

Strengthening Governance

Dialogue Between Institutional Investors and Outside Directors

Using Shareholder Feedback to Enhance Corporate Value

We incorporate constructive feedback from capital markets into our management practices in order to enhance Epson's corporate value and establish a more effective corporate governance framework. To capture this feedback, we arrange discussions between our outside directors and institutional investors. In March 2023, the parties discussed ESG issues, with sustainability management advisor Naoki Adachi moderating.



Outside Directors (As of 2023/3)

Hideaki Omiya
Outside Director

Mari Matsunaga
Outside Director

Yoshio Shirai
Outside Director,
Audit & Supervisory
Committee Member

Susumu Murakoshi
Outside Director,
Audit & Supervisory
Committee Member

Michiko Ohtsuka
Outside Director,
Audit & Supervisory
Committee Member

Participating Institutional Investors (Titles and positions at the time discussions took place)

Asset Management One Co., Ltd.

Megumi Sakuramoto
Executive ESG Analyst, Responsible Investment Group,
Investment Division

Katsuhito Tonosaki
Analyst, Equity Investment Group, Investment Division

Nikko Asset Management Co., Ltd.

Kozue Saito
Senior Analyst, Active Ownership Group,
Equity Fund Management Department

BlackRock Japan Co., Ltd.

Satoshi Ogoe
Investment Stewardship Director

Nomura Asset Management Co., Ltd.

Mitsuhiro Iso
Managing Director, Equity Research Department

Resona Asset Management Co., Ltd.

Minoru Matsubara
Executive Officer, General Manager of
Responsible Investment Division

Sumitomo Mitsui Trust Asset Management Co., Ltd.

Yasushi Mukohata
Senior Stewardship Officer, ESG Research and Development Office,
Stewardship Development Department

Tomohiro Katayama
Senior Analyst, Technology Team, Research Department

Moderator Response Ability, Inc.

Naoki Adachi
Representative Director

Q. What challenges does Epson face in integrating its business strategy? (Sakuramoto)

Omiya: Epson has a fantastic purpose. It first mentions the company's greatest strength: efficient, compact, and precise innovation. It then mentions enriching lives and helping create a better world. This lofty aspiration requires a robust business strategy. Epson has also set ambitious goals for environmental sustainability. These goals will require considerable investment. Above all, Epson must address societal issues through its business activities.

Q. How do you feel about Epson helping customers reduce their GHG emissions? (Adachi)

Ohtsuka: As advised by investors, Epson is trying to disclose as much as it can about its positive environmental impacts. Based on third-party advice, the company wants to ground its disclosures in public data so that it can produce evidence-based answers to anyone's questions. The company is looking into processes and formulae for quantifying the extent to which it reduces customers' carbon footprint.

Omiya: It's important to show progress toward long-term reduction targets for all three scopes, but it's also important to show the positive impacts of the products. That includes showing, for example, how much customers would reduce their carbon footprint by switching from laser printers to Epson inkjets, which use less energy by comparison (see P34).

Shirai: Epson's plants will emit higher levels of GHG when making those green inkjets. On that basis, some may assume the company has a negative environmental impact. That's why Epson needs to quantify its positive impact as well as limit its emissions.

Q. Epson's mainstay business, printing, relies on the use of paper. Is it sustainable in the long run, given the trend toward paperless offices? (Tonosaki)

Omiya: We're concerned about this too and we regularly discuss plans to develop a new growth driver of a similar scale to printing. Through its corporate venture capital (CVC) company, Epson invests both in areas peripheral to its existing technology and in areas far removed from its existing businesses. It won't be easy, but the management is committed to building another growth driver. That's top priority in the business portfolio.

Q. How can human capital contribute toward Epson's value (Adachi)

Murakoshi: President Ogawa has led efforts to reform Epson's organizational climate, focusing on health and safety of employees along with compliance. In his three years as leader, harassment cases have fallen. Ogawa has also spearheaded work reform, job rotation based on in-house recruitment, and workplace diversity. Particularly impressive is the progress in diversity, which has improved employee morale and motivation. With this organizational climate, Epson could take a bottom-up approach to formulating its purpose.

Matsunaga: Three years ago, I spoke about the importance of diversity and the value of promoting women to management positions. I still get emails from the employees who attended my speech, suggesting that attitudes are changing. As of March 2022, women make up just 3.7% of management positions in



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Seiko Epson, but I do feel that a new mindset has taken root in those three years.

Ohtsuka: Epson still lacks the talent to build its value and create business success—digital talent in particular. Over the medium and longer term, the company should reskill its employees to build the necessary talent. Given that other companies are already making use of their existing talent in this way, Epson should address this task urgently.

Omiya: One of the hurdles is the fact that the head office is located in a remote region. Having spent the first 12 years of my life in Nagano Prefecture, I can say it's a fantastic place, but it's hard to attract talent there. That's partly because Epson hasn't done enough to communicate the kind of organization it is. If Epson communicates this alongside its purpose, I'm sure it will attract many more people. I also believe that human capital should be a strategic priority in the years ahead.

Q. One of last year's tasks was to secure digital talent. How did Epson approach this task, what progress has been made, and what are the future challenges? (Iso)

Omiya: While it got off to a slow start, Epson has made steady progress in its Global Management Transformation Project, which involves transforming business processes in the company and its suppliers. For example, we discuss ideas for connecting projectors and printers and ideas for using different product families together. Unfortunately, Epson has a shortage of software engineers who could implement these ideas. The company is tackling this problem by measures such as recruiting highly specialized mid-career talent.

Q. How will Epson create an attractive environment for digital talent and enable team chemistry with the existing employees? (Saito)

Shirai: That's a tricky one. One thing Epson's doing is using co-working spaces in Fujimi, Nagano, where diverse employees interact with one another. This has helped people realize that you don't need everyone to be in the same place to share ideas and get work done. These things can be done anywhere. People are becoming less bound to a particular place, whether it's a big city or a remote region.

Matsunaga: By bringing in new talent, Epson will foster a new culture. It will also increase diversity, allowing more versatile and flexible workstyles.

Q. Has Epson thought about how to visualize and quantify human capital? (Mukohata)

Shirai: In companies with an effective human capital strategy, HR doesn't manage employees—it supports them. It focuses on empowering and facilitating each employee's capabilities. Epson is yet to quantify human capital, but it is exploring ways to enhance employees' abilities.

Q. Under Ogawa's leadership, what changes have occurred in Epson's corporate culture, strategy, profit growth, and shareholder value? (Ogoe)

Omiya: Business has remained largely the same as before. However, under Ogawa's leadership, Epson managed to adapt quickly to societal changes, as attested by the fact that the printer business remained in profit during the pandemic.

Matsunaga: We visit production facilities during an on-site audit

and I've noted a new mindset. Employees now consider, for example, how much more profit they could generate in a day if they were to consolidate 20 processes into 12. Ogawa's leadership has encouraged employees to take the initiative.

Q. My question is about the governance system. In what ways is the board effective? (Sakuramoto)

Murakoshi: Board effectiveness is judged by whether members can discuss matters of strategic importance, the extent to which members commit to these matters, and whether the management listens to the ideas and integrates them into its corporate strategy. Nowadays, members discuss matters of strategic importance in depth, so I'd say the board is more effective than it was when I first became a member.

Ohtsuka: As well as monitoring the execution of business, directors should engage in long-term strategic planning. Besides regular meetings, we have free discussion sessions to enable deeper and freer discussion of matters of strategic importance. We also receive updates on projects, including those that might be dragging, such as the digital transformation system.

Shirai: Time and again, the management uses outside directors' ideas to solve problems. In this way, the company solves problems and improves its performance or grows its revenue or profit. This positive spiral itself attests to board effectiveness.

Omiya: Outside directors engage in spirited discussion during board meetings. We raise questions and concerns without fear, and I'm sure we speak more than our outside members of other company boards do. We also access all kinds of information and data about the company.

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The plethora of opportunities for such engagement has made the board more effective.

Q. How does Epson define its corporate value, and how will it build such value? (Matsubara)

Omiya: Epson's value is based on its efficient, compact, and precision technologies. The company uses this technology in an effort to generate value for enriching lives and creating a better world. By doing so, the company builds its value.

Ohtsuka: Epson's most important values are its efficient, compact, and precision technologies. It uses these technologies to address societal issues. By addressing these issues, it increases the happiness of its stakeholders and also helps create a better world. Since all Epson's products offer environmental benefits, they make our lives better. This idea is encapsulated in the purpose statement.



Believing in Epson's commitment to reaching new heights

Hideaki Omiya

Former outside director
(served from June 2014
to June 2023)



I resigned as outside director at the June 2023 general shareholders' meeting. During my tenure, global interest in ESG increased dramatically. Epson has led the field in ESG, as exemplified by the recent purpose statement. For the E in ESG, Epson must offset the paper-consuming impact of its printing business by going carbon neutral, promoting paper recycling, and achieving sustainability in a circular economy. For the G in ESG, Epson has adopted the structure of a company with an Audit & Supervisory Committee and rebalanced the ratio between inside and outside directors. Outside directors (two of whom are women) now make up the majority. Epson has also established the committees for advising on director nominations and compensation. These bodies, both chaired by an outside director and with outside directors making up the majority, give the board fair, transparent, and robust advice. Particularly noteworthy is the dialogue between outside directors and institutional investors. This pioneering initiative is a great opportunity for both sides to gain fresh insights. I'll keep a close watch on Epson's progress together with stakeholders. I thank everyone who worked with me over the long years.

Dialogue Between Institutional Investors and Outside Directors

Messages from new members

In June 2023, we increased the number of outside directorships to six in order to strengthen board functions and ensure Epson's resilience. Below, the new directors describe the role they intend to serve.

Tadashi Shimamoto

Outside director
(since June 2023)



Integrating digital technology to help build Epson's value

I feel honored to serve as a director of a company that has achieved remarkable growth by honing its efficient, compact, and precise innovation. I bring expertise in developing IT solutions and services. I also have long experience in senior business management. I want to use this experience to integrate Epson's real-world products with ever-evolving digital technology, which has the potential to open up new frontiers, and thereby enhance Epson's appeal.

When preparing to join the board, members of Epson's management team briefed me thoroughly, sensitively, and patiently. This gave me the impression that Epson is a very earnest organization. As a director, I'll be focusing on corporate governance, but I'll also be focusing on more substantial matters. When it comes to communicating with senior management and those executing business on the frontlines, I'll emphasize quality over quantity, offering an alternative to generative AI, which derives conclusions from Big Data. In that way, I hope to fulfill my role as outside director to a high standard.

Masaki Yamauchi

Outside director
(since June 2023)



Ensuring that Epson remains a sustainable organization

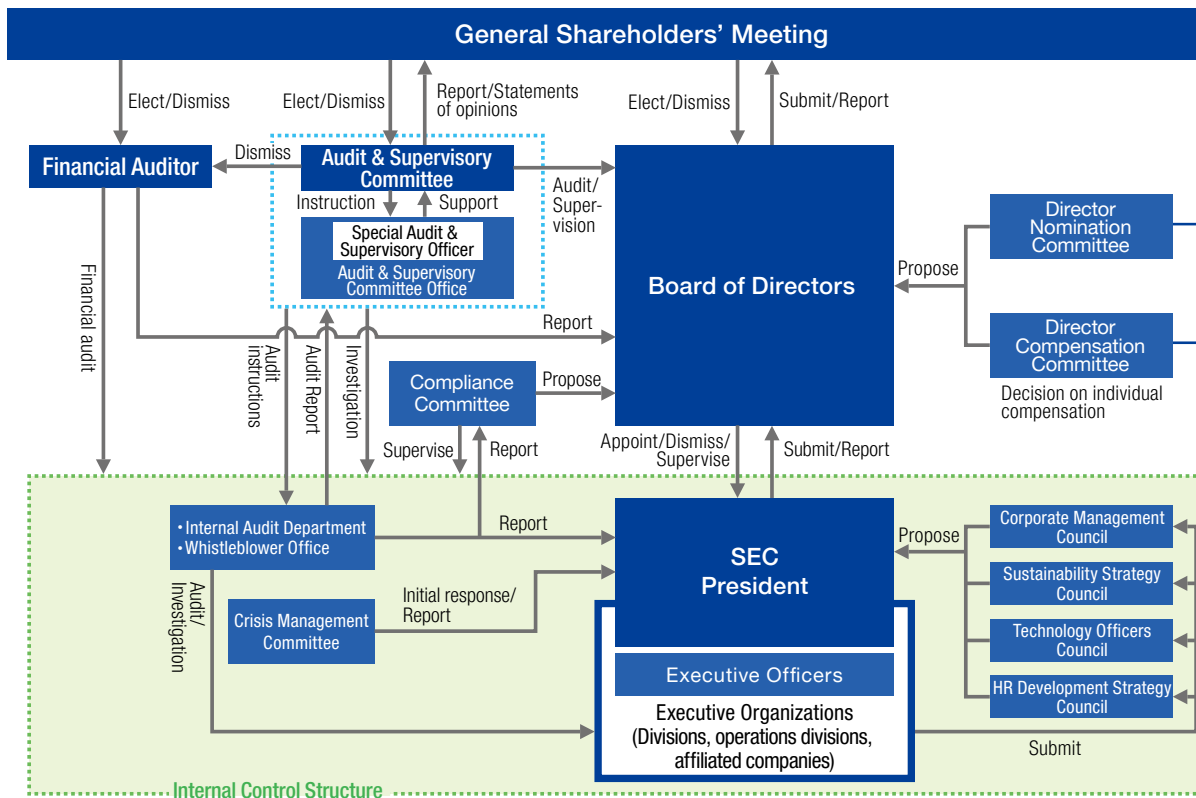
I joined the board this year. I admire Epson for its longstanding heritage of contributing to society, and for the way it combines this heritage with its proprietary technology generated through innovation. In an age that demands sustainability, Epson's core strength—efficient, compact, and precise innovation—offers true value like never before. Likewise, the company's commitment to addressing societal issues will enhance the Epson brand all the more in this ESG-focused climate. However, all this potential is only realized when it is embodied in Epson's products and services. To that end, Epson must develop the right business strategies. Drawing on my long years of experience in a business that involves direct interactions with consumers, I'll actively engage in the task of ensuring that Epson's businesses resonate with customers and society. I'm fully committed to strengthening board effectiveness and building the company's value so that it remains a sustainable organization.

Corporate Governance

Basic Principles

We seek to achieve the corporate purpose, a statement of our reason for being and our aspirations, based on the Epson Way, which is founded on our Management Philosophy and Exceed Your Vision, and sets forth our values and expectations regarding behavior. To achieve the Purpose, promote sustainable growth, and increase corporate value over the medium and long term, we are continuously working to enhance and strengthen corporate governance to ensure transparent, fair, fast, and decisive decision-making. Structured as a company with an Audit & Supervisory Committee, Seiko Epson will further improve the supervisory function of the board of directors, enhance discussions at board meetings, speed up management decision-making, and further increase the effectiveness of corporate governance.

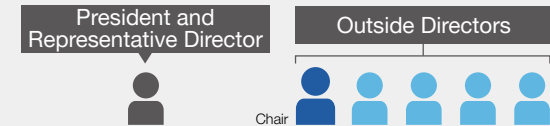
Corporate Governance System



Optional Deliberative Body Activities Inside director Outside directors
* The chairs of both committees are elected from among the outside directors by committee members.

Director Nomination Committee Met 17 times (4/2022-6/2023¹)

- Selection of director and executive officer candidates

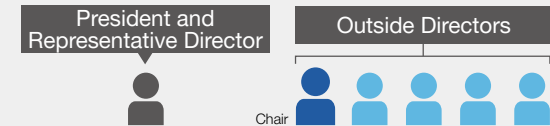


Topics of Discussion

- Succession plans for the president and representative director
- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Discuss outside director candidates.
- Amend the executive officer system.
- Revise the skill matrix, etc.

Director Compensation Committee Met 10 times (4/2022-6/2023¹)

- Deliberates director and executive officer compensation



Topics of Discussion

- Deliberate individual base compensation, the payment coefficient for bonuses and individual bonuses.
- Deliberate the amount of monetary compensation claims and the number of shares allocated under the restricted stock compensation plan.
- Deliberate the company compensation system & updating of liability insurance for directors.

¹ By the Ordinary General Meeting of Shareholders

Actions to Ensure Board Effectiveness

Seiko Epson Corporation seeks to continuously enhance the effectiveness of its Board of Directors pursuant to its Corporate Governance Policy. Toward this end, Seiko Epson has been analyzing and evaluating the effectiveness of its Board of Directors every year since FY2015 based on a self-evaluation questionnaire that all board members complete.

Overview of efforts to evaluate the effectiveness of the Board of Directors

〈Evaluating the effectiveness of the Board of Directors (general principles)〉

- When evaluation is performed: February to March
- When evaluation results are analyzed and issues are selected: April to May
- Disclosure of issues in a Corporate Governance Report: June
- Interim report to the Board of Directors (regarding actions taken to resolve issues): October to November
- Final report to the Board of Directors (regarding actions on issues): Following February
- Disclosure in a Corporate Governance Report of the results of actions on issues: Following June

〈Evaluation method〉

Board effectiveness is evaluated by having the directors fill out a comprehensive questionnaire that is then analyzed. The questionnaire used for the FY2022 evaluation was partially updated based on recent corporate governance trends. The policy is to have the board evaluated by a third-party organization once every three years to incorporate a more objective perspective. The most recent such third-party effectiveness evaluation covered the 2020 fiscal year.

〈Topics on the Board Effectiveness Evaluation Questionnaire for FY2022〉

- | | | |
|--------------------------|---|-----------------------------|
| ① Board composition | ⑤ Committee functioning & operation | ⑨ Epson 25 Renewed progress |
| ② Board functions | ⑥ Executive succession plans and training | ⑩ Free comments |
| ③ Director activities | ⑦ Executive compensation | |
| ④ Operation of the board | ⑧ Dialog with shareholders | |

Board Effectiveness Evaluation for FY2021

The board effectiveness evaluation for FY2021 was carried out as described above and confirmed that the board is functioning effectively on the whole. The two issues below were identified and disclosed in the Corporate Governance Report.

- Issues
- ① Setting aside more opportunities to discuss progress and issues related to the environment, DX, and co-creation to accelerate the realization of Epson 25 Renewed
 - ② Deepening discussions on succession plans and training of the management team and drive further improvement

〈Corrective Actions to Address Issues〉

① Set aside more opportunities to discuss progress and issues related to the environment, DX, and co-creation to accelerate the realization of Epson 25 Renewed.

The Board of Directors set aside more time to discuss progress and issues related to the environment, DX, and co-creation and took additional steps to accelerate Epson 25 Renewed.

- Environment: Discussed initiatives to decarbonize, close resource loops, reduce customers' environmental impact, strengthen environmental communication, and develop environmental technologies. Discussions were oriented, in part, toward setting environmental targets aligned with the business growth strategy.
- DX: Discussed initiatives for formulating and coordinating DX strategies among the businesses, improving and deploying digital infrastructure, and utilizing data. They also set a clear direction for addressing issues in DX promotion, including in data utilization.
- Co-creation: Discussed the sourcing of environmentally progressive startups, the proactive exploration based on strategy, and follow-up with companies in which Seiko Epson invests. These discussions led to observable results in terms of improvement in sourcing methods and the acceleration of discussions on potential collaborations.

② Deepen discussions on succession plans and training of the management team and drive further improvement.

The board discussed management succession plans, skill matrices, and officer training. They clarified the direction and remaining challenges in addressing each issue. Moving forward, they will address the remaining challenges, along with the issues in the board effectiveness evaluation for FY2022.

Board Effectiveness Evaluation for FY2022

The board effectiveness evaluation for FY2022 confirmed that the board is functioning effectively on the whole. The issues below were discussed to enhance future effectiveness.

- Issues
- ① Enhancing discussions on long-term corporate strategy
 - ② Increasing the ability to execute Epson 25 Renewed and the speed of execution
 - ③ Further developing and carrying out executive succession plans

Audit & Supervisory Committee Effectiveness Evaluation

The effectiveness of the Audit & Supervisory Committee is evaluated each year to improve audits and corporate governance. To evaluate committee effectiveness, Audit & Supervisory Committee members quantitatively score themselves on standard items on a questionnaire and provide free comments. The committee then discuss ways to improve effectiveness based on the results.

It has been standard practice since FY2019 to share the findings of effectiveness evaluations with the Board of Directors. The effectiveness evaluations are also used as the basis for recommendations for improving internal control and corporate governance.

Officer Compensation



Epson's Annual Report 2023
<https://corporate.epson/en/investors/publications/annual-report.html>

Officer compensation is decided after a fair, transparent, and rigorously objective review by the Director Compensation Committee, which is chaired by and comprised primarily of outside directors. The maximum amount of compensation for directors is determined by resolution of shareholders. The Director Compensation Committee has been given full discretionary authority for deciding the compensation of directors who are not Audit & Supervisory Committee members. This was done to enhance and strengthen corporate governance.

Officer Compensation Policy

[Compensation for executive officers]

1. Compensation shall incentivize and reward officers for sustaining growth and increasing long-term corporate value.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.
3. It shall be commensurate with period performance so that officers can demonstrate their managerial capabilities.
4. It shall clearly reflect the relationship between officer compensation and the company's share price and a strong sense of shared interest with shareholders.
5. The compensation scheme shall have built-in mechanisms to dissuade fraud and other forms of misconduct.
6. The process for determining compensation shall be transparent, objective, and fair.

[Compensation for non-executive officers]

1. The composition of compensation shall guarantee independence so that they can exert their function.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.

Officer Compensation System

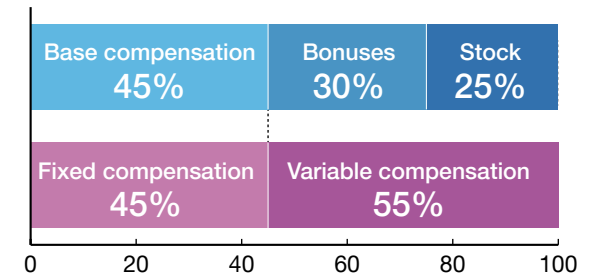
Officer compensation consists of fixed base compensation, performance-linked bonuses, and non-monetary stock compensation. Directors who do not have executive duties receive only base compensation because their role is to generally supervise management from a perspective that is independent from executive functions.

Fixed	Base compensation	Base compensation is fixed monetary compensation that is determined in accordance with the individual's position and the size of his or her role and assigned duties. It is paid monthly during their tenure. Base compensation may be raised or lowered by the Board of Directors if warranted by Company performance or for other reasons.
Variable	Bonus	<p><Determined based on the level of achievement with respect to annual performance targets> Bonuses are performance-linked monetary compensation. The amounts vary depending on achievement with respect to single-year performance indicators and individual objectives. Bonuses are paid once a year to directors who have executive duties.</p> <p>Indicators used: Level of achievement with respect to the corporate ROE target and personal objectives</p> <p>Calculation method: The annual total compensation calculated based on position, duties, and so forth is multiplied by the bonus ratio (25% to 30%) for each position, and the bonus payment amount is calculated by multiplying the basic bonus amount by a coefficient (0% to 200%) according to the achievement with respect to index values such as company-wide ROE targets and a coefficient (± 40%) according to the level of achievement with respect to individual objectives.</p>
	Stock compensation (Restricted stock compensation)	<p><Determined based on the increase in long-term corporate value> Restricted stock compensation is stock-based compensation that is designed to further share value with shareholders and provide greater incentive than before to increase the share price, sustain growth, and increase long-term corporate value. Bonuses are paid once a year to directors who have executive duties.</p> <p>Indicators used: Level of achievement with respect to the corporate ROIC target and sustainability objectives</p> <p>Calculation method: The base amount of compensation is obtained by multiplying the annual total compensation calculated based on the position, duties, and so forth of each director by a coefficient (80% to 120% for all) based on achievement with respect to indicators such as stock compensation depending on position (20% to 25%), Group ROIC, and sustainability targets. The base amount of compensation is then divided by the price per share of transfer restricted shares set by the Board of Directors to find the number of allotted stock for the period.</p>

■ Composition of Compensation

The percentage of bonuses and stock compensation in officer compensation increases commensurate with the individual's position and the size of his or her role and assigned duties.

President and Representative Director



Compensation for Individual Directors who are Audit & Supervisory Committee Members

Compensation for individual directors who are Audit & Supervisory Committee members is decided by taking into consideration factors such as whether they are full-time, how the audit work has been divided, and the details and levels of compensation for directors who are not Audit & Supervisory Committee members. Given their role in monitoring management independent from the execution of business affairs, directors who are Audit & Supervisory Committee members receive only base compensation.

■ Total Amount of Compensation (FY2022)

(Millions of yen)

Director category	No. of individuals paid	Base compensation (Monetary)	Bonus (Monetary)	Stock compensation (Non-monetary)	Total
Directors who are not Audit & Supervisory Committee members (amount accounted for by outside directors)	6 (2)	205 (30)	110 (-)	36 (-)	352 (30)
Directors who are Audit & Supervisory Committee members (amount accounted for by outside directors)	4 (3)	81 (48)	/	/	81 (48)
Total	10	287	110	36	434

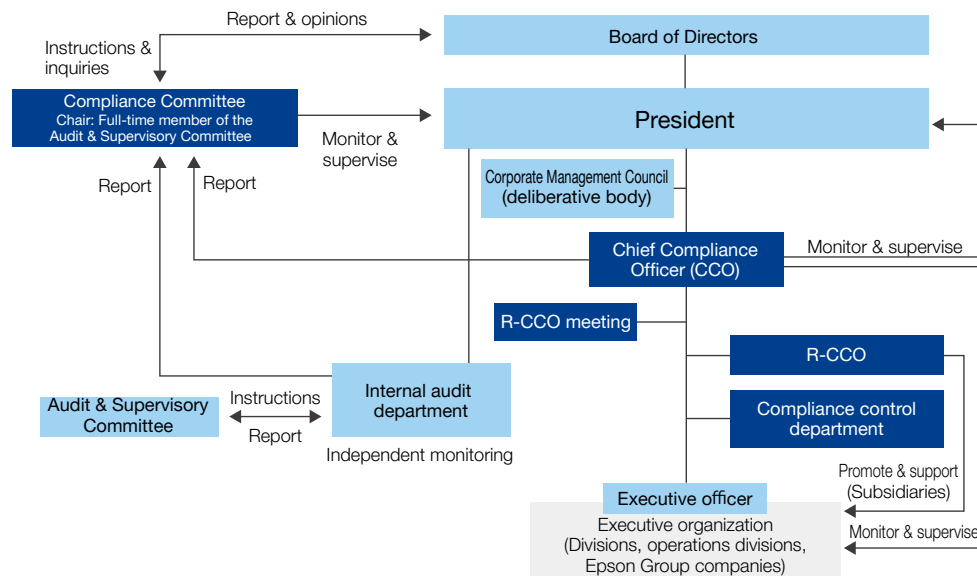
Compliance

Compliance Organization

As an advisory body to the Board of Directors, the Compliance Committee is made up of six outside directors and one director who is a full-time member of the Audit & Supervisory Committee. It is chaired by the full-time member of the Audit & Supervisory Committee, and supervises business affairs by discussing important compliance activities and making reports and suggestions to the Board of Directors. The Chief Compliance Officer (CCO) supervises and monitors the execution of all compliance operations, including that of the president, and periodically reports the state of compliance affairs to the Compliance Committee. The Regional Chief Compliance Officers (R-CCOs) assist the CCO as instructed by the CCO in order to promote effective compliance activities that take into account local laws, business practices and other societal demands. They promote and enforce compliance in their respective subsidiaries within the scope of their responsibilities. The CCO and R-CCOs periodically hold R-CCO meetings to discuss important matters relating to compliance activities at subsidiaries. In addition, a compliance control department monitors compliance in general, making corrections and adjustments as needed to enhance the completeness and effectiveness of compliance activities.

The compliance organization is defined in the Epson Group Compliance Basic Regulation.

Compliance Organization Chart



Compliance Promotion Activities

Epson works to meet the expectations of society. Toward this end, we have established and adheres to a compliance framework to ensure that we observe and respect all applicable laws and regulations, internal rules, and business ethics.

To instill compliance awareness internally and ensure effectiveness, we provide various educational activities on a regular basis for all personnel, including executive officers, regular employees, contract employees, part-time employees and others, in keeping with the Epson Global Code of Conduct.

We invite outside experts to give instruction in compliance training courses for executive management. We also provide online compliance courses and compliance training by internal instructors for all personnel. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions. October is Compliance Month at Epson, a period during which we conduct uniform activities across the global Epson Group to remind everyone of the importance of compliance in realizing Epson's Management Philosophy and to raise compliance awareness based on the Management Philosophy and Principles of Corporate Behavior.

We raised by 1) issuing compliance messages by the chief compliance officer and the heads of our business units and subsidiaries, 2) familiarizing personnel with the Epson Global Code of Conduct, 3) giving compliance training, and 4) conducting compliance awareness surveys of all personnel. The compliance awareness surveys are checked and analyzed on the operations division, division, and domestic and overseas Group company level. The results are fed back to these respective business units and used to plan activities for the following year.

Whistleblowing Systems

Epson strictly controls information contained in reports and guarantees whistleblowers anonymity and protection from reprisals.

All Epson Group companies provide reporting channels for officers, employees, temporary staff, and suppliers. In Japan, internal whistleblowers are given a choice between an internal and an external reporting channel. A separate system is provided for suppliers. In addition to these, overseas Epson Group companies have installed an Epson Executive Compliance Hotline that can be used to report directly to Seiko Epson any compliance-related problems involving executive management. The number of reports received in Japan has been rising every year. In FY2022, 114 reports were received. All were investigated and dealt with appropriately. Epson continues to review and adjust the systems to accommodate changes in the internal and external environments.

We have established systems in compliance with the amended Whistleblower Protection Act that came into force in June 2022, including designating persons to respond to whistleblowing reports.

Risk Management

Risk Management Organization

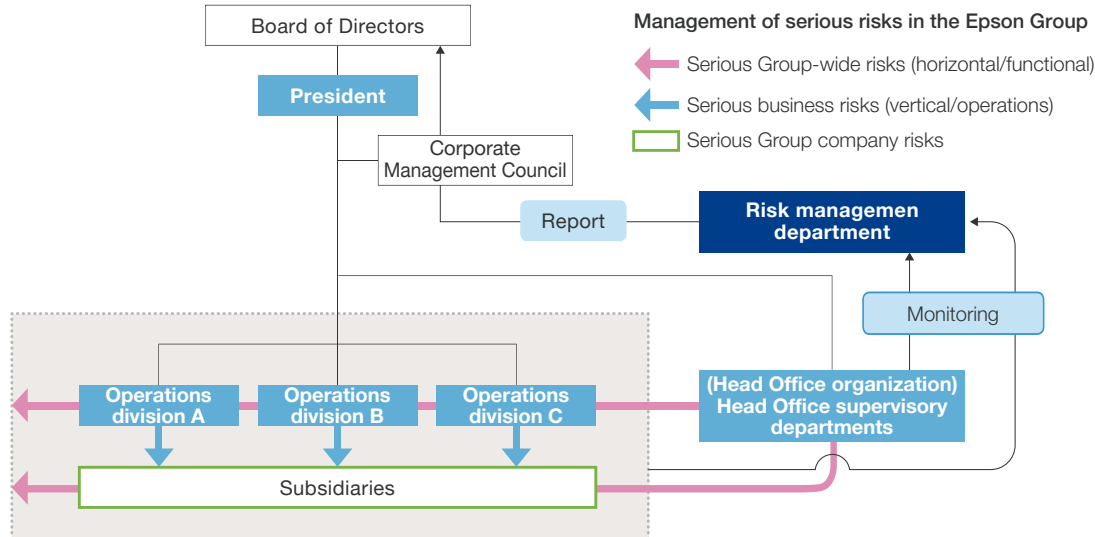
The president of Seiko Epson acts as the Chief Risk Management Officer in the Epson Group, including subsidiaries. Group-wide risks are globally managed by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the Chief Operating Officer of that business, including at subsidiaries consolidated under them. The Seiko Epson risk management department monitors overall risk management in the Epson Group, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs.

The risk management organization is defined in the Epson Group Risk Management Basic Regulation. Epson identifies business operations risks, business ethics risks, such as participation in bribery and cartels, and other serious risks that could materially impact the company. Epson evaluates these risks using The Committee of Sponsoring Organizations (COSO) and ISO 31000 as guides and sets priorities.

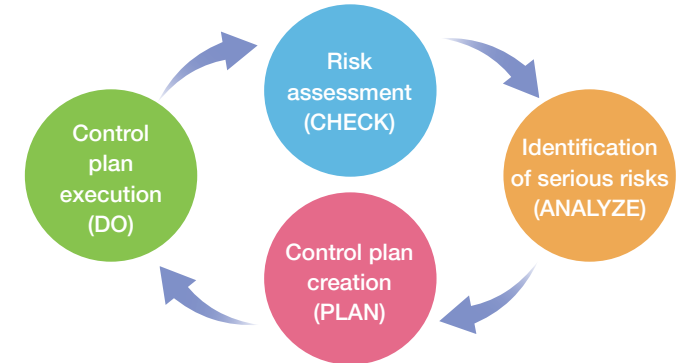
- Risks that could have serious adverse effects on Epson Group management are considered Corporate serious risks.
- Risks that could have serious adverse effects on business operations are considered Business serious risks.
- Risks that could have serious adverse effects on subsidiaries' management are considered Group company serious risks.

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

■ Risk Management Organization Chart



■ Risk Management Cycle



Crisis Management

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

The activities of the Crisis Management Committee are regularly reported to executive management, including outside directors, through meetings of the Corporate Management Council and Board of Directors.

List of Main Risks

Note: The content of the list was excerpted from “Risks related to Epson’s business operations” in Epson’s Annual Report. Please see the Annual Report for additional details.



Epson’s Annual Report 2023
<https://corporate.epson/en/investors/publications/annual-report.html>

Main risks	General description of risk	Main countermeasures
Parts procurement risks from certain suppliers	<ul style="list-style-type: none"> ● A supplier parts shortage or quality problem with supplier parts could interfere with Epson’s manufacturing and selling activities. 	<ul style="list-style-type: none"> ● Procure parts and materials from multiple suppliers whenever possible. ● Work with suppliers to maintain or improve quality and reduce costs to ensure stable and efficient procurement.
Intellectual property rights risks	<ul style="list-style-type: none"> ● An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid. ● A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property. ● New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions. 	<ul style="list-style-type: none"> ● Independently develop technologies we need; acquire patent, trademark, and other IP rights for them; and license the rights for products and technologies. ● Strengthen our intellectual property portfolio by placing personnel in key positions to manage our IP.
Environmental risks	<ul style="list-style-type: none"> ● An environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or halt production. ● New regulations could be enacted that would require major expenditures. 	<ul style="list-style-type: none"> ● Develop and manufacture products with reduced environmental impact, develop environmental technologies, reduce energy consumption, recover, recycle, and reuse products, comply with international chemical substance regulations, and improve environmental management systems in line with Environmental Vision 2050, under which Epson aims to become carbon negative and underground resource¹ free by 2050. ● Grow revenue by selling commercial and industrial inkjet printing solutions and printheads that reduce environmental impact, increase productivity, and reduce printing costs, and by providing production systems with a reduced environmental impact. ● Develop environmental business by establishing material recycling technology and Dry Fiber Technology applications to combat global warming and transition to a circular economy. <p>¹ Non-renewable resources such as oil and metals</p>
Hiring and personnel retention risks	<ul style="list-style-type: none"> ● Competition could intensify for the best talent to develop advanced new technologies and manufacture advanced new products. 	<ul style="list-style-type: none"> ● Secure and retain top-notch talent by introducing role-based compensation, developing internal talent, promoting diversity, implementing flexible work arrangements, managing health, and promoting global talent to create an amenable work environment and climate in which diverse human resources can make the most of their abilities.
Legal, regulatory, licensing and similar risks	<ul style="list-style-type: none"> ● Epson conducts business internationally. In the event of an international legal or regulatory violation, or in the event of an investigation or proceedings against Epson by responsible authorities, the introduction of stricter laws or regulations or their more rigorous enforcement by the authorities, Epson could incur damage to its credibility, large civil fines, constraints on its business activities, higher expenses to comply with laws and regulations, or other negative consequences. 	<ul style="list-style-type: none"> ● Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns. ● Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.
Natural disasters, infectious diseases, etc.	<ul style="list-style-type: none"> ● There could be war, acts of terrorism, and supply chain disruptions caused by unpredictable events such as natural disasters, pandemics involving new infectious diseases like COVID-19, disasters affecting parts suppliers, etc. ● The business environment could materially change along with social and behavioral changes during and after COVID-19. 	<ul style="list-style-type: none"> ● Conduct disaster drills, prepare earthquake disaster management and response plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible. ● Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.) ● Established a business continuity plan (BCP) for emerging infectious diseases ● Accelerate actions that enable us to seize business opportunities by solving anticipated societal issues

Board of Directors (As of October 1, 2023)



Minoru Usui
Chairman and Director



Yasunori Ogawa
President and
Representative Director
CEO



Tatsuaki Seki
Representative Director, Senior
Managing Executive Officer
General Administrative Manager,
Business Management Division /
Sustainability Promotion Office



Mari Matsunaga
Outside Director

Outside
Independent
Director



Tadashi Shimamoto
Outside Director

Outside
Independent
Director



Masaki Yamauchi
Outside Director

Outside
Independent
Director



Masayuki Kawana
Director,
Full-Time Audit & Supervisory
Committee Member



Yoshio Shirai
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director



Susumu Murakoshi
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director



Michiko Ohtsuka
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director

Matrix of Areas of Expertise Particularly Expected for Directors (Skill Matrix)

Epson believes that a diverse board of directors is useful for facilitating substantive board discussion that cover all angles. Therefore, our basic policy is to maintain a board that is well-balanced and composed of persons who combine a broad spectrum of knowledge, experience, and skill in their respective areas of expertise, without regard to gender, race, ethnicity, country of origin, nationality, cultural background, age, etc. The current Board of Directors has been established based on this policy, clarifying a management system toward achieving the Management Philosophy and Corporate Vision in order to realize sustained growth and increase medium- to long-term corporate value. The skills of the Company's Directors and areas in which they are particularly expected to show expertise are as follows.

Title	Name	Tenure as a Director at the end of the 6/27/2023 general shareholders' meeting	Optional Deliberative Body		Independent Director	Areas of expertise and skills particularly expected by the Company						
			Director Nomination Committee (◎ Chair)	Director Compensation Committee (◎ Chair)		Corporate management	Development Design	Sales Marketing	IT Digital	Financial Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	21 years				●	●	●				
President and Representative Director	Yasunori Ogawa	5 years	○	○		●	●					●
Representative Director, Senior Managing Executive Officer	Tatsuaki Seki	7 years								●	●	●
Outside Director	Mari Matsunaga	7 years	○	○	○			●	●			
Outside Director	Tadashi Shimamoto	—	○	○	○	●	●		●			
Outside Director	Masaki Yamauchi	—	○	○	○	●		●	●			
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	9 years								●	●	
Outside Director, Audit & Supervisory Committee Member	Yoshio Shirai	7 years	◎	◎	○	●	●					●
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	3 years	○	○	○					●	●	
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	3 years	○	○	○					●	●	

* Up to three areas of particular expertise are indicated.