

Corporate Governance

1. Approach to corporate governance

(1) Basic corporate governance principles

The general principles of corporate governance at Epson are as follows:

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

To achieve the goals declared in the Management Philosophy, promote sustainable growth, and increase corporate value over the medium and long terms, Epson strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, fast, and decisive decision-making.

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

(2) Corporate governance system

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

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

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

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

Board of Directors

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

The Board of Directors is composed of 11 Directors, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the Board monitors these. To speed up business decisions and increase business agility as a company with an Audit & Supervisory Committee, Epson expanded the scope of affairs delegated to executive management from the Board of Directors and limits board deliberations to only the most important issues. Corporate Governance Policy states that at least one-third of the board members should be outside directors.

Audit & Supervisory Committee

The Audit & Supervisory Committee, with a mandate from shareholders, is responsible for independently and objectively auditing and monitoring the execution of director duties and for ensuring the sound and sustained growth of Epson. The Audit & Supervisory Committee verifies the effectiveness of the internal control system and conducts audits primarily in cooperation with internal audit departments and the financial auditor. The Audit & Supervisory Committee has established basic guidelines for selecting outside financial auditors and criteria for evaluating their independence and expertise. Resolutions concerning financial auditors selected by the Committee per the guidelines are submitted for approval at a general meeting of shareholders. The Audit & Supervisory Committee also discusses the selection, dismissal, resignation, and compensation of Directors who

Internal control system

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

The Company considers its Management Philosophy to be its most important business concept, and to realize it Epson has established "Principles of Corporate Behavior" that are shared across the Group, including at subsidiaries. The Company will 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.

Compliance

- (1) The Company will establish "Principles of Corporate Behavior" as a guide for putting the Management Philosophy into practice. The Company will also establish regulations that spell out things such as basic compliance requirements and the organizational framework.
- (2) The Company has created a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee is chaired by a full-time member of the Audit & Supervisory Committee and is composed of Outside Directors and members of the Audit & Supervisory Committee. The Compliance Committee meets regularly and as needed to hear and discuss important matters concerning the Company's compliance program. It reports its findings and offers opinions to the Board of Directors. Financial auditors can attend meetings of the Compliance Committee as observers.
- (3) A Chief Compliance Officer (CCO) is elected and supervises and monitors the execution of all compliance operations. The CCO periodically reports the state of compliance affairs to the Compliance Committee.
- (4) Compliance promotion and enforcement will be supervised by the president of Seiko Epson. Group-wide compliance programs will be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries will be promoted by the respective chief operating officers of the divisions. The compliance management department helps to ensure the completeness and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.
- (5) The Corporate Strategy Council, an advisory body to the president comprised of members of the Board of Directors, etc. of the Company, will address important matters with respect to compliance promotion and enforcement in the Epson Group as a whole, including subsidiaries. The Council will strive to ensure the effectiveness of compliance by exhaustively discussing and analyzing the implementation of programs for assuring observance of statutes, internal regulations, business ethics, and initiatives in high-risk and other key areas.
- (6) The Company, including its subsidiaries, will strive to provide an effective whistleblowing system. Employees are encouraged and are able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls are in place to protect whistleblowers from reprisal, and allegations are reported to the Company's Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
- (7) The Company strives to enhance legal awareness by providing Epson Group employees with web-based training and other educational opportunities.
- (8) The president of Seiko Epson periodically reports important compliance-related matters to the Board of Directors and take measures as needed to respond to issues.
- (9) The Company's "Principles of Corporate Behavior" states that the Company will have no association whatsoever with antisocial forces (i.e., organized crime groups). The Company takes a firm stance in rejecting any and all contact with antisocial forces that threaten social order and security.

Business execution system

- (1) The Company formulates long-term corporate visions and mid-range business plans, and it sets clear medium-and long-range goals for the Epson Group as a whole.
- (2) The Company has instituted a system to ensure the appropriate and efficient execution of business. To that end, the Company has established regulations governing organizational management, levels of authority, the division of responsibilities, and the management of affiliated companies, thus distributing power and

authority across the entire Group.

- (3) Personnel responsible for business operations report the matters below to the Board of Directors at least once every three months.
 - Current business performance and performance outlook
 - Risk management responses
 - Status of key business operations

Risk management

- (1) The Company has established a basic risk management regulation that stipulates the risk management system of the Company, including its subsidiaries, and that defines the organization, risk management methods and procedures, and other basic elements of this system.
- (2) Overall responsibility for risk management in the Epson Group, including subsidiaries, belongs to the president of Seiko Epson. Group-wide risk management is carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the chief operating officer of that business, including at subsidiaries consolidated under them. The Company has also set up the risk management department, monitors overall risk management Group-wide, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs.
- (3) The Corporate Strategy Council strives to ensure effective management of serious risks that could have an egregious effect on society by dynamically and exhaustively discussing and analyzing ways to identify and control risks. Also, when major risks become apparent, the president leads the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.
- (4) The president of Seiko Epson periodically reports critical risk management issues to the Board of Directors and formulates appropriate measures to respond to these issues, as needed.

Ensuring the appropriateness of operations in the corporate group

- (1) The Group's management structure helps to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company is organized into product-based divisions. Each division is headed by a chief operating officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office own global responsibility. Responsibility for providing the framework for business operations at subsidiaries is owned by the head of each business. Group-wide corporate functions are the responsibility of the heads of Head Office supervisory departments.
- (2) The Company has business processes that enable business to be controlled on a Group level. This is accomplished by regulations governing the management of affiliated companies that require subsidiaries to report or acquire pre-approval for certain business affairs from the parent company, Seiko Epson, and by requiring issues that meet certain criteria to be submitted to Epson's Board of Directors for resolution. The Company has established regional head offices in certain regions to supervise local subsidiaries in order to ensure the suitability and efficiency of operations Group-wide.
- (3) Per the Basic Regulation for Internal Audits, internal audit departments serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. Internal audit departments audit internal controls and the state of their implementation in all Epson Group companies, including subsidiaries. The findings of the internal audit departments are presented to the head of the audited organization along with requests for corrective action, where needed. This information is also regularly reported to the president of Seiko Epson and to the Audit & Supervisory Committee. In this way, Epson strives to optimize operations across the entire Group.

Safeguarding and management of work-related information

- (1) Information on the performance of duties is safeguarded and managed in accordance with regulations governing, among other things, document control, management approval, and contracts. All directors are able to access this information at all times.
- (2) The Company strives to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with internal information security regulations.

Audit system

- (1) The Audit & Supervisory Committee can interview Directors who are not members of the Audit & Supervisory Committee, executive officers, and other personnel whenever they deem necessary in the performance of duties based on the Audit & Supervisory Committee Audit Regulation.
- (2) Audit & Supervisory Committee members can attend Corporate Strategy Council sessions, corporate management meetings, and other important business meetings that will enable them to conduct audits based on the same information as that available to directors who are not members of the Audit & Supervisory Committee. Members of the Audit & Supervisory Committee also routinely review important documents related to management decision-making.
- (3) An Audit & Supervisory Committee Office was set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office serves as the Special Audit & Supervisory Officer and assigns full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not members of the Audit & Supervisory Committee. Matters relating to the personnel of the office must be approved in advance by the Audit & Supervisory Committee.
- (4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework has been created to secure close cooperation between the internal audit departments and the Audit & Supervisory Committee.
- (5) If a situation involving the Audit & Supervisory Committee or cooperation with the internal audit departments or other organizations is observed to interfere with the effectiveness of audits by the Audit & Supervisory Committee, the Audit & Supervisory Committee can ask the representative director or Board of Directors to take corrective action.
- (6) The Audit & Supervisory Committee receives audit reports from internal audit departments and can issue specific instructions to internal audit departments as needed. If the instructions issued to internal audit departments by the Audit & Supervisory Committee and the president are in conflict, the president will have the internal audit departments honor the instructions of the Audit & Supervisory Committee.
- (7) Per the Audit & Supervisory Committee Audit Regulation, the Audit & Supervisory Committee can ask Directors who are not members of the Audit & Supervisory Committee, the compliance management department, and the risk management department, as well as others to report or explain the state of management within the Epson Group, including subsidiaries. It can also view supporting materials. The Audit & Supervisory Committee can also ask, as needed, subsidiary company directors, corporate auditors, internal audit departments, and other organizations to report the state of management of the subsidiary.
- (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 regularly meet to enable the Committee to directly assess business operations.
- (10) Funds required by the Audit & Supervisory Committee to perform its duties are properly budgeted for in advance. However, funds required to perform the duties of the Audit & Supervisory Committee in emergency or extraordinary situations will be promptly paid in advance or refunded on each occasion.

(3) Internal audits

Audit & Supervisory Committee audits

Epson's Audit & Supervisory Committee is composed of four Directors, three of whom are Outside Directors. Noriyuki Hama was selected to serve as a Full-Time Audit & Supervisory Committee member to help ensure that the Audit & Supervisory Committee works effectively, as it was concluded that it would be necessary for someone to prepare an environment to facilitate audits, attend important internal meetings to smoothly collect internal information, work closely with groups such as the internal audit department, and monitor the internal control system.

Audit & Supervisory Committee members can attend meetings of the Corporate Strategy Council and other important meetings as part of their efforts to properly monitor business affairs. They examine the legality and suitability of actions taken by the directors by checking and confirming compliance and by supervising and verifying things such as the state of the internal control system, including internal control over financial reporting. When they deem it necessary, Audit & Supervisory Committee members can ask internal audit departments to investigate affairs or can provide specific instructions regarding the performance of their duties.

In addition, the Audit & Supervisory Committee ordinarily conducts audits using internal audit departments but can exercise its investigation authority to conduct its own audits if the effectiveness of audits conducted by the internal audit departments is not being maintained.

Full-Time Audit & Supervisory Committee member Noriyuki Hama has many years of experience in finance and general accounting, while Audit & Supervisory Committee member Chikami Tsubaki is a certified public accountant. Both have an appreciable degree of knowledge and insight into finance and accounting.

Internal audits

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

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

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

In order to make Audit & Supervisory Committee audits systematic and efficient, Epson ensures close collaboration between internal audit departments and the Audit & Supervisory Committee. In relation to the structure of the Audit & Supervisory Committee Office and the coordination system with internal audit departments, if circumstances hindering the effectiveness of the audit by the Audit & Supervisory Committee are found, the Audit & Supervisory Committee requests the representative directors or the Board of Directors to rectify them.

Epson's internal audit departments regularly present their audit plans and audit results to the Audit & Supervisory Committee. In response, the Audit & Supervisory Committee can, when it deems necessary, ask internal audit departments to investigate affairs or can provide specific instructions regarding the performance of their duties. The Audit & Supervisory Committee ordinarily conducts audits using internal audit departments but can conduct its own audits if the effectiveness of audits conducted by the internal audit departments is not being maintained.

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

The Audit & Supervisory Committee and the internal audit departments will thus proactively cooperate going forward, but Epson set up an Audit & Supervisory Committee Office headed by the Special Audit & Supervisory Officer as an organization dedicated to supporting the Audit & Supervisory Committee. The Audit & Supervisory Committee Office is independent from executive management and supports the Audit & Supervisory Committee, with a direct reporting line to it.

The Audit & Supervisory Committee and financial auditors enhance the effectiveness of audits by periodically discussing issues with one another. Financial auditors have the right to observe meetings of the Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

(4) Overview of limited liability agreements

The Company has executed agreements with non-executive directors Hideaki Omiya, Mari Matsunaga, Noriyuki Hama, Michihiro Nara, Chikami Tsubaki, and Yoshio Shirai that limit their liability for damages under Article 423 (1), pursuant to the provisions of Article 427 (1) of the Companies Act. The maximum amount of liability for damages under these agreements is limited to the amount provided for by laws and regulations. The liability of the non-executive directors shall be limited only if they have acted in good faith and without gross negligence in performing their duties.

(5) Outside Directors**The role of Outside Directors**

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

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

Principle of independence

The Company's Board of Directors has established a "Standard of Outside Officers' Independence" and, in compliance with this standard, elects director candidates who are unlikely to have conflicts of interest with general shareholders. The title of this standard and some of the content were amended at a meeting of the Board of Directors held on April 28, 2017. The amendments were made to help guarantee the independence of Outside Directors and to select Outside Directors from a broad range of qualified individuals who can be expected to contribute to the Company. All current Outside Directors satisfy the independence requirements of the amended standard.

The content of the amended standard is described below.

Criteria for Independence of Outside Directors

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

1. A person is not independent if:
 - (1) The person considers the Company to be a major business partner¹, or has served as an executive² within the past five years in an entity for which the Company is a major business partner;
 - (2) The person is a major business partner³ of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
 - (3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation⁴ (other than compensation as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
 - (4) The person is a major shareholder⁵ of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
 - (5) The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
 - (6) The person is a major lender⁶ to the Company or has been an executive of a major lender to the Company within the past five years;
 - (7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
 - (8) The person has been employed by a leading managing underwriter of the Company within the past five years;
 - (9) The person has received a large donation⁷ from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
 - (10) The person came from an entity that employs someone from the Company as an Outside Director; or
 - (11) The spouse or other immediate family member of a person to whom any of items (1) through (9) apply.

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

Notes

- 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, 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.

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

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

(i) Hideaki Omiya

Mr. Omiya has served as 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 appropriately 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.

Epson believes that he will appropriately monitor management to achieve sustained growth and increase medium-to long-term corporate value.

Mr. Omiya was an executive of Mitsubishi Heavy Industries, Ltd. Although the Company has had transactions involving the purchase and sale of semiconductor manufacturing equipment with Mitsubishi Heavy Industries, Ltd. in the past three years, these transactions are immaterial, totaling less than 0.1% of the consolidated net sales of the Company and Mitsubishi Heavy Industries, Ltd. and thus does not fall under the category of “major business partner” as prescribed in the “Criteria for Independence of Outside Directors.” Epson has registered him as an Independent Director with the Tokyo Stock Exchange.

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

(ii) Mari Matsunaga

Ms. Matsunaga has created new business models and has a considerable insight and experiences through her involvement in the management of multiple companies as an Outside Officer. As an Outside Director of the Company, she has appropriately monitored management, actively pointing out business issues and offering recommendations particularly from a diversity and employee working environment perspective.

Epson believes that she will monitor management appropriately to achieve sustained growth and increase medium-to long-term corporate value.

Epson has engaged Ms. Matsunaga as a speaker in the past three years, but the speaking fee was less than 500,000 yen and thus does not fall under the category of “a large sum of money or other forms of

compensation” as prescribed in the “Criteria for Independence of Outside Directors.” Epson has registered her as an Independent Director with the Tokyo Stock Exchange.

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

(iii) Michihiro Nara (Outside Director who is an Audit & Supervisory Committee member)

Mr. Nara has a high level of expertise as an attorney. He has considerable insight and experience through his involvement in the management of multiple companies as an independent outside officer and achievements as an Outside Audit & Supervisory Board member of the Company. Epson believes that he will monitor management appropriately to achieve sustained growth and increase medium-to long-term corporate value. He has never been involved in corporate management except as an outside officer. However, given the reasons above, Epson believes that he can appropriately perform his duties as an Outside Director who is an Audit & Supervisory Committee member.

As an Outside Director of the Company, Mr. Nara has actively pointed out business issues and offered recommendations from the perspective of a legal professional.

The Company has not entered into a consulting agreement nor has it consigned any business under any individual agreement with Mr. Nara as an attorney-at-law or with the law office to which he belongs.

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

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

(iv) Chikami Tsubaki (Outside Director who is an Audit & Supervisory Committee member)

Ms. Tsubaki has a high level of expertise as a certified public accountant. She has a considerable insight and experiences through her involvement in the management of multiple companies as independent outside officer. Epson believes that she will monitor management appropriately to achieve sustained growth and increase medium to long-term corporate value. She has never been involved in corporate management except as an outside officer. However, given the reasons above, Epson believes that she can appropriately perform her duties as an Outside Director who is an Audit & Supervisory Committee member.

As an Outside Director of the Company, Ms. Tsubaki has actively pointed out business issues and offered recommendations from the perspective of a finance and accounting professional.

Epson does not have a business relationship with Ms. Tsubaki, a certified public accountant, and has never engaged her based on an advisory agreement or other separate agreement. Epson has registered her as an Independent Director with the Tokyo Stock Exchange.

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

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

Mr. Shirai has served as a director at Toyota Motor Corporation, Hino Motors, Ltd., and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager. On his global perspective as well as his management experience in a different business field, automotive industry and trading company, Epson believes that he will monitor management appropriately to achieve sustained growth and increase medium-to long-term corporate value.

As an Outside Director of the Company, Mr. Shirai has drawn on his global perspective as well as his management experience in a different business field to actively point out business issues and offer recommendations.

Mr. Shirai has served as an executive at Hino Motors, Ltd. and Toyota Tsusho Corporation within the past five years. The Company has had no transactions with Hino Motors, Ltd. or Toyota Tsusho Corporation in the past three years, and neither company falls under the category of a “major business partner” as prescribed in the “Criteria for Independence of Outside Directors.” Epson has registered him as an Independent Director with the Tokyo Stock Exchange.

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

(6) Officer compensation, etc.

Basic policy

The policy on director and executive officer compensation is as follows.

- (a) Compensation shall provide incentive to improve business performance in order to increase corporate value in the near, medium, and long terms.

- (b) Compensation shall be sufficient to attract qualified persons both from within the Company and from outside.
- (c) Compensation shall be commensurate with period performance so that directors and executive officers can demonstrate their management capabilities to the fullest during their tenure.

Compensation for non-executive officers

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

Compensation system

- Director and executive officer compensation of the Company consists of base compensation, bonuses, and stock compensation. Non-executive officers receive base compensation only, a fixed amount, from the standpoint independent from business execution, because their role is to supervise general management. They do not receive bonuses and stock compensation, which are forms of compensation that are linked to performance and share price.

Base compensation

Base compensation is a monetary amount that is determined by taking into account all factors such as an individual's position and responsibilities. It is paid as a monthly compensation that reflects the results of annual performance evaluations based on criteria set according to the individuals' roles.

Bonus

An annual bonus is monetary compensation in an amount that is determined by taking into account factors such as the financial performance for the year. The bonus reflects the results of annual performance evaluations based on criteria set according to the individuals' roles.

Stock compensation

Under Epson's stock-based compensation plan, a trust scheme is used to deliver Company shares to officers, the number of shares being based on points system, where in officers are awarded points depending on the level of achievement with respect to medium- and long-term operating performance targets, such as business profit, ROS and ROE.

Procedure for determining compensation

- Compensation is determined by an appropriate body, such as the general meeting of shareholders, the Board of Directors, or Audit & Supervisory Committee, after a fair, transparent, and rigorous review by the Director Compensation Committee, which is composed mainly of Outside Directors and which issues an opinion, to ensure transparency and objectivity.

Compensation paid

Category	Total compensation (millions of yen)	Total compensation by type (millions of yen)				Number of individuals
		Fixed compensation	Variable compensation			
		Base compensation	Bonus	Stock compensation		
Directors who are not Audit & Supervisory Committee members (amount accounted for by Outside Directors)	433 (28)	287 (28)	11 (-)	97 (-)	36 (-)	12 (3)
Directors who are Audit & Supervisory Committee members (amount accounted for by Outside Directors)	61 (36)	61 (36)	- (-)	- (-)	- (-)	4 (3)
Audit & Supervisory Board members (amount accounted for by Outside Audit & Supervisory Board members)	17 (9)	17 (9)	- (-)	- (-)	- (-)	4 (3)
Total	512	365	11	97	36	20

Notes:

- The amount of compensation, etc. to Directors who are not Audit & Supervisory Committee members includes the amount of compensation, etc. to Directors prior to the Company's transition to a company with an Audit & Supervisory Committee.
- The base compensation for Directors who are not Audit & Supervisory Committee members (excluding Outside Directors) consists of fixed compensation and variable compensation. Variable compensation refers to monetary compensation that reflects the results of annual performance evaluations based on criteria set according to their respective roles.
- The Company has introduced an officer stock ownership plan to link compensation more closely to shareholders' value. The acquisition of the Company's shares accounts for a portion of the base compensation.
- Upon the resolution at the annual general meeting of shareholders of June 28, 2016, the maximum base compensation was set to at 62 million yen per month for Directors who are not Audit & Supervisory Committee members (Outside Directors account for 10 million yen of this amount) and at 20 million yen for Directors who are Audit & Supervisory Committee members.
- The amount above includes 97 million yen in bonuses to be paid to six Directors (excludes Outside Directors and Directors who are Audit & Supervisory Committee members), as approved by shareholders at the annual general meeting of shareholders on June 28, 2017.
- From the current fiscal year, 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 for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).
- The number of individuals above includes three Directors and four Audit & Supervisory Board members who retired at the conclusion of the annual general meeting of shareholders held on June 28, 2016.
- The amount paid to Audit & Supervisory Board members is the amount paid for the period prior to the Company's transition to a company with an Audit & Supervisory Committee. The amount paid to Directors who are Audit & Supervisory Committee members is the amount for the period after the transition to a company with an Audit & Supervisory Committee.
- In addition to the above, the Company paid a 15 million yen retirement allowance to an Audit &

Supervisory Board member (Outside Audit & Supervisory Board member) who retired at the conclusion of the annual general meeting of shareholders held on June 28, 2016, pursuant to the discontinuation of the retirement allowance system for executives resolved at the annual general meeting of shareholders held on June 23, 2006.

10. Stock options are not granted.

Total compensation paid to officers whose total consolidated compensation is 100 million yen or more

Name	Total consolidated compensation (millions of yen)	Category	Total consolidated compensation by type (millions of yen)			
			Fixed compensation	Variable compensation		
			Base compensation	Bonus	Stock compensation	
Minoru Usui	116	Director	65	4	30	16

Note: The stock compensation stated above represents the amount recorded for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).

(7) Securities held by the Company

a. Balance sheet total of stocks held for reasons other than pure investment:

18 companies ¥12,278 million

b. Issuing company, number, and balance sheet total of stocks held for reasons other than pure investment

Previous fiscal year

Special investment securities

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	3,757,000	7,810	To maintain and strengthen the business relationship with a supplier of key parts used in Epson products
Mizuho Financial Group, Inc.	15,008,880	2,522	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services
Seiko Holdings Corporation	1,644,080	733	To maintain and strengthen the business relationship with a major buyer of Epson products
Marubun Corporation	332,640	255	To maintain and strengthen the business relationship with a major buyer of Epson products
The Hachijuni Bank, Ltd.	489,500	237	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services
Hakuto Co., Ltd.	190,000	188	To maintain and strengthen the business relationship with a major buyer of Epson products
King Jim Co., Ltd.	221,980	186	To maintain and strengthen the business relationship with a major buyer of Epson products
Otsuka Corporation	30,000	178	To maintain and strengthen the business relationship with a major buyer of Epson products
Joshin Denki Co., Ltd.	70,000	60	To maintain and strengthen the business relationship with a major buyer of Epson products
Nippon BS Broadcasting Corporation	33,200	35	To maintain and strengthen the business relationship with a company whose parent company is major buyer of Epson products
Pixelworks, Inc.	100,000	24	To maintain and strengthen the business relationship with a supplier of key parts used in Epson products

Current fiscal year
Special investment securities

Company	Shares (stock)	Balance sheet total (millions of yen)	Reason held
NGK Insulators, Ltd.	2,507,000	6,317	To maintain and strengthen the business relationship with a supplier of key parts used in Epson products
Mizuho Financial Group, Inc.	15,008,880	3,061	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services
Seiko Holdings Corporation	1,644,080	746	To maintain and strengthen the business relationship with a major buyer of Epson products
Otsuka Corporation	60,000	362	To maintain and strengthen the business relationship with a major buyer of Epson products
The Hachijuni Bank, Ltd.	489,500	307	To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services
Marubun Corporation	332,640	237	To maintain and strengthen the business relationship with a major buyer of Epson products
Hakuto Co., Ltd.	190,000	195	To maintain and strengthen the business relationship with a major buyer of Epson products
King Jim Co., Ltd.	221,980	193	To maintain and strengthen the business relationship with a major buyer of Epson products
Joshin Denki Co., Ltd.	130,000	147	To maintain and strengthen the business relationship with a major buyer of Epson products
Pixelworks, Inc.	100,000	52	To maintain and strengthen the business relationship with a supplier of key parts used in Epson products
Nippon BS Broadcasting Corporation	33,200	35	To maintain and strengthen the business relationship with a company whose parent company is major buyer of Epson products

- c. Stocks held purely for investment purposes
None

(8) Accounting audits

1) Names and other details of certified public accountants performing audits

Name of CPA		Audit company	No. of successive years performing audits
Designated and Engagement Partner, Certified Public Accountant	Seiji Yamamoto	Ernst & Young ShinNihon LLC	4
Designated and Engagement Partner, Certified Public Accountant	Yoshiyuki Sakuma	Ernst & Young ShinNihon LLC	1
Designated and Engagement Partner, Certified Public Accountant	Yoshitomo Matsuura	Ernst & Young ShinNihon LLC	4

2) Composition of auditing team

The auditing team comprises 69 staff including 31 certified public accountants, 17 accountant examination passers, and 21 other accounting staff.

(9) Number of directors

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

(10) Election and retirement of directors

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

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

(11) Matters requiring resolutions of general meetings of shareholders that can be implemented by resolutions of the Board of Directors

Treasury stock acquisition

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

Director exemption from liability

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

Interim dividend

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

(12) Special resolution requirements of the general meeting of shareholders

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

2. Details of audit remuneration**(1) Remuneration for audits by certified public accountants**

(Millions of yen)

Category	Previous fiscal year		Fiscal year under review	
	Remuneration for audit certification work	Remuneration for non-audit work	Remuneration for audit certification work	Remuneration for non-audit work
Filing company	149	0	152	2
Consolidated subsidiaries	65	3	61	—
Total	214	4	214	2

(2) Other important remuneration**Previous fiscal year**

Total payments for audits carried out on behalf of 64 consolidated overseas subsidiaries by certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2016, amounted to ¥590 million.

Fiscal year under review

Total payments for audits carried out on behalf of 64 consolidated overseas subsidiaries by certified public accountants belonging to the Ernst & Young network for the fiscal year ended March 31, 2017, amounted to ¥576 million.

(3) Non-audit work performed by certified public accountant at filing company**Previous fiscal year**

Remuneration paid for non-audit work performed by the certified public accountant was for various consultancy services.

Fiscal year under review

Remuneration paid for non-audit work performed by the certified public accountant was for various consultancy services.

(4) Governing policy for audit remuneration

This does not apply because remuneration for auditing services is determined according to the nature of the audit work.

3. Basic policy regarding company control

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

(1) Overview

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

To ensure and enhance the corporate value and common interests of shareholders, Epson believes it is essential for Epson's directors, managers, and employees to work as a team to create value, to pursue the Epson tradition of creativity and challenge, and to earn and keep the trust of its customers.

Not all large-scale acquisitions of shares enhance the value of the company whose shares are being acquired, nor do they always serve the common interests of shareholders. Epson recognizes the need to use all necessary and appropriate means to protect the Company's corporate value and the common interests of its shareholders against persons seeking to improperly acquire large numbers of shares in an attempt to gain control over decisions concerning the Company's financial and business policies.

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

1) Specific actions in support of the basic policy

In March 2016 the Company established the Epson 25 Corporate Vision, a document that describes Epson's goals over the decade between the 2016 and 2025 fiscal years. At the same time, the Company established the Epson 25 Mid-Range Business Plan (FY2016-2018), a three-year plan for the first phase of work toward achieving the Epson 25 vision.

Under the Phase 1 Mid-Range Business Plan, Epson will build a robust foundation for business by sustaining the results of successful strategic initiatives pursued to date, developing products for the future, and aggressively investing as needed.

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

To ensure and enhance corporate value and the common interests of its shareholders, Epson updated its measures to prevent large-scale acquisitions of Epson shares and received approval for them at the June 2014 Ordinary General Meeting of Shareholders. Epson revised these old measures to further enhance appropriateness and transparency. Shareholders approved the new measures at the June 28, 2017 Ordinary General Meeting of Shareholders. (The new measures are called "the Plan" below.)

The purpose of the Plan is to prevent large-scale acquisitions of Epson stock certificates by having shareholders decide whether to allow such acquisitions and by giving the Epson board of directors the time and information they need to present shareholders with an alternative proposal and enable the board to negotiate with the acquirer on behalf of shareholders. Specifically, a party that intends to acquire or make a takeover bid for 20% or more of stock certificates outstanding shall be required to submit in advance to the Epson board of directors a statement of intent as well as sufficient and necessary information for decision making on the part of shareholders and for evaluation and consideration by a special committee. The party shall also be required to comply with the procedures defined in the Plan. Furthermore, the Plan allows for the activation of defensive measures if, for example, the proposed acquisition is not conducted in line with the Plan or it is deemed contrary to Epson's corporate value or the common interest of its shareholders.

To prevent the Epson board of directors from making arbitrary decisions about whether to activate takeover defense measures, a special committee composed entirely of highly independent outside directors shall assess the need for a defense. The special committee shall examine the nature of a proposed stock acquisition, request information from the Epson board of directors regarding alternative proposals, provide information to shareholders, and negotiate with a potential acquirer. The special committee shall recommend whether to activate a defense to the Epson board of directors. The Epson board of directors shall accept the committee's recommendation (unless the board concludes that doing so would violate the directors' duty of care) and formally resolve in a prompt manner whether or not to activate a defense.

(3) Decisions made by the Epson board of directors regarding specific actions and the justification for those decisions

Specifically, the Plan guarantees fairness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because, among other things, a) it was introduced (and updated) after being approved by shareholders at the general meeting of shareholders; b) it contains provisions for reasonable and objective implementation; c) a special committee composed solely of outside directors with a high degree of independence from Epson management was established and activation of defensive measures is subject to the assessment of that special committee; d) the special committee may solicit expert opinions from third parties at Epson's expense; and e) the Plan was determined to be valid for approximately three years from the introduction and update and may be abolished by the board of directors at any time. The Plan is not for keeping Epson executive officers in their posts.