

Governance

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Governance

Corporate Governance

To realize our Purpose, which expresses our aim or reason for being in society based on the Epson Way, which defines our values and behaviors based on the Management Philosophy, Exceed Your Vision, promote sustainable growth, and increase corporate value over the medium and long term, Seiko Epson Corporation (“the Company”) strives to continuously enhance and strengthen corporate governance so as to realize transparent, fair, fast, and decisive decision-making.

Under a company with an Audit & Supervisory Committee, to further increase the effectiveness of corporate governance, the Company further improves the supervisory function of the Board of Directors, further enhances deliberation and speeds up management decision-making.

Basic Corporate Governance Principles

The general principles of corporate governance at the Company are as follows:

1. Respect the rights of shareholders, and secure equality.
2. Bear in mind the interests of, and cooperate with, stakeholders, including shareholders, customers, local communities, business partners, and Epson personnel.
3. Appropriately disclose company information and maintain transparency.
4. Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary duties and shall fulfill the roles and responsibilities expected of them.
5. Engage in constructive dialogue with shareholders.

Corporate Governance System

The Company is structured as a company with an Audit & Supervisory Committee. It has a Board of Directors, an Audit & Supervisory Committee, and a financial auditor. It has also voluntarily established advisory committees for matters such as the Director nomination and compensation.

This governance system was adopted to further increase the effectiveness of corporate governance by strengthening supervision over management and by enabling the Board of Directors to devote more time to discussions while speeding up decision-making by management.

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 these responsibilities, the Board of Directors will exercise a supervisory function over general management affairs, maintain management fairness and transparency, and make important business decisions, including decisions on things such as management plans, business plans, and investments exceeding a certain amount.

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 directors¹, including six Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. Chairman of the Board, who is a non-executive director, acts as the chairman of the Board meetings. 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. To speed up management decisions and increase business agility as a company with an Audit & Supervisory Committee, the Company has expanded the scope of affairs delegated to executive management from the Board of Directors, including capital investments below a certain threshold. The Company held a total of 13 meetings of the Board of Directors in FY2022 and three meetings in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders in June 2023, to establish our Purpose and the review of the philosophy structure, receive reports on the status of execution of each business and the status of deliberations on mid-term strategies, and to deliberate future strategies to achieve Epson 25 Renewed. The attendance rate of each Director was 100%. Corporate Governance Policy states that at least one-third of the board members should be Outside Directors.

¹ As of June 30, 2023

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 verifies the effectiveness of the internal control system and conducts audits primarily in cooperation with internal audit departments and the financial auditor. The Audit & Supervisory Committee has established basic guidelines for selecting outside financial auditors and evaluates their independence, audit quality, etc. based on certain standards. Resolutions concerning financial auditors selected by the Committee per the guidelines are submitted for approval at a general meeting of shareholders. The Audit & Supervisory Committee also discusses the selection, dismissal, resignation, and compensation of Directors who are not Audit & Supervisory Committee members and decides on the opinions to be presented at a general meeting of shareholders.

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 members², 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.

² As of June 30, 2023

Compliance Committee

The Compliance Committee's function is to discuss the content of reports that it receives concerning important compliance activities, and report its findings and communicate its opinions to the Board of Directors in order to see that compliance activities are appropriately executed by line management.

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 Outside Directors and Directors who are Audit & Supervisory Committee members. The Compliance Committee is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are held every half year and as needed. Financial auditors and the head of the internal audit control departments attend meetings of the Committee as observers.

A Chief Compliance Officer (CCO) is elected by the Board of Directors and supervises and monitors compliance-related affairs on the whole. The CCO periodically reports the state of compliance affairs to the Compliance Committee.

Director Nomination Committee & Director Compensation Committee

The Company has established the Director Nomination Committee and the Director Compensation Committee as voluntary deliberation bodies, and they are chaired by an Outside Director, and the majority of committee members are Outside Directors. These Committees are designed to ensure transparency and objectivity in the screening and nomination of candidates for Director, Executive Officer, and Special Audit & Supervisory Officer and in matters of Director compensation. The Human Resources Department serves as the secretariat for these deliberation committees. These Committees operate in accordance with the regulations that were approved by resolution of the Board of Directors.

The overview of each of these Committees is as follows:

Composition

Both the Director Nomination Committee and the Director Compensation Committee are composed of all Outside Directors, President and Representative Director, and the Outside Directors shall select the committee chairs from among themselves. Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of either Committee as observers.

The current³ members are as follows:

Chairman: Outside Director, Yoshio Shirai

Members: Outside Directors, Mari Matsunaga, Tadashi Shimamoto, Masaki Yamauchi, Susumu Murakoshi, Michiko Ohtsuka, and Yasunori Ogawa, President

³ As of June 30, 2023

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

The Company has established 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 13 times in FY2022 and four times in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders held in June 2023. The Committee deliberated on matters including succession planning for the President and Representative Director, policies for selecting Officers (Directors, Executive Officers and Special Audit & Supervisory Officers) and proposing candidates, selection of Outside Director candidates, revision of the executive officer system and review of skill matrix.

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

The Company has established a Director Compensation Committee to impartially examine through a transparent and objective process proposals and discussions concerning matters such as the compensation system and by-laws 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 seven times in FY2022 and three times in FY2023 from April 2023 to the Ordinary General Meeting of Shareholders held in June 2023. The Committee deliberated on matters including the amount of base compensation for each Director, bonus payment coefficient and amount for each Director, number of shares to be allocated and amount of monetary compensation claims under the restricted stock compensation plan, a company indemnification plan, and renewal of directors and officers liability insurance.

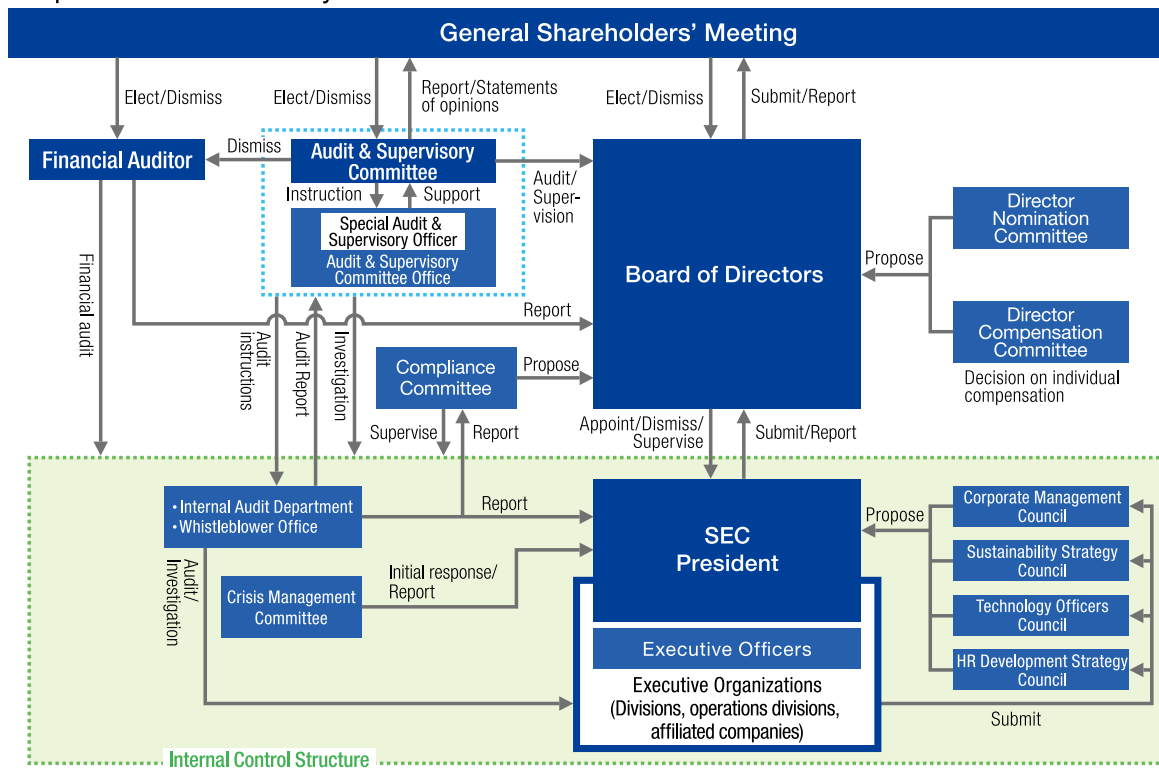
Committee Attendance

The attendance rate of each member of the Director Nomination Committee and the Director Compensation Committee during the FY2022 and during the period from April 2023 to the June 2023 Ordinary General Meeting of Shareholders was 100%.

Corporate Management Council

The Corporate Management Council is an advisory body to the President whose purpose is to help ensure that the right decisions are made based on a range of opinions on the executive management side. Meetings of the Corporate Management Council are where Directors, each business and General Administrative Managers, etc. exhaustively examine important business topics that affect the Epson Group as a whole and matters on the agenda for meetings of the Board of Directors. The Corporate Management Council is generally held on a weekly basis. Outside Directors can attend this meeting, but even if they cannot attend, they are provided with materials for the topics discussed and supplementary explanations of what was discussed. The Company strives to ensure the fairness and transparency of the execution of business affairs through the attendance of a Director who is a Full-Time Audit & Supervisory Committee member and Special Audit & Supervisory Officer.

Corporate Governance System



Nomination of Officers

The policies and procedures for nominating Director candidates and for selecting and dismissing Executive Officers (including the President) 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 the Company per the bylaws established by resolution of the Board of Directors.

* Per the Company 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 partner¹, or has served as an executive² within the past five years in an entity for which the Company is a major business partner;
 - II. The person is a major business partner³ of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
 - III. The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation⁴ (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
 - IV. The person is a major shareholder⁵ of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
 - 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 lender⁶ 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 donation⁷ from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
 - X. The person came from an entity with a relationship of reciprocal employment of Outside Director⁸; 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.
8. "Reciprocal employment of Outside Director" means accepting an Outside Director from an entity that currently employs someone from the Company as an Outside Director.

Reason for Appointed as Outside Directors

Name	Reason for Appointment
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>As an Outside Director of the Company, she has appropriately monitored management, actively pointing out business issues and offering recommendations particularly from the viewpoints of open innovation promotion, etc. The Company believes that she will utilize her wealth of experience and insight to continue to monitor management appropriately to achieve sustained growth and increase medium- to long-term corporate value.</p>
Tadashi Shimamoto	<p>Mr. Shimamoto has served as President and Chairman of Nomura Research Institute, Ltd. and has a wealth of experience and insight as a corporate manager and in fundamental technology, distribution, service, and industry-related systems. The Company believes that he will monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term through his active opinions and proposals from the perspective of overall management and DX/IT systems, based on his familiarity with corporate management in the information and telecommunications industry, which is a different business field.</p>
Masaki Yamauchi	<p>Mr. Yamauchi has served as President and Chairperson of the Board of Directors of Yamato Holdings Co., Ltd. and has a wealth of insight and experience in corporate management. The Company believes that, based on his experience in practicing satisfaction-creating management that makes full use of digital technology, his efforts to instill Yamato's DNA (values) in employees and his track record of fostering organizational culture, he will monitor corporate management appropriately, aiming at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term through his active opinions and proposals from the perspectives of organizational management, DX/IT, and sustainability that relate to the fundamentals of corporate management.</p>
Yoshio Shirai	<p>Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee member of the Company. The Company believes that he will utilize his wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management.</p>
Susumu Murakoshi	<p>Mr. Murakoshi has a high level of expertise as an attorney. Having served as the President of Japan Federation of Bar Associations and the President of Japan Attorneys Political Association, he has a wealth of experience in the legal community. The Company believes that he will utilize his wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management. He has never been involved in corporate management except as an outside officer. However, given the reasons above, the Company believes that he can appropriately perform his duties as an Outside Director who is an Audit & Supervisory Committee member.</p>
Michiko Ohtsuka	<p>Ms. Ohtsuka has a high level of expertise as a certified public accountant. The Company believes that she will utilize her wealth of experience and insight to continuously contribute to monitoring management appropriately to achieve sustained growth and increase medium- to long-term corporate value, as well to ensure soundness of the management. She has never been involved in corporate management except as an outside officer. However, given the reasons above, the Company believes that she can appropriately perform her duties as an Outside Director who is an Audit & Supervisory Committee member.</p>

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, 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	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design	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	Tatsuaki Seki					●	●	●
Outside Director	Mari Matsunaga			●	●			
Outside Director	Tadashi Shimamoto	●	●		●			
Outside Director	Masaki Yamauchi	●		●	●			
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, 2023.

Compensation of Officers

The policies and procedures related to officer compensation are as follows:

Policies

Compensation for Executive Officers

1. Compensation shall provide an incentive to improve business performance and reflect the commitment thereof in order to promote the Epson Group's sustainable growth and corporate value in the medium and long term.
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 directors and executive officers can demonstrate their management capabilities to the fullest during their tenure.
4. Compensation shall clearly reflect the linkage between officer compensation and the value of the Company's shares and strengthen awareness of the need to share profits with shareholders.
5. A mechanism to suppress fraud shall be embedded.
6. The process for determining compensation shall be highly transparent, objective, and fair.

Compensation for Non-Executive Officers

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.

Procedures

With the aim of ensuring transparency and objectivity, compensation of officers is determined through resolutions at the General Meeting of Shareholders and the Board of Directors' meeting for Directors who are not Audit & Supervisory Committee members, or through resolutions at the General Meeting of Shareholders and discussions by Audit & Supervisory Committee members for Directors who are Audit & Supervisory Committee members, after going through fair, transparent and rigorous reporting by the Director Compensation Committee. With regard to compensation of the Directors who are not Audit & Supervisory Committee members, the Audit & Supervisory Committee shares and discusses what have been examined by the Director Compensation Committee to confirm whether there are special items to be stated at the General Meeting of Shareholders. Matters related to the compensation, including the individual amounts, of the Directors who are not Audit & Supervisory Committee members are left to the discretion of the Director Compensation Committee.

Compensation Structure

The Company's officer compensation shall consist of base compensation, which is comprised of fixed compensation, bonuses, which is performance-linked compensation, and stock compensation, which is non-monetary compensation. Given their roles to monitor the management as a whole as well as their independence from the business affairs, the Company pays only base compensation to non-executive officers and therefore does not pay bonuses and stock compensation.

Base compensation (fixed)

Base compensation is a monetary compensation that is determined in accordance with the position and the magnitude of roles including the contents of operations commissioned and delegated (“Role Grade”). It is paid monthly during the terms of office. Depending on the operating performance of the company and other reasons, the Board of Directors may take measures to increase or decrease the amount.

Performance-linked compensation (bonuses)

Bonus is an annually paid variable performance-linked compensation for officers with executive duties that is determined by the achievement level of the annual operating performance targets and personal goals. In consideration of the nature of bonuses as a short-term incentive, the amount of annual company-wide ROE among others is set as a performance indicator, taking into account factors such as the achievement level of personal goals.

The amount of bonuses payable is calculated by multiplying the annual total compensation calculated based on position and Role Grade by the ratio of bonus (25% to 30%) by position and Role Grade to derive the base bonus amount, and taking the base bonus amount and multiplying it by a coefficient (0% to 200%) corresponding to the achievement level against the company-wide ROE target and other performance indicators and a coefficient ($\pm 40\%$) corresponding to the achievement level of personal goals.

Restricted stock compensation (non-monetary)

The restricted stock compensation is a stock compensation aimed at further promoting sharing of value with shareholders and providing officers with a greater incentive than before to increase the stock price, sustain growth, and increase medium- to long-term corporate value. It is paid to Directors with executive duties once a year.

Pursuant to the resolution of the Board of Directors of the Company, the Company will pay monetary compensation claims up to the aforesaid 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.

The restricted stock allotment agreement will include the following:

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 “the 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 the Allotted Stock upon the end of the final day 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 the stock price with general shareholders and to enhance the incentive to increase the stock price, sustain growth, and increase medium- to long-term corporate value, the achievement levels against the indicators including the company-wide ROIC and sustainability goals are set as indicators.

The number of shares to be allotted during the target period is calculated by multiplying the amount of annual total compensation calculated based on the position and Role Grade of each Director by the ratio of stock compensation (20% to 25%) commensurate with position and Role Grade by the coefficient (80% to 120% for each) corresponding to the achievement levels against the indicators including the company-wide ROIC and sustainability goals to derive the base compensation amount, and dividing the base compensation amount by the value of restricted stock per share determined by the Board of Directors.

The amount of monetary compensation claim paid to each Director as compensation, etc. concerning restricted stock is calculated by multiplying the number of shares to be allotted by the closing price of the common stock of the Company on the Tokyo Stock Exchange on the business day immediately preceding the date of the Board of Directors' resolution regarding the issuance or disposal.

Compensation to Directors (FY2022)

Category	Total compensation (millions of yen)	Total compensation by type (millions of yen)			Number of individuals
		Base compensation	Performance-linked compensation	Restricted stock compensation (non-monetary)	
		Fixed (monetary)	Bonus (monetary)		
Directors who are not Audit & Supervisory Committee members (amount accounted for by Outside Directors)	352 (30)	205 (30)	110 (-)	36 (-)	6 (2)
Directors who are Audit & Supervisory Committee members (amount accounted for by Outside Directors)	81 (48)	81 (48)	- (-)	- (-)	4 (3)
Total	434	287	110	36	10

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 110 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 27, 2023.
- The stock compensation stated above represents the amount recorded for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).
- 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 19 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 to November

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

FY2021 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) 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 opportunities for the Board members* to discuss progress and issues related to the environment, DX, and co-creation and took additional steps, as described below, to accelerate the realization of Epson 25 Renewed.

- Environment:

The Board of Directors discussed at length 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:

The Board of Directors discussed initiatives toward formulating and coordinating digital transformation (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. The acquisition of DX and IT talent was a priority issue in the 2020 fiscal year evaluation of Board effectiveness. The Company has begun, and will continue taking, a different approach to this issue than before, including referral-based recruitment and hiring overseas IT engineers dispatched by temporary staffing agencies as regular employees.

- Co-creation:

The Board of Directors 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.

* Directors and other attendees (as in all cases below)

(2) Intensify discussions on succession plans and training of the management team and drive further improvement

The Board members discussed management succession plans, skill matrices, officer training, and other related matters. They clarified the direction and remaining challenges in addressing each issue. Moving forward, the Board of Directors will address the remaining identified challenges, along with the issues in the Board effectiveness evaluation for the 2022 fiscal year.

FY2022 Evaluation Results

Board effectiveness in the 2022 fiscal year was evaluated by again having all Board members complete a questionnaire that covered the topics below, and then analyzing and evaluating effectiveness based on the answers. Some new items were added to the questionnaire and some other items were revised in the light of recent corporate governance trends.

1. Composition of the Board of Directors
2. Functions of the Board of Directors
3. Activities of the Board of Directors (self-evaluations and evaluations by other Directors)
4. Operation of the Board of Directors
5. Functions and operations of advisory bodies to the Board (the Director Nomination Committee, Director Compensation Committee, and Compliance Committee)
6. Succession planning and training of the management team
7. Compensation of the management team
8. Dialog with shareholders
9. Epson 25 Renewed progress
10. Free comments

The results of the evaluation showed that the Board of Directors as a whole is functioning effectively. However, Board members held discussions and, considering the results of the 2021 fiscal year Board effectiveness evaluation, the Board identified the following issues in order to improve effectiveness in the future.

1. Enhance discussions on long-term corporate strategy.
2. Increase the ability to execute Epson 25 Renewed and the speed of execution.
3. Develop details of succession plans for the management team and carry out the plans.

* 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

The Company'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.

Governance

Internal Control System

The entire Epson Group embraces “the Epson Way”, which was founded on Epson’s Management Philosophy. Epson also established “the Basic Internal Control System Policy” to help ensure that operations across the Group are conducted appropriately in line with the Epson Way, and Seiko Epson is committed to steadily improving the overall level of the 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

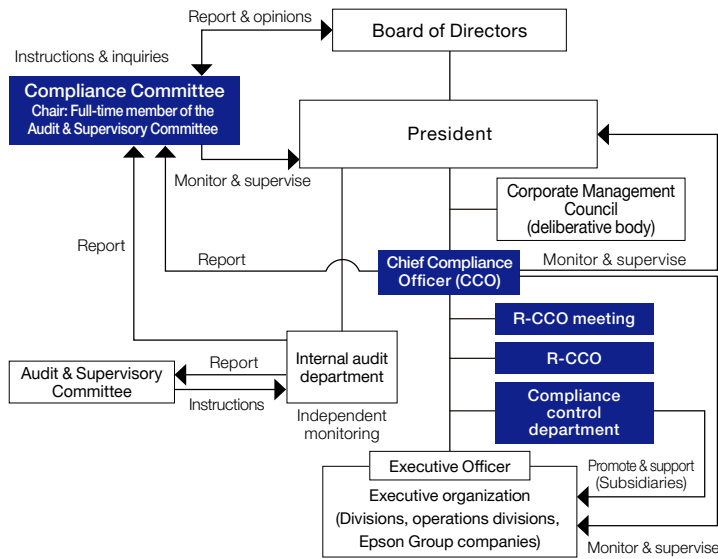
Epson’s goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the “Epson Way.” To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness and effectively manage compliance through faster decision-making. There were no legal or regulatory violations subject to disclosure in FY2022, 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 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



Whistleblowing Systems and Reporting Channels

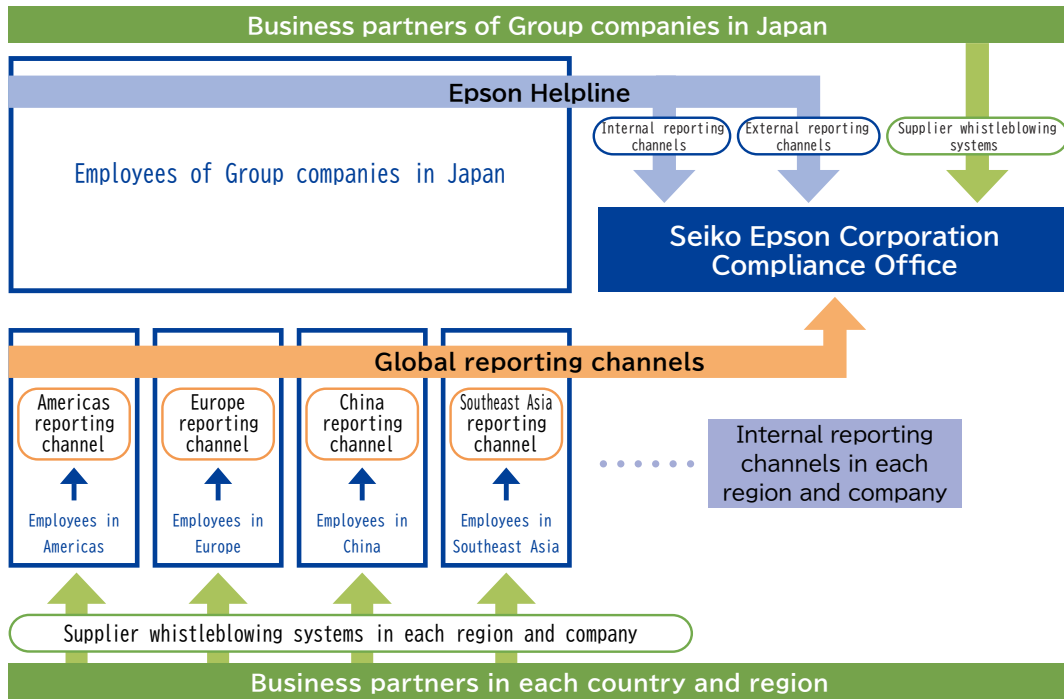
Epson provides reporting channels to obtain information from officers, regular employees, contract employees, and temporary workers to quickly call our attention to potential compliance problems that might go undetected. We set up a process for escalating reports of concern. The basic rules for whistleblowing 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, including in the Americas, Europe, China, and Southeast Asia, provide reporting channels based on them. Whistleblowing systems comply with the laws and regulations of each country and region, including, in Japan, the Whistleblower Protection Act. 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 Epson Group companies around the world have set up supplier whistleblowing systems to receive reports from suppliers and other external business partners. As with Epson’s internal reporting channels, the information contained in reports is strictly protected, reprisals against whistleblowers are prohibited, and anonymity is ensured. Suppliers and other external business partners are notified about supplier whistleblowing systems in written supplier guidelines and 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 Management Council. The identity of whistleblowers is kept confidential.

Epson Group Whistleblowing System



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 and operate 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 114 reports in the 2022 fiscal year (ended March 31, 2023), an increase of 21 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	Diversity counseling	Women’s health counseling
Employee counseling	Corruption (bribery) regulations & Competition laws advisory service	Insider trading advisory service

Support System Outside Japan

All overseas Group companies, including in the Americas, Europe, China, and Southeast Asia, 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.

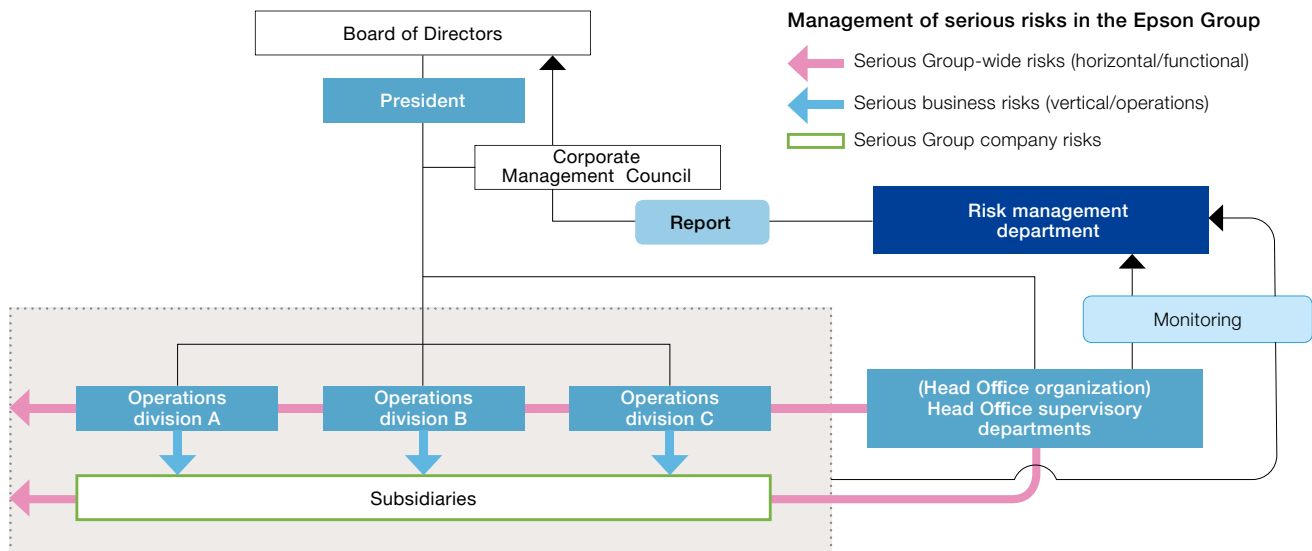
We have also introduced an Epson Executive Compliance Hotline, a global reporting system that Epson uses to directly receive compliance-related reports involving executives in subsidiaries outside Japan. The system helps us to improve the completeness and effectiveness of the reporting system in the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

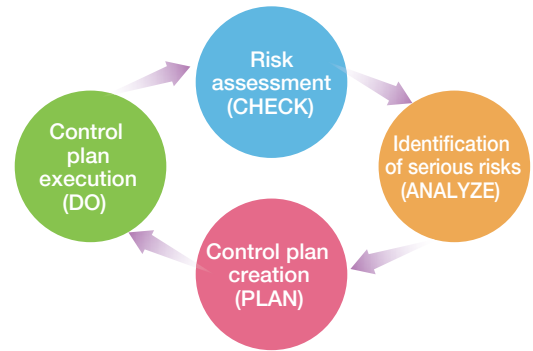
Risk Management Organization Chart



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 pre-determined crisis management program are in place to enable us to rapidly mount an initial response in a crisis.

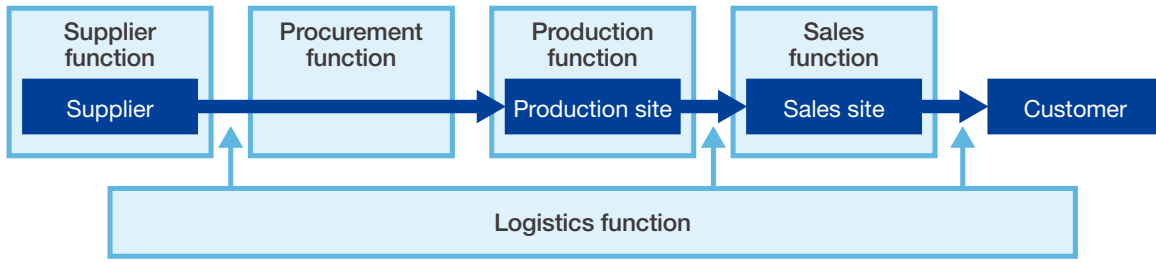
The activities of the Crisis Management Committee are regularly reported to executive management, including outside directors, through meetings of the Corporate Management Council and Board of Directors.

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.

Supply Chain BCM

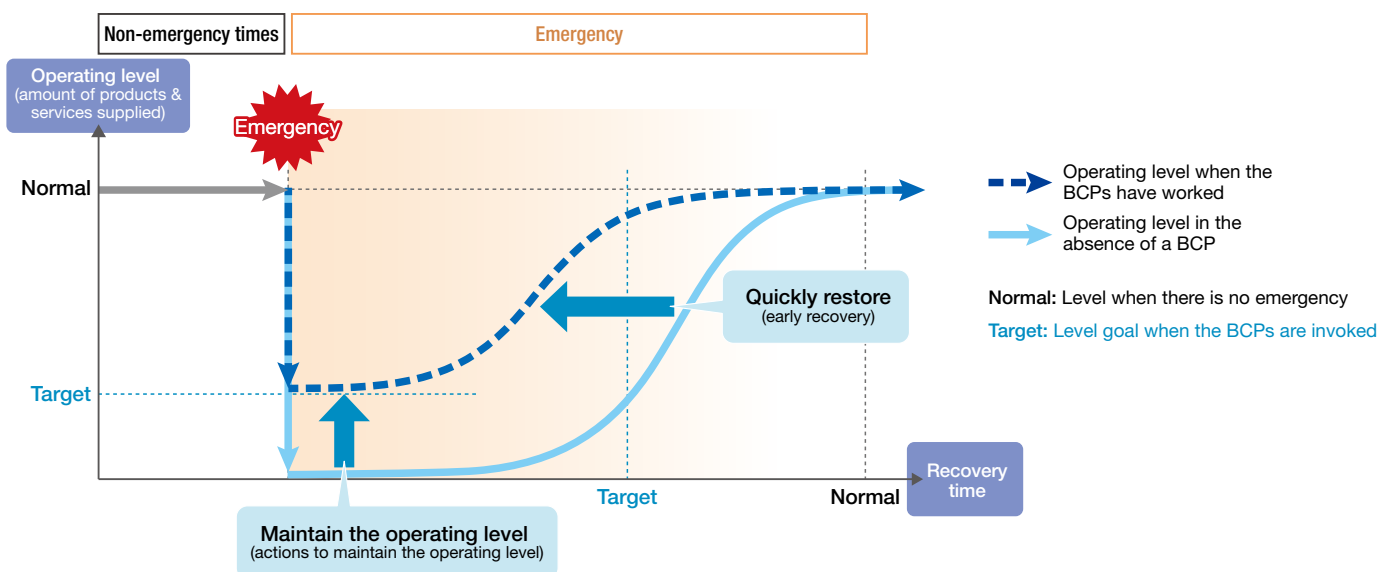
To establish a more robust supply chain, one that can withstand the challenges that tend to arise with increasing sophistication and complexity, we have established a basic strategy of distributing functions, securing alternatives, and increasing resilience. We have divided the functions into five categories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

Since 2019, global supply chains have been interrupted and disrupted by a series of challenges, not least of which were the COVID-19 pandemic along with chip and shipping container shortages. However, in 2022, the pandemic began to recede, and countries around the world began resuming normal social and economic activities. Moreover, challenges such as semiconductor and shipping container shortages have significantly eased as market conditions improved. Still, the conflict in Ukraine, the global geopolitical situation, disasters, and other supply chain risks have not been resolved. If anything, they have increased and become more serious. Epson is addressing these risks by taking the actions described below.

1. Production

In preparation for future outbreaks of infectious disease, we have established preventive guidelines to protect our employees—our top priority—and to minimize the impact on production.

To fulfill our product supply obligations, we are moving toward geographically distributed. We are also increasing the resilience of all our production facilities, particularly the domestic Japanese factories responsible for manufacturing the core components of each of our businesses.

2. Procurement

We are gathering more in-depth supply chain information and enhancing our ability to detect risks. Furthermore, we will implement effective, practical procurement risk avoidance measures (preventive measures) to ensure stable material procurement.

We will secure multiple sourcing options, expand the evaluation of alternative products, keep BCP inventory, and strengthen relationships with partners to achieve these objectives.

3. Logistics

In addition to further strengthening partner relationships, we will increase the visualization of logistics, improve the communication and coordination of information between manufacturing sites and sales sites, and deliver goods to meet the demands of our customers.

We will diversify the means and modes of distribution, including transport routes, ocean and air freight, and warehouse facilities. Additionally, we will continue to improve product loading efficiency in all businesses, mitigate logistics risks, improve logistics efficiency, and minimize environmental impact.

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 2022 fiscal year, the internal audit department audited 16 business units and provided them with concrete advice on correcting 51 observed nonconformities. In the 2023 fiscal year, business units were grouped into 75 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.

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

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.

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 Control 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 own regulations of each country to respond the changes in international situation as well as 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 for reliable trade management for entire EPSON Group. As a result, EPSON Group companies have many certifications around the world as companies that complies with the systems and programs established by the authorities of each county in Japan, North America, Latin America, Europe, China, Asia, etc., especially in areas of security trade control and security management that strict operations are required.

These contribute to an efficient and speedy supply chain for the entire group, such as simplification of import/export procedures and cost reduction.

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 Management 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.

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

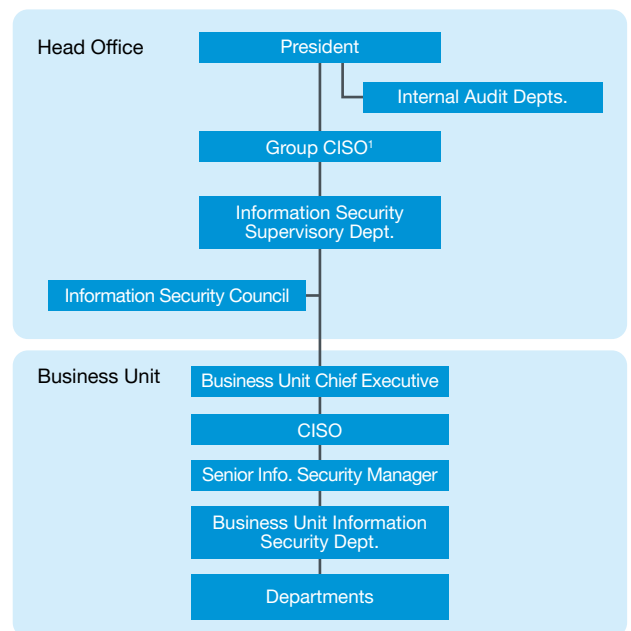
Epson has set forth essential information security principles and rules in a Basic Information Security Policy. The company is building an information security governance framework and fostering a corporate culture that reflect the importance and principles of good information security practices.

[Basic Information Security Policy \(Please refer to page 335 of “Appendices”\)](#)

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

To deal with increasingly sophisticated cyber security threats and attacks, we have established a medium-term plan that defines our policy on cyber security measures on a global level and are strengthening our countermeasures. For reference, we have used the “Cyber Security Management Guidelines” of the Ministry of Economy of Japan, Trade and Industry and the “Cyber Security Framework” developed by the U.S. National Institute of Standards and Technology.

As part of this effort, we have begun monitoring cyberattacks, and are responding promptly to alerts regarding malware, including ransomware. We also use case studies of past incidents as training material and revise our response procedures accordingly.

We have 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 2023)

Name of organization	Seiko Epson Corporation
Certification standard	ISO/IEC 27001:2013 / JIS Q 27001:2014
Scope of certification and registration	The following business in DX Division - Operation management of cloud service to accounts business - Operation management of common platform The following business in Printing Solutions Division - Operation management of cloud print and scan service - Operation management of remote monitoring system The following business in VSM Project - Operation management of health guidance
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	-The embedded software development and application development for IT devices -The Technical documentation and translation for the above-mentioned IT related products and services -The Quality evaluation for IT devices and application software -The Business application system development -The Operation and administration of internal backbone network, servers, and information systems
Certifying organization	BSI Group Japan Co., Ltd.
Certification registration No.	IS 85200

ISMS Cloud Security Certification (As of August 2023)

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 June 2023)

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.