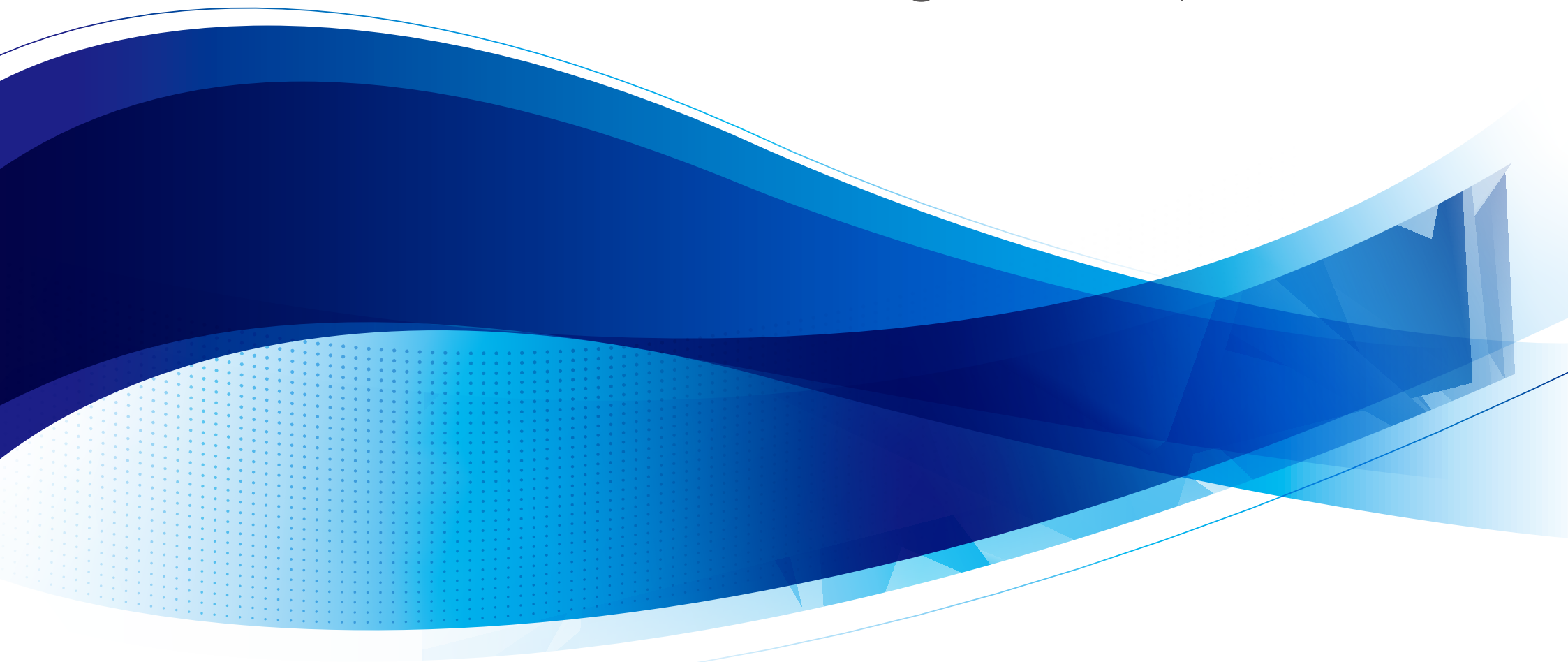


Epson Group

Integrated Report 2024



Epson Integrated Report 2024 Editorial Policy

Editorial Policy

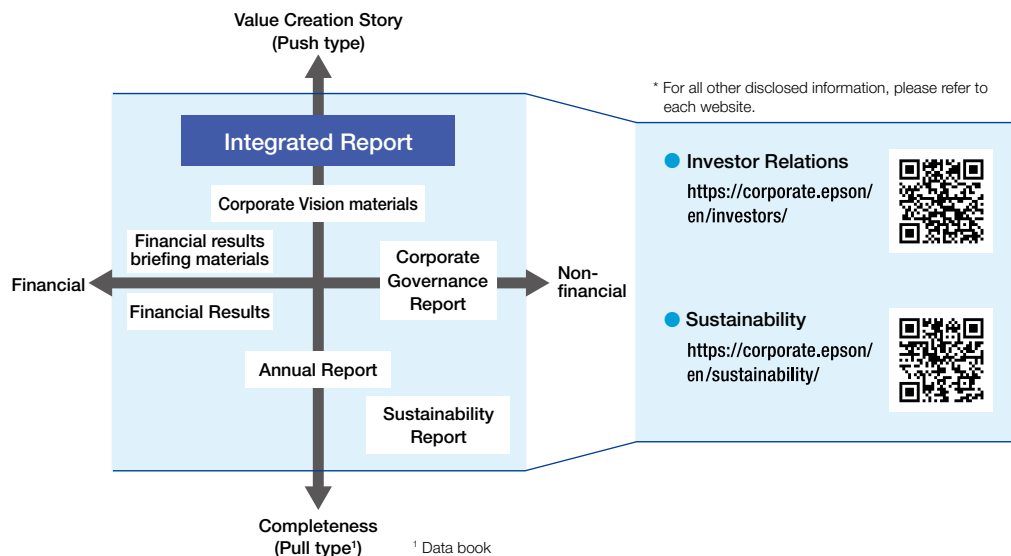
Epson creates and publishes an integrated report to foster better understanding of Epson’s corporate purpose among its shareholders, investors, and other stakeholders, as well as to create a virtuous cycle that helps Epson further enhance its corporate value by refining its strategies through discussions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

Shareholders and investors suggested ways we could enhance disclosures during discussions of last year’s Integrated Report. We have sought to do so this year on the pages listed below. We hope that this report will help you learn more about Epson’s initiatives and that it will encourage more dialogue.

- Calculation and disclosure of avoided GHG emissions P29, 30, 40
- Progress in driving digital transformation P49, 50
- Human resource strategy linked to management strategies P51 - 56
- Enhanced disclosure of human rights initiatives P57, 58

Main Information Disclosure Media (Information Disclosure System)

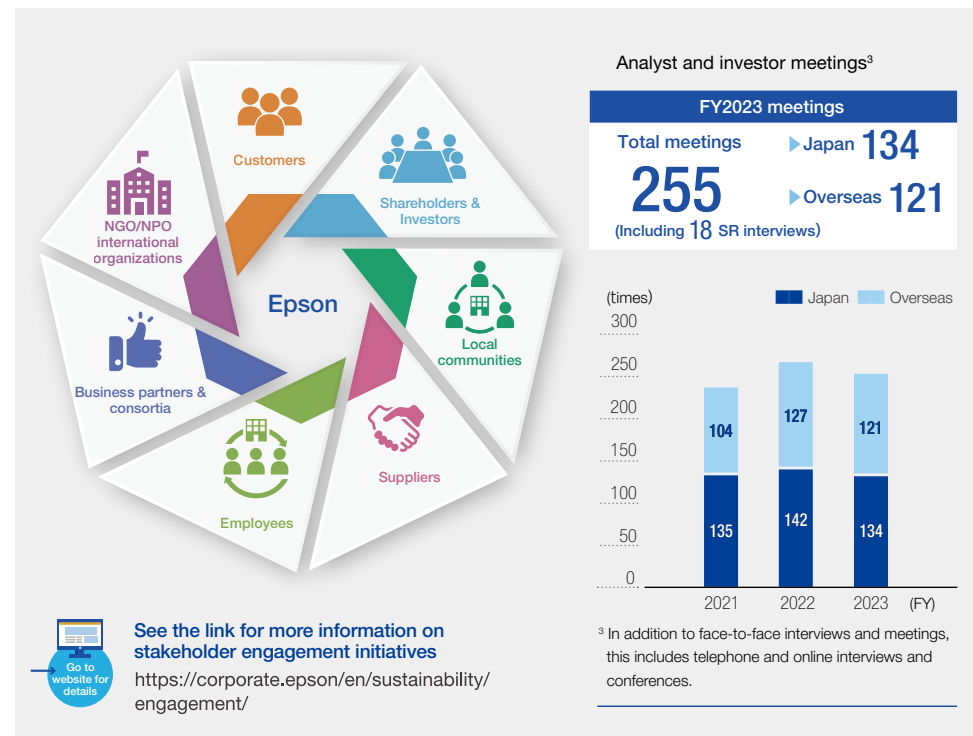


Stakeholder Engagement² : Discussions with Shareholders and Investors

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 shareholders relations (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 directly communicate with is limited, we are actively using tools such as reports 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 information as well as IR information.

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



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- Publication date: November 2024
- Period covered: April 1, 2023 to March 31, 2024 (Some information is from outside this period.)
- Organizations covered: 82 Epson Group companies (including Seiko Epson)

- *“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.

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.

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.



Early period

Integrity and Effort

Watch and printer technology development

Expansion period

Creativity and Challenge

Diversification of products and Creativity and Challenge businesses derived from watch and timekeeping technologies

Strengthening business structure

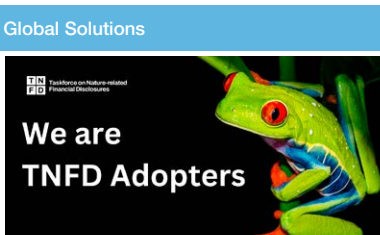
Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable

Helping to Solve Societal Issues

Expand business by solving societal issues

Epson 25 Renewed



Daiwa Kogyo Ltd., the predecessor of Seiko Epson (1942) | Monument engraved with the motto of founder Hisao Yamazaki | Epson America, Inc., Epson's first overseas sales company (1975) | Epson, winner of the Stratospheric Ozone Layer Protection Award from the U.S. Environmental Protection Agency (1992) | Seiko Epson shares listed on Section 1 of the TSE (2003) | 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. | Epson endorses the TNFD recommendations, develops plans aligned with the TNFD framework, and commits to disclosures from 2025 onwards (June 2024)

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.

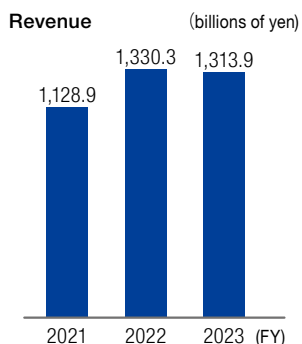
Epson Now

Epson has grouped its business operations into three segments: printing solutions, visual communications, and manufacturing-related and wearables.

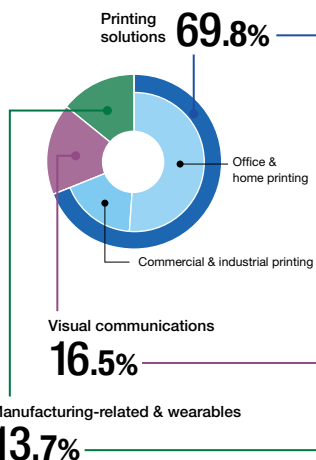
We seek to ensure both profitability and sustainable growth by executing the innovation strategy and managing the business portfolio to ensure efficient capital circulation.

Consolidated (FY2023)

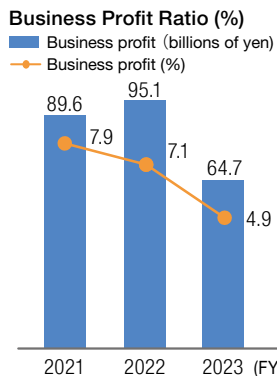
Revenue
¥1,313.9 billion



Segment Revenue as a Percentage of Total Revenue*



* Segment revenue as a percentage of total revenue is calculated by dividing revenue in the reporting segments by the total revenue in the reporting segments (excluding corporate and other expenses).



R&D Expenses | **Capital Expenditure**
¥44.2 billion | **¥70.0 billion**

Total Assets
¥1,413.0 billion

Total Employees
74,464

	Business	Main Products	Revenue	Segment Profit (Ratio)
Printing Solutions	Office & Home Printing 	Office & home inkjet printers, serial impact dot matrix (SIDM) printers, page printers, color image scanners, dry process office papermaking systems, and related consumables	(billions of yen) 779.9 (2021), 902.3 (2022), 918.6 (2023 FY)	Segment Profit (billions of yen): 106.4 (2021), 89.3 (2022), 96.1 (2023 FY) Segment Profit Ratio: 13.7 (2021), 9.9 (2022), 10.5 (2023 FY)
	Commercial & Industrial Printing 	Commercial & industrial inkjet printers, inkjet printheads, printers for use in POS systems, label printers, and consumables		
Visual Communications	Visual Communications 	Projectors and smart glasses	(billions of yen) 159.0 (2021), 216.8 (2022), 217.4 (2023 FY)	Segment Profit (billions of yen): 15.3 (2021), 34.8 (2022), 31.5 (2023 FY) Segment Profit Ratio: 9.7 (2021), 16.1 (2022), 14.5 (2023 FY)
	Manufacturing Solutions 	Industrial robots, micro injection molding machines		
Manufacturing-Related & Wearables	Wearable Products 	Wristwatches, watch movements	(billions of yen) 191.9 (2021), 215.4 (2022), 179.9 (2023 FY)	Segment Profit (billions of yen): 23.0 (2021), 28.3 (2022), 1.5 (2023 FY) Segment Profit Ratio: 12.0 (2021), 13.1 (2022), 0.9 (2023 FY)
	Microdevices and Others Business 	Crystal devices (crystal units, oscillators, sensors), semiconductors (CMOS, LSI), superfine alloy powders, surface finishing		

	R&D Expenses	Capital Expenditure	Segment Assets	Employees	Business Area / Objectives	Epson's Strengths & Value Proposition
Printing Solutions	¥16.6 billion	¥44.1 billion	¥628.8 billion	49,991	Drive technology shift from laser to inkjet printing in the office	<ul style="list-style-type: none"> Reduced environmental impact with piezoelectric printheads, which consume little power, have a simple structure, and minimize waste Higher productivity with high-speed printing and easy maintenance
					Provide printers that can be used without worrying about ink costs	<ul style="list-style-type: none"> High-capacity ink tank printers with far lower running costs Reduced maintenance man-hours
					Provide solutions for more customers	<ul style="list-style-type: none"> Subscription-based services tailored to printing needs Solutions that utilize the Epson Connect mobile cloud service and remote management infrastructure
					Realize an in-office paper circulation process	<ul style="list-style-type: none"> Paper resource circulation in the office with PaperLab dry process office papermaking systems
					Drive a shift from analog to digital	<ul style="list-style-type: none"> Inkjet digital printing that enables short-run production, reduces environmental impact, and improves the work environment
					Provide total solutions for commercial and industrial printing	<ul style="list-style-type: none"> Epson Cloud Solution PORT, an easy-to-implement total solution Epson color management technology for efficient color matching Remote monitoring technology for stable operation
					Meet all kinds of printing needs with inkjet systems	<ul style="list-style-type: none"> Innovation of customers' printing and production processes by providing printheads that are exceptionally accurate, compact, and scalable and solutions that make it easy to implement inkjet technology
Visual Communications	¥6.5 billion	¥6.0 billion	¥147.6 billion	9,325	Education Build an equal, high-quality learning environment	<ul style="list-style-type: none"> An interactive, deeper mutual learning environment through visual communications Provide a family of display products at affordable price points.
					Office & business Support diverse work arrangements to maintain high creativity and productivity	<ul style="list-style-type: none"> Large pictures that take full advantage of walls to create a fair online-offline hybrid environment Higher presentation & meeting productivity & creativity Advances in basic performance (brightness, resolution, compactness) and lower TCO
					Home Support lifestyle diversification	<ul style="list-style-type: none"> Smart projectors that enable on-demand viewing on a big screen High degree of installation freedom to easily set up a high-quality, big-screen viewing environment
					Lighting, signage, art Support digital art and captivating lighting and video displays	<ul style="list-style-type: none"> Big-screens that deliver surprise and delight Installation flexibility that gives users the ability to produce displays and shows just as imagined using imagery and light High reliability and maintenance support for equipment that users can trust
Manufacturing-Related & Wearables	¥6.8 billion	¥12.3 billion	¥172.4 billion	11,093	Build compact production lines that include parts production, assembly, and inspection	<ul style="list-style-type: none"> Micro injection molding machines that reduce the waste of materials, power, transportation, and space Sensor, robot control, and image processing technologies that facilitate the automation of tasks that relied on human senses
					Compact, lightweight, slim robots that provide high productivity while minimizing power consumption	<ul style="list-style-type: none"> Epson's GYROPLUS technology for high productivity (fast and accurate operation) A broad lineup and advanced options that allow Epson to earn the top share¹ in the global SCARA robot market
					Conceptual and implementation support	<ul style="list-style-type: none"> High-performance robots backed by our efficient, compact, and precise technologies and equipment developed and refined on our own production lines that offer high quality and high productivity Recommendations for well-designed efficient, high-yield production systems Comprehensive development environment with user-friendly GUI and extensive programming functions Support customers' expansion into other regions through our global sales and service network
					Enrich lifestyles	<ul style="list-style-type: none"> Enrich diverse lifestyles by providing sophisticated, emotionally resonant products using efficient, compact, and precision technologies and craftsmanship
					High-speed, high-capacity communications infrastructure	<ul style="list-style-type: none"> Support high-speed, high-capacity communications infrastructure by providing precision products with an optimal match between Epson's crystals and ICs
					The Internet of Things (IoT)	<ul style="list-style-type: none"> Support IoT infrastructure by providing compact timing devices manufactured using the best crystal and semiconductor fabrication technology
					Mobility	<ul style="list-style-type: none"> Contribute to the efficiency & productivity of vehicles and construction & agricultural machinery with accurate positioning Contribute to the spread of electric vehicles and reduce CO₂
Higher finished product value	<ul style="list-style-type: none"> Increase the value of Epson finished products Higher finished product value Supporting innovation 					
	<p>Office & home printing</p> <ul style="list-style-type: none"> SOHO & home printer unit sales decreased due to inventory adjustments by sales channels in the first half of the year. Growth in office shared printers was achieved by launching medium-speed models, a move that led to the development of new dealers and customers. Ink sales remained stable despite the dissipation of extra demand for home printing during the COVID-19 pandemic. <p>Commercial and industrial printing</p> <ul style="list-style-type: none"> Revenue increased on steady growth in sales of a broader lineup of finished products and printheads. 					
	<p>Sales of home projectors decreased on a decline in consumer spending, but sales of business and high-lumen projector remained firm.</p>					
	<p>Revenue decreased due to changes in the external environment, including the economic slowdown in China and the gathering strength of Chinese manufacturers.</p>					
	<p>With no major changes in the market environment, revenue was flat year-on-year.</p>					
	<p>Revenue decreased due to market inventory adjustments that caused demand to stall.</p>					

¹ Market share based on unit sales of industrial SCARA robots, 2023. (Source: Fuji Keizai: "2024 Reality and Future Outlook of Worldwide Robot Market")

PICK UP

Creating Sustainable Value in the Printing Innovation Ecosystem

There is an urgent need to respond to environmental issues, most notably climate change and resource depletion. Meanwhile, changing lifestyles have increased the need for short-run production. Addressing these societal issues requires production process innovation. Epson is working to realize social sustainability, achieving higher productivity while reducing environmental impact by innovating its customers' printing and production processes, including through digitalization. We are accelerating collaboration and open innovation involving things such as printheads to help solve more societal issues beyond our traditional businesses.

Epson is leveraging its Micro Piezo printheads, which offer outstanding cost and environmental performance, to shift printing processes from analog to digital. These core devices are combined with other technologies involving ink, control systems, image processing, precision processing, and production engineering to create an inkjet platform that can be used to produce printers for a wide range of applications. Instead of heating the ink, Epson's Micro Piezo printheads eject tiny ink droplets via the mechanical action of piezoelectric actuators. The absence of heating means that our printheads can also be used to deposit materials other than ink, such as bio-materials and metallic inks. We are expanding the range of uses for our inkjet technology beyond our own printers by providing printheads to partners and through collaboration and open innovation.

We are also developing and offering solutions and options based on our core devices. For example, in many cases, our customers often rely on the experience and intuition of specific operators to accurately match colors. To make color matching easier, Epson launched a colorimeter that measures and quantifies colors, including spot colors. The measured color data can be used in Adobe® Illustrator® via Epson Cloud Solution PORT, enabling accurate and efficient remote color management. One of Epson's unique strengths is that it has many different businesses and technologies that it can draw on to create its own options and solutions and refine its inkjet platform.



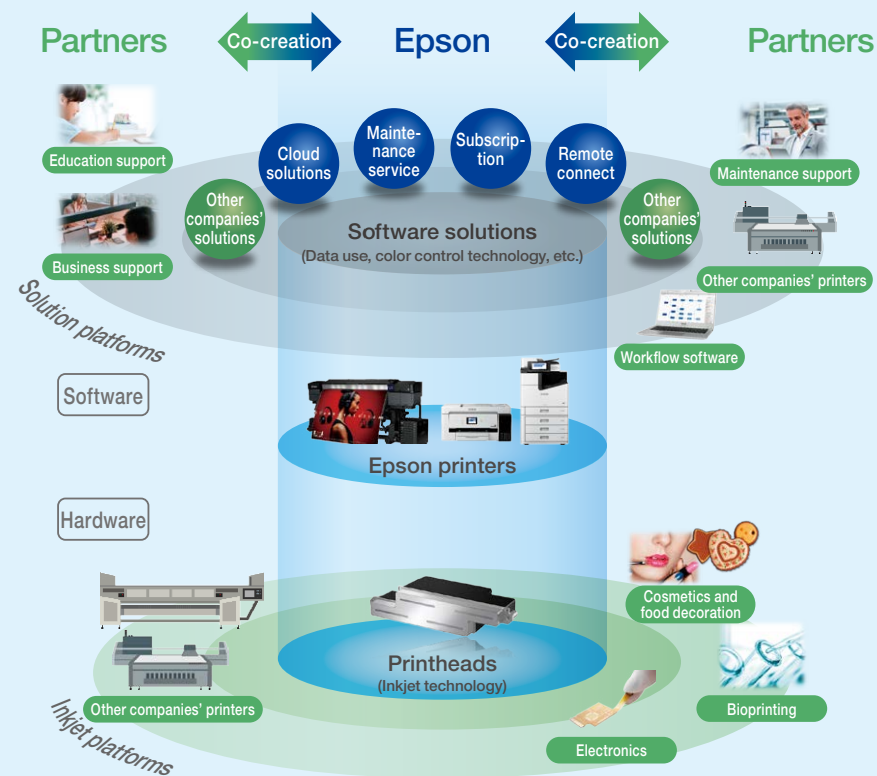
Epson Cloud Solution PORT



SD-10 colorimeter

Epson will continue to create and provide new value that contributes to societal solutions through a printing innovation ecosystem built on two platforms, hardware and software, with inkjet technology at its core.

Printing Innovation Ecosystem

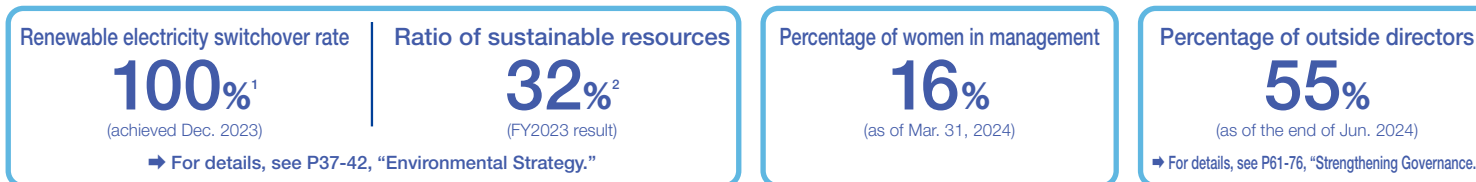


Epson by the Numbers

Business



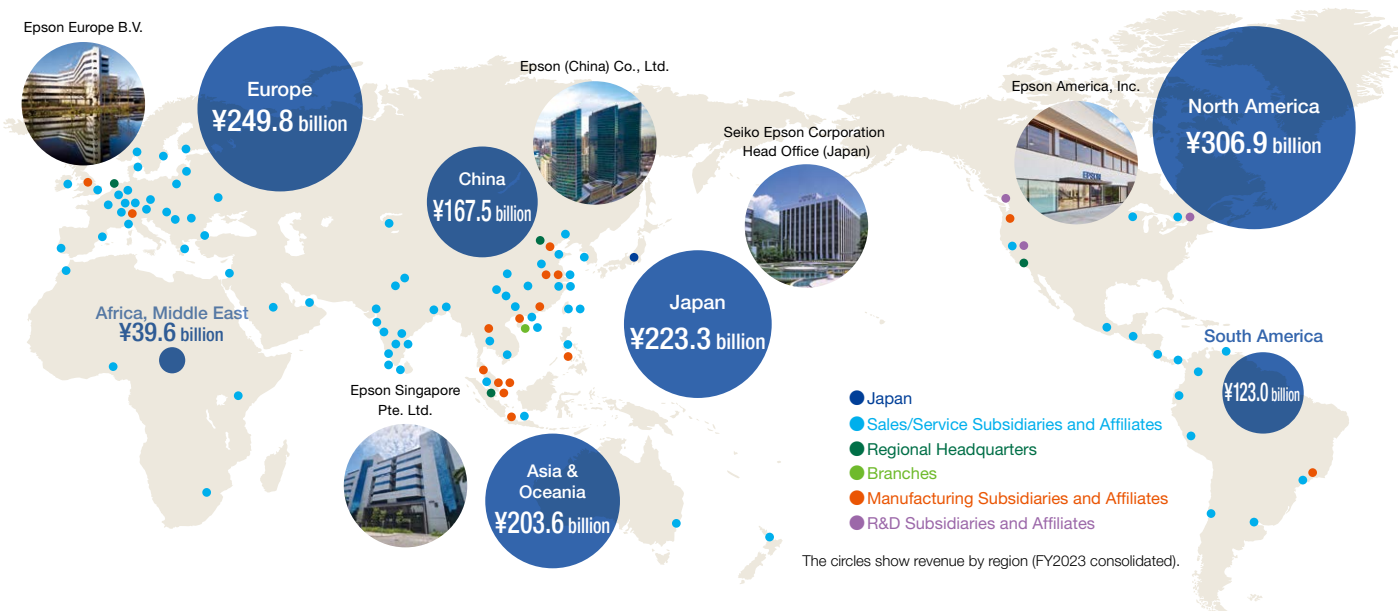
Sustainability



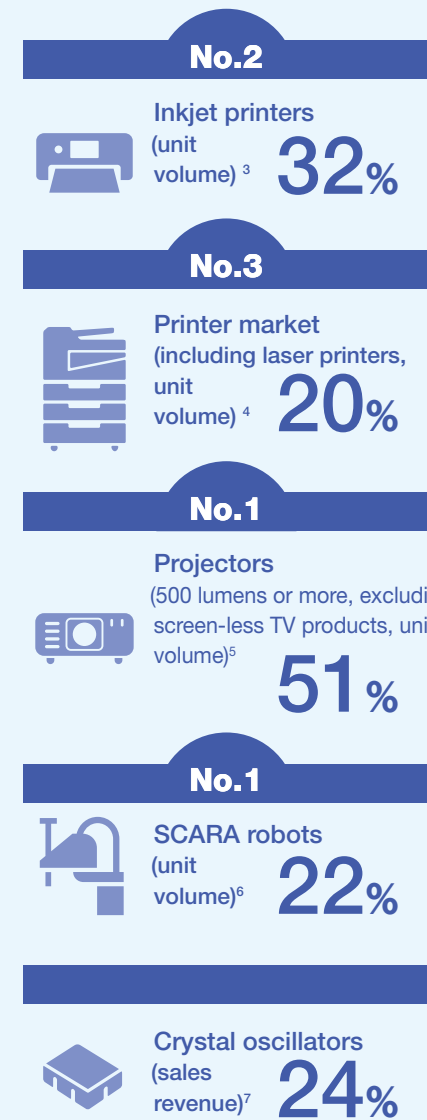
Global Network


 Global Network
<https://corporate.epson/en/about/network/global.html>

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.



Global Market Share



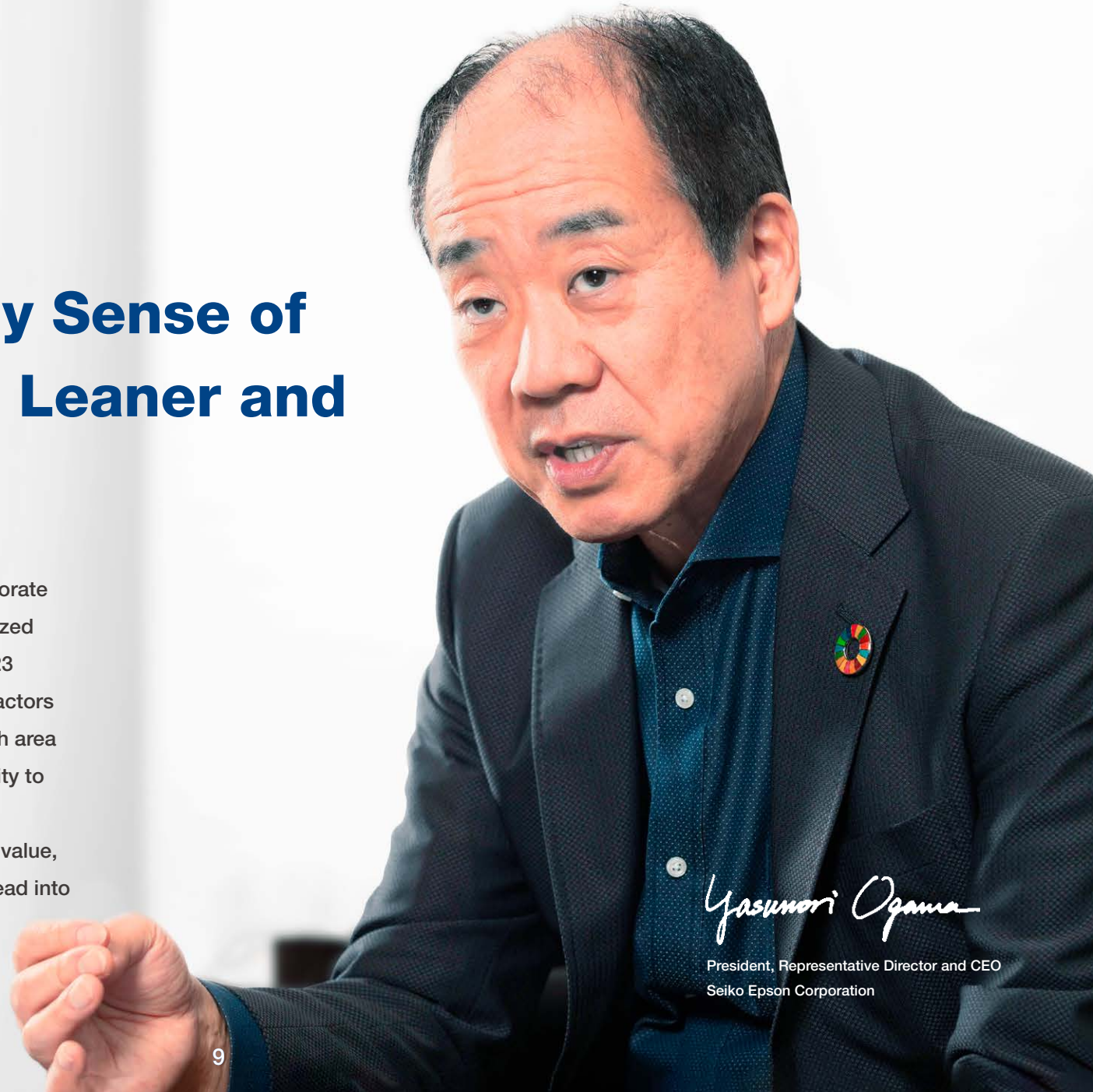
▶ See the back cover for footnotes 1-7.

CEO Message

Embracing a Healthy Sense of Urgency to Become Leaner and More Profitable

Fiscal 2023 marked the midway point of our long-term corporate vision, Epson 25 Renewed. Although management emphasized profitability and capital efficiency, we fell short of our FY2023 performance targets. This was primarily due to temporary factors such as changes in the macro environment, issues in growth area businesses, and inventory reductions that caused profitability to deteriorate.

We will act to address the issues, steadily create corporate value, and make the company leaner and more profitable as we head into the next long-term strategic corporate vision.



Yasunori Ogama

President, Representative Director and CEO
Seiko Epson Corporation

A Prosperous, Vibrant Future for Both Humanity and the Earth

At Epson, we have maintained a spirit of creativity and challenge and utilized our efficient, compact, and precise technologies to deliver products and services that exceed customer expectations. The pursuit of ever greater efficiency, compactness, and precision that we have embraced for so long goes well beyond technology. “Efficient, compact, and precise” encompass a philosophy for eliminating waste, reducing dimensions, and increasing precision. I believe that this approach can enable us to create even greater social value. We will continue to adhere to this philosophy and take advantage of the tremendous value that it yields to overcome global environmental problems and other societal issues.

There Are Concerns But Also High Hopes

In FY2023, the global economy slowed due to inflation and the continued tightening of monetary policy. In this harsh business environment, Epson’s financial performance suffered, with revenue and profit decreasing from the prior year, in no small measure due to the impact of reductions in parts and product inventories that had accumulated during the pandemic. It is regrettable that we were not able to respond quickly enough to changes in the external environment. On the other hand, it was good to see commercial and industrial printers and printheads contribute significantly to revenue. Printhead sales are an important business, and one that promises future growth. The Middle East and Africa, with their burgeoning populations, are primed for economic growth. To strengthen sales in these regions, we established a new sales company, Epson Middle East (FZCO), in Dubai, the United Arab Emirates. It will begin operations in October 2024. So, there are concerns, but that there are also high hopes.

→For details, see P21-22. “CFO Message.”



A new building for additional inkjet printhead production capacity is under construction at Epson Group company Tohoku Epson in anticipation of higher demand for printers, particularly commercial and industrial printers. The new building is scheduled for completion at the end of September 2025.

Building a Lean, Profitable Company in Preparation for the Next Corporate Vision

The 2023 fiscal year marked the midway point of the Epson 25 Renewed corporate vision. Although management emphasized profitability and capital efficiency, we fell short of our FY2023 performance goals. This was primarily due to temporary factors such as changes in the macro environment, issues in growth areas, and inventory reductions that caused profitability to deteriorate. Given the changes in the external environment to date and the uncertain outlook, we were forced to conclude that it would be unrealistic to think that we could achieve the performance targets for the final year of Epson 25 Renewed (FY2025). We have thus decided to revise our performance targets for FY2025. However, we will maintain our focus on profit and capital efficiency. We are making progress in this area by focusing on priorities. This includes expanding printhead sales, a growth business, and accelerating restructuring in the mature visual communications business. Change is needed if we are to reach our new performance targets. The global economic slowdown is a big reason that manufacturing solutions has fallen short of growth expectations. However, I believe that we also need to review our own actions and ask ourselves whether we have truly been putting ourselves in our customers’ place and addressing their needs. The fact that our product lineup is too thin and lacks competitiveness suggests that we have not been doing so. We also needed to do better at balancing expenditures. We are currently revising our strategies and are identifying target markets where we can leverage our strengths. We will tightly control fixed costs to make the company leaner and more profitable. We are in the process of consolidating some of our overseas manufacturing sites and reducing our workforce. In Japan, we will strengthen personnel management in conjunction with efforts to improve productivity and optimize personnel allocation. We must control fixed costs. I have communicated the situation to our employees and told them that we must work with a sense of urgency. It is essential for Epson to become leaner in time for the next corporate vision.

■ Direction of Business Operations by Area Under Epson 25 Renewed

		FY2021-2023	Until FY2025
Growth	Office printing Commercial & industrial printing Printhead sales Production systems	Growth strategies	
		Projection Watches	Structural changes
Mature	Home printing Microdevices	Profitability maintenance and improvement	
		Sensing Environmental business	Business launch
New			Growth strategies

■ Epson 25 Renewed Consolidated Performance Targets

CEO Message

	FY2023		FY2025	
	Targets (announced 3/2021)	Result	Targets (announced 3/2021)	New Target
ROIC	8% or more	4.6%	11% or more	7% or more
ROE	10% or more	6.8%	13% or more	8% or more
ROS	8% or more	4.9%	10% or more	7% or more

We are in the process of formulating our next corporate vision. The direction we are heading, as mapped out in our purpose and Epson 25 Renewed, will remain largely the same. One of the key points will be what further value will be added to it. I see a variety of possibilities, including the expansion of applications for our microdevice technology and the development of new business areas where we can leverage our strengths. The content and process of formulating the next corporate vision is one of the topics of discussion in board effectiveness evaluations. Discussions have begun at the executive management level. Similar discussions are also under way among mid-level personnel selected from each business unit and corporate organization.

→ For details, see P19-20, "Vision Progress."

Addressing the Issues of Horizontal Collaboration and Speed

I have long seen weak horizontal collaboration and a lack of speed as issues, and these are often discussed at board meetings. The four internal executive officers on the board of directors, including me as CEO, are addressing these issues. We gather weekly to discuss the direction of the company and various other management issues. Depending on the topic, we invite other executive officers to join in. The issues are then brought up for discussion by the full board of directors. I believe that the collaboration between me as CEO and the internal directors and executive officers will symbolize the strengthening of horizontal collaboration. In June, we brought in new internal directors. Named as new internal directors were Eiichi Abe, who is responsible for human capital along with health and productivity management, Junkichi Yoshida, who is responsible for the printing solutions business, and Yasunori Yoshino, who heads up corporate strategy and the manufacturing solutions business. They have assumed responsibility for strategies that are crucial for Epson. In addition, two new outside directors joined us this year. One is Kahori Miyake, who is highly knowledgeable and well versed in ESG and decarbonization measures, having promoted ESG strategies as an executive officer at AEON Corporation. She currently serves as co-chair of the Japan Climate Leaders' Partnership (JCLP). Epson, armed with efficient, compact, and precise technologies, is an environmentally progressive company, and I am confident that Ms. Miyake is the ideal person for us.

I look forward to hearing her thoughts and recommendations from an environmental management perspective.

The other new outside director is Akira Marumoto. He has a wealth of insight and experience in corporate management, having formerly served as president/CEO at Mazda Motor Corporation. Mr. Marumoto strengthened his company's earning power as a manufacturing industry executive. We expect him to supervise management to ensure long-term sustainable growth and growth in corporate value and to contribute to the soundness of management.

→ For details, see P75-76, "Message from Newly Appointed Directors."

We need to move more quickly. I believe that strengthening horizontal collaboration and digging deep to uncover customer needs will lead to an increase in speed, yet we still are not sufficiently engaging customers in product development. We have not yet been able to dispel the belief that if we create good products, they will sell. At board meetings, outside directors often ask us what customers are looking for and whether we are truly giving them what they want. Questions like this come from a customer's point of view and stimulate discussion. Instead of developing products and services based on what we want or on superficial customer needs, we need to engage our customers more seriously to uncover their underlying needs. Once we have fully absorbed that information, we can begin to more quickly develop products and services that meet their true needs. Making employees aware of the need for speed will be crucial to improving speed, so we will be persistent in building this mentality. The board of directors is also keenly aware of the need for speed and is leading by example. The board used to spend about 80% of the time during board meetings listening to explanations of matters on the agenda and the remaining 20% of the time on discussion. The ratio now is about 50:50, so there is ample time for debate. Seiko Epson meetings tended to have a lot of time-consuming explanatory materials, with a level of detail that obscured the key points and left little time for discussion. By preparing more concise explanations and materials to speed up the proceedings, we improved the quality of discussions and the efficiency of meetings. I believe that this change in the composition of the board of directors will enable us to make significant progress in addressing longstanding issues such as cross-organizational collaboration and speed.



Enhancing Corporate Value Through Company-wide Initiatives

Finally, I would like to communicate some of the progress we have made in our company-wide initiatives. First, we are working to mitigate our environmental impact. We committed to becoming carbon negative and underground resource¹ free in Environmental Vision 2050. The use of renewable electricity is a key means by which we seek to reach our decarbonization goal. In line with this, we declared, in March 2021, that we would switch to 100% renewable electricity to meet the electricity needs at all Epson Group sites² around the world by 2023. In November 2021, the switch was completed in Japan. Globally, it was completed on schedule in December 2023. The fact that we accomplished this in just two years and 10 months is a strong indication of our commitment to Environmental Vision 2050. However, procuring renewable electricity from external sources only is a risk. Therefore, we will build our first biomass power plant, slated to start operation in FY2026. In June 2024, we expressed support for the Taskforce on Nature-related Financial Disclosures (TNFD) recommendations. As with the TCFD, we intend to develop a plan in accordance with the framework and consider how we can contribute through our business operations.

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

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

→ For details, see P37-42
“Environmental Strategy.”



With the planned construction of Epson's first biomass power plant, we will help spur wider use of renewable electricity in society by increasing the ratio of self-generated renewable electricity and reducing the ratio procured from external sources.

To solve societal issues, it is essential for us to not only create eco-conscious products and solutions but also to create new value and businesses. Digital transformation (DX) will play a huge role in this. This is why DX is positioned as one of the core initiatives in Epson 25 Renewed. We are pursuing DX initiatives from a customer's point of view and from an employee's point of view. The goal is to contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs. From a customer point of view, we are developing subscription services and cloud solutions for commercial and industrial printing. We also have some other interesting initiatives in the works, but it is going to time for them to become major businesses. DX is essential for the future, and we intend to persevere in our efforts.

→ For details, see P49-50, “DX Strategy.”

Human capital management has been attracting more attention in recent years, and Epson is in the process of formulating a human resources portfolio. In FY2023, we defined our human resource requirements and visualized a human resource portfolio for a certain business unit as an example. Using this company-wide should enable us to gain visibility into human resource allocation issues and optimize their allocation more quickly. It should also give us a clearer picture of individual skill improvement goals, thereby contributing to human resource development. Since assuming the helm, I have said that I want to create a corporate culture in which people feel free to air their thoughts and to take initiative. To achieve this, we need to de-emphasize the hierarchy as much as possible. One way we are doing this in Japan is by encouraging employees to address people by their name instead of their titles. I believe that actions like this will bolster human capital management by creating an environment where people find it easy to hear and be heard and share diverse ideas, laying the foundation for self-sufficient employees to thrive.

→ For details, see P51-56, “Human Resources Strategy.”

Responding to Expectations of Growth with Results

Our price-to-book ratio is only slightly above 1 (as of March 31, 2024). I do not think that our share price reflects our potential and future growth expectations. We will implement the growth strategies and environmental actions outlined in our corporate vision and deliver results in the form of business performance. At the same time, we will present our growth story for the creation of customer value to stakeholders to boost expectations and win support.



The CEO, CSuO, and an Outside Director Discuss Sustainability Management

Dialogue

Epson is committed to sustainability management. By tackling societal issues, we enhance our ability to generate long-term, sustainable sources of growth (earning power). In the free dialogue presented here, Yasunori Ogawa (CEO), Masaharu Mizukami (CFO/CSuO), and Kahori Miyake (outside director since June 2024) share their views about sustainability management at Epson, including what impresses them and what needs to be improved.

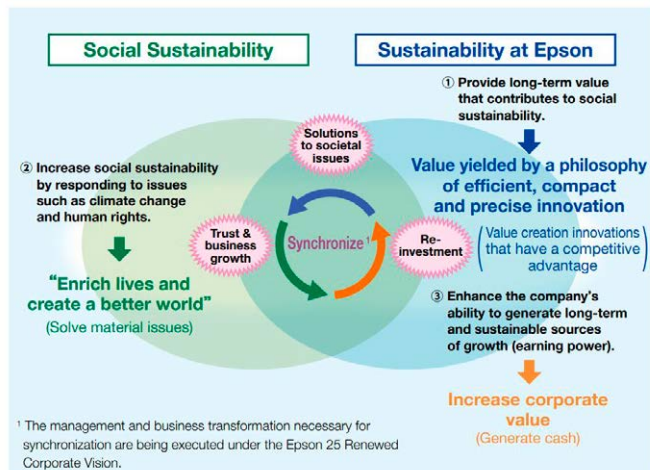


Kahori Miyake
Outside Director

Yasunori Ogawa
President, Representative
Director and CEO
Seiko Epson Corporation

Masaharu Mizukami
Executive Officer
CFO
Chief Compliance Officer (CCO)
Chief Sustainability Officer (CSuO)
General Administrative Manager,
Business Management Division
General Administrative Manager,
Sustainability Promotion Office

■ Sustainability Management at Epson



Theme 1 What does sustainability mean to Epson?

Ogawa To earn trust and create sustainable growth, companies must engage in environmental initiatives and address societal issues. Epson has always engaged in environmental initiatives. We have a long track record of environmental initiatives, demonstrating our continual commitment to environmental sustainability along with business growth. We were the first company to have eliminated ozone depleting chlorofluorocarbons (CFCs) from our production processes. In 2008, we unveiled Environmental Vision 2050. In 2022, we defined our corporate purpose: "Our philosophy of efficient, compact and precise innovation enriches lives and helps create a better world." Rather than issuing a purpose statement in reaction to the sustainability agenda, our purpose statement articulates a corporate ethos that we have upheld since day one. Central to this ethos is our philosophy of efficient, compact and precise innovation. More and bigger are 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. We've never treated sustainability as a side task (separate from our business operations) that we undertake in response to societal demands. Instead, we've always integrated sustainability into our core strategies and business operations. This integration is exemplified in our long-standing practice of appointing one individual to act as both chief financial officer (CFO) and chief sustainability officer (CSuO). We also recognize that outside perspectives are crucial to making our environmental initiatives more effective. That is why we were happy to welcome Kahori Miyake onto the board as an outside director in June 2024. As an expert in environmental matters, Miyake-san advises the management in environmental initiatives and other aspects of sustainability strategy. Her insights will help make our sustainability strategy more effective and raise the level of our initiatives.



Miyake In my time at an operating company, I've long observed environmental initiatives and trends in business. To be honest, Epson, for better or worse, never really caught my attention. However, this changed when Epson invited me to become an outside director. I took a fresh look at Epson's sustainability initiatives and heard reports about them, and I was struck by the company's passion for the environment. Epson is by no means unique in claiming to have embedded environmental initiatives into its corporate DNA. But Epson has integrated sustainability into its business strategies. Instead of making vague pledges that point to a distant future, Epson has placed environmental initiatives center stage in its medium- and long-term strategies. This level of commitment sets Epson apart from other companies and is highly praise-worthy. What

Theme 2 Progress of sustainability initiatives

Mizukami Ogawa-san, you mentioned that Epson has embedded environmental initiatives into its business strategies. Epson 25 Renewed

matters now is how Epson translates its sustainability strategy into action, how its environmental initiatives will impact financial performance, and how financial performance will interact with non-financial performance. While the road ahead will be rough, Epson can be a trailblazer, and I will do all I can to help. Epson also has an organizational setup rarely seen around the world, in that the person who is CFO is also the CSuO.

Ogawa I've always wondered why financial performance must be separate from non-financial performance. To me, it's all financial capital. This fiscal year, Mizukami took on the joint role of CFO and CSuO. Mizukami's knowledge of company finances equips him to strike a balance with non-financial matters, leading to better sustainability performance overall. With his sound financial management coupled with broad, big-picture thinking, he can identify investments that will increase Epson's prospects for future growth and ability to generate sustainable value. I am confident that his career experience will serve Epson well.

declares that our role as a company is to address societal issues. It also identifies four materiality themes to integrate into our business

activities: achieve sustainability in a circular economy, advance the frontiers of industry, improve the quality of life, and fulfill our social responsibility.

To encourage effective action, the themes are linked with a total of 12 key sustainability topics. In FY2023, we set KPIs for the key sustainability topics and followed a PDCA cycle of continuous improvement toward these KPIs. Take, for example, the key sustainability topic of advancing the frontiers of industry. This theme has two key sustainability topics: improving productivity through digitization and automation and improving the work and education environments. For the first topic, the KPI is "sales growth rate of commercial and industrial inkjet printers." One of the KPIs for the second topic is "number of labor shortages eliminated through automation (using robots)." We set these KPIs after listening to feedback from investors who wanted a clearer idea of how sustainability tied in with our business strategies. We will keep listening to stakeholders and clarifying our commitments. In Environmental Vision 2050, we set out the goal of becoming carbon negative and underground resource free¹ by 2050. For this goal, we develop initiatives in four themes: decarbonization, closed resource loop, customer environmental impact mitigation, and environmental technology development. For decarbonization, we achieved a milestone in

The CEO, CSuO, and an Outside Director

FY2023 by transitioning to 100% renewable electricity at all Group sites worldwide². We are now focusing on generating electricity ourselves, with a view to launching a biomass power plant in 2026. Becoming carbon negative is too big a task for a single company. It requires a commitment across our supply chain. This fiscal year, we launched a process of supplier engagement called Epson Green Supply Chain. Suppliers in this program set decarbonization targets, and we help them switch to renewable electricity. Sustainability requires engagement and cooperation across society, and Epson's sustainability efforts must be ongoing. We can only maintain our pursuit of sustainability if we have solid performance and stable finances. That means making cool-headed decisions, not splashing out on unfeasible schemes. It's effective, therefore, to have dual responsibility over finance and sustainability, and I find the dual roles very rewarding.

¹ Free of non-renewable resources such as oil and metals
² Excludes some sales sites and leased properties where the amount of electricity consumed cannot be determined



The CEO, CSuO, and an Outside Director

Miyake I'm impressed by the commitment in Environmental Vision 2050 to becoming underground resource free. Few other companies have made such a clear commitment, even though underground resources pose an issue that no manufacturer can avoid. Your environmental vision is ambitious indeed. Another theme that caught my attention is supply chain engagement. Most would agree that companies near the demand end are responsible for what happens further upstream in the supply chain. What really matters is how Epson leads the way in tackling the issue. You need to play a leadership role and arrange the conditions so that all supply chain partners can prosper. Related to this is another key theme: advancing the frontiers of industry. If the supply chain is linear, then the industrial structure is planar. Transforming this plane will require a huge amount of energy.

Ogawa Yes, we have committed to advancing the frontiers of industry and this is very ambitious, not something Epson can do alone. Success will depend on whether we can co-create value with partners in a way that creates a groundswell of change. One way we can do this is through printhead sales. Our Micro Piezo printheads are heat-free, making them compatible with many types of ink. As well as conventional inks, they can also print biomass ink and metallic ink.



We've been expanding the range of inkjet technology applications and now produce high-quality, high-efficiency printheads for many kinds of applications. These printheads serve as essential products and infrastructure for other companies, giving us the leverage to advance the frontiers of industry. When you think of advancing the frontiers of industry, you might imagine robotics and automation. Our main product in this area—a robot with a small load capacity that excels at precision assembly operations—will take us only so far in advancing the frontiers of industry. How, then, can we advance the frontiers? Co-creation remains unfamiliar territory to us—we are used to having a vertically integrated organization and making things entirely by ourselves. We must change the mindset in our organization, encouraging an attitude that embraces co-creation.

Mizukami To give examples of such collaboration, we are pursuing co-creation with the World Wildlife Fund (WWF) and the Japan International Cooperation Agency (JICA). In March 2023, Epson and the WWF signed a three-year International Corporate Partnership Agreement to conserve and restore forests around the world. This partnership is the first attempt by a Japanese company in the electric and precision equipment industry. With JICA, we signed a comprehensive partnership agreement that includes partnership in education. In this partnership, we're working to bring education to areas outside the electricity grid by delivering battery-operated projectors. These are just two examples. We are working on joint initiatives with many international organizations to achieve our vision.

Miyake Your co-creation initiatives with the voluntary sector—NGOs, NPOs, and so on—mark a fresh and positive trend. In these partnerships, you combine your strengths in effective ways to address societal issues, with

the ultimate goal of creating even greater positive impacts in society. It's a very effective strategy to co-create with NGOs and NPOs that align with Epson's purpose and long-term vision.

Ogawa Absolutely. With the WWF, we are promoting the use of responsible forestry resources (paper) in business. We will also consider joint initiatives for safeguarding freshwater ecosystems and promoting the circular economy. As part of this, I recently visited Sumatra in Indonesia to observe WWF programs for restoring forests and conserving wildlife. As for our partnership with JICA, we engage in an assistance program in developing countries to improve the quality of education in these countries. In the long run, the partnership will contribute to our goal of advancing the frontiers of industry.



Theme 3 Hopes and concerns about sustainability management

Ogawa Sustainability management has business benefits too. Solving societal issues enhances Epson's ability to generate long-term, sustainable sources of growth (earning power). Another business benefit is higher employee motivation. Sustainability initiatives contribute to a happier and more motivated workforce. Employees feel more engaged when the work they do and the products and services they deliver help solve societal issues. It's important for employees and senior managers to share the same commitment to sustainability, with the belief that engaging in materiality and key sustainability topics leads, slowly but surely, to positive changes in society.

Mizukami People often highlight the importance of human capital in building an organization's value. For a company to sustain a high level of performance, it must create a workplace environment that engages and motivates employees. What motivates employees today is very different from what motivated employees in the past. Increasingly, employees feel passionate about sustainability. Pay is no longer enough to build employee motivation. Employees need to feel a sense of purpose in their job. They need to feel that

they are making a difference to the company and to society. Ultimately, the company's strategies and operations must resonate and inspire employees' behavior. Such resonance is a wellspring that makes employees more effectual in everything they do. While a sustainability strategy helps a company adapt to changes in the external business environment, it also serves as a constant motivator, leading to greater employee engagement and solidarity. We should bear this motivation factor in mind as we progress with and refine our sustainability strategy.

Miyake I agree. You'd be surprised by how much importance young people place on a company's purpose, even if this trend is yet to gain traction in Japan. A global survey revealed two factors that contribute to employee motivation: a feeling of affinity with the company's vision or purpose, but also the perception that the work one does in the organization contributes to the organization's goals. The purpose a company serves in society must surely be to make the society more sustainable. Such a purpose must be an integrated part of the company's business operations. A company engages in sustainability not as an

act of charity but as an economic necessity that will ensure its right to survive. The outside perspectives I can offer include how Epson appears in comparison to its peers within Japan. They also include how the world views the Japanese market. By actively voicing opinions and suggestions based on these outside insights, I can help Epson advance its sustainability initiatives.

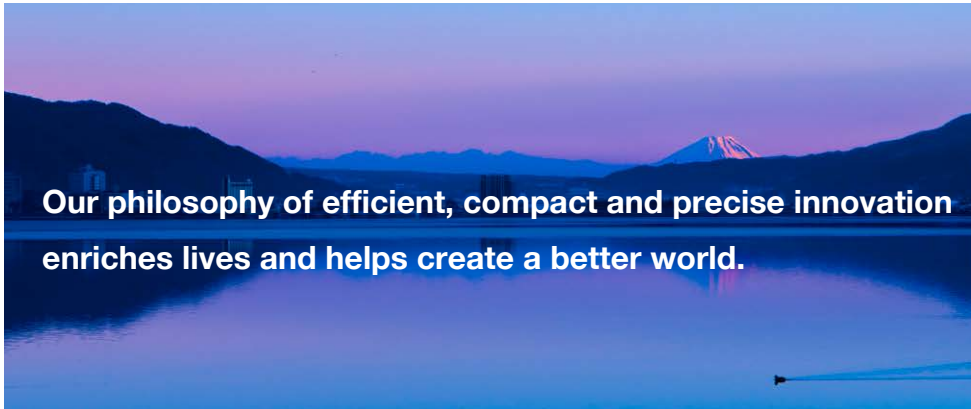
Mizukami This dialogue has impressed upon me the importance of communicating to employees and external stakeholders how our environmental initiatives and other sustainability initiatives relate to our quantitative financial performance and how our financial performance interacts with our non-financial performance. We will step up our efforts to do just that.

Ogawa Sustainability has always been a key word and goal for us, but I now realize that we need to pursue sustainability more actively. This dialogue proved a great opportunity to reflect upon our long-term vision and sustainability initiatives. Our heart is in the right place—we are committed to tackling societal issues, leading the way to a circular economy, and advancing the frontiers of industry. But are we really leading the way and bringing positive

change? Or can we be doing more? I believe we have the right purpose and long-term vision, and we can surely be doing more to make them a reality. To that end, we all need to exert strong leadership.



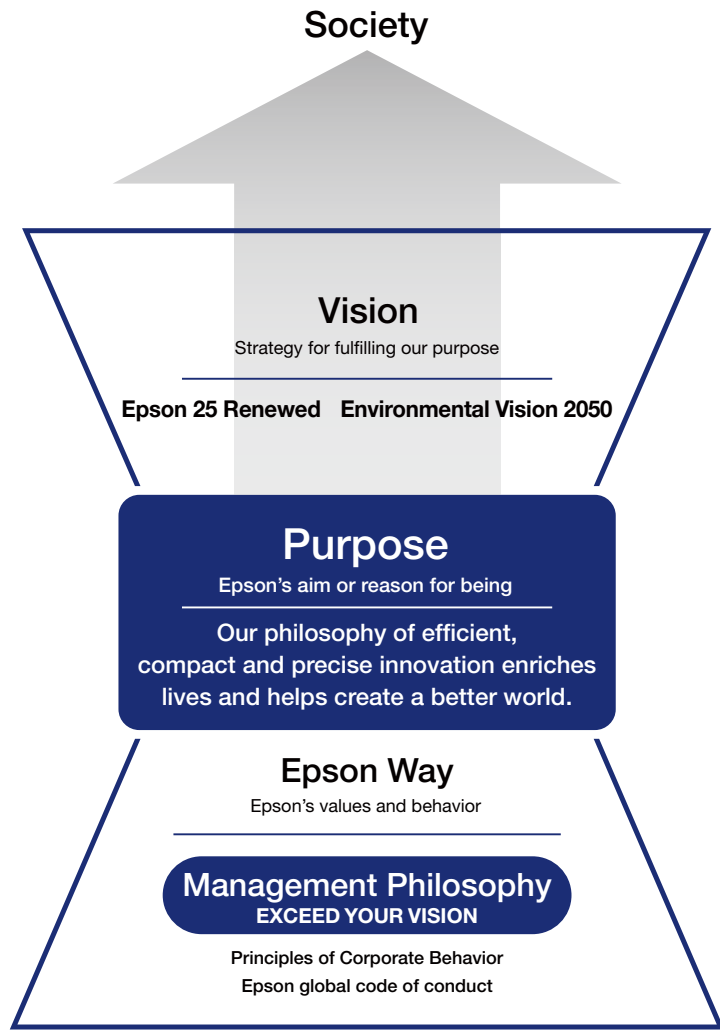
Corporate Purpose



Epson established a corporate purpose in September 2022. The statement articulates the type of value Epson offers the world, the company’s unique reason for being, and its aspirations. The efficient, compact, and precise innovation that Epson has pursued goes beyond technology. It encompasses a philosophy for eliminating waste, reducing dimensions, and increasing precision, an approach that can create even greater social value. The corporate purpose cannot be realized by Epson employees alone. Our customers, partners, and society must empathize with and share our purpose. Epson will collaborate with all stakeholders to solve societal issues and create a better future in which lives are enriched.

System of Beliefs

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.



My Purpose Stories

The societal issues Epson is tackling include reducing environmental impacts, improving work environments, connecting a decentralized society, improving the quality of infrastructure, education, and services, and supporting lifestyle diversification. We have created and released a video that shows six examples of these initiatives. It depicts how people’s aspirations are being realized through Epson’s efforts to solve societal issues.



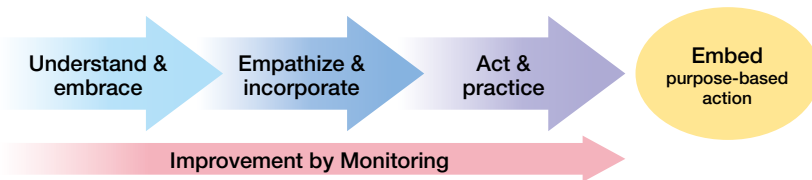
<https://www.youtube.com/watch?v=bUxV5uajlWU>



Activities to Embed Purpose

The Purpose Roadmap

We are internally embedding the purpose in steps. We first help employees understand and embrace the purpose. Once they empathize and incorporate it in their own beliefs, they can take action based on the purpose. We also conduct regular questionnaires to monitor the state of progress to help us plan future activities.



Past Activities

We have been carrying out programs that help our people understand, accept and believe the purpose since its establishment in 2022. We have repeatedly communicated the importance of purpose at every opportunity, including at policy kickoff meetings and through messages from management, online courses, the company newsletter, and workshops. In addition, President Ogawa visited Group companies worldwide to hold purpose lectures and discussions, providing employees with opportunities to think about the purpose.

Workshops



Japan



Malaysia



Purpose Lectures and Discussions

Activities to Embed Purpose



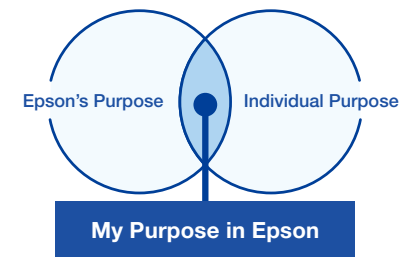
Peru



Chile

Purpose Month

September is designated as Purpose Month in the Epson Group. Events are held to deepen understanding of the purpose across the Group. In 2023, we held workshops to encourage our people to find their own purpose in Epson, the area of overlap between their individual purpose and Epson's purpose, while thinking back their own work and lives. We will continue to create opportunities for people to think about their purpose and will incorporate their feedback into future activities.



Employees' Comments

- I got new ideas by listening to my boss and coworkers talk about their purpose.
- It gave me an opportunity to rethink the meaning of working at Epson.

Monitoring

We conducted a company-wide questionnaire in 2023. It showed that more than 80% of employees understood the purpose. On the other hand, comments received elsewhere indicated that not everyone has fully embraced the purpose.

Employees' Comments

- I want to know the purpose of people in other workplaces.
- I cannot concretely imagine the purpose.
- My work does not connect with the purpose.

Future Steps

We will continue our activities to enable us to conduct purpose-based actions. In 2024, we will further embed the purpose while effectively using Purpose Month and providing supplemental information through online courses and the company newsletter.

Vision Progress

The Epson 25 Corporate Vision was established in 2016 to outline the management strategy for the ensuing decade. We revised it in 2021 and reissued as Epson 25 Renewed to address rising demand for environmental and societal solutions and the need for connectivity and information in an increasingly decentralized world. Under Epson 25 Renewed, we are working to provide individuals and industries with smart solutions that connect people, things, and information. In April 2024, we also revised our performance targets for FY2025 in light of changes in the external environment.

Epson 25 Renewed Corporate Vision

Strategic Direction

- Secure profitability and seek future growth by focusing on priorities.
- 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.

Vision Progress

(1) Epson 25 Renewed Mid-Point Review

- We emphasized profitability and capital efficiency but fell short of our financial targets for FY2023 due to changes in the macro-environment, one-time factors, and challenges in the growth area.
- We will continue to emphasize profitability and capital efficiency, but we have revised financial targets for FY2025 in light of changes in the external environment.

FY2023 Target and Result		
	Target (announced 3/2021)	FY2023 Result
ROIC	> 8%	4.6%
ROE	> 10%	6.8%
ROS	> 8%	4.9%

(2) Future Steps for New Targets

- After taking into account the macro-economic environment and conservatively estimating revenue growth, we will reduce our fixed costs to improve profitability and reach our financial goals.

FY2025 Targets		
	Target (announced 3/2021)	FY2025 New Targets
ROIC	> 11%	> 7%
ROE	> 13%	> 8%
ROS	> 10%	> 7%

(1) Epson 25 Renewed Mid-Point Review

Summary

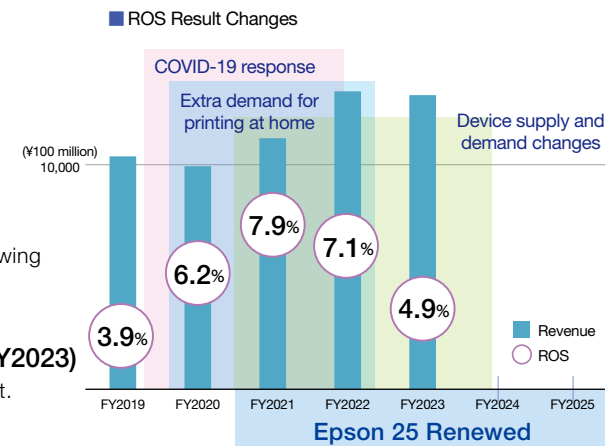
We emphasized profitability and capital efficiency but fell short of our financial targets for FY2023 due to changes in the macro-environment, one-time factors, and challenges in the growth area.

Changes in the macro-environment

- Global economic slowdown due to inflation and slowing growth in China, etc.
- Higher costs for parts, transport, labor, etc.

Temporary factors affecting profitability (FY2023)

- Inventory reductions had a negative impact on profit.
- Microdevices market adjustments



Review by Area and Business

	Target	Result	Review
Growth areas	Office shared IJP Commercial and industrial IJP (finished products and printheads) Manufacturing solutions FY2020 → FY2025 Revenue CAGR > +15% or more	FY2020 → FY2023 +14.7%	Sales targets were generally achieved due to the positive impact of the weak yen. - Business profit fell short of the plan. - There were issues in initiatives for growth areas. - Office shared printers : Laser printer manufacturers discounted prices. Delays in revising and executing our sales strategies - Commercial and industrial printers : Launch of new products delayed due to COVID-19. Demand for lower-priced products increased in the consumables market. - Manufacturing solutions : We need to increase product competitiveness due to the emergence of Chinese manufacturers.
Mature areas	Visual communications Wearable products FY2020 → FY2025 ROS improvement > +10 pt or more	FY2020 → FY2023 +17.3 pt	- Restructuring was implemented on an accelerated schedule, improving profitability.
Mature areas	SOHO, home printing, microdevices Continuous ROS of > 15% or more	FY2023 13.6%	- Maintained profitability by responding to changes in the external environment (pricing policy, cost control) - Microdevices profitability temporarily dropped due to market adjustments
New areas	Sensing Environmental business FY2025 revenue > ¥ 10 billion or more	FY2023 ¥ 0.1 billion	- Made progress in development of key component technologies - Unable to reach the point of business launch

Exchange rates: USD/EUR

102/125

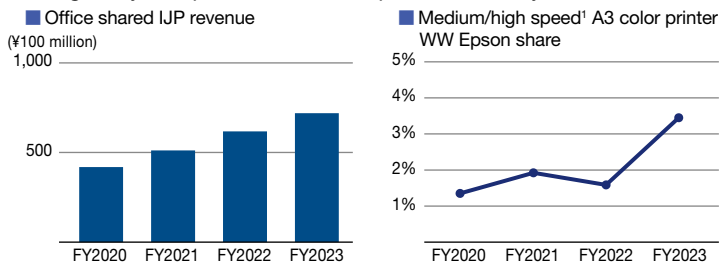
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(2) Future Steps for New Targets (Growth Areas)

Vision Progress

Growth Area: Office Shared IJPs

Expanded our lineup by introducing medium-speed models and increased market share and revenue, but sales have fallen short of target due to pricing strategies by competitors and sales promotion delays.



¹ Inkjet: > 40 ppm, laser: 40-69 ppm. Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2024 Q2, share by brand. Multifunction printers are included. Reproduction or republication of this data is prohibited.

Strategic Direction

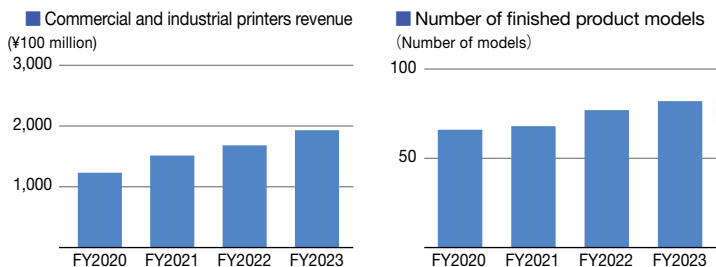
- Drive a technology shift from laser to inkjet printers by expanding the product lineup, providing solutions, and calling attention to environmental performance.
- Offer inkjet products that reduce environment impacts, improve productivity, and lower printing costs.

Future Steps

- Continue cost reductions to address customer demands for greater convenience and lower prices.
- Revise regional and partner strategies and strengthen inkjet printer value messaging.

Growth Area: C&I IJPs (Finished Products, Printhead Sales)

Expanded the finished products lineup but fell short of sales targets due to new product launch delays and customer spending curbs due to high interest rates.



Strategic Direction

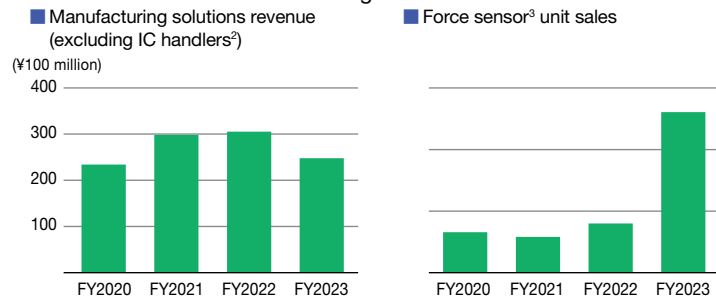
- Finished Products**
- Efficiently develop products and expand the lineup with platforms.
 - Utilize data to provide customer solutions.
- Printhead Sales**
- Grow market share by providing solutions that include peripheral technologies.
 - Develop new market through co-creation.

Future Steps

- Expand and enhance the lineup based on platforms.
- Introduce lower-priced consumables.
- Improve usage rate by enhancing Epson Cloud Solution PORT functionality and messaging, and expand paid services.
- Strengthen sales for existing and new applications.

Growth Area: Manufacturing Solutions

Fell short of sales targets because of customer spending curbs due to global economic slowdown and the emergence of Chinese manufacturers.



Strategic Direction

- Propose solutions that automate manufacturing by applying sensing and digital technologies.
- Develop next-generation platforms to expand and enhance products and strengthen competitiveness.
- Assess the need to transfer production from China to Southeast Asia using our global sales and support capabilities.

Future Steps

- Enhance product competitiveness by improving cost performance and continue expanding the product lineup.
- Strengthen the development and packaging of solutions that customers can easily deploy.
- Strengthen sales in Southeast Asia and India.

² IC handler business was transferred in FY2021

³ Force sensors detect the magnitude of force and rotation direction for each of the x, y, and z axes. Controlling a robot based on detected force enables robots to perform tasks that previously relied on human sense of touch.

CFO Message

Generating Profits and Reinvesting Them into the Future

Masaharu Mizukami

Executive Officer
CFO
Chief Compliance Officer (CCO)
Chief Sustainability Officer (CSuO)
General Administrative Manager,
Business Management Division
General Administrative Manager,
Sustainability Promotion Office

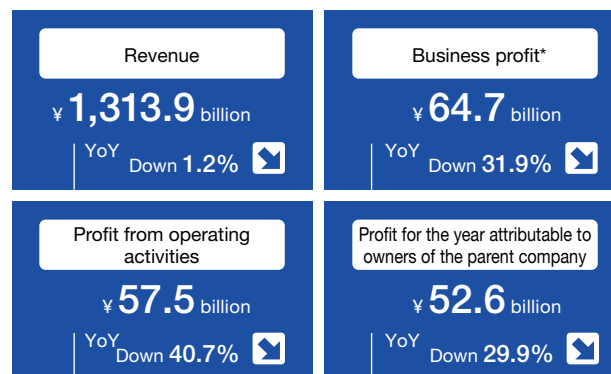


I'm Masaharu Mizukami. I became CFO in April 2024. Before that, I served under my predecessor as deputy head of the Business Management Division for three and a half years. I have succeeded him as CSuO as well a CFO. My role as CFO is to create the conditions for building Group-wide consensus for our business policies and ensuring that management makes the best decisions and allocates resources in the best way. Once Epson has agreed upon a strategy, action proceeds with striking speed. My role is to ensure that Epson is always ready to unleash such action.

Headwinds, but no easing up in our growth strategy

In FY2023, revenue was down from the previous year's level. Revenue decreased to ¥1,313.9 billion, with the manufacturing solutions business experiencing lower sales amid inventory adjustments in the microdevice market and an economic

slowdown in China. With the huge impact of inventory adjustments, business profit decreased to ¥64.7 billion and profit for the period decreased to ¥52.6 billion. Having had high inventory levels at the beginning of the fiscal year, we reduced the inventories over the course of the year. While this adjustment had a huge impact on our performance, the inventory level returned to normal thereafter.



* 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 FY2023

USD	¥ 144.44	Euro	¥ 156.66
	(7% depreciation YoY)		(11% depreciation YoY)

FY2023 marked the midway point of Epson 25 Renewed. We fell short of our interim goals because of the global economic slowdown coupled with rising costs of materials, transportation, and labor. With little hope of a rapid improvement in economic conditions and competition, we reassessed the outlook for the macro environment and sales growth, concluding that we should use this juncture to lower our targets. The revised targets for FY2025 are as follows: ROIC of 7% or more, ROE of 8% or more,

and ROS of 7% or more.

While the targets are lowered, we remain just as committed to the business strategies set out in the Epson 25 Renewed. How would I appraise the resource allocations in our business portfolio? I would say that progress has been pleasing among the mature areas. Profit growth has remained solid in our core business—SOHO and home inkjet printers. Moreover, in the visual communications business, restructuring has resulted in better profitability. However, results are more mixed in the growth areas. Among the growth areas, we have seen remarkable growth in printhead sales. Epson's inkjet printheads use our Micro Piezo technology. While we had initially used this proprietary technology in consumer printers, we have expanded its use to other applications. It now serves in multifunction office printers as well as in commercial and industrial printers that can print on materials other than paper. We will strengthen our printhead sales for existing and new applications of commercial and industrial printers.

As for the commercial and industrial IJP finished products business, sales were up from the previous year but still short of the target. We can largely attribute this to companies cutting back spending following the hike in interest rates. However, it was also partly a result of us being slow to invest in new products and respond to the rise of lower-priced consumables. We will therefore take steps to get the business back up to speed.

Likewise, results were less than expected for sales of our office shared inkjet printers. We remain committed to growing this business, even if it takes time to do so. Inkjet printers help address societal issues. This is something to bear in mind as we grow this business: we need to articulate more clearly the low total cost of ownership (TCO) and engage more actively with sales channels to build up the number of users. That will be our focus in the years ahead.

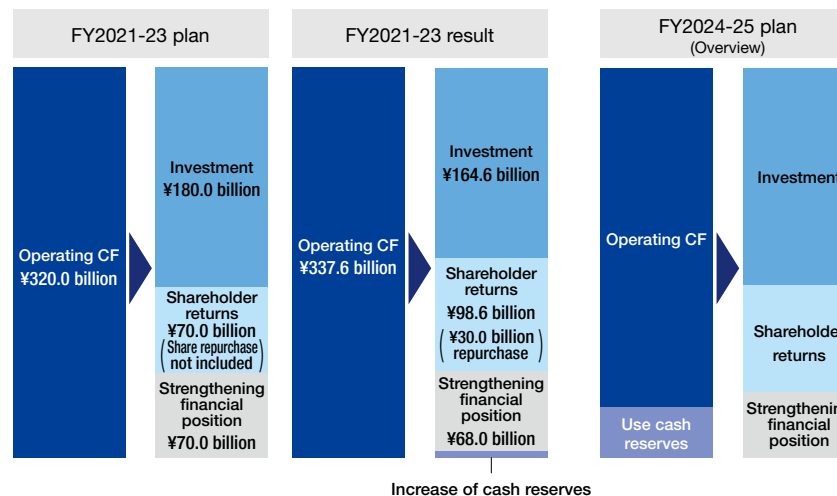
The manufacturing solutions business, which primarily targets China, has proven vulnerable to that country's economic slowdown and the rise of local manufacturers. Conditions will remain tough for the time being, but there are actions we can take to create a story of business growth. We can combine Epson's high-precision sensor technology with robotics to develop and deliver innovative manufacturing solutions, assist in streamlining the process of installing the robots in the production lines, and contribute to addressing customer issues and needs.

A healthy sense of urgency for swifter change

FY2025 will be the final fiscal year of Epson 25 Renewed, but that is just a milestone toward our end goals. Looking toward FY2025 and beyond, we must clarify what we should be doing and maintain the momentum of change. We will also need to rebalance our business portfolio, which currently places the weight on mature areas as a source of steady profits. With a healthy sense of urgency, we will act more expeditiously to sustain our value creation. In our efforts to improve the value of our organization, we will carefully consider the feedback of external stakeholders and share insights in robust internal discussions. One action we can take right away is to cut our fixed costs so that we can still attain the targets for our financial KPIs (ROIC, ROE, ROS) even if economic conditions remain stagnant.

Amid our efforts to transform our business portfolio under Epson 25 Renewed, our price-to-book ratio bobbed above 1.0 (as of March 31, 2024), suggesting that capital markets are not as confident in us as we would like. To earn the confidence of markets and increase our valuation, we must take urgent action to leverage our efficient, compact, and precise technologies and global sales channels in a way that delivers greater results. The growth areas are where we will be especially expeditious in implementing our business strategies. But this does not mean we

Cash Allocation



CFO Message

Investment

Maintain competitiveness and increase productivity in the mature area. Actively invest (including in M&As) in new and growth areas, environment-related areas, and digital infrastructure development.

Shareholder returns

- Dividends: Continue to provide stable dividends, with a consolidated dividend payout ratio* of about 40% over the mid-term.
- Share repurchase: Repurchase if necessary, depending on the share price, the capital situation, and other factors.

Strengthening financial position

Repayment of interest-bearing liabilities, etc.

* Calculated based on the amount obtained by deducting an amount equivalent to the statutory effective tax rate from business profit

will be reckless. Learning from our failure to meet our FY2023 target for ROIC, we will take a smarter approach for businesses in this category. Specifically, we will vet all growth strategies and budgeting as part of a dynamic approach to resource allocation, which will deliver higher returns and better capital efficiency. Cash allocations were largely as planned between FY2021 and FY2023. That is, we allocated cash to our growth strategy while also providing generous shareholder returns and strengthening our financial position. The cash allocation plan remains unchanged in FY2024 and beyond. As of March 31, 2024, Epson's shareholders' equity ratio was as high as 57%, giving us plenty of leeway for reinvesting profits into projects that will increase our growth prospects. In view of capital efficiency and our policy of delivering generous dividends, we have decided to buy back up to ¥30 billion in shares during FY2024. Repurchased shares will be retired. As for dividends, we have been stably providing dividends while aiming for a consolidated payout ratio of about 40% over the mid-term. Shareholders will continue to receive a steady and generous dividend. Since I became CFO, many investors have asked me about how quickly the growth areas will grow. I have received plenty of

feedback and insights. It is important to have in-depth discussions with internal stakeholders, but it is no less vital to communicate with capital markets, which can provide frank, no-holds-barred feedback. I will keep listening to stakeholder feedback and leveraging my dual role as CSuO to help the company generate profit in the immediate term and achieve sustained growth over the longer term.

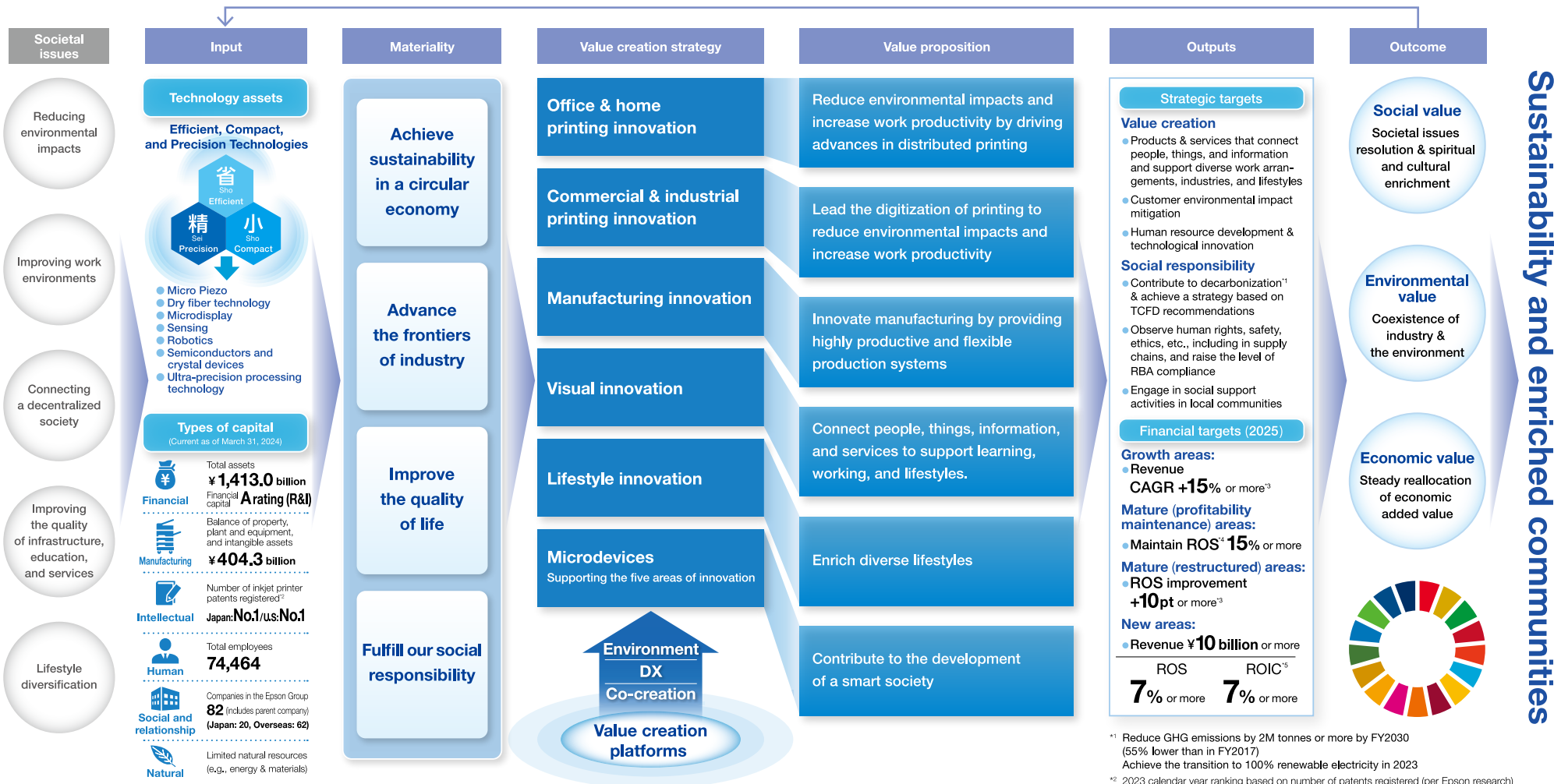
I will close by thanking our shareholders, investors, and other stakeholders for their continuing confidence and loyalty.



Sustainability Management

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.



¹⁾ Reduce GHG emissions by 2M tonnes or more by FY2030 (55% lower than in FY2017). Achieve the transition to 100% renewable electricity in 2023

²⁾ 2023 calendar year ranking based on number of patents registered (per Epson research)

³⁾ FY2020→FY2025 revenue

⁴⁾ Business profit / revenue

⁵⁾ Return on invested capital

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

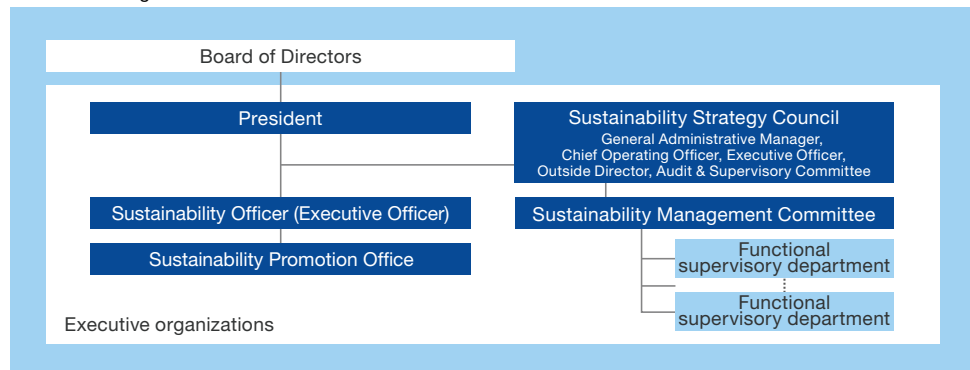
Epson's Sustainability Promotion Office reports directly to the president. The office is headed by an executive officer who has responsibility and authority for sustainability activities (sustainable growth based on societal needs) across the entire Epson Group.

The Sustainability Strategy Council, which is made up of senior executives along with outside directors and members of the Audit & Supervisory Committee, serves as an advisory body to the president. It is responsible for 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.

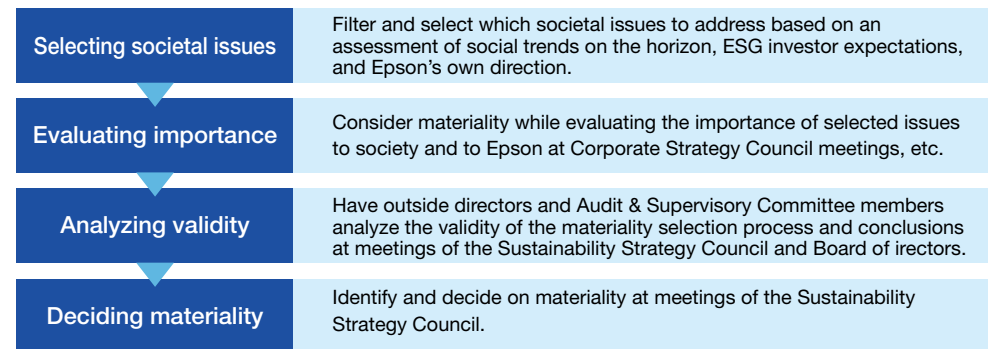
Promotion Organization



Deciding Materiality

When establishing the Epson 25 Renewed corporate vision in 2021, Epson referenced the societal issues and megatrends described in the SDGs, ISO 26000 and other sources, evaluated them from both a company perspective and a social perspective, and identified four high-priority issues ("materialities") that Epson should address to solve societal issues.

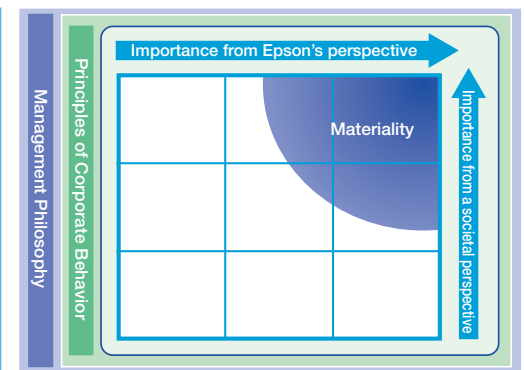
The Process for Determining Materiality



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.

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.

→ For details, see P68 “Officer Compensation System.”

Materiality	Key Sustainability Topics	(○) Opportunity (●) Risk	RS Index ¹	Initiative Topics	Key Performance Indicators (KPI)	FY2023 (Target)	FY2023 (Result)	FY2024 (Target)	Case Study		
Achieve sustainability in a circular economy	Decarbonization initiatives	<ul style="list-style-type: none"> ○ 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 ○ 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 ● 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 ● 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 	●	Using energy-saving equipment and facilities, removing greenhouse gases, engaging suppliers, and pursuing carbon-free logistics to become carbon negative by 2050	Scope 1 and 2 GHG emissions reduction ratio	Reduce by 65% compared to FY2017	Reduced by 80% compared to FY2017	Reduced by 80% compared to FY2017 (SBT: FY2025 Target 34%)	P37-39 Value Creation Platforms		
			●	Using renewable electricity to achieve RE100	Renewable electricity adoption ratio	Achieve 100% globally	Achieved adoption ratio of 100% globally	Maintain adoption ratio of 100% globally			
				Becoming underground resource ² free by 2050: <ul style="list-style-type: none"> ● Using resources efficiently by reducing size and weight, using recycled materials, etc. ● Establishing closed-loop production systems that minimize production losses 	Ratio of sustainable resources ³	27%	32%	35%			
	Closed resource-loop initiatives					Final landfilled rate ⁴	≤1%	0.6%	≤1%		
			Customer environmental impact mitigation			Maximizing avoided emissions with products and services that have a lower environmental impact ⁵	Emissions avoided through products & services	Commence the calculation based on a new calculation logic and determine target values	- Started calculating the reduction contribution of A3 color inkjet printers using the new calculation logic. - FY23 Results: 15.1 thousand t-CO ₂ e ⁶	Exceeding the previous year	P29-30 Value Creation Strategy
	Environmental technology development					Eliminating virgin plastics and closing resource loops by using Dry Fiber Technology to produce recycled materials and natural materials. <ul style="list-style-type: none"> ● Packaging materials ● Housing materials 	Progress of development process	Expand the scope of practical application	- Packaging: Development aimed at expanded use (cotton scraps) - Housings: Development of composite plastic materials (improved performance of materials)	Expand the scope of practical application	P43-46 Value Creation Platforms
						Establishing high-added-value recycling technology for used metal	Progress of development process	Technology for high-value-added metal powders (molding material) for practical application	Completed the development of elemental technology as a molding material, with PoC ⁷ in progress	Technology for high-value-added metal powders (molding material) for practical application	

¹ Compensation (Restricted Stock) evaluation indicator

² Non-renewable resources such as oil and metals

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

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

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

⁶ Based on the calculation method confirmed by Mizuho Research & Technologies Co., Ltd., the value obtained by multiplying the difference between the weighted average of the publicly disclosed lifetime CO₂ emissions of major laser printers in the global market and the lifetime CO₂ emissions of our A3 color inkjet printers by the number of Epson A3 color inkjet printer units sold in the relevant fiscal year.

⁷ PoC (Proof of Concept): A process to verify the feasibility and actual effect, etc. of a new technology, etc.

Key Sustainability Topics and KPIs

Materiality	Key Sustainability Topics	(○) Opportunity (●) Risk	RS Index ¹	Initiative Topics	Key Performance Indicators (KPI)	FY2023 (Target)	FY2023 (Result)	FY2024 (Target)	Case Study
Advance the frontiers of industry	Increasing productivity through digitization and automation	<ul style="list-style-type: none"> ○ Transition to resource-saving and highly efficient production processes due to diversifying consumer needs and the growing importance of environmental considerations ○ Decentralization of production plants for the purpose of BCP response based on factors such as geopolitical risk ● Loss of business opportunities due to delays in launching products and services that meet market demands ● Delays in developing easy-to-use solutions and digital services 		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	Sales growth rate of commercial and industrial inkjet printers compared to the previous year	10%	1%	3%	P31-32 Value Creation Strategy
	Improving working environment and improving educational environment	<ul style="list-style-type: none"> ○ Changes of offices due to diversification of work styles and advancement of information technology ○ Expansion of at-home study support programs ● Loss of business opportunities due to delays in launching products and services that meet market demands ● Decrease in the need for printing in the education market due to the increased use of tablets and other electronic devices 		Reducing environmental impact and improving productivity with inkjet technology and open solutions, to lead the evolution of home study and distributed office printing	Sales growth rate of high-capacity inkjet printers for SOHO and home users compared to the previous year	5%	(9%)	5%	P33-34 Value Creation Strategy
		<ul style="list-style-type: none"> ○ Increasing and broadening need for automation using robots to compensate for global labor shortages against a backdrop of declining birthrates and aging populations ○ Growing need for innovation in production systems to improve the working environment and strengthen the resilience of manufacturing sites ● Continuation of labor-intensive system centered on human labor through the shift of production to regions with ample labor force (emerging and developing countries) ● Lack of human resources capable of implementing automation ● Changing customer needs and loss of competitive advantage due to diversification 		Alleviating labor shortages through automation with robots	Number of unfilled positions automated ²	28,000 persons	25,000 persons	29,000 persons	
		<ul style="list-style-type: none"> ○ Increasing need to resolve stress burdens and lowered work efficiency due to reduced physical communication in telecommuting and web conferencing ○ Growing momentum to achieve common global decarbonization goals (reduction of CO₂ emissions stemming from human mobility) ● Decreased need to connect the real and remote due to increased office attendance following the decline of the coronavirus ● Intensifying competition with large-screen display devices other than projectors and personal terminals, and relative decline in the presence of our solutions 		Providing a fair, natural, and comfortable 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 (FY2023) Number of adopting companies, or number of partners (FY2024 after)	Number of partners: 2	Number of partners: 2	Continuing + new: ≥2 companies	
<ul style="list-style-type: none"> ○ Increasing use of ICT to bridge the gap in learning places and opportunities in developing countries ○ Dissemination of digital educational materials and educational platforms ○ Expansion of the education market due to the increase in the number of people enrolled in school in emerging and developing countries ○ Resolving teacher and teaching support shortages through ICT ● Delays in sound budgeting for and investment in education due to delayed economic development and political instability in developing countries 		Creating equal 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 Number of countries with PoC verifying mitigation of learning disparities in general education and awareness of societal issues.	20 programs —	29 programs Selected countries with PoC programs	40 programs (Total) Countries with PoC programs:2	P25-26 Value Creation Strategy		
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 ○ Heightened mindfulness of maintaining health with the increase in life expectancies ○ National government policy initiatives to extend healthy life expectancy as a response to the declining working-age population and increasing social security costs in the developed countries ● 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 sensing business sales ³	20%	22%	28%	
	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	4%Fi	4%	12%	

¹ Compensation (Restricted Stock) evaluation indicator

² Calculated based on the effectiveness of Epson's internal projects

³ Business model that provides value by converting data based on algorithms

Key Sustainability Topics and KPIs

Materiality	Key Sustainability Topics	(○) Opportunity (●) Risk	RS Index ¹	Initiative Topics	Key Performance Indicators (KPI)	FY2023 (Target)	FY2023 (Result)	FY2024 (Target)	Case Study	
Fulfill our social responsibility	Increasing stakeholder engagement	<ul style="list-style-type: none"> ○ Growing stakeholder interest in sustainability ● Loss of trust from stakeholders and damage to corporate value due to inappropriate responses to issues 		Responding to needs and social demands by strengthening dialogue with stakeholders	Social support activities, monetary value of support Number of dialogs with shareholders and investors and reflecting opinions on management Evaluation indices of external evaluation agencies	≥0.1% of sales ≥ 200 meetings with shareholders & investors Acquire high recognition ¹⁰	0.1%of sales 240 times Acquired high recognition	≥0.1% of sales ≥200 times Acquired high recognition		
			Realizing responsible supply chains		Reinforcing supply chain BCM	Impact on customers due to disruption and stagnation in supply chain (Aiming to have no impact on sales in FY2024)	Achieve no impact on sales due to disruption in supply chain to the extent possible	Impact of supply chain disruption: None	Zero sales impact	
					Realizing responsible supply chains	CSR risk levels of suppliers	CSR risk ranks of main suppliers: (Direct materials) - 0% high risk, ≤4% middle risk (Indirect materials) - 0% high risk	(Direct materials) - High risk: 0% - Middle risk: 4.2% (Indirect materials) - High risk: 0% - Middle risk:≤20%	(Direct materials) - High risk: 0% - Middle risk: ≤2% (Indirect materials) - High risk: 0% - Middle risk:≤20%	
		Realizing responsible sourcing of minerals		Conflict-free (CF) ratio of products Survey response ratio ¹¹	- Release CF information for CF strategic products - 100%	- Preparation for the disclosure of the result of CF information - 100%	- New products that are conflict-mineral free - 100%			
	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" Number of high risk workplaces with "general health risk" in the mental health check ¹² Implementation of harassment prevention measures (education and training, case sharing, appointment process, etc.), ensuring to report cases to the head office	- Motivation cloud engagement rating: BB - Number of workplaces with D rating: 31 Reduce the number of high risk workplaces from the previous year, heading toward zero - Revise training content based on social trends, incidents and common issues - Hold training for those at consultation contact points on a periodic basis - Identify company-wide trends - Confirm common operations and verify whether contact points with high operational burden should be outsourced partially	- Motivation cloud engagement rating: BB - Number of workplaces with D rating: 45 The number of high-risk workplaces increased compared to FY2022 Made progress as planned for planned training, including the renewal of content	- Motivation cloud engagement rating: BBB - Number of workplaces with D rating: 15 Reduce the number of high risk workplaces with "general health risk" from the previous year, heading toward zero - Continued harassment prevention training at different echelons - Regular training for advisory service staff		P51-58 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) & remediation mechanisms	Embed and improve PDCA cycle for respecting human rights - In Japan: Build a system for coordinating with various consultation contact points - Overseas: Develop a system for consolidating information and grasping the situation by clarifying reporting rules from contact points at respective local subsidiaries	(PDCA cycle) - Continued activities for respecting human rights using RBA's scheme - Re-assessed the risk of violating human rights and conducted human rights DD (Remediation mechanisms) - In Japan: Built cooperative structures for internal consultation points, and began using JaCER ¹³ as a consultation point for those outside the Company. - Overseas: Started to pull together information on this project	Establishing and improving the PDCA cycle for respecting human rights. - Regular review of human rights policy - Continuing and improving human rights due diligence through RBA schemes, etc. - Understanding and establishing the system and situation of advisory services overseas.		
				Utilizing human resources in a way that respects diversity	- Female manager ratio (the Company) - 1 or more female executive officers by FY2025 (in Japan)	- Female manager ratio: 5% - Female supervisory position ratio: 8%	- Female manager ratio: 4.7% - Female supervisory position ratio: 7.7%	- Female manager ratio: 6% - Female supervisory position ratio: 9%		
				Reinforcing the compliance management platform	Number of serious compliance violations ¹⁴	0 cases	0 cases	0 cases		
				Enhancement of Group compliance level	Implementation ratio of compliance training (e-learning) to all Group companies	Completion rate in Epson Group: 100%	Completion rate in Epson Group: 100%	Completion rate in Epson Group: 100%		
	Strengthening governance	<ul style="list-style-type: none"> ○ Strengthening of the governance system leading to acceleration of strategy implementation and increased responsiveness to change ○ Increased competitiveness 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 		Maintaining and strengthening the governance structure to realize transparent, fair, prompt and decisive decision-making	- Ratio of Outside Directors in the Board of Directors - Ratio of Outside Directors in Nomination & Compensation Committees Number of serious information security incidents	- Maintain the ratio of Outside Directors on the board at ≥1/3 - Maintain the ratio of Outside Directors on the Nomination & Compensation Committees at ≥80%	- Maintain the ratio of Outside Directors on the board at ≥1/3 - Maintain the ratio of Outside Directors on the Nomination & Compensation Committees at ≥80%	- Maintain the ratio of Outside Directors on the board at ≥1/3 - Maintain the ratio of Outside Directors on the Nomination & Compensation Committees at ≥80%		P61-76 Strengthening Governance

¹ Compensation (Restricted Stock) evaluation indicator

¹⁰ Sustainability: Low; FTSE: 4 or higher; Top 50 or higher in "Toyo Keizai CSR ranking"

¹¹ Ratio of suppliers submitting responses to suppliers we have sent survey requests

¹² Target-value control is performed for workplaces with 10 or more respondents.

¹³ JaCER: Japan Center for Engagement and Remedy on Business and Human Rights

¹⁴ Violation that correspond to timely disclosure matters

Value Creation Strategy










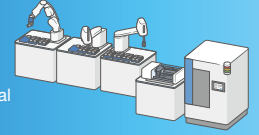





Growth Story for a Business That Solves Societal Issues While Generating Economic Value

Epson has publicly committed to helping resolve material societal issues that it can address through its business activities. Our value creation strategy, a strategy for realizing sustainable business growth, is at the root of how we manage business. Within this strategy, we have set priority areas (key sustainability topics) and key performance indicators (KPIs) to ensure that we systematically create economic value and solve societal issues. In this section, we present our value propositions and initiatives from the perspective of the key sustainability topics and KPIs.

Epson's Value Creation Strategy

PICK UP

The table below is a representative selection of some of the many initiatives we are pursuing.

		Topics and KPI		Initiatives in Our Businesses	
Materiality Key Sustainability Topic		Initiative Topics & KPI		Examples of Innovations to Achieve KPIs	
 Achieve sustainability in a circular economy	Customer environmental impact mitigation	Maximize avoided emissions with products & services that have a lower environmental impact* * Quantified the contribution of products and services toward GHG emissions reductions  Emissions avoided through products & services		Office & Home Printing Business Office & home printing innovation We visualize our avoided emissions to show Epson's contribution to environmental impact mitigation, leading to business growth and additional avoided emissions.	 P29-30
	Increasing productivity through digitalization and automation	Lead the digitalization of commercial and industrial printing, reduce environmental impact, and raise productivity with inkjet technology and solutions  Commercial and industrial inkjet printer average sales growth rate (YoY)		Commercial & Industrial Printing Business Commercial & industrial printing innovation Epson Cloud Solution PORT solves issues at production sites where large-format printers are used and improves operational efficiency.	 P31-32
 Advance the frontiers of industry	Improving working environment and improving educational environment	Alleviate labor shortages through automation with robots  Number of unfilled positions automated (Converted based on the effects of an internal Epson project)		Manufacturing Solutions Business Manufacturing innovation We are automating production systems through comprehensive technological and support capabilities	 P33-34
		Provide a fair, natural, comfortable communication environment by combining in-person and remote interactions  Number of companies or partners using systems Create opportunities for quality learning and close the education gap with smart and portable displays  <ul style="list-style-type: none"> Number of co-creation/collaborative programs in field trials Number of countries where use was demonstrated in general education and societal issue awareness 		Visual Communications Business Visual innovation We want to provide learning opportunities for all. After detailed proof-of-concept studies in developing countries, we are developing concrete plans for business commercialization through co-creation.	 P35-36

Value Creation Initiatives Presented Herein

Materiality



Advance sustainability in a circular economy

Key Sustainability Topic

Customer Environmental Impact Mitigation

Office & Home Printing Business



Initiative Topics

Maximize avoided emissions¹ with products & services that have a lower environmental impact

¹ A quantity that expresses the contribution by products and services to a reduction in society's GHG emissions

KPI
(Evaluation Methodology)

FY2023

Target ➔ Commence the calculation based on a new calculation logic and determine target values

Actual ➔ - Started calculating the reduction contribution of A3 color inkjet printers using the new calculation logic
- FY23 Results: 15.1 thousand t-CO₂e²

FY2024

Target ➔ Exceeding the previous year

² See P30 for details.

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 energy, materials, and labor costs increase.

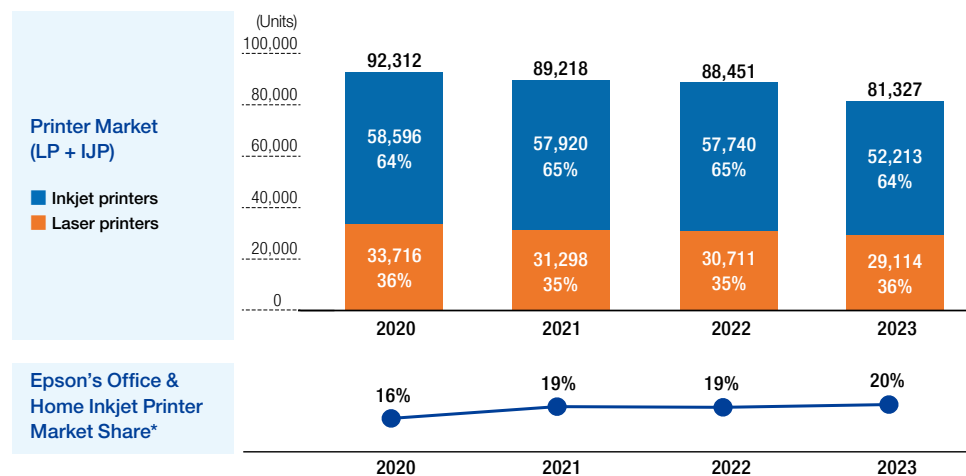
On the other hand, Epson's multifunction inkjet printers have advantages over laser printers in terms of environmental performance and convenience. They consume less power and have fewer replacement parts. They can also be made more compact than laser printers, so they require less space. In FY2019, prior to the COVID-19 pandemic, the global office and consumer print market (inkjet + laser) was estimated to have been a more than 10-trillion-yen market, including both 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, since heat is not used to eject ink. A simple construction means fewer parts to replace and less frequent maintenance. High-capacity ink tanks reduce the frequency of ink replacement. Laser printer toner is largely composed of underground resources, such as petroleum-derived polyester resin. In contrast, the main ingredient of water-based pigment ink is water, a more sustainable material. 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 accelerate a technology shift from laser printers to inkjet printers.

We are driving evolutionary advances in printing. The goal is to improve customer convenience and productivity and to win their loyalty. Toward that end, we strive to understand how and where our customers use our products and the problems they encounter, provide them with tools for operating and managing their printing equipment and consumables, and alleviate the burden and stress of various printing-related tasks.

■ Epson's Global Printer Market Share



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

Source: IDC Worldwide Quarterly Hardcopy Peripherals Tracker 2024 Q2, share by brand, color laser printers 69 ppm or less and monochrome laser printers 90 ppm or less, including multifunction printers. Reproduction or republication of this data is prohibited

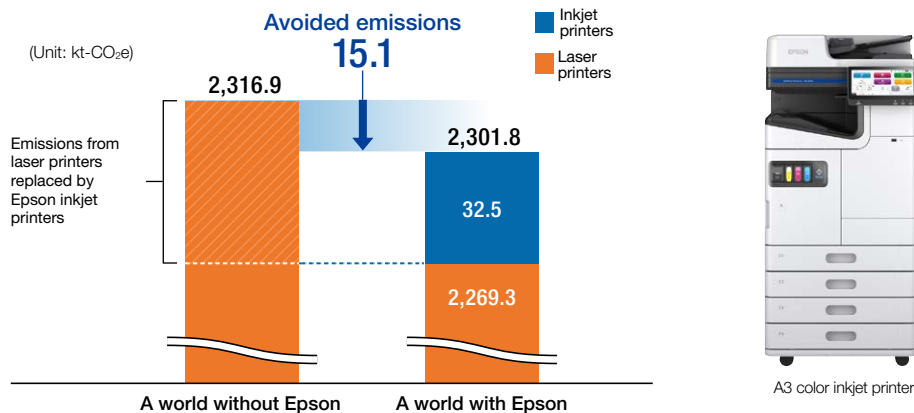
Achieving the KPI with an Office & Home Printing Innovation

We visualize our avoided emissions to show Epson's contribution to environmental impact mitigation, leading to business growth and additional avoided emissions.

In addition to reducing our own GHG emissions, we aim to mitigate our customers' environmental impact through our products and services. To do so, we need to get consumers to choose us by concretely demonstrating our contribution to environmental impact mitigation. Therefore, we first calculated and disclosed the avoided emissions of our A3 color office inkjet printers in the volume zone. To ensure that the information is fair, we developed the calculation logic based on third-party verification while referring to guidance published by the World Business Council for Sustainable Development. As a result, in fiscal 2023, we were able to show that our printers avoided 15.1 kt-CO₂e of emissions³, primarily by minimizing power consumption in printing. We hope that showing our products' environmental performance in terms of avoided emissions will encourage more consumers to switch to Epson. These efforts will lead to business growth and more avoided emissions.

³ The value obtained by multiplying the difference between the weighted average of the published lifetime CO₂ emissions of major laser printers in the global market and the lifetime CO₂ emissions of Epson's A3 color inkjet printers by the number of Epson A3 color inkjet printers sold in the fiscal year, based on the calculation method verified by Mizuho Research & Technologies, Ltd.

■ Avoided emissions for A3 color inkjet printers (FY2023 results)



Societal solutions to which this example contributes

Environmental impact mitigation (maximization of avoided emissions)

Social Impact

Reducing Environmental Impact to Achieve RE100 Target

Acer Group

Epson A3 multifunction inkjet printers introduced



A participant in the RE100, the Acer Group is working to transition to 100% renewable electricity by 2035. We introduced Epson's business printers because, with low power requirements and low CO₂ emissions, they can significantly mitigate our environmental impact. When we were examining our options, we asked Epson to provide data on avoided emissions as well as to verify this through a proof of concept.

We were attracted by the simple structure of inkjet MFPs, which, unlike other printing technologies we have used in the past, have few periodic replacement parts. This translates to shorter maintenance time and higher productivity.

We need to manage printing by a large workforce at multiple offices. We use Epson Print Admin to track print log data and ensure information security while keeping printing costs low.

We also find great value in being able to use Epson Remote Services to instantly monitor the status of our equipment and efficiently manage our printers.



Materiality

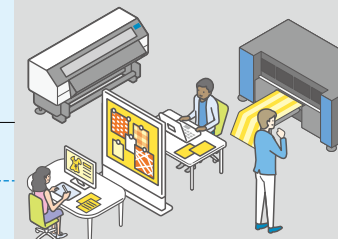


Advance the frontiers of industry

Key Sustainability Topic

Increasing Productivity Through Digitalization and Automation

Commercial & Industrial Printing Business



Initiative Topics

Lead the digitalization of printing, reduce environmental impact, and raise productivity with inkjet technology and solutions

KPI
(Evaluation Methodology)

FY2023

Target ➔ Commercial and industrial inkjet printer average sales growth rate: 10% (YoY)

Actual ➔ 1% vs. previous year

FY2024

Target ➔ 3% vs. previous year

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 the willingness to purchase large commercial and industrial printing equipment, the susceptibility of investments to economic trends, and the constant need for products and services that keep pace with new and changing customer workflows.

Growth Strategy

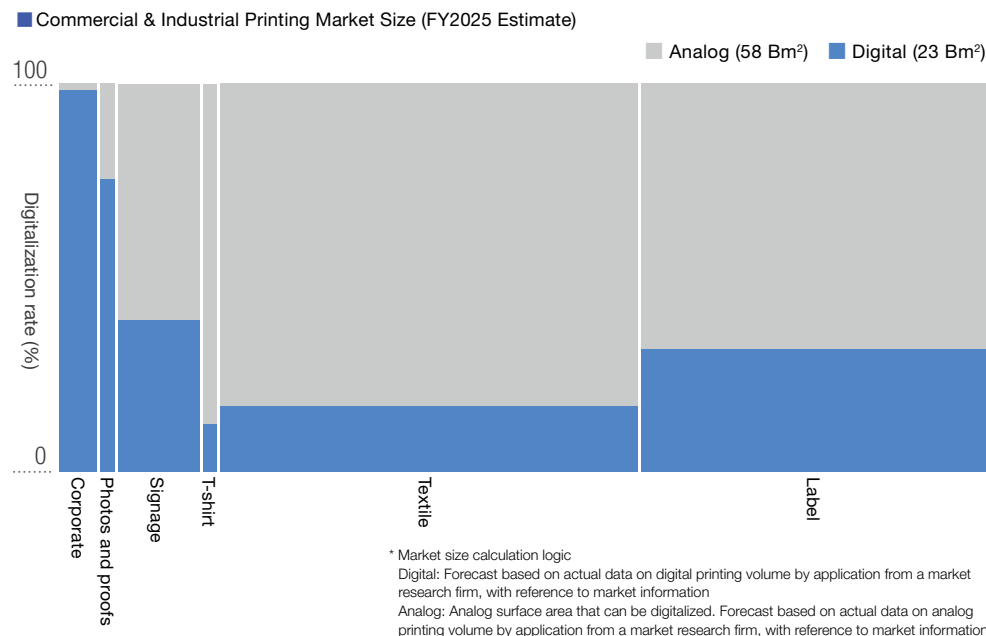
Epson's digital inkjet printers use Micro Piezo inkjet technology to produce exquisite gradations and subtle colors, expanding the design horizon. Digital printing is a much shorter process than analog printing, so short-run print jobs can be done with faster turnaround and at low cost.

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 the operation of 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 seek to sustain growth by combining products that reduce users' environmental impact and increase productivity with solutions that make our products easier to use for everyone.



Achieving the KPI with a Commercial and Industrial Printing Innovation

Epson Cloud Solution PORT solves issues and improves operational efficiency at production sites where large-format printers are used.

Epson Cloud Solution PORT improves production processes by analyzing daily printer operation and error information through Epson printers that are connected to Epson over the IoT. Downtime is reduced via remote monitoring advice and corrective maintenance does not rely on operator skills. In addition, the combination of Epson's proprietary color management technology, Epson Edge Print RIP software, SD-10 colorimeter, and other genuine Epson technologies enables accurate, reliable color matching, bridging color differences among multiple machines to achieve distributed printing. To expand our service offerings and improve usability, we have added a feature that allows customers to view and tally their actual costs for media, ink, and other items, making it easier to estimate the cost of their prints. The Epson Craft Designer store application will continue to help customers improve their productivity by enabling them to easily edit and design photos and images stored on their smart devices and to place orders then and there.



Societal solutions to which this example contributes

Reduce environmental impact and raise productivity

Social Impact

Operational Efficiency Tripled

Discovery Core Co., Ltd.

SC-R5050L large format printer, SD-10 colorimeter, and Epson Cloud Solution PORT introduced

As an exhibition and event company, our strength lies in providing a one-stop service from planning and proposal to construction and removal. Products such as the SC-R5050L resin ink printer and SD-10 colorimeter were approved for a government subsidy program. We believe that a key factor in the decision was the establishment of a DX system using Epson Cloud Solution PORT, which enables multiple large-format printers to be operated remotely. Previously, we had to check the remaining ink level by installing a camera in front of the monitor, but with Epson Cloud Solution PORT, we can now see the remaining ink on each machine at a glance, making continuous operation more efficient. There is also a simulator that aggregates actual media and ink costs, allowing for on-the-spot estimates to be presented in meetings with customers. The pocket-sized SD-10 colorimeter can be used by anyone almost anywhere, and colorimetric data, which we used to have to enter into Excel each time, can be stored in the cloud. I get the impression that, in part because of this convenience, operational efficiency has tripled.

Kenji Saito
Chief Production Director
Sign Division



Materiality



Advance the
frontiers of
industry

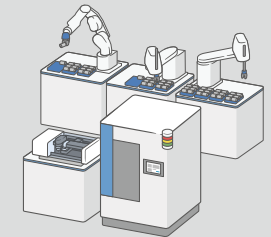
Key Sustainability Topic

Improving Working Environment and Improving Educational Environment

Manufacturing
Solutions Business

Initiative Topics

Alleviate labor shortages through automation with robots



KPI
(Evaluation Methodology)

FY2023

Target → Number of unfilled positions automated¹ 28,000

Actual → 25,000

FY2024

Target → 29,000

¹ Converted based on the effects of an internal Epson project

Opportunities and Risks

Demand for robot-based automation continues to grow due to the decline in the working-age population in developed countries, the aging population in emerging countries, and soaring labor costs worldwide. Advances in surrounding technologies, including AI, are helping to expand the range of robotics technology applications, not only in the automotive and electronics industries but also in the manufacturing and service sectors. Customers from a broad and growing range of sectors consult with us about automation, and we are developing and supporting customers in the medical equipment, food, and logistics fields.

On the other hand, we also perceive risks. As demand for automation increases, competition in the automation equipment industry could intensify and market prices could erode. In addition, securing people with skills in equipment design, manufacturing, and setup is becoming challenging and this is being watched closely as a factor that could hinder growth.

Growth Strategy

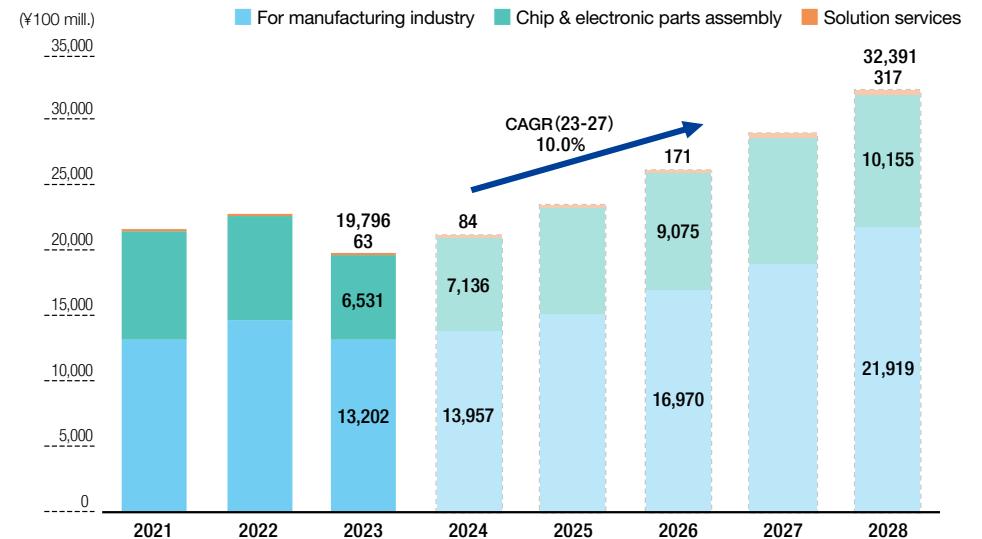
Epson has maintained the top share² in the global market for SCARA robots for 13 consecutive years thanks to an extensive lineup of robots that combine high speed and precision with adaptable, functional programming software. Responding quickly to customer needs requires a platform that allows us to flexibly expand the product lineup. Epson has been investing in the development of such a next-generation platform and will begin releasing new products based on it this fiscal year. Epson also provides user-friendly program development software called RC+Express Edition to lower the barriers to entry for customers who are new to automation and lack software development experience. Going forward, we will look to strengthen our customer touch points using digital technology and to expand the value we provide by combining our robot technolo-

gy with various services.

To meet the fast-growing demand for automation, we will identify and directly approach potential customers in key industries and tailor products to their needs. We will also explore possible expansion into new areas with project teams assigned strategic themes.

On the other hand, we expect the competitive environment to intensify as the demand for automation increases. To realize our vision and drive business growth, we will reorganize to create a lean and robust profit structure and enhance business resilience by optimizing the supply chain.

■ Entire automation market



Source: Fuji Keizai: "2024 Reality and Future Outlook of Worldwide Robot Market"

² Market share based on unit sales of industrial SCARA robots, 2023.

(Source: Fuji Keizai: "2024 Reality and Future Outlook of Worldwide Robot Market")

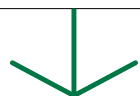
Achieving the KPI with Manufacturing Innovation

Automating production systems through comprehensive technological and support capabilities

Epson has developed technologies and devices in diverse businesses. Among them are image processing and sensing technologies. By combining these technologies with the automation expertise we have cultivated at our own production sites, we are able to provide small, light-weight, slim, power-saving robots that boast unrivaled speed and precision yet are easy to use. Automating production involves more than just installing robots. It also requires the design and construction of processes based on manufacturing know-how.

While robots are capable of accurate work, they are not adept at grabbing and plugging in flimsy cables into connectors whose installation position may vary. This is why know-how in designing and building processes is essential. We solved this problem by equipping robots with image processing to detect connector position and an Epson force sensor that can sense minute forces.

We help our customers build their production systems by leveraging the automation know-how we have accumulated in our own precision-assembly factories. We also provide fast, flexible, and consistent services through our global sales and production sites, which have been strategically located in response to geopolitical risks.



Societal solutions to which this example contributes

Respond to a shrinking labor pool and improves the working environment

Social Impact

Production Was Improved by Seizing an Opportunity to Transform the Company as Production Costs Soared

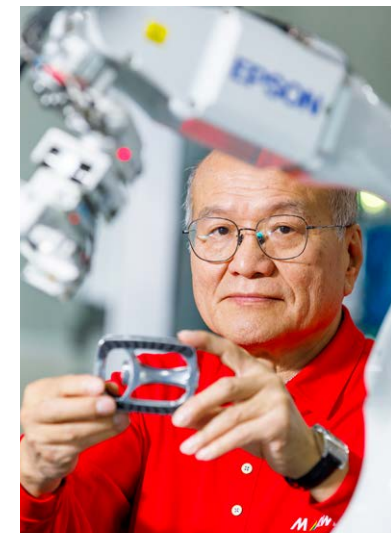
MARWI Taiwan Industrial Co., Ltd.

Taiwan's bicycle industry, which thrived for more than six decades, once faced the threat of hollowing out, but thanks to the efforts of industry, government, and academia, it has maintained world-class manufacturing and sales numbers. Marwi Group is one of the world's largest bicycle pedal manufacturers, with production sites and offices in Taiwan, Indonesia, the Netherlands, the Czech Republic, and Germany, but with support from Taiwan's Ministry of Economic Affairs for smart production sites, Taiwan has been repositioned as the core site. In 2014, we became the first in Taiwan's bicycle industry to automate our production line with robots. Epson's six-axis robots, with their speed and accuracy, are being used to achieve full automation. The combination of robots and vision systems enables us to manufacture multiple models with efficiency and high quality. The ratio of human labor to machinery in production at the Taiwan site is 3:1. In this industry, that is an extremely high ratio of machinery. By proactively utilizing automation solutions, we have been able to improve our operational efficiency by about 20%.

Patrick Pai
Chairman
MARWI Taiwan Industrial Co., Ltd.



Six-axis robot
C4 series



Materiality



Advance the
frontiers of
industry

Key Sustainability Topics

Improving Working Environment and Improving Educational Environment

Visual Communications
Business

Initiative Topics

- (1) Realize a fair, natural, comfortable 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

KPI
(Evaluation Methodology)

FY2023

Target →

① No. of adopting companies, or number of partners

2

②-1 No. of co-creation/ collaborative programs in field trials

20

②-2 No. of countries where use was demonstrated in general education and societal issue awareness

—

Actual →

2

29

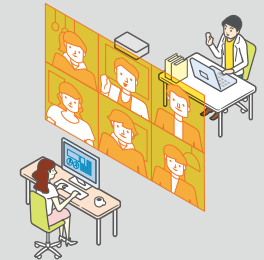
Selected PoC countries
Countries where PoC
will be performed: 2

FY2024

Target →

Retained + at least 1
new company

Cumulative total: 40



Opportunities and Risks

Investment in digital art and other immersive art experiences is growing worldwide. Meanwhile, demand for big-screen home viewing continues to be strong, driven by the popularization of video streaming services. Flexible hybrid work environments that allow employees to split their time between remote locations and conventional offices are now 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 demand for a fair, natural, smooth visual communication environment that both feels immersive and delivers the necessary volume of information. At the same time, there is growing anticipation for technological advancements that can enhance productivity and support creativity. We recognize both the enormity of the societal issues and the huge potential of the education market. Worldwide, 263 million people remain out of school, mainly poor people and girls in Africa and South Asia. It is estimated that there are 610 million children and young people who have not been able to acquire basic reading comprehension and calculation skills due to the quality of education even if they go to school¹. The education challenges are not confined to developing countries. Developed countries also have regions that lack infrastructure, resulting in inequitable learning opportunities. The use of digital technology has become a major theme for creating quality learning opportunities and closing the learning gap. We believe that projectors can play a big part in evening the playing field. On the other hand, we are carefully watching trends in the growing market for remote visual communications, where we foresee competition from non-projector devices such as large-screen displays and tablets intensifying.

¹ Source: JICA - Japan International Cooperation Agency, "JICA Global Agenda: Education"
<https://www.jica.go.jp/english/activities/issues/education/index.html>



High-brightness business projector model released in May 2024. Create an immersive visual experience.



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. A projector that combines 4K-equivalent resolution with an ultra-short-throw lens can project sharp, nearly life-sized images of people at a remote locations, creating the illusion that everyone is in the same space. We will develop the market by collaborating with online conference service providers and expanding proof-of-concept studies through co-creation with local governments. We are accelerating our efforts to create learning opportunities and alleviate disparities in the education market by working with the Japan International Cooperation Agency (JICA). We are conducting proof-of-concept (POC) studies to verify the effectiveness of support for touring lessons that take advantage of the portability that projectors offer. We are also raising awareness 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.

Achieving the KPI with a Visual Innovation

We want to provide learning opportunities for all. After detailed proof-of-concept studies in developing countries, we are moving towards concrete plans for business commercialization through co-creation.

Epson is leveraging its expertise in projectors and education support to help improve learning environments around the world. We are developing a business model aimed at accelerating societal solutions by responding to the needs in developing regions where JICA operates. The spread of education is an urgent issue that is inseparable from the quality of life in developing countries. However, we hypothesized that various factors may be hindering the spread of education, and that the efficiency and quality of education may not be adequately ensured. To test this hypothesis, we began proof-of-concept studies in the field.

JICA's Smallholder Horticulture Empowerment & Promotion (SHEP) program required outdoor use of a projector. To accommodate this, we provided a portable set that included a projector, a special screen for projecting vivid images even in bright locations, and a battery. The set was used to conduct



A proof-of-concept study using a projector in a SHEP course in Bolivia

proof-of-concept studies at 63 sites in 20 countries over a two-year period. From agricultural education for adults to basic education for children, issues identified through proof-of-concept studies are being addressed through the co-creation of a business model. Epson will continue to devise ways to alleviate learning disparities by providing learning opportunities for all while also growing the visual communications business from a long-term perspective.

Societal solutions to which this example contributes

Alleviate learning disparities caused by regional and societal differences

Social Impact

Creating Learning Opportunities in Africa to Help Expand Future Employment Opportunities

JICA ABE Initiative² Scholarship Student

[▶ See the back cover for footnote ²](#)

Having been a teacher in my home country of Guinea, I believe that in order to improve the quality of life in Africa, it is essential to create an environment where all people have equal access to educational opportunities.

In Africa, educational opportunities are closely linked to employment opportunities. About 75% of the population is age 25 and under, and about 70% of them are out of school for various reasons. JICA provides learning opportunities for people of all ages, and their partnership with Epson helps to create a more effective educational environment. For teachers and children in developing countries, a projector might be their first encounter with ICT equipment. These opportunities create the added value of gaining skills in the use of digital technology. I came to Japan under JICA's ABE Initiative scholarship program to develop people who can show initiative in business connecting Japan and Africa, and I had the opportunity to do an internship at Epson in 2023. Epson's commitment to creating learning opportunities and alleviating disparities in developing countries resonated with me, and I am now working for Epson. We will steadily develop potential markets from a long-term perspective by leveraging our strength in knowing the realities of the education market in developing countries through first-hand experience.

Koulibaly Abass
Former scholarship student
Seiko Epson VP Business
Development Department



Environmental Strategy & Technology Development Strategy



Achieving business growth while mitigating environmental impact to become a leading environmental company

Kazuhiro Ichikawa

Executive Officer,
Technology Development Division
General Administrative Manager and CTO /
Global Environmental Strategy Promotion Office
General Administrative Manager

Environmental Strategy

Accelerating the Circular Economy

Epson has cited achieving sustainability in a circular economy as a priority (material) issue. 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 use renewable electricity. We cannot accomplish these alone. There needs to be a common commitment to accomplishing shared goals. So, in addition to adopting circular processes in our businesses, we are engaging our suppliers in actions to create an “Epson Green Supply Chain” and are reviewing 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.

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)

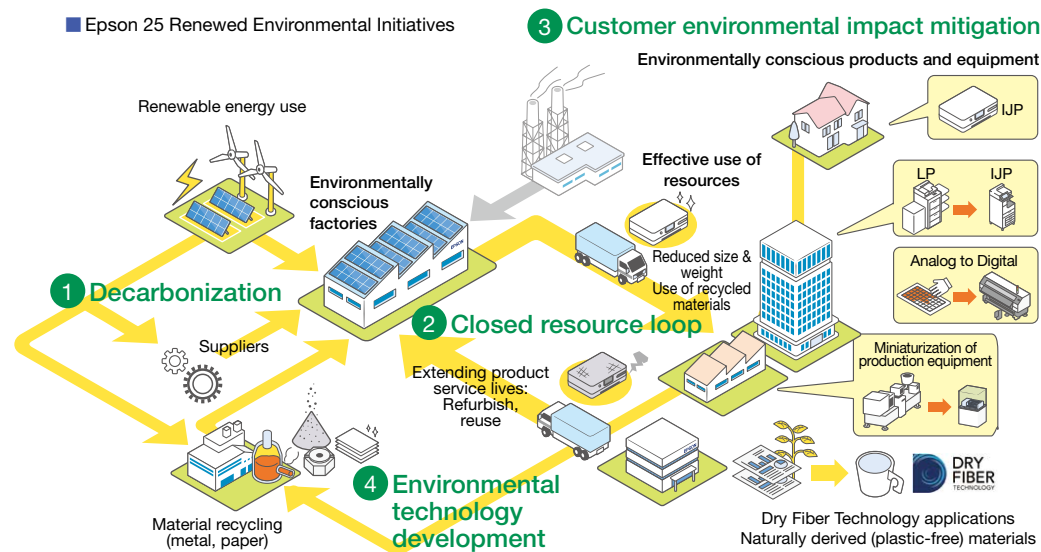
Environmental Initiatives

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 P39 for examples of decarbonization.
- See P40 for examples of closed resource loop and customer environmental impact mitigation.
- See P44 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 resource 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 achieving the goals set for 2050.

■ Main Strategic Actions in the Mid-Range Environmental Action Plan and the Roadmap

Decarbonization

2030 target: Zero scope 1 & 2 emissions

- Scope 1 (fuels): Electrification & conversion to decarbonized fuels
- Scope 2 (Electricity): Switch to renewable electricity & expand local and in-house power generation

2030 target: 55% reduction in total emissions³

Resource Circulation

2030 target: 50% sustainable resource rate

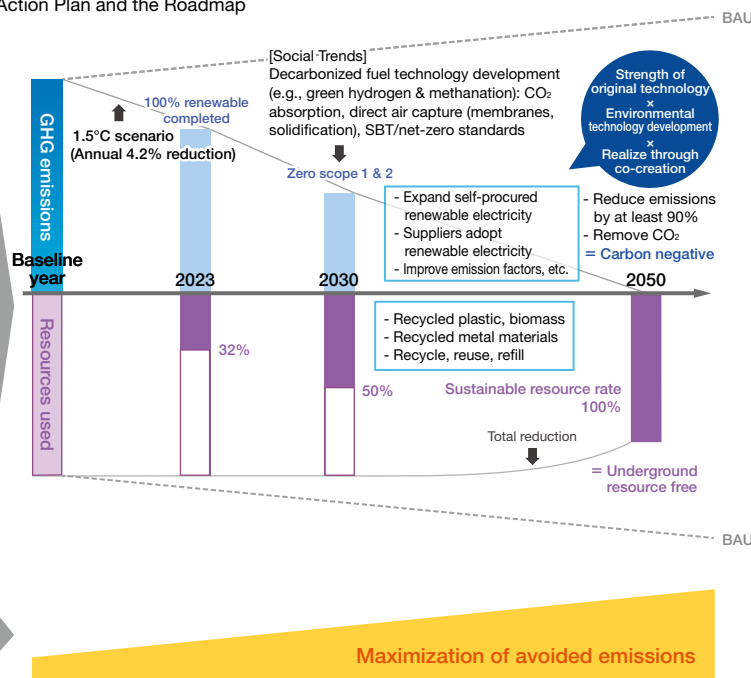
- Use sustainable resources for main materials (plastic & metal)

Multifaceted Actions

- Reduce product size, weight & replacement parts
- Reduce product energy use
- Resell returned products, refurbish used products, refill
- Establish long service life business model
- Engage suppliers on renewable electricity & recycled materials
- Minimize production losses, reduce GHGs

Customer Environmental Impact Mitigation

- Expand products & services that have a lower environmental impact



³Scope 1, 2, and 3 emissions compared to 2017

Supplier Engagement Activities

Epson's switch to renewable electricity, achieved in 2023, is a huge step forward. However, the majority of Epson's GHG emissions come from the supply chain, so we need to strengthen cooperation with our suppliers to promote broader decarbonization across society. Therefore, we launched an Epson Green Supply Chain project in 2024 to help our suppliers set decarbonization targets and adopt renewable electricity. Through these activities, we will increase the number of business partners who share our vision and engage the entire supply chain in environmental impact mitigation.

→ See P59 for Epson Green Supply Chain initiatives.

Environmental Strategy & Technology Development Strategy

Declared Support for the TNFD

In September 2023, Epson expressed its support for the public disclosure recommendations published by the Taskforce on Nature-related Financial Disclosures (TNFD) and registered as a "TNFD Adopter" (June 2024). We will continue to develop plans in accordance with the TNFD framework and will disclose information from 2025, updating the content progressively.



Partnership for Forest Conservation and Restoration

In March 2023, Epson launched a three-year international corporate partnership with the World Wide Fund for Nature (WWF), a global conservation organization, to support WWF's forest conservation and nature restoration activities at "deforestation fronts" worldwide. Epson shares WWF's vision of building a future in which people live in harmony with nature and contributes to its activities in regions such as Southeast Asia and South America.

■ Forest conservation projects supported by Epson in partnership with WWF



- 1 Mekong region Protects forests in tiger habitats from agricultural expansion and poaching
- 2 Sumatra, Indonesia Saves the remaining forests from agricultural expansion and poaching
- 3 Borneo, Indonesia Helps 800 households practicing environmentally friendly oil palm cultivation
- 4 Australia Strives to move away for "deforestation fronts" and revitalize Koala habitats
- 5 Brazil Reforests 70 hectares of degraded pastureland
- 6 Ghana Implements agroforestry practices on a 300-hectare cacao plantation
- 7 Japan Reduces deforestation risks for companies sourcing agricultural and forestry products.

Decarbonization

Environmental Strategy & Technology
Development Strategy

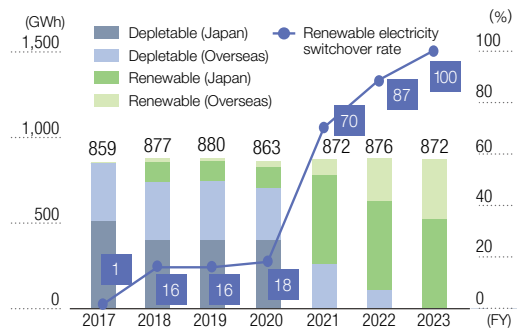
100% of the Electricity We Use is from Renewable Sources

Renewable electricity use is an important step toward achieving our decarbonization goal. We completed the switch to renewable electricity at our domestic sites in November 2021 and at our global Group sites⁴ in December 2023. This has reduced the consumption of fossil fuels and will reduce our GHG emissions associated with electricity use to zero.

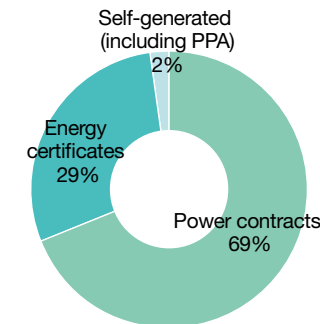
In 2017, when we started to transition to renewables, 70% of our Scope 1 and 2 emissions were from depletable energy sources. With Europe moving toward renewable electricity, we negotiated with office building owners for new power agreements. In Thailand, in addition to generating our own power with a rooftop mega-solar system, we switched to an agreement that uses power certificates from biomass (rice husk) power generation. Epson sites operating where power agreements are not available are using renewable energy certificates and other methods of procurement available in their country or region.

⁴ Excluding some sales sites and leased properties where the amount of electricity consumed cannot be determined

■ Renewable Electricity Use and Switchover Rate (as of the March 31, 2024)



■ Breakdown of procurement methods (FY2023)



Planning for a Biomass Power Plant

Seiko Epson is planning the construction of the company's first biomass power plant, in Iida City, Nagano Prefecture. The plant is intended to provide Epson with self-generated renewable electricity on a continuous basis and reduce the ratio of electricity the company purchases from power companies. The electricity generated will be sold to the market under a feed-in premium (FIP) scheme⁵. Power may also be supplied to community facilities in the event of a disaster. The plant will be fueled primarily by unused wood from nearby. By utilizing wood and bark from neglected forests, Epson will also be contributing to forest maintenance and to the local community.



Conceptual image

⁵ In a FIP scheme, renewable electricity producers that sell electricity on a wholesale market, for example, receive a premium on top of the selling price.

PICK UP



<https://corporate.epson/en/sustainability/environment/decarbonization/transition100/>

Reuters Plus on 100% Renewable Electricity Use in Manufacturing

Many business leaders have pledged to achieve decarbonization targets based on the 2015 Paris Agreement goal of limiting the increase in global average temperature to 1.5°C above pre-industrial levels. To achieve this goal, GHG emissions must be reduced to virtually zero. Shifting to renewable electricity is an important step toward this. However, while companies have shown a clear commitment to renewable electricity, there are still significant obstacles in the way.

Challenges and Strategies for Transitioning to Renewables

At the 28th Conference of the Parties (COP28) to the United Nations Framework Convention on Climate Change (UNFCCC), more than 120 countries and regions endorsed the historic pledge to triple renewable electricity generation globally by 2030. This goal has been described as “ambitious yet achievable” by the International Energy Agency (IEA). Reaching this goal will require raising renewable electricity generation to at least 11,000 Gigawatts (GW) by 2030. This is 20% higher than the current forecast from Bloomberg NEF of 9,000 GW. According to the IEA, manufacturing and industry account for about one-third of global energy consumption, and electricity is the main source of energy⁶. If all the electricity consumed by factories and industrial plants could be supplied from renewable electricity, it would contribute significantly to combating climate change. In the pursuit of a renewable electricity future, one important strategy is to use local natural resources, such as solar and sustainable biomass, rather than imported energy resources.

The Path Forward for Manufacturing

Many manufacturers like Epson realize that indirect GHG emissions from their entire value chain (scope 3) are much greater than the GHG emissions from their own electricity use (scope 2). However, reducing their scope 2 emissions using renewable electricity—something they can do independently—is likely to have a far greater impact on society. Setting goals early and demonstrating a company's stance toward solving climate change is the key to co-prosperity with suppliers and a sustainable society. Epson's groundbreaking commitment to 100% renewable electricity at its global sites is helping to increase demand for renewable electricity and expand generation capacity. Just as important, it provides a path forward for other companies.



Roundtable with experts



White paper

⁶ International Energy Agency (IEA): <https://www.iea.org/energy-system/industry>

Closed Resource Loops

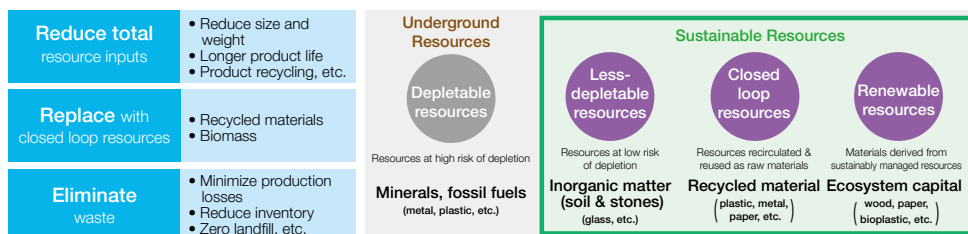
Initiatives to Become Underground Resource Free

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 it uses natural capital. We will endeavor to reduce total resource inputs, eliminate waste/disposal, and reach a 100% sustainable resource rate⁸. Ecosystem capital is renewable and non-depletable if used wisely. We will use previously mined underground resources to reduce consumption of new underground resources and become underground resource free by 2050.

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

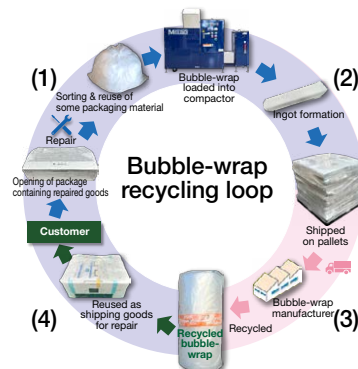
■ Conceptual image of resource use for Epson to become underground resource free



Reducing Waste by Recycling Cushioning Materials

Epson Service, which provides repair services for Epson brand products in Japan, has established a scheme to recycle and reuse cushioning materials that were previously disposed of as waste. Soft plastics such as bubble-wrap accounted for approximately 90% of the company's CO₂ emissions from waste. In this scheme, (1) packaging materials for incoming products are sorted and some are reused; (2) the bubble-wrap is compacted for efficient transportation and (3) delivered to the manufacturer as raw material; (4) recycled cushioning material is purchased and used when shipping repaired products back to customers. This will reduce CO₂ emissions by 3.9 tonnes per year and enable the continued use of bubble-wrap made from 80% or more sustainable resources (recycled material).

■ Scheme for Reusing Bubble-Wrap Cushioning Material



Customer Environmental Impact Mitigation

Environmental Strategy & Technology
Development Strategy

Estimating Avoided Emissions Based on Fairer Calculation Logic

Customer environmental impact mitigation is a part of Epson's growth strategy and a way to create value for society. As part of these efforts, we have been calculating and disclosing our avoided emissions⁹. However, with corporations increasingly expected to calculate their emissions based on recognized standards such as the guidance from the World Business Council for Sustainable Development (WBCSD), we decided to revise our calculation logic.

We started by calculating the avoided emissions of A3 color inkjet printers to accelerate the replacement of laser printers with inkjet printers, which is an important strategy in office and home printing. To ensure fairness, the calculations were based on WBCSD guidance and checked by a third party. It was shown that 15.1 kt-CO₂e worth of emissions were avoided FY2023¹⁰. Epson's efficient, compact and precise technologies can help to mitigate environmental impact. By applying the calculation methodology formulated for A3 color inkjet printers to other product genres, we will visualize Epson's goal of mitigating the environmental impact of our customers.

⁹ A quantity that expresses the contribution by products and services to a reduction in society's GHG emissions

¹⁰ Based on the calculation method confirmed by Mizuho Research & Technologies, Ltd., the value is obtained by multiplying the difference between the weighted average of the publicly available lifetime CO₂ emissions of major laser printers in the global market and the lifetime CO₂ emissions of Epson's A3 color inkjet printer by the number of Epson A3 color inkjet printers sold in a given fiscal year.

Recognized for Excellence in Energy Efficiency and Conservation

In contrast to multifunction laser printers, which consume considerable electricity because they use heat to fuse toner to the paper, Epson employs Heat-Free technology to eject ink. The LM series of linehead inkjet multifunction printers won the Agency for Natural Resources and Energy Commissioner's Award (Product Category & Business Model Category) under the fiscal 2023 Grand Prize for Excellence in Energy Efficiency and Conservation awards program. They were recognized for their reduced power consumption in sleep mode and during operation thanks to a new circuit unit.



WorkForce Enterprise
LM-C6000/LM-C5000/LM-C4000

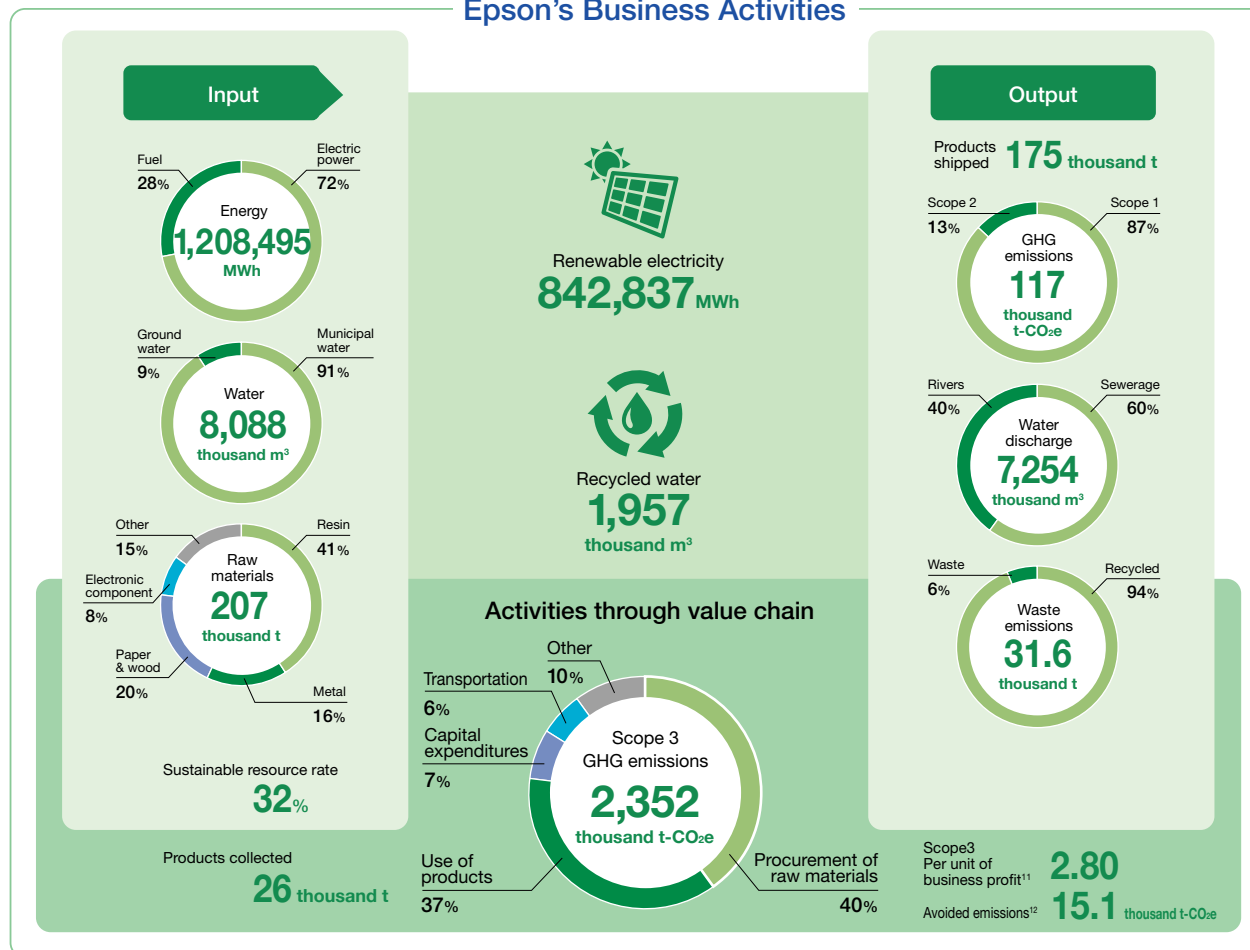
Reducing the Environmental Impact of Our Business Activities

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 FY2023 we basically reached our reduction targets. Scope 3 emissions increased slightly compared to last year, and emissions intensity relative to business profit worsened in categories 1 and 11 due to a decrease in business profit. However, total emissions decreased by approximately 28% compared to fiscal 2017.

Material Balance (FY2023)

Epson's Business Activities



Achievements

Scopes 1 & 2 GHG emissions

-80% 117 thousand t-CO₂e

Target: -34% by FY2025
Target value:
391 thousand t-CO₂e

Scope 3 GHG emissions (Per unit of business profit)

-17% 2.80

Target: -44% by FY2025
Target value: 1.90

Water use efficiency (water intake by revenue)

15% improved 6.2 thousand m³ per billion yen

Target: Improve water use efficiency (water intake by revenue) by 1% from the reference value
Target value:
7.3 thousand m³ per billion yen

Waste emissions

-5.6% 31.6 thousand t

Target: previous year or less
Target value: 33.2 thousand t

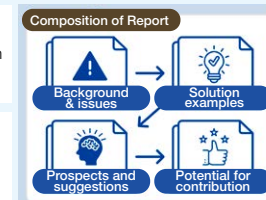
Raising Environmental Awareness

In FY2023, we conducted Irodori Report Training, a program for raising the environmental awareness of employees, to familiarize them with our environmental strategy and generate business ideas for solving environmental issues. The participants each researched an environmental issue, considered solutions, and presented a report to the Environmental Subcommittee. The reports were made available for viewing to get other employees thinking about the environment.

Irodori Report Structure

- Environmental Issues (background & examples)**: Study an environmental issue, such as e-waste disposal and the popularization of biodegradable plastics
- Business Ideas (outlook and prospects)**: Consider the potential for new business and what business or business model innovations would be needed to solve issues

Report Image



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

¹² Based on the calculation method confirmed by Mizuho Research & Technologies, Ltd., the value is obtained by multiplying the difference between the weighted average of the publicly available lifetime CO₂ emissions of major laser printers in the global market and the lifetime CO₂ emissions of Epson's A3 color inkjet printer by the number of Epson A3 color inkjet printers sold in a given fiscal year.

Responding to TCFD Recommendations



Responding to TCFD Recommendations

<https://corporate.epson/en/sustainability/initiatives/tcfd.html>

Environmental Strategy & Technology Development Strategy

Climate change is greatly impacting society and Epson sees it as a significant societal problem. The goal of the Paris Agreement is to achieve decarbonization and limit the global average temperature to well below 2°C above pre-industrial levels and try to limit the temperature increase to 1.5°C. To achieve this, Epson is working to reduce total emissions in line with a 1.5°C scenario by 2030. We analyzed scenarios based on the TCFD framework to quantitatively assess the financial impact¹³ 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. We found that the impact of physical risks on our domestic and overseas sites due to damage arising from weather extremes would be small. The table below shows the results of actions implemented in FY2023 with respect to risks and opportunities that could have a large to medium financial impact. Please click on the link above for details, including transitional risk and physical risk with a small financial impact.

Climate-Related Risks and Opportunities in a 1.5°C Scenario/ FY2023 Actions (Excerpt)

Category		Evaluated risks & opportunities	Actualization ¹⁴	Business impacts		Financial impact	FY2023 actions	Results of actions implemented in FY2023		
Transition risks	Market changes Policy & laws and regulations	(Initiatives in Environmental Vision 2050) - Decarbonization - Closed resource loop - Environmental technology development	Short-term	Impact	<ul style="list-style-type: none"> Decarbonization of products, services, and supply chains as well as advanced initiatives in resource recycling are needed to respond to the shared global societal issues of climate change and resource depletion. Scientific and specific solutions are necessary to develop environmental technologies linked with the rapid decrease of environmental impacts. 	Response to risks	<ul style="list-style-type: none"> Decarbonization - Renewable energy use - Energy-saving facilities & equipment - Greenhouse gas removal - Supplier engagement - Carbon-free logistics Closed resource loop - Use resources effectively - Minimize production losses - Extend product service lives Environmental technology development - 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	<ul style="list-style-type: none"> Completed switching 100% to renewable energy at all sites of the Epson Group globally¹⁵ Developed a roadmap for long-term stable procurement of renewable energy and a plan to construct a biomass power plant, our first such in-house plant (operation to begin in 2026). Expanded the use of recycled plastic products, and increased the long-term use of products through refurbishing/reuse. Started construction of a new plant to recycle metal waste as materials for metal powder products (operation to begin in June 2025) (Epson Atmix). Coordinated with external parties for the development of new technologies for fiber recycling by applying dry fiber technology. Strengthened a system for the development of cellulose composite bioplastics and promoted the development. Promoted the development of a technology for separating and collecting CO₂ using a separation membrane and a CO₂ absorption technology utilizing algae. 	<ul style="list-style-type: none"> ¥4.79 billion (breakdown) -Investment: ¥1.54 billion -Expenses: ¥1.73 billion -Personnel expenses: ¥ 1.52 billion Cumulative input costs and investments for Environmental Vision 2050: ¥12.64 billion in total
Environmental business	Short-term	Assumed scenarios	<ul style="list-style-type: none"> Market growth is expected in the areas of global warming prevention, waste treatment, and effective utilization of resources. The shift to a circular economy is expected to drive market growth for recycled plastics, high-performance biomaterials, bioplastics and metal recycling. 	Business opportunities	<ul style="list-style-type: none"> Generate revenue by value transformation (enhancing functionality), eliminating plastics (packing and molding materials), creating new high-value-added materials and carrying out other measures through the establishment of technologies, such as applications of dry fiber technology, including paper recycling, development of naturally derived materials (elimination of plastics) and recycling of raw materials (metal and paper recycling) as effective solutions for combatting global warming and shifting to a circular economy. 	Medium	<ul style="list-style-type: none"> Started verification of a business model for fiber recycling with an eye to business development with dry fiber technology as the core technology. 	-		

¹³ Financial Impact Small: < 1 billion yen Medium: 1-10 billion yen Large: >10 billion yen ¹⁴ Actualization Short term: < 10 years Medium term: 10-50 years Long term: > 50 years ¹⁵ Excluding some rental properties housing sales sites.

¹⁶ Comparison of actual results for FY2022 to FY2023 forecasts at the time of announcement of Epson 25 Renewed.



Technology Development Strategy

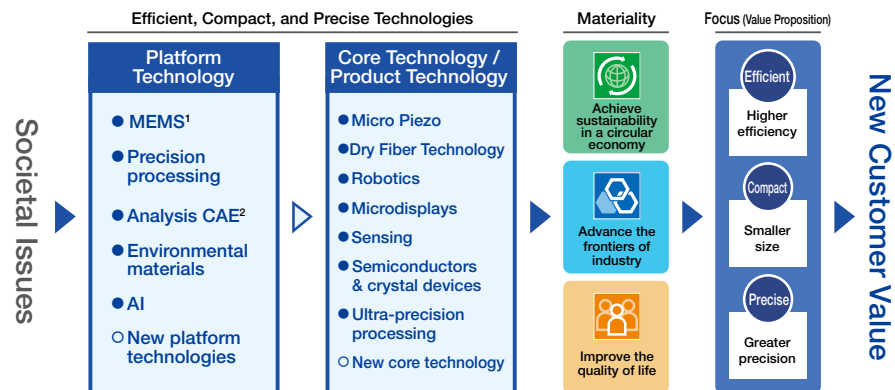
Developing Technology to Solve Societal Issues

Epson has identified four material issues that it should address to help solve societal issues and advance toward its aspirational goal of achieving sustainability and enriching communities. The Technology Development Division is focusing on three of them: achieving sustainability in a circular economy, advancing the frontiers of industry, and improving the quality of life.

Epson has always provided value by examining ways it can leverage its philosophy of efficient, compact, and precise innovation to benefit society. Our efficient, compact, and precise technologies are the source of our competitiveness. They include such core technologies and product technologies as Micro Piezo inkjet printheads, Dry Fiber Technology, robotics, microdisplays, sensors, semiconductors, crystal devices, and ultra-precision processing. These were derived from platform technology such as MEMS¹, precision processing, analysis CAE², environmental materials, and AI. In addition to these, we are also working to establish new technologies.

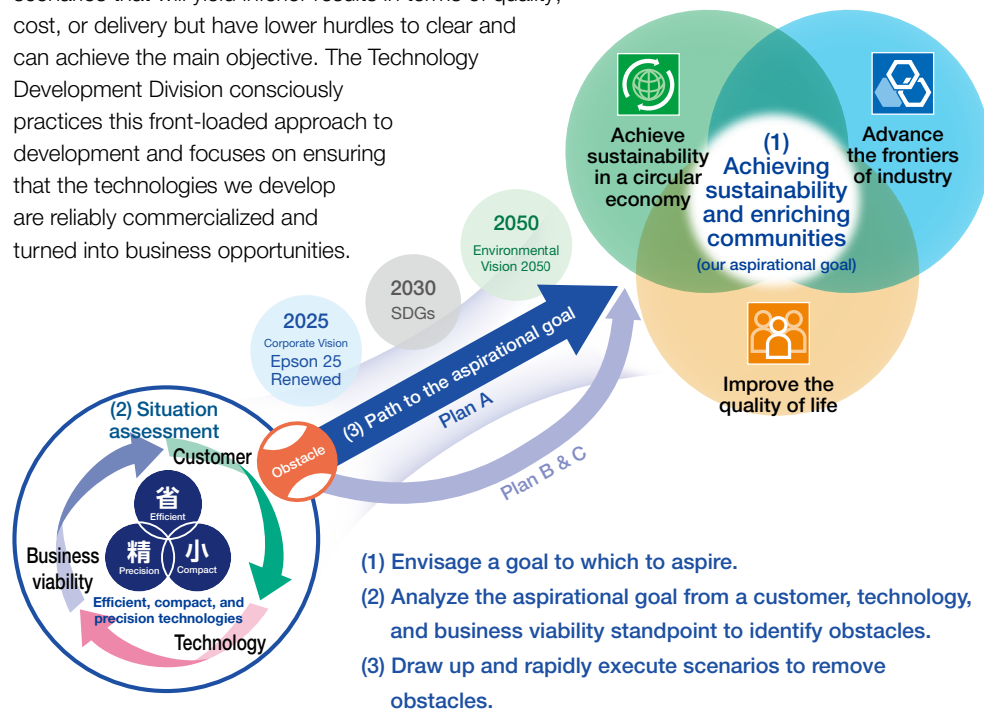
Epson will create new customer value by continuing to develop and refine technology that leads to higher efficiency, smaller size, and greater precision.

See the back cover for footnote ¹ & ²



Front-Loading Technology Development: The Commercialization Process

We focus on developing the technology we need to realize the goals of three material issues. We assess the situation, identify obstacles that must be cleared for a plan to succeed, then prepare multiple scenarios to get us to the goal. We examine 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. The Technology Development Division consciously practices this front-loaded approach to development and focuses on ensuring that the technologies we develop are reliably commercialized and turned into business opportunities.



- (1) Envisage a goal to which to aspire.
- (2) Analyze the aspirational goal from a customer, technology, and business viability standpoint to identify obstacles.
- (3) Draw up and rapidly execute scenarios to remove obstacles.

Accelerating Technology Development

The Technology Development Division is currently focusing on developing environmental technologies for closing resource loops and on developing production technologies for eco-conscious manufacturing. To achieve these goals, we are expanding the use of digital technologies such as AI, including for product manufacturing processes, and creating new value with partners who share the same goals.

Key Word: Environment

Environmental Strategy & Technology Development Strategy

Environmental Technology Development for Resource Circulation & Production Technology Development for Eco-conscious Manufacturing

Epson seeks to achieve sustainability in a circular economy. Toward this end, the Technology Development Division is developing environmental technology, including Dry Fiber Technology and metal powder manufacturing technology. It is also helping to make manufacturing processes more efficient by introducing mold technology and development technologies such as 3D printers. In addition, by developing technologies that combine unique technologies such as inkjet and robotics, we are realizing eco-conscious manufacturing to advance the frontiers of industry.



Environmental technology development
(Also learn about our CO₂ absorption technology, which is not covered here.)
<https://corporate.epson/en/sustainability/environment/development.html>

Development Examples

1 Development of closed-loop materials

We are applying Dry Fiber Technology to the development of biomass plastics through participation in the Cross-ministerial Strategic Innovation Promotion Program and the Pararesin Japan Consortium³.

→See P46 for SIP initiatives.



▶ See the back cover for footnote ³

2 Metal powder manufacturing technology

Metal powders are manufactured using Epson Atmix's fine metal powder manufacturing technology.



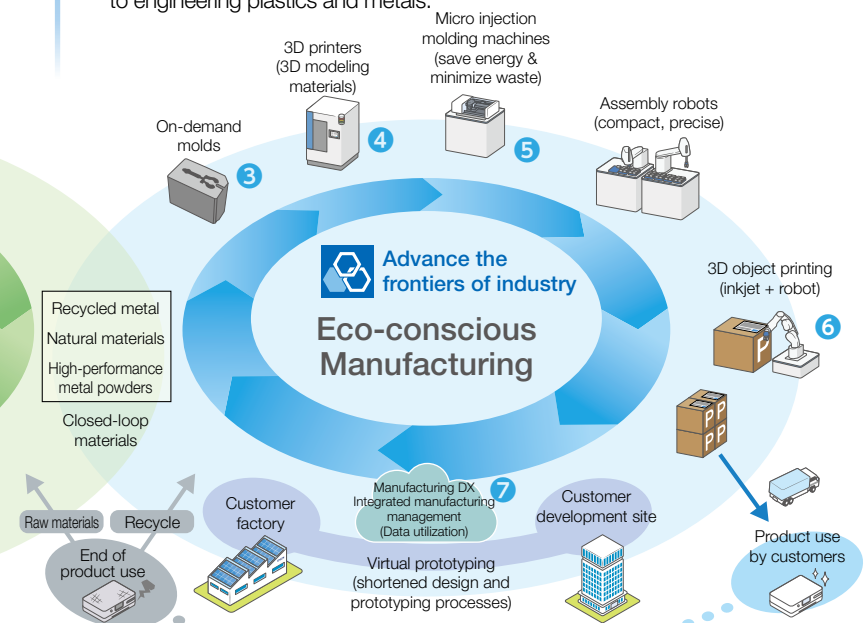
Development Examples

3 On-demand mold services

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

4 3D printers that innovate manufacturing

We will increase development and prototyping efficiency with 3D printers that can produce objects using a wide range of materials, from general-purpose plastics to engineering plastics and metals.



5 Micro injection molding machines

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

6 3D object printing

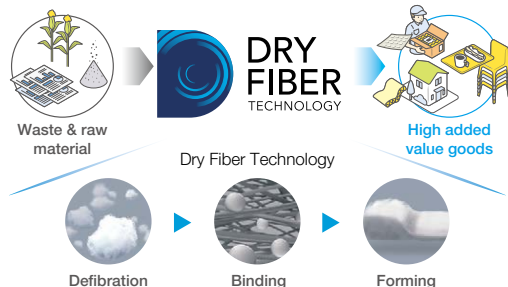
High-speed inkjet printing and precision robots can be combined to print on 3D objects.

7 Manufacturing DX

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

Dry Fiber Technology

This proprietary Epson technology can realize high-performance materials by defibrating paper as well as a wide variety of other fibrous materials as needed for a given application, binding the fibers with functional materials, and forming them into the desired shape.



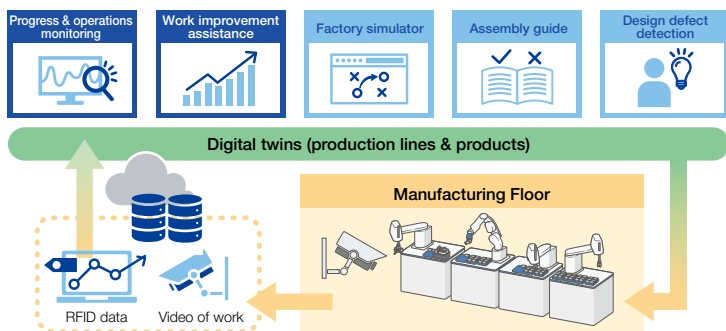
Key Word: Digital Transformation (DX)

Environmental Strategy & Technology Development Strategy

CAE

Enhancing Manufacturing Through DX

Within our DX program, we are looking to strengthen manufacturing by using digital twins, data-driven virtual models of physical objects that perform accurate simulations. For example, in upstream processes such as development and design, we use computer-aided engineering (CAE) to simulate new product manufacturing lines and component processing conditions in advance, then incorporate the results in product design to solve problems before creating prototypes.

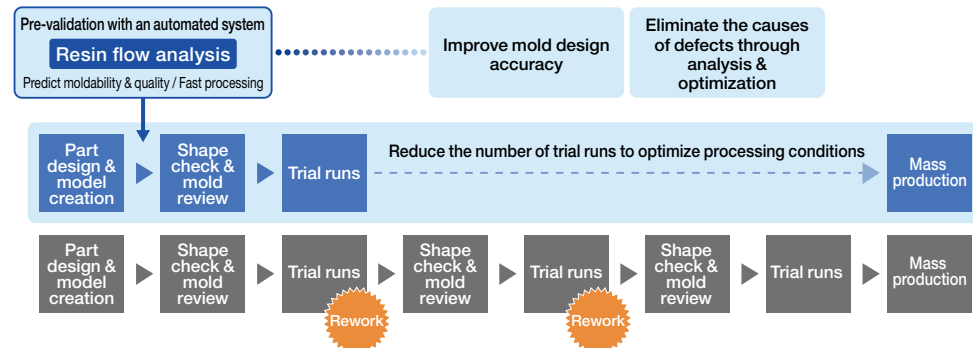


Usage Examples

Automatic Resin Flow Analysis System for the Injection Molding Process

Epson produces a wide variety of parts by injection molding. In parts production, molding conditions must be optimized through repeated trial and error before actual mass production begins, and the number of trial runs must be reduced to eliminate rework. In response, we developed an automated resin flow analysis system that can quickly derive optimal molding conditions, significantly reducing the number of trial runs required to optimize processing conditions. As a result, the time required to mass-produce new products has been shortened substantially, leading to a reduction in support man-hours for overseas production sites.

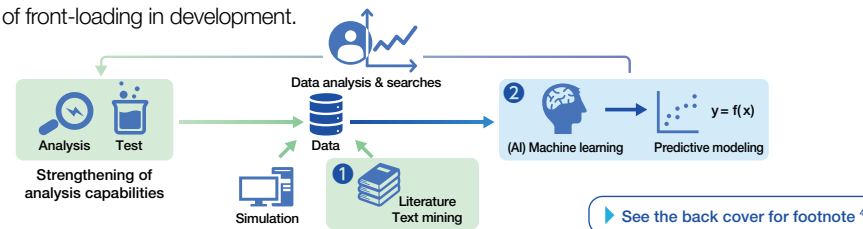
In addition, engineers with CAE skills in the Technology Development Division and production engineers in each business work together to front-load development of new products.



AI

Strengthening & Streamlining Technology Development with MI & PI

We are also introducing AI in technology development to strengthen and streamline our technology development capabilities. Specifically, we aim to front-load technology development through a data-driven approach by applying material informatics (MI) and process informatics (PI)⁴. In MI (Materials Informatics), machine learning (AI) is used to create models from existing data to predict new material properties, thereby shortening the material development period. Similarly, AI is applied to product processing to rapidly stabilize product quality and improve product performance, supporting the realization of front-loading in development.



Usage Examples

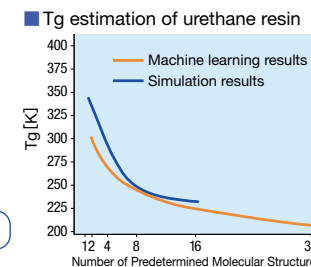
1 Exploration of New Materials: Data Extraction and Analysis Using Substitute Technical Paper Data

When there is limited internal knowledge data obtained from experiments with new materials, we utilize technical papers from research institutions as a data source. When exploring for materials, we build a library from the data of papers and derive the desired material composition through the analysis.

2 Construction of a General-Purpose Model: Rapid Estimation of Polymer Properties

Data is generated from the chemical structural formulas of polymers, and a learning model is created to estimate the glass transition temperature (T_g)⁵ based on the functional groups and bonds of the polymers. Compared to conventional experiments and simulations, urethane resins can be predicted with the same accuracy in a very short time.

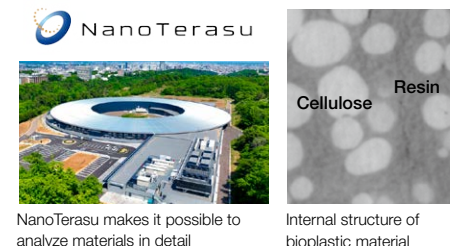
See the back cover for footnote 5



Future Steps

Utilizing Next-Generation Synchrotron Radiation to Enhance Analytical Capabilities

To improve MI and PI usage accuracy, we are also working to strengthen analysis capabilities of actual products (product materials). Epson and Tohoku University are collaborating on innovative research and development that will lead to the development of low-cost, high-strength recycled plastics. In the future, we will observe the inside of the materials to be developed using synchrotron radiation, which can visualize the world at the nanometer level, and utilize the analysis results for material development and to improve simulation accuracy, leading to the development of materials suitable for industrial use such as automobile parts.



NanoTerasu makes it possible to analyze materials in detail

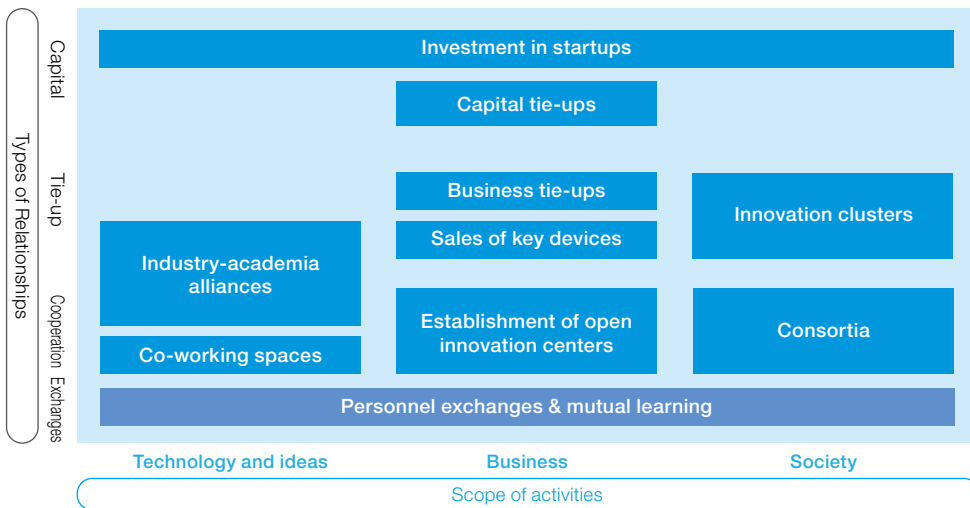
Internal structure of bioplastic material

Key Word: Co-creation

Leveraging Efficient, Compact and Precise Technologies to Accelerate Commercialization in Collaboration with Partners

Co-creation is also an important initiative in technology development. If we consider business only in the context of our own technology, we will end up confining ourselves to a narrow area and limiting our speed. Epson does not have everything that is required to solve societal issues. The idea of Epson 25 Renewed is to create new value with partners who understand and share our desire to solve societal issues. Epson has been engaged in various forms of co-creation to solve societal issues. The scope of these activities is expanding beyond our technology, ideas, and business to include impacts on and contributions to society. We are collaborating with allies in industry and academia to improve our technological capabilities and develop new technologies and ideas. Co-working spaces are being used to incubate fresh ideas and to encourage wide use of our technologies and ideas by our partners.

Epson's Co-creation Initiatives



Epson's technology development activities include research and development, product development, and production engineering. We take a bird's-eye view of the entire value chain and co-create with partners as needed to achieve goals and resolve issues. As an example, we are participating in the Cross-ministerial Strategic Innovation Promotion Program (SIP)⁶ to develop applications for Dry Fiber Technology, co-creating with Tohoku University in research and development, and co-creating with The Hong Kong Research Institute of Textiles and Apparel Limited (HKRITA) in product development.

Environmental Strategy & Technology Development Strategy

Co-creation Examples

Participation in SIP

The development of composite plastics using defibrated cellulose was selected for the third phase of the Cabinet Office's Cross-ministerial Strategic Innovation Promotion Program (SIP)⁶.



⁶ 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.

Co-creation with Tohoku University: Accelerating the Social Implementation of Composite Plastics That Will Drive the Circular Economy

Bioplastics and recycled plastics are increasingly being used to establish a circular economy, but their mechanical strength and durability are lower than virgin plastics, so their range of use is limited. Epson has been collaborating with Tohoku University under a comprehensive partnership agreement since 2006, engaging in systematic research and development as well as talent cultivation through industry-academia cooperation. In August 2023, the Sustainable Materials Co-Creation Research Institute was established to accelerate research and development, as well as social implementation, of base technologies for cellulose fiber-reinforced bioplastics and recycled plastics.



Seiko Epson Corp. x Tohoku Univ. Co-creation Research Center for Sustainable Materials



Material Solutions Center that houses the joint research lab (Tohoku University Katahira Campus)

Co-creation with HKRITA: Circulating Resources by Recycling Clothing Fibers

We are evolving Dry Fiber Technology and expanding its use in-house to create sound-absorbing and cushioning materials for equipment from used paper. We have also developed new internal applications for cotton mill ends from clothing factories. In addition, we are looking to establish technology for defibrating elastic blended fabrics and tight weave fabrics, making it possible to separate fibers from challenging textiles such as functional clothing, sheets, and dress shirts, as well as from factory mill ends, unsold items of clothing, and unwanted apparel. We are engaged in joint development of recycled yarn with The Hong Kong Research Institute of Textiles and Apparel Limited (HKRITA).



Paper cushioning material manufactured using Dry Fiber Technology (white objects)



Watch product packaging made from cotton mill ends



Recycled cotton yarn (prototype production) made of 50% fibers defibrated using Dry Fiber Technology

Intellectual Property Strategy



Enhancing corporate value and sustaining growth through the proactive use of IP

Toshihiko Kobayashi

Executive Officer and Intellectual Property Division General Administrative Manager

Epson believes it is important to help sustain growth in corporate value by converting intellectual property—broadly encompassing brands, data, and other assets as well as intellectual property rights—into value.

The Intellectual Property Division works closely with management, the operations divisions, and development and strategy departments, converts IP into value by proactively utilizing all IP, and enhances Epson’s value and supports sustainable growth through these activities.

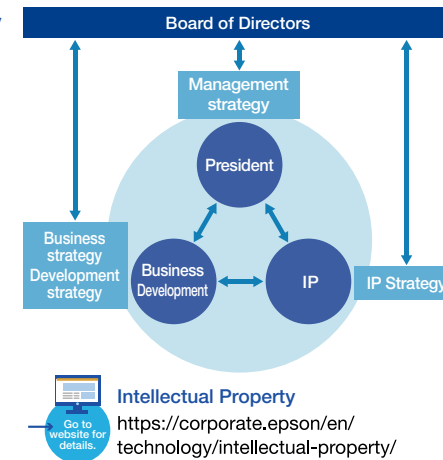
For example, one source of Epson’s competitive advantage is our ultra-precision processing technology. Not only are our Micro Piezo printheads being refined using this technology, they have also advanced under the protection of our strong IP. We invested heavily in the mass production of these printheads, which we used to expand our product lineup, thereby contributing to further growth of our printing businesses. Our printhead sales business has increased the user base in various commercial and industrial sectors and has led to the expansion of the digital printing market. The growth in these businesses is also proceeding on the basis of our strong IP.

By investing in startups and co-creation, we have developed new markets with high potential, and the support received from the perspective of IP is accelerating such efforts. Our IP thus serves as a foundation for realizing a virtuous cycle in business, enabling even greater investment in R&D and the evolution of our printheads and other products as well as our technologies so that we can continuously boost their competitive advantage.

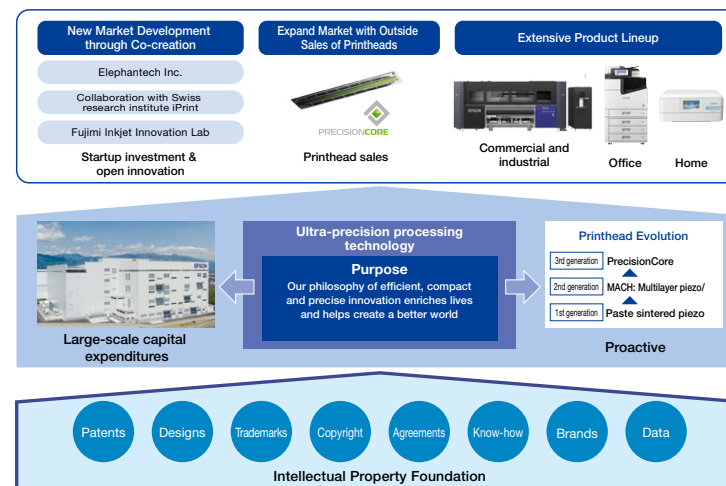
In other words, it is the IP we create that supports this growth strategy scenario.

Epson’s Intellectual Property Strategy Management Organization

We align our IP strategies with our development and business strategies to protect our core technologies and brands. Strategies are formulated during two-party discussions between the head of the IP division and the head of each operations division 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.



■ Growth strategy scenario based on IP (Printing and ultra-precision processing technology used as examples)



Of course, our efforts are not limited to the printing sector. For promising future development projects, we formulate strategies to protect our IP and to generate new innovations. One example is our IP activities to protect and enhance the value of Dry Fiber Technology, which has business potential and can help us achieve Environmental Vision 2050.

PICK UP

Intellectual Property Strategy

Supporting Innovation Through IP Landscapes

Epson supports innovation from an IP perspective by using IP landscapes in conjunction with investments in startups and co-creation with third parties through open innovation. For example, we assess the value of intellectual property held by startups when deciding whether to invest in them. In the case of open innovation, we use IP landscapes to capture a bird's-eye view of the state of development and IP acquired in a particular field and to evaluate the future potential of the technology. We also provide innovation support to tie development projects to business growth strategies. This support includes proposals, made from an IP perspective and based on analysis utilizing IP landscapes, for expanding the scope of application of the development projects and strengthening base technologies. For commercialized development projects, the Intellectual Property Division meets with development departments/operations divisions to review evaluations of quantitative and qualitative competitive advantage based on IP landscapes. We follow that up by formulating and executing IP strategies that stipulate the protection of IP and its proactive use. Intellectual property at this stage includes designs, trademarks and brands as well as patents.

Epson is thus providing support by executing a tactical IP strategy based on all types of IP to accelerate the growth of its businesses through innovation arising from development projects.

Intellectual Property Activities for Innovation

Epson has defined five levels in the value hierarchy of IP activities. Our IP strategy is geared toward achieving Level 5, where IP activity accelerates innovation, creates the future, and enhances brand identity. We believe that strong support for innovation through the protection and proactive use of IP based on this strategy will enhance Epson's brand identity and improve corporate value.

In April 2024, to accelerate to Level 5 in the value hierarchy, the Intellectual Property Division launched a new organization that consolidates multiple functions into a single entity. They include

the functions that support innovation through the use of IP landscapes, review contracts to lead innovation to success, and manage trademarks to enhance brand identity. We will strongly support innovation by strategically implementing IP strategies in an integrated fashion to achieve Level 5 under the new organizational structure.

■ IP Activity Value Hierarchy



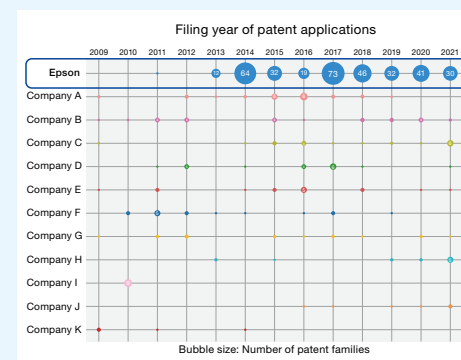
Intellectual Property Activities Supporting Dry Fiber Technology

Dry Fiber Technology¹ has a competitive advantage from an IP perspective. We have been strategically filing patent applications in the field since we began developing the technology and now own a patent portfolio that is far superior to that of our competitors.

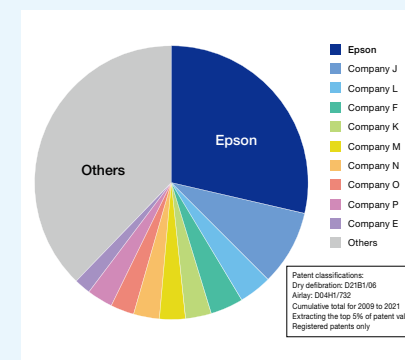
We focus not only on the quantity of patent applications but also on their quality (i.e., the potential value of inventions) and rank No.1 in terms of the value of the patent family in an indicator of competitive impact.

¹ This proprietary Epson technology can realize high-performance materials by defibrating paper as well as a wide variety of other fibrous materials as needed for a given application, binding the fibers with functional materials, and forming them into the desired shape.

■ Number of patent applications filed by year in the Dry Fiber Technology field²



■ Ownership ratio of the top 5% of patent families in the Dry Fiber Technology field in terms of Competitive Impact²



² Created by Epson using LexisNexis PatentSight.

The invention of a double-stage sieving (Patent No. 6127882), a core technology in this patent portfolio, received the Asahi Shimbun Prize at the 2019 National Commendation for Invention. This is a clear indication that Dry Fiber Technology is recognized as a valuable technology that is contributing significantly to the promotion of science and technology and the development of the industrial economy. We are also exploring development projects, using IP landscapes to accelerate business growth through new innovations that expand Dry Fiber Technology applications.

We are branding Dry Fiber Technology by acquiring trademark rights and displaying the trademark in a variety of situations to increase recognition of the technical name and its value.



DX Strategy



Contributing to customer success with a robust digital platform that connects people, things, and information

Susumu Maruyama
Executive Officer
General Administrative Manager
DX Division

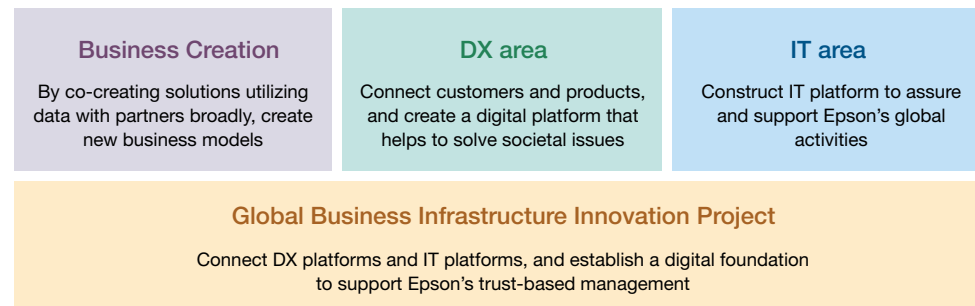
DX is a crucial strategy for achieving our goals. The DX Division is responsible for driving DX. To accelerate the evolution of business models in each business segment through the power of digital technology, the DX Division will create new value by building robust digital platforms and connecting Epson with customers and business partners through hardware products that are used around the world. These will be coordinated with enterprise resource planning (ERP) and other core systems to streamline operations globally. In other words, our goal is to use data to create value and improve business performance.

We are approaching DX from two angles: from a customer's perspective and from an employee's perspective. We are working to provide solutions that are attentive to customer needs and are acting to change the way employees work.

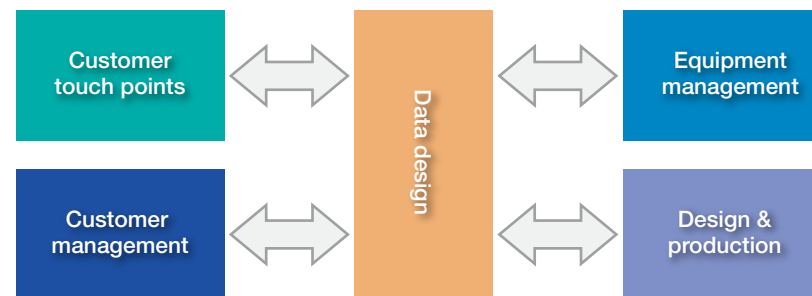
CX	DX Level 0	DX Level 1	DX Level 2
Customer Experience	Enhance existing customer value	Contribute to customer success with new services	Create new customer success leading to solving societal issues
Customer Perspective	Digitalization of existing businesses Improve the system, enhance efficiency, and apply automation	Transform existing business models Tie together Epson hardware and expand multi-tiered earnings	Creation of new business models Cooperate with partners and create new business models
Corporate Transformation	Increase operational efficiency & productivity	Advance operational output	Realize latitude in work arrangements
Employee Perspective	Digitization of business processes Improve the system, enhance efficiency, and apply automation	Digitalization of thought processes Improve speed and accuracy of analysis and judgment, reform the value creation processes	IT for new work arrangements Diverse work arrangements not limited by place or time

DX under Epson 25 Renewed

To achieve the goals of Epson 25 Renewed, we are building a digital platform in four separate areas that support DX from a customer's perspective and from an employee's perspective.



The DX platform consists of five digital platforms that support the creation of new value connecting customers and Epson: customer touch points, customer management, machine management, design and manufacturing, and data utilization.



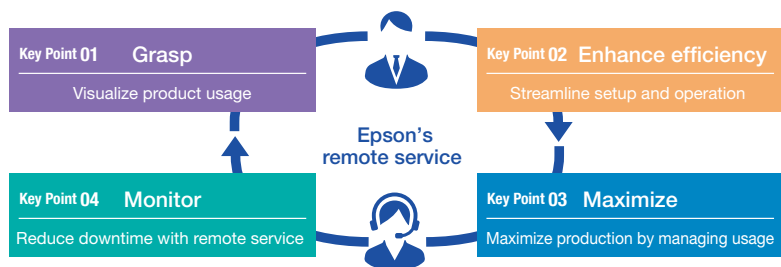
Provide infrastructure at customer touch points to connect directly with customers and deliver information they need. And, in addition to website management and solution provision, help to provide and improve the customer behavior analysis environment. Strengthen customer relationship management and contribute to business success. In machine management, we are linking customers' hardware and data to provide value tailored to their preferences and business. Digitalize design and manufacturing operations by connecting data from tools and applications in design, trial production, mass production preparation, and manufacturing to transform the traditional engineering chain into a value creation process. In addition to utilizing the data of each platform, combine that data to create new value.

Examples of Strategic DX Activities

Customer Perspective DX Level 1 Remote Service and Support

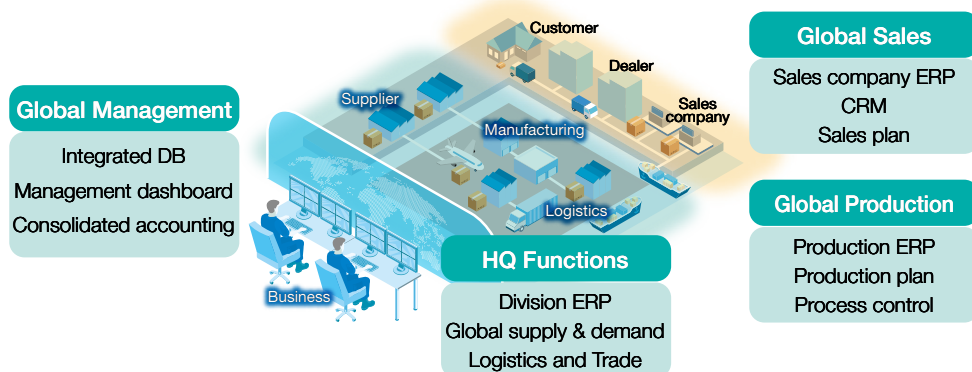
Epson Cloud Solution PORT, a solution for remote and distributed printing, enables us to offer our customers increased operational efficiency and productivity as well as reduced downtime through faster service and support from us and our partners. Epson Projector Management Connected (EPMC) has also improved service and support for projectors.

We aim to improve the customer experience by helping customers best use their products and to work with even more customers to expand the scope of data use and create new value.



Employee Perspective DX Level 0 & 1 Global Business Infrastructure Innovation Project

To accelerate digital transformation, we are standardizing IT systems across the Group to enhance management decision-making support, strengthen governance, and free the Group from low productivity and long working hours. Specifically, we are revising business processes and standards data, building a globally integrated database, and updating ERP, CRM¹, and S&OP² systems. With these actions and through control from the Head Office, we will strengthen global operations.

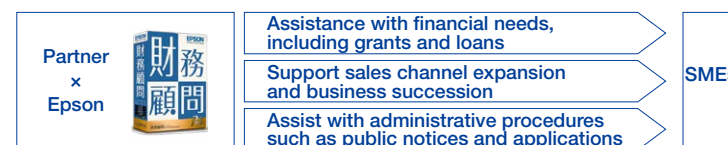


¹ CRM: Customer relationship management

² S&OP: Sales and Operations Planning

Customer Perspective DX Level 2 Creating New Business by Applying Core Technologies

To solve societal issues, we are developing a business model to provide support and guidance by converting corporate data from solutions and human data from sensing devices into different value. In addition to developing services with our own solutions, we will build a business model for data sales. For SMEs, we are exploring a new service through a tax accounting firm that combines Epson's accounting data with partners in public institutions and financial infrastructure and services.



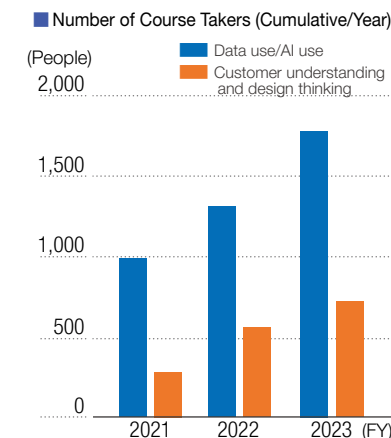
To solve health and exercise issues, we will utilize a guidance/support platform that converts customer motion, position, and vital sensing data into value, develop business in health guidance and sports performance support, and create a business selling data to partners.



Human Resource Development

In-house education programs emphasize the two skills required for DX: digital technology (D) and transformational skills (X).

For digital technology, we offer courses on data and AI utilization to all employees to improve their skills. In addition to lectures on customer understanding and design thinking, we are developing people with a broad perspective through practical opportunities such as idea-thons with students from universities and vocational schools and professionals from different industries. Experience is also gained while working on new business with various partners.



Human Resources Strategy



Creating an environment where diverse talent can take the initiative to create value that solves societal issues

Eiichi Abe

Representative Director,
Executive Officer, Human Capital &
Well-Being Management Division
General Administrative Manager

Epson strives to increase long-term corporate value and sustain growth by solving societal issues through business operations that are aligned with our stated corporate purpose. To do so, we must expand and create businesses by environmental, digital transformation, and co-creation initiatives that are aligned with the role, strategies, and policies in each area of business set forth in the Epson 25 Renewed corporate vision. Underpinning these activities are initiatives to strengthen our business infrastructure through HR strategies. Epson is executing strategies that pivot around allocating human resources to priority areas, strengthening human resource development, and revitalizing the organization. We seek to develop human resources who think and act autonomously and enable them to come up with ideas for services that will be sought as society changes and for solutions to societal issues.

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.

Strategy 1 Allocate human resources to priority areas

Drive business transformation and innovation to enable us to accurately understand customer needs and respond quickly and flexibly to them. To this end, recruit managers and specialists in new and growth areas and in specialized fields. Train internal personnel for new and specialist jobs and assign them to priority areas so that we are well-positioned globally.

Strategy 2 Strengthen human resource development

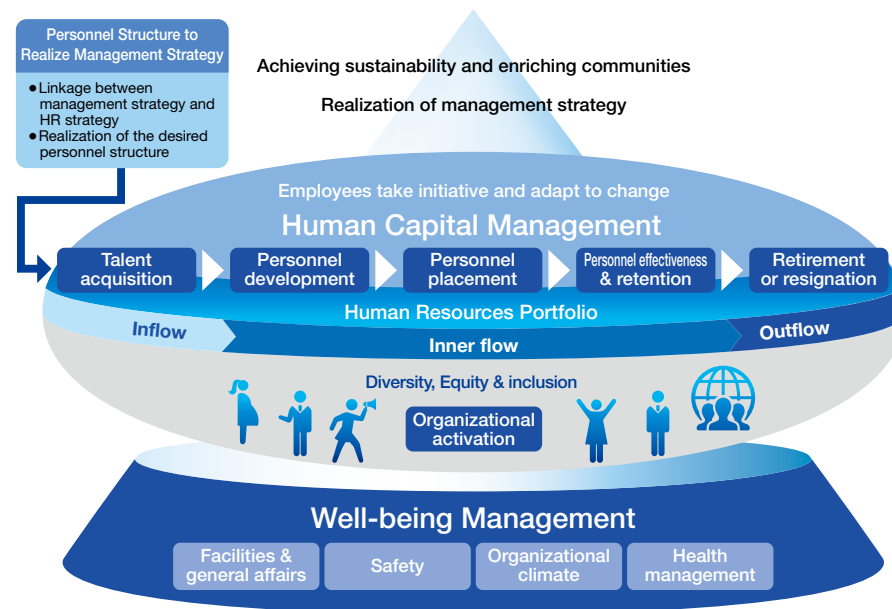
Encourage employees to grow and develop their careers. Provide them with challenges and opportunities through training programs, reskilling, job rotation, and an internal job posting system to help enable them to adapt to change. Put us in the best position globally by developing our worldwide human resources and assigning them to positions that allow them to shine.

Strategy 3 Organizational activation

Heighten creativity and innovation by capitalizing on diverse talent, including women, people of different nationalities, people recruited from outside Epson, people with disabilities, and seniors. Enhance employee engagement, maximize the collective strength of organizations, and continue to create value by making a worker-friendly environment, one that takes advantage of being away from a major metropolis and closer to nature and home.

Overview of Epson's Human Resources Strategy and Initiatives

Epson's corporate activities are supported by initiatives to strengthen its core business infrastructure through human resource strategies. Epson is executing strategies that pivot around human capital management and health and productivity management. These strategies seek to develop human resources who think and act autonomously and create an environment where they can capitalize on their abilities to come up with ideas for services that will be sought as society changes and for providing solutions to societal issues.

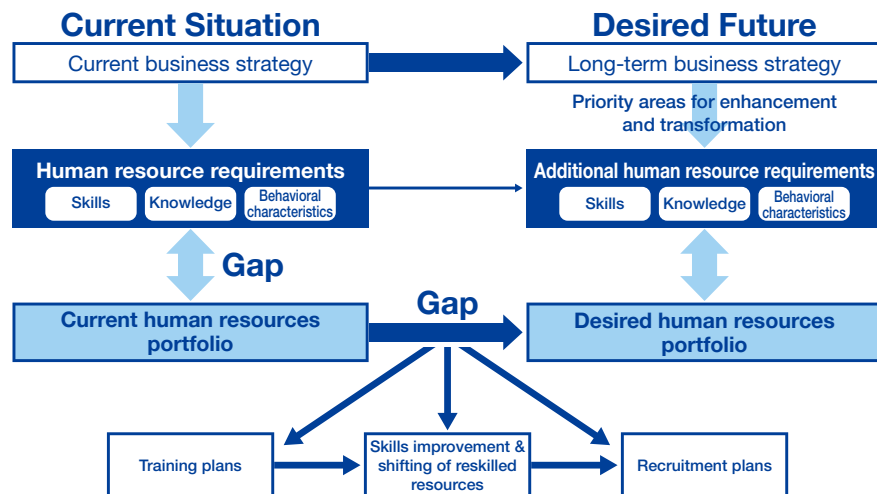


Type of Talent We Look for

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.

We are developing a global HR portfolio to compensate for Japan's declining birthrate and shrinking labor pool. In FY2023, we visualized the current portfolio for a specific business by defining the requirements—the skills and behavioral characteristics—needed to formulate and execute business strategies and establish new business models. The next step will be to visualize the portfolio for the entire company. We will picture the HR requirements as we develop the next corporate vision and identify the gap between the current situation and desired future, both quantitatively and qualitatively. This will allow us to hire, reskill, and optimally allocate personnel as needed to realize our business strategies.

Visualizing a Human Resources Portfolio



We formulate a human resource portfolio that shows the current [As is] and desired [To be] states of our human resources. We use it to identify gaps in the quality and quantity of human resources required to formulate and execute business strategies and establish new business models, primarily from the perspective of skills and behavioral characteristics. We refer to personnel skill level maps to determine whether the necessary people can be secured by upskilling, reskilling, or reassigning existing personnel or whether we need to acquire external talent.

We also use the human resource portfolio as a communication tool between supervisors and subordinates to encourage their independent learning and growth.

Strategy 1

Allocate Human Resources to Priority Areas

Formulate staffing plans based on forecasts of the future personnel structure and the talent required to achieve our business strategies. In the medium term, hire 350 or more new graduates and mid-career workers each year.

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 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.

Number Hired

	FY2021	FY2022	FY2023	Future Goals
New graduates	200	250	344	Hire ≥350/year ¹ continuously
Midcareer hires	48	241	204	

¹ Total hires each fiscal year, including new graduates who join on April 1 and mid-career hires

Allocation of Personnel to Priority Areas

	FY2021-2023 Total	FY2024 Plan
Total staffing	1,881	503
Number assigned to priority areas	1,313	374

* Number of employees assigned due to hiring and internal transfers

Strategy 2 Strengthen Human Resource Development

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

Specific Actions

(1) Support for the Self-formation of a Lifelong Career

Epson continuously implements initiatives aimed at being an organization that promotes personnel development. We provide support toward building motivating and challenging careers that encourage growth. We offer Lifetime Career Support Training (LTCS) courses to encourage employees to think about the career they want to pursue and take the steps necessary to do so. The courses are tailored to employees of different ages and echelons. There is an entry-level course for new-hires as well as courses for employees in their 30s, 40s, and 50s. There is even a course titled LTCS50up, which was created with a view to rehiring employees up to age 70. By providing employees with an opportunity to continue thinking about their careers at each age milestone, we help them to overcome various career challenges and to shape their own careers.

(2) Support for Upskilling by Management

Management and communication by superiors in the workplace play an extremely important role for employees to work and grow dynamically. Questionnaires have made it clear that many managers, especially those with little experience, are concerned about this point.

Accordingly, we have newly introduced 1-on-1 communication training. Moreover, in addition to existing new section manager training, we have launched follow-up training after employees are promoted to section manager. That means we have set up opportunities for section managers to share information and to think and learn from each other. We also partner with outsiders to provide materials for learning management skills.

(3) Support for Reskilling

To support employees' desire to build their careers and continuously grow, as well as to improve their skills and ability to respond to changes, we have been creating a reskilling program that is designed with the following three main objectives: (i) raise the level of all employees by helping them obtain the minimum digital knowledge and use it in their own work, (ii) provide an opportunity for re-learning knowledge specific to a product or business and for education in specialized fields such as digital transformation to accelerate personnel assignment and rotation to priority areas and new areas, and (iii) establish an environment that provides opportunities for learning and improving skills to accommodate employees' desire to learn and encourage them to apply for jobs inside the company by using the internal job posting system.

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 different functions who can effectively coordinate operations and rapidly make the right decisions. To develop leaders who share common values and promote personnel exchanges across regions, we hold a global seminar every year for managers at our overseas affiliates. For overseas talent, we work in collaboration with local top management and HR departments to define roles and requirements and formulate succession and development plans for key positions and key personnel. Through these actions, we are working to best position our people from a global perspective and continue to discuss optimal staffing of functions internally.

The Global Incubation Seminar (GIS) is an educational training program aimed at systematically developing the next generation of leaders at Epson Group companies worldwide. Through this program, we share Epson's vision and values and nurture the ability of these leaders to put the vision and values into practice within their organizations. More than 400 people have participated in the GIS since it was first held in 1999, many of whom now hold managerial positions in our overseas affiliates.



Internal Job Posting and Rotation Systems

Epson sees job rotations as a means for employees to develop their careers, continue to grow, and better adapt to change. We have set a target of achieving a rotation rate of at least 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 them to pursue their ambitions while developing professionally.

■ Rotation Rate

	FY2019	FY2020	FY2021	FY2022	FY2023
Rate	6.0%	7.3%	9.0%	10.0%	10.1%

■ Internal Job Posting System Users

	FY2019	FY2020	FY2021	FY2022	FY2023
Applicants	142	148	378	293	325
Rotations	27	12	217	201	176

Strategy 3 Organizational Activation

Enhance employee engagement and maximize the collective strength of organizations by equipping employees with the ability to adapt to change, embracing diversity, creating a good work environment and organizational climate, and managing health, safety, and well-being. We began using a third-party engagement survey in FY2022. The overall rating in the survey in FY2023 was BB, one rank higher than the previous year. We will continue these efforts to strengthen our organizations.

Organizational Climate

Since 2005, Epson has conducted an annual survey to assess the current organizational climate. The goal is to further increase employee motivation, initiative, and enthusiasm. The engagement survey revealed that there is a foundation of trust across the company and that employees do what they are told. However, it also showed that there are many challenges to realizing a self-sufficient organization in which individuals take the initiative to improve the weaknesses of the organization. The challenges are to (1) instill our philosophy among employees, (2) change the prevailing mindset and adopting an outward-facing perspective, and (3) achieve further growth and a sense of contribution through work. Survey results are discussed, and plans and targets are set to shore up areas of weakness. To help managers improve their workplace, we provide them with one-on-one training and counseling. We also provide support where it is needed.

Employee Engagement Survey Results and Targets

Company-wide Indicators	FY2022	FY2023	Targets (End of FY2025)
Overall rating	B	BB	A
Score	51.8	52.9	58.0
Workplaces with a D rating	47	45	0
Sub-category			
Work content	3.2	3.3	3.6
External adaptation	3.2	3.2	3.6
Change initiatives	3.1	3.2	3.6

FY2023 employee satisfaction Satisfaction¹ **94.6%** Completion rate² **96.9%**

¹ Percentage of respondents who rated their satisfaction 3 or higher on a 5-point scale

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

Fostering a Better Workplace

Epson aims to create an environment where employees feel motivated and can work with vitality and in a physically and mentally healthy and safe manner while adapting to change. We offer flexible work arrangements. Employees can work flexible hours and remotely so that they can balance work with their personal responsibilities and needs, such as childcare, nursing care, and medical or infertility treatment. We also have in place measures to prevent workplace harassment and excessive overtime.

We believe that it is important to empower our employees and give them options when it comes to work arrangements so that they can realize their career goals and so that we can hire and retain management talent, specialists, and a diverse workforce.

Progress on FY2023 Initiatives to Provide More Flexible Work Arrangements

Goals	Actions	FY2023 Accomplishments
Flexible work location and hours	Evolve the remote work system	Revised the system to allow employees to work in one-minute increments (9/2024)
	Set guidelines for working onsite and working from home	Set guidelines for working onsite and working from home, taking into account the importance of face-to-face communication, organizational management issues, and flexible working styles
	Introduce flex time with no core hours	Eliminated core time
A healthy care-work balance	Healthy balance between work and treatment	Expanded leave and leave of absence system for infertility treatment

Changes in Organizational Activation Indicators

Indicator	FY2021	FY2022	FY2023	Future Goals
Paternity leave acquisition rate	50.8%	97.2%	85.2%	100% every year
Online anti-harassment course completion rate	92.4%	96.8%	97.6%	100% annual completion rate
Reporting of serious harassment cases to the Head Office	Failures to report: 0	Failures to report: 0	Failures to report: 0	Continue to strengthen cooperation with organizations and affiliate reporting channels
Annual actual total working hours	1,854 hours	1,845 hours	1,866 hours	FY2024: 1,845 hours

Diversity, Equity & Inclusion

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 each other, enjoy work, conduct themselves as responsible members of society, and continue driving innovation by taking on challenges and growing along with the company. We recognize that gender equality is an urgent issue in Japan. The ratio of women in executive and managerial positions is far below the 17.3% ratio of women in Seiko Epson's workforce, so we are acting to increase the number of women manager candidates with career development support.

We are also promoting the advancement of people with disabilities. We want to enable them to contribute to the company by taking on challenges and continuing to grow. They are being recruited throughout the Group and new businesses geared toward them are being developed at special-purpose subsidiaries. We are also creating opportunities to intersect with people with disabilities and providing information to foster a climate in which they can thrive.

To lay the foundation for these activities and promote a change in employee awareness, we issue executive messages, provide managers with diversity management training, and hold DE&I fairs. We want to help all employees thrive and are working to create a fair and worker-friendly workplace. We provide counseling services, and encourage fathers to take childcare leave.

We have also put in place career support programs and an education program that provides self-study opportunities to support career development and advancement of all.

Current Situation and Targets

Women's Empowerment (Seiko Epson)

(As of Mar. 31, 2024)

	FY2023	FY2025 (Target)
Percentage of women in management	4.7%	8%
Women in junior management positions	7.7%	10%

Number of Employees with Disabilities (Seiko Epson and specially recognized Group companies in Japan)

(As of June 1, 2024)

	FY2022	FY2023	FY2024
Number of employees	327	329	337
Percentage of workforce	2.70%	2.65%	2.65%

Gender Equality

We aim to enable employees to fully demonstrate their abilities regardless of gender and other attributes. We are working to eliminate the existing gender gap and prevent a new gap from forming by encouraging women to seek advancement and promoting a company-wide shift in mindset, particularly among management.

- Career training for female leaders
- Career support for veteran female employees
 - Individual career training
 - Skill-up training
 - Seminars on essays and interviews for people who take promotion exams
- Measures for young women using external mentoring services
- Diversity management training for new managers
- Group-wide diversity personnel meetings and the Diversity Council among Group companies in Japan



Advancement of People with Disabilities

We want to enable people with disabilities to contribute to the company by taking on challenges and continuing to grow. Our goal is to have a people with disabilities account for 3% of our workforce in FY2030, and we will promote their advancement throughout the Group through the initiatives listed below.

- Foster an inclusive climate
 - Hold discussions with people who are interested in the advancement of people with disabilities
 - Issue company newsletter articles
- Provide more opportunities for people with disabilities at special subsidiaries and share the knowledge within the Group.
- Provide counseling for people with disabilities.



President Ogawa visited a special subsidiary, Epson Mizube Corp., and learned about work being done by people with disabilities.

A Healthy Balance Between Work and Care or Treatment

We are implementing measures to create an environment in which people can work with a sense of purpose and enthusiasm as they adapt to the changes that come at different stages of life.

- Training for managers in the healthy balance between work and elder care
- Post interviews with employee role models on the company intranet (balancing parenting and elder care)
- Parental seminar (balancing parenting and work)
- Paternity leave promotion activities
- Introduction of leave systems for fertility treatment



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



Diversity Equity & Inclusion Special Site
<https://corporate.epson/ja/sustainability/our-people/diversity/special.html>

Health and Productivity Management

Epson is working to create an enjoyable and dynamic workplace environment to ensure employee physical and mental well-being. In 2024, we revised our Health and Productivity Management Declaration to clearly state that our health management programs are for all Epson Group contributors and not just our own employees. The Declaration is being rolled out globally. With this, we are reiterating our commitment to promoting the health and well-being of everyone in the global Epson Group and to fulfilling our aspirational goal of achieving sustainability and enriching communities.

Health and Productivity Management Declaration

At Epson, we consider the health of all people in the Epson Group to be our top priority. We therefore take a proactive, participatory approach to creating a rewarding, dynamic, and engaging workplace environment and promoting physical and mental wellness for all. Our goal is for all Epson Group contributors to feel energized, produce results that surprise and delight, and make the world a better place.

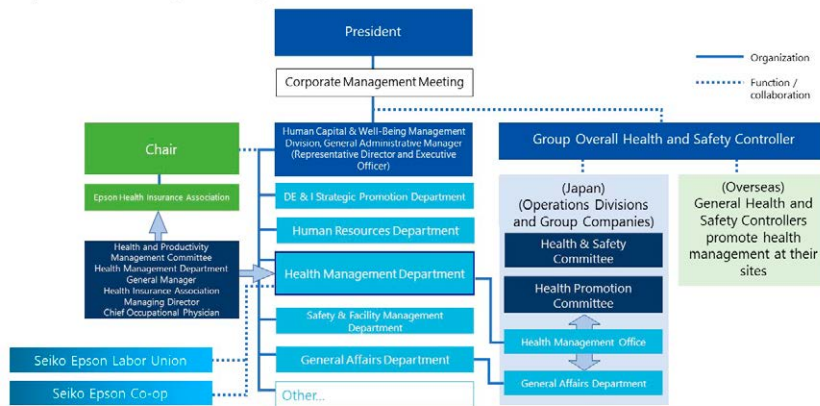
People: Top management, employees, contractors, temporary workers, and other workers who do work activities and are under the control of the company.

Yasunori Ogawa President and CEO Seiko Epson Corporation

Health and Productivity Management Organization

Seiko Epson created an integrated Human Capital & Well-Being Management Division under the president, who holds the ultimate responsibility for health management, to drive the Group's unique health initiatives forward. The Representative Director and 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. Our overseas sites are promoting health and well-being in stages based on the Epson Group Mid-Range General OH&S Plan and in line with local laws and culture. A Health and Productivity Management Committee, which is jointly run by the company and the health insurance association, is responsible for analyzing health and productivity-related data and for establishing, evaluating, and improving health-related measures and policies. Health promotion committees, led by employees and involving the company and health insurance association, meet regularly to coordinate activities.

Epson Health Management Organization

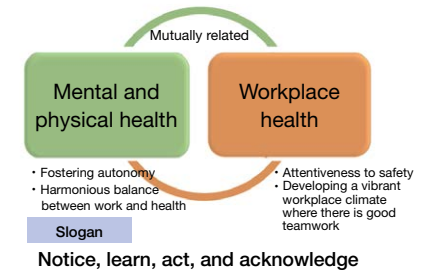


Mid-Range Health Management Policy

Health Action 2025 Initiatives (Year 2)

In Japan, Epson has been establishing and regularly updating mid-range health plans since 2001. Under Health Action 2025, a four-year plan ending in FY2025, Epson is focusing on safeguarding mental and physical health and workplace health, 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.

Human Resources Strategy



Health Action 2025
<https://corporate.epson/en/sustainability/our-people/health-and-productivity.html>

Mid-Range Health Management Policy Indicators

Indicators of Employee Consciousness Transformation and Behavior Change		FY2022	FY2023	FY2025 Targets	
Mental and Physical Health	Stress management	Percentage of people who are managing stress	—	82.0%	Higher than last year
		Percentage of people who have identified stressors	—	87.3%	
		Percentage of people who are acting to relieve stress	—	75.3%	
		Percentage of people who can independently seek advice or help when facing problems	—	73.3%	
Mental and Physical Health	Physique	Percentage of people who practice ≥ 6 of the 9 healthy lifestyle habits	42.8%	43.9%	≥ 50%
		Percentage who maintain a suitable body weight	62.5%	62.5%	≥ 60%
		Percentage of overweight people who lost ≥3% of their body weight from the previous year	19.2%	19.4%	≥ 22%
		Percentage undergoing physical	Percentage who undergo further tests based on results of physical	83.8%	89.8%
Percentage who undergo further tests for cancer	67.0%		71.1%	≥ 90%	
Workplace Health	Organizational climate	Increase in people who can perform all four simple locomotion checks	—	38.0%	Increase from 38.0%
		Decrease in the number of employees on mental health leave	0.97%	0.98%	≤ 0.8%
		No health problems due to long working hours	1	1	0
		No outbreak of infectious disease in the workplace ²	2	0	0
		Organizational climate	Number of high-risk workplaces	7	12
Workplaces that continue to be or are once again high-risk	4		2	0	
Work engagement	2.49		2.50	≥ 2.52	

¹ Seiko Epson only ² Group infection outside work

Recognition Under the Health & Productivity Stock Selection Program

In 2024, Seiko Epson was recognized for the third consecutive year as an outstanding enterprise under the Health and Productivity Stock Selection Program by METI and the Tokyo Stock Exchange. (The company's total score put it at No.1 in electrical equipment industry.) The company was also certified for the eighth consecutive year under the Certified Health and Productivity Management Organization Recognition Program (White 500) by METI and the Nippon Kenko Kaigi.



Human Rights Initiatives

Epson's business operations are rooted in our corporate purpose and the Epson Way. We understand that respect for human rights in our business activities is an important responsibility, and we are fulfilling this responsibility through initiatives that are aligned with the UN Guiding Principles on Business and Human Rights.

Our human rights initiatives are spearheaded by Seiko Epson's DE&I strategic promotion department under the executive officer in charge of human capital and well-being management. This department is addressing issues by building a network with other relevant departments at Epson's global affiliates. To appropriately address human rights issues in the supply chain, the department in charge of socially responsible procurement educates our personnel about Epson's human rights policy and code of conduct, assesses human rights impacts, and takes remedial action where needed. It has also set up a whistleblowing system that suppliers can use to report issues.



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

Epson Group Human Rights Policy

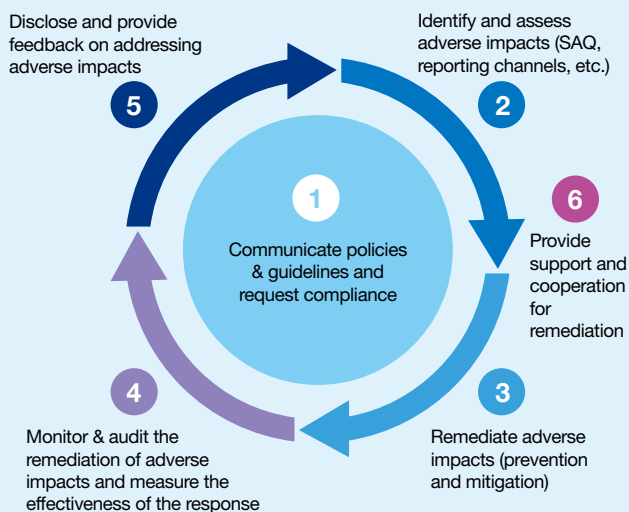
The Epson Group Human Rights Policy was revised with board approval on April 1, 2022, to align it with the United Nations Guiding Principles on Business and Human Rights. Serving as our top-level guideline, the Epson Group Human Rights Policy states our stance on human rights. Our efforts to engage in practices that demonstrate respect human rights extend beyond the Epson Group and into our supply chain.

Approach to Human Rights Due Diligence

Epson continuously implements a human rights due diligence process to identify, investigate, prevent, and address human rights abuses across the value chain, including at Group companies and in our business partners' operations.

Human Rights Due Diligence Process

Human Rights Due Diligence Framework



Human Rights Due Diligence Activities

- Identify and assess adverse human rights impacts.**
Epson is a member of the Responsible Business Alliance (RBA), a global coalition dedicated to corporate social responsibility (CSR) in global supply chains, and adheres to the RBA Code of Conduct. At Epson, the areas particularly susceptible to human rights abuses involve labor and occupational health and safety issues related to Seiko Epson and Epson Group company employees, temporary staff, supplier employees, on-site service vendor workers, and migrant workers. Geographically, this is particularly relevant in Asia, and in terms of industry, it is most prevalent in manufacturing.
- Formulate a corrective action plan to prevent or mitigate adverse impacts.**
Once a year, we ask all Epson business sites, Group companies in Japan and overseas, and suppliers to complete a CSR self-assessment questionnaire (SAQ) that conforms to the RBA SAQ. The CSR SAQ results are reported to the RBA. Sites and suppliers that identify adverse human rights impacts formulate corrective action plans to remedy or mitigate those impacts.
- Monitor results and progress.**
All sites, Group companies, and suppliers are, with the involvement of management, working to remedy and mitigate adverse human rights impacts in accordance with corrective action plans. We monitor the progress of corrective action to remedy significant adverse impacts and see them through to completion. Through the annual CSR SAQ, we monitor the state of corrective actions at each company and business site.
- Communicate and report performance.**
Epson's efforts to remedy issues are reviewed annually and reported on Epson's websites and in its Sustainability Report. The Epson Group's global efforts are also reported through statements on modern slavery and human trafficking. To build and maintain good labor-management relations, Epson actively provides information to its employees and engages them in sincere talks and discussions.

Examples of remediation through human rights due diligence

Epson voluntarily and systematically undergoes RBA Validated Assessment Program (VAP) audits at its main production sites to identify and correct issues from a third-party perspective so that it can improve. So far, Epson's manufacturing facilities in Indonesia, Malaysia, Thailand, China, and the Philippines have all earned Platinum recognition. Platinum is exclusively reserved for factories that are compliant with the RBA Code of Conduct and receive a perfect score of 200. The main adverse impacts that were identified in the Epson Group through the FY2023 CSR SAQ or RBA VAP audits are shown in the table on the right.

Situation	Location	How it Was or Is Being Addressed
Long working hours for a subcontractor's employees	Subcontractor	Implemented corrective action with the subcontractor.
Workers are charged employment fees	Subcontractor	Money was refunded.
Violation of the Worker Dispatch Act	Manufacturing company	Keep outsourced operations within the scope of the law.
Nonconforming emergency exit door along a factory evacuation route	Manufacturing company	The structure of the emergency exit door has changed.

Grievance Mechanism

In addition to the Epson Helpline, Epson provides advisory services for reporting or discussing human rights-related issues such as harassment, long working hours, diversity and so forth. We also have supplier whistleblowing systems. Moreover, since April 2024, customers, investors, local residents, and all other stakeholders can file grievances via an Engagement and Remedy Platform provided by the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER).

These reporting channels strictly control the content of reports, protect the identity of person to lodge reports, and forbid reprisals against them.



About JaCER

<https://jacer-bhr.org/en/index.html>

Human Rights Measures in the Supply Chain

Supply Chain Initiatives

Epson has declared in its Human Rights Policy that both Epson and its suppliers shall respect human rights. As stated in our policy, we strive for complying with the United Nations Guiding Principles on Business and Human Rights and respecting internationally recognized human rights as stated in the Universal Declaration of Human Rights and other relevant instruments. Moreover, we support the purpose of the RBA and, as a member, seek to ensure that our suppliers also comply with the RBA Code of Conduct.

Epson, together with its suppliers, is committed to ensuring that human rights are respected throughout the supply chain.

Supply Chain Human Rights Due Diligence Framework

- 1 Communicate supplier guidelines, educate suppliers, and request compliance.
- 2 Assess adverse impacts at supplier sites through SAQs & whistleblowing systems.
- 3 Take corrective action to prevent, cease or mitigate adverse impacts.
- 4 Measure the effects of adverse impacts by monitoring, audits, and feedback from grievance mechanisms.
- 5 Disclose and provide feedback on addressing adverse impacts.
- 6 Provide for remediation.

Remediation Through Supplier Whistleblowing Systems 2

To provide remedy as required by the UN Guiding Principles on Business and Human Rights, all Epson Group companies worldwide have a whistleblowing system that suppliers can use to report or consult about issues. Reports can be made anonymously and in the local language. Retaliation against persons for having lodged a report is strictly prohibited.

Our whistleblowing systems are accessible from our website and are easy to use. We inform suppliers about these systems and encourage them to use the systems. When we become aware of adverse human rights impacts through reports or audits, we provide support until a remedy is provided. Reports function as a means to measure the effectiveness of remedies.

Examples of Remediation at Supplier Sites Through Human Rights Due Diligence 3 6

- Proper management of working hours (granting of one day off per week and statutory holidays)
- Proper payment of wages (proper payment of overtime)
- Employment contracts executed
- Restrictions on restroom use eliminated (e.g., frequency restrictions)
- Refund of recruitment fee paid by workers
- Evacuation drills (with full participation facility wide, nighttime, dormitories, etc.)
- Proper personal protective equipment inspected, replaced, and provided at no cost to workers
- Safety measures provided for pregnant and nursing mothers also with a clean lactation room

Education

We have been communicating the RBA Code of Conduct and its requirements to relevant departments and people in Epson's global operations who are involved in human resources, health and safety, environmental issues, ethics, and supply chain management. In addition, to raise awareness of human rights issues, we provided an online course titled "Business and Human Rights" in FY2022. The course covered the fundamental aspects of respect for human rights and Epson's initiatives in this area and was taken by all directors, employees, contract employees, and dispatch workers of Seiko Epson and its affiliates in Japan. The same course has been given at overseas subsidiaries since 2023 and is mandatory for managers and executives.

Salient Human Rights Issues

Epson has identified particularly important human rights issues that must be dealt with on a priority basis. These were drawn from sources such as the ILO Core Labour Standards, the principles of the UN Global Compact, and the RBA Code of Conduct. When issues are reported or identified through periodic CSR risk assessments, the situation is monitored until it has been corrected.

- Prohibition of child labor (ILO Convention No. 138/182 & A2 in the RBA Code of Conduct)
- Prohibition of forced and compulsory labor (ILO Convention No. 29/105 & A1 in the RBA Code of Conduct)
- Proper management of working hours (a 60-hour maximum workweek and at least one day off every seven days) (A3 in the RBA Code of Conduct)
- Proper payment of wages (payment of the legal minimum wage and overtime wages, and timely payment of wages) (A4 in the RBA Code of Conduct)
- Humane treatment (no harassment) (A5 in the RBA Code of Conduct)
- Non-discrimination (ILO Convention No. 100/111 & A5 in the RBA Code of Conduct)
- Freedom of association and the right to collective bargaining (ILO Convention No. 87/98 & A6 in the RBA Code of Conduct)
- A safe and healthy work environment (ILO Convention No. 155/187 & B. Health and Safety in the RBA Code of Conduct)

Human Rights Education for Suppliers 6

To foster understanding of human rights, we ask suppliers to observe the Epson Group Supplier Guidelines. We also hold supplier conferences and seminars that many suppliers attend.

We believe it is important for suppliers to understand the purpose of human rights initiatives and to engage in them voluntarily. Given the constantly evolving expectations of society, we hold annual seminars taught by outside consultants to provide suppliers with expert information.

Supply Chain Strategy



We will build a sustainable supply chain by engaging our suppliers

Junichi Watanabe

Managing Executive Officer
Deputy General Administrative Manager,
Production Planning Division

Realizing Responsible Supply Chains

Epson wants to help solve societal issues and achieve sustainable growth through sustainability initiatives based on the idea of building social trust, the concept that underlies Epson's Management Philosophy. We are building social trust by complying with local laws and regulations in the countries and regions where we operate, as well as by honoring international sustainability initiatives such as the Sustainable Development Goals (SDGs) and the Responsible Business Alliance's 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. To attain our goal of achieving sustainability and enriching communities, we are working to ensure socially responsible supply chains and sustainable procurement from the standpoints of human rights and sustainability. In addition, with the cooperation of our business partners and the collaboration of our suppliers, we will proactively take on new challenges, including initiatives meant to solidify business continuity management, transit to 100% renewable electricity, and reduce greenhouse gas (GHG) emissions on our way toward building a green supply chain. Epson will strengthen its partnerships based on the fundamental stance of fairness, equity, and mutual prosperity with business partners, while working to build a responsible supply chain.

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 set forth its basic quality, price, and delivery requirements as well as Epson's expectations regarding environmental initiatives and compliance, including trade control and security. The Epson Supplier Code of Conduct, which is part of the Guidelines, is based on the RBA Code of Conduct. It specifies supply chain requirements in the areas of labor, health and safety, environment, ethics, and management systems. The RBA requires compliance with local laws and requires compliance with the RBA's criteria when they are stricter than local laws. This ensures a certain level of good practice even if countries and regions where suppliers are located have not established laws, standards, and labor practices. In April 2024, we revised the Epson Group Supplier Guidelines to align it with Version 8.0 of the RBA Code of Conduct. Content concerning our procurement policy and expectations for suppliers was updated.

The revised Guidelines are posted on our website. All suppliers are notified about the Guidelines, and major suppliers are asked to sign a formal written agreement to comply with them.



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 the perspective of human rights and sustainability.



The Epson Green Supply Chain

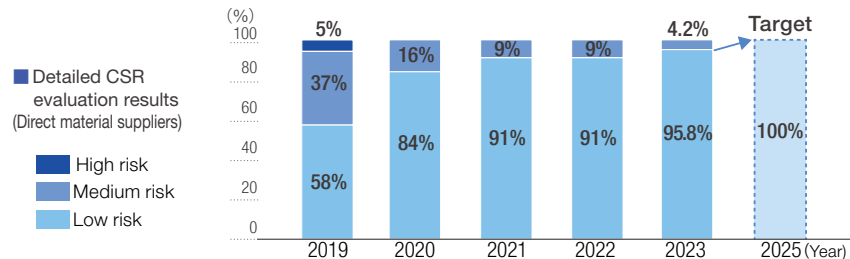
Accelerating and efficiently reducing environmental impact is an urgent global imperative, so we are assisting our suppliers by launching the Epson Green Supply Chain program. Under this program, we share our own experience and knowledge and assist suppliers so that they can take the best action for their situation. The goal is to effect a switch to renewable electricity and reduce greenhouse gas (GHG) emissions throughout the supply chain.

Specific Actions

- Educate suppliers about the importance of reducing environmental impact and about how to achieve.
- Take a detailed survey to assess suppliers' current situation offer a solution to reduce their environmental impact.
- Provide assistance to help suppliers switch to renewable electricity and reduce their GHG emissions.
- Work with suppliers to promote collaborative projects to reduce environmental impact.

CSR

Epson has a program to evaluate suppliers from multiple angles. The program consists of an indirect evaluation based a third-party credit investigation and direct supplier self-assessments. There are four types of self-assessments: (1) a periodic 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; (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 part of a due diligence program that starts with a self-assessment (SAQ) of compliance with the Epson Supplier Code of Conduct and includes corrective actions, audits, and other measures. It is implemented in accordance with the RBA member program. In 2023, 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. No high-risk suppliers were detected, but we asked suppliers who had human rights issues or regulatory violations to take corrective action. Example of correction action in 2023: A manufacturing contractor reimbursed foreign workers for recruitment fees it charged them in their country of origin (for Japanese language education, VISA acquisition fees, etc.). We want 100% of our major suppliers to be low risk by 2025, so we are providing ongoing support and responding to changes in RBA requirements. In addition to judging risk based on score, we remedy individual human rights issues that are detected.



CSR Seminar for Suppliers

In addition to explaining social demands and Responsible Business Alliance (RBA) requirements at supplier conferences for CSR, we also hold seminars and conferences to provide further detail and ask for cooperation. Many suppliers attend these events. We also survey suppliers to understand their needs and incorporate that information in our seminars and conferences. Epson believes that it is important for suppliers to understand the need for CSR programs and to take the initiative to launch their own. We see human rights as a priority issue - and one in which the expectations of society are rapidly evolving. We therefore hold seminars taught by outside consultants to provide suppliers with expert information. In addition, we hold conferences to foster understanding and enlist supplier support for the building of a “Epson green supply chain”. We also hold a seminar taught by an outside consultant about reducing environmental impact. In FY2023, we also held a conference to explain changes in the latest revisions of the RBA Code of Conduct and Epson Group Supplier Guidelines. The more than 1,000 people who attended gained an understanding of Epson’s procurement policies and the RBA Code of Conduct.

Responsible Minerals Sourcing

Profits from the extraction and sale of minerals such as tin, tantalum, tungsten, and gold (3TG) in conflict-affected areas such as the Democratic Republic of the Congo (DRC) and adjacent countries are a source of funding for armed groups and anti-government forces carrying out atrocities and gross 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.

Epson avoids any association with any forms of human rights abuses and environmental destruction. As a member of the Responsible Minerals Initiative (RMI), Epson does not tolerate human rights abuses in the procurement of minerals used in Epson products. We will not engage in business relationships with any party involved in human rights abuses, nor will we support operations that result in the degradation of socioeconomic and environmental conditions.

We conduct supply chain due diligence annually in accordance with the OECD’s five-step framework for components and materials used in the products we manufacture and that may remain in the final product. We disclose the results to the public and respond to survey requests from our customers.

■ 3TG and Cobalt Survey Results (FY2023)

	3TG Total	Tin	Tantalum	Tungsten	Gold	Cobalt
Identified smelters or refiners (SOR)	357	89	43	52	173	80
CFS smelters ¹	234	70	40	34	90	46
Active SOR ²	5	2	1	0	2	4
Supplier response rate	100%					98%

[See the back cover for footnotes ¹ & ²](#)

BCM

The risk of supply chain disruptions was found to be far greater than assumed when COVID-19 broke out in 2019, followed by global chip and shipping container shortages. Supply chain threats, including regional conflicts and geopolitical and disaster risks, have not been resolved. If anything, they have increased. Today’s sophisticated and complex supply chains are susceptible to risks and crises. To establish a robust and sustainable supply chain, we are decentralizing functions, securing alternatives, and increasing resilience. We have divided the supply chain functions into five categories (suppliers, procurement, production, sales, and logistics) and are addressing the priorities that have been set for each. Our business continuity plans (BCP) are designed to ensure that we can supply products and services to our customers and minimize damage and losses, and we 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, for example, evaluating their emergency response capabilities and safety management
Procurement	Multi-sourcing, securing alternative sources for procured goods, executing long-term procurement contracts, strengthening partnerships, and maintaining inventory of parts and raw materials * Applies to direct materials and parts and to indirect materials
Production	Strengthening the distributed production organization, increasing the resilience of facilities, strengthening measures to prevent the spread of infectious diseases, and securing product inventories
Sales	Maintaining operations sites, human resources, and an IT backup system
Logistics	Securing space on ships by negotiating with shippers and strengthening relationships with them, improving the accuracy of shipping plan management, and securing multiple logistics modes and methods (carriers, transportation routes, and warehousing functions)

Strengthening Governance

Dialogue Between Institutional Investors and Outside Directors

Using Shareholder Feedback to Enhance Corporate Value

In February 2024, we hosted a fourth discussion between institutional investors and all six of our outside directors. In FY2021 and FY2022, the discussions were held online, but this year's event was face-to-face. During the event, both the institutional investors and the outside directors engaged in a lively debate on the theme of "Management at Epson: Present and Future."



Outside Directors (As of 2024/2)



Mari Matsunaga
Outside Director



Tadashi Shimamoto
Outside Director



Masaki Yamauchi
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

Asset Management One Co., Ltd.

Megumi Sakuramoto
Executive ESG Analyst, Stewardship Group,
Investment Division

Nomura Asset Management Co., Ltd.

Yuki Onohara
Corporate Research Group,
Global Research Department

BlackRock Japan Co., Ltd.

Akitsugu Era
Investment Stewardship Managing Director

Sumitomo Mitsui Trust Asset Management Co., Ltd.

Yasushi Mukohata
Senior Stewardship Officer, ESG Research and Development Office,
Stewardship Development Department

Resona Asset Management Co., Ltd.

Mikio Matsuda
General Manager, Responsible Investment Division

Moderator

Response Ability, Inc.

Naoki Adachi
CEO

(Titles and positions at the time discussions took place)

Topic

Messages from the New
Outside Directors

Adachi I would like to begin by hearing from the two outside directors who joined the board this year. Shimamoto-san and Yamauchi-san, what were your first impressions upon joining the board and what roles do you see yourselves playing on the board?

Shimamoto I felt delighted to join the board of a company that had won the Corporate Governance of the Year 2023. However, while Epson excels in corporate governance, its price-to-book ratio (PBR) is less than 1.0 (PBR was 0.9 at the end of the third quarter). Employees are passionate and devoted to the success of their division, but they are not so good at collaborating across divisional boundaries. That might explain why the PBR remains below 1.0. I want to help Epson build company-wide solidarity, whereby employees collaborate with other divisions instead of just devoting themselves to their own divisions.

Yamauchi After joining the board and hearing from different people, I was struck by the formidable resources Epson has at its disposal, with its internationally acclaimed technology and engineers. I do feel, though, that Epson remains stuck in the product-oriented mindset of the past—the idea that you can just focus on making a good product and the sales and growth will naturally follow. My mission as an outside director is to share insights from my professional experience about how Epson can leverage its resources with a more market-oriented approach.

Topic

Discussions and
Atmosphere of the Board

Adachi Have you observed any changes in the board discussions and atmosphere?

Shirai Epson is very product-oriented, and it was even more so when I first joined the board eight years ago. In those days, most boardroom discussions revolved around technology. Sales were rarely discussed. The prevailing attitude was that if the technology is good, the product will be good—and if the product is good, it will sell. Board members are now beginning to realize that this view restricts the company's field of vision. We increasingly discuss software and digital transformation for increasing contact with users. Another positive change is that the board now invites executive officers (heads of business units and sales divisions) to attend board meetings. The input from executive officers enables deeper discussions of various topics. I've noticed especially much more discussion about how the company can address societal issues and what environmental initiatives it could launch.

Matsunaga I've noticed that change too, Shirai-san. Epson was very technology-oriented when I first joined the board eight years ago. Slowly but surely, it has started to care about what happens after the product is sold. Mind you, Epson is a little weak at translating its technology into new commercial ventures. Also, it still must do more to broadcast to the market its environmental initiatives, including its innovative environmental technology and the fact that it has achieved its 100% renewable electricity goal. Over the eight years, I made it my mission to showcase the importance of diversity initiatives. I'm happy to say that attitudes have shifted, with the company promoting women much more than before.

Dialogue Between Institutional Investors and Outside Directors

Topic

Actions to Increase Corporate
Value

Era Foreign investors and markets are increasingly interested in the efforts of Japanese companies to improve their PBR. I really want to see Epson becoming more of an international success. That will require a more market-oriented approach, one that considers how to put the strategy into action and how to make markets aware of what you are doing. I'd avoid rushing to get PBR above 1.0. It would be better to invest in growth initiatives that will improve capital efficiency and to use corporate disclosures to build long-term value for shareholders and investors. Epson will then have better relationships and more constructive dialogue with markets.

Sakuramoto In general, Epson has made great strides in ESG disclosures. One concern I have, though, is time horizon. ESG initiatives typically involve long time horizons, which makes them great for including in a long-term vision. The problem is that Epson's long-term vision ends in 2025, meaning that its ESG commitments extend only to the immediate future. Another concern is board effectiveness. According to the Corporate Governance Report, the evaluation of board effectiveness revealed issues in ability to put strategies into



action and in speed of doing so. At a time when Epson should be building its prospects for future profit growth, the board is being a little slow-footed. I'm curious to know what the outside directors think about this.

Mukohata It is Epson's people who create its sources of competitive advantage—its efficient, compact, and precise technologies—and who create the company's value. Epson will need to give an account of how its human capital initiatives are contributing to the company's value, the human capital metrics it uses, and whether they are quantitative. It will also need to show whether it is running an annual PDCA cycle of continuous improvement. If any aspect is not being improved in this cycle, Epson should reveal what the problem is and how it is addressing the problem. Such corporate accountability will benefit the company. I'm not saying that Epson needs to brief us on every single initiative. Rather, Epson should present an overall strategy and story conveying what challenges and tasks it faces and



what actions it will take to build its value. This story should include the future threats to Epson's growth. Examples include how the trend to go paperless might threaten Epson's printer-centric business portfolio. The story should also look to future strategies beyond 2025 that will address the future threats.

Matsuda It's true that the PBR is now below 1.0, but in the years ahead I'll be comparing Epson's performance with its peers in terms of stock price and business practices. I'll be keeping a particularly close watch on Epson's governance practices and how they contribute to building the company's value.

Onohara As an investor, I feel impressed by Epson's environmental performance and technology. But I'm interested in how these assets translate into products and services. I'm also interested in how, and in what regions, Epson showcases these assets to consumers. I'd like to hear the details of how you communicate these matters with the executives.



Yamauchi I feel exactly the same. Epson has formulated a value creation story and corporate purpose, but it still lacks clarity on the kind of customer value it should be creating with its technology, who to deliver this value to, and how this will contribute to the company's long-term value. As outside directors, we must keep pushing the executives to clarify these details and ensure that all board members are tracking progress using quantitative data. I share your sense of concern raised by the investors and will be pushing further action on this with a sense of urgency.

Ohtsuka Mukohata-san, you mentioned quantitative assessment. I agree about the need to quantitatively track the progress of its initiatives, and Epson has started to do so. One example is supply-chain emissions. Epson is piloting an initiative in which it analyzes CO₂ emissions data from a sample of suppliers to see the amounts of reduction in the emissions. Such quantitative tracking is very cumbersome, but Epson should waste no time in collecting quantitative data and publicizing the findings. I'd also like to mention human capital. Epson has made headway in diversity, equity, and inclusion (DE&I). In Japan, very few management roles are occupied by women, whereas the rate is much higher in other countries. The low share of women managers in Japan is partly a product of

Dialogue Between Institutional Investors and Outside Directors

longstanding corporate culture and of factors particular to Japan. But Epson is a global company. Although headquartered in Japan, Epson should adopt good practices from overseas and increase the rate of women managers. Epson has appointed foreigners as executive officers. The company is getting better at hiring diverse candidates based on talent and merit and not on tokenism (hiring a few women, foreigners, or people with disabilities to create a superficial appearance of diversity).

Matsunaga When I visit and inspect Epson's workplaces, I hold dialogues there. Last year, I visited the Singapore office and held a dialogue with the second-highest-ranking executive, who was a woman. In the USA office too, a woman serves as the second-highest-ranking executive. In the Philippines sales office, a woman holds the top spot. These examples illustrate the extent of diversity overseas. Workplaces in Japan could do with some more DE&I.

Topic Promoting Horizontal Collaboration

Shirai At the start, Shimamoto-san mentioned the problem of sectionalism. When employees focus excessively on their division or business unit, they miss opportunities for horizontally developing mutually beneficial assets such as customer touch points and sales channels. This year, Epson established a slicker framework for strategic decision-making. We regularly meet to discuss how different sections of the company can combine their forces and drive the overall growth of the company. Epson's printing business is strong. Its customer touch points, sales channels, and experience should be deployed in other business units too. Among Epson's business units, the printing business is leading the way in digital transformation (DX). Epson's DX Division should accumulate the printing business's knowledge and experience in DX initiatives so that they can be applied in other business units. This approach would help Epson as a whole make headway in DX.

Sakuramoto When it comes to combating sectionalism and promoting DX, what works for one company might not work for another. But it seems that the outside directors here have a strong sense of what needs to be done in Epson's case. I'm confident that you'll be successful in your endeavors.

Shimamoto Right. A company is led not so much by the president alone but rather by the top-level team around the president. The team should always be exchanging ideas about what the company needs to be successful. Shirai-san just mentioned the new framework for strategic decision-making. We pressed the management to act, and strategic decision-making is now a lot slicker. I feel very optimistic that the new framework will deliver excellent results.

Era So, you felt that decision-making was too slow at first. Where was the bottleneck?

Yamauchi Key to streamlining decision-making is having a framework. That is what Epson lacked. To fix this problem, we went even further than we normally did in advising the management on the specifics. As a result, a framework is now in place and decisions are made much quicker.

Matsuda The results of the last assessment of board effectiveness highlighted a lack of speed. When I read the next Integrated Report, I'll be interested to see how this issue has been rectified.



Topic Business Continuity Planning

Sakuramoto As the Noto earthquake on New Year's Day exemplifies, Japan is a disaster-prone country. A megaquake would have devastating effects on biodiversity, compounding the effects of climate change. In Japan, business continuity planning is crucial. What risks are you managing in your business continuity planning?

Shirai Epson recognizes the importance of business continuity planning. The board of directors regularly clarifies what would happen in a range of disaster scenarios, including an earthquake or flood. Immediately after the Noto earthquake struck, we received a report from the president detailing the extent to which Epson's suppliers in the region were affected.



Sakuramoto Thanks. Remember that a company can only gain recognition for its internal initiatives when it communicates them to the outside. Epson should provide plenty of corporate disclosures so that investors will appreciate just how much the company is doing.

Shirai Good point. I'll urge the company to do so.

Closing Thoughts from an Institutional Investor

Engaging in Dialogue

I'm grateful that Epson organized another dialogue this year. Epson allows all of its outside directors to speak their minds frankly in dialogues, which is very commendable. By attending a dialogue like this one, you get a sense of the company's atmosphere, something you could scarcely get from the Corporate Governance Report or Integrated Report. As such, it is very useful for forming an evaluation of the company. In my conversations with outside directors, I have noted certain commonalities in companies that are receptive and eager to engage with you, as is the case with Epson. Such companies tend to identify the issues they must address, act with confidence, and present an optimistic vision of the future. I trust that the outside directors will draw upon their expertise and insights when participating in board meetings to help build the value of the company. Thanks again for today.



Asset Management One Co., Ltd.

Megumi Sakuramoto

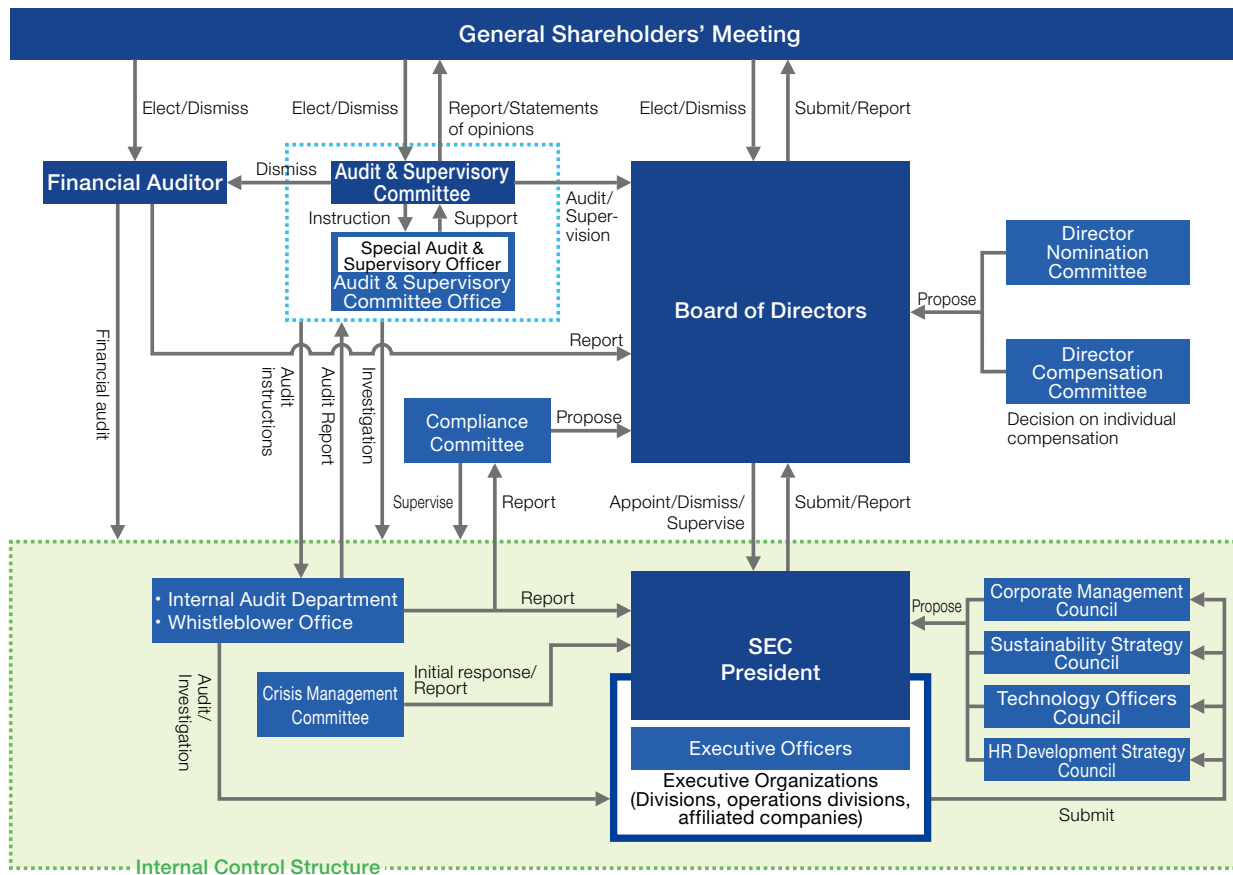
Executive ESG Analyst, Stewardship Group,
Investment Division

Corporate Governance

Basic Principles

We seek to achieve the Corporate Purpose, a statement of our reason for being and our aspirations. The Purpose is 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 promote sustainable growth and increase corporate value over the long term, we continuously work to enhance and strengthen corporate governance that ensures transparent, fair, timely, and resolute decision-making. Under a company with an Audit & Supervisory Committee, to further increase the effectiveness of corporate governance, the company further improves the supervisory function of the board of directors, further enhances deliberation and speeds up management decision-making.

Corporate Governance System



Epson Named a Winner Company for Corporate Governance of the Year® 2023

This awards program was launched in FY2015 as one of the Japanese government's economic growth strategies. It is intended to drive the earning power of Japanese companies and to give a boost to companies that are leveraging corporate governance to achieve sound growth over the medium and long term. Reasons given for choosing Epson included the fact that outside directors can peruse documents pertaining to matters such as mid-range strategies discussed at Corporate Management Council by executive officers and executive officer candidates. Epson also systematically ensures that outside directors can see succession candidates. Encouraged by this award, Epson will further strengthen our corporate governance system as a foundation for growth.



Actions to Ensure Board Effectiveness

Summary of Actions to Evaluate Board Effectiveness

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

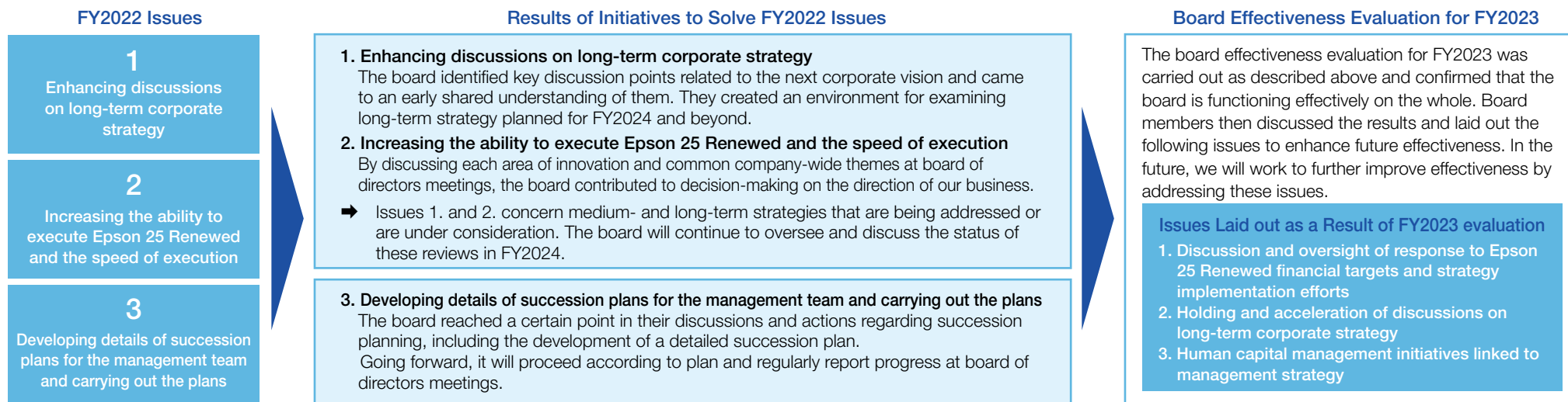
To ensure objectivity, in FY2023 an independent firm was used to evaluate and provide feedback about each step in the process, from creating a questionnaire to analyzing and evaluating the answers.

Topics on the Board Effectiveness Evaluation Questionnaire for FY2023

- ① Composition of the board of directors and how it is positioned
- ② Operation of the board of directors
- ③ Discussions of the board of directors
- ④ Board of directors monitoring function
- ⑤ Directors' activities (self-evaluation/roles and activities of directors, etc.)
- ⑥ Training
- ⑦ Dialogue with shareholders (investors)
- ⑧ Functions and operations of advisory bodies to the board (the Director Nomination Committee, Director Compensation Committee, and Compliance Committee)
- ⑨ Summary (effectiveness of the board of directors) and free comments

Issues and Results of Initiatives Based on Evaluation of Board Effectiveness

Issues addressed during the board effectiveness evaluation for FY2022 and results of initiatives to solve them were as shown below. The results of the evaluation showed that the board of directors as a whole is functioning effectively.



Discussions of the Board

There were 13 meetings of the Epson board of directors in FY2023. The board discussed the themes and points to be the focus of discussion in FY2023 and deliberated throughout the year on progress and strategies in each area of innovation in order to achieve Epson 25 Renewed. Other issues discussed included capital costs, efforts to achieve management that is conscious of stock price, results of dialogue with shareholders, and management succession planning.

In addition to discussions at board of directors meetings, we have introduced a system enabling free discussion by board members starting with the early stages of examining important management themes. This is to enhance the strategic function of the board of directors. In FY2023, the directors discussed the next long-term strategy and how to improve the effectiveness of the board.

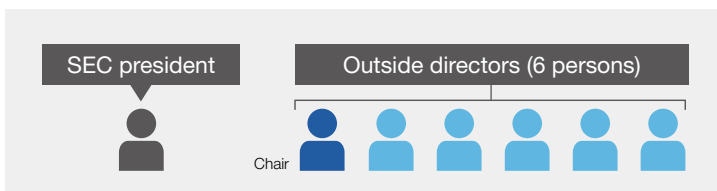
Audit & Supervisory Committee Effectiveness Evaluation

The effectiveness of the Audit & Supervisory Committee has been evaluated to improve audits and corporate governance since 2017. 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.

Director Nomination Committee

Organization



Roles

The purpose of the committee is to fairly deliberate on the selection of candidates for company officers (directors, executive officers, and special audit & supervisory officers) and the dismissal of officers through a process that ensures transparency and objectivity. Its purpose is also to evaluate and supervise the status and issues of the development of successors for officers, as well as the succession plan created by the president. The committee chair is elected from among the outside directors.

Number of Meetings, Issues Discussed

Meetings: 15 (from April 2023 to the June 2024 general shareholders' meeting)

Issues discussed

- Succession plans for the president and representative director
- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Outside director candidates
- The skill matrix, etc.

Board Composition

Officers are selected in light of our selection criteria and the roles we expect them to play, as determined by the company based on our Corporate Governance Policy. Selection also considers the need for diversity.

Our vision of a medium- and long-term direction guides our deliberations on the composition of the board. At the general shareholders' meeting in June 2024, we appointed three new directors who would serve concurrently as executive officers just as two inside directors were stepping down. This was based on our judgment that adding executive officers to the board who have considerable insight and supervisory capabilities in both the business and corporate domains will enable them to put their knowledge to work on the board and contribute to the company's future business growth and sustained enhancement of corporate value. As a result, the board of directors now has five inside directors (including one who is also an Audit & Supervisory Committee member), an increase of one, and six outside directors (including three who are also Audit & Supervisory Committee members). Outside directors have made up a majority of the board of directors since the general shareholders' meeting in June 2023. In addition, outside directors have been a majority of the Director Nomination Committee since June 2016, when we became a company with an Audit & Supervisory Committee. We will continue to review the compositional balance of the board of directors in future.

Succession Plans for the President and Representative Director

Review began in 2020, when the current president took office, and then the roadmap was given greater detail and fleshed out. Personnel requirements were revised by the board and disclosed externally in FY2021 after much time and deliberation with input from outside directors.

Succession planning is a process whereby the president drafts a list of a number of candidates and their professional development based on the results of the human resources review of management and human resource requirements. This is followed by deliberation by the Director Nomination Committee and final discussion and resolution by the board of directors. During these deliberations, progress reports are provided as appropriate, and candidates are selected through a process of evaluation, narrowing down, and replacement. Succession planning assumes multiple changeover periods, including those in emergency situations. Plans are established and effected from the perspective of a team that includes the personnel who manage the company together with the president.

For the sake of medium- and long-term planning and responsibility for implementation, the candidate starts participating from the planning stage as a member of the team responsible for management. Training necessary for each candidate's individual career is provided, which includes appointments to these important management roles.

Selection of Outside Directors and Providing Information

Selection of Outside Directors

We appoint a well-balanced group of diverse individuals as outside directors who meet the "Criteria for Independence of Outside Directors." Appointments take our skills matrix into account and are based on our Corporate Governance Policy. When making selections, the Director Nomination Committee deliberates in light of the following three major expectations of directors and then reports to the board of directors.

- (1) Expectation to contribute as an experienced manager
- (2) Expectation to contribute based on their expertise
- (3) Expectation to contribute from the perspective of diversity

We take multiple opportunities to contact potential candidates to learn not only general background information, but also how they think. This is used as basic information for our selection process.

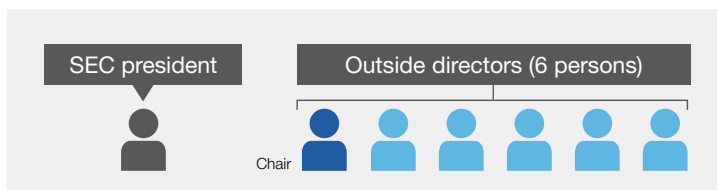
Providing Information to Outside Directors

We provide opportunities for outside directors to deepen their understanding of the company's management, governance, and business characteristics so that they can adequately fulfill their supervisory functions. When they are first appointed, we brief them on our business in overview, our strategy, and so on. Thereafter, we support their efforts to gain the knowledge they need. During the fiscal year under review, the heads of divisions and businesses gave briefings and site tours, among other opportunities to learn.

In addition, outside directors may ask for explanation or reports from executive directors, executive officers, and employees, or request internal documents whenever needed. There are systems in place for outside directors to work with the Audit & Supervisory Committee and get support from the department serving as the board of directors secretariat so that directors are better able to gather information without it affecting their independence.

Director Compensation Committee

Organization



Roles

The committee's purpose is to plan and review the compensation system and internal regulations for the company's officers (directors, executive officers, and special audit & supervisory officers), and to fairly deliberate on the amount of compensation to individual officers through a process that ensures transparency and objectivity. In addition, the Director Compensation Committee is mandated by the board of directors to determine the amount of compensation to individual directors who are not Audit & Supervisory Committee members, among other tasks. The committee chair is elected from among the outside directors. The maximum amount of compensation for directors is determined by resolution of shareholders.

Number of Meetings, Issues Discussed

Meetings: 12 (from April 2023 to the June 2024 general shareholders' meeting)

Issues discussed:

- Individual base compensation, payment coefficient for bonuses, and individual bonuses
- Assignment coefficient, number of shares allocated, and amount of monetary compensation claims under the restricted stock compensation plan
- Renewal of liability insurance for officers, etc., conclusion of corporate indemnity agreements and liability limiting agreements, etc.

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.

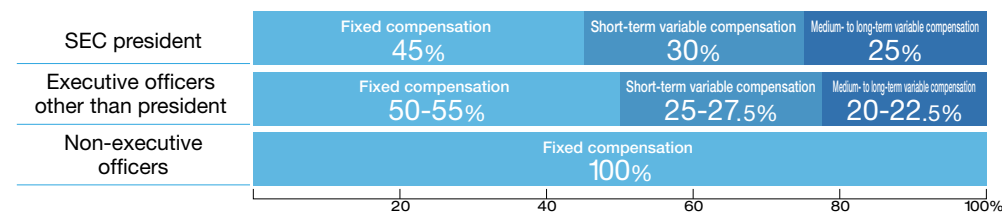
Compensation Structure

Officer compensation at the Company consists of base compensation (which is fixed), bonuses (which are variable in the short term), and restricted stock compensation (which is variable over the medium to long term). Directors who do not have executive duties receive only base compensation (which is fixed) because their role is to generally supervise management from a perspective that is independent from executive functions.

Officer Compensation System

Composition of Compensation

The compensation mix varies depending on the individual's position and the size of his or her role and assigned duties (this is called the "role grade").



How Compensation Is Calculated

Fixed compensation	"Base compensation" is monetary compensation paid each month. It is determined by the individual's position and role grade. Base compensation may be raised or lowered by the board of directors if warranted by Company performance or for other reasons.		
Short-term variable compensation	"Bonus" is monetary compensation paid once a year. By its nature, it is a short-term incentive and evaluates the individual's performance indicators and the degree to which they achieved their personal objectives in a single fiscal year.		
	$\text{Standard bonus (Total compensation for the year x bonus ratio)} \times \text{Degree of achievement with respect to the corporate ROE target}^{1,4} \times \text{Degree of achievement of personal objectives (60\% - 140\%)}$		
	¹ The corporate ROE used for the performance indicator is 6.6% (the FY2023 result).		
Medium- and long-term variable compensation	"Restricted stock compensation" is non-monetary compensation paid once a year. It is designed to provide greater incentive to increase the share price, sustain growth, and increase long-term corporate value. A number of shares equivalent to the following amount is allocated.		
	$\text{Standard stock compensation (Total compensation for the year x stock compensation ratio)} \times \text{Degree of achievement with respect to the corporate ROIC target}^{2,4} \times 50\% + \text{Degree of achievement of sustainability objectives}^3 \text{ (80\% - 120\%) x 50\%}$		
	² The corporate ROIC used for the performance indicator is 7.0% (the FY2022 result).		
	³ In FY2023, the degree of achievement of sustainability objectives was determined by the degree of achievement of the following five KPI objectives for the year. The degree of achievement was 90%. <ul style="list-style-type: none"> •Scopes 1 and 2 GHG emissions reduction ratio •Scope 3 GHG emissions (per unit of business profit) reduction ratio •CSR risk level at suppliers •Female manager ratio; 1 or more female executive officers by FY2025 (Japan) •Number of serious compliance violations 		
	⁴ Coefficients may be amended after deliberation by the Director Compensation Committee in the event of any variability factors that need to be considered. If so, the board of directors shall pass a resolution on the matter. (See P25, Key Sustainability Topics and KPIs)		

Total Amount of Compensation (FY2023)

(Millions of yen)

Director category	No. of individuals paid	Base compensation	Bonus	Restricted stock compensation	Total
Directors who are not Audit & Supervisory Committee members (amount accounted for by outside directors)	8 (4)	189 (39)	31 (-)	41 (-)	262 (39)
Directors who are Audit & Supervisory Committee members (amount accounted for by outside directors)	4 (3)	82 (49)			82 (49)
Total	12	272	31	41	345

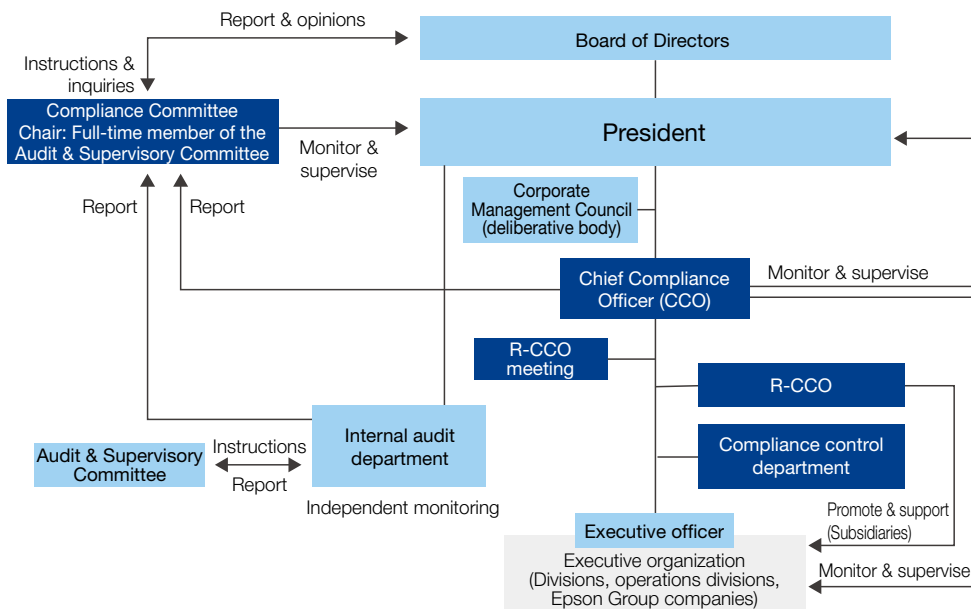
Compliance

Epson's goal is to continuously create value that exceeds customer expectations while building trust with all stakeholders based on the "Epson Way." To maintain and strengthen this trust, Epson seeks to increase management transparency and fairness and effectively manage compliance through faster decision-making. There were no legal or regulatory violations subject to disclosure in FY2023, nor were there fines or settlements subject to reporting in audited financial statements.

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 and monitors 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 and periodically reports the state of compliance affairs to the Compliance Committee. Under the supervision of the president, the compliance control department globally promotes and enforces compliance in cooperation with businesses and subsidiaries. It monitors compliance in general and, if necessary, makes corrections and adjustments to enhance the completeness and effectiveness of compliance activities.

■ Compliance Organization Chart



Compliance Activities

Epson engages in a variety of compliance activities to ensure that we observe all applicable laws, regulations, company rules, and business ethics and meet the expectations of society. The Epson Way (comprising the Management Philosophy, Principles of Corporate Behavior, and the Epson Global Code of Conduct) represents the shared values and expectations of conduct within the Epson Group, forming the foundation for our compliance efforts. To deeply root compliance awareness and ensure effectiveness, we have translated the Epson Global Code of Conduct into 17 languages. In addition, we provide a wide range of compliance training that includes online courses and rank-specific training given by internal and external instructors. October is Compliance Month at Epson. One of the things we do across the global Epson Group during the month is to remind employees of the Epson Way, the foundation on which our business activities rest, and urge them to maintain high ethical standards. We raise compliance awareness by having the chief compliance officer and the heads of our business units and subsidiaries issue compliance messages, familiarizing employees with the Epson Global Code of Conduct, giving compliance training, and conducting a compliance awareness survey. Compliance training courses are provided at all Epson Group companies worldwide. The completion rate is nearly 100% in Japan. We also conduct a compliance awareness survey, which gives us ideas for further improvement by analyzing the results for each department and subsidiary.

Whistleblowing Systems

In Principles of Corporate Behavior and the Epson Group Whistleblowing Systems Regulation, Epson strictly controls information contained in reports and guarantees whistleblowers anonymity and protection from reprisals. We continuously review the system structure to adapt to changes in the internal and external environment, such as by establishing systems in compliance with the amended Whistleblower Protection Act that came into force in June 2022 designating persons to respond to whistleblowing reports. Whistleblowing systems have been introduced at all Group companies in Japan and overseas and are open to officers, employees, dispatch workers, external business partners, and others.¹ In Japan, we have established the Epson Helpline, which has two reporting channels: an internal channel for reporting to a party within Epson and an external channel for reporting to a third-party company. We also offer a supplier whistleblowing system to take reports and calls for advice from suppliers. For Group companies abroad, in addition to reporting channels and the supplier whistleblowing system, we have established an Epson Executive Compliance Hotline, a global reporting system that directly takes reports on compliance issues involving executives at subsidiaries outside Japan. This helps us to improve the reliability and effectiveness of the Group's reporting system. The number of reports received in Japan has been rising every year. In FY2023, 143 reports were received. All were investigated and dealt with appropriately.

¹ If the subject is human rights, reports are accepted from all stakeholders. For details, see P58, "Grievance Mechanism" in the Human Rights Initiatives section.

PICK UP

Examples of Governance at the Epson Group

Epson earns more than 80% of our revenue outside Japan, and more than 70% of our employees are located at overseas sites. For that reason, we believe that to maintain sound and sustainable corporate management, we must practice more effective governance over our overseas sales and production sites and promote autonomy at each Group company and site. On this page, we introduce initiatives designed to ensure control over the Group as a whole.

Global Compliance Activities

Epson compliance activities seek not only to prevent corporate compliance risks, but also to create and apply a discipline that allows each employee to take action with confidence in creating new value. To advance effective compliance initiatives globally under the Chief Compliance Officer (CCO), Epson has appointed Regional Chief Compliance Officers (R-CCOs), one for each of five regions of the world where we promote initiatives. Each R-CCO's area of responsibility is divided based on geographical proximity and similarities in language, law, culture, and the like. This facilitates cooperation among the staff of each company in addressing shared compliance issues. Furthermore, we boost Group-wide collaboration by holding R-CCO meetings semiannually. In the first half of 2024, the CCO visited each region to provide compliance training to each company's managers. The CCO directly emphasized the importance of compliance and engaged in two-way communication through case study-based workshop-type trainings and Q&A sessions.



R-CCO meeting at the Head Office



Training given by CCO, at Epson Singapore Pte. Ltd.

Examples of topics of discussion (March 2024 R-CCO meeting)

Topic	Content
Group-wide initiatives	Sharing FY2023 results and FY2024 action plan; development of relevant regulations at each company Report on compliance consideration survey results
Regional initiatives	Sharing initiatives of Epson America, Inc., Epson Europe B.V., Epson (China) Co., Ltd., and Epson Singapore Pte. Ltd.
Sharing examples of compliance	Cross-organizational roll-out of compliance examples; sharing and consultation on effective prevention measures

Manufacturing Company Presidents Meeting

The Group's management structure is organized into product-based divisions, each headed by a chief operating officer who takes global consolidated responsibility for that business, while the Head Office takes global responsibility for the functions it supervises. In addition to Japan, we also have production sites in China, Indonesia, the Philippines, and other Asian countries and regions, as well as in the US and UK. The Production Planning Division holds a semiannual meeting with the presidents of our manufacturing companies and the heads of relevant departments at the Head Office. Here, they discuss production operations issues, such as production control, logistics, and procurement, as well as initiatives to achieve mid-term targets. Meetings are also used to communicate matters requiring compliance. In addition to cross-Group discussions and information sharing, we roll out best practices horizontally and thereby strengthen effective management at each site.



Manufacturing Company Presidents Meeting at the Head Office

Examples of topics of discussion (March 2024 Manufacturing Company Presidents Meeting)

Topic	Content
Increasing corporate value	Initiatives to comply with RBA Code of Conduct; environmental initiatives
Strengthening manufacturing capabilities	Streamlining manufacturing costs (optimizing manufacturing labor costs), initiatives to raise productivity, initiatives to strengthen manufacturing infrastructure and parts manufacturing infrastructure, initiatives to improve Group-wide CS and quality, initiatives for Group-wide supply chain BCM
Strengthening infrastructure	Strengthening compliance, including procurement

Examples of comments from manufacturing company presidents

Initiatives to increase productivity

The automation of production lines for major models at our factory in the Philippines was the outcome of hard work with engineering support by the Head Office. We expect that more people will come and see and do something similar at their own sites.

Initiatives to strengthen manufacturing infrastructure

The manufacturing site checkup by the Head Office was very useful as an objective evaluation. As we pursue our own initiatives at our Indonesian production site, we will refer to and learn from the good examples and results of other factories.

Risk Management

Risk Management Organization

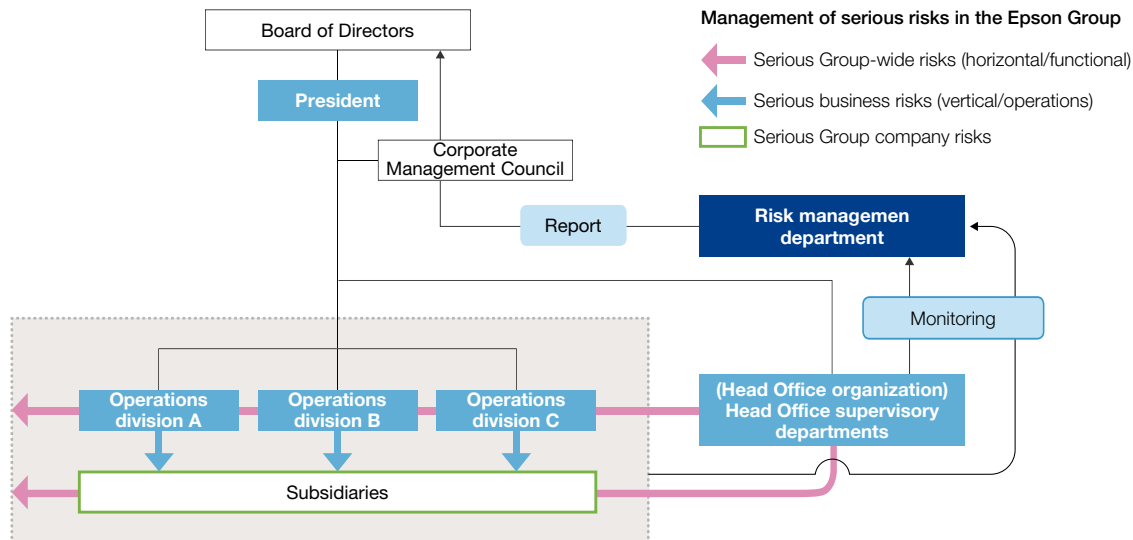
The president of Seiko Epson acts as the chief risk management officer in the Epson Group, including subsidiaries. Group-wide risks are globally managed by Head Office supervisory departments with the cooperation of the operations divisions and subsidiaries. Risks unique to an individual business are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

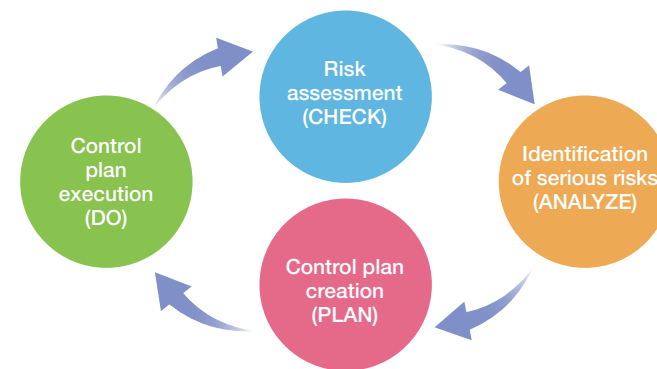
- Risks that could have serious adverse effects on Epson Group management are considered serious corporate risks.
- Risks that could have serious adverse effects on business operations are considered serious business risks.
- Risks that could have serious adverse effects on subsidiaries' management are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

Epson drafts and executes plans to control these serious risks and periodically monitors plan progress. The company also strives to ensure 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.



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 emerging infectious diseases, or disasters affecting suppliers. ● There is potential for epidemic caused by a new strain of pathogen that is highly infectious and brings the risk of severe disease, or an emerging infectious disease epidemic to replace COVID-19. 	<ul style="list-style-type: none"> ● Conduct disaster drills, prepare earthquake disaster action 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.) ● Establish a business continuity plan (BCP) for emerging infectious diseases. ● Establish action plans for normal times, the early stages of an epidemic, and during the epidemic itself, and minimize risk.

Board of Directors (As of June 25, 2024)

* See the Notice of the 82nd Ordinary General Meeting of Shareholders for details of the reasons for the election of each director.



Notice of the 82nd Ordinary General Meeting of Shareholders (2024)
<https://corporate.epson/en/investors/information/meeting.html>

**Yasunori Ogawa**

President and Representative Director

Reason for appointment

As president and representative director, Mr. Ogawa has considerable business experience and a proven track record in leading the development of the Group. He will continue to provide excellent leadership for the company's sustainable growth and improve corporate value over the medium- and long-term.

**Eiichi Abe**

Representative Director, Executive Officer

Reason for appointment

Mr. Abe has experience in both domestic and international operations, particularly in human resources functions, and has worked to strengthen the Group's business infrastructure. He is capable of making management decisions and monitoring the execution of operations from a Group-wide perspective, and is expected to help enhance corporate value.

**Junkichi Yoshida**

Director, Executive Officer

Reason for appointment

Mr. Yoshida has led the planning and execution of medium- and long-term business strategies, drawing on his experience in overseas sales, marketing, and business development, as well as promoting business strategy in the printing solutions business. He will continue helping to improve corporate value.

**Yasunori Yoshino**

Director, Executive Officer

Reason for appointment

Mr. Yoshino has extensive experience in the value chain in the visual products business and a high level of customer awareness and business perspective. Currently, as general administrative manager of the Corporate Strategy Division, he is also involved in the formulation of the next long-term strategy and will help improve corporate value.

**Masayuki Kawana**

Director
Full-Time Audit & Supervisory Committee Member

Reason for appointment

Mr. Kawana has considerable experience and a proven track record, particularly in human resources, and as a director, he makes decisions on important management matters and monitors the execution of operations appropriately. He will continue his contributions to monitoring management and ensuring sound management in order to improve corporate value.

**Tadashi Shimamoto**

Outside Director

Outside
Independent
Director

Reason for appointment

In addition to serving in top management positions at Nomura Research Institute, Ltd., Mr. Shimamoto has considerable experience and deep knowledge in base technology, logistics, service, industry-related systems, and more. He will monitor corporate management appropriately by offering his opinions from the perspectives of overall management and DX/IT systems.

**Masaki Yamauchi**

Outside Director

Outside
Independent
Director

Reason for appointment

Mr. Yamauchi has served as president and chairperson of Yamato Holdings Co., Ltd. and has considerable insight and experience in corporate management. He will monitor corporate management appropriately by offering his opinions from such perspectives as organizational management related to the fundamentals of corporate management.

**Kahori Miyake**

Outside Director

Outside
Independent
Director

Reason for appointment

Ms. Miyake promoted ESG strategies as an executive officer of AEON Co., Ltd. and is currently a fellow officer of Sumitomo Mitsui Trust Bank, Limited. She has also served as co-chair of Japan Climate Leaders' Partnership and will monitor corporate management appropriately by offering her opinions from the perspective of environmental management with her expertise in environmental and social contributions.

**Susumu Murakoshi**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

Mr. Murakoshi has a high level of expertise as an attorney and considerable experience in the legal community, including as president of the Japan Federation of Bar Associations. He will continuously contribute to monitoring management appropriately and ensuring sound management.

**Michiko Ohtsuka**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

Ms. Ohtsuka has a high level of expertise as a certified public accountant and considerable insight and experience as an outside officer of a listed company. She will continuously contribute to monitoring management appropriately and ensuring sound management.

**Akira Marumoto**

Outside Director, Audit &
Supervisory Committee Member

Outside
Independent
Director

Reason for appointment

At Mazda Motor Corporation, Mr. Marumoto was in charge of a wide range of administrative areas, including corporate planning and production and sales operations in the U.S. Since becoming president, he has dealt with various management issues and strengthened earning power, and his experience and knowledge will contribute to monitoring management appropriately and ensuring sound management.

Areas of Particular Expertise (Skill Matrix)

The company believes that a diverse board of directors is useful for facilitating substantive board discussions that cover all angles. Therefore, our basic policy is to maintain a board that is well-balanced and composed of diverse 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.

In FY2023, we expanded the list of skills based on areas and themes that we wish to strengthen going forward, and further strengthened our management framework to achieve the Management Philosophy and long-term vision in order to realize sustained growth and increase medium- to long-term corporate value.

Title	Name	Tenure as a director at the end of the 6/25/2024 general shareholders' meeting	Voluntary Committee		Independent Director	Areas of expertise and skills particularly expected by the company								
			Director Nomination Committee (◎ Chair)	Director Compensation Committee (◎ Chair)		Corporate management	Development Design Business development	Sales Marketing	IT Digital	Finance Accounting Investment	Compliance Governance	HR development HR management	Environment Sustainability	Global (Internationality)
President and Representative Director	Yasunori Ogawa	6 years	○	○		●	●						●	
Representative Director, Executive Officer	Eiichi Abe	—									●	●		●
Director, Executive Officer	Junkichi Yoshida	—						●	●					●
Director, Executive Officer	Yasunori Yoshino	—					●		●	●				
Outside Director	Tadashi Shimamoto	1 year	◎	○	○	●	●		●					
Outside Director	Masaki Yamauchi	1 year	○	◎	○	●		●				●		
Outside Director	Kahori Miyake	—	○	○	○			●					●	●
Director, Full-Time Audit & Supervisory Committee Member	Masayuki Kawana	10 years								●	●	●		
Outside Director, Audit & Supervisory Committee Member	Susumu Murakoshi	4 years	○	○	○					●	●		●	
Outside Director, Audit & Supervisory Committee Member	Michiko Ohtsuka	4 years	○	○	○					●	●	●		
Outside Director, Audit & Supervisory Committee Member	Akira Marumoto	—	○	○	○	●	●							●

* Up to three areas of particular expertise are indicated.

Messages from Newly Appointed Directors

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.

A director who is not an Audit & Supervisory Committee member was added with the expectation that the person will contribute to the company's business growth and sustainable improvement in corporate value.

In this section, the new directors describe the role they intend to serve.

Eiichi Abe

Representative Director
(since June 2024)



Strong strategic leadership: Robust discussions and rapid decision-making

I am delighted to have joined the board of directors this year. Epson regards its people as precious valuable assets. We have a team of diverse individuals who benefit the company and the customer by embodying integrity and effort along with creativity and challenge. After working in HR, I managed corporate divisions at Epson's Head Office and led Group companies in Japan and overseas. In those roles, I worked to strengthen the Epson Group's business infrastructure and deploy it effectively across both the corporate divisions and business units. The most important kind of business infrastructure is, of course, people. I am now working to align HR strategy with corporate strategy to ensure effective management of human capital and of employee health and productivity. The board now has four executive directors, two more than before. The new executive team is committed to both vertical and horizontal strategic alignment (aligning business activities across corporate divisions and business units) and ready for robust discussion and rapid decision-making on our strategic priorities.

The executive team will present the strategic priorities at board meetings and give directors opportunity to discuss the issues in depth and from multiple angles. This approach will further improve the standard of strategic management and ultimately help address societal issues and maximize value for the customer.

I will continue to demonstrate integrity and effort to improve the quality of communications among the leadership team and at each stage of interactions with internal and external stakeholders.

Junkichi Yoshida

Director
(since June 2024)



Ensuring that Epson's efficient, compact, and precise innovation contributes to society and the company's success

I am honored to accept the position of director and all the responsibilities that come with it.

Over the years, I have been involved in operations related to finished products in Japan and overseas. I have always tried to ensure that Epson's products and services embody the efficient, compact, and precise technologies central to the company's purpose. Exemplifying these is Epson's inkjet technology. Being responsible for Epson's inkjet innovation business, I believe I have a mission to promote inkjet technology as a sustainable solution that mitigates environmental impacts. This mission will require, alongside the environmental strategy outlined in the Epson 25 Renewed corporate vision, a commitment to a digital transformation that connects us with customers and a commitment to co-creation initiatives with partners. Such a business strategy will organically link all of Epson's innovation businesses and its technological assets, resulting in better capital efficiency. They will also foster a workplace culture that is diverse, engaged, and global, driving value creation in line with our growth strategy. I will engage in board meetings to set Epson's medium- and long-term strategic direction, build strong governance, and execute the company's business as a member of the leadership team.

Messages from Newly Appointed Directors

Yasunori YoshinoDirector
(since June 2024)

Driving the long-term strategy and open innovation to create new value and unlock the next growth stage

Of the strategies for sustainable corporate development outlined in the Epson 25 Renewed corporate vision, Epson has made headway in inculcating an emphasis on profitability and capital efficiency. However, it has made less-than-expected progress in developing innovation in the growth areas and new areas. Epson must address the bottlenecks in each area to transform its business portfolio. Against this backdrop, my role is to drive forward Epson's purpose-aligned long-term vision and strategy. While intensifying efforts to address the societal issues, we need to delineate the business domains and strategically deploy internal and external resources effectively to reform and expand longstanding business areas and organizational functions, maximizing the value that each business domain creates. In this endeavor, we should use corporate venture capital (we have already made a start in corporate venturing) and open innovation to fuse external resources with our own, driving co-creation of value. We are particularly excited at the growth potential of our manufacturing solutions. In this area, we will launch fundamental restructuring to boost profitability and act quickly to place the business on a growth trajectory. By committing to our long-term growth strategy and tackling the short- and medium-term challenges, I will help Epson fulfill its purpose and maximize its value.

Kahori MiyakeOutside Director
(since June 2024)

Making your presence felt by exercising global leadership and solving societal issues

The external business environment is changing at a breakneck pace. The COVID-19 pandemic changed people's values. The climate crisis is deepening year by year, with business impacts already palpable. Digital transformation has gone into overdrive following the unexpected shock of the pandemic, but the rise of AI applications has led to a problem of huge power consumption. Geopolitical tensions, far from easing, have worsened. Around the world, we see protracted conflicts and the rise of protectionism. As the increasingly popular acronym VUCA describes, the external environment is volatile, uncertain, complex, and ambiguous. In such an environment, companies need to become much more flexible and agile than before. However, adapting to changes reactively and passively will never be sufficient to address global environmental and societal problems. Having a corporate purpose—a reason for being—is more important than ever, as is taking a more proactive lead in tackling the societal issues. Epson's purpose is to enrich lives and create a better world. I will dedicate myself to helping Epson proactively create value in line with this purpose—value for a better planet and a better society.

Akira MarumotoOutside Director,
Audit & Supervisory
Committee Member
(since June 2024)

Boost sustainable management with big-picture thinking for a value chain and supply chain

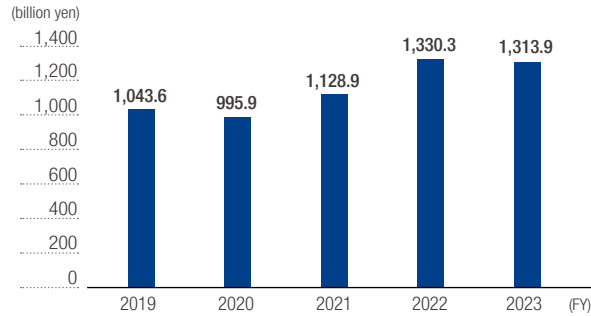
For Epson, as with any other company involved in manufacturing and sales, it has become increasingly important to take a big-picture approach for integrating sustainability across the entire value chain (research, technology development, commercialization, consumption, customer service, and disposal) and the entire supply chain (extraction of resources, production and transport of goods, production and transport of the finished product, and customer's purchase). You need to take this big-picture approach to pursue your own business growth while engaging actively in sustainability initiatives to tackle environmental, human-rights, social, and economic issues. No single company can solve these issues. The company must therefore engage in co-creation with its downstream clients, distributors, and other business partners. I have many years of experience in managing automobile production and sales. However, initiatives to address sustainability issues are more of a recent phenomenon, and I have learned much about sustainability over the past several years. During that time, the automaker has established a sustainability strategy and put some of the actions into effect. I will share my experience and insights and keep learning from others' experience and insights to help Epson integrate sustainability. I look forward to conferring with my fellow directors and developing ideas to build an even stronger sustainability culture at Epson.

Financial and Non-Financial Highlights

Financial Highlights

Revenue

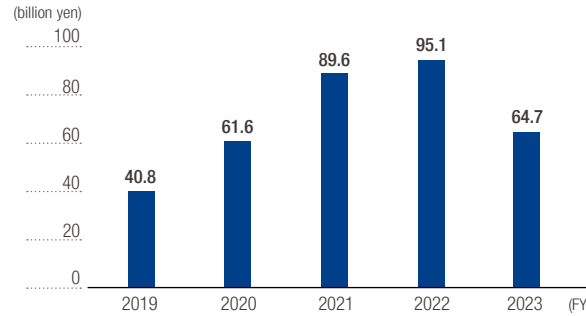
¥1,313.9 billion



Revenue decreased year on year because revenue in the manufacturing-related and wearables segment decreased due to lower demand for microdevices caused by ongoing market inventory adjustments and lower sales along with economic deceleration mainly in China.

Business Profit

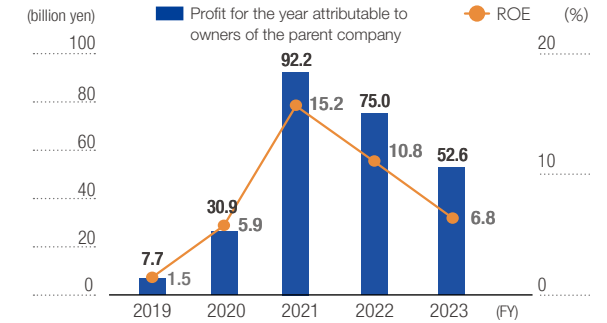
¥64.7 billion



Business profit decreased year on year largely due to the negative impact of production constraints and sharply lower revenue in the microdevices business.

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

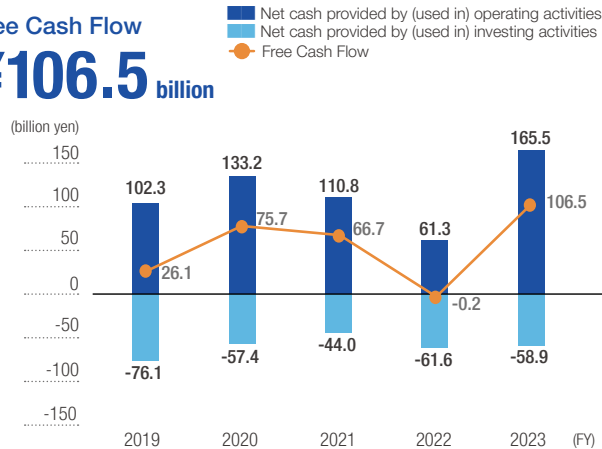
Profit attributable to owners of the parent company **¥52.6 billion** ROE **6.8%**



Profit for the period attributable to owners of the parent company decreased year on year. In addition to lower business profit, this was caused primarily by a decrease in profit from operating activities due to the recording of expenses related to a pension buyout at a Group company in the UK. As a result, ROE fell 4.0% from last fiscal year, to 6.8%.

Free Cash Flow

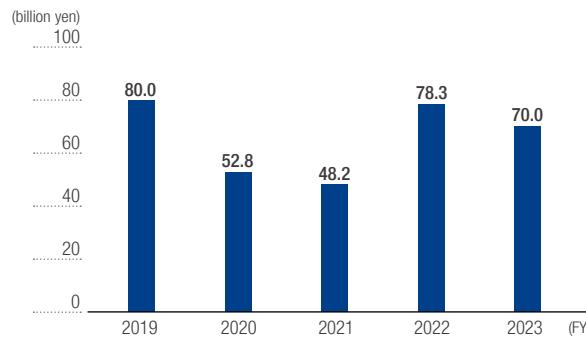
¥106.5 billion



Cash flows from operating activities totaled ¥165.5 billion. In addition to ¥52.6 billion in profit for the period, it was affected by positive factors such as ¥68.6 billion in depreciation and amortization and a ¥71.0 billion decrease in inventories. Net cash used in investing activities totaled ¥58.9 billion, mainly due to the acquisition of property, plant, equipment and intangible assets. Consequently, free cash flow sharply increased compared to last fiscal year.

Capital Expenditure

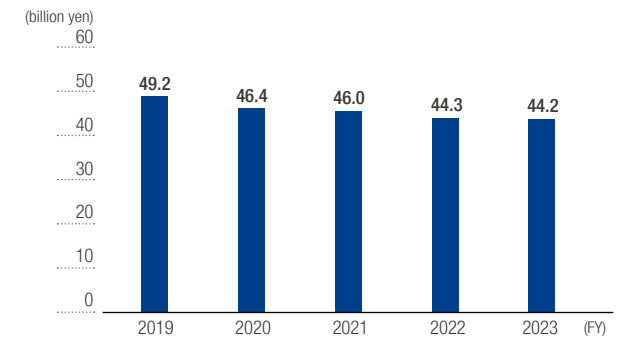
¥70.0 billion



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.

Research and Development Expenses

¥44.2 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.

Non-Financial Highlights: Social, Governance, Environmental

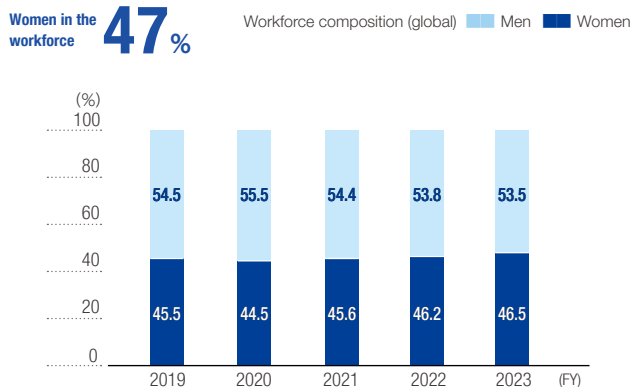
Registered Patent Rankings¹

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

¹The 2023 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.

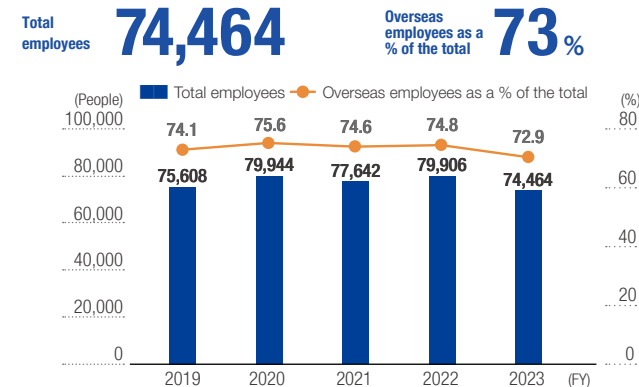
Diversity²



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.

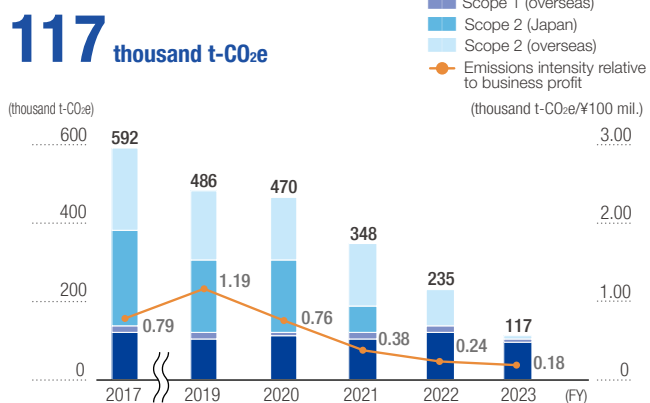
² Regular employees in the Epson Group as of the fiscal year-end (March 31)

Total Employees & Overseas Employees as a % of the Total



Epson has 107 R&D, production, or sales sites in countries and regions outside Japan. Overseas operations generate approximately 80% of consolidated revenue and account for 70% 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.

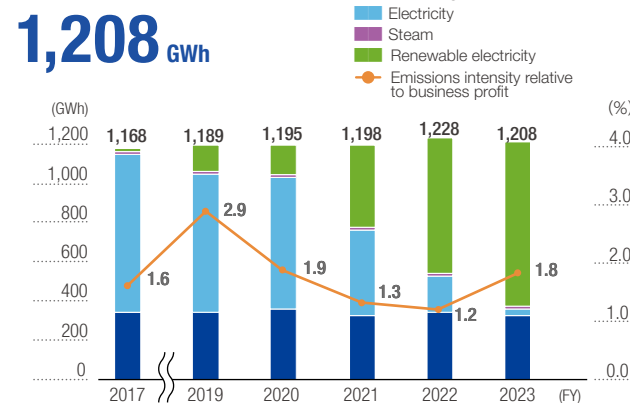
Greenhouse Gas (GHG) Emissions^{3,4}



In FY2023, Epson accelerated the use of renewable electricity in addition to driving site-based energy-saving initiatives. As a result, we achieved our SBT Initiative-validated 2025 target of reducing scope 1 and scope 2 greenhouse gas (GHG) emissions by 34% compared to FY2017.

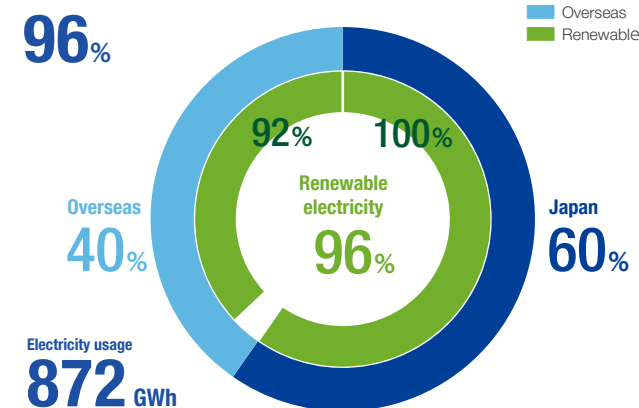
[▶ See the back cover for footnotes ^{3, 4}](#)

Energy Usage



In FY2023, our energy use dipped slightly, but usage per unit of business profit deteriorated because of the decrease in business profit. The transition to renewable electricity has progressed, and the ratio of non-renewable energy, including oil and gas, has been reduced to less than half.

Renewable Electricity Usage Ratio (FY2023)



In December 2023, Epson completed the switch to renewable electricity at all its sites worldwide⁵, increasing the percentage of renewable electricity to 96% of annual electricity usage. As a result, the percentage of Epson's GHG emissions from non-renewable electricity decreased to around 13% from more than 70%.

⁵Excluding some sales sites and leased properties where the amount of electricity consumed cannot be determined

Consolidated Financial Highlights

		IFRS (Consolidation)				
		FY2014	FY2015	FY2016	FY2017	FY2018
Statement of income (billions of yen)	Revenue	1,086.3	1,092.4	1,024.8	1,102.1	1,089.6
	Gross profit	395.9	397.6	365.9	400.8	412.6
	Business profit ¹	101.2	84.9	65.8	74.7	70.4
	Profit from operating activities	131.3	94.0	67.8	65.0	71.3
	Profit before tax	132.5	91.5	67.4	62.6	72.0
	Profit for the period attributable to owners of the parent company	112.5	45.7	48.3	41.8	53.7
Statement of financial position (billions of yen)	Equity attributable to owners of the parent company	494.3	467.8	492.1	512.7	540.1
	Total assets	1,006.2	941.3	974.3	1,033.3	1,038.3
	Interest-bearing liabilities ²	185.9	141.7	146.5	166.5	142.3
Statement of cash flows (billions of yen)	Net cash provided by (used in) operating activities	108.8	113.0	96.8	84.2	76.9
	Net cash provided by (used in) investing activities	△ 32.7	△ 51.5	△ 75.7	△ 74.6	△ 82.7
	Free cash flows	76.0	61.4	21.1	9.6	△ 5.7
Financial and management indicators (billions of yen・%)	Research and development expense	47.8	53.1	52.7	50.3	58.2
	Capital expenditures	45.4	69.4	75.3	79.4	82.0
	Depreciation and amortization	44.4	45.3	43.2	49.4	55.6
	Equity ratio attributable to owners of the parent company	49.1	49.7	50.5	49.6	52.0
	ROE (profit for the period attributable to owners of the parent company/beginning and ending balance average equity attributable to owners of the parent company)	26.3	9.5	10.1	8.3	10.2
	ROA (business profit/beginning and ending balance average total assets)	10.6	8.7	6.9	7.4	6.8
	ROS (business profit/revenue)	9.3	7.8	6.4	6.8	6.5
	ROIC (return on invested capital) ³	-	-	7.4	7.9	7.2
	Consolidated dividend payout ratio	18.3	46.9	43.9	52.2	40.7
	Consolidated dividend payout ratio (based on business profit) ⁴	29.0	36.1	45.9	41.7	44.3
Per share data (yen)	Basic earnings per share (EPS)	314.61 ⁶	127.94	136.82	118.78	152.49
	Equity attributable to owners of the parent company per share (BPS)	1,381.66 ⁶	1,307.58	1,397.40	1,455.67	1,533.57
	Cash dividends per share	115.00	60.00 ⁷	60.00	62.00	62.00
Index of stock price (multiples)	Price earnings ratio (PER)	6.77	14.21	17.13	15.92	11.12
	Price book-value ratio (PBR)	1.54	1.39	1.68	1.30	1.11
Revenue breakdown by region (billions of yen) ⁵	Japan	276.2	264.0	251.3	250.1	251.4
	The Americas	304.6	320.0	290.9	320.4	310.5
	Europe	230.9	226.3	211.9	233.2	225.2
	Asia/Oceania	274.4	282.0	270.5	298.2	302.4
Average exchange rate for the period (yen)	Yen/U.S. dollars	109.93	120.14	108.38	110.85	110.86
	Yen/Euro	138.77	132.58	118.79	129.66	128.40
Number of employees at period end (person)	Total	69,878	67,605	72,420	76,391	76,647
	Domestic	18,627	18,699	19,175	19,436	19,456
	Overseas	51,251	48,906	53,245	56,955	57,191

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, 2015.

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)				
		FY2019	FY2020	FY2021	FY2022	FY2023
Statement of income (billions of yen)	Revenue	1,043.6	995.9	1,128.9	1,330.3	1,313.9
	Gross profit	362.0	352.3	418.4	466.6	456.6
	Business profit ¹	40.8	61.6	89.6	95.1	64.7
	Profit from operating activities	39.4	47.6	94.4	97.0	57.5
	Profit before tax	39.7	44.9	97.1	103.7	70.0
	Profit for the period attributable to owners of the parent company	7.7	30.9	92.2	75.0	52.6
Statement of financial position (billions of yen)	Equity attributable to owners of the parent company	503.7	550.9	665.6	727.3	810.9
	Total assets	1,040.9	1,161.3	1,266.4	1,341.5	1,413.0
	Interest-bearing liabilities ²	209.6	265.9	243.1	233.2	204.7
Statement of cash flows (billions of yen)	Net cash provided by (used in) operating activities	102.3	133.2	110.8	61.3	165.5
	Net cash provided by (used in) investing activities	△ 76.1	△ 57.4	△ 44.0	△ 61.6	△ 58.9
	Free cash flows	26.1	75.7	66.7	△ 0.2	106.5
Financial and management indicators (billions of yen・%)	Research and development expense	49.2	46.4	46.0	44.3	44.2
	Capital expenditures	80.0 ⁸	52.8	48.2	78.3	70.0
	Depreciation and amortization	67.8	69.4	64.4	68.6	68.6
	Equity ratio attributable to owners of the parent company	48.4	47.4	52.6	54.2	57.4
	ROE (profit for the period attributable to owners of the parent company/beginning and ending balance average equity attributable to owners of the parent company)	1.5	5.9	15.2	10.8	6.8
	ROA (business profit/beginning and ending balance average total assets)	3.9	5.6	7.4	7.3	4.7
	ROS (business profit/revenue)	3.9	6.2	7.9	7.1	4.9
	ROIC (return on invested capital) ³	4.1	5.6	7.3	7.1	4.6
	Consolidated dividend payout ratio	278.5	69.4	23.2	32.6	46.6
	Consolidated dividend payout ratio (based on business profit) ⁴	75.0	49.7	34.2	36.3	54.2
Per share data (yen)	Basic earnings per share (EPS)	22.26	89.38	266.73	220.75	158.68
	Equity attributable to owners of the parent company per share (BPS)	1,456.20	1,592.36	1,923.68	2,194.02	2,445.52
	Cash dividends per share	62.00	62.00	62.00	72.00 ⁹	74.00
Index of stock price (multiples)	Price earnings ratio (PER)	52.56	20.14	6.90	8.52	16.67
	Price book-value ratio (PBR)	0.80	1.13	0.96	0.86	1.08
Revenue breakdown by region (billions of yen) ⁵	Japan	254.9	221.2	229.1	232.0	223.3
	The Americas	293.0	287.9	332.7	436.9	429.9
	Europe	214.0	208.4	239.5	282.2	289.4
	Asia/Oceania	281.5	278.1	327.4	379.0	371.1
Average exchange rate for the period (yen)	Yen/U.S. dollars	108.74	106.01	112.37	135.44	144.44
	Yen/Euro	120.85	123.67	130.55	140.90	156.66
Number of employees at period end (person)	Total	75,608	79,944	77,642	79,906	74,464
	Domestic	19,558	19,470	19,705	20,124	20,209
	Overseas	56,050	60,474	57,937	59,782	54,255

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, 2015.⁷ 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

External Recognition



External Recognition
<https://corporate.epson/en/sustainability/evaluation/index.html>

Inclusion in ESG Indices and Ratings

<p>FTSE4Good Index Series (June 2024)</p> <p>FTSE4Good</p>	<p>FTSE Blossom Japan Index (June 2024)</p> <p>FTSE Blossom Japan</p>	<p>FTSE Blossom Japan Sector Relative Index (June 2024)</p> <p>FTSE Blossom Japan Sector Relative Index</p>	<p>MSCI ESG Ratings (March 2024)</p> <p>MSCI ESG RATINGS AAA</p>	<p>MSCI Nihonkabu ESG Select Leaders Index (June 2024)</p> <p>2024 CONSTITUENT MSCI NIHONKABU ESG SELECT LEADERS INDEX</p>	<p>MSCI Japan Empowering Women (WIN) Select Index (June 2024)</p> <p>2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)</p>
<p>Morningstar Japan ex-REIT Gender Diversity Tilt Index (December 2023)</p> <p>MORNINGSTAR GenDi J Japan ex-REIT Gender Diversity Tilt Index TOP CONSTITUENT 2024</p>	<p>S&P/JPX Carbon Efficient Index (June 2024)</p> <p>S&P/JPX Carbon Efficient Index</p>	<p>Sompo Sustainability Index (June 2024)</p> <p>2024</p> <p>Sompo Sustainability Index</p>	<p>Named to the CDP's A List (Category: climate change, water security) (February 2024)</p> <p>CDP A LIST 2023 CLIMATE WATER</p>	<p>Certified by DBJ under its Environmentally Rated Loan Program (January 2022)</p> <p>DBJ 環境格付 2021</p>	<p>Earned a platinum rating for sustainability from EcoVadis (September 2024)</p> <p>PLATINUM Top 1% ecovadis Sustainability Rating SEP 2024</p>

Participation in External Initiatives

<p>United Nations Global Compact</p> <p>Epson has pledged to conduct its affairs as a good corporate citizen and to uphold ten principles in the areas of human rights, labor, environment, and anti-corruption to achieve sustainable growth.</p> <p>WE SUPPORT UN GLOBAL COMPACT</p>	<p>Responsible Business Alliance</p> <p>A business alliance to promote CSR in global supply chains</p> <p>Responsible Business Alliance Advancing Sustainability Globally</p>	<p>Responsible Minerals Initiative</p> <p>An alliance for the responsible sourcing of minerals</p> <p>RESPONSIBLE MINERALS INITIATIVE</p>	<p>TCFD</p> <p>Created by the Financial Stability Board to promote disclosures on climate-related risks and opportunities</p> <p>TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES</p>	<p>CDP</p> <p>An organization that gathers and evaluates environmental information from companies at the request of institutional investors and supply chain members</p>
<p>Science Based Targets Initiative</p> <p>An international partnership that persuades companies to set science-based GHG emissions reduction targets</p> <p>SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION</p>	<p>RE100</p> <p>An international initiative that brings together the world's most influential businesses to drive the transition to 100% renewable electricity</p> <p>RE100 CLIMATE GROUP</p>	<p>Japan Climate Initiative</p> <p>A network of non-state entities such as companies, local governments, research institutions, and NGOs committed to combating climate change</p> <p>JAPAN CLIMATE INITIATIVE</p>	<p>Japan for Circular Economy (J4CE)</p> <p>A partnership established by the Ministry of the Environment, the Ministry of Economy, Trade and Industry, and the Japan Business Federation.</p>	<p>CSR Europe</p> <p>An organization that makes recommendations on guidelines and principles for the European Commission. As a leading European business network, it supports the CSR efforts of businesses, industries, governments, and NGOs</p> <p>CSR EUROPE</p>

Group Outline (current as of March 31, 2024)

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: 74,464 person Seiko Epson: 13,083 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 53,289,742 shares of treasury stock)
Number of shareholders	33,164 persons

Major shareholders	Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
	The Master Trust Bank of Japan, Ltd. (Trust Account)	72,625,700	21.89
	Custody Bank of Japan, Ltd. (Trust Account)	27,427,200	8.26
	Seiko Group Corporation	12,000,000	3.61
	Sanko Kigyo Kabushiki Kaisha	10,500,000	3.16
	Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. Account	8,153,800	2.45
	Epson Group Employees' Shareholding Association	7,422,224	2.23
	STATE STREET BANK WEST CLIENT-TREATY 505234	6,152,177	1.85
	The Dai-ichi Life Insurance Company, Limited	6,115,200	1.84
	HSBC HONG KONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	4,604,864	1.38
	JPMorgan Securities Japan Co., Ltd.	4,581,315	1.38

Note: Although the Company holds 53,289,742 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 (109,170 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

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- ¹ Renewable electricity adoption ratio at all Epson Group sites. Excludes some sales sites and leased properties where the amount of electricity consumed cannot be determined.
- ² Ratio of sustainable resources (renewable resources + closed-loop materials + less depletable resources) to raw materials
- ³ Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2024Q2 Share by Brand
- ⁴ Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2024Q2 Share by Brand. Laser printers = up to 90 ppm monochrome laser printers. Color laser = up to 69 ppm
- ⁵ FY2023 unit volume share for projectors with 500 lumens or more, excluding screenless TV products. Source: Futuresource Consulting Ltd.
- ⁶ Market share based on unit sales of industrial SCARA robots, 2023. (Source: Fuji Keizai: "2024 Reality and Future Outlook of Worldwide Robot Market")
- ⁷ Source: QYRESEARCH "Global Timing Device Market Report" (2023)

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- ² ABE Initiative:
The African Business Education Initiative for Youth is a program that invites young people from Africa to Japan and provides them with the opportunity to obtain a master's degree at a Japanese university and to internship at Japanese companies, with the aim of fostering industrial human resources in Africa and developing professionals who will serve as a bridge for businesses between Japan and Africa.
Source: Japan International Cooperation Agency (JICA) "African Business Education Initiative for Youth"
https://www.jica.go.jp/Resource/english/publications/brochures/c8h0vm000avs7w2-att/abe_initiative_en.pdf

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- ¹ MEMS: Micro Electro Mechanical System
² CAE: Computer Aided Engineering

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- ³ 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/>

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- ⁴ MI: Material Informatics (a technology to accelerate the development of new materials, from property prediction to prototyping, using data)
PI: Process Informatics (a technology to accelerate a development process, from material prototyping to the invention of industrially applicable manufacturing methods, using data to reinforce the possessing knowledge)
- ⁵ Temperature at which a liquid reaches a constant viscosity in a random structure (glassy state) without crystallization when it is cooled

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- ¹ Conflict-free SORs (smelters/refiners) (CFS) certified by RMI's Responsible Minerals Assurance Program (RMAP)
² Smelters and refiners that have not been certified under the RMI's Responsible Minerals Assurance Program (RMAP) but have committed to obtain the certificate

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- ³ 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.
- ⁴ Includes cogeneration systems (CGS) electricity and self-generated electricity. Since it is difficult to procure renewable energy fuels or green gas certificates that meet the RE100 technical criteria, we have achieved 100% renewable electricity by voluntarily applying renewable energy certificates equivalent to the amount of electricity used.

EPSON

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