

Notice of Introduction of a Restricted Stock Compensation Plan

- TOKYO, Japan, May 19, 2022 -

The Board of Directors of Seiko Epson Corporation (TSE: 6724, “the Company”) reviewed the stock compensation component of the officer compensation system at today’s board meeting and approved the introduction of a restricted stock compensation plan (hereafter “the Plan”). A motion concerning the Plan will be submitted at the 80th Ordinary General Meeting of Shareholders (hereafter “the General Meeting of Shareholders”) scheduled for June 28, 2022. Details are provided below.

1. Purpose and conditions regarding introduction of the Plan

(1) Purpose of introducing the Plan

Under the Plan, restricted stock will be allocated to directors of the Company (hereafter referred to as “Eligible Directors,” which excludes individuals who are not directly engaged in the operations of the Company, such as Outside Directors and Audit & Supervisory Committee members, and individuals residing outside Japan) to ensure that they share the benefits and risks of changes in stock price with general shareholders and to provide Eligible Directors with a greater incentive than before to increase the stock price, sustain growth, and increase long-term corporate value.

(2) Conditions for the introduction of the Plan

Since Eligible Directors will be provided with monetary compensation claims for granting restricted stock, the Plan for providing this compensation is subject to shareholder approval at the General Meeting of Shareholders. Previously, at the General Meeting of Shareholders held on June 28, 2016, shareholders approved up to 62 million yen per month in compensation, etc., for directors of the Company who are not Audit & Supervisory Committee members (outside directors account for up to 10 million yen of this amount) and up to 20 million yen per month for directors who are Audit & Supervisory Committee members.

Furthermore, with regard to the performance-linked stock compensation plan (hereafter, the “Current Plan”), in addition to the above-stated amount of compensation, it was approved at the same General Meeting of Shareholders that the maximum amount of money to be contributed by the Company as compensation paid to the Company’s directors and executive officers who have entered into a delegation agreement with the Company (excluding individuals who are not directly engaged in the operations of the Company, such as outside directors and Audit & Supervisory Committee members, and individuals residing outside Japan) for three consecutive fiscal years shall be 500 million yen in total, and this amount has not changed.

In addition to the aforesaid compensation of directors, the Company plans to ask shareholders at the General Meeting of Shareholders to approve up to 200 million yen per year in total monetary compensation claims paid as compensation, etc., related to restricted stock to Eligible Directors, taking into account the totality of their contributions to the Company.

Subject to the approval of this proposal as proposed, no additional contribution will be made to the Current Plan in the future, and the plan will terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company’s common shares and the cash equivalent to an amount obtained through the conversion of the Company’s common shares into cash.

2. Summary of the Plan

(1) Allotment and payment of restricted stock

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 paid-in amount for restricted stock will be determined by the Board of Directors and will be within an amount that is not particularly favorable to Eligible Directors who receive an allotment of restricted stock. The amount will be based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day immediately preceding the date of the resolution by the Board of Directors pertaining to the issue or disposal of such stock (or the closing price on the most recent trading day prior to that day if no transactions take place on that day).

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 that includes the content stipulated in (3) below.

(2) Total number of restricted stock shares

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

However, the total number of restricted stock shares will be adjusted to a reasonable extent in the event of a stock split (including gratis allocation of common shares of the Company) or share consolidation of the Company's common shares, or under any other circumstances that arise on or after the resolution date of this proposal.

(3) Restricted stock allotment agreement

The allotment of restricted stock will be subject to Eligible Directors entering into a restricted stock allotment agreement with the Company pursuant to resolution by the Board of Directors. The agreement will include the following:

A) Nature of restrictions on transfer

Eligible Directors who have received an allotment of restricted stock (hereafter "the Allotted Stock") shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of (hereafter "Transfer Restrictions") 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 (hereafter "the Transfer Restricted Period").

B) Gratis acquisition of restricted stock

If an Eligible Director who received an allotment of restricted stock resigns or retires from his or her position as a director, executive officer, or employee of the Company during the period starting on the day the Restricted Period begins and ending on the day prior to day of the first General Meeting of Shareholders of the Company thereafter, the Company will rightfully acquire the Allotted Stock without compensation, unless there are extenuating circumstances that the Company's Board of Directors deem reasonable.

If there are Allotted Stock for which the Transfer Restrictions have not been lifted pursuant to the provision set forth in C) below regarding grounds for lifting Transfer Restrictions at

the time the Restricted Period set forth in A) above expires, the Company will rightfully acquire the stock without compensation.

C) Lifting of the Transfer Restrictions

The Company will lift Transfer Restrictions for all the Allotted Stock upon the expiration of the Transfer Restriction Period, provided that the Eligible Director who has received an allotment of restricted stock 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.

However, if, for reasons deemed justifiable by the Board of Directors, Eligible Directors resign or retire from their position as a director, executive officer or employee of the Company at any time from the date the Transfer Restriction Period starts to the day before the date of the first General Meeting of Shareholders thereafter, the Company will make reasonable adjustments, as necessary, to the number of Allotted Stock for which Transfer Restrictions will be lifted and the timing at which Transfer Restrictions will be lifted.

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 a merger agreement in which the Company becomes the disappearing company, a share exchange agreement or a share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter concerning organizational restructuring, etc., are approved at a General Meeting of Shareholders (or by the Board of Directors in cases where approval at a General Meeting of Shareholders is not required for the reorganization, etc.), 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.

Reference

After the conclusion of this General Meeting of Shareholders, the Company plans to also allocate restricted stock like the restricted stock described above to Executive Officers who are not Directors of the Company (unless they reside outside Japan).

About Epson

Epson is a global technology leader dedicated to co-creating sustainability and enriching communities by leveraging its efficient, compact, and precision technologies and digital technologies to connect people, things, and information. The company is focused on solving societal issues through innovations in home and office printing, commercial and industrial printing, manufacturing, visual and lifestyle. Epson will become carbon negative and eliminate use of exhaustible underground resources such as oil and metal by 2050.

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