(Note) This document has been translated from the Japanese original for reference purposes only. If there is any discrepancy between the Japanese original and the translated document, the original Japanese document shall prevail.

(Translation)

Notice of the 80th Ordinary General Meeting of Shareholders

June 2, 2022

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 80th Ordinary General Meeting of Shareholders. We have sent shareholders residing in Japan the convocation notice and attached documents in Japanese, which were compiled in accordance with the Japanese Companies Act. Under this Act, there is no obligation to provide materials in languages other than Japanese. However, we have enclosed an English translation for the reference of non-Japanese shareholders. It is not intended to influence shareholders in exercising their voting rights. Unfortunately, we are only able to provide official documents in Japanese. We ask for your understanding in this matter and thank you for your continued support of the Seiko Epson Corporation (hereinafter the "Company").

To prevent the spread of the novel coronavirus infection, please refrain from attending the meeting and exercise your voting rights by mail or via the Internet, etc. no later than 5:00 p.m., Monday, June 27, 2022 (Japan time). Prior to voting, you may wish to review the "Reference Materials for the Ordinary General Meeting of Shareholders" document, provided herein.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form whether you approve or disapprove of each of the proposals and return the completed form to us. The completed form must be received no later than 5:00 p.m., Monday, June 27, 2022 (Japan time).

Voting via the Internet

To vote via the Internet, please log into the shareholders' voting website at https://evote.tr.mufg.jp/ to register your approval or disapproval (Japanese only). Voting via the Internet must be completed no later than 5:00 p.m., Monday, June 27, 2022 (Japan time).

Sincerely yours,

Yasunori Ogawa
President and Representative Director

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

Description

1. Date and Time 10:00 a.m., Tuesday, June 28, 2022 (Japan time)
(Reception starts at 9:00 a.m.)

2. Place "Ruby Hall," 2nd Floor, the Main Building, Hotel Beniya,
2-7-21 Kogan-dori, Suwa-shi, Nagano

3. Meeting Agenda

Reporting:

1. Report on the business reports, the consolidated financial statements and the reports of the Financial Auditors and of the Audit & Supervisory Committee regarding the consolidated financial statements for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022).

Proposals:

1. Appropriation of Surplus
2. Partial Amendments to the Articles of Incorporation
3. Election of Six Directors Who Are Not Audit & Supervisory Committee Members
4. Election of Four Directors Who Are Audit & Supervisory Committee Members
5. Bonus to Directors Who Are Not Audit & Supervisory Committee Members
6. Determination of Compensation for the Allotment of Shares with Transfer Restrictions to Directors

4. Convocation rules

(1) If you exercise your voting rights both by mail and via the Internet, we will treat the vote via the Internet as valid.

(2) If you exercise your voting rights via the Internet on multiple occasions, we will treat the last vote as valid.

5. Notes

(1) Any revisions to the reference materials for the Ordinary General Meeting of Shareholders, the business reports, the consolidated financial statements, and the non-consolidated financial statements shall be posted on the Company's website at https://www.epson.jp/IR/ (Japanese) and https://global.epson.com/IR/ (English).

(2) If attending the meeting in person, please remember to bring the ballot enclosed within these materials and to hand it to a receptionist.

(3) If you exercise your voting rights by proxy, you should appoint as proxy another shareholder with voting rights in the Company. A written letter of proxy should be brought to the meeting and handed to the receptionist.

***The Company offers institutional investors access to ICJ Inc.'s electronic voting platform.**

Reference Materials for the Ordinary General Meeting of Shareholders

Proposals and related items

Proposal 1: Appropriation of Surplus

Items Relating to the Year-End Dividend

With respect to the year-end cash dividends on common stock shares for this fiscal year, the Company proposes to pay 31 yen per share. Moreover, 31 yen was paid out as an interim dividend; hence, the annual dividend will be 62 yen per share, the same amount as the previous fiscal year.

(1) Type of Dividend Property
Cash

(2) Distribution of Dividend
31 yen per share of common stock, total amount 10,731,870,749 yen

(3) Effective Date of Distribution
June 29, 2022

(Reference)

The Company's Dividend Policy

The Company strives to sustain business growth through the creation of customer value and to generate stable cash flow by improving profitability and using management resources efficiently. While the top priority is on strategic investment in growth, the Company also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment.

In line with this policy, the Company has set a consolidated dividend payout ratio in the range of 40% as a mid-term target, the ratio based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company's main operations. The Company intends to be more active in giving back to shareholders by agilely repurchasing the Company's shares as warranted by share price, the capital situation, and other factors.

Note: Business profit is a profit indicator that Epson voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).

Share Repurchase

At the meeting of the Board of Directors held on May 19, 2022, it was resolved that the Company will repurchase itw own shares (up to 30.0 billion yen or 33,000,000 shares) with a repurchase period from May 20, 2022 to May 19, 2023.

Anniversary Dividend

At the meeting of the Board of Directors held on May 19, 2022, it was resolved that the Company will revise the year-end dividend outlook for the fiscal year ending March 31, 2023 and supplement it with an anniversary dividend of 10 yen per share, in order to celebrate the 80th anniversary of its founding on May 18, 2022, and to thank its shareholders for their ongoing support.

Proposal 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the proposal

(1) Changes concerning general meetings of shareholders without a designated location

Under the Act on the Partial Revision of the Act on Strengthening Industrial Competitiveness Act and Other Related Acts (hereinafter the "Revised Industrial Competitiveness Act"), which came into effect on June 16, 2021, listed companies may hold general meetings of shareholders without a designated location (hereinafter "Virtual-Only Shareholder Meetings") upon stipulating them in their articles of incorporation, subject to confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice and on condition that they meet the requirements specified by an Ordinance of the Ministry of Economy, Trade and Industry and an Ordinance of the Ministry of Justice as cases that contribute to strengthening industrial competitiveness, while giving consideration to securing shareholders' interests.

For the Company, expanding the options for holding general meetings of shareholders in the future will make it easier for more shareholders, including those located in remote areas, to attend meetings, which in turn will lead to the revitalization and greater efficiency and facilitation of meetings, as well as reduce the risks associated with the spread of infectious diseases, natural disasters, and other large-scale disasters. Therefore, we propose to partially amend our Articles of Incorporation to allow the Company to hold Virtual-Only Shareholder Meetings. The Company has received confirmation from the Minister of Economy, Trade and Industry and the Minister of Justice on February 16, 2022, that we meet the requirements in the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice specified above.

However, when determining the actual method of holding a general meeting of shareholders, the Company will give top priority to guaranteeing the rights of shareholders, and will decide the way in which we hold each meeting by resolution of the Board of Directors following careful consideration, taking into consideration the Company's and our shareholders' situation.

If the Company decides to hold Virtual-Only Shareholder Meetings, we will, in accordance with the Revised Industrial Competitiveness Act, the Companies Act and the Ordinance for Enforcement of the Companies Act, decide the procedures necessary for shareholders to attend meetings, the method of asking questions and exercising voting rights, and other necessary details, and we will inform shareholders of such details in the notice of convocation. Furthermore, we will consider measures to be taken with respect to the submission of questions by shareholders and the manner in which such questions are answered, and respond appropriately, so that we continue to respect the rights of shareholders.

(2) Changes to measures for the electronic provision of reference materials for general meetings of shareholders, etc.

The Act Partially Amending the Companies Act (Act No. 70 of 2019) will introduce a system of electronic provision of reference materials for general meetings of shareholders, etc., and the amended provisions pertaining to such introduction will come into effect on September 1, 2022. This proposal is to amend part of our Articles of Incorporation as follows, to prepare for the introduction of a system of electronic provision of reference materials for general meetings of shareholders, etc.

1) Article 15 of the proposed amendment establishes provisions for taking measures for the electronic provision of information that constitutes the contents of reference materials for general meetings of shareholders, etc.
2) Article 16 of the proposed amendment establishes provisions to limiting the scope of matters to be included in documents to be delivered to shareholders who request the delivery of written documents.
3) The provision for disclosure via the internet and deemed provision of reference materials for general meetings of shareholders, etc. (Article 15 of the current Articles of Incorporation) will be deleted as it will no longer be necessary.
4) Article 2 of the supplementary provision of the proposed amendment establishes the effective date and transitional measures for the electronic provision of reference materials for general meetings of shareholders, etc.

(3) Other general changes

The necessary changes, including changes in the number of articles due to the addition and deletion of articles, will be made.

2. Details of amendments

The details of the amendments are as follows.

(Amended parts are underlined.)

Current Articles of Incorporation	Proposed Amendments
Chapter 3: General Meeting of Shareholders (Convocation) Article 12 <Omitted> <Newly established>	Chapter 3: General Meeting of Shareholders (Convocation) Article 12 <Unchanged> 2. The Company's General Meeting of Shareholders may be held without a designated location.
(Disclosure via the Internet and Deemed Delivery of Reference Documents for the General Meeting of Shareholders) Article 15 When convening the General Meeting of Shareholders, the Company may deem that it has provided shareholders with information relating to be described in the reference documents for the General Meeting of Shareholders, business reports, non-consolidated financial statements, by disclosing such information via the Internet, in accordance	<Deleted>

with the relevant Ordinance of the Ministry of Justice.	
<Newly established>	(Electronic Provision of Reference Materials for the General Meeting of Shareholders, etc.) Article 15 When convening the General Meeting of Shareholders, the Company shall take measures for electronic provision under Article 325-2 of the Companies Act.
<Newly established>	(Limitation on Scope of Documents to Be Delivered to Shareholders Requesting Delivery of Written Documents) Article 16 The Company may choose not to include all or part of the items prescribed in the Ordinance of the Ministry of Justice for which it takes the measures set forth in the foregoing Article, in documents to be delivered to shareholders who request delivery of written documents under Article 325-5, Paragraph 1 of the Companies Act by the record date for voting rights.
Article 16 to 32 <Omitted>	Article 17 to 33 <Unchanged>
	Supplementary Provisions
<Newly established>	(Effective Date and Transitional Measures for Provisions for Measures for Electronic Provision of Reference Materials for General Meetings of Shareholders, etc.) Article 2 1. The deletion of Article 15 of the Articles of Incorporation prior to the amendment by resolution of the ordinary general meeting of shareholders for the fiscal year ended March 31, 2022 (hereinafter "Former Article 15") and the establishment of new Articles 15 and 16 of the Articles of Incorporation after the amendment, shall be effective from

	September 1, 2022 (hereinafter "Effective Date") as set forth in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019). 2. Notwithstanding the foregoing Paragraph, Former Article 15 shall remain effective for the General Meeting of Shareholders to be held on a date within six months of the Effective Date. 3. This Article shall be deleted automatically after the lapse of either six months from the Effective Date or three months from the date of the General Meeting of Shareholders provided for in the foregoing paragraph, whichever is later.

Proposal 3: Election of Six Directors Who Are Not Audit & Supervisory Committee Members

Of the seven (7) Directors who are not Audit & Supervisory Committee Members who were elected at the Ordinary General Meeting of Shareholders held on June 25, 2021, Mr. Taro Shigemoto has retired by resignation on January 31, 2022, while the terms of office of the other six (6) Directors who are not Audit & Supervisory Committee Members will expire at the conclusion of this Meeting. Accordingly, we propose to appoint six (6) Directors who are not Audit & Supervisory Committee Members.

The candidates for Directors who are not Audit & Supervisory Committee Members have been nominated after consideration by the Director Nomination Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the "Criteria for Independence of Outside Directors" (please refer to page 24).

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

Candidate No.	Name		Current titles and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Minoru Usui	Reappointment	Chairman and Director	13 / 13 meetings (100%)
2	Yasunori Ogawa	Reappointment	President and Representative Director	13 / 13 meetings (100%)
3	Koichi Kubota	Reappointment	Representative Director Senior Managing Executive Officer General Administrative Manager, Sales & Marketing Division	13 / 13 meetings (100%)
4	Tatsuaki Seki	Reappointment	Director, Senior Managing Executive Officer Chief Compliance Officer General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	13 / 13 meetings (100%)
5	Hideaki Omiya	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)
6	Mari Matsunaga	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)

<table>
<tr><th>Candidate No.</th><th>Name
(Date of Birth)</th><th>Summary of career, title, and responsibilities</th><th>Shares of the Company’s stock owned</th></tr>
<tr><td rowspan="2">1</td><td>
Minoru Usui
(April 22, 1955)
Reappointment</td><td>Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company)
Jun. 2002 Director of the Company
Oct. 2007 Managing Director of the Company
Jun. 2008 President and Representative Director of the Company
Apr. 2020 Chairman and Director of the Company (current position)
Jun. 2021 Outside Director of IHI Corporation (current position)
Outside Directors of Sumitomo Dainippon Pharma Co., Ltd. (now Sumitomo Pharma Co., Ltd.) (current position)
Important concurrent positions held at other companies
Outside Director of IHI Corporation
Outside Member of the Board of Directors of Sumitomo Pharma Co., Ltd.</td><td>199,000

Attendance at meetings of the Board of Directors

13 / 13 meetings (100%)</td></tr>
<tr><td colspan="2">Reason for nominating Minoru Usui as a Director
As the Chairman of the Board of Directors, Mr. Usui has managed the Board of Directors in an appropriate manner, made important decisions on management and monitored business affairs. Also, as a President and Representative Director for 11 years and 9 months in the past, he had been in charge of management of Epson, while leading the formulation of its Corporate Vision, reinforcement of operational foundation and establishment of a new business model.
We have nominated him as a candidate for Director with the expectation that he will continue to serve as a Chairman and Director and remain in office as the Chairman of the Board of Directors, to make appropriate managerial decisions from a companywide perspective and monitor business affairs, aiming at achieving sustainable growth and improving the Company’s corporate value over the medium- to long-term.</td><td></td></tr>
</table>

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities		Shares of the Company's stock owned
2	 Yasunori Ogawa (April 11, 1962) Reappointment	Apr. 1988	Joined the Company	32,000 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
		Apr. 2017	Chief Operating Officer, Visual Products Operations Division of the Company	
		Jun. 2017	Executive Officer of the Company	
		Jun. 2018	Director of the Company	
		Oct. 2018	General Administrative Manager, Technology Development Division of the Company	
		Jun. 2019	Managing Executive Officer of the Company, Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment of the Company	
		Apr. 2020	President and Representative Director of the Company (current position)	

Reason for nominating Yasunori Ogawa as a Director

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

We have nominated him as a candidate for Director, considering that he will be able to continue to show outstanding leadership aimed at sustainable growth and improvement in the Company's corporate value over the medium- to long-term by practicing his management style of inducing the generation of innovations through reforms of organizational culture and achieving both contributions to society and happiness of employees.

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
3	 Koichi Kubota (April 3, 1959) Reappointment	Apr. 1983 Joined Epson Corporation (now the Company) Jun. 2012 Director of the Company Jun. 2013 Chief Operating Officer, Printer Operations Division of the Company Jun. 2015 Managing Director of the Company Apr. 2016 Deputy General Administrative Manager, Corporate Planning Division of the Company (in charge of sales planning and brand communication) Jun. 2016 Managing Executive Officer of the Company Apr. 2017 Chief Operating Officer, Printing Solutions Operations Division of the Company Jun. 2017 Senior Managing Executive Officer of the Company (current position) Oct. 2018 Representative Director of the Company (current position) Apr. 2021 General Administrative Manager, Sales & Marketing Division of the Company (current position)	42,200 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Koichi Kubota as a Director

Mr. Kubota has determined important management matters and monitored business affairs as a Director. Based on his wealth of experience and achievements primarily in overseas sales operations in the information-related equipment business, which is the Company's core business, he has led the initiatives for creating new customer values through inkjet innovation as a Chief Operating Officer of the Printing Solutions Operations Division.

Mr. Kubota currently oversees the sales function of the entire Group as General Administrative Manager of the Sales & Marketing Division. We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business affairs, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
4	 Tatsuaki Seki (December 26, 1960) Reappointment	Apr. 1983 Joined Epson Corporation (now the Company) Nov. 2005 General Manager, BS Business Management Department of the Company Oct. 2014 General Manager, Finance & General Accounting Department of the Company Oct. 2015 Deputy General Administrative Manager, Management Control Division of the Company (in charge of Finance & General Accounting) Jun. 2016 Director of the Company (current position), Executive Officer of the Company, Chief Compliance Officer of the Company (current position), General Administrative Manager, Management Control Division of the Company Jun. 2019 Managing Executive Officer of the Company 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) Apr. 2022 Senior Managing Executive Officer of the Company (current position)	17,800 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Tatsuaki Seki as a Director

Mr. Seki has determined important management matters and monitored business affairs as a Director. He has a wealth of experience and achievements in financing & accounting and business management. As a General Administrative Manager of the Corporate Strategy and Management Control Division, he has led the establishment of management control systems from a broad perspective such as by comprehensively spearheading the formulation of the companywide long-term growth strategies and the Mid-Range Business Plan.

We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business affairs, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
5	 Hideaki Omiya (July 25, 1946) Outside Director Independent Director Reappointment	Apr. 2007 Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd. Apr. 2008 President and CEO of Mitsubishi Heavy Industries, Ltd. Apr. 2013 Chairman of the Board of Mitsubishi Heavy Industries, Ltd. Jun. 2014 Outside Director of the Company (current position) Jun. 2016 Outside Director of Mitsubishi Corporation Jun. 2018 Outside Director of Nomura Research Institute, Ltd. (current position) Apr. 2019 Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd. Jun. 2019 Adviser of Mitsubishi Heavy Industries, Ltd. (current position) **Important concurrent positions held at other companies** Adviser of Mitsubishi Heavy Industries, Ltd. Outside Director of Nomura Research Institute, Ltd.	17,300 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

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

Mr. Omiya has served as a President and CEO and a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has a wealth of experience and insight as a corporate manager and engineer.

He has monitored corporate management by expressing opinions actively including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.

We have nominated him as a candidate for independent Outside Director with the expectation that he will utilize his wealth of experience and insight to monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

Independence of duties

Mr. Omiya was involved in business affairs at Mitsubishi Heavy Industries, Ltd. The Company has had no transactions with Mitsubishi Heavy Industries, Ltd. in the past three years.

The Company has registered Mr. Omiya as an Independent Director with the Tokyo Stock Exchange. If this proposal is approved as proposed, he will continue to serve as an Independent Director.

The term of office as an Outside Director

At the conclusion of this Meeting, eight years will have passed since his initial appointment.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company's stock owned
6		Apr.	1977	Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.)	11,100
		Jul.	1986	Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd.	
		Jul.	1988	Editor in chief of Travaille published by Recruit Holdings Co., Ltd	**Attendance at meetings of the Board of Directors**
		Jul.	1997	Joined NTT Mobile Communications Network, Inc. (now NTT Docomo, Inc.), Head of Planning Office for Gateway Business Dept.	13 / 13 meetings (100%)
	Mari Matsunaga	Apr.	2000	Representative of Mari Matsunaga Office, Inc.	
	(November 13, 1954)	June	2012	Outside Director of MS&AD Insurance Group Holdings, Inc.	
	Outside Director Independent Director			Outside Director of Terumo Corporation	
	Reappointment	Jun.	2014	Outside Director of Rohto Pharmaceutical Co., Ltd.	
		Jun.	2016	Outside Director of the Company (current position)	

Important concurrent positions held at other companies

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

Ms. Matsunaga has created new business models and has a wealth of experience and considerable insight through her involvement in the management of multiple companies as Outside Officers. She has monitored corporate management by expressing actively opinions including findings and proposals regarding managerial issues from the viewpoints of open innovation promotion, etc.

We have nominated her as a candidate for independent Outside Director with the expectation that she will utilize her wealth of experience and insight to monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.

Independence of duties

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

The Company has registered Ms. Matsunaga as an Independent Director with the Tokyo Stock Exchange. If this proposal is approved as proposed, she will continue to serve as an Independent Director.

The term of office as an Outside Director

At the conclusion of this Meeting, six years will have passed since her initial appointment.

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

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

Note 3: Her name on the family register is Mari Aoki.

Indemnity Agreement

If each candidate is elected and assumes office of Director who is not an Audit & Supervisory Committee Member, the Company intends to enter into an indemnity agreement provided for in Article 430-2, Paragraph 1 of the Companies Act with all Directors who are not Audit & Supervisory Committee Members to encourage each Director to make reasonable, prompt and decisive business decisions without being intimidated by the possibility of being held liable for their decisions. The indemnity agreement enables the Company to indemnify the Directors for the expenses provided for in item (i) and the losses provide for in item (ii) of Article 430-2, Paragraph 1 to the extent provided by laws and regulations.

The Board of Directors determines whether indemnity is required and the extent of such indemnity, as a measure to ensure that the appropriateness of duties is not impaired.

Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 with an insurance company. If each candidate is elected and assumes office of Director who is not an Audit & Supervisory Committee Member, he/she will be insured under the said insurance contract. The Company plans to renew the said insurance contract during the terms of office of Directors who are not Audit & Supervisory Committee Members.

An outline of the contents of the said insurance contract is as stated in "Outline of directors and officers liability insurance contract" (please refer to page 48).

Audit & Supervisory Committee Opinion

For the election of Directors who are not Audit & Supervisory Committee Members, fundamental framework and policies for the Company's Board of Directors and Directors, as well as candidate nominating policies and specific proposals were confirmed at the Director Nomination Committee. The committee is chaired by an Outside Director and is composed of five Outside Directors including three Outside Directors who are Audit & Supervisory Committee Members, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

As a result, Audit & Supervisory Committee determined that the election of Directors who are not Audit & Supervisory Committee Members is reasonable and concluded that there were no special items to be stated at the General Meeting of Shareholders in accordance with the provision of the Companies Act.

Proposal 4: Election of Four Directors Who Are Audit & Supervisory Committee Members

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

The candidates for Directors who are Audit & Supervisory Committee Members have been nominated after consideration by the Director Nomination Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the "Criteria for Independence of Outside Directors" (please refer to page 24).

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

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

Candidate No.	Name		Current titles and responsibilities at the Company	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Committee
1	Masayuki Kawana	Reappointment	Director Full-Time Audit & Supervisory Committee Member	13 / 13 meetings (100%)	13 / 13 meetings (100%)
2	Yoshio Shirai	Reappointment Outside Director Independent Director	Outside Director Audit & Supervisory Committee Member	13 / 13 meetings (100%)	17 / 17 meetings (100%)
3	Susumu Murakoshi	Reappointment Outside Director Independent Director	Outside Director Audit & Supervisory Committee Member	13 / 13 meetings (100%)	17 / 17 meetings (100%)
4	Michiko Ohtsuka	Reappointment Outside Director Independent Director	Outside Director Audit & Supervisory Committee Member	13 / 13 meetings (100%)	17 / 17 meetings (100%)

Note: Attendance at meetings of the Audit & Supervisory Committee for Mr. Masayuki Kawana is counted based on 13 meetings held after his appointment at the Ordinary General Meeting of Shareholders on June 25 2021.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities		Shares of the Company's stock owned
1	 Masayuki Kawana (July 27, 1964) Reappointment	Apr. 1988	Joined Seiko Epson Cooperative Union	19,200
		Mar. 1999	Joined the Company	
		Jun. 2014	Director of the Company	
			General Administrative Manager, Human Resources Division of the Company	**Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
		Jun. 2015	President of Orient Watch Co., Ltd.	
		Jun. 2016	Executive Officer of the Company	
		Oct. 2016	General Administrative Manager, CSR Management Office of the Company	**Attendance at meetings of the Audit & Supervisory Committee** 13 / 13 meetings (100%)
		Jun. 2018	Chairman of Epson Sales Japan Corporation	
		Apr. 2020	General Administrative Manager, Health Management Office of the Company	
		Jun. 2021	Director and Full-Time Audit & Supervisory Committee Member of the Company (current position)	

Reason for nominating Masayuki Kawana as a Director

Mr. Kawana has determined important management matters and monitored business affairs as a Director. He has a wealth of experience and achievements primarily in human resource management, and has made significant contributions to the strengthening of corporate competitiveness through personnel system reform, etc.

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

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

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

Note 3: Attendance at meetings of the Audit & Supervisory Committee is counted based on 13 meetings held after his appointment at the Ordinary General Meeting of Shareholders on June 25 2021.

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
2	 Yoshio Shirai (May 1, 1948) Outside Director Independent Director Reappointment	Jun. 2001 Member of the Board of Directors of Toyota Motor Corporation Jun. 2003 Managing Officer of Toyota Motor Corporation Jun. 2005 Senior Executive Member of the Board of Directors of Toyota Motor Corporation Jun. 2007 Executive Vice President, Member of the Board of Hino Motors, Ltd. Jun. 2008 President, Member of the Board of Hino Motors, Ltd. Jun. 2013 Councilor of Hino Motors, Ltd. Vice Chairman of Toyota Tsusho Corporation Jun. 2015 Advisor of Toyota Tsusho Corporation Jun. 2016 Outside Director and Audit & Supervisory Committee Member of the Company (current position) Jun. 2017 Advisor of Hino Motors, Ltd., Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd. (current position) **Important concurrent positions held at other companies** Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.	18,000 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%) **Attendance at meetings of the Audit & Supervisory Committee** 17 / 17 meetings (100%)

Reason for nominating Yoshio Shirai as an Outside Director and outline of expected roles

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

Independence of duties

The Company has registered Mr. Shirai as an Independent Director with the Tokyo Stock Exchange. If he is reappointed as proposed, he will continue to serve as an Independent Director.

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

At the conclusion of this Meeting, six years will have passed since his initial appointment.

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

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

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

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company's stock owned
3	 Susumu Murakoshi (September 1, 1950) Outside Director Independent Director Reappointment	Apr.	1976	Registered as an attorney-at-law	1,100
		Apr.	1984	Attorney-at-law of Susumu Murakoshi Law Office	
		Mar.	1988	Attorney-at-law of Shin-Chiyoda Sogo Law Office (to present)	
		May	2001	Chairman, Human Rights Protection Committee of Japan Federation of Bar Associations	**Attendance at meetings of the Board of Directors**
		Apr.	2008	Vice President of Japan Federation of Bar Associations	13 / 13 meetings (100%)
				President of Dai-Ichi Tokyo Bar Association	
		Apr.	2014	President of Japan Federation of Bar Associations	**Attendance at meetings of the Audit & Supervisory Committee**
		May	2017	President of Japan Attorneys Political Association	
		Apr.	2019	Member (Chief investigator) of Compliance Team of the Ministry of Education, Culture, Sports, Science and Technology (current position)	
		Jun.	2020	Outside Director and Audit & Supervisory Committee Member of the Company (current position)	17 / 17 meetings (100%)

Important concurrent positions held at other companies
Attorney-at-law

Reason for nominating Susumu Murakoshi as an Outside Director and outline of expected roles

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

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

Independence of duties

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

The Company has registered Mr. Murakoshi as an Independent Director with the Tokyo Stock Exchange. If he is reappointed as proposed, he will continue to serve as an Independent Director.

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

At the conclusion of this Meeting, two years will have passed since his initial appointment.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
4	 Michiko Ohtsuka (November 26, 1958) Outside Director Independent Director Reappointment	Apr. 1981 Joined SUMITOMO CORPORATION Oct. 1986 Joined Asahi Shinwa Audit & Accounting Office (now KPMG AZSA LLC) Aug. 1990 Registered as Certified Public Accountant May 2013 Certified Public Accountant of Ohtsuka Certified Public Accountant Office (to present) Apr. 2014 Auditor (part-time) of Pharmaceuticals and Medical Devices Agency Apr. 2015 Auditor (part-time) of Japan National Tourism Organization (current position) Jun. 2015 Outside Audit & Supervisory Board Member of FUJI KOSAN COMPANY, LTD. Jun. 2016 Outside Director and Audit & Supervisory Committee Member of FUJI KOSAN COMPANY, LTD. Jun. 2020 Outside Director and Audit & Supervisory Committee Member of the Company (current position) **Important concurrent positions held at other companies** Certified Public Accountant	1,100 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%) **Attendance at meetings of the Audit & Supervisory Committee** 17 / 17 meetings (100%)

Reason for nominating Michiko Ohtsuka as an Outside Director and outline of expected roles

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

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

Independence of duties

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

The Company has registered Ms. Ohtsuka as an Independent Director with the Tokyo Stock Exchange. If she is reappointed as proposed, she will continue to serve as an Independent Director.

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

At the conclusion of this Meeting, two years will have passed since her initial appointment.

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

Note 2: The Company has concluded a liability limitation contract with Ms. Michiko Ohtsuka, who is incumbent Outside Director of the Company, to limit her liability for damages to the amount determined by relevant laws and regulations in accordance with Article 427, Paragraph 1 of the Companies Act. If she is reappointed as an Outside Director, the Company intends to renew the aforementioned contract with her.

Indemnity Agreement

If each candidate is elected and assumes office of Director who is an Audit & Supervisory Committee Member, the Company intends to enter into an indemnity agreement provided for in Article 430-2, Paragraph 1 of the Companies Act with all Directors who are Audit & Supervisory Committee Members to encourage each Director to make reasonable, prompt and decisive business decisions without being intimidated by the possibility of being held liable for their decisions. The indemnity agreement enables the Company to be indemnify the Directors for the expenses provided for in item (i) and the losses provide for in item (ii) of Article 430-2, Paragraph 1 to the extent provided by laws and regulations.

The Board of Directors determines whether indemnity is required and the extent of such indemnity, as a measure to ensure that the appropriateness of duties is not impaired.

Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract provided for in Article 430-3, Paragraph 1 with an insurance company. If each candidate is elected and assumes office of Director who is an Audit & Supervisory Committee Member, he/she will be insured under the said insurance contract. The Company plans to renew the said insurance contract during the terms of office of Directors who are Audit & Supervisory Committee Members.

An outline of the contents of the said insurance contract is as stated in "Outline of directors and officers liability insurance contract" (please refer to page 48).

(Reference)

Policies and Procedures for Nominating Director Candidates

With an aim to ensure transparency and objectivity, Director candidates who are submitted for their appointments to the General Meeting of Shareholders are determined by the Board of Directors after going through a fair, transparent, and rigorous screening and reporting by the Director Nomination Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors.

Policies: (extract)

1) Considering the role that Officers of the Company are required to fulfill and the nomination criteria that Epson has established, Officers must meet the standard requirements of insight, accountability, and ethics. They must also satisfy the selection criteria in 2), depending on their respective roles, and must be able to contribute to an increase in corporate value.
2) In addition to the foregoing requirements, Officers of the Company shall satisfy the selection criteria below.
   a. Non-Executive Director candidates
      Oversight capability, management knowledge, professional knowledge
   b. Executive Director candidates
      Oversight capability, foresight/insight, the ability to conceive a vision, decisiveness/courage, the ability to execute and produce results, an inclination to drive change and innovation, the ability to be a unifying force

   A candidate for President and Representative Director in particular shall possess the following:
   - The ability to face societal issues, construct a vision based on deep insight, and the courage to carry out that vision
   - A strong sense of ethics and the ability to humbly accept diverse values, tap the initiative of employees, and be a unifying force that consolidates the power of the entire company
3) Outside Directors must satisfy "Criteria for Independence of Outside Directors" (please refer to page 24) stipulated by the Board of Directors in order to guarantee their independence.

Note: Regarding the nomination and compensation of Directors and Executive Officers, etc., the Company established a Director Nomination Committee and a Director Compensation Committee as advisory bodies of the Board of Directors. The committees are chaired by an Outside Director and the majority of which are composed of Outside Directors who make significant contributions with an aim to ensure transparency and objectivity. Both committees are composed of President and Representative Director, in addition to Outside Directors who account for the majority thereof. Directors who are Full-Time Audit & Supervisory Committee Members can attend meetings of both committees as observers.

Activities of the Director Nomination Committee

The Committee met 12 times during the period from April 2021 to March 2022. The Committee deliberated on matters including the succession plan for the President and Representative Director, policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidates proposal, review of selection process of Outside Directors, and selection of the chairperson of the Director Nomination Committee.

Criteria for Independence of Outside Directors

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

1. A person is not independent if:

(1) The person considers the Company to be a major business partner[1], or has served as an executive[2] 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[3] 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[4] (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;

(4) The person is a major shareholder[5] 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[6] 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[7] from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;

(10) The person came from an entity that employs someone from the Company as an Outside Director; or

(11) A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.

2. Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.

Notes

1: A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.

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

3: A person (usually a buyer) is a major business partner if 2% or more of the Company's consolidated revenue has come from that partner in any fiscal year within the past three years.

4: "A large sum of money or other forms of compensation" means an average annual amount for the past three years that is:

i) no less than 10 million yen for an individual; or

ii) no less than 2% of the annual revenues in any fiscal year for a group.

5: "Major shareholder" means a shareholder who directly or indirectly holds 10% or more of the voting rights.

6: "A major lender" means a financial institution or other major creditor that is indispensable for the Company's financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.

7: "Large donation" means a donation whose annual average amount for the past three years exceeds either:

i) 10 million yen or

ii) 30% of the annual expense of the group, whichever is higher.

---End---

(Reference)

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

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

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

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

Proposal 5: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

The Company proposes to pay bonuses of 64,150,000 yen in total to the three Directors who are not Audit & Supervisory Committee Members excluding Officers who do not have executive duties (Chairman and Director without the right of representation and Outside Directors) as of March 31, 2022 based on the monthly compensation by taking business performance for the current fiscal year into consideration.

The total amount and beneficiaries of the bonus payment in this Proposal have been determined after consideration by the Director Compensation Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors, in accordance with the decision-making policies, etc. on compensation for individual Directors who are not Audit & Supervisory Committee Members, which have been determined by the Board of Directors (please refer to page 49 to 53). Accordingly, the Company believes the details are reasonable.

The Company would like to provide the Board of Directors with discretion to determine compensation for each Director.

Audit & Supervisory Committee Opinion

Regarding compensation, etc. for Directors who are not Audit & Supervisory Committee Members, policies for compensation system for Directors, specific calculation methods for the amount of compensation and proposals for bonuses for Directors who are not Audit & Supervisory Committee Members were confirmed at the Director Compensation Committee. The committee is chaired by an Outside Director and is composed of five Outside Directors including three Outside Directors who are Audit & Supervisory Committee Members, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

As a result, Audit & Supervisory Committee determined that the payment of bonuses to Directors who are not Audit & Supervisory Committee Members is appropriate and concluded that there were no special items to be stated at the General Meeting of Shareholders in accordance with the provision of the Companies Act regarding the payment.

(Reference)

Activities of the Director Compensation Committee

The Committee met seven times during the period from April 2021 to March 2022. The Committee deliberated on matters including the amount of base compensation and bonuses for each Director, review of officer compensation system, change in the decision process of officer compensation, selection of the chairperson of the Director Compensation Committee and compensation for chairpersons of the Director Nomination Committee and Director Compensation Committee.

Proposal 6: Determination of Compensation for the Allotment of Shares with Transfer Restrictions to Directors

At the Ordinary General Meeting of Shareholders held on June 28, 2016, it was approved that the amount of compensation, etc., for Directors who are not Audit & Supervisory Committee Members shall be no more than 62 million yen per month (including 10 million yen per month for Outside Directors) and the amount of compensation for Directors who are Audit & Supervisory Committee Members shall be no more than 20 million yen per month, and these amounts have remained unchanged.

Furthermore, with regard to the performance-linked stock compensation plan (hereinafter, the "Current Plan"), in addition to the above-stated amount of compensation, it was approved at the same Ordinary 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 delegation agreements with the Company (excluding those in positions independent from business execution, such as Outside Directors and Directors who are Audit & Supervisory Committee Members, as well as overseas residents) for three consecutive fiscal years shall be 500 million yen in total, and this amount has remained unchanged.

As part of our revision of the officer compensation plan, the Company wishes to allot common shares that are subject to a certain period of restriction on transfer and to provisions such as grounds for the Company to acquire the shares without contribution (hereinafter "Shares with Transfer Restrictions") to the Company's Directors (excluding those in positions independent from business execution, such as Outside Directors and Directors who are Audit & Supervisory Committee Members, as well as overseas residents, hereinafter "Eligible Directors") as follows.

Taking various matters into consideration comprehensively, such as the extent to which Eligible Directors contribute to the Company, we would like to propose setting the total amount of monetary compensation claims to be paid to Eligible Directors as compensation, etc., for Shares with Transfer Restrictions, separately from the above-stated amount of consideration for Directors, at an amount not exceeding 200 million yen per year.

Furthermore, given that Eligible Directors share the share price fluctuation benefits and risks with shareholders, that the proposal aims to increase incentives for share price appreciation and sustainable growth and medium- to long-term corporate value enhancement even more, that the maximum number of Shares with Transfer Restrictions to be allotted in each fiscal year set forth in 2. below is approximately 0.06% of the total number of shares issued (percentage of the total number of shares issued is approximately 0.6% if such maximum number of Shares with Transfer Restrictions are issued over a 10-year period) and that the dilution ratio is minimal, we believe that the details of this proposal are reasonable.

If Proposal 3: Election of Six Directors Who Are Not Audit & Supervisory Committee Members is approved as proposed, the Company will have six (6) Directors (including two (2) Outside Directors) who are not Audit & Supervisory Committee Members, of which three (3) will be Eligible Directors, and the other three (3) Directors who are in positions independent from business execution, including two (2) Outside Directors, are not eligible for this proposal.

If this proposal is approved as proposed, the "Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee Members" on page 50 of the Business Report will be revised based on this proposal as described in the (Reference) section on page 31.

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.

Specific details and maximum number of Shares with Transfer Restrictions for Eligible Directors

1. Allotment and Payment of Shares with Restriction on Transfer

The Company will pay monetary compensation claims to Eligible Directors within the scope of the above-stated 200 million yen annual amount, as compensation, etc., for the Shares with Transfer Restrictions, based on a resolution of the Board of Directors, and each Eligible Director will be allotted Shares with Transfer Restrictions by paying the full amount of the monetary compensation claim in the form of a contribution in kind.

The paid-in amount for Shares with Transfer Restrictions will be determined by the Board of Directors, within a scope in which the amount is not particularly favorable to Eligible Directors who accept allotment of such Shares with Transfer Restrictions. Such 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 shares (or the closing price on the most recent trading day prior to that day if no transactions take place on that day).

The above-stated monetary compensation claims will be paid on the condition that the Eligible Directors have consented to the above-stated contribution in kind and have entered into an agreement on the allotment of Shares with Transfer Restrictions that includes the details set forth in 3. below.

2. Total Number of Shares with Transfer Restrictions

The total number of Shares with Transfer Restrictions to be allotted to the Eligible Directors is 200,000 shares, which is the maximum number of Shares with Transfer Restrictions that can be allotted each fiscal year.

However, if a share split (including an allotment of the Company's common shares without contribution) or a share consolidation involving the Company's common shares is conducted after the date of the resolution for this proposal, or if the total number of Shares with Transfer Restrictions to be allotted in accordance with such situations needs to be adjusted, the total number of such Shares with Transfer Restrictions will be adjusted in a reasonable manner.

3. Details in the Agreement on the Allotment of Shares with Transfer Restrictions

When allotting Shares with Transfer Restrictions, agreements on the allotment of Shares with Transfer Restrictions to be entered into between the Company and the Eligible Directors who will receive allotment of Shares with Transfer Restrictions based on a resolution of the Board of Directors will include the following details.

(1) Details of Restrictions on Transfer

Eligible Directors who receive allotment of Shares with Transfer Restrictions may not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or engage in any other act of disposal (hereinafter "Transfer Restrictions") with regard to the Shares with Transfer Restrictions allotted to them (hereinafter "Allotted Shares") during the period from the date of delivery of the Shares with Transfer Restrictions until the date on which they resign or retire from their position as either Directors, Executive Officers, or employees of the Company (hereinafter "Transfer Restriction Period").

(2) Acquisition of Shares with Transfer Restrictions without Contribution

If an Eligible Director who has received allotment of Shares with Transfer Restrictions resigns or retires from his or her position as a Director, Executive Officer or employee of the Company during the period on or after the date of commencement of the Transfer Restriction Period until the day before the date of the first Ordinary General Meeting of Shareholders thereafter, the Company will automatically acquire the Allotted Shares without contribution, unless there are grounds deemed justifiable by the Board of Directors.

The Company will also automatically acquire the Allotted Shares without contribution if there are any Allotted Shares for which Transfer Restrictions have not been lifted pursuant to the provisions of the grounds for lifting Transfer Restrictions in (3) below at the time the Transfer Restriction Period in (1) above expires.

(3) Lifting Transfer Restrictions

The Company will lift Transfer Restrictions for all of the Allotted Shares upon the expiration of the Transfer Restriction Period, on the condition that the Eligible Directors who have received an allotment of Shares with Transfer Restrictions hold the position of Director, Executive Officer or employee of the Company continuously from the date of commencement of the Transfer Restriction Period until the date of the first Ordinary General Meeting of Shareholders thereafter.

However, if, due to grounds deemed justifiable by the Board of Directors, such Eligible Directors resign or retire from their position as a Director, Executive Officer or employee of the Company during the period on or after the date of commencement of the Transfer Restriction Period until the day before the date of the first Ordinary General Meeting of Shareholders thereafter, the Company will make reasonable adjustments, as necessary, to the number of Allotted Shares for which Transfer Restrictions will be lifted and the timing at which Transfer Restrictions will be lifted.

(4) Malus and Clawback Clause

The Company will establish provisions to acquire without contribution some or all of the Allotted Shares 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 Shares 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.

(5) Handling When Reorganizing, etc.

If, during the Transfer Restriction Period, matters concerning a merger agreement in which the Company becomes a 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 by a general meeting of shareholders (or by the Board of Directors in cases where approval by a general meeting of shareholders is not required for such reorganization, etc.), the Company will, by resolution of the Board of Directors, lift the Transfer Restrictions prior to the effective date of such organizational restructuring, etc., for the number of Allotted Shares that is reasonably determined based on the period from the date of commencement of the Transfer Restriction Period until the date of approval of such organizational restructuring, etc.

In such cases, the Company will automatically acquire the Allotted Shares without contribution for which Transfer Restrictions have not been lifted at the time immediately after the Transfer Restrictions are lifted in accordance with the above-stated provisions.

* The Company plans to allot the same Shares with Transfer Restrictions as the above-stated Shares with Transfer Restrictions to Executive Officers who are not Directors (excluding those residing overseas) of the Company after the conclusion of this Ordinary General Meeting of Shareholders.

Audit & Supervisory Committee Opinion

Regarding compensation, etc. for Directors who are not Audit & Supervisory Committee Members, policies for compensation system for Directors, specific calculation methods for the amount of compensation and proposals for allotment of Shares with Transfer Restrictions for Directors who are not Audit & Supervisory Committee Members were confirmed at the Director Compensation Committee. The committee is chaired by an Outside Director and is composed of five Outside Directors including three Outside Directors who are Audit & Supervisory Committee Members, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

As a result, the Audit & Supervisory Committee determined that the payment of stock compensation to Directors who are not Audit & Supervisory Committee Members is appropriate and concluded that there were no special items to be stated at the General Meeting of Shareholders in accordance with the provision of the Companies Act regarding the payment.

(Reference)

◆ Outline of revisions to decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee Members

If this proposal is approved as proposed, the “Decision-making policies on non-monetary compensation for Directors who are not Audit & Supervisory Committee Members” on page 50 will be revised to include the following details.

Outline of policies:

Stock compensation in order to provide even greater incentives for share price appreciation, sustainable growth and increasing medium- to long-term corporate value. The amount of monetary compensation claims to be paid as compensation, etc. for Shares with Transfer Restrictions to each Director will be determined based on total annual compensation calculated according to each Director’s positions, duties and delegations, multiplied by the stock compensation ratio and multiplied by a coefficient based on the achievement of consolidated ROIC, sustainability target, and other indicators.

However, allotment to be made in July 2022, the first fiscal year of the introduction of the plan, will be calculated using the indicators of the Current Plan.

---End---

(Appendix)

Business Report

(from April 1, 2021 to March 31, 2022)

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

1.1 Business progress and results

(1) Overview

Please refer to page 1 of Financial Results for the Year ended March 31, 2022.
(https://global.epson.com/IR/financial_results/2021/pdf/results_2021_full_e.pdf)

(2) Overview by Segment

Please refer to page 1 to 3 of Financial Results for the Year ended March 31, 2022.
(https://global.epson.com/IR/financial_results/2021/pdf/results_2021_full_e.pdf)

1.2 Overview of capital expenditures

Capital expenditures for the consolidated fiscal year under review were concentrated in key strategic areas, primarily new products, increase in production capacity, and rationalizing, upgrading and maintaining equipment and facilities to help foster the development of new businesses and prepare for future growth. In addition, from the viewpoint of generating stable cash flow, Epson continued to carefully select investments and efficiently utilize existing facilities.

As a result of these efforts, total capital expenditures (of property, plant and equipment and software) for the consolidated fiscal year under review amounted to 48,285 million yen.

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

- Capital investment for development of new products in the Printing Solutions Business
- Capital investment for production equipment for supporting an increase in the production of crystal devices in the Microdevices Operations Division

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	28,443	4.3
Visual Communications Business	4,183	(48.2)
Manufacturing-related & Wearables Business	11,314	7.4
Other and overall	4,344	(37.9)
Total	48,285	(8.7)

Note: Year-on year change reflects the change of segment classification in FY2021.

1.3 Overview of financing

There are no special items to be noted with respect to financing in the current fiscal year.

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

Not applicable.

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

The Company, from the perspectives of clarifying its business portfolio and appropriately allocating management resources, transferred IC test handler business to Kanematsu Corporation in April 2021.

1.6 Assignment of business from other companies

Not applicable.

1.7 Succession of rights and obligations due to absorption-type mergers or absorption-type company splits

Not applicable.

1.8 Issues to be addressed

(1) Basic management policy

Epson boldly undertakes challenges to create innovations beyond its own conventions and vision with a view to continuously creating game-changing customer value and playing a central role as an indispensable company in building a better society, based on the Company's unique strengths of efficient, compact, and precision technologies since the time of its founding. Based on the Management Philosophy and global tagline, we will make efforts to realize our goal by having all employees share values and act autonomously while demonstrating their comprehensive strengths, for the purpose of creating values that exceed customer expectations.

(2) Concept of aspirational goal and "Epson 25 Renewed" Corporate Vision

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.

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

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

2) "Epson 25 Renewed" 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.

3) "Epson 25 Renewed" policies

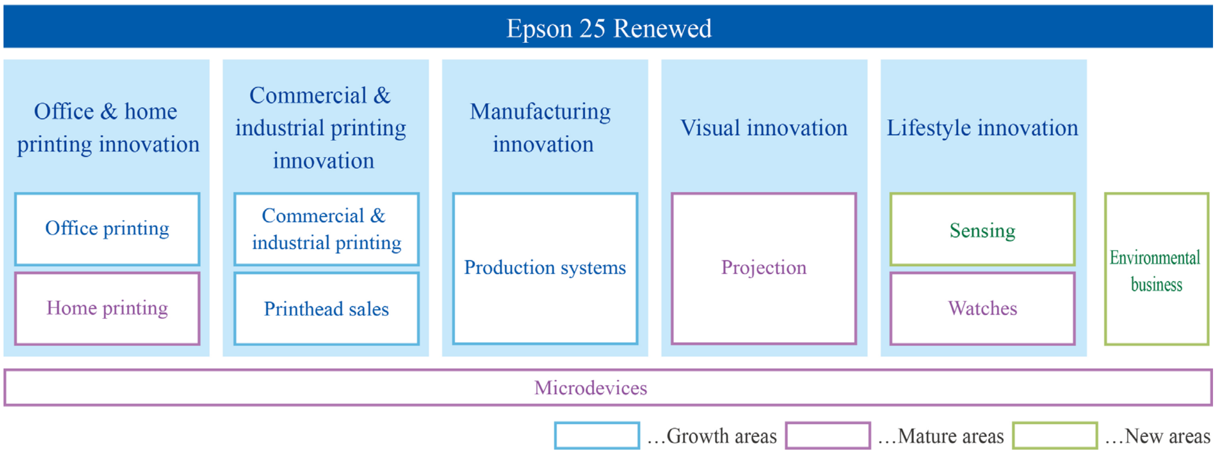
While uncertainties in society are expected to continue, we will aim to secure profitability and seek future growth by focusing on priorities. Furthermore, we will also continue to strengthen our efforts for the environment, DX, and co-creation across business domains.

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) 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, projects acquired continued to increase as a result of coordination of solutions including verification and billing systems. Going forward, we will introduce products in the medium speed zone for which there is substantial demand while making efforts to strengthen sales networks and value promotion activities in each region in order to accelerate growth. In home printing, activities to increase recognition of high-capacity ink tank models for which brand ambassadors have been appointed in North America, Europe, China and Australia have proven effective. In the future, we will expand subscription services while creating a business model that enables long-term use of products for the purpose of contributing also to the reduction of environmental impacts.

<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 worked on efficient development of products and expanded the lineup through platforming in FY2021. We will continue this initiative in the future while connecting customers to Epson and also increasing the number of contracts of Epson Cloud Solution PORT, which provides total support to printing sites, with a view to multi-layering the sources of income in the future. In the printhead sales business, sales have been expanding steadily in China, a major market. Going forward, we will also make use of our sites in Europe to further expand sales, while developing new usages through open innovation.

<Manufacturing innovation>

In this area, we seek to innovate manufacturing by co-creating flexible high-throughput production systems that reduce environmental impacts. In FY2021, sales continued to grow as a result of sales expansion efforts focused on SCARA robots. Going forward, we will expand new products, and strengthen the sales structure and expand sales globally. We will also propose new production systems that combine equipment such as 3D printers and compact injection molding machines with robots.

<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. The profit structure has improved significantly through the operational restructuring, which we have been pushing forward since

FY2020. Going forward, we will continue efficient business operations in existing markets mainly for standard models, while strengthening the business of high-brightness projectors that make the best use of the features of large screens and smart projectors for which the market is expanding.

<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, profitability has improved as a result of operational restructuring efforts, the recovery in demand and increase in the ratio of premium watches. We will continue such restructuring in the future. In addition, in the sensing business, we will develop new businesses 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 initiatives in growth areas. 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.
- ◆ Focused organizational improvements according to region and business segment
  We will promote reorganization to strengthen cooperation of sales promotion and service support.

<Production strategies>

- ◆ Leverage changes caused by the spread of COVID-19 to accelerate the existing strategy
  With regard to parts procurement, we will continue to respond to the ongoing difficulties in procuring electronic parts and other components by securing parts in advance, changing product designs, and producing at multiple locations. As for securing logistics, we will strengthen relations with shipping lines through load capacity contracts and proceed with the search for alternative transport routes. In the production automation, although there are challenges with strengthening and developing human resources at production sites, we will promote digitalization of production equipment and launch of automated lines by developing hardware and data utilization technologies.

<Technology development strategies>

- ◆ Advance technologies that support innovation
  We will focus particularly on strengthening material, AI, and digital technologies. In AI and digital technologies, we will accelerate and strengthen development of algorithms to develop company-wide software platforms to create data utilization business. In material technologies, we will promote development of dry fiber technology (*1), metal recycling, and CO_2 separation/absorption technologies, among other things, as well as solidify environmental business with co-creation partners.
  *1. Epson's technology that converts materials into fibers with mechanical impact without using water (a moderate amount of humidity is required)

<HR strategies>

- ◆ Allocate human resources to priority areas
  We will strengthen mid-career recruiting to secure human resources that lead growth areas.
- ◆ Strengthen human resource development
  We will reorganize the existing education and training system and build a development system in response to changes in roles and duties, in addition to functional and operational axes.
- ◆ Organizational activation
  In addition to conducting training for women and promoting childcare leave for men, we will create an environment that realizes diverse working styles, including expansion of workplace options, in order to promote diversity.

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)	FY2023 (Target)	FY2025 (Target)
ROIC (*2)	5.6%	7.3%	8% or more	11% or more
ROE	5.9%	15.2%	10% or more	13% or more
ROS	6.2%	7.9%	8% or more	10% or more

*2. ROIC = Business profit after tax / (equity attributable to owners of the parent company + interest-bearing liabilities)

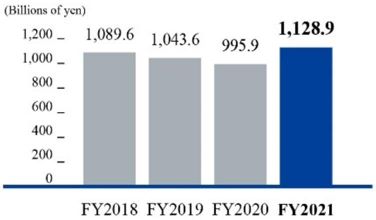
As a result of setting ROIC as one of the financial targets, we will be required to conduct management with higher capital efficiency. As such, Epson will introduce business portfolio management that clarifies the role of profitability and company growth to achieve efficient capital circulation, thereby 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.

1.9 Status of assets and income (loss)

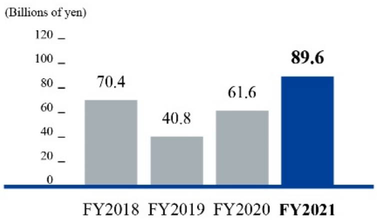
(Millions of yen unless otherwise stated)

Item	FY2018	FY2019	FY2020	FY2021
Revenue	1,089,676	1,043,600	995,940	1,128,914
Business profit	70,498	40,861	61,642	89,637
Profit from operating activities	71,355	39,479	47,654	94,479
Profit for the period attributable to owners of the parent company	53,710	7,733	30,922	92,288
Basic earnings per share (yen)	152.49	22.26	89.38	266.73
Total assets	1,038,389	1,040,910	1,161,314	1,266,420
Equity attributable to owners of the parent company	540,181	503,746	550,924	665,628
Equity attributable to owners of the parent company ratio (%)	52.0	48.4	47.4	52.6

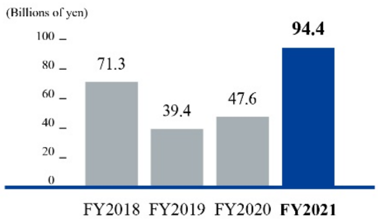
Revenue



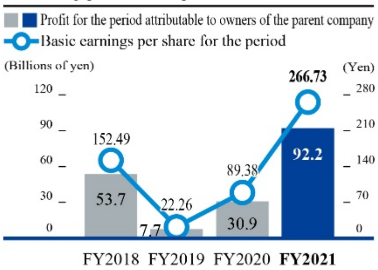
Business profit



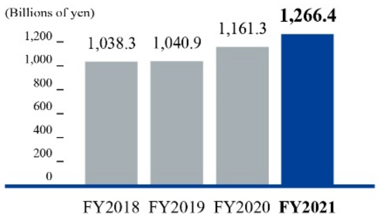
Profit from operating activities



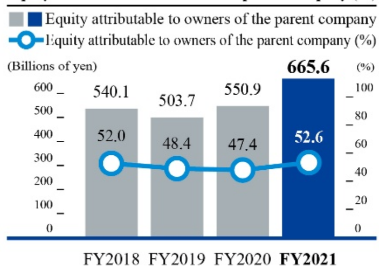
Profit for the period attributable to owners of the parent company / Basic earnings per share for the period



Total assets



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



Notes

1. The Company prepares the consolidated financial statements on the basis of International Financial Reporting Standards (IFRS), in accordance with Article 120, Paragraph 1 of the Regulation on Corporate Accounting.
2. Business profit is a profit indicator that Epson voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP).
3. In the calculation of basic earnings per share, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares is deducted from weighted-average number of ordinary shares outstanding during the period.

1.10 Status of significant parent companies and subsidiaries (as of March 31, 2022)

(1) Relationship with the parent company

Not applicable.

(2) Status of Significant Subsidiaries

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

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

Notes:
1. Percentage of equity participation indicated inside parentheses refers to indirect ownership percentage.
2. There are no specified wholly-owned subsidiaries.
3. Epson (China) Co., Ltd., the Company's wholly-owned subsidiary, made Tianjin Epson Co., Ltd. into its wholly-owned subsidiary as of April 2021.

1.11 Principal business locations and plants (as of March 31, 2022)

Epson is organized into operations divisions under global consolidated management. The majority of advanced R&D and product development is conducted in Japan (by Corporate R&D and R&D organizations in the various operations divisions), while manufacturing and sales activities are conducted around the world by Epson Group manufacturing and sales companies, both in Japan and abroad.

The Company

Registered Head Office	4-1-6 Shinjuku, Shinjuku-ku, Tokyo
Head Office	3-3-5 Owa, Suwa-shi, Nagano
Offices	Hirooka Office (Shiojiri-shi, Nagano), Toyoshina Plant (Azumino-shi, Nagano), Fujimi Plant (Fujimi-machi, Suwa-gun, Nagano), Suwa Minami Plant (Fujimi-machi, Suwa-gun, Nagano), Shiojiri Plant (Shiojiri-shi, Nagano), Matsumoto Minami Plant (Matsumoto-shi, Nagano), Ina Plant (Minowa-machi, Kamiina-gun, Nagano), Kanbayashi Plant (Matsumoto-shi, Nagano), Hino Office (Hino-shi, Tokyo), Sakata Plant (Sakata-shi, Yamagata), Chitose Plant (Chitose-shi, Hokkaido), Osaka Office (Osaka-shi, Osaka)

Subsidiaries

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

1.12 Status of employees (as of March 31, 2022)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	52,842	-
Visual Communications Business	9,473	-
Manufacturing-related & Wearables Business	11,269	-
Other	399	-
Corporate	3,659	-
Total	77,642	(2,302)

Notes:
1. The number of employees represents the number of persons in employment.
2. Year-on-year change by segment is not stated as the segment classification was changed in FY2021.
3. The number of employees represented as Corporate represents administrative staff not assigned to any particular business segment.

1.13 Major lenders (as of March 31, 2022)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	43,800
MUFG Bank, Ltd.	14,552
The Hachijuni Bank, Ltd.	7,300

1.14 Other material facts concerning the current status

(1) Civil actions concerning copyright fees in Belgium
In 2010, Epson Europe B.V. ("EEB"), a consolidated subsidiary of the Company, brought a civil suit against La SCRL Reprobel ("Reprobel"), a Belgium-based group that collects copyright royalties, seeking restitution for copyright royalties for multifunction printers. With 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.

(2) Allegation by a consumer organization in France
Regarding the inkjet printer products sold in France, authorities have initiated investigations following an allegation made by a consumer organization in the country in 2017, pursuant to consumer protection law. The consumer organization alleges that Epson shortens the life of its products, which was never Epson's intention. Giving the highest priority to quality and environment, Epson will continue to offer designs that meet customer needs.
Progress, result and resolution timing of the investigations, and their impact on Epson's financial performance and its future business development are not predictable at this time.

2. Matters related to Company Shares (as of March 31, 2022)

2.1 Total number of shares authorized to be issued 1,214,916,736 shares

2.2 Total number of shares outstanding 399,634,778 shares (including 53,445,399 shares of treasury stock)

2.3 Number of shareholders 39,337 persons

2.4 Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	78,047,300	22.54
Custody Bank of Japan, Ltd. (Trust Account)	25,447,000	7.35
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.77
Seiko Holdings Corporation	12,000,000	3.46
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.35
Epson Group Employees' Shareholding Association	7,421,350	2.14
Mikiko Kidosaki	6,855,302	1.98
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	6,285,800	1.81
The Dai-ichi Life Insurance Company, Limited	6,115,200	1.76
STATE STREENT BANK WEST CLIENT-TREATY 505234	4,686,577	1.35

Note: Although the Company holds 53,445,399 shares of treasury shares, the Company is excluded from the above list of major shareholders. Shareholding ratio is calculated by deducting treasury shares. Treasury shares do not include the Company's shares (170,607 shares) owned by the officer compensation BIP Trust.

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

Category	Number of shares (shares)	Number of individuals eligible for delivery (persons)
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	8,300 (-)	6 (-)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	- (-)	- (-)
Total	8,300	6

3. Matters related to the Subscription Rights to Shares, etc. of the Company

Not applicable.

4. Matters related to Management

4.1 Names, etc. of Directors (as of March 31, 2022)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	Chairman and Director	Outside Director of IHI Corporation Outside Member of the Board of Directors of Sumitomo Dainippon Pharma Co., Ltd. (now Sumitomo Pharma Co., Ltd.)
Yasunori Ogawa	President and Representative Director	—
Koichi Kubota	Representative Director Senior Managing Executive Officer	General Administrative Manager, Sales & Marketing Division
Tatsuaki Seki	Director Managing Executive Officer Chief Compliance Officer	General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office
Hideaki Omiya	Outside Director	Adviser of Mitsubishi Heavy Industries, Ltd. Outside Director of Nomura Research Institute, Ltd.
Mari Matsunaga	Outside Director	—
Masayuki Kawana	Director Full-Time Audit & Supervisory Committee Member	—
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	Outside Director, Audit & Supervisory Committee Member of Fujikura Ltd.
Susumu Murakoshi	Outside Director Audit & Supervisory Committee Member	Attorney-at-law
Michiko Ohtsuka	Outside Director Audit & Supervisory Committee Member	Certified Public Accountant

Notes
1. The Company registered Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka as Independent Directors with the Tokyo Stock Exchange.
2. Mr. Masayuki Kawana was elected as a substitute of Mr. Taro Shigemoto, who retired from the post of Director who is a Full-Time Audit & Supervisory Committee Member of the Company as mentioned in 3. below, at the Ordinary General Meeting of Shareholders held on June 25, 2021 and assumed office.
3. Mr. Taro Shigemoto retired by resignation from the post of Director who is a Full-Time Audit & Supervisory Committee Member of the Company at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021 and assumed the office of Director who is not an Audit & Supervisory Committee Member at the same meeting. Mr. Shigemoto also retired by resignation from the post of Director who is not an Audit & Supervisory Committee Member and Executive Officer (General Administrative Manager, Human Resources Division and General Administrative Manager, Health Management Office) as of January 31, 2022.
4. Director and Audit & Supervisory Committee Member Ms. Michiko Ohtsuka has professional knowledge and experience as a certified public accountant, thus she has considerable knowledge in finance and accounting.

5. Based on a belief that improving audit environment and smooth collection of in-house information through attending important internal meetings, as well as close coordination with an internal audit departments, etc. and daily oversight on the internal control system are necessary to ensure the effectiveness of the activities of the Audit & Supervisory Committee, the Company has appointed Mr. Masayuki Kawana as a Full-Time Audit & Supervisory Committee Member.
6. There are no special interests between the Company and the entities where each Outside Director holds significant concurrent positions.
7. Changes in the titles of Directors after the end of the fiscal year under review are as follows

Name	After change	Before change	Date of change
Tatsuaki Seki	Director Senior Managing Executive Officer Chief Compliance Officer General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	Director Managing Executive Officer Chief Compliance Officer General Administrative Manager, Corporate Strategy and Management Control Division General Administrative Manager, Sustainability Promotion Office	April 1, 2022

8. List of Executive Officers (excluding Directors concurrently serving as Executive Officers) as of March 31, 2022 is as follows.

Name	Title	Areas of responsibility
Junichi Watanabe	Managing Executive Officer	Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)
Hideki Shimada	Managing Executive Officer	General Administrative Manager, Production Planning Division
Akihiro Fukaishi	Executive Officer	President, Epson (China) Co., Ltd.
Sunao Murata	Technology Officer	Deputy General Administrative Manager, DX Division (in charge of GX-CRM and General System Promotion)
Yoshiyuki Moriyama	Executive Officer	Chairman and President, Epson Engineering (Shenzhen) Ltd.
Nobuyuki Shimotome	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Hitoshi Igarashi	Executive Officer	Deputy General Administrative Manager, Printing Solutions Division (in charge of P Commercial & Industrial Operations, PaperLab Business and Planning and Design) Chief Operating Officer, P Commercial & Industrial Operations Division
Keith Kratzberg	Executive Officer	President, Epson America, Inc.
Isamu Otsuka	Executive Officer	President, Epson Atmix Corporation
Eiichi Abe	Executive Officer	President, PT. Indonesia Epson Industry
Kazuhiro Ichikawa	Executive Officer	General Administrative Manager, Technology Development Division
Keijiro Naito	Executive Officer	Chief Operating Officer, Manufacturing Solutions Operations Division
Yoshifumi Yoshida	Executive Officer	Deputy General Administrative Manager, Production Planning Division (in charge of Automation Technology Development) Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Technology Development (Engineering))
Andrea Zoeckler	Executive Officer	Senior Vice President, Epson America, Inc.
Yoshiro Nagafusa	Executive Officer	President, Epson Europe B.V.
Satoru Hosono	Executive Officer	Deputy General Administrative Manager, Technology Development Division (in charge of Foundational Technology Development)

Name	Title	Areas of responsibility
Fuminori Suzumura	Executive Officer	President, Epson Sales Japan Corporation
Akifumi Takei	Executive Officer	President, Epson Precision (Philippines), Inc.
Junkichi Yoshida	Executive Officer	General Administrative Manager, Printing Solutions Division
Samba Moorthy	Executive Officer	Managing Director, Epson India Pvt. Ltd.
Yoichi Yamada	Executive Officer	Deputy General Administrative Manager, Printing Solutions Division (in charge of P Office & Home Operations and Component Design) Chief Operating Officer, P Office & Home Operations Division
Tomoo Takaso	Executive Officer	General Administrative Manager, DX Division
Yasunori Yoshino	Executive Officer	Chief Operating Officer, Visual Products Operations Division
Tsuyoshi Kitahara	Technology Officer	In charge of Exploration for New Technology Development, Technology Development Division General Manager, Advanced Production Technology Development Department (in charge of New Domain Technology Development (Component Development))
Munenori Ando	Professional Officer	In charge of Specific Projects, Sales & Marketing Division

(1) Changes in the positions and responsibilities of Executive Officers after the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Junichi Watanabe	Managing Executive Officer General Administrative Manager, Production Planning Division	Managing Executive Officer Deputy General Administrative Manager, Production Planning Division (in charge of Production Planning)	April 1, 2022
Hideki Shimada	Managing Executive Officer In charge of Specific Projects, Production Planning Division (CS Quality, Environment)	Managing Executive Officer General Administrative Manager, Production Planning Division	April 1, 2022
Eiichi Abe	Executive Officer General Administrative Manager, Human Resources Division General Administrative Manager, Health Management Office	Executive Officer President, PT. Indonesia Epson Industry	April 1, 2022
Yoshifumi Yoshida	Executive Officer Deputy General Administrative Manager, Production Planning Division (in charge of Processing Technology, Automation Technology Development) Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Technology Development (Engineering))	Executive Officer Deputy General Administrative Manager, Production Planning Division (in charge of Automation Technology Development) Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Technology Development (Engineering))	April 1, 2022
Toshiaki Miyasaka	Executive Officer Deputy General Administrative Manager, Printing Solutions Division (in charge of Quality Assurance, Production Technology, Production Management)	Deputy General Administrative Manager, Printing Solutions Division (in charge of Quality Assurance, Production Technology, Production Management)	April 1, 2022
Sunao Murata	Professional Officer In charge of Specific Projects, DX Division (Company IT Technology, GX-CRM)	Executive Officer Deputy General Administrative Manager, DX Division (in charge of GX-CRM, General System Promotion)	April 1, 2022
Akihiro Fukaishi	Executive Officer Chairman and President, Epson (China) Co., Ltd.	Executive Officer President, Epson (China) Co., Ltd.	May 1, 2022

(2) Mr. Munenori Ando retired from the posts of Executive Officer as of March 31, 2022.

(3) Mr. Toshiaki Miyasaka assumed office of Executive Officer as of April 1, 2022.

9. The Company has elected Special Audit & Supervisory Officer, a post to support the Audit & Supervisory Committee. The list of Special Audit & Supervisory Officer as of March 31, 2022 is as follows.

Name	Title	Areas of responsibility
Akihiko Toeda	Special Audit & Supervisory Officer	General Administrative Manager of the Audit & Supervisory Committee Office

4.2 Outline of liability limitation contracts

The Company has entered into contracts with its non-executive Directors, namely, Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Masayuki Kawana, Mr. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka, which limit their liabilities to the damages pursuant to Article 423, Paragraph 1 of the Companies Act. The maximum liability amount under the contracts shall be the minimum liability amount stipulated in laws and regulations.

4.3 Outline of directors and officers liability insurance contract

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

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

4.4 Compensation to Directors

1. Total amount of compensation

(Millions of yen)

Category	Number of individuals (Persons)	Base compensation		Performance-linked compensation		Total
		Fixed (monetary)	Variable (monetary)	Bonuses (monetary)	Stock compensa-tion (non-monetary)	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	9 (2)	264 (29)	11 (-)	64 (-)	29 (-)	369 (29)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	5 (3)	81 (48)				81 (48)
Total	14	346	11	64	29	451

Notes
1. The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.
2. The amount above includes bonuses to be paid to Directors in the amount of 64 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), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the Ordinary General Meeting of Shareholders scheduled on June 28, 2022.
3. The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders. The stock compensation stated above represents the amount recorded based on Japanese Generally Accepted Accounting Principles (JGAAP) concerning the stock delivery points granted in the current fiscal year.
4. The number of individuals above includes two Directors who are not Audit & Supervisory Committee Members and one Director who is an Audit & Supervisory Committee Member who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021, and one Director who is not an Audit & Supervisory Committee Member who retired on January 31, 2022.
5. Stock options are not granted.

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

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

<Method of determining the decision-making policies>

Decision-making policies are determined by the Board of Directors upon deliberation of its contents at the Director Compensation Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors.

<Outline of contents of the decision-making policies>

(1) Basic stance

The Company's officer compensation shall consist of base compensation, which is comprised of fixed compensation and a variable portion, bonuses, which is performance-linked compensation, and stock compensation, which is performance-linked, non-monetary compensation. Given their roles to monitor the management as a whole as well as their independence from the business affairs, the Company pays only fixed compensation as base compensation to Officers who do not have executive duties and therefore does not pay bonuses and stock compensation that are linked with performance and share price.

Compensation for Officers who have executive duties

- Compensation shall be incentive to improve business performance in order to increase corporate value in both the near and long terms.
- Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.
- Compensation shall be commensurate with the business performance so that they can demonstrate their management capabilities to the fullest during their terms of offices.

Compensation for Officers who do not have executive duties

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

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

Base compensation

Base compensation is monthly-paid monetary compensation which is determined comprehensively based on factors such as responsibilities and position of each officer. Of base compensation, the variable portion for officers with executive duties reflects the annual performance results based on the evaluation criteria set for each role. (Variable range: ±20%)

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

Bonuses

Bonuses are annually-paid monetary compensation for officers with executive duties, which are determined by the achievement level of the annual operating performance targets. If a certain level of business profit is not attained, bonuses may not be paid at all. It reflects the annual performance results based on the evaluation criteria set for each role. (Variable range of months for bonuses: ±1.2 months)

[Details of performance indicators and reasons for selection thereof]

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

[Calculation method]

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

[Results of performance indicators]

Details are as stated in "1.9 Status of assets and income (loss)" (please refer to page 38).

Performance-linked stock compensation (officer compensation BIP trust)

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

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

Performance-linked stock compensation (officer compensation BIP trust)

This is a stock compensation system for officers with executive duties wherein Company's shares are delivered using a trust scheme. Under this system, the Company contributes money up to 500 million yen in total for each target period, which covers a period of three consecutive fiscal years, to the trust as compensation for officers eligible for this system. During each target period, the said trust uses the entrusted money to acquire up to 300,000 shares (in the event of a share split, share consolidation, etc., the said maximum number of shares will fluctuate in proportionate to the ratio of split or consolidation) of the Company's ordinary shares from the stock market or the Company (disposal of treasury shares). Every July during the trust period, basic points are granted based on positions and other factors. The number of points will fluctuate by multiplying the said basic points by a performance-based coefficient determined based on the achievement level of the Company's medium- to long-term performance targets (the maximum number of total points per year is 100,000 points, and one point is equivalent to one share). In principle, after the elapse of three years from the date of grant of basic points, approximately 50% of the Company's ordinary shares equivalent to the number of points after multiplying the performance-based coefficient determined based on the achievement level of the Company's medium-term performance targets, which include business profit, ROS, and ROE, are delivered from the trust, and the remainder is paid as money equivalent to the cash value of the Company's ordinary shares for the purpose of appropriating it as funds to pay withholding taxes and other taxes.

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

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

[Details of performance indicators and reasons for selection thereof]

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

[Calculation method]

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

- Formula

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

- Determination Table for FY2019–FY2021

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

more			more	expectations	
Less than ¥86 billion	Lower than 7%	Less than 9%	Less than ¥360 billion	Far below expectations	0.80x

* Qualitative evaluation items and method

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

Changes from FY2016–FY2018:

- Variable range of performance-based coefficient was expanded from “0.90x to 1.10x” to “0.80x to 1.20x.”
- “Progress in ESG management” was added as a qualitative evaluation item.

[Results of performance indicators]

As a result of calculations in accordance with the formula and determination table stated in page 51, the performance-based coefficient for FY2019–FY2021 was 0.90x.

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

With regard to the policies on decisions on the ratio of compensation by category for Directors who are not Audit & Supervisory Committee Members (excluding Chairman and Director without the right of representation and Outside Directors), the monthly compensation of “base compensation” is used as the basis to calculate “bonuses,” which are calculated by multiplying a certain number of months determined based on the achievement level of performance indicators. In addition, “stock compensation” is designed so that it ranges between 10% and 22% of the monthly base compensation depending on position, with the ratio of “stock compensation” increasing commensurate with position. For FY2021, 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 66% as base compensation, approximately 23% as bonuses, and approximately 11% as stock compensation.

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

Regarding the amount of compensation for the fiscal year under review, the Board of Directors has provided Mr. Yasunori Ogawa, President and Representative Director, with discretion to determine matters including the amounts of compensation for individual Directors who are not Audit & Supervisory Committee Members, as he is in a position to oversee the overall performance of the Company. Mr. Ogawa determines the amounts of such compensation based on the content discussed and approved by the Director Compensation Committee, which is chaired by an Outside Director and the majority of which is composed of Outside Directors, so that the said authority is exercised appropriately.

Regarding the amount of compensation in and after April 2022, in order to ensure fair screening through a process with ensured transparency and objectivity, upon the resolution at the Board of Directors meeting, the Director Compensation Committee (all Outside Directors: Chaired by Mr. Hideaki Omiya, and consisting of six members in total including Ms. Mari Matsunaga, Mr. Yoshio Shirai, Mr. Susumu Murakoshi, Ms. Michiko Ohtsuka, and President and Representative Director Mr. Yasunori Ogawa) has been provided with discretion to determine such compensation. In order to make sure that the said authority is exercised appropriately, the majority of the members of the Director Compensation Committee comprises Outside Directors, and the chairperson is elected from among Outside Directors by the members of the Committee.

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

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

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

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

- A fair, transparent, and rigorous reporting by the Director Compensation Committee, which is chaired by an Outside Director and the majority of which is composed of 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.

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

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

<Method of determining the decision-making policies>

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

<Outline of contents of the decision-making policies>

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

Given their roles to monitor the management as a whole based on independence from the business affairs, the Company pays only fixed compensation to Directors who are Audit & Supervisory Committee Members. In addition, basic stance for such fixed compensation is as stated in "Compensation for Officers who do not have executive duties" (please refer to page 50), 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 which is composed of Outside Directors.

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

Base compensation

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

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

Performance-linked stock compensation (officer compensation BIP trust)

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

4.5 Main activities of Outside Directors

(1) Outside Directors

Name	Outline of comments at meetings of the Board of Directors and duties performed in relation to expected roles	Attendance at meetings of the Board of Directors (Attendance rate)
Hideaki Omiya	Based on a wealth of experience and insight as a corporate manager and engineer, he has fulfilled his role in appropriately supervising management by actively expressing opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.	Meetings of the Board of Directors: 13 / 13 meetings (100%)
Mari Matsunaga	Based on a track record of creating new business models and considerable insight and experience through her involvement in the management of multiple companies as outside officers, she has fulfilled her role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from the viewpoints of open innovation promotion, etc.	Meetings of the Board of Directors: 13 / 13 meetings (100%)

(2) Outside Directors, Audit & Supervisory Committee Members

Name	Outline of comments at meetings of the Board of Directors and Audit & Supervisory Committee and duties performed in relation to expected roles	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Yoshio Shirai	Based on considerable experience and insight as a corporate manager and engineer, he has fulfilled his role in appropriately supervising management by actively expressing opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the automotive industry and at a trading firm, different business fields.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 17 / 17 meetings (100%)
Susumu Murakoshi	Based on a high level of expertise as an attorney-of-law and a considerable insight and experience through his involvement in the legal community including as the President of Japan Federation of Bar Association, he has fulfilled his role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from a perspective of a legal professional.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 17 / 17 meetings (100%)

Name	Outline of comments at meetings of the Board of Directors and Audit & Supervisory Committee and duties performed in relation to expected roles	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Michiko Ohtsuka	Based on a high level of expertise as a certified public accountant and a considerable insight and experience through her involvement in the management of a listed company as outside officer, she has fulfilled her role in appropriately supervising management by actively expressing opinions including findings and proposals regarding managerial issues from a perspective of finance and accounting professional.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 17 / 17 meetings (100%)

5. Financial Auditor

5.1 Financial auditor's name

Ernst & Young ShinNihon LLC

5.2 Financial auditor's compensation, etc. for the fiscal year under review

Category	Compensation for audit certificate service (Millions of yen)	Compensation for non-audit service (Millions of yen)
The Company	159	0
Consolidated subsidiaries	39	—
Total	198	0

Notes 1. Taking into consideration the "Practical Guidelines for Cooperation with Financial Auditor" announced by the Japan Audit & Supervisory Board Members Association, Audit & Supervisory Committee has given consent to the compensation, etc., to be paid to the financial auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of confirming the policies and the content of the auditing plan that form the basis of compensation to the financial auditor, auditing time and auditing compensation, as well as the auditing plan and its results for the previous fiscal year, and examining the validity of quotation for the auditing.

2. Under the audit agreement between the Company and its financial auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the financial auditor's compensation, etc. for this fiscal year under review reflects the total compensation.

3. The Company entrusts advisory services which are services other than the services set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act, and pays fees to the financial auditor in relation to such services.

4. Of the significant subsidiaries of the Company, 34 overseas subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) by certified public accountants or audit firms other than the financial auditor of the Company (including those with comparable qualifications abroad).

5.3 Policy regarding determination of dismissal or non-reappointment of financial auditor

In the event that any of the items set forth in the clauses of Article 340, Paragraph 1 of the Companies Act is met, and the Audit & Supervisory Committee deems it appropriate to dismiss the financial auditor, the Audit & Supervisory Committee shall dismiss the financial auditor subject to the unanimous consent of Audit & Supervisory Committee Members.

In addition, if the Audit & Supervisory Committee deems that (i) the quality of audit, quality control, independence and other aspects of the financial auditor are likely to hinder the execution of proper audits, (ii) an audit system more appropriate to the Company would be achieved by replacing the audit firm, or (iii) otherwise it would be necessary, the Audit & Supervisory Committee shall, based on its resolution, determine the details of the proposal to dismiss or not reappoint the financial auditor for submission to the General Meeting of Shareholders.

6. Internal Control Systems (A system for ensuring that business is conducted suitably by the corporate group)

6.1 Basic Policy regarding the Internal Control System

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

Seiko Epson Corporation ("Epson" or "the Company") considers its Management Philosophy to be its most important management concept, and to realize it Epson has established "Principles of Corporate Behavior," a code of conduct that is shared across the Group, including at subsidiaries. The Company shall establish the following basic policy regarding the internal control system (a system for ensuring that business is conducted suitably by the corporate group) and provide an improved internal control system for the Epson Group as a whole.

1. Compliance

(1) The Company has established "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company shall also establish regulations that spell out things such as basic compliance requirements and the organizational framework.

(2) The Company shall also create a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee shall be chaired by a Full-Time Audit & Supervisory Committee Member and shall be made up as members the outside directors and Audit & Supervisory Committee members. The Compliance Committee will meet to hear and discuss important matters concerning the Company's compliance program. It will report its findings and offers opinions to the board of directors. Financial Auditors and head of the internal audit control departments shall be able to attend meetings of the Compliance Committee as observers.

(3) A Chief Compliance Officer ("CCO") shall be chosen to oversee and monitor the execution of all compliance operations. The CCO shall periodically report the state of compliance affairs to the Compliance Committee.

(4) Compliance promotion and enforcement shall be supervised by the President of the Company. Group-wide compliance programs shall be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries shall be promoted by the respective Chief Operating Officers of the divisions.
A compliance control department shall help to ensure the completeness and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.

(5) The Corporate Strategy Council, an advisory body to the President comprised of the Directors and others, addresses important matters with respect to compliance promotion and enforcement of the Epson Group as a whole, including subsidiaries. The Council strives to ensure the effectiveness of compliance by exhaustively discussing and analyzing the state of programs for assuring observance of statutes, internal regulations, business ethics and initiatives in key areas.

(6) The Company, including its subsidiaries, shall strive to provide an effective whistleblowing system. Employees shall be encouraged and shall be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls shall be in place to protect whistleblowers from reprisal, and allegations shall be reported to the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.

(7) The Company shall strive to enhance compliance consciousness by providing Epson Group employees with web-based training and other educational opportunities.

(8) The President of the Company shall periodically report important compliance-related matters to the Board of Directors and shall take measures as needed to respond to issues.

(9) "Principles of Corporate Behavior" shall state that the Company shall have no association whatsoever with organized crime. The Company shall take a firm stance in rejecting any and all contact with organized crime that threatens social order and security.

2. System for Ensuring Proper Financial Reporting

(1) The creation of proper financial reports is recognized as a critical issue. The Company shall build, on the orders of the president, a system that enables internal control over financial reporting to be properly arranged, implemented, and evaluated. The financial reports will not be limited in scope to evaluations and reporting required by the Financial Instruments and Exchange Act but will also include reporting over the scope deemed necessary by management.

(2) A basic regulation and other regulations and standards pertaining to internal control over financial reporting shall be created, and their observance shall be obligatory across the entire Epson Group.

(3) Continuously evaluate whether the internal controls that have been put in place for financial reporting are effectively and properly functioning, and take corrective action where needed.

3. Business execution system

(1) The Company shall formulate long-term vision statements and mid-range business plans, and it shall set clear med-to long-term goals for the Epson Group as a whole.

(2) The Company shall institute a system that shall ensure the appropriate and efficient execution of business. To that end, the Company shall establish regulations governing organization management, job authorities, the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.

(3) Personnel responsible for business operations shall report the matters below to the Board of Directors at least once every three months.

1) Current business performance and performance outlook
2) Risk management responses
3) Status of key business operations

4. Risk management

(1) The Company shall establish a regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.

(2) Overall responsibility for risk management in the Epson Group, including subsidiaries, shall belong to the President of the Company. Group-wide risk management shall be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business shall be managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company shall also set up a risk management control department, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.

(3) The Corporate Strategy Council shall strive to ensure effective management of serious risks that could have an egregious effect on the Company by dynamically and exhaustively discussing and analyzing action to identify and control risks. Also, when major risks become apparent, the President shall lead the entire company in mounting a swift initial response in line with the Company’s prescribed crisis management program.

(4) The President of the Company shall periodically report to the Board of Directors on critical risk management issues and formulate appropriate measures to respond to these issues.

5. Ensuring the appropriateness of operations in the corporate group

(1) The Group’s management structure shall help to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company shall be organized into product-based divisions. Each division shall be headed by a Chief Operating Officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office shall own global responsibility. Responsibility for providing the framework for business operations at subsidiaries shall be owned by the head of each business. Group-wide corporate functions shall be the responsibility of the heads of Head Office supervisory departments.

(2) The Company shall have business processes that enable business to be controlled on a Group level. This shall be accomplished by internal regulations that require subsidiaries to report or acquire pre-approval for certain business operations from the parent company, Epson, and by requiring issues that meet certain criteria to be submitted to Epson’s Board of Directors for resolution. In certain regions, moreover, the Company shall seek to ensure the suitability and efficiency of Group-wide business operations by establishing a company that acts as a regional head office that supervises subsidiaries.

(3) Based on the regulation for Internal Audits, the internal audit departments shall serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. The internal audit departments shall audit internal controls and the state of operations in all Epson Group companies, including subsidiaries. The findings of the internal audit departments shall be presented to the head of the audited organization along with requests for corrective action. This information shall also be regularly reported to the President of the Company and to the Audit & Supervisory Committee. In this way, Epson shall strive to optimize operations across the entire Group.

6. Safeguarding and management of information on performance of duties

(1) Information on the performance of duties shall be safeguarded and managed in accordance with regulations governing, among other things, document control, management approval, and contracts. All Directors shall be able to access this information at all times.

(2) The Company shall strive to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with the Epson Group’s information security regulation.

7. Audit system

(1) The Audit & Supervisory Committee can interview Directors who are not Audit &Supervisory Committee Members, Executive Officers, and other personnel whenever they deem necessary in the performance of duties based on the regulation regarding the audits of Audit & Supervisory Committee.

(2) Audit & Supervisory Committee Members can attend Corporate Strategy Council sessions, Corporate Management Meetings, and other important business meetings that shall enable them to conduct audits based on the same information as that available to Directors who are not Audit & Supervisory Committee Members. Audit & Supervisory Committee shall also routinely review important documents related to management decision-making.

(3) An Audit & Supervisory Committee Office shall be set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office shall serve as a Special Audit & Supervisory Officer and shall assign full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office shall discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not Audit & Supervisory Committee Members. Matters relating to the personnel of the office must be approved in advance by the Audit & Supervisory Committee.

(4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework shall be created to secure close cooperation between the internal audit department and others and the Audit & Supervisory Committee. 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) The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits.

(6) The Audit & Supervisory Committee shall receive audit reports from the internal audit departments and can issue specific instructions to the internal audit departments as needed. If the instructions issued to the internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the President shall have the internal audit departments respect the instructions of the Audit & Supervisory Committee.

(7) Based on the regulation regarding the audits of Audit & Supervisory Committee, the Audit & Supervisory Committee can ask Directors who are not Audit & Supervisory Committee Members, the compliance control department, and the risk management control department, as well as others to report or explain the state of management within the Epson Group, including subsidiaries. It can also inspect supporting materials. The Audit & Supervisory Committee shall, where necessary, be able to ask subsidiary company Directors, Audit & Supervisory Board Members, the internal audit departments, and others to report the state of management within their respective companies. A system shall be put in place to protect reporters from reprisal for having made a report, and the identity of the reporter shall be protected even if the President or a Board Member, for example, is asked to make corrections and so forth based on the report.

(8) The Audit & Supervisory Committee shall strive to enhance the effectiveness of audits by holding regular discussions with Financial Auditors.

(9) The Audit & Supervisory Committee and Representative Director shall regularly meet to enable the committee to directly assess business operations.
(10) The expenses required by the Audit & Supervisory Committee Members to perform its duties shall be properly budgeted for in advance. However, expenses required to perform the duties of the Audit & Supervisory Committee Members in emergency or extraordinary situations shall be promptly paid in advance or refunded on each occasion.

The Company partially revised its Basic Policy regarding the Internal Control System by a resolution at the Board of Directors meeting held on February 25, 2022. The major revisions are as follows, with revised sections underlined. (Effective date: April 1, 2022)

◆ Revision to add an organization for consultation and reporting cases and to further clarify instructions to be prioritized by the internal audit departments

1. Compliance

(6) The Company, including its subsidiaries, shall strive to provide an effective whistleblowing system. Employees shall be encouraged and shall be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls shall be in place to protect whistleblowers from reprisal, and allegations shall be reported to <u>the Board of Directors,</u> the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.

7. Audit system

(6) The Audit & Supervisory Committee shall receive audit reports from the internal audit departments and can issue specific instructions to the internal audit departments as needed. If the instructions issued to the internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the President shall have the internal audit departments <u>prioritize</u> the instructions of the Audit & Supervisory Committee.

6.2. Summary of Implementation Status of the Internal Control System

The implementation status for this fiscal year under review based on the basic policy regarding the internal control system is described below.

(1) Compliance

1) The Compliance Committee, a body that supervises the execution of compliance in business affairs, was held twice during the fiscal year to be reported on important matters concerning the Company's compliance programs. After discussing and giving advice regarding those matters, it reported its findings and offered opinions to the Board of Directors.
Specifically, as important matters, it discussed monitoring results on compliance, individual compliance issues and global compliance programs. In addition, as to the whistleblowing system, it confirmed the reporting status by way of Epson Hotline, a global whistleblowing system, and a partner whistleblowing system, and the operation status of the whistleblowing systems at each Group company.
2) Progress of the Company's compliance programs and risk management programs were regularly reported to and discussed at the Corporate Strategy Council, a deliberative organ that meets for important issues in principle once a week. The deliberation result is also reported to the Board of Directors.
3) Progress of the Company and each Group company's whistleblowing system and allegations are reported to the Board of Directors, Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified. During the fiscal year under review, the Company's hotlines received and responded to 93 cases of consultation and report.
4) The Company has revised the Principles of Corporate Behavior, a set of principles to realize the Management Philosophy indicating the ideal direction of the Group, which are translated into 17 languages and have been informed to the Group employees. Furthermore, the Company has also revised the Epson Global Code of Conduct which breaks down the actions of the Principles of Corporate Behavior and have informed the Group employees.
5) To raise compliance awareness of Group employees, the Company set October as "Compliance Month." During that month, the CCO as well as representatives of operations divisions and each Group company

transmitted a message concerning the enhancement of compliance awareness, workplace activities aimed at creating an opportunity to understand the Epson Global Code of Conduct and think about what actions to take were conducted, and other activities were held. In addition, the Company established regional CCO (R-CCO) in each region to support CCO. Upon defining a Group-wide target level, improvement programs are conducted based on assessment of each Group company to raise the level of overall compliance.

6) With an aim to raise compliance awareness and promote specific operations, managers in charge conveyed their messages and e-learning was held to raise compliance awareness of Group employees through monthly enhancement programs for Information Security Enhancement, CS & Quality, Environmental Awareness, Trading Management, etc.

(2) System for ensuring proper financial reporting

1) Internal control over financial reporting is evaluated in accordance with evaluation standards generally accepted.

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

(3) Business execution system

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

2) Meeting of the Board of Directors was held 13 times to report and discuss matters related to business performance, risk management measures and status of key business operations. We have introduced a system that allows free discussions by members of the Board of Directors, including Outside Directors, in the early stages of examining important management themes outside of the meetings of the Board of Directors, thereby enhancing the strategic function of the Board of Directors.

3) To ensure the compliance of laws and the Company’s Articles of Incorporation in the execution of businesses, regulations governing organizational management, job authority, division of responsibilities, the management of affiliated companies, and other regulations and standards were prepared for organizational, efficient and sound corporate management. Particularly, important provisions including the basis for Group management are in Group-wide operation at each company.

(4) Risk management

1) Risks that could have a significant impact on Group management were specified as Company-wide major risks, risks that could have a significant impact on business were specified as major business risks, and risks that could have a significant impact on management of subsidiaries were specified as affiliated company major risks, and plans and measures were implemented to control these risks. In addition, the progress status of Company-wide major risks was reported on a quarterly basis and major business risks and affiliated company major risks were reported on a semi-annual basis to the Corporate Strategy Council and the Board of Directors.

2) As an initial response procedure in case of major risks, the Company developed a crisis management program. When major risks occur, the Company formed the Crisis Management Committee chaired by the President and took a swift initial response in line with the crisis management program. As our response to the novel coronavirus, the Company followed the provisions of the crisis management program to confirm the status at our locations in various countries, issue specific instructions according to their respective risk level, and develop infection prevention measures, directed by top management with the purposes of ensuring the safety of group employees and their families as a top priority, preventing the spread of the novel coronavirus infection, and continuing and restoring operation of business. In addition, the progress was reported monthly to the management team including Outside Directors, while the actual cases addressed by the Crisis Management Committee were reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.

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

1) In line with regulations for the management of affiliated companies, pre-approval from the Company was sought or report was made to the Company regarding certain business executions by the subsidiaries. The investments that meet certain criteria have been resolved after deliberation at the Board of Directors of the Company.
2) At the beginning of the fiscal year, the internal audit departments of the Company had planned audits on the Company's operations divisions, the departments of the Tokyo office, as well as the Company's domestic and overseas subsidiaries, in accordance with the Basic Regulation for Internal Audit. They introduced prior self-assessment by the subjects of audits in order to promote autonomous distributed internal control from the fiscal year under review. In addition, taking into consideration the impact of the novel coronavirus infection, they used online communication for remote locations. As a result of these initiatives, they conducted 15 audits including one audit specialized in supervisory functions. They also conducted follow-up audits to confirm the status of improvement progress of issues from previous audits. Its findings were reported to the President and Representative Director and the Audit & Supervisory Committee of the Company and actions deemed necessary for control have been taken.

(6) Safeguarding and management of work-related information

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

(7) Audit system

1) Full-Time Audit & Supervisory Committee Member and the head of the Audit & Supervisory Committee Office attended the meetings of the Corporate Strategy Council, Corporate Management Meetings, and other important business meetings and confirmed the status of the execution of duties.
   The Member also examined the important documents related to management decision-making upon receipt.
2) The Company has the Audit & Supervisory Committee Office to support the work of Audit & Supervisory Committee Members.
3) Audit & Supervisory Committee held regular meetings with representative directors, including Outside Directors who are not Audit & Supervisory Committee Members.
4) Audit & Supervisory Committee regularly discussed financial auditor's audit plan, audit progress and audit result reporting with the financial auditor. In addition, Full-Time Audit & Supervisory Committee Member and his assistants accompany the audits of the financial auditor as necessary to enhance the effectiveness of audits. The Audit & Supervisory Committee verifies information disclosed by the four major Japanese audit firms every year as reference information on appointment, dismissal or non-reappointment of the financial auditor.
5) Audit & Supervisory Committee confirmed the audit plan of the internal audit departments at the beginning of the fiscal year and received regular reports from the internal audit departments on a quarterly basis. The reporting was made with the presence of the financial auditor for information sharing. Full-Time Audit & Supervisory Committee Member was regularly reported by the internal audit departments once a month to confirm the management status of the corporate group. In addition, Full-Time Audit & Supervisory Committee Member and his assistants accompany the internal audits as necessary to enhance the effectiveness of audits, thereby closely cooperating with the internal audit departments and Audit & Supervisory Committee.
6) Audit & Supervisory Committee interviewed Directors who are not Audit & Supervisory Committee Members, Executive Officers, Chief Operating Officers who are not Executive Officers, General Administrative Managers of Divisions, Directors and Audit & Supervisory Board Members of major subsidiaries in Japan and overseas, as well as the internal audit departments and received an explanation on the state of management within the Epson Group, including subsidiaries. Furthermore, Full-Time Audit & Supervisory Committee Member received reports from responsible departments for compliance and risk management, Head Office supervisory departments, Audit & Supervisory Board Members of subsidiaries in Japan, etc. on a regular basis, and confirmed the management status.
7) The expenses required to execute the duties of Audit & Supervisory Committee were properly budgeted for in advance. The Company promptly paid such expenses.

8) At the Company, Full-Time Audit & Supervisory Committee Members, the internal audit departments, responsible departments for compliance and risk management, and the Audit & Supervisory Committee Office regularly exchange opinions, in order to discuss and share risk awareness across the entire group and other matters. These organizations cooperate and make cohesive efforts to follow the maintenance and operation status of our internal control system and make further improvements.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2022)

(Millions of yen)

Item	As of March 31, 2022	(Reference) As of March 31, 2021	Item	As of March 31, 2022	(Reference) As of March 31, 2021
Assets			**Liabilities**		
Current Assets	**834,469**	**739,997**	**Current liabilities**	**332,040**	**305,943**
Cash and cash equivalents	335,239	304,007	Trade and other payables	146,201	134,149
Trade and other receivables	168,221	161,332	Income tax payables	12,233	7,305
Inventories	308,385	256,366	Bonds issued, borrowings and lease liabilities	26,297	28,127
Income tax receivables	5,057	3,518	Other financial liabilities	4,497	2,361
Other financial assets	769	1,156	Provisions	10,993	11,014
Other current assets	16,797	13,160	Other current liabilities	131,817	122,973
Subtotal	**834,469**	**739,540**	**Subtotal**	**332,040**	**305,931**
Assets held for sale	—	457	Liabilities directly associated with assets held for sale	—	12
			Non-current liabilities	**268,640**	**302,421**
Non-current assets	**431,950**	**421,317**	Bonds issued, borrowings and lease liabilities	216,853	237,780
Property, plant and equipment	343,172	344,637	Other financial liabilities	3,788	2,730
Intangible assets	24,218	27,976	Net defined benefit liabilities	24,210	33,087
Investment property	1,108	1,246	Provisions	8,042	7,757
Investments accounted for using the equity method	2,040	1,718	Other non-current liabilities	13,680	13,483
Net defined benefit assets	2,278	140	Deferred tax liabilities	2,064	7,582
Other financial assets	20,192	20,213	**Total liabilities**	**600,680**	**608,365**
Other non-current assets	4,181	1,614	**Equity**		
Deferred tax assets	34,757	23,770	**Equity attributable to owners of the parent company**	**665,628**	**550,924**
			Share capital	53,204	53,204
			Capital surplus	84,010	84,418
			Treasury shares	(40,808)	(40,874)
			Other components of equity	89,068	54,869
			Retained earnings	480,154	399,306
			Non-controlling interests	**112**	**2,025**
			Total equity	**665,740**	**552,949**
Total assets	**1,266,420**	**1,161,314**	**Total liabilities and equity**	**1,266,420**	**1,161,314**

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

Consolidated Statement of Comprehensive Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Revenue	**1,128,914**	**995,940**
Cost of sales	**(710,462)**	**(643,563)**
Gross profit	**418,451**	**352,377**
Selling, general and administrative expenses	(328,814)	(290,735)
Other operating income	10,214	3,225
Other operating expense	(5,372)	(17,213)
Profit from operating activities	**94,479**	**47,654**
Finance income	4,698	1,317
Finance costs	(2,128)	(4,137)
Share of profit of investments accounted for using the equity method	113	99
Profit before tax	**97,162**	**44,933**
Income taxes	(4,859)	(13,937)
Profit for the period	**92,302**	**30,995**
Profit for the period attributable to owners of the parent company	92,288	30,922
Profit for the period attributable to non-controlling interests	14	73
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax	**10,341**	**21,726**
Remeasurement of net defined benefit liabilities (assets)	10,541	20,220
Net gain (loss) on revaluation of financial assets measured at FVTOCI	(199)	1,505
Items that may be reclassified subsequently to profit or loss, net of tax	**33,582**	**16,096**
Exchange differences on translation of foreign operations	34,573	17,172
Net changes in fair value of cash flow hedges	(1,085)	(1,130)
Share of other comprehensive income of investments accounted for using the equity method	95	54
Total other comprehensive income, net of tax	**43,924**	**37,822**
Total comprehensive income for the period	**136,226**	**68,818**
Total comprehensive income for the period attributable to owners of the parent company	136,206	68,564
Total comprehensive income for the period attributable to non-controlling interests	20	254

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

(Reference) Consolidated Statement of Cash Flows (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Amount	Amount in previous fiscal year
Cash flows from operating activities		
Profit (loss) for the period	92,302	30,995
Depreciation and amortisation	64,595	69,852
Impairment loss (reversal of impairment loss)	1,460	7,823
Finance (income) costs	(2,569)	2,820
Share of (profit) loss of investments accounted for using the equity method	(113)	(99)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property	232	316
Income taxes	4,859	13,937
Decrease (increase) in trade receivables	3,006	(1,004)
Decrease (increase) in inventories	(28,230)	(12,865)
Increase (decrease) in trade payables	2,175	13,151
Increase (decrease) in net defined benefit liabilities	1,532	2,888
Other	(6,428)	15,119
Subtotal	**132,823**	**142,935**
Interest and dividends income received	1,470	1,365
Interest expenses paid	(1,071)	(1,111)
Income taxes paid	(22,420)	(9,966)
Net cash from (used in) operating activities	**110,801**	**133,222**
Cash flows from investing activities		
Purchase of investment securities	(747)	(297)
Proceeds from sales of investment securities	622	26
Purchase of property, plant and equipment	(38,602)	(47,504)
Proceeds from sales of property, plant and equipment	245	467
Purchase of intangible assets	(5,242)	(8,371)
Proceeds from sale of intangible assets	33	21
Proceeds from sale of investment property	352	—
Other	(746)	(1,790)
Net cash from (used in) investing activities	**(44,083)**	**(57,448)**
Cash flows from financing activities		
Net increase (decrease) in current borrowings	—	(889)
Proceeds from non-current borrowings	500	—
Repayment of non-current borrowings	(500)	(14,000)
Proceeds from issuance of bonds issued	—	69,676
Redemption of bonds issued	(20,000)	—
Payments of lease liabilities	(8,275)	(9,667)
Dividends paid	(21,451)	(21,449)
Dividends paid to non-controlling interests	(394)	(519)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(1,648)	—
Purchase of treasury shares	(1)	(1)
Net cash from (used in) financing activities	**(51,771)**	**23,150**
Effect of exchange rate changes on cash and cash equivalents	**16,285**	**8,837**
Net increase (decrease) in cash and cash equivalents	**31,232**	**107,761**
Cash and cash equivalents at beginning of period	**304,007**	**196,245**
Cash and cash equivalents at end of period	**335,239**	**304,007**

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

Non-Consolidated Financial Statements

Balance Sheet (as of March 31, 2022)

(Millions of yen)

Item	As of March 31, 2022	(Reference) As of March 31, 2021	Item	As of March 31, 2022	(Reference) As of March 31, 2021
Assets			**Liabilities**		
Current assets	**464,367**	**367,319**	**Current liabilities**	**189,230**	**168,786**
Cash and deposits	60,214	65,037	Notes payable - trade	3,316	3,208
Notes receivable - trade	132	161	Accounts payable - trade	87,942	79,432
Accounts receivable - trade	192,468	159,491	Current portion of bonds issued	—	20,000
Securities	94,000	51,000	Current portion of long-term borrowings	18,000	500
Merchandise and finished goods	5,102	5,032	Lease liabilities	90	89
Work in process	19,286	15,401	Accounts payable - other	37,786	32,973
Raw materials and supplies	21,457	20,799	Accrued expenses	7,924	7,302
Short-term loans receivable	35,839	15,060	Income taxes payable	8,099	1,182
Accounts receivable - other	28,110	28,954	Deposits received	5,458	6,797
Other	7,755	6,380	Provision for bonuses	14,800	13,241
			Provision for directors’ bonuses	57	70
Non-current assets	**360,531**	**366,233**	Provision for product warranties	1,053	1,437
(Property, plant and equipment)	**(165,477)**	**(174,260)**	Asset retirement obligations	199	—
Buildings	83,966	87,964	Other	4,501	2,550
Structures	3,265	3,492	**Non-current liabilities**	**233,718**	**255,862**
Machinery and equipment	41,708	46,558	Bonds issued	150,000	150,000
Vehicles	39	50	Non-current borrowings	48,500	66,000
Tools, furniture and fixtures	6,907	7,608	Lease liabilities	1,103	1,189
Land	28,232	28,340	Provision for retirement benefits	30,004	34,262
Construction in progress	1,356	245	Provision for product warranties	171	235
(Intangible assets)	**(9,443)**	**(9,820)**	Asset retirement obligations	2,915	3,153
Software	6,946	6,862	Other	1,023	1,020
Other	2,497	2,958	**Total liabilities**	**422,948**	**424,649**
(Investments and other assets)	**(185,609)**	**(182,153)**	**Net assets**		
Investment securities	8,762	9,870	**Shareholders’ equity**	**400,598**	**306,426**
Shares of subsidiaries and affiliates	131,580	131,953	**Share capital**	**53,204**	**53,204**
Long-term prepaid expenses	2,739	2,657	**Capital surplus**	**84,321**	**84,321**
Deferred tax assets	40,997	36,127	Legal capital surplus	84,321	84,321
Other	1,544	1,560	**Retained earnings**	**303,821**	**209,716**
Allowance account for credit losses	(15)	(16)	Legal retained earnings	3,132	3,132
			Other retained earnings	300,689	206,583
			Retained earnings brought forward	300,689	206,583
			Treasury shares	**(40,748)**	**(40,814)**
			Valuation and translation adjustments	**1,352**	**2,477**
			Valuation difference on available-for-sale securities	**2,977**	**3,016**
			Deferred gains or losses on hedges	**(1,625)**	**(539)**
			Total net assets	**401,950**	**308,904**
Total assets	**824,898**	**733,553**	**Total liabilities and net assets**	**824,898**	**733,553**

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

Statement of Income (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Net sales	**823,448**	**714,821**
Cost of sales	**687,515**	**643,644**
Gross profit	**135,933**	**71,176**
Selling, general and administrative expenses	**79,049**	**71,705**
Operating income (loss)	**56,883**	**(528)**
Non-operating income	**70,264**	**3,041**
Interest and dividend income	58,081	317
Foreign exchange gain	9,256	—
Other	2,926	2,724
Non-operating expenses	**3,631**	**4,935**
Interest expenses	707	688
Foreign exchange losses	—	625
Other	2,924	3,621
Ordinary income (loss)	**123,515**	**(2,422)**
Extraordinary income	**218**	**73**
Gain on sales of property, plant and equipment and intangible assets	218	70
Other	0	3
Extraordinary losses	**2,691**	**3,595**
Loss on sales of property, plant and equipment and intangible assets	1	—
Loss on disposal of property, plant and equipment and intangible assets	344	170
Impairment loss	733	2,947
Loss on valuation of investment securities	980	—
Loss on valuation of shares of subsidiaries	373	476
Other	258	—
Income (loss) before income taxes	**121,043**	**(5,943)**
Income taxes - current	9,776	(1,403)
Income taxes - deferred	(4,302)	(3,246)
Total income taxes	**5,473**	**(4,649)**
Net income (loss)	**115,569**	**(1,293)**

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

Audit Reports

Transcript of financial auditor's audit report on consolidated financial statements

Independent Auditor's Report

May 13, 2022

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Designated and Engagement Partner,	Certified Public Accountant	Makoto Usui
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Ryuichi Minami

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of Seiko Epson Corporation (the "Company") for the fiscal year from April 1, 2021 through March 31, 2022.

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

Basis for the Opinion

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

Other Information

The other information consists of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit & Supervisory Committee is responsible for monitoring the execution of the duties of the Directors related to designing and operating the reporting process of the other information.

The subject of our audit opinion on the consolidated financial statements does not include the other information. Therefore, we do not express an opinion on the other information.

In auditing the consolidated financial statements, we are responsible for reading through the other information, and in the process of reading it through, reviewing whether there are any material discrepancies between the other information and the consolidated financial statements or the knowledge that we gained during our auditing process, and paying attention to any signs of material misstatement in other information in addition to such material discrepancies.

When we determine that there is any material misstatement in other information based on the tasks that we performed, we are required to report such fact.

We have found no matters to report with regard to the other information.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting principles that omit some disclosure items required under Designated International Financial Reporting Standards pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

・ Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

・ In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.

・ Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

・ Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・ Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with the accounting principles that omit some disclosure items required under Designated International Financial Reporting Standards pursuant to the provisions of the latter part of Article 120, Paragraph 1 of the Regulation on Corporate Accounting, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.

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

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

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

Interest

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

Transcript of financial auditor's audit report

Independent Auditor's Report

May 13, 2022

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC
Tokyo Office

Designated and Engagement Partner,	Certified Public Accountant	Makoto Usui
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Ryuichi Minami

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the accompanying supplementary schedules of Seiko Epson Corporation (the "Company") for the 80th fiscal year from April 1, 2021 through March 31, 2022.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2022, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

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

Other Information

The other information consists of the business report and the supplementary schedules. Management is responsible for preparing and disclosing the other information. The Audit & Supervisory Committee is responsible for monitoring the execution of the duties of the Directors related to designing and operating the reporting process of the other information.

The subject of our audit opinion on the financial statements and the accompanying supplementary schedules does not include the other information. Therefore, we do not express an opinion on the other information.

In auditing the financial statements and the accompanying supplementary schedules, we are responsible for reading through the other information, and in the process of reading it through, reviewing whether there are any material discrepancies between the other information and the financial statements and the accompanying supplementary schedules or the knowledge that we gained during our auditing process, and paying attention to any signs of material misstatement in other information in addition to such material discrepancies.

When we determine that there is any material misstatement in other information based on the tasks that we performed, we are required to report such fact.
We have found no matters to report with regard to the other information.

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

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.
The Audit & Supervisory Committee is responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.
We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

・ Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.

・ In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.

・ Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.

・ Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.

・ Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

・ To express an opinion on the financial statements and the accompanying supplementary schedules, obtain sufficient and appropriate audit evidence relating to the financial information on components, which is included in the financial statements and the accompanying supplementary schedules. The auditor is responsible for giving instructions on, monitoring, and performing audits relating to the financial information on components. The auditor is solely responsible for audit opinions.

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

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

Interest

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

Transcript of the Audit & Supervisory Committee's audit report

Audit Report

The Audit & Supervisory Committee audited the Directors' execution of their duties during the 80th fiscal year, from April 1, 2021 to March 31, 2022, and hereby reports on its method and results as follows.

1. Auditing Method and Contents Thereof

With respect to the resolution of the Board of Directors concerning the matters stipulated in Article 399-13, Paragraph 1, Item 1 (ii) and (iii) of the Companies Act, as well as the system (internal control system) developed based on such resolution of the Board of Directors, we received regular reports regarding the status of formulation and operation of such system from Directors and other employees, etc., sought explanations as necessary, expressed opinion thereon, and executed audits through the following methods.

In addition, with regard to the internal control concerning financial reporting under the Financial Instruments and Exchange Act, we received reports regarding the evaluation of such internal control and audit status thereof from Directors, etc. and Ernst & Young ShinNihon LLC, and sought explanations as necessary.

(1) In conformity with the principles of audits by the Audit & Supervisory Committee stipulated by the Audit & Supervisory Committee and in accordance with audit policies and the division of duties, etc., we, in coordination with the Internal Audit Department and other departments related to internal control, attended important meetings, received reports from Directors and other employees, etc., regarding the execution of their duties, sought explanations as necessary, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's Head Office and primary Business Offices. Furthermore, with regard to the Company's subsidiaries, the Audit & Supervisory Committee worked to communicate and exchange information with Directors, Audit & Supervisory Board Members, etc., of subsidiaries, and received reports from them as necessary.

(2) With respect to the basic policy provided in Article 118, Item 3 (a) of the Ordinance for Enforcement of the Companies Act, and judgment and reasons for the initiatives provided in (b) of the same Item, in light of the status, etc., of deliberations in the Board of Directors and other meetings, further consideration of its content was given.

(3) We monitored and verified whether the Financial Auditor had maintained its independence and conducted audits appropriately, received reports regarding the execution of their duties, and sought explanations as necessary. We received notification from the Financial Auditor that "Systems for Ensuring Appropriate Execution of Duties" (matters provided in each item of Article 131 of the Ordinance on Accounting of Companies) have been established in accordance with "Quality Control Standard for Auditing," (Business Accounting Council), etc., and sought explanations as necessary.

Based on the above, we examined the Business report and the supplementary schedules, the Consolidated Financial Statements (the Consolidated Statements of Financial Position, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, and the Notes for the Consolidated Financial Statements, as well as the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, and the Notes for the Non-consolidated Financial Statements) and the supplementary schedules prepared in conformity with the latter part of paragraph 1 Article 120 of the Regulation on Corporate Accounting that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards) for the fiscal year under review.

2. Audit Results

(1) Results of Audit of Business Report, etc.

1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and the Articles of Incorporation, and fairly represent the Company's condition.

2) No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
3) We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the execution of duties by Directors concerning the internal control system or the content of the Business Report concerning the internal control system, including the internal control concerning financial reporting.
4) We found no matters requiring note on our part with respect to the basic policy regarding persons who control decision on the Company's financial and business polices decisions, stated in the Business Report. The initiatives taken pursuant to Article 118, Item 3 (b) of the Ordinance for Enforcement of the Companies Act, stated in the Business Report, are in line with the said basic policy, and in our opinion, said basic policy is deemed not to harm the common interest of the Company's shareholders, nor is it for the purpose of maintaining the position of the Company's officers.

(2) Results of Audit of Consolidated Financial Statements

We found that the methods and the results of the audit conducted by Financial Auditor, Ernst & Young ShinNihon LLC, are appropriate.

(3) Results of Audit of Non-Consolidated Financial Statements and Supplementary Schedules

We found that the methods and the results of the audit conducted by Financial Auditor, Ernst & Young ShinNihon LLC, are appropriate.

May 18, 2022

Audit & Supervisory Committee, Seiko Epson Corporation

Full-Time Audit & Supervisory Committee Member:	Masayuki Kawana
Outside Audit & Supervisory Committee Member:	Yoshio Shirai
Outside Audit & Supervisory Committee Member:	Susumu Murakoshi
Outside Audit & Supervisory Committee Member:	Michiko Ohtsuka

(Note) Audit & Supervisory Committee Members, namely, Mr. Yoshio Shirai, Mr. Susumu Murakoshi and Ms. Michiko Ohtsuka are outside directors as prescribed in Article 2, Item (15) and Article 331, Paragraph 6 of the Companies Act.

End

Dear shareholders with Voting Rights

Internet Disclosure Information for the Notice of the 80th Ordinary General Meeting of Shareholders

[Business Report]

Basic Policy regarding Company Control

[Consolidated Financial Statements and Non-consolidated Financial Statements]

Consolidated Statement of Changes in Equity

Notes to the Consolidated Financial Statements

Statement of Changes in Net Assets

Notes to the Non-consolidated Financial Statements

(from April 1, 2021 to March 31, 2022)

SEIKO EPSON CORPORATION

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

Basic Policy regarding Company Control

The Company has established a basic policy as follows regarding persons who control decision on its financial and business policies (hereinafter the "basic policy").

1. Basic policy

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

The Company believes that its shareholders should be decided through free trade in the market, and the determination to accept to an acquisition proposal to purchase a portion of shares that would make it possible to control decisions on the Company's financial and business policies (hereinafter "large-scale acquisition") should ultimately be referred to a decision by the shareholders.

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

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

2. Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

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

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 to create customer value in order to achieve the aspirational goal.

(2) Measures to Prevent Decisions on the Company's Financial and Business Policies from being Controlled by Persons Viewed as Inappropriate Under the Basic Policy

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

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

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

Consolidated Statement of Changes in Equity
(from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Equity attributable to owners of the parent company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations
Balance as of April 1, 2021	53,204	84,418	(40,874)	—	3,229	52,192
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	10,541	(199)	34,662
Total comprehensive income for the period	—	—	—	10,541	(199)	34,662
Acquisition of treasury shares	—	—	(1)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	(6)	66	—	—	—
Changes in ownership interest in subsidiaries	—	(401)	—	—	—	291
Transfer from other components of equity to retained earnings	—	—	—	(10,541)	530	—
Total transactions with the owners	—	(408)	65	(10,541)	530	291
Balance as of March 31, 2022	53,204	84,010	(40,808)	—	3,560	87,146

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity					
	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company		
Balance as of April 1, 2021	(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	(1,085)	43,918	—	43,918	6	43,924
Total comprehensive income for the period	(1,085)	43,918	92,288	136,206	20	136,226
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Dividends	—	—	(21,451)	(21,451)	(394)	(21,846)
Share-based payment transactions	—	—	—	59	—	59
Changes in ownership interest in subsidiaries	—	291	—	(109)	(1,539)	(1,648)
Transfer from other components of equity to retained earnings	—	(10,010)	10,010	—	—	—
Total transactions with the owners	—	(9,719)	(11,440)	(21,502)	(1,933)	(23,436)
Balance as of March 31, 2022	(1,638)	89,068	480,154	665,628	112	665,740

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

Notes to the Consolidated Financial Statements

Significant Basis of Preparing Consolidated Financial Statements

1. Basis of Preparing Consolidated Financial Statements

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

2. Scope of Consolidation

   Number of Subsidiaries: 77

   The major subsidiaries of the Company are as follows:

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

(Reason for the change in subsidiaries)

(Decrease: 3 subsidiaries)

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

Fujian Epson Co., Ltd.
Epson Precision (Shenzhen) Ltd.
E&G Hong Kong Ltd.

3. Application of Equity Method

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

Epson & Nissin Travel Solutions Corporation
Shanghai Sanhuan Magnetics Co., Ltd.

4. Reporting Period of Subsidiaries

The reporting date of certain overseas subsidiaries is December 31, and the subsidiaries prepare, for consolidation purposes, additional financial information as of the date of the consolidated financial statements.

5. Accounting Policies

(1) Basis and Methods of Valuation of Assets

1) Financial Assets other than Derivatives

(i) Initial Recognition and Measurement

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

2) Derivatives

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.

3) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
Inventories are measured at the lower of cost or net realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortisation of Assets

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

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

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

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

2) Intangible Assets

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

- Software: 3 to 10 years

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

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

3) Right-of-use Assets

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

4) Investment Property

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

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

(3) Accounting Basis for Provisions

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

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

(4) Accounting Method Regarding Post-Employment Benefits

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

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

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

(5) Accounting Basis for 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.

(6) 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.

(7) Hedge Accounting

At the inception of a hedge, Epson formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument’s effectiveness is assessed in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, they are assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedges were designated.

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

1) Fair Value Hedge

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

2) Cash Flow Hedge

The portion of the gain or loss on the hedging 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.

3) 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.

(8) Accounting Method Regarding Goodwill

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

Notes to Accounting Estimates

The preparation of Epson's consolidated financial statements includes management estimates and assumptions for measurements of income, expenses, assets and liabilities, and disclosure of contingencies as of the end of the fiscal year. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors, including impacts of the COVID-19 pandemic deemed to be reasonable as of the end of the fiscal year. Given their nature, actual results may differ from those estimates and assumptions.
The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognised in the period of the change and subsequent periods.
Among the above estimates and assumptions, the following were items that may have a material effect on the amounts recognised in Epson's consolidated financial statements:

(1) Impairment of Non-financial Assets

Epson performs an impairment test for property, plant and equipment, goodwill, intangible assets, investment property and right-of-use assets ("asset") when there is any indication that the recoverable amount has fallen below the carrying amount of the assets or when it is required annually.
The impairment test is performed by comparing the carrying amount and the recoverable amount of assets or cash-generating units. If the recoverable amount falls below the carrying amount, impairment losses are recognised. Recoverable amount is the higher of fair value less costs of disposal and value in use of assets or cash-generating units with certain assumptions of useful life, future cash flow of an asset, discount rate and long-term growth rate. Value in use is the present value of the future cash flows expected to be derived from assets or cash-generating units and in measuring the value in use, Epson bases cash flow projections on the most recent business plan and others approved by management which includes assumptions such as projected growth in revenue. If an estimate is required for the periods beyond the period covered by the business plan, etc., Epson takes future uncertainties into consideration. The future cash flows include net cash flows from the disposal of the assets or cash-generating units. These

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

The balances of property, plant and equipment (including right-of-use assets), goodwill and intangible assets, and investment property as of March 31, 2022 were 343,172 million yen, 24,218 million yen, and 1,108 million yen, respectively, and the amount of impairment loss for the year ended March 31, 2022 was 1,460 million yen.

(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.

The balances of net defined benefit assets and net defined benefit liabilities as of March 31, 2022 were 2,278 million yen and 24,210 million yen, respectively.

(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.

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

1) Provision for Product Warranties

For warranty expenditures, Epson recognises the provisions for estimated amounts based on the rate of historical service contract expenses to sales as well as estimated amounts for those products where future warranty expenses can be reliably estimated. (Balance as of March 31, 2022: 12,489 million yen)

2) Asset Retirement Obligations

Epson recognises provisions for asset retirement obligation which derive from the acquisition, construction, development or normal use of property, plant and equipment. Epson is required to bear the amount of asset retirement obligation that it is probable that Epson will pay in light of historical experience. (Balance as of March 31, 2022: 4,073 million yen)

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. (Balance as of March 31, 2022: 564 million yen)

(4) Income Taxes

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

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

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

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

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

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

The amount of income taxes for the year ended March 31, 2022 was 4,859 million yen, and the balance of deferred tax assets as of March 31, 2022 was 34,757 million yen.

(5) Contingencies

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

The content of contingencies is stated in "Other Notes – Contingencies."

Changes in Accounting Estimates

(Change of Useful Life)

From the year ended March 31, 2022, Epson changed the useful life of machinery of the Visual Communications business based on actual usage of the assets, as reviewing its production strategy in its business structural reform and others.

As a result of this change, profit from operating activities and profit before tax for the year ended March 31, 2022 increased by 2,567 million yen compared to the previous estimates.

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,161 million yen
Other financial assets (non-current)	48 million yen

2. Accumulated Depreciation and Accumulated Impairment Losses of Property, Plant and Equipment

1,045,643 million yen

Consolidated Statement of Changes in Equity

1. Total Number of Fully Paid Issued Shares as of the End of the Consolidated Fiscal Year under Review
   Common stock: 399,634,778 shares

2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting held on June 25, 2021	Ordinary shares	(Note 1) 10,731 million yen	31 yen	March 31, 2021	June 28, 2021
Board of Directors Meeting held on October 29, 2021	Ordinary shares	(Note 2) 10,731 million yen	31 yen	September 30, 2021	November 30, 2021

(Note 1) Total dividends include dividends of 6 million yen for the Company's shares held by BIP trust.

(Note 2) Total dividends include dividends of 5 million yen for the Company's shares held by BIP trust.

(2) Dividends Whose Basis Date Was during the Consolidated Fiscal Year under Review, but Whose Effective Date Is during the Subsequent Consolidated Fiscal Year

The Company presents the following proposal.

Resolution (scheduled)	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting to be held on June 28, 2022	Ordinary shares	(Note) 10,731 million yen	Retained earnings	31 yen	March 31, 2022	June 29, 2022

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

Financial Instruments

1. Status of Financial Instruments

(1) Capital Management

Epson selects the most effective fund management method focusing on the preservation of funds in view of safeness and flexibility. In addition, Epson obtains financing from bank loans and bonds issued. Epson has a policy not to transact derivatives for speculation purposes, but for avoiding the risks stated below.

Epson monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a sound and flexible financial condition for future investment. Epson monitors credit ratings for financial soundness and flexibility, and ROE (return on equity) 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.

(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.

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign exchange fluctuation:

1) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.

2) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

3) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.

Epson hedges against risk 1) using derivatives and other means when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks 2) and 3), in principle.

In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson's Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The finance department of the Company regularly report the performances to the Executive Committee of the Company.

(6) Interest Rate Risk

Epson's interest rate risk arises from cash equivalents and interest-bearing debt. Borrowings and bonds issued with floating rates are subject to the effects of changes in future cash flows caused by the fluctuation of market interest rates; while, borrowings and bonds issued with fixed rates are subject to the effects of changes in the fair value caused by the fluctuation of market interest rates.

In response to the fluctuation of market interest rates, Epson reduces the interest rate risk by implementing an interest rate swap and adjusting appropriate proportion of financing between floating rates and fixed rates. In accordance with Epson's Capital Management Regulation, the interest rate swap is approved by the finance officer of the Company.

(7) Market Price Fluctuation Risk

With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities. Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively.

2. Fair Value of Financial Instruments

(1) Fair Value Measurement

The fair values of financial instruments are measured as follows:

(Derivatives)

The fair values are calculated based on prices obtained from financial institutions.

(Equity securities and bonds receivable)

When market values for equity securities and bonds receivable are available, such values are used as the fair values. The fair values of the equity securities and bonds receivable whose market values are unavailable are measured by using the discounted cash flow method, price comparison method based on the prices of similar types of securities and bonds and other valuation methods.

(Borrowings)

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

(2) Fair Value Hierarchy

The fair value hierarchy of financial instruments is categorised from Level 1 to Level 3 as follows:

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities

Level 2: Fair value calculated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly

Level 3: Fair value calculated using valuation techniques including unobservable inputs for the assets and liabilities

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

1) Financial instruments measured at amortised cost

The carrying amounts and the fair value hierarchy of financial instruments measured at amortised cost were as follows. The fair values of financial instruments that are not listed on the table below approximate the carrying amounts.

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings	66,452	—	66,617	—	66,617
Bonds issued	149,580	—	149,472	—	149,472
Total	216,033	—	216,089	—	216,089

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

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

2) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value was as follows:

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	—	212	—	212
Equity securities	9,256	—	3,795	13,051
Total	9,256	212	3,795	13,264
Financial liabilities measured at fair value				
Derivative financial liabilities	—	4,154	—	4,154
Total	—	4,154	—	4,154

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

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

(Millions of yen)

	Amount
Balance at beginning of period	3,974
Gains and losses	
Profit or loss (Note)	(586)
Other comprehensive income	10
Purchase	397
Other	(0)
Balance at end of period	3,795

(Note) The amounts recognised in “Profit or loss” are included in Other operating income or Other operating expense in the consolidated statement of comprehensive income.

Revenue Recognition

1. Disaggregation of Revenue

The revenue of the reportable segments are disaggregated by each business. The relationship between the disaggregated revenue and the reportable segments was as follows:

(Millions of yen)

		Revenue
Printing Solutions Segment		779,947
	Office and Home Printing business	566,348
	Commercial and Industrial Printing business	213,652
	Inter-segment revenue	(53)
Visual Communications Segment		159,034
Manufacturing-related & Wearables Segment		191,984
	Manufacturing solutions business	30,506
	Wearable products business	34,659
	Microdevices business and other	129,897
	Inter-segment revenue	(3,078)
Others (Note 1)		(2,052)
Total		1,128,914
Revenue recognised from contracts with customers		1,125,578
Revenue recognised from other sources (Note 2)		3,335

(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)

	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	161,332	168,221
Contract liabilities	21,705	23,743
Current liabilities	10,766	12,289
Non-current liabilities	10,938	11,454

For the consolidated fiscal year under review, the amount of revenue recognised 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.

Per Share Data

1. Equity attributable to owners of the parent company, per share 1,923.68 yen
2. Basic earnings per share 266.73 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of ordinary shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 170,607 shares and 183,253 shares, respectively.

Other Notes

Contingencies

Material litigation

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

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

Epson had the following material action.

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

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

Statement of Changes in Net Assets
(from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance as of April 1, 2021	53,204	84,321	3,132	206,583	209,716	(40,814)	306,426
Changes of items during the period							
Dividends	—	—	—	(21,463)	(21,463)	—	(21,463)
Net income	—	—	—	115,569	115,569	—	115,569
Acquisition of treasury shares	—	—	—	—	—	(1)	(1)
Disposal of treasury shares	—	—	—	—	—	66	66
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	94,105	94,105	65	94,171
Balance as of March 31, 2022	53,204	84,321	3,132	300,689	303,821	(40,748)	400,598

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2021	3,016	(539)	2,477	308,904
Changes of items during the period				
Dividends	—	—	—	(21,463)
Net income	—	—	—	115,569
Acquisition of treasury shares	—	—	—	(1)
Disposal of treasury shares	—	—	—	66
Net changes of items other than shareholders' equity	(39)	(1,085)	(1,125)	(1,125)
Total changes of items during the period	(39)	(1,085)	(1,125)	93,046
Balance as of March 31, 2022	2,977	(1,625)	1,352	401,950

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

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

Held-to-maturity debt securities

- Stated at amortised cost (straight-line method).

Shares of affiliates

- Stated at cost using the moving-average method.

Available-for-sale securities

Securities other than shares that do not have a market value

- Stated at market value based on market prices as of the closing date of the fiscal year under review. (Valuation gains or losses are directly included in a component of net assets. The cost of securities sold is calculated using the moving-average method.)

Shares that do not have a market value

- Mainly stated at cost using the moving-average method.

(2) Derivatives

Stated at market value.

(3) Inventories

Mainly stated at cost based on the weighted-average method (balance sheet values are adjusted by writing down the book value where the profitability declines).

2. Depreciation Method for Non-current Assets

(1) Property, Plant and Equipment (excluding leased assets)

Property, plant and equipment are depreciated using the straight-line method.

The estimated useful lives of major assets are as follows:

• Buildings: 10 to 35 years

• Machinery and equipment: 7 to 17 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortised using the straight-line method.

The estimated useful life of major intangible assets is as follows:

• Software: 3 to 5 years

(3) Leased Assets

Leased assets relating to finance lease transactions without transfer of ownership are depreciated over the lease terms by the straight-line method, assuming the residual value is zero.

3. Accounting Basis for Provisions

(1) Allowance Account for Credit Losses

To provide a reserve for possible losses on receivables or loans, the Company records the allowance account for credit losses based on the historical default rates for ordinary receivables and on an estimate of collectability of specific doubtful receivables.

(2) Provision for Bonuses

The provision for bonuses is recorded to accrue the bonuses to employees of the Company at an amount estimated to be incurred by the Company for the fiscal year under review.

(3) Provision for Directors' Bonuses

The provision for directors' bonuses is recorded to accrue the bonuses to Directors (excluding those who are not Audit & Supervisory Committee Members) of the Company at an estimated amount to be paid.

(4) Provision for Product Warranties

To provide for possible expenditures associated with product warranties, the Company records the provision for product warranties based on the rate of historical after-sales service contract expenses to sales in past fiscal years, as well as for other specific warranty provisions for specific businesses where future warranty expenses can be specifically estimated.

(5) Provision for Loss on Litigation

The provide 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 fiscal year under review.

(6) Provision for Retirement Benefits

To provide retirement benefits to employees of the Company, the provision for retirement benefits is recorded at an amount calculated based on the projected benefit obligations and plan assets at the end of the fiscal year under review.

Past service cost is amortised for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence in each fiscal year.

Actuarial gains or losses are amortised for the pro-rata amount computed by the straight-line method over a certain period (five years), which is within the average remaining service period of employees at the time of the occurrence in each fiscal year, commencing from the fiscal year following the fiscal year of occurrence.

4. Accounting Basis for Revenue

The Company 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 the Company satisfies a performance obligation

The Company 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. When two or more performance obligations are included in a contract with a customer, the Company 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, the Company estimates the selling price, assuming that the products are sold individually and allocates the transaction price based thereon.

5. Basis for Translating of Foreign Currency Denominated Assets and Liabilities into Japanese Yen

Monetary receivables and payables denominated in foreign currency are translated into Japanese yen at the spot exchange rate on the closing date of the fiscal year under review. Translation differences are recognised as profit or loss in the fiscal year under review.

6. Hedge Accounting

(1) Hedge Accounting Method

Gains or losses on hedging instruments measured at market value are deferred, in principle, as deferred gains or losses on hedges under net assets until such gains or losses on hedged items are recognised.

(2) Hedging Instruments and Hedged Items

Forward foreign exchange contracts and non-deliverable forwards, etc.: Amounts of foreign currencies deposited or withdrawn

(3) Hedge Policy

The Company enters into derivative contracts for hedging purposes to restrict foreign exchange fluctuation risks, which are mainly associated with sales denominated in foreign currencies while minimizing the amounts not covered by hedging through the use of netting and other measures.

(4) Assessment of Hedge Effectiveness

The assessment of hedge effectiveness is omitted because the market fluctuation of hedging instruments and hedged items is offset at the start of hedging and it continues to remain offset subsequently since the fluctuation rates of hedging instruments and hedged items are identical.

Notes to Accounting Estimates

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

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

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

(1) Impairment of Non-current Assets

The balances of property, plant and equipment, and intangible assets as of March 31, 2022 were 165,477 million yen and 9,443 million yen, respectively, and the amount of impairment loss for the year ended March 31, 2022 was 733 million yen.

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

(2) Post-Employment Benefits

The balance of provision for retirement benefits as of March 31, 2022 was 30,004 million yen.

The content regarding estimates and assumptions is as described in "Notes to the Consolidated Financial Statements - Notes to Accounting Estimates - (2) Post-Employment Benefits."

(3) Provisions

Provision for product warranties of 1,225 million yen was recognised as of March 31, 2022.

The content regarding estimates and assumptions is as described in "Notes to the Consolidated Financial Statements - Notes to Accounting Estimates - (3) Provisions."

(4) Income Taxes

The amount of income taxes for the year ended March 31, 2022 was 5,473 million yen, and the balance of deferred tax assets as of March 31, 2022 was 40,997 million yen.

The content regarding estimates and assumptions is as described in "Notes to the Consolidated Financial Statements - Notes to Accounting Estimates - (4) Income Taxes."

(5) Contingencies

Contingencies are as described in "Notes to the Consolidated Financial Statements - Notes to Accounting Estimates - (5) Contingencies."

Changes in Accounting Estimates

(Change of Useful Life)

From the year ended March 31, 2022, the Company changed the useful life of machinery of the Visual Communications business based on actual usage of the assets, as reviewing its production strategy in its business structural reform and others.

As a result of this change, operating income and income before income taxes for the year ended March 31, 2022 increased by 1,763 million yen compared to the previous estimates.

Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment 646,829 million yen

2. Debt Guarantees

   Epson provides guarantees for the debt obligations of its affiliate as follows.

PT. Epson Batam	1,834 million yen

3. Monetary Receivables from and Payables to Affiliates

Short-term monetary receivables:	238,284 million yen
Long-term monetary receivables:	0 million yen
Short-term monetary payables:	83,686 million yen
Long-term monetary payables:	818 million yen

Statement of Income

Transactions with Affiliates

Sales to affiliates:	761,115 million yen
Purchases from affiliates:	417,216 million yen
Other operating transactions with affiliates:	35,149 million yen
Transactions with affiliates other than operating transactions:	59,490 million yen

Statement of Changes in Net Assets

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

Treasury shares	53,616,006 shares

Note: The total number of treasury shares includes 170,607 shares of the Company’s shares held by BIP trust.

Tax-Effect Accounting

Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

	(Millions of yen)
Deferred tax assets	
Excess of depreciation of non-current assets	17,420
Provision for retirement benefits	9,136
Loss on valuation of shares	5,408
Provision for bonuses	4,524
Loss on valuation of inventories	3,563
Loss carried forward	1,970
Other	7,876
Subtotal	49,899
Valuation allowance for deductible temporary differences	(7,278)
Valuation allowance for unused tax losses	(505)
Valuation allowance subtotal	(7,783)
Total deferred tax assets	42,115
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(591)
Property, plant and equipment (asset retirement obligations)	(481)
Other	(45)
Total deferred tax liabilities	(1,118)
Net deferred tax assets	40,997

Revenue Recognition

Basic Information for Understanding Revenue

Basic information for understanding revenue is included in “Significant Accounting Policies - 4. Accounting Basis for Revenue.”

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Company name	Ownership percentage of voting rights	Relationship with the Company	Description of transactions	Transaction amount	Account item	Fiscal year-end balance
Epson Sales Japan Corporation	Direct holding 100%	Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	105,384	Accounts receivable - trade	16,691
			Loans of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	4,484
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	233,243	Accounts receivable - trade	71,753
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	162,506	Accounts receivable - trade	40,973
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	129,216	Accounts payable - trade	17,101
					Accounts receivable - other	3,251
			Loans of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	11,001
PT. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	127,487	Accounts payable - trade	19,896
					Accounts receivable - other	2,946
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	91,925	Accounts receivable - trade	14,037
Epson Singapore Pte. Ltd.	Direct holding 100%	Regional headquarters of Southeast Asia; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	43,588	Accounts receivable - trade	11,398

Terms and conditions of transactions and their policies

Note 1: Selling prices are determined by subtracting an appropriate margin for the respective sales companies from market prices.

Note 2: Lending of necessary funds and depositing of excess funds are made in accordance with the relevant rules under the system of borrowing and lending funds established by Epson.

Note 3: Lending of necessary funds and depositing of excess funds are not stated in the "Transaction amount" as funds are transferred day by day under the system of borrowing and lending funds within Epson.

Note 4: Purchase prices are determined by adding an appropriate profit for the manufacturing companies on the manufacturing costs.

Per Share Data

1. Net Assets per Share	1,161.64 yen
2. Earnings per Share	334.01 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of ordinary shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 170,607 shares and 183,253 shares, respectively.