

Epson Group

Integrated Report 2023

Epson Integrated Report 2023 Editorial Policy

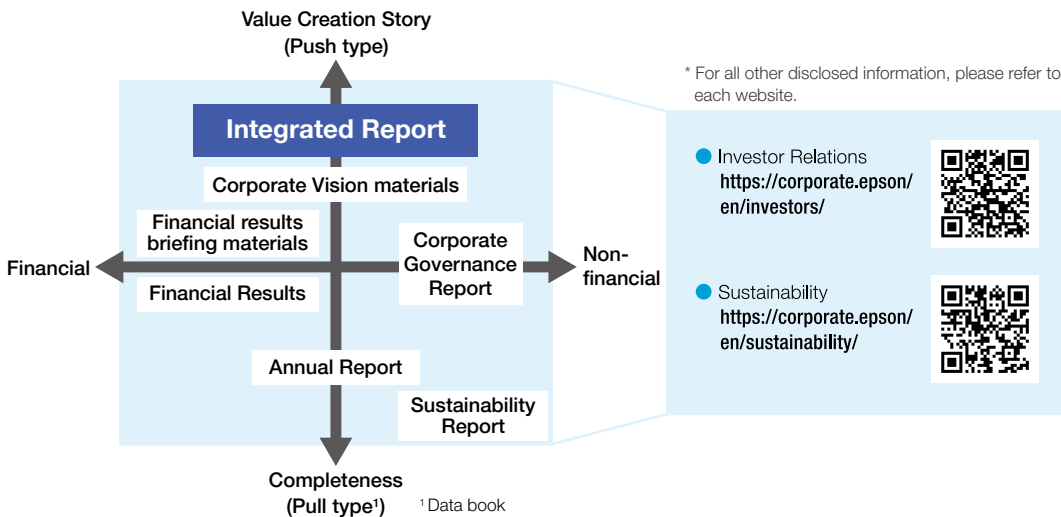
Editorial Policy

Epson creates and publishes an integrated report to foster better understanding of Epson’s corporate purpose among its shareholders, investors, and other stakeholders, as well as to create a virtuous cycle that helps Epson further enhance its corporate value by refining its strategies through discussions with stakeholders.

First published in 2017, Epson Integrated Reports are compiled in line with a policy of providing financial and non-financial information in an integrated manner with a focus on completeness. In addition to referring to the principles outlined in Guidance for Collaborative Value Creation from the Japanese Ministry of Economy, Trade and Industry and in the International Integrated Reporting Framework from the International Integrated Reporting Council (IIRC), we have been improving the report by incorporating feedback from stakeholders.

This year, in response to the expansion of the scope of information disclosed in Epson’s securities reports and other media due to heightened expectations and interest in ESG initiatives, we reorganized the information disclosure system before compiling the report. The content for Epson Integrated Report 2023 was carefully chosen to help readers quickly and easily understand Epson’s initiatives. We hope that this report will help provoke discussions with the readers.

Main Information Disclosure Media (Information Disclosure System)

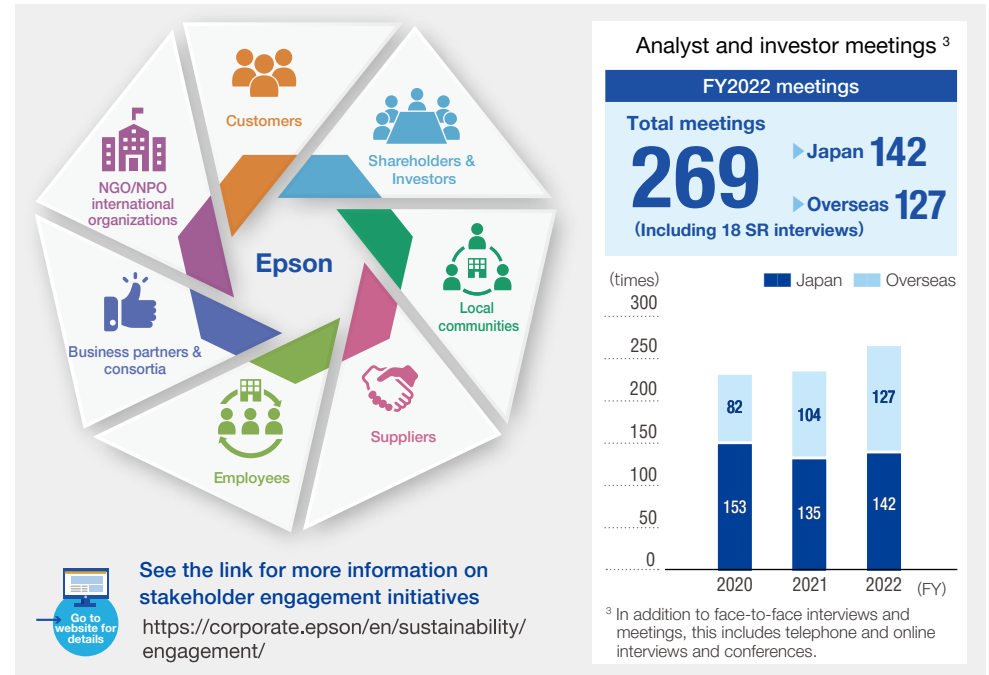


Stakeholder Engagement²: Discussions with Shareholders and Investors

At Epson we recognize that to sustain growth and increase corporate value long-term, we must increase the transparency of management and forge lasting partnerships and relationships of trust through honest discussions with stakeholders. Accordingly, we have articulated a policy on the disclosure of information to shareholders, investors, and other stakeholders and, in line with this policy, are enhancing our investor relations and sustainability reporting (IR & SR) and engaging in constructive dialogue. Feedback gained from talks with shareholders and investors is shared with the executive management team and is 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.

² Companies-stakeholder discussions Engagement enables companies to understand the interests of stakeholders and influences the company operations and decisions.



INDEX

Click on the title to view the page.

Using This PDF



Introduction

- 1-2 Editorial Policy / INDEX >
- 3-4 A History of Value Creation / At a Glance >
- 5-6 Financial and Non-Financial Highlights >

CEO Message



- 7-12 CEO Message >



- 19-22 CFO / CSuO Message >
("Sustainability Management and Financial Strategies")

Fact Data

- 69-70 Consolidated Financial Highlights >
- 71 Global Networks >
- 72 Group Outline >
- Back cover Notes >

Purpose

- 13 Our Purpose >
- 14-16 Embedding Purpose >

→ Related Value Creation Story ⑧

Vision Progress

- 17-18 Vision Progress >

→ Related Value Creation Story ④⑤⑥

Sustainability Management and Financial Strategies

- 19-22 CFO / CSuO Message >
- 23-24 Responding to TCFD Recommendations >
- 25 Value Creation Story >
- 26 Sustainability Management >
- 27-28 Key Sustainability Topics and KPIs >

→ Related Value Creation Story ① ~ ⑧

Value Creation Strategy

- 29-30 Overview >
- 31-32 Performance Highlights >
- 33-40 Value Creation Strategy >

→ Related Value Creation Story ④⑥⑦

Value Creation Platforms

- 41-46 Environmental Strategy & Technology Development Strategy >
- 47-48 Intellectual Property Strategy >
- 49-50 Supply Chain Strategy >
- 51-55 Human Resources Strategy >
- 56 Social Support >

→ Related Value Creation Story ⑤

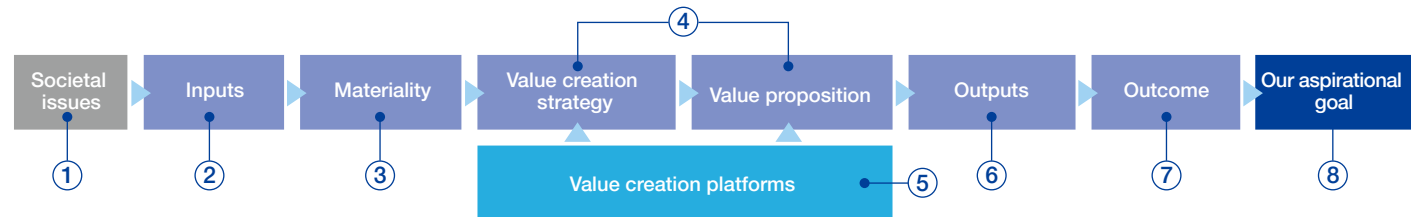
Strengthening Governance

- 57-60 Dialog Between Institutional Investors and Outside Directors >
- 61 Corporate Governance >
- 62 Actions to Ensure Board Effectiveness >
- 63 Officer Compensation >
- 64 Compliance >
- 65-66 Risk Management >
- 67-68 Board of Directors >

→ Related Value Creation Story ⑤

Sustainability and Growth Potential Based on the Value Creation Story

Epson Integrated Report is structured so that the content basically follows the flow of the Value Creation Story (→P25).



- Issued : November 2023
- Period covered : April 1, 2022 to March 31, 2023
(Some information may be from other periods.)
- Coverage : 81 Epson Group companies (including Seiko Epson Corporation)

- * "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.

A History of Value Creation

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 create a better planet and enrich people's lives.



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)

Monument engraved with the motto of founder Hisao Yamazaki

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

Epson becomes the first Japanese manufacturer in the RE100 to switch to 100% renewable electricity at all domestic sites (2021)

* Group-wide, the switch to 100% renewable electricity is scheduled for completion in 2023.

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

Established an Epson Group corporate purpose (2022)

→ For details, see P13-16, "Purpose."

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.

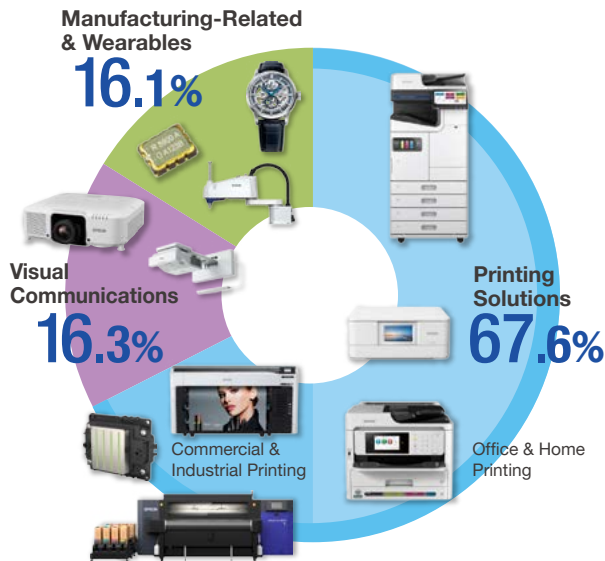
At a Glance

Revenue (Consolidated) FY2022 Business Profit (Consolidated) FY2022

¥1,330.3 billion ¥95.1 billion

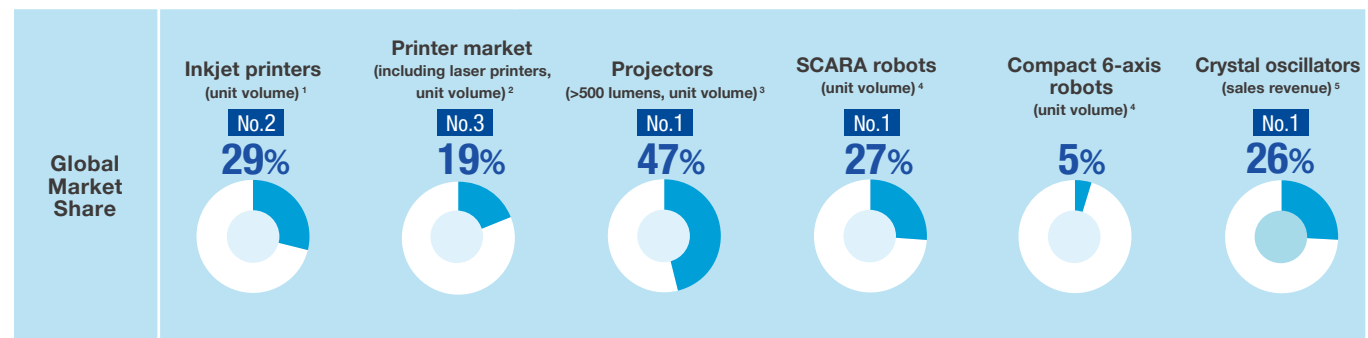
* Business profit is very similar to operating income under Japanese accounting standards, both conceptually and numerically. It is calculated by deducting the cost of sales and selling, general and administrative expenses from revenue.

Segment Revenue as a Percentage of Total Revenue (FY2022)



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



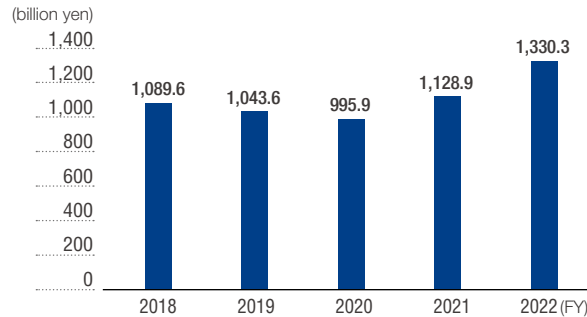
Financial and Non-Financial Highlights

Financial Highlights

Note: Figures are stated based on the current business segments, which were created in FY2020.

Revenue

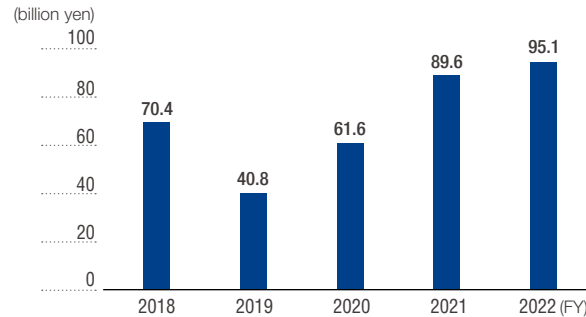
¥1,330.3 billion



Revenue increased compared to last fiscal year chiefly due to an easing of product shortages in the printing solutions and visual communications segments, price hikes that kept selling prices high, and the positive effects of a weaker yen.

Business Profit

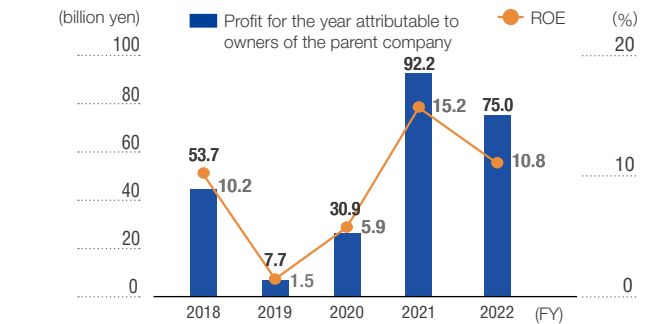
¥95.1 billion



Business profit increased year on year due to high selling prices and positive foreign exchange effects despite a rise in manufacturing costs associated with soaring prices for parts, materials, transport, and utilities.

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

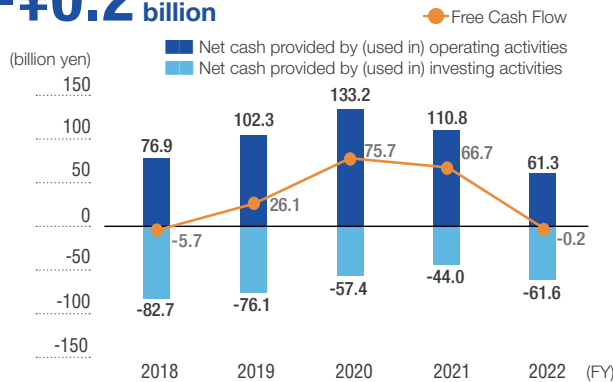
Profit attributable to owners of the parent company **¥75.0 billion** ROE **10.8%**



Business profit and other categories of profit increased but profit for the year attributable to owners of the parent company decreased compared to last fiscal year, when deferred tax assets were increased. As a result, ROE fell 4.4% from the previous fiscal year, to 10.8%.

Free Cash Flow

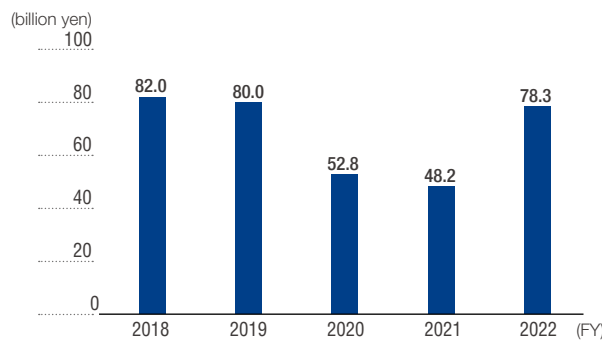
-¥0.2 billion



Net cash from operating activities totaled ¥61.3 billion. Whereas profit for the period was ¥75.0 billion, it decreased primarily because of negative factors such as a ¥60.2 billion increase in inventories and a ¥22.1 billion increase in trade receivables, which more than offset positive factors such as the declaration of ¥68.6 billion in depreciation and amortization. Net cash used in investing activities totaled ¥61.6 billion, mainly due to the acquisition of property, plant, equipment and intangible assets. Consequently, free cash flow sharply decreased compared to last fiscal year.

Capital Expenditure¹

¥78.3 billion

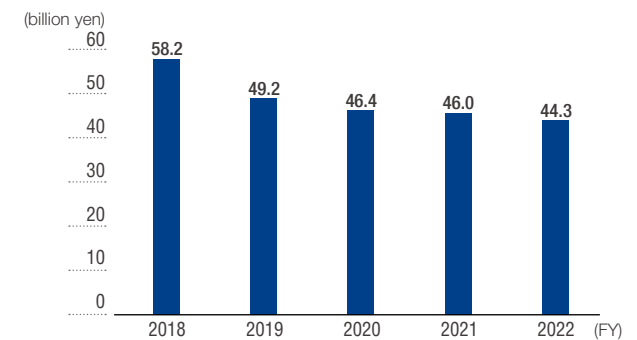


Epson spent on future business growth, particularly on new products, production capacity, automation, maintenance and upgrades, and environmental. We will continue to focus investment on production systems for printheads and digital infrastructure, as well as on automation to improve productivity.

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

Research and Development Expenses

¥44.3 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, Environmental

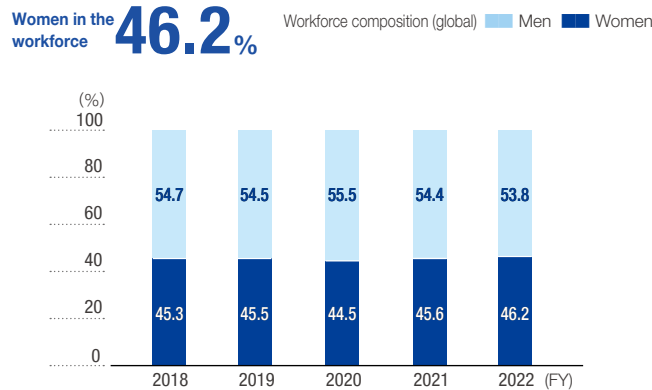
Registered Patent Rankings²

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

² The 2022 ranking in number of registered patents (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.

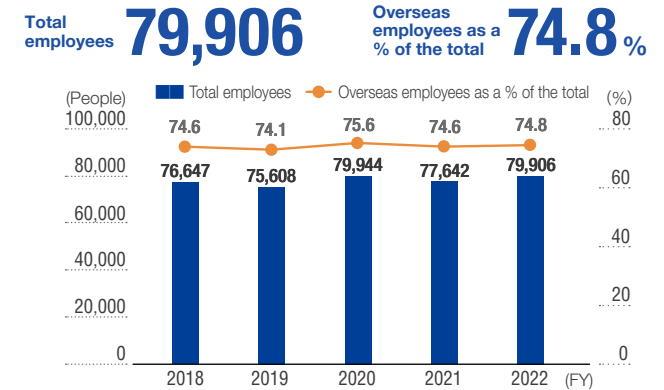
Diversity³



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.

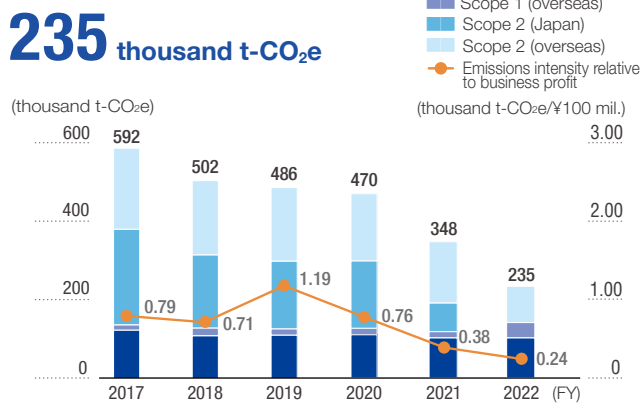
³ Regular employees in the Epson Group as of the fiscal year-end (March 31)

Total Employees & Overseas Employees as a % of the Total



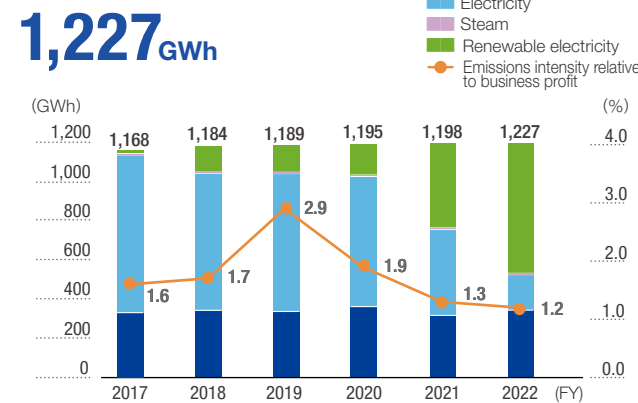
Epson has 107 R&D, production, and sales sites in countries and regions outside Japan. Overseas operations generate approximately 80% of consolidated revenue and account for 75% of employees. For this reason, securing and retaining a solid base of human resources that can survive and thrive in global competition is the key to our human resources strategy.

Greenhouse Gas (GHG) Emissions⁴



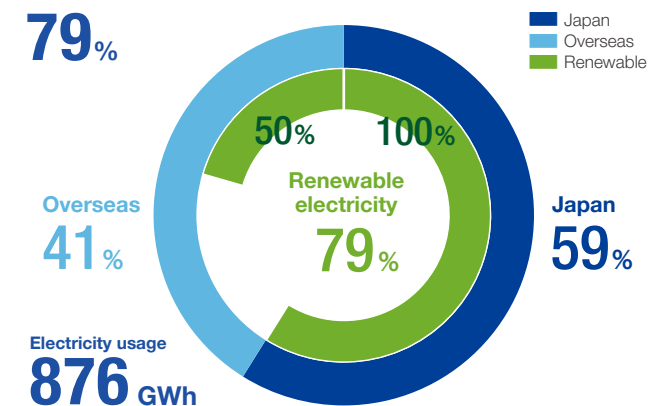
In FY2022, Epson accelerated the use of renewable electricity in addition to driving site-based energy-saving initiatives. As a result, we far exceeded our SBT Initiative-validated 2025 target of reducing scope 1 and scope 2 greenhouse gas (GHG) emissions by 34% compared to FY2017.

Energy Usage



In FY2022, our energy use slightly increased, but emissions intensity relative to business profit improved on revenue and business profit growth last fiscal year. The transition to renewable electricity has progressed, and non-renewable energy, including oil and gas, now accounts for less than half of our total energy consumption.

Renewable Electricity Usage Ratio (FY2022)



At home and abroad, we have raised the percentage of renewable electricity to 79% of our total electricity usage by selecting the optimal renewable electricity in each region, such as hydropower and biomass power, using renewable energy certificates, and proactively investing in on-site power generation. As a result, Epson's GHG emissions from electricity currently account for around 40% of Epson's total emissions, down from more than 70%.

▶ See the back cover for footnotes ⁴

CEO Message

Leveraging Our Philosophy of Efficient, Compact and Precise Innovation in Support of Advancement



Yasunori Ogawa

President, Representative Director and CEO
Seiko Epson Corporation



Label Press Solution Center,
Hirooka Office, May 2022

What We Gained by Facing Change Over the Past Three Years

I assumed the post of president in 2020. The past three years have been marked by sudden changes triggered by COVID-19 and geopolitical instability. We faced a challenging environment due to logistics disruptions and soaring parts, materials, and distribution costs, but our strategy of emphasizing earnings took root throughout the company, resulting in year-on-year revenue and profit growth in FY2022. The fact that we correctly read these changes and responded with effective pricing strategies and cost controls represents significant progress for us. I had expected these sudden changes to force us to innovate and adapt. And we did. For example, in the past when we prepared to manufacture new products or deal with quality issues at our factories overseas, employees from Japan would fly out to provide on-site support. However, COVID-19 travel restrictions made this impossible, so our people overseas had to step up and handle technical issues themselves. I also expected that we would find ways to get work done remotely and, again, we have. We were able to transform business processes and localize operations that we previously thought impossible with innovative thinking.

Embedding and Embracing Purpose

In September 2022, Epson articulated its purpose as follows: “Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world.” Since FY2022, we have been working to embed the purpose throughout the organization. Memorizing the purpose is not the goal. Encouraging employees to think about their own purpose and about the meaning of their work is. In other words, we want them to find satisfaction and fulfillment in practicing Epson’s purpose. The articulation of purpose has had a ripple effect. It has sparked greater communication within the workplace and has given employees a fresh opportunity to think about their own meaning and that of their workplace. This has had a positive impact on internal engagement. The establishment of a purpose will not have an immediate, positive impact on performance, but I believe it is essential for us to have a shared understanding about why the company exists, what it aims to achieve, and what it has decided not to do. I trust that it will yield benefits when everyone embraces the purpose and lives it in their own way.
→ For details, see P13-16 “Purpose.”



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

The corporate purpose was articulated in September 2022.



■ Illustration of purpose (drawn by President Ogawa)

The conceptual illustration depicts our purpose as a sturdy trunk firmly rooted in the foundation of Epson’s Management Philosophy and the Epson Way.

Materiality and KPIs in the Business Strategy

Epson has identified four material societal issues (“materialities”) that it can help to address. We have 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. In FY2022, we set and disclosed KPIs for achieving sustainability in a circular economy and for fulfilling our social responsibility. This year we also set KPIs for advancing the frontiers of industry and for improving the quality of life, both of which are crucial for growth. We have now established actions and KPIs for all the materialities. Some of the KPIs have been incorporated into executive management compensation evaluations to clearly show where responsibility lies.

→ For details, see P27–28, “Key Sustainability Topics and KPIs.”

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.



Epson 25 Renewed Progress and Issues Identified

Under Epson 25 Renewed, we grouped our businesses into a growth area, a mature area, and a new area. This enables us to better focus on priorities as well as ensure profitability and growth. Progress toward the FY2025 targets in the growth and mature areas is shown on the next page. In mature businesses, we restructured and shifted the focus toward profitability rather than revenue, which helped us to exceed targets.

In the growth areas, we exceeded the FY2022 targets but have not made adequate progress toward the FY2025 targets. In office printing, for example, we are moving to replace laser printers with inkjet printers. With offices going paperless, we cannot expect to expand the total office printing market, but we see substantial demand for office inkjet printers as a more eco-conscious alternative to laser printers, which currently dominate the market. Unlike laser printers, Epson’s inkjet printers do not use heat, so they consume far less electricity. Inkjet printers also have fewer parts that require periodic replacement, so they generate less waste and cost less to maintain. They help offices shrink their environmental footprint and help decarbonize the world.

■ Epson 25 Renewed Targets and Progress by Area

	FY2021-FY2023	until FY2025	Targets	FY2022 actual	Progress & issues toward FY2025 targets
Growth	<ul style="list-style-type: none"> ① Office printing ② Commercial & industrial printing ③ Printhead sales ④ Production systems 	Growth strategies	FY2020→FY2025 Revenue CAGR	FY2020→FY2022 Revenue CAGR*	<ul style="list-style-type: none"> ① Expanded office product lineup ② Some schedule delays, but expanded the product lineup ③ Expanded the customer base ④ Limited revenue growth due to changes in the external environment
			+15% or more	+16%	
Mature	<ul style="list-style-type: none"> ⑤ Projection, watches ⑥ Home printing ⑦ Microdevices 	Structural changes Profitability maintenance and improvement	FY2020→FY2025 ROS improvement	FY2020→FY2022 ROS improvement*	<ul style="list-style-type: none"> ⑤ Restructured on an accelerated schedule & improved profitability ⑥ Captured at-home print demand and raised prices and controlled costs in response to high material costs and other environmental changes ⑦ Stabilized business operations by building a balanced customer portfolio
			+10pt or more	+19pt	
New	<ul style="list-style-type: none"> ⑧ Sensing, environmental business 	Business launch	FY2025 Revenue	FY2022 Revenue	<ul style="list-style-type: none"> ⑧ Key component technology development progressed, but business development did not
			¥10 billion or more	¥0.3 billion or more	

* Comparison of the FY2020 outlook when Epson 25 Renewed was announced and FY2022 results

We will accelerate the switch to inkjet printers by raising awareness of their environmental advantages and tailoring an expanded lineup of products to customer needs.

In new areas, we are focusing on developing technologies whose commercialization will contribute to decarbonization and the closing of resource loops. Environmental businesses are costly and can be challenging, but we remain committed to the development of products and services that provide clear environmental value, even if a somewhat higher price point.

Under Epson 25 Renewed, we are also pursuing important environment, digital transformation (DX), and co-creation initiatives.

In the environmental area we are working to achieve the goals of Environmental Vision 2050. For example, we are providing customers with solutions that reduce their environmental impact. We are also nearing our goal of switching to 100% renewable electricity throughout the global Epson Group by the end of 2023.

→ For details, see P41-44 “Environmental Strategy.”

We are making headway in DX and co-creation, but it is going to take time to see significant results. People tend to associate DX with software, but hardware is the intermediary between software and people. It must evolve along with the software that connects people, things, and information.

Epson’s hardware provides a solid platform for advances in software. Conversely, software can maximize the potential of our hardware. Our goal is to leverage the synergies between them to enhance and deliver value. AI has been advancing with eye-opening speed recently. Epson is using AI in some production processes. We are also collaborating with and investing in companies that have strong AI portfolios. We will drive steady progress in DX and co-creation through trial and error.

**Managing with an Eye
Toward Epson 25 Renewed
and Beyond**

The societal issues and materialities that Epson is addressing are unlikely to change significantly in the foreseeable future, nor are decentralization and heightened environmental awareness, two of the trends cited in Epson 25 Renewed. Various aspects of life and business are moving toward decentralization. Production is one such area. Instead of mass-producing goods in centralized factories and then shipping them around the world, companies are increasingly adopting on-demand local production for local consumption. Similarly, work arrangements are changing. Instead of traditional centralized offices, people are more often working remotely or at satellite offices. This is likely to accelerate further with digitalization.

Epson sees these changes bringing the need for smart solutions that connect people, things, and information, and this is where we can make significant contributions. The other trend, heightened environmental awareness, has gained traction due to the now generally acknowledged threat of global warming. Epson has clearly stated its commitment to being an environmentally progressive company. One of our goals is to switch to 100% renewable electricity across the entire global Epson Group. We are on track to completing this by the end of 2023. Like most companies, we traditionally focused on creating products equipped with the latest features, encouraging customers to upgrade frequently. However, we recognize that we must transition towards a model under which we generate earnings by relying on our philosophy of efficient, compact and precise innovation to provide products that offer genuine customer value and have longer service lives. The necessity of such a transition is sinking in internally and will get stronger moving forward.

**Developing Business
by Identifying and
Addressing Societal Issues**

In March 2022, Epson and the Japan International Cooperation Agency (JICA) signed a comprehensive cooperation agreement aimed at contributing to social

solutions in developing nations and achieving the SDGs. We are doing what we can to support the creation of equitable learning opportunities through our products and technology. At first glance, it may not seem that social support programs will blossom into a revenue-generating business, but I think they have the potential to be financially sustainable. Historically, social advancement has come at the expense of environmental destruction and resource consumption. From now on, I believe we must use technology in an environmentally conscious manner to realize advanced, innovative processes in developing countries. My hope is that Epson will use its efficient, compact and precise technologies to provide outstanding value and contribute to social evolution. We fully intend to continue to pursue socially impactful activities from a long-term perspective.

**Achieving Employee
Happiness Via Diversity
and Inclusion**

I repeatedly communicate the importance of contributing to society and employee happiness. It is crucial to understand that these two are interconnected and equally important. Employees feel happy when their opinions are valued and when they feel that they have a purpose. I believe that this becomes the driving force for both employees and the



company and ultimately contributes to society. I want to make Epson a company where employees live the purpose and where contributing to society breeds employee happiness and vice-versa. As part of this, I have been working to change the organizational climate, to encourage open and honest communication to empower employees to take initiative. Diversity is said to be a source of innovation, but having a diverse workforce alone is not enough. The importance of diversity lies in its power to strengthen both strategy and execution by voicing different opinions and motivating people. Our diversity and inclusion initiatives have made our challenges clear. We are on the right path, but we are not there yet. There is a gender imbalance at all levels of management. We currently have only one female executive officer, the chief executive at sales company Epson America, so I want to do more to promote women to executive positions.

Bearing in mind that diversity is a strength when formulating strategies and carrying out operations, we must also develop a human capital strategy that shows which positions require what kind of talent given the business portfolio or that indicates how to develop that talent. In reality, people grow into the responsibility they are given, so we will use this to help develop future managers.


Creating a Framework for Stronger Governance

Epson has 10 directors on its board, six of whom are outside directors (and two of whom are women). This structure was adopted because we believed that for the directors to effectively fulfill their role of oversight, it was essential to assess Epson from a broader, more critical perspective. By FY2022, outside directors comprised half of the board. This significantly broadened and deepened the scope, vigor, and nature of discussions, but the recent move to a majority of outside directors took this a step farther. Outside directors also comprise a majority of members of the Director Nomination Committee and Director Compensation Committee. Committee members vigorously discuss issues under the committee chair, who is chosen from among the outside directors.

Refining the Value Creation Story Through Discussions with Capital Markets

I value communication with shareholders and other stakeholders. I find discussions with institutional investors and analysts to be particularly beneficial. They broaden my perspective and give me an opportunity to examine my own thoughts. They help build stakeholder understanding and belief in Epson while also giving us valuable insights. Last year, stakeholders suggested that we visualize the contribution to business of our low environmental impact products, so we immediately set out to do so.

I want these ongoing discussions to help us refine the value creation story.

 **Stakeholder Engagement**
<https://corporate.epson/en/sustainability/engagement/>

To realize Epson’s aspiration of achieving sustainability and enriching communities, Epson itself must be a sustainable company. This requires that we continue to generate profit. We will achieve the corporate vision by embedding the corporate purpose and wringing the maximum value from our philosophy of efficient, compact and precise innovation while adapting to the ever-changing social landscape. We promise to continue to evolve and deeply appreciate your ongoing support.



Photo taken in the DTF Solution Center, which opened at the Hirooka Office in May 2022

Purpose

Our Purpose

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

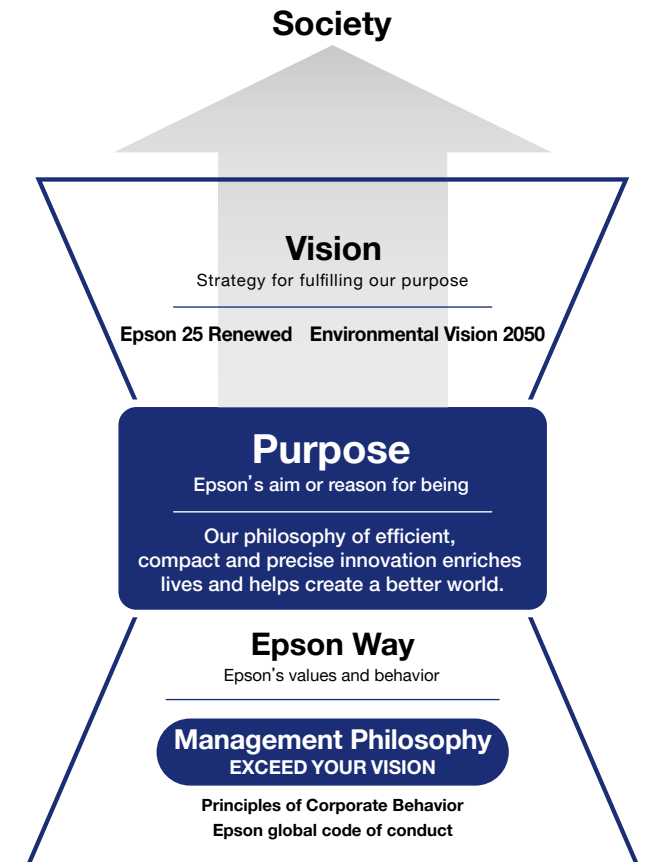
Epson was founded in Japan, a nation blessed with outstanding natural beauty and a rich cultural heritage. Our commitment to protecting such abundant gifts for future generations has never wavered. We constantly pay close attention to social issues and dedicate ourselves to addressing them, as our timely 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.

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.



Embedding Purpose

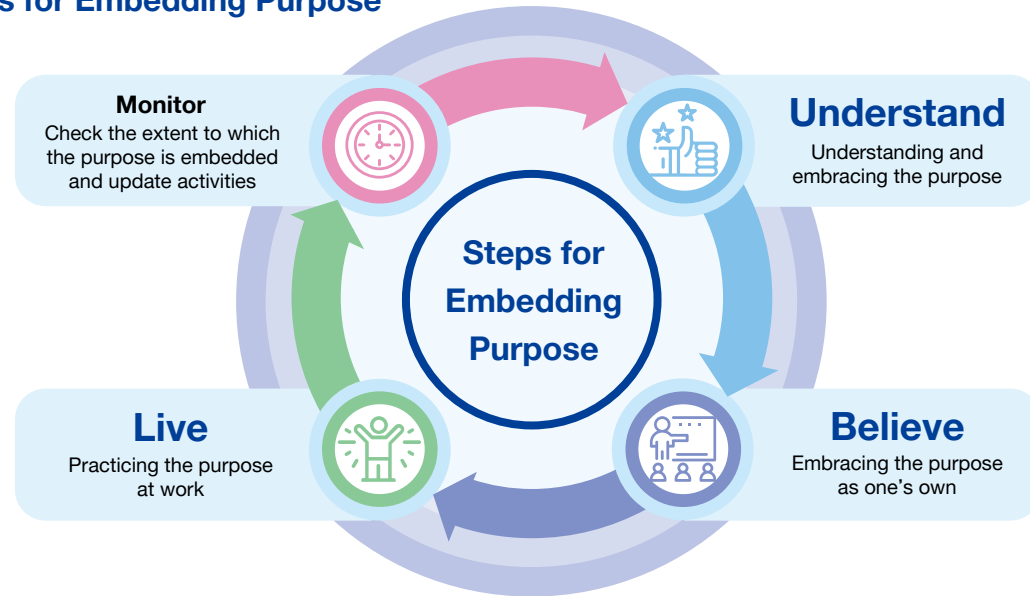
Activities to Embed Purpose

We formulated a three-year plan for embedding purpose. The process involves understanding the purpose, believing in it and, finally, living it. We will monitor the extent to which the purpose is embedded through regular engagement surveys and evolve our embedding activities. We defined the purpose in FY2022 and immediately began to build understanding and in it among employees by communicating it at every opportunity. In FY2023, we are focusing on building understanding of and belief in the purpose. We are using management messages, education, and workshops to encourage our people to find their own purpose in Epson in the area of overlap between their own purpose and Epson's purpose. We will continue to implement activities that enable employees to understand the purpose, make it their own, and practice it at work.

Management Messages

To build understanding of purpose and to forge a personal connection to it, the executive management team has begun communicating their thoughts on the corporate purpose and their own purpose in Epson to all global employees at policy meetings and through internal publications and videos. Through these messages, we hope to build understanding and belief among employees and help them to gain insights into their own purpose.

Steps for Embedding Purpose



Main Initiatives in 2022 and 2023

Online learning	Management messages	Purpose workshops	Purpose Month "My Purpose in Epson"
President Ogawa gives talks on purpose at Group sites and engages employees in dialogue			
Purpose is repeatedly communicated and reinforced			

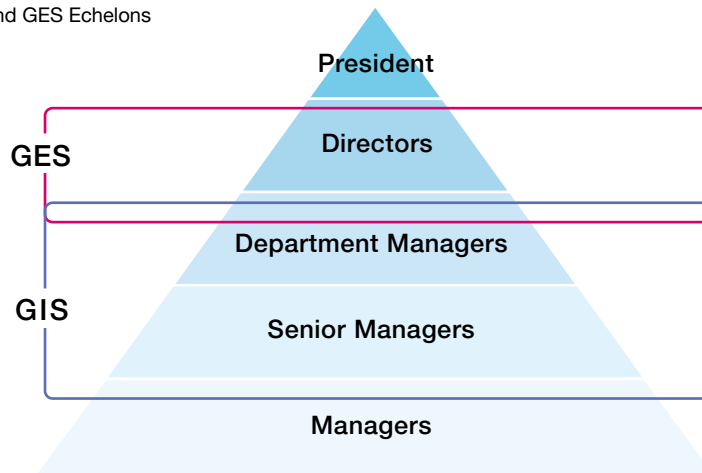
The Global Incubation Seminar

The Global Incubation Seminar (GIS) is a program that trains employees for future leadership positions at Epson Group companies throughout the world. Participants discuss Epson’s purpose and value creation story. They learn to think about the role of their own organization and the issues they must address. The GIS is used in tandem with the Global Executive Seminar (GES) to continuously develop leaders who underpin company operations worldwide. Since 1999, more than 400 people have participated in the GIS, and seven of the eight people who currently (as of August 2023) head up Group companies overseas have taken part.

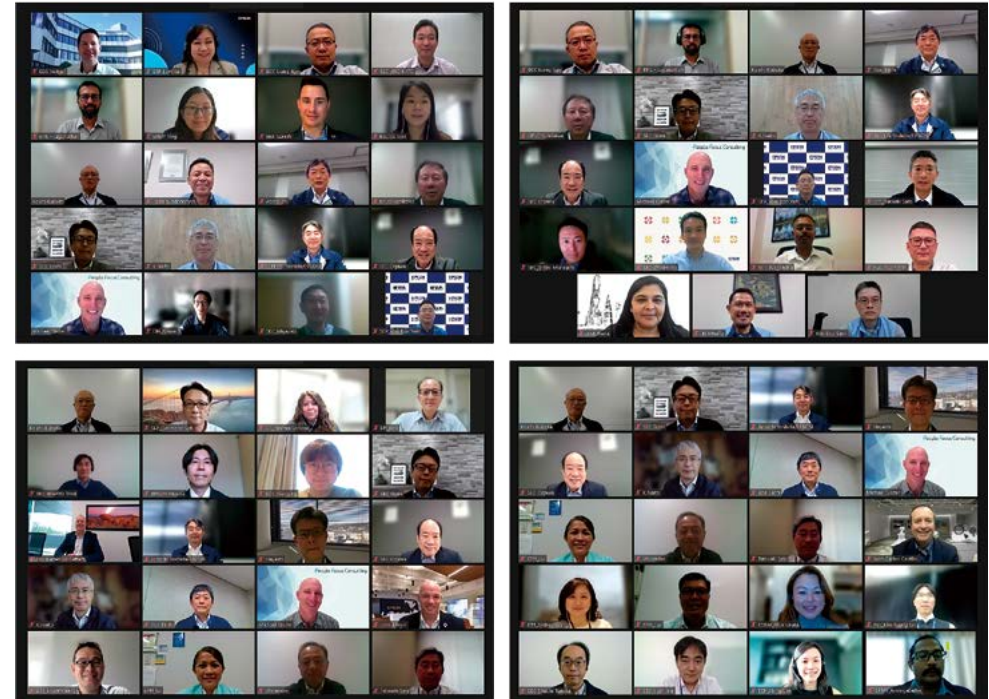
From FY2019 to FY2021, the month-long seminar was cancelled due to COVID-19, but it was resumed online in FY2022, with 39 people from 14 countries participating. The participants learned about purpose, held purpose workshops in their respective workplaces, and then discussed both their own purpose and that of their workplace. Toward the end of the seminar, they learned more about the corporate vision and business strategies in talks with executives. The participants, who work in different regions, functions, and businesses, shared the problems they each face and what they are doing to overcome them. They thought about how they create value for Epson and presented their own action plans to executive management.

This training will be offered on a continuing basis to develop diverse global talent who will drive Epson to new heights in the future.

GIS and GES Echelons



Final Presentation Meeting



Message from a GIS Participant

I was so pleased to be able to participate in the GIS. I can proudly say that the seminar was a once in a lifetime experience. It gave me a deep understanding of Epson’s purpose and values, including our commitment to the environment and the pursuit of customer satisfaction. It also served as an opportunity to shift my perspective and thinking, and to create new organizational goals. The GIS further fueled my passion and motivation, and I am eager to continue my career at Epson.



Maria Louisa Silang
Printer Warehouse Innovation,
Department Manager
Epson Precision (Philippines), Inc.

Onboarding



A purpose workshop was held as part of the onboarding process in Japan for newly hired employees in 2023. At the workshops, we asked the 344 new-hires to think about their purpose within Epson. After learning about the Epson Group's system of beliefs and purpose, they organized themselves into groups of three to interview one another while digging down to uncover their own purpose. At the end of the workshop, representatives from the groups shared their own purpose in Epson.



Examples of "My Purpose in Epson"

- Create value and products that enrich society and people's lives.
- Create new norms through connections with people.
- Improve people's lives by thinking about things from various perspectives.

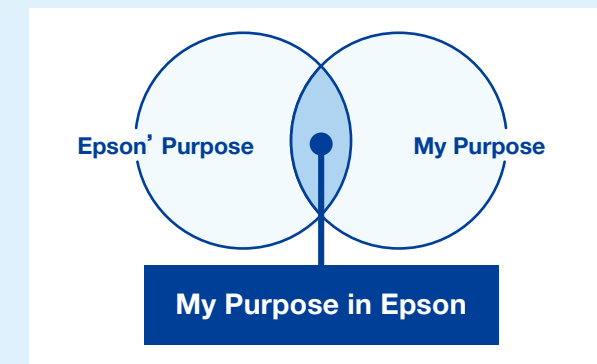
We will continue to create opportunities for employees to focus on purpose and the underlying societal issues that matter to them.

Embedding Purpose at Epson Group Companies

Once we articulated the purpose, President Ogawa began building understanding and belief by visiting Group companies worldwide to discuss purpose. He has also been discussing purpose in meetings with people at every level of the organization to deepen the understanding of our purpose. Through this activity, we identify challenges and update activities in embedding purpose globally.



Finding "My Purpose in Epson"



Employees can find their own purpose in Epson in the area of overlap between Epson's purpose and their own purpose. We want our people to think about their own purpose in Epson so that they can find meaning and purpose in their work. Discussions on the topic of purpose are currently underway among employees at training seminars and workshops. Many participants have found that talking about the process of finding their own purpose in Epson is valuable in building mutual understanding. We will work to embed a deep understanding of purpose into the bedrock of the company by reshaping activities based on feedback so that every employee can embrace it as their own.

Vision Progress

The Epson 25 Corporate Vision was established in 2016 and outlined the management strategy for the ensuing decade. Epson 25 was revised in 2021 and reissued as Epson 25 Renewed. The revisions realigned the strategy with changes in the external environment, including rising demand for environmental and social solutions and the need for connectivity and information in an increasingly decentralized world. Under Epson 25 Renewed, we are looking to provide individuals and industries with smart solutions that connect people, things, and information.

	Epson 25 Corporate Vision		Epson 25 Renewed Corporate Vision	
Vision Statement	Creating a new connected age of people, things and information with efficient, compact and precision technologies		Co-creating sustainability and enriching communities to connect people, things, and information by leveraging our efficient, compact, and precision technologies and digital technologies	
	FY2016 to FY2018 Phase 1 Mid-Range Business Plan	FY2019 to FY2021 Phase 2 Mid-Range Business Plan	FY2021 to FY2023	FY2025
Role of the Plan	Complete unfinished business from the SE15 corporate vision and lay the foundation for growth to achieve the Epson 25 vision.	Transform business operations to achieve high profitability.	Realize our aspirational goal by providing individuals, industries, and manufacturers with smart solutions that connect people, things, and information.	
Strategic Direction	<ul style="list-style-type: none"> Greatly expand business in the office and industrial domains. Expand wearables and strengthen the consumer domain. 	<ul style="list-style-type: none"> When operating alone, focus on segments where Epson can capitalize on strengths. Collaboration & open innovation Strengthen B2B sales. Expand inkjet products & services with outstanding environmental performance. Strengthen internal control functions. 	Secure profitability and seek future growth by focusing on priorities. <ul style="list-style-type: none"> Redefine business area goals and evolve strategies. Strengthen company-wide strategy across businesses (environment, DX, co-creation). Allocate management resources to new areas and growth areas by clarifying business portfolio. Strengthen business infrastructure to execute strategy. 	
Review	Preparations for growth progressed to varying degrees, leaving us short of the FY2023 financial targets (¥1,200 billion in revenue & 8% ROS).	We worked to enhance products and services and to strengthen infrastructure, but fell short of the FY2025 financial targets (¥1,700 billion in revenue & 12% ROS).	Conditions changed significantly due to the pandemic, exchange rate volatility, etc. <ul style="list-style-type: none"> The cost of materials soared and supply was constrained, but we maintained higher prices and controlled costs. Preparations for future growth advanced in growth and new areas. 	
Issues	Growth in growth areas fell short. <ul style="list-style-type: none"> Limit to what Epson can do alone Lack of B2B experience & expertise Failed to adequately reach the public with messages about Epson technology that contributes to sustainability Lack of adequate internal control 	<ul style="list-style-type: none"> Plan assumed excessive revenue growth Strategy execution lacked speed Slow response to environmental changes 	<ul style="list-style-type: none"> Growth areas: Had problems expanding sales due to external environment New areas: Key component technology development progressed, but business development did not 	
			Financial Targets Shift to profitability-focused management as the global economy becomes more uncertain. To promote greater awareness of the cost of capital, we made ROIC a group target in addition to ROE. ROIC 11% or better ROE 13% or better ROS 10% or better	

Innovation Areas and Strategies

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.

Area Targets and Progress

The external environment has changed significantly since Epson 25 Renewed was announced due to the pandemic, exchange rate volatility, and other factors.

The cost of materials soared and supply was constrained, but we maintained higher prices and controlled costs.

We fell behind schedule in some growth areas and new areas, but preparations for future growth advanced.

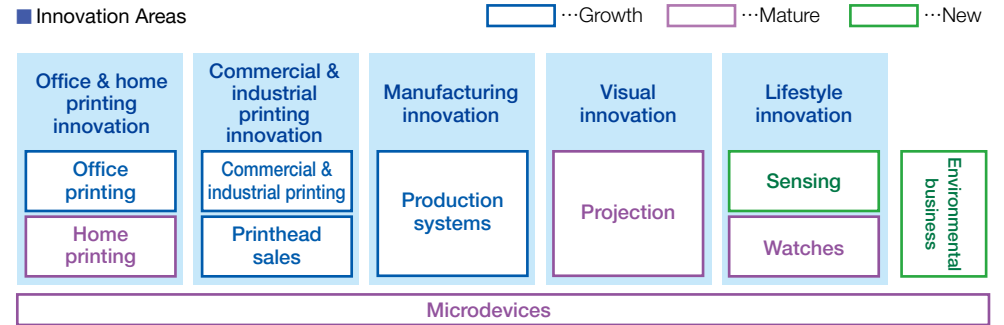
Financial Indicators

We will shift to profitability-focused management as the global economy becomes more uncertain. From FY2021, we made ROIC¹ a group target in addition to ROE² to promote greater awareness of the cost of capital. We recognize that due to an overemphasis on revenue growth, company-wide resource allocation and initiatives lacked adequate focus. To avoid this going forward, we elected not to disclose revenue targets and instead adopted mid- and long-term ROS³ targets.

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



	FY2021-FY2023 until FY2025	Targets	FY2022 Actual
Growth	<ul style="list-style-type: none"> Office printing Commercial & industrial printing Printhead sales Production systems <p>Growth strategies</p>	FY2020→FY2025 Revenue CAGR +15% or more	FY2020→FY2022 Revenue CAGR* +16%
Mature	<ul style="list-style-type: none"> Projection, watches <p>Structural changes</p>	FY2020→FY2025 ROS improvement +10pt or more	FY2020→FY2022 ROS improvement* +19pt
	<ul style="list-style-type: none"> Home printing Microdevices <p>Profitability maintenance and improvement</p>	Sustained ROS of 15% or more	FY2022 ROS 17%
New	<ul style="list-style-type: none"> Sensing, environmental business <p>Business launch</p> <p>Growth strategies</p>	FY2025 Revenue ¥10 billion or more	FY2022 Revenue ¥0.3 billion or more

* Comparison of the FY2020 outlook when Epson 25 Renewed was announced and FY2022 results

Financial Indicator Trends

	FY2020 (Result)	FY2021 (Result)	FY2022 (Result)	FY2025 (Target)
ROIC	5.6%	7.3%	7.1%	11% or more
ROE	5.9%	15.2%	10.8%	13% or more
ROS	6.2%	7.9%	7.1%	10% or more

Sustainability Management and Financial Strategies

CFO/CSuO Message

Supporting the Implementation of Purpose Under a Financial Strategy Based on a Healthy Sense of Urgency

Tatsuaki Seki

Representative Director,
Senior Managing Executive Officer, CFO
Chief Compliance Officer (CCO),
General Administrative Manager,
Business Management Division /
Sustainability Promotion Office (CSuO)

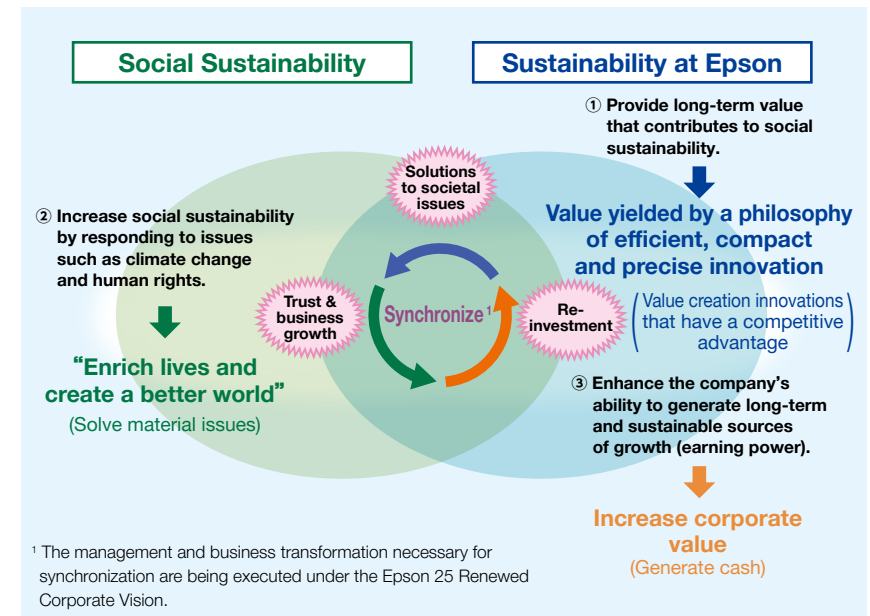


As both chief financial officer (CFO) and chief sustainability officer (CSuO), my mission is to enhance Epson’s ability to generate long-term, sustainable sources of growth (earning power) by solving societal issues.

Epson’s corporate management is rooted in the concept of materiality. Materiality is identified based on the impact of societal issues. We consider Epson’s business activities to be a means of directly addressing these issues. In other words, by tackling societal issues, we will achieve business growth.

We will provide long-term value that contributes to social sustainability by solving societal issues with a philosophy of efficient, compact and precise innovation. This will enrich lives and help create a better world. This is purpose-based sustainability management. Guided by purpose, we will execute financial strategies and manage sustainability from a long-term perspective.

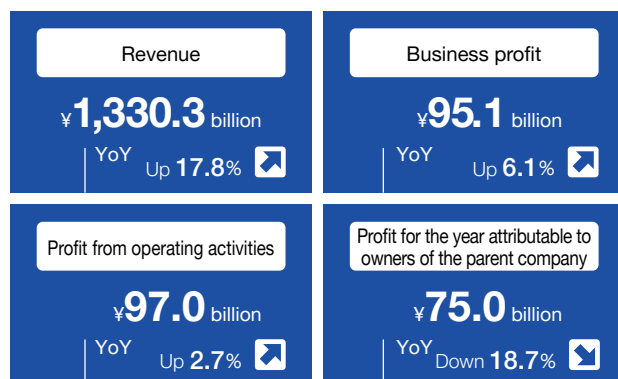
Sustainability Management at Epson



* Illustration created by Epson based on Ito Review 3.0 (Ito Review SX Edition)

Revenue and Profit Growth Achieved Once Again by Pricing and Cost Control

In FY2022, we recorded year-on-year revenue growth, reaching ¥1,330.3 billion due to a combination of product pricing and an easing of supply constraints. Our costs rose along with parts, materials, and distribution costs and the expansion of production, but we still recorded ¥95.1 billion in business profit mainly as a result of pricing on our main products, judicious spending on priorities, and foreign exchange effects.



¹ 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 FY2022

USD ¥135.44
(21% depreciation YoY)

Euro ¥140.90
(8% depreciation YoY)

On the other hand, profit for the year decreased compared to the previous fiscal year, when there was an increase in deferred tax assets.

We were able to raise prices because, first, demand for products like inkjet printers remained robust, making them less prone to price erosion. Second, 83% of Epson's revenue comes from overseas, where it is easier to gain understanding of the need to pass on cost increases. And, third, our products have competitive advantages and strong customer loyalty. High-capacity ink tank printers are one of Epson's flagship products. Initially launched only in Indonesia in 2010, they are now sold in some 170 countries. By February 2023, cumulative global sales had topped 80 million units.

With distribution stabilizing, the competitive environment is expected to heat up in and after FY2023, but the trend toward decentralization is likely to continue. As decentralization progresses, smaller products will be needed. This is an area in which Epson's efficient, compact and precision technologies excel. We will continue to provide products and solutions that meet the changing needs of society.

Evolve Business Portfolio Management and Further Raise Capital Efficiency

We are pursuing a policy of emphasizing profit and capital efficiency, including setting ROIC as a financial target.

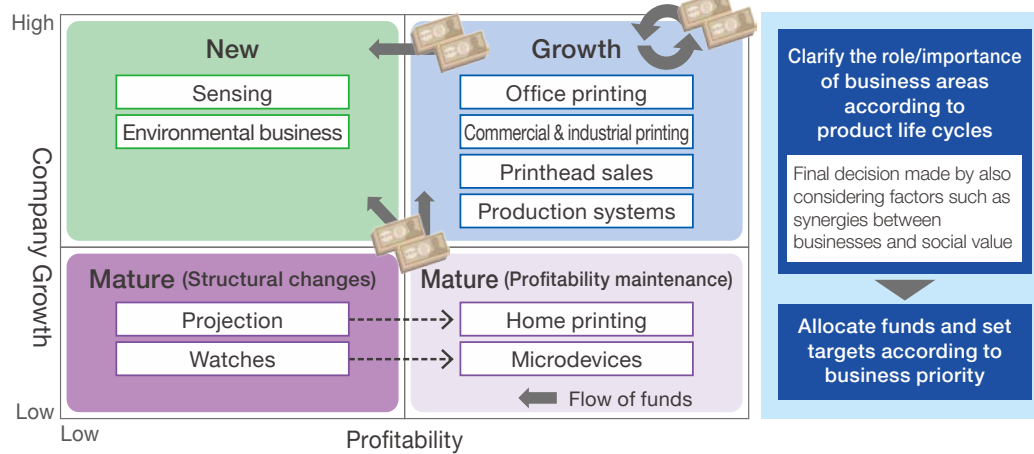
With ROIC as a measure of the performance of capital investments, we will tighten business portfolio management to enhance corporate performance.

We are allocating capital resources as appropriate pursuant to a growth strategy under which we have grouped our businesses into a growth area, mature area, and new area. We think of business portfolio management as a three-step process. We are currently on step two.

Around 2019, Epson invested in all of its businesses based on a plan that assumed unrealistic revenue growth. When that growth failed to materialize, Epson was put in a very difficult position. Learning from this experience, we made the selective allocation of capital the first step in managing our business portfolio.

In step two, we clarified our investment policy and are efficiently circulating funds in areas that promise growth. A high percentage of Epson's sales are in mature businesses, including the printer business, where the market is expected to contract in tandem with the paperless trend. However, the printer business has the potential to create new value and growth by leveraging Epson's unique core technology to drive innovation. The goal is to develop, nurture, and monetize solutions based on new ideas. The driving force behind this effort is a strong sense of urgency. If mature businesses remain at the heart of a business portfolio, revenue and profit will decline. New businesses may initially lose money, but our mindset is to see how quickly we can nurture new growth. In the third step, we will set ROIC targets for each business and improve capital efficiency.

Efficiently Circulating Funds by Managing the Business Portfolio



We began experimenting with the use of ROIC as a key performance indicator for our businesses this year, but I believe we should proceed cautiously to ensure it doesn't become just a numbers game. I feel that setting benchmarks is the most challenging part. Our approach is to set numerical targets and then identify and analyze variances in terms of performance versus plans by implementing the PDCA cycle. We want to determine whether ROIC can be effectively used as a meaningful metric for our management decisions.

Investing in New Businesses That Promise Growth

There are several angles from which to approach new business opportunities. (1) We can look to create value that is entirely new for Epson. (2) We can utilize our existing technology in new applications. Or, (3) we can expand the applications of existing businesses. Balancing investments across these areas is crucial. A representative example of (1) is corporate venture

capital (CVC). Epson is actively investing in fields such as printing, robotics, AI, and extended reality (xR) through its CVC subsidiary, Epson X Investment Corporation.

We expect investments in (1) to contribute by keeping us informed about industry trends, new technological developments, and preparing us to adapt to environmental changes, thereby expanding our ability to respond. For (2), we are searching for way to apply our technology, including Dry Fiber Technology and MEMS technology, which we use in the production of printheads among other products, to open up new business opportunities. These investments are directed toward exploring new areas within our business portfolio. For (3), we are aiming to provide new services or solutions within our existing businesses or expand into new customer segments. I consider this to be a form of new business in a broad sense, and these investments are directed towards growth areas or mature areas.

If investments do not lead to profit, they are considered failures from a finance perspective. However, I want us to embrace the challenge of building new businesses for which we can see a path to growth and future profitability, even if they are losing

money now. And, as a member of the management team, I will get behind anyone that is willing to do this.

One of the advantages of being both the CFO and CSuO is that we can formulate a long-term investment strategy with a view to future growth. While we have not yet made large investments, we are actively searching for nascent businesses that can drive the next phase of growth. During internal training sessions, especially those for members of management, I tell people to bring investment proposals that are going to torment me. When we identify attractive projects that can help shape Epson's future, I am prepared to invest in them quickly.

Increase Corporate Value Through Constructive Dialogue with Investors

We have maintained financial stability so far, but I am aware that there is still room for improvement in terms of market valuation metrics such as PBR. Institutional investors see Epson in one of two main ways. Because printers are our biggest product, some investors see Epson as operating in a market that is expected to shrink as processes go paperless.



Meanwhile, some see Epson as a company with growth potential due to our MEMS, sensing, and other key component technologies, as well as the potential to utilize inkjet technology to print on materials other than paper. I believe that one of the reasons Epson's PBR hovers at around 1x is that we haven't adequately communicated how we are optimizing business operations based on business portfolio management or the untapped potential of Epson's technologies and businesses. To address this challenge, we will comprehensively consider measures that satisfy the interests and meet the expectations of investors. This will include measures to foster expectations of growth by executing and communicating our strategies. Epson will continue to operate with a healthy sense of urgency, efficiently circulating capital and investing in growth based on business portfolio management. We will also persist in our efforts to communicate Epson's growth story. We anticipate that when these efforts yield results, it will be reflected in the stock price, PBR, and ultimately enhance the company's value.

* For more information about how we are enhancing corporate value, please see Epson's financial results and explanatory presentation for the first quarter of the 2023 fiscal year (ending March 2024), announced July 28, 2023.

Enhancing Our Nonfinancial (Future Financial) Initiatives

The environmental initiatives in Epson 25 Renewed cover 1) decarbonization, 2) closed resource loops, 3) customer environmental impact mitigation, and 4) environmental technology development. Customer environmental impact

mitigation is the one where we can have the biggest impact, and that is where we are concentrating our management resources. For example, we are contributing to the resolution of societal issues by providing eco-considerate products with excellent energy efficiency. The actions for to mitigate customer environmental impact align closely with Epson's core business activities.

In addition, our environmental investment plan calls for us to invest 100 billion yen over the decade until 2030, with a focus on areas 1, 2, and 4. In FY2022, expenditures were allocated towards projects involving renewable electricity (1. decarbonization), recycled plastics (2. closed resource loop), practical packaging applications for Dry Fiber Technology, and biomass plastic development (4. environmental technology development). We plan to continue investing as needed to achieve sustainability in a circular economy. One of the sustainability risks for Epson is human resources.

We must continuously hire and develop talented individuals to ensure future business growth.

It is important to broadly explore our options. For example, we should consider raising base pay. We should also look to co-creation and collaboration with partners to augment our staff of people responsible for DX and IT infrastructure. We must also spend and invest as needed. We'll 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.

One of the things we need to do is to show how our nonfinancial initiatives are creating corporate value (earning power) for Epson. In addition to researching this in-house, I want to discuss it with people in the capital markets.

Environmental Initiatives

1 Decarbonization

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

2 Closed resource loop

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

3 Customer environmental impact mitigation

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

4 Environmental technology development

- Dry fiber technology applications
- Naturally derived (plastic-free) materials
- Material recycling (metal, paper)
- 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 2023²

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

¹ GHG scope1, 2, 3 emissions

² Excludes some sales sites and leased properties where the amount of electricity consumed cannot be determined

Responding to TCFD Recommendations



Responding to TCFD Recommendations

Epson sees climate change as a crucial societal issue that we should help to address given the magnitude of its global impact. We have set a target of reducing total emissions in line with the 1.5°C scenario by 2030 to help reach the decarbonization goals of the Paris Agreement (keeping global average temperature rise well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C). We revised Environmental Vision 2050 at the same time that we publicly announced Epson 25 Renewed, setting the goal of becoming carbon negative and underground resource free¹ by 2050. It is working toward these goals by decarbonizing, closing resource loops, providing products and services that have a smaller environmental impact, and developing environmental technologies.

¹ Free of non-renewable resources such as oil and metals

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.

Even in a 4°C scenario in which global warming has advanced because the world failed to take measures beyond what are currently being taken, we found that the impact of physical risks on our domestic and overseas sites due to extreme weather events would be small.

Strategy

Epson has determined that achieving sustainability in a circular economy and advancing the frontiers of industry are material matters. To address them, we are leveraging our efficient, compact, and precise technologies to drive innovation and further reduce greenhouse gas (GHG) emissions. In addition, actions to increase our resilience to climate change and to advance toward the realization of Environmental Vision 2050 are being carried out by the Environmental Strategy Council and its subcommittees. In FY2022, progress on the actions below were reviewed, discussed, and reported to senior management and management committees.

Increasing resilience	FY2022 initiatives & results	
Environmental Strategy Council	Decarbonization	<ul style="list-style-type: none"> Examined a zero scope 1 & 2 emissions target, plans for upgrading equipment and facilities, and an emissions reduction scenario Examined sustained and stable sourcing of renewable electricity in Japan Engaged suppliers on subjects such as renewable electricity & sourcing of recycled materials
	Closed resource loops	<ul style="list-style-type: none"> Examined closed resource loop indicators and targets to become underground resource free
	Customer environmental impact mitigation	<ul style="list-style-type: none"> Examined the development of an objective and fair method for calculating avoided emissions for each product category to contribute to the mitigation of environmental impact in society
	Environmental technology development	<ul style="list-style-type: none"> Created concrete plans of Dry Fiber Technology applications (developed packaging materials and biomass plastics) Developed high-added-value recycling technology for scrap metal

Governance

Important matters related to climate change are supervised by the board of directors, which receives reports at least once a year from Epson's Sustainability Strategy Council. The council, which establishes and implements long-term strategy for the Epson Group's sustainability activities as an advisory body to the president, deliberates these matters in preparation for reporting.

In addition, Seiko Epson's president and representative director, the individual who has the highest responsibility and authority for climate-related issues, delegates responsibility for climate-related issues to the director of the Sustainability Promotion Office (a senior managing executive officer and board member), and the director of the Sustainability Promotion Office manages climate change initiatives, including TCFD. The framework is the same as the Sustainability Management and Financial Strategies organization chart on P26.

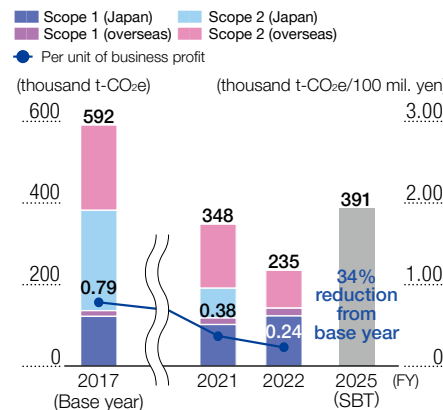
Risk Management

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 has established a process for identifying, assessing, and appropriately managing climate-related risks.

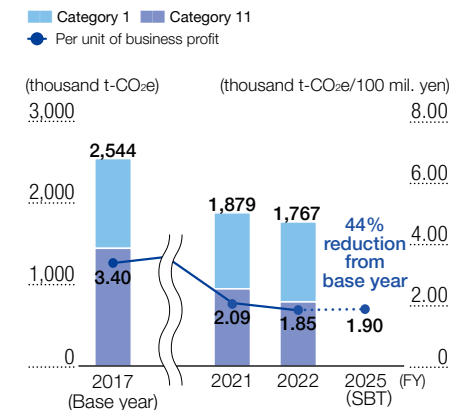
Indicators and Targets

We are actively working to mitigate the environmental impact of business activities throughout the value chain by drawing on the strength of our efficient, compact, and precise technologies to enhance the environmental performance of our products and by switching to sources of renewable electricity. Our FY2022 GHG emissions (Scopes 1, 2 and 3) are depicted in the graph below.

Greenhouse Gas Emissions (Scopes 1 & 2)²



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



▶ See the back cover for footnotes ²

² Coverage of science-based target.
³ Category 1: Purchased goods and services, Category 11: Use of sold products
⁴ Category 1: The National Institute of Advanced Industrial Science and Technology IDEA Ver.3.2 is used for calculations in FY2022.

Responding to TCFD Recommendations



Responding to TCFD Recommendations
<https://corporate.epson/en/sustainability/initiatives/tcf.html>

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

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. Seven evaluation items were selected. We evaluated the business and financial impact on the basis of the scenarios corresponding to temperature rise 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.

Epson will spend 100 billion yen over 10 years from 2021 to 2030 (¥25 billion up to 2025 and ¥75 billion between 2026 and 2030) to accelerate decarbonization, close resource loops, and develop environmental technology. Solutions to climate-related risks align with our goals of achieving sustainability in a circular economy and advancing the frontiers of industry. They will also lead to opportunities for business expansion with Epson's low environmental impact products and services that save electricity and reduce waste. The results of scenario analysis-based evaluations on climate-related risks and opportunities and initiatives to address them are as follows.

Category		Evaluated Risks & Opportunities	Actualization ⁴	Business Impact		Financial Impact ⁵	FY2022 Actions	Results of Actions Implemented in FY2022
Transition risks	Market changes, governmental policies, laws, regulations	• Paper demand	Short-term	Impact	<ul style="list-style-type: none"> We were unable to detect a strong relationship between climate change and changes 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 to limit the financial impact through stronger products and services that leverage inkjet and paper recycling technology (reduce printing costs and environmental impacts while increasing the ease of printing) and through effective messaging about the usefulness of paper information. 	Small	<ul style="list-style-type: none"> In office & home printing, sales of printers increased in terms of both units and revenue. Ink cartridge sales decreased as at-home print demand normalized, but sales of high-capacity ink bottles and ink for office shared printers grew along with an increase in the number of machines in the field. The financial impact of fluctuations in demand for paper in the market targeted by Epson was limited. 	Small
		(Environmental Vision 2050 initiatives) • Decarbonization • Closed resource loops • Environmental technology development	Short-term			Impact	Response to risks <ul style="list-style-type: none"> Decarbonization <ul style="list-style-type: none"> Renewable electricity use Energy-saving facilities & equipment Greenhouse gas removal Supplier engagement Carbon-free logistics Closed resource loop <ul style="list-style-type: none"> Use resources effectively Minimize production losses Extend product service lives Environmental technology development <ul style="list-style-type: none"> Dry fiber technology applications Naturally derived (plastic-free) materials Material recycling (metal, paper) CO₂ absorption technology 	Invest a total of approximately ¥100.0 billion by 2030
Physical risks	Acute	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 drought 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 floods Damage to business sites due to rising sea levels Impact on operations due to drought 							
Opportunities	Products & services	(Environmental Vision 2050 initiatives) • 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. 	Large CAGR of 15% is expected in growth areas by FY2025	<ul style="list-style-type: none"> Promoted initiatives in the growth areas (office printing, commercial & industrial printing, printhead sales, production systems) under Epson 25 Renewed 	FY2020 → FY2022 Revenue CAGR +16% ⁸
		• Environmental business	Short-term					
					<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. 			
					<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 Dry Fiber Technology applications, including paper recycling, development of naturally derived materials (elimination of plastics) and recycling of raw materials (metal and paper) as effective solutions for combatting global warming and shifting to a circular economy 			

⁴ Actualization Short term: ≤ 10 years Medium term: 10-50 years Long term: > 50 years

⁵ Financial Impact Small: ≤ 1 billion yen Medium: 1-10 billion yen Large: >10 billion yen

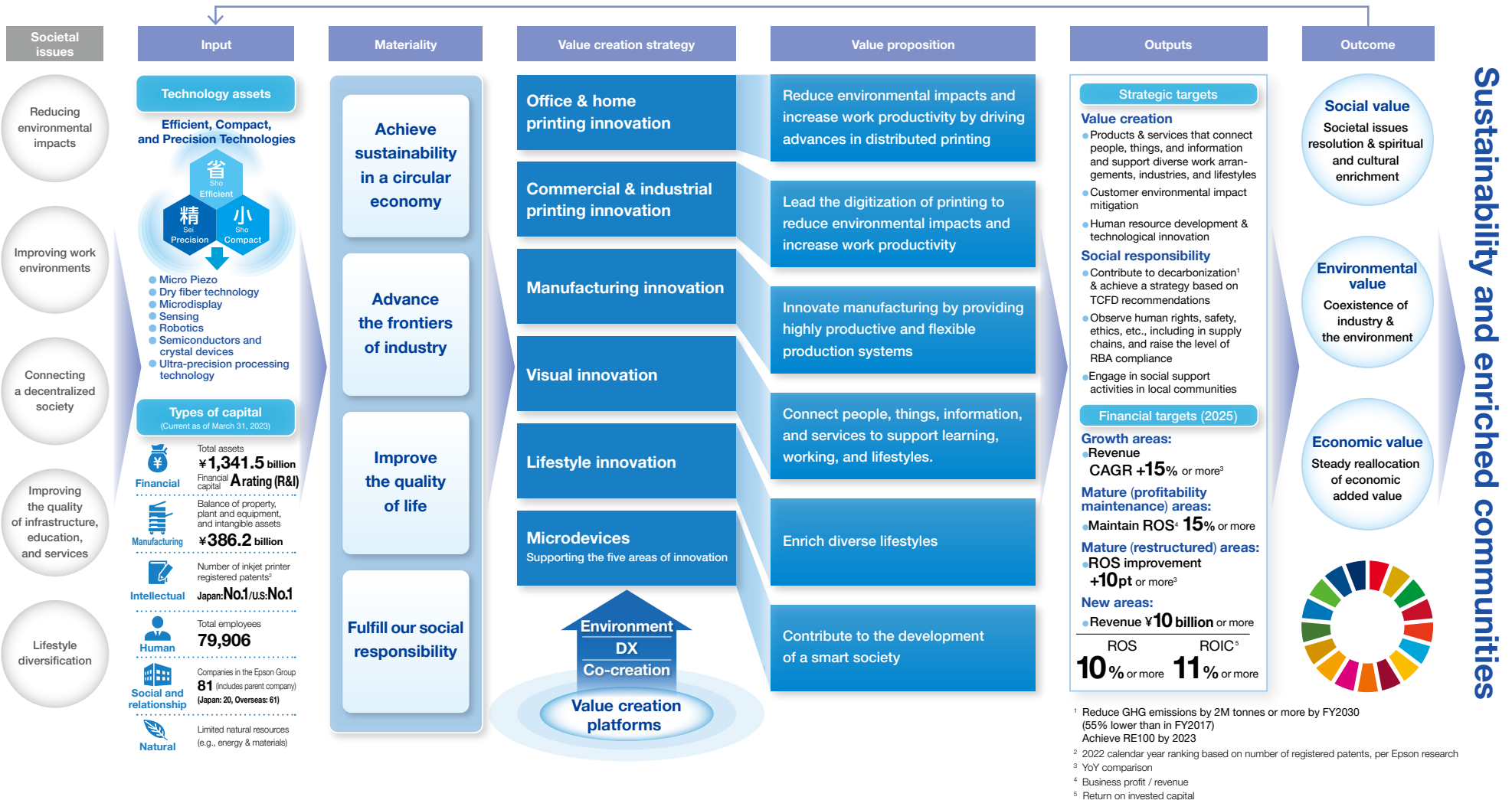
⁶ Excluding some rental properties housing sales sites where the amount of electricity consumed cannot be determined

⁷ A major domestic site with a long-term flooding risk (end of 21st century)

⁸ Comparison of the FY2020 outlook when Epson 25 Renewed was announced and FY2022 results

Value Creation Story

Epson has identified material sustainability issues that we can address to help solve societal issues. We will achieve sustainability and enrich communities by using our unique core technology to drive innovation and provide social, environmental, and economic value. This is aligned with the sustainable development goals (SDGs) and demonstrates how we plan to realize the aspirations embedded in the corporate purpose.



Sustainability Management

Sustainability Management

Epson's Management Philosophy, which states our commitment to customer satisfaction and sustainability, embodies the ideals of the SDGs and sustainability management. Guided by this philosophy, we are contributing to social solutions. With the world looking for a pathway to true sustainability, we practice sustainability management to both drive business growth and solve societal issues with partners who share our vision of enriching the world for future generations.

Sustainability Promotion Organization

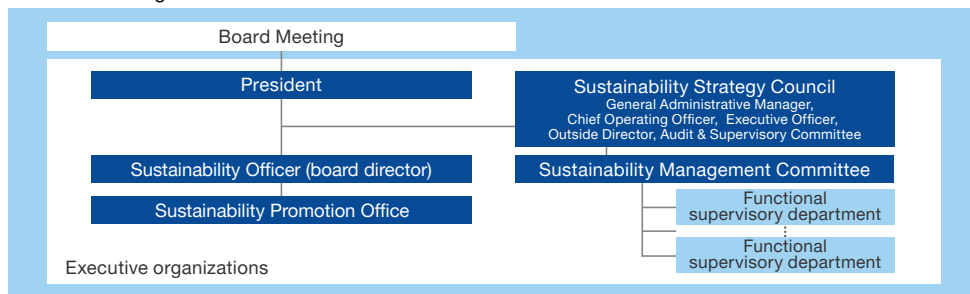
Epson's Sustainability Promotion Office reports directly to the president. The office is headed by a senior managing executive officer who has responsibility and authority for sustainability activities (sustainable growth based on societal needs) across the entire Epson Group.

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 deciding Group-wide sustainability strategies. The Sustainability Strategy Council reviews social trends, formulates the Group's long-term sustainability strategies, reviews 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 council, 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, and endeavors to increase the activity effectiveness.

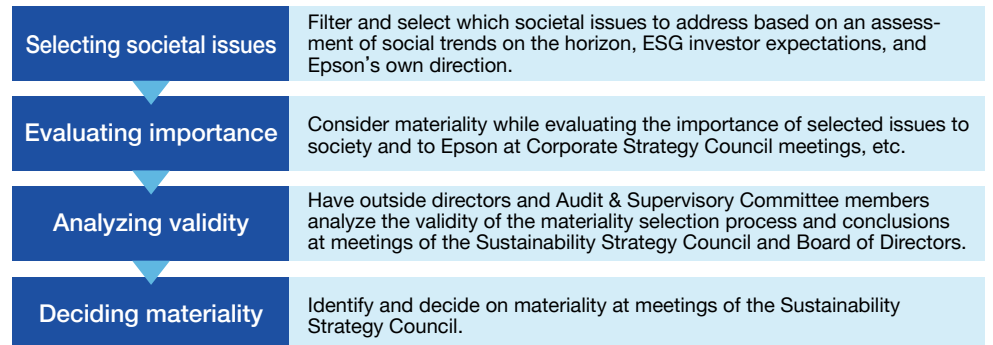
Promotion Organization



Deciding Materiality

Epson is working to help solve societal issues and achieve the SDGs in line with the Epson 25 Renewed corporate vision, which was established in 2021. When creating the vision, we evaluated from both a corporate and societal perspective the societal issues and sustainability megatrends made corporate and societal perspective by the SDGs and ISO 26000. In doing so, we identified four material issues ("materialities") that Epson should address to solve societal issues.

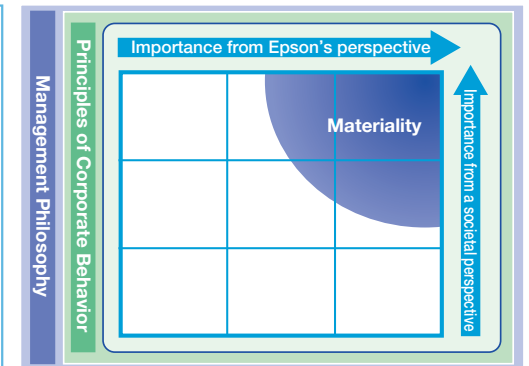
The Process for Determining Materiality



Evaluate the topics from a corporate and 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



Key Sustainability Topics and KPIs

To increase effectiveness with which we can address the materialities, 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	Opportunity (○) / Risk (●)	Initiative Topics	LTI ¹ Index	Key Performance Indicators (KPI)	FY2022 Targets	FY2022 Results	FY2023 Targets	case study	
Achieve sustainability in a circular economy	Decarbonization initiatives	○ Growing need for environmentally friendly products and services due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, and the need to produce the right amount of products and reduce resources	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	Reduce by 21% compared to FY2017	Reduced by 60% compared to FY2017	Reduced by 65% compared to FY2017 (SBT: FY2025 target 34%)		
			Using renewable electricity	●	Scope 3 GHG emissions (per unit of business profit) reduction ratio	Reduce by 30% compared to FY2017	Reduced by 45% compared to FY2017	Reduced by 45% compared to FY2017 (SBT: FY2025 target 44%)		
	Closed resource-loop initiatives	○ Market growth in the fields of global warming countermeasures and waste treatment and effective utilization of resources ○ Market growth in recycled plastics, bioplastics, and metal recycling due to the shift to a circular economy	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		Closed-loop materials usage ratio (until FY2022) Sustainable resource ratio ³ (from FY2023)	≥ 20%	21%	Sustainable resource ratio 27% (Defined and started applying from FY2023)		
					Final landfilled ratio ⁴	≤ 1%	0.79%	≤ 1%		
	Customer environmental impact mitigation	● Growing momentum toward a paperless office from the perspective of forest protection awareness ● Increase in operating costs due to changes in policies and regulations ● Credit loss and damage to corporate value due to delayed response to decarbonization and resource recycling	Maximizing avoided emissions with products and services that have a lower environmental impact ⁵		Emissions avoided through products & services	≥ The previous year	297,000 tonnes-CO ₂ e A 107% YoY	Start calculation using a new logic and set a target		
			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					
Environmental technology development	● Damage to corporate value due to failure to achieve plans for or delays in the development of environmental technologies that will lead to a reduction in environmental impact	Establishing high-added-value recycling technology for used metal		Progress of development process		Develop technology for expanding the types of materials recycled	Higher performance of Epson Atmix's powder: Developed a high-voltage-resistant insulating film	Make practicable use of technology that adds value to metal powder (molding materials)		
Advance the frontiers of industry	Improving productivity through digitization and automation	○ Transition to resource-saving and highly efficient production processes due to diversifying consumer needs and the growing importance of environmental considerations ● Loss of business opportunities due to delays in launching products and services that meet market demands	Leading the digitization of commercial and industrial printing with inkjet technology and diverse solutions, to create clean, space-efficient workplaces, reduce environmental impact, and improve productivity		Average sales growth rate of commercial and industrial inkjet printers compared to the previous year	— ⁶	— ⁶	10%		
			Reducing environmental impact and improving productivity with inkjet technology and open solutions, to lead the evolution of home study and distributed office printing		Average sales growth rate of high-capacity inkjet printers for SOHO and home users compared to the previous year	— ⁶	— ⁶	5%		—
	Improving working environment and educational environment	○ Need for automation using robots to compensate for global labor shortages against a backdrop of declining birthrates and aging populations ● Loss of trust and damage to corporate value in the event of an accident that causes life-threatening or serious physical harm to a user when the robot is used	Eliminating labor shortages through automation using robots		Number of labor shortages eliminated ⁷	— ⁶	— ⁶	28,000 people		
			Providing a fair, natural, and comfortable physical communication environment without boundaries, combining the real and remote, with both a sense of presence and information content		Number of co-creation and collaboration projects, or number of partners	— ⁶	— ⁶	Co-creation / collaboration project: 1		
			Creating homogeneous learning opportunities through smart, portable displays that enable large-screen communication in a compact form, to mitigate learning disparities stemming from differences in regional and social conditions		Number of local demonstration programs through co-creation and collaboration	— ⁶	— ⁶	Number of value demonstration programs: 20		

¹ Compensation evaluation indicator

² Non-renewable resources such as oil and metals

³ Ratio of sustainable resources (renewable resources + closed loop resources + less-depletable resources) to raw materials

⁴ Ratio of landfilled amount of production resources against the volume of resources injected

⁵ Quantified the contribution of products and services toward GHG emissions reductions

⁶ Materialities of "Advance the frontiers of industry" and "Improve the quality of life" as well as their targets were adopted in FY2023.

⁷ Converted based on the effect of Epson's internal projects

Key Sustainability Topics and KPIs

Materiality	Key Sustainability Topics	Opportunity (○) / Risk (●)	Initiative Topics	LTI ¹ Index	Key Performance Indicators (KPI)	FY2022 Targets	FY2022 Results	FY2023 Targets	case study
Improve the quality of life	Proposing diverse lifestyles	<ul style="list-style-type: none"> ○ Growing need for data utilization to help improve performance in various sports due to diversifying lifestyles ○ Emergence of new data service businesses such as health support ● Decline in presence due to evolution of competing data services ● Impact on the data service business due to declining interest in health consciousness 	Enriching the diverse lifestyles of people through lifestyle-related disease prevention and helping people improve their sports performance by providing personalized value in an easy-to-understand visual manner using proprietary sensing technology and algorithms		Percentage of revenue that the data business in support services ⁶ accounts for	— ⁶	— ⁶	30%	—
	Realizing an abundant and colorful life	<ul style="list-style-type: none"> ○ Demand for luxury goods that cater to diverse values, hobbies, and tastes ● Declining presence in the wearable device market due to changing values 	Providing attractive and high-quality products with our efficient, compact, and precision technologies and our artisanal skills, to enrich the diverse lifestyles of our customers		Sales growth rate of attractive, high-quality products compared to the previous year	— ⁶	— ⁶	4%	—
Fulfill our Social Responsibility	Increasing stakeholder engagement	<ul style="list-style-type: none"> ○ Growing stakeholder interest in sustainability ○ Growing worldwide interest in business and human rights 	Responding to needs and social demands by strengthening dialogue with stakeholders		Evaluation indices of external evaluation agencies	Acquire high recognition ⁹	Acquired high recognition	Acquire high recognition ⁹	—
	Realizing responsible supply chains	<ul style="list-style-type: none"> ● Loss of trust from stakeholders and damage to corporate value due to inappropriate responses to issues ● Occurrence of human rights violations in the Company and its supply chain 	Realizing responsible supply chains	●	CSR risk levels of suppliers	CSR risk rank of main suppliers (direct materials): 0% high risk, ≤ 6% middle risk	- High risk: 0% - Middle risk: 9%	CSR risk rank of main suppliers (direct materials): 0% high risk, ≤ 4% middle risk Main suppliers (indirect materials): 0% high risk	P49-50 Value Creation Platforms
	Respecting human rights and promoting diversity	<ul style="list-style-type: none"> ○ Improvement in corporate performance by fostering a free and open organizational climate ○ Growing worldwide interest in business and human rights ○ Transformation in awareness and understanding of DE&I and social minorities ● Decreased engagement and lack of innovation due to slow progress in improving organizational culture ● Damage to corporate value in the event of serious human rights violations, including those in the supply chain ● Decreased engagement due to slow progress in DE&I 	Creating a free and open organizational culture		Organizational climate assessment score for "strength to work in teams"	Reset KPI due to change ¹⁰ in assessment method with introduction of the motivation cloud (employee engagement survey)	Set the following targets for FY2025: - Engagement rating: A (score of 58.0 or higher) - Number of workplaces with D rating: zero	Motivation Cloud - Engagement rating: BB (score of 54.0 or higher) - Number of workplaces with D rating: 31	P51-55 Value Creation Platforms
			Respect for human rights through dissemination of the new "Human Rights Policy" within the Group		Embedding and improving the commitment for respecting human rights, human rights due diligence (DD) and relief mechanism	Announce the Human Rights Policy and assess and improve the state of human rights DD & remediation mechanisms	Disseminated the Human Rights Policy by launching training and identified the current status and areas for improvement of human rights DD and relief mechanism	Embed and improve a PDCA cycle for respecting human rights - Japan: Establish a system for cooperation with various help desks - Overseas: Establish a system for gathering information and understanding the situation by clarifying rules for receiving reports from help desks of overseas affiliates	
			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: 5% Promote the participation of woman training	Female manager ratio: 5% Two managers participated in external training	Female manager ratio: 4.1%	
Strengthening governance	<ul style="list-style-type: none"> ○ Strengthening of the governance system leading to acceleration of strategy implementation and increased responsiveness to change ○ Competitiveness increase through appropriate risk-taking ● Delays in strategic progress and decreased organizational power due to governance failures ● Generation of losses and loss of public trust due to noncompliance 	Reinforcement of compliance management platform	●	Number of serious compliance violations ¹²	No serious compliance violations	No serious compliance violations	No serious compliance violations	P57-68 Strengthening Governance	
		Enhancement of Group compliance level		Implementation ratio of compliance training (e-learning) to all Group employees ¹¹	Completion rate in Epson Group: 100%	In Japan: 99.0% Overseas: 98.5%	Completion rate in Epson Group: 100%		

¹ Compensation evaluation indicator

⁶ Materialities of "Advance the frontiers of industry" and "Improve the quality of life" as well as their targets were adopted in FY2023.

⁸ A business model that transforms data into algorithms and provides value

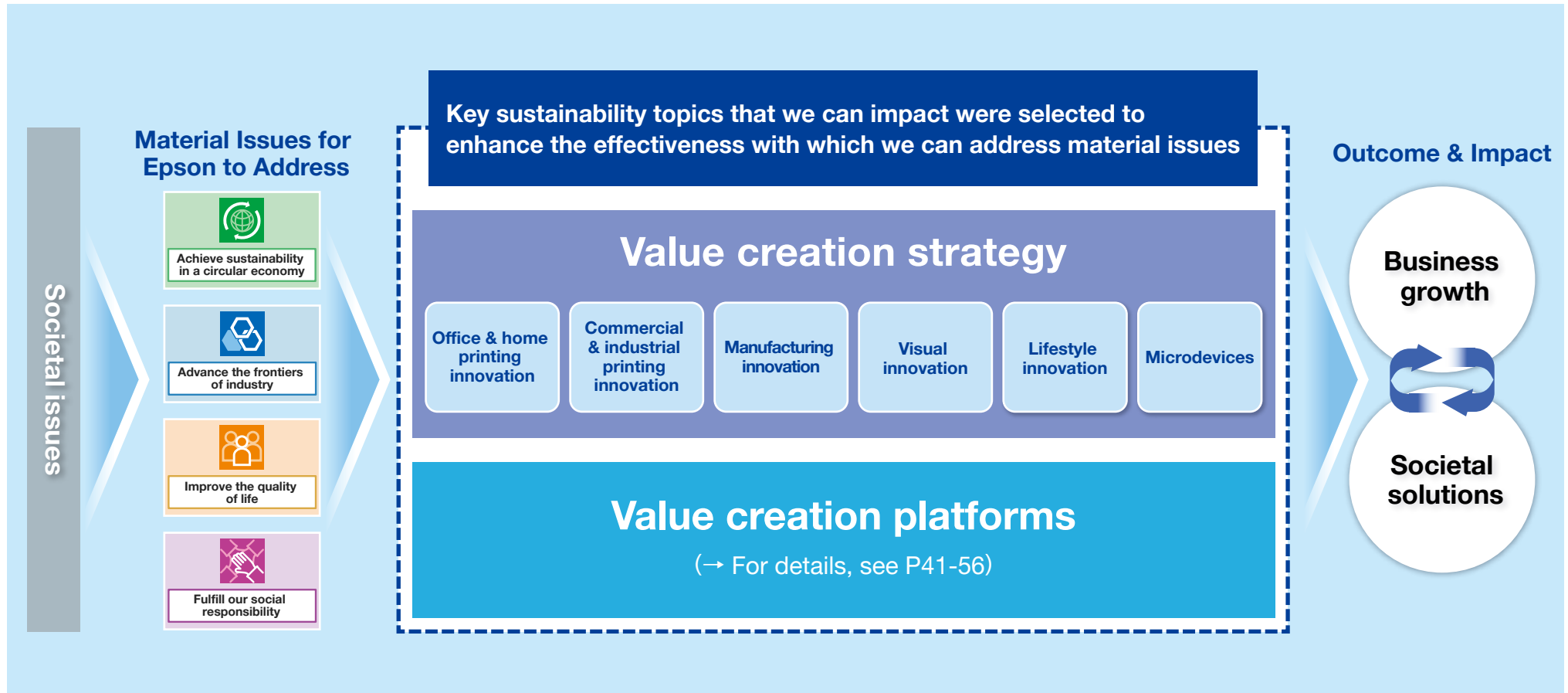
⁹ Sustainability: Low; FTSE: 4 or higher; Top 50 or higher in "Toyo Keizai CSR ranking"

¹⁰ Cases of violation that correspond to timely disclosure matters

¹¹ Scope: Epson and its global subsidiaries

Value Creation Strategy Growth Story for a Business That Solves Societal Issues While Generating Economic Value

To increase the effectiveness with which it can address the material issues, Epson decided on specific themes (key sustainability topics) that it will tackle and key performance indicators (targets and metrics). This has enabled us to focus on the ultimate outcome and impact of the value creation story: business growth and societal solutions.



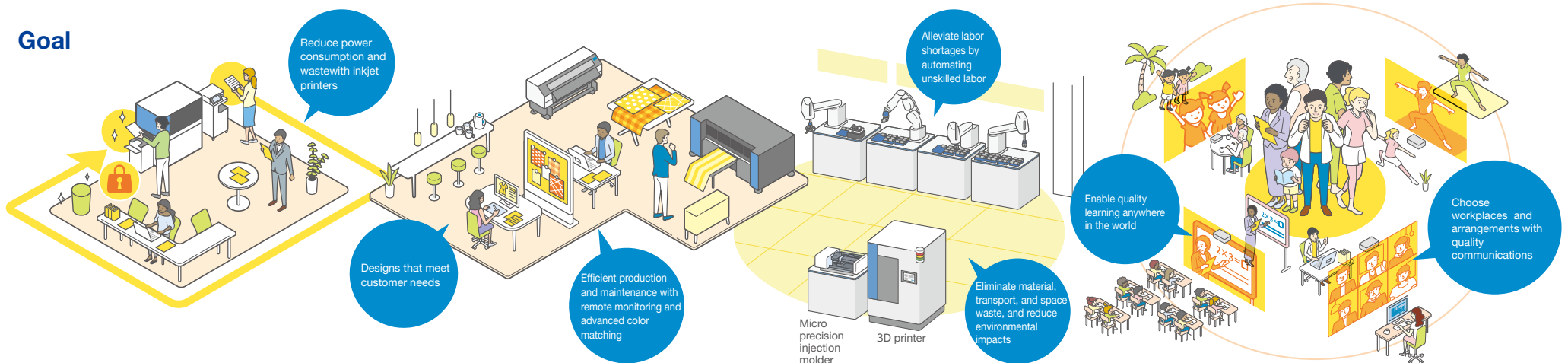
In this section, we present quantitative information that illustrates where we stand with respect to business growth. This information can be found in “Performance Highlights” (P31-32), as well as in the “Value Creation Strategy” (P29-40), which illustrates the future growth story. Within the future growth story, we present opportunities and risks, growth strategies, and examples of specific actions that will lead to KPI achievement.

Innovation Strategy (Epson 25 Renewed)

We are engaged in efforts and business operations aimed at realizing our vision based on an innovation strategy formulated with an eye toward creating customer value and solving societal issues outlined in Epson 25 Renewed (announced in March 2021).

Office & home printing innovation	Lead the evolution toward distributed printing to reduce environmental impacts and increase work productivity by proposing inkjet technology, paper recycling technology, and open solutions
Commercial & industrial printing innovation	Offer inkjet technology and solutions that lead the digitalization of printing and contribute to lower environmental impacts and higher productivity
Manufacturing innovation	Innovate manufacturing by co-creating flexible high-throughput production systems that reduce environmental impacts
Visual innovation	Connect people, things, information, and services with inspiring video experiences and quality visual communications to support learning, working, and lifestyles
Lifestyle innovation	Utilize craftsmanship and co-create solutions that utilize sensing technologies to enrich diverse lifestyles
Microdevices	Contribute to the development of smart communities with crystal and semiconductor solutions enhanced with our efficient, compact and precision technologies

Goal



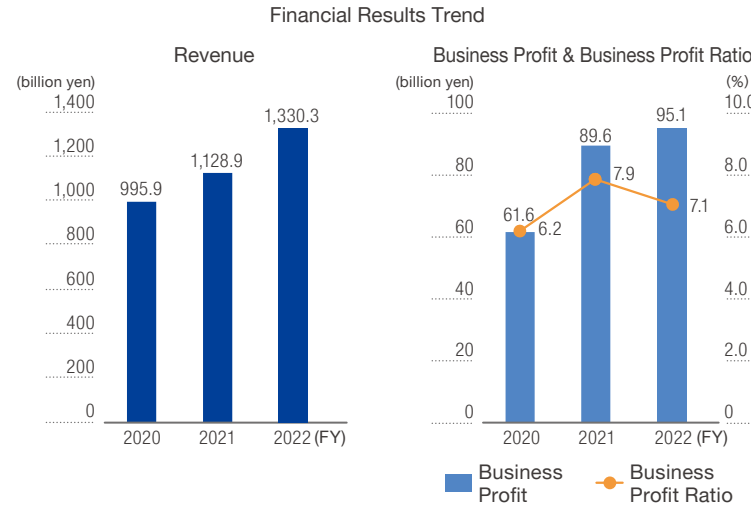
* The illustration depicts a portion of the vision in our innovation strategy.

Performance Highlights (FY2022)

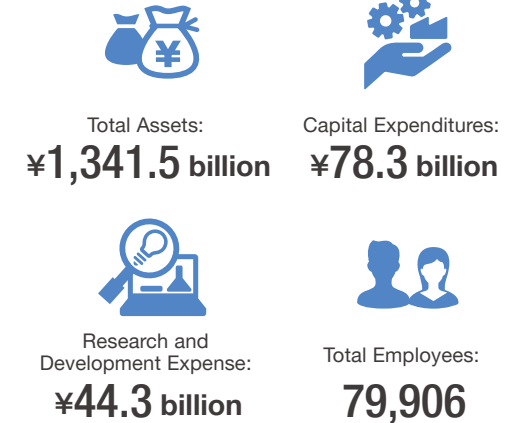
Consolidated

Revenue **¥1,330.3 billion** Business Profit **¥95.1 billion**

Epson has grouped its business operations into three segments: printing solutions, visual communications, and manufacturing-related and wearables. We seek to ensure both profitability and sustainable growth by executing the innovation strategy and managing the business portfolio so as to ensure efficient capital circulation.



Management Resources & Business Activities Data (FY2022)



Printing Solutions

Office & Home Printing Commercial & Industrial Printing

Revenue **¥902.3 billion** Segment Profit **¥89.3 billion**

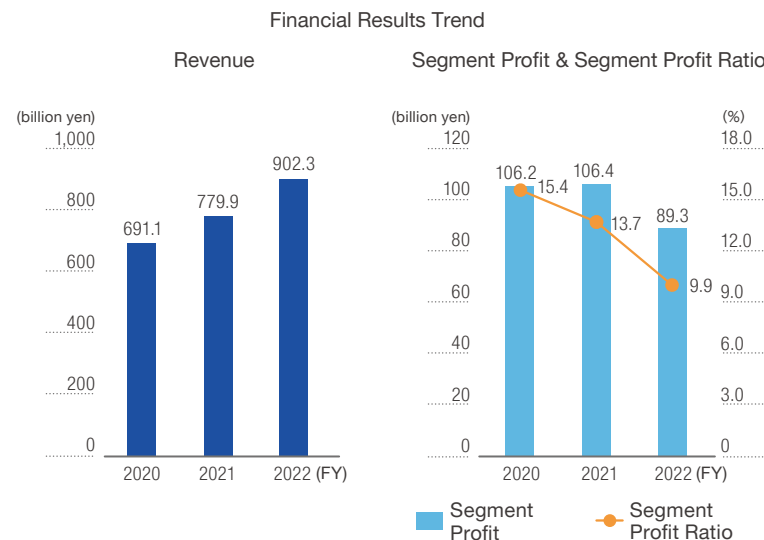
Overview

Office & Home Printing

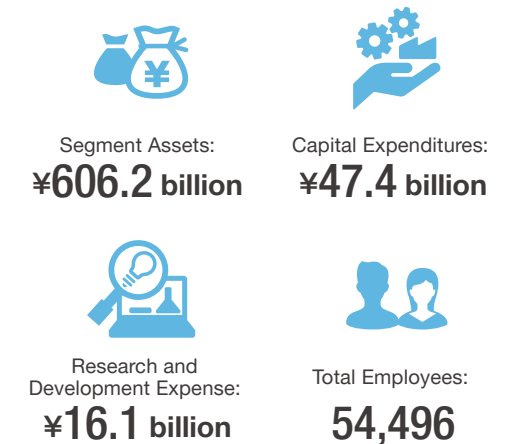
- Supply constraints eased in the second half & high-capacity ink tank printer sales grew.
- Ink cartridge sales decreased as at-home print demand normalized, but sales of high-capacity ink bottles and ink for office shared printers grew along with an increase in the number of machines in the field.
- Costs increased due to skyrocketing parts, materials, and distribution expenses

Commercial & Industrial Printing

- Finished product sales growth was limited by the late launch of some products due to COVID-19.
- Printhead sales grew particularly in the Chinese market.
- Small printer supply constraints eased.



Management Resources & Business Activities Data (FY2022)



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

Visual Communications

Visual Communications

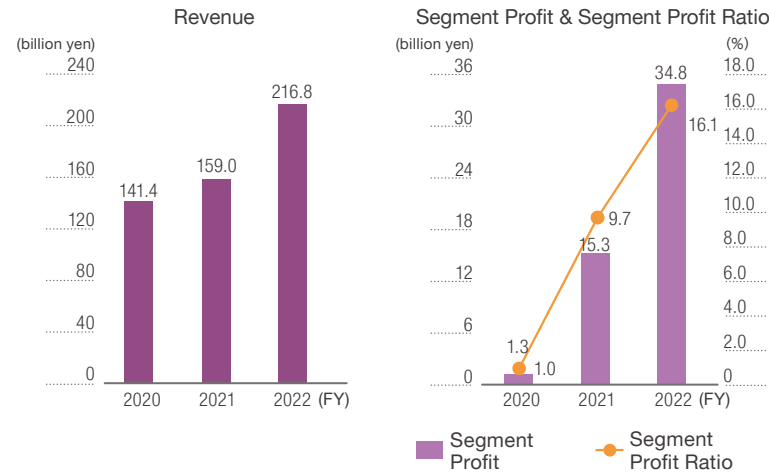
Revenue
¥216.8 billion

Segment Profit
¥34.8 billion

Overview

- Demand for education projectors rebounded after the effects of COVID-19.
- Revenue increased on higher unit sales as supply constraints eased, an improved model mix, and higher selling prices.
- Moves to control fixed costs helped to restore high profitability.

Financial Results Trend



Management Resources & Business Activities Data (FY2022)



Segment Assets:
¥155.7 billion



Capital Expenditures:
¥7.3 billion



Research and Development Expense:
¥5.7 billion



Total Employees:
10,106

Manufacturing-related & Wearables

Manufacturing Solutions
Wearable Products
Microdevices, Other
PC

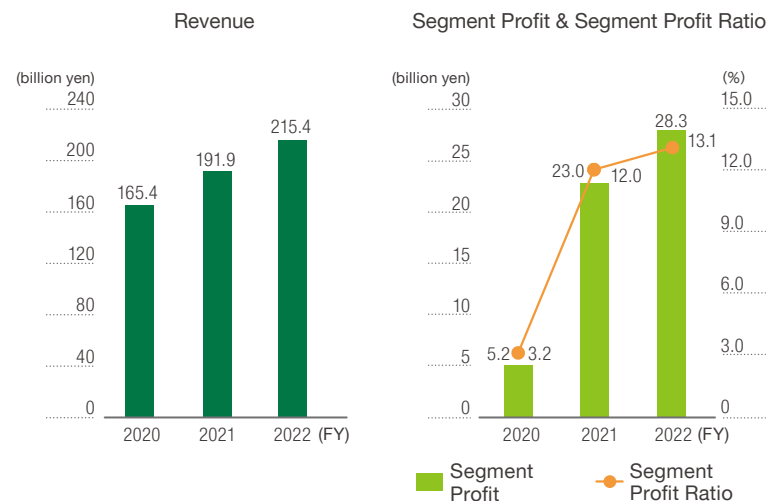
Revenue
¥215.4 billion

Segment Profit
¥28.3 billion

Overview

- Manufacturing solutions: Results were impacted by changes in the Chinese business environment in the second half.
- Wearable products: Demand from inbound visitors to Japan rose, but overseas markets were soft.
- Microdevices, other: Demand from the consumer electronics sector weakened in the second half, but revenue grew on the positive effects of pricing.

Financial Results Trend



Management Resources & Business Activities Data (FY2022)



Segment Assets:
¥173.4 billion



Capital Expenditures:
¥14.9 billion



Research and Development Expense:
¥7.0 billion



Total Employees:
11,362

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

Value Creation Strategy

Materiality:

Achieve sustainability in a circular economy

Key Sustainability Topics:

Customer environmental impact mitigation

Initiative Topics

Key Performance Indicators (KPI)

Maximizing avoided emissions with products and services that have a lower environmental impact

* Quantified the contribution of products and services toward GHG emissions reductions



Opportunities and Risks

Print demand will likely decline due to heightened environmental awareness and paperless solutions.

There is a risk that customers' printer-related energy and maintenance costs could rise as offices decentralize and the cost of energy, materials, and labor increases.

On the other hand, Epson's multifunction inkjet printers have advantages over laser printers in terms of environmental performance and convenience because they have fewer replacement parts. In FY2019, prior to the COVID-19 pandemic, the global office and consumer print market (inkjet + laser) is estimated to have been a more than 10 trillion yen market in terms of hardware and service purchases. Office laser printers accounted for approximately 80% of this market. Epson still has only about a 1-2% share of the office market on a unit basis, so we believe there are ample untapped market opportunities for us.

Growth Strategy

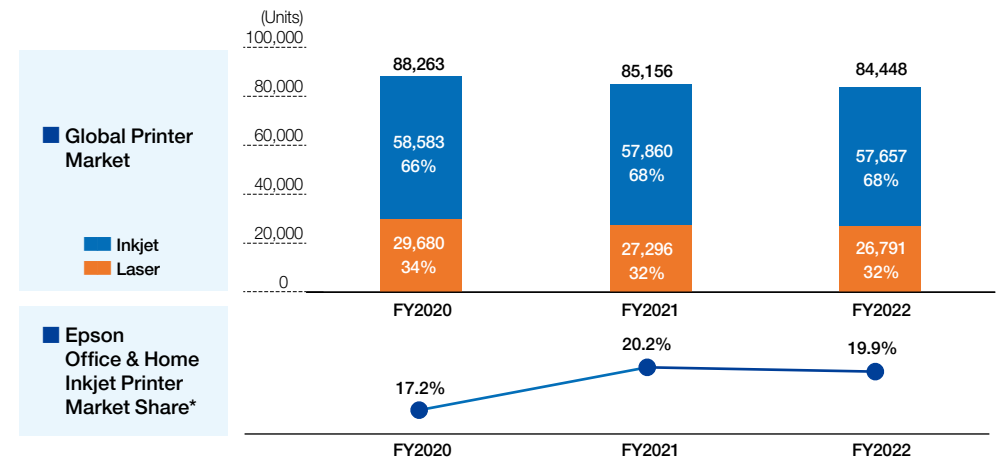
Epson inkjet printers have many features that mitigate environmental impact. Heat-free technology minimizes power consumption. A simple construction means fewer parts to replace and less frequent maintenance. High-capacity ink tanks reduce the frequency of ink replacement. These features are the key to our environmental strategy.

To contribute more to environmental solutions, we will further expand our lineup of printers that embody Epson's unique value proposition, communicate the advantages of our inkjet technology in mitigating environmental impact, and drive a technology shift from laser printers to inkjet printers.

We will leverage inkjet technology and open solutions to reduce environmental impact, increase

productivity, and lead the evolution toward decentralized printing by understanding individual consumers' needs and meeting them with services like ReadyPrint, a subscription service with low upfront costs. Users pick a plan with a monthly fee based on the number of prints they make per month. ReadyPrint will be made available over an expanded territory in the future.

■ Epson's Global Printer Market Share



* Office & home inkjet units ÷ global printer market units (JP + laser)

Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2022Q3
Share by brand, multifunction units are included in color laser printers that print 69 ppm or less and monochrome laser printers that print 90 ppm or less. Reproduction or republication of this data is prohibited.

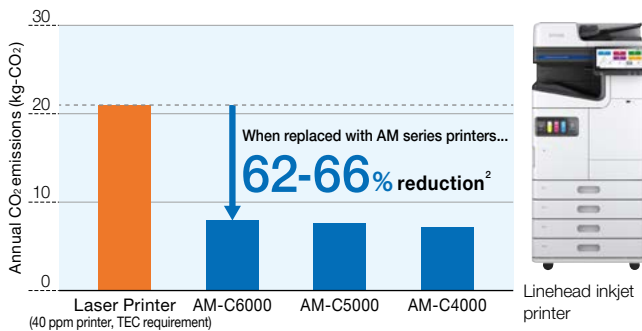
Achieving the KPI with Office & Home Printing Innovation

Accelerating decarbonization by expanding our lineup of high-speed linehead inkjet multifunction office printers

We expanded our lineup of multifunction office inkjet printers with the addition of the three-model WorkForce Enterprise AM series of medium-speed multiple function A3 printers. Our lineup of office inkjet multifunction and single-function printers now covers the entire spectrum of speeds, from high to low, giving customers a significantly broader range of options.

Users can reduce their power consumption and CO₂ emissions by 62% to 66%¹ by replacing their laser printers with printers in the AM series. These printers are International Energy Star Program compliant, with a low typical electricity consumption (TEC) value, a measure of total power consumption both during operation and in standby. By consuming less power than ordinary office laser printers, these inkjet printers reduce users' environmental footprint and contribute to decarbonization. We aim to achieve sustainability in a circular economy by broadly publicizing our products and services that help to shrink the environmental footprint of our customers.

Annual CO₂ Emissions²



¹ The reduction ratio when comparing the TEC of the AM series printers with the TEC requirement for 40-ppm machines given in the ENERGY STAR® Imaging Equipment Specification Version 3.0. See the link for details (Japanese only): <http://www.epson.jp/products/bizprinter/smartcharge/ecology/>

² CO₂ emissions are calculated using the formula and emission factors published by the Ministry of the Environment. (Formula: electricity consumption × emission factor per unit usage). The emission factor used for this calculation was 0.000470 t-CO₂/kWh as specified in guidance for 2021.

Societal solutions to which this example contributes

Decarbonization & closed resource loops

Social Impact

Great Environmental Performance Reduced the Administrative Workload and Power Consumption

Tawaramoto Town Office

Epson Smart Charge High-speed linehead & A3 multifunction inkjet printers

Epson's inkjet multifunction printers align perfectly with our procurement policy in that they require only infrequent parts and ink tank replacement. We like that consumables are automatically delivered because it eliminates the time and hassle of ordering. We can now save time and money on printers, fax machines, and consumables, all of which used to be sourced by different departments.

The energy savings made possible by heat-free inkjet technology was also a significant factor in our decision. Our laser printers consumed over 1 kW of power, so we were pleasantly surprised to learn that the PX series operates on less than 100 W. As a government office administrator, I was very mindful of saving energy, so the environmental performance of these printers was a crucial point in the selection process. Epson's Smart Charge service has allowed us to significantly reduce our power consumption. This aligns with Tawaramoto Town's policy of giving preference to environmentally friendly procurement.



Yoshinaga Uekaki
Tawaramoto Town Accounting Section

Information current as of 11/2022. He was in General Affairs when Epson Smart Charge was introduced.

Materiality:
**Advance the frontiers
of industry**

Key Sustainability Topics:
Improving productivity through digitalization and automation

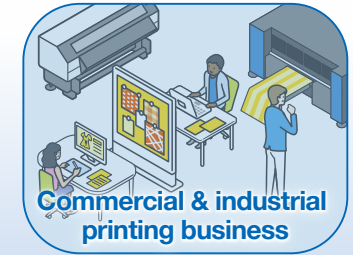
Value Creation Strategy

Initiative Topics

Offer Inkjet Technology and Solutions that Lead the Digitization of Printing and Contribute to Lower Environmental Impacts and Higher Productivity

Key Performance Indicators (KPI)

Average sales growth rate of commercial and industrial inkjet printers compared to the previous year
[FY2023 target] 10%



Opportunities and Risks

Commercial and industrial printing firms need to respond to the diversification of consumer needs. They also need to respond to environmental considerations, the decentralization of printing facilities, higher energy prices, and higher material and labor costs. Decentralization will change how and where products are used. This will naturally create new issues in terms of cost and security. We believe that there is opportunity in capturing issues across usage scenarios and providing solutions that help customers expand their businesses.

Risks include a loss of willingness to purchase large systems, the impact of an economic slowdown on investment, and a lack of knowledge and understanding of customers' businesses.

Growth Strategy

Epson's digital inkjet printers use Micro Piezo inkjet technology to produce exquisite gradations and subtle colors, expanding the design horizon. Digital printing is also a much shorter process than analog printing, so short-run print jobs can be done with faster turnaround and at low cost.

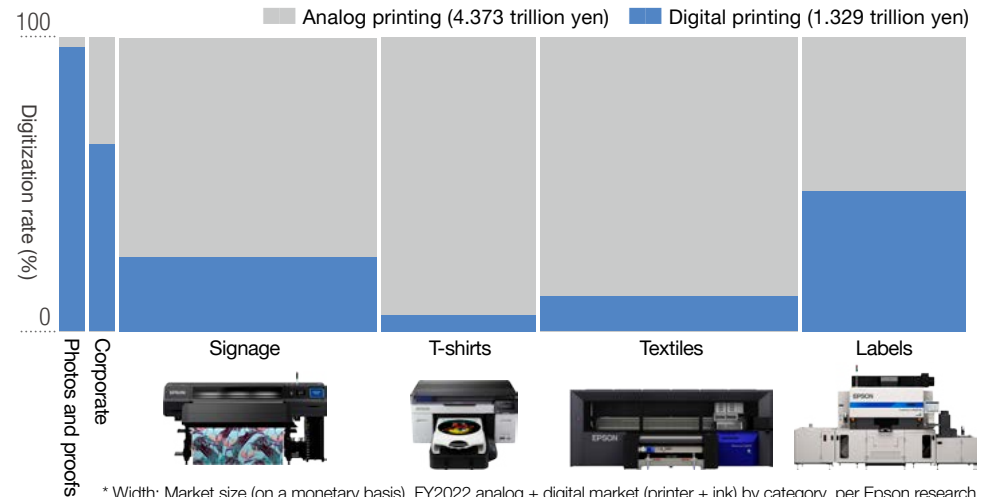
By taking advantage of these strengths and deploying our inkjet technology platform in a broad range of products and services, we will address divergent consumer needs, reduce environmental impact, increase productivity, and solve decentralization issues.

Commercial and industrial printers require accurate color matching and fleet management to eliminate production variations. They also need maintenance service that does not depend on operator skill level. To meet these needs, Epson began offering Epson Cloud Solution PORT, a solution that supports decentralized printing, in 2020. This solution allows users to remotely monitor a printer fleet spread across multiple locations by providing real-time operational and error information, thereby facilitating timely response and management.

To better help our customers expand their businesses, we have been expanding our service offerings and improving product usability with features to manage the production process and Color Control Technology, Epson's own color management solution.

We hope to sustain growth by combining products that reduce users' environmental impact while raising their productivity with solutions that make our products easier to use for everyone.

Commercial & Industrial Printing Market Size (FY2022)



Achieving the KPI with Commercial & Industrial Printing Innovation

Partnering with fashion designers to research and develop technology that will accelerate the digitalization of the textile market

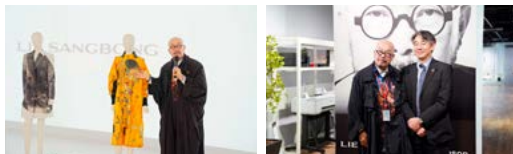
Epson has been collaborating with fashion designers and fashion students as part of its efforts to drive the evolution of fashion through innovations in commercial and industrial printing.

In 2022, Epson entered into a co-creation partnership with fashion designer Yuima Nakazato and his eponymous fashion house to transform the fashion industry. We have initiated joint R&D projects aimed at reducing the environmental impact of clothing production, implementing optimal production methods for providing custom rather than mass-produced identical designs, and developing future-oriented technologies that will make these goals a reality.



©Luca Tombolini

We are also co-creating with renowned designers internationally. Since 2022, we have been collaborating with top Korean fashion designer Lie Sang Bong and held a fashion show in which digital textile printing was used to highlight Mr. Lie's imagination and the technology's contribution to environmental impact mitigation.



Societal solutions to which this example contributes
Closed resource loops and decentralization

Social Impact

Getting the Colors One Envisions

Bunka Fashion College

In 2022, Epson and Bunka Fashion College began a digital fashion creation project. This project involves using Epson Monna Lisa digital textile printers and pigment ink in the production of pieces for students' graduation collection. Students who used digital textile printing came away impressed by the technology's ability to accurately reproduce computer graphics and colors. Traditional analog printing is a long process with many steps. Time and cost considerations often do not allow the process to be repeated as many times as needed to get satisfactory results. So, creators find the ability to efficiently get the results they want in a process with a small environmental footprint to be a very welcome change. The hope is that we will continue to provide groundbreaking fashion solutions that are both eco-considerate and satisfying.



Materiality:
Advance the frontiers
of industry

Key Sustainability Topics:
Improving the working environment and educational environment

Value Creation Strategy

Initiative Topics

Eliminating Labor Shortages Through Automation Using Robots

Key Performance
Indicators (KPI)

Number of vacant positions filled¹
FY2023 target: 28,000 positions

¹ Converted based on the effect of Epson's internal projects



Opportunities and Risks

Automation with robots and AI is marching forward against the backdrop of aging populations and global labor shortages. Many manufacturers recognize the need to innovate their production systems to address fundamental challenges such as a poor working environment and lack of manufacturing resilience. As a result, the automation sector is forecasting steady market growth. (Refer to market data for SCARA and compact six-axis robots.) We are now being consulted about automation by customers from many different industries and are expanding and enhancing the means to solve disparate needs to contribute to societal solutions.

On the other hand, we also perceive risks. As demand for automation increases, competition could lead to customer churn and market price erosion. Securing people with skills in equipment design, manufacturing, and setup is becoming challenging and could be a hindrance to growth.

Growth Strategy

Epson owns the top share² in the global market for SCARA robots thanks to an extensive lineup of robots that combine high speed and precision with functional programming software that adapts to diverse needs. To quickly respond to customer needs, it is essential to have a next-generation platform that has a large number of standard core components and allows flexible lineup expansion. Epson has been investing in the development of such a platform and will begin releasing new products based on this platform in 2024.

Epson also provides user-friendly program development software called Epson RC+Express Edition to lower the barriers to entry for customers who are new to automation and lack software development experience. On the other hand, customers seeking to automate their factories expect to transform the manufacturing floor, not just install robots.

Epson gained expertise in efficient, high-yield automated production lines by building its own precision

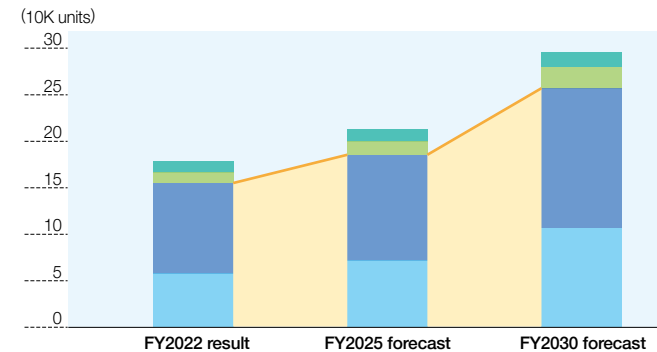
assembly processes for watches and printheads. We are leveraging this expertise to support the conceptualization and implementation of automation solutions that solve our customers' problems. Our goal is to capture robust automation demand and grow the business by supporting automation across a wider range of industries. Toward this end, we are reinforcing our team of equipment designers and automation engineers who can develop systems using robots and peripherals, as well as our staff who can propose solutions to customers' problems. These efforts will help to alleviate the societal issue of labor shortages.

² Epson was No. 1 in terms of both industrial SCARA robot unit shipments and revenue in 2022. (Source: Fuji Keizai "2023 Reality and Future Outlook of Worldwide Robot Market")

SCARA Robots & Compact Six-Axis Robots

Areas that require small, precision assembly robots and where sales of Epson robots are expected

- Automotive
- 3C³/electronic devices
- Food, clothing, cosmetics
- Other, logistics



³ Epson's estimates based on external data ³ Computer, communication (smartphones, etc.), consumer electronics

Achieving the KPI with Manufacturing Innovation

Introducing robot systems in food factories

The Japan Readymade Meal Association was selected to participate in government-led projects to develop innovative robot infrastructure and a smart food industry. Epson participated in these projects as a member of a 31-company team, working with the association to create, in 2023, a practical robot for use in the manufacture of meals.

The picking and placing of food items in containers and bento boxes is one of the most labor intensive process in food manufacturing. The automation of this process to deal with labor shortages, increase productivity, and avoid the “three C’s” (closed spaces, crowded places, and close-contact) has become a societal issue. Most readymade meal manufacturers are small to medium-sized enterprises that need more affordable systems.

As a leader² in the industrial SCARA robot market, Epson collaborated on the development of robot systems that would be within the reach of meal manufacturers. Epson’s T3-B SCARA robot was selected for these systems, reducing costs by 30% and system footprint by 70%. Moreover, improvements to end-effectors and their control enabled the robots to be used in a wider range of processes, including the packing of an assortment of food items, high-speed packing of bento boxes, and placing lids on containers, and transporting product trays.



Food packing robot system that employs T3-B robots

Societal solutions to which this example contributes

Shrinking labor pool and work environment improvement

Social Impact

Automating Prepared Food Manufacturing

The Japan Readymade Meal Association

Food manufacturers face chronic labor shortages and have a strong desire to mechanize, but progress has been constrained by financial and technical limitations. To overcome these challenges, the Japanese government and the Japan Readymade Meal Association joined forces to drive the mechanization of readymade meal manufacturing as a national project and succeeded in developing robot systems that can perform previously impossible food handling tasks. All of these robot systems employ Epson SCARA robots. In last year’s project, six new robot systems were introduced at 10 food manufacturers, signaling the beginning of real mechanization of the industry. We want to expand the installation of these robot systems at readymade meal companies so that they no longer have to struggle to find workers.



Takeshi Ogino
The Japan Readymade Meal Association
AI & Robot Innovation Fellow

Materiality:

Advance the frontiers
of industry

Key Sustainability Topics:

Improving the working environment and educational environment

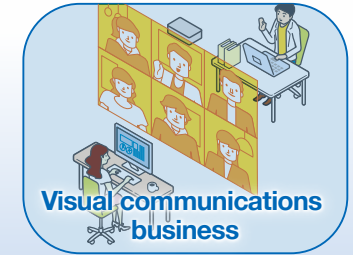
Value Creation Strategy

Initiative Topics

- (1) Realize a fair, natural, satisfying communication environment by combining in-person and remote interactions
- (2) Create opportunities for quality learning and close the education gap with smart and portable displays.

Key Performance Indicators (KPI)

- (1) Number of co-creation and collaboration projects, or number of partners
FY2023 target: One co-creation/collaboration project
- (2) Number of local demonstration programs through co-creation and collaboration
FY2023 target: 20 value demonstration programs



Opportunities and Risks

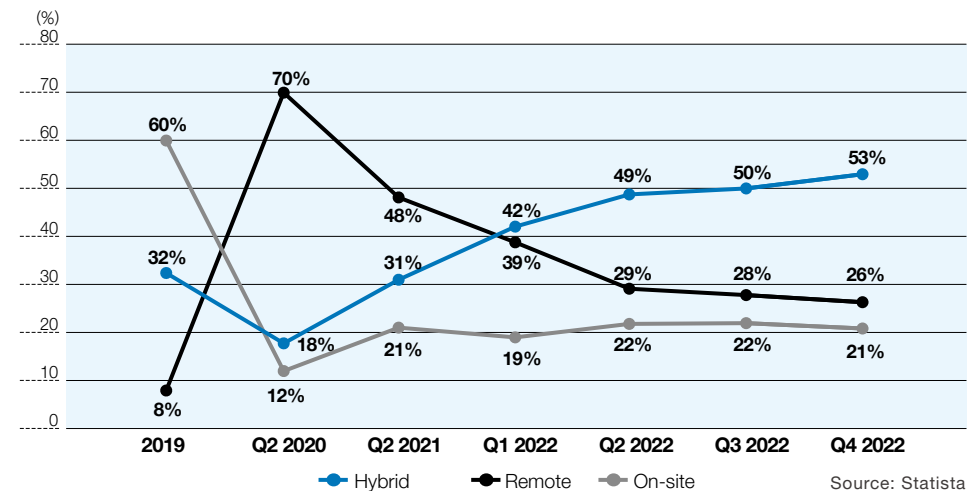
The demand for big-screen images remains solid, driven by investment in tourism and large-scale entertainment and the popularization of video streaming services. Work arrangements became more flexible during the pandemic as hybrid communication tools that bring people together online became commonplace. On the other hand, issues remain in terms of the amount and quality of information that employees can share when communicating remotely. As a result, there is a real need for visual communication systems that feel natural and deliver all the needed information, as well as a need for technological advancements that enhance productivity and support creative activities. Opportunities to address issues in the realm of education abound. Equitable, quality education can be provided on big screens in countries where ICT devices are prevalent. Digital technology can be used to close the gap in educational opportunities in developing countries where there is a shortage of teachers, educational materials, and infrastructure. On the other hand, in the growing market for remote visual communications, we are prepared for the risk of intensifying competition against non-projector devices such as large-screen displays and tablets.

Growth Strategy

The greatest strength of projectors lies in their portability and ability to deliver big-screen viewing anywhere. We will continue to build on these strengths and maintain market competitiveness by evolving technologies that enable smaller sizes, lighter weights, and greater energy efficiency. In the establishment of visual communication environments, we are combining 4K-equivalent images with ultra-short throw lenses that allow you to display a big picture without taking up space in the room. This combination allows us to project online participants in lifelike sizes with great detail, creating a natural and immersive visual space that makes people feel as if they are sharing the same physical location. Through collaboration with online conferencing service providers and expanded field trials with local governments, we aim to accelerate the formation and expansion of the market.

In the education market, we recognize both the enormity of the societal issues and the huge potential of the market. To identify and address educational issues, we are leveraging the knowledge we have gained through many years of involvement in the education field and accelerating collaborative activities with the Japan International Cooperation Agency (JICA). We are conducting trials to verify the effectiveness of support for touring lessons that take advantage of projector portability. We are also conducting awareness-raising initiatives related to education, health, hygiene, and the environment in areas with limited access to electricity or limited electrical resources. Our goal is to develop a business model that collaboratively addresses societal issues stemming from disparities in education and information.

Status of establishment of hybrid work in the U.S.



Achieving the KPI with Visual Innovation

Smooth hybrid communication is changing the way we work

Epson is capitalizing on projection-based hybrid communication to tackle the challenges of fragmented communication and reduced productivity resulting from remote work. As part of this, we are partnering with Matsumoto City to create a hybrid communication environment that seamlessly connects remote facilities.

A natural communication space is created by setting up a projector next to a wall and projecting 4K-equivalent images¹ of people at nearly life-size so that it feels as if you are in the same room. This communication system is expected not only to improve communication among staff working in different locations but also enhance citizen services.

Epson aims to co-create hybrid communication that eliminates the constraints of space, location, and time and that enables smoother remote work and enhances the quality of education and life.

¹ 4K-equivalent resolution achieved using shift technology



Life-sized hybrid communication environment used by Matsumoto City
(The photo shows a similar environment set up in Epson.)

Model used for hybrid communication



Bright, high-quality images for an immersive experience



Can be placed next to a wall to save space

Societal solutions to which this example contributes

Transformation of work arrangements, improved citizen services, and higher quality education

Social Impact

A Visual Communication Environment That Connects Different Buildings

Matsumoto City

Matsumoto is the largest city in terms of area in Nagano Prefecture. With digital transformation advancing, we are exploring ways to decentralize and improve city services by providing them at two main government offices, 35 Community Development Centers, and online. The challenge of decentralization is communication. Online meetings became more commonplace even in government during the pandemic, reducing travel time and increasing efficiency. However, a staff survey indicated that some challenges remain, such as difficulty in knowing when to speak and limited casual communication.

Therefore, with Epson as our partner, we have created an environment where conversations can be initiated easily at any time, enabling natural communication. Staff members who have experienced this system have reacted positively. They say it feels as if they are talking face to face. They also appreciate the compact design, which makes the projector easy to move and adapt to different layouts depending on the purpose of the meeting.

We expect the use of this system to continue to grow, contributing to the delivery of even higher-quality administrative services in the future.

Before installation

Took time to travel to remote offices
Difficult to communicate online

After installation

Spend time providing services instead of traveling between offices.
Online meetings go smoothly, with natural conversation.



Toshiaki Konishi
Matsumoto City,
Director of Strategic Planning Bureau

Environmental Strategy & Technology Development Strategy



Kazuhiro Ichikawa

Executive Officer

General Administrative Manager, Technology Development Division/
Global Environmental Strategy Promotion Office

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)

Environmental Strategy

Accelerating the Circular Economy

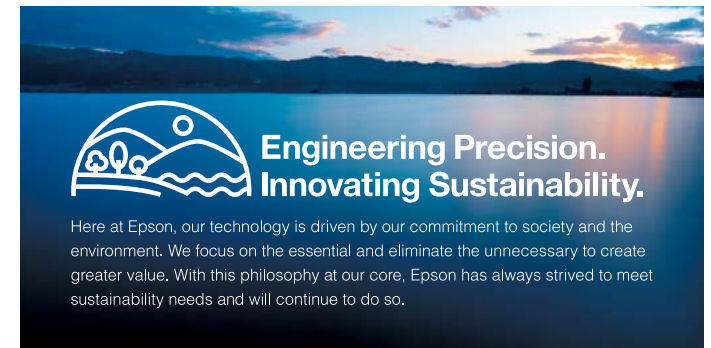
Epson has cited achieving sustainability in a circular economy as a priority issue (materiality). Economic systems that continue to consume more resources and generate waste have dire consequences for the environment and society. Human society exists within the confines of Earth, a closed and finite space. To ensure the sustainability of society, we must transition to a circular economy. 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 closed resource loops will be essential components.

The major challenge we face on the road to achieving our environmental vision is to reduce our scope 3 emissions by, for example, sourcing raw materials with a lower environmental impact and encouraging users of our products to adopt renewable energy. We cannot accomplish these alone. We believe it is essential for society as a whole to share a common commitment to accomplishing common goals. So, in addition to adopting circular processes in our businesses, we will review economic models with various stakeholders through collaboration and open innovation in the supply chain. We aim to work jointly with others to come up with ideas for addressing a wide range of challenges.

An Environmental Vision for the Past and Future 80 Years

Epson, founded in 1942 in Suwa, a city nestled in the rich natural environment of Nagano Prefecture, has been in business for 80 years. Harmonious co-existence is our cornerstone. Even as we expanded globally, our culture of respect for the environment never wavered. In 1988 Epson became the world's first enterprise to announce it would eliminate ozone-depleting chlorofluorocarbons (CFCs) from its operations. Epson has always maintained ambitious environmental goals.

Environmental Vision 2050 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.



Here at Epson, our technology is driven by our commitment to society and the environment. We focus on the essential and eliminate the unnecessary to create greater value. With this philosophy at our core, Epson has always strived to meet sustainability needs and will continue to do so.

We established a new environmental message: "Engineering Precision. Innovating Sustainability." The environmental message expresses Epson's unique value and is consistent with the Corporate Purpose and Environmental Vision 2050. It reflects our commitment to respecting the environment, evolving our technology, and working towards a sustainable future.



Environmental Message

<https://corporate.epson/en/sustainability/environment/message.html>

Environmental Strategy & Technology Development Strategy

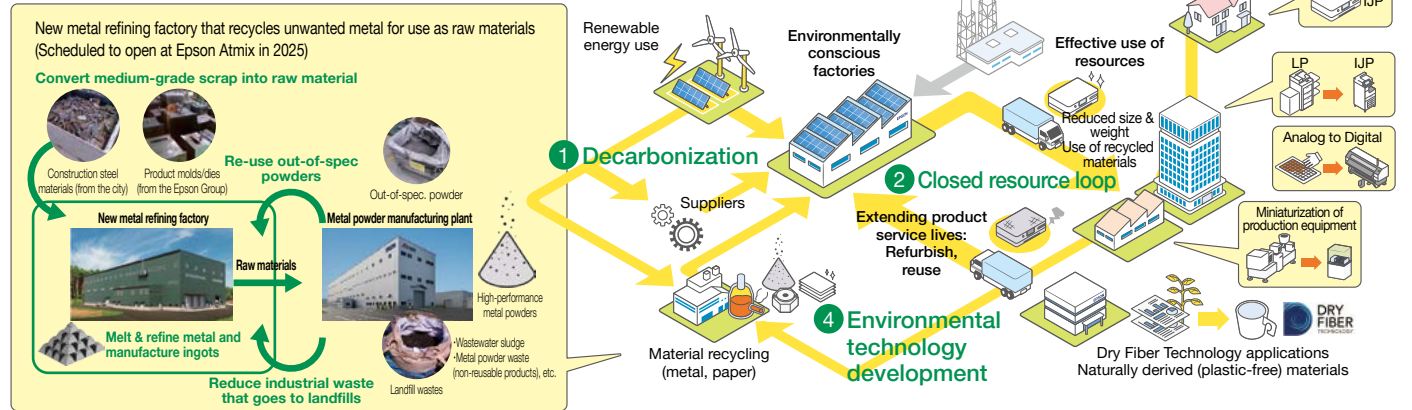
Environmental Initiatives

Our environmental initiatives are tied to the material issue of achieving sustainability in a circular economy. Epson is taking action to promote decarbonization, close resource loops, develop environmental technologies, and provide products and services that reduce environmental impacts.

It is essential to begin environmental initiatives immediately and to continue them over the long term. In addition to the initiatives under 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.

→ See P44 for examples of our decarbonization, closed resource loop, customer environmental impact mitigation, and environmental technology development initiatives.
 → See P46 for examples of our environmental technology development initiatives.

Epson 25 Renewed Environmental Initiatives



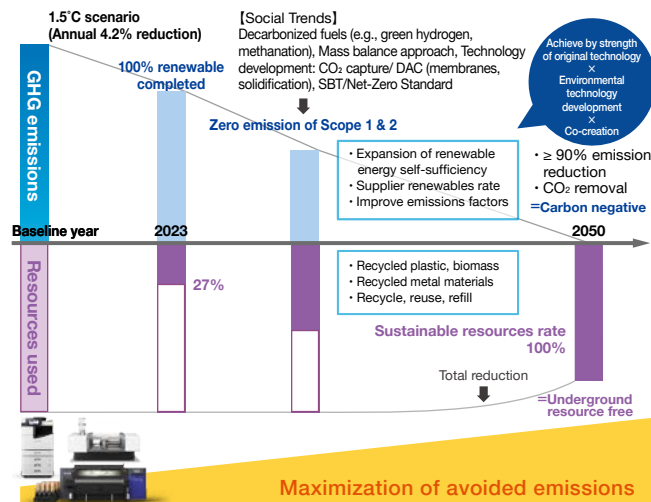
Environmental Vision 2050 Roadmap

We are working toward our goals of becoming not just carbon neutral but carbon negative and underground resource³ free by 2050. Epson's Mid-Range Environmental Action Plan outlines specific scenarios for achieving these goals. Supply chain GHG emissions and resource use will increase as we expand our businesses in growth areas and new areas. So, each of our businesses established environmental value creation scenarios that align environmental strategy and business strategy. These scenarios will serve as a roadmap for carrying out the strategies and achieving the goals set for 2050.

³ Free of non-renewable resources such as oil and metals

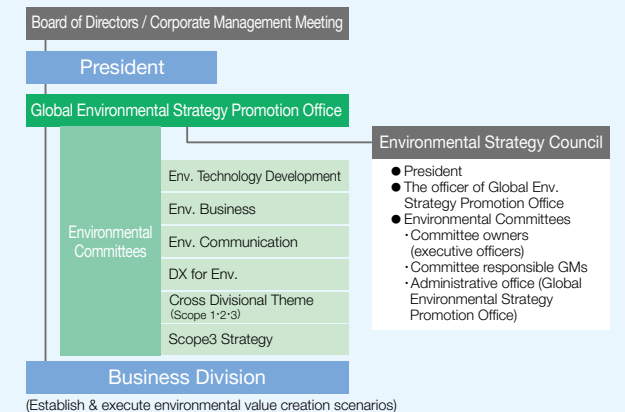
Main strategic actions in the Mid-Range Environmental Action Plan

Decarbonization	<ul style="list-style-type: none"> • Scope1 (fuels, etc.): Electrification, low-carbon fuel conversion • Scope2 (electricity): Complete switch 100% renewable in 2023
Closed resource loop	<ul style="list-style-type: none"> • Recycle & reuse main materials (plastic & metal)
Common actions	<ul style="list-style-type: none"> • Reduce product size, weight, consumables & limited lifetime parts • Reduce product energy use • Resell returned products, refurbish used products, refill • Establish a long service life business model • Engage suppliers on renewable electricity & recycled materials • Minimize production losses, reduce GHGs
Customer environmental impact mitigation	<ul style="list-style-type: none"> • Expansion of Epson products & services that have a lower environmental impact for society



Organizations for Implementing Strategies

In FY2023, to make achieving the environmental vision more feasible and enhance the resilience of our climate strategies, we created a Global Environmental Strategy Promotion Office to draft and carry out environmental strategy and subcommittees to address the various environmental issues.

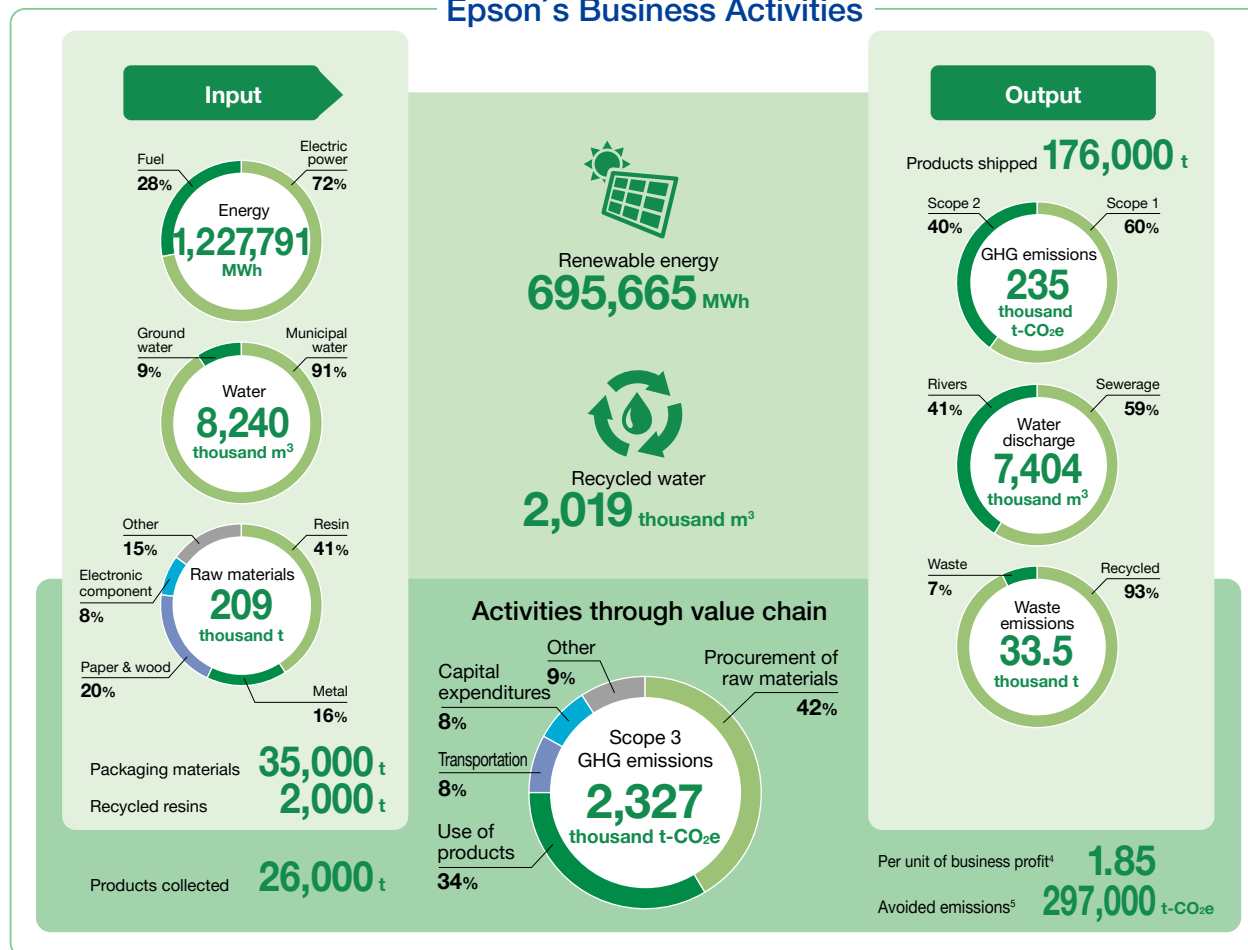


Reducing the Environmental Impact of Our Business Activities

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.

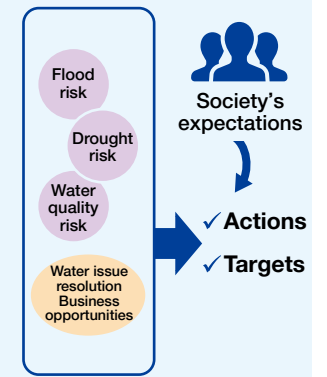
In FY2022 we basically reached our targets. In the area of water resources, we are considering qualitative targets that take into account long-term water risks, including those within the supply chain, rather than just reductions in usage.

Material Balance (FY2022)



Water Resource Targets

Unlike climate-related risks that impact the entire globe, water-related risks are regional. In addition to checking each site's water risk analysis results and actual conditions, we discuss water issues with organizations such as WWF Japan and local government. We are considering actions and targets to address the challenges. We see market growth for products that address water issues as an opportunity.



Achievements

Scopes 1 & 2 GHG emissions	-60%	235 thousand t-CO ₂ e	Target: -34% by FY2025 Target value: 391 thousand t-CO ₂ e
Scope 3 GHG emissions (Per unit of business profit)	-45%	1.85	Target: -44% by FY2025 Target value: 1.90
Water usage	+2.5%	8,240 thousand m ³	Target: previous year or less Target value: 8,041 thousand m ³
Waste emissions	+1.0%	33.5 thousand t	Target: previous year or less Target value: 33.2 thousand t

⁴ Calculated as the ratio of scope 3 (Categories 1 and 11) GHG emissions to business profit (Unit: thousand t-CO₂e/100 million yen)

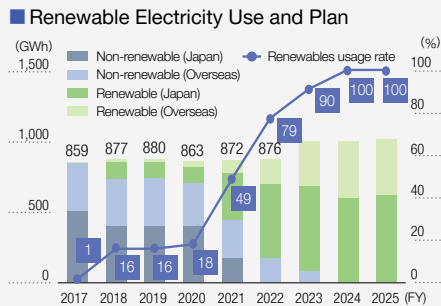
⁵ Third-party GHG emission avoidance was estimated by using a flow base approach to calculate the contribution to avoided emissions achieved by replacing conventional products and work processes with Epson products. This is different from the actual reduction amount. (1) Replacement of laser printers 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, (5) commercially available recycled paper with paper produced from used paper using dry process office papermaking systems, and (6) injection molding machines with micro injection molding machines.

Decarbonization

Switching to 100% Renewable Electricity

Renewable energy use is critical for achieving our decarbonization goal, and we are on track to completing the switch to 100% renewable electricity throughout the global Epson Group before the end of 2023, far ahead of schedule. In November 2021, we switched to renewable electricity at our domestic sites. Our overseas manufacturing sites are now making the transition.

In addition to rising energy prices and the rapid expansion of renewable energy demand, the international initiative RE100 revised its criteria, providing greater clarity on sustainable sourcing challenges. In Japan, we are participating in a joint government-industry project to expand the use of local renewable electricity. We are also carrying out plans to maximize our own on-site power generation to ensure a stable supply of renewable electricity.



Biomass Power Generation Support (Indonesia)

PT. Indonesia Epson Industry switched to 100% renewable biomass energy in July 2022. The company had been supplied with electricity generated from a mixture of natural gas and coal but negotiated with the power company to first switch to 100% natural gas. Subsequently, they supported the commercialization of biomass power generated from palm kernel shells and wood chips and are now supplied with it.



Closed Resource Loop

Environmental Strategy & Technology Development Strategy

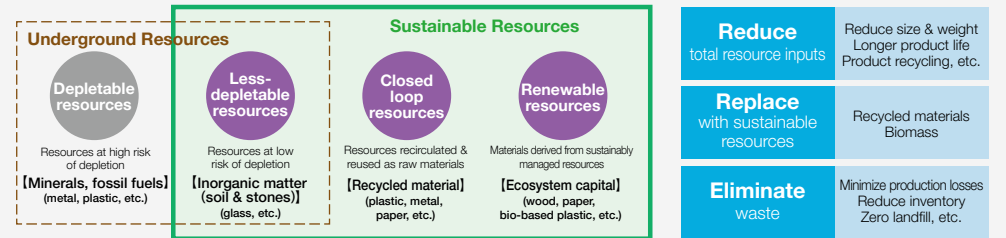
Initiatives to Become Underground Resource Free

The resources we use are called “natural capital” and include underground resources, abiotic flows⁷, 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. Epson will dramatically change the way natural capital is used. We will utilize previously mined underground resources as existing above-ground resources (closed loop resources) to reduce consumption of new underground resources and become underground resource free by 2050. Ecosystem capital is renewable and non-depletable if used wisely. We will endeavor to reduce total resource inputs, eliminate waste/disposal, and reach a 100% sustainable resource rate⁸ to achieve the goal of becoming underground resource free.

⁷ Renewable sources such as solar light, wind, water, geothermal heat

⁸ The proportion of sustainable resources (renewable resources + closed loop resources + less-depletable resources) to raw materials

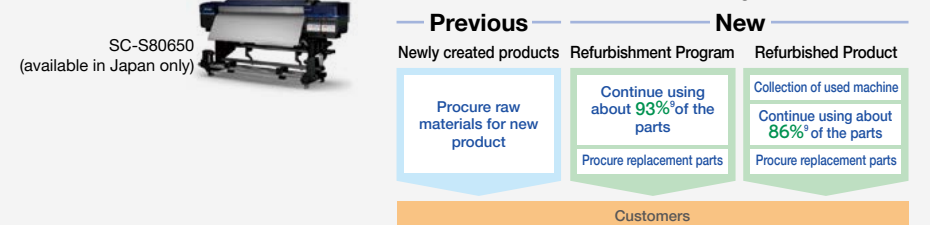
Conceptual image of resource use for Epson to become underground resource free



Provision of Products & Services with Long Service Lives

We began a refurbishment program and offer certified refurbished products to reduce waste, maximize the efficiency with which above-ground resources are used, and contribute to a circular economy. Current users of an SC-S80650 (available in Japan only) eco-solvent ink printer for signage and displays can continue to use the product for an extended period, reducing environmental impact. Meanwhile, new customers interested in purchasing a refurbished printer can select an eco-conscious product that comes that is guaranteed by the manufacturer to be as good as new.

Comparison of Previous and New Products & Services at the Time of Raw Material Sourcing

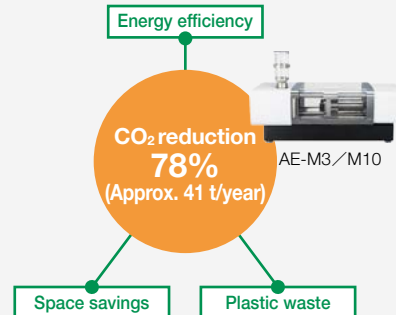


Customer Environmental Impact Mitigation

Solutions to Societal Issues Through Business Growth

Customer environmental impact mitigation is a part of Epson's growth strategy and an initiative that aims to create value for society. For example, switching from laser to inkjet printers and replacing analog printing with digital printing in apparel and textile manufacturing can reduce environmental impact. Epson is also committed to developing and providing eco-conscious products, such as micro injection molding machines that are designed to “make more with less.”

CO₂ emissions in a comparison between Epson's micro injection molding machines & machines of other companies (avg. 30 tons)



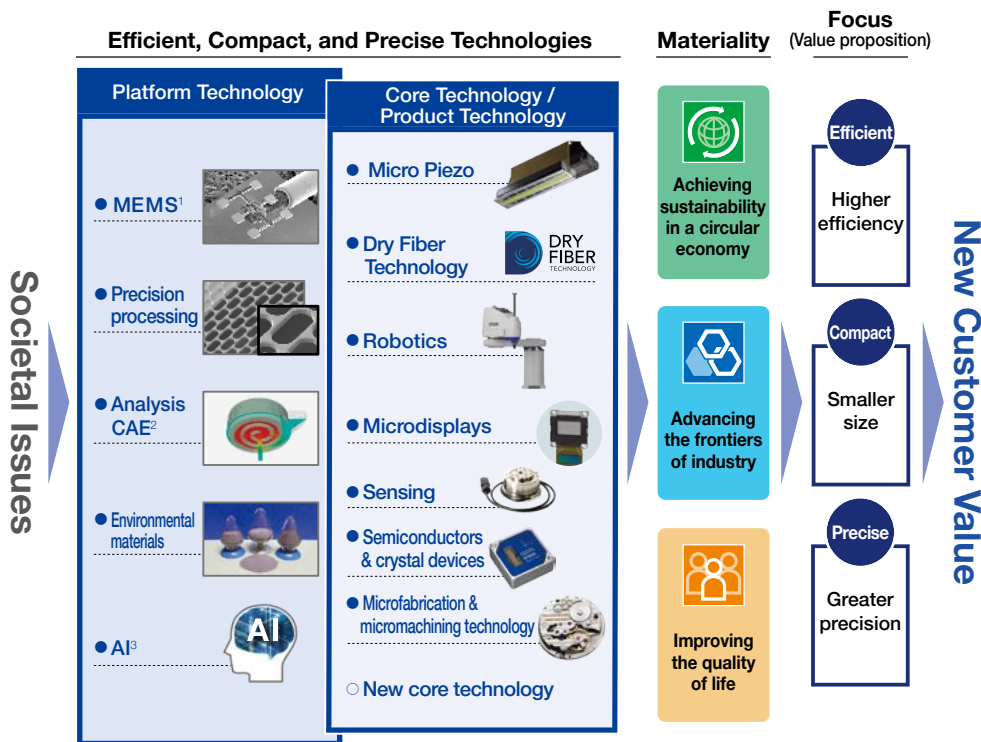
⁶ Calculation conditions explained on the back cover

⁹ The percentage of parts that continue to be used. Details provided on the back cover

Technology development strategy

Developing Technology to Solve Societal Issues

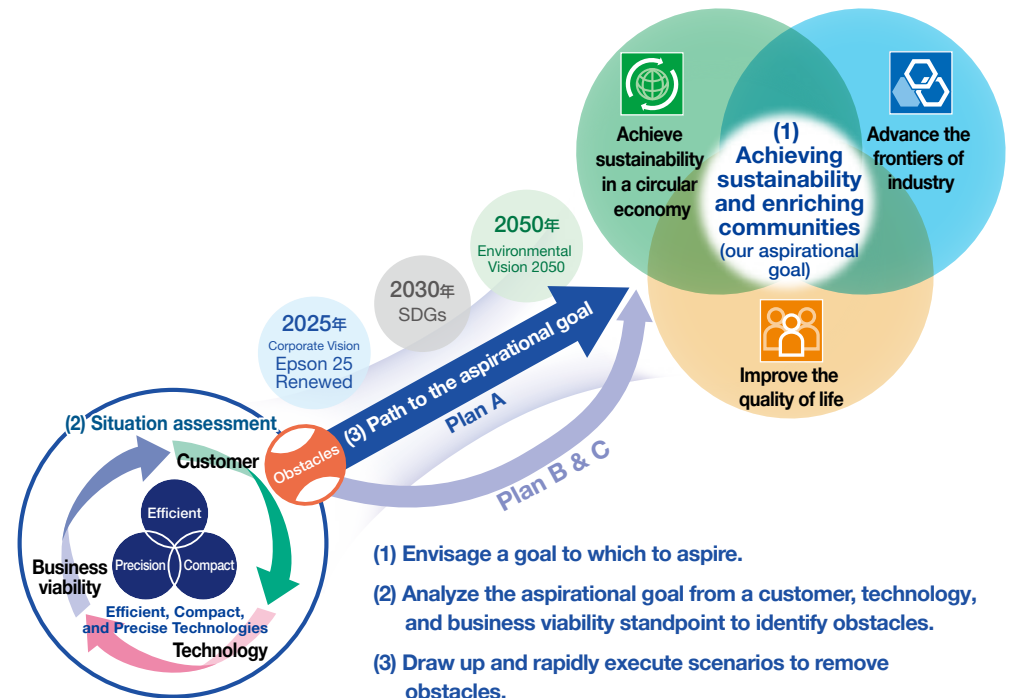
Under Epson 25 Renewed we reversed our approach to development. Now, we start with societal issues, analyze what kind of technology is needed to solve them, and then develop that technology. We have always provided value by applying our efficient, compact, and precise technology to benefit society. Micro Piezo inkjet technology, Dry Fiber Technology, and our robotics, micro-display, sensing, semiconductor, crystal, and microfabrication/micromachining technologies are all core technologies that were derived from our efficient, compact and precise technologies, based on MEMS, precision processing, analysis CAE, environmental materials, and AI platform technologies.



¹ MEMS: Micro Electro Mechanical Systems
² CAE: Computer Aided Engineering
³ AI: Artificial Intelligence

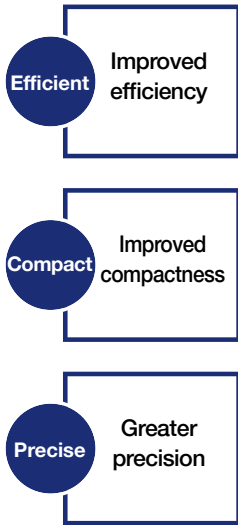
The Commercialization Process

Epson will achieve sustainability and enrich communities by examining societal issues and identifying materialities that it can impact. 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.



Technology Development to Realize Our Vision for Society

Pursuing (Value proposition)



Achieving sustainability in a circular economy (environmental technology development)

Developing technology to decarbonize, become underground resource free, and close resource loops

▶ Realization of resource circulation

We are expanding in-house use of Dry Fiber Technology to create sound-absorbing and cushioning materials from recycled paper. We are also developing new internal applications for cotton mill ends from clothing production.

▶ Develop closed loop materials

We are developing biomass plastics through participation in the Cross-ministerial Strategic Innovation Promotion Program¹ and the Pararesin Japan Consortium².

▶ Engage in co-creation

We are creating new value by actively co-creating with partners to achieve sustainability in a circular economy.

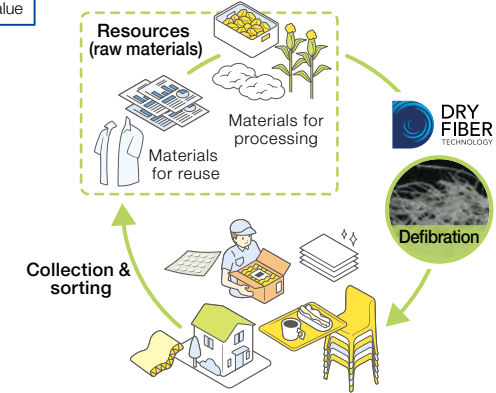


Epson received a Japan Star Award and a Gift Packaging Category award in the 2023 Japan Packaging Contest. (Pictured is a watch package that won the award in the Gift Packaging Category.)



Societal Value

▼ A world where above-ground resources are circulated



Advancing the frontiers of industry

Advancing the frontiers of industry with production solutions that minimize supply chains

▶ Micro injection molding machines

Epson's proprietary disk drive system saves space, saves energy, and provides high-efficiency precision injection molding.

▶ On-demand mold and die services

Increase parts prototyping and manufacturing efficiency with a combination of unique specialty mold materials and mold manufacturing technology that enable the delivery of mold and dies in as little as three days.

▶ 3D printers that innovate manufacturing

Increase development and prototyping efficiency with 3D printers that support a wide range of materials, from general-purpose plastics to engineering plastics and metals.



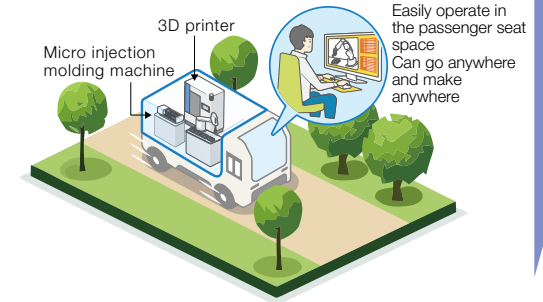
Lineup of horizontal & vertical micro injection molding machines



On-demand mold and die service 3D printer

Societal Value

▼ Short supply chains that produce only what is needed, when and where it is needed



Improving the quality of life

Creating a new imaging market with Epson's unique sensing technology

▶ Healthcare imaging

Helps to enable personalized health guidance and training instruction with small, sensitive ultrasonic MEMS that visualize previously invisible body movements.

▶ Material identification imaging

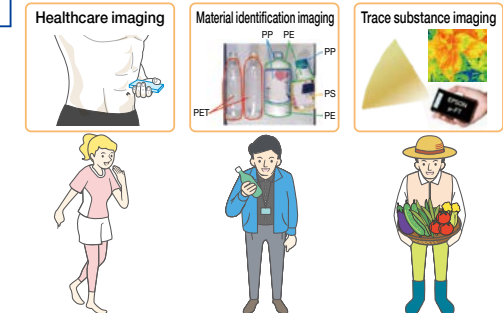
Advance spectroscopic camera and colorimeter technologies to expand imaging in resin product material identification.

▶ Trace substance imaging

Based on crystal device, MEMS, and optical control design technology, this type of imaging enables the analysis of trace substances such as organic materials, viruses, and bacteria and provides new customer value in fields like agriculture.

Societal Value

▼ Enrich lives with personalized service



¹ The Cross-ministerial Strategic Innovation Promotion Program (SIP) is a national project aimed at achieving scientific and technological innovation. Directed by the Cabinet Office's Council for Science, Technology, and Innovation, it transcends ministry boundaries and traditional fields. See the link for details: <https://www8.cao.go.jp/cstp/english/index.html>

² The Pararesin Japan Consortium studies business in biomass plastics derived from sources such as paramylon and fosters organic cooperation to accelerate the creation of a biomass plastic market and acquire market share. See the link for details (Japanese only): <https://pararesin.euglab.jp/>

Sustainability and enriched communities

Intellectual Property Strategy



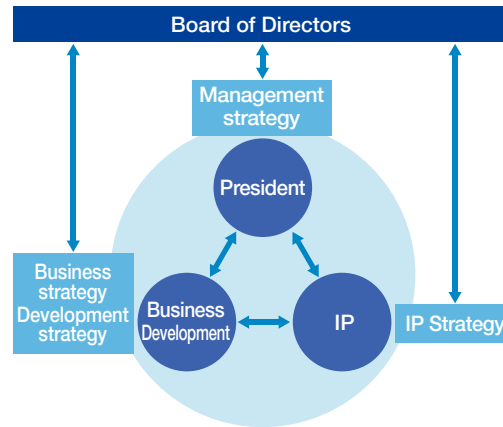
Toshihiko Kobayashi

Executive Officer
General Administrative Manager, Intellectual Property Division

An IP Strategy That Supports a Purpose-based Growth Strategy Scenario

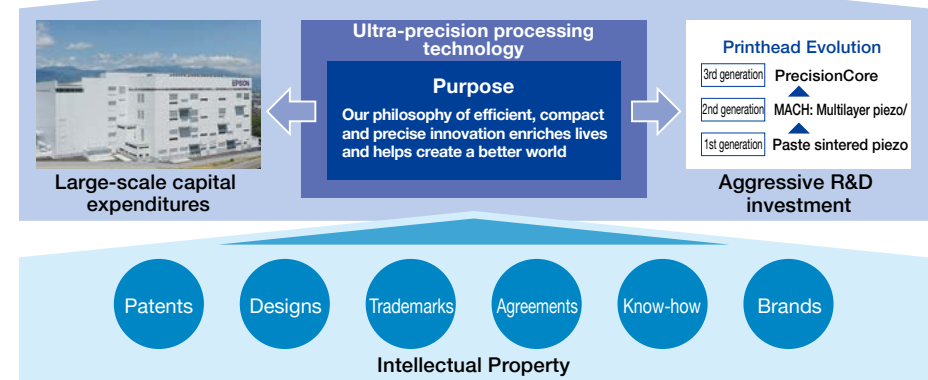
The Intellectual Property Division seeks to help achieve Epson's vision of achieving sustainability and enriching communities. Toward this end, the division closely collaborates with management, the operations divisions, R&D departments, and strategy departments to proactively utilize all forms of intellectual property in support of business growth. Our hard work is paying off by sustaining growth in corporate value. Epson's printheads are an illustrative example. Our ultra-precision processing technology is a source of competitive advantage. We have used it to refine our unique Micro Piezo printheads. Protected by Epson's strong IP, these printheads are built into an extensive range of Epson's own printers. The demand for these printheads prompted Epson to invest heavily to expand production capacity, which enabled us to further expand our product lineup and drive business growth. The added capacity also enabled us to begin selling printheads to external customers. The use of Epson's printheads by others in the commercial and industrial sectors has helped to expand the digital printing market. The division's IP support has accelerated the development of potential new markets and been used to guide investments in startups and co-creation projects through open innovation. Intellectual property thus serves as a foundation for creating a positive business cycle. It allows us to invest further in R&D and helps to maintain a competitive advantage by evolving Epson's printheads. In essence, it is the intellectual property we create that supports the growth strategy scenario.

Intellectual Property
Go to Website for details
<https://corporate.epson/en/technology/intellectual-property/>



Epson's IP Strategy Management Organization

We align our IP strategies with our development and business strategies to protect our core technologies. Strategies are formulated during two-party discussions between the head of the IP division and the head of each business and the head of the Technology Development Division or, when necessary, during three-party discussions that further include the president. IP strategy is regularly reported, discussed, and shaped at board meetings. At its most recent meeting, the board reaffirmed the direction of IP activities designed to support the creation of new businesses. Tight communication with executive management enables Epson's IP strategies to be quickly adapted to an unpredictable and fast-changing business environment.



Epson aims to sustain the growth of corporate value by leveraging its intellectual property to create a positive cycle for new businesses and convert intellectual property into corporate value. That is why we engage in activities that support intellectual property-based innovation, co-creation, digital transformation (DX), and our brands.

(1) Innovation support

IP Landscapes that Guide Business and Development Strategies

In addition to using IP to secure a competitive advantage, we have begun to combine our IP with that of other companies in an effort to create new businesses. An IP landscape is a comprehensive analysis of technology development trends within a certain field. It shows what each company is doing in that field and what Epson's strengths and weaknesses are in that field in terms of technology development. Epson uses IP landscapes to identify areas where it should be active and to guide its technology development.

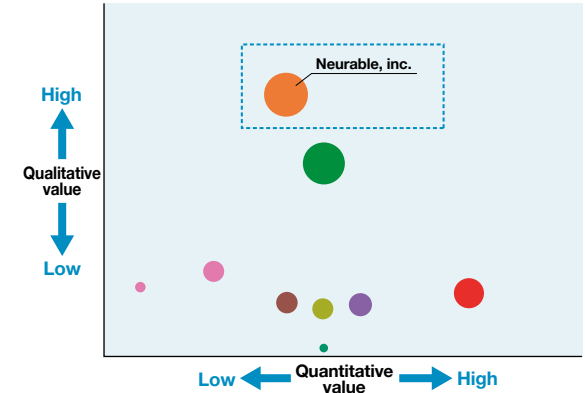
The IP Division assesses the value of IP held by startups when deciding whether to invest in them. The diagram on the right is an example in which we appraised the patent portfolio held by Neurable, Inc., a startup that is developing a brain-computer interface utilizing brainwave analysis. The portfolio was seen as having high value compared to the portfolios of its competitors.

In April 2023, corporate venture capital firm Epson X Investment decided to invest in Neurable, in part because of its IP.

Intellectual Property Strategy

Intellectual Property Portfolio Valuation

Circle size: Patent Asset Index (Overall Strength of the IP Portfolio)



* Created by Epson using LexisNexis PatentSight.
* The patent asset index is a metric used to assess the total value of a company's patents.

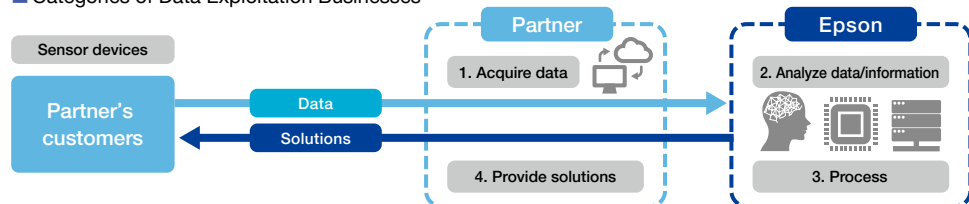
(2) Co-creation and DX support

Contractual Support for Building a Co-Creation Scheme

We are looking to engage in co-creation, a process in which new value is quickly created with partners who share our vision and want to work with us to accomplish it. However, the treatment of IP generated through co-creation can become a contentious issue, particularly when partnering with startups. We thus have a team in place to provide support in terms of licensing agreements to expedite co-creation. From the moment we start exploring potential partnerships, the team will be on hand to provide one-stop support.

In recent years, we have been more deeply exploring data utilization businesses that leverage data, which is a valuable intellectual property, and businesses that utilize rapidly evolving AI. Given this, we have been categorizing data utilization businesses and AI utilization businesses, along with the type of contractual agreements for each, to enable us to more quickly execute agreements with relevant stakeholders based on these categories.

Categories of Data Exploitation Businesses



(3) Brand support

Brand Promotions That Use an IP Mix (Sales & Marketing Support)

Epson believes that building a brand requires differentiation as well as constancy and continuity in conveying a consistent brand concept.

We emphasize the uniqueness of our product technology and designs and highlight the fact that they are protected by IP rights. We trademark our innovative technologies and unique designs and create technology brands and design brands around them. We use these to continuously communicate a consistent message about the brand concept to customers.

The photos below show examples of sales support using design rights. By protecting the setup and layout of large format printers with design rights, we advertise that the creators who are our customers can use them with peace of mind.

Sales support activities that use Epson's IP rights have won praise both inside and outside Epson and were recognized with the Intellectual Property Achievement Award from the Japan Patent Office in 2023.

Example of layout design rights acquired for SC-P8550D large format printers



Supply Chain Strategy



Junichi Watanabe

Managing Executive Officer
General Administrative Manager,
Production Planning Division

Topic Tackling Human Rights Issues

Epson's Human Rights Policy complies with the UN's Guiding Principles on Business and Human Rights and the RBA Code of Conduct. We are committed to upholding human rights in our operations and in our supply chains.

Companies in a supply chain need to understand and address issues, and keep pace with evolving social expectations. To achieve this, we are talking with suppliers, holding human rights seminars, and providing support for addressing rights issues identified through SAQs.



Human Rights Seminars for Suppliers

In February 2023, we once again held a seminar led by an outside instructor.
(Representatives from about 300 companies attended.)



Whistleblowing Systems

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

Realizing Responsible Supply Chains

Epson aspires to solve societal issues and achieve sustainable growth through initiatives that are aligned with the Principles of Corporate Behavior, which is based on the idea of building social trust, the concept that underlies Epson's Management Philosophy. We comply with local laws and regulations in the countries and regions where we operate. We also respect international sustainability initiatives such as the Sustainable Development Goals (SDGs) and the Responsible Business Alliance Code of Conduct. Furthermore, as outlined in the United Nations Guiding Principles on Business and Human Rights, Epson's responsibility extends to its value chain. Aspiring to achieve sustainability and enrich communities, we are working to ensure socially responsible supply chains from the standpoints of human rights and sustainability. We strive to build strong partnerships because the cooperation is essential if we are to deal with sourcing problems, global logistics disruptions, and myriad other problems. Committed to fair, mutually beneficial relationships with our business partners, we will build responsible supply chains with their understanding and cooperation.

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.



Responsible Business Alliance

Advancing Sustainability Globally

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

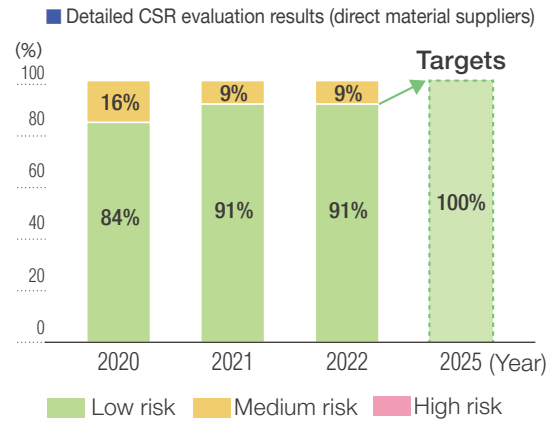
Responsible mineral sourcing

Reducing environmental impact

CSR

Epson evaluates suppliers from multiple angles. The program consists of an indirect evaluation based on information from a third-party credit investigation and direct supplier self-assessments. There are four types of self-assessments: (1) an assessment of quality, cost, delivery, environment, management systems, and information security; (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 to emergencies; and (4) a safety management evaluation in which suppliers assess their response to risks such as fire and other emergency situations.

The detailed CSR evaluation is implemented as part of a due diligence program that begins with a self-assessment questionnaire (SAQ), followed by corrective action and an audit. In 2022, we asked our major direct material suppliers and indirect material suppliers (on-site service vendors at Epson manufacturing sites, labor agents, logistics warehouse operators, call centers) to complete a detailed CSR evaluation. There were no high-risk suppliers. We will continue to support suppliers by educating them about the RBA Code of Conduct and advising them with regard to corrective actions. The goal is for all suppliers to be low risk in 2025.

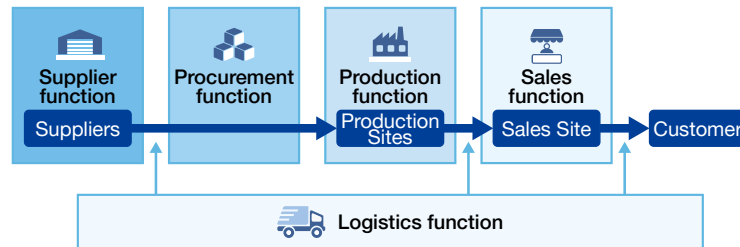


Business Continuity Management (BCM)

Supply chain disruptions due to COVID-19 and global chip and shipping container shortages far exceeded our estimates. Moreover, threats to supply chains like the war in Ukraine, geopolitics, and disasters, have, if anything, only increase in magnitude and scope.

To establish a more robust supply chain, one that can withstand the risks and crises that arise with increasing supply chain sophistication and complexity, we are decentralizing functions, securing alternatives, and increasing resilience. We have divided the supply chain functions into five categories and are addressing the priorities that have been set for each.

Epson formulates business continuity plans (BCP) to ensure that we can supply products and services to our customers and minimize damage and losses, and we employ supply chain BCM to maintain and improve our BCP as needed.



Function	Key Action Items
Suppliers	Impress on suppliers the need to enhance their own supply continuity capabilities by evaluating their emergency response capabilities and safety management
Procurement	Multi-sourcing, alternative sourcing, long-term agreements, strengthening partnerships, and maintaining inventories * Applies to direct materials and parts and to indirect materials
Production	Decentralize production, increase facility resilience, prevent the spread of infectious diseases, and secure inventories
Sales	Maintain operations sites, human resources, and an IT backup system
Logistics	Secure space on ships, strengthen relationships with shippers, improve shipping plan accuracy, and use multiple logistics modes (carriers, transportation routes, and warehousing functions)

Responsible Mineral Sourcing

Profits from the extraction and sale of minerals such as tin, tantalum, tungsten, and gold in conflict-affected and high-risk areas such as the Democratic Republic of the Congo (DRC) and neighboring countries are a source of funding for armed groups and anti-government forces carrying out atrocities and human rights abuses. Furthermore, it has been pointed out that cobalt mines in the southern part of the DRC have become breeding grounds for child labor. Mineral mining and trade have negative social and environmental impacts. Involvement in human rights abuses and environmental destruction run counter to our core values and will not be tolerated. We will not engage in business with any party involved in human rights abuses, nor will we support operations that result in the degradation of socioeconomic and environmental conditions. Epson has internal processes to ensure responsible sourcing and has joined the Responsible Minerals Initiative (RMI). We ask our suppliers to support our responsible mineral sourcing policies and cooperate in mineral surveys.

We conduct surveys on materials used in Epson's products in accordance with due diligence guidance issued by the Organization for Economic Co-operation and Development (OECD). If a supplier is unable to verify whether a smelter or refiner is certified as conflict-free under the RMI's Responsible Minerals Assurance Process (RMAP), we work with the supplier and the RMI to encourage the smelter/refiner to obtain RMAP certification as part of our efforts to avoid or mitigate human rights abuses and environmental destruction.

3TG Survey Results (FY2022)

	Total	Tin	Tantalum	Tungsten	Gold
Identified smelters	349	86	36	52	175
CFS-certified smelters	229	63	34	37	95
Supplier response rate	99%				

Human Resources Strategy



Eiichi Abe

Executive Officer
Chief Human Resources Officer,
General Administrative Manager,
Human Capital & Well-Being Management Division

Basic Human Resources Strategy

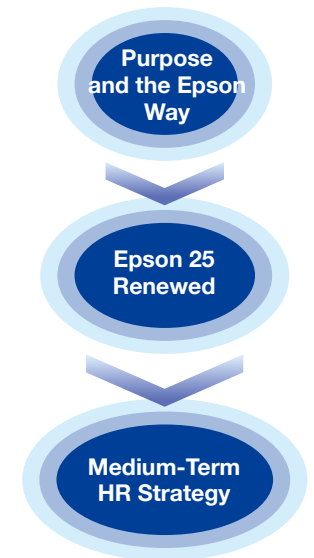
Epson was born and raised in Shinshu (Nagano Prefecture, Japan). Our core business functions and facilities are still here, but we now also have R&D, production, and sales sites in 107 locations around the world. Roughly 80% of our revenue and 75% of our workforce are outside Japan. The keys to our human resources strategy are diversity and people who enable us to come out ahead in intense global competition and achieve our business goals and business growth. That is why we want to make the hiring and relatively long retention of locals a strength and why we are actively recruiting outside talent. Specific points in our human resources strategy are summarized in the table on the right.

Human Resources Strategy

Epson is committed to contributing to the resolution of social issues through its business based on the Corporate Purpose, with the aim of enhancing corporate value and sustainable growth over the medium to long term. To achieve this, it is necessary to expand and create businesses through environmental, co-creation, and DX initiatives, in line with the positioning, strategies, and policies for each business domain defined in the long-term vision, Epson 25 Renewed. These activities are supported by efforts to strengthen the management base through human resource strategies.

Based on our medium-term human resource strategy, Epson is actively recruiting diverse human resources and promoting the career formation of internal human resources and human resource development. At the same time, we are assigning those human resources focused on growth areas and building the optimal formation from a global perspective. In addition, we are actively creating an organizational climate which utilizes diverse human resources, fostering a better workplace and promoting health management. We are aiming to increase employee engagement, revitalize our organization and maximize our collective strengths.

Epson wants to drive corporate and personal growth through these initiatives, and to realize “our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world” as we state in our purpose.



Key Points of Epson’s Human Resources Strategy

	Human Resources Strategy	Concrete Actions	Aim
①	Allocate human resources to priority areas	Epson is recruiting specialists in new and specialized areas as well as outside management talent. Optimally position human resources from a global perspective	<ul style="list-style-type: none"> Drive business transformation and innovation to enable us to accurately understand customer needs and respond quickly and flexibly to them.
②	Strengthen human resource development	Provide learning, reskilling, rotation, and internal transfer opportunities Develop and place domestic and international talent so that they can work effectively on the world stage.	<ul style="list-style-type: none"> Be a company in which people can take the initiative to develop their careers and continue to grow long-term. Enhance the ability of employees to respond to changes in the internal and external environments. Optimally position human resources from a global perspective
③	Organizational activation	Recruit diverse talent, including women, people of different nationalities, midcareer people, persons with disabilities, and seniors. Improve the organizational climate Create a worker-friendly environment, one that takes advantage of being away from a major metropolis and closer to nature and home. Create a culture of health	<ul style="list-style-type: none"> Enhance creativity and innovation. Enhance employee engagement, capitalize on diverse talent, and maximize the collective strength of organizations.

Type of Talent We Look For

To execute our business strategies and achieve our plans, we need individuals who have a broad perspective, professional expertise, and the ability to quickly adapt to change. We need people with a customer perspective who can take initiative and autonomously create customer value. At the same time, we need to embed purpose and the Epson Way and embrace shared strategies and goals. Considering Japan’s aging population and shrinking labor pool, we are defining the talent required for formulating and executing business strategies and establishing new business models. We have begun to establish a global human resources portfolio to reveal the gap between skills and needs. From here, we will identify the human resources challenges for realizing our long-term strategies and optimizing Group-wide staffing.

HR Strategy (1): Allocate Human Resources to Priority Areas

Epson formulates staffing plans based on forecasts of the future needs for achieving our business strategies. In 2020 and 2021, we limited hiring to some extent due to COVID-19. However, we plan to hire 350 people or more a year for the next several years, including new graduates and mid-career professionals.

We are strategically allocating personnel to growth areas such as printing (office, commercial and industrial) and production systems (robotics), as well as to new areas such as environmental business, environmental

Hiring

	FY2020	FY2021	FY2022	Future Goals
New graduates	344	200	250	Hire ≥350/year ¹ continuously
Midcareer hires	30	48	241	

¹ Total hires each fiscal year, including new graduates who join on April 1 and midcareer hires

technology, and sensing.

In addition, we are educating employees to enhance their expertise in these priority areas while also recruiting outside management personnel and specialists for the priority areas.

Talent Placement and Promotion to Management

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 level 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.

Internationally, local top management and human resource departments work together to define roles and requirements and formulate succession plans and development plans. These actions are designed to optimally position human resources from a global perspective.

HR strategy (2): Strengthen Human Resource Development

Human Resource Development

We develop our people primarily via on-the-job training (OJT), but we also provide echelon-based and specialized off-the-job training (OFF-JT). We actively rotate personnel to increase their adaptability and broaden their experience and knowledge as a way to contribute to the effective and efficient operation of the value chain.

To develop leadership talent, we have created a selective echelon-based education program.

New Human Resource Development Initiatives

We want Epson to be a place where people can take the initiative to develop their careers and continue to grow long-term. Better enabling employees to adapt to change will enable us to achieve our business objectives, support the company’s development, and ultimately contribute to achieving sustainability and enriching communities.

We are reevaluating our education and training programs from this perspective and, based on feedback from employees and different business units, we have initiated three new initiatives.

(1) Support for the self-formation of a lifelong career
Support for an environment where all employees from the young to the elderly can continue to think about how to live

(2) Support for upskilling of management
Improvement in skills for interaction by superiors with their subordinates and abilities to solve problems on-site

(3) Support for reskilling
Education and training support for the mobility of diverse human resources

Global Professional Development

To provide products that have customer value, the entire global value chain must operate effectively and efficiently. This requires global talent with extensive knowledge and experience in each function who can effectively coordinate operations. Since 1999, we have been holding seminars designed to develop leaders at our overseas subsidiaries who embrace a shared set of values and who can quickly make informed decisions. Over the years, more than 400 people have attended these seminars. We have also been sending young employees from Japan to train overseas (193 individuals since 2012) and have been inviting employees from our overseas subsidiaries to train in Japan (more than 1,800 so far).

Internal Job posting and Rotation Systems

Epson places importance on job rotation, which expands the range of the abilities, experience and knowledge of individuals. We have set a target of achieving a rotation rate of 15%. Rotations have been made a requirement for promotion and an objective in management evaluations. We are also systematizing training for personnel moving into new roles. We created an internal job posting system in 2007 and changed it in 2021 so that employees no longer need the approval of their manager to apply. This has resulted in a big increase in applications and actual transfers. By giving employees opportunities to gain experience, broaden their horizons, and enhance their skills, we encourage employees to pursue their ambitions while developing professionally.

Rotation Rate

	2019	2020	2021	2022
Percentage	6.0%	7.3%	9.0%	10.0%

Internal Job Posting System Users

	Before Changes		After Changes	
	FY2019	FY2020	FY2021	FY2022
Applicants	142	148	378	293
Rotations	27	12	217	201

HR Strategy (3): Organizational Activation

We seek to enhance creativity and innovation by recruiting diverse talent, including women, people of different nationalities, midcareer people, persons with disabilities, and seniors. We also aim to create a worker-friendly environment, one that takes advantage of being away from a major metropolis and closer to nature and home, and to enhance employee engagement, capitalize on diverse talent, and maximize the collective strength of organizations.

Fostering a better workplace

Epson aims to create an environment where employees have motivation and can work with vitality and in a physically and mentally healthy and safe manner while adapting to various changes in the environment. In particular, we have adopted flexible working hours and workplaces, with a focus on telework, which has advanced in response to the COVID-19 pandemic, and the creation of an environment that enables a work-life balance in life-stage events such as childcare, medical treatment, nursing care, and infertility treatment, as well as measures to prevent harassment in the workplace.

Epson, whose main sites are concentrated in Nagano Prefecture, believes that it is even more important to offer flexible working arrangements that allow employees to work at any time and any place, and working arrangements diverse employees to develop their individual careers, in order to attract managerial human resources and specialists and to promote diversity, equity and inclusion, in the future.

Progress in Creating a Worker-Friendly Environment (FY2022)

Goals	Actions	FY2022 Accomplishments
Ensure flexibility in place and time of work	Evolve the work-from-home system	Expanded work-from-home location options so that employees can also work from the home of their parents or their spouse's parents or at the home of their spouse who lives separately in addition to their own home or the location they have listed in their contact information
	Introduce a work-from-home allowance	Started paying a work-from-home allowance, and commuting expenses based on attendance record
	Introduce annual paid leave which can be taken on an hourly basis	Introduced a system for annual paid leave which can be taken on an hourly basis
	Apply flextime without core hours	Abolished core hour
Ensure employees can balance work with childcare, nursing care and medical treatment	Respond to the changes in law concerning male childcare leave	Introduced new father leave and the ability to take childcare leave on a split basis Take-up rate in FY2022: 97.2%
	Ensure employees can balance work with childcare and nursing care	Extended the applicable period for shortened working hours for childcare and nursing care up to the sixth grade of elementary school
	Support employees balancing work with medical treatment	Expanded the short-term leave and long-term leave systems for infertility treatment (scheduled for September 2023)

Improving the Organizational Climate and Employee Engagement

Epson seeks to create an environment that encourages free and open communication, thereby improving the quality of relationships and solidifying an organizational climate that promotes the continuous growth of both employees and the company.

We began conducting annual surveys in 2005 to understand the organizational climate. In FY2020, we launched a companywide effort to improve ability to work in a team, especially an important area to improve quality of relationship where survey scores were overall low. We are steadily improving the quality of relationships in the workplace such as by improving the management style of middle managers and reviewing workstyles.

In FY2022, we began using engagement surveys that can be used to compare us with other companies. The surveys revealed issues that we need to tackle to be a self-sustaining company where employees are engaged and take the initiative to correct weaknesses. So, in FY2022, in addition to improving ability to work in a team, each workplace set goals in three key areas: (1) instill our philosophy and for employees to make it their own, (2) increase awareness for change and to improve our outward-looking perspective, and (3) further increase growth and a sense of contribution through work. These improvement goals are tied to managers' objectives and actions are being devised to effect improvement by FY2025. To support management in their efforts, we linked them to the results of a separate 360-degree survey and help them acquire one-on-one skills. New managers are provided with follow-up training and assisted with a management consultation service and mentoring program.

Main Indicators of Worker Friendliness

Metrics	FY2020	FY2021	FY2022	Targets
Percentage of male employees taking childcare leave	—	50.8%	97.2%	100% each fiscal year
Harassment prevention e-learning participation rate	94.3%	92.4%	96.8%	100% participation rate each fiscal year
Thorough reporting of serious harassment cases to the head office	0 cases of failure to report	0 cases of failure to report	0 cases of failure to report	Continue to strengthen cooperation with organizations and affiliate contacts
Annual total actual working hours	1,848 hours	1,854 hours	1,845 hours	FY2023: 1,845 hours

Employee Engagement Survey Results and Targets

Company-wide Indicators	FY2022	Target (End of FY2025)
Overall rating	B	A
Score	51.8	58.0
Number of D-rated workplaces	47	0
Sub-items		
Job areas	3.2	3.6
External adaption	3.2	3.6
Activities for change	3.1	3.6

FY2022 employee satisfaction **95.4%** Completion rate² **92.3%** Satisfaction³

² Seiko Epson regular employees and employees rehired after reaching mandatory retirement

³ Percentage of respondents who rated their satisfaction 3 or higher on a 5-point scale

Diversity, Equity and Inclusion

Promoting Diversity, Equity and Inclusion (DE&I)

We need to understand our diverse customers and continue creating new value that surprises and delights them in this time of rapid change. To achieve this, we aim to create a fair and bias-free environment in which individuals of all backgrounds gather from all over the world, respect one another, enjoy work, conduct themselves as responsible members of society, and continue driving innovation by taking on challenges and growing along with the company. Epson sees gender equality as its biggest management issue in Japan. We are acting to change the mindset of employees and have the same ratio of women in management as the ratio of women in our workforce. We provide opportunities to learn and think about DE&I, such as messages from top management, diversity management training, online courses, lectures by external experts, events, and self-directed career training for female employees. What is important is to persuade employees to take initiative. We also have counseling and other support programs that allow employees to continue their careers even when they need to care for children, parents, or undergo medical or fertility treatment.



Diversity, Equity and Inclusion
<https://corporate.epson/en/sustainability/our-people/diversity/>

Closing the Gender Gap

Epson is trying to close the gender gap. One of the indicators is the ratio of women in management (at Seiko Epson). It was 4.1% at the end of FY2022, and we plan to increase it to 8% by the end of FY2025. To achieve this, we need to actively promote a change in our mindset, particularly among management. In addition, the ratio of eligible female and male employees who took childcare leave has reached nearly 100% owing to our promotional efforts

Advancement of People with Disabilities

Epson sees advancement of people with disabilities as an important DE&I issue. We have set an FY2030 hiring target of 3% and will help the disabled capitalize on their strengths, grow along with the company, and contribute to the company's performance. In addition to facilitating people with disabilities, we are working to provide natural support in the workplace and improve the quality of advancement measures through specialized support to superiors and colleagues. We will also continue to expand opportunities for people with disabilities at special subsidiaries, which have 40 years of expertise and strength.

Group Initiatives

The importance of diversity is explained to Group personnel at half-yearly policy meetings, and the president issues messages on the intranet to explain company policies and his thoughts on DE&I, including gender equality and communication enhancement. DE&I events, workshops, and training on the advancement of people with disabilities and the basics of DE&I are held to raise awareness among employees. A consortium has also been established for domestic Epson Group companies to periodically share goals, exchange information, and have discussions.

Advancement of Women

(as of March 2023)



	Seiko Epson	Epson Group
Women managers	4.1%	17.0%
% of women employees	17.0%	46.2%
Average tenure	Women 19.9 yrs. Men 18.8 yrs.	

Employees with Disabilities (Seiko Epson and Domestic Group Companies)

(as of June 2023)

	FY2021	FY2022	FY2023
Employees	324	327	329
% workforce	2.69%	2.70%	2.65%

Communication through a Dedicated Web Page

We began providing information on our DE&I initiatives on our website because we believe that top management must raise awareness of the importance of DE&I internally and that Epson's commitment to DE&I should be publicized externally.



The website currently has an article on a discussion between the president and Sputniko!, external evaluation results, and presentations at conferences and symposiums.



<https://corporate.epson/en/sustainability/our-people/diversity/special.html>



Health and Productivity Management

In March 2023, Seiko Epson was selected as a Health and Productivity Management Stock by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange for the second consecutive year.

Epson considers the health of its employees to be of the utmost importance. Accordingly, it works with them to create an enjoyable and dynamic workplace environment to ensure their physical and mental well-being. We believe that this will lead in turn to achieving sustainability and enriching communities.

Epson established a Human Capital & Well-Being Management Division to drive health and productivity management initiatives under the president. The functions of the former Health Management Office were transferred to a new Health Management Department within the Division. The Health Management Department, HR Department, and DE&I Strategic Promotion Department are working closely together to manage employee well-being. The General Administrative Manager of the division is responsible for overseeing all health management initiatives. As an Executive Officer, this individual participates in the Corporate Management Council and serves as the Chair of the Health Insurance Association as well as the Overall Health and Safety Controller.



Mid-Range Health Management Policy

Epson established the mid-range health management policy “Health Action 2025” in April 2022. In addition to providing a safe working environment, we are acting to safeguard mental and physical health⁴ and workplace health⁵, which could be impacted by new work arrangements, an aging workforce, and other changes. Under the slogan “Notice, learn, act, and acknowledge,” we aim to foster self-management of mental and physical health, achieve a balance between work and health, and develop a vibrant workplace climate where there is good teamwork by the end of FY2025. We set targets and indicators for each measure and disclose the results on our website and other media. A Health and Productivity Management Committee, which is jointly run by the Company and the health insurance association, is responsible for establishing, evaluating, and improving health and productivity-related measures and analyzing relevant data. The committee works with the health promotion committees at the various plants and offices. Outside Japan, Epson Group companies are promoting employee health in line with local occupational health and safety laws and are continuously improving their programs.

⁴ To promote the self-management of mental and physical health and achieve a balance between work and health among all employees

⁵ 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.

Respect for Human Rights

Epson believes that respecting human rights in everything we do is an essential part of our corporate responsibility. This commitment is reflected in the corporate purpose and the Epson Way. We have been practicing conduct that is aligned with the 2011 United Nations Guiding Principles on Business and Human Rights (“the UN Guiding Principles”). 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 established the Epson Group Policies Regarding Human Rights and Labor Standards in 2005 and overhauled it in light of recent changes in the way that the international community views human rights and human rights issues. The new Epson Group Human Rights 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 DE&I strategic promotion department. It addresses issues in collaboration with corporate supervisory departments and HR departments at its global affiliates under the supervision of the executive officer in charge of human capital and well-being management. Epson identified as potential human rights risks that could impact its businesses child labor, forced labor, other exploitative labor, workers’ rights abuses and unfair labor conditions, discrimination, and inhumane treatment including harassment. Seiko Epson and Epson Group companies exercise human rights due diligence⁶ by conducting an annual CSR assessment survey to evaluate and mitigate those impacts.

⁶ Cases identified and addressed in FY2022

- Nonpayment of overtime by an onsite service contractor
- Nonpayment of legally required employee contributions (contractor)
- Inadequate management of working hours
- Nonconforming emergency exit door along a factory evacuation route

We also provide human rights education. For example, we communicate the RBA Code of Conduct and its detailed rules on an ongoing basis. In FY2022, we provided an online course on the UN Guiding Principles to all executives and employees in Japan to help them understand the relationship between business and human rights.

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

Social Support

Epson believes that our business activities themselves can contribute to society. We will work to solve societal issues by leveraging our unique strengths and through co-creation. As for areas where our business activities cannot reach, we will contribute by making donations and providing human resources as social support initiatives. Epson aims to provide environmental, social, and economic value through these initiatives.

FY2022 Result
Total **1.61** billion yen

Environment | Coral Transplant Project (Indonesia)

PT. Epson Batam (PEB) has been supporting a coral transplant project on Abang Island since 2015 to conserve biodiversity. The project, which involves people from Indonesia's fishing and tourist industries as well as government and NGOs, is growing coral reefs (coral gardens) by transplanting about 500 coral fragments every year over a gradually larger area. Residents of Abang Island are hopeful that the transplanted coral can improve the environment for fish and increase their numbers.

Transplanting has been suspended since 2020 due to COVID-19, but PEB employees have monitored coral growth as part of the conservation project. Transplantation is scheduled to resume in FY2023.



Region | Bringing Smiles to Nursing Homes (Germany)

At Epson Deutschland GmbH (EDG), every employee takes one day off a year at their convenience and serves the community in some capacity. This program has been continued for 15 years. However, COVID-19 made it difficult to participate in real events, so employees came up with a new idea. They published a quarterly magazine that featured local songs, culture, and events, and donated it to local nursing homes. The magazine is created with the hope of providing nursing home residents with common topics that incite conversations to help alleviate loneliness and slow the progression of cognitive disfunction in a situation where visitors were not allowed due to COVID-19. A team of employees handles the entire process of editing, proofreading, and publishing while getting advice from the nursing home staff.



Education | Motivating Learning (India)

Epson India Pvt. Ltd. has been donating stationery, notebooks and bags to children in government schools in Delhi and other counties since 2013. They also started installing water purifiers for drinking water in 2022. The children and teachers have told us that the donation of new school supplies has given them additional motivation. Some children also mentioned that they started thinking about their own long-term future because they go to school more often. Employees who participated in the program told that children's smiles with full of hope have taught them the significance of the program and have given them a feeling that children are waiting for them for years to come.



Environment | Working with the WWF to Conserve and Restore Forests

Epson is supporting forest conservation and natural restoration programs. We started a three-year international corporate partnership with the World Wide Fund for Nature (WWF), the world's leading environmental conservation organization, to conserve and restore forests mainly in the Southeast Asia, South America, and Australia. In addition to promoting the responsible use of forest resources (paper) by businesses, we will jointly study programs for conserving freshwater ecosystems and contributing to a circular economy so that we can achieve a sustainable society together.



* This partnership is the first attempt by a Japanese company in the electric and precision equipment industry. In March 2022, before the start of partnership, WWF Singapore and Epson Singapore Pte. Ltd. began collaboration on marine protection in Southeast Asia.



Strengthening Governance

Dialogue Between Institutional Investors and Outside Directors

Using Shareholder Feedback to Enhance Corporate Value

We incorporate constructive feedback from capital markets into our management practices in order to enhance Epson's corporate value and establish a more effective corporate governance framework. To capture this feedback, we arrange discussions between our outside directors and institutional investors. In March 2023, the parties discussed ESG issues, with sustainability management advisor Naoki Adachi moderating.



Outside Directors (As of 2023/3)

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

Participating Institutional Investors (Titles and positions at the time discussions took place)

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.
Kozue Saito
Senior Analyst, Active Ownership Group,
Equity Fund Management Department

BlackRock Japan Co., Ltd.
Satoshi Ogoe
Investment Stewardship Director

Nomura Asset Management Co., Ltd.
Mitsuhiro Iso
Managing Director, Equity Research Department

Resona Asset Management Co., Ltd.
Minoru Matsubara
Executive Officer, General Manager of
Responsible Investment Division

Sumitomo Mitsui Trust Asset Management Co., Ltd.
Yasushi Mukohata
Senior Stewardship Officer, ESG Research and Development Office,
Stewardship Development Department

Tomohiro Katayama
Senior Analyst, Technology Team, Research Department

Moderator **Response Ability, Inc.**
Naoki Adachi
Representative Director

Q. What challenges does Epson face in integrating its business strategy? (Sakuramoto)

Omiya: Epson has a fantastic purpose. It first mentions the company's greatest strength: efficient, compact, and precise innovation. It then mentions enriching lives and helping create a better world. This lofty aspiration requires a robust business strategy. Epson has also set ambitious goals for environmental sustainability. These goals will require considerable investment. Above all, Epson must address societal issues through its business activities.

Q. How do you feel about Epson helping customers reduce their GHG emissions? (Adachi)

Ohtsuka: As advised by investors, Epson is trying to disclose as much as it can about its positive environmental impacts. Based on third-party advice, the company wants to ground its disclosures in public data so that it can produce evidence-based answers to anyone's questions. The company is looking into processes and formulae for quantifying the extent to which it reduces customers' carbon footprint.

Omiya: It's important to show progress toward long-term reduction targets for all three scopes, but it's also important to show the positive impacts of the products. That includes showing, for example, how much customers would reduce their carbon footprint by switching from laser printers to Epson inkjets, which use less energy by comparison (see P34).

Shirai: Epson's plants will emit higher levels of GHG when making those green inkjets. On that basis, some may assume the company has a negative environmental impact. That's why Epson needs to quantify its positive impact as well as limit its emissions.

Q. Epson's mainstay business, printing, relies on the use of paper. Is it sustainable in the long run, given the trend toward paperless offices? (Tonosaki)

Omiya: We're concerned about this too and we regularly discuss plans to develop a new growth driver of a similar scale to printing. Through its corporate venture capital (CVC) company, Epson invests both in areas peripheral to its existing technology and in areas far removed from its existing businesses. It won't be easy, but the management is committed to building another growth driver. That's top priority in the business portfolio.

Q. How can human capital contribute toward Epson's value (Adachi)

Murakoshi: President Ogawa has led efforts to reform Epson's organizational climate, focusing on health and safety of employees along with compliance. In his three years as leader, harassment cases have fallen. Ogawa has also spearheaded work reform, job rotation based on in-house recruitment, and workplace diversity. Particularly impressive is the progress in diversity, which has improved employee morale and motivation. With this organizational climate, Epson could take a bottom-up approach to formulating its purpose.

Matsunaga: Three years ago, I spoke about the importance of diversity and the value of promoting women to management positions. I still get emails from the employees who attended my speech, suggesting that attitudes are changing. As of March 2022, women make up just 3.7% of management positions in



Dialogue Between Institutional Investors and Outside Directors

Seiko Epson, but I do feel that a new mindset has taken root in those three years.

Ohtsuka: Epson still lacks the talent to build its value and create business success—digital talent in particular. Over the medium and longer term, the company should reskill its employees to build the necessary talent. Given that other companies are already making use of their existing talent in this way, Epson should address this task urgently.

Omiya: One of the hurdles is the fact that the head office is located in a remote region. Having spent the first 12 years of my life in Nagano Prefecture, I can say it's a fantastic place, but it's hard to attract talent there. That's partly because Epson hasn't done enough to communicate the kind of organization it is. If Epson communicates this alongside its purpose, I'm sure it will attract many more people. I also believe that human capital should be a strategic priority in the years ahead.

Q. One of last year's tasks was to secure digital talent. How did Epson approach this task, what progress has been made, and what are the future challenges? (Iso)

Omiya: While it got off to a slow start, Epson has made steady progress in its Global Management Transformation Project, which involves transforming business processes in the company and its suppliers. For example, we discuss ideas for connecting projectors and printers and ideas for using different product families together. Unfortunately, Epson has a shortage of software engineers who could implement these ideas. The company is tackling this problem by measures such as recruiting highly specialized mid-career talent.

Q. How will Epson create an attractive environment for digital talent and enable team chemistry with the existing employees? (Saito)

Shirai: That's a tricky one. One thing Epson's doing is using co-working spaces in Fujimi, Nagano, where diverse employees interact with one another. This has helped people realize that you don't need everyone to be in the same place to share ideas and get work done. These things can be done anywhere. People are becoming less bound to a particular place, whether it's a big city or a remote region.

Matsunaga: By bringing in new talent, Epson will foster a new culture. It will also increase diversity, allowing more versatile and flexible workstyles.

Q. Has Epson thought about how to visualize and quantify human capital? (Mukohata)

Shirai: In companies with an effective human capital strategy, HR doesn't manage employees—it supports them. It focuses on empowering and facilitating each employee's capabilities. Epson is yet to quantify human capital, but it is exploring ways to enhance employees' abilities.

Q. Under Ogawa's leadership, what changes have occurred in Epson's corporate culture, strategy, profit growth, and shareholder value? (Ogoe)

Omiya: Business has remained largely the same as before. However, under Ogawa's leadership, Epson managed to adapt quickly to societal changes, as attested by the fact that the printer business remained in profit during the pandemic.

Matsunaga: We visit production facilities during an on-site audit

and I've noted a new mindset. Employees now consider, for example, how much more profit they could generate in a day if they were to consolidate 20 processes into 12. Ogawa's leadership has encouraged employees to take the initiative.

Q. My question is about the governance system. In what ways is the board effective? (Sakuramoto)

Murakoshi: Board effectiveness is judged by whether members can discuss matters of strategic importance, the extent to which members commit to these matters, and whether the management listens to the ideas and integrates them into its corporate strategy. Nowadays, members discuss matters of strategic importance in depth, so I'd say the board is more effective than it was when I first became a member.

Ohtsuka: As well as monitoring the execution of business, directors should engage in long-term strategic planning. Besides regular meetings, we have free discussion sessions to enable deeper and freer discussion of matters of strategic importance. We also receive updates on projects, including those that might be dragging, such as the digital transformation system.

Shirai: Time and again, the management uses outside directors' ideas to solve problems. In this way, the company solves problems and improves its performance or grows its revenue or profit. This positive spiral itself attests to board effectiveness.

Omiya: Outside directors engage in spirited discussion during board meetings. We raise questions and concerns without fear, and I'm sure we speak more than our outside members of other company boards do. We also access all kinds of information and data about the company.

Dialogue Between Institutional Investors and Outside Directors

The plethora of opportunities for such engagement has made the board more effective.

Q. How does Epson define its corporate value, and how will it build such value? (Matsubara)

Omiya: Epson's value is based on its efficient, compact, and precision technologies. The company uses this technology in an effort to generate value for enriching lives and creating a better world. By doing so, the company builds its value.

Ohtsuka: Epson's most important values are its efficient, compact, and precision technologies. It uses these technologies to address societal issues. By addressing these issues, it increases the happiness of its stakeholders and also helps create a better world. Since all Epson's products offer environmental benefits, they make our lives better. This idea is encapsulated in the purpose statement.



Believing in Epson's commitment to reaching new heights

Hideaki Omiya

Former outside director
(served from June 2014
to June 2023)



I resigned as outside director at the June 2023 general shareholders' meeting. During my tenure, global interest in ESG increased dramatically. Epson has led the field in ESG, as exemplified by the recent purpose statement. For the E in ESG, Epson must offset the paper-consuming impact of its printing business by going carbon neutral, promoting paper recycling, and achieving sustainability in a circular economy. For the G in ESG, Epson has adopted the structure of a company with an Audit & Supervisory Committee and rebalanced the ratio between inside and outside directors. Outside directors (two of whom are women) now make up the majority. Epson has also established the committees for advising on director nominations and compensation. These bodies, both chaired by an outside director and with outside directors making up the majority, give the board fair, transparent, and robust advice. Particularly noteworthy is the dialogue between outside directors and institutional investors. This pioneering initiative is a great opportunity for both sides to gain fresh insights. I'll keep a close watch on Epson's progress together with stakeholders. I thank everyone who worked with me over the long years.

Dialogue Between Institutional Investors and Outside Directors

Messages from new members

In June 2023, we increased the number of outside directorships to six in order to strengthen board functions and ensure Epson's resilience. Below, the new directors describe the role they intend to serve.

Tadashi Shimamoto

Outside director
(since June 2023)



Integrating digital technology to help build Epson's value

I feel honored to serve as a director of a company that has achieved remarkable growth by honing its efficient, compact, and precise innovation. I bring expertise in developing IT solutions and services. I also have long experience in senior business management. I want to use this experience to integrate Epson's real-world products with ever-evolving digital technology, which has the potential to open up new frontiers, and thereby enhance Epson's appeal.

When preparing to join the board, members of Epson's management team briefed me thoroughly, sensitively, and patiently. This gave me the impression that Epson is a very earnest organization. As a director, I'll be focusing on corporate governance, but I'll also be focusing on more substantial matters. When it comes to communicating with senior management and those executing business on the frontlines, I'll emphasize quality over quantity, offering an alternative to generative AI, which derives conclusions from Big Data. In that way, I hope to fulfill my role as outside director to a high standard.

Masaki Yamauchi

Outside director
(since June 2023)



Ensuring that Epson remains a sustainable organization

I joined the board this year.

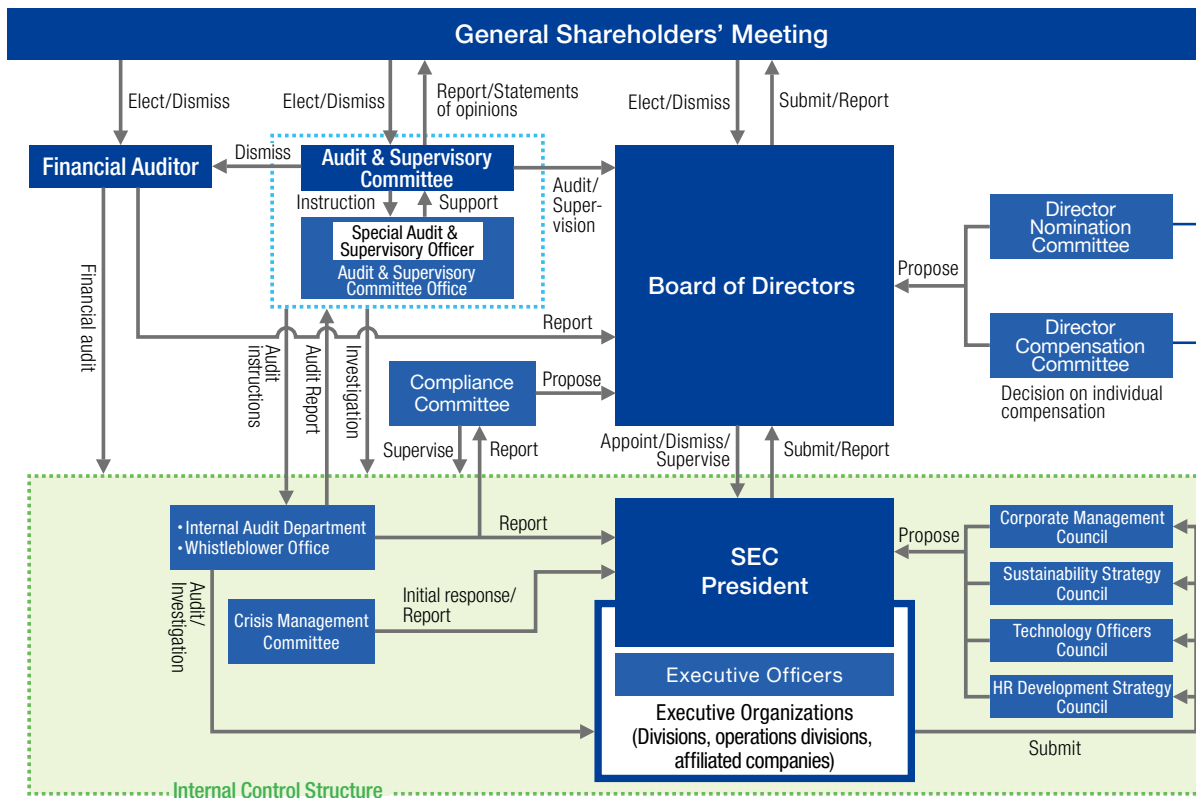
I admire Epson for its longstanding heritage of contributing to society, and for the way it combines this heritage with its proprietary technology generated through innovation. In an age that demands sustainability, Epson's core strength—efficient, compact, and precise innovation—offers true value like never before. Likewise, the company's commitment to addressing societal issues will enhance the Epson brand all the more in this ESG-focused climate. However, all this potential is only realized when it is embodied in Epson's products and services. To that end, Epson must develop the right business strategies. Drawing on my long years of experience in a business that involves direct interactions with consumers, I'll actively engage in the task of ensuring that Epson's businesses resonate with customers and society. I'm fully committed to strengthening board effectiveness and building the company's value so that it remains a sustainable organization.

Corporate Governance

Basic Principles

We seek to achieve the corporate purpose, a statement of our reason for being and our aspirations, based on the Epson Way, which is founded on our Management Philosophy and Exceed Your Vision, and sets forth our values and expectations regarding behavior. To achieve the Purpose, promote sustainable growth, and increase corporate value over the medium and long term, we are continuously working to enhance and strengthen corporate governance to ensure transparent, fair, fast, and decisive decision-making. Structured as a company with an Audit & Supervisory Committee, Seiko Epson will further improve the supervisory function of the board of directors, enhance discussions at board meetings, speed up management decision-making, and further increase the effectiveness of corporate governance.

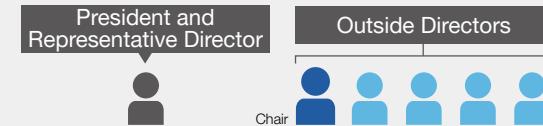
Corporate Governance System



Optional Deliberative Body Activities Inside director Outside directors
* The chairs of both committees are elected from among the outside directors by committee members.

Director Nomination Committee Met 17 times (4/2022-6/2023¹)

- Selection of director and executive officer candidates

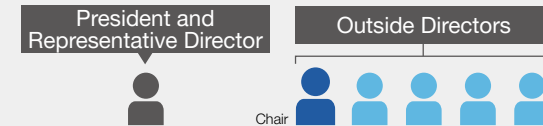


Topics of Discussion

- Succession plans for the president and representative director
- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Discuss outside director candidates.
- Amend the executive officer system.
- Revise the skill matrix, etc.

Director Compensation Committee Met 10 times (4/2022-6/2023¹)

- Deliberates director and executive officer compensation



Topics of Discussion

- Deliberate individual base compensation, the payment coefficient for bonuses and individual bonuses.
- Deliberate the amount of monetary compensation claims and the number of shares allocated under the restricted stock compensation plan.
- Deliberate the company compensation system & updating of liability insurance for directors.

¹ By the Ordinary General Meeting of Shareholders

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 to November
- 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

〈Evaluation method〉

Board effectiveness is evaluated by having the directors fill out a comprehensive questionnaire that is then analyzed. The questionnaire used for the FY2022 evaluation was partially updated based on recent corporate governance trends. The policy is to have the board evaluated by a third-party organization once every three years to incorporate a more objective perspective. The most recent such third-party effectiveness evaluation covered the 2020 fiscal year.

〈Topics on the Board Effectiveness Evaluation Questionnaire for FY2022〉

- | | | |
|--------------------------|---|-----------------------------|
| ① Board composition | ⑤ Committee functioning & operation | ⑨ Epson 25 Renewed progress |
| ② Board functions | ⑥ Executive succession plans and training | ⑩ Free comments |
| ③ Director activities | ⑦ Executive compensation | |
| ④ Operation of the board | ⑧ Dialog with shareholders | |

Board Effectiveness Evaluation for FY2021

The board effectiveness evaluation for FY2021 was carried out as described above and confirmed that the board is functioning effectively on the whole. The two issues below were identified and disclosed in the Corporate Governance Report.

- Issues
- ① Setting 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 Deepening discussions on succession plans and training of the management team and drive further improvement

〈Corrective Actions to Address 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.

The Board of Directors set aside more time to discuss progress and issues related to the environment, DX, and co-creation and took additional steps to accelerate Epson 25 Renewed.

- Environment: Discussed initiatives to decarbonize, close resource loops, reduce customers' environmental impact, strengthen environmental communication, and develop environmental technologies. Discussions were oriented, in part, toward setting environmental targets aligned with the business growth strategy.
- DX: Discussed initiatives for formulating and coordinating DX strategies among the businesses, improving and deploying digital infrastructure, and utilizing data. They also set a clear direction for addressing issues in DX promotion, including in data utilization.
- Co-creation: Discussed the sourcing of environmentally progressive startups, the proactive exploration based on strategy, and follow-up with companies in which Seiko Epson invests. These discussions led to observable results in terms of improvement in sourcing methods and the acceleration of discussions on potential collaborations.

② Deepen discussions on succession plans and training of the management team and drive further improvement.

The board discussed management succession plans, skill matrices, and officer training. They clarified the direction and remaining challenges in addressing each issue. Moving forward, they will address the remaining challenges, along with the issues in the board effectiveness evaluation for FY2022.

Board Effectiveness Evaluation for FY2022

The board effectiveness evaluation for FY2022 confirmed that the board is functioning effectively on the whole. The issues below were discussed to enhance future effectiveness.

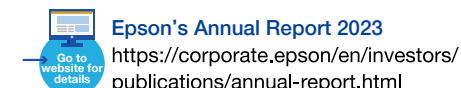
- Issues
- ① Enhancing discussions on long-term corporate strategy
 - ② Increasing the ability to execute Epson 25 Renewed and the speed of execution
 - ③ Further developing and carrying out executive succession plans

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.

Officer Compensation



Officer compensation is decided after a fair, transparent, and rigorously objective review by the Director Compensation Committee, which is chaired by and comprised primarily of outside directors. The maximum amount of compensation for directors is determined by resolution of shareholders. The Director Compensation Committee has been given full discretionary authority for deciding the compensation of directors who are not Audit & Supervisory Committee members. This was done to enhance and strengthen corporate governance.

Officer Compensation Policy

[Compensation for executive officers]

1. Compensation shall incentivize and reward officers for sustaining growth and increasing long-term corporate value.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.
3. It shall be commensurate with period performance so that officers can demonstrate their managerial capabilities.
4. It shall clearly reflect the relationship between officer compensation and the company's share price and a strong sense of shared interest with shareholders.
5. The compensation scheme shall have built-in mechanisms to dissuade fraud and other forms of misconduct.
6. The process for determining compensation shall be transparent, objective, and fair.

[Compensation for non-executive officers]

1. The composition of compensation shall guarantee independence so that they can exert their function.
2. It shall be sufficient to attract and retain qualified persons both from within the company and from outside.

Officer Compensation System

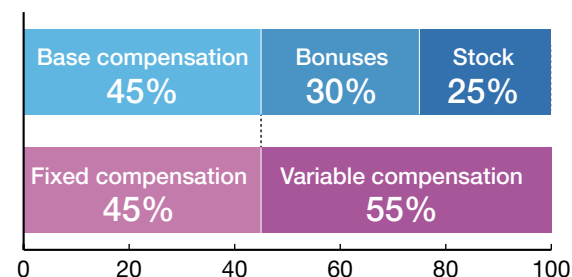
Officer compensation consists of fixed base compensation, performance-linked bonuses, and non-monetary stock compensation. Directors who do not have executive duties receive only base compensation because their role is to generally supervise management from a perspective that is independent from executive 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><Determined based on the level of achievement with respect to annual performance targets> 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>
	Stock compensation (Restricted stock compensation)	<p><Determined based on the increase in long-term corporate value> 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>

■ Composition of Compensation

The percentage of bonuses and stock compensation in officer compensation increases commensurate with the individual's position and the size of his or her role and assigned duties.

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 (FY2022)

(Millions of yen)

Director category	No. of individuals paid	Base compensation (Monetary)	Bonus (Monetary)	Stock compensation (Non-monetary)	Total
Directors who are not Audit & Supervisory Committee members (amount accounted for by outside directors)	6 (2)	205 (30)	110 (-)	36 (-)	352 (30)
Directors who are Audit & Supervisory Committee members (amount accounted for by outside directors)	4 (3)	81 (48)			81 (48)
Total	10	287	110	36	434

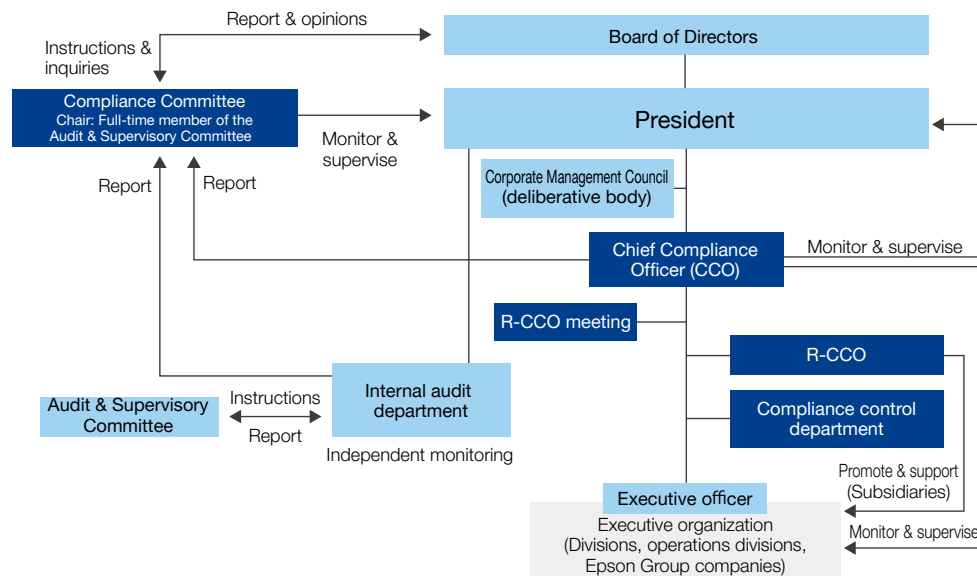
Compliance

Compliance Organization

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

The compliance organization is defined in the Epson Group Compliance Basic Regulation.

Compliance Organization Chart



Compliance Promotion Activities

Epson works to meet the expectations of society. Toward this end, we have established and adheres to a compliance framework to ensure that we observe and respect all applicable laws and regulations, internal rules, and business ethics.

To instill compliance awareness internally and ensure effectiveness, we provide various educational activities on a regular basis for all personnel, including executive officers, regular employees, contract employees, part-time employees and others, in keeping with the Epson Global Code of Conduct.

We invite outside experts to give instruction in compliance training courses for executive management. We also provide online compliance courses and compliance training by internal instructors for all personnel. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions. October is Compliance Month at Epson, a period during which we conduct uniform activities across the global Epson Group to remind everyone of the importance of compliance in realizing Epson's Management Philosophy and to raise compliance awareness based on the Management Philosophy and Principles of Corporate Behavior.

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

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 FY2022, 114 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.

We have established systems in compliance with the amended Whistleblower Protection Act that came into force in June 2022, including designating persons to respond to whistleblowing reports.

Risk Management

Risk Management Organization

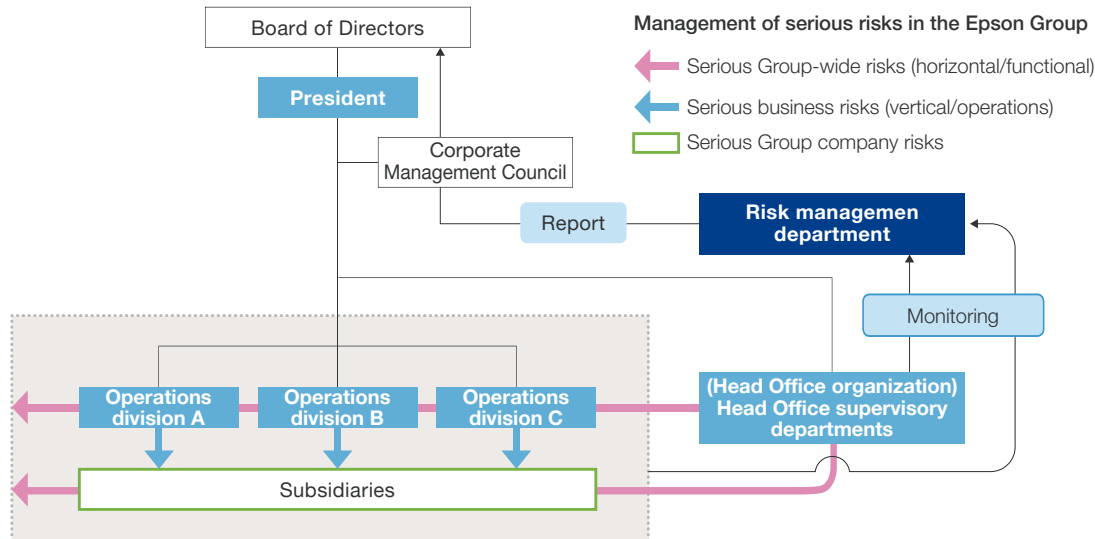
The president of Seiko Epson acts as the Chief Risk Management Officer in the Epson Group, including subsidiaries. Group-wide risks are globally managed by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are 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 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.

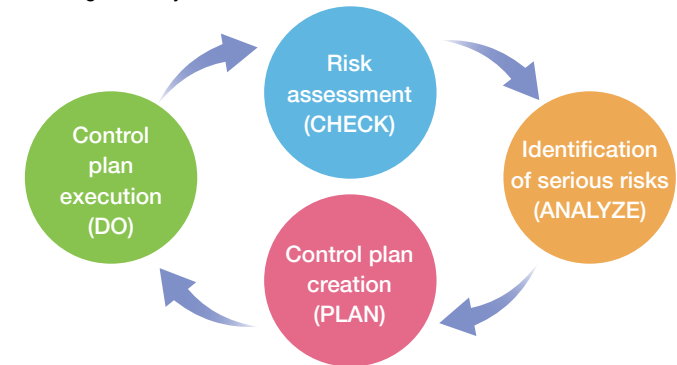
- Risks that could have serious adverse effects on Epson Group management are considered Corporate serious risks.
- Risks that could have serious adverse effects on business operations are considered Business serious risks.
- Risks that could have serious adverse effects on subsidiaries' management are considered Group company serious 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 Organization Chart



■ Risk Management Cycle



Crisis Management

Epson maintains a Crisis Management Committee structure to respond to emergency situations. 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.

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

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 2023
<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.
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.
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.) ● Established a business continuity plan (BCP) for emerging infectious diseases ● Accelerate actions that enable us to seize business opportunities by solving anticipated societal issues

Board of Directors (As of October 1, 2023)



Minoru Usui
Chairman and Director



Yasunori Ogawa
President and
Representative Director
CEO



Tatsuaki Seki
Representative Director, Senior
Managing Executive Officer
General Administrative Manager,
Business Management Division /
Sustainability Promotion Office



Mari Matsunaga
Outside Director

Outside
Independent
Director



Tadashi Shimamoto
Outside Director

Outside
Independent
Director



Masaki Yamauchi
Outside Director

Outside
Independent
Director



Masayuki Kawana
Director,
Full-Time Audit & Supervisory
Committee Member



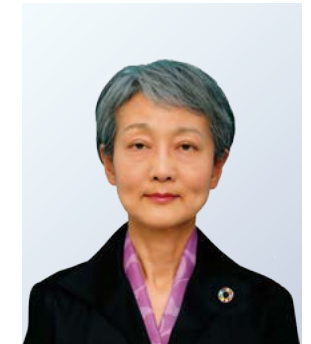
Yoshio Shirai
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director



Susumu Murakoshi
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director



Michiko Ohtsuka
Outside Director,
Audit & Supervisory
Committee Member

Outside
Independent
Director

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 6/27/2023 general shareholders' meeting	Optional Deliberative Body		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	21 years				●	●	●				
President and Representative Director	Yasunori Ogawa	5 years	○	○		●	●					●
Representative Director, Senior Managing Executive Officer	Tatsuaki Seki	7 years								●	●	●
Outside Director	Mari Matsunaga	7 years	○	○	○			●	●			
Outside Director	Tadashi Shimamoto	—	○	○	○	●	●		●			
Outside Director	Masaki Yamauchi	—	○	○	○	●		●	●			
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	9 years								●	●	
Outside Director, Audit & Supervisory Committee Member	Yoshio Shirai	7 years	◎	◎	○	●	●					●
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	3 years	○	○	○					●	●	
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	3 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. ⁹ Including a 10-yen anniversary dividend

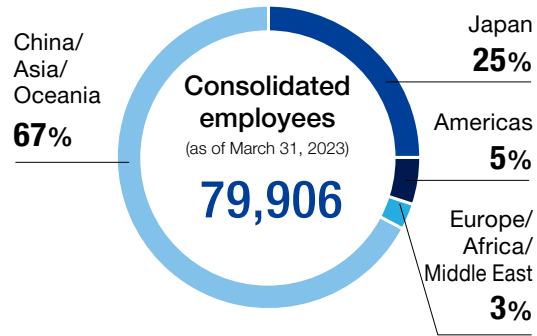
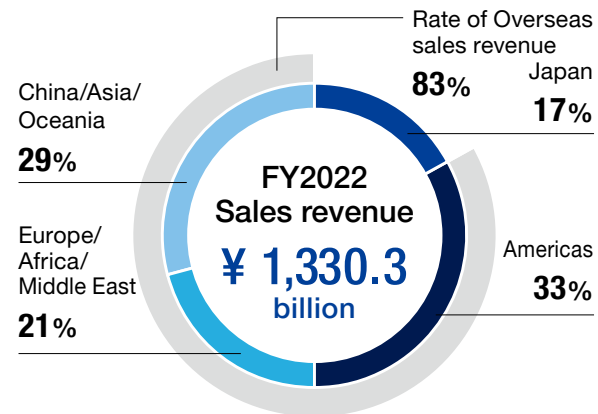
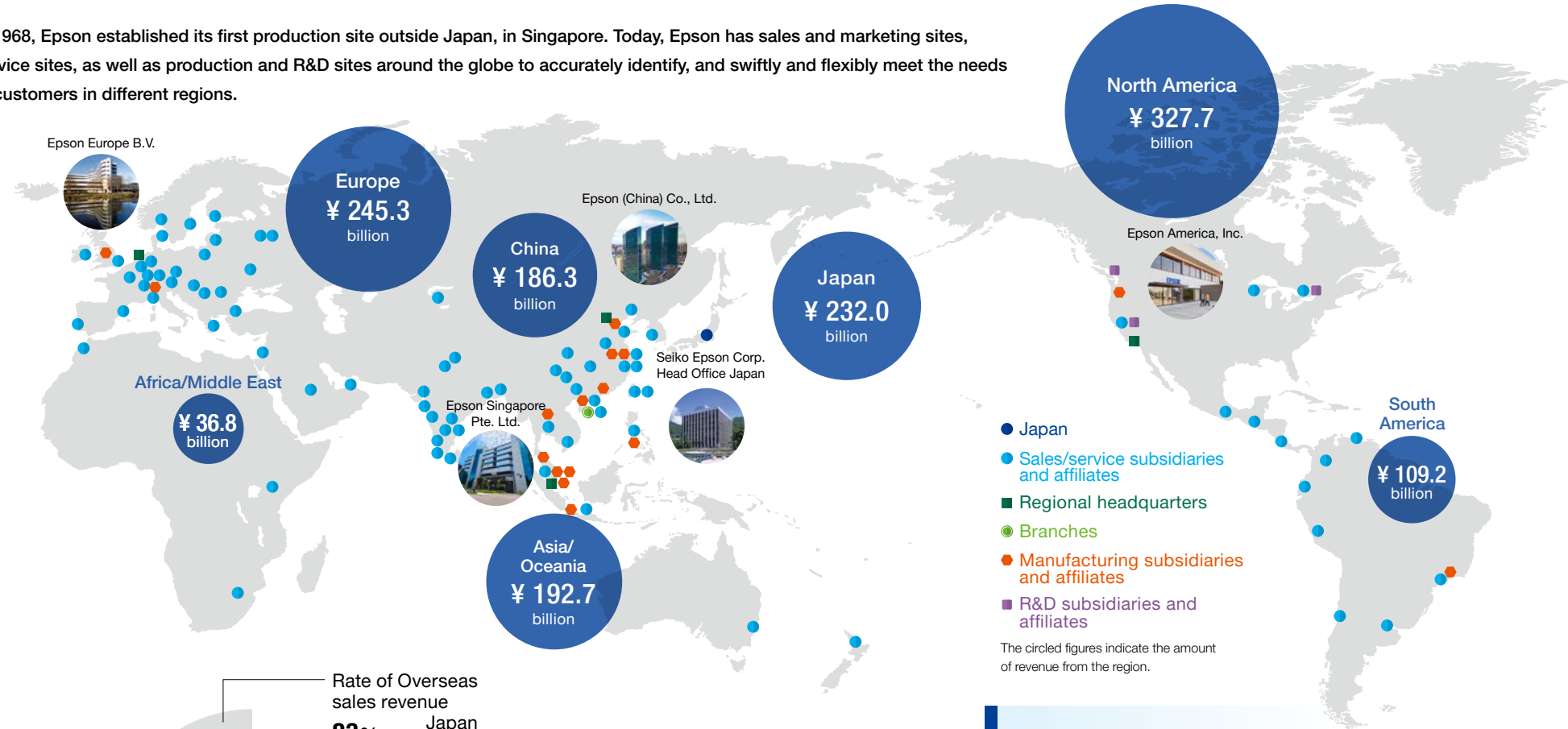
Consolidated Financial Highlights

		IFRS (Consolidation)				
		FY2018	FY2019	FY2020	FY2021	FY2022
Statement of income (billions of yen)	Revenue	1,089.6	1,043.6	995.9	1,128.9	1,330.3
	Gross profit	412.6	362.0	352.3	418.4	466.6
	Business profit ¹	70.4	40.8	61.6	89.6	95.1
	Profit from operating activities	71.3	39.4	47.6	94.4	97.0
	Profit before tax	72.0	39.7	44.9	97.1	103.7
	Profit for the period attributable to owners of the parent company	53.7	7.7	30.9	92.2	75.0
Statement of financial position (billions of yen)	Equity attributable to owners of the parent company	540.1	503.7	550.9	665.6	727.3
	Total assets	1,038.3	1,040.9	1,161.3	1,266.4	1,341.5
	Interest-bearing liabilities ²	142.3	209.6	265.9	243.1	233.2
Statement of cash flows (billions of yen)	Net cash provided by (used in) operating activities	76.9	102.3	133.2	110.8	61.3
	Net cash provided by (used in) investing activities	△ 82.7	△ 76.1	△ 57.4	△ 44.0	△ 61.6
	Free cash flows	△ 5.7	26.1	75.7	66.7	△ 0.2
Financial and management indicators (billions of yen·%)	Research and development expense	58.2	49.2	46.4	46.0	44.3
	Capital expenditures	82.0	80.0 ⁸	52.8	48.2	78.3
	Depreciation and amortization	55.6	67.8	69.4	64.4	68.6
	Equity ratio attributable to owners of the parent company	52.0	48.4	47.4	52.6	54.2
	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	10.8
	ROA (business profit/beginning and ending balance average total assets)	6.8	3.9	5.6	7.4	7.3
	ROS (business profit/revenue)	6.5	3.9	6.2	7.9	7.1
	ROIC (return on invested capital) ³	7.2	4.1	5.6	7.3	7.1
	Consolidated dividend payout ratio	40.7	278.5	69.4	23.2	32.6
	Consolidated dividend payout ratio (based on business profit) ⁴	44.3	75.0	49.7	34.2	36.3
Per share data (yen)	Basic earnings per share (EPS)	152.49	22.26	89.38	266.73	220.75
	Equity attributable to owners of the parent company per share (BPS)	1,533.57	1,456.20	1,592.36	1,923.68	2,194.02
	Cash dividends per share	62.00	62.00	62.00	62.00	72.00 ⁹
Index of stock price (multiples)	Price earnings ratio (PER)	11.12	52.56	20.14	6.90	8.52
	Price book-value ratio (PBR)	1.11	0.80	1.13	0.96	0.86
Revenue breakdown by region (billions of yen) ⁵	Japan	251.4	254.9	221.2	229.1	232.0
	The Americas	310.5	293.0	287.9	332.7	436.9
	Europe	225.2	214.0	208.4	239.5	282.2
	Asia/Oceania	302.4	281.5	278.1	327.4	379.0
Average exchange rate for the period (yen)	Yen/U.S. dollars	110.86	108.74	106.01	112.37	135.44
	Yen/Euro	128.40	120.85	123.67	130.55	140.90
Number of employees at period end (person)	Total	76,647	75,608	79,944	77,642	79,906
	Domestic	19,456	19,558	19,470	19,705	20,124
	Overseas	57,191	56,050	60,474	57,937	59,782

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 shares⁸ The figure for FY2019 includes leases. ⁹ Including a 10-yen anniversary dividend

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 companies

81 (includes parent company)

Japan: **20** Overseas: **61**

(as of March 31, 2023)

Group Outline

(current as of March 31, 2023)

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: 79,906 person Seiko Epson: 12,918 person

Matters related to Company Shares

Total number of shares authorized to be issued	1,214,916,736 shares
Total number of shares outstanding	385,022,278 shares (including 53,364,380 shares of treasury stock)
Number of shareholders	41,354 persons

Major shareholders	Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
	The Master Trust Bank of Japan, Ltd. (Trust Account)	78,027,300	23.52
	Custody Bank of Japan, Ltd. (Trust Account)	26,685,700	8.04
	Sanko Kigyo Kabushiki Kaisha	14,000,000	4.22
	Seiko Group Corporation	12,000,000	3.61
	Mizuho Trust & Banking Co., Ltd., Retirement Benefit Trust, Mizuho Bank, Ltd. Account	8,153,800	2.45
	Epson Group Employees' Shareholding Association	7,410,292	2.23
	The Dai-ichi Life Insurance Company, Limited	6,115,200	1.84
	State Street Bank West Client - Treaty 505234	4,733,777	1.42
	Etsuko Hattori	4,321,400	1.30
	The Hachijuni Bank, Ltd.	4,260,000	1.28

Note: Although the Company holds 53,364,380 shares of treasury shares, the Company is excluded from the above list of major shareholders. Shareholding ratio is calculated by deducting treasury shares. Treasury shares do not include the Company's shares (142,255 shares) owned by the officer compensation BIP Trust.

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.

Notes

P.4

- ¹ Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2023Q2 Share by Company
- ² Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2023Q2 Share by Company. Laser printers = up to 90 ppm monochrome laser printers. Color laser = up to 69 ppm
- 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 2022"
- ⁵ Source: Epson research based on documents such as a 2023 research report on the worldwide electronics market published by Fuji Chimera Research Institute.

P.6

- ⁴ CO₂ conversion factor of greenhouse gas emissions
- Electric power; Disclose emissions at Market-base. 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. The emission factor is set to zero for the amount of renewable energy certificates and J-Credits utilized.
 - 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.

P.23

- ² Source: Same as the fourth note on P.6.

P.44

- ⁶ 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 CO₂ 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 cm³, 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.
- ⁹ The percentage of parts that continue to be used. This figure represents the maximum possible parts replacement. The parts that are replaced vary depending on the condition of the printer.

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