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

(Translation)

Notice of the 77th Ordinary General Meeting of Shareholders

May 30, 2019

Dear Shareholders with Voting Rights,

We are pleased to send you this convocation notice for the 77th Ordinary General Meeting of Shareholders. We have sent shareholders residing in Japan the convocation notice and attached documents in Japanese, which were compiled according to the Japanese Companies Act. Under this Act, there is no obligation to provide materials in languages other than Japanese. However, we have enclosed an English translation for the reference of non-Japanese shareholders. It is not intended to influence shareholders in exercising their voting rights. Unfortunately, we are only able to provide official documents in Japanese. We ask for your understanding in this matter and thank you for your continued support of the Seiko Epson Corporation (hereinafter the "Company").

If you are unable to attend the meeting, please vote by using one of the following methods no later than 5:00 p.m., Tuesday, June 25, 2019 (Japan time). Prior to voting, you may wish to review the "Reference Materials for the Ordinary General Meeting of Shareholders" document, provided herein.

Voting by Mail

To vote by mail, please indicate on the enclosed voting form whether you approve or disapprove of each of the proposals and return the completed form to us. The completed form must be received no later than 5:00 p.m., Tuesday, June 25, 2019 (Japan time).

Voting by Internet

To vote by Internet, please log into the shareholders' voting websites at https://evote.tr.mufg.jp/ to register your approval or disapproval (Japanese only). Voting by Internet must be completed no later than 5:00 p.m., Tuesday, June 25, 2019 (Japan time).

Sincerely yours,

Minoru Usui
President and Representative Director

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

Description

1. Date and Time 10:00 a.m., Wednesday, June 26, 2019 (Japan time)
(Reception starts at 9:00 a.m.)

2. Place "Daigo" 2nd Basement Floor, Sheraton Miyako Hotel Tokyo,
1-1-50, Shirokanedai, Minato-ku, Tokyo

3. Meeting Agenda

Reporting:

1. Report on the business reports, the consolidated financial statements and the reports of the Financial Auditors and of the Audit & Supervisory Committee regarding the consolidated financial statements for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019).
2. Report on the non-consolidated financial statements for the fiscal year ended March 31, 2019 (from April 1, 2018 to March 31, 2019).

Proposals:

1. Appropriation of Surplus
2. Election of Eight Directors Who Are Not Audit & Supervisory Committee Members
3. Bonus to Directors Who Are Not Audit & Supervisory Committee Members

4. Convocation rules

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

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

5. Notes

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

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

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

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

Reference Materials for the Ordinary General Meeting of Shareholders

Proposals and related items

Proposal 1: Appropriation of Surplus

Items Relating to the Year-End Dividend

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

(1) Type of Dividend Property
Cash

(2) Distribution of Dividend
31 yen per share of common stock, total amount 10,924,453,847 yen

(3) Effective Date of Distribution
June 27, 2019

(Reference)

The Company's Dividend Policy

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

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

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

Share Repurchase

The Company resolved at the meeting of the Board of Directors held on April 26, 2019 to repurchase shares in the Company (the maximum repurchase cost is 10 billion yen and the maximum number of repurchasable shares is 7.5 million) during the repurchase period from May 7 to September 20 of this year.

Proposal 2: Election of Eight Directors Who Are Not Audit & Supervisory Committee Members

Of the eight (8) Directors who are not Audit & Supervisory Committee Members elected at the Ordinary General Meeting of Shareholders held on June 27, 2018, Mr. Shigeki Inoue resigned on September 30, 2018, and the terms of office of all the other seven (7) Directors who are not Audit & Supervisory Committee Members will expire at the conclusion of this Meeting. Accordingly, by increasing one (1) Director who is not Audit & Supervisory Committee Member, with the aim of creating business models through the use of digital technology toward achieving the Epson 25 Corporate Vision (hereinafter, "Epson 25"), we propose to appoint eight (8) Directors who are not Audit & Supervisory Committee Members.

The candidates for Directors who are not Audit & Supervisory Committee Members have been nominated after consideration by the Director Nomination Committee in which Outside Directors make significant contributions in accordance with screening criteria predetermined by the Board of Directors. The candidates for Outside Directors are compliant with the "Criteria for Independence of Outside Directors" (please refer to page 15).

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

Candidate No.	Name		Titles and responsibilities at the Company	Attendance at meetings of the Board of Directors
1	Minoru Usui	Reappointment	President and Representative Director	13 / 13 meetings (100%)
2	Koichi Kubota	Reappointment	Representative Director Senior Managing Executive Officer Chief Operating Officer, Printing Solutions Operations Division	13 / 13 meetings (100%)
3	Tatsuaki Seki	Reappointment	Director, Executive Officer Chief Compliance Officer General Administrative Manager, Management Control Division	13 / 13 meetings (100%)
4	Yasunori Ogawa	Reappointment	Director, Executive Officer General Administrative Manager, Technology Development Division	10 / 10 meetings (100%)
5	Masayuki Kawana	Reappointment	Director, Executive Officer General Administrative Manager, Human Resources Division and CSR Management Office Chairman, Epson Sales Japan Corporation	13 / 13 meetings (100%)
6	Toshiya Takahata	New appointment	Executive Officer General Administrative Manager, Corporate Planning Division General Administrative Manager, DX Division	—
7	Hideaki Omiya	Reappointment Outside Director Independent Director	Outside Director	12 / 13 meetings (92.3%)
8	Mari Matsunaga	Reappointment Outside Director Independent Director	Outside Director	13 / 13 meetings (100%)

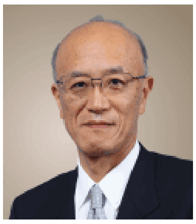
Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
1	 Minoru Usui (April 22, 1955) Reappointment	Nov. 1979 Joined Shinshu Seiki Co., Ltd. (now the Company) Jun. 2002 Director of the Company Oct. 2007 Managing Director of the Company Jun. 2008 President and Representative Director of the Company (current position)	168,400 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Minoru Usui as a Director

As the Chairman of the Board of Directors, Mr. Usui has managed the Board of Directors in an appropriate manner, made important decisions on management and monitored business affairs. Also, as a President and Representative Director, he has established Epson 25 and led the reinforcement of management and operational foundations toward achieving it, etc., aiming to embody the Management Philosophy, etc.

We have nominated him as a candidate for Director, considering that he will be able to continue to show strong leadership aimed at sustainable growth and improvement in the Company's corporate value over the medium- to long-term.

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities		Shares of the Company's stock owned
2	 Koichi Kubota (April 3, 1959) Reappointment	Apr. 1983	Joined Epson Corporation (now the Company)	29,600 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
		Jun. 2012	Director of the Company (current position)	
		Jun. 2013	Chief Operating Officer, Printer Operations Division of the Company	
		Jun. 2015	Managing Director of the Company	
		Apr. 2016	Deputy General Administrative Manager, Corporate Planning Division of the Company (in charge of sales planning and brand communication)	
		Jun. 2016	Managing Executive Officer of the Company	
		Apr. 2017	Chief Operating Officer, Printing Solutions Operations Division of the Company (current position)	
		Jun. 2017	Senior Managing Executive Officer of the Company (current position)	
		Oct. 2018	Representative Director of the Company (current position)	

Reason for nominating Koichi Kubota as a Director

Mr. Kubota has determined important management matters and monitored business affairs as a Director. Based on his wealth of experience and achievements in particular, in overseas sales operations in the information-related equipment business, he has led the reform of the Company's business models and initiatives to strengthen internal control as a Chief Operating Officer of the Printing Solutions Operations Division.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company’s stock owned
3	 Tatsuaki Seki (December 26, 1960) Reappointment	Apr.	1983	Joined Epson Corporation (now the Company)	5,800
		Nov.	2005	General Manager, BS Business Management Department of the Company	
		Oct.	2014	General Manager, Finance & General Accounting Department of the Company	**Attendance at meetings of the Board of Directors**
		Oct.	2015	Deputy General Administrative Manager, Management Control Division of the Company (in charge of Finance & General Accounting)	13 / 13 meetings (100%)
		Jun.	2016	Director of the Company (current position), Executive Officer of the Company (current position), Chief Compliance Officer of the Company (current position), General Administrative Manager of the Management Control Division of the Company (current position)	

Reason for nominating Tatsuaki Seki as a Director

Mr. Seki has determined important management matters and monitored business affairs as a Director. He has a wealth of experience and achievements in financing & accounting and business management. As a General Administrative Manager of the Management Control Division, he has led the new initiatives aggressively from a broad insight and worked on a change in the structure of the management control of the Company.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company's stock owned
4	 Yasunori Ogawa (April 11, 1962) Reappointment	Apr.	1988	Joined the Company	11,500
		Apr.	2008	General Manager, VI Business Management Department of the Company	
		Oct.	2008	General Manager, VI Planning & Design Department of the Company	**Attendance at meetings of the Board of Directors**
		Apr.	2016	Deputy Chief Operating Officer, Visual Products Operations Division of the Company	10 / 10 meetings (100%)
		Apr.	2017	Chief Operating Officer, Visual Products Operations Division of the Company	
		Jun.	2017	Executive Officer of the Company (current position)	
		Jun.	2018	Director of the Company (current position)	
		Oct.	2018	General Administrative Manager, Technology Development Division of the Company (current position)	

Reason for nominating Yasunori Ogawa as a Director

Mr. Ogawa has determined important management matters and monitored business affairs as a Director. To implement the technological development strategies that generate long-term competitiveness in the Company, he has demonstrated leadership combining flexibility to listen to others and accurate management as a General Administrative Manager of the Technology Development Division.

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities			Shares of the Company's stock owned
5	 Masayuki Kawana (July 27, 1964) Reappointment	Apr.	1988	Joined Seiko Epson Cooperative Union	9,600 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)
		Mar.	1999	Joined the Company	
		Oct.	2008	General Manager, Human Resources Department of the Company	
		Jun.	2014	Director of the Company (current position)	
				General Administrative Manager, Human Resources Division of the Company (current position)	
		Jun.	2015	President, Orient Watch Co., Ltd.	
		Jun.	2016	Executive Officer of the Company (current position)	
		Oct.	2016	General Administrative Manager, CSR Management Office of the Company (current position)	
		Jun.	2018	Chairman, Epson Sales Japan Corporation (current position)	
	Reason for nominating Masayuki Kawana as a Director Mr. Kawana has determined important management matters and monitored business affairs as a Director. He has a wealth of experience and achievements primarily in human resource management, and has made significant contributions to the strengthening of corporate competitiveness through personnel system reform, etc. We have nominated him as a candidate for Director with the expectation that he will make appropriate managerial decisions from a companywide perspective and monitor business affairs aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.				

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
6	 Toshiya Takahata (November 19, 1963) New appointment	Apr. 1986 Joined the Company Oct. 2003 General Manager, LP Design Department of the Company Apr. 2012 Deputy Chief Operating Officer, Printer Operations Division of the Company Jun. 2014 Executive Officer of the Company Jun. 2015 General Administrative Manager, Intellectual Property Division of the Company Jun. 2016 Executive Officer of the Company (current position) Oct. 2018 General Administrative Manager, Corporate Planning Division of the Company (current position) Apr. 2019 General Administrative Manager, DX Division of the Company (current position)	8,200

Reason for nominating Toshiya Takahata as a Director

After having experienced both technological development and planning & design in the printer business, Mr. Takahata formulated and executed growth strategies and product strategies as a Deputy Chief Operating Officer of the Printer Operations Division. In recent years, as a General Administrative Manager of the Corporate Planning Division, he has led the formulation of companywide management strategies and played active roles in reforming the Company and strengthening group management toward achieving Epson 25. Since April 2019, as a General Administrative Manager of the DX Division, he has been supervising development of business models leveraging digital technology and creation of an IT platform.

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

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

Candidate No.	Name (Date of Birth)	Shares of the Company's stock owned	Shares of the Company's stock owned
7	 Hideaki Omiya (July 25, 1946) Outside Director Independent Director Reappointment	Apr. 2007 Director, Senior Executive Vice President of Mitsubishi Heavy Industries, Ltd. Apr. 2008 President and CEO of Mitsubishi Heavy Industries, Ltd. Apr. 2013 Chairman of the Board of Mitsubishi Heavy Industries, Ltd. Jun. 2014 Outside Director of the Company (current position) Jun. 2016 Outside Director of Mitsubishi Corporation (current position) Jun. 2018 Outside Director of Nomura Research Institute, Ltd. (current position) Apr. 2019 Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd. (current position) **Important concurrent positions held at other companies** Senior Executive Adviser of Mitsubishi Heavy Industries, Ltd. Outside Director of Mitsubishi Corporation Outside Director of Nomura Research Institute, Ltd.	7,900 **Attendance at meetings of the Board of Directors** 12 / 13 meetings (92.3%)

Reason for nominating Hideaki Omiya as an Outside Director

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

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

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

Independence of duties

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

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

The term of office as an Outside Director

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

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

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

Candidate No.	Name (Date of Birth)	Summary of career, title, and responsibilities	Shares of the Company's stock owned
8	 Mari Matsunaga (November 13, 1954) Outside Director Independent Director Reappointment	Apr. 1977 Joined Japan Recruit Center Co., Ltd. (present Recruit Holdings Co., Ltd.) Jul. 1986 Editor in chief of Shushoku Journal published by Recruit Holdings Co., Ltd. Jul. 1988 Editor in chief of Travaille published by Recruit Holdings Co., Ltd Jul. 1997 Joined NTT Mobile Communications Network, Inc. (now NTT Docomo, Inc.), Head of Planning Office for Gateway Business Dept. Apr. 2000 Representative, Mari Matsunaga Office, Inc. June 2012 Outside Director, MS&AD Insurance Group Holdings, Inc. (current position) Outside Director of Terumo Corporation Jun. 2014 Outside Director, Rohto Pharmaceutical Co., Ltd. (current position) Jun. 2016 Outside Director of the Company (current position) **Important concurrent positions held at other companies** Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of Rohto Pharmaceutical Co., Ltd.	4,400 **Attendance at meetings of the Board of Directors** 13 / 13 meetings (100%)

Reason for nominating Mari Matsunaga as an Outside Director

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

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

Independence of duties

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

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

The term of office as an Outside Director

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

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

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

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

Audit & Supervisory Committee Opinion

For the election of Directors who are not Audit & Supervisory Committee Members, fundamental framework and policies for the Company's Board of Directors and Directors, as well as candidate nominating policies and specific proposals were confirmed at the Director Nomination Committee. The committee consists of all the Outside Directors, including three Outside Directors who are Audit & Supervisory Committee Members, President and Representative Director, and Officer in charge of human resources, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

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

(Reference)

Policies and Procedures for Nominating Director Candidates

With an aim to ensure transparency and objectivity, Director candidates who are submitted for their appointments to the General Meeting of Shareholders are determined by the Board of Directors after going through a fair, transparent, and rigorous screening and reporting by the Director Nomination Committee 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 for Independence of Outside Directors" (please refer to page 15) stipulated by the Board of Directors in order to guarantee their independence.

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

Activities of the Director Nomination Committee

The Committee met three times during the period from April 2018 to the time of the dispatch of this convocation notice. The Committee discussed policies and process for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers), proposed candidates, and deliberated on selection/dismissal policies of Officers, successor development plan and the status of development, in accordance with the amended Corporate Governance Policy.

Criteria for Independence of Outside Directors

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

1. A person is not independent if:

(1) The person considers the Company to be a major business partner[1], or has served as an executive[2] within the past five years in an entity for which the Company is a major business partner;

(2) The person is a major business partner[3] of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.

(3) The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation[4] (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;

(4) The person is a major shareholder[5] of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;

(5) The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;

(6) The person is a major lender[6] to the Company or has been an executive of a major lender to the Company within the past five years;

(7) The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;

(8) The person has been employed by a leading managing underwriter of the Company within the past five years;

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

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

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

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

Notes

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

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

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

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

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

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

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

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

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

i) 10 million yen or

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

---End---

Proposal 3: Bonus to Directors Who Are Not Audit & Supervisory Committee Members

The Company proposes to pay bonuses of 71,490,000 yen in total to the five Directors who are not Audit & Supervisory Committee Members excluding Outside Directors as of March 31, 2019 based on the monthly compensation by taking business performance for the current fiscal year into consideration.

The total amount and beneficiaries of the bonus payment have been determined after consideration by the Director Compensation Committee in which Outside Directors make significant contributions.

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

Audit & Supervisory Committee Opinion

Regarding compensation, etc. for Directors who are not Audit & Supervisory Committee Members, policies for compensation system for Directors, specific calculation methods for the amount of compensation and proposals for bonuses for Directors who are not Audit & Supervisory Committee Members were confirmed at the Director Compensation Committee. The committee consists of all the Outside Directors, including three Outside Directors who are Audit & Supervisory Committee Members, President and Representative Director, and Officer in charge of human resources, and majority of which are Outside Directors. Outside Directors who are Audit & Supervisory Committee Members attended the committee meeting, expressed opinions, and shared the results thereof for deliberation at the Audit & Supervisory Committee.

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

(Reference)

Policies and Procedures for Determining 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:

(Compensation for Officers who have executive duties)

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

(Compensation for Officers who do not have executive duties)

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

Activities of the Director Compensation Committee

The Committee met three times during the period from April 2018 to the time of the dispatch of this convocation notice. The Committee deliberated on matters including the necessity for revising the monthly compensation limit for Directors who are not Audit & Supervisory Committee Members and Directors who are Audit & Supervisory Committee Members, rationale for the bonus to Executive Officers including those who are concurrently serving as Directors, and the amount of base compensation and bonuses for each Director, along with the number of base points under the stock compensation plan.

---End---

(Appendix)

Business Report

(from April 1, 2018 to March 31, 2019)

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

1.1 Business progress and results

(1) Overview

Please refer to page 1 of Financial Results for the Year ended March 31, 2019.
(https://global.epson.com/IR/financial_results/2018/pdf/results_2018_full_e.pdf)

(2) Overview by Segment

Please refer to page 1 to 3 of Financial Results for the Year ended March 31, 2019.
(https://global.epson.com/IR/financial_results/2018/pdf/results_2018_full_e.pdf)

1.2 Overview of capital expenditures

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

As a result of these efforts, total capital expenditures (of property, plant and equipment, software and lease rights) for the consolidated fiscal year under review amounted to 82,075 million yen.

Overview of the major capital expenditures for the consolidated fiscal year under review is as follows.

- Completion of the production factory of core components for inkjet print heads at Hirooka Office
- Commencement of construction of a new building that will house a factory for producing prototypes and volume-producing large-format and industrial inkjet printers and a test laboratory function for digital textile printing at Hirooka Office (scheduled to commence operation at the end of FY2019)

Segment	Amount of capital expenditures (Millions of yen)	Year-on-year change (%)
Printing Solutions Business	46,813	1.0%
Visual Communications Business	11,408	(20.4%)
Wearable & Industrial Products Business	13,980	26.0%
Other and overall	9,873	29.2%
Total	82,075	3.3%

1.3 Overview of financing

There are no material facts to report regarding the financing for the consolidated fiscal year under review.

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

(1) Acquisition of Shinko Sellbic Co., Ltd. to make it a wholly owned subsidiary

As part of its efforts to strengthen the manufacturing infrastructure toward achieving the Epson 25 Corporate Vision, Epson acquired all outstanding shares of Shinko Sellbic Co., Ltd., primarily a manufacturer of desktop compact injection molding machines and their parts, making it a wholly owned subsidiary in June 2018.

(2) Investment in Cross Compass Ltd.

As part of its efforts to strengthen the business infrastructure toward achieving the Epson 25 Corporate Vision, Epson invested in an artificial intelligence (AI) venture company Cross Compass Ltd. in February 2019 to forge a capital and business ties therewith. Through the investment, Epson acquired shares and bonds with share options issued by Cross Compass Ltd.

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

Not applicable.

1.6 Assignment of business from other companies

Not applicable.

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

Not applicable.

1.8 Issues to be addressed

In March 2019, Epson established the Epson 25 Phase 2 Mid-Range Business Plan (FY2019-2021) (hereinafter, the "Phase 2 Mid-Range Business Plan"), a three-year plan starting in FY2019, toward achieving the Epson 25 Corporate Vision (hereinafter, "Epson 25") that describes what Epson would like to achieve in the days ahead.

Although the business environment in which Epson operates is projected to remain unpredictable and challenging, Epson will look to sustain growth and increase corporate value over the medium- to long term by steadily executing the strategies described below.

(1) Epson 25 Phase 1 Mid-Range Business Plan (FY2016-2018) review

As stated in Epson 25, established in 2016, Epson envisions creating a new connected age of people, things and information with efficient, compact and precision technologies by 2025. To accomplish this, Epson seeks to drive innovations in four areas where it can leverage its competitive advantages and aims to enrich lives and contribute to sustainability.

In the three years under the Phase 1 business plan, we made significant preparations for growth in some areas, but in others fell behind schedule or did not fully accomplish what we expected. Moreover, the company was affected by greater than anticipated changes in the business environment, and the financial performance for the final fiscal year fell short of the targets set out in the Phase 1 business plan.

Main Accomplishments and Challenges in Phase 1

- ◆ We accomplished our goals of strengthening core technologies, increasing production capacity, and launching strategic products, but we still have issues in terms of speed.
- ◆ In sales, we made a certain amount of progress in enhancing our sales structures in Japan and Western Europe, and in accumulating customer insights, but there were delays in improving the sales structure in other regions. Meanwhile, we lagged in providing products and services that capitalize on the accumulated insights and fell behind in establishing effective selling techniques.
- ◆ We made aggressive capital expenditures and had active research and development programs, but, on the whole, we could have done better in determining priorities.

(2) Phase 2 business plan concept

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

Policies

1) Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation

- ◆ Strengthen solution selling business
- ◆ Rapidly strengthen product portfolio, including through collaboration
- ◆ Strengthen external sales of core devices and open innovation
- ◆ Invest management resources in robotics to accelerate growth to make it a core business

2) Strengthen global operation under Head Office control

- ◆ Select and focus on priority business areas and regions
- ◆ Improve the organization and allocate personnel to strengthen B2B solution selling
- ◆ Strengthen company-wide integrated IT infrastructure

3) Invest management resources in a disciplined manner according to the economic environment and strategy effectiveness

- ◆ Rebuild product portfolios based on priorities
- ◆ Strengthen financial discipline

(3) Financial targets under Phase 2 business plan and Epson 25

	FY2021 Target	FY2025 Target
Revenue	¥1,200 billion	¥1,700 billion
Printing Solutions	¥780 billion	-
Visual Communications	¥225 billion	-
Wearable & Industrial Products	¥195 billion	-
Business profit (Note 1)	¥96 billion	¥200 billion
ROS	8%	12%
ROE	Sustain over 10%	15%
Exchange Rate USD/EUR/Other (Note 2)	¥110/¥125/92	¥115/¥125/100

Note 1: Business profit is a profit indicator that Epson voluntarily discloses in applying International Financial Reporting Standards (IFRS), and is very similar in principle to operating income under Japanese Generally Accepted Accounting Principles (JGAAP). Business profit is calculated by subtracting cost of sales and selling, general and administrative expenses from revenue.
Note 2: Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 in FY2025.

(4) New initiatives

Initiatives in each of our innovation areas

Inkjet innovation

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

Visual innovation

- Refine laser light source platforms, expand the lineup in the high-lumen and other segments, and promote the advantages of projectors.
- Develop new markets by creating demand in the spatial design market with accent lighting projectors, and by developing small projectors.

Wearables innovation

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

Robotics innovation

- Accelerate the growth of robotics into a future core business by leveraging a solid foundation of technology and infrastructure while also actively collaborating with partners to further increase product competitiveness and improve its ability to propose solutions.
- Use AI to further improve usability and enter the collaborative robot market.

Strengthening sales capabilities

- Epson will strengthen Head Office control over global sales strategies and management functions while simultaneously transitioning to B2B sales methods that emphasize customer intimacy and solution selling.

Sustainability initiatives

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

(5) Financial targets under Phase 2 business plan

1) Cash Flow

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

	Phase 1 Mid-range Result	Phase 2 Mid-range Target
Operating CF	3-year total: ¥258.1 billion	3-year total: ¥370 billion
FCF	3-year total: ¥24.9 billion	3-year total: ¥170 billion

2) R&D Expenses and Capital Expenditure

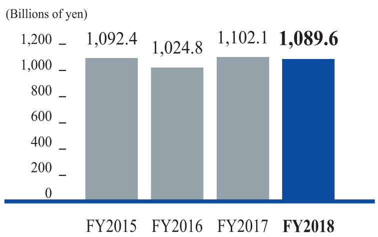
	Phase 1 Mid-range Result	Phase 2 Mid-range Target
R&D expenses	3-year total: ¥161.3 billion	Aggressively invest in new products and key technologies necessary to achieve Epson 25
Capital expenditure (excluding lease)	3-year total: ¥236.8 billion	3-year total: ¥200 billion (Production capacity, new products)

1.9 Status of assets and income (loss)

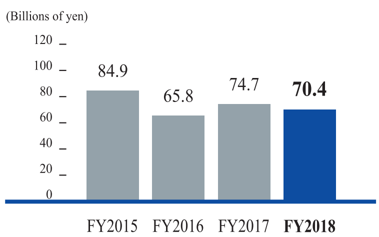
(Millions of yen unless otherwise stated)

Item	FY2015	FY2016	FY2017	FY2018
Revenue	1,092,481	1,024,856	1,102,116	1,089,676
Business profit	84,951	65,807	74,785	70,498
Profit from operating activities	94,026	67,892	65,003	71,355
Profit for the period attributable to owners of the parent company	45,772	48,320	41,836	53,710
Basic earnings per share (yen)	127.94	136.82	118.78	152.49
Total assets	941,340	974,387	1,033,350	1,038,389
Equity attributable to owners of the parent company	467,818	492,196	512,727	540,181
Equity attributable to owners of the parent company ratio (%)	49.7	50.5	49.6	52.0

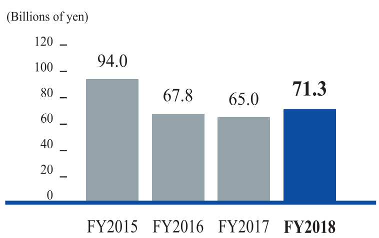
Revenue



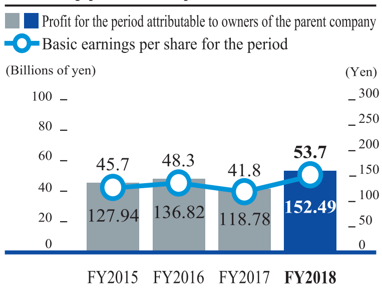
Business profit



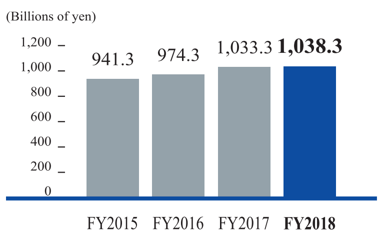
Profit from operating activities



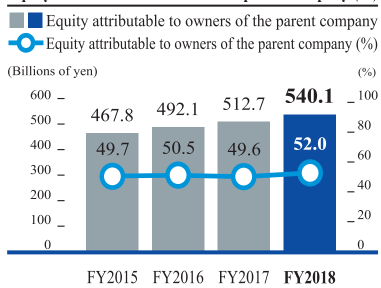
Profit for the period attributable to owners of the parent company / Basic earnings per share for the period



Total assets



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



Notes

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

1.10 Status of significant parent companies and subsidiaries (as of March 31, 2019)

(1) Relationship with the parent company

Not applicable.

(2) Status of Significant Subsidiaries

	Company name	Location	Paid-in capital	The Company's percentage of equity participation	Main business
Japan	Epson Sales Japan Corporation	Tokyo	JPY 4,000 million	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Direct Corporation	Nagano	JPY 150 million	100.0% (100.0%)	Printing Solutions
	Miyazaki Epson Corporation	Miyazaki	JPY 100 million	100.0%	Wearable & Industrial Products
	Tohoku Epson Corporation	Yamagata	JPY 100 million	100.0%	Printing Solutions Wearable & Industrial Products
	Akita Epson Corporation	Akita	JPY 80 million	100.0%	Printing Solutions Wearable & Industrial Products
	Epson Atmix Corporation	Aomori	JPY 450 million	100.0%	Wearable & Industrial Products
Americas	U.S. Epson, Inc.	U.S.A.	USD 126,941 thousand	100.0%	Holding company
	Epson America, Inc.	U.S.A.	USD 40,000 thousand	100.0% (100.0%)	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Portland Inc.	U.S.A.	USD 31,150 thousand	100.0% (100.0%)	Printing Solutions
Europe	Epson Europe B.V.	The Netherlands	EUR 95,000 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications
	Epson (U.K.) Ltd.	U.K.	GBP 1,600 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Deutschland GmbH	Germany	EUR 5,200 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Europe Electronics GmbH	Germany	EUR 2,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	Epson France S.A.S.	France	EUR 4,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications

	Company name	Location	Paid-in capital	The Company’s percentage of equity participation	Main business
	Epson Italia S.p.A.	Italy	EUR 3,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	For.Tex S.r.l.	Italy	EUR 80 thousand	100.0% (100.0%)	Printing Solutions
	Epson Iberica, S.A.U.	Spain	EUR 1,900 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Telford Ltd.	U.K.	GBP 8,000 thousand	100.0% (100.0%)	Printing Solutions
	Fratelli Robustelli S.r.l.	Italy	EUR 90 thousand	100.0% (100.0%)	Printing Solutions
Asia and Oceania	Epson (China) Co., Ltd.	China	CNY 1,211 million	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Singapore Pte. Ltd.	Singapore	SGD 200 thousand	100.0%	Regional headquarters Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Korea Co., Ltd.	South Korea	KRW 1,466 million	100.0%	Printing Solutions Visual Communications
	Epson Hong Kong Ltd.	China	HKD 2,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Taiwan Technology & Trading Ltd.	Taiwan	TWD 25,000 thousand	100.0%	Printing Solutions Visual Communications Wearable & Industrial Products
	PT. Epson Indonesia	Indonesia	IDR 918,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson (Thailand) Co., Ltd.	Thailand	THB 103,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Philippines Corporation	Philippines	PHP 50,000 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Australia Pty. Ltd.	Australia	AUD 1,000 thousand	100.0%	Printing Solutions Visual Communications
	Epson India Pvt. Ltd.	India	INR 108,628 thousand	100.0% (100.0%)	Printing Solutions Visual Communications
	Epson Precision (Hong Kong) Ltd.	China	USD 81,602 thousand	100.0%	Printing Solutions Visual Communications
	Epson Engineering (Shenzhen) Ltd.	China	USD 56,641 thousand	100.0% (100.0%)	Printing Solutions Visual Communications Wearable & Industrial Products
	Epson Precision (Shenzhen) Ltd.	China	USD 25,000 thousand	100.0% (100.0%)	Wearable & Industrial Products
	Orient Watch (Shenzhen) Ltd.	China	CNY 37,748 thousand	100.0% (100.0%)	Wearable & Industrial Products

Company name		Location	Paid-in capital	The Company's percentage of equity participation	Main business
	Tianjin Epson Co., Ltd.	China	CNY 172,083 thousand	80.0% (80.0%)	Printing Solutions
	Singapore Epson Industrial Pte. Ltd.	Singapore	SGD 71,700 thousand	100.0%	Wearable & Industrial Products
	PT. Epson Batam	Indonesia	USD 7,000 thousand	100.0% (100.0%)	Printing Solutions
	PT. Indonesia Epson Industry	Indonesia	USD 23,000 thousand	100.0%	Printing Solutions
	Epson Precision (Thailand) Ltd.	Thailand	THB 3,250,000 thousand	100.0%	Wearable & Industrial Products
	Epson Precision (Philippines), Inc.	Philippines	USD 157,533 thousand	100.0%	Printing Solutions Visual Communications
	Epson Precision Malaysia Sdn. Bhd.	Malaysia	MYR 16,000 thousand	100.0%	Wearable & Industrial Products
	Epson Precision (Johor) Sdn. Bhd.	Malaysia	MYR 22,800 thousand	100.0% (100.0%)	Wearable & Industrial Products

Notes:
1. Percentage of equity participation indicated inside parentheses refers to indirect ownership percentage.
2. There are no specified wholly-owned subsidiaries.

1.11 Principal business locations and plants (as of March 31, 2019)

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

The Company

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

Note: Murai Plant was closed in July 2018 due to the restructuring of business bases within the Group.

Subsidiaries

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

1.12 Status of employees (as of March 31, 2019)

Segment	Number of employees (Persons)	Year-on-year change (Persons)
Printing Solutions Business	47,769	(562)
Visual Communications Business	12,027	553
Wearable & Industrial Products Business	13,048	263
Other	378	30
Corporate	3,425	(28)
Total	76,647	256

Notes:
1. The number of employees represents the number of persons in employment.
2. The number of employees represented as Corporate represents administrative staff not assigned to any particular business segment.

1.13 Major lenders (as of March 31, 2019)

Lender	Borrowing amount (Millions of yen)
Mizuho Bank, Ltd.	34,240
MUFG Bank, Ltd.	21,644
The Hachijuni Bank, Ltd.	5,000

Note: The borrowing amounts include some borrowings from the overseas subsidiaries, etc. of each bank.

1.14 Other material facts concerning the current status

(1) Allegations of involvement in a liquid crystal display price-fixing cartel
The investigation of the Company by a certain anti-monopoly-related authority regarding allegations of involvement in a liquid crystal display price-fixing cartel has been completed.

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

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

2. Matters related to Company Shares (as of March 31, 2019)

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

2.2 Total number of shares outstanding 399,634,778 shares (including 47,233,041 shares of treasury stock)

2.3 Number of shareholders 49,635 persons

2.4 Major shareholders

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

Note 1: Although the Company holds 47,233,041 shares of treasury shares, the Company is excluded from the above list of major shareholders. Shareholding ratio is calculated by deducting treasury shares. Treasury shares do not include the Company's shares (164,598 shares) owned by the officer compensation BIP Trust.

Note 2: Mr. Yasuo Hattori passed away on March 15, 2019. As the name change procedure has not been completed as of March 31, 2019, the name on the shareholder register is presented.

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

Not applicable.

4. Matters related to Management

4.1 Names, etc. of Directors (as of March 31, 2019)

Name	Title	Areas of responsibility and significant concurrent positions
Minoru Usui	President and Representative Director	
Koichi Kubota	Representative Director Senior Managing Executive Officer	Chief Operating Officer, Printing Solutions Operations Division
Masayuki Kawana	Director Executive Officer	General Administrative Manager, Human Resources Division and CSR Management Office Chairman, Epson Sales Japan Corporation
Tatsuaki Seki	Director Executive Officer Chief Compliance Officer	General Administrative Manager, Management Control Division
Yasunori Ogawa	Director Executive Officer	Chief Operating Officer, Visual Products Operations Division General Administrative Manager, Technology Development Division
Hideaki Omiya	Outside Director	Chairman of the Board, Mitsubishi Heavy Industries, Ltd. Outside Director, Mitsubishi Corporation Outside Director, Nomura Research Institute, Ltd.
Mari Matsunaga	Outside Director	Outside Director of MS&AD Insurance Group Holdings, Inc. Outside Director of Rohto Pharmaceutical Co., Ltd.
Taro Shigemoto	Director Full-Time Audit & Supervisory Committee Member	
Michihiro Nara	Outside Director Audit & Supervisory Committee Member	Attorney-at-law Outside Director of the Board, Oji Holdings Corporation Outside Director of Nihon Tokushu Toryo Co., Ltd.
Chikami Tsubaki	Outside Director Audit & Supervisory Committee Member	Certified Public Accountant Outside Audit & Supervisory Board Member of Heiwa Real Estate Co., Ltd.
Yoshio Shirai	Outside Director Audit & Supervisory Committee Member	Outside Director, Audit & Supervisory Committee Member, Fujikura Ltd.

Notes
1. The Company registered Mr. Hideaki Omiya, Ms. Mari Matsunaga, Mr. Michihiro Nara, Ms. Chikami Tsubaki and Mr. Yoshio Shirai as independent directors with the Tokyo Stock Exchange.
2. Mr. Yasunori Ogawa was elected as Director at the Ordinary General Meeting of Shareholders held on June 27, 2018 and assumed office.
3. Mr. Taro Shigemoto was elected as Director and Audit & Supervisory Committee Member at the Ordinary General Meeting of Shareholders held on June 27, 2018 and assumed office.
4. Mr. Shigeki Inoue resigned from the posts of Director, Representative Director and Senior Managing Executive Officer on September 30, 2018.
5. Mr. Koichi Kubota assumed office of Representative Director on October 1, 2018.

6. Director and Audit & Supervisory Committee Member Ms. Chikami Tsubaki has professional knowledge and experience as a Certified Public Accountant, thus she has considerable knowledge in finance and accounting.
7. Based on a belief that improving audit environment and smooth collection of in-house information through attending important internal meetings, as well as close coordination with an internal audit departments, etc. and daily oversight on the internal control system are necessary to ensure the effectiveness of the activities of the Audit & Supervisory Committee, the Company has appointed Mr. Taro Shigemoto as a Full-Time Audit & Supervisory Committee Member.
8. There are no special interests between the Company and the entities where each Outside Director holds significant concurrent positions.
9. Changes in the responsibilities of Directors from the day following the conclusion date of the Ordinary General Meeting of Shareholders held on June 27, 2018 to the end of the fiscal year under review are as follows.

Name	After change	Before change	Date of change
Yasunori Ogawa	Chief Operating Officer, Visual Products Operations Division General Administrative Manager, Technology Development Division	Chief Operating Officer, Visual Products Operations Division	October 1, 2018

10. Changes in the responsibilities of Directors after the end of the fiscal year under review are as follows

Name	After change	Before change	Date of change
Yasunori Ogawa	General Administrative Manager, Technology Development Division	Chief Operating Officer, Visual Products Operations Division General Administrative Manager, Technology Development Division	April 1, 2019

11. List of Executive Officers (excluding Directors concurrently serving as Executive Officers) as of March 31, 2019 is as follows.

Name	Title	Areas of responsibility
Motonori Okumura	Managing Executive Officer	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD)
Junichi Watanabe	Managing Executive Officer	Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base and WP) Chief Operating Officer, Wearable Products Operations Division General Administrative Manager, Production Planning Division
Hideki Shimada	Managing Executive Officer	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of PaperLab Business, Production Engineering, Quality Assurance and Production Control)
Yasumasa Kitamatsu	Executive Officer	In charge of Manufacturing Innovation, Technology Development Division General Manager, Automation Technology Development Department (in charge of Manufacturing Efficiency (Production Efficiency and Technological Innovation) and Environmental Impact Reduction)
Akihiro Fukaishi	Executive Officer	President, Epson (China) Co., Ltd.
Sunao Murata	Executive Officer	Deputy General Administrative Manager, Corporate Planning Division (in charge of Research for New Technology & Business Models) General Manager, DX Project Department
Yoshiyuki Moriyama	Executive Officer	Chairman and President, Epson Engineering (Shenzhen) Ltd.
Toshiya Takahata	Executive Officer	General Administrative Manager, Corporate Planning Division General Administrative Manager, Intellectual Property Division

Name	Title	Areas of responsibility
Tsuyoshi Kitahara	Executive Officer	In charge of Exploration for New Technology Development, Technology Development Division General Manager, Core Device Technology Development Department (in charge of New Domain Development)
Naoyuki Saeki	Executive Officer	President, Epson Sales Japan Corporation
Nobuyuki Shimotome	Executive Officer	Chief Operating Officer, Microdevices Operations Division
Kazuyoshi Yamamoto	Executive Officer	President, Epson Europe B.V.
Munenori Ando	Executive Officer	General Administrative Manager, Sales & Marketing Division
Hitoshi Igarashi	Executive Officer	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of LFP Business, Planning and Design)
Keith Kratzberg	Executive Officer	President, Epson America, Inc.
Isamu Otsuka	Executive Officer	President, Epson Atmix Corporation
Eiichi Abe	Executive Officer	President, PT. Indonesia Epson Industry
Kazuhiro Ichikawa	Executive Officer	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Component & Technology Development, Software Technology Development and Analysis & Research) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)
Keijiro Naito	Executive Officer	Deputy Chief Operating Officer, Visual Products Operations Division (in charge of Quality Assurance, Overall Production and HMD)
Kazunori Kumakura	Executive Officer	General Administrative Manager, IT Division
Yoshifumi Yoshida	Executive Officer	Chief Operating Officer, Robotics Solutions Operations Division

(1) Messrs. Kazunori Kumakura and Yoshifumi Yoshida assumed offices of Executive Officer as of June 27, 2018.

(2) Changes in the responsibilities of Executive Officers from the day following the conclusion date of the Ordinary General Meeting of Shareholders held on June 27, 2018 to the end of the fiscal year under review are as follows.

<table>
<tr><th>Name</th><th>After change</th><th>Before change</th><th>Date of change</th></tr>
<tr><td rowspan="2">Motonori Okumura</td><td>Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD)
General Administrative Manager, Technology Development Division</td><td>General Administrative Manager, Technology Development Division
Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base)</td><td>August 1, 2018</td></tr>
<tr><td>Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD)</td><td>Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD)
General Administrative Manager, Technology Development Division</td><td>October 1, 2018</td></tr>
<tr><td>Junichi Watanabe</td><td>Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base and WP)
Chief Operating Officer, Wearable Products Operations Division
General Administrative Manager, Production Planning Division</td><td>General Administrative Manager, Production Planning Division
Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base)
Deputy Chief Operating Officer, Wearable Products Operations Division (in charge of Quality</td><td>August 1, 2018</td></tr>
</table>

		Assurance, Production Engineering, Production Control and Manufacturing)	
Hideki Shimada	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of PaperLab Business, Production Engineering, Quality Assurance and Production Control)	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Production Engineering, Quality Assurance and Production Control)	October 1, 2018
Yasumasa Kitamatsu	In charge of Manufacturing Innovation, Technology Development Division General Manager, Automation Technology Development Department (in charge of Manufacturing Efficiency (Production Efficiency and Technological Innovation), Environmental Impact Reduction)	In charge of Manufacturing Innovation, Technology Development Division General Manager, Automation Technology Development Department (in charge of Manufacturing Innovation, Environmental Affairs & CO2 Reduction, and Manufacturing Efficiency)	October 1, 2018
Sunao Murata	Deputy General Administrative Manager, Corporate Planning Division (in charge of Research for New Technology & Business Models) General Manager, DX Project Department	Deputy General Administrative Manager, Corporate Planning Division (in charge of Research for New Technology & Business Models)	October 1, 2018
Toshiya Takahata	General Administrative Manager, Corporate Planning Division General Administrative Manager, Intellectual Property Division	General Administrative Manager, Intellectual Property Division	October 1, 2018
Hitoshi Igarashi	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of LFP Business, Planning and Design)	Deputy Chief Operating Officer, Printing Solutions Operations Division (in charge of Planning and Design)	October 1, 2018
Kazuhiro Ichikawa	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Component & Technology Development, Software Technology Development and Analysis & Research) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Component & Technology Development) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)	October 1, 2018
Keijiro Naito	Deputy Chief Operating Officer, Visual Products Operations Division (in charge of Quality Assurance, Overall Production and HMD)	Deputy Chief Operating Officer, Visual Products Operations Division (in charge of Business Strategies, Production Control and HMD)	October 1, 2018

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

Name	After change	Before change	Date of change
Motonori Okumura	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD) General Administrative Manager, Production Planning Division	Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Technology Base, RS and MD)	April 1, 2019
Junichi Watanabe	Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base and WP) Chief Operating Officer, Wearable Products Operations Division Deputy General Administrative	Deputy Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (in charge of Production Base and WP) Chief Operating Officer, Wearable Products Operations Division General Administrative Manager,	April 1, 2019

Name	After change	Before change	Date of change
	Manager, Production Planning Division (in charge of Production Planning)	Production Planning Division	
Sunao Murata	Deputy General Administrative Manager, DX Division (in charge of DX Research, IT & CS Quality Assurance)	Deputy General Administrative Manager, Corporate Planning Division (in charge of Research for New Technology & Business Models) General Manager, DX Project Department	April 1, 2019
Toshiya Takahata	General Administrative Manager, Corporate Planning Division General Administrative Manager, DX Division	General Administrative Manager, Corporate Planning Division General Administrative Manager, Intellectual Property Division	April 1, 2019
Tsuyoshi Kitahara	In charge of Exploration for New Technology Development, Technology Development Division General Manager, Advanced Production Engineering Development Department (in charge of New Domain Technology Development (Component Development))	In charge of Exploration for New Technology Development, Technology Development Division General Manager, Core Device Technology Development Department (in charge of New Domain Development)	April 1, 2019
Naoyuki Saeki	General Administrative Manager, Sales & Marketing Division	President, Epson Sales Japan Corporation	April 1, 2019
Munenori Ando	Managing Director, Epson Singapore Pte. Ltd.	General Administrative Manager, Sales & Marketing Division	April 1, 2019
Kazuhiro Ichikawa	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Development, Material Development, Environment and Analysis & Research) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)	Deputy General Administrative Manager, Technology Development Division (in charge of New Domain Component & Technology Development, Software Technology Development and Analysis & Research) General Manager, PL Business Management Department (in charge of PaperLab Business Promotion)	April 1, 2019
Keijiro Naito	Chief Operating Officer, Visual Products Operations Division	Deputy Chief Operating Officer, Visual Products Operations Division (in charge of Quality Assurance, Overall Production and HMD)	April 1, 2019
Kazunori Kumakura	Deputy General Administrative Manager, DX Division (in charge of Information Technology and IT Base)	General Administrative Manager, IT Division	April 1, 2019

12. The Company has elected Special Audit & Supervisory Officer, a post to support the Audit & Supervisory Committee. The list of Special Audit & Supervisory Officer as of March 31, 2019 is as follows.

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

(1) Mr. Akihiko Toeda assumed office of Special Audit & Supervisory Officer on June 27, 2018.

4.2 Outline of liability limitation contracts

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

4.3 Compensation to Directors

(Millions of yen)

Category	Number of individuals (Persons)	Fixed compensation	Variable compensation			Total
		Base compensation		Bonuses	Stock compensation	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	8 (2)	232 (28)	13 (-)	71 (-)	38 (-)	356 (28)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	5 (3)	81 (48)				81 (48)
Total	13	314	13	71	38	437

Notes

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

(Reference)

Officer compensation system

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

Base compensation (fixed/variable)

A monthly-paid monetary compensation which is determined comprehensively based on factors such as responsibilities and position of each officer. For officers with executive duties, it reflects the annual performance results based on the evaluation criteria set for each role.

Bonuses (variable)

An annually-paid monetary compensation for officers with executive duties, which is determined by the achievement level of the annual operating performance targets. It reflects the annual performance results based on the evaluation criteria set for each role.

Stock compensation (variable)

Stock-based compensation system for officers with executive duties wherein Company's shares are delivered using a trust scheme. It is awarded in accordance with the achievement level with respect to the medium term operating performance targets such as business profit, return on sales and return on equity.

4.4 Main activities of Outside Directors

(1) Outside Directors

Name	Main activities at meetings of the Board of Directors	Attendance at meetings of the Board of Directors (Attendance rate)
Hideaki Omiya	Based on a wealth of experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a different business field.	Meetings of the Board of Directors: 12 / 13 meetings (92.3%)
Mari Matsunaga	Based on a track record of creating new business models and considerable insight and experiences through her involvement in the management of multiple companies as outside officers, she actively expresses opinions including findings and proposals regarding managerial issues from the viewpoints of open innovation promotion, etc.	Meetings of the Board of Directors: 13 / 13 meetings (100%)

(2) Outside Directors, Audit & Supervisory Committee Members

Name	Main activities at meetings of the Board of Directors and Audit & Supervisory Committee, etc.	Attendance at meetings of the Board of Directors and Audit & Supervisory Committee (Attendance rate)
Michihiro Nara	Based on a high level of expertise as an attorney-of-law and a considerable insight and experiences through his involvement in the management of multiple companies as an outside officer, he actively expresses opinions including findings and proposals regarding managerial issues from a perspective of a legal professional.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 16 / 17 meetings (94.1%)
Chikami Tsubaki	Based on a high level of expertise as a certified public accountant and a considerable insight and experiences through her involvement in the management of multiple companies as outside officer, she actively expresses opinions including findings and proposals regarding managerial issues from a perspective of finance and accounting professional.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 17 / 17 meetings (100%)
Yoshio Shirai	Based on considerable experience and insight as a corporate manager and engineer, he actively expresses opinions including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the automotive industry and at a trading firm, different business fields.	Meetings of the Board of Directors: 13 / 13 meetings (100%) Meetings of the Audit & Supervisory Committee: 17 / 17 meetings (100%)

5. Financial Auditor

5.1 Financial auditor's name

Ernst & Young ShinNihon LLC

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

Category	Compensation for audit certificate service (Millions of yen)	Compensation for non-audit service (Millions of yen)
The Company	167	0
Consolidated subsidiaries	45	—
Total	212	0

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

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

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

4. Of the significant subsidiaries of the Company, 35 overseas subsidiaries undergo audits (limited to those specified by Japan's Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) by certified public accountants or audit firms other than the financial auditor of the Company (including those with comparable qualifications abroad).

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

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

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

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

6.1 Basic Policy regarding the Internal Control System

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

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

1. Compliance

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

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

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

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

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

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

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

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

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

2. System for Ensuring Proper Financial Reporting

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

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

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

3. Business execution system

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

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

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

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

4. Risk management

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

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

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

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

5. Ensuring the appropriateness of operations in the corporate group

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

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

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

6. Safeguarding and management of information on performance of duties

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

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

7. Audit system

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

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

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

(4) To ensure that audits by the Audit & Supervisory Committee are systematic and effective, a framework shall be created to secure close cooperation between the internal audit department and others and the Audit & Supervisory Committee.

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

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

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

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

(9) The Audit & Supervisory Committee and Representative Director shall regularly meet to enable the committee to directly assess business operations.

(10) The expenses required by the Audit & Supervisory Committee Members to perform its duties shall be properly budgeted for in advance. However, expenses required to perform the duties of the Audit & Supervisory Committee Members in emergency or extraordinary situations shall be promptly paid in advance or refunded on each occasion.

6.2. Summary of Implementation Status of the Internal Control System

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

(1) Compliance

1) The Compliance Committee, a body that supervises the execution of compliance in business affairs, was held twice during the fiscal year to discuss important matters concerning the Company's compliance programs. It reported its findings and offered opinions to the Board of Directors.
   Specifically, as important matters, it discussed monitoring results on compliance, individual compliance issues and global compliance programs. In addition, as to the whistleblowing system, it confirmed the reporting status by way of Epson Hotline, and the operation status of the whistleblowing systems at each Group company. Furthermore, it received reports on the financial audit status by the financial auditor.
2) Progress of the Company's compliance programs and risk management programs were regularly reported to and discussed at the Corporate Strategy Council, a deliberative organ that meets for important issues in principal once a week. The deliberation result is also reported to the Board of Directors.
3) Principles of Corporate Behavior, a set of principles to realize the Management Philosophy indicating the ideal direction of the Group, were translated into 17 languages and informed to the Group employees.
4) To raise compliance awareness of Group employees, the Company set October as "Compliance Month." During that month, the CCO as well as representatives of operations divisions and each Group company transmitted a message concerning the enhancement of compliance awareness, a feature article related to compliance was posted on its company newsletter, and other activities were held. In addition, the Company established regional CCO (R-CCO) in each region to support CCO. Upon defining a Group-wide target level, improvement programs are conducted based on assessment of each Group company to raise the level of overall compliance.
5) With an aim to raise compliance awareness and promote specific operations, e-learning and group trainings were held to raise compliance awareness of Group employees through monthly enhancement programs for Information Security Enhancement, CS & Quality, Environmental Awareness, etc.

(2) System for ensuring proper financial reporting

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

(3) Business execution system

1) We are implementing the medium-term business plan and annual business plan based on the Epson 25 Corporate Vision indicating the ideal direction of the Group toward FY2025.
2) Meeting of the Board of Directors was held 13 times to report and discuss matters related to business performance, risk management measures and status of key business operations.
3) To ensure the compliance of laws and the Company's Articles of Incorporation in the execution of businesses, regulations governing organizational management, job authority, division of responsibilities, the management of affiliated companies, and other regulations and standards were prepared for organizational, efficient and sound corporate management. Particularly, important provisions including the basis for Group management are in Group-wide operation at each company.

(4) Risk management

1) Risks that could have a significant impact on Group management were specified at the beginning of the fiscal year as Company-wide major risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis. Risks that could have a significant impact on business were specified by each business as major business risks, and plans and measures were implemented to control them. The progress status was reported to the Corporate Strategy Council and the Board of Directors on a semi-annual basis.
2) As an initial response procedure in case of major risks, the Company developed a crisis management program. When major risks occur, the Company formed the Crisis Management Committee chaired by the President and took a swift initial response in line with the crisis management program. In addition, the actual cases addressed by the Crisis Management Committee were reported to the Corporate Strategy Council and the Board of Directors on a quarterly basis.

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

1) Regarding the business execution by the subsidiaries, the Company confirmed that pre-approval from the Company were sought or report was made to the Company in line with regulations for the management of affiliated companies. The investments that meet certain criteria have been resolved after deliberation at the Board of Directors of the Company.
2) The internal audit departments of the Company conducted a follow-up audit to confirm the status of the improvement progress of issues from last year's audit, alongside conducting 29 audits on the Company's operations divisions, the departments of the Tokyo office, as well as the Company's domestic and overseas subsidiaries, in accordance with the Basic Regulation for Internal Audit. Its findings were reported to the President and Audit & Supervisory Committee Members of the Company and actions deemed necessary for control have been taken.

(6) Safeguarding and management of work-related information

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

(7) Audit system

1) Full-Time Audit & Supervisory Committee Member attended the meetings of the Corporate Strategy Council, Corporate Management Meetings, and other important business meetings and confirmed the status of the execution of duties.
   The Member also examined the important documents related to management decision-making upon receipt.
2) The Company has the Audit & Supervisory Committee Office to support the work of Audit & Supervisory Committee Members.
3) Audit & Supervisory Committee held regular meetings with representative directors, including Outside Directors who are not Audit & Supervisory Committee Members.
4) Audit & Supervisory Committee regularly discussed financial auditor's audit plan, audit progress and audit result reporting with the financial auditor. In addition, Full-Time Audit & Supervisory Committee Member and his assistants accompany the audits of the financial auditor as necessary to enhance the effectiveness of audits.

5) Audit & Supervisory Committee confirmed the audit plan of the internal audit departments at the beginning of the fiscal year and received regular reports from the internal audit departments on a quarterly basis. The reporting was made with the presence of the financial auditor for information sharing. Full-Time Audit & Supervisory Committee Member was regularly reported by the internal audit departments once a month to confirm the management status of the corporate group. In addition, Full-Time Audit & Supervisory Committee Member and his assistants accompany the internal audits as necessary to enhance the effectiveness of audits, thereby closely cooperating with the internal audit departments and Audit & Supervisory Committee.
6) Audit & Supervisory Committee interviewed Directors who are not Audit & Supervisory Committee Members, Executive Officers, Directors and Audit & Supervisory Board Members of major subsidiaries in Japan and overseas, as well as the internal audit departments and received an explanation on the state of management within the Epson Group, including subsidiaries. Furthermore, Full-Time Audit & Supervisory Committee Member received reports from responsible departments for compliance and for personnel affairs, etc. on a quarterly basis, and confirmed the management status.
7) The expenses required to execute the duties of Audit & Supervisory Committee were properly budgeted for in advance. The Company promptly paid such expenses.

7. Basic Policy regarding Company Control

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

7.1 Overview the basic policy

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

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

However, there are some forms of large-scale acquisitions of shares that benefit neither the target company’s corporate value nor the common interests of its shareholders to be ensured and enhanced.

The Company believes that any person who would make an inappropriate large-scale acquisition of shares in the Company in this manner would be unsuitable to become a person who would control decisions on the Company’s financial and business policies, and it is therefore necessary to ensure the corporate value of the Company and, in turn, the common interests of its shareholders by taking the necessary and reasonable countermeasures against a large-scale acquisition by such person.

7.2 Summary of measures in support of the basic policy

(1) Specific actions in support of the basic policy

The Company established in March 2016 the Epson 25 Corporate Vision, which describes what the company would like to achieve by the start of the 2025 fiscal year.

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

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

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

The purpose of the Plan is to prevent from large-scale acquisitions of shares that benefit neither the target company’s corporate value nor the common interests of its shareholders by providing the Company with a measure that ensures the necessary time and information for the shareholders to decide whether or not to accept such proposal or for the Company’s board of directors to present an alternative proposal while enabling the board of directors to discuss and negotiate with the acquirer on occasions when the Company receives a large-scale acquisition proposal for the shares in the Company from an acquirer.

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

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

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

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

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

Specifically, the Plan guarantees appropriateness and objectivity, is reasonable, and supports Epson's corporate value and the common interests of its shareholders because among other things, a) it was updated after being approved by shareholders at the general shareholders' meeting;

b) it contains provisions for reasonable and objective implementation;

c) the special committee comprising Outside Directors with a high degree of independence from Epson management was established and activation of the Plan is subject to the assessment of that special committee;

d) the Board of Directors is required to follow the recommendations of the special committee regarding the necessity of anti-takeover measures (except in cases where following such advice could be considered a violation of directors' obligation to exercise the duty of due care of a prudent manager);

e) the special committee may solicit expert opinions from third parties at Epson's expense;

f) the period necessary for each process after an acquirer expressed the intention to purchase is specified;

g) in case of acquiring stock acquisition rights from non-qualified parties, it is clarified that any economic profit such as cash will not be delivered; and

h) the Plan was determined to be valid for approximately three years and may be abolished by the Board of Directors at any time. The Plan is not for keeping Epson executive officers in their posts.

Consolidated Financial Statements

Consolidated Statement of Financial Position (as of March 31, 2019)

(Millions of yen)

Item	As of March 31, 2019	(Reference) As of March 31, 2018	Item	As of March 31, 2019	(Reference) As of March 31, 2018
Assets			**Liabilities**		
Current Assets	**622,575**	**639,172**	**Current liabilities**	**297,473**	**322,387**
Cash and cash equivalents	175,238	229,678	Trade and other payables	144,399	154,759
Trade and other receivables	173,173	165,282	Income tax payables	3,814	7,296
Inventories	250,763	223,227	Bonds issued, borrowings and lease liabilities	21,363	36,082
Income tax receivables	3,994	2,942	Other financial liabilities	331	201
Other financial assets	1,466	1,513	Provisions	12,677	26,403
Other current assets	17,938	16,485	Other current liabilities	114,887	97,643
Subtotal	**622,575**	**639,129**	**Non-current liabilities**	**198,169**	**195,856**
Non-current assets held for sale	—	43	Bonds issued, borrowings and lease liabilities	120,987	130,483
Non-current assets	**415,814**	**394,178**	Other financial liabilities	1,955	1,613
Property, plant and equipment	321,956	297,927	Net defined benefit liabilities	53,498	42,321
Intangible assets	25,191	22,037	Provisions	9,134	8,954
Investment property	1,461	1,219	Other non-current liabilities	11,697	11,434
Investments accounted for using the equity method	1,571	1,546	Deferred tax liabilities	894	1,049
Net defined benefit assets	—	11	**Total liabilities**	**495,642**	**518,244**
Other financial assets	17,907	20,433	**Equity**		
Other non-current assets	6,028	5,299	**Equity attributable to owners of the parent company**	**540,181**	**512,727**
Deferred tax assets	41,696	45,701	Share capital	53,204	53,204
			Capital surplus	84,427	84,364
			Treasury shares	(30,788)	(30,803)
			Other components of equity	50,440	47,960
			Retained earnings	382,897	358,001
			Non-controlling interests	**2,565**	**2,378**
			Total equity	**542,747**	**515,106**
Total assets	**1,038,389**	**1,033,350**	**Total liabilities and equity**	**1,038,389**	**1,033,350**

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

Consolidated Statement of Comprehensive Income (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Revenue	**1,089,676**	**1,102,116**
Cost of sales	**(677,064)**	**(701,268)**
Gross profit	**412,612**	**400,848**
Selling, general and administrative expenses	(342,113)	(326,062)
Other operating income	6,393	4,860
Other operating expense	(5,536)	(14,643)
Profit from operating activities	**71,355**	**65,003**
Finance income	2,450	1,277
Finance costs	(1,865)	(3,691)
Share of profit of investments accounted for using the equity method	99	74
Profit before tax	**72,040**	**62,663**
Income taxes	(17,995)	(20,899)
Profit for the period	**54,044**	**41,764**
Profit for the period attributable to owners of the parent company	53,710	41,836
Profit for the period attributable to non-controlling interests	334	(72)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss, net of tax	**(9,378)**	**4,626**
Remeasurement of net defined benefit liabilities (assets)	(8,052)	4,998
Net gain (loss) on revaluation of financial assets measured at FVTOCI	(1,325)	(371)
Items that may be reclassified subsequently to profit or loss, net of tax	**4,876**	**(4,809)**
Exchange differences on translation of foreign operations	5,082	(5,266)
Net changes in fair value of cash flow hedges	(195)	444
Share of other comprehensive income of investments accounted for using the equity method	(10)	13
Total other comprehensive income, net of tax	**(4,501)**	**(182)**
Total comprehensive income for the period	**49,542**	**41,581**
Total comprehensive income for the period attributable to owners of the parent company	49,235	41,612
Total comprehensive income for the period attributable to non-controlling interests	307	(30)

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

Consolidated Statement of Changes in Equity

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Equity attributable to owners of the parent company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Remeasurement of net defined benefit liabilities (assets)	Net gain (loss) on revaluation of financial assets measured at FVTOCI	Exchange differences on translation of foreign operations
Balance as of April 1, 2018	53,204	84,364	(30,803)	—	4,658	42,970
Cumulative effects of change in accounting policy	—	—	—	—	—	—
Balance as of April 1, 2018 (restated)	53,204	84,364	(30,803)	—	4,658	42,970
Profit for the period	—	—	—	—	—	—
Other comprehensive income	—	—	—	(8,052)	(1,325)	5,099
Total comprehensive income for the period	—	—	—	(8,052)	(1,325)	5,099
Acquisition of treasury shares	—	—	(0)	—	—	—
Dividends	—	—	—	—	—	—
Share-based payment transactions	—	62	15	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	8,052	(1,098)	—
Total transactions with the owners	—	62	14	8,052	(1,098)	—
Balance as of March 31, 2019	53,204	84,427	(30,788)	—	2,234	48,069

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity					
	Net changes in fair value of cash flow hedges	Total other components of equity	Retained earnings	Total equity attributable to owners of the parent company		
Balance as of April 1, 2018	331	47,960	358,001	512,727	2,378	515,106
Cumulative effects of change in accounting policy	—	—	330	330	—	330
Balance as of April 1, 2018 (restated)	331	47,960	358,332	513,058	2,378	515,437
Profit for the period	—	—	53,710	53,710	334	54,044
Other comprehensive income	(195)	(4,474)	—	(4,474)	(27)	(4,501)
Total comprehensive income for the period	(195)	(4,474)	53,710	49,235	307	49,542
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Dividends	—	—	(22,190)	(22,190)	(120)	(22,310)
Share-based payment transactions	—	—	—	78	—	78
Transfer from other components of equity to retained earnings	—	6,954	(6,954)	—	—	—
Total transactions with the owners	—	6,954	(29,145)	(22,112)	(120)	(22,233)
Balance as of March 31, 2019	136	50,440	382,897	540,181	2,565	542,747

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

(Reference) Consolidated Statement of Cash Flows (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Amount	Amount in previous fiscal year
Cash flows from operating activities		
Profit for the period	54,044	41,764
Depreciation and amortisation	56,137	49,993
Impairment loss (reversal of impairment loss)	743	2,091
Finance (income) costs	(585)	2,414
Share of (profit) loss of investments accounted for using the equity method	(99)	(74)
Loss (gain) on sales and disposal of property, plant and equipment, intangible assets and investment property	(3,221)	797
Income taxes	17,995	20,899
Decrease (increase) in trade receivables	(4,750)	(9,528)
Decrease (increase) in inventories	(24,915)	(17,199)
Increase (decrease) in trade payables	(6,826)	3,087
Increase (decrease) in net defined benefit liabilities	1,663	1,612
Other	3,473	9,887
Subtotal	**93,659**	**105,745**
Interest and dividends income received	2,055	1,279
Interest expenses paid	(1,164)	(1,038)
Payment for loss on litigation	—	(564)
Income taxes paid	(17,588)	(21,142)
Net cash from (used in) operating activities	**76,961**	**84,279**
Cash flows from investing activities		
Purchase of investment securities	(900)	—
Proceeds from sales of investment securities	2,144	16
Purchase of property, plant and equipment	(79,858)	(69,237)
Proceeds from sales of property, plant and equipment	9,313	858
Purchase of intangible assets	(10,445)	(4,368)
Proceeds from sale of intangible assets	13	1
Proceeds from sale of investment property	22	9
Purchase of investments in subsidiaries	(887)	—
Other	(2,142)	(1,942)
Net cash from (used in) investing activities	**(82,738)**	**(74,661)**
Cash flows from financing activities		
Net increase (decrease) in current borrowings	(16,832)	11,590
Proceeds from non-current borrowings	—	49,908
Repayment of non-current borrowings	(135)	(50,000)
Proceeds from issuance of bonds issued	—	19,896
Redemption of bonds issued	(10,000)	(10,000)
Payments of lease obligations	(150)	(106)
Dividends paid	(22,190)	(21,133)
Dividends paid to non-controlling interests	(120)	(116)
Purchase of treasury shares	(0)	(2)
Net cash from (used in) financing activities	**(49,430)**	**37**
Effect of exchange rate changes on cash and cash equivalents	**767**	**(1,759)**
Net increase (decrease) in cash and cash equivalents	**(54,439)**	**7,895**
Cash and cash equivalents at beginning of period	**229,678**	**221,782**
Cash and cash equivalents at end of period	**175,238**	**229,678**

Non-Consolidated Financial Statements

Balance Sheet (as of March 31, 2019)

(Millions of yen)

Item	As of March 31, 2019	(Reference) As of March 31, 2018	Item	As of March 31, 2019	(Reference) As of March 31, 2018
Assets			**Liabilities**		
Current assets	**318,199**	**374,661**	**Current liabilities**	**163,296**	**198,644**
Cash and deposits	29,589	14,726	Notes payable - trade	4,375	4,439
Notes receivable - trade	174	160	Accounts payable - trade	77,297	107,944
Accounts receivable - trade	134,228	148,956	Current portion of bonds issued	10,000	10,000
Securities	61,500	120,000	Lease liabilities	31	1
Merchandise and finished goods	6,926	6,577	Accounts payable - other	42,270	46,044
Work in process	13,951	14,121	Accrued expenses	7,243	7,048
Raw materials and supplies	23,189	21,396	Income taxes payable	781	2,248
Short-term loans receivable	14,750	12,981	Deposits received	5,825	4,506
Accounts receivable - other	24,274	25,787	Provision for bonuses	12,255	13,270
Other	9,616	9,953	Provision for directors' bonuses	71	89
			Provision for product warranties	2,117	2,182
Non-current assets	**376,287**	**362,334**	Asset retirement obligations	90	148
(Property, plant and equipment)	**(176,760)**	**(162,572)**	Other	935	720
Buildings	73,083	50,951	**Non-current liabilities**	**150,790**	**164,477**
Structures	3,310	2,291	Bonds issued	70,000	80,000
Machinery and equipment	49,941	49,299	Non-current borrowings	50,500	50,500
Vehicles	64	82	Lease liabilities	446	4
Tools, furniture and fixtures	8,429	7,741	Provision for retirement benefits	25,256	29,625
Land	28,630	33,879	Provision for product warranties	594	507
Construction in progress	13,299	18,326	Asset retirement obligations	2,908	2,864
Other	0	0	Other	1,084	974
(Intangible assets)	**(9,652)**	**(7,338)**	**Total liabilities**	**314,086**	**363,122**
Software	6,182	6,056	**Net assets**		
Other	3,470	1,282	**Shareholders' equity**	**378,146**	**369,373**
(Investments and other assets)	**(189,875)**	**(192,422)**	**Share capital**	**53,204**	**53,204**
Investment securities	8,694	11,176	**Capital surplus**	**84,321**	**84,321**
Shares of subsidiaries and affiliates	133,683	132,806	Legal capital surplus	84,321	84,321
Long-term prepaid expenses	3,413	2,530	**Retained earnings**	**271,370**	**262,612**
Deferred tax assets	42,369	44,374	Legal retained earnings	3,132	3,132
Other	1,731	1,555	Other retained earnings	268,238	259,479
Allowance account for credit losses	(17)	(21)	Retained earnings brought forward	268,238	259,479
			Treasury shares	**(30,749)**	**(30,763)**
			Valuation and translation adjustments	**2,253**	**4,500**
			Valuation difference on available-for-sale securities	**2,104**	**4,155**
			Deferred gains or losses on hedges	**149**	**344**
			Total net assets	**380,400**	**373,873**
Total assets	**694,487**	**736,995**	**Total liabilities and net assets**	**694,487**	**736,995**

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

Statement of Income (from April 1, 2018 to March 31, 2019)

(Millions of yen)

Item	Amount	(Reference) Amount in previous fiscal year
Net sales	**790,424**	**816,898**
Cost of sales	**706,484**	**730,757**
Gross profit	**83,940**	**86,140**
Selling, general and administrative expenses	**75,459**	**70,516**
Operating income	**8,480**	**15,623**
Non-operating income	**29,573**	**35,460**
Interest and dividend income	25,046	31,472
Foreign exchange gains	832	−
Other	3,694	3,988
Non-operating expenses	**4,157**	**7,812**
Interest expenses	460	534
Foreign exchange losses	−	4,091
Other	3,697	3,186
Ordinary income	**33,896**	**43,272**
Extraordinary income	**3,771**	**1,123**
Gain on sales of property, plant and equipment and intangible assets	2,327	52
Gain on sales of investment securities	1,426	−
Gain on extinguishment of tie-in shares	−	1,071
Other	17	−
Extraordinary losses	**2,414**	**1,456**
Loss on sales of property, plant and equipment and intangible assets	3	5
Loss on disposal of property, plant and equipment and intangible assets	292	361
Impairment loss	208	979
Loss on disaster	1,289	−
Loss on office closings	400	−
Other	219	111
Income before income taxes	**35,252**	**42,938**
Income taxes - current	1,895	2,711
Income taxes - deferred	2,728	(993)
Total income taxes	**4,623**	**1,718**
Net income	**30,629**	**41,220**

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

Statement of Changes in Net Assets
(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus	Retained earnings			Treasury shares	Total shareholders' equity
		Legal capital surplus	Legal retained earnings	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance as of April 1, 2018	53,204	84,321	3,132	259,479	262,612	(30,763)	369,373
Cumulative effects of change in accounting policy	–	–	–	330	330	–	330
Restated balance as of April 1, 2018	53,204	84,321	3,132	259,809	262,942	(30,763)	369,703
Changes of items during the period							
Dividends	–	–	–	(22,201)	(22,201)	–	(22,201)
Net income	–	–	–	30,629	30,629	–	30,629
Acquisition of treasury shares	–	–	–	–	–	(0)	(0)
Disposal of treasury shares	–	–	–	–	–	15	15
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–
Total changes of items during the period	–	–	–	8,428	8,428	14	8,442
Balance as of March 31, 2019	53,204	84,321	3,132	268,238	271,370	(30,749)	378,146

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance as of April 1, 2018	4,155	344	4,500	373,873
Cumulative effects of change in accounting policy	–	–	–	330
Restated balance as of April 1, 2018	4,155	344	4,500	374,203
Changes of items during the period				
Dividends	–	–	–	(22,201)
Net income	–	–	–	30,629
Acquisition of treasury shares	–	–	–	(0)
Disposal of treasury shares	–	–	–	15
Net changes of items other than shareholders' equity	(2,051)	(195)	(2,246)	(2,246)
Total changes of items during the period	(2,051)	(195)	(2,246)	6,196
Balance as of March 31, 2019	2,104	149	2,253	380,400

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

Audit Reports

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

Independent Auditor's Report

April 26, 2019

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Yoshitomo Matsuura

Pursuant to Article 444, paragraph 4 of the Companies Act, we have audited the consolidated financial statements, namely the consolidated statement of financial position, the consolidated statement of comprehensive income, and the consolidated statement of changes in equity of Seiko Epson Corporation for the consolidated fiscal year from April 1, 2018 to March 31, 2019, including notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in conformity with the latter part of paragraph 1 Article 120 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present consolidated financial statements that are free from material misstatements caused by fraud or error.

Auditors' Responsibility

Our responsibility is to express independent opinions on consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. Audit procedures are selected and applied depending on auditor judgment on the basis of the assessment of the risks of material misstatements of the consolidated financial statements arising from fraud or error. The purpose of the audit of the consolidated financial statements is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the consolidated financial statements referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to consolidated financial statements of the corporate group which consists of Seiko Epson Corporation and its consolidated subsidiaries in conformity with the latter part of paragraph 1 Article 120 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of financial auditor's audit report

Independent Auditor's Report

April 26, 2019

To the Board of Directors of
Seiko Epson Corporation

Ernst & Young ShinNihon LLC

Designated and Engagement Partner,	Certified Public Accountant	Seiji Yamamoto
Designated and Engagement Partner,	Certified Public Accountant	Yoshiyuki Sakuma
Designated and Engagement Partner,	Certified Public Accountant	Yoshitomo Matsuura

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the financial statements, namely the balance sheet, the statements of income, and the statements of changes in net assets of Seiko Epson Corporation for the 77th fiscal year from April 1, 2018 to March 31, 2019, including notes to non-consolidated financial statements and supplementary schedules thereto.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements and supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan. This includes the improvement and application of the internal control that management deemed necessary to prepare and fairly present financial statements and supplementary schedules thereto that are free from material misstatements caused by fraud or error.

Auditors' Responsibility

Our responsibility is to express independent opinions on financial statements and supplementary schedules thereto based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we draw up a plan and perform the audit pursuant to the plan to obtain reasonable assurance about whether the financial statements and the supplementary schedules thereto are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules thereto. Audit procedures are selected and applied depending on auditors' judgment on the basis of the assessment of the risks of material misstatements of the financial statements and the supplementary schedules thereto arising from fraud or error. The purpose of the audit of the financial statements and the supplementary schedules thereto is not to express an opinion on the validity of internal control, but in assessing the risks, the auditors consider internal control relevant to the preparation and fair presentation of the financial statements and the supplementary schedules thereto in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the accounting policies adopted by management, application methods therefor and estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Opinion

In our opinion, the financial statements and the supplementary schedules thereto referred to the above present fairly, in all material respects, the assets as well as income and losses in the period pertaining to such financial statements and the supplementary schedules thereto in conformity with corporate accounting principles generally accepted in Japan.

Interests

There are no interests between the Company and us or engagement partners, which should be stated in compliance with the Certified Public Accountants Act.

Transcript of the Audit & Supervisory Committee's audit report

Audit Report

The Audit & Supervisory Committee audited the Directors' execution of their duties during the 77th fiscal year, from April 1, 2018 to March 31, 2019, and hereby reports on its method and results as follows.

1. Auditing Method and Contents Thereof

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

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

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

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

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

Based on the above, we examined the Business report and the supplementary schedules, the Consolidated Financial Statements (the Consolidated Statements of Financial Position, the Consolidated Statements of Comprehensive Income, the Consolidated Statements of Changes in Equity, and the Notes for the Consolidated Financial Statements, as well as the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statements of Changes in Net Assets, and the Notes for the

Non-consolidated Financial Statements) and the supplementary schedules prepared in conformity with the latter part of paragraph 1 Article 120 of the Company Accounting Ordinance that allows companies to prepare consolidated financial statements with the omission of a part of the disclosure items required under Designated International Accounting Standards) for the fiscal year under review.

2. Audit Results

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

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

(2) Results of Audit of Consolidated Financial Statements

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

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

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

May 15, 2019

Audit & Supervisory Committee, Seiko Epson Corporation

Full-Time Audit & Supervisory Committee Member:	Taro Shigemoto
Outside Audit & Supervisory Committee Member:	Michihiro Nara
Outside Audit & Supervisory Committee Member:	Chikami Tsubaki
Outside Audit & Supervisory Committee Member:	Yoshio Shirai

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

End

Dear shareholders with Voting Rights

Internet Disclosure Information for
the Notice of the 77th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(from April 1, 2018 to March 31, 2019)

SEIKO EPSON CORPORATION

In accordance with laws and regulations and Article 15 of the Articles of Incorporation, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are posted on the Company's website.

Notes to the Consolidated Financial Statements

Significant Basis of Preparing Consolidated Financial Statements

1. Basis of Preparing Consolidated Financial Statements

   The Company and its affiliates ("Epson") prepare its consolidated financial statements on the basis of International Financial Reporting Standards ("IFRS"), in compliance with Paragraph 1 Article 120 of the Company Accounting Ordinance. In compliance with the second sentence of the Paragraph 1, certain disclosures and notes required by IFRS are omitted.

2. Scope of Consolidation

   Number of Subsidiaries: 82

   The major subsidiaries of the Company are as follows:

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

(Reason for the change in subsidiaries)

(Increase: 1 subsidiary)

One subsidiary has been added to the scope of consolidation for the acquisition of its shares.

Shinko Sellbic Co., Ltd.

(Decrease: 3 subsidiaries)

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

Epson Electronics America, Inc.
Epson Research and Development, Inc.
PEO Company, Inc.

3. Application of Equity Method

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

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

4. Reporting Period of Subsidiaries

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

5. Accounting Policies

(1) Basis and Methods of Valuation of Assets

1) Financial Assets other than Derivatives

(i) Initial Recognition and Measurement

Financial assets are measured at their fair values plus transaction costs that are directly attributable to the acquisition of the financial assets at initial recognition. However, in the measurement after initial recognition (subsequent measurement), the transaction costs of financial assets measured at fair value through profit or loss are recognized in profit or loss.

Financial assets are initially recognised on the trade date when Epson becomes a party to the contractual provisions of the financial instrument.

(ii) Classification and Subsequent Measurement

At initial recognition, financial assets are classified either as financial assets measured subsequently at amortised cost, or financial assets measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss.

(a) Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

1) The financial asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows.

2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

1) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

2) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets except for those provided above are classified as financial assets measured at fair value through profit or loss.

However, changes in fair value of equity instruments designated as measured at fair value through other comprehensive income, such as certain investments that are not held for trading purposes, are recognised in other comprehensive income and the cumulative change in fair value in other comprehensive income is transferred to retained earnings when equity instruments are derecognised or the decline in their fair values are significant. Dividends on the financial assets are recognised in profit or loss for each fiscal year.

(iii) Derecognition

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

(iv) Impairment

For impairment of financial assets, an allowance is recognised for expected credit losses.

At each reporting date, Epson assesses if there has been a significant increase in credit risk since initial recognition of the financial asset.

If credit risk of the financial asset has not increased significantly since initial recognition, the allowance for the financial asset is measured at an amount equal to 12-month expected credit losses. Meanwhile, if credit risk of the financial asset has increased significantly since initial recognition, the allowance for the financial asset is measured at an amount equal to lifetime expected credit losses.

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

Expected credit losses of financial instruments are estimated by reflecting the following factors.

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes

(b) Time value of money

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

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

2) Derivatives

Epson utilises a derivative, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. Derivatives is initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

A gain or loss on a derivative is recognised in profit or loss. However, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge of cash flow hedges and hedges of net investments in foreign operations are recognised in other comprehensive income.

3) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortisation of Assets

1) Property, Plant, and Equipment

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

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

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

2) Intangible Assets

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

• Software: 3 to 10 years

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

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

3) Leased Assets

Leased asset is depreciated using the straight-line method over the shorter of the lease term and its estimated useful life.

4) Investment Property

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

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

(3) Accounting Basis for Provisions

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

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

(4) Accounting Method Regarding Post-Employment Benefits

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

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

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

(5) Foreign Currency Translation

Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson determines its functional currency and measures its results and financial position in that currency.

A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the transaction or a rate that approximates the actual rate at the rate of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.

Assets and liabilities of foreign operations are translated into Japanese yen at the closing rate, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss in the period of disposition.

(6) Hedge Accounting

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

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

1) Fair Value Hedge

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

2) Cash Flow Hedge

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss. The amounts of hedging instruments recognised in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognised in other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognised in other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognised in other comprehensive income continue to be recognised in equity until the forecast transactions or firm commitments occur.

3) Hedges of a Net Investment in Foreign Operations

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

(7) Accounting Method Regarding Goodwill

Goodwill acquired in a business combination is measured at the amount recognised at the acquisition date less any accumulated impairment losses.

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

Changes in Accounting Policies

(Adoption of IFRS9 Financial Instruments)

Epson adopted IFRS9 Financial Instruments (revised July 2014) (“IFRS9”) for the reporting period in conformity with certain transition provisions. The impact on the consolidated financial statements from the adoption of IFRS9 was not material.

(Adoption of IFRS15 Revenue from Contracts with Customers)

Epson adopted IFRS15 Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS15 (issued April 2016) (“IFRS15”) for the reporting period.

Epson applied IFRS15 retrospectively to recognise the cumulative effect of initially applying IFRS15 as an adjustment to the opening balance of retained earnings of the reporting period.

Epson recognises revenue by applying the following five steps approach.

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligation in the contract
Step 5: Recognise revenue when Epson satisfies a performance obligation

Epson is mainly engaged in the manufacture and sale of products of the Printing Solutions business, the Visual Communications business, and the Wearable & Industrial Products business. Usually Epson transfers control of a promised good and satisfies a performance obligation at the time of delivery of the good. Therefore, Epson recognises revenue at the time of its delivery. Revenue is measured at the amount of consideration promised in a contract with a customer that is considered the effects of discount, rebate etc.

The impact on the consolidated result financial statements from the adoption of IFRS15 was insignificant.

Changes in Accounting Estimates

(Change of Method to Estimate Net Realisable Value of Inventories)

Epson has inventories of print heads that are used in several product lines. Epson formerly allocated these print head inventories to the product lines where Epson intended to finally use them, and the net realisable values of the inventories were calculated by product line after allocation. However, effective from the year ended March 31, 2019, Epson changed the method and began calculating the net realisable value of the print head itself.

This change was made to better mirror the current business reality. Epson has shifted in recent years toward an emphasis on high-capacity ink tank printers rather than ink cartridge printers and has adopted a strategy of expanding external print head sales. Meanwhile, a broad range of print head applications has emerged, making it more difficult to identify product lines at the print head manufacturing stage.

Under the new method, the cost of sales decreased by ¥5,418 million, and profit from operating activities and profit before tax increased by the same amount for the year ended March 31, 2019.

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets
   Trade and other receivables 1,101 million yen
   Other financial assets (non-current) 50 million yen

2. Accumulated Depreciation and Accumulated Impairment Losses of Property, Plant and Equipment
   914,521 million yen

Consolidated Statement of Changes in Equity

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

2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting held on June 27, 2018	Ordinary shares	(Note 1) 11,276 million yen	32 yen	March 31, 2018	June 28, 2018
Board of Directors Meeting held on October 30, 2018	Ordinary shares	(Note 2) 10,924 million yen	31 yen	September 30, 2018	November 30, 2018

(Note 1) Total dividends include dividends of 5 million yen for the Company’s shares held by BIP trust.
(Note 2) Total dividends include dividends of 5 million yen for the Company’s shares held by BIP trust.

(2) Dividends whose basis date was during the consolidated fiscal year under review, but whose effective date is during the subsequent consolidated fiscal year
The Company presents the following proposal.

Resolution (scheduled)	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting to be held on June 26, 2019	Ordinary shares	(Note) 10,924 million yen	Retained earnings	31 yen	March 31, 2019	June 27, 2019

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

Financial Instruments

1. Status of Financial Instruments

(1) Capital Management

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

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

(2) Financial Risk Management

Epson is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, interest rate risks, and market price fluctuation risks) in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are regularly reported by the financial departments to the Executive Committee of the Company.

Epson's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables, such as notes and trade receivables, resulting from the operating activities of Epson are exposed to customer credit risks.

Epson holds equity securities and bonds receivable of customers and suppliers mainly as investments of surplus funds or to strengthen relationships with them; those bonds and securities are exposed to the issuers' credit risks.

In addition, through derivative transactions that Epson conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, Epson is exposed to the credit risks of the financial institutions which are counterparties to these transactions.

In principle, Epson sets credit lines or transaction conditions with respect to trade receivables for counterparties based on Epson's Credit Control Regulation in order to prevent credit risks relating to counterparties. In addition, the receivable balances of counterparties are monitored in order to mitigate the credit risks. The financial departments of the Company regularly monitor the status of the occurrence and collection of bad debts, and report them to the Executive Committee of the Company.

With regard to the investment of cash surpluses and derivatives, Epson invests in bonds receivable and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks based on Epson's Capital Management Regulation. In addition, the financial departments of the Company regularly monitor the performances of these transactions and reports the results to the Executive Committee of the Company.

(4) Liquidity Risk

Epson raises funds by borrowings and bonds issued; however, these liabilities are exposed to the liquidity risk that it would not be able to repay liabilities on the due date due to the deterioration of the financing environment.
Epson establishes a financing plan based on the annual business plan and the financial departments of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign exchange fluctuation:
1) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.
2) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
3) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
Epson hedges against risk 1) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks 2) and 3), in principle.
In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson’s Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial departments of the Company regularly report the performances to the Executive Committee of the Company.

(6) Interest Rate Risk

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

(7) Market Price Fluctuation Risk

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

2. Fair value of financial instruments

(1) Fair value measurement

Fair values of financial assets and liabilities are measured as follows:

(Derivatives)

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

(Equity securities and bonds receivable)

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

(Borrowings)

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

(Bonds issued)

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

(Lease obligations)

The fair values are calculated based on the present value of the total amount discounted by the interest rate corresponding to the period to maturity and the credit risk per each lease obligation classified per certain period.

(Other)

Other financial instruments are settled mainly on a short-term basis, and the fair values approximate the carrying amounts.

(2) Fair value hierarchy

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

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

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

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

Epson does not have any financial instruments for which there are significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.

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

1) Financial instruments measured at amortised cost

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

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings	61,639	—	62,350	—	62,350
Bonds issued	79,767	—	80,292	—	80,292
Total	141,407	—	142,642	—	142,642

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

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

2) Financial instruments measured at fair value

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

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	—	826	—	826
Equity securities	9,146	—	2,410	11,557
Bonds receivable	—	—	690	690
Total	9,146	826	3,100	13,073
Financial liabilities measured at fair value				
Derivative financial liabilities	—	329	—	329
Total	—	329	—	329

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

Per Share Data

1. Equity attributable to owners of the parent company, per share 1,533.57 yen
2. Basic earnings per share 152.49 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of ordinary shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 164,598 shares and 170,052 shares, respectively.

Significant Subsequent Events

Share repurchase

The Company resolved at the meeting of its Board of Directors held on April 26, 2019 to repurchase shares in the Company pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase
To optimize capital efficiency and to return profits to shareholders proactively
(2) Class of shares to be repurchased
Ordinary shares
(3) Total number of repurchasable shares
7,500,000 shares (maximum) (2.12% of the total number of issued shares (excluding treasury shares))
(4) Total repurchase cost
10 billion yen (maximum)
(5) Repurchase period
May 7, 2019 – September 20, 2019
(6) Repurchase method
Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

Held-to-maturity debt securities

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

Shares of affiliates

- Stated at cost using the moving-average method.

Available-for-sale securities

Securities with market value

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

Securities with no market value

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

(2) Derivatives

Stated at market value.

(3) Inventories

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

2. Depreciation Method for Non-current Assets

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

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

The estimated useful lives of major assets are as follows:

• Buildings: 10 to 35 years

• Machinery and equipment: 5 to 17 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortised using the straight-line method.

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

• Software: 3 to 5 years

(3) Leased Assets

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

3. Accounting Basis for Provisions

(1) Allowance account for credit losses

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

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

(4) Provision for product warranties

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

(5) Provision for loss on litigation

To provide for possible litigation-related expenditures, the Company records the provision for loss on litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the fiscal year under review.

(6) Provision for Retirement Benefits

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

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

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

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

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

5. Hedge Accounting

(1) Hedge Accounting Method

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

(2) Hedging Instruments and Hedged Items

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

(3) Hedge Policy

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

(4) Assessment of Hedge Effectiveness

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

6. Accounting for Consumption Tax

The tax-exclusion method is used for the accounting of both national and local consumption taxes.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition and other standards)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29; March 30, 2018; hereinafter, the “Revenue Recognition Accounting Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30; March 30, 2018) became applicable from the beginning of the fiscal year started on or after April 1, 2018. In line with this, starting from the beginning of the current fiscal year, Epson applied the Revenue Recognition Accounting Standard and other standards. In applying the Revenue Recognition Accounting Standard and other standards, in accordance with the transitional measures set out in the notes in Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of the retrospective application of the new accounting policies to the periods prior to the beginning of the current fiscal year are reflected in retained earnings as of the beginning of the current fiscal year, and the new accounting policies were applied to the beginning balance of the current fiscal year onward. Changes due to this application are as follows.

Changes in revenue recognition standard

Revenue is recognised at an amount expected to be received by Epson in exchange for promised goods or services at the time when the control of such goods or services is transferred to the customer. A major change due to this is that revenue from certain licenses is now recognised at the time when the license is granted to the customer, whereas revenue from license sales was previously recognised over a contractual licensing period.

As a result, the balance of retained earnings as of the beginning of the current fiscal year has increased by 330 million yen. In addition, impact on net sales, operating income and income before income taxes for the current fiscal year is immaterial.

Changes in Presentation

(Changes in line with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

Starting from the beginning of the current fiscal year, Epson applies the “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018; hereinafter, the “Amended Tax Effect Accounting Standard”), thereby deferred tax assets are now presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the balance sheet for the previous fiscal year, “deferred tax assets” of 13,684 million yen under “current assets” have been included in and presented as “deferred tax assets” of 44,374 million yen under “investments and other assets.”

In addition, in the notes to Tax-Effect Accounting, contents described in the “Accounting Standard for Tax Effect Accounting” explanatory note (Note 8) (1) (Excluding the total valuation allowance.) set out in Paragraph 4 of the Amended Tax Effect Accounting Standard have been added.

Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment 619,169 million yen

2. Debt guarantees

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

PT. Epson Batam	3,381 million yen

3. Monetary Receivables from and Payables to Affiliates

Short-term monetary receivables:	149,874 million yen
Long-term monetary receivables:	0 million yen
Short-term monetary payables:	62,153 million yen
Long-term monetary payables:	900 million yen

Statement of Income

Transactions with Affiliates

Sales to affiliates:	712,449 million yen
Purchases from affiliates:	424,860 million yen
Other operating transactions with affiliates:	34,644 million yen
Transactions with affiliates other than operating transactions:	26,745 million yen

Statement of Changes in Net Assets

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

Treasury shares	47,397,639 shares

Note: The total number of treasury shares includes 164,598 shares of the Company’s shares held by BIP trust.

Tax-Effect Accounting

Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

	(Millions of yen)
Deferred tax assets	
Loss carried forward	21,400
Non-current assets (impairment losses and excess of depreciation)	17,429
Provision for retirement benefits	7,690
Loss on valuation of shares	5,197
Provision for bonuses	3,733
Loss on valuation of inventories	3,191
Provision for product warranties	825
Lump-sum depreciable assets	360
Other	5,643
Subtotal	65,473
Valuation allowance for unused tax losses	(14,889)
Valuation allowance for deductible temporary differences	(7,113)
Valuation allowance subtotal	(22,002)
Total deferred tax assets	43,470
Deferred tax liabilities	
Asset retirement cost corresponding to asset retirement obligations	(604)
Valuation difference on available-for-sale securities	(425)
Other	(70)
Total deferred tax liabilities	(1,100)
Net deferred tax assets	42,369

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Company name	Ownership percentage of voting rights	Relationship with the Company	Description of transactions	Transaction amount	Account item	Fiscal year-end balance
Epson Sales Japan Corporation	Direct holding 100%	Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	118,002	Accounts receivable - trade	18,753
			Lending of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	8,132
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	200,342	Accounts receivable - trade	40,398
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	152,196	Accounts receivable - trade	19,559
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	125,564	Accounts payable - trade	12,156
					Accounts receivable - other	2,277
PT. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	111,904	Accounts payable - trade	10,075
					Accounts receivable - other	1,666
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	72,603	Accounts receivable - trade	9,507
Epson Engineering (Shenzhen) Ltd.	Indirect holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	66,863	Accounts payable - trade	7,097
					Accounts receivable - other	3,632
Epson Singapore Pte. Ltd.	Direct holding 100%	Regional headquarters of Asia Pacific; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	48,311	Accounts receivable - trade	7,924

Terms and conditions of transactions and their policies

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

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

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

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

Note 5: The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.

Per Share Data

1. Net Assets per Share	1,079.96 yen
2. Earnings per Share	86.96 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares are deducted from the number of shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 164,598 shares and 170,052 shares, respectively.

Revenue Recognition

Epson is mainly engaged in the manufacture and sale of products of the Printing Solutions business, the Visual Communications business, and the Wearable & Industrial Products business. In the sale of these products, control of a good is transferred to the customer when the good is delivered, and the Epson's performance obligation is deemed to have been satisfied. Therefore, Epson recognises revenue at the time of delivery.

Significant Subsequent Events

Share repurchase

The Company resolved at the meeting of its Board of Directors held on April 26, 2019 to repurchase shares in the Company pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase
To optimize capital efficiency and to return profits to shareholders proactively
(2) Class of shares to be repurchased
Ordinary shares
(3) Total number of repurchasable shares
7,500,000 shares (maximum) (2.12% of the total number of issued shares (excluding treasury shares))
(4) Total repurchase cost
10 billion yen (maximum)
(5) Repurchase period
May 7, 2019 – September 20, 2019
(6) Repurchase method
Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

Dear shareholders with Voting Rights

Internet Disclosure Information for the Notice of the 77th Ordinary General Meeting of Shareholders

Notes to the Consolidated Financial Statements

Notes to the Non-consolidated Financial Statements

(from April 1, 2018 to March 31, 2019)

SEIKO EPSON CORPORATION

In accordance with laws and regulations and Article 15 of the Articles of Incorporation, Notes to the Consolidated Financial Statements and Notes to the Non-consolidated Financial Statements are posted on the Company’s website.

Notes to the Consolidated Financial Statements

Significant Basis of Preparing Consolidated Financial Statements

1. Basis of Preparing Consolidated Financial Statements

   The Company and its affiliates ("Epson") prepare its consolidated financial statements on the basis of International Financial Reporting Standards ("IFRS"), in compliance with Paragraph 1 Article 120 of the Company Accounting Ordinance. In compliance with the second sentence of the Paragraph 1, certain disclosures and notes required by IFRS are omitted.

2. Scope of Consolidation

   Number of Subsidiaries: 82

   The major subsidiaries of the Company are as follows:

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

(Reason for the change in subsidiaries)

(Increase: 1 subsidiary)

One subsidiary has been added to the scope of consolidation for the acquisition of its shares.

Shinko Sellbic Co., Ltd.

(Decrease: 3 subsidiaries)

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

Epson Electronics America, Inc.

Epson Research and Development, Inc.

PEO Company, Inc.

3. Application of Equity Method

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

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

4. Reporting Period of Subsidiaries

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

5. Accounting Policies

(1) Basis and Methods of Valuation of Assets

1) Financial Assets other than Derivatives

(i) Initial Recognition and Measurement

Financial assets are measured at their fair values plus transaction costs that are directly attributable to the acquisition of the financial assets at initial recognition. However, in the measurement after initial recognition (subsequent measurement), the transaction costs of financial assets classified as subsequently measured at fair value through profit or loss are recognised through profit or loss.

Financial assets are initially recognised on the trade date when Epson becomes party to the contractual provisions of the financial instrument.

(ii) Classification and Subsequent Measurement

At initial recognition, Epson classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

(a) Financial assets are classified as financial assets measured at amortised cost if both of the following conditions are met:

1) the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets are classified as financial assets measured at fair value through other comprehensive income if both of the following conditions are met:

1) the financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

2) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(c) Financial assets except for those provided above are classified as financial assets measured at fair value through profit or loss.

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

(iii) Derecognition

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

(iv) Impairment

For impairment of financial assets, loss allowance for expected credit losses is recognised.

At each reporting date, Epson assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

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

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

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

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

2) Derivatives

Epson utilises a derivative, including forward foreign exchange contracts and non-deliverable forwards, to hedge foreign exchange and interest rate risks. Derivatives is initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value.

A gain or loss on a derivative is recognised in profit or loss. However, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge of cash flow hedges and hedges of net investments in foreign operations are recognised in other comprehensive income.

3) Inventories

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realisable value, and the cost of inventories is assigned by using the weighted-average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(2) Methods of Depreciation/Amortisation of Assets

1) Property, Plant, and Equipment

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

• Buildings and structures: 10 to 35 years

• Machinery and vehicles: 2 to 17 years

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

2) Intangible Assets

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

• Software: 3 to 10 years

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

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

3) Leased Assets

Leased asset is depreciated using the straight-line method over the shorter of the lease term and its estimated useful life.

4) Investment Property

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

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

(3) Accounting Basis for Provisions

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

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

(4) Accounting Method Regarding Post-Employment Benefits

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

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

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

(5) Foreign Currency Translation

Consolidated financial statements of Epson are presented in Japanese yen, which is the functional currency of the Company. Each company in Epson determines its functional currency and measures its results and financial position in that currency.

A foreign currency transaction is translated into the functional currency at a spot exchange rate at the date of the transaction or a rate that approximates the actual rate at the rate of the transaction. Foreign currency monetary items are translated using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items are recognised in profit or loss. However, exchange differences arising on financial instruments designated as hedging instruments for net investments in foreign operations, financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognised in other comprehensive income.

Assets and liabilities of foreign operations are translated into Japanese yen at the closing rate, while income and expenses of foreign operations are translated into Japanese yen at exchange rates at the dates of transactions or a rate that approximates the exchange rates at the dates of the transactions. All resulting exchange differences are recognised in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is recognised in profit or loss in the period of disposition.

(6) Hedge Accounting

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

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

1) Fair Value Hedge

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

2) Cash Flow Hedge

The portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income, while the ineffective portion is recognised immediately in profit or loss. The amounts of hedging instruments recognised in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognised in other comprehensive income are accounted for as adjustments to the initial carrying amount of non-financial assets or liabilities.

When forecast transactions or firm commitments are no longer expected to occur, any related cumulative gains or losses that have been recognised in other comprehensive income are reclassified to profit or loss. When hedging instruments expire, are sold, terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognised in other comprehensive income continue to be recognised in equity until the forecast transactions or firm commitments occur.

3) Hedges of a Net Investment in Foreign Operations

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

(7) Accounting Method Regarding Goodwill

Goodwill acquired in a business combination is measured at the amount recognised at the acquisition date less any accumulated impairment losses.

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

Changes in Accounting Policies

(Adoption of IFRS9 Financial Instruments)

Epson adopted IFRS9 Financial Instruments (revised July 2014) (“IFRS9”) for the reporting period in conformity with certain transition provisions. The impact on the consolidated result of operations from the adoption of IFRS9 was not material.

(Adoption of IFRS15 Revenue from Contracts with Customers)

Epson adopted IFRS15 Revenue from Contracts with Customers (issued May 2014) and Clarifications to IFRS15 (issued April 2016) (“IFRS15”) for the reporting period.

Epson applied IFRS15 retrospectively to recognise the cumulative effect of initially applying IFRS15 as an adjustment to the opening balance of retained earnings of the reporting period.

Epson recognises revenue by applying the following five steps approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligation in the contract

Step 5: Recognise revenue when Epson satisfies a performance obligation

Epson is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications and Wearable & Industrial Products. Usually Epson transfers control of a promised good and satisfies a performance obligation at the time of delivery of the good. Therefore, Epson recognises revenue at the time of its delivery. Revenue is measured at the amount of consideration promised in a contract with a customer that is considered the effects of discount, rebate etc.

The impact on the consolidated result of operations from the adoption of IFRS15 was insignificant.

Changes in Accounting Estimates

(Change of Method to Estimate Net Realisable Value of Inventories)

Epson has inventories of printheads that are used in several product lines. Epson formerly allocated these printhead inventories to the product lines where Epson intended to finally use them, and the net realisable values of the inventories were calculated by product line after allocation. However, effective from the year ended March 31, 2019, Epson changed the method and began calculating the net realisable value of the printhead itself.

This change was made to better mirror the current business reality. Epson has shifted in recent years toward an emphasis on high-capacity ink tank printers rather than ink cartridge printers and has adopted a strategy of expanding external printhead sales. Meanwhile, a broad range of printhead applications has emerged, making it more difficult to identify product lines at the printhead manufacturing stage.

Under the new method, the cost of sales decreased by ¥5,418 million, and profit from operating activities and profit before tax increased by the same amount for the year ended March 31, 2019.

Consolidated Statement of Financial Position

1. Allowance account for credit losses directly subtracted from assets

Trade and other receivables	1,101 million yen
Other financial assets (non-current)	50 million yen

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

914,521 million yen

Consolidated Statement of Changes in Equity

1. Total Number of Fully Paid Issued Shares as of the End of the Consolidated Fiscal Year Under Review

   Common stock: 399,634,778 shares

2. Cash Dividends

(1) Dividends Paid

Resolution	Class of shares	Total dividends	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting held on June 27, 2018	Ordinary shares	(Note 1) 11,276 million yen	32 yen	March 31, 2018	June 28, 2018
Board of Directors Meeting held on October 30, 2018	Ordinary shares	(Note 2) 10,924 million yen	31 yen	September 30, 2018	November 30, 2018

(Note 1) Total amount of dividends includes dividends of 5 million yen corresponding to the Company's shares held by BIP trust.

(Note 2) Total amount of dividends includes dividends of 5 million yen corresponding to the Company's shares held by BIP trust.

(2) Dividends whose basis date was during the consolidated fiscal year under review, but whose effective date is during the subsequent consolidated fiscal year

The Company presents the following proposal.

Resolution (scheduled)	Class of shares	Total dividends	Source of dividend funds	Dividends per share	Basis date	Effective date
Annual Shareholders Meeting to be held on June 26, 2019	Ordinary shares	(Note) 10,924 million yen	Retained earnings	31 yen	March 31, 2019	June 27, 2019

(Note) Total amount of dividends includes dividends of 5 million yen corresponding to the Company's shares held by BIP trust.

Financial Instruments

1. Status of Financial Instruments

(1) Capital Management

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

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

(2) Financial Risk Management

Epson is exposed to financial risks (credit risks, liquidity risks, foreign exchange risks, interest rate risks, and market price fluctuation risks) in the process of its business activities; and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are regularly reported by the financial departments to the Executive Committee of the Company.

Epson's policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, Epson does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables, such as notes and trade receivables, resulting from the operating activities of Epson are exposed to customer credit risks.

Epson holds equity securities and bonds receivable of customers and suppliers mainly as investments of surplus funds or to strengthen relationships with them; those bonds and securities are exposed to the issuers' credit risks.

In addition, through derivative transactions that Epson conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, Epson is exposed to the credit risks of the financial institutions which are counterparties to these transactions.

In principle, Epson sets credit lines or transaction conditions with respect to trade receivables for counterparties based on Epson's Credit Control Regulation in order to prevent credit risks relating to counterparties. In addition, the receivable balances of counterparties are monitored in order to mitigate the credit risks. The financial departments of the Company regularly monitor the status of the occurrence and collection of bad debts, and report them to the Executive Committee of the Company.

With regard to the investment of cash surpluses and derivatives, Epson invests in bonds receivable and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks based on Epson's Capital Management Regulation. In addition, the financial departments of the Company regularly monitor the performances of these transactions and reports the results to the Executive Committee of the Company.

(4) Liquidity Risk

Epson raises funds by borrowings and bonds issued; however, these liabilities are exposed to the liquidity risk that it would not be able to repay liabilities on the due date due to the deterioration of the financing environment.
Epson establishes a financing plan based on the annual business plan and the financial departments of the Company regularly monitor and collect information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the Executive Committee of the Company. In addition, Epson manages liquidity risks with the balance of liquidity-in-hand maintained at a proper level by working out the financing plan on a timely basis, and by taking into consideration the financial environment.

(5) Foreign Exchange Risk

Epson operates businesses globally and, therefore, is mainly exposed to the following risks due to foreign exchange fluctuation:
1) The risk that the profit or loss and cash flow in each functional currency of Epson is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of Epson.
2) The risk that the equity of Epson is influenced by foreign exchange fluctuation when equity denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
3) The risk that the profit or loss of Epson is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of Epson is translated into Japanese yen and consolidated.
Epson hedges against risk 1) using derivatives or foreign currency-denominated interest-bearing debt when future cash flow is projected or when receivables and payables are fixed. As a rule, the net of foreign currency-denominated operating receivables and payables is hedged mainly using forward foreign exchange contracts. Epson does not hedge against risks 2) and 3), in principle.
In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with Epson’s Foreign Exchange Management Regulation, Epson establishes a foreign currency hedge policy based on the current conditions and forecast of the foreign exchange market, implements the aforementioned hedges under the supervision of the Foreign Exchange Management Committee of the Company. The financial departments of the Company regularly report the performances to the Executive Committee of the Company.

(6) Interest Rate Risk

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

(7) Market Price Fluctuation Risk

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

2. Fair value of financial instruments

(1) Fair value measurement

Fair values of financial assets and liabilities are measured as follows:

(Derivatives)

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

(Equity securities and bonds receivable)

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

(Borrowings)

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

(Bonds issued)

The fair values of the bonds issued by the Company are calculated based on prices obtained from financial institutions.

(Lease obligations)

The fair values are calculated based on the present value of the total amount discounted by the interest rate corresponding to the period to maturity and the credit risk per each lease obligation classified per certain period.

(Other)

Other financial instruments are settled mainly on a short-term basis, and the fair values approximate the carrying amounts.

(2) Fair value hierarchy

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

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

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

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

Epson does not have any financial instruments for which there are significant measurement uncertainty and subjectivity which needs to subdivide each level stated above for disclosure.

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

1) Financial instruments measured at amortised cost

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

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortised cost					
Borrowings	61,639	–	62,350	–	62,350
Bonds issued	79,767	–	80,292	–	80,292
Total	141,407	–	142,642	–	142,642

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

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

2) Financial instruments measured at fair value

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

(Millions of yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Derivative financial assets	–	826	–	826
Equity securities	9,146	–	2,410	11,557
Bonds receivable	–	–	690	690
Total	9,146	826	3,100	13,073
Financial liabilities measured at fair value				
Derivative financial liabilities	–	329	–	329
Total	–	329	–	329

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

Per Share Data

1. Equity attributable to owners of the parent company, per share	1,533.57 yen
2. Basic earnings per share	152.49 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares is deducted from the number of ordinary shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 164,598 shares and 170,052 shares, respectively.

Significant Subsequent Events

Share repurchase

The Company resolved at the meeting of its Board of Directors held on April 26, 2019 to repurchase its own shares pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase
To optimize capital efficiency and to further enhance shareholder returns
(2) Class of shares to be repurchased
Ordinary shares
(3) Total number of repurchasable shares
7,500,000 shares (maximum) (2.12% of the total number of issued shares (excluding treasury shares))
(4) Total repurchase cost
10 billion yen (maximum)
(5) Repurchase period
May 7, 2019 – September 20, 2019
(6) Repurchase method
Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)

Notes to the Non-consolidated Financial Statements

Significant Accounting Policies

1. Basis and Methods of Valuation of Assets

(1) Securities

Held-to-maturity debt securities

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

Shares of affiliates

- Stated at cost using the moving-average method.

Available-for-sale securities

Securities with market value

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

Securities with no market value

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

(2) Derivatives

Stated at market value.

(3) Inventories

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

2. Depreciation Method for Non-current Assets

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

Property, plant and equipment are depreciated using the straight-line method.
The estimated useful lives of major assets are as follows:

• Buildings: 10 to 35 years
• Machinery and equipment: 5 to 17 years

(2) Intangible Assets (excluding leased assets)

Intangible assets are amortised using the straight-line method.
The estimated useful life of major intangible assets is as follows:

• Software: 3 to 5 years

(3) Leased Assets

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

3. Accounting Basis for Provisions

(1) Allowance account for credit losses

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

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

(4) Provision for product warranties

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

(5) Provision for loss on litigation

To provide for possible litigation-related expenditures, the Company records the provision for loss on litigation based on the reasonably estimated compensation for damages and litigation expenses at an amount deemed necessary at the end of the fiscal year under review.

(6) Provision for Retirement Benefits

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

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

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

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

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

5. Hedge Accounting

(1) Hedge Accounting Method

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

(2) Hedging Instruments and Hedged Items

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

(3) Hedge Policy

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

(4) Assessment of Hedge Effectiveness

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

6. Accounting for Consumption Tax

The tax-exclusion method is used for the accounting of both national and local consumption taxes.

Changes in Accounting Policies

(Application of Accounting Standard for Revenue Recognition and other standards)

The “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29; March 30, 2018; hereinafter, the “Revenue Recognition Accounting Standard”) and the “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30; March 30, 2018) became applicable from the beginning of the fiscal year started on or after April 1, 2018. In line with this, starting from the beginning of the current fiscal year, the Company applied the Revenue Recognition Accounting Standard and other standards. In applying the Revenue Recognition Accounting Standard and other standards, in accordance with the transitional measures set out in the notes in Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative effect of the retrospective application of the new accounting policies to the periods prior to the beginning of the current fiscal year was reflected in retained earnings as of the beginning of the current fiscal year, and the new accounting policies were applied to the beginning balance of the current fiscal year onward. Changes due to this application are as follows.

Changes in revenue recognition standard

Revenue is recognised at an amount expected to be received by the Company in exchange for promised goods or services at the time when the control of such goods or services is transferred to the customer. A major change due to this is that revenue from certain licenses is now recognised at the time when the license is granted to the customer, whereas revenue from license sales was previously recognised over a contractual licensing period.

As a result, the balance of retained earnings as of the beginning of the current fiscal year increased by 330 million yen. In addition, impact on net sales, operating income and income before income taxes for the current fiscal year was immaterial.

Changes in Presentation

(Changes in line with the application of the “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

Starting from the beginning of the current fiscal year, the Company applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018; hereinafter, the “Amended Tax Effect Accounting Standard”), thereby deferred tax assets are now presented under investments and other assets, and deferred tax liabilities are presented under non-current liabilities.

As a result, in the balance sheet for the previous fiscal year, “deferred tax assets” of 13,684 million yen under “current assets” was included in and presented as “deferred tax assets” of 44,374 million yen under “investments and other assets.”

In addition, in the notes to Tax-Effect Accounting, contents described in the “Accounting Standard for Tax Effect Accounting” explanatory note (Note 8) (1) (Excluding the total valuation allowance.) set out in Paragraph 4 of the Amended Tax Effect Accounting Standard are added.

Balance Sheet

1. Accumulated Depreciation of Property, Plant and Equipment 619,169 million yen

2. Debt guarantees

   The Company provided guarantees for the debt obligations of its affiliate as follows.

   PT. Epson Batam 3,381 million yen

3. Monetary Receivables from and Payables to Affiliates

Short-term monetary receivables:	149,874 million yen
Long-term monetary receivables:	0 million yen
Short-term monetary payables:	62,153 million yen
Long-term monetary payables:	900 million yen

Statement of Income

Transactions with Affiliates

Sales to affiliates:	712,449 million yen
Purchases from affiliates:	424,860 million yen
Other operating transactions with affiliates:	34,644 million yen
Transactions with affiliates other than operating transactions:	26,745 million yen

Statement of Changes in Net Assets

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

Treasury shares 47,397,639 shares

Note: The total number of treasury shares includes 164,598 shares of the Company’s shares held by BIP trust.

Tax-Effect Accounting

Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

	(Millions of yen)
Deferred tax assets	
Loss carried forward	21,400
Non-current assets (impairment losses and excess of depreciation)	17,429
Provision for retirement benefits	7,690
Loss on valuation of shares	5,197
Provision for bonuses	3,733
Loss on valuation of inventories	3,191
Provision for product warranties	825
Lump-sum depreciable assets	360
Other	5,643
Subtotal	65,473
Valuation allowance for unused tax losses	(14,889)
Valuation allowance for deductible temporary differences	(7,113)
Valuation allowance subtotal	(22,002)
Total deferred tax assets	43,470
Deferred tax liabilities	
Asset retirement cost corresponding to asset retirement obligations	(604)
Valuation difference on available-for-sale securities	(425)
Other	(70)
Total deferred tax liabilities	(1,100)
Net deferred tax assets	42,369

Transactions with Related Parties

Subsidiaries

(Millions of yen)

Company name	Ownership percentage of voting rights	Relationship with the Company	Description of transactions	Transaction amount	Account item	Fiscal year-end balance
Epson Sales Japan Corporation	Direct holding 100%	Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	118,002	Accounts receivable - trade	18,753
			Lending of necessary funds (Note 2)	(Note 3)	Short-term loans receivable	8,132
Epson America, Inc.	Indirect holding 100%	Regional headquarters of the Americas; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	200,342	Accounts receivable - trade	40,398
Epson Europe B.V.	Direct holding 100%	Regional headquarters of Europe; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	152,196	Accounts receivable - trade	19,559
Epson Precision (Philippines), Inc.	Direct holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	125,564	Accounts payable - trade	12,156
					Accounts receivable - other	2,277
PT. Indonesia Epson Industry	Direct holding 100%	Entrusted manufacturing of the Company's products; Interlocking directors	Purchases of products (Note 4)	111,904	Accounts payable - trade	10,075
					Accounts receivable - other	1,666
Epson (China) Co., Ltd.	Direct holding 100%	Regional headquarters of China; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	72,603	Accounts receivable - trade	9,507
Epson Engineering (Shenzhen) Ltd.	Indirect holding 100%	Entrusted manufacturing of the Company's products	Purchases of products (Note 4)	66,863	Accounts payable - trade	7,097
					Accounts receivable - other	3,632
Epson Singapore Pte. Ltd.	Direct holding 100%	Regional headquarters of Asia Pacific; Sales of the Company's products; Interlocking directors	Sales of products (Note 1)	48,311	Accounts receivable - trade	7,924

Terms and conditions of transactions and their policies

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

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

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

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

Note 5: The transaction amount does not include consumption taxes, whereas the fiscal year-end balance includes consumption taxes.

Per Share Data

1. Net Assets per Share	1,079.96 yen
2. Earnings per Share	86.96 yen

Note: For the purpose of calculation of per share data, the shares of the Company held by BIP trust are accounted as treasury shares and the number of those shares is deducted from the number of shares at the end of the period and weighted-average number of ordinary shares outstanding during the period. The number of treasury shares owned by the Trust at the end of the fiscal year and the average number of shares for the period are 164,598 shares and 170,052 shares, respectively.

Revenue Recognition

The Company is mainly engaged in the manufacture and sale of products of Printing Solutions, Visual Communications and Wearable & Industrial Products. In the sale of these products, control of a good is transferred to the customer when the good is delivered, and the Company's performance obligation is deemed to have been satisfied. Therefore, the Company recognises revenue at the time of delivery.

Significant Subsequent Events

Share repurchase

The Company resolved at the meeting of its Board of Directors held on April 26, 2019 to repurchase its own shares pursuant to Article 156 of the Companies Act as applied by replacing the relevant terms pursuant to Article 165, Paragraph 3 of the Act.

(1) Reason for the repurchase
To optimize capital efficiency and to further enhance shareholder returns
(2) Class of shares to be repurchased
Ordinary shares
(3) Total number of repurchasable shares
7,500,000 shares (maximum) (2.12% of the total number of issued shares (excluding treasury shares))
(4) Total repurchase cost
10 billion yen (maximum)
(5) Repurchase period
May 7, 2019 – September 20, 2019
(6) Repurchase method
Purchase on the Tokyo Stock Exchange (By securities company using discretionary method)