

## Organizational Governance

# Corporate Governance

To achieve our goals, promote sustainable growth, and increase long-term corporate value, Seiko Epson continuously improves corporate governance to ensure transparent, fair, and fast decision-making, including by ensuring that independent outside directors comprise at least one-third of the board, and by establishing committees to nominate officers and determine compensation.

Epson will continue to enhance the effectiveness of its corporate governance by further improving the supervisory function of the Board of Directors and by enhancing discussions at board meetings, as well as by speeding up decision-making in management as a company with an Audit & Supervisory Committee.

## Principles of Corporate Governance

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

1. Respect the rights of shareholders, and secure equality.
2. Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
3. Disclose company information as appropriate and ensure transparency.
4. 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.
5. Epson shall engage in constructive dialogue with shareholders.

## Corporate Governance Structure

Seiko Epson (“the Company”) has established itself as a company with an Audit & Supervisory Committee with the aim of strengthening the supervision and monitoring of management and of speeding up decision-making by separating the management supervision and execution of operations.

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 the Company will accomplish its social mission, sustain growth, and maximize corporate value over the medium and long terms. To fulfill its responsibilities, the Board of Directors supervises general operations to ensure that operations are fair and transparent. The Board of Directors also makes decisions on important business affairs of the Company, such as decisions on the formulation of important business matters, such as the establishment of management plans and business plans and decision on investment projects that exceed a certain fixed amount of money.

The Board of Directors is composed of 11 directors<sup>\*1</sup>, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. Meetings of the Board of Directors are chaired by the Chairperson of the Board (who is a Non-Executive Director) per the Board of Directors Regulation. 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.

<sup>\*1</sup> As of June 30, 2021

### **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 the Company. The Audit & Supervisory Committee establishes criteria for properly evaluating potential External Financial Auditors. After selecting External Financial Auditors, the Audit & Supervisory Committee verifies whether External Financial Auditors possess the necessary independence and expertise. In addition, the Audit & Supervisory Committee conducts audits in cooperation with internal audit departments and Financial Auditors.

The Audit & Supervisory Committee is composed of four Audit & Supervisory Committee members<sup>\*2</sup>, three of whom are Outside Directors. It is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are generally held once per month and as needed.

<sup>\*2</sup> As of June 30, 2021

### **Compliance Committee**

The Compliance Committee hears and discusses important matters concerning the Company's compliance program in order to supervise whether the compliance program is being properly implemented along the executive line. It reports its findings and offers opinions to the Board of Directors.

As an advisory body to the Board of Directors, the Compliance Committee is composed of all 5 Outside Directors and Directors who are full-time members of the Audit & Supervisory Committee. It is chaired by the full-time member of the Audit & Supervisory Committee, and meetings are held once every six months and as needed.

A Chief Compliance Officer ("CCO") is chosen by the Board of Directors to oversee and monitor the execution of all compliance operations. The CCO periodically reports the state of compliance affairs to the Compliance Committee.

### **Director Nomination Committee & Director Compensation Committee**

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

The Director Nomination Committee and the Director Compensation Committee are both comprised of all the Outside Directors, the President/Representative Director, and the Director in charge of Human Resources. Directors who are full-time members of the Audit & Supervisory Committee can attend either meeting as observers.

By a resolution of the Board of Directors in June 2021, the chairperson will be elected by the Board from among the Outside Directors.

## Activities of the Director Nomination Committee

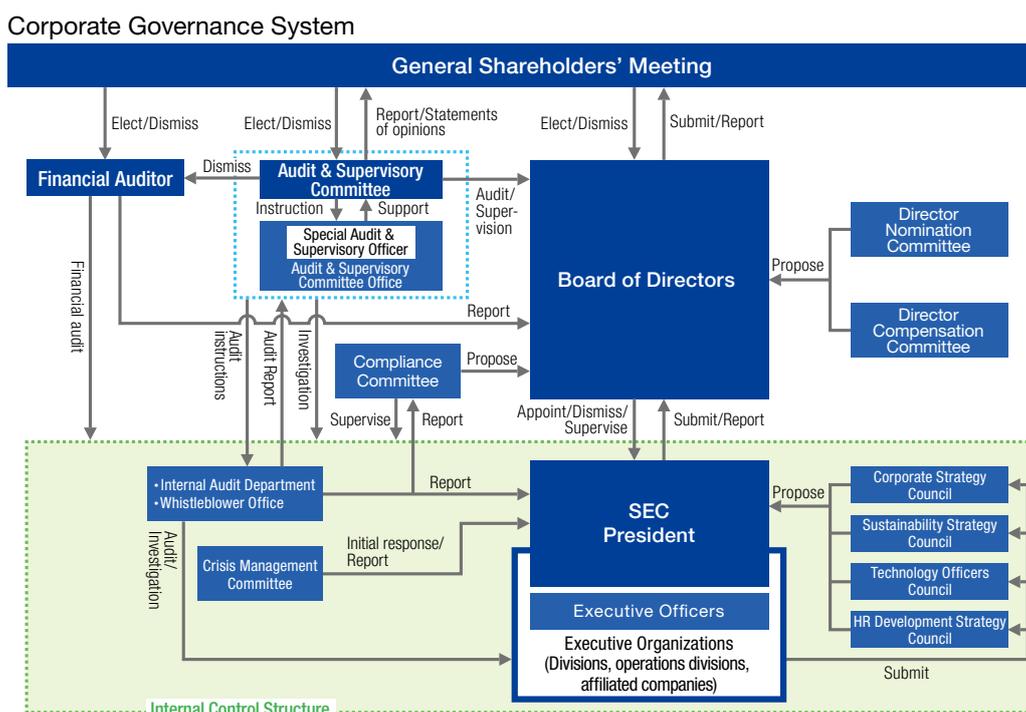
The Committee met eight times during the period from April 2020 to the time of the dispatch of this convocation notice. The Committee deliberated on matters including policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidate proposals, changes to the timing of appointment of Executive Officers, and chairpersons of the Director Nomination Committee and the Director Compensation Committee.

## Activities of the Director Compensation Committee

The Committee met nine times during the period from April 2020 to the time of the dispatch of this convocation notice. The Committee deliberated on matters including the amount of base compensation and bonuses for each Director, as well as granting of basic points under the performance-linked compensation system.

## Corporate Strategy Council

The Corporate Strategy Council is an advisory body to the President. It was created to help ensure that the right decisions are made based on the advice and views of executive management. Meetings of the Corporate Strategy Council are held to discuss important matters that affect the entire Epson Group and matters brought up before the Board of Directors. The Corporate Strategy Council is composed of Directors, Executive Officers, and Special Audit & Supervisory Officers.



## Nomination of Officers

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

### Policies

1. Officers must be impartial and possess high integrity and ethical standards
2. Outside Directors must satisfy criteria concerning the independence of Outside Directors in order to guarantee their independence. The Board of Directors established “Criteria for Independence of Outside Directors.”

\* As a general rule, Outside Directors shall not concurrently serve as either a Director or a Kansayaku of more than three publicly listed companies other than Epson per the bylaws established by resolution of the Board of Directors.

\* Per Epson policy, Directors shall attend at least 75% of the meetings of the Board of Directors per year.

### Procedures

1. After passing a fair, transparent, and rigorous screening and reporting by the Director Nomination Committee, Executive Director candidates and Executive Officers are selected by the Board of Directors in addition to the foregoing policy and on nomination criteria, such as broadness of insight, extensiveness of experience, sense of mission, sense of responsibility, leadership, and the ability to drive change.
2. The Director Nomination Committee screens Non-Executive Director candidates and Special Audit & Supervisory Officers in a fair, transparent, and rigorous screening in line with the foregoing policy and on the basis of nomination criteria, including but not limited to broadness of insight, extensiveness of experience, sense of mission, sense of responsibility, management knowledge and specialized knowledge. The Director Nomination Committee reports its opinions to the Board of Directors, which finalizes the selections. The consent of the Audit & Supervisory Committee is required for nominating Director candidates who are Audit & Supervisory Committee Members and for appointing Special Audit & Supervisory Officers.

### 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:
  - I. The person considers the Company to be a major business partner<sup>1</sup>, or has served as an executive<sup>2</sup> within the past five years in an entity for which the Company is a major business partner;
  - II. The person is a major business partner<sup>3</sup> 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.
  - III. The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation<sup>4</sup> (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;
  - IV. The person is a major shareholder<sup>5</sup> 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;
  - V. The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
  - VI. The person is a major lender<sup>6</sup> to the Company or has been an executive of a major lender to the Company within the past five years;
  - VII. The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;

- VIII. The person has been employed by a leading managing underwriter of the Company within the past five years;
  - IX. The person has received a large donation<sup>7</sup> 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;
  - X. The person came from an entity that employs someone from the Company as an Outside Director; or
  - XI. 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.

## Reason for Appointed as Outside Directors, and Attendance at Meetings of the Board of Directors

Name	Reason for Appointment	Attendance at meetings of the Board of Directors
Hideaki Omiya	<p>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.</p> <p>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.</p> <p>We have nominated him as a candidate for independent Outside Director with the expectation that he will utilize his wealth of experience and insight to monitor corporate management appropriately in order to achieve sustainable growth and improve the Company's corporate value over the medium and long terms.</p>	13/13 meetings (100%)
Mari Matsunaga	<p>Ms. Matsunaga has created new business models and served as an Outside Officer in multiple companies, has a wealth of experience and considerable insight.</p> <p>She has effectively monitored corporate management by actively speaking out on and proposing solutions to managerial issues,As an Outside Director of the Company, she has appropriately monitored management, actively pointing out business issues and offering recommendations particularly from the viewpoint of promoting open innovation.</p> <p>We have nominated her as a candidate for independent Outside Director with the expectation that she will utilize her wealth of experience and insight to monitor corporate management appropriately in order to achieve sustainable growth and improve the Company's corporate value over the medium and long terms.monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p>	13/13 meetings (100%)
Yoshio Shirai	<p>Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation.</p> <p>He has considerable insight, a wealth of experience as a corporate manager, and a track record of achievements as an Outside Director and member of the Company's Audit &amp; Supervisory Committee. We have nominated him as a candidate for Outside Director who is an Audit &amp; Supervisory Committee member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management so as to achieve sustainable growth and improve the Company's corporate value over the medium and long-terms.</p>	13/13 meetings (100%)
Susumu Murakoshi	<p>Mr. Murakoshi possesses a high level of professional knowledge and insight as an attorney. Given his extensive experience in the legal community, which has included stints as the Chairman of the Japan Federation of Bar Associations and the Chairman of the Political Federation of Japan Patent Attorneys, the Company believes that Mr. Murakoshi can be expected to contribute to the effective supervision and soundness of management so as to help ensure sustained growth and enhance long-term corporate value.</p>	10/10 meetings (100%)
Michiko Ohtsuka	<p>Ms. Ohtsuka possesses a high level of professional knowledge and insight as a certified public accountant. Given that she has experience and considerable insight as an Outside Officer in a public company, the Company believes that Ms. Ohtsuka can be expected to contribute to the effective supervision and soundness of management so as to help ensure sustained growth and enhance long-term corporate value.</p>	10/10 meetings (100%)

\* Mr. Murakoshi and Ms. Ohtsuka were eligible to attend the 10 meetings held after their appointment at the Ordinary General Meeting of Shareholders on June 25 2020.

## Succession Plans

The Company's Director Nomination Committee, which is composed primarily of Outside Directors, discusses enhancements to succession plans and the Director appointment process, reviews the roadmap, selects Director candidates, establishes and implements development plans, and reviews the process for evaluating, narrowing down, and replacing candidates.

The Company selects candidates for senior management positions in order to systematically develop these individual as future executives. After their development is assessed, the HR Development Strategy Council, an advisory body to the President, devises and implements a concrete development plan. The state of development and issues are reported to the Director Nomination Committee, and development activities are further enhanced under the supervision 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.

## Matrix of Areas of Expertise Particularly Expected for Directors

The Company believes that a diverse Board of Directors is useful for facilitating substantive board discussions that cover all angles. Therefore, the Company has a fundamental policy of assembling a Board of Directors that is well balanced and composed of persons who combine a broad spectrum of knowledge, experience, and skill, without regard to things such as gender, race, ethnicity, nationality, cultural background, or age.

The current Board of Directors reflects this policy and has articulated a management organization for realizing the Management Philosophy and corporate vision so as to enable the Company to achieve sustainable growth and improve corporate value over the medium to long term.

The areas and skills where there are particularly high expectations for Directors are as below.

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design Technology Production	Sales Marketing	IT Digital	Finance Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	●	●	●				
President and Representative Director	Yasunori Ogawa	●	●		●			
Representative Director Senior Managing Executive Officer	Koichi Kubota	●		●				●
Director Managing Executive Officer	Tatsuaki Seki				●	●	●	
Director Executive Officer	Taro Shigemoto					●	●	●

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design Technology Production	Sales Marketing	IT Digital	Finance Accounting	Legal affairs Compliance	Global (Internationality)
Outside Director	Hideaki Omiya	●	●		●			
Outside Director	Mari Matsunaga			●	●			
Director Full-Time Audit & Supervisory Committee Member	Masayuki Kawana					●	●	
Outside Director Audit & Supervisory Committee Member	Yoshio Shirai	●	●					●
Outside Director Audit & Supervisory Committee Member	Susumu Murakoshi					●	●	
Outside Director Audit & Supervisory Committee Member	Michiko Ohtsuka					●	●	

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

## Compensation of Officers

With an aim to ensure transparency and objectivity, compensation of officers is determined by the General Meeting of Shareholders, the Board of Directors or Audit & Supervisory Committee after going through a fair, transparent, and rigorous reporting by the Director Compensation Committee in which Outside Directors make significant contributions.

### Policies

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

1. Compensation shall provide incentive to improve business performance in order to increase corporate value in the near, medium, and long terms.
2. Compensation shall be sufficient to attract qualified persons both from within the Company and from outside.
3. 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 Policies for Officers Who Do Not Have Executive Duties

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

## Compensation System

The Officer compensation system consists of the following components: base compensation, which is comprised of fixed compensation and a variable portion, bonuses, which are performance-linked compensation, and stock compensation, which is performance-linked, non-monetary compensation. Non-Executive Officers receive base 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.

### Base Compensation (fixed and variable)

Base compensation is a monthly monetary amount that is determined by taking into account factors such as the individual's position and responsibilities. The variable compensation component of base compensation for Officers who have executive duties reflects the results of annual performance evaluations based on criteria set according to the individual's role. (Variable range: 20%)

### Bonuses (variable)

Monetary compensation is paid as a bonus once per year to Officers who have executive duties in an amount determined in accordance with considerations such as the level of achievement with respect to annual operating performance targets. It is possible that bonuses may not be paid if business profit does not reach a certain amount. Bonuses reflect the results of annual performance evaluations based on criteria set according to the individual's role. (Variable range of bonuses in months' worth of salary:  $\pm 1.2$  months)

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

### Performance-linked Compensation (variable)

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

performance-based coefficient determined based on the achievement level of the Company's medium-term performance targets, which include business profit, ROS, and ROE, are delivered from the trust, and the remainder is paid as money equivalent to the cash value of the Company's ordinary shares for the purpose of appropriating it as funds to pay withholding taxes and other taxes.

The ratio of stock compensation to base compensation increases or decreases from 10% to 22% depending on position, while the number of shares delivered is linked to the achievement level of the performance indicators during the target period (3 years).

The Company has introduced provisions (malus and clawback provisions) under this stock compensation system that will cause Officers to lose their right to receive stock and require them to pay back an amount equal to the value of the stock already issued if they are found to have violated any laws, ordinances, or company regulations, standards, or other policies.

The Company has selected quantitative evaluations (business profit, ROS, ROE, cash flows from operating activities) as well as qualitative evaluations as indicators, so that the performance-linked compensation based on performance indicators can provide appropriate incentives to Directors and for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value. The Director Compensation Committee qualitatively evaluates performance based on progress against the previous Mid-Range Business Plan financial targets, the effects of currency volatility, progress in ESG management (environment assessment, CSR survey ranking and evaluation of the effectiveness of the Board of Directors), etc.

## Compensation to Directors (Fiscal year ended March 2020)

(Millions of yen)

Category	Number of individuals (Persons)	Base compensation		Performance-linked compensation		Total
		Fixed (monetary)	Variable (monetary)	Bonuses (monetary)	Stock compensation (non-monetary)	
Directors who are not Audit & Supervisory Committee members (of which, Outside Directors)	8 (2)	290 (28)	9 (-)	76 (-)	24 (-)	400 (28)
Directors who are Audit & Supervisory Committee members (of which, Outside Directors)	6 (5)	81 (48)	- (-)	- (-)	- (-)	81 (48)
Total	14	372	9	76	24	482

### Notes

- The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.
- The amount above includes bonuses to be paid to Directors in the amount of 76 million yen (amount to be paid to five Directors excluding Chairman and Director without the right of representation, Outside Directors, and Directors who are Audit & Supervisory Committee Members), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the Ordinary General Meeting of Shareholders scheduled on June 25, 2021.
- The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders. The stock compensation stated above represents the amount recorded based on Japanese Generally Accepted Accounting Principles (JGAAP) concerning the stock delivery points granted in the current fiscal year.
- The number of individuals above includes two Directors who are Audit & Supervisory Committee Members who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2020.
- Stock options are not granted.

## Actions to Ensure Board Effectiveness

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### 1. Overview of Efforts to Evaluate the Effectiveness of the Board of Directors

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.

#### Evaluating the effectiveness of the Board of Directors

When evaluation is performed: February to March

When evaluation results are analyzed and issues are selected: April to May

Disclosure of issues in a Corporate Governance Report: June

Interim report to the Board of Directors (regarding actions taken to resolve issues): October

Final report to the Board of Directors (regarding action take to resolve issues): February of the following year

Disclosure in a Corporate Governance Report of the results of actions taken to resolve issues: June of the following year

### 2. FY2019 Evaluation Results

The Company analyzed and evaluated the effectiveness of its Board of Directors by asking all Board members to complete a questionnaire that covered the topics listed below.

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

The results showed that the Board of Directors as a whole is functioning effectively.

The Company identified and addressed the issues below to improve Board effectiveness in the future.

1. Further improving the organization and disclosure of business strategy risks and opportunities  
We have redefined the risks in the Company's management strategy, concretized the risk items, and clarified the relevance to the business strategy. The management process for further enhancing the effectiveness of risk management has been rearranged and applied since 2021.  
The Company's website discloses our view on the risks associated with changes in paper demand, while Integrated Report 2020 states the risks and opportunities for the Company vis-à-vis the social transformation brought about by the Covid pandemic.  
The Company's view on the risks associated with changes in paper demand: ([WEB](https://global.epson.com/SR/tcfd/) <https://global.epson.com/SR/tcfd/>) Risks and opportunities for the Company vis-à-vis the social transformation brought about by the Covid pandemic: ([WEB](https://global.epson.com/IR/library/integrated_report.html) [https://global.epson.com/IR/library/integrated\\_report.html](https://global.epson.com/IR/library/integrated_report.html))  
We will continue to consider whether to further expand the scope of disclosure of risk management items based on a comprehensive assessment, including of the social and competitive environments.
2. Further improving the organization and disclosure of the thinking with regard to business portfolio management.  
The businesses in the Company's portfolio have been positioned and broadly divided into three areas according to the product life cycle: a new area, growth area, and mature area.  
Funds will be allocated and targets set according to the positioning of the business, the PDCA cycle will be implemented for each, and the direction of the businesses will be determined while taking into consideration synergies among businesses. These strategies were articulated in the Epson 25 Renewed Corporate Vision announced in March 2021.

In April 2021, we transferred the IC test handler business to Kanematsu Corporation as part of our business portfolio management efforts.

The generated cash will be preferentially allocated to growth investments primarily in growth areas, new areas, and the environment. On top of that, the Company will continue to provide stable shareholder returns and build a sound financial structure.

### 3. FY2020 Evaluation Results

To incorporate a more objective perspective to the Board of Directors effectiveness evaluation for the 2020 fiscal year, we asked an independent firm to evaluate and provide feedback about each step in the process, from creating a questionnaire to analyzing and evaluating the answers.

In addition, the Company dug deeper based on recent corporate governance trends (such as the interests of institutional investors) and identified the following issues in order to improve effectiveness in the future:

1. Promote diversity; and
2. Promote digital transformation (DX).

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

## Responding to Large-Scale Acquisitions of Seiko Epson Shares

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Epson's Corporate Governance Policy stipulates the following:

1. Whether to accept a bid to purchase a number of shares that would give the acquirer control over the Company's financial and business policies ("large-scale acquisition" hereafter) should ultimately be decided by the shareholders.
2. Epson shall ask persons who attempt to make large-scale acquisitions of Company shares to provide a sufficient amount of the information needed to determine the desirability of the large-scale acquisition from the perspective of ensuring and enhancing corporate value and the common interests of shareholders, after which Epson shall disclose the opinions of the Company's Board of Directors regarding the proposed large-scale acquisition, thereby doing its due diligence to provide shareholders with the time and information they need to consider the desirability of the large-scale acquisition. The Company shall also take appropriate actions based on the Financial Instruments and Exchange Act, the Companies Act, and other applicable laws and regulations.



## Whistleblowing Systems and Reporting Channels

Epson provides Epson Helplines as reporting channels for directors and employees of Group companies in Japan. The helplines have been set up both internally and at a third-party provider outside the Group. To get specific instructions on using these helplines, employees can read the Epson Helplines User Manual on our intranet. Trainings and other opportunities also cover helpline use. We have in addition provided a supplier whistleblowing system for third-party business partners and others to quickly call our attention to potential compliance problems that might go undetected internally. We use our public websites to notify potential users about this system and discuss it at supplier briefings. In these reporting channels, the identity of whistleblowers is rigorously protected and reprisals of any type are strictly forbidden.

Our Epson Global Code of Conduct and Epson Group Whistleblowing Systems Regulation, moreover, require that every Group company in Japan and overseas establish a point of contact for taking reports from directors and employees, strictly manage information contained in reports, and forbid reprisals against whistleblowers. The content of these policies is clearly stated on our intranet. We also use tools like online learning during Compliance Month and job-class-specific training to actively raise employee awareness and inform them of these policies.

In FY2020, our reporting channels in Japan took 78 reports, an increase of 13 over the previous fiscal year. Whistleblowers reported possible cases of internal rule violations, misconduct, and lawbreaking. Epson responded appropriately to each of these reports. Aside from Epson Helpline, we also set up advisory services for specific concerns. This helps us to maintain and operate an environment that makes it easier to seek advice.

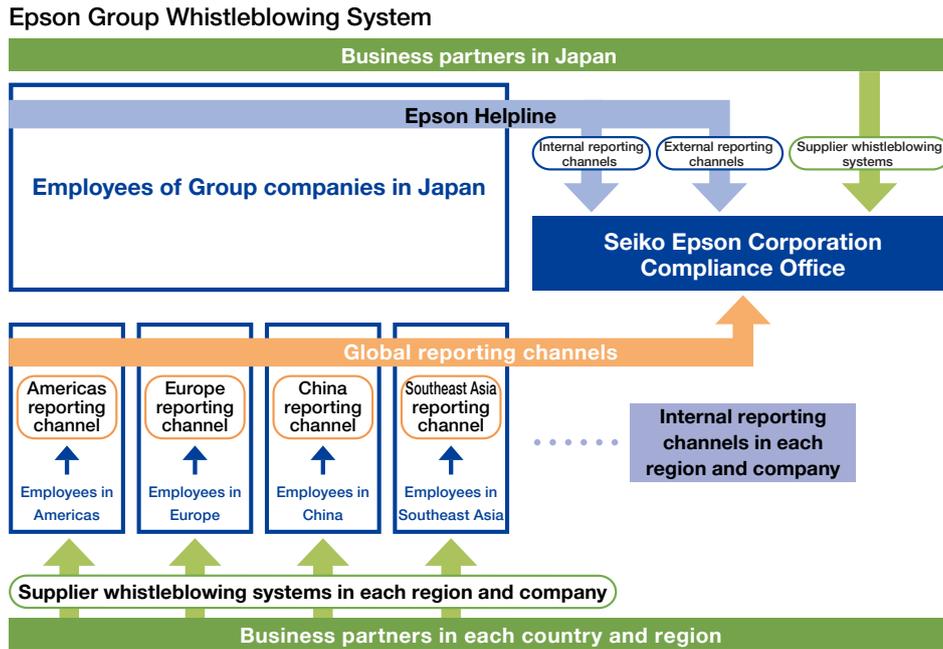
### Counseling and Support Services in Japan

- Harassment counseling
- Management advisory service
- Counseling related to overwork and long working hours
- Career counseling
- Counseling for persons with disabilities
- Employee counseling
- Corruption (bribery) regulations advisory service
- Competition laws advisory service
- Insider trading advisory service

All overseas Group companies provide channels for taking reports from employees, including a channel for each region and a channel for each company. Employees can access these channels in their local language (English, Chinese, Indonesian, etc.). In addition, many Group companies overseas have supplier whistleblowing systems and make sure that their business partners (mainly suppliers) are aware of them.

We have also introduced the Epson Executive Compliance Hotline, a global reporting channel that directly takes reports on possible compliance problems among executives in Group companies outside Japan. Employees at overseas Group companies are informed about this hotline, which helps us to enhance the completeness and effectiveness of the Epson Group whistleblowing system.

Epson periodically investigates the operating effectiveness of Group company reporting channels. The effectiveness of such channels throughout the Group, including those in Japan, is periodically reported to the Board of Directors, Compliance Committee, and other corporate management meeting bodies. Investigation results are also sent to Group companies as feedback and used to build on the effectiveness of the whistleblowing system.

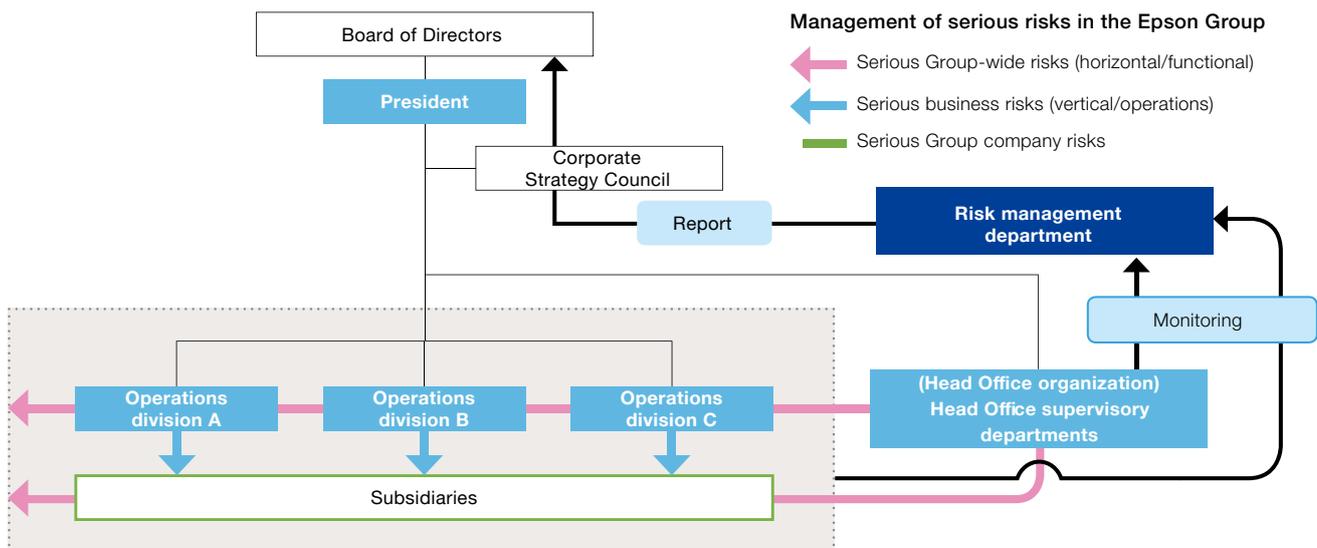


## Risk Management Organization

The president of Seiko Epson acts as the Chief Risk Management Officer in the Epson Group, including subsidiaries. Group-wide risks are globally managed 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 Seiko Epson risk management department monitors overall risk management in the Epson Group, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs.

The risk management organization is defined in the Epson Group Risk Management Basic Regulation.

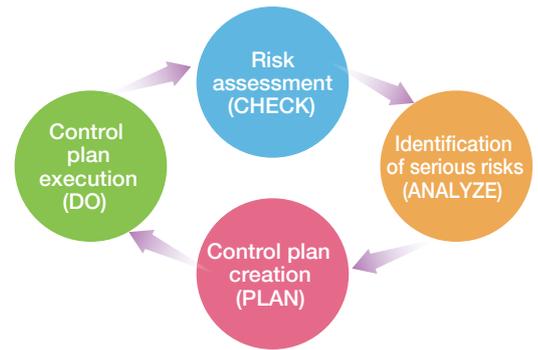
### Risk Management Organization Chart



Epson identifies serious risks that could have significant consequences on the company as below.

- Risks that could have serious adverse effects on Epson Group management are considered “serious Group-wide risks.”
- Risks that could have serious adverse effects on business operations are considered “serious business risks.”
- Risks that could have serious adverse effects on subsidiaries’ management are considered “serious Group company risks.”

Risk Management Cycle



Epson drafts and executes plans to control these serious risks, and monitors the progress. The company also strives to ensure control plan effectiveness by quarterly evaluating serious Group-wide risks and half-yearly evaluating serious business risks and serious Group company risks, and by revising the plans as needed. The president of Seiko Epson reports important risk management affairs to the Board of Directors quarterly.

### Crisis Management

Epson has a standing Crisis Management Committee. The committee is chaired by the president. The general administrative manager in charge of risk management serves as vice-chair. The rest of the committee is made up of the general administrative managers of supervisory departments at the Head Office. An organization and a predetermined crisis management program are in place to enable us to rapidly mount an initial response in a crisis.

Epson responded to COVID-19 by invoking the Crisis Management Committee in accordance with the provisions of the crisis management program and, under the direction of top management, ascertained the situation at our global sites, issued specific instructions, and took actions according to the severity of local outbreaks. Measures were deployed to prevent infection and ensure the safety of Group personnel and their families, prevent the spread of infections, and the continuity of business.

The Crisis Management Committee regularly reports the situation to executive management, including outside directors, as well as to the Corporate Strategy Council and the Board of Directors.

### Internal Audits

The internal audit department conducts audits that facilitate self-directed internal control at all Group divisions as well as subsidiaries and related organizations in Japan and overseas. Audits are used to check compliance and the effectiveness and efficiency of these units’ risk management, internal controls, and governance processes. If problems are found, the internal audit department helps minimize business risks by conducting a follow-up audit to check the status of improvements. To ensure effective Group governance, the internal audit department also centrally oversees internal audits throughout the Group in collaboration with auditing departments at regional headquarters in Europe, the Americas, China, and Southeast Asia.

Each year, the units to be audited are chosen by judging the relative importance of and assessing the risk at each division and each subsidiary and related organization in Japan and overseas. Then an auditing cycle is set that is designed for effectiveness and efficiency. Audits are then performed systematically. In the 2020 fiscal year, the internal audit department performed audits on 14 Epson units and provided them with advice on making specific improvements for 46 non-conformities found by audit. In the 2021 fiscal year, units were grouped into 71 organizations. The internal audit department conducted risk assessments on the groups, selected the units to be audited, and is performing the audits.

## Internal Controls over Financial Reporting

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Every year, we audit internal controls to ensure the reliability of financial reporting (J-SOX). The Epson Group uses an autonomous distributed implementation system in which operations divisions and subsidiaries subject to external audits conduct a self-assessment on the design and operation of their internal controls, while the J-SOX Compliance Department ensures the validity of the assessment results. Operations divisions, subsidiaries, and affiliates not subject to external audits are required to independently assess their internal controls and make such improvements as are necessary.

## Organizational Governance

# Initiatives of Internal Control

## Anti-Bribery/Anti-Corruption

### Basic Principles

Principle 5, “Ensuring effective governance and compliance,” in Principles of Corporate Behavior, states that we will not tolerate any form of bribery, corruption, dishonest marketing, cartels, insider trading, or conflict of interest and that we will conduct all transactions in accordance with these principles, promoting fair and open competition in the marketplace.

To put this principle into practice, Epson created the Epson Global Code of Conduct, which explains how employees are expected to implement the Principles of Corporate Behavior. The code impresses upon employees the need to seek profits by proper means and to immediately report conduct that is or could lead to a violation.

Principle 7, “Working with business partners for mutual benefit,” in Principles of Corporate Behavior strictly forbids acts of bribery and collusion with business partners and strongly urges business partners to refrain from engaging in illegal or unethical business practices themselves. They are also strongly urged to avoid acts of bribery for business purposes in Anti-Bribery and Antimonopoly Act Compliance Guidelines for Business Partners. Epson Group Supplier Guidelines stipulates that Epson conducts business in a way that does not depend on entertainment or the like from suppliers. We ask our business partners to promptly report violations or potential violations by Epson personnel to Epson Group companies.

### Epson Group Anti-Bribery Regulation

Established in 2014 and based on the Principles of Corporate Behavior and the Epson Group Compliance Basic Regulation, this regulation, reflecting the resolve of the Board of Directors to preempt bribery, prescribes an anti-bribery framework and rules.

In addition to prohibiting employees from bribing public servants and those in similar positions, this regulation stipulates that departments must take steps to prevent bribery under an anti-bribery organization headed by the president. In addition, it also stipulates that if agencies are used, they shall not order, consent to, or abet acts of bribery.

### Anti-Bribery Activities

Epson cites violations of anti-corruption regulations as a priority risk for the Epson Group. We formulate and execute control plans for anti-corruption activities, monitor activity progress, and evaluate their effectiveness.

Anti-corruption activities at Epson are overseen by a compliance control department per the Epson Group Anti-Bribery Regulation, and the various supervisory departments work together to manage a wide range of activities, including but not limited to entertainment and gift-giving, donations, recruitment, internships, disciplinary action, instructor requests, agencies, sponsorships, and procurement. We use an online course during Compliance Month to ensure that employees are thoroughly informed about bribery prevention.

## Compliance Promotion Activities

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To instill internal compliance awareness, Epson provides online courses, training, and more on a regular basis to both executive officers and employees, in keeping with the Epson Global Code of Conduct. We invite outside experts to give instruction in compliance training courses for executive management. We also provide online compliance courses and compliance training by internal instructors for all personnel. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions.

October is Compliance Month at Epson, a period during which we raise employee compliance awareness throughout the global Epson Group based on our Management Philosophy and Principles of Corporate Behavior. This helps employees recall the importance of compliance to the realization of the Management Philosophy. A variety of actions are taken during the month. For example, Epson's Chief Compliance Officer and the heads of Epson divisions and subsidiary companies issue compliance messages. A special article on compliance is published in the company newsletter. Action is taken to communicate and promote understanding of the Epson Global Code of Conduct, and personnel receive compliance training.

After Compliance Month ends, we conduct a survey to ascertain the extent to which employees recognize the importance of compliance and to pinpoint ways to improve activities for the next year. The survey enables us to find out about the kind of actions taken by the various Group companies and organizations and allows us to gather opinions and suggestions about activities. Survey responses are totaled, analyzed, and used for future activities.

### Global Compliance Activities

Epson has built and is operating an R-CCO (Regional CCO) organizational system centered on the CCO in order to expand compliance activities globally. Since different regions of the world have their own languages and cultural norms, the sales company that supervises a region leads the compliance activities in that region, and Group companies cooperate to carry out the activities. We have established a vision of compliance management to which Epson aspires and are implementing a Global Compliance Program to realize this vision. Under this program, Epson sets targets for each year and follows a cycle of evaluation, assessment, and improvement of systems and operations at Group organizations and subsidiaries. By so doing, we aim to achieve our targets by sharing compliance policies, issues, and measures throughout the Group.

## International Trade Initiatives

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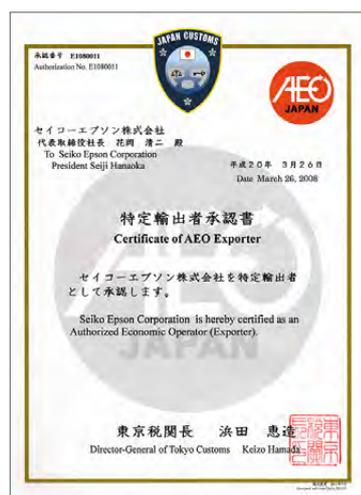
Epson is a multinational corporation with production centers, sales centers, customers, and business partners around the world. Smooth international trade operations are essential for delivering Epson products and services to customers in a timely manner.

Meanwhile, we must observe numerous conventions and frameworks governing international trade that have been put in place to maintain international peace and security.

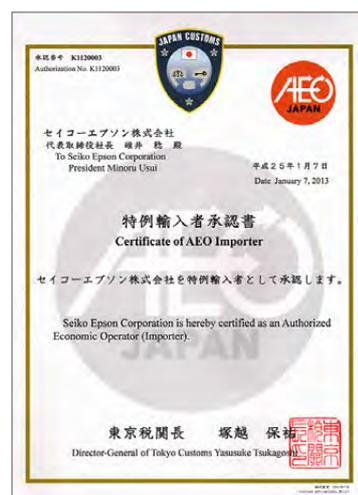
To maintain compliance with these and to ensure smooth trade, Epson has established comprehensive systems and processes that have enabled Group companies to earn certification from the relevant authorities for compliance with international trade programs. (See the table below.)

## Certifications

Company	Program (certifying agency)	Program overview
Seiko Epson Corporation	Special general bulk export license (Ministry of Economy, Trade and Industry)	The program grants a blanket license to export certain items (or provide certain information) to certain destinations without an individual application if an export control system is found to be in place.
Seiko Epson Corporation	Authorized exporter (Ministry of Finance, Tokyo Customs)	The program enables certified parties to get export permission even if goods are not brought into a bonded facility, etc., if an export security control and compliance system is found to be in place.
Seiko Epson Corporation	Authorized importer (Ministry of Finance, Tokyo Customs)	The program enables certified parties to separate import declarations from tax declarations and accept goods before filing a tax declaration if an import security control and compliance system is found to be in place.
Epson America Inc. Epson Portland Inc.	Customs-Trade Partnership Against Terrorism (C-TPAT) (US Customs)	The program is designed to strengthen security of goods imported to the US and security of import channels to the US.



Certificate of AEO Exporter



Certificate of AEO Importer

## Business Continuity Management

Epson has a solid business continuity management program in place. For many years we have taken action to prevent and manage disasters, but the program really got started in 2006, when we formulated a business continuity plan (BCP) for what was then our liquid crystal displays business.

If a disaster or some other event impacts business at an Epson Group production site, our first priority is to ensure the safety of our employees. Next, we take steps to ensure continuity of the product supply so as not to inconvenience our customers. In order to provide a steady supply of products, particularly consumables and core components such as quartz and semiconductor devices, print heads, and small liquid crystal panels, we have preparations in place that allow us to limit damage, secure repair parts, switch to alternative producers, and restore operations in line with established procedures. We conduct exercises to check our procedures and ensure their effectiveness. Mission-critical IT systems and critical data that are essential for business continuity are consolidated in a robust data center, and backups are at the ready in the event of a disaster. We have secured multiple distribution routes to enable us to immediately switch to alternative routes in response to any disruption in international shipping and transport. In addition, our finance, accounting, public relations, and other key corporate functions have established BCPs so that business can continue in emergencies.

Meanwhile, we ask the companies that make up our supply chain to strengthen their BCPs, and we check to see how established those BCPs are. We analyze the items we purchase, and we develop multiple sources for those that are most important. When we cannot secure multiple sources, we keep an inventory of goods on hand or try other means to ensure continuous production in the event that something should happen to a supplier.

Every business and site in the Epson Group will continue to refine its BCP to ensure that it has the resilience to withstand threats to business continuity going forward.



Tabletop exercise for earthquake



Checking the restoration procedure of the production line in a clean room

## Tax Compliance Policy

Epson seeks to fulfill its corporate social responsibility by paying appropriate taxes in compliance with the spirit as well as the letter of the tax laws and regulations in the countries and regions where it operates. In accordance with this basic policy on taxes, we are taking the actions below to maintain and improve tax compliance.

### 1. Tax governance

- The Board of Directors is responsible for overseeing tax risk, and Epson's Chief Financial Officer is the responsible official of Group tax affairs. The group that is in charge of tax affairs reports and manages taxes is under the supervision of the Chief Financial Officer.
- Epson considers tax risk to be an important risk, and regularly reports such risks to the board of directors and the Corporate Strategy Council, which is composed of directors of the company.
- Employees are trained in the tax-related regulations and business process standards that Epson has established to ensure that it properly fulfills its tax obligations. We conduct periodic internal tax audits and report the findings to top management and to the Audit & Supervisory Committee.

### 2. Monitoring tax affairs

- We appropriately respond in a timely manner to changes in local tax systems and taxation trends through regular reporting among the group that is in charge of tax affairs and Epson's local subsidiaries.
- We enlist the support of tax accounting firms and other external experts for advice on taxes and for tax support in each country and region.

### 3. Tax planning and Tax avoidance

- Around the globe, we strive to effectively use preferential taxation systems where possible in our normal business activities to ensure a suitable tax burden.
- We do not transfer value created to low tax jurisdictions, and do not use tax structures intended for tax avoidance without the spirit of the law.

#### **4. Dealing with uncertainty**

- Tax risk uncertainty is expected to increase as countries and regions around the globe strengthen their tax reporting obligations, tax audits, and tax enforcement. Epson controls tax risks by identifying situations that could potentially pose serious tax risks.

#### **5. Transfer pricing taxation**

- Epson complies with local tax laws and OECD guidelines to control transfer pricing tax risks. We have established transfer pricing guidelines for the Epson Group to help ensure appropriate transfer pricing transactions. In line with these transfer pricing guidelines, we control the profitability range of our global subsidiaries to ensure that transactions are made at arm's length.
- We use an advance pricing arrangement (APA) for transactions with subsidiaries in high-risk countries.

#### **6. Anti-tax haven rules (also known as Japanese Controlled Foreign Company rules, or "CFC")**

- Epson sets up foreign subsidiaries to carry out its ordinary business activities, but does not do so in "tax haven" jurisdictions to avoid taxes. When anti-tax haven rules apply, Epson properly files and pays taxes.

#### **7. Relationships with tax authorities**

- Epson strives to work in good faith with tax authorities and to maintain and improve good tax corporate governance.

## Organizational Governance

# Security

Epson, in a code of conduct called “Principles of Corporate Behavior,” states “We protect the security of people and company assets, and we exercise strict care in the management of all information.” The company has put in place a system for ensuring the security of employees and visitors. Employees recognize the importance of security and follow good security practices. The company’s assets (financial, tangible, intellectual, brand, information, and other assets) are properly managed, and the assets of other parties are respected. We strictly control personal data and confidential information to prevent leaks.

## Information Security

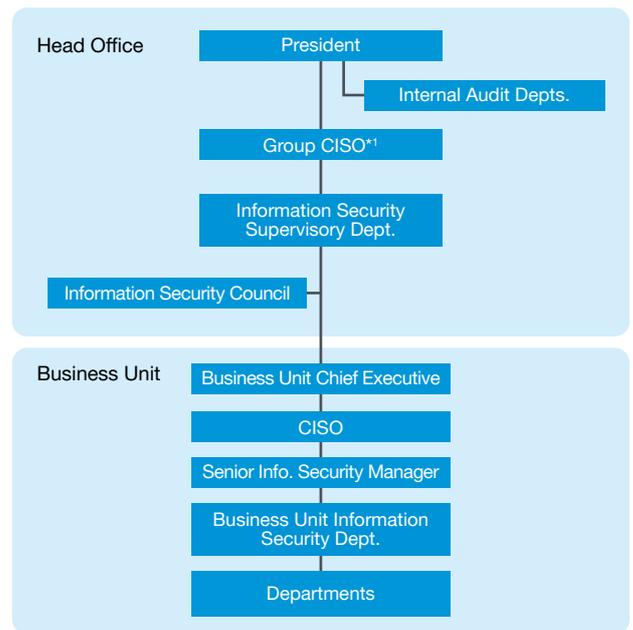
Epson has set forth essential information security principles and rules in a Basic Information Security Policy. The company is building an information security governance framework and fostering a corporate culture that reflect the importance and principles of good information security practices.

 [Basic Information Security Policy \(Please refer to page 288 of “Appendices”\)](#)

## Information Security Framework

Epson’s various business units build and maintain their own information security systems based on Group-wide rules. The senior executive of the company serves as the Group Chief Information Security Officer and promotes the information security governance. Under this organization, the systems and controls of each business unit are internally assessed to check whether information security risks are being managed effectively. A maturity indicator has also been established for information security actions to gauge the maturity level of each business unit.

Information Security Organization



\*1 Chief Information Security Officer

## Program

Epson conducts the following programs in line with the Epson Group Basic Information Security Policy:

- Programs to maintain compliance by revising internal systems and understanding the trends in laws, regulations, and guidelines of nations and regions
- Programs to raise awareness and educate employees
- Risk assessments

## Cyber Security

We have established a grand design that specifies policies concerning cyber security measures to enable us to contend with cyber security threats and respond to attacks, which are becoming increasingly sophisticated and insidious. As references, we used the Cybersecurity Management Guidelines issued by the Ministry of Economy, Trade and Industry and the Cyber Security Framework set up by the US National Institute of Standards and Technology.

As part of this effort, we have begun running a Security Operation Center that covers Asia, Europe, and the Americas. This center responds swiftly to attacks by malware, including ransomware. It also uses case studies of past incidents as training material and revises procedures on how to respond.

We have also installed a new type of anti-malware software on PCs that detects malicious behavior and shuts down attacks of all types before PCs can be exposed to danger. We will continue improving and reinforcing our readiness to the ever-changing threats.

## Training

The following training programs are implemented to increase employees' information security awareness and ability to respond to various external threats:

- An information security course that all officers and employees are required to complete
- A training on responding to targeted e-mail attacks
- Risk assessment education for managers
- Inspection programs that check whether the company's information security is improving

## Personal Data Protection

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We at Epson are acting to protect the personal data of our customers, business partners, and employees to reward their trust and fulfill our social responsibility. Countries and regions around the world are establishing and amending laws and regulations governing personal data protection and privacy protection. The E.U.'s General Data Protection Regulation (GDPR) is a prominent example.

Epson is part of the Japan Electronics and Information Technology Industries Association and reviews its internal rules to identify necessary revisions regarding the protection of personal data.

### Basic Approach to Personal Data Protection

Internal regulations at Epson require us to establish controls based on the 11 principles outlined in ISO/IEC 29100. Group companies furthermore establish their own Privacy Statements and Privacy Policies based on laws and regulations in their own countries and publish them on their national websites.

### Personal Data Management Framework

At Epson, personal data is part of our information security and we work to protect it with our information security organization and systems.

## Training

Epson trains its employees on data handling rules and the importance of personal data protection in accordance with the type and level of personal data.

## List of certifications

### Information Security Management System (ISMS) Certification

Name of organization	Seiko Epson Corporation
Certification standard	ISO/IEC 27001:2013/JIS Q 27001:2014
Scope of certification and registration	<p>The following business in DX Division</p> <ul style="list-style-type: none"> <li>- Operation management of cloud service to accounts business</li> <li>- Operation management of common platform</li> <li>- Operation management of subscription platform</li> </ul> <p>The following business in Printing Solutions Division</p> <ul style="list-style-type: none"> <li>- Operation management of cloud print and scan service</li> <li>- Operation management of remote monitoring system</li> </ul> <p>The following business in VSM Project</p> <ul style="list-style-type: none"> <li>- Operation management of health guidance</li> </ul>
Certifying organization	BSI Group Japan Co., Ltd.
Certification registration No.	IS 507352

Name of organization	Epson Avasys Corporation
Certification standard	ISO/IEC 27001:2013/JIS Q 27001:2014
Scope of certification and registration	<ul style="list-style-type: none"> <li>- The embedded software development and application development for IT devices</li> <li>- The Technical documentation and translation for the above-mentioned IT related products and services</li> <li>- The Quality evaluation for IT devices and application software</li> <li>- The Business application system development</li> <li>- The Operation and administration of internal backbone network, servers, and information systems</li> </ul>
Certifying organization	BSI Group Japan Co., Ltd.
Certification registration No.	IS 85200

### ISMS Cloud Security Certification

Name of organization	Seiko Epson Corporation
Certification standard	JIP-ISMS517-1.0 (ISO/IEC 27017:2015)
Scope of certification and registration	ISO/IEC27001 (JIS Q 27001) Certificate Number: IS 507352 The ISMS cloud security management system for the provision of "Common platform services" (AWS) operation as a cloud service provider and for the use of Amazon Web services as a cloud service customer
Certifying organization	BSI Group Japan Co., Ltd.
Certification registration No.	CLOUD 688933

## Privacy Mark

Name of organization	Epson Sales Japan Corporation
Certification standard	JIS Q 15001
Period of validity	April 12, 2021 to April 11, 2023
Certifying organization	The Association of Computer Software
Certification registration No.	No. 10520010 (09)

Name of organization	Epson Direct Corporation
Certification standard	JIS Q 15001
Period of validity	December 12, 2020 to December 11, 2022
Certifying organization	BJapan Institute for Promotion of Digital Economy and Community
Certification registration No.	No. 10580040 (08)

## Intellectual Property Protection

Epson protects the rights to its proprietary technologies so as to support the smooth and ongoing development of its existing businesses and the development and growth of new businesses. These actions ensure that our IP portfolio contributes to corporate earnings. We also respect the rights of others and implement measures to prevent infringement of those rights.

### Anti-Counterfeiting Measures around the World

To protect the trusted Epson brand, we actively seek to seize counterfeit goods and other fraudulent articles that infringe the Epson trademark or our other intellectual property rights before they reach consumers.

We have set up anti-counterfeiting centers around the world that are staffed by people who monitor the goods produced and sold by manufacturers and retailers, and especially e-commerce retailers. We fight counterfeiting in a number of ways. For example, we share information with the police and other enforcement authorities to increase raids on counterfeiters. We educate customs officials to better enable them to recognize counterfeits and block their import and export. We also work with e-commerce site operators to halt the sale of imitation goods that violate our rights. The actions we take stop the distribution of counterfeit goods and help reassure consumers that the goods they buy are genuine Epson brand products.



Participating in an IP protection conference organized by customs officials in China



Educating customs officials and police about real and counterfeit goods in the UAE



Educating customs officials about real and counterfeit goods in Japan

## Supply Chain CSR

# Supply Chain CSR Vision

## Supply Chain CSR Vision

Epson aspires to be an indispensable company, one that seeks to build mutually beneficial relationships with all its business partners, including suppliers, by asking them to uphold the highest standards of integrity and ethics while, at the same time, respecting their autonomy and independence.

Epson, which has mapped each of its supply chain initiatives to one or more of the Sustainable Development Goals (SDGs) of the United Nations, will help to achieve the SDGs by taking action throughout the supply chain.

These supply chain ethics requirements are based on the Responsible Business Alliance Code of Conduct. The Responsible Business Alliance (RBA) is a supply chain alliance in the electronics industry. As a regular member, Epson supports the RBA’s mission and code of conduct, which consists of internationally recognized, ambitious CSR requirements covering human rights, health and safety, the environment, and ethics. The RBA Code of Conduct is regularly reviewed and revised to establish common requirements that the electronics industry should work toward together. As an RBA member, Epson is working to strengthen its supply chain CSR and is requesting suppliers to do so, as well.



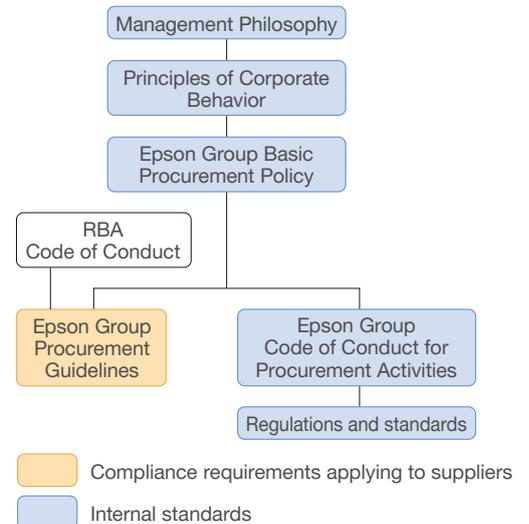
## Sustainable Procurement Policy

Maintaining mutually beneficial relationships with suppliers is one of the keys to attaining the goals outlined in Epson’s Management Philosophy. This is why Epson’s Principles of Corporate Behavior states that Epson seeks to maintain mutually beneficial relationships with its suppliers, sales channels, collaborators, and other business partners, whom Epson asks to live up to the highest standards of ethical conduct while respecting their autonomy and independence.

In addition to good partnerships with suppliers, Epson’s Basic Procurement Policy requires adherence to high ethical standards and strict compliance in all supply chain operations. Further, it states that we will strive to reduce the environmental impacts of our procurement activities and always seek stable and reasonable QCD (quality, cost and delivery) from suppliers.

The Epson Group Supplier Guidelines includes a Code of Conduct pertaining to labor, health, safety, environment, ethics, and management systems. This Code of Conduct is based on the Responsible Business Alliance (RBA) Code of Conduct. Epson uses the Epson Group Procurement Guidelines to inform all suppliers about our requirements and to request their adherence to them.

### CSR Procurement Policies



## Supply Chain CSR Strategy

Epson has strategically established priority items for medium- and long-term objectives for supply chain CSR to realize the Epson Group Management Philosophy and Principles of Corporate Behavior. We have set two major actions: actions to ensure worker's rights and safety and actions to realize a sustainable society. Our efforts will help to achieve the targets of the 17 SDGs by 2030.

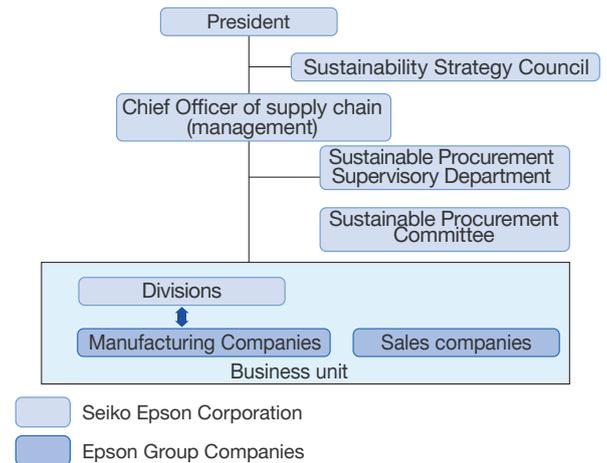


## Organization

The Epson Group's global supply chain is managed to ensure sustainability and the responsible sourcing of minerals.

The Sustainable Procurement Committee is made up of personnel from all of Epson's divisions and manufacturing companies, with the department that supervises sustainable procurement at Seiko Epson providing administrative oversight. The committee discusses targets and action plans to address supply chain issues. After they are approved by the chief officer of supply chain management (SCM), the targets and action plans are communicated throughout the Epson Group. The chief officer of SCM monitors the progress of action plans. And we regularly report to the Sustainability Strategy Council to review by management.

### Organization of Supply Chain CSR



## Mid-term Target (KGI) and KPI

Epson has set mid-term objectives and major action items for each year.

### Mid-term objectives (achieve by FY2025)

Supply chain CSR: Ensure that all major suppliers are ranked low risk in terms of CSR.  
Responsible mineral sourcing: Make products conflict-mineral-free\* and disclose product information.

\* Use 3TG only from RMAP smelters recognized by the RMI

## FY2020 Major Action Items, Plans, and Results

	Description	Result
1	Ask major suppliers to complete a CSR self-assessment questionnaire (SAQ) to check compliance 1) Major suppliers provided with feedback on CSR SAQ results KPI: 100% 2) High-risk suppliers that completed their corrective action plans KPI: 100% (No high-risk suppliers)	1)100% 2)100% (Direct materials suppliers)
2	Customers that responded to CSR survey requests (including conflict free mineral survey requests) KPI: 100%	100%
3	Smelters certified by the RMI's Responsible Mineral Assurance Process per the conflict mineral survey KPI: 100%	71%

## FY2021 Major Action Items

	Major Action Items, KPI
1	Strengthening CSR SAQ (self-assessment questionnaire) for major suppliers 1) Major suppliers provided with feedback on CSR SAQ results: KPI 100% 2) Corrective action taken for critical items: KPI 100% improved
2	Strengthening conflict mineral survey 1) Elimination of non-CF certified smelters by performing due diligence 2)Collecting survey answers: KPI 100% collection
3	Ensure engagement with suppliers 1) Supplier CSR communication: KPI 100% on major production sites 2) Acquire agreement to the Epson Supplier Guidelines: KPI Major suppliers 100%

## Supply Chain CSR

# Supplier Guideline

## Supplier Guideline/Epson Supplier Code of Conduct

Epson believes that to achieve the goals stated in its Management Philosophy, its suppliers must understand the Management Philosophy and comply with the Epson Supplier Code of Conduct.

The Epson Group Supplier Guidelines were created in 2005 to inform suppliers about Epson's procurement policies and requirements. In 2008, the Epson Supplier Code of Conduct was added as an appendix to the Epson Group Supplier Guidelines. Epson's Code of Conduct was based on the code of conduct created by the Electronic Industry Citizenship Coalition (EICC), now called the Responsible Business Alliance (RBA).

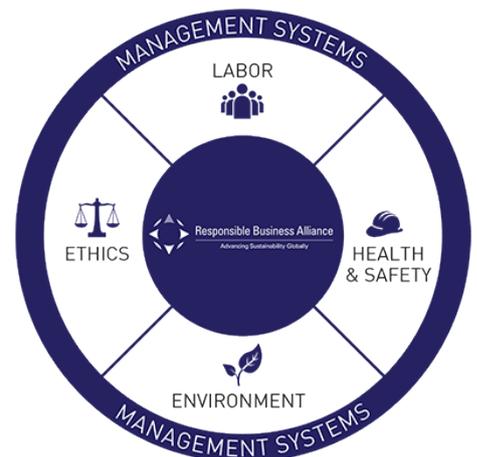
The Epson Group Supplier Guidelines reflect international requirements. They are intended to help ensure that our suppliers work with us as partners to meet quality, cost, and delivery (QCD) obligations and maintain compliance with requirements in areas such as human rights, labor, health and safety, environment, ethics, and trade control and security, as well as information security. Rev. 6.0, released in January 2020, is the latest version of the Epson Group Procurement Guidelines. The content was revised to maintain consistency with the latest RBA Code of Conduct. The Epson Supplier Code of Conduct is now a major part of the Procurement Guidelines and will be available in multiple languages.

Over the 15-year history of the Guidelines, we have asked all suppliers to comply with the requirements and have asked our major direct suppliers of production materials to sign a formal agreement.

## Requirements Under the Supplier Code of Conduct

The Epson Supplier Code of Conduct, which is part of the Epson Group Supplier Guidelines, is based on the RBA Code of Conduct. It specifies supply chain requirements in the areas of labor, health and safety, environmental, ethics, and management systems.

The RBA requires compliance with local law, as well as compliance with RBA requirements when RBA requirements and standards are stricter than local law. This idea ensures a high level of control regardless of the legal requirements and standards of the country in which the supplier is located, and regardless of the labor practices of the country.



A. LABOR (Human rights)	B. HEALTH AND SAFETY
<p>A1 Freely Chosen Employment (e.g., prohibiting forced labor)</p> <p>A2 Young Workers (prohibiting child labor)</p> <p>A3 Working Hours (maximum working hours, holidays, voluntary overtime)</p> <p>A4 Wages and Benefits</p> <p>A5 Humane Treatment</p> <p>A6 Non-Discrimination/Non-Harassment</p> <p>A7 Freedom of Association</p>	<p>B1 Occupational Safety</p> <p>B2 Emergency Preparedness</p> <p>B3 Occupational Injury and Illness</p> <p>B4 Industrial Hygiene</p> <p>B5 Physically Demanding Work</p> <p>B6 Machine Safeguarding</p> <p>B7 Food, Sanitation and Housing</p> <p>B8 Health and Safety Communication</p>
C. ENVIRONMENT	D. ETHICS
<p>C1 Environmental Permits and Reporting</p> <p>C2 Pollution Prevention and Resource Reduction</p> <p>C3 Hazardous Substances</p> <p>C4 Solid Waste</p> <p>C5 Air Emissions</p> <p>C6 Materials Restrictions</p> <p>C7 Water Management</p> <p>C8 Energy Consumption and Greenhouse Gas Emissions</p>	<p>D1 Business Integrity</p> <p>D2 No Improper Advantage</p> <p>D3 Disclosure of Information</p> <p>D4 Intellectual Property</p> <p>D5 Fair Business, Advertising and Competition</p> <p>D6 Protection of Identity and Non-Retaliation</p> <p>D7 Responsible Sourcing of Minerals</p> <p>D8 Privacy</p>
E. MANAGEMENT SYSTEMS	
<p>E1 Company Commitment</p> <p>E2 Management Accountability and Responsibility</p> <p>E3 Legal and Customer Requirements</p> <p>E4 Risk Assessment and Risk Management</p> <p>E5 Improvement Objectives</p> <p>E6 Training</p>	<p>E7 Communication</p> <p>E8 Worker Feedback, Participation and Grievance</p> <p>E9 Audits and Assessments</p> <p>E10 Corrective Action Process</p> <p>E11 Documentation and Records</p> <p>E12 Supplier Responsibility</p>

## Supply Chain CSR

# Supply Chain Initiatives

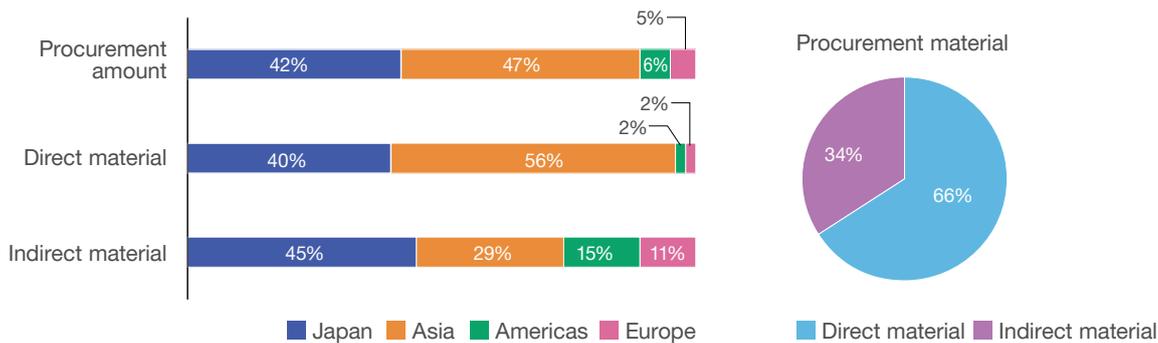
## Supply Chain Overview

Epson considers suppliers to be important partners in its business activities. As such, our procurement activities are designed to develop mutually beneficial trusting relationships with our business partners based on fairness, transparency, and respect.

Epson procures goods and services from all over the world. Domestic Japanese procurement accounts for about 42% of our total procurement spend. Asia accounts for the large majority of the remaining 58%.

Our procurement spend for direct materials (production materials and outsourced manufacturing) accounts for about 66% and indirect materials (including factory consumables, machinery, public relations, logistics, and staffing) for about 34%. Epson has business with 1,700 direct material suppliers mainly in Asia where our main manufacturing sites are located, and about half of our indirect materials spend is in Japan.

### Procurement Over View



## Supplier Evaluation Program

Epson evaluates all suppliers, both direct materials suppliers and indirect materials suppliers. Suppliers are evaluated from multiple angles on the basis of a supplier evaluation program. The program consists primarily of an indirect evaluation and a direct evaluation (periodic evaluation). The indirect evaluation is based on information from a credit investigation service. The direct evaluation is a self-check that suppliers do to evaluate their own QCD and other performance metrics.

## Epson Group Supplier Evaluation Program

### Indirect evaluation

Evaluation based on information from a third-party credit investigation

Evaluation items: Credit score, business history, capital composition, business size, profit/loss, financing status, management, etc.

### Direct evaluation (Annual evaluation)

Self-assessment of QCDEM

Evaluation items: Quality management (Q), cost management (C), delivery management (D), environmental management (E) and business management (M)

### Detailed CSR evaluation (CSR-SAQ)

Self-assessment of compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct)

Evaluation items: Labor, safety and health, environmental, ethics, management systems

### Evaluation of emergency response capabilities

Self-assessment of ability to respond in the event of a natural disaster, fire, or other emergency.

Evaluation items: Management attitudes, risk countermeasures, ability to respond to emergencies, recover from disasters, continue supplying goods, maintain procurement, and manage inventory, etc.

### Safety management evaluation

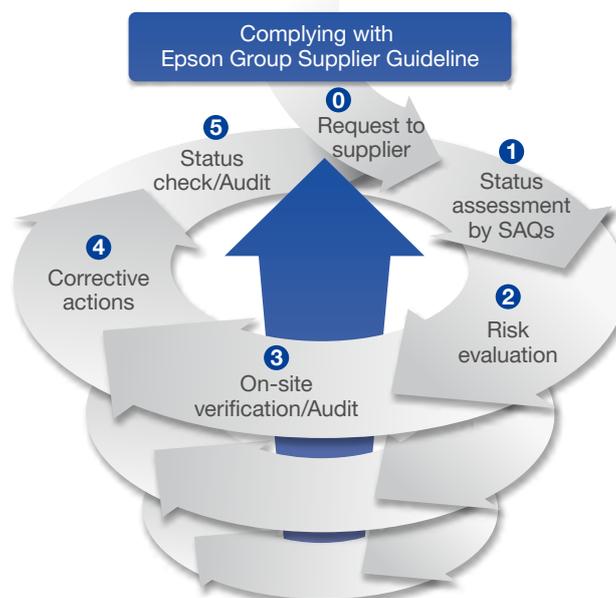
Self-assessment of response to fires and other emergency risks

Evaluation items: Management of electrical hazards, hazardous materials, fire prevention, etc.

## Socially Responsible Procurement Program

Epson's socially responsible procurement program is an annual cyclical activity. It consists of steps in which we ask suppliers to comply with Epson's Supplier guideline and complete self-assessment questionnaires (SAQ). Epson then analyzes and evaluates risks, verifies the facts on site or audits certain high-risk suppliers, and supports and works with suppliers on corrective actions.

### Socially Responsible Procurement Program



## Direct Evaluation (Annual Evaluation)

All suppliers are required to complete an annual self-assessment. They are asked questions in the categories of quality, cost, delivery, environment, and management systems. Management system questions include the management of hazardous substances in products, the handling of personal data, and compliance with legal requirements concerning things such as international trade control and bribery. Suppliers that receive a score of 60 points or less in the evaluation are considered to be high risk. Epson will be forced to discontinue business with suppliers that do not demonstrate improvement.

Section	Number of questions
Q. Quality	12
C. Cost	5
D. Delivery	5
E. Environment	5
M. Management system	15
Total	42

Prospective new suppliers are also required to complete the self-assessment. Transactions with those that receive a score of 70 points or less are permitted on the condition that corrective action is taken to resolve noncompliance.

## Direct Evaluation Results

	FY2018	FY2019	FY2020
Number of suppliers	994	942	902
Number of accounts	1,481	1,525	1,440
% of completed the self-assessment	100%	100%	100%

## Detailed CSR Evaluation (SAQ)

Epson evaluates supplier compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct) based on a detailed self-assessment questionnaire (SAQ). We work with suppliers to make improvements as appropriate depending on their score and the gravity of noncompliance incidents.

Each supplier chooses and answers an SAQ from either RBA online or an SAQ prepared by Epson that is based on the site audit standards of the Responsible Business Alliance (RBA). The Epson SAQ is designed to thoroughly check labor conditions (respect for human rights) and has many questions in the labor section.

As a regular member of the RBA, Epson asks major suppliers (direct material suppliers, on-site service vendors, and HR agents) to complete an SAQ every year.

High-risk direct material suppliers are audited in accordance with RBA standards and asked to take corrective action as needed.

## Self-assessment Questionnaire (SAQ) Contents (2020)

Section	Scope & Number of questions	
	Direct supplier	On-site service vendor HR agent/Contractor
A. Labor (human rights)	40	30
B. Health and safety	29	9
C. Environment	12	-
D. Ethics	13	8
E. Management system	15	13
Total	109	60

## Risk Rank by SAQ

Risk rank	Score	Remarks
Low risk	86-100 pts.	> Suppliers who comply the requirements of RBA Code of Conduct.
Medium risk	66-85 pts.	> Suppliers who do not meet some of the requirements of RBA Code of Conduct but are expected to take corrective action themselves if needed.
High risk	65 pts. or less	> Suppliers who do not meet many of the requirements of RBA Code of Conduct, and need to be monitored based on an improvement plan for corrective action. > To be asked to receive RBA (VAP) audit.

In FY2020, we conducted a detailed CSR evaluation of major direct materials suppliers, on-site service vendors and HR agents at major manufacturing sites.

Scope of SAQ (2020-2021)

1) Major direct suppliers

- 80% of the Group-wide spend
- Selected by a business unit, including single source suppliers

2) On-site service vendors

- Vendors on Seiko Epson and production sites. Regardless of the value of transactions and number of workers.

3) HR agencies

- Recruitment agency and HR contractor used by Seiko Epson and production sites. Regardless of the value of transactions and number of workers.

## Results of Detailed CSR Evaluation

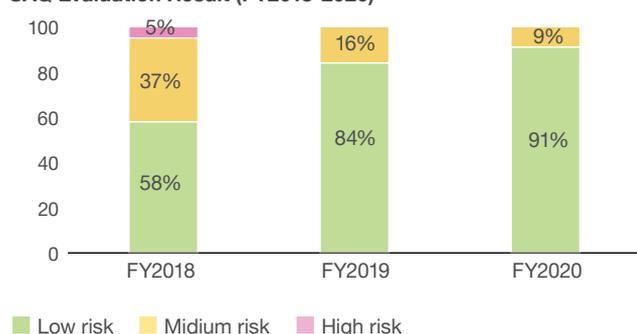
### SAQ Evaluation Results (Direct material suppliers)

In 2020, we asked 297 critical Tier 1 direct material suppliers to complete the SAQ. We received completed questionnaires from 293 of them (497 facilities). We also asked Tier 2 suppliers to complete the SAQ when the Tier 1 supplier was a trading company.

Epson provides suppliers and vendors with their SAQ score as well as with feedback, including advice on corrective actions. We monitor the progress of critical corrective action items.

	FY2018	FY2019	FY2020	
Number of evaluated suppliers	312 Suppliers (358 sites)	222 Suppliers (391 sites)	293 Suppliers	
			Epson SAQ (427 sites)	RBA SAQ (70 sites)
Mid-term target (by FY2020)	% of high-risk suppliers: 0%			
Low-risk (> 85 pts.)	58%	84%	91% (443 sites)	
Medium-risk (66-85 pts.)	37%	16%	9% (53 sites)	0% (1 sites)
High-risk (=< 65 pts.)	5%	0%	0% (0 sites)	0% (0 sites)

### SAQ Evaluation Result (FY2018-2020)



### Example of SAQ answer (FY2020)

- Priority: Using child labor (0%, 0 site)
- Priority: Using slavery labor or forced labor (0%, 0 site)
- Worked for 7 consecutive days or more (9%, 40 sites)
- Working hours exceed 60 hours a week (21%, 91 sites)
- Delayed payment of wages (0%, 0 site)
- Evacuation drills were not conducted once a year (1%, 3 sites)
- Suitable PPE was not provided free of charge (0%, 1 site)
- Safety measures for pregnant and nursing mothers were insufficient (10%, 44 sites)
- Clean accommodation for nursing mothers was not provided (14%, 61 sites)

\* We ask suppliers who have problems and/or issues to take corrective actions.

### SAQ Evaluation Result of HR Agency and On-site Service Vendor

We asked on-site service vendors and HR agencies at Seiko Epson facilities and key production sites to complete an SAQ. We received completed SAQs from 233 of them (100%) in FY2020. Service vendors are essential business partners for running our production operations, so Epson requires them to understand and follow the RBA code requirements.

Type		FY2019		FY2020	
		Number of vendors	SAQ average score	Number of vendors	SAQ average score
On site service vendor	Security	7	85	15	84
	Canteen	12	71	18	78
	Cleaning	10	78	16	77
	Facility maintenance	6	84	15	83
	Others	44	78	80	82
	Total	79	78	144	81
HR agencies		45	82	89	88

## Audit and corrective action support

Epson supports the corrective action efforts of high-risk and medium-risk suppliers.

### Third-party audits

As a regular member of the RBA, Epson is required to have suppliers that are found to be high risk based on the SAQ undergo a third-party audit (compliant with the RBA's VAP audit). In 2020, no third-party audits were performed, since, in addition to the effects of Covid-19, no suppliers were found to be high risk.



### Second party audits, on-site verification, and support for corrective action

For suppliers that are not asked to undergo a third-party audit, Epson manufacturing company staff members visit their sites to verify conditions on-site and help them improve. Through these activities, we not only help them address CSR issues but also support them when they struggle in other areas, such as in introducing fire prevention measures or establishing business continuity plans.

For on-site service vendors, Epson employees conducted a second-party audit to improve the working conditions by, for example, reducing working hours, granting time off, paying appropriate overtime, and ensuring that workers are not made to pay hiring fees.

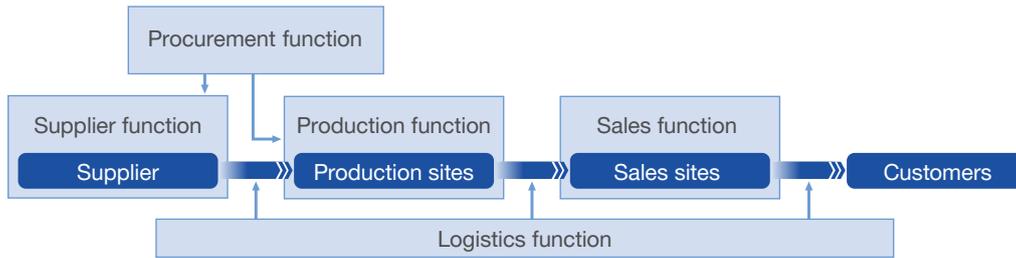
Audit/Verification		FY2018	FY2019	FY2020	
		Japan Other area	Japan Other area	Japan	Other area
3rd party audit	Initial audit	1	1	0	0
	Follow up audit	-	1	0	0
2nd party audit, on-site verification		248	323	0	102

### Evaluation of Emergency Response Capabilities

Epson is working to improve its ability to effectively respond to threats and to ensure business continuity. When a natural disaster or other unforeseen event strikes an Epson production site, the first thing we do after securing the safety of personnel is to act to restore the supply of products to our customers. It is essential for the entire supply chain to be able to effectively respond to emergencies so that we can fulfill our responsibility to customers by restoring the supply of goods within the target period if the supply should be interrupted by a disaster, accident, or epidemic. Epson therefore evaluates the emergency response capabilities of suppliers every year and helps them remedy issues as needed.

### Supply Chain Business Continuity Management

To help manage business continuity and improve resilience throughout the supply chain, Epson operates in line with supply chain BCM guidelines. These guidelines consist of five functions: supplier, production, sales, logistics, and procurement.



Epson is working with suppliers to ensure that they establish their own BCM systems so that the supply of parts to Epson is not disrupted. We ask Tier 1 suppliers to evaluate their own BCM capabilities every year, provide feedback, and help them resolve issues as needed.

	FY2018	FY2019	FY2020
Target number of suppliers	250	1,336	2,170
Result	228 91%	945 71% <sup>*1</sup>	1,919 88%

<sup>\*1</sup> In FY2019, self- assessment was conducted by direct material suppliers, but, some of them have not answered due to the novel coronavirus pandemic.

### Safety Management Evaluation

Epson also conducts an annual safety management evaluation to evaluate the ability of suppliers to respond in the event of a fire or other emergency. After suppliers conduct a self-assessment covering things such as electrical hazards, hazardous materials, and fire prevention, members of Epson’s safety management staff verify their answers on-site and discuss corrective actions.

### Safety Management Evaluation Result

	FY2018	FY2019	FY2020
Target number of suppliers	481	1,384	2,134
Result	449 93%	1,025 74% <sup>*2</sup>	1,865 87%

<sup>\*2</sup> In FY2019, self- assessment was conducted by direct material suppliers, but, some of them have not answered due to the novel coronavirus pandemic.

### Supply Chain Environmental Initiatives

Epson is pursuing ambitious environmental initiatives under the Epson 25 Renewed corporate vision. We are looking to decarbonize and close the resource loop. We are also developing environmental technologies and providing products and services that reduce environmental impacts. Reducing the environmental impact early in the life cycle, at the procurement stage, is a particularly important issue, and one that Epson is addressing in cooperation with suppliers.



## GHG Emissions Targets

Epson has set greenhouse gas (GHG) emissions targets in line with an approach championed by the Science Based Targets initiative (SBTi). The SBTi has validated Epson's 2025 targets for scopes 1, 2, and 3 GHG emissions measured in accordance with the GHG Protocol. Epson's validated target for scope 3 emissions, which are emissions from an organization's value chain, is to reduce GHG emissions as a percentage of business profit out to 2025.

Epson joined the international initiative RE100, which aims to drive a transition on the part of corporations to the use of 100% renewable electricity for their business activities by 2050, and we have set a goal of switching to 100% renewable energy to meet the electricity needs at all Epson Group sites<sup>\*1</sup> around the world by 2023. In the future, we will switch to a more ambitious reduction target that is in line with the 1.5°C scenario and will endeavor to reduce emissions throughout the supply chain.

<sup>\*1</sup> Excludes some sales sites and other leased properties

## Response to Climate Risk

There is a shared global awareness that climate change poses serious and urgent business risks that must be addressed. Epson has suppliers across Asia, including in Thailand, where severe floods are a regular occurrence, and in China, where there is high potential water risk. Epson recognizes that interrupted or delayed deliveries from suppliers due to floods and droughts, two typical climate risks, could seriously impact the manufacture and sale of Epson products and need to be addressed to avoid inconveniencing customers.

## Supplier Support Initiative

Under its supplier engagement program, Epson asks suppliers to complete a self-assessment questionnaire (SAQ). Suppliers are sorted by risk level based on their SAQ score and given feedback on the results. Epson helps high-risk suppliers improve through on-site verification and audits. Moreover, to encourage the pursuit of environmental sustainability, Epson selects the suppliers who account for 80% of the value of Epson's procurement spending and, in conjunction with a detailed CSR evaluation, asks them to report the amount of water and the amount of electricity, gas, and other sources of CO<sub>2</sub> emissions actually consumed for parts they sell to Epson. Epson shares this data with its suppliers and engages them to help drive production line improvements that reduce the amount of electricity and water used and improvements that will reduce the environmental impact of transport.

## Partnerships with External Organizations

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In addition to our own initiatives, Epson supports and actively participates in alliance activities in order to resolve CSR issues, including human rights issues in the supply chain. We have joined the RBA and JEITA to work on solving social issues around the world and improving supply chain CSR through industry collaboration.

### [Global initiative]

- Responsible Business Alliance (RBA) regular member



**Responsible Business Alliance**

Advancing Sustainability Globally

### [Domestic Japanese industry initiative]

- The Japan Electronics and Information Technology Industries Association (JEITA), CSR Committee

Example activities:

Issuing and promoting the Responsible Business Conduct Guideline

Study of human rights due diligence and grievance mechanisms

Study of the global regulatory situation

## Supply Chain CSR

## Communication and Training

### Communications with Suppliers

#### Annual Supplier Conference

In addition to its commitment to delivering quality products, Epson believes that maintaining human rights, labor standards, and environmental conservation throughout its entire supply chain is an important part of its corporate responsibility. Epson therefore considers all suppliers to be important business partners.

At an annual supplier conference, we explain our procurement policies. The conference is held in Japan where Epson's HQ and main development functions are located. And many of suppliers attend every time.

In 2021, the conference was held online due to Covid-19. Seiko Epson President Yasunori Ogawa introduced Epson's new corporate vision, "Epson 25 Renewed." The chief officers of the business divisions provided a general explanation of the business situation and strategies, and expressed their appreciation for the efforts of suppliers to maintain delivery schedules and reduce costs despite the challenging circumstances brought about by Covid and social changes. The executive officer in charge of environmental affairs and quality assurance presented Epson's updated environmental vision. He was followed by the executive officer in charge of procurement, who asked for the understanding and cooperation of suppliers in Epson's CSR business continuity plan initiatives.

#### Supplier Conference for CSR

At an annual socially responsible procurement supplier conference (held since 2016), we talk about CSR trends and our socially responsible procurement activities. We also ask our suppliers to engage with us in our efforts. Suppliers attend the conferences held at Epson manufacturing sites in Japan, China, and Indonesia.

At the conference, we ask suppliers to comply with our Sustainable Procurement Policy and the Epson Supplier Guidelines. We provide guidance for completing self-assessment questionnaires (SAQ) used to evaluate suppliers' CSR efforts and emergency response capabilities. We also ask suppliers to cooperate in conflict mineral surveys. Furthermore, due to the impact of natural disasters and infectious diseases on procurement and logistics in recent years, we remind suppliers of the importance of business continuity management.

	Area				Total number of attended companies
	Japan	China	Indonesia	Others	
FY2018	447	222	168	295	1,132
FY2019	510	58	193	63	824
FY2020	764	77	17	40	898

## Whistleblowing System for Suppliers

Epson has established compliance hotlines as grievance mechanisms that suppliers can use to report or discuss violations or potential violations of legislative requirements and the Epson Group Supplier Guideline. These compliance hotlines are being used to further promote ethical corporate conduct.

Suppliers can use the hotlines to report:

- real or suspected misconduct or legal, regulatory, or ethical violations relating to Epson's operations or involving Epson officers or employees;
- ideas or complaints relating to health and safety; and
- concerns relating to conflict minerals

How to report:

- For suppliers in Japan
- For suppliers of Epson group companies outside Japan: Use the comments/opinions box located in the facility or refer to the facility's supplier guidelines to learn about other reporting channels.

## Internal Training

The Epson Group's Management Philosophy champions respect for the individual and teamwork. Principles of Corporate Behavior, meanwhile, outlines conduct for creating a corporate culture by fostering employee independence and confidence through professional development. We believe it is particularly important to understand legal and other requirements to ensure compliance and sustainability in procurement. Epson thus provides general procurement training for all employees, as well as courses tailored to the needs of procurement staff.

### Procurement Compliance Seminar (Japan domestic)

#### Procurement Compliance Seminar

Course	Description	For		FY2018	FY2019	FY2020
Procurement compliance seminar			Achieved rate by persons	92%	71%	75%
Procurement compliance seminar	1. CSR/SDGs and procurement 2. Code of conduct for procurement 3. Laws and regulations 4. Operation process 5. Case studies	New procurement staff	Target			
			Persons	885	830	600
			Result			
			Persons	919	719	533
Procurement compliance seminar (updated)	1. CSR/SDGs and procurement 2. Law and regulations 3. Case studies	Procurement staff, every 5 years	Target			
			Persons	850	2,700	3,149
			Result			
			Persons	674	1,783	2,272

## Basic online course

Description	For		FY2018	FY2019	FY2020
1. Code of conduct 2. Laws and regulation, case studies	All Epson personnel, staffing agency employees, and other partners	Achieved rate by persons			
		Target	85%	90%	92%
		Result	91%	96%	95%

## RBA (Supply Chain CSR) Professional Training (Worldwide)

Epson provides professional training for procurement staff to manage supplier CSR. These programs are based on the RBA Code of Conduct and RBA (VAP) audit standards, including A. Labor, B. Health and Safety, C. Environment, D. Ethics, and E. Management Systems. Some programs are conducted by outside consultants.

Course	Description
RBA seminar (101)	General training course regarding the RBA Code of Conduct and RBA system
RBA seminar (Advanced)	Professional training course regarding the RBA Code of Conduct and detailed requirements concerning labor, health and safety, environment, ethics and management system
Workshop for RBA (VAP) audit	Workshop training for implementing RBA requirements and preparing for an RBA (VAP) audit
CSR auditor training for supplier audit	Internal auditor training for supplier onsite audit
Worker interview training for supplier audit	Internal auditor training for supplier onsite audit
RBA Fundamentals (online course)	General training in the RBA Code of Conduct and RBA system (for all Epson group employees including procurement staff)

## Supply Chain CSR

# Responsible Sourcing of Minerals

## Responsible Minerals Sourcing

### Policy for High Risk Minerals

Where minerals such as tin, tantalum, tungsten, gold (3TG) and cobalt are mined in conflict-affected or high-risk areas such as the Democratic Republic of Congo (DRC) and adjoining countries, the revenue from the mining and trading of these minerals is a source of funding for armed groups and anti-government forces carrying out atrocities and human rights abuses. Minerals sourced from such conflict-affected or high-risk areas have the potential to promote conflict, human rights violations and environmental degradation.

Epson considers mining to be an intensive process involving social and environmental risks, and believes the mining of metals and minerals, including conflict minerals (3TG) and cobalt mined in the DRC, as well as other minerals mined in other regions, must be managed.

Epson's policy is that we want no part in any human rights violations or environmental destruction. While sourcing minerals that originate in conflict-affected or high-risk areas, we will not, by any means, tolerate, knowingly profit from, contribute to, assist with or facilitate the commission by any party of any form of human rights violations or abuses, or support operations that result in the degradation of socioeconomic and environmental stability.

Management recognizes that responsible mineral procurement is a social issue that needs to be addressed. Epson has thus declared its commitment to responsible mineral sourcing in the Principles of Corporate Behavior, Epson's corporate code of conduct. Moreover, as a member of the Responsible Business Alliance (RBA) and the Responsible Minerals Initiative (RMI), we require our suppliers to adhere to this policy and expect them to support and promote compliance within the supply chain. We also ask them to understand and comply with the Epson Group Supplier Guidelines and the Epson Supplier Code of Conduct (RBA Code of Conduct). In 2020, Epson had direct material suppliers submit an agreement letter stating that they would comply with responsible mineral sourcing requirements and cooperate in a conflict minerals survey.

### Responsible Minerals Survey Program

Epson established the Epson Group Responsible Minerals Procedures Standard to use as a guide for conducting surveys throughout Epson's supply chain to check that Epson products contain responsibly sourced minerals. This standard is based on the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas issued by the Organization for Economic Co-operation and Development (OECD).

Using the Conflict Minerals Reporting Template (CMRT) and Cobalt Reporting Template (CRT) provided by the Responsible Minerals Initiative (RMI), we identify upstream smelters and refiners of conflict minerals (tin, tantalum, tungsten, gold, and cobalt) with the cooperation of direct material suppliers. We seek to source minerals only from conflict-free smelters (CFS) certified by RMI's Responsible Minerals Assurance Program (RMAP). If it is unclear whether a smelter is a CFS, Epson tries to mitigate risk by asking tier 1 suppliers to source minerals from a different supplier.

Epson also uses socially responsible procurement supplier briefings and various other opportunities at our production facility sites around the world to promote understanding of Epson policies, asks suppliers to improve survey accuracy, and shares information about trends involving prioritised minerals. Epson will continue working with suppliers to make sure that minerals used in our products fulfill the standards set in our responsible minerals sourcing policy.

To responsibly source minerals used in Epson products, our program follows a five-step framework according to the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas issued by OECD.

**STEP 1: Establish strong company management systems.**

Epson has established a Group-wide policy, a supply chain due diligence program, concludes written agreements with suppliers, and has established a grievance mechanism.

**STEP 2: Identify and assess risks in the supply chain.**

Epson identifies and assesses risks in our supply chain by conducting surveys.

**STEP 3: Design and implement a strategy to respond to identified risks.**

Epson reports the results of risk assessments to the Chief Procurement Officer, discusses risk mitigation plans with tier 1 suppliers, and monitors their performance.

**STEP 4: Carry out independent third-party audit of smelter/refiner's due diligence practices.**

Epson uses the results of the RMI's Responsible Minerals Assurance Program (RMAP) is assessments.

**STEP 5: Report annually on supply chain due diligence.**

Epson discloses its due diligence status on the company's official Web site, in an annual integrated report, and in other media formats.

## Target and Results

In 2020, Epson conducted a survey of 3TG and cobalt<sup>1</sup>. If a smelter cannot be identified by analyzing answers received from a supplier, if there is a smelter that is not RMI-certified, or if there is a shortage of the parts subject to survey, we ask suppliers to conduct an additional, change suppliers, or take other action to mitigate risk.

Epson is not required to report to the US authorities as we are not listed in the United States, but we disclose identified smelter and refiner information and country of origin.

### 3TG Survey Results

	FY2018	FY2019	FY2020				
			Total	Gold	Tantalum	Tin	Tungsten
Number of identified smelters <sup>2</sup>	314	344	340	166	41	79	54
Number of CFS <sup>3</sup>	256	268	242	107	38	55	42
Response rate from suppliers	92%	91%	97%	-	-	-	-

<sup>1</sup> Cobalt surveys are conducted for semiconductor and crystal devices as well as projectors.

<sup>2</sup> For information regarding the details of the smelters, see List of the RMI-recognized smelters and refiners identified in Seiko Epson's supply chain.

<sup>3</sup> Conflict-free smelters (CFS) certified by RMI's Responsible Minerals Assurance Program (RMAP).

For detailed information on conflict minerals surveys for individual products, please contact your local Epson sales company.

Result of Cobalt survey 2020: 9 CF smelters out of 35 identified smelters.

## Result of Third-Party Audit

Epson receives RBA VAP audit at manufacturing site in the world.

VAP (RBA Validated Assessment Program) Audit result in 2020, all sites comply with the standards required by the RBA on section D7, Responsible Sourcing of Minerals

Manufacturing Site	Country	Main Products Manufactured
PT. Indonesia Epson Industry	Indonesia	Printers
Epson Engineering (Shenzhen) Ltd.	China	Printers Projectors Robots
Epson Precision (Thailand) Ltd.	Thailand	Device products
Epson Precision Suzhou Co., Ltd.	China	Device products

## Partnerships with External Organizations

Epson believes that, in addition to our individual efforts, it makes sense to support and participate in alliances and/or initiatives to address the issue of conflict minerals.

To promote responsible sourcing of minerals and to foster cooperation to promote activities and conflict mineral surveys in the supply chain, Epson has joined the following initiatives:

### 1. Global initiative

The Responsible Minerals Initiative (RMI)



### 2. Domestic Japanese industry initiative

The Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA).

Examples of activities: Participation in RMI, researching and sharing the regulatory situation in other countries, training and educating suppliers, encouraging RMI uncertified smelters to undergo audits, etc.

## Grievance Mechanism

Epson complies with the Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas issued by the Organization for Economic Co-operation and Development (OECD) and accepts notification from suppliers concerning mineral sourcing risks.

## Supply Chain CSR

# Green Purchasing

## Green Purchasing

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The Epson Group (“Epson”) is asking suppliers who deliver parts and raw materials to Epson to cooperate in Epson’s green purchasing activities for production materials.

### Introduction

Epson is committed to a policy of creating and providing earth-friendly products. The elimination of harmful substances and resource conservation are a point of emphasis for us, and we have thus made the procurement of supplies that have a lower environmental impact a priority.

Epson will continue to promote efforts throughout the supply chain to strengthen product substance assurance by tracking and controlling the use of substances in products at every stage from product planning and design to shipping and sales.

### Basic Principles of Product Substance Assurance

Epson procures production materials on the basis of the following five principles:

1. Comply with applicable laws and regulations.
2. Procure materials from suppliers that can comply with conditions specified in this standard regarding banned substances (e.g., thresholds, parts and locations where substances are present, uses).
3. Procure materials from suppliers who can guarantee that banned substances are not present in their products.
4. Procure materials from suppliers who can provide data on target substances present in their products.
5. Accept goods that have been guaranteed by the supplier.

## Supply Chain CSR

# Paper Products Procurement

## Paper Products Procurement

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The illegal logging of forests is a very serious issue for those seeking to protect the environment on the global scale and practice sustainable forest management. Around the world, greater efforts are being made to ensure legality and sustainability during the procurement of wood products.

Epson thus manages its entire supply chain from the immediate supplier all the way back to the forest to ensure the legality, sustainability and environmental safety of the paper products we procure. We ask that suppliers understand the intent and nature of these initiatives and give us their full support.

### Stance on Procurement of Paper Products

Epson has established a procurement policy for paper, the major forest product we procure. Under this policy, we adhere to the practices below that support, the social, economic and environmental sustainability of forests.

1. We make effective use of used paper and other recycled pulp.
2. When virgin is used as a raw material in paper goods we procure, we confirm its
  - legality
  - sustainability
  - chemical safety
  - environmental management

## Scope of Application

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At Epson, the Procurement Policy applies to the procurement of specialty paper for use in Epson printers.

## Content of Conforming Procurement Management

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Suppliers are asked to provide a Certificate of Conformity to Epson Paper Products Procurement Policy to confirm their compliance with the Procurement Policy.