



Epson Group

Integrated Report 2020



INDEX

Value Proposition

A History of Value Creation	3
Management Philosophy	5
Value Creation Story	6
Feature Article 1: Contributing to Sustainability	7
Feature Article 2: Response to the Coronavirus Pandemic	11

Value Creation Strategy

Message from the CEO	13
Epson 25 Corporate Vision	17
The Epson 25 Phase 2 Mid-Range Business Plan	19
Message from the CFO	23
Responding to TCFD Recommendations	25
Message from the CTO	29
Business Segment Overview	31
Inkjet Innovation	33
Visual Innovation	37
Wearables Innovation	39
Robotics Innovation	41
Microdevices Supporting the Four Areas of Innovation	43

Value Creation Infrastructure

Improve the Quality of Products and Services	45
Strengthen Supply Chain Management	47
Strengthen Governance	49
Message from the CCO	53
Compliance	54
Risk Management	55
Director Profile	57
Matrix of Areas of Expertise Particularly Expected for Directors	58
Achieve Sustainability in a Circular Economy	59
Respect Human Rights and Promote Diversity	63
Practicing Sustainable Business	65

Fact Data

Financial and Non-Financial Highlights	69
Consolidated Financial Highlights	71
Group Outline	73
Public Recognition/List of Notes	74

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.

Using This PDF

Explanation of Headers

Print the current page

Return to the last page viewed

Go to previous page or next page

Go to the index

Button Functions



Web link button
Go to the website



Video link button
Go to the video

Details on P. 00

Page link button
Go to the page

*See note here

Note link button
Go to a list of notes

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).



Issued November 2020

Period covered April 1, 2019 to March 31, 2020
(Some information may be from other periods.)

Coverage 85 Epson Group companies (including Seiko Epson Corporation)

Disclosures 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.

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.

* Please do not use images and other content in this report without permission.

About the Cover Design



The rings and the grid are used as design elements that represent innovation and order and discipline, respectively. The illustration represents the four areas of innovation under the Epson 25 Corporate Vision where Epson has been exercising discipline for many years to compete and make rapid advances so that it can delight customers by exceeding their expectations.

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.



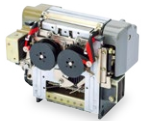
2009 Six-axis robot



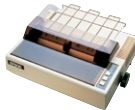
1956 Mechanical watch with an original design



1968 Digital printer



1980 Small, lightweight computer printer



1983 Precision assembly robot



1990 Printer for PC-POS systems



1994 High-speed inkjet printer



Expansion period

Creativity and Challenge

Diversification of products and businesses derived from watch and timekeeping technologies¹

Strengthening business structure

Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable

Early period

Integrity and Effort

Watch and printer technology development



1963 Electronic recording system for sporting events



1963 Portable, high-accuracy, battery-operated quartz timer



1969 Quartz watch²



1971 Watch chip



1973 Digital quartz watch²



1988 Panel module



1994 LCD projector



2010 High-capacity ink tank printer



2016 High-brightness laser projector



2018 Digital inkjet textile printer



2011 Smart glasses



2017 Analog watches

Year	Revenue (Bil. of yen)	Business profit (Bil. of yen)
2010	1,500	200
2011	1,200	150
2012	900	100
2013	600	50
2014	300	0
2015	300	0
2016	300	0
2017	300	0
2018	300	0
2019	300	0

¹ Crystal devices, printers, LCD panels

² Products are registered as Essential Historical Materials for Science and Technology by the National Museum of Nature and Science.

1942 Founded

2003 TSE IPO

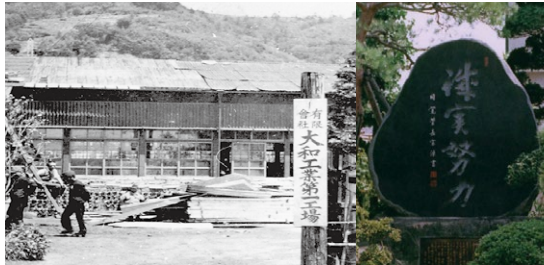


A History of Value Creation

1942
Founded

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.



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

Monument engraved with the motto of founder Hisao Yamazaki

1970

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.



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

1992

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.



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

2000

2003
TSE IPO

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.



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

2010

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.



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

Now



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)





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.

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.

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
EXCEED YOUR VISION



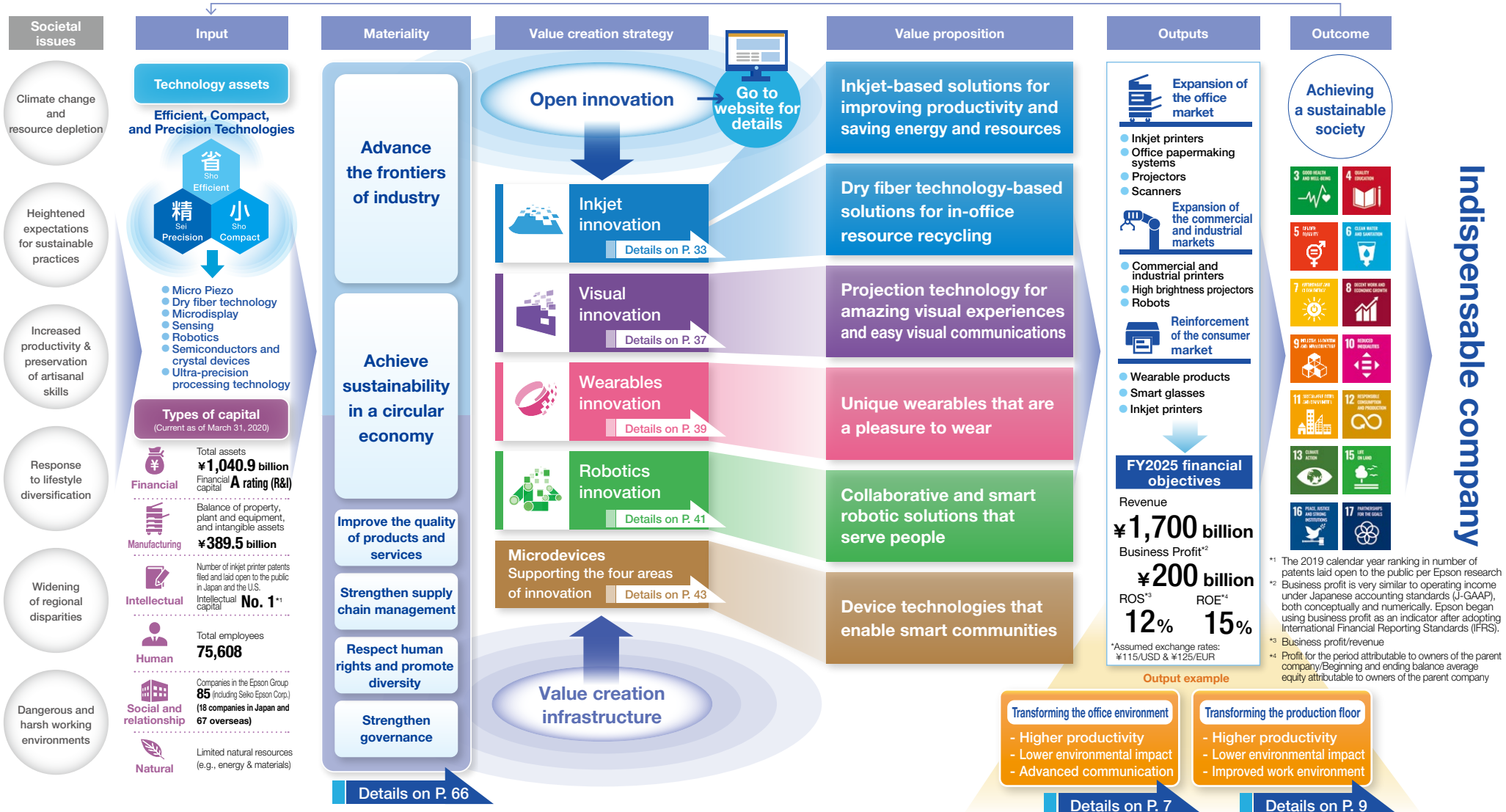
Value Creation Story

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

2050 Environmental Vision 2050

2030 SDGs

2025 Epson 25 Corporate Vision



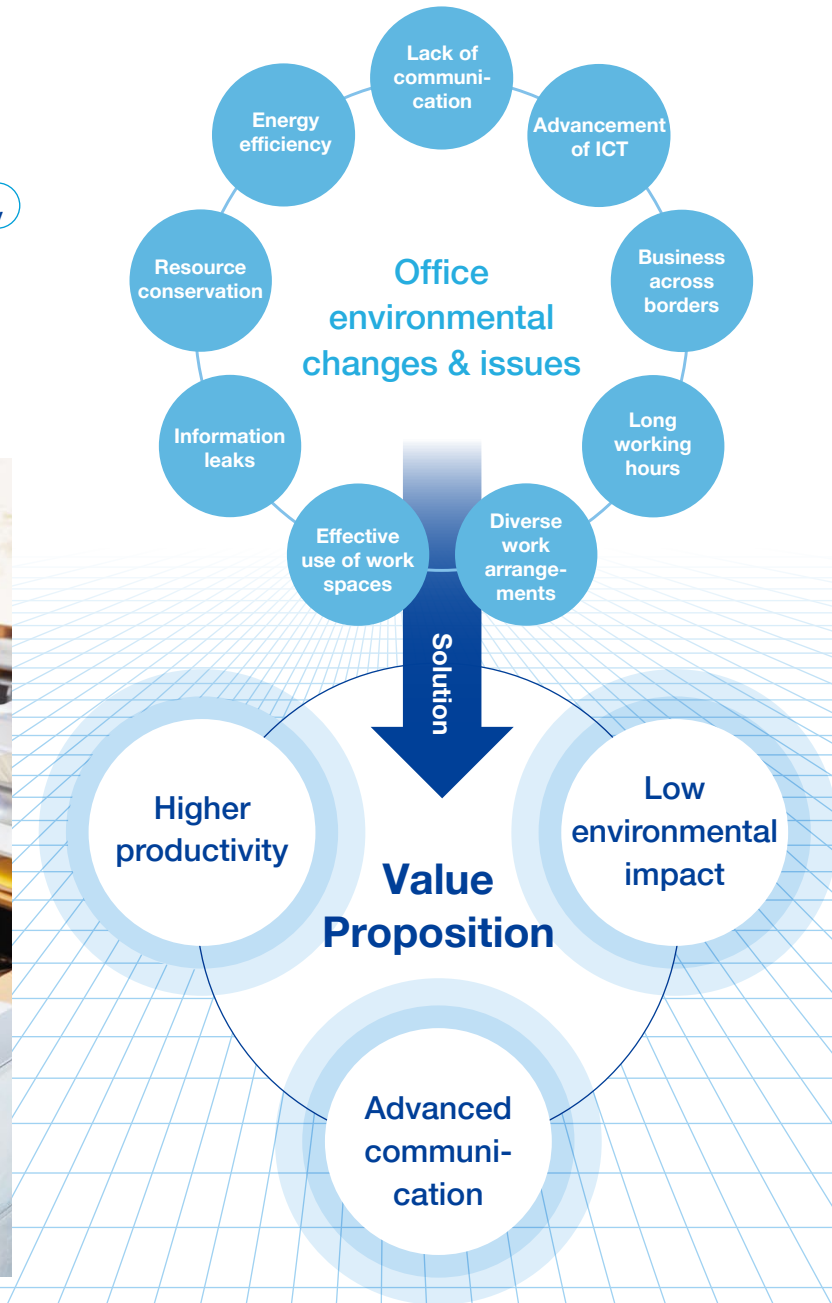
Feature Article 1

Contributing to Sustainability

Transforming the Office Environment

Materiality Advance the Frontiers of Industry/
Achieve Sustainability in a Circular Economy

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.



Feature Article 1 | Contributing to Sustainability

Example 1

Extending the Office for Smoother Communication

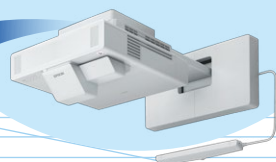


Societal Issues & Needs

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.

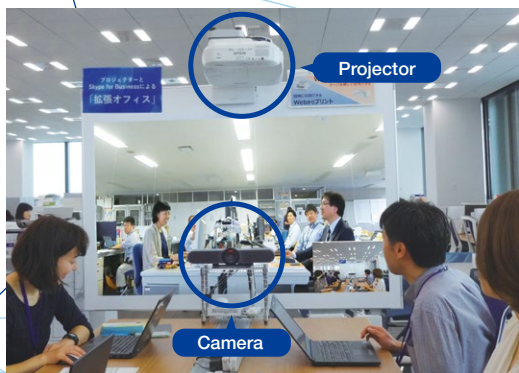
Projector solutions

- 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 CO₂, 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.

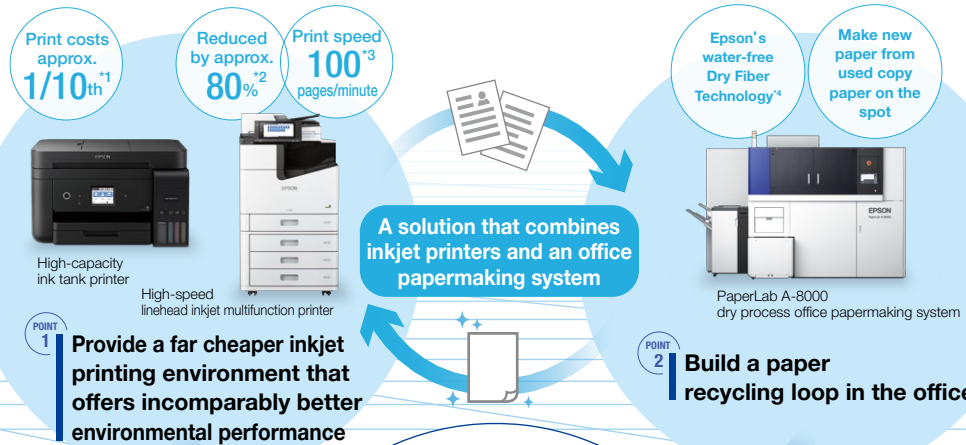
Example 2

Facilitating Enriched Paper-Based Communication



Societal Issues & Needs

Paperless processes are being adopted primarily due to cost and environmental concerns, but there is also concern that paperless processes can hamper productivity. Paper-based information can boost productivity by providing a fuller view of information that is easier to read and understand. These advantages underpin the still-firm demand for an office environment that allows people to print efficiently and without hesitation.



- POINT 1 Provide a far cheaper inkjet printing environment that offers incomparably better environmental performance

- POINT 2 Build a paper recycling loop in the office

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 defibrating paper

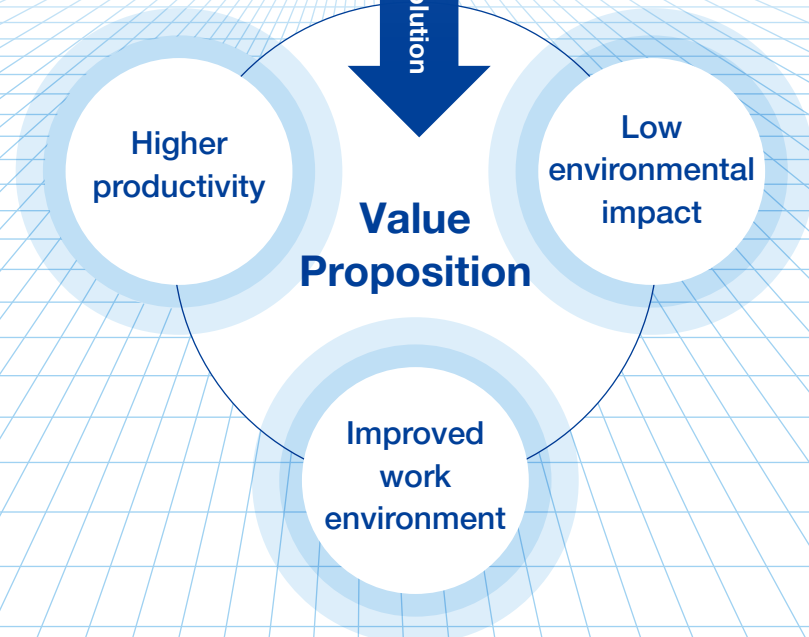
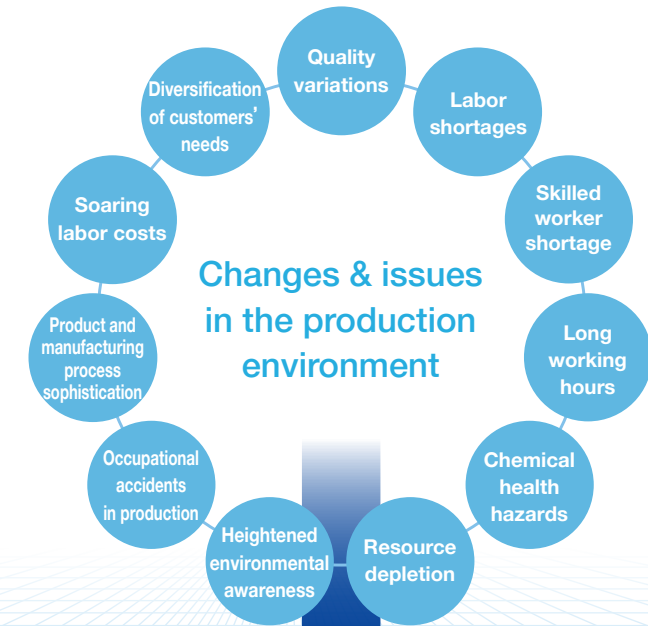
> *1, *2, *3, *4 See note here

Feature Article 1 | Contributing to Sustainability

Transforming the Production Floor

Materiality Advance the Frontiers of Industry/
Achieve Sustainability in a Circular Economy

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.



Feature Article 1 | Contributing to Sustainability

Example 1

Lower the Barriers to Robot Use and Accelerate the Automation of Human-Dependent Processes

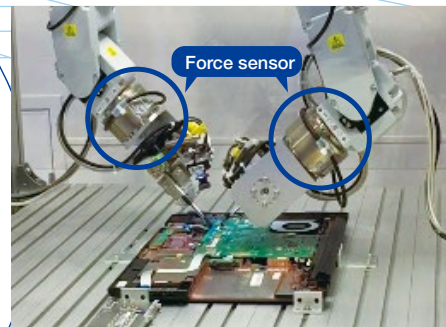
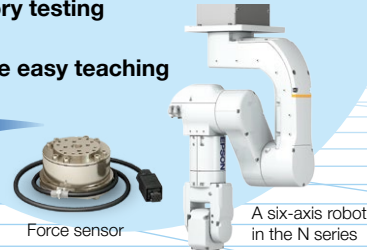


Societal Issues & Needs

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



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

Value Proposition

- > Offer easy installation in existing production lines
- > Automate processes that relied on human touch and sight
- > Ensure stable and continuous factory operation by automating production lines
- > Provide a safe and reassuring working environment



See a movie demonstration.
<https://www.youtube.com/watch?v=4QUefX9EzWY>

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

- > Adapt flexibly to demand fluctuations and achieve 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	1.5 to 2 months	Pre-processing	3 days to 2 weeks
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

Fewer steps
Low environmental impact



Response to the Coronavirus Pandemic

Basic Response Policy & Safeguards

Immediately after infections from a novel coronavirus (COVID-19) became news, the Epson Group invoked the Crisis Management Committee and formulated the basic response policy shown on the right. Since then, we have been gathering all available information and implementing measures to combat the spread of COVID-19.

In June 2020, the actions we had taken up to that point were reviewed at a committee meeting attended by members of executive management and areas where improvements were needed were identified. The committee resolved to continue to monitor the state of infections around the globe while putting preparations in place to respond immediately in the event of a worsening of the crisis.

We will continue to collect information from various sources and take action as needed in accordance with the basic response policy.

Basic response policy

The Epson Group's top priority is to ensure the health and safety of our employees, customers, and other stakeholders and to try to slow the spread of infection in accordance with local and national government policies.

Group employee conduct

Epson advises employees to take steps to protect themselves and others, such as washing their hands, covering their cough, and performing health checks before coming to work. Employees are instructed to stay home if they have a fever or cold symptoms. Measures are in place in office buildings, meeting rooms, and employee cafeterias to enable people to maintain social distance. Seating has been rearranged, restrictions have been placed on meeting room capacity, and employees are encouraged to telecommute. In addition, business travel is restricted or prohibited, depending on the region and infections, so employees are using alternative means such as virtual meetings via video conferencing and teleconferencing.

Introducing new work arrangements

To help ensure that the company can operate stably long-term in the face of COVID-19, Epson has installed and improved its network environment and conferencing software to allow more employees to work from home. In the future, more work-from-home and remote work options will be made available by putting in place additional IT infrastructure.

On the other hand, these actions were taken as part of our emergency response and we recognize that there are wrinkles that need to be ironed out. There are both advantages and disadvantages to working from home, and new and existing systems and rules need to be created and coordinated. Epson will explore potential new work arrangements, taking into account feedback from an employee survey.

Feature Article 2 | Response to the Coronavirus Pandemic

Production Site Operations and Community Engagement

Epson's production and sales sites were largely hamstrung by COVID-19. Most of Epson's largest production sites are located in China, the Philippines, Indonesia, and Malaysia. In China, production gradually recovered from late February as restrictions on movement were relaxed. Production in the other regions gradually returned to normal, but we need to continue to pay close attention to the situation. Business continuity management (BCM) issues became apparent as we struggled to restore normal production, but we have already rectified the situation for some products by utilizing external resources, for example. In addition, Epson is committed to supporting the social lives and businesses of its customers and has therefore prioritized the production of printer ink, which it is producing in or near the markets where it is consumed. Epson manufacturing and sales sites around the world supported medical institutions and took other actions to help contain the effects of COVID-19 in their communities.



Link: Response to the Novel Coronavirus
<https://global.epson.com/SR/citizenship/community.html>

Production site operations

- China → Operations gradually restored from late Feb.
- Philippines } Gradually returned to normal
- Indonesia }
- Malaysia }

Actions under the BCM plan

Expand multi-site & decentralized production for strategic products and accelerate advances in manufacturing efficiency and automation.
Production is already assured for some products through the use of external resources



Corporate Citizenship

Seiko Epson donated 5,600 face shields and 100,000 surgical masks to Nagano Prefecture for use at medical institutions treating COVID-19 patients. We also donated 5,000 face shields to the Nagano Prefecture Board of Education for use at schools to help prevent infection by COVID-19. Seiko Epson also manufactured employee masks from functional fibers by applying the Dry Fiber Technology that is used in the PaperLab A-8000 dry process office papermaking system. With the manufacture of these masks, the company was able to donate extra surgical masks that we were in stock as part of Epson's business continuity plan (BCP).



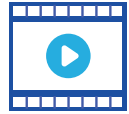
Face shields



Employee masks



Message from the CEO



Video

Responding Flexibly to Changes and Achieving Sustainability

The COVID-19 pandemic has had devastating consequences around the world. I hope for the earliest possible relief from the hardship that the virus has brought. At the same time, I would also like to express my deep gratitude to all the health institutions and medical personnel around the globe who are working night and day to combat this crisis.

I assumed the post of president on April 1, 2020, in the midst of the global spread of COVID-19. The situation was urgent and immediate action was required, so I convened the Crisis Management Committee to ensure business continuity and enact measures to protect our employees from infection. We at Epson are confronting the stresses and hardships together with our customers, partners and stakeholders.

Yasunori Ogawa
President and CEO
Seiko Epson Corporation



Message from the CEO

Strengthening Our Ability to Respond to Change During the Pandemic

People and companies around the world have been impacted by COVID-19, and Epson is no exception. Despite the challenges, we are keeping our eyes on the future and remain absolutely committed to contributing to the realization of social sustainability.

We are anticipating all conceivable future scenarios and are responding to changes so that we can flexibly react to future uncertainties and ensure business resilience.

I see this situation as an opportunity to evolve and put into practice more efficient business processes and ways of working. The pandemic has forced us to become more creative in finding ways to reach customers remotely over the Web and by other digital means. We have found this to be an effective way to expand overseas, control our costs, and secure a profit. I want to put Epson in a position to respond to changes and generate stable profit while staying the basic course we have charted.



Moving Forward with a Sense of Urgency

Although the outlook remains uncertain, we will continue to focus on advancing the frontiers of industry and achieving sustainability in a circular economy. Over the past several years, we have been aggressively investing in plant and equipment to realize future growth. And, in March 2020, construction was completed on a new facility at the Hirooka Office in Nagano Prefecture. The facility, which is designed to bolster our R&D capabilities and production capacity in the inkjet digital textile printing and printhead sales businesses, perfectly reflects our desire to advance the frontiers of industry.

Action to achieve the global SDGs and Epson's vision has accelerated due to COVID-19, and we must act with a sense of urgency to keep pace.

During the first three-year phase of Epson 25, we relied on the strength of vertical integration, a business model that allowed us to capitalize on our core technologies in our own products. Under Phase 2 of the plan, however, we will accelerate growth by taking maximum advantage of assets and by inviting collaboration and open innovation. One of the steps we have taken was to establish, in April 2020, the corporate venture capital company Epson X Investment Corporation, but we also understand that challenges lie ahead. However, to rapidly advance toward solutions to societal issues, we must collaborate. We will therefore take on these challenges with the help of others who share our aspirations.



Message from the CEO

Answering New Demand with Services

The fact is that COVID-19 has brought markets to a virtual standstill, so it is going to take some time to realize the vision described in our current mid-range business plan. However, I am confident that the world we envisioned will come. For this reason, we want to further accelerate the execution of the strategies we have devised, and provide products and services that will lead to future growth.

We will particularly need to dig deeper on service. In the past, volume printing and factory production were often performed in a central location, but I think printing and production will be more distributed and decentralized in the future—and COVID-19 is likely to accelerate this trend. If printers and factory equipment are distributed over a wide area, there will be a demand for enhanced services that allow people to centrally monitor and control them from a remote location. Providing such services for new ways of doing things will be crucial.

We will also develop services based on the value that our customers really need. In the case of a printer, what customers need is not the *machine* but the *printing*. With that in mind, subscriptions, for example, are a good way to go. We can provide an environment that allows customers to print without hesitation according to their printing needs.

Our outside directors come from diverse backgrounds and offer different perspectives, and we value their objective opinions. They have recommended breaking away from a technology orientation and meeting the demands of the world.

Epson's value creation story describes a path that starts with societal issues and leads to our goals. I want to instill this mindset among employees and direct even more effort into services as well as products.

Risks and Opportunities Presented by COVID-19

1 Expansion and normalization of telework and online education

	Risk	Opportunity
Printers	Decrease in print demand in offices and schools	Increased home and satellite office print demand (high-capacity ink, less frequent replacement of consumables, and lower printing costs)
Projectors	Decreased demand for big displays with fewer face-to-face meetings and less classroom learning	Increased demand for interactive projectors for distance learning and videos for online distribution
Microdevices	—	Increased demand for timing devices due to the development of high-speed, high-capacity telecom infrastructure such as 5G

2 Local production for local consumption & distributed printing

	Risk	Opportunity
Commercial and industrial printers	Less demand for digital printing in short-run jobs, as fewer smaller companies survive and output becomes concentrated on large companies.	Digitization advances and demand increases in signage, textile, and label printing on the strength of small lot printing

3 Sudden expansion of factory automation and manufacturing efficiency

	Risk	Opportunity
Robotics	Increased competition and shortage of key parts as the market expands	Increased robot demand



Message from the CEO

A Sustainable World Created by Employees Who Challenge and Grow

In April 2020, with no visibility into when the COVID-19 pandemic would end, I sent a message to employees and shared my ideas for moving forward long-term. In a crisis, people tend to become overwhelmed with the effort of putting out the latest fires and often end up losing sight of the long-term objectives.

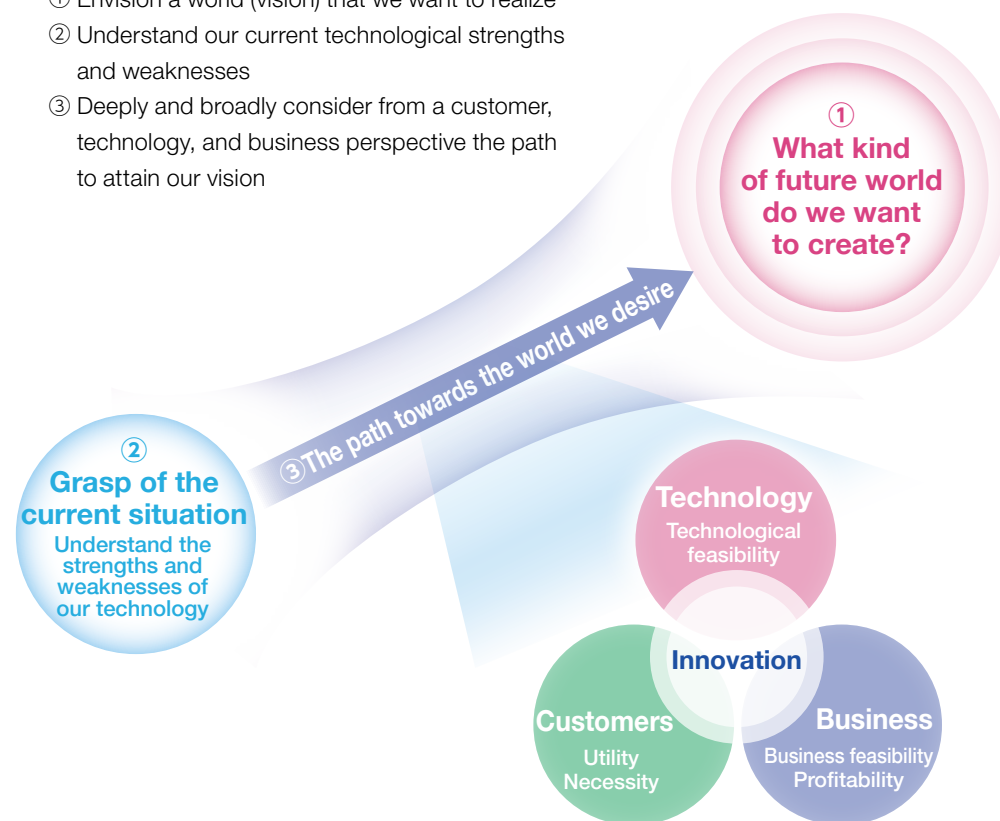
I want employees to motivate and inspire themselves by broadening their horizons and getting back to our original purpose: helping society to develop and prosper. Clues to solving problems are often found in the field. Epson's management team, and that includes me, listen to the people in operations and encourage them to actively share their ideas and opinions, because we want to encourage employees to take on challenges and experience growth.

Epson is based in the rich natural environs of Nagano Prefecture, and Epson employees share a strong desire to preserve the environment. This desire is enshrined in Epson's Management Philosophy with the words "commitment to sustainability." To make this philosophy and our strategies and initiatives more systematic and consistent, we will continue to create value in line with the value creation story as we discuss the best path to reach our goals.

We will question and break from traditional wisdom and practices, creating new ones in their place. And we will unite our 70,000 global employees by embracing a common goal as we continue to convey both the harsh realities and the hope for tomorrow.

Trying New Ideas and Methods to Realize a Better World for Future Generations

- 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





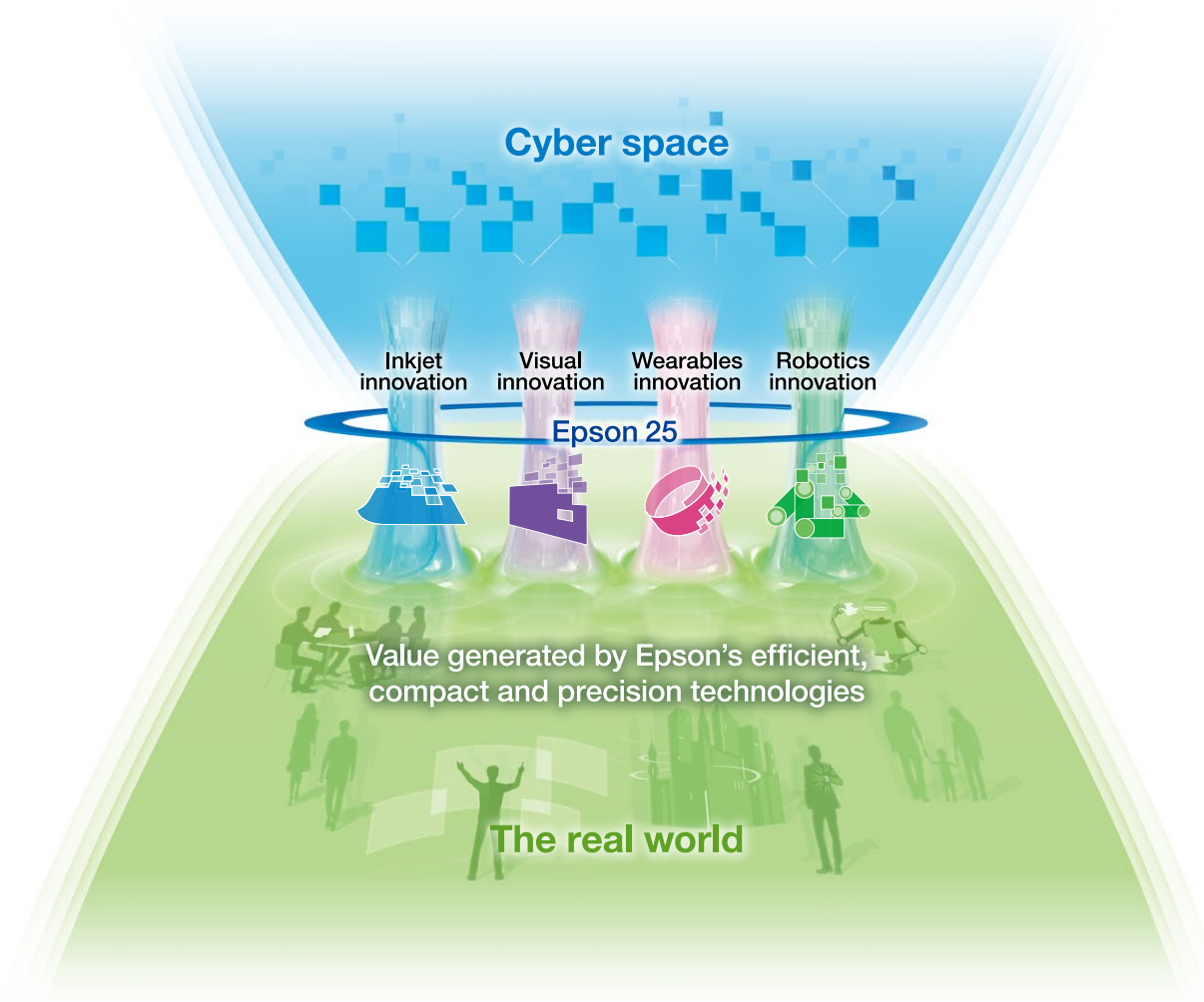
Epson 25 Corporate Vision

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

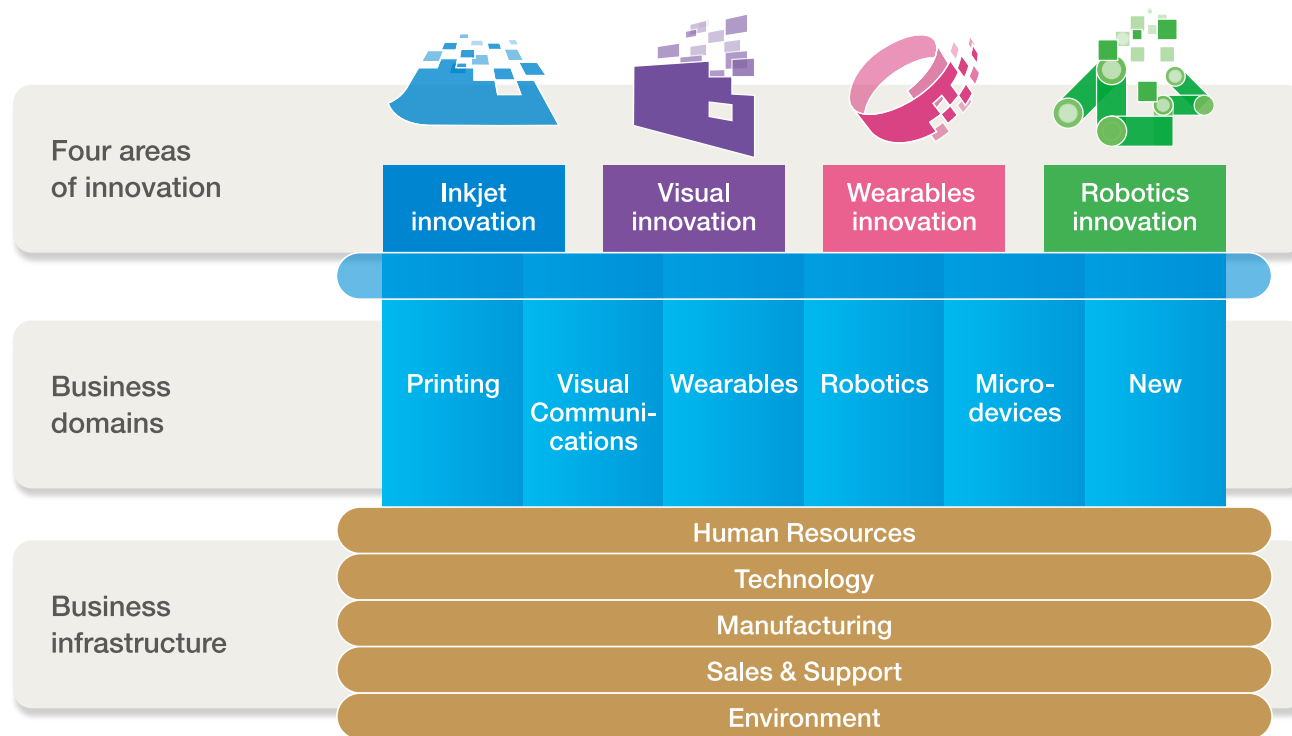
Advances in information and communications technology mean increasing amounts of information will become available on the internet, and so-called cyber space will continue to expand. Epson believes that products acting as the interface between cyber space and the actual or real world where customers 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 25 Corporate Vision

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.



Inkjet innovation

Printing domain

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



Visual innovation

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 innovation

Wearables domain

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



Robotics innovation

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

Microdevices domain: Supporting the Four Areas of Innovation

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

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.

COVID-19 impact: Epson's strategic direction remains unchanged. (This includes Epson 25 Corporate Vision as well as Phase 2 Mid-Range Business Plan). However, in view of the COVID-19 impact, we are recalibrating our approach in each area of innovation and accelerating initiatives therein.

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

- 1 Strengthen the solution selling business
- 2 Rapidly strengthen product lineups, including through collaboration
- 3 Strengthen external sales of core devices and open innovation
- 4 Invest management resources in robotics to accelerate its growth into a core business

2

Strengthen global operations under Head Office control

- 1 Select and focus on priority business areas and regions
- 2 Improve the organization and allocate personnel to strengthen B2B solution selling
- 3 Strengthen company-wide integrated IT infrastructure

3

Invest management resources in a disciplined manner based on the economy and strategy effectiveness

- 1 Rebuild product portfolios based on priorities
- 2 Strengthen financial discipline



The Epson 25 Phase 2 Mid-Range Business Plan

Initiatives in Each Area of Innovation



Inkjet innovation

Home, SOHO & shared office printers**

- 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.

** 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.



The Epson 25 Phase 2 Mid-Range Business Plan

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)

Shareholder Returns

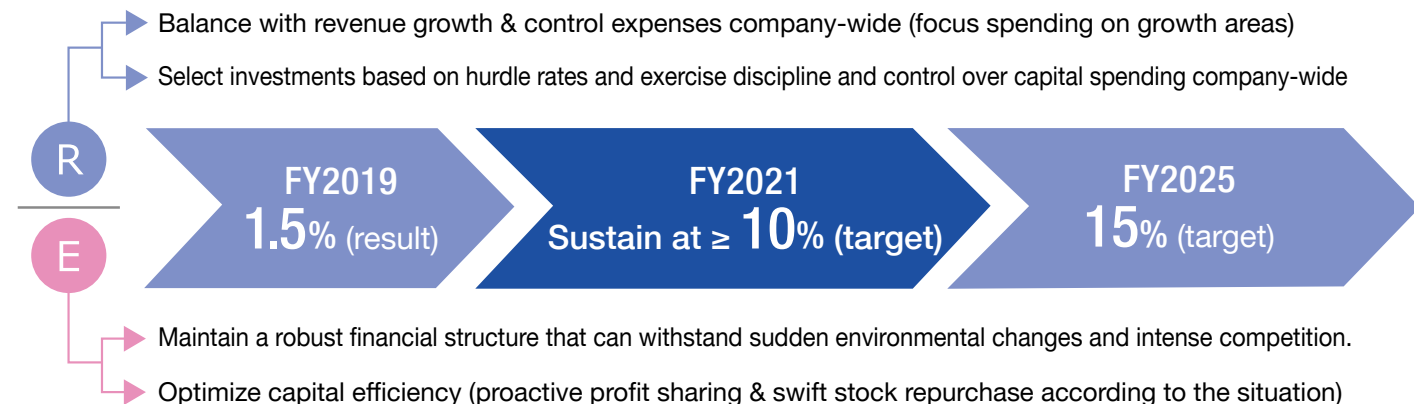
Epson's policy is to provide fair shareholder returns while maintaining a robust financial structure that is capable of withstanding changes in the business environment. In line with this policy, we are again targeting a consolidated dividend payout ratio of about 40% during Phase 2. We will repurchase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

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.

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.





Message from the CFO



Using Adversity to Catapult Corporate Value Higher

Tatsuaki Seki

Director, Managing Executive Officer
Chief Financial Officer (CFO)

Focusing Management Resources on Priorities

We are investing management resources in a disciplined manner based on the economy and strategy effectiveness. Specifically, we divided businesses and products into priority areas and areas for streamlining. We continued to invest in priority areas while limiting spending in the areas destined for streamlining. This enabled us to create a leaner cost structure and secure a profit.

Cost containment

Streamlined areas

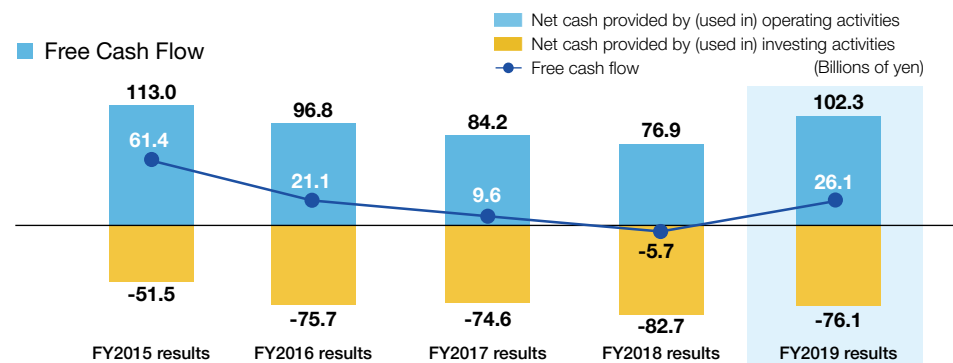
- Development & design of conventional inkjet printers (e.g., ink cartridge models)
- Development & design of projectors (other than high-brightness models)
- Watches

Priority areas

- High-capacity ink tank printers
- Shared office inkjet printers
- Commercial & industrial inkjet printers (signage, textile, label)
- Printhead external sales business
- High-brightness projectors
- PaperLab
- Robots
- Crystal devices (telecom & automotive)

Strategic investment

Free cash flow, which turned negative in FY2018, was positive ¥26.1 billion in FY2019, as our operations divisions, manufacturing companies, and sales companies joined forces to control inventory and investment throughout the year.



FY2020 got off to a rough start due to the COVID-19 pandemic, but this adversity also presents us with opportunity. We are determined to adapt and accelerate the strategies set forth in Epson 25 so that we can swiftly respond to rapid environmental changes and more quickly solve societal issues in a post-COVID world. To that end, we will optimize our business portfolio based on the value creation story and allocate management resources with a sharper focus without increasing our overall costs. At the same time, we will also reengineer our business processes and drive work-flow innovations to put us in a position to steadily generate profit.

Driving the Global Business Infrastructure Innovation Project (GX Project)

The Epson Group's customer information and business systems have not been centralized or standardized, making data aggregation and processing time-consuming. To rectify this, we launched a Global Business Infrastructure Innovation Project in FY2019. This project is part of our Phase 2 efforts to strengthen global operations under Head Office control. By building Group-standard IT systems, we aim to speed up management decision-making, increase operational efficiency, improve governance, and expand B2B revenue. In FY2019, we completed the conceptual planning phase for creating a global integrated database. We will continue to standardize our global business processes, improve real-time data collection, and build systems to transform our business processes and business models.



Message from the CFO

Epson Secures a Committed Line of Credit Provided Via Mizuho Eco Finance (May 2020)

One of the actions we have taken to shore up our financial position in the event of an emergency was to conclude a committed line of credit agreement with our primary bank, qualifying thanks to a high score in evaluations of our long-term climate change initiatives. In October 2019, Seiko Epson announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We have been working to achieve sustainability and contribute to solutions to societal issues such as climate change. In line with this we are looking to

- penetrate markets with more products that offer even better environmental performance; and
- improve energy efficiency and the effective use of resources by adopting eco-conscious research and production facilities.

These actions scored high based on a system that utilizes an environmental assessment model developed by Mizuho Information & Research Institute, Inc.

Epson is focusing on the societal issues of climate change, resource depletion, and rising expectations for the achievement of sustainability. Going forward, we will continue to make stakeholders aware of our efforts to resolve these issues and use our strong financial position to accelerate innovation.

Issuance of Green Bonds (July 2020)

Seiko Epson seeks to achieve social sustainability by practicing the values that are embedded in our DNA and summed up by the phrases “integrity and effort” and “creativity and challenge.” We issued our first green bonds to further advance sustainability projects. To create a sustainable society where people feel more enriched and happy, we must leverage our efficient, compact, and precision technologies to drive innovation in our inkjet and other businesses. Since we particularly want to strengthen efforts on the environmental front, we decided to raise funds needed for greener production facilities and products that offer greater environmental performance. A total of 75 firms have declared their intent to invest. This set a new record (as of July 2020) for the SDG bond market of an ordinary company. We consider this to be the result of an appreciation of the outstanding environmental performance of our inkjet technology, and we will continue to innovate in inkjets and our other business areas.



<https://global.epson.com/SR/greenbond/>

Ongoing Actions to Increase Corporate Value

Evaluating the Effectiveness of the Board of Directors

Every year, Seiko Epson analyzes and evaluates the effectiveness of its Board of Directors. In FY2019, the Board of Directors delved deeply into and discussed issues that came up in talks with shareholders and institutional investors.

As a result, we are acting to improve effectiveness by addressing issues in two areas so as to

- (1) further improve the organization and disclosure of business strategy risks and opportunities; and
- (2) further improve the organization and disclosure of the thinking with regard to business portfolio management.

Annulment of Anti-Takeover Measures

Seiko Epson annulled takeover defense measures at the conclusion of the Ordinary General Meeting of Shareholders held in June 2020. For some time, institutional investors and shareholders in Japan and abroad had shared their views regarding takeover defense measures and, given recent trends in this area, it was time for us to reach a carefully considered decision. Following repeated discussions by management over a period of more than half a year, Seiko Epson decided to discontinue takeover defense measures after concluding that devoting ourselves to increasing long-term corporate value would lead to sustained corporate growth and shareholder profit. Even after the measures were annulled, the Board of Directors and other corporate management bodies have repeatedly reviewed and discussed specific actions to increase corporate value. They also revisited the topic of synergies among businesses and shaped business strategy accordingly. In this difficult business environment, it is especially important to concentrate management resources on growth areas where the company’s competitive advantage can be demonstrated. Since this assumes that the company’s strengths are accurately understood, we confirmed the current situation and expected future strengths and synergies.

Seiko Epson has businesses in multiple fields and we believe it is important for both management and employees to understand the strengths of the company, the strengths of the business to which they belong, and the synergies with other businesses. Going forward, the entire company will work as one to increase corporate value by promoting understanding.



Responding to TCFD Recommendations



Scenario Analysis Findings

We conducted a scenario analysis based on the TCFD framework to assess the financial impact of climate-related risks and opportunities on Epson's strategy. We found that in a 2°C scenario in which rapid progress on decarbonization is achieved, there is transition risk of higher operating costs than in a 4°C scenario due to the imposition of policies and legal regulations. However, Epson's strength lies in products and services that have a lower environmental impact (e.g., consume less power and produce less waste). We confirmed that these products and services match the materialities that Epson has identified to advance the frontiers of industry and achieve sustainability in a circular economy, providing opportunities for business expansion. This expansion will help customers reduce their environmental impacts and contribute to the containment of climate change.

Based on the results of these assessments, Epson will continue to try to maximize its opportunities while addressing recognized risks so as to achieve the decarbonization of the Paris Agreement, which we believe is a rational goal both for society and for Epson. On the other hand, even in a 4°C scenario in which global warming has advanced because the world failed to take measures beyond what are currently being taken, we found that the impact of physical risks on our domestic and overseas sites due to weather extremes would be small.

Climate change is greatly impacting society and Epson sees it as a serious social problem. The goal of the Paris Agreement is to achieve decarbonization and keep the increase in the global average temperature to well below 2°C.

Epson has set science-based targets (SBT) for reducing greenhouse gas emissions to help achieve this. We are taking action against climate change to reach these targets in line with the policies articulated in the value creation story, Environmental Vision 2050, and the Epson 25 Corporate Vision.

Epson indicated its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2019. Epson has enhanced its disclosures (on governance, strategy, risk management, and metrics and targets) based on the TCFD framework so as to enable good communication with shareholders, investors, and a broad spectrum of other stakeholders.

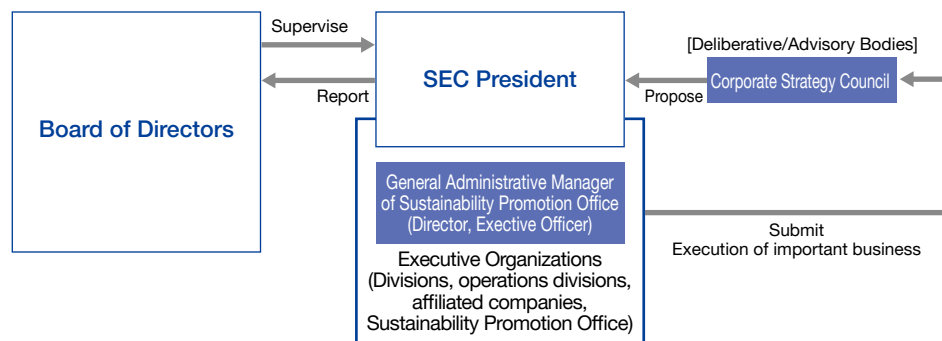


Responding to TCFD Recommendations

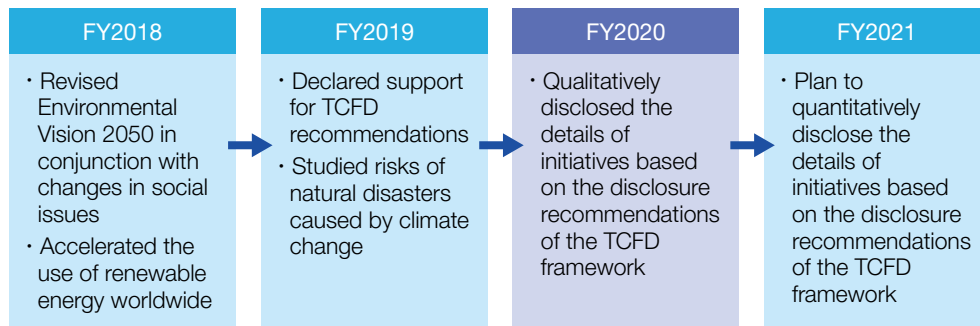
Governance

Important matters related to climate change are supervised by the board of directors, which receives reports at least once a year from Epson's Corporate Strategy Council, a deliberation and advisory body for important management issues, including climate change, that affect the Epson Group. In addition, Seiko Epson's president and representative director, the individual who has the highest responsibility and authority for climate-related issues, delegates responsibility for climate-related issues to the general administrative manager of the Sustainability Promotion Office (an executive officer and board member), and the director of the Sustainability Promotion Office manages climate change initiatives, including TCFD.

Executive Organization for Climate-Related Issues



Main Climate Change Initiatives

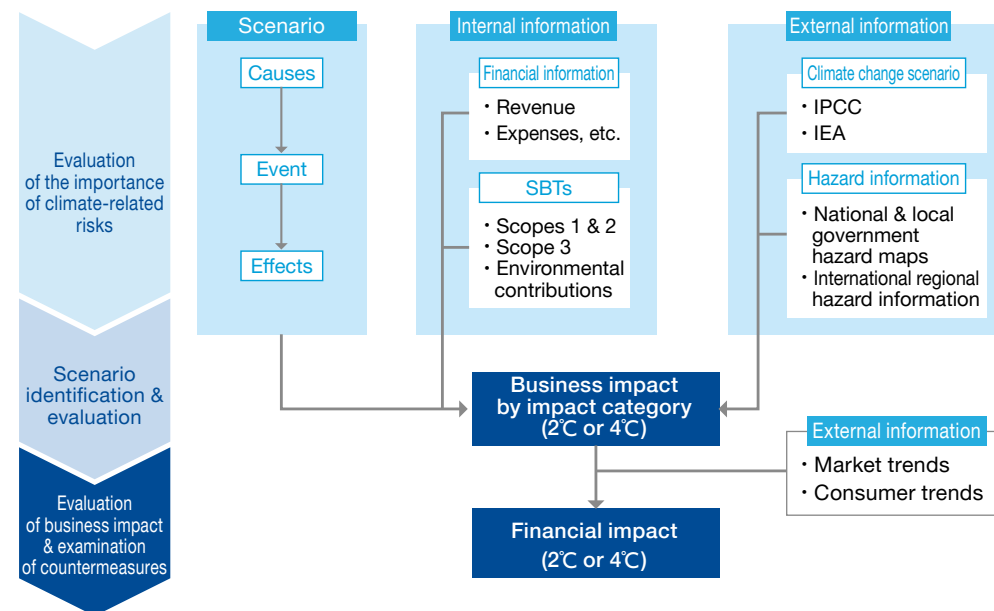


Strategy

Epson has determined that advancing the frontiers of industry and achieving sustainability in a circular economy are material matters in its value creation story. To achieve these, we will further reduce greenhouse gas (GHG) emissions by leveraging our efficient, compact, and precision technologies to drive innovation.

Scenario Analysis of Climate-Related Risks and Opportunities

Epson identified and evaluated scenarios in the categories of transition risk, physical risk, and opportunity to evaluate the importance of climate-related risks and opportunities. Nine risks and opportunities were singled out for evaluation. We evaluated the business impact and financial impact of each on the basis of the scenarios corresponding to temperature rises of 4°C and 2°C presented by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA), respectively, as well as on the basis of internal and external information.





Responding to TCFD Recommendations

Climate-Related Risks and Opportunities in a 2°C Scenario

The results of evaluating climate-related risks and opportunities based on scenario analysis are as follows.

Category		Evaluated risks & opportunities		Actualization	Business impacts		Financial impact		
Transition risks	Market	Paper demand		Mid-term	Business impacts	<ul style="list-style-type: none"> Although demand for printed information will decrease, risks will be limited because overall demand for paper will increase due to an increase in packaging applications. (The rate of increase will lower than in the 4°C scenario.) Concrete business impacts will be evaluated in FY2020. 	-		
		Crude oil prices	Plastic raw materials	Mid-term	Business impacts	<ul style="list-style-type: none"> Higher transportation costs due to rising crude oil prices Higher costs for procuring plastic raw materials 	Dealing with risks	<ul style="list-style-type: none"> Miniaturize products, increase their service life, and expand resource recycling Expand the printing subscription business Transition to solution businesses 	Moderate
	Zero carbon	Mid-term			Business impacts	<ul style="list-style-type: none"> Higher operating costs due to application of a carbon tax and rising crude oil prices 	Dealing with risks	<ul style="list-style-type: none"> Reduce GHG emissions based on SBT measures Consider introducing CCUS (carbon capture, utilization, and storage) technology and BECCUS (bio-energy carbon capture utilization and storage) technology 	Moderate
Physical risks	Acute	Damage to business sites due to floods, etc.		Long-term	Business impacts	<ul style="list-style-type: none"> We evaluated 36 sites (17 domestic and 19 overseas) and concluded that future changes in Epson's operational risk due to floods (overflowing rivers) and tidal waves will be limited. Short-term climate change risks to the supply chain will be addressed in line with our business continuity plans. 	Small		
	Chronic	Damage to business sites due to rising sea levels							
Opportunities	Products and services	Achieve sustainability in a circular economy	Development of a paper cycle	Mid-term	Assumed scenarios	<ul style="list-style-type: none"> Paper recycling costs will increase due to rising waste paper prices and higher costs for collecting and processing confidential documents. The paper recycling practices will further advance due to higher environmental awareness, higher confidentiality management awareness, a shift to distributed processing systems, and the evolution of recycling technology. 	Business opportunities	<ul style="list-style-type: none"> Paper recycling costs will increase and the spread of paper recycling habits will increase sales opportunities for the PaperLab office papermaking systems. Expand the paper cycle to industrial fields and create a new business model. 	Moderate
		Advance the frontiers of industry	Advances of inkjet in existing fields	Short-term	Assumed scenarios	<ul style="list-style-type: none"> Demand for low power consumption will increase due to the introduction of a carbon tax and soaring electricity prices. Higher waste disposal costs will increase the need for products that produce less waste from consumables. 	Business opportunities	<ul style="list-style-type: none"> Sales opportunities will increase due to the cost advantages of inkjet systems, which consume less power and produce less waste. 	Large
			Advances of inkjet in new application fields	Mid-term	Assumed scenarios	<ul style="list-style-type: none"> The need for environmentally friendly products and services will increase due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, sustainable production amounts, and reduced resource use. 	Business opportunities	<ul style="list-style-type: none"> There will be more opportunities to expand inkjet application fields due to cost advantages in all industrial fields. 	-

Actualization Short-term: ≤ 10 years Med-term: 10-50 years Long-term: > 50 years **Financial Impact** Small: ≤ 1 billion yen Moderate: 1-10 billion yen Large: >10 billion yen -: To be evaluated in future

Responding to TCFD Recommendations

Risk Management

As the environment in which we operate grows more complex and uncertain, effectively dealing with risks that could have a significant impact on corporate activities will be essential in order to carry out business strategies and business objectives. Epson sees climate-related issues as risks that could significantly impact management and manages them appropriately.

Climate-Related Risk Identification, Assessment and Management Process

1. Study	2. Identify & assess	3. Manage
<ul style="list-style-type: none"> Study risks of natural disasters caused by climate change at major sites worldwide. Research social trends. 	<ul style="list-style-type: none"> Identify risks and opportunities from the policies and action of Environmental Vision 2050 and value creation story (Epson 25). Evaluate scenario analysis through the Corporate Strategy Council and board of directors. 	<ul style="list-style-type: none"> In FY2020, effectively manage risks through director and executive officers discussions, the Corporate Strategy Council, and the board of directors.

Metrics and Targets

We are actively working to reduce environmental impacts throughout the value chain by leveraging our efficient, compact, and precision technologies to improve the environmental performance of our products, utilizing renewable energy, and enhancing our business activities in order to achieve Environmental Vision 2050 and the medium- and long-term greenhouse gas (GHG) emission reduction targets validated by the Science Based Targets initiative.

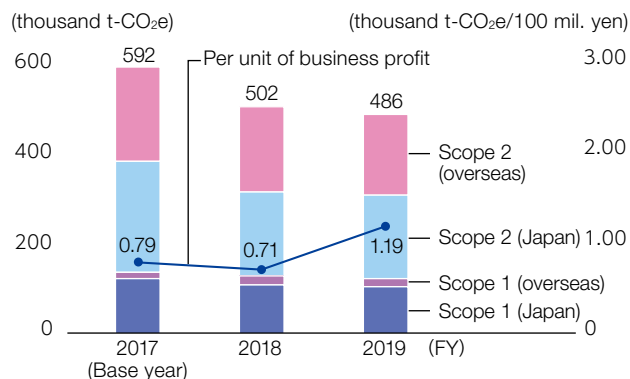


GHG Reduction Targets Validated by the SBTi

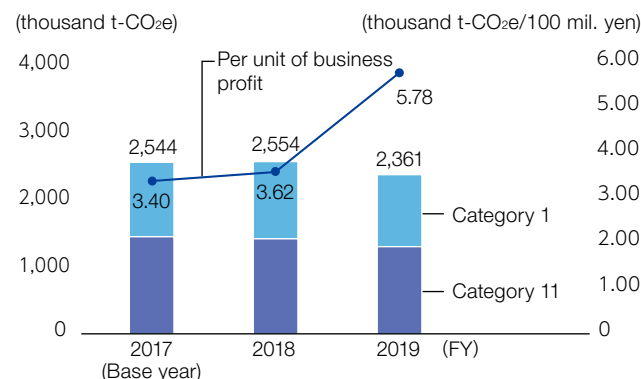
Scopes 1 & 2	Reduce GHG emissions by 19% compared to FY2017 by FY2025.
Scope 3	Reduce GHG emissions as a percentage of business profit by 44% in categories 1 & 11 compared to FY2017 by FY2025. Category 1: Purchased goods & services Category 11: Use of sold products

Scope 1: Direct emissions from the use of fuel, etc., by the reporting company
Scope 2: Indirect emissions from purchased energy Scope 3: Emissions from the reporting company's value chain

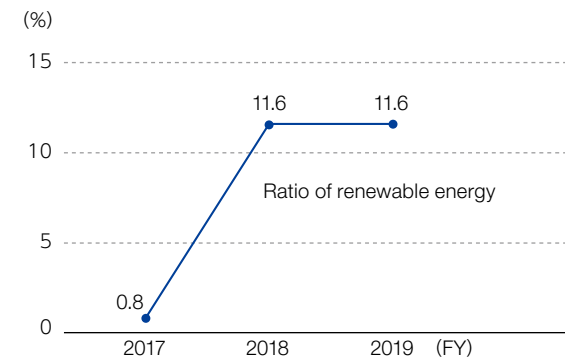
Greenhouse Gas Emissions (Scopes 1 & 2)¹ [*1 See note here](#)



Greenhouse Gas Emission (Scope 3: Categories 1 & 11)



Renewable Energy Usage Rate



* Percentage of energy from renewable source



Message from the CTO



We will continue to exercise ingenuity to create technology that has value in order to achieve a sustainable world.

Kazuhiro Ichikawa

Executive Officer
Chief Technology Officer (CTO)
General Administrative Manager,
Technology Development Division

Epson's Manufacturing Infrastructure

Technological Breakthrough + Integrity and Effort = 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.

Identifying Genuine Customer Value

Paper is essential for communication

There is a fixed notion that paper recycling requires a huge volume of water and has a heavy environmental impact

Epson came up with the idea that instead of reducing paper use, you can reduce water use so that people can use paper without guilt or hesitation.

Get to the heart of societal and technology issues, and perfect a dry process for recycling paper.

Dry Fiber Technology concept

Progress on the Epson 25 Corporate Vision

Developing Technology to Address Societal Issues and Create Genuine Customer Value

Epson has continued to grow by pursuing the perfection of its own technology, but as we advanced the strategies under Epson 25, we were again made aware of the importance of asking ourselves whether a given technology is actually useful for the world. The reason is that we ended up having to discontinue some technology development projects because we realized that there just wasn't a market for the technology. We recognize that this was a result of having focused solely on perfecting technologies rather than focusing more on customer needs. Therefore, we took a different approach in the development of the PaperLab, the world's first^{*1} dry-process office papermaking system, released in 2016. Paper is an essential medium for communication, but paper recycling is environmentally problematic because it requires a tremendous amount of water. To resolve this conflict, Epson created Dry Fiber Technology, a new water-free solution to the societal issue of maintaining sustainability while continuing to use paper. This is an example that embodies the idea of creating genuine customer value through an approach that starts with societal issues that need a solution.

^{*1} Per Epson research conducted in November 2016.

Message from the CTO

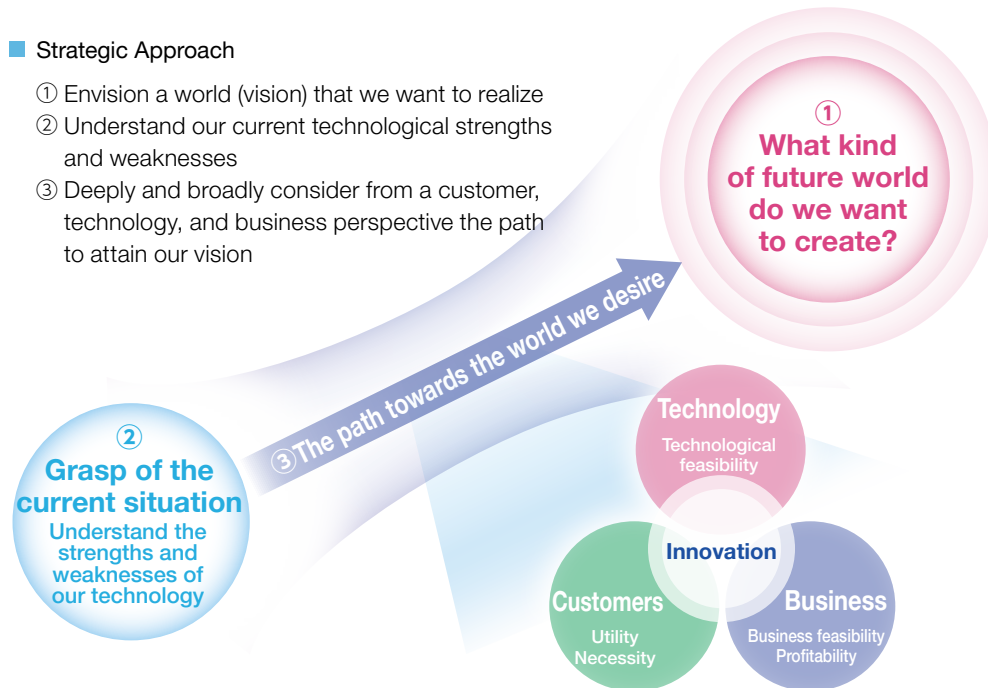
Technology Strategy Policy Going Forward

Creating Products that Realize Our Vision of the World

Establishing new technologies requires trial and error and the sharing of ideas. This can take a long time. Technology that does not meet the needs of the world cannot create new value. When we set out to develop new technology, we consider underlying societal issues that inhibit sustainability and envision the world we want to see (our goal). We must first understand the strengths and weaknesses of a technology and then envision the path that leads to the goal from a customer, technology, and business feasibility perspective. As society is transformed by the effects of COVID-19 and climate change, the Technology Development Division will take a bird's-eye view of Epson's technology and reassess our strengths and weaknesses. Based on this, we will pinpoint products and technologies that truly contribute to solving societal issues and develop technologies that will realize our future business strategies.

■ 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



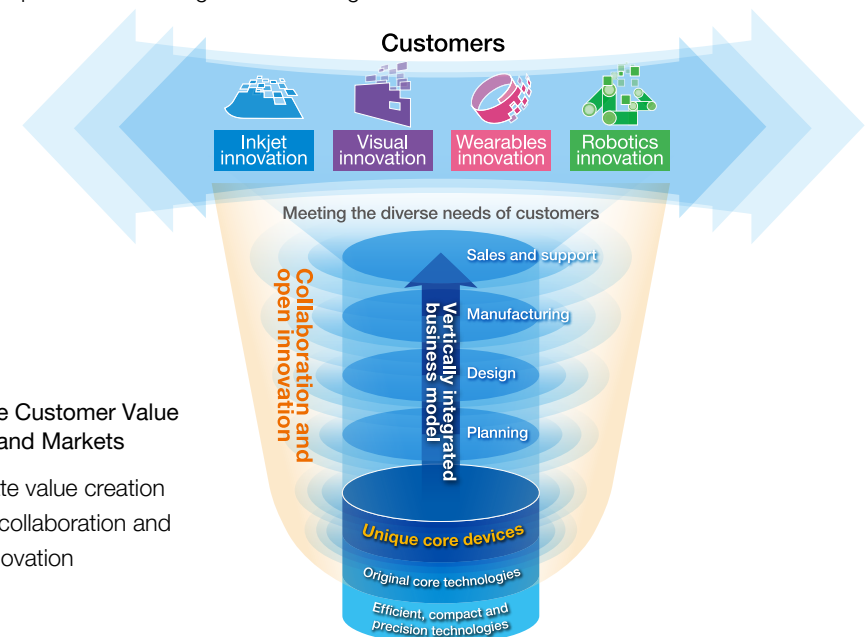
Open Innovation that Will Accelerate Value Creation

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 stricter, 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 Sustainable Development Goals (SDGs) and the goals of Epson's Environmental Vision 2050, we must develop technologies that are more innovative than ever. We will continue to contribute to the realization of a sustainable society by driving further advances in Epson's efficient, compact, and precision technologies and creating solutions that solve societal issues.

■ Maximize Customer Value and Expand Markets

Accelerate value creation through collaboration and open innovation



Business Segment Overview

Printing Solutions Business Segment

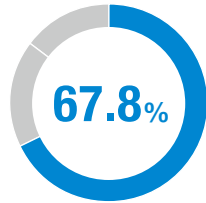
► Revenue

¥ **708.6** billion
(down 2.1% year on year)

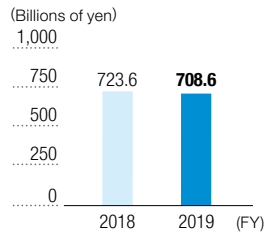
► Segment profit

¥ **75.6** billion
(down 20.0% year on year)

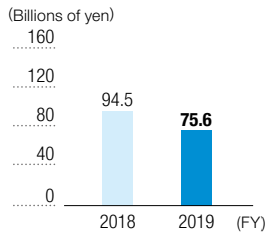
Segment revenue as a % of total revenue



Revenue



Segment profit



Main Products

Home & SOHO products



Home printers



High-capacity ink tank printers

Commercial & industrial products

For photos & graphics
Large-format inkjet printers



For signage
Large-format inkjet printers

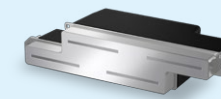


For labels



Inkjet digital label presses

Printheads



Inkjet head

Office & business products



High-speed linehead inkjet MFPs



Receipt printers



Scanners



Serial-impact dot-matrix printers



Inkjet MFPs



Dry process office papermaking system



For textiles
Digital inkjet textile printers

Business Segment Overview

Visual Communications Business Segment

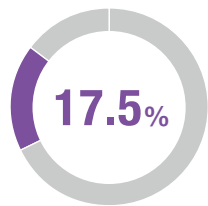
▶ Revenue

¥ **183.3** billion
(down 9.8% year on year)

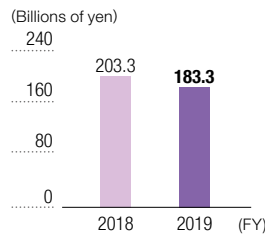
▶ Segment profit

¥ **13.5** billion
(down 36.1% year on year)

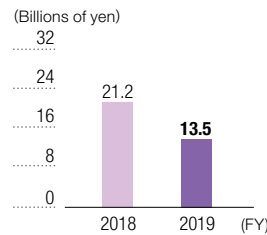
Segment revenue as a % of total revenue



Revenue



Segment profit



Main Products

Home products

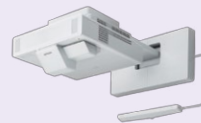


Smart glasses

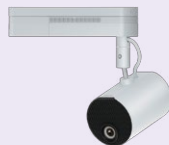


Personal models

Business & education product lineup



Commercial & enterprise product lineup



Smart glasses



Professional models

Wearable & Industrial Products Business Segment

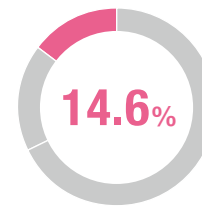
▶ Revenue

¥ **152.9** billion
(down 6.4% year on year)

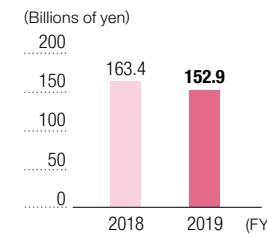
▶ Segment profit

¥ **1.8** billion
(down 66.6% year on year)

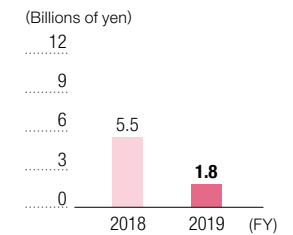
Segment revenue as a % of total revenue



Revenue



Segment profit



Main Products

Watches

Light Charge GPS satellite radio-controlled & Swing Generator watches



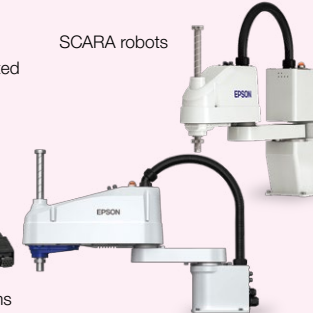
Mechanical watches Movements Seiko business

Industrial robots



Small articulated robots

SCARA robots



Force sensing systems

Microdevices, other



Crystal devices



Inertial measurement units (IMU)



Semiconductors



Superfine alloy powders



Inkjet Innovation

Vision

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

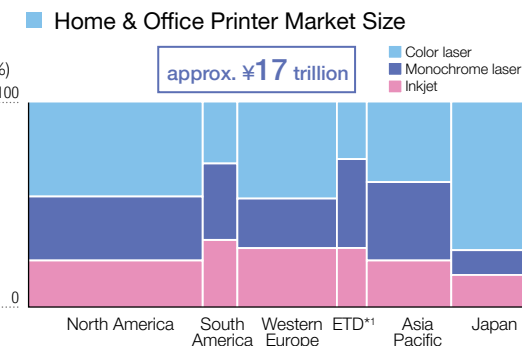


Koichi Kubota

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

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

Talk about paperless offices has been around for a long time, but paper is a valuable medium for communication. So I want to enable people to feel free to print out all the information they want. Epson's inkjet innovations are indispensable for allowing this by reducing printing costs and environmental impacts.

We are executing strategies and actions to bring this to fruition, but the COVID-19 pandemic has created difficult business conditions. Lockdowns constrained supplies and reduced demand, and B2B negotiations were discontinued or postponed. On the other hand, office and home printer demand is expanding. In China, for example, sales of high-capacity ink tank printers increased due to a rise in remote learning during prolonged school closures. In addition, widespread telecommuting in Western Europe, North America, Japan, and Australia generated higher than expected sales of ink cartridge printers and high-capacity ink tank printers, and ink consumption is on the rise. Remote working arrangements are likely here to stay, so print demand in satellite and home offices is expected to increase. We therefore see room for continued growth in this area.

We are also seeing a rise in demand for the printing of labels for medical supplies and food products in the commercial and industrial printing markets, but the short-term outlook is dim due to weak global business conditions and the suspension of capital investment. Nevertheless, we will work to enhance our product lineup and strengthen customer touch points in anticipation of future expansion of distributed printing demand.

We will continue to assess the effects of COVID-19. In the meantime, the digitalization trend will accelerate, so we will help to solve societal issues by realizing our long-term vision.

- ### FY2019 Review
- Unit shipments of high-capacity ink tank printers increased year-on-year in both emerging and developed countries.
 - Shared office inkjet printer sales grew owing primarily to the capture of a major contract in Europe and the roll-out of an academic plan in Japan.
 - Inkjet printers did not replace laser printers at the rate anticipated.
 - Sales decreased due to the pandemic.

- ### FY2020 Actions
- Analyze and accelerate the execution of strategies and actions based on risks and opportunities during and after the pandemic.
 - Continue to strengthen the lineup of high-capacity ink tank printers and shared office printers.
 - Accelerate laser printer replacement by publicizing inkjet low TCO and Heat-Free Technology and by introducing sales campaigns around the globe.
 - Roll out global subscription services for high-capacity ink tank printers.
 - Launch new commercial and industrial printers in new areas.
 - Globally roll out the Epson Cloud Solution PORT solution platform for commercial and industrial printers.

Inkjet Innovation

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.

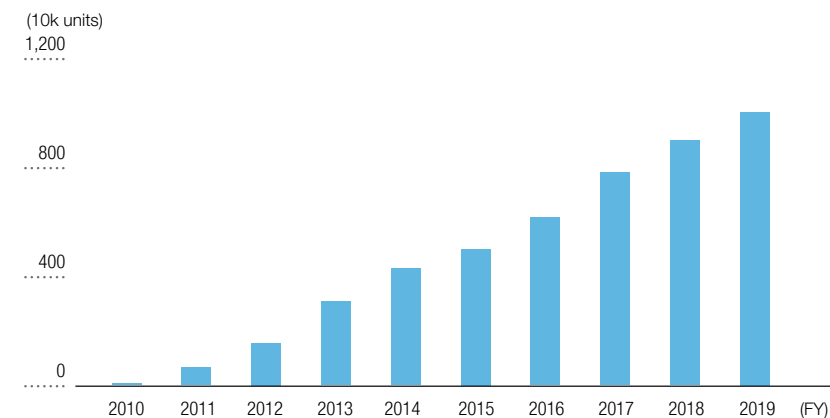
High-capacity ink tank printers enable you to print at about one-tenth² the cost of laser printers, but for customers who want to keep down initial costs, we are rolling out subscription-based printing services that allow them to use products and services for a fixed period of time for a flat fee.

The market for high-capacity ink tank printers is being further stimulated by the entry of competitors. These products and their concept are ideal for the suddenly large number of people working and learning remotely due to COVID-19. 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



■ High-Capacity Ink Tank Printer Unit Sales Trend

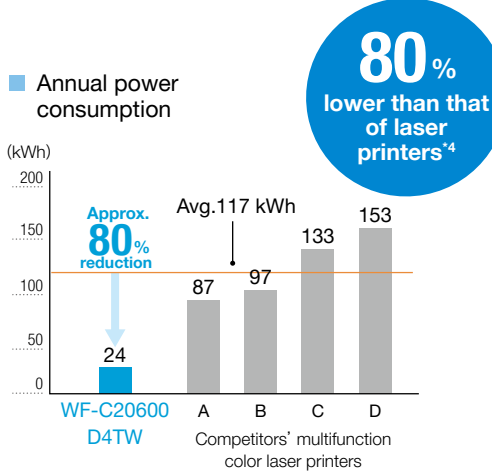


Inkjet Innovation

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 the laser-dominated office printing landscape. The WF-C21000 series of high-speed linehead inkjet multifunction printers 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 80%^{*4} lower than that of a typical laser printer. The office market holds considerable potential for inkjet printers. Competitors have entered the market with their own line inkjets, but Epson's heat-free line inkjet multifunction printers print even dense patterns at consistent high-speeds and in high volumes. With print demand expected to rise in satellite offices and shared offices even post-pandemic, we will more aggressively publicize the value of benefits such as high speed and low TCO (low frequency of consumable replacement and maintenance) to build awareness and expand sales.



Equipped with PrecisionCore Heat-Free Technology, the units in the linehead inkjet MFPs do not use heat in the printing process. They consume far less electricity than laser printers and cut office running costs. Performance comparisons by an independent evaluation body show that the WF-C20600 D4TW consumes about 80% less electricity per year on average than comparable color laser multifunction printers of other companies.



High-speed linehead inkjet multifunction printer

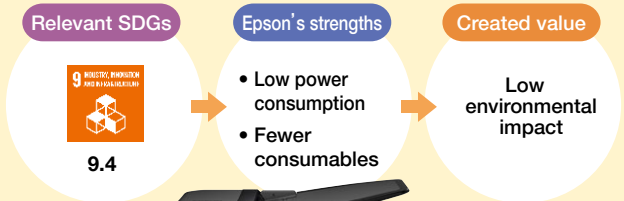
Print speed
100^{*5}
ppm



The benefits of Heat-Free Technology
https://global.epson.com/innovation/core_technology/inkjet/heatfree.html

▶*4, *5 See note here

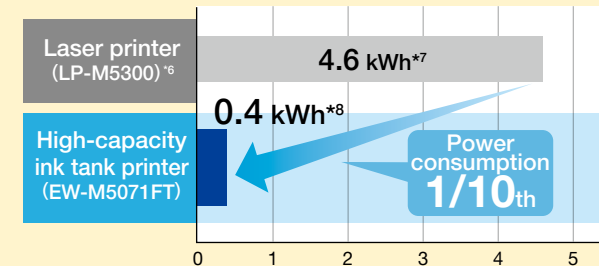
Reducing Environmental Impacts with High-Capacity Ink Tank Printers



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.

Power Consumption Comparison



^{*6} Epson laser printer (launched June 2012) ^{*7} Typical electricity consumption (TEC) values calculated based on one week of office use. Values were measured using the test method in Ver. 2.0 ENERGY STAR[®] spec. ^{*8} 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.

Inkjet Innovation

Commercial & Industrial Printing

Lead the transition to digital printing

Digitization is advancing in commercial and industrial printing, where the demand for design diversity is driving an increase in short-run production. Epson sees corporate, signage, textile, and label printing 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 be efficiently 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. Commercial and industrial business negotiations and other sales activities remain constrained due to the COVID-19 pandemic, but demand for distributed digital printing of content for local consumption and for on-demand printing is expected to expand and accelerate. Given this situation, we will grow the business chiefly by selling high-production printers that provide both excellent image quality and outstanding speed, by strengthening customer touch points and enhancing customer support with showrooms and solution centers, and by expanding the cloud-based service platform Epson Cloud Solution PORT, which will provide functions such as Color Control Technology color matching software.

Products Launched in Growth Areas

Signage (signs & decor)

Textiles (apparel)

Labels (package printing)



Large-format printers for signs and displays



Large-format dye-sublimation transfer printers for textiles



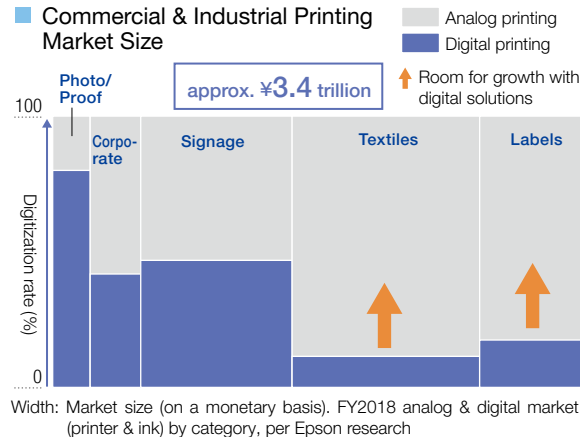
Digital textile printers



Digital label presses



Color label printers



Value Proposition for Commercial & Industrial Customers

Photo & graphics	Formidable powers of expression and print speed
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 manufacturing applications such as printed electronics and bioprinting.



PrecisionCore printhead



New MACH head



MACH head



Visual Innovation

Vision

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



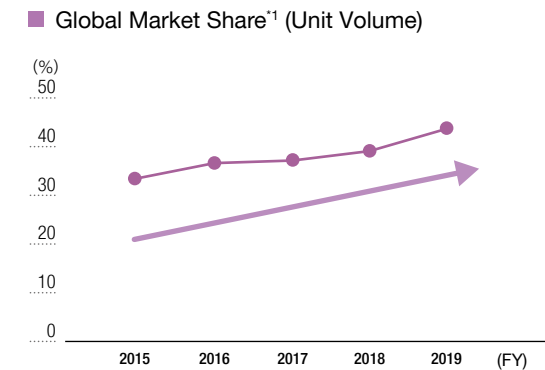
Yasunori Yoshino

Chief Operating Officer,
Visual Products
Operations Division

Projectors are being used for a wider range of applications, but the market is shrinking with the emergence of cheap flat panel displays. Meanwhile, the COVID-19 pandemic has resulted in lockdowns as well as event cancellations and postponements worldwide, compounding problems for high-brightness and corporate projectors in particular. We will continue to watch the business environment and the social changes that COVID-19 brings about, adapt our strategies accordingly, and swiftly implement measures to improve profitability. 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. Moving forward, we will concentrate our management resources on areas where we can capitalize on the unique value of projectors, focusing particularly on areas of visual communication in which large-sized videos, images, and other visual information can be leveraged with the greatest effect. We will also accelerate the development of products and services that reflect new social imperatives and customer needs, such as smart glasses-based remote business support solutions.

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.



* Source: Futuresource Consulting Ltd.

*1 Share among 500-lumen class projectors and higher

FY2019 Review	FY2020 Actions
<ul style="list-style-type: none"> • We launched new laser projectors in strategic segments, including the high-brightness space and OS-equipped home projector space. • Sales decreased year on year due to the COVID-19 pandemic and lower flat panel display prices. • Our global market share exceeded 40%, and we steadily increased our market presence. 	<ul style="list-style-type: none"> • Concentrate management resources on markets where we can capitalize on the unique value of projectors, and further increase our market presence with competitive products and services. • Drive actions to improve profitability to withstand changes in an uncertain market. • Adapt and execute strategies and actions in response to risks, opportunities, and changes in the social environment brought about by COVID-19.

Visual Innovation

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

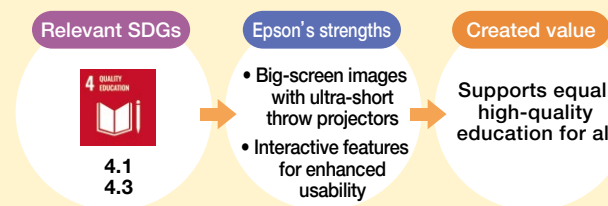
Offer features and services that customers need

Epson's smart glasses allow you to enjoy 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 will also provide new value in new places and raise our profile by providing applications that capitalize on the advantages of our see-through smart glasses. These applications will include things such as remote assistance solutions and subtitles for the hearing impaired. 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.



Contribution to SDGs

Projectors Supporting High-Quality Education



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 first² 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





Wearable Innovation

Wearable Innovation

Vision

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 shift as the world's population increases and as people in emerging regions become more affluent.

However, the FY2020 global watch sales and demand forecast is expected to trend sharply downward as a result of the COVID-19 pandemic, which has caused inbound tourism and personal consumption to plummet. Nevertheless, it is important for us to find ways to continue to steadily secure sales, control costs, and secure profitability.

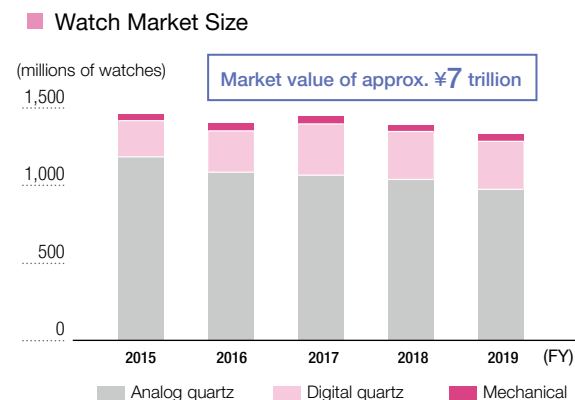
Each watch wearer is unique, and each see value differently, so growth in this market hinges on the ability to meet widely divergent tastes.

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 establish stable business infrastructure.

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

FY2019 Review

- High-end watch sales were firm year-on-year, but the market for medium-range and low-end watches shrank.
- Management resources were focused on priority areas and on improving production efficiency.
- Sales decreased due to the COVID-19 pandemic.

FY2020 Actions

- Analyze and accelerate the execution of strategies and actions based on risks and opportunities during and after the COVID-19 pandemic.
- Improve the profit structure by strengthening production & sales infrastructure and by reorganizing in preparation for a market contraction caused by COVID-19.
- Strengthen the Epson brand by introducing original new technology.

Wearable Innovation

Epson 25

Phase 2 Mid-Range Business Plan Policies

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

Epson is what the Swiss call a *manufacture*, a watchmaker that makes the parts required for its products in its own production facilities. In addition to mechanical, quartz, and Spring Drive movements, Epson crafts its own cases, dials, hands, and other external parts and capitalizes on the Epson Group's semiconductor, crystal oscillator, and ultra-precision processing technologies. We draw on a rich storehouse of technological assets to create original analog watches that others do not offer. We will strive to grow the Seiko business while also seeking to expand sales of Epson brands (Orient Star/Orient and Trume).

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

Analog watches with Swing Generator are a delight to wear and use

In addition to watches with built-in GPS time correction and sensors, we will enhance the line of eco-considerate analog watches equipped with Swing Generator, a self-winding power-generating and recharging mechanism that minimizes battery replacements. The Trume lineup offers watches for various uses, with satisfying designs and optimal functions.

Sensors provide functions wearers need

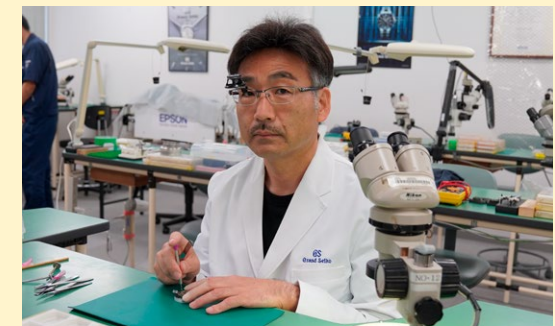


Contribution to SDGs

Preserving Our Ultra-Precision Processing Technology Traditions



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.



Ikujiyo Komatsu

Supervisor, Skill Reinforcement Team
WP Production Department
Wearable Products Operations Division



Robotics Innovation

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.



Keijiro Naito

Executive Officer
Chief Operating Officer,
Robotics Solutions Operations Division

As global manufacturing wages rise and as competition for workers intensifies, manufacturers urgently need to automate and increase manufacturing efficiency. This is leading to the expanded use of robots in manufacturing. The robot market is expected to continue to grow at a high rate because the impact of COVID-19 has made production stability more important than ever.

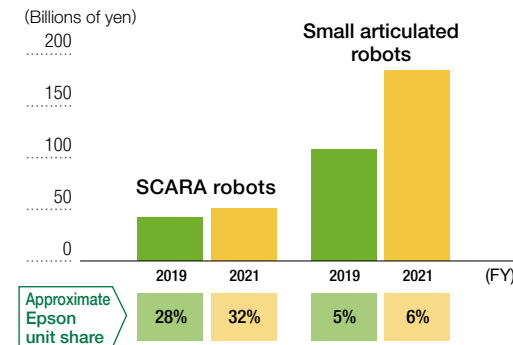
In addition to efficient, compact, and precision technologies, Epson has image processing, sensing, and a host of other technologies developed in its other businesses. Moreover, Epson can combine these with the automation expertise it has gained on its own production floors to provide compact, slim, lightweight, energy-efficient robotic solutions of unrivaled speed, accuracy, and usability. With sales companies and manufacturing sites around the world, we will quickly identify customer needs and rapidly respond to even the most exacting requirements.

We will continue to evolve these strengths from a customer perspective, contribute to the development of diverse industries, and build robotics into a core business.

Value Creation

- ▶ Solve the issues of manufacturing and skilled worker shortages by increasing automation and manufacturing efficiency with robots.
- ▶ Apply our robotics and sensing technologies to create high-speed robots with outstanding accuracy, thereby providing solutions that exceed customer expectations and increase their productivity.
- ▶ Mitigate environmental impacts with compact, slim, lightweight robots that are energy-efficient.

The Compact Precision Robot Market and Epson's Share Targets



* The 2021 forecast does not reflect the effects of the pandemic.
* Per Epson research

FY2019 Review

- We developed the robot market by recommending solutions that leverage new products and applications.
- Robot sales were soft compared to last year primarily due to U.S.-China trade friction and a weak investment appetite due to the COVID-19 pandemic.

FY2020 Actions

- Analyze and accelerate the execution of strategies and actions based on risks and opportunities during and after the pandemic.
- Accumulate application case studies by expanding internal use and respond to the automation requirements of customers.
- Examine open innovation and collaboration to further grow the business.

Robotics Innovation

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 are accelerating the growth of robotic solutions into a core business by capturing growth opportunities, building up our core technologies and business infrastructure, and further reinforcing and enhancing our ability to provide solutions.

Robots

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

To increase product competitiveness, Epson is surrounding its sensing and other technologies while also using AI and other technologies to further improve usability.

Automating manufacturing requires more than just installing robots. Production lines have to also 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 customers' 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.

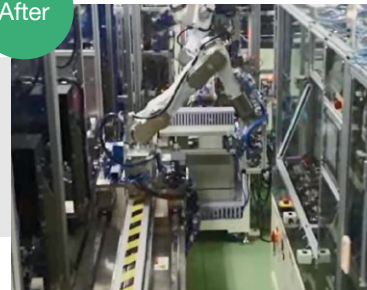


Automated printhead assembly

Before



After



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

Contribution to SDGs



Contributing to the Development of Diverse Industries



Epson's force sensors endow robots with the ability to "feel" extremely subtle forces. This ability allows them to assemble fit parts, plug in flexible flat cables (FFC), insert capacitors, and perform other tasks that demand high accuracy and 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. Looking ahead, we will contribute to the development of different industries by increasing the value of automation and manufacturing efficiency.

Before



Connecting an FFC

After





Microdevices Supporting the Four Areas of Innovation

Microdevices

Vision

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. Business and market conditions are challenging right now because of COVID-19, but there are factors that we expect to drive device demand higher, such as higher demand for network equipment as telework becomes standard practice and more active investment as companies seek to increase automation and manufacturing efficiency. We will continue to assess the effects of COVID-19 as we work toward the realization of our vision.

FY2019 Review

- Quartz business: Consumer and industrial crystal device sales were subdued chiefly due to U.S.-China trade friction, yet revenue increased year on year owing to strong mobile, network, and automotive demand.
- Semiconductor business: We enjoyed firm inside, outside, and foundry demand.

FY2020 Actions

- Analyze and accelerate the execution of strategies and actions based on risks and opportunities during and after the pandemic.
- Quartz business: Expand sales in new growth areas such as IoT, 5G, and ADAS and strengthen cost competitiveness in existing areas.
- Semiconductor business: Strengthen the business by increasing production efficiency and reducing total costs.

Microdevices

Epson 25

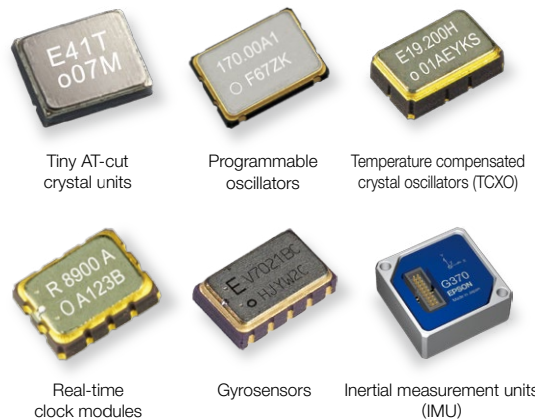
Phase 2 Mid-Range Business Plan Policies

- ▶ 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

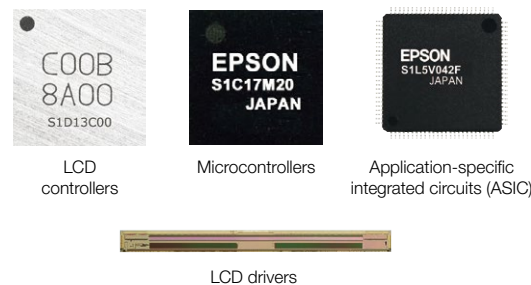
Miniaturized timing devices are in demand not only for use in smartphones and other mobile products but also in the burgeoning IoT market. We will continue to strengthen our lineup of small products to meet customer needs. The communications and networks businesses are likely to see growth from 5G, so we will continue to strengthen the competitiveness of our accurate, precise oscillators 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 autonomous driving.



Semiconductor Business

Contribute to value creation in the four areas of innovation

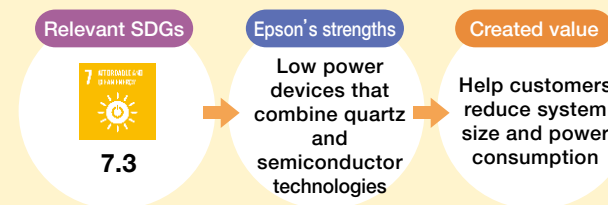
To help create value in the four areas of innovation, we will bolster development of ICs for internal use. The technology assets thus acquired will be used to efficiently develop products for external sale. The insights gained from external sales will be fed back into internal product designs, thus increasing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



Contribution to SDGs

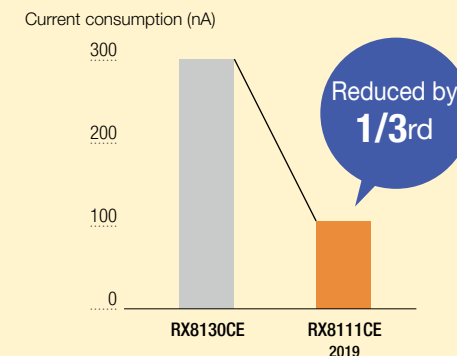


Contribute to Product Energy Efficiency with Low-Power Real-Time Clock Modules



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 eco-conscious finished products that operate for longer on smaller batteries.

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



Improve the Quality of Products and Services

Quality



Hideki Shimada

Managing Executive Officer
General Administrative Manager,
Production Planning Division

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.

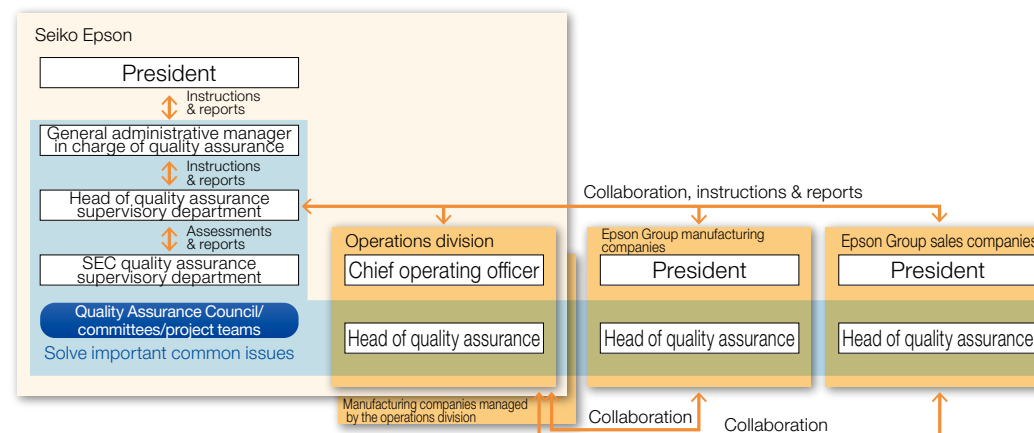
The COVID-19 pandemic forced us to produce some of our products at alternative production sites. Although they had no experience in handling them, they were able to meet Epson's quality standards.

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

Epson takes an integrated approach to quality management. Major quality issues are addressed through the Quality Assurance Council, corporate-level committees and project teams. These bodies manage quality assurance activities across the Group by reporting the results of periodic review of actions and the state of quality to the president and by formulating and implementing policies for further improvements.





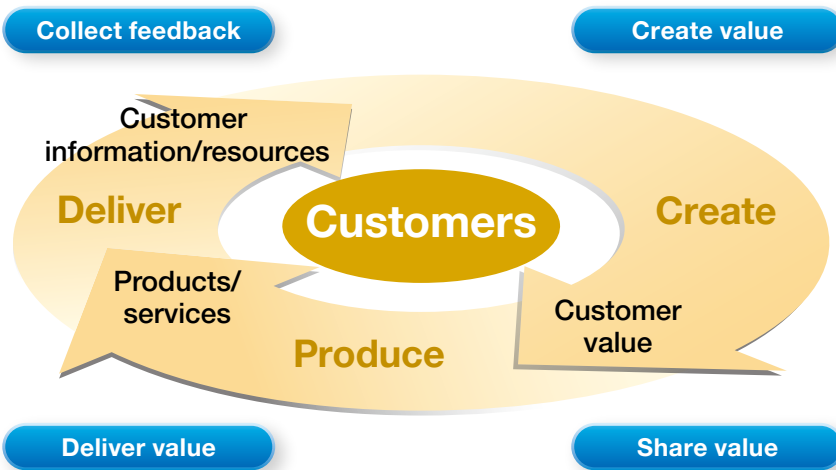
Improve the Quality of Products and Services

Mid-Range CS & Quality Action Policy

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)



Incorporating Customer Feedback into Product Design

Feedback from the market and the workplace is crucial for creating value for customers. When customers tell us about their experience with our products and services, we listen carefully and share the feedback with relevant departments to improve the customer satisfaction.

■ “We Need a Smaller Business Inkjet”

Printers equipped with high-capacity ink packs are popular with businesses because they are simple and cost-efficient—you do not need to replace the consumables as often as you do with ink cartridge printers or laser printers. However, they take up space because ink packs are equipped on the sides of the printer. For this reason, some customers were unable to replace their laser printer with an inkjet. To solve this issue, we developed a compact design in which the ink packs are equipped underneath the printer.

A4 color multifunction printer

Business inkjet printer



▶ Compact design

The ink packs were moved from the sides to the bottom of the printer, and a more powerful ink pump was used because of a decrease in ink draining pressure resulting from the relocation of the ink packs.

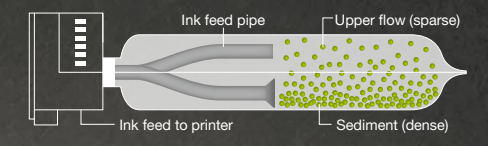
Relocating the ink pack space



▶ Ensuring consistent ink density

One problem with horizontal ink packs is that sedimentation of pigment particles occurs quicker because the packs have lower ceilings and larger floors. This problem unbalances the ink density, resulting in uneven print across the page. To prevent this problem, we created an upper and lower ink flow channels to mix together the low- and high-density ink. The upper and lower ink deplete at the same pace, ensuring that both channels always function and that the ink density is always consistent.

Cross-section of new, horizontal ink pack design



Strengthen Supply Chain Management

Supply Chain



Hideki Shimada

Managing Executive Officer
General Administrative Manager,
Production Planning Division

Epson seeks to build trusting relationships with our business partners around the world based on fairness, coexistence, transparency, and mutual prosperity. 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. To fulfill our social responsibility, we hold our suppliers to the same high standards of ethical conduct we uphold and make the following six action items our top priority. COVID-19 has exposed shortcomings in the effectiveness of business continuity plans in our supply chain. We will address these issues with medium- to long-term corrective actions.

Supply Chain Strategy

- 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)

Procurement Guidelines/Epson Supplier Code of Conduct

In addition to the basic transaction concerns of quality, cost, and delivery, CSR at Epson addresses those things that the international community looks for, such as international trade control and ensuring security in the supply chain. Epson also established CSR requirements for such areas as labor, health and safety, environment, and ethics based on the RBA Code of Conduct. Both Epson and its suppliers carry out our businesses while meeting the requirements.

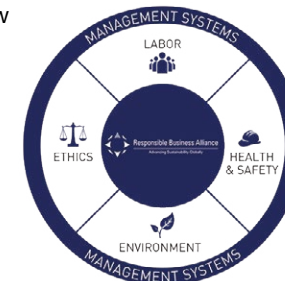
RBA Code of Conduct Overview

A Labor (Human Rights)

- Freely Chosen Employment
- Young Workers
- Working Hours
- Wages and Benefits
- Humane Treatment
- Non-Discrimination
- Freedom of Association

D Ethics

- Business Integrity
- No Improper Advantage
- Disclosure of Information
- Intellectual Property
- Fair Business, Advertising and Competition
- Protection of Identity and Non-Retaliation
- Responsible Sourcing of Minerals
- Privacy



B Health & Safety

- Occupational Safety
- Emergency Preparedness
- Occupational Injury and Illness
- Industrial Hygiene
- Physically Demanding Work
- Machine Safeguarding
- Sanitation, Food, and Housing
- Health and Safety Communication

C Environment

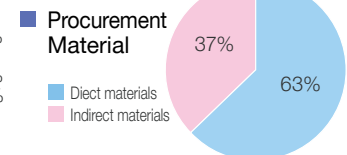
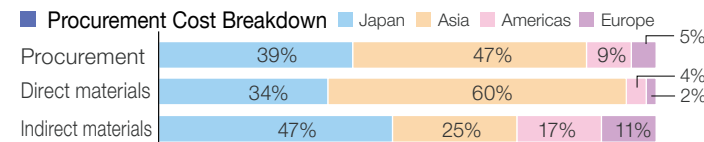
- Environmental Permits and Reporting
- Pollution Prevention and Resource Reduction
- Hazardous Substances
- Solid Waste
- Air Emissions
- Materials Restrictions
- Water Management
- Energy Consumption and Greenhouse Gas Emissions

E Management System

- Company Commitment
- Management Accountability and Responsibility
- Legal and Customer Requirements
- Risk Assessment and Risk Management
- Improvement Objectives
- Training
- Communication
- Worker Feedback, Participation and Grievance
- Audits and Assessments
- Corrective Action Process
- Documentation and Records
- Supplier Responsibility

Supply-Chain Breakdown

Epson procures 39% of its goods and services from Japanese suppliers, and 61% from overseas suppliers, in monetary terms. Direct materials (e.g., raw materials, parts, and processing services) account for 63% of the goods and services we procure. The remaining 37% are indirect materials (e.g., consumables for production sites, machinery, advertising, logistics, outsourcing, and staffing services).



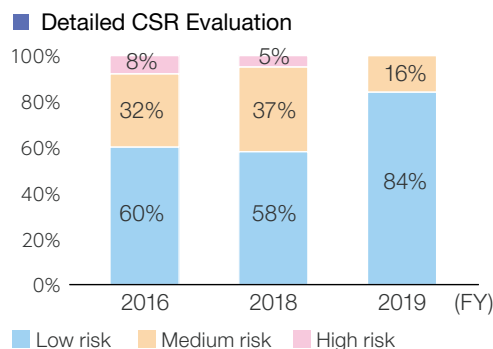


Strengthen Supply Chain Management

Monitoring Suppliers' Performance

We monitor the performance of our suppliers in two ways. First, we analyze data provided by credit reference agencies. Second, we ask suppliers to complete four kinds of self-assessment surveys: (1) a periodic survey that evaluates quality, cost, delivery, environment, and management; (2) a CSR survey that evaluates the supplier's compliance with the Epson Supplier Code of Conduct (the RBA Code of Conduct); (3) a survey that evaluates the supplier's capacity to deal with emergencies; (4) a survey that evaluates the supplier's risk management efforts.

The Epson Group Procurement Guidelines require tier 1 suppliers to comply with the Epson Supplier Code of Conduct. The CSR survey, which consists of a self-assessment questionnaire, is used to monitor the state of compliance. If the results raise any issues, we visit and inspect the supplier and support their efforts to address the issues. In FY2019, we surveyed 222 direct materials suppliers (391 sites) and 79 service vendors. None of the direct materials suppliers (who were the primary focus) were rated high risk in the overall assessment or in the labor section.



Responsible Mineral Sourcing

We recognize the risks associated with cobalt and the 3TGs (the minerals for tin, tantalum, tungsten, as well as gold ore) mined in conflict-affected or high-risk areas such as the Democratic Republic of Congo (DRC) and adjoining countries. Revenue from these minerals often ends up financing armed rebel groups or other militants. For this reason, sourcing such minerals would potentially encourage conflict, human rights abuses, and environmental destruction. Such actions are unacceptable and run counter to our core values. As a member of the Responsible Minerals Initiative, we ask our suppliers to ensure conflict-free sourcing and to cooperate in surveys.

In FY2019, we found that 78% of our 3TGs were sourced from conflict-free smelters. We aim for 100%.

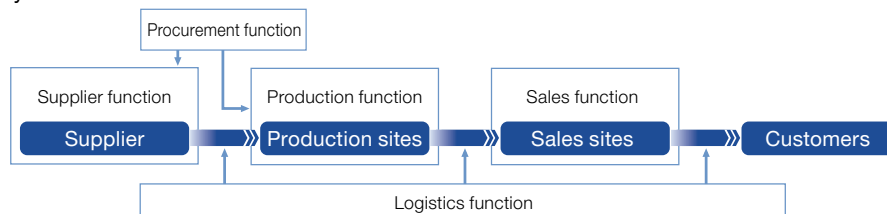
3TG Survey Results

KPI	FY2017	FY2018	FY2019					
			Total	Tin	Tantalum	Tungsten	Gold	
Number of identified smelters	-	312	314	344	93	45	47	159
Number of CFS	-	249	256	268	78	40	43	107
Rate of CFS	100% <small>(by March, 2021)</small>	80%	82%	78%	84%	89%	91%	67%

Supply Chain Continuity

If an incident disrupts business operations at any of our production sites, we will first act to safeguard the workers. We will then work to preserve business continuity to avoid inconveniencing our customers. To improve resilience to such incidents across the supply chain, we have created Supply Chain BCM Guidelines. The guidelines provide measures for improving resilience in terms of suppliers, procurement, production, logistics, and sales.

Supply Chain BCM



To monitor supplier resilience, we conduct two self-assessment surveys. The first survey evaluates the supplier's ability to maintain or resume supply following an incident. The second evaluates its efforts in managing safety (e.g., electrical safety, handling of hazardous materials). We will then provide feedback and help the supplier address any issues.

Reference: on P. 11

Evaluation of Resilience in Emergency

Unit: Number of companies

	FY2017	FY2018	FY2019
Target	319	250	1,336
Result	490 154%*1	228 91%	945 71%*2

Evaluation of Safety Management

Unit: Number of companies

	FY2017	FY2018	FY2019
Target	1,353	481	1,384
Result	1,906 141%*1	449 93%	1,025 74%*2

*1 In the FY2017 survey, the sample included tier 2+ suppliers as well as tier 1 suppliers.

*2 For the FY2019 survey, we distributed the questionnaire to all suppliers of goods/services directly-related to the product. The response rate was low due to COVID-19.

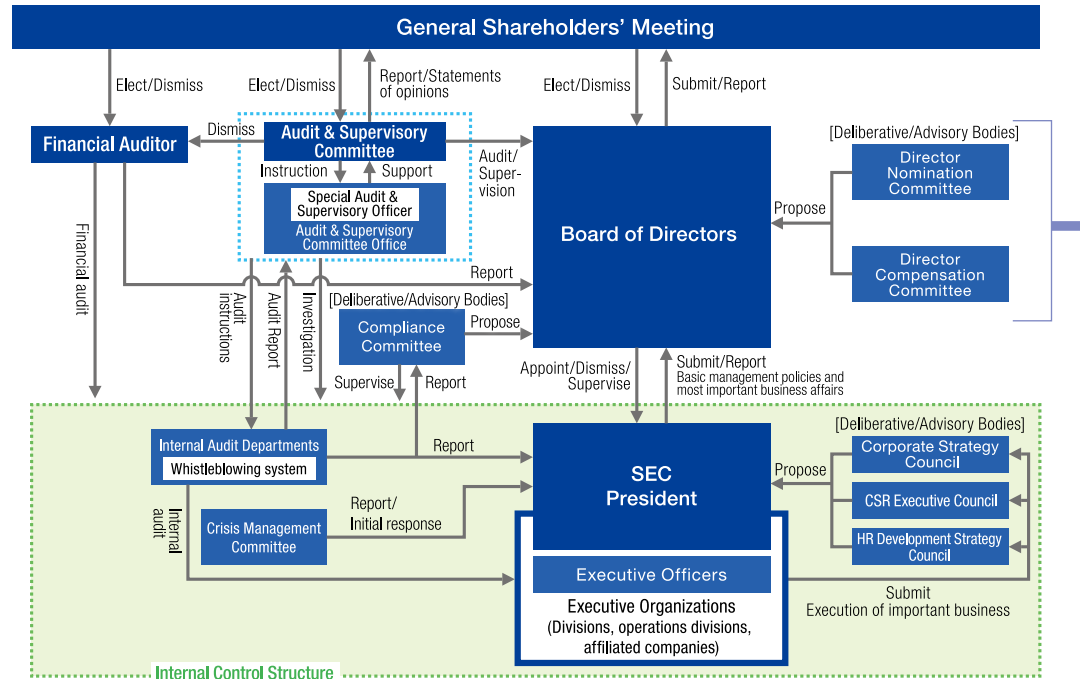


Strengthen Governance

Governance



Corporate Governance System



Basic Approach

To achieve our goals, promote sustainable growth, and increase long-term corporate value, Seiko Epson Corporation (SEC) 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.

Advisory Body Activities

Director Nomination Committee: Met 4 times (4/2019-6/2020)	Director Compensation Committee: Met 5 times (4/2019-6/2020)
<ul style="list-style-type: none"> • Screens director and executive officer candidates 	<ul style="list-style-type: none"> • Deliberates director and executive officer compensation
<p>President and Representative Director</p> <p>Director in charge of human resources</p>	<p>President and Representative Director</p> <p>Director in charge of human resources</p>
<p>Topics of discussion</p> <ul style="list-style-type: none"> • Selection of president/representative director successor in 4/2020 (interviews of candidates by outside directors) • Officer (director, executive officer, special audit & supervisory officer) selection policies, proposed candidates, and succession plans • Bylaws regarding the chairman of the board • Areas where there are particular expectations for directors 	<p>Topics of discussion</p> <ul style="list-style-type: none"> • Director base compensation, individual bonuses, the extension of the performance-linked stock compensation plan, the performance-based coefficient, etc.

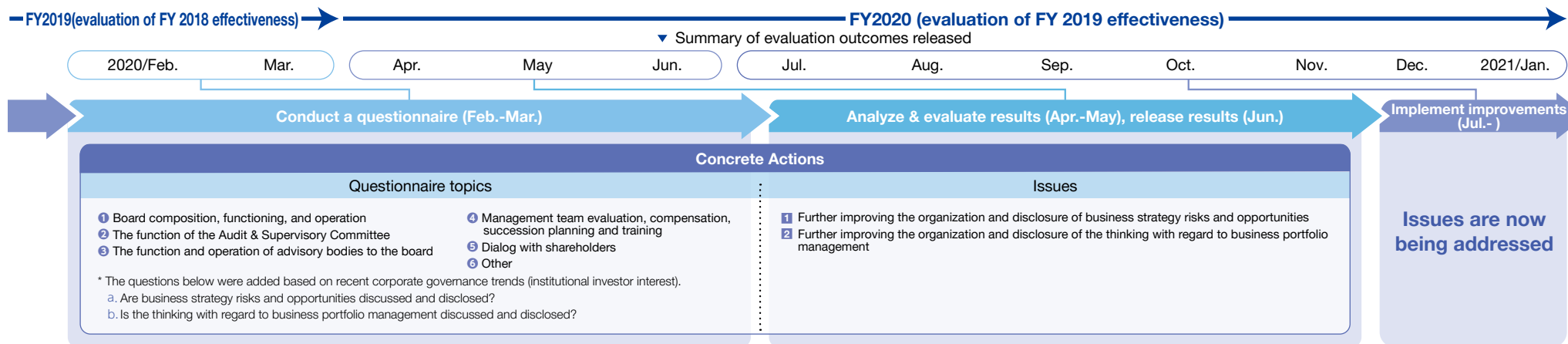
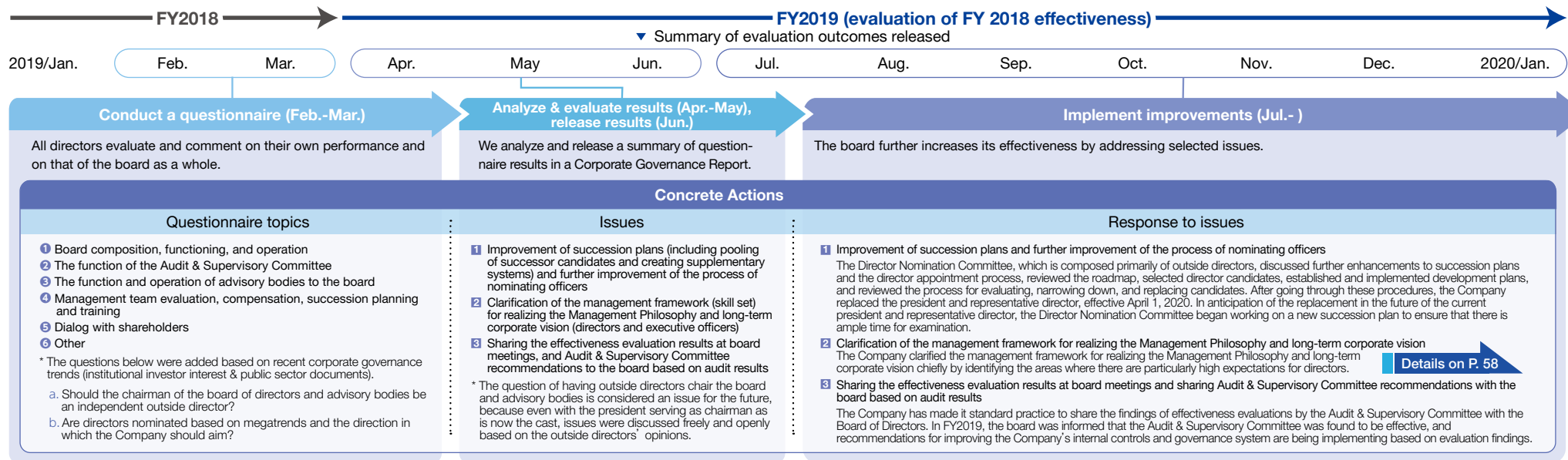


Strengthen Governance

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



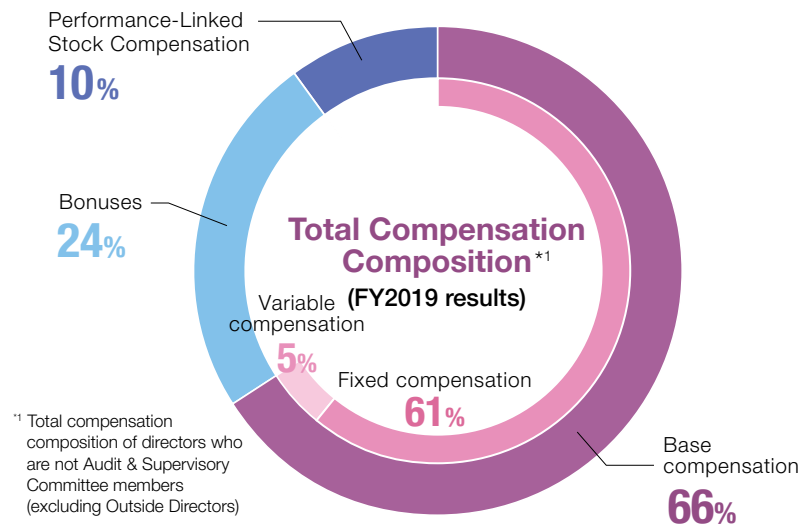
Strengthen Governance

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 FY2019



Base compensation (fixed and variable)

Base compensation is paid monthly. The amount is determined based on factors such as the officer's responsibilities and position. The variable portion of base compensation for officers with executive duties reflects the results of annual performance evaluations based on criteria set for each role. (Variable range: ±20%)

Bonuses (variable)

Bonuses are paid annually to officers with executive duties. The amount is determined in accordance with the achievement level of the annual operating performance targets. If a certain level of business profit is not attained, bonuses may not be paid at all. Bonuses reflect the results of annual performance evaluations based on criteria set for each role. (Variable range of months for bonuses: ±1.2 months)

Performance-Linked Stock Compensation (variable)

Stock-based compensation system for officers with executive duties wherein Company's shares are delivered using a trust scheme. Stock is awarded in accordance with the level of achievement level with respect to medium-term operating performance targets such as business profit, return on sales, and return on equity. (Variable range: ±20%)

■ FY2019 Compensation

(Millions of yen)

Category	Persons	Fixed compensation	Variable compensation			Total
			Base compensation	Bonuses	Stock compensation	
Total directors who are not Audit & Supervisory Committee members (outside directors)	8 (2)	250 (28)	17 (-)	85 (-)	37 (-)	389 (28)
Total directors who are Audit & Supervisory Committee members (outside directors)	4 (3)	81 (48)				81 (48)
Total	12	331	17	85	37	471

* 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 the monetary compensation that reflects the results of annual performance evaluations based on criteria set according to their respective roles.

* The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares. The Company has established the criteria for shareholding by its officers based on internal regulations defined by the Board of Directors to demonstrate its commitment to and responsibilities for the management to all shareholders.

* Upon the resolution at the Ordinary General Meeting of Shareholders of 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 (including 10 million yen per month for Outside Directors) and at 20 million yen for Directors who are Audit & Supervisory Committee Members.

* The amount above includes bonuses to be paid to Directors in the amount of 85 million yen (amount to be paid to six Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee Members), subject to the approval of the proposal concerning the payment of bonus to Directors to be proposed at the General Meeting of Shareholders scheduled on June 25, 2020.

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

* Stock options are not granted.



Strengthen Governance

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.

The performance-based coefficient from FY2016 through FY2018 was 0.90.

■ 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 (FY2019-21)

Quantitative evaluation				Qualitative evaluation ^{*2}	Performance-based coefficient
At end of FY2021		Average over the three years from FY2019 to FY2021	Cumulative over the three years from FY2019 to FY2021	At end of FY2021	
Business profit	ROS	ROE	Operating CF		
¥116 billion or more	10% or more	12% or more	¥390 billion or more	Far above expectations	1.20x
¥106 billion or more	9% or more	11% or more	¥380 billion or more	Above expectations	1.10x
¥96 billion or more	8% or more	10% or more	¥370 billion or more	Met expectations	1.00x
¥86 billion or more	7% or more	9% or more	¥360 billion or more	Below expectations	0.90x
Less than ¥86 billion	Less than 7%	Less than 9%	Less than ¥360 billion	Far below expectations	0.80x

^{*2} Qualitative evaluation items and method

The Director Compensation Committee qualitatively evaluates performance on the basis of things such as strategic progress toward achieving the financial targets in the Epson 25 Phase 3 Mid-Range Business Plan, the effects of currency volatility, the state of progress on ESG management (e.g., environmental assessments, CSR research rankings, Board of Directors effectiveness evaluations), and other evaluation items.

Changes since FY2016-18

- The variable range of the performance-based coefficient was expanded from 0.90x - 1.10x to 0.80x-1.20x.
- Progress on ESG management was added to the qualitative evaluation.
- Target values for the Epson 25 Phase 2 Mid-Range Business Plan were incorporated.



Strengthen Governance

Message from the CCO



Tatsuaki Seki

Director, Managing Executive Officer
Chief Compliance Officer (CCO)

Ensuring Compliance in a Spirit of Fair Play

Epson aims to be an indispensable company. This means we must take compliance seriously. We need to do more than just comply with laws, regulations, and codes; we also need to meet the expectations of the broader society. Fair play must be the cornerstone of our efforts to elevate Epson brand value and to safeguard our company and employees. We have repeatedly said that there can be no profit without compliance.

Epson has put in place systems to ensure effective compliance globally. First, we have appointed regional chief compliance officers (R-CCOs). This organization gives us a grip on global activities, even though the language, culture, customs, practices, and ways of thinking differ from region to region. The R-CCOs, most of whom are the presidents of Epson's regional head offices, meet twice a year to discuss compliance issues and countermeasures. Second, Epson has created a Global Compliance Program that articulates a vision of compliance management and specifies the actions needed to achieve it. We have introduced the program at Epson Group companies around the world, and we continuously monitor the situation and take corrective action as needed.

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

Strengthen Governance

Compliance

Basic Approach

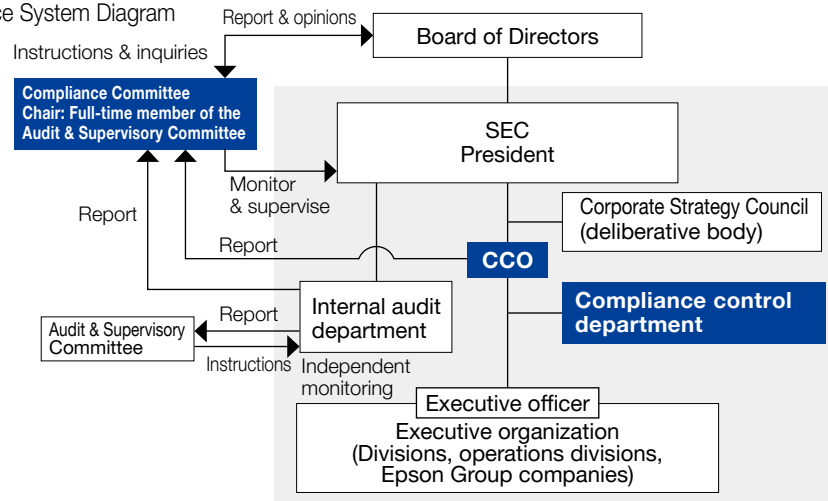
Epson's goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the company's Management Philosophy. To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness by effectively managing compliance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

Compliance Organization

In June 2016, shareholders approved the transition of Seiko Epson Corporation (SEC) 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. The compliance organization is stipulated in the Epson Group Compliance Basic Regulation.

Compliance System Diagram



Promote 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.

Every October is Compliance Month at Epson. During this period each year, we run events for the entire Group, including subsidiaries outside Japan, to raise compliance awareness based on our Management Philosophy and Principles of Corporate Behavior. This is to help each employee recall the importance of compliance to the realization of the Management Philosophy. Specific activities include: 1) the release of Compliance Messages by the Chief Compliance Officer and the heads of each business unit and subsidiary, 2) the publishing of feature stories on compliance in the company newsletter, 3) initiatives to spread information about the Epson Group Global Code of Conduct, and 4) giving compliance training. These and other activities are meant to raise compliance awareness.

When the month is over, we conduct a survey about these initiatives. We total and analyze survey responses as to participants' opinions and suggestions on each company's or organization's efforts and initiatives. This helps us check employees' compliance awareness and collect feedback for the next year's activities.

Reporting Systems

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

Whistleblowing systems in Japan: A list of advisory services

- 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

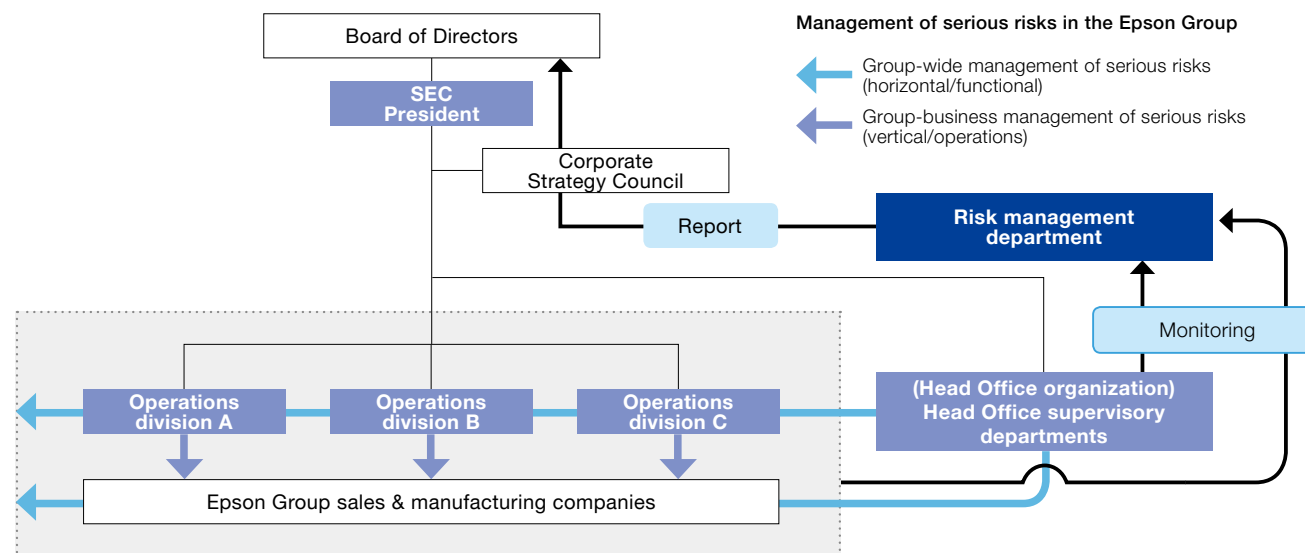
Strengthen Governance

Risk Management

Epson's Risk Management Organization

The president of Seiko Epson Corporation (SEC) assumes overall responsibility for risk management in the Epson Group, including subsidiaries. Group-wide risk management is carried out by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are managed by the chief operating officer of that business, including at subsidiaries consolidated under them. The Seiko Epson risk management department monitors overall risk management in the Epson Group, makes corrections and adjustments thereto, and ensures the effectiveness of risk management programs. The risk management organization is stipulated in the Epson Group Risk Management Basic Regulation.

■ Risk Management Organization Chart

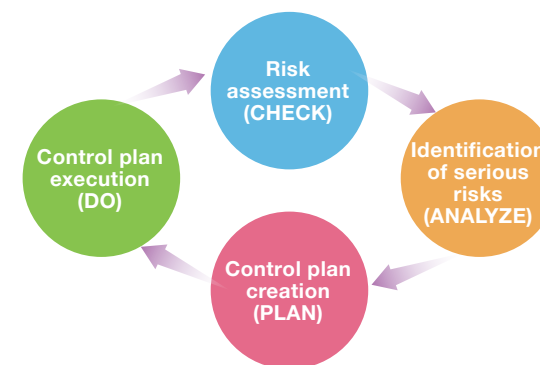


We identify risks that could have significant adverse effects on Group management as priority Group risks and risks that could have serious adverse effects on business operations as priority business risks. We draft and execute control plans for these priority risks, and monitor the progress. The effectiveness of the control activities are evaluated quarterly for the priority Group risks and half-yearly for the priority business risks. We make necessary modifications to the control plans based on the evaluation results to ensure that the effectiveness is maintained. The president of Seiko Epson periodically reports important risk management matters to the board of directors.

Crisis Management

Epson has a standing Crisis Management Committee. The committee is chaired by the president. The general administrative manager in charge of risk management serves as vice-chair. The rest of the committee is made up of the general 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.

■ Risk Management Cycle





Strengthen Governance | Risk Management

■ List of Main Risks

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

Epson's Annual Report 2020
<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"> ● A supplier parts shortage or quality problem with supplier parts could interfere with Epson's manufacturing and selling activities. 	<ul style="list-style-type: none"> ● Procure parts and materials from multiple suppliers whenever possible. ● Work with suppliers to maintain or improve quality and reduce costs to ensure stable and efficient procurement.
Intellectual property rights risks	<ul style="list-style-type: none"> ● An objection might be raised to, or an application to invalidate might be filed with respect to, an intellectual property right of Epson, and as a result, that right might be recognized as invalid. ● A third party to whom we originally had not granted a license could come to possess a license as a result of a merger with or acquisition by another party, potentially causing us to lose the competitive advantage conferred by that intellectual property. ● New restrictions could be imposed on an Epson business as a result of a buyout or a merger with a third party, and we could be forced to spend money to find a solution to those restrictions. 	<ul style="list-style-type: none"> ● Independently develop technologies we need; acquire patent, trademark, and other IP rights for them; and license the rights for products and technologies. ● Strengthen our intellectual property portfolio by placing personnel in key positions to manage our IP.
Environmental risks	<ul style="list-style-type: none"> ● An environmental problem could arise that would require us to pay damages and/or fines, bear costs for cleanup, or halt production. ● New regulations could be enacted that would require major expenditures. 	<ul style="list-style-type: none"> ● 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.
Hiring and personnel retention risks	<ul style="list-style-type: none"> ● We may be unable to hire and retain talented personnel to develop advanced new technologies and manufacture advanced new products. 	<ul style="list-style-type: none"> ● Secure talent by providing role-based compensation and actively promoting good people internationally.
Risks from natural or other disasters	<ul style="list-style-type: none"> ● 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. ● Significant changes in the business environment brought about by the social changes and behavior modification that COVID-19 brings 	<ul style="list-style-type: none"> ● Conduct disaster drills, prepare earthquake disaster management and response plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible. ● Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.) ● Accelerate actions that enable us to seize business opportunities by solving anticipated societal issues
Legal, regulatory, licensing and similar risks	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ● Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns. ● Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.



Strengthen Governance

Director Profile (Current as of October 1, 2020)

**Minoru Usui**

Chairman and Director

**Yasunori Ogawa**

President and Representative Director

**Koichi Kubota**Representative Director, Senior Managing Executive Officer
Chief Operating Officer, Printing Solutions Operations Division**Tatsuaki Seki**Director, Managing Executive Officer, Chief Financial Officer
Chief Compliance Officer, Chief Corporate Communications Officer
General Administrative Manager, Corporate Strategy and Management Control Division
General Administrative Manager, Sustainability Promotion Office**Masayuki Kawana**Director, Executive Officer
General Administrative Manager, Human Resources
Division/Health Management Office
Chairman, Epson Sales Japan Corporation**Toshiya Takahata**Director, Executive Officer
General Administrative Manager, DX Division**Hideaki Omiya**

Outside Director

Outside Independent Director

**Mari Matsunaga**

Outside Director

Outside Independent Director

**Taro Shigemoto**Director,
Full-Time Audit & Supervisory Committee Member**Yoshio Shirai**Outside Director,
Audit & Supervisory Committee Member

Outside Independent Director

**Susumu Murakoshi**Outside Director,
Audit & Supervisory Committee Member

Outside Independent Director

**Michiko Ohtsuka**Outside Director,
Audit & Supervisory Committee Member

Outside Independent Director



Strengthen Governance

Matrix of Areas of Expertise Particularly Expected for Directors

Epson clarifies a management system toward achieving the Management Philosophy and Corporate Vision by utilizing a matrix as below.

Name	Title	Areas of expertise particularly expected by the Company							Diversity
		Corporate management	Collaboration Open innovation	IT Digital	Finance Accounting	HR Personnel development	Legal affairs Compliance	Global (Internationality)	Gender
Minoru Usui	Chairman and Director	✓	✓	✓	✓	✓	✓	✓	Male
Yasunori Ogawa	President and Representative Director	✓	✓	✓	✓	✓	✓	✓	Male
Koichi Kubota	Representative Director, Senior Managing Executive Officer	✓	✓				✓	✓	Male
Tatsuaki Seki	Director, Managing Executive Officer	✓		✓	✓		✓	✓	Male
Masayuki Kawana	Director, Executive Officer	✓				✓	✓	✓	Male
Toshiya Takahata	Director, Executive Officer	✓	✓	✓			✓	✓	Male
Hideaki Omiya	Outside Director	✓	✓	✓	✓	✓	✓	✓	Male
Mari Matsunaga	Outside Director	✓	✓	✓		✓	✓	✓	Female
Taro Shigemoto	Director, Full-Time Audit & Supervisory Committee Member	✓			✓		✓	✓	Male
Yoshio Shirai	Outside Director, Audit & Supervisory Committee Member	✓	✓		✓	✓	✓	✓	Male
Susumu Murakoshi	Outside Director, Audit & Supervisory Committee Member	✓			✓	✓	✓	✓	Male
Michiko Ohtsuka	Outside Director, Audit & Supervisory Committee Member	✓	✓		✓	✓	✓	✓	Female



Achieve Sustainability in a Circular Economy *Environment*



Hideki Shimada

Managing Executive Officer
General Administrative Manager,
Production Planning Division

Climate change and global warming are greatly impacting society and Epson sees them as a serious issues. 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 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 addition to acting to reduce our GHG emissions and achieve our science-based targets (SBTs), we announced our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, in 2020, we evaluated the business impact and financial impact of climate-related risks and opportunities on our strategy. These efforts have begun to bear fruit in the form of financing for projects with environmental benefits through the issuance of green bonds and the conclusion of a committed line of credit agreement. 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.

How Epson is Working for a Sustainable Society

Epson was founded in 1942 in Suwa, a city nestled in the rich natural environment of Nagano Prefecture. 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. Epson has always maintained ambitious environmental goals. Environmental Vision 2050 describes our vision of the future and, as stated in Epson's Management Philosophy, we aim to be an indispensable company that is committed to openness, customer satisfaction and sustainability. Environmental Vision 2050 is aligned with the SDGs. We will continue to honestly address customer and societal challenges and will create unique environmental value through our business activities to help achieve the SDGs and a sustainable future.

Environmental Vision 2050

Epson's vision is to become an indispensable company that uses its efficient, compact and precision technologies to achieve sustainability in a circular economy.

- Actions**
- Reduce the environmental impacts of our manufacturing processes, products and services.
 - Advance the frontiers of industry and establish recycling systems through open and unique innovation.
 - Contribute to international environmental initiatives.

column "Omiwatari" Ice Pressure Ridge



Photo provided by Suwa City

A mystical, natural ice pressure ridge forms on Lake Suwa when the temperature stays below about minus 10°C for several consecutive days, causing the thickness of the ice to increase. The ice repeatedly expands and contracts as the temperature swings between day and night, pushing a ridge of ice several dozen centimeters upwards over a stretch of several kilometers. The pressure ridge is called *omiwatari*, a path left by a god crossing the lake according to regional folklore. Records of *omiwatari* dating back to 1443 show that the frequency of these ice ridges is decreasing as the average temperature of the Earth rises, serving as a concerning sign about the effects of global warming. Lake Suwa and the local environment were the original reasons for the commitment to sustainability enshrined in Epson's Management Philosophy. We will accelerate our efforts to tackle climate change together with the local community as they look forward to the *omiwatari* and Epson, whose Head Office is near the shore of Lake Suwa, aspires to contribute to the betterment of society.

Achieve Sustainability in a Circular Economy

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.

Epson 25 Corporate Vision Environmental Statement

Contribute to the development of a sustainable society by leveraging efficient, compact and precision technologies to reduce the environmental impact of products and services across their life cycles.

Environmental Vision 2050



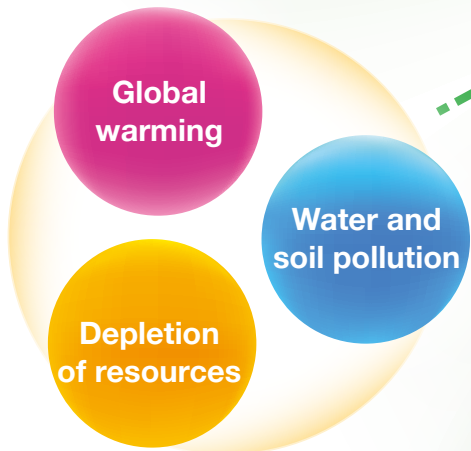
Established Environmental Vision 2050

Second Environmental Benchmark Year
Established General Environmental Action Plan

Environmental Benchmark Year
CFC-Free Declaration

Established Group Environmental Policy

Global Environmental Concern



2008

2018

2025

2030

FY2025 GHG reduction target (vs. FY2017)

Scopes 1 & 2	19% reduction (total)
Scope 3 ¹	44% reduction (emissions intensity relative to business profit)

¹ Category 1 & 11

Revised Environmental Vision 2050

Societal demand

Climate change

- Paris Agreement
- Renewable energy
- Decarbonization

Resources & waste

- Water resources
- Circular economy
- Marine plastics

Corporate value

- ESG investing
- Value chain
- TCFD

SDGs



Epson's SDGs from an environmental perspective

Achieve Sustainability in a Circular Economy


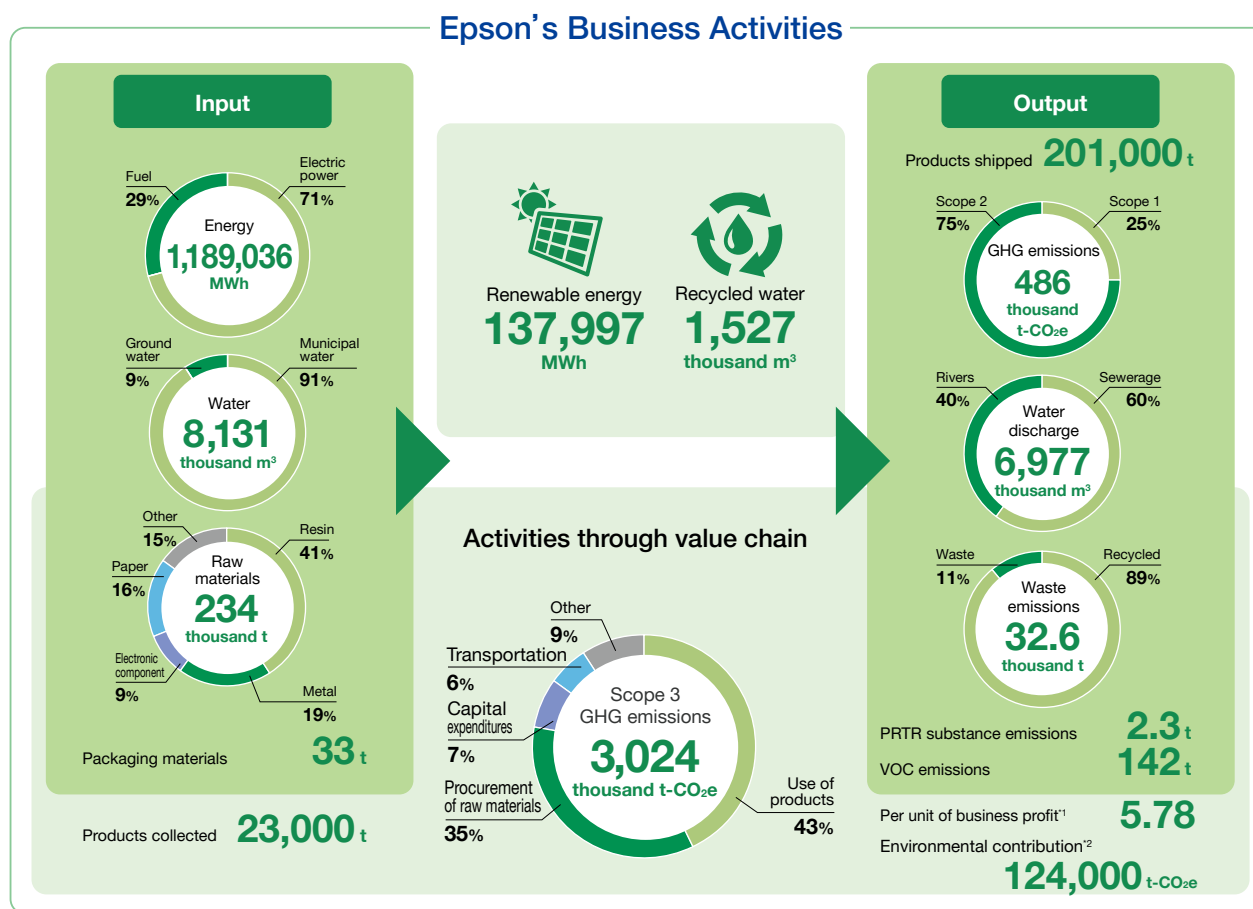
Reducing the Environmental Impact of Business Activities

Material Balance (FY2019)

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. In FY2019 we reached our target as a result of various reduction actions. 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.

Third-Party Verification Report

We had the Japan Quality Assurance Organization (JQA) conduct a third-party verification of our calculations of GHG emissions and report of water-related data to ensure their reliability. Our FY2019 GHG emissions (scopes 1, 2, and 3) and energy and water use data were verified as having been measured and calculated accurately, and a GHG verification report was obtained (for scope 3 categories 1 and 11).

Achievements

- ▶ **Scopes 1 & 2 GHG emissions**
-18% : Target: -19% by FY2025
 : Target value: 479 thousand t-CO₂e
- ▶ **Water usage**
-2.6% : Target: previous year or less
 : Target value: 8,351 thousand m³
- ▶ **Waste emissions**
-2.0% : Target: previous year or less
 : Target value: 33.3 thousand t
- ▶ **PRTR substance emissions**
-29% : Target: previous year or less
 : Target value: 3.3 t
- ▶ **VOC emissions**
-15% : Target: previous year or less
 : Target value: 168 t
- ▶ **Scope 3 GHG emissions (Per unit of business profit)**
Increased³ : Target: -44% by FY2025
 : Target value: 1.90 thousand t-CO₂e/100 million yen

¹ Calculated as the ratio of scope 3 (Categories 1 and 11) GHG emissions to business profit (Unit: thousand t-CO₂e/100 million yen)

² Estimate of GHG emissions avoided by third parties: The emissions avoided by (1) replacing laser printers with Epson inkjet printers, (2) replacing flat panel display with Epson laser light source projectors are calculated based on electricity use (flow base approach). This is different from the actual reduction amount.

³ Due to a significant decrease in business profit.

Achieve Sustainability in a Circular Economy

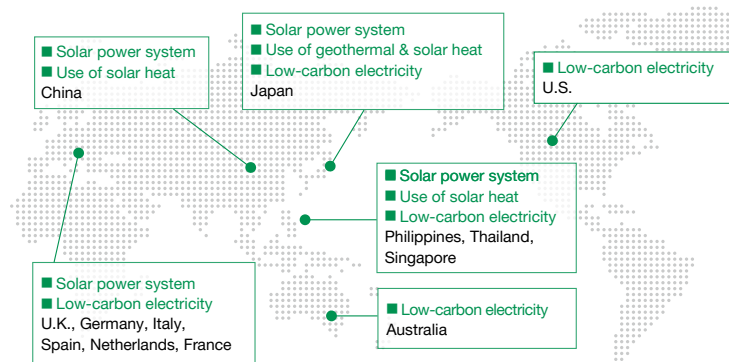
Promoting the Use of Renewable Energy

Epson has an SBTi-validated target of reducing scope 1 and 2 GHG emissions by 19% by 2025. In FY2019, we achieved an 18% reduction in GHG emissions versus the FY2017 base year through site energy-saving initiatives. A reduction of 62,000 tonnes, representing 60% of the total, was realized in part by signing long-term contracts to purchase low-carbon electricity from hydroelectric power generators mainly in Japan. We have raised the rate of renewable energy use to 12% (and 16% on an electricity basis).

All of the electricity used outside Japan by our production sites in the U.K. and the U.S. (Portland) and by the head office buildings of our sales companies in Europe (Germany, Italy, Spain, the Netherlands, and France) is from renewable sources. In addition, preparations are under way to launch operations at a new factory in Thailand that is equipped with a 1,390 kW array of solar panels.

Epson will continue to reduce its GHG emissions by using the best energy available in each region and by introducing innovations in production and elsewhere.

■ Use of Renewable Energy Globally



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

Effective Uses of Resources: Pallet Reuse

In the U.K., ink cartridge manufacturer Epson Telford Ltd. (ETL) has been reusing transport pallets to reduce its waste and eliminate associated disposal costs.

ETL used to dispose of wood pallets that arrived from suppliers because ETL couldn't reuse them in its factory, but it amended its agreement with suppliers to have them take back the pallets. Now, pallets that are in good condition are sold and damaged pallets are repaired and reused in the market. On the other hand, there was no recycling outlet in the U.K. for the pressed wood pallets (made from recycled wood materials) used for overseas shipments. So, ETL arranged with the Singapore distribution center for the return and reuse of these pallets, thus avoiding and reducing the cost of having to purchase new pallets at the distribution center.

Type	Disposal method prior to reuse	Resource savings (annual)	Savings (annual)
Wood pallets	Recycled	64 tonnes	¥1,270,000
Pressed wood pallets	Incinerated	16 tonnes	¥380,000

column

Use of CO₂-Free Electricity Produced in Nagano

Reducing CO₂ emissions by using locally produced hydroelectric power

Epson began procuring CO₂-free electricity from Chubu Electric Power Miraiz Company, Inc. in April 2020. This electricity, which is produced in Nagano Prefecture using Nagano Prefectural hydroelectric power, is used at three Epson sites in Nagano (the Head office, Hirooka, and Shiojiri). Shinshu Green Electricity, which is produced at hydroelectric power stations operated by the Nagano Prefectural Government Public Enterprise Bureau, accounts for 60% of the 100 GWh of low-carbon electricity derived from hydroelectric power stations used annually at these three sites. Epson uses this renewable electricity produced using carbon-free local resources in the development and production of products such as PrecisionCore print chips and watches.

Thoughts on the Expanded Use of Local Renewable Energy



Toru Kobayashi

Nagano Prefectural Government Public Enterprise Administrator

Nagano Prefecture declared a climate emergency in December 2019 and launched a project to expand the use of local renewable energy the following April, with the aim of becoming carbon-free. Hydroelectric power is said to have the lowest CO₂ emissions. The Public Enterprise Bureau, which is involved in this project, is working toward the construction of a new hydroelectric power plant to utilize the abundant water resources of Nagano Prefecture. Epson's procurement of hydroelectricity from the Public Enterprise Bureau through the Shinshu Green Electricity Project is a pioneering effort toward the expanded use of local renewable energy, and an effort that I hope others will emulate both inside and outside the prefecture.



Respect Human Rights and Promote Diversity

Social



Masayuki Kawana

Director, Executive Officer
General Administrative Manager,
Human Resources Division/
Health Management Office

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. We responded to the spread of COVID-19 in 2020 by imposing strict measures to ensure a safe work environment. We have continued to do everything in our power to guarantee the safety, health, and livelihood of our most precious resource, our employees, as well as their families.

Human Resources Development

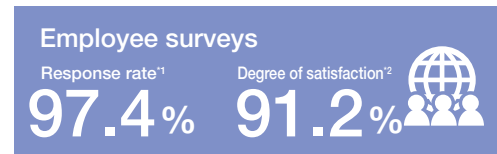
Group Human Resources Development Policy

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.

Go to website for details
https://global.epson.com/company/epson_way/principle/human_policy.html

Employee Surveys

Epson has been conducting an employee survey annually since 2005 to improve the quality of relationships by creating an environment where free and constructive communication are encouraged and to foster a culture where both employees and the company can continue to grow. Survey results are reported to executive management, passed on as feedback to workplaces, and used to build stronger organizations and better workplace cultures.

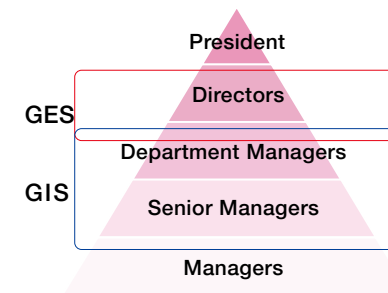


¹ Survey is given to regular and employees after retirement age.
² Degree of satisfaction is defined as the percentage of respondents reporting scores of 3 or higher out of five levels.

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.

■ GIS/GES Target Trainees



* The GIS, which was scheduled for February 2020, and the GES, which was scheduled for May 2020, have been postponed due to COVID-19.

Respect Human Rights and Promote Diversity

Better Workplace Environments for Employees

Health and Productivity Management Initiatives

Employees are the lifeblood of the company, and we strive to improve their health, safety, and security around the world. Seiko Epson's Health Management Office, created in April 2020, issued a Health and Productivity Management Declaration that states management's commitment to building a strong culture of health and productivity across the global Epson Group. In Japan, we established Health Action 2020, a mid-range plan for promoting better health and increasing corporate value. Initiatives focus on workplace health and on the keys to it, the physical and mental health of employees. Policies are designed to energize individuals and organizations, build a sense of unity, and promote productivity. In 2020, as a result of these actions, METI and the Nippon Kenko Kaigi recognized Seiko Epson under the White 500 program, large enterprise category, for the fourth consecutive year.



Health and Productivity Management Declaration

At Epson, the health of our employees is our top priority. The company and its employees will work together to create an enjoyable and dynamic workplace environment to ensure the physical and mental wellness of all. Our goal is to energize all employees with a vital workplace, produce results that surprise and delight the world, and make the world a better place.

Yasunori Ogawa
President and CEO
Seiko Epson Corporation

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 fullest.

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.

[Go to website for details](https://global.epson.com/company/epson_way/principle/human_rights.html)
The Policies Regarding Human Rights and Labor Standards
https://global.epson.com/company/epson_way/principle/human_rights.html

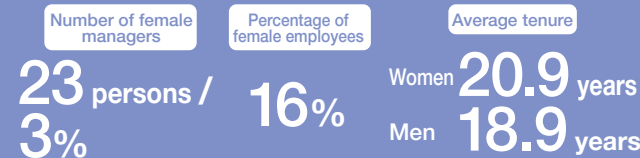
Work Reform

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.

[Go to website for details](https://global.epson.com/SR/our_people/pdf/workplace_01.pdf)
Epson's work goals and work culture
https://global.epson.com/SR/our_people/pdf/workplace_01.pdf



Advancement of Women (as of March 20, 2020)



Number of employees with disabilities (as of June 1, 2019)





Practicing Sustainable Business

Sustainability



Today, companies need to show how they are responding to the issues facing society through sustainability and growth strategies based on ESG activities. Epson has set six materialities, including advancing the frontiers of industry and achieving sustainability in a circular economy, that center on technological assets such as our efficient, compact, and precision technologies and is working in line with Epson's value creation story to solve societal issues and provide value. In April, to accelerate efforts to achieve social sustainability and sustained company growth, we integrated our CSR and CSV activities and replaced the CSR Management Office with a new Sustainability Promotion Office. One of the benefits of integrating CSR and CSV is that Epson assessed and disclosed the impact of climate change from the perspective of risks and opportunities in response to TCFD recommendations. In 2019, Epson joined the Responsible Business Alliance (RBA), a global coalition dedicated to corporate social responsibility (CSR) in global supply chains, and is executing actions to strengthen its value creation infrastructure in line with the RBA Code of Conduct.

Epson's Management Philosophy, which was established in 1993 and declares our commitment to customer satisfaction and sustainability, reflects the ideals of the SDGs and sustainable business. We will continue to allow the Management Philosophy to guide our efforts to solve societal issues. Precisely because COVID-19 has created future uncertainty, we will follow sustainable management practices in collaboration with like-minded internal and external partners to realize a brighter world.

View of an Influencer



Mr. Hidemitsu Sasaya

Professor at Platform for Arts & Science, Chiba University of Commerce, and CSR/SDGs consultant

Expectations for Epson

About three years ago, Epson published a matrix (p. 67) that shows the relationship between key CSR themes and the SDGs. ESG investors have begun to set benchmarks for contributions to SDGs and are now looking at targets down to the decimal point. Epson's matrix is organized by ESG and comprehensively shows the results of analysis against all 17 goals. It is time to communicate this to the world and to see the reaction. Creating a matrix is extremely difficult, but there is a lot of value in having announced highly specific targets. It would be a good idea to use the ESG/SDG matrix as a tool to enhance messaging for a redesign of the brand.

Epson announced its support for the recommendations of the TCFD and has expanded its information disclosures. This is a good thing, as Japanese companies are still weaker than Western countries in providing information. I hope Epson shares information about what it is doing as soon as possible. The Japanese government's SDG policies focus on (1) Society 5.0, (2) involvement in regional revitalization and digital transformation, and (3) promotion of the next generation and women's advancement. I would like to see Epson put the main focus on these three things from a long-term strategic perspective and practice sustainable business.

column

Epson as a Sponsor and Exhibitor at Sustainable Brands 2020 Yokohama

For the second consecutive year, Epson served as a co-sponsor of the Sustainable Brands International Conference. At a plenary session at the event, Seiko Epson President Yasunori Ogawa (then a managing executive officer and the chief technology officer) took the stage for a panel discussion on innovating to solve societal issues. Ogawa talked about the importance of Epson's approach, where we first develop a clear vision of the world as we wish it to be and then work backwards to develop technology to achieve that vision. There is a limit to the impact that a single company can have on solving societal issues. Epson is committed to building cooperation with other companies through events like this and to further accelerating actions to achieve social sustainability.

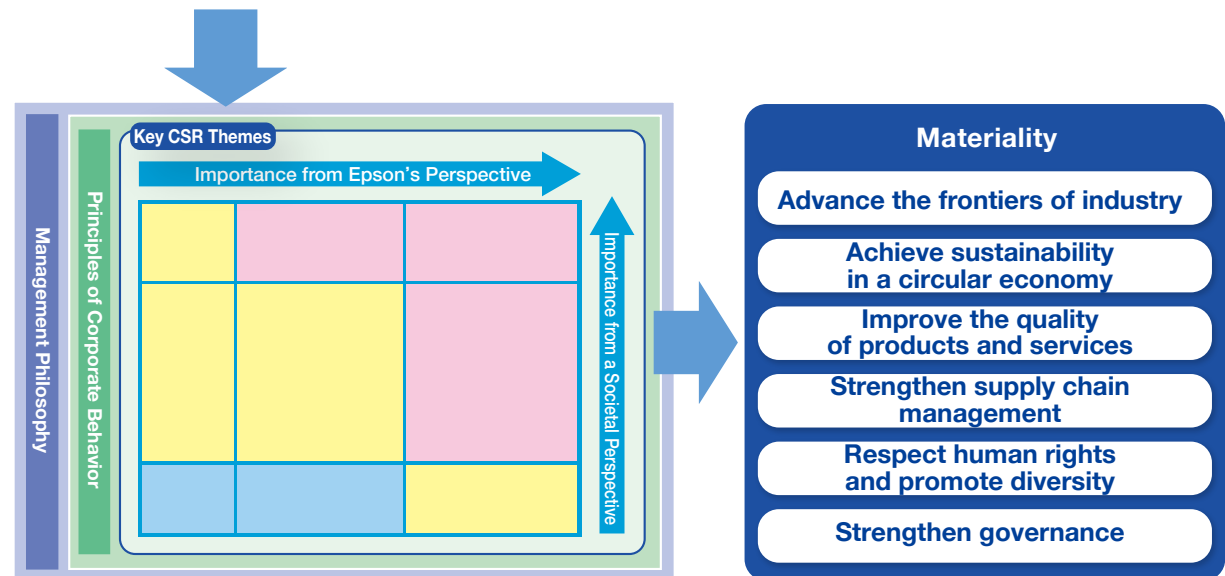
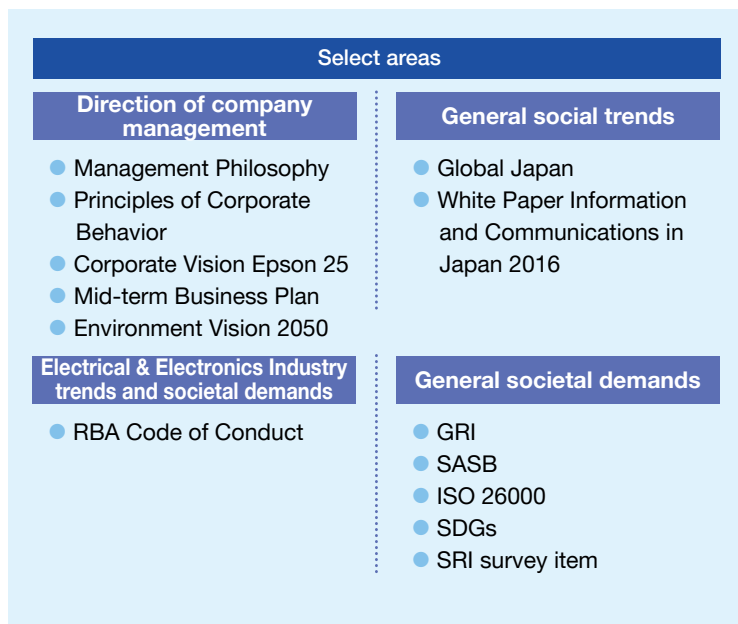
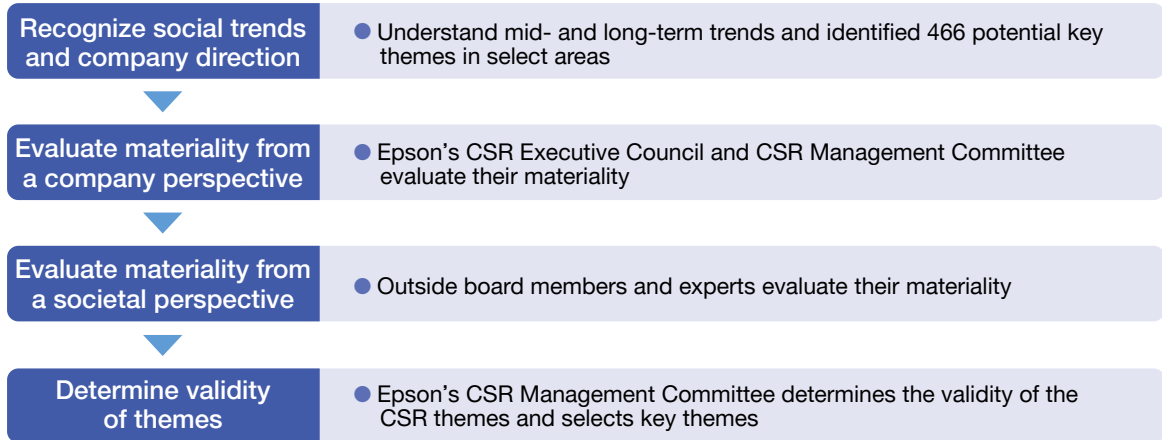


Practicing Sustainable Business

Identification of Key CSR Themes and the Materiality Matrix

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.

Identifying Key CSR Themes





Practicing Sustainable Business

Relationship with the Key CSR Themes and the SDGs

Epson validated the relationship between Epson's key CSR themes and the 169 targets of the 17 SDGs.

Go to websites for details https://global.epson.com/SR/csr_initiative/action_items.html

Materiality	Key CSR Themes A selection of 16 of the most important items	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	Environment			3.6	4.1		6.3	7.3	8.2	9.4		11.6	12.2					17.16
	Creating new products and services with leading technology		3.9	4.2		6.4	7.a	8.4	9.c		12.4	13.2		15.1					
	Productivity improvement utilizing ICT			4.3		6.6													17.16
	Products competitiveness			4.4			6.3	7.3	8.2	9.4		12.4							17.16
	Strategic marketing			4.5				7.3	8.4	9.4		12.5							17.16
Achieve sustainability in a circular economy	Contributing to the environment through products and services	Environment			3.9		6.3	7.3	9.4		11.6	12.2	13.2		15.1			17.7	
	Effective use of energy and resources							7.2					13.2		15.2			17.17	
	Climate change and global warming							7.3					12.4	13.2		15.4			17.17
Improve the quality of products and services	Product quality and communications	Social										12.8					16.6		
	Consumer health and safety											12.4					16.8		
Strengthen supply chain management	Supply chain management	Social			3.9		5.1	6.3		8.5		10.2	12.4				16.4	17.17	
Respect human rights and promote diversity	Respecting human rights				4.7	5.1		8.5		10.3									
	Diversity				4.7	5.5		8.7											
	Human resources development, hiring, and retention			4.4			8.8												
Strengthen governance	Information security	Governance																16.4	
	Compliance																	16.4	16.5
Epson confirmed that its initiatives support the achievement of the 14 SDGs to the right.					✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

● 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 2020).

Practicing Sustainable Business

Relationships with the SDGs

To reach the goals stated in our Management Philosophy and be an indispensable company, Epson must identify the most critical societal issues and address them through our business activities. Each year, we decide 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 selected the 14 SDGs 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



Commitment to the SDGs



Yasunori Ogawa
President and CEO
Seiko Epson Corporation

Epson is using its original efficient, compact, and precision technologies along with open innovation 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.

To realize a better world for future generations, Epson will contribute to the achievement of the SDGs by looking hard at solutions to social issues, trying new ideas and methods to create new value, and providing surprise and delight that exceeds customer expectations.

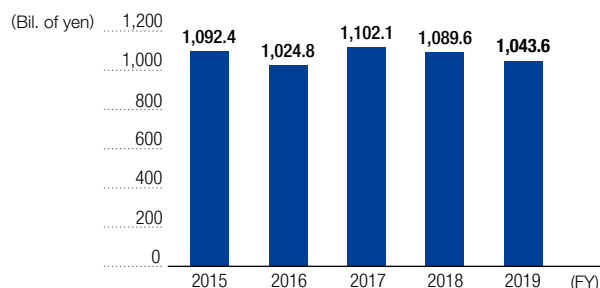


Financial and Non-Financial Highlights

Financial Highlights

Revenue

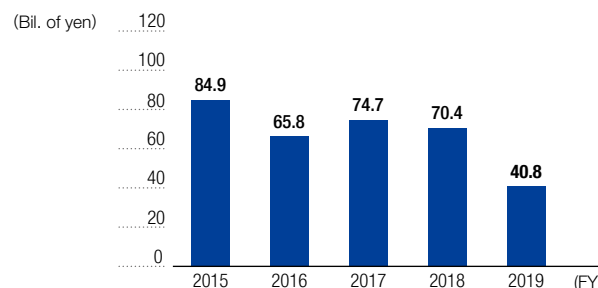
¥1,043.6 billion



There was firm growth in demand for high-capacity ink tank inkjet printers, but revenue decreased year on year due to a global economic slowdown that was touched off by U.S.-China trade friction, political and economic turmoil in some regions, the advance of the yen against currencies in Latin America, and the effects of the COVID-19 pandemic.

Business Profit

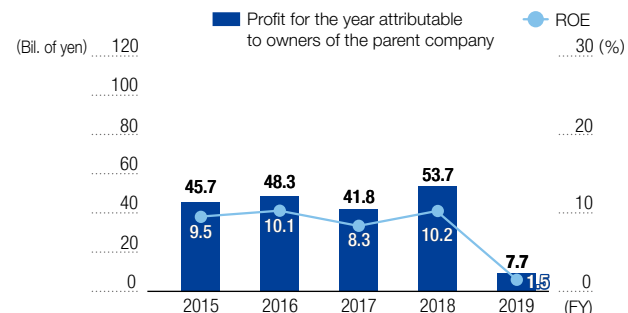
¥40.8 billion



Epson is investing more efficiently in future growth by tightening the focus on core competencies, but business profit decreased year on year since it was heavily impacted by a fall in revenue associated with the deteriorating external environment and negative foreign exchange effects.

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

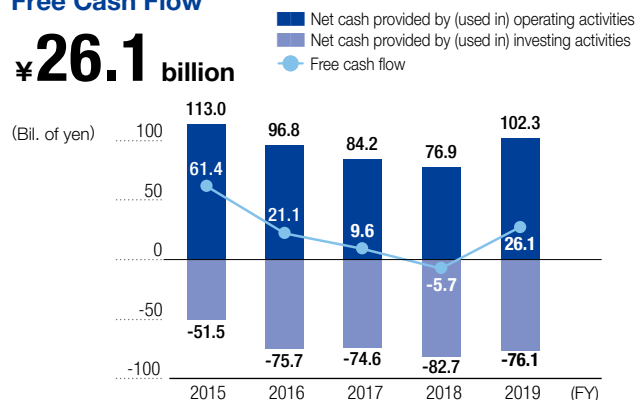
Profit for the year attributable to owners of the parent company ¥7.7 billion ROE 1.5%



The profit decreased year on year. In addition to a decrease in a gain on sales of fixed assets under other operating income and expense, and a loss incurred by shutdowns associated with COVID-19, it decreased due to an increase in tax expenses after analyzing potentially recoverable deferred tax assets. ROE is 1.5% as a result.

Free Cash Flow

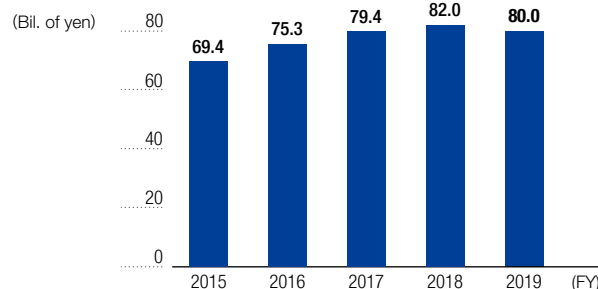
¥26.1 billion



Free cash flow increased year on year. In addition to a reduction in inventories to generate cash, which resulted in cash flows from operating activities exceeded ¥100 billion, net cash used for investing improved due to a decrease in capital expenditure.

Capital Expenditure

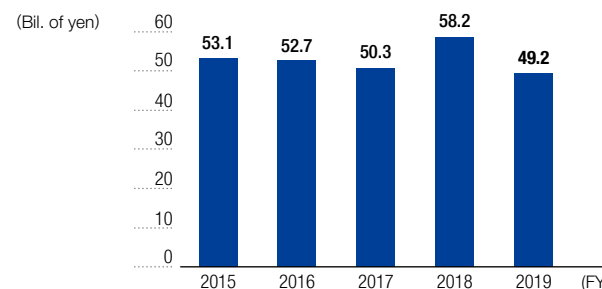
¥80.0 billion (¥71.3 billion after excluding leases)



Capital expenditure decreased year on year. Although we continued capital spending as planned to lay a foundation for long-term growth, we only executed projects that were carefully selected by focusing more on core competencies. The figure for FY2019 includes leases.

Research and Development Expense

¥49.2 billion



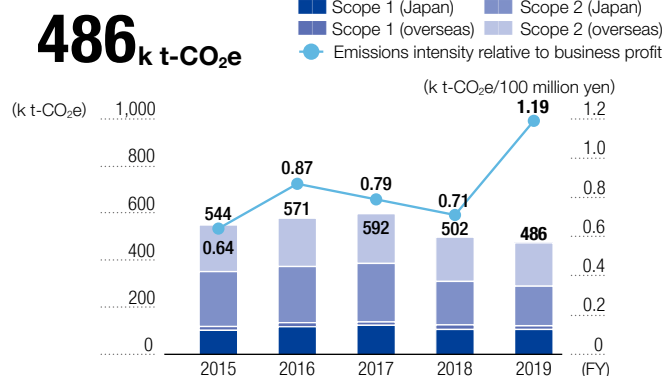
In addition to developing the next-generation products, core technology, and key devices that will drive future growth through creation of products and services that exceed customer expectations, we are working to strengthen manufacturing infrastructure and create new businesses.



Financial and Non-Financial Highlights

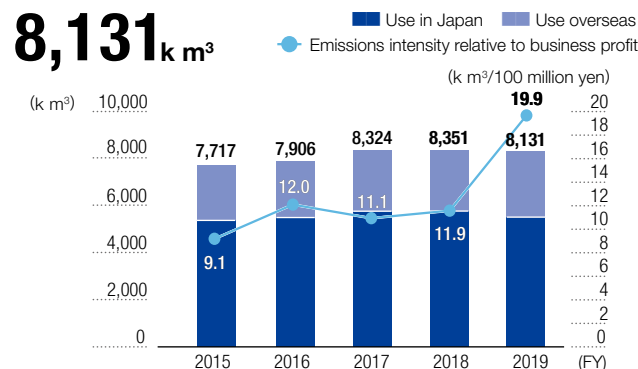
Non-Financial Highlights

Greenhouse Gas (GHG) Emissions*1



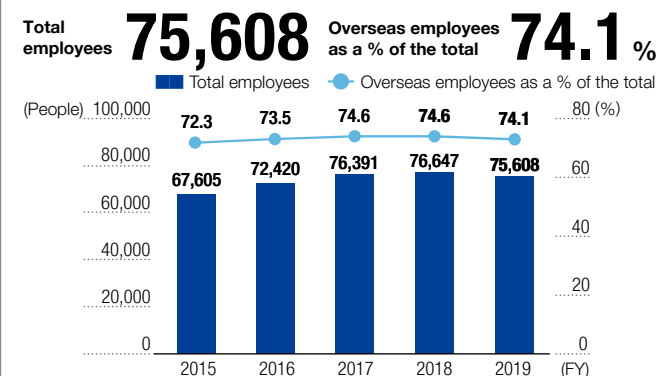
In FY2019, all Epson sites drove energy-saving initiatives to make progress toward our SBTi-validated target of reducing scope 1 and 2 GHG emissions by 19% compared to FY2017 by 2025. This, along with the use of renewable energy, enabled us to achieve a 18% reduction.

Water Use



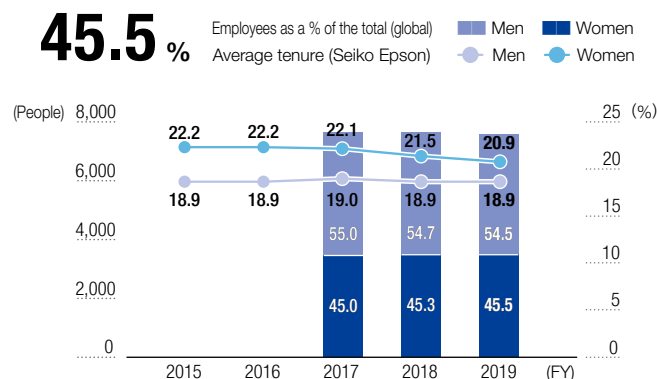
All sites are working to conserve water. In FY2019, water use was particularly reduced at companies outside Japan. It decreased by 2.6% from our goal of reducing year-on-year water use.

Total Employees & Overseas Employees as a % of the Total



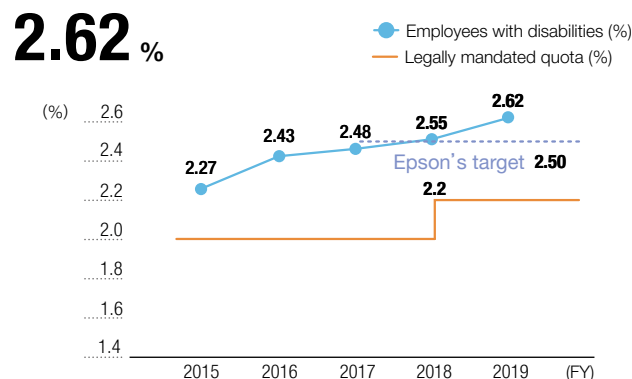
There was a fluctuation of the number of employees at manufacturing sites in Asia. The number of employees in the Epson Group decreased as a whole.

Diversity (Female Employees)



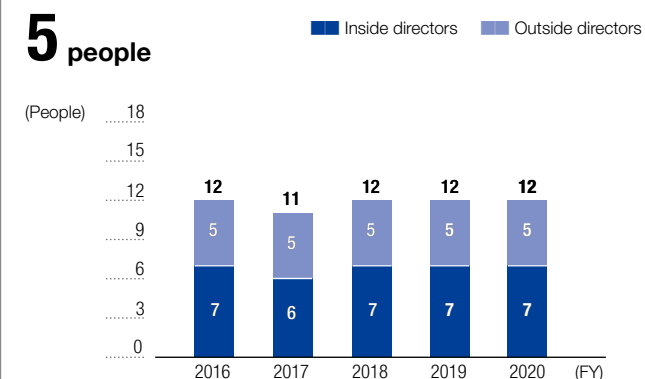
To understand a diverse range of customers and meet their needs, our own diversity is important. Epson is taking action to support the advancement of more women in the workplace by, for example, increasing the number of female managers.

Employees with Disabilities in the Epson Group in Japan*2



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

Outside Officers as a % of Total Officers*3



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.

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



Consolidated Financial Highlights

		IFRS (Consolidation)						
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Statement of Income (Billions of yen)	Revenue	1,008.4	1,086.3	1,092.4	1,024.8	1,102.1	1,089.6	1,043.6
	Gross profit	362.5	395.9	397.6	365.9	400.8	412.6	362.0
	Business profit* ⁴	90.0	101.2	84.9	65.8	74.7	70.4	40.8
	Profit from operating activities	79.5	131.3	94.0	67.8	65.0	71.3	39.4
	Profit before tax	77.9	132.5	91.5	67.4	62.6	72.0	39.7
	Profit for the period attributable to owners of the parent company	84.2	112.5	45.7	48.3	41.8	53.7	7.7
Statement of Financial Position (Billions of yen)	Total assets	908.8	1,006.2	941.3	974.3	1,033.3	1,038.3	1,040.9
	Equity attributable to owners of the parent company	362.3	494.3	467.8	492.1	512.7	540.1	503.7
	Interest-bearing liabilities	220.5	185.9	141.7	146.5	166.5	142.3	209.6
Statement of Cash Flows (Billions of yen)	Net cash provided by (used in) operating activities	114.8	108.8	113.0	96.8	84.2	76.9	102.3
	Net cash provided by (used in) investing activities	△ 41.2	△ 32.7	△ 51.5	△ 75.7	△ 74.6	△ 82.7	△ 76.1
	Free cash flows	73.6	76.0	61.4	21.1	9.6	△ 5.7	26.1
Financial and Management Indicators (Billions of yen・%)	Research and development expense	48.8	47.8	53.1	52.7	50.3	58.2	49.2
	Capital expenditures	37.8	45.4	69.4	75.3	79.4	82.0	80.0 ⁵
	Depreciation and amortization	40.7	44.4	45.3	43.2	49.4	55.6	67.8
	Equity ratio attributable to owners of the parent company	39.9	49.1	49.7	50.5	49.6	52.0	48.4
	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	1.5
	ROA (Business profit/Beginning and ending balance average total assets)	10.4	10.6	8.7	6.9	7.4	6.8	3.9
	ROS (Business profit/revenue)	8.9	9.3	7.8	6.4	6.8	6.5	3.9
	Consolidated dividend payout ratio	10.6	18.3	46.9	43.9	52.2	40.7	278.5
	Consolidated dividend Payout Ratio (Based on Business Profit) ⁵	14.2	29.0	36.1	45.9	41.7	44.3	75.0
	Per Share Data (Yen)	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	1,456.20
Cash dividends per share		50.00	115.00	60.00 ⁷	60.00	62.00	62.00	62.00
Index of Stock Price (Multiples)	Price Earnings Ratio (PER)	6.82	6.77	14.21	17.13	15.92	11.12	52.56
	Price Book-value Ratio (PBR)	1.58	1.54	1.39	1.68	1.30	1.11	0.83
Revenue Breakdown by Region (Billions of yen)	Japan	280.9	276.2	264.0	251.3	250.1	251.4	254.9
	The Americas	260.2	304.6	320.0	290.9	320.4	310.5	293.0
	Europe	218.4	230.9	226.3	211.9	233.2	225.2	214.0
	Asia/Oceania	248.8	274.4	282.0	270.5	298.2	302.4	281.5
Average Exchange Rate for the Period (Yen)	Yen/U.S. dollars	100.23	109.93	120.14	108.38	110.85	110.86	108.74
	Yen/Euro	134.37	138.77	132.58	118.79	129.66	128.40	120.85
Number of Employees at Period End (Person)	Total	73,171	69,878	67,605	72,420	76,391	76,647	75,608
	Domestic	18,372	18,627	18,699	19,175	19,436	19,456	19,558
	Overseas	54,799	51,251	48,906	53,245	56,955	57,191	56,050

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.

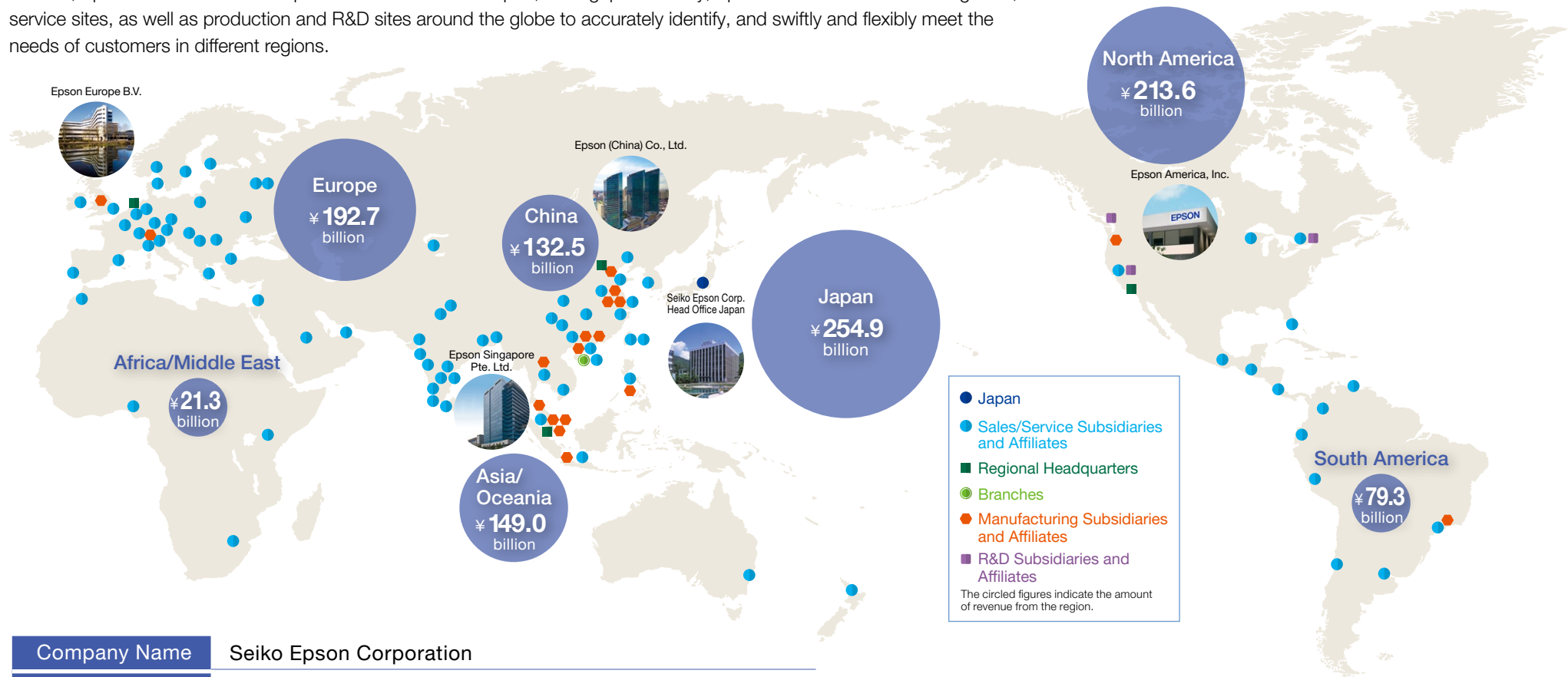
⁶ Basic earnings per share (EPS) and equity attributable to owners of the parent company per share (BPS) were calculated under the assumption that the shares split took effect at the beginning of the year ended March 31, 2014.

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. ⁸ The figure for FY2019 includes leases.

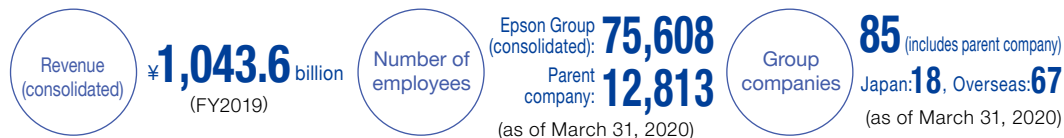


Group Outline

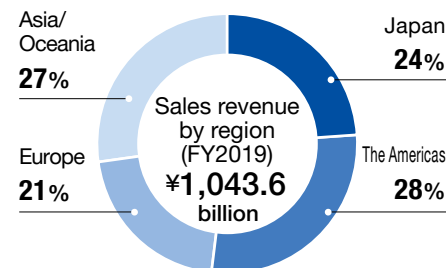
In 1968, Epson established its first production site outside Japan, in Singapore. Today, Epson has sales and marketing sites, service sites, as well as production and R&D sites around the globe to accurately identify, and swiftly and flexibly meet the needs of customers in different regions.



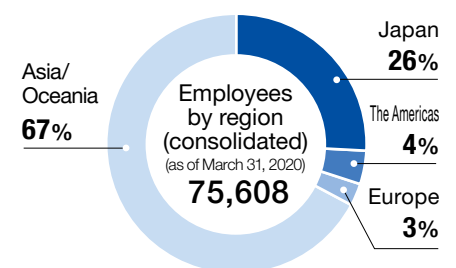
Company Name	Seiko Epson Corporation
Founded	May 18, 1942
Head Office	3-3-5 Owa, Suwa-shi, Nagano, Japan
Paid-in Capital	¥53,204 million



■ Sales Revenue by Region



■ Employees by Region (consolidated)





Public Recognition

Inclusion in ESG Indices and Ratings



FTSE4Good

Selected as a Constituent of the FTSE4Good Index Series for the 16th Consecutive Year

Seiko Epson was selected by FTSE Russell, a part of the London Stock Exchange Group, as a constituent of one of the Responsible Investment (RI) indexes in the FTSE4Good Index series for the 16th consecutive year. (June 2020)

<https://www.ftse.com/products/indices/FTSE4Good>



FTSE Blossom Japan

Selected as a Constituent of the FTSE Blossom Japan Index for the Fourth Consecutive Year

Seiko Epson was selected for inclusion in the FTSE Blossom Japan index for the fourth consecutive year. This index is one of the ESG indexes selected by the Government Pension Investment Fund (GPIF) in July 2017. (June 2020)

2020 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Selected as a Constituent of the Empowering Women Index (WIN) for the Fourth Consecutive Year

Seiko Epson was selected for inclusion in the MSCI Japan Empowering Women Index (WIN) for the third consecutive year. WIN is one of the ESG indexes selected by the Government Pension Investment Fund (GPIF) in July 2017. (June 2020)



Somo Sustainability Index

Selected as a Constituent of the Somo Sustainability Index for the Ninth Consecutive Year

Seiko Epson was selected by Somo Asset Management Co., Ltd. (Japan), as a constituent of one of the Somo Sustainability Index for the ninth consecutive year. (June 2020)



Selected as Global Leader for Engaging its Supply Chain on Climate Change

Seiko Epson has been identified as a global leader for engaging with its suppliers on climate change, being awarded a position on the Supplier Engagement Leaderboard by global environmental impact non-profit CDP. (February 2020)



Received EcoVadis Platinum Rating for Overall Sustainability

Seiko Epson has been awarded a Platinum rating for overall sustainability by independent platform EcoVadis (France). Epson placed in the top one percent in the computer and peripheral equipment manufacturing industry. (October 2020)

A Global Leader in Patent Applications

Epson is providing new customer value through the products it creates using its core technologies. Our patent portfolio is both qualitatively and quantitatively world-class in product fields such as inkjet printers and projectors, and this industry-leading intellectual property supports the creation of proprietary core technologies.

Ranking by Number of Publications of Unexamined Patent Applications in Different Product Categories

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

* 2019 ranking in number of patent applications laid open to the public (Epson research) (January 1 to December 31)

List of Notes

- P.8
- ¹ Comparison of A4 sheet printing costs between an EW-M670FT high-capacity ink tank printer and an Epson laser printer
 - ² Testing was commissioned by Epson and conducted by Keypoint Intelligence. Epson selected four competitor's models from worldwide top four best-selling vendor** in the 45-69 ppm color laser multi-function printer class. Epson WorkForce Enterprise WF-C20600 D4TW with 60 ppm. Devices were tested in default mode as per Keypoint Intelligence's proprietary standard energy consumption test methods. Calculations were based on a weekday workload of 2 x 4 hours printing + 16 hours in sleep/standby mode, and weekend energy use of 48 hours in sleep/standby mode. A total of 69 pages of workload test pattern using DOC, XLS, PPT, HTML, PDF files and Outlook email messages were printed six times in each four-hour printing period.
 - ** Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2020Q2, Units Share by Company
 - ³ Print speed of a WF-C21000 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.
-
- P.28
- * CO₂ conversion factor of greenhouse gas emissions
 - Electric power: In Japan, we use the adjusted emissions factors for the load serving entities (i.e., utilities) from which our sites purchase electricity, pursuant to Load Serving Entity Emission Factors announced by the Ministry of Environment and the Ministry of Economy, Trade and Industry. Overseas, we use the country emission factors listed in IEA (International Energy Agency) or from the load serving entities from which our sites purchase electricity.
 - Fuel: The factors announced by the IPCC in 2006 were used for both domestic and overseas data.
 - GHGs other than CO₂: Equivalent values were calculated based on 100-year GWP values in the Fifth Assessment Report of the IPCC.
-
- P.35
- ¹ Testing was commissioned by Epson and conducted by Keypoint Intelligence. Epson selected four competitor's models from worldwide top four best-selling vendor** in the 45-69 ppm color laser multi-function printer class. Epson WorkForce Enterprise WF-C20600 D4TW with 60 ppm. Devices were tested in default mode as per Keypoint Intelligence's proprietary standard energy consumption test methods. Calculations were based on a weekday workload of 2 x 4 hours printing + 16 hours in sleep/standby mode, and weekend energy use of 48 hours in sleep/standby mode. A total of 69 pages of workload test pattern using DOC, XLS, PPT, HTML, PDF files and Outlook email messages were printed six times in each four-hour printing period.
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<https://global.epson.com>

Websites

▶ Investor Relations

<https://global.epson.com/IR/>



▶ Social Responsibility

<https://global.epson.com/SR/>



▶ Innovation

<https://global.epson.com/innovation/>



▶ Epson Corporate YouTube Channel

<https://www.youtube.com/user/epsoncorp>



▶ Epson Corporate LinkedIn Channel

<https://www.linkedin.com/company/epson/>

