

Epson 25 Renewed Corporate Vision

Seiko Epson Corporation
March 18, 2021

- Our Aspirational Goal
- Environmental Vision 2050
- Review and the Business Environment
- Epson 25 Renewed
 - Vision
 - Innovation Strategy
 - Strengthening Business Infrastructure
 - Financial Targets
 - Strengthening Governance

Achieving sustainability and enriching communities



Epson will become carbon negative and underground resource*¹ free by 2050 to achieve sustainability and enrich communities

*1 Non-renewable resources such as oil and metals



Goals

- 2030: Reduce total emissions in line with the 1.5°C scenario*²
- 2050: Carbon negative and underground resource*¹ free

Actions

- Reduce the environmental impacts of products and services and in supply chains
- Achieve sustainability in a circular economy and advance the frontiers of industry through creative, open innovation
- Contribute to international environmental initiatives

*1 Non-renewable resources such as oil and metals

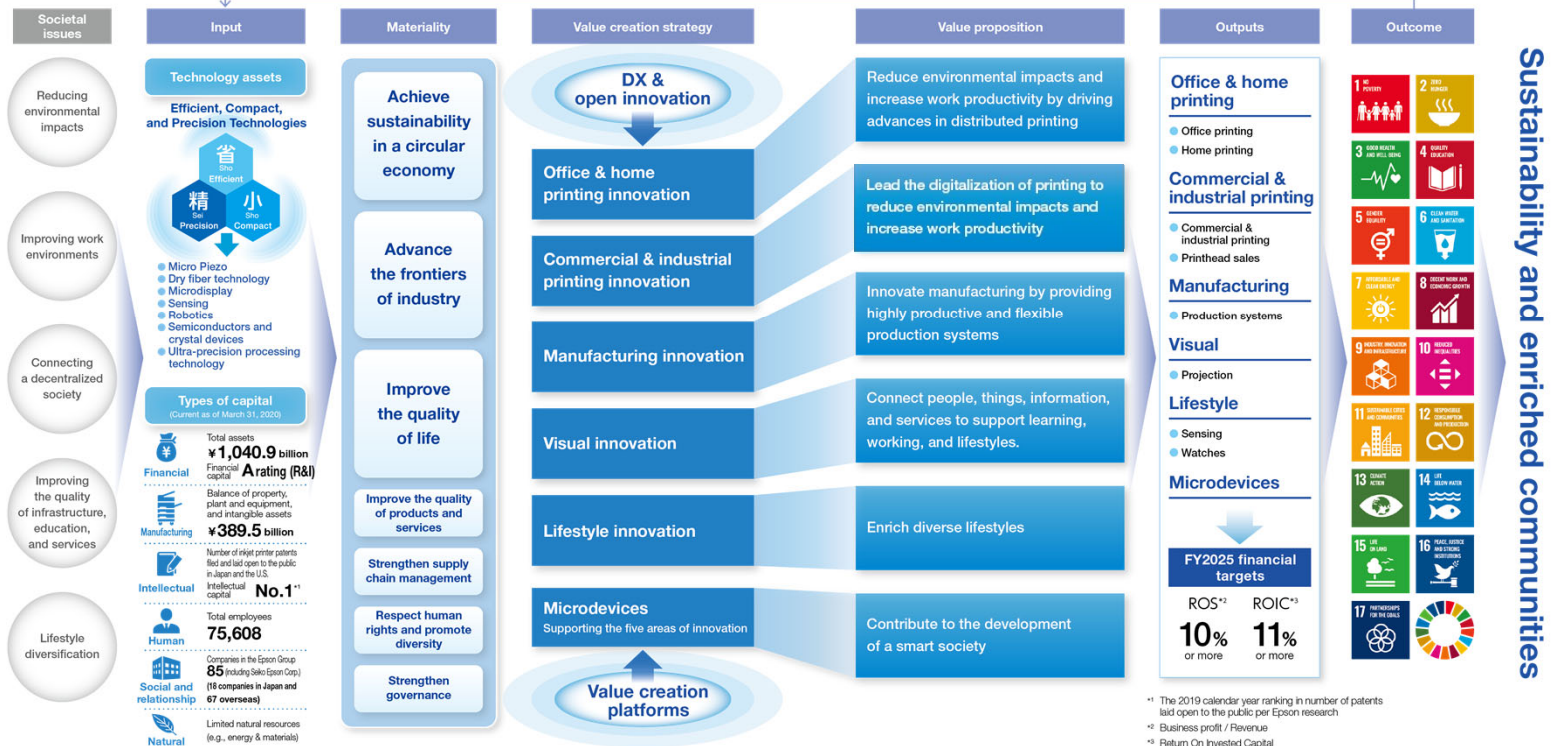
*2 Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTi)

Value Creation Story for Realizing our Aspirational Goal

2050 Environmental Vision 2050

2030 SDGs

2025 Epson 25 Renewed



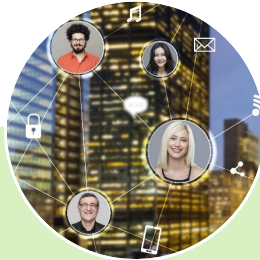
Societal Issues We Will Address



**Reducing
environmental
impacts**



**Improving
work
environments**



**Connecting a
decentralized
society**



**Improving
the quality of
infrastructure,
education,
and services**



**Lifestyle
diversification**

Materialities We Will Address

Epson sees achieving sustainability in a circular economy, advancing the frontiers of industry, and improving the quality of life as key themes for solving societal issues.



Achieve
sustainability in a
circular economy



Advance the
frontiers of industry



NEW

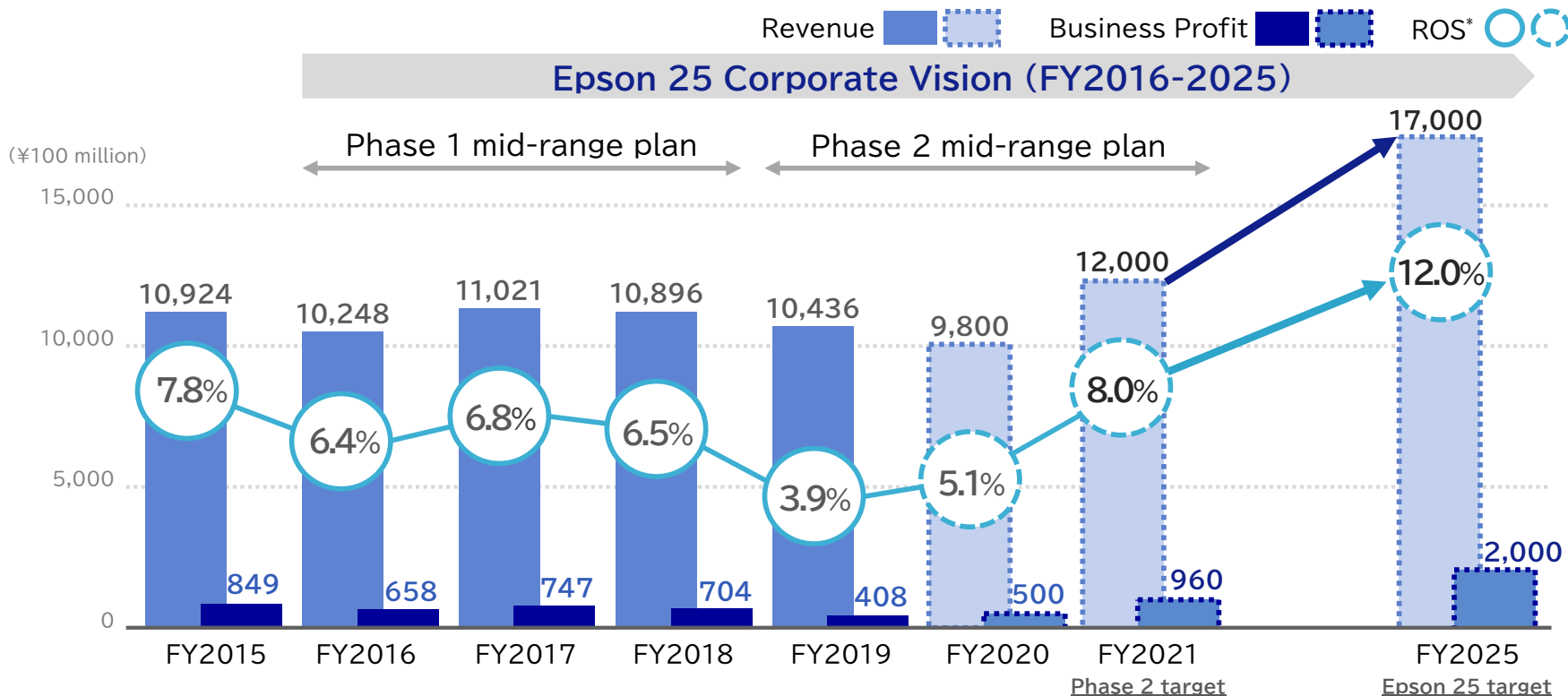
Improve the quality
of life



Review and the Business Environment

Achieving our previous FY2025 financial targets unrealistic

* ROS = Business profit / revenue



Strategic actions moved forward but did not yield results

Actions

Expanded products and services

- **Launched strategic products**
(LIJs, high-capacity ink tank models, LFPs, high-brightness projectors, etc.)
- **Began subscription-based services**
- **Strengthened the printhead sales business**

Strengthened infrastructure

- **Allocated resources from a Group perspective**
- **Increased development speed and reduced costs through platform design**
- **Increased production capacity**
- **Built a B2B sales organization**
- **Established CVC and invested to acquire future technology**

Issues

- **Plan assumed excessive revenue growth**
 - Office, industrial printers
 - Robots, wearable products
- **Strategy execution lacked speed**
 - Deployment of solutions leveraging strengths in our hardware
 - Building a sales organization in industrial sectors
 - Establishment of technology to distinguish projectors from alternatives
 - Creation of new businesses
- **Slow response to environmental changes**
 - Use of digital in management and customer capture

Strategies and management processes need to be modified and financial targets reset
Rather than pursue excessive revenue growth, focus on priorities, secure profitability, and seek future growth

Issue

- Plan assumed excessive revenue growth
- Strategy execution lacked speed
- Slow response to environmental changes

Cause

- Unmindful of customer and competitor perspectives, together with mindset that superior products would be enough to drive sales
- Lack of sensitivity to changes in societal demands and weakness in incorporating them in company-wide strategy
- Lack of ability to execute strategy and over-emphasis on self-reliance
 - Sales organization centered on consumer products
 - Lack of human resource strategy

Response

- **Redefine business area goals and evolve strategies**
 - Product planning using customer data
 - Improve solutions
- **Strengthen company-wide strategy across businesses**
 - Formulate strategy centered on solving environmental issues
 - Provide solutions via DX
 - Build a co-creation framework
- **Allocate management resources to new areas and growth areas by clarifying business portfolio**
- **Strengthen business infrastructure to execute strategy**
 - Leverage data to strengthen sales tied to customer support
 - Recruit and develop diverse human resources

Increasing demand for solutions to environmental and other societal issues



Distribution/decentralization accelerating in the New Normal, heightened importance of connections and information



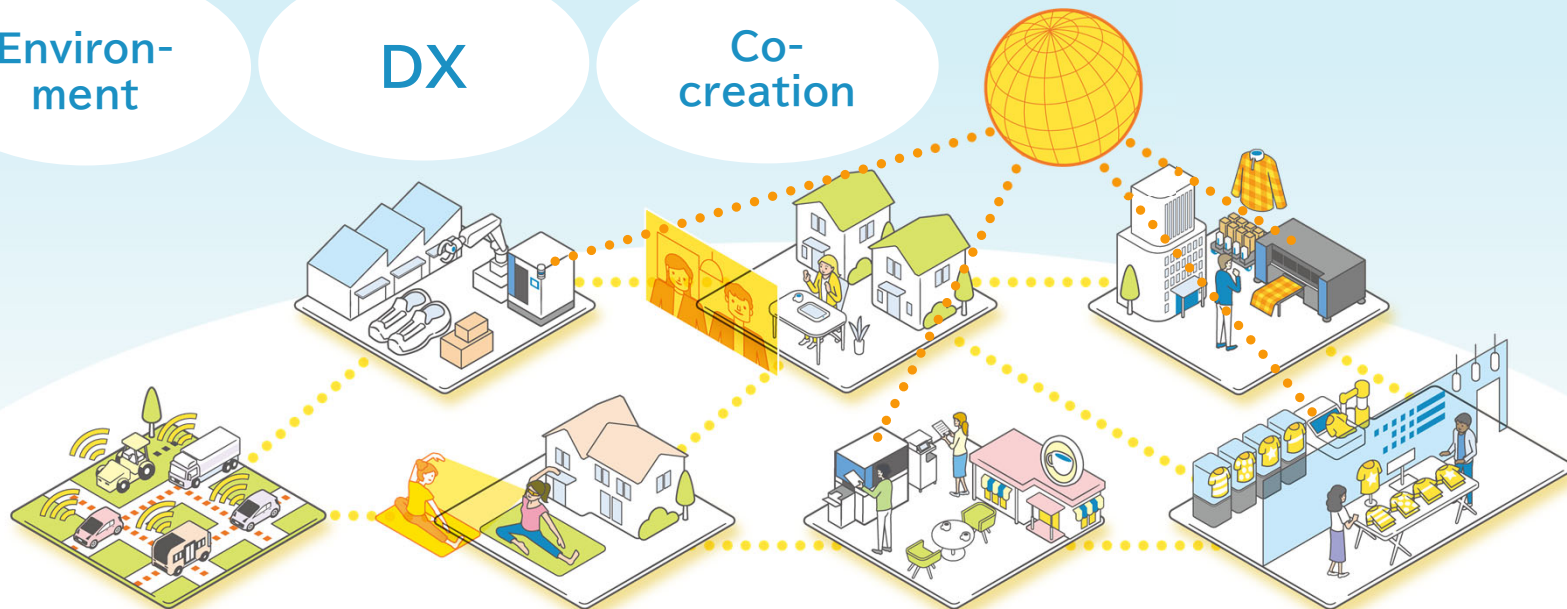
Epson 25 Renewed

Co-creating sustainability and enriching communities to connect people, things, and information by leveraging our efficient, compact, and precision technologies and digital technologies

Environ-
ment

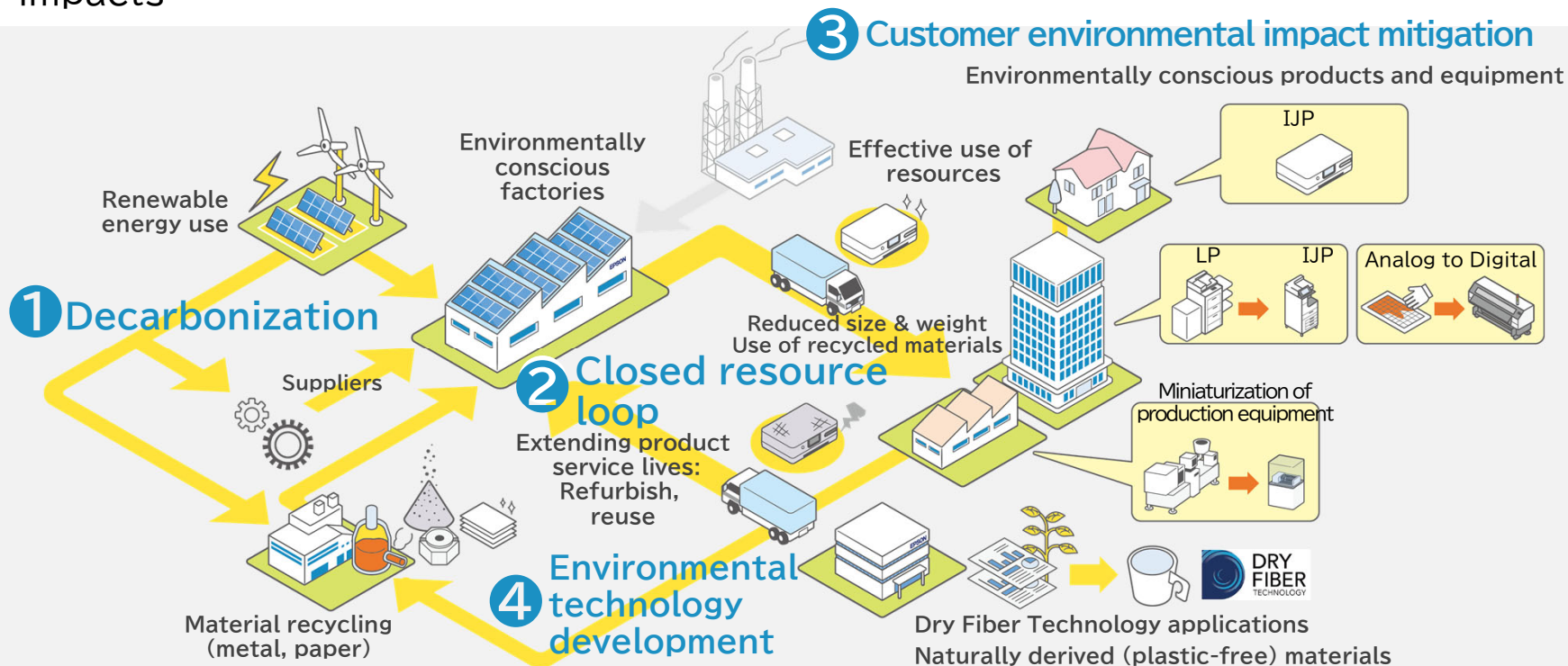
DX

Co-
creation



Environmental Initiatives

Promote decarbonization and close the resource loop, develop environmental technologies, and provide products and services that reduce environmental impacts



1

Decarbonization

- Renewable energy use
- Energy-saving facilities
- Greenhouse gas removal
- Supplier engagement
- Carbon-free logistics

2

Closed resource loop

- Effective use of resources
 - Reduce size and weight, use recycled materials
- Minimize production losses
- Extend product service lives
 - Refurbish and reuse

3

Customer environmental impact mitigation

- Lower power consumption
- Longer product life
- Fewer consumables and limited lifetime parts
- Digitalization of printing
- Miniaturization of production machines

4

Environmental technology development

- Dry fiber technology applications
- Naturally derived (plastic-free) materials
- Material recycling (metal, paper)

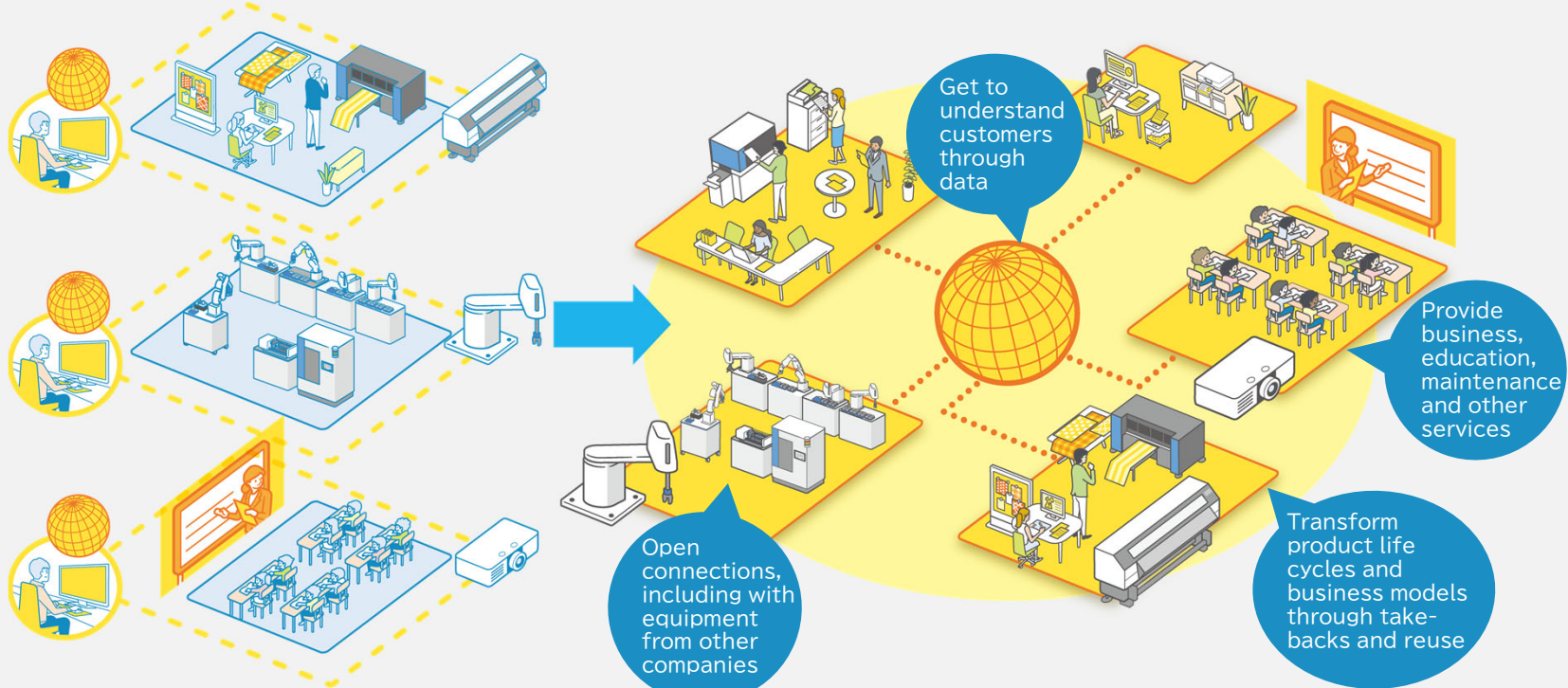
Environmental investment and spending

- **Spend ¥100 billion over the 10 years to 2030** 1 2 4
 - Reduce GHG emissions*1 in the supply chain by more than 2 million tonnes
 - Use renewable energy to meet 100% of the electricity needs of the entire Epson Group by 2023 (achieved in Europe sales offices: April 2020, plan to achieve in Japan: March 2022)*2
- **Concentrate management resources on the development of products and services that reduce environmental impacts** 3

1 GHG scope1, 2, 3 emissions
2 Excludes leased properties for sales offices, etc. where the amount of electricity consumed cannot be determined

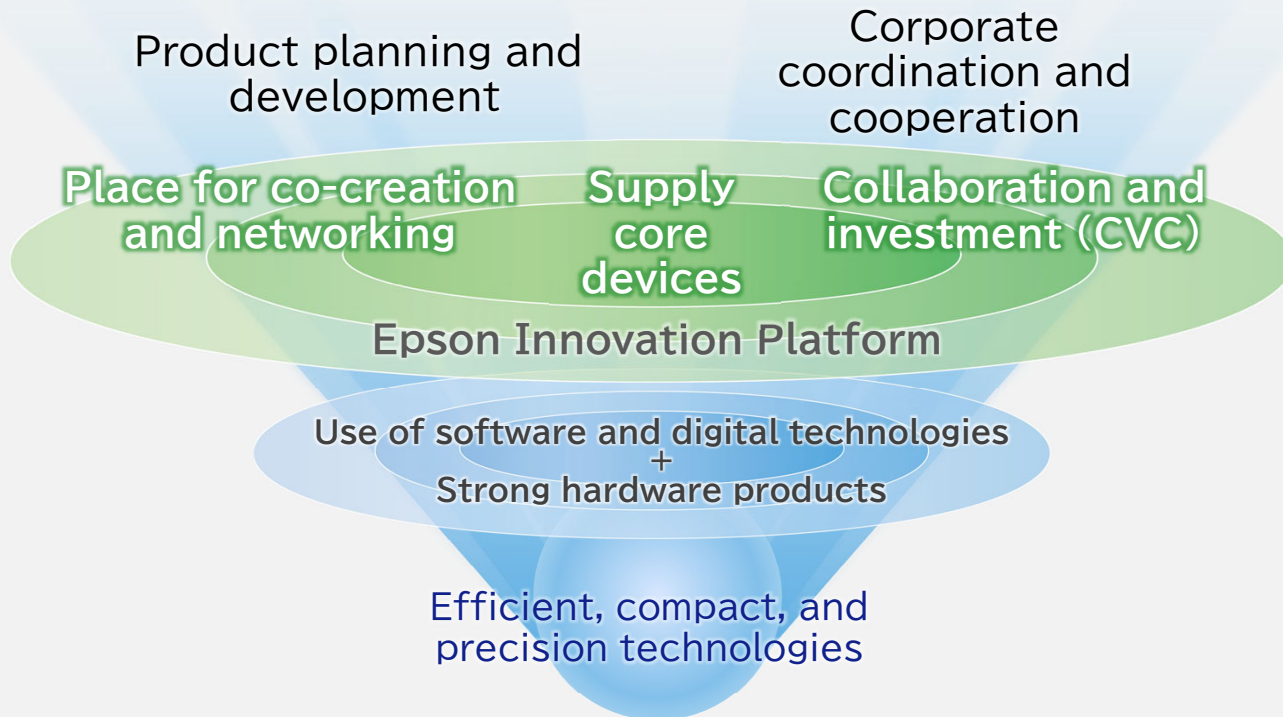
DX Initiatives

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



Co-creation Initiatives

Leveraging our technologies and product families, solve societal issues with partners by providing core devices and a place for co-creation and networking, as well as through collaboration and investment



Secure profitability and seek future growth by focusing on priorities



Growth areas

- Office printing
- Commercial & industrial printing
- Printhead sales
- Production systems

See environmental changes as an opportunity and invest management resources

Mature areas

- Home printing
- Projection
- Watches
- Microdevices

Emphasize profitability through structural changes and efficiency improvements, etc.

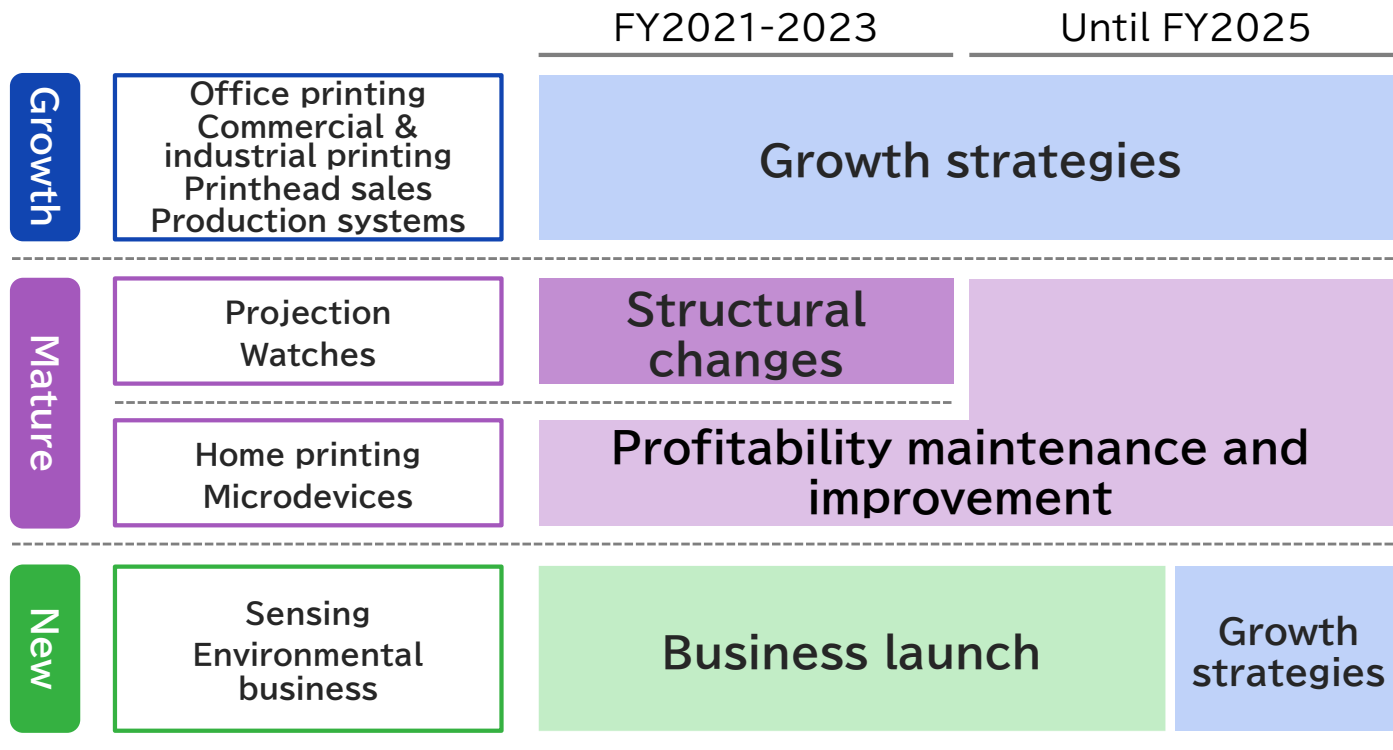
New areas

- Sensing
- Environmental business

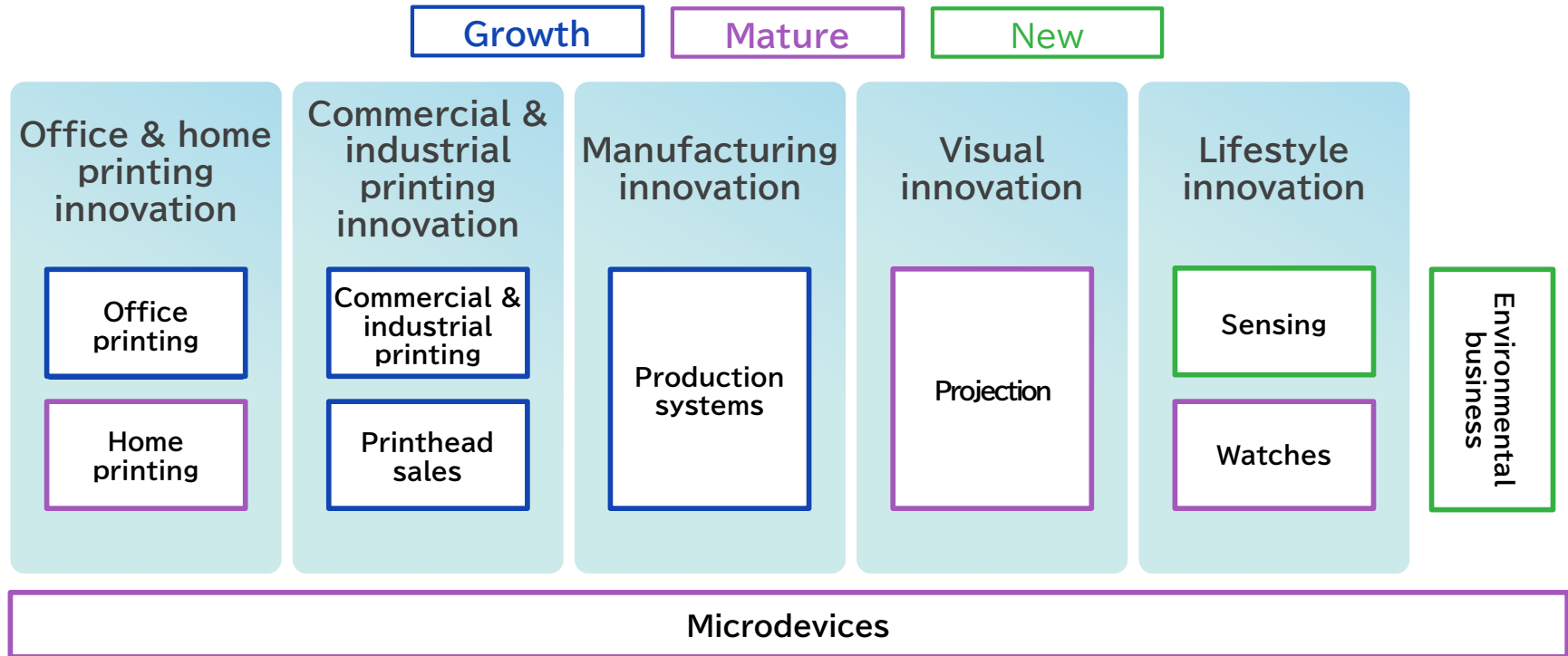
Develop new technologies and businesses

Strategic Direction of Business Operations

Define the role and deadline in each area, and operate businesses accordingly






Promote strategy in five innovation areas



Innovation Strategy

Office & Home Printing Innovation

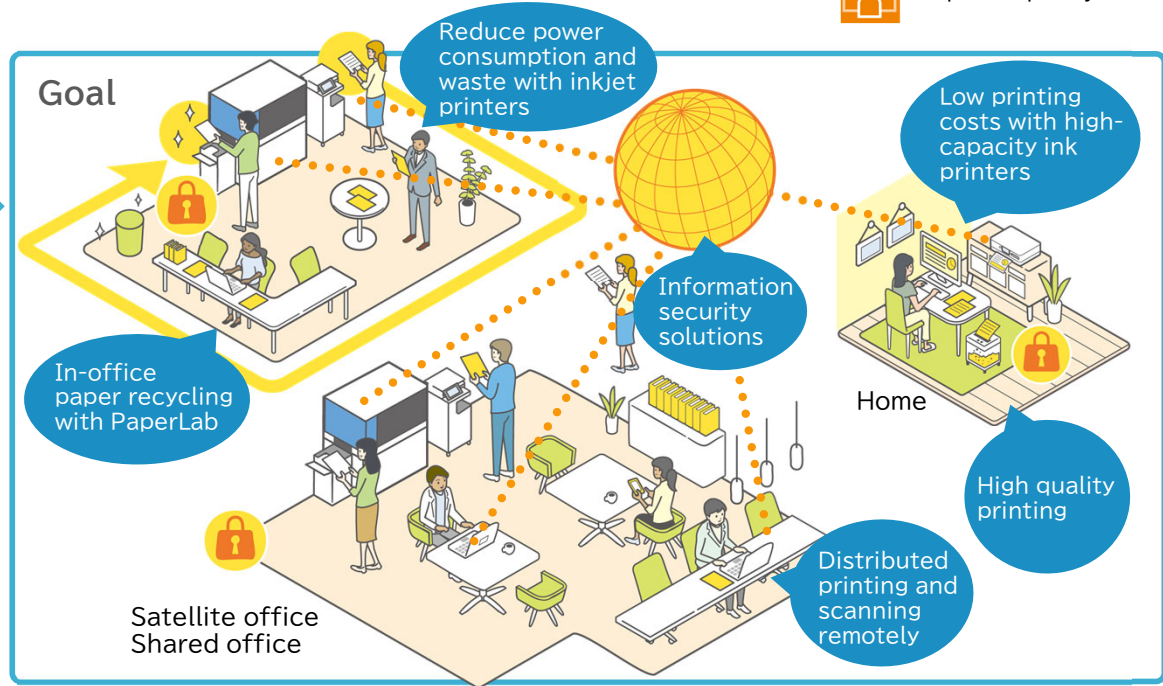
Lead the evolution toward distributed printing to reduce environmental impacts and increase work productivity by proposing inkjet technology, paper recycling technology, and open solutions

-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life



Value proposition

- Increased work productivity
- Reduction of environmental impacts
- Distributed printing
- Support for at-home learning
- Lower printing costs
- High-quality printing

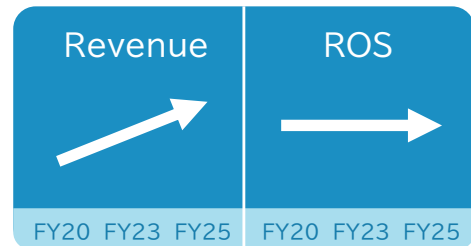


Actions

- Offer inkjet products that reduce environment impacts, improve productivity, and lower printing costs
- Drive a technology shift from laser to inkjet printers by expanding the product lineup, providing solutions, and calling attention to environmental performance
- Accelerate paper resource recycling and printer reuse and recycling
- Co-create solutions to meet the growing needs of education and distributed offices
- Expand the lineup of high-capacity ink printers and promote their value

Strategic direction of business operations

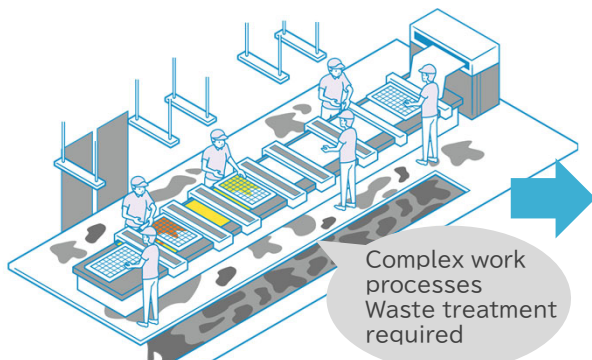
- Develop products efficiently through platforming
- Expand sources of income by providing subscription services and solutions



Commercial & Industrial Printing Innovation

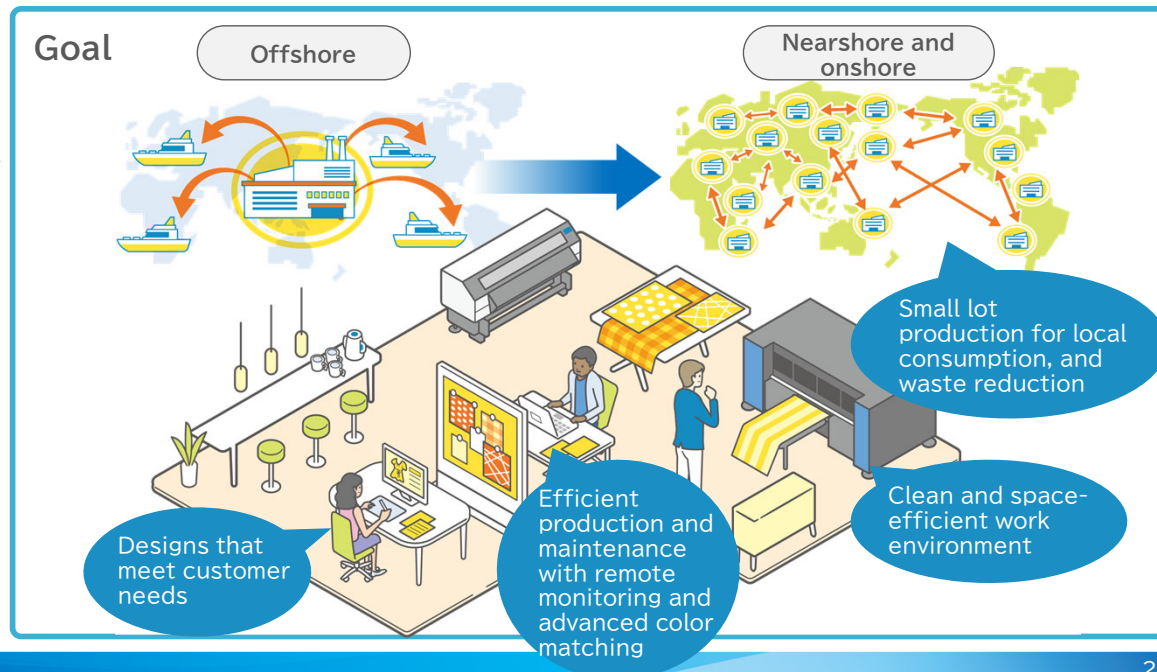
Offer inkjet technology and solutions that lead the digitalization of printing and contribute to lower environmental impacts and higher productivity

-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life



Value proposition

- Power of digital expression
- Small lot production and fast delivery
- Distributed production, and local production for local consumption
- Waste reduction
- Improved work environment
- Accommodate logistics changes

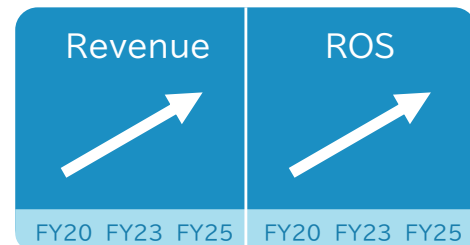


Actions

- Create inkjet technology and digital solution platforms
- In the finished products business, immediately expand the lineup to meet wide-ranging needs, and provide customer support solutions by utilizing data
- In the printhead sales business, expand market share by providing solutions that include peripheral technologies, and develop new markets through co-creation
- Provide POS printer products and solutions that accommodate changes in distribution and payment

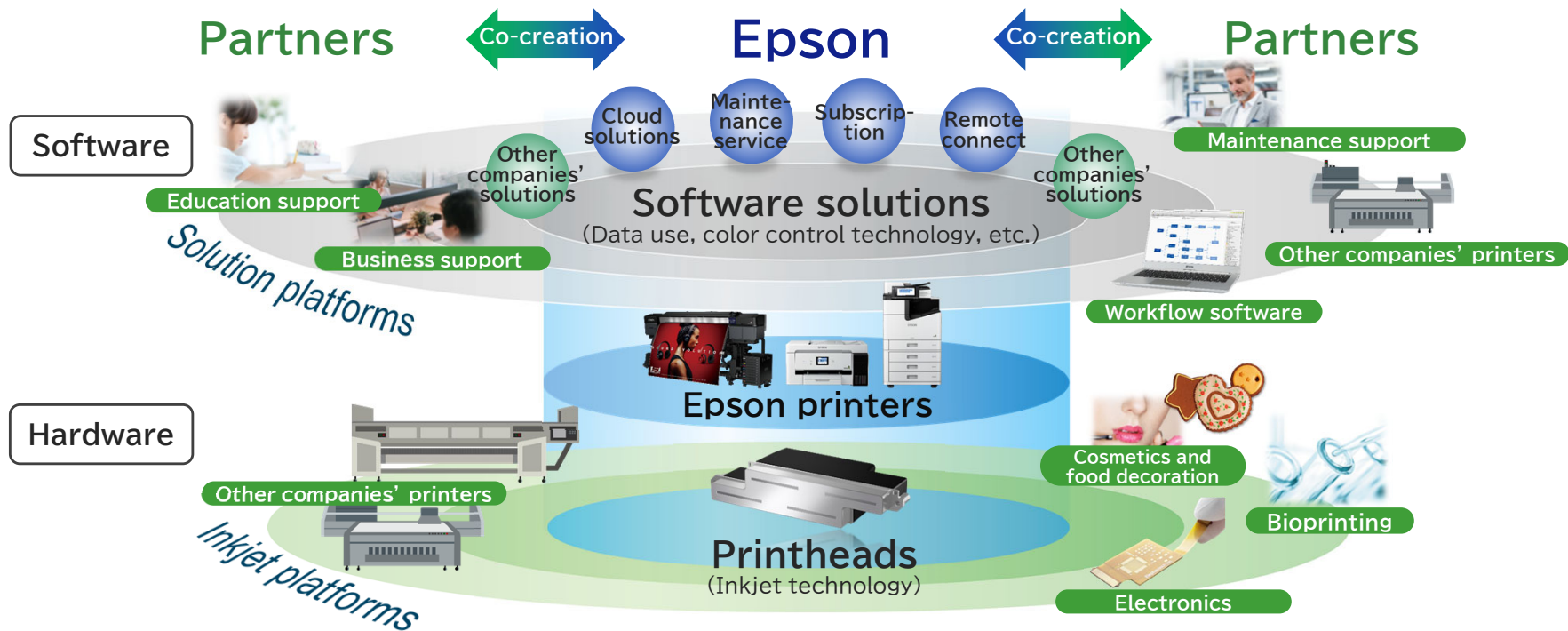
Strategic direction of business operations

- Efficiently develop products and expand the lineup with platforms
- Expand sources of income by providing subscription services and solutions



Printing Innovation Ecosystem

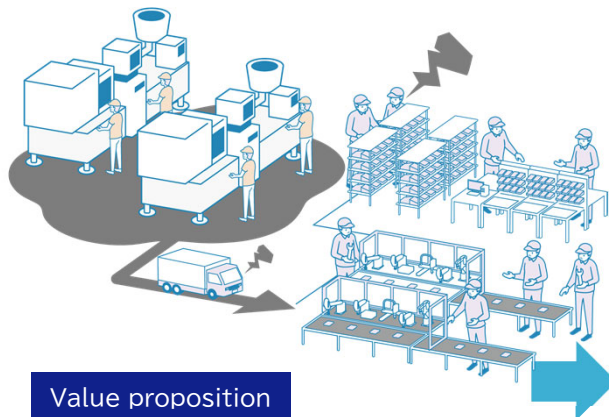
Build lasting customer relationships around inkjet technology, and further expand printing uses and solutions with partners



Manufacturing Innovation

Innovate manufacturing by co-creating flexible high-throughput production systems that reduce environmental impacts

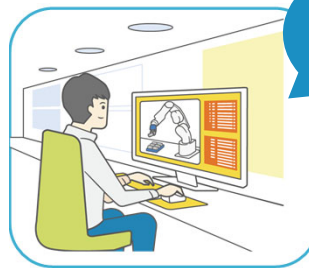
-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life



Value proposition

- Accommodate low volume, high mix production
- Alleviate labor shortages
- Distributed production and local production for local consumption
- Reduce environmental impacts and close the resource loop
- Save space
- Reduce burden for system building

Goal



Support and manage production sites remotely

Alleviate labor shortages by automating unskilled labor

Mobile robot enables flexible production

Compact precision injection molder

3D printer

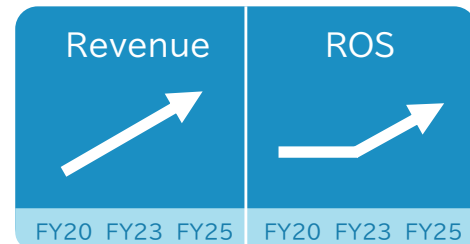
Eliminate material, transport, and space waste, and reduce environmental impacts

Actions

- Develop next-generation platforms and expand competitive products
- Automate manufacturing by applying sensing and digital technologies
- Expand new production equipment that reduces environmental impacts (compact injection molding machines, 3D printers, stereoscopic surface printers, dry fiber production equipment, etc.)
- Customer support: Provide total assistance, from pre-installation to operation to collection

Strategic direction of business operations

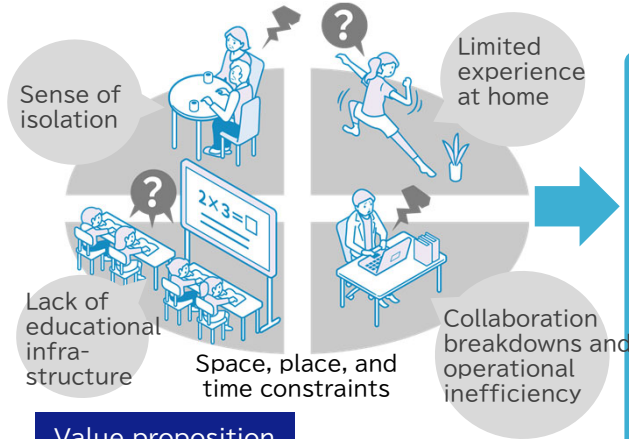
- Concentrate management resources on next-generation platform expansion
- Expand revenue by expanding and upgrading the product lineup
- Increase profitability by developing products efficiently



Visual Innovation

Connect people, things, information, and services with inspiring video experiences and quality visual communications to support learning, working, and lifestyles

-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life



Value proposition

- Equal, high-quality learning environment
- Higher productivity and creativity
- Support lifestyle and work arrangement diversification
- Enrich lives

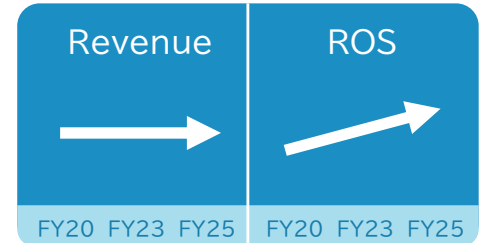


Actions

- Expand usage environments and applications with large screens that offer high image quality and smart features
- Provide a much higher quality ICT learning environment by strengthening collaboration with partners
- Use lighting to produce spatial designs and art

Strategic direction of business operations

- Restructure to achieve a lean profit structure
- Optimize the product portfolio and realize efficient product development
- Expand sales by providing services and solutions



Utilize craftsmanship and co-create solutions that utilize sensing technologies to enrich diverse lifestyles

- Achieve sustainability in a circular economy
- Advance the frontiers of industry
- Improve quality of life

Watches

Goal

Provide compelling products with efficient, compact, and precision technologies + craftsmanship



Value proposition

- Appeal to people of every sensibility
- Improve environmental performance with automatic power generating systems

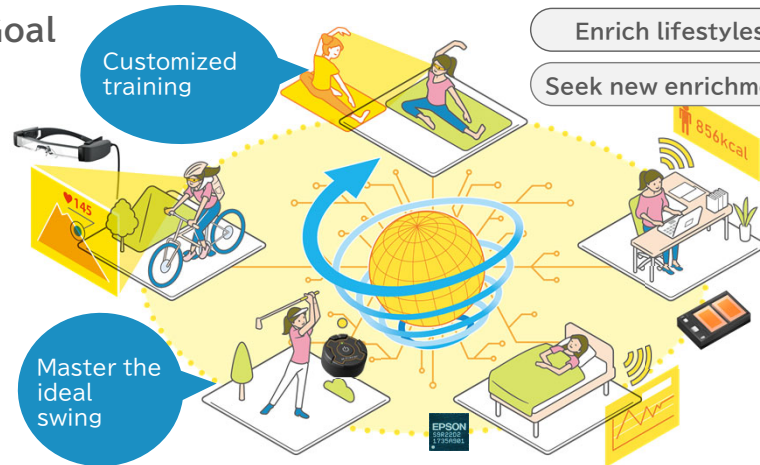
Sensing

Goal

Customized training

Enrich lifestyles

Seek new enrichment



Master the ideal swing

Value proposition

- Personalized information
- Support tailored to lifestyle and work changes

Actions

Watches

- Provide value for money with appealing designs and quality
- Employ operations that adapt quickly to changes in lifestyles

Sensing

- Co-create new value using sensing technology, analysis algorithms, microdisplays, etc.
- Provide personalized health support and safe, secure services

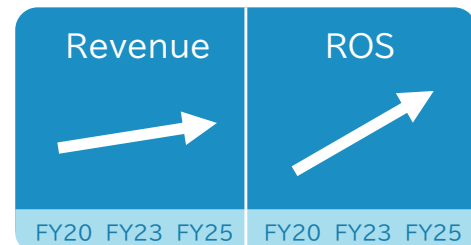
Strategic direction of business operations

Watches

- Return to profitability through operational restructuring and sales reform
- Rationalize the product lineup and continue to control costs




Sensing

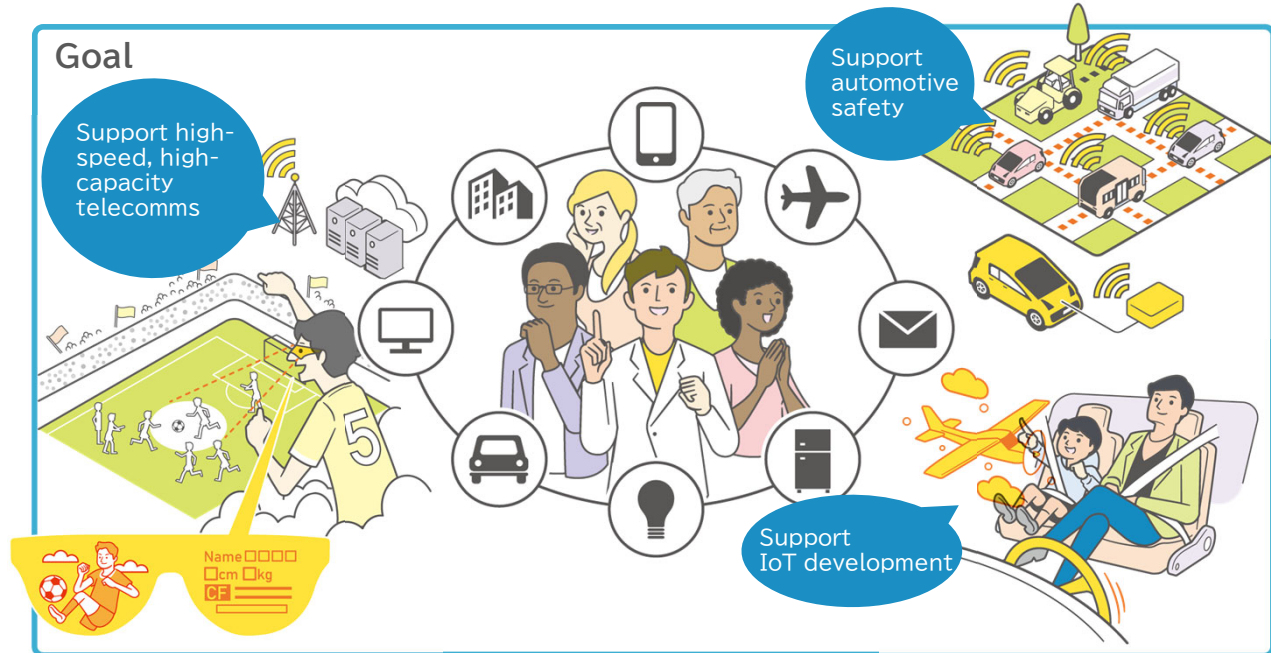
- Expand sales in new areas



Microdevices

Contribute to the development of smart communities with crystal and semiconductor solutions enhanced with our efficient, compact and precision technologies

-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life



Value proposition

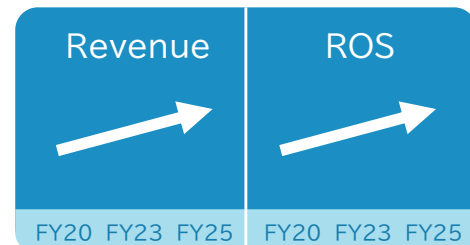
- Temperature-stable crystal devices
- Accurate, stable sensing devices
- Stable supply of small, low-power devices

Actions

- Develop low-power, small, and high-precision devices that enable social infrastructure
- Accelerate integration of crystal and semiconductor technologies to propose optimal solutions for each application
- Help to enhance the value of Epson finished products by elevating our unique crystal and semiconductor device technologies




Strategic direction of business operations

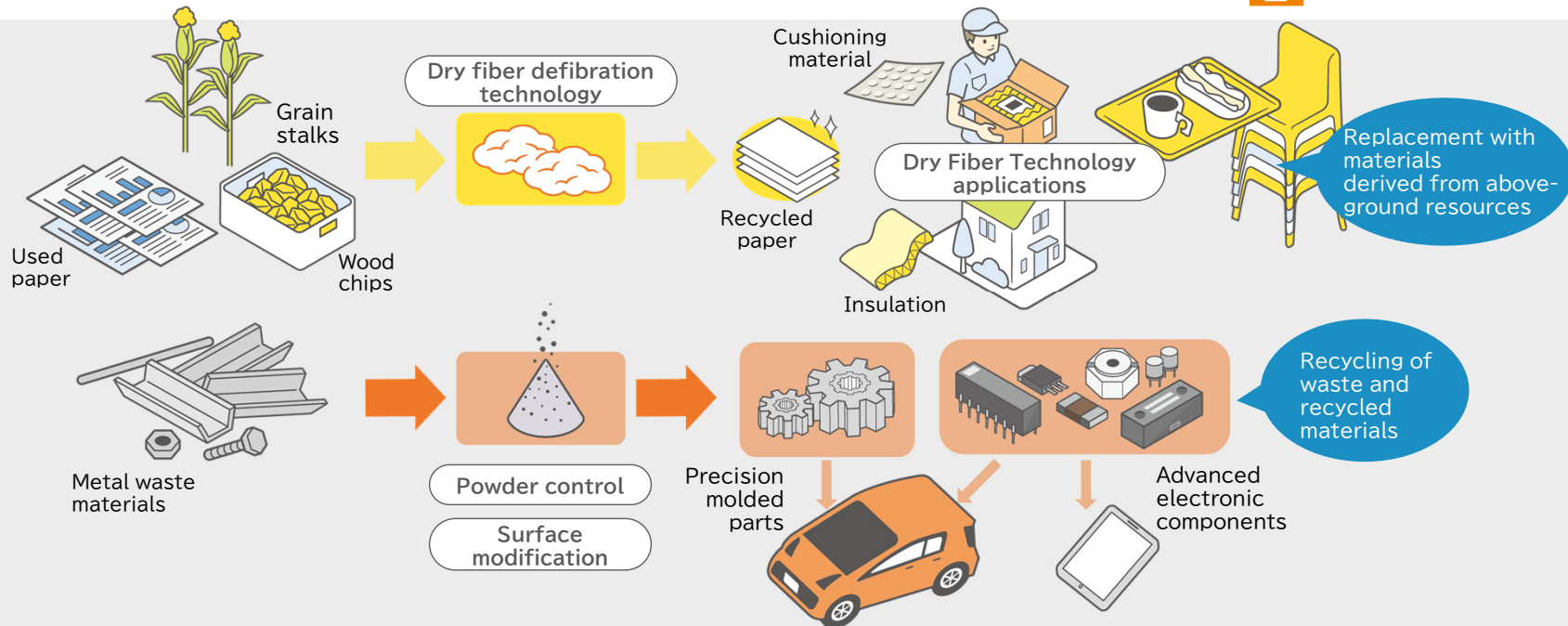
- Expand sales in growth areas such as IoT, 5G, and ADAS
- Maintain selling prices by improving value
- Reduce manufacturing costs by sharing production lines, etc.



Environmental Business

Develop new environmental solutions that integrate materials technologies, and contribute to decarbonization and closing the resource loop

-  Achieve sustainability in a circular economy
-  Advance the frontiers of industry
-  Improve quality of life

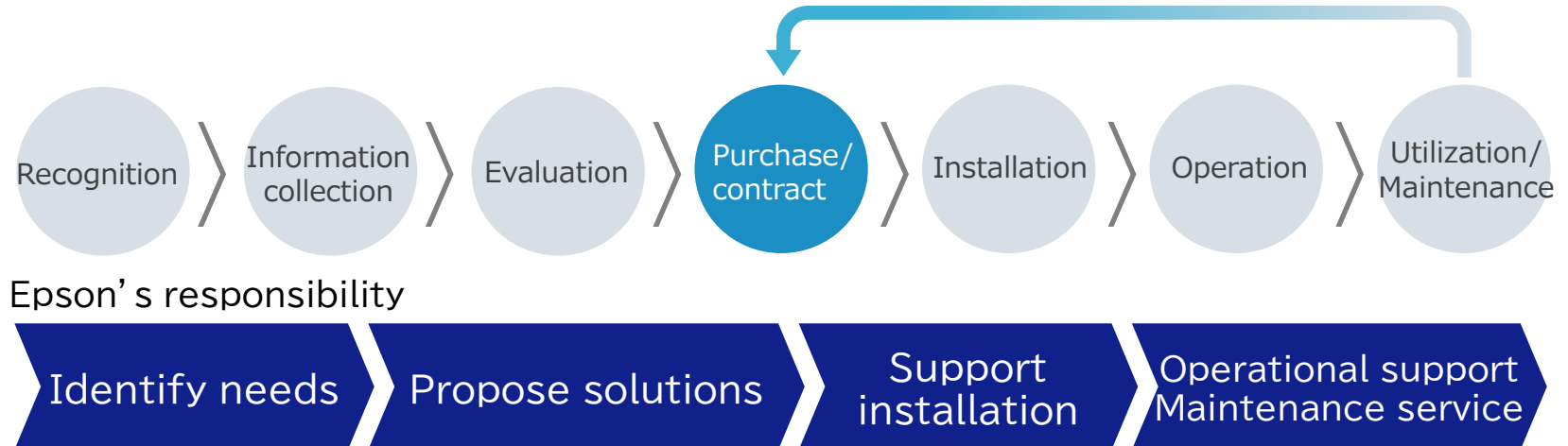


Strengthening Business Infrastructure to Realize Innovation

Provide customer focused sales/ support utilizing digital technology

- Further develop solution sales
- Use digital technology to create and expand customer touch points that are unconstrained by time and place

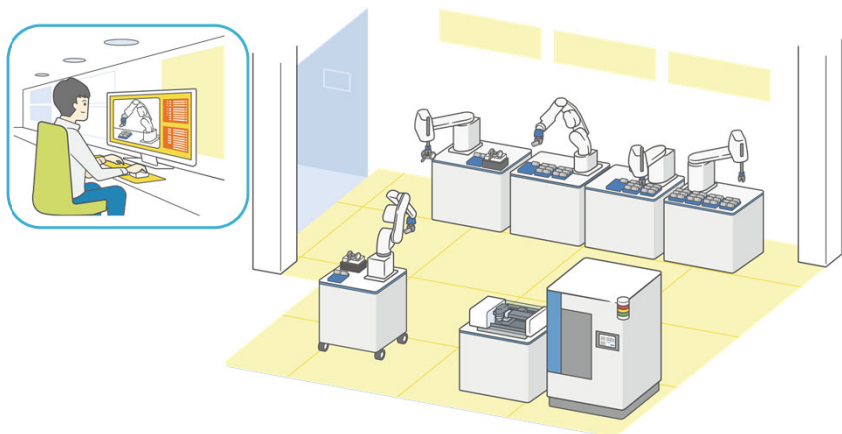
Focused organizational improvements according to region and business segment



Leverage changes caused by the spread of COVID-19 to accelerate the existing strategy

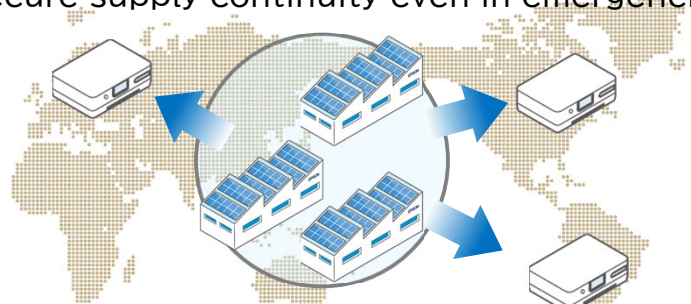
- Use automation and digital technology to double productivity in FY25
- Strengthen distributed production and local production for local consumption
- Total investment: 40 billion yen

Efficient smart factory enabled by automation and digital technologies



Distributed production

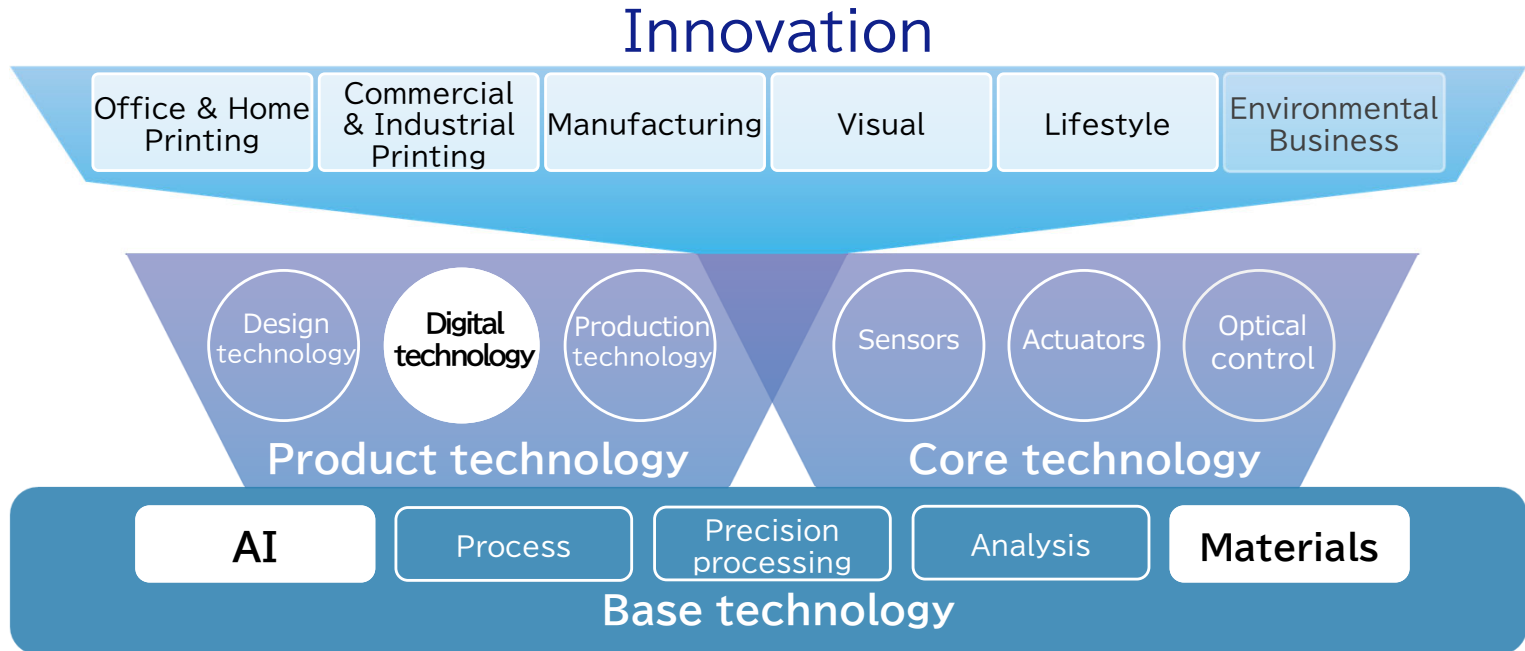
Secure supply continuity even in emergencies



Move from centralized production to distributed production, where everything is completed at each site

Advance basic, core, and product technologies that support innovation

- Particularly reinforce material, AI, and digital technologies



Allocate human resources to priority areas

- Acquisition of specialists
- Priority placement in growth areas

Strengthen human resource development

- Enhancement of specialized training



Organizational activation

- Respect diversity and maximize team strength
- Create a free and open organizational culture
- Respond to diversification of working styles

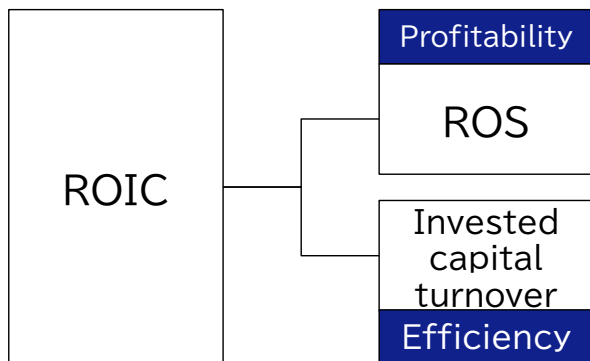
Financial Targets

Consolidated Financial Targets

Shift to profitability-focused management as the global economy becomes more uncertain

	FY2020	FY2023	FY2025
ROIC* ¹	4.7%	8% or more	11% or more
ROE* ²	3.6%	10% or more	13% or more
ROS* ³	5.1%	8% or more	10% or more

Main actions



- Invest management resources in new and growth areas
- Efficiently expand and upgrade the lineup through platforming
- Restructure mature areas
- Invest in priorities
- Improve the cash conversion cycle (CCC)

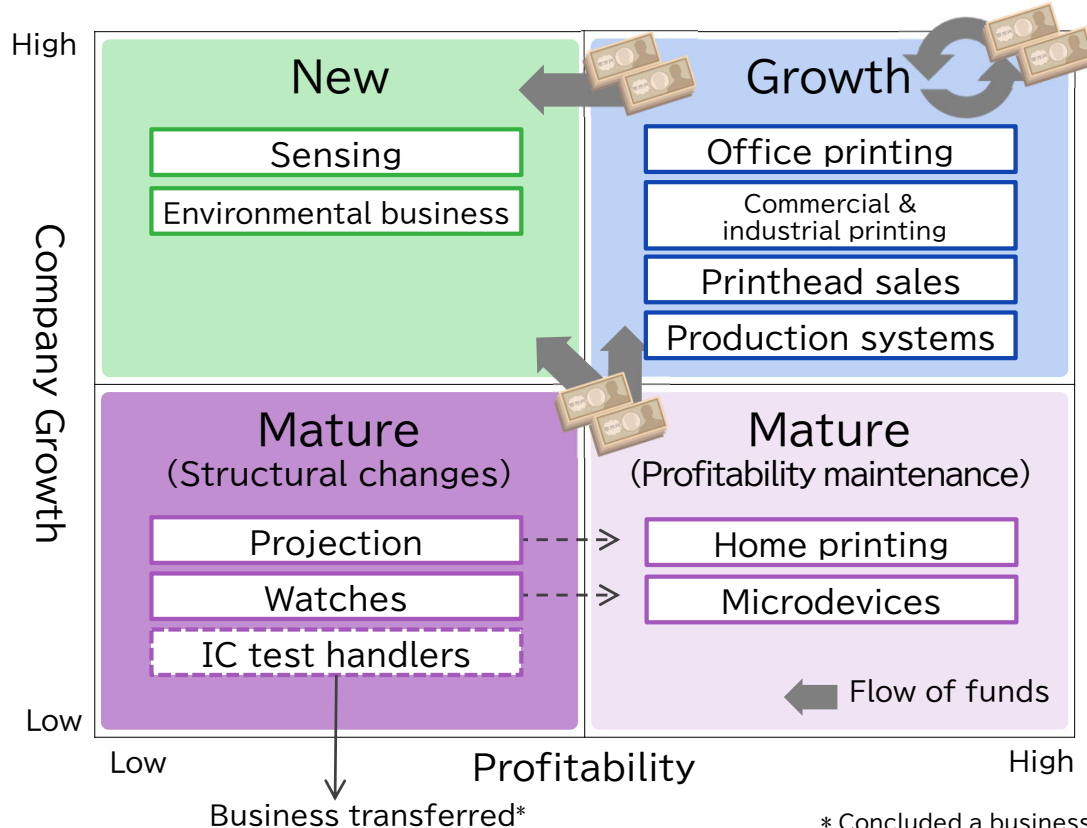
*1 ROIC = Profit for the year attributable to owners of the parent company / (equity attributable to owners of the parent company + interest-bearing liabilities)

*2 ROE = Profit for the year attributable to owners of the parent company / equity attributable to owners of the parent company

Equity attributable to owners of the parent company and interest-bearing liabilities are calculated using the average at the beginning and end of the period

*3 ROS = Business profit / revenue

Efficient Fund Circulation Through Business Portfolio



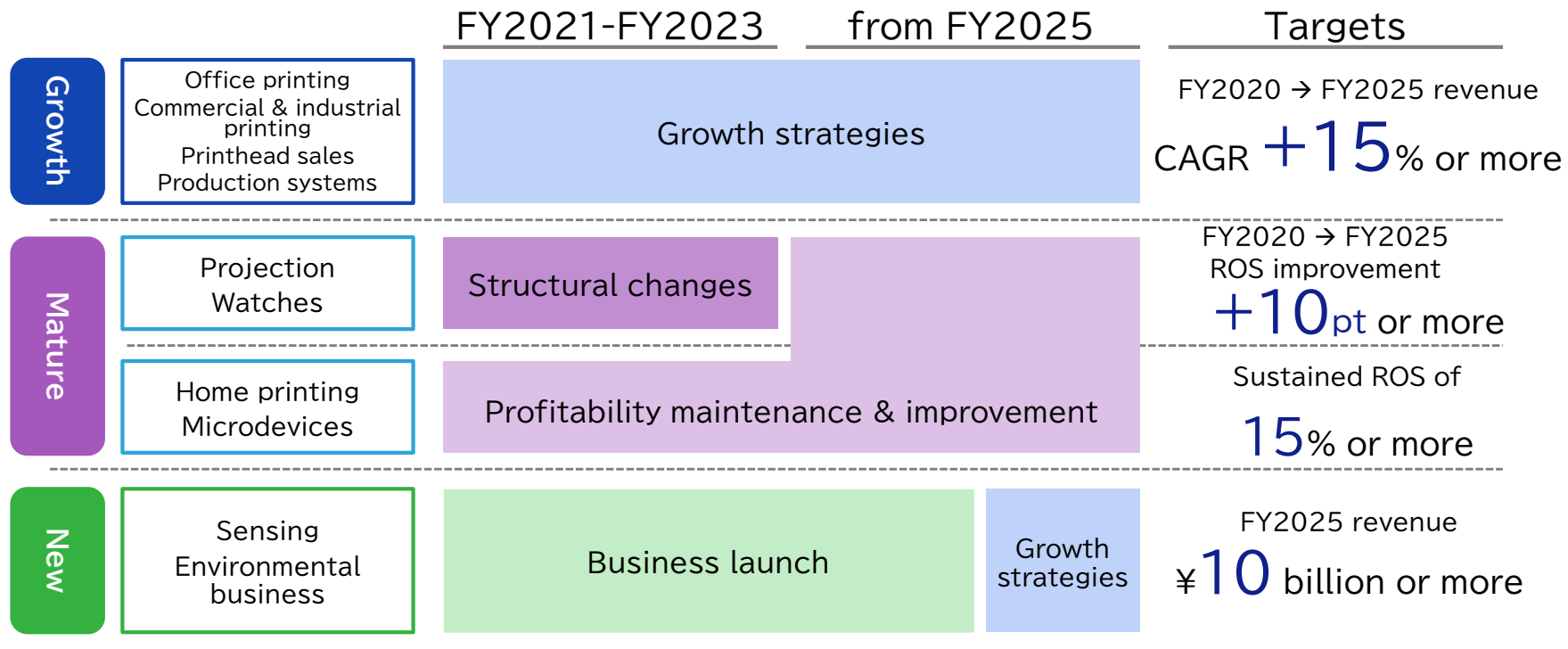
Clarify the role/importance of business areas according to product life cycles

Final decision made by also considering factors such as synergies between businesses and social value

Allocate funds and set targets according to business priority

* Concluded a business transfer agreement with Kanematsu Corp. on Jan. 28, 2021

Direction of Business Operations and Targets



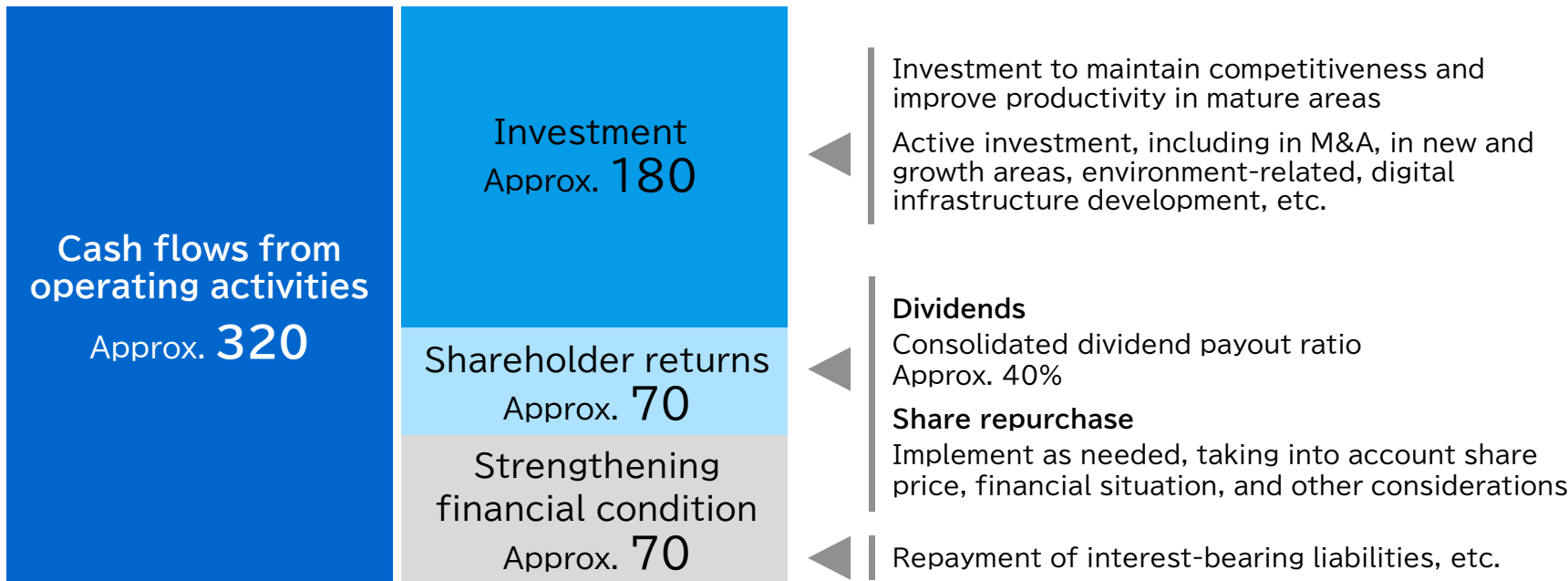
Group ROS targets

FY2023 **8%** or more FY2025 **10%** or more

Continuously provide stable shareholder returns while also allocating cash toward investments in growth and new areas.

3-year cumulative (FY2021-23)

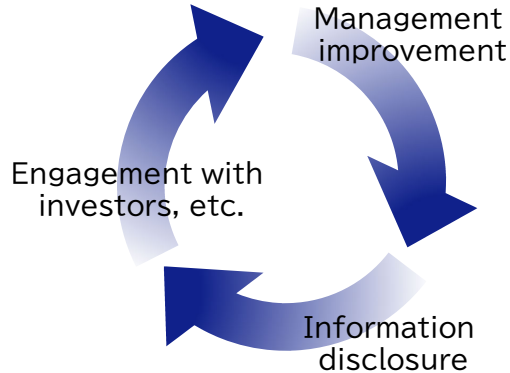
Billions of yen



Strengthening Governance

Facilitate management decision-making transparency and speed

- Increase the effectiveness of the board of directors
 - Transfer more authority to operations and continuously improve through effectiveness evaluations
- Continuously engage with investors and other related parties
- Speed up management decision-making
 - Centralize management of information by developing global integrated IT infrastructure



Achieving sustainability and enriching communities



EPSON

EXCEED YOUR VISION

■ Disclaimer regarding forward-looking statements

The foregoing statements regarding future results reflect the Company's expectations based on information available at the time of announcement. The information contains certain forward-looking statements that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. Such risks and uncertainties include, but are not limited to, the competitive environment, market trends, general economic conditions, technological changes, exchange rate fluctuations and our ability to continue to timely introduce new products and services.

■ Note regarding business profit

Business profit is calculated by deducting cost of sales and SGA expenses from revenue.

Although not defined in the statement of consolidated comprehensive income, this indicator is very similar to the concept of operating income under J-GAAP. Epson will present this information as a reference, as the Company believes users of financial statements will find it useful when evaluating Epson's financial performance.

■ Numerical values presented herein

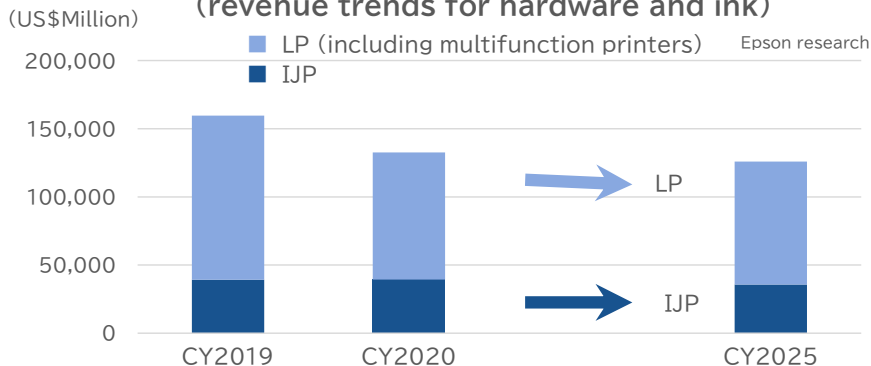
Numbers are rounded down to the unit indicated. Percentages are rounded off to one decimal place.

Years mentioned in these materials are fiscal years unless otherwise indicated.

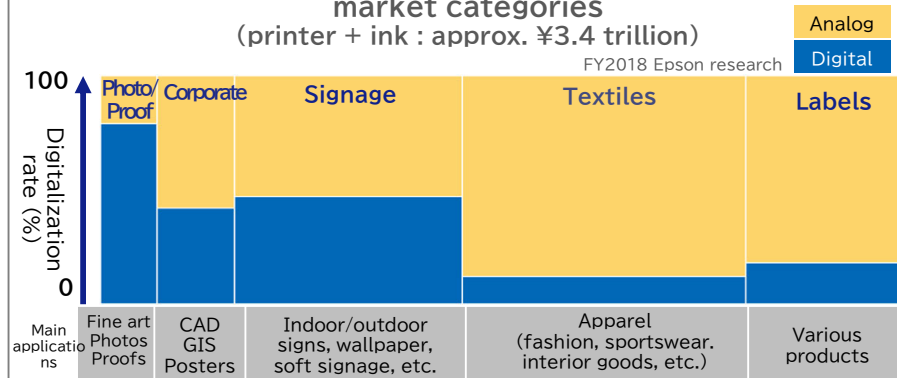
Reference

Market Trends (1)

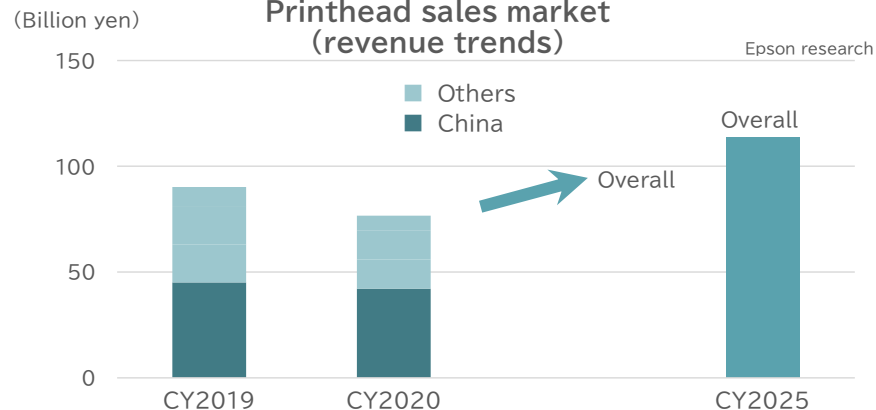
Office & Home IJP and LP market (revenue trends for hardware and ink)



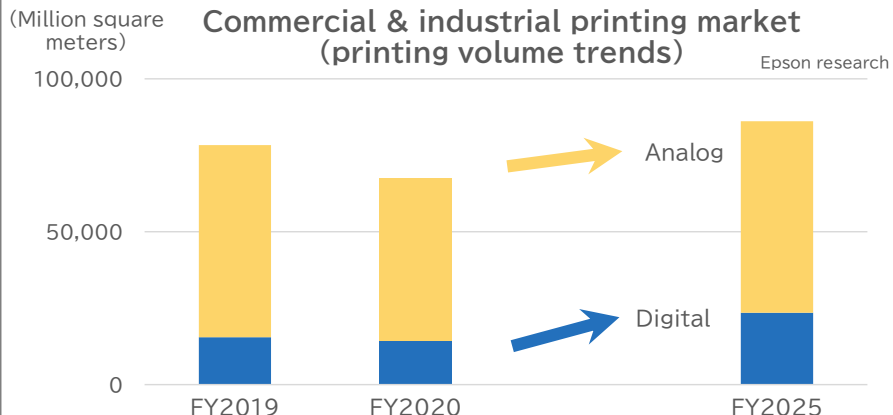
Rate of digitalization in commercial & industrial printing market categories (printer + ink : approx. ¥3.4 trillion)



Printhead sales market (revenue trends)



Commercial & industrial printing market (printing volume trends)

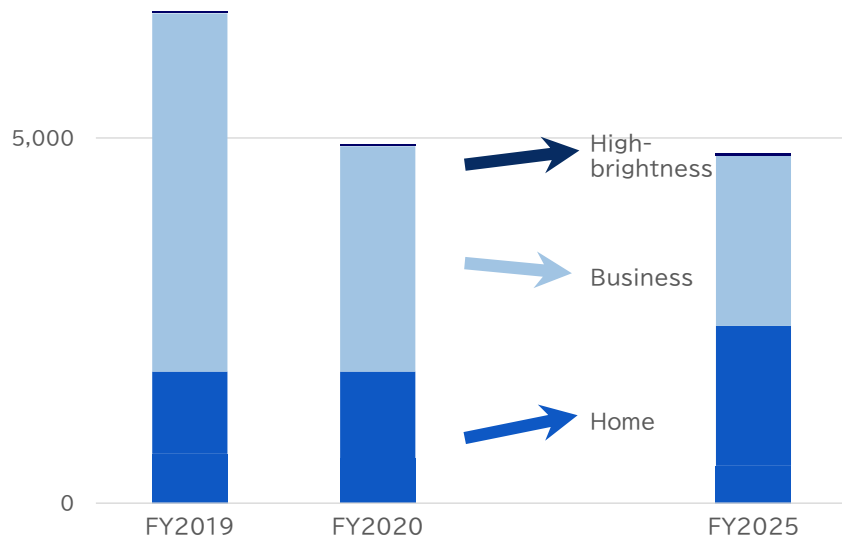


Projector market (unit volume trends by product)

Epson research

- High-brightness:
High lumen projectors with an interchangeable lens function
- Business: Projectors of 500 lm or more
- Home: Home projectors

(Thousand units)

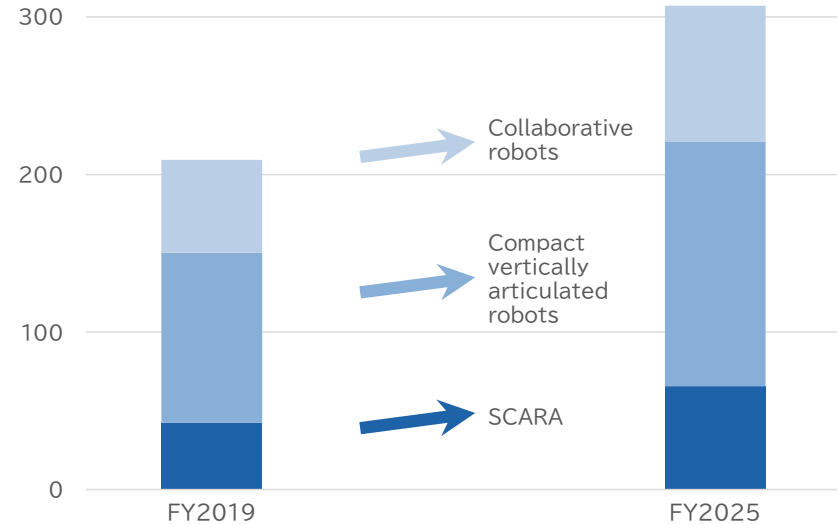


Compact precision robot market (revenue trends by product)

Epson research

- Collaborative robots: Articulated robots with safety function
- Compact vertically articulated robots:
Vertically articulated robots with a payload of 20 kg or less
- SCARA: Horizontally articulated robots

(Billion yen)



Definition of terms

GIS	Geographic information system
IJP	Inkjet printers
LFP	Large format printers
LIJ	Line inkjet printers, high-speed line inkjet multifunction printers
LP	Laser printers, including multifunction printers
PaperLab	Dry-process office papermaking system
Color Control Technology	Color management technology for enhancing color reproducibility
Dry Fiber Technology	Technology that transforms fibrous materials into tangible value without using water (a small amount of water is used to maintain a humidity inside the system). It produces highly functional materials by defibrating, binding, and forming fibrous materials as needed depending on the application.
Dry fiber production equipment	Equipment that produces fibrous materials and/ or produces highly functional products by defibrating fibrous materials utilizing Dry Fiber Technology.
High-brightness projectors	High lumen projectors with an interchangeable lens function.
High-capacity ink models	Inkjet printers with high-capacity ink tanks (includes EcoTank)
High-capacity ink printers	General term for high-capacity ink tank models, high-capacity ink cartridge models, RIPS (Replaceable ink pack system), and LIJ.

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