

Epson Group

Integrated Report 2022



Epson has always evolved its original technology to create new value and change the way we live and work.

Since 1942, we have produced numerous pioneering products. As a company that solves societal issues, Epson will work toward achieving sustainability and enriching communities by practicing our philosophy of efficient, compact and precise innovation to enrich lives and help create a better world.

Management Philosophy

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

EXCEED YOUR VISION

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

80 YEAR JOURNEY
Creating New Value that Exceeds Expectations

- World's first quartz watch that brought accurate time to everyday life
- SCARA robots that help to accelerate automation
- Inkjet printers that enable home photo printing
- Dry-process office papermaking systems that recycle paper right on-site
- LCD business projectors that changed the way presentations are given
- High-speed linehead inkjet multifunction printers that help offices save energy
- Digital inkjet textile printers with a far lower environmental impacts than analog textile printing

80-Year Journey



Early period

Integrity and Effort

Watch and printer technology development

Expansion period

Creativity and Challenge

Diversification of products and businesses derived from watch and timekeeping technologies

Strengthening business structure

Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable

Helping to Solve Societal Issues

Expand business by solving societal issues

Epson 25 Renewed

Origin of Epson's efficient, compact, and precision technologies

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

Brand establishment and growth into a multinational corporation

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

Global pioneer in environmental action

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

Surging ahead into a new era

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

Contributing to global solutions

Established the "Exceed Your Vision" global tagline (2005)


Opened an open innovation center in Aizuwakamatsu (2020)

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

Go to website for details

See the link for more detailed information on Epson's history
<https://corporate.epson/en/about/history/>

INDEX Click on the title to view the page.

Using This PDF 

A History of Value Creation / Business Overview

- 2 80-Year Journey >
- 3 INDEX >
- 4 Epson's Now >

CEO Message

- 5 CEO Message >

Corporate Purpose & Value Proposition

- 11 Our Purpose >
- 15 Sustainability Management >
 - Sustainability Promotion Organization
- 17 Feature 1
 - Driving Towards Purpose >

Corporate Vision

- 23 Corporate Vision Epson 25 Renewed >
 - FY2021 in Review
 - Environmental Initiatives
 - DX Initiatives
 - Co-creation Initiatives

Value Creation Strategy

- 27 CFO Message >
- 30 Responding to TCFD Recommendations >
- 33 CTO Message >
- 35 Intellectual Property Strategy >
- 37 Human Resources Strategy >
- 39 Sales & Marketing Strategy >

Value Creation through Business

- 41 Performance Highlights (FY2021) >
- 43 Office & Home Printing Innovation / Commercial & Industrial Printing Innovation >
- 49 Manufacturing Innovation >
- 51 Visual Innovation >
- 53 Lifestyle Innovation (Watches) >
- 55 Lifestyle Innovation (Sensing) >
- 57 Microdevices Supporting the Five Areas of Innovation >

Value Creation Platforms

- 59 Materiality and the Key Sustainability Topics >
- 61 Achieving Sustainability in a Circular Economy >
- 65 Realizing Responsible Supply Chains >
- 67 Respecting Human Rights and Creating a Good Work Environment >
- 69 Stakeholder Engagement >
- 73 Strengthening Governance >
 - Feature 2
 - Dialog between Institutional Investors and Outside Directors
 - Corporate Governance
 - Actions to Ensure Board Effectiveness
 - Officer Compensation
 - Compliance
 - Risk Management
 - Board of Directors

Fact Data

- 85 Consolidated Financial Highlights >
- 87 Financial and Non-Financial Highlights >
- 90 Public Recognition >
- 91 Global Networks >
- 92 Group Outline / 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 2022

Period covered April 1, 2021 to March 31, 2022 (Some information may be from other periods.)

Coverage 80 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.

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

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.

Epson's Now

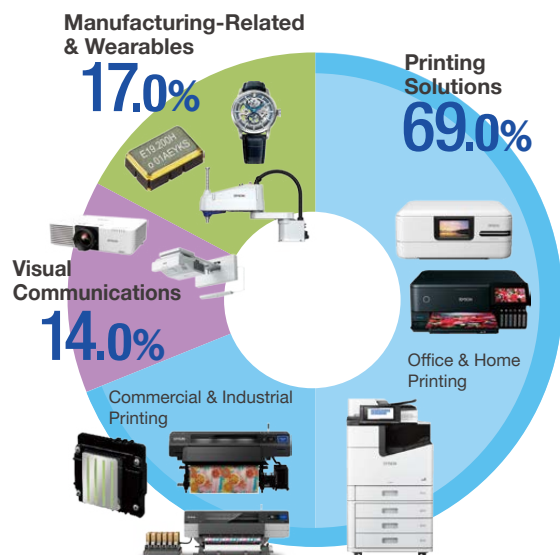
At a Glance

Revenue (Consolidated) FY2021 [**¥1,128.9 billion**] Business Profit (Consolidated) FY2021 [**¥89.6 billion**]

¥1,128.9 billion **¥89.6 billion**

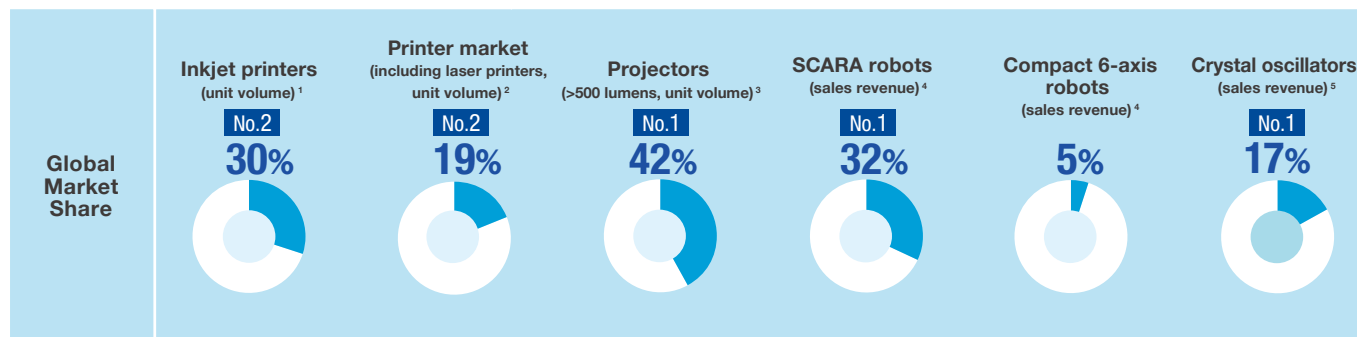
* Business profit is very similar to operating income under Japanese accounting standards, both conceptually and numerically. It is calculated by deducting the cost of sales and selling, general and administrative expenses from revenue.

Segment Revenue as a Percentage of Total Revenue (FY2021)



Business Areas

Innovation	Office & Home Printing Innovation	Commercial & Industrial Printing Innovation	Visual Innovation	Manufacturing Innovation	Lifestyle Innovation	
Segment	Printing solutions business		Visual communications business	Manufacturing-related & wearables business		
Operation	Office & home printing business	Commercial & industrial printing business	Visual communications business	Manufacturing solutions business	Wearable products business	Microdevices business PC business
Main Technology	Micro Piezo inkjet technology Dry Fiber Technology		Microdisplay technology Projection technology	Precision mechatronic technology High-precision sensing technology Software technology Ultra-precision & micromachining technology High-density board assembly technology Low power consumption technology		
Main Operations	Office & home inkjet printers, serial impact dot matrix(SIDM) printers, page printers, color image scanners, dry process office papermaking systems, and related consumables	Commercial & industrial inkjet printers, inkjet printheads, printers for use in POS systems, label printers, and consumables	Projectors and smart glasses	Industrial robots, micro injection molding machines	Wristwatches, watch movements	Crystal devices (crystal units, oscillators, sensors) Semiconductors (CMOS, LSI), Superfine alloy powder Surface finishing PCs & other



CEO Message

“Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world.”



In May 2022, Epson Museum Suwa opened on the grounds of Seiko Epson's Head Office to commemorate the 80th anniversary of the founding of the company. The museum tells the company's story and displays historic Epson products, including the world's first quartz watch, the Quartz Astron 35SQ (pictured in the foreground), and the compact, lightweight digital printer, the EP-101 (pictured in the back of the photo), which is the origin of the Epson brand name.

Yasunori Ogawa

Yasunori Ogawa

President, Representative Director and CEO
Seiko Epson Corporation

Market Tailwinds and Profit Growth

FY2021 was a year of upheaval. The COVID-19 continued to impact every facet of life while geopolitical issues brought new risks, resulting in skyrocketing logistics and materials costs, semiconductor shortages, and logistics disruptions. Nevertheless, Epson's sales exceeded initial expectations on a market rebound from COVID-19 and on sustained print demand from the large number of people working remotely due to the pandemic. Given this situation, we were able to post annual profit growth by flexibly adjusting prices to reflect the balance between supply and demand and by containing costs. On the other hand, sales have been stunted to some extent because we have not been able to supply enough products to meet demand.

CEO Message

The Purpose Statement Defines Our Relationship with the World and Points the Way Forward for Employees

At the start of the 2021 fiscal year, I presented the Epson 25 Renewed corporate vision and expressed our aspirational goal of achieving sustainability and enriching communities. However, the statement failed to clarify our unique strengths, the things that only Epson can do, the unique qualities that define Epson. What makes Epson unique is our philosophy of innovation: We seek to utilize the efficient, compact, and precision technologies that we have developed over many years to make our products smaller, more precise, and more energy efficient. I decided that we needed to articulate this in a purpose statement, to express the idea that our purpose is to benefit the environment, enrich lives and, moreover, provide our employees with work that excites them and makes them happy. In September 2022, Epson defined its purpose. Seiko Epson has a system of beliefs, a framework built upon Epson's Management Philosophy and the Principles of Corporate Behavior, which serves as a guide to putting the Management Philosophy into practice. The purpose statement defines the reason Epson exists and drives decision-making. When we established our purpose, we also consolidated and rebuilt our system of beliefs to provide employees with a suitable foundation that would lead to easier decisions and actions.

Epson's Purpose

Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world.

People from across the global Epson Group were involved in defining the corporate purpose. Small groups were created to help deepen discussions, non-management employees were asked for input, and executive management discussed the purpose over months before the purpose statement was finalized. I believe that the process for defining the purpose was important because employee engagement with the corporate purpose is essential to making the purpose personal. The purpose statement defines Epson's strength as our efficient, compact, and precision technologies and our philosophy of using them to drive innovation. It also states our aspiration of enriching lives and helping to create a better world. The corporate purpose provides our people with a framework and playbook for doing their jobs.

→ For details, see P11–13, "Our Purpose."

Materiality and KPIs in the Business Strategy

Epson has identified four material societal issues ("materialities") that it can help to address. We have recently assigned key performance indicators (KPIs) to specific actions ("key sustainability topics") that we have mapped to the materialities to more clearly show how each business can contribute.¹ Epson's value creation story depicts the process by which we use our efficient, compact, and precision technologies to solve societal issues and provide value. Materiality and KPIs are important elements in the story, and I frequently communicate their importance so that everyone is conscious of them and understands what they need to do.

Materialities We Will Address

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



CEO Message

We remain committed to the course mapped out by the Epson 25 Renewed corporate vision in March 2021 and have continued to pursue strategic initiatives that serve to address issues such as decentralization, the environment, and social sustainability. Changes in values and the social environment that were accelerated by the pandemic clearly showed us that we are headed in the right direction. I feel that we got off to a very good start under Epson 25 Renewed.

The KPIs that we recently linked to the materialities should help our businesses and employees better understand the corporate vision and inspire them to drive forward on actions that are aligned with the value creation story.

→ For details, see P59–60, “Materiality and the Key Sustainability Topics.”

¹ KPIs were considered for all of the sustainability initiatives for all four materialities, but KPIs were first disclosed for the two ESG-related materialities that emphasize corporate sustainability (achieve sustainability in a circular economy and fulfill our social responsibility). The KPIs for the other materialities (advance the frontiers of industry and improve the quality of life) will be announced after FY2023.

Environmental, DX, and Co-creation Initiatives

■ Environmental Initiatives

Environmental initiatives in Epson 25 Renewed are tied to the material issue of achieving sustainability in a circular economy. Our efficient, compact, and precision technologies yield products that are small, accurate, precise, and energy-efficient, thereby reducing environmental impacts and providing traction for sustainable economic activity.

Environmental Vision 2050 states our goals of becoming not just carbon neutral but carbon negative and underground resource² free by 2050. Employees are engaged and have begun drawing up concrete scenarios for achieving these goals, but we recognize that there are many issues that need to be resolved in order to achieve them within the limited time frame.

² Free of non-renewable resources such as oil and metals

■ DX Initiatives

Epson’s efficient, compact, and precision technologies can contribute greatly to environmental sustainability, and we will continue to improve these technologies to create environmentally



conscious products that the world needs. But we also understand that this alone will not solve societal issues across the board. What is needed is new value and a new business created by advancing the frontiers of industry, which we cite as one of the material issues that we can address. We believe that digital transformation (DX) will play an extremely important role in this, and we have positioned it as one of the core initiatives of Epson 25 Renewed. People tend to associate DX with software, but hardware is also always involved as an intermediary between software and people. Hardware must evolve along with software that connects people, things, and information. DX initiatives are not intended to change the content of our business but to drive the evolution of our current business activities. Even if it takes time, I believe that new ideas will be born if we continue to work on DX.

CEO Message

Co-creation Initiatives

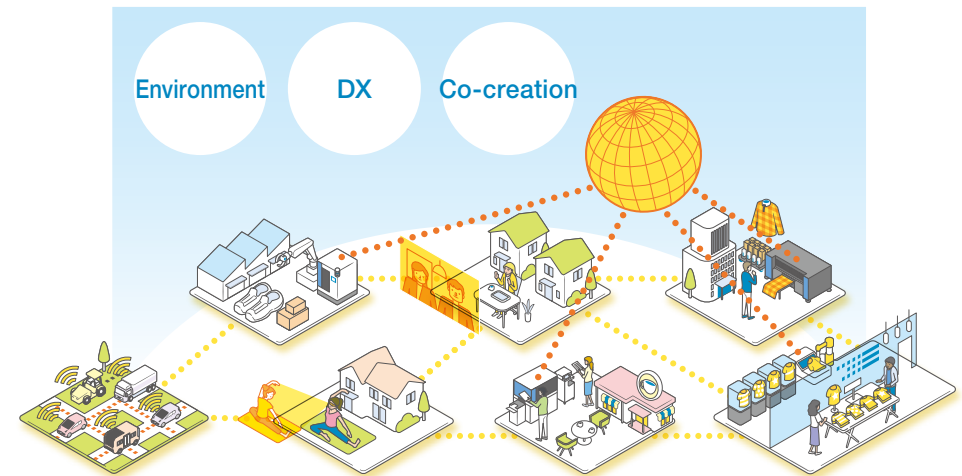
Rather than try to do everything on our own, we have begun to embrace collaboration. We are engaging external partners in projects that combine our respective technologies to create new value and solve societal issues. This commitment to co-creation is exemplified by sales of Epson printheads to partners in commercial and industrial print markets that Epson has not entered but that need to digitalize. If the use of our printheads in these markets results in good products and benefits the world, then we have achieved one of our goals.

I tell Epson employees that our customers are just as much our partners as our business partners. In the past, Epson was dedicated to creating good products and providing them to customers. Going forward, however, we must embrace the idea of co-creating with them. In addition to feedback about our products, customers can provide us with feedback in the form of usage data, for example. Analyzing this data can provide hints about new value and ideas for new products. I believe that this type of value creation will become even more important in the future.

People buy products based on need, not on whether the products deliver the latest and greatest performance. Suwa Seikosha (now Seiko Epson) released the world's first quartz watch in 1969. Sales exploded because these watches used the power of technology to meet the need for accurate time. Epson's outside directors have pointed out that we have long been more product-driven than market-driven. This is not necessarily a bad thing. The important thing is whether a product meets the needs of the world. We believe that we can create a wider range of value that better captures peoples' needs by asking what customers perceive as strengths and weaknesses and by exchanging ideas with partners.

Epson 25 Renewed Vision

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



Connection Value

The environment, DX, and co-creation initiatives function separately, but we are also seeing that it is important to link these functions together. For example, we began collaborating with Benefit One Inc. in March 2022 in the health guidance service that Epson has been providing since 2011. Data that has been acquired and analyzed using Epson's sensing technology can now be used to deliver new value to more people by using Benefit One's extensive healthcare industry network.

→ For details, see P21

Epson Cloud Solution PORT is a service that uses the cloud to monitor the operation and manage the maintenance of commercial and industrial printer fleets. Since users can centrally manage their printers from a PC or mobile device, they can distribute their printing operations

CEO Message

among multiple locations instead of centralizing them in one large printing plant. Changes emerged in the movement of goods and people during the pandemic. The pandemic accelerated the move from centralized mass production to small-scale local production, and DX in commercial and industrial printing made it possible to operate efficiently at multiple locations and reduce environmental impact.

Restructuring for Profit

Under Epson 25 Renewed, we grouped our businesses into three areas: growth, mature, and new. We are investing our management resources primarily in businesses in growth areas and in new areas that promise growth. Meanwhile, we are restructuring our mature businesses to ensure that they generate profit. The restructuring effort has been going extremely well, with profit improving in mature businesses such as projection and watches. Restructuring is apt to be seen in a negative light and negatively impact employee motivation.

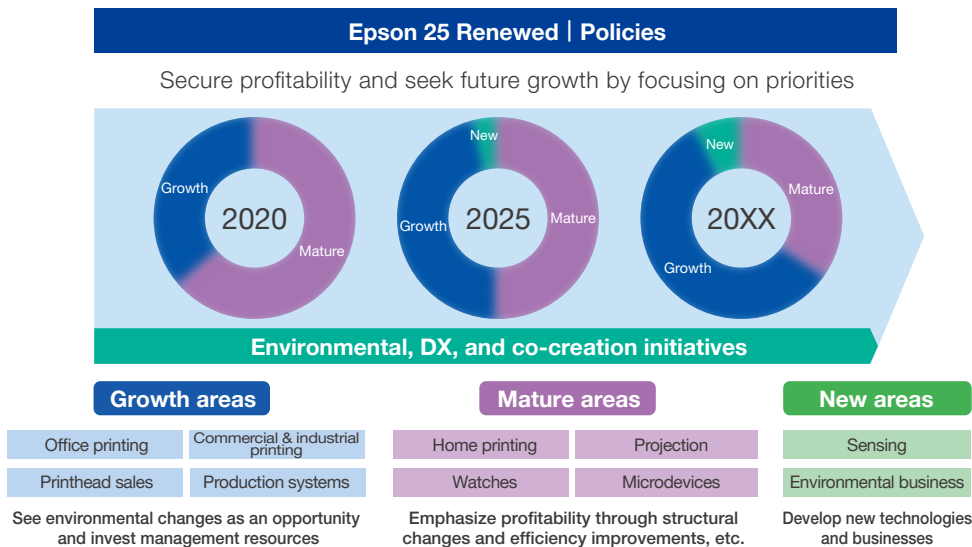
However, our experience has been quite positive because we carefully examined how to structure the businesses to generate profit from current revenue and set and met our own cost control targets. As a result, we made these businesses strong enough to last until we can envision what kinds of different value we can create using DX.

Rather than try for revenue growth in all our businesses as we did in the past, we are now more focused on certain priorities and have pivoted to an emphasis on profit. I think our investors understand and appreciate this change. I'm confident that we have been able to clearly demonstrate Epson's commitment to running its businesses a certain way amid the ongoing environmental changes.

Epson 25 Renewed and the Vision 10 and 30 Years Ahead

The direction of societal issues and material issues that Epson is targeting is unlikely to change significantly even well into the future, in, say, 2030 and 2050. So, I don't think that our goal of achieving sustainability and enriching communities is going to change in the corporate vision that follows Epson 25 Renewed. Looking ahead, it will be essential for us to develop the businesses that are grouped under the new area in Epson 25 Renewed into core businesses. We will invest management resources and co-create with our partners to ensure this. Epson's approach to intellectual property has changed sharply. Instead of trying to acquire as much IP as possible and encircle the competition to build strong businesses, we have pivoted to a strategy of combining our IP with that of other companies to create new businesses. After gaining a solid understanding of what type of technology is being developed around the world and where companies are directing their efforts, we broadly analyze Epson's strengths and weakness and then identify the areas and technologies in which we should be active. We aim to achieve sustainability and enrich communities by regularly discussing intellectual property strategy at board meetings and by focusing attention on developing businesses in new areas.

→ For details, see P35-36 "Intellectual Property Strategy."



CEO Message

Achieving Employee Happiness Via Diversity, Equity, and Inclusion

Since becoming president, I have continued to emphasize the importance of social contributions and employee happiness. And I believe that promoting diversity is one of the ways to realize employee happiness. Creating conditions that allow employees who may be caring for young children or elderly parents, for example, to continue to work in jobs that they find rewarding and make them happy will create greater diversity. I believe that the promotion of diversity will foster a stimulating climate in which people are exposed to and accepting of different ideas, thus broadening our horizons and becoming a source of greater value creation. To this end, we need to look at how we can accommodate the needs of employees who have a lot of other things going on in their lives and help them thrive at work. The Diversity and Inclusion Project was launched as an organization that reports directly to me as president. Its mission is to provide all employees with an equal opportunity to thrive, regardless of gender, sexual orientation, gender identity, race, nationality, religion, age, or other attribute.

The level of awareness and attention paid to diversity has grown among our senior executives. All independent outside directors, who make up more than half of the board of directors, participate in the advisory committees that nominate directors and decide their compensation. Epson listens to the opinions of the outside directors and is trying to improve the board of directors so that decision-making is balanced. Last fiscal year, the board of directors discussed the promotion of diversity initiatives in the context of improving board effectiveness. I want to create an organization that develops human capital and can make more effective use of human resources.



Memorial Hall, which is part of Epson Museum Suwa, is a renovated historical building that was built in October 1945.

Navigating the Way Forward with Purpose

Since becoming president in 2020, I have frequently communicated to employees my thoughts about Epson's business value, purpose, and the transformation of our organizational climate. Since overseas travel was restricted due to COVID-19, I have issued video and written messages to our overseas sites, and the response has been tremendous. Our people overseas can sense a change in the way we're doing things.

As the chief executive, I have also been actively communicating the recently defined corporate purpose. On the other hand, I feel that I should have done a better job at communicating to the public the value that our businesses provide. Digital inkjet printing has the power to substantially reduce environmental impact. Going forward, I will try to spread public awareness and understanding about how much effort Epson is pouring into the creation of eco-conscious products and how our business activities themselves contribute to sustainability. Defining our purpose as a company enabled us to more clearly see where we are headed and, at the same time, made us more aware of the challenges we face and the changes we must make. I believe that by anchoring us in a shared purpose in a world of turbulent change, we will conversely be able to decisively and confidently navigate the way forward as a company.

Our Purpose

Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world.

Epson was founded in Japan, a nation blessed with outstanding natural beauty and a rich cultural heritage. Our commitment to protecting such abundant gifts for future generations has never wavered. We constantly pay close attention to social issues and dedicate ourselves to addressing them, as our timely elimination of chlorofluorocarbons makes clear. Underpinning everything we do is the philosophy of efficient, compact, precise innovation. After all, bigger is not always better.

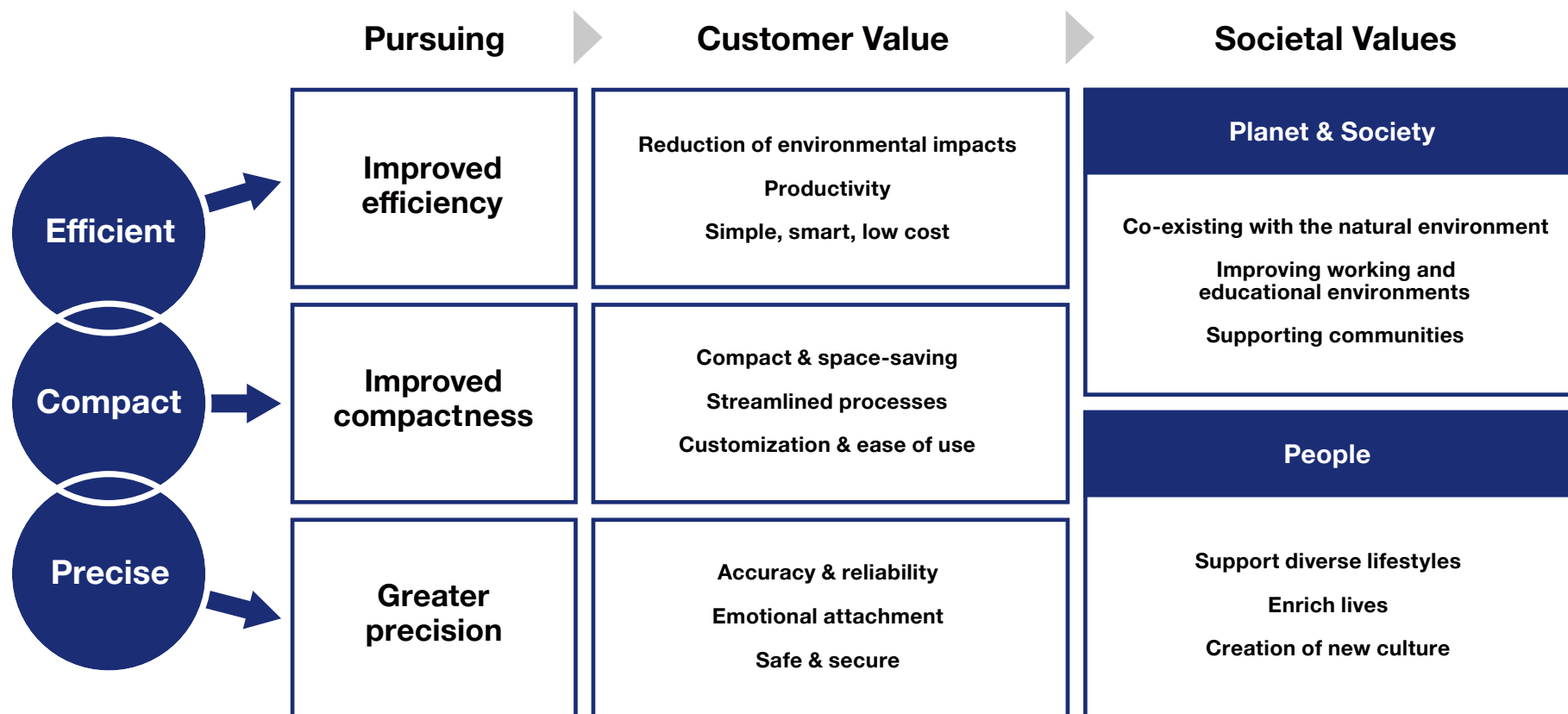
We firmly believe that energy saving solutions, space saving innovation and ultra-high precision help to protect the natural environment and enrich communities. With our philosophy of efficient, compact, precise innovation, we deliver more meaningful value that enriches lives and helps create a better world.

We will continue to strive towards achieving this purpose.

Our Purpose

Value proliferation from Efficient, Compact and Precise Innovation

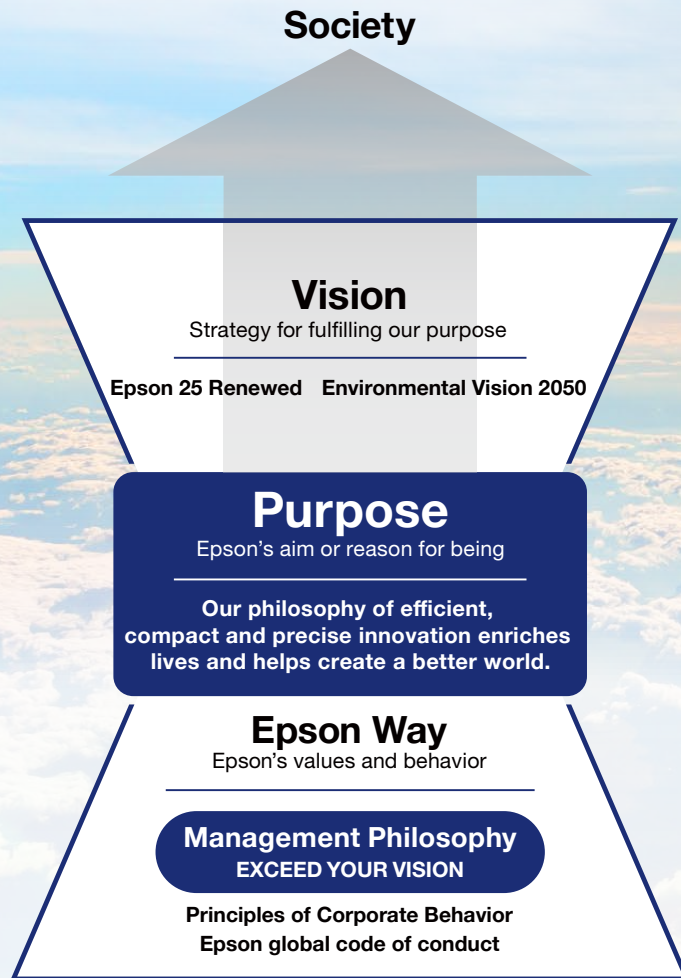
Our products and services, based on our unique philosophy of efficiency, compactness, and precision, create meaningful customer value that extends to the wider world.



Our Purpose

Within our Philosophy Structure

Our purpose is at the root of the Epson Way (the Epson Group’s values and behaviors) and is founded on the universal principles of our Management Philosophy. It both prescribes the values Epson wants to offer to society and indicates Epson’s unique aim or reason for being. The vision provides concrete guidance about what we must do to fulfill our Management Philosophy and purpose.



Our Relationship with Society

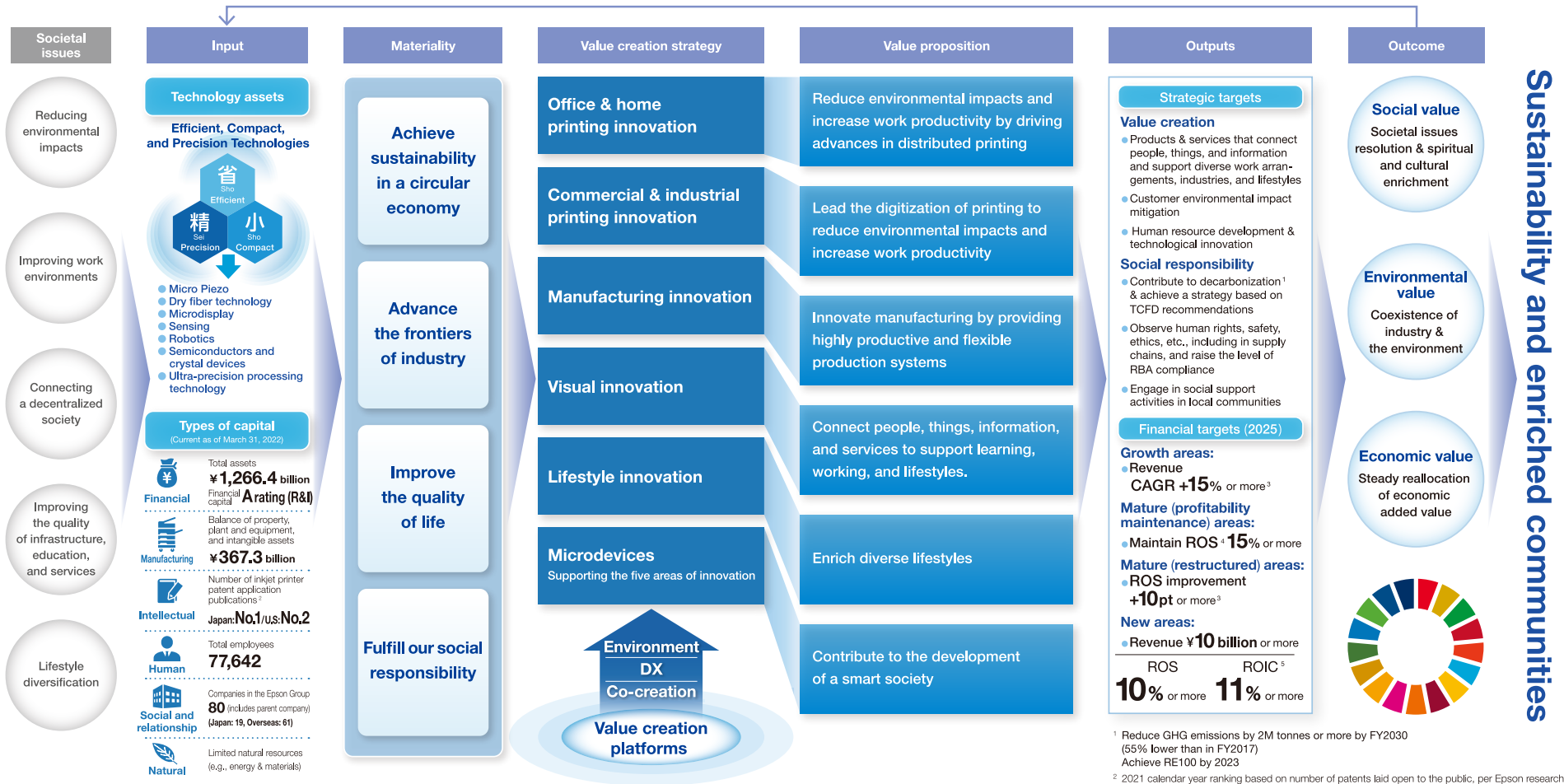
Fulfilling our purpose cannot be achieved by Epson Group employees alone. By gaining the empathy of our customers, partners, and society, we can conserve the global environment and make cultural advances to create an affluent society for the benefit of all.



Our Purpose

Value Creation Story

Based on our determination to tackle social issues, Epson has identified tangible areas where our company can make a material difference. Using innovations based on our unique, core technologies, we can deliver social, environmental and economic value that helps to achieve sustainability and enrich communities. This story shares the same objectives as the sustainable development goals (SDGs) formulated by the United Nations. It is designed to highlight the underlying principles of our purpose and how we achieve our goal.



¹ Reduce GHG emissions by 2M tonnes or more by FY2030 (55% lower than in FY2017)
Achieve RE100 by 2023

² 2021 calendar year ranking based on number of patents laid open to the public, per Epson research

³ YoY comparison

⁴ Business profit / revenue

⁵ Return on invested capital

Sustainability Management

Epson's Management Philosophy was established in 1989. It declares our commitment to customer satisfaction and sustainability, and today embodies the ideals of the SDGs and sustainability management. Guided by our Management Philosophy, we will continue to contribute to solutions to societal issues. With the world looking for a pathway to true sustainability, we believe we must practice sustainability management to both drive corporate growth and solve societal issues through co-creation and collaboration with partners who share our vision of enriching the world for future generations.

Solving societal issues, driving growth, and contributing to sustainability

Tatsuaki Seki

Director, Senior Managing Executive Officer, CFO
 Chief Compliance Officer (CCO)
 General Administrative Manager, Corporate Strategy and Management Control Division / Sustainability Promotion Office (CSuO)



With climate change, geopolitical risks, and other events threatening the sustainability of humankind, corporations are expected to play a leading role in addressing human rights issues, environmental devastation, and myriad other sustainability challenges. Epson has identified four material topics that it can address to help solve these societal issues. They are (1) achieving sustainability in a circular economy, (2) advancing the frontiers of industry, (3) improving the quality of life, and (4) fulfilling our social responsibility. We are now working in line with Epson's value creation story to solve issues and provide value. Materiality lies at the heart of management at Epson. We identified material topics based on societal issues, and our business activities are entirely geared toward finding solutions. In other words, sustainability is the vehicle that will drive Epson's corporate growth. We regard the current social environment, in which corporations are expected to respond to societal issues, as an accelerator. By focusing more tightly on solutions, we aim to grow together with society.

In 2019, Epson joined the Responsible Business Alliance (RBA), a global coalition dedicated to corporate social responsibility (CSR) in global supply chains. We are now executing actions to strengthen our labor, health and safety, environment, governance, and other value creation platforms in line with the RBA Code of Conduct.

In line with our environmental vision, we advanced toward decarbonization in FY2021 by switching to renewable electricity at all our domestic plants and offices. We have also adopted the TCFD recommendations to demonstrate the sustainability of our business operations. We continue to assess the quantitative financial impact of climate change from both a risk and opportunity perspective and to disclose the results.

In April 2022, we revised our Human Rights Policy. We continue to fulfill our duty to uphold human rights in cooperation with local communities and suppliers while working to strengthen the foundation of all corporate activities around the world.

The corporate purpose that we established this September defines the role that the Epson Group serves in society. Our reason for being is "Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world." and we are evolving toward sustainable management that solves societal issues and drives corporate growth.



Sustainability Promotion Organization

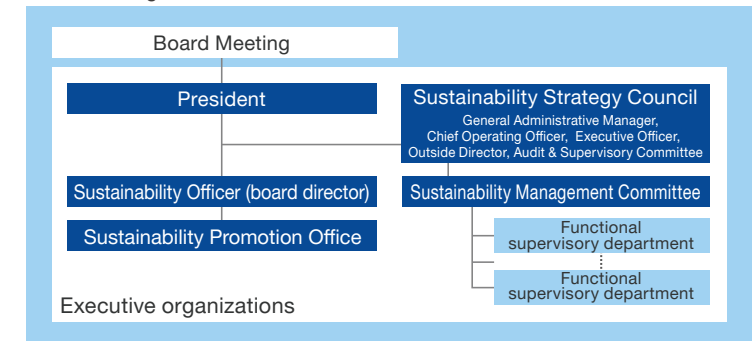
Epson's Sustainability Promotion Office reports directly to the president. The office is headed by an executive officer who has responsibility and authority for sustainability activities (sustainable growth based on societal needs) across the entire Epson Group.

The Sustainability Strategy Council, which is made up of senior executives along with outside directors and members of the Audit & Supervisory Committee, serves as an advisory body to the president. It is responsible for exploring and deciding the strategies and direction of Group-wide sustainability initiatives. The Sustainability Strategy Council reviews social trends, formulates the Group's long-term sustainability strategies, reviews social actions taken, and discusses initiatives for addressing important issues.

The Sustainability Management Committee is subordinate to the Sustainability Strategy Council. It studies and discusses matters related to sustainability that require specialized knowledge. This committee, which is composed of the general managers of certain supervisory departments, advises and reports to the Sustainability Strategy Council.

The Sustainability Promotion Office handles the administrative affairs of these two meeting bodies, regularly reports to the board of directors, and endeavors to increase the effectiveness of sustainability activities.

Promotion Organization



Sustainability Management

Epson's Management Strategy

Materiality lies at the heart of management at Epson. We identified material topics based on societal issues, and we gear our business activities toward finding solutions to them.

That is why we heavily invest our management resources not only in business growth but also in actions that support our operations and enable us to fulfill our social responsibility. We seek to achieve social sustainability through a cyclical process in which we solve societal issues to fuel business growth and then use this growth to drive solutions to even more issues.



Feature 1

Driving Towards Purpose

We will pursue not only material and economic wealth but also spiritual and cultural enrichment.

We will approach the development of our business by asking ourselves how we can create a better world and enrich people's lives by providing solutions to societal issues.

Materiality (High Priority Issues That Epson should Address)



Achieve sustainability in a circular economy



Advance the frontiers of industry



Improve the quality of life



Fulfill our social responsibility



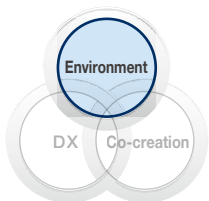
Achieve Sustainability in a Circular Economy

Societal Issues: Decarbonization, Resource Depletion, Water Resource Conservation

Eco-Conscious Offices



Epson is committed to reducing greenhouse gas (GHG) emissions as part of the worldwide effort to meet the Paris Agreement goal of limiting global warming to below 2°C. Printers and photocopiers account for 10%⁴ of office power consumption. Our inkjet printers offer outstanding energy efficiency and can cut office CO₂ emissions by 47%² or more. High-capacity ink tanks and simple housings mean fewer consumables, fewer limited lifetime parts, and more effective use of resources. Our inkjet products, in combination with our dry process office papermaking system, can realize eco-conscious offices that recycle waste paper right in the office. We will continue leading the transition to a circular economy by providing an eco-conscious printing environment that reduces costs and increases productivity.



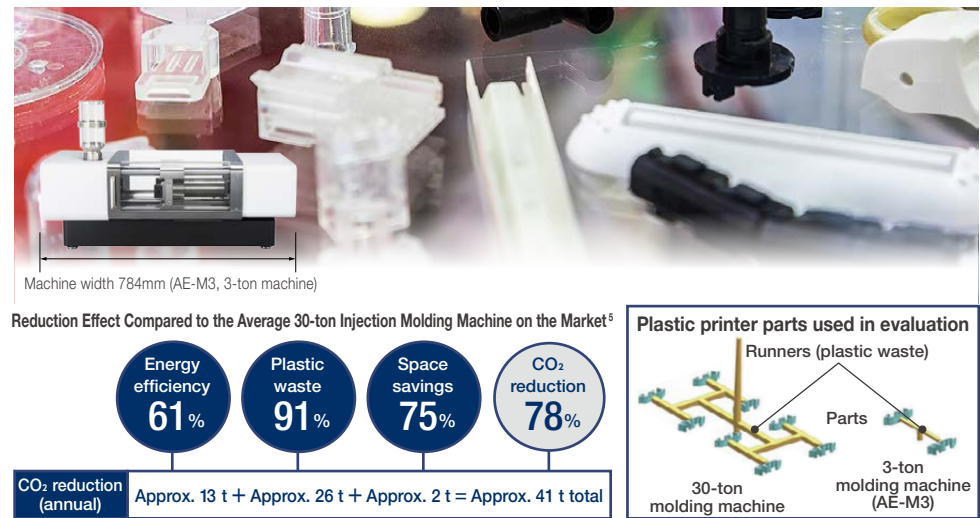
Related Visions and Targets

Value Creation Strategy	Office & Home Printing Innovation
Linked SDGs	

Achieve Sustainability in a Circular Economy

Societal Issue: Resource Depletion

Make More with Less: Micro Injection Molding Machines for Superior Economical and Environmental Performance



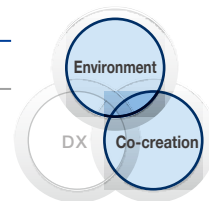
The smaller the parts, the greater the waste of materials and energy consumed in the manufacturing process. Epson's new micro injection molding machines solve this customer issue by allowing users to make more with less. Epson's AE-M3 and AE-M10 micro injection molding machines employ a proprietary disk drive system that dramatically reduces machine size, making them ideal for molding small, precision parts with exceptional energy efficiency. These machines are standard-equipped with a hot runner system that minimizes waste and efficiently uses input resources. This is another example of how we are helping reduce environmental impact and leading the transition to a circular economy.

Video of AE-M3 and AE-M10 micro injection molding machines
<https://www.youtube.com/watch?v=nv2MidBgDzs&t=14s>

See P92 for footnotes 5

Related Visions and Targets

Value Creation Strategy	Manufacturing Innovation
Linked SDGs	

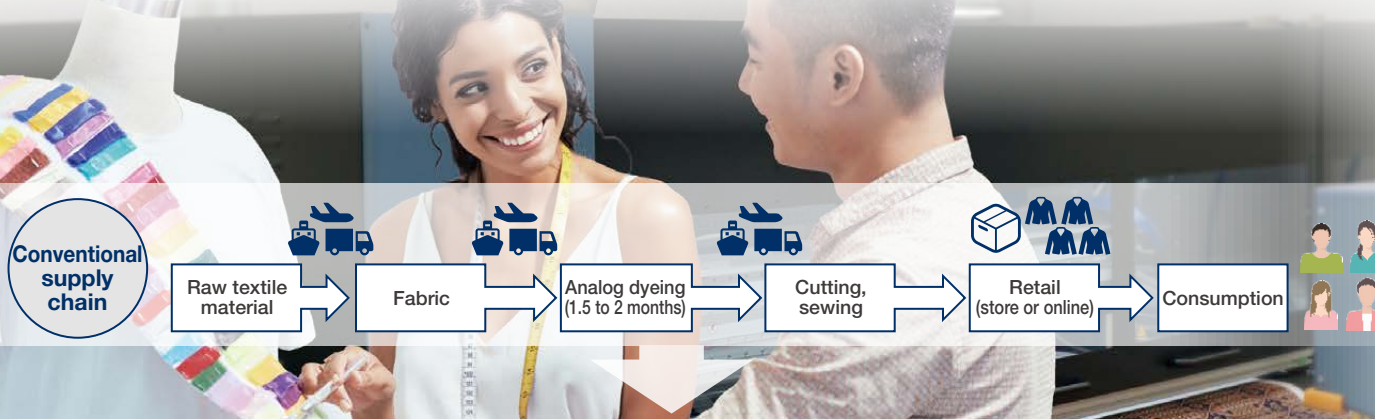


Achieve Sustainability in a Circular Economy

Advance the Frontiers of Industry

Societal Issues: Resource Depletion, Diversification of Consumers' Needs, Decentralization

Achieving Low-Resource, High-Efficiency Production and Sales Processes



Bespoke clothing can be produced sustainably



Product display
Left: Projection-mapped design
Right: Design textile printing



Monna List digital textile printer



Signage projector



With consumer needs diversifying and consumers increasingly concerned about the environment, manufacturers face a growing need to transition to short-run production. Digital textile printing involves a much simpler process than analog textile printing and thus enables manufacturers to efficiently perform short-run print jobs with faster turnaround. Our digital textile printers use proprietary inkjet technology that can reproduce designs with smoother gradations and subtler colors, expanding the design possibilities.

In addition, our projectors can provide spatial design by displaying products and designs in stores to showcase different variations. This solution can help retailers reduce physical inventory in stores and decor for spatial staging, eliminating waste through the entire process, from production to sale. Using its digital technology, Epson will contribute to sustainability by proposing solutions that enable low-resource, high-efficiency production and sales.

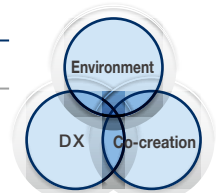
Related Visions and Targets

Value Creation Strategy

Commercial & Industrial Printing Innovation

Visual Innovation

Linked SDGs



Advance the Frontiers of Industry

Societal Issue: Improving the Education Environment

Providing fair, high-quality education in virtual classrooms with projectors

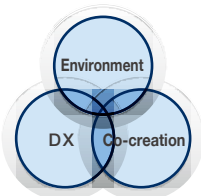


Solving issues with remote classroom solutions

The world of education is struggling with numerous challenges. In developing countries, there are not enough places or opportunities for education because the infrastructure has not been built. In developed countries, there are not enough educators.

Epson is enhancing the quality of learning in the classroom by providing projectors for the education market that affordably deliver big-screen images, are equipped with electronic blackboard functionality, and interact with students' devices. We will realize a high-quality, remote educational environment by supporting things such as digital teaching materials and cloud platforms for education to provide an equal, high-quality educational environment to all, so that no child is left behind.

Related Visions and Targets



Value Creation Strategy

Visual Innovation

Linked SDGs



Advance the Frontiers of Industry

Societal Issue: Shrinking Labor Pool, Improving the Work Environment

A public-private partnership to create robot-friendly environments

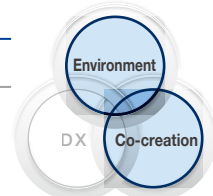


Japan's Ministry of Economy, Trade and Industry wants to create more robot-friendly environments as a means of solving societal issues. As part of this, a technical committee (TC)⁶ led by the Japan Readymade Meal Association was formed to facilitate public-private initiatives. In March 2022, the TC announced the start of a project to introduce robots that can dish up meals, develop a system to optimize production processes, and to make the robots and system practicable. As a provider of automation solutions, Epson will contribute to developing a low-cost, high-productivity, and space-saving system through collaboration with members of the TC.

We will continue leveraging our longstanding expertise in automation and our high-accuracy robots to transform production processes, thereby helping industries to further develop.

⁶ A technical committee belonging to a taskforce established by the Robot Revolution & Industrial IoT Initiative with an aim of building a model for the practical use of robots

Related Visions and Targets



Value Creation Strategy

Manufacturing Innovation

Linked SDGs



Improve the Quality of Life

Societal Issues: Lifestyle Diversification, Health Management

Combining sensing technology with an algorithm to provide personalized health guidance



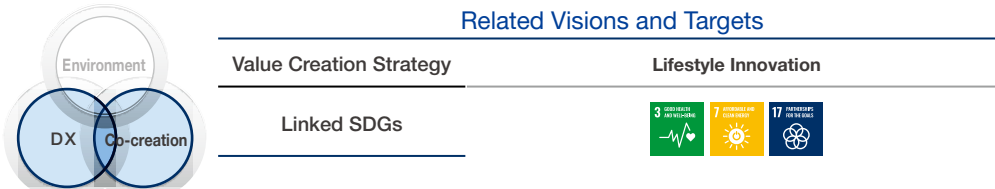
Lifestyle disease accounts for 60% of deaths in Japan. Although health insurance associations are obligated to provide health guidance to people diagnosed with a specified lifestyle disease, guidance is only provided in 22.7% of cases.⁷

In March 2022, Epson launched a collaboration with Benefit One, a health services provider, to address this problem by leveraging our respective strengths. In this project, we combine the high-precision sensing technology we have developed since 2011 with a proprietary algorithm to visualize the sensing data and deliver reports containing personalized advice. We share the reports with Benefit One, which then uses its extensive network to deliver professional health guidance.

Through this collaboration, we are helping to raise the health guidance delivery rate. This in turn will reduce the risk of contracting a lifestyle disease and control medical costs.

⁷ Source: Ministry of Health, Labor and Welfare's report on a survey of lifestyle disease diagnosis and health guidance in FY2020

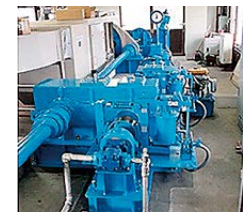
Related Visions and Targets



Improve the Quality of Life

Societal Issue: Safety Management, Provision of Infrastructure

Supporting infrastructure that protects people from increasingly prevalent floods



M-A342 VD10 vibration sensor



M-A542 VR10 dust and water-resistant vibration sensor

Global warming is causing big rainstorms and flooding to happen more often today than anyone anticipated in the past. For the safety and peace of mind of those living nearby, it is essential that dams and sluice gates built for flood control operate precisely. Epson develops and provides a digital three-axis vibration sensor for monitoring the normal operation of dams and river sluice gates. The sensor is compliant with the standard specified by Japan's Ministry of Land, Infrastructure, Transport and Tourism. It measures vibrations in the motors that open and close dam and sluice gates, helping to monitor the state of equipment and keep them properly maintained. With predictive maintenance, operators can maintain their facilities for dependable sluice gate operation at all times and protect the safety and peace of mind of local people. Our work is also contributing to the steady operation of dam systems producing renewable energy, which is taking on increased importance in recent years as a global warming countermeasure.

Related Visions and Targets





Fulfill Our Social Responsibility

Societal Issue: Mitigating Environmental Impacts, Improving the Work Environment

Fulfilling Our Social Responsibility in line with the RBA Code of Conduct



Workers' human rights, like environmental destruction, have become a serious societal issue worldwide. Epson has always taken human rights, safety, and the environment into account when doing business. However, we also need to address such issues across the entire supply chain. In April 2019, we joined the Responsible Business Alliance (RBA),⁸ a coalition that advocates for corporate social responsibility in global supply chains. We use the tools provided by the RBA to help improve work environments, mitigate environmental impacts, and take other actions that form part of our corporate social responsibility across the entire supply chain.

⁸ The Responsible Business Alliance is a nonprofit organization comprised of companies committed to ensure that working conditions across the electronics supply chains are safe, that workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible.



Responsible Business Alliance

Advancing Sustainability Globally

RBA Code of Conduct

<ul style="list-style-type: none"> • Freely Chosen Employment • Young Workers • Working Hours • Wages and Benefits • Humane Treatment • Non-Discrimination/Non-Harassment • Freedom of Association <p>A LABOR</p>	<ul style="list-style-type: none"> • 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 <p>E MANAGEMENT SYSTEMS</p>	<ul style="list-style-type: none"> • Occupational Safety • Emergency Preparedness • Occupational Injury and Illness <ul style="list-style-type: none"> • Industrial Hygiene • Physically Demanding Work • Machine Safeguarding • Sanitation, Food, and Housing • Health and Safety Communication <p>B HEALTH and SAFETY</p>
<ul style="list-style-type: none"> • 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 <p>D ETHICS</p>	<ul style="list-style-type: none"> • Environmental Permits and Reporting • Pollution Prevention and Resource Reduction <ul style="list-style-type: none"> • Hazardous Substances <ul style="list-style-type: none"> • Solid Waste • Air Emissions • Materials Restrictions • Water Management • Energy Consumption and Greenhouse Gas Emissions <p>C ENVIRONMENT</p>	

Integrating the RBA Code of Conduct

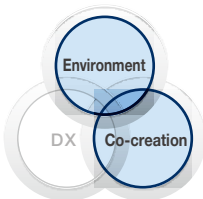
We have integrated the RBA Code of Conduct into our own rules and supplier guidelines. As well as applying them across our global workplaces, we are also disseminating them across our supply chains by encouraging our major suppliers to apply them.



Third-party compliance checking

Epson's main manufacturing sites are audited under the RBA Validated Assessment Program (VAP) to help ensure compliance with RBA requirements. In October 2021, Epson's main production site in China, whose manufactures include products such as large format printers, small printers, and projectors, joined our manufacturing sites in Malaysia, Thailand, and Indonesia as a recipient of Platinum-status recognition in the RBA VAP audit, despite the many limitations imposed by the COVID-19 pandemic. Platinum recognition is granted only to sites that receive a full VAP audit score of 200 points.

Related Visions and Targets



Value Creation Strategy

Linked SDGs

Epson's Business Activities



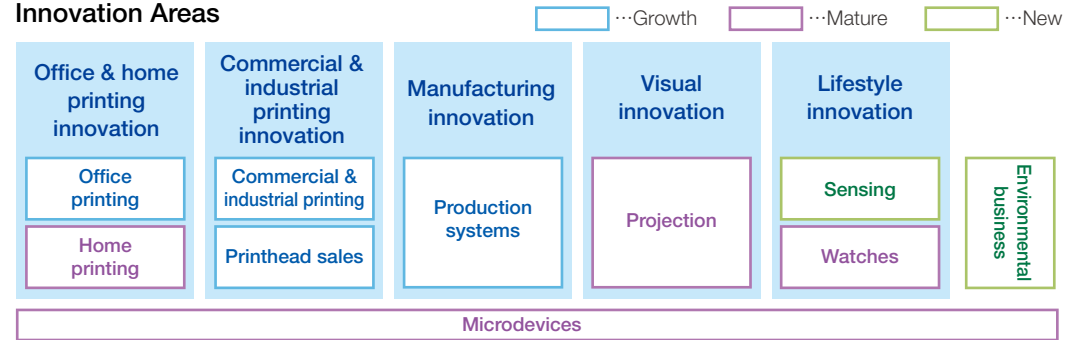
Corporate Vision

Epson 25 Renewed

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

In March 2021, Epson established the Epson 25 Renewed corporate vision, a strategy for achieving sustainability and enriching communities.

Innovation Areas



▶ Epson 25 Renewed

As demand rises for environmental and social solutions and for connectivity and information in an increasingly decentralized world, we will seek to realize our vision by providing individuals, industries, and manufacturers with smart solutions that connect people, things, and information. The environment, DX, and co-creation are key to this vision. We are emphasizing the environment and, on top of that, utilizing digital technology to achieve innovation and collaborate with partners to solve societal issues. The innovation areas were reorganized into five areas from a societal issues and customer perspective, and the businesses in each were grouped into growth, mature, and new areas to enable us to focus most on the core areas of highest priority. We are also reinforcing the business infrastructure that supports these, including sales and marketing, production, and technology development. In addition to adding ROIC (return on invested capital) to our financial targets to promote greater awareness of the cost of capital, we are emphasizing profitability and capital efficiency by clarifying the business portfolio and appropriately allocating management resources.

→ For details on ROIC and business portfolio management, see P28 "CFO Message."

▶ FY2021 in Review

Issues Addressed Under Epson 25 Renewed	FY2021 Progress
<ul style="list-style-type: none"> ● Strategic evolution of business areas <ul style="list-style-type: none"> • Product planning using customer data • Improve solutions 	<ul style="list-style-type: none"> • Increased the value of products and services and created additional revenue streams by providing subscription services and solutions • Strengthened customer touch points by launching e-commerce sites, and built a mechanism for product creation
<ul style="list-style-type: none"> ● Strengthen company-wide strategy across businesses <ul style="list-style-type: none"> • Formulate strategy centered on solving environmental issues • Provide solutions via DX • Build a co-creation framework 	<ul style="list-style-type: none"> • Switched to 100% renewable electricity in Japan • Developed technologies that utilize paper and recycled plastics to close resource loops • Built digital service infrastructure that strengthens DX customer touch points and creates additional revenue streams • Provided platforms for co-creation • Expanded investment and began collaborations focused on solving societal issues
<ul style="list-style-type: none"> ● Allocate management resources to new areas and growth areas by clarifying the business portfolio 	<ul style="list-style-type: none"> • Achieved FY21 targets in the growth & mature areas but not in the new area • Allocated resources to priorities while also investing & spending on future growth based on the strategy in each area
<ul style="list-style-type: none"> ● Strengthen business infrastructure to execute strategy <ul style="list-style-type: none"> • Leverage data to strengthen sales tied to customer support • Recruit and develop diverse human resources 	<ul style="list-style-type: none"> • Developed customer-focused sales & support utilizing digital technology • Hired talent with expertise and assigned them to priority areas

Epson 25 Renewed Corporate Vision

Environmental Initiatives

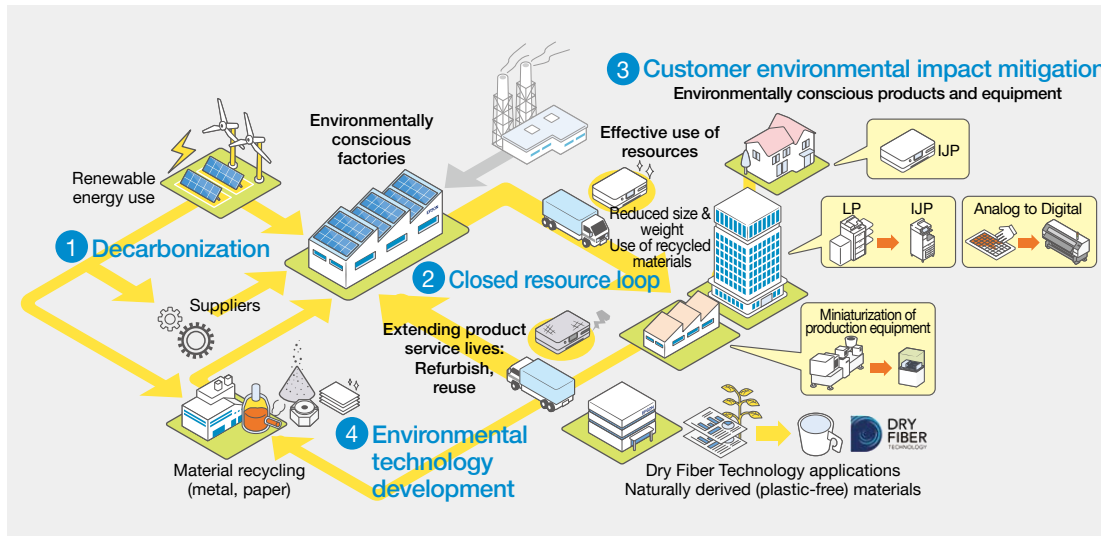


Promote decarbonization and close the resource loop, develop environmental technologies, and provide products and services that reduce environmental impacts

Declaration 50 of the 2030 Agenda for Sustainable Development states, “We ... may be the last [generation] to have a chance of saving the planet,” expressly acknowledging that the planet is in crisis and that immediate action is essential. The fact is that modern civilization revolves around the unrestrained consumption of resources and that this is negatively impacting the global environment and human society. The anthropogenic causes of the deepening climate crisis can only be overcome by human action.

Epson recognizes this and is pursuing ambitious environmental initiatives under Epson 25 Renewed. We are looking to decarbonize, close the resource loop, develop environmental technologies, and provide low-impact products and services. Decarbonization is essential for overcoming climate change. We also believe that to escape the cycle of wasteful overconsumption of resources, we must abandon the single-use approach and reuse resources repeatedly.

It is essential to begin environmental initiatives immediately and to continue them over the long term, and Epson is committed to doing so under Environmental Vision 2050. In addition to the Epson 25 Renewed corporate vision, Epson is pursuing environmental initiatives on a much longer timeline in four areas to achieve the goals set forth in Environmental Vision 2050.



These environmental initiatives seek to achieve (1) decarbonization, (2) closed resource loops, (3) customer environmental impact mitigation, and (4) environmental technology development.

One of the things we accomplished as part of our decarbonization effort was a transition to 100% renewable electricity at all Epson sites in Japan. Achieved in November 2021, the transition was completed four months ahead of schedule. This increased our renewable energy usage rate from 1% in 2017 to 49% in 2021. Our overseas sites are also switching to 100% renewable electricity and plan to complete the transition by the end of 2023. We will continue to pursue ambitious initiatives that put Epson at the forefront of the global manufacturing industry.

→ For examples of other environmental initiatives, see P61-64, “Achieving Sustainability in a Circular Economy.”



Declaration of support in Oct. 2019

Joined in Jan. 2019

Joined in Apr. 2021

Epson 25 Renewed Corporate Vision

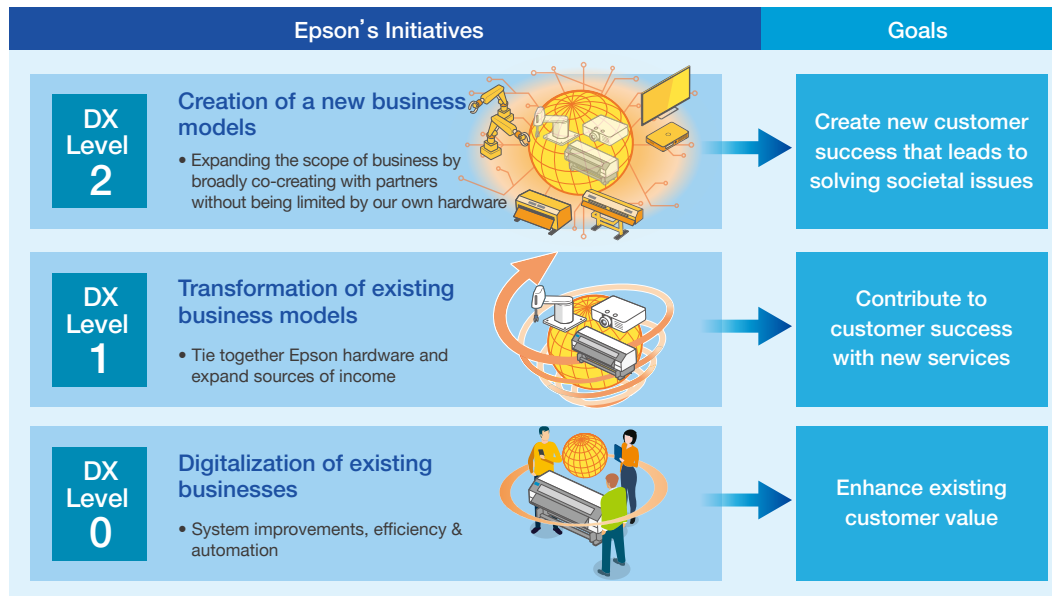
DX Initiatives



Contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs

Epson has positioned digital transformation (DX) as a key strategy for achieving Epson 25 Renewed. We will build a robust digital platform by using Epson's data and services and by creating shared infrastructure for using the data and services. We will partner with others to co-create solutions that connect us to and create long-term relationships with individual and industrial customers as well as with education and manufacturing environments.

We will take an open approach to co-creating solutions, opening our API, enabling the connection of non-Epson equipment, and providing opportunities for many partners to participate. With deep customer knowledge, we will contribute to their success by expanding support and creating new products and services. We will help transform lifestyles and create new business models by being attentive to customer needs, delivering parts and consumables when needed depending on equipment use and using data analysis to provide support. These initiatives will span the company and improve profit and sustainability.

**(1) Building digital infrastructure that supports DX**

We revamped portal sites and e-commerce sites that connect us with customers. We also improved our existing Epson platforms and began accelerating marketing automation. This has led to concrete results, such as the market launch of Epson Cloud Solution PORT, a remote monitoring system for production printers. In addition, we are providing services tailored to customer preferences and creating multiple revenue streams by digitally connecting Epson products and rolling out customer support and subscription services.

(2) Creating a customer-connected data business

Data that customers provide through connected products can be analyzed to provide actionable insights. Epson is collaborating with healthcare services provider Benefit One to link hardware and data to expand health guidance services. (→ For details, see P21.) We will be working with even more partner companies in the future to expand the scope of data use to create new value.

(3) Digital talent development

Epson is collaborating with a technical school and local university to hold ideathons in which students and Epson employees participate. The emphasis at ideathons is on collaboration with other industries, such as local tourism and sports, and on developing adaptable people with digital skills through practical training programs.

Epson 25 Renewed Corporate Vision

▶ Co-creation Initiatives

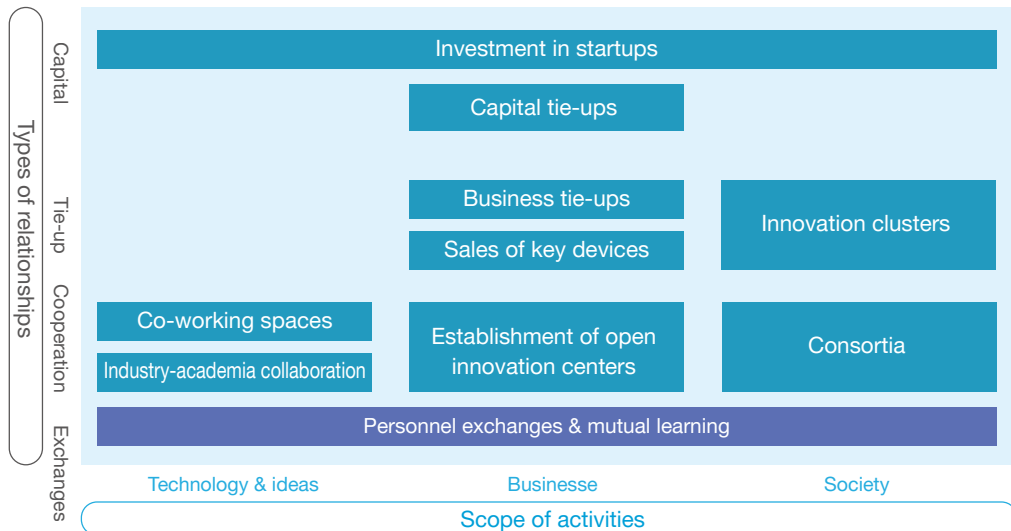
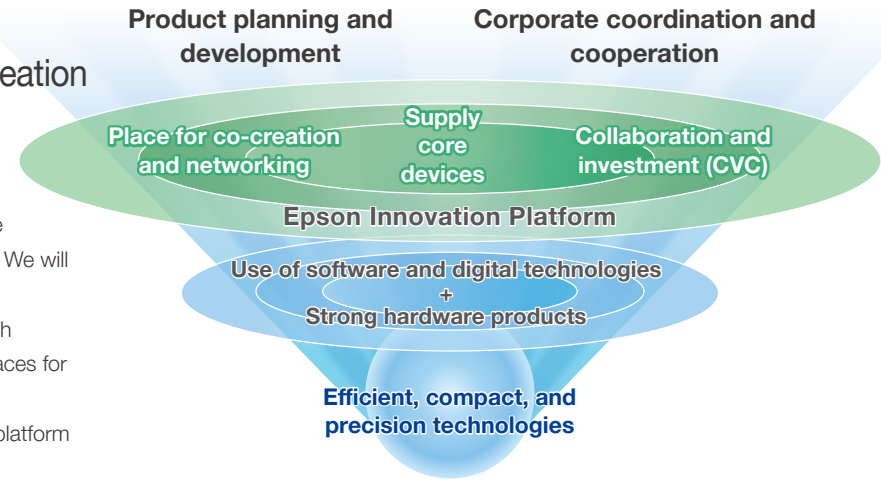


Leveraging our technologies and product families, solve societal issues with partners by providing core devices and a place for co-creation and networking, as well as through collaboration and investment

There is a limit to how much we can do alone to solve societal issues. We believe we can help solve issues by having more people effectively utilize our technology assets and by combining our technology with other technologies to create new and greater value. We will therefore further strengthen and expand the breadth of co-creation with partners around the world.

We have strong product families that are based on our efficient, compact, and precision technologies and will use these, along with software and digital technology, to forge co-creation opportunities with a range of outside partners. To this end, we will provide places for co-creation and networking, supply core devices, and offer CVC funding.

We will combine Epson's technologies, devices, and products with partners' ideas and technologies, create an Epson innovation platform that produces new value, and, together with partners, solve societal issues.



Epson X Investment (EXI), a CVC subsidiary that began operating in 2020, invests in startups that address societal issues in the fields of printing, robotics, AI, smart infrastructure, EdTech, green tech, and xR. EXI has so far invested in six startups, some of which are now engaged in collaborative projects with Seiko Epson.

We have learned a lot from conversations with these fast-moving startups that are constantly seeking new solutions through trial and error. We are building networks through collaboration and investment and are driving innovation by combining our business resources with the attributes of startups. Selling key devices such as inkjet printheads enables us to collaborate with partners who have a wider range of customer contacts than we do. And, setting up open innovation centers allows us to provide partners with hands-on experience in using our products and devices.

In March 2022, we entered into a comprehensive cooperation agreement with the Japan International Cooperation Agency (JICA) to accelerate societal solutions in developing nations by combining both parties' networks and technological assets.

CFO Message



Pursuing the Growth Strategy in Epson 25 Renewed to Provide the Financial Support to Achieve Our Purpose

Tatsuki Seki

Director, Senior Managing Executive Officer, CFO

Chief Compliance Officer (CCO)

General Administrative Manager, Corporate Strategy and Management Control Division / Sustainability Promotion Office (CSuO)

Epson has unveiled a corporate purpose that defines the role that the Epson Group serves in society. As a company dedicated to solving societal and environmental issues through its business activities, we have always placed sustainability at the center of our growth strategy. The rising demand for sustainability has opened up many new growth opportunities. Accordingly, we have committed to further strengthening our sustainability strategy, including integrating financial and non-financial activities more closely, in order to build the kind of value that differentiates us from our peers. To that end, we'll press ahead with the strategies outlined in the Epson 25 Renewed corporate vision, delivering solutions in the cross-sectoral areas of environment, DX, and co-creation.

Achieved Earnings Growth Despite Constrained Product Supply

In FY2021, we recorded top- and bottom-line growth, with revenue of ¥1,128.9 billion and business profit of ¥89.6 billion. A number of tailwinds contributed to this growth. For example, markets recovered from the effects of the pandemic and we could maintain, or even increase, sales prices for printers and other items. Demand for home printing remained strong.

The year was also notable for supply chain disruption in electronic components. Amid the disruption, our factories struggled to keep pace with demand. To address this problem, we explored alternative procurement strategies, adapted our international production network, and started using alternative products with modified designs.

Another issue we faced was rising logistics and energy costs. In response, we worked closely with our sales companies to adapt pricing and SG&A expenses to demand levels. I believe these actions proved critical in ensuring our bottom-line growth. Alongside this, we managed to put our projector and watch businesses, defined as mature businesses in our portfolio, on a profitable footing.

Around the world, the pandemic has spurred workforce decentralization. Until recently, office attendance was the norm, but we have seen a rapid rise in remote or hybrid work. This trend has kept demand high for inkjet printing for offices and homes. Just as we have adapted our inkjet business to changing social realities and market needs, we want to do the same for our products and solutions in other commercial and industrial sectors.

Revenue ¥1,128.9 billion Up 13.4 % YoY	Business Profit ¥89.6 billion Up 45.4 % YoY
Profit from operating activities ¥94.4 billion Up 98.3 % YoY	Profit for the year attributable to owners of the parent company ¥92.2 billion Up 198.4 % YoY

* Business profit is similar to operating income under J-GAAP, both conceptually and numerically. Epson began using business profit as an indicator after adopting IFRS.

Average exchange rates during FY2021

USD **¥112.37**
(6% decline YoY)

Euro **¥130.55**
(6% decline YoY)

CFO Message

ROIC, ROE, and ROS Results Far Surpass Forecasts

In a break from our excessive focus on revenue, the Epson 25 Renewed corporate vision gives due weight to profitability and capital efficiency. To demonstrate our commitment to building capital efficiency, we added return on invested capital (ROIC) to the financial metrics set out in the vision. With ROIC as a measure of the performance of capital investments, we will tighten business portfolio management to enhance corporate performance.

In FY2021, we far surpassed our initial forecast for ROIC as well as that for return on equity (ROE) and return on sales (ROS). I feel delighted that our efforts and dedication over the year culminated in these tangible results.

In that first year of the Epson 25 Renewed, the most significant accomplishment was a change in workplace culture—everyone embraced a more dynamic and agile approach. Faced with constrained product supply, our sales and marketing teams adapted to the situation with flexible thinking. When it came to controlling costs, blanket cuts were shunned in favor of optimizing costs to the level of sales revenue. Likewise, for investment, we shifted the weight to growth areas.

That said, we remain in the early days when it comes to applying ROIC in individual business segments. We want to avoid rushing ahead, as setting the wrong ROIC targets would risk repeating the mistake of the past, when we over-emphasized revenue growth. It's also true that some businesses have much higher ROIC than others do. Accordingly, we're taking time in our target-setting and considering a range of benchmarks and variables. As CFO, my role here is to lead a thorough consultation process so that policies can be tailored more closely to the realities of each business.

Consolidated Financial Targets

	FY2020 (Result)	FY2021 (Result)	FY2023 (Target)	FY2025 (Target)
ROIC ¹	5.6%	7.3%	8% or more	11% or more
ROE ²	5.9%	15.2%	10% or more	13% or more
ROS ³	6.2%	7.9%	8% or more	10% or more

¹ ROIC = Business profit after tax / (equity attributable to owners of the parent company + interest-bearing liabilities)

² ROE = Profit for the year attributable to owners of the parent company / equity attributable to owners of the parent company
Equity attributable to owners of the parent company and interest-bearing liabilities are calculated using the average at the beginning and end of the period

³ ROS = Business profit / revenue

Optimal Resource Allocations in Line with Epson 25 Renewed

The Epson 25 Renewed includes a commitment to managing our business portfolio in a way that delivers better capital efficiency. Rather than just slashing fixed costs and pursuing business profit, the vision delineates and allocates capital resources between three categories based on product life cycle: growth areas, mature areas, and new areas.

In fiscal 2021, we recorded huge earnings growth in mature areas such as projection and watches. However, we fell short of targets in new areas such as sensing and environmental businesses. It will take time to get growth in these areas, so we will keep laying the foundations here in anticipation of growth further into the future.

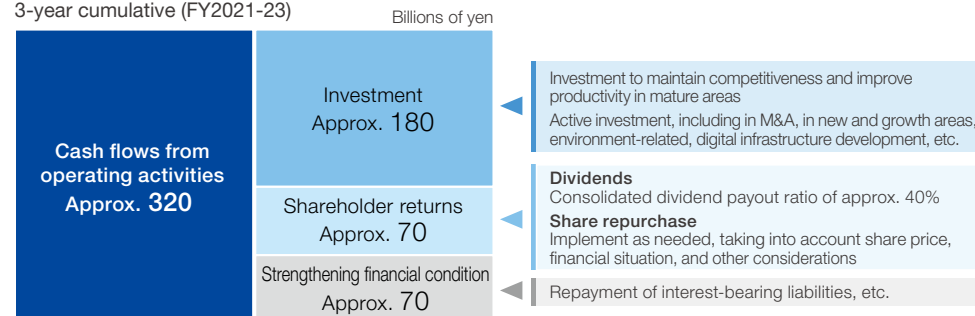
As to where we're allocating cash, having completed the large investments set out in the Phase 1 Mid-Range Business Plan, we currently have an annual budget of 60 to 70 billion yen. Given that we're generating decent free cash flows, we'll prioritize spending on new and growth areas and on infrastructure improvements such as automation and digital transformation.

Another priority is strengthening our production network and supply chains, the importance of which was brought home by the supply chain disruption in the pandemic. A concentrated production network creates more efficiency but increases the risk, so we need a more decentralized approach. However, we cannot build new factories overnight. Accordingly, we will use our proprietary automation technology and compact technology to build a flexible system of production lines in which the same product can be manufactured in more than one factory.

As for shareholder returns, we will buy back up to 30 billion yen of treasury shares and provide an anniversary decentralized dividend at the end of March 2023 as announced in May 2022. Our benchmark for consolidated dividend payout ratio remains at 40% for the time being, but it we will keep an eye on future developments and aim to deliver generous dividends to reward our loyal shareholders.

Cash Allocation

3-year cumulative (FY2021-23)



CFO Message

Epson's Business Activities Are Synonymous with Sustainability

Epson's recently announced corporate purpose clearly defines our reason for being. We are here to address and solve societal issues, and it is the environmental area where we can make the biggest positive difference.

The Epson 25 Renewed sets out four environmental initiatives: 1) decarbonization, 2) closed resource loop, 3) customer environmental impact mitigation, and 4) environmental technology development. Of these, the customer environmental impact mitigation will be critical to our growth strategy and will create the biggest impact.

Our focus is to develop and market greener products. For example, we are encouraging a shift from conventional laser printers to much greener inkjet printers. Similarly, in the apparel and textile industry, we are marketing inkjet-based digital textile printers as a sustainable alternative to the conventional practices that burden people and the environment.

We will invest more than a trillion yen toward mitigating customers' environmental impact over the next ten years. This includes an annual R&D spend of 40 to 50 billion yen and an annual capital expenditure budget of 60 to 70 billion yen.

As for the other three initiatives, they will receive 100 billion yen over the same period. This funding will power our organization's transition to becoming carbon negative.

We will be investing in businesses with a sense of determination—the determination to pour resources into mitigating environmental impact. People's values regarding the environment are shifting, with Gen Z (who are highly sensitive to environmental issues) becoming an increasingly important audience. This is good news for Epson.

Environmental Initiatives

<p>1 Decarbonization</p> <ul style="list-style-type: none"> Renewable energy use Energy-saving facilities Greenhouse gas removal Supplier engagement Carbon-free logistics 	<p>2 Closed resource loop</p> <ul style="list-style-type: none"> Effective use of resources <ul style="list-style-type: none"> Reduce size and weight, use recycled materials Minimize production losses Extend product service lives <ul style="list-style-type: none"> Refurbish and reuse 	<p>3 Customer environmental impact mitigation</p> <ul style="list-style-type: none"> Lower power consumption Longer product life Fewer consumables and limited lifetime parts digitalization of printing Miniaturization of production machines 	<p>4 Environmental technology development</p> <ul style="list-style-type: none"> Dry fiber technology applications Naturally derived (plastic-free) materials Material recycling (metal, paper) CO₂ absorption technology
--	--	---	---

Environmental investment and spending

• Spend ¥100 billion over the 10 years to 2030 **1 2 4**

- Reduce GHG emissions¹ in the supply chain by more than 2 million tonnes
- Use renewable energy to meet 100% of the electricity needs of the entire Epson Group by 2023 (achieved in Europe sales offices in April 2020, plan to achieve in Japan in March 2022)²

November 2021, Completed transition to renewable electricity in Japan

• Concentrate management resources on the development of products and services that reduce environmental impacts **3**

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

Integrating Financial and Non-Financial Dimensions to Drive Sustainability

We introduced performance-linked compensation for directors who are not Audit & Supervisory Committee members. Their compensation now varies based on performance criteria like the company's ROIC and attainment of sustainability targets. I can say that we came up with pretty revolutionary content, and this was thanks to the meticulous and brave efforts of the human resources team. Previously, compensation consisted of base compensation, bonuses, and performance-linked stock compensation. The fixed component outweighed the variable components, and it was unclear how to appraise performance. To fix this, we introduced the idea of having short-term and long-term incentives. For short-term incentives, compensation varies by ROE and the recipient's performance as director. For long-term incentives, compensation varies by ROIC and attainment of sustainability targets. We also wanted to reward directors for sustainability efforts linked with our materiality matrix. We have linked four of the key sustainability topics with a long-term incentive—restricted stock compensation. We plan to ultimately link all material issues with a long-term incentive.

Human resources and intellectual property strategies are growing even more important, with companies facing rising pressure to disclose plans for building human capital and their plans for investing in and applying intellectual property and other intangible resources. Human capital is certainly a core growth driver for Epson. We will keep refining our human resources strategy to help our organization adapt to future changes in society.

Intellectual property (IP), which underpins innovation, becomes all the more crucial as we pursue co-creation. We are prepared to fully invest in IP, the source of our strength and earning power and a major growth driver.

After assuming my post, I became strongly aware of the differences in roles and attitudes between CFOs who are shareholder capitalists and those who are stakeholder capitalists. I'm determined to fulfill my role as Epson's CFO and its chief sustainability officer. That means considering both financial and non-financial dimensions of corporate strategy and then integrating both dimensions as closely as possible to further advance Epson's sustainability strategy.



Responding to TCFD Recommendations



Epson sees climate change as a serious societal problem. The goal of the Paris Agreement is to achieve decarbonization and limit the global average temperature to well below 2°C above pre-industrial levels and try to limit the temperature increase to 1.5°C. To achieve this, Epson is working to reduce total emissions in line with a 1.5°C scenario¹ by 2030. Furthermore, Epson coordinated the revision of Environmental Vision 2050 with the announcement of the Epson 25 Renewed Corporate Vision. To attain our goals of becoming carbon negative and underground resource free² by 2050, we are working to decarbonize and to close the resource loop. We are also providing products and services that reduce environmental impacts and are developing environmental technologies.

Since indicating its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2019, Epson has disclosed information (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. Epson has decided to disclose the level of financial impact in 2021 in a quantitative manner for the first time. Furthermore, in 2022, Epson enhanced its disclosure of specific initiatives and achievements aimed at reducing GHG emissions in response to the update to the TCFD recommendations.

¹ Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTI) ² Non-renewable resources such as oil and metals

 [Responding to TCFD Recommendations](https://corporate.epson/en/sustainability/initiatives/tcfd.html)
<https://corporate.epson/en/sustainability/initiatives/tcfd.html>

Scenario Analysis Findings

We analyzed scenarios based on the TCFD framework to quantitatively assess the financial impact of climate-related risks and opportunities on Epson's strategy. In a 1.5°C scenario in which there is rapid decarbonization of society, we found that there is transitional risk of an increase in operating costs due to market changes, policies, and legislation, but we expect to limit the financial impact by strengthening products and services based on inkjet technology and paper recycling technology.

Epson will spend approximately 100 billion yen (25 billion yen from 2021 to 2025 and 75 billion yen from 2026 to 2030) over a period of 10 years ending in 2030 to accelerate decarbonization, close the resource loop, and develop environmental technology. The solution to climate-related risks aligns with the materialities we have set of achieving sustainability in a circular economy and advancing the frontiers of industry and will lead to opportunities for business expansion with Epson's low environmental impact products and services that save electricity and reduce waste. These products and services will help to mitigate customers' environmental impact and control climate change. Based on the results of these analyses, Epson will continue to try to maximize its opportunities while addressing recognized risks in order to achieve decarbonization, which we believe is a rational goal both for society and for Epson.

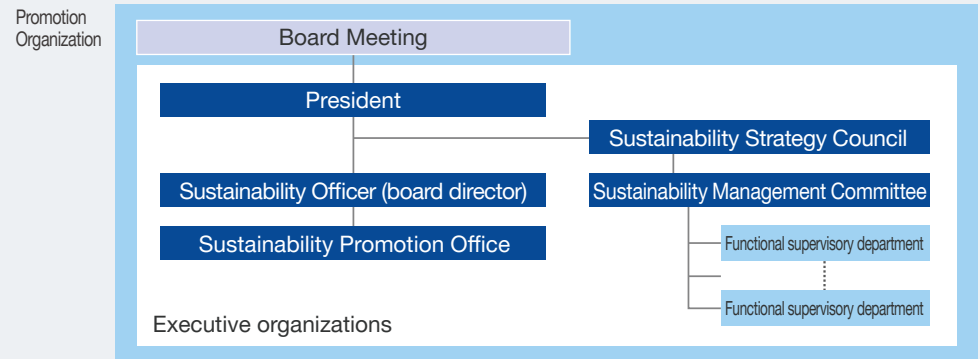
On the other hand, even in a 4°C scenario in which global warming has advanced because the world failed to take additional measures, we found that the impact of physical risks on our domestic and overseas sites due to the damages arising from weather extremes would be small.

Main Climate Change Initiatives

FY2019	FY2020	FY2021	FY2022
<ul style="list-style-type: none"> Declared support for the TCFD recommendations Studied risks of natural disasters caused by climate change (2°C scenario and 4°C scenario) 	<ul style="list-style-type: none"> Qualitatively disclosed the financial impact based on the disclosure recommendations of the TCFD framework (2°C scenario) Studied risks of natural disasters caused by climate change (1.5°C scenario) 	<ul style="list-style-type: none"> Revised Environmental Vision 2050 and set clear objectives, including becoming carbon negative Quantitatively disclosed the financial impact based on the disclosure recommendations of the TCFD framework (1.5°C scenario) 	<ul style="list-style-type: none"> Enhanced disclosures on the results of specific initiatives in line with the revised TCFD recommendations Studied risks of natural disasters caused by climate change, taking into account the changes in the IPCC Sixth Assessment Report

Governance

Important matters related to climate change are supervised by the board of directors, which receives reports at least once a year from the Sustainability Strategy Council, an advisory body to the president that plans and reviews strategic sustainability activities for the Epson Group, including matters related to climate change. In addition, Seiko Epson's president and representative director, who has ultimate responsibility and authority for climate-related issues, delegates responsibility for climate-related issues to the sustainability director, a director and senior managing executive officer. The sustainability director heads the Sustainability Promotion Office and oversees the execution of climate change initiatives, including TCFD.



Responding to TCFD Recommendations

Strategy

Epson has determined that achieving sustainability in a circular economy and advancing the frontiers of industry are material matters. To achieve these, we are reducing greenhouse gas (GHG) emissions by leveraging our efficient, compact, and precision technologies to drive innovation. Furthermore, to transform business models, increase resilience against climate change, and drive progress toward Environmental Vision 2050, we established a new Environmental Strategy Council in 2021, under which various subcommittees have been created. The committee meets regularly to discuss and formulate strategic initiatives.

Increasing resilience		FY2021 initiatives & results	
Environmental Strategy Council	Transforming business models	<ul style="list-style-type: none"> Began examining a transition to business models (e.g., expanded subscription services) that deliver environmentally considerate products and services that can be used longer and that generate less waste 	
	Decarbonization	<ul style="list-style-type: none"> Switched to 100% renewable electricity at all domestic sites. Examined switching at overseas sites. Upgraded facilities and equipment to save energy. 	
	Closed resource loop	<ul style="list-style-type: none"> Examined introducing resource loop indicators to become underground resource free. Began sales of products that contain recycled materials and refurbished equipment. 	
	Customer environmental impact mitigation	<ul style="list-style-type: none"> Increased our contribution to the reduction of environmental impacts by getting customers to replace their current products with environmentally considerate Epson products and services. 	
Environmental technology development	<ul style="list-style-type: none"> Developed technology for recycling scrap metal and reusing silicon waste material. Selected packaging material projects that apply dry fiber technology. 		

Climate-Related Risks and Opportunities in a 1.5°C Scenario

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. Six 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 increase of 1.5°C presented by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as well as on the basis of internal and external information. 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 changes Policy & laws and regulations	<ul style="list-style-type: none"> Paper demand 	Short-term	Impact	<ul style="list-style-type: none"> We were unable to detect a strong relationship between climate change and the change in paper demand, but demand for printing and communication paper is assumed to be on a declining trend. Even if the shift to paperless advances further due to changes brought about by COVID-19 (such as the contraction of office printing because of decentralization), we expect only a limited financial impact from the strengthening of products and services based on inkjet technology and paper recycling technology (reduction of printing costs, reduction of environmental impacts, increase of ease of printing, appeal using usefulness of paper information). 	Small	
		(Initiatives in Environmental Vision 2050) <ul style="list-style-type: none"> Decarbonization Closed resource loop Environmental technology development 	Short-term	Impact	<ul style="list-style-type: none"> Decarbonization of products, services, and supply chains as well as advanced initiatives in resource recycling are needed to respond to the shared global societal issues of climate change and resource depletion. Scientific and specific solutions are necessary to develop environmental technologies linked with the rapid decrease of environmental impacts. 	Response to risks <ul style="list-style-type: none"> Decarbonization <ul style="list-style-type: none"> Renewable electricity use Greenhouse gas removal Closed resource loop <ul style="list-style-type: none"> Use resources effectively Dry fiber technology applications Environmental technology development <ul style="list-style-type: none"> Naturally derived (plastic-free) materials Material recycling (metal, paper) Energy-saving facilities & equipment Supplier engagement Carbon-free logistics Minimize production losses Extend product service lives CO₂ absorption technology 	Invest a total of approximately ¥100.0 billion by 2030
Physical risks	Acute	<ul style="list-style-type: none"> Damage to business sites due to floods 	Long-term (End of 21st century)	Impact	<ul style="list-style-type: none"> Based on the results of the latest FY2022 risk assessment for 36 sites (17 sites in Japan and 19 sites overseas), the changes in future operational risks due to flooding (rivers overflowing), high tides and water shortage are limited. Short-term climate change risks to the supply chain will be addressed in line with our business continuity plans. 	Small	
	Chronic	<ul style="list-style-type: none"> Damage to business sites due to rising sea levels Impact on operations due to drought 					
Opportunities	Products and services	(Initiatives in "Environment Vision 2050") <ul style="list-style-type: none"> Customer environmental impact mitigation 	Short-term	Assumed scenarios	<ul style="list-style-type: none"> The need for environmentally considerate products and services will increase due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, sustainable production volume, and reduced resource use. 	Business opportunities <ul style="list-style-type: none"> In the growth areas defined in Epson 25 Renewed, we expect to grow revenue at a CAGR (compound annual growth rate) of 15% by providing 1) inkjet office printing, commercial & industrial inkjet printing and printheads that reduce environmental impacts, increase work productivity, and reduce printing costs; and 2) production systems with expanded use of new production devices to reduce environmental impacts. 	Large CAGR of 15% is expected in growth areas by FY2025
		<ul style="list-style-type: none"> Environmental business 	Short-term	Assumed scenarios	<ul style="list-style-type: none"> Market growth is expected in the areas of global warming prevention, waste treatment, and effective utilization of resources. The shift to a circular economy is expected to drive market growth for recycled plastics, high-performance biomaterials, bioplastics and metal recycling. 	Business opportunities <ul style="list-style-type: none"> Generate revenue by upcycling (enhancing functionality), eliminating plastics (packing and molding materials), creating new high-value-added materials and carrying out other measures through the establishment of technologies, such as applications of dry fiber technology, including paper recycling, development of naturally derived materials (elimination of plastics) and recycling of raw materials (metal and paper recycling) as effective solutions for combatting global warming and shifting to a circular economy. 	Medium

Actualization Short term: ≤ 10 years Medium term: 10-50 years Long term: > 50 years Financial Impact Small: ≤ 1 billion yen Medium: 1-10 billion yen Large: >10 billion yen

Responding to TCFD Recommendations

Epson implemented the following initiatives in FY2021 to promote decarbonization, close the resource loop, develop environmental technology, and mitigate environmental impacts on the customer's end.

Category		Evaluated risks & opportunities	Initiatives implemented in FY2021	FY2021 quantitative results
Transition risks	Market changes Policy & laws and regulations	• Paper demand	• In Office & Home Printing, sales of printers increased in terms of both units and revenue. Sales of ink were stabilized and flat year on year. The financial impact of fluctuations in demand for paper in the market targeted by Epson was limited.	—
		• Decarbonization	• Switched to 100% renewable electricity for electricity used at all domestic sites ³	¥3.32 billion (breakdown)
		• Closed resource loop	• Decided to invest in the construction of a new plant to recycle metal waste as materials for metal powder products (Epson Atmix).	• Investment: ¥1.06 billion
		• Environmental technology development	• Invested in a prototyping line for packaging materials using dry fiber technology. Reinforced manpower for environmental related areas and development of materials.	• Personnel expenses: ¥1.26 billion • Expenses: ¥1.00 billion
Physical risks	Acute	• Damage to business sites due to floods	Assessed the latest risks based on the IPCC Sixth Assessment Report for 36 sites (17 in Japan, 19 overseas). • Confirmed that the volatility in Epson's future operation risk caused by floods (river flooding), high tides and drought is limited. Implemented BCP measures against the risk of inundation of facilities on lower floors of Toyoshina Office ⁴ .	—
		• Damage to business sites due to rising sea levels		
	Chronic	• Impact on operations due to drought		
Opportunities	Products and services	• Customer environmental impact mitigation	• Promoted initiatives in the growth areas (office printing, commercial & industrial printing, printhead sales, production systems) under Epson 25 Renewed.	FY2020 →FY2021 Revenue CAGR +22%
		• Environmental business	• Established environmental business subcommittees and began examining specific steps toward expanding business through environmental technology development.	—

³ Excluding some rental properties housing sales sites.

⁴ A major domestic site with a long-term flooding risk (end of 21st century).

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.

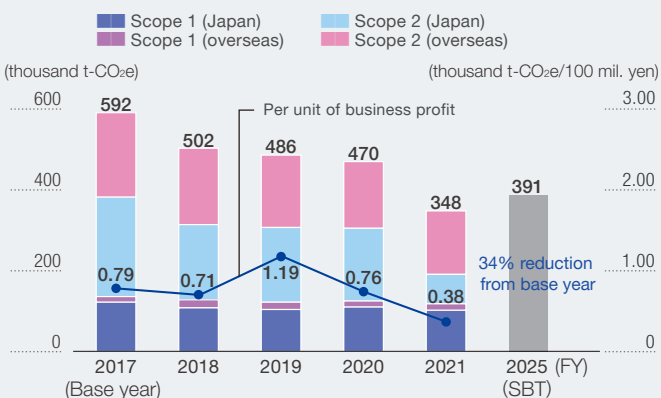
Climate-Related Risk Identification, Assessment and Management Process

1. Study	2. Identify & assess	3. Manage
<ul style="list-style-type: none"> Considering the changes in the IPCC Sixth Assessment Report, conduct surveys on natural disaster risks caused by climate change at major sites in Japan and overseas. Research social trends. 	<ul style="list-style-type: none"> Identify risks and opportunities from the policies and actions of Epson 25 Renewed and Environmental Vision 2050. Evaluate scenario analysis through the Sustainability Strategy Council and board of directors. 	<ul style="list-style-type: none"> Effectively manage risks through the Sustainability Strategy Council and the board of directors.

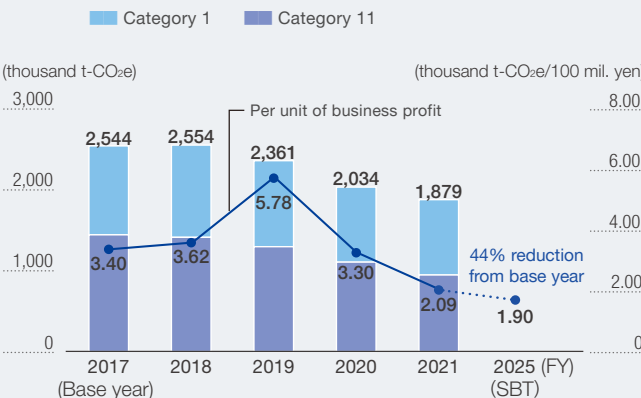
Metrics and Targets

Epson aims to achieve the medium- and long-term greenhouse gas (GHG) emission reduction targets to realize Environmental Vision 2050. For this reason, we are working to reduce environmental impacts throughout the value chain by improving the environmental performance of our products, utilizing renewable electricity, enhancing our business activities and taking other steps based on our efficient, compact, and precision technologies.

Greenhouse Gas Emissions (Scopes 1 & 2)⁶



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



* Coverage of science-based target, Category 1: Purchased goods and services, Category 11: Use of sold products

GHG Reduction Targets (general indication of aggressive total emissions reduction targets in line with the 1.5°C scenario⁵)

Scopes 1, 2, 3
Reduce GHG emissions by 55% compared to FY2017 by FY2030.

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

⁵ Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTi)

⁶ 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: Equivalents were calculated based on 100-year GWP values in the Fifth Assessment Report of the IPCC.

CTO Message



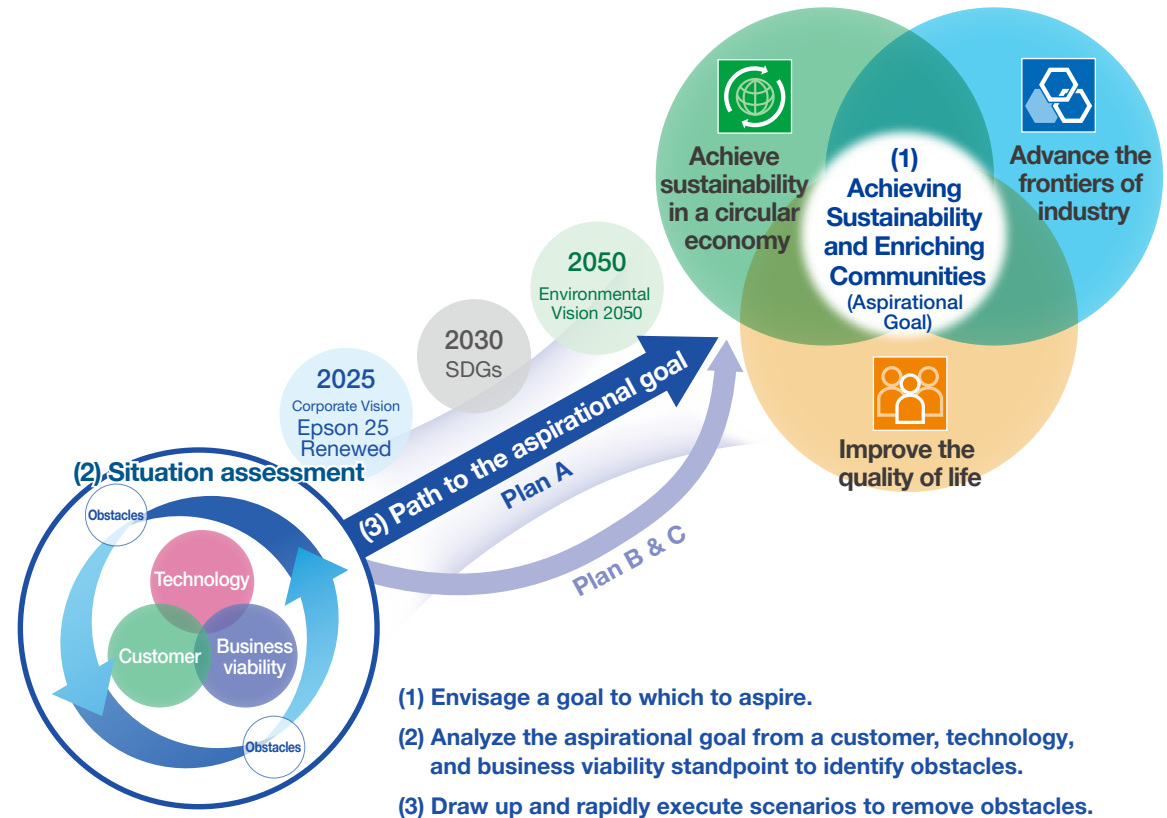
We will create the technology needed to achieve our aspirational goal and take on challenges with new ideas and methods.

Kazuhiro Ichikawa

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

Developing Technology to Solve Societal Issues

Epson has always provided value by examining ways it can use its efficient, compact, and precision technology to benefit society. Now, under Epson 25 Renewed, we are approaching technology development by first identifying societal issues and then analyzing what kind of technology is needed to solve them. This change in approach requires that we objectively evaluate our capabilities not only from a technology standpoint but also in terms of customer value and business viability. We have been drawing up the best development scenarios to close the gap between where we are and where we want to be (our aspirational goal). Epson will try to achieve sustainability and enrich communities by boldly taking on challenges with new ideas and new methods.



Identify obstacles to development, consider multiple plans that will put us on a path to achieving our aspirational goal, and quickly drive toward commercialization and business development

To move forward quickly on technology development, we assess the situation and identify obstacles that must be cleared if development is to succeed. Then we think of solutions as we prepare multiple scenarios to get us to the goal. We assess the situation from a customer, technology, and business viability standpoint to identify obstacles. We then consider what makes them obstacles and think of ways to clear them as we develop an overall picture of the product commercialization process. Imagining multiple scenarios simultaneously provides a shortcut to commercialization. The scenario that is most likely to yield the greatest benefits if development succeeds is considered Plan A and is given the highest priority. Plans B and C are scenarios that will yield inferior results in terms of quality, cost, or delivery but have lower hurdles to clear and can achieve the main objective. Concrete actions to eliminate obstacles, including co-creation and collaboration with external partners, are being considered.

CTO Message

Contribute to Solutions Through Technology

Achieve Sustainability in a Circular Economy
 Developing technology to decarbonize, become underground resource free, and close resource loop

▶ Closed-loop recycling with Dry Fiber Technology (DFT)

We have begun using DFT to produce sound-absorbing and cushioning materials for equipment and, as a member of the Pararesin Japan Consortium, are also using DFT in the development of bio-based plastics.

▶ Metal recycling scheme and business creation

Epson Atmix Corporation is leading a project to create a metal recycling scheme within Epson. It is also developing products that utilize metal powder manufacturing technology and developing functional modifications of metal powders. In addition, a metal smelting furnace and other new equipment for recycling used metals will be installed and put into operation in 2025.

▶ Co-creation

We are communicating with customers to create new value in partnership with them.

Improve the Quality of Life
 Using Epson's sensing and other unique technologies to make lives safer and more comfortable and reassuring

We provide sensing solutions that make lives safer and offer peace of mind. Built around our efficient, compact, and precision technologies, our vital sign sensors monitor health while our vibration sensors enable smart infrastructure monitoring. In addition, sensing technology that is currently used in colorimeters and other Epson products that use spectroscopic devices is being applied in the development of technology that will improve the quality of life.

Epson has defined material topics (“materialities”) that it can address in order to solve societal issues and attain its goal of achieving sustainability and enriching communities. Focusing on initiatives to address the material topics, we are developing technologies to solve societal issues.

Advance the Frontiers of Industry
 Creating environmentally considerate production systems to advance the frontiers of industry

▶ Micro injection molding machines

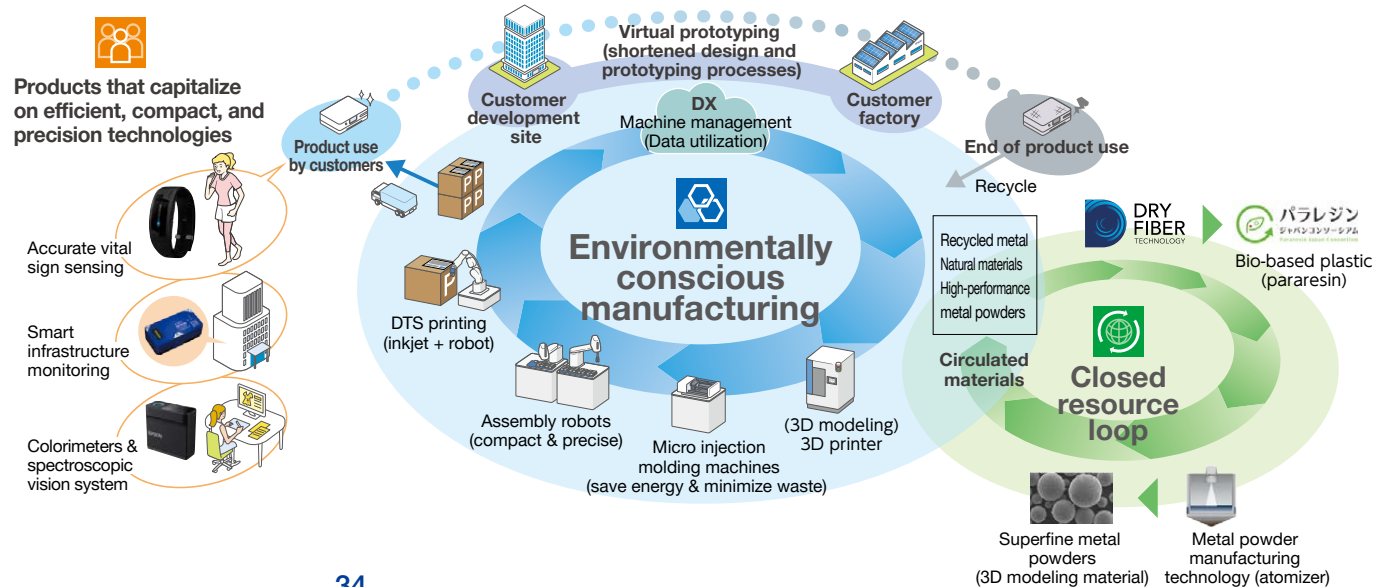
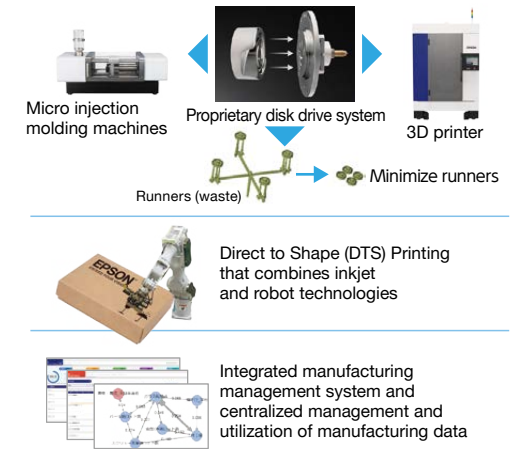
Epson's micro injection molding machines have a proprietary disk drive system that saves space and power. Our unique hot runner system minimizes runners (parts that become waste material) for fast, waste-free molding. This technology is also used in the development of 3D printers that can use general-purpose materials and achieve the precision, strength, and low cost required for industrial parts.

▶ Direct to Shape (DTS) Printing system that combines inkjet and robot technologies

We are developing a DTS printing system that combines high-speed inkjet technology and precision robot technology to provide more efficient and flexible manufacturing processes.

▶ Digital transformation in manufacturing

We are developing an integrated manufacturing management system to drive DX in manufacturing. The goal is to revolutionize the production process to increase production stability, quality, and efficiency by controlling processes and managing equipment that are connected via a common technology standard.



Intellectual Property Strategy



Mission

Convert intellectual property (IP) in the broad sense (as well as IP rights, this includes assets like brands and data) into assets that drive sustainable growth in Epson's value.

Toshihiko Kobayashi

General Administrative Manager, Intellectual Property Division

IP activity value hierarchy



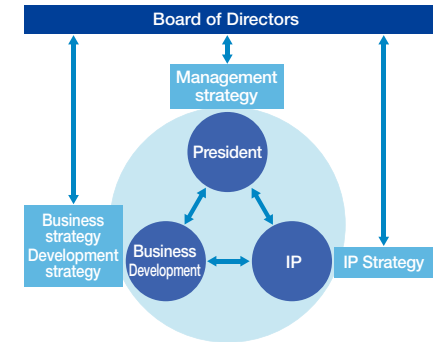
Proactive IP Activities in Line with the Corporate Purpose

Aspiring to achieve sustainability and enrich communities, Epson has recently released a corporate purpose. From this purpose, we derived the mission statement shown above. This statement defines the mission of our intellectual property (IP) activities. Our IP activities are proactive, not reactive. Instead of just invoking our IP rights in response to a third party's attempt to exercise rights, we proactively address latent IP issues. We stay one step ahead by acquiring and commercially exploiting IP rights in anticipation of future needs. We also aim to elevate the value of our IP activities to level 5 in the above table. To that end, we focus on three areas to support: 1) innovation, 2) co-creation and DX, and 3) branding.

→ For details, see P36

Epson's Intellectual Property Strategy Management Organization

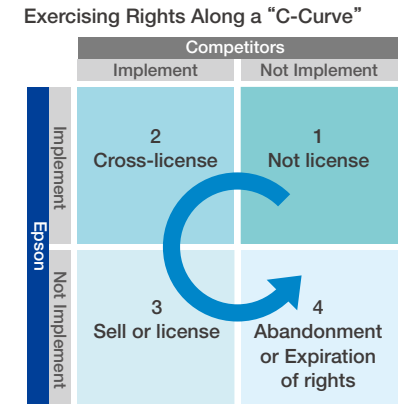
As head of IP, I regularly liaise one-on-one with chief operating officers and the Technology Development Division General Administrative Manager. In some cases, the president attends for a three-way meeting. This close collaboration among executive management, businesses, development, and IP constitutes a hallmark of Epson's IP operations. It also helps us develop IP strategy in lockstep with development strategy and business strategy, which is essential for safeguarding Epson's core technology. To facilitate IP strategy, Epson's IP department has appointed an IP owner for each business department and technology development department. The department also manages IP operations globally. It works with legal affairs, IP, and sales departments of the Group companies in Japan and overseas to coordinate local IP issues, contracts, and responses to counterfeiting. Alongside this, the department regularly attends meetings of the Board of Directors to brief on and discuss IP strategy and to amend the strategy based on the feedback.



Intellectual Property Utilization Strategy

The quadrant shown below guides our IP use strategy. The vertical axis describes whether we exercise the IP, and the horizontal axis describes whether a peer does so. We develop the strategy in a c-curve, going from quadrants 1 to 4.

- Non-licensed quadrant:** In-house implementation, no implementation by other companies
Epson obtains and protect rights on core technologies that are a source of competitiveness not granting licenses to others.
- Cross-licensing quadrant:** In-house implementation, implementation by other companies
Epson tries to ensure business flexibility by entering into cross-licensing agreements with competitors who want to use our rights.
- Selling and licensing quadrant:** No in-house implementation, implementation by other companies
Epson obtains a return on investment (revenue) by either selling or licensing to others rights that have contributed to the growth of business through cross-licensing agreements.
- Abandonment and expiration quadrant:** No in-house implementation, no implementation by other companies
Maintaining rights is costly, so Epson actively abandons rights that are unlikely to be productive.



Intellectual Property Strategy

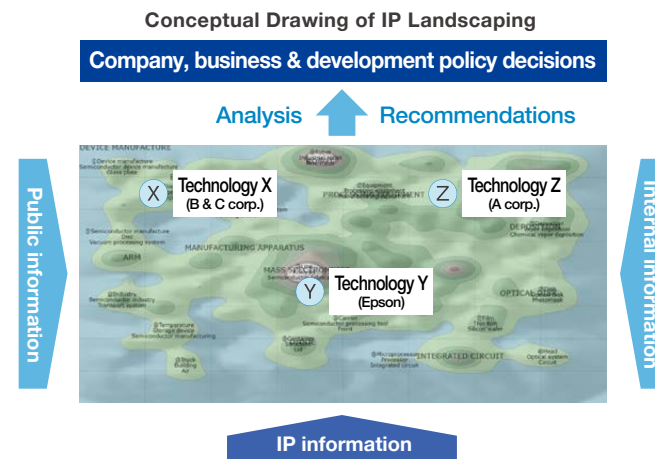
Supporting Innovation

IP Landscaping that Supports Business and Development Strategies

As defined by the Japan Patent Office, IP landscaping means to 1) analyze IP data along with information about business trends, and to 2) report the findings of the analysis (the IP landscape or outlook) to executives or administrative officers.

In Epson's IP landscaping, what matters most is to help shape decisions for the company, business, and development policy. Instead of just reporting our findings, we want our findings to culminate in a strategic decision of some kind.

Accordingly, in our IP landscaping, we prioritize environmental technological development, one of the three priority areas set out in Epson 25 Renewed. We then meet with the relevant administrative officers to report our findings and advise on the strategic implications. We also do IP landscaping for co-creation initiatives. Specifically, we evaluate potential co-creation partners from an IP perspective.



Supporting Co-Creation and DX

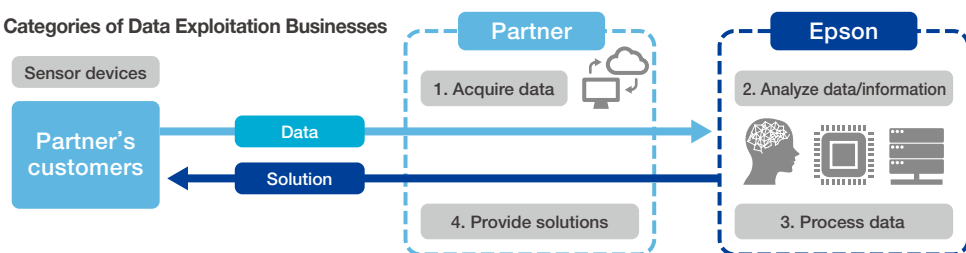
Contractual Support for Building a Co-Creation Scheme with Partners

Under Epson 25 Renewed, we are emphasizing co-creation as a way to rapidly generate new value with partners who share our vision.

To expedite co-creation, we need a contractual framework to guide the partnership. The agreement must be drafted in the right way for both Epson and the partner. The handling of the IP generated from co-creation can easily become a source of conflict, so the contractual framework should create a win-win partnership.

To that end, we are putting in place the organizational support to expedite co-creation. Specifically, we have formed a dedicated team to support the process of drafting technology license agreements. From the moment we start exploring potential co-creation partnerships, the team will be on hand to provide one-stop support. Epson is increasingly interested in founding DX business that will utilize data that constitutes valuable IP. Accordingly, we have delineated categories of data utilization businesses so that we can quickly form agreements with potential partners according to category.

Categories of Data Exploitation Businesses



Supporting Branding

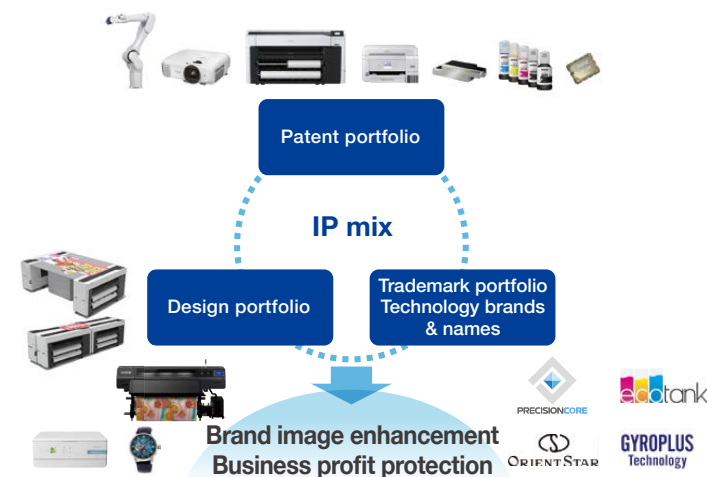
Using an IP Mix in Brand Promotion

Epson's branding strategy has two key components: 1) differentiate the brand from the competition, and 2) create a coherent brand identity and communicate it to the target customers in a consistent and sustained manner.

For the first component, when introducing our original technology and designs for products, we highlight the fact that they are protected by IP rights. This helps convey their uniqueness.

For the second element, we acquire trademark rights in our original technology and designs. This helps create a brand identity for our technology and designs and to communicate it to our customers in a consistent and sustained manner.

In this way, our customers get a clear understanding of how we consistently provide products and services that they could not find elsewhere.



Human Resources Strategy



Eiichi Abe

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

Driving Corporate and Personal Growth, and Achieving Sustainability and Enriching Communities

Human Resources Strategy

Our goal under the Epson 25 Renewed corporate vision is co-creating sustainability and enriching communities to connect people, things, and information by leveraging our efficient, compact, and precision technologies and digital technologies. As such, we are pursuing a strategy covering five areas of innovation.

Epson is working to secure specialists in these five areas, especially in growth areas. We are also bolstering human resource development by giving personnel more professional education and more rapidly rotating them through jobs that will widen their knowledge and experience, then assigning these personnel to priority areas.

Epson is also endeavoring to create an organizational climate and workplaces that capitalize on these persons. We seek to create an organizational climate in which diverse personnel are encouraged to engage in free and open communication, thereby enhancing the quality of relationships, maximizing the power of the team, and allowing both the company and its employees to continually grow. We are also working to foster a better work environment, one that meets the needs of employees working under a variety of arrangements.

At Epson, our hope is that these efforts will enable both our businesses and our employees to grow and will realize our aim of achieving sustainability and enriching communities.

Human Resource Management

Talent Acquisition

Epson formulates a staffing plan based on a forecast of changes in the workforce structure and the workforce required to realize its business strategy. In accordance with the plan, we hire new graduates and recruit highly specialized mid-career talent. Epson is allocating human resources in the growth areas of printing (office, commercial, and industrial) and production systems (robotics). We are also allocating human resources in new areas, including the environmental business, environmental technology development, and sensing. DX and sales strategy execution are two other areas where staffing is being increased, as these are the foundation of management and business administration.

In addition to recruiting the numbers we need, we are looking to increase diversity and are recruiting women, seniors, persons with disabilities, and foreign nationals. We have set a hiring goal of 25% women for new graduates. Employment of foreign nationals will be examined from multiple angles. Some foreign nationals will be hired in Japan. Others may be brought over from our overseas subsidiaries. Things will be looked at from a site strategy perspective, as well. We have already transferred some printer design functions to a Group company in Indonesia.

Development of Talent to Execute Strategy

To realize our goal, we need talented people with initiative who understand what customers need and can independently create value for them. For this, they must understand our Management Philosophy and values and must embrace our vision. They must also have a broad perspective, expertise, and the ability to respond quickly to changes. Epson has thus established an education system based on development through on-the-job training. We also provide training by echelon, as well as many types of specialized off-the-job training. Our people are also given a chance to broaden their abilities, experience, and knowledge via transfers to priority areas and job rotations. In the past, job rotations were often held up because they required management approval. Now, to facilitate job rotation we (1) allow employees to apply for job openings within the company without their manager's approval; (2) made rotation a requirement for promotion; (3) fill openings left by employees who rotated to another position; (4) added rotation-related items to management objectives and appraisals; and (5) are creating an education system for transferees. The rotation rate for FY2019 was 6%. We are working toward achieving an annual target of 15% (9.0% in FY2021).

Optimal Talent Placement

Talent placement and promotion to management are based on the concept of "role." We design global organizations to execute business strategies, define the role of each position in the organization, and then allocate and appoint the most appropriate people to that role. To achieve this, we conduct an annual human resources review at each echelon of the organization to get a bird's eye view of the staffing situation, list potential successors for each position, and review their skill development needs.

We also capitalize on overseas talent. Using the same role evaluation tools as in Japan, we measure the size and weight of each position at Group companies overseas, conduct human resources reviews for important positions, check the staffing situation, and examine succession plans with these companies. For leadership candidates at overseas Group companies, we offer education and training programs (a Global Incubation Seminar and Global Executive Seminar) to share Epson's vision and values and to develop their ability to put them into practice within their own organizations. Since 1999, more than 400 people have participated in these seminars, and seven of the eight people who currently head up Group companies overseas have attended the seminars.

* The seminars were canceled in 2020 and 2021 due to COVID-19. The seminars will resume online in 2022.

Human Resources Strategy

Diversity, Equity, and Inclusion

Promoting Diversity, Equity, and Inclusion

For Epson, the overarching goal of diversity is to innovate and realize our vision. Innovation comes from having diverse ideas and active communication. That is one reason we are developing a corporate culture and a workplace in which all employees can participate as equal and have frank and open discussions regardless of background. Another reason is that we need to understand our differences so that, together, we can come up with ways to enrich lives around the globe.

Drawing on Global Talent

Epson employs about 80,000 people in 58 countries and territories. We will further enhance communication with these people, discuss objectives, and engage in cross-border personnel exchanges so that we can contribute to society in the most effective way for a particular place and culture. We will also promote collaboration and co-creation with companies around the globe.

CEO Message

Epson's customers are the people around the world who use our products and services. To fulfill our goal of enriching the lives of as many people as possible, we must understand these diverse customers and deliver new value that surprises and delights them, and to do that, we must be diverse ourselves. An environment where differences are acknowledged, accepted, and respected is essential. Without it, we could not take advantage of that diversity. To sustain corporate growth, we must develop a corporate culture in which all employees can enjoy working and can participate in discussions as equals, regardless of background. I believe that such a workplace is indispensable for a company seeking to address and solve societal issues. In other words, the foundations for creating a free and open workplace are mutual respect and a commitment to diversity, equity, and inclusion.



Yasunori Ogawa

President, Representative Director and CEO
Seiko Epson Corporation

Closing the Gender Gap

Epson is trying to close the gender gap. In Japan, women accounted for 5% of management positions at Epson in 2022. We want the ratio of women in management to be the same as the ratio of women in our workforce, so we are working to improve career training for women, change mindsets, and introduce more flexible working arrangements. We are also encouraging fathers to participate more actively in childcare and have set a goal of 100% childcare leave.

Employees with Disabilities

Epson employs many persons with disabilities and accommodates their needs in a variety of ways. We provide easy-access restrooms, parking spaces, and other facilities. We also provide the support needed to do their jobs, including IT tools and services such as sign language interpretation. Two special subsidiaries have special provisions to accommodate employees with disabilities and allow them to make the most of their talents. Job opportunities are expanding.

Group Initiatives

The importance of diversity is explained to Group personnel at half-yearly policy meetings, and the president issues messages to explain company policies and his thoughts on diversity and the promotion of women. To promote a change in mindset among members of the workforce, we hold diversity fairs and created consortia to promote diversity within Group companies.

Advancement of Women (as of March 2022)



Women managers	Seiko Epson 31/3.7%	Epson Group 18.0%
% of women employees	Seiko Epson Regular, full time 16.9%	Epson Group 45.6%
Average tenure	Seiko Epson Women 20.3 yrs. Men 19.1 yrs.	

Employees with Disabilities (Seiko Epson and Domestic Group Companies) (as of June 2022)



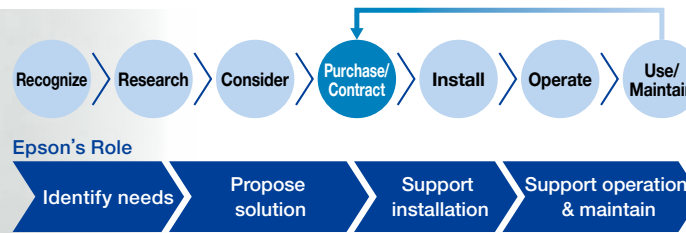
	FY2020	FY2021	FY2022
Employees	317	324	327
Percentage of workforce	2.66%	2.69%	2.70%

Sales & Marketing Strategy

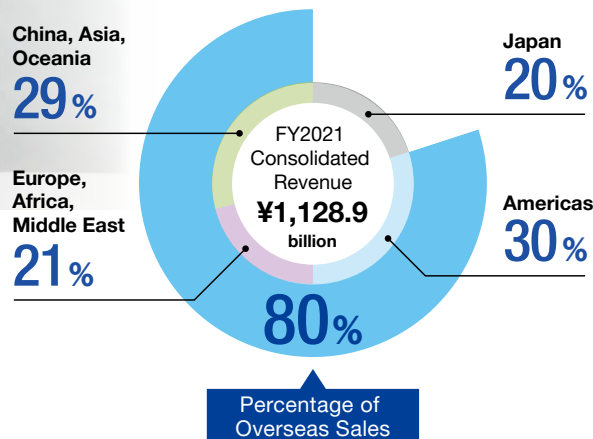


Koichi Kubota

Representative Director, Senior Managing Executive Officer
General Administrative Manager, Sales & Marketing Division



Percentage of Revenue by Region



Regional Strategy and Product Strategy

We have grouped our businesses three areas: a growth area, a mature area, and a new area. For sales and marketing purposes, these areas are further segmented by product category, and strategies are implemented by region based on the priorities.

In FY2021, 80% of our revenue came from overseas sales. Over the past ten years, overseas growth has been driven largely by sales of our high-capacity ink tank printers. With extremely low printing costs, these printers command a 40% share of inkjet printer markets in South America and Asia. To grow sales further in this product category, we will invest in a market strategy that targets the Middle East and Africa as future growth regions. Sales of high-capacity ink tank printers are also gaining momentum in North America, Europe, and Japan, where conventional ink cartridge printers used to dominate. Even in these mature markets, we will further shift away from ink cartridge models. In addition to offering a low cost per print and less frequent replacement of consumables, high-capacity ink tank printers are better for the environment, as they vastly reduce the volume of consumables that get discarded.

We continue to invest in growth in all regions in office shared printers, the primary models being high-speed linehead inkjet multifunction printers, commercial and industrial inkjet printers, where digital solutions are making inroads, and products for manufacturing, which offer solutions for automating production systems. For example, we are transforming our sales and marketing organization, expanding sales channels, and creating more and better showrooms around the world for exhibiting our differentiated solutions. In the areas of commercial and industrial inkjet printers and products for manufacturing, we are reinforcing our sales and support functions so that we can adapt rising demand for local production and local consumption.

Cross-Selling

Epson has long topped the rankings for point-of-sales printers (receipt printers) and serial dot matrix printers, and our printers serve in the systems of numerous logistics firms and banks. Our projectors also occupy a top spot¹. They are used in schools around the world. Building on this formidable track record, we increasingly cross-sell. That is, as well as selling office inkjets, we'll persuade existing customers to buy scanners and other products. Recently, inkjet sales have grown in the medical sector thanks to an important advantage: The printers require little electricity and operate on emergency power sources in disaster-stricken areas.

We'll develop compelling product packages to enhance our market strategies. Once we've built new sales channels and grown our customer base, we'll use these assets to further develop our cross-selling strategies.

▶ See P92 for note 1

Greener Products and Better Customer Service

Epson's sales and marketing teams will do their part to achieve decarbonization and close the resource loop. As well as marketing products that have a smaller environmental impact, we will market products with after-sales services that allow customers to continue using the product for many years. We will also develop a scheme for refurbishing and reusing products that have reached the end of their service life. In Western Europe, we have launched subscription services catering to local printing needs, and we will continue developing similar value-added solutions.

All these actions will create additional revenue streams, shift us away from the traditional one-time purchase model, and contribute to the environmental vision set out in Epson 25 Renewed.

To ensure success, we must strengthen our global sales network by building and maintaining customer relationships. As well as using digital technology to optimize marketing and sales processes, we will use technology to enhance customer service. For example, we will provide monitoring software to ensure stable product operation, use data to enhance customer support, and develop new services that draw on our hardware.

Sales & Marketing Strategy

Communicating Our Brand Value

Customer Value and Environmental Value

Our office and home inkjet printers eject ink with heat-free technology, so they use less power than laser printers (the dominant form of office printing). They also have fewer parts that need regular replacement. Similarly, our high-capacity ink tank printers, compared to conventional ink cartridge printers, make printing far less expensive and much more resource efficient (as fewer consumables are required). To communicate this distinctive brand value to as wide an audience as possible, we run advertising campaigns around the world. As part of this, we launched a promotional tie-up with National Geographic.

Campaign in National Geographic CreativeWorks

Campaign Outline

We asked National Geographic to create a video and other digital content to alert people about climate change. NatGeo published the content on its website and social media accounts. It also linked to a digital platform for Epson sales companies in different languages. In this way, the campaign contributes to climate action.

Video

The video features Dr. Katey Walter Anthony, a scientist active in Alaska and elsewhere. Her research examines how global warming causes arctic permafrost to thaw. As a National Geographic Explorer, Walter Anthony makes a scientific case for climate action: "When we invest in energy-saving technology, it will save us money in the long-term while reducing our carbon footprint right now."



We are building customer value and brand value across many product categories. One example is PaperLab, a dry-process office papermaking system that enables in-office paper recycling. Another is digital industrial printers that reduce the environmental impact of textile printing and other manufacturing processes.

PaperLab turns office wastepaper into new paper without using wood or water* and with minimal carbon emissions, thereby creating a closed loop in the office. PaperLab is also used in the wider community, as a solution for achieving sustainability in local economies. To that end, we launched a number of collaborative projects. One is KAMIKURU, a joint project with Kitakyushu City. Another is a local co-creation project with Shinshu University. In such projects, we work with local government, schools, and firms to collect and recycle wastepaper within the community. The wastepaper is returned to the community as recycled paper or upcycled goods. At the same time, opportunities are created for environmental education and community engagement attaining our goal of achieving sustainability and enriching communities.

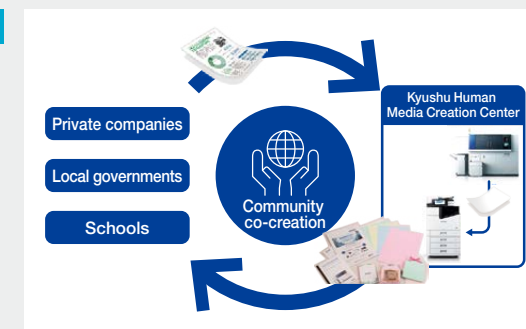
We can only succeed if enough people know about our products and services. Accordingly, we will go further in communicating our brand value to a global audience.

* A small amount of water is used to maintain humidity inside the system.

KAMIKURU a Co-Creation Project for Recycling Paper

Paper Recycling in the Community

Epson participates in KAMIKURU, a project promoted by the Kitakyushu SDGs Club. The project creates a loop for recycling paper. We take wastepaper collected by private companies, local government, and schools, and then recycle it using PaperLab. The recycled paper is ultimately returned to the community for eco-friendly inkjet printing or as upcycled paper goods. The project is run by Wakuwa-ku, a non-profit that runs welfare services for people with disabilities.



Upcycled paper goods

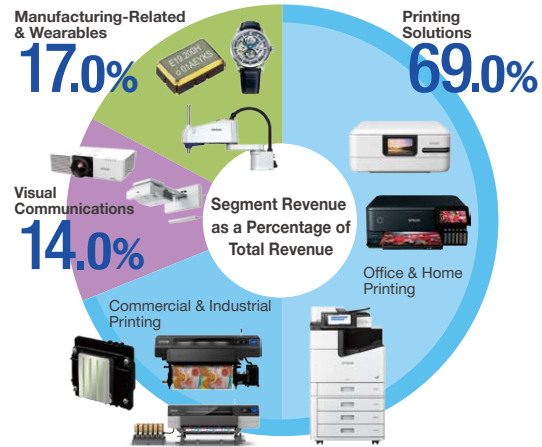
Wakuwa-ku upcycles wastepaper and sells products made with the paper.



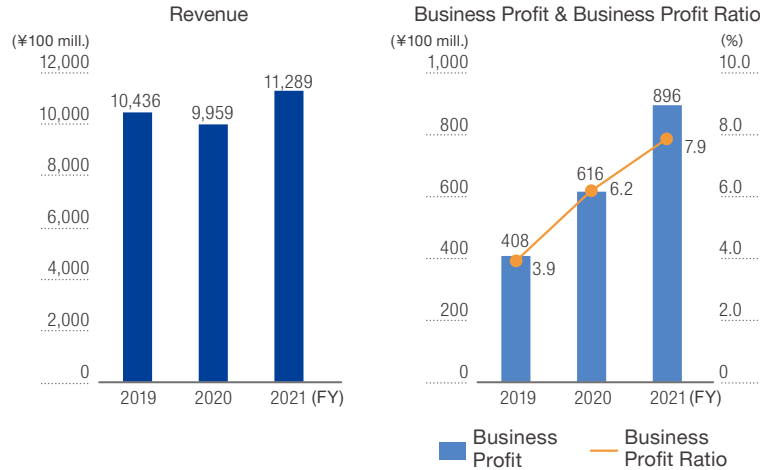
Performance Highlights (FY2021)

Consolidated Total

Revenue **¥1,128.9 billion** Business Profit **¥89.6 billion**



Financial Results Trend



Management Resources & Business Activities Data (FY2021)



Printing Solutions

Office & Home Printing Commercial & Industrial Printing

Revenue **¥779.9 billion** Segment Profit **¥106.4 billion**

overview

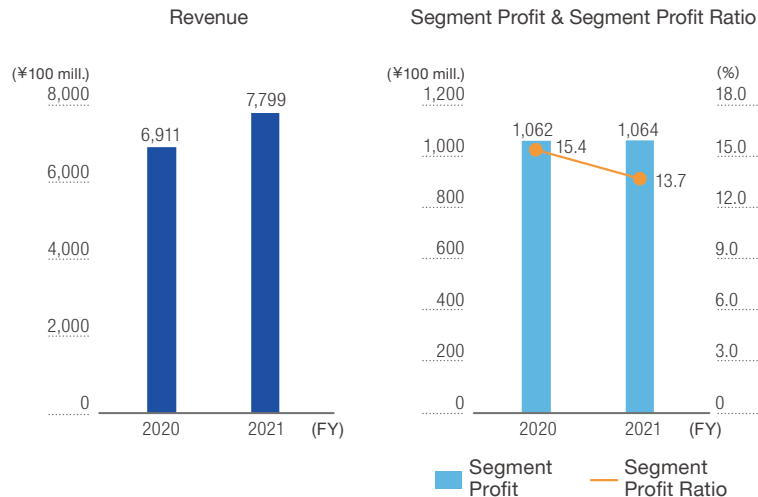
Office & Home Printing

- IJP hardware: Sales of high-capacity ink tank printers and office shared printers increased amid supply constraints.
- Ink: Sales stabilized and were flat YoY. Ink cartridge sales decreased, but high-capacity ink bottles and ink for office shared printers increased.
- Continued to contain costs and prices dynamically to counter sharply higher materials and logistics costs.

Commercial & Industrial Printing

- Commercial & industrial IJP sales increased thanks to an enhanced product lineup.
- Printhead sales expanded in China, etc.
- Continued to invest in future growth.

Financial Results Trend



Management Resources & Business Activities Data (FY2021)



* The business segment was changed from FY2021. The FY2020 amount was recalculated using the measurement method of segment information for FY2021.

Performance Highlights (FY2021)

Visual Communications

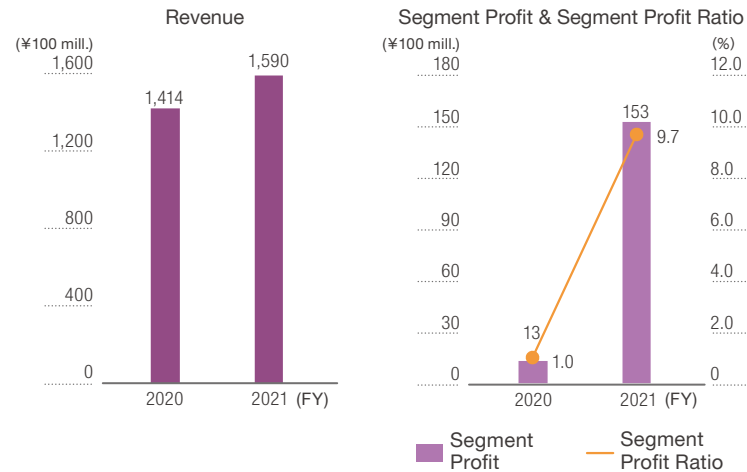
Visual Communications

Revenue **¥159.0 billion** Segment Profit **¥15.3 billion**

overview

- High-brightness projector and home projector sales increased despite supply constraints as markets recovered from the effects of COVID-19.
- Profitability sharply improved owing to restructuring, etc.

Financial Results Trend



Management Resources & Business Activities Data (FY2021)



Manufacturing-Related & Wearables

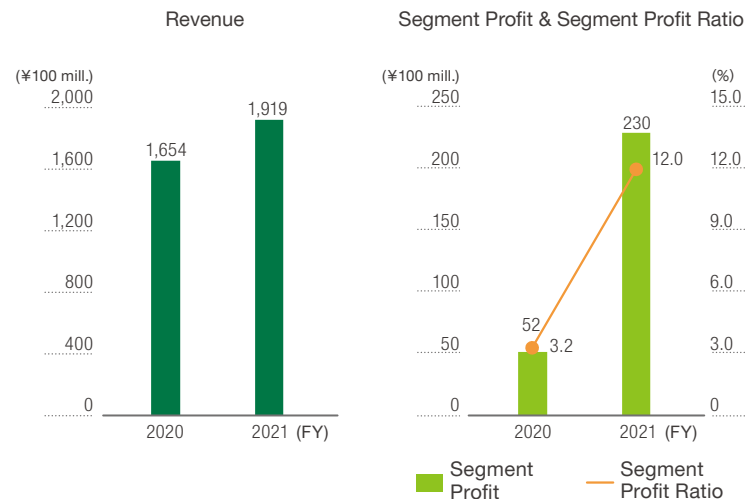
Manufacturing Solutions Wearable Products Microdevices, Other PC

Revenue **¥191.9 billion** Segment Profit **¥23.0 billion**

overview

- Manufacturing solutions: Set a new unit sales record for robot units, which includes SCARA robots.
- Wearable products: Profitability sharply improved owing to restructuring, etc.
- Microdevices, other: Strong sales of crystal devices and semiconductors on brisk demand.

Financial Results Trend



Management Resources & Business Activities Data (FY2021)



* The business segment was changed from FY2021. The FY2020 amount was recalculated using the measurement method of segment information for FY2021.

Value Creation through Business

Innovation Strategy

Office & Home Printing Innovation

Commercial & Industrial Printing Innovation

Growth area

Mature area

Printing Solutions Business

Goal

Use inkjet technology and open solutions to drive the evolution and decentralization of printing, advance the frontiers of industry, and mitigate environmental impact

▶ Market Conditions in FY2021 and FY2022

The number of home printers in the field and pages printed grew as the number of people working and learning remotely surged. Although this growth has slowed, printing is likely to continue to decentralize due to the changes in the way people work. In commercial and industrial printing, the shift to digital printing, which excels at short-runs, is being accelerated by a growing demand for customization and heightened environmental awareness. Overall, the need for decentralized printing is expected to increase further in line with these trends. On the other hand, semiconductor and other component shortages, logistics disruptions, and other supply chain problems resulting from the pandemic and socio-economic situation continue to limit product supplies, and it is still unclear when things will return to normal. Nevertheless, we aim to improve product supply in the second half of FY2022 through a variety of business-wide measures, including product engineering changes.

▶ Initiatives to be Strengthened in FY2022

Epson's inkjet printers are energy efficient because they use Heat-Free Technology to eject ink. Moreover, our printers that are equipped with high-capacity ink tanks use far fewer resources for consumables than ink cartridge printers. Heat-Free Technology and high-capacity ink tanks are key to our environmental strategy.

We will help mitigate our customers' environmental impact by offering inkjet products that meet the needs of an increasingly decentralized workforce and an upsurge in local production in the commercial and industrial printing sectors.

To contribute more to global environmental solutions and create greater value, we will continue to communicate the environmental advantages of our inkjet technology and will build co-creation relationships (a printing innovation ecosystem) with partners.

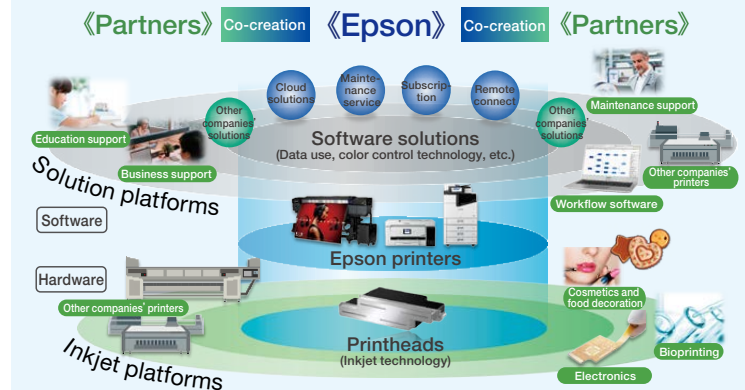
▶ Continued on P44



Junkichi Yoshida

Executive Officer
Chief Operating Officer,
Printing Solutions Division

Printing Innovation Ecosystem



Epson's Micro Piezo printheads offer outstanding cost and environmental performance. These core devices are combined with other technologies involving ink, control systems, image processing, precision processing, and production engineering to create an inkjet platform that can be used to produce printers for a wide range of applications in a wide range of fields. Our printheads can eject many types of materials other than ordinary printing ink, including biomaterials and metallic ink. We use these printheads in our own printers, but we also sell them to partners to create other types of value.

We will unleash the full potential of our inkjet printheads and application technology by partnering with others to co-create value.

▶ Initiatives to be Strengthened in Fiscal 2022 (...continued)

We will also work to understand each customer's needs and to answer those needs so that they can use our products for many years to come. ReadyPrint is a consumer subscription service with low upfront costs. Users pick a plan with a monthly fee based on the number of prints per month. First launched in Europe, ReadyPrint will be made available over an expanded territory in the future. Meanwhile, Epson Cloud Solution PORT is a total solution platform for commercial and industrial printing that currently offers services such as Production Monitor, for managing production processes, and Color Control Technology, Epson's own color management service. Epson will be adding new services to the platform to help customers expand their business.

Office & Home Printing Innovation

P Office & Home Business



Office & Home Printing

Yoichi Yamada

Executive Officer
Deputy Chief Operating Officer,
Printing Solutions Division
Chief Operating Officer,
P Office & Home Operations Division

Epson inkjet printers with high-capacity ink tanks have many benefits. In addition to infrequent replacement of consumables and good environmental performance thanks to low power consumption and minimal waste, they have a simple structure that requires few periodic replacement parts and only infrequent maintenance. Once end users and channel partners understand these advantages, we believe that inkjet printers will supplant laser printers as the dominant office printer. We will use platforms to expand our product lineup and meet the changing needs for decentralized printing as the workforce becomes more dispersed. In addition, we will provide high-value products and services by using services such as ReadyPrint to connect one-on-one with customers and gain deeper insights into their needs.

▶ Tying the Power of Human Resources to Business Growth

The mission of the printing solutions business is to serve the diverse printing needs of a vast range of customers in the home, office, commercial, and industrial printing markets. With the development of inkjet printer technology platforms, personnel have expertise in areas such as software or hardware engineering are now able to contribute more widely, working across all areas of printing, from home and office to commercial and industrial. Employees are also given opportunities to think about new solutions and services on their own, creating rewarding opportunities to contribute to social solutions and opportunities for growth. By monetizing the ideas that employees generate, we will sustain the growth of both our business and our people.

Commercial & Industrial Printing Innovation

P Commercial & Industrial Business



Commercial & Industrial Printing

Hitoshi Igarashi

Executive Officer
Deputy Chief Operating Officer,
Printing Solutions Division
Chief Operating Officer,
P Commercial & Industrial Operations Division

A wave of digitization and environmental sustainability is sweeping across commercial and industrial printing. We will ride this wave by providing products and services that deliver exceptional image quality and productivity based on inkjet platforms that capitalize on our Micro Piezo inkjet technology. We will back digitization with products that harness the potential of inkjet to print on a variety of media and materials. We will provide solutions that raise our customers' productivity by adding new services to the Epson Cloud Solution PORT platform, which supports printing at multiple sites. In textiles and other areas, we will also strengthen consulting on digital printing to support value creation.

Inkjet Solution Business



Printhead Sales

Masahiro Uchida

Chief Operating Officer,
IJS Operations Division

We will respond to the need for greener solutions and the acceleration of decentralized printing by providing printhead-based solutions that innovate our customers' printing and production processes. We will accelerate the digitalization of printing with our partners by capitalizing on the outstanding accuracy, compactness, and scalability of our Micro Piezo printheads. We will also develop new markets with applications in new fields such as printable electronics, bioprinting, and direct printing on 3D objects. In addition to selling printheads, we will work to create reliable inkjet solutions that customers can easily implement.

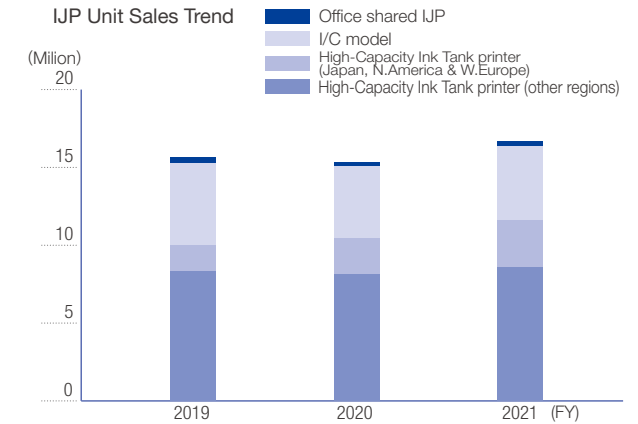
The Direction of Innovations, Epson's Strengths, and the Value Proposition

Office & Home Printing Innovation

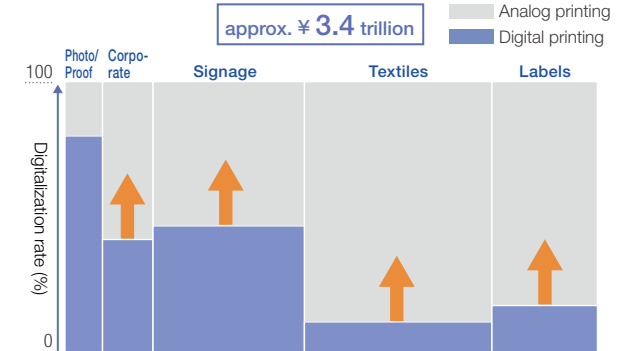
Business Area / Objectives	Societal & Business Issues	Epson's Strengths & Value Proposition
Drive a technology shift in office printers from laser to inkjets	<ul style="list-style-type: none"> Public desire for greater energy efficiency, less waste, and longer product lives Higher productivity 	<ul style="list-style-type: none"> Reduced environmental impact owing to the superior energy efficiency, simple structure, and minimal waste of piezoelectric printheads Higher productivity with faster printing & easy maintenance
Provide products that enable users to print carefree	<ul style="list-style-type: none"> Cost of consumables for printing Time spent replacing consumables 	<ul style="list-style-type: none"> High-capacity ink tank printers with far lower running costs Less time spent on maintenance
Provide solutions to more customers	<ul style="list-style-type: none"> Greater need for decentralized printing due to remote work, remote learning, etc. 	<ul style="list-style-type: none"> Subscription service plans based on users' printing needs Mobile cloud service Epson Connect and solutions that utilize Epson's remote monitoring platform
Build an in-office paper recycling process	<ul style="list-style-type: none"> Increased need for paper recycling & secure document destruction 	<ul style="list-style-type: none"> Closed paper loop with PaperLab dry-process office papermaking systems

Commercial & Industrial Printing Innovation

Business Area / Objectives	Societal & Business Issues	Epson's Strengths & Value Proposition
Shift from analog to digital	<ul style="list-style-type: none"> Increase in short-run production due to greater customization demand Massive water consumption & waste from unsold clothing Work environment improvement 	<ul style="list-style-type: none"> Digital inkjet printing enables efficient short-run production, mitigates environmental impact, and improves the work environment
Realize commercial and industrial printing with a total solution	<ul style="list-style-type: none"> High-level color matching, production control, quality control, and maintenance management in decentralized printing 	<ul style="list-style-type: none"> The easy-to-implement Epson Cloud Solution PORT Support for efficient color matching using Epson's color management technology Stable operation via remote monitoring
Inkjet for all kinds of printing	<ul style="list-style-type: none"> Acceleration of the digitalization of printing Maximization of value via collaborative partnerships 	<ul style="list-style-type: none"> Innovate customers' printing and production processes with compact, accurate, and scalable printheads and reliable inkjet solutions that are easy to implement

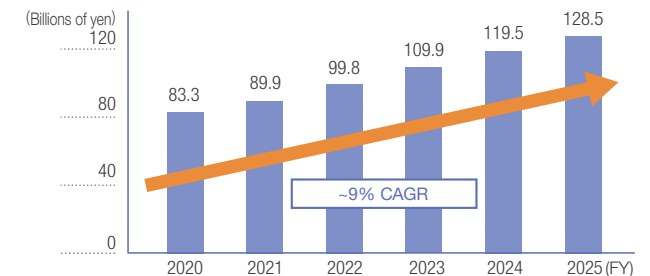


Commercial & Industrial Printing Market Size



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

Printhead Market Size¹



* Epson research based on data from research company

¹ Excludes ink, etc.

FY2021 Business Accomplishments

P Office & Home Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Displace laser printers with inkjet printers	<ul style="list-style-type: none"> Maintained growth in office workgroup printers (high-volume printing category) Grew sales of high-capacity ink tank printers in developed countries as well as in emerging countries 	<ul style="list-style-type: none"> Expanding the product lineup in the high-demand medium-speed zone of the office market Strengthening the sales network and value proposition in each region Responding to semiconductor and other parts shortages and logistics disruptions to normalize supplies
Expand subscription services and solutions	<ul style="list-style-type: none"> Began providing Epson Remote Print for WFH, a print service that will provide companies with data on prints made at home Began providing Epson Pocket Document, an application to facilitate digitized paperless operations and increase business efficiency Developed a facial recognition printing solution for satellite offices and other locations 	<ul style="list-style-type: none"> Expanding the territories in which ReadyPrint subscription service is offered Conducting proof-of-concept testing to expand educational market services
Develop platforms to efficiently develop products and services	<ul style="list-style-type: none"> Continued to expand and enhance the product lineup 	
Build an in-office paper recycling process	<ul style="list-style-type: none"> Publicized the environmental value of PaperLab via global exhibitions & promotions. Began selling PaperLabs overseas. 	<ul style="list-style-type: none"> Improving PaperLab environmental performance
Major example of collaborative & co-creation projects	<ul style="list-style-type: none"> In March 2021, began a collaborative project at JR East Station Building's first rental office. The project includes proof-of-concept testing by Epson of a new business model. 	



High-speed linehead inkjet multifunction printer



A4 color multifunction printer



A4 monochrome multifunction printer

Topic

Office Workgroup Inkjet Printers for Both High Productivity and Low Environmental Impact

Workplace location is becoming increasingly flexible. This has created a need for a low-cost yet productive printing environment that has a small environmental footprint.

Epson's office workgroup printers offer superior environmental performance, high-speed, and a low TCO (total cost of installation, maintenance, and management). For example, the LX-10050MF series of high-speed linehead inkjet multifunction printers are 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. LX series printers, which do not heat the ink in the ejection

process, use far less electricity than laser printers, and performance comparisons by an independent evaluation body show that the LX-6050M consumes about 80% less electricity per year on average than competing color laser multifunction printers.

We will expand our product lineup to capture demand for energy-saving printing solutions and, in the process, help our customers raise their productivity, mitigate their environmental impact, and lower their printing costs by providing faster print speeds, lower power consumption, and a lower TCO.

▶ See P92 for notes 2 & 3



FY2021 Business Accomplishments

P Commercial & Industrial Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Shift from analog to digital	<ul style="list-style-type: none"> Continued to grow sales in the corporate, signage, textile, and label markets Grew sales of small printers, which had slumped due to COVID-19 Launched sales of a compact colorimeter that anyone can easily use for color matching Launched sales of an entry model in the Monna Lisa series of digital inkjet textile printers suited for short-run production 	<ul style="list-style-type: none"> Responding to semiconductor and other parts shortages and logistics disruptions to normalize supplies
Expand subscription services and solutions	<ul style="list-style-type: none"> Expanded the number of Epson Cloud Solution PORT subscribers 	<ul style="list-style-type: none"> Expanding the service plan options for Epson Cloud Solution PORT
Develop platforms to efficiently develop products and services	<ul style="list-style-type: none"> Introduced new platform models 	
Major example of collaborative & co-creation projects	<ul style="list-style-type: none"> Began joint research in December 2021 with Kyoto University to create new value by combining art innovation and digital textile printing Reopened the Textile Solutions Center (TSC Asia) at Epson's Fujimi Plant in October 2021 and opened Epson Creative Square Akasaka in March 2022 to develop new markets and strengthen solution propositions 	

P Commercial & Industrial Business Growth area

Corporate (POP Graphics, Posters, CAD)

Large-format printer for POP graphics, posters & CAD



Signage (Signs & Decor)

Large-format printers for signs and displays



Textiles (Apparel & Sportswear)

Large-format dye-sublimation transfer printers for textiles



Digital textile printer



Labels (Package Printing)



Color label printer



Digital label press

Topic

Supporting Decentralized Printing with Epson Cloud Solution PORT

The experience of the COVID-19 pandemic is likely to accelerate the trend toward local production in commercial and industrial printing to realize faster, more resilient supply chains. This is creating a need for tools that enable printing firms that use large-format printers at multiple sites to accurately match colors, efficiently manage production fleets, and reduce reliance on skilled workers to perform maintenance in order to print consistently and get identical output across all sites. In 2020, to meet these needs, Epson began providing Epson Cloud

Solution PORT, a platform that supports decentralized printing. This solution enables businesses to remotely monitor the status of a fleet of printers at one or more sites on a single screen and in real time, thus helping to ensure smooth production (printing). Services on the platform will be expanded to include color matching and production process control. These services will help our customers raise their productivity as their needs change and their orders grow.



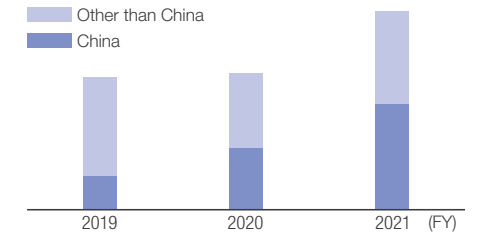
Remotely manage a fleet of distributed printers on a single screen from a PC or tablet.

FY2021 Business Accomplishments

IJS Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Expand our share in the Chinese market	<ul style="list-style-type: none"> Grew sales and expanded share in China by meeting diverse needs in a timely manner with an expanded product lineup that includes the I3200 series of PrecisionCore printheads Developed and announced sales of UV ink compatible T-series (T3200 & T1600) PrecisionCore printheads for signage 	<ul style="list-style-type: none"> Expanding market share in China by launching the T-series for medium- and large-size signage printing Expanding and enhancing the product lineup
Achieve productivity rivaling that of analog printing	<ul style="list-style-type: none"> Expanded the product lineup by adding the D3000 & S3200 series of PrecisionCore printheads Established a site in Switzerland to provide technical support and propose digital solutions for analog printing processes 	<ul style="list-style-type: none"> Developing the need for digitalization of analog printing with D3000 and S3200 series printheads in collaboration with European equipment manufacturers Utilizing the technical support center in Switzerland
Develop new application areas	<ul style="list-style-type: none"> In cooperation with customers, materials manufacturers, university researchers, and other partners, we performed new inkjet material development/evaluation, concept-proofing, and inkjet manufacturing trials at the Fujimi Inkjet Innovation Lab. We also developed technology for printing directly onto 3D curved surfaces called Direct to Shape (DTS). 	<ul style="list-style-type: none"> Various types of printheads, inkjet machines and DTS machines were added, and the Inkjet Innovation Lab was refurbished as a customer touch point and co-creation environment to accelerate development procedures.
Major example of collaborative & co-creation projects	<ul style="list-style-type: none"> Established a technical support center in Switzerland in collaboration with iPrint Research Institute (operations began in April 2022) 	

Printhead Sales Business⁴ Revenue Trend



⁴ Includes printheads, ink, etc.

Main Features of PrecisionCore Printheads

I3200 Series

The small size, cost-effectiveness, and usability expand the range of applications

T Series

A built-in heater enables ejection of UV inks, expanding the range of applications for signage printing

D3000 Series

High-frequency firing and ink recirculation to the back of nozzles enable high throughput and stable operation

S3200 Series

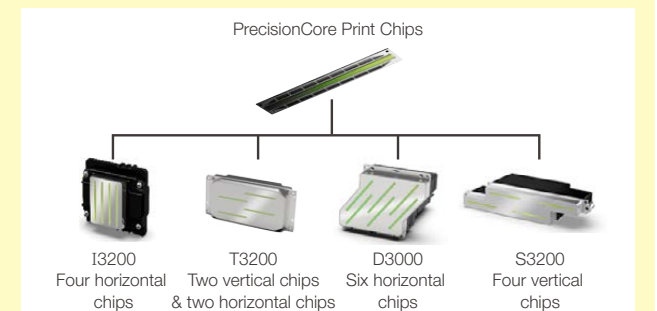
The highly scalable S-shape design can meet a wide range of needs and applications

Topic

PrecisionCore Print Chip Evolution

PrecisionCore print chips are the core components of Epson's printheads. By driving this technology forward, we will further expand the applications and markets where inkjet technology can be used. To digitalize analog label and textile printing processes where high productivity is required and to digitalize industrial applications in which special liquids are used, we will improve the ejection performance and reliability of our print chips and advance the performance of all Epson

printheads in which the chips are used. PrecisionCore print chips are capable of high-precision, high-density ink deposition and can be integrated into printheads of various shapes to meet a wide range of applications and needs. We will drive advances in print chips to improve printhead performance and solve the problems of customers who want to improve product performance while making effective use of existing assets (tangible and intangible).

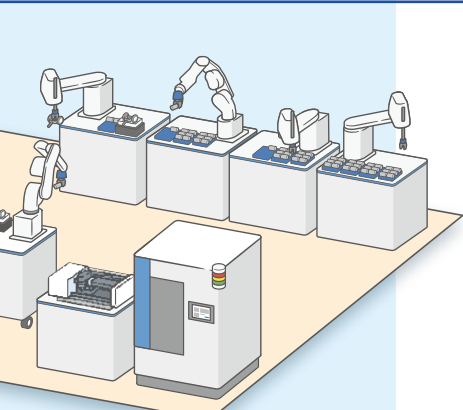


Value Creation through Business

Value Creation Strategy

Manufacturing Innovation

Growth area



Keiji Naito

Executive Officer
Chief Operating Officer,
Manufacturing Solutions Operations Division

Manufacturing Solutions Business

Goal

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

▶ Market Conditions in FY2021 and FY2022

In FY2021, demand for manufacturing-related investment was strong due to growth in environmentally conscious products such as EVs. However, short-term uncertainty increased due to geopolitical risks, parts shortages, and logistics disruptions. This trend is expected to continue in FY2022. Longer-term, we see solid market growth because many companies and organizations feel the need to innovate their production systems to improve the working environment and increase manufacturing resilience. The sectors and industries that want to automate with robots are growing more diverse. We want to offer more and better ways to solve issues and create more opportunities to contribute to society.

▶ Tying the Power of Human Resources to Business Growth

Customers who are looking to automate their factories expect to transform manufacturing with innovative solutions, and not simply install robots. To provide such solutions, we must build stronger teams of people who can engineer equipment that integrates robots and peripheral devices and people who can propose solutions to customers. We also need people who understand customer needs and can propose optimal solutions not just for the manufacturing solutions business but for the entire Group. To this end, we will develop talent by rotating people across businesses and affiliated companies. We will also develop young talent by proposing robot programming and device design curricula to educational institutions and will strengthen our DX and customer support teams to drive immediate and sustainable business growth.

▶ Initiatives to be Strengthened in FY2022

We will solidify our position as the global market share leader¹ in SCARA robots by growing sales of the GX series of SCARA robots equipped with GYROPLUS technology, which was launched at the end of last fiscal year, and by marketing RC+ Express Edition, software that simplifies the programming of robots and equipment. In addition, to realize our manufacturing innovation vision, we will launch a sales campaign for micro injection molding machines and drive further development of spectroscopic cameras, 3D printers, and other technologies and business models that will support next-generation manufacturing innovation. Moreover, in strategic regions such as Southeast Asia, India and Japan, we will accelerate our customer development and customer support capabilities and increase our ability to withstand market changes.

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths & Value Proposition
Compact production lines that include parts production, assembly & inspection	<ul style="list-style-type: none"> Stricter environmental requirements Stronger resilience Diversification of work arrangements Labor shortages 	<ul style="list-style-type: none"> Micro molding machines that reduce material, electricity, transport, and space waste Precision sensing, robot control, and image processing technologies that easily automate manual tasks
Compact, slim, lightweight, energy-efficient robots that provide high productivity	<ul style="list-style-type: none"> Lower barriers to automation Production process compatibility Automation in diverse industries 	<ul style="list-style-type: none"> High productivity thanks to Epson's GYROPLUS technology (fast, accurate operation) Extensive lineup of SCARA robots
Design & installation support		<ul style="list-style-type: none"> Ability to propose efficient, high-yield production systems based on expertise acquired in Epson's own automated production lines Use our global sales and service network to support customers who are expanding business in other regions

The Size & Growth Rate of Epson's Target Markets

Parts production	Assembly & inspection	Design & installation support
Molders ↗ CAGR 2.8% ¥1.7 trillion Worldwide	Robot² ↗ CAGR 5.5% ¥1.0 trillion Worldwide	Engineering ↗ CAGR 7.0% ¥2.1 trillion Worldwide
Micro precision injection molder ³ ↗ CAGR 4.9% ¥110 billion Worldwide	Compact robot ⁴ ↗ CAGR 8.4% ¥230 billion Worldwide	For 3C & beginners ↗ CAGR 7.0% ¥780 billion Worldwide

¹ Epson was No. 1 in terms of industrial SCARA robot unit shipments and revenue in 2021 (per Seiko Epson estimates based on Fuji Keizai "2021 Worldwide Robot Market and Future Outlook").

^{*} Monetary amounts are for 2020. CAGR is for 2020-2025 Seiko Epson estimates

FY2021 Business Accomplishments

Manufacturing Solutions Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Expand revenue by expanding and upgrading the product lineup	<ul style="list-style-type: none"> Launched the GX series with GYROPLUS Technology Had record unit sales of robots, mainly SCARA robots. Continued to grow business revenue. 	<ul style="list-style-type: none"> Expanding and enhancing new robot products and filling out the family of peripheral equipment and software Strengthening sales in India, Vietnam and Japan, where future growth is expected Launching products equipped with next-generation technologies such as 3D printers and vibration sensors
Increase profitability by developing products efficiently	<ul style="list-style-type: none"> Started the injection molding machine business under the Epson brand Investigated value propositions for 3D printers in system configurations 	
Concentrate management resources on next-generation platform expansion	<ul style="list-style-type: none"> Started proposing solutions that utilize peripheral devices in addition to stand-alone robots 	
Major example of collaborative & co-creation projects	<ul style="list-style-type: none"> Expanded and enhanced problem-solving solutions by strengthening co-creation with systems integrator partners Deepened collaboration with hand-held peripheral equipment manufacturers, expanded and enhanced libraries, and strengthened support for connection standards 	

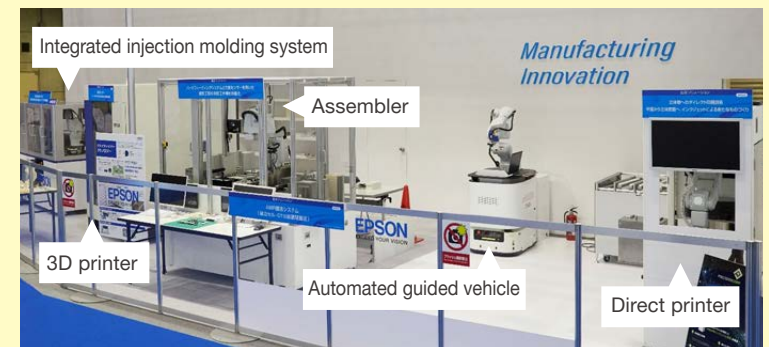


Topic

Manufacturing Innovation to Realize Epson's Vision of Factories of the Future

At the 2022 International Robot Exhibition, Epson exhibited two solutions: an idea for a quick factory solution and a manufacturing innovation exhibit that portrayed our vision of the near future. The factory solution exhibit presented ideas for solving existing problems using new products equipped with Epson's new GYROPLUS technology, our proprietary spectroscopic vision system, and simple programming software. We also introduced systems integrator⁵ partner solutions. We co-created with seven partner companies a sample model that consists of a series of processes from transport to assembly and inspection, and demonstrated how these solutions expand the range of automation support.

In the manufacturing innovation exhibit, we showed a waste-free model line that uses minimal space. We set up a model line equipped with an injection molding machine and 3D printer to demonstrate a series of integrated processes, from the modeling and molding of parts to their assembly, transport, packaging, and shipping. Epson continues to expand and enhance its lineup of cutting-edge, environmentally conscious technologies and devices for industry. In addition, we are working to provide new value by improving working environments, mitigating environmental impact, responding to decentralization, and addressing other societal issues.



⁵ Companies that recommend, conceive, install, and support automated equipment in a manufacturing process.

Value Creation through Business

Value Creation Strategy

Visual Innovation

Mature area



Visual Products Business

Goal

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

Market Conditions in FY2021 and FY2022

Although competition continues to weigh down the projector market as flat panel display prices drop, the impact of COVID-19 has bottomed out. Demand for projectors is recovering, especially for education and events. For the home, smart projectors are a growing market, particularly in China, as streaming services expand. Other factors creating new demand that taps the power of projection include hybrid work, changes in educational settings, hands-on digital art, and immersive projected spaces. However, the challenging supply chain situation is expected to continue. We are working to maximize supply by integrating manufacturing and sales to boost operational agility.

Initiatives to be Strengthened in FY2022

We are focusing on asset efficiency to reinforce the revenue base developed thus far via restructuring. Using our current assets and pursuing efficiency with new investments, we will become a more efficient organization. This year, we launched the world's smallest¹ 20,000-lumen model. By promoting sales of that model and adding home models with improved ease of installation and connectivity, we will boost our competitiveness and uphold our market presence. Epson will forge stronger customer touch points by digital means. We will increase and develop customer experience value in education, work, and home scenarios by proposing services and collaborating with other companies' services. To achieve these, we will be developing more partners in co-creation.

¹ Smallest and lightest among 20,000-lumen 3LCD projectors (excluding protruding parts and lens) launched on the market. Per Epson research (as of May 17, 2022).

Tying the Power of Human Resources to Business Growth

Two things are critical if we are to achieve our business goals. First, all employees need to understand the value that customers want. Second, our organizations must develop a culture capable of self-directed and continual value creation. With opportunities for employee growth, a better work environment, and greater job satisfaction, we encourage people and organizations to act independently. Also, we are forming a culture where employees take the lead in creating customer value by providing them with projects to develop new markets, programs for studying idea-driven businesses, and chances to share customer opinions.



Yasunori Yoshino

Executive Officer
Chief Operating Officer,
Visual Products Operations Division

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths & Value Proposition
<ul style="list-style-type: none"> ● Education Building an equal, high-quality learning environment 	<ul style="list-style-type: none"> ➔ Closing the education gap ➔ Diversification of learning 	<ul style="list-style-type: none"> ➔ Equal, satisfying viewing and communication environment with big-screen images and great cost performance ➔ Interactive learning with electronic blackboard functionality
<ul style="list-style-type: none"> ● Office & business Supporting higher productivity and creativity 	<ul style="list-style-type: none"> ➔ Diversification of work arrangements ➔ Increase in work productivity and creativity ➔ Mitigating environmental impacts of economic activity 	<ul style="list-style-type: none"> ➔ Satisfying big-screen communication environment, both real and remote ➔ Higher presentation & meeting productivity & creativity with interactivity ➔ Small, lightweight, energy-efficient products
<ul style="list-style-type: none"> ● Home Supporting lifestyle and work arrangement diversification 	<ul style="list-style-type: none"> ➔ Lifestyle diversification ➔ Restrictions on time, space & travel ➔ Advances in digitalization and acceleration of e-commerce 	<ul style="list-style-type: none"> ➔ Smart projectors that enable on-demand viewing, remote work, and remote lessons, all on a big-screen ➔ High degree of installation freedom to easily set up a high-quality, big-screen viewing environment
<ul style="list-style-type: none"> ● Lighting, signage, art Supporting digital art and captivating lighting and video displays 	<ul style="list-style-type: none"> ➔ Recovery of event demand and creation of new entertainment markets ➔ New art and culture enabled by technological advances 	<ul style="list-style-type: none"> ➔ Big-screens that deliver surprise and delight ➔ Installation flexibility that enables users to produce displays just as imagined ➔ High reliability and maintenance support for equipment that users can trust

FY2021 Business Accomplishments

Visual Products Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Restructure to achieve a lean profit structure	<ul style="list-style-type: none"> Greatly improved segment profitability owing to structural changes, better model mix, and foreign exchange effects Developed highly competitive high-brightness products such as EB-PU2220B in existing markets Expanded sales in China (collaboration with major platformer) Used apps to expand projector uses, including children's education 	<ul style="list-style-type: none"> Establishing a lean profit structure by continually improving profitability and increasing asset efficiency Maximizing sales fulfillment rate during shortages of semiconductors and other components Enhancing product lineup and promoting sales to smart projector market Deepening technological development that yields stronger competitiveness and transforming the value creation process Using smart and digital technologies to strengthen customer touch points and continually improve the customer experience
Optimize the product portfolio and realize efficient product development		
Expand sources of income by providing services and solutions		
Major example of collaborative & co-creation projects	<ul style="list-style-type: none"> Co-created with general app provider to develop more customer touch points Partnered with Japan International Cooperation Agency (JICA) to improve educational environment in countries with underdeveloped educational infrastructure 	



High-brightness business projector



Wall-mountable ultra-short throw business projector



Lightweight compact business projector with laser light source



4K² home projector

[▶ See P92 for note 2](#)

Topic

Market Initiatives in Developing Countries

Developing countries struggle with a variety of education gaps. There are insufficient opportunities to learn owing to poor infrastructure. Not every young child has access to textbooks and materials. Finally, the quality of education suffers when there are not enough teachers. To address this, Epson is promoting "portable classrooms," which are all-in-one educational products and services using projectors. The effort seeks to help teachers in the classroom and make education fair and accessible to everyone, anytime, anywhere so that no one gets left behind, even where resources are limited.

In March, we signed a comprehensive cooperation agreement with JICA. So far, we have deepened our partnership through advance

demonstrations with local grassroots organizations and held personnel exchanges involving long-term trainees and young staff members. Going forward, we will step up on-the-ground demonstration and promotion of the all-in-one education concept, for example with study tours. We will also take co-creation deeper through ideathons and inter-sector exchanges with other companies that have similar agreements with JICA.

Epson has long engaged in educational projects. We also have expertise in product robustness as well as dustproofing mechanisms for sandy environments. We will use these strengths in our various partnerships to help children achieve their dreams.



* Photo of conceptual image

Value Creation through Business

Value Creation Strategy

Lifestyle Innovation

Mature area



Wearable Products Business

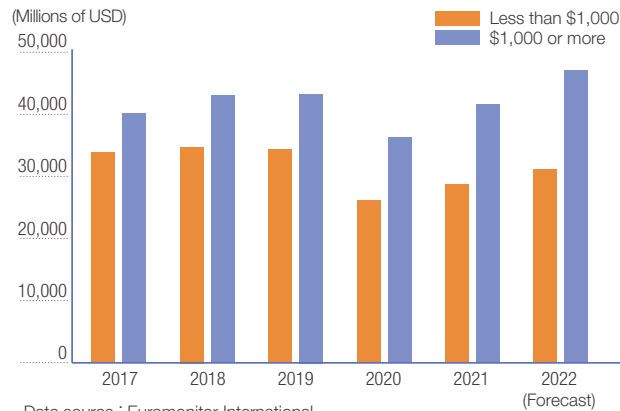
Goal

Co-create solutions that leverage both craftsmanship and our efficient, compact, and precision technologies to enrich the diverse lifestyles of our customers

▶ **Market Conditions in FY2021 and FY2022**

COVID-19 continued to impact us in FY2021, and there were challenges to sales and in supply chains. Effects include a domestic market that has been slow to recover, as in-store sales in particular show. However, the market for high-end products was solid despite COVID-19. Moreover, we have benefited from a recovery in demand as restrictions are gradually eased, especially in Europe and the Americas. As a result, revenues rose compared to FY2020. There are signs of recovery in FY2022, including economic activity returning to normal in major markets. However, the outlook is hard to predict in some markets, such as China. COVID-19 continues to affect activity and the Ukraine situation is having economic impacts. We will need to watch changes in the environment and respond accordingly.

Watch Market Trend (Retail Value)



Data source : Euromonitor International

Masashi Hayashi

Chief Operating Officer
Wearable Products Operations Division

▶ **Initiatives to be Strengthened in FY2022**

In FY2021, we worked to develop a leaner and more agile organization with structural changes that included optimizing our manufacturing sites and revising our product lineup. In Japan, we launched an Orient Star e-commerce site that lets us engage with customers directly and better know their needs. We have begun to leverage Epson's strengths to respond to those needs. In FY2022, we are taking the previous year's efforts deeper and preparing production to respond flexibly to changes in the environment. We are also focusing on providing emotional value to our diverse customers by expanding the scope of our e-commerce site and promoting digital marketing.

▶ **Tying the Power of Human Resources to Business Growth**

Epson has had a watch business since its very founding. Generations of artisans have passed down their quality watch-making craftsmanship to successive generations. Moreover, the Epson Group has an ever-evolving technological foundation, at the center of which are its strong efficient, compact, and precision technologies. We use this foundation to develop original products and innovate manufacturing. Building up our digital marketing is another area where we are working beyond the operations division. In joint projects with DX and sales unit staff, we are working to transform how we sell. Motivated to co-create value with customers and delight them, we will enhance the ability of our diverse personnel to work as a team. We will meld craftsmanship with efficient, compact, and precision technologies to create an environment where both people and business can thrive.

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Enrich lifestyles	→ Lifestyle diversification	→ Enrich diverse lifestyles by providing sophisticated, emotionally resonant products using efficient, compact, and precision technologies and craftsmanship

FY2021 Business Accomplishments

Wearable Products Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
<p>Business restructuring</p> <ul style="list-style-type: none"> Organize production sites Optimize the product mix 	<ul style="list-style-type: none"> Became leaner and more agile, increased revenue as market conditions recovered Reduced fixed costs by consolidating production sites Expanded Orient brand globally 	<ul style="list-style-type: none"> Continually strengthening business and improving profitability Achieving efficient production operations Further expanding Orient brand
<p>Sales innovation</p> <ul style="list-style-type: none"> Sell directly to customers (Epson e-commerce site) Optimize sales channels 	<ul style="list-style-type: none"> Began selling Orient Star directly to customers (own e-commerce site) Optimized sales channels in Japan and overseas 	<ul style="list-style-type: none"> Expanding scope of direct-to-customer sales Continually improving channel management



Seiko Watch Business



Planning & sales: Seiko Watch Corp.

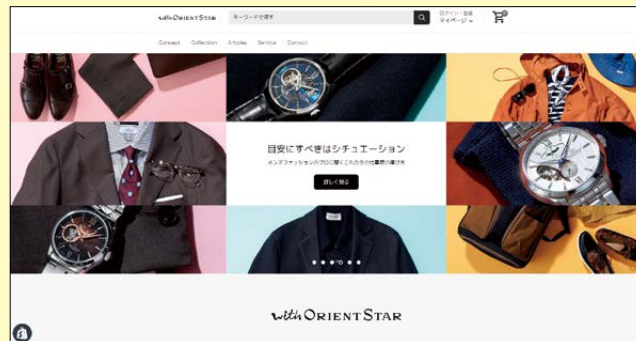
Topic

Directly Connecting to Customers to Offer Value That Truly Delights

To better understand customers' diverse needs and offer value that truly delights, we opened the e-commerce site "with ORIENT STAR" in December 2021.

By connecting directly to customers, we learn about their needs and purchasing trends. With DX-powered analysis, we will use that information to gain new insights and create value.

The site regularly offers practical information to customers, including articles on the maintenance of mechanical watches. Customers who purchase through the site get extended warranties and easier access to product overhaul. By nurturing these connections, we aim to develop a relationship that keeps customers using the Orient Star brand for many years.



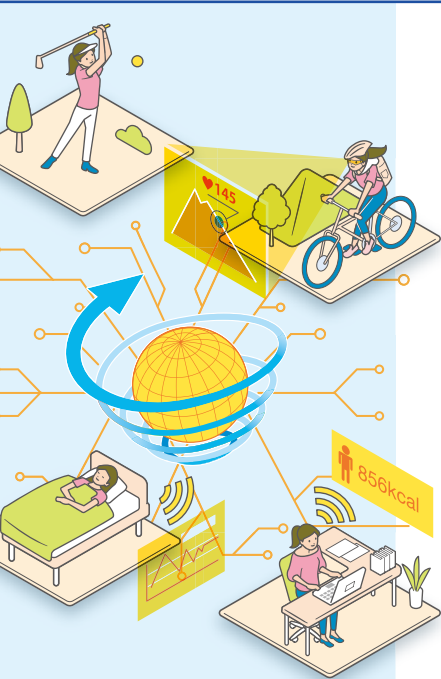
In one article, a men's fashion expert recommends ways to coordinate watches with work clothing. In another, Epson service and support members explain how to keep mechanical watches running for many years.

Value Creation through Business

Value Creation Strategy

Lifestyle Innovation

New area



VSM Project

Goal

Our sensing technology and algorithm creates personalized solutions for enhancing health and wellbeing, thereby enriching diverse lifestyles

▶ Market Conditions in FY2021 and FY2022

The COVID-19 pandemic boosted our business in smart glasses optical engine module sales. There is growing demand to assist factory operations and provide service and remotely. In FY2021, we made progress developing numerous products at customers in China. Since the end of the fiscal year, however, lockdowns have delayed such developments.

The sensing business, anchored by the M-Tracer series, is gradually developing a base for new initiatives as we do proof of concept testing with our partners.

In our health guidance business, COVID-19 impacted some aspects of in-person interview-based guidance, but thanks to online interviews, we are minimizing the impact.

▶ Initiatives to be Strengthened in FY2022

We will strengthen the smart glasses optical engine module sales business by working closely with sales companies to build support systems that speed up development at customers.

In the sensing business built around the M-Tracer series, our aim is to use the results of proof of concept testing to launch new business in addition to golf.

In the health guidance business, we are using original algorithms to combine guidance expertise, checkup data, and routine activity tracking data. The system automatically generates reports with personalized guidance. We are fundamentally revising how guidance is given and seeking to build a new business model to sell reports.

▶ Tying the Power of Human Resources to Business Growth

In the sensing business area, projects include technological development, conducting proving tests with our co-creation partners, and creating new business models. Project staff must have a certain level of technological skill. On top of that, they must be able to communicate and collaborate so they can make something new with our co-creation partners. In co-creation, professional development is a matter of learning by experience on the job. We will create new businesses and grow existing ones by both developing our human resources and promoting our business itself.



Atsunari Tsuda

Deputy General Administrative Manager,
DX Division
General Manager, VSM Project

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Provide fun Support healthy lives	➔ • Diversifying lifestyles and values	➔ • Our sensing technology and algorithm provide information that helps people lead fun and healthy lives.
Work-from-anywhere movement	➔ • Lifestyle changes	➔ • Smart glasses facilitate remote assistance solutions and other remote work.

FY2021 Business Accomplishments

VSM Project Plans and Performance

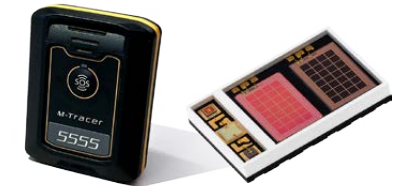
Plans	Performance	
	Accomplishments	Issues & Future Actions
Smart glasses optical engine module sales business	<ul style="list-style-type: none"> Started the business in response to the expanded demand from those seeking to remotely assist factory operations and provide service and support because of COVID-19 	<ul style="list-style-type: none"> Giving stronger support for customer development delayed by lockdowns
Sensing business anchored by M-Tracer	<ul style="list-style-type: none"> Rolled out a motion sensing-based subscription golf swing analysis service 	<ul style="list-style-type: none"> Improving schemes to increase fee-paying subscriber retention rate
Health guidance business	<ul style="list-style-type: none"> Started partnership with Benefit One Inc. to launch and provide new services Developed special algorithms to revamp the business model 	<ul style="list-style-type: none"> Responding to growing diversification of how interviews are conducted (e.g., traditional face-to-face and online) Responding to advisor work reform



Optical engine module for smart glasses (comes with mounted gyroscopic sensor)



Motion analysis system: M-Tracer series



Sensing devices

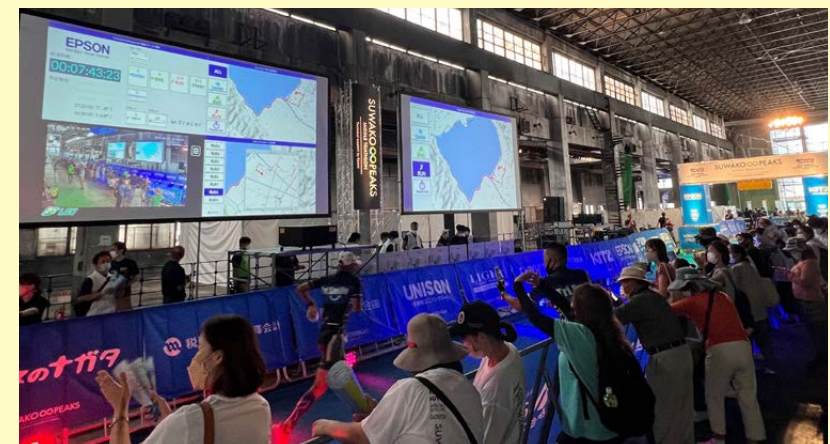
Topic

Sensing Technologies for Safer Events

Epson supported the 2022 Suwako 8Peaks Middle Triathlon with sensing technology to help ensure a safe event and give people new ways to enjoy it. The GPS tracking system is a combination of Epson sensing technology with leading-edge positioning technology co-created with local businesses. This was the first official triathlon in Japan to use the system.* Athletes, medical workers, security officers and other event staff wear small, lightweight sensors. The system can track athletes' positions and status in real time. As a result, athletes stayed safer and, since organizers knew the location of each athlete, traffic could be managed

* Per research by editors of Triathlon LUMINA magazine

more efficiently to minimize local impact. The system provided entertainment value for spectators, who could better enjoy the event. We will continue helping enable innovative events with GPS tracking systems. We will also work with lodging and tourism facilities and event planners to make areas attractive to visitors and encourage sports tourism there. For example, together we will lay out training courses with tourism opportunities for athletes visiting the event area for practice and those who travel with them. Our joint efforts will also include creating hospitality services.



Near the finish line, spectators can check the location of athletes while cheering them on.

Value Creation through Business

Value Creation Strategy

Microdevices Supporting the Five Areas of Innovation

Mature area



Microdevices Business

Goal

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

▶ Market Conditions in FY2021 and FY2022

COVID-19 lockdowns, temporary demand shifts because of social and economic conditions, and production materials shortages are ongoing risks to us. However, we expect our market to continue growing. DX will encourage growth in microdevices for high-speed, high-capacity infrastructure equipment. COVID-19 will boost demand for IoT, factory automation, and other industrial equipment. And as the world works faster to meet environmental regulations, there will be more demand for electric vehicle microdevices. In this market, we expect semiconductors and other electronic devices to be in short supply for now and demand for our products to remain strong.

▶ Initiatives to be Strengthened in FY2022

Combining Epson's strong crystal and semiconductor technologies, we will strengthen research and new product development for high-speed, high-capacity communications infrastructure, engage in the IoT, and mobility. All of these are areas of marked growth. We will co-creation for technologies that we do not have and for new business domains. We will contribute to innovations for smart infrastructure. In response to recent electronic device supply shortages, we will expand internal production capacity for our crystal and semiconductor products. We will step up initiatives for production stability by expanding assembly processes and raising the decentralized production ratio for 32 kHz crystal units and crystal oscillators, which are in high demand.

▶ Tying the Power of Human Resources to Business Growth

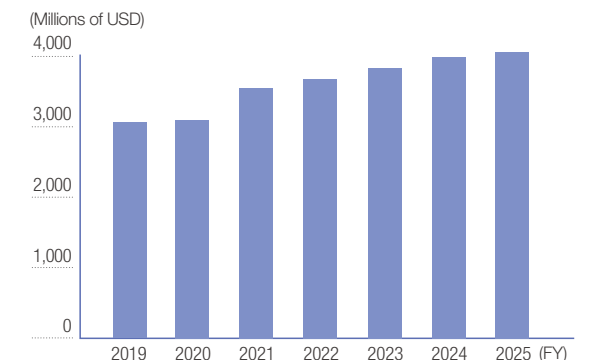
As society increasingly depends on smart technologies and customer needs diversify, it will be more essential to understand and respond to those needs. We will work to understand people's real needs by developing human resources and deepening communication that integrates digital to further strengthen customer touch points around the world. In addition, one of Epson's strengths is to have engineers in both crystal and semiconductor businesses. With their joint efforts, we can offer the best products for our customers. We will expand the experience and scope of individual members by forming organizational ties and holding study sessions that include people outside our business. Meanwhile, we will actively hire locally and step up training to address worker shortages in production control, production technology, and manufacturing. This will make a stronger organization and help grow our business.



Nobuyuki Shimotome
Executive Officer
Chief Operating Officer,
Microdevices Operations Division

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
High-speed, high-capacity communications infrastructure	<ul style="list-style-type: none"> The rapid expansion of 5G 	<ul style="list-style-type: none"> Support high-speed, high-capacity communications infrastructure by providing precision products with an optimal match between Epson's crystals and ICs
The Internet of Things (IoT)	<ul style="list-style-type: none"> Increased demand for miniaturized timing devices due to the spread of IoT 	<ul style="list-style-type: none"> Support IoT infrastructure by providing compact timing devices manufactured using the best crystal and semiconductor fabrication technology
Mobility	<ul style="list-style-type: none"> Safety Higher efficiency & productivity Reduction of CO₂ emissions 	<ul style="list-style-type: none"> Contribute to the efficiency & productivity of vehicles and construction & agricultural machinery with accurate positioning Contribute to the spread of electric vehicles and reduce CO₂
Higher finished product value	<ul style="list-style-type: none"> Societal issues that innovations will solve 	<ul style="list-style-type: none"> Increase the value of Epson finished products Supporting innovation

Timing device market size trend



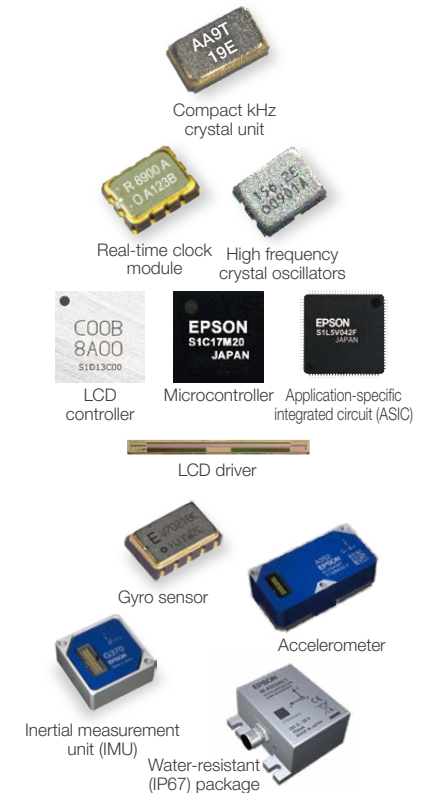
* Epson estimates based on data from research company CS & A LLC

Microdevices Business Mature area

FY2021 Business Accomplishments

Microdevices Business Plans and Performance

Plans	Performance	
	Accomplishments	Issues & Future Actions
Expand sales in growth markets such as IoT, 5G, and ADAS	<ul style="list-style-type: none"> Optimized product portfolio, increased percentage of high added value products Timing devices: Created lineup of high-accuracy real-time clock modules with low current consumption Semiconductors: Advanced lineup of on-board liquid crystal drivers and ASIC products for high voltages and currents Expanded share in optical communications and data center products by stepping up research for growth markets and developing in advance 	<ul style="list-style-type: none"> Developing key components in advance and strengthening products by collaborating with external groups and stepping up research Building up production capacity in growth markets
Respond to rising demand created by preparation of production systems	<ul style="list-style-type: none"> Addressed semiconductor shortages by increasing production capacity of crystal oscillators equipped with Epson ICs, resulting in 17% rise in sales year on year Mitigated impact of manufacturing site lockdowns by producing 32 kHz products at two sites Remotely started up equipment at overseas manufacturing site. Built expanded lines by establishing schemes 	<ul style="list-style-type: none"> Seeking production stability by continuing to respond to COVID-19, use decentralized production, and purchase from multiple suppliers Investing in line with market growth, e.g., expand upstream process production capacity for semiconductors
Practice corporate citizenship by mitigating the impacts of COVID-19 and natural disasters	<ul style="list-style-type: none"> Helped contain pandemic by responding to appeals from various countries and prioritizing supply of products needed for medical equipment, e.g., vaccine transport systems and ventilators Supported ongoing economic activity by securing supply of products for PCs and tablets, which are necessary in remote settings 	<ul style="list-style-type: none"> Promoting collaboration and co-creation with outside parties and aim to further practice corporate citizenship
Major investments	<ul style="list-style-type: none"> Invested in approximate doubling of production capacity, especially for growth markets, and continued to invest at a similar scale in fiscal 2022 	



Topic

Supporting High-Speed, High-Capacity Telecommunications for the Smart Society

As the smart society develops along with IoT, 5G, ADAS, and other technologies, communications capacities are growing ever larger. This means more data centers and the increasing use of optical communications as high-speed, high-capacity telecommunications infrastructure. Optical communications modules use high-frequency crystal oscillators as timing devices. The crystal oscillators need to provide low phase jitter to ensure better communication performance. They also need good performance with low current consumption to mitigate their environmental footprint. Using our unique ability to combine crystal and semiconductor technologies, Epson began releasing products that offer these types of performance in 2016. Today, many customers are using them.

COVID-19 expanded the market rapidly as more people began working remotely and there was new demand from people staying at home. In FY2021, sales of the crystal oscillators rose 70% year on year. The market is forecast to continue expanding. Our aim is to ensure stable production and supply to meet customer demand and ultimately realize the smart society.



Data centers

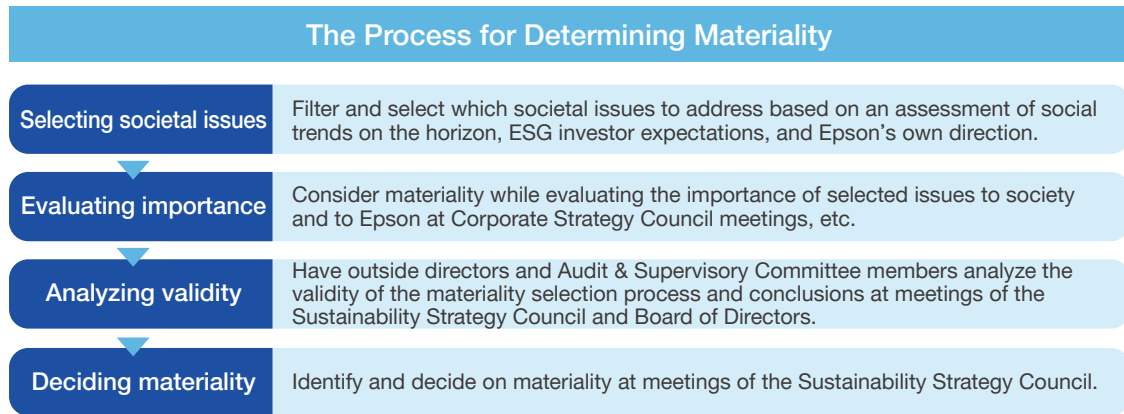


Conceptual illustration of optical communications



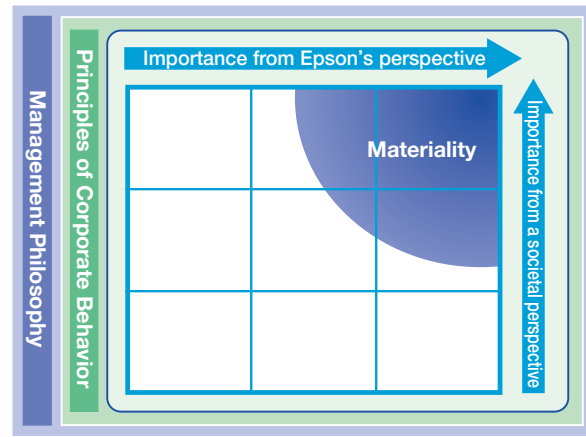
Materiality and the Key Sustainability Topics

Epson is working to help solve societal issues and achieve the SDGs in line with the Epson 25 Renewed corporate vision, which we established in 2021. When creating the vision, we evaluated from both a company perspective and a social perspective the societal issues and sustainability megatrends made apparent by the SDGs and ISO 26000, etc. (described below). In doing so, we identified four material issues (“materialities”) that Epson should address to solve societal issues. We also cited 12 key sustainability topics for effectively addressing the materialities.



Evaluate the topics from corporate and a societal perspective

- #### Material Trends and Frameworks Referenced
- The Sustainable Development Goals (SDGs)
 - Task Force on Climate-related Financial Disclosures (TCFD)
 - Macro trends in the social and economic fields, including climate change (European Green Deal Policy, Paris Agreement, etc.)
 - Global Japan: 2050 Simulations and Strategies
 - GRI Standard
 - SASB Standard
 - ISO 26000
 - Socially Responsible Investing (SRI) survey items
 - Responsible Business Alliance (RBA) Code of Conduct



Materiality	Key Sustainability Topics
Achieve sustainability in a circular economy	Decarbonization initiatives
	Closed resource loop initiatives
	Reducing the environmental impact of customers
Advance the frontiers of industry	Environmental technology development
	Improving productivity through digitalization and automation
Improve the quality of life	Improving the work and education environments
	Enriching diverse lifestyles
Fulfill our social responsibility	Realizing lives that are rich, dynamic, and interesting
	Increasing stakeholder engagement
	Realizing responsible supply chains
	Respecting human rights and promoting diversity
	Strengthening governance



* Please see our website for details about the relationship among materiality, the key sustainability topics, and the SDGs. Examples of the main actions being taken to address the key sustainability topics are also provided.

Materiality and the Key Sustainability Topics

Key Sustainability Topics and KPIs

We mapped 12 key sustainability topics to the materialities, considered how we could contribute to solving societal issues, set concrete key performance indicators (KPIs), and then got to work. In FY2022, some of the KPIs were incorporated in evaluations used to determine executive management compensation, thereby clarifying management responsibility for sustainability. Third-party sustainability evaluation results were also used in the past when deciding executive management compensation, but we made executive management's role and responsibility for sustainability even clearer by directly linking their compensation to performance as measured by the KPIs.

Materiality	Key Sustainability Topics	Initiative Topics	LTI ¹ index	Topics Key Performance Indicators (KPI)	FY2021 Targets	FY2021 Results	FY2022 Targets	SDGs Contributed
Achieve sustainability in a circular economy (E)	Decarbonization initiatives	Using energy-saving equipment and facilities, removing greenhouse gases, engaging suppliers, and pursuing carbon-free logistics to become carbon negative by 2050	●	• Scopes 1 and 2 GHG emissions reduction ratio	• Reduced by 17% compared to FY2017	• Reduced by 41% compared to FY2017	• Reduced by 21% compared to FY2017	1 2 7 8 9 12 13 14 17
		Using renewable electricity to achieve RE100		• Scope 3 GHG emissions (per unit of business profit) reduction ratio	• Reduced by 22% compared to FY2017	• Reduced by 38% compared to FY2017	• Reduced by 28% compared to FY2017	
	Closed resource-loop initiatives	Becoming underground resource ² free by 2050: • Using resources efficiently by reducing size and weight, using recycled materials, etc. • Establishing closed-loop production systems that minimize production losses	●	• Renewable electricity adoption ratio	• Japan: 100%	• Achieved 100% renewables in Japan (since November 2021)	• Maintain at 100% domestically	2 6 7 8 9 11 12 13 14 15 17
		Closed-loop materials usage ratio • Final landfilled ratio ³		20%	20% Began using recycled plastics in high-capacity ink tank printers	≥ 20%		
	Customer environmental impact mitigation	Maximizing avoided emissions with products and services that have a lower environmental impact ⁴	●	Emissions avoided through products & services	≥ The previous year	0276.00 tonnes-CO ₂ e A 107% YoY	≥ The previous year	3 6 7 8 9 11 12 13 14 15 17
	Environmental technology development	Eliminating virgin plastics and closing resource loops by using Dry Fiber Technology to produce recycled materials and natural materials. • Packaging materials • Housing materials	●	Progress of development process	Develop materials & test prototypes	Selected material candidates for prototyping	• Packaging: Verify practical use for Epson products • Housings: Begin technology verification for practical use	2 3 7 8 9 11 12 13 14 15 17
Establishing high-added-value recycling technology for used metal		Progress of development process		Begin reusing waste wafers	Began recycling of waste wafer	Develop technology for expanding the types of materials recycled		
Fulfill our social responsibility (S+G)	Realizing responsible supply chains	Realizing responsible supply chains	●	CSR risk levels of suppliers	CSR risk rank of main suppliers (direct materials): 0% high risk	CSR risk rank of main suppliers (direct materials): 0% high risk	CSR risk rank of main suppliers (direct materials): 0% high risk, ≤ 6% middle risk	1 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17
	Respecting human rights and promoting diversity	Utilizing human resources in a way that respects diversity	●	• Female management position ratio (the Company) • 1 or more female executive officers by FY2025 (in Japan)	• Female manager ratio: 3.6%	• Female manager ratio: 4.1% (as of April 1, 2022)	• Female manager ratio: 5%	1 4 5 8 10 12
	Strengthening governance	Reinforcement of compliance management platform	●	Number of serious compliance violations ⁵	• No serious compliance violations	• No serious compliance violations	• No serious compliance violations	

* KPIs were considered for all of the sustainability initiatives for all four materialities, but KPIs were first disclosed for the two ESG-related materialities that emphasize corporate sustainability (achieve sustainability in a circular economy and fulfill our social responsibility). The KPIs for the other materialities (advance the frontiers of industry and improve the quality of life) will be announced after FY2023.

¹ Compensation evaluation indicator

² Free of non-renewable resources such as oil and metals

³ The percentage of production waste that goes to landfill versus the total resources input

⁴ A quantity that expresses the contribution by products and services to a reduction in society's GHG emissions

⁵ Violations that fall under grounds for timely disclosure



Achieving Sustainability in a Circular Economy



Hideki Shimada

Managing Executive Officer
in charge of Production Planning Division projects

Epson has cited achieving sustainability in a circular economy as a materiality (priority issue). Economic systems that continue to consume more resources and generate waste have dire consequences for the environment and society. The Earth is a closed and finite environment, so we must transition to a circular economy to make society sustainable. There are still some unknowns about the exact shape a circular economy will take and how to achieve it, but there is no doubt that decarbonization and a closed resource loop will be essential components. In addition to closing the loop in our own business activities, we will review the state of the economy together with various stakeholders through collaboration and open innovation in the supply chain. The latest IPCC report released in August 2021 unequivocally declared that human activity is responsible for global warming. Taking this crucial science-based finding seriously, Epson will accelerate its actions toward the realization of a circular economy.

An Ideal World Envisioned for the Past 80 Years and for the Next 80 years

Founded 80 years ago in Suwa, a city nestled in the rich natural environment of Nagano Prefecture, Epson has always maintained ambitious environmental goals. 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.

Environmental Vision 2050 is a statement of our commitment to the environment. It was conceived not from a perspective of what we can or cannot achieve but based on what we must achieve as a product creator and manufacturer. Global action is needed to achieve sustainability, as the contribution that any one company can make by reducing the environmental impact of its business activities is limited. Environmental Vision 2050 articulates actions for creating synergies with business partners based on our technologies, products, and services and for allowing us to play a part in creating a better world.

To achieve our goals in Environmental Vision 2050, we set Epson 25 Renewed (2025) and the SDGs (2030) as mid-term milestone targets and have been working steadily to bridge the gap needed to reach them.

Environmental Vision 2050

Epson will become carbon negative and underground resource¹ free by 2050 to achieve sustainability and enrich communities

Goals

- 2030: Reduce total emissions in line with the 1.5°C scenario²
- 2050: Carbon negative and underground resource¹ free

Actions

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

¹ Non-renewable resources such as oil and metals

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

Achieving Sustainability in a Circular Economy

Topic 1 Closed Resource Loop Initiatives

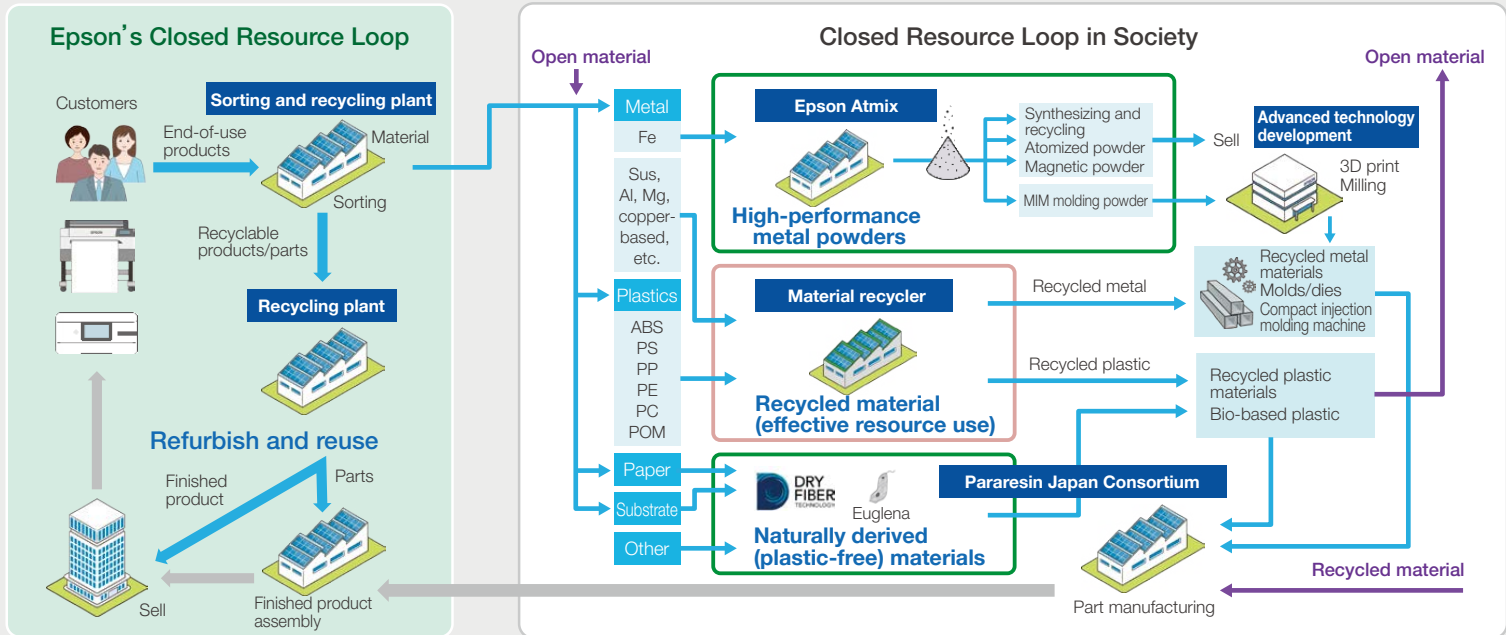
Initiatives to Become Underground Resource Free

The resources we use are called “natural capital” and include underground resources, abiotic flows³, and ecosystem capital.

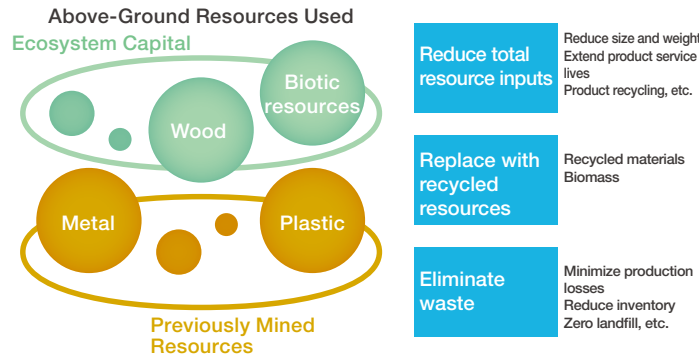
The mining of underground resources causes destruction of the biosphere. In addition, when mined resources are used as industrial products, they consume a great deal of energy and emit CO₂. In other words, dependence on underground resources is unsustainable. Epson will dramatically change the way natural capital is used. We will reduce the consumption of new underground resources by utilizing previously mined resources and will use abiotic flows as energy sources. Through these actions, we hope to establish underground-resource-free business activities by 2050. Ecosystem capital is renewable and non-depletable if used wisely. In the natural world, solar energy is the only energy source used, and all matter circulates without producing waste. We look to learn from nature, avoid producing waste, and repeatedly reuse resources in our business activities. We will endeavor to reduce total resource inputs, eliminate waste/disposal, and become underground resource¹ free.

³ Renewable sources such as solar light, wind, water, geothermal heat

Conceptual Image of Closed Resource Loop in Epson and in the Entire Society (Above-Ground Resources)



Conceptual Image of Resource Use for Becoming Underground Resource Free



Refurbish and reuse	FY2021 Results	<ul style="list-style-type: none"> Launched remanufacturing of high-capacity ink pack printers (Japan) Started examining refilling of inks (China, Europe)
	FY2022 Actions	<ul style="list-style-type: none"> Establish a reselling business flow Increase the number of refurbished models
High-performance metal powders	FY2021 Results	<ul style="list-style-type: none"> Decided to build a recycling plant
	FY2022 Actions	<ul style="list-style-type: none"> Design a factory to start operation in 2025
Recycled material (effective resource use)	FY2021 Results	<ul style="list-style-type: none"> Started drawing roadmap for closed-loop procurement Started exploring ways to recycle plastics and metals
	FY2022 Actions	<ul style="list-style-type: none"> Assess the current situation by surveying materials suppliers Expand use of recycled metal
Naturally derived (plastic-free) materials	FY2021 Results	<ul style="list-style-type: none"> Selected Dry Fiber Technology applications Developed high-performance metal powders
	FY2022 Actions	<ul style="list-style-type: none"> Create concrete plans of Dry Fiber Technology applications Continue developing high-performance metal powders

Achieving Sustainability in a Circular Economy

Topic 2 Decarbonization

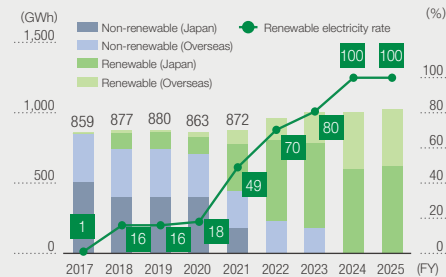
Switching to 100% Renewable Electricity

To contribute to the goal of decarbonizing the global economy under the Paris Agreement, Epson announced that the Epson Group would transition to 100% renewable electricity by the end of 2023. Epson completed the transition to renewable electricity at its sites in Japan in November 2021, well ahead of schedule. It was the first manufacturer in the country to do so. The completion of this transition enabled Epson to reduce its scope 1 and scope 2 greenhouse gas (GHG) emissions by 41% compared to FY2017, exceeding its SBT Initiative-validated 2025 target of 34%.

In Japan, Epson is participating in a government-industry project to expand the use of local renewable electricity. It is also carrying out plans to maximize its own on-site power generation to ensure a stable supply of renewable electricity.

The entire Epson Group will continue to drive production innovations and introduce other GHG reduction measures and will also work to reach the 100% renewable electricity target globally ahead of schedule.

Renewable Electricity Use and Plan



The Fujimi Plant's PPA model⁴

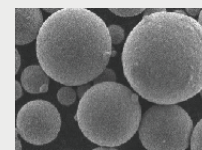


⁴ Power Purchase Agreement: A contract between a generator and user of electricity

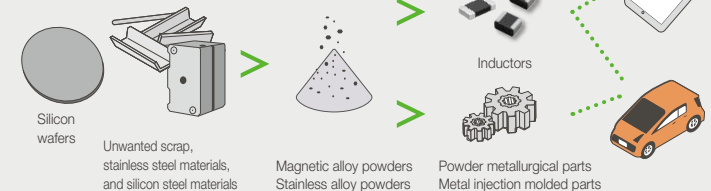
Topic 4 Environmental Technology Development

Recycling Metal Resources in the Epson Group with Original Metal Powder Manufacturing Technology

Epson Atmix Corporation is using its metal melting and atomizing process technologies to produce metal powder products. In February 2020, the company began taking silicon wafers that were used in Epson's semiconductor fabrication business and producing metal powder from them. This reuse of wafers reduces Epson's waste, CO₂ emissions, and use of underground resources such as virgin silicon. By the end of FY2021, Epson Atmix had recycled 8.5 tonnes' worth of silicon wafers. Epson will continue to search for other materials that could potentially be upcycled into high-performance metal powders.



Super-fine powder with grain diameters of 10 microns or less



Topic 3 Customer Environmental Impact Mitigation

Micro Injection Molding Machines

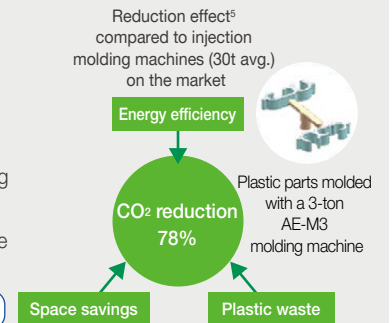
More materials and energy are wasted in the manufacturing process as parts get smaller. Epson's new micro injection molding machines reduce waste by making more with less. Our AE-M3 and AE-M10 micro injection molding machines employ a proprietary disk drive system that dramatically reduces machine size and makes them ideal for molding small, precision parts with exceptional energy efficiency. These machines are standard-equipped with a hot runner system that minimizes waste and efficiently uses input resources.



Reduces CO₂ by Conserving Energy, Saving Space, and Reducing Waste Plastic

Epson's micro injection molding machines have a far smaller environmental impact than the average 30-ton molding machine from other manufacturers because, in addition to unrivaled compactness and an energy saving design, our machines eliminate much of the waste material from runners and such that are generated in the part molding process.

See P92 Notes for 5 (P18)



Achieving Sustainability in a Circular Economy

Topic 5

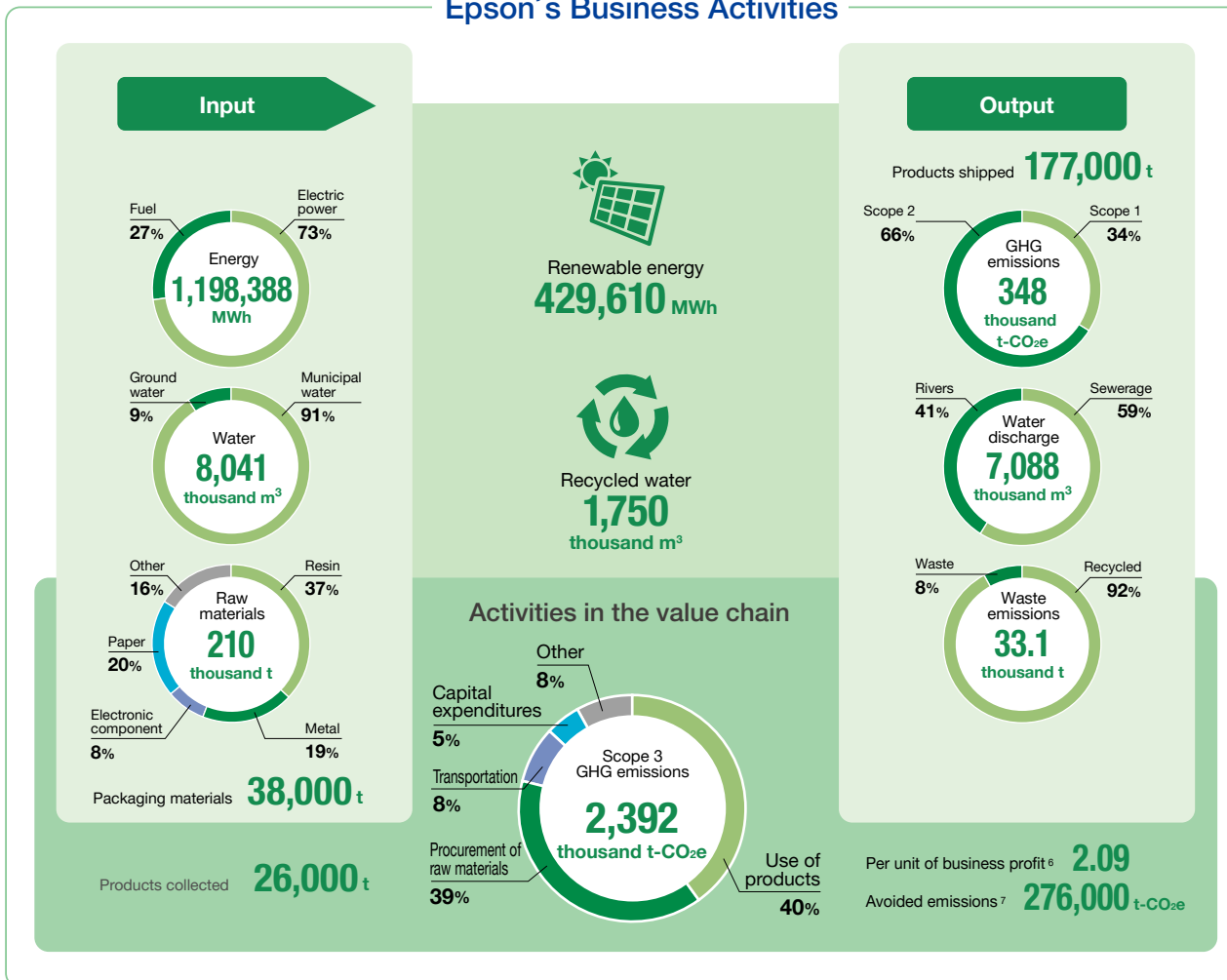
Reducing Environmental Impacts in Our Business Activities

Material Balance (FY2021)

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 FY2021 we basically reached our target as a result of various reduction actions.

Epson's Business Activities



Achievements

Scopes 1 & 2 GHG emissions
-41% 348 thousand t-CO₂e
 Target: -34% by FY2025 (vs. FY2017)
 Target value: 391 thousand t-CO₂e

Scope 3 GHG emissions (Per unit of business profit)
-38% 2.09
 Target: -44% by FY2025 (vs. FY2017)
 Target value: 1.90

Water usage
+1.5% 8,041 thousand m³
 Target: previous year or less
 Target value: 7,925 thousand m³

Waste emissions
-1.1% 33.1 thousand t
 Target: previous year or less
 Target value: 33.5 thousand t

⁶ Scope 3 (categories 1 and 11) GHG emissions per unit of business profit (unit: thousand t-CO₂e/100 million yen)

⁷ Third-party GHG emission avoidance was estimated by using a flow base approach to calculate the contribution to avoided emissions achieved by replacing conventional products and work processes with Epson products. This is different from the actual reduction amount. (1) Replacement of laser printers with inkjet printers, (2) flat panel displays with laser projectors, (3) analog printing with digital printing, (4) digital textile printing dye inks with pigment inks, and (5) commercially available recycled paper with paper produced from used paper using dry process office papermaking systems.



Realizing Responsible Supply Chains



Junichi Watanabe

Managing Executive Officer
General Administrative Manager, Production Planning Division

We are building responsible supply chains in partnership with our suppliers. We build trusting relationships with our business partners around the world based on fairness, coexistence, and co-prosperity. We maintain high ethical standards and a social conscience, and we conduct our procurement and production in compliance with all applicable laws, regulations, and rules. We are working to build a supply chain with less environment impact in addition to appropriate quality, price, and delivery. As a regular member of the Responsible Business Alliance (RBA), a global industry coalition dedicated to corporate social responsibility in global supply chains, Epson asks its suppliers to adhere to the same high ethical standards as we do. COVID-19, logistics disruptions, chip and electronic parts shortages, and other challenges have highlighted the need for stronger business continuity programs in supply chains, and we are working closely with our suppliers to strengthen ours.

Action Theme

Epson believes that building a strong and flexible supply chain is essential if we are to fulfill our responsibility to deliver products to our global customers. Responsible supply chains is one of the key sustainability topics that we are addressing, and we have been systematically working Group-wide on projects to ensure business continuity management (BCM), CSR, and responsible sourcing of minerals.

Supplier Guidelines

The Epson Group Supplier Guidelines specify requirements for quality, price, and delivery, as well as compliance, including trade control and security, and environmental action.

The Supplier Code of Conduct, which is included in the guidelines, specifies labor, health and safety, environment, ethics, and management system requirements that are compliant with the RBA Code of Conduct. The RBA requires compliance with local laws as well as compliance with RBA standards when RBA requirements are stricter than local laws. Epson guarantees a certain level of management regardless of whether there are legal provisions in the country or region where the supplier resides, the strictness of requirements, or local labor customs. Epson revised its guidelines to align them with the latest version of the RBA Code of Conduct. We have notified all suppliers of the changes and have our main suppliers agree in writing to follow the guidelines.

CSR Strategy in Supply Chains

To live up to our Management Philosophy and Principles of Corporate Behavior and to solve societal issues, we have strategically established key long-term actions for supply chain CSR. We approach supply chain CSR from two broad angles: actions to guarantee the human rights and safety of our suppliers' workers, and actions to achieve sustainability.

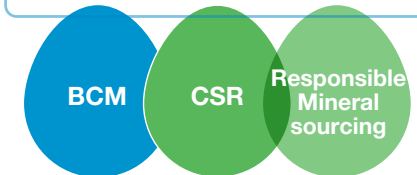
Promoting decent work

Ensuring work safety

Responsible mineral sourcing

Reducing environmental impact

Realizing Responsible Supply Chains



Epson Supplier Code of Conduct (RBA Code of Conduct)

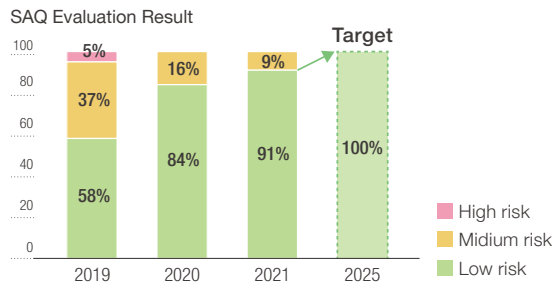


Realizing Responsible Supply Chains

CSR

Epson's supplier evaluation program consists of an indirect evaluation, which is based on information from a credit research agency, and four types of supplier self-evaluations: (1) a periodic evaluation of quality, cost, delivery, environment, and management systems; (2) a detailed CSR evaluation to evaluate compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct); (3) an evaluation of the supplier's ability to respond effectively to a fire or natural disaster; and (4) a safety management evaluation that assesses the supplier's response to risks such as fire and other emergency situations.

The detailed CSR evaluation is used to check compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct) and is implemented as part of a due diligence program that includes a self-assessment questionnaire (SAQ), corrective actions, and audits. Epson asks suppliers to make improvements as needed based on SAQ answers and verifies information via on-site checks and audits to support suppliers' efforts to improve. In 2021, we asked our major direct material suppliers, on-site service vendors at Epson manufacturing sites, labor agents, and logistics warehouse operators to complete a CSR SAQ. No supplier was found to be high risk based on the SAQ. This suggests that suppliers now better understand of the Code of Conduct and have corrected issues.



Responsible Sourcing of Minerals

Profits from the extraction and sale of minerals such as tin, tantalum, tungsten, gold (3TG), and cobalt in conflict-affected and high-risk areas such as the Democratic Republic of the Congo and neighboring countries are used to fund armed groups and anti-government forces. Using minerals from these regions could contribute to conflict and human rights abuses.

Epson sees responsible sourcing of minerals as an important societal issue and has joined the Responsible Minerals Initiative (RMI). We now have in place internal processes to address issues.

We ask our suppliers to not use conflict minerals and to cooperate in surveys to identify smelters. To identify the supply chain and country of origin of minerals used in Epson products, we conduct surveys in accordance with the OECD's Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. If a survey shows that it is not possible to verify that a mineral was sourced from a conflict-free smelter (CFS) certified under the RMI's Responsible Minerals Assurance Program (RMAP), we try to mitigate risk by asking the supplier to change materials or change the source.

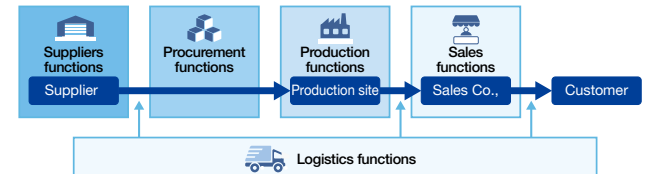
3TG Survey Results (FY2021)

	Total	Tin	Tantalum	Tungsten	Gold
Number of identified smelters	416	117	44	64	181
Number of CFS	239	56	39	43	106
Response rate from suppliers	99%				

BCM

Companies must account for a broader range of supply chain risks than ever before. Risks are no longer confined to disasters and accidents but also include outbreaks of disease, such as COVID-19, and geopolitical events, such as the Ukraine Crisis. Epson formulates business continuity plans (BCP) to ensure that we can supply products and services to our customers and minimize damage and losses in the event of a disaster, accident, outbreak of disease, or other disruption in the supply chain. To maintain and improve our BCP as needed, we employ supply chain business continuity management (BCM).

To establish a more robust supply chain, one that can withstand the challenges that tend to arise with increasing sophistication and complexity, we group functions into five categories and set priorities for each.



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

Topic Tackling Human Rights Issues

Epson's Human Rights Policy complies with international requirements such as the United Nations' Guiding Principles on Business and Human Rights and the RBA Code of Conduct, and we uphold human rights and address rights issues not only in our own business operations but also in the supply chain. As exemplified by the promotion of decent work at supplier is part of our supply chain strategy, we are taking a variety of actions to address human rights issues.



Human Rights Seminars for Suppliers

In March 2022, we held seminars in Japan and at two major manufacturing sites overseas.



Whistleblowing Systems

We provide suppliers and their employees with channels to report misconduct or concerns. We use these reports to address issues and make improvements as needed.



Respecting Human Rights and Creating a Good Work Environment

See P. 37-38 Human Resources Strategy for a message from the responsible officer and the direction of initiatives.

Respect for Human Rights

We at Epson believe that respecting human rights in everything we do is an essential part of our corporate responsibility. This commitment is reflected in the Epson Group's Management Philosophy and Principles of Corporate Behavior. We established Policies Regarding Human Rights and Labor Standards of the Epson Group in 2005 based on the United Nations Global Compact, and we have been practicing conduct that is aligned with the 2011 United Nations Guiding Principles on Business and Human Rights. In April 2019, we joined the Responsible Business Alliance (RBA), a non-profit organization that supports the rights and welfare of workers and communities affected by global supply chains, and we and our suppliers conduct our business in line with the RBA Code of Conduct.

Epson has overhauled Policies Regarding Human Rights and Labor Standards of the Epson Group in light of recent changes in the way that the international community views human rights. The new policy, which is based on the Guiding Principles and has been approved by the Seiko Epson Board of Directors, took effect on April 1, 2022.



Epson Group Human Rights Policy
<https://corporate.epson/en/philosophy/epson-way/principle/human-rights-policy.html>

Epson's human rights initiatives are spearheaded by Seiko Epson's HR department under the supervision of the executive officer in charge of human resources. They work in concert with corporate supervisory departments and the HR departments of our global affiliates to guide initiatives to prevent human rights abuses and unjust labor practices. Epson uses the Epson Group Human Rights Policy and the RBA Code of Conduct to identify potential human rights risks such as child labor, forced labor, other exploitative labor, workers' rights abuses and unfair labor conditions, discrimination, and inhumane treatment including harassment. Epson Group companies conduct an annual CSR assessment survey to evaluate and mitigate these human rights and labor risks*. Workers and the labor union and other labor groups are important stakeholders, and Group companies engage them in discussions based on local labor practices and so forth. Epson considers Group-wide actions to address human rights risks to be a key sustainability topic, and Procurement likewise assesses risks and drives improvements where needed in the supply chain.

Human rights risks identified and addressed in FY2021

- Contracts between a labor agent and its workers did not meet all legal requirements.
- Inadequate overtime records (labor agent)
- Error in the calculation of withholding amounts (labor agent)
- Workers were required to temporarily pay the cost of a physical checkup on behalf of their employer at the time of employment

We have been educating people particularly in our global HR departments about the RBA Code of Conduct and its requirements, and in 2021 we also held study sessions to familiarize members of the board, personnel in Seiko Epson's corporate functions, and certain personnel at our global affiliates with the revised Epson Group Human Rights Policy.

Epson has set up the Epson Helpline and various other channels that can be used to report harassment, long working hours, and other concerns involving issues such as human rights and labor. All personnel are regularly notified of disciplinary actions taken by the company in response to incidents related to labor, harassment, and other forms of human rights abuses to prevent similar incidents in the future. Furthermore, Epson has whistleblowing systems and support centers that customers, investors, people in the local community, and other stakeholders can use to report grievances, which Epson then appropriately addresses.

Health and Productivity Management

In 2022, Seiko Epson was selected for the first time as a Health and Productivity Management Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. (The company's total score put it at No. 1 in electrical equipment industry.) Employee health is our top priority. Based on corporate philosophies, we want to see employee health improve and to create a

positive, energetic workplace that is conducive to job satisfaction. We believe this will ultimately result in better financial performance and higher corporate value. Epson has created mid-range health plans since FY2001. In April 2022, we introduced the latest plan, called Health Action 2025. This plan addresses issues that surfaced during the previous plan as well as social changes that are anticipated. We have a duty as a company to provide a safe working environment and have safety programs geared toward this. But we also have programs to address mental and physical health¹ and workplace health². These programs are designed to deal with changes that could impact health, such as new work arrangements and an aging workforce. Outside Japan, Epson Group companies are promoting employee health in line with local occupational health and safety laws.



▶ See P92 for notes 1 & 2

Health and Productivity Management Organization

Epson's Health Management Office drives health and productivity initiatives under the president. The office director also serves as the head of HR, the Health Insurance Association chair, and the overall health and safety controller. The director attends Corporate Management Council meetings and manages general health and productivity. A Health and Productivity Management Committee, which is jointly run by the Company and the health insurance association, is responsible for health and productivity-related data analysis and for establishing, evaluating, and improving health-related measures. The committee regularly meets to coordinate activities of the health promotion committees at the various plants and offices.



Health and Productivity Management
<https://corporate.epson/en/sustainability/our-people/health-and-productivity.html>

Respecting Human Rights and Creating a Good Work Environment

Improving the organizational climate

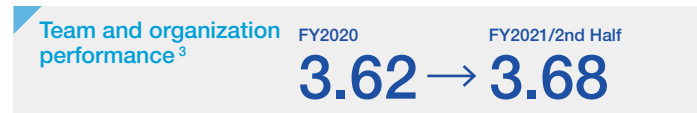
Epson encourages free and open communication to improve the quality of relationships and promote the continuous growth of both employees and the company.

To attain this goal, Epson began conducting annual employee motivation surveys in 2005. In 2020, this survey was replaced with an organizational climate assessment survey. Survey results are reported to executive management, and workplaces are provided with feedback. Managers analyze the survey results and to address issues and challenges.

Team and organization performance is an important factor for improving the quality of relationships, yet this was an area where survey scores were consistently low. Epson thus launched a company-wide effort to improve in this area. As a result, the FY2020 score of 3.62 rose to 3.68 in the second half of FY2021, nearly reaching the target of 3.7. To support management's efforts, Epson brings together managers from organizations across the company to discuss issues. These discussions provide insights into underlying problems and encourage behavioral changes. Epson has also set up an advisory service for managers and arranges mentors.

To encourage executive management to take the initiative in changing the organizational climate, Epson has made organizational management and harassment prevention efforts a component of manager selection and dismissal decisions, as well as compensation evaluations.

In addition to improving the quality of relationships, we are working to create an even more vibrant environment where all employees take initiative and experience job satisfaction. As part of this, we will begin conducting engagement surveys from FY2022 and will improve workplaces based on the results.



¹ Seiko Epson regular employees and employees rehired after reaching mandatory retirement
² Percentage of respondents who rated their satisfaction 3 or higher on a 5-point scale
³ Organizational Climate Assessment company average

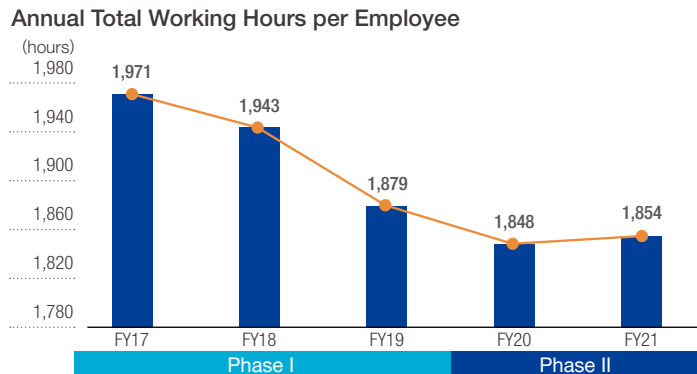
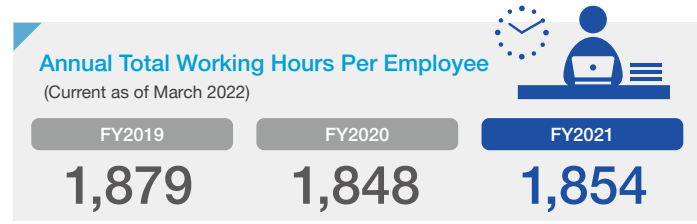
Diversification of Work Arrangements

Seiko Epson has been driving additional work reforms since 2017. In Phase I (FY2017-2019), we prioritized the management of overtime and the prevention of long working hours. In Phase II (FY2020-2022), we have been introducing a wider range of work arrangement options. The introduction of a work-from-home option was a particularly important move, one made swiftly in response to COVID-19. Over time, however, issues with the system became apparent. To help resolve them, employees were surveyed and the issues were discussed with the labor union. The outcomes will be used to shape policies that will enable us to create a healthy and vibrant work environment in Phase III, which will begin in FY2023.

The diversification of work arrangements is bringing a wide range of issues to the forefront in areas such as human resources management and organizational operations. Everything from health to how we communicate and how we evaluate/appraise personnel are affected. As a part of our efforts to create a healthy and vibrant work environment, we will also review our HR systems and provide management with support.

Measures to accommodate diversification of work arrangements

	Initiatives	Concrete measures	FY2021	FY2022
Diversification of work arrangements	Offering flexible work location options and work hours	1. Make morning meetings more flexible	●	
		2. Make days on which overtime requires permission more flexible	●	
		3. Expand the work-from-home system		●
		4. Allow employees to take time off by the hour		●
		5. Introduce flex-time without core hours		●
	Balancing work and caregiving	6. Amend the paternity leave system		●
		7. Extend the period of time employees are eligible to work reduced hours during childcare/caregiving		●
	Supporting the balance between work and treatment	8. Introduce flexible working conditions	●	





Stakeholder Engagement

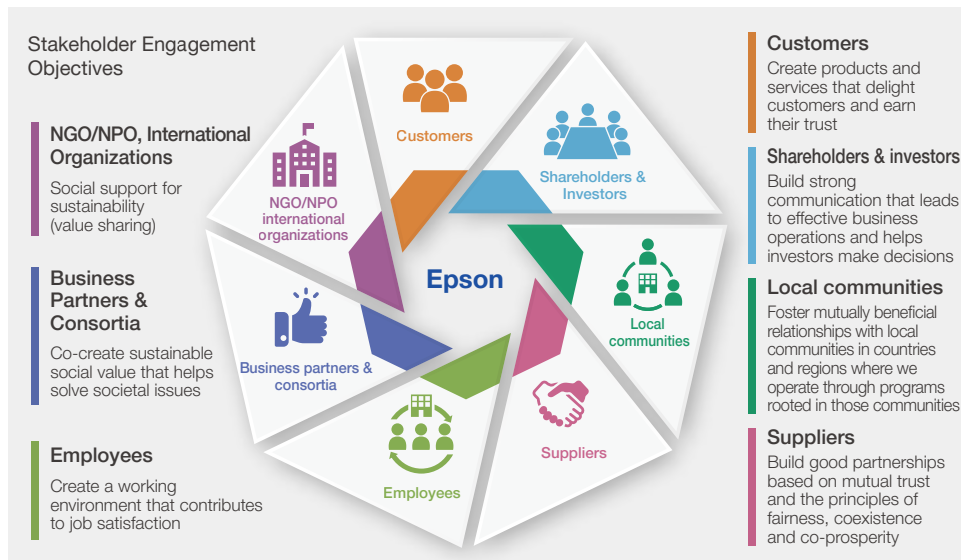
To guide its businesses toward solving societal issues, Epson believes it is important to understand and reflect the expectations of stakeholders in its strategies while also striving to create sustainable competitiveness and resilience as a company and build relationships based on trust.

Stakeholder engagement¹ is an important bridge that connects Epson with stakeholders. Epson provides the following three types of value to all stakeholders:

Social Value	Environmental Value	Economic Value
Societal issue resolution & mental and cultural enrichment	Coexistence of industry & the environment	Steady reallocation of economic added value

We contribute to society by focusing on the priority areas of the environment, education and culture, and life and community in line with the following three basic principles:

- Contributing to the SDGs
- Achieving sustainability and enriching communities
- Developing programs rooted in local communities around the world



¹ Companies-stakeholder discussions Engagement enables companies to understand the interests of stakeholders and influences the company operations and decisions.

Shareholders & investors →P70	Local communities →P71-72
Customers To create products and services that surprise and delight our customers and, moreover, to create value by strengthening communication and working jointly with customers toward further improvement.	
Suppliers We seek to maintain mutually beneficial, trusting relationships with our suppliers, as they are essential partners in realizing our Management Philosophy. At our home base of Nagano and at our major overseas production sites, we hold annual supplier conferences to share our business and procurement policies. Members of Epson's executive management team endeavor to strengthen supplier cooperation by listening directly to supplier concerns and deepening mutual understanding. We also evaluate suppliers every year and support their efforts to improve to help fulfill our responsibility to society.	
Employees Our employees underpin everything we do. Accordingly, we are effecting changes in the organizational culture to create a dynamic, vibrant environment in which to work. <ul style="list-style-type: none"> • Hold discussions to encourage free and open communication • Perform organizational climate assessments and mental health assessments • Issue messages from the president and collect opinions and thoughts from employees 	
Business partners & consortia Solving social issues and achieving sustainability require collaboration with partners who have their own fields of expertise. So, we are strengthening co-creation and building broad partnerships. <ul style="list-style-type: none"> • Pararesin Consortium • Smart City Aizuwakamatsu • Kita-Kyushu innovation center • Tokyo Shibuya Point 0 open platform • Shinshu University (small-scale recycling living innovation), etc. 	
NGO/NPO, international organizations <ul style="list-style-type: none"> • Flower Festa, Wild Bird Society, tree planting, coral transplantation, environmental education for children, The Ocean Cleanup, ink cartridge collection • Fantas Aquarium, blood drives, and support for sports for persons with disabilities (intellectual and physical) and local hospitals • Ukrainian refugee support, Comprehensive Cooperation with JICA, internships for trainees from Asia and Africa, JICA Komagane volunteer education and training support, assistance associated with COVID-19 	

Stakeholder Engagement

Shareholders & investors



Discussions with Shareholders and Investors

Encouraging sound investment decisions and improving the quality of management

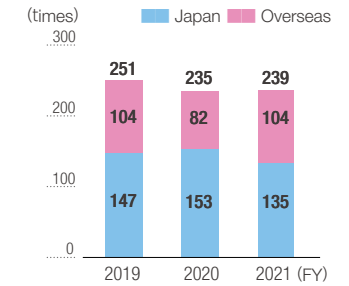


IR Policies and Guidelines

Epson, led by the PR & IR Department and the Sustainability Promotion Office, continuously and proactively engages capital markets throughout the year to build good communication that leads to sound investment decisions. Feedback gained from communicating with shareholders and investors is shared with management and used to improve management quality.

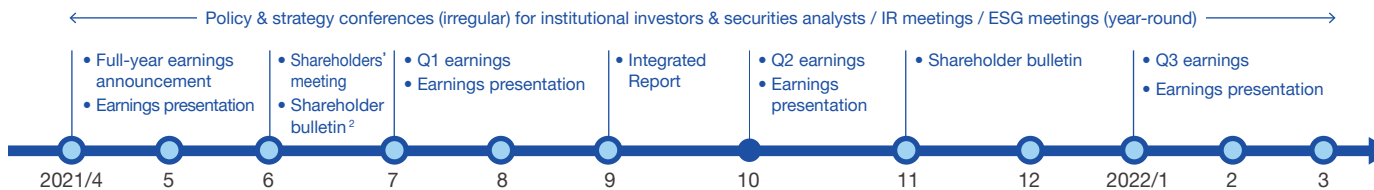
Although the number of shareholders and investors we can meet in person is limited, we are actively using tools such as bulletins and websites to convey our ideas to as many people as possible. We are focusing particularly on creating a website that can deliver information to a large audience simultaneously and are constantly updating sustainability and IR information.

Analyst and investor meetings¹



¹ In addition to face-to-face interviews and meetings, this includes telephone and online interviews and conferences.

Annual IR Cycle



² We ceased issuing the year-end shareholder bulletin in 2022.

▶ Other IR-related activities

- Examine improvements to IR & sustainability tools and information
- Early release and enhancement of materials related to the shareholders' meeting
- Providing English language information to overseas investors
- Updating and enhancing the content of the sustainability site
- Ensuring compliance with the Corporate Governance Code and disclosure of actions taken
- Web-based IR activities, such as remote interviews during the pandemic

FY2021 Engagement Activities

■ Events to Build Knowledge of Epson's Growth Strategies

Epson has businesses in areas other than printing yet is often thought of as a home printer company. However, Epson is prioritizing certain growth areas that are relatively new for us. These include commercial and industrial printers, multifunction printers for offices, and production systems such as robots. In FY2021, to help investors understand Epson's growth strategy, we held events focused on these growth areas. Events included small meetings about commercial and industrial inkjet printers (finished products business) and conferences about our strategies in the manufacturing solutions business. In addition, we have been exploring different ways to conduct investor relations activities both during and post-COVID-19, and in FY2022 we resumed small group events and in-person IR meetings.

■ Dialog between Institutional Investors and Outside Directors

Institutional investors and our five outside directors engaged in an online discussion in March 2021. This was the second such event, the first being in 2019. The outside directors answered a variety of primarily ESG-related questions from the institutional investors. Events like this build mutual understanding and help to improve the effectiveness of the Board of Directors. The contents of the discussions will be released mostly unedited because we believe doing so will build stakeholder trust. Details about the discussion can be found on pages 73-76 in the Integrated Report.

Stakeholder Engagement

Local community



Provide quality education projection and networks & create new economy.

Tanzania/Providing Quality Education in Africa is the Goal for Epson and World Mobile

Program

The world of education is struggling with numerous challenges. In developing countries, there are not enough places or opportunities for education because the infrastructure has not been built. In developed countries, there are not enough educators.

In November 2021, Epson Europe B.V. (EEB, Netherlands) and World Mobile Group (WM, UK) jointly launched a project to build quality educational environments in African schools. WM is providing network connectivity at schools and EEB is sending Epson inkjet printers and projectors. Through the partnership, we aim to realize an educational environment of high quality even for remote users and provide a fair, high-quality educational environment to all, so that no child is left behind.

The networks the project provides and the schools that serve as a public resource are at the heart of newly emerging communities and industries.



Partners

- Electricity generation/Network carrier: World Mobile Group
- Government: Tanzania Ministry of Education

Form of involvement

- Supporting high-quality education using projectors and education from developed countries
- Building networks to create new economic foundations that bring people together

Issues addressed and benefits

Certain parts of the world do not have sufficient educational environments because of a lack of facilities, equipment, and educators. By providing quality educational environments using the power of IT, we are helping to train human resources who will be a foundation for future local development. The networks the project provides and the schools that serve as a public resource are at the heart of newly emerging communities and industries.

Henning Ohlsson



Epson Europe B.V.
Sustainability Director

"Providing a quality education for all is a key goal to achieve a sustainable society. Our partnership with World Mobile is about focusing on until now disadvantaged local communities and providing the young people there with opportunities to flourish. The COP27 Climate Change Conference puts a strong focus on education in Africa and leads with time for action on the ground."



Micky Watkins



World Mobile Group
CEO

"We do not believe that the opportunities to learn, earn and grow as a human beings should be dictated by the place of birth. We believe in equal opportunities for all. We believe that working together is very beneficial to people in Africa because our combined efforts will allow children to be part of the connected world and to enjoy an enhanced educational experience due to Epson's technologies."

Stakeholder Engagement

Local community



Creating Value in Partnership with Communities

Promoting sports tourism to make communities more appealing

▶ Japan/Hosting triathlon in partnership with local community and tourism facilities

Local Development through Sensing Technology

Local governments in Nagano Prefecture's Suwa area, along with local chambers of commerce and industry and the Nagano Prefecture Triathlon Association, put on the Suwako 8Peaks Middle Triathlon in June 2022. Epson assisted with triathlon operation by tapping its GPS and sensor technology. Epson providing sensors and GPS to ensure athlete safety by detecting falls and tracking location. By ensuring a safer, more enjoyable event, the partners hope to promote repeat attendance, make the community more appealing, and further expand events to encourage local development.

Sports Tourism Unique to the Suwa Area

Kazumi Shirotori

Proprietress
RAKO Hananoi Hotel




In recent years, the needs and values of our guests have changed dramatically. Visitors are looking for new tourism content that makes the most of the resources unique to the Suwa area. With the triathlon this year, we are trying to create new tourism content through partnerships among the different fields of technology, sports, and sightseeing. We use digital devices to protect the safety of our guests as well as to then use data to provide new services and an enjoyable experience. We are looking forward to providing hospitality that will attract even more visitors to Suwa.



A New Way to Promote Regional Development

Epson's GPS and sensor technology was used in running the inaugural Suwako 8Peaks Middle Triathlon, an event created to attract visitors to the region. The technology was also used to capture data and create a way for athletes to compete against their own times on the same course on a different day and against other athletes that they use as benchmarks. This and other new services based on GPS data have the potential to draw visitors to the area after the triathlon and to boost the local economy.

Local community



Provide the place and knowledge to develop youth skills.

Using printing technology to create new business and expand employment

▶ South Africa/Establish local economy and employment with giving digital printing skills.

Providing Education, Tools and Training

Epson South Africa has established a new venue with great potential to support the local community. Retrain and Reimagine is a new initiative that will look to support individuals to learn new skills. Unemployment is >32% in South Africa and this initiative will offer valuable knowledge and experience to the individual and more broadly benefit society.

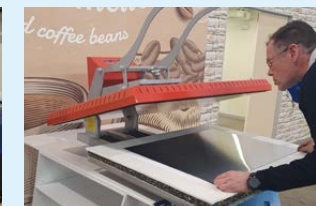
Epson South Africa will seek to work with local companies and education institutions to develop this initiative.

Through a partnership with Print SA, the printing industries federation of South Africa, Epson South Africa will have the ability to contribute to and sponsor individuals to attend learning programmes which will prepare them to enter the printing industry.

Targets	Form of Involvement
<ul style="list-style-type: none"> ■ Students ■ Artists ■ Entrepreneurs ■ Business partners 	<ul style="list-style-type: none"> ■ Sponsorship to attend learning programs ■ Free use of the Epson Commercial and Industrial Facility ■ Expert advice about specialized printing applications (signage, textile and photo printing, etc.) ■ Technical support for production workflows

Issues addressed and benefits

In a region suffering heavy unemployment, we support new businesses and creativity by providing students, young entrepreneurs and artists with learning programs, expert advice and technical support about specialized printing applications and production workflows.



Strengthening Governance

Feature 2: Dialog between Institutional Investors and Outside Directors

What role do the outside directors play in improving the management of Epson?

—Increasing Corporate Value—

Outside directors play an increasingly important role in ensuring robust corporate governance. We believe that we can grow the value of our organization if we incorporate into strategic planning the constructive views of capital markets and build a more robust system of corporate governance. To that end, in March 2022, we organized a discussion with institutional investors and our five outside directors. This article summarizes the discussion.



Seiko Epson Outside Directors



Hideaki Omiya
Outside Director



Mari Matsunaga
Outside Director



Yoshio Shirai
Outside Director, Audit & Supervisory Committee Member



Susumu Murakoshi
Outside Director, Audit & Supervisory Committee Member



Michiko Ohtsuka
Outside Director, Audit & Supervisory Committee Member

Institutional Investors (Titles as of Time)

Asset Management One Co., Ltd.

Megumi Sakuramoto

Executive ESG Analyst,
Responsible Investment Group,
Investment Division

Katsuhito Tonosaki

Analyst,
Equity Investment Group,
Investment Division

Nikko Asset Management Co., Ltd. Resona Asset Management Co., Ltd.

Kozue Saito

Senior Analyst,
Active Ownership Group,
Equity Fund Management Department

Minoru Matsubara

Executive Officer,
General Manager of Responsible
Investment Division

Nomura Asset Management Co., Ltd.

Mitsuhiro Iso

Senior Equity Analyst,
Equity Research Department

Moderators

SMBC Nikko Securities Inc.

Ryosuke Katsura

Senior Analyst,
Equity Research Division

Fumio Osanai

Senior Analyst,
Equity Research Division



How has Epson changed under President Ogawa's leadership? (Katsura)

Omiya : Ogawa's style differs from that of his predecessor. A believer in bottom-up leadership, Ogawa emphasizes the importance of employee engagement, and this approach is reflected in the management strategy. He also places Epson's corporate vision at the center of strategic planning and focuses on the role the company serves in society, particularly in tackling environmental issues.

Shirai : Ogawa represents a new style of management, but both he and his predecessor have demonstrated outstanding leadership. As Omiya said, Ogawa prefers a bottom-up approach, inviting employees to engage in the decision-making process. He has also changed the approach to growth and earnings. Previously, Epson focused on top-line growth. Now it has shifted to a leaner model, one that delivers decent profits even without huge revenue growth.

Epson used to be more technology-oriented, believing that the right hardware guaranteed business success. The management increasingly recognizes that such assets are no guarantee of success and that the company may get left behind unless it invests in software. With this realization, the management is adjusting strategy to set the company on the right course.

Murakoshi: After assuming office, President Ogawa embarked on a program of reform. Particularly striking is how he's transformed organizational climate, inculcating the mentality that employee health and safety and compliance are even more important than financial results. I also appreciate how he has created a structure that empowers me and the other outside directors to support him and his leadership vision. Transforming a company is incredibly challenging and the process of transition involves plenty of trial-and-error. That's why I and the other outside directors will continue to back Ogawa during the process.

Otuska: Ogawa refrains from pursuing profit at all costs. He takes compliance seriously and keeps repeating the message of compliance to employees. Some employees don't quite get it yet, but with Ogawa's repeated efforts, a compliance culture is taking root. Perhaps that explains why we've seen an increase in employees using the speak-up system (whistleblowing system) to raise concerns. The rise in speak-up culture demonstrates that Ogawa is leading the company in the right direction. As outside director, I'm giving him my full backing in this endeavor.

Matsunaga: The change in leadership has heralded a shift in attitude toward diversity. Although Epson still lags behind other companies in this, attitudes are starting to change. More women aspire to take on management roles, for example. I know it takes time to foster diversity, but I'll keep pushing the management to go further.



What challenges must Epson tackle to improve diversity? (Sakuramoto)

Matsunaga: One challenge is that only about 3% of managers are women¹. Many jobs at Epson involve engineering, so this issue is related to the low number of women taking STEM subjects at university. Women now account for 17%¹ of Epson's total workforce, so the company should first aim for a similar rate at the management level. Getting women into senior management will spark innovation. Epson gets good results in its mature businesses, but it still has some way to go in developing new businesses. It needs fresh perspectives and ideas to unleash innovation and drive business forward.

Another issue is that Epson sticks too much to its own technology and is weak at collaborating with peers and introducing new technology. I'm always urging the management to embrace open innovation in the spirit of diversity.

¹ True for Seiko Epson Corporation as of fiscal 2020



It's no wonder investors prize diversity and inclusion—they drive innovation. When it comes to future innovation, what issues does Epson currently face? (Sakuramoto)

Omiya: The biggest challenge concerns the printing business. Printers use paper, which raises a question about long-term sustainability. From an ESG and SDG perspective, the fewer resources you use the better. Since printing accounts for the lion's share of Epson's business, finding a substitute is critical. Epson experimented with ideas in the past but has struggled to establish a similarly large alternative growth driver. The company's inkjet technology can be applied in products other than printers.

Although Epson doesn't need to do all this itself, one key task is how to link this core technology with customer value so as to bring it to a wider audience.

Shirai: Until now, inkjets have been mainly used for printing on paper. From now on, they'll be used in more diverse ways, such as in textiles. Demand for printing will always remain. Inkjet printing has an advantage over laser printing in that it doesn't use heat to print, and therefore creates fewer CO₂ emissions. A critical task for Epson is to find a way to market this advantageous technology to a wider audience. That will be key to business growth.



Critical to a successful differentiation strategy is how the company integrates digital technology into its existing services. What kind of discussions has the board had about DX? (Saito)

Shirai: DX is a recurring theme in the company's evaluations of board performance. Epson must work out the way forward with DX, and the company is only at the starting line. One purpose of DX is to create new business opportunities, and Epson still has some way to go here. Epson focuses a little too much on its own technology and it suffers from an inward, not-invented-here mindset. But since the company has no experience in DX, it can't rely only on itself alone. It needs to collaborate with startups and cultivate a more outward mentality. The company recognizes the importance of DX and is ready to embrace collaboration to make DX a success. The board will continue to discuss this matter in the future.



You need enough IT personnel to drive a digital transformation. The problem for Epson is the short supply of engineers. Can Epson keep staff motivated and engaged? (Saito)

Omiya: You've raised a really crucial question. DX has two dimensions. First is the matter of how to use digital technology to streamline the company's complex business processes. Second is the matter of how to use DX as a business opportunity. Epson has no clear vision of the latter yet. To build a new DX-driven business model, the management needs to focus less on the company's own products and technology and more on what the market needs. It also must be prepared to form partnerships with other companies.

One example of the way forward is Epson's awards system for employees who propose new business models. General managers have spoken to me with great passion about how they want to encourage staff to work with people in other companies. Epson is now putting in place organizational frameworks to drive forward such initiatives.



You said that Epson has been too focused on its own products and technology (instead of on market needs). Do you think this mindset is changing? (Iso)

Omiya: A manufacturer should always cherish its technology. That said, I and the other outside directors have urged the management to stop being so inwardly focused. Epson has started subscription services, and its European companies are leading the way in this. I feel we're at a crucial turning point, with businesses being



reorganized around customer-oriented perspectives.

Shirai: Epson should now be focusing efforts on creating more customer touch points as a means of building customer value. This is particularly crucial in the B2C sector. Success depends on whether the company can address its lack of connections with individual users. Epson's European companies are leading the way in subscription businesses. Additionally, its printing businesses are increasingly focusing on digital means of reaching their audience. I've expressed my concern about Epson's product-oriented mentality on a number of occasions, so the management are well aware of the problem. Much more needs to be done, but I feel encouraged by the new desire in management to forge connections with customers in order to capture new business opportunities.

Omiya: In the B2B sector, Epson has forged connections with clients in textile printing. The company has built the organizational readiness to identify and adapt to needs in this market. It needs to go further in this direction. As in the B2C sector, where the product categories had no clearly identified target customers, Epson European companies created success stories in which they

persuaded customers to subscribe by offering incentives. I think Epson has committed to rolling out this strategy more broadly.



What measures should Epson take to ensure governance of intellectual property (IP), and what are the challenges involved? (Matsubara)

Omiya: Epson has shifted its IP strategy in the right direction. Previously, the management focused on how to protect IP and how to market it as added value, such as with cross-licensing. However, the management now focuses more on how to build alliances. Epson has mapped out its IP landscape, ascertaining peripheral technologies to its IP. The company can then use this information to analyze what business benefits a potential business alliance could yield. IP and business go hand in hand, so Epson is wise to link IP with an alliance strategy.

Shirai: I agree with what Omiya said about IP. I would just add that Epson does envisage the whole process, from IP mapping to the creation of new businesses. As someone who once managed IP, I'm impressed with what Epson is doing.



I want to ask about Epson's business portfolio. What do you think about the strategy of investing in startups in new business sectors, as opposed to an extension strategy that explores new markets for the core technology? (Tonosaki)

Omiya: The Epson Group includes Epson X Investment Corporation, which invests corporate venture capital into external startups. One purpose of such investment is to scout out high-potential business ideas. Mind you, it's no easy feat to turn an idea into a successful business. At the same time, it's important to extend core businesses into tangential markets in collaboration with other companies. It's all about finding the right balance. Epson's strategy is to invest in new business territories while simultaneously developing peripheral technology by integrating external ideas. To that end, the company must actively uncover business opportunities. I'm excited to see what happens in the future.

Matsunaga: I feel really excited about Epson's strategy to build a product development platform. I know from experience just how dynamic platforms can be. Given how outstanding Epson's technology is, getting platform players involved with this technology will open up amazing possibilities.



Is the administrative office doing enough to ensure that you can fulfill your duties as outside directors? (Matsubara)

Murakoshi: In our first year as outside directors, Omiya and I received proper briefings ahead of boardroom meetings and the like. The administrative office has responded to our questions and requests, giving thorough responses and furnishing us with the relevant documents. There are plenty of occasions to communicate in between scheduled meetings, too. If anything, there are perhaps too many—I never knew I'd be so busy as an outside director. But seriously, I'm really grateful in this respect.

Otuska: Epson reviews the effectiveness of its Audit & Supervisory Committee as well as that of its Board of Directors. In fiscal 2020, the pandemic prevented the company from conducting on-site audits of its overseas subsidiaries. I argued that the company needed some alternative auditing process. So, in 2021, Epson audited the subsidiaries remotely and provided time for discussions with the leadership team of the audited companies. I'm satisfied with how the administrative offices support and engage with the board of directors and the Audit & Supervisory Committee.

Omiya: To give an example of a good practice, records of meetings of the Corporate Strategy Council, are transcribed in a colloquial style to give readers a clear idea of what happened at the meeting. For board meetings, if there are any outstanding items, the administrative office lists up the items and erases items once they are resolved. In these and other ways, the administrative office follows up meetings in a very thorough and considerate way. At company meetings, we speak freely and frankly and contribute plenty of ideas to the discussions. In my experience, few other companies allow such uninhibited discussion in the boardroom.

Shirai: I have served as outside director for six years. In that time, outside directors raised all kinds of concerns and issues. I would say that the management has done well in addressing them. I serve as outside director on the boards of other companies, and I can say that Epson is rare indeed in providing me and the other four outside directors so many opportunities for exchanging ideas and opinions and to do so freely and frankly. Five years ago, the company never organized any informal get-togethers just for the outside directors. Now, it does. It also organizes briefings outside the boardroom. The outside directors now get more opportunities to liaise with the chief operating officers. The time provided for such meetings is about triple what it was five years ago. That's how much the quality and quantity of our communication with executive management has improved. There is a positive cycle: The outside directors thrash out ideas, present our unified stance

to management, and the management then takes our opinion on board, leading to positive outcomes.

Comment from the Board's Chair

Epson's management recognizes the value of having outside directors who offer impartial perspectives about the company, and we endeavor to ensure that outside directors feel empowered to present their views without fear or favor. We give outside directors opportunities to learn about our sales, manufacturing, development, and design operations. During board meetings, we keep presentations as short as possible to enable plenty of time for questions and debate. Outside directors sit on the Director Nomination Committee and the Director Compensation Committee, and both committees are chaired by an outside director. With their diverse perspectives, the outside directors alert the management to issues, help us improve attitudes and behaviors, and contribute to a more effective board. This in turn helps the company hone its strengths, fix its weaknesses, and play an active role in solving societal issues.



Minoru Usui

Chairman of the Board of Directors

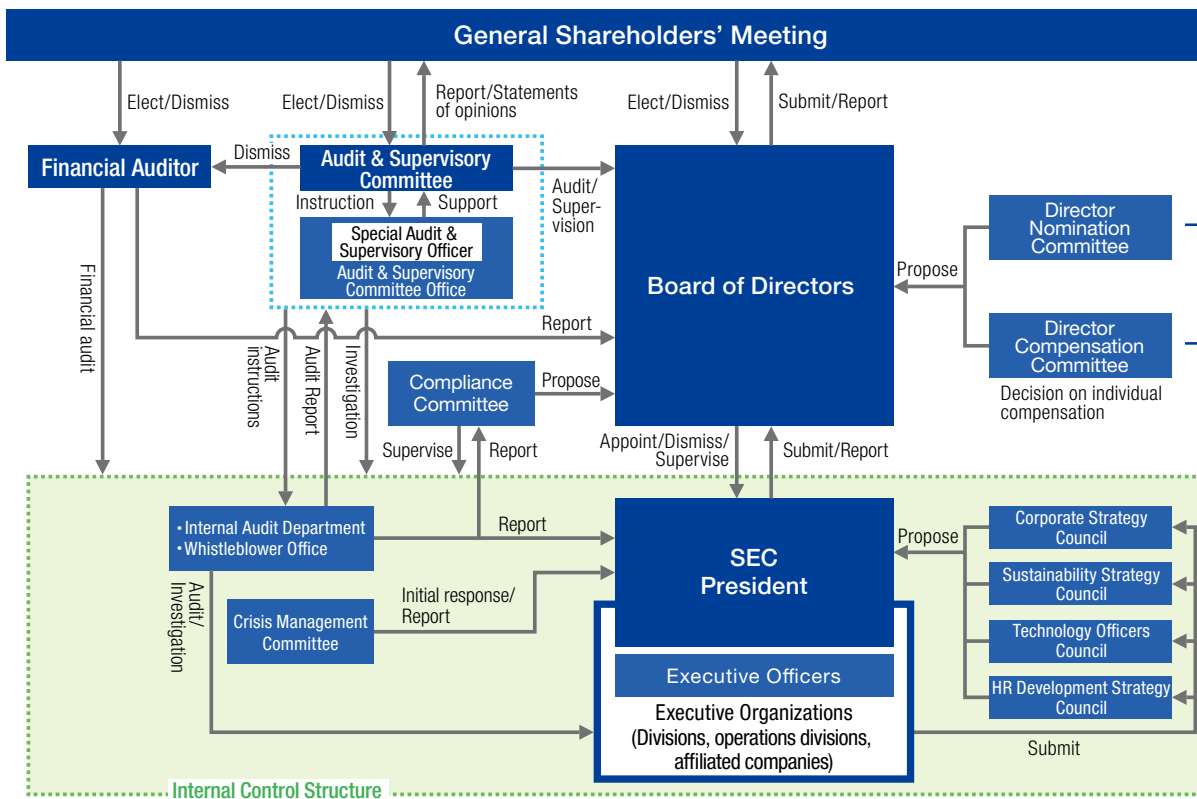
Strengthening Governance

Corporate Governance

Basic Approach

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

Corporate Governance System

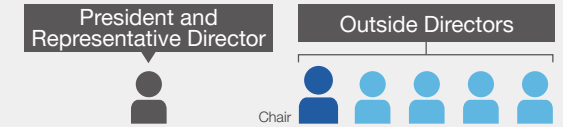


Voluntary Committee Activities

* The chairs of both committees are elected from among the outside directors by committee members.

Director Nomination Committee Met 15 times (4/2021-6/2022)¹

- Selection of director and executive officer candidates

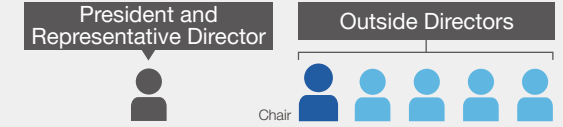


Topics of Discussion

- Succession plans for the president and representative director
- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Outside director selection process
- Selection of the Director Nomination Committee chair, etc.

Director Compensation Committee Met 11 times (4/2021-6/2022)¹

- Deliberates director and executive officer compensation



Topics of Discussion

- Individual base compensation & bonus
- Officer compensation system
- Officer compensation decision-making process
- Selection of the Director Compensation Committee chair
- Compensation of the Director Nomination Committee and Compensation Committee chairs
- Performance-based coefficient for stock compensation
- Company compensation system, etc.

¹ By the Ordinary General Meeting of Shareholders

Strengthening Governance

Actions to Ensure Board Effectiveness

Seiko Epson Corporation 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 the effectiveness of its board of directors every year since FY2015 based on a self-evaluation questionnaire that all board members complete.

Overview of efforts to evaluate the effectiveness of the board of directors

Evaluating the effectiveness of the board of directors (general principles)

- When evaluation is performed: February to March
- When evaluation results are analyzed and issues are selected: April to May
- Disclosure of issues in a Corporate Governance Report: June
- Interim report to the board of directors (regarding actions taken to resolve issues): October
- Final report to the board of directors (regarding actions on issues): Following February
- Disclosure in a Corporate Governance Report of the results of actions on issues: Following June

Questionnaire

The effectiveness of the board of directors is evaluated by having all board members complete a comprehensive questionnaire.

Questionnaire Topics

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

Board of Director Effectiveness Evaluation for the 2020 Fiscal Year

Conducting the Questionnaire, Analyzing the Evaluation Results, and Selecting Issues

To more objectively evaluate board effectiveness in FY2020, a third-party organization was used to evaluate and provide feedback about each step in the process, from creating a questionnaire to analyzing and evaluating the answers. Two issues were identified and disclosed in the Corporate Governance Report.

Issues

- (1) Promoting diversity initiatives
- (2) Promoting DX initiatives

Actions to Address Issues

(1) Promoting diversity initiatives

- The board identified and focused its efforts on resolving issues at Seiko Epson that are hindering the advancement of women in the workplace.
 - ⇒ The direction in which to steer actions was clarified, an owner was appointed from each operations division and division, and activities commenced in each organization.
 - ⇒ Moving forward, the Board will also advance other diversity-related initiatives.

(2) Promoting DX initiatives

- After formulating and planning the DX strategy, the board analyzed the degree of evolution of DX from a customer and employee perspective and has been improving the infrastructure.
 - ⇒ Next, we will address the priority issue of capturing the necessary DX and IT talent.
 - ⇒ DX initiatives need to be strengthened, and this will be addressed as an issue in the FY2022 board effectiveness evaluation.

Board of Director Effectiveness Evaluation for the 2021 Fiscal Year

In the future, we will work to further improve effectiveness by addressing these issues.

Issues

- (1) Set aside more opportunities to discuss progress and issues related to the environment, DX, and co-creation to accelerate the realization of Epson 25 Renewed.
- (2) Deepen discussions on succession plans and training of the management team and drive further improvement.

Audit & Supervisory Committee Effectiveness Evaluation

The effectiveness of the Audit & Supervisory Committee is evaluated each year to improve audits and corporate governance. To evaluate committee effectiveness, Audit & Supervisory Committee members quantitatively score themselves on standard items on a questionnaire and provide free comments. The committee then discuss ways to improve effectiveness based on the results.

It has been standard practice since FY2019 to share the findings of effectiveness evaluations with the board of directors. The effectiveness evaluations are also used as the basis for recommendations for improving internal control and corporate governance.

Strengthening Governance

Officer Compensation

Seiko Epson Corporation revised the officer compensation system based on a resolution of the board and a resolution at the general shareholders' meeting. Under the new system, which will be adopted from FY2022 (June 28, 2022, for restricted stock compensation), officers will receive fixed base compensation and restricted stock compensation. The new system also uses different evaluation indicators for officer bonuses.

The Process for Deciding Officer Compensation

With the aim of ensuring transparency and objectivity, officer compensation is determined after going through fair, transparent and rigorous reporting by the Director Compensation Committee which is chaired by an outside director, and the majority of whose members are outside directors. The maximum amount of compensation for directors is determined by resolution at the general shareholders' meeting. In the past, the amount of compensation to individual directors who are not Audit & Supervisory Committee members was left to the discretion of the president and representative director by the board and was determined based on what had been deliberated and approved by the Director Compensation Committee. However, the governance policy was revised by resolution of the board to enhance and strengthen corporate governance, and the decisions on such matters are currently left to the discretion of the Director Compensation Committee.

Officer Compensation System

Officer compensation consists of fixed base compensation, performance-linked bonuses, and non-monetary stock compensation. Directors who do not have executive duties receive only base compensation because their role is to generally supervise management from a perspective that is independent from executive functions.

Fixed	Base compensation	Base compensation is fixed monetary compensation that is determined in accordance with the individual's position and the size of his or her role and assigned duties. It is paid monthly during their tenure. Base compensation may be raised or lowered by the board of directors if warranted by Company performance or for other reasons.
Variable	Bonus	<p><u>Determined based on the level of achievement with respect to annual performance targets</u> Bonuses are performance-linked monetary compensation. The amounts vary depending on achievement with respect to single-year performance indicators and individual objectives. Bonuses are paid once a year to directors who have executive duties.</p> <p>Indicators used: Level of achievement with respect to the corporate ROE target and personal objectives</p> <p>Calculation method: The annual total compensation calculated based on position, duties, and so forth is multiplied by the bonus ratio (25% to 30%) for each position, and the bonus payment amount is calculated by multiplying the basic bonus amount by a coefficient (0% to 200%) according to the achievement with respect to index values such as company-wide ROE targets and a coefficient (± 40%) according to the level of achievement with respect to individual objectives.</p>
	Restricted stock compensation	<p><u>Determined based on the increase in long-term corporate value.</u> Restricted stock compensation is stock-based compensation that is designed to further share value with shareholders and provide greater incentive than before to increase the share price, sustain growth, and increase long-term corporate value. Bonuses are paid once a year to directors who have executive duties.</p> <p>Indicators used: Level of achievement with respect to the corporate ROIC target and sustainability objectives</p> <p>Calculation method: The base amount of compensation is obtained by multiplying the annual total compensation calculated based on the position, duties, and so forth of each director by a coefficient (80% to 120% for all) based on achievement with respect to indicators such as stock compensation depending on position (20% to 25%), Group ROIC, and sustainability targets. The base amount of compensation is then divided by the price per share of transfer restricted shares set by the board of directors to find the number of allotted stock for the period.</p>

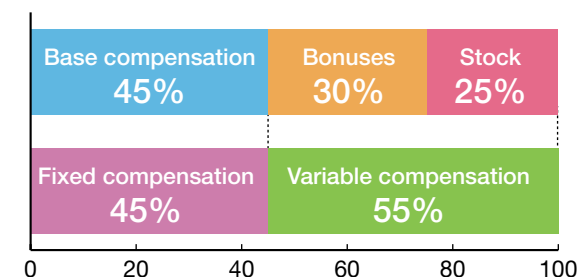


Epson's Annual Report 2022
<https://corporate.epson/en/investors/publications/annual-report.html>

● Composition of Compensation

The percentage of bonuses and stock compensation increases commensurate with position.

President and Representative Director



Compensation for Individual Directors who are Audit & Supervisory Committee Members

Compensation for individual directors who are Audit & Supervisory Committee members is decided by taking into consideration factors such as whether they are full-time, how the audit work has been divided, and the details and levels of compensation for Directors who are not Audit & Supervisory Committee Members. Given their role in monitoring management independent from the execution of business affairs, directors who are Audit & Supervisory Committee members receive only base compensation.

Total Amount of Compensation (FY2021)

Director category	Total (¥100 mil.)	Compensation breakdown (¥100 mil.)			
		Base compensation		Performance-linked compensation	
		Fixed (Monetary)	Variable (Monetary)	Bonus (Monetary)	Stock compensation (Non-monetary)
Directors who are not Audit & Supervisory Committee members (amount accounted for by outside directors)	369 (29)	264 (29)	11 (—)	64 (—)	29 (—)
Directors who are Audit & Supervisory Committee members (amount accounted for by outside directors)	81 (48)	81 (48)	— (—)	— (—)	— (—)
Total	451	346	11	64	29

* Calculated based on the old system

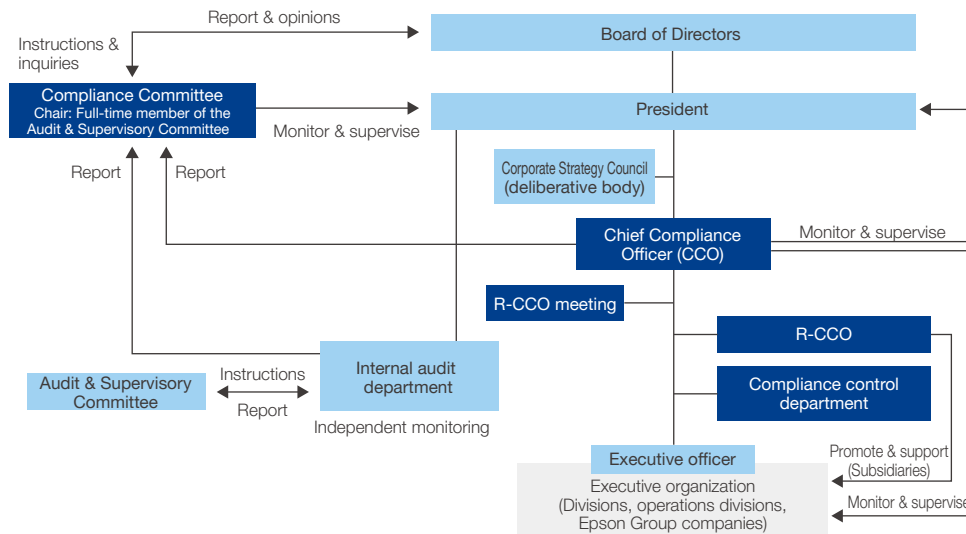
Strengthening Governance

Compliance

Compliance Organization

As an advisory body to the Board of Directors, the Compliance Committee is made up of five outside directors and one director who is a full-time member of the Audit & Supervisory Committee. It is chaired by the full-time member of the Audit & Supervisory Committee, and supervises business affairs by discussing important compliance activities and making reports and suggestions to the Board of Directors. The Chief Compliance Officer (CCO) supervises and monitors the execution of all compliance operations, including that of the president, and periodically reports the state of compliance affairs to the Compliance Committee. The Regional Chief Compliance Officers (R-CCOs) assist the CCO as instructed by the CCO in order to promote effective compliance activities that take into account local laws, business practices and other societal demands. They promote and enforce compliance in their respective subsidiaries within the scope of their responsibilities. The CCO and R-CCOs periodically hold R-CCO meetings to discuss important matters relating to compliance activities at subsidiaries. In addition, a compliance control department monitors compliance in general, making corrections and adjustments as needed to enhance the completeness and effectiveness of compliance activities. The compliance organization is defined in the Epson Group Compliance Basic Regulation.

Compliance Organization Chart



Compliance Promotion Activities

To instill internal compliance awareness, Epson provides online courses, training, and more on a regular basis to all personnel, including officers, regular employees, contract employees, part-time employees and others, in keeping with the Epson Global Code of Conduct.

We invite outside experts to give instruction in compliance training courses for executive management. We also provide online compliance courses and compliance training by internal instructors for all personnel. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions.

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

We raised by 1) issuing compliance messages by the chief compliance officer and the heads of our business units and subsidiaries, 2) familiarizing personnel with the Epson Global Code of Conduct, 3) giving compliance training, and 4) conducting compliance awareness surveys of all personnel. The compliance awareness surveys are checked and analyzed on the operations division, division, and domestic and overseas Group company level. The results are fed back to these respective business units and used to plan activities for the following year.

Whistleblowing Systems

Epson strictly controls information contained in reports and guarantees whistleblowers anonymity and protection from reprisals.

All Epson Group companies provide reporting channels for officers, employees, temporary staff, and suppliers. In Japan, internal whistleblowers are given a choice between an internal and an external reporting channel. A separate system is provided for suppliers. In addition to these, overseas Epson Group companies have installed an Epson Executive Compliance Hotline that can be used to report directly to Seiko Epson any compliance-related problems involving executive management. The number of reports received in Japan has been rising every year. In FY2021, 93 reports were received. All were investigated and dealt with appropriately. Epson continues to review and adjust the systems to accommodate changes in the internal and external environments. In compliance with the amended Whistleblower Protection Act that came into force in June 2022, we have put certain systems in place, including designating persons in charge of handling whistleblowing reports, etc.

Strengthening Governance

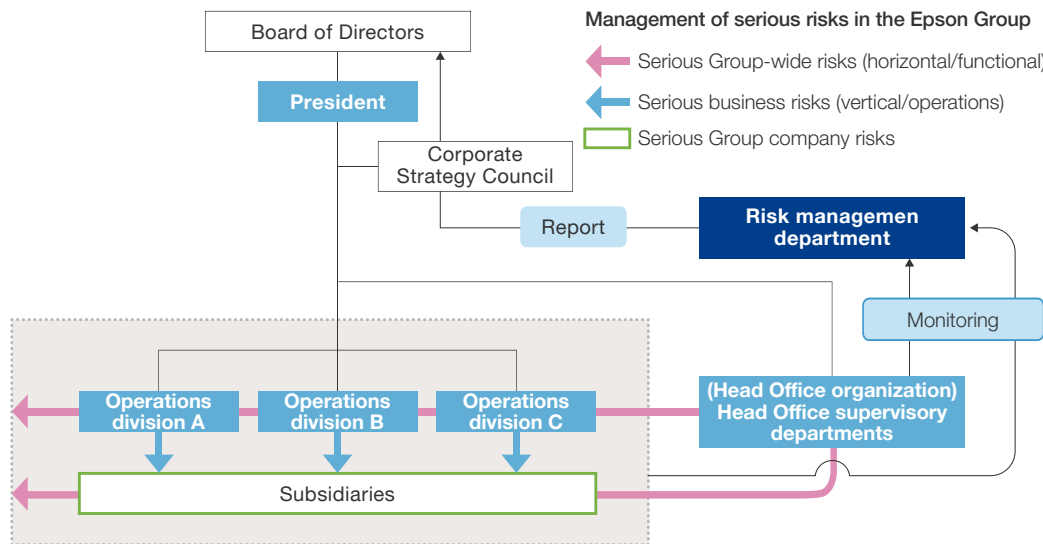
Risk Management

Risk Management Organization

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

The risk management organization is defined in the Epson Group Risk Management Basic Regulation. Epson identifies business operations risks, business ethics risks, such as participation in bribery and cartels, and other

Risk Management Organization Chart

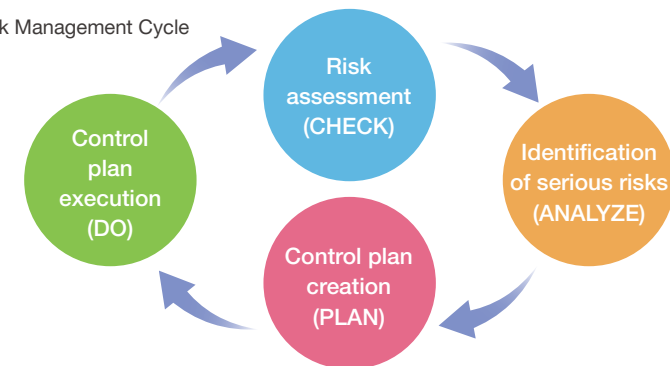


serious risks that could materially impact the company. Epson evaluates these risks using The Committee of Sponsoring Organizations (COSO) and ISO 31000 as guides and sets priorities.

- Risks that could have serious adverse effects on Epson Group management are considered "serious Group-wide risks."
- Risks that could have serious adverse effects on business operations are considered "serious business risks."
- Risks that could have serious adverse effects on subsidiaries' management are considered "serious Group company risks."

Epson drafts and executes plans to control these serious risks and periodically monitors plan progress. The company also strives to ensure control plan effectiveness by evaluating serious Group-wide risks every quarter, evaluating serious business risks and serious Group company risks every six months, and revising the plans as needed. The president of Seiko Epson reports important risk management affairs to the Board of Directors quarterly.

Risk Management Cycle



Crisis Management

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

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

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

Strengthening Governance

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 2022
<https://corporate.epson/en/investors/publications/annual-report.html>

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"> ● Develop and manufacture products with reduced environmental impact, develop environmental technologies, reduce energy consumption, recover, recycle, and reuse products, comply with international chemical substance regulations, and improve environmental management systems in line with Environmental Vision 2050, under which Epson aims to become carbon negative and underground resource¹ free by 2050. ● Grow revenue by selling commercial and industrial inkjet printing solutions and printheads that reduce environmental impact, increase productivity, and reduce printing costs, and by providing production systems with a reduced environmental impact. ● Develop environmental business by establishing material recycling technology and Dry Fiber Technology applications to combat global warming and transition to a circular economy. <p>¹ Non-renewable resources such as oil and metals</p>
Hiring and personnel retention risks	<ul style="list-style-type: none"> ● Competition could intensify for the best talent to develop advanced new technologies and manufacture advanced new products. 	<ul style="list-style-type: none"> ● Secure and retain top-notch talent by introducing role-based compensation, developing internal talent, promoting diversity, implementing flexible work arrangements, managing health, and promoting global talent to create an amenable work environment and climate in which diverse human resources can make the most of their abilities.
Natural disasters, infectious diseases, etc.	<ul style="list-style-type: none"> ● There could be war, acts of terrorism, and supply chain disruptions caused by unpredictable events such as natural disasters, pandemics involving new infectious diseases like COVID-19, disasters affecting parts suppliers, etc. ● The business environment could materially change along with social and behavioral changes during and after COVID-19. 	<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 internationally. In the event of an international legal or regulatory violation, or in the event of an investigation or proceedings against Epson by responsible authorities, the introduction of stricter laws or regulations or their more rigorous enforcement by the authorities, Epson could incur damage to its credibility, large civil fines, constraints on its business activities, higher expenses to comply with laws and regulations, or other negative consequences. 	<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.

Strengthening Governance

Board of Directors (As of June 28, 2022)

**Minoru Usui**

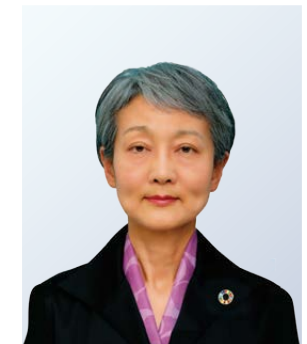
Chairman and Director

**Yasunori Ogawa**President and
Representative Director
CEO**Koichi Kubota**Representative Director,
Senior Managing Executive Officer,
General Administrative Manager,
Sales & Marketing Division**Tatsuki Seki**Director,
Senior Managing Executive Officer,
General Administrative Manager, Corporate
Strategy and Management Control Division /
Sustainability Promotion Office**Masayuki Kawana**Director,
Full-Time Audit & Supervisory
Committee Member**Hideaki Omiya**

Outside Director

Outside
Independent
Director**Mari Matsunaga**

Outside Director

Outside
Independent
Director**Yoshio Shirai**Outside Director,
Audit & Supervisory
Committee MemberOutside
Independent
Director**Susumu Murakoshi**Outside Director,
Audit & Supervisory
Committee MemberOutside
Independent
Director**Michiko Ohtsuka**Outside Director,
Audit & Supervisory
Committee MemberOutside
Independent
Director

Strengthening Governance

Matrix of Areas of Expertise Particularly Expected for Directors (Skill Matrix)

Epson believes that a diverse board of directors is useful for facilitating substantive board discussion that cover all angles. Therefore, our basic policy is to maintain a board that is well-balanced and composed of persons who combine a broad spectrum of knowledge, experience, and skill in their respective areas of expertise, without regard to gender, race, ethnicity, country of origin, nationality, cultural background, age, etc. The current Board of Directors has been established based on this policy, clarifying a management system toward achieving the Management Philosophy and Corporate Vision in order to realize sustained growth and increase medium- to long-term corporate value. The skills of the Company's Directors and areas in which they are particularly expected to show expertise are as follows.

Title	Name	Tenure as a Director at the end of the 6/28/2022 general shareholders' meeting	Voluntary Committee		Independent Director	Areas of expertise and skills particularly expected by the Company						
			Director Nomination Committee (◎ Chair)	Director Compensation Committee (◎ Chair)		Corporate management	Development Design	Sales Marketing	IT Digital	Financial Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	20 years				●	●	●				
President and Representative Director	Yasunori Ogawa	4 years	○	○		●	●		●			
Representative Director, Senior Managing Executive Officer	Koichi Kubota	10 years				●		●				●
Director, Senior Managing Executive Officer	Tatsuaki Seki	6 years							●	●	●	
Outside Director	Hideaki Omiya	8 years	◎	◎	○	●	●		●			
Outside Director	Mari Matsunaga	6 years	○	○	○			●	●			
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	8 years								●	●	
Outside Director, Audit & Supervisory Committee Member	Yoshio Shirai	6 years	○	○	○	●	●					●
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	2 years	○	○	○					●	●	
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	2 years	○	○	○					●	●	

* Up to three areas of particular expertise are indicated.

Consolidated Financial Highlights

		IFRS (Consolidation)				
		FY2013	FY2014	FY2015	FY2016	FY2017
Statement of Income (Billions of yen)	Revenue	1,008.4	1,086.3	1,092.4	1,024.8	1,102.1
	Gross profit	362.5	395.9	397.6	365.9	400.8
	Business profit ¹	90.0	101.2	84.9	65.8	74.7
	Profit from operating activities	79.5	131.3	94.0	67.8	65.0
	Profit before tax	77.9	132.5	91.5	67.4	62.6
	Profit for the period attributable to owners of the parent company	84.2	112.5	45.7	48.3	41.8
Statement of Financial Position (Billions of yen)	Equity attributable to owners of the parent company	362.3	494.3	467.8	492.1	512.7
	Total assets	908.8	1,006.2	941.3	974.3	1,033.3
	Interest-bearing liabilities ²	220.5	185.9	141.7	146.5	166.5
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
	Net cash provided by (used in) investing activities	△ 41.2	△ 32.7	△ 51.5	△ 75.7	△ 74.6
	Free cash flows	73.6	76.0	61.4	21.1	9.6
Financial and Management Indicators (Billions of yen·%)	Research and development expense	48.8	47.8	53.1	52.7	50.3
	Capital expenditures	37.8	45.4	69.4	75.3	79.4
	Depreciation and amortization	40.7	44.4	45.3	43.2	49.4
	Equity ratio attributable to owners of the parent company	39.9	49.1	49.7	50.5	49.6
	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
	ROA (Business profit/Beginning and ending balance average total assets)	10.4	10.6	8.7	6.9	7.4
	ROS (Business profit/revenue)	8.9	9.3	7.8	6.4	6.8
	ROIC (Return on Invested Capital) ³	-	-	-	7.4	7.9
	Consolidated dividend payout ratio	10.6	18.3	46.9	43.9	52.2
Consolidated dividend Payout Ratio (Based on Business Profit) ⁴	14.2	29.0	36.1	45.9	41.7	
Per Share Data (Yen)	Basic earnings per share (EPS)	235.35 ⁶	314.61 ⁶	127.94	136.82	118.78
	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
	Cash dividends per share	50.00	115.00	60.00 ⁷	60.00	62.00
Index of Stock Price (Multiples)	Price Earnings Ratio (PER)	6.82	6.77	14.21	17.13	15.92
	Price Book-value Ratio (PBR)	1.58	1.54	1.39	1.68	1.30
Revenue Breakdown by Region (Billions of yen) ⁵	Japan	280.9	276.2	264.0	251.3	250.1
	The Americas	260.2	304.6	320.0	290.9	320.4
	Europe	218.4	230.9	226.3	211.9	233.2
	Asia/Oceania	248.8	274.4	282.0	270.5	298.2
Average Exchange Rate for the Period (Yen)	Yen/U.S. dollars	100.23	109.93	120.14	108.38	110.85
	Yen/Euro	134.37	138.77	132.58	118.79	129.66
Number of Employees at Period End (Person)	Total	73,171	69,878	67,605	72,420	76,391
	Domestic	18,372	18,627	18,699	19,175	19,436
	Overseas	54,799	51,251	48,906	53,245	56,955

¹ Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

² Lease obligations are included in interest-bearing liabilities.

³ ROIC = Business profit after tax / (equity attributable to owners of the parent company + interest-bearing liabilities)

⁴ Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit.

⁵ Sales (revenue) by region is based on the location of the customers.

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.

Consolidated Financial Highlights

		IFRS (Consolidation)			
		FY2018	FY2019	FY2020	FY2021
Statement of Income (Billions of yen)	Revenue	1,089.6	1,043.6	995.9	1,128.9
	Gross profit	412.6	362.0	352.3	418.4
	Business profit ¹	70.4	40.8	61.6	89.6
	Profit from operating activities	71.3	39.4	47.6	94.4
	Profit before tax	72.0	39.7	44.9	97.1
	Profit for the period attributable to owners of the parent company	53.7	7.7	30.9	92.2
Statement of Financial Position (Billions of yen)	Equity attributable to owners of the parent company	540.1	503.7	550.9	665.6
	Total assets	1,038.3	1,040.9	1,161.3	1,266.4
	Interest-bearing liabilities ²	142.3	209.6	265.9	243.1
Statement of Cash Flows (Billions of yen)	Net cash provided by (used in) operating activities	76.9	102.3	133.2	110.8
	Net cash provided by (used in) investing activities	△ 82.7	△ 76.1	△ 57.4	△ 44.0
	Free cash flows	△ 5.7	26.1	75.7	66.7
Financial and Management Indicators (Billions of yen·%)	Research and development expense	58.2	49.2	46.4	46.0
	Capital expenditures	82.0	80.0 ⁸	52.8	48.2
	Depreciation and amortization	55.6	67.8	69.4	64.4
	Equity ratio attributable to owners of the parent company	52.0	48.4	47.4	52.6
	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)	10.2	1.5	5.9	15.2
	ROA (Business profit/Beginning and ending balance average total assets)	6.8	3.9	5.6	7.4
	ROS (Business profit/revenue)	6.5	3.9	6.2	7.9
	ROIC (Return on Invested Capital) ³	7.2	4.1	5.6	7.3
	Consolidated dividend payout ratio	40.7	278.5	69.4	23.2
	Consolidated dividend Payout Ratio (Based on Business Profit) ⁴	44.3	75.0	49.7	34.2
Per Share Data (Yen)	Basic earnings per share (EPS)	152.49	22.26	89.38	266.73
	Equity attributable to owners of the parent company per share (BPS)	1,533.57	1,456.20	1,592.36	1,923.68
	Cash dividends per share	62.00	62.00	62.00	62.00
Index of Stock Price (Multiples)	Price Earnings Ratio (PER)	11.12	52.56	20.14	6.90
	Price Book-value Ratio (PBR)	1.11	0.80	1.13	0.96
Revenue Breakdown by Region (Billions of yen) ⁵	Japan	251.4	254.9	221.2	229.1
	The Americas	310.5	293.0	287.9	332.7
	Europe	225.2	214.0	208.4	239.5
	Asia/Oceania	302.4	281.5	278.1	327.4
Average Exchange Rate for the Period (Yen)	Yen/U.S. dollars	110.86	108.74	106.01	112.37
	Yen/Euro	128.40	120.85	123.67	130.55
Number of Employees at Period End (Person)	Total	76,647	75,608	79,944	77,642
	Domestic	19,456	19,558	19,470	19,705
	Overseas	57,191	56,050	60,474	57,937

¹ Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.

² Lease obligations are included in interest-bearing liabilities.

³ ROIC = Business profit after tax / (equity attributable to owners of the parent company + interest-bearing liabilities)

⁴ Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit.

⁵ Sales (revenue) by region is based on the location of the customers.

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

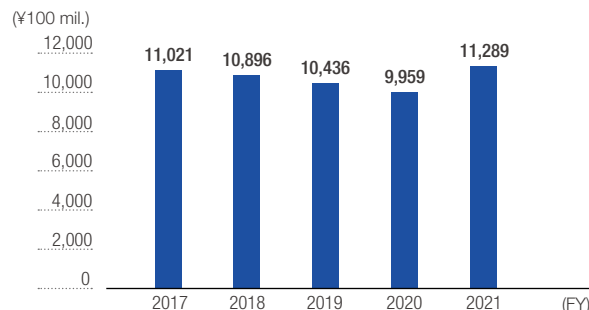
⁸ The figure for FY2019 includes leases.

Financial and Non-Financial Highlights

Financial Highlights

Revenue

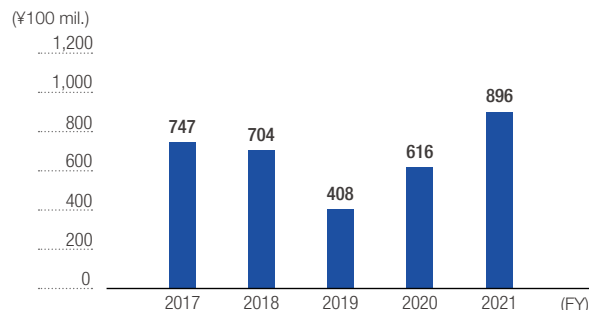
¥1,128.9 billion



Revenue was negatively impacted by global supply chain disruptions and product shortages. However, Epson recorded year-on-year revenue growth owing to a rebounding market and positive foreign exchange effects.

Business Profit

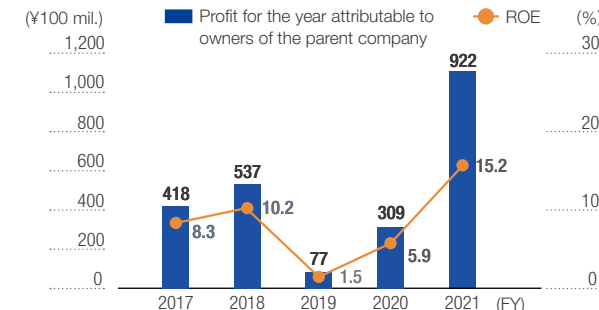
¥89.6 billion



Material, logistics, and other costs increased, but business profit surged compared to the prior period due to a recovery in demand and unit sales growth, dynamic pricing in accordance with supply and demand, curtailed spending on advertising and sales promotions, and positive foreign exchange effects.

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

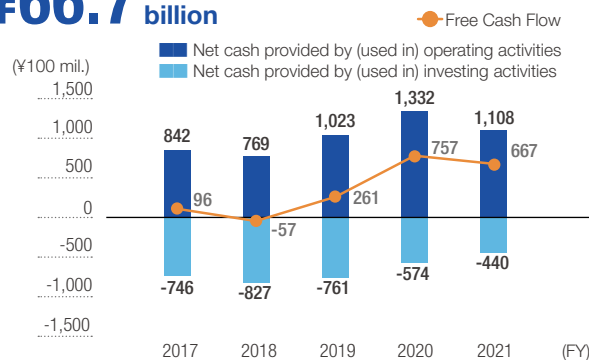
Profit attributable to owners of the parent company **¥92.2 billion** ROE **15.2%**



Profit for the year attributable to owners of the parent company increased sharply primarily because, in addition to an increase in business profit and other categories of profit, there was an increase in deferred tax assets. As a result, ROE rose 9.3% from the previous period, to 15.2%.

Free Cash Flow

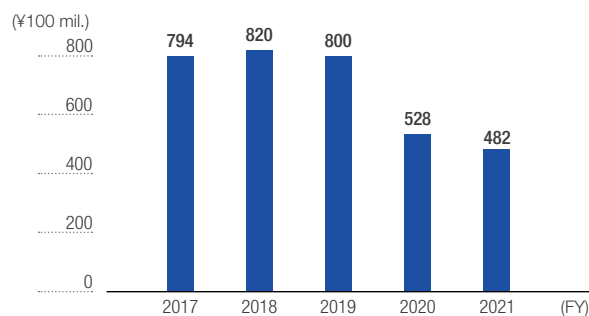
¥66.7 billion



Cash flows from operating activities totaled ¥110.8 billion. Factors such as an increase in inventory had a negative effect on the cash balance, but these were outweighed by the positive effects of the ¥92.3 billion in profit for the period and the recording of depreciation and amortization, among other things. Net cash used in investing activities totaled ¥44.0 billion, mainly due to the acquisition of property, plant, equipment and intangible assets. Consequently, free cash flow was ¥66.7 billion, down from the prior period.

Capital Expenditure¹

¥48.2 billion

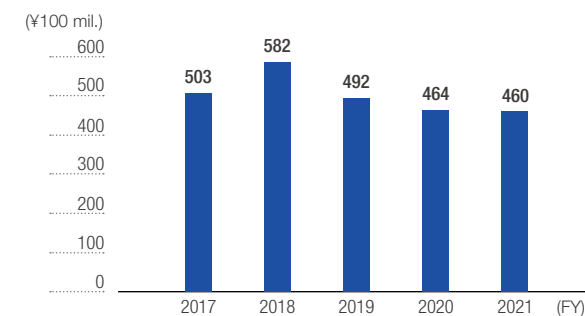


Epson spent on future business growth, particularly on new products, production capacity, automation, maintenance and upgrades, and environmental. On the other hand, with large investments now completed and uncertainty about the effects of COVID-19 on the business environment, Epson continues to invest selectively and to make efficient use of existing facilities.

¹ Includes right-of-use assets as of FY2019 due to a change in accounting policy.

Research and Development Expenses

¥46.0 billion



In addition to developing the next-generation products, core technologies, and key devices that will drive future growth, we are actively spending to strengthen manufacturing infrastructure and create new businesses.

Financial and Non-Financial Highlights

Non-Financial Highlights: Social, Governance

Patent Application Rankings²

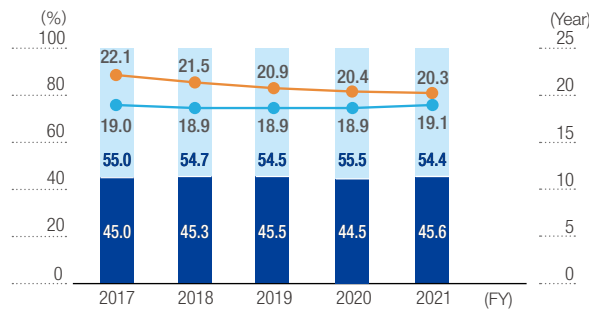
Japan		U.S.	
Inkjet printers	1 st	Inkjet printers	2 nd
Projectors	1 st	Projectors	1 st
Robots	2 nd	Robots	3 rd
Crystal devices	1 st	Crystal devices	2 nd

² The 2021 ranking in number of patents laid open to the public (per Epson research)

Epson delivers new customer value through products that embody our 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.

Diversity³

Women in the workforce 45.6% Workforce composition (global) Men Women
Average tenure (Seiko Epson) Men Women



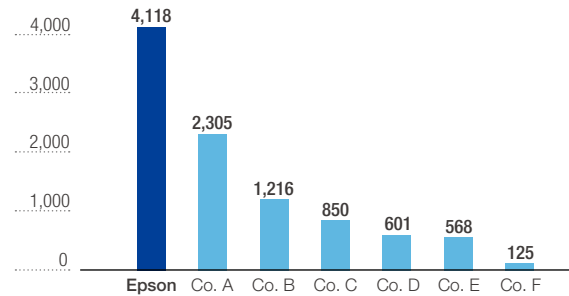
To understand a diverse range of customers and meet their needs, our own diversity is important. Epson is taking action to support the advancement of more women in the workplace by, for example, increasing the number of female managers.

³ Regular employees in the Epson Group as of the fiscal year-end (March 31)

Number of Patents for Piezo Printheads

4,118

* As of July 20, 2022. Per Epson research.
* Patents registered in Japan, the US, China, and EU with an application date of July 1, 2002 or later

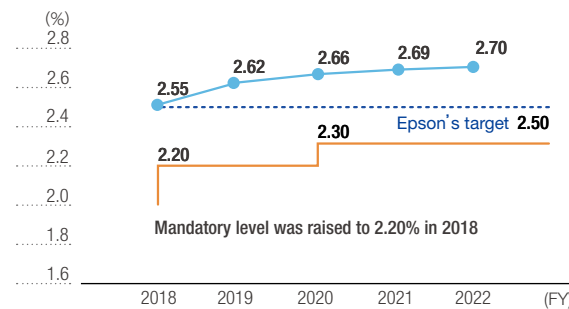


We lead the industry in number of patent applications for piezo printheads, a core device in our mainstay printing business. This intellectual property gives us an unassailable lead over competitors.

Employees with Disabilities in the Epson Group in Japan⁴

2.70%

Employees with disabilities (%) Legally mandated quota (%)

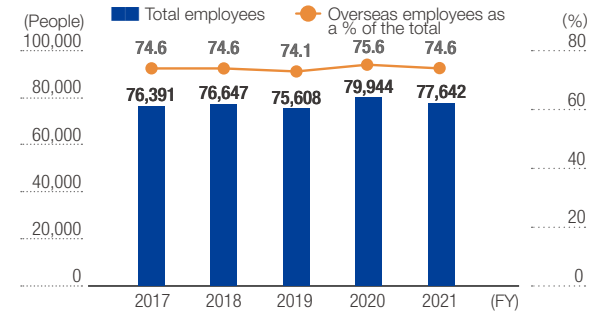


We set a target of 2.5% in FY2022 and are looking to expand employment opportunities.

⁴ The figures for each year are as of June 1 of the year in question.

Total Employees & Overseas Employees as a % of the Total

Total employees **77,642** Overseas employees as a % of the total **74.6%**

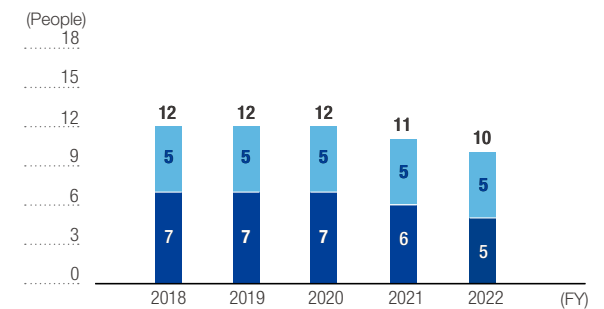


We are working to stabilize the workforce by minimizing the impact of COVID-19. We will strive to realize our corporate vision by hiring and retaining essential talent both in Japan and overseas, fulfilling our social responsibilities, sustaining growth, and increasing long-term corporate value.

Percentage of Outside Directors⁵

Outside directors **50%**

Inside directors Outside directors



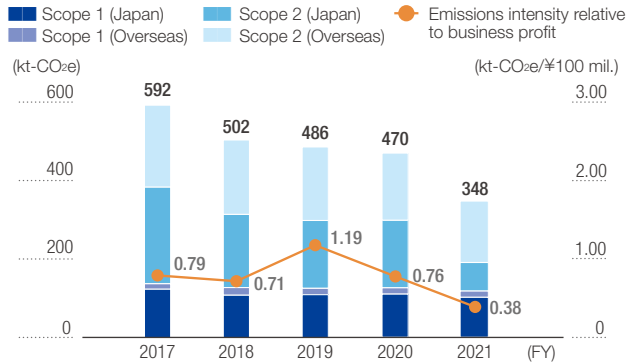
We believe that having diversity on the board of directors is useful for assessing issues more thoroughly and from a wider range of angles. Outside directors currently make up 50% of our board. Members of the board routinely discuss issues and the outside directors provide effective oversight of management.

⁵ The number of directors was the number at the end of June each year.

Financial and Non-Financial Highlights

Non-Financial Highlights: Environmental

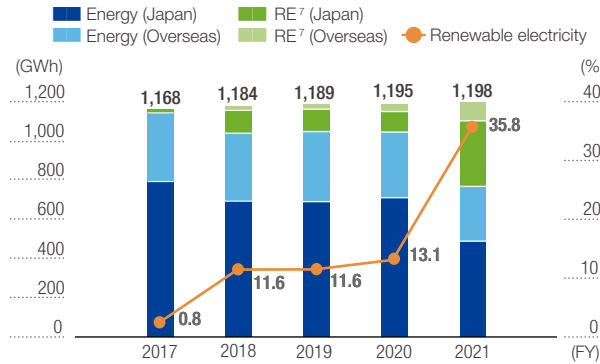
Greenhouse Gas (GHG) Emissions⁶ **348 kt-CO₂e**



In FY2021, Epson accelerated the use of renewable electricity in addition to driving site-based energy-saving initiatives, enabling us to progress toward our SBT Initiative-validated 2025 target of reducing scope 1 and scope 2 greenhouse gas (GHG) emissions by 34% compared to FY2017.

⁶ See note 6, P32.

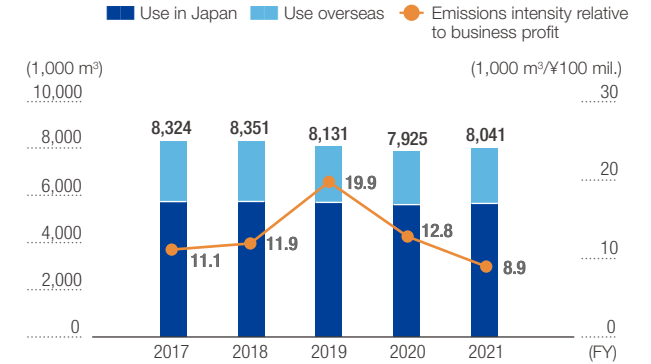
Energy Use **1,198 GWh**



In FY2021, both revenue and business profit increased year-on-year, while energy use remained flat. And, by introducing renewable electricity, we raised the percentage of renewable energy from less than 1% to about 35% today (and 49% of electricity).

⁷ RE: Renewable electricity

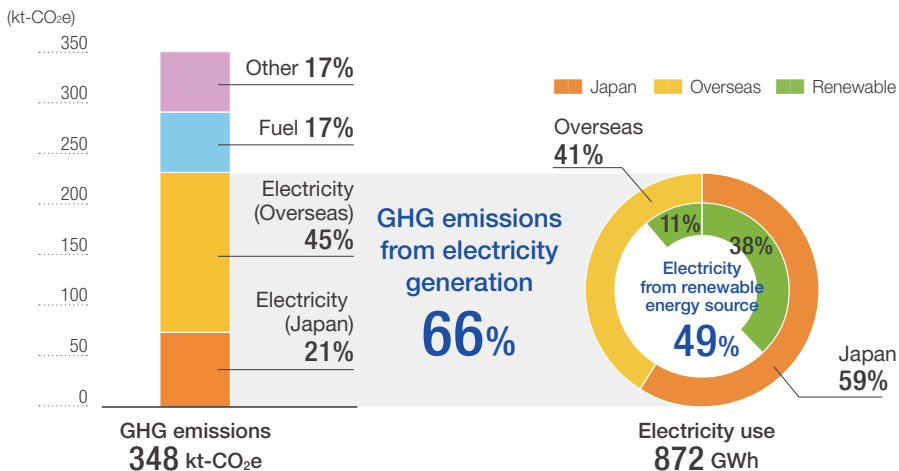
Water Use **8,041 thousand m³**



Water is closely linked to climate change and other environmental issues. Epson's business activities rely on water resources, and the sustainability of water resources substantially affects business continuity. Given this, we are working to preserve water resources by avoiding unnecessary contamination and use, and by recycling the water we do use. In FY2021, our water use increased by 1.5% year on year, but usage per unit of business profit decreased.

Renewable Energy Use

Breakdown of Sources (Renewable and Non-renewable) of Scope 1 & 2 Emissions in FY2021




About 70% of Epson's GHG emissions come from the consumption of electricity. At home and abroad, we have increased the percentage of renewable energy to 49% of electricity usage by selecting the optimal low-carbon electricity in each region, such as hydropower and wind power, and by proactively investing in on-site electricity generation.

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 FY2021 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).



Public Recognition

 Evaluation by External Parties
<https://corporate.epson/en/sustainability/evaluation/>

▶ Inclusion in ESG Indices and Rating

The FTSE4Good Index Series (June 2022)



FTSE4Good

The FTSE Blossom Japan Index (June 2022)



FTSE Blossom Japan

The FTSE Blossom Japan Sector Relative Index (June 2022)



FTSE Blossom Japan Sector Relative Index

The MSCI Japan Empowering Women Index (WIN) (June 2022)

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

The MSCI Japan ESG Select Leaders Index (June 2022)

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

The S&P/JPX Carbon Efficient Index (July 2022)



The Somo Sustainability Index (June 2022)



Somo Sustainability Index

Placed on Two Prestigious CDP A Lists for the Second Consecutive Year (December 2021)



Selected for the Third Consecutive Year as a Global Leader for Engaging its Supply Chain on Climate Change (February 2022)



Selected by DBJ under its Environmentally Rated Loan Program (January 2022)



Received EcoVadis Platinum Rating for Overall Sustainability (October 2021)



▶ Participation in External Initiatives

United Nations Global Compact

Epson has pledged to conduct its affairs as a good corporate citizen and to uphold ten principles in the areas of human rights, labor, environment, and anti-corruption to achieve sustainable growth.



Responsible Business Alliance

A business alliance to promote CSR in global supply chains



Responsible Business Alliance

Advancing Sustainability Globally

Responsible Minerals Initiative

An alliance for the responsible sourcing of minerals



TCFD

Created by the Financial Stability Board to promote disclosures on climate-related risks and opportunities



CDP

An organization that gathers and evaluates environmental information from companies at the request of institutional investors and supply chain members



Science Based Targets initiative

An international partnership that persuades companies to set science-based GHG emissions reduction targets



RE100

An international initiative that brings together the world's most influential businesses to drive the transition to 100% renewable electricity



Japan Climate Initiative

A network of non-state entities such as companies, local governments, research institutions, and NGOs committed to combating climate change



Japan for Circular Economy (J4CE)

A partnership established by the Ministry of the Environment, the Ministry of Economy, Trade and Industry, and the Japan Business Federation.

CSR Europe

An organization that makes recommendations on guidelines and principles for the European Commission. As a leading European business network, it supports the CSR efforts of businesses, industries, governments, and NGOs



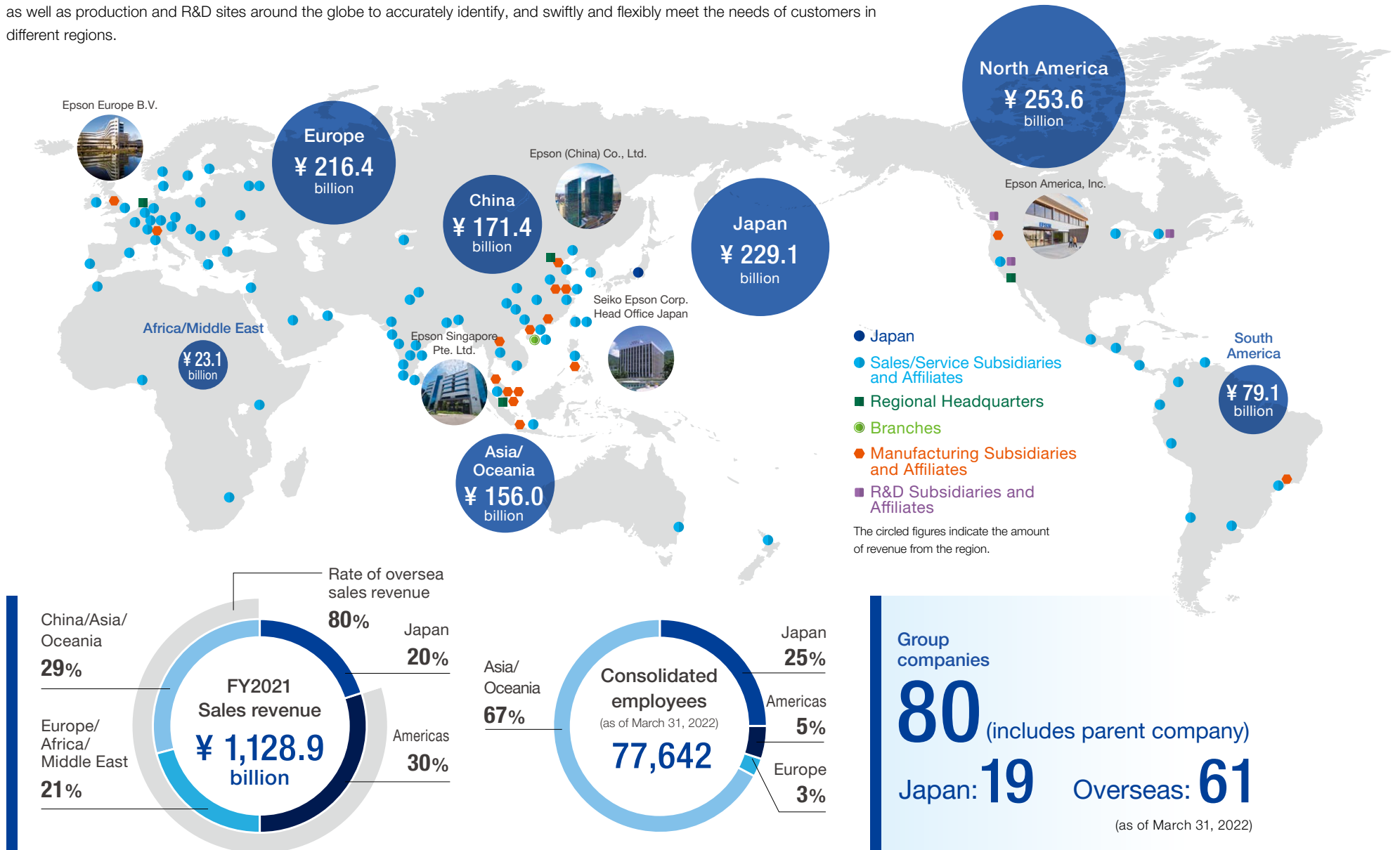
Pararesin Japan Consortium

This consortium was created to develop technology for, and promote the use of, biomass plastic that uses paramylon, a storage polysaccharide of the microalga Euglena.



Global Networks

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.



Group Outline (current as of March 31, 2022)

Corporate Outline

Company name	Seiko Epson Corporation
Founded	May 18, 1942
Head Office	3-3-5 Owa, Suwa, Nagano Prefecture
Share capital	53,204 million yen
Employees	Epson Group: 77,642 person Seiko Epson: 12,630 person

Matters related to Company Shares

Total number of shares authorized to be issued	1,214,916,736 shares
Total number of shares outstanding	399,634,778 shares (including 53,445,399 shares of treasury stock)
Number of shareholders	39,337 persons

Major shareholders	Name	Number of shares held (Shares)	Shareholding ratio (%)
	The Master Trust Bank of Japan, Ltd. (Trust account)	78,047,300	22.54
	Custody Bank of Japan, Ltd. (Trust account)	25,447,000	7.35
	Sanko Kigyo Kabushiki Kaisha	20,000,000	5.77
	Seiko Holdings Corporation	12,000,000	3.46
	Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account, Beneficiary of the trust, Custody Bank of Japan, Ltd.	8,153,800	2.35
	Epson Group Employees' Shareholding Association	7,421,350	2.14
	Mikiko Kidosaki	6,855,302	1.98
	Custody Bank of Japan, Ltd. (Securities investment trust account)	6,285,800	1.81
	The Dai-ichi Life Insurance Company, Limited (Standing proxy: Custody Bank of Japan, Ltd.)	6,115,200	1.76
	STATE STREET BANK WEST CLIENT – TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	4,686,577	1.35

* Although the Company holds 53,445,399 shares of treasury shares, the Company is excluded from the above list of major shareholders. (The ratio of the treasury shares held by the Company to the total number of shares outstanding is 13.37%.) Treasury shares do not include the Company's shares (170,607 shares) owned by the officer compensation BIP trust.

Notes

P4	¹ Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2022Q2 Share by Company	
	² Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2022Q2 Share by Company. Laser Printer: Mono Laser -90ppm, Color Laser -69ppm	
	³ Unit volume share for projectors with 500 lumens or more, excluding screenless TV products. Source: Futuresource Consulting Ltd.	
	⁴ Source: Epson research based on Fuji Keizai's "Reality and Outlook of Worldwide Robot Related Market 2021"	
	⁵ Source: Epson research based on CS & A LLC's "Worldwide Semiconductor Timing: Global Crystals & Oscillators, CY2020"	
P18	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.	
	** Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2020Q2, Units Share by Company	
	² The reduction ratio when comparing the TEC of the LX series (Japanese model number) of high-speed linehead inkjet multifunction printers with the standard TEC for 60-ppm machines given in the ENEGY STAR® Imaging Equipment Specification Version 3.0	
	³ Some water is used to maintain humidity inside the system.	
	⁴ Epson research based on data from commissioned survey conducted in March 2018 by SOMPO Risk Management & Health Care Inc.	
P39	⁵ This evaluation compares the impacts of a 30-ton machine and a 3-ton machine when producing 500,000 Epson printer parts per month. Calculations were checked using a method of Mizuho Research & Technologies Institute. Epson's AE-M3 (3-ton molding machine) produces two parts at a time and has a molding time of 694 hours, whereas the average 30-ton molding machine of other companies produces eight parts at a time and has an average molding time of 382 hours. The manufacturing, transportation, and disposal stages of products and accessories are not taken into account when calculating CO ₂ emissions. These are the estimated results of a hypothetical model based on Epson's actual results, and the calculation results may differ depending on the conditions of the customer's equipment and materials. Calculation conditions: Cubic volume of part was 0.5 cm ³ , plastic material was POM, the 30-ton machine was a composite imagined using the mean value of three representative models from other manufacturers, and the installation area was the molding machine installation space + incidental equipment + work space.	
	¹ Source: Same as the third note on P4.	
	P46	² 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
		³ Calculation conditions are the same as explained in the second footnote on P18.
	P49	² Including peripheral equipment (hardware that connects to robots)
³ Mold clamping force 40tons and under		
P52	⁴ Payloads up to 20 kg	
	² Displays high-definition images with 4K signal input and dual-axis pixel shift technology	
P63	⁵ Calculation conditions are the same as explained in the fifth note on P18.	
P67	¹ To promote the self-management of mental and physical health and achieve a balance between work and health among all employees	
	² Pay sufficient attention to safety to prevent impairment of health due to work or the work environment. Develop a vibrant workplace climate where there is good teamwork.	

SEIKO EPSON CORPORATION

3-3-5 Owa, Suwa, Nagano 392-8502, Japan

TEL: +81-266-52-3131

<https://corporate.epson/en/>

information

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.



Booklet & PDF



Web

IR information

- Annual Report (PDF)
- Corporate Governance Report

Integrated Report (PDF)



- Sustainability Report (PDF)

- Investor Relations
<https://corporate.epson/en/investors/>



- Sustainability
<https://corporate.epson/en/sustainability/>

