

Corporate Governance Report

Last Update: June 27, 2019

Seiko Epson Corporation

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<https://global.epson.com/>

The corporate governance of Seiko Epson Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

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

- Respect the rights of shareholders, and secure equality.
- Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
- Disclose company information as appropriate and ensure transparency.
- Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary responsibilities and shall fulfill the roles and responsibilities expected of them.
- Epson shall engage in constructive dialogue with shareholders.

To achieve the goals declared in Epson’s Management Philosophy, promote sustainable growth, and increase corporate value over the medium and long terms, Epson strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, fast, and decisive decision-making. Operating as a company with an Audit & Supervisory Committee, Seiko Epson will further improve the supervisory function of the Board of Directors, enhance discussions at Board of Directors meetings, speed up management decision-making, and further increase the effectiveness of corporate governance.

The general principles and policies regarding corporate governance at Epson are summarized in “Corporate Governance Policy,” which is available for viewing on the corporate website. (https://global.epson.com/SR/organizational_governance/)

Reasons for Non-compliance with the Principles of the Corporate Governance Code

Epson continuously strives to enhance and strengthen its corporate governance based on the foregoing policy and has implemented all the principles in the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code

Principle 1.4

For the policy on cross-shareholdings, please see Article 5 in Epson’s Corporate Governance Policy. Individual cross-shareholdings in the Epson Group (as of the end of June 2018) were analyzed by the

Board of Directors in September 2018 based on Epson's compliance assessment criteria to determine the purpose of these cross-shareholdings and their associated risks and benefits. Epson is moving toward reducing those cross-shareholdings that were found to be non-essential.

Please see Article 6 in the Corporate Governance Policy for Epson's standards for exercising voting rights for cross-shareholdings.

Principle 1.7

Please see Article 8 in the Corporate Governance Policy for procedures relating to transactions with related parties.

Principle 2.6

The Company systematically promotes and assigns qualified individuals to manage the corporate pension fund and provides them with ongoing educational opportunities so that they can increase their professional knowledge of corporate pension fund management and fulfill the functions expected of them as asset owners.

The Company has adopted a funded corporate pension plan to help assure the appropriate management of conflicts of interest between the Company and corporate pension beneficiaries, and it has worked with the corporate pension fund and labor union to build a system for monitoring and supervising the management of the corporate pension.

Principle 3.1

(1) The Company's management philosophy is shared with the public. The Company also shares its long-term corporate vision and three-year business plans with the public. Details are provided on the Company's corporate website.

Management Philosophy: (https://global.epson.com/company/epson_way/management/)

Corporate Vision: (https://global.epson.com/company/corporate_vision/)

Mid-Range Business Plan:

(https://global.epson.com/company/corporate_vision/epson25_plan2.html)

(2) The Company's basic principles and policies regarding corporate governance are set forth in the Corporate Governance Policy, which is available on the corporate website. (https://global.epson.com/SR/organizational_governance/)

(3) The policies and procedures that the Board of Directors follows when deciding Director compensation are stated in Article 23 of the Corporate Governance Policy.

(4) The policies and procedures that the Board of Directors follows when nominating Director candidates and dismissing Officers are stated in Article 22 of the Corporate Governance Policy.

(5) The reasons for the selection of Directors who were selected at the General Meeting of Shareholders held on June 26, 2019, are stated in the convocation notice of the 77th Annual General Meeting of Shareholders. (<https://global.epson.com/IR/information/meeting.html>)

Supplementary Principles 4.1.1

A summary of the scope of matters delegated to the management is provided in Article 14 of the Corporate Governance Policy.

Supplementary Principles 4.1.3

The Company selects candidates for senior management positions in order to systematically develop

these individuals as future executives. After their development is assessed, the HR development strategy council, an advisory body to the President, discusses and implements concrete succession plans. The state of development and issues are reported to the Director Nomination Committee, which is comprised primarily of Outside Directors, and development activities are further enhanced under the direction and advice of the Outside Directors. Candidates to succeed the President are identified through the aforesaid process and developed by appointing them to key management roles and by providing them with other essential training opportunities.

Principle 4.9

The criteria for judging the independence of Outside Directors are described in “Matters relating to Independent Directors” under II. 1. Independent Directors in this report. The criteria are also listed in Appendix 2 to the Corporate Governance Policy.

Supplementary Principles 4.11.1

Principles regarding the balance of the Board of Directors in terms of overall knowledge, experience and skill, as well as Board diversity and size are explained in Article 19 of the Corporate Governance Policy.

Supplementary Principles 4.11.2

Information about Directors who hold important concurrent positions at other companies is disclosed every year in the reference materials provided along with convocation notices for the General Meeting of Shareholders as well as in other business reports.

(<https://global.epson.com/IR/information/meeting.html>) Information about Outside Directors who held important concurrent positions at other companies at the time this report was updated is provided in “Outside Directors’ Relationship with the Company (2)” under II. 1. Directors.

Supplementary Principles 4.11.3

The Board of Directors of the Company analyzes and evaluates the effectiveness of the entire Board of Directors every year based on Article 28 of the Corporate Governance Policy.

In fiscal 2017, based on the evaluations and opinions of third-party organizations, we conducted a questionnaire on the following items for all Board Members, to analyze and evaluate the effectiveness of the Board. As a result, we confirmed that the Board of Directors as a whole was found to be functioning effectively.

- (1) Board composition, functioning, and operation
- (2) The function of the Audit & Supervisory Committee
- (3) The function and operation of advisory bodies to the Board
- (4) Management team evaluation, compensation, succession planning, and training
- (5) Dialogue with shareholders
- (6) Other

Based on that, we have identified and addressed the issues for improving effectiveness in the future as follows. (Issue: Response)

- 1) Improvement of the succession plan: Continued study in fiscal 2018
- 2) Examination and improvement of procedures for nominating Director candidates and dismissing Officers: Revision of the Corporate Governance Policy (Article 22), etc.
- 3) Improvement of Officer training: Dispatch of newly appointed Directors to the next-generation cross-industry managers group, etc.
- 4) Constructive dialogue with shareholders: Visit institutional investors and hold dialog with Outside Directors and institutional investors
- 5) Preparation and operation of the Board of Directors: Review of the preparation schedule,

improvement of operation of advance briefing, etc.

- 6) Risk management (business strategy): Identification of business risks and handling through legal affairs and risk management operations
- 7) Verification of and improvement in the design and operation of the office compensation system: Review within continuation of the performance-linked stock compensation plan
- 8) Examination and improvement of operation of advisory bodies to the Board: Explanation of the status, key points, etc. of discussions at the Board of Directors

In fiscal 2018, the survey items from fiscal 2017 were continued to maintain comprehensiveness, and based on the recent trend of corporate governance (interests of institutional investors, various documents of government agencies, etc.), the following two items have been added:

- a. Should the chairman of the Board of Directors and advisory bodies be an independent Outside Director?
- b. Are Directors nominated based on megatrends and the direction in which the Company should aim?

Furthermore, we established a discussion time at the Board of Directors meeting, and analyzed and evaluated its effectiveness. As a result, we confirmed that the Board of Directors as a whole was found to be functioning effectively.

Based on that, we have identified the following issues in order to improve effectiveness in the future:

- (1) Improvement of succession plans (including pooling of successor candidates and creating supplementary systems) and further improvement of the process of nominating Officers
 - (2) Clarification of the management framework (skill set) for realizing the Management Philosophy and long-term corporate vision (Directors and Executive Officers)
 - (3) Sharing of the effectiveness evaluation results of the Audit & Supervisory Committee in the Board of Directors meetings, and implementation of recommendations from the Audit & Supervisory Committee to the Board of Directors based on the audit results
- * Regarding a. above, even in the current situation where the President is the chairman, we have positioned it as a medium-term issue in the future, instead of considering it as an issue in fiscal 2018, because free and open discussions were held based on the Outside Directors' opinions.
 - * Regarding the evaluation by third party organization conducted in fiscal 2017, it was not implemented in fiscal 2018, because it is the Company's policy to implement it once every three years.

In the future, we will work to further improve effectiveness by addressing these issues.

Supplementary Principles 4.14.2

Information about the Director training policy is provided in Article 26 of the Corporate Governance Policy.

Principle 5.1

The Company's policy regarding constructive dialog with shareholders is provided in Appendix 1 of the Corporate Governance Policy.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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Status of Major Shareholders

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,075,200	15.62
Japan Trustee Services Bank, Ltd. (Trust Account)	26,482,900	7.51
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.67
Seiko Holdings Corporation	12,000,000	3.40
Yasuo Hattori	11,932,612	3.38
Trust & Custody Services Bank, Ltd. (Trust Account)	8,795,500	2.49
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.47
Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Mizuho Bank, Ltd. account	8,153,800	2.31
Seiko Epson Corporation Employees' Shareholding Association	7,274,643	2.06
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,876,400	1.38

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

Supplementary Explanation

- Information about major shareholders is current as of March 31, 2019.
- Although the Company holds 47,233,041 treasury shares, the Company is excluded from the above list of major shareholders. (These shares account for 11.81% of total outstanding shares.) Shareholding ratio is calculated by deducting treasury shares. Treasury shares do not include the Company's shares (164,598 shares) owned by the officer compensation BIP Trust.
- Mr. Yasuo Hattori passed away on March 15, 2019. As the name change procedure has not been completed as of March 31, 2019, the name on the shareholder register is presented.
- Mizuho Bank, Ltd. contributed the shares owned by Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Mizuho Bank, Ltd. account to the trust assets for retirement benefits.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Electric Appliances
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Supervisory Committee
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Directors

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	12
Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hideaki Omiya	From another company												
Mari Matsunaga	From another company												
Michihiro Nara	Lawyer												
Chikami Tsubaki	CPA												
Yoshio Shirai	From another company												

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hideaki Omiya		○	<p>Important concurrent positions held at other companies Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd. Outside Director, Nomura Research Institute, Ltd</p>	<p>Reason for nominating Hideaki Omiya as an Outside Director Mr. Omiya has served as the President and a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has considerable experience and insight as a chief executive and engineer. He has monitored corporate management by expressing opinions actively including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field. We have nominated him as a candidate for independent Outside Director with the expectation that he will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p> <p>Independence of duties Mr. Omiya was involved in business affairs at Mitsubishi Heavy Industries, Ltd. The Company has had no transactions with Mitsubishi Heavy Industries, Ltd. in the past three years. The Company has registered Mr. Omiya as an Independent Director with the Tokyo Stock Exchange.</p>
Mari Matsunaga		○	<p>Important concurrent positions held at other companies Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of Rohto Pharmaceutical Co.,</p>	<p>Reason for nominating Mari Matsunaga as an Outside Director Ms. Matsunaga has created new business models and has a wealth of experience and considerable insight through her involvement in the management of multiple companies as Outside Officers. As an Outside Director of the Company, she</p>

			Ltd.	<p>has appropriately monitored management, actively pointing out business issues and offering recommendations particularly from the viewpoint of promoting open innovation. We have nominated her as a candidate for independent Outside Director with the expectation that she will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p> <p>Independence of duties The Company has had no transactions with Ms. Matsunaga in the past three years. The Company has registered Ms. Matsunaga as an Independent Director with the Tokyo Stock Exchange.</p>
Michihiro Nara	○	○	<p>Important concurrent positions held at other companies Attorney-at-law Outside Director of the Board , Oji Holdings Corporation Outside Director of Nihon Tokushu Toryo Co., Ltd.</p>	<p>Reason for nominating Michihiro Nara as an Outside Director Mr. Nara has a high level of expertise as an attorney. He has considerable insight and experiences through his involvement in the management of multiple companies as an independent outside officer and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term. Although he has never been involved in corporate management except as an outside officer, we believe that he will perform his duties as an Outside Director who is Audit & Supervisory Committee member appropriately because of the</p>

				<p>above reasons.</p> <p>Independence of duties The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Mr. Nara who is an attorney-at-law, and the law office to which he belongs. The Company has registered Mr. Nara as an Independent Director with the Tokyo Stock Exchange.</p>
Chikami Tsubaki	○	○	<p>Important concurrent positions held at other companies Certified Public Accountant Outside Audit & Supervisory Board Member of Heiwa Real Estate Co., Ltd.</p>	<p>Reason for nominating Chikami Tsubaki as an Outside Director Ms. Tsubaki has a high level of expertise as a certified public accountant. She has a considerable insight and experiences through her involvement in the management of multiple companies as an independent outside officer, and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company. We have nominated her as a candidate for Outside Director who is Audit & Supervisory Committee member with the expectation that she will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term. Although she has never been involved in corporate management except as an outside officer, we believe that she will perform her duties as an Outside Director who is Audit & Supervisory Committee member appropriately because of the above reasons.</p> <p>Independence of duties The Company has not entered into a consulting agreement, and has not conducted any consignment of business activities under any individual agreement, with Ms. Tsubaki who is a certified public accountant, and there is no</p>

				<p>transactional relationship. The Company has registered Ms. Tsubaki as an Independent Director with the Tokyo Stock Exchange.</p>
Yoshio Shirai	○	○	<p>Important concurrent positions held at other companies Outside Director, Audit & Supervisory Committee member, Fujikura Ltd.</p>	<p>Reason for nominating Yoshio Shirai as an Outside Director Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company. We have nominated him as a candidate for Outside Director who is Audit & Supervisory Committee member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p> <p>Independence of duties Mr. Shirai was involved in business affairs at Toyota Tsusho Corporation in the past five years. The Company has had no transactions with Toyota Tsusho Corporation in the past three years. The Company has registered Mr. Shirai as an Independent Director with the Tokyo Stock Exchange. If he is reappointed as proposed, he will continue to serve as an Independent Director.</p>

Supervisory Committee

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Supervisory Committee	4	1	1	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Directors

The Company has set up an Audit & Supervisory Committee Office to assist the Audit & Supervisory Committee in performing its duties. The head of the Audit & Supervisory Committee Office serves as a 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 Audit & Supervisory Committee members. Matters relating to the personnel of the Office must be approved in advance by the Audit & Supervisory Committee.

Cooperation among Supervisory Committee, Accounting Auditors and Internal Audit Departments

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 department and others and the Audit & Supervisory Committee. The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits.

The Company's internal audit department regularly reports audit plans and audit results to the Audit & Supervisory Committee. After receiving these reports, the Audit & Supervisory Committee can, when it deems it necessary, call upon the internal audit department to conduct an inquiry and can give specific instructions regarding the execution of those duties. In this way, we ensure the effectiveness of systematic audits by the Audit & Supervisory Committee.

The internal audit department is designated as the cornerstone of the internal control functions that the President and departments responsible for executing business affairs put in place. On the other hand, to ensure the effectiveness and independence of audits conducted by the Audit & Supervisory Committee and internal audit department, when the instructions of the Audit & Supervisory Committee and the President conflict, the President has the internal audit department respect the requests or instructions of the Audit & Supervisory Committee.

The Audit & Supervisory Committee and internal audit department thus strive to actively cooperate, but the Company has set up an Audit & Supervisory Committee Office, which is headed up by a Special Audit & Supervisory Officer, as an organization dedicated to supporting the Audit & Supervisory Committee. The Audit & Supervisory Committee Office is independent from the executive side. It operates under the direct instructions and chain of command of the Audit & Supervisory Committee to provide support to the Audit & Supervisory Committee.

At the beginning of the fiscal year, the Audit & Supervisory Committee and the financial auditor share risk assessments, confirm the audit plan of the financial auditor, and hold periodic discussions during the period to enhance the effectiveness of the audit. Financial Auditors can attend Compliance Committee meetings as observers, the Compliance Committee being composed of Outside Directors and Directors who are Audit & Supervisory Committee members.

Voluntary Establishment of Nomination/Remuneration Committee

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson		
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	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Director Nomination Committee	Director Compensation Committee
All Committee Members	7	7
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	5	5
Outside Experts	0	0
Other	0	0
Chairperson	Inside Director	Inside Director

Supplementary Explanation

A Director Nomination Committee and a Director Compensation Committee have been established as advisory bodies to the Board of Directors, with the aim of ensuring the transparency and objectivity regarding selections for and compensation of Directors, Executive Officers and Special Audit & Supervisory Officers. Outside Directors are the main members and the human resources department is the secretariat.

The outline of each Committee is as follows:

Composition

Based on the internal rules established by the Board of Directors, in each of the Committees, the chairman is the President and the other members are all Outside Directors and the Director in charge of human resources. The current members are as follows:

Chairman: Minoru Usui, President

Members: Outside Directors Hideaki Omiya, Mari Matsunaga, Michihiro Nara, Chikami Tsubaki, Yoshio Shirai
Masayuki Kawana, director in charge of human resources

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

Activities of the Director Nomination Committee

It has been held three times from April 2018 to the June 2019 Annual General Meeting of Shareholders. In addition to deliberating Officer candidate selection policies and processes (for Directors, Executive Officers, and Special Audit & Supervisory Officers) and deciding on candidate proposals, the Committee deliberated on the policy for nominating Director candidates and dismissing Officers based on the revision of the Corporate Governance Policy, and on succession planning and the state of successor training. Directors Omiya and Matsunaga were absent once, but the content of the discussions was individually explained to them later.

Activities of the Director Compensation Committee

It has been held four times from April 2018 to the June 2019 Annual General Meeting of Shareholders. The Committee deliberated on the revision of monthly remuneration of Directors who are not Audit & Supervisory Committee members, the necessity of bonus payments, the basic compensation and the individual amount of bonus of Executive Officers including those serving as Director concurrently, and a number of basic points such as the stock compensation system. Directors Omiya and Matsunaga were

absent once, but the content of the discussions was individually explained to them later.

Independent Directors

Number of Independent Directors

5

Matters relating to Independent Directors

The Company has designated all Outside Directors who qualify as independent directors or auditors as independent directors or auditors.

Criteria for Independence of Outside Directors

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

1. A person is not independent if:

- (1) The person considers the Company to be a major business partner¹, or has served as an executive² within the past five years in an entity for which the Company is a major business partner;
- (2) The person is a major business partner³ of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
- (3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation⁴ (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
- (4) The person is a major shareholder⁵ of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
- (5) The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
- (6) The person is a major lender⁶ to the Company or has been an executive of a major lender to the Company within the past five years;
- (7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
- (8) The person has been employed by a leading managing underwriter of the Company within the past five years;
- (9) The person has received a large donation⁷ from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
- (10) The person came from an entity that employs someone from the Company as an Outside Director; or
- (11) A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.

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

Notes

- 1: A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.
- 2: “Executive” means an executive officer, executive director or operating officer, or an employee occupying a senior management position of department manager or higher.
- 3: A person (usually a buyer) is a major business partner if 2% or more of the Company’s consolidated revenue has come from that partner in any fiscal year within the past three years.
- 4: “A large sum of money or other forms of compensation” means an average annual amount for the past three years that is:
 - i) no less than 10 million yen for an individual; or
 - ii) no less than 2% of the annual revenues in any fiscal year for a group.
- 5: “Major shareholder” means a shareholder who directly or indirectly holds 10% or more of the voting rights.
- 6: “A major lender” means a financial institution or other major creditor that is indispensable for the Company’s financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.
- 7: “Large donation” means a donation whose annual average amount for the past three years exceeds either:
 - i) 10 million yen or
 - ii) 30% of the annual expense of the group, whichever is higher.

Incentives

Incentive Policies for Directors	Performance-linked Remuneration, Other
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Supplementary Explanation

The Company’s Officer compensation consists of basic compensation, bonuses, and stock compensation. The total compensation ratio in fiscal 2018 for Officers in charge of business affairs is approximately 69% basic compensation (fixed compensation approximately 65%, variable compensation approximately 4%), bonus approximately 20%, and stock compensation approximately 11%. We have a balanced compensation system, including a bonus system that has a variable range in which bonuses may not be paid if the business profit does not reach a certain level.

Non-executive Officers receive basic compensation only, a fixed amount, 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.

Basic compensation

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

At the Annual General Meeting of Shareholders of June 28, 2016, the maximum basic compensation was resolved to at 62 million yen per month for Directors (eight as of the filing date of the security report) who are not Audit & Supervisory Committee members [Outside Directors (two as of the filing date of the security report) account for 10 million yen of this amount] and at 20 million yen for Directors (four as of the filing date of the security report) who are Audit & Supervisory Committee members.

Bonuses

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

The amount of bonus is calculated based on the calculation standard that the Board of Directors has determined in advance. However, due to the nature of the short-term incentive bonus, non-recurring losses and other factors are taken into account based on the business profit of a single fiscal year. The final payment amount is decided at the Annual General Meeting of Shareholders to ensure transparency. In addition, we have a bonus system with a range of fluctuation where the bonus may not be paid when the business profit does not reach a certain amount. Most recently, at the Annual General Meeting of Shareholders on June 26, 2019, it was resolved that the bonuses of 71 million yen would be paid to five Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members).

Stock compensation

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

With the aim of further clarifying the link between Officer compensation and our stock value, strengthening our sense of sharing profits with our shareholders, and demonstrating our commitment to sustainable growth and medium- to long-term corporate value improvement, we have introduced a highly transparent and fair performance-linked stock compensation system.

The mechanism is that the ratio of stock compensation to basic compensation increases or decreases from 10% to 22% depending on the position, while the number of shares delivered is linked to the achievement level of the performance indicators during the target period (3 years). We have adopted business profit, ROS, and ROE, etc. as performance indicators that have been set as the performance targets of the mid-range business plan.

At the Annual General Meeting of Shareholders on June 28, 2016, it was resolved to introduce this stock compensation system for the three-year period from the fiscal year ending March 31, 2017, to the fiscal year ending March 31, 2019.

At the Board of Directors meeting on May 16, 2019, it was resolved to continue this stock compensation system for the three-year period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022, bringing further balance by increasing the fluctuation range of the coefficient of performance, etc.

Recipients of Stock Options	
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Supplementary Explanation

Director Remuneration

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Compensation of Directors in the fiscal year ending March 31, 2019 is as follows.

- The eight Directors who are not Audit & Supervisory Committee members received compensation totaling ¥356 million, including ¥245 million in basic compensation (including ¥232 million in fixed compensation and ¥13 million in variable compensation), ¥71 million in bonuses, and ¥38 million in stock compensation
(This includes two Outside Directors who received compensation totaling ¥28 million, consisting of ¥28 million in basic compensation.)
- The five Directors who are Audit & Supervisory Committee members received compensation totaling ¥81 million, consisting of ¥81 million in basic compensation.
(This includes three Outside Directors who received ¥48 million in basic compensation.)

Notes

1. The basic compensation for Directors who are not Audit & Supervisory Committee members (excluding Outside Directors) consists of fixed compensation and variable compensation. Of which, variable compensation refers to the 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 officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the basic compensation is discretionally allotted for the acquisition of the Company's shares. In addition, the internal rules determined by the Board of Directors are used to set the standard for holding Company shares and to show our shareholders our responsibility to management.
3. Upon the resolution at the Annual General Meeting of Shareholders of June 28, 2016, the maximum basic compensation was set to at 62 million yen per month for Directors who are not Audit & Supervisory Committee members (including 10 million yen per month for Outside Directors) and at 20 million yen for Directors who are Audit & Supervisory Committee members.
4. The amount above includes bonuses to be paid to Directors in the amount of 71 million yen (amount to be paid to five Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee members), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the General Meeting of Shareholders scheduled on June 26, 2019.
5. The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders. The stock compensation stated above represents the amount recorded for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).
6. The number of individuals to be paid includes one Director who was an Audit & Supervisory Committee member and retired at the conclusion of the Annual General Meeting of Shareholders on June 27, 2018, as well as one Director who was not an Audit & Supervisory Committee member and retired on September 30, 2018.
7. Stock options are not granted.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Compensation for Directors who are not Audit & Supervisory Committee members is decided by the resolution of the General Meeting of Shareholders and the Board of Directors, and compensation for Directors who are Audit & Supervisory Committee members is decided by the resolution of the General Meeting of Shareholders and by the discussion of the Audit & Supervisory Committee members after a fair, transparent, and rigorous review by the Director Compensation Committee (an advisory body to the Board of Directors), which is composed primarily of Outside Directors and which issues an opinion, to ensure transparency and objectivity.

With regard to the compensation of Directors who are not Audit & Supervisory Committee members, the Audit & Supervisory Committee will share and discuss the matters confirmed by the Director Compensation Committee, and confirm whether there are matters that should be stated at the Annual General Meeting of Shareholders.

The President is entrusted by the Board of Directors with the amount of compensation for Directors who are not Audit & Supervisory Committee members, etc., but it is decided based on the matters deliberated and accepted by the Director Compensation Committee.

An overview of the Director Compensation Committee is as follows.

Composition

Based on the internal rules established by the Board of Directors, the chairman is the President and the other members are all Outside Directors and the Director in charge of human resources. The current members are as follows:

Chairman: Minoru Usui, President

Members: Outside Directors Hideaki Omiya, Mari Matsunaga, Michihiro Nara, Chikami Tsubaki, Yoshio Shirai

Masayuki Kawana, Director in charge of human resources

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

Activities of the Director Compensation Committee

It has been held four times from April 2018 to the June 2019 Annual regular General Meeting of Shareholders. The Committee deliberated on the revision of monthly remuneration of Directors who are not Audit & Supervisory Committee members, the necessity of bonus payments, the basic compensation and the individual amount of bonus of Executive Officers including those serving as Director concurrently, and a number of basic points such as the stock compensation system. Directors Omiya and Matsunaga were absent once, but the content of the discussions was individually explained to them.

Policy

The Company has established the basic policies regarding the Officer compensation in its internal rules decided by the Board of Directors.

Compensation of Officers who have executive duties

- (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 Officers who do not have executive duties

- (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

Officer compensation consists of the following components: basic compensation, bonuses, and stock compensation. The total compensation ratio in fiscal 2018 for Officers in charge of business affairs is approximately 69% basic compensation (fixed compensation approximately 65%, variable compensation approximately 4%), bonus approximately 20%, and stock compensation approximately 11%. We have a balanced compensation system, including a bonus system that has a variable range in which bonuses may not be paid if the business profit does not reach a certain level.

Non-executive Officers receive basic compensation only, a fixed amount, 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.

Basic compensation

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

At the Annual General Meeting of Shareholders of June 28, 2016, the maximum basic compensation was resolved to at 62 million yen per month for Directors (eight as of the filing date of the security report) who are not Audit & Supervisory Committee members [Outside Directors (two as of the filing date of the security report) account for 10 million yen of this amount] and at 20 million yen for Directors (four as of the filing date of the security report) who are Audit & Supervisory Committee members.

Bonuses

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

The amount of bonus is calculated based on the calculation standard that the Board of Directors has determined in advance. However, due to the nature of the short-term incentive bonus, non-recurring losses and other factors are taken into account based on the business profit of a single fiscal year. The final payment amount is decided at the Annual General Meeting of Shareholders to ensure transparency. In addition, we have a bonus system with a range of fluctuation where the bonus may not be paid when the business profit does not reach a certain amount. Most recently, at the Annual General Meeting of Shareholders on June 26, 2019, it was resolved that the bonuses of 71 million yen would be paid to five Directors (excluding Outside Directors and Directors who are Audit & Supervisory Committee members).

Stock compensation

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

With the aim of further clarifying the link between Officer compensation and our stock value, strengthening our sense of sharing profits with our shareholders, and demonstrating our commitment to sustainable growth and medium- to long-term corporate value improvement, we have introduced a highly transparent and fair performance-linked stock compensation system.

The mechanism is that the ratio of stock compensation to basic compensation increases or decreases from 10% to 22% depending on the position, while the number of shares delivered is linked to the achievement level of the performance indicators during the target period (3 years). We have adopted business profit, ROS,

and ROE, etc. as performance indicators that have been set as the performance targets of the mid-range business plan.

At the Annual General Meeting of Shareholders on June 28, 2016, it was resolved to introduce this stock compensation system for the three-year period from the fiscal year ending March 31, 2017, to the fiscal year ending March 31, 2019.

At the Board of Directors meeting on May 16, 2019, it was resolved to continue this stock compensation system for the three-year period from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022, bringing further balance by increasing the fluctuation range of the coefficient of performance, etc.

Supporting System for Outside Directors

The Company has set up a department to serve as the administrative office for the Board of Directors and to provide the necessary support to the Outside Directors, including but not limited to providing supplementary explanations about motions to be submitted to the Board of Directors. The department that is responsible for the administration of the Board of Directors distributes materials concerning matters to be deliberated by the Board of Directors to all Directors, including Outside Directors, sufficiently in advance of meetings. The department also sets the schedule for the next fiscal year's regular meetings of the Board of Directors by the end of each fiscal year and provides the schedule to all Directors, including Outside Directors.

Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/ without compensation, etc.)	Date when former role as president/ CEO ended	Term
_____	_____	_____	_____	_____	_____

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	0
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Others

The Company has established a system that provides for executive advisors (*soudanyaku*) and advisors (*komon*) pursuant to regulations established by a resolution of the Board of Directors. After Presidents or other executives step away from the front lines of company management, they may be asked to become executive advisors or advisors for the purpose of assisting incumbent Board Members in an official capacity without being involved in managing the Company. Currently, the Company does not have any executive advisors or advisors.

The election procedures, compensation, term limits, and other conditions of the program are set forth in company regulations. The election of executive advisors and advisors is subject to a resolution by the Board of Directors. Compensation and other matters are decided separately in accordance with the person's role.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

Matters relating to the execution of business affairs

The Board of Directors is composed of 12 Directors, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. Meetings were held 13 times in fiscal 2018.

The attendance rate is 100% for all directors except for Mr. Omiya who is at 92.3%. In accordance with the rules of the Board of Directors, the Chairman of the Company chairs meetings of the Board of Directors, and the chairman of the meeting is replaced by the President if a post of the Chairman is vacant, etc.

Currently, the Board of Directors is chaired by the President because the position of the Chairman is open.

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. Under the company with an Audit & Supervisory Committee structure, the scope of business affairs delegated by the Board of Directors to executive management, such as making decisions on investment projects that are less than a certain fixed amount of money, has been expanded. As such, matters discussed by the Board of Directors are limited to motions of the highest importance (e.g., governance, capital policy, compliance, risk management, deliberations on megatrends and mid- to long-term strategies), thereby speeding up business decision-making and increasing the agility of business. The Company has specified in the Corporate Governance Policy that at least one-third of the members of the Board of Directors shall be Outside Directors.

Management meeting bodies have been established for executing operations. Among them is the Corporate Strategy Council, which usually meets about once a week to allow Directors, Executive Officers, and Special Audit & Supervisory Officers to exhaustively discuss important business themes that affect the entire Epson Group and matters brought up before the Board of Directors. Outside Directors can attend meetings of any of these bodies, but even if they cannot attend, they are provided with materials for discussion and supplementary explanations of the content of discussions. The Company strives to ensure the fairness and transparency of the execution of business affairs through the attendance of a Director who is a Full-Time Audit & Supervisory Committee member.

Matters subject to audit and supervision

The Audit & Supervisory Committee is composed of four Directors, including three Outside Directors. 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 internal control system.

Audit & Supervisory Committee members can attend meetings of the Corporate Strategy Council and other important meetings as part of their efforts to properly monitor business affairs. They examine the legality and suitability of actions taken by the directors by checking and confirming compliance and by supervising and verifying things such as the state of the internal control system, including internal control over financial reporting. When deemed necessary, they can call upon the internal audit department to conduct an inquiry and can give specific instructions regarding the execution of those duties. Through these, we ensure the effectiveness of systematic audits by the Audit & Supervisory Committee.

Audit & Supervisory Committee member Chikami Tsubaki is a certified public accountant and has an appreciable degree of knowledge and insight into finance and accounting.

Matters relating to nomination and compensation decisions, etc.

A Director Nomination Committee and a Director Compensation Committee have been established as advisory bodies to the Board of Directors, with the aim of ensuring transparency and objectivity regarding

selections and compensation of Directors, Executive Officers and Special Audit & Supervisory Officers. Outside Directors are the main members and the human resources department is the secretariat. The outline of each Committee is as follows:

Composition

Based on the internal rules established by the Board of Directors, in each of the Committees, the chairman is the President and the other members are all Outside Directors and the Director in charge of human resources. The current members are as follows:

Chairman: Minoru Usui, President

Members: Outside Directors Hideaki Omiya, Mari Matsunaga, Michihiro Nara, Chikami Tsubaki, Yoshio Shirai
Masayuki Kawana, Director in charge of human resources

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

Activities of the Director Nomination Committee

It has been held three times from April 2018 to the June 2019 Annual General Meeting of Shareholders. In addition to deliberating Officer candidate selection policies and processes (for Directors, Executive Officers, and Special Audit & Supervisory Officers) and deciding on candidate proposals, the Committee deliberated on the policy for nominating Director candidates and dismissing Officers based on the revision of the Corporate Governance Policy, and succession planning and the state of successor training. Directors Omiya and Matsunaga were absent once, but the content of the discussions was individually explained to them later.

Activities of the Director Compensation Committee

It has been held four times from April 2018 to the June 2019 Annual General Meeting of Shareholders. The Committee deliberated on the revision of monthly remuneration of Directors who are not Audit & Supervisory Committee members, the necessity of bonus payments, the basic compensation and the individual amount of bonus of Executive Officers including those serving as Director concurrently, and a number of basic points such as the stock compensation system. Directors Omiya and Matsunaga were absent once, but the content of the discussions was individually explained to them later.

Names of certified public accountants and consecutive audit years

The names of certified public accountants who executed financial audits during the period (the fiscal year ended March 31, 2019) and the names of the audit firm to which they belong are as follows:

Seiji Yamamoto, Designated and Engagement Partner, (Ernst & Young Japan) 6 years

Yoshiyuki Sakuma, Designated and Engagement Partner, (Ernst & Young Japan) 3 years

Yoshitomo Matsuura, Designated and Engagement Partner, (Ernst & Young Japan) 6 years

Matters concerning limited liability agreements

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

3. Reasons for Adoption of Current Corporate Governance System

Seiko Epson is structured as a company with an Audit & Supervisory Committee. It has a Board of Directors, an Audit & Supervisory Committee, and financial auditors. It has also voluntarily established

an advisory committee for matters such as the director nomination and compensation. This governance system was adopted to further increase the effectiveness of corporate governance by strengthening supervision over management and by enabling the Board of Directors to devote more time to discussions while speeding up decision-making by management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	As a general rule, shareholders are notified by mail of the date of General Meeting of Shareholders at least three weeks before the date. Convocation notices for the Annual General Meeting of Shareholders (held on June 26, 2019) for the period (the fiscal year ended March 31, 2019) were mailed on May 30, 2019. On May 24, prior to the mailing of the convocation notices, the Company posted a convocation notice on the Corporate website.
Scheduling AGMs Avoiding the Peak Day	The Company avoids holding the Annual General Meeting of Shareholders on the peak day so that as many shareholders as possible can attend.
Allowing Electronic Exercise of Voting Rights	In addition to exercising their voting rights by mailing in a form, shareholders can exercise their voting rights electronically.
Participation in Electronic Voting Platform	The Company posts convocation notices on its website, provides convocation notices in English, and uses visuals to report its operations at General Meeting of Shareholders. The Company participates in the electronic voting platform for institutional investors that is run by ICJ.
Providing Convocation Notice in English	Convocation notices are provided in English in their entirety on the Company's website and on the ICJ platform.

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The Company has established a Policy on Information Disclosure and Dialog (Disclosure Policy) for engaging in honest dialogue with stakeholders, in keeping with the Principles of Corporate Behavior and the Corporate Governance Policy, both of which were established to realize the Management Philosophy. The Policy is posted on our website.
Regular Investor Briefings for Individual Investors	The Company has been holding regular briefings for individual investors since 2010.
Regular Investor Briefings for Analysts and Institutional Investors	In addition to full-year and quarterly financial results announcements, the Company holds briefings for analysts when it announces its mid-range business plans, etc.
Regular Investor Briefings for Overseas Investors	The company holds teleconferences for overseas institutional investors on the same days that announces its full-year and quarterly financial results.
Posting of IR Materials on Website	The Company posts investor relations information on its website (https://epson.com/), including messages from the President, financial data, the IR schedule, financial materials (consolidated results and supplementary information, financial results announcement

	presentations, summaries of questions and answers at the time of financial results announcements, etc.), annual reports, securities reports, integrated reports, shareholder notices, Annual General Meeting of Shareholders convocation notices and notices of resolutions, CSR activities, news releases, etc.
Establishment of Department and/or Manager in Charge of IR	The Company's PR & IR Department is in charge of investor relations. In addition to handling full-year and quarterly financial results announcements, the PR & IR Department handles day-to-day communications with analysts and institutional investors. It also regularly shares feedback from capital markets with the management team.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	With the aim of maintaining the trust of all stakeholders, including customers, shareholders, investors, suppliers, governments, local citizens, NGOs, NPOs, and employees, Epson established "Principles of Corporate Behavior" and the "Epson Code of Conduct" based on an idea that underlies the Company's management philosophy: building trust through socially responsible action.
Implementation of Environmental Activities, CSR Activities etc.	The Company reports its activities on its website and prepares and posts an annual "Sustainability Report" on its website. In October 2016, the Company strengthened its CSR activities by creating a full-time promotional organization and assigning a Director to head up the organization. In addition, in 2017 it created "Key CSR Themes," a materiality matrix that identifies important initiatives for addressing social issues. The Company examined the relationship between its initiatives and the 17 Sustainable Development Goals by comparing its initiatives against the 169 targets of the SDGs. It selected 13 SDGs where the Company's initiatives and the SDGs overlapped and is carrying out actions to achieve sustainability.
Development of Policies on Information Provision to Stakeholders	Epson is committed to transparency and proactively releases information, including negative information, to its stakeholders. To ensure fair disclosure, the Company posts financial results data, etc., on its website in a timely manner.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company's Board of Directors passed a resolution on a basic internal control system policy (a system for ensuring that business is conducted suitably by the corporate group) and the Company has provided an improved internal control system based on this resolution.

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

business is conducted suitably by the corporate group) and provide an improved internal control system for the Epson Group as a whole.

1. Compliance

- (1) The Company has established “Principles of Corporate Behavior” as a guide for putting the Management Philosophy into practice. The Company shall also establish regulations that spell out things such as basic compliance requirements and the organizational framework.
- (2) The Company shall also create a Compliance Committee to serve as an advisory body to the Board of Directors. The Compliance Committee shall be chaired by a Full-Time Audit & Supervisory Committee member and shall be made up as members of the Outside Directors and Audit & Supervisory Committee members. The Compliance Committee will meet to hear and discuss important matters concerning the Company’s compliance program. It will report its findings and offers opinions to the Board of Directors. Financial Auditors shall be able to attend meetings of the Compliance Committee as observers.
- (3) A Chief Compliance Officer (“CCO”) shall be chosen to oversee and monitor the execution of all compliance operations. The CCO shall periodically report the state of compliance affairs to the Compliance Committee.
- (4) Compliance promotion and enforcement shall be supervised by the President of the Company. Group-wide compliance programs shall be carried out by Head Office supervisory departments with the cooperation of departments in the various operations divisions and subsidiaries. Compliance programs of the divisions and their related subsidiaries shall be promoted by the respective Chief Operating Officers of the divisions.
A compliance control department shall help to ensure the completeness and effectiveness of compliance programs by monitoring compliance across the Epson Group and by taking corrective action or making adjustments where needed.
- (5) The Corporate Strategy Council, an advisory body to the President comprised of the Directors and others, addresses important matters with respect to compliance promotion and enforcement of the Epson Group as a whole, including subsidiaries. The Council strives to ensure the effectiveness of compliance by exhaustively discussing and analyzing the state of programs for assuring observance of statutes, internal regulations, business ethics and initiatives in key areas.
- (6) The Company, including its subsidiaries, shall strive to provide an effective whistleblowing system. Employees shall be encouraged and shall be able to easily and immediately report compliance violations using internal and external hotlines and e-mail addresses. Controls shall be in place to protect whistleblowers from reprisal, and allegations shall be reported to the Audit & Supervisory Committee, the Compliance Committee, and the Corporate Strategy Council in a way that whistleblowers cannot be identified.
- (7) The Company shall strive to enhance legal consciousness by providing Epson Group employees with web-based training and other educational opportunities.
- (8) The President of the Company shall periodically report important compliance-related matters to the Board of Directors and shall take measures as needed to respond to issues.
- (9) “Principles of Corporate Behavior” shall state that the Company shall have no association whatsoever with organized crime. The Company shall take a firm stance in rejecting any and all contact with organized crime that threatens social order and security.

2. System for Ensuring Proper Financial Reporting

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

- Exchange Act but will also include reporting over the scope deemed necessary by management.
- (2) A basic regulation and other regulations and standards pertaining to internal control over financial reporting shall be created, and their observance shall be obligatory across the entire Epson Group.
 - (3) Continuously evaluate whether the internal controls that have been put in place for financial reporting are effectively and properly functioning, and take corrective action where needed.
3. Business execution system
- (1) The Company shall formulate long-term vision statements and mid-range business plans, and it shall set clear med-to long-term goals for the Epson Group as a whole.
 - (2) The Company shall institute a system that shall ensure the appropriate and efficient execution of business. To that end, the Company shall establish regulations governing organization management, job authorities, the division of responsibilities, and the management of affiliated companies, thus distributing power and authority across the entire Group.
 - (3) Personnel responsible for business operations shall report the matters below to the Board of Directors at least once every three months.
 - 1) Current business performance and performance outlook
 - 2) Risk management responses
 - 3) Status of key business operations
4. Risk management
- (1) The Company shall establish a 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, shall belong to the President of the Company. Group-wide risk management shall be carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business shall be managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Company shall also set up a risk management control department, monitor overall risk management Group-wide, make corrections and adjustments thereto, and ensure the effectiveness of risk management programs.
 - (3) The Corporate Strategy Council shall strive to ensure effective management of serious risks that could have an egregious effect on the Company by dynamically and exhaustively discussing and analyzing action to identify and control risks. Also, when major risks become apparent, the President shall lead the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program.
 - (4) The President of the Company shall periodically report to the Board of Directors on critical risk management issues and formulate appropriate measures to respond to these issues.
5. Ensuring the appropriateness of operations in the corporate group
- (1) The Group's management structure shall help to ensure that operations in the corporate group, including subsidiaries, are conducted appropriately. Essentially, the Company shall be organized into product-based divisions. Each division shall be headed by a Chief Operating Officer who owns global consolidated responsibility for that business. Meanwhile, supervisory functions within the Head Office shall own global responsibility. Responsibility for providing the framework for business operations at subsidiaries shall be owned by the head of each business. Group-wide corporate functions shall be the responsibility of the heads of Head Office supervisory departments.

- (2) The Company shall have business processes that enable business to be controlled on a Group level. This shall be accomplished by internal regulations that require subsidiaries to report or acquire pre-approval for certain business operations from the parent company, Epson, and by requiring issues that meet certain criteria to be submitted to Epson's Board of Directors for resolution. In certain regions, moreover, the Company shall seek to ensure the suitability and efficiency of Group-wide business operations by establishing a company that acts as a regional head office that supervises subsidiaries.
 - (3) Based on the basic regulation for Internal Audits, the internal audit departments shall serve as monitoring organizations that are independent from the management and supervisory functions of the operations divisions and the Head Office. The internal audit departments shall audit internal controls and the state of operations in all Epson Group companies, including subsidiaries. The findings of the internal audit departments shall be presented to the head of the audited organization along with requests for corrective action. This information shall also be regularly reported to the President of the Company and to the Audit & Supervisory Committee. In this way, Epson shall strive to optimize operations across the entire Group.
6. Safeguarding and management of information on performance of duties
 - (1) Information on the performance of duties shall be safeguarded and managed in accordance with regulations governing, among other things, document control, management approval, and contracts. All Directors shall be able to access this information at all times.
 - (2) The Company shall strive to prevent the leak and loss of Epson Group internal information by managing confidential information according to the level of sensitivity, in accordance with the Epson Group basic information security regulation.
7. Audit system
 - (1) The Audit & Supervisory Committee can interview Directors who are not Audit & Supervisory Committee members, Executive Officers, and other personnel whenever they deem necessary in the performance of duties based on the 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 shall enable them to conduct audits based on the same information as that available to Directors who are not Audit & Supervisory Committee members. Audit & Supervisory Committee shall also routinely review important documents related to management decision-making.
 - (3) An Audit & Supervisory Committee Office shall be set up to assist the duties of the Audit & Supervisory Committee. The head of the Audit & Supervisory Committee Office shall serve as a Special Audit & Supervisory Officer and shall assign full-time personnel to the Audit & Supervisory Committee Office. The head and personnel of the Audit & Supervisory Committee Office shall discharge their duties to assist the Audit & Supervisory Committee, obeying the orders of the Audit & Supervisory Committee alone and not orders from Directors who are not Audit & Supervisory Committee members. Matters relating to the personnel of the office must be approved in advance by the Audit & Supervisory Committee.
 - (4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework shall be created to secure close cooperation between the internal audit department and others and the Audit & Supervisory Committee.
 - (5) The Audit & Supervisory Committee can ask the Representative Director or the Board of Directors to take corrective action if the Audit & Supervisory Committee recognizes that the structure of the Audit & Supervisory Committee Office and the system of cooperation between the Audit & Supervisory Committee and the internal audit departments and others interfere with the efficacy of audits.

- (6) The Audit & Supervisory Committee shall receive audit reports from the internal audit departments and can issue specific instructions to the internal audit departments as needed. If the instructions issued to the internal audit departments by the Audit & Supervisory Committee and the President are in conflict, the President shall have the internal audit departments respect the instructions of the Audit & Supervisory Committee.
- (7) Based on the Audit & Supervisory Committee audit regulation, the Audit & Supervisory Committee can ask Directors who are not Audit & Supervisory Committee members, the compliance control department, and the risk management control department, as well as others to report or explain the state of management within the Epson Group, including subsidiaries. It can also inspect supporting materials. The Audit & Supervisory Committee shall, where necessary, be able to ask subsidiary company Directors, Audit & Supervisory Board Members, the internal audit departments, and others to report the state of management within their respective companies. A system shall be put in place to protect reporters from reprisal for having made a report, and the identity of the reporter shall be protected even if the President or a Board Member, for example, is asked to make corrections and so forth based on the report.
- (8) The Audit & Supervisory Committee shall strive to enhance the effectiveness of audits by holding regular discussions with Financial Auditors.
- (9) The Audit & Supervisory Committee and Representative Director shall regularly meet to enable the committee to directly assess business operations.
- (10) The expenses required by the Audit & Supervisory Committee members to perform its duties shall be properly budgeted for in advance. However, expenses required to perform the duties of the Audit & Supervisory Committee members in emergency or extraordinary situations shall be promptly paid in advance or refunded on each occasion.

2. Basic Views on Eliminating Anti-Social Forces

- (1) Basic approach to eliminating antisocial forces
As stated in item (9) under “Compliance” in the basic internal control system policy, the Company’s policy is to avoid any association whatsoever with organized crime and to take a firm stance in rejecting any and all contact with criminal organizations that threaten social order and security.
- (2) Preparations for eliminating antisocial forces
Internally, the Board of Directors approved a resolution on a basic policy for preventing damage from antisocial forces, and Company’s views on eliminating antisocial forces were expressed as a unified commitment of the Epson Group in Principles of Corporate Behavior. Things that Epson personnel must endeavor to do and actions they are expected to take are stated in the Epson Code of Conduct, and these are communicated to personnel through online courses. The Company has built into its business systems a process for preventing transactions with antisocial forces (i.e., criminal and terrorist organizations) when credit investigations and periodic evaluations are conducted for customers and suppliers, and commercial contracts contain provisions regarding the elimination of relationships with antisocial forces. The Company’s crisis management program names the general affairs department as the organization responsible for responding to improper or unjust claims by antisocial forces. This department gathers information from relevant government authorities and so forth and has established strategic actions such as verifying the initial response system and consulting with outside experts, including public institutions.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Adopted
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Supplementary Explanation

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

1. Overview the basic policy

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

The Company believes that it is essential for the Company to have executives and employees work together to create corporate value, to continue to create and take on challenges while embracing its established business culture, and to preserve and acquire the customers’ trust in order to ensure and enhance the Company’s corporate value and the common interests of its shareholders.

However, there are some forms of large-scale acquisitions of shares that benefit neither the target company’s corporate value nor the common interests of its shareholders to be ensured and enhanced. The Company believes that any person who would make an inappropriate large-scale acquisition of shares in the Company in this manner would be unsuitable to become a person who would control decisions on the Company’s financial and business policies, and it is therefore necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such person.

2. Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

In March 2016, the Company established Epson 25 Corporate Vision, a long-range vision that illustrates Epson’s goal in 2025.

In the first three years of the Phase 1 Mid-Range Business Plan (FY2016-2018) towards realizing Epson 25, while there was significant progress towards growth in the future, there were delays and initiatives that led to insufficient results from the plan. Furthermore, due to changes in the external environment that exceeded expectations, the business results for the final year fell short of the targets set in the Phase 1 business plan.

Under the second phase mid-range business plan (FY 2019-2021) established in March 2019, we will continue to maintain the goals we aim for in Epson 25, and we will reorganize business operations to generate high profit through management with a more balanced response to environmental changes and social issues.

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

Aiming to ensure and enhance corporate value and the common interests of its shareholders, the Company introduced a series of measures to prevent large-scale acquisition of the Company shares. The measures were updated at the June 2014 General Meeting of Shareholders. The measures were then revised for further enhancing their appropriateness and objectivity, and shareholders approved their updating at the June 28, 2017 General Meeting of Shareholders. (The updated measures are hereinafter called “the Plan.”)

The purpose of the Plan is to prevent from large-scale acquisitions of shares that benefit neither

the target company's corporate value nor the common interests of its shareholders by providing the Company with a measure that ensures the necessary time and information for the shareholders to decide whether or not to accept such proposal or for the Company's Board of Directors to present an alternative proposal while enabling the Board of Directors to discuss and negotiate with the acquirer on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer.

Specifically, a party that intends to acquire 20% or more of stock certificates outstanding or to stage a takeover bid shall be required to submit in advance to the Board of Directors an expression of intent as well as list of essential and sufficient information for decision making on the part of shareholders and for evaluation and consideration by a special committee. The party shall also be required to comply with the procedures defined in the Plan. Furthermore, the Plan allows for the activation of provisions to halt the acquisition in question if, for example, it is not conducted in line with the Plan or it is deemed contrary to Epson's value as a company or the common interest of its shareholders.

To prevent the Board of Directors from making arbitrary decisions about using anti-takeover measures, the decision to invoke preventive measures is subject to the assessment of a special committee made up of highly independent Outside Directors. Actions of the special committee shall include examination of stock acquisition details, requesting information from the Board of Directors regarding alternative proposals, disclosing information to shareholders, and negotiating with parties intending to make acquisitions. The special committee shall advise the Board of Directors regarding the necessity of anti-takeover measures, and the Board of Directors shall promptly accept or reject a resolution to invoke preventive measures, by following that advice (except in cases where following such advice could be considered a violation of Directors' obligation to exercise the duty of due care of a prudent manager).

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

The specific actions in support of the basic policy described above were specifically formulated to enhance both Epson's corporate value and the common interests of its shareholders in a continuous and sustained manner. These actions support the basic policy.

As well as having been updated in order to ensure and enhance corporate value and the common interests of shareholders, the Plan is in accordance with the basic policy.

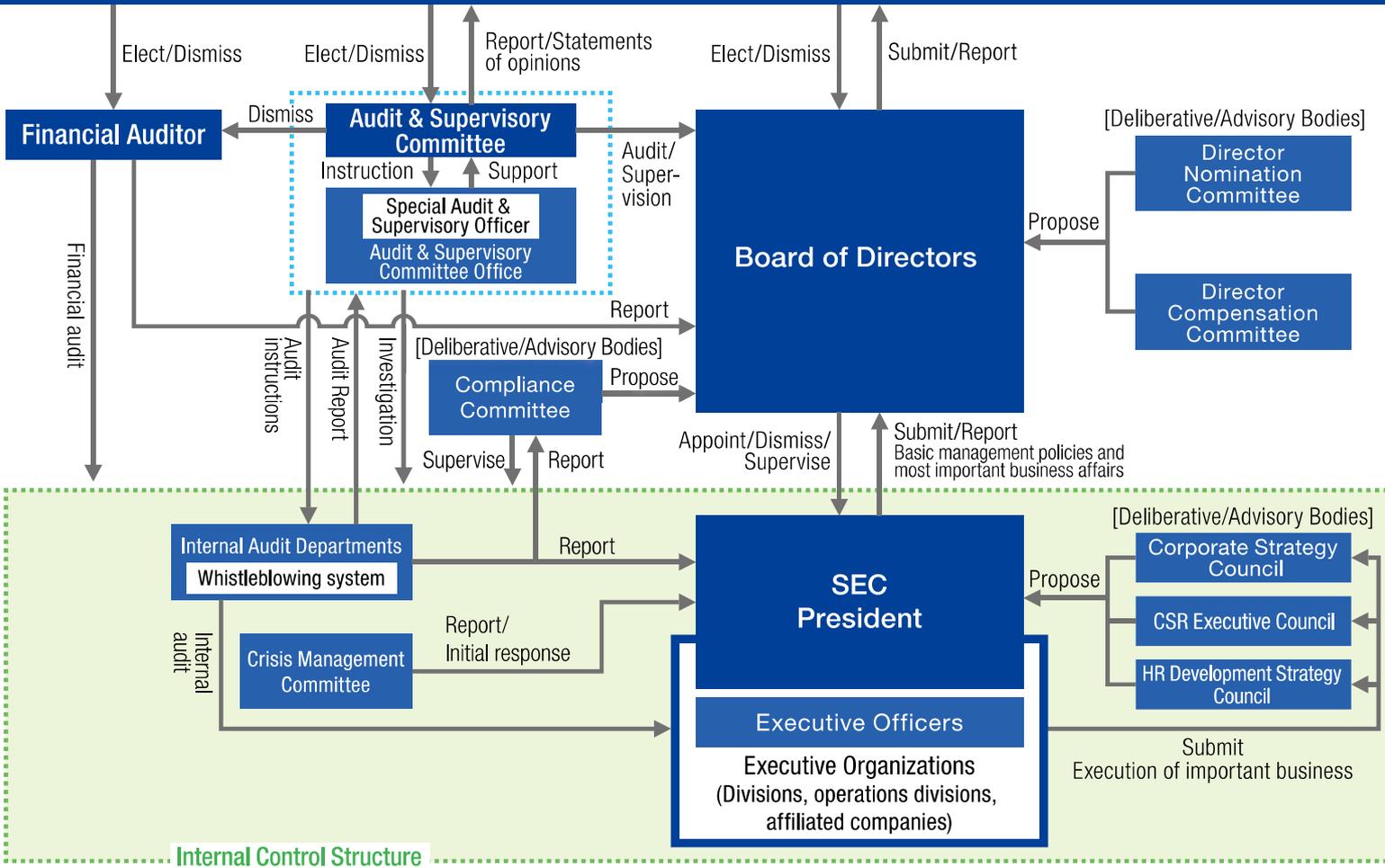
Specifically, the Plan guarantees appropriateness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because among other things,

- a) it was updated after being approved by shareholders at the general shareholders' meeting;
- b) it contains provisions for reasonable and objective implementation;
- c) the special committee comprising Outside Directors with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee;
- d) the Board of Directors is required to follow the recommendations of the special committee regarding the necessity of anti-takeover measures (except in cases where following such advice could be considered a violation of Directors' obligation to exercise the duty of due care of a prudent manager);
- e) the special committee may solicit expert opinions from third parties at Epson's expense;
- f) the period necessary for each process after an acquirer expressed the intention to purchase is specified;
- g) in case of acquiring stock acquisition rights from non-qualified parties, it is clarified that any economic profit such as cash will not be delivered; and
- h) the Plan was determined to be valid for approximately three years and may be abolished by the

Board of Directors at any time. The Plan is not for keeping Epson executive officers in their posts.

2. Other Matters Concerning to Corporate Governance System

General Shareholders' Meeting



Internal Control Structure

Schematic Diagram of Seiko Epson's Timely Disclosure System

