggregate figures for employees hired by each company (not including those seconded from other companies in the Group).

II. Overview of Business

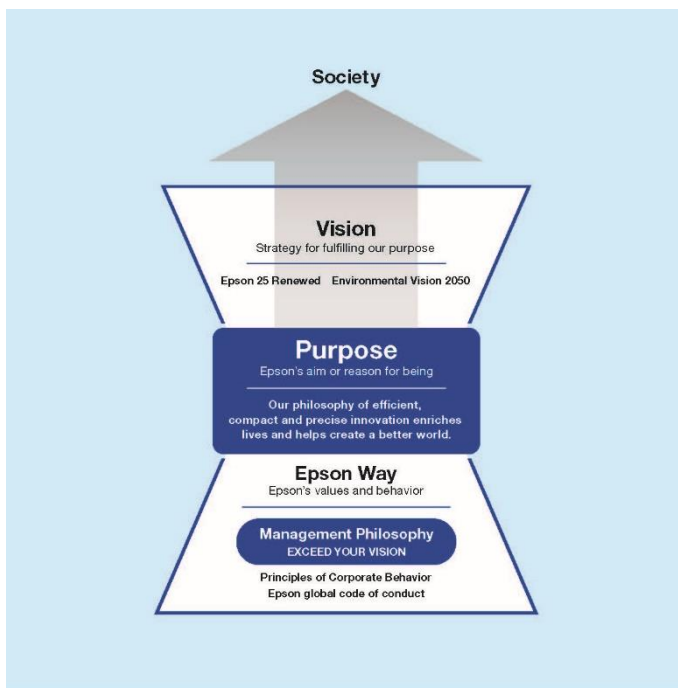
1. Management policy, business environment and issues to be addressed, etc.

All forward-looking statements hereunder were made at Epson’s discretion based on the forecasts and certain assumptions at the end of the fiscal year. These statements may differ from actual results and are not guarantees of the achievement.

**(1) Basic management policy**

Corporate Purpose is at the heart of all Epson’s corporate activities. This Corporate Purpose, “Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world,” was established in September 2022 to define the kind of value that Epson provides to society and to demonstrate both inside and outside the Company its unique reason for being and aspirations. Epson will provide new value to society by realizing the Corporate Purpose through its vision, based on its management philosophy, which is the universal concept of the Epson Way that defines the Group’s values and behavior. Through these efforts, we will strive to achieve sustainable growth and enhance corporate value over the medium to long term in the future.

**Philosophy Structure**



**Epson Management Philosophy**

Epson aspires to be an indispensable company, trusted throughout the world for our commitment to openness, customer satisfaction and sustainability. We respect individuality while promoting teamwork, and are committed to delivering unique value through innovative and creative solutions.

**Purpose**

Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world.

**(2) Concept of “Epson 25 Renewed” Corporate Vision**

We have 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. At present, humanity is facing a wide range of social issues, including climate change and the COVID-19 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.

**① “Epson 25 Renewed” vision statement**

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.” 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.

## ② “Epson 25 Renewed” policies

While uncertainties in society are expected to continue, we will aim to secure profitability and seek future growth by focusing on priorities. Furthermore, we will also continue to strengthen our efforts for the environment, DX, and co-creation across business domains.

Areas	Applicable businesses	Policies
Growth areas	Office printing, Commercial & industrial printing, Printhead sales, Production systems	See environmental changes as an opportunity and invest management resources
Mature areas	Home printing, Projection, Watches, Microdevices	Emphasize profitability through structural changes and efficiency improvements, etc.
New areas	Sensing, Environmental business	Develop new technologies and businesses

## (3) Concept of Environmental Vision 2050

Epson has developed “Environmental Vision 2050,” a vision for environmental initiatives that are a prerequisite for a sustainable society, as follows, and has set goals to be achieved by 2050 and initiatives to realize these goals.

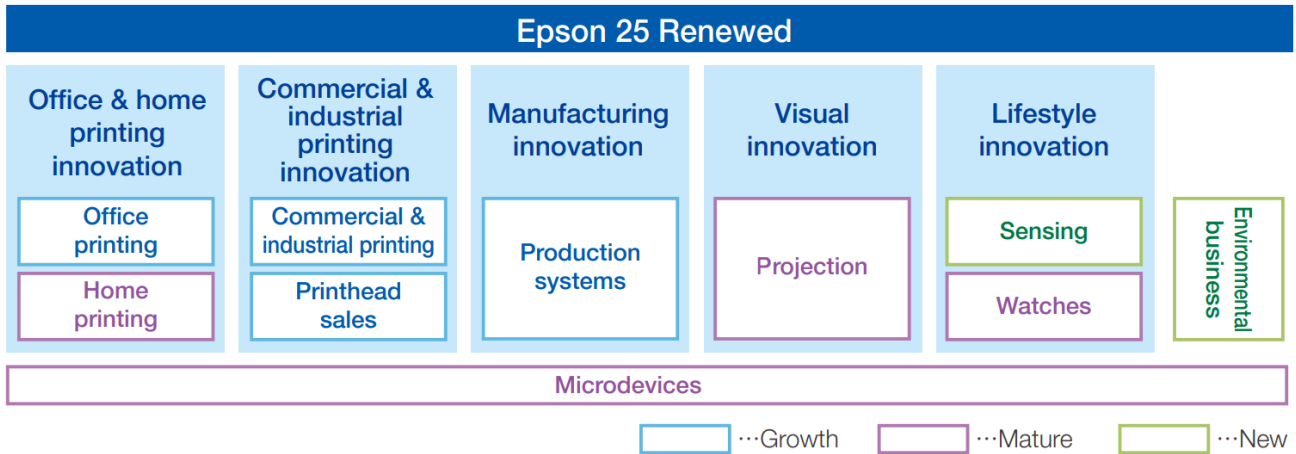
Items	Contents
Vision statement	Epson will become carbon negative and underground resource free by 2050 to achieve sustainability and enrich communities
Goals	2030: Reduce total emissions in line with the 1.5°C scenario <sup>1</sup> 2050: Carbon negative and underground resource free
Actions	<ul style="list-style-type: none"> <li>● Reduce the environmental impacts of products and services and in supply chain</li> <li>● Achieve sustainability in a circular economy and advance the frontiers of industry through creative, open innovation</li> <li>● Contribute to international environmental initiatives</li> </ul>

<sup>1</sup> Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTi)

## (4) Business and financial issues to be addressed with priority

### ① Policies and progress of innovation strategy and future initiatives

We have established innovation areas around customer value and societal issues in order to execute the strategy for realizing our goals. In the microdevices business that supports the following five innovation areas, we will contribute to the development of a smart communities with crystal semiconductor solutions enhanced with our efficient, compact, and precision technologies. Furthermore, in order to realize a sustainable society, we will also develop new environmental solutions that integrate materials technologies and contribute to decarbonization and closing the resource loop by giving top priority to our contribution to the environment.



**Office & home printing innovation**

In this area, we seek to lead the evolution toward distributed printing that reduce environmental impacts and increase work productivity through inkjet technology, paper recycling technology, and open solutions. In office printing, sales continued to grow steadily in FY2022 as the environmental performance and convenience of inkjet printers were well received by customers. In addition, we launched inkjet multi-function printers for offices in the medium speed zone, which is our volume zone, to complete our product lineup. Going forward, we will further expand sales and accelerate the replacement of lasers with inkjets. In home printing, sales grew as large-capacity ink tank models captured printing demand in developed countries including those of North America, in addition to emerging countries. Going forward, we will make a full-fledged effort to create and expand services that leverage our customer base, such as expanding the regions in which we offer printing subscriptions.

**Commercial & industrial printing innovation**

In this area, we seek to offer inkjet technology and solutions that lead the digitalization of printing and contribute to lower environmental impacts and higher productivity. In the finished products business, we were able to efficiently launch products in multiple sizes and genres by utilizing the platforming that we have been working on. We will continue to develop more compact and high-performance products to increase sales. In addition, the number of companies connected to Epson Cloud Solution PORT, which provides total support to printing sites, is steadily growing. In FY2023, we will enhance the information provided and improve usability. In the area of small printers, we expect to expand our business on the strength of our brand power and customer contacts, as investment is expected to resume and expand, especially in the food and beverage industry. In the printhead sales business, sales grew mainly in China. We will continue to expand our market share through new products.

**Manufacturing innovation**

In this area, we seek to innovate manufacturing by co-creating flexible high-throughput production systems that reduce environmental impacts. In FY2022, while we automated manufacturing sites with robots featuring high speed and high precision, the second half of the fiscal year was a difficult one as the market environment deteriorated, especially for consumer equipment assembly and transportation applications. In FY2023, we will pursue co-creation with S/ers and peripheral equipment manufacturers to further expand robot applications.

**Visual innovation**

In this area, we seek to connect people, things, information and services with inspiring video experiences and quality visual communications to support learning, working and lifestyles. In FY2022, we achieved sales growth by capturing demand from the education sector in Europe and the U.S. and by quickly resolving parts supply issues through collaboration among divisions, manufacturing bases, and sales companies in various regions, and made further progress in improving our profit structure. We will continue to introduce high-brightness projector and smart projector products for home use, and strengthen our contacts with customers through the use of digital technology.

**Lifestyle innovation**

In this area, we seek to utilize craftsmanship and co-create solutions that utilize sensing technologies to enrich diverse lifestyles. In the watches business, we will continue to strengthen our business structure through business restructuring in FY2023, while at the same time working to enhance the high value-added products of our own brand

Orient Star and expand the regions where we operate direct sales sites for customers. In the sensing business, we will develop new businesses such as health data services through co-creation with an eye on the medium and long term.

## ② Strengthening business infrastructure

In order to realize each innovation mentioned above, we are strengthening the business infrastructure as follows.

### Sales & marketing strategies

#### ● Provide customer focused sales/support utilizing digital technology

We are strengthening CRM (customer relation management) in order to accelerate growth. We will make a transition from activities designed to maximize sales of products to activities with a strong focus on providing customer value (consulting, value added solutions and maintenance services, etc.) and adoption of subscription services.

#### ● Develop measures by focusing on priorities according to region and business segment

In addition to expanding sales channels for IJP (inkjet printer) products for offices and commercial/industrial use, and expanding showrooms where customers can experience Epson's unique solutions, we are strengthening our sales and support functions for commercial/industrial IJP and robots to meet the trend of shifting production to near-consumer locations.

#### ● Strategic value promotion activities for products

Unique customer and environmental values are evolving in many product genres, such as Epson's inkjet printers and PaperLab in-office dry papermaking system. We will strategically roll out these products in order to make them known to as many people as possible.

### Production strategies

#### ● Create an optimal production system

We will continue to support production at multiple locations, which has progressed due to the impact of the COVID-19 pandemic. In the production automation, we will achieve even more efficient production through the use of our own robotics technology and data.

### Technology development strategies

#### ● Advance technologies that support innovation

We will focus particularly on strengthening material, AI, and digital technologies. In material technologies, dry fiber technology<sup>2</sup> is being applied to other materials besides paper, and practical examples are expanding, such as upcycling from cotton scraps to packaging materials and from used clothing to new nonwoven fabrics. We will also promote development of metal recycling and CO<sub>2</sub> separation/absorption technologies, among other things, as well as solidify environmental business with co-creation partners. In AI and digital technologies, we will accelerate and strengthen development of algorithms to develop company-wide software platforms to create data utilization business.

<sup>2</sup> Epson's technology that converts materials into fibers with mechanical impact without using water (a moderate amount of humidity is required)

### HR strategies

For details, please refer to "II. Overview of Business, 2. Concept and initiatives of sustainability, (3) Human capital and diversity, ② Strategy."

## ③ Financial targets

We will shift to profitability-focused management to realize "Epson 25 Renewed" and seek to secure profitability and future growth by focusing on priorities without pursuing excessive sales growth. In accordance with this policy, we have set ROIC, ROE and ROS as financial targets.

Consolidated financial targets	FY2020 (Result)	FY2021 (Result)	FY2022 (Result)	FY2023 (Forecast)	FY2025 (Target)
ROIC <sup>3</sup>	5.6%	7.3%	7.1%	7.3%	11% or more
ROE	5.9%	15.2%	10.8%	8.9%	13% or more
ROS	6.2%	7.9%	7.1%	7.4%	10% or more



<sup>3</sup> ROIC = Business profit after tax / (equity attributable to owners of the parent company + interest-bearing liabilities)

Epson has set ROIC as one of the financial targets to achieve better capital efficiency in management. We will introduce business portfolio management that clarifies the role of profitability and company growth to achieve efficient capital circulation, thereby enhancing management efficiency. By broadly dividing Epson's business areas into growth areas, mature areas, and new areas, as described above, we will set capital allocations and targets according to how the businesses are positioned and will determine the strategic direction of each business as we go through a regular review cycle.

## 2. Concept and initiatives of sustainability

The movement toward sustainability around the world is accelerating, with the expansion of ESG investment and the formulation of sustainability-related policies in various countries and regions. Against this backdrop, companies are increasingly being asked to take a stance on how to respond to the issues facing society through their business activities. Epson has been contributing to solving various social issues through the provision of its products and services. Going forward, under the banner of our Corporate Purpose, we will continue to work with our customers and partners from a long-term perspective with the goal of achieving sustainability and enriching communities by pursuing both business growth and solutions to social issues.

### (1) Sustainability in general

#### ① Governance

Epson has established the Sustainability Promotion Office as an organization under the direct control of the President, with a Director and Senior Managing Executive Officer appointed as its head and responsible for Group-wide sustainability activities (sustainable growth based on social needs).

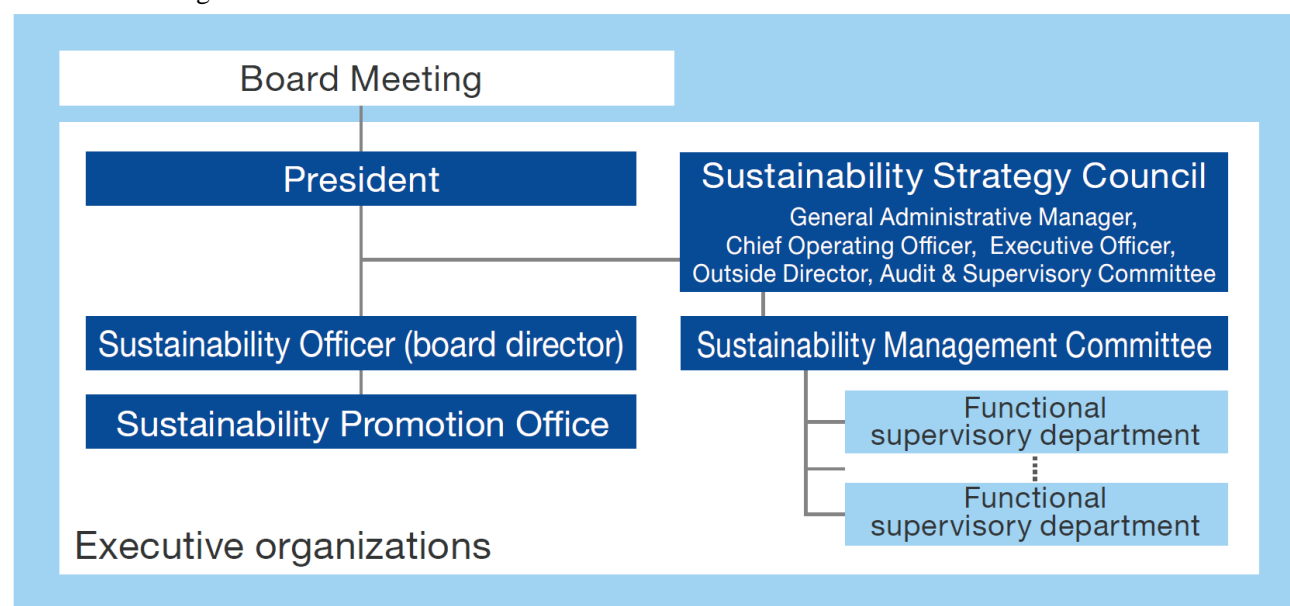
In addition, we have established the Sustainability Strategy Council as an advisory body to the President, which is composed of Outside Directors and Audit & Supervisory Committee Members, in addition to management-level personnel including the General Administrative Managers and Chief Operating Officers. The Sustainability Strategy Council formulates medium and long-term strategies for sustainability pertaining to the entire Group based on a review of social trends, reviews the status of implementation of activities, and deliberates on initiatives to address key issues.

Furthermore, the Sustainability Management Committee has been established as a subordinate body of the Sustainability Strategy Council to discuss and examine specialized matters related to sustainability activities. This committee is composed of the heads of relevant functional supervisory departments, and submits reports to the Sustainability Strategy Council.

The Sustainability Promotion Office serves as the secretariat for these two bodies and reports regularly to the Board of Directors to promote more effective sustainability activities.

With respect to officer compensation, four key sustainability topics tied to materiality (decarbonization, supply chain, human rights and diversity, and governance) are linked to restricted stock compensation, from the perspective of building a more effective sustainability governance structure.

#### ■ Executive organization chart



② Strategy

Epson has analyzed social issues and megatrends defined by SDGs, ISO26000 and others, examined its own strengths that can lead to social impact, and identified four materialities (achieve sustainability in a circular economy, advance the frontiers of industry, improve the quality of life, and fulfill our social responsibility) that are highly important issues for Epson to address to solve challenges in society.

We aim to achieve sustainability and enrich communities through sustainability management that combines business growth and solutions to social issues, whereby we achieve business growth by solving social issues and solve more social issues by growing our business.

■ Epson’s sustainability management



■ Opportunities and risks by materiality, and topics to be addressed

Based on the assessment of opportunities and risks for each materiality (key sustainability topic) as described below, we are working to achieve the goals of Epson 25 Renewed.

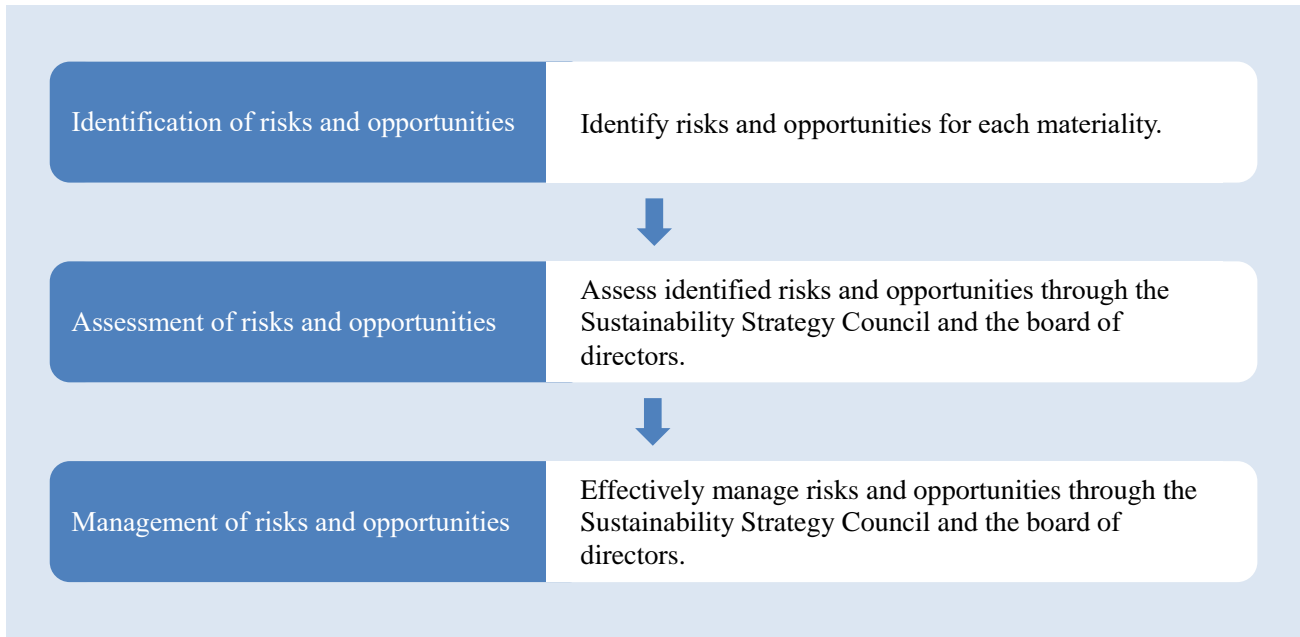
Key Sustainability Topics	Opportunity (○)	Risk (●)
Materiality: Achieve sustainability in a circular economy		
Decarbonization initiatives Closed resource loop initiatives Customer environmental impact mitigation Environmental technology development	<ul style="list-style-type: none"> <li>○ Growing need for environmentally friendly products and services due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, and the need to produce the right amount of products and reduce resources</li> <li>○ Market growth in the fields of global warming countermeasures and waste treatment and effective utilization of resources</li> <li>○ Market growth in recycled plastics, bioplastics, and metal recycling due to the shift to a circular economy</li> </ul>	<ul style="list-style-type: none"> <li>● Growing momentum toward a paperless office from the perspective of forest protection awareness</li> <li>● Increase in operating costs due to changes in policies and regulations</li> <li>● Credit loss and damage to corporate value due to delayed response to decarbonization and resource recycling</li> <li>● Damage to corporate value due to failure to achieve plans for or delays in the development of environmental technologies that will lead to a reduction in environmental impact</li> </ul>
Materiality: Advance the frontiers of industry		
Improving productivity through digitization and automation	<ul style="list-style-type: none"> <li>○ Transition to resource-saving and highly efficient production processes due to diversifying consumer needs and the growing importance of environmental considerations</li> <li>○ Decentralization of production plants for the purpose of BCP response based on factors such as geopolitical risk</li> </ul>	<ul style="list-style-type: none"> <li>● Loss of business opportunities due to delays in launching products and services that meet market demands</li> <li>● Delays in developing easy-to-use solutions and digital services</li> </ul>
Improving working environment and educational environment	<ul style="list-style-type: none"> <li>○ Decentralization of offices due to diversification of work styles and advancement of information technology</li> <li>○ Need for automation using robots to compensate for global labor shortages against a backdrop of declining birthrates and aging populations</li> <li>○ Growing need for innovation in production systems to improve the working environment and strengthen the resilience of manufacturing sites</li> <li>○ Increasing need to resolve stress burdens and lowered work efficiency due to reduced physical communication in telecommuting and web conferencing</li> <li>○ Growing momentum to achieve common global decarbonization goals (reduction of CO<sub>2</sub> emissions stemming from human mobility)</li> <li>○ Increasing use of ICT to bridge the gap in learning places and opportunities in developing countries</li> <li>○ Dissemination of digital educational materials and educational platforms</li> <li>○ Expansion of the education market due to the increase in the number of people enrolled in school in emerging and developing countries</li> <li>○ Resolving teacher and teaching support shortages through ICT</li> <li>○ Expansion of at-home study support programs</li> </ul>	<ul style="list-style-type: none"> <li>● Loss of business opportunities due to delays in launching products and services that meet market demands</li> <li>● Loss of trust and damage to corporate value in the event of an accident that causes life-threatening or serious physical harm to a user when the robot is used</li> <li>● Lack of human resources capable of implementing automation</li> <li>● Decreased need to connect the real and remote due to increased office attendance following the decline of the coronavirus</li> <li>● Intensifying competition with large-screen display devices other than projectors and personal terminals, and relative decline in the presence of our solutions</li> <li>● Decrease in the need for printing in the education market due to the increased use of tablets and other electronic devices</li> <li>● Delays in sound budgeting for and investment in education due to delayed economic development and political instability in developing countries</li> </ul>

Key Sustainability Topics	Opportunity (○)	Risk (●)
Materiality: Improve the quality of life		
Proposing diverse lifestyles	<ul style="list-style-type: none"> <li>○ Growing need for data utilization to help improve performance in various sports due to diversifying lifestyles</li> <li>○ Emergence of new data service businesses such as health support</li> <li>○ National government policy initiatives to extend healthy life expectancy as a response to the declining working-age population and increasing social security costs in the developed countries</li> </ul>	<ul style="list-style-type: none"> <li>● Decline in presence due to evolution of competing data services</li> <li>● Impact on the data service business due to declining interest in health consciousness</li> </ul>
Realizing an abundant and colorful life	<ul style="list-style-type: none"> <li>○ Demand for luxury goods that cater to diverse values, hobbies, and tastes</li> </ul>	<ul style="list-style-type: none"> <li>● Declining presence in the wearable device market due to changing values</li> </ul>
Materiality: Fulfill our social responsibility		
Increasing stakeholder engagement	<ul style="list-style-type: none"> <li>○ Growing stakeholder interest in sustainability</li> </ul>	<ul style="list-style-type: none"> <li>● Loss of trust from stakeholders and damage to corporate value due to inappropriate responses to issues</li> </ul>
Realizing responsible supply chains	<ul style="list-style-type: none"> <li>○ Growing worldwide interest in business and human rights</li> </ul>	<ul style="list-style-type: none"> <li>● Occurrence of human rights violations in the Company and its supply chain</li> </ul>
Respecting human rights and promoting diversity	<ul style="list-style-type: none"> <li>○ Improvement in corporate performance by fostering a free and open organizational climate</li> <li>○ Growing worldwide interest in business and human rights</li> <li>○ Transformation in awareness and understanding of DE&amp;I and social minorities</li> </ul>	<ul style="list-style-type: none"> <li>● Decreased engagement and lack of innovation due to slow progress in improving organizational culture</li> <li>● Damage to corporate value in the event of serious human rights violations, including those in the supply chain</li> <li>● Decreased engagement due to slow progress in DE&amp;I</li> </ul>
Strengthening governance	<ul style="list-style-type: none"> <li>○ Strengthening of the governance system leading to acceleration of strategy implementation and increased responsiveness to change</li> <li>○ Competitiveness increase through appropriate risk-taking</li> </ul>	<ul style="list-style-type: none"> <li>● Delays in strategic progress and decreased organizational power due to governance failures</li> <li>● Generation of losses and loss of public trust due to noncompliance</li> </ul>

### ③ Risk management

As the environment in which we operate grows more complex and uncertain, effectively dealing with risks that could have a significant impact on corporate activities will be essential in order to carry out business strategies and business objectives. Epson sees sustainability-related risks as risks that could significantly impact management and manages them appropriately.

■ Risk management process



④ **Metrics and targets**

■ Materialities and key sustainability topics, KPI

In order to effectively implement initiatives for the four materialities, which are high-priority issues that we should address to solve societal issues, we have selected 12 key sustainability topics, set key performance indicators (KPIs) for initiatives, reflected them in our Mid-Range Business Plan, and steadily taken initiatives.

■ Key sustainability topics and achievements

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
Materiality: Achieve sustainability in a circular economy				
Decarbonization initiatives	Using energy-saving equipment and facilities, removing greenhouse gases, engaging suppliers, and pursuing carbon-free logistics to become carbon negative by 2050	- Scope 1 and 2 GHG emissions reduction ratio - Scope 3 GHG emissions (per unit of business profit) reduction ratio	- Reduce by 21% compared to FY2017 - Reduce by 30% compared to FY2017	- Reduced by 60% compared to FY2017 - Reduced by 45% compared to FY2017
	Using renewable electricity to achieve RE100	Renewable electricity adoption ratio	Maintain at 100% domestically	- Maintained at 100% domestically - Achieved 79% globally
Closed-resource-loop initiatives	Becoming underground resource <sup>1</sup> free by 2050: - Using resources efficiently by reducing size and weight, using recycled materials, etc. - Establishing closed-loop production systems that minimize production losses	Closed-loop materials usage ratio	≥ 20%	21%
		Final landfilled rate <sup>2</sup>	≤ 1%	0.79%
Customer environmental impact mitigation	Maximizing avoided emissions with products and services that have a lower environmental impacts <sup>4</sup>	Emissions avoided through products & services	≥ The previous year	<sup>3</sup>
Environmental technology development	Eliminating virgin plastics and closing resource loops by using Dry Fiber Technology to produce recycled materials and natural materials. - Packaging materials - Housing materials	Progress of development process	- Packaging: Verify practical use for Epson products - Housings: Begin technology verification for practical use	- Packaging: Achieved practical application to watches (cotton scraps) - Housings: Improved the impact resistance of cellulose composite biomass plastic
	Establishment of high-added-value recycling technology for used metal	Progress of development process	Develop technology for expanding the types of materials recycled	Higher performance of Epson Atmix's powder: Developed a high-voltage-resistant insulating film

# SEIKO EPSON CORPORATION

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
Materiality: Advance the frontiers of industry				
Increasing productivity through digitization and automation	Leading the digitization of commercial and industrial printing with inkjet technology and diverse solutions, to create clean, space-efficient workplaces, reduce environmental impact, and improve productivity	Average sales growth rate of commercial and industrial inkjet printers compared to the previous year	_5	_5
Improving working environment and improving educational environment	Reducing environmental impact and improving productivity with inkjet technology and open solutions, to lead the evolution of home study and distributed office printing	Average sales growth rate of high-capacity inkjet printers for SOHO and home users compared to the previous year	_5	_5
	Eliminating labor shortages through automation using robots	Number of labor shortages eliminated <sup>6</sup>	_5	_5
	Providing a fair, natural, and comfortable communication environment without boundaries, combining the real and remote, with both a sense of presence and information content	Number of co-creation and collaboration projects, or number of partners	_5	_5
	Creating homogeneous learning opportunities through smart, portable displays that enable large-screen communication in a compact form, to mitigate learning disparities stemming from differences in regional and social conditions	Number of local demonstration programs through co-creation and collaboration	_5	_5



# SEIKO EPSON CORPORATION

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
Materiality: Improve the quality of life				
Proposing diverse lifestyles	Enriching the diverse lifestyles of people through lifestyle-related disease prevention and helping people improve their sports performance by providing personalized value in an easy-to-understand visual manner using proprietary sensing technology and algorithms	Percentage of revenue that the data business in support services <sup>7</sup> accounts for	_5	_5
Realizing an abundant and colorful life	Providing attractive and high-quality products with our efficient, compact, and precision technologies and our artisanal skills, to enrich the diverse lifestyles of our customers	Sales growth rate of attractive, high-quality products compared to the previous year	_5	_5

# SEIKO EPSON CORPORATION

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
Materiality: Fulfill our social responsibility				
Increasing stakeholder engagement	Responding to needs and social demands by strengthening dialogue with stakeholders	Social support activities, monetary value of support	≥ 0.1% of sales	0.1% of sales
		Number of dialogs with shareholders and investors and reflecting opinions on management	≥ 200 meetings with shareholders & investors	269 times
		Evaluation indices of external evaluation agencies	Acquire high recognition	Acquired high recognition <sup>8</sup>
Realizing responsible supply chains	Reinforcing supply chain BCM	Impact on customers due to disruption and stagnation in supply chain (Aiming to have no impact on sales in FY2024)	Impact on sales: Half that of FY2021	- Impact of supply chain disruption on sales was limited to certain businesses - Significantly cleared the target
	Realizing responsible supply chains	CSR risk levels of suppliers	CSR risk ranks of main suppliers (direct materials): - 0% high risk, ≤ 6% middle risk	- High risk: 0% - Middle risk: 9%
	Realization of responsible sourcing of minerals	- Conflict-free (CF) ratio of products - Survey response ratio <sup>9</sup>	- Release CF information for CF strategic products - 100% survey response ratio	- Smelter confirmation of CF strategic products - Survey response collection ratio: 99.6%

# SEIKO EPSON CORPORATION

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
Respecting human rights and promoting diversity	Creating a free and open organizational culture	Organizational climate assessment score for “strength to work in teams”	Reset KPI due to change <sup>10</sup> in assessment method with introduction of the motivation cloud (employee engagement survey)	The targets for FY2025 were set as follows - Engagement rating: A (score of 58.0 or higher) - Number of workplaces with D rating: zero
		Number of high risk workplaces with “general health risk” in the mental health check	Reduce the number of high risk workplaces with “general health risk” from the previous year, heading toward zero <sup>11</sup>	Reduced the number of high-risk workplaces compared to FY2021
		Implementation of harassment prevention measures (education and training, case sharing, appointment process, etc.), ensuring to report cases to the head office	Plan & conduct new training course for managers & for general staff  Strengthen primary point of contact for harassment consultations & strengthen coordination with the post-report process	Revised training content based on social trends, sanction cases, etc.  - Identified company-wide issues in response to common activities of the contact points - Confirmed standard response at each contact point
	Respect for human rights through dissemination of the new “Human Rights Policy” within the Group	Embedding and improving the commitment for respecting human rights, human rights due diligence (DD) & remediation mechanisms	Announce the Human Rights Policy and assess and improve the state of human rights DD & remediation mechanisms	Disseminated the Human Rights Policy by launching training and identified the current status and areas for improvement of human rights DD & remediation mechanisms
	Utilizing human resources in a way that respects diversity	- Female manager ratio (the Company) - 1 or more female executive officers by FY2025 (in Japan)	- Female manager ratio: 5% - Promote the participation of woman training	- Female manager ratio: 4.1% - Two managers participated in external training
	Strengthening governance	Reinforcement of compliance management platform	Number of serious compliance violations <sup>12</sup>	No serious compliance violations

# SEIKO EPSON CORPORATION

Key Sustainability Topics	Initiative Topics	Key Performance Indicators (KPI)	FY2022 (Target)	FY2022 (Result)
	Enhancement of Group compliance level	Implementation ratio of compliance training (e-learning) to all Group employees <sup>13</sup>	Completion rate in Epson Group: 100%	In Japan: 99.0% Overseas: 98.5%
	Maintenance and strengthening of governance structure to realize transparent, fair, prompt and decisive decision-making	- Ratio of Outside Directors in the Board of Directors - Ratio of Outside Directors in Nomination & Compensation Committees	- Maintain the ratio of Outside Directors on the board at $\geq 1/3$ - Maintain the ratio of Outside Directors on the Nomination & Compensation Committees at $\geq 80\%$	- Ratio of Outside Directors on the Board of Directors: Maintained 1/3 or more - Ratio of Outside Directors on the Nomination & Compensation Committees: Maintained 80% or more
	Strengthening information security	Number of serious information security incidents	0	2

<sup>1</sup> Non-renewable resources such as oil and metals

<sup>2</sup> Ratio of landfilled amount of production resources against the volume of resources input

<sup>3</sup> Actual quantitative results for FY2022 will be disclosed on the Company website in late September 2023.  
<https://corporate.epson/en/sustainability/initiatives/materiality.html>

<sup>4</sup> Quantified the contribution of products and services toward GHG emissions reductions

<sup>5</sup> The key performance indicators and targets for the materialities “Advance the frontiers of industry” and “Improve the quality of life” will be applied from FY2023.

<sup>6</sup> Calculated based on the effectiveness of Epson’s internal projects

<sup>7</sup> Business model that provides value by converting data based on algorithms

<sup>8</sup> Sustainalytics: Low; FTSE: 4 or higher; Top 50 or higher in “Toyo Keizai CSR ranking”

<sup>9</sup> Ratio of suppliers submitting responses to suppliers we have sent survey requests

<sup>10</sup> Changes designed to achieve greater work engagement

<sup>11</sup> Target-value control is performed for workplaces with 10 or more respondents.

<sup>12</sup> Cases of violation that correspond to timely disclosure matters

<sup>13</sup> Target: The Company and domestic and overseas subsidiaries

## (2) Climate change (TCFD)

Climate change is greatly impacting society and Epson sees it as a serious social problem. The goal of the Paris Agreement is to limit the increase in global average temperature to well below 2°C compared to pre-industrial levels and to pursue efforts to limit it to 1.5°C. Epson has pledged to do its part by achieving its goal of reducing its total emissions in line with the 1.5°C scenario by 2030. As stated in Environmental Vision 2050, which was announced along with the Epson 25 Renewed corporate vision, Epson seeks to become carbon negative and underground resource<sup>14</sup> free by 2050 by decarbonizing and closing the resource loop. We are also providing products and services that have a smaller carbon footprint and are developing environmental technologies.

Since indicating its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2019, Epson has disclosed information (on governance, strategy, risk management, and metrics and targets) based on the TCFD framework so as to enable good communication with shareholders, investors, and a broad spectrum of other stakeholders. Epson decided to disclose the level of financial impact in 2021 in a quantitative manner for the first time. Furthermore, in 2022, Epson enhanced its disclosure of specific initiatives and achievements aimed at reducing GHG emissions in response to the update to the TCFD recommendations. In 2023, Epson enriched qualitative and quantitative information on the highlights and specific results of its initiatives to address climate-related risks and opportunities.

<sup>14</sup> Non-renewable resources such as oil and metals

### ■ Scenario analysis findings

We analyzed scenarios based on the TCFD framework to quantitatively assess the financial impact of climate-related risks and opportunities on Epson's strategy. In a 1.5°C scenario in which there is rapid decarbonization of society, we found that there is transitional risk of an increase in operating costs due to market changes, policies, and legislation, but we expect to limit the financial impact by strengthening products and services based on inkjet technology and paper recycling technology.

Epson will spend approximately 100.0 billion yen (approximately 25.0 billion yen from 2021 to 2025 and approximately 75.0 billion yen from 2026 to 2030) over a period of 10 years ending in 2030 to accelerate decarbonization, close the resource loop, and develop environmental technology. The solution to climate-related risks aligns with the materialities we have set of achieving sustainability in a circular economy and advancing the frontiers of industry and will lead to opportunities for business expansion with Epson's low environmental impact products and services that save electricity and reduce waste. These products and services will help to mitigate customers' environmental impact and control climate change.

Based on the results of these analyses, Epson will continue to try to maximize its opportunities while addressing recognized risks in order to achieve decarbonization, which we believe is a rational goal both for society and for Epson.

On the other hand, even in a 4°C scenario in which global warming has advanced because the world failed to take additional measures, we found that the impact of physical risks on our domestic and overseas sites due to the damages arising from weather extremes would be small.

### ① Governance

Important matters related to climate change are supervised by the board of directors, which receives reports at least once a year from the Sustainability Strategy Council, an advisory body to the president that plans and reviews strategic sustainability activities for the Epson Group, including matters related to climate change.

In addition, Seiko Epson's president and representative director, who has ultimate responsibility and authority for climate-related issues, delegates responsibility for climate-related issues to the sustainability director, a Director and Senior Managing Executive Officer. The sustainability director heads the Sustainability Promotion Office and oversees the execution of climate change initiatives, including TCFD.

The executive organization is identical to that shown in "(1) Sustainability in general ① Governance."

## ② Strategy

Epson has determined that achieving sustainability in a circular economy and advancing the frontiers of industry are material matters. To achieve these, we are reducing greenhouse gas (GHG) emissions by leveraging our efficient, compact, and precision technologies to drive innovation. Furthermore, to increase resilience against climate change, we have been implementing activities at regular meetings of the Environmental Strategy Council and its subcommittees to realize our Environmental Vision 2050. In FY2022, we reviewed the status of implementation of activities and submitted deliberations and reports to various management meetings, focusing on the following initiatives.

Increasing resilience	FY2022 initiatives & results	
Environmental Strategy Council	Decarbonization	<ul style="list-style-type: none"> <li>- Examined plans for Scope 1 and 2 zero emission targets and upgrades of facilities and equipment, and reduction scenarios.</li> <li>- Examined policy for sustainable and stable procurement of renewable energy as a maintenance activity in Japan.</li> <li>- Supplier engagement (suppliers' switching to renewable energy, recycled material surveys, etc.)</li> </ul>
	Closed resource loop	- Examined introducing resource loop indicators and targets to become underground resource free.
	Customer environmental impact mitigation	- Examined calculation logic for objective and fair avoided emission for each product genre that contributes to reducing the environmental impact of society.
	Environmental technology development	<ul style="list-style-type: none"> <li>- Materialized the topic of dry fiber technology application (developed packaging materials and biomass plastic materials).</li> <li>- Developed high-value-added recycling technology for scrap metal.</li> </ul>

### ■ Scenario analysis of climate-related risks and opportunities

Epson identified and evaluated scenarios in the categories of transition risk, physical risk, and opportunity to evaluate the importance of climate-related risks and opportunities. Seven risks and opportunities were singled out for evaluation. We evaluated the business impact and financial impact of each on the basis of the scenarios corresponding to a temperature increase of 1.5°C presented by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as well as on the basis of internal and external information.

■ Climate-related risks and opportunities in a 1.5°C scenario

The results of evaluating climate-related risks and opportunities based on scenario analysis are as follows.

Category		Evaluated risks & opportunities	Actualization	Business impacts	Financial impact
Transition risks	Market changes Policy & laws and regulations	Paper demand	Short-term	<b>Impact</b> - We were unable to detect a strong relationship between climate change and the change in paper demand, but demand for printing and communication paper is assumed to be on a declining trend. Even if the shift to paperless advances further due to changes brought about by COVID-19 (such as the contraction of office printing because of decentralization), we expect only a limited financial impact from the strengthening of products and services based on inkjet technology and paper recycling technology (reduction of printing costs, reduction of environmental impacts, increase of ease of printing, appeal using usefulness of paper information).	Small
		(Initiatives in Environmental Vision 2050) - Decarbonization - Closed resource loop - Environmental technology development	Short-term	<b>Impact</b> - Decarbonization of products, services, and supply chains as well as advanced initiatives in resource recycling are needed to respond to the shared global societal issues of climate change and resource depletion. - Scientific and specific solutions are necessary to develop environmental technologies linked with the rapid decrease of environmental impacts. <b>Response to risks</b> - Decarbonization <ul style="list-style-type: none"> <li>• Renewable energy use</li> <li>• Energy-saving facilities &amp; equipment</li> <li>• Greenhouse gas removal</li> <li>• Supplier engagement</li> <li>• Carbon-free logistics</li> </ul> - Closed resource loop <ul style="list-style-type: none"> <li>• Use resources effectively</li> <li>• Minimize production losses</li> <li>• Extend product service lives</li> </ul> - Environmental technology development <ul style="list-style-type: none"> <li>• Dry fiber technology applications</li> <li>• Naturally derived (plastic-free) materials</li> <li>• Material recycling (metal, paper)</li> <li>• CO<sub>2</sub> absorption technology</li> </ul>	Invest a total of approximately ¥100.0 billion by 2030
Physical risks	Acute	Damage to business sites due to floods	Long-term (End of 21st century)	<b>Impact</b> - Based on the results of the latest FY2022 risk assessment for 36 sites (17 sites in Japan and 19 sites overseas), the changes in future operational risks due to flooding (rivers overflowing), high tides and drought are limited. - Short-term climate change risks to the supply chain will be addressed in line with our business continuity plans.	Small
	Chronic	Damage to business sites due to rising sea levels			
		Impact on operations due to drought			

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Category		Evaluated risks & opportunities	Actualization	Business impacts	Financial impact
Opportunities	Products and services	(Initiatives in “Environment Vision 2050”) - Customer environmental impact mitigation	Short-term	<b>Assumed scenarios</b> - The need for environmentally considerate products and services will increase due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, sustainable production volume, and reduced resource use. <b>Business opportunities</b> - In the growth areas defined in Epson 25 Renewed, we expect to grow revenue at a CAGR (compound annual growth rate) of 15% by providing 1) inkjet office printing, commercial & industrial inkjet printing and printheads that reduce environmental impacts, increase work productivity, and reduce printing costs; and 2) production systems with expanded use of new production devices to reduce environmental impacts.	Large CAGR of 15% is expected in growth areas by FY2025
		Environmental business	Short-term	<b>Assumed scenarios</b> - Market growth is expected in the areas of global warming prevention, waste treatment, and effective utilization of resources. - The shift to a circular economy is expected to drive market growth for recycled plastics, high-performance biomaterials, bioplastics and metal recycling. <b>Business opportunities</b> - Generate revenue by upcycling (enhancing functionality), eliminating plastics (packing and molding materials), creating new high-value-added materials and carrying out other measures through the establishment of technologies, such as applications of dry fiber technology, including paper recycling, development of naturally derived materials (elimination of plastics) and recycling of raw materials (metal and paper recycling) as effective solutions for combatting global warming and shifting to a circular economy.	Medium

**Actualization** Short term: ≤ 10 years

Medium term: 10-50 years

Long term: > 50 years

**Financial impact** Small: ≤ 1 billion yen

Medium: 1-10 billion yen

Large: > 10 billion yen



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Epson implemented the following initiatives in FY2022 to promote decarbonization, close the resource loop, develop environmental technology, and mitigate environmental impacts on the customer's end.

Category		Evaluated risks & opportunities	Initiatives implemented in FY2022	FY2022 quantitative results
Transition risks	Market changes Policy & laws and regulations	Paper demand	- In Office & Home Printing, sales of printers increased in terms of both units and revenue. Although sales of ink cartridges decreased due to the normalization of at-home print demand, sales of high-capacity ink bottles and ink for office shared printers increased in conjunction with the increased number of machines in the field. The financial impact of fluctuations in demand for paper in the market targeted by Epson was limited.	Small <sup>15</sup>
		Decarbonization	- Promoted maintenance activities in Japan and expansion of switchover overseas, toward 100% renewable energy at all sites by 2023. (Ratio of renewable energy utilization in FY2022: 79% on an electric power basis) - Developed a procurement policy for long-term stable procurement of renewable energy.	¥4.53 billion (breakdown) ·Investment: ¥2.02 billion ·Expenses: ¥1.10 billion ·Personnel expenses: ¥1.41 billion
		Closed resource loop	- Expanded the use of recycled plastic products, and increased the long-term use of products through refurbishing/reuse. - Acquired a site for a new plant to recycle metal waste as materials for metal powder products, and completed the basic design of the recycling plant (construction to begin in July 2023, operation in June 2025) (Epson Atmix).	Cumulative input costs and investments for Environmental Vision 2050: ¥7.85 billion in total
		Environmental technology development	- Implemented the practical application of packaging materials made from cotton scraps by applying dry fiber technology, and promoted the development of cellulose composite bioplastics. Selected CO <sub>2</sub> absorption technologies and made investment in environment-related technologies and material development.	
Physical risks	Acute	Damage to business sites due to floods	- Assessed the latest risks based on the IPCC Sixth Assessment Report for 36 sites (17 in Japan, 19 in overseas).	-
	Chronic	Damage to business sites due to rising sea levels	- Confirmed that the volatility in Epson's future operation risk caused by floods (river flooding), high tide and drought is limited. Implemented BCP measures against the risk of inundation of facilities on lower floors of Toyoshina Office <sup>16</sup> .	
		Impact on operations due to drought		
Opportunities	Products and services	Customer environmental impact mitigation	- Promoted initiatives in the growth areas (office printing, commercial & industrial printing, printhead sales, production systems) under "Epson 25 Renewed."	FY2020 →FY2022 Revenue CAGR +16% <sup>17</sup>
		Environmental business	- Examined business plan for the creation of environmental solution business through business and technology development activities with dry fiber technology as the core technology	-

<sup>15</sup> Small financial impact: ¥1 billion or less

<sup>16</sup> A major domestic site with a long-term flooding risk (end of 21st century).

<sup>17</sup> Comparison of actual results for FY2022 to FY2020 forecasts at the time of announcement of Epson 25 Renewed

## ③ Risk management

As the environment in which we operate grows more complex and uncertain, effectively dealing with risks that could have a significant impact on corporate activities will be essential in order to carry out business strategies and business objectives. Epson sees climate-related issues as risks that could significantly impact management and manages them appropriately.

### ■ Climate-related risk identification, assessment and management process

1. Study	2. Identify & assess	3. Manage
<ul style="list-style-type: none"> <li>- Considering the changes in the IPCC Sixth Assessment Report, conduct surveys on natural disaster risks caused by climate change at major sites in Japan and overseas.</li> <li>- Research social trends.</li> </ul>	<ul style="list-style-type: none"> <li>- Identify risks and opportunities from the policies and actions in Epson 25 Renewed and Environmental Vision 2050.</li> <li>- Evaluate scenario analysis through the Sustainability Strategy Council and board of directors.</li> </ul>	<ul style="list-style-type: none"> <li>- Effectively manage risks through the Sustainability Strategy Council and the board of directors.</li> </ul>

## ④ Metrics and targets

Epson aims to achieve the medium- and long-term greenhouse gas (GHG) emission reduction targets to realize Environmental Vision 2050. For this reason, we are working to reduce environmental impacts throughout the value chain by improving the environmental performance of our products, utilizing renewable energy, enhancing our business activities and taking other steps, based on our efficient, compact, and precision technologies.

### ■ GHG reduction targets (general indication of aggressive total emissions reduction targets in line with the 1.5°C scenario)

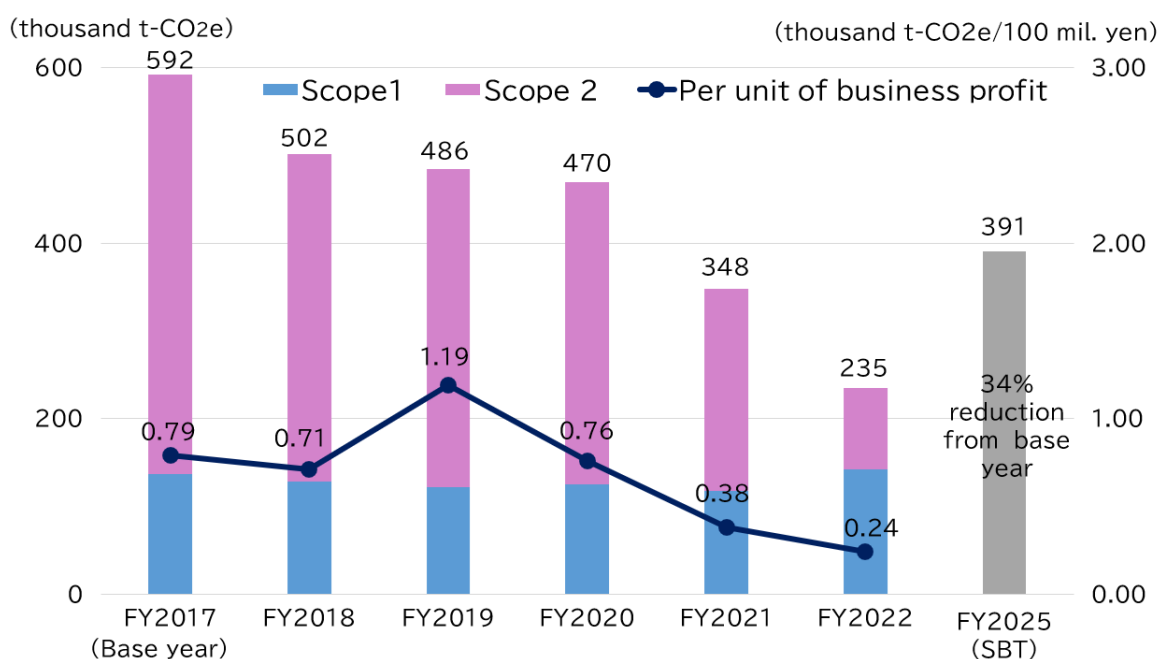
Scopes 1, 2, 3 <sup>18</sup>	Reduce GHG emissions by 55% compared to FY2017 by FY2030.
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<sup>18</sup> Scope 1: Direct emissions from the use of fuel, etc., by the reporting company

Scope 2: Indirect emissions from purchased energy

Scope 3: Emissions from the reporting company's value chain

### ■ GHG reduction results (Scopes 1, 2)



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	FY2017 (Base year)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2025 (SBT)
Scope 1 (Thousand tons of CO <sub>2</sub> e)	137	128	122	125	118	142	391
Scope 2 (Thousand tons of CO <sub>2</sub> e)	455	374	363	345	230	93	
Total for Scopes 1 and 2 (Thousand tons of CO <sub>2</sub> e)	592	502	486	470	348	235	
Per unit of business profit (Thousand tons of CO <sub>2</sub> e/100 million yen)	0.79	0.71	1.19	0.76	0.38	0.24	–

(Note) Totals do not add up in some cases due to rounding off of fractions.

## **(3) Human capital and diversity**

### **■ Concept and initiatives of human capital**

Epson is committed to contributing to the resolution of social issues through its business based on the Corporate Purpose, with the aim of enhancing corporate value and sustainable growth over the medium to long term. To achieve this, it is necessary to expand and create businesses through environmental, co-creation, and DX initiatives, in line with the positioning, strategies, and policies for each business domain defined in the long-term vision, Epson 25 Renewed. These activities are supported by efforts to strengthen the management base through human resource strategies. Epson is promoting the pillars of its human resource strategy, which are “allocate human resources to priority areas,” “strengthen human resource development” and “organizational activation,” in order to develop human resources who are capable of thinking autonomously about what services are required in a society undergoing change and how to provide solutions to social issues, and are capable of producing services and solutions, as well as to create an environment in which they can demonstrate their abilities.

### **■ Basic approach to human resource strategy**

Epson is a company born and raised in Shinshu. Today, while maintaining its core functions and bases of operations in Shinshu, Epson has established 107 R&D, production, and sales bases in countries and regions outside Japan, which account for approximately 80% of the revenue and 75% of the employees, and continues to develop its business globally. Therefore, at Epson, the key to our human resource strategy is to build a human resource base that will enable us to survive severe global competition and achieve our management objectives and business growth by proactively acquiring external human resources and achieving diversity, while turning local job security and the relatively long-term employment that comes with it into our strength. For this reason, the following are key points for Epson’s human resource strategy.

- ◆ We will accurately grasp various customer needs and promote business reform and innovation to respond quickly and flexibly. To this end, we will actively acquire specialists from outside the Company in new and highly specialized fields, as well as management personnel who can work from a managerial perspective. In addition, we will focus on areas to be strengthened and build optimal formations from a global perspective.
- ◆ Epson, as a “company where people continue to grow and develop their careers autonomously” over a long-term time horizon, provides various training programs, reskilling, rotation, internal recruitment systems, and other opportunities for challenge to enhance each employee’s ability to respond to changes in the internal and external environment. In addition, to build an optimal formation from a global perspective, we will develop and deploy human resources who can work globally, including overseas personnel.
- ◆ To enhance creativity to realize innovation, we will secure a diverse workforce, including women, non-Japanese, mid-career hires, people with disabilities, and older workers, as well as create a comfortable work environment that leverages our advantages as a regional company, such as our commitment to organizational culture, the natural environment of Shinshu, and proximity to work and home, to increase employee engagement and maximize the overall strength of the organization by taking advantage of our diverse human resources.

## **① Governance**

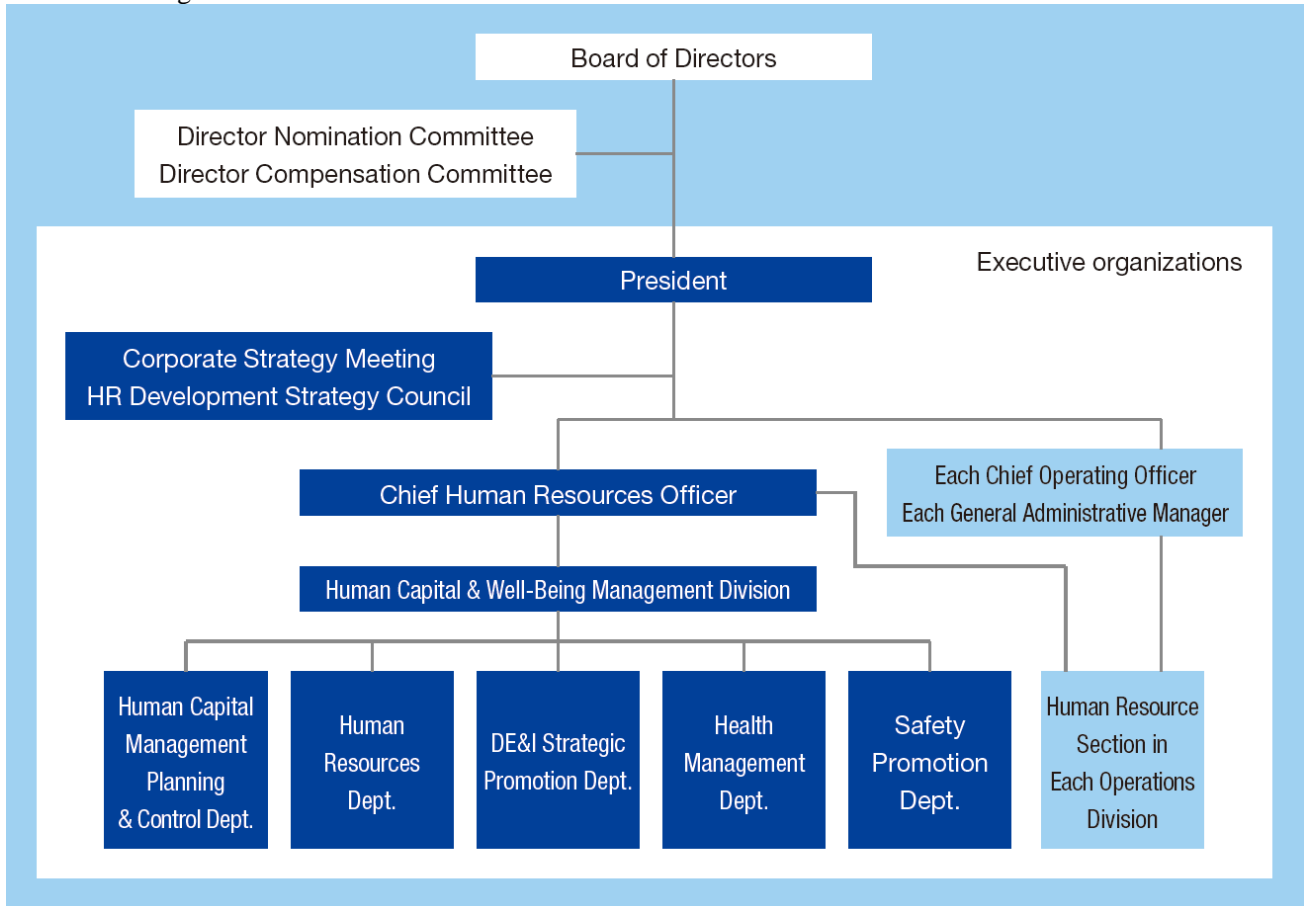
The President appoints the Chief Human Resources Officer (CHRO) to be responsible for important matters related to human resource strategy, and the CHRO is responsible for company-wide planning, management, and implementation of such matters. The CHRO also has a certain amount of authority over the personnel functions under the supervision of each business and General Administrative Manager, thus creating a system that achieves overall optimization and implements human resource strategies companywide.

The CHRO formulates mid-term personnel strategies based on the medium-term management strategy, and reports them to the Board of Directors as part of the mid-range business plan after discussion and deliberation at medium-term strategy deliberations, etc. The main items set forth in the mid-term personnel strategies which are relevant to “allocate human resources to priority areas,” “strengthen human resource development” and “organizational activation” are discussed and reported at the Corporate Strategy Meeting and the HR Development Strategy Council as required. Among these items, matters of particular importance to management, such as succession planning and training of senior management, matters related to diversity, and harassment, are regularly brought up for discussion

or reported to the Board of Directors at least once a year, thereby ensuring appropriate supervision by the Board of Directors.

With regard to the selection and compensation of officers, the Director Nomination Committee and the Director Compensation Committee, each chaired by an Outside Director and composed of a majority of Outside Directors, formulate succession plans, review the nomination process for officers, confirm the roadmap, select candidates, formulate and implement development plans, evaluate, narrow down and replace candidates, and confirm the officer compensation system, individual base compensation and bonus payments.

## ■ Executive organization



## ② Strategy

### ■ Image of human resources we seek

In order to realize its management strategy and execute its business, Epson needs people who can respond quickly to change with a broad perspective and a high level of expertise, and create customer value independently and autonomously from the customer's perspective, based on the penetration of Corporate Purpose and the Epson Way, and a shared understanding of the business approach set forth in the long-term vision.

In anticipation of further declining birthrates, an aging society, and a shrinking workforce in Japan, we have begun to formulate a human resource portfolio on a global basis in order to define the human resource requirements needed to formulate and execute management strategies and establish new business models, and to identify gaps from the current situation. With this as a starting point, we will identify the human resource issues needed to realize our medium- to long-term strategies and implement appropriate measures to realize an optimal personnel structure company-wide.

### ■ Human resource strategies, opportunities, and risks

Epson has human resource strategies that focus on developing the people we envision in line with the image of human resources we seek, and on creating an organizational climate in which our human resources can fully flourish. Based on the following assessment of risks and opportunities, we are working on three human resource strategies: allocate human resources to priority areas, strengthen human resource development, and organizational activation.

Human resource strategies	Opportunity (○)	Risk (●)
Allocate human resources to priority areas	<ul style="list-style-type: none"> <li>○ Acceleration of business growth through intensive allocation and optimal allocation of human resources to priority areas (growth areas, new areas, etc.)</li> <li>○ Increased employee motivation, engagement, and productivity by responding to their motivation and providing rewarding and growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Failure to secure the necessary quality and quantity of personnel, resulting in obstacles to business execution</li> <li>● Lost growth opportunities and financial losses as a result of the above</li> </ul>
Strengthen human resource development	<ul style="list-style-type: none"> <li>○ Increased employee motivation, engagement, and productivity as a result of employees feeling and experiencing growth in response to the provision of rewarding and growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>● Failure to secure the necessary quality and quantity of personnel, resulting in obstacles to business execution</li> <li>● Lost growth opportunities and financial losses as a result of the above</li> <li>● Decreased employee motivation and increased employee turnover due to failure to meet expectations for learning and growth</li> <li>● Failure to develop human resources who can acquire the necessary abilities and skills and respond to change, resulting in obstacles to business execution and financial losses</li> </ul>
Organizational activation	<ul style="list-style-type: none"> <li>○ Fostering of an environment conducive to innovation through the diverse ideas and creativity of a diverse workforce</li> <li>○ Reduced recruiting costs and improved competitiveness by securing and retaining excellent human resources</li> <li>○ Increased motivation, engagement, and productivity by creating a comfortable work environment for a diverse workforce</li> </ul>	<ul style="list-style-type: none"> <li>● Deterioration in operational efficiency due to a decline in employee morale and motivation, occurrence of compliance violations, and loss of trust due to a lack of ethical standards</li> <li>● Harassment, loss of motivation and strength to work in teams due to adverse effects on physical and mental health, and other various human rights violation risks in the workplace</li> <li>● Additional costs due to accidents</li> </ul>

#### ■ Human resource development policy

##### **Human resource strategy (1) Allocate human resources to priority areas**

As the foundation of its business operations, Epson formulates workforce plans based on forecasts of future changes in its workforce structure and the workforce needs to realize its business strategies. In FY2020 and FY2021, we made certain restraints due to the COVID-19 pandemic. However, as a policy, we will hire more than 350 new graduates and mid-career workers combined each year in a planned and stable manner over the future medium term.

In addition to intensively allocating hired personnel to the growth areas of printing (office, commercial and industrial) and production systems (robotics), and to the new areas of environmental business, environmental technology, and sensing, we will provide internal human resources with specialized training, conversion training, etc., to deploy them in the priority areas. We will also acquire management-level human resource and specialists from outside the company and allocate them to the priority areas after clarifying human resource requirements.

##### **Human resources strategy (2) Strengthen human resources development**

###### **Human resources development**

Once a year, Epson conducts an overview of the workforce situation in each organization, defines the roles and requirements of key positions such as management positions, and formulates succession plans based on these definitions. In addition, we list candidates for future executive management and middle management positions and global human resources, and formulate training plans.

Our human resource development is based on on-the-job training (OJT). In addition, we have established an education system to provide education by job level and various types of specialized education as off-the-job training, and we are actively engaged in rotation to broaden the abilities, experience, and knowledge of each employee in order to strengthen their ability to respond to changes and contribute to the effective and efficient operation of the value chain.

We have in place screened, rank-based education programs for the development of leadership human resources.

###### **Training of global human resources**

In order to deliver valuable products to customers, the entire global value chain must operate effectively and efficiently, requiring global human resources who have extensive knowledge and experience in each function and are

capable of negotiating and reaching mutually acceptable compromise. In various regions of the world, we hold seminars every year to foster management leaders at overseas subsidiaries and promote personnel exchanges across regions in order to develop leaders who share common values and are capable of making accurate and prompt decisions in the field. As in Japan, we also work with local top management and human resource departments to define roles and requirements for overseas human resources, and formulate succession and training plans for key positions and key human resources. Based on these activities, we continue to hold internal discussions on optimal functional allocation, and are working to build an optimal formation from a global perspective.

## ■ Internal environment improvement policy

### Human resource strategy (3) Organizational activation

#### **DE&I**

In order to understand our diverse customers and create new value that surprises and inspires them in this era of rapid change, we aim to create an environment where a diverse range of people gather at Epson around the world, where all employees respect each other's individuality as a matter of course, in a fair environment, without any prejudice, where all employees enjoy working and take responsibility as members of society, and where they continue to innovate by growing and challenging themselves together with Epson. Epson recognizes that gender equality is one of the greatest challenges facing the Company, particularly in Japan, and is working to achieve a state in which the percentage of women in middle management and executive management positions equals the percentage of women employees to all employees as soon as possible. In addition, to encourage employees to change their mindsets, we send out messages from top management, conduct various training programs, create a comfortable workplace for women, provide support through consultation points, and encourage men to take childcare leave.

Furthermore, to support the career development of diverse human resources and promote their success, we are developing various career support programs and an education system that provides opportunities for voluntary relearning.

#### **Employee engagement**

Epson aims to improve the quality of relationships through a free and open communication environment and to create an organizational culture in which employees and the company continue to grow together.

Epson has conducted an annual organizational climate survey since 2005 to gain an understanding on the current state of organizational culture. Since FY2020, we have made company-wide efforts to improve the "strength to work in teams," which is a particularly important element for improving the quality of relationships but which scored low overall.

In FY2022, in addition to improving the quality of relationships, we introduced an "engagement survey" that enables comparisons with external organizations, with the aim of creating an environment where each employee has more motivation and initiative than before, and where diverse human resources can work autonomously and with vitality, to continue our efforts to reform the organizational culture and increase productivity through the reform.

#### **Creation of comfortable working environment**

Epson aims to create an environment where employees have motivation and can work with vitality and in a physically and mentally healthy and safe manner while adapting to various changes in the environment. In particular, we are promoting flexible working hours and workplaces, with a focus on telework, which has advanced in response to the COVID-19 pandemic, and the creation of an environment that enables a work-life balance in life-stage events such as childcare, medical treatment, nursing care, and infertility treatment, as well as measures to prevent harassment in the workplace.

Epson, whose main sites are concentrated in the Shinshu area in particular, believes that it is even more important to develop flexible working styles that allow employees to work at any time and any place, and working styles that enable diverse employees to develop their individual careers, in order to attract managerial human resources and specialists and to promote diversity in the future.

#### **Health management**

We believe that the health of our employees is of paramount importance to the company, and based on our Management Philosophy, the Epson Group Basic Occupational Health and Safety Policy, and the Epson Group Health Management Declaration, we aim to improve the health of our employees and help them feel fulfilled in their work and work with vitality. In April 2022, we established our mid-range health plan, Health Action 2025, which focuses on two key areas: "mental and physical health" to foster autonomy and harmonize work and health, and "workplace health" to ensure attentiveness to safety and foster an organizational culture of teamwork and vitality.

In March 2023, the Company was recognized for its past activities under the Health & Productivity Stock Selection Program for the second consecutive year.

## Occupational safety and health

In FY2000, Epson formulated a policy and program based on the Occupational Safety and Health Management System (OSHMS), which conforms to the guidelines of the International Labor Organization (ILO), and has been implementing initiatives in four main areas: safety, health, fire prevention and disaster management, and facilities. This has been further evolved into activities based on the international standard ISO45001, and we are working to further improve the health and safety environment in the workplace so that all employees in the Group can work with a peace of mind and vitality.

## ③ Risk management

As the environment surrounding companies becomes increasingly complex and uncertain, it is essential to accurately address risks that could have a significant impact on corporate activities in order to execute management strategies and business objectives. Epson positions issues related to human capital and diversity as risks with significant management impact and manages them appropriately.

### ■ Human capital- and diversity-related risk identification, assessment and management process

1. Study	2. Identify & assess	3. Manage
- With the Human Capital & Well-Being Management Division playing a pivotal role, survey risks and opportunities arising from human capital and diversity at major sites in Japan and overseas.	- Identify risks and opportunities from the policies and strategies in Epson 25 Renewed. - Identify gaps between the current situation and the ideal situation in the development of the human resource portfolio.	- Effectively manage risks through the Corporate Strategy Meeting and the Board of Directors.

## ④ Metrics and targets

Epson has established KPIs for each of the three pillars of its human resource strategy, “allocate human resources to priority areas,” “strengthen human resource development” and “organizational activation,” and clarifies targets for key measures and manages progress toward these targets.

Strategies	Metrics	Results			Targets
		FY2020	FY2021	FY2022	
Human resource strategy (1) Allocate human resources to priority areas	Number of hires	New graduates: 344 Mid-career: 30	New graduates: 200 Mid-career: 48	New graduates: 250 Mid-career: 241	Continue to hire over 350 people each fiscal year <sup>19</sup>
Human resource strategy (2) Strengthen human resource development	Rotation rate	7.3%	9.0%	10.0%	15% or more each fiscal year
Human resource strategy (3) DE&I	Female management position ratio	3.2%	3.7%	4.1%	FY2025: 8%
	Female supervisory position ratio	6.5%	6.9%	7.1%	FY2025: 10%
	Number of female Executive Officers (Status of initiatives is indicated in parentheses)	(Number of female participants in in-house screened training: 7)	(Number of female participants in in-house screened training: 12)	(Number of female employees dispatched to external management strategy training: 2)	At least one by FY2025
	Disabled person employment ratio <sup>20</sup>	2.66%	2.69%	2.70%	FY2030: 3.0%



# SEIKO EPSON CORPORATION

Human resource strategy (3) DE&I	Wage difference between male and female workers <sup>21</sup>	–	All workers: 74.9% Regular: 75.7% Non-regular: 74.6%	All workers: 76.5% Regular: 76.7% Non-regular: 77.8%	Reduce differences through initiatives such as increasing the number of females in management positions (because the primary reason for the differences is the low percentage of upper level positions and grades occupied by women although there are no differences in our wage system between wages for males and females of the same grade.)
		–	(Reference) Management positions: 97.8%	(Reference) Management positions: 97.1%	
Employee engagement	Strength to work in teams	3.62	3.68	–	–
	Overall Employee Engagement Rating	–	–	Rating B (Score: 51.8)	By FY2025: (1) Rating A (58 or higher) for all workplaces (2) Rating D for zero workplaces
Creation of comfortable working environment	Percentage of male employees taking childcare leave	–	50.8%	97.2%	FY2025: 100%
	Harassment prevention e-learning participation rate	94.3%	92.4%	96.8%	100% participation rate each fiscal year
	Thorough reporting of serious harassment cases to the head office	0 cases of failure to report	0 cases of failure to report	0 cases of failure to report	Continue to strengthen cooperation with organizations and affiliate contacts
	Annual total actual working hours	1,848 hours	1,854 hours	1,845 hours	FY2023: 1,845 hours
Health management	Number of high risk workplaces with “general health risk” in the mental health check	6.1% (Counted in workplaces of 3 or more people)	2.7% (Counted in workplaces of 3 or more people)	1.0% (Counted in workplaces of 10 or more people)	FY2025: Zero
Occupational safety and health	Number of serious occupational accidents or injuries <sup>22</sup>	0 cases	1 case	0 cases	Zero in each fiscal year

<sup>19</sup> Total number of new graduates who joined the Company on April 1 of each fiscal year and the number of mid-career hires in each fiscal year

<sup>20</sup> As of June 1 of each fiscal year

<sup>21</sup> The wage difference between male and female workers is the ratio of women’s wages to men’s wages.

<sup>22</sup> All Group companies including overseas companies. Other metrics are for Seiko Epson Corporation on a non-consolidated basis

**(4) Intellectual property**

The mission of the Intellectual Property Division, which is responsible for the intellectual property at Epson, is to “Convert intellectual property (IP) in the broad sense (as well as IP rights, this includes assets like brands and data) into assets that drive sustainable growth of Epson’s value.”

To achieve “sustainability and enrich communities,” which is the aim of our corporate vision based on our corporate purpose, the Intellectual Property Division works closely with management, operations divisions, and development and strategy departments, converts IP into corporate value by proactively exploiting all IP to support business growth, and supports the realization of sustainable growth in Epson’s value by tirelessly engaging in such activities.

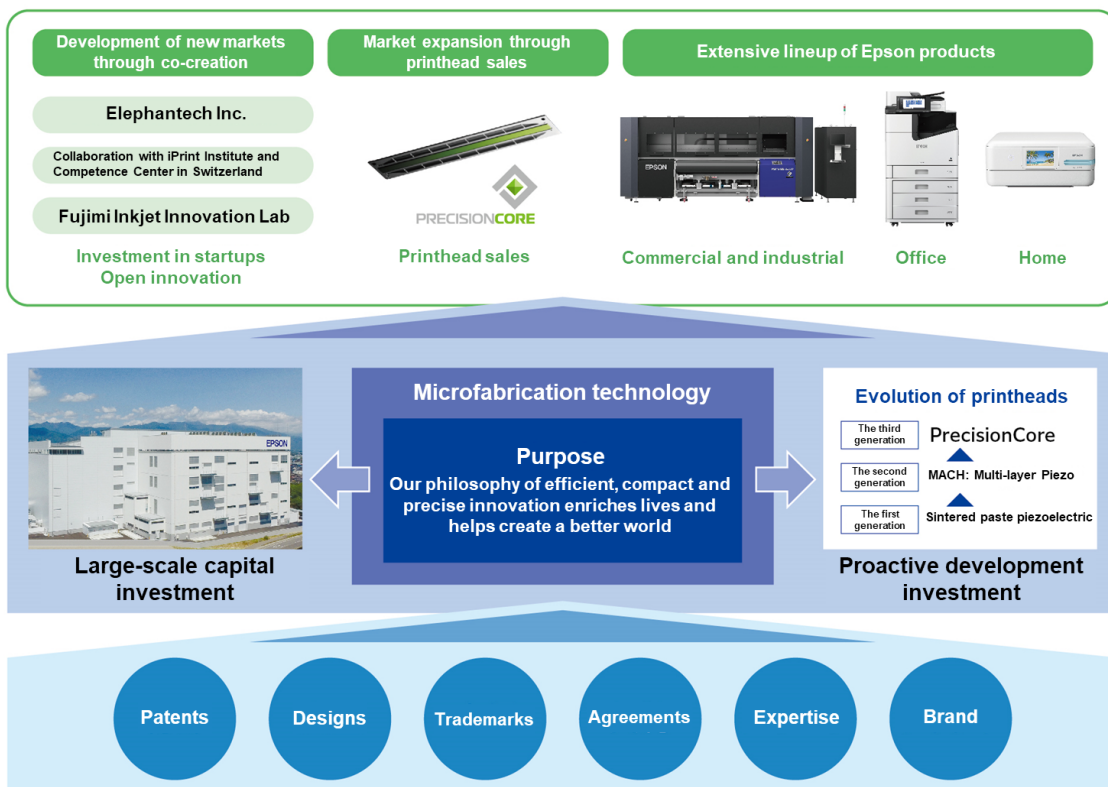
For example, one source of Epson’s competitive advantage is our microfabrication technology that has been nurtured since our founding. Not only are our original Micro Piezo printheads being refined using this microfabrication technology, they are also protected by our strong IP. As a result, Epson’s extensive printer lineup comes equipped with these printheads, and furthermore, we were able to mass-produce the printheads through proactive, large-scale capital investment, thereby contributing to business growth through an expanded lineup. Moreover, the printheads are available for sale outside the Company. This use of our printheads by various customers in the commercial and industrial sectors has even led to expansion of the digital printing market.

In addition, by pursuing co-creation with third parties through investment in startups and open innovation, we have also developed new markets with high potential, and the support received from the perspective of IP is accelerating such efforts.

In this way, IP serves as a foundation for realizing a virtuous cycle in business, enabling even greater investment in research and development and dramatic evolution of our printheads so that we can continuously boost their competitive advantage.

In other words, it is the IP we create that supports this growth strategy scenario.

■ Growth strategy scenario based on intellectual property

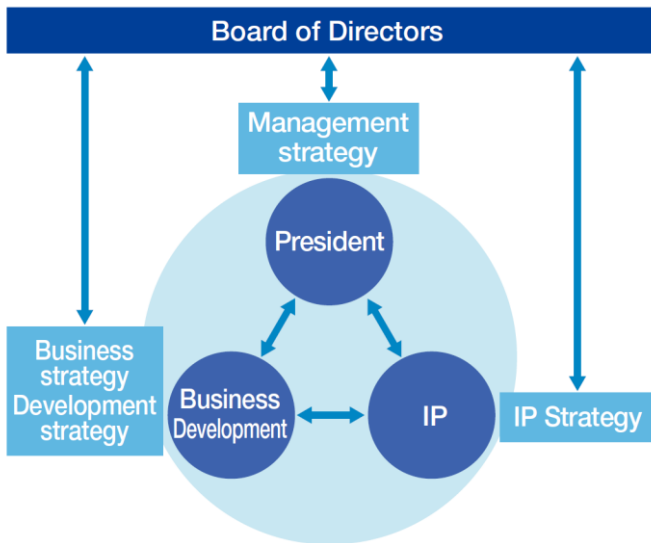


① Governance

At Epson, in order to develop IP strategy in lockstep with development strategy and business strategy, which is essential for safeguarding Epson’s core technology, the Intellectual Property Division General Administrative Manager liaises one-on-one with Chief Operating Officers and the Technology Development Division General Administrative Manager. If necessary, the President attends for a three-way meeting.

In addition, IP strategy is regularly reported and discussed at meetings of the Board of Directors, and the strategy is amended based on feedback from the Board of Directors. At recent meetings of the Board of Directors, the direction of future activities for achieving Epson 25 Renewed was confirmed, taking into account the track record of initiatives thus far for supporting the creation of new businesses.

■ Intellectual property strategy management organization



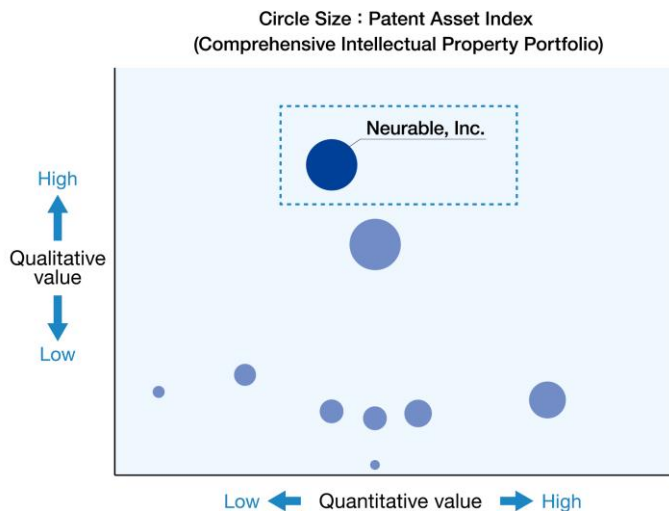
② Strategy

Epson creates a virtuous cycle of new business with IP serving as the foundation, converts IP into corporate value, and in order to achieve sustainable growth in Epson’s value, engages in activities for supporting innovation, co-creation and DX, and branding based on IP.

**Supporting innovation: IP landscaping that guides business and development strategies**

Epson’s IP activities utilize our own IP, and in addition to carrying out activities for ensuring our sustainable competitive advantage, we have started initiatives that will lead to the creation of new business based on a strategy of combining our IP with that of other companies. In addition, we identify the areas in which Epson should be active and the direction of technological development through IP landscaping that broadly analyzes various factors, including the trends in technological development in society, the status of initiatives by other companies for such development, as well as Epson’s strengths and weaknesses related to that technological development.

As part of these activities, the Intellectual Property Division assesses the value of IP held by startup companies to assist Epson X Investment Corporation, a corporate venture capital (CVC) subsidiary established by Epson, in deciding whether to invest in the startups. As an example, the following chart shows that the patent portfolio of Neurable, Inc., a startup that is developing brain-computer interface (BCI) technology that uses brain waves, has a higher value compared to the portfolios of its competitors. This IP assessment was considered when making investment decisions, and Epson X Investment Corporation decided to invest in Neurable, Inc. in April 2023.



(Note) Created by the Company using LexisNexis PatentSight.  
The Patent Asset Index is the total value of the patents.

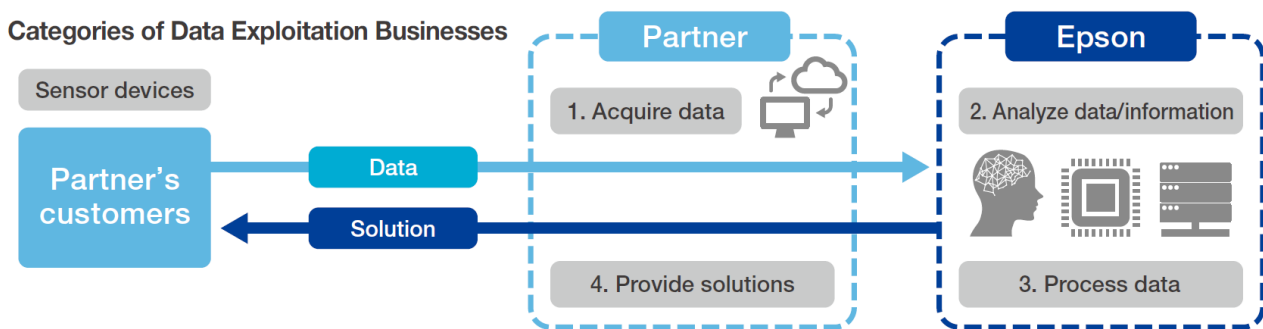
## **Supporting co-creation and DX: Contractual support for building a co-creation scheme with partners**

Under Epson 25 Renewed, we are emphasizing co-creation as a way to rapidly generate new value with partners who share our vision.

To expedite co-creation, we need to build a business framework that is desirable for both Epson and partners. However, the handling of the IP generated from co-creation can easily become a source of conflict when the partner is a startup company, and could become a factor that hinders the creation of innovation through co-creation.

To that end, we have put in place organizational support and formed a dedicated team within the Intellectual Property Division to support the process of drafting technology license agreements concerning co-creation. From the moment we start exploring potential co-creation schemes, the team is on hand to provide one-stop support.

Epson is increasingly interested in founding business that will utilize data that constitutes valuable IP and business that will utilize rapidly evolving AI. Accordingly, we have delineated categories of data utilization businesses, AI utilization businesses and types of related agreements so that we can quickly form agreements with potential partners according to category.



## **Supporting branding: Using an IP mix in brand promotion (sales support)**

Epson's branding strategy has two key components: 1) differentiating the brand from the competition, and 2) creating a coherent brand identity and communicating it to the target customers in a consistent and sustained manner.

For the first component, when promoting our original technology and designs for products, we highlight the fact that they are protected by IP rights. This helps convey their uniqueness. For the second component, we acquire trademark rights in our original technology and designs. This helps create a brand identity for our technology and designs and to communicate it to our customers in a consistent and sustained manner.

As an example, we carry out sales support activities that make use of design rights, for the layout of large-format printers, we acquired following revisions to Japan's Design Act in FY2019. These sales support activities that leverage Epson's IP rights are highly regarded both inside and outside the Company, and Epson was awarded the "Intellectual Property Achievement Award" in FY2023.

## 3. Risks related to Epson's business operations

At present, we have identified the following significant risks that could have a materially adverse effect on our future business, financial condition or operating results and that should thus be taken into account by investors. For these risks, although matters that may possibly become risk factors are described, they do not cover all risks, and risks that were not assumed as of the filing date of the Annual Securities Report and risks that are of low significance may also have an effect on our financial position, operating results and cash flows in the future.

Furthermore, while as our policy, we strive to recognize, prevent, and control potential risks and to address risks that materialize, there is no assurance we will succeed in these efforts, and if we are unable to effectively counteract the risks, our financial position, operating results and cash flows could be adversely affected.

All forward-looking statements hereunder were made at Epson's discretion as of the date we submitted our Annual Securities Report.

### **(1) Risk management system**

Overall responsibility for risk management in the Epson Group, including subsidiaries, belongs to the president of Seiko Epson. Group-wide risk management is carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company has also set up the risk management department, monitors overall risk management Group-wide, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs. The risk management organization is defined in the Epson Group Risk Management Basic Regulations.

Epson identifies serious risks that could materially impact the company. Risks that could have serious adverse effects on Epson Group management are considered "serious Group-wide risks." Risks that could have serious adverse effects on business operations are considered "serious business risks." And risks that could have serious adverse effects on subsidiaries' management are considered "serious Group company risks." Epson drafts and executes plans to control these serious risks and periodically monitors their progress. The company also strives to ensure control plan effectiveness by evaluating "serious Group-wide risks" every quarter, evaluating "serious business risks" and "serious Group company risks" every six months, and revising the plans as needed. The president of Seiko Epson reports important risk management affairs to the Board of Directors quarterly.

### **(2) Risks related to Epson's business operations**

#### **① Our operating results, etc. could be adversely affected by fluctuations in printer sales.**

The ¥902.3 billion in revenue in the printing solutions segment in the year ended March 31, 2023 accounted for about 70% of Epson's ¥1,330.3 billion in consolidated revenue. Inkjet printers (including printer consumables) for the office and home and for commercial and industrial applications accounted for a large majority of our revenue and profit. Consequently, a decrease in revenue from printers and printer consumables could have a materially adverse effect on our operating results, etc.

#### **② Our financial performance could be adversely affected by competition.**

##### *Adverse effects of competition on sales*

All of our products, including our core printer and projector products, are subject to the effects of vigorous competition, which could cause, among other things, prices to fall, demand to shift toward lower-priced products, and unit shipments to decline.

We are taking strategic action to address the risk of declines in prices, a shift of demand toward lower-priced products, and declines in unit shipments. On one hand, we must provide products tailored to customer needs in each market along with high-value products and services. On the other hand, we must reduce manufacturing costs by increasing design and development efficiency and by reducing fixed costs.

However, there is no assurance we will succeed in these efforts, and if we are unable to effectively counteract downward pressure on prices, our operating results, etc. could be adversely affected.

##### *Adverse effects of competition on technology*

Some of the products that we sell contain technology that places Epson in competition against other companies. For example:

- The Micro Piezo technology<sup>1</sup> that we use in our inkjet printers competes with the thermal inkjet technologies<sup>2</sup> of other companies;

- The 3LCD technology<sup>3</sup> that we use in our projectors competes with other companies' DLP technologies<sup>4</sup>, and Epson's projectors also compete against flat panel displays (FPDs)<sup>5</sup> of other companies.

We believe that the technologies we use in these products have competitive advantage over the alternative technologies of other companies. However, if consumer opinion with respect to our technologies changes, or if other revolutionary technologies appear on the market and compete with our technologies, we could lose our competitive advantage in technology and our operating results could be adversely affected.

<sup>1</sup> Micro Piezo technology is an inkjet technology created by Epson that manipulates piezoelectric elements to fire small droplets of ink from nozzles.

<sup>2</sup> Thermal inkjet technology (also known as bubble-jet technology) is a printer technology in which the ink is heated to create bubbles and the pressure from the bubbles is used to fire the ink.

<sup>3</sup> 3LCD technology uses high-temperature polysilicon TFT liquid-crystal panels as light valves. The light from the light source is divided into the three primary colors (red, green and blue) using special mirrors, the picture is created on separate LCDs for each color, and then the picture is recombined without loss and projected on the screen.

<sup>4</sup> DLP technology uses a digital micro-mirror device (DMD) as a display device. A DMD is a semiconductor on which a large number of micro mirrors are arranged, each mirror directing light onto its own individual pixel. An image is formed by the light from the light source being reflected from the mirrors onto the screen. DLP and DMD are registered trademarks of Texas Instruments Incorporated.

<sup>5</sup> FPD encompasses a variety of thin electronic display technologies.

### *The emergence of new competitors*

We presently face competition from powerful companies that have advanced technological capabilities, abundant financial resources, or strong financial compositions. We also face competition from companies around the world that have market recognition, strong supply capacities, or the ability to compete on price. There is, therefore, a possibility that other companies could use their brand power, technological strength, ability to procure funds, marketing power, sales skills, low-cost production ability, or other advantages to enter business areas where we are active.

### **③ Sudden changes, etc. in the business environment could affect Epson.**

Epson seeks to drive office & home printing innovation, commercial & industrial printing innovation, manufacturing innovation, visual innovation, and lifestyle innovation. We are looking to create value truly sought by customers and achieve our vision for each business by making each innovation happen. Epson is executing plans and strategies based on a long-range corporate vision Epson 25 Renewed and each business strategy that we believe will enable us to establish a competitive advantage in technology, which we believe will be crucial for increasing our competitiveness. We are evolving product technologies, including digital technologies and our original core technologies, such as Micro Piezo inkjet technology, microdisplays, sensing, and robotics, all of which arose from Epson's rich legacy of efficient, compact, and precision technologies, as well as the core technologies that underpin these. In this way, we are developing, manufacturing, and selling products and providing services that match customer needs.

However, in the product markets and businesses where Epson is concentrating its management resources the pace of technological innovation is typically rapid, and product life cycles are short. In addition, demand and investment trends in Epson's major markets could change along with global economic conditions and progress of digitalization, and could affect sales of Epson products. Moreover, there is no guarantee that Epson's current long-range corporate vision, business strategies, and actions specified therein will succeed or be realized.

Under these business circumstances, Epson will also continue to strive to make rapid and smooth transition from existing products to new products by understanding market and customer needs, investing and conducting research and development from a medium- and long-range view based on product market forecasts, and creating development and design platforms.

However, if Epson cannot suitably respond to technological innovations in its main markets, or if competition with other companies intensifies, or if economic downturns or other factors prevent a recovery in demand, or if Epson is unable to adequately meet sudden fluctuations in demand in a major market, its operating results, etc. could be adversely affected.

### **④ Our revenue and earnings could be adversely impacted by sales of third-party inkjet printer consumables.**

Ink cartridges etc., which comprise the bulk of consumables sold for inkjet printers, are an important source of revenue and profit for Epson. However, third parties also supply ink cartridges and other inkjet printer consumables

that can be used in Epson printers. These alternative products are typically sold for less than genuine Epson brand consumables and are more prevalent in emerging markets compared to the markets of developed countries.

To counter sales of third-party consumables for inkjet printers, we must emphasize the quality of genuine Epson products and must look to continuously realize customer value by further enhancing customer convenience with inkjet printers tailored to the needs of customers in each market. Printer models equipped with high-capacity ink tanks are an example of such products. We also take legal measures if any of the patent rights or trademark rights we hold over our ink cartridges are infringed upon.

However, there is no assurance that any of these efforts will be effective, and if we experience revenue and profit declines in businesses such as our ink cartridge business as a result of shrinking unit shipments in response to an expansion of sales of third-party alternative products and drop of the market share of genuine Epson products, or if we must lower the prices of Epson brand products to stay competitive, our operating results, etc. could be adversely affected.

**⑤ Expanding businesses overseas entails risks for Epson.**

We continue to expand our businesses overseas, and overseas revenue accounted for 80% or more of our consolidated revenue for the year ended March 31, 2023. We have production sites all over Asia, including China, Indonesia, Singapore, Malaysia and the Philippines, as well as in the United States, the United Kingdom, and other countries. We have also established many sales companies all over the world. As of the end of March 2023, our overseas employees accounted for 70% or more of our total workforce.

We believe that our global presence provides many advantages. For example, it enables us to undertake marketing activities aligned with the market needs of individual regions. It also makes us cost-competitive by reducing manufacturing costs and lead times. There are, however, unavoidable risks associated with overseas manufacturing and sales operations. These include but are not limited to changes in national laws, ordinances, or regulations related to manufacturing and sales; social, political or economic changes; transport delays; damage to infrastructure such as electrical power and communications; currency exchange restrictions; insufficient skilled labor; changes in regional labor environments; changes in tax systems overseas and uncertainty with regard to tax administration by tax authorities; protectionist trade regulations; geopolitical risks; and laws, ordinances, regulations or the like that could affect the import and export of Epson products.

**⑥ Procuring parts from certain suppliers entail risks for Epson.**

We procure some parts and materials from third parties, but we generally conduct ongoing transactions without entering into long-term purchase agreements. We try to have multi-source relating to parts and materials. However, certain parts and materials are procured from a single source because procuring them from an alternative supplier is not possible. We must have procurement operations that are stable and efficient, so we work with our suppliers to maintain product quality, improve products, and reduce costs. However, if our manufacturing and sales activities were to be disrupted due to things such as supplier's parts shortages or quality problems of supplier's parts, our operating results, etc. could adversely be affected.

**⑦ Problems could arise relating to quality issues.**

The existence of quality guarantees on Epson products and the details of those guarantees differ from one customer account to another, depending on the agreement we have entered into with them. If an Epson product is defective or does not conform to the required standard, it may have to be replaced or repaired or otherwise reworked at Epson's expense. Or, if the product causes personal injury or property damage, we could bear product liability or hold other liability.

We could also be liable to a customer and could incur expenses for repairs or corrections on the grounds that we did not adequately display or explain an Epson product's features or performance. Furthermore, product quality problems could cause loss of trust in Epson products, and we could lose major accounts or see a drop in demand for our products, any of which might adversely affect our operating results, etc.

**⑧ Epson's intellectual property rights activities expose Epson to certain risks.**

Patent rights and other intellectual property rights are extremely important for maintaining our competitiveness. We have independently developed many of the technologies we need, and we acquire patent rights, trademark rights, and other forms of intellectual property rights for them both in Japan and overseas. We also license the intellectual property rights for products and technologies by entering into agreements with other companies. We have strengthened our intellectual property portfolio by placing personnel in key positions to manage our intellectual property.

If any of the situations envisioned below relating to intellectual property were to occur, our operating results, etc. could adversely be affected.

- An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid.
- A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property.
- New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions.
- Intellectual property rights that we hold might not give us a competitive advantage, or we might not be able to use them effectively.
- We or any of our customers could be accused by a third party of infringing on intellectual property rights, which could force us to spend a large amount of time and money to resolve this and associated issues, or which could interfere with our efforts to focus our management resources.
- If a third-party's claim of intellectual property right infringement were to be upheld, we could incur material damage if required to pay large amounts in compensation or royalties or if forced to stop using the applicable technology.
- A suit could be brought against Epson by an employee or other person seeking remuneration for an invention or the like, potentially forcing us to spend significant time and money to resolve the issue and, depending on the outcome, potentially requiring us to pay a large sum as remuneration.

## ⑨ Epson is vulnerable to environmental risks.

Epson is subject, both in Japan and overseas, to various environmental regulations concerning industrial waste and emissions into the atmosphere that arise from manufacturing processes. In addition, with heightened concern about the response to global climate change accompanying the Paris Agreement, which was adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, companies increasingly need to set more ambitious goals for emissions reductions and strive to accomplish these goals.

Given this situation, Epson is proactively engaged in environmental conservation efforts on multiple fronts in line with "Environmental Vision 2050," through which we aim to become carbon negative and underground resource<sup>6</sup> free by 2050. For example, we have programs to develop and manufacture products that have a small environmental footprint and programs to develop environmental technologies. We also have programs to reduce energy use, promote the recovery, recycling and reusing of end-of-life products, ensure compliance with international substance regulations (primarily the RoHS Directive and REACH regulations in the EU), and improve environmental management systems. For our goals for GHG emissions reduction, we obtained approval from the Science Based Targets initiative (SBTi), and we are working on activities to reduce GHG emissions over the medium to long term, including activities to drive the use of renewable energy, with the aim of achieving the global transition to renewable energy in 2023.

As a result of these efforts, Epson's GHG emissions have steadily declined. For detailed figures, please refer to "II. Overview of Business, 2. Concept and initiatives of sustainability, (2) Climate change (TCFD) ④ Metrics and targets." In addition to maintaining the transition to renewable energy at our sites in Japan, which was completed in November 2021, we are promoting the transition at our overseas sites to increase our renewable energy ratio to 79% globally (on an electric power basis).

We have not had any serious environmental issues to date. In the future, however, it is possible that an environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or force a halt of production. Moreover, new regulations could be enacted that would require major expenditures, and, if such a situation should occur, Epson's operating results, etc. could be adversely affected.

On the other hand, Epson is advancing initiatives that take addressing the environment as an opportunity. In particular, we have confirmed that there is an opportunity to expand business through products and services that can contribute to customer environmental impact mitigation, and will continue management that takes maximum advantage of opportunities. Specifically, we expect revenue growth through printing, commercial & industrial printing and printhead sales using inkjet technology that realizes the reduction of environmental impacts, higher productivity and the reduction of printing costs as well as the promotion of production systems through the expansion of new production devices that realize the reduction of environmental impacts. In addition, we expect to develop environmental businesses through the application of dry fiber technology, establishment of raw material recycling, etc. as effective solutions for global warming countermeasures and the shift to a circular economy.

<sup>6</sup> Non-renewable resources such as oil and metals



**⑩ Epson faces risks concerning the hiring and retention of personnel.**

We must hire and retain talented personnel both in Japan and overseas to develop advanced new technologies and manufacture advanced new products, but the competition for such personnel is becoming increasingly intense. We must foster a corporate culture that enables diverse personnel to demonstrate their abilities, create comfortable working environments, and hire and retain talented personnel by, for example, introducing compensation and benefit packages that are commensurate with roles, nurturing talent, implementing diversity initiatives, promoting work-style reform and health management, and proactively promoting people with the right skills overseas. If we are unable to continue to hire and keep enough of such employees, or if we are unable to pass along technologies and skills, our business plans, etc. could be adversely affected.

**⑪ Fluctuations in foreign currency exchanges create risks for Epson.**

A significant portion of our revenue is denominated in U.S. dollars or the euro. We expanded our overseas procurement and moved our production sites overseas, so our dollar-denominated expenses currently exceed our dollar-denominated revenue. On the other hand, our euro-denominated revenue is still significantly greater than our euro-denominated expenses. On the whole, our revenues in other foreign currencies also significantly exceed our expenses in those currencies. Also, although we use currency forwards and other means to hedge against the risks inherent in foreign currency exchanges, unfavorable movements in the exchange rates of foreign currencies such as the U.S. dollar, euro, or other foreign currencies against the yen could adversely affect our financial position and operating results, etc.

**⑫ There are risks inherent in pension systems.**

We have a defined-benefit pension plan and a lump-sum retirement payment plan as defined-benefit plans. We revised the defined-benefit retirement pension plan in April 2014 in response to a drop in the rate of return on pension assets and an increase in the number of beneficiaries. The revisions are designed to enable us to adapt to future market changes and maintain stable operations into the future. However, if there is a change in the operating results of the pension assets or in the ratio used as the basis for calculating retirement allowance liabilities, our financial position and operating results, etc. could be adversely affected.

**⑬ Concerning regulatory investigations and investigations conducted by relevant authorities, etc.**

Epson develops its business globally, and it could become the subject of various regulatory investigations or investigations conducted by relevant authorities, etc. in any of its businesses in any country or region. For example, in addition to Epson currently being subject in Japan and overseas to proceedings relating to antitrust laws and regulations, such as those prohibiting private monopolies and those protecting fair trade, Epson will in the future be required even more to respond to various laws and regulations and compliance relating to activities pertaining to its efforts to strengthen its sales activities directed at new customers, which will include public organizations, etc.

Under these circumstances, in Epson, we consider compliance to be one of the most important management policies, and for a long time, we have been conducting appropriate, preventive and controlled activities, including worker protection activities as a member of the RBA (Responsible Business Alliance) and further promotion of environmental conservation efforts. Going forward, overseas agencies related to competition law have been conducting investigations or information gathering that have been targeting specific industries, etc., and as part of such investigation, Epson also is being investigated in relation to the market situation and marketing methods in general. Furthermore, sometimes inconsistencies or potential inconsistencies arise in relation to not only anti-bribery regulations, advertising and labeling regulations, personal information protection and privacy regulations but also security trade control, and stricter laws and regulations may get introduced or a strengthening of the operation of laws and regulations may be carried out by the relevant authorities.

Should violations occur in regard to these related laws and regulations, or should investigations or proceedings be carried out by the relevant authorities, such events could interfere with Epson's sales activities. They could also potentially damage Epson's credibility, result in a large civil fine, or result in constraints being placed on Epson's sales activities. Any of these, as well as the added costs to comply with the relevant regulations could adversely affect Epson's operating results and its future business expansion, etc.

As of the date we submitted our Annual Securities Report, investigations into laws and regulations, etc. targeting Epson are provided below.

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 operating results and its future business development, etc. are not predictable at this time.

**⑭ Epson is at risk of material legal actions being brought against it.**

Epson conducts businesses internationally. We are engaged primarily in the development, manufacture and sales of products related to printing solutions, visual communications, and manufacturing-related & wearables, as well as the provision of services related thereto. Given the nature of these businesses, there is a possibility that an action could be brought or legal proceedings could be started against Epson regarding, for example, intellectual property rights, product liability, antitrust laws or environmental regulations.

As of the date we submitted our Annual Securities Report, Epson was contending with the following material actions. In 2010, Epson Europe B.V. ("EEB"), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Reprobel ("Reprobel"), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. With Reprobel subsequently filing a suit against EEB, the two lawsuits were adjoined. EEB's claims were rejected at the first trial, but EEB, dissatisfied with the decision, intends to appeal.

It is difficult at this time to predict the outcome of these civil actions and when they may be settled, but our operating results and future business development, etc. could be affected, depending on the outcomes of suits and legal proceedings.

**⑮ Epson is vulnerable to certain risks in internal control related to financial reporting.**

We are building and using internal controls to ensure the reliability of financial reporting. With the establishment and operation of internal controls for financial reporting high on our list of important management issues, we have been pursuing a Group-wide effort to audit and improve corporate oversight of our Group companies. However, since there is no assurance that we will be able to establish and operate an effective internal control system on a continuous basis, and since there are inherent limitations to internal control systems, if the internal controls that Epson implements fail to function effectively, or if there are deficiencies in internal control related to financial reporting or material weaknesses to be disclosed in the internal controls, it might adversely affect the reliability of our financial reporting.

**⑯ Epson is vulnerable to risks inherent in its tie-ups with other companies.**

One of our business strategy options is to enter into business tie-ups with other companies. However, the parties may review the arrangements of tie-ups, and there is a possibility that tie-ups could be dissolved or be subject to changes. There is also no assurance that the business strategy of tie-ups will succeed or contribute to our operating results, etc. exactly as expected.

**⑰ Epson could be severely affected in the event of a natural disaster or an infectious disease, etc.**

We have research and development, procurement, manufacturing, logistics, sales and service sites around the globe, and our operating results and future business development, etc. could be adversely affected by any number of unpredictable events, including but not limited to natural disasters, pandemics involving new infectious diseases such as COVID-19 infection, supply chain disruptions mainly caused by natural disasters on suppliers, and acts of terrorism or war.

The central region of Nagano Prefecture, home to some of our key plants and offices, is an area that is at comparatively high risk of earthquakes due to the presence of an active fault zone along the Itoigawa-Shizuoka geotectonic line. Accordingly, in addition to earthquake-proofing its equipment and facilities, Epson conducts disaster drills, has prepared earthquake disaster management and response plans, and has established business continuity plans to mitigate the effects of disasters to the extent possible.

However, if a major earthquake occurs in the central region of Nagano Prefecture, it is possible that, despite these countermeasures, the effect on Epson could be extreme. Although Epson is insured against losses arising from earthquakes, the scope of indemnification is limited.

COVID-19, which has been a pandemic since 2020, reached a milestone on May 8, 2023, when its status under the Act on the Prevention of Infectious Diseases and Medical Care for Patients with Infectious Diseases was changed from Novel Influenza Infection, etc. (equivalent to Class II Infectious Disease) to Class V Infectious Disease. However, there is still a possibility of an outbreak of a mutant strain with high infectivity and risk of serious illness, or a new infectious disease that replaces COVID-19. To prepare for such a situation, Epson has a BCP (business continuity plan) for emerging infectious diseases based on its response to COVID-19, and has established action

plans for normal times, the early stages of an epidemic, and the epidemic phase to minimize risk in order to prevent the spread of infection, continue business, and recover promptly.

**⑱ Epson faces risks concerning the information security**

The scope of what Epson's network of information systems are used for and frequency of use continue to grow, and this network is becoming increasingly important. Also, in our global business activities, we handle the personal information of customers and confidential data of business partners. Security threats are increasing year on year and our operating results and future business development, etc. could be adversely affected by occurrences such as computer virus infections, leaks of customer data, failures of key internal systems, cyber-attacks, and reputational damage through social media.

We are responding to this by carrying out information security training for all employees, as well as establishing a grand design that specifies policies concerning cyber security measures, and we are implementing various measures under this. We also plan to engage in initiatives such as establishing a global security incident response structure, planning and implementing cyber security response measures, and strengthening product security.

## 4. Management analysis of financial position, operating results and cash flows

### (1) Operating results overview

#### ① Operating results

The global economy in the year under review showed stronger signs of a slowdown in China, Europe, and North America primarily due to the protracted Russia-Ukraine conflict, global inflation, and tightening of monetary policy. On the other hand, longstanding supply chain issues have nearly come to an end. Availability of semiconductors and most other parts has dramatically improved. The long distribution leadtimes caused by logistics disruptions have also improved. The future is clouded by uncertainty. There is concern that high inflation and recent turmoil in financial markets could result in serious downside risk due to a decline in consumer confidence and a cooling of household spending and investment. Therefore, we will continue to closely monitor the situation.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year were ¥135.44 and ¥140.90, respectively. This represents a 21% depreciation of the yen against the dollar and an 8% depreciation of the yen against the euro compared to the prior period. The yen also weakened against the currencies of some emerging countries, in places such as China and Latin America.

In this business environment, operating results in the fiscal year under review are as follows.

(Billions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023	Change	Percentage of change	Main reason(s) for change
Revenue	1,128.9	1,330.3	201.4	17.8%	[Revenue]
Cost of sales	(710.4)	(863.6)	(153.2)	–	Printing Solutions Segment 122.4
Gross profit	418.4	466.6	48.1	11.5%	Visual Communications Segment 57.8
Selling, general and administrative expenses	(328.8)	(371.5)	(42.7)	–	Manufacturing-related and wearables 23.5
Business profit *	89.6	95.1	5.4	6.1%	[Business profit] Printing Solutions Segment (17.1) Visual Communications Segment 19.5 Manufacturing-related and wearables 5.2
Other operating income and Other operating expense	4.8	1.9	(2.9)	–	Recording of impairment loss in the manufacturing solutions business and decreases in foreign exchange gains, etc.
Profit from operating activities	94.4	97.0	2.5	2.7%	
Finance income and Finance costs	2.5	6.6	4.0	–	Increases in foreign exchange gains, etc.
Profit before tax	97.1	103.7	6.5	6.8%	
Income taxes	(4.8)	(28.7)	(23.8)	–	Increase due to the absence of a significant increase or decrease in deferred tax assets, etc. in the year under review, compared to the prior period's decrease due to the accumulation of deferred tax assets
Profit for the period	92.3	75.0	(17.2)	(18.7%)	
Profit for the period attributable to owners of the parent company	92.2	75.0	(17.2)	(18.7%)	

\* Business profit is calculated after deducting cost of sales and selling, general and administrative expenses from revenue.

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

## **Printing Solutions Segment**

Revenue in the office and home printing business sharply increased. Ink cartridge printer unit sales decreased, but unit sales of high-capacity ink tank printers and office shared printers increased. Inkjet printer revenue sharply increased mainly due to continued high selling prices and positive foreign exchange effects. Consumables revenue slightly increased even though ink cartridge sales decreased in conjunction with a decrease in sales of ink cartridge printers and the normalization of at-home print demand. The increase in consumables revenue was largely the result of an increase in sales of ink bottles for high-capacity ink tank printers and positive foreign exchange effects.

Revenue in the commercial and industrial printing business sharply increased. Commercial and industrial inkjet printer sales in China have been slowing due to the economic slowdown, but revenue grew owing to price hikes that kept selling prices high and positive foreign exchange effects. Consumables revenue increased due to the positive impact of foreign exchange rates, which more than offset a decrease in sales compared to last fiscal year, when there was robust demand in North America. Small printer revenue sharply increased due to price hikes in Europe and North America, unit sales growth as product shortages eased, and positive foreign exchange effects.

Revenue in the printhead sales business increased. After being hit hard in the first quarter by lockdowns in China, sales in China in particular steadily recovered from the second quarter onward.

Segment profit in the printing solutions business sharply decreased. Sales were heavily impacted by a decrease in sales of consumables for ink cartridge printers in the office and home printing business and the rise in manufacturing costs associated particularly with soaring prices for parts, materials, transport, and utilities.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥902.3 billion, up 15.7% compared to the prior period. Segment profit was ¥89.3 billion, down 16.1% compared to the prior period.

## **Visual Communications Segment**

Revenue in the visual communications segment sharply increased primarily due to a combination of revenue growth in the firm European and North American education and home markets, an easing of product shortages, which has helped to resolve an order backlog, and positive foreign exchange effects.

Segment profit in the visual communications business sharply increased primarily due to higher revenue and continued cost containment.

As a result of the foregoing factors, revenue in the visual communications segment was ¥216.8 billion, up 36.4% compared to the prior period. Segment profit was ¥34.8 billion, up 127.2% compared to the prior period.

## **Manufacturing-Related & Wearables Segment**

Revenue in the manufacturing solutions business was in line with the previous year mainly because positive foreign exchange effects offset a slowdown in sales in China.

Revenue in the wearable products business increased despite a decrease in sales of products such as movements. The increase was primarily due to a combination of growing demand from visitors to Japan, strong domestic sales, and positive foreign exchange effects.

In the microdevices business, crystal device revenue increased as a result of growth in sales of products for base stations, higher selling prices, and positive foreign exchange effects, which more than offset decreased demand in the consumer sector. Meanwhile, continued firm demand for semiconductors fueled sharp sales growth. As a result, the entire microdevices business recorded sharply higher revenue.

Segment profit in the manufacturing-related and wearables segment sharply increased primarily due to revenue growth in the microdevices business but also because of positive foreign exchange effects.

As a result of the foregoing factors, revenue in the manufacturing-related and wearables segment was ¥215.4 billion, up 12.2% compared to the prior period. Segment profit was ¥28.3 billion, up 22.9% compared to the prior period.

In addition to the above, Epson recognized an impairment loss of ¥1.8 billion in the manufacturing solutions business because it no longer expects to recover some of the investments considering the changes in the market environment and other factors.

## **Adjustments**

Adjustments to the total profit of reporting segments amounted to negative ¥57.3 billion. (Adjustments in the previous fiscal year were negative ¥55.2 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and earnings and expenses associated with things such as new businesses and corporate functions.

## ② Cash flow performance

Net cash from operating activities during the year totaled ¥61.3 billion. The total for the previous year was ¥110.8 billion. Whereas Epson recorded ¥75.0 billion in profit for the period, net cash from operating activities decreased primarily because of negative factors such as a ¥60.2 billion increase in inventories and a ¥22.1 billion increase in trade receivables, which more than offset positive factors such as the declaration of ¥68.6 billion in depreciation and amortization.

Net cash used in investing activities totaled ¥61.6 billion (compared to ¥44.0 billion in the previous year), mainly because Epson used ¥59.0 billion in the acquisition of property, plant, equipment and purchase of intangible assets.

Net cash used in financing activities totaled ¥79.3 billion (compared to ¥51.7 billion in the previous year), chiefly due to ¥21.3 billion in dividends paid, a ¥30.0 billion purchase of treasury shares, and ¥18.0 billion used in the repayment of long-term loans payable.

As a result, cash and cash equivalents at the end of the fiscal year, combined with the effects of exchange rate volatility, totaled ¥267.3 billion, down ¥67.8 billion from the end of the previous fiscal year.

## ③ Manufacturing, orders received and sales

### a. Actual manufacturing

Actual manufacturing information is omitted as Epson's actual manufacturing approximates actual sales.

### b. Orders received

Epson's policy is to manufacture products based on sales forecasts. Accordingly, this section does not apply.

### c. Actual sales

The following table shows actual sales information by segment in the fiscal year under review.

Business segment	Year ended March 31, 2023 (From April 1, 2022, to March 31, 2023) (Millions of yen)	Change compared to previous fiscal year (%)
Printing solutions	902,345	115.7
Visual communications	216,868	136.4
Manufacturing-related and wearables	205,415	112.5
Total for the reportable segments	1,324,630	118.1
Other	5,701	77.3
Total	1,330,331	117.8

(Notes) 1. Intersegment transactions are offset and therefore eliminated.

2. No customer accounts for more than 10% of the actual total sales.

## **(2) Management analysis and discussion on operating results, etc.**

Recognition and details of analysis/discussions on Epson's operating results, etc. from the management's perspective are as follows:

All forward-looking statements hereunder were made at Epson's discretion based on the forecasts and certain assumptions at the end of the fiscal year. These statements may differ from actual results and are not guarantees of the achievement.

### **① Operating results, etc.**

#### **Financial position**

Total assets at the end of the fiscal year were ¥1,341.5 billion, an increase of ¥75.1 billion from the previous fiscal year end. While cash and cash equivalents decreased by ¥67.8 billion, this increase was mainly due to an ¥81.0 billion increase in inventories, a ¥33.5 billion increase in trade and other receivables, and a ¥17.6 billion increase in property, plant and equipment.

Total liabilities were ¥614.0 billion, an increase of ¥13.4 billion compared to the end of the last fiscal year. Although there was an ¥11.0 billion decrease in net defined benefit liabilities and a ¥9.8 billion decrease in bonds issued, borrowings and lease liabilities, total liabilities increased mainly because of a ¥13.4 billion increase in trade and other payables and a ¥21.0 billion increase in other current liabilities.

The equity attributable to owners of the parent company totaled ¥727.3 billion, a ¥61.7 billion increase compared to the previous fiscal year end. The main reasons for the increase were that, while there were ¥21.3 billion in dividend payments and a ¥30.0 billion purchase of treasury shares, Epson recorded ¥75.0 billion in profit for the period attributable to owners of the parent company and recorded ¥37.8 billion in other comprehensive income, the primary component of which was exchange differences on translation of foreign operations.

Working capital, defined as current assets less current liabilities, was ¥520.8 billion, an increase of ¥18.4 billion compared to the end of the previous fiscal year.

#### **Operating results**

The operating results are provided in “(1) Operating results overview ① Operating results.”

#### **Cash flow performance**

The cash flow performance is provided in “(1) Operating results overview ② Cash flow performance.”

### **② Capital resources and liquidity**

Epson plans to allocate ¥74.0 billion to capital expenditures for the fiscal year ending March 31, 2024, and the required funds will be covered by internal funds.

The amount of planned capital expenditures for each segment is as described in “III. Information About Facilities 3. Plans for new additions or disposals.” The above amount of planned capital expenditures includes capital expenditures through leases.

In order to stably secure funds necessary for business activities such as capital expenditures, Epson raises funds through utilization of internal funds as well as borrowings from financial institutions and issuance of bonds.

The balance of interest-bearing debt at the end of the fiscal year under review was ¥233.2 billion, down ¥9.8 billion compared to the previous fiscal year end, due to repayment of bank loans. The balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥267.3 billion, down ¥67.8 billion compared to the end of the last fiscal year, giving Epson sufficient liquidity.

In addition, amid an uncertain outlook due to the COVID-19 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, 2023.

Epson has earned a credit rating from Rating and Investment Information, Inc. The rating was A (single A) as at the end of the fiscal year under review.

### **③ Management policy, corporate strategy, objective indices to assess the status of achievement of management goals, etc.**

As stated in “II. Overview of Business 1. Management policy, business environment and issues to be addressed, etc.,” 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. 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

Additionally, the status of progress on financial targets set with the aim of realizing our Corporate Vision is provided in “II. Overview of Business 1. Management policy, business environment and issues to be addressed, etc.”

#### **④ Significant accounting estimates and assumptions used for those estimates**

The consolidated financial statements of Epson are prepared in conformity with IFRS in accordance with the provision of Article 93 of “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.” Estimates that are deemed necessary have been made based on reasonable criteria.

Significant accounting policies applied in the consolidated financial statements of Epson, accounting estimates, and assumptions used for those estimates are provided in “V. Financial Information, Consolidated Financial Statements etc., Notes to Consolidated Financial Statements, 3. Significant Accounting Policies and 4. Significant Accounting Estimates and Judgments.”



## 5. Major management contracts

### Reciprocal technical assistance agreements

Name of contracting company	Name of other party	Country	Type of contract	Contract period
Seiko Epson Corporation	HP Inc.	U.S.A.	License to use patents relating to information-related equipment	March 28, 2018 until the expiry of the patents
Seiko Epson Corporation	International Business Machines Corporation	U.S.A.	License to use patents relating to information-related equipment	April 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Microsoft Corporation	U.S.A.	License to use patents relating to information-related equipment and software used by such equipment	September 29, 2006 until the expiry of the patents
Seiko Epson Corporation	Eastman Kodak Company	U.S.A.	License to use patents relating to information-related equipment	October 1, 2006 until the expiry of the patents
Seiko Epson Corporation	Xerox Corporation	U.S.A.	License to use patents relating to electrophotography and inkjet printers	March 31, 2008 until the expiry of the patents
Seiko Epson Corporation	Canon Incorporated	Japan	License to use patents relating to information-related equipment	August 22, 2008 until the expiry of the patents
Seiko Epson Corporation	BROTHER INDUSTRIES, LTD.	Japan	License to use patents relating to information-related equipment	June 28, 2018 until the expiry of the patents

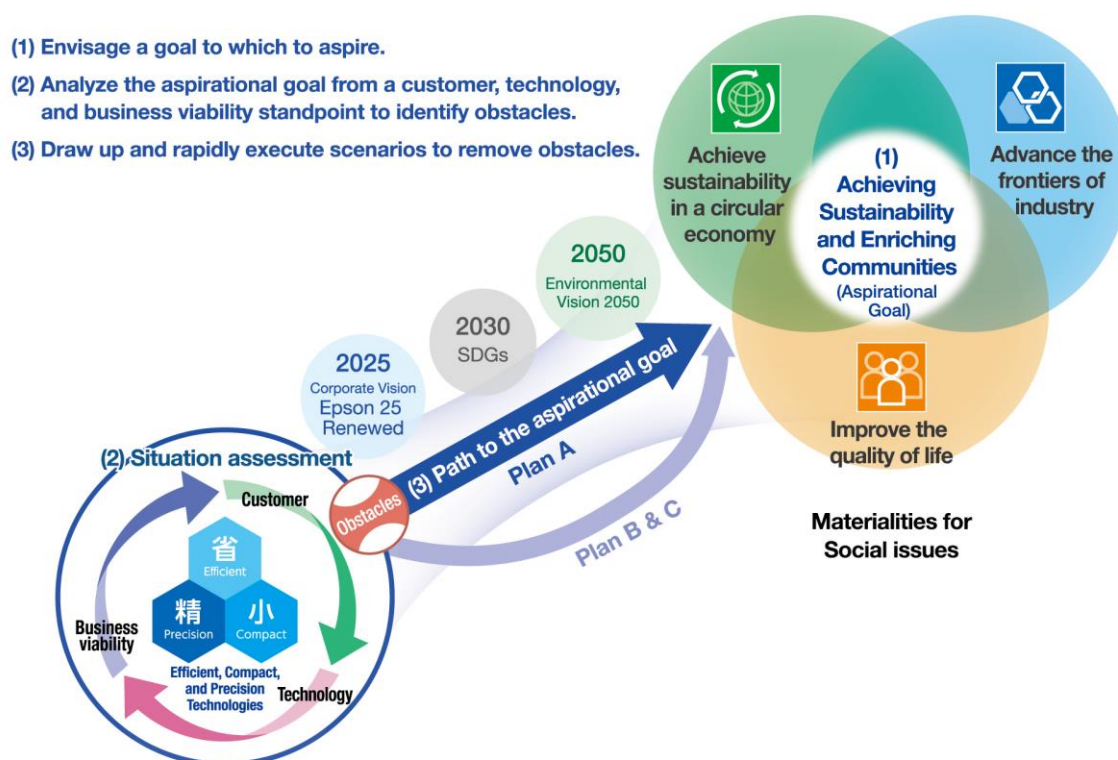
## 6. Research and development activities

### (1) Research and development approach and systems

Since its founding, Epson has possessed excellent technologies, as represented by its efficient, compact and precision technologies, and provided value by leveraging these technologies for the benefit of society. Under its long-term vision, Epson 25 Renewed, Epson focuses on social issues as a starting point and has shifted to technology development that looks at which technologies are needed for solving problems.

In creating the best development scenarios in our technology development, we objectively evaluate our capabilities, reflecting elements such as customer value and business feasibility, and analyze any gaps between our findings and our aspirational goals. Through the course of this situation assessment, we identify “issues that must be resolved for our plans to come to fruition” as obstacles, and while thinking about how to address these issues, prepare multiple scenarios for achieving our goals. In our approach using multiple scenarios, we determine which technology development we should make our highest priority as its success would produce the greatest results, and designate it as our Plan A. We also preliminarily consider Plans B, C, which could produce lower Q, C, or D achievement levels but which would face fewer impediments and allow us to accomplish our primary purpose, and assume them as expedient paths for productization and commercialization at the same time as Plan A. We are deliberating specific measures for resolving the obstacles, including collaboration and co-creation with outside partners.

Epson considers co-creation is an important factor in technology development. We are pursuing “front-loading of development,” with knowledgeable people from all functions participating from the start of development (the trial-and-error stage) and verifying quality at each subsequent stage. By front-loading development to speed up the problem-solving cycle and increase the quality of development, we will speed up productization and commercialization.



Epson places research and development as a part of initiatives to strengthen the business infrastructure, and promotes the evolution of foundational technologies, core technologies and product technologies to realize innovation. Going forward, in addition to our manufacturing capabilities, we will strengthen materials, AI and digital technologies in particular, to lay a technological foundation for strengthening existing businesses and creating new businesses. Epson’s research and development divisions coordinate with each other as they perform

their own clearly delineated roles. The R&D units of the operations divisions are primarily responsible for improving the competitiveness of products in their own business segments, while the corporate R&D division develops platform technologies used by multiple segments, new technologies which require long-term development efforts, and technologies for new areas.

Epson seeks to solve the issues faced by society through its technology development, boldly taking on the challenges of coming up with new ideas and approaches.

## (2) R&D spending

Total R&D spending during the fiscal year was ¥44.3 billion, equivalent to 3.3% of revenue. The printing solutions segment accounted for ¥16.1 billion, the visual communications segment for ¥5.7 billion, and the manufacturing-related and wearables segment for ¥7.0 billion. The “other” segment and corporate segment accounted for the remaining ¥15.4 billion. R&D spending by the “other” segment and corporate segment includes research and development essential to lay a technological foundation for strengthening existing businesses and creating new businesses.

### ■ R&D spending by segment

Segment name	R&D spending (Billions of yen)
Printing solutions	16.1
Visual communications	5.7
Manufacturing-related & Wearables	7.0
Other and overall	15.4
Total	44.3

## (3) Objectives and results of research and development by each segment

### ① Printing solutions segment

#### Office & home printing innovation

In this area, we seek to lead the evolution toward distributed printing that reduce environmental impacts and increase work productivity through inkjet technology, paper recycling technology, and open solutions. To this end, we are expanding our lineup of products that use Heat-Free Technology, a proprietary Epson inkjet technology, providing solutions, and working to drive a technological shift from laser printers to inkjet printers by emphasizing their environmental qualities.

We have launched a new series of products, the <LM> series, with the aim of realizing printing innovation in offices and homes. The <LM> series is a series of medium speed A3 color inkjet multifunction printers (medium speed printers are printers capable of printing 40 to 60 pages per minute<sup>1</sup>). Their compact design allows them to be installed in all kinds of locations, and they offer the printing speed and quality necessary for business applications. They consume less power than laser printers used in typical offices, and they consume fewer resources, so they help contribute to reductions in environmental impact during their use. They also increase operational productivity and support distributed printing in a company in line with the tremendous changes in people’s workstyles.

In our paper recycling technologies, we have announced a new concept model (currently in development) of our PaperLab in-office dry papermaking system. With our unique dry fiber technology, which converts various materials into fibers and then binds and forms them, all without the use of water<sup>2</sup>, we are driving efforts to provide new forms of paper recycling. The bonding material used in the paper recycling process to bond the defibrated waste paper has been replaced with naturally-derived material. This enables the paper to be repeatedly recycled, further contributing to environmental impact reduction.

<sup>1</sup> A4 paper, single-side printing. See Epson’s website for details regarding how printing speeds are calculated.

<sup>2</sup> A small amount of water is used to maintain a certain level of humidity inside the system.

## Commercial & industrial printing innovation

In this area, we seek to offer inkjet technology and solutions that lead the digitalization of printing and contribute to lower environmental impacts and higher productivity. To achieve this, we are bringing out the full potential of inkjet technology for printing on diverse media and materials, promoting the digitalization of commercial and industrial printing, and helping improve printing operation productivity through Epson Cloud Solution PORT, our cloud service that supports distributed printing.

We are contributing to this commercial and industrial printing innovation through our SureColor series of large inkjet printers, in which we released the SC-T7750DL, which uses red ink for POP posters requiring eye-catching reds, and the SC-P8550DL, which uses gray ink well-suited to photo graphics that place an emphasis on gradations, such as those in people's skin. Both printers newly have large-capacity ink servers, reducing the ink replacement workload placed on operators and assisting with operations in short-staffed worksites and worksites with limited man-hours. They also cut the volume of waste to just roughly 1/10 of that produced by printers using conventional ink cartridges, simplifying disposal handling procedures and reducing the amount of plastic waste.

Epson also launched the new ML-32000 model in the Monna Lisa series of inkjet digital textile printers. The ML-32000 model is equipped with 32 of the PrecisionCore print heads and realizes high productivity with a printing speed of 423 m<sup>2</sup> per hour while using the standard mode. Epson's Dynamic Alignment Stabilizer (DAS) technology produces high-quality, beautiful printing by controlling waveforms on each individual print head chip for everything from gradations to precise, complex geometric patterns. Through these products, and our activities with various partners working to realize manufacturing innovation at Inkjet Innovation Lab Fujimi (Fujimi Plant), our co-creation center, we are working to expand our inkjet digital textile printing.

We have begun providing paid monthly plans in our Epson Cloud Solution PORT cloud service platform for using large printers. In addition to the printer operation status visualization function and the remote service that issues alerts when errors occur, customers subscribing these plans can use new solutions: the workflow solution for managing print jobs on printers and the color management solution that improves the efficiency of color matching operations. This enables distributed printing that can be accessed from any worksite.

## ② Visual communications segment

### Visual innovation

In this area, we seek to connect people, things, information and services with inspiring video experiences and quality visual communications to support learning, working and lifestyles. To do so, we are developing high brightness projectors that use laser light sources for high-resolution, large projection sizes, and home projectors with smart designs that allow them to be placed in even more locations, so they can be used in more environments, for a wider range of purposes and applications.

Based on this approach, we launched the new EB-PU2220B and EB-PU2120W high-brightness business projectors, which are the world's smallest<sup>3</sup> 120,000 lm (lumen) projectors and which are capable of bright, vivid color reproduction. Both projectors use laser light sources and can produce high-resolution, high-quality images equivalent to 4K images. They are also roughly 64% smaller<sup>4</sup> than our existing EB-L20000U model, and weigh roughly 50% less<sup>4</sup>, so they help reduce various costs such as storage and shipping costs.

We also launched the EH-LS800B/W and EH-TW6250 home projectors. Watching videos, such as movies, TV series and live performances, on large projections is becoming a part of people's everyday lives, so projectors are being increasingly used instead of televisions and in situations other than household viewing, such as in hotels and glamping. These new home projector models are perfect for people who want to easily enjoy full-fledge home theaters and people buying their first high resolution projectors.

<sup>3</sup> According to studies performed by Epson of the sizes of the bodies of commercially available 20,000 lm 3LCD projector products (not including projecting elements or lenses) (as of May 17, 2022)

<sup>4</sup> Compared to the EB-L20000U and the EB-PU2220B (including projecting elements, not including lenses)  
EB-PU2220B: Body dimensions (WxDxH): 586 mm x 492 mm x 218 mm (including projecting elements)  
Body weight: Approx. 24.4 kg (not including lens)  
EB-L20000U: Body dimensions (WxDxH): 620 mm x 790 mm x 358.5 mm (including projecting elements)  
Body weight: Approx. 49.6 kg (not including lens)

## ③ Manufacturing-related and wearables segment

### Manufacturing innovation

In this area, we seek to innovate manufacturing by co-creating flexible high-throughput production systems that reduce environmental impacts. To strengthen our production foundation with an eye toward future business growth, we moved our domestic robot plant to the Fujimi Plant and expanded it, and automated factory operations using robots. We will use this robot plant as a technology verification site and evolve the usage value provided by Epson's robot products.

### Lifestyle innovation

In this area, we seek to utilize craftsmanship and co-create solutions that utilize sensing technologies to enrich diverse lifestyles. In the watch business, we are providing products with designs and high levels of quality that appeal to customers' sensibilities, at prices that communicate their value. In the sensing business, we are co-creating new solutions that leverage our sensing technologies and analysis algorithms.

Also in the sensing business, at SUWAKO 8PEAKS MIDDLE TRIATHLON 2022, which was held on June 25, 2022, we provided a GPS tracking system using state-of-the-art positioning technology. This was the first time a system like this was used at any official triathlon in Japan<sup>5</sup>. The system uses M-Tracer technology, which combines Epson's unique high-precision, low-power-consumption sensing devices and low-power-consumption wireless communication. With this technology, location and movement information can be measured and visualized in real time even for long duration events such as triathlons. In the future, we aim to provide solutions that assist with the safe and secure operation of events and that make events even more enjoyable by using movement and location information provided to participants and spectators.

<sup>5</sup> According to an investigation by the editorial board of triathlon magazine Triathlon LUMINA

### Microdevices

In this area, we work to develop products that contribute to the realization of smarter societies, such as rapidly-growing high-speed, high-capacity communications infrastructure, IoT society, and mobility society, with our timing devices, semiconductors, and sensors by leveraging the strengths produced by combining the efficient, compact, and precision technologies of quartz crystals and semiconductors.

In our timing device products, we developed the SG2016 series of crystal oscillators (SPXO) for use in next-generation 800G optical communication modules, which have high compactness requirements. These oscillators are 54% more compact in volume than our conventional products<sup>6</sup>. These products use HFF quartz crystal units<sup>7</sup> and compact oscillator ICs developed by Epson, to provide the same high frequency, high precision, and low-phase jitter<sup>8</sup> as our conventional oscillators. As a leading timing device company, Epson will continue to provide device solutions that meet diverse electronic device and social infrastructure needs with the aim of realizing a smart society through the use of device technologies.

<sup>6</sup> SG2520EGN, SG2520EHN, SG2520VGN, and SG2520VHN

<sup>7</sup> Photolithographic processing is performed to produce an ultrathin structure for the exciter alone, measuring just a few microns (inverted mesa structure). This produces a quartz crystal unit that is as strong as conventional units but are capable of high-frequency fundamental wave oscillation. They suppress nearby harmonic components, thereby contributing to greater stability in high-speed, high-capacity communications.

<sup>8</sup> Jitter refers to deviations in clock cycles, and can result in image quality issues, bit errors during data transmission, and other problems.

## ④ Other and overall

In this area, we work to develop technologies in the field of production technology, which extends across all of our business segments, develop technologies for reinforcing our DX platforms, conduct fundamental research that will form the technical foundation of our business reinforcement efforts, and carry out research and development related to new areas.

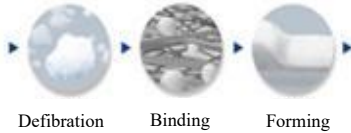
Our company-wide efforts include the development of environmental technologies for achieving Environmental Vision 2050. One of those development activities consists of applying our unique dry fiber technology to materials other than paper. In the textile and apparel industry, garment manufacturing produces a tremendous amount of cloth scrap, and the utilization of this scrap has become a pressing issue. Epson commercialized new packaging material made by upcycling cotton scraps. Since 2022, this packaging material has been used for some of the watch products sold by Epson.

Epson uses dry fiber technology, as one of the environmental technologies that contribute to decarbonization and

resource circulation, to recycle paper and provide it with greater functionality, and it will extend this technology even further, to structural materials and formed materials such as packaging materials and construction materials, in order to eliminate the use of virgin plastics. By doing this, we will help maximize utilization of terrestrial resources and contribute to the creation of a circulation economy that is not reliant on underground resources.



Scraps produced during cotton garment production



Upcycling using dry fiber technology



Use in packaging material for watch products

## III. Information About Facilities

### 1. Overview of capital expenditures

Capital expenditures for the fiscal year under review were concentrated in key strategic areas, primarily for commercializing new products, increasing production capacity, carrying out environmental investment, and automating, rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, Epson continued to carefully select investments and efficiently utilize existing facilities in an effort to generate stable cash flow.

As a result of these efforts, total capital expenditures (including property, plant and equipment and software) amounted to ¥78.3 billion.

No equipment with significant impact on production capacity was sold or removed.

Capital expenditures in each business segment are discussed below.

#### **Printing solutions segment**

Investment used for commercializing new products such as printers, and for increasing production capacity, carrying out environmental investment, and automating, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥47.4 billion in the fiscal year under review.

#### **Visual communications segment**

Investment used for commercializing new products such as 3LCD projectors, and for increasing production capacity, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥7.3 billion in the fiscal year under review.

#### **Manufacturing-related and wearables segment**

Investment used for commercializing new products such as factory automation products, wristwatches, crystal devices and semiconductors, and for increasing production capacity, carrying out environmental investment, and automating, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥14.9 billion in the fiscal year under review.

#### **Other and overall**

Investment used for strengthening R&D structure, carrying out environmental investment, creating a global management database, and integrating systems, etc. amounted to ¥8.7 billion in the fiscal year under review.

#### ■ Capital expenditures by segment

Segment name	Capital expenditures (Billions of yen)
Printing solutions	47.4
Visual communications	7.3
Manufacturing-related & Wearables	14.9
Other and overall	8.7
Total	78.3

## 2. Major equipment and facilities

Epson's major equipment and facilities are as follows.

### (1) Seiko Epson Corporation

As of March 31, 2023

Name of plant (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m <sup>2</sup> )	Other	Total	
Head Office (Suwa-shi, Nagano)	Overall administration and other	Other facilities	1,224	241	1,200 (42,353) [2,136]	124	2,791	423
Tokyo Office (Shinjuku-ku, Tokyo)	Overall administration and other	Other facilities	2,774	–	– (–)	74	2,849	223
Matsumoto Minami Plant (Matsumoto-shi, Nagano)	Other	Other facilities	904	11	3,764 (179,759) [1,758]	124	4,805	599
Hirooka Office (Shiojiri-shi, Nagano)	Printing solutions Other	Printer development and design and component manufacturing facilities Research and development facilities	46,673	25,405	6,898 (217,655) [18,947]	3,541	82,519	6,451
Toyoshina Plant (Azumino-shi, Nagano)	Visual communications Manufacturing-related and wearables	3LCD projector, smart glasses and factory automation product development and design facilities	3,543	634	861 (76,547) [37,716]	705	5,744	1,557
Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano)	Printing solutions Visual communications Other	Printer component and liquid crystal panel manufacturing facilities Research and development facilities	6,049	5,369	1,443 (113,082) [28,909]	443	13,306	876
Chitose Plant (Chitose-shi, Hokkaido)	Visual communications	Liquid crystal panel manufacturing facilities	2,481	3,949	1,375 (160,528)	59	7,866	203
Shiojiri Plant (Shiojiri-shi, Nagano)	Manufacturing-related and wearables	Watch development, design and manufacturing facilities	1,229	574	1,076 (43,060) [9,363]	141	3,022	515
Ina Plant (Minowa-machi, Kamiina-gun, Nagano)	Manufacturing-related and wearables	Crystal device development and design facilities	1,454	2,901	129 (39,943) [1,502]	236	4,722	531
Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano)	Manufacturing-related and wearables Other	Factory automation product development, design and manufacturing facilities and semiconductor development and design facilities Research and development facilities	6,517	2,198	1,911 (247,143)	1,198	11,826	911
Sakata Plant (Sakata-shi, Yamagata)	Manufacturing-related and wearables	Semiconductor manufacturing facilities Other	8,135	4,008	2,177 (538,828)	231	14,553	152
Hino Office (Hino-shi, Tokyo)	Manufacturing-related and wearables	Other facilities	1,924	0	3,221 (15,681)	44	5,190	116



# SEIKO EPSON CORPORATION

## (2) Domestic subsidiaries

As of March 31, 2023

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m <sup>2</sup> )	Other	Total	
Tohoku Epson Corporation (Sakata-shi, Yamagata)	Printing solutions Manufacturing-related and wearables	Printer component and semiconductor manufacturing facilities	2	20	— (—)	265	288	2,209
Akita Epson Corporation (Yuzawa-shi, Akita)	Printing solutions Manufacturing-related and wearables	Printer component and watch movements manufacturing facilities	4,191	96	724 (89,011)	455	5,467	1,176
Epson Atmix Corporation (Hachinohe-shi, Aomori)	Manufacturing-related and wearables	Manufacturing facilities for metal powders, etc.	4,045	2,959	1,328 (59,675) [33,991]	260	8,593	363

## (3) Overseas subsidiaries

As of March 31, 2023

Company name (location)	Business segment	Type of facilities	Book value (Millions of yen)					Number of employees (Persons)
			Buildings and structures	Machinery, equipment and vehicles	Land (Area: m <sup>2</sup> )	Other	Total	
Epson Engineering (Shenzhen) Ltd. (Shenzhen, China)	Printing solutions Visual communications Manufacturing-related and wearables	Printer, 3LCD projector and factory automation product manufacturing facilities	4,006	4,049	393 (—) [64,104]	2,672	11,123	7,981
Singapore Epson Industrial Pte. Ltd. (Singapore)	Manufacturing-related and wearables	Watch component and semiconductor manufacturing facilities and surface finishing facilities	3,888	1,566	1,155 (—) [41,567]	454	7,063	654
PT. Epson Batam (Batam, Indonesia)	Printing solutions	Printer consumables manufacturing facilities	1,166	3,405	32 (—) [13,233]	319	4,923	3,085
PT. Indonesia Epson Industry (Bekasi, Indonesia)	Printing solutions	Printer manufacturing facilities	8,056	6,125	2,054 (—) [254,871]	8,289	24,525	13,015
Epson Precision (Thailand) Ltd. (Chachoengsao, Thailand)	Manufacturing-related and wearables	Watch and crystal device manufacturing facilities	7,232	4,777	690 (97,435)	405	13,106	1,698
Epson Precision (Philippines), Inc. (Lipa, Philippines)	Printing solutions Visual communications	Printer and 3LCD projector manufacturing facilities	28,043	8,387	1,891 (117,489) [130,000]	4,114	42,437	19,823
Epson Precision Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)	Manufacturing-related and wearables	Crystal device manufacturing facilities	368	2,921	353 (32,437)	24	3,669	1,731

(Notes)

1. The above amounts include right-of-use assets.
2. “Other” under the book value column includes tools, furniture and fixtures and other property, plant and equipment, but does not include construction in progress.
3. Portions of land are leased from companies not included in consolidated accounts. The size of each area of leased land is indicated in brackets [ ].
4. Tohoku Epson Corporation uses a portion of the facilities of the Sakata Plant.
5. Figures for Epson Precision (Philippines), Inc., are included in consolidated business results.
6. The above book value amounts are after adjustments for consolidated accounts.

### 3. Plans for new additions or disposals

Epson plans to allocate ¥74.0 billion to capital expenditures for the fiscal year ending March 31, 2024.

Business segment	Planned amount of capital expenditures (Billions of yen)	Main type and purpose of equipment and facilities
Printing solutions	44.0	Commercializing new products, increasing production capacity, carrying out environmental investment, automating, upgrading and maintaining equipment and facilities, etc.
Visual communications	7.0	Commercializing new products, automating, upgrading and maintaining equipment and facilities, etc.
Manufacturing-related & Wearables	15.0	Commercializing new products, carrying out environmental investment, automating, upgrading and maintaining equipment and facilities, etc.
Other and overall	8.0	Strengthening R&D, carrying out environmental investment, automating, upgrading and maintaining equipment and facilities, etc.
Total	74.0	

(Notes)

1. The above amounts include capital expenditures through leases.
2. The required funds will be covered by internal funds.
3. There are no plans to dispose of or sell major equipment and facilities with the exception of disposals and sales associated with regular and ongoing upkeep of equipment and facilities.

## IV. Information About Reporting Company

### 1. Company's shares, etc.

#### (1) Total number of shares, etc.

##### (i) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common stock	1,214,916,736
Total	1,214,916,736

##### (ii) Outstanding shares

Class	Number of outstanding shares (Shares) (As of March 31, 2023)	Number of outstanding shares (As of the filing date: June 28, 2023)	Name of stock listing or the name of authorized financial instruments firms association	Description
Common stock	385,022,278	385,022,278	Tokyo Stock Exchange Prime Market	The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.
Total	385,022,278	385,022,278	-	-

#### (2) Subscription rights to shares

##### (i) Details of stock option program

None

##### (ii) Details of rights plan

None

##### (iii) Other subscription rights to shares

None

#### (3) Exercises, etc. of moving strike convertible bonds, etc.

None

#### (4) Changes in number of outstanding shares, share capital, etc.

Date	Change in total number of outstanding shares (Shares)	Balance of total number of outstanding shares (Shares)	Change in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Change in legal capital surplus (Millions of yen)	Balance of legal capital surplus (Millions of yen)
March 8, 2023 (Note)	(14,612,500)	385,022,278	-	53,204	-	84,321

(Note) This is the decrease of total number of outstanding shares by 14,612,500 shares due to the cancellation of treasury shares as of March 8, 2023.

# SEIKO EPSON CORPORATION

## (5) Distribution of ownership among shareholders

As of March 31, 2023

Category	Share ownership (100 shares per unit)							Shares less than one unit (Shares)	
	Government and regional public bodies	Japanese financial institutions	Japanese securities companies	Other Japanese corporations	Foreign institutions and others		Japanese individuals and others		Total
					Institutions	Individuals			
Number of shareholders (Persons)	–	59	41	393	709	41	40,111	41,354	–
Number of shares owned (Units)	–	1,445,688	150,333	414,556	783,802	178	1,054,467	3,849,024	119,878
Percentage of shares owned (%)	–	37.55	3.91	10.77	20.36	0.00	27.41	100.00	–

### (Notes)

- 53,364,380 shares of treasury shares are included as 533,643 units under “Japanese individuals and others” and 80 shares under “Shares less than one unit.” Treasury shares do not include the Company’s shares (142,255 shares) owned by the officer compensation BIP trust.
- Six units in the name of Japan Securities Depository Center, Inc. are included under “Other Japanese corporations.”

# SEIKO EPSON CORPORATION

## (6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	78,027,300	23.52
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	26,685,700	8.04
Sanko Kigyo Kabushiki Kaisha	6-1, Ginza 5-chome, Chuo-ku, Tokyo	14,000,000	4.22
Seiko Group Corporation	5-11, Ginza 4-chome, Chuo-ku, Tokyo	12,000,000	3.61
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the re-trust, Custody Bank of Japan, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	8,153,800	2.45
Epson Group Employees' Shareholding Association	3-5, Owa 3-chome, Suwa-shi, Nagano	7,410,292	2.23
The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	6,115,200	1.84
STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (15-1, Konan 2-chome, Minato-ku, Tokyo)	4,733,777	1.42
Etsuko Hattori	Minato-ku, Tokyo	4,321,400	1.30
The Hachijuni Bank, Ltd.	178-8, Okada, Nagano-city	4,260,000	1.28
Total	–	165,707,469	49.96

(Notes)

1. Although the Company holds 53,364,380 shares of treasury shares, the Company is excluded from the above list of major shareholders. (The ratio of the treasury shares held by the Company to the total number of shares outstanding is 13.86%.) Treasury shares do not include the Company's shares (142,255 shares) owned by the officer compensation BIP trust.
2. The shares held by Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the re-trust, Custody Bank of Japan, Ltd., were contributed by Mizuho Bank, Ltd. to the trust assets of the Retirement benefit trust.

3. BlackRock Japan Co., Ltd. and its joint holders submitted a Large Volume Holding Report to the Director of the Kanto Local Finance Bureau as of May 19, 2022, claiming that they hold the Company's shares as follows as of May 13, 2022. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
BlackRock Japan Co., Ltd.	1-8-3 Marunouchi, Chiyoda-ku, Tokyo	6,700,000	1.68
BlackRock Investment Management LLC	251 Little Falls Drive, Wilmington, DE, United States	432,500	0.11
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA, Amsterdam, Netherlands	697,648	0.17
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, United Kingdom	743,577	0.19
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge Dublin, Ireland	2,007,758	0.50
BlackRock Fund Advisors	400 Howard Street, San Francisco, CA, United States	4,603,300	1.15
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, CA, United States	4,419,350	1.11
BlackRock Investment Management (UK) Limited	12 Throgmorton Avenue, London, United Kingdom	493,276	0.12
Total	—	20,097,409	5.03

4. Nomura Securities Co., Ltd. and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of January 11, 2023, claiming that they hold the Company's shares as follows as of December 30, 2022. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Nomura Securities Co., Ltd.	13-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	8,258	0.00
NOMURA INTERNATIONAL PLC	1 Angel Lane, London EC4R 3AB, United Kingdom	1,873,760	0.47
Nomura Asset Management Co., Ltd.	2-1, Toyosu 2-chome, Koto-ku, Tokyo	31,365,600	7.85
Total	—	33,247,618	8.32

5. Sumitomo Mitsui Trust Bank, Limited and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of January 19, 2023, claiming that they hold the Company's shares as follows as of January 13, 2023. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.

Name	Address	Number of shares held (Shares)	Shareholding ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1, Shibakoen 1-chome, Minato-ku, Tokyo	10,439,800	2.61
Nikko Asset Management Co., Ltd.	7-1, Akasaka 9-chome, Minato-ku, Tokyo	13,732,200	3.44
Total	—	24,172,000	6.05

(7) Voting rights

(i) Outstanding shares

(As of March 31, 2023)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Description
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with complete voting rights (Treasury shares, etc.)	Common stock     53,364,300	–	–
Shares with complete voting rights (Other)	Common stock     331,538,100	3,315,381	–
Shares less than one unit	Common stock     119,878	–	–
Total number of outstanding shares	385,022,278	–	–
Total number of voting rights	–	3,315,381	–

(Note) The shares with complete voting rights (Other) section includes 142,255 of the Company's shares held by the officer compensation BIP trust (1,422 units of voting rights) and 600 shares in the name of Japan Securities Depository Center, Inc. (six units of voting rights).

(ii) Treasury shares, etc.

(As of March 31, 2023)

Name of shareholder	Address of shareholder	Number of shares held in own name (Shares)	Number of shares held in others' names (Shares)	Total number of shares held	Shareholding ratio (%)
Seiko Epson Corporation	4-1-6 Shinjuku, Tokyo	53,364,300	–	53,364,300	13.86
Total	–	53,364,300	–	53,364,300	13.86

(Note) In addition to the above, 142,255 of the Company's shares held by the officer compensation BIP trust have been treated as treasury shares in consolidated and non-consolidated financial statements.



## (8) Officer and employee stock ownership plans

### <Performance-Linked Stock Compensation Plan>

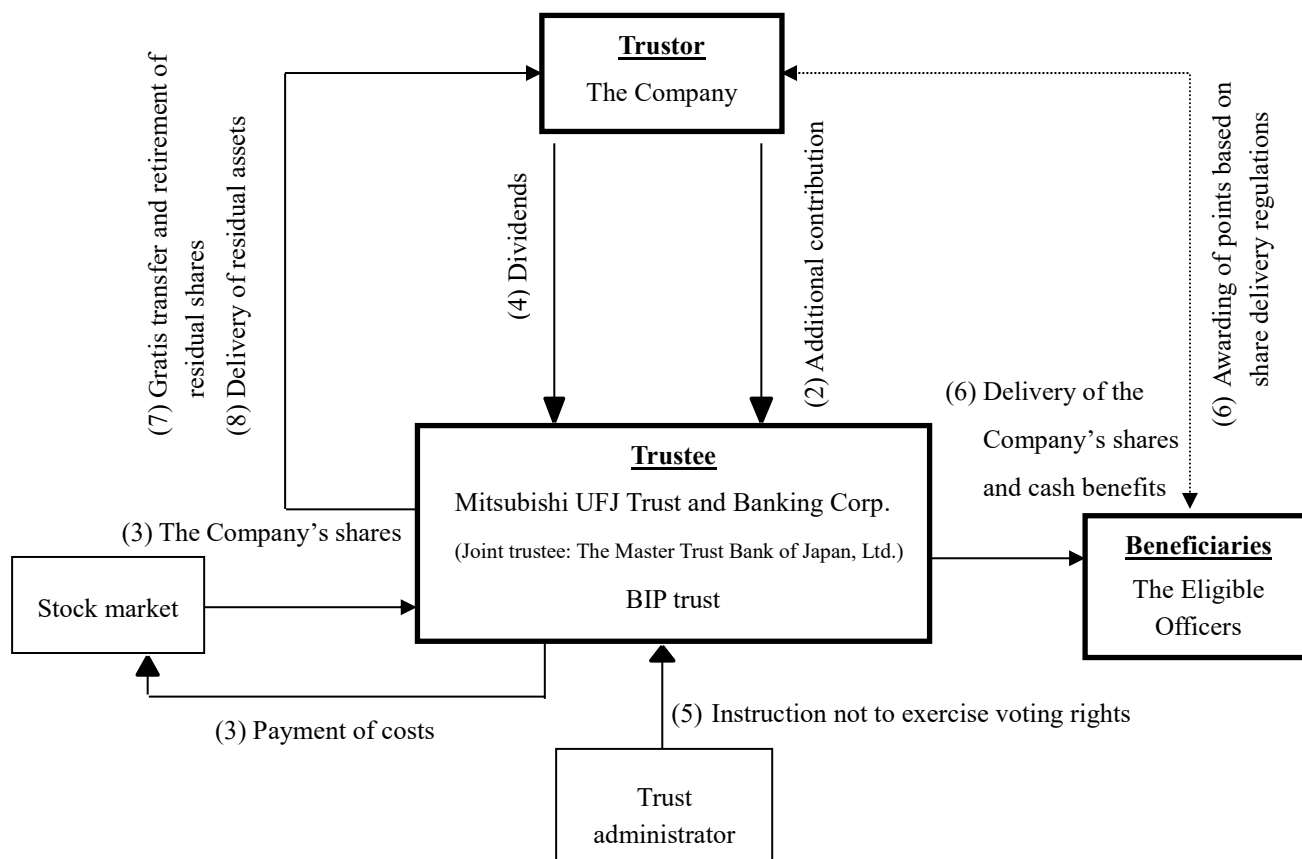
From the fiscal year ended March 31, 2017, the Company has introduced a transparent & fair performance-linked stock compensation plan (hereinafter referred to as the “Plan”) for the Company’s directors and executive officers who have been engaged by the Company (hereinafter collectively referred to as the “Eligible Officers,” and excluding outside directors and persons such as Audit & Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside Japan). The Plan is intended to heighten directors’ sense of shared interest with shareholders and to show a commitment to sustaining growth and increasing corporate value over the mid- to long-term. The Company resolved at the meeting of its Board of Directors held on May 16, 2019 to continue the Plan with three years from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022 as the period covered by the Plan.

The Company introduced a restricted stock compensation plan in place of the Plan at the 80th Ordinary General Meeting of Shareholders held on June 28, 2022. Accordingly, no additional contribution shall be made under the Plan, and the Plan is scheduled to be terminated in August 2024 as soon as we complete issuing ordinary shares of the Company corresponding to the points awarded and deliver cash equivalent to the amounts obtained through converting such shares into cash.

### 1. Summary of the Plan

The Plan has employed a framework referred to as the officer compensation BIP (Board Incentive Plan) trust (hereinafter referred to as the “BIP trust”) and is designed to deliver a variable number of shares to Eligible Officers based on the levels of achievements of mid- to long-term operating performance targets for the Company’s business profit, ROS, ROE, etc., and other factors. The BIP trust is, like the U.S. Performance Share and Restricted Stock systems, a stock compensation plan for officers under which the Company’s shares and cash equivalent to the amounts obtained through the conversion of such shares into cash are delivered and paid based on position, the levels of achievement of operating performance targets and other factors.

## (1) Resolution of the Board of Directors



- 1) The Company resolved the continuation of the Plan at the meeting of its Board of Directors held on May 16, 2019
- 2) The Company additionally contributed funds within the scope of approval by resolution at the 2016 General Meeting of Shareholders and has extended the period of a trust with beneficiaries who are the Eligible Officers who satisfy the beneficiary requirements (hereinafter referred to as the “Trust”).
- 3) According to the trust administrator’s instructions, the Trust uses funds remaining in the trust assets at the time of the change in the trust agreement and funds contributed as in 2) above as the source of funds to acquire the Company’s shares in the stock market.
- 4) The allocation of surplus funds for the Company’s shares within the Trust is handled in the same manner as for other shares of the Company, and is appropriated for necessary expenses for the Plan.
- 5) Throughout the trust period, voting rights are not to be exercised on the Company’s shares within the Trust.
- 6) During the trust period, the Eligible Officers are awarded a specific number of points each year based on their position and other factors, in accordance with the share delivery regulations. Such points fluctuate depending on the levels of achievement of the mid- to long-term operating performance targets of the Company. Furthermore, the Company’s shares, which correspond to a certain proportion of such points, will be delivered to the Eligible Officers, in principle, after the lapse of three years following the awarding of points. As regards the Company’s shares corresponding to the remaining portion of points, the Eligible Officers will receive cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust as prescribed in the trust agreement.
- 7) If residual shares remain in the Trust at the expiry of the trust period in the event that operating performance targets are not met during the trust period, the Company may continue to use the Trust by amending the trust agreement and making additional contribution. Otherwise, the Company will acquire such residual shares, through gratis transfer, and retire them by resolution of the Board of Directors.
- 8) Upon the termination of the Trust, residual assets remaining after allocation to beneficiaries are to be attributed to the Company within the scope of trust expense reserve after subtracting funds for acquiring shares from the trust money. The portion exceeding the trust expense reserve is planned to be donated to organization(s) having no interests with the Company and any of its officers.

## 2. Overview of the trust agreement

1) Type of Trust	Monetary trust other than a designated individually operated monetary trust (third party benefit trust)
2) Purpose of the Trust	Provide incentives to the Eligible Officers
3) Trustor	The Company
4) Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
5) Beneficiaries	The Eligible Officers who meet the beneficiary requirements * Persons who have conducted a certain illegal activity do not meet the beneficiary requirements.
6) Trust administrator	A third-party specialist without relationship with the Company
7) Date of trust agreement	August 2, 2016
8) Trust period	August 2, 2016 through August 31, 2019 (extended through August 31, 2022 due to the change in the trust agreement)
9) Plan launch date	October 1, 2016
10) Exercise of voting rights	Voting rights not to be exercised
11) Class of shares to be acquired	Common stock of the Company
12) Maximum amount of trust money	500 million yen (including trust fees and expenses)
13) Method of acquiring shares	Acquisition in the stock market
14) Vested right holder	The Company
15) Residual assets	Residual assets that the Company may receive as the vested right holder shall be within the scope of trust expense reserve after subtracting funds for acquiring shares from the trust money.

## 3. Content of trust/stock related business

1) Trust-related business	Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. handle the trust-related business as trustees of the BIP Trust.
2) Stock-related business	DSB Co., Ltd. handles the business related to the delivery of the Company's shares to the beneficiaries in accordance with a business consignment agreement.

## 4. Total number or total amount of shares to be acquired by the Eligible Officers

190,305 shares

## 5. Scope of beneficiaries and persons entitled to other rights under the Plan

The Eligible Officers who meet the beneficiary requirements

\* Persons who have conducted a certain illegal activity do not meet the beneficiary requirements.

2. Acquisition and disposal of treasury shares

(Class of shares, etc.) Acquisition of common stock subject to Article 155 Paragraph 3 of the Companies Act and acquisition of common stock subject to Article 155 Paragraph 7 of the Companies Act

(1) Acquisition by resolution of shareholders meeting

Not applicable.

(2) Acquisition by resolution of board of directors meeting

Classification	Number of shares (Shares)	Total amount (Yen)
Details of the resolution at board of directors meeting (held on May 19, 2022) (Repurchase period May 20, 2022 to May 19, 2023)	33,000,000	30,000,000,000
Treasury shares acquired before the current fiscal year	-	-
Treasury shares acquired during the current fiscal year	14,612,500	29,999,962,900
Total number and amount of remaining resolution shares	18,387,500	37,100
Unexercised ratio as of the end of the current fiscal year (%)	55.72	0.00
Treasury shares acquired during the current period	-	-
Unexercised ratio as of the date of submission (%)	55.72	0.00

(3) Acquisition not based on resolution of shareholders meeting or board of directors meeting

Classification	Number of shares (Shares)	Total amount (Thousands of yen)
Treasury shares acquired during the current fiscal year	458	926
Treasury shares acquired during the current period	-	-

(Notes) 1. Treasury shares acquired during the current period does not include shares of less than one unit purchased between June 1, 2023, and the filing date of the Annual Securities Report.

2. Treasury shares acquired as represented here does not include common stock acquired by the officer compensation BIP trust.

(4) Disposal of acquired treasury shares and number of treasury shares held

Classification	During the current fiscal year		During the current period	
	Number of shares (Shares)	Total disposal amount (Yen)	Number of shares (Shares)	Total disposal amount (Yen)
Acquired treasury shares which were offered to subscribers	81,477	163,931,724	-	-
Acquired treasury shares which were cancelled	14,612,500	15,134,750,750	-	-
Acquired treasury shares which were transferred due to merger, share exchange, share issuance and company split	-	-	-	-
Others (-)	-	-	-	-
<b>Total number of treasury shares held</b>	<b>53,364,380</b>	<b>-</b>	<b>53,364,380</b>	<b>-</b>

(Notes) 1. The total number of treasury shares held for the current fiscal year does not include shares of less than one unit purchased between June 1, 2023, and the filing date of the Annual Securities Report.

2. The total number of treasury shares as represented here does not include common stock held by the officer compensation BIP trust (142,255 shares).

## 3. 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 medium-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 (and which is very similar to operating income under Japanese accounting standards, both conceptually and numerically). The Company intends to be more active in giving back to shareholders by agilely purchasing treasury shares as warranted by share price, the capital situation, and other factors.

The Company's dividend policy is to pay cash dividends twice a year. The year-end dividend is determined by resolution of the general shareholders' meeting and the interim dividend is determined at a meeting of the board of directors. With respect to the interim dividend, the Company's Articles of Incorporation allow the Company to issue an interim dividend with a record date of September 30 every year by resolution of the board of directors.

Based on its dividend policy and the perspective of stable dividend, and as a means to commemorate its 80th anniversary of founding on May 18, 2022, the Company has paid a regular dividend of ¥62 per share and supplemented it with an anniversary dividend of ¥10 per share, for an annual dividend of ¥72 per share.

The Company's distribution of retained earnings for the fiscal year under review is as follows.

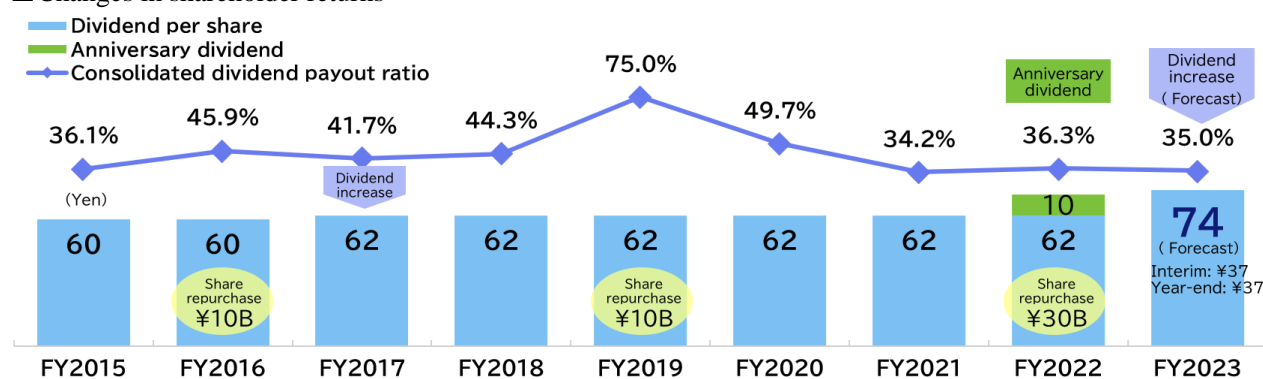
### Distribution of retained earnings for the fiscal year under review

Date approved	Cash dividends (Millions of yen)	Cash dividend per share (Yen)
October 28, 2022, by resolution of the board of directors	10,591	31
June 27, 2023, by resolution of the general shareholders' meeting	13,597	41

(Notes)

1. The total amount of dividends to be paid based on the resolution of the board of directors on October 28, 2022 includes ¥4 million of cash dividends for the Company's shares held through the BIP trust.
2. The total amount of dividends to be paid based on the resolution of the general shareholders' meeting on June 27, 2023 includes ¥5 million of cash dividends for the Company's shares held through the BIP trust.

### Changes in shareholder returns



(Note) The consolidated dividend payout ratio is calculated based on the remaining amount after an amount equivalent to the statutory effective tax rate is deducted from business profit.

## 4. Corporate governance

### (1) Overview of corporate governance

#### ① Basic corporate governance principles

The general principles of corporate governance at the Company are as follows:

- Respect the rights of shareholders, and ensure equality.
- Bear in mind the interests of, and cooperate with, stakeholders, including shareholders, customers, local communities, business partners, and Epson personnel.
- Appropriately disclose company information and maintain transparency.
- Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary duties and shall fulfill the roles and responsibilities expected of them.
- Engage in constructive dialogue with shareholders.

To realize our Purpose, which expresses our aim or reason for being in society based on the Epson Way, which defines the Company's values and behaviors based on the Management Philosophy, EXCEED YOUR VISION, promote sustainable growth, and increase corporate value over the medium and long term, the Company strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, fast, and decisive decision-making.

Under a company with an Audit & Supervisory Committee, to further increase the effectiveness of corporate governance, the Company further improves the supervisory function of the Board of Directors, further enhances deliberation and speeds up management decision-making.

#### ② Overview of and reasons for adopting the current system of corporate governance

The Company is structured as a company with an Audit & Supervisory Committee. It has a Board of Directors, an Audit & Supervisory Committee, and a financial auditor. It has also voluntarily established advisory committees for matters such as the Director nomination and compensation.

This governance system was adopted to further increase the effectiveness of corporate governance by strengthening supervision over management and by enabling the Board of Directors to devote more time to discussions while speeding up decision-making by management.

The main corporate management bodies and their aims are described below:

#### **Board of Directors**

The Board of Directors, with a mandate from shareholders, is responsible for realizing efficient and effective corporate governance, through which the Company will accomplish its social mission, sustain growth, and maximize corporate value over the medium and long term. To fulfill these responsibilities, the Board of Directors will exercise a supervisory function over general management affairs, maintain management fairness and transparency, and make important business decisions, including decisions on things such as management plans, business plans, and investments exceeding a certain amount.

The Board of Directors is composed of 10 Directors, including six Outside Directors described in “(2) Officers.” Meetings of the Board of Directors are, as a rule, held once per month and as needed. Chairman of the Board, who is a non-executive director, acts as the chairman of the Board meetings.

The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the Board monitors these. To speed up management decisions and increase business agility as a company with an Audit & Supervisory Committee, the Company has expanded the scope of affairs delegated to executive management from the Board of Directors, including capital investments below a certain threshold.

The Company held a total of 13 meetings of the Board of Directors in FY2022 and three meetings in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders in June 2023, to establish our Purpose and the review of the philosophy structure, receive reports on the status of execution of each business and the status of deliberations on mid-term strategies, and to deliberate future strategies to achieve Epson 25 Renewed. The status of attendance by each Director at such meetings was as follows. Corporate Governance Policy states that at least one-third of the board members should be Outside Directors.

# SEIKO EPSON CORPORATION

## Status of attendance at meetings by each Director

Name	Title	Attendance at meetings (attendance rate)	
		FY2022	FY2023
Minoru Usui	Chairman and Director	13/13 (100%)	3/3 (100%)
Yasunori Ogawa	President and Representative Director	13/13 (100%)	3/3 (100%)
Tatsuaki Seki	Representative Director Senior Managing Executive Officer	13/13 (100%)	3/3 (100%)
Koichi Kubota	Director	13/13 (100%)	3/3 (100%)
Hideaki Omiya	Outside Director	13/13 (100%)	3/3 (100%)
Mari Matsunaga	Outside Director	13/13 (100%)	3/3 (100%)
Masayuki Kawana	Director Full-Time Audit & Supervisory Committee Member	13/13 (100%)	3/3 (100%)
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	13/13 (100%)	3/3 (100%)
Susumu Murakoshi	Outside Director Audit & Supervisory Committee Member	13/13 (100%)	3/3 (100%)
Michiko Ohtsuka	Outside Director Audit & Supervisory Committee Member	13/13 (100%)	3/3 (100%)

(Note) Attendance at meetings (attendance rate) in FY2023 is for the period from April 2023 to the Ordinary General Meeting of Shareholders held in June 2023.



## **Audit & Supervisory Committee**

The Audit & Supervisory Committee, with a mandate from shareholders, is responsible for independently and objectively auditing and monitoring the execution of director duties and for ensuring the sound and sustained growth of the Company. The Audit & Supervisory Committee verifies the effectiveness of the internal control system and conducts audits primarily in cooperation with internal audit departments and the financial auditor. The Audit & Supervisory Committee has established basic guidelines for selecting outside financial auditors and evaluates their independence, audit quality, etc. based on certain standards. Resolutions concerning financial auditors selected by the Committee per the guidelines are submitted for approval at a general meeting of shareholders. The Audit & Supervisory Committee also discusses the selection, dismissal, resignation, and compensation of Directors who are not Audit & Supervisory Committee members and decides on the opinions to be presented at a general meeting of shareholders.

The Audit & Supervisory Committee is composed of four Audit & Supervisory Committee members, three of whom are Outside Directors. It is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are held once per month and as needed.

## **Corporate Strategy Council**

The Corporate Strategy Council is an advisory body to the President whose purpose is to help ensure that the right decisions are made based on a range of opinions on the executive management side. Meetings of the Corporate Strategy Council are where Directors, Executive Officers, and Special Audit & Supervisory Officers exhaustively examine important business topics that affect the Epson Group as a whole and matters on the agenda for meetings of the Board of Directors.

## **Compliance Committee**

The Compliance Committee's function is to discuss the content of reports that it receives concerning important compliance activities, and report its findings and communicate its opinions to the Board of Directors in order to see that compliance activities are appropriately executed by line management.

As an advisory body to the Board of Directors, the Compliance Committee is composed of Outside Directors and Directors who are Audit & Supervisory Committee members. The Compliance Committee is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are held every half year and as needed. Financial auditors and the head of the internal audit control departments attend meetings of the Committee as observers.

A Chief Compliance Officer (CCO) is elected by the Board of Directors and supervises and monitors compliance-related affairs on the whole. The CCO periodically reports the state of compliance affairs to the Compliance Committee.

## **Director Nomination Committee and Director Compensation Committee**

The Company has established the Director Nomination Committee and the Director Compensation Committee as voluntary deliberation bodies, and they are chaired by an Outside Director, and the majority of committee members are Outside Directors. These Committees are designed to ensure transparency and objectivity in the screening and nomination of candidates for Director, Executive Officer, and Special Audit & Supervisory Officer and in matters of Director compensation. The Human Resources Department serves as the secretariat for these deliberation committees.

The overview of each of these Committees is as follows.

### *Composition*

Both the Director Nomination Committee and the Director Compensation Committee are composed of all Outside Directors, President and Representative Director, and the Outside Directors shall select the committee chairs from among themselves. Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of either Committee as observers.

### *Activities of the Director Nomination Committee*

The Committee met 13 times in FY2022 and four times in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders held in June 2023. The Committee deliberated on matters including succession planning for the President and Representative Director, policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and proposing candidates, selection of Outside Director candidates, revision of the executive officer system and review of skill matrix.

## *Activities of the Director Compensation Committee*

The Committee met seven times in FY2022 and 3 times in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders held in June 2023. The Committee deliberated on matters including the amount of base compensation for each Director, bonus payment coefficient and amount for each Director, number of shares to be allocated and amount of monetary compensation claims under the restricted stock compensation plan, a company indemnification plan, and renewal of directors and officers liability insurance.

## *Status of attendance at meetings by each Committee Member*

Name	Title	Director Nomination Committee		Director Compensation Committee	
		Attendance at meetings (attendance rate)		Attendance at meetings (attendance rate)	
		FY2022	FY2023	FY2022	FY2023
Hideaki Omiya	Outside Director/Chair	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)
Mari Matsunaga	Outside Director	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)
Yoshio Shirai	Outside Director	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)
Susumu Murakoshi	Outside Director	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)
Michiko Ohtsuka	Outside Director	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)
Yasunori Ogawa	President and Representative Director	13/13 (100%)	4/4 (100%)	7/7 (100%)	3/3 (100%)

### ③ Approach to selecting Directors

The Company believes that a diverse Board of Directors is useful for facilitating substantive board discussions that cover all angles. Therefore, our basic policy is to maintain a board that is well-balanced and composed of persons who combine a broad spectrum of knowledge, experience, and skill in their respective areas of expertise, without regard to gender, race, ethnicity, country of origin, nationality, cultural background, age, etc.

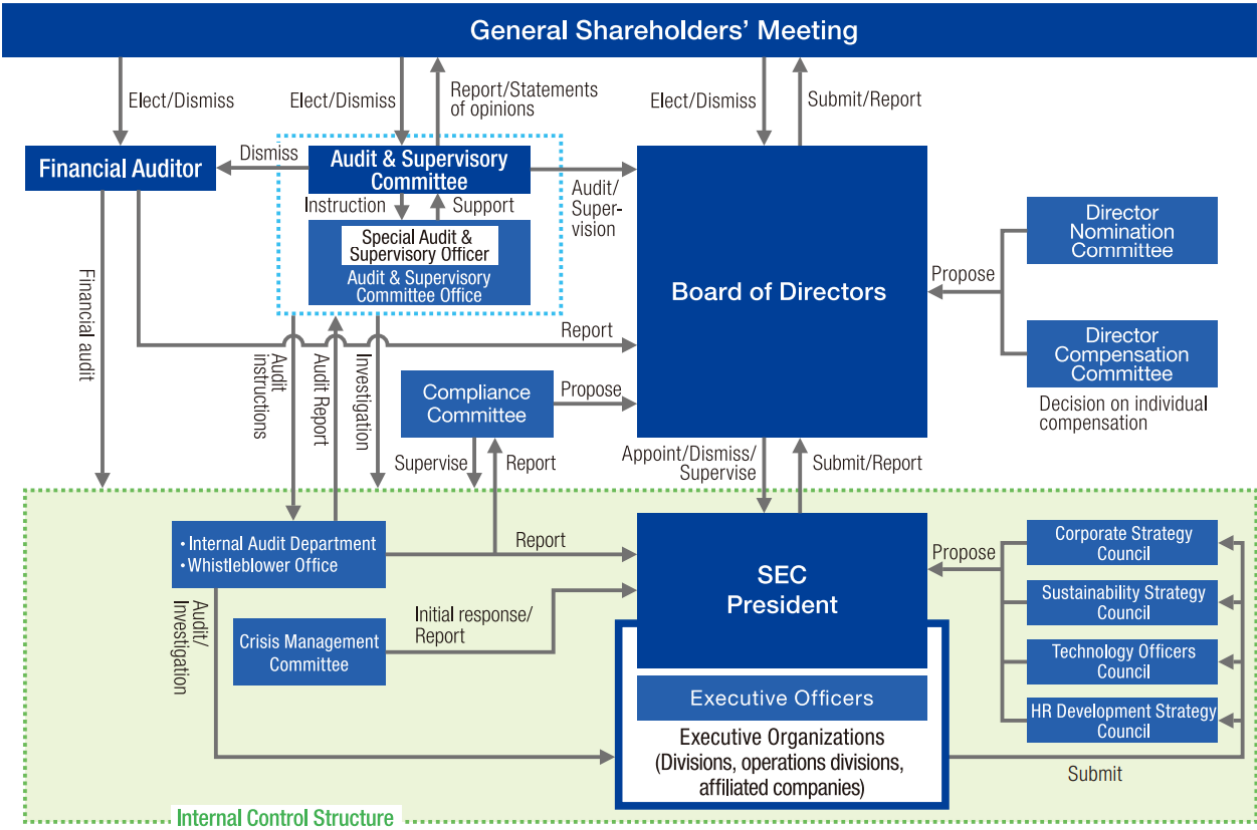
The current Board of Directors has been established based on this policy, clarifying a management system toward achieving the Management Philosophy and Corporate Vision in order to realize sustained growth and increase medium- to long-term corporate value. The skills of the Company's Directors and areas in which they are particularly expected to show expertise are as follows.

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design	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	Tatsuaki Seki					●	●	●
Outside Director	Mari Matsunaga			●	●			
Outside Director	Tadashi Shimamoto	●	●		●			
Outside Director	Masaki Yamauchi	●		●	●			
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.

The Company’s system of corporate governance is schematically represented below.

Corporate Governance System



## ④ Internal control system

The Company's Board of Directors approved a basic policy on the internal control system (a system for ensuring that business is conducted suitably by the corporate group) as follows, and the Company has implemented the approved internal control system.

The Company has established "Epson Way," which is based on its Management Philosophy and is shared across the corporate group consisting of the Company and its subsidiaries ("the Epson Group"). The Company shall establish the following basic policy regarding the internal control system (a system for ensuring that business is conducted suitably by the Epson Group) and provide an improved internal control system for the Epson Group as a whole to ensure that the Epson Group's operations are conducted appropriately based on the Epson Way.

(\*) The Epson Way is a set of shared values and behavior within the Epson Group. It is a collective term for the Management Philosophy and EXCEED YOUR VISION, which state the fundamental, universal principles of the Epson Group; and the Principles of Corporate Behavior, which set forth values and actions that reflect our Management Philosophy, etc.

## 1. Compliance

- (1) The Company will establish compliance regulations for the Epson Group and spell out basic matters such as the organizational framework.
- (2) The Company has created a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee is chaired by a full-time member of the Audit & Supervisory Committee and is composed of Outside Directors and members of the Audit & Supervisory Committee. The Compliance Committee meets regularly and as needed to hear and discuss important matters concerning the Company's compliance program. It reports its findings and offers opinions to the Board of Directors. Financial auditors and the head of the internal audit control departments can attend meetings of the Compliance Committee as observers.
- (3) A Chief Compliance Officer (CCO) is elected and supervises and monitors the execution of all compliance operations. The CCO periodically reports the state of compliance affairs to the Compliance Committee.
- (4) Compliance promotion and enforcement will be supervised by the president of Seiko Epson. Compliance programs common to the Epson Group will 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 will be promoted by the respective Chief Operating Officers of the divisions. The compliance management department helps 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 members of the Board of Directors, etc. of the Company, will address important matters with respect to compliance promotion and enforcement in the Epson Group as a whole. The Council will strive to ensure the effectiveness of compliance by exhaustively discussing and analyzing the implementation of programs for assuring observance of statutes, internal regulations, business ethics, and initiatives in high-risk and other key areas.
- (6) The Epson Group will strive to provide an effective whistleblowing system. Employees are encouraged and are able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls are in place to protect whistleblowers from reprisal, and allegations are reported to the Company's Board of Directors, the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
- (7) The Company strives to enhance compliance awareness by providing Epson Group employees with web-based training and other educational opportunities.
- (8) The president of Seiko Epson periodically reports important compliance-related matters to the Board of Directors and takes measures as needed to respond to issues.
- (9) The Company's "Principles of Corporate Behavior" states that the Company will have no association whatsoever with antisocial forces (i.e., organized crime groups). The Company takes a firm stance in rejecting any and all contact with antisocial forces that threaten 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 formulates long-term corporate visions and mid-range business plans, and it sets clear medium- and long-range goals for the Epson Group as a whole.
- (2) The Company has instituted a system to ensure the appropriate and efficient execution of business. To that end, the Company has established regulations governing organizational management, levels of authority, 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 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 has established a regulation that stipulates the risk management system of the Company, 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 belongs to the president of Seiko Epson. Group-wide risk management common to the Epson Group is carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company has also set up the risk management department, monitors overall risk management Group-wide, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs.
- (3) The Corporate Strategy Council strives to ensure effective management of serious risks that could have an egregious effect on society by agilely and exhaustively discussing and analyzing ways to identify and control risks. Also, when major risks become apparent, the president leads the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.
- (4) The president of Seiko Epson periodically reports critical risk management issues to the Board of Directors and formulates appropriate measures to respond to these issues, as needed.

### **5. Ensuring the appropriateness of operations in the corporate group**

- (1) The Group-wide management structure helps to ensure that operations in the entire Group are conducted appropriately. Essentially, the Company is organized into product-based divisions. Each division is headed by a Chief Operating Officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office own global responsibility. Responsibility for providing the framework for business operations at subsidiaries is owned by the head of each business. Corporate functions common to the Epson Group are the responsibility of the heads of Head Office supervisory departments.
- (2) The Company has business processes that enable business to be controlled on a Group level. This is accomplished by regulations governing the management of affiliated companies that require subsidiaries to report or acquire pre-approval for certain business affairs from the parent company, the Company, and by requiring issues that meet certain criteria to be submitted to the Company's Board of Directors for resolution. The Company has established regional head offices in certain regions to supervise local subsidiaries in order to ensure the suitability and efficiency of operations Group-wide.
- (3) Per the Regulation for Internal Audits, internal audit departments serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. Internal audit departments audit internal controls and the state of their implementation in all Epson Group

companies. The findings of the internal audit departments are presented to the head of the audited organization along with requests for corrective action, where needed. This information is also regularly reported to the president of Seiko Epson and to the Audit & Supervisory Committee. In this way, Epson strives to optimize operations across the entire Group.

## **6. Safeguarding and management of work-related information**

- (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 if necessary.
- (2) The Company strives to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with internal information security regulations.

## **7. Audit system**

- (1) The Audit & Supervisory Committee can interview Directors who are not members of the Audit & Supervisory Committee, 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 will enable them to conduct audits based on the same information as that available to directors who are not members of the Audit & Supervisory Committee. Members of the Audit & Supervisory Committee also routinely review important documents related to management decision-making.
- (3) An Audit & Supervisory Committee Office was set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office serves as the Special Audit & Supervisory Officer and assigns full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office 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 members of the Audit & Supervisory Committee. 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 has been created to secure close cooperation between the internal audit departments 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.
- (5) If a situation involving the Audit & Supervisory Committee or cooperation with the internal audit departments or other organizations is observed to interfere with the effectiveness of audits by the Audit & Supervisory Committee, the Audit & Supervisory Committee can ask the representative director or Board of Directors to take corrective action.
- (6) The Audit & Supervisory Committee receives audit reports from internal audit departments and can issue specific instructions to internal audit departments as needed. If the instructions issued to internal audit departments by the Audit & Supervisory Committee and the president are in conflict, the president will have the internal audit departments honor the instructions of the Audit & Supervisory Committee.
- (7) Per the Audit & Supervisory Committee Audit Regulation, the Audit & Supervisory Committee can ask Directors who are not members of the Audit & Supervisory Committee, the compliance management department, and the risk management department, as well as others to report or explain the state of management within the Epson Group. It can also view supporting materials. The Audit & Supervisory Committee can also ask, as needed, subsidiary company directors, corporate auditors, internal audit departments, and other organizations to report the state of management of the subsidiary. 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 representative director or Board of Directors, 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 the representative director regularly meet to enable the Committee to directly assess business operations.

- (10) Funds required by the Audit & Supervisory Committee to perform its duties are properly budgeted for in advance. However, funds required to perform the duties of the Audit & Supervisory Committee in emergency or extraordinary situations will be promptly paid in advance or refunded on each occasion.

Established: April 1, 2006  
Revised: April 1, 2023

## ⑤ Number of directors

The Company's Articles of Incorporation provide for a maximum of nine directors who are not members of the Audit & Supervisory Committee and a maximum of five directors who are members of the Audit & Supervisory Committee.

## ⑥ Election and dismissal of directors

According to its Articles of Incorporation, Directors of the Company can be elected by a majority vote by at least one-third of shareholders with voting rights, and not through cumulative voting.

Provisions regarding dismissal of directors do not vary from the provisions of the Companies Act.

## ⑦ Matters requiring resolutions of general meetings of shareholders that can be implemented by resolutions of the Board of Directors

### Treasury share acquisition

The Company's Articles of Incorporation allow the Company to acquire treasury shares through stock market trade and other means by resolution of the Board of Directors. This enables a more flexible capital policy in response to a changing business environment.

### Interim dividend

The Company's Articles of Incorporation allow the Company to declare an interim dividend with a date of record of September 30 every year by resolution of the Board of Directors. This provides the Company with flexibility in paying dividends to shareholders.

### Director exemption from liability

When liability falls under the requirements stipulated in Article 426, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation allow the Company to exempt the Directors from liability for damages in Article 423, Paragraph 1 of the Companies Act up to the amount remaining after the legal minimum liability is deducted from the total liability amount by resolution of the Board of Directors so that the Directors (excluding Executive Directors) to fully apply themselves to their expected roles.

## ⑧ Overview of limited liability agreements

The Company has executed agreements with non-executive directors Mari Matsunaga, Tadashi Shimamoto, Masaki Yamauchi, Masayuki Kawana, Yoshio Shirai, Susumu Murakoshi, and Michiko Ohtsuka that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum amount of liability for damages under these agreements is the minimum liability amount provided for by laws and regulations. The liability of the non-executive directors shall be limited only if they have acted in good faith and without gross negligence in performing their duties.

## ⑨ 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

- a. Directors, Executive Officers, Professional Officers and Special Audit & Supervisory Officers of the Company
- b. Directors and Audit & Supervisory Board Members of the Company's domestic subsidiaries
- c. Employees in management positions of the Company and its domestic subsidiaries
- d. Individuals occupying officer positions of companies other than the Company or its domestic subsidiaries based on a request or an instruction from the Company
- e. 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.

## ⑩ Overview of company indemnification agreements

The Company has entered into an indemnity agreement, whose outline is as follows.

1) Names of company officers

Minoru Usui, Yasunori Ogawa, Tatsuaki Seki, Mari Matsunaga, Tadashi Shimamoto, Masaki Yamauchi, Masayuki Kawana, Yoshio Shirai, Susumu Murakoshi, and Michiko Ohtsuka

2) Outline of the indemnity agreement

The Company will indemnify for the expenses provided for in item (i) and the losses provided for in item (ii) of Article 430-2, Paragraph 1 of the Companies Act to the extent provided by laws and regulations. However, in order to ensure that the indemnity agreement does not impair the appropriateness of the execution of duties, the Board of Directors determines whether indemnity is required and the extent of such indemnity.

## ⑪ Special resolution requirements of the general meeting of shareholders

The Company's Articles of Incorporation set forth the requirements for a special resolution of the general meeting of shareholders stipulated in Article 309, Paragraph 2 of the Companies Act as a two-thirds majority vote by at least one-third of shareholders with voting rights. This policy is intended to ensure smooth operation of the general meeting of shareholders by relaxing the quorum requirements for special resolutions at the general meeting of shareholders.

## ⑫ Basic policy regarding company control

The Company's board of directors agreed on a basic policy governing persons who control our financial and business policy decisions (hereinafter the "basic policy").

### 1) Overview

Endowed with a rich legacy of efficient, compact, and precision technologies, the Company will seek to continuously create game-changing customer value and play a central role in creating a better world as an indispensable company by forging innovations through challenges that are bold, imaginative, and exceed our own vision.

The Company believes that its shareholders should be determined through free trade on the market. Therefore, the decision as to whether to accept a takeover offer that would allow another party to acquire a controlling share of the Company and thus gain power over the Company's financial and business decisions (hereinafter referred to as "large-scale acquisitions") should ultimately be put before the shareholders.

However, shareholders' decisions on whether to allow large-scale acquisitions need to be made appropriately. In order to ensure this, the Company believes that information and opinions necessary for shareholders should be provided by both persons seeking to do large-scale acquisitions of the Company's shares and the Board of Directors of the Company, and time necessary to examine the information and opinions needs to be secured.

The Company believes that persons who control its financial and business policy decisions need to fully understand the Company's businesses and sources of corporate value, and to understand the importance of the Company's directors, managers, and employees working as a team to create value, pursuing the Company's tradition of creativity and challenge, and earning and keeping the trust of its customers.

### 2) Summary of measures in support of the basic policy

a. Specific actions in support of the basic policy

In March 2021, the Company revised our Corporate Vision and established "Epson 25 Renewed," with the goal of achieving sustainability and enriching communities, which the Company has set as its aspirational goal to pursue into the future.

The Company 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, and continue creating customer value in order to achieve its aspirational goals.

- b. Efforts to deter parties who are deemed inappropriate based on the basic policy in gaining control over the Company's financial and business policy decision making

The Company will request those who intend to conduct a large-scale acquisition of the Company's 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 of the Company regarding specific actions and the justification for those decisions**

The above efforts are for contributing to maintenance and increase of the Company's corporate value and the common interests of its shareholders, do not undermine the common interests of its shareholders, and reflect the above basic policy. Moreover, the Company considers that these efforts are not for keeping its Directors in their posts.

# SEIKO EPSON CORPORATION

## (2) Officers

### ① List of Officers

There are eight male officers and two female officers (20.0% of the officers are women).

Position and current function	Name	Date of birth	Summary of career	Term of office	Number of shares held (Shares)
Chairman and Director	Minoru Usui	April 22, 1955	<p>Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company)</p> <p>Apr. 1997 General Manager, IJ Development &amp; Design Department, Imaging &amp; Information Products Operations Division of the Company</p> <p>Apr. 2002 Deputy Chief Operating Officer, Imaging &amp; Information Products Operations Division of the Company</p> <p>Jun. 2002 Director of the Company</p> <p>Nov. 2004 Deputy General Administrative Manager, Corporate Research &amp; Development Division of the Company</p> <p>Nov. 2005 General Administrative Manager, Production Engineering &amp; Development Division of the Company</p> <p>Jul. 2007 General Administrative Manager, Corporate Research &amp; Development Division of the Company</p> <p>Oct. 2007 Managing Director of the Company</p> <p>Jun. 2008 President and Representative Director of the Company</p> <p>Apr. 2020 Chairman and Director of the Company (current position)</p> <p>Jun. 2021 Outside Director of IHI Corporation (current position) Outside Director of Sumitomo Dainippon Pharma Co., Ltd. (now Sumitomo Pharma Co., Ltd.) (current position)</p>	Note 1	200,200
President and Representative Director	Yasunori Ogawa	April 11, 1962	<p>Apr. 1988 Joined the Company</p> <p>Apr. 2008 General Manager, VI Business Management Department of the Company</p> <p>Oct. 2008 General Manager, VI Planning &amp; Design Department of the Company</p> <p>Apr. 2017 Chief Operating Officer, Visual Products Operations Division of the Company</p> <p>Jun. 2017 Executive Officer of the Company</p> <p>Jun. 2018 Director and Executive Officer of the Company</p> <p>Oct. 2018 General Administrative Manager, Technology Development Division of the Company</p> <p>Jun. 2019 Director and Managing Executive Officer of the Company, Chief Operating Officer, Wearable Products &amp; Industrial Solutions Operations Segment of the Company</p> <p>Apr. 2020 President and Representative Director of the Company (current position)</p>	Note 1	51,639

# SEIKO EPSON CORPORATION

Position and current function	Name	Date of birth	Summary of career	Term of office	Number of shares held (Shares)
Representative Director, Senior Managing Executive Officer General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	Tatsuaki Seki	December 26, 1960	<p>Apr. 1983    Joined Epson Corporation (now the Company)</p> <p>Nov. 2005    General Manager, BS Business Management Department of the Company</p> <p>Oct. 2014    General Manager, Finance &amp; General Accounting Department of the Company</p> <p>Oct. 2015    Deputy General Administrative Manager, Management Control Division of the Company</p> <p>Jun. 2016    Director and Executive Officer of the Company, Chief Compliance Officer of the Company (current position), General Administrative Manager, Management Control Division of the Company</p> <p>Jun. 2019    Director and Managing Executive Officer of the Company</p> <p>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)</p> <p>Apr. 2022    Director and Senior Managing Executive Officer of the Company</p> <p>April 2023    Representative Director, Senior Managing Executive Officer the Company (current position)</p>	Note 1	25,827
Outside Director	Mari Matsunaga	November 13, 1954	<p>Apr. 1977    Joined Japan Recruit Center Co., Ltd. (now Recruit Holdings Co., Ltd.)</p> <p>Jul. 1986    Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd.</p> <p>Jul. 1988    Editor in chief of Travaille published by Recruit Holdings Co., Ltd.</p> <p>Jul. 1997    Head of Planning Office for Gateway Business Dept. of NTT Mobile Communications Network, Inc. (now NTT Docomo, Inc.)</p> <p>Apr. 2000    Representative of Mari Matsunaga Office, Inc.</p> <p>Jun. 2012    Outside Director of MS&amp;AD Insurance Group Holdings, Inc. Outside Director of Terumo Corporation</p> <p>Jun. 2014    Outside Director of Rohto Pharmaceutical Co., Ltd.</p> <p>Jun. 2016    Outside Director of the Company (current position)</p> <p>Mar. 2023    Outside Director of Asahi Group Holdings, Ltd. (current position)</p>	Note 1	12,900

# SEIKO EPSON CORPORATION

Position and current function	Name	Date of birth	Summary of career	Term of office	Number of shares held (Shares)
Outside Director	Tadashi Shimamoto	February 8, 1954	<p>Apr. 2002 Senior Managing Director of Nomura Research Institute, Ltd.</p> <p>Jun. 2008 Senior Executive Managing Director, Member of the Board and Representative Director of Nomura Research Institute, Ltd.</p> <p>Apr. 2010 President &amp; CEO, Representative Director, Member of the Board of Nomura Research Institute, Ltd.</p> <p>Apr. 2015 Chairman and President &amp; CEO, Representative Director, Member of the Board of Nomura Research Institute, Ltd.</p> <p>Apr. 2016 Chairman, Member of the Board of Nomura Research Institute, Ltd.</p> <p>Jun. 2019 Member of the Board of Nomura Research Institute, Ltd.</p> <p>Jun. 2021 Special Advisor of Nomura Research Institute, Ltd. (current position) Director of Reading Skill Test, Inc. (current position)</p> <p>Mar. 2022 Outside Director of Mitsubishi Pencil Co., Ltd. (current position)</p> <p>Jul. 2022 Member of the Public Interest Body, PricewaterhouseCoopers Aarata LLC (current position)</p> <p>Jun. 2023 Outside Director of the Company (current position)</p>	Note 1	2,000
Outside Director	Masaki Yamauchi	January 11, 1961	<p>Apr. 2005 Executive Officer of Yamato Transport Co., Ltd. (now Yamato Holdings Co., Ltd.)</p> <p>Apr. 2008 Representative Director, President and Executive Officer of Yamato Logistics Co., Ltd. (now Yamato Transport Co., Ltd.)</p> <p>Apr. 2011 Representative Director, President and Executive Officer of Yamato Transport Co., Ltd.</p> <p>Jun. 2011 Director and Executive Officer of Yamato Holdings Co., Ltd.</p> <p>Apr. 2015 Representative Director, Executive Officer and President of Yamato Holdings Co., Ltd.</p> <p>Apr. 2019 Chairperson of the Board of Directors of Yamato Holdings Co., Ltd.</p> <p>Jun. 2020 Independent Director of Persol Holdings Co., Ltd. (current position)</p> <p>Jun. 2022 Special Advisor of Yamato Holdings Co., Ltd. Outside Director of Resona Holdings, Inc. (current position)</p> <p>Jun. 2023 Counselor of Yamato Holdings Co., Ltd. (current position) Outside Director of the Company (current position)</p>	Note 1	—

# SEIKO EPSON CORPORATION

Position and current function	Name	Date of birth	Summary of career	Term of office	Number of shares held (Shares)
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	July 27, 1964	<p>Apr. 1988    Joined Seiko Epson Cooperative Union</p> <p>Mar. 1999    Joined the Company</p> <p>Oct. 2008    General Manager, Human Resources Department of the Company</p> <p>Jun. 2014    Director of the Company, General Administrative Manager, Human Resources Division of the Company</p> <p>Jun. 2015    President of Orient Watch Co., Ltd.</p> <p>Jun. 2016    Director and Executive Officer of the Company</p> <p>Oct. 2016    General Administrative Manager, CSR Management Office of the Company</p> <p>Jun. 2018    Chairman of Epson Sales Japan Corporation</p> <p>Apr. 2020    General Administrative Manager, Health Management Office of the Company</p> <p>Jun. 2021    Director and Full-Time Audit &amp; Supervisory Committee Member of the Company (current position)</p>	Note 2	21,000
Outside Director, Audit & Supervisory Committee Member	Yoshio Shirai	May 1, 1948	<p>Jun. 2001    Member of the Board of Directors of Toyota Motor Corporation</p> <p>Jun. 2003    Managing Officer of Toyota Motor Corporation</p> <p>Jun. 2005    Senior Executive Member of the Board of Directors of Toyota Motor Corporation</p> <p>Jun. 2007    Executive Vice President and Member of the Board of Hino Motors, Ltd.</p> <p>Jun. 2008    President and Member of the Board of Hino Motors, Ltd.</p> <p>Jun. 2013    Councilor of Hino Motors, Ltd. Vice Chairman of Toyota Tsusho Corporation</p> <p>Jun. 2015    Advisor of Toyota Tsusho Corporation</p> <p>Jun. 2016    Outside Director and Audit &amp; Supervisory Committee Member of the Company (current position)</p> <p>Jun. 2017    Advisor of Hino Motors, Ltd. Outside Director and Audit &amp; Supervisory Committee Member of Fujikura Ltd.</p>	Note 2	20,900

# SEIKO EPSON CORPORATION

Position and current function	Name	Date of birth	Summary of career	Term of office	Number of shares held (Shares)
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	September 1, 1950	<p>Apr. 1976 Registered as an attorney-at-law</p> <p>Apr. 1984 Attorney-at-law of Susumu Murakoshi Law Office</p> <p>Mar. 1988 Attorney-at-law of Shin-Chiyoda Sogo Law Office (to present)</p> <p>May 2001 Chairman, Human Rights Protection Committee of Japan Federation of Bar Associations</p> <p>Apr. 2008 Vice President of Japan Federation of Bar Associations President of Dai-Ichi Tokyo Bar Association</p> <p>Apr. 2014 President of Japan Federation of Bar Associations</p> <p>May 2017 President of Japan Attorneys Political Association</p> <p>Apr. 2019 Member (Chief investigator) of Compliance Team of the Ministry of Education, Culture, Sports, Science and Technology (current position)</p> <p>Jun. 2020 Outside Director and Audit &amp; Supervisory Committee Member of the Company (current position)</p>	Note 2	1,700
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	November 26, 1958	<p>Apr. 1981 Joined SUMITOMO CORPORATION</p> <p>Oct. 1986 Joined Asahi Shinwa Audit &amp; Accounting Office (now KPMG AZSA LLC)</p> <p>Aug. 1990 Registered as Certified Public Accountant</p> <p>May 2013 Certified Public Accountant of Ohtsuka Certified Public Accountant Office (to present)</p> <p>Apr. 2014 Auditor (part-time) of Pharmaceuticals and Medical Devices Agency</p> <p>Apr. 2015 Auditor (part-time) of Japan National Tourism Organization (current position)</p> <p>Jun. 2015 Outside Audit &amp; Supervisory Board Member of FUJI KOSAN COMPANY, LTD.</p> <p>Jun. 2016 Outside Director and Audit &amp; Supervisory Committee Member of FUJI KOSAN COMPANY, LTD.</p> <p>Jun. 2020 Outside Director and Audit &amp; Supervisory Committee Member of the Company (current position)</p>	Note 2	1,700
Total					337,866

(Notes)

1. Mari Matsunaga, Tadashi Shimamoto, Masaki Yamauchi, Yoshio Shirai, Susumu Murakoshi and Michiko Ohtsuka are Outside Directors.
2. Audit & Supervisory Committee of the Company is as follows.
 

Chairperson: Masayuki Kawana	Member: Yoshio Shirai
Member: Susumu Murakoshi	Member: Michiko Ohtsuka

 Masayuki Kawana is Full-Time Audit & Supervisory Committee Member.
3. The terms of office of the Outside Directors stipulated in Note 1 shall expire at the conclusion of the Ordinary General Meeting of Shareholders of the fiscal year ending within one year from their election of office at the Ordinary General Meeting of Shareholders held on June 27, 2023.
4. The terms of office of the Audit & Supervisory Committee Members stipulated in Note 2 shall expire at the conclusion of the Ordinary General Meeting of Shareholders of the fiscal year ending within two years from their election of office at the Ordinary General Meeting of Shareholders held on June 28, 2022.
5. The Company has introduced an executive officer system to ensure business management based on swift decision making. The Company's Executive Officers (excluding Directors serving concurrently as Executive Officers) as of the filing date of the Annual Securities Report are as follows.
 

Managing Executive Officer	Junichi Watanabe
Executive Officer	Akihiro Fukaishi
Executive Officer	Nobuyuki Shimotome
Executive Officer	Hitoshi Igarashi
Executive Officer	Keith Kratzberg
Executive Officer	Isamu Otsuka
Executive Officer	Eiichi Abe
Executive Officer	Kazuhiro Ichikawa
Executive Officer	Keiji Naito
Executive Officer	Yoshifumi Yoshida
Executive Officer	Andrea Zoeckler
Executive Officer	Yoshiro Nagafusa
Executive Officer	Satoru Hosono
Executive Officer	Fuminori Suzumura
Executive Officer	Akifumi Takei
Executive Officer	Junkichi Yoshida
Executive Officer	Samba Moorthy
Executive Officer	Yoichi Yamada
Executive Officer	Tomoo Takaso
Executive Officer	Yasunori Yoshino
Executive Officer	Toshiaki Miyasaka
Executive Officer	Masashi Hayashi
Executive Officer	Masaharu Mizukami
Executive Officer	Toshihiko Kobayashi
Executive Officer	Siew Jin Kiat
Professional Officer	Sunao Murata
6. The Company has elected Special Audit & Supervisory Officer, a post to support the Audit & Supervisory Committee. The Special Audit & Supervisory Officer as of the filing date of the Annual Securities Report is as follows.
 

Special Audit & Supervisory Officer	Yoshihiro Mizoguchi
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## ② Outside Officers

### The role of Outside Directors

To ensure that Outside Directors are independent from the Company's management team, have a broad view, and are able to objectively supervise the making of important decisions, the Company has set forth the role of Outside Directors in the Corporate Governance Policy as below. In principle, Independent Outside Directors should comprise at least one-third of the members of the Board of Directors.



- a. Monitoring of the management
  - Monitoring of corporate executives through involvement in the officer election process and the compensation determination process based on an evaluation of the business as a whole
  - Monitoring of the business as a whole through the exercise of voting rights on important business decisions made by the Board of Directors
- b. Advisory function for improving business efficiency
- c. Monitoring of conflicts of interest
  - Monitoring of conflicts of interest between the Company and its Directors and Executive Officers
  - Monitoring of conflicts of interest between the Company and related parties

## **Principle of independence**

The Company's Board of Directors has established a "Criteria for Independence of Outside Directors" and, in compliance with this standard, elects director candidates who are unlikely to have conflicts of interest with general shareholders. All current Outside Directors satisfy the independence requirements of the criteria.

The content of the amended standard is described below.

## **Criteria for Independence of Outside Directors**

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

1. A person is not independent if:
  - (1) The person considers the Company to be a major business partner<sup>1</sup>, or has served as an executive<sup>2</sup> within the past five years in an entity for which the Company is a major business partner;
  - (2) The person is a major business partner<sup>3</sup> of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company;
  - (3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation<sup>4</sup> (other than compensation as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
  - (4) The person is a major shareholder<sup>5</sup> of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
  - (5) The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
  - (6) The person is a major lender<sup>6</sup> to the Company or has been an executive of a major lender to the Company within the past five years;
  - (7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
  - (8) The person has been employed by a leading managing underwriter of the Company within the past five years;
  - (9) The person has received a large donation<sup>7</sup> 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 with a relationship of reciprocal employment of Outside Director<sup>8</sup>; or
  - (11) The spouse or other immediate family member of a person to whom any of items (1) through (9) apply.
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

<sup>1</sup> 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.

<sup>2</sup> "Executive" means an executive officer, executive director, operating officer, or an employee occupying a senior management position of department manager or higher.

- <sup>3</sup> 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.
- <sup>4</sup> "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.
- <sup>5</sup> "Major shareholder" means a shareholder who directly or indirectly holds 10% or more of the voting rights.
- <sup>6</sup> "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.
- <sup>7</sup> "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.
- <sup>8</sup> "Reciprocal employment of Outside Director" means accepting an Outside Director from an entity that currently employs someone from the Company as an Outside Director.

## Number of outside directors, selection criteria, and human, capital, business or other interests between outside directors and the Company

The Company had five outside directors (of whom three are Audit & Supervisory Committee members) as of the submission date of its the security report.

a. Mari Matsunaga

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 an Outside Officer. As an Outside Director of the Company, she has appropriately monitored management, actively pointing out business issues and offering recommendations particularly from the viewpoints of open innovation promotion, etc. The Company believes that she will utilize her wealth of experience and insight to continue to monitor management appropriately to achieve sustained growth and increase medium- to long-term corporate value. The Company has had no transactions with Ms. Matsunaga in the past three years.

She owns a small number of the Company's shares, but there are no human, capital, business or other interests between her and the Company.

The Company has registered her as an Independent Director with the Tokyo Stock Exchange.

b. Tadashi Shimamoto

Mr. Shimamoto has served as President and Chairman of Nomura Research Institute, Ltd. and has a wealth of experience and insight as a corporate manager and in fundamental technology, distribution, service, and industry-related systems. The Company believes that he will monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term through his active opinions and proposals from the perspective of overall management and DX/IT systems, based on his familiarity with corporate management in the information and telecommunications industry, which is a different business field.

Mr. Shimamoto was involved in business affairs at Nomura Research Institute, Ltd. Although the Company has had a business relationship with Nomura Research Institute, Ltd. for the past three years, the annual transaction amount is minimal, accounting for less than 0.1% of the consolidated net sales of the Company and Nomura Research Institute, Ltd., and Nomura Research Institute, Ltd. does not account for a major business partner as defined in the Criteria for Independence of Outside Directors.

He owns a small number of the Company's shares, but there are no human, capital, business or other interests between him and the Company.

The Company has registered him as an Independent Director with the Tokyo Stock Exchange.

c. Masaki Yamauchi

Mr. Yamauchi has served as President and Chairperson of the Board of Directors of Yamato Holdings Co., Ltd. and has a wealth of insight and experience in corporate management. The Company believes that, based on his experience in practicing satisfaction-creating management that makes full use of digital technology, his efforts to instill Yamato's DNA (values) in employees and his track record of fostering organizational culture, he will monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term through his active opinions and proposals from the perspectives of organizational management, DX/IT, and sustainability that relate to the fundamentals of corporate management.

Mr. Yamauchi was involved in business affairs at Yamato Holdings Co., Ltd. Although the Company has had a business relationship with Yamato Transport Co., Ltd., a consolidated subsidiary of Yamato Holdings Co., Ltd., for the past three years, the annual transaction amount is minimal, accounting for less than 0.1% of the consolidated net sales of the Company and Yamato Holdings Co., Ltd., and Yamato Holdings Co., Ltd. does not account for a major business partner as defined in the Criteria for Independence of Outside Directors.

He owns none of the Company's shares, and there are no human, capital, business or other interests between him and the Company.

The Company has registered him as an Independent Director with the Tokyo Stock Exchange.

d. Yoshio Shirai (Outside Director who is an Audit & Supervisory Committee member)

Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company. The Company believes that he will utilize his wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management.

He owns a small number of the Company's shares, but there are no human, capital, business or other interests between him and the Company.

The Company has registered him as an Independent Director with the Tokyo Stock Exchange.

- e. Susumu Murakoshi (Outside Director who is an Audit & Supervisory Committee member)

Mr. Murakoshi has a high level of expertise as an attorney. Having served as the President of Japan Federation of Bar Associations and the President of Japan Attorneys Political Association, he has a wealth of experience in the legal community. The Company believes that he will utilize his wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management. He has never been involved in corporate management except as an outside officer. However, given the reasons above, the Company believes that he can appropriately perform his duties as an Outside Director who is an Audit & Supervisory Committee member.

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

He owns a small number of the Company's shares, but there are no human, capital, business or other interests between him and the Company.

The Company has registered him as an Independent Director with the Tokyo Stock Exchange.

- f. Michiko Ohtsuka (Outside Director who is an Audit & Supervisory Committee member)

Ms. Ohtsuka has a high level of expertise as a certified public accountant. She has a considerable insight and experience as an independent officer of a listed company. The Company believes that she will utilize her wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management. She has never been involved in corporate management except as an outside officer. However, given the reasons above, the Company believes that she can appropriately perform her duties as an Outside Director who is an Audit & Supervisory Committee member.

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

She owns a small number of the Company's shares, but there are no human, capital, business or other interests between her and the Company.

The Company has registered her as an Independent Director with the Tokyo Stock Exchange.

### **③ Interconnections between supervision or audits by Outside Directors and internal audits, Audit & Supervisory Committee audits, and accounting audits; as well as relationship of these supervision/audits to the internal control department**

#### **Interconnections among Audit & Supervisory Committee audits, internal audits, and accounting audits, and the relationship of these audits to the internal control department**

In order to make Audit & Supervisory Committee audits systematic and efficient, the Company ensures close collaboration between internal audit departments and the Audit & Supervisory Committee. In relation to the structure of the Audit & Supervisory Committee Office and the coordination system with internal audit departments, if circumstances hindering the effectiveness of the audit by the Audit & Supervisory Committee are found, the Audit & Supervisory Committee requests the representative directors or the Board of Directors to rectify them. Furthermore, prior consent from the Audit & Supervisory Committee should be obtained for the appointment and dismissal of the head of the internal audit control departments. As part of a structure that can continuously pursue the maintenance and improvement of efforts to strengthen coordination between the Audit & Supervisory Committee and internal audit departments, etc., we have put in place a structure in which the head of the internal audit control departments can attend, as an observer, meetings of a Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

The Company's internal audit departments regularly report their audit plans, audit results and improvement plans for audited companies based on the audit findings to the Audit & Supervisory Committee. In response, the Audit & Supervisory Committee can, when it deems necessary, ask internal audit departments to investigate affairs or can provide specific instructions regarding the performance of their duties. Through these measures, Epson has secured the effectiveness of systematic audit performed by the Audit & Supervisory Committee.

Internal audit departments are seen as a keystone for internal control functions built by the President and operations

departments. On the other hand, to ensure the effectiveness and independence of audits by the Audit & Supervisory Committee and internal audit departments, if the instructions issued to internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the instructions issued by the Audit & Supervisory Committee are given priority.

The division in charge of whistleblowing regularly keeps the Audit & Supervisory Committee updated on compliance violation matters. The division provides the Committee with detailed reports especially on matters of material importance immediately after it is notified of such matters, and the Committee examines whether it should deal with the matter based on the detailed report. Also, controls are in place to protect whistleblowers from reprisal for having made a report. Allegations shall be reported to the Board of Directors, the Audit & Supervisory Committee, the Compliance Committee composed primarily of Outside Directors, and the Corporate Strategy Council in a way that whistleblowers cannot be identified; and the identity of the reporter shall be protected even if the president or a Board of Directors, for example, is asked to correct the matter based on the report.

The Audit & Supervisory Committee and financial auditors work together to enhance the effectiveness of audit by sharing the results of their risk assessment at the beginning of each fiscal year and then confirm the audit plan of financial auditors, and also periodically discuss issues during the period. Financial auditors have the right to observe meetings of the Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

### **Cooperation between Outside Directors and internal control functions**

Outside Directors who are Audit & Supervisory Committee members and those who are not work cooperatively by attending meetings of the Compliance Committee, regular meetings with Chairman of the Board of Directors and representative directors, and meetings solely of Outside Directors; and also work to enhance collaboration between the supervision or audits by Outside Directors and the internal control functions through on-site audits and on-site visits at subsidiaries both home and abroad.

#### (3) Internal audits

##### **① Audit & Supervisory Committee audits**

##### **Structure of the Audit & Supervisory Committee**

The Company's Audit & Supervisory Committee is composed of four Directors, three of whom are Outside Directors. The three Audit & Supervisory Committee members who are Outside Directors have experienced serving as an attorney-at-law, certified public accountant and corporate manager, and each of them has a high level of expertise, a wealth of experience and considerable insight and has executed balanced audit and supervisory activities as the Audit & Supervisory Committee. Masayuki Kawana was selected to serve as a Full-Time Audit & Supervisory Committee member to help ensure that the Audit & Supervisory Committee works effectively, as it was concluded that it would be necessary for someone to prepare an environment to facilitate audits, attend important internal meetings to smoothly collect internal information, work closely with groups such as the internal audit department, and monitor the daily internal control system.

Audit & Supervisory Committee member Michiko Ohtsuka is a certified public accountant and has an appreciable degree of knowledge and insight into finance and accounting.

In addition, the Company set up an Audit & Supervisory Committee Office headed by the Special Audit & Supervisory Officer as an organization dedicated to supporting the Audit & Supervisory Committee. The Audit & Supervisory Committee Office is independent from executive management and supports the Audit & Supervisory Committee, with a direct reporting line to it.

##### **Activities of the Audit & Supervisory Committee**

All Audit & Supervisory Committee members properly check and monitor the demonstrating of functions by the Board of Directors, decision-making on important matters, such as business strategies and corporate governance, and execution of business affairs by attending important meetings such as meetings of the Board of Directors, the Director Nomination Committee and the Director Compensation Committee, and regularly discussing with Chairman of the Board of Directors and representative directors, among others. Moreover, Audit & Supervisory Committee members audit and supervise the state of legal compliance and results of execution of operations through regular hearing and conformation letters for execution of duties for each Director and Executive Officer. In addition, Audit & Supervisory Committee members confirm the status of improvement and operation of the internal control system and other matters (including internal control over compliance system, risk management system, and financial reporting) through regular hearing from internal audit departments, supervisory departments

for internal control, Head Office supervisory departments, audit & supervisory board members of the Group's subsidiaries, and others. In addition, the Audit & Supervisory Committee or individual Audit & Supervisory Committee members conduct on-site inspection of or remote interviews with business offices and subsidiaries in Japan and overseas, and if it is considered necessary, they ask internal audit departments and the financial auditor for inspection and provide specific directions on the execution of the duties. Through these measures, the Company has secured the effectiveness of systematic audit performed by the Audit & Supervisory Committee.

As for appropriateness of audits of the financial auditor, the Audit & Supervisory Committee confirms the audit plan of the financial auditor after risk assessment is shared between each other at the beginning of the fiscal year, and checks the implementation of audits by regularly holding discussion during the fiscal year, while increasing effectiveness of audits of the both.

With regard to the effectiveness assessment of the Audit & Supervisory Committee, which has been implemented each year since FY2017 after the transition to a company with an Audit & Supervisory Committee, reporting to and sharing with the Board of Directors have been regularized from FY2019. In FY2022, the assessment result that effectiveness of the Audit & Supervisory Committee was ensured was shared at the Board of Directors meeting, and the recommendations for the Board of Directors on improvement in the Company's internal control and governance system, which were extracted in the effectiveness assessment of the Audit & Supervisory Committee, were made.

### **Holding and attendance of the Audit & Supervisory Committee meeting**

In FY2022, the Audit & Supervisory Committee conducted discussions and examinations throughout the fiscal year. It focused on uniform coordination among the internal audit departments, internal control departments, and Head Office supervisory departments and the effectiveness of autonomous-decentralized internal control. It also monitored the state of the response to the organizational culture, watched over the strengthening of the Board of Directors' monitoring function, and monitored the setting of key concrete measures under Epson 25 Renewed and the progress thereof, from the perspective of important audit and supervision.

The Audit & Supervisory Committee meeting was held 17 times in FY2022 and five times in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders in June 2023. The status of attendance by each Audit & Supervisory Committee member is as shown in the following table.

Name	Title	Attendance at meetings of the Audit & Supervisory Committee (Attendance rate)	
		FY2022	FY2023
Masayuki Kawana	Director, Full-Time Audit & Supervisory Committee Member	17/17 (100%)	5/5 (100%)
Yoshio Shirai	Outside Director, Audit & Supervisory Committee Member	17/17 (100%)	5/5 (100%)
Susumu Murakoshi	Outside Director, Audit & Supervisory Committee Member	17/17 (100%)	5/5 (100%)
Michiko Ohtsuka	Outside Director, Audit & Supervisory Committee Member	17/17 (100%)	5/5 (100%)

(Note) Attendance at meetings (attendance rate) in FY2023 is for the period from April 2022 to the Ordinary General Meeting of Shareholders held in June 2023.

### **② Internal audits**

The Company's internal compliance system guards against potential legal and internal regulatory violations in departmental operations. Internal audit departments serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. They audit internal controls and the implementation of controls in all Epson Group companies, including subsidiaries.

Internal audit departments conduct internal audits based on an annual audit plan. After conducting internal audits, they report their observations, including recommendations for improvements based on the facts, to the president and to the Audit & Supervisory Committee in a timely manner. Internal audit departments also regularly report the

internal audit situation to the president and Audit & Supervisory Committee. In FY2022, amid restrictions on auditing activities due to the spread of the COVID-19 infection, they conducted audits by using online communication and revising the audit process, upon reviewing the subjects of audits and timing of implementation planned at the beginning of the fiscal year.

### **③ Interconnections among Audit & Supervisory Committee audits, internal audits, and accounting audits, and the relationship of these audits to the internal control department**

In order to make Audit & Supervisory Committee audits systematic and efficient, the Company ensures close collaboration between internal audit departments and the Audit & Supervisory Committee. In relation to the structure of the Audit & Supervisory Committee Office and the coordination system with internal audit departments, if circumstances hindering the effectiveness of the audit by the Audit & Supervisory Committee are found, the Audit & Supervisory Committee requests the representative directors or the Board of Directors to rectify them. Furthermore, prior consent from the Audit & Supervisory Committee should be obtained for the appointment and dismissal of the head of the internal audit control departments. As part of a structure that can continuously pursue the maintenance and improvement of efforts to strengthen coordination between the Audit & Supervisory Committee and internal audit departments, etc., we have put in place a structure in which the head of the internal audit control departments can attend, as an observer, meetings of a Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

The Company's internal audit departments regularly report their audit plans, audit results and improvement plans for audited companies based on the audit findings to the Audit & Supervisory Committee. In response, the Audit & Supervisory Committee can, when it deems necessary, ask internal audit departments to investigate affairs or can provide specific instructions regarding the performance of their duties. Through these measures, the Company has secured the effectiveness of systematic audit performed by the Audit & Supervisory Committee.

Internal audit departments are seen as a keystone for internal control functions built by the President and operations departments. On the other hand, to ensure the effectiveness and independence of audits by the Audit & Supervisory Committee and internal audit departments, if the instructions issued to internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the instructions issued by the Audit & Supervisory Committee are given priority.

The division in charge of whistleblowing regularly keeps the Audit & Supervisory Committee updated on compliance violation matters. The division provides the Committee with detailed reports especially on matters of material importance immediately after it is notified of such matters, and the Committee examines whether it should deal with the matter based on the detailed report. Also, controls are in place to protect whistleblowers from reprisal for having made a report. Allegations shall be reported to the Board of Directors, the Audit & Supervisory Committee, the Compliance Committee composed primarily of Outside Directors, and the Corporate Strategy Council in a way that whistleblowers cannot be identified; and the identity of the reporter shall be protected even if the president or a Board of Directors, for example, is asked to correct the matter based on the report.

The Audit & Supervisory Committee and financial auditors enhance the effectiveness of audits by sharing the results of their risk assessment at the beginning of each fiscal year and then confirming the audit plan of financial auditors, and also periodically discuss issues during the period. Financial auditors have the right to observe meetings of the Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

## ④ Accounting audits

a. Name of accounting firm  
Ernst & Young ShinNihon LLC

b. Continuous audit period  
39 years

(Note) The Company entered into an auditing agreement with Misuzu Audit Corporation (then named Chuo Audit Corporation) from 1984 to 2007 (including the period from July 1, 2006 to August 31, 2006 when a temporary accounting firm was selected to substitute for Misuzu Audit Corporation (then named ChuoAoyama Audit Corporation). Accompanying Misuzu Audit Corporation's dissolution, the Company entered into an auditing agreement with Ernst & Young ShinNihon LLC (then named Ernst & Young ShinNihon) from 2007. However, the certified public accountants who had been executing the auditing operations for the Company also transferred to Ernst & Young ShinNihon LLC (then named Ernst & Young ShinNihon), and they have been performing audit work for the Company continuously since their aforesaid relocation. Accordingly, as it can be considered that the same accounting firm has been continuously executing the Company's audit work, the audit period of the accounting firm before the relocation of said certified public accountants has been included in the continuous audit period.

c. Certified public accountants performing audits

Name of CPA		No. of successive years performing audits
Designated and Engagement Partner, Certified Public Accountant	Makoto Usui	4
Designated and Engagement Partner, Certified Public Accountant	Yoshiyuki Sakuma	7
Designated and Engagement Partner, Certified Public Accountant	Ryuichi Minami	3

d. Composition of auditing team

The auditing team comprises 40 staff including 8 certified public accountants, 8 accountant examination passers, and 24 other accounting staff.

e. Policy and reasons for selection of audit firm

The Audit & Supervisory Committee has established the "Policies on Dismissal / Non-reappointment of Financial Auditors" and "Standards in Relation to Selection / Non-reappointment and Procedures for the Reappointment of Financial Auditors" prescribing details of the procedures whereby Epson can maintain and further strengthen its optimal financial audit system.

As a result of evaluations in accordance with these standards, the Committee concluded that the accounting auditor has established systems for the proper performance of its duties, including an audit quality management system, a governance system that supports the management of audit quality, and a global audit system, and that the accounting auditor is conducting appropriate audits as a professional expert while maintaining an independent position. The Committee has determined that it is appropriate to reappoint EY Ernst & Young ShinNihon LLC, the current financial auditor, as financial auditor for the next fiscal year.

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.



f. Evaluation of financial auditor by the Audit & Supervisory Committee

The Audit & Supervisory Committee evaluates the Financial Auditor's ability to perform audits based on seven evaluation items: (1) quality management by the audit firm, (2) the audit team, (3) audit fees, (4) communication with the Audit & Supervisory Committee, (5) relationship with management, (6) group audits, and (7) fraud risks, based on the Practical Guidelines for Auditors Concerning the Evaluation of Accounting Auditors and the Establishment of Selection Standards, established by the Japan Audit & Supervisory Board Members Association, and through interviews with the executors.

**⑤ Details of audit remuneration**

**a. Remuneration for audits by certified public accountants**

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit work	Remuneration for audit certification work	Remuneration for non-audit work
Filing company	159	0	165	-
Consolidated subsidiaries	39	-	43	-
Total	198	0	208	-

Non-audit services performed for the Company include various consultancy services.

**b. Remuneration for audits by certified public accountants belonging to the Ernst & Young network (excluding a.)**

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit work	Remuneration for audit certification work	Remuneration for non-audit work
Filing company	-	7	-	7
Consolidated subsidiaries	547	184	677	145
Total	547	191	677	152

Details of the non-audit services performed for the Company and its consolidated subsidiaries consist mainly of various consultancy services, mostly tax related.

**c. Description of other fees for important audit certificate services**

Other than the items applicable to a. and b. above, there were no significant items applicable to fees for audit certificate services of the Company and its consolidated subsidiaries in the previous fiscal year or fiscal year under review.

**d. Governing policy for audit remuneration and reason for the Audit & Supervisory Committee consenting to the fees, etc. of the Financial Auditor**

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.

## (4) Officer compensation, etc.

The Company revised its officer compensation system based on the resolution of the Board of Directors on April 28 and May 19, 2022 and the resolution at the Ordinary General Meeting of Shareholders on June 28, 2022. The new system will be adopted effective from FY2022 (June 28, 2022 for restricted stock compensation). No additional contribution will be made to the former performance-linked stock compensation plan (BIP trust) in the future, and the plan is expected to terminate in August 2024 upon completion of the delivery and payment of the Company's common shares pertaining to the points already granted and the cash equivalent to an amount obtained through the conversion of the Company's common shares into cash.

### ① Amount of officer compensation, etc. and policies for determining the method of calculating the amount

With the aim of ensuring transparency and objectivity, compensation of officers is determined through resolutions at the General Meeting of Shareholders and the Board of Directors' meeting for Directors who are not Audit & Supervisory Committee members, or through resolutions at the General Meeting of Shareholders and discussions by Audit & Supervisory Committee members for Directors who are Audit & Supervisory Committee members, after going through fair, transparent and rigorous reporting by the Director Compensation Committee which is chaired by an Outside Director, and the majority of whose members are Outside Directors.

With regard to compensation of the Directors who are not Audit & Supervisory Committee members, the Audit & Supervisory Committee shares and discusses what have been examined by the Director Compensation Committee to confirm whether there are special items to be stated at the General Meeting of Shareholders.

Matters related to the compensation, including the individual amounts, of the Directors who are not Audit & Supervisory Committee members are left to the discretion of the Director Compensation Committee.

The overview of the Director Compensation Committee is as follows.

#### *Composition*

The Committee consists of all Outside Directors and President and Representative Director. Outside Directors shall select the committee chair from among themselves. Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of the Committee as observers.

#### *Activities of the Director Compensation Committee*

The Committee met 10 times during the period from April 2022 to the Ordinary General Meeting of Shareholders held in June 2023. The Committee deliberated on matters including the amount of base compensation for each Director, number of shares to be allocated and amount of monetary compensation claims under the restricted stock compensation plan, a company indemnification plan, and renewal of directors and officers liability insurance.

### **Policies**

#### 1) 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.

#### <Outline of contents of the decision-making policies>

##### i) Basic stance

The Company's officer compensation shall consist of base compensation, which is comprised of fixed compensation, bonuses, which is performance-linked compensation, and stock compensation, which is 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 base compensation to non-executive officers and therefore does not pay bonuses and stock compensation.

#### Compensation for executive officers

(a) Compensation shall provide an incentive to improve business performance and reflect the commitment thereof in order to promote the Epson Group's sustainable growth and corporate value in the medium and long term.

(b) Compensation shall be sufficient to attract and retain qualified persons both from within the Company and from outside.

- (c) Compensation shall be commensurate with period performance so that directors and executive officers can demonstrate their management capabilities to the fullest during their tenure.
- (d) Compensation shall clearly reflect the linkage between officer compensation and the value of the Company's shares and strengthen awareness of the need to share profits with shareholders.
- (e) A mechanism to suppress fraud shall be embedded.
- (f) The process for determining compensation shall be highly transparent, objective and fair.

#### Compensation for non-executive officers

- (a) The composition of compensation shall guarantee independence so that these officers can suitably exert their general management supervisory function, etc.
- (b) Compensation shall be sufficient to attract and retain qualified persons both from within the Company and from outside.

- ii) Decision-making policies on base compensation for individual Directors who are not Audit & Supervisory Committee members

#### *Base compensation*

Base compensation is a monetary compensation that is determined in accordance with the position and the magnitude of roles including the contents of operations commissioned and delegated ("Role Grade"). It is paid monthly during the terms of office. Depending on the operating performance of the company and other reasons, the Board of Directors may take measures to increase or decrease the amount.

- iii) Decision-making policies on performance-linked compensation for Directors who are not Audit & Supervisory Committee members

#### *Bonuses*

Bonus is an annually paid variable performance-linked compensation for officers with executive duties that is determined by the achievement level of the annual operating performance targets and personal goals.

[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 company-wide ROE among others is set as a performance indicator, taking into account factors such as the achievement level of personal goals.

[Calculation method]

The amount of bonuses payable is calculated by multiplying the annual total compensation calculated based on position and Role Grade by the ratio of bonus (25% to 30%) by position and Role Grade to derive the base bonus amount, and taking the base bonus amount and multiplying it by a coefficient (0% to 200%) corresponding to the achievement level against the company-wide ROE target and other performance indicators and a coefficient ( $\pm 40\%$ ) corresponding to the achievement level of personal goals.

[Results of performance indicators]

The company-wide ROE used as a performance indicator is 10.5%. Company-wide ROE is calculated excluding treasury shares acquired during the fiscal year under review.

- iv) Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee members

#### *Restricted stock compensation*

The restricted stock compensation is a stock compensation aimed at further promoting sharing of value with shareholders and providing officers with a greater incentive than before to increase the stock price, sustain growth, and increase medium- to long-term corporate value. It is paid to Directors with executive duties once a year.

Pursuant to the resolution of the Board of Directors of the Company, the Company will pay monetary compensation claims up to the aforesaid annual amount of 200 million yen as compensation, etc., for restricted stock. In turn, Eligible Directors will pay all monetary compensation claims provided by the Company as in-kind contributions and will receive an allotment of restricted stock.

The aforesaid monetary compensation claims will be paid on condition that Eligible Directors have agreed

to the aforesaid in-kind contributions and have concluded a restricted stock allotment agreement.

The total number of restricted stock shares to be allotted to Eligible Directors will not exceed 200,000 shares annually.

The restricted stock allotment agreement will include the following:

a) Nature of restrictions on transfer

Eligible Directors shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of restricted stock (hereafter “the Allotted Stock”) during the period from the date of allotment to the date on which they resign or retire from their position as either a director, executive officer, or employee of the Company.

b) Gratis acquisition of restricted stock

If an Eligible Director resigns or retires from his or her position as a director, executive officer, or employee of the Company during the Restricted Period, the Company will rightfully acquire the Allotted Stock without compensation, unless there are extenuating circumstances that the Company’s Board of Directors deem reasonable.

c) Lifting of the Transfer Restrictions

The Company will lift Transfer Restrictions for all the Allotted Stock upon the end of the final day of the Transfer Restriction Period, provided that the Eligible Director holds the position of director, executive officer or employee of the Company continuously from the date the Transfer Restriction Period starts to the date of the first General Meeting of Shareholders thereafter.

d) Malus and clawback provisions

The Company will establish provisions to acquire without contribution some or all of the Allotted Stock allotted to Eligible Directors or common shares of the Company for which Transfer Restrictions have been lifted, or to be paid an amount equivalent to the value of the Allotted Stock or common shares of the Company for which Transfer Restrictions have been lifted, in cases in which the Board of Directors recognizes that Eligible Directors have violated laws, regulations, or internal rules, etc. in any material respect during the Transfer Restriction Period or after the lifting of the Transfer Restrictions, and when certain circumstances determined by the Board of Directors have occurred, including serious accounting irregularities or large losses, etc.

e) Treatment in organizational restructuring, etc.

If, during the Transfer Restriction Period, matters concerning organizational restructuring, etc., are approved at a General Meeting of Shareholders, the Company will, by resolution of the Board of Directors, lift the Transfer Restrictions prior to the effective date of the organizational restructuring, etc., for the number of Allotted Stock that is reasonably determined based on the period from the date the Transfer Restriction Period starts to the date the organizational restructuring, etc., is approved.

In such cases, the Company will rightfully acquire the Allotted Stock to which Transfer Restrictions still apply immediately after the Transfer Restrictions are lifted pursuant to the aforesaid provisions.

\* The Company plans to also allocate restricted stock like the restricted stock described above to Executive Officers who are not Directors of the Company.

[Details of performance indicators and reasons for selection thereof]

To share the benefits and risks of changes in the stock price with general shareholders and to enhance the incentive to increase the stock price, sustain growth, and increase medium- to long-term corporate value, the achievement levels against the indicators including the company-wide ROIC and sustainability goals are set as indicators.

[Calculation method]

The number of shares to be allotted during the target period is calculated by multiplying the amount of annual total compensation calculated based on the position and Role Grade of each Director by the ratio of stock compensation (20% to 25%) commensurate with position and Role Grade by the coefficient (80% to 120% for each) corresponding to the achievement levels against the indicators including the company-wide ROIC and sustainability goals to derive the base compensation amount, and dividing the base compensation amount by the value of restricted stock per share determined by the Board of Directors.

The amount of monetary compensation claim paid to each Director as compensation, etc. concerning restricted stock is calculated by multiplying the number of shares to be allotted by the closing price of the

common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution regarding the issuance or disposal.

[Results of performance indicators]

The company-wide ROIC used as a performance indicator is 7.0%. Company-wide ROIC is calculated excluding treasury shares acquired during the fiscal year under review. In addition, the achievement rate for sustainability goals, etc. is 90%.

- v) 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 the Chairman and Directors without the right of representation and Outside Directors), the total annual compensation is used as the basis to calculate bonuses, which are calculated by multiplying the base bonus amount, which ranges between 25% and 30% of bonuses, by a coefficient corresponding to the achievement levels of performance indicators. In addition, stock compensation is calculated by multiplying the total annual compensation by the ratio of stock compensation ranging from 20% to 25% and subsequently multiplying the amount derived by a coefficient corresponding to the achievement level against the company-wide ROIC target, sustainability goals, etc. It is designed so that the ratio of "bonuses" and "stock compensation" increases, commensurate to the position and Role Grade. For FY2022, 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 43.0% as base compensation, approximately 42.7% as bonuses, and approximately 14.3% as stock compensation.

- vi) Matters regarding delegation of decisions on compensation for individual Directors who are not Audit & Supervisory Committee members

Decisions on the amounts of compensation for the fiscal year ended March 2023 are left to the discretion of the Director Compensation Committee. To ensure that the said authority is exercised appropriately, Outside Directors account for the majority of members of the Director Compensation Committee and the chairperson of the Committee is selected among the Outside Directors by the members.

- vii) Other important matters regarding decisions on the details of compensation for individual Directors who are not Audit & Supervisory Committee members

The Company establishes provisions (malus and clawback clauses) to acquire without contribution some or all of the allotted shares to eligible Directors or ordinary shares of the Company for which transfer restrictions have been lifted, or to be paid an amount equivalent to the value of the allotted shares or ordinary shares of the Company for which transfer restrictions have been lifted. This applies in cases where the Company's Board of Directors recognizes that eligible Directors have violated laws, regulations, or internal rules, etc. in any material aspect and when certain circumstances determined by the Board of Directors have occurred, including serious accounting irregularities or large losses.

<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, which is chaired by an Outside Director, and the majority of whose members are Outside Directors 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.

2) 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 non-executive officers," and it is determined by the Board of Directors upon deliberation of its contents at the Director Compensation Committee, which is chaired by an Outside Director, and the majority of whose members are Outside Directors.

3) 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.

*Restricted stock compensation*

Upon the resolution at the Ordinary General Meeting of Shareholders on June 28, 2022 with respect to restricted stock compensation for Directors who are not Audit & Supervisory Committee members (excluding persons in positions independent from business execution, such as Outside Directors, as well as those residing overseas), the total number of monetary compensation claims paid as compensation, etc. concerning restricted stock under a framework separate from the aforementioned amounts of compensation of Directors (base compensation) and performance-linked stock compensation (officer compensation BIP trust), is set to be no more than an annual amount of 200 million yen. At the conclusion of the said Ordinary General Meeting of Shareholders, the number of Directors who are not Audit & Supervisory Committee members was three.

**② Total amount of compensation, total compensation by type, and number of officers to be paid by each category**

Category	Total compensation (millions of yen)	Total compensation by type (millions of yen)			Number of individuals
		Base compensation	Performance-linked compensation	Restricted stock compensation (non-monetary)	
		Fixed (monetary)	Bonus (monetary)		
Directors who are not Audit & Supervisory Committee members (amount accounted for by Outside Directors)	352 (30)	205 (30)	110 (-)	36 (-)	6 (2)
Directors who are Audit & Supervisory Committee members (amount accounted for by Outside Directors)	81 (48)	81 (48)	- (-)	- (-)	4 (3)
Total	434	287	110	36	10

(Notes)

- The Company has introduced an officer stock ownership plan 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. Epson 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 business operations to all shareholders.
- The amount above includes bonuses to be paid to Directors in the amount of 110 million yen (amount to be paid to three Directors excluding Chairman and Director without the right of representation, Outside Directors, and Directors who are Audit & Supervisory Committee members), as resolved at the Ordinary General Meeting of Shareholders held on June 27, 2023.
- The above stock compensation with transfer restrictions represents the amount recorded as an expense in the fiscal year under review under Japanese Generally Accepted Accounting Principles (JGAAP).
- Stock options are not granted.

**③ Total compensation paid to persons whose total consolidated compensation is 100 million yen or more**

Name	Total consolidated compensation (millions of yen)	Category	Total consolidated compensation by type (millions of yen)		
			Base compensation	Performance-linked compensation	Restricted stock compensation (non-monetary)
			Fixed (monetary)	Bonus (monetary)	
Yasunori Ogawa	108	Director who is not an Audit & Supervisory Committee member	45	45	17

(Note) The above stock compensation with transfer restrictions represents the amount recorded as an expense in the fiscal year under review under Japanese Generally Accepted Accounting Principles (JGAAP).

(5) Securities held by the Company

① Criteria for and approach to classification of investment securities

The Company has classified its investment equity securities held only for earning capital or income gains into stocks held purely for investment purposes and those held for other purposes as stocks held for cross-shareholding purposes.

The Company currently holds no securities classified as stocks held purely for investment purposes.

② Stocks held for reasons other than pure investment

- a. Method of examining the rationale of shareholding policy and shareholding, and deliberations on whether or not the Company should hold specific shares at the Board of Directors' or other meetings

The Company may acquire and hold shares in companies, including the suppliers of key components and parts, major buyers of its products, major providers of funds and major providers of financial services, when it judges that such acquisition/holding of shares will help maintain and strengthen steady business relationships with these companies and ultimately enhance its corporate value over the medium- to long-term. Such acquisition/holding of shares, however, is preceded by a screening process to confirm the creditworthiness and safety of investing in these companies (equity securities held based on this policy is referred to as "stocks held for cross-shareholding purposes").

Every year, the Board of Directors evaluates on an individual basis, both quantitatively and comprehensively, the risks of the stocks it invests in for cross-shareholding purposes, as well as the profits obtainable by maintaining and strengthening trading relationships with the companies in comparison through comparing them against the internal hurdle rate specified based on the cost of capital, and it examines the rationality of holding such stocks for cross-shareholding purposes from a medium- to long-term perspective. When it deems that holding of the stocks for cross-shareholding purposes as unreasonable, the Company reduces the shareholding.

- b. Balance sheet total of stocks held for reasons other than pure investment

	Number of issues	Balance sheet total (millions of yen)
Unlisted stocks	6	1,050
Stocks other than unlisted stocks	11	8,583

Issues for which the number of shares held by Epson increased during the current fiscal year

	Number of issues	Total acquisition price to increase shares (millions of yen)
Unlisted stocks	—	—
Stocks other than unlisted stocks	—	—

Issues for which the number of shares held by Epson decreased during the current fiscal year

	Number of issues	Total sale proceeds from decreasing shares (millions of yen)
Unlisted stocks	2	150
Stocks other than unlisted stocks	—	—



# SEIKO EPSON CORPORATION

- c. Number of special investment securities / equity securities deemed to be held for each issue and information including amounts recorded on the balance sheet

Special investment securities

Company	FY2022	FY2021	Reasons for holding shares, outline of business tie-ups, quantitative effect of holding shares, and reasons for the increase of the number of shares	Shares held by the Company
	Stocks (shares)	Stocks (shares)		
	Balance sheet total (millions of yen)	Balance sheet total (millions of yen)		
Mizuho Financial Group, Inc.	1,500,888	1,500,888	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services. The effect of holding the shares was examined at the Board of Directors' meeting (held in April 2023) based on the method in (2) a. above but its quantitative results are not disclosed here as the results fall under insider information on business operation (the same applies hereunder).	Yes
	2,818	2,351		
NGK Insulators, Ltd.	1,257,000	1,257,000	To maintain and strengthen the business relationship with a supplier of key parts used in the Company's products. The Company has a transactional relationship primarily with the Manufacturing-related and wearables business segment.	Yes
	2,202	2,203		
Seiko Group Corporation	328,816	328,816	To maintain and strengthen the business relationship with a major buyer of the Company's products. The Company has a transactional relationship primarily with the Manufacturing-related and wearables business segment.	Yes
	951	754		
Hakuto Co., Ltd.	190,000	190,000	To maintain and strengthen the business relationship with a major buyer of the Company's products. The Company has a transactional relationship primarily with the Manufacturing-related and wearables business segment.	Yes
	933	465		
Otsuka Corporation	120,000	120,000	To maintain and strengthen the business relationship with a major buyer of the Company's products. The Company has a transactional relationship primarily with the Printing Solutions business segment.	None
	562	521		

# SEIKO EPSON CORPORATION

Company	FY2022	FY2021	Reasons for holding shares, outline of business tie-ups, quantitative effect of holding shares, and reasons for the increase of the number of shares	Shares held by the Company
	Stocks (shares)	Stocks (shares)		
	Balance sheet total (millions of yen)	Balance sheet total (millions of yen)		
Marubun Corporation	332,640	332,640	To maintain and strengthen the business relationship with a major buyer of the Company's products.	Yes
	454	237	The Company has a transactional relationship primarily with the Manufacturing-related and wearables business segment.	
The Hachijuni Bank, Ltd.	489,500	489,500	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services.	Yes
	281	199		
King Jim Co., Ltd.	221,980	221,980	To maintain and strengthen the business relationship with a major buyer of the Company's products.	None
	201	203	The Company has a transactional relationship primarily with the Printing Solutions business segment.	
Joshin Denki Co., Ltd.	65,000	65,000	To maintain and strengthen the business relationship with a major buyer of the Company's products.	None
	127	124	The Company has a transactional relationship primarily with the Printing Solutions business segment.	
Nippon BS Broadcasting Corporation	33,200	33,200	To maintain and strengthen the business relationship with a company whose parent company is a major buyer of the Company's products.	None
	30	34	The Company has a transactional relationship primarily with the Printing Solutions business segment.	
Pixelworks, Inc.	100,000	100,000	To maintain and strengthen the business relationship with a supplier of key parts used in the Company's products.	None
	19	36	The Company has a transactional relationship primarily with the Visual Communications business segment.	

### ③ Stocks held purely for investment purposes

None

## V. Financial Information

### 1. Methods for preparing consolidated financial statements

- (1) The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as issued by the International Accounting Standards Board which are applied based on the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).
- (2) Figures less than one million yen are rounded down in the Company's consolidated financial statements.

### 2. Note on independent audit

In accordance with the provision of Article 193-2 Paragraph 1 of the Financial Instruments and Exchange Law, the Company received audit of its consolidated financial statements of the consolidated fiscal year (from April 1, 2022 to March 31, 2023) from Ernst & Young ShinNihon LLC.

### 3. Remarkable efforts to ensure fair presentation of consolidated financial statements and arrangements of internal system to prepare consolidated financial statements fairly in accordance with IFRS

To ensure the appropriateness of its consolidated financial statements, the Company takes special measures and has arranged a structure that enables the appropriate preparation of consolidated financial statements based on IFRS. Details are as follows.

- (1) In order to arrange a structure that enables details regarding accounting standards, etc., to be properly understood and changes to accounting standards, etc., to be handled with accuracy, the Company has joined the Financial Accounting Standards Foundation and receives information regarding accounting standards. It also participates in seminars, etc. organized by the Financial Accounting Standards Foundation, audit corporation and others.
- (2) When applying IFRS, the Company obtains press releases and statements of standards issued by the International Accounting Standards Board as needed to properly understand the latest standards. Also, to ensure the appropriate preparation of consolidated financial statements based on IFRS, the Company has created Group standards in compliance with IFRS and applies consistent accounting treatments across the entire Group based on these.

Consolidated financial statements, etc.

(1) Consolidated financial statements

## **Consolidated Statement of Financial Position**

**Years ended March 31, 2022 and 2023:**

	Notes	Millions of yen		Thousands of U.S. dollars
		March 31, 2022	March 31, 2023	March 31, 2023
<b><u>Assets</u></b>				
Current assets				
Cash and cash equivalents	7, 34	335,239	267,380	2,006,378
Trade and other receivables	8, 34	168,221	201,801	1,514,283
Inventories	9	308,385	389,473	2,922,545
Income tax receivables		5,057	7,655	57,441
Other financial assets	10, 34	769	2,164	16,238
Other current assets	11	16,797	24,030	180,317
Total current assets		834,469	892,505	6,697,219
Non-current assets				
Property, plant and equipment	12, 15, 20	343,172	360,866	2,707,882
Intangible assets	13	24,218	25,425	190,785
Investment property	14	1,108	1,097	8,231
Investments accounted for using the equity method		2,040	2,102	15,773
Net defined benefit assets	22	2,278	1,447	10,858
Other financial assets	10, 34	20,192	23,976	179,912
Other non-current assets	11	4,181	2,220	16,658
Deferred tax assets	16	34,757	31,932	239,612
Total non-current assets		431,950	449,069	3,369,744
Total assets		1,266,420	1,341,575	10,066,971

# SEIKO EPSON CORPORATION

	Notes	Millions of yen		Thousands of
		March 31, 2022	March 31, 2023	U.S. dollars March 31, 2023
<u>Liabilities and equity</u>				
Liabilities				
Current liabilities				
Trade and other payables	17, 34	146,201	159,658	1,198,049
Income tax payables		12,233	5,798	43,507
Bonds issued, borrowings and lease liabilities	18, 34	26,297	38,613	289,745
Other financial liabilities	34	4,497	3,337	25,040
Provisions	19	10,993	11,327	84,996
Other current liabilities	21	131,817	152,900	1,147,338
<b>Total current liabilities</b>		<b>332,040</b>	<b>371,635</b>	<b>2,788,691</b>
Non-current liabilities				
Bonds issued, borrowings and lease liabilities	18, 34	216,853	194,668	1,460,758
Other financial liabilities	34	3,788	3,717	27,891
Net defined benefit liabilities	22	24,210	13,164	98,780
Provisions	19	8,042	8,252	61,921
Other non-current liabilities	21	13,680	15,615	117,172
Deferred tax liabilities	16	2,064	7,044	52,857
<b>Total non-current liabilities</b>		<b>268,640</b>	<b>242,461</b>	<b>1,819,389</b>
<b>Total liabilities</b>		<b>600,680</b>	<b>614,097</b>	<b>4,608,089</b>
Equity				
Share capital	23	53,204	53,204	399,234
Capital surplus	23	84,010	83,979	630,165
Treasury shares	23	(40,808)	(55,586)	(417,108)
Other components of equity	23	89,068	119,455	896,371
Retained earnings		480,154	526,299	3,949,266
Equity attributable to owners of the parent company		665,628	727,352	5,457,937
Non-controlling interests		112	125	937
<b>Total equity</b>		<b>665,740</b>	<b>727,477</b>	<b>5,458,875</b>
<b>Total liabilities and equity</b>		<b>1,266,420</b>	<b>1,341,575</b>	<b>10,066,971</b>

## Consolidated Statement of Comprehensive Income

### Years ended March 31, 2022 and 2023:

	Notes	Millions of yen		Thousands of U.S. dollars
		Year ended March 31,		Year ended March 31,
		2022	2023	2023
Revenue	6, 25	1,128,914	1,330,331	9,982,598
Cost of sales	9, 12, 13, 27	(710,462)	(863,680)	(6,480,921)
Gross profit		418,451	466,651	3,501,677
Selling, general and administrative expenses	12, 13, 26, 27	(328,814)	(371,544)	(2,788,008)
Other operating income	28	10,214	7,022	52,692
Other operating expense	12, 15, 29	(5,372)	(5,083)	(38,142)
Profit from operating activities		94,479	97,044	728,203
Finance income	30	4,698	8,639	64,825
Finance costs	30	(2,128)	(2,034)	(15,262)
Share of profit of investments accounted for using the equity method		113	105	787
Profit before tax		97,162	103,755	778,561
Income taxes	16	(4,859)	(28,703)	(215,382)
Profit for the period		92,302	75,051	563,171
Profit for the period attributable to:				
Owners of the parent company		92,288	75,043	563,111
Non-controlling interests		14	8	60
Profit for the period		92,302	75,051	563,171

# SEIKO EPSON CORPORATION

	Notes	Millions of yen		Thousands of
		Year ended		U.S. dollars
		2022	2023	Year ended March 31, 2023
<b>Other comprehensive income</b>				
Items that will not be reclassified subsequently to profit or loss, net of tax				
Remeasurement of net defined benefit liabilities (assets)	31	10,541	7,762	58,244
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	31	(199)	1,857	13,934
<b>Subtotal</b>		<b>10,341</b>	<b>9,619</b>	<b>72,179</b>
Items that may be reclassified subsequently to profit or loss, net of tax				
Exchange differences on translation of foreign operations	31	34,573	27,827	208,809
Net changes in fair value of cash flow hedges	31	(1,085)	410	3,076
Share of other comprehensive income of investments accounted for using the equity method	31	95	3	22
<b>Subtotal</b>		<b>33,582</b>	<b>28,241</b>	<b>211,916</b>
<b>Total other comprehensive income, net of tax</b>		<b>43,924</b>	<b>37,861</b>	<b>284,103</b>
<b>Total comprehensive income for the period</b>		<b>136,226</b>	<b>112,913</b>	<b>847,281</b>
Total comprehensive income for the period attributable to:				
Owners of the parent company		136,206	112,899	847,176
Non-controlling interests		20	13	97
<b>Total comprehensive income for the period</b>		<b>136,226</b>	<b>112,913</b>	<b>847,281</b>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

	Notes	Yen		U.S. dollars
		Year ended		Year ended
		2022	2023	March 31, 2023
<b>Earnings per share for the period:</b>				
Basic earnings per share for the period	32	266.73	220.75	1.66
Diluted earnings per share for the period	32	266.64	220.70	1.66

**Consolidated Statement of Changes in Equity****Years ended March 31, 2022 and 2023:**

		Millions of yen											
		Equity attributable to owners of the parent company											Total equity
		Other components of equity							Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests		
Notes	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity					
	As of April 1, 2021	53,204	84,418	(40,874)	-	3,229	52,192	(552)	54,869	399,306	550,924	2,025	552,949
	Profit for the period	-	-	-	-	-	-	-	-	92,288	92,288	14	92,302
	Other comprehensive income	-	-	-	10,541	(199)	34,662	(1,085)	43,918	-	43,918	6	43,924
	Total comprehensive income for the period	-	-	-	10,541	(199)	34,662	(1,085)	43,918	92,288	136,206	20	136,226
	Acquisition of treasury shares	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
	Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-
	Dividends	-	-	-	-	-	-	-	-	(21,451)	(21,451)	(394)	(21,846)
	Share-based payment transactions	-	(6)	66	-	-	-	-	-	-	59	-	59
	Changes in ownership interest in subsidiaries	-	(401)	-	-	-	291	-	291	-	(109)	(1,539)	(1,648)
	Transfer from other components of equity to retained earnings	-	-	-	(10,541)	530	-	-	(10,010)	10,010	-	-	-
	Total transactions with the owners	-	(408)	65	(10,541)	530	291	-	(9,719)	(11,440)	(21,502)	(1,933)	(23,436)
	As of March 31, 2022	53,204	84,010	(40,808)	-	3,560	87,146	(1,638)	89,068	480,154	665,628	112	665,740

(Note) FVTOCI: Fair Value Through Other Comprehensive Income



# SEIKO EPSON CORPORATION

Millions of yen												
Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2022	53,204	84,010	(40,808)	-	3,560	87,146	(1,638)	89,068	480,154	665,628	112	665,740
Profit for the period	-	-	-	-	-	-	-	-	75,043	75,043	8	75,051
Other comprehensive income	-	-	-	7,762	1,857	27,826	410	37,856	-	37,856	4	37,861
Total comprehensive income for the period	-	-	-	7,762	1,857	27,826	410	37,856	75,043	112,899	13	112,913
Acquisition of treasury shares	23	-	(30,042)	-	-	-	-	-	-	(30,042)	-	(30,042)
Cancellation of treasury shares	23	(102)	15,156	-	-	-	-	-	(15,054)	-	-	-
Dividends	24	-	-	-	-	-	-	-	(21,313)	(21,313)	(0)	(21,313)
Share-based payment transactions	33	71	108	-	-	-	-	-	-	180	-	180
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(7,762)	293	-	-	(7,468)	7,468	-	-	-
Total transactions with the owners	-	(30)	(14,777)	(7,762)	293	-	-	(7,468)	(28,898)	(51,175)	(0)	(51,175)
As of March 31, 2023	53,204	83,979	(55,586)	-	5,711	114,972	(1,227)	119,455	526,299	727,352	125	727,477

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

Thousands of U.S. dollars												
Equity attributable to owners of the parent company												
Notes	Share capital	Capital surplus	Treasury shares	Other components of equity					Retained earnings	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
				Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	Exchange differences on translation of foreign operations	Net changes in fair value of cash flow hedges	Total other components of equity				
As of April 1, 2022	399,234	630,398	(306,216)	-	26,713	653,930	(12,291)	668,352	3,603,001	4,994,769	840	4,995,610
Profit for the period	-	-	-	-	-	-	-	-	563,111	563,111	60	563,171
Other comprehensive income	-	-	-	58,244	13,934	208,802	3,076	284,065	-	284,065	30	284,103
Total comprehensive income for the period	-	-	-	58,244	13,934	208,802	3,076	284,065	563,111	847,176	97	847,281
Acquisition of treasury shares	23	-	(225,430)	-	-	-	-	-	-	(225,430)	-	(225,430)
Cancellation of treasury shares	23	(765)	113,728	-	-	-	-	-	(112,962)	-	-	-
Dividends	24	-	-	-	-	-	-	-	(159,929)	(159,929)	(0)	(159,929)
Share-based payment transactions	33	532	810	-	-	-	-	-	-	1,350	-	1,350
Changes in ownership interest in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from other components of equity to retained earnings	-	-	-	(58,244)	2,198	-	-	(56,038)	56,038	-	-	-
Total transactions with the owners	-	(225)	(110,884)	(58,244)	2,198	-	-	(56,038)	(216,846)	(384,009)	(0)	(384,009)
As of March 31, 2023	399,234	630,165	(417,108)	-	42,854	862,732	(9,207)	896,371	3,949,266	5,457,937	937	5,458,875

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

## Consolidated Statement of Cash Flows

### Years ended March 31, 2022 and 2023:

	Notes	Millions of yen		Thousands of
				U.S. dollars
		Year ended March 31,	Year ended March 31,	Year ended March 31,
		2022	2023	2023
<b>Cash flows from operating activities</b>				
Profit for the period		92,302	75,051	563,171
Depreciation and amortisation		64,595	68,696	515,484
Impairment loss (reversal of impairment loss)		1,460	1,966	14,752
Finance (income) costs		(2,569)	(6,604)	(49,555)
Share of (profit) loss of investments accounted for using the equity method		(113)	(105)	(787)
Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property		232	(716)	(5,372)
Income taxes		4,859	28,703	215,382
Decrease (increase) in trade receivables		3,006	(22,131)	(166,067)
Decrease (increase) in inventories		(28,230)	(60,253)	(452,129)
Increase (decrease) in trade payables		2,175	(1,645)	(12,343)
Increase (decrease) in net defined benefit liabilities		1,532	(799)	(5,995)
Other		(6,428)	11,100	83,292
Subtotal		132,823	93,260	699,808
Interest and dividends income received		1,470	3,339	25,055
Interest expenses paid		(1,071)	(1,208)	(9,064)
Income taxes paid		(22,420)	(34,080)	(255,731)
Net cash from (used in) operating activities		110,801	61,311	460,068
<b>Cash flows from investing activities</b>				
Purchase of investment securities		(747)	(827)	(6,205)
Proceeds from sales of investment securities		622	154	1,155
Purchase of property, plant and equipment		(38,602)	(50,551)	(379,326)
Proceeds from sale of property, plant and equipment		245	1,058	7,939
Purchase of intangible assets		(5,242)	(8,545)	(64,120)
Proceeds from sale of intangible assets		33	21	157
Proceeds from sale of investment property		352	1,985	14,895
Other		(746)	(4,897)	(36,746)
Net cash from (used in) investing activities		(44,083)	(61,602)	(462,251)
<b>Cash flows from financing activities</b>				
Net increase (decrease) in current borrowings	18	-	9	67
Proceeds from non-current borrowings	18	500	-	-
Repayment of non-current borrowings	18	(500)	(18,000)	(135,069)
Redemption of bonds issued	18	(20,000)	-	-
Payment of lease liabilities	18	(8,275)	(10,003)	(75,060)
Dividends paid	24	(21,451)	(21,313)	(159,929)
Dividends paid to non-controlling interests		(394)	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(1,648)	-	-
Purchase of treasury shares	23	(1)	(30,042)	(225,430)
Net cash from (used in) financing activities		(51,771)	(79,349)	(595,422)
Effect of exchange rate changes on cash and cash equivalents		16,285	11,781	88,402
Net increase (decrease) in cash and cash equivalents		31,232	(67,859)	(509,203)
Cash and cash equivalents at beginning of period	7	304,007	335,239	2,515,581
Cash and cash equivalents at end of period	7	335,239	267,380	2,006,378

## **Notes to Consolidated Financial Statements**

### *1. Reporting Entity*

Seiko Epson Corporation (the “Company”) is a stock corporation domiciled in Japan. The addresses of the Company’s registered head office and principal business offices are available on the Company’s website (<https://corporate.epson/en>). The details of businesses and principal business activities of the Company and its affiliates (“Epson”) are stated in “6. Segment Information.”

### *2. Basis of Preparation*

#### **(1) Compliance with IFRS**

Epson’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board which are applied based on the provision of Article 93 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, as Epson meets the criteria of a “Specified Companies applying Designated IFRS” defined under Article 1-2 of Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

#### **(2) Basis of Measurement**

Except for the financial instruments stated in “3. Significant Accounting Policies,” Epson’s consolidated financial statements are prepared on the cost basis.

#### **(3) Functional Currency and Presentation Currency**

Epson’s consolidated financial statements are presented in Japanese yen (“yen” or “¥”), which is the functional currency of the Company. The units are in millions of yen unless otherwise noted, and figures less than one million yen are rounded down.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥133.265 to U.S. \$1 at the end of the reporting period.

#### **(4) Reporting Period of Subsidiaries**

The fiscal year end 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.

### *3. Significant Accounting Policies*

#### **(1) Basis of Consolidation**

Consolidated financial statements of Epson include financial statements of the Company and subsidiaries, and interests in investments in associates and joint ventures.

##### **(A) Subsidiaries**

A subsidiary is an entity that is controlled by Epson. Epson controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date of a subsidiary is the date on which Epson obtains control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which Epson loses control. All intergroup balances, transactions, unrealised profit or loss arising from intergroup transaction are eliminated on consolidation. Comprehensive income for subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

##### **(B) Associates**

An associate is an entity over which Epson has significant influence that is the power to participate in the financial and operating policy decisions of the entity. Investments in associates are accounted for using the equity method from the date on which Epson has the significant influence until the date on which it ceases to have the significant influence.

##### **(C) Joint Ventures**

A joint venture is a joint arrangement whereby Epson and the other parties that have joint control of the arrangement

have rights to the net assets of the arrangement. The joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities, that significantly affect the returns of the arrangement, require the unanimous consent of the parties sharing control. Epson accounts for that investment using the equity method.

## **(2) Business Combinations**

Each business combination is accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Epson, the liabilities incurred by Epson to former owners of the acquiree and the equity interests issued by Epson. Goodwill is recognised in the consolidated statement of financial position, as the excess of the transferred consideration over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is a negative monetary value, the resulting gain is immediately recognised as profit. Acquisition-related costs incurred are recognised as expenses except for the costs to issue debt or equity securities.

## **(3) 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 date 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 date, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of the 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.

## **(4) Financial Instruments**

### **(A) Financial Assets**

#### **(i) Initial Recognition and Measurement**

Epson measures financial assets at their fair value 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 classified as subsequently 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 party to the contractual provisions of the financial instrument.

#### **(ii) Classification and Subsequent Measurement**

At initial recognition, Epson classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income, or 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 assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- 2) the contractual terms of the financial assets 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 assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

2) the contractual terms of the financial assets 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, Epson may designate financial assets as measured at fair value through other comprehensive income, for particular investments in equity instruments that are not held for trading and so forth, and recognises subsequent changes in fair value in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings when the financial assets are derecognised or the decline in their fair values is 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 of ownership of them are transferred.

### (iv) Impairment

For impairment of financial assets, loss allowance for expected credit losses are recognised.

At each reporting date, Epson assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month expected credit losses. Meanwhile, if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to the lifetime expected credit losses. However, the loss allowance for trade receivables, contract assets and lease receivables are measured at an amount equal to the lifetime expected credit losses.

Expected credit losses of a financial instrument are measured in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (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 through an allowance account for credit losses and the amount of expected credit losses is recognised as impairment loss in profit or loss. If the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss through an allowance account for credit losses.

## (B) Financial Liabilities

### (i) Initial Recognition and Measurement

Financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured subsequently at amortised cost are measured at their fair value less transaction costs that are directly attributable to the issuance of the financial liabilities.

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

### (ii) Classification and Subsequent Measurement

Financial liabilities are classified into financial liabilities measured subsequently at fair value through profit or loss and financial liabilities measured at amortised cost at initial recognition.

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

#### (a) Financial Liabilities Measured at Fair Value through Profit or Loss

The financial liabilities measured at fair value through profit or loss are measured at fair value and include financial liabilities designated as measured at fair value through profit or loss at initial recognition.

#### (b) Financial Liabilities Measured at Amortised Cost

The financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method.

## (iii) Derecognition

Financial liabilities are derecognised when the obligation is discharged, canceled or expired.

## (C) Offsetting a Financial Asset and a Financial Liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and Epson intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## (D) Derivatives Accounting

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

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.

## (E) 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.

### (i) 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.

### (ii) Cash Flow Hedge

The portion of the gain or loss on the hedging instrument 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.

### (iii) Hedges of a Net Investment in a Foreign Operation

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 instrument 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.

## (F) Fair Value of Financial Instruments

Fair value of financial instruments that are traded in an active market as of the end of the fiscal year refers to quoted market prices or dealer quotations.

If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

## **(5) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value

as such that has a short maturity of three months or less from the date of acquisition.

## **(6) 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.

## **(7) Property, Plant and Equipment**

The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalisation.

After recognition as an asset, property, plant and equipment is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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: 4 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.

## **(8) Intangible Assets**

### **(A) 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.

### **(B) Intangible Assets**

The cost of a separately acquired intangible asset is measured initially at cost, and the cost of intangible asset acquired in a business combination is its fair value at the acquisition date. The cost of internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria.

After initial recognition, an intangible asset is measured by using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses.

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 and tested for impairment annually and whenever there is an indication that the intangible asset may be impaired.

## **(9) Leases**

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

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

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

## **(10) Investment Property**

Investment property is property held to earn rentals or for capital appreciation or both.

After recognition as an asset, investment property is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

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 properties that is subject to depreciation is 35 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.

## **(11) Impairment of Non-financial Assets**

Epson assesses whether there is any indication that property, plant and equipment, goodwill, intangible assets, investment property and right-of-use assets (“asset”) may be impaired. If any such indication exists, or irrespective of whether there is any indication of impairment, where impairment testing is required, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount for each asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount is measured at the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. If carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss. In determining an asset’s value in use, an estimate of the future cash flows expected to derive from the asset are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for goodwill is recognised in profit or loss and not reversed in a subsequent period. Epson assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. If the recoverable amount exceeds the carrying amount of the asset, an impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset in prior years.

## **(12) Non-current Assets Held for Sale and Discontinued Operations**

Epson classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset or disposal group as held for sale is available for immediate sale in its present condition and its sale is highly probable when Epson management commits to a plan to sell the asset or disposal group.

Epson measures the non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The non-current asset is not depreciated or amortised while it is classified as held for sale or while it is part of a disposal group classified as held for sale.

A discontinued operation is a component of an entity, that is a cash-generating unit or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

## **(13) 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.

## **(14) Share-based Payment**

The Company has employed a framework referred to as a restricted stock compensation plan and BIP (Board Incentive Plan) trust as equity-settled share-based payment plan for the Company’s directors and executive officers who have been engaged by the Company (excluding outside directors and persons such as Audit and Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside



Japan).

The Company measures the service received at the fair value of its shares granted at the grant date and recognises the consideration as expenses over the vesting period while the corresponding amount is recognised as an increase in equity.

The shares of the Company held by BIP trust are accounted as treasury shares.

## **(15) Provisions**

Epson recognises a 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.

## **(16) Revenue**

Epson recognises revenue by applying the following five steps approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when Epson satisfies a performance obligation

Epson is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications, and Manufacturing-related & Wearables. Revenue is recognised when control of a promised good has been transferred to the customer and Epson satisfied its performance obligation. For sales of the products, this generally occurs when a good is physically delivered to a customer. Revenue is measured at the amount of consideration promised in a contract with a customer taking into consideration the effects of price discount, sales rebate, etc. When two or more performance obligations are included in a contract with a customer, Epson allocates the transaction price to each identified performance obligation based on the stand-alone selling price of each product. When the stand-alone selling prices are not directly observable, Epson estimates the selling price, assuming that the products are sold individually and allocates the transaction price based thereon.

## **(17) Government Grants**

A government grant is recognised at fair value when there is reasonable assurance that Epson will comply with the conditions attaching to it, and that the grant will be received.

Grants related to assets are deducted in calculating the carrying amount of the asset.

Grants related to income are recognised in profit or loss on a systematic basis over the periods in which Epson recognises as expenses the related costs for which the grants are intended to compensate.

## **(18) Borrowing Costs**

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period when they are incurred.

## **(19) Income Taxes**

Income taxes are presented as the total of current tax expense and deferred tax expense.

Current tax is the amount of income taxes payable or recoverable and is recognised as an expense or income and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity, or a business combination. For the calculation of the tax amount, Epson uses the tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.

Deferred tax expense is calculated based on a temporary difference that is the difference between the carrying amount of the assets or liabilities in the consolidated financial statements and their tax bases. A deferred tax asset is recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised. A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax liability is not recognised for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Also a deferred tax liability is not recognised for taxable temporary differences associated with investments in

subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is not recognised for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.

Assets and liabilities are recognised as estimated amounts if uncertain tax position of income taxes arising from interpretation of tax laws and regulations is probable.

Epson adopted the “International Tax Reform—Pillar Two Model Rules” (IAS 12 “Income Taxes,” revised May 2023).

This amendment clarifies that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules (“global minimum tax rules”) published by the OECD. It provides a temporary exception that requires an entity not to recognise and disclose deferred tax assets and liabilities for income taxes arising from global minimum tax rules.

Epson applies the exception provided by IAS 12 and does not recognise and disclose deferred tax assets and liabilities for income taxes arising from the global minimum tax rules.

## **(20) Treasury Shares**

Treasury shares are measured at their cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the treasury shares. Any difference between the carrying amount and the consideration paid is recognised in equity.

## **(21) Earnings per Share**

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusting by the number of treasury shares. For the purpose of the calculation, the shares of the Company held by BIP trust are excluded because the shares are accounted as treasury shares. For the purpose of calculating diluted earnings per share, the rights for the treasury shares held by the trust to be received by eligible officers are adjusted.

## **(22) Dividends**

Year-end dividend distributions to the shareholders of the Company are recognised as liabilities in the period in which the distribution is approved at the Annual Shareholders’ Meeting. Interim dividend distributions are recognised as liabilities in the period in which the distribution is approved by Epson’s Board of Directors.

## *4. Significant Accounting Estimates and Judgments*

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 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 content and amounts related to impairment of non-financial assets are stated in "12. Property, Plant and Equipment," "13. Intangible Assets," "14. Investment Property," "15. Impairment of Non-financial Assets" and "20. Lease."

## **(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.

These actuarial assumptions and related sensitivity analysis are stated in "22. Post-employment Benefits."

## **(3) Provisions**

Epson recognises various provisions, including provisions for product warranties and asset retirement obligations.

These provisions are recognised 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 end of the fiscal year.

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.

The nature and amount of recognised provisions are stated in "19. Provisions."

## **(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.

The content and amounts related to income taxes are stated in "16. Income Taxes."

## **(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 "38. Contingencies."

### 5. *New Standards and Interpretations Not Yet Applied*

The new standards, amended standards and new interpretations that were issued as of the date of approval of the consolidated financial statements but have not yet been applied by Epson are as follows. Epson considers that application of the standard below is expected to have no material effect on the consolidated financial statements.

IFRS		Date of mandatory application (from the fiscal year beginning on or after)	Reporting periods of application by Epson (The reporting period ending)	Description of new and revised standards
IAS 12	Income Taxes	January 1, 2023	March 31, 2024	Clarification of deferred tax accounting for leases and decommissioning obligations

### 6. *Segment Information*

#### (1) **Outline of Reportable Segments**

The reportable segments of Epson are determined based on the operating segments that are components of Epson for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance.

The reportable segments of Epson are composed of three segments: “Printing Solutions,” “Visual Communications” and “Manufacturing-related & Wearables.” They are determined by types of products, nature of products, and markets.

Epson conducts development, manufacturing and sales within its reportable segments as follows:

Reportable segments	Main products
Printing Solutions	Office/ Home inkjet printers, serial impact dot matrix printers, page printers, color image scanners, dry process office papermaking systems, commercial and industrial inkjet printers, inkjet printheads, printers for use in POS systems, label printers, printer consumables, and others
Visual Communications	3LCD projectors, smart glasses, and others
Manufacturing-related & Wearables	Industrial robots, compact injection molders, wristwatches, watch movements, quartz crystal devices, semiconductors, metal powders, surface finishing, PC, and others

## (2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments were as follows. Transfer prices between the segments were based on prevailing market prices.

FY2021: Year ended March 31, 2022

	Millions of yen				Adjustments (Note 2)	Consolidated
	Reportable segments					
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Revenue						
External revenues	779,920	159,034	182,586	1,121,540	7,373	1,128,914
Intersegment revenues	27	0	9,398	9,426	(9,426)	-
<b>Total revenue</b>	<b>779,947</b>	<b>159,034</b>	<b>191,984</b>	<b>1,130,966</b>	<b>(2,052)</b>	<b>1,128,914</b>
Segment profit (loss) (Business profit) (Note 1)	106,471	15,354	23,026	144,851	(55,214)	89,637
						4,842
						94,479
						2,569
						113
						97,162

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(37,732)	(10,321)	(8,717)	(56,771)	(7,696)	(64,468)
Impairment losses of assets other than financial assets	(137)	(1)	(26)	(165)	(1,295)	(1,460)
Segment assets	503,833	131,538	159,030	794,401	472,018	1,266,420
Capital expenditures	28,443	4,183	11,314	43,941	4,344	48,285

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) "Adjustments" of (¥55,214) million in Segment profit (loss) (Business profit) comprised ¥581 million in eliminated intersegment transactions and (¥55,796) million in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) "Adjustments" of ¥472,018 million in Segment assets included elimination of intersegment transactions of (¥6,815) million and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

# SEIKO EPSON CORPORATION

FY2022: Year ended March 31, 2023

	Millions of yen					
	Reportable segments				Adjustments (Note 2)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
<b>Revenue</b>						
External revenues	902,345	216,868	205,415	1,324,630	5,701	1,330,331
Intersegment revenues	22	0	10,075	10,098	(10,098)	-
<b>Total revenue</b>	<b>902,368</b>	<b>216,869</b>	<b>215,490</b>	<b>1,334,728</b>	<b>(4,396)</b>	<b>1,330,331</b>
<b>Segment profit (loss) (Business profit) (Note 1)</b>	<b>89,314</b>	<b>34,878</b>	<b>28,302</b>	<b>152,496</b>	<b>(57,389)</b>	<b>95,106</b>
						Other operating income (expense) 1,938
						Profit from operating activities 97,044
						Finance income (costs) 6,604
						Share of profit of investments accounted for using the equity method 105
						<b>Profit before tax 103,755</b>

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(41,398)	(10,211)	(9,919)	(61,528)	(7,087)	(68,616)
Impairment losses of assets other than financial assets	(47)	(25)	(Note 4) (1,853)	(1,926)	(39)	(1,966)
<b>Segment assets</b>	<b>606,278</b>	<b>155,772</b>	<b>173,475</b>	<b>935,525</b>	<b>406,049</b>	<b>1,341,575</b>
<b>Capital expenditures</b>	<b>47,440</b>	<b>7,319</b>	<b>14,901</b>	<b>69,661</b>	<b>8,708</b>	<b>78,370</b>

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) “Adjustments” of (¥57,389) million in Segment profit (loss) (Business profit) comprised ¥493 million in eliminated intersegment transactions and (¥57,883) million in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) “Adjustments” of ¥406,049 million in Segment assets included elimination of intersegment transactions of (¥6,849) million and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

(Note 4) Epson recognised an impairment loss of (¥1,850) million in the manufacturing solutions business because it no longer expects to recover some of the investments considering the changes in the market environment and other factors.

# SEIKO EPSON CORPORATION

FY2022: Year ended March 31, 2023

Thousands of U.S. dollars

	Reportable segments				Adjustments (Note 2)	Consolidated	
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal			
Revenue							
External revenues	6,771,057	1,627,344	1,541,402	9,939,819	42,779	9,982,598	
Intersegment revenues	165	0	75,601	75,773	(75,773)	-	
Total revenue	6,771,230	1,627,351	1,617,003	10,015,592	(32,986)	9,982,598	
Segment profit (loss) (Business profit) (Note 1)	670,198	261,719	212,373	1,144,306	(430,638)	713,660	
						Other operating income (expense)	14,542
						Profit from operating activities	728,203
						Finance income (costs)	49,555
						Share of profit of investments accounted for using the equity method	787
						Profit before tax	778,561

Other items

	Reportable segments				Adjustments (Note 3)	Consolidated
	Printing Solutions	Visual Communications	Manufacturing- related & Wearables	Subtotal		
Depreciation and amortisation	(310,644)	(76,621)	(74,430)	(461,696)	(53,179)	(514,883)
Impairment losses of assets other than financial assets	(352)	(187)	(Note 4) (13,904)	(14,452)	(292)	(14,752)
Segment assets	4,549,416	1,168,889	1,301,729	7,020,035	3,046,929	10,066,971
Capital expenditures	355,982	54,920	111,814	522,725	65,343	588,076

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) "Adjustments" of (\$430,638) thousand in Segment profit (loss) (Business profit) comprised \$3,699 thousand in eliminated intersegment transactions and of (\$434,345) thousand in Corporate and Other. Corporate and Other mainly included expenses relating to research and development for basic technology, as well as revenues and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 3) "Adjustments" of \$3,046,929 thousand in Segment assets included elimination of intersegment transactions of (\$51,393) thousand and other amounts mainly consisted of corporate assets which are not attributed to reportable segments.

(Note 4) Epson recognised an impairment loss of (\$13,882) thousand in the manufacturing solutions business because it no longer expects to recover some of the investments considering the changes in the market environment and other factors.

**(3) Geographic Information**

The regional breakdowns of non-current assets and external revenues as of each fiscal year end were as follows:

Non-current Assets

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Japan	207,846	210,741	1,581,367
The Philippines	43,289	44,528	334,131
Indonesia	31,894	33,737	253,157
China	27,244	26,261	197,058
Other	62,407	74,339	557,828
Total	372,681	389,609	2,923,565

(Note) Non-current assets, excluding Investments accounted for using the equity method, Other financial assets, Deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Japan	229,100	232,005	1,740,929
The United States	238,361	309,741	2,324,248
China	171,437	186,314	1,398,071
Other	490,015	602,269	4,519,333
Total	1,128,914	1,330,331	9,982,598

(Note) Revenues are segmented by country based on the location of the customers.

**(4) Information about Major Customers**

Epson had no transactions with a single external customer amounting to 10% or more of total external revenues.



## 7. Cash and Cash Equivalents

The breakdown of “Cash and cash equivalents” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31, 2023
	2022	2023	
Cash and deposits	241,137	226,879	1,702,465
Short-term investments	94,101	40,500	303,905
Total	335,239	267,380	2,006,378

## 8. Trade and Other Receivables

The breakdown of “Trade and other receivables” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31, 2023
	2022	2023	
Notes and trade receivables	152,295	181,624	1,362,878
Other receivables	17,086	21,237	159,359
Allowance account for credit losses	(1,161)	(1,061)	(7,961)
Total	168,221	201,801	1,514,283

Trade and other receivables are presented net of the allowance account for credit losses in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortised cost.

## 9. Inventories

The breakdown of “Inventories” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31, 2023
	2022	2023	
Merchandise and finished goods	166,036	232,355	1,743,556
Work in process	76,157	81,944	614,895
Raw materials	52,376	58,958	442,411
Supplies	13,814	16,213	121,659
Total	308,385	389,473	2,922,545

The amount of inventories included in cost of sales recognised as an expense totaled (¥684,536) million and (¥830,772) million ((\$6,233,984) thousand) for the years ended March 31, 2022 and 2023, respectively.

Losses recognised as cost of sales as a result of valuations for the years ended March 31, 2022 and 2023 were (¥32,760) million and (¥38,998) million ((\$292,634) thousand), respectively. In addition, Epson has no inventories pledged as collateral.

## 10. Other Financial Assets

### (1) The Breakdown of “Other financial assets”

The breakdown of “Other financial assets” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Derivative assets	212	475	3,564
Equity securities	13,051	16,180	121,412
Time deposits	0	879	6,595
Other	7,744	8,648	64,893
Allowance account for credit losses	(48)	(43)	(322)
<b>Total</b>	<b>20,961</b>	<b>26,141</b>	<b>196,158</b>
Current assets	769	2,164	16,238
Non-current assets	20,192	23,976	179,912
<b>Total</b>	<b>20,961</b>	<b>26,141</b>	<b>196,158</b>

Derivative assets are classified as financial assets measured at fair value through profit or loss, excluding a case where hedge accounting is applied. Equity securities are classified as financial assets measured at fair value through other comprehensive income and time deposits are classified as financial assets measured at amortised cost.

### (2) Equity Instruments Measured at Fair Value Through Other Comprehensive Income

The names of major equity instruments measured at fair value through other comprehensive income, their fair values and dividends received were as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2022		March 31, 2023		March 31, 2023	
	Fair value	Dividends received	Fair value	Dividends received	Fair value	Dividends received
Mizuho Financial Group, Inc.	2,351	116	2,818	123	21,145	922
NGK Insulators, Ltd.	2,203	62	2,202	82	16,523	615

Equity securities are held mainly for strengthening relationships with investees. Therefore, they are designated as financial assets measured at fair value through other comprehensive income.

When the decline in the fair value of equity instruments measured at fair value through other comprehensive income is significant, accumulated loss recognised as other comprehensive income is transferred to retained earnings. The amount of accumulated loss transferred to retained earnings (net of tax) was ¥363 million for the year ended March 31, 2022. No amount of accumulated loss was transferred to retained earnings for the year ended March 31, 2023.

*II. Other Assets*

The breakdown of “Other assets” was as follows:

	Millions of yen		Thousands of
	March 31,		U.S. dollars
	2022	2023	March 31, 2023
Prepaid expense	12,650	18,256	136,990
Advances to suppliers	1,390	1,622	12,171
Other	6,938	6,371	47,807
<b>Total</b>	<b>20,979</b>	<b>26,250</b>	<b>196,975</b>
Current assets	16,797	24,030	180,317
Non-current assets	4,181	2,220	16,658
<b>Total</b>	<b>20,979</b>	<b>26,250</b>	<b>196,975</b>

# SEIKO EPSON CORPORATION

## 12. Property, Plant and Equipment

The schedules of the cost, accumulated depreciation and accumulated impairment losses, and carrying amount of “Property, plant and equipment” were as follows:

Millions of yen						
Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2021	589,853	521,308	212,378	8,269	81	1,331,890
Individual acquisition	4,957	3,162	3,781	31,960	1	43,862
Transfer from (to) investment property	-	-	-	-	-	-
Sale or disposal	(4,324)	(12,904)	(11,684)	(18)	(17)	(28,949)
Exchange differences on translation of foreign operations	13,357	13,836	14,779	975	3	42,953
Transfer from construction in progress	6,603	12,056	8,764	(27,424)	-	-
Other	(58)	(519)	(247)	(114)	(0)	(940)
As of March 31, 2022	610,389	536,940	227,770	13,647	68	1,388,816
Individual acquisition	16,853	9,802	5,320	39,117	1	71,095
Transfer from (to) investment property	(5,425)	-	-	-	-	(5,425)
Sale or disposal	(9,372)	(10,649)	(11,459)	(39)	(32)	(31,553)
Exchange differences on translation of foreign operations	11,277	10,475	13,206	988	2	35,951
Transfer from construction in progress	8,571	19,192	13,631	(41,396)	-	-
Other	(35)	(70)	64	(138)	-	(179)
As of March 31, 2023	632,258	565,691	248,535	12,179	39	1,458,704

Thousands of U.S. dollars						
Cost	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2022	4,580,264	4,029,114	1,709,150	102,404	510	10,421,460
Individual acquisition	126,462	73,552	39,920	293,527	7	533,485
Transfer from (to) investment property	(40,708)	-	-	-	-	(40,708)
Sale or disposal	(70,326)	(79,908)	(85,986)	(292)	(240)	(236,768)
Exchange differences on translation of foreign operations	84,620	78,602	99,095	7,413	15	269,770
Transfer from construction in progress	64,315	144,013	102,284	(310,629)	-	-
Other	(262)	(525)	480	(1,035)	-	(1,343)
As of March 31, 2023	4,744,366	4,244,857	1,864,968	91,389	292	10,945,889

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Millions of yen

Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2021	(369,529)	(435,286)	(181,644)	(712)	(80)	(987,253)
Depreciation expense (Note)	(19,115)	(20,030)	(16,879)	-	(1)	(56,027)
Impairment losses	(1,316)	(79)	(54)	(9)	-	(1,459)
Transfer to (from) investment property	-	-	-	-	-	-
Sale or disposal	3,469	12,501	11,571	5	17	27,563
Exchange differences on translation of foreign operations	(5,990)	(10,312)	(12,952)	5	(3)	(29,252)
Transfer from construction in progress	-	(392)	(55)	447	-	-
Other	21	469	260	33	0	785
As of March 31, 2022	(392,460)	(453,131)	(199,754)	(229)	(68)	(1,045,643)
Depreciation expense (Note)	(20,767)	(22,350)	(17,884)	-	(1)	(61,003)
Impairment losses	(244)	(813)	(594)	(143)	-	(1,795)
Transfer to (from) investment property	4,456	-	-	-	-	4,456
Sale or disposal	8,330	10,427	11,258	-	32	30,048
Exchange differences on translation of foreign operations	(4,654)	(7,671)	(11,770)	(10)	(2)	(24,109)
Transfer from construction in progress	-	(69)	(27)	96	-	-
Other	(61)	217	41	10	-	208
As of March 31, 2023	(405,400)	(473,390)	(218,731)	(275)	(39)	(1,097,838)

Thousands of U.S. dollars

Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2022	(2,944,959)	(3,400,225)	(1,498,923)	(1,718)	(510)	(7,846,343)
Depreciation expense (Note)	(155,832)	(167,710)	(134,198)	-	(7)	(457,757)
Impairment losses	(1,830)	(6,100)	(4,457)	(1,073)	-	(13,469)
Transfer to (from) investment property	33,437	-	-	-	-	33,437
Sale or disposal	62,507	78,242	84,478	-	240	225,475
Exchange differences on translation of foreign operations	(34,922)	(57,562)	(88,320)	(75)	(15)	(180,910)
Transfer from construction in progress	-	(517)	(202)	720	-	-
Other	(457)	1,628	307	75	-	1,560
As of March 31, 2023	(3,042,059)	(3,552,245)	(1,641,323)	(2,063)	(292)	(8,238,006)

(Note) Depreciation expense for Property, plant and equipment was included in Cost of sales, Selling, general and administrative expenses and Other operating expense in the consolidated statement of comprehensive income.

# SEIKO EPSON CORPORATION

Millions of yen

Carrying Amount	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of April 1, 2021	220,323	86,022	30,734	7,557	0	344,637
As of March 31, 2022	217,929	83,809	28,016	13,417	0	343,172
As of March 31, 2023	226,857	92,301	29,803	11,903	0	360,866

Thousands of U.S. dollars

Carrying Amount	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Construction in progress	Other	Total
As of March 31, 2022	1,635,305	628,889	210,227	100,679	0	2,575,109
As of March 31, 2023	1,702,299	692,612	223,637	89,318	0	2,707,882

# SEIKO EPSON CORPORATION

## 13. Intangible Assets

The schedules of the cost, accumulated amortisation and accumulated impairment losses, and carrying amount of “Intangible assets” were as follows:

Millions of yen						
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of April 1, 2021	51,832	9,692	17,850	4,963	5,802	90,140
Individual acquisition	4,532	40	525	-	61	5,160
Sale or disposal	(1,738)	(251)	(955)	-	(149)	(3,094)
Exchange differences on translation of foreign operations	1,649	-	18	200	183	2,051
Other	(1,130)	8	-	-	(1)	(1,123)
As of March 31, 2022	55,145	9,490	17,439	5,163	5,896	93,135
Individual acquisition	7,350	336	770	-	145	8,602
Sale or disposal	(2,627)	(65)	(912)	-	(127)	(3,732)
Exchange differences on translation of foreign operations	1,240	-	17	224	179	1,660
Other	(18)	8	-	-	(741)	(750)
As of March 31, 2023	61,091	9,770	17,314	5,387	5,352	98,916

Thousands of U.S. dollars						
Cost	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of March 31, 2022	413,799	71,211	130,859	38,742	44,242	698,870
Individual acquisition	55,153	2,521	5,777	-	1,088	64,548
Sale or disposal	(19,712)	(487)	(6,843)	-	(952)	(28,004)
Exchange differences on translation of foreign operations	9,304	-	127	1,680	1,343	12,456
Other	(135)	60	-	-	(5,560)	(5,627)
As of March 31, 2023	458,417	73,312	129,921	40,423	40,160	742,250

# SEIKO EPSON CORPORATION

Millions of yen

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of April 1, 2021	(38,814)	(7,652)	(12,000)	-	(3,698)	(62,164)
Amortisation expense (Note)	(4,357)	(471)	(3,203)	-	(535)	(8,567)
Impairment losses	(1)	-	-	-	-	(1)
Sale or disposal	1,726	251	955	-	119	3,053
Exchange differences on translation of foreign operations	(1,257)	-	(18)	-	(158)	(1,434)
Other	206	(8)	-	-	1	198
As of March 31, 2022	(42,497)	(7,881)	(14,266)	-	(4,270)	(68,916)
Amortisation expense (Note)	(4,534)	(485)	(2,314)	-	(357)	(7,692)
Impairment losses	(167)	-	-	-	(2)	(170)
Sale or disposal	2,611	65	889	-	126	3,693
Exchange differences on translation of foreign operations	(947)	-	(17)	-	(158)	(1,123)
Other	(14)	(8)	-	-	741	717
As of March 31, 2023	(45,549)	(8,310)	(15,708)	-	(3,922)	(73,491)

Thousands of U.S. dollars

Accumulated Amortisation and Accumulated Impairment Losses	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of March 31, 2022	(318,890)	(59,137)	(107,049)	-	(32,041)	(517,135)
Amortisation expense (Note)	(34,022)	(3,639)	(17,363)	-	(2,678)	(57,719)
Impairment losses	(1,253)	-	-	-	(15)	(1,275)
Sale or disposal	19,592	487	6,670	-	945	27,711
Exchange differences on translation of foreign operations	(7,106)	-	(127)	-	(1,185)	(8,426)
Other	(105)	(60)	-	-	5,560	5,380
As of March 31, 2023	(341,792)	(62,356)	(117,870)	-	(29,430)	(551,465)

(Note) Amortisation expense for Intangible assets was included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of comprehensive income.



# SEIKO EPSON CORPORATION

Millions of yen

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of April 1, 2021	13,017	2,040	5,850	4,963	2,104	27,976
As of March 31, 2022	12,648	1,608	3,172	5,163	1,625	24,218
As of March 31, 2023	15,541	1,459	1,606	5,387	1,430	25,425

Thousands of U.S. dollars

Carrying Amount	Software	Patent rights	Product development assets	Goodwill	Other	Total
As of March 31, 2022	94,908	12,066	23,802	38,742	12,193	181,728
As of March 31, 2023	116,617	10,948	12,051	40,423	10,730	190,785

## 14. Investment Property

### (1) Schedule of Investment Property

The schedule of the carrying amount of “Investment property” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Balance at the beginning of the year	1,246	1,108	8,314
Transfer from (to) property, plant and equipment	-	969	7,271
Depreciation expense	(0)	(0)	(0)
Sale or disposal	(138)	(979)	(7,346)
Exchange differences on translation of foreign operations	0	0	0
Balance at the end of the year	1,108	1,097	8,231
Breakdown of “Balance at the beginning of the year”			
Cost	4,192	3,148	23,622
Accumulated depreciation and accumulated impairment losses	(2,945)	(2,040)	(15,307)
Total	1,246	1,108	8,314
Breakdown of “Balance at the end of the year”			
Cost	3,148	3,096	23,231
Accumulated depreciation and accumulated impairment losses	(2,040)	(1,999)	(15,000)
Total	1,108	1,097	8,231

**(2) Fair Value**

The carrying amount and the fair value of “Investment property” were as follows:

	Millions of yen				Thousands of U.S. dollars	
	March 31, 2022		March 31, 2023		March 31, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investment property	1,108	2,507	1,097	2,482	8,231	18,624

The fair value of investment property is determined on the basis of a valuation conducted by an external real estate appraiser. The valuation is made in accordance with the income approach using Level 3 inputs which include the future cash flow.

*15. Impairment of Non-financial Assets*

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 to be disposed of (i.e., assets planned to be disposed or sold etc.) and idle assets are separately assessed for impairment on the individual asset level.

Total amount of impairment losses recognised for the year ended March 31, 2022 was ¥1,460 million, mainly comprised “Land, buildings and structures” of ¥1,316 million and “Machinery and equipment” of ¥79 million. Impairment losses recognised in the year ended March 31, 2022, represent the losses related to assets to be disposed of and idle assets that Epson has no plan to use in the future, and the carrying amounts were reduced to the recoverable amounts. The recoverable amounts of these assets were measured at value in use or fair value less costs of disposal. The fair value less costs of disposal was based on the estimated selling price, etc. and was classified as Level 3 in the fair value hierarchy.

Total amount of impairment losses recognised for the year ended March 31, 2023 was ¥1,966 million (\$14,752 thousand), mainly comprised “Machinery and equipment” of ¥813 million (\$6,100 thousand), “Tools, furniture and fixtures” of ¥594 million (\$4,457 thousand) and “Land, buildings and structures” of ¥244 million (\$1,830 thousand). Impairment loss recognised in the year ended March 31, 2023, was mainly for business assets that belong to the manufacturing solutions business which is a part of the Manufacturing-related & Wearables Segment. The carrying amount was reduced to its recoverable amount because Epson no longer expects to recover some of the investments considering the changes in the market environment and other factors. An impairment loss of ¥1,850 million (\$13,882 thousand) was recognised. The recoverable amount of ¥4,838 million (\$36,303 thousand) was measured at fair value less costs of disposal. The fair value less costs of disposal was based on the real estate appraisal, etc. and was classified as Level 3 in the fair value hierarchy.

Impairment losses were recognised as “Other operating expense” in the consolidated statement of comprehensive income.

**16. Income Taxes**
**(1) Deferred Tax Assets and Deferred Tax Liabilities**

The breakdown of “Deferred tax assets” and “Deferred tax liabilities” by major causes of their occurrence were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Inter-company profits and write downs on inventories	20,911	20,666	155,074
Fixed assets (Impairment losses and excess of depreciation)	6,678	8,269	62,049
Accrued bonus	7,969	7,859	58,972
Post-employment benefits	6,155	6,493	48,722
Carryforward of unused tax losses	3,294	2,097	15,735
Other	21,792	23,548	176,700
Total deferred tax assets	66,802	68,935	517,277
Undistributed profit	(18,631)	(22,789)	(171,005)
Post-employment benefits	(7,539)	(11,122)	(83,457)
Fixed assets (Short-fall of depreciation)	(4,981)	(6,207)	(46,576)
Other	(2,957)	(3,927)	(29,467)
Total deferred tax liabilities	(34,109)	(44,046)	(330,514)
Net deferred tax assets (Note)	32,692	24,888	186,755

(Note) The difference between the net amount of deferred tax assets recognised in the years ended March 31, 2022 and 2023, less the respective net amounts of deferred tax assets recognised directly in equity and in other comprehensive income, is mainly attributable to the impact of foreign exchange movements.

Epson assesses its ability to utilise carryforward of unused tax losses in future periods based on the Mid-Range Business Plan and financial forecasts approved by the Board of Directors annually. This takes account of Epson’s medium and long-term strategy and financial plans and the expected future economic outlook. The ability to utilise deductible temporary differences and carryforward of unused tax losses in future periods for recognising deferred tax assets also takes account of material tax adjusting items, the expected future taxable income and the period (if any) in which carryforward of unused tax losses might expire. Epson believes that the recognised deferred tax assets are probable and the tax benefits can be realised based on the prior taxable income and the expected future taxable income when the deferred tax assets can be recognised.

Epson does not recognise deferred tax assets for some carryforward of unused tax losses and some deductible temporary differences. Epson reduces the amount of the deferred tax assets to the extent that it is no longer probable that the tax benefits can be realised based on an individual analysis of each company’s condition as a result of assessing the recoverability of the deferred tax assets.

The amounts of carryforward of unused tax losses, for which deferred tax assets have not been recognised, as of March 31, 2022 and 2023, were ¥9,419 million and ¥13,531 million (\$101,534 thousand), respectively. The amounts of deductible temporary differences, for which deferred tax assets have not been recognised, as of March 31, 2022 and 2023, were ¥82,847 million and ¥81,795 million (\$613,777 thousand), respectively. The deductible temporary differences are not expired under present tax laws. The expiration schedule of carryforward of unused tax losses was as follows:

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	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
1st year	-	-	-
2nd year	-	-	-
3rd year	-	-	-
4th year	-	-	-
5th year and thereafter or indefinite periods	9,419	13,531	101,534
Total	9,419	13,531	101,534

Epson has no taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised as of March 31, 2022 and 2023.

## (2) Tax Expense

“Tax expense” recognised as an expense was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Current tax expense	(25,101)	(25,834)	(193,854)
Deferred tax expense	20,241	(2,869)	(21,528)
Total	(4,859)	(28,703)	(215,382)

Deferred tax expense decreased by ¥44 million and increased by ¥261 million (\$1,958 thousand) due to the effect of changes in applicable tax rates for the year ended March 31, 2022 and 2023, respectively.

Current tax expense and deferred tax expense include the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. Due to these effects, the current tax expense and the deferred tax expense decreased by ¥19,748 million and increased by ¥1,032 million (\$7,743 thousand) for the years ended March 31, 2022 and 2023, respectively.

**(3) Reconciliation of the Effective Tax Rate**

The breakdown of major items that caused differences between the effective statutory tax rate and the actual tax rate was as follows.

Epson is subject mainly to corporate tax, inhabitant tax, and enterprise tax, and the effective statutory tax rates calculated based on these taxes were 30.5% for the years ended March 31, 2022 and 2023 respectively. Foreign subsidiaries are subject to income tax at their locations.

	%	
	Year ended March 31, 2022	Year ended March 31, 2023
Effective statutory tax rate	30.5	30.5
Different tax rates applied to foreign subsidiaries	(2.4)	(2.9)
Expenses not deductible for tax purposes	1.3	0.6
Reassessment of recoverability of deferred tax assets	(20.3)	1.0
Changes in applicable tax rates	(0.1)	0.3
Other	(3.9)	(1.8)
Actual tax rate	5.0	27.7

*17. Trade and Other Payables*

The breakdown of “Trade and other payables” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Notes and trade payables	85,864	88,636	665,110
Other payables	60,336	71,022	532,938
Total	146,201	159,658	1,198,049

Trade and other payables are classified as financial liabilities measured at amortised cost.

*18. Bonds issued, Borrowings and Lease liabilities*

**(1) Breakdown of Bonds issued, Borrowings and Lease liabilities**

The breakdown of “Bonds issued, borrowings and lease liabilities” was as follows:

	Millions of yen		Thousands of	%	Due
	March 31,		U.S. dollars	Average interest	
	2022	2023	March 31, 2023		
Current portion of non-current borrowings	17,997	-	-	-	-
Current portion of bonds issued (Note 2)	-	29,989	225,032	(Note 2)	(Note 2)
Non-current borrowings	48,455	48,467	363,688	0.38	2027
Bonds issued (Note 2)	149,580	119,699	898,202	(Note 2)	(Note 2)
Lease liabilities	27,117	35,124	263,565	1.12	2023 to 2068
<b>Total</b>	<b>243,151</b>	<b>233,281</b>	<b>1,750,504</b>		
Current liabilities	26,297	38,613	289,745		
Non-current liabilities	216,853	194,668	1,460,758		
<b>Total</b>	<b>243,151</b>	<b>233,281</b>	<b>1,750,504</b>		

(Note 1) Average interest rates are the weighted average interest rates for the balances at the end of the reporting period.

(Note 2) The summary of issuing conditions of the bonds issued was as follows:

Company	Name of bonds issued	Issue date	%	Collateral	Maturity date	Millions of yen		Thousands of
			interest rate			March 31,		U.S. dollars
						2022	2023	March 31, 2023
The Company	The 14th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.27	Non	Sep 21, 2023	20,000	20,000 (20,000)	150,076 (150,076)
The Company	The 15th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 21, 2016	0.34	Non	Sep 18, 2026	10,000	10,000	75,038
The Company	The 16th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 6, 2017	0.26	Non	Sep 6, 2024	10,000	10,000	75,038
The Company	The 17th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Sep 6, 2017	0.36	Non	Sep 6, 2027	10,000	10,000	75,038
The Company	The 18th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jul 19, 2019	0.20	Non	Jul 17, 2026	10,000	10,000	75,038
The Company	The 19th Series unsecured straight bonds issued (with inter-bond pari passu clause)	Jul 19, 2019	0.30	Non	Jul 19, 2029	20,000	20,000	150,076
The Company	The 20th Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bonds)	Jul 16, 2020	0.02	Non	Jul 14, 2023	10,000	10,000 (10,000)	75,038 (75,038)
The Company	The 21st Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bonds)	Jul 16, 2020	0.23	Non	Jul 16, 2025	40,000	40,000	300,153
The Company	The 22nd Series unsecured straight bonds issued (with inter-bond pari passu clause) (Green bonds)	Jul 16, 2020	0.45	Non	Jul 16, 2030	20,000	20,000	150,076
						150,000	150,000	1,125,576
						(-)	(30,000)	(225,115)

\*The figures in parentheses represent the current portion of bonds issued.

Bonds issued, borrowings and lease liabilities are classified as financial liabilities measured at amortised cost. There are no financial covenants on bonds issued and borrowings that have a significant impact on Epson’s financing activities.

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## (2) Reconciliation of Liabilities arising from Financing Activities

The schedule of “Liabilities arising from Financing Activities” was as follows:

Millions of yen					
	Current borrowings	Non-current borrowings	Bonds issued	Lease liabilities	Total
As of April 1, 2021	-	66,436	169,463	30,007	265,907
Changes from cash flows		-	(20,000)	(8,275)	(28,275)
Non-cash changes					
New leases	-	-	-	4,383	4,383
Foreign exchange movement	-	-	-	1,688	1,688
Other	-	16	116	(687)	(553)
As of March 31, 2022	-	66,452	149,580	27,117	243,151
Changes from cash flows	9	(18,000)	-	(10,003)	(27,993)
Non-cash changes					
New leases	-	-	-	17,050	17,050
Foreign exchange movement	(9)	-	-	1,280	1,270
Other	(0)	15	108	(320)	(196)
As of March 31, 2023	-	48,467	149,689	35,124	233,281

Thousands of U.S. dollars					
	Current borrowings	Non-current borrowings	Bonds issued	Lease liabilities	Total
As of March 31, 2022	-	498,645	1,122,425	203,481	1,824,567
Changes from cash flows	67	(135,069)	-	(75,060)	(210,055)
Non-cash changes					
New leases	-	-	-	127,940	127,940
Foreign exchange movement	(67)	-	-	9,604	9,529
Other	(0)	112	810	(2,401)	(1,470)
As of March 31, 2023	-	363,688	1,123,243	263,565	1,750,504

“Non-current borrowings” and “Bonds issued” in the tables above include their current portion.

**19. Provisions**

The breakdown and the schedule of “Provisions” were as follows:

FY2021: Year ended March 31, 2022

	Millions of yen				
	Provision for product warranties	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2021	11,865	3,947	614	2,345	18,772
Arising during the year	2,401	119	92	942	3,554
Utilised	(2,196)	(52)	(171)	(1,365)	(3,786)
Unused amounts reversed	(400)	-	-	(117)	(517)
Exchange differences on translation of foreign operations	819	59	29	104	1,013
As of March 31, 2022	12,489	4,073	564	1,908	19,035
Current liabilities	9,762	239	417	574	10,993
Non-current liabilities	2,726	3,833	146	1,334	8,042
Total	12,489	4,073	564	1,908	19,035

FY2022: Year ended March 31, 2023

	Millions of yen				
	Provision for product warranties	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2022	12,489	4,073	564	1,908	19,035
Arising during the year	3,811	50	207	419	4,488
Utilised	(1,932)	(377)	(116)	(468)	(2,895)
Unused amounts reversed	(1,304)	-	(120)	(304)	(1,729)
Exchange differences on translation of foreign operations	573	44	30	31	680
As of March 31, 2023	13,636	3,790	565	1,586	19,579
Current liabilities	10,452	34	462	378	11,327
Non-current liabilities	3,183	3,755	103	1,208	8,252
Total	13,636	3,790	565	1,586	19,579

FY2022: Year ended March 31, 2023

	Thousands of U.S. dollars				
	Provision for product warranties	Asset retirement obligations	Provision for loss on litigation	Other provisions	Total
As of April 1, 2022	93,715	30,563	4,232	14,317	142,835
Arising during the year	28,597	375	1,553	3,144	33,677
Utilised	(14,497)	(2,828)	(870)	(3,511)	(21,723)
Unused amounts reversed	(9,785)	-	(900)	(2,281)	(12,974)
Exchange differences on translation of foreign operations	4,299	330	225	232	5,102
As of March 31, 2023	102,322	28,439	4,239	11,901	146,917
Current liabilities	78,430	255	3,466	2,836	84,996
Non-current liabilities	23,884	28,176	772	9,064	61,921
Total	102,322	28,439	4,239	11,901	146,917



## **(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. Most of these expenditures are expected to be paid in the next fiscal year.

## **(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. These expenditures are expected to be paid mainly after five years or more. However, they may be affected by future business plans.

## **(3) Provision for loss on litigation**

Epson recognises provisions for loss on litigation in process or possible litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the period. Most of these expenditures are expected to be paid in the next fiscal year.

20. Lease

**(1) Leasing Activities**

Epson enters into contracts mainly for real estate of business office and warehouse and other as a lessee. Extension and termination options are mainly included in leases of real estate, and these options are used by the lessee as necessary to utilise real estate.

**(2) Right-of-use Assets**

The schedule of the carrying amount of “Right-of-use asset” was as follows:

	Millions of yen			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of April 1, 2021	32,343	1,666	521	34,530
Individual acquisition	3,503	795	116	4,414
Depreciation	(7,410)	(832)	(255)	(8,498)
Impairment losses	(548)	-	-	(548)
Exchange differences on translation of foreign operations	2,017	93	3	2,114
Other	(709)	(33)	(4)	(747)
As of March 31, 2022	29,195	1,688	382	31,265
Individual acquisition	14,747	1,625	634	17,006
Depreciation	(8,205)	(1,016)	(320)	(9,543)
Impairment losses	-	-	-	-
Exchange differences on translation of foreign operations	1,671	97	3	1,772
Other	(250)	(48)	(3)	(301)
As of March 31, 2023	37,158	2,346	695	40,200

	Thousands of U.S. dollars			
	Land, buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
As of March 31, 2022	219,074	12,666	2,866	234,607
Individual acquisition	110,659	12,193	4,757	127,610
Depreciation	(61,569)	(7,623)	(2,401)	(71,609)
Impairment losses	-	-	-	-
Exchange differences on translation of foreign operations	12,538	727	22	13,296
Other	(1,875)	(360)	(22)	(2,258)
As of March 31, 2023	278,827	17,604	5,215	301,654

**(3) Breakdown of Profit or Loss Related to Lease Transactions**

The breakdown of profit or loss related to lease transactions was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Interest expenses paid for lease liabilities	(330)	(417)	(3,129)
Short-term leases	(5,255)	(5,675)	(42,584)
Low-value leases	(49)	(62)	(465)
Variable leases	(637)	(472)	(3,541)

*21. Other Liabilities*

The breakdown of “Other liabilities” was as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Accrued expense	24,731	27,378	205,440
Accrued bonus	34,276	35,176	263,955
Accrued employee’s unused paid vacations	27,491	29,418	220,748
Contract liabilities	23,743	28,415	213,221
Refund liabilities	22,220	32,266	242,119
Other	13,034	15,860	119,010
Total	145,498	168,515	1,264,510
Current liabilities	131,817	152,900	1,147,338
Non-current liabilities	13,680	15,615	117,172
Total	145,498	168,515	1,264,510

## 22. Post-employment Benefits

The Company and some Japanese subsidiaries have the following defined benefit plans: defined benefit corporate pension plans and lump-sum severance plans. In addition, they also have defined contribution plans.

Some overseas subsidiaries have defined benefit plans and defined contribution plans.

Epson's major defined benefit plans are administrated by the Corporate Pension Fund (the "Fund") in accordance with the Defined-Benefit Corporate Pension Act (Act No. 50 of 2001).

The benefits of defined benefit plans are determined based on conditions, such as years of service, the salary proportional method based on average employee salaries for services or final base salaries for retirement benefits and a funded method based on the points employees have earned for each year of service.

The Fund has a Board of Representatives consisting of representatives of the Company and its Japanese subsidiaries and representatives of the plan participants in accordance with the rules of the Fund. The Board of Representatives is responsible for changes in the rules of the Fund, dismissal of the board members including members who execute operations related to the administration and investment of pension reserves for the Fund, and resolutions of the business report and the closing of account.

### (1) Schedule of Defined Benefit Obligations

The schedule of the defined benefit obligations was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Balance at the beginning of the year	327,755	319,899	2,400,472
Service cost	9,915	8,907	66,836
Interest cost	3,292	3,813	28,612
Remeasurement			
Actuarial gains and losses arising from changes in demographic assumptions	(1,647)	116	870
Actuarial gains and losses arising from changes in financial assumptions	(10,089)	(25,058)	(188,031)
Exchange differences on translation of foreign operations	2,421	1,213	9,102
Benefits paid	(11,749)	(13,225)	(99,238)
Balance at the end of the year	319,899	295,666	2,218,632

## (2) Schedule of Plan Assets

The schedule of the plan assets was as follows.

Epson's major defined benefit plans are regulated by maintaining a balance between the pension obligations and plan assets through reviewing the financial condition of the fund that affects future benefits.

Epson plans to pay contributions of ¥6,791 million (\$50,958 thousand) for the year ending March 31, 2024.

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Balance at the beginning of the year	294,808	297,966	2,235,890
Interest income	2,461	3,108	23,321
Remeasurement			
Return on plan assets	2,778	(13,901)	(104,310)
Exchange differences on translation of foreign operations	1,494	846	6,348
Contributions by the employer	6,730	7,576	56,849
Contributions by plan participants	1,097	1,089	8,171
Benefits paid	(11,405)	(12,735)	(95,561)
Balance at the end of the year	297,966	283,950	2,130,716

## (3) Schedule of Right to Reimbursement

As Epson's major defined benefit plans are corporate defined benefit pension plans, there are no contributions from third parties.

## (4) Effect of Asset Ceiling

There was no effect from the asset ceiling.

## (5) Reconciliation of Defined Benefit Obligations and Plan Assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognised in the consolidated statement of financial position were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Funded defined benefit obligations	311,464	287,359	2,156,297
Plan assets	(297,966)	(283,950)	(2,130,716)
Subtotal	13,497	3,409	25,580
Unfunded defined benefit obligations	8,434	8,307	62,334
Net defined benefit liabilities (assets) recognised in the consolidated statement of financial position	21,932	11,716	87,915
Net defined benefit liabilities	24,210	13,164	98,780
Net defined benefit assets	(2,278)	(1,447)	(10,858)
Net defined benefit liabilities (assets) recognised in the consolidated statement of financial position	21,932	11,716	87,915

## (6) Breakdown of Plan Assets

The breakdown of plan assets by major category was as follows.

In plan assets, there are no transferable financial instruments, real estate held by Epson or other assets used by Epson.

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
<b>Investments quoted in active markets</b>			
Equity securities	17,039	13,868	104,063
Bonds receivable	2,850	5,709	42,839
Alternative investments (Note 1)	4,989	312	2,341
Cash and deposits	2,052	3,772	28,304
Other	4,158	3,389	25,430
<b>Total</b>	<b>31,089</b>	<b>27,053</b>	<b>203,001</b>
<b>Investments unquoted in active markets</b>			
Pooled funds (Equity securities)	37,863	35,866	269,132
Pooled funds (Bonds receivable)	46,538	44,206	331,715
General accounts of life insurance companies (Note 2)	139,671	135,840	1,019,322
Alternative investments (Note 1)	41,984	40,536	304,175
Other	819	446	3,346
<b>Total</b>	<b>266,877</b>	<b>256,896</b>	<b>1,927,707</b>

(Note 1) Alternative investments are the investments through hedge funds, multi-asset funds, securitisation funds and other funds.

(Note 2) A certain interest rate and principal for the general accounts of life insurance companies are guaranteed by life insurance companies.

The investment strategy for Epson's plan assets was as follows:

Epson's plan assets under defined benefit plans are managed in accordance with the rules of the Fund for securing stable returns in the medium and long-term in order to ensure the redemption of the defined benefit obligations. Epson sets the asset mix policy through performing pension ALM, which is combined management of assets and liabilities by an external agency to secure stable returns. Epson invests plan assets consistently with the asset mix policy.

**(7) Matters Related to Actuarial Assumptions**

The major item of actuarial assumptions was as follows:

	%	
	March 31, 2022	March 31, 2023
Discount rate	1.2	1.7

The valuation of defined benefit obligations reflects judgments on uncertain future events. The sensitivities of defined benefit obligations due to changes of 1% in the discount rate as of March 31, 2023 were as follows. Each of these sensitivities assumes that other variables remain fixed. Negative figures show a decrease in the defined benefit obligations, while positive figures show an increase.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2023	March 31, 2023
Discount rate (1% increase)	(38,114)	(286,001)
Discount rate (1% decrease)	44,503	333,943

The weighted-average duration of the defined benefit obligations at March 31, 2023 was 14.0 years.

**(8) Defined Contribution Plans**

Expenses for the defined contribution plans were ¥21,392 million and ¥23,529 million (\$176,557 thousand) for the years ended March 31, 2022 and 2023, respectively.

## 23. Equity and Other Equity Items

### (1) Share Capital and Capital Surplus

#### (A) Shares Authorised

The number of authorised shares as of March 31, 2022 and 2023 was 1,214,916,736 ordinary shares.

#### (B) Shares Issued and Fully Paid

The schedule of the number of issued shares and the amount of “Share capital” and “Capital surplus” was as follows:

	a share	Millions of yen		Thousands of U.S. dollars	
	Number of ordinary shares issued (Note 1)	Share capital	Capital surplus	Share capital	Capital surplus
As of April 1, 2021	399,634,778	53,204	84,418		
Increase (decrease)	-	-	(408)		
As of March 31, 2022	399,634,778	53,204	84,010	399,234	630,398
Increase (decrease) (Note 2)	(14,612,500)	-	(30)	-	(225)
As of March 31, 2023	385,022,278	53,204	83,979	399,234	630,165

(Note 1) The shares issued by the Company are ordinary shares with no par value that have no restriction on any content of rights.

(Note 2) The decrease in the number of shares issued during the year ended March 31, 2023 was due to the cancellation of treasury shares.

### (2) Treasury Shares

The schedule of the number of treasury shares and the corresponding amount was as follows:

	a share	Millions of yen	Thousands of U.S. dollars
	Number of treasury shares	Amount	Amount
As of April 1, 2021	53,655,825	40,874	
Increase (decrease) (Note 1)	(39,819)	(65)	
As of March 31, 2022 (Note 3)	53,616,006	40,808	306,216
Increase (decrease) (Note 2)	(109,371)	14,777	110,884
As of March 31, 2023 (Note 4)	53,506,635	55,586	417,108

(Note 1) Net decrease in the number of treasury shares during the year ended March 31, 2022 resulted from:  
the delivery to beneficiaries of BIP trust (40,321) shares  
the purchase of odd shares 502 shares

(Note 2) Net decrease in the number of treasury shares during the year ended March 31, 2023 resulted from:  
the repurchase of treasury shares by resolution of the Board of Directors<sup>1</sup> 14,612,500 shares  
the cancellation of treasury shares by resolution of the Board of Directors<sup>2</sup> (14,612,500) shares  
the disposal of treasury shares as restricted stock compensation (81,477) shares  
the delivery to beneficiaries of BIP trust (28,352) shares  
the purchase of odd shares 458 shares

(Note 3) The number of treasury shares as of March 31, 2022 included 170,607 shares held by BIP trust.

(Note 4) The number of treasury shares as of March 31, 2023 included 142,255 shares held by BIP trust.



## <sup>1</sup> Repurchase of treasury shares

At a meeting of its Board of Directors held on May 19, 2022, the Company resolved on a share repurchase and its specific repurchase procedures pursuant to Article 156 of the Companies Act of Japan as applied pursuant to Article 165, Paragraph 3 of the same act, and implemented the share repurchase. Details of the share repurchase undertaken are as follows.

The repurchase of treasury shares ended on January 16, 2023.

Details of the resolution at Board of Directors held on May 19, 2022 was as follows:

Class of shares to be repurchased	Ordinary shares
Total number of repurchasable shares	33 million (maximum) (9.53% of the total number of issued shares (excluding treasury share))
Total repurchase amount	30,000 million yen (maximum) (225,115,371 U.S. dollars)
Repurchase period	May 20, 2022 to May 19, 2023
Repurchase method	Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

Total number of shares repurchased based on resolution of aforementioned Board of Directors' meeting was as follows:

Class of shares to be repurchased	Ordinary shares
Total number of repurchasable shares	14,612,500 shares
Total repurchase amount	29,999,962,900 yen (225,115,093 U.S. dollars)
Repurchase period	May 20, 2022 to January 16, 2023
Repurchase method	Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

## <sup>2</sup> Cancellation of Treasury Shares

At a meeting of its Board of Directors held on February 21, 2023, the Company resolved on a cancellation of treasury shares pursuant to Article 178 of the Companies Act of Japan, and implemented the cancellation of treasury shares.

Class of shares to be cancelled	Ordinary shares
Total number of retirement shares	14,612,500 shares
Date of cancellation	March 8, 2023

**(3) Other Components of Equity****(A) Remeasurement of net defined benefit liabilities (assets)**

This comprises actuarial gains and losses in the present value of the defined benefit obligation and the return on plan assets excluding amounts included in net interest on the net defined benefit liabilities (assets). The amount is recognised as other comprehensive income and is transferred immediately from other components of equity to retained earnings.

**(B) Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income**

This is the valuation difference in fair value of financial assets measured at fair value through other comprehensive income.

**(C) Exchange differences on translation of foreign operations**

This is a foreign currency translation difference that occurs when Epson consolidates financial statements of foreign operations prepared in foreign currencies.

**(D) Net changes in fair value of cash flow hedges**

Epson uses derivatives for hedging to avoid the risk of fluctuation in future cash flows. This is the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

**24. Dividends**

Dividends paid were as follows:

FY2021: Year ended March 31, 2022

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 25, 2021)	Ordinary shares	(Note1) 10,731	31	March 31, 2021	June 28, 2021
Board of Directors Meeting (October 29, 2021)	Ordinary shares	(Note2) 10,731	31	September 30, 2021	November 30, 2021

(Note 1) The amount of dividends includes dividends of ¥6 million corresponding to the Company's shares held by BIP trust.

(Note 2) The amount of dividends includes dividends of ¥5 million corresponding to the Company's shares held by BIP trust.

FY2022: Year ended March 31, 2023

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2022)	Ordinary shares	(Note1) 10,731	31	March 31, 2022	June 29, 2022
Board of Directors Meeting (October 28, 2022)	Ordinary shares	(Note2) 10,591	31	September 30, 2022	November 30, 2022

(Note 1) The amount of dividends includes dividends of ¥5 million corresponding to the Company's shares held by BIP trust.

(Note 2) The amount of dividends includes dividends of ¥4 million corresponding to the Company's shares held by BIP trust.

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FY2022: Year ended March 31, 2023

(Resolution)	Class of shares	Thousands of	U.S.	Basis date	Effective date
		U.S. dollars	dollars		
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2022)	Ordinary shares	(Note1) 80,523	0.23	March 31, 2022	June 29, 2022
Board of Directors Meeting (October 28, 2022)	Ordinary shares	(Note2) 79,473	0.23	September 30, 2022	November 30, 2022

(Note 1) The amount of dividends includes dividends of \$37 thousand corresponding to the Company's shares held by BIP trust.

(Note 2) The amount of dividends includes dividends of \$30 thousand corresponding to the Company's shares held by BIP trust.

Dividends, whose effective dates fall on in the next year, were as follows:

FY2021: Year ended March 31, 2022

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 28, 2022)	Ordinary shares	(Note) 10,731	31	March 31, 2022	June 29, 2022

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company's shares held by BIP trust.

FY2022: Year ended March 31, 2023

(Resolution)	Class of shares	Millions of yen	Yen	Basis date	Effective date
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 27, 2023)	Ordinary shares	(Note) 13,597	41	March 31, 2023	June 28, 2023

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company's shares held by BIP trust.

FY2022: Year ended March 31, 2023

(Resolution)	Class of shares	Thousands of	U.S.	Basis date	Effective date
		U.S. dollars	dollars		
		Total dividends	Dividends per share		
Annual Shareholders Meeting (June 27, 2023)	Ordinary shares	(Note) 102,029	0.30	March 31, 2023	June 28, 2023

(Note) The amount of dividends includes dividends of \$37 thousand corresponding to the Company's shares held by BIP trust.

## 25. Revenue

### (1) Disaggregation of Revenue

The revenue of the reportable segments stated in “6. Segment Information” are disaggregated by each business. The relationship between the disaggregated revenue and the reportable segments is as follows:

	Millions of yen		Thousands of
	Year ended		U.S. dollars
	March 31,		Year ended
	2022	2023	March 31,
			2023
Printing Solutions Segment	779,947	902,368	6,771,230
Office and Home Printing business	566,348	653,477	4,903,590
Commercial and Industrial Printing business	213,652	248,919	1,867,849
Inter-segment revenue	(53)	(28)	(210)
Visual Communications Segment	159,034	216,869	1,627,351
Manufacturing-related & Wearables Segment	191,984	215,490	1,617,003
Manufacturing solutions business	30,506	30,542	229,182
Wearable products business	34,659	35,881	269,245
Microdevices business and other	110,901	130,792	981,442
PC business	18,996	21,917	164,461
Inter-segment revenue	(3,078)	(3,642)	(27,329)
Others (Note 1)	(2,052)	(4,396)	(32,986)
<b>Total</b>	<b>1,128,914</b>	<b>1,330,331</b>	<b>9,982,598</b>
Revenue recognised from contracts with customers	1,125,578	1,326,901	9,956,860
Revenue recognised from other sources (Note 2)	3,335	3,430	25,738
<b>Total</b>	<b>1,128,914</b>	<b>1,330,331</b>	<b>9,982,598</b>

(Note 1) “Others” includes revenues which are not attributed to reportable segments and inter-segment eliminations.

(Note 2) “Revenue recognised from other sources” includes lease income under IFRS 16.

Epson is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications, and Manufacturing-related & Wearables. Revenue is recognised when control of a promised good has been transferred to the customer and Epson satisfied its performance obligation. For sales of the products, this generally occurs when a good is physically delivered to a customer. Certain products require work such as set up or installation. In such cases, Epson determines that the performance obligation has been satisfied and recognises revenue at the time of the customer’s acceptance after the work is completed.

Epson provides the option of maintenance services such as extended warranties at the time of sales of the products. For the maintenance service contracts, since performance obligations are satisfied over time, the amount of consideration promised in the contract with a customer is recognised as revenue evenly over the contract period. Contract liability is recognised until performance obligations are satisfied, in cases where Epson receives the consideration for the sale of the product as an advanced payment before the good deliveries, or Epson receives the consideration for the maintenance service contracts as a single advanced payment at contract inception, etc.

In certain cases, Epson sells products to customers such as distributors with rebates, etc. on condition that they achieve certain targets, etc. In such cases, Epson determines the transaction price by deducting the estimated rebates, etc. from the consideration promised in the contract with the customer. The estimated rebates, etc. are calculated using a reasonable method based on factors such as historical trends and recent information, and revenue is recognised only to the extent that it is highly probable that a significant revenue reversal will not occur. Consideration for transactions is received mainly within one year after the performance obligation is satisfied, in accordance with the terms and conditions of a contract with a customer and includes no significant financing components.

**(2) Contract Balance**

The breakdown of the balance of receivables and contract liabilities from contracts with customers was as follows:

	Millions of yen			Thousands of U.S. dollars
	April 1,	March 31,	March 31,	March 31,
	2021	2022	2023	
Receivables from contracts with customers	161,332	168,221	201,801	1,514,283
Contract liabilities	21,705	23,743	28,415	213,221
Current liabilities	10,766	12,289	14,814	111,161
Non-current liabilities	10,938	11,454	13,601	102,059

Contract liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statement of financial position.

Amount of revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods was not material.

**(3) Transaction Price Allocated to the Remaining Performance Obligations**

Epson uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with expected contractual terms exceeding one year.

Additionally, there are no significant amounts that are not included in the transaction price in the consideration from a contract with a customer.

*26. Selling, General and Administrative Expenses*

The breakdown of “Selling, general and administrative expenses” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Employee benefit expense	(121,886)	(138,892)	(1,042,224)
Research and development expense	(46,083)	(44,357)	(332,848)
Promotion expense	(26,270)	(32,738)	(245,660)
Advertising expense	(21,362)	(26,512)	(198,941)
Transportation expense	(23,899)	(24,647)	(184,947)
Service contract expense	(15,521)	(16,366)	(122,807)
Depreciation and amortisation	(14,779)	(15,888)	(119,221)
Other	(59,010)	(72,139)	(541,319)
Total	(328,814)	(371,544)	(2,788,008)

*27. Employee Benefit Expenses*

The employee benefit expenses included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Salaries and wages	(231,465)	(258,094)	(1,936,697)
Legal welfare expense	(21,780)	(25,534)	(191,603)
Welfare expense	(10,926)	(13,320)	(99,951)
Expenses of post-employment benefits			
Expense for defined contribution plans	(21,392)	(23,529)	(176,557)
Expense for defined benefit plans	(9,642)	(8,453)	(63,430)
Total	(295,207)	(328,931)	(2,468,247)

*28. Other Operating Income*

The breakdown of “Other operating income” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Foreign exchange income	4,785	2,484	18,639
Gain on sales of property, plant and equipment, intangible assets and investment property	371	1,518	11,390
Government grant income	290	754	5,657
Other	4,766	2,264	16,988
Total	10,214	7,022	52,692

*29. Other Operating Expense*

The breakdown of “Other operating expense” was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Impairment loss	(1,460)	(1,966)	(14,752)
Losses on the disposal of property, plant and equipment and intangible assets	(598)	(780)	(5,852)
Other	(3,312)	(2,337)	(17,536)
Total	(5,372)	(5,083)	(38,142)

*30. Finance Income and Finance Costs*

The breakdowns of “Finance income” and “Finance costs” were as follows:

Finance Income	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Foreign exchange gain (Note 1)	3,256	5,330	39,995
Interest income	975	2,947	22,113
Dividend income	462	361	2,708
Other	3	-	-
Total	4,698	8,639	64,825

Finance Costs	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Interest expense	(1,234)	(1,256)	(9,424)
Employee benefit expense (Note 2)	(830)	(705)	(5,290)
Other	(63)	(72)	(540)
Total	(2,128)	(2,034)	(15,262)

(Note 1) The increase or decrease in the fair value of currency derivatives is included in the foreign exchange gain (loss).

(Note 2) The employee benefit expense is the net amount of interest cost and interest income related to employee benefits.



## 31. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and tax effects for each component of “Other comprehensive income” were as follows:

FY2021: Year ended March 31, 2022

Millions of yen					
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	14,486	-	14,486	(3,945)	10,541
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	(255)	-	(255)	55	(199)
Exchange differences on translation of foreign operations	34,573	-	34,573	-	34,573
Net changes in fair value of cash flow hedges	(3,874)	2,313	(1,561)	475	(1,085)
Share of other comprehensive income of investments accounted for using the equity method	95	-	95	-	95
<b>Total</b>	<b>45,025</b>	<b>2,313</b>	<b>47,338</b>	<b>(3,414)</b>	<b>43,924</b>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2022: Year ended March 31, 2023

Millions of yen					
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	11,041	-	11,041	(3,278)	7,762
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	2,399	-	2,399	(542)	1,857
Exchange differences on translation of foreign operations	27,827	-	27,827	-	27,827
Net changes in fair value of cash flow hedges	898	(310)	587	(176)	410
Share of other comprehensive income of investments accounted for using the equity method	3	-	3	-	3
<b>Total</b>	<b>42,170</b>	<b>(310)</b>	<b>41,859</b>	<b>(3,998)</b>	<b>37,861</b>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

FY2022: Year ended March 31, 2023

Thousands of U.S. dollars					
	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Remeasurement of net defined benefit liabilities (assets)	82,849	-	82,849	(24,597)	58,244
Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)	18,001	-	18,001	(4,067)	13,934
Exchange differences on translation of foreign operations	208,809	-	208,809	-	208,809
Net changes in fair value of cash flow hedges	6,738	(2,326)	4,404	(1,320)	3,076
Share of other comprehensive income of investments accounted for using the equity method	22	-	22	-	22
<b>Total</b>	<b>316,437</b>	<b>(2,326)</b>	<b>314,103</b>	<b>(30,000)</b>	<b>284,103</b>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

“Reclassification adjustments” shows the amounts of hedging instruments that are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. It is mainly treated as “Revenue” in the consolidated statement of comprehensive income.

*32. Earnings per Share*

**(1) Basis of Calculating Basic Earnings per Share**

	Millions of yen		Thousands of U.S. dollars	
	Year ended March 31,		Year ended March 31,	
	2022	2023	2023	
Profit for the period attributable to owners of the parent company	92,288	75,043	563,111	
Profit for the period not attributable to owners of the parent company	-	-	-	
Profit used for calculation of basic earnings per share	92,288	75,043	563,111	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	346,006	339,952	339,952	
Basic earnings per share	(Yen) 266.73	(Yen) 220.75	(\$) 1.66	

**(2) Basis of Calculating Diluted Earnings per Share**

	Millions of yen		Thousands of U.S. dollars	
	Year ended March 31,		Year ended March 31,	
	2022	2023	2023	
Profit used for calculation of basic earnings per share	92,288	75,043	563,111	
Adjustments	-	-	-	
Profit used for calculation of diluted earnings per share	92,288	75,043	563,111	
Weighted-average number of ordinary shares outstanding (Thousands of Shares)	346,006	339,952	339,952	
Effect of dilutive potential ordinary shares				
BIP trust for eligible officers (Thousands of Shares)	105	77	77	
Weighted-average number of ordinary shares diluted (Thousands of Shares)	346,112	340,029	340,029	
Diluted earnings per share	(Yen) 266.64	(Yen) 220.70	(\$) 1.66	

(Note) For the purpose of calculation of basic earnings per share and diluted earnings per share, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from weighted-average number of ordinary shares outstanding during the period.

### 33. Share-based Payment

#### (1) Restricted Stock Compensation Plan

##### (A) Summary of Restricted Stock Compensation Plan

The Company has employed a framework referred to as a restricted stock compensation plan as equity-settled share-based payment plan for the Company's directors and executive officers who have been engaged by the Company (collectively referred to hereafter as "Eligible Officer(s) for RS," excluding outside directors and persons such as Audit and Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside Japan) with the aim of further promoting sharing of value with shareholders and providing officers with a greater incentive than before to increase the stock price, sustain growth, and increase medium- to long-term corporate value.

The plan pre-delivers restricted stock to Eligible Officers for RS under condition on the execution of their duties for a certain period.

Once a year, Eligible Officers for RS shall receive monetary remuneration claim in respect of restricted stock under the resolution of the board of directors of the Company and then will receive a delivery of restricted stock by in-kind contribution of the relevant monetary remuneration claims to the Company.

Eligible Officers for RS shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of restricted stock during the period from the date of allotment to the date on which they resign or retire from their position as either a director, executive officer, or employee of the Company.

If an Eligible Officer for RS resigns or retires from his or her position as a director, executive officer, or employee of the Company during the period of executing his or her duties, or if any prescribed events occur, the Company will acquire the allotted stock without compensation, unless there are extenuating circumstances that the Company's Board of Directors deem reasonable.

##### (B) Number of Shares Granted during the Year and Fair Value

	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Grant date	-	July 20, 2022	July 20, 2022
Number of granted shares	-	81,477	81,477
Fair value at the grant date (Note)	¥-	¥2,012	\$15

(Note) The Fair value at the grant date is calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange as of the previous business day of the resolution of the share allotment by the Board of Directors.

#### (2) Performance-Linked Stock Compensation Plan

##### (A) Summary of Performance-Linked Stock Compensation Plan

The Company has employed a framework referred to as BIP (Board Incentive Plan) trust as performance-linked equity-settled share-based payment plan for the Company's directors and executive officers who have been engaged by the Company (collectively referred to hereafter as "Eligible Officers for BIP," and excluding outside directors and persons such as Audit and Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside Japan). The plan is intended to heighten directors' sense of shared interest with shareholders and to show a commitment to sustaining growth and increasing corporate value over the medium and long-term.

The Eligible Officers for BIP are awarded a specific number of points each year based on their position and other factors (1 point = 1 share). Such points fluctuate depending on the levels of achievement of the medium and long-term operating performance targets of Epson. The vesting condition is basically for the Eligible Officers for BIP to render services for three years to a vesting date after a grant date of points.

With the introduction of the restricted stock compensation plan from the fiscal year ending March 31, 2023, the performance-linked stock compensation plan is scheduled to be terminated as soon as the ordinary shares of the Company corresponding to the points awarded and delivering cash equivalent to the amounts obtained through converting such shares into cash.

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**(B) Number of Granted Points and Weighted Average Fair Value**

The fair values of granted points at the grant date are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values. The number of granted points and weighted average fair value at the grant date were as follows:

	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Number of granted points	45,869	-	-
Weighted average fair value at the grant date	¥1,755	¥-	\$-

**(3) Stock Compensation Expenses**

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Restricted stock compensation	-	151	1,133
Performance-linked stock compensation	59	28	210
Total	59	180	1,350

### 34. 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 manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital (equity attributable to owners of the parent company). The amounts were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Interest-bearing debt	243,151	233,281	1,750,504
Cash and cash equivalents	(335,239)	(267,380)	(2,006,378)
Net interest-bearing debt	(92,088)	(34,098)	(255,866)
Capital (equity attributable to owners of the parent company)	665,628	727,352	5,457,937

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) and ROIC (return on invested capital) 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 finance department to the Executive Committee of the Company.

Epson's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson 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 for the purpose of investing surplus funds and strengthening relationships with them; those securities and bonds 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 finance department of the Company regularly monitors the status of the occurrence and collection of bad debts, and reports them to the Executive Committee of the Company.

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 finance department of the Company regularly monitors the performances of these transactions and reports the results to the Executive Committee of the Company.

The carrying amount of the financial asset presented in consolidated statement of financial position is the maximum exposure related to the credit risk. Epson does not have an important exposure for a specific counterparty and there is no over-concentrated credit risk with specific controls. There are no collateral or other credit enhancements related to credit risk exposures.

For impairment of financial assets, Epson recognises a loss allowance for expected credit losses. Epson assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. Epson

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determines whether the credit risk of financial instruments has increased significantly based on fluctuations in the risk of default, taking into consideration internal credit ratings, the financial condition of counterparties, and the existence of contractual breaches such as overdues.

The loss allowance for items such as trade receivables, which account for the majority of Epson's financial assets, is calculated by comprehensively measuring the lifetime expected credit losses based on historical experience rates. However, when a counterparty is in serious financial difficulty, or when objective evidence such as bankruptcy or extreme delinquency exists, Epson deems the financial assets to be credit-impaired and measures the expected credit loss individually. Epson directly reduces the gross carrying amount of a financial asset when Epson has no reasonable expectations of recovering a financial asset in its entirety or portion thereof.

The loss allowance for these financial assets is included in trade and other receivables or other financial assets in the consolidated statement of financial position.

The schedule for the allowance account for credit losses of "Trade and other receivables" and "Other financial assets" was as follows. There was no significant change in the total carrying amount in the previous or current consolidated fiscal year that would affect changes in the loss allowance.

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Balance as of April 1	1,164	1,209	9,072
Addition	234	430	3,226
Decrease (utilised)	(111)	(213)	(1,598)
Decrease (reversal)	(214)	(497)	(3,729)
Other	137	174	1,305
Balance as of March 31	1,209	1,104	8,284

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## (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 finance department of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

The financial liability balance (including derivative financial instruments) by maturity was as follows:

FY2021: As of March 31, 2022

	Millions of yen							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	146,201	146,201	146,201	-	-	-	-	-
Borrowings	66,452	66,500	18,000	-	9,000	30,000	-	9,500
Bonds issued	149,580	150,000	-	30,000	10,000	40,000	20,000	50,000
Lease liabilities	27,117	28,441	8,459	5,370	3,848	2,590	1,469	6,703
Other	4,130	4,118	342	630	119	401	266	2,357
Total	393,482	395,261	173,002	36,001	22,968	72,991	21,736	68,560
Derivative financial liabilities								
Foreign exchange forward contract	2,973	2,973	2,973	-	-	-	-	-
Currency option	1,181	1,181	1,181	-	-	-	-	-
Total	4,154	4,154	4,154	-	-	-	-	-

FY2022: As of March 31, 2023

	Millions of yen							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	159,658	159,658	159,658	-	-	-	-	-
Borrowings	48,467	48,500	-	9,000	30,000	500	9,000	-
Bonds issued	149,689	150,000	30,000	10,000	40,000	20,000	10,000	40,000
Lease liabilities	35,124	37,256	8,981	7,530	5,739	3,997	3,122	7,884
Other	4,089	4,010	371	494	7	297	1,018	1,820
Total	397,029	399,425	199,012	27,025	75,746	24,794	23,141	49,704
Derivative financial liabilities								
Foreign exchange forward contract	2,715	2,715	2,715	-	-	-	-	-
Currency option	249	249	249	-	-	-	-	-
Total	2,965	2,965	2,965	-	-	-	-	-

FY2022: As of March 31, 2023

	Thousands of U.S. dollars							
	Carrying amount	Contractual cash flow	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Non-derivative financial liabilities								
Trade and other payables	1,198,049	1,198,049	1,198,049	-	-	-	-	-
Borrowings	363,688	363,936	-	67,534	225,115	3,751	67,534	-
Bonds issued	1,123,243	1,125,576	225,115	75,038	300,153	150,076	75,038	300,153
Lease liabilities	263,565	279,563	67,392	56,503	43,064	29,992	23,427	59,160
Other	30,683	30,090	2,783	3,706	52	2,228	7,638	13,656
Total	2,979,244	2,997,223	1,493,355	202,791	568,386	186,050	173,646	372,971
Derivative financial liabilities								
Foreign exchange forward contract	20,372	20,372	20,372	-	-	-	-	-
Currency option	1,868	1,868	1,868	-	-	-	-	-
Total	22,248	22,248	22,248	-	-	-	-	-

## **(5) Foreign Exchange Risk**

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

(A) 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.

(B) 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.

(C) 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 (A) 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 (B) and (C), 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 finance department of the Company regularly reports the performances to the Executive Committee of the Company.

The breakdown of currency derivatives was as follows:



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## Derivative transactions to which hedge accounting is not applied

FY2021: As of March 31, 2022

	Millions of yen				Average rate
	Contract amount	Over one year	Carrying amount		
			Assets	Liabilities	
Foreign exchange forward contract					
Selling					
Euro (Yen buying)	9,749	-	-	493	130.11 JPY / EUR
Australian Dollar (Yen buying)	3,519	-	-	423	81.92 JPY / AUD
Yuan Renminbi (U.S. Dollar buying)	11,353	-	-	335	0.15 USD / CNY
Non-Deliverable Forward					
Selling					
Indian Rupee (U.S. Dollar buying)	3,255	-	-	16	0.01 USD / INR
New Taiwan Dollar (U.S. Dollar buying)	1,640	-	53	-	0.04 USD / TWD
Won (U.S. Dollar buying)	405	-	7	-	0.00 USD / KRW
Currency option (Note)					
Selling and Buying					
Euro (Yen buying)	9,774	-	-	288	130.49 JPY / EUR
Total	39,699	-	61	1,558	

FY2022: As of March 31, 2023

	Millions of yen				Average rate	Thousands of U.S. dollars		
	Contract amount	Over one year	Carrying amount			Contract amount	Carrying amount	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contract								
Selling								
Euro (Yen buying)	11,244	-	-	345	140.67 JPY / EUR	84,373	-	2,588
Australian Dollar (Yen buying)	3,382	-	83	-	91.25 JPY / AUD	25,378	622	-
Yuan Renminbi (U.S. Dollar buying)	17,014	-	-	211	0.14 USD / CNY	127,670	-	1,583
Non-Deliverable Forward								
Selling								
Indian Rupee (U.S. Dollar buying)	3,999	-	-	31	0.01 USD / INR	30,007	-	232
New Taiwan Dollar (U.S. Dollar buying)	2,876	-	4	-	0.03 USD / TWD	21,581	30	-
Won (U.S. Dollar buying)	402	-	-	23	0.00 USD / KRW	3,016	-	172
Currency option (Note)								
Selling and Buying								
Euro (Yen buying)	4,305	-	-	217	136.81 JPY / EUR	32,304	-	1,628
Total	43,225	-	87	829		324,353	652	6,220

(Note) Currency option is the zero-cost option contract, and call option and put option are shown as a lump sum because they are included in integrated contract.

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## Derivative transactions to which hedge accounting is applied

FY2021: As of March 31, 2022

	Millions of yen				Average rate
	Contract amount	Over one year	Carrying amount (Note 1)		
			Assets	Liabilities	
Foreign exchange forward contract					
Selling					
Euro (Yen buying)	24,360	-	-	975	131.54 JPY / EUR
Australian Dollar (Yen buying)	4,463	-	-	372	84.41 JPY / AUD
Yuan Renminbi (U.S. Dollar buying)	30,419	-	-	291	0.15 USD / CNY
Non-Deliverable Forward					
Selling					
Indian Rupee (U.S. Dollar buying)	8,254	-	-	15	0.01 USD / INR
New Taiwan Dollar (U.S. Dollar buying)	3,185	-	81	-	0.04 USD / TWD
Won (U.S. Dollar buying)	3,768	-	20	-	0.00 USD / KRW
Currency option (Note 2)					
Selling and Buying					
Euro (Yen buying)	24,101	-	-	892	130.14 JPY / EUR
Total	98,553	-	102	2,547	

FY2022: As of March 31, 2023

	Millions of yen				Average rate	Thousands of U.S. dollars		
	Contract amount	Over one year	Carrying amount (Note 1)			Contract amount	Carrying amount (Note 1)	
			Assets	Liabilities			Assets	Liabilities
Foreign exchange forward contract								
Selling								
Euro (Yen buying)	52,184	-	-	1,325	140.01 JPY / EUR	391,580	-	9,942
Australian Dollar (Yen buying)	4,538	-	22	-	88.30 JPY / AUD	34,052	165	-
Yuan Renminbi (U.S. Dollar buying)	29,020	-	-	293	0.15 USD / CNY	217,761	-	2,198
Non-Deliverable Forward								
Selling								
Indian Rupee (U.S. Dollar buying)	10,383	-	-	99	0.01 USD / INR	77,912	-	742
New Taiwan Dollar (U.S. Dollar buying)	2,968	-	-	8	0.03 USD / TWD	22,271	-	60
Won (U.S. Dollar buying)	4,616	-	-	10	0.00 USD / KRW	34,637	-	75
Currency option (Note 2)								
Selling and Buying								
Euro (Yen buying)	829	-	-	32	138.54 JPY / EUR	6,220	-	240
Total	104,542	-	22	1,770		784,467	165	13,281

(Note 1) Cash flow hedge is applied, and derivative transactions are measured at fair value and recognised in “Other financial assets” or “Other financial liabilities” in the consolidated statement of financial position.

(Note 2) Currency option is the zero-cost option contract, and call option and put option are shown as a lump sum because they are included in integrated contract.

## Foreign Exchange Sensitivity Analysis

In cases where each currency other than the functional currency that denominates the financial instruments held by Epson as of March 31, 2023 increases by 10% in value against the functional currency, the impact on profit before tax in the consolidated statement of comprehensive income was as follows.

The impact from the translation of functional currency-denominated financial instruments, and assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, it is based on the assumption that currencies other than the currencies used for the calculation do not fluctuate.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2023	March 31, 2023
Profit before tax	18,540	139,121

## (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.

### Interest Rate Sensitivity Analysis

In cases where the interest rate of financial instruments held by Epson as of March 31, 2023 increases by 100 bp, the impact on profit before tax in the consolidated statement of comprehensive income was as follows.

The analysis included financial instruments affected by interest rate fluctuation and based on the assumption that other factors, including the impacts of foreign exchange fluctuation, were constant.

	Millions of yen	Thousands of U.S. dollars
	March 31, 2023	March 31, 2023
Profit before tax	400	3,001

## (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.

The equity price fluctuation risks are calculated based on the price of equity instruments at the fiscal year end. In cases where the equity price changes by 5% in value, the impact on other comprehensive income before tax effects as of March 31, 2023 was ¥809 million (\$6,070 thousand) due to the changes in the fair value.

## **(8) Fair Value of Financial Instruments**

### **(A) Fair value measurement**

The fair values of financial instrument 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)**

Current borrowings are measured at their carrying amounts, because they are settled on a short-term basis and 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 are calculated based on prices obtained from financial institutions.

### **(B) 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 the reporting period.

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(i) Financial instruments measured at amortised cost

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

FY2021: As of March 31, 2022

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings	66,452	-	66,617	-	66,617
Bonds issued	149,580	-	149,472	-	149,472
Total	216,033	-	216,089	-	216,089

FY2022: As of March 31, 2023

	Millions of yen				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings	48,467	-	48,362	-	48,362
Bonds issued	149,689	-	148,960	-	148,960
Total	198,157	-	197,322	-	197,322

FY2022: As of March 31, 2023

	Thousands of U.S. dollars				
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortised cost					
Borrowings	363,688	-	362,900	-	362,900
Bonds issued	1,123,243	-	1,117,772	-	1,117,772
Total	1,486,939	-	1,480,673	-	1,480,673

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

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during each reporting period.

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(ii) Financial instruments measured at fair value

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

FY2021: As of March 31, 2022	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	212	-	212
Equity securities	9,256	-	3,795	13,051
<b>Total</b>	<b>9,256</b>	<b>212</b>	<b>3,795</b>	<b>13,264</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	-	4,154	-	4,154
<b>Total</b>	<b>-</b>	<b>4,154</b>	<b>-</b>	<b>4,154</b>

FY2022: As of March 31, 2023	Millions of yen			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	475	-	475
Equity securities	10,828	-	5,351	16,180
<b>Total</b>	<b>10,828</b>	<b>475</b>	<b>5,351</b>	<b>16,656</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	-	2,965	-	2,965
<b>Total</b>	<b>-</b>	<b>2,965</b>	<b>-</b>	<b>2,965</b>

FY2022: As of March 31, 2023	Thousands of U.S. dollars			
	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	-	3,564	-	3,564
Equity securities	81,251	-	40,153	121,412
<b>Total</b>	<b>81,251</b>	<b>3,564</b>	<b>40,153</b>	<b>124,984</b>
Financial liabilities measured at fair value				
Derivative financial liabilities	-	22,248	-	22,248
<b>Total</b>	<b>-</b>	<b>22,248</b>	<b>-</b>	<b>22,248</b>

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during each reporting period.

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

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Balance as of April 1	3,974	3,795	28,477
Gains and losses			
Profit or loss (Note)	(586)	-	-
Other comprehensive income	10	878	6,588
Purchase	397	827	6,205
Sales	-	(150)	(1,125)
Other	(0)	-	-
Balance as of March 31	3,795	5,351	40,153

(Note) “Profit or loss” is included in “Other operating income” and “Other operating expense” in the consolidated statement of comprehensive income.

### 35. Principal Subsidiaries

The content of principal subsidiaries is stated in “I. Overview of Company, 4. Subsidiaries and other affiliated entities.”

### 36. Related Parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. There were no significant transactions between the Company, its subsidiaries and other related parties.

The remuneration for directors and other members of key management personnel was as follows:

	Millions of yen		Thousands of U.S. dollars
	Year ended March 31,		Year ended March 31,
	2022	2023	2023
Short-term remuneration	422	397	2,979
Stock compensation	25	47	352
Total	447	445	3,339

(Note) The Company has introduced an officers’ shareholding association system to link compensation more closely to shareholders’ value. The acquisition of the Company’s shares accounts for a portion of the short-term remuneration.

### 37. Commitments

Commitments for the acquisition of assets after the fiscal year end were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31,		March 31,
	2022	2023	2023
Acquisition of property, plant and equipment	15,168	12,614	94,653
Acquisition of intangible assets	1,428	1,393	10,452
Total	16,596	14,007	105,106

### *38. Contingencies*

#### Material litigation

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

#### **The civil action on copyright fee of ink-jet printers**

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

### *39. Subsequent Events*

No material subsequent events were identified.

### *40. Approval of Consolidated Financial Statements*

The consolidated financial statements were approved by Yasunori Ogawa (President and Representative Director) and Tatsuaki Seki (Representative Director, Senior Managing Executive Officer and General Administrative Manager, Corporate Strategy and Management Control Division) on June 27, 2023.



## SEIKO EPSON CORPORATION

### (2) Other

#### 1. Quarterly information for the fiscal year under review

(Cumulative)	Q1	Q2	Q3	Full year
Revenue (millions of yen)	297,874	633,127	994,404	1,330,331
Profit before tax (millions of yen)	37,040	71,730	88,294	103,755
Profit for the period attributable to owners of the parent company (millions of yen)	26,679	50,386	61,448	75,043
Basic earnings per share (yen)	77.10	146.00	179.35	220.75

(Accounting period)	Q1	Q2	Q3	Q4
Basic earnings per share (yen)	77.10	68.87	32.76	40.97

#### 2. Material litigation, etc.

Material litigation concerning Epson is as stated in “(1) Consolidated financial statements, Notes to Consolidated Financial Statements, 38. Contingencies.”

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	September 30 March 31
Number of shares constituting one unit	100 shares
Purchase of shares of less than one unit	
Brokerage	(Special account) Mizuho Trust & Banking Co., Ltd. 3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Intermediary offices	—
Purchase fees	Amount to be determined separately as an equivalent amount to the fees incurred in brokering the purchase or sale of shares.
Posting of public notices	Public notices will be posted electronically. In the event of accidents or other circumstances preventing the electronic posting of information, such information will be made available through the Nihon Keizai Shimbun newspaper (Japanese) Public notice website address <a href="https://kmasterplus.pronexus.co.jp/main/corp/6/7/6724/index.html">https://kmasterplus.pronexus.co.jp/main/corp/6/7/6724/index.html</a> (Japanese)
Benefits for shareholders	Not applicable.

(Note) As stipulated in the Company's Articles of Incorporation, holders of shares of less than one unit have no rights other than the right to make demands in accordance with the provisions of Article 189 Paragraph 2 and Article 166 Paragraph 1 of the Companies Act and the right to receive an allotment of shares for subscription and an allotment of share options for subscription in accordance with the number of shares held.

**VII. Reference Information of Reporting Company****1. Information about parent of reporting company**

The Company does not have a parent company.

**2. Other reference information**

The following documents have been filed in the period between the first day of the current business year and the filing date of the Annual Securities Report.

- |  |   |
|--|---|
| (1) Securities Registration Statement (disposal of treasury shares as restricted stock compensation) and attached documents  | Filed to Director-General of Kanto Local Finance Bureau on June 28, 2022  |
| (2) Annual securities report and attached documents, and Written confirmation<br><br>Business year: 80th term (from April 1, 2021 to March 31, 2022)   | Filed to Director-General of Kanto Local Finance Bureau on June 29, 2022  |
| (3) Internal control report<br><br>Business year: 80th term (from April 1, 2021 to March 31, 2022)   | Filed to Director-General of Kanto Local Finance Bureau on June 29, 2022  |
| (4) Amendment to Securities Registration Statement and attached documents<br><br>(Amendment to the Securities Registration Statement as (1) above)   | Filed to Director-General of Kanto Local Finance Bureau on June 29, 2022  |
| (5) Current reports<br><br>An extraordinary report based on the provision of Article 19 Paragraph 2 Item 9-2 (matters requiring a resolution of a shareholders' meeting) of the Cabinet Office Order on Disclosure of Corporate Affairs. | Filed to Director-General of Kanto Local Finance Bureau on July 1, 2022   |
| (6) Amendment to Securities Registration Statement and attached documents<br><br>(Amendment to the Securities Registration Statement as (1) above)   | Filed to Director-General of Kanto Local Finance Bureau on July 1, 2022   |
| (7) Share Buyback Report<br><br>For the month of June 2022 (from June 1, 2022 to June 30, 2022)  | Filed to Director-General of Kanto Local Finance Bureau on July 8, 2022   |
| (8) Quarterly securities report, and Written confirmation<br><br>First quarter of the 81st term (from April 1, 2022 to June 30, 2022)  | Filed to Director-General of Kanto Local Finance Bureau on August 2, 2022 |
| (9) Share Buyback Report<br><br>For the month of July 2022 (from July 1, 2022 to July 31, 2022)  | Filed to Director-General of Kanto Local Finance Bureau on August 5, 2022 |

- (10) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
September 7, 2022  
For the month of August 2022 (from August 1, 2022 to August 31, 2022)
- (11) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
October 7, 2022  
For the month of September 2022 (from September 1, 2022 to September 30, 2022)
- (12) Amended Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
October 20, 2022  
(Amendment report for the Share Buyback Reports as (9), (10) and (11) above)
- (13) Quarterly securities report, and Written confirmation  
Filed to Director-General of  
Kanto Local Finance Bureau on  
November 1, 2022  
Second quarter of the 81st term (from July 1, 2022 to September 30, 2022)
- (14) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
November 8, 2022  
For the month of October 2022 (from October 1, 2022 to October 31, 2022)
- (15) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
December 7, 2022  
For the month of November 2022 (from November 1, 2022 to November 30, 2022)
- (16) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
January 12, 2023  
For the month of December 2022 (from December 1, 2022 to December 31, 2022)
- (17) Quarterly securities report, and Written confirmation  
Filed to Director-General of  
Kanto Local Finance Bureau on  
February 2, 2023  
Third quarter of the 81st term (from October 1, 2022 to December 31, 2022)
- (18) Share Buyback Report  
Filed to Director-General of  
Kanto Local Finance Bureau on  
February 3, 2023  
For the month of January 2023 (from January 1, 2023 to January 31, 2023)
- (19) Current reports  
Filed to Director-General of  
Kanto Local Finance Bureau on  
February 21, 2023  
An extraordinary report based on the provision of Article 19 Paragraph 2 Item 9 (change to the representative director) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(20) Share Buyback Report

Filed to Director-General of  
Kanto Local Finance Bureau on  
March 2, 2023

For the month of February 2023 (from February 1, 2023 to February 28, 2023)

(21) Share Buyback Report

Filed to Director-General of  
Kanto Local Finance Bureau on  
April 11, 2023

For the month of March 2023 (from March 1, 2023 to March 31, 2023)

(22) Share Buyback Report

Filed to Director-General of  
Kanto Local Finance Bureau on  
May 2, 2023

For the month of April 2023 (from April 1, 2023 to April 30, 2023)

(23) Share Buyback Report

Filed to Director-General of  
Kanto Local Finance Bureau on  
June 2, 2023

For the month of May 2023 (from May 1, 2023 to May 31, 2023)

(24) Securities Registration Statement (disposal of treasury  
shares as restricted stock compensation) and attached  
documents

Filed to Director-General of  
Kanto Local Finance Bureau on  
June 27, 2023

Part 2. Information About Reporting Company's Guarantor, Etc.

Not applicable.

## Report of Independent Auditors

## Independent Auditor's Report

The Board of Directors  
Seiko Epson Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Seiko Epson Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Deferred Tax Assets	
Description of Key Audit Matter	Auditor's Response
<p>Seiko Epson Corporation (the Company) recorded deferred tax assets of 31,932 million yen (2% of total assets) in the consolidated statement of financial position as of the current fiscal year end and as described in Note 16 Income Taxes to the consolidated financial statements, deferred tax assets before offsetting against deferred tax liabilities was 68,935 million yen.</p> <p>The Company takes account of all significant</p>	<p>We mainly performed the following procedures to assess the recoverability of deferred tax assets.</p> <ul style="list-style-type: none"> <li>We understood and assessed processes of developing the business plan for a basis of the estimate of future taxable income. We also assessed the precision level of the business plan for the future taxable income by evaluating the consistency of the assumptions used in the business plan with those used in</li> </ul>

<p>temporary differences, the expected future taxable income and the period in which carryforward of unused tax losses might expire, and recognizes deferred tax assets for all deductible temporary differences and the carryforward of unused tax losses to the extent that it is probable that future taxable income will be available against which they can be utilized.</p> <p>The recoverability of deferred tax assets is primarily based on the estimate of future taxable income by management. The estimate is based on the business plan classified by business areas such as “growth areas,” “mature areas” and “new areas” in accordance with the Company’s long-range corporate vision “Epson 25 Renewed,” and the Company primarily uses the following significant assumptions in the business plan.</p> <ul style="list-style-type: none"> <li>• A projected revenue growth in growth areas (office printing, commercial &amp; industrial printing, printhead sales, and production systems)</li> <li>• A feasibility of the planned structural changes and maintaining and increasing revenue in mature areas (home printing, projection, watches, and microdevices)</li> </ul> <p>In addition to the above, the planned measures in cost controls and reductions in each business areas are reflected on the business plan.</p> <p>These assumptions involve uncertainty, as they largely depend on external environment such as market competitions in the same industry, uncertainty in the global economy, natural disasters and fundamental changes in society. They are also affected by the subjectivity inherent in management forecast. Therefore, we determined it to be a key audit matter.</p>	<p>other accounting estimates and performing a trend analysis with comparing the estimate of the taxable income with actual results for the previous fiscal years.</p> <ul style="list-style-type: none"> <li>• We compared the market trends embedded in the business plan and the Company’s market share with publicly available market related data such as market forecast reports published by external organizations to assess whether the projected growth in revenue in growth areas and maintaining and increasing revenue in mature areas, which are the significant assumptions included in the business plan, are reasonable.</li> <li>• We inquired the specifics of the planned measures and inspected related documents to assess whether the feasibility of the planned structural changes in mature areas and the planned measures in cost controls and reductions in each business areas is reasonable.</li> <li>• With an involvement of the tax specialists of our network firm, we evaluated the accuracy of the amount of the temporary differences and the carryforward of unused tax losses by recalculating. We also reviewed scheduling of the reversals of the existing temporary differences and the utilizations of the carryforward of unused tax losses by recalculating and agreeing to related documents.</li> </ul>
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**Other Information**

The other information comprises the information included in the Annual Securities Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of 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 the Group's ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are 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 issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC  
Tokyo, Japan

June 27, 2023

/s/ Makoto Usui  
Designated Engagement Partner  
Certified Public Accountant

/s/ Yoshiyuki Sakuma  
Designated Engagement Partner  
Certified Public Accountant

/s/ Ryuichi Minami  
Designated Engagement Partner  
Certified Public Accountant

# EPSON

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