

Strengthening Governance

Dialogue Between Institutional Investors and Outside Directors

Using Shareholder Feedback to Enhance Corporate Value

In February 2024, we hosted a fourth discussion between institutional investors and all six of our outside directors. In FY2021 and FY2022, the discussions were held online, but this year's event was face-to-face. During the event, both the institutional investors and the outside directors engaged in a lively debate on the theme of "Management at Epson: Present and Future."



Outside Directors (As of 2024/2)



Mari Matsunaga
Outside Director



Tadashi Shimamoto
Outside Director



Masaki Yamauchi
Outside Director



Yoshio Shirai
Outside Director,
Audit & Supervisory
Committee Member



Susumu Murakoshi
Outside Director,
Audit & Supervisory
Committee Member



Michiko Ohtsuka
Outside Director,
Audit & Supervisory
Committee Member

Participating Institutional Investors

Asset Management One Co., Ltd.

Megumi Sakuramoto
Executive ESG Analyst, Stewardship Group,
Investment Division

Nomura Asset Management Co., Ltd.

Yuki Onohara
Corporate Research Group,
Global Research Department

BlackRock Japan Co., Ltd.

Akitsugu Era
Investment Stewardship Managing Director

Sumitomo Mitsui Trust Asset Management Co., Ltd.

Yasushi Mukohata
Senior Stewardship Officer, ESG Research and Development Office,
Stewardship Development Department

Resona Asset Management Co., Ltd.

Mikio Matsuda
General Manager, Responsible Investment Division

Moderator

Response Ability, Inc.

Naoki Adachi
CEO

(Titles and positions at the time discussions took place)

Topic

Messages from the New
Outside Directors

Adachi I would like to begin by hearing from the two outside directors who joined the board this year. Shimamoto-san and Yamauchi-san, what were your first impressions upon joining the board and what roles do you see yourselves playing on the board?

Shimamoto I felt delighted to join the board of a company that had won the Corporate Governance of the Year 2023. However, while Epson excels in corporate governance, its price-to-book ratio (PBR) is less than 1.0 (PBR was 0.9 at the end of the third quarter). Employees are passionate and devoted to the success of their division, but they are not so good at collaborating across divisional boundaries. That might explain why the PBR remains below 1.0. I want to help Epson build company-wide solidarity, whereby employees collaborate with other divisions instead of just devoting themselves to their own divisions.

Yamauchi After joining the board and hearing from different people, I was struck by the formidable resources Epson has at its disposal, with its internationally acclaimed technology and engineers. I do feel, though, that Epson remains stuck in the product-oriented mindset of the past—the idea that you can just focus on making a good product and the sales and growth will naturally follow. My mission as an outside director is to share insights from my professional experience about how Epson can leverage its resources with a more market-oriented approach.

Topic

Discussions and
Atmosphere of the Board

Adachi Have you observed any changes in the board discussions and atmosphere?

Shirai Epson is very product-oriented, and it was even more so when I first joined the board eight years ago. In those days, most boardroom discussions revolved around technology. Sales were rarely discussed. The prevailing attitude was that if the technology is good, the product will be good—and if the product is good, it will sell. Board members are now beginning to realize that this view restricts the company's field of vision. We increasingly discuss software and digital transformation for increasing contact with users. Another positive change is that the board now invites executive officers (heads of business units and sales divisions) to attend board meetings. The input from executive officers enables deeper discussions of various topics. I've noticed especially much more discussion about how the company can address societal issues and what environmental initiatives it could launch.

Matsunaga I've noticed that change too, Shirai-san. Epson was very technology-oriented when I first joined the board eight years ago. Slowly but surely, it has started to care about what happens after the product is sold. Mind you, Epson is a little weak at translating its technology into new commercial ventures. Also, it still must do more to broadcast to the market its environmental initiatives, including its innovative environmental technology and the fact that it has achieved its 100% renewable electricity goal. Over the eight years, I made it my mission to showcase the importance of diversity initiatives. I'm happy to say that attitudes have shifted, with the company promoting women much more than before.

Dialogue Between Institutional Investors and Outside Directors

Topic

Actions to Increase Corporate
Value

Era Foreign investors and markets are increasingly interested in the efforts of Japanese companies to improve their PBR. I really want to see Epson becoming more of an international success. That will require a more market-oriented approach, one that considers how to put the strategy into action and how to make markets aware of what you are doing. I'd avoid rushing to get PBR above 1.0. It would be better to invest in growth initiatives that will improve capital efficiency and to use corporate disclosures to build long-term value for shareholders and investors. Epson will then have better relationships and more constructive dialogue with markets.

Sakuramoto In general, Epson has made great strides in ESG disclosures. One concern I have, though, is time horizon. ESG initiatives typically involve long time horizons, which makes them great for including in a long-term vision. The problem is that Epson's long-term vision ends in 2025, meaning that its ESG commitments extend only to the immediate future. Another concern is board effectiveness. According to the Corporate Governance Report, the evaluation of board effectiveness revealed issues in ability to put strategies into



action and in speed of doing so. At a time when Epson should be building its prospects for future profit growth, the board is being a little slow-footed. I'm curious to know what the outside directors think about this.

Mukohata It is Epson's people who create its sources of competitive advantage—its efficient, compact, and precise technologies—and who create the company's value. Epson will need to give an account of how its human capital initiatives are contributing to the company's value, the human capital metrics it uses, and whether they are quantitative. It will also need to show whether it is running an annual PDCA cycle of continuous improvement. If any aspect is not being improved in this cycle, Epson should reveal what the problem is and how it is addressing the problem. Such corporate accountability will benefit the company. I'm not saying that Epson needs to brief us on every single initiative. Rather, Epson should present an overall strategy and story conveying what challenges and tasks it faces and



what actions it will take to build its value. This story should include the future threats to Epson's growth. Examples include how the trend to go paperless might threaten Epson's printer-centric business portfolio. The story should also look to future strategies beyond 2025 that will address the future threats.

Matsuda It's true that the PBR is now below 1.0, but in the years ahead I'll be comparing Epson's performance with its peers in terms of stock price and business practices. I'll be keeping a particularly close watch on Epson's governance practices and how they contribute to building the company's value.

Onohara As an investor, I feel impressed by Epson's environmental performance and technology. But I'm interested in how these assets translate into products and services. I'm also interested in how, and in what regions, Epson showcases these assets to consumers. I'd like to hear the details of how you communicate these matters with the executives.



Yamauchi I feel exactly the same. Epson has formulated a value creation story and corporate purpose, but it still lacks clarity on the kind of customer value it should be creating with its technology, who to deliver this value to, and how this will contribute to the company's long-term value. As outside directors, we must keep pushing the executives to clarify these details and ensure that all board members are tracking progress using quantitative data. I share your sense of concern raised by the investors and will be pushing further action on this with a sense of urgency.

Ohtsuka Mukohata-san, you mentioned quantitative assessment. I agree about the need to quantitatively track the progress of its initiatives, and Epson has started to do so. One example is supply-chain emissions. Epson is piloting an initiative in which it analyzes CO₂ emissions data from a sample of suppliers to see the amounts of reduction in the emissions. Such quantitative tracking is very cumbersome, but Epson should waste no time in collecting quantitative data and publicizing the findings. I'd also like to mention human capital. Epson has made headway in diversity, equity, and inclusion (DE&I). In Japan, very few management roles are occupied by women, whereas the rate is much higher in other countries. The low share of women managers in Japan is partly a product of

Dialogue Between Institutional Investors and Outside Directors

longstanding corporate culture and of factors particular to Japan. But Epson is a global company. Although headquartered in Japan, Epson should adopt good practices from overseas and increase the rate of women managers. Epson has appointed foreigners as executive officers. The company is getting better at hiring diverse candidates based on talent and merit and not on tokenism (hiring a few women, foreigners, or people with disabilities to create a superficial appearance of diversity).

Matsunaga When I visit and inspect Epson's workplaces, I hold dialogues there. Last year, I visited the Singapore office and held a dialogue with the second-highest-ranking executive, who was a woman. In the USA office too, a woman serves as the second-highest-ranking executive. In the Philippines sales office, a woman holds the top spot. These examples illustrate the extent of diversity overseas. Workplaces in Japan could do with some more DE&I.

Topic Promoting Horizontal Collaboration

Shirai At the start, Shimamoto-san mentioned the problem of sectionalism. When employees focus excessively on their division or business unit, they miss opportunities for horizontally developing mutually beneficial assets such as customer touch points and sales channels. This year, Epson established a slicker framework for strategic decision-making. We regularly meet to discuss how different sections of the company can combine their forces and drive the overall growth of the company. Epson's printing business is strong. Its customer touch points, sales channels, and experience should be deployed in other business units too. Among Epson's business units, the printing business is leading the way in digital transformation (DX). Epson's DX Division should accumulate the printing business's knowledge and experience in DX initiatives so that they can be applied in other business units. This approach would help Epson as a whole make headway in DX.

Sakuramoto When it comes to combating sectionalism and promoting DX, what works for one company might not work for another. But it seems that the outside directors here have a strong sense of what needs to be done in Epson's case. I'm confident that you'll be successful in your endeavors.

Shimamoto Right. A company is led not so much by the president alone but rather by the top-level team around the president. The team should always be exchanging ideas about what the company needs to be successful. Shirai-san just mentioned the new framework for strategic decision-making. We pressed the management to act, and strategic decision-making is now a lot slicker. I feel very optimistic that the new framework will deliver excellent results.

Era So, you felt that decision-making was too slow at first. Where was the bottleneck?

Yamauchi Key to streamlining decision-making is having a framework. That is what Epson lacked. To fix this problem, we went even further than we normally did in advising the management on the specifics. As a result, a framework is now in place and decisions are made much quicker.

Matsuda The results of the last assessment of board effectiveness highlighted a lack of speed. When I read the next Integrated Report, I'll be interested to see how this issue has been rectified.



Topic Business Continuity Planning

Sakuramoto As the Noto earthquake on New Year's Day exemplifies, Japan is a disaster-prone country. A megaquake would have devastating effects on biodiversity, compounding the effects of climate change. In Japan, business continuity planning is crucial. What risks are you managing in your business continuity planning?

Shirai Epson recognizes the importance of business continuity planning. The board of directors regularly clarifies what would happen in a range of disaster scenarios, including an earthquake or flood. Immediately after the Noto earthquake struck, we received a report from the president detailing the extent to which Epson's suppliers in the region were affected.



Sakuramoto Thanks. Remember that a company can only gain recognition for its internal initiatives when it communicates them to the outside. Epson should provide plenty of corporate disclosures so that investors will appreciate just how much the company is doing.

Shirai Good point. I'll urge the company to do so.



Asset Management One Co., Ltd.

Megumi Sakuramoto

Executive ESG Analyst, Stewardship Group,
Investment Division

Closing Thoughts from
an Institutional Investor

Engaging in Dialogue

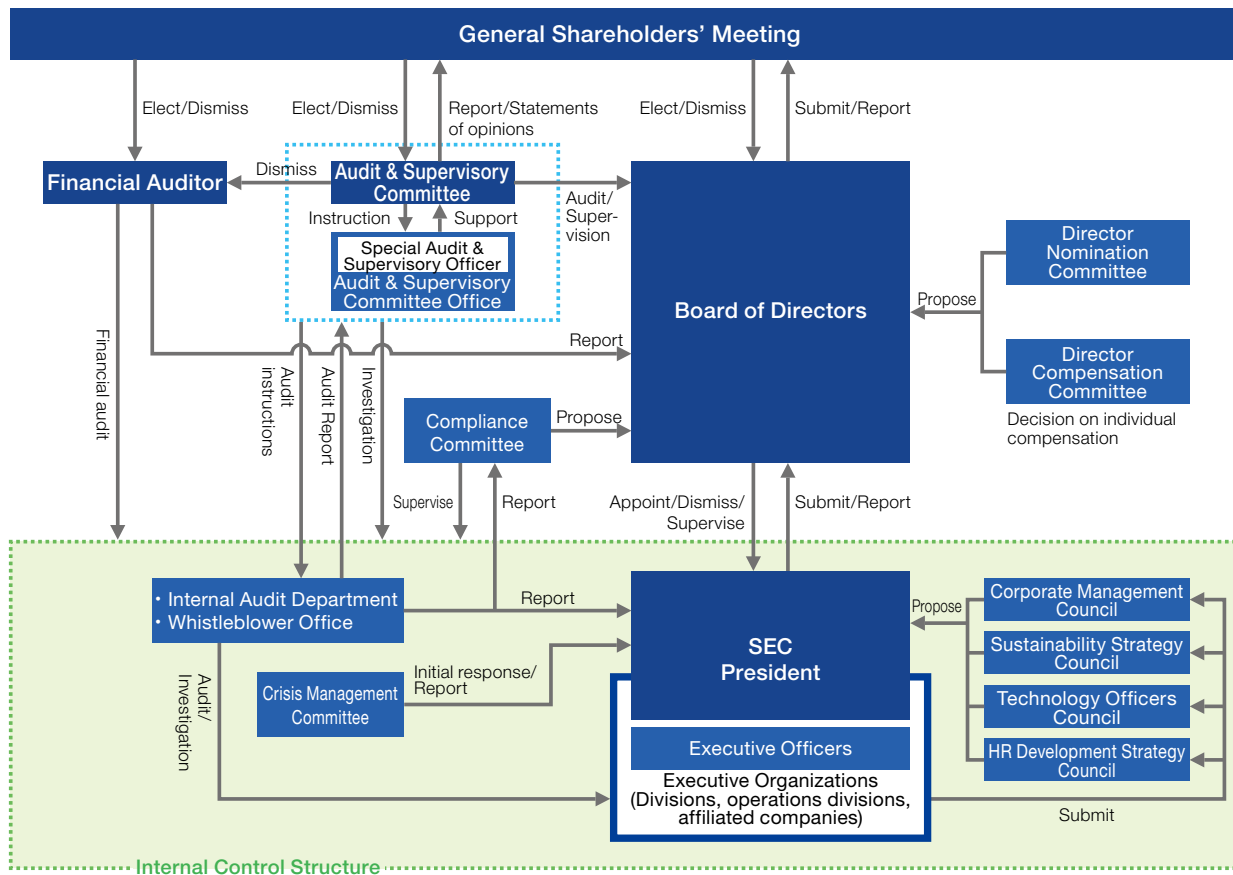
I'm grateful that Epson organized another dialogue this year. Epson allows all of its outside directors to speak their minds frankly in dialogues, which is very commendable. By attending a dialogue like this one, you get a sense of the company's atmosphere, something you could scarcely get from the Corporate Governance Report or Integrated Report. As such, it is very useful for forming an evaluation of the company. In my conversations with outside directors, I have noted certain commonalities in companies that are receptive and eager to engage with you, as is the case with Epson. Such companies tend to identify the issues they must address, act with confidence, and present an optimistic vision of the future. I trust that the outside directors will draw upon their expertise and insights when participating in board meetings to help build the value of the company. Thanks again for today.

Corporate Governance

Basic Principles

We seek to achieve the Corporate Purpose, a statement of our reason for being and our aspirations. The Purpose is based on the Epson Way, which is founded on our Management Philosophy and EXCEED YOUR VISION and sets forth our values and expectations regarding behavior. To promote sustainable growth and increase corporate value over the long term, we continuously work to enhance and strengthen corporate governance that ensures transparent, fair, timely, and resolute 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.

Corporate Governance System



Epson Named a Winner Company for Corporate Governance of the Year® 2023

This awards program was launched in FY2015 as one of the Japanese government's economic growth strategies. It is intended to drive the earning power of Japanese companies and to give a boost to companies that are leveraging corporate governance to achieve sound growth over the medium and long term. Reasons given for choosing Epson included the fact that outside directors can peruse documents pertaining to matters such as mid-range strategies discussed at Corporate Management Council by executive officers and executive officer candidates. Epson also systematically ensures that outside directors can see succession candidates. Encouraged by this award, Epson will further strengthen our corporate governance system as a foundation for growth.



Actions to Ensure Board Effectiveness

Summary of Actions to Evaluate Board Effectiveness

Seiko Epson seeks to continuously enhance the effectiveness of its board of directors pursuant to its Corporate Governance Policy. Toward this end, Seiko Epson has been analyzing and evaluating the effectiveness of its board of directors every year since FY2015 based on a self-evaluation questionnaire that all board members complete.

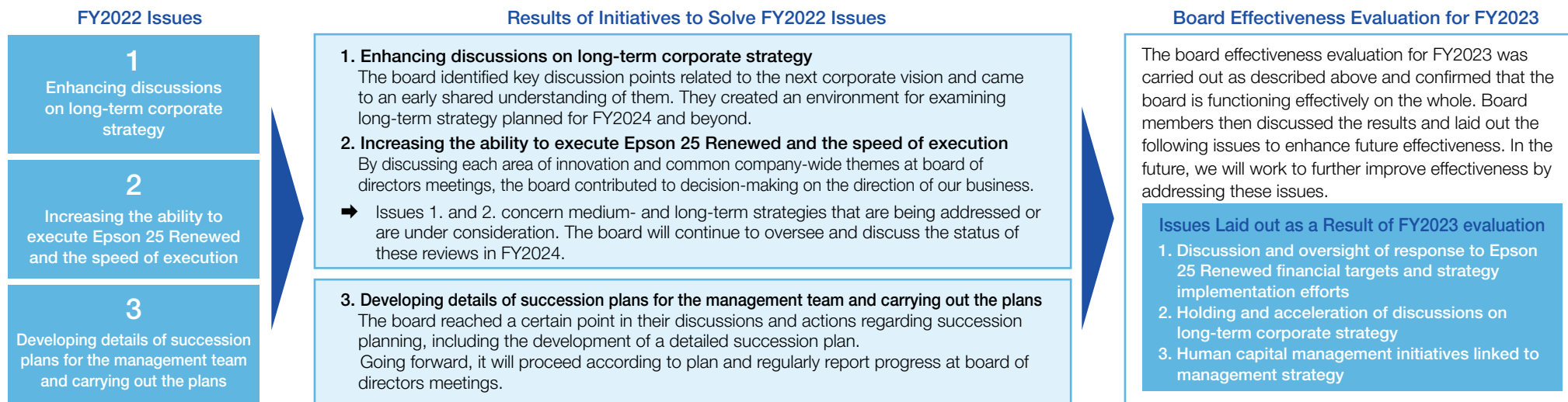
To ensure objectivity, in FY2023 an independent firm was used to evaluate and provide feedback about each step in the process, from creating a questionnaire to analyzing and evaluating the answers.

Topics on the Board Effectiveness Evaluation Questionnaire for FY2023

- ① Composition of the board of directors and how it is positioned
- ② Operation of the board of directors
- ③ Discussions of the board of directors
- ④ Board of directors monitoring function
- ⑤ Directors' activities (self-evaluation/roles and activities of directors, etc.)
- ⑥ Training
- ⑦ Dialogue with shareholders (investors)
- ⑧ Functions and operations of advisory bodies to the board (the Director Nomination Committee, Director Compensation Committee, and Compliance Committee)
- ⑨ Summary (effectiveness of the board of directors) and free comments

Issues and Results of Initiatives Based on Evaluation of Board Effectiveness

Issues addressed during the board effectiveness evaluation for FY2022 and results of initiatives to solve them were as shown below. The results of the evaluation showed that the board of directors as a whole is functioning effectively.



Discussions of the Board

There were 13 meetings of the Epson board of directors in FY2023. The board discussed the themes and points to be the focus of discussion in FY2023 and deliberated throughout the year on progress and strategies in each area of innovation in order to achieve Epson 25 Renewed. Other issues discussed included capital costs, efforts to achieve management that is conscious of stock price, results of dialogue with shareholders, and management succession planning.

In addition to discussions at board of directors meetings, we have introduced a system enabling free discussion by board members starting with the early stages of examining important management themes. This is to enhance the strategic function of the board of directors. In FY2023, the directors discussed the next long-term strategy and how to improve the effectiveness of the board.

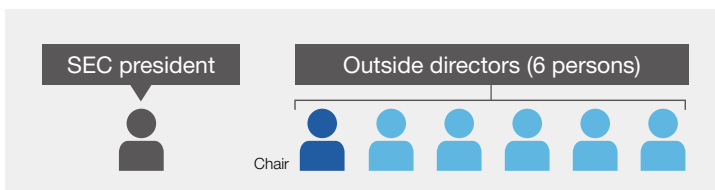
Audit & Supervisory Committee Effectiveness Evaluation

The effectiveness of the Audit & Supervisory Committee has been evaluated to improve audits and corporate governance since 2017. To evaluate committee effectiveness, Audit & Supervisory Committee members quantitatively score themselves on standard items on a questionnaire and provide free comments. The committee then discuss ways to improve effectiveness based on the results.

It has been standard practice since FY2019 to share the findings of effectiveness evaluations with the board of directors. The effectiveness evaluations are also used as the basis for recommendations for improving internal control and corporate governance.

Director Nomination Committee

Organization



Roles

The purpose of the committee is to fairly deliberate on the selection of candidates for company officers (directors, executive officers, and special audit & supervisory officers) and the dismissal of officers through a process that ensures transparency and objectivity. Its purpose is also to evaluate and supervise the status and issues of the development of successors for officers, as well as the succession plan created by the president. The committee chair is elected from among the outside directors.

Number of Meetings, Issues Discussed

Meetings: 15 (from April 2023 to the June 2024 general shareholders' meeting)

Issues discussed

- Succession plans for the president and representative director
- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Outside director candidates
- The skill matrix, etc.

Board Composition

Officers are selected in light of our selection criteria and the roles we expect them to play, as determined by the company based on our Corporate Governance Policy. Selection also considers the need for diversity.

Our vision of a medium- and long-term direction guides our deliberations on the composition of the board. At the general shareholders' meeting in June 2024, we appointed three new directors who would serve concurrently as executive officers just as two inside directors were stepping down. This was based on our judgment that adding executive officers to the board who have considerable insight and supervisory capabilities in both the business and corporate domains will enable them to put their knowledge to work on the board and contribute to the company's future business growth and sustained enhancement of corporate value. As a result, the board of directors now has five inside directors (including one who is also an Audit & Supervisory Committee member), an increase of one, and six outside directors (including three who are also Audit & Supervisory Committee members). Outside directors have made up a majority of the board of directors since the general shareholders' meeting in June 2023. In addition, outside directors have been a majority of the Director Nomination Committee since June 2016, when we became a company with an Audit & Supervisory Committee. We will continue to review the compositional balance of the board of directors in future.

Succession Plans for the President and Representative Director

Review began in 2020, when the current president took office, and then the roadmap was given greater detail and fleshed out. Personnel requirements were revised by the board and disclosed externally in FY2021 after much time and deliberation with input from outside directors.

Succession planning is a process whereby the president drafts a list of a number of candidates and their professional development based on the results of the human resources review of management and human resource requirements. This is followed by deliberation by the Director Nomination Committee and final discussion and resolution by the board of directors. During these deliberations, progress reports are provided as appropriate, and candidates are selected through a process of evaluation, narrowing down, and replacement. Succession planning assumes multiple changeover periods, including those in emergency situations. Plans are established and effected from the perspective of a team that includes the personnel who manage the company together with the president.

For the sake of medium- and long-term planning and responsibility for implementation, the candidate starts participating from the planning stage as a member of the team responsible for management. Training necessary for each candidate's individual career is provided, which includes appointments to these important management roles.

Selection of Outside Directors and Providing Information

Selection of Outside Directors

We appoint a well-balanced group of diverse individuals as outside directors who meet the "Criteria for Independence of Outside Directors." Appointments take our skills matrix into account and are based on our Corporate Governance Policy. When making selections, the Director Nomination Committee deliberates in light of the following three major expectations of directors and then reports to the board of directors.

- (1) Expectation to contribute as an experienced manager
- (2) Expectation to contribute based on their expertise
- (3) Expectation to contribute from the perspective of diversity

We take multiple opportunities to contact potential candidates to learn not only general background information, but also how they think. This is used as basic information for our selection process.

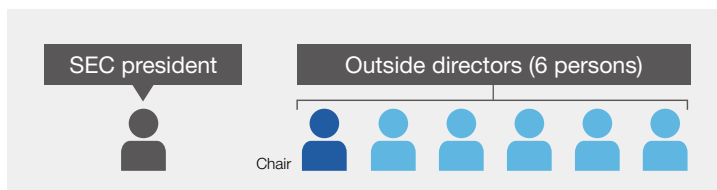
Providing Information to Outside Directors

We provide opportunities for outside directors to deepen their understanding of the company's management, governance, and business characteristics so that they can adequately fulfill their supervisory functions. When they are first appointed, we brief them on our business in overview, our strategy, and so on. Thereafter, we support their efforts to gain the knowledge they need. During the fiscal year under review, the heads of divisions and businesses gave briefings and site tours, among other opportunities to learn.

In addition, outside directors may ask for explanation or reports from executive directors, executive officers, and employees, or request internal documents whenever needed. There are systems in place for outside directors to work with the Audit & Supervisory Committee and get support from the department serving as the board of directors secretariat so that directors are better able to gather information without it affecting their independence.

Director Compensation Committee

Organization



Roles

The committee's purpose is to plan and review the compensation system and internal regulations for the company's officers (directors, executive officers, and special audit & supervisory officers), and to fairly deliberate on the amount of compensation to individual officers through a process that ensures transparency and objectivity. In addition, the Director Compensation Committee is mandated by the board of directors to determine the amount of compensation to individual directors who are not Audit & Supervisory Committee members, among other tasks. The committee chair is elected from among the outside directors. The maximum amount of compensation for directors is determined by resolution of shareholders.

Number of Meetings, Issues Discussed

Meetings: 12 (from April 2023 to the June 2024 general shareholders' meeting)

Issues discussed:

- Individual base compensation, payment coefficient for bonuses, and individual bonuses
- Assignment coefficient, number of shares allocated, and amount of monetary compensation claims under the restricted stock compensation plan
- Renewal of liability insurance for officers, etc., conclusion of corporate indemnity agreements and liability limiting agreements, etc.

Officer Compensation Policy

Compensation for executive officers

1. Compensation shall incentivize and reward officers for sustaining growth and increasing long-term corporate value.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.
3. It shall be commensurate with period performance so that officers can demonstrate their managerial capabilities.
4. It shall clearly reflect the relationship between officer compensation and the company's share price and a strong sense of shared interest with shareholders.
5. The compensation scheme shall have built-in mechanisms to dissuade fraud and other forms of misconduct.
6. The process for determining compensation shall be transparent, objective, and fair.

Compensation for non-executive officers

1. The composition of compensation shall guarantee independence so that they can exert their function.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.

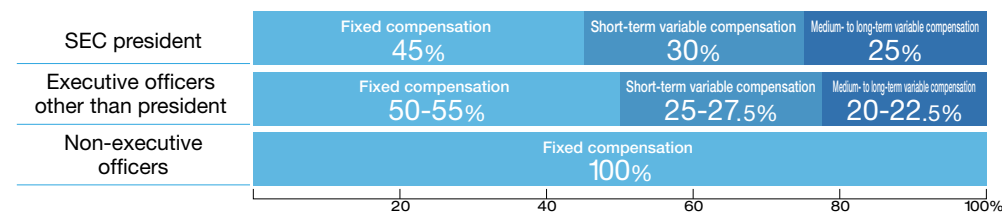
Compensation Structure

Officer compensation at the Company consists of base compensation (which is fixed), bonuses (which are variable in the short term), and restricted stock compensation (which is variable over the medium to long term). Directors who do not have executive duties receive only base compensation (which is fixed) because their role is to generally supervise management from a perspective that is independent from executive functions.

Officer Compensation System

Composition of Compensation

The compensation mix varies depending on the individual's position and the size of his or her role and assigned duties (this is called the "role grade").



How Compensation Is Calculated

Fixed compensation	"Base compensation" is monetary compensation paid each month. It is determined by the individual's position and role grade. Base compensation may be raised or lowered by the board of directors if warranted by Company performance or for other reasons.		
Short-term variable compensation	"Bonus" is monetary compensation paid once a year. By its nature, it is a short-term incentive and evaluates the individual's performance indicators and the degree to which they achieved their personal objectives in a single fiscal year.		
	$\text{Standard bonus (Total compensation for the year x bonus ratio)} \times$	$\text{Degree of achievement with respect to the corporate ROE target}^{1,4} (0\% - 200\%) \times$	$\text{Degree of achievement of personal objectives} (60\% - 140\%)$
	¹ The corporate ROE used for the performance indicator is 6.6% (the FY2023 result).		
Medium- and long-term variable compensation	"Restricted stock compensation" is non-monetary compensation paid once a year. It is designed to provide greater incentive to increase the share price, sustain growth, and increase long-term corporate value. A number of shares equivalent to the following amount is allocated.		
	$\text{Standard stock compensation (Total compensation for the year x stock compensation ratio)} \times$	$\text{Degree of achievement with respect to the corporate ROIC target}^{2,4} (80\% - 120\%) \times 50\%$	$+ \text{Degree of achievement of sustainability objectives}^3 (80\% - 120\%) \times 50\%$
	² The corporate ROIC used for the performance indicator is 7.0% (the FY2022 result).		
	³ In FY2023, the degree of achievement of sustainability objectives was determined by the degree of achievement of the following five KPI objectives for the year. The degree of achievement was 90%. <ul style="list-style-type: none"> •Scopes 1 and 2 GHG emissions reduction ratio •Scope 3 GHG emissions (per unit of business profit) reduction ratio •CSR risk level at suppliers •Female manager ratio; 1 or more female executive officers by FY2025 (Japan) •Number of serious compliance violations 		
	⁴ Coefficients may be amended after deliberation by the Director Compensation Committee in the event of any variability factors that need to be considered. If so, the board of directors shall pass a resolution on the matter. (See P25, Key Sustainability Topics and KPIs)		

Total Amount of Compensation (FY2023)

(Millions of yen)

Director category	No. of individuals paid	Base compensation	Bonus	Restricted stock compensation	Total
Directors who are not Audit & Supervisory Committee members (amount accounted for by outside directors)	8 (4)	189 (39)	31 (-)	41 (-)	262 (39)
Directors who are Audit & Supervisory Committee members (amount accounted for by outside directors)	4 (3)	82 (49)			82 (49)
Total	12	272	31	41	345

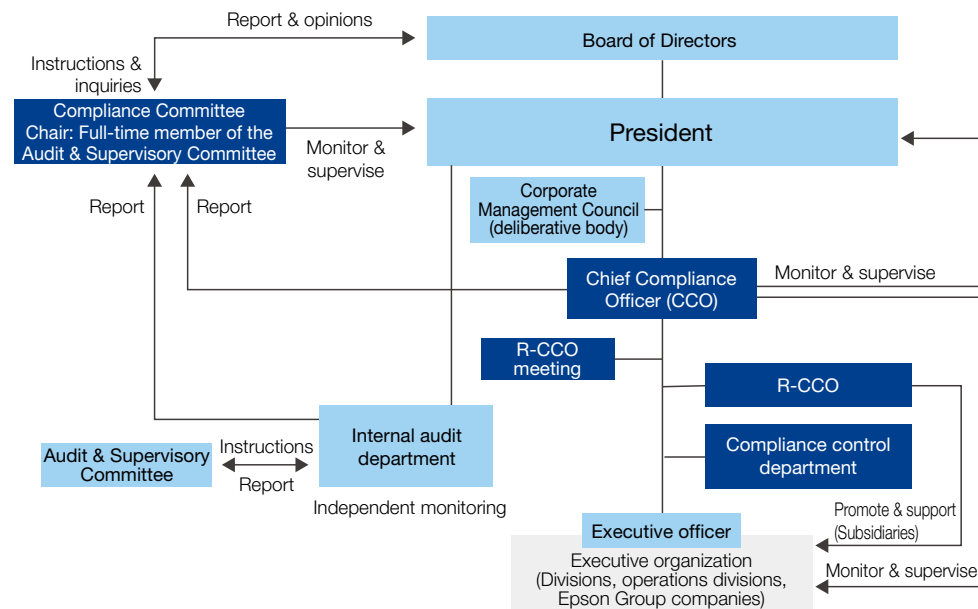
Compliance

Epson's goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the "Epson Way." To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness and effectively manage compliance through faster decision-making. There were no legal or regulatory violations subject to disclosure in FY2023, nor were there fines or settlements subject to reporting in audited financial statements.

Compliance Organization

As an advisory body to the board of directors, the Compliance Committee is made up of six outside directors and one director who is a full-time member of the Audit & Supervisory Committee. It is chaired by the full-time member of the Audit & Supervisory Committee, and supervises and monitors business affairs by discussing important compliance activities and making reports and suggestions to the board of directors. The Chief Compliance Officer (CCO) supervises and monitors the execution of all compliance operations and periodically reports the state of compliance affairs to the Compliance Committee. Under the supervision of the president, the compliance control department globally promotes and enforces compliance in cooperation with businesses and subsidiaries. It monitors compliance in general and, if necessary, makes corrections and adjustments to enhance the completeness and effectiveness of compliance activities.

■ Compliance Organization Chart



Compliance Activities

Epson engages in a variety of compliance activities to ensure that we observe all applicable laws, regulations, company rules, and business ethics and meet the expectations of society. The Epson Way (comprising the Management Philosophy, Principles of Corporate Behavior, and the Epson Global Code of Conduct) represents the shared values and expectations of conduct within the Epson Group, forming the foundation for our compliance efforts. To deeply root compliance awareness and ensure effectiveness, we have translated the Epson Global Code of Conduct into 17 languages. In addition, we provide a wide range of compliance training that includes online courses and rank-specific training given by internal and external instructors. October is Compliance Month at Epson. One of the things we do across the global Epson Group during the month is to remind employees of the Epson Way, the foundation on which our business activities rest, and urge them to maintain high ethical standards. We raise compliance awareness by having the chief compliance officer and the heads of our business units and subsidiaries issue compliance messages, familiarizing employees with the Epson Global Code of Conduct, giving compliance training, and conducting a compliance awareness survey. Compliance training courses are provided at all Epson Group companies worldwide. The completion rate is nearly 100% in Japan. We also conduct a compliance awareness survey, which gives us ideas for further improvement by analyzing the results for each department and subsidiary.

Whistleblowing Systems

In Principles of Corporate Behavior and the Epson Group Whistleblowing Systems Regulation, Epson strictly controls information contained in reports and guarantees whistleblowers anonymity and protection from reprisals. We continuously review the system structure to adapt to changes in the internal and external environment, such as by establishing systems in compliance with the amended Whistleblower Protection Act that came into force in June 2022 designating persons to respond to whistleblowing reports. Whistleblowing systems have been introduced at all Group companies in Japan and overseas and are open to officers, employees, dispatch workers, external business partners, and others.¹ In Japan, we have established the Epson Helpline, which has two reporting channels: an internal channel for reporting to a party within Epson and an external channel for reporting to a third-party company. We also offer a supplier whistleblowing system to take reports and calls for advice from suppliers. For Group companies abroad, in addition to reporting channels and the supplier whistleblowing system, we have established an Epson Executive Compliance Hotline, a global reporting system that directly takes reports on compliance issues involving executives at subsidiaries outside Japan. This helps us to improve the reliability and effectiveness of the Group's reporting system. The number of reports received in Japan has been rising every year. In FY2023, 143 reports were received. All were investigated and dealt with appropriately.

¹ If the subject is human rights, reports are accepted from all stakeholders. For details, see P58, "Grievance Mechanism" in the Human Rights Initiatives section.

PICK UP

Examples of Governance at the Epson Group

Epson earns more than 80% of our revenue outside Japan, and more than 70% of our employees are located at overseas sites. For that reason, we believe that to maintain sound and sustainable corporate management, we must practice more effective governance over our overseas sales and production sites and promote autonomy at each Group company and site. On this page, we introduce initiatives designed to ensure control over the Group as a whole.

Global Compliance Activities

Epson compliance activities seek not only to prevent corporate compliance risks, but also to create and apply a discipline that allows each employee to take action with confidence in creating new value. To advance effective compliance initiatives globally under the Chief Compliance Officer (CCO), Epson has appointed Regional Chief Compliance Officers (R-CCOs), one for each of five regions of the world where we promote initiatives. Each R-CCO's area of responsibility is divided based on geographical proximity and similarities in language, law, culture, and the like. This facilitates cooperation among the staff of each company in addressing shared compliance issues. Furthermore, we boost Group-wide collaboration by holding R-CCO meetings semiannually. In the first half of 2024, the CCO visited each region to provide compliance training to each company's managers. The CCO directly emphasized the importance of compliance and engaged in two-way communication through case study-based workshop-type trainings and Q&A sessions.



R-CCO meeting at the Head Office



Training given by CCO, at Epson Singapore Pte. Ltd.

Examples of topics of discussion (March 2024 R-CCO meeting)

Topic	Content
Group-wide initiatives	Sharing FY2023 results and FY2024 action plan; development of relevant regulations at each company Report on compliance consideration survey results
Regional initiatives	Sharing initiatives of Epson America, Inc., Epson Europe B.V., Epson (China) Co., Ltd., and Epson Singapore Pte. Ltd.
Sharing examples of compliance	Cross-organizational roll-out of compliance examples; sharing and consultation on effective prevention measures

Manufacturing Company Presidents Meeting

The Group's management structure is organized into product-based divisions, each headed by a chief operating officer who takes global consolidated responsibility for that business, while the Head Office takes global responsibility for the functions it supervises. In addition to Japan, we also have production sites in China, Indonesia, the Philippines, and other Asian countries and regions, as well as in the US and UK. The Production Planning Division holds a semiannual meeting with the presidents of our manufacturing companies and the heads of relevant departments at the Head Office. Here, they discuss production operations issues, such as production control, logistics, and procurement, as well as initiatives to achieve mid-term targets. Meetings are also used to communicate matters requiring compliance. In addition to cross-Group discussions and information sharing, we roll out best practices horizontally and thereby strengthen effective management at each site.



Manufacturing Company Presidents Meeting at the Head Office

Examples of topics of discussion (March 2024 Manufacturing Company Presidents Meeting)

Topic	Content
Increasing corporate value	Initiatives to comply with RBA Code of Conduct; environmental initiatives
Strengthening manufacturing capabilities	Streamlining manufacturing costs (optimizing manufacturing labor costs), initiatives to raise productivity, initiatives to strengthen manufacturing infrastructure and parts manufacturing infrastructure, initiatives to improve Group-wide CS and quality, initiatives for Group-wide supply chain BCM
Strengthening infrastructure	Strengthening compliance, including procurement

Examples of comments from manufacturing company presidents

Initiatives to increase productivity

The automation of production lines for major models at our factory in the Philippines was the outcome of hard work with engineering support by the Head Office. We expect that more people will come and see and do something similar at their own sites.

Initiatives to strengthen manufacturing infrastructure

The manufacturing site checkup by the Head Office was very useful as an objective evaluation. As we pursue our own initiatives at our Indonesian production site, we will refer to and learn from the good examples and results of other factories.

Risk Management

Risk Management Organization

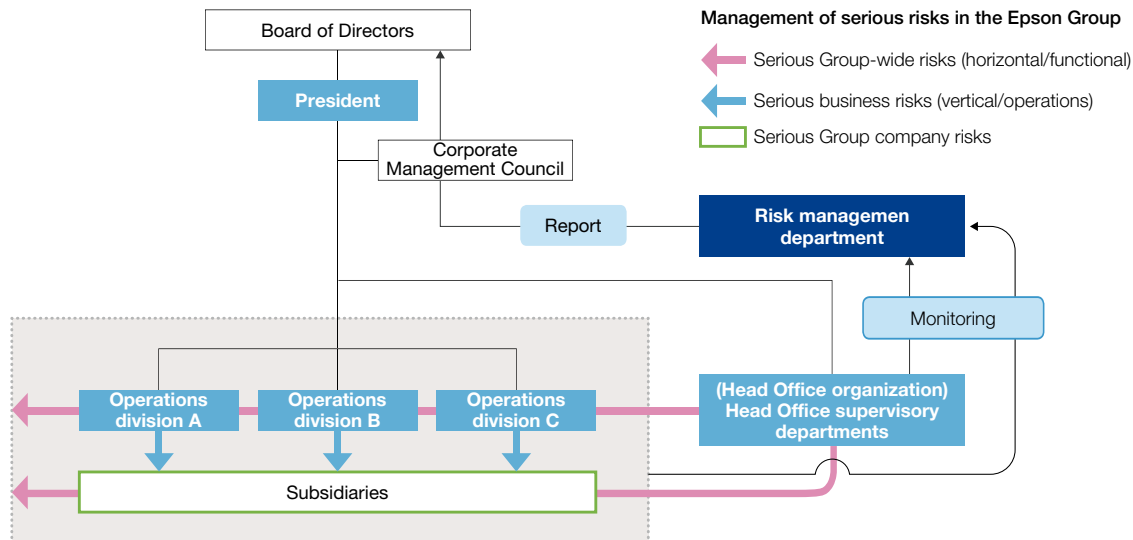
The president of Seiko Epson acts as the chief risk management officer in the Epson Group, including subsidiaries. Group-wide risks are globally managed by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the chief operating officer of that business, including at subsidiaries consolidated under them. The Seiko Epson risk management department monitors overall risk management in the Epson Group, 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 Regulation. Epson identifies business operations risks, business ethics risks, such as participation in bribery and cartels, and other serious risks that could materially impact the company. Epson evaluates these risks using the Committee of Sponsoring Organizations (COSO) and ISO 31000 as guides and sets priorities.

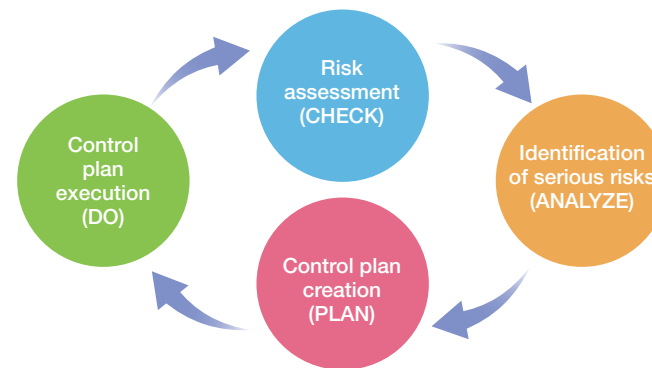
- Risks that could have serious adverse effects on Epson Group management are considered serious corporate risks.
- Risks that could have serious adverse effects on business operations are considered serious business risks.
- Risks that could have serious adverse effects on subsidiaries' management are considered serious Group company risks.

Epson drafts and executes plans to control these serious risks and periodically monitors plan progress. The company also strives to ensure 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.

■ Risk Management Organization Chart



■ Risk Management Cycle



Crisis Management

Epson maintains a Crisis Management Committee structure to respond to emergency situations. The committee is chaired by the president. The general administrative manager in charge of risk management serves as vice-chair. The rest of the committee is made up of the general administrative managers of supervisory departments at the Head Office. An organization and a predetermined crisis management program are in place to enable us to rapidly mount an initial response in a crisis.

The activities of the Crisis Management Committee are regularly reported to executive management, including outside directors, through meetings of the Corporate Management Council and board of directors.

List of Main Risks



Note: The content of the list was excerpted from "Risks related to Epson's business operations" in Epson's Annual Report. Please see the Annual Report for additional details.

Main risks	General description of risk	Main countermeasures
Parts procurement risks from certain suppliers	<ul style="list-style-type: none"> ● A supplier parts shortage or quality problem with supplier parts could interfere with Epson's manufacturing and selling activities. 	<ul style="list-style-type: none"> ● Procure parts and materials from multiple suppliers whenever possible. ● Work with suppliers to maintain or improve quality and reduce costs to ensure stable and efficient procurement.
Intellectual property rights risks	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● Independently develop technologies we need; acquire patent, trademark, and other IP rights for them; and license the rights for products and technologies. ● Strengthen our intellectual property portfolio by placing personnel in key positions to manage our IP.
Environmental risks	<ul style="list-style-type: none"> ● An environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or halt production. ● New regulations could be enacted that would require major expenditures. 	<ul style="list-style-type: none"> ● Develop and manufacture products with reduced environmental impact, develop environmental technologies, reduce energy consumption, recover, recycle, and reuse products, comply with international chemical substance regulations, and improve environmental management systems in line with Environmental Vision 2050, under which Epson aims to become carbon negative and underground resource¹ free by 2050. ● Grow revenue by selling commercial and industrial inkjet printing solutions and printheads that reduce environmental impact, increase productivity, and reduce printing costs, and by providing production systems with a reduced environmental impact. ● Develop environmental business by establishing material recycling technology and Dry Fiber Technology applications to combat global warming and transition to a circular economy. <p>¹ Non-renewable resources such as oil and metals</p>
Hiring and personnel retention risks	<ul style="list-style-type: none"> ● Competition could intensify for the best talent to develop advanced new technologies and manufacture advanced new products. 	<ul style="list-style-type: none"> ● Secure and retain top-notch talent by introducing role-based compensation, developing internal talent, promoting diversity, implementing flexible work arrangements, managing health, and promoting global talent to create an amenable work environment and climate in which diverse human resources can make the most of their abilities.
Legal, regulatory, licensing and similar risks	<ul style="list-style-type: none"> ● Epson conducts business internationally. In the event of an international legal or regulatory violation, or in the event of an investigation or proceedings against Epson by responsible authorities, the introduction of stricter laws or regulations or their more rigorous enforcement by the authorities, Epson could incur damage to its credibility, large civil fines, constraints on its business activities, higher expenses to comply with laws and regulations, or other negative consequences. 	<ul style="list-style-type: none"> ● Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns. ● Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.
Natural disasters, infectious diseases, etc.	<ul style="list-style-type: none"> ● There could be war, acts of terrorism, and supply chain disruptions caused by unpredictable events such as natural disasters, pandemics involving new infectious diseases like COVID-19, disasters emerging infectious diseases, or disasters affecting suppliers. ● There is potential for epidemic caused by a new strain of pathogen that is highly infectious and brings the risk of severe disease, or an emerging infectious disease epidemic to replace COVID-19. 	<ul style="list-style-type: none"> ● Conduct disaster drills, prepare earthquake disaster action plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible. ● Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.) ● Establish a business continuity plan (BCP) for emerging infectious diseases. ● Establish action plans for normal times, the early stages of an epidemic, and during the epidemic itself, and minimize risk.

Board of Directors (As of June 25, 2024)

* See the Notice of the 82nd Ordinary General Meeting of Shareholders for details of the reasons for the election of each director.



Notice of the 82nd Ordinary General Meeting of Shareholders (2024)
<https://corporate.epson/en/investors/information/meeting.html>

**Yasunori Ogawa**

President and Representative Director

Reason for appointment

As president and representative director, Mr. Ogawa has considerable business experience and a proven track record in leading the development of the Group. He will continue to provide excellent leadership for the company's sustainable growth and improve corporate value over the medium- and long-term.

**Eiichi Abe**

Representative Director, Executive Officer

Reason for appointment

Mr. Abe has experience in both domestic and international operations, particularly in human resources functions, and has worked to strengthen the Group's business infrastructure. He is capable of making management decisions and monitoring the execution of operations from a Group-wide perspective, and is expected to help enhance corporate value.

**Junkichi Yoshida**

Director, Executive Officer

Reason for appointment

Mr. Yoshida has led the planning and execution of medium- and long-term business strategies, drawing on his experience in overseas sales, marketing, and business development, as well as promoting business strategy in the printing solutions business. He will continue helping to improve corporate value.

**Yasunori Yoshino**

Director, Executive Officer

Reason for appointment

Mr. Yoshino has extensive experience in the value chain in the visual products business and a high level of customer awareness and business perspective. Currently, as general administrative manager of the Corporate Strategy Division, he is also involved in the formulation of the next long-term strategy and will help improve corporate value.

**Masayuki Kawana**

Director
Full-Time Audit & Supervisory Committee Member

Reason for appointment

Mr. Kawana has considerable experience and a proven track record, particularly in human resources, and as a director, he makes decisions on important management matters and monitors the execution of operations appropriately. He will continue his contributions to monitoring management and ensuring sound management in order to improve corporate value.

**Tadashi Shimamoto**

Outside Director

Outside
Independent
Director

Reason for appointment

In addition to serving in top management positions at Nomura Research Institute, Ltd., Mr. Shimamoto has considerable experience and deep knowledge in base technology, logistics, service, industry-related systems, and more. He will monitor corporate management appropriately by offering his opinions from the perspectives of overall management and DX/IT systems.

**Masaki Yamauchi**

Outside Director

Outside
Independent
Director

Reason for appointment

Mr. Yamauchi has served as president and chairperson of Yamato Holdings Co., Ltd. and has considerable insight and experience in corporate management. He will monitor corporate management appropriately by offering his opinions from such perspectives as organizational management related to the fundamentals of corporate management.

**Kahori Miyake**

Outside Director

Outside
Independent
Director

Reason for appointment

Ms. Miyake promoted ESG strategies as an executive officer of AEON Co., Ltd. and is currently a fellow officer of Sumitomo Mitsui Trust Bank, Limited. She has also served as co-chair of Japan Climate Leaders' Partnership and will monitor corporate management appropriately by offering her opinions from the perspective of environmental management with her expertise in environmental and social contributions.

**Susumu Murakoshi**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

Mr. Murakoshi has a high level of expertise as an attorney and considerable experience in the legal community, including as president of the Japan Federation of Bar Associations. He will continuously contribute to monitoring management appropriately and ensuring sound management.

**Michiko Ohtsuka**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

Ms. Ohtsuka has a high level of expertise as a certified public accountant and considerable insight and experience as an outside officer of a listed company. She will continuously contribute to monitoring management appropriately and ensuring sound management.

**Akira Marumoto**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

At Mazda Motor Corporation, Mr. Marumoto was in charge of a wide range of administrative areas, including corporate planning and production and sales operations in the U.S. Since becoming president, he has dealt with various management issues and strengthened earning power, and his experience and knowledge will contribute to monitoring management appropriately and ensuring sound management.

Areas of Particular Expertise (Skill Matrix)

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 diverse 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.

In FY2023, we expanded the list of skills based on areas and themes that we wish to strengthen going forward, and further strengthened our management framework to achieve the Management Philosophy and long-term vision in order to realize sustained growth and increase medium- to long-term corporate value.

Title	Name	Tenure as a director at the end of the 6/25/2024 general shareholders' meeting	Voluntary Committee		Independent Director	Areas of expertise and skills particularly expected by the company								
			Director Nomination Committee (◎ Chair)	Director Compensation Committee (◎ Chair)		Corporate management	Development Design Business development	Sales Marketing	IT Digital	Finance Accounting Investment	Compliance Governance	HR development HR management	Environment Sustainability	Global (Internationality)
President and Representative Director	Yasunori Ogawa	6 years	○	○		●	●						●	
Representative Director, Executive Officer	Eiichi Abe	—									●	●		●
Director, Executive Officer	Junkichi Yoshida	—						●	●					●
Director, Executive Officer	Yasunori Yoshino	—					●		●	●				
Outside Director	Tadashi Shimamoto	1 year	◎	○	○	●	●		●					
Outside Director	Masaki Yamauchi	1 year	○	◎	○	●		●				●		
Outside Director	Kahori Miyake	—	○	○	○			●					●	●
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	10 years								●	●	●		
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	4 years	○	○	○					●	●		●	
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	4 years	○	○	○					●	●	●		
Outside Director, Audit & Supervisory Committee Member	Akira Marumoto	—	○	○	○	●	●							●

* Up to three areas of particular expertise are indicated.

Messages from Newly Appointed Directors

In June 2023, we increased the number of outside directorships to six in order to strengthen board functions and ensure Epson's resilience. Below, the new directors describe the role they intend to serve.

A director who is not an Audit & Supervisory Committee member was added with the expectation that the person will contribute to the company's business growth and sustainable improvement in corporate value.

In this section, the new directors describe the role they intend to serve.

Eiichi Abe

Representative Director
(since June 2024)



Strong strategic leadership: Robust discussions and rapid decision-making

I am delighted to have joined the board of directors this year. Epson regards its people as precious valuable assets. We have a team of diverse individuals who benefit the company and the customer by embodying integrity and effort along with creativity and challenge. After working in HR, I managed corporate divisions at Epson's Head Office and led Group companies in Japan and overseas. In those roles, I worked to strengthen the Epson Group's business infrastructure and deploy it effectively across both the corporate divisions and business units. The most important kind of business infrastructure is, of course, people. I am now working to align HR strategy with corporate strategy to ensure effective management of human capital and of employee health and productivity. The board now has four executive directors, two more than before. The new executive team is committed to both vertical and horizontal strategic alignment (aligning business activities across corporate divisions and business units) and ready for robust discussion and rapid decision-making on our strategic priorities.

The executive team will present the strategic priorities at board meetings and give directors opportunity to discuss the issues in depth and from multiple angles. This approach will further improve the standard of strategic management and ultimately help address societal issues and maximize value for the customer.

I will continue to demonstrate integrity and effort to improve the quality of communications among the leadership team and at each stage of interactions with internal and external stakeholders.

Junkichi Yoshida

Director
(since June 2024)



Ensuring that Epson's efficient, compact, and precise innovation contributes to society and the company's success

I am honored to accept the position of director and all the responsibilities that come with it.

Over the years, I have been involved in operations related to finished products in Japan and overseas. I have always tried to ensure that Epson's products and services embody the efficient, compact, and precise technologies central to the company's purpose. Exemplifying these is Epson's inkjet technology. Being responsible for Epson's inkjet innovation business, I believe I have a mission to promote inkjet technology as a sustainable solution that mitigates environmental impacts. This mission will require, alongside the environmental strategy outlined in the Epson 25 Renewed corporate vision, a commitment to a digital transformation that connects us with customers and a commitment to co-creation initiatives with partners. Such a business strategy will organically link all of Epson's innovation businesses and its technological assets, resulting in better capital efficiency. They will also foster a workplace culture that is diverse, engaged, and global, driving value creation in line with our growth strategy. I will engage in board meetings to set Epson's medium- and long-term strategic direction, build strong governance, and execute the company's business as a member of the leadership team.

Messages from Newly Appointed Directors

Yasunori YoshinoDirector
(since June 2024)

Driving the long-term strategy and open innovation to create new value and unlock the next growth stage

Of the strategies for sustainable corporate development outlined in the Epson 25 Renewed corporate vision, Epson has made headway in inculcating an emphasis on profitability and capital efficiency. However, it has made less-than-expected progress in developing innovation in the growth areas and new areas. Epson must address the bottlenecks in each area to transform its business portfolio. Against this backdrop, my role is to drive forward Epson's purpose-aligned long-term vision and strategy. While intensifying efforts to address the societal issues, we need to delineate the business domains and strategically deploy internal and external resources effectively to reform and expand longstanding business areas and organizational functions, maximizing the value that each business domain creates. In this endeavor, we should use corporate venture capital (we have already made a start in corporate venturing) and open innovation to fuse external resources with our own, driving co-creation of value. We are particularly excited at the growth potential of our manufacturing solutions. In this area, we will launch fundamental restructuring to boost profitability and act quickly to place the business on a growth trajectory. By committing to our long-term growth strategy and tackling the short- and medium-term challenges, I will help Epson fulfill its purpose and maximize its value.

Kahori MiyakeOutside Director
(since June 2024)

Making your presence felt by exercising global leadership and solving societal issues

The external business environment is changing at a breakneck pace. The COVID-19 pandemic changed people's values. The climate crisis is deepening year by year, with business impacts already palpable. Digital transformation has gone into overdrive following the unexpected shock of the pandemic, but the rise of AI applications has led to a problem of huge power consumption. Geopolitical tensions, far from easing, have worsened. Around the world, we see protracted conflicts and the rise of protectionism. As the increasingly popular acronym VUCA describes, the external environment is volatile, uncertain, complex, and ambiguous. In such an environment, companies need to become much more flexible and agile than before. However, adapting to changes reactively and passively will never be sufficient to address global environmental and societal problems. Having a corporate purpose—a reason for being—is more important than ever, as is taking a more proactive lead in tackling the societal issues. Epson's purpose is to enrich lives and create a better world. I will dedicate myself to helping Epson proactively create value in line with this purpose—value for a better planet and a better society.

Akira MarumotoOutside Director,
Audit & Supervisory
Committee Member
(since June 2024)

Boost sustainable management with big-picture thinking for a value chain and supply chain

For Epson, as with any other company involved in manufacturing and sales, it has become increasingly important to take a big-picture approach for integrating sustainability across the entire value chain (research, technology development, commercialization, consumption, customer service, and disposal) and the entire supply chain (extraction of resources, production and transport of goods, production and transport of the finished product, and customer's purchase). You need to take this big-picture approach to pursue your own business growth while engaging actively in sustainability initiatives to tackle environmental, human-rights, social, and economic issues. No single company can solve these issues. The company must therefore engage in co-creation with its downstream clients, distributors, and other business partners. I have many years of experience in managing automobile production and sales. However, initiatives to address sustainability issues are more of a recent phenomenon, and I have learned much about sustainability over the past several years. During that time, the automaker has established a sustainability strategy and put some of the actions into effect. I will share my experience and insights and keep learning from others' experience and insights to help Epson integrate sustainability. I look forward to conferring with my fellow directors and developing ideas to build an even stronger sustainability culture at Epson.