

# Integrated Report 2019



**SEIKO EPSON CORPORATION**

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## Management Philosophy

Epson aspires to be an indispensable company, trusted throughout the world for our commitment to openness, customer satisfaction and sustainability. We respect individuality while promoting teamwork, and are committed to delivering unique value through innovative and creative solutions.

### EXCEED YOUR VISION

As Epson employees, we always strive to exceed our own vision, and to produce results that bring surprise and delight to our customers.



Epson derives its strength from

its efficient, compact, and precision technologies, an approach to customer needs that is defined by integrity and effort, and a spirit of creativity and challenge that fuels a desire to exceed expectations.



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**Disclaimer**  
This report includes forward-looking statements, estimates, and plans. Projections herein are based on the best information available at the time of publication. Actual results may vary from those discussed.

#### Editorial Policy

This report provides important information to shareholders, investors, and other stakeholders about Epson's sustainability and growth potential by covering topics such as Epson's business strategies, financial performance, and ESG activities. Editorial decisions in the preparation of this report were based on the principles outlined in "Guidance for Collaborative Value Creation" from the Japanese Ministry of Economy, Trade and Industry and on the "International Integrated Reporting Framework" from the International Integrated Reporting Council (IIRC).



IR information	<b>booklet</b> ● Annual Report (PDF)	<b>Web</b> ● Investor Relations <a href="https://global.epson.com/IR/">https://global.epson.com/IR/</a>
	● Integrated Report (booklet & PDF)	
CSR information	● Sustainability Report (PDF)	● Social Responsibility <a href="https://global.epson.com/SR/">https://global.epson.com/SR/</a>

**Information Disclosure**  
Epson has also been working to improve communication with stakeholders by publishing a Sustainability Report and providing information on its websites and in other media.

Period covered: April 1, 2018 to March 31, 2019 (Some information may be from other periods.)  
Coverage: 85 Epson Group companies (including Seiko Epson Corporation)  
Note: "Epson" refers to the Epson Group, unless indicated otherwise.  
\* Epson applies International Financial Reporting Standards (IFRS). However, Japanese accounting standards were used for financial figures from the 2013 fiscal year and earlier. The term "business profit," as used in this report, is very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically.  
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# A History of Value Creation

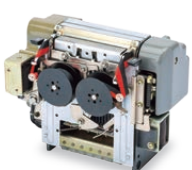
## Epson has evolved and expanded over the decades while passing on its DNA as a product developer and manufacturer.

Since 1942, we have produced numerous pioneering products. These products came from the same source: a storehouse of efficient, compact, and precision technologies, an approach to customer needs that is defined by integrity and effort, and a spirit of creativity and challenge that fuels a relentless desire to exceed customer expectations. Epson remains committed to creating products and services that exceed customer expectations and that change the world.

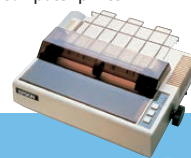
**1956**  
A **mechanical watch** with an original design that became the basis for Epson's watch business




**1968**  
The world's first miniature **digital printer**, from which the Epson brand was born




**1980**  
Ahead of its time: A small, lightweight **computer printer**




**1983**  
A **precision assembly robot** - Epson's first commercialized factory automation product



**1990**  
A printer for **PC-POS systems** that created a new market



**1994**  
The **high-speed inkjet printer** that enabled home photo printing



**Expansion period**



**Creativity and Challenge**

Diversification of products and businesses derived from watch and timekeeping technologies\*1

**Early period**

**Integrity and Effort**


Watch and printer technology development

**1963**  
The first **electronic recording system** for sporting events, measurable to 1/1000 seconds

**1963**  
The world's first portable, high-accuracy, battery-operated **quartz timer**

**1969**  
The **quartz watch**\*2 that revolutionized horological history



**1971**  
The **watch chip** that launched Epson's semiconductor business



**1973**  
The world's first\* **digital quartz watch**\*2 with a six-digit LCD



**1978**  
The world's first color **liquid crystal panel** module for video cameras



**1988**  
The world's first **digital LCD**



**1994**  
The **LCD projector** that changed the way presentation are given



**2008**  
A **Large-Format Printer** with Stunning Image Quality for Signage and Displays



**2009**  
The **six-axis robot** that expanded the scope of tasks performed and accelerated automation



**2016**  
An office **papermaking system** that recycles paper on site



**2017**  
A **high-speed linehead inkjet MFP** that prints up to 100 sheets per minute (A4, landscape, single-side)



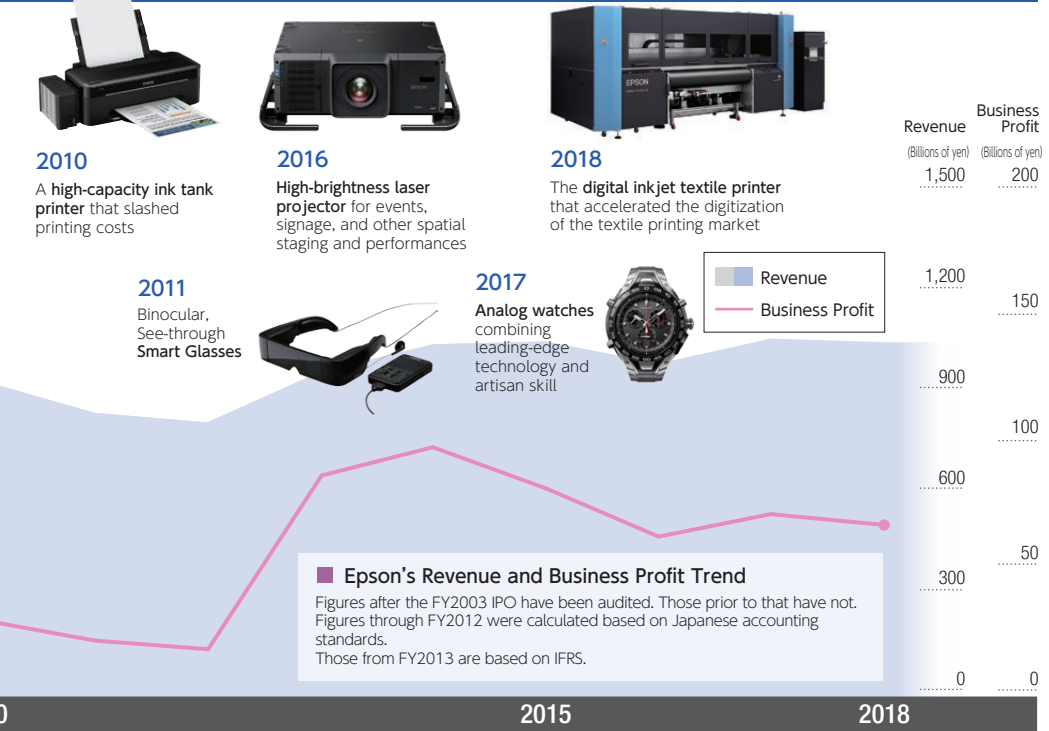
Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable

Strengthening  
business  
structure

Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable



**1942** Founded

**2003** TSE IPO

■ **Epson's Revenue and Business Profit Trend**  
Figures after the FY2003 IPO have been audited. Those prior to that have not. Figures through FY2012 were calculated based on Japanese accounting standards. Those from FY2013 are based on IFRS.

### Origin of Epson's efficient, compact, and precision technologies | Brand establishment and growth into a multinational corporation | Global pioneer in environmental action | Surging ahead into a new era | Contributing to global solutions

**Origin of Epson's efficient, compact, and precision technologies**  
Daiwa Kogyo Ltd. was established in 1942. Numerous ground-breaking products were created by applying the company's efficient, compact, and precision manufacturing technologies.

**Brand establishment and growth into a multinational corporation**  
In 1975, the Epson brand and the first overseas sales company were established, followed by other global sales organizations. In 1989, the Epson Group's Management Philosophy was established.

**Global pioneer in environmental action**  
In 1992, CFCs were eliminated from our production processes in Japan. Behind our pioneering environmental actions was a conviction that conservation was our only hope for prospering as a company.

**Surging ahead into a new era**  
In 2003, Seiko Epson shares were listed on the Tokyo Stock Exchange. In 2005, the "Exceed Your Vision" global tagline was established to build the brand worldwide.

**Contributing to global solutions**  
Epson continues to develop new technologies such as those used in the PaperLab A-8000 (2016). Under the Epson 25 Corporate Vision, we aim to create a new connected age of people, things, and information with efficient, compact and precision technologies.

**Daiwa Kogyo Ltd.,** the predecessor of Seiko Epson (1942)



A monument commemorating founder Hisao Yamazaki



**Epson America, Inc.,** Epson's first overseas sales company (1975)



Epson, winner of the Stratospheric Ozone Layer Protection Award from the U.S. Environmental Protection Agency (1992)



Seiko Epson shares listed on Section 1 of the TSE (2003)



New factory in the Philippines with a rooftop mega-solar power plant with a maximum output of 3,000 kW of power (2017)



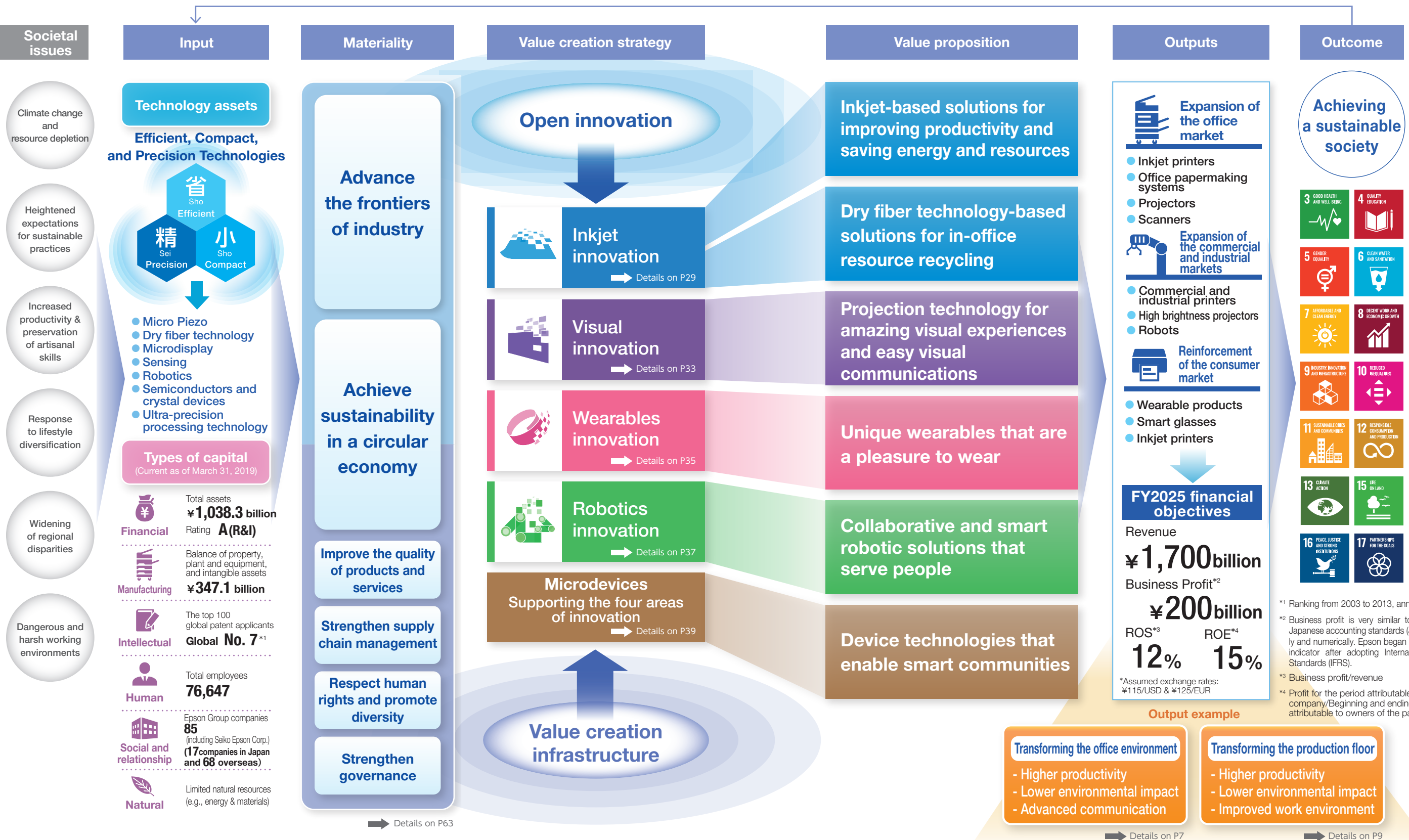
Won the Economy, Trade and Industry Minister's Prize in the 1st Eco Products Awards category: PaperLab office papermaking system (2018)



Won the 2018 Grand Prize for Excellence in Energy Efficiency and Conservation: High-speed linehead inkjet multifunction printer (2019)



Epson seeks to create new value by leveraging the efficient, compact, and precision technologies that are in its DNA.





## Transforming the Office Environment

Epson's products and services will transform offices in a variety of ways, including by enhancing productivity and communication, reducing long working hours, supporting flexible work arrangements, and saving energy and paper resources.



### Example 1 Extending the Office for Smoother Communication



#### Societal Issues & Needs

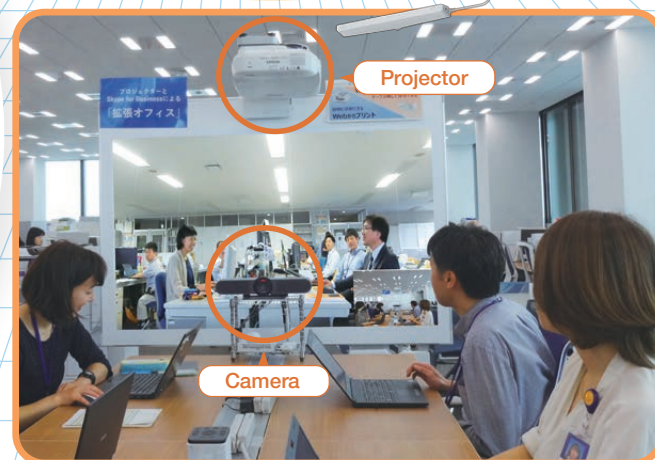
To address societal issues, we must bring together a more diverse range of ideas and rapidly create new value. Meanwhile, as globalization progresses, people want tools that allow them to better communicate without time and distance constraints.

#### Projector solutions

- POINT 1 Use a laser light source to project bright, sharp images even in well-lit offices
- POINT 2 Project large images with ultra-short-throw lens projectors to use limited space with maximum efficiency
- POINT 3 Use interactive features to share and notate projected documents and images

#### Value Proposition

- » Foster a sense of unity with face-to-face communication
- » Speed up information sharing and increase productivity
- » Minimize wasteful travel, reduce CO<sub>2</sub>, and save time



Remote locations are kept connected by projectors that create an extended office, as in this example from Epson.

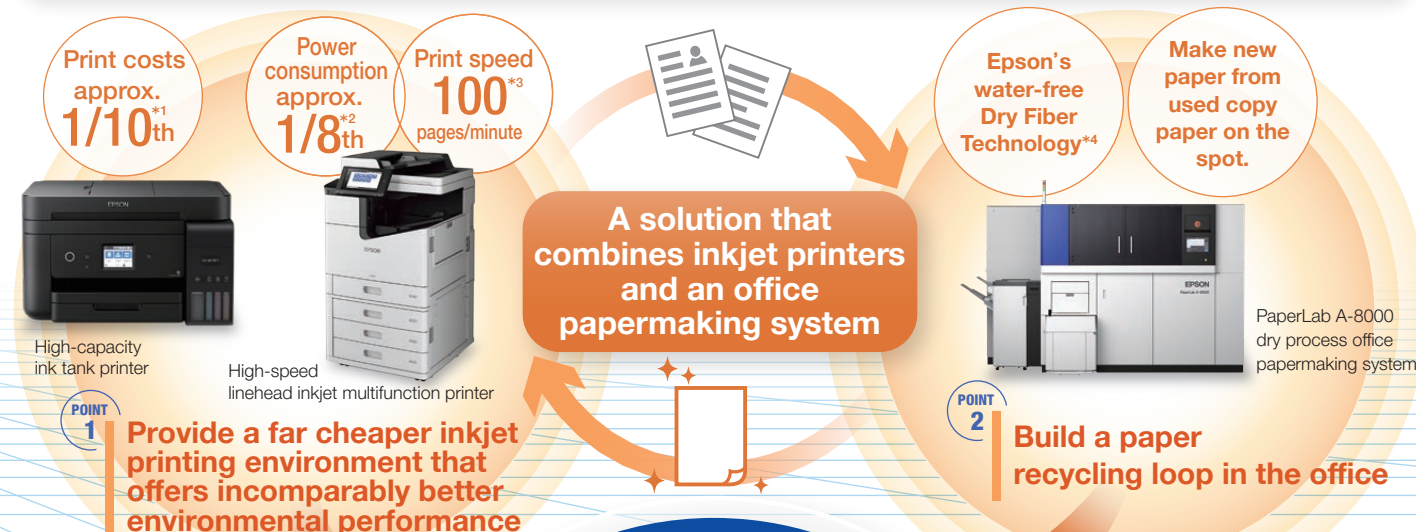
\* Requires a linkup with a third-party communication system.

### Example 2 Facilitating Enriched Paper-Based Communication



#### Societal Issues & Needs

Going to extremes in promoting paperless processes in order to reduce printing-related costs and environmental impacts can end up negatively affecting productivity. Paper-based information can help boost productivity by providing a fuller view of information that is easier to read and understand. These advantages underpin the demand for an office environment that allows people to print efficiently and without hesitation.



#### Value Proposition

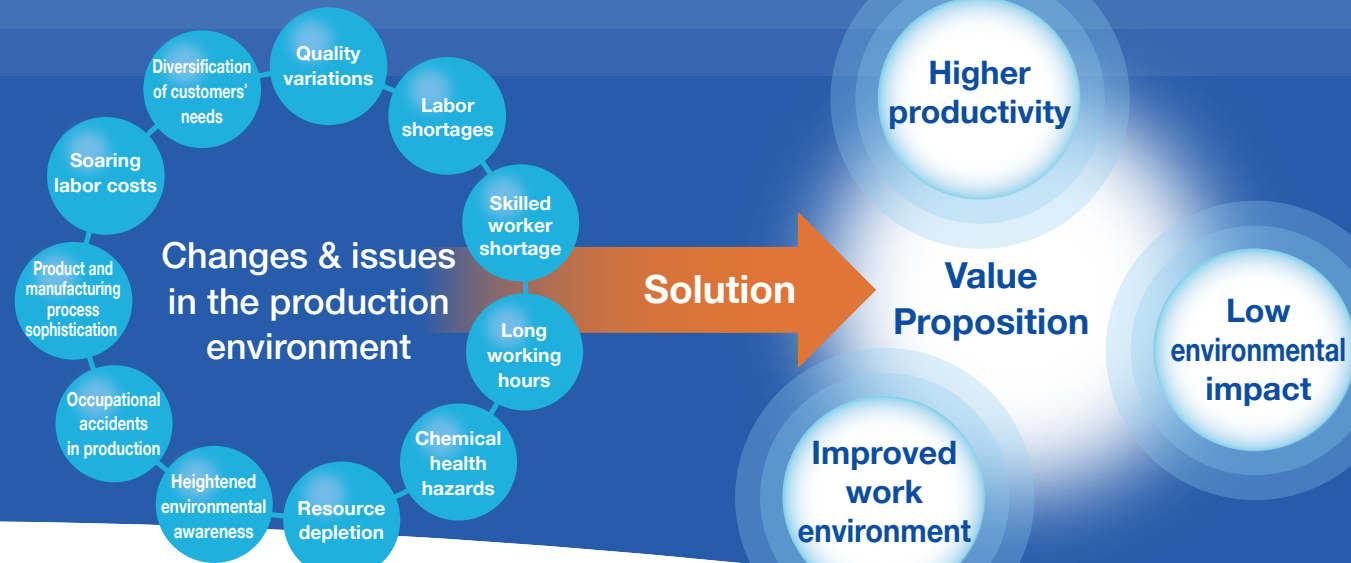
- » Enrich paper-based communication at sharply lower cost and environmental impact
- » Contribute to the conservation of forest and water resources through in-office paper recycling
- » Maintain information security by dissolving paper into fibers

\*1 Comparison of A4 sheet printing costs between an EW-M670FT high-capacity ink tank printer and an Epson laser printer  
 \*2 Power consumption of a WF-C20590 high-speed linehead inkjet multifunction printer. Comparison with the average per-page power consumption for the 10 top-selling A3 color MFPs in the over 45ppm class (Source for 2017 shipments: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2017 Q4). TEC values are based on registered information on energystar.gov/ as of February 2018. Per page power consumption is calculated based on TEC condition by Epson.  
 \*3 Print speed of a WF-C20590 high-speed linehead inkjet multifunction printer. A4, landscape, single-side printing. Print speeds are measured in accordance with ISO/IEC 24734. Actual print times will vary based on system configuration, software, and page complexity.  
 \*4 Some water is used to maintain humidity inside the system.



## Transforming the Production Floor

Production is changing. There are labor and skilled worker shortages, a diversification of needs, and heightened environmental awareness. We are transforming the production floor by raising productivity and lowering environmental impacts.



Example 1

## Lowering the Barriers to Automation and Putting People to Work in More Creative Jobs



### Societal Issues & Needs

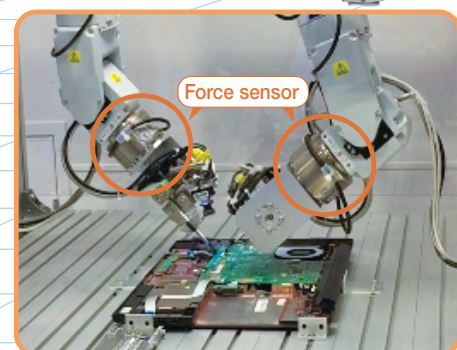
There is a serious manufacturing labor shortage largely due to rising income levels in emerging economies and aging populations in advanced economies. Production is increasingly being automated with robots, but space can be an issue, as can the difficulty of automating some processes, so most manufacturers still must rely on human intervention. Automation is also impeded by a scarcity of skilled installers.

### Robotic solutions

- POINT 1** Provide compact robots that can work in the same space as humans without changing production lines
- POINT 2** Provide force sensors that give robots human-like touch
- POINT 3** Use image processing to enable numeric sensory testing
- POINT 4** Enable easy teaching



Force sensor



Combine robots and force sensors to automate cable insertion tasks that used to rely on humans.

See a movie demonstration.

<https://www.youtube.com/watch?v=4QUefX9EzWY>



### Value Proposition

- Offer easy installation in existing production lines
- Automate processes that relied on human touch and sight
- Transition people from menial labor to creative work
- Leave behind long, harsh working conditions

Example 2

## Achieving Low-Resource, High-Efficiency Processes



### Societal Issues & Needs

The world is transitioning from mass production and mass consumption to short-run production to respond to the diversification of customers' needs and environmental issues.

### Digital printing solutions

- POINT 1** Respond to small-lot production without printing plates
- POINT 2** Involve fewer processes and no ink mixing
- POINT 3** Reduce waste ink, and eliminate washing water as there are no plates
- POINT 4** Need less frequent contact with chemicals



### Value Proposition

- Printing that flexibly adapts to demand fluctuations and rapid turnarounds, reducing dead stock and disposal losses
- Reduce waste ink and water used for washing printing plates
- Reduce space for storing plates and work in process
- Offer a clean and safe printing environment

Comparison of Analog and Digital Textile Printing Processes

Analog textile printing	Digital textile printing
Image layout	Pre-processing
Printing plate making	Image layout
Ink mixing	Sample printing
Sample printing	Mass printing
Plate washing & storage	Post-processing
Mass production ink making	
Mass printing	
Plate washing & storage	
Disposal of unneeded ink	
Post-processing	

Complex work process Substantial waste vs. Fewer steps Low environmental impact





# EPSON

*Minoru Usui*

**Minoru Usui**  
President and CEO  
Seiko Epson Corporation

## Becoming Indispensable by Living Our Core Values and Driving Innovations

### Creating New Value Through “Integrity and Effort” and “Creativity and Challenge”

Epson began in 1942 as Daiwa Kogyo Ltd., a watch parts factory. Aspiring to make the Suwa region the Switzerland of the Orient, founder Hisao Yamazaki built a watch industry in the area, which developed into a center of the precision technology industry. With a vision of serving the world with accurate timepieces, Epson redesigned watch architecture and produced a new mechanical watch that was unlike anything in the industry. The words “integrity and effort” exemplified the founder’s approach and became fundamental Epson values. Our pursuit of watch accuracy did not end there. The company continued to develop and produce quartz watches that boast far greater accuracy than mechanical watches. During quartz watch development, engineers needed to create parts that did not yet exist. This bred a culture of “creativity and challenge”—the ambition to take on challenges and the drive to innovate and come up with solutions.

Later, Epson grew by living the values of “creativity and challenge,” which led to the creation of numerous culture-altering products that provided new value, such as color inkjet printers that allow people to print photos at home and projectors that popularized big-screen presentations for large audiences. However, somewhere along the way, we allowed our objective to become beating the competition instead of delighting customers. I sensed that to become an indispensable company, we had to return to our roots. We had to not only live the “creativity and challenge” philosophy but also genuinely listen to our customers, understand their expectations, and work with single-minded integrity and effort to meet those expectations.

For Epson to become an indispensable company, we must provide value through innovation, so that people see Epson and its products as key contributors to society. If consumers see us in this light, they will be happy to pay for the value we provide, thus funding further innovation. This cycle will lead to sustained growth of the company. In other words, the value we offer must match the expectations of society, and our goal must be to drive innovation and solve societal challenges rather than beat the competition.

We opened fresh internal debate about what kinds of value Epson will provide to society and how we will contribute to the achievement of the SDGs to which we committed in 2018. In 2019, we also endorsed the work of the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD). By living the values expressed by “integrity and effort” and “creativity and challenge,” we will capitalize on our strengths to create new value.

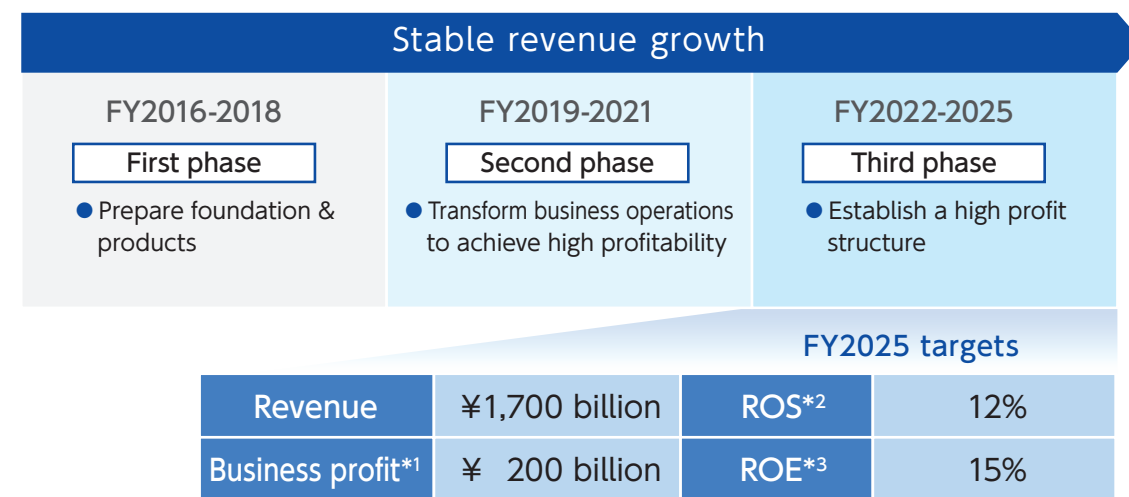
## A Solid Foundation Has Been Laid and Products Are in the Pipeline, But Speed Was an Issue

### Achievements and Issues Under the Phase 1 Plan

The Epson 25 Corporate Vision maps out a course for Epson to become an indispensable company over the 10-year period from FY2016 to FY2025. Phase 1 (FY2016-18) was designated as a period for laying a solid foundation for growth on our way to achieving the Epson 25 vision. So, during this period we aggressively prepared products and made the needed investments. Ultimately, we fell short of our financial objectives, but I think we showed the kind of innovations we are trying to introduce.

The area of innovation that we focused most closely on under Epson 25 and during Phase 1 is inkjets. While we are seeing some advances toward paperless processes, we question whether paperless solutions are really all that the world wants. Might it be that people just want the ability to print without having to worry about printing costs and environmental impacts? Our mission as a printer manufacturer is to allow people to use paper-based communication in smart and creative ways and to increase their productivity by slashing printing costs and environmental impacts to dispel their cost and environmental concerns. That is why we have focused on perfecting heat-free piezoelectric inkjet technology and developing businesses that apply this technology. Breaking away from the traditional business model that depends on sales of consumables, we will accelerate the development and expansion of high-capacity ink tank printers that sharply reduce printing costs and the amount of resources used for consumables, high-speed linehead inkjet multifunction printers that deliver outstanding print performance while saving energy, and dry process office papermaking systems that recycle paper on-site. Using this technology, we will replace analog industrial printing infrastructure with environmentally friendlier digital infrastructure that is easily adapted to diverse needs and

#### Epson 25 Corporate Vision Financial Targets and the Mid-Range Business Plans



Assumed rates: ¥115/USD, ¥125/EUR

\*1 Business profit is very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically. Epson began using business profit as an indicator after adopting International Financial Reporting Standards (IFRS).

\*2 Business profit/revenue

\*3 Profit for the period attributable to owners of the parent company/Beginning and ending balance average equity attributable to owners of the parent company



unlocks the creativity to satisfy those needs. For this reason, we will accelerate the development and spread of products and services for the commercial and industrial sectors. These products and actions are our answer to society's needs. Solving societal challenges is not something we can achieve by ourselves. Broader technological advances and changes in awareness are needed. This will take time, but we are finally beginning to see a move in the right direction.

Some of the actions we took to prepare for growth progressed significantly in Phase 1; others fell behind schedule or did not fully accomplish what was expected. Among the accomplishments was that we switched from ink cartridge printers to high-capacity ink tank printers in emerging markets. We also strengthened our core technology, added production capacity, and launched high-speed linehead inkjet multifunction printers and laser projectors, strategic products that will drive future growth. However, we still have issues with speed. One of our main strategies is to transition from B2C to B2B. We made progress in enhancing our sales organizations in Japan and Europe, and in accumulating customer insights. In other regions, however, we lagged in improving the sales organizations, in providing products and services that capitalize on the knowledge and insights we accumulated, and in establishing effective selling techniques. Moreover, we aggressively invested management resources, but those investments have not yet yielded returns. The reason, I believe, is that we did not do a good enough job of setting overall priorities.

Today, society expects companies to play a pivotal role in achieving sustainability. The adoption of the SDGs and the expansion of ESG investing mirror this. I strongly believe, now more than ever, that the role of enterprise is to achieve global sustainability and make the world a better place. To do our part, we must confidently accelerate our efforts to make Epson an indispensable company. Political and economic uncertainty are increasing and the times are becoming increasingly challenging, but we are putting Epson in a position to produce results during Phase 2.



## Building from Technological Strength to Strength

### Strategies and Aims of the Phase 2 Mid-Range Plan

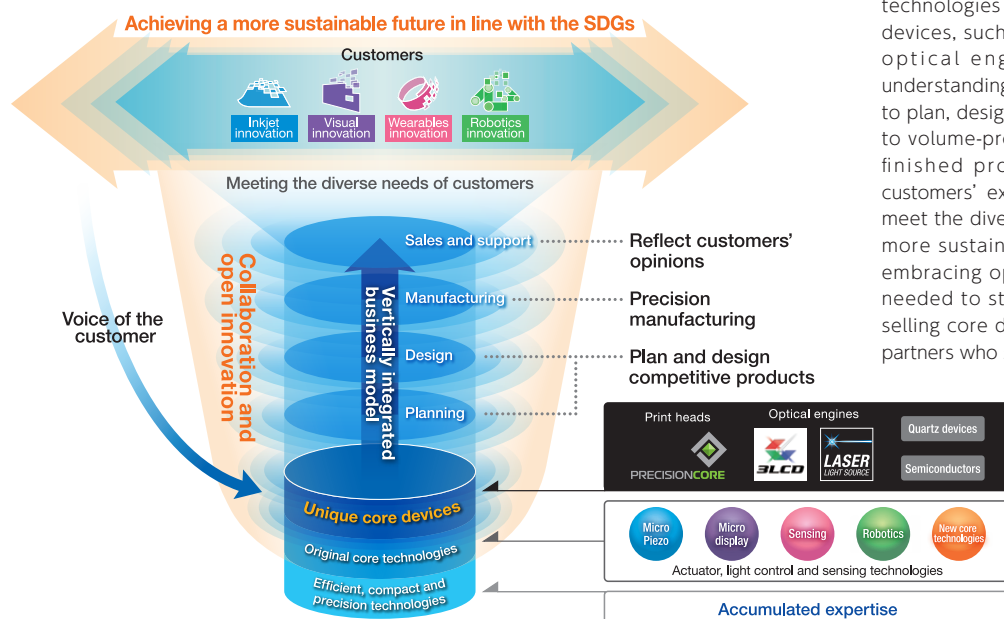
The following three basic policies, created in response to issues that became apparent in Phase 1, will guide our actions under the Phase 2 Mid-Range Business Plan from FY2019.

- 1 Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation
- 2 Strengthen global operations under Head Office control
- 3 Invest management resources in a disciplined manner according to the economy and strategy effectiveness

First, in Phase 1, we refined our core technologies, added production capacity, and accumulated customer knowledge and insights. We need to capitalize on these strengths to increase customer touchpoints and quickly build stronger customer relationships through solutions selling and a stronger product lineup. For this reason, we will strengthen collaboration and open innovation. Epson's vertically integrated business model leverages our core technologies and core devices as value creation platforms to provide value to end-users. However, there is a limit to what we can do alone. We cannot drive innovation and change the world unless we ally with partners who share our aspirations of creating a better world. We thus plan to seek more open innovation opportunities and expand external sales of inkjet printheads based on PrecisionCore devices. As part of this, we forged capital and business ties with Elephantech Inc., in July 2019. Earlier, in February 2019, we forged similar ties with artificial intelligence (AI) venture company Cross Compass, as we believe that partnering is the most efficient way of acquiring this technology. Epson will also engage in a variety of technology exchanges with overseas research institutes and universities, among others.

At the same time, we will narrow down and focus on the areas where we can truly exploit our own strengths to

#### Epson's Vertically Integrated Business Model



Epson is drawing on a storehouse of original technologies to develop and produce unique core devices, such as printheads for inkjet printers and optical engines for projectors. Our deep understanding of these core devices has allowed us to plan, design and use our manufacturing expertise to volume-produce and deliver in a timely fashion finished products and services that exceed customers' expectations. In addition, we will strive to meet the diverse needs of customers and achieve a more sustainable future in line with the SDGs by embracing open innovation and collaboration as needed to strengthen our product lineup and by selling core devices such as printheads to external partners who share our aspirations.

build a formidable competitive edge. In most of our businesses, we assemble parts and technologies in various combinations to provide customers with value. We can create new value by adding unbeatable quality and originality to these combinations. We are looking to build from strength to strength by drawing on Epson's storehouse of efficient, compact, and precision technologies to develop core devices that have unique value. These core devices give Epson a competitive advantage and enable us to create unique product platforms. These product platforms will be used to develop businesses that can agilely and efficiently respond to a diverse range of needs.

Second, we will strengthen our global operations by having the Head Office take over some of the business activities that have been handled by the operations divisions in the past. Specifically, the Head Office will take over activities where we believe better results can be obtained by taking a cross-organizational approach. For example, the Head Office will exercise more control when selecting priority business areas and regions. To increase our B2B marketing firepower, we will share the sales and marketing knowledge gained in the test markets of Japan and Western Europe with the rest of the global Epson Group and build and improve our sales organizations. We will also provide company-wide integrated IT infrastructure to strengthen operations. Customers will not acknowledge the value of even the best products unless those products provide them with solutions to their needs. We will therefore refocus our attention on addressing those needs.

Third, we will invest management resources in a disciplined manner. In other words, we will rebuild our product portfolios around priorities and will strengthen financial discipline based on the economic situation and the effectiveness of our strategies. In the past, we tended to try to grow all product areas equally. Going forward, however, we will focus more on high priority areas. To do so, we will use IT to gain greater visibility on the state of our businesses and will build systems for making rapid decisions based on common data. Taking an approach that is both disciplined and dynamic, we will articulate common objectives, decide on what needs to be done to achieve those objectives, and respond flexibly to challenges as the situation demands.

## Advancing the Frontiers of Industry and Achieving Sustainability in a Circular Economy

### Epson's Contributions to Sustainability

Society expects companies to play a large and ever-growing role in achieving sustainability. I am confident that Epson can contribute substantively to sustainability because a low environmental impact is a hallmark of our products. In 2018, we amended the 2050 environmental vision that we articulated in 2008 and committed to helping to achieve certain of the Sustainable Development Goals (SDGs) adopted by the United Nations.

We are looking to advance the frontiers of industry and achieve sustainability in a circular economy through innovations in the office environment and on the production floor. We will use the efficient, compact, and precision technologies that are in Epson's DNA to innovate, create new value, and contribute to the realization of a sustainable society.

Our goal is to solve the world's problems with innovative solutions and make Epson an indispensable company by living our core values.

#### The SDGs That Epson Can Most Directly Help to Achieve



(as of June 2019)

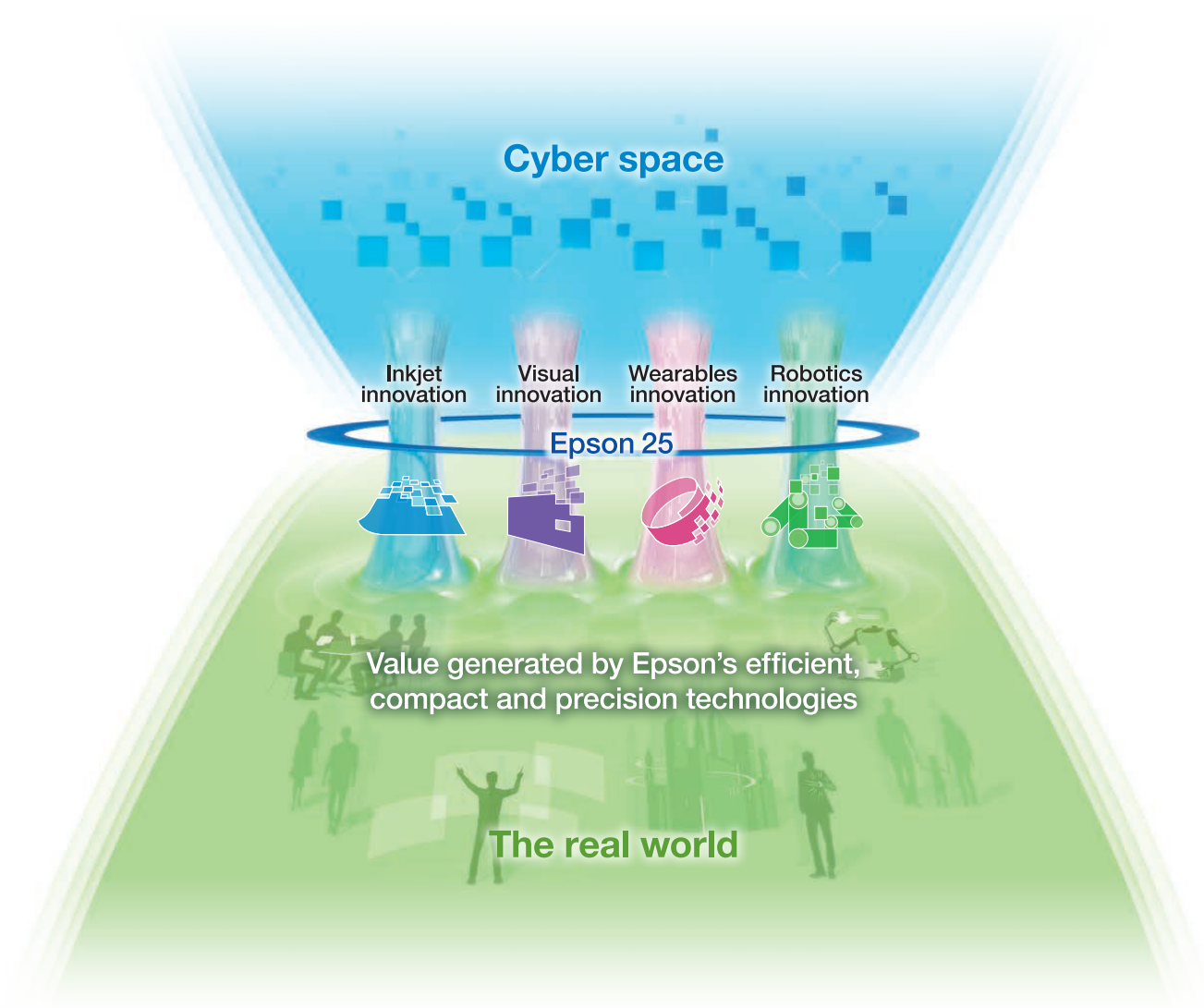
# Epson 25 Corporate Vision

In March 2016, Epson established the Epson 25 Corporate Vision, a strategic plan that will guide company growth out to the year 2025.

## Vision Statement

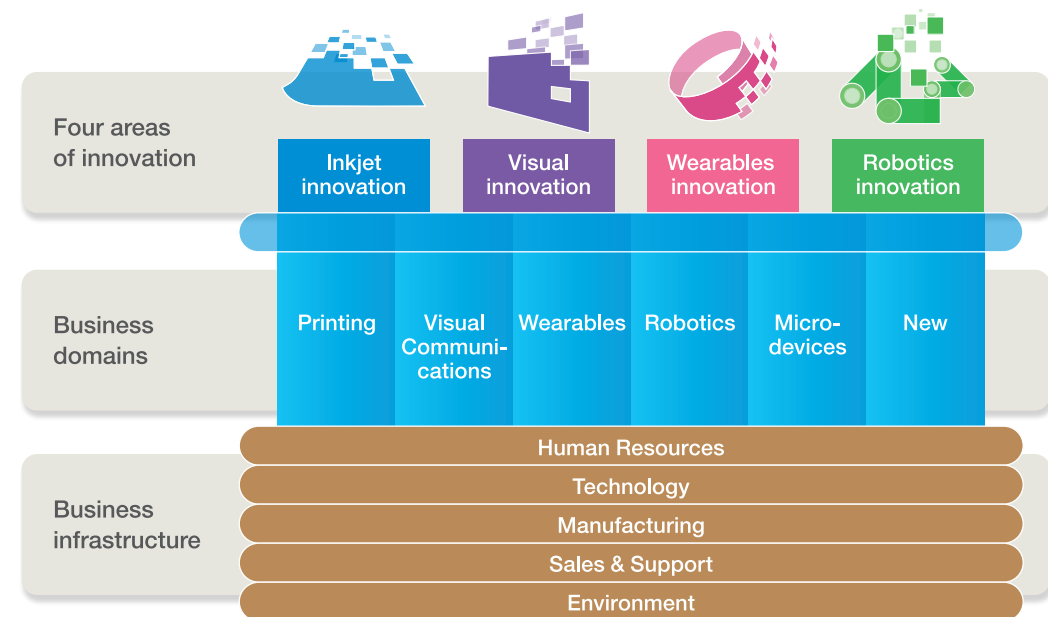
**Creating a new connected age of people, things and information with efficient, compact and precision technologies**

Advances in information and communications technology mean increasing amounts of information will become available on the internet, and so-called cyber space will continue to expand. Epson believes that products acting as the interface between cyber space and the actual or real world where customers operate will be of critical importance. As a company that specializes in generating value in the real world, Epson's vision is to create a new connected age of people, things and information by leveraging its efficient, compact and precision technologies to drive innovation in four areas.



## Epson's four areas of innovation

Epson will generate value with its efficient, compact and precision technologies in printing, visual communications, wearables, robotics and microdevices to drive innovations in four areas. We will also strengthen our business infrastructure to support these efforts.



### Printing domain

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.



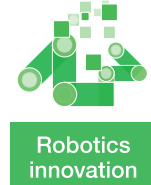
### Visual communications domain

Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.



### Wearables domain

Leverage our watchmaking heritage, refine leading technology, and offer a sense of status and fashion.



### Robotics domain

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.



### Microdevices domain: Supporting the Four Innovations

Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.



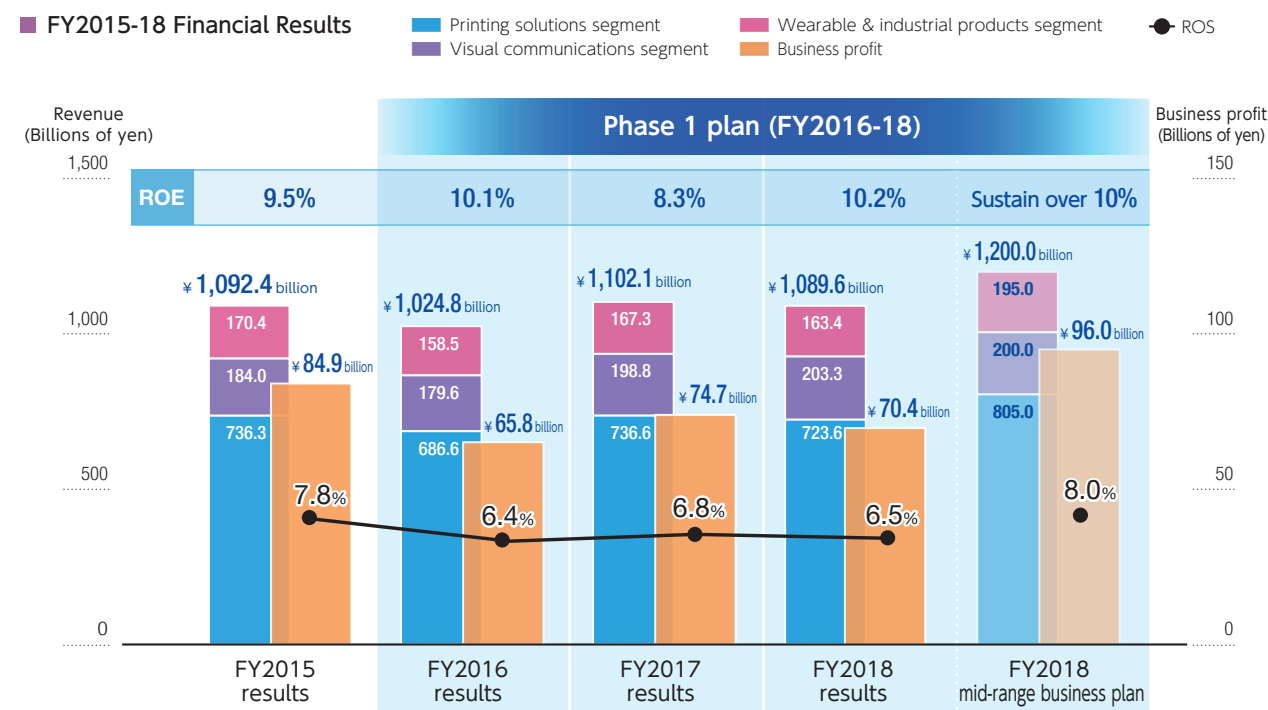
# The Epson 25 Phase 2 Mid-Range Business Plan

Mid-range plan presentation (video)  
<https://youtu.be/Yj7wMsGwugQ>

In March 2019, Epson announced the Epson 25 Phase 2 Mid-Range Business Plan (FY2019-21), the second of three three-year plans for achieving our 2025 corporate goals, as described in the Epson 25 Corporate Vision.

## Epson 25 Phase 1 Mid-Range Business Plan (FY2016-18) Review

Preparations for growth progressed to varying degrees but did not yield earnings. Epson fell short of its revenue, business profit, and ROS targets, partly due to changes in the business environment.



**Accomplishments**

- Transitioned from ink cartridge printers to high-capacity ink models in emerging markets
- Launched strategic products (e.g., high-speed linehead inkjet MFPS & laser projectors) and expanded product lineups
- Strengthened core technologies and invested in R&D and in companies to acquire future technology
- Invested aggressively in capital expenditure and increased production capacity
- Strengthened the B2B sales organizations and subscription-based services, and accumulated customer insights

**Speed**

- Shifting the business model from laser printers to high-capacity ink models
- Responding to rapid digitization
- Creating new markets
- Launching products on-time

**Sales organization**

- Offering functions & services that meet customer needs
- Establishing effective B2B sales proposals
- Establishing B2B sales organization in North America
- Expanding subscription-based printing services
- Strengthening sales in the Middle East, Africa, etc.

**Management resources**

- Determining investment and expenditure priorities

## Epson 25

## Phase 2 Mid-Range Business Plan (FY2019-21)

### Basic Policies

Continue to commit to the goals of Epson 25, and transform business operations to achieve high profitability by managing priorities in response to social issues and environmental change.

- 1 Accelerate growth by taking maximum advantage of assets and through collaboration and open innovation**
  - Strengthen the solution selling business
  - Rapidly strengthen product lineups, including through collaboration
  - Strengthen external sales of core devices and open innovation
  - Invest management resources in robotics to accelerate its growth into a core business
- 2 Strengthen global operations under Head Office control**
  - Select and focus on priority business areas and regions
  - Improve the organization and allocate personnel to strengthen B2B solution selling
  - Strengthen company-wide integrated IT infrastructure
- 3 Invest management resources in a disciplined manner based on the economy and strategy effectiveness**
  - Rebuild product portfolios based on priorities
  - Strengthen financial discipline

### Initiatives in Each Area of Innovation



#### Home, SOHO & shared office printers\*1

- Transition away from a business model that is reliant on consumables and accelerate the displacement of laser printers and ink cartridge printers with large-capacity inkjet models such as high-capacity ink tank printers and high-speed linehead inkjet multifunction printers.

\*1 A category defined by Epson, shared office printers are models for high print volume offices.

#### Commercial & industrial

- Rapidly expand the lineup of high productivity products through platforming and collaboration with partners.
- Expand the business by responding to a diverse range of needs with printhead external sales and open innovation.

#### New printing services

- Capture needs spawned by rapid and ubiquitous digitization, and embrace collaboration and open innovation to create new printing services.



**Visual innovation**

**Projectors**

- Increase projector value by advancing laser light source engine platforms so as to efficiently expand the high-brightness projector lineup.
- Pioneer new markets by creating demand for accent lighting projectors and commercializing miniature projectors.

**Smart glasses**

- Expand and enhance models that connect to PCs, smartphones, and other USB-C devices. And accelerate open innovation and expand applications by selling optical engine modules to external parties.

**Wearables innovation**

- Continue to focus resources on the high value added analog watch segment where we capitalize on our unique technologies.

**Robotics innovation**

- Accelerate the growth of robotics into a future core business by further strengthening product competitiveness and our ability to propose solutions through active collaboration based on Epson's technology.
- Improve usability by employing AI, and enter the collaborative robot market.



**Management Initiatives**

**Strengthening B2B sales capabilities**

- Strengthen Head Office control to bolster the execution of global sales strategies and management functions. Develop products tailored to the needs of each region, set priorities, and control sales and marketing expenses.
- Reinforce functions in Japan and Europe to lead the move to B2B, share their sales and marketing knowledge globally, and switch to a solutions selling approach. Bolster human resources and sales sites in conjunction with this.

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

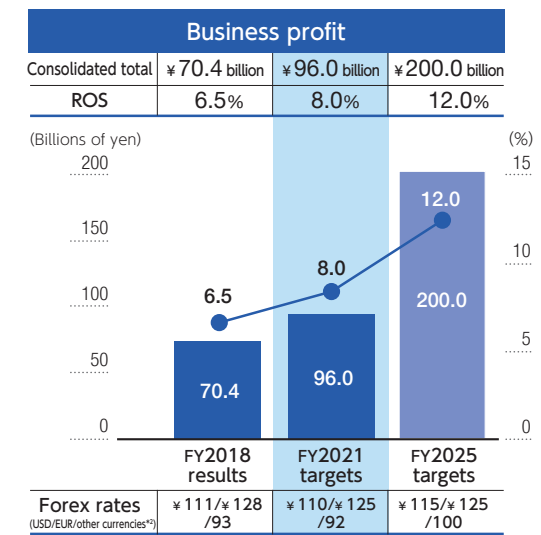
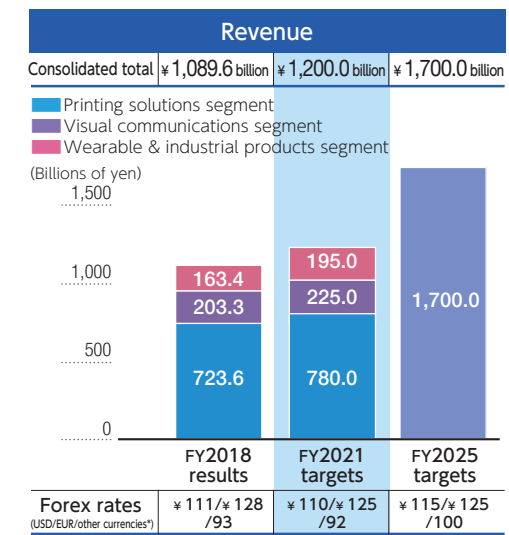
- Provide mechanisms for swiftly and accurately assessing changes and prioritize and optimize product portfolios from a Group-wide perspective by making business operations more visible and by strengthening Head Office leadership.
- Renovate business processes and strengthen company-wide integrated IT infrastructure to make business processes more disciplined and dynamic.
- Continue to invest as needed in future growth while also prioritizing and controlling investment and spending based on strategy effectiveness.

**Working toward sustainability**

- Viewing the heightened demand for corporate sustainability as a business opportunity, contribute to the realization of a sustainable society by accelerating innovation based on inkjet technology, which offers advantages in areas such as printing performance, environmental performance, and ink compatibility.

**Financial Targets**

We revised our Phase 2 financial targets in response to our Phase 1 results and environmental changes. In Phase 2, we will leverage the infrastructure put in place during Phase 1 to effectively respond to change, accelerate execution, and focus on core competencies. Transforming our business operations in this way will put us in a position to achieve the 2025 Epson 25 targets.



\*2 Index showing weighted average variance of rates for currencies other than USD and EUR against a benchmark of 100 in 2025

**Cash Flow & Capital Expenditure Plans**

Restore our ability to generate cash by growing profit and increasing operations efficiency. Prioritize and allocate generated cash to growth areas, but still provide shareholder returns while maintaining a healthy financial structure.

Item	Phase 1 Plan	Phase 2 Plan
Operating CF	3-year total: ¥258.1 billion	3-year total: approx. ¥370 billion
FCF	3-year total: ¥24.9 billion	3-year total: approx. ¥170 billion
R&D spending	3-year total: ¥161.3 billion	Aggressively invest in new products, components & technology needed to achieve Epson 25
Capex (excluding leases)	3-year total: ¥236.8 billion	3-year total: approx. ¥200 billion (Invest in production & new products)

**ROE**

Steadily grow revenue and profit during Phase 2 to secure stable operating cash flow and prioritize investment in growth to achieve Epson 25, while also maintaining a robust financial structure and secure capital efficiency to sustain an ROE 10% or more.



**Shareholder Returns**

Epson's policy is to provide fair shareholder returns while maintaining a robust financial structure that is capable of withstanding changes in the business environment. In line with this policy, we are again targeting a consolidated dividend payout ratio of about 40% during Phase 2. We will repurchase shares if necessary, depending on the share price, the capital situation, and other factors.

Item	Phase 1 plan (result)	Phase 2 Plan
Dividends: consolidated dividend payout ratio*3	FY2018: 44%	approx. 40%
Share repurchase	FY2016: ¥10 billion	FY2019: ¥10 billion*4

\*3 Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit, which shows profit from operations.  
 \*4 Seiko Epson repurchased shares in the acquisition period between May 7 and September 20, 2019 based on a resolution passed by the board of directors on April 26, 2019, approving the repurchase of up to ¥10 billion in shares or up to 7,500,000 shares.

Value Proposition  
Value Creation Strategy  
Value Creation Infrastructure  
Fact Data





## Exercising Discipline and Dynamism to Build a Robust Financial Structure Capable of Adapting to Rapid Change

**Tatsuaki Seki** Director and Managing Executive Officer and CFO  
General Administrative Manager, Management Control Division

### FY2018 Financial Results

In FY2018, the final year under the Epson 25 Phase 1 Mid-Range Business Plan (FY2016-2018), we recorded ¥1,089.6 billion in revenue (down 1.1% year on year) and ¥70.4 billion in business profit (down 5.7% year on year). We achieved revenue growth in high-capacity ink tank inkjet printers and in 3LCD projectors. However, this growth was more than offset by a decline in crystal device and robotics solutions revenues. Our revenue and business profit ended lower than last year chiefly due to slower sales in the wake of Chinese economic deceleration, aggressive strategic investment in future growth, and negative foreign exchange effects resulting from plummeting currencies in Latin America and some other emerging nations. Still, given that revenue and profit increased on a constant currency basis and that sales of strategic products expanded, I feel we are heading in the right direction.

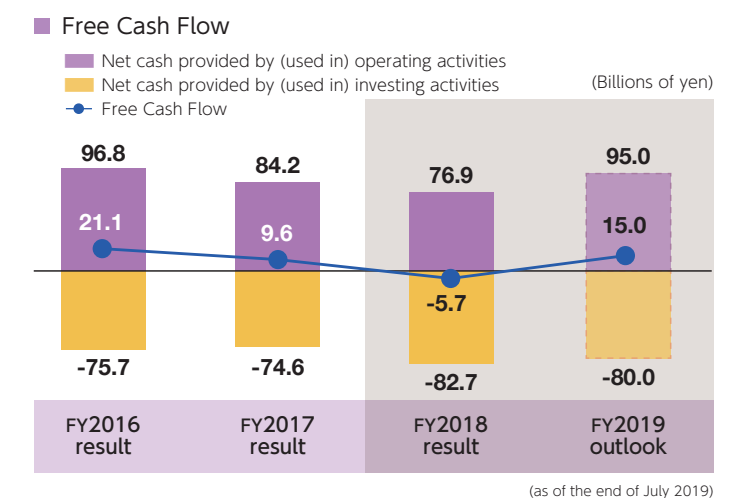
### Phase 2 Mid-Range Business Plan Strategies

We aggressively invested as planned during Phase 1 to put us on track toward achieving the Epson 25 vision, but these investments have not yielded adequate business and financial returns. Consequently, we fell short of our revenue, business profit, and cash flow targets.

The one financial target we did succeed in attaining was ROE (10.2%). In Phase 2, we will not use financial leverage to superficially improve our financials. Instead, once we have improved the company's financial condition, we will strive to meet our mid-term target of sustaining an ROE of 10% or more while bearing in mind the cost of capital.

#### Improving Financial Operations

Free cash flow was negative in FY2018. Increased inventories were the main reason. Period-end inventories were higher than expected, a result of sluggish sales in Latin America and control issues in manufacturing. We will restore inventories to appropriate levels and improve free cash flow by tightening communication between manufacturing and sales organizations and by improving inventory management. We have recently launched a Global Business Infrastructure Innovation Project. The aim is to increase efficiency and strengthen governance by standardizing IT systems throughout the Epson Group. In the past, our systems have been divided by function. We will consolidate these into a single unified system database to standardize global operations. This will provide real-time visibility into the business situation and speed up management decision-making. In turn, this will enable us to build global consensus under Head Office leadership while achieving disciplined and dynamic operations, with individuals able to independently make decisions and take action.



#### Focusing Management Resources on Priorities

Capital is a precious and limited management resource. In Phase 1, we tried to extend our businesses in all directions. As a result, investment and spending by senior management and the Head Office were not focused tightly enough on priorities. In Phase 2, therefore, we will provide senior management with clear decision-making criteria and, with senior management and the Head Office exercising control, focus management resources on two core Epson 25 growth strategies: the replacement of laser printers with inkjet printers, and the transition from B2C to B2B.

Accordingly, a key mission of Finance will be to clarify the management resources to be invested in each business, establish fair decision-making criteria, and enforce global financial discipline during execution. This will allow us to focus on priority areas, rebuild the product portfolio, and switch to a budget process that reflects longer-term business decisions based on economic conditions and strategy effectiveness.



## Continuing to Tackle Challenges with Innovative Approaches to Create Technologies for the Future

**Yasunori Ogawa** Director, Managing Executive Officer and CTO  
General Administrative Manager, Technology Development Division

### Epson's Manufacturing Infrastructure

— Technological Breakthrough + Integrity and Effort = The Creation of Innovative Products

Epson has produced numerous groundbreaking products since the company was founded in 1942. The first quartz watch revolutionized the world of horology. Our high-resolution color inkjet printers enabled the average household to print its own photos. Our 3LCD projectors changed business presentations.

When you innovate, you need to overcome myriad obstacles. Teamwork and a challenge-accepting corporate culture are crucial for knocking them down. The close cooperation between the Technology Development Division, which provides the basic technologies necessary for product development, and the operations divisions, which design products that reach our customers, is the driving force that enables us to overcome these obstacles. Our employees are willing to take on challenges, pursue questions until they can be satisfied that they have gained true insight, and pursue perfection toward achieving objectives. Working with quiet dedication to innovate is in Epson's DNA.

### Epson 25 Phase 1 Mid-Range Business Plan

— Towards societal problem-solving technological developments

Epson grew by pursuing perfection when it came to technology, but in executing Epson 25, we started wondering whether the technology that we were creating really was for customers. We realized that there were technologies under development that had almost no chance for practical business, so we had no choice but to discontinue development. In my view, these development projects were undertaken because we lost a true customer perspective and ended up focusing on technological advancements. On the other hand, that was not the case with the world's first\* office papermaking system, the PaperLab A-8000, which we released in 2016. The PaperLab employs dry fiber

technology, the development of which was motivated by a desire to preserve paper-based communication while maintaining sustainability by recycling paper outside of the traditional water-intensive recycling process.

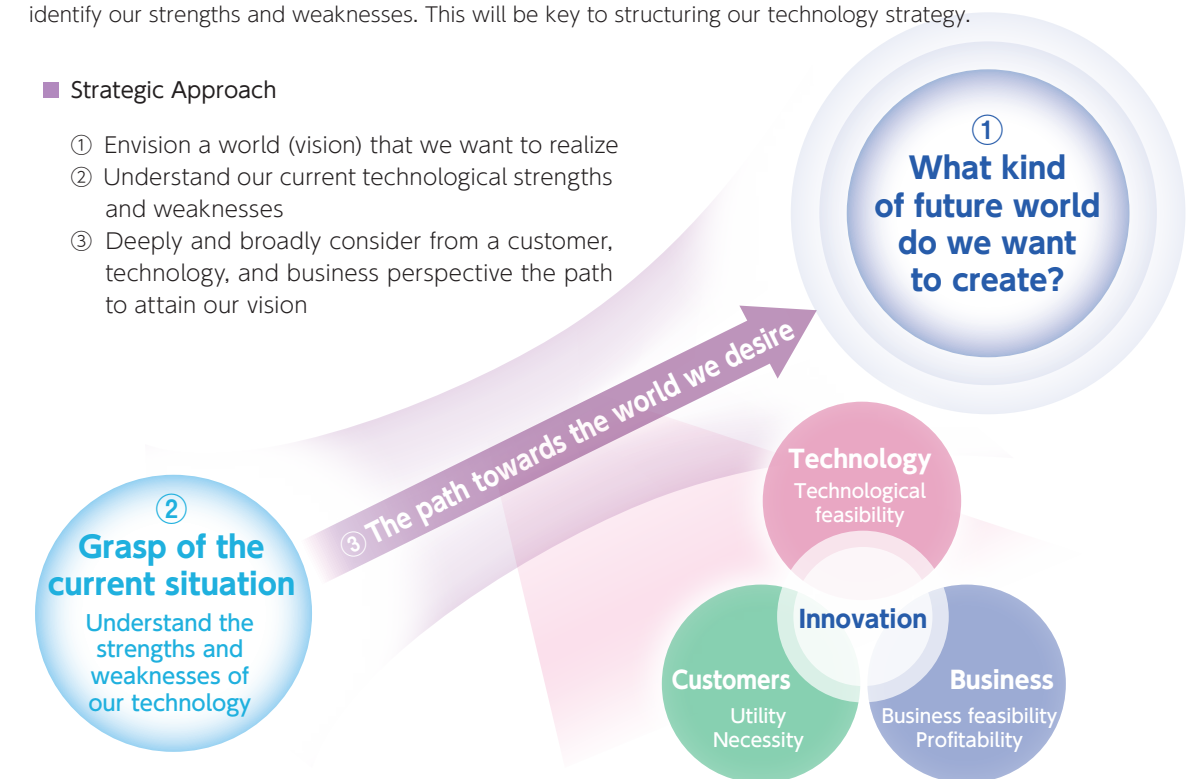
\*1 Based on a November 2016 Epson study of the office paper recycling market

### Future Technology Strategy Policy — How do we realize the future we want?

Establishing a new technology requires repeated testing and bouncing of different technologies, and ideas off one another, and this can take a long time. If your established technology doesn't fit the needs of customers, you won't be able to create new value. And that is why we need to look from a forward perspective to see potential future societal problems, and based on that, develop a vision of the future we wish to realize. We must understand our current technological strengths and weaknesses. Once we have done that, we need to deeply and broadly consider the path to attain our vision from a customer, technology and business perspective. The Technology Development Division is now playing a central role in examining from a panoramic view Epson's technologies to identify our strengths and weaknesses. This will be key to structuring our technology strategy.

#### Strategic Approach

- ① Envision a world (vision) that we want to realize
- ② Understand our current technological strengths and weaknesses
- ③ Deeply and broadly consider from a customer, technology, and business perspective the path to attain our vision



### Open Innovation that Will Accelerate Value Creation — Creating more value with partnerships

A lot has changed recently. Inkjet technology is driving the digitization of commercial and industrial printing, and advances in IT have given us the potential to increase customer touch points. Environmental regulations have become more strict, and companies are expected to play a bigger role in achieving a sustainable society by improving the environmental performance of their products and reducing waste materials and greenhouse gas emissions from their production processes.

Up until now, Epson has independently developed its own technology under the assumption that, as a vertically integrated company, we would control everything from the planning and design of our products to their manufacture and sale. But, for Epson to quickly solve societal problems, we will embrace open innovation opportunities, collaborating with other companies and research organizations to accelerate the creation of new value. We will meet our customers' fundamental needs by offering comprehensive solutions that include both hardware and software.

To achieve the SDGs (Sustainable Development Goals) and Epson's Environmental Vision 2050, we will need to develop more innovative technology. We will continue to relentlessly try to elevate Epson's efficient, compact and precision technologies so that we continue creating products like PaperLab.

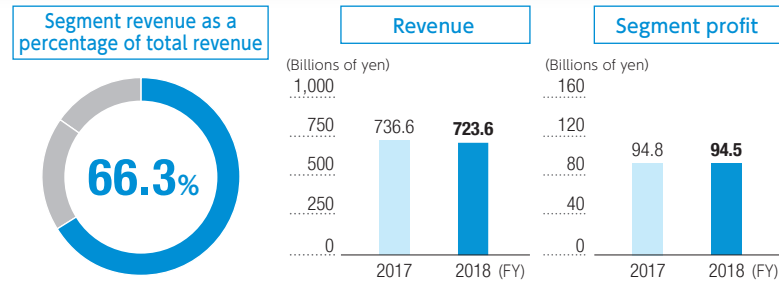


# Business Segment Overview

## Printing Solutions Business Segment

▶ **Revenue**  
 ¥ **723.6** billion  
 (down **1.8%** year on year) ↓

▶ **Segment profit**  
 ¥ **94.5** billion  
 (down **0.4%** year on year) ↓



### Main Products

#### Home & SOHO products



#### Office & business products



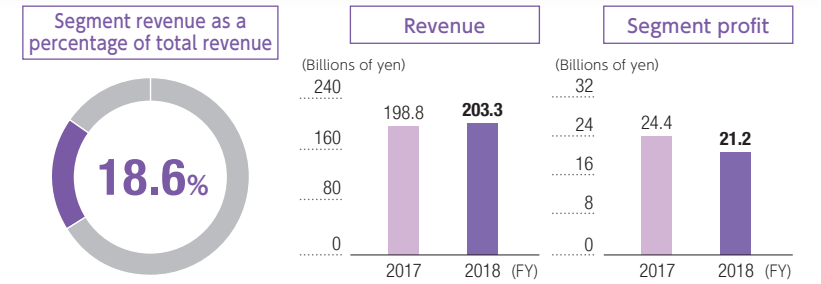
#### Commercial & industrial products



## Visual Communications Business Segment

▶ **Revenue**  
 ¥ **203.3** billion  
 (up **2.2%** year on year) ↑

▶ **Segment profit**  
 ¥ **21.2** billion  
 (down **13.1%** year on year) ↓



### Main Products

#### Home products



#### Business & education product lineup



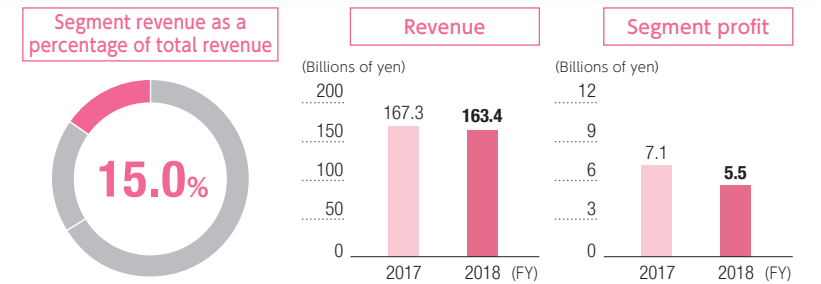
#### Commercial & enterprise product lineup



## Wearable & Industrial Products Business Segment

▶ **Revenue**  
 ¥ **163.4** billion  
 (down **2.3%** year on year) ↓

▶ **Segment profit**  
 ¥ **5.5** billion  
 (down **23.0%** year on year) ↓

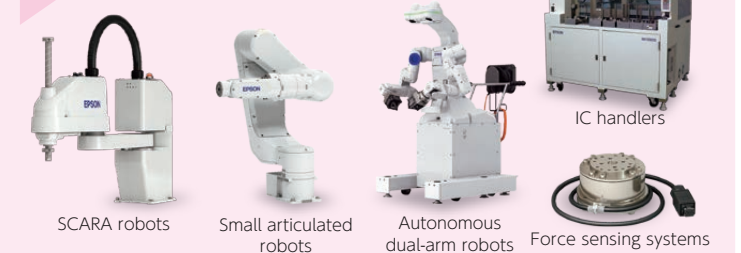


### Main Products

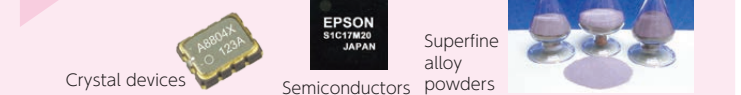
#### Watches



#### Industrial robots



#### Microdevices, other





Inkjet Innovation



Vision

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.



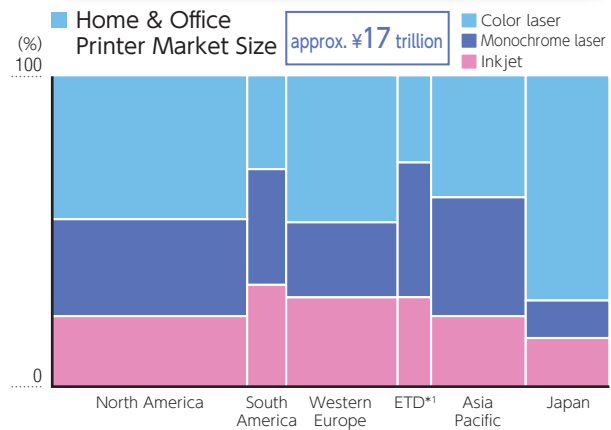
Koichi Kubota

Representative Director, Senior Managing Executive Officer, Chief Operating Officer, Printing Solutions Operations Division

The spread of information and communications technology (ICT) is said to be driving us toward a paperless world, but that does not mean that total print volume will decrease. While fewer books, newspapers, and magazines may be printed, there will always be a need for printing in the office. That is because even though we are sharing more digital information, the amount of information keeps growing. So, even if the percentage of information printed decreases, total print volume will not markedly change. The value of paper as a convenient medium for presenting more information at a glance will not change. Home and office printing is a ¥17 trillion global market, and laser printers handle the large majority of office print jobs. There is room for huge growth in this market for Epson and our inkjet printers, which offer unique value, including productivity and environmental performance that surpass those of laser printers. Commercial and industrial printing firms, seeing growing demand for short-run production, are migrating toward digital printers and away from plate-based analog printing processes. The strengths of Epson's inkjet technology can be effectively demonstrated especially in these segments, so I think we can ride the digitization wave toward significant growth.

### Value Creation

- ▶ Reduce costs, time, and trouble in printing, and create new possibilities for digital printing.
- ▶ Mitigate environmental impacts and risks caused by the use of resources, electricity, and chemicals in traditional printing.
- ▶ Contribute to higher customer productivity with high-speed, high-quality prints on a range of media of various sizes.



\* 2017, per Epson research based on data from IDC and Photizo (including ink)  
 \* Width: market size (monetary value based)  
 \*1 Eastern Europe, the Middle East, and Africa

Phase 1 Review

We did not reach the company's financial targets in Phase 1, but we made progress in a variety of areas. Among them were that we reinforced production capacity of PrecisionCore printheads and increased the efficiency of product development by platforming. We achieved substantial growth in sales of high-capacity ink tank printers. We also launched strategically important high-speed linehead inkjet multifunction printers. On the other hand, we were unable to displace laser printers to the extent hoped. We recognize that we needed to better advertise the benefits of inkjets and that we were late in providing functions and services that customers need. The growth areas of commercial and industrial printing (signage, textiles, labels) continue to expand in step with population and economic growth. They are also increasingly going digital. We still need to accelerate our response, but we made steady progress in developing new product families and will focus on their launch and sales.

Phase 1 Achievements

- High-Capacity Ink Tank, Home & SOHO Printers**
  - Captured growth while transitioning away from the cartridge business model, which depends on sales of inkjet and laser printer consumables
  - Expanded sales of high-capacity ink tank printers in emerging and developed markets
- Shared Office Printers**
  - Launched high-speed linehead inkjet MFPs
  - Strengthened sales organizations in Japan & Western Europe
  - Captured customer needs from launched products
- Commercial & Industrial Printers**
  - Made progress in the development of platforms & products for future growth
  - Increased PrecisionCore printhead production capacity

### Epson 25 Phase 2 Mid-Range Business Plan Policies

- Accelerate office inkjet market development
- Lead the transition to inkjets in commercial and industrial printing

We will capitalize on our unique core technologies to expand and upgrade our product lineup. At the same time, we will accelerate market development by advertising the benefits of Epson's inkjet technology and by providing new services. In the commercial and industrial sectors, in particular, we will create platforms to efficiently expand our product lineup in order to lead the transition to digital printing solutions. In addition, we will expand the business by selling printheads and by engaging in collaboration and open innovation to respond to needs that we were not able to fully meet in the past.

High-Capacity Ink Tank Printers

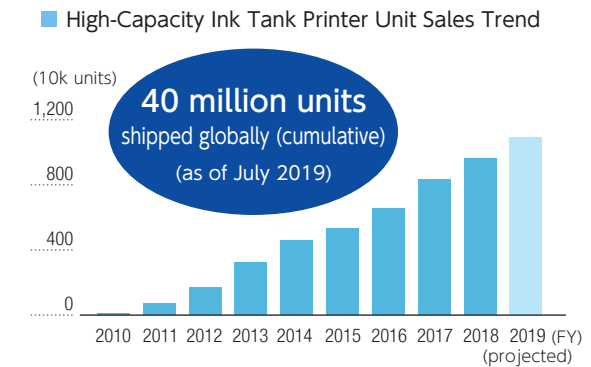
Strengthen the product lineup and provide attractive subscription-based services

Monochrome laser printers account for a high share of the home and office markets (see the graph on the previous page). Epson is strengthening its lineup of high-capacity ink tank printers to meet the printing needs in these markets.

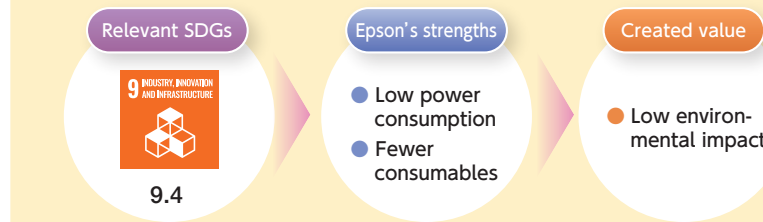
High-capacity ink tank printers enable you to print at about one-tenth\*2 the cost of laser printers, but for customers who want to keep down initial costs, we are rolling out subscription-based printing services that allow you to use products and services for a fixed period of time for a flat fee.

The market for high-capacity ink tank printers is being further stimulated by the entry of competitors. As the pioneer in this category, Epson has built trust and its brand. We will take advantage of our extensive product lineup to accelerate the development of the office market and the displacement of laser printers.

\*2 Comparison of A4 sheet printing costs between an EW-M670FT high-capacity ink tank printer and an Epson laser printer

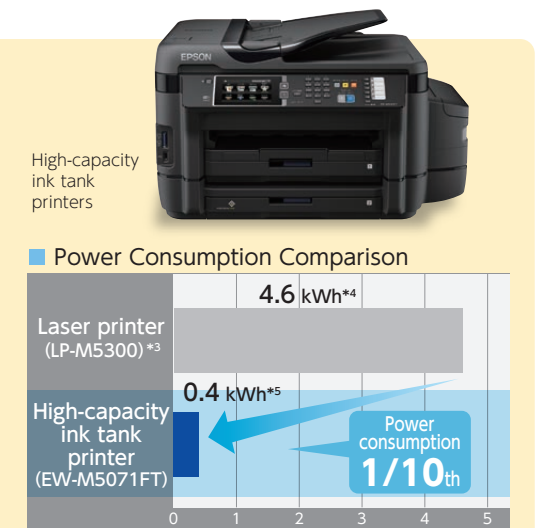


Contribution to SDGs Reducing Environmental Impacts with High-Capacity Ink Tank Printers



Epson's high-capacity ink tank printers do not use heat in the printing process, so they use only about one-tenth the total power of laser printers during printing and sleep mode. High-capacity ink tanks also reduce the amount of consumables and packaging used.

\*3 Epson laser printer (launched June 2012) \*4 Typical electricity consumption (TEC) values calculated based on 1 week of office use. Values were measured using the test method in Ver. 2.0 ENERGY STAR® spec. \*5 Independently calculated by Epson based TEC measurement criteria of the ENERGY STAR® program and an output of 162 prints per day. Actual energy consumption may vary depending on printer use. Results based on calculation method used in Japan.





Shared Office Printers

➤ Grow market share with high-speed linehead inkjet MFPs

High-speed linehead inkjet multifunction office printers are strategic products that will change laser-dominated office printing landscape. The WF-C20590 high-speed linehead inkjet multifunction printer is equipped with PrecisionCore lineheads that deliver print speeds up to 100 ppm, which is about double the 50-page output of a typical office laser printer. Power consumption is about one-eighth that of a typical laser printer. The office market holds considerable potential for inkjet printers. Competitors are beginning to enter the market with their own line inkjets, but Epson's linehead inkjets with Heat-Free Technology print even high density patterns at consistent high-speeds and in high volumes. We will vigorously communicate that value and further build product awareness. The progress made and the insights gained during Phase 1 give us a foundation from which to build a strong office sales organization so that we can provide even better features and solutions.

Power consumption approx. **1/8<sup>th</sup>**<sup>\*6</sup> that of laser systems

Print speed **100**<sup>\*7</sup> pages/minute

High-speed linehead inkjet multifunction printer



FY2018 Grand Prize for Excellence in Energy Efficiency and Conservation (Product Category & Business Model Category) Sponsor: The Energy Conservation Center, Japan

Won the 2018 Grand Prize for Excellence in Energy Efficiency and Conservation

<sup>\*6</sup> Epson product compared to the average per-page power consumption for the 10 top-selling A3 color all-in-one models in the 45-55 ppm class (based on 2016 shipments as reported in IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2017Q3). Uses TEC values found in energystar.jp/ (as of November 2017). TEC calculating conditions used to find per-page values.

<sup>\*7</sup> A4, landscape, single-side printing. Print speeds are measured in accordance with ISO/IEC 24734. Actual print times will vary based on system configuration, software, and page complexity.

Micro Piezo Technology

➤ The benefits of Epson's Micro Piezo inkjet technology

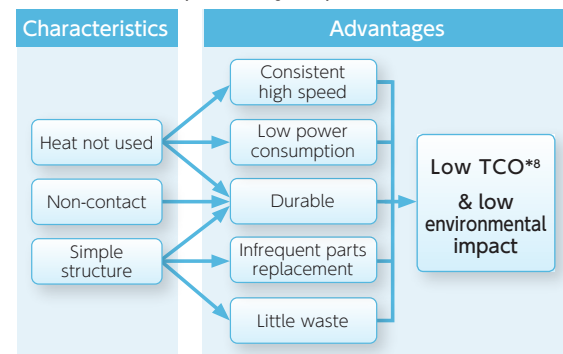
Epson's proprietary Micro Piezo inkjet technology provides a common platform for all Epson inkjet printers, whether for the home or business, and is what separates us from the competition.

**Comparison with laser technology:** The laser printing process is complicated, comprising of preheat, charging, exposure, development, transfer, and fusing steps. Fine toner powder is transferred to a sheet of paper through contact and fused with a combination of heat and pressure. In contrast, Epson's piezo inkjet printers are simple, non-contact systems. They deposit ink droplets on media without heating the ink, so they are durable, require only infrequent parts replacement, and generate little waste. Even if paper does jam, it can be removed easily and safely because there are no hot parts. The fact that they do not use heat also means that they use less power.

**Advantages of piezo-inkjet technology:** With Epson's Heat-Free Technology there are no printing delays caused by accumulated heat in the print head. This is because printing results from the action of piezo electric actuators, which mechanically eject droplets of ink as they flex back and forth under an applied voltage (piezo displacement). Printing speeds remain consistent because the speed is not affected significantly, even when continuously printing high-density pattern documents.

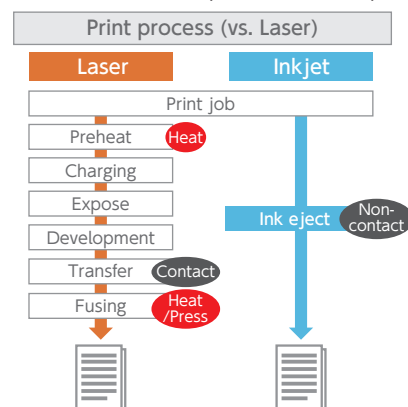


■ Features of Epson Inkjet Systems



<sup>\*8</sup> Total cost of ownership

■ Non-Contact, Heat-Free System with a Simple Structure



Lead the Transition to Inkjets in Commercial & Industrial Printing

Commercial & Industrial Printing

➤ Lead the transition to digital printing

Digitization is steadily advancing in the commercial and industrial printing markets, where the demand for design diversity is driving the spread of short-run production. Here, Epson has designated the signage, textile, and label printing segments as growth markets where there is ample room for digitization and expansion.

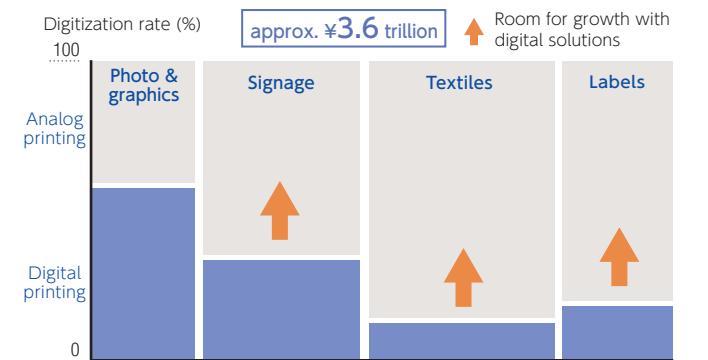
To lead the transition to digital printing in the commercial and industrial sectors, we are developing platforms that can efficiently be deployed in products and services that meet diverse customer needs. Leveraging the advantages of Micro Piezo inkjet technology, we will build up our lineup of faster, higher quality products that support a wide range of media and materials. At the same time, we will provide applications built around our Color Control Technology color matching software to capture replacement, additional printer, and distributed printing demand.

As we have already done in Italy, we are enhancing sales proposals and customer support in Asia by opening Textile Solution Centers in Japan, where customers can conduct tests and prepare samples using our textile printers. Also, a factory for prototyping and mass-producing large commercial and industrial printers is under construction in Japan, as we seek to strengthen domestic R&D and production.

■ Products Launched in Growth Areas



■ Commercial & Industrial Printing Market Size



Width: Market size (on a monetary basis). FY2018 analog & digital market (printer & ink) by category, per Epson research

■ Value Proposition for Commercial & Industrial Customers

Photo & graphics	Unbeatable powers of expression and print quality
Signage	Support for a variety of media and applications
Textiles	Low environmental impact and printing on a variety of materials
Labels	On-demand printing of a large variety of labels in small quantities

Embrace Collaboration and Open Innovation

➤ Create markets by providing printheads

To accelerate inkjet-based digitization and create new markets, Epson is embracing collaboration and open innovation and has begun selling its printheads, which are known for reliability, print quality, and productivity, for a wide range of printing applications. For example, in addition to the commercial and industrial fields, Epson printheads are gaining traction in new applications such as electronics and biotechnology fields.







# Visual Innovation



**Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.**



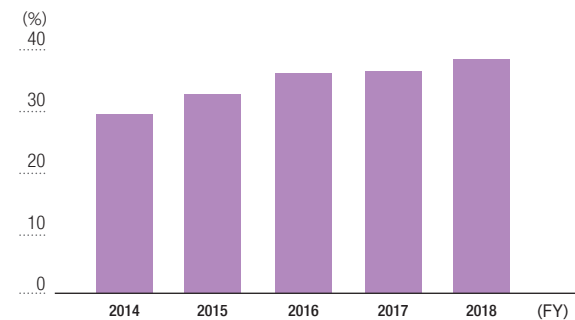
**Keihiro Naito**

Executive Officer  
Chief Operating Officer,  
Visual Products  
Operations Division

### Value Creation

- ▶ Deliver amazing visual experiences and enrich communication through ubiquitous imaging.
- ▶ Use high-quality images to enrich lives and enhance customer productivity.
- ▶ Use realistic augmented reality (AR) to reduce environmental impacts associated with travel and transport.

■ Global Market Share\*1 (Unit Volume)



\* Source: Futuresource Consulting Ltd.  
\*1 Share among 500-lumen class projectors and higher

The projector market is shrinking under pressure from growth in sales of large LCD monitors and other flat panel displays, yet the total display device market continues to grow. The amount of time people spend looking at images is rapidly increasing. Moreover, with the advance of globalization, individuals in remote locations are now communicating naturally with one another via video.

Communications that effectively use pictures, video, and other forms of visual information are, I think, only going to see more growth. Advances in technology are making it possible to render all kinds of images and provide memorable visual experiences.

We will respond to these changes by identifying customer needs and developing products that meet those needs.

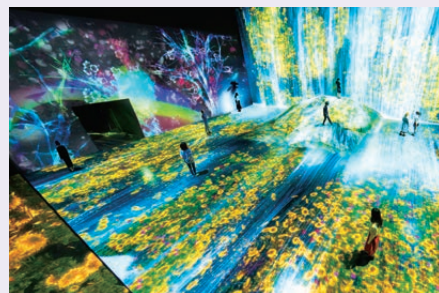
### Phase 1 Review

We continued to expand our market share by launching strong products, such as high-brightness laser projectors, and strong services, and maintained our grip on the top share in the global market. We sought to create a new market by launching accent lighting projectors for the spatial design applications. In smart glasses, we launched new products with silicon OLED screens but did not achieve substantial growth.

#### Projector Usage Example

Epson, serving as a projection partner, sponsors a magical show titled "teamLab Borderless" at the Mori Building Digital Art Museum.

**EPSON teamLab Borderless**  
Introductory video  
<https://www.youtube.com/watch?v=02CMWSVeJqA>



### Phase 1 Achievements

#### Projectors

- Expanded share with strong products and services
- Increased our market presence by launching high-brightness laser projectors
- Launched accent lighting projectors for the spatial design market

#### Smart Glasses

- Launched new products equipped with silicon OLEDs



#### Smart Glasses Usage Example

Smart glasses were introduced for hearing-impaired visitors to the National Theatre in London.

### Epson 25

Phase 2 Mid-Range  
Business Plan  
Policies

- Increase our market presence with laser projectors
- Create new markets through open innovation and by proposing new uses

We will further solidify our position as the global leader in projectors by creating laser light source engine platforms to efficiently expand and upgrade our lineup, by enhancing our market presence, and by pioneering new markets. In smart glasses we will continuously advance our OLED and optical technologies to boost customer value. We will also start providing optical engines to and collaborating with third parties to further expand the business.

### Projectors

#### ▶ Leverage laser to expand into new areas

Laser projectors produce bright, vivid images, have a long-lasting light source, and can be installed in any orientation. Epson will accelerate business growth in the high-brightness segment by evolving laser light source engine platforms to efficiently expand and upgrade the product lineup.

To get people to casually enjoy big-screen entertainment at home, we will expand and upgrade our lineup of compact models and ultra-short throw models, giving them attractive designs that blend into the home interior.

We will also highlight the advantages of projectors to create demand for accent lighting projectors in stores, restaurants, and entertainment venues.



### Smart Glasses

#### ▶ Offer features and services that customers need

Epson's smart glasses deliver see-through images hands-free on a virtual big-screen, anytime and anywhere. We will seek to take advantage of these features to expand personal, service, and industrial applications.

We also plan to expand, upgrade, and improve the usability of models that can be connected to a PC or smartphone. At the same time, we have begun to sell our silicon OLED optical engine modules to spur development of applications for smart glasses. Our smart glasses have transparent lenses, an advantage when it comes to flying drones and providing remote support. We will focus on killer applications for these types of uses to improve work efficiency and quality.



Contribution to SDGs

### Projectors Supporting High-Quality Education

Relevant SDGs



Epson's strengths

- Big-screen images with ultra-short throw projectors
- Interactive features for enhanced usability

Created value

- Supports equal, high-quality education for all



Classrooms are one place where we can demonstrate the value of large projected images that are clearly visible even to students in the back. We are thus focusing our efforts on providing products and services for education. In 2006, we developed the world's first\*2 dust-proof projectors, for use in dusty and sandy regions. Epson is using ICT to enhance learning and improve the quality of education, and in so doing has earned a strong reputation in the education field by providing affordable projectors and models equipped with electronic blackboard functions.

\*2 According to Epson research at the time







# Wearables Innovation



**Leverage our watchmaking heritage, refine leading technology, and offer a sense of status and fashion.**



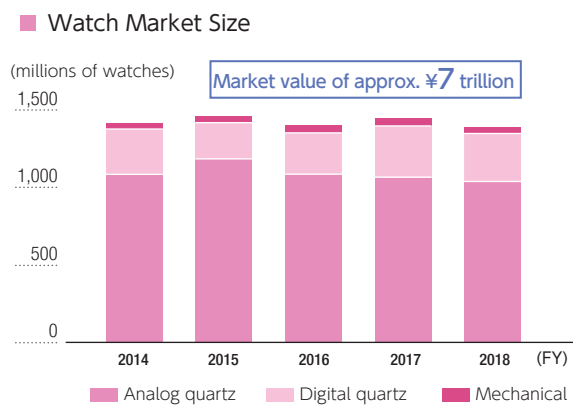
**Junichi Watanabe**

Managing Executive Officer  
Chief Operating Officer,  
Wearable Products  
Operations Division

Watches are a ¥7 trillion global market that we expect to steadily grow as the world's population increases and as people in emerging regions become more affluent. We therefore believe there is ample room for sales growth. Yet, each watch wearer is unique, and each see value differently, so growth in this market hinges on the ability to meet widely divergent tastes. Epson designs and manufactures a variety of movements, from mechanical to quartz to Spring Drive. Our competitiveness comes largely from our ultra-precision processing technologies, especially for analog watches, and the development capabilities that enable us to continue to provide compelling products. By taking maximum advantage of these technological capabilities and by continuing to satisfy customers and provide indispensable value, we will further increase brand value and continue growth in the watch market.

### Value Creation

- ▶ State-of-the-art wearable and device technologies provide functionality and convenience.
- ▶ Products of meticulous accuracy, beauty, and craftsmanship



\* Source of quantity data: statistics of the Japanese Clock & Watch Association  
\* Value: Epson research

### Phase 1 Review

Total wearables sales fell short of the Phase 1 plan, in part because demand from visitors to Japan cooled. In original brand products, we focused on the high value added analog segment where we capitalized on our unique technology. We also launched Trume, an original brand. In the Seiko business, sales of new GPS models grew while luxury Spring Drive watches are steadily growing. Movement sales fell short of the plan due in part to sluggish market demand. Under the Phase 2 plan, we will focus more closely on our core competencies and strengthen areas that promise sustained growth.

### Phase 1 Achievements

#### Watches

- ▶ Focused resources on the high value added analog watch segment where we capitalized on our unique technology
- ▶ Launched Trume as an Epson original watch brand

### Epson 25

Phase 2 Mid-Range  
Business Plan  
Policies

- ▶ Focus on the analog watch segment where Epson can capitalize on its strengths

Epson produces mechanical, quartz, Spring Drive, and other watch movements. One of our strengths is that we produce a high percentage of watch parts internally and have the capacity to invent new parts. We draw on a rich storehouse of technological assets to create original analog watches. We will strive to increase our selling power for Epson brands (Orient Star/Orient and Trume) and expand the brand business while also growing the Seiko business.

### ORIENT STAR/ORIENT

- ▶ Expand in the analog watch segment and create watches that are a pleasure to wear

We are looking to expand in analog watches, a segment where we can capitalize on our ultra-precision processing technology. We will meet a wider range of analog watch needs with the Orient Star and Orient brands. In addition to a classic collection with watches of exquisite quality and practicality, we will meet these needs with a contemporary collection of watches for business settings and a sports collection with products for diving, the outdoors, and active lifestyles.

Analog watch collections ranging from classic to sports



### TRUME

- ▶ Leverage our wearables technology to provide analog watches with new added value

Trume analog watches have built-in sensors and GPS-based time correction. They have evolved since the first Trume watch was released in 2017 to match wearers' lifestyles and provide them with the joy of wearing. The Trume lineup offers watches for various uses, with satisfying designs and optimal functions.

Sensors provide functions wearers need



Contribution to SDGs

### Preserving Our Ultra-Precision Processing Technology Traditions

Relevant SDGs



8.2

Epson's strengths

Technology and artisanship essential for the manufacture of analog watches

Created value

Passing down a rich heritage of accumulated technology

Yoshifusa Nakazawa  
Contemporary Master Craftsman  
Wearable Products Operations Division  
Micro Artist Studio



Epson has developed many ultra-precision processing technologies over the decades. We have world-class watch fabrication technologies and master craftsmen steeped in those technologies and traditions. These are a precious global cultural resource for current and future manufacturing that we will continue to nurture and pass down to future generations.





# Robotics Innovation

## Vision

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.



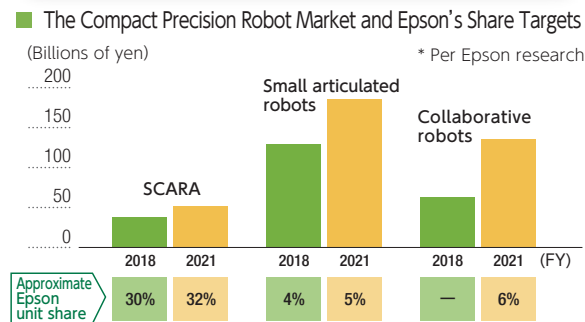
**Yoshifumi Yoshida**

Executive Officer  
Chief Operating Officer,  
Robotics Solutions  
Operations Division

As global manufacturing wages rise and as competition for workers intensifies, the use of robots in manufacturing is rapidly expanding. Robot use will also likely spread from factories to retailers to free people from dull, repetitive tasks. Robots are, without a doubt, a growth market. In addition to efficient, compact and precision technology, Epson has image processing technology, sensing technologies, and other original technologies and devices from multiple divisions. These allow us to provide compact, slim, lightweight robotic solutions of unrivaled speed and accuracy. With sales companies and manufacturing sites around the world, as well as an Epson network that provides local sales and service, we will quickly identify customer needs and rapidly respond to even the most exacting requirements. Our goal is to make our strengths even stronger and to be a leader in the compact precision robot market, which is expected to grow at an annual rate of 8% for the next decade.

### Value Creation

- ▶ By providing solutions with robots that see, sense, think, and work, and by enabling anyone to easily use our robots, we will free people from performing work they don't want to do and work that employers don't want them to do, thus allowing them to shift into higher added value jobs that are more creative.
- ▶ Mitigate environmental impacts with robots that are compact, slim, lightweight and, moreover, energy-efficient.
- ▶ Using original robotics and sensing technologies, we will achieve robots that move accurately, at high speed, and with low vibration, thereby providing solutions that exceed customer expectations and increase their productivity.



### Phase 1 Review

We were able to grow sales of robotic solutions thanks to the expansion of the robot market and the launch of strategic products like the N series of space-efficient six-axis robots and the T series of low-priced SCARA robots. To achieve future growth, we transferred sensing and software assets from the wearable products business to the robotics solutions business and forged capital ties with a venture company to acquire artificial intelligence (AI) technology. On the other hand, trade friction curbed corporations' appetite for investing in equipment like robots, causing the growth rate to slow in the latter half of FY2018. IC handler sales were also tempered by U.S.-China trade friction, as well as by price competition.

### Phase 1 Achievements

#### Robots

- Sales grew smoothly as the market expanded and Epson launched strategic products
- Transferred sensing and software technology assets refined by the wearable products business to the robotics solutions business
- Forged capital ties with AI venture company Cross Compass

#### IC Handlers

- Strengthened customer touch points by reorganizing direct sales and transformed operations by cutting costs and reducing lead-times

### Epson 25

Phase 2 Mid-Range Business Plan Policies

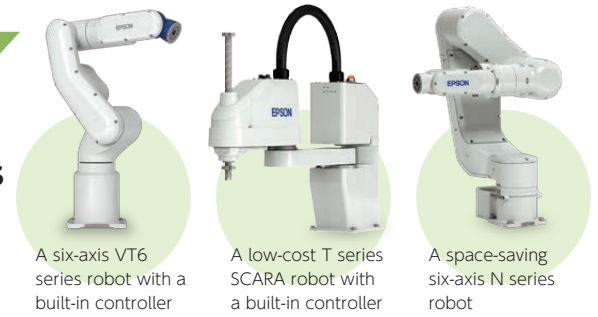
- Drive manufacturing innovations by providing robots that meet a wide range of automation needs and solutions that accomplish sophisticated tasks

We will accelerate the growth of robotic solutions into a core business by capturing growth opportunities, building up our core technologies and business infrastructure, and solidifying our ability to provide solutions.

### Robots

#### ▶ Accelerate core technology development and improve our ability to sell competitive solutions

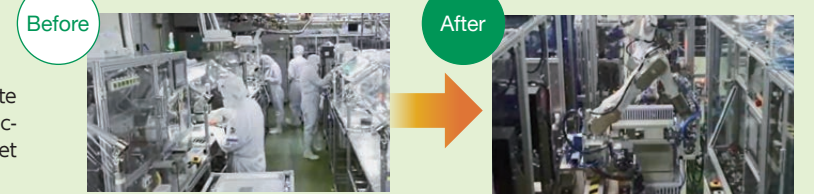
To increase product competitiveness, Epson is embracing collaboration opportunities surrounding its sensing and other technologies while also using AI to further improve usability. These actions will drive growth in existing robot markets while also enabling us to enter the collaborative robot market.



Automating manufacturing requires more than just installing robots. Production lines must be designed and built by people who have manufacturing experience and expertise. Epson, which has populated its own factories with Epson robots over many decades, has expertise that enables it to translate users' needs into concrete solutions and recommendations. We will build on these capabilities and strengthen our sales support system in collaboration with our global manufacturing sites to accelerate growth.

#### Automated printhead assembly

Seiko Epson is using its robots to automate printhead assembly. We can leverage our manufacturing expertise to recommend solutions that meet manufacturers' automation needs.



### IC Handlers

#### ▶ Build stronger customer touch points

We will build stronger customer touch points by reducing software development times and strengthening our service and support organization. We will also develop a product that meets the needs of the auto industry, where there is high demand for low-temperature (-40°C) operation and precise temperature control.



Contribution to SDGs

#### Providing Relief from Dull, Repetitive Tasks

Relevant SDGs



8.2

Epson's strengths

Ability to provide solutions facilitate automation

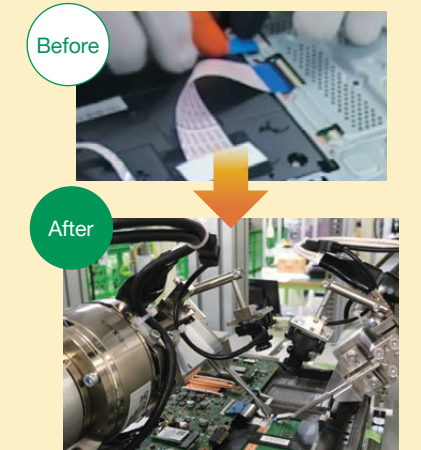
Created value

Liberate people from dull, repetitive tasks

Epson's force sensors endow robots with the ability to "feel" extremely subtle forces. This ability allows them to assemble mating parts, plug in flexible flat cables (FFC), insert capacitors, perform other difficult tasks that have traditionally relied on human sensory perception.

By providing solutions that make automation easy, we are helping manufacturers use robots to perform tasks that used to be done by humans. This liberates people from dull, repetitive tasks and allows them to focus on more creative, value-added jobs.

#### Connecting an FFC



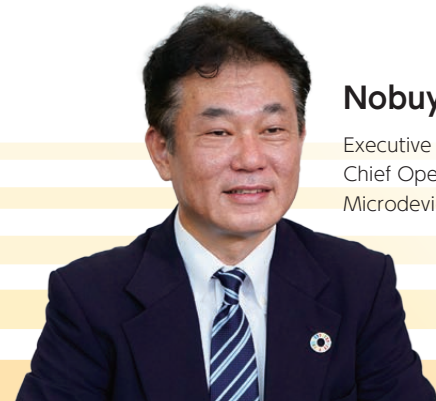


# Microdevices

Supporting the Four Areas of Innovation



Epson will provide traction for the development of smart communications, power, transportation and manufacturing solutions with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.



**Nobuyuki Shimotome**

Executive Officer  
Chief Operating Officer,  
Microdevices Operations Division

### Value Creation

- ▶ Provide traction for smart societies by contributing to 5G networks, self-driving cars, and other next-generation infrastructure with extraordinarily accurate timing devices.
- ▶ Use Epson's low-power and control technologies to provide low-power solutions that reduce finished product power consumption.
- ▶ Help to make products smaller by reducing device size.

Quartz is an extremely frequency-stable material. Epson exploits this feature to expand a lineup of crystal devices that are used in consumer products such as smartphones, as well as in infrastructure and automotive applications that require exceptional accuracy and reliability. Epson also serves a wide range of industries by providing timing devices, such as crystal units, oscillators, and real-time clock modules, and sensing devices, such as gyro-sensors and inertial measurement units (IMUs).

We also develop and provide low-power LCD controllers, microcontrollers, application-specific integrated circuits (ASICs), LCD drivers, and other differentiated Epson semiconductor products for use in industrial products and automotive equipment.

### Phase 1 Review

Quartz business performance was hurt by a decline in mobile market demand. However, we recorded growth in sales of gyro-sensors and real-time clock modules for the automotive sector and in high-frequency oscillators for communications and networks. We also advanced the development of smaller devices for the mobile market.

The semiconductor business' results were in line with the Phase 1 plan thanks to an enhanced lineup of ICs for Epson products and a stable, balanced business portfolio.

### Phase 1 Achievements

#### Quartz Business

- Expanded and upgraded our lineup of gyro-sensors and timing devices for the automotive sector
- Strengthened development of key components for crystal products used in communications and networks
- Advanced key component development for small products

#### Semiconductor Business

- Expanded and upgraded ICs for Epson finished products
- Advanced the development of high voltage and power devices
- Achieved a well-balanced and stable business portfolio with internal sales, external sales, and a foundry business

### Epson 25

Phase 2 Mid-Range Business Plan Policies

- Strengthen the competitiveness of miniature crystal products and provide traction for ultra-smart societies.
- Contribute to value creation in the four areas of innovation.

### Quartz Business

#### Strengthen the competitiveness of small products and provide traction for ultra-smart societies

Miniaturized timing devices are in demand not only for use in smartphones and other mobile products but also in the burgeoning IoT market. We will continue to strengthen our lineup of small products to meet customer needs.

The communications and networks businesses are likely to see growth that takes advantage of 5G. We will continue to strengthen the competitiveness of our accurate and high-frequency oscillators that support 5G.

CASE (connected, autonomous, shared, electric) is an acronym that summarizes four major trends that are transforming the automotive industry. In response to the increased adoption of electronic automotive technologies, we will expand our lineup of real-time clock modules and other timing devices and launch gyro-sensors, IMUs, and other sensors for safety systems in self-driving cars.



### Semiconductor Business

#### Contribute to value creation in the four areas of innovation

To help create value in the four areas of innovation, we will bolster development of ICs for internal use. The technology assets thus acquired will be used to efficiently develop products for external sale. The insights gained from external sales will be fed back into internal product designs, thus increasing value for both Epson and customers. The foundry business will continue to operate stably.



Contribution to SDGs

### Contribute to Product Energy Efficiency with Low-Power Real-Time Clock Modules

Relevant SDGs



7.3

Epson's strengths

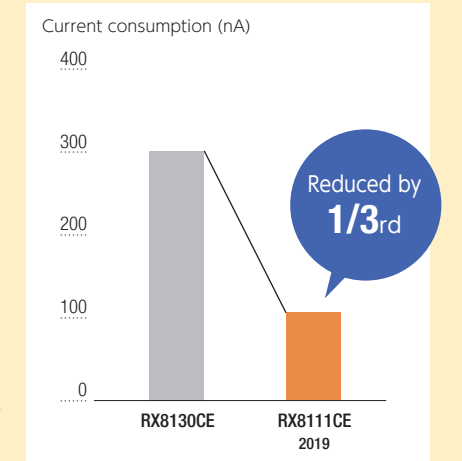
Low power devices that combining quartz and semiconductor technologies

Created value

Help customers reduce system size and power consumption

We have increased the power efficiency, accuracy, and precision of our real-time clock (RTC) modules by combining the quartz and power-saving semiconductor technologies Epson began developing for watches. By providing products that consume even less current for IoT terminals and other systems that need to be small and energy efficient, we will help customers create environmentally friendlier finished products that operate for longer on smaller batteries.

#### Current Consumption Comparison of 3.2 x 2.5 mm Epson RTC Modules



# Value Creation Infrastructure



## Improve the Quality of Products and Services

# Quality

**Motonori Okumura**

Managing Executive Officer  
General Administrative Manager, Production Planning Division



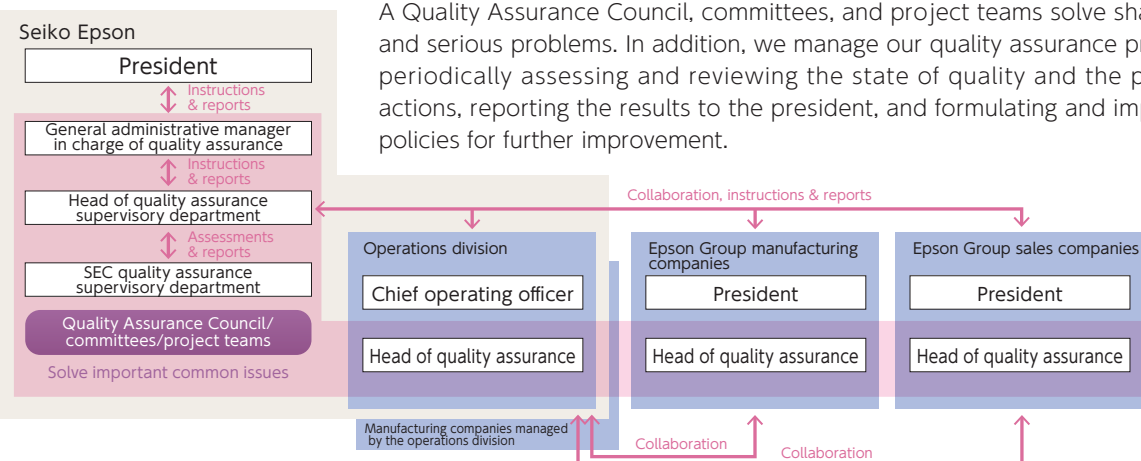
### Message from Top Management

Customer satisfaction, enshrined in the Epson Management Philosophy, is the goal of every Epson employee. That means always offering customers around the world products and services that are safe, secure, user-friendly, surprising, and delightful. To achieve that, each Epson employee works constantly to enhance the quality of their work from a customer perspective. To support them, Epson provides a foundation for continually creating high-quality products and services. In each business area, we establish mid-range quality improvement targets and measures for achieving them.

### Quality Policy

1. We will solve problems by directly observing all of our operations and processes.
2. We will quickly complete the Plan, Do, Check & Act (PDCA) cycle in all situations.
3. We will thoroughly analyze any failures, and establish procedures based on that analysis, so that mistakes are never repeated.
4. We will proactively consider our customers' satisfaction so they will genuinely prefer purchasing Epson products and feel confident using them.
5. We will seize the opportunity presented by customer comments and complaints to inform our decisions when designing new products.
6. We will readily report even negative information.
7. We will foster a climate in which attention is paid to even the most commonplace events.

### Quality Assurance Program Organization



The president of Seiko Epson Corporation heads up our quality assurance program. A Quality Assurance Council, committees, and project teams solve shared issues and serious problems. In addition, we manage our quality assurance programs by periodically assessing and reviewing the state of quality and the progress of actions, reporting the results to the president, and formulating and implementing policies for further improvement.

### Mid-Range CS & Quality Action Policy

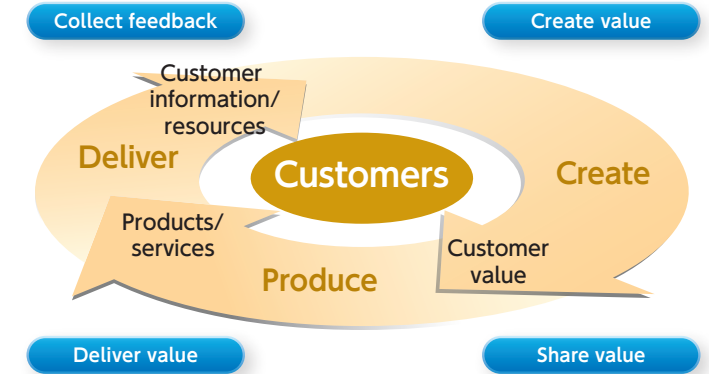
We seek to achieve the goals of the Epson 25 Corporate Vision by raising the quality of work in all operations, demonstrating teamwork and collective strength, and providing products and services that exceed customer expectations.

#### Vision

Earn strong trust from customers by taking innovative approaches to improving the quality of the overall product commercialization process and quickly achieving a level of quality that exceeds customer expectations.

Following our Mid-Range CS & Quality Action Policy, we draw up mid-range CS & quality targets for each business area and ways to achieve them. Using these, we make quality improvements to products and services over the long-term.

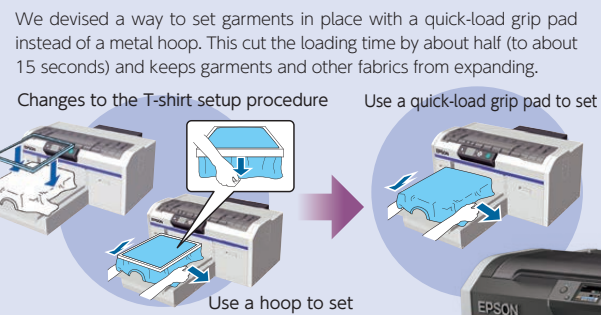
#### CS & Quality Vision (Creating Customer Value)



### Incorporate the Voice of the Customer into Products

Market and work site information are extremely important for creating product value in the "create, produce, and deliver" cycle. We listen sincerely to customers who use our products—their impressions of the product, the troubles they have. We then work with our departments to respond so that the next customer will be satisfied. In 2013, we launched a product of a new type for Epson: a garment printer that prints on cotton fabric, such as T-shirts and tote bags. Its successor models came out in March 2018. Known as the SC-F2100 series, they offer greater work performance and efficiency in the workplace because they incorporate customer needs that came to light in the four and a half years since the first garment printer went on sale.

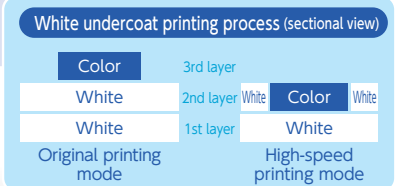
#### "Garment loading is troublesome"



Garment Printers  
SC-F2100 Series

#### "I need faster print speed"

The original product prioritized color expression. Print jobs began by printing two white layers to cover the color of the fabric and then printed color as the third layer. However, market survey results showed some customers wanted the productivity of faster printing while others prioritized color expression. To meet both needs, we developed a high-speed mode in which the first layer is printed in white and the second in color and white simultaneously. The high-speed mode increased print speed by 33% with little loss of color expression.



#### "There should be less waiting time"

The SC-F2000 series was designed to automatically circulate white ink every day for up to 10 minutes to prevent particles contained in white ink from settling. Sometimes the circulation process began just when the customer wanted to print, so they had to wait. We analyzed the workflow and found there was a 20-second interval between printing jobs (to unload the printed garment and set the next one in). We created a program to break the circulation process down into steps that run only in the intervals so customers no longer need to wait to print.

#### "Print jobs should be more attractive"

A fabric preparation product is applied to the surface of dark fabric so that white ink will not penetrate the fabric. The product reacted with fabric dyes and made stains. People who bought garments sometimes returned them due to the stains. Other garment printer manufacturers all had the same problem. We addressed the problem by identifying a material that effectively minimizes the reaction with fabric dyes and mixing it with the fabric preparation product. We tested the new fabric preparation product on more than 150 types of fabric manufactured around the world under expected usage conditions and confirmed that stains became less conspicuous.





## Strengthen Supply Chain Management

# Supply Chain

**Motonori Okumura**

Managing Executive Officer  
General Administrative Manager, Production Planning Division



### Message from Top Management

Epson's Management Philosophy urges us to grow and prosper together with the community, working with our business partners for mutual benefit. In this way, we aspire to be an indispensable company. We believe we can maintain mutually beneficial relationships with our suppliers and other business partners by asking them to live up to the highest standards of ethical conduct while respecting their autonomy and independence. When suppliers take the same approach as Epson to human rights, labor conditions, the environment, compliance, ethics, quality, and information security, we can solve society's challenges together and contribute to the making of a sustainable society.

### Supply Chain CSR Strategy

Epson seeks to build trusting relationships with our business partners around the world based on fairness, coexistence, transparency, and mutual prosperity. To fulfill our social responsibility, we hold our suppliers to the same high standards of ethical conduct that we uphold. The six action items listed to the right are our top priority.

- Providing products and services that create customer value
- Contributing to environmental conservation
- Complying with laws, engaging in proper business practices, and operating with high ethical standards
- Respecting basic human rights
- Ensuring safe, healthy, and fair working environments
- Implementing business continuity management (BCM)

### Supply Chain CSR Management

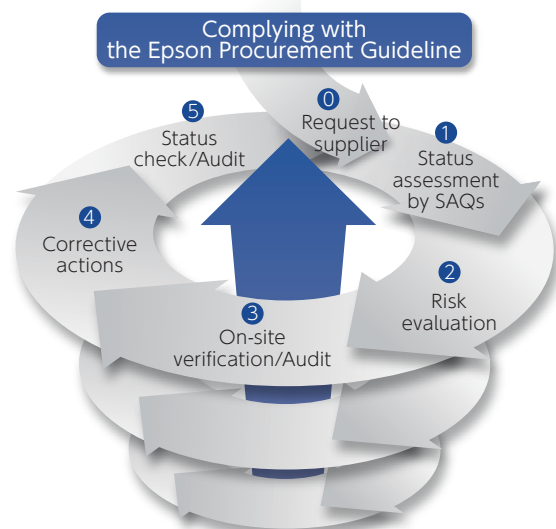
In addition to quality, cost, and delivery, Epson addresses CSR issues that concern the international community, such as the environment and labor practices. This content has been compiled into the Epson Group Procurement Guidelines, which includes the Epson Supplier Code of Conduct. Epson is elevating CSR performance by implementing a socially responsible procurement program that encourages suppliers to meet the requirements of the Procurement Guidelines requirements at a higher level. Suppliers are asked to comply with the Epson Procurement Guidelines, and their compliance is assessed by conducted an SAQ\*1. Risks are analyzed, facts may be verified on-site, and suppliers may be audited and asked to make improvements as needed. Suppliers themselves drive improvements and check how well they are improving. We run this program on direct suppliers\*2 and suppliers of indirect materials\*3 in alternate years.

Epson furthermore joined the Responsible Business Alliance (RBA), a global coalition dedicated to CSR in global supply chains, as a regular member in April 2019.

\*1 Abbreviation for "Self-Assessment Questionnaire," using a question-and-answer format

\*2 Suppliers of parts and other materials for finished products \*3 Suppliers of temporary staffing, contracted services, etc.

#### Socially Responsible Procurement Program

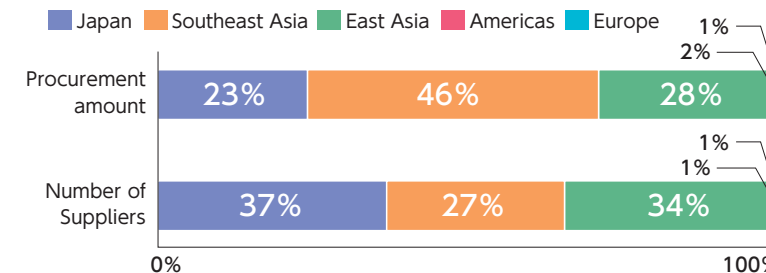


### Supply Chain Overview

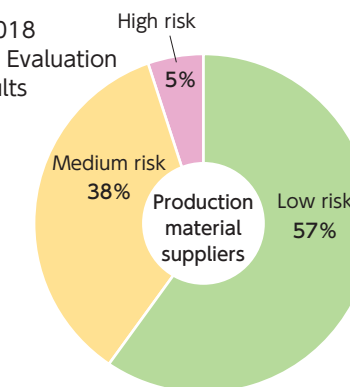
Epson does business with about 1,400 suppliers around the world. Most of them are located in (including Japan), where Epson has factories.

Epson received 312 responses from 333 key suppliers who were asked to assess themselves with the SAQ in FY2018. If a supplier was deemed medium risk or lower, we asked them to make further improvements. High-risk suppliers underwent site audits (including some conducted by third parties) and have been making improvements under corrective action plans.

#### Procurement Overview



#### FY2018 SAQ Evaluation Results



### Responsible Mineral Sourcing

Under our mid-range targets, Epson products should not contain conflict minerals that fund armed groups committing human rights abuses and environmental destruction in conflict-torn regions and high-risk areas. We are acting to achieve this target. In FY2018, 82% of identified smelters were certified as conflict-free smelters (CFS), meaning that they do not handle conflict minerals for the four metals of concern. We also found that all identified smelters were CFSs for the metal tantalum, which is widely used in electronic components.

At events like supplier CSR conferences, we promote compliance with Epson policies, ask our suppliers to work to improve survey accuracy, and share information with suppliers on conflict minerals response trends.

#### Target and Results

	KPI	FY2016	FY2017	FY2018	FY2018			
					Gold	Tantalum	Tin	Tungsten
Identified smelters	-	314	312	314	150	40	81	43
Number of CFS*4	-	243	249	256	102	40	74	40
Rate of CFS	100% (by March, 2021)	77%	80%	82%	68%	100%	91%	93%

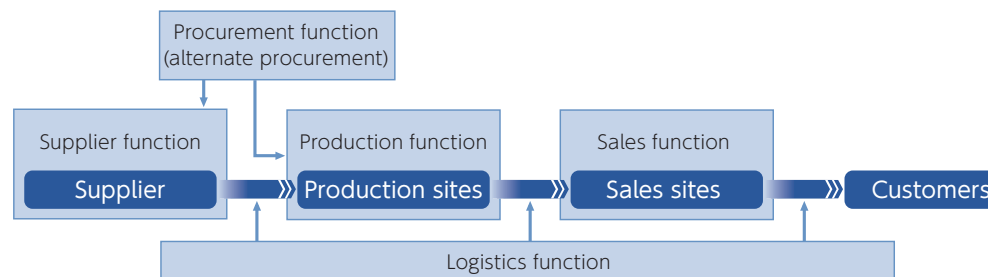
\*4 For information regarding the details of the smelters we have been able to identify, please contact your local Epson sales company.

### Supply Chain BCM (Business Continuity Management)

Epson is introducing supply chain BCM and is improving business continuity and resilience throughout the supply chain so that even if a disaster, accident, epidemic, or other event should cause disruption, Epson can fulfill its responsibility to customers by recovering and providing products and services within a target recovery time.

The Epson supply chain BCM consists of five functions. The supplier function includes BCM activities that suppliers undertake to ensure their supply of goods to Epson is not disrupted. Suppliers perform self-assessments periodically. Epson feedbacks the survey result to the suppliers, and supports them for their improvement action.

#### Supply chain BCM





## Strengthen Governance

# Governance

### Basic Approach

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

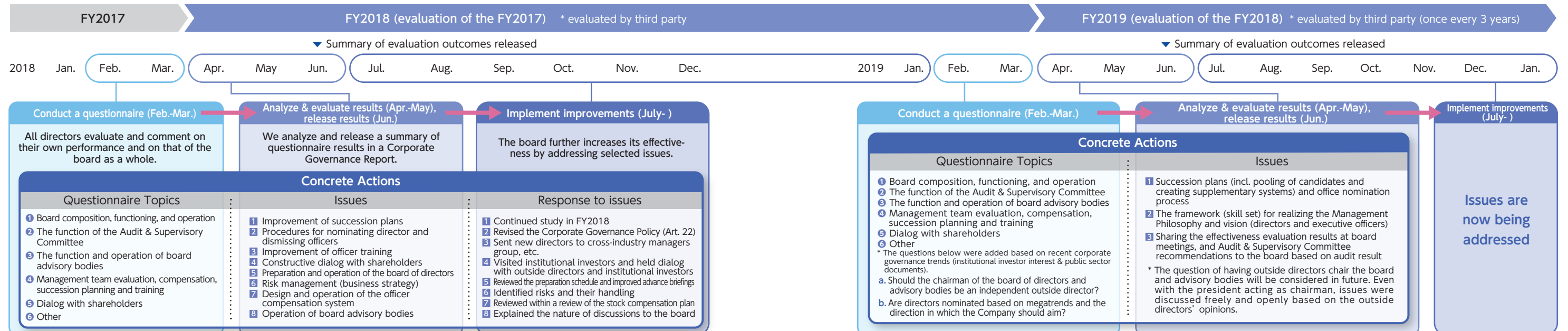
### Initiatives to Enhance and Strengthen Corporate Governance

2012	Elected an outside director	2016	<ul style="list-style-type: none"> <li>Transitioned from a company with an audit &amp; supervisory board to a company with an audit &amp; supervisory committee</li> <li>Increased the number of outside directors (The Director Compensation Committee and Director Nomination Committee are comprised mainly of outside directors)</li> <li>Introduced a performance-linked stock compensation plan</li> </ul>
2013	Established "Standard of Outside Officers' Independence"		
2014	Increased outside directors		
2015	Established a Corporate Governance Policy	2018	Corporate Governance Policy revised

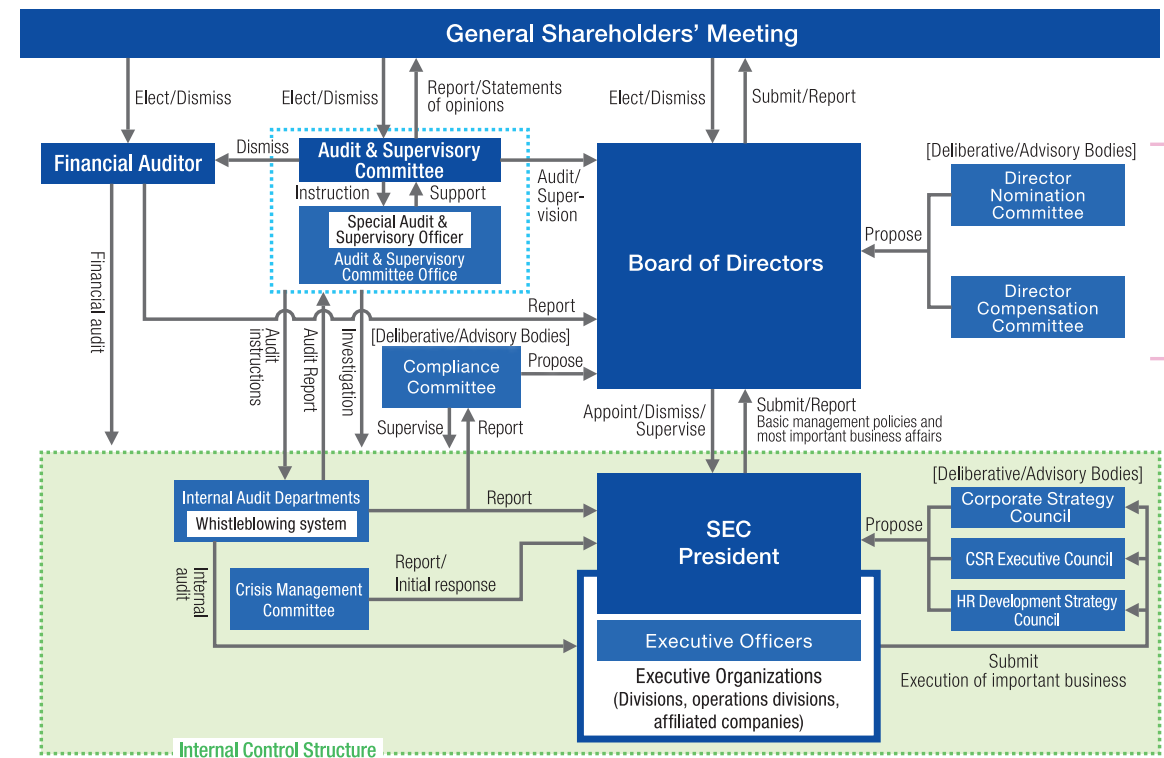
### Actions to Ensure Board Effectiveness

Seiko Epson seeks to continuously enhance the effectiveness of its board of directors pursuant to its Corporate Governance Policy. Toward this end, Seiko Epson has been analyzing and evaluating board effectiveness annually since FY2015 based on a self-evaluation survey that all board members are asked to complete.

#### Evaluation process



### Corporate Governance System



### Advisory Body Activities







Stakeholder meeting

Dialogue between outside directors and institutional investors

## Outside Directors Talk Frankly About Epson's Corporate Governance

The previous evaluations of board of director effectiveness revealed that we need to engage with our shareholders better. Accordingly, starting in fiscal 2018, we are increasing the opportunities for dialogue with shareholders and doing more to incorporate their views and concerns into our business strategies.

As part of this, we held a stakeholder meeting in February 2019 as an opportunity for impartial and meaningful dialogue. At the meeting, five outside directors and fifteen institutional investors had a frank discussion about Epson's corporate governance.

### Outside directors answer investors' questions

**Q. How do the executive directors respond to your input?**

- They take my ideas very seriously.
- They make a record of all our diverse ideas and views and share it with the whole board.
- When we inspect business sites, they make an effort to resolve any questions or concerns we raise.

**Q. How has the transition to a company with an Audit & Supervisory Committee changed things?**

- Epson's always been a diligent company, and at the time of the transition, it examined organizational arrangements meticulously. The impact is more in the directors themselves. They're now more attuned to the need for good governance.
- It's a plus for me. Now that I have voting rights as a member of the Audit & Supervisory Committee, I feel a weightier sense of responsibility in board meetings.

**Q. What are the issues for Epson?**

- They're threefold: how to digitalize, how to make business more customer-oriented, and how to shift to a B2B focus.
- Epson often fails to capitalize on its unique technology. It needs a sense of urgency and better PR.
- Epson boasts a team of technical experts, but they often ignore the consumer's perspective, believing that all you need is a good product. We have repeatedly warned the executives of this, and they have taken it on board.
- Epson's a very diligent company, but by the same measure, it can be a bit inflexible and inward-looking.
- Epson's technology can be a double-edged sword. The company should place more emphasis on open innovation.
- Epson can be proud of its technological prowess and diligent ethos. But nowadays, you need intangible services as well as tangible products. The executives seem to have gotten the message, but they need to go harder and faster.

**Q. Do the outside directors hold their own meetings?**

- We didn't immediately after the transition of institutional design, but we do now. We discuss Epson's good points and bad, particularly the latter. We also hold meetings with the president and express our views to him.

**Q. When you were in senior management, did investors ever ask for dialogues such as this one?**

- We'd sometimes meet with investors separately, over a meal for example. I never envisaged a collective meeting like this one. Times have changed, but for the better I think.

**Q. How long does it take for an outside director to understand the company enough to engage meaningfully in discussions? Many say that a long tenure undermines an outside director's independence. What do you think?**

- Long or short, what matters is how you interact with the company. If you're unsure of something about the company, you can always ask. Epson is trying to eliminate the information gap between inside and outside directors. Undoubtedly, once you've served for a while, you'll have a broader grasp of the company and be better able to discuss its issues. Long tenures don't in themselves threaten your independence. If anything, it's a director's aptitude for the job, not the duration of his or her tenure, that can threaten independence.

**Q. Why do you have one committee for director nominations and another for HR development?**

- Epson has a large pool of director candidates consisting of general and section managers, so the HR development strategy committee, an advisory body to the president, is always reviewing this list. The Director Nomination Committee receives regular updates on these reviews and flags any issues. This cycle works well in my opinion.

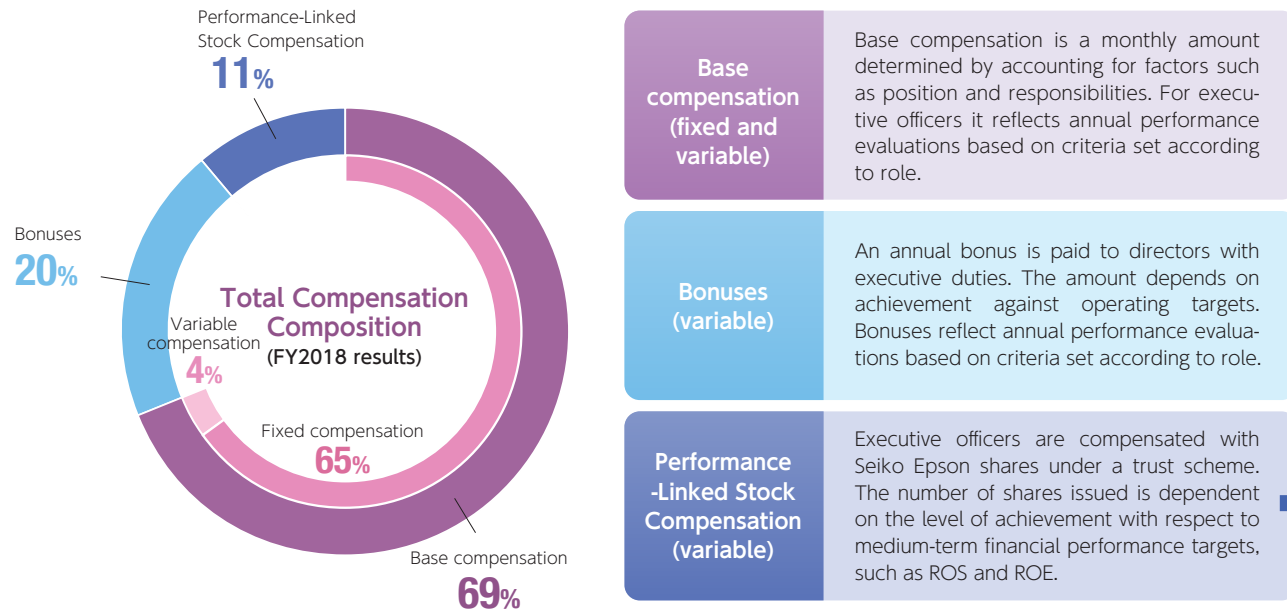
Feedback from the participants

- Meeting with all the outside directors together offered a useful glimpse of how they hold discussions and what the atmosphere is like.
- I was very impressed at how each of the five outside directors explained things in their own words.
- The outside directors spoke candidly, which reassured me of the soundness of Epson's governance.
- The points the outside directors raised resonate with me and other investors.

► Director Compensation

Seiko Epson director compensation consists of base compensation, bonuses, and stock compensation. The compensation system is variable, with bonuses linked to performance, and if a certain level of business profit is not attained, bonuses may not be paid at all. Non-executive officers receive base compensation only, a fixed amount, because their role is to supervise general management. They do not receive bonuses and stock compensation, which are forms of compensation that are linked to performance and share price.

■ Approximate Composition of Total Compensation in FY2018



<b>Base compensation (fixed and variable)</b>	Base compensation is a monthly amount determined by accounting for factors such as position and responsibilities. For executive officers it reflects annual performance evaluations based on criteria set according to role.
<b>Bonuses (variable)</b>	An annual bonus is paid to directors with executive duties. The amount depends on achievement against operating targets. Bonuses reflect annual performance evaluations based on criteria set according to role.
<b>Performance-Linked Stock Compensation (variable)</b>	Executive officers are compensated with Seiko Epson shares under a trust scheme. The number of shares issued is dependent on the level of achievement with respect to medium-term financial performance targets, such as ROS and ROE.

■ FY2018 Compensation

Category	No. of individuals paid	Fixed compensation				Variable compensation			Total
		Base compensation		Bonuses	Stock compensation	Bonuses	Stock compensation		
Directors who are not Audit & Supervisory Committee members (outside directors)	8 (2)	232 (28)	13 (-)	71 (-)	38 (-)			356 (28)	
Directors who are Audit & Supervisory Committee members (outside directors)	5 (3)	81 (48)						81 (48)	
<b>Total</b>	<b>13</b>	<b>314</b>	<b>13</b>	<b>71</b>	<b>38</b>			<b>437</b>	

(Millions of yen)

\* The base compensation for Directors who are not Audit & Supervisory Committee Members (excluding outside directors) consists of fixed compensation and variable compensation. Variable compensation refers to monetary compensation that reflects the results of annual performance evaluations based on criteria set according to their respective roles.

\* The Company has introduced an officer stock ownership plan 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. Epson has established the criteria for shareholding by its officers based on internal regulations defined by the board to demonstrate its commitment to and responsibilities for business operations to all shareholders.

\* Upon the resolution at the Ordinary General Meeting of Shareholders held on June 28, 2016, the maximum base compensation was set to at 62 million yen per month for directors who are not Audit & Supervisory Committee members (outside directors account for 10 million yen of this amount) and at 20 million yen per month for directors who are Audit & Supervisory Committee members.

\* The amount above includes 71 million yen in bonuses to be paid to five directors (excludes outside directors and directors who are Audit & Supervisory Committee members), as resolved at the Ordinary General Meeting of Shareholders held on June 26, 2019.

\* Seiko Epson introduced a performance-linked stock compensation plan by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust to show its commitment to promoting sustainable growth and increasing long-term corporate value, in addition to strengthening the sense of sharing common interests with shareholders. The stock compensation stated above represents the amount recorded for the current fiscal year based on Japanese Generally Accepted Accounting Principles (JGAAP).

\* The number of individuals above includes one director who was an Audit & Supervisory Committee member who retired at the conclusion of the Ordinary General Meeting of Shareholders on June 27, 2018 and one director who was not an Audit & Supervisory Committee member who retired on September 30, 2018.

\* Stock options are not granted.

Performance-Linked Stock Compensation

Seiko Epson introduced a transparent and fair stock compensation plan that is tied to performance to more clearly show how director compensation is tied to Seiko Epson's share price, to heighten directors' sense of shared interest with shareholders, and to show a commitment to increasing long-term corporate value. The plan is designed such that the rate of stock compensation versus base compensation ranges between 10% and 22% depending on position, while the number of shares issued depends on achievement with respect to financial indicators (e.g., mid-term business profit, ROS, and ROE targets) over a 3-year period.

■ Performance-Based Coefficient Formula

$$\text{Performance-based coefficient} = \{(\text{business profit coefficient}) + (\text{ROS coefficient}) + (\text{ROE coefficient}) + (\text{cash flows from operating activities coefficient}) + (\text{qualitative evaluation coefficient} \times 2)\} \div 6$$

■ Determination Table (FY2016–FY2018)

Quantitative evaluation				Qualitative evaluation*1	Performance-based coefficient
At end of FY2018	Average over the three years from FY2016 to FY2018	Cumulative over the three years from FY2016 to FY2018	At end of FY2018		
Business profit	ROS	ROE	Operating CF		
¥116 billion or more	10% or more	12% or more	¥350 billion or more	Far above expectations	1.10x
¥106 billion or more	9% or more	11% or more	¥340 billion or more	Above expectations	1.05x
¥96 billion or more	8% or more	10% or more	¥330 billion or more	Met expectations	1.00x
¥86 billion or more	7% or more	9% or more	¥320 billion or more	Below expectations	0.95x
Less than ¥86 billion	Less than 7%	Less than 9%	Less than ¥320 billion	Far below expectations	0.90x

\*1 Qualitative evaluation items and method  
The Director Compensation Committee qualitatively evaluates performance based on progress against Phase 2 financial targets and the effects of currency volatility, etc.

$$\text{Performance-based coefficient} = \{0.90 + 0.90 + 0.95 + 0.90 + ((0.90) \times 2)\} \div 6 \div 0.908$$

We aimed for a performance-based coefficient of ≥ 1.00X, but the calculated coefficient was approximately 0.908X. The performance-based coefficient was set at the lower limit (0.90X), since all items were below expectations in the quantitative evaluation and there were no particular reasons in the qualitative evaluation to add points.

FY2019–2021

We are continuing the stock compensation plan but have expanded the range of the coefficient from 0.80X to 1.20X.



## Message from the CCO (Chief Compliance Officer)



### Working on Compliance with the Spirit of Fair Play

**Tatsuaki Seki** Director, Managing Executive Officer and CCO  
General Administrative Manager, Management Control Division

Epson aims to be a company that is indispensable to society. This means we must take compliance seriously. We don't just need to comply with legal requirements and standards. We also need to meet the broader expectations of society. Fair play must be the cornerstone of our efforts to deliver Epson brand value at an even higher level and to protect our company and employees. Our president, Minoru Usui, has made this clear, saying "no compliance, no profit."

Epson's efforts to ensure effective compliance at a global level are twofold. First, it has appointed regional CCOs (R-CCOs). Different regions of the world have their own languages, cultural norms, and ways of thinking. The role of the R-CCOs is to lead the compliance efforts of local

sales companies in a way that comports with the region in question. The R-CCOs meet biannually to discuss compliance issues and solutions.

Second, Epson runs the Global Compliance Program. This program presents a vision of compliance management and provides stepwise measures for achieving it. In fiscal 2018, we introduced the program in our Japanese and overseas subsidiaries, checked progress, and undertook corrective measures. We will continue these efforts in fiscal 2019.

Looking forward, we will continue to identify compliance-related risks and opportunities with a view to raising the level of compliance.



R-CCO Meeting



## Compliance

### Basic Approach

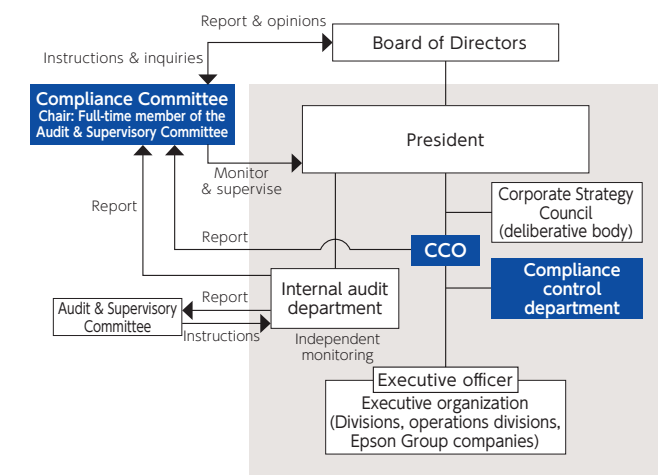
Epson's goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the company's Management Philosophy. To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness, ensure effective management through faster decision-making, and maintain compliance with the help of monitoring and supervision.

### Compliance Organization

In June 2016, shareholders approved Seiko Epson's transition to a company with an Audit and Supervisory Committee. The Compliance Committee composition and the role of the chief compliance officer (CCO) were revised accordingly.

Under the current organization, the Compliance Committee, which advises the board and is chaired by a Full-Time Audit and Supervisory Committee member, discusses compliance activities, reports and proposes compliance affairs to the board, and supervises business affairs. The CCO supervises and monitors the execution of all compliance operations and periodically reports the state of compliance affairs to the Compliance Committee. In addition, a compliance control department monitors compliance in general, making corrections and adjustments as needed.

### Compliance System Diagram



### Promoting Compliance

To instill internal compliance awareness, Epson provides online courses, training, and more on a regular basis to both executive officers and employees, in keeping with the Epson Group 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 employees. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions.

October is "Compliance Month" at Epson, a period during which we raise compliance awareness throughout the global Epson Group based on our Management Philosophy and Principles of Corporate Behavior. This helps employees recall the importance of compliance to the realization of the Management Philosophy.

### Reporting Systems

Epson is committed to maintaining effective reporting systems and has installed internal and external compliance hotlines and other advisory and support services to facilitate the reporting of potential compliance issues. We have also provided reporting channels for use by our business partners, to quickly catch any potential compliance problems that could go undetected internally. The identity of whistleblowers is rigorously protected and reprisals of any type are strictly forbidden.

### Counseling and Support Services in Japan

- Epson Helplines
- Harassment counseling
- Counseling related to overwork and long working hours
- Counseling for persons with disabilities
- Insider trading advisory service
- Antitrust (antimonopoly) advisory service
- Corruption (bribery) regulations advisory service
- Employee counseling
- Reporting contact for business partners

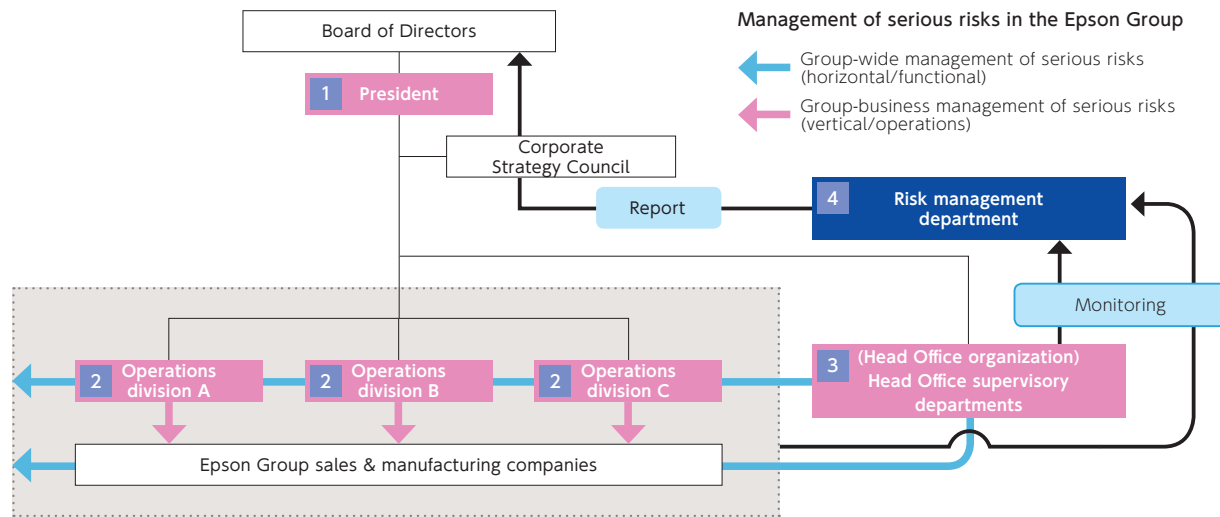
Whistleblowing systems have been installed in all Epson Group companies worldwide. The use of these systems is monitored, and usage data are reported to a corporate management body and to Group companies in an effort to increase system effectiveness.

Risk Management

► Epson's Risk Management Organization

Seiko Epson's board of directors has approved an internal control system policy pursuant to the Companies Act. The policy specifies the following organization for managing risks based on the Epson Group Risk Management Basic Regulation.

■ Risk Management Organization Chart



- 1 The Chief Risk Management Officer in the Epson Group is the president of Seiko Epson.
- 2 The heads of divisions own responsibility for managing risks in their respective businesses and subsidiaries.
- 3 The heads of Seiko Epson Head Office organizations own responsibility for managing risks in their areas of operations, both in their respective businesses and across companies in the Epson Group.
- 4 The Seiko Epson risk management department monitors overall risk management in the Epson Group, makes corrections and adjustments thereto, and ensures the efficacy of risk management programs.

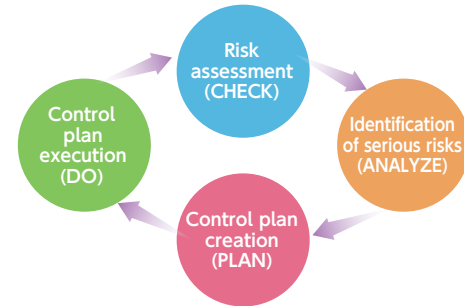
► Actions to Control Serious Risks

Epson treats serious risks that could have serious consequences on the company as follows:

- (1) We identify risks that could have serious adverse effects on Epson Group management. These serious Group-wide risks are owned by the appropriate departments in the Seiko Epson Head Office. These departments draft and execute a control plan, monitor the progress of the plan, and evaluate the effectiveness of the control activities.
- (2) We identify risks that could have serious adverse effects on business operations. These serious business risks are owned by the chief operating officer of the relevant business. Personnel draft and execute a control plan, monitor the progress of the plan, and evaluate the effectiveness of the control activities under the supervision of the COO.

(3) The handling of serious Group-wide risks and serious business risks is reported to and discussed by the Corporate Strategy Council on a quarterly and half-yearly basis, and we strive to ensure the effectiveness of control plans by revising them as needed. The president of Seiko Epson reports important risk management affairs to the board of directors every quarter.

■ Risk Management Cycle



general managers of supervisory departments at the Head Office. An organization and a predetermined crisis management program are in place to enable us to rapidly mount a Group-wide response in the event of a crisis.

► 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

■ List of Main Risks

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

WEB Epson's Annual Report 2019  
<https://global.epson.com/IR/library/>

Main risks	General description of risk	Main countermeasures
Parts procurement risks from certain suppliers	<ul style="list-style-type: none"> <li>● A supplier parts shortage or quality problem with supplier parts could interfere with Epson's manufacturing and selling activities.</li> </ul>	<ul style="list-style-type: none"> <li>● Procure parts and materials from multiple suppliers whenever possible.</li> <li>● Work with suppliers to maintain or improve quality and reduce costs to ensure stable and efficient procurement.</li> </ul>
Intellectual property rights risks	<ul style="list-style-type: none"> <li>● An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid.</li> <li>● A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property.</li> <li>● New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions.</li> </ul>	<ul style="list-style-type: none"> <li>● Independently develop technologies we need; acquire patent, trademark, and other IP rights for them; and license the rights for products and technologies.</li> <li>● Strengthen our intellectual property portfolio by placing personnel in key positions to manage our IP.</li> </ul>
Environmental risks	<ul style="list-style-type: none"> <li>● An environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or halt production.</li> <li>● New regulations could be enacted that would require major expenditures.</li> </ul>	<ul style="list-style-type: none"> <li>● Take environmental action in line with a mid-range action plan and "Environmental Vision 2050," a statement of our long-term goals for reducing our environmental impacts. Drive programs to develop and manufacture low-impact products, reduce energy use, recover and recycle end-of-life products, ensure compliance with international substance regulations, and improve environmental management systems.</li> </ul>
Hiring and personnel retention risks	<ul style="list-style-type: none"> <li>● We may be unable to hire and retain talented personnel to develop advanced new technologies and manufacture advanced new products.</li> </ul>	<ul style="list-style-type: none"> <li>● Secure talent by providing role-based compensation and actively promoting good people internationally.</li> </ul>
Risks from natural or other disasters	<ul style="list-style-type: none"> <li>● Our operating results could be adversely affected by any number of unpredictable events, including but not limited to natural disasters, pandemics involving new strains of influenza virus, infection by computer viruses, leaks or theft of customer data, reputational damage on social media, failures of mission-critical internal IT systems, cyber attacks, supply chain disruptions, and acts of terrorism or war.</li> </ul>	<ul style="list-style-type: none"> <li>● Conduct disaster drills, prepare earthquake disaster management and response plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible.</li> <li>● Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.)</li> </ul>
Legal, regulatory, licensing and similar risks	<ul style="list-style-type: none"> <li>● Epson conducts business worldwide and could incur reputational damage, higher costs, or other negative consequences such as large civil fines and constraints on its activities if it were to violate international law, be investigated by authorities, or be subjected to stricter laws or regulations.</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns.</li> <li>● Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.</li> </ul>



## Director Profile (Current as of June 26, 2019)



### ■ Minoru Usui

President and Representative Director

#### Career Profile

11/1979 Joined Shinshu Seiki Co., Ltd. (now Seiko Epson Corporation)  
 4/1997 Appointed General Manager, IJ Development & Design Department, Imaging & Information Products Operations Division  
 4/2002 Appointed Deputy Chief Operating Officer, Imaging & Information Products Operations Division  
 6/2002 Appointed Director  
 11/2004 Appointed Deputy General Administrative Manager, Corporate Research & Development Division  
 11/2005 Appointed General Administrative Manager, Production Engineering & Development Division  
 7/2007 Appointed General Administrative Manager, Corporate Research & Development Division  
 10/2007 Appointed Managing Director  
 6/2008 Appointed President and Representative Director (current position)



### ■ Koichi Kubota

Representative Director, Senior Managing Executive Officer  
 Chief Operating Officer, Printing Solutions Operations Division

#### Career Profile

4/1983 Joined Epson Corporation (now Seiko Epson Corporation)  
 11/1999 Appointed General Manager, Branded Products Marketing & Sales Department  
 7/2008 Appointed Chief Operating Officer, Visual Instruments Operations Division  
 6/2010 Appointed Executive Officer  
 10/2011 Appointed Chief Operating Officer, Visual Products Operations Division  
 6/2012 Appointed Director  
 6/2013 Appointed Chief Operating Officer, Printer Operations Division  
 6/2015 Appointed Managing Director  
 4/2016 Appointed Deputy General Administrative Manager, Corporate Planning Division  
 6/2016 Appointed Director, Managing Executive Officer  
 4/2017 Appointed Chief Operating Officer, Printing Solutions Operations Division (current position)  
 6/2017 Appointed Director, Senior Managing Executive Officer  
 10/2018 Appointed Representative Director, Senior Managing Executive Officer (current position)



### ■ Tatsuaki Seki

Director, Managing Executive Officer  
 General Administrative Manager, Management Control Division

#### Career Profile

4/1983 Joined Epson Corporation (now Seiko Epson Corporation)  
 11/2005 Appointed General Manager, BS Business Management Support Department  
 10/2014 Appointed General Manager, Financial & General Accounting Department  
 10/2015 Appointed Deputy General Administrative Manager, Management Control Division  
 6/2016 Appointed Director, Executive Officer  
 Appointed Chief Compliance Officer (current position)  
 Appointed General Administrative Manager, Management Control Division (current position)  
 6/2019 Appointed Director, Managing Executive Officer (current position)



### ■ Hideaki Omiya Outside Independent Director

Outside Director

#### Career Profile

4/2007 Appointed Director and Senior Executive Vice President, Mitsubishi Heavy Industries, Ltd.  
 4/2008 Appointed President, Mitsubishi Heavy Industries, Ltd.  
 4/2013 Appointed Chairman, Mitsubishi Heavy Industries, Ltd.  
 6/2014 Appointed Outside Director, Seiko Epson Corporation (current position)  
 6/2016 Appointed Outside Director, Mitsubishi Corporation  
 6/2018 Appointed Outside Director, Nomura Research Institute, Ltd. (current position)  
 4/2019 Appointed Director, Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd.  
 6/2019 Appointed Senior Executive Adviser, Mitsubishi Heavy Industries, Ltd. (current position)



### ■ Mari Matsunaga Outside Independent Director

Outside Director

#### Career Profile

4/1977 Joined Japan Recruit Center Co., Ltd. (now Recruit Holdings Co., Ltd.)  
 7/1986 Appointed Editor in chief of *Shushoku Journal*, Recruit Holdings Co., Ltd.  
 7/1988 Appointed Editor in chief of *Travaille*, Recruit Holdings Co., Ltd.  
 7/1997 Joined NTT Mobile Communications Network, Inc. (now NTT DoCoMo, Inc.)  
 Appointed Head of Planning Office for Gateway Business Dept.  
 4/2000 Appointed Representative, Mari Matsunaga Office  
 6/2012 Appointed Outside Director, MS&AD Insurance Group Holdings, Inc. (current position)  
 Appointed Independent Director, Terumo Corporation  
 6/2014 Appointed External Director, ROHTO Pharmaceutical Co., Ltd. (current position)  
 6/2016 Appointed Outside Director, Seiko Epson Corporation (current position)



### ■ Taro Shigemoto

Director,  
 Full-Time Audit & Supervisory Committee Member

#### Career Profile

4/1985 Joined Suwa Seikosha Co., Ltd. (now Seiko Epson Corporation)  
 2/2014 Appointed Chairman and President, Epson Engineering (Shenzhen) Ltd.  
 6/2016 Appointed Special Audit & Supervisory Officer, General Administrative Manager, Audit & Supervisory Committee Office  
 6/2018 Appointed Director, Full-Time Audit & Supervisory Committee Member (current position)



### ■ Yasunori Ogawa

Director, Managing Executive Officer  
 Chief Operating Officer, Wearable Products & Industrial Solutions Segment/General Administrative Manager, Technology Development Division

#### Career Profile

4/1988 Joined Seiko Epson Corporation  
 4/2008 Appointed General Manager, VI Business Management Department  
 10/2008 Appointed General Manager, VI Planning & Design Department  
 4/2017 Appointed Chief Operating Officer, Visual Products Operations Division  
 6/2017 Appointed Executive Officer  
 6/2018 Appointed Director, Executive Officer  
 10/2018 Appointed General Administrative Manager, Technology Development Division (current position)  
 6/2019 Appointed Director, Managing Executive Officer (current position)  
 Appointed Chief Operating Officer, Wearable Products & Industrial Solutions Operations Segment (current position)



### ■ Masayuki Kawana

Director, Executive Officer  
 General Administrative Manager, Human Resources Division/CSR Management Office  
 Chairman, Epson Sales Corporation

#### Career Profile

4/1988 Joined Seiko Epson Cooperative Union  
 3/1999 Joined Seiko Epson Corporation  
 10/2008 Appointed General Manager, Human Resources Department  
 6/2014 Appointed Director  
 Appointed General Administrative Manager, Human Resources Division (current position)  
 6/2015 Appointed President, Orient Watch Co., Ltd.  
 6/2016 Appointed Director, Executive Officer (current position)  
 10/2016 Appointed General Administrative Manager, CSR Management Office (current position)  
 6/2018 Appointed Chairman, Epson Sales Japan Corporation (current position)



### ■ Toshiya Takahata New

Director, Executive Officer  
 General Administrative Manager, Corporate Planning Division/DX Division

#### Career Profile

4/1986 Joined Seiko Epson Corporation  
 4/2012 Appointed Deputy Chief Operating Officer, Printer Operations Division  
 4/2014 Appointed General Manager, BJ Planning & Design Project  
 6/2014 Appointed Executive Officer  
 4/2015 Appointed Deputy General Administrative Manager, Intellectual Property Division  
 6/2015 Appointed General Administrative Manager, Intellectual Property Division  
 6/2016 Appointed Executive Officer  
 10/2018 Appointed General Administrative Manager, Corporate Planning Division (current position)  
 4/2019 Appointed General Administrative Manager, DX Division (current position)  
 6/2019 Appointed Director, Executive Officer (current position)



### ■ Michihiro Nara Outside Independent Director

Outside Director,  
 Audit & Supervisory Committee Member

#### Career Profile

4/1974 Registered as an attorney-at-law  
 4/2006 Appointed Vice President, Japan Federation of Bar Associations  
 Appointed Chairman, Daiichi Tokyo Bar Association  
 3/2011 Member of Legislative Council of the Ministry of Justice  
 6/2013 Appointed Audit & Supervisory Board Member, Seiko Epson Corporation  
 6/2014 Appointed Outside Director of the Board, Oji Holdings Corporation (current position)  
 6/2015 Appointed Independent Auditor, CHORI CO., LTD.  
 Appointed Outside Director, NIHON TOKUSHU TORYO CO., LTD. (current position)  
 6/2016 Appointed Outside Director, Audit & Supervisory Committee Member, Seiko Epson Corporation (current position)  
 Appointed Outside Director, Audit & Supervisory Committee Member, CHORI CO., LTD.



### ■ Chikami Tsubaki Outside Independent Director

Outside Director,  
 Audit & Supervisory Committee Member

#### Career Profile

4/1970 Joined EBARA-Inflico Co., Ltd. (now EBARA CORPORATION)  
 5/1975 Joined Asahi & Co. (now KPMG AZSA LLC)  
 3/1979 Registered as Certified Public Accountant  
 7/1999 Appointed Managing Director, Asahi & Co. (now KPMG AZSA LLC)  
 7/2004 Appointed Chief Executive, The Japanese Institute of Certified Public Accountants  
 6/2013 Appointed Outside Director & Supervisory Board Member, NKSJ Holdings, Inc. (now Sampo Holdings, Inc.)  
 6/2014 Appointed Statutory Auditor, HEIWA REAL ESTATE CO., LTD. (current position)  
 6/2016 Appointed Outside Director, Audit & Supervisory Committee Member, Seiko Epson Corporation (current position)



### ■ Yoshio Shirai Outside Independent Director

Outside Director,  
 Audit & Supervisory Committee Member

#### Career Profile

6/2001 Appointed Member of the Board of Directors, TOYOTA MOTOR CORPORATION  
 6/2003 Appointed Managing Officer, TOYOTA MOTOR CORPORATION  
 6/2005 Appointed Senior Executive Member of the Board of Directors, TOYOTA MOTOR CORPORATION  
 6/2007 Appointed Executive Vice President, Member of the Board, Hino Motors, Ltd.  
 6/2008 Appointed President, Member of the Board, Hino Motors, Ltd.  
 6/2013 Appointed Councilor, Hino Motors, Ltd.  
 Appointed Vice Chairman, Toyota Tsusho Corporation  
 6/2015 Appointed Advisor, Toyota Tsusho Corporation  
 6/2016 Appointed Outside Director, Audit & Supervisory Committee Member, Seiko Epson Corporation (current position)  
 6/2017 Appointed Advisor, Hino Motors, Ltd.  
 Appointed Outside Director, Audit & Supervisory Committee Member, Fujikura Ltd. (current position)



Achieve Sustainability in a Circular Economy

# Environment

## Message from Top Management

**Motonori Okumura**

Managing Executive Officer  
General Administrative Manager, Production Planning Division



Climate change and global warming are greatly impacting society and are a serious problem for Epson too. To find a solution, Epson is working proactively to improve the environmental performance of our products and lower emissions of greenhouse gases (GHG) in the value chain. This is in keeping with Environmental Vision 2050 (a statement of what we hope to be in 2050) and the Epson 25 Corporate Vision Environmental Statement (a path to the year 2025 as an intermediate step). Epson's efficient, compact, and precision technologies are the heart of this effort. In September 2018, we established long-term science-based targets for reducing GHG emissions. These targets were reviewed and approved by the Science Based Target initiative (SBTi). The global tide is moving toward decarbonization and a circular economy. Epson is responding by using more renewable energy and creating products and services that can contribute to our customers' own efforts. This is how we use constant innovation to fulfill our responsibilities as a manufacturer.

### Climate-Related Issues: Risks and Opportunities

The Task Force on Climate-related Financial Disclosures (TCFD) released its final report in June 2017. The TCFD encourages businesses to publicly disclose their medium-to long-term risks and opportunities related to climate change as financial information. Epson takes this as a call to develop resilient management and corporate health, able to adapt to all sorts of transitions in the face of climate change with impacts of a scope and scale we cannot predict.

The following table outlines Epson's climate risks and opportunities as based on our understanding of the TCFD's final report. This outline is the basis for our information disclosure.

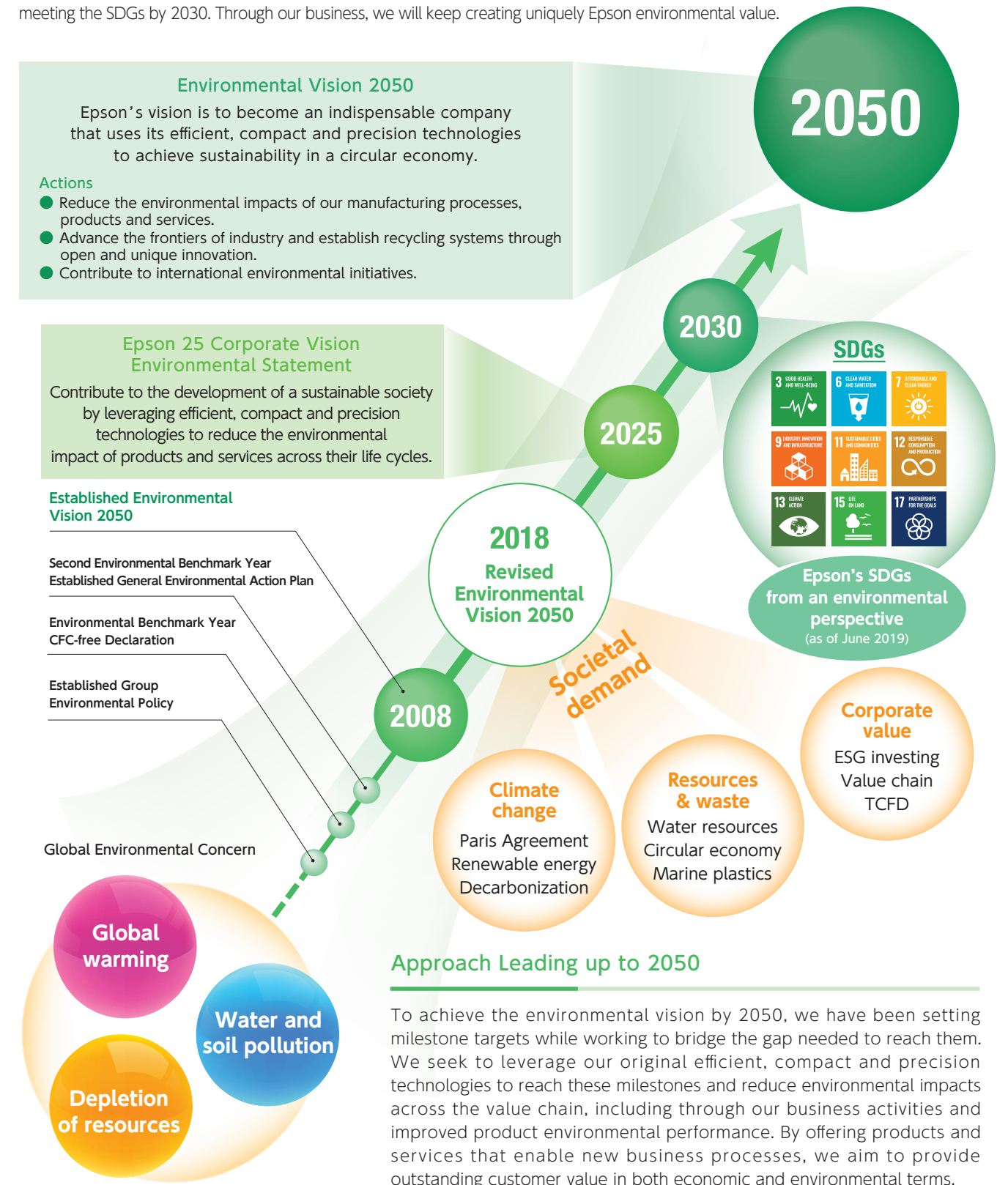
#### Climate-Related Risks and Opportunities

Category	Description
Opportunity	Contribute to the expansion of business opportunities and to global sustainability through open innovation.
	Expand sales opportunities by quickly complying with product regulatory and eco label requirements with low-carbon products and services.
	Enhance the company's reputation and secure human resources by ambitiously responding to climate change and through appropriate information disclosures and communications.
Transition risk	Loss of sales opportunities due to delays in complying with product energy-efficiency regulations and eco label requirements.
	Increased operating costs resulting from penalties imposed against energy consumption and greenhouse gas emissions. Reputational damage if information disclosures and communications do not satisfy societal expectations.
Physical risk	Impact on operations due to increasingly severe weather changes caused by climate change (disruption of factory operations or supply chains).

## How Epson is Working for a Sustainable Society

Epson was founded in 1942 in a natural setting, in Suwa, Japan. Harmonious co-existence is our cornerstone. Even as we expanded globally, our culture of respect for the environment never wavered. In 1988 Epson became the world's first enterprise to announce it would eliminate ozone-depleting chlorofluorocarbons (CFCs) from its operations. Past and present, Epson has always set high goals for its environmental initiatives. We revised Environmental Vision 2050 in 2018 in line with our aim of making Epson an indispensable company that is committed to sustainability, as stated in the Management Philosophy.

We remain engaged with the problems faced by our customers and communities as we work for a sustainable society, starting with meeting the SDGs by 2030. Through our business, we will keep creating uniquely Epson environmental value.



### Approach Leading up to 2050

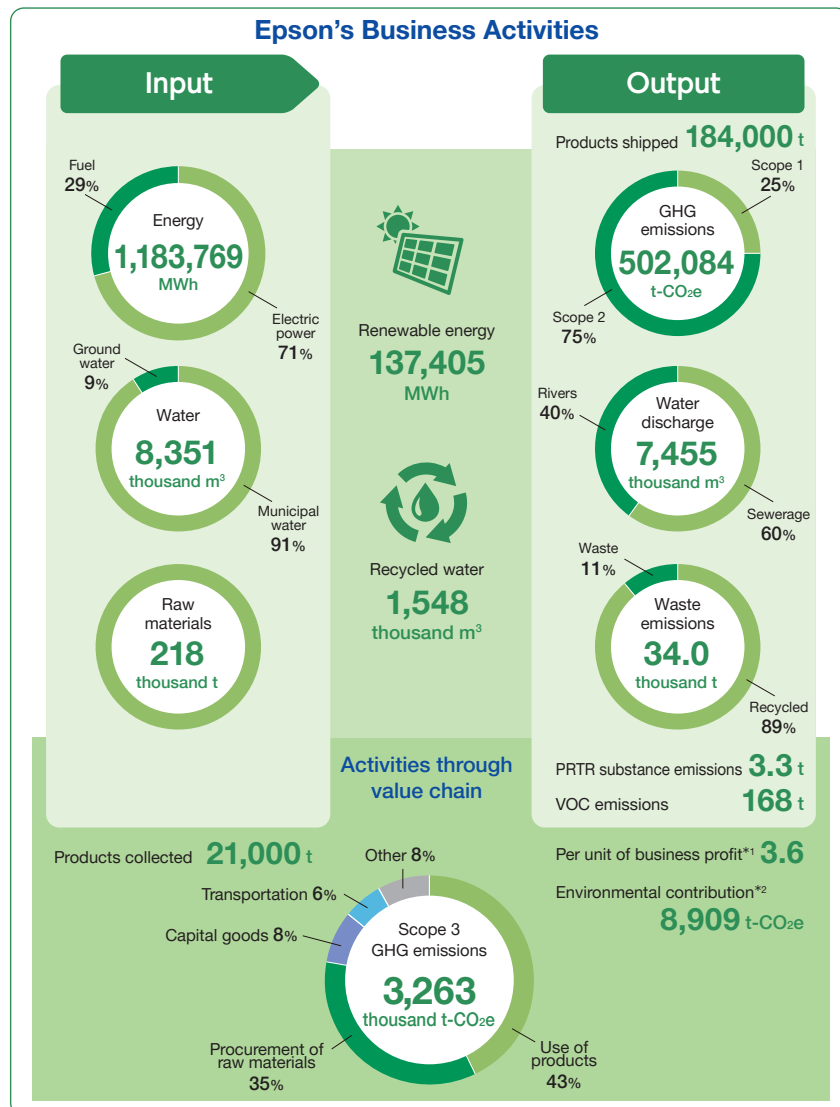
To achieve the environmental vision by 2050, we have been setting milestone targets while working to bridge the gap needed to reach them. We seek to leverage our original efficient, compact and precision technologies to reach these milestones and reduce environmental impacts across the value chain, including through our business activities and improved product environmental performance. By offering products and services that enable new business processes, we aim to provide outstanding customer value in both economic and environmental terms.



Reducing the Environmental Impact of Business Activities

► Material Balance (FY2018)

Epson consumes resources and, in the process of conducting business activities across the life cycles of its products and services, emits GHGs and other emissions to the air, land, and water. We are working to assess the environmental impacts of our business activities across the value chain in an effort to reduce our impacts. Although our water usage rose slightly over the previous year, we largely met our targets in FY2018. We will continue to provide energy- and resource-efficient products in our quest to achieve our business profit-based scope 3 emissions reduction target, which assumes growth and is linked to Epson 25 management indicators.



Targets and Achievements\*3

- GHG emissions -15%** Reduction of scopes 1, 2 Target: -19% by FY2025 compared to BM value (BM: 592 thousand t-CO<sub>2</sub>e)
- Water usage +0.3%** Reduction of usage Target: BM value or less (BM: 8,324 thousand m<sup>3</sup>)
- Waste emissions -1.4%** Reduction of emissions Target: BM value or less (BM: 34.4 thousand t)
- PRTR substance emissions -43%** Reduction of emissions Target: BM value or less (BM: 5.7 t)
- VOC emissions -8.8%** Reduction of emissions Target: BM value or less (BM: 184 t)
- Scope 3 Per unit of business profit\*1 +6.5%** Reduction of per unit of business profit Target: -44% by FY2025 compared to BM value (BM: 3.4)

\*1 Scope 3 (categories 1 and 11) GHG emissions per unit of business profit (unit: thousand t-CO<sub>2</sub>e/100 million yen)

\*2 Estimate of GHG emissions avoided by third parties: The emissions avoided by replacing laser printers with Epson inkjet printers are calculated based on electricity use (flow base approach). This is different from the actual reduction amount.

\*3 Actual reductions and targets against FY2017 results are used as benchmarks. Figures in parentheses are benchmark values.

Third-Party Verification Report

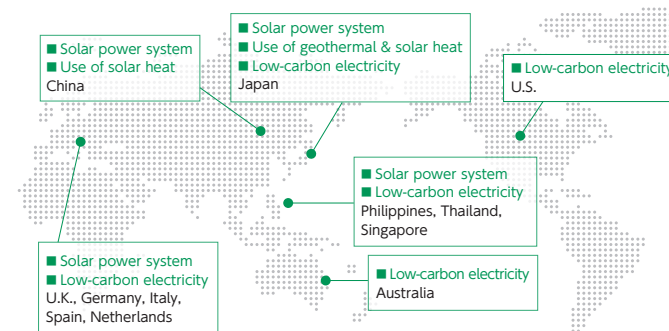
We have the Japan Quality Assurance Organization (JQA) conduct a third-party verification of our calculations of GHG emissions to ensure their reliability. Our FY2018 GHG emissions (scopes 1, 2, and 3) and energy use data were verified as having been measured and calculated accurately, and a GHG verification report was obtained. (Scope 3 includes Categories 1 and 11.)



► Increasing Use of Renewable Energy

Epson has an SBTi-approved target of reducing scopes 1 and 2 GHG emissions by 19% by 2025. In FY2018, we achieved a 15% reduction in GHG emissions since the base year FY2017 through site energy-saving initiatives. Some 70% of the reduction, or about 63,000 tons, came from long-term contracts to purchase low-carbon electricity, primarily hydroelectric power in Japan. This boosted our percentage of renewable energy to about 12%. Outside Japan, we already use renewable energy for the electricity used in production sites in the United Kingdom and the United States (Portland) and head office buildings of sales companies in Europe (Germany, Italy, Spain, and the Netherlands). Besides those, a new factory in Thailand features a large array of solar panels and is preparing to start operating them. Epson will keep using the best power for each region and taking steps like production innovation to lower GHG emissions.

■ Use of Renewable Energy Globally



\* Onsite equipment, power purchase agreement, and/or certificate purchasing

► Preserving Water Resources and Reducing Organic Waste

Jakarta, the capital of Indonesia, is struggling with land subsidence cause by flooding in the rainy season and groundwater shortages when it is dry. P.T. Indonesia Epson Industry (IEI), a large-scale printer production site, has introduced biopores, holes in the ground where rain can infiltrate. This solution has gained a lot of attention as something even households can do. In FY2018, IEI put biopores in 260 spots on its premises. These allow about 8,400 liters of rain to go into the ground every year. They also help prevent flooding and the pooling of water where mosquitoes breed. Additionally, fallen leaves and other organic waste can go into the biopores, which enabled IEI to reduce waste by 272 kg. The organic matter turns into compost, which enriches the soil. IEI plans to continue installing biopores until it has them in 779 spots total, and to extend the initiative outside its premises.

► Reducing Waste Ink

Epson Engineering (Shenzhen) Ltd., a printer production site in China, previously treated all waste ink from its printing inspection processes as industrial waste. The amount of waste and the high cost of treating it had become a challenge. The factory undertook to reduce waste ink by implementing a combined waste ink concentration system and microbial processor, a solution that was already in use in an Indonesian factory. As a result, about half the waste was restored to quality good enough it could be sent to the sewer and the other half could be recycled as concentrated liquid and sludge. That reduced waste ink by 481 tons per year and lowered yearly processing costs by about ¥30 million. In addition, waste ink remaining after printing inspection is collected in a tank and gets a quality check (for foreign matter, viscosity, etc.), sent through filters, and reused.

	Liquid waste reduction (yearly)	Monetary value of benefit (yearly)
Ink concentration	481 t	¥29,990,000
Reuse	56 t	¥17,750,000

■ Building Biopores

- 1 A hole is dug and a special pipe (10 cm wide, 100 cm long) is inserted. It has many holes on its sides to allow water to pass.
- 2 IEI pours organic waste (such as kitchen waste or fallen leaves) into the pipe.
- 3 IEI checks biopore effectiveness. (soil enrichment, etc.)



IEI employee digs hole for a biopore; a biopore in the ground





## Respect Human Rights and Promote Diversity

# Social

### Message from Top Management

**Masayuki Kawana**

Director  
Executive Officer  
General Administrative  
Manager, Human  
Resources Division



Epson is a vertically integrated global company that works to create value that exceeds the expectations of our customers. Doing that requires respect for basic human rights. It also demands that we develop global human resources who have a shared set of values and can make prompt and accurate decisions on the ground, a culture where our diverse personnel can live up to their potential, and better workplace environments. Through initiatives like these, Epson seeks to become a company indispensable to society as called for in our Management Philosophy.

### Human Resources Development

#### ▶ Group Human Resources Development Policy

Epson develops its human resources in line with the Epson Group Human Resources Development Policy established in 1996, which designates talented people as a precious management resource and asserts that it is people that connect, support, and nurture the Epson Group. We assist employees so that they can achieve their dreams of self-fulfillment. We provide training so that our people understand their roles and what is expected of them as members of the Epson team. Training enables them to work and communicate effectively, solve problems and achieve goals, and experience personal and professional growth.

[Human Resources Development Policy](https://global.epson.com/company/epson_way/principle/human_policy.html)  
[https://global.epson.com/company/epson\\_way/principle/human\\_policy.html](https://global.epson.com/company/epson_way/principle/human_policy.html)

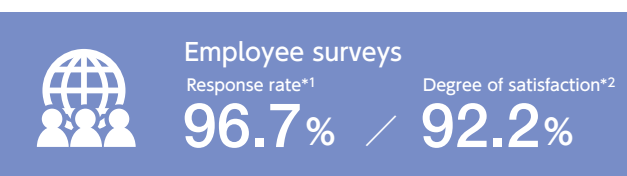
#### ▶ Develop Global Human Resources

Epson runs a global business. Thus, it is critical to our management that we foster global human resources that can help us pursue the common goals of our business, each within the role of his or her Epson Group company.

The Global Incubation Seminar (GIS) is a training program in which we share Epson's vision and values with up-and-coming leaders from Group companies around the world and empower them to put these into practice in their own organizations. We have held GIS every year since 1999, training more than 380 individuals so far. We continue holding the Global Executive Seminar (GES) for executive management and trainings for leaders supporting our global business.

#### ▶ Employee Surveys

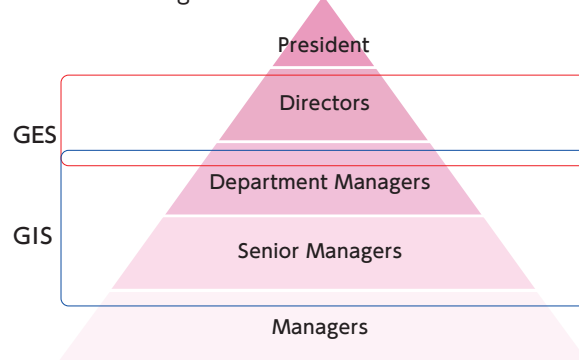
Epson has conducted employee surveys since 2005 as we aim, as individuals and organizations, to foster a culture where we take the initiative, cooperate with each other, pursue challenging objectives, and enjoy free and constructive communication. Survey results are reported to executive management, passed on as feedback to workplaces, and used to build stronger organizations and better workplace cultures.



\*1 Survey is given to regular and employees after retirement age.

\*2 Degree of satisfaction is defined as the percentage of respondents reporting scores of 3 or higher out of five levels.

#### ■ GIS/GES Target Trainees



### Better Workplace Environments for Employees

#### ▶ Health Management Initiatives

In 2019, METI and Nippon Kenko Kaigi recognized Seiko Epson under the White 500 program, large enterprise category, for the third consecutive year. Around the world, we conduct initiatives to improve health and safety under the motto "Safety and health are the lifeblood of the company." In Japan, we established Health Action 2020, a mid-range plan for monitoring and improving both employee health and corporate value. Initiatives focus on workplace health and on physical and mental health, which are the foundation of a healthy workplace. These initiatives include things such as work reforms and personnel policies designed to invigorate both individuals and organizations and build a stronger sense of unity, thereby boosting productivity.



#### ▶ Work Reform

Epson defines its work goals and work culture. Since FY2017, we have been comprehensively reforming the way we work through our WILL BE program. It sets targets for working hours in the medium term, among others. Objectives include preparing the work environment, raising labor productivity, making use of diverse personnel, and managing health.

[Epson's work goals and work culture](https://global.epson.com/SR/our_people/pdf/workplace_01.pdf)  
[https://global.epson.com/SR/our\\_people/pdf/workplace\\_01.pdf](https://global.epson.com/SR/our_people/pdf/workplace_01.pdf)

### Diversity

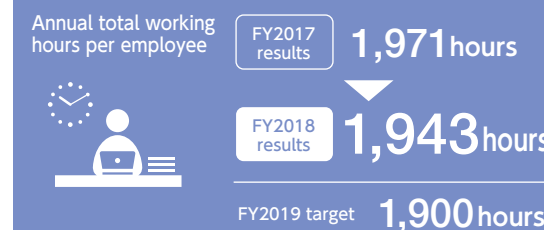
#### ▶ Promoting Diversity

Epson's true customers are end-users the world over. To enrich their lives, we have to understand them and meet their needs. To achieve this, our own diversity is important. We believe that only with a diverse workforce of people who have respect for one another and who know and practice what is important can we create customer value. To deliver results that surprise and delight our customers, Epson promotes female managerial staff and foreign nationals, fostering a corporate culture that enables diverse personnel to display their abilities to the full.

### Respecting Human Rights

Epson is serious about keeping all forms of discrimination and unfair practices out of its operations around the world. This stance is reflected in our participation in the United Nations Global Compact. Also, the Group's policies regarding human rights and labor standards articulate Epson's strong convictions in areas including respect for human rights, elimination of harassment, eradication of all forms of discrimination, respect for local culture and customs, prohibition of child and forced labor, and maintenance of positive labor-management relations. These attitudes are widely disseminated and practiced throughout the Group.

[The Policies regarding Human Rights and Labor Standards](https://global.epson.com/company/epson_way/principle/human_rights.html)  
[https://global.epson.com/company/epson\\_way/principle/human\\_rights.html](https://global.epson.com/company/epson_way/principle/human_rights.html)





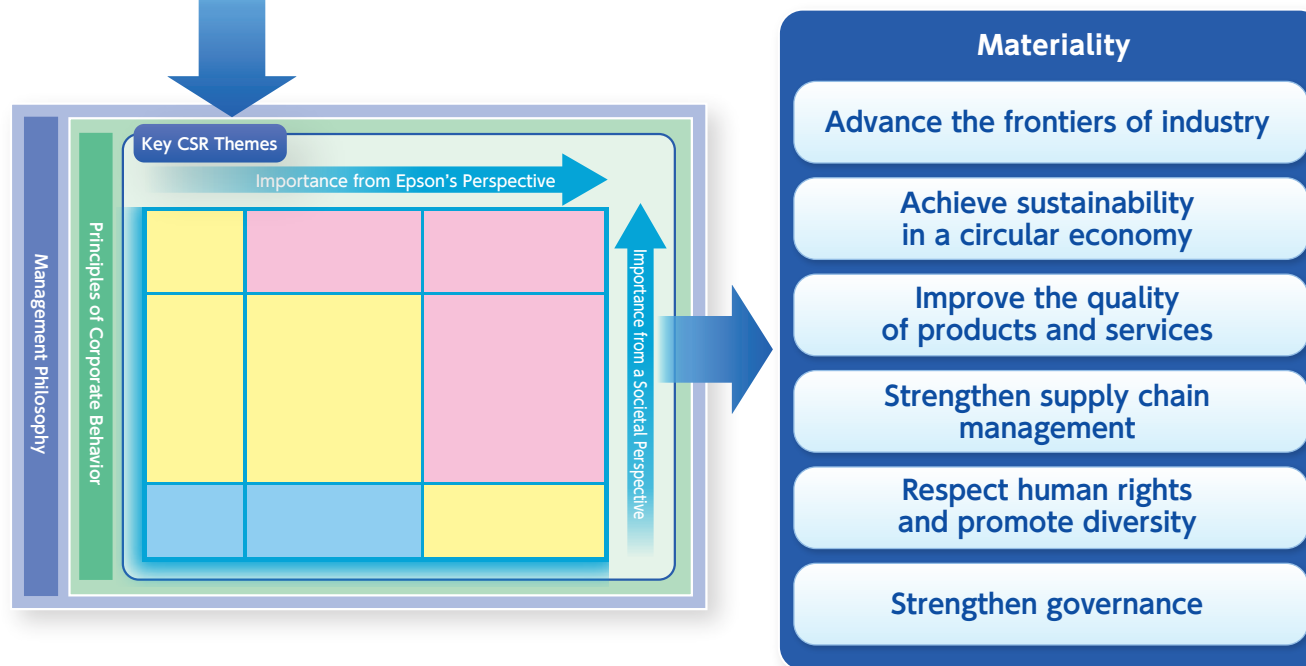
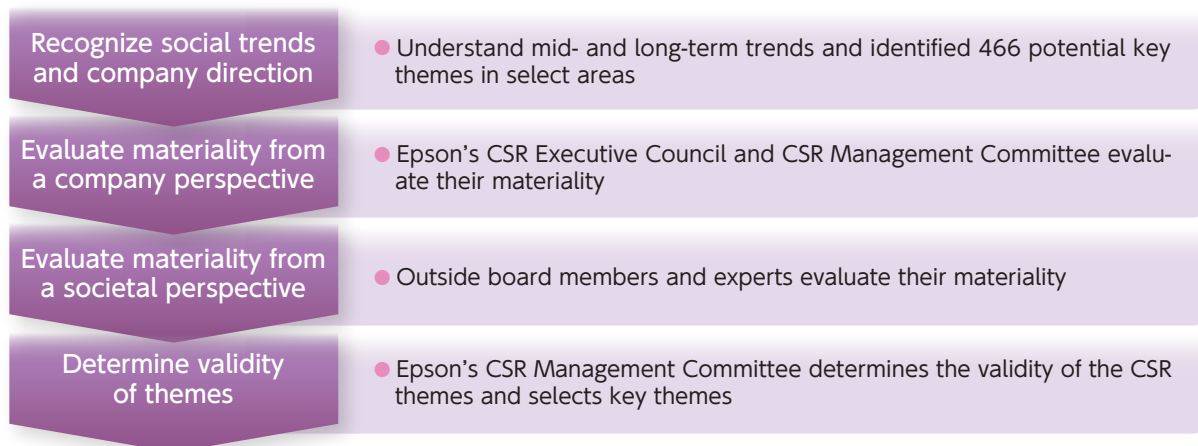
# Materiality

## Materiality and Sustainable Development Goals (SDGs)

Epson comprehensively identified social responsibility topics by referencing ISO 26000 and other sources for guidance. We evaluated the topics from both a company perspective and a social perspective. Those of the highest priority were mapped in a materiality matrix ("Key CSR Theme Matrix"). In 2019, to coincide with the consideration and establishment of the Epson 25 Phase 2 Mid-Range Business Plan, we reorganized the 16 highest-priority CSR themes into six materialities. We analyzed these topics against the SDGs to select SDGs that align with our strategies.

### Identifying Key CSR Themes

Select areas			
Direction of company management	General social trends	Electrical & Electronics Industry trends and societal demands	General societal demands
<ul style="list-style-type: none"> <li>Management Philosophy</li> <li>Principles of Corporate Behavior</li> <li>Corporate Vision Epson 25</li> <li>Mid-term Business Plan</li> <li>Environment Vision 2050</li> </ul>	<ul style="list-style-type: none"> <li>Global Japan</li> <li>White Paper Information and Communications in Japan 2016</li> </ul>	<ul style="list-style-type: none"> <li>RBA Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>GRI</li> <li>SASB</li> <li>ISO 26000</li> <li>SDGs</li> <li>SRI survey item</li> </ul>



### Commitment to the SDGs

Epson is using its original efficient, compact, and precision technologies and initiatives as vehicles to drive innovations that will enrich the world and make it a better place. Our goals are the same as those of the sustainable development goals (SDGs) adopted by the United Nations.

Epson is creating new value by looking hard at solutions to social issues, understanding the expectations that society has of us, and then providing products and services that far exceed those expectations. We at Epson are committed to the development of sustainable societies through the four areas of innovation identified in the Epson 25 Corporate Vision.



*Minoru Usui*  
 Minoru Usui  
 President  
 Seiko Epson Corporation

### Relationships with the SDGs

To reach the goals stated in our Management Philosophy and be an indispensable company, it is important for Epson to identify the social issues most in need of a solution and address them through our business activities. Each year, we decide on action items and objectives to help us work concretely on key CSR themes we have identified as issues to address. We take those initiatives and publicly disclose the results of our efforts. We also examine how each initiative might contribute to the 17 SDGs and select those to which Epson can contribute.

Under the Epson 25 Phase 2 Mid-Range Business Plan, Epson is stepping up collaboration and open innovation. We therefore decided to add No. 17 to the SDGs we are working toward. Hence, we have taken on action items to help achieve the 14 SDGs shown below. (Note that this matrix was mapped out in June 2019 and is subject to change depending on future business developments.)

#### The SDGs that Epson can most directly help to achieve (as of June 2019)



# Key CSR Themes and the 17 SDGs

As stated in its Management Philosophy, Epson seeks to become an indispensable company. We believe this is consistent with the realization of a sustainable society, which is the objective of the SDGs. We identified priority initiatives for addressing social issues in "Key CSR Themes," a materiality matrix, and mapped these initiatives to the 169 targets within the 17 SDGs.

● The figures in the table below indicate which of the 169 targets (1.1 to 17.19) under the SDGs Epson is addressing with its initiatives (as of June 2019).

Materiality	Key CSR Themes <small>A selection of 16 of the most important items</small>	FY2019 Action Item Categories <small>For more information, see the following URL: <a href="https://global.epson.com/SR/csr_initiative/action_items.html">https://global.epson.com/SR/csr_initiative/action_items.html</a></small>	ESG	Epson Initiatives Mapped to the SDGs																
				1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Advance the frontiers of industry	Business operations aligned with global social trends	<ul style="list-style-type: none"> <li>Strengthen global operations under Head Office control</li> <li>Enhance public disclosures, including about SDGs and other non-financial information, and strengthen dialogue</li> </ul>																		
	Creating new products and services with leading technology	<ul style="list-style-type: none"> <li>Accelerate growth by engaging in collaboration and open innovation</li> <li>Strengthen the solution selling business</li> <li>Rapidly strengthen product lineups, including through collaboration</li> <li>Strengthen external sales businesses using core devices, and actively encourage open innovation</li> <li>Invest management resources in robotics to accelerate its growth into a core business</li> </ul>				3.6 3.9	4.1 4.2 4.3 4.4 4.5		6.3 6.4 6.6	7.3 7.a	8.2 8.4	9.4 9.c		11.6 12.4 12.5	13.2		15.1 15.4	17.16		
	Productivity improvement utilizing ICT	<ul style="list-style-type: none"> <li>Continuously improve productivity to achieve high quality and high efficiency using sensing and automation technologies that are grounded on Epson's unique manufacturing and IT infrastructures and brought about by the efficient, compact, and precision technologies</li> </ul>										8.4 9.4							17.16 17.17	
	Products competitiveness	<ul style="list-style-type: none"> <li>Further improve sites to increase production competitiveness, including by completing construction of a new building at the Hirooka Office</li> </ul>								6.3 7.3 7.a	8.2 8.4	9.4		12.4 12.5						17.16
	Strategic marketing	<ul style="list-style-type: none"> <li>Strengthen the global sales strategy and management functions to build BtoB sales organizations</li> </ul>									7.3		9.4							17.16
Achieve sustainability in a circular economy	Contributing to the environment through products and services	<ul style="list-style-type: none"> <li>Establish a reduction scenario for achieving a science-based target and implement concrete reduction measures                             <ul style="list-style-type: none"> <li>SBTi approved target (FY2017 is the baseline year): Reduce scope 3 (categories 1 and 11) GHG emissions as a percentage of business profit by 44% by FY2025</li> </ul> </li> <li>Disclose GHG data                             <ul style="list-style-type: none"> <li>Calculate and disclose the contribution to the reduction by product</li> </ul> </li> <li>Implement a field survey and improvement initiatives to reduce the GHG emissions of the supply chain</li> </ul>	Environment							6.3 6.4 6.6	7.3		9.4		11.6 12.4 12.5	13.2		15.1 15.2 15.4 15.5	17.7	
	Effective use of energy and resources	<ul style="list-style-type: none"> <li>Establish a reduction scenario for achieving a science-based target and implement concrete reduction measures                             <ul style="list-style-type: none"> <li>SBTi approved target (FY2017 is the baseline year): Reduce scopes 1 and 2 GHG emissions by 19% by FY2025</li> </ul> </li> <li>Disclose GHG data</li> </ul>								7.2 7.3					13.2			17.17		
	Climate change and global warming	<ul style="list-style-type: none"> <li>Disclose GHG data</li> </ul>								7.2 7.3				12.4	13.2					17.17
Improve the quality of products and services	Product quality and communications	<ul style="list-style-type: none"> <li>Visiting customers directly to gather and analyze information about their wants and needs, closely examining customer wants by analyzing customer inquiries, using the findings to shape future products and services, and improving quality and customer satisfaction</li> <li>Continue to combat counterfeiting globally and on Internet shopping sites to help reassure customers that they can buy genuine Epson brand products</li> </ul>	Social												12.8			16.6 16.8		
	Consumer health and safety	<ul style="list-style-type: none"> <li>Further enhance the product safety training curriculum</li> </ul>												12.4						
Strengthen supply chain management	Supply chain management	<ul style="list-style-type: none"> <li>Ask key suppliers to observe the procurement guidelines</li> <li>Survey suppliers using questionnaires</li> <li>Implement supplier on-site verification and take corrective action</li> <li>Conduct conflict minerals surveys</li> <li>Establish supplier reporting channels (overseas)</li> </ul>								5.2		8.5 8.7 8.8	10.2 10.3	12.4 12.6	13.1		16.4 16.5	17.17		
Respect human rights and promote diversity	Respecting human rights	<ul style="list-style-type: none"> <li>Check and address any issues concerning freely chosen employment of foreign workers</li> <li>Plan and start human rights due diligence related to labor suppliers</li> </ul>	Social																	
	Diversity	<ul style="list-style-type: none"> <li>Promote the advancement of women</li> <li>Promote the advancement of non-Japanese employees</li> <li>Promote the participation of the elderly</li> <li>Promote hiring of persons with disabilities by further introducing PaperLab A-8000 dry process office papermaking systems</li> </ul>					4.7 5.1 5.5				8.5 8.7 8.8	10.3								
	Human resources development, hiring, and retention	<ul style="list-style-type: none"> <li>Continue building the talent management system</li> <li>Provide career support to young workers</li> <li>Continue implementing employee motivation surveys and 360-degree surveys</li> </ul>					4.7 5.5				8.5	10.2								
Strengthen governance	Information security	<ul style="list-style-type: none"> <li>Implement information security measures</li> <li>Strengthen product security</li> </ul>	Governance																16.4	
	Compliance	<ul style="list-style-type: none"> <li>Introduce a compliance program to operations divisions and divisions</li> <li>Start operating a global whistleblower system</li> <li>Implement education and training to instill compliance awareness</li> </ul>																	16.4 16.5	
Epson confirmed that its initiatives support the achievement of the 14 SDGs to the right.						✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		

Value Proposition  
Value Creation Strategy  
Value Creation Infrastructure  
Fact Data

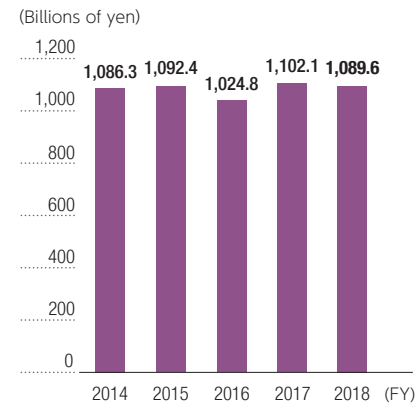


# Financial and Non-Financial Highlights

## Financial Highlights

### Revenue

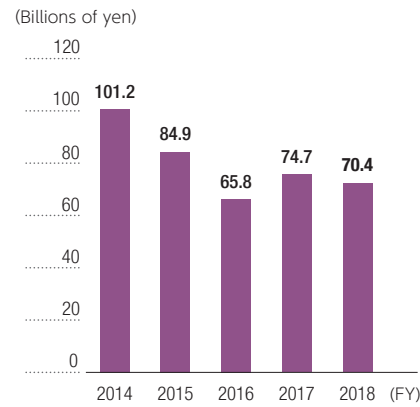
¥ **1,089.6** billion



Sales of strategic products grew, but revenue declined due to negative forex effects, trade friction, plummeting currencies and economic stagnation in some emerging countries, and insufficient results from growth initiatives.

### Business Profit

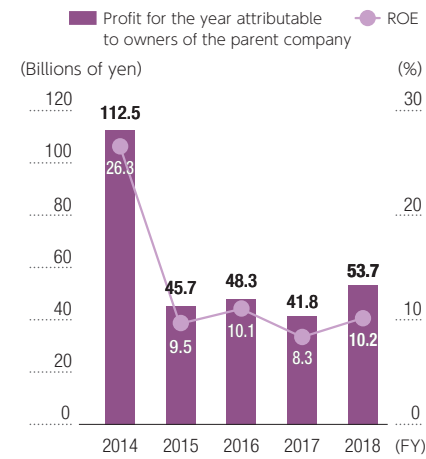
¥ **70.4** billion



Business profit declined year on year in FY2018. Although gross profit rose on an improved model mix and a change in the method of accounting for inventory devaluations had a one-time positive effect, business profit fell due mainly to an increase in administrative expenses as we continued to invest in future growth.

### Profit for the Year Attributable to Owners of the Parent Company/ROE

¥ **53.7** billion  
ROE **10.2%**

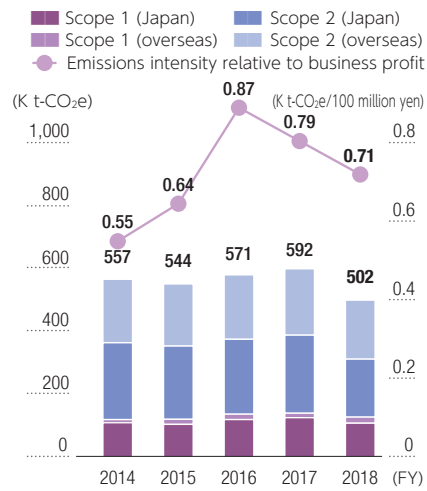


We recorded a decrease in foreign exchange loss and a gain on sales of idle fixed assets. Moreover, our tax expenses decreased compared to last year, when there was a partial reversal of deferred tax assets accompanying U.S. tax reform. As a result, ROE improved from last year to 10.2%.

## Non-Financial Highlights

### Greenhouse Gas (GHG) Emissions\*1

**502** K t-CO<sub>2</sub>e



In FY2018, all Epson sites drove energy-saving initiatives to make progress toward our SBTi-validated target of reducing scope 1 and 2 GHG emissions by 19% compared to FY2017 by 2025. This, along with the use of renewable energy, enabled us to achieve a 15% reduction.

### Water Use

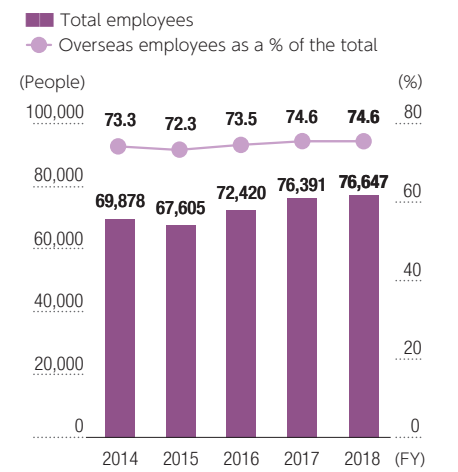
**8,351** K m<sup>3</sup>



All sites are working to conserve water. However, the 8,351K m<sup>3</sup> of water used in FY2018 was slightly more than in FY2017, leaving us short of our goal of reducing year-on-year water use.

### Total Employees & Overseas Employees as a % of the Total

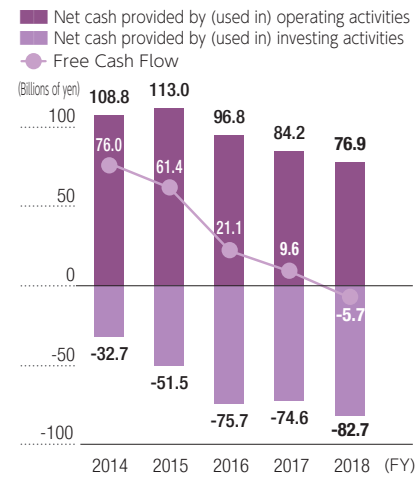
Total employees **76,647**  
Overseas employees as a % of the total **74.6%**



The total number of employees rose slightly as we continued to strengthen our overseas manufacturing organizations and our sales organizations.

### Free Cash Flow

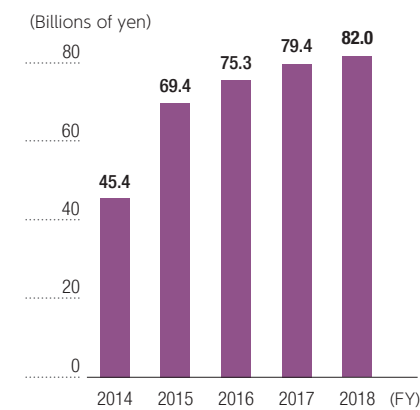
¥ **-5.7** billion



Net cash provided by operating activities decreased year on year primarily due to increases in inventories and the payment of trade payables, while net cash used in investing activities increased mainly due to the acquisition of property, plant and equipment. As a result, free cash flow decreased year on year and was negative.

### Capital Expenditure

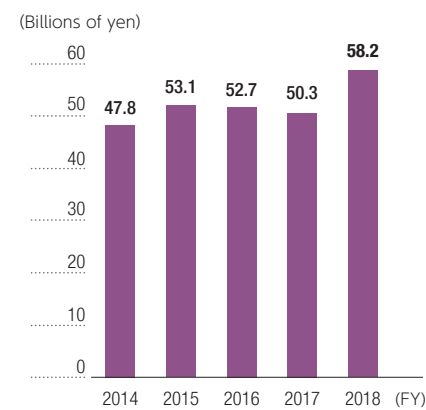
¥ **82** billion



We continue capital spending as planned to lay a foundation for long-term growth, but in FY2018, we invested mainly in new products and additional production capacity for core printer and projector products.

### Research and Development Expense

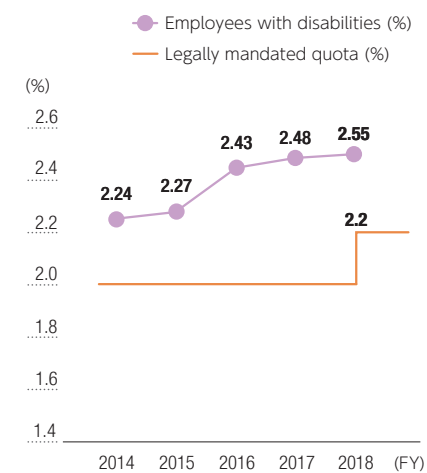
¥ **58.2** billion



In addition to developing the next-generation products, core technology, and key devices (printheads, microdisplays, etc.) that will drive future growth, we are working to strengthen manufacturing infrastructure and create new businesses.

### Employees with Disabilities in the Epson Group in Japan\*2

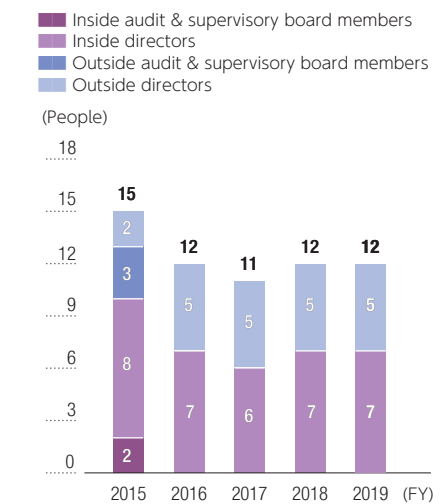
**2.55%**



We set a target of 2.5% in FY2020 and are looking to expand employment opportunities.

### Outside Officers as a % of Total Officers\*3

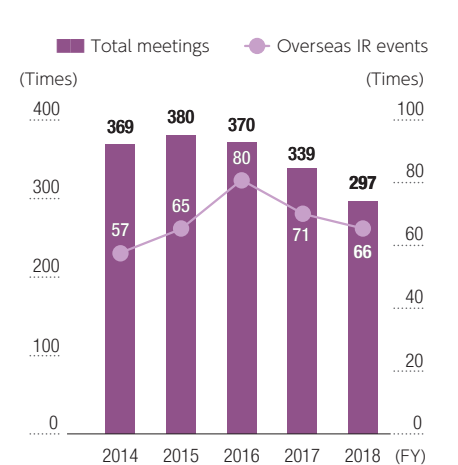
**5** people



Independent outside directors must comprise at least 1/3 of the board. They are responsible for management oversight, advice for enhancing operational efficiency, and monitoring of conflicts of interest.

### Analyst and Investor Meetings & Overseas IR Events

Meetings **297** times  
Overseas IR events **66** times



Seiko Epson's management team and IR department meet and talk with analysts, institutional investors, and individual investors to deepen mutual understanding and build long-term relationships.

\*1 Combined total scope 1 (direct emissions from the use of fuels, etc.) and scope 2 (indirect emissions from purchased energy, etc.) emissions  
\*2 The figures for each year are as of June 1 of the year in question. \*3 The number of officers as of the end of June of each year

## Consolidated Financial Highlights

	JGAAP (Consolidation)				
	FY2008	FY2009	FY2010	FY2011	FY2012
<b>Statement of Income (Billions of yen)</b>					
Net sales	1,122.4	985.3	973.6	877.9	851.2
Gross profit	289.4	259.4	262.9	248.8	234.4
Operating income (loss)	△ 1.5	18.2	32.7	24.6	21.2
Ordinary income	5.3	13.8	31.1	27.0	17.6
Income (loss) before income taxes and minority interests	△ 89.5	△ 0.7	15.3	15.6	△ 3.4
Net income (loss)	△ 111.3	△ 19.7	10.2	5.0	△ 10.0
<b>Statement of Financial Position (Billions of yen)</b>					
Total assets	917.3	870.0	798.2	740.7	778.5
Shareholders' equity*1	302.6	281.2	269.2	246.4	256.7
Interest-bearing liabilities*2	351.2	311.6	272.1	239.8	271.8
<b>Statement of Cash Flows (Billions of yen)</b>					
Net cash provided by (used in) operating activities	44.2	56.5	32.3	26.6	42.9
Net cash provided by (used in) investing activities	△ 61.0	△ 43.2	△ 23.6	△ 31.5	△ 39.5
Free cash flows	△ 16.7	13.3	8.7	△ 4.8	3.4
<b>Financial and Management Indicators (Billions of yen · %)</b>					
Research and development expense	82.0	68.8	54.3	52.1	49.9
Capital expenditures	55.6	25.9	31.8	38.9	43.1
Depreciation and amortization	78.4	47.3	41.1	37.6	39.3
Shareholders' equity ratio	33.0	32.3	33.7	33.3	33.0
ROE (net income (loss)/average shareholders' equity at beginning and end of year)	△ 29.7	△ 6.8	3.7	2.0	△ 4.0
ROA (Ordinary income/average total assets at beginning and end of year)	0.5	1.6	3.7	3.5	2.3
ROS (Ordinary income (loss)/net sales)	0.5	1.4	3.2	3.1	2.1
Consolidated dividend payout ratio	-	-	39.0	99.2	-
<b>Per Share Data (Yen)</b>					
Net income (loss) per share (EPS)	△ 566.92	△ 99.34	51.25	26.22	△ 56.41
Shareholders' equity per share (BPS)	1,541.16	1,407.92	1,347.71	1,377.60	1,435.20
Cash dividends per share	26.00	10.00	20.00	26.00	20.00
<b>Index of Stock Price (Multiples)</b>					
Price Earnings Ratio (PER)	-	-	25.99	44.24	-
Price Book-value Ratio (PBR)	0.86	1.03	0.99	0.84	0.64
<b>Sales Breakdown by Region (Billions of yen) *3</b>					
Japan	368.7	345.0	367.5	313.9	266.6
The Americas	236.6	217.6	199.2	175.6	200.3
Europe	262.1	212.9	189.5	178.1	175.2
Asia/Oceania	255.0	209.8	217.3	210.3	209.1
<b>Average Exchange Rate for the Period (Yen)</b>					
Yen/U.S. dollars	100.53	92.85	85.72	79.08	83.11
Yen/Euro	143.48	131.15	113.12	108.98	107.14
<b>Number of Employees at Period End (Person)</b>					
Total	72,326	77,936	74,551	75,303	68,761
Domestic	24,190	22,602	20,704	19,765	18,234
Overseas	48,136	55,334	53,847	55,538	50,527

\*1 Shareholders' equity = total net assets - minority interests  
\*2 Lease obligations are included in interest-bearing liabilities.  
\*3 Sales (revenue) by region is based on the location of the customers.

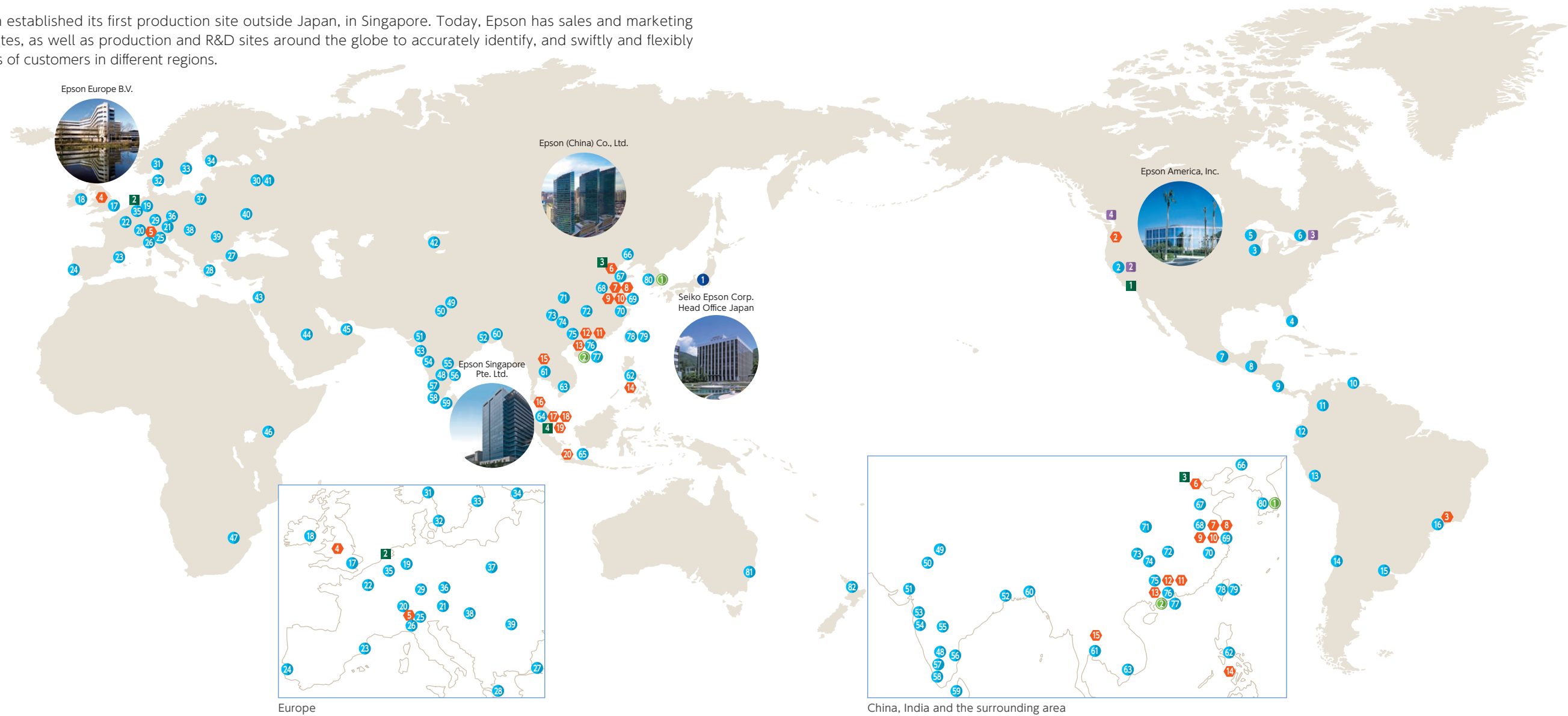
	IFRS (Consolidation)					
	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
<b>Statement of Income (Billions of yen)</b>						
Revenue	1,008.4	1,086.3	1,092.4	1,024.8	1,102.1	1,089.6
Gross profit	362.5	395.9	397.6	365.9	400.8	412.6
Business profit*4	90.0	101.2	84.9	65.8	74.7	70.4
Profit from operating activities	79.5	131.3	94.0	67.8	65.0	71.3
Profit before tax	77.9	132.5	91.5	67.4	62.6	72.0
Profit for the period attributable to owners of the parent company	84.2	112.5	45.7	48.3	41.8	53.7
<b>Statement of Financial Position (Billions of yen)</b>						
Total assets	908.8	1,006.2	941.3	974.3	1,033.3	1,038.3
Equity attributable to owners of the parent company	362.3	494.3	467.8	492.1	512.7	540.1
Interest-bearing liabilities	220.5	185.9	141.7	146.5	166.5	142.3
<b>Statement of Cash Flows (Billions of yen)</b>						
Net cash provided by (used in) operating activities	114.8	108.8	113.0	96.8	84.2	76.9
Net cash provided by (used in) investing activities	△ 41.2	△ 32.7	△ 51.5	△ 75.7	△ 74.6	△ 82.7
Free cash flows	73.6	76.0	61.4	21.1	9.6	△ 5.7
<b>Financial and Management Indicators (Billions of yen · %)</b>						
Research and development expense	48.8	47.8	53.1	52.7	50.3	58.2
Capital expenditures	37.8	45.4	69.4	75.3	79.4	82.0
Depreciation and amortization	40.7	44.4	45.3	43.2	49.4	55.6
Equity ratio attributable to owners of the parent company	39.9	49.1	49.7	50.5	49.6	52.0
ROE (Profit for the period attributable to owners of the parent company/Beginning and ending balance average equity attributable to owners of the parent company)	27.7	26.3	9.5	10.1	8.3	10.2
ROA (Business profit/Beginning and ending balance average total assets)	10.4	10.6	8.7	6.9	7.4	6.8
ROS (Business profit/revenue)	8.9	9.3	7.8	6.4	6.8	6.5
Consolidated dividend payout ratio	10.6	18.3	46.9	43.9	52.2	40.7
Consolidated dividend Payout Ratio (Based on Business Profit)*5	14.2	29.0	36.1	45.9	41.7	44.3
<b>Per Share Data (Yen)</b>						
Basic earnings per share (EPS)	235.35*6	314.61*6	127.94	136.82	118.78	152.49
Equity attributable to owners of the parent company per share (BPS)	1,012.83*6	1,381.66*6	1,307.58	1,397.40	1,455.67	1,533.57
Cash dividends per share	50.00	115.00	60.00*7	60.00	62.00	62.00
<b>Index of Stock Price (Multiples)</b>						
Price Earnings Ratio (PER)	6.82	6.77	14.21	17.13	15.92	11.12
Price Book-value Ratio (PBR)	1.58	1.54	1.39	1.68	1.30	1.11
<b>Revenue Breakdown by Region (Billions of yen)</b>						
Japan	280.9	276.2	264.0	251.3	250.1	251.4
The Americas	260.2	304.6	320.0	290.9	320.4	310.5
Europe	218.4	230.9	226.3	211.9	233.2	225.2
Asia/Oceania	248.8	274.4	282.0	270.5	298.2	302.4
<b>Average Exchange Rate for the Period (Yen)</b>						
Yen/U.S. dollars	100.23	109.93	120.14	108.38	110.85	110.86
Yen/Euro	134.37	138.77	132.58	118.79	129.66	128.40
<b>Number of Employees at Period End (Person)</b>						
Total	73,171	69,878	67,605	72,420	76,391	76,647
Domestic	18,372	18,627	18,699	19,175	19,436	19,456
Overseas	54,799	51,251	48,906	53,245	56,955	57,191

\*4 Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.  
\*5 Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit.  
\*6 Basic earnings per share (EPS) and equity attributable to owners of the parent company per share (BPS) were calculated under the assumption that the shares split took effect at the beginning of the year ended March 31, 2014.  
\*7 Seiko Epson Corporation (the "Company") completed the Company's ordinary shares split with an effective date of April 1, 2015. As a result, each share of the Company's ordinary shares was split into two shares.



# Global Network

In 1968, Epson established its first production site outside Japan, in Singapore. Today, Epson has sales and marketing sites, service sites, as well as production and R&D sites around the globe to accurately identify, and swiftly and flexibly meet the needs of customers in different regions.



## Sales/ Service Subsidiaries and Affiliates

- 1—Japan
- 2—Epson America, Inc., San Jose Office
- 3—Epson America, Inc., Schaumburg Office
- 4—Epson America, Inc., Miami Office
- 5—K-Sun Corporation
- 6—Epson Canada Ltd.
- 7—Epson de Mexico, S.A. de C.V.
- 8—Epson Guatemala, S.A.
- 9—Epson Costa Rica, S.A.
- 10—Epson Venezuela, S.R.L.
- 11—Epson Colombia Ltda.
- 12—Epsodecua Cia, Ltda.
- 13—Epson Peru S.A.
- 14—Epson Chile, S.A.
- 15—Epson Argentina S.R.L.
- 16—Epson do Brasil Industria e Comercio Ltda.
- 17—Epson (U.K.) Ltd.
- 18—Epson (U.K.) Ltd., Ireland Office
- 19—Epson Deutschland GmbH
- 20—Epson Deutschland GmbH, Switzerland Office
- 21—Epson Deutschland GmbH, Austria Office
- 22—Epson France S.A.S.
- 23—Epson Iberica, S.A.U.
- 24—Epson Iberica, S.A.U., Portugal Office
- 25—For.Tex S.r.l.
- 26—Epson Italia S.p.A.
- 27—Epson Italia S.p.A., Istanbul Office (Turkey)
- 28—Epson Italia S.p.A., Athens Office (Greece)
- 29—Epson Europe Electronics GmbH
- 30—Epson CIS L.L.C.
- 31—Epson Europe B.V., Norway Office
- 32—Epson Europe B.V., Denmark Office
- 33—Epson Europe B.V., Sweden Office
- 34—Epson Europe B.V., Finland Office
- 35—Epson Europe B.V., Belgium Office
- 36—Epson Europe B.V., Czech Republic Office
- 37—Epson Europe B.V., Poland Office
- 38—Epson Europe B.V., Hungary Office
- 39—Epson Europe B.V., Romania Office
- 40—Epson Europe B.V., Kiev Office
- 41—Epson Europe B.V., Moscow Office
- 42—Epson Europe B.V., Kazakhstan Office
- 43—Epson Europe B.V., Israel Office
- 44—Epson Europe B.V., Saudi Arabia Office
- 45—Epson Europe B.V., Middle East Office
- 46—Epson Europe B.V., Kenya Office
- 47—Epson Europe B.V., South Africa Office
- 48—Epson India Pvt. Ltd.

- 49—Epson India Pvt. Ltd., New Delhi Office
- 50—Epson India Pvt. Ltd., Jaipur Office
- 51—Epson India Pvt. Ltd., Ahmedabad Office
- 52—Epson India Pvt. Ltd., Kolkata Office
- 53—Epson India Pvt. Ltd., Mumbai Office
- 54—Epson India Pvt. Ltd., Pune Office
- 55—Epson India Pvt. Ltd., Secunderabad Office
- 56—Epson India Pvt. Ltd., Chennai Office
- 57—Epson India Pvt. Ltd., Coimbatore Office
- 58—Epson India Pvt. Ltd., Cochin Office
- 59—Epson India Pvt. Ltd., Sri Lanka Office
- 60—Epson India Pvt. Ltd., Bangladesh Office
- 61—Epson (Thailand) Co., Ltd.
- 62—Epson Philippines Corporation
- 63—Epson Vietnam Co., Ltd.
- 64—Epson Malaysia Sdn. Bhd.
- 65—PT. Epson Indonesia
- 66—Epson (China) Co., Ltd., Shenyang Office
- 67—Epson (China) Co., Ltd., Jinan Office
- 68—Epson (China) Co., Ltd., Nanjing Office
- 69—Epson (China) Co., Ltd., Shanghai Office
- 70—Epson (China) Co., Ltd., Hangzhou Office
- 71—Epson (China) Co., Ltd., Xian Office
- 72—Epson (China) Co., Ltd., Wuhan Office

- 73—Epson (China) Co., Ltd., Chengdu Office
- 74—Epson (China) Co., Ltd., Chongqing Office
- 75—Epson (China) Co., Ltd., Guangzhou Office
- 76—Epson (China) Co., Ltd., Shenzhen Office
- 77—Epson Hong Kong Ltd.
- 78—Epson Taiwan Technology & Trading Ltd.
- 79—TekCare Corporation
- 80—Epson Korea Co., Ltd.
- 81—Epson Australia Pty. Ltd.
- 82—Epson Australia Pty. Ltd., New Zealand Office

## Regional Headquarters

- 1—Epson America, Inc.
- 2—Epson Europe B.V.
- 3—Epson (China) Co., Ltd.
- 4—Epson Singapore Pte. Ltd.

## Branches

- 1—Seiko Epson Corporation, Korea Office
- 2—Seiko Epson Corporation, Hong Kong Office

## Manufacturing Subsidiaries and Affiliates

- 1—Japan
- 2—Epson Portland Inc.
- 3—Epson Paulista Ltda.
- 4—Epson Telford Ltd.
- 5—Fratelli Robustelli S.r.l.
- 6—Tianjin Epson Co., Ltd.
- 7—Epson Surface Engineering (Zhenjiang) Co., Ltd.
- 8—Shanghai Sanhuan Magnetics Co., Ltd.
- 9—Epson Wuxi Co., Ltd.
- 10—Epson Precision Suzhou Co., Ltd.
- 11—Orient Watch (Shenzhen) Ltd.
- 12—Epson Precision (Shenzhen) Ltd.
- 13—Epson Engineering (Shenzhen) Ltd.
- 14—Epson Precision (Philippines), Inc.
- 15—Epson Precision (Thailand) Ltd.
- 16—Epson Precision Malaysia Sdn. Bhd.
- 17—Epson Precision (Johor) Sdn. Bhd.
- 18—Singapore Epson Industrial Pte. Ltd.
- 19—PT. Epson Batam
- 20—PT. Indonesia Epson Industry

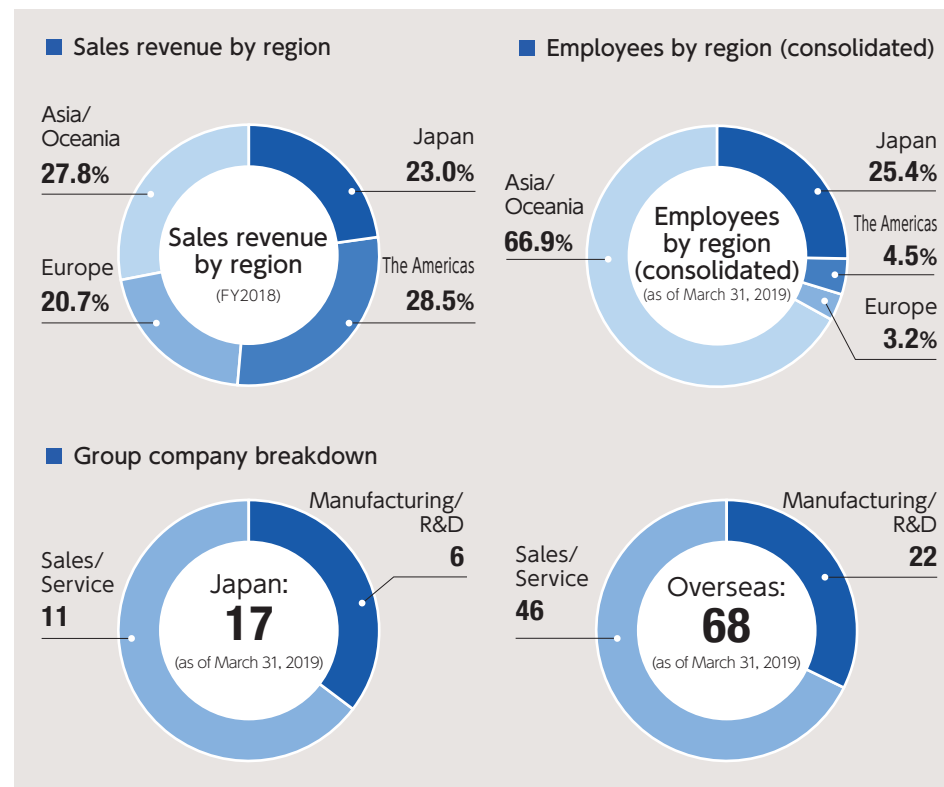
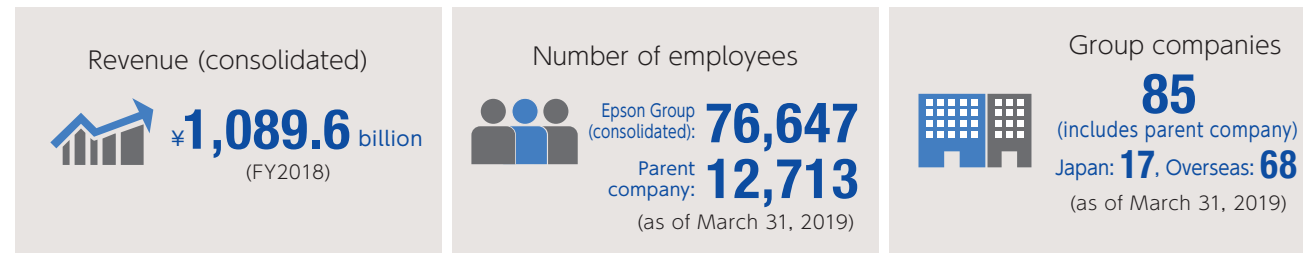
## R&D Subsidiaries and Affiliates

- 1—Japan
- 2—Epson America, Inc. (San Jose Development Center)
- 3—Epson Canada Ltd. (Development Center)
- 4—Epson Canada Ltd. (Vancouver Design Center)

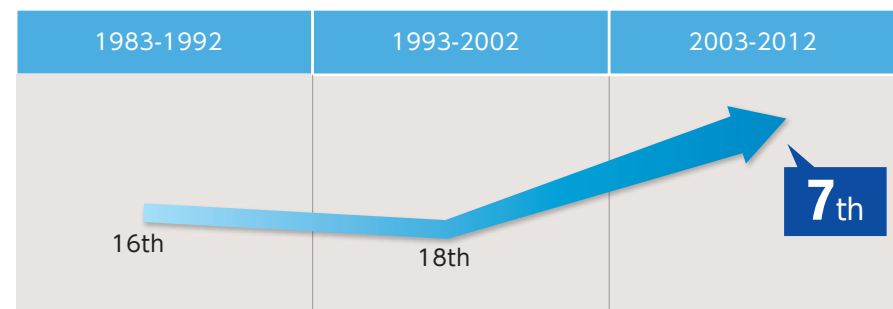
As of September 30, 2019

## Group Outline

Company Name	Seiko Epson Corporation
Founded	May 18, 1942
Head Office	3-3-5 Owa, Suwa-shi, Nagano, Japan
Paid-in Capital	¥53,204 million



### The top 100 global patent application rankings (WIPO)



\* These rankings are announced once every 10 years.

### Ranking by number of publications of unexamined patent applications in different product categories

Japan	
Inkjet printers	1 <sup>st</sup>
Projectors	1 <sup>st</sup>
Robotics	2 <sup>nd</sup>
Quartz crystal devices	2 <sup>nd</sup>
United States	
Inkjet printers	1 <sup>st</sup>
Projectors	1 <sup>st</sup>
Robotics	2 <sup>nd</sup>
Quartz crystal devices	3 <sup>rd</sup>

\* 2018 ranking in number of patent applications laid open to the public (Epson research) (January 1 to December 31, 2018)

### Ranking in number of registered patents

Japan	7 <sup>th</sup>
United States	21 <sup>st</sup>
China*1	13 <sup>th</sup>

\* 2018 calendar year ranking in number of patents registered (Epson research)  
 \*1 The China ranking is only for foreign companies for the 2018 calendar year.

## Shareholder and Share Information

Shareholder's Equity		(as of March 31, 2019)
Total number of shares authorized to be issued		1,214,916,736
Total number of shares issued		399,634,778
Number of shareholders		49,635

Principal Shareholders			(as of March 31, 2019)
Shareholders	Number of shares held (thousand shares)	Shareholding ratio (%)	
The Master Trust Bank of Japan, Ltd. (Trust Account)	55,075	15.62	
Japan Trustee Services Bank, Ltd. (Trust Account)	26,482	7.51	
Sanko Kigyo Kabushiki Kaisha	20,000	5.67	
Seiko Holdings Corporation	12,000	3.40	
Yasuo Hattori	11,932	3.38	
Trust & Custody Services Bank, Ltd. (security investment trust account)	8,795	2.49	
The Dai-ichi Life Insurance Company, Limited	8,736	2.47	
Mizuho Trust & Banking Co., Ltd. Retirement benefit trust (Mizuho Bank, Ltd. account)	8,153	2.31	
Seiko Epson Corporation Employees' Shareholding Association	7,274	2.06	
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,876	1.38	

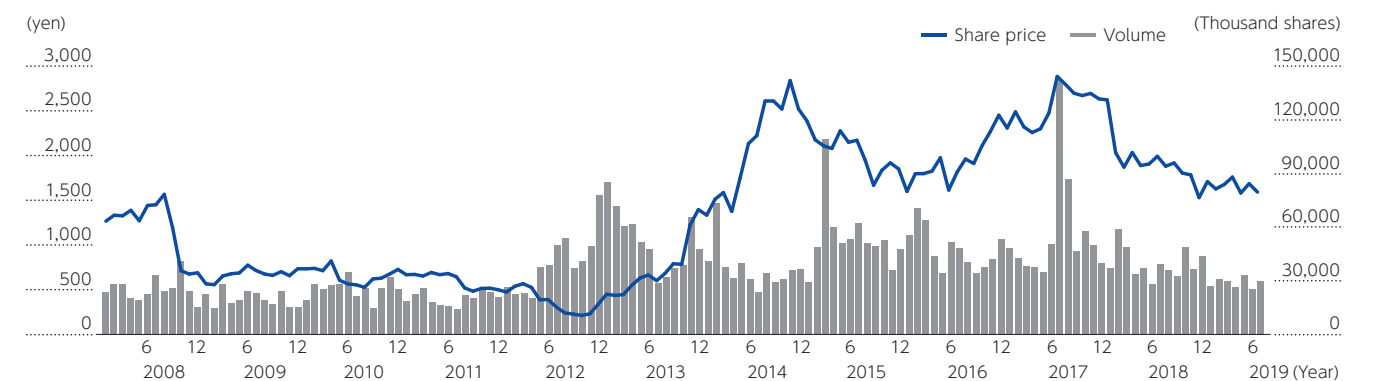
\* Seiko Epson owns 47,233,041 treasury shares but has been excluded from the list of major shareholders. The shareholding ratio is calculated after deducting treasury shares. The shares (164,598) owned by the BIP Trust director compensation plan are not included in treasury shares.  
 \* Shares held are rounded off to the nearest thousand.  
 \* Yasuo Hattori passed away on March 15, 2019. His name appears on the list of major shareholders because share transfer procedures had not been completed as of March 31, 2019.

### Inclusion in Social Responsible Investment (SRI) and ESG Indexes

In 2019 Seiko Epson has again been selected as a constituent of the SRI indexes on the right, as well as to the FTSE Blossom Japan Index and the MSCI Japan Empowering Women Index (WIN), which have been selected when the GPIF began ESG investing.

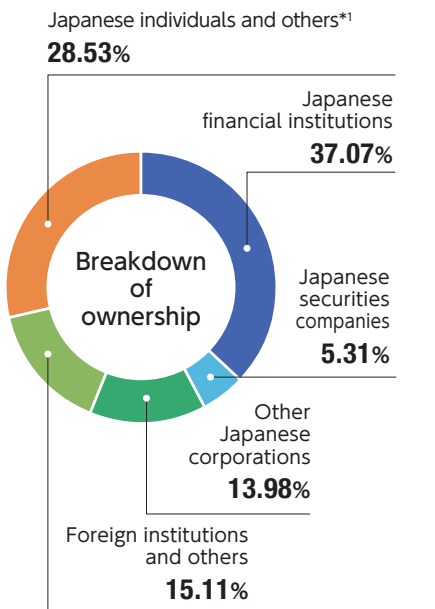


### Monthly Share Price and Volume Trend



\* A 2-for-1 split of the Company's common shares was completed, effective April 1, 2015. \* The share price chart has been split adjusted.

### Distribution of Ownership among Shareholders



\*1 Including the treasury stock