

# Governance

---

- 243 [Corporate Governance](#) 
- 258 [Internal Control System](#) 
- 265 [Initiatives of Internal Control](#) 
- 269 [Security](#) 



## Organizational Governance

# Corporate Governance

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

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 of Directors meetings, speed up management decision-making, and continue to further increase the effectiveness of corporate governance.

## Principles of Corporate Governance

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

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

## Corporate Governance Structure

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

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

### Board of Directors

The Board of Directors, with a mandate from shareholders, is responsible for realizing efficient and effective corporate governance, through which the Company will accomplish its social mission, sustain growth, and maximize corporate value over the medium and long terms. To fulfill its responsibilities, after establishing the strategic direction of the Company, the Board of Directors supervises general operations to ensure that operations are fair and transparent. The Board of Directors also makes decisions on important business affairs of the Company, such as decisions on the formulation of important business matters, such as the establishment of management plans and business plans and decision on investment projects that exceed a certain fixed amount of money. The Board of Directors establishes a Basic Internal Control System Policy so that business affairs are efficiently conducted under suitable internal controls and shall put in place and monitor the use of a system to manage compliance and risks.

The Board of Directors operates in accordance with the Articles of Incorporation and regulations that were approved by resolution of the Board of Directors. The Board of Directors is composed of 10 directors<sup>1</sup>, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. Meetings of the Board of Directors are chaired by the Chairperson of the Board (who is a Non-Executive Director) per the Board of Directors Regulation. The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the Board monitors these. Under the company with an Audit & Supervisory Committee structure, the scope of business affairs delegated by the Board of Directors to executive management, such as making decisions on investment projects that are less than a certain fixed amount of money, has been expanded. As such, matters discussed by the Board of Directors are limited to motions of the highest importance (e.g., governance, capital policy, compliance, risk management, deliberations on megatrends and mid- to long-term strategies), thereby speeding up business decision-making and increasing the agility of business. The Company has specified in the Corporate Governance Policy that at least one-third of the members of the Board of Directors shall be Outside Directors.

<sup>1</sup> As of June 30, 2022

### **Audit & Supervisory Committee**

The Audit & Supervisory Committee, with a mandate from shareholders, is responsible for independently and objectively auditing and monitoring the execution of Director duties and for ensuring the sound and sustained growth of the Company. The Audit & Supervisory Committee establishes criteria for properly evaluating potential External Financial Auditors. After selecting External Financial Auditors, the Audit & Supervisory Committee verifies whether External Financial Auditors possess the necessary independence and can provide the requisite audit quality, etc. In addition, the Audit & Supervisory Committee conducts audits in cooperation with internal audit departments and Financial Auditors.

The Audit & Supervisory Committee operates in accordance with the regulations that were approved by resolution of the Audit & Supervisory Committee. The Audit & Supervisory Committee is composed of four Audit & Supervisory Committee members<sup>2</sup>, three of whom are Outside Directors. It is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are generally held once per month and as needed.

<sup>2</sup> As of June 30, 2022

### **Compliance Committee**

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

The Compliance Committee operates in accordance with the regulations that were approved by resolution of the Board of Directors. As an advisory body to the Board of Directors, the Compliance Committee is composed of all 5 Outside Directors and Directors who are full-time members of the Audit & Supervisory Committee<sup>3</sup>. It is chaired by the full-time member of the Audit & Supervisory Committee, and meetings are held once every six months and as needed. Financial Auditors and the head of the internal audit administrative department can attend meetings of the Compliance Committee as observers.

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

<sup>3</sup> As of June 30, 2022

## Director Nomination Committee & Director Compensation Committee

The Company has established a Director Nomination Committee and a Director Compensation Committee as discretionary deliberative bodies for the selection and compensation of Directors, Executive Officers and Special Audit & Supervisory Officers. The committees operate in accordance with the regulations that were approved by resolution of the Board of Directors. With the aim of ensuring the transparency, objectivity and independence regarding selections for and compensation of Directors, Executive Officers and Special Audit & Supervisory Officers, the Committees are composed of a majority of Outside Directors and a Chairperson will be elected by the Board from among the Outside Directors. The committees shall be composed of all the Outside Directors, and the President and Representative Director. Directors who are full-time members of the Audit & Supervisory Committee can attend either meeting as observers. The human resources department is the secretariat of the committees.

The outline of each Committee is as follows:

### The Mandates, Roles, and Activities of the Director Nomination Committee

The Company establishes as an advisory body to the Board of Directors a Director Nomination Committee to impartially examine through a transparent and objective process the selection of Director candidates and the dismissal of Directors as well as to evaluate and supervise the status of Director successor development plans created by the President and Representative Director, the issues therein, and Director succession plans created by the President and Representative Director.

The Committee met 15 times during the period from April 2021 to the June 2022 Ordinary General Meeting of Shareholders. The Committee deliberated on matters including succession plans for the President and Representative Director, policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and candidate proposals, changes in the Outside Director selection process, and the selection of a Director Nomination Committee chairperson.

### The Mandates, Roles, and Activities of the Director Compensation Committee

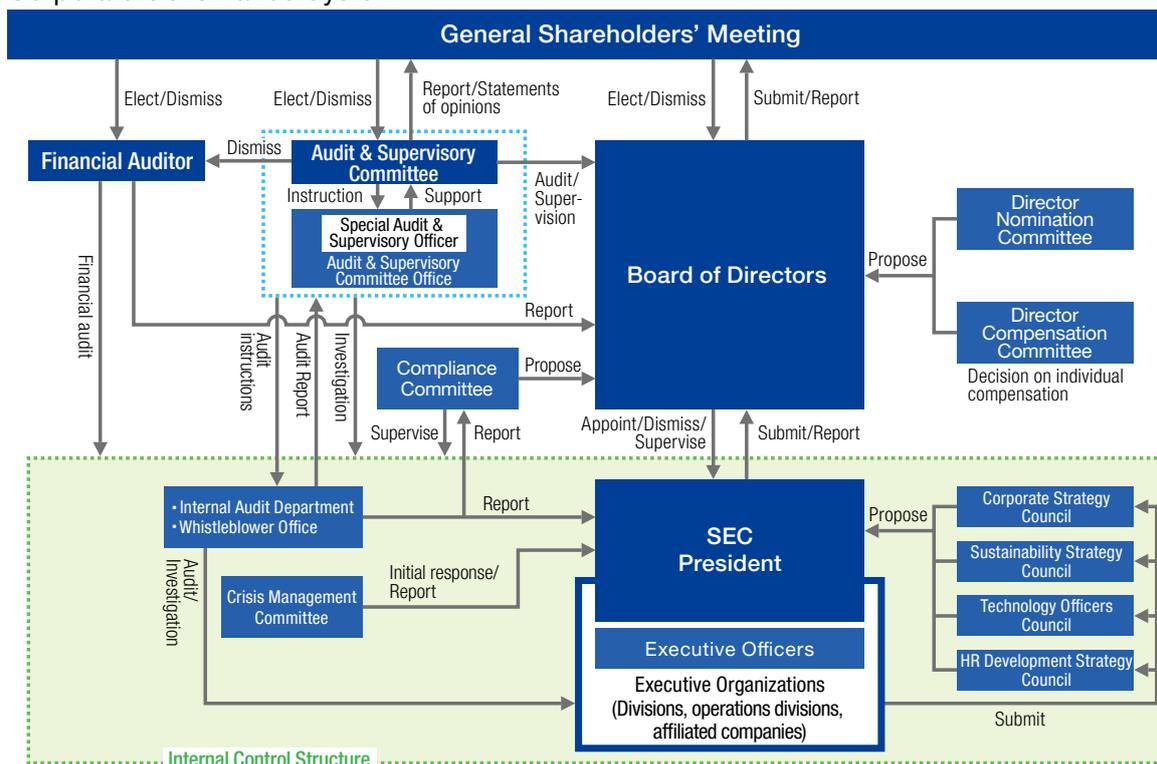
The Company establishes as an advisory body to the Board of Directors a Director Compensation Committee to impartially examine through a transparent and objective process proposals and discussions concerning matters such as the compensation system and bylaws for Directors of the Company as well as Directors' individual compensation. The Director Compensation Committee, with a mandate from the Board of Directors, decides the individual compensation of Directors who are not Audit & Supervisory Committee members.

The Committee met 11 times during the period from April 2021 to the June 2022 Ordinary General Meeting of Shareholders. The Committee deliberated on matters including things such as the amount of base compensation and bonuses for each Director, changes to the officer compensation system, changes to the officer compensation decision-making process, selection of the Director Compensation Committee chairperson, compensation of the chairpersons of the Director Nomination Committee and Director Compensation Committee, the performance-based coefficient for stock compensation, and the Company compensation system.

## Corporate Strategy Council

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

### Corporate Governance System



## Nomination of Officers

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, which is chaired by an Outside Director and composed of a majority of Outside Directors.

The policies and procedures for nominating Director candidates and for selecting and dismissing Executive Officers (including the President and Representative Director) and Special Audit & Supervisory Officers are as follows:

## Policies

1. Considering the role that Officers of the Company are required to fulfill and the nomination criteria that Epson has established, Officers must meet the standard requirements of insight, accountability, and ethics. They must also satisfy the selection criteria in 2), depending on their respective roles, and must be able to contribute to an increase in corporate value.
2. In addition to the foregoing requirements, Officers of the Company shall satisfy the selection criteria below.
  - a. Non-Executive Director candidates  
Oversight capability, management knowledge, professional knowledge
  - b. Executive Director candidates  
Oversight capability, foresight/insight, the ability to conceive a vision, decisiveness/courage, the ability to execute and produce results, an inclination to drive change and innovation, the ability to be a unifying force  
A candidate for President and Representative Director in particular shall possess the following:
    - The ability to face societal issues, construct a vision based on deep insight, and the courage to carry out that vision
    - A strong sense of ethics and the ability to humbly accept diverse values, tap the initiative of employees, and be a unifying force that consolidates the power of the entire company
  - c. Executive Officers  
Foresight/insight, the ability to conceive a vision, decisiveness/courage, the ability to execute and produce results, an inclination to drive change and innovation, the ability to be a unifying force
  - d. Special Audit & Supervisory Officer  
The ability to influence and lead the Company, creativity, the ability to drive change, management ability, the ability to lead a group, management knowledge, professional knowledge
3. Outside Directors must satisfy criteria concerning the independence of Outside Directors in order to guarantee their independence. The Board of Directors established "Criteria for Independence of Outside Directors."

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

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

## Procedures

Nomination, selection, and dismissal are decided by the Board of Directors after a fair, transparent, and rigorous screening by the Director Nomination Committee, which also presents its opinion. The consent of the Audit & Supervisory Committee is required for nominating Director candidates who are Audit & Supervisory Committee members and for appointing Special Audit & Supervisory Officers.

## Criteria for Independence of Outside Directors

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

1. A person is not independent if:
  - I. The person considers the Company to be a major business partner<sup>1</sup>, or has served as an executive<sup>2</sup> within the past five years in an entity for which the Company is a major business partner;
  - II. The person is a major business partner<sup>3</sup> of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
  - III. The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation<sup>4</sup> (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
  - IV. The person is a major shareholder<sup>5</sup> of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
  - V. The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
  - VI. The person is a major lender<sup>6</sup> to the Company or has been an executive of a major lender to the Company within the past five years;
  - VII. The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
  - VIII. The person has been employed by a leading managing underwriter of the Company within the past five years;
  - IX. The person has received a large donation<sup>7</sup> from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
  - X. The person came from an entity that employs someone from the Company as an Outside Director; or
  - XI. A spouse or relative within the second degree of kinship of a person having the interests listed in (I) through (IX) above.
2. Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.

### Notes

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

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

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

## Matrix of Areas of Expertise Particularly Expected for Directors

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

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

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

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design Technology Production	Sales Marketing	IT Digital	Finance Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	●	●	●				
President and Representative Director	Yasunori Ogawa	●	●		●			
Representative Director Senior Managing Executive Officer	Koichi Kubota	●		●				●
Director Senior Managing Executive Officer	Tatsuaki Seki				●	●	●	
Outside Director	Hideaki Omiya	●	●		●			
Outside Director	Mari Matsunaga			●	●			
Director Full-Time Audit & Supervisory Committee Member	Masayuki Kawana					●	●	
Outside Director Audit & Supervisory Committee Member	Yoshio Shirai	●	●					●
Outside Director Audit & Supervisory Committee Member	Susumu Murakoshi					●	●	
Outside Director Audit & Supervisory Committee Member	Michiko Ohtsuka					●	●	

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

\* As of June 30, 2022.

## Succession Plans

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

The Company selects candidates for senior management positions in order to systematically develop these individuals as future executives. After their development is assessed, the HR Development Strategy Council, an advisory body to the President and Representative Director, devises and implements a concrete development plan. The state of development and issues are reported to the Director Nomination Committee, and development activities are further enhanced under the supervision and advice of the Outside Directors. Candidates to succeed the President and Representative Director are identified through the aforesaid process and developed by appointing them to key management roles and by providing them with other essential training opportunities.

## Compensation of Officers

---

Officer compensation is decided by resolution of the general meeting of shareholders and the Board of Directors or the Audit & Supervisory Committee pursuant to the Corporate Governance Policy after a fair, transparent, and rigorous review by the Director Compensation Committee, which is chaired by an Outside Director, composed of a majority of Outside Directors, and issues an opinion, to ensure transparency and objectivity.

To enhance and strengthen corporate governance, the Board of Directors passed a resolution that gives full discretionary authority for deciding the compensation of Directors who are not Audit & Supervisory Committee members to the Director Compensation Committee.

## Policies

### Compensation of Officers Who Have Executive Duties

1. Compensation shall provide incentive to improve business performance and shall show a commitment to that in order to sustain growth and increase long-term corporate value.
2. Compensation shall be sufficient to attract and retain qualified persons both from within the Company and from outside.
3. Compensation shall be commensurate with period performance so that they can demonstrate their management capabilities to the fullest during their tenure.
4. Compensation shall show a clear connection between officer compensation and share price and shall strengthen the awareness that their interests are aligned with those of shareholders.
5. Compensation shall have a built-in mechanism to control misconduct.
6. The process for determining compensation shall be highly transparent, objective, and fair.

### Compensation Policies for Officers Who Do Not Have Executive Duties

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

## Compensation System

The Officer compensation system consists of the following components: base compensation, which is comprised of fixed compensation, bonuses, which are performance-linked compensation, and stock compensation, which is non-monetary compensation. Non-Executive Officers receive base compensation only, a fixed amount, because their role is to supervise general management, etc. They do not receive bonuses and stock compensation.

### Base Compensation (fixed and variable)

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.

### Bonuses (variable)

Bonuses are performance-linked monetary compensation paid once a year to Officers who have executive duties, the amounts varying depending on achievement with respect to single-year performance indicators and individual objectives.

In consideration of the nature of bonuses as a short-term incentive, annual Group ROE is used as a performance indicator, with factors such as achievement with respect to individual objectives taken into account. The basic bonus amount is an amount obtained by multiplying the annual total compensation calculated based on position, duties, and so forth 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 ( $\pm$  40%) according to the level of achievement with respect to individual objectives.

The final payment amount is decided at the ordinary general meeting of shareholders to ensure transparency.

### **Restricted stock compensation (variable)**

The Company introduced restricted stock compensation in place of performance-linked stock compensation (officer compensation BIP trust) at the Ordinary General Meeting of Shareholders of June 28, 2022. 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. It is paid once a year to directors who have executive duties.

Pursuant to the resolution of the Board of Directors, the Company will pay monetary compensation claims up to the annual amount of 200 million yen as compensation, etc., for restricted stock. In turn, eligible Directors will pay all monetary compensation claims provided by the Company as in-kind contributions and will receive an allotment of restricted stock. The aforesaid monetary compensation claims will be paid on condition that eligible Directors have agreed to the aforesaid in-kind contributions and have concluded a restricted stock allotment agreement. The total number of restricted stock shares to be allotted to eligible Directors will not exceed 200,000 shares annually.

Restricted stock allotment agreements shall include provisions on the content below.

#### **I. Nature of restrictions on transfer**

Eligible Directors shall not transfer, pledge, grant security interests, gift during their lifetime, or bequeath, to any third party, or otherwise dispose of restricted stock (hereafter "Allotted Stock") during the period from the date of allotment to the date on which they resign or retire from their position as either a Director, Executive Officer, or employee of the Company.

#### **II. Gratis acquisition of restricted stock**

If an eligible Director resigns or retires from his or her position as a Director, Executive Officer or employee of the Company before the end of the period, the Company will rightfully acquire the Allotted Stock without compensation, unless there are extenuating circumstances that the Company's Board of Directors deem reasonable.

#### **III. Lifting of the transfer restrictions**

The Company will lift transfer restrictions for all Allotted Stock upon the expiration of the transfer restriction period, provided that the eligible Director holds the position of Director, Executive Officer or employee of the Company continuously from the date the transfer restriction period starts to the date of the first Ordinary General Meeting of Shareholders thereafter.

#### **IV. Malus and clawback provisions**

The Company will establish provisions to acquire without contribution some or all of the Allotted Stock granted to eligible Directors or common shares of the Company for which transfer restrictions have been lifted, or to be paid an amount equivalent to the value of the Allotted Stock or common shares of the Company for which transfer restrictions have been lifted, in cases in which the Board of Directors recognizes that eligible Directors have violated laws, regulations, or internal rules, etc. in any material respect during the transfer restriction period or after the lifting of the transfer restrictions, and when certain circumstances determined by the Board of Directors have occurred, including serious accounting irregularities or large losses, etc.

#### V. Treatment in organizational restructuring, etc.

If, during the transfer restriction period, matters concerning organizational restructuring, etc., of the Company are approved at an Ordinary General Meeting of Shareholders, the Company will, by resolution of the Board of Directors, lift the transfer restrictions prior to the effective date of the organizational restructuring, etc., for the number of Allotted Stock that is reasonably determined based on the period from the date the transfer restriction period starts to the date the organizational restructuring, etc., is approved.

The Company plans to also allocate restricted stock like the restricted stock described above to Executive Officers who are not Directors of the Company.

To share the benefits and risks of changes in stock price with general shareholders and to provide eligible Directors with a greater incentive to increase the stock price, sustain growth, and increase long-term corporate value, the Company uses achievement with respect to indicators such as Group ROIC and sustainability targets as indicators.

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.

The amount of monetary compensation claims to be paid to each Director as compensation, etc., for transfer restricted stock shall be calculated by multiplying the number of shares of Allotted Stock by the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day prior to the date of the resolution of the Board of Directors relating to the issuance or disposal of Allotted Shares.

#### **Performance-linked Compensation (variable)**

No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company's common shares and the cash equivalent to an amount obtained through the conversion of the Company's common shares into cash.

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

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

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

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

## Compensation to Directors (FY2021)

(Millions of yen)

Category	Number of individuals (Persons)	Base compensation		Performance-linked compensation		Total
		Fixed (monetary)	Variable (monetary)	Bonuses (monetary)	Stock compensation (non-monetary)	
Directors who are not Audit & Supervisory Committee members (of which, Outside Directors)	9 (2)	264 (29)	11 (-)	64 (-)	29 (-)	369 (29)
Directors who are Audit & Supervisory Committee members (of which, Outside Directors)	5 (3)	81 (48)	- -	- -	- -	81 (48)
Total	14	364	11	64	29	451

### Notes

- The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.
- The amount above includes bonuses to be paid to Directors in the amount of 64 million yen (amount to be paid to three Directors excluding Chairman and Director without the right of representation, Outside Directors, and Directors who are Audit & Supervisory Committee Members), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the Ordinary General Meeting of Shareholders scheduled on June 28, 2022.
- 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. No additional contribution will be made to the officer compensation BIP in the future, and the intent is for the plan to terminate upon the completion of the delivery and payment pertaining to the points already granted of the Company's common shares and the cash equivalent to an amount obtained through the conversion of the Company's common shares into cash. The stock compensation stated above represents the amount recorded based on Japanese Generally Accepted Accounting Principles (JGAAP) concerning the stock delivery points granted in the current fiscal year.
- The number of individuals above includes two Directors who are not Audit & Supervisory Committee Members, one Director who is an Audit & Supervisory Committee Member who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2021, and one Director who is not an Audit & Supervisory Committee Member who retired on January 31, 2022.
- Stock options are not granted

## Actions to Ensure Board Effectiveness

---

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

### Evaluating the effectiveness of the Board of Directors (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
- Final report to the Board of Directors (regarding action take to resolve issues): February of the following year
- Disclosure in a Corporate Governance Report of the results of actions taken to resolve issues: June of the following year

### FY2020 Evaluation Results

The results of actions taken to address issues that were raised when the effectiveness of the Board of Directors was evaluated for the 2020 fiscal year are provided below. The effectiveness of the Board of Directors in the 2020 fiscal year was evaluated by having all Board members complete a questionnaire. The questionnaire results showed that the Board of Directors is functioning effectively.

#### (1) Promoting diversity initiatives

The Board conducted numerical improvement simulations up to the goal of promoting women in the workplace and revised the targets leading to the goal. Issues in the Company were found to fall under the categories of unconscious bias, long working hours, insufficient growth opportunities, and a small number of women in the workforce. The Board focused its efforts on resolving these issues, regularly discussing them at the Board meetings during the 2021 fiscal year. The direction in which to steer actions to promote the participation and advancement of women was thus clarified, an owner was appointed from each operations division and division, and activities commenced in each organization. The Board will continue to collaborate with the operations divisions and divisions to promote the participation and advancement of women in the workplace primarily through a special project team called the Diversity and Inclusion Project.

Moving forward, the Board will also advance other diversity-related initiatives to hire foreign nationals and mid-career workers and to hire more persons with disabilities. For details, see “Promotion of Diversity” at our website. ([WEB https://corporate.epson/en/sustainability/our-people/diversity/index.html](https://corporate.epson/en/sustainability/our-people/diversity/index.html))

#### (2) Promoting DX initiatives

The Board of Directors formulated, planned, and drove DX strategy to achieve the DX initiatives in Epson 25 Renewed (initiatives to contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs). They examined issues in the Company, organized the degree of evolution of DX from a customer perspective and an employee perspective, and have been improving the infrastructure.

Moving forward, they will address the priority issue of capturing the necessary DX and IT talent. Time is regularly set aside at Board meetings to discuss DX, and the Board has discussed the direction and method of promoting DX, but given that DX forms the core of the Epson 25 Renewed corporate vision and that work in this area needs to be further strengthened, the Board decided to pursue the actions described in 3. below as one of the issues in Board effectiveness evaluations.

## FY2021 Evaluation Results

- (1) Composition, functioning, and operation of the Board of Directors
- (2) Functions of the Audit & Supervisory Committee
- (3) Functions and operations of advisory bodies to the Board
- (4) Evaluation, compensation, succession planning, and training of the management team
- (5) Dialogue with shareholders
- (6) Other

The results of the evaluation showed that the Board of Directors as a whole is functioning effectively. However, given recent trends in corporate governance and the results of the 2020 fiscal year effectiveness evaluation of the Board, the Board identified the following issues in order to improve effectiveness in the future.

- (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.
- (2) Deepen discussions on succession plans and training of the management team and drive further improvement. An evaluation by a third-party organization was not conducted because it is the Company's policy to implement them once every three years. In the future, we will work to further improve effectiveness by addressing these issues.

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

---

Epson's Corporate Governance Policy stipulates the following:

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

## Organizational Governance

# Internal Control System

Epson’s Management Philosophy outlines the vital business principles to which the global Epson Group is committed, while Epson’s Principles of Corporate Behavior describes the conduct required to live up to these principles. Epson has established the basic concept of internal control in the Basic Internal Control System Policy, and is taking action to steadily improve internal control across the entire Group.

## Group Governance

The Epson Group is managed based on the concept: global consolidated responsibility of product-based divisions; and global responsibility of the Head Office supervisory functions. The head of the business operations divisions take the responsibility for the business execution systems of subsidiaries. And the head of Head Office supervisory sections take the responsibility for Group-level corporate functions. With this system, Epson strives to streamline operations throughout the Epson Group, including subsidiaries.

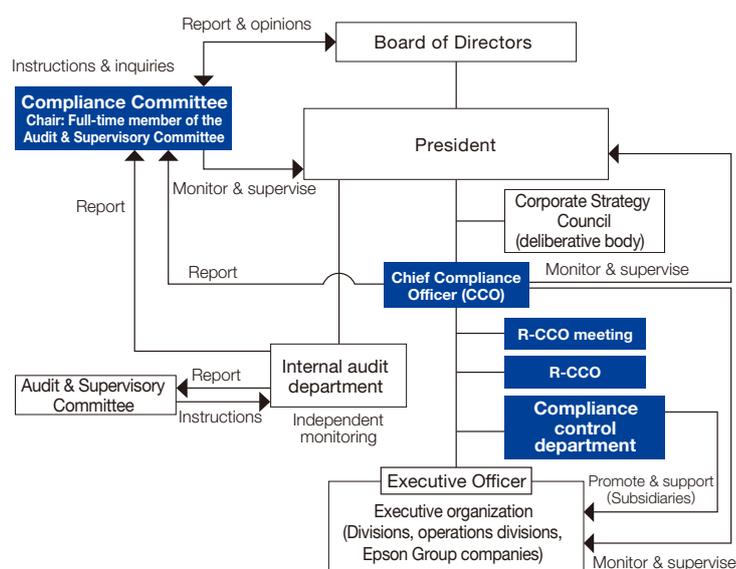
## Compliance and Risk Management

Epson’s goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the company’s Management Philosophy. To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness and effectively manage compliance through faster decision-making. There were no legal or regulatory violations subject to disclosure in FY2021, nor were there fines or settlements subject to reporting in audited financial statements.

## Compliance Organization

As an advisory body to the Board of Directors, the Compliance Committee is made up of five 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.

Compliance Organization Chart



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

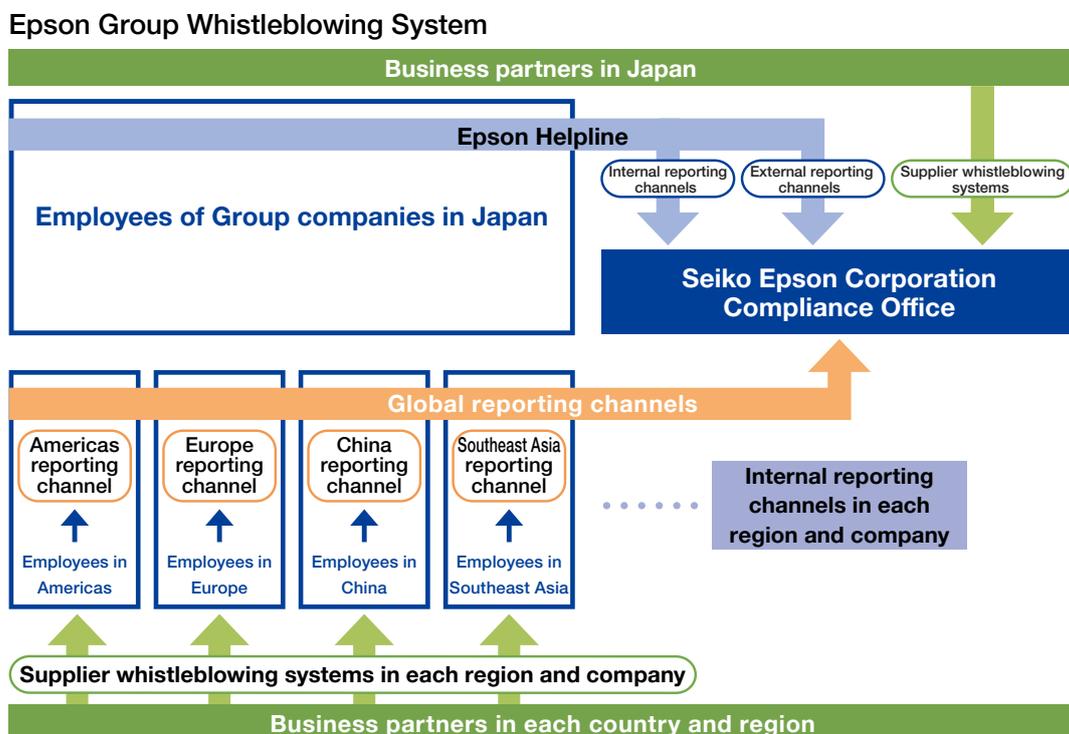
## Whistleblowing Systems and Reporting Channels

Epson provides reporting channels to obtain information from officers, regular employees, contract employees, and temporary workers to quickly call our attention to potential compliance problems that might go undetected. We set up a process for escalating reports of concern. The basic rules for whistleblowing systems, such as the need to strictly manage information contained in reports, forbid reprisals against whistleblowers, and protect anonymity, are set forth in Principles of Corporate Behavior and the Epson Group Whistleblowing Systems Regulation. Seiko Epson and all the Group companies provide reporting channels based on them. Whistleblowing systems comply with the laws and regulations of each country and region. They are available in Group companies in their local language.

Reporting channels are prescribed in the Epson Global Code of Conduct and accessible on the intranet. We inform officers, employees, and temporary workers about the channels and urge their use through Compliance Month activities every October and online courses.

In addition, Seiko Epson and all the Group companies have set up Supplier whistleblowing systems to receive reports from suppliers and other third parties. Suppliers are notified about supplier whistleblowing systems at supplier conferences and are encouraged to use them.

Whistleblowing system use and reports received in the Epson Group are reported regularly to the Board of Directors, Audit & Supervisory Committee, Compliance Committee, and Corporate Strategy Council. The identity of whistleblowers is kept confidential.



## Support System in Japan

Epson has set up two types of Epson Helpline reporting channels. One type is operated internally. The other is operated by a third-party provider. Officers, employees, and temporary workers in domestic Group companies can use either type of channel to report their concerns. Instructions for using Epson Helplines are provided in a user manual posted on the company intranet. Trainings and other opportunities also cover helpline use. Reports can be lodged by e-mail or phone 24 hours a day, 365 days a year. We investigate reports from whistleblowers and take corrective action as needed. We have been taking the initiative in developing the whistleblowing system since establishing the first reporting channels for employees and temporary workers in conjunction with the enforcement of the Whistleblower Protection Act in 2006. In compliance with the amended Whistleblower Protection Act that came into force in June 2022, we are taking further action to establish internal systems under which we designate personnel to be engaged in receiving whistleblowing reports and that enable the company to respond to such reports from employees and temporary workers up to one year after leaving the company.

Our reporting channels in Japan received 93 reports, an increase of 15 over the previous fiscal year. Whistleblowers reported possible cases of internal rule violations, misconduct, and lawbreaking. Epson responded appropriately to each of these reports. Aside from Epson Helplines, we set up advisory services for specific concerns for officers, employees, and temporary workers. This helps us to maintain and operate an environment that makes it easier to seek advice.

### Counseling and Support Services in Japan

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

## Support System Outside Japan

All overseas Group companies have set up reporting channels that allow officers, employees and temporary workers to report. Each reporting channel complies with local laws and regulations. Information contained in reports is strictly protected and reprisals against whistleblowers are prohibited. Reports may be made anonymously.

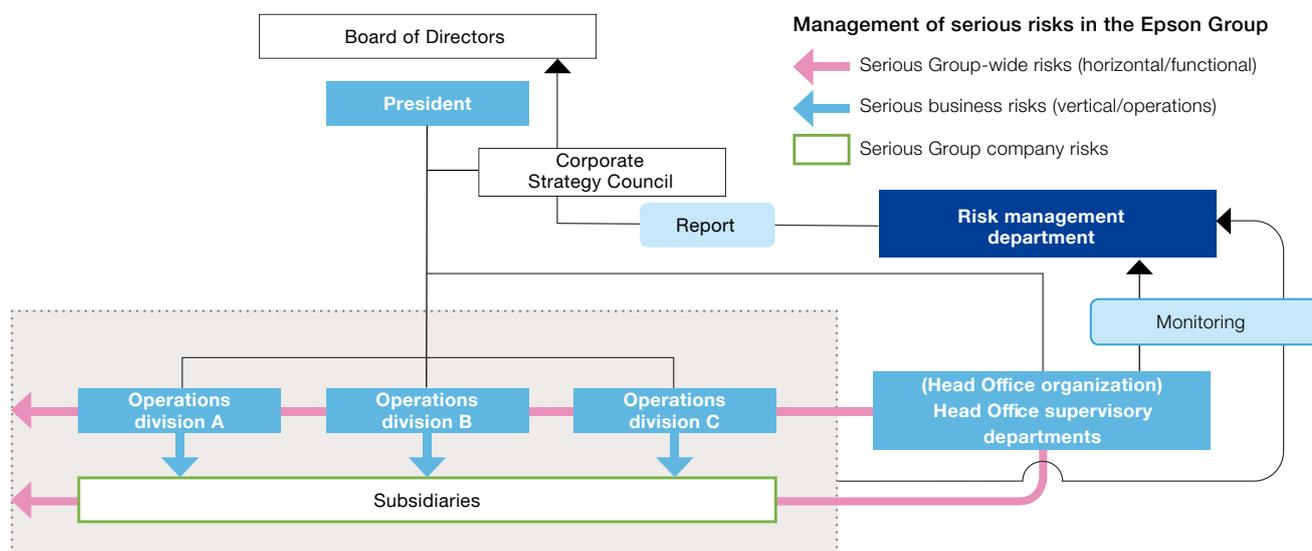
We have also introduced an Epson Executive Compliance Hotline, a global reporting system that Epson uses to directly receive compliance-related reports involving executives in subsidiaries outside Japan. The system helps us to improve the completeness and effectiveness of the reporting system in the Epson Group.

## Risk Management

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

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

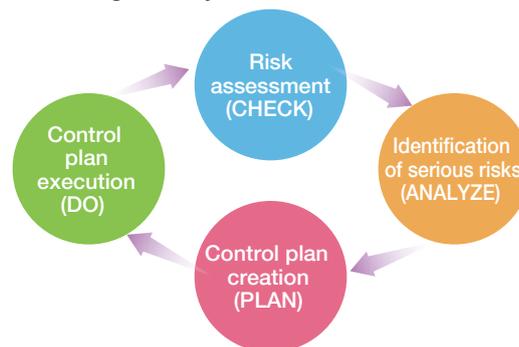
### Risk Management Organization Chart



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

### Risk Management Cycle



Epson drafts and executes plans to control these serious risks and 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.

## Crisis Management

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

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

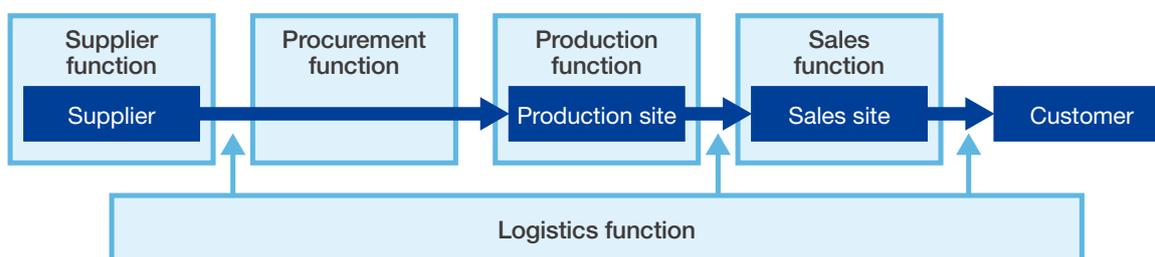
The Crisis Management Committee regularly reports the situation to executive management, including outside directors, as well as to the Corporate Strategy Council and the Board of Directors.

## Supply Chain Business Continuity Management

Each business in the Epson Group formulates a business continuity plan (BCP). BCPs are intended to ensure that the business fulfills its responsibility to supply products and services and minimizes its losses in the event of a disaster, accident, outbreak of emerging infectious disease, or other disruption in the supply chain. Epson also implements supply chain business continuity management (BCM) to ensure that these BCPs are properly maintained and improved.

### The Epson Group's Supply Chain BCM

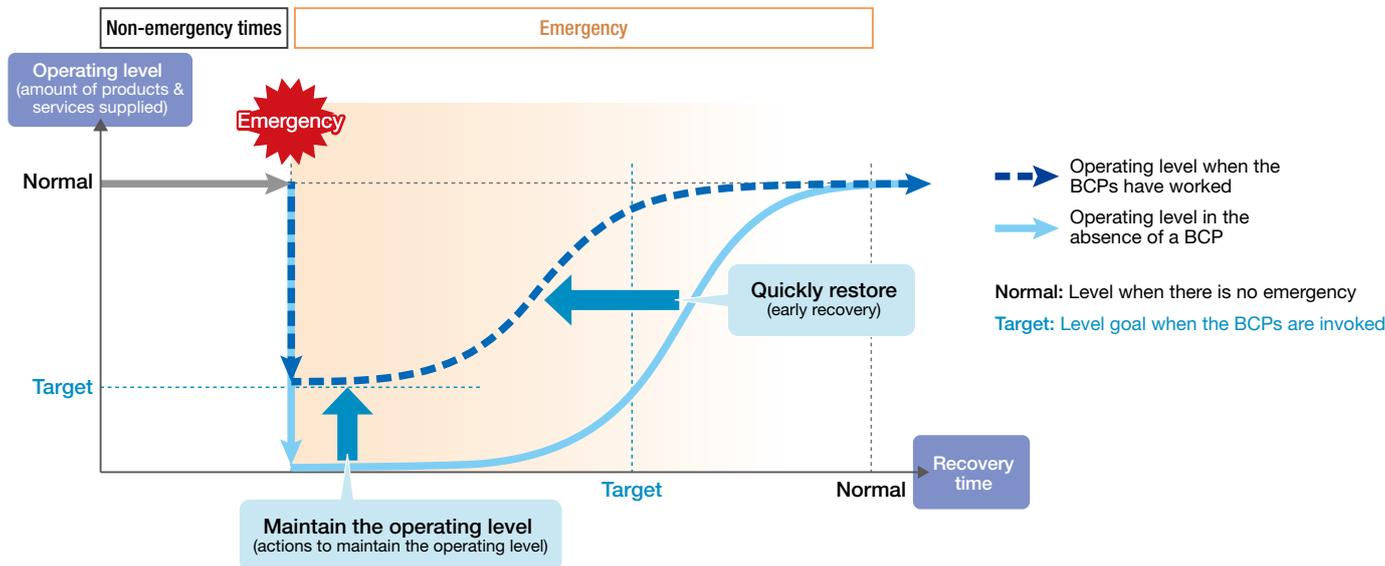
To establish a more robust supply chain, one that can withstand the challenges that tend to arise with increasing sophistication and complexity, we have established a basic strategy of distributing functions, securing alternatives, and increasing resilience. We have divided the functions into five categories and are addressing the priorities that have been set for each.



Functions	Initiatives
Suppliers	Acting on suppliers to enhance their own supply continuity capabilities by, for example, evaluating their emergency response capabilities and their safety management
Procurement	Multi-sourcing, securing alternative sources for procured goods, executing long-term procurement contracts, strengthening partnerships, and maintaining inventory of parts and raw materials* Applies to direct materials and parts and to indirect materials
Production	Strengthening the distributed production organization, increasing the resilience of facilities, strengthening measures to prevent the spread of infectious diseases, and securing product inventories
Sales	Maintaining operations sites, human resources, and an IT backup system
Logistics	Securing space on ships by strengthening relationships with shipping companies, improving the accuracy of shipping plan management, and securing multiple logistics modes and methods (carriers, transportation routes, and warehousing functions)

### Schematic Diagram of the BCP

The vertical axis on this graph shows the operating level while the horizontal axis is recovery time. In an emergency, the operating level declines and stays at that level for a period of time. However, implementing actions in the BCM enable a business to keep the operating level as high as possible even in an emergency or enable it to quickly restore operations in the event of a shutdown.



## Responding to Supply Chain Risks

### 1. Production

As COVID-19 infections spread, operations at the Epson Group's production sites either stopped or were slowed due to lockdowns or surges in worker infections and PCR testing. Our factories took steps to protect employees, first and foremost, and to stabilize operations by rearranging layouts to alleviate crowding and stepping up testing and vaccinations. We are also distributing production of key products at multiple sites to ensure that we are able to fulfill our responsibility to supply products.

### 2. Procurement

There is a global shortage of semiconductors and electronic parts due to a combination of factors, including US-China friction, the pandemic, and disasters at key manufacturers' sites. In addition, a protracted war in Ukraine could affect the procurement of raw materials and noble gases by parts manufacturers. Epson is working to secure parts and indirect materials by strengthening relationships with suppliers, multi-sourcing, and switching to alternative products. Moving forward, we will further stabilize procurement by increasing the visibility of our parts and raw materials supply chain and by forging strategic partnerships with suppliers.

### 3. Logistics

A rise in the number of people staying home due to COVID-19 helped to drive demand for goods so high that it exceeded shipping capacity. This created a serious shortage of space and shipping containers, schedule delays, and skyrocketing freight charges, especially in international ocean freight. Epson is trying to secure long-distance shipping by cooperating with the production sites to manage the volume of shipments and speed up dispatch and by strengthening ties with shipping companies. We will attempt to stabilize our logistics operations through partnerships with shipping companies, improved container loading efficiency, and greater shipment uniformity.

## Internal Audits

---

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

Each year, the units to be audited are chosen by assessing the risk at each division and each subsidiary and related organization in Japan and overseas. Then an auditing cycle is set that is designed for effectiveness and efficiency. Audits are then performed systematically. In the 2021 fiscal year, the internal audit department audited 19 business units and provided them with concrete advice on correcting 60 observed nonconformities. In the 2022 fiscal year, business units were grouped into 71 organizations. The internal audit department conducted risk assessments on the groups, selected the units to be audited, and is performing the audits.

## Internal Controls over Financial Reporting

---

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

## Organizational Governance

# Initiatives of Internal Control

## Anti-Corruption/Anti-Bribery

### Basic Principles

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

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

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

### Epson Group Anti-Bribery Regulation

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

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

## Anti-Corruption Activities

Anti-corruption activities at Epson are overseen by a compliance control department per the Epson Group Anti-Bribery Regulation, and various supervisory departments work together to monitor and control entertainment and gift-giving, invitations, donations, sponsorships, agency management, hiring, and much more.

Topic	Description
Response to risks	Anti-corruption law violations are cited as an important company risk. Risks are evaluated based on the likelihood of corruption (per the Corruption Perceptions Index) in countries and territories around the world and at Epson's overseas subsidiaries, as well as on the impact that an incident of corruption would have. For high-risk organizations, we formulate and execute control plans every year, regularly check plan progress, evaluate action effectiveness, and report the findings to the board of directors.
Business partners	Bribery and collusion with business partners are prohibited. Departments with primary responsibility for oversight of business partners are in charge of anti-bribery and anti-corruption activities. The procurement department evaluates new suppliers prior to the start of business transactions and evaluates existing suppliers by means of a detailed annual CSR self-assessment questionnaire.
Entertainment and gift-giving	Illegal and unethical gifts and entertainment are prohibited, and prior approval is required for gifts and entertainment. Advance requests are submitted, examined, and checked to determine whether gifts and entertainment are acceptable.
Education	We formulate annual education plans to officers, regular employees, contract employees, part-time employees and others, share information about cases of bribery and corruption, and require all personnel to complete an online course during October of each year, which we have designated as Compliance Month. We also provide anti-bribery and anti-corruption education to our people in procurement, sales, development, and design, as these organizations are at higher risk of bribery and corruption.
Response to incidents	If a violation that has a material impact on Group management should occur, the Crisis Management Committee will be called upon to invoke the crisis management program.

## Compliance Promotion Activities

To instill internal compliance awareness, Epson provides online courses, training, and more on a regular basis to all personnel, including 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 raise employee compliance awareness throughout the global Epson Group based on our Management Philosophy and Principles of Corporate Behavior. This helps employees recall the importance of compliance to the realization of the Management Philosophy.

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.

## Global Compliance Activities

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

## International Trade Initiatives

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

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

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

### Certifications

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

## Tax Compliance Policy

---

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

### 1. Tax governance

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

### 2. Monitoring tax affairs

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

### 3. Tax planning and Tax avoidance

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

### 4. Dealing with uncertainty

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

### 5. Transfer pricing taxation

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

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

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

### 7. Relationships with tax authorities

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

## Organizational Governance

# Security

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

## Information Security

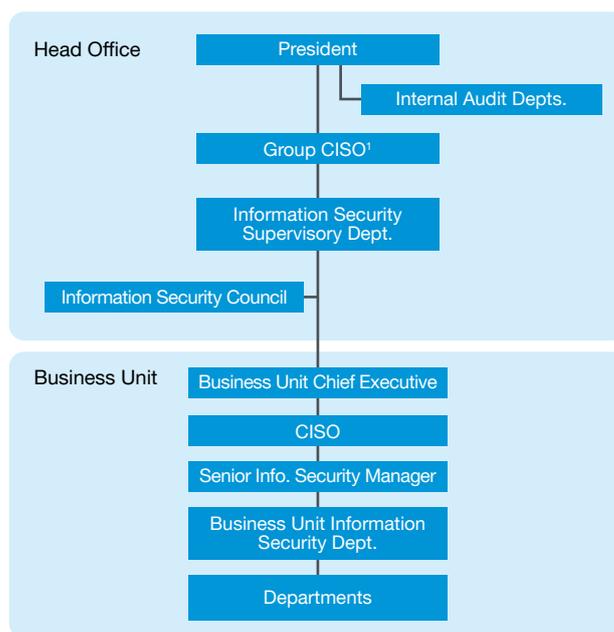
Epson has set forth essential information security principles and rules in a Basic Information Security Policy. The company is building an information security governance framework and fostering a corporate culture that reflect the importance and principles of good information security practices.

[Basic Information Security Policy \(Please refer to page 307 of “Appendices”\)](#)

### Information Security Framework

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

Information Security Organization



¹ Chief Information Security Officer

### Program

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

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

## Cyber Security

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

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

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

## Training

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

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

## Personal Data Protection

---

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

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

### Basic Approach to Personal Data Protection

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

### Personal Data Management Framework

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

## Training

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

- A course for employees who handle personal data
- Online courses regarding Europe's General Data Protection Regulation

## List of certifications

### Information Security Management System (ISMS) Certification (As of August 2022)

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

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

### ISMS Cloud Security Certification (As of August 2022)

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

## Privacy Mark (As of August 2022)

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

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

## Intellectual Property Protection

---

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