Cautionary Statement

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

In this annual report, “Epson” or the “Group” refers to the Epson Group, while “the Company” may refer to the Group or the parent company, Seiko Epson Corporation.
# Table of Contents

Consolidated Financial Highlights .................................................................................................................. 3

Information on the Company ............................................................................................................................. 4
  1. Overview of the business group ......................................................................................................................... 4
  2. Major equipment and facilities ....................................................................................................................... 8
  3. Overview of capital expenditures .................................................................................................................. 10
  4. Plans for new additions or disposals .............................................................................................................. 11
  5. Major management contracts ..................................................................................................................... 12

Risks Related to Epson’s Business Operations ................................................................................................. 13

Management Analysis of Financial Position, Operating Results and Cash Flows ........................................... 19
  1. Operating results overview ............................................................................................................................... 19
  2. Manufacturing, orders received and sales ....................................................................................................... 22
  3. Management analysis and discussion on operating results, etc. ................................................................. 23
  4. Research and development activities ........................................................................................................... 25
  5. Management policy, business environment and issues to be addressed, etc. ......................................... 28
  6. Dividend policy ............................................................................................................................................. 32

Corporate Governance .................................................................................................................................. 33
  1. Overview of corporate governance .................................................................................................................. 33
  2. Officers ........................................................................................................................................................... 41
  3. Officer compensation, etc. .............................................................................................................................. 53
  4. Securities held by the Company .................................................................................................................... 57

Index to Consolidated Financial Statements .................................................................................................. 60
  Consolidated Statement of Financial Position .................................................................................................. 61
  Consolidated Statement of Comprehensive Income ....................................................................................... 63
  Consolidated Statement of Changes in Equity .................................................................................................. 65
  Consolidated Statement of Cash Flows .............................................................................................................. 67
  Notes to Consolidated Financial Statements .................................................................................................. 68

Additional Information ..................................................................................................................................... 131
  1. Principal subsidiaries and affiliates .................................................................................................................. 131
  2. Distribution of ownership among shareholders ............................................................................................. 135
  3. Major shareholders ......................................................................................................................................... 136
  4. Officer and employee stock ownership plans ............................................................................................... 138
  5. Corporate data and investor information ..................................................................................................... 141
## Consolidated Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For the years ended March 31</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>1,092,481</td>
<td>1,024,856</td>
</tr>
<tr>
<td></td>
<td>1,102,116</td>
<td>1,089,676</td>
</tr>
<tr>
<td></td>
<td>1,043,600</td>
<td>9,610,903</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>91,530</td>
<td>67,470</td>
</tr>
<tr>
<td></td>
<td>62,663</td>
<td>53,710</td>
</tr>
<tr>
<td></td>
<td>72,040</td>
<td>39,713</td>
</tr>
<tr>
<td></td>
<td>7,733</td>
<td>365,731</td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the parent company</td>
<td>45,772</td>
<td>41,836</td>
</tr>
<tr>
<td></td>
<td>49,542</td>
<td>71,216</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>(1,469)</td>
<td>(3,869)</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company</td>
<td>467,818</td>
<td>503,746</td>
</tr>
<tr>
<td></td>
<td>4,639,185</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>941,340</td>
<td>1,033,350</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company, per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Yen 1,307.58</td>
<td>Yen 1,397.40</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>Yen 127.94</td>
<td>Yen 1,455.67</td>
</tr>
<tr>
<td></td>
<td>Yen 1,533.57</td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>Yen 127.94</td>
<td>Yen 152.49</td>
</tr>
<tr>
<td></td>
<td>Yen 152.44</td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company ratio</td>
<td>% 49.70 % 50.51</td>
<td>% 49.62 % 50.22</td>
</tr>
<tr>
<td></td>
<td>% 10.07 % 10.20</td>
<td>% 8.33 % 10.70</td>
</tr>
<tr>
<td>Return on equity</td>
<td>% 9.51</td>
<td>% 5.13</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>times 14.21</td>
<td>times 15.92</td>
</tr>
<tr>
<td></td>
<td>times 17.13</td>
<td>times 11.12</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>% 46.9</td>
<td>% 43.9</td>
</tr>
<tr>
<td></td>
<td>% 52.2</td>
<td>% 40.7</td>
</tr>
<tr>
<td>Total shareholder return</td>
<td>% 88.1</td>
<td>% 115.6</td>
</tr>
<tr>
<td>(Comparison index: TOPIX (Dividend included))</td>
<td>% (89.2) % (102.3)</td>
<td>% (118.5) % (112.5)</td>
</tr>
<tr>
<td>Net cash from (used in) operating activities</td>
<td>113,054</td>
<td>84,279</td>
</tr>
<tr>
<td></td>
<td>76,961</td>
<td></td>
</tr>
<tr>
<td>Net cash from (used in) investing activities</td>
<td>(51,558)</td>
<td>(82,738)</td>
</tr>
<tr>
<td></td>
<td>(74,661)</td>
<td>(76,131)</td>
</tr>
<tr>
<td>Net cash from (used in) financing activities</td>
<td>(67,171)</td>
<td>(283)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of period</td>
<td>230,498</td>
<td>175,238</td>
</tr>
<tr>
<td></td>
<td>229,678</td>
<td></td>
</tr>
<tr>
<td>Number of employees</td>
<td>persons 67,605</td>
<td>persons 72,420</td>
</tr>
<tr>
<td></td>
<td>persons 76,391</td>
<td>persons 76,647</td>
</tr>
<tr>
<td></td>
<td>persons 75,608</td>
<td></td>
</tr>
</tbody>
</table>

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

U.S. dollar amounts are presented for the convenience of the readers. This translation should not be construed to imply that the yen amounts actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars. The exchange rate of ¥108.585 = U.S.$1 at the end of the reporting period has been used for the purpose of presentation.
Information on the Company
1. Overview of the business group

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

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

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

**Printing Solutions Business Segment**
This segment comprises the printer business, professional printing business, and others. The businesses in this segment leverage Epson’s original Micro Piezo as well as dry fiber technology and other technologies to develop, manufacture, and sell products and provide services related thereto.
The main activities of these businesses are described below.

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

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

**Others**
This business sells PCs in the Japanese market through a domestic subsidiary.
The major Epson Group companies involved in this segment are listed in the table below.

<table>
<thead>
<tr>
<th>Business area</th>
<th>Main products</th>
<th>Main Epson Group companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Others</td>
<td>PCs and other equipment</td>
<td>Epson Sales Japan Corporation, Epson Direct Corporation</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Business area</th>
<th>Main products</th>
<th>Main Epson Group companies</th>
</tr>
</thead>
</table>
Wearable & Industrial Products Business Segment
This segment comprises the wearable products business, robotics solutions business, and the microdevices business and develops, manufactures and sells the products below, and provides services related thereto. The main activities of these businesses are described below.

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

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

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

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

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

Others
This business develops, manufacturers, and sells a variety of high-performance metal powders for use as raw materials in the production of electronic components, etc. This business also provides high-value-added surface finishing in a wide variety of industrial fields.
The major Epson Group companies involved in this segment are listed in the table below.

<table>
<thead>
<tr>
<th>Business area</th>
<th>Main products</th>
<th>Main Epson Group companies</th>
<th>Manufacturing companies</th>
<th>Sales companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wearable products</td>
<td>Wristwatches, watch movements, and others</td>
<td>Akita Epson Corporation</td>
<td>Epson Sales Japan Corporation</td>
<td>Epson Hong Kong Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Precision (Shenzhen) Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Orient Watch (Shenzhen) Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Precision (Johor) Sdn. Bhd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Precision (Thailand) Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Sales Japan Corporation</td>
<td>Epson America, Inc.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson (China) Co., Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Hong Kong Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Robotics solutions</td>
<td>Industrial robots, IC handlers, and others</td>
<td>Epson Engineering (Shenzhen) Ltd.</td>
<td></td>
<td>Epson America, Inc.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Epson Europe Electronics GmbH</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Epson Korea Co., Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Epson Hong Kong Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Epson Taiwan Technology &amp; Trading Ltd.</td>
</tr>
<tr>
<td>Microdevices and others</td>
<td><strong>Quartz devices</strong> Crystal units, crystal oscillators, quartz sensors, and others</td>
<td>Miyazaki Epson Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Precision Malaysia Sdn. Bhd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Precision (Thailand) Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Epson Sales Japan Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Semiconductors</strong> CMOS LSIs, and others</td>
<td>Tohoku Epson Corporation</td>
<td></td>
<td>Epson Singapore Pte. Ltd.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore Epson Industrial Pte. Ltd.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Others</strong> Metal powders, surface finishing</td>
<td>Epson Atmix Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Singapore Epson Industrial Pte. Ltd.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Other Business Segment**
This segment comprises the businesses of Epson Group companies that offer services for and within the Epson Group.
2. Major equipment and facilities

Epson’s major equipment and facilities are as follows.

(1) Seiko Epson Corporation

<table>
<thead>
<tr>
<th>Name of plant (location)</th>
<th>Business segment</th>
<th>Type of facilities</th>
<th>Book value (Millions of yen)</th>
<th>Number of employees (Persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buildings and structures</td>
<td>Machinery, equipment and vehicles</td>
</tr>
<tr>
<td>Head Office (Suwa-shi, Nagano)</td>
<td>Overall administration and other</td>
<td>Other facilities</td>
<td>1,388</td>
<td>253</td>
</tr>
<tr>
<td>Tokyo Office (Shinjuku-ku, Tokyo)</td>
<td>Overall administration and other</td>
<td>Other facilities</td>
<td>6,878</td>
<td>15</td>
</tr>
<tr>
<td>Matsumoto Minami Plant (Matsumoto-shi, Nagano)</td>
<td>Other</td>
<td>Other facilities</td>
<td>1,199</td>
<td>32</td>
</tr>
<tr>
<td>Hirooka Office (Shiojiri-shi, Nagano)</td>
<td>Printing solutions</td>
<td>Other</td>
<td>52,485</td>
<td>24,489</td>
</tr>
<tr>
<td>Toyoshina Plant (Azumino-shi, Nagano)</td>
<td>Visual communications</td>
<td>Wearable &amp; Industrial products</td>
<td>3,189</td>
<td>1,462</td>
</tr>
<tr>
<td>Suwa Minami Plant (Fujiimi-machi, Suwa-gun, Nagano)</td>
<td>Printing solutions</td>
<td>Visual communications</td>
<td>6,260</td>
<td>11,709</td>
</tr>
<tr>
<td>Chitose Plant (Chitose-shi, Hokkaido)</td>
<td>Visual communications</td>
<td>Liquid crystal panel manufacturing facilities</td>
<td>3,131</td>
<td>6,155</td>
</tr>
<tr>
<td>Ina Plant (Minowa-machi, Kamimina-gun, Nagano)</td>
<td>Wearable &amp; Industrial products</td>
<td>Crystal device development and design facilities</td>
<td>1,683</td>
<td>1,897</td>
</tr>
<tr>
<td>Fuji Plant (Fujiimi-machi, Suwa-gun, Nagano)</td>
<td>Wearable &amp; Industrial products</td>
<td>Semiconductor development and design facilities</td>
<td>6,312</td>
<td>2,951</td>
</tr>
<tr>
<td>Sakata Plant (Sakata-shi, Yamagata)</td>
<td>Wearable &amp; Industrial products</td>
<td>Semiconductor manufacturing facilities</td>
<td>8,362</td>
<td>4,720</td>
</tr>
<tr>
<td>Hino Office (Hino-shi, Tokyo)</td>
<td>Wearable &amp; Industrial products</td>
<td>Other facilities</td>
<td>2,108</td>
<td>2</td>
</tr>
<tr>
<td>Shiojiri Plant (Shiojiri-shi, Nagano)</td>
<td>Wearable &amp; Industrial products</td>
<td>Watch development, design and manufacturing facilities</td>
<td>1,514</td>
<td>2,007</td>
</tr>
</tbody>
</table>
### (2) Domestic subsidiaries

<table>
<thead>
<tr>
<th>Company name (location)</th>
<th>Business segment</th>
<th>Type of facilities</th>
<th>Book value (Millions of yen)</th>
<th>Number of employees (Persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buildings and structures</td>
<td>Machinery, equipment and vehicles</td>
</tr>
<tr>
<td><strong>Tohoku Epson Corporation (Sakata-shi, Yamagata)</strong></td>
<td>Printing solutions</td>
<td>Boiler component and semiconductor manufacturing facilities</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Wearable &amp; Industrial products</td>
<td></td>
<td>4,796</td>
<td>74</td>
</tr>
<tr>
<td><strong>Akita Epson Corporation (Yuzawa-shi, Akita)</strong></td>
<td>Printing solutions</td>
<td>Printer component and watch movements manufacturing facilities</td>
<td>4,110</td>
<td>2,478</td>
</tr>
<tr>
<td></td>
<td>Wearable &amp; Industrial products</td>
<td>Manufacturing facilities for metal powders, etc.</td>
<td>3,579</td>
<td>3,691</td>
</tr>
<tr>
<td><strong>Epson Atmix Corporation (Hachinohe-shi, Aomori)</strong></td>
<td>Wearable &amp; Industrial products</td>
<td></td>
<td>811</td>
<td>3,724</td>
</tr>
<tr>
<td><strong>Epson Engineering (Shenzhen) Ltd. (Shenzhen, China)</strong></td>
<td>Printing solutions</td>
<td>Visual communications</td>
<td>6,137</td>
<td>6,219</td>
</tr>
<tr>
<td></td>
<td>Wearable &amp; Industrial products</td>
<td></td>
<td>7,531</td>
<td>3,429</td>
</tr>
<tr>
<td><strong>PT. Epson Batam (Batam, Indonesia)</strong></td>
<td>Printing solutions</td>
<td>Printer consumables manufacturing facilities</td>
<td>25,968</td>
<td>10,542</td>
</tr>
<tr>
<td><strong>PT. Indonesia Epson Industry (Bekasi, Indonesia)</strong></td>
<td>Printing solutions</td>
<td>Printer manufacturing facilities</td>
<td>337</td>
<td>2,733</td>
</tr>
</tbody>
</table>

### (3) Overseas subsidiaries

<table>
<thead>
<tr>
<th>Company name (location)</th>
<th>Business segment</th>
<th>Type of facilities</th>
<th>Book value (Millions of yen)</th>
<th>Number of employees (Persons)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Buildings and structures</td>
<td>Machinery, equipment and vehicles</td>
</tr>
<tr>
<td><strong>Epson Engineering (Shenzhen) Ltd. (Shenzhen, China)</strong></td>
<td>Printing solutions</td>
<td>Visual communications</td>
<td>3,579</td>
<td>3,691</td>
</tr>
<tr>
<td></td>
<td>Wearable &amp; Industrial products</td>
<td></td>
<td>2,206</td>
<td>1,380</td>
</tr>
<tr>
<td><strong>PT. Epson Batam (Batam, Indonesia)</strong></td>
<td>Printing solutions</td>
<td>Printer consumables manufacturing facilities</td>
<td>811</td>
<td>3,724</td>
</tr>
<tr>
<td><strong>PT. Indonesia Epson Industry (Bekasi, Indonesia)</strong></td>
<td>Printing solutions</td>
<td>Printer manufacturing facilities</td>
<td>6,137</td>
<td>6,219</td>
</tr>
<tr>
<td><strong>Epson Precision (Thailand) Ltd. (Chachoengsao, Thailand)</strong></td>
<td>Wearable &amp; Industrial products</td>
<td>Watch and crystal device manufacturing facilities</td>
<td>7,531</td>
<td>3,429</td>
</tr>
<tr>
<td><strong>Epson Precision (Philippines), Inc. (Lipa, Philippines)</strong></td>
<td>Printing solutions</td>
<td>Visual communications</td>
<td>25,968</td>
<td>10,542</td>
</tr>
<tr>
<td><strong>Epson Precision Malaysia Sdn. Bhd. (Kuala Lumpur, Malaysia)</strong></td>
<td>Wearable &amp; Industrial products</td>
<td>Crystal device manufacturing facilities</td>
<td>337</td>
<td>2,733</td>
</tr>
</tbody>
</table>

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

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

As a result of these efforts, total capital expenditures (including property, plant and equipment (*) and software) amounted to ¥80.0 billion.
No equipment with significant impact on production capacity was sold or removed.
(*) Due to changes in accounting policies (the application of a new lease accounting standard), right-of-use assets are included from the fiscal year under review.

Capital expenditures in each business segment are discussed below.

**Printing solutions segment**
Investment used for commercializing new products such as printers, and for increasing production capacity, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥43.5 billion in the fiscal year under review.

**Visual communications segment**
Investment used for commercializing new products such as 3LCD projectors, and for increasing production capacity, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥14.1 billion in the fiscal year under review.

**Wearable & Industrial products segment**
Investment used for commercializing new products such as wristwatches, factory automation products, crystal devices and semiconductors, and for increasing production capacity, rationalizing, upgrading and maintaining equipment and facilities amounted to ¥14.7 billion in the fiscal year under review.

**Other and overall**
Investment used for strengthening R&D structure, etc. amounted to ¥7.5 billion in the fiscal year under review.
4. Plans for new additions or disposals

It is not possible, as of the filing date of the Annual Securities Report, to reasonably calculate the impact of the coronavirus pandemic. Therefore, the Company's financial outlook for FY2020 has yet to be finalized. Accordingly, the amount of planned capital expenditures for the fiscal year ending March 31, 2021 has yet to be finalized as of the filing date of the Annual Securities Report, as with the financial outlook. However, since major capital investments primarily for commercializing new products and increasing production capacity were basically completed in the prior years, the amount is expected to decrease compared with the fiscal year under review. There are no plans to dispose of or sell major equipment and facilities with the exception of disposals and sales associated with regular and ongoing upkeep of equipment and facilities.
5. Major management contracts

**Reciprocal technical assistance agreements**

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

At present, we have identified the following significant risks that could have a materially adverse effect on our future business, financial condition or operating results and that should thus be taken into account by investors. For these risks, although matters that may possibly become risk factors are described, they do not cover all risks, and risks that were not assumed as of the filing date of the Annual Securities Report and risks that are of low significance may also have an effect on our financial position, operating results and cash flows in the future. Furthermore, while as our policy, we strive to recognize, prevent, and control potential risks and to address risks that materialize, there is no assurance we will succeed in these efforts, and if we are unable to effectively counteract the risks, our financial position, operating results and cash flows could be adversely affected. All forward-looking statements hereunder were made at Epson’s discretion as of the date we submitted our Annual Securities Report.

1. Our operating results, etc. could be adversely affected by fluctuations in printer sales.
The ¥708.6 billion in revenue in the printing solutions segment in the year ended March 31, 2020 accounted for about two-thirds of Epson’s ¥1,043.6 billion in consolidated revenue. Inkjet printers (including printer consumables) for the home, office, and for commercial and industrial applications accounted for a large majority of our revenue and profit. Consequently, a decrease in revenue from printers and printer consumables could have a materially adverse effect on our operating results, etc.

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

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

We are taking strategic action to address the risk of declines in prices, a shift of demand toward lower-priced products, and unit shipments. On one hand, we must provide products tailored to customer needs in each market along with high-value products and services. On the other hand, we must reduce manufacturing costs by increasing design and development efficiency and by reducing fixed costs. However, there is no assurance we will succeed in these efforts, and if we are unable to effectively counteract downward pressure on prices, our operating results, etc. could be adversely affected.

Adverse effects of competition on technology
Some of the products that we sell contain technology that places Epson in competition against other companies. For example:
- The Micro Piezo technology¹ that we use in our inkjet printers competes with the thermal inkjet technologies² of other companies;
- The 3LCD technology³ that we use in our projectors competes with other companies’ DLP technologies⁴, and Epson’s projectors also compete against flat panel displays (FPDs)⁵ of other companies.

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

¹ Micro Piezo technology is an inkjet technology created by Epson that manipulates piezoelectric elements to fire small droplets of ink from nozzles.
² Thermal inkjet technology (also known as bubble-jet technology) is a printer technology in which the ink is heated to create bubbles and the pressure from the bubbles is used to fire the ink.
³ 3LCD technology uses high-temperature polysilicon TFT liquid-crystal panels as light valves. The light from the light source is divided into the three primary colors (red, green and blue) using special mirrors, the picture is created on separate LCDs for each color, and then the picture is recombined without loss and projected on the screen.
⁴ DLP technology uses a digital micro-mirror device (DMD) as a display device. A DMD is a semiconductor on which a large number of micro mirrors are arranged, each mirror directing light onto its own individual pixel. An image is formed by the light from the light source being reflected from the mirrors onto the screen. DLP and DMD are registered trademarks of Texas Instruments Incorporated.
⁵ FPD encompasses a variety of thin electronic display technologies.
The emergence of new competitors

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

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

Epson seeks to drive inkjet innovation, visual innovation, wearables innovation, and robotics innovation. We are looking to create value truly sought by customers and achieve our vision for each business by making each innovation happen. Epson is executing plans and strategies based on a long-range corporate vision and a mid-range business plan that we believe will enable us to establish a competitive advantage in technology, which we believe will be crucial for increasing our competitiveness. We are driving further advances in our original core technologies, including Micro Piezo inkjet technology, microdisplays, sensing, and robotics, all of which arose from Epson’s rich legacy of efficient, compact, and precision technologies. By combining these technologies to create platforms, we are developing, manufacturing, and selling products and providing services that match customer needs.

However, in the product markets and businesses where Epson is concentrating its management resources, the pace of technological innovation is typically rapid, and product life cycles are short. In addition, demand and investment trends in Epson’s major markets could change along with global economic conditions and progress of digitalization, and could affect sales of Epson products. Moreover, there is no guarantee that Epson’s current mid-range business plan, business strategies, and actions specified therein will succeed or be realized. Under these business circumstances, Epson will also continue to strive to make rapid and smooth transition from existing products to new products by understanding market and customer needs, investing and conducting research and development from a medium- and long-range view based on product market forecasts, and creating development and design platforms.

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

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

Ink cartridges etc., which comprise the bulk of consumables sold for inkjet printers, are an important source of revenue and profit for Epson. However, third parties also supply ink cartridges and other inkjet printer consumables that can be used in Epson printers. These alternative products are typically sold for less than genuine Epson brand consumables and are more prevalent in emerging markets compared to the markets of developed countries. To counter sales of third-party consumables for inkjet printers, we must emphasize the quality of genuine Epson products and must look to continuously realize customer value by further enhancing customer convenience with inkjet printers tailored to the needs of customers in each market. Printer models equipped with high-capacity ink tanks are an example of such products. We also take legal measures if any of the patent rights or trademark rights we hold over our ink cartridges are infringed upon.

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

5. Expanding businesses overseas entails risks for Epson.

We continue to expand our businesses overseas, and overseas revenue accounted for approximately 75% of our consolidated revenue for the business year ended March 31, 2020. We have production sites all over Asia, including China, Indonesia, Singapore, Malaysia and the Philippines, as well as in the United States, the United Kingdom, and other countries. We have also established many sales companies all over the world. As of the end of March 2020, our overseas employees accounted for 80% or more of our total workforce.
We believe that our global presence provides many advantages. For example, it enables us to undertake marketing activities aligned with the market needs of individual regions. It also makes us cost-competitive by reducing manufacturing costs and lead times. There are, however, unavoidable risks associated with overseas manufacturing and sales operations. These include but are not limited to changes in national laws, ordinances, or regulations related to manufacturing and sales; social, political or economic changes; transport delays; damage to infrastructure such as electrical power and communications; currency exchange restrictions; insufficient skilled labor; changes in regional labor environments; changes in tax systems overseas and uncertainty with regard to tax administration by tax authorities; protectionist trade regulations; geopolitical risks; and laws, ordinances, regulations or the like that could affect the import and export of Epson products.

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

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

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

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

If any of the situations envisioned below relating to intellectual property were to occur, our operating results, etc. could adversely be affected.
- An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid.
- A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property.
- New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions.
- Intellectual property rights that we hold might not give us a competitive advantage, or we might not be able to use them effectively.
- We or any of our customers could be accused by a third party of infringing on intellectual property rights, which could force us to pay large amounts in compensation or royalties or if forced to stop using the applicable technology.
9. Epson is vulnerable to environmental risks.
Epson is subject, both in Japan and overseas, to various environmental regulations concerning industrial waste and emissions into the atmosphere that arise from manufacturing processes. In addition, with heightened concern about the response to global climate change accompanying the Paris Agreement, which was adopted at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, companies increasingly need to set more ambitious goals for emissions reductions and strive to accomplish these goals. Given this situation, Epson is proactively engaged in environmental conservation efforts on multiple fronts in line with a mid-range action plan and “Environmental Vision 2050,” a document that states our long-term goals for reducing our greenhouse gases (GHG) emissions and other environmental impacts. For example, we have programs to develop and manufacture products that have a small environmental footprint. We also have programs to reduce energy use, promote the recovery and recycling of end-of-life products, ensure compliance with international substance regulations (primarily the RoHS Directive and REACH regulations in the EU), and improve environmental management systems. Our goals for GHG emissions reduction have been approved by the Science Based Targets initiative (SBTi); and we have worked on activities to reduce GHG emissions over the medium- to long term, including the activities to drive the use of renewable energy.
As a result of these efforts, Epson has reduced its GHG emissions (Scope 1 and 2) for the 2019 fiscal year to 480,000 tons. This represents an approximately 18% reduction since the 2017 fiscal year, a base fiscal year. We have not had any serious environmental issues to date. In the future, however, it is possible that an environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or force a halt of production. Moreover, new regulations could be enacted that would require major expenditures, and, if such a situation should occur, Epson’s operating results, etc. could be adversely affected.

10. Epson faces risks concerning the hiring and retention of personnel.
We must hire and retain talented personnel both in Japan and overseas to develop advanced new technologies and manufacture advanced new products, but the competition for such personnel is becoming increasingly intense. We must hire and retain talented personnel by, for example, introducing compensation and benefit packages that are commensurate with roles and by proactively promoting people with the right skills overseas. If we are unable to continue to hire and keep enough of such employees, or if we are unable to pass along technologies and skills, our business plans, etc. could be adversely affected.

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

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

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

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

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

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

Regarding the inkjet printer products sold in France, authorities have initiated investigations following an allegation made by a consumer organization in the country in 2017, pursuant to consumer protection law. The consumer organization alleges that Epson shortens the life of its products, which was never Epson’s intention. Giving the highest priority to quality and environment, Epson will continue to offer designs that meet customer needs.

Progress, result and resolution timing of the investigations, and their impact on Epson’s operating results and its future business development, etc. are not predictable at this time.

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

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

As of the date we submitted our Annual Securities Report, Epson was contending with the following material actions.

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

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

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

We are building and using internal controls to ensure the reliability of financial reporting. With the establishment and operation of internal controls for financial reporting high on our list of important management issues, we have been pursuing a Group-wide effort to audit and improve corporate oversight of our Group companies. However, since there is no assurance that we will be able to establish and operate an effective internal control system on a continuous basis, and since there are inherent limitations to internal control systems, if the internal controls that Epson implements fail to function effectively, or if there are deficiencies in internal control over financial reporting or material weaknesses to be disclosed in the internal controls, it might adversely affect the reliability of our financial reporting.
16. Epson is vulnerable to risks inherent in its tie-ups with other companies.
One of our business strategy options is to enter into business tie-ups with other companies. However, the parties may review the arrangements of tie-ups, and there is a possibility that tie-ups could be dissolved or be subject to changes. There is also no assurance that the business strategy of tie-ups will succeed or contribute to our operating results, etc. exactly as expected.

17. Epson could be severely affected in the event of a natural or other disaster.
We have research and development, procurement, manufacturing, logistics, sales and service sites around the globe, and our operating results and future business development, etc. could be adversely affected by any number of unpredictable events, including but not limited to natural disasters, pandemics involving new infectious diseases such as new strains of the influenza virus, infection by computer viruses, leaks or theft of customer data, reputational damage on social networking services (SNS), failures of mission-critical internal IT systems, cyber-attacks, supply chain disruptions mainly caused by natural disasters on suppliers, and acts of terrorism or war. The central region of Nagano Prefecture, home to some of our key plants and offices, is an area that is at comparatively high risk of earthquakes due to the presence of an active fault zone along the Itoigawa-Shizuoka geotectonic line. Accordingly, in addition to earthquake-proofing its equipment and facilities, Epson conducts disaster drills, has prepared earthquake disaster management and response plans, and has established business continuity plans to mitigate the effects of disasters to the extent possible. However, if a major earthquake occurs in the central region of Nagano Prefecture, it is possible that, despite these countermeasures, the effect on Epson could be extreme. Although Epson is insured against losses arising from earthquakes, the scope of indemnification is limited. In addition, the spread of the novel coronavirus infection will affect Epson. If stoppages or long delays in procurement, production, and shipping due to government imposed measures such as lockdowns and closures; weak consumer spending; a drop in capital expenditure demand; delays in B2B business and tender opportunities; and other factors are prolonged or expanded, Epson’s financial position and operating results could be affected. Under these circumstances, Epson gives the highest priority to safety and health of its employees and their family, and all stakeholders including customers and shareholders, and works to promptly advance measures to normalize production and sales operations to get out of these confusions as early as possible. Moreover, although adequate financial soundness has been maintained at this stage, Epson makes the best possible efforts for financing by concluding commitment line contracts with financial institutions and other means. During the period under the influence of the spread of the novel coronavirus infection, as well as after the influence settles down, our society will see people’s lifestyle drastically shifting to a one where traveling, human contact and face-to-face interaction are no more essential. In response to these major changes to be faced by society, we will further accelerate our ongoing initiatives including “digitization,” “work-style reform,” and “environmental impact reduction,” and proactively work on business opportunities by addressing anticipated social issues in a proactive manner as our policy in order to minimize these risks.
Management Analysis of Financial Position, Operating Results and Cash Flows

1. Operating results overview

(1) Operating results

The global economy in the fiscal year under review continued to gradually recover until the third quarter but then rapidly decelerated due to the worldwide spread of the novel coronavirus toward the end of the fiscal year. Moreover, there is concern that the area and number of people infected by the coronavirus will further expand and that the steep economic downturn will persist. Seen by region, Japanese, the U.S. and European economies as well as the economies of emerging nations rapidly decelerated, and China recorded negative growth in the fourth quarter. This situation was largely the result of a sharp contraction of economic activity brought about by the spread of the coronavirus toward the end of the fiscal year.

The average exchange rates of the yen against the U.S. dollar and of the yen against the euro during the year were ¥108.74 and ¥120.85, respectively. This represents a 2% appreciation of the yen against the dollar and a 6% appreciation of the yen against the euro compared to the same period last year. The yen also rose against the currencies of some emerging countries, in places such as China and Latin America.

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

<table>
<thead>
<tr>
<th>(Billions of yen)</th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
<th>Change</th>
<th>Percentage of change</th>
<th>Main reason(s) for change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,089.6</td>
<td>1,043.6</td>
<td>(46.0)</td>
<td>(4.2%)</td>
<td>[Revenue] Printing Solutions Segment (15.0) Visual Communications Segment (19.9)</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(677.0)</td>
<td>(681.6)</td>
<td>(4.5)</td>
<td>–</td>
<td>Wearable &amp; Industrial Products Segment (10.4)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>412.6</td>
<td>362.0</td>
<td>(50.6)</td>
<td>(12.3%)</td>
<td>Business profit Printing Solutions Segment (18.8) Visual Communications Segment (7.6)</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>(342.1)</td>
<td>(321.1)</td>
<td>20.9</td>
<td>–</td>
<td>Increases caused by a decrease in gain on sales of idle properties and an increase in foreign exchange losses despite an increase in insurance income</td>
</tr>
<tr>
<td>Business profit *</td>
<td>70.4</td>
<td>40.8</td>
<td>(29.6)</td>
<td>(42.0%)</td>
<td></td>
</tr>
<tr>
<td>Other operating income and Other operating expense</td>
<td>0.8</td>
<td>(1.3)</td>
<td>(2.2)</td>
<td>–</td>
<td>Decreases in foreign exchange gains</td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td>71.3</td>
<td>39.4</td>
<td>(31.8)</td>
<td>(44.7%)</td>
<td></td>
</tr>
<tr>
<td>Finance income and Finance costs</td>
<td>0.5</td>
<td>0.1</td>
<td>(0.4)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>72.0</td>
<td>39.7</td>
<td>(32.3)</td>
<td>(44.9%)</td>
<td>Decreases caused by a reversal of deferred tax assets</td>
</tr>
<tr>
<td>Income taxes</td>
<td>(17.9)</td>
<td>(31.8)</td>
<td>(13.8)</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>54.0</td>
<td>7.8</td>
<td>(46.2)</td>
<td>(85.5%)</td>
<td></td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the parent company</td>
<td>53.7</td>
<td>7.7</td>
<td>(45.9)</td>
<td>(85.6%)</td>
<td></td>
</tr>
</tbody>
</table>

* Business profit is calculated after deducting cost of sales and selling, general and administrative expenses from revenue.
A breakdown of operating results in each segment is provided below.

**Printing Solutions Segment**

Printer business revenue decreased. Revenue from high-capacity ink tank printers for the Office/ Home increased due to a number of factors. In addition to our ongoing sales campaigns in emerging nations, we stepped up our sales promotions and product awareness-building campaigns aimed at end-users in North America, Western Europe, Japan, and other advanced economies. Sales also increased because the pandemic created a greater need to print at home as more people began working and learning from home. Meanwhile, SOHO/ Home ink cartridge printer unit shipments decreased chiefly because we limited promotions and maintained prices even as competitors aggressively stepped up their own price promotions. In addition to this, foreign exchange had a negative impact, and total Office/ Home inkjet printer revenue was flat year on year as a result. Consumables revenue decreased. Although revenue from ink bottles for high-capacity ink tank printers grew, SOHO/ Home printer ink cartridge sales decreased because of the shrinking install base and negative foreign exchange effects. Serial impact dot matrix printer revenue also decreased as a result of negative foreign exchange effects and a market contraction that was accelerated in part by the pandemic.

Revenue in the professional printing business was consistent with the previous period. Commercial and industrial inkjet printer revenue increased owing to solid demand in the growing signage and textile printer markets. POS system product revenue decreased because the negative effects of the pandemic and foreign exchange outweighed an increase in demand associated with tax reforms in Italy.

Other revenue increased due to a rise in PC demand as users upgrade their operating systems.

Segment profit in the printing solutions business decreased mainly due to a combination of the effects of continued strategic investment in future growth and foreign exchange, which more than offset revenue growth in products such as high-capacity ink tank printers and PCs.

As a result of the foregoing factors, revenue in the printing solutions segment was ¥708.6 billion, down 2.1% year on year. Segment profit was ¥75.6 billion, down 20.0% year on year.

**Visual Communications Segment**

Visual communications revenue decreased. In addition to the negative effects of foreign exchange and the coronavirus, revenue was hurt by a decline in sales of volume zone projectors as the markets in places such as North America, China, and India contracted.

Although Epson is streamlining its investments in future growth, segment profit in the visual communications segment declined on lower revenue as well as negative foreign exchange effects.

As a result of the foregoing factors, revenue in the visual communications segment was ¥183.3 billion, down 9.8% year on year. Segment profit was ¥13.5 billion, down 36.1% year on year.

**Wearable & Industrial Products Segment**

Revenue in the wearable products business decreased despite sustained firm demand for products in the high-price zone. In addition to slow sales of movements and products in the low- and mid-price zones, revenue was further hit by a drop in demand from visitors to Japan due to the coronavirus.

Revenue in the robotics solutions business decreased mainly due to ongoing trade friction between the U.S. and China, which caused a pullback in capital expenditure in Europe.

Revenue in the microdevices business decreased. Although revenue was flat year on year in both the quartz crystal devices business and semiconductor business, negative foreign exchange effects dragged revenue lower.

Segment profit in the wearable & industrial products segment declined chiefly in response to a sharp drop in wearable products business revenue and because of negative foreign exchange effects.

As a result of the foregoing factors, revenue in the wearable & industrial products segment was ¥152.9 billion, down 6.4% year on year. Segment profit was ¥1.8 billion, down 66.6% year on year.
Other
Other revenue amounted to ¥0.9 billion, down 3.0% year on year. Segment loss was ¥0.5 billion, compared to a segment loss of ¥0.5 billion last year.

Adjustments
Adjustments to the total profit of reporting segments amounted to negative ¥49.6 billion. (Adjustments in the previous fiscal year were negative ¥50.2 billion.) The main components of the adjustment were basic technology research and development expenses that do not correspond to the reporting segments and expenses associated with things such as new businesses and corporate functions.

(2) Cash flow performance
Net cash provided by operating activities during the year totaled ¥102.3 billion. The total for the previous year was ¥76.9 billion. This increase was primarily because we had ¥68.4 billion in depreciation and amortization and ¥31.8 billion in income taxes compared to ¥7.8 billion in profit for the period.
Net cash used in investing activities totaled ¥76.1 billion (compared to ¥82.7 billion in the previous year), mainly because Epson used ¥75.7 billion in the acquisition of property, plant, equipment and purchase of intangible assets.
Net cash used in financing activities totaled ¥0.2 billion, whereas ¥49.4 billion was used in the prior year. While non-current borrowings increased by ¥29.9 billion and there was a ¥29.8 billion bond issue, there were items such as ¥21.6 billion in dividends paid, a ¥10.2 billion purchase of treasury shares, a ¥10.0 billion redemption of bonds payable, a ¥9.8 billion net decrease in current borrowings, and an ¥8.2 billion repayment of lease liabilities.
As a result, cash and cash equivalents at the end of the fiscal year totaled ¥196.2 billion (compared to ¥175.2 billion at the end of the previous fiscal year).

*Please refer to the following for Epson’s financial results for previous fiscal years:
https://global.epson.com/IR/
2. Manufacturing, orders received and sales

(1) Actual manufacturing
The following table shows actual manufacturing information by segment in the fiscal year under review.

<table>
<thead>
<tr>
<th>Business segment</th>
<th>Year ended March 31, 2020 (From April 1, 2019, to March 31, 2020) (Millions of yen)</th>
<th>Change compared to previous fiscal year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing solutions</td>
<td>691,333</td>
<td>97.0</td>
</tr>
<tr>
<td>Visual communications</td>
<td>177,235</td>
<td>88.0</td>
</tr>
<tr>
<td>Wearable &amp; Industrial products</td>
<td>142,810</td>
<td>92.6</td>
</tr>
<tr>
<td>Total for the segments</td>
<td>1,011,379</td>
<td>94.7</td>
</tr>
<tr>
<td>Other</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>1,011,379</td>
<td>94.7</td>
</tr>
</tbody>
</table>

Notes
1. The above figures are based on sales prices. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. The above figures include outsourced manufacturing.

(2) Orders received
Epson’s policy is to manufacture products based on sales forecasts. Accordingly, this section does not apply.

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

<table>
<thead>
<tr>
<th>Business segment</th>
<th>Year ended March 31, 2020 (From April 1, 2019, to March 31, 2020) (Millions of yen)</th>
<th>Change compared to previous fiscal year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing solutions</td>
<td>707,816</td>
<td>97.9</td>
</tr>
<tr>
<td>Visual communications</td>
<td>183,345</td>
<td>90.2</td>
</tr>
<tr>
<td>Wearable &amp; Industrial products</td>
<td>145,072</td>
<td>94.2</td>
</tr>
<tr>
<td>Total for the segments</td>
<td>1,036,234</td>
<td>95.9</td>
</tr>
<tr>
<td>Other</td>
<td>186</td>
<td>99.0</td>
</tr>
<tr>
<td>Total</td>
<td>1,036,420</td>
<td>95.9</td>
</tr>
</tbody>
</table>

Notes
1. Intersegment transactions are offset and therefore eliminated.
2. The above figures do not include consumption tax.
3. No customer accounts for more than 10% of the actual total sales.
3. Management analysis and discussion on operating results, etc.

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

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

(1) Operating results, etc.
Financial position

Total assets at the end of the fiscal year were ¥1,040.9 billion, an increase of ¥2.5 billion from the previous fiscal year end. Although inventories decreased by ¥17.3 billion and trade and other receivables decreased by ¥15.3 billion, total assets increased largely because of a ¥38.5 billion increase in property, plant and equipment resulting primarily from an accounting policy change (the application of a new lease accounting standard). Total liabilities were ¥534.8 billion, up ¥39.2 billion compared to the end of the last fiscal year. Although there was a ¥19.3 billion decrease in trade and other payables and a ¥5.0 billion decrease in other current liabilities, total liabilities increased mainly because of a ¥67.3 billion increase in bonds issued and in borrowings and lease liabilities resulting primarily from an accounting policy change (the application of a new lease accounting standard) and an issue of corporate bonds.

The equity attributable to owners of the parent company totaled ¥503.7 billion, a ¥36.4 billion decrease compared to the previous fiscal year end. This decrease was primarily due to ¥21.6 billion in dividend payments and an ¥12.9 billion decrease in other components of equity, including a decrease in the exchange differences on translation of foreign operations associated with the appreciation of the yen.

Working capital, defined as current assets less current liabilities, was ¥337.5 billion, an increase of ¥12.4 billion compared to the end of the previous fiscal year.

There is uncertainty due to the effects of the pandemic, but Epson’s financial position remains solid and sufficient financing arrangements are in place.

Operating results

The operating results are provided in “Management Analysis of Financial Position, Operating Results and Cash Flows 1. Operating results overview (1) Operating results.”

Cash flow performance

The cash flow performance is provided in “Management Analysis of Financial Position, Operating Results and Cash Flows 1. Operating results overview (2) Cash flow performance.”

(2) Capital resources and liquidity

In order to stably secure funds necessary for business activities such as capital expenditures, Epson raises funds through utilization of internal funds as well as borrowings from financial institutions and issuance of bonds. The balance of interest-bearing debt at the end of the fiscal year under review was ¥209.6 billion, up ¥67.3 billion compared to the previous fiscal year end, due to an accounting policy change (the application of a new lease accounting standard) and an issue of corporate bonds. The balance of cash and cash equivalents at the end of the fiscal year totaled ¥196.2 billion, up ¥21.0 billion compared to the end of the last fiscal year, giving Epson sufficient liquidity.

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

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

As stated in “Management Analysis of Financial Position, Operating Results and Cash Flows 5. Management policy, business environment and issues to be addressed, etc.,” Epson will aim to achieve, for the 2025 fiscal year, ¥1,700 billion in revenue, ¥200 billion in business profit, a 12% return on sales (business profit/revenue), and a 15% return on equity (profit for the period/equity attributable to owners of the parent company), assuming exchange rates of 115 yen to the U.S. dollar and 125 yen to the euro, by striving to promote a growth strategy based on the Epson 25 Corporate Vision and the mid-range business plan for achieving the vision and strengthen its business infrastructure and financial structure.
In each area of innovation where its unique strength can be demonstrated, Epson will look to achieve operating performance targets by accomplishing strategies for future growth of each business set forth in “Management policy, business environment and issues to be addressed, etc.” above as well as promoting sustainable growth and increase of its corporate value.

(4) Significant accounting estimates and assumptions used for those estimates
The consolidated financial statements of Epson are prepared in conformity with IFRS in accordance with the provision of Article 93 of “Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (hereafter “Ordinance for Consolidated Financial Statements”). Estimates that are deemed necessary have been made based on reasonable criteria.
Significant accounting policies applied in the consolidated financial statements of Epson, accounting estimates, and assumptions used for those estimates are provided in “Index to Consolidated Financial Statements, Notes to Consolidated Financial Statements, 3. Significant Accounting Policies and 4. Significant Accounting Estimates and Judgments.”
Furthermore, information regarding the effect of the coronavirus infection in the accounting estimates is provided in “Index to Consolidated Financial Statements, Notes to Consolidated Financial Statements, 4. Significant Accounting Estimates and Judgments.”
4. Research and development activities

Epson conducts research and development to create products and services that offer value that exceeds customer expectations. We seek to create value by driving advances in Micro Piezo printheads, microdisplays, sensors, and robotics, all of which are unique core technologies that evolved from the efficient, compact, and precision technologies that have been an Epson strength since its founding. Further value is added by developing technology platforms that meet the needs of a wide spectrum of customers.

The corporate R&D division and the R&D units of the operations divisions are teaming up to develop core technologies and devices for the future and to strengthen manufacturing infrastructure. Together, they are laying a technological foundation to create new businesses, strengthen existing ones, and increase the competitiveness of all Epson products.

Total R&D spending during the fiscal year was ¥49.2 billion. The printing solutions segment accounted for ¥17.5 billion, the visual communications segment for ¥10.2 billion, and the wearable and industrial products segment for ¥5.0 billion. The “other” segment and corporate segment accounted for the remaining ¥16.4 billion. The main R&D accomplishments in each segment are described below.

Printing solutions segment

In the printer business, Epson launched a new line of EcoTank inkjet printers for the home. These printers are compact yet have high-capacity ink tanks. Epson succeeded in downsizing these products by employing an on-carriage design, where the ink tanks are mounted on the printhead. Moreover, the tanks are easy to refill simply by placing spill-free bottles upside down on the tank opening. LEDs on the front of the printers indicate whether there is ink left in the tanks. They light up in white when ink is present, and they flash when the tanks are empty. Users can also turn off the LEDs and check the amount of remaining ink from an LCD panel.

The company launched three new models in its LX series of Epson Smart Charge printers, which now do everything from printing to finishing, and three new models in its PX series, which offer greater space efficiency and more advanced functions. Epson reinforced its lineup of medium-speed and high-speed LX series printers equipped with PrecisionCore lineheads. In addition to the 100 ppm and 75 ppm¹ models, Epson now offers a new 60 ppm² model. The new model achieves this speed in duplex printing and other printing modes, and regardless of paper size. Time to first copy³ is fast—about 4.9 seconds for the LX-10050MF series. So, this series of printers make short work of print jobs both large and small. The printers in the PX series offer a time to first print⁴ of 5.5 seconds, so customers will not be kept waiting at the service counter. Duplex printing is accomplished quickly thanks to temperature and humidity sensors in the printers that detect the optimal drying time. These printers are equipped with an auto document feeder (ADF) that can hold up to 150 sheets to conveniently and speedily complete large scanning and copying jobs. Two-sided simultaneous scanning substantially improves operational efficiency.

In the professional printing business, Epson released two new large-format inkjet printers with eco-solvent ink for the signage and display industry: the SC-S80650L, which uses ink packs to provide the 10-color ink set, and the four-color SC-S60650L. The products deliver the same outstanding image quality, productivity, and reliability as the SC-S80650 and SC-S60650, which were launched in May 2016, but employ new ink packs to free users from the trouble of replacing ink cartridges when processing large print jobs. Ink packs hold more than twice⁵ as much ink as the ink cartridges used in the current models⁶. This reduces the frequency with which ink must be replaced in high-volume print jobs and boosts productivity.

Epson also launched two new models of dye-sublimation inkjet printer, the six-color SC-F9450H, Epson’s first dye-sub model with fluorescent inks⁷, and the four-color SC-F9450. These products provide the same outstanding reliability, productivity, and image quality of the SC-F9350, which was released in September 2017. They are ideal for producing great-looking sports uniforms with exceptionally vibrant color.

¹ A4 single-side print. Details about how print speeds are calculated are provided on Epson websites.
² The time from the moment the start button is pressed until the first copy lands in the output tray. Epson’s measurement criteria: A4 plain paper; standard print quality; original oriented in the left direction; auto background removal off. Performance will differ depending on content of prints.
³ The method of measurement is defined in ISO/IEC 17629. Please see Epson websites for measurement data and measurement conditions.
⁴ Excluding metallic silver
⁵ SC-S80650 & SC-S60650
⁶ Fluorescent yellow and fluorescent pink
Visual communications segment

Epson launched eight new business projectors, including six high-brightness models, an interactive model, and a signage model. These products include nine models of six laser projectors that provide brightness ranging from 5,500 lm to 9,000 lm. These are the EB-L1490U, the EB-L1495U, and the projectors in the EB-L1070 series. The interactive model is the EB-1485FT, which features improved usability and a simple new design that blends in with the surroundings. The signage model is the EB-W50, which provides 10,000 hours of lamp life. With these new products, Epson has reinforced its lineup of business projectors and, by providing solutions that are easier to install and use in spaces both large and small, Epson is positioned to meet the needs of a broad range of customers, from private enterprises and educational institutions to retailers, restaurants and shopping complexes. Epson also launched new products in the Dreamio series of 3LCD home projectors: the EH-LS500B, EH-LS500W, EH-TW7100, and EH-TW7000. The EH-LS500B and EH-LS500W are ultra-short throw laser projectors that can simply be placed in front of a wall so that users can enjoy 4K content in sizes up to 130 inches. These projectors can be used even where space is very limited because, unlike traditional projectors, they can be installed just centimeters away from a wall or screen. The EH-TW7100 has a pair of built-in 10 W speakers and a contrast ratio of 100,000:1. The EH-TW7000 is an affordably priced, speaker-less model that has a contrast ratio of 40,000:1. Both deliver 3,000 lm of brightness so that customers can quickly and easily enjoy super-sharp 4K big-screen images. They are also loaded with convenient functions, such as settings that support simple connection of Bluetooth® audio equipment as well as games and other fast-moving content.

Wearable and industrial products segment

The robotics solutions business added and began selling two new models of VT6L 6-axis (vertically articulated) robots with a built-in controller. The new Cleanroom® and Protected® models expand potential installation environments. These entry-level 6-axis robots, which handle payloads up to 6 kg and have a reach up to 920 mm, are ideal for automating simple manual tasks, such as the transport and assembly of electronic and electrical parts and auto parts. The built-in controller enables these robots to be installed even where space is limited. The Cleanroom model can be used inside a cleanroom to perform tasks such as parts assembly. The Protected model expands potential robot applications by providing high levels of protection against the ingress of dust and water so that it can be installed in wet or dusty environments where parts are polished, for example. Epson also developed a compact, lightweight spectroscopic camera to automate color inspections. This camera enables users to more easily manage color in their manufacturing processes because it can automate and quantify inspections, it can be integrated into a manufacturing line, and it can output images without the time and trouble of compositing.

In the microdevices business, Epson added two new real-time clock (RTC) modules to its lineup: the RX8111CE and RX4111CE. Both come in a tiny 3.2 x 2.5 x 1.0 mm package and are equipped with a time-stamp function. Like Epson’s RX8130CE, these small RTC modules have a built-in frequency-adjusted 32.768 kHz crystal unit and an automatic battery switchover function, but they also have a time-stamp function that logs and stores time information. The function can be used, for example, to record the time of system software updates, battery replacements, and system alerts. Time-stamps are stored even when main power is switched over to a backup power source, contributing to system robustness. These products consume just 100 nA of current, a mere one-third that of the 300 nA consumed by the RX8130CE. This reduction in current consumption makes it possible to use a smaller, cheaper secondary battery or capacitor. Epson has also expanded the interface options by offering an SPI-Bus interface in addition to an I2C-Bus11 interface.

In addition, Epson developed the S1C17M40. This new, low-power microcontroller with 16 bits of embedded flash memory is ideal for remote controlled home appliances such as air conditioners and for small factory automation devices such as time switches and counters. Like the other MCUs in the S1C17M3 series, the S1C17M40 is a versatile MCU with specifications that are ideal for liquid crystal displays. The S1C17M40 also has an embedded oscillator circuit that is stable within ±1% over an operating temperature range of 0°C to 85°C, an improvement over the ±1% of the S1C17M3 at an operating temperature of 25°C. Moreover, the S1C17M40 is Epson’s first single-chip MCU with embedded EEPROM. With an expanded range of new applications in everything from home appliance remote controllers to small factory automation devices, the S1C17M40 will help users reduce their bills of materials and save board space.

---

7 Epson’s 4K Enhancement Technology accepts 4K signal input and delivers astonishing picture quality equivalent to 4K.
8 Cleanroom class 4 (ISO 14644-1)
Protected class IP67 (IEC standard)
Protection against intrusion of body parts and solids: Fully protected from harmful dust. Protection against ingress of water: No ingress of water even if immersed in water under defined conditions of pressure and time.

Real-time clock module: a single-package product that has a real-time clock IC with clock, calendar, and other functions and an integrated 32,768-kHz crystal unit. These modules not only benefit users by eliminating the need to design oscillator circuits and adjust clock accuracy, their small size and level of integration also allow customers to use their board space more efficiently.

Other and corporate
Epson developed a pair of high-performance products to its lineup of three-axis accelerometers. The M-A552AC1 supports the CAN\textsuperscript{12} communications protocol while the M-A552AR1 supports RS-422\textsuperscript{13}. The M-A552AC1 and M-A552AR1 boast the same performance as the M-A352, samples of which began shipping in May 2019, but come standard equipped with the CAN and RS-422 interfaces, respectively. These interfaces are widely used in industrial applications and demand for them has been strong. They are housed in metal packages that provide IP67-equivalent protection against water and dust. This high level of protection against the environment enables these products to be used in a wide range of industrial applications that require long distances and excellent stability and reliability. These products offer the high level of performance required for structure health monitoring and other industrial applications, as well as the flexibility to enable easy system construction. They also make it easy to build multi-node (multi-point) measurement systems, synchronized measurement systems, and other complex, sophisticated measurement systems. Since they are easy to install, connect, and use even outdoors and under other harsh environmental conditions, these accelerometers can sharply reduce customer system development times.

Controller Area Network (CAN) is a network protocol that is widely used for automotive devices and industrial products.

RS-422 is a serial communication standard that is primarily used for industrial products.
5. Management policy, business environment and issues to be addressed, etc.

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

(1) Fundamental management policy
Endowed with a rich legacy of efficient, compact, and precision technologies, Epson seeks to continuously create game-changing customer value and play a central role in creating a better world as an indispensable company by forging innovations through challenges that are bold, imaginative, and exceed our own vision. Using the Epson Management Philosophy and the global tagline below as guides, we will strive to achieve our vision with employees who embrace a common set of values, demonstrate teamwork, and exercise initiative to create value that exceeds customer expectations.

**Epson Management Philosophy**

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

**EXCEED YOUR VISION**

As Epson employees, we always strive to exceed our own vision, and to produce results that bring surprise and delight to our customers.

(2) Business and financial issues to be addressed with higher priority
In March 2019, Epson established the Epson 25 Phase 2 Mid-Range Business Plan (FY2019-2021) (hereinafter, the “Phase 2 Mid-Range Business Plan”), a three-year plan starting in FY2019, toward achieving the Epson 25 Corporate Vision (hereinafter, “Epson 25”) that describes what Epson would like to achieve in the days ahead. Looking back on FY2019, the first year of the Phase 2 Mid-Range Business Plan, revenue decreased year on year due to a harsh business environment including the worldwide economic downturn caused by U.S.-China trade friction and the ongoing yen appreciation against Euro and emerging countries’ currencies. Business profit also decreased despite efforts to reduce fixed costs based on priorities. Against this backdrop, progress in the strategies for future growth included collaboration and open innovation with a startup in Japan, review on product portfolios and capital expenditures concentrated in key strategic areas.

In the area of inkjet innovation, unit shipments of high-capacity ink tank printers increased in developed markets, in addition to emerging markets, and sales of office shared inkjet printers grew as we worked to acquire large projects in Europe and rolled out Academic Plan service in Japan. Nonetheless, as it should take a while to displace inkjet printers with laser printers, we will hereafter accelerate deploying subscription-based services globally with an aim of strengthening customer contacts to expand our B2B sales structure.

In the area of visual innovation, we launched new products with laser light source for strategic areas, including high-lumen projectors and OS built-in home projectors. However, the existing market conditions were challenging, affected by a trend toward flat panel displays with lower prices.

In the area of wearables innovation, while low- and mid-priced watches were negatively affected by a shrinking market, Epson worked to increase production efficiency and narrowed down management resources while focusing the resources on the areas of strength for Epson.
In the area of robotics innovation, sales of robots were weak due to the impact of U.S.-China trade friction and other factors, which offset our efforts to explore solution selling market with new products and various applications.

On the assumption that a business environment in FY2020 continues to be harsh, Epson intends to accomplish allocation and conversion of management resources based on priorities and build a stable earnings base for future growth. Meanwhile, the business environment currently surrounding Epson continues to be uncertain with respect to the intensifying competition, the influence of the spread of novel coronavirus infection and unstable global economic climate. Given this situation, we will execute efficient investments in response to future risks. Epson maintains sound financial standing at present, but takes all possible measures to ensure smooth financing using commitment line agreements with financial institutions, among others.

In addressing the spread of novel coronavirus infection, which is the most pressing issue, Epson places the highest priority on ensuring safety and health of all stakeholders including our employees and their families, and customers and shareholders. At the same time, Epson takes prompt actions to bring production and sales operations back to normal and break out of the current disruptions as early as possible. During the period under the influence of the spread of the infection, as well as after the influence settles down, our society will see people’s lifestyle drastically shifting to a one where traveling, human contact and face-to-face interaction are no more essential. In response to these major changes to be faced by society, we will accelerate our ongoing initiatives including “digitization,” “work-style reform,” and “environmental impact reduction,” aiming to address anticipated social issues in a proactive manner. In addition, toward resolving social issues that must be tackled by Epson, which will become even clearer, we intend to propel our initiatives for “advancing the frontiers of industry” and “achieving sustainability in a circular economy.”

In view of these circumstances, we will make disciplined capital expenditures to achieve future growth through continuously resolving issues faced by the society. By speedily and steadily executing the following strategies under the Phase 2 Mid-Range Business Plan according to changes in the environment, Epson will look to sustain growth and increase corporate value over the medium- to long term.

① **Phase 2 business plan concept**

Following the Phase 1 business plan, we will continue to commit to the goals of Epson 25, and transform business operations to achieve high profitability by managing priorities in responding to social issues and changes in the business environment.

**Policies**

1) Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation
   - Strengthen solution selling business
   - Rapidly strengthen product portfolio, including through collaboration
   - Strengthen external sales of core devices and open innovation
   - Invest management resources in robotics to accelerate growth to make it a core business
2) Strengthen global operation under Head Office control
   - Select and focus on priority business areas and regions
   - Improve the organization and allocate personnel to strengthen B2B solution selling
   - Strengthen company-wide integrated IT infrastructure
3) Invest management resources in a disciplined manner according to the economic environment and strategy effectiveness
   - Rebuild product portfolios based on priorities
   - Strengthen financial discipline
② Financial targets under Phase 2 business plan and Epson 25

<table>
<thead>
<tr>
<th></th>
<th>FY2021 Target</th>
<th>FY2025 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>¥1,200 billion</td>
<td>¥1,700 billion</td>
</tr>
<tr>
<td>Printing Solutions</td>
<td>¥780 billion</td>
<td>–</td>
</tr>
<tr>
<td>Visual Communications</td>
<td>¥225 billion</td>
<td>–</td>
</tr>
<tr>
<td>Wearable &amp; Industrial Products</td>
<td>¥195 billion</td>
<td>–</td>
</tr>
<tr>
<td>Business profit ¹</td>
<td>¥96 billion</td>
<td>¥200 billion</td>
</tr>
<tr>
<td>ROS</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>ROE</td>
<td>Sustain over 10%</td>
<td>15%</td>
</tr>
<tr>
<td>Exchange Rate USD/EUR/Other ²</td>
<td>¥110/¥125/92</td>
<td>¥115/¥125/100</td>
</tr>
</tbody>
</table>

¹ Business profit is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
² Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 in FY2025.

③ New initiatives

Initiatives in each of our innovation areas

Inkjet innovation
- In the home & SOHO, and office shared printers*, Epson is transitioning away from a business model that is reliant on consumables by accelerating the displacement of laser printers and ink cartridge printers with high-capacity ink models such as high-capacity ink tank printers and high-speed linehead inkjet multifunction printers.
  * Office shared printer: A printer category for high-print volume office users
- In the commercial and industrial segments, rapidly expand the lineup of high productivity products through platforming and collaboration with partners. Expand business by responding to a diverse range of needs with external print head sales and open innovation.
- Capture needs spawned by rapid digitization and embrace collaboration and open innovation to create new printing services.

Visual innovation
- Refine laser light source platforms, expand the lineup in the high-lumen and other segments, and promote the advantages of projectors.
- Develop new markets by creating demand in the spatial design market with accent lighting projectors, and by developing small projectors.
- For smart glasses, accelerate open innovation to broaden the range of their application through enhancing the selection of interface models that enable connections with PCs and smartphones and external sales of optical engine modules.

Wearables innovation
- Continue to focus resources on the high-value-added analog watch segment to capitalize on Epson’s unique technologies.

Robotics innovation
- Accelerate the growth of robotics into a future core business by leveraging a solid foundation of technology and infrastructure while also actively collaborating with partners to further increase product competitiveness and improve its ability to propose solutions.
- Use AI to further improve usability and enter the collaborative robot market.
**Strengthening sales capabilities**
- Epson will strengthen Head Office control over global sales strategies and management functions while simultaneously transitioning to B2B sales methods that emphasize customer intimacy and solution selling.

**Sustainability initiatives**
- For our sustainability initiatives, we will approach heightened expectations for achieving sustainability as a business opportunity. For example, we will accelerate innovation using printing and environmental performance, ink versatility and other advantages of inkjet technology to contribute to sustainability.

#### ③ Financial targets under Phase 2 business plan

1) **Cash Flow**
- Restore our ability to generate cash flow by steadily growing profit and increasing operations efficiency.
- By allocating generated cash to growth areas based on identified priorities, we will pay steady dividends while maintaining a healthy financial structure.

<table>
<thead>
<tr>
<th></th>
<th>Phase 1 Mid-range Result</th>
<th>Phase 2 Mid-range Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating CF</td>
<td>3-year total: ¥258.1 billion</td>
<td>3-year total: ¥370 billion</td>
</tr>
<tr>
<td>FCF</td>
<td>3-year total: ¥24.9 billion</td>
<td>3-year total: ¥170 billion</td>
</tr>
</tbody>
</table>

2) **R&D Expenses and Capital Expenditure**

<table>
<thead>
<tr>
<th></th>
<th>Phase 1 Mid-range Result</th>
<th>Phase 2 Mid-range Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D expenses</td>
<td>3-year total: ¥161.3 billion</td>
<td>Aggressively invest in new products and key technologies necessary to achieve Epson 25</td>
</tr>
<tr>
<td>Capital expenditure (excluding lease)</td>
<td>3-year total: ¥236.8 billion</td>
<td>3-year total: ¥200 billion (Production capacity, new products)</td>
</tr>
</tbody>
</table>
6. Dividend policy

The Company strives to sustain business growth through the creation of customer value and to generate stable cash flow by improving profitability and using management resources efficiently. While the top priority is on strategic investment in growth, the Company also actively returns profits in parallel with its efforts to build a robust financial structure that is capable of withstanding changes in the business environment. In line with this policy, the Company has set a consolidated dividend payout ratio in the range of 40% as a medium-term target, the ratio based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, a profit category that shows profit from the Company’s main operations (and which is very similar to operating income under Japanese accounting standards, both conceptually and numerically). The Company intends to be more active in giving back to shareholders by agilely purchasing treasury shares as warranted by share price, the capital situation, and other factors.

The Company’s dividend policy is to pay cash dividends twice a year. The year-end dividend is determined by resolution of the general shareholders’ meeting and the interim dividend is determined at a meeting of the board of directors.

Based on its dividend policy and the perspective of stable dividend, the Company has paid an annual dividend of ¥62 per share.

The Company’s Articles of Incorporation allow the Company to issue an interim dividend with a record date of September 30 every year by resolution of the board of directors.

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

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

<table>
<thead>
<tr>
<th>Date approved</th>
<th>Cash dividends (Millions of yen)</th>
<th>Cash dividend per share (Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 30, 2019, by resolution of the board of directors</td>
<td>10,731</td>
<td>31</td>
</tr>
<tr>
<td>June 25, 2020, by resolution of the general shareholders’ meeting</td>
<td>10,731</td>
<td>31</td>
</tr>
</tbody>
</table>

**Notes**

1. The total amount of dividends to be paid based on the resolution of the board of directors on October 30, 2019 includes ¥4 million of cash dividends for the Company’s shares held through the BIP (Board Incentive Plan) trust (hereinafter referred to as the “BIP trust”).
2. The total amount of dividends to be paid based on the resolution of the general shareholders’ meeting on June 25, 2020 includes ¥8 million of cash dividends for the Company’s shares held through the BIP trust.
Corporate Governance

1. Overview of 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 term, 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) 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 advisory committees for matters such as the Director nomination and compensation.

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

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

   Board of Directors
   The Board of Directors, with a mandate from shareholders, is responsible for realizing efficient and effective corporate governance, through which Epson will accomplish its social mission, sustain growth, and maximize corporate value over the medium and long term.

   To fulfill these responsibilities, the Board of Directors will exercise a supervisory function over general management affairs, maintain management fairness and transparency, and make important business decisions, including decisions on things such as management plans, business plans, and investments exceeding a certain amount.

   The Board of Directors is composed of 12 Directors, including five Outside Directors described in “2. Officers.” Meetings of the Board of Directors are, as a rule, held once per month and as needed. In FY2019, the Company held a total of 13 meetings of the Board of Directors with 92.3% attendance by Director Matsunaga and 100% by all the other Directors. In accordance with the Regulations of the Board of Directors, Chairman of the Board acts as the chairman of the Board meetings.

   The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the Board monitors these. To speed up management decisions and increase business agility as a company with an Audit & Supervisory Committee, Epson has expanded the scope of affairs delegated to executive management from the Board of Directors, including capital investments below a certain threshold; and has limited board deliberations only to the most important issues, including governance, capital policy, compliance, risk management and megatrend and medium- to long-term strategies. 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 evaluates their independence, audit quality, etc. based on certain standards. Resolutions concerning financial auditors selected by the Committee per the guidelines are submitted for approval at a general meeting of shareholders. The Audit & Supervisory Committee also discusses the selection, dismissal, resignation, and compensation of Directors who are not Audit & Supervisory Committee members and decides on the opinions to be presented at a general meeting of shareholders. The Audit & Supervisory Committee is composed of four Audit & Supervisory Committee members, three of whom are Outside Directors. It is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are held once per month and as needed.

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

Compliance Committee
The Compliance Committee’s function is to discuss the content of reports that it receives concerning important compliance activities, and report its findings and communicate its opinions to the Board of Directors in order to see that compliance activities are appropriately executed by line management. As an advisory body to the Board of Directors, the Compliance Committee is composed of Outside Directors and Directors who are Audit & Supervisory Committee members. The Compliance Committee is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are held every half year and as needed. Financial auditors attend meetings of the Committee as observers. A Chief Compliance Officer (CCO) is elected by the Board of Directors and supervises and monitors compliance-related affairs on the whole. The CCO periodically reports the state of compliance affairs to the Compliance Committee.

Director Nomination Committee and Director Compensation Committee
Epson has established the Director Nomination Committee and the Director Compensation Committee as advisory bodies to the Board of Directors, with their secretariats operated by the human resources department. These Committees, which are composed primarily of Outside Directors, are designed to ensure transparency and objectivity in the screening and nomination of candidates for Director, Executive Officer, and Special Audit & Supervisory Officer and in matters of Director compensation. The overview of each of these Committees is as follows.

Composition
For the both Committees, President and Representative Director shall act as a chairman and Outside Directors and Director in charge of human resources as the other Committee members based on internal regulations defined by the Board of Directors. The two Committees currently consist of the members as shown below.

Chairman: Yasunori Ogawa, President and Representative Director
Committee members: Hideaki Omiya, Mari Matsunaga, Yoshio Shirai, Susumu Murakoshi, Michiko Ohtsuka, Outside Directors
Masayuki Kawana, Director in charge of human resources

* Mr. Minoru Usui retired as the chairman and a committee member in March 2020.
* Mr. Michihiro Nara and Ms. Chikami Tsubaki retired as committee members at the Ordinary General Meeting of Shareholders held in June 2020.

Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of either Committee as observers.
Activities of the Director Nomination Committee

The Committee met four times during the period from April 2019 to the Ordinary General Meeting of Shareholders held in June 2020. The Committee deliberated on matters including policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidates proposal, successor plan, internal rules concerning Chairman and Director, and areas of expertise particularly expected of Directors. In particular, in preparation for the changeover of President and Representative Director in April 2020, the Committee carried out activities for that selection process, which included multiple successor candidates being interviewed by the Outside Directors, which form the majority of the Director Nomination Committee membership, deliberations being carried at the Director Nomination Committee, and the conclusion of the Committee being submitted to the Board of Directors.

Activities of the Director Compensation Committee

The Committee met five times during the period from April 2019 to the Ordinary General Meeting of Shareholders held in June 2020. The Committee deliberated on matters including the amount of base compensation and bonuses for each Director, extension of the performance-linked stock compensation plan and a performance-based coefficient. Of the Committee members, Ms. Mari Matsunaga was absent once, but she was individually updated on details of the deliberations at a later date.

Epson’s system of corporate governance is schematically represented below.
(3) 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 takes measures as needed to respond to issues.

(9) The Company’s “Principles of Corporate Behavior” states that the Company will have no association whatsoever with antisocial forces (i.e., organized crime groups). The Company takes a firm stance in rejecting any and all contact with antisocial forces that threaten social order and security.

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.

**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.
   a. Current business performance and performance outlook
   b. Risk management responses
   c. 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 agilely and exhaustively discussing and analyzing ways to identify and control risks. Also, when major risks become apparent, the president leads the entire company in mounting a swift initial response in line with the Company’s prescribed crisis management program.

(4) The president of Seiko Epson periodically reports critical risk management issues to the Board of Directors and formulates appropriate measures to respond to these issues, as needed.

**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. A system shall be put in place to protect reporters from reprisal for having made a report, and the identity of the reporter shall be protected even if the representative director or Board of Directors, for example, is asked to make corrections and so forth based on the report.

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

(9) The Audit & Supervisory Committee and the representative director regularly meet to enable the Committee to directly assess business operations.

(10) Funds required by the Audit & Supervisory Committee to perform its duties are properly budgeted for in advance. However, funds required to perform the duties of the Audit & Supervisory Committee in emergency or extraordinary situations will be promptly paid in advance or refunded on each occasion.
(4) 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.

(5) Election and dismissal of directors
According to its Articles of Incorporation, Directors of the Company can be elected by a majority vote by at least one-third of shareholders with voting rights, and not through cumulative voting. Provisions regarding dismissal of directors do not vary from the provisions of the Companies Act.

(6) Matters requiring resolutions of the Board of Directors
Treasury share acquisition
The Company’s Articles of Incorporation allow the Company to acquire treasury shares through stock market trade and other means by resolution of the Board of Directors. This enables a more flexible capital policy in response to a changing business environment.

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

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

(7) Overview of limited liability agreements
The Company has executed agreements with non-executive directors Hideaki Omiya, Mari Matsunaga, Taro Shigemoto, Yoshio Shirai, Susumu Murakoshi, and Michiko Ohtsuka that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, pursuant to the provisions of Article 427, Paragraph 1 of the 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.

(8) 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.

(9) 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
Endowed with a rich legacy of efficient, compact, and precision technologies, Epson will seek to continuously create game-changing customer value and play a central role in creating a better world as an indispensable company by forging innovations through challenges that are bold, imaginative, and exceed our own vision. 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 (hereinafter referred to as “large-scale acquisitions”) should ultimately be put before the shareholders. However, shareholders’ decisions on whether to allow large-scale acquisitions need to be made appropriately. In order to ensure this, Epson believes that information and opinions necessary for shareholders should be provided by both persons seeking to do large-scale acquisitions of Epson’s shares and the Epson Board of Directors, and time necessary to examine the information and opinions needs to be secured. Epson believes that persons who control its financial and business policy decisions need to fully understand Epson’s businesses and sources of corporate value, and to understand the importance of Epson’s directors, managers, and employees working as a team to create value, pursuing the Epson tradition of creativity and challenge, and earning and keeping the trust of its customers.

2) Summary of measures in support of the basic policy
a. Specific actions in support of the basic policy
   The Company established in March 2016 the Epson 25 Corporate Vision, which describes what the company would like to achieve by the start of the 2025 fiscal year. In the three years under the Phase 1 Mid-Range Business Plan (FY2016-2018) toward achieving Epson 25, we made significant progress towards future growth in some areas, but in others fell behind schedule or did not fully accomplish what we expected. Moreover, the company was affected by changes in the business environment greater than anticipated, and the financial performance for the final fiscal year fell short of the targets set out in the Phase 1 Mid-Range Business Plan. In the Phase 2 Mid-Range Business Plan (FY2019-2021), which was established in March 2019, we will continue to commit to the goals of Epson 25, and transform business operations to achieve high profitability by managing priorities in responding to social issues and changes in the business environment.

b. 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
   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 Epson board of directors regarding specific actions and the justification for those decisions
   The above efforts are for contributing to maintenance and increase of Epson’s corporate value and the common interests of its shareholders, do not undermine the common interests of its shareholders, and reflect the above basic policy. Moreover, Epson considers that these efforts are not for keeping its Directors in their posts.

Note: As a result of careful examination in light of the recent trends as well as opinions of institutional investors and other shareholders in and outside Japan, the Company resolved at its Board of Directors meeting held on May 14, 2020 to discontinue the countermeasures to large-scale acquisition of Seiko Epson shares (Takeover Defense Measures) and abolished the Takeover Defense Measures at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020.
2. Officers
(1) List of Officers
Directors, audit & supervisory committee members and executive officers of the Company as of the date when the annual securities report (yuakashoken-houkokusho) was submitted and their functions are listed below.

<table>
<thead>
<tr>
<th>Name</th>
<th>Position and current function</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minoru Usui</td>
<td>Chairman and Director</td>
</tr>
<tr>
<td>Yasunori Ogawa</td>
<td>President and Representative Director</td>
</tr>
<tr>
<td>Koichi Kubota</td>
<td>Representative Director, Senior Managing Executive Officer, Chief Operating Officer, Printing</td>
</tr>
<tr>
<td></td>
<td>Solutions Operations Division</td>
</tr>
<tr>
<td>Tatsuaki Seki</td>
<td>Director, Managing Executive Officer, General Administrative Manager, Management Control</td>
</tr>
<tr>
<td></td>
<td>Division</td>
</tr>
<tr>
<td>Masayuki Kawana</td>
<td>Director, Executive Officer, General Administrative Manager, Human Resources Division</td>
</tr>
<tr>
<td></td>
<td>General Administrative Manager, Health Management Office</td>
</tr>
<tr>
<td></td>
<td>Chairman, Epson Sales Japan Corporation</td>
</tr>
<tr>
<td>Toshiya Takahata</td>
<td>Director, Executive Officer, General Administrative Manager, Corporate Strategy Division</td>
</tr>
<tr>
<td></td>
<td>General Administrative Manager, Sustainability Promotion Office</td>
</tr>
<tr>
<td></td>
<td>General Administrative Manager, DX Division</td>
</tr>
<tr>
<td>Hideaki Omiya</td>
<td>Outside Director</td>
</tr>
<tr>
<td>Mari Matsunaga</td>
<td>Outside Director</td>
</tr>
<tr>
<td>Taro Shigemoto</td>
<td>Director, Full-Time Audit &amp; Supervisory Committee Member</td>
</tr>
<tr>
<td>Yoshio Shirai</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
</tr>
<tr>
<td>Susumu Murakoshi</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
</tr>
<tr>
<td>Michiko Ohtsuka</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
</tr>
<tr>
<td>Motonori Okumura</td>
<td>Managing Executive Officer, General Administrative Manager, Production Planning Division</td>
</tr>
<tr>
<td></td>
<td>Deputy Chief Operating Officer, Wearable Products Operations Division</td>
</tr>
<tr>
<td>Name</td>
<td>Position and current function</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Junichi Watanabe</td>
<td>Managing Executive Officer&lt;br&gt;Chief Operating Officer, Wearable Products Operations Division&lt;br&gt;Deputy General Administrative Manager, Production Planning Division</td>
</tr>
<tr>
<td>Hideki Shimada</td>
<td>Managing Executive Officer&lt;br&gt;Deputy Chief Operating Officer, Printing Solutions Operations Division</td>
</tr>
<tr>
<td>Akihiro Fukaishi</td>
<td>Executive Officer&lt;br&gt;President, Epson (China) Co., Ltd.</td>
</tr>
<tr>
<td>Yoshiyuki Moriyama</td>
<td>Executive Officer&lt;br&gt;Chairman and President, Epson Engineering (Shenzhen) Ltd.</td>
</tr>
<tr>
<td>Naoyuki Saeki</td>
<td>Executive Officer&lt;br&gt;General Administrative Manager, Sales &amp; Marketing Division</td>
</tr>
<tr>
<td>Nobuyuki Shimotome</td>
<td>Executive Officer&lt;br&gt;Chief Operating Officer, Microdevices Operations Division</td>
</tr>
<tr>
<td>Kazuyoshi Yamamoto</td>
<td>Executive Officer&lt;br&gt;President, Epson Europe B.V.</td>
</tr>
<tr>
<td>Munenori Ando</td>
<td>Executive Officer&lt;br&gt;Managing Director, Epson Singapore Pte. Ltd.</td>
</tr>
<tr>
<td>Hitoshi Igarashi</td>
<td>Executive Officer&lt;br&gt;Deputy Chief Operating Officer, Printing Solutions Operations Division</td>
</tr>
<tr>
<td>Keith Kratzberg</td>
<td>Executive Officer&lt;br&gt;President and Chief Executive Officer, Epson America, Inc.</td>
</tr>
<tr>
<td>Isamu Otsuka</td>
<td>Executive Officer&lt;br&gt;President, Epson Atmix Corporation</td>
</tr>
<tr>
<td>Eiichi Abe</td>
<td>Executive Officer&lt;br&gt;President, PT. Indonesia Epson Industry</td>
</tr>
<tr>
<td>Kazuhiro Ichikawa</td>
<td>Executive Officer&lt;br&gt;Deputy General Administrative Manager, Technology Development Division&lt;br&gt;General Manager, PL Business Management Department</td>
</tr>
<tr>
<td>Keijiro Naito</td>
<td>Executive Officer&lt;br&gt;Chief Operating Officer, Visual Products Operations Division</td>
</tr>
<tr>
<td>Yoshifumi Yoshida</td>
<td>Executive Officer&lt;br&gt;Chief Operating Officer, Robotics Solutions Operations Division</td>
</tr>
<tr>
<td>Andrea Zoeckler</td>
<td>Executive Officer&lt;br&gt;Senior Vice President, Epson America, Inc.</td>
</tr>
<tr>
<td>Yoshiro Nagafusa</td>
<td>Executive Officer&lt;br&gt;Senior Vice President, Epson Europe B.V.</td>
</tr>
</tbody>
</table>
(2) Outside Officers
The role of Outside Directors
To ensure that Outside Directors are independent from the Company’s management team, have a broad view, and are able to objectively supervise the making of important decisions, the Company has set forth the role of Outside Directors in the Corporate Governance Policy as below. In principle, Independent Outside Directors should comprise at least one-third of the members of the Board of Directors.

a. Monitoring of the management
   - Monitoring of corporate executives through involvement in the officer election process and the compensation determination process based on an evaluation of the business as a whole
   - Monitoring of the business as a whole through the exercise of voting rights on important business decisions made by the Board of Directors

b. Advisory function for improving business efficiency

c. Monitoring of conflicts of interest
   - Monitoring of conflicts of interest between 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 “Criteria for Independence of Outside Directors” and, in compliance with this standard, elects director candidates who are unlikely to have conflicts of interest with
general shareholders. All current Outside Directors satisfy the independence requirements of the criteria. The content of the amended standard is described below.

Criteria for Independence of Outside Directors
The Company has established the criteria below to objectively determine whether potential Outside Directors are independent.
1. A person is not independent if:
   (1) The person considers the Company to be a major business partner\(^1\), 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 compensation as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
   (4) The person is a major shareholder\(^5\) 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 with a relationship of reciprocal employment of Outside Director\(^8\); 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.
“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.

“Reciprocal employment of Outside Director” means accepting an Outside Director from an entity that currently employs someone from the Company as an Outside Director.
Number of outside directors, selection criteria, and human, capital, business or other interests between outside directors and the Company

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

a. Hideaki Omiya
   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.
   As an Outside Director of the Company, 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 continue to 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. The Company has had no transactions with Mitsubishi Heavy Industries, Ltd. in the past three years. 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.

b. 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 the viewpoints of open innovation promotion, etc. Epson believes that she will continue to monitor management appropriately to achieve sustained growth and increase medium-to long-term corporate value.
   The Company has had no transactions with Ms. Matsunaga in the past three years. 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.

c. Yoshio Shirai (Outside Director who is an Audit & Supervisory Committee member)
   Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company.
   Epson believes that he will continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium-to long-term corporate value, as well to ensure soundness of the management.
   Mr. Shirai has served as an executive at Toyota Tsusho Corporation within the past five years. The Company has had no transactions with Toyota Tsusho Corporation in the past three years. 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.

d. Susumu Murakoshi (Outside Director who is an Audit & Supervisory Committee member)
   Mr. Murakoshi has a high level of expertise as an attorney. Having served as the President of Japan Federation of Bar Associations and the President of Japan Attorneys Political Association, he has a wealth of experience in the legal community. Epson believes that he will contribute to monitoring management appropriately to achieve sustained growth and increase medium-to long-term corporate value, as well to ensure soundness of the management. He has never been involved in corporate management except as an outside officer. However, given the reasons above, Epson believes that he can appropriately perform his duties as an Outside Director who is an Audit & Supervisory Committee member.
   The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Mr. Murakoshi who is an attorney-at-law, and the law office to which he belongs. Epson has registered him as an Independent Director with the Tokyo Stock Exchange.
e. Michiko Ohtsuka (Outside Director who is an Audit & Supervisory Committee member)

Ms. Ohtsuka has a high level of expertise as a certified public accountant. She has a considerable insight and achievements as an independent officer of a listed company. Epson believes that she will contribute to monitoring management appropriately to achieve sustained growth and increase medium-to-long-term corporate value, as well to ensure soundness of the management. She has never been involved in corporate management except as an outside officer. However, given the reasons above, Epson believes that she can appropriately perform her duties as an Outside Director who is an Audit & Supervisory Committee member. The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Ms. Ohtsuka who is a certified public accountant, and there is no transactional relationship. Epson has registered her as an Independent Director with the Tokyo Stock Exchange.

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

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

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

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

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

The Audit & Supervisory Committee and financial auditors work together to enhance the effectiveness of audit by sharing the results of their risk assessment at the beginning of each fiscal year and then confirm the audit plan of financial auditors, and also periodically discuss issues during the period. Financial auditors have the right to observe meetings of the Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.
Cooperation between Outside Directors and internal control functions
Outside Directors who are Audit & Supervisory Committee members and those who are not work cooperatively by attending meetings of the Compliance Committee, regular meetings with representative directors, and meetings solely of Outside Directors; and also work to enhance collaboration between the supervision or audits by Outside Directors and the internal control functions through on-site audits and on-site visits at subsidiaries both home and abroad.

(3) Internal audits
Auditor & Supervisory Committee audits
(Structure of the Audit & Supervisory Committee)
Epson’s Audit & Supervisory Committee is composed of four Directors, three of whom are Outside Directors. The three Audit & Supervisory Committee members who are Outside Directors have experienced serving as an attorney-at-law, certified public accountant and corporate manager, and each of them has a high level of expertise, a wealth of experience and considerable insight and has executed balanced audit and supervisory activities as the Audit & Supervisory Committee. Taro Shigemoto was selected to serve as a Full-Time Audit & Supervisory Committee member to help ensure that the Audit & Supervisory Committee works effectively, as it was concluded that it would be necessary for someone to prepare an environment to facilitate audits, attend important internal meetings to smoothly collect internal information, work closely with groups such as the internal audit department, and monitor the daily internal control system.
Audit & Supervisory Committee member Michiko Ohtsuka is a certified public accountant and has an appreciable degree of knowledge and insight into finance and accounting.
In addition, 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.
(Activities of the Audit & Supervisory Committee)
All Audit & Supervisory Committee members properly monitor decision-making on important matters, such as business strategies and corporate governance, and execution of business affairs by attending important meetings such as meetings of the Board of Directors, the Director Nomination Committee and the Director Compensation Committee, and regularly discussing with representative directors, among others. Moreover, Audit & Supervisory Committee members audit and supervise the state of legal compliance and results of execution of operations through regular hearing and conformation letters for execution of duties for each Director and Executive Officer.
In addition, Audit & Supervisory Committee members confirm the status of improvement and operation of the internal control system and other matters (including internal control over compliance system, risk management system, and financial reporting) through regular hearing from internal audit departments, supervisory departments for internal control, Head Office supervisory departments, audit & supervisory board members of the Group’s subsidiaries, and others. In addition, the Audit & Supervisory Committee or individual Audit & Supervisory Committee members conduct on-site inspection of business offices and subsidiaries in Japan and overseas, and if it is considered necessary, they ask internal audit departments and the financial auditor for inspection and provide specific directions on the execution of the duties. Through these measures, Epson has secured the effectiveness of systematic audit performed by the Audit & Supervisory Committee.
As for appropriateness of audits of the financial auditor, the Audit & Supervisory Committee confirms the audit plan of the financial auditor after risk assessment is shared between each other at the beginning of the fiscal year, and checks the implementation of audits by regularly holding discussion during the fiscal year, while increasing effectiveness of audits of the both. In addition, the Audit & Supervisory Committee assesses multiple audit firms that have overseas network, including the current financial auditor, based on a wide variety of items such as audit quality, governance system, and global audit system.
With regard to the effectiveness assessment of the Audit & Supervisory Committee, which has been implemented each year since FY2017 after the transition to a company with an Audit & Supervisory Committee, reporting to and sharing with the Board of Directors have been regularized from FY2019. In FY2019, the assessment result that effectiveness of the Audit & Supervisory Committee was ensured was shared at the Board of Directors meeting, and the recommendations for the Board of Directors on improvement in the Company’s internal control and governance system, which were extracted in the effectiveness assessment of the Audit & Supervisory Committee, were made.
Holding and attendance of the Audit & Supervisory Committee meeting

In FY2019, the Audit & Supervisory Committee conducted discussions and examinations through the fiscal year, focusing on the improvement of global compliance system, deliberations on takeover defense measures, and implementation of measures and progress of the Epson 25 Mid-Range Business Plan, among others, as the perspective of important audit and supervision.

The Audit & Supervisory Board meeting was held 20 times from April 2019 to the Ordinary General Meeting of Shareholders in June 2020. The status of attendance by each Audit & Supervisory Committee member is as shown in the following table.

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Attendance at meetings of the Audit &amp; Supervisory Committee (Attendance rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taro Shigemoto</td>
<td>Director, Full-Time Audit &amp; Supervisory Committee Member</td>
<td>20/20 (100%)</td>
</tr>
<tr>
<td>Michihiro Nara</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
<td>20/20 (100%)</td>
</tr>
<tr>
<td>Chikami Tsubaki</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
<td>19/20 (95%)</td>
</tr>
<tr>
<td>Yoshio Shirai</td>
<td>Outside Director, Audit &amp; Supervisory Committee Member</td>
<td>20/20 (100%)</td>
</tr>
</tbody>
</table>

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

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

The division in charge of whistleblowing regularly keeps the Audit & Supervisory Committee updated on compliance violation matters. The division provides the Committee with detailed reports especially on matters of
material importance immediately after it is notified of such matters, and the Committee examines whether it should deal with the matter based on the detailed report. Also, controls are in place to protect whistleblowers from reprisal for having made a report. Allegations shall be reported to the Audit & Supervisory Committee, the Compliance Committee composed primarily of Outside Directors, and the Corporate Strategy Council in a way that whistleblowers cannot be identified; and the identity of the reporter shall be protected even if the president or a Board of Directors, for example, is asked to correct the matter based on the report. The Audit & Supervisory Committee and financial auditors enhance the effectiveness of audits by sharing the results of their risk assessment at the beginning of each fiscal year and then confirming the audit plan of financial auditors, and also periodically discuss issues during the period. Financial auditors have the right to observe meetings of the Compliance Committee, which is made up of Outside Directors and a Director who is a member of the Audit & Supervisory Committee.

(4) Accounting audits

a. Name of accounting firm
   Ernst & Young ShinNihon LLC

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

c. Certified public accountants performing audits

<table>
<thead>
<tr>
<th>Name of CPA</th>
<th>No. of successive years performing audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Designated and Engagement Partner, Certified Public Accountant</td>
<td>1</td>
</tr>
<tr>
<td>Designated and Engagement Partner, Certified Public Accountant</td>
<td>4</td>
</tr>
<tr>
<td>Designated and Engagement Partner, Certified Public Accountant</td>
<td>7</td>
</tr>
</tbody>
</table>

d. Composition of auditing team
   The auditing team comprises 55 staff including 25 certified public accountants, 6 accountant examination passers, and 24 other accounting staff.

e. Policy and reasons for selection of audit firm
   The Audit & Supervisory Committee has established the “Policies on Selection / Non-reappointment of Financial Auditors” and “Implementation Standards in Relation to Selection of Financial Auditors” prescribing details of the procedures whereby Epson can maintain and further strengthen its optimal financial audit system.
   The Audit & Supervisory Committee appointed Ernst & Young ShinNihon LLC as financial auditor based on the decision that the auditing firm has a competitive advantage in terms of audit quality management system, governance system that supports the management of audit quality, and global audit system; the Committee reached the decision through evaluation of the auditing firm based on the Implementation Standards stated above.
   In the event that any of the items set forth in the clauses of Article 340, Paragraph 1 of the Companies
Act is met, and the Audit & Supervisory Committee deems it appropriate to dismiss the financial auditor, the Audit & Supervisory Committee shall dismiss the financial auditor subject to the unanimous consent of Audit & Supervisory Committee members. In addition, if the Audit & Supervisory Committee deems that (i) the quality of audit, quality control, independence and other aspects of the financial auditor are likely to hinder the execution of proper audits, (ii) an audit system more appropriate to the Company would be achieved by replacing the audit firm, or (iii) otherwise it would be necessary, the Audit & Supervisory Committee shall, based on its resolution, determine the details of the proposal to dismiss or not reappoint the financial auditor for submission to the General Meeting of Shareholders.

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

Based on the Implementation Standards stated above, the Audit & Supervisory Committee shall annually evaluate more than one auditing firm with a network overseas, including the current financial auditor; the evaluation items range widely from their quality of audit, governance system to global supervision system. The Committee has judged, through comprehensive analysis and deliberation of these items, that Ernst & Young ShinNihon LLC has a relative competitive advantage.

(5) Details of audit remuneration

a. Remuneration for audits by certified public accountants

<table>
<thead>
<tr>
<th>Category</th>
<th>Remuneration for audit certification work</th>
<th>Remuneration for non-audit work</th>
<th>Fiscal year under review</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filing company</td>
<td>171</td>
<td>0</td>
<td>164</td>
</tr>
<tr>
<td>Consolidated subsidiaries</td>
<td>52</td>
<td>–</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>223</td>
<td>0</td>
<td>208</td>
</tr>
</tbody>
</table>

Non-audit services performed for Epson include various consultancy services.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Remuneration for audit certification work</th>
<th>Remuneration for non-audit work</th>
<th>Fiscal year under review</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous fiscal year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filing company</td>
<td>–</td>
<td>18</td>
<td>–</td>
</tr>
<tr>
<td>Consolidated subsidiaries</td>
<td>572</td>
<td>187</td>
<td>492</td>
</tr>
<tr>
<td>Total</td>
<td>572</td>
<td>206</td>
<td>492</td>
</tr>
</tbody>
</table>

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

c. Description of other fees for important audit certificate services

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

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

Taking into consideration the “Practical Guidelines for Cooperation with Financial Auditor” announced by the Japan Audit & Supervisory Board Members Association, Audit & Supervisory Committee has given consent to the compensation, etc., to be paid to the financial auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of confirming the policies and the content of the auditing plan that form the basis of
compensation to the financial auditor, auditing time and auditing compensation, as well as the auditing plan and its results for the previous fiscal year, and examining the validity of quotation for the auditing.
3. Officer compensation, etc.
(1) Amount of officer compensation, etc. and policies for determining the method of calculating the amount
With an aim to ensure transparency and objectivity, compensation of officers is determined through resolution at the General Meeting of Shareholders and the Board of Directors’ meeting for the Directors who are not Audit & Supervisory Committee members, or through resolution at the General Meeting of Shareholders and discussion by Audit & Supervisory Committee members for the Directors who are Audit & Supervisory Committee members, after going through a fair, transparent and rigorous reporting by the Director Compensation Committee (an advisory body to the Board of Directors) composed primarily of Outside Directors.

With regard to compensation of the Directors who are not Audit & Supervisory Committee members, the Audit & Supervisory Committee shares and discusses what have been examined by the Director Compensation Committee to confirm whether there are special items to be stated at the General Meeting of Shareholders. Although the matters related to the compensation, including its amount, of the Directors who are not Audit & Supervisory Committee members are left to the discretion of President and Representative Director, these matters are determined based on what have been deliberated and approved at the Director Compensation Committee.

The overview of the Director Compensation Committee is as follows.

Composition
President and Representative Director shall act as chairman and Outside Directors and Director in charge of human resources as other members based on internal regulations defined by the Board of Directors. The Committee currently consists of the members as shown below.
Chairman: Yasunori Ogawa, President and Representative Director
Committee members: Hideaki Omiya, Mari Matsunaga, Yoshio Shirai, Susumu Murakoshi, Michiko Ohtsuka, Outside Directors
Masayuki Kawana, Director in charge of human resources

* Mr. Minoru Usui retired as the chairman and a committee member in March 2020.
* Mr. Michihiko Nara and Ms. Chikami Tsubaki retired as committee members at the Ordinary General Meeting of Shareholders held in June 2020.

Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of the Committee as observers.

Activities of the Director Compensation Committee
The Committee met five times during the period from April 2019 to the Ordinary General Meeting of Shareholders held in June 2020. The Committee deliberated on matters including the amount of base compensation and bonuses for each Director, extension of the performance-linked stock compensation plan and a performance-based coefficient. Of the Committee members, Ms. Mari Matsunaga was absent once, but she was individually updated on details of the deliberations at a later date.

Policies
The Company stipulates the Basic Policy regarding Officer Compensation in the internal regulations defined by the Board of Directors.

Compensation for executive officers
(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 system 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.
In FY2019, the base compensation accounted for about 66% (fixed compensation about 61% and variable compensation about 5%), bonuses for about 24% and stock compensation for about 10% of the overall compensation for Directors who are not Audit & Supervisory Committee members (excluding Outside Directors).

Base compensation (fixed/variable)
Base compensation is a monthly-paid monetary compensation that is determined by taking into account all factors such as an individual’s position and responsibilities. Of base compensation, the variable portion for officers with executive duties reflects the results of annual performance based on criteria set according to the individuals’ roles. (Variable range: ±20%)
Through the resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016, the maximum base compensation was set at 62 million yen per month for Directors who are not Audit & Supervisory Committee members (eight as of the filing date of the Annual Securities Report) (including 10 million yen per month for two Outside Directors) and at 20 million yen per month for Directors who are Audit & Supervisory Committee members (four as of the filing date of the Annual Securities Report).

Bonus (variable)
An annual bonus is an annually-paid monetary compensation for officers with executive duties that is determined by the achievement level of the annual operating performance targets. The bonus may not be paid in cases where business profit failed to reach a certain threshold. The bonus reflects the results of annual performance based on criteria set according to the individuals’ roles. (Variable range of months for bonuses: ±1.2 months)
The amount of bonuses is calculated based on the calculation criteria predefined by the Board of Directors. However, given its nature as a short-term incentive, the final payment amount is determined at the General Meeting of Shareholders based on the level of annual business profit in consideration of non-recurring losses incurred, to ensure its transparency.
More recently, it was resolved at the Ordinary General Meeting of Shareholders held on June 25, 2020 that the amount of bonuses to Directors would be 85 million yen (the amount to be paid to six Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee members).

Stock compensation (variable)
Stock-based compensation system for officers with executive duties wherein Company’s shares are delivered using a trust scheme. It is awarded depending on the level of achievement with respect to medium-term operating performance targets, such as business profit, ROS and ROE.
Epson has introduced a highly transparent and fair performance-linked stock compensation plan for the purpose of making clear the linkage between the compensation of officers and its stock value, 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 interest with its shareholders.
The stock compensation basically accounts for 10% to 22% of the base compensation commensurate with responsibility and position of each officer. The number of shares awarded varies depending on the achievement level with respect to the operating performance targets during the subject period (three years).
In this stock compensation plan, the Company has introduced the mechanism (malus/clawback) where, if a Director or Executive Officer conducted any act violating laws and regulations, and the Company’s regulations and standards, and related internal rules, his or her right to receive the delivery of shares may be lost, and the Company may demand a return of the amount equivalent to delivered shares, among others.
The Company resolved, at the Ordinary General Meeting of Shareholders held on June 28, 2016, to introduce this stock compensation plan, and at the Board of Directors meeting held on May 16, 2019, to continue with the stock compensation plan for three years from FY2019 to FY2021. The formula for calculating the performance coefficient and the levels of achievements are as shown below. Performance-based coefficient for FY2016 through FY2018 was 0.90x. In continuing with the plan, the variance range of the performance coefficient was
expanded from “0.90 to 1.10” to “0.80 to 1.20” to increase elasticity of the targets, and “progress in ESG-oriented management” was added to qualitative evaluation items.

Performance coefficient = \( \frac{\text{(Business profit factor)} + \text{(ROS factor)} + \text{(ROE factor)} + \text{(Operating cash flow factor)} + \text{(Qualitative evaluation factor } \times 2)}{6} \)

<table>
<thead>
<tr>
<th>As at the end of FY2021</th>
<th>Average for three years from FY2019 through FY2021</th>
<th>Cumulative for three years from FY2019 through FY2021</th>
<th>Qualitative evaluation (*)</th>
<th>Performance coefficient (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business profit</td>
<td>ROS</td>
<td>ROE</td>
<td>Operating CF</td>
<td>As at the end of FY2021</td>
</tr>
<tr>
<td>116.0 billion yen or more</td>
<td>10% or more</td>
<td>12% or more</td>
<td>390.0 billion yen or more</td>
<td>Far above expectation</td>
</tr>
<tr>
<td>106.0 billion yen or more</td>
<td>9% or more</td>
<td>11% or more</td>
<td>380.0 billion yen or more</td>
<td>Above expectation</td>
</tr>
<tr>
<td>96.0 billion yen or more</td>
<td>8% or more</td>
<td>10% or more</td>
<td>370.0 billion yen or more</td>
<td>Meets expectation</td>
</tr>
<tr>
<td>86.0 billion yen or more</td>
<td>7% or more</td>
<td>9% or more</td>
<td>360.0 billion yen or more</td>
<td>Below expectation</td>
</tr>
<tr>
<td>Less than 86.0 billion yen</td>
<td>Less than 7%</td>
<td>Less than 9%</td>
<td>Less than 360.0 billion yen</td>
<td>Far below expectation</td>
</tr>
</tbody>
</table>

* Items and method of qualitative evaluation

The Director Compensation Committee makes a qualitative evaluation based on the progress of strategies towards achieving the operating performance targets for the “Epson 25” Phase 3 Mid-Range Business Plan, the amount of effect of exchange rate changes, progress in ESG management (environment assessment, CSR survey ranking and evaluation of the effectiveness of the Board of Directors, etc.) and other evaluation items.
(2) Total amount of compensation, total compensation by type, and number of officers to be paid by each category

<table>
<thead>
<tr>
<th>Category</th>
<th>Total compensation (millions of yen)</th>
<th>Total compensation by type (millions of yen)</th>
<th>Number of individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Fixed compensation</td>
<td>Variable compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Base compensation</td>
<td>Bonus</td>
</tr>
<tr>
<td>Directors who are not Audit &amp; Supervisory Committee members (amount accounted for by Outside Directors)</td>
<td>389 (28)</td>
<td>250 (28)</td>
<td>17 (–)</td>
</tr>
<tr>
<td>Directors who are Audit &amp; Supervisory Committee members (amount accounted for by Outside Directors)</td>
<td>81 (48)</td>
<td>81 (48)</td>
<td>– (–)</td>
</tr>
<tr>
<td>Total</td>
<td>471</td>
<td>331</td>
<td>17</td>
</tr>
</tbody>
</table>

Notes:
1. 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.
2. The Company has introduced an officer stock ownership plan to link compensation more closely to shareholders’ value. A portion of the base compensation is discretionally allotted for the acquisition of the Company’s shares. Epson has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for business operations to all shareholders.
3. Upon the resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016, the maximum base compensation was set 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 per month for Directors who are Audit & Supervisory Committee members.
4. The amount above includes 85 million yen in bonuses to be paid to six Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members), as resolved at the Ordinary General Meeting of Shareholders held on June 25, 2020.
5. The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP 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.
6. Stock options are not granted.

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Total consolidated compensation (millions of yen)</th>
<th>Category</th>
<th>Total consolidated compensation by type (millions of yen)</th>
<th>Stock compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minoru Usui</td>
<td>109</td>
<td>Director</td>
<td>Fixed compensation</td>
<td>Variable compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Base compensation</td>
<td>Bonus</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>60</td>
<td>9</td>
</tr>
</tbody>
</table>

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

(1) Criteria for and approach to classification of investment securities
Epson has classified its investment equity securities held only for earning capital or income gains into stocks held purely for investment purposes and those held for other purposes as stocks held for cross-shareholding purposes.
The Company currently holds no securities classified as stocks held purely for investment purposes.

(2) Stocks held for reasons other than pure investment
a. Method of examining the rationale of shareholding policy and shareholding, and deliberations on whether or not Epson should hold specific shares at the Board of Directors’ or other meetings
The Company may acquire and hold shares in companies, including the suppliers of key components and parts, major buyers of its products, major providers of funds and major providers of financial services, when it judges that such acquisition/holding of shares will help maintain and strengthen steady business relationships with these companies and ultimately enhance its corporate value over the medium- to long-term. Such acquisition/holding of shares, however, is preceded by a screening process to confirm the creditworthiness and safety of investing in these companies (equity securities held based on this policy is referred to as “stocks held for cross-shareholding purposes”).
Every year, the Board of Directors evaluates on an individual basis, both quantitatively and comprehensively, the risks of the stocks it invests in for cross-shareholding purposes, as well as the profits obtainable by maintaining and strengthening trading relationships with the companies in comparison through comparing them against the internal hurdle rate specified based on the cost of capital, and it examines the rationality of holding such stocks for cross-shareholding purposes from a medium- to long-term perspective. When it deems that holding of the stocks for cross-shareholding purposes as unreasonable, the Company reduces the shareholding. During the current fiscal year, Epson actually sold part of its stocks held for cross-shareholding purposes.

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

<table>
<thead>
<tr>
<th></th>
<th>Number of issues</th>
<th>Balance sheet total (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted stocks</td>
<td>8</td>
<td>1,893</td>
</tr>
<tr>
<td>Stocks other than</td>
<td>11</td>
<td>5,682</td>
</tr>
<tr>
<td>unlisted stocks</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Number of issues</th>
<th>Total acquisition price to increase shares (millions of yen)</th>
<th>Reasons for the increase of the number of shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted stocks</td>
<td>2</td>
<td>983</td>
<td>Initial capital contribution to develop and strengthen new businesses</td>
</tr>
<tr>
<td>Stocks other than</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>unlisted stocks</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Number of issues</th>
<th>Total sale proceeds from decreasing shares (millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted stocks</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Stocks other than</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>unlisted stocks</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
c. Number of special investment securities / equity securities deemed to be held for each issue and information including amounts recorded on the balance sheet

<table>
<thead>
<tr>
<th>Company</th>
<th>FY2019</th>
<th>FY2018</th>
<th>Reasons for holding shares, quantitative effect of holding shares, and reasons for the increase of the number of shares</th>
<th>Shares held by Epson</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stocks (shares)</td>
<td>Stocks (shares)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Balance sheet total (millions of yen)</td>
<td>Balance sheet total (millions of yen)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mizuho Financial Group, Inc.</td>
<td>15,008,880</td>
<td>15,008,880</td>
<td>To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services. The effect of holding the shares was examined at the Board of Directors’ meeting (held in September 2019) based on the method in (2) a. above but its quantitative results are not disclosed here as the results fall under insider information on business operation (the same applies hereunder).</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>1,855</td>
<td>2,571</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NGK Insulators, Ltd.</td>
<td>1,257,000</td>
<td>1,257,000</td>
<td>To maintain and strengthen the business relationship with a supplier of key parts used in Epson products.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>1,781</td>
<td>2,021</td>
<td>Epson has a transactional relationship primarily with the Wearable &amp; Industrial Products business segment.</td>
<td></td>
</tr>
<tr>
<td>Seiko Holdings Corporation</td>
<td>328,816</td>
<td>328,816</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>573</td>
<td>866</td>
<td>Epson has a transactional relationship primarily with the Wearable &amp; Industrial Products business segment.</td>
<td></td>
</tr>
<tr>
<td>Otsuka Corporation</td>
<td>120,000</td>
<td>120,000</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>554</td>
<td>496</td>
<td>Epson has a transactional relationship primarily with the Printing Solutions business segment.</td>
<td></td>
</tr>
<tr>
<td>The Hachijuni Bank, Ltd.</td>
<td>489,500</td>
<td>489,500</td>
<td>To maintain and strengthen the business relationship with a source of steady funding and a provider of financial services.</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>191</td>
<td>224</td>
<td></td>
<td></td>
</tr>
<tr>
<td>King Jim Co., Ltd.</td>
<td>221,980</td>
<td>221,980</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products.</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>184</td>
<td>192</td>
<td>Epson has a transactional relationship primarily with the Printing Solutions business segment.</td>
<td></td>
</tr>
<tr>
<td>Company</td>
<td>FY2019 Stocks (shares)</td>
<td>FY2018 Stocks (shares)</td>
<td>Balance sheet total (millions of yen)</td>
<td>Reasons for holding shares, quantitative effect of holding shares, and reasons for the increase of the number of shares</td>
</tr>
<tr>
<td>------------------------------</td>
<td>------------------------</td>
<td>------------------------</td>
<td>---------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Hakuto Co., Ltd.</td>
<td>190,000</td>
<td>190,000</td>
<td>183</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products. Epson has a transactional relationship primarily with the Wearable &amp; Industrial Products business segment.</td>
</tr>
<tr>
<td>Marubun Corporation</td>
<td>332,640</td>
<td>332,640</td>
<td>158</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products. Epson has a transactional relationship primarily with the Wearable &amp; Industrial Products business segment.</td>
</tr>
<tr>
<td>Joshin Denki Co., Ltd.</td>
<td>65,000</td>
<td>65,000</td>
<td>135</td>
<td>To maintain and strengthen the business relationship with a major buyer of Epson products. Epson has a transactional relationship primarily with the Printing Solutions business segment.</td>
</tr>
<tr>
<td>Nippon BS Broadcasting Corporation</td>
<td>33,200</td>
<td>33,200</td>
<td>33</td>
<td>To maintain and strengthen the business relationship with a company whose parent company is a major buyer of Epson products. Epson has a transactional relationship primarily with the Printing Solutions business segment.</td>
</tr>
<tr>
<td>Pixelworks, Inc.</td>
<td>100,000</td>
<td>100,000</td>
<td>30</td>
<td>To maintain and strengthen the business relationship with a supplier of key parts used in Epson products. Epson has a transactional relationship primarily with the Visual Communications business segment.</td>
</tr>
</tbody>
</table>

(3) Stocks held purely for investment purposes
None
<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Statement of Financial Position</td>
<td>61</td>
</tr>
<tr>
<td>Consolidated Statement of Comprehensive Income</td>
<td>63</td>
</tr>
<tr>
<td>Consolidated Statement of Changes in Equity</td>
<td>65</td>
</tr>
<tr>
<td>Consolidated Statement of Cash Flows</td>
<td>67</td>
</tr>
<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>68</td>
</tr>
<tr>
<td>Report of Independent Auditors</td>
<td>128</td>
</tr>
</tbody>
</table>
Consolidated Statement of Financial Position
Years ended March 31, 2019 and 2020:

<table>
<thead>
<tr>
<th>Assets</th>
<th>Notes</th>
<th>March 31, 2019</th>
<th>March 31, 2020</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7, 33</td>
<td>175,238</td>
<td>196,262</td>
<td>1,807,450</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>8, 33</td>
<td>173,173</td>
<td>157,782</td>
<td>1,453,073</td>
</tr>
<tr>
<td>Inventories</td>
<td>9</td>
<td>250,763</td>
<td>233,434</td>
<td>2,149,781</td>
</tr>
<tr>
<td>Income tax receivables</td>
<td></td>
<td>3,994</td>
<td>5,217</td>
<td>48,045</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>10, 33</td>
<td>1,466</td>
<td>3,159</td>
<td>29,092</td>
</tr>
<tr>
<td>Other current assets</td>
<td>11</td>
<td>17,938</td>
<td>13,989</td>
<td>128,829</td>
</tr>
<tr>
<td>Total current assets</td>
<td></td>
<td>622,575</td>
<td>609,846</td>
<td>5,616,300</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>12, 19</td>
<td>321,956</td>
<td>360,517</td>
<td>3,320,136</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>13</td>
<td>25,191</td>
<td>29,052</td>
<td>267,550</td>
</tr>
<tr>
<td>Investment property</td>
<td>14</td>
<td>1,461</td>
<td>1,043</td>
<td>9,605</td>
</tr>
<tr>
<td>Investments accounted for using the equity method</td>
<td>15</td>
<td>1,571</td>
<td>1,512</td>
<td>13,924</td>
</tr>
<tr>
<td>Net defined benefit assets</td>
<td>21</td>
<td>-</td>
<td>33</td>
<td>303</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>10, 33</td>
<td>17,907</td>
<td>16,959</td>
<td>156,181</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>11</td>
<td>6,028</td>
<td>1,871</td>
<td>17,230</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>15</td>
<td>41,696</td>
<td>20,072</td>
<td>184,850</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td></td>
<td>415,814</td>
<td>431,064</td>
<td>3,969,830</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>1,038,389</td>
<td>1,040,910</td>
<td>9,586,130</td>
</tr>
<tr>
<td>Liabilities and equity</td>
<td>Notes</td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>---------------------------------------------</td>
<td>-------</td>
<td>----------------</td>
<td>----------------</td>
<td>----------------</td>
</tr>
<tr>
<td><strong>Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16, 33</td>
<td>144,399</td>
<td>125,069</td>
<td>1,151,807</td>
</tr>
<tr>
<td>Income tax payables</td>
<td></td>
<td>3,814</td>
<td>3,286</td>
<td>30,262</td>
</tr>
<tr>
<td>Bonds issued, borrowings and lease liabilities</td>
<td>17, 33</td>
<td>21,363</td>
<td>22,320</td>
<td>205,553</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>33</td>
<td>331</td>
<td>363</td>
<td>3,343</td>
</tr>
<tr>
<td>Provisions</td>
<td>18</td>
<td>12,677</td>
<td>11,406</td>
<td>105,042</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>20</td>
<td>114,887</td>
<td>109,827</td>
<td>1,011,438</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>297,473</td>
<td>272,274</td>
<td>2,507,473</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds issued, borrowings and lease liabilities</td>
<td>17, 33</td>
<td>120,987</td>
<td>187,362</td>
<td>1,725,486</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>33</td>
<td>1,955</td>
<td>1,877</td>
<td>17,285</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>21</td>
<td>53,498</td>
<td>52,964</td>
<td>487,765</td>
</tr>
<tr>
<td>Provisions</td>
<td>18</td>
<td>9,134</td>
<td>7,585</td>
<td>69,853</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>20</td>
<td>11,697</td>
<td>11,814</td>
<td>108,799</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>15</td>
<td>894</td>
<td>993</td>
<td>9,144</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>198,169</td>
<td>262,598</td>
<td>2,418,363</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>495,642</td>
<td>534,873</td>
<td>4,925,846</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>22</td>
<td>53,204</td>
<td>53,204</td>
<td>489,975</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>22</td>
<td>84,427</td>
<td>84,434</td>
<td>777,584</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>22</td>
<td>(30,788)</td>
<td>(40,953)</td>
<td>(377,151)</td>
</tr>
<tr>
<td>Other components of equity</td>
<td>22</td>
<td>50,440</td>
<td>37,451</td>
<td>344,900</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>382,897</td>
<td>369,609</td>
<td>3,403,867</td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the parent company</strong></td>
<td></td>
<td>540,181</td>
<td>503,746</td>
<td>4,639,185</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>2,565</td>
<td>2,290</td>
<td>21,089</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td></td>
<td>542,747</td>
<td>506,037</td>
<td>4,660,284</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td></td>
<td>1,038,389</td>
<td>1,040,910</td>
<td>9,586,130</td>
</tr>
</tbody>
</table>
Consolidated Statement of Comprehensive Income
Years ended March 31, 2019 and 2020:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31,</td>
<td>Year ended March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Revenue</td>
<td>6, 24</td>
<td>1,089,676</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>9, 12, 13</td>
<td>(677,064)</td>
</tr>
<tr>
<td>Gross profit</td>
<td></td>
<td>412,612</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>12, 13, 25</td>
<td>(342,113)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>27</td>
<td>6,393</td>
</tr>
<tr>
<td>Other operating expense</td>
<td>12, 28</td>
<td>(5,536)</td>
</tr>
<tr>
<td>Profit from operating activities</td>
<td></td>
<td>71,355</td>
</tr>
<tr>
<td>Finance income</td>
<td>29</td>
<td>2,450</td>
</tr>
<tr>
<td>Finance costs</td>
<td>29</td>
<td>(1,865)</td>
</tr>
<tr>
<td>Share of profit of investments accounted for using the</td>
<td>99</td>
<td>77</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>72,040</td>
</tr>
<tr>
<td>Income taxes</td>
<td>15</td>
<td>(17,995)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td></td>
<td>54,044</td>
</tr>
</tbody>
</table>

Profit for the period attributable to:

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the parent company</td>
<td>53,710</td>
<td>7,733</td>
<td>71,216</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>334</td>
<td>90</td>
<td>828</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>54,044</td>
<td>7,823</td>
<td>72,044</td>
</tr>
</tbody>
</table>
### Other comprehensive income

<table>
<thead>
<tr>
<th>Items that will not be reclassified subsequently to profit or loss, net of tax</th>
<th>Notes</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of net defined benefit liabilities</td>
<td>30</td>
<td>(8,052)</td>
<td>22,489</td>
</tr>
<tr>
<td>Net gain (loss) on revaluation of financial assets</td>
<td>30</td>
<td>(1,325)</td>
<td>(13,583)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>(9,378)</td>
<td>8,905</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Items that may be reclassified subsequently to profit or loss, net of tax</th>
<th>Notes</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>30</td>
<td>5,082</td>
<td>(120,348)</td>
</tr>
<tr>
<td>Net changes in fair value of cash flow hedges</td>
<td>30</td>
<td>(195)</td>
<td>4,061</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity</td>
<td>30</td>
<td>(10)</td>
<td>(303)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td></td>
<td>4,876</td>
<td>(116,590)</td>
</tr>
</tbody>
</table>

| **Total other comprehensive income, net of tax** | | (4,501) | (107,685) |

| **Total comprehensive income for the period** | | 49,542 | (35,631) |

<table>
<thead>
<tr>
<th><strong>Total comprehensive income for the period attributable to:</strong></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the parent company</td>
<td></td>
<td>49,235</td>
<td>(34,839)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>307</td>
<td>(792)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td></td>
<td>49,542</td>
<td>(35,631)</td>
</tr>
</tbody>
</table>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

<table>
<thead>
<tr>
<th>Earnings per share for the period:</th>
<th>Notes</th>
<th>Yen</th>
<th>U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share for the period</td>
<td>31</td>
<td>152.49</td>
<td>0.21</td>
</tr>
<tr>
<td>Diluted earnings per share for the period</td>
<td>31</td>
<td>152.44</td>
<td>0.20</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity

**Years ended March 31, 2019 and 2020:**

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Other components of equity</th>
<th>Retained earnings</th>
<th>Total equity attributable to owners of the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>Share capital</td>
<td>Capital surplus</td>
<td>Treasury shares</td>
<td>Remeasurement of net defined benefit liabilities (assets)</td>
<td>Exchange differences on translation of foreign operations</td>
<td>Net changes in fair value of cash flow hedges</td>
</tr>
<tr>
<td>As of April 1, 2018</td>
<td>53,204</td>
<td>84,364 (30,803)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cumulative effects of change in accounting policy</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>As of April 1, 2019 (restated)</td>
<td>53,204</td>
<td>84,364 (30,803)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(6,052)</td>
<td>(1,252)</td>
<td>5,099</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>22</td>
<td>-</td>
<td>-</td>
<td>(0)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>32</td>
<td>62</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>-</td>
<td>-</td>
<td>8,052</td>
<td>(1,098)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total transactions with the owners</td>
<td>-</td>
<td>62</td>
<td>14</td>
<td>8,052</td>
<td>(1,098)</td>
<td>-</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>53,204</td>
<td>84,427 (30,788)</td>
<td>-</td>
<td>2,234</td>
<td>48,069</td>
<td>136</td>
</tr>
</tbody>
</table>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income
### Equity attributable to owners of the parent company

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital</th>
<th>Capital surplus</th>
<th>Treasury shares</th>
<th>Remeasurement of net defined benefit liabilities (assets)</th>
<th>Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)</th>
<th>Exchange differences on translation of foreign operations</th>
<th>Net changes in fair value of cash flow hedges</th>
<th>Total other components of equity</th>
<th>Retained earnings</th>
<th>Total equity attributable to owners of the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>53,204</td>
<td>84,427</td>
<td>(30,788)</td>
<td>-</td>
<td>2,234</td>
<td>48,069</td>
<td>136</td>
<td>50,440</td>
<td>392,897</td>
<td>540,183</td>
<td>2,565</td>
<td>542,747</td>
</tr>
<tr>
<td>Cumulative effects of change in accounting policy</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(847)</td>
<td>(847)</td>
<td>-</td>
<td>(847)</td>
</tr>
<tr>
<td>As of April 1, 2019 (restated)</td>
<td>53,204</td>
<td>84,427</td>
<td>(30,788)</td>
<td>-</td>
<td>2,234</td>
<td>48,069</td>
<td>136</td>
<td>50,440</td>
<td>392,897</td>
<td>539,333</td>
<td>2,565</td>
<td>541,899</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,733</td>
<td>7,733</td>
<td>90</td>
<td>7,823</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,442</td>
<td>(1,475)</td>
<td>(12,925)</td>
<td>441</td>
<td>(11,516)</td>
<td>-</td>
<td>(11,516)</td>
<td>(176)</td>
<td>(11,693)</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,442</td>
<td>(1,475)</td>
<td>(12,925)</td>
<td>441</td>
<td>(11,516)</td>
<td>7,733</td>
<td>(7,873)</td>
<td>(86)</td>
<td>(3,869)</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>22</td>
<td>-</td>
<td>(10,224)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(10,224)</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(21,646)</td>
<td>(21,646)</td>
<td>(188)</td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>32</td>
<td>-</td>
<td>7</td>
<td>59</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>66</td>
<td>66</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,442)</td>
<td>970</td>
<td>-</td>
<td>-</td>
<td>(1,472)</td>
<td>1,472</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total transactions with the owners</td>
<td>-</td>
<td>7</td>
<td>(10,164)</td>
<td>(2,442)</td>
<td>970</td>
<td>-</td>
<td>-</td>
<td>(1,472)</td>
<td>(20,173)</td>
<td>(51,803)</td>
<td>(188)</td>
<td>(31,992)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>53,204</td>
<td>84,434</td>
<td>(40,953)</td>
<td>-</td>
<td>1,729</td>
<td>35,144</td>
<td>577</td>
<td>37,451</td>
<td>899,809</td>
<td>503,746</td>
<td>2,290</td>
<td>506,037</td>
</tr>
</tbody>
</table>

(Notes) FVTOCI: Fair Value Through Other Comprehensive Income

### Equity attributable to owners of the parent company

<table>
<thead>
<tr>
<th>Notes</th>
<th>Share capital</th>
<th>Capital surplus</th>
<th>Treasury shares</th>
<th>Remeasurement of net defined benefit liabilities (assets)</th>
<th>Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)</th>
<th>Exchange differences on translation of foreign operations</th>
<th>Net changes in fair value of cash flow hedges</th>
<th>Total other components of equity</th>
<th>Retained earnings</th>
<th>Total equity attributable to owners of the parent company</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>489,975</td>
<td>777,319</td>
<td>(281,538)</td>
<td>-</td>
<td>20,573</td>
<td>442,685</td>
<td>1,252</td>
<td>464,520</td>
<td>3,536,242</td>
<td>4,914,729</td>
<td>23,622</td>
<td>4,999,385</td>
</tr>
<tr>
<td>Cumulative effects of change in accounting policy</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(7,800)</td>
<td>(7,800)</td>
<td>-</td>
<td>(7,800)</td>
</tr>
<tr>
<td>As of April 1, 2019 (restated)</td>
<td>489,975</td>
<td>777,319</td>
<td>(281,538)</td>
<td>-</td>
<td>20,573</td>
<td>442,685</td>
<td>1,252</td>
<td>464,520</td>
<td>3,538,435</td>
<td>4,956,919</td>
<td>23,622</td>
<td>4,999,513</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>71,216</td>
<td>71,216</td>
<td>828</td>
<td>72,044</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,489</td>
<td>(13,583)</td>
<td>(119,031)</td>
<td>4,061</td>
<td>(106,055)</td>
<td>-</td>
<td>(106,055)</td>
<td>(1,620)</td>
<td>(107,685)</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,489</td>
<td>(13,563)</td>
<td>(119,031)</td>
<td>4,061</td>
<td>(106,055)</td>
<td>71,216</td>
<td>(78,439)</td>
<td>(792)</td>
<td>(55,831)</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>22</td>
<td>-</td>
<td>(94,156)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(94,156)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(199,346)</td>
<td>(199,346)</td>
<td>(1,731)</td>
</tr>
<tr>
<td>Share-based payment transactions</td>
<td>32</td>
<td>-</td>
<td>64</td>
<td>543</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>607</td>
<td>607</td>
</tr>
<tr>
<td>Transfer from other components of equity to retained earnings</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(22,489)</td>
<td>8,933</td>
<td>-</td>
<td>-</td>
<td>(13,556)</td>
<td>13,556</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total transactions with the owners</td>
<td>-</td>
<td>64</td>
<td>(93,604)</td>
<td>(22,489)</td>
<td>8,933</td>
<td>-</td>
<td>-</td>
<td>(13,556)</td>
<td>(185,780)</td>
<td>(292,883)</td>
<td>(1,731)</td>
<td>(294,626)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>489,975</td>
<td>777,384</td>
<td>(377,151)</td>
<td>-</td>
<td>15,923</td>
<td>323,654</td>
<td>5,313</td>
<td>344,900</td>
<td>3,403,867</td>
<td>4,699,185</td>
<td>21,069</td>
<td>4,660,284</td>
</tr>
</tbody>
</table>

(Notes) FVTOCI: Fair Value Through Other Comprehensive Income
## Consolidated Statement of Cash Flows
### Years ended March 31, 2019 and 2020:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit for the period</td>
<td>54,044</td>
<td>7,823</td>
<td>72,044</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>56,137</td>
<td>68,416</td>
<td>630,068</td>
</tr>
<tr>
<td>Impairment loss (reversal of impairment loss)</td>
<td>743</td>
<td>581</td>
<td>5,350</td>
</tr>
<tr>
<td>Finance (income) costs</td>
<td>(585)</td>
<td>(156)</td>
<td>(1,436)</td>
</tr>
<tr>
<td>Share of (profit) loss of investments accounted for using the equity method</td>
<td>(99)</td>
<td>(77)</td>
<td>(709)</td>
</tr>
<tr>
<td>Loss (gain) on sale and disposal of property, plant and equipment, intangible assets and investment property</td>
<td>(3,221)</td>
<td>672</td>
<td>6,188</td>
</tr>
<tr>
<td>Income taxes</td>
<td>17,995</td>
<td>31,889</td>
<td>293,677</td>
</tr>
<tr>
<td>Decrease (increase) in trade receivables</td>
<td>(4,750)</td>
<td>12,407</td>
<td>114,260</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>(24,915)</td>
<td>9,224</td>
<td>84,947</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>(6,826)</td>
<td>(11,420)</td>
<td>(105,171)</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liabilities</td>
<td>1,663</td>
<td>1,863</td>
<td>17,157</td>
</tr>
<tr>
<td>Other</td>
<td>3,095</td>
<td>(10,136)</td>
<td>(93,346)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>93,282</td>
<td>111,088</td>
<td>1,023,051</td>
</tr>
<tr>
<td>Interest and dividends income received</td>
<td>2,055</td>
<td>2,084</td>
<td>19,192</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(1,164)</td>
<td>(1,181)</td>
<td>(10,876)</td>
</tr>
<tr>
<td>Proceeds from insurance income</td>
<td>377</td>
<td>2,614</td>
<td>24,073</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(17,588)</td>
<td>(12,281)</td>
<td>(113,100)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) operating activities</strong></td>
<td>76,961</td>
<td>102,324</td>
<td>942,340</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investment securities</td>
<td>(900)</td>
<td>(1,041)</td>
<td>(9,586)</td>
</tr>
<tr>
<td>Proceeds from sales of investment securities</td>
<td>2,144</td>
<td>25</td>
<td>230</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(79,858)</td>
<td>(65,250)</td>
<td>(600,091)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>9,313</td>
<td>840</td>
<td>7,735</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(10,445)</td>
<td>(10,457)</td>
<td>(96,302)</td>
</tr>
<tr>
<td>Proceeds from sale of intangible assets</td>
<td>13</td>
<td>14</td>
<td>128</td>
</tr>
<tr>
<td>Proceeds from sale of investment property</td>
<td>22</td>
<td>16</td>
<td>147</td>
</tr>
<tr>
<td>Purchase of investments in subsidiaries</td>
<td>(887)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(2,142)</td>
<td>(280)</td>
<td>(2,578)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) investing activities</strong></td>
<td>(82,738)</td>
<td>(76,131)</td>
<td>(701,118)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in current borrowings</td>
<td>17</td>
<td>(16,832)</td>
<td>(9,816)</td>
</tr>
<tr>
<td>Proceeds from non-current borrowings</td>
<td>17</td>
<td>-</td>
<td>29,948</td>
</tr>
<tr>
<td>Repayment of non-current borrowings</td>
<td>17</td>
<td>(135)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from issuance of bonds issued</td>
<td>17</td>
<td>-</td>
<td>29,846</td>
</tr>
<tr>
<td>Redemption of bonds issued</td>
<td>17</td>
<td>(10,000)</td>
<td>(10,000)</td>
</tr>
<tr>
<td>Payment of lease liabilities</td>
<td>17</td>
<td>(150)</td>
<td>(8,203)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>23</td>
<td>(22,190)</td>
<td>(21,646)</td>
</tr>
<tr>
<td>Dividends paid to non-controlling interests</td>
<td>23</td>
<td>(120)</td>
<td>(188)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>22</td>
<td>(0)</td>
<td>(10,224)</td>
</tr>
<tr>
<td><strong>Net cash from (used in) financing activities</strong></td>
<td>(49,430)</td>
<td>(283)</td>
<td>(2,606)</td>
</tr>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>767</td>
<td>(4,901)</td>
<td>(45,135)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(54,439)</td>
<td>21,007</td>
<td>193,461</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>7</td>
<td>229,678</td>
<td>175,238</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>7</td>
<td>175,238</td>
<td>196,245</td>
</tr>
</tbody>
</table>
Notes to Consolidated Financial Statements

1. Reporting Entity

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

2. Basis of Preparation

(1) Compliance with IFRS

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

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

Epson’s consolidated financial statements are presented in Japanese yen (“yen” or “¥”), which is the functional currency of the Company. The units are in millions of yen unless otherwise noted, and figures less than one million yen are rounded down. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.585 to U.S. $1 at the end of the reporting period.

(4) Reporting Period of Subsidiaries

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

(5) Changes in Accounting Policies

Epson adopted the following standard for the reporting period.

<table>
<thead>
<tr>
<th>IFRS</th>
<th>Description of new and revised standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 16</td>
<td>Amendments to the principles for the recognition, measurement, presentation and disclosure of leases</td>
</tr>
<tr>
<td></td>
<td>Recognition of assets and liabilities for most leases by lessees</td>
</tr>
<tr>
<td></td>
<td>Substantially unchanged in lessor accounting</td>
</tr>
</tbody>
</table>

Adoption of IFRS16 Leases

Epson adopted IFRS16 Leases (issued January 2016) (“IFRS16”) for the reporting period. At inception of a contract, Epson assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and recognises lease liabilities and right-of-use assets at the commencement date. Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Right-of-use assets are measured at the amount of the initial measurement of lease liabilities adjusted for any initial direct costs, the prepaid lease payments, restoration costs and other costs. Right-of-use assets are usually depreciated using the straight-line method over the lease term. Interest expenses on lease liabilities are presented in the consolidated statement of comprehensive income separately from the depreciation expenses for right-of-use assets.
Epson does not recognise lease liabilities and right-of-use assets to either short-term leases that have a lease term of 12 months or less, or low-value leases. Epson recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Epson applied IFRS16 retrospectively to recognise the cumulative effect of initially applying IFRS16 as an adjustment to the opening balance of retained earnings of this annual reporting period.

For leases previously classified as operating leases applying IAS17 Leases ("IAS17"), lease liabilities and right-of-use assets were recognised at the date of initial application. Lease liabilities were measured at the present value of the lease payments that are not paid at the date of initial application, discounted using the lessee’s incremental borrowing rate at that date. The weighted average of the lessee’s incremental borrowing rate applied to lease liabilities at the date of initial application was 1.4%. Right-of-use assets were mainly measured at the amount of lease liabilities adjusted for the prepaid lease payments and other costs. Epson used the following practical expedients when initially applying IFRS16.

• Epson accounted for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.
• Epson used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

For leases previously classified as finance leases applying IAS17, the carrying amounts of lease obligations and leased assets for the year ended March 31, 2019 were the carrying amounts of lease liabilities and right-of-use assets at the date of initial application.

As a result of these, Epson recognised right-of-use assets of ¥31,455 million ($289,680 thousand), lease liabilities of ¥28,701 million ($264,318 thousand) and retained earnings of (¥847 million) (($7,800 thousand)) at the date of initial application. The difference between the lease liabilities at the date of initial application and the total of future minimum lease payments under non-cancellable operating leases disclosed applying IAS17 at the end of the reporting period immediately preceding the date of initial application (¥29,033 million ($267,375 thousand)) was mainly due to the discount calculation by the lessee’s incremental borrowing rate and lease obligations measured under IAS17.

Epson presents right-of-use assets as “Property, plant and equipment” in the consolidated statement of financial position.

3. Significant Accounting Policies

(1) Basis of Consolidation

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

(A) Subsidiaries

A subsidiary is an entity that is controlled by Epson. Epson controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date of a subsidiary is the date on which Epson obtains control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which Epson loses control.

All intergroup balances, transactions, unrealised profit or loss arising from intergroup transactions are eliminated on consolidation. Comprehensive income for subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(B) Associates

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

(C) Joint Ventures

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

69
(2) Business Combinations
Each business combination is accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by Epson, the liabilities incurred by Epson to former owners of the acquiree and the equity interests issued by Epson. Goodwill is recognised in the consolidated statement of financial position, as the excess of the transferred consideration over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is a negative monetary value, the resulting gain is immediately recognised as profit. Acquisition-related costs incurred are recognised as expenses except for the costs to issue debt or equity securities.

(3) Foreign Currency Translation
Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson determines its functional currency and measures its results and financial position in that currency.
A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the transaction or a rate that approximates the actual rate at the date of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.
Assets and liabilities of foreign operations are translated into Japanese yen at the closing date, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of the transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss in the period of disposition.

(4) Financial Instruments

(A) Financial Assets

(i) Initial Recognition and Measurement
Financial assets are measured at the sum of their fair values and 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 through profit or loss.
Financial assets are initially recognised on the trade date when Epson becomes party to the contractual provisions of the financial instrument.

(ii) Classification and Subsequent Measurement
At initial recognition, Epson classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

(a) Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:
1) the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:
1) the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets except for those provided above are classified as financial assets measured at fair value through profit or loss.
However, Epson may designate financial assets as measured at fair value through other comprehensive income for particular investments in equity instruments that are not held for trading and so forth, and recognises subsequent changes in fair value in other comprehensive income. The cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings when the financial assets are derecognised or the decline in their fair values is significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

(iii) Derecognition
Financial assets are derecognised when the contractual rights to the cash flows from them expire or when substantially all the risks and rewards of ownership of them are transferred.

(iv) Impairment
For impairment of financial assets, loss allowance for expected credit losses are recognised. At each reporting date, Epson assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

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

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

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When impairment is recognised, the carrying amount of the financial asset is reduced through an allowance account for credit losses and the amount of expected credit losses is recognised as impairment loss in profit or loss. If the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in profit or loss through an allowance account for credit losses.

(B) Financial Liabilities

(i) Initial Recognition and Measurement
Financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured subsequently at amortised cost are measured at their fair value less transaction costs that are directly attributable to the issuance of the financial liabilities. Financial liabilities are initially recognised on the trade date when Epson becomes party to the contractual provisions of the financial instrument.

(ii) Classification and Subsequent Measurement
Financial liabilities are classified into financial liabilities measured subsequently at fair value through profit or loss and financial liabilities measured at amortised cost at initial recognition.

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

(a) Financial Liabilities Measured at Fair Value through Profit or Loss
The financial liabilities measured at fair value through profit or loss are measured at fair value and include financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial Liabilities Measured at Amortised Cost
The financial liabilities measured at amortised cost are measured at amortised cost using the effective interest method.

(iii) Derecognition
Financial liabilities are derecognised when the obligation is discharged, canceled or expired.
(C) Offsetting a Financial Asset and a Financial Liability
A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and Epson intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(D) Derivatives Accounting
Epson utilises derivatives, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.
A gain or loss on a derivative is recognised in profit or loss. However, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge of cash flow hedges and hedges of net investments in foreign operations are recognised in other comprehensive income.

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

(i) Fair Value Hedge
A gain or loss on a derivative is recognised in profit or loss. The hedging gain or loss on the hedged items attributable to the hedged risks adjust the carrying amount of the hedged item and is recognised in profit or loss.

(ii) Cash Flow Hedge
The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss. The amounts of hedging instruments recognised in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognised in other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.
When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognised in other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognised in other comprehensive income continue to be recognised in equity until the forecast transactions or firm commitments occur.

(iii) Hedges of a Net Investment in a Foreign Operation
Hedges of a net investment in a foreign operation are accounted for similarly to cash flow hedges. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised in profit or loss. On the disposal of the foreign operation, the cumulative gain or loss on the hedging instrument relating to the effective portion of the hedge that has been recognised in other comprehensive income is reclassified from equity to profit or loss.

(F) Fair Value of Financial Instruments
Fair value of financial instruments that are traded in an active market as of the end of fiscal year refers to quoted market prices or dealer quotations.
If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

(5) Cash and Cash Equivalents
Cash and cash equivalents consist of cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value as such that has a short maturity of three months or less from the date of acquisition.
(6) Inventories
The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are measured at the lower of cost or net realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, Plant and Equipment
The cost of property, plant and equipment includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalisation. After recognition as an asset, property, plant and equipment is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Except for asset that is not subject to depreciation such as land, asset is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major asset is as follows:
• Buildings and structures: 10 to 35 years
• Machinery and vehicles: 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.

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

(B) Intangible Assets
The cost of a separately acquired intangible asset is measured initially at cost, and the cost of intangible asset acquired in a business combination is its fair value at the acquisition date. The cost of internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, an intangible asset is measured by using the cost model and is carried at its cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with a finite useful life is amortised using the straight-line method over its estimated useful life. The estimated useful life of major intangible asset with a finite useful life is as follows:
• Software: 3 to 10 years
The estimated useful life and amortisation method of an asset are reviewed at each fiscal year end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.
An intangible asset with an indefinite useful life or an intangible asset not yet available for use is not amortised and tested for impairment annually, and whenever there is an indication that the intangible asset may be impaired.

(9) Leases
At inception of a contract, Epson assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, and recognises lease liabilities and right-of-use assets at the commencement date. Lease liabilities are measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee’s incremental borrowing rate. Right-of-use assets are measured at the amount of the initial measurement of lease liabilities adjusted for any initial direct costs, the prepaid lease payments, restoration costs and other costs. Right-of-use assets are usually depreciated using the straight-line method over the lease term. Interest expenses on lease liabilities are presented in the consolidated statement of comprehensive income separately from the depreciation expenses for right-of-use assets. Epson presents right-of-use assets as “Property, plant and equipment” in the consolidated statement of financial position.
Epson does not recognise lease liabilities and right-of-use assets to either short-term leases that have a lease term of 12 months or less, or low-value leases. Epson recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

For the previous reporting period, Epson classifies a lease as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an asset and a lease as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an asset. At the commencement of the lease term, finance leases are recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The asset is depreciated using the straight-line method over the shorter of the lease term and its estimated useful life which is consistent with that for depreciable assets that are owned. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Contingent rents are recognised as expenses in the periods in which they are incurred. Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

(10) Investment Property
Investment property is property held to earn rentals or for capital appreciation or both. After recognition as an asset, investment property is measured by using the cost model and is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Except for asset that is not subject to depreciation such as land, investment property is depreciated using the straight-line method over its estimated useful life. The estimated useful life of major investment properties that is subject to depreciation is 35 years. The estimated useful life, depreciation method and residual value are reviewed at each fiscal year end and, if expectations differ from previous estimates, the effect of changes in accounting estimates is recognised prospectively.

(11) Impairment of Non-financial Assets
Epson assesses whether there is any indication that property, plant and equipment, goodwill, intangible assets, investment property and right-of-use assets (“asset”) may be impaired. If any such indication exists, or irrespective of whether there is any indication of impairment, where impairment testing is required, the recoverable amount of the asset is estimated. If it is not possible to estimate the recoverable amount for each asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount is measured at the higher of an asset’s or cash-generating unit’s fair value less costs of disposal and its value in use. If carrying amount of an asset or cash-generating unit exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. The impairment loss is recognised in profit or loss. In determining an asset’s value in use, an estimate of the future cash flows expected to derive from the asset are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. An impairment loss for goodwill is recognised in profit or loss and not reversed in a subsequent period. Epson assesses whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. If the recoverable amount exceeds the carrying amount of the asset, an impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised for the asset in prior years.

(12) Non-current Assets Held for Sale and Discontinued Operations
Epson classifies a non-current asset or disposal group as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The non-current asset or disposal group as held for sale is available for immediate sale in its present condition and its sale is highly probable when Epson management commits to a plan to sell the asset or disposal group. Epson measures the non-current asset or disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The non-current asset is not depreciated or amortised while it is classified as held for sale or while it is part of a disposal group classified as held for sale. A discontinued operation is a component of an entity, that is a cash-generating unit or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major
line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view to resale.

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

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

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

(14) Share-based Payment
The Company has employed a framework referred to as BIP (Board Incentive Plan) trust as performance-linked equity-settled share-based payment plan for eligible officers. The shares of the Company held by the trust are recognised as treasury shares. The Company measures the service received at the fair value of its shares granted at the grant date and recognises the consideration as expenses over the vesting period while the corresponding amount is recognised as an increase in equity.

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

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

(16) Revenue
Epson recognises revenue by applying the following five step 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 Wearable & Industrial Products. Usually Epson transfers control of a promised good and satisfies a performance obligation at the time of delivery of the good. Therefore, Epson recognises revenue at the time of its delivery. 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.

(17) Government Grants
A government grant is recognised at fair value when there is reasonable assurance that Epson will comply with the conditions attaching to it, and that the grant will be received.
Grants related to assets are deducted in calculating the carrying amount of the asset.
Grants related to income are recognised in profit or loss on a systematic basis over the periods in which Epson recognises as expenses the related costs for which the grants are intended to compensate.

(18) Borrowing Costs
Borrowing costs are interest and other costs incurred in connection with the borrowing of funds.
The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, that necessarily takes a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period when they are incurred.
(19) Income Taxes
Income taxes are presented as the total of current tax expense and deferred tax expense. Current tax is the amount of income taxes payable or recoverable and is recognised as an expense or income and included in profit or loss for the period, except to the extent that the tax arises from a transaction which is recognised either in other comprehensive income or directly in equity, or a business combination. For the calculation of the tax amount, Epson uses the tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.
Deferred tax expense is calculated based on a temporary difference that is the difference between the carrying amount of the assets or liabilities in the consolidated financial statements and their tax bases. A deferred tax asset is recognised for all deductible temporary differences, the carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised. A deferred tax liability is recognised for all taxable temporary differences.
A deferred tax liability is not recognised for taxable temporary differences when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction. Also a deferred tax liability is not recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
A deferred tax asset is not recognised for deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is not probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available against which the temporary difference can be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of fiscal year.
Assets and liabilities are recognised as estimated amounts if uncertain tax position of income taxes arising from interpretation of tax laws and regulations is probable.

(20) Treasury Shares
Treasury shares are measured at their cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale or cancellation of the treasury shares. Any difference between the carrying amount and the consideration paid is recognised in equity.

(21) Earnings per Share
Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusting by the number of treasury shares. For the purpose of the calculation, the shares of the Company held by BIP trust are excluded because the shares are accounted as treasury shares. For the purpose of calculating diluted earnings per share, the rights for the treasury shares held by the trust to be received by eligible officers are adjusted.

(22) Dividends
Year-end dividend distributions to the shareholders of the Company are recognised as liabilities in the period in which the distribution is approved at the Annual Shareholders’ Meeting. Interim dividend distributions are recognised as liabilities in the period in which the distribution is approved by Epson’s Board of Directors.

4. Significant Accounting Estimates and Judgments
The preparation of Epson’s consolidated financial statements includes management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclosed contingencies as of the fiscal year end date. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. For making accounting estimates including the recoverability of deferred tax assets and impairment tests of non-financial assets, Epson reflected impacts of the coronavirus pandemic in its accounting estimates considering updates to the initial planned targets based on recent business results under the assumption that the impacts on its global operation may last through the first half of the next consolidated fiscal year. Actual results may differ from these estimates based on the assumption.
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. If the recoverable amount falls below the carrying amount, impairment losses are recognised. Recoverable amount is determined with certain assumptions of useful life, future cash flow of an asset, discount rate and long-term growth rate. These assumptions are based on the best estimates and judgments of management, but they could be affected by variable and uncertain future economic conditions besides the coronavirus pandemic. Any changes in these assumptions could have a material impact on Epson’s consolidated financial statements in future periods.

The method for calculating the recoverable amount is stated in “12. Property, Plant and Equipment.”

(2) Post-employment Benefits
Epson has several types of post-employment benefit plans, including defined benefit plans.

The present value of defined benefit obligations on each of these plans and the related service costs and others are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments on variables, such as discount rates.

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

These actuarial assumptions and related sensitivity analysis are stated in “21. Post-employment Benefits.”

(3) Provisions
Epson recognises various provisions, including provisions for product warranties and provisions for loss on litigation.

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 fiscal year end date.

Expenditures necessary for settling the obligations are calculated by taking all possible future results into account. However, they may be affected by unexpected events or changes in conditions which may have a material impact on Epson’s consolidated financial statements in future periods.

The nature and amount of recognised provisions are stated in “18. Provisions.”

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

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

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

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

In recognising the deferred tax assets, Epson judges the possibility of future taxable income and reasonably estimate the timing and amount of future taxable income based on the business plan.

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

The content and amounts related to income taxes are stated in “15. Income Taxes.”

(5) Contingencies
With regard to contingencies, any items that may have a material impact on business in the future are disclosed in light of all the available evidence as of the fiscal year end date and by taking into account the probability of these contingencies and their impact on financial reporting.
The content of contingencies is stated in “37. Contingencies.”

5. **New Standards and Interpretations Not Yet Applied**

The new standards, amended standards and new interpretations issued as of the date of approval of the consolidated financial statements on which have a significant effect are applied by Epson.

6. **Segment Information**

(1) **Outline of Reportable Segments**

The reportable segments of Epson are determined based on the operating segments that are components of Epson for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors in deciding how to allocate resources and in assessing performance.

The reportable segments of Epson are composed of three segments: “Printing Solutions”, “Visual Communications” and “Wearable & Industrial Products”. They are determined by types of products, nature of products, and markets. Epson conducts development, manufacturing and sales within its reportable segments as follows:

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Main products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Printing Solutions</strong></td>
<td>Office/ Home inkjet printers, serial impact dot matrix printers, page printers, color image scanners, dry process office papermaking systems, commercial and industrial inkjet printers, printers for use in POS systems, inkjet printheads, printer consumables, personal computers and others.</td>
</tr>
<tr>
<td><strong>Visual Communications</strong></td>
<td>3LCD projectors, smart glasses and others.</td>
</tr>
<tr>
<td><strong>Wearable &amp; Industrial Products</strong></td>
<td>Wristwatches, watch movements, industrial robots, IC handlers, quartz crystal devices, semiconductors, metal powders, surface finishing and others.</td>
</tr>
</tbody>
</table>
## (2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments were as follows. Transfer prices between the segments were based on prevailing market prices.

**FY2018: Year ended March 31, 2019**

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Millions of yen</th>
<th>Other (Note 2)</th>
<th>Adjustments (Note 3)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Printing Solutions</td>
<td>Visual Communications</td>
<td>Wearable &amp; Industrial Products</td>
<td>Subtotal</td>
</tr>
<tr>
<td>External revenues</td>
<td>722,958</td>
<td>203,305</td>
<td>154,074</td>
<td>1,080,337</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>721</td>
<td>3</td>
<td>9,336</td>
<td>10,061</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>723,679</td>
<td>203,309</td>
<td>163,410</td>
<td>1,090,399</td>
</tr>
</tbody>
</table>

| Segment profit (loss) (Business profit) (Note 1) | 94,554          | 21,232         | 5,508                | 121,296   | (541)                 | (50,256)              | 70,498               |

| Other operating income (expense) | 856            |
| Profit from operating activities | 71,355         |
| Finance income (costs) | 585            |
| Share of profit of investments accounted for using the equity method | 99             |
| **Profit before tax** | 72,040          |

### Other items

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Millions of yen</th>
<th>Other (Note 2)</th>
<th>Adjustments (Note 4)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Printing Solutions</td>
<td>Visual Communications</td>
<td>Wearable &amp; Industrial Products</td>
<td>Subtotal</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(30,653)</td>
<td>(9,871)</td>
<td>(9,198)</td>
<td>(49,724)</td>
</tr>
<tr>
<td>Impairment losses of assets other than financial assets</td>
<td>(85)</td>
<td>(347)</td>
<td>(106)</td>
<td>(539)</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>463,833</td>
<td>129,254</td>
<td>151,921</td>
<td>745,010</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>46,813</td>
<td>11,408</td>
<td>13,980</td>
<td>72,202</td>
</tr>
</tbody>
</table>

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) “Other” consists of the intra-group services.

(Note 3) “Adjustments” to Segment profit (loss) (Business profit) of ¥50,256 million comprised “Eliminations” of ¥431 million and “Corporate expenses” of ¥50,687 million. “Corporate expenses” included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of ¥293,094 million comprised “Eliminations” of ¥5,893 million and “Corporate assets” of ¥298,988 million.
## FY2019: Year ended March 31, 2020

### Millions of yen

<table>
<thead>
<tr>
<th>Reportable segments</th>
<th>Printing Solutions</th>
<th>Visual Communications</th>
<th>Wearable &amp; Industrial Products</th>
<th>Subtotal</th>
<th>Other (Note 2)</th>
<th>Adjustments (Note 3)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External revenues</td>
<td>707,816</td>
<td>183,345</td>
<td>145,072</td>
<td>1,036,234</td>
<td>186</td>
<td>7,179</td>
<td>1,043,600</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>787</td>
<td>0</td>
<td>7,887</td>
<td>8,675</td>
<td>735</td>
<td>(9,411)</td>
<td>-</td>
</tr>
<tr>
<td>Total revenue</td>
<td>708,604</td>
<td>183,345</td>
<td>152,959</td>
<td>1,044,910</td>
<td>921</td>
<td>(2,231)</td>
<td>1,043,600</td>
</tr>
</tbody>
</table>

| Segment profit (loss) (Business profit) | 75,680 | 13,558 | 1,839 | 91,077 | (588) | (49,627) | 40,861 |

| Other operating income (expense) | (1,381) |
| Profit from operating activities | 39,479 |
| Finance income (costs) | 156 |
| Share of profit of investments accounted for using the equity method | 77 |
| Profit before tax | 39,713 |

### Other items

| Depreciation and amortisation | (37,736) | (11,784) | (10,327) | (59,848) | (18) | (7,956) | (67,822) |

| Impairment losses of assets other than financial assets | (0) | (0) | (195) | (197) | - | (384) | (581) |

| Segment assets | 440,822 | 124,694 | 147,992 | 713,510 | 210 | 327,190 | 1,040,910 |

| Capital expenditures | 43,575 | 14,141 | 14,777 | 72,493 | 9 | 7,587 | 80,090 |

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) “Other” consists of the intra-group services.

(Note 3) “Adjustments” to Segment profit (loss) (Business profit) of (¥49,627) million comprised “Eliminations” of ¥674 million and “Corporate expenses” of (¥50,302) million. “Corporate expenses” included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of ¥327,190 million comprised “Eliminations” of ¥5,579 million and “Corporate assets” of ¥332,769 million.
### Reportable segments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Printing Solutions</th>
<th>Visual Communications</th>
<th>Wearable &amp; Industrial Products</th>
<th>Subtotal</th>
<th>Other (Note 2)</th>
<th>Adjustments (Note 3)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External revenues</td>
<td>6,518,543</td>
<td>1,688,492</td>
<td>1,336,022</td>
<td>9,543,067</td>
<td>1,712</td>
<td></td>
<td>9,610,903</td>
</tr>
<tr>
<td>Intersegment revenues</td>
<td>7,247</td>
<td>0</td>
<td>72,634</td>
<td>79,891</td>
<td>6,768</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>6,525,800</td>
<td>1,688,492</td>
<td>1,408,656</td>
<td>9,622,968</td>
<td>8,481</td>
<td>(20,546)</td>
<td>9,610,903</td>
</tr>
<tr>
<td><strong>Segment profit (loss)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Business profit)</strong></td>
<td>696,965</td>
<td>124,860</td>
<td>16,936</td>
<td>838,762</td>
<td>(5,415)</td>
<td>(457,033)</td>
<td>376,304</td>
</tr>
</tbody>
</table>

Other operating income (expense) (12,718)
Profit from operating activities 363,576
Finance income (costs) 1,436
Share of profit of investments accounted for using the equity method 709
Profit before tax 365,731

### Other items

<table>
<thead>
<tr>
<th>Segment</th>
<th>Printing Solutions</th>
<th>Visual Communications</th>
<th>Wearable &amp; Industrial Products</th>
<th>Subtotal</th>
<th>Other (Note 2)</th>
<th>Adjustments (Note 4)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depreciation and amortisation</strong></td>
<td>(347,524)</td>
<td>(108,523)</td>
<td>(95,105)</td>
<td>(551,162)</td>
<td>(165)</td>
<td>(73,269)</td>
<td>(624,598)</td>
</tr>
<tr>
<td><strong>Impairment losses of assets other than financial assets</strong></td>
<td>(0)</td>
<td>(0)</td>
<td>(1,795)</td>
<td>(1,814)</td>
<td>-</td>
<td>(3,536)</td>
<td>(5,350)</td>
</tr>
<tr>
<td><strong>Segment assets</strong></td>
<td>4,059,695</td>
<td>1,148,353</td>
<td>1,362,913</td>
<td>6,570,981</td>
<td>1,933</td>
<td>3,013,215</td>
<td>9,586,130</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>401,298</td>
<td>130,229</td>
<td>136,086</td>
<td>667,615</td>
<td>82</td>
<td>69,871</td>
<td>737,578</td>
</tr>
</tbody>
</table>

(Note 1) Segment profit (loss) (Business profit) is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

(Note 2) “Other” consists of the intra-group services.

(Note 3) “Adjustments” to Segment profit (loss) (Business profit) of ($457,033) thousand comprised “Eliminations” of $6,207 thousand and “Corporate expenses” of ($463,249) thousand. “Corporate expenses” included expenses relating to research and development for basic technology and expenses relating to new businesses and general corporate functions which are not attributed to reportable segments.

(Note 4) “Adjustments” to Segment assets of $3,013,215 thousand comprised “Eliminations” of ($51,379) thousand and “Corporate assets” of $3,064,594 thousand.
(3) Geographic Information
The regional breakdowns of non-current assets and external revenues as of each fiscal year end were as follows:

Non-current Assets

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Japan</td>
<td>217,072</td>
<td>239,851</td>
</tr>
<tr>
<td>Philippines</td>
<td>48,803</td>
<td>44,494</td>
</tr>
<tr>
<td>Indonesia</td>
<td>29,082</td>
<td>31,556</td>
</tr>
<tr>
<td>China</td>
<td>23,885</td>
<td>26,221</td>
</tr>
<tr>
<td>Other</td>
<td>37,365</td>
<td>51,874</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>356,209</strong></td>
<td><strong>393,998</strong></td>
</tr>
</tbody>
</table>

(Note) Non-current assets, excluding Other financial assets, Deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

External Revenue

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Japan</td>
<td>251,454</td>
<td>254,993</td>
</tr>
<tr>
<td>The United States</td>
<td>212,720</td>
<td>201,259</td>
</tr>
<tr>
<td>China</td>
<td>146,957</td>
<td>132,550</td>
</tr>
<tr>
<td>Other</td>
<td>478,544</td>
<td>454,796</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,089,676</strong></td>
<td><strong>1,043,600</strong></td>
</tr>
</tbody>
</table>

(Note) Revenues are segmented by country based on the location of the customers.

(4) Information about Major Customers
Epson had no transactions with a single external customer amounting to 10% or more of total external revenues.
7. Cash and Cash Equivalents

The breakdown of “Cash and cash equivalents” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousand of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>113,646</td>
<td>128,671</td>
</tr>
<tr>
<td></td>
<td>1,184,979</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>61,592</td>
<td>67,590</td>
</tr>
<tr>
<td></td>
<td>622,461</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>175,238</td>
<td>196,262</td>
</tr>
<tr>
<td></td>
<td>1,807,450</td>
<td></td>
</tr>
</tbody>
</table>

The balance of cash and cash equivalents in the consolidated statement of cash flow was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousand of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Cash and cash equivalents in consolidated statement of financial position</td>
<td>175,238</td>
<td>196,262</td>
</tr>
<tr>
<td>Short-term borrowings (Overdrafts)</td>
<td>-</td>
<td>(16)</td>
</tr>
<tr>
<td>Cash and cash equivalents in consolidated statement of cash flow</td>
<td>175,238</td>
<td>196,245</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,807,293</td>
</tr>
</tbody>
</table>
8. **Trade and Other Receivables**

The breakdown of “Trade and other receivables” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>156,784</td>
<td>141,340</td>
<td>1,301,653</td>
</tr>
<tr>
<td>Other receivables</td>
<td>17,490</td>
<td>17,631</td>
<td>162,370</td>
</tr>
<tr>
<td>Allowance account for credit</td>
<td>(1,101)</td>
<td>(1,190)</td>
<td>(10,959)</td>
</tr>
<tr>
<td>losses</td>
<td>Total</td>
<td>173,173</td>
<td>1,453,073</td>
</tr>
</tbody>
</table>

Trade and other receivables are presented net of the allowance account for credit losses in the consolidated statement of financial position.

Trade and other receivables are classified as financial assets measured at amortised cost.

9. **Inventories**

The breakdown of “Inventories” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>145,064</td>
<td>126,262</td>
<td>1,162,794</td>
</tr>
<tr>
<td>Work in process</td>
<td>61,585</td>
<td>54,155</td>
<td>498,733</td>
</tr>
<tr>
<td>Raw materials</td>
<td>32,430</td>
<td>40,851</td>
<td>376,212</td>
</tr>
<tr>
<td>Supplies</td>
<td>11,683</td>
<td>12,165</td>
<td>112,032</td>
</tr>
<tr>
<td>Total</td>
<td>250,763</td>
<td>233,434</td>
<td>2,149,781</td>
</tr>
</tbody>
</table>

The amount of inventories included in cost of sales recognised as an expense totaled ¥657,953 million and ¥654,007 million (($6,022,995) thousand) for the years ended March 31, 2019 and 2020, respectively.

Losses recognised as cost of sales as a result of valuations for the years ended March 31, 2019 and 2020 were ¥21,825 million and ¥24,045 million (($221,439) thousand), respectively. In addition, Epson has no inventories pledged as collateral.
10. Other Financial Assets

(1) The Breakdown of “Other financial assets”
The breakdown of “Other financial assets” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative assets</td>
<td>826</td>
<td>1,631</td>
</tr>
<tr>
<td>Equity securities</td>
<td>11,557</td>
<td>10,964</td>
</tr>
<tr>
<td>Bonds receivable</td>
<td>736</td>
<td>720</td>
</tr>
<tr>
<td>Time deposits</td>
<td>51</td>
<td>47</td>
</tr>
<tr>
<td>Other</td>
<td>6,252</td>
<td>6,818</td>
</tr>
<tr>
<td>Allowance account for credit losses</td>
<td>(50)</td>
<td>(64)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,374</strong></td>
<td><strong>20,118</strong></td>
</tr>
</tbody>
</table>

Derivative assets are classified as financial assets measured at fair value through profit or loss, excluding a case where hedge accounting is applied. Equity securities held for other than trading purposes are classified as financial assets measured at fair value through other comprehensive income, and bonds receivables are classified mainly as financial assets measured at fair value through profit or loss, and time deposits are classified as financial assets measured at amortised cost.

(2) Equity Instruments Measured at Fair Value Through Other Comprehensive Income
The names of major equity instruments measured at fair value through other comprehensive income, their fair values and dividends received were as follows.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td></td>
<td>Fair value</td>
<td>Dividends received (Note)</td>
</tr>
<tr>
<td>Mizuho Financial Group, Inc.</td>
<td>2,571</td>
<td>112</td>
</tr>
<tr>
<td>NGK Insulators, Ltd.</td>
<td>2,021</td>
<td>60</td>
</tr>
</tbody>
</table>

(Dividends received from the derecognised financial assets during the reporting periods are not included.)

Equity securities are held mainly for strengthening relationships with investees. Therefore, they are designated as financial assets measured at fair value through other comprehensive income.

In order to pursue the efficiency of assets held, sales of financial assets measured at fair value through other comprehensive income have been carried out (derecognition). The major description is as follows.

FY2018: Year ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fair value at the date of sale</td>
<td>Accumulated gains</td>
<td>Dividends received</td>
</tr>
<tr>
<td>NGK Insulators, Ltd.</td>
<td>2,127</td>
<td>1,426</td>
<td>60</td>
</tr>
</tbody>
</table>

(Note) Accumulated gain or loss recognised as other comprehensive income is transferred to retained earnings.
When the decline in the fair value of equity instruments measured at fair value through other comprehensive income is significant, accumulated loss recognised as other comprehensive income is transferred to retained earnings. The amount of accumulated loss transferred to retained earnings (net of tax) was ¥966 million ($8,896 thousand) for the year ended March 31, 2020. No amount of accumulated loss was transferred to retained earnings for the year ended March 31, 2019.

11. Other Assets

The breakdown of “Other assets” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Prepaid expense</td>
<td>15,194</td>
<td>10,566</td>
</tr>
<tr>
<td></td>
<td></td>
<td>97,306</td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>5,486</td>
<td>1,865</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,175</td>
</tr>
<tr>
<td>Other</td>
<td>3,286</td>
<td>3,429</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31,578</td>
</tr>
<tr>
<td>Total</td>
<td>23,967</td>
<td>15,861</td>
</tr>
<tr>
<td></td>
<td></td>
<td>146,069</td>
</tr>
<tr>
<td>Current assets</td>
<td>17,938</td>
<td>13,989</td>
</tr>
<tr>
<td></td>
<td></td>
<td>128,829</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>6,028</td>
<td>1,871</td>
</tr>
<tr>
<td></td>
<td></td>
<td>17,230</td>
</tr>
<tr>
<td>Total</td>
<td>23,967</td>
<td>15,861</td>
</tr>
<tr>
<td></td>
<td></td>
<td>146,069</td>
</tr>
</tbody>
</table>
## 12. Property, Plant and Equipment

### (1) Schedule of Property, Plant and Equipment

The schedules of the cost, accumulated depreciation and accumulated impairment losses, and carrying amount of “Property, plant and equipment” were as follows:

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of April 1, 2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>483,810</td>
<td>486,174</td>
<td>187,716</td>
<td>28,544</td>
<td>367</td>
<td>1,186,613</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>2,981</td>
<td>3,901</td>
<td>5,038</td>
<td>65,406</td>
<td>34</td>
<td>77,363</td>
</tr>
<tr>
<td>Transfer from (to) investment property</td>
<td>369</td>
<td>46</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>417</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>(316)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(316)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>1,892</td>
<td>2,375</td>
<td>4,090</td>
<td>374</td>
<td>(9)</td>
<td>8,723</td>
</tr>
<tr>
<td>Transfer from construction in progress</td>
<td>34,251</td>
<td>23,268</td>
<td>14,500</td>
<td>(72,020)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>448</td>
<td>(2,415)</td>
<td>(908)</td>
<td>(446)</td>
<td>(88)</td>
<td>(3,410)</td>
</tr>
<tr>
<td><strong>As of March 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,236,477</strong></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>30,430</td>
<td>1,483</td>
<td>364</td>
<td>-</td>
<td>-</td>
<td>32,278</td>
</tr>
<tr>
<td><strong>As of April 1, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1,268,755</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>543,954</td>
<td>501,858</td>
<td>200,910</td>
<td>21,845</td>
<td>186</td>
<td><strong>11,684,440</strong></td>
</tr>
<tr>
<td>Transfer from (to) investment property</td>
<td>9,695</td>
<td>3,676</td>
<td>4,645</td>
<td>58,908</td>
<td>12</td>
<td>76,938</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>723</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>723</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(8,929)</td>
<td>(11,921)</td>
<td>(9,722)</td>
<td>(568)</td>
<td>(2)</td>
<td>(31,144)</td>
</tr>
<tr>
<td>Transfer from construction in progress</td>
<td>(4,288)</td>
<td>(5,487)</td>
<td>(3,434)</td>
<td>(168)</td>
<td>(6)</td>
<td>(13,385)</td>
</tr>
<tr>
<td>Other</td>
<td>30,797</td>
<td>25,283</td>
<td>16,485</td>
<td>(72,566)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31, 2020</strong></td>
<td>571,807</td>
<td>513,104</td>
<td>208,749</td>
<td>7,125</td>
<td>85</td>
<td><strong>13,000,873</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of March 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Millions of yen</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>4,729,225</td>
<td>4,608,141</td>
<td>1,846,903</td>
<td>201,178</td>
<td>1,712</td>
<td>11,387,180</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>280,241</td>
<td>13,657</td>
<td>3,352</td>
<td>-</td>
<td>-</td>
<td>297,260</td>
</tr>
<tr>
<td><strong>As of April 1, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,684,440</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>5,009,476</td>
<td>4,621,798</td>
<td>1,850,255</td>
<td>201,178</td>
<td>1,712</td>
<td>11,684,440</td>
</tr>
<tr>
<td>Transfer from (to) investment property</td>
<td>89,284</td>
<td>33,853</td>
<td>42,777</td>
<td>542,505</td>
<td>110</td>
<td>708,550</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>6,658</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,658</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(82,230)</td>
<td>(109,784)</td>
<td>(89,533)</td>
<td>(5,230)</td>
<td>(18)</td>
<td>(286,816)</td>
</tr>
<tr>
<td>Transfer from construction in progress</td>
<td>(39,489)</td>
<td>(50,531)</td>
<td>(31,624)</td>
<td>(1,547)</td>
<td>(55)</td>
<td>(123,267)</td>
</tr>
<tr>
<td>Other</td>
<td>283,621</td>
<td>232,840</td>
<td>151,816</td>
<td>(668,287)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31, 2020</strong></td>
<td>5,265,985</td>
<td>4,725,367</td>
<td>1,922,447</td>
<td>65,616</td>
<td>782</td>
<td><strong>11,980,227</strong></td>
</tr>
</tbody>
</table>

**Millions of yen**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of March 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Millions of yen</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>4,729,225</td>
<td>4,608,141</td>
<td>1,846,903</td>
<td>201,178</td>
<td>1,712</td>
<td>11,387,180</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>280,241</td>
<td>13,657</td>
<td>3,352</td>
<td>-</td>
<td>-</td>
<td>297,260</td>
</tr>
<tr>
<td><strong>As of April 1, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,684,440</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>5,009,476</td>
<td>4,621,798</td>
<td>1,850,255</td>
<td>201,178</td>
<td>1,712</td>
<td>11,684,440</td>
</tr>
<tr>
<td>Transfer from (to) investment property</td>
<td>89,284</td>
<td>33,853</td>
<td>42,777</td>
<td>542,505</td>
<td>110</td>
<td>708,550</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>6,658</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,658</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(82,230)</td>
<td>(109,784)</td>
<td>(89,533)</td>
<td>(5,230)</td>
<td>(18)</td>
<td>(286,816)</td>
</tr>
<tr>
<td>Transfer from construction in progress</td>
<td>(39,489)</td>
<td>(50,531)</td>
<td>(31,624)</td>
<td>(1,547)</td>
<td>(55)</td>
<td>(123,267)</td>
</tr>
<tr>
<td>Other</td>
<td>283,621</td>
<td>232,840</td>
<td>151,816</td>
<td>(668,287)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31, 2020</strong></td>
<td>5,265,985</td>
<td>4,725,367</td>
<td>1,922,447</td>
<td>65,616</td>
<td>782</td>
<td><strong>11,980,227</strong></td>
</tr>
</tbody>
</table>

**Thousands of U.S. dollars**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of March 31, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>Millions of yen</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>4,729,225</td>
<td>4,608,141</td>
<td>1,846,903</td>
<td>201,178</td>
<td>1,712</td>
<td>11,387,180</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>280,241</td>
<td>13,657</td>
<td>3,352</td>
<td>-</td>
<td>-</td>
<td>297,260</td>
</tr>
<tr>
<td><strong>As of April 1, 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>11,684,440</strong></td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>5,009,476</td>
<td>4,621,798</td>
<td>1,850,255</td>
<td>201,178</td>
<td>1,712</td>
<td>11,684,440</td>
</tr>
<tr>
<td>Transfer from (to) investment property</td>
<td>89,284</td>
<td>33,853</td>
<td>42,777</td>
<td>542,505</td>
<td>110</td>
<td>708,550</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>6,658</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,658</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(82,230)</td>
<td>(109,784)</td>
<td>(89,533)</td>
<td>(5,230)</td>
<td>(18)</td>
<td>(286,816)</td>
</tr>
<tr>
<td>Transfer from construction in progress</td>
<td>(39,489)</td>
<td>(50,531)</td>
<td>(31,624)</td>
<td>(1,547)</td>
<td>(55)</td>
<td>(123,267)</td>
</tr>
<tr>
<td>Other</td>
<td>283,621</td>
<td>232,840</td>
<td>151,816</td>
<td>(668,287)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>As of March 31, 2020</strong></td>
<td>5,265,985</td>
<td>4,725,367</td>
<td>1,922,447</td>
<td>65,616</td>
<td>782</td>
<td><strong>11,980,227</strong></td>
</tr>
</tbody>
</table>
**Accumulated Depreciation and Accumulated Impairment Losses**

<table>
<thead>
<tr>
<th></th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>(335,290)</td>
<td>(395,709)</td>
<td>(157,495)</td>
<td>-</td>
<td>(190)</td>
<td>(888,685)</td>
</tr>
<tr>
<td>Depreciation expense (Note)</td>
<td>(10,564)</td>
<td>(22,198)</td>
<td>(16,985)</td>
<td>-</td>
<td>(19)</td>
<td>(49,768)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(249)</td>
<td>(155)</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>(412)</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>(19)</td>
<td>(39)</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
<td>(60)</td>
</tr>
<tr>
<td>Transfer to (from) investment property</td>
<td>58</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>58</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>4,497</td>
<td>12,357</td>
<td>9,595</td>
<td>-</td>
<td>29</td>
<td>26,479</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(510)</td>
<td>(1,414)</td>
<td>(3,368)</td>
<td>-</td>
<td>8</td>
<td>(5,285)</td>
</tr>
<tr>
<td>Other</td>
<td>(199)</td>
<td>2,609</td>
<td>740</td>
<td>-</td>
<td>1</td>
<td>3,152</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>(342,276)</td>
<td>(404,550)</td>
<td>(167,523)</td>
<td>-</td>
<td>(171)</td>
<td>(914,521)</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>(1,754)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,754)</td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>(344,031)</td>
<td>(404,550)</td>
<td>(167,523)</td>
<td>-</td>
<td>(171)</td>
<td>(916,275)</td>
</tr>
<tr>
<td>Depreciation expense (Note)</td>
<td>(18,187)</td>
<td>(24,751)</td>
<td>(18,358)</td>
<td>-</td>
<td>(20)</td>
<td>(61,318)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(395)</td>
<td>(116)</td>
<td>(26)</td>
<td>(42)</td>
<td>-</td>
<td>(580)</td>
</tr>
<tr>
<td>Transfer to (from) investment property</td>
<td>(468)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(468)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>8,565</td>
<td>11,276</td>
<td>9,495</td>
<td>-</td>
<td>2</td>
<td>29,340</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>1,629</td>
<td>3,871</td>
<td>2,833</td>
<td>-</td>
<td>6</td>
<td>8,340</td>
</tr>
<tr>
<td>Other</td>
<td>(0)</td>
<td>369</td>
<td>139</td>
<td>-</td>
<td>97</td>
<td>606</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>(352,888)</td>
<td>(413,900)</td>
<td>(173,440)</td>
<td>(42)</td>
<td>(84)</td>
<td>(940,355)</td>
</tr>
</tbody>
</table>

**Accumulated Depreciation and Accumulated Impairment Losses**

<table>
<thead>
<tr>
<th></th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>(3,152,148)</td>
<td>(3,725,652)</td>
<td>(1,542,782)</td>
<td>-</td>
<td>(1,574)</td>
<td>(8,422,166)</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>(16,153)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(16,153)</td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>(3,168,310)</td>
<td>(3,725,652)</td>
<td>(1,542,782)</td>
<td>-</td>
<td>(1,574)</td>
<td>(8,438,320)</td>
</tr>
<tr>
<td>Depreciation expense (Note)</td>
<td>(167,490)</td>
<td>(227,941)</td>
<td>(169,065)</td>
<td>-</td>
<td>(184)</td>
<td>(564,700)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(3,637)</td>
<td>(1,068)</td>
<td>(239)</td>
<td>(386)</td>
<td>-</td>
<td>(5,341)</td>
</tr>
<tr>
<td>Transfer to (from) investment property</td>
<td>(4,309)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(4,309)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>78,878</td>
<td>103,844</td>
<td>87,443</td>
<td>-</td>
<td>18</td>
<td>270,203</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>15,002</td>
<td>35,649</td>
<td>26,090</td>
<td>-</td>
<td>55</td>
<td>76,806</td>
</tr>
<tr>
<td>Other</td>
<td>(0)</td>
<td>3,398</td>
<td>1,280</td>
<td>-</td>
<td>893</td>
<td>5,580</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>(3,249,877)</td>
<td>(3,811,760)</td>
<td>(1,597,274)</td>
<td>(386)</td>
<td>(773)</td>
<td>(8,660,081)</td>
</tr>
</tbody>
</table>

(Note) Depreciation expense for Property, plant and equipment was included in Cost of sales, Selling, general and administrative expenses and Other operating expense in the consolidated statement of comprehensive income.
The effect of changes in accounting policies was due to application of IFRS16 Leases, and the above figures include the carrying amounts of right-of-use assets. The carrying amounts of right-of-use assets are explained in “19. Lease.”

The carrying amounts of property, plant and equipment as at April 1, 2018 and March 31, 2019 included leased assets with the following carrying amounts:

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>148,520</td>
<td>90,464</td>
<td>30,220</td>
<td>28,544</td>
<td>177</td>
<td>297,927</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>171,247</td>
<td>95,825</td>
<td>33,023</td>
<td>21,845</td>
<td>15</td>
<td>321,956</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>218,919</td>
<td>99,204</td>
<td>35,308</td>
<td>7,083</td>
<td>1</td>
<td>360,517</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Construction in progress</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>1,577,077</td>
<td>882,488</td>
<td>304,121</td>
<td>201,178</td>
<td>138</td>
<td>2,965,013</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>2,016,107</td>
<td>913,606</td>
<td>325,164</td>
<td>65,230</td>
<td>9</td>
<td>3,320,136</td>
</tr>
</tbody>
</table>

(2) Impairment Losses

Epson’s business assets are generally grouped by business segment under the Company’s management accounting system, and their cash flows are continuously monitored. Assets planned to be sold and idle assets are separately assessed for impairment on the individual asset level.

Impairment losses recognised in the years ended March 31, 2019 and 2020, represent the losses related to idle assets that Epson has no plan to use in the future, and the carrying amounts were reduced to the recoverable amounts. They were recognised as “Other operating expense” in the consolidated statement of comprehensive income.

The recoverable amounts of these assets are determined using their fair values less disposal cost, which were assessed on the basis of reasonable estimates such as a valuation by an external real estate appraiser. The valuation is made in accordance with the income approach using Level 3 inputs which include the future cash flow.
## 13. Intangible Assets

The schedules of the cost, accumulated amortisation and accumulated impairment losses, and carrying amount of “Intangible assets” were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td></td>
<td>48,782</td>
<td>13,809</td>
<td>10,010</td>
<td>4,965</td>
<td>4,138</td>
<td>81,706</td>
</tr>
<tr>
<td>Individual acquisition</td>
<td></td>
<td>4,827</td>
<td>2,263</td>
<td>1,246</td>
<td>-</td>
<td>525</td>
<td>8,863</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td></td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>741</td>
<td>749</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td></td>
<td>(4,898)</td>
<td>(2,415)</td>
<td>(12)</td>
<td>-</td>
<td>(73)</td>
<td>(7,400)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td></td>
<td>173</td>
<td>-</td>
<td>7</td>
<td>(112)</td>
<td>21</td>
<td>89</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>166</td>
<td>8</td>
<td>(28)</td>
<td>-</td>
<td>(30)</td>
<td>116</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td></td>
<td>49,055</td>
<td>13,669</td>
<td>11,223</td>
<td>4,853</td>
<td>5,323</td>
<td>84,125</td>
</tr>
<tr>
<td>Individual acquisition</td>
<td></td>
<td>4,243</td>
<td>444</td>
<td>6,098</td>
<td>-</td>
<td>358</td>
<td>11,144</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td></td>
<td>(3,109)</td>
<td>(3,439)</td>
<td>(901)</td>
<td>-</td>
<td>(136)</td>
<td>(7,587)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td></td>
<td>(537)</td>
<td>-</td>
<td>(3)</td>
<td>(114)</td>
<td>(60)</td>
<td>(716)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>122</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>134</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td></td>
<td>49,774</td>
<td>16,416</td>
<td>10,683</td>
<td>4,738</td>
<td>5,486</td>
<td>87,099</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td></td>
<td>451,765</td>
<td>125,882</td>
<td>103,356</td>
<td>44,693</td>
<td>49,021</td>
<td>774,738</td>
</tr>
<tr>
<td>Individual acquisition</td>
<td></td>
<td>39,075</td>
<td>4,088</td>
<td>56,158</td>
<td>-</td>
<td>3,296</td>
<td>102,629</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td></td>
<td>(28,631)</td>
<td>(31,671)</td>
<td>(8,297)</td>
<td>-</td>
<td>(1,252)</td>
<td>(69,871)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td></td>
<td>(4,945)</td>
<td>-</td>
<td>(27)</td>
<td>1,049)</td>
<td>(552)</td>
<td>(6,593)</td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td>1,123</td>
<td>73</td>
<td>-</td>
<td>-</td>
<td>18</td>
<td>1,234</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td></td>
<td>458,387</td>
<td>98,383</td>
<td>151,181</td>
<td>43,634</td>
<td>50,522</td>
<td>802,127</td>
</tr>
</tbody>
</table>
Amortisation expense for Intangible assets was included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of comprehensive income.

### Accumulated Amortisation and Accumulated Impairment Losses

<table>
<thead>
<tr>
<th></th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>(36,014)</td>
<td>(12,832)</td>
<td>(8,808)</td>
<td>-</td>
<td>(2,012)</td>
<td>(59,668)</td>
</tr>
<tr>
<td>Amortisation expense (Note)</td>
<td>(4,205)</td>
<td>(682)</td>
<td>(987)</td>
<td>-</td>
<td>(477)</td>
<td>(6,352)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(0)</td>
<td>(0)</td>
</tr>
<tr>
<td>Acquisition of subsidiary</td>
<td>(2)</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>4,886</td>
<td>2,413</td>
<td>12</td>
<td>-</td>
<td>57</td>
<td>7,369</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(114)</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
<td>(45)</td>
<td>(166)</td>
</tr>
<tr>
<td>Other</td>
<td>(120)</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>19</td>
<td>(109)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>(35,570)</td>
<td>(11,113)</td>
<td>(9,790)</td>
<td>-</td>
<td>(2,459)</td>
<td>(58,934)</td>
</tr>
<tr>
<td>Amortisation expense (Note)</td>
<td>(4,358)</td>
<td>(494)</td>
<td>(1,711)</td>
<td>-</td>
<td>(531)</td>
<td>(7,094)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>3,092</td>
<td>3,438</td>
<td>901</td>
<td>-</td>
<td>123</td>
<td>7,555</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>414</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>37</td>
<td>454</td>
</tr>
<tr>
<td>Other</td>
<td>(17)</td>
<td>(8)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(26)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2020</td>
<td>(36,441)</td>
<td>(8,178)</td>
<td>(10,596)</td>
<td>-</td>
<td>(2,830)</td>
<td>(58,046)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>(327,577)</td>
<td>(102,343)</td>
<td>(90,159)</td>
<td>-</td>
<td>(22,645)</td>
<td>(542,745)</td>
</tr>
<tr>
<td>Amortisation expense (Note)</td>
<td>(40,134)</td>
<td>(4,549)</td>
<td>(15,757)</td>
<td>-</td>
<td>(4,890)</td>
<td>(65,331)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>(9)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(9)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>28,475</td>
<td>31,661</td>
<td>8,297</td>
<td>-</td>
<td>1,132</td>
<td>69,576</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>3,812</td>
<td>-</td>
<td>27</td>
<td>-</td>
<td>340</td>
<td>4,181</td>
</tr>
<tr>
<td>Other</td>
<td>(156)</td>
<td>(73)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(239)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2020</td>
<td>(335,598)</td>
<td>(75,314)</td>
<td>(97,582)</td>
<td>-</td>
<td>(26,062)</td>
<td>(534,567)</td>
</tr>
</tbody>
</table>

(Note) Amortisation expense for Intangible assets was included in Cost of sales and Selling, general and administrative expenses in the consolidated statement of comprehensive income.
### Investment Property

#### (1) Schedule of Investment Property

The schedule of the carrying amount of “Investment property” was as follows:

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>12,767</td>
<td>977</td>
<td>1,202</td>
<td>4,965</td>
<td>2,125</td>
<td>22,037</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>13,484</td>
<td>2,556</td>
<td>1,432</td>
<td>4,853</td>
<td>2,863</td>
<td>25,191</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>13,332</td>
<td>2,505</td>
<td>5,819</td>
<td>4,738</td>
<td>2,656</td>
<td>29,052</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Carrying Amount</th>
<th>Software</th>
<th>Patent rights</th>
<th>Product development assets</th>
<th>Goodwill</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>124,179</td>
<td>23,539</td>
<td>13,187</td>
<td>44,693</td>
<td>26,366</td>
<td>231,993</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>122,779</td>
<td>23,069</td>
<td>53,589</td>
<td>43,634</td>
<td>24,460</td>
<td>267,550</td>
</tr>
</tbody>
</table>

#### Breakdown of “Balance at the beginning of the year”

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>1,219</td>
<td>1,461</td>
</tr>
<tr>
<td>Transfer from (to) property, plant and equipment</td>
<td>257</td>
<td>(254)</td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>(16)</td>
<td>(3)</td>
</tr>
<tr>
<td>Sale or disposal</td>
<td>(9)</td>
<td>(156)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>9</td>
<td>(2)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>1,461</td>
<td>1,043</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Cost</td>
<td>2,568</td>
<td>2,879</td>
</tr>
<tr>
<td>Accumulated depreciation and accumulated impairment losses</td>
<td>(1,348)</td>
<td>(1,418)</td>
</tr>
<tr>
<td>Total</td>
<td>1,219</td>
<td>1,461</td>
</tr>
</tbody>
</table>

#### Breakdown of “Balance at the end of the year”

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Cost</td>
<td>2,879</td>
<td>1,669</td>
</tr>
<tr>
<td>Accumulated depreciation and accumulated impairment losses</td>
<td>(1,418)</td>
<td>(625)</td>
</tr>
<tr>
<td>Total</td>
<td>1,461</td>
<td>1,043</td>
</tr>
</tbody>
</table>
(2) Fair Value
The carrying amount and the fair value of “Investment property” were as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2019</th>
<th>March 31, 2020</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carrying Amount</td>
<td>Fair Value</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>Investment property</td>
<td>1,461</td>
<td>1,988</td>
<td>1,043</td>
</tr>
</tbody>
</table>

The fair value of investment property is determined on the basis of a valuation conducted by an external real estate appraiser. The valuation is made in accordance with the income approach using Level 3 inputs which include the future cash flow.

15. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities
The breakdown of “Deferred tax assets” and “Deferred tax liabilities” by major causes of their occurrence were as follows:

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2019</th>
<th>March 31, 2020</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>Thousands of U.S. dollars</td>
<td>Millions of yen</td>
</tr>
<tr>
<td>Inter-company profits and write downs on inventories</td>
<td>15,964</td>
<td>15,136</td>
<td>139,393</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>6,699</td>
<td>3,533</td>
<td>32,536</td>
</tr>
<tr>
<td>Fixed assets (Note 1)</td>
<td>5,440</td>
<td>2,896</td>
<td>26,670</td>
</tr>
<tr>
<td>Carryforward of unused tax losses</td>
<td>7,586</td>
<td>1,094</td>
<td>10,075</td>
</tr>
<tr>
<td>Other</td>
<td>23,640</td>
<td>16,224</td>
<td>149,412</td>
</tr>
<tr>
<td>Total deferred tax assets</td>
<td>59,331</td>
<td>38,886</td>
<td>358,115</td>
</tr>
<tr>
<td>Undistributed profit</td>
<td>(13,601)</td>
<td>(13,693)</td>
<td>(126,103)</td>
</tr>
<tr>
<td>Fixed assets (Note 1)</td>
<td>(2,596)</td>
<td>(2,259)</td>
<td>(20,803)</td>
</tr>
<tr>
<td>Other</td>
<td>(2,330)</td>
<td>(3,854)</td>
<td>(35,492)</td>
</tr>
<tr>
<td>Total deferred tax liabilities</td>
<td>(18,528)</td>
<td>(19,807)</td>
<td>(182,410)</td>
</tr>
<tr>
<td>Net deferred tax assets (Note 2)</td>
<td>40,802</td>
<td>19,078</td>
<td>175,696</td>
</tr>
</tbody>
</table>

(Note 1) “Fixed assets” include impairment losses and excess of depreciation of property, plant and equipment, intangible assets and investment property.

(Note 2) The difference between the net amount of deferred tax assets recognised in the years ended March 31, 2019 and 2020, less the respective net amounts of deferred tax assets recognised directly in equity and in other comprehensive income, is mainly attributable to the impact of foreign exchange movements.

Epson assesses its ability to utilise carryforward of unused tax losses in future periods based on the Mid-Range Business Plan and financial forecasts approved by the Board of Directors annually. This takes account of Epson’s medium and long-term strategy and financial plans and the expected future economic outlook. The ability to utilise carryforward of unused tax losses in future periods for recognising deferred tax assets also takes account of material tax adjusting items, the expected future taxable income and the period (if any) in which carryforward of unused tax losses might expire. Epson believes that the recognised deferred tax assets are probable and the tax benefits can be realised based on the prior taxable income and the expected future taxable income when the deferred tax assets can be recognised.

Epson does not recognise deferred tax assets for some carryforward of unused tax losses and some deductible temporary differences. Epson reduces the amount of the deferred tax assets to the extent that it is no longer
probable that the tax benefits can be realised based on an individual analysis of each company’s condition as a result of assessing the recoverability of the deferred tax assets.

The amounts of carryforward of unused tax losses, for which deferred tax assets have not been recognised, as of March 31, 2019 and 2020, were ¥47,931 million and ¥84,000 million ($773,587 thousand), respectively. The amounts of deductible temporary differences, for which deferred tax assets have not been recognised, as of March 31, 2019 and 2020, were ¥104,679 million and ¥144,275 million ($1,328,682 thousand), respectively. The deductible temporary differences are not expired under present tax laws. The expiration schedule of carryforward of unused tax losses was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2020</td>
<td></td>
</tr>
<tr>
<td>1st year</td>
<td>-</td>
<td>54,017</td>
<td>497,462</td>
</tr>
<tr>
<td>2nd year</td>
<td>38,357</td>
<td>7,323</td>
<td>67,440</td>
</tr>
<tr>
<td>3rd year</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4th year</td>
<td>11</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5th year and thereafter</td>
<td>9,562</td>
<td>22,659</td>
<td>208,675</td>
</tr>
<tr>
<td>Total</td>
<td>47,931</td>
<td>84,000</td>
<td>773,587</td>
</tr>
</tbody>
</table>

Epson has no taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised as of March 31, 2019 and 2020.

(2) Tax Expense

“Tax expense” recognised as an expense was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
<td></td>
</tr>
<tr>
<td>Current tax expense</td>
<td>(13,548)</td>
<td>(11,747)</td>
<td>(108,182)</td>
</tr>
<tr>
<td>Deferred tax expense</td>
<td>(4,447)</td>
<td>(20,142)</td>
<td>(185,495)</td>
</tr>
<tr>
<td>Total</td>
<td>(17,995)</td>
<td>(31,889)</td>
<td>(293,677)</td>
</tr>
</tbody>
</table>

Deferred tax expense increased by ¥86 million and decreased by ¥229 million ($2,108 thousand) due to the effect of changes in applicable tax rates for the year ended March 31, 2019 and 2020, respectively.

Deferred tax expense includes the benefit arising from a previously unrecognised tax loss, tax credit or temporary difference of a prior period, and expenses or benefits arising from write-downs of deferred tax assets or the reversal of previous write-downs of deferred tax assets. Due to these effects, the deferred tax expense increased by ¥1,510 million and increased by ¥21,502 million ($198,019 thousand) for the years ended March 31, 2019 and 2020, respectively.
(3) Reconciliation of the Effective Tax Rate

The breakdown of major items that caused differences between the effective statutory tax rate and the actual tax rate was as follows.

Epson is subject mainly to corporate tax, inhabitant tax, and enterprise tax, and the effective statutory tax rates calculated based on these taxes were 30.5% for the years ended March 31, 2019 and 2020 respectively. Foreign subsidiaries are subject to income tax at their locations.

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective statutory tax rate</td>
<td>30.5</td>
<td>30.5</td>
</tr>
<tr>
<td>Different tax rates applied to foreign subsidiaries</td>
<td>(6.7)</td>
<td>(9.0)</td>
</tr>
<tr>
<td>Expenses not deductible for tax purposes</td>
<td>(2.9)</td>
<td>1.2</td>
</tr>
<tr>
<td>Reassessment of recoverability of deferred tax assets</td>
<td>2.4</td>
<td>54.2</td>
</tr>
<tr>
<td>Changes in applicable tax rates</td>
<td>0.1</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Other</td>
<td>1.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Actual tax rate</td>
<td>25.0</td>
<td>80.3</td>
</tr>
</tbody>
</table>

16. Trade and Other Payables

The breakdown of “Trade and other payables” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen March 31, 2019</th>
<th>Millions of yen March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>76,439</td>
<td>63,561</td>
</tr>
<tr>
<td>Other payables</td>
<td>67,960</td>
<td>61,507</td>
</tr>
<tr>
<td>Total</td>
<td>144,399</td>
<td>125,069</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S. dollars March 31, 2019</th>
<th>Thousands of U.S. dollars March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>585,357</td>
<td>566,441</td>
</tr>
<tr>
<td>Other payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,151,807</td>
<td>1,151,807</td>
</tr>
</tbody>
</table>

Trade and other payables are classified as financial liabilities measured at amortised cost.
17. Bonds issued, Borrowings and Lease liabilities

(1) Breakdown of Bonds issued, Borrowings and Lease liabilities

The breakdown of “Bonds issued, borrowings and lease liabilities” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
<th>%</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
<td>Average interest rate (Note 1)</td>
<td></td>
</tr>
<tr>
<td>Current borrowings</td>
<td>11,204</td>
<td>1,267</td>
<td>11,668</td>
<td>2.11</td>
</tr>
<tr>
<td>Current portion of non-current</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current portion of bonds issued</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Note 2)</td>
<td>9,997</td>
<td>-</td>
<td>-</td>
<td>(Note 2)</td>
</tr>
<tr>
<td>Non-current borrowings</td>
<td>50,435</td>
<td>66,419</td>
<td>611,677</td>
<td>0.39</td>
</tr>
<tr>
<td>Bonds issued (Note 2)</td>
<td>69,769</td>
<td>99,677</td>
<td>917,962</td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>944</td>
<td>28,326</td>
<td>260,864</td>
<td>1.48</td>
</tr>
<tr>
<td>Total</td>
<td>142,351</td>
<td>209,682</td>
<td>1,931,040</td>
<td></td>
</tr>
</tbody>
</table>

|                                | Current liabilities | Non-current liabilities | Total  |
|                                | 21,363             | 120,987               | 142,351 |
|                                | 22,320             | 187,362               | 209,682 |
|                                | 205,553            | 1,725,486             | 1,931,040 |

(Note 1) Average interest rates are the weighted average interest rates for the balances at the end of the reporting period.

(Note 2) The summary of issuing conditions of the bonds issued was as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Name of bonds issued</th>
<th>Issue date</th>
<th>% interest rate</th>
<th>Collateral</th>
<th>Maturity date</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company</td>
<td>The 12th Series unsecured straight bonds issued</td>
<td>Jun 13, 2014</td>
<td>0.35</td>
<td>Non</td>
<td>Jun 13, 2019</td>
<td>10,000</td>
<td>184,187</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(10,000)</td>
<td>(-)</td>
</tr>
<tr>
<td>The Company</td>
<td>The 13th Series unsecured straight bonds issued</td>
<td>Sep 21, 2016</td>
<td>0.10</td>
<td>Non</td>
<td>Sep 21, 2021</td>
<td>20,000</td>
<td>184,187</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 14th Series unsecured straight bonds issued</td>
<td>Sep 21, 2016</td>
<td>0.27</td>
<td>Non</td>
<td>Sep 21, 2023</td>
<td>20,000</td>
<td>184,187</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 15th Series unsecured straight bonds issued</td>
<td>Sep 21, 2016</td>
<td>0.34</td>
<td>Non</td>
<td>Sep 18, 2026</td>
<td>10,000</td>
<td>92,093</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 16th Series unsecured straight bonds issued</td>
<td>Sep 6, 2017</td>
<td>0.26</td>
<td>Non</td>
<td>Sep 6, 2024</td>
<td>10,000</td>
<td>92,093</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 17th Series unsecured straight bonds issued</td>
<td>Sep 6, 2017</td>
<td>0.36</td>
<td>Non</td>
<td>Sep 6, 2027</td>
<td>10,000</td>
<td>92,093</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 18th Series unsecured straight bonds issued</td>
<td>Jul 19, 2019</td>
<td>0.20</td>
<td>Non</td>
<td>Jul 17, 2026</td>
<td>-</td>
<td>92,093</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Company</td>
<td>The 19th Series unsecured straight bonds issued</td>
<td>Jul 19, 2019</td>
<td>0.30</td>
<td>Non</td>
<td>Jul 19, 2029</td>
<td>-</td>
<td>184,187</td>
</tr>
<tr>
<td></td>
<td>(with inter-bond pari passu clause)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-)</td>
<td>(-)</td>
</tr>
</tbody>
</table>

*The figures in parentheses represent the current portion of bonds issued.

Bonds issued, borrowings and lease liabilities are classified as financial liabilities measured at amortised cost. There are no financial covenants on bonds issued and borrowings that have a significant impact on Epson’s financing activities.
(2) Reconciliation of Liabilities arising from Financing Activities

The schedule of “Liabilities arising from Financing Activities” was as follows:

### Current borrowings

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>25,949</td>
<td>50,415</td>
<td>89,703</td>
<td>497</td>
<td>-</td>
<td>166,565</td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>(16,832)</td>
<td>(135)</td>
<td>(10,000)</td>
<td>(150)</td>
<td>-</td>
<td>(27,118)</td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition or loss of control</td>
<td>-</td>
<td>135</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>2,087</td>
<td>-</td>
<td>-</td>
<td>(0)</td>
<td>-</td>
<td>2,087</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>19</td>
<td>64</td>
<td>597</td>
<td>-</td>
<td>681</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>11,204</td>
<td>50,435</td>
<td>79,767</td>
<td>944</td>
<td>-</td>
<td>142,351</td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>-</td>
<td>-</td>
<td>(944)</td>
<td></td>
<td>28,701</td>
<td>27,756</td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>11,204</td>
<td>50,435</td>
<td>79,767</td>
<td>-</td>
<td>28,701</td>
<td>170,108</td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>(9,816)</td>
<td>29,948</td>
<td>19,846</td>
<td>-</td>
<td>(8,203)</td>
<td>31,775</td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,522</td>
<td>8,522</td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>(137)</td>
<td>-</td>
<td>-</td>
<td>(1,114)</td>
<td>(1,252)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>27</td>
<td>64</td>
<td>-</td>
<td>420</td>
<td>529</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>1,267</td>
<td>80,411</td>
<td>99,677</td>
<td>-</td>
<td>28,326</td>
<td>209,682</td>
</tr>
</tbody>
</table>

### Non-current borrowings

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>50,415</td>
<td>89,703</td>
<td>497</td>
<td>-</td>
<td>166,565</td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>(135)</td>
<td>(10,000)</td>
<td>(150)</td>
<td>-</td>
<td>(27,118)</td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition or loss of control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>135</td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>2,087</td>
<td>-</td>
<td>-</td>
<td>2,087</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>19</td>
<td>64</td>
<td>597</td>
<td>-</td>
<td>681</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>50,435</td>
<td>79,767</td>
<td>944</td>
<td>-</td>
<td>142,351</td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>-</td>
<td>-</td>
<td>(944)</td>
<td></td>
<td>28,701</td>
<td>27,756</td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>50,435</td>
<td>79,767</td>
<td>-</td>
<td>28,701</td>
<td>170,108</td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>(29,948)</td>
<td>19,846</td>
<td>-</td>
<td>(8,203)</td>
<td>31,775</td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,522</td>
<td>8,522</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>(137)</td>
<td>-</td>
<td>(1,114)</td>
<td>(1,252)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>27</td>
<td>64</td>
<td>420</td>
<td>529</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>80,411</td>
<td>99,677</td>
<td>-</td>
<td>28,326</td>
<td>209,682</td>
<td></td>
</tr>
</tbody>
</table>

### Bonds issued

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>497</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition or loss of control</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Lease liabilities

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Total

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>166,565</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>(27,118)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisition or loss of control</td>
<td>135</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>2,087</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>681</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>142,351</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>27,756</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>170,108</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>31,775</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>8,522</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>(1,252)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>529</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>209,682</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### (Note) Lease obligations for finance lease under IAS17

<table>
<thead>
<tr>
<th></th>
<th>Thousands of U.S. dollars</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of March 31, 2019</td>
<td>1,310,963</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of changes in accounting policies</td>
<td>255,615</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of April 1, 2019</td>
<td>1,566,588</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes from cash flows</td>
<td>292,627</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-cash changes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New leases</td>
<td>78,482</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange movement</td>
<td>(11,530)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4,871</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>1,931,040</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The effect of changes in accounting policies was due to application of IFRS16 Leases. “Non-current borrowings” and “Bonds issued” in the tables above include their current portion.

The breakdown and the schedule of “Provisions” were as follows:

FY2018: Year ended March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Provision for product warranties</th>
<th>Asset retirement obligations</th>
<th>Provision for loss on litigation</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>12,940</td>
<td>3,719</td>
<td>262</td>
<td>8,297</td>
<td>25,219</td>
</tr>
<tr>
<td>Arising during the year</td>
<td>12,948</td>
<td>333</td>
<td>178</td>
<td>1,582</td>
<td>15,043</td>
</tr>
<tr>
<td>Utilised</td>
<td>(12,326)</td>
<td>(239)</td>
<td>(121)</td>
<td>(4,881)</td>
<td>(17,569)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(613)</td>
<td>-</td>
<td>-</td>
<td>(286)</td>
<td>(900)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(9)</td>
<td>(3)</td>
<td>(6)</td>
<td>39</td>
<td>18</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>12,938</td>
<td>3,808</td>
<td>313</td>
<td>4,751</td>
<td>21,812</td>
</tr>
</tbody>
</table>

Current liabilities 10,587 228 138 1,723 12,677
Non-current liabilities 2,351 3,580 174 3,027 9,134
Total 12,938 3,808 313 4,751 21,812

FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Provision for product warranties</th>
<th>Asset retirement obligations</th>
<th>Provision for loss on litigation</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>12,938</td>
<td>3,808</td>
<td>313</td>
<td>4,751</td>
<td>21,812</td>
</tr>
<tr>
<td>Arising during the year</td>
<td>12,171</td>
<td>375</td>
<td>543</td>
<td>465</td>
<td>13,557</td>
</tr>
<tr>
<td>Utilised</td>
<td>(12,479)</td>
<td>(254)</td>
<td>(190)</td>
<td>(1,625)</td>
<td>(14,548)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(459)</td>
<td>-</td>
<td>-</td>
<td>(720)</td>
<td>(1,180)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(504)</td>
<td>(35)</td>
<td>(14)</td>
<td>(92)</td>
<td>(647)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>11,666</td>
<td>3,895</td>
<td>651</td>
<td>2,777</td>
<td>18,992</td>
</tr>
</tbody>
</table>

Current liabilities 9,693 93 527 1,092 11,406
Non-current liabilities 1,973 3,801 124 1,685 7,585
Total 11,666 3,895 651 2,777 18,992

FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Provision for product warranties</th>
<th>Asset retirement obligations</th>
<th>Provision for loss on litigation</th>
<th>Other provisions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>119,150</td>
<td>35,069</td>
<td>2,882</td>
<td>43,753</td>
<td>200,874</td>
</tr>
<tr>
<td>Arising during the year</td>
<td>112,087</td>
<td>3,453</td>
<td>5,000</td>
<td>4,282</td>
<td>124,851</td>
</tr>
<tr>
<td>Utilised</td>
<td>(114,923)</td>
<td>(2,339)</td>
<td>(1,749)</td>
<td>(14,965)</td>
<td>(133,977)</td>
</tr>
<tr>
<td>Unused amounts reversed</td>
<td>(4,227)</td>
<td>-</td>
<td>-</td>
<td>(6,630)</td>
<td>(10,867)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(4,641)</td>
<td>(322)</td>
<td>(128)</td>
<td>(847)</td>
<td>(5,958)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>107,436</td>
<td>35,870</td>
<td>5,995</td>
<td>25,574</td>
<td>174,904</td>
</tr>
</tbody>
</table>

Current liabilities 89,266 856 4,853 10,056 105,042
Non-current liabilities 18,170 35,004 1,141 15,517 69,853
Total 107,436 35,870 5,995 25,574 174,904
(1) Provision for product warranties
For warranty expenditures, Epson recognises the provisions for estimated amounts based on the rate of historical service contract expenses to sales as well as estimated amounts for those products where future warranty expenses can be reliably estimated. Most of these expenditures are expected to be paid in the next fiscal year.

(2) Asset retirement obligations
Epson recognises provisions for asset retirement obligation which derive from the acquisition, construction, development or normal use of property, plant and equipment. Epson is required to bear the amount of asset retirement obligation that it is probable that Epson will pay in light of historical experience. These expenditures are expected to be paid mainly after five years or more. However, they may be affected by future business plans.

(3) Provision for loss on litigation
Epson recognises provisions for loss on litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the period. Most of these expenditures are expected to be paid in the next fiscal year.

19. Lease
FY2018: Year ended March 31, 2019

(1) Finance Lease Transactions
Epson leases instantaneous voltage drop compensators, host gas supply facilities for factory and other as a lessee. The total of future minimum lease payments, future finance costs and their present value for leased assets recognised based on the finance lease contracts by maturity were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>March 31, 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than 1 year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of future minimum lease payments</td>
<td>168</td>
<td></td>
</tr>
<tr>
<td>Future finance costs</td>
<td>(7)</td>
<td></td>
</tr>
<tr>
<td>Present value</td>
<td>161</td>
<td></td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of future minimum lease payments</td>
<td>412</td>
<td></td>
</tr>
<tr>
<td>Future finance costs</td>
<td>(19)</td>
<td></td>
</tr>
<tr>
<td>Present value</td>
<td>393</td>
<td></td>
</tr>
<tr>
<td>Later than 5 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of future minimum lease payments</td>
<td>408</td>
<td></td>
</tr>
<tr>
<td>Future finance costs</td>
<td>(18)</td>
<td></td>
</tr>
<tr>
<td>Present value</td>
<td>389</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total of future minimum lease payments</td>
<td>989</td>
<td></td>
</tr>
<tr>
<td>Future finance costs</td>
<td>(45)</td>
<td></td>
</tr>
<tr>
<td>Present value</td>
<td>944</td>
<td></td>
</tr>
</tbody>
</table>
(2) Operating Lease Transactions

(A) Future Minimum Lease Payments under Non-cancellable Operating Leases
The total of future minimum lease payments under non-cancellable operating leases was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2019</td>
<td></td>
</tr>
<tr>
<td>Not later than 1 year</td>
<td>6,632</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>15,434</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>6,966</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29,033</strong></td>
</tr>
</tbody>
</table>

(B) Total of Minimum Lease Payments and Contingent Rents
The total of minimum lease payments and contingent rents of operating lease contracts recognised as an expense was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2019</td>
<td></td>
</tr>
<tr>
<td>Total of minimum lease payments</td>
<td>9,222</td>
</tr>
<tr>
<td>Contingent rents</td>
<td>117</td>
</tr>
</tbody>
</table>

FY2019: Year ended March 31, 2020

(1) Leasing Activities
Epson enters into contracts mainly for real estate of business office and warehouse and other as a lessee. Extension and termination options are mainly included in leases of real estate, and these options are used by the lessee as necessary to utilise real estate.
(2) Right-of-use Assets

The schedule of the carrying amount of “Right-of-use asset” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>29,392</td>
<td>1,669</td>
<td>393</td>
<td>31,455</td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>7,747</td>
<td>822</td>
<td>127</td>
<td>8,697</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(6,816)</td>
<td>(727)</td>
<td>(135)</td>
<td>(7,680)</td>
</tr>
<tr>
<td>Exchange differences on</td>
<td>(793)</td>
<td>(56)</td>
<td>(3)</td>
<td>(853)</td>
</tr>
<tr>
<td>translation of foreign</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(263)</td>
<td>(65)</td>
<td>(14)</td>
<td>(343)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>29,265</td>
<td>1,642</td>
<td>367</td>
<td>31,275</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Land, buildings and structures</th>
<th>Machinery, equipment and vehicles</th>
<th>Tools, furniture and fixtures</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2019</td>
<td>270,681</td>
<td>15,370</td>
<td>3,619</td>
<td>289,680</td>
</tr>
<tr>
<td>Individual acquisition</td>
<td>71,345</td>
<td>7,570</td>
<td>1,169</td>
<td>80,093</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(62,771)</td>
<td>(6,695)</td>
<td>(1,243)</td>
<td>(70,728)</td>
</tr>
<tr>
<td>Exchange differences on</td>
<td>(7,303)</td>
<td>(515)</td>
<td>(27)</td>
<td>(7,855)</td>
</tr>
<tr>
<td>translation of foreign</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(2,422)</td>
<td>(598)</td>
<td>(128)</td>
<td>(3,158)</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>269,512</td>
<td>15,121</td>
<td>3,379</td>
<td>288,023</td>
</tr>
</tbody>
</table>

(3) Breakdown of Profit or Loss Related to Lease Transactions

The breakdown of profit or loss related to lease transactions was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended March 31, 2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expenses paid for</td>
<td>(441)</td>
<td>(4,061)</td>
</tr>
<tr>
<td>lease liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term leases</td>
<td>(5,517)</td>
<td>(50,808)</td>
</tr>
<tr>
<td>Low-value leases</td>
<td>(97)</td>
<td>(893)</td>
</tr>
<tr>
<td>Variable leases</td>
<td>(374)</td>
<td>(3,444)</td>
</tr>
</tbody>
</table>
20. Other Liabilities

The breakdown of “Other liabilities” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Accrued expense</td>
<td>23,105</td>
<td>189,022</td>
</tr>
<tr>
<td>Accrued bonus to employees</td>
<td>27,015</td>
<td>210,664</td>
</tr>
<tr>
<td>Accrued employee’s unused paid vacations</td>
<td>25,167</td>
<td>235,879</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>17,773</td>
<td>176,138</td>
</tr>
<tr>
<td>Refund liabilities</td>
<td>19,566</td>
<td>187,760</td>
</tr>
<tr>
<td>Other</td>
<td>13,955</td>
<td>120,753</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>126,585</strong></td>
<td><strong>1,120,246</strong></td>
</tr>
</tbody>
</table>

|                                | Millions of yen | Thousands of U.S. dollars |
|                                | March 31, 2019   | March 31, 2020            |
| Current liabilities            | 114,887          | 1,011,438                 |
| Non-current liabilities        | 11,697           | 108,799                   |
| **Total**                      | **126,585**      | **1,120,246**             |
21. *Post-employment Benefits*

The Company and some Japanese subsidiaries have the following defined benefit plans: defined benefit corporate pension plans and lump-sum severance plans. In addition, they also have defined contribution plans. Some overseas subsidiaries have defined benefit plans and defined contribution plans. Epson’s major defined benefit plans are administrated by the Corporate Pension Fund (the “Fund”) in accordance with the Defined-Benefit Corporate Pension Act (Act No. 50 of 2001). The benefits of defined benefit plans are determined based on conditions, such as years of service, the salary proportional method based on average employee salaries for services or final base salaries for retirement benefits and a funded method based on the points employees have earned for each year of service. The Fund has a Board of Representatives consisting of representatives of the Company and its Japanese subsidiaries and representatives of the plan participants in accordance with the rules of the Fund. The Board of Representatives is responsible for changes in the rules of the Fund, dismissal of the board members including members who execute operations related to the administration and investment of pension reserves for the Fund, and resolutions of the business report and the closing of account.

(1) Schedule of Defined Benefit Obligations

The schedule of the defined benefit obligations was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>316,917</td>
<td>329,331</td>
</tr>
<tr>
<td>Service cost</td>
<td>10,137</td>
<td>10,741</td>
</tr>
<tr>
<td>Interest cost</td>
<td>3,123</td>
<td>2,881</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in demographic assumptions</td>
<td>2,277</td>
<td>(1,657)</td>
</tr>
<tr>
<td>Actuarial gains and losses arising from changes in financial assumptions</td>
<td>7,892</td>
<td>(3,222)</td>
</tr>
<tr>
<td>Past service cost and losses (gains) arising from settlements</td>
<td>84</td>
<td>-</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(676)</td>
<td>(2,213)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(10,427)</td>
<td>(12,023)</td>
</tr>
<tr>
<td>Effects of business combinations and disposals</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>329,331</td>
<td>323,837</td>
</tr>
</tbody>
</table>
(2) Schedule of Plan Assets

The schedule of the plan assets was as follows. Epson’s major defined benefit plans are regulated by maintaining a balance between the pension obligations and plan assets through reviewing the financial condition of the fund that affects future benefits. Epson plans to pay contributions of ¥6,617 million ($60,938 thousand) for the year ending March 31, 2021.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31,</td>
<td>Year ended March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>274,607</td>
<td>275,832</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,348</td>
<td>1,946</td>
</tr>
<tr>
<td>Remeasurement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on plan assets</td>
<td>1,500</td>
<td>(2,037)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>(553)</td>
<td>(1,068)</td>
</tr>
<tr>
<td>Contributions by the employer</td>
<td>6,926</td>
<td>6,872</td>
</tr>
<tr>
<td>Contributions by plan participants</td>
<td>1,148</td>
<td>1,124</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(10,145)</td>
<td>(11,763)</td>
</tr>
<tr>
<td>Balance at the end of the year</td>
<td>275,832</td>
<td>270,906</td>
</tr>
</tbody>
</table>

(3) Schedule of Right to Reimbursement

As Epson’s major defined benefit plans are corporate defined benefit pension plans, there are no contributions from third parties.

(4) Effect of Asset Ceiling

There was no effect from the asset ceiling.

(5) Reconciliation of Defined Benefit Obligations and Plan Assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities or assets recognised in the consolidated statement of financial position were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Funded defined benefit obligations</td>
<td>323,311</td>
<td>318,015</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(275,832)</td>
<td>(270,906)</td>
</tr>
<tr>
<td>Subtotal</td>
<td>47,478</td>
<td>47,109</td>
</tr>
<tr>
<td>Unfunded defined benefit obligations</td>
<td>6,020</td>
<td>5,821</td>
</tr>
<tr>
<td>Net defined benefit liabilities or assets recognised in the consolidated statement of financial position</td>
<td>53,498</td>
<td>52,931</td>
</tr>
<tr>
<td>Net defined benefit liabilities</td>
<td>53,498</td>
<td>52,964</td>
</tr>
<tr>
<td>Net defined benefit assets</td>
<td>-</td>
<td>(33)</td>
</tr>
<tr>
<td>Net defined benefit liabilities and assets recognised in the consolidated statement of financial position</td>
<td>53,498</td>
<td>52,931</td>
</tr>
</tbody>
</table>
(6) Breakdown of Plan Assets
The breakdown of plan assets by major category was as follows. In plan assets, there are no transferable financial instruments, real estate held by Epson or other assets used by Epson.

<table>
<thead>
<tr>
<th>Investments quoted in active markets</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>14,528</td>
<td>11,933</td>
</tr>
<tr>
<td>Bonds receivable</td>
<td>2,978</td>
<td>3,169</td>
</tr>
<tr>
<td>Alternative investments (Note 1)</td>
<td>3,573</td>
<td>3,355</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>3,588</td>
<td>4,191</td>
</tr>
<tr>
<td>Other</td>
<td>3,628</td>
<td>3,760</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,297</td>
<td>26,409</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments unquoted in active markets</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pooled funds (Equity securities)</td>
<td>25,662</td>
<td>20,882</td>
</tr>
<tr>
<td>Pooled funds (Bonds receivable)</td>
<td>57,714</td>
<td>54,687</td>
</tr>
<tr>
<td>General accounts of life insurance companies (Note 2)</td>
<td>120,224</td>
<td>128,407</td>
</tr>
<tr>
<td>Alternative investments (Note 1)</td>
<td>43,440</td>
<td>40,057</td>
</tr>
<tr>
<td>Other</td>
<td>493</td>
<td>461</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>247,535</td>
<td>244,496</td>
</tr>
</tbody>
</table>

(Note 1) Alternative investments are the investments through hedge funds, multi-asset funds, securitisation funds and other funds.

(Note 2) A certain interest rate and principal for the general accounts of life insurance companies are guaranteed by life insurance companies.

The investment strategy for Epson’s plan assets was as follows:
Epson’s plan assets under defined benefit plans are managed in accordance with the rules of the Fund for securing stable returns in the medium and long-term in order to ensure the redemption of the defined benefit obligations. Epson sets the asset mix policy through performing pension ALM, which is combined management of assets and liabilities by an external agency to secure stable returns. Epson invests plan assets consistently with the asset mix policy.
(7) Matters Related to Actuarial Assumptions

The major item of actuarial assumptions was as follows:

<table>
<thead>
<tr>
<th>%</th>
<th>March 31, 2019</th>
<th>March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

The valuation of defined benefit obligations reflects judgments on uncertain future events. The sensitivities of defined benefit obligations due to changes of 1% in the discount rate as of March 31, 2020 were as follows. Each of these sensitivities assumes that other variables remain fixed. Negative figures show a decrease in the defined benefit obligations, while positive figures show an increase.

<table>
<thead>
<tr>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 31, 2020</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Discount rate (1% increase)</td>
<td>(47,635)</td>
</tr>
<tr>
<td>Discount rate (1% decrease)</td>
<td>56,154</td>
</tr>
</tbody>
</table>

The weighted-average duration of the defined benefit obligations at March 31, 2020 was 15.8 years.

(8) Defined Contribution Plans

Expenses for the defined contribution plans were ¥20,518 million and ¥19,957 million ($183,791 thousand) for the years ended March 31, 2019 and 2020, respectively.
22. **Equity and Other Equity Items**

(1) **Share Capital and Capital Surplus**

(A) Shares Authorised
The number of authorised shares as of March 31, 2019 and 2020 was 1,214,916,736 ordinary shares.

(B) Shares Issued and Fully Paid
The schedule of the number of issued shares and the amount of “Share capital” and “Capital surplus” was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of ordinary shares issued (Note)</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Share capital</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>As of April 1, 2018</td>
<td>399,634,778</td>
<td>53,204</td>
<td>84,364</td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>-</td>
<td>-</td>
<td>62</td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>399,634,778</td>
<td>53,204</td>
<td>84,427</td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>-</td>
<td>7</td>
<td>64</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>399,634,778</td>
<td>53,204</td>
<td>84,434</td>
</tr>
<tr>
<td></td>
<td></td>
<td>489,975</td>
<td>777,584</td>
</tr>
</tbody>
</table>

(Note) The shares issued by the Company are ordinary shares with no par value that have no restriction on any content of rights.

(2) **Treasury Shares**
The schedule of the number of treasury shares and the corresponding amount was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Number of treasury shares</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of April 1, 2018</td>
<td>47,406,139</td>
<td>30,803</td>
<td></td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>(8,500)</td>
<td>(14)</td>
<td></td>
</tr>
<tr>
<td>As of March 31, 2019</td>
<td>47,397,639</td>
<td>30,788</td>
<td>283,538</td>
</tr>
<tr>
<td>Increase (decrease)</td>
<td>6,305,882</td>
<td>10,164</td>
<td>93,604</td>
</tr>
<tr>
<td>As of March 31, 2020</td>
<td>53,703,521</td>
<td>40,953</td>
<td>377,151</td>
</tr>
</tbody>
</table>

(Note 1) Net decrease in the number of treasury shares during the year ended March 31, 2019 resulted from:
- the delivery to beneficiaries of BIP trust (8,930) shares
- the purchase of odd shares 430 shares

(Note 2) Net decrease in the number of treasury shares during the year ended March 31, 2020 resulted from:
- the purchase by the resolution of the board of directors 6,210,600 shares
- the purchase by BIP trust 130,000 shares
- the delivery to beneficiaries of BIP trust (35,130) shares
- the purchase of odd shares 412 shares

(Note 3) The number of treasury shares as of March 31, 2019 included 164,598 shares held by BIP trust.

(Note 4) The number of treasury shares as of March 31, 2020 included 259,468 shares held by BIP trust.
(3) Other Components of Equity

(A) Remeasurement of net defined benefit liabilities (assets)
This comprises actuarial gains and losses in the present value of the defined benefit obligation and the return on plan assets excluding amounts included in net interest on the net defined benefit liabilities (assets). The amount is recognised as other comprehensive income and is transferred immediately from other components of equity to retained earnings.

(B) Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
This is the valuation difference in fair value of financial assets measured at fair value through other comprehensive income.

(C) Exchange differences on translation of foreign operations
This is a foreign currency translation difference that occurs when Epson consolidates financial statements of foreign operations prepared in foreign currencies.

(D) Net changes in fair value of cash flow hedges
Epson uses derivatives for hedging to avoid the risk of fluctuation in future cash flows. This is the effective portion of changes in fair value of derivative transactions designated as cash flow hedges.

23. Dividends

Dividends paid were as follows:

FY2018: Year ended March 31, 2019

<table>
<thead>
<tr>
<th>(Resolution)</th>
<th>Class of shares</th>
<th>Millions of yen</th>
<th>Yen Dividends per share</th>
<th>Basis date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Shareholders Meeting (June 27, 2018)</td>
<td>Ordinary shares (Note1)</td>
<td>11,276</td>
<td>32</td>
<td>March 31, 2018</td>
<td>June 28, 2018</td>
</tr>
<tr>
<td>Board of Directors Meeting (October 30, 2018)</td>
<td>Ordinary shares (Note2)</td>
<td>10,924</td>
<td>31</td>
<td>September 30, 2018</td>
<td>November 30, 2018</td>
</tr>
</tbody>
</table>

(Note1) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.
(Note2) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th>(Resolution)</th>
<th>Class of shares</th>
<th>Millions of yen</th>
<th>Yen Dividends per share</th>
<th>Basis date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Shareholders Meeting (June 26, 2019)</td>
<td>Ordinary shares (Note1)</td>
<td>10,924</td>
<td>31</td>
<td>March 31, 2019</td>
<td>June 27, 2019</td>
</tr>
<tr>
<td>Board of Directors Meeting (October 30, 2019)</td>
<td>Ordinary shares (Note2)</td>
<td>10,731</td>
<td>31</td>
<td>September 30, 2019</td>
<td>November 29, 2019</td>
</tr>
</tbody>
</table>

(Note1) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.
(Note2) The amount of dividends includes dividends of ¥4 million corresponding to the Company’s shares held by BIP trust.
FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th>(Resolution)</th>
<th>Class of shares</th>
<th>Millions of yen</th>
<th>Yen</th>
<th>Basis date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Shareholders Meeting</td>
<td>Ordinary shares</td>
<td>(Note) 10,924</td>
<td>31</td>
<td>March 31, 2020</td>
<td>June 27, 2019</td>
</tr>
<tr>
<td>(June 26, 2019)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note) The amount of dividends includes dividends of ¥5 million corresponding to the Company’s shares held by BIP trust.

FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th>(Resolution)</th>
<th>Class of shares</th>
<th>Millions of yen</th>
<th>Yen</th>
<th>Basis date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Shareholders Meeting</td>
<td>Ordinary shares</td>
<td>(Note) 10,731</td>
<td>31</td>
<td>March 31, 2020</td>
<td>June 26, 2020</td>
</tr>
<tr>
<td>(June 25, 2020)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note) The amount of dividends includes dividends of ¥8 million corresponding to the Company’s shares held by BIP trust.

FY2019: Year ended March 31, 2020

<table>
<thead>
<tr>
<th>(Resolution)</th>
<th>Class of shares</th>
<th>Thousands of U.S. dollars</th>
<th>U.S. dollars</th>
<th>Basis date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Shareholders Meeting</td>
<td>Ordinary shares</td>
<td>(Note) 98,825</td>
<td>0.28</td>
<td>March 31, 2020</td>
<td>June 26, 2020</td>
</tr>
<tr>
<td>(June 25, 2020)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Note) The amount of dividends includes dividends of $73 thousand corresponding to the Company’s shares held by BIP trust.
24. Revenue

(1) Disaggregation of Revenue
The revenue of the reportable segments stated in “6. Segment Information” are disaggregated by each business. The relationship between the disaggregated revenue and the reportable segments is as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Printing Solutions Segment</td>
<td>723,679</td>
<td>708,604</td>
</tr>
<tr>
<td>Printers</td>
<td>505,958</td>
<td>482,518</td>
</tr>
<tr>
<td>Professional Printing</td>
<td>198,057</td>
<td>197,966</td>
</tr>
<tr>
<td>Other</td>
<td>19,772</td>
<td>28,254</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>(109)</td>
<td>(134)</td>
</tr>
<tr>
<td>Visual Communications Segment</td>
<td>203,309</td>
<td>183,345</td>
</tr>
<tr>
<td>Wearable and Industrial Products Segment</td>
<td>163,410</td>
<td>152,959</td>
</tr>
<tr>
<td>Wearable products</td>
<td>49,862</td>
<td>44,042</td>
</tr>
<tr>
<td>Robotic solutions</td>
<td>22,678</td>
<td>21,244</td>
</tr>
<tr>
<td>Micro-devices, Other</td>
<td>96,686</td>
<td>92,975</td>
</tr>
<tr>
<td>Inter-segment revenue</td>
<td>(5,816)</td>
<td>(5,303)</td>
</tr>
<tr>
<td>Others</td>
<td>(Note 1) (722)</td>
<td>(Note 2) (1,309)</td>
</tr>
<tr>
<td>Total revenue from contracts with customers</td>
<td>1,089,676</td>
<td>1,043,600</td>
</tr>
</tbody>
</table>

(Note 1) “Others” consisted of the intra-group services of ¥950 million and revenues which are not attributed to reportable segments and eliminations of (¥1,672) million.

(Note 2) “Others” consisted of the intra-group services of ¥921 million ($8,481 thousand) and revenues which are not attributed to reportable segments and eliminations of (¥2,231) million (($20,546) thousand).

Epson is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications, and Wearable & Industrial Products. Usually Epson transfers control of a promised good and satisfies a performance obligation at the time of delivery of the good. Therefore, Epson recognises revenue at the time of its delivery. 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.

Epson provides the option related to maintenance services such as extended warranties at the time of sales. For maintenance contracts related to maintenance services, 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 transaction related to the sale of the product as an advanced payment before the good deliveries, or Epson receives that related to maintenance contracts as a single advanced payment at the time of the contract, etc.
(2) Contract Balance

The breakdown of the balance of contract liabilities from contracts with customers was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th></th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>April 1, 2018</td>
<td>March 31, 2019</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Contract liabilities</td>
<td>17,031</td>
<td>17,773</td>
<td>19,126</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>8,684</td>
<td>8,728</td>
<td>9,408</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>8,346</td>
<td>9,044</td>
<td>9,717</td>
</tr>
<tr>
<td>Total</td>
<td>17,031</td>
<td>17,773</td>
<td>19,126</td>
</tr>
</tbody>
</table>

Contract liabilities are included in “Other current liabilities” and “Other non-current liabilities” in the consolidated statement of financial position. The balance of receivables from contracts with customers is stated in “8. Trade and Other Receivables.”

Amount of revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods was not material.

(3) Transaction Price Allocated to the Remaining Performance Obligations

Epson uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with expected contractual terms exceeding one year.
25. Selling, General and Administrative Expenses

The breakdown of “Selling, general and administrative expenses” was as follows:

<table>
<thead>
<tr>
<th>Employee benefit expense</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31,</td>
<td>Year ended March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Employee benefit expense</td>
<td>(107,148)</td>
<td>(108,530)</td>
</tr>
<tr>
<td>Research and development expense</td>
<td>(58,260)</td>
<td>(49,209)</td>
</tr>
<tr>
<td>Promotion expense</td>
<td>(37,050)</td>
<td>(34,156)</td>
</tr>
<tr>
<td>Service contract expense</td>
<td>(20,826)</td>
<td>(17,815)</td>
</tr>
<tr>
<td>Advertising expense</td>
<td>(20,467)</td>
<td>(18,687)</td>
</tr>
<tr>
<td>Transportation expense</td>
<td>(17,912)</td>
<td>(16,844)</td>
</tr>
<tr>
<td>Other</td>
<td>(80,449)</td>
<td>(75,894)</td>
</tr>
<tr>
<td>Total</td>
<td>(342,113)</td>
<td>(321,138)</td>
</tr>
</tbody>
</table>

26. Employee Benefit Expenses

The employee benefit expenses included in the consolidated statement of comprehensive income were as follows:

<table>
<thead>
<tr>
<th>Employee benefit expense</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31,</td>
<td>Year ended March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>(216,689)</td>
<td>(209,983)</td>
</tr>
<tr>
<td>Legal welfare expense</td>
<td>(20,658)</td>
<td>(20,066)</td>
</tr>
<tr>
<td>Welfare expense</td>
<td>(11,674)</td>
<td>(9,700)</td>
</tr>
<tr>
<td>Expenses of post-employment benefits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expense for defined contribution plans</td>
<td>(20,518)</td>
<td>(19,957)</td>
</tr>
<tr>
<td>Expense for defined benefit plans</td>
<td>(18,496)</td>
<td>(8,767)</td>
</tr>
<tr>
<td>Total</td>
<td>(288,037)</td>
<td>(268,475)</td>
</tr>
</tbody>
</table>

27. Other Operating Income

The breakdown of “Other operating income” was as follows:

<table>
<thead>
<tr>
<th>Other operating income</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31,</td>
<td>Year ended March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Insurance claim income</td>
<td>377</td>
<td>2,614</td>
</tr>
<tr>
<td>Gain on sales of property, plant and equipment, intangible assets and investment property</td>
<td>3,877</td>
<td>177</td>
</tr>
<tr>
<td>Other</td>
<td>2,138</td>
<td>2,389</td>
</tr>
<tr>
<td>Total</td>
<td>6,393</td>
<td>5,181</td>
</tr>
</tbody>
</table>
28. Other Operating Expense

The breakdown of “Other operating expense” was as follows:

<table>
<thead>
<tr>
<th>Losses related to suspension and others caused by COVID-19</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>(779)</td>
<td>(1,941)</td>
</tr>
<tr>
<td>Disaster loss</td>
<td>(1,289)</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>(3,467)</td>
<td>(2,630)</td>
</tr>
<tr>
<td>Total</td>
<td>(5,536)</td>
<td>(6,563)</td>
</tr>
</tbody>
</table>

29. Finance Income and Finance Costs

The breakdowns of “Finance income” and “Finance costs” were as follows:

<table>
<thead>
<tr>
<th>Finance Income</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,391</td>
<td>1,547</td>
</tr>
<tr>
<td>Dividend income</td>
<td>621</td>
<td>490</td>
</tr>
<tr>
<td>Foreign exchange gain (Note)</td>
<td>436</td>
<td>269</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,450</td>
<td>2,306</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance Costs</th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,081)</td>
<td>(1,210)</td>
</tr>
<tr>
<td>Employee benefit expense</td>
<td>(775)</td>
<td>(935)</td>
</tr>
<tr>
<td>Other</td>
<td>(8)</td>
<td>(4)</td>
</tr>
<tr>
<td>Total</td>
<td>(1,865)</td>
<td>(2,150)</td>
</tr>
</tbody>
</table>

(Note) The increase or decrease in the fair value of currency derivatives is included in the foreign exchange gain (loss).
### 30. Other Comprehensive Income

The amount arising during the year, reclassification adjustments to profit or loss and tax effects for each component of “Other comprehensive income” were as follows:

**FY2018: Year ended March 31, 2019**

<table>
<thead>
<tr>
<th>Amount arising</th>
<th>Reclassification adjustments</th>
<th>Before tax effects</th>
<th>Tax effects</th>
<th>Net of tax effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of net defined benefit liabilities (assets)</td>
<td>8,540</td>
<td>-</td>
<td>8,540</td>
<td>487</td>
</tr>
<tr>
<td>Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)</td>
<td>1,766</td>
<td>-</td>
<td>1,766</td>
<td>440</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>5,082</td>
<td>-</td>
<td>5,082</td>
<td>-</td>
</tr>
<tr>
<td>Net changes in fair value of cash flow hedges</td>
<td>1,565</td>
<td>(1,845)</td>
<td>280</td>
<td>85</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>(10)</td>
<td>-</td>
<td>(10)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,669</strong></td>
<td><strong>(1,845)</strong></td>
<td><strong>(5,515)</strong></td>
<td><strong>1,013</strong></td>
</tr>
</tbody>
</table>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

**FY2019: Year ended March 31, 2020**

<table>
<thead>
<tr>
<th>Amount arising</th>
<th>Reclassification adjustments</th>
<th>Before tax effects</th>
<th>Tax effects</th>
<th>Net of tax effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of net defined benefit liabilities (assets)</td>
<td>2,933</td>
<td>-</td>
<td>2,933</td>
<td>(491)</td>
</tr>
<tr>
<td>Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)</td>
<td>1,625</td>
<td>-</td>
<td>1,625</td>
<td>149</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>13,068</td>
<td>-</td>
<td>13,068</td>
<td>-</td>
</tr>
<tr>
<td>Net changes in fair value of cash flow hedges</td>
<td>2,623</td>
<td>(1,988)</td>
<td>634</td>
<td>(193)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>(33)</td>
<td>-</td>
<td>(33)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9,170</strong></td>
<td><strong>(1,988)</strong></td>
<td><strong>(11,158)</strong></td>
<td><strong>(534)</strong></td>
</tr>
</tbody>
</table>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

**FY2019: Year ended March 31, 2020**

<table>
<thead>
<tr>
<th>Amount arising</th>
<th>Reclassification adjustments</th>
<th>Before tax effects</th>
<th>Tax effects</th>
<th>Net of tax effects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurement of net defined benefit liabilities (assets)</td>
<td>27,011</td>
<td>-</td>
<td>27,011</td>
<td>(4,521)</td>
</tr>
<tr>
<td>Net gain (loss) on revaluation of financial assets measured at FVTOCI (Note)</td>
<td>14,965</td>
<td>-</td>
<td>14,965</td>
<td>1,372</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>120,348</td>
<td>-</td>
<td>120,348</td>
<td>-</td>
</tr>
<tr>
<td>Net changes in fair value of cash flow hedges</td>
<td>24,156</td>
<td>(18,308)</td>
<td>5,838</td>
<td>(1,777)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using the equity method</td>
<td>(303)</td>
<td>-</td>
<td>(303)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84,449</strong></td>
<td><strong>(18,308)</strong></td>
<td><strong>(102,758)</strong></td>
<td><strong>(4,917)</strong></td>
</tr>
</tbody>
</table>

(Note) FVTOCI: Fair Value Through Other Comprehensive Income

“Reclassification adjustments” shows the amounts of hedging instruments that are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. It is mainly treated as “Revenue” in the consolidated statement of comprehensive income.
### (1) Basis of Calculating Basic Earnings per Share

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Profit for the period attributable to owners of the parent company</td>
<td>53,710</td>
<td>71,216</td>
</tr>
<tr>
<td>Profit for the period not attributable to owners of the parent company</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit used for calculation of basic earnings per share</td>
<td>53,710</td>
<td>71,216</td>
</tr>
<tr>
<td>Weighted-average number of ordinary shares outstanding (Thousands of Shares)</td>
<td>352,232</td>
<td>347,393</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>(Yen) 152.49</td>
<td>(Yen) 22.26</td>
</tr>
</tbody>
</table>

### (2) Basis of Calculating Diluted Earnings per Share

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended March 31, 2019</td>
<td>Year ended March 31, 2020</td>
</tr>
<tr>
<td>Profit used for calculation of basic earnings per share</td>
<td>53,710</td>
<td>71,216</td>
</tr>
<tr>
<td>Adjustments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit used for calculation of diluted earnings per share</td>
<td>53,710</td>
<td>71,216</td>
</tr>
<tr>
<td>Weighted-average number of ordinary shares outstanding (Thousands of Shares)</td>
<td>352,232</td>
<td>347,393</td>
</tr>
<tr>
<td>Effect of dilutive potential ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BIP trust for eligible officers (Thousands of Shares)</td>
<td>108</td>
<td>124</td>
</tr>
<tr>
<td>Weighted-average number of ordinary shares diluted (Thousands of Shares)</td>
<td>352,340</td>
<td>347,518</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>(Yen) 152.44</td>
<td>(Yen) 22.25</td>
</tr>
</tbody>
</table>

(Note) For the purpose of calculation of basic earnings per share and diluted earnings per share, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from weighted-average number of ordinary shares outstanding during the period.
32. Share-based Payment

(1) Summary of Performance-Linked Stock Compensation Plan
The Company has employed a framework referred to as BIP (Board Incentive Plan) trust as performance-linked equity-settled share-based payment plan for the Company’s directors and executive officers who have been engaged by the Company (collectively referred to hereafter as “Eligible Officers,” and excluding outside directors and persons such as Audit and Supervisory Committee members who are not directly engaged in the operations of the Company, and persons residing outside Japan). The plan is intended to heighten directors’ sense of shared interest with shareholders and to show a commitment to sustaining growth and increasing corporate value over the medium and long-term.

The Eligible Officers are awarded a specific number of points each year based on their position and other factors (1 point = 1 share). Such points fluctuate depending on the levels of achievement of the medium and long-term operating performance targets of Epson. The vesting condition is basically for the Eligible Officers to render services for three years to a vesting date after a grant date of points.

(2) Number of Granted Points and Weighted Average Fair Value
The fair values of granted points at the grant date are measured based on observable market prices. Moreover, the expected dividends are incorporated into the measurement of fair values. The number of granted points and weighted average fair value at the grant date were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Year ended March 31, 2019</th>
<th>Year ended March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of granted points</td>
<td>46,252</td>
<td>47,351</td>
</tr>
<tr>
<td>Weighted average fair value at the grant date</td>
<td>¥1,696</td>
<td>¥1,535</td>
</tr>
</tbody>
</table>

(3) Stock Compensation Expenses
The total expenses recognised from the performance-linked stock compensation plan were ¥78 million and ¥66 million ($607 thousand) for the years ended March 31, 2019 and 2020, respectively.
33. Financial Instruments

(1) Capital Management
Epson selects the most effective fund management method focusing on the preservation of funds in view of safeness and flexibility. In addition, Epson obtains financing from bank loans and bonds issued. Epson has a policy not to transact derivatives for speculation purposes, but for avoiding the risks stated below.
Epson manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital (equity attributable to owners of the parent company). The amounts were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen March 31,</th>
<th>Thousands of U.S. dollars March 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest-bearing debt</td>
<td>142,351</td>
<td>209,682</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>(175,238)</td>
<td>(196,262)</td>
</tr>
<tr>
<td>Net interest-bearing debt</td>
<td>(32,887)</td>
<td>13,420</td>
</tr>
<tr>
<td>Capital (equity attributable to owners of the parent company)</td>
<td>540,181</td>
<td>503,746</td>
</tr>
</tbody>
</table>

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) for profitability, while focusing on changes in the domestic and overseas environment.

(2) Financial Risk Management
Epson is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, interest rate risks, and market price fluctuation risks) in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are regularly reported by the finance department to the Executive Committee of the Company.
Epson’s policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk
Receivables, such as notes and trade receivables, resulting from the operating activities of Epson are exposed to customer credit risks.
Epson holds equity securities and bonds receivable of customers and suppliers, mainly for the purpose of investing surplus funds and strengthening relationships with them; those securities and bonds are exposed to the issuers’ credit risks.
In addition, through derivative transactions that Epson conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, Epson is exposed to the credit risks of the financial institutions which are counterparties to these transactions.
In principle, Epson sets credit lines or transaction conditions with respect to trade receivables for counterparties based on Epson’s Credit Control Regulation in order to prevent credit risks relating to counterparties. In addition, the receivable balances of counterparties are monitored in order to mitigate the credit risks. The finance department of the Company regularly monitors the status of the occurrence and collection of bad debts, and reports them to the Executive Committee of the Company.
With regard to the investment of cash surpluses and derivatives, Epson invests in bonds receivable and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks based on Epson’s Capital Management Regulation. In addition, the finance department of the Company regularly monitors the performances of these transactions and reports the results to the Executive Committee of the Company.

The carrying amount of the financial asset presented in consolidated statement of financial position is the maximum exposure related to the credit risk. Epson does not have an important exposure for a specific counterparty and there is no over-concentrated credit risk with specific controls. There are no collateral or other credit enhancements related to credit risk exposures.
For impairment of financial assets, Epson recognises a loss allowance for expected credit losses. Epson assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. Epson
determines whether the credit risk of financial instruments has increased significantly based on fluctuations in the risk of default, taking into consideration internal credit ratings, the financial condition of counterparties, and the existence of contractual breaches such as overdues.

The loss allowance for items such as trade receivables, which account for the majority of Epson’s financial assets, is calculated by comprehensively measuring the lifetime expected credit losses based on historical experience rates. However, when a counterparty is in serious financial difficulty, or when objective evidence such as bankruptcy or extreme delinquency exists, Epson deems the financial assets to be credit-impaired and measures the expected credit loss individually. Epson directly reduces the gross carrying amount of a financial asset when Epson has no reasonable expectations of recovering a financial asset in its entirety or portion thereof.

The loss allowance for these financial assets is included in trade and other receivables or other financial assets in the consolidated statement of financial position.

The schedule for the allowance account for credit losses of “Trade and other receivables” and “Other financial assets” was as follows. There was no significant change in the total carrying amount in the previous or current consolidated fiscal year that would affect changes in the loss allowance.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31,</td>
<td>March 31,</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Balance as of April 1</td>
<td>1,486</td>
<td>1,151</td>
</tr>
<tr>
<td>Addition</td>
<td>481</td>
<td>304</td>
</tr>
<tr>
<td>Decrease (utilised)</td>
<td>(810)</td>
<td>(85)</td>
</tr>
<tr>
<td>Decrease (reversal)</td>
<td>(28)</td>
<td>(16)</td>
</tr>
<tr>
<td>Other</td>
<td>22</td>
<td>(99)</td>
</tr>
<tr>
<td>Balance as of March 31</td>
<td>1,151</td>
<td>1,255</td>
</tr>
</tbody>
</table>
(4) Liquidity Risk
Epson raises funds by borrowings and bonds issued; however, these liabilities are exposed to the liquidity risk that it would not be able to repay liabilities on the due date due to the deterioration of the financing environment. Epson establishes a financing plan based on the annual business plan and the finance department of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

The financial liability balance (including derivative financial instruments) by maturity was as follows:

### FY2018: As of March 31, 2019

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flow</th>
<th>Due within 1 year</th>
<th>Due after 1 year through 2 years</th>
<th>Due after 2 years through 3 years</th>
<th>Due after 3 years through 4 years</th>
<th>Due after 4 years through 5 years</th>
<th>Due after 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>144,399</td>
<td>144,399</td>
<td>144,399</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>61,639</td>
<td>61,704</td>
<td>11,204</td>
<td>14,000</td>
<td>500</td>
<td>18,000</td>
<td></td>
<td>18,000</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>79,767</td>
<td>80,000</td>
<td>10,000</td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>944</td>
<td>989</td>
<td>168</td>
<td>143</td>
<td>118</td>
<td>86</td>
<td>63</td>
<td>408</td>
</tr>
<tr>
<td>Other</td>
<td>1,957</td>
<td>1,957</td>
<td>1</td>
<td>10</td>
<td>23</td>
<td>76</td>
<td>15</td>
<td>1,829</td>
</tr>
<tr>
<td>Total</td>
<td>288,708</td>
<td>289,051</td>
<td>165,774</td>
<td>14,154</td>
<td>14,154</td>
<td>14,154</td>
<td>14,154</td>
<td>14,154</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contract</td>
<td>329</td>
<td>329</td>
<td>329</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>329</td>
<td>329</td>
<td>329</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FY2019: As of March 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flow</th>
<th>Due within 1 year</th>
<th>Due after 1 year through 2 years</th>
<th>Due after 2 years through 3 years</th>
<th>Due after 3 years through 4 years</th>
<th>Due after 4 years through 5 years</th>
<th>Due after 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>125,069</td>
<td>125,069</td>
<td>125,069</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>81,679</td>
<td>81,831</td>
<td>15,331</td>
<td>500</td>
<td>18,000</td>
<td></td>
<td></td>
<td>9,000</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>99,677</td>
<td>100,000</td>
<td>20,000</td>
<td></td>
<td></td>
<td>20,000</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>28,326</td>
<td>29,889</td>
<td>7,256</td>
<td>5,748</td>
<td>4,795</td>
<td></td>
<td>3,141</td>
<td>2,402</td>
</tr>
<tr>
<td>Other</td>
<td>1,888</td>
<td>1,888</td>
<td>10</td>
<td>57</td>
<td>67</td>
<td>19</td>
<td>326</td>
<td>1,406</td>
</tr>
<tr>
<td>Total</td>
<td>336,640</td>
<td>338,678</td>
<td>147,668</td>
<td>26,396</td>
<td>22,862</td>
<td>23,160</td>
<td>21,729</td>
<td>96,951</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contract</td>
<td>352</td>
<td>352</td>
<td>352</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>352</td>
<td>352</td>
<td>352</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FY2019: As of March 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
<th>Contractual cash flow</th>
<th>Due within 1 year</th>
<th>Due after 1 year through 2 years</th>
<th>Due after 2 years through 3 years</th>
<th>Due after 3 years through 4 years</th>
<th>Due after 4 years through 5 years</th>
<th>Due after 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1,151,807</td>
<td>1,151,807</td>
<td>1,151,807</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>752,212</td>
<td>753,612</td>
<td>141,188</td>
<td>4,604</td>
<td>165,768</td>
<td></td>
<td>82,884</td>
<td>359,165</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>917,902</td>
<td>920,937</td>
<td>184,187</td>
<td></td>
<td></td>
<td>184,187</td>
<td>92,093</td>
<td>460,468</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>260,864</td>
<td>275,259</td>
<td>66,823</td>
<td>52,935</td>
<td>44,158</td>
<td></td>
<td>28,926</td>
<td>22,120</td>
</tr>
<tr>
<td>Other</td>
<td>17,387</td>
<td>17,387</td>
<td>92</td>
<td>524</td>
<td>617</td>
<td>174</td>
<td>3,002</td>
<td>12,948</td>
</tr>
<tr>
<td>Total</td>
<td>3,100,244</td>
<td>3,119,012</td>
<td>1,359,930</td>
<td>242,261</td>
<td>210,544</td>
<td>213,289</td>
<td>200,110</td>
<td>892,858</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contract</td>
<td>3,241</td>
<td>3,241</td>
<td>3,241</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,241</td>
<td>3,241</td>
<td>3,241</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(5) Foreign Exchange Risk

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

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

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

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

Epson hedges against risk (A) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks (B) and (C), in principle.

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

The breakdown of currency derivatives was as follows:

<table>
<thead>
<tr>
<th>Derivative transactions to which hedge accounting is not applied</th>
<th>FY2018: As of March 31, 2019</th>
<th>FY2019: As of March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Contract amount</td>
<td>Over one year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Assets</td>
</tr>
<tr>
<td>Foreign exchange forward contract</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro (Yen buying)</td>
<td>12,631</td>
<td>-</td>
</tr>
<tr>
<td>Australian Dollar (Yen buying)</td>
<td>2,726</td>
<td>-</td>
</tr>
<tr>
<td>Non-Deliverable Forward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Rupee (U.S. Dollar buying)</td>
<td>2,878</td>
<td>-</td>
</tr>
<tr>
<td>New Taiwan Dollar (U.S. Dollar buying)</td>
<td>2,151</td>
<td>-</td>
</tr>
<tr>
<td>Won (U.S. Dollar buying)</td>
<td>677</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>21,065</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract</th>
<th>Carrying amount</th>
<th>Average rate</th>
<th>Contract</th>
<th>Carrying amount</th>
<th>Average rate</th>
<th>Contract</th>
<th>Carrying amount</th>
<th>Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Derivative transactions to which hedge accounting is applied

FY2018: As of March 31, 2019

<table>
<thead>
<tr>
<th>Contract amount</th>
<th>Over one year</th>
<th>Carrying amount</th>
<th>Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contract Selling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro (Yen buying)</td>
<td>30,634</td>
<td>278</td>
<td>125.76 JPY / EUR</td>
</tr>
<tr>
<td>Australian Dollar (Yen buying)</td>
<td>3,112</td>
<td>3</td>
<td>77.82 JPY / AUD</td>
</tr>
<tr>
<td>Yuan Renminbi (U.S. Dollar buying)</td>
<td>13,502</td>
<td>6</td>
<td>0.15 USD / CNY</td>
</tr>
<tr>
<td>Non-Deliverable Forward Selling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Rupee (U.S. Dollar buying)</td>
<td>4,770</td>
<td>106</td>
<td>0.01 USD / INR</td>
</tr>
<tr>
<td>New Taiwan Dollar (U.S. Dollar buying)</td>
<td>2,294</td>
<td>14</td>
<td>0.03 USD / TWD</td>
</tr>
<tr>
<td>Won (U.S. Dollar buying)</td>
<td>2,279</td>
<td>17</td>
<td>0.00 USD / KPW</td>
</tr>
<tr>
<td>Total</td>
<td>56,596</td>
<td>321</td>
<td>106</td>
</tr>
</tbody>
</table>

FY2019: As of March 31, 2020

<table>
<thead>
<tr>
<th>Contract amount</th>
<th>Over one year</th>
<th>Carrying amount</th>
<th>Average rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Liabilities</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange forward contract Selling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro (Yen buying)</td>
<td>38,143</td>
<td>167</td>
<td>119.99 JPY / EUR</td>
</tr>
<tr>
<td>Australian Dollar (Yen buying)</td>
<td>3,213</td>
<td>268</td>
<td>72.38 JPY / AUD</td>
</tr>
<tr>
<td>Yuan Renminbi (U.S. Dollar buying)</td>
<td>16,733</td>
<td>133</td>
<td>0.14 USD / CNY</td>
</tr>
<tr>
<td>Non-Deliverable Forward Selling</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indian Rupee (U.S. Dollar buying)</td>
<td>6,120</td>
<td>240</td>
<td>0.01 USD / INR</td>
</tr>
<tr>
<td>New Taiwan Dollar (U.S. Dollar buying)</td>
<td>2,494</td>
<td>17</td>
<td>0.03 USD / TWD</td>
</tr>
<tr>
<td>Won (U.S. Dollar buying)</td>
<td>3,116</td>
<td>56</td>
<td>0.00 USD / KPW</td>
</tr>
<tr>
<td>Total</td>
<td>69,822</td>
<td>866</td>
<td>17</td>
</tr>
</tbody>
</table>

(Note) Cash flow hedge is applied, and derivative transactions are measured at fair value and recognised in “Other financial assets” or “Other financial liabilities” in the consolidated statement of financial position.

Foreign Exchange Sensitivity Analysis
In cases where each currency other than the functional currency that denominates the financial instruments held by Epson as of March 31, 2020 increases by 10% in value against the functional currency, the impact on profit before tax in the consolidated statement of comprehensive income was as follows.
The impact from the translation of functional currency-denominated financial instruments, and assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, it is based on the assumption that currencies other than the currencies used for the calculation do not fluctuate.

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>March 31, 2020</td>
<td>March 31, 2020</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>8,611</td>
<td>79,301</td>
</tr>
</tbody>
</table>

121
(6) Interest Rate Risk
Epson’s interest rate risk arises from cash equivalents and interest-bearing debt. Borrowings and bonds issued with floating rates are subject to the effects of changes in future cash flows caused by the fluctuation of market interest rates; while, borrowings and bonds issued with fixed rates are subject to the effects of changes in the fair value caused by the fluctuation of market interest rates.
In response to the fluctuation of market interest rates, Epson reduces the interest rate risk by implementing an interest rate swap and adjusting appropriate proportion of financing between floating rates and fixed rates.
In accordance with Epson’s Capital Management Regulation, the interest rate swap is approved by the finance officer of the Company.

Interest Rate Sensitivity Analysis
In cases where the interest rate of financial instruments held by Epson as of March 31, 2020 increases by 100bp, the impact on profit before tax in the consolidated statement of comprehensive income was as follows:
The analysis included financial instruments affected by interest rate fluctuation and based on the assumption that other factors, including the impacts of foreign exchange fluctuation, were constant.

<table>
<thead>
<tr>
<th>Million of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before tax</td>
<td>674</td>
</tr>
<tr>
<td>March 31, 2020</td>
<td>6,207</td>
</tr>
</tbody>
</table>

(7) Market Price Fluctuation Risk
With respect to equity securities, Epson regularly assesses the fair value and financial conditions of the issuers, and reviews the portfolio held by taking into account the relationship with counterparty entities. Epson intends to hold equity instruments not for short-term trading but for long-term investment. Therefore, Epson does not sell the instruments actively.
The equity price fluctuation risks are calculated based on the price of equity instruments at the fiscal year end. In cases where the equity price changes by 5% in value, the impact on other comprehensive income before tax effects as of March 31, 2020 was ¥548 million ($5,046 thousand) due to the changes in the fair value.
(8) Fair Value of Financial Instruments

(A) Fair value measurement
The fair values of financial assets and liabilities are determined as follows:

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

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

(Borrowings)
Current borrowings are measured at their carrying amounts, because they are settled on a short-term basis and the fair values approximate their carrying amounts. For non-current borrowings with floating rates, it is assumed that the fair value is equal to the carrying amounts, because the rates are affected in the short term by fluctuations in market interest rates, and because Epson’s credit status has not greatly changed since they were implemented. The fair values of non-current borrowings with fixed rates are calculated by the total sum of the principal and interest discounted by using the interest rates that would be applied if similar new borrowings were conducted.

(Bonds issued)
The fair values are calculated based on prices obtained from financial institutions.

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

Level 1: Fair value measured at quoted prices in active markets for identical assets or liabilities
Level 2: Fair value calculated using inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly
Level 3: Fair value calculated using valuation techniques including unobservable inputs for the assets and liabilities
Epson does not have any financial instruments for which there is significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.

The transfers between levels in the fair value hierarchy are deemed to have occurred at the end of the reporting period.
(i) Financial instruments measured at amortised cost
The carrying amounts and the fair value hierarchy of financial instruments measured at amortised cost were as follows. The fair values of financial instruments that are not listed on the tables below approximate the carrying amounts.

### FY2018: As of March 31, 2019

<table>
<thead>
<tr>
<th>Financial liabilities measured at amortised cost</th>
<th>Carrying amount</th>
<th>Millions of yen</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Borrowings</td>
<td>61,639</td>
<td>-</td>
<td>62,350</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>79,767</td>
<td>-</td>
<td>80,292</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>141,407</td>
<td>-</td>
<td>142,642</td>
</tr>
</tbody>
</table>

### FY2019: As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial liabilities measured at amortised cost</th>
<th>Carrying amount</th>
<th>Millions of yen</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Borrowings</td>
<td>81,679</td>
<td>-</td>
<td>81,802</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>99,677</td>
<td>-</td>
<td>99,767</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>181,356</td>
<td>-</td>
<td>181,569</td>
</tr>
</tbody>
</table>

### FY2019: As of March 31, 2020

<table>
<thead>
<tr>
<th>Financial liabilities measured at amortised cost</th>
<th>Carrying amount</th>
<th>Thousands of U.S. dollars</th>
<th>Fair value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
</tr>
<tr>
<td>Borrowings</td>
<td>752,212</td>
<td>-</td>
<td>753,345</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>917,962</td>
<td>-</td>
<td>918,791</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,670,175</td>
<td>-</td>
<td>1,672,137</td>
</tr>
</tbody>
</table>

“Borrowings” and “Bonds issued” in the tables above include their current portion.
There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during each reporting period.
(ii) Financial instruments measured at fair value
The fair value hierarchy of financial instruments measured at fair value was as follows:

<table>
<thead>
<tr>
<th>FY2018: As of March 31, 2019</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Financial assets measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>9,146</td>
</tr>
<tr>
<td>Bonds receivable</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>9,146</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2019: As of March 31, 2020</th>
<th>Millions of yen</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Financial assets measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>8,036</td>
</tr>
<tr>
<td>Bonds receivable</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>8,036</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FY2019: As of March 31, 2020</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Financial assets measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial assets</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>74,006</td>
</tr>
<tr>
<td>Bonds receivable</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>74,006</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value</td>
<td></td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>-</td>
</tr>
</tbody>
</table>

There were no transfers of financial instruments between Level 1 and Level 2 of the fair value hierarchy during each reporting period.
The movement of financial instruments categorised within Level 3 of the fair value hierarchy was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended</td>
<td></td>
</tr>
<tr>
<td></td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td><strong>Balance as of April 1</strong></td>
<td>2,528</td>
<td>3,100</td>
</tr>
<tr>
<td><strong>Gains and losses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(327)</td>
<td>(514)</td>
</tr>
<tr>
<td>Purchase</td>
<td>900</td>
<td>1,041</td>
</tr>
<tr>
<td>Sales</td>
<td>-</td>
<td>(3)</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td><strong>Balance as of March 31</strong></td>
<td>3,100</td>
<td>3,617</td>
</tr>
</tbody>
</table>

34. Principal Subsidiaries

The content of principal subsidiaries is stated in “Additional Information 1. Principal subsidiaries and affiliates.”

35. Related Parties

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. There were no significant transactions between the Company, its subsidiaries and other related parties.

The remuneration for directors and other members of key management personnel was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended</td>
<td></td>
</tr>
<tr>
<td></td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Short-term remuneration</td>
<td>399</td>
<td>434</td>
</tr>
<tr>
<td>Stock compensation</td>
<td>42</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>441</td>
<td>465</td>
</tr>
</tbody>
</table>

(Note) The Company has introduced an officers’ shareholding association system to link compensation more closely to shareholders’ value. The acquisition of the Company’s shares accounts for a portion of the short-term remuneration.

36. Commitments

Commitments for the acquisition of assets after the fiscal year end were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Millions of yen</th>
<th>Thousands of U.S. dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year ended</td>
<td></td>
</tr>
<tr>
<td></td>
<td>March 31,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>Acquisition of property, plant and equipment</td>
<td>20,931</td>
<td>12,428</td>
</tr>
<tr>
<td>Acquisition of intangible assets</td>
<td>2,249</td>
<td>1,631</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>23,181</td>
<td>14,060</td>
</tr>
</tbody>
</table>
37. 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.

38. Subsequent Events

Issuance of straight bonds by the Company
At the board of directors meeting held on June 3, 2020, the Company resolved comprehensively to issue unsecured straight bonds of ¥70 billion ($644,656 thousand) or less in order to secure funds necessary for business development. The Company plans to issue the bonds through public offering in Japan and the purpose of funding is mainly for capital expenditures to projects that are eligible to Green Bond Flamework.

39. Approval of Consolidated Financial Statements

The consolidated financial statements were approved by Yasunori Ogawa (President and Representative Director) and Tatsuaki Seki (Director, Managing Executive Officer and General Administrative Manager, Management Control Division) on June 25, 2020.
Report of Independent Auditors

Independent Auditor’s Report

The Board of Directors
Seiko Epson Corporation

Opinion
We have audited the accompanying consolidated financial statements of Seiko Epson Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern and disclosing, as required by IFRSs, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group’s financial reporting process.
Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

• Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group’s internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with IFRSs.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
Conflicts of Interest
We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

Convenience Translation
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan
June 25, 2020

/s/ Makoto Usui
Designated Engagement Partner
Certified Public Accountant

/s/ Yoshiyuki Sakuma
Designated Engagement Partner
Certified Public Accountant

/s/ Yoshitomo Matsuura
Designated Engagement Partner
Certified Public Accountant

A member firm of Ernst & Young Global Limited
### Additional Information

#### 1. Principal subsidiaries and affiliates

<table>
<thead>
<tr>
<th>Company name</th>
<th>Location</th>
<th>Paid-in capital or amount invested</th>
<th>Main business</th>
<th>Ownership percentage of voting rights (%)</th>
<th>Relationship between parent company and subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Epson Sales Japan Corporation</strong></td>
<td>Shinjuku-ku, Tokyo</td>
<td>4,000 (million JPY)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Sales of the Company’s products, Interlocking directors, Financial assistance, Rental and borrowing of assets</td>
</tr>
<tr>
<td><strong>Epson Direct Corporation</strong></td>
<td>Matsumoto-shi, Nagano</td>
<td>150 (million JPY)</td>
<td>Printing solutions</td>
<td>100.0</td>
<td>Sales of PCs, etc., Rental of assets</td>
</tr>
<tr>
<td><strong>Miyazaki Epson Corporation</strong></td>
<td>Miyazaki-shi, Miyazaki</td>
<td>100 (million JPY)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of crystal devices</td>
</tr>
<tr>
<td><strong>Tohoku Epson Corporation</strong></td>
<td>Sakata-shi, Yamagata</td>
<td>100 (million JPY)</td>
<td>Printing solutions, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of printer components and semiconductors, Financial assistance</td>
</tr>
<tr>
<td><strong>Akita Epson Corporation</strong></td>
<td>Yuzawa-shi, Akita</td>
<td>80 (million JPY)</td>
<td>Printing solutions, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of printer components and watch movements, Interlocking directors, Financial assistance</td>
</tr>
<tr>
<td><strong>Epson Atmix Corporation</strong></td>
<td>Hachinohe-shi, Aomori</td>
<td>450 (million JPY)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture and sales of metal powders, synthetic quartz crystal, etc., Interlocking directors, Rental and borrowing of assets</td>
</tr>
<tr>
<td><strong>U.S. Epson, Inc.</strong></td>
<td>Long Beach, U.S.A.</td>
<td>126,941 (thousand USD)</td>
<td>Holding company</td>
<td>100.0</td>
<td>Holding company in Americas, Interlocking directors</td>
</tr>
<tr>
<td><strong>Epson America, Inc.</strong></td>
<td>Long Beach, U.S.A.</td>
<td>40,000 (thousand USD)</td>
<td>Regional headquarters, Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Regional headquarters in Americas, Sales of printers, 3LCD projectors, factory automation products, and electronic devices, etc., Interlocking directors</td>
</tr>
<tr>
<td><strong>Epson Portland Inc.</strong></td>
<td>Portland, U.S.A.</td>
<td>31,150 (thousand USD)</td>
<td>Printing solutions</td>
<td>100.0 (100.0)</td>
<td>Manufacture of printer consumables, etc.</td>
</tr>
<tr>
<td>Company name</td>
<td>Location</td>
<td>Paid-in capital or amount invested</td>
<td>Main business</td>
<td>Ownership percentage of voting rights (%)</td>
<td>Relationship between parent company and subsidiary</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>------------------------------</td>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Epson Europe B.V. *</td>
<td>Amsterdam, the Netherlands</td>
<td>95,000 (thousand EUR)</td>
<td>Regional headquarters, Printing solutions, Visual communications</td>
<td>100.0</td>
<td>Regional headquarters in Europe, Sales of printers and 3LCD projectors, etc., Interlocking directors</td>
</tr>
<tr>
<td>Epson (U.K.) Ltd.</td>
<td>Hemel Hempstead, UK</td>
<td>1,600 (thousand GBP)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc., Guaranty of liabilities</td>
</tr>
<tr>
<td>Epson Deutschland GmbH</td>
<td>Dusseldorf, Germany</td>
<td>5,200 (thousand EUR)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Sales of printers, 3LCD projectors and factory automation products, etc.</td>
</tr>
<tr>
<td>Epson Europe Electronics GmbH</td>
<td>Munich, Germany</td>
<td>2,000 (thousand EUR)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Sales of electronic devices</td>
</tr>
<tr>
<td>Epson France S.A.S.</td>
<td>Levallois-Perret, France</td>
<td>4,000 (thousand EUR)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>Epson Italia S.p.A.</td>
<td>Milan, Italy</td>
<td>3,000 (thousand EUR)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>For.Tex S.r.l.</td>
<td>Como, Italy</td>
<td>80 (thousand EUR)</td>
<td>Printing solutions</td>
<td>100.0 (100.0)</td>
<td>Sales, etc. of printer consumables</td>
</tr>
<tr>
<td>Epson Iberica, S.A.U.</td>
<td>Cerdanyola, Spain</td>
<td>1,900 (thousand EUR)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>Epson Telford Ltd.</td>
<td>Telford, UK</td>
<td>8,000 (thousand GBP)</td>
<td>Printing solutions</td>
<td>100.0 (100.0)</td>
<td>Manufacture of printer consumables, Interlocking directors</td>
</tr>
<tr>
<td>Fratelli Robustelli S.r.l.</td>
<td>Como, Italy</td>
<td>90 (thousand EUR)</td>
<td>Printing solutions</td>
<td>100.0 (100.0)</td>
<td>Manufacture, etc. of printers, Interlocking directors</td>
</tr>
<tr>
<td>Epson (China) Co., Ltd. *</td>
<td>Beijing, China</td>
<td>1,211 (million CNY)</td>
<td>Regional headquarters, Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Regional headquarters in China, Sales of printers, 3LCD projectors, factory automation products and electronic devices, etc., Interlocking directors</td>
</tr>
<tr>
<td>Epson Singapore Pte. Ltd.</td>
<td>Singapore</td>
<td>200 (thousand SGD)</td>
<td>Regional headquarters, Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Regional headquarters in Southeast Asia, Sales of printers, 3LCD projectors and electronic devices, etc., Interlocking directors</td>
</tr>
<tr>
<td>Epson Korea Co., Ltd.</td>
<td>Seoul, Korea</td>
<td>1,466 (million KRW)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Sales of printers, 3LCD projectors and factory automation products and electronic devices, etc.</td>
</tr>
<tr>
<td>Company name</td>
<td>Location</td>
<td>Paid-in capital or amount invested</td>
<td>Main business</td>
<td>Ownership percentage of voting rights (%)</td>
<td>Relationship between parent company and subsidiary</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------------------------</td>
<td>-----------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>------------------------------------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Epson Hong Kong Ltd.</td>
<td>Hong Kong, China</td>
<td>2,000 (thousand HKD)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Sales of printers, 3LCD projectors, watch movements, factory automation products and electronic devices, etc.</td>
</tr>
<tr>
<td>Epson Taiwan Technology &amp; Trading Ltd.</td>
<td>Taipei, Taiwan</td>
<td>25,000 (thousand TWD)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Sales of printers, 3LCD projectors, factory automation products and electronic devices, etc., Interlocking directors, Financial assistance</td>
</tr>
<tr>
<td>PT. Epson Indonesia</td>
<td>Jakarta, Indonesia</td>
<td>918,000 (thousand IDR)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>Epson (Thailand) Co., Ltd.</td>
<td>Bangkok, Thailand</td>
<td>203,156 (thousand THB)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>Epson Philippines Corporation</td>
<td>Pasig, Philippines</td>
<td>50,000 (thousand PHP)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc.</td>
</tr>
<tr>
<td>Epson Australia Pty. Ltd.</td>
<td>North Ryde, Australia</td>
<td>1,000 (thousand AUD)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0</td>
<td>Sales of printers and 3LCD projectors, etc., Interlocking directors</td>
</tr>
<tr>
<td>Epson India Pvt. Ltd.</td>
<td>Bangalore, India</td>
<td>108,628 (thousand INR)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0 (100.0)</td>
<td>Sales of printers and 3LCD projectors, etc., Interlocking directors</td>
</tr>
<tr>
<td>Epson Precision (Hong Kong) Ltd. *</td>
<td>Hong Kong, China</td>
<td>81,602 (thousand USD)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0</td>
<td>Management of components of printers and 3LCD projectors, etc. used for contract services</td>
</tr>
<tr>
<td>Epson Engineering (Shenzhen) Ltd. *</td>
<td>Shenzhen, China</td>
<td>56,641 (thousand USD)</td>
<td>Printing solutions, Visual communications, Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Manufacture of printers, 3LCD projectors and factory automation products, etc.</td>
</tr>
<tr>
<td>Epson Precision (Shenzhen) Ltd.</td>
<td>Shenzhen, China</td>
<td>25,000 (thousand USD)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Manufacture of watches, etc.</td>
</tr>
<tr>
<td>Orient Watch (Shenzhen) Ltd.</td>
<td>Shenzhen, China</td>
<td>37,748 (thousand CNY)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Manufacture of watches, etc.</td>
</tr>
<tr>
<td>Tianjin Epson Co., Ltd.</td>
<td>Tianjin, China</td>
<td>172,083 (thousand CNY)</td>
<td>Printing solutions</td>
<td>80.0 (80.0)</td>
<td>Manufacture of printer consumables, etc., Interlocking directors</td>
</tr>
<tr>
<td>Company name</td>
<td>Location</td>
<td>Paid-in capital or amount invested</td>
<td>Main business</td>
<td>Ownership percentage of voting rights (%)</td>
<td>Relationship between parent company and subsidiary</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------</td>
<td>-----------------------------------</td>
<td>------------------------------------</td>
<td>-------------------------------------------</td>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Singapore Epson Industrial Pte. Ltd.</td>
<td>Singapore</td>
<td>71,700 (thousand SGD)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of semiconductors, and surface finishing, etc.</td>
</tr>
<tr>
<td>PT. Epson Batam</td>
<td>Batam, Indonesia</td>
<td>7,000 (thousand USD)</td>
<td>Printing solutions</td>
<td>100.0 (100.0)</td>
<td>Manufacture of printer consumables, etc., Guaranty of liabilities</td>
</tr>
<tr>
<td>PT. Indonesia Epson Industry *</td>
<td>Bekasi, Indonesia</td>
<td>23,000 (thousand USD)</td>
<td>Printing solutions</td>
<td>100.0</td>
<td>Manufacture of printers, Interlocking directors</td>
</tr>
<tr>
<td>Epson Precision (Thailand) Ltd. *</td>
<td>Chachoengsao, Thailand</td>
<td>3,250,000 (thousand THB)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of watches and crystal devices, Interlocking directors</td>
</tr>
<tr>
<td>Epson Precision (Philippines), Inc. *</td>
<td>Lipa, Philippines</td>
<td>157,533 (thousand USD)</td>
<td>Printing solutions, Visual communications</td>
<td>100.0</td>
<td>Manufacture of printers and 3LCD projectors</td>
</tr>
<tr>
<td>Epson Precision Malaysia Sdn. Bhd.</td>
<td>Kuala Lumpur, Malaysia</td>
<td>16,800 (thousand MYR)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0</td>
<td>Manufacture of crystal devices, Interlocking directors</td>
</tr>
<tr>
<td>Epson Precision (Johor) Sdn. Bhd.</td>
<td>Johor, Malaysia</td>
<td>22,800 (thousand MYR)</td>
<td>Wearable &amp; Industrial products</td>
<td>100.0 (100.0)</td>
<td>Manufacture of watch components</td>
</tr>
<tr>
<td>41 other companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Equity method affiliates)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes
1. Ownership percentage of voting rights indicated inside parentheses refers to indirect ownership percentage.
2. * indicates a specified subsidiary (tokutei-kogaisha).
3. The revenue (excluding revenues among consolidated subsidiaries) of Epson Sales Japan Corporation and Epson America, Inc. each amounts to more than 10% of the consolidated revenue. Key information on the operations of these subsidiaries is as follows.

![Table](image)

Figures for Epson America, Inc. are included in consolidated business results.
# 2. Distribution of ownership among shareholders

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of shareholders (Persons)</th>
<th>Number of shares owned (Units)</th>
<th>Percentage of shares owned (%)</th>
<th>Share ownership (100 shares per unit)</th>
<th>Shares less than one unit (Shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Government and regional public bodies</td>
<td>Japanese financial institutions</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>73</td>
<td>34</td>
</tr>
<tr>
<td>Number of shares owned</td>
<td>–</td>
<td>1,440,236</td>
<td>163,865</td>
<td>530,350</td>
<td>686,917</td>
</tr>
<tr>
<td>Percentage of shares owned</td>
<td>–</td>
<td>36.05</td>
<td>4.10</td>
<td>13.28</td>
<td>17.19</td>
</tr>
</tbody>
</table>

**Notes**

1. 53,444,053 shares of treasury shares are included as 534,440 units under “Japanese individuals and others” and 53 shares under “Shares less than one unit.” Treasury shares do not include the Company’s shares (259,468 shares) owned by the officer compensation BIP trust.

2. Six units in the name of Japan Securities Depository Center, Inc. are included under “Other Japanese corporations.”
3. Major shareholders

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Number of shares held (Shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Master Trust Bank of Japan, Ltd. (Trust account)</td>
<td>11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo</td>
<td>54,424,400</td>
<td>15.72</td>
</tr>
<tr>
<td>Japan Trustee Services Bank, Ltd. (Trust account)</td>
<td>8-11, Harumi 1-chome, Chuo-ku, Tokyo</td>
<td>24,647,100</td>
<td>7.11</td>
</tr>
<tr>
<td>Sanko Kigyo Kabushiki Kaisha</td>
<td>6-1, Ginza 5-chome, Chuo-ku, Tokyo</td>
<td>20,000,000</td>
<td>5.77</td>
</tr>
<tr>
<td>Seiko Holdings Corporation</td>
<td>5-11, Ginza 4-chome, Chuo-ku, Tokyo</td>
<td>12,000,000</td>
<td>3.46</td>
</tr>
<tr>
<td>The Dai-ichi Life Insurance Company, Limited (Standing proxy: Trust</td>
<td>13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (Harumi Island Triton Square</td>
<td>8,736,000</td>
<td>2.52</td>
</tr>
<tr>
<td>&amp; Custody Services Bank, Ltd.)</td>
<td>Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mizuho Trust &amp; Banking Co., Ltd., Retirement benefit trust, Mizuho</td>
<td>Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-</td>
<td>8,153,800</td>
<td>2.35</td>
</tr>
<tr>
<td>Bank, Ltd. account, Beneficiary of the re-trust, Trust &amp; Custody</td>
<td>ku, Tokyo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Custody Services Bank, Ltd.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust &amp; Custody Services Bank, Ltd. (Securities investment trust</td>
<td>Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-</td>
<td>7,510,400</td>
<td>2.16</td>
</tr>
<tr>
<td>account)</td>
<td>ku, Tokyo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Epson Group Employees’ Shareholding Association</td>
<td>3-5, Owa 3-chome, Suwa-oli, Nagano</td>
<td>7,309,864</td>
<td>2.11</td>
</tr>
<tr>
<td>Mikiko Kidosaki</td>
<td>Shibuya-ku, Tokyo</td>
<td>6,855,302</td>
<td>1.98</td>
</tr>
<tr>
<td>Minako Hattori</td>
<td>Chiyoda-ku, Tokyo</td>
<td>6,855,302</td>
<td>1.98</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>–</strong></td>
<td><strong>156,492,168</strong></td>
<td><strong>45.20</strong></td>
</tr>
</tbody>
</table>

**Notes**

1. Although the Company holds 53,444,053 shares of treasury shares, the Company is excluded from the above list of major shareholders. (The ratio of the treasury shares held by the Company to the total number of shares outstanding is 13.37%.) Treasury shares do not include the Company’s shares (259,468 shares) owned by the officer compensation BIP trust.

2. The shares held by Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the re-trust, Trust & Custody Services Bank, Ltd., were contributed by Mizuho Bank, Ltd. to the trust assets of the Retirement benefit trust.

3. Mizuho Bank, Ltd. and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of October 7, 2019, claiming that they hold the Company’s shares as follows as of September 30, 2019. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.
<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Number of shares held (Shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mizuho Bank, Ltd.</td>
<td>5-5, Otemachi 1-chome, Chiyoda-ku, Tokyo</td>
<td>12,172,000</td>
<td>3.05</td>
</tr>
<tr>
<td>Mizuho Securities Co., Ltd.</td>
<td>5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo</td>
<td>1,138,600</td>
<td>0.28</td>
</tr>
<tr>
<td>Mizuho Trust &amp; Banking Co., Ltd.</td>
<td>2-1, Yaesu 1-chome, Chuo-ku, Tokyo</td>
<td>400,000</td>
<td>0.10</td>
</tr>
<tr>
<td>Asset Management One Co., Ltd.</td>
<td>8-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td>
<td>13,415,000</td>
<td>3.36</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>27,125,600</strong></td>
<td><strong>6.79</strong></td>
</tr>
</tbody>
</table>

4. Mitsubishi UFJ Financial Group, Inc. and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of November 18, 2019, claiming that they hold the Company’s shares as follows as of November 11, 2019. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Number of shares held (Shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitsubishi UFJ Trust and Banking Corp.</td>
<td>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo</td>
<td>9,122,200</td>
<td>2.28</td>
</tr>
<tr>
<td>Mitsubishi UFJ Kokusai Asset Management</td>
<td>12-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo</td>
<td>7,211,500</td>
<td>1.80</td>
</tr>
<tr>
<td>Mitsubishi UFJ Morgan Stanley Securities</td>
<td>5-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo</td>
<td>6,679,645</td>
<td>1.67</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>23,013,345</strong></td>
<td><strong>5.76</strong></td>
</tr>
</tbody>
</table>

5. Nomura Securities Co., Ltd. and its joint holders submitted a Report of Change to the Director of the Kanto Local Finance Bureau as of January 20, 2020, claiming that they hold the Company’s shares as follows as of January 15, 2020. However, we have not been able to confirm the number of shares they held at the record date for voting. Therefore, they are not included in the above major shareholders.

<table>
<thead>
<tr>
<th>Name</th>
<th>Address</th>
<th>Number of shares held (Shares)</th>
<th>Shareholding ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nomura Securities Co., Ltd.</td>
<td>9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo</td>
<td>1,596,953</td>
<td>0.40</td>
</tr>
<tr>
<td>NOMURA INTERNATIONAL PLC</td>
<td>1 Angel Lane, London EC4R 3AB, United Kingdom</td>
<td>429,867</td>
<td>0.11</td>
</tr>
<tr>
<td>Nomura Asset Management Co., Ltd.</td>
<td>12-1, Nihonbashi 1-chome, Chuo-ku, Tokyo</td>
<td>29,680,600</td>
<td>7.43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>31,707,420</strong></td>
<td><strong>7.93</strong></td>
</tr>
</tbody>
</table>
4. Officer and employee stock ownership plans

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

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

1) Resolution of the Board of Directors
2) Additional contribution
3) Payment of costs
4) Dividends
5) Instruction not to exercise voting rights
6) Delivery of Epson shares and cash benefits
7) Gratis transfer and retirement of residual assets
8) Delivery of residual assets

1) Epson resolved the continuation of the Plan at the meeting of its Board of Directors.
2) Epson additionally contributed funds within the scope of approval by resolution at the 2016 General Meeting of Shareholders and has extended the period of a trust with beneficiaries who are the Eligible Officers who satisfy the beneficiary requirements (hereinafter referred to as the “Trust”).
3) According to the trust administrator’s instructions, the Trust uses funds remaining in the trust assets at the time of the change in the trust agreement and funds contributed as in 2) above as the source of funds to acquire Epson shares in the stock market.
4) The allocation of surplus funds for the Epson shares within the Trust is handled in the same manner as for other Epson shares, and is appropriated for necessary expenses for the Plan.

5) Throughout the trust period, voting rights are not to be exercised on Epson shares within the Trust.

6) During the trust period, the Eligible Officers are awarded a specific number of points each year based on their position and other factors, in accordance with the share delivery regulations. Such points fluctuate depending on the levels of achievement of the mid- to long-term operating performance targets of Epson. Furthermore, Epson shares, which correspond to a certain proportion of such points, will be delivered to the Eligible Officers, in principle, after the lapse of three years following the awarding of points. As regards Epson shares corresponding to the remaining portion of points, the Eligible Officers will receive cash equivalent to the amounts obtained through the conversion of such shares into cash within the Trust as prescribed in the trust agreement.

7) If residual shares remain in the Trust at the expiry of the trust period in the event that operating performance targets are not met during the trust period, Epson may continue to use the Trust by amending the trust agreement and making additional contribution. Otherwise, Epson will acquire such residual shares, through gratis transfer, and retire them by resolution of the Board of Directors.

8) Upon the termination of the Trust, residual assets remaining after allocation to beneficiaries are to be attributed to Epson within the scope of trust expense reserve after subtracting funds for acquiring shares from the trust money. The portion exceeding the trust expense reserve is planned to be donated to organization(s) having no interests with Epson and any of its officers.

(2) Overview of the trust agreement

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

(3) Content of trust/stock related business

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Trust-related business</td>
<td>Mitsubishi UFJ Trust and Banking Corporation and The Master Trust Bank of Japan, Ltd. handle the trust-related business as trustees of the BIP Trust.</td>
</tr>
<tr>
<td>2) Stock-related business</td>
<td>Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. handles the business related to the delivery of Epson shares to the beneficiaries in accordance with a business consignment agreement.</td>
</tr>
</tbody>
</table>

(4) Total number or total amount of shares to be acquired by the Eligible Officers

190,305 shares
(5) Scope of beneficiaries and persons entitled to other rights under the Plan

The Eligible Officers who meet the beneficiary requirements

* Persons who have conducted a certain illegal activity do not meet the beneficiary requirements.
5. Corporate data and investor information

(1) Company name  
Seiko Epson Corporation

(2) Founded  
May 1942

(3) Head office  
3-5, Owa 3-chome, Suwa, Nagano 392-8502, Japan  
Tel: +81-266-52-3131 (main)

(4) Tokyo office  
JR Shinjuku Miraina Tower, 4-1-6 Shinjuku, Tokyo  
160-8801, Japan  
Tel: +81 3-5368-0700 (main)

(5) Investor information  
Closing of accounts  
March 31

Regular general shareholders’ meeting  
June

Date for confirmation to shareholders of  
the cash dividend payment date  
March 31

Date for confirmation to shareholders of  
the interim cash dividend payment date  
September 30

Transfer agent  
Mitsubishi UFJ Trust and Banking Corporation  
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Agent’s business address  
Stock Transfer Agency Department  
Mitsubishi UFJ Trust and Banking Corporation  
1-1, Nikkocho, Fuchu, Tokyo, Japan  
Tel: +81-42-204-0303  
http://www.tr.mufg.jp/english/

Intermediary offices  
Head Office and Branches of Mitsubishi UFJ Trust and  
Banking Corporation

Posting of public notices  
Public notices will be posted electronically. In the event of  
accidents or other circumstances preventing the electronic  
posting of information, such information will be made  
available through the Nihon Keizai Shimbun newspaper  
(Japanese)

Public notice website address  
https://kmasterplus.pronexus.co.jp/main/corp/6/7/6724/  
index.html (Japanese)