EPSON
EXCEED YOUR VISION

Epson Group

Integrated Report 2021

Achieving Sustainability and Enriching Communities

Achieving Sustainability and Enriching Communities

COVID-19 has accelerated the pace of social change. Society is transitioning faster toward decentralization and lifestyles are growing more diverse. We are also confronted by a variety of serious societal issues. António Guterres, Secretary-General of the United Nations, has issued a dire warning, saying that 2021 is a crucial year in the fight against climate change.

With this in mind, Epson re-examined its vision for the future and set the aspirational goal of achieving sustainability and enriching communities. We will pursue not only material and economic wealth but also spiritual and cultural enrichment. To achieve this aspirational goal, we will always let societal issues direct our actions and will approach the development of our business by asking ourselves what we can do to solve these issues.

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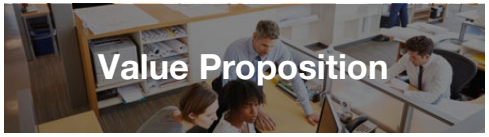

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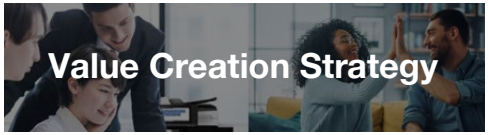

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Editorial Policy

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

Environment Social Governance
Guidance for Collaborative Value Creation

Issued	November 2021
Period covered	April 1, 2020 to March 31, 2021 (Some information may be from other periods.)
Coverage	83 Epson Group companies (including Seiko Epson Corporation)
Disclosures	Epson has also been working to improve communication with stakeholders by publishing a Sustainability Report and providing information on its websites and in other media.

Note: "Epson" refers to the Epson Group, unless indicated otherwise.

* Epson applies International Financial Reporting Standards (IFRS). However, Japanese accounting standards were used for financial figur es from the 2013 fiscal year and earlier . The term "business profit," as used in this report, is very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically.

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.

CEO Message

Achieving Sustainability and Enriching Communities by Using Our Efficient, Compact, and Precision Technologies to Solve Societal Issues

Yasunori Ogawa

Yasunori Ogawa
President and CEO
Seiko Epson Corporation

Today, more than a year and half since the onset of the pandemic, COVID-19 continues to disrupt global economic activity and upend lives. I would like to express my sympathy to everyone who has been afflicted and to extend my gratitude to all frontline healthcare workers and other essential workers.
COVID-19 has also materially impacted Epson's performance, as the virus resulted in factory shutdowns in Asia and upheaval in market demand. It precipitated changes in behavior, lifestyle, and society that were thought to be on the more distant horizon, forcing us to scramble to adapt. To respond to the rapidly changing social environment, we reviewed and updated our long-term corporate vision, renaming it "Epson 25 Renewed," and realigned our business activities to respond to the changes brought about by COVID-19 and to solve societal issues.

CEO Message

Changes in the External Environment

We are facing serious societal issues, such as climate change, natural resource depletion, and a shrinking labor pool. Consumers are increasingly demanding that companies take action to solve environmental problems and other societal issues.

Digitalization and artificial intelligence have been driving a transformation in consumer needs and lifestyles, and COVID-19 has accelerated this megatrend and expedited its arrival. Due to the needs of the New Normal, including the need to work remotely and socially distance, we are seeing an acceleration in the trend toward the distribution and decentralization of where we work, where we learn, and where we produce goods. This rapid distribution and decentralization has created communication obstacles and breakdowns, making connecting people and information more important than ever.

Epson seeks to realize its aspirational goal by utilizing its efficient, compact, and precision technologies to provide individuals and industries with smart solutions that connect people, things, and information.

Epson's Aspirational Goal

Achieving Sustainability and Enriching Communities

At the start of the 2021 fiscal year, Epson clearly stated its aspirational goal and declared its commitment to meeting the expectations and demands of society and stakeholders.

The word "enriching" was used in the statement. Society has always seen economic wealth as a symbol of enrichment. However, as I thought about the true nature of enrichment, I came to the conclusion that it is much more than that. Gaining a sense of fulfillment and satisfaction by contributing to the creation of a better world, one that is amenable to all, also nourishes the soul. Thus, "enrichment" expresses not only material and economic wealth but also spiritual and cultural abundance.

Achieving Our Vision by Addressing Societal Issues

To enrich communities, we must move to solve issues facing society and achieve sustainability. Epson lets societal issues dictate its actions. We develop business by asking ourselves what we can do to solve these issues and how we can contribute to society. After analyzing the strengths of our businesses and products and the value that they can provide, we selected five main societal issues to address. We will act to reduce environmental impacts, improve work environments, connect a decentralized society, improve the quality of infrastructure, education, and services, and support lifestyle diversification.

Epson sees achieving sustainability in a circular economy, advancing the frontiers of industry, improving the quality of life, and fulfilling our social responsibility as key issues (materialities) for solving these societal issues. First, we will achieve sustainability in a circular economy by using electricity, energy, water and other resources effectively and by reducing consumption of virgin underground resources, thereby closing the resource loop and helping to curb climate change. Second, we will advance the frontiers of industry by transforming conventional processes to solve societal issues. For example, we intend to reduce environmental pollution and address labor issues by replacing analog manufacturing processes with digital processes. Third, we will improve the quality of life by helping people live healthier lives and by contributing to education that leads to personal growth.

Main Societal Issues That Epson Will Address

Reducing environmental impacts

Improving work environments

Connecting a decentralized society

Improving the quality of infrastructure, education, and services

Lifestyle diversification

CEO Message

Epson will provide products and services that enrich lives by making people healthier and giving them a wider range of lifestyle options. We will fulfill our social responsibility, the last materiality, by doing everything we need to do as a company to achieve sustainability and enrich communities. Initiatives that help Epson live up to society's expectations include things such as dialogue with stakeholders, environmentally and socially responsible materials procurement and supplier management, respect for human rights, promotion of diversity, transparency of governance, and business continuity and resilience even in a pandemic. We will develop our business with these four materialities at the core of our activities.

Epson 25 Renewed Eyes Societal Issues

In the Epson 25 corporate vision, established in 2016, we asserted that we would create a new era over a 10-year period by connecting cyberspace with the real world. In 2021, the midpoint of the plan, we found that our efforts to expand and enhance products and services and strengthen infrastructure had not yielded the results we had hoped for, and we realized that achieving ¥1.7 trillion in revenue and a 12% ROS would not be possible. We recognize that there were several problem areas.

We had technological strength and confidence and had fallen into the trap of thinking that as long as our products provided good performance, they would sell. We set high revenue targets and focused too much on our most competitive businesses to achieve them. As a result, not only were we unable to execute company-wide strategies but we also postponed doing things that we should have done from a long-term perspective and put off making changes that needed to be made. Taking this as a lesson learned, we adopted a new approach to business. We now look for ways to contribute to society by utilizing our technology to solve societal issues. The direction of the vision described in Epson 25 has not changed. We remain committed to connecting cyberspace and the real world to create a new era.

However, after reaffirming our reason for being and articulating our aspirations, we found it necessary to reset our goals and map out a new path for getting there. So, in March 2021, we announced an updated corporate vision, Epson 25 Renewed. We will build businesses to solve societal issues and will set different priorities in each of the businesses.

In the past we overemphasized revenue growth. So, under Epson 25 Renewed, instead of setting a revenue target, we set medium- and long-term targets for return on sales (ROS). The highest priority in our businesses will be to find ways to leverage Epson's strengths to help solve societal issues. Thinking we needed greater awareness of the cost of capital, we set ROIC (return on invested capital) as a Group target in addition to ROE (return on equity).

Epson 25 Renewed Vision

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

Initiatives to Achieve the Vision Statement

Environmental Initiatives

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

DX Initiatives

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

Co-creation Initiatives

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

CEO Message

Environmental, DX, and Co-creation Initiatives

To achieve the vision statement set forth in Epson 25 Renewed, our businesses will focus on the environment, digital transformation (DX), and co-creation.

Environmental Initiatives

Epson has long been an environmentally aware company and has utilized advanced environmental technology in its products and product manufacturing. In 2008, we established Environmental Vision 2050, a statement of our environmental goals in 2050. Epson draws its strength from a storehouse of efficient, compact, and precision technologies. We believe that these very technologies, which save energy, save space (through design miniaturization), and achieve exceptional accuracy and precision, can help solve societal issues by mitigating environmental impacts. Realizing that Epson can contribute to society because of these technologies, we decided to put the environment at the center of our operations. This commitment is made clear in the Epson 25 Renewed corporate vision.

Before we announced Epson 25 Renewed, we also revised Environmental Vision 2050, which has only been conceptual, and added specific numerical targets. Our thought was that if the government commits to becoming carbon neutral, then we would commit to becoming carbon negative.

In addition to becoming carbon negative, Epson is driving an initiative to become underground resource [1] free.

→ For details, please see P10 and P59.

[1] Non-renewable resources such as oil and metals

DX Initiatives

We will create value by focusing more on efforts to connect cyberspace and the real world, as was described in Epson 25. COVID-19 accelerated the decentralization of society, making connecting that much more valuable. This is an area for digital transformation.

By combining AI and other advanced digital technologies with Epson's core technologies and product families and deploying them in our businesses, we will provide solutions to customers' problems. In addition to increasing value in existing businesses, we will contribute to solving societal issues and to customer success by transforming business models and creating new ones. By doing so, we aim to create businesses that can produce value with software alone, rather than relying solely on our own hardware.

→ For details, please see P11.

Co-creation Initiatives

One of the regrets we had when we looked back over Epson 25 was that we overemphasized self-reliance. We pushed the strategy of vertical integration to the forefront and tried to handle all processes internally, from technology development to product sales. As a result, a considerable amount of time and energy was devoted to areas that are not our strength, and this hindered growth in some ways. By cooperating with partners instead of insisting on going it alone, we have discovered new value in Epson's efficient, compact, and precision technologies. These collaborations with companies that have technologies and ideas that we never imagined could yield new products and applications. Co-creation is essential for developing new businesses and takes various forms, including personnel exchanges, the provision of core devices, collaboration and capital investments. We want our technology to help the world by evolving and spreading into useful new applications that solve societal issues.

→ For details, please see P12.

CEO Message

Setting Priorities and Innovating to Solve Societal Issues

Under Epson 25 Renewed, we classified our businesses into three areas: a growth area, a mature area, and a new area, and set priorities in each. Rather than seeking revenue growth in all businesses, we will allocate the lion's share of management resources to growth areas and new areas that promise future growth. In mature areas, we will emphasize profit rather than revenue. With the social situation still uncertain, we will operate our businesses such that we obtain growth while also locking in profit.

Three Areas

Growth areas	See environmental changes as an opportunity and invest management resources	• Office printing • Commercial & industrial printing • Printhead sales • Production systems
Mature areas	Emphasize profitability through structural changes and efficiency improvements, etc.	• Home printing • Projection • Watches • Microdevices
New areas	Develop new technologies and businesses	• Sensing • Environmental business

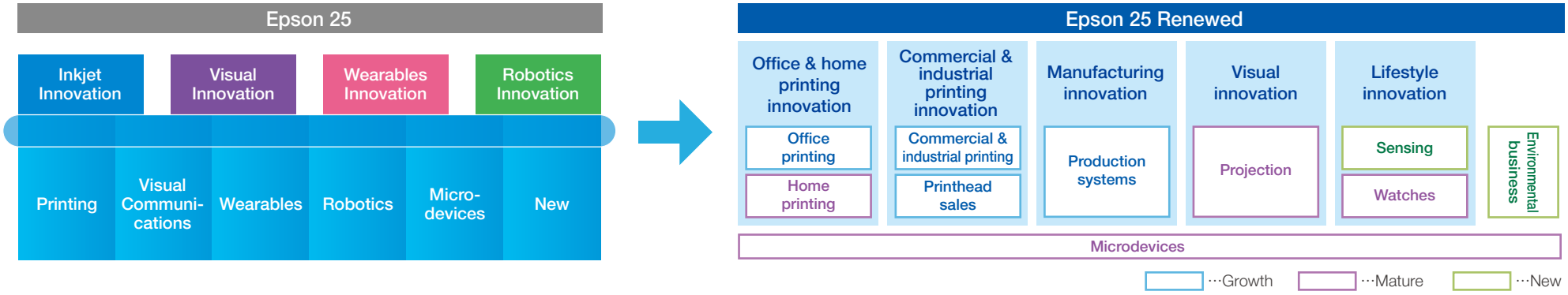
The areas of innovation were reorganized into five areas instead of four.

In the past, we focused on technology-centered innovation, but under Epson 25 Renewed we have reset the target areas centered on customer value and societal issues.

The office and home printing business and the commercial & industrial printing business are seen as growth areas. The office printing market itself is shrinking and yet represents a huge growth opportunity for Epson if we can persuade users to replace their laser printers with inkjet printers. Inkjet printing offers greater convenience and productivity, but it also enables eco-conscious offices by reducing electricity consumption and waste. In commercial and industrial printing, we will spearhead digitalization by proposing digital inkjet solutions that replace analog printing processes. Digitalization enables distributed production sites to be centrally managed from a remote location. And producing goods in markets where they are consumed enables lean production and transforms the value chain.

Robotics innovation was changed to manufacturing innovation. Instead of focusing exclusively on producing and selling stand-alone robots as in the past, we will also work to provide compact, flexible production systems. Our efficient, compact, and precision technologies enable us to produce small products of great variety, from robots to peripherals and manufacturing equipment. They also allow us to support customers by providing them with services, from production line design and installation to production engineering and production system construction.

Innovation



CEO Message

Our goal is to drive innovations in manufacturing that make it impervious to labor shortages and adaptable to short-run production and local production for local consumption.

Strengthening Business Infrastructure to Support Innovation

To drive advances in the five areas of innovation, we will reinforce critical business infrastructure, including sales and marketing, production, technology development, and human resources. First, we will concentrate on customer-focused sales and support. In addition to providing tailored solutions, we will put more effort into providing after-sales support and services. In the area of production, we will further accelerate automation and digitalization, transition to distributed rather than centralized production systems, and establish robust production systems that exhibit resilience even in emergencies. In the area of technology development, we will strengthen the development of materials and AI, which are base technologies, digital technologies, which are product technologies, and environmental technology. To develop environmental technology, we are allocating human resources primarily to materials development. We expect development work in this area to bear fruit in the form of new businesses. Development know-how and developed technology will be shared across the company. By sharing knowledge about good initiatives across the company instead of siloing them in operations divisions, we will raise the level of all businesses. We will strengthen our workforce through organization revitalization, human resource development, and the hiring of specialists. To broaden the knowledge and experience in our workforce, we will rotate personnel more frequently to different jobs within the company, train and develop people needed in priority areas, and hire more mid-career people.
The board of directors exhaustively discusses whether the innovation, business infrastructure, and other strategies are aligned with the direction of the Epson Group before reaching decisions. Forums are set up to discuss topics such as diversity, DX, harassment, organizational climate, and quality. Outside directors actively share their experience and insights. Negative issues that require a fast company response are reported to the board, and the pros and cons of actions to address them are discussed and decided. The Seiko Epson Board of Directors will continue to play a role in ensuring transparency in decision-making.

Increasing Employee Happiness by Contributing to Society

The world has entered a period of major transformation, in which the COVID-19 pandemic has played a part, and we are often forced to respond to the unexpected. We recognize that we must respond appropriately and think long-term as we advance toward the future that we envision for Epson. In order to enrich communities in which people, things, and information are connected, we will face past mistakes, drive transformation, and move forward one step at a time. Fortunately, our young employees who will take the reins of leadership are very mindful about what the company should be for society and how it can contribute to society and the environment. As president, I have repeatedly communicated the message that contributing to society is closely linked to employee happiness, as the sense of fulfillment and reward earned by contributing to society through work makes employees happy. This idea seems to truly resonate with our people. If we share this mindset and remain committed to this belief, we will never be at a loss for what to do, regardless of the speed and magnitude of change. From top to bottom, the entire Epson team will confront the changing world and progress toward achieving sustainability and enriching communities.

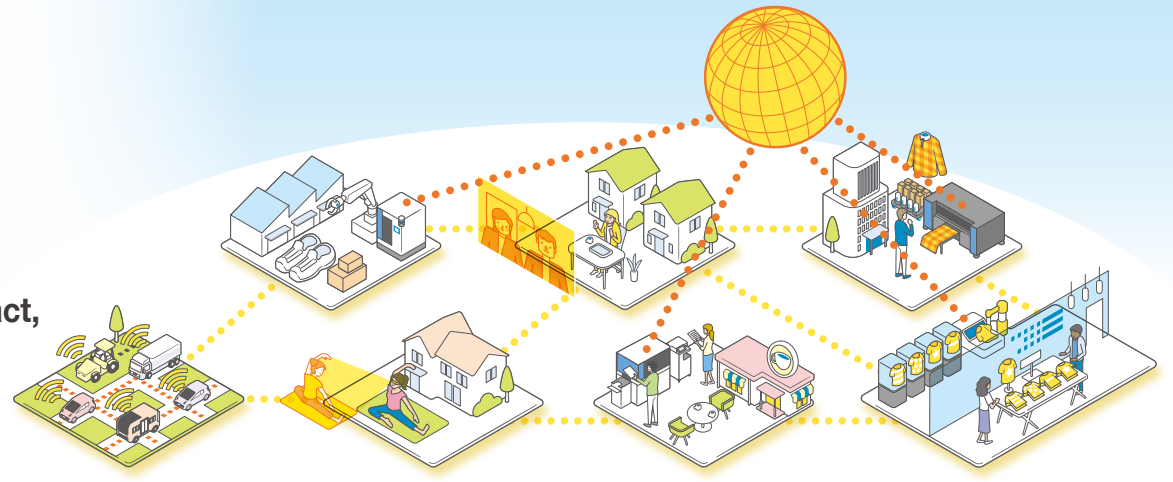
Corporate Vision

Epson 25 Renewed

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

In March 2021, Epson established the Epson 25 Renewed corporate vision, outlining a revised strategy for accomplishing the company's aspirational goal of achieving sustainability and enriching communities.
As a strong proponent of environmental action, Epson simultaneously revised Environmental Vision 2050 and will seek to become carbon negative and underground resource[1] free by 2050.

[1] Non-renewable resources such as oil and metals



Epson 25 Review

Under the Epson 25 Corporate Vision, established in 2016, we worked to enhance products and services and to strengthen infrastructure. However, these efforts did not yield the expected results and it became clear that we would fall short of the financial targets.
We analyzed the issues and their causes as shown below and are responding with new initiatives under Epson 25 Renewed.

Issue

- Plan assumed excessive revenue growth
- Strategy execution lacked speed
- Slow response to environmental changes

Cause

- Unmindful of customer and competitor perspectives, together with mindset that superior products would be enough to drive sales
- Lack of sensitivity to changes in societal demands and weakness in incorporating them in company-wide strategy
- Lack of ability to execute strategy and over-emphasis on self-reliance
  - Sales organization centered on consumer products
  - Lack of human resource strategy

Response

- Redefine business area goals and evolve strategies
  - Product planning using customer data
  - Improve solutions
- Strengthen company-wide strategy across businesses
  - Formulate strategy centered on solving environmental issues
  - Provide solutions via DX
  - Build a co-creation framework
- Allocate management resources to new areas and growth areas by clarifying business portfolio
- Strengthen business infrastructure to execute strategy
  - Leverage data to strengthen sales tied to customer support
  - Recruit and develop diverse human resources

Epson 25 Renewed

These initiatives are based on an amended value creation story (→P16) and materialities (→P46). As demand rises for solutions to environmental problems and other societal issues and for connectivity and information in an increasingly decentralized world, we will seek to realize our aspirational goal by providing individuals, industries, and manufacturers with smart solutions that connect people, things, and information.
The environment, DX, and co-creation will be key to this effort. We will emphasize the environment and, on top of that, will utilize digital technology to achieve innovation and collaborate with partners to solve societal issues. The innovation areas were reorganized into five areas from a societal issues and customer perspective, and the businesses in each were further classified as growth, mature, or new areas of business to enable us to focus most on the core areas of highest priority (→P7).
We will also reinforce the business infrastructure that supports these, including sales and marketing, production, and technology development. In addition to adding ROIC (return on invested capital) to our financial targets to promote greater awareness of the cost of capital, we will emphasize profitability by clarifying the business portfolio and appropriately allocating management resources (→P23-25).

Innovation Areas

…Growth …Mature …New

Office & home printing innovation	Commercial & industrial printing innovation	Manufacturing innovation	Visual innovation	Lifestyle innovation	
Office printing	Commercial & industrial printing	Production systems	Projection	Sensing	Environmental business
Home printing	Printhead sales			Watches	
Microdevices					

Epson 25 Renewed Corporate Vision

Environmental Initiatives

Environment

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

Declaration 50 of the 2030 Agenda for Sustainable Development states, "We ... may be the last [generation] to have a chance of saving the planet," expressly acknowledging that the planet is in crisis and that immediate action is essential. The fact is that modern civilization revolves around the unrestrained consumption of resources and that this is negatively impacting the global environment and human society. The anthropogenic causes of the deepening climate crisis can only be overcome by human action.
Epson recognizes this and is pursuing ambitious environmental initiatives under Epson 25 Renewed. We are looking to decarbonize, close the resource loop, develop environmental technologies, and provide low-impact products and services. Decarbonization is essential for overcoming climate change. We also believe that to escape the cycle of wasteful overconsumption of resources, we must abandon the single-use approach and reuse resources repeatedly.
It is essential to begin environmental initiatives immediately and to continue them over the long term, and Epson is committed to doing so under Environmental Vision 2050.

Environmental Vision 2050

Epson will become carbon negative and underground resource[1] free by 2050 to achieve sustainability and enrich communities

Goals

- 2030: Reduce total emissions in line with the 1.5˚C scenario[2]
- 2050: Carbon negative and underground resource[1] 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

In 2008, Epson established Environmental Vision 2050, a statement of our environmental goals out to the year 2050. The world has since changed. Global efforts to achieve social sustainability are accelerating, with the United Nations adopting Sustainable Development Goals (SDGs) and the Paris Agreement charting a course toward decarbonization. In light of these changes, Epson revised the environmental vision in 2018, and specified three actions that the company should take. In March 2021, Epson further revised the vision, setting specific goals that reflect Epson's strong commitment to addressing major societal issues such as decarbonization and resource recycling.

[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)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
Declaration of support in Oct. 2019

JAPAN CLIMATE INITIATIVE
Joined in Jan. 2019

RE100
CLIMATE GROUP | CDP
Joined in Apr. 2021

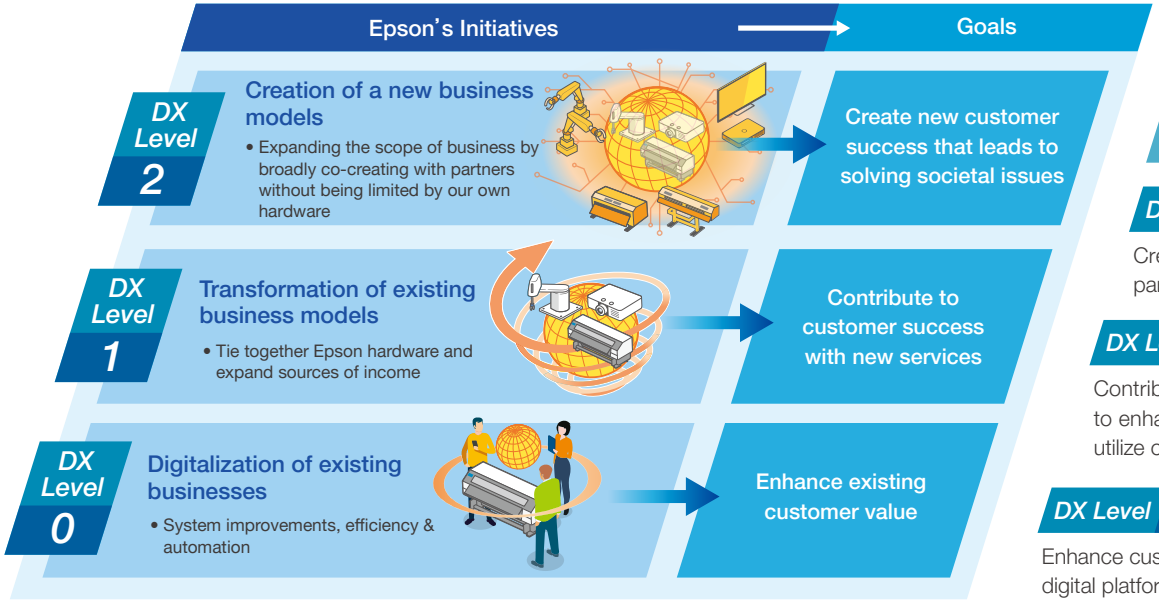
Epson 25 Renewed Corporate Vision

DX Initiatives

DX

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

Epson has positioned digital transformation (DX) as a key strategy for achieving Epson 25 Renewed. We will build a robust digital platform by using Epson's data and services and by creating shared infrastructure for using the data and services. We will partner with others to co-create solutions that connect us to and create long-term relationships with individual and industrial customers as well as with education and manufacturing environments.
We will take an open approach to co-creating solutions, opening our API, enabling the connection of non-Epson equipment, and providing opportunities for many partners to participate. With deep customer knowledge, we will contribute to their success by expanding support and creating new products and services. We will help transform lifestyles and create new business models by being attentive to customer needs, delivering parts and consumables when needed depending on equipment use and using data analysis to provide support. These initiatives will span the company and improve profit and sustainability.



Carry out and link three initiatives in parallel to make greater strategic use of the latest digital technology and data to realize our long-term vision.

DX Level 2 Create new customer success that leads to solving societal issues

Create new customer success that leads to solutions to societal issues by widely co-creating with partners and creating new business models without being limited by our own hardware.

DX Level 1 Contribute to customer success with new services

Contribute to customer success by building maintenance service business infrastructure, using data to enhance customer support and the subscriptions business, and creating other new services that utilize our own hardware.

DX Level 0 Enhance existing customer value

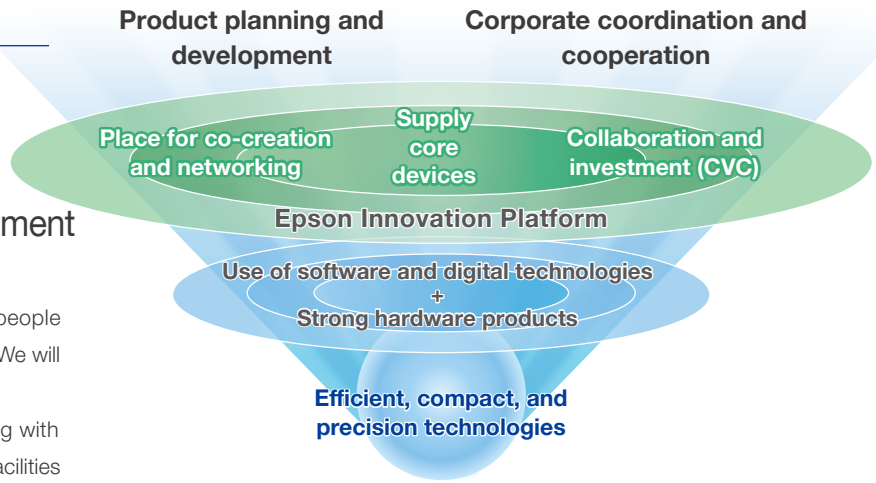
Enhance customer value by completing portal site, e-commerce site, marketing automation and other digital platforms, and by connecting our hardware with our customers.

Epson 25 Renewed Corporate Vision

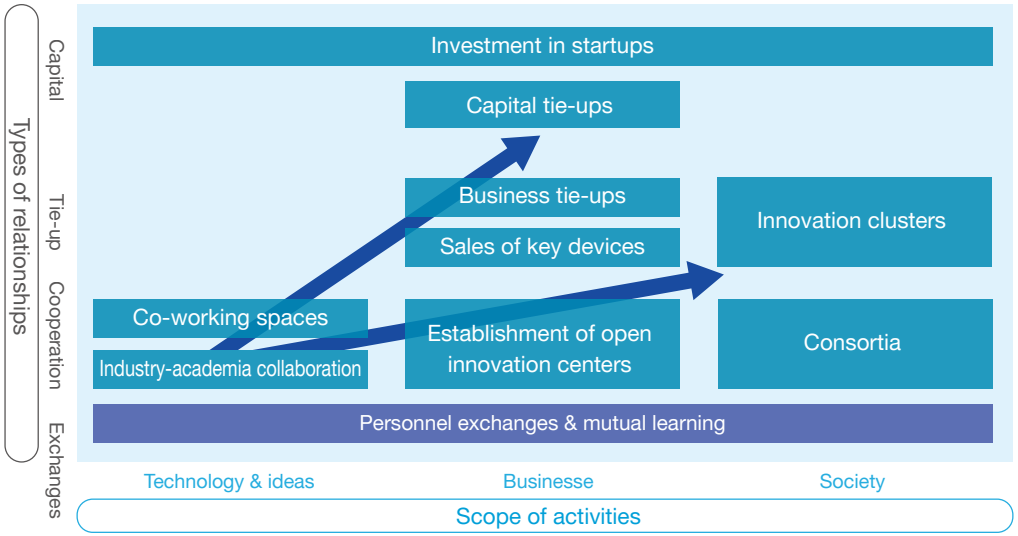
Co-creation Initiatives

Co-creation

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



There is a limit to how much we can do alone to solve societal issues. We believe we can help solve issues by having more people effectively utilize our technology assets and by combining our technology with other technologies to create new and greater value. We will therefore further strengthen and expand the breadth of co-creation with partners around the world.
We have strong product families that are based on our efficient, compact, and precision technologies and will use these, along with software and digital technology, to forge co-creation opportunities with a range of outside partners. To this end, we will provide facilities and forums for co-creation and personnel exchanges, supply core devices, and offer CVC funding.
We will combine Epson's technologies, devices, and products with partners' ideas and technologies, create an Epson innovation platform that produces new value, and, together with partners, solve societal issues.



Epson 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 partners.
We are co-creating with venture businesses to achieve Epson 25 Renewed and expand our business in the future. In addition to capital and business tie-ups with venture businesses, we established a CVC subsidiary, Epson X Investment, in 2020, and are investing more agilely in start-up companies.
Selling key devices such as inkjet printheads enables us to collaborate with partners who have a wider range of customer contacts than we do. And, setting up open innovation centers allows us to provide partners with hands-on experience in using our products and devices.
To broadly solve societal issues, we will develop new businesses by co-creating with partners through participation in innovation clusters and consortia.
Things learned through co-creation and personnel exchanges are also fed back into our business activities.

A History of Value Creation

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

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

2009
Six-axis robot

2016
Office papermaking system

2017
High-speed linehead inkjet MFP

Helping to Solve Societal Issues
Expand business by solving societal issues
Epson 25 Renewed

Strengthening business structure
Integrity and Effort & Creativity and Challenge
Meet customer expectations and become indispensable

1980
Small, lightweight computer printer

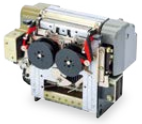
1983
Precision assembly robot

1990
Printer for PC-POS systems

1994
High-speed inkjet printer

1956
Mechanical watch with an original design

1968
Digital printer



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

Early period
Integrity and Effort
Watch and printer technology development

1971
Watch chip

1988
Panel module

1994
LCD projector

2008
Large-format printer

2010
High-capacity ink tank printer

2016
High-brightness laser projector

2018
Digital inkjet textile printer

2011
Smart glasses

2017
Analog watches

1963
Electronic recording system for sporting events

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

1969
Quartz watch [1]

1973
Digital quartz watch [1]

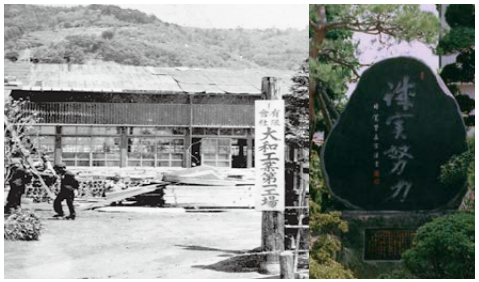
[1] Products are registered as Essential Historical Materials for Science and Technology by the National Museum of Nature and Science.

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.

A History of Value Creation

1942 Founded — Origin of Epson's efficient, compact, and precision technologies

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



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

Monument engraved with the motto of founder Hisao Yamazaki

1975 — Brand establishment and growth into a multinational corporation

In 1975, the Epson brand and the first overseas sales company were established, followed by other global sales organizations. In 1989, the Epson Group's Management Philosophy was established.

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

1992 — Global pioneer in environmental action

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

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

2003 TSE IPO — Surging ahead into a new era

In 2003, Seiko Epson shares were listed on the Tokyo Stock Exchange. In 2005, the "Exceed Your Vision" global tagline was established to build the brand worldwide.

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

2010 — Contributing to global solutions

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

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

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

2021 — Initiatives for achieving the goals of Epson 25 Renewed and Environmental Vision 2050

Developing business to solve societal issues

- Climate change: Limit GHGs under the 1.5°C scenario

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Declared our support for the recommendations of the TCFD (2019)

- Joined the international initiative RE100, which seeks to encourage leading corporations to commit to the use of 100% renewable electricity for their business activities

RE100 CLIMATE GROUP | CDP

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

Management Philosophy

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

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

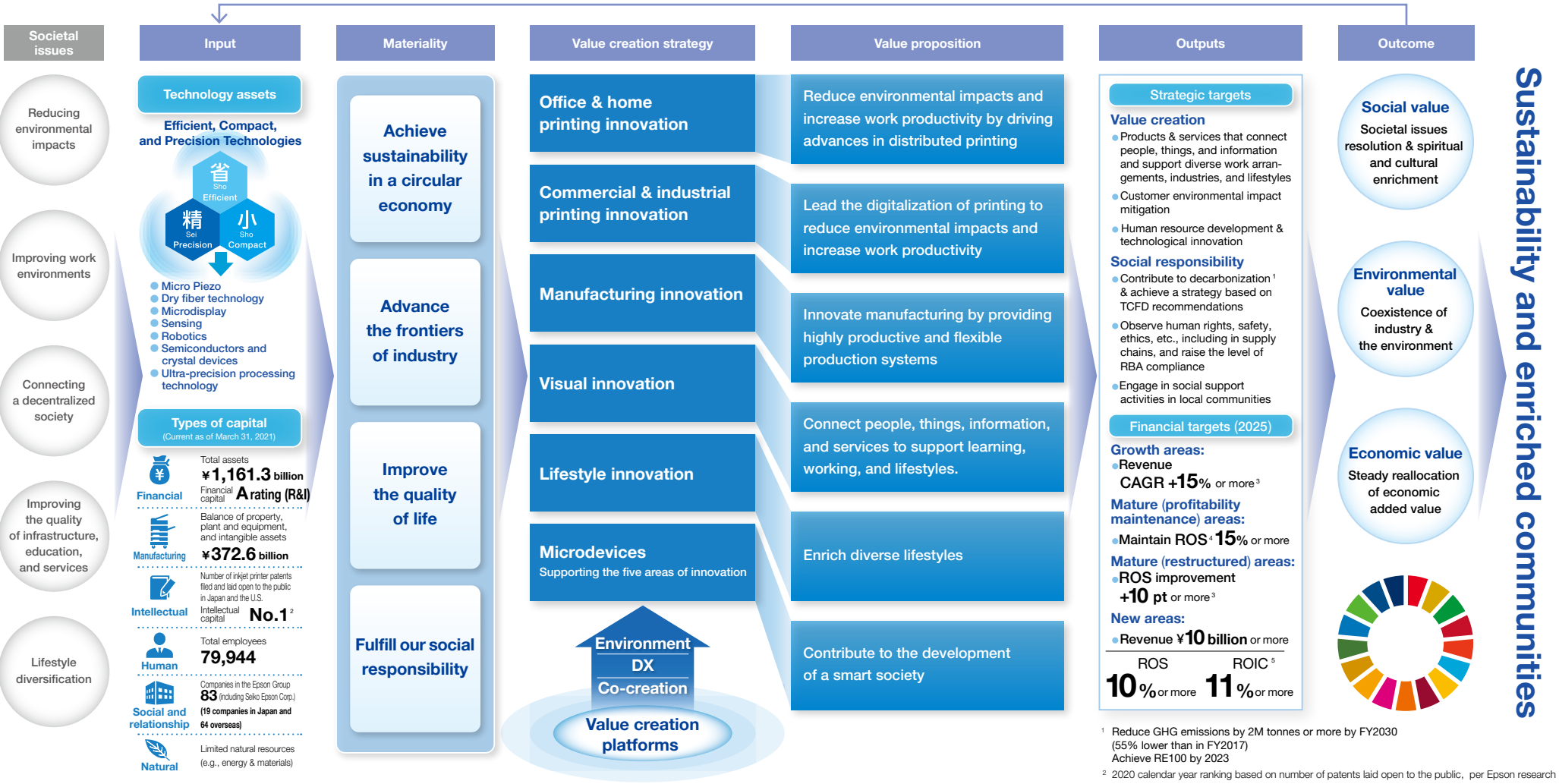
EXCEED YOUR VISION

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

EPSON
EXCEED YOUR VISION

Value Creation Story

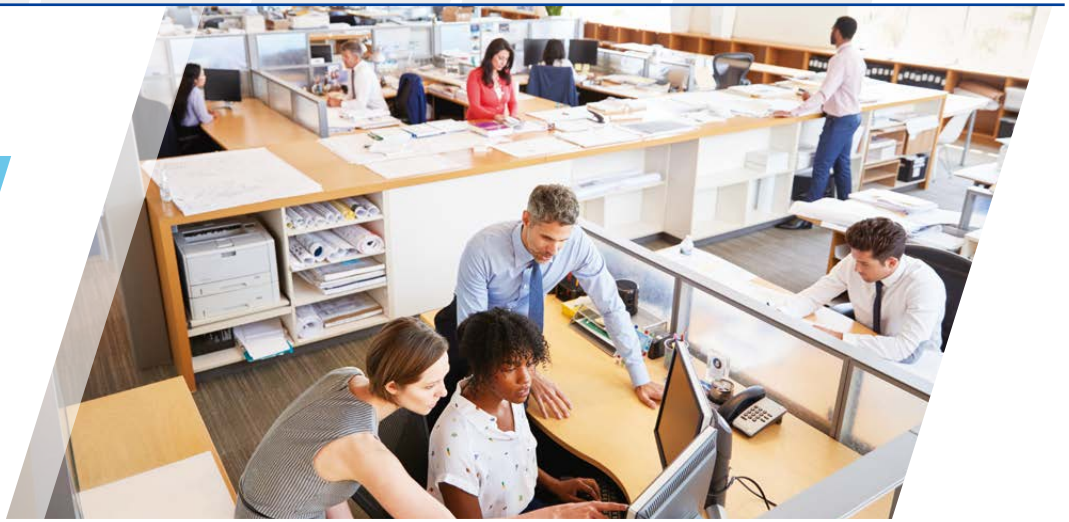
Epson examined societal issues and identified materialities that it can impact. We will achieve sustainability and enrich communities by using our unique core technology to drive innovation that enables us to create and provide social, environmental, and economic value in the form of solutions to societal issues. This commitment is aligned with the sustainable development goals (SDGs).



1 Reduce GHG emissions by 2M tonnes or more by FY2030 (55% lower than in FY2017)
Achieve RE100 by 2023
2 2020 calendar year ranking based on number of patents laid open to the public, per Epson research
3 YoY comparison
4 Business profit / revenue
5 Return on invested capital

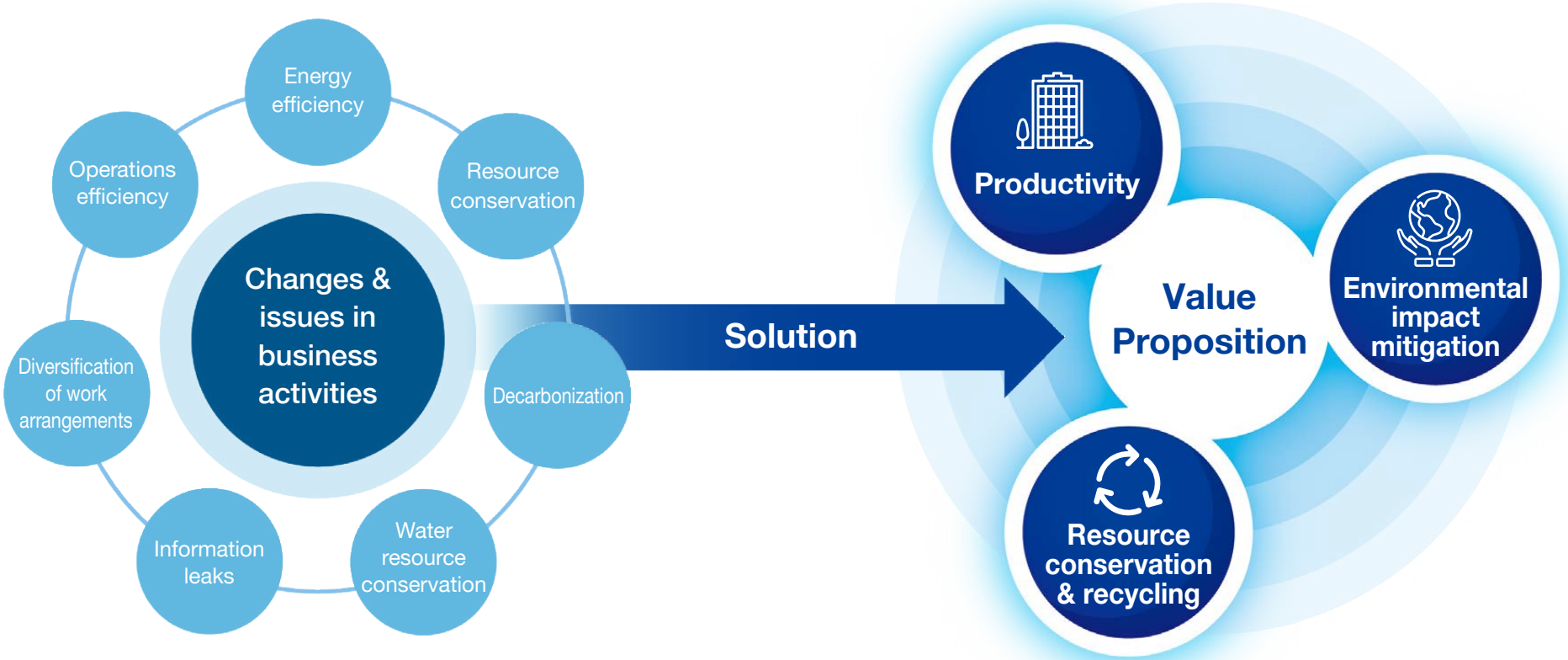
Feature Article

Achieving Sustainability and Enriching Communities



Achieving Sustainability in a Circular Economy

Epson is helping a sustainable circular economy gain traction in a variety of ways, including by using electricity, energy, water, and other resources efficiently, and by reducing the use of virgin underground resources.



Example 1

Eco-Conscious Offices

Societal issues & needs

More and more offices are going paperless to reduce their costs and environmental impact, but there will still always be a need for printing. Many people prefer the readability of paper. What businesses need are printing solutions that are eco-conscious, save money, and increase productivity.

Print costs approx. 1/10th[1]

Reduce power consumption approx. 80%[2]

Print speed 100[3] pages/minute

High-capacity ink tank printer

High-speed linehead inkjet multifunction printer

A solution that combines inkjet printers and an office papermaking system

Epson's water-free Dry Fiber Technology[4]

Make new paper from used copier paper on the spot

PaperLab dry-process office papermaking system

POINT 1 An inkjet printing solution that sharply reduces your costs and environmental impacts compared to laser printers

POINT 2 In-office paper recycling is a closed loop.

Value Proposition

- **Conserve forest and water resources through in-office paper recycling.**
- **Raise productivity with faster print speeds while reducing power consumption and printing costs.**
- **Maintain information security by defibrating paper**

1, 2, 3, 4 See note P80

Example 2

A Printing Solution That Saves Resources and Maintenance

Societal issues & needs

With the problems of resource depletion and global warming becoming more evident, the world is demanding products and services that use limited resources efficiently. Meanwhile, the decentralization of the workforce making lightening the burden for ink replacement and other maintenance more important.

Recycled plastic content approx. 30%[5]

Reduce consumables CO_2 emissions approx. 73%[6]

High-capacity ink tank printer

POINT 1 Printers contain recycled plastic.

POINT 2 High-capacity ink tank printers use fewer resources and require less frequent ink replacement than ink cartridge printers.

Cardboard + coated paperboard (all sides)

Reduce CO_2 emissions approx. 10%[7]

POINT 3 Retail boxes with labels instead of coated paperboard on all sides reduce paper use

Value Proposition

- **Reduce use of petroleum-based plastics and conserve resources.**
- **Reduce resources for consumables and packaging.**
- **Reduce amount of paper used for retail boxes.**
- **Lighten the burden of ink replacement-related maintenance.**

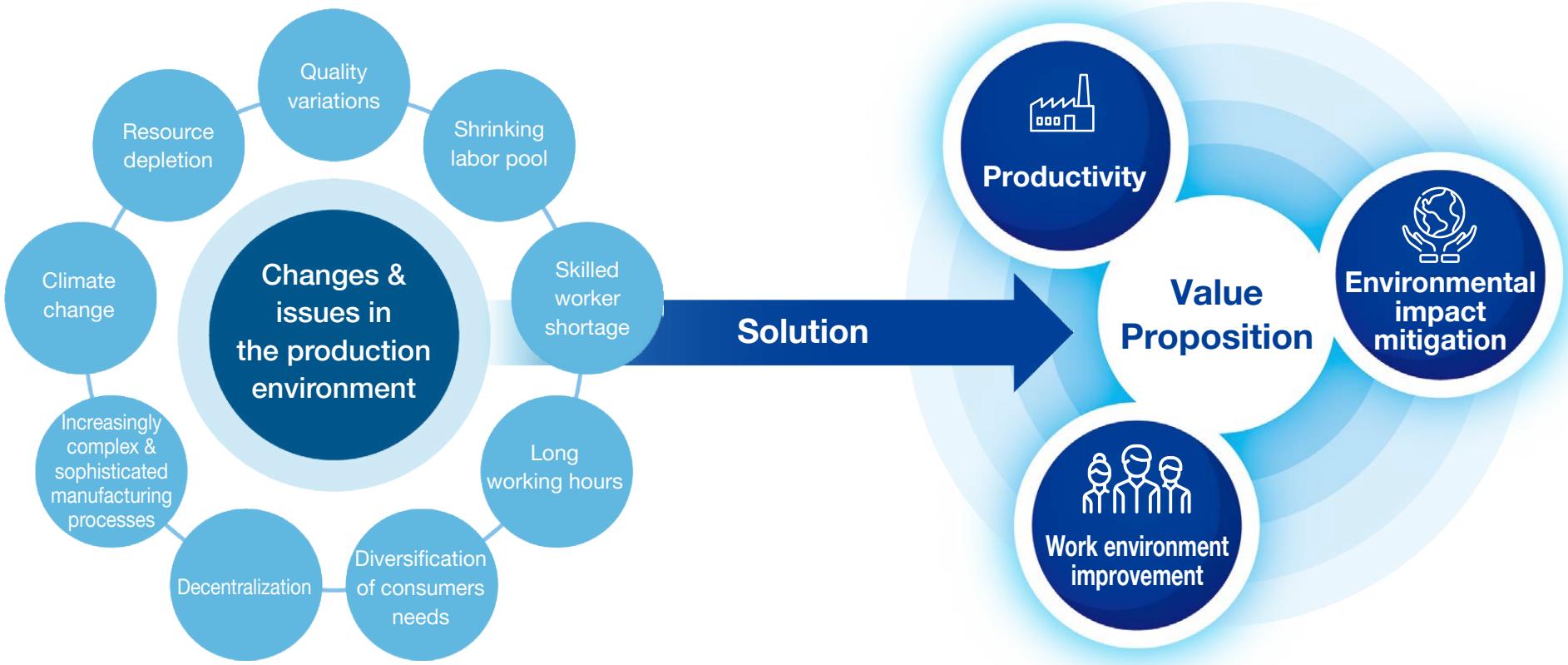
5, 6, 7 See note P80

Feature Article

Achieving Sustainability and Enriching Communities

Advancing the Frontiers of Industry

Epson seeks to solve production issues and drive industrial progress forward. Toward this end, we are providing new technology, production processes and are helping to advance the frontiers of industry, creating resiliency and enabling industry to flexibly adapt to a changing environment.



Feature Article

Achieving Sustainability and Enriching Communities／Advancing the Frontiers of Industry

Example 1

Reducing Environmental Impacts with New-Concept Parts Production Systems

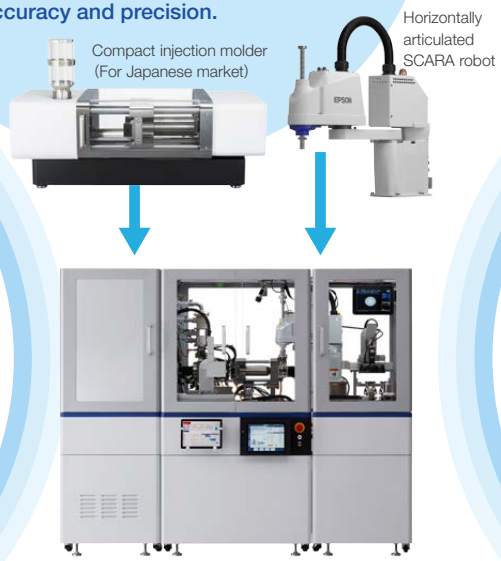
Societal issues & needs

Most injection molded plastic parts, even small ones, are manufactured using large machines. Producing parts with large machines wastes plastic materials and consumes a large amount of electric power.
Manufacturing innovations are thus needed to create more compact production systems that reduce environmental impacts while ensuring economic feasibility.

Value Proposition

- **Increase personal and space efficiency with an integrated production system for small parts.**
- **Reduce environmental impacts by conserving energy and resources during parts production.**
- **Produce high-precision parts and stabilize quality with automated inspection processes.**
- **All-in-one molding process and direct connection to assembly processes for simplified production lines.**

- POINT 1 **Compact parts production systems integrate everything from injection molding to inspection and tray loading.**
- POINT 2 **Compact injection molders minimize material waste and energy consumption.**
- POINT 3 **High quality control is achieved through 100% visual inspection.**
- POINT 4 **Trays are transferred by compact robots that operate with superior accuracy and precision.**



Compact, multipurpose, expandable production systems flexibly support everything from injection molding to inspection and tray loading.
(For Japanese market)

Example 2

Supporting Distributed Printing with Epson Cloud Solution PORT

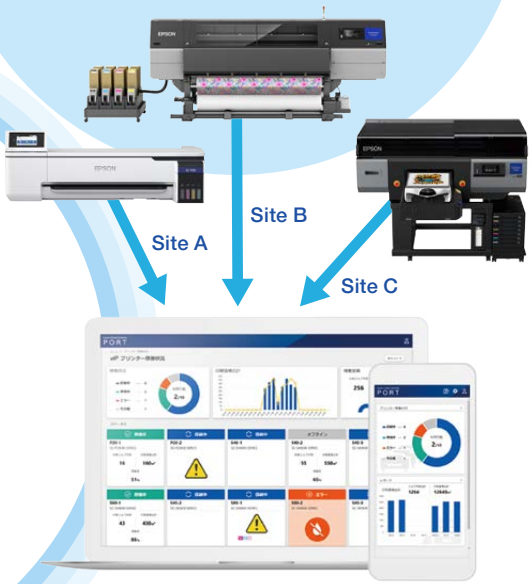
Societal issues & needs

The commercial and industrial printing industries had already been moving toward distributed printing to meet rising demand for local products, but COVID-19 further accelerated this trend. Demand is also on the rise for tools that enable printing firms that use large-format printers to efficiently manage production at multiple locations and reduce their reliance on skilled workers to perform maintenance.

Value Proposition

- **See printer status and quickly respond to issues to maximize productivity.**
- **Analyze daily printer operational status and error messages to improve production processes.**
- **Increase uptime with remote monitoring and support to reduce reliance on skilled maintenance workers.**

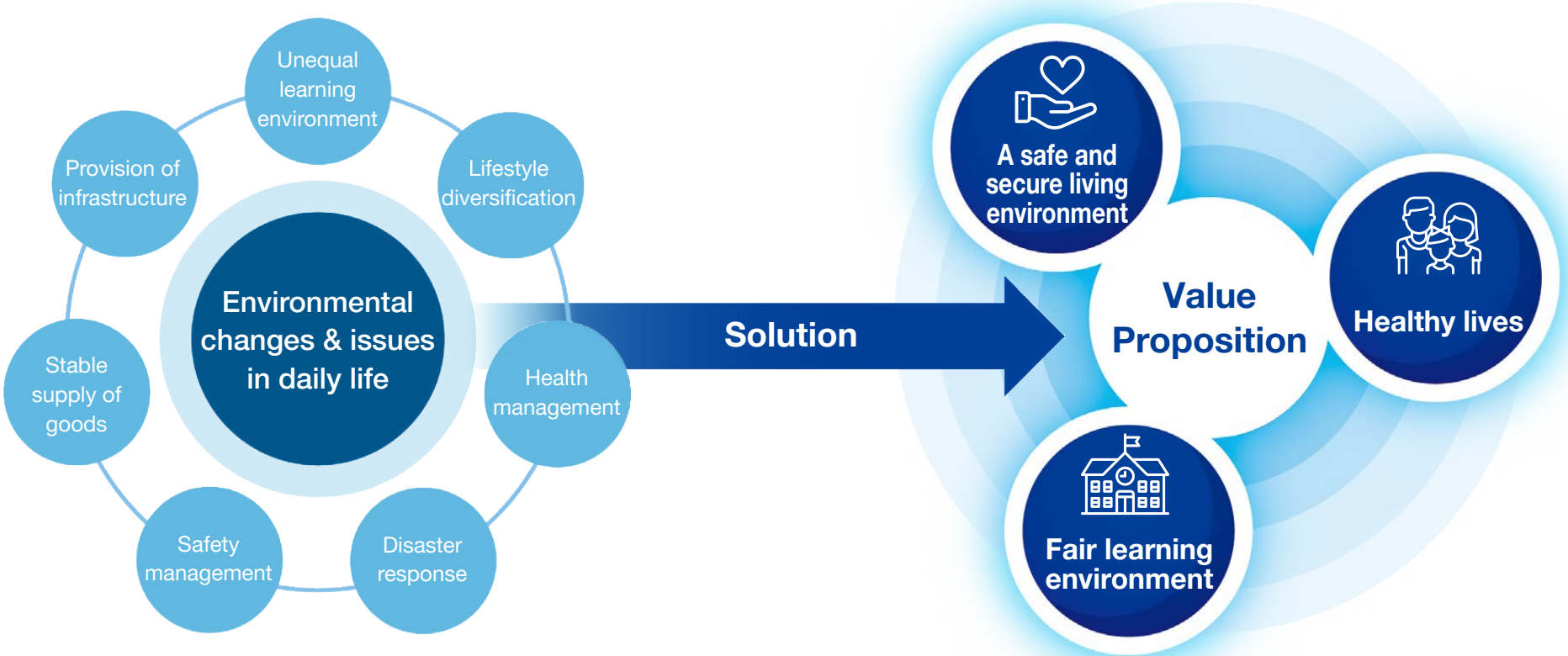
- POINT 1 **Monitor the live status of a fleet of printers at one or more sites on a single screen.**
- POINT 2 **View daily reports on printer operational status and performance.**
- POINT 3 **Epson monitors printer status remotely to accurately identify issues and helps users correct them.**



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

Improving the Quality of Life

Epson aims to provide products and services that give people lifestyle options and that make life better. We provide value by helping people live healthier and safer lives and by contributing to education that leads to personal growth.



Feature Article

Achieving Sustainability and Enriching Communities／Improving the Quality of Life

Example 1

Using Projectors and Virtual Classrooms to Level the Education Playing Field

Societal issues & needs

There are children in developing countries who are unable to attend school or have little opportunity to learn due to lack of basic infrastructure. Even in developed countries, there are learning environment issues, such as teacher shortages, a lack of teaching materials, and poorly equipped classrooms. These problems mean that not all children are provided equal education opportunities.

POINT 1 Portable projectors provide sharp, bright images that are easy to see from anywhere.

POINT 2 Electronic blackboards support interactive learning.

POINT 3 Quality cloud-based education can be provided remotely.

Solving issues with remote classroom solutions

Value Proposition

- Increase learning effectiveness with large display sizes and electronic blackboard functionality.
- Eliminate education quality disparities and shortages through collaboration with specialized services.
- Solve teacher and materials shortage issues.

Example 2

Monitoring Civil Infrastructure Safety with Vibration Sensors

Societal issues & needs

Much of Japan's civil infrastructure, including roads, bridges, and tunnels, was built during the post-war economic boom that began in the mid-1950s. This infrastructure is reaching functional obsolescence.
Inspecting and maintaining nation-wide infrastructure is a huge and often dangerous job. The infrastructure on which we depend must be preserved by managing it efficiently, effectively, and, most of all, safely.

POINT 1 High-precision sensors detect abnormal vibration in real-time, discover problems, and monitor aging.

POINT 2 Compact, low-power sensors that can be installed almost anywhere enable efficient inspection.

Value Proposition

- Ensure the safety of transportation infrastructure and contribute to personal safety and reassurance.
- Enable maintenance in more places with effective, efficient maintenance inspections.
- Avoid dangerous work and realize a safe working environment.

Shin-Meishin Expressway, Ikuno Bridge
(NEXCO West Nippon)

CFO Message

Keeping Capital Costs Under Control to Achieve Our Goals, Epson 25 Renewed

Tatsuaki Seki
Director, Managing Executive Officer
General Administrative Manager, Corporate Strategy and Management Control Division / Sustainability Promotion Office
CFO

Epson 25 Renewed presents a goal of future growth that emphasizes profitability, marking a departure from an excessive focus on revenue growth.
Accordingly, we have grouped our businesses into a growth area, mature area, and new area. In addition to executing strategies suited to each area, we will accelerate key environment, digital transformation, and co-creation strategies that span the areas. My role here is to ensure that we have the best possible financial strategy to support this effort.

New Performance Metrics to Keep Us On Course

To track the performance of investments under Epson 25 Renewed, we will use return on equity (ROE) as we have done in the past, but we will also use return on invested capital (ROIC). We once thought that inefficient investments were acceptable as long as they delivered revenue and profit. Recognizing our error, we now use ROIC to make sure we are spending our capital resources as efficiently as possible. Likewise, to track business performance over the medium and long term, we now use return on sales (ROS) instead of revenue. We stopped disclosing revenue because, given the uncertain business outlook, the assumptions underlying these forecasts could easily prove wrong. We consider a range of factors in addition to ROS, such as the performance and outlook in each business and whether we are on course to reach our goals. As announced in January 2021, we sold off our IC test handler business to Kanematsu. I doubt we could have made this decision if we had judged the business purely on revenue and profit. Keeping a close watch on capital efficiency will be particularly important for investments in co-creation (one of the key priorities).
Epson 25 Renewed sets the following goals for fiscal 2025: >11% ROIC, >13% ROE, and >10% ROS. These goals may seem daunting at first glance, but they are eminently achievable given that our existing investments are already bearing fruit. Key to success will be greater control over capital costs.

Consolidated Financial Targets	FY2020	FY2021	FY2023	FY2025
ROIC[1]	5.6%	6.4%	8% or more	11% or more
ROE[2]	5.9%	8.5%	10% or more	13% or more
ROS[3]	6.2%	6.5%	8% or more	10% or more

[1] ROIC = Profit for the year attributable to owners of the parent company / (equity attributable to owners of the parent company + interest-bearing liabilities)
[2] ROE = Profit for the year attributable to owners of the parent company / equity attributable to owners of the parent company
Equity attributable to owners of the parent company and interest-bearing liabilities are calculated using the average at the beginning and end of the period
[3] ROS = Business profit / revenue

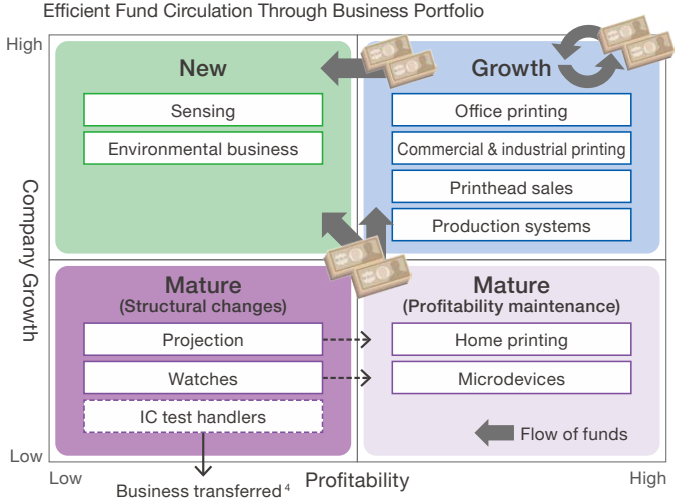
CFO Message

Differentiated Investment Based on Contribution to Growth and Earnings

A key aim of Epson 25 Renewed is to improve capital efficiency. We do this by managing our business portfolio in a way that creates efficient capital circulation. We are no stranger to portfolio management, but until now we have only looked at the outcomes and fiscal viability of existing investments and the areas where spending is heavy. Since Epson 25 Renewed has given us a clearer idea of our financial priorities, we can now allocate capital in a more differentiated and targeted manner.

Accordingly, we have grouped our businesses into the three areas based on growth and earnings. We prioritize spending on businesses in the new area that promise future growth and in the growth area. Meanwhile, we subject businesses in mature areas to a review to determine whether they are likely to deliver stable earnings or whether they need restructuring. Thus, in conjunction with the product lifecycle, we create a lifecycle for each business area by clarifying the position of the businesses, giving them the right budgets and goals, and then periodically reviewing them. We will consider, in addition to financial factors, business synergies and the social value the businesses produce. As well as tracking our overall ROIC, we will track business-specific ROIC to see how efficiently each business is performing. In this way, we are leveling-up portfolio management.

Efficient Fund Circulation Through Business Portfolio



Clarify the role/importance of business areas according to product life cycles

Final decision made by also considering factors such as synergies between businesses and social value

Allocate funds and set targets according to business priority

[4] Concluded a business transfer agreement with Kanematsu Corp. on Jan. 28, 2021

Setting Area-specific Goals to Improve Overall ROS

For each business area, we set goals appropriate to how the area is positioned.

In the growth area, we aim to expand the businesses by leveraging Epson's assets. For example, the businesses will switch from analog to digital and use our inkjet technology to innovate. We do aim to raise the revenue growth rate of these businesses (targeting a compound annual growth rate of >15%), but we will also consider profitability when allocating budgets.

In the mature area, we will track ROS as part of an effort to maintain or increase the profitability of these businesses. In home printing and microdevices, we have maintained our target of 15% ROS, as we expect steady growth in these businesses. For the projection and watch businesses, which require restructuring, we have set a target of >10% ROS. The watch business was hit somewhat by Covid, so it may take time to recover. The projection business has restored profitability thanks to progress in restructuring. We will keep making improvements in both businesses.

Our priority in the new area is to launch startups, and we have set a target of ¥10 billion. We particularly want to achieve our targets in the environmental category, one of the strategic priorities of Epson 25 Renewed.

Through these area-specific strategies, we hope to achieve a total ROS of >8% by fiscal 2023, and an ROS of >10% by fiscal 2025.

Direction of Business Operations and Targets

		FY2021-FY2023	from FY2025	Targets
Growth	• Office printing • Commercial & industrial printing • Printhead sales • Production systems	Growth strategies		FY2020→FY2025 revenue CAGR +15% or more
Mature	• Projection • Watches	Structural changes		FY2020→FY2025 ROS improvement +10 pt or more
	• Home printing • Microdevices	Profitability maintenance & improvement		Sustained ROS of 15% or more
New	• Sensing • Environmental business	Business launch	Growth strategies	FY2025 revenue ¥10 billion or more

Group ROS targets | FY2023 8% or more | FY2025 10% or more

CFO Message

Continuous and Stable Shareholder Returns Alongside Targeted Investment in Future Growth

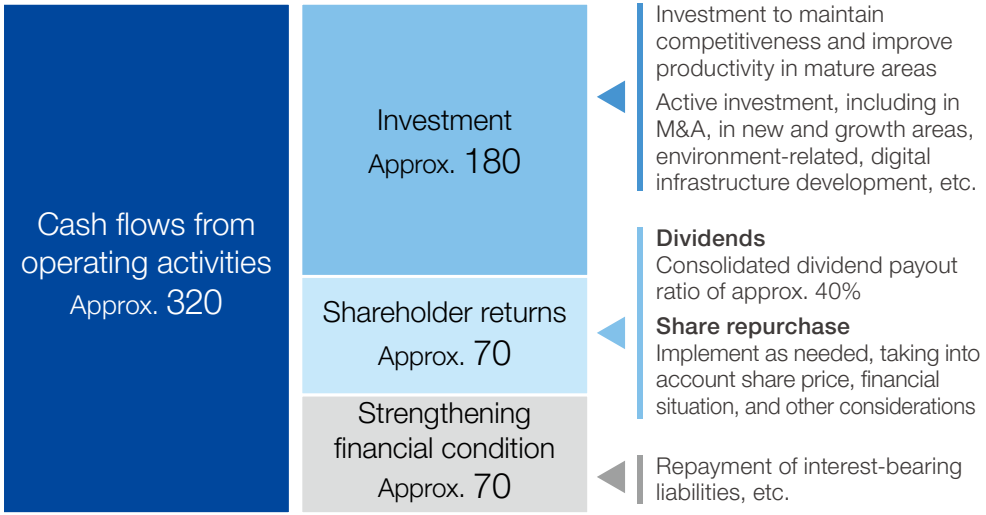
Regarding cash allocation, we have budgeted ¥320 billion in cash flows from operating activities for the three-year period starting fiscal 2021. Of this, we have earmarked ¥180 billion for growth capital expenditure. While prioritizing spending on the growth and new areas, we will also invest in environmental initiatives, in digital infrastructure for streamlining business processes and saving labor, and in an outward-looking digital transformation—which will include using analytics to enhance the customer experience. The amount of expenditure will be less than what we have spent in the past. We completed a large spending program last year, and we have now created a product platform for the commercial and industrial sectors, which are set to grow.

As for shareholder returns, we remain committed to delivering a continuous and stable dividend, while repurchasing shares when necessary. Our benchmark for consolidated dividend payout ratio is 40%.

We have also earmarked ¥70 billion to bolster our financial structure. To navigate these uncertain times, we need a shareholders' equity ratio of at least 50%, and to raise this to 55% in the longer term. In strengthening financial condition, we will consider a range of factors, including our financing needs.

3-year cumulative (FY2021-23)

Billions of yen



Green Bond-funded Environmental Investments to Become Carbon Negative and Underground Resource [5] Free

Environmental Vision 2050 (updated in March 2021) commits us to becoming carbon negative and underground resource free. As our cash allocation demonstrates, we are stepping up environmental initiatives. We will spend some ¥100 billion on these initiatives up to 2030. The initiatives include decarbonization, closed resource loop, and environmental technology development. To give an example, PaperLab uses Dry Fiber Technology to turn waste paper into new paper, but we want to use this technology to recycle paper into other materials too. In another example, we recently teamed up with Euglena and NEC to develop a biomass plastic called pararesin. Together with these partners, we founded Pararesin Japan Consortium to promote the biomass plastic.

As well as making our own production facilities sustainable, we want our products to achieve a high level of environmental performance. Accordingly, we have committed to ecologically sustainable finance. In July 2020, we issued our first green bond. We used some of the funds to top up our cash on hand, which we had spent on buildings and facilities covered in the green bond program. We also used some of the money to fund R&D and capital expenditure for inkjet printers. Almost all of our activities can be covered by green bonds. We will combine our efficient, compact and precision technologies with co-creation through open innovation to improve the environmental performance of our products and business activities and to reduce environmental impacts across the value chain.

[5] Non-renewable resources such as oil and metals

Responding to TCFD Recommendations

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

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[1] by 2030. Furthermore, Epson coordinated the revision of Environmental Vision 2050 with the announcement of the Epson 25 Renewed Corporate Vision. To attain our goals of becoming carbon negative and underground resource free[2] by 2050, we are working to decarbonize and to close the resource loop. We are also providing products and services that reduce environmental impacts and developing environmental technologies.
Since Epson declared its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in October 2019, it has disclosed information (on governance, strategy, risk management, and metrics and targets) based on the TCFD framework so as to enable good communication with shareholders, investors, and a broad spectrum of other stakeholders. Epson has decided to disclose the level of financial impact in 2021 in a quantitative manner for the first time.

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

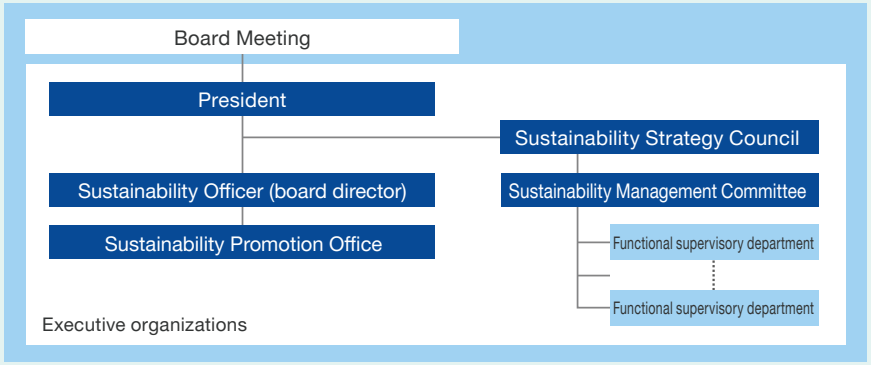
Scenario Analysis Findings

We analyzed scenarios based on the TCFD framework to quantitatively assess the financial impact of climate-related risks and opportunities on Epson's strategy. In a 1.5˚C scenario in which there is rapid decarbonization of society, we found that there is transitional risk of an increase in operating costs due to market changes, policies, and legislation, but we expect to limit the financial impact by strengthening products and services based on inkjet technology and paper recycling technology.
Epson will spend 100 billion yen over a period of 10 years ending in 2030 to accelerate decarbonization, close the resource loop, and develop environmental technology. The solution to climate-related risks aligns with the materialities we have set of achieving sustainability in a circular economy and advancing the frontiers of industry and will lead to opportunities for business expansion with Epson's low environmental impact products and services that save electricity and reduce waste. These products and services will help to mitigate customers' environmental impact and control climate change.
Based on the results of these analyses, Epson will continue to try to maximize its opportunities while addressing recognized risks in order to achieve decarbonization, which we believe is a rational goal both for society and for Epson.
On the other hand, even in a 4˚C scenario in which global warming has advanced because the world failed to take additional measures, we found that the impact of physical risks on our domestic and overseas sites due to the damages arising from weather extremes would be small.

Governance

Important matters related to climate change are supervised by the board of directors, which receives reports at least once a year after deliberations by the Sustainability Strategy Council, which formulates medium- to long-term strategy for the Epson Group's sustainability activities and reviews the status of implementation as the president's advisory body.
In addition, Seiko Epson's president and representative director, the individual who has the highest responsibility and authority for climate-related issues, delegates responsibility for climate-related issues to the Sustainability Director, who heads the Sustainability Promotion Office and manages and promotes climate change initiatives, including TCFD.

Promotion Organization



Main Climate Change Initiatives

FY2019
- Declared support for the TCFD recommendations
- Studied risks of natural disasters caused by climate change (2˚C scenario and 4˚C scenario)

FY2020
- Qualitatively disclosed the financial impact based on the disclosure recommendations of the TCFD framework (2˚C scenario)
- Studied risks of natural disasters caused by climate change (1.5˚C scenario)

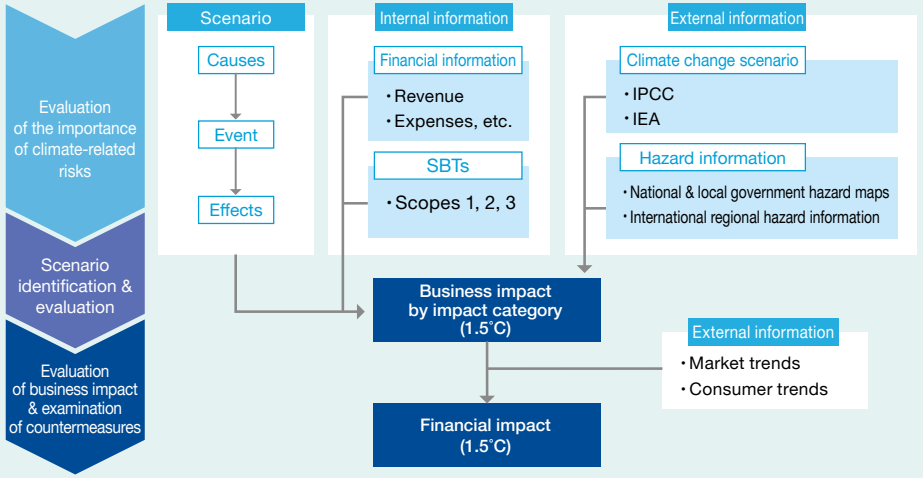
FY2021
- Revised Environmental Vision 2050 and set clear objectives, including becoming carbon negative
- Quantitatively disclosed the financial impact based on the disclosure recommendations of the TCFD framework (1.5˚C scenario)

Responding to TCFD Recommendations

Strategy

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

Scenario Analysis of Climate-Related Risks and Opportunities	Epson identified and evaluated scenarios in the categories of transition risk, physical risk, and opportunity to evaluate the importance of climate-related risks and opportunities. Six risks and opportunities were singled out for evaluation. We evaluated the business impact and financial impact of each on the basis of the scenarios corresponding to temperature increase of 1.5℃ presented by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) as well as on the basis of internal and external information. The results of the evaluation of climate-related risks and opportunities based on this scenario analysis are as follows:



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

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

Category		Evaluated risks & opportunities	Actualization	Business impacts			Financial impact
Transition risks	Market changes Policy & laws and regulations	• Paper demand	Short-term	Impact	• We were unable to detect a strong relationship between climate change and the change in paper demand, but demand for printing and communication paper is assumed to be on a declining trend. Even if that shift to paperless advances further due to changes in trends due to COVID-19 (such as the contraction of office printing because of decentralization), we expect that the financial impact from the strengthening of products and services based on inkjet technology and paper recycling technology (reduction of printing costs, reduction of environmental impacts, increase of ease of printing, appeal using usefulness of paper information) will be limited.			Small
		(Initiatives in Environmental Vision 2050) • Decarbonization • Closed resource loop • Environmental technology development	Short-term	Impact	• "Decarbonization" of products and services as well as the supply chain and advanced initiatives in "resource recycling" are needed to respond to "climate change" and "resource depletion," which are social issues shared globally. • Scientific and specific solutions are necessary to develop environmental technologies linked with the rapid decrease of environmental impacts.	Response to risks	● Decarbonization • Renewable energy use • Energy-saving facilities • Greenhouse gas removal • Supplier engagement • Carbon-free logistics ● Closed resource loop • Effective use of resources • Minimize production losses • Extend product service lives ● Environmental technology development • Dry fiber technology applications • Naturally derived (plastic-free) materials • Material recycling (metal, paper) • CO_2 absorption technology	Invest a total of approximately ¥100.0 billion by 2030
Physical risks	Acute	• Damage to business sites due to floods, etc.	Long-term	Impact	• Based on the results of the latest FY2021 risk assessment for 36 sites (17 sites in Japan and 19 sites overseas), the changes in future operational risks due to flooding (rivers overflowing) and high tides are limited. • Short-term climate change risks to the supply chain will be addressed in line with our business continuity plans.			Small
	Chronic	• Damage to business sites due to rising sea levels						
Opportunities	Products and services	(Initiatives in "Environment Vision 2050") • Customer environmental impact mitigation	Short-term	Assumed scenarios	• The need for environmentally friendly products and services will increase due to the introduction of a carbon tax, soaring electricity prices, rising waste disposal costs, sustainable production amounts, and reduced resource use.	Business opportunities	• For the growth areas of "Epson 25 Renewed," a CAGR (compound annual growth rate) of 15% is expected for revenue growth by providing 1) office printing, commercial & industrial printing and printhead sales utilizing inkjet technology to achieve a reduction of environmental impacts, increased work productivity and reduction of printing costs and 2) production systems with expanded use of new production devices to achieve a reduction of environmental impacts.	Large CAGR of 15% is expected in growth areas until 2025
		• Environmental business	Short-term	Assumed scenarios	• Market growth is expected in the field of combatting global warming and the field of waste treatment and effective utilization of resources. • Due to the shift to a circular economy, market growth is expected for recycled plastics, high-performance Bio-based plastic,Bio-based plastic and metal recycling.	Business opportunities	• As effective solutions for combatting global warming and responding to the shift to a circular economy, generate revenue by upcycling (enhancing functionality), eliminating plastics (packing and molding materials), creating new high-value-added materials and carrying out other measures through the establishment of technologies, such as applications of dry fiber technology, including paper recycling, development of naturally derived materials (elimination of plastics) and recycling of raw materials (metal and paper recycling).	Medium

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

Responding to TCFD Recommendations

Risk Management

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

Climate-Related Risk Identification, Assessment and Management Process

1. Study	2. Identify & assess	3. Manage
• Study risks of natural disasters caused by climate change at major sites worldwide. • Research social trends.	• Identify risks and opportunities from the policies and actions of Epson 25 Renewed and Environmental Vision 2050. • Evaluate scenario analysis through the Sustainability Strategy Council and board of directors.	• Effectively manage risks through the Sustainability Strategy Council and the board of directors.

Metrics and Targets

Under Environmental Vision 2050, in order to achieve the medium- and long-term greenhouse gas (GHG) emission reduction targets validated by the Science Based Targets initiative (SBTi), we are actively working to reduce environmental impacts throughout the value chain. We are doing so primarily by improving the environmental performance of our products, utilizing renewable energy, and enhancing our business activities, based on our efficient, compact, and precision technologies.
The current targets validated by the SBTi correspond to the 2˚C target. In FY2021, we plan to update the reduction targets to those that correspond to the 1.5˚C target, which is the target in Environmental Vision 2050.

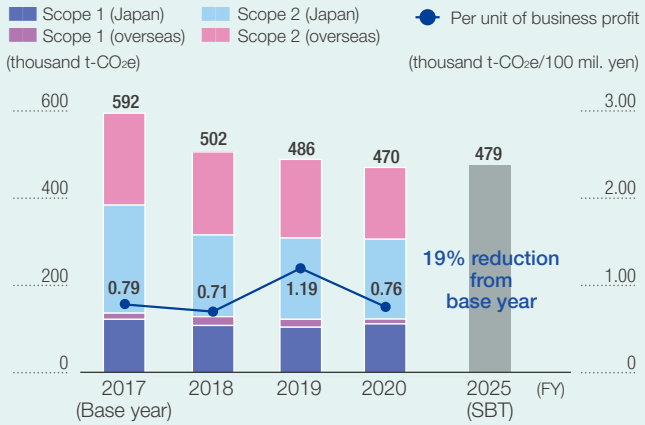
SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

GHG Reduction Targets (reduction targets in line with "SBT 1.5˚C Scenario")

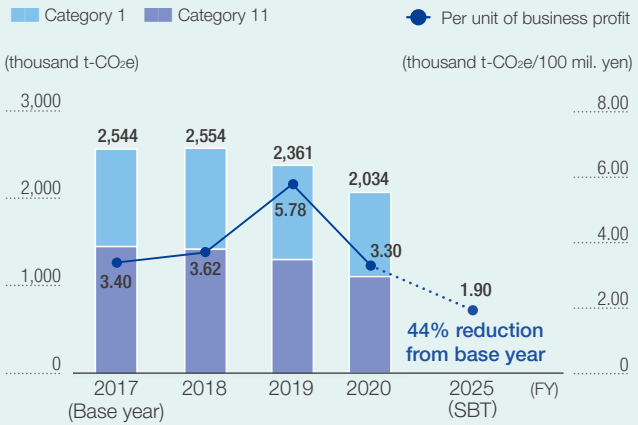
Scopes 1, 2, 3	Reduce GHG emissions by 55% compared to FY2017 by FY2030.

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

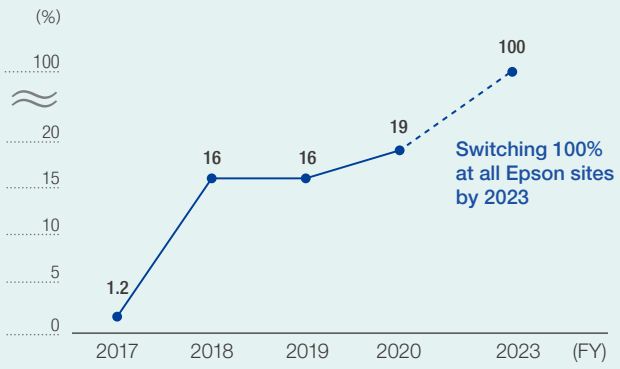
GHG Emissions (Scopes 1 & 2)[3]



GHG Emission (Scope 3: Categories 1 & 11)



Rate of Renewable Electricity Use (on an Electricity Basis)



[3] CO_2 conversion factor of greenhouse gas emissions
・Electric power: In Japan, we use the adjusted emissions factors for the load serving entities (i.e., utilities) from which our sites purchase electricity, pursuant to Load Serving Entity Emission Factors announced by the Ministry of Environment and the Ministry of Economy, Trade and Industry. Overseas, we use the country emission factors listed in IEA (International Energy Agency) or from the load serving entities from which our sites purchase electricity. ・Fuel: The factors announced by the IPCC in 2006 were used for both domestic and overseas data.
・GHGs other than CO_2: Equivalents were calculated based on 100-year GWP values in the Fifth Assessment Report of the IPCC.

CTO Message

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

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

Shifting to Technology Development Based on Societal Issues

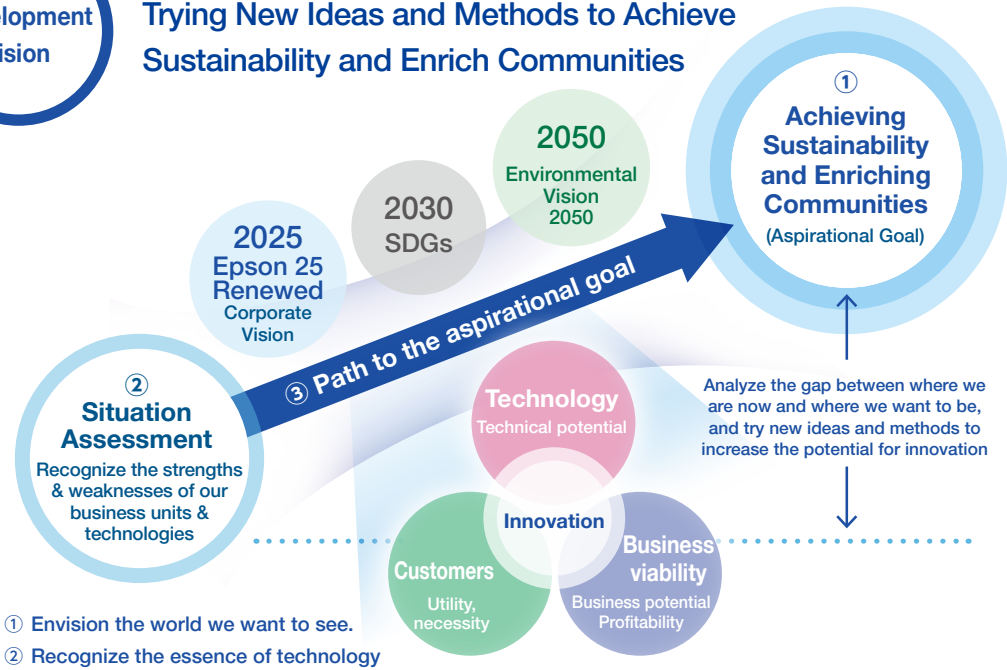
Epson has always provided value by examining ways it can use its efficient, compact, and precision technologies to benefit society. Under Epson 25 Renewed, however, we are taking a different approach. Now, we always start with societal issues, analyze what kind of technology is needed to solve them, and then develop that technology.

To shift to this approach, we had to objectively evaluate our capabilities to reveal the gap between where we are and where we want to be (our aspirational goal). We are working to close this gap by mapping out a technology development path, while also taking into account societal issues and business viability.

Epson will try to achieve sustainability and enrich communities by boldly taking on challenges with new ideas and new methods.

Development Vision

Trying New Ideas and Methods to Achieve Sustainability and Enrich Communities



① Envision the world we want to see.
② Recognize the essence of technology from where we currently stand.
③ Analyze scenarios for achieving the aspirational goal from a customer, technology, and business viability standpoint.

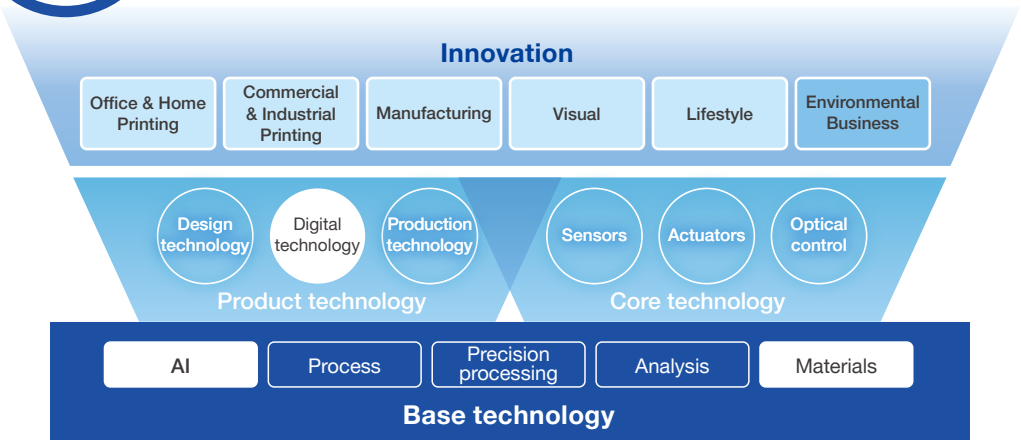
Contributing to Epson 25 Renewed Through Technology Development

We have defined four material issues (“materialities”) in Epson 25 Renewed based on societal issues. In technology development we are focusing on three of them. First, to achieve sustainability in a circular economy, we are focusing on developing technology to become carbon negative and close the resource loop, primarily by developing materials to free us from reliance on underground resources. Second, to advance the frontiers of industry, we will transform manufacturing by providing solutions such as automated equipment that saves energy and space and accurately performs complicated tasks that require precision. Third, to improve the quality of life, we will enable all to enjoy a healthy and satisfying life by using AI and digital technology to connect all people to information captured by sensors. Our role in solving these material issues is to contribute technology. This concept is illustrated on P30. Core and product technologies are derived from base technologies and these, in turn, underlie each business and drive innovation.

CTO Message

Technology Development Strategy

Advance basic, core, and product technologies that support innovation
Strengthen material, AI, and digital technologies to create both product and experience value



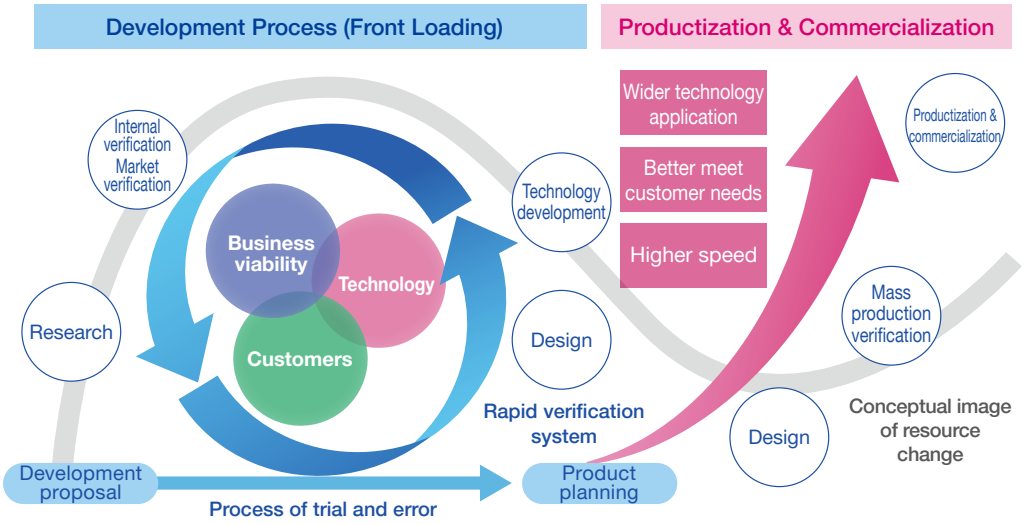
We must thus continuously advance our base, core, and product technologies, and want to particularly strengthen materials, AI, and digital technologies. Materials will significantly contribute to the environmental business. We will focus on developing plastic-free technology that uses the defibration technology utilized in the PaperLab and on developing highly functional, more eco-considerate metal powders. AI and digital technology are essential in accelerating the shift from products to experiences. We will strengthen algorithms and AI technologies for converting data extracted from Epson products into customer value. The environment, digital transformation (DX), and co-creation are priorities for realizing Epson 25 Renewed, but co-creation is also an important factor in technology development. Considering business only in the context of your own technology will end up confining you to a narrow area and limit your 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 make the world a better place. Epson has long been a vertically integrated company and has had a strong tendency to go it alone rather than partner with others. However, with the world changing so rapidly due to COVID-19 and digitalization, we recognize that co-creation will allow us to make better proposals, faster.

Elevating the Quality of Development via Front-Loading

Conventionally, we developed technology by starting out small and gradually moving forward as we cleared issues. This approach will change. The disadvantage of the conventional approach is that it takes time but also that, even if serious issues are discovered at a later stage, it's hard to go back. From now on, therefore, we will front-load development, with knowledgeable people from all functions participating from the start of development (the trial-and-error stage) and verifying quality at each subsequent stage. When formulating Epson 25 Renewed, we felt we needed to improve tactics and scenario precision. By front-loading development to speed up the problem-solving cycle and increase the quality of development, we will speed up productization and commercialization.

The Desired Development Process

Formulate strategy by assembling the best people from the start of development to comprehensively anticipate problems → **Front-Loading of Development**



Business Segment Overview

The accounting segments were changed in the 2021 fiscal year based on the business areas and strategies presented in Epson 25 Renewed. With uncertainty in the social environment expected to continue, we will seek profitability and future growth by focusing on priority initiatives.
Please see P32 for details about the changes.

Printing Solutions

Office & Home Printing

▶ Office & Home Printing Business

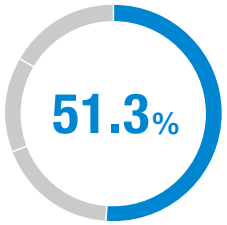
- Office & home IJP
  - ・High-capacity ink tank printers
  - ・Ink cartridge printers for SOHO & home
  - ・Office shared IJPs
- SIDM printers
- Other

▶ Revenue
¥511.7 billion

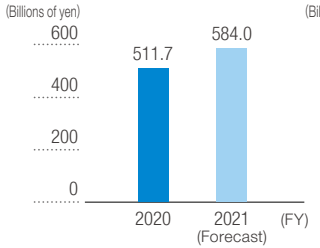
▶ Business Profit
¥82.5 billion

▶ ROS
16.1%

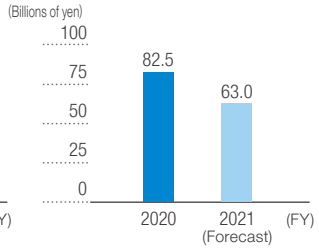
Segment Revenue as a % of Total Revenue



Revenue



Business Profit



Commercial & Industrial Printing

▶ Commercial & Industrial Printing Business

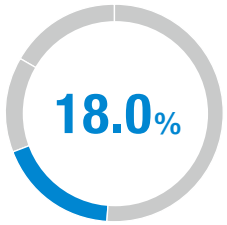
- Commercial & industrial IJPs
- POS printers, other

▶ Revenue
¥179.5 billion

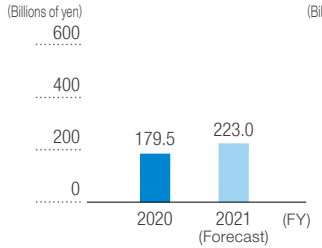
▶ Business Profit
¥23.6 billion

▶ ROS
13.2%

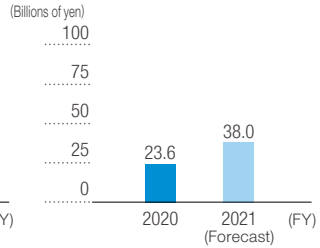
Segment Revenue as a % of Total Revenue



Revenue



Business Profit



* Prepared based on information current as of July 2021. 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 Other and Eliminations & Adjustments). Please see Seiko Epson's website for the latest information.

Business Segment Overview

Changes in Business Segments

Change 1

The printing solutions segment was split into two parts, office and home printing and commercial and industrial printing. Revenue and business profit will be announced separately for each.

Change 2

Compact precision injection molders and other manufacturing-related operations were added to the robotics business and the name was changed to the manufacturing solutions business. The name of the segment was also changed.

Before Change (FY2020)		New Segment (FY2021)
Printing solutions	Change 1 →	Printing solutions • Office & home printing • Commercial & industrial printing
Visual communications	→	Visual communications
Wearable & industrial products	Change 2 →	Manufacturing-related & wearables

Visual Communications

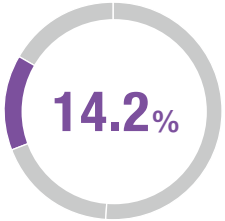
▶ Visual Communications Business
- Projectors

▶ Revenue
¥ 141.4 billion

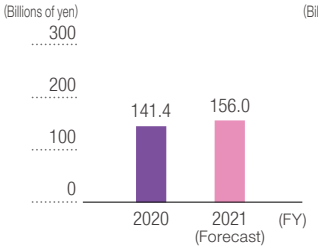
▶ Business Profit
¥ 1.3 billion

▶ ROS
1.0%

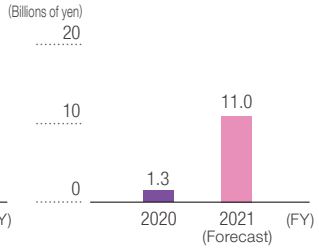
Segment Revenue as a % of Total Revenue



Revenue



Business Profit



Manufacturing-Related & Wearables

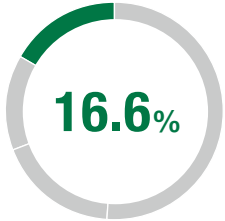
▶ Manufacturing Solutions Business
▶ Wearable Products Business
▶ Microdevices, other
▶ PCs

▶ Revenue
¥ 165.4 billion

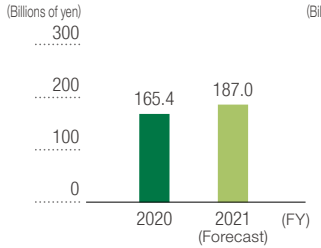
▶ Business Profit
¥ 5.2 billion

▶ ROS
3.2%

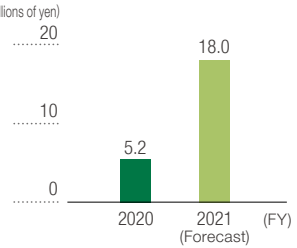
Segment Revenue as a % of Total Revenue



Revenue

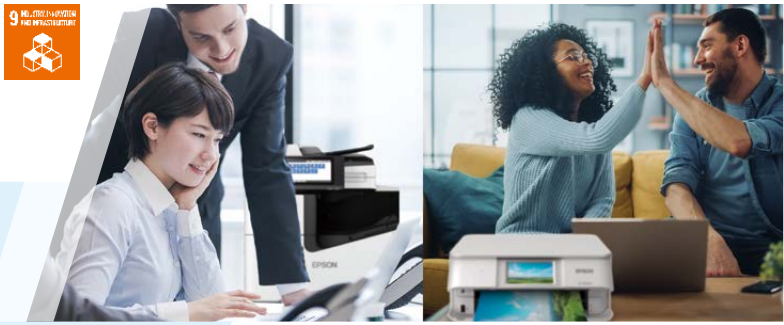


Business Profit



* Prepared based on information current as of July 2021. 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 Other and Eliminations & Adjustments). Please see Seiko Epson's website for the latest information.

Office & Home Printing Innovation



Goal

Lead the evolution toward distributed printing to reduce environmental impacts and increase work productivity by proposing inkjet technology, paper recycling technology, and open solutions

Yoichi Yamada

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

The office and home segments of the printer business have been heavily impacted by the changes that swept the world due to COVID-19. The number of Epson printers in homes rose sharply, as did print volume, because of the sudden increase in the number of people around the world who are working and learning from home.

Remote work is likely here to stay. The decentralization of the workforce is expected to accelerate the trend toward distributed printing, where more prints will be made at homes and in small remote offices. Epson's inkjet printers are compact, energy efficient, have a simple structure and low downtime. Moreover, the high-capacity ink tank models offer a low cost per print. These characteristics are all big advantages in meeting the needs of decentralization, and we will capitalize on these to meet the needs of the new normal and deliver customer value.

In 2020, sales of office shared inkjet printers, a growth area, increased as we continued to push users to switch from laser printers to inkjet printers. Our channel partners and end-users are beginning to understand the advantages of inkjet printers, not only their superior environmental performance but also their ease of maintenance and the infrequent need to replace consumables. However, I think we still need to further raise awareness of these benefits.

We have rolled out a new print subscription service called ReadyPrint in Europe. Customers choose from among a variety of monthly plans that depend on the number of pages they print per month and that keep initial costs down. We want to deliver an even better customer experience through services like this that connect us more closely with our customers. Therefore, we aim to create solutions by actively partnering with outside developers and collaborators that utilize our service platform.

Fiscal 2020 Summary

- **Home print demand expanded because people began working and studying from home due to COVID-19. Sales of high-capacity ink tank printers and consumables sharply increased despite factory shutdowns, logistics disruptions, and other disturbances on the supply side.**
- **Office print demand was particularly weak in the first quarter due to lockdowns and other factors but recovered in the second half. Sales of high-speed linehead inkjet multifunction machines to schools and other institutions that print in high volume increased.**

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Technology shift in office printers from laser to inkjets	• High environmental awareness (low power, less waste, longer product life) • Higher productivity	• Piezo inkjet technology, which has a simple structure and mitigates environmental impacts by reducing power consumption & waste • Increased productivity with high print speeds & easy maintenance
Providing products that enable users to print without worry	• High cost of consumables for printing • Time spent replacing consumables	• High-capacity ink tank printers with far lower running costs • Less time spent on maintenance
Providing solutions to more customers	• Acceleration of distributed printing needs due to workforce decentralization	• Mobile cloud service Epson Connect and solutions that utilize Epson's own remote monitoring platform
In-office paper recycling process	• Increased need for paper recycling & secure document destruction	• Closed paper loop with PaperLab dry-process office papermaking systems

Office & Home Printing Innovation

Main Actions

Office Shared Printers

High-Speed Linehead Inkjet Multifunction Printers Combine High Productivity with Low Environmental Impact

High-speed linehead inkjet multifunction office printers are strategic products that will cause a technology shift in office printing, which is currently dominated by laser printers. The WF-C21000 series of high-speed linehead inkjet MFPs are equipped with PrecisionCore lineheads that deliver print speeds up to 100 ppm[1], which is about double the 50-page output of a typical office laser printer. Power consumption is about 80%[2] lower than that of a typical laser printer.
The places people work is expected to diversify at a faster pace than before. We will fortify our product lineup with an eye toward capturing print demand growth in satellite and shared offices. We will also help our customers improve their productivity, reduce their environmental impact, and lower their printing costs by providing faster print speed, lower power consumption, and lower total cost of ownership (TCO).

High-speed linehead inkjet multifunction printer

High-Capacity Ink Tank Printers

High-Capacity Ink Tank Printers Support Distributed Printing

High-capacity ink tank printers provide prints at far lower cost than laser printers—at about one-tenth[3] the cost, in fact—and sales have continued to expand, especially in emerging markets in South America and Asia. Sales also took off in North America, Japan, and other countries where ink cartridge printers were the norm. As the number of people working and learning from home in these countries soared, they realized that ink tank printers are ideal for homes that make a lot of prints.
The market for high-capacity ink tank printers is being further galvanized by the entry of competitors. As the pioneer in this category, Epson has built trust and its brand, along with an extensive product lineup that also includes monochrome models that enables us to respond to new printing needs and support decentralization. Moreover, through our products and the replacement of laser printers, we are helping to reduce power consumption and the consumption of resources for consumables.

A4 color multifunction printer

A4 monochrome multifunction printer

See P80 for footnotes 1, 2, 3

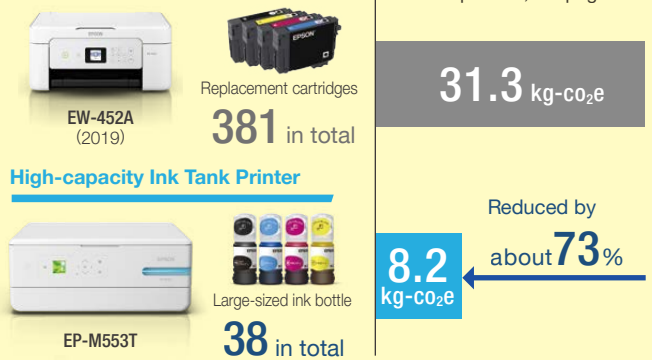
Contribution to SDGs

Reducing Environmental Impacts with High-Capacity Ink Tank Printers

Relevant SDGs → Epson's Strengths: • Low power consumption • Low resource consumption → Created Value: Environmental impact mitigation

Epson's inkjet printers, which do not use heat to eject ink, are often used in hospitals and schools in developing countries where power is unreliable, because this heat-free technology consumes very little electricity and enables the printers to run even on an emergency power supply. They are also often used by those learning from home for printing homework and teaching materials for deeper, paper-based learning. High-capacity ink tanks also use significantly fewer resources than ink cartridges.

Comparison of CO_2 emissions from consumables[4]



See P80 for footnote 4

Commercial & Industrial Printing Innovation

Goal

Offer inkjet technology and solutions that lead the digitalization of printing and contribute to lower environmental impacts and higher productivity

Hitoshi Igarashi

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

Demand for commercial and industrial printers dipped especially in the first half of 2020 as companies around the world postponed capital investments due to lockdowns and other effects of COVID-19, but demand for various applications has since expanded and business is rebounding.

This resilience reflects the steady progression of digitalization and distributed production in commercial and industrial printing. This trend is likely to gain momentum, as the experience of the pandemic has shown the need for more resilient supply chains and more local production (printing). The move to decarbonize for the good of the environment and a shortage of people trained in traditional analog printing may well feed this trend.

Epson will leverage its Micro Piezo inkjet technology to launch a succession of new products and services in growth areas (corporate, signage, textiles, labels) where there is still ample room for digitalization.

In segments such as textile printing, we are looking to directly solve the needs of customers by strengthening consulting, making proposals based on the unique benefits of digital inkjet printing, which include things such as greater design freedom and wider palette of colors and gradations. This will enable us to shift to the creation of value based on digital printing.

In 2020, we began offering Epson Cloud Solution PORT, which allows customers to check printer information from a smartphone and to reduce machine downtime with remote support from Epson. We will draw on strengths such as high-quality printing and color management technology to provide total solutions that help customers improve their productivity and gradually increase their production capacity. These strategies will expand our market share in various segments of commercial and industrial printing by promoting the adoption of digital technology, which reduces environmental impacts and increases productivity in manufacturing.

Fiscal 2020 Summary

- **Sales were adversely affected by COVID-19 in Q1 but rebounded from Q2 thanks to the launch of new products and other factors.**
- **We strengthened customer touch points & support by creating showrooms and solution centers (with test labs) and by using online messaging.**
- **We began providing the total solution Epson Cloud Solution PORT.**

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Shift from analog to digital	• Productivity in short-run production • Massive water consumption & waste from unsold clothing • Work environment improvement	• Enable short-run production, eliminate printing plates, and realize a better work environment with digital inkjet printing
Realize commercial and industrial printing with a total solution	• High-level color matching, production control, quality control, and maintenance management in distributed printing	• Support stable operations and efficient color matching with easy-to-install and implement Epson Cloud Solution PORT, which includes Color Control Technology and remote monitoring
Inkjet for all kinds of printing	• Collaborate with a wide range of partners & accelerate the digitalization of printing	• Innovate customers' printing and production processes with powerful, productive printheads and with secure solutions that are easy to install

Commercial & Industrial Printing Innovation

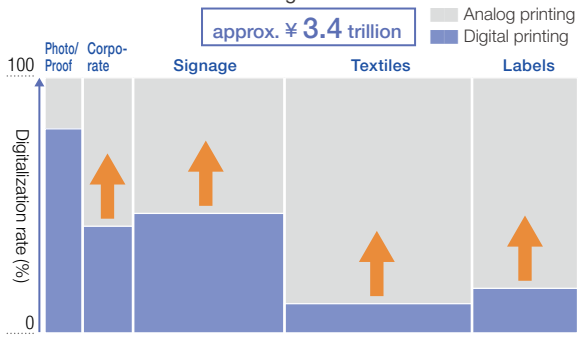
Main Actions

Commercial & Industrial Printers

Leading the Transition to Digital Printing

Digitalization is steadily advancing in the commercial and industrial printing markets, where the demand for unique designs is driving an increase in short-run production and where shorter production lead-times are needed.
Epson wants to further expand its business in the growing corporate, signage, textile, and label printing markets, where there is ample room for digitalization. We will help printers minimize their inventory by producing goods locally, digitally. Printers are Epson's strength. Equipped with Micro Piezo printheads, which are compatible with a wide variety of ink, and high image quality technology, they deliver the output that users envision. Epson also differentiates itself with remote monitoring of printer operations and a color management system that meets the needs of professionals by combining color accuracy and color measurement technology. By leveraging our own strengths and collaborating with partners, we will enable commercial and industrial customers to digitalize their processes, increase production efficiency, and reduce their environmental impact.

Commercial & Industrial Printing Market Size



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

Products Launched in Growth Areas

Corporate (POP Graphics, Posters, CAD)

Large-format printer for POP graphics, posters & CAD

Signage (Signs & Decor)

Large-format printers for signs and displays

Textiles (Apparel & Sportswear)

Large-format dye-sublimation transfer printers for textiles

Digital textile printer

Labels (Package Printing)

Color label printer

Digital label press

Printheads

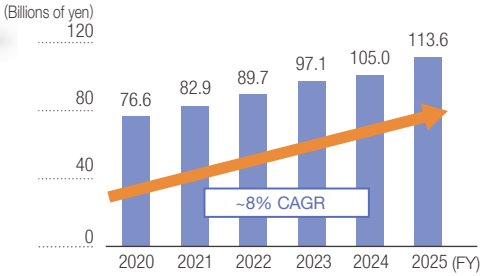
Expanding Share and Developing Markets

Environmental impact mitigation and the decentralization of society are megatrends that Epson is responding to by digitalizing a wide range of printing applications with inkjet technology. We will provide new value through open innovation involving inkjet printheads with our core Micro Piezo technology. In the first half of 2020, printhead sales fell due to COVID-19, but full-year sales increased as demand rebounded in the second half, and we won new customers. In 2021, we will push to expand market share in China and accelerate our entry into industrial printing in Europe and the U.S., where digitalization needs are growing. The printhead market is expected to continue expanding at an 8% CAGR. Epson will further expand its market share and co-create with partners to develop new industrial applications and markets by capitalizing on the extraordinary performance and production capacity of its unique thin-film piezo printheads. In addition to printheads, we aim to provide inkjet solutions that customers can easily introduce.

Masahiro Uchida
Chief Operating Officer,
IJS Operations Division

PrecisionCore printheads

Printhead Market Size[1]



* Epson research based on data from research company
[1] Printheads only

Printhead Sales Business[2] Revenue Trend

[2] Includes printheads, ink, etc.

Manufacturing Innovation

Goal

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

Keijiro Naito

Executive Officer
Chief Operating Officer,
Manufacturing Solutions Operations Division

Manufacturers are looking for solutions to the labor shortage and need to increase their resilience so that they can respond to sudden changes in the business environment. They are also stepping up their efforts to reduce the environmental impact of production in response to the looming global environmental crisis. Customers who are now automating their factories expect to transform manufacturing with innovative solutions, and not simply install robots. To meet their expectations, Epson will expand the areas in which it provides value to include everything from robotic assembly and inspection to parts production, production systems design, and installation support.

Parts production is a new area for us. Here, we will provide customers with compact molding machines that reduce wastes of materials, electricity, and space. In the production systems design and installation support area, we will use the expertise we have acquired in our own precision assembly factories to support the co-creation of customers' production systems in collaborative partnerships with SIer[1] and others in Japan. (Similar efforts are being studied overseas.)

The total molding machine, robot, and engineering market to which our businesses belong is about a ¥5 trillion market. We will focus on the segments where we can exploit Epson's efficient, compact and precision technologies. Given the underlying needs and the expectation of further market growth, we anticipate business expansion out to 2025.

Epson will evolve from simply selling robots to providing solutions that address customer expectations to solve societal issues and increase sales.

The Size & Growth Rate of Epson's Target Markets

Parts production	Assembly & inspection	Design & installation support
Molders	Robot[2]	Engineering
CAGR 2.8% ¥1.7 trillion Worldwide	CAGR 5.5% ¥1.0 trillion Worldwide	CAGR 7.0% ¥2.1 trillion Worldwide
Compact precision injection molder[3] CAGR 4.9% ¥110 billion Worldwide	Compact robot[4] CAGR 8.4% ¥230 billion Worldwide	For 3C & beginners CAGR 7.0% ¥780 billion Worldwide
		* System design & service (including machines)

Monetary amounts are for 2020. CAGR is for 2020–2025 Seiko Epson estimates

Fiscal 2020 Summary

- Robot demand stagnated in Japan, S.E. Asia, the Americas, and Europe in Q1 due to COVID-19.
- China appeared unfazed and the SCARA robot market expanded on soaring demand for production of PCs, communication equipment, and home electronics. Epson's growth outpaced the overall market growth rate.
- Six-axis robot demand decreased due to a slowdown in production by auto makers.
- Epson's robot sales and revenue hit an all-time high.

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Compact production lines that include parts production, assembly and inspection	• Stricter environmental requirements • Stronger resilience • Diversified work arrangements • Labor shortages	• Compact molding machines that reduce material, electricity, transport, and space waste • Precision sensing, robot control, and spectroscopic technologies that easily automate tasks that once had to be performed by hand
Compact, slim, lightweight, energy-efficient robots		• Fast, accurate robots built around Epson's robotics and sensing technologies • Extensive lineup of SCARA robots that has enabled Epson to maintain the No. 1 global share[5]
Design & installation support	• High barriers to automation • Compatibility with diverse production processes	• Ability to propose efficient, high-yield production systems based on expertise acquired in Epson's own automated lines • A global sales and service network

See P80 for footnotes 1, 2, 3, 4 & 5

Manufacturing Innovation

Main Actions

Industrial Robots

Developing Next-Generation Platforms, Rapidly Responding to Customer Needs and Increasing Cost Competitiveness

Epson currently owns the top share in the global SCARA robot market thanks to a broad lineup of fast, accurate robots. To rapidly respond to customer needs, we must have next-generation platforms that include a full range of standardized core parts and a system that enables us to flexibly expand the lineup. Epson is concentrating development resources on these platforms. New products based on them will begin launching from 2023.
Epson is also working on simplifying the robot programming environment. New program development software called Epson RC+ Express Edition has an intuitive graphical user interface (GUI) that will enable users to easily program robot movements, thus lowering the barriers to robotic automation by customers.
We will strengthen our sales sites in Asia and collaborate with Epson manufacturing sites that have automated processes so that we can respond more quickly with customer support.

SCARA robots


Six-axis robot

Intuitive programming software

Spectroscopic Camera

Transforming Manufacturing by with a Spectroscopic Camera for Distinguishing Subtly Different Colors

The RGB cameras commonly used in manufacturing inspection processes cannot always capture subtle differences in color. Therefore, inspections of product color and luster are usually performed manually. However, manual visual inspections can allow defective products to enter the market due to individual variances among inspectors and human error.
To avoid such errors, Epson developed a spectroscopic camera that utilizes Epson's optical technology to separate light into multiple wavelengths to obtain spectroscopy images.
Epson's spectroscopic camera automates visual inspections and improves product quality by reliably identifying defective products before they are released and eliminating variations.

Contribution to SDGs

Design & Installation Support: Understanding Customer Needs and Expectations, and Proposing the Best Automated Solutions

Relevant SDGs	Epson's Strengths	Created Value
8 DECENT WORK AND ECONOMIC GROWTH	Manufacturing know-how for improving production processes	Improved production process sustainability

Automating production requires more than just installing robots. Production processes must also be designed and built by people who have manufacturing experience and expertise. Epson utilizes the automation expertise it has acquired in its own precision assembly processes to support customers building production systems. One example of this is the automation of a flow rate calibration process and valve adjustments in the manufacture of semiconductor fabrication equipment.
The customer wanted to automate the process in preparation for robust demand for semiconductor equipment, but it involved connecting pliable tubes, a task that is easy for humans but hard for robots. Epson listened to what was happening on the manufacturing floor and what they needed, demonstrated that the problem could be solved by combining a force sensor and a six-axis robot, and proposed a system element for them.
Epson will help advance industry by analyzing customers' needs and expectations and contributing to the construction of systems that increase productivity and reduce the burden on workers.

Video: Automated system in use
https://youtu.be/U0DL7kQtaYY
You can see a video of this example.

Visual Innovation

Goal

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

Yasunori Yoshino

Executive Officer
Chief Operating Officer, Visual Products Operations Division

Visual innovations that deliver amazing visual experiences and easy, satisfying visual communication play an important role in enriching lives.
COVID-19 has upended the world, forcing us to limit large gatherings and to decentralize where we learn, work, and even live. The pandemic has also accelerated the digitalization of countless aspects of society, giving people the opportunity to free themselves from the shackles of place and time.
Epson wants to help realize new work arrangements and lifestyles that connect people by delivering immersive visual experiences and stress-free visual communication even in remote environments. And when people are able once again to gather in crowds, we want to maximize the value of time and place with powerful, high-quality, big-screen visual experiences.

We want to connect people, things, information, and services by advancing projector connectedness and smart features, expanding our business footprint and opportunities for users to co-create value. I believe that Epson can contribute particularly to the field of education, and we will promote the development and expansion of educational infrastructure in developing countries through partnerships in order to realize the Sustainable Development Goal of leaving no child behind.
On the other hand, the projector market environment is still extremely challenging, and the outlook is uncertain. We will restructure the business to maximize development and production efficiency and will achieve our vision by providing products that help to solve customer and societal issues.

Fiscal 2020 Summary

- **The market for high-brightness event projectors contracted due to COVID-19. Revenue and profit, squeezed by FPDs, decreased year on year.**
- **Home projector sales steadily increased on rising demand from people staying home and the expansion of video streaming services. New smart standalone projectors enabled users to enjoy video content delivery services.**
- **Secured segment profit by restructuring.**
- **Maintained a strong market presence with a global market share of 41%[1].**

[1] Unit volume share for projectors with 500 lumens or more, excluding screenless TV products
Source: Futuresource Consulting Ltd.

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
Education **Building an equal, high-quality learning environment**	• Close the education gap • Diversification of learning	• Equal, satisfying viewing and communication environment with big-screen images and great cost performance • Interactive learning with electronic blackboard functionality • Versatility and portability, with broad compatibility with other equipment
Office & business **Supporting higher productivity and creativity**	• Diversification of work arrangements • Work productivity and creativity • Environmental impacts of economic activity	• Satisfying big-screen communication environment, both real and remote • Higher presentation/meeting productivity & creativity with interactivity • Small, lightweight, energy-efficient products • Total support for projector installation, setup and maintenance (low TCO)
Home **Supporting lifestyle and work arrangement diversification**	• Lifestyle diversification • Restrictions on time, space, & travel • Advances in digitalization and acceleration of e-commerce	• Smart projectors that enable on-demand viewing, remote work, and remote lessons, all on a big-screen • High degree of installation freedom to easily set up a high-quality, big-screen viewing environment
Lighting, signage, art **Delivering amazing experiences with digital art and captivating lighting and video displays**	• Stress from restrictions, lockdowns; fewer opportunities for entertainment • New art and culture enabled by technological advances	• 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

Visual Innovation

Main Actions

Projectors

Realizing New Possibilities for Projectors

The traditional projector market is maturing and contracting under pressure from flat panel displays. However, projectors have certain advantages over FPDs. They are portable and easy to set up, and they can project high-definition, high-quality images on a much larger screen.
Epson is pursuing applications that capitalize on these advantages, and we will broaden the range of applications by efficiently expanding and upgrading engine platforms for laser projectors, which offer outstandingly bright and vivid images, long life, and a high degree of installation flexibility. In addition, we will provide advanced connectedness and smart features, strengthen customer touch points, and deepen co-creation with partners to provide more diverse value.

Education Use: Providing an Equal, High-Quality Learning Environment

COVID-19 has accelerated the use of ICT in education, with schools adopting e-learning, hybrid lessons for students at school and at home, and digital teaching materials. Meanwhile, developing countries face issues such as shortages of teachers and teaching materials. Educational infrastructure is fragile, and inequalities are widening.
Epson is enhancing the quality of learning in the classroom by providing projectors that affordably deliver big-screen images, are equipped with electronic blackboard functionality, and interact with students' devices. We will realize a high-quality, remote education environment by supporting things such as digital teaching materials and cloud platforms for education to provide an equal, high-quality educational environment to all, so that no child is left behind.

Business & Office Use: Supporting Productivity and Creativity

The pandemic accelerated the existing move toward remote work, which is likely here to stay. Meanwhile, meetings, events, and seminars are increasingly being held online. We will support increased business productivity and creativity as these changes occur by providing a satisfying, immersive visual communication environment. We will also help users easily and efficiently manage their networked projectors by enabling them to monitor and control them remotely.

Home Use: Enabling Diverse Lifestyles

Online communication in the home is increasing and lifestyles are diversifying. Not only are more people working and learning from home, but more are going online to engage in interests, hobbies, and fitness activities or enjoy concerts and other forms of live entertainment.
Epson is helping to enrich lives by offering smart projectors that deliver visual experiences tailored to individual lifestyle needs. A lightweight, compact projector that can be carried from room to room may be perfect for one person, while another may want the ability to display a big screen simply by placing an ultra-short throw lens projector next to a wall. Still others may need a projector equipped with high-performance speakers and Android TV to stream content via Wi-Fi.

Contribution to SDGs

Using Projection Technology to Reduce Store Waste

Relevant SDGs	Epson's Strengths	Created Value
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• 3LCD projectors with excellent image & color reproduction • Software for creating & managing contents; flexible installation	• Less waste from store displays • Attract customers & attention by easily switching store displays and decorations

Create in-store displays with projected images and descriptions instead of physical products. Using projection mapping to project images onto plain 3D objects allows stores to display nearly life-like virtual products. Stores can use projected images to virtually expand their limited space, decorate the shopping floor, and provide information on many more designs and products.
Furthermore, by managing the projected content over a network or with application software, stores can freely remodel according to the season with minimal environmental impact.
Projectors thus enable stores to remodel their sales floors in a way that combines practicality with elements of design and an event-like atmosphere while also minimizing product inventory and decorations for in-store displays, resulting in far less waste.

Only six sample products were printed using an Epson digital textile printer. The remaining 90 designs were displayed using projection mapping.
Inventory was eliminated by using on-demand printing and projection technology

→ See details on P71, "Increasing Stakeholder Engagement."

Lifestyle Innovation

Goal

Utilize craftsmanship and co-create solutions that utilize sensing technologies to enrich diverse lifestyles

Watches

Utilize Efficient, Compact, and Precision Technologies and Craftsmanship to Co-create Solutions that Enrich Diverse Lifestyles

Masashi Hayashi
Chief Operating Officer,
Wearable Products Operations Division

The watch market remains challenging. Though valued at ¥7 trillion, the market shrank by around 20% because of the pandemic. Meanwhile, lifestyles and values have further diversified. By delivering watch brands that resonate with these new and diverse lifestyles, we can help improve the quality of life.
We can achieve this task by using our key assets: our efficient, compact, and precision technologies and craftsmanship. With these assets, we can create sophisticated watches that resonate with our audience, touching deep into their hearts and leaving a lasting emotional impact.

Few other companies make watches entirely in-house, from quartz crystal materials to the finished product. This means we can create unique value if we remain true to our technological ethos and committed to efficiency.
However, since the market needs more time to recover, we must also maintain our program of structural reform. Launched in fiscal 2019, this program includes measures such as revamping the product lineup and tightening profitability controls. These efforts have started bearing fruit, and we want the reforms to go even further. We have also started using digital marketing to create more opportunities to directly interact with customers. This expanded customer interface will enable us to co-create products with customers.

Fiscal 2020 Summary

- **Revenue declined significantly amid the economic impacts of the protracted pandemic. The impacts included a slump in inbound tourist demand and retail restrictions under successive states of emergency.**
- **Under the program of structural reform, we reduced labor costs, tightened investment controls, streamlined business operations, and consolidated overseas sites.**

TRUME

ORIENT STAR

Seiko Business

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

Lifestyle Innovation

Sensing

Our Sensing Technology and Algorithm Creates Personalized Solutions for Enhancing Health and Wellbeing, Thereby Enriching Diverse Lifestyles

Atsunari Tsuda

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

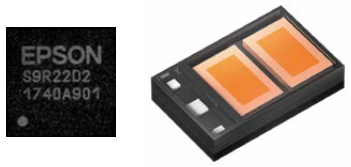
Epson has sensing technology that provides precise position data, vital data, and motion data. We process this data using our proprietary algorithm to create personalized value that improves the quality of life.

Take, for example, our sensing device for golf clubs. The device accurately detects the swing path. Our algorithm visualizes this data, converting it into information that helps the user improve their swing. This valuable information enhances the user's experience. Based on Dynamics Analysis, the algorithm has wide-ranging applications. In a myriad of sports or daily-life settings, it can help users have fun and improve their wellbeing.

Another example is human behavior analysis. For this, we combine position data with vital data to create personalized solutions. By helping people monitor their health and wellbeing, we help people lead safe and secure lives.

The pandemic has changed lifestyles. In the past, people would travel to a specific location to accomplish a goal. Nowadays, they are more likely to accomplish the goal wherever they please. Our smart glasses display, in user-friendly manner, visual information that is relevant to the time and place. By facilitating remote assistance solutions and other remote work, the product supports the work-from-anywhere movement.

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



Sensing devices

Dynamics analysis system: M-Tracer series

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

Contribution to SDGs

Our Smart Sensing Technology Helps People Lead Fun, Healthy Lives

Relevant SDGs	Epson's Strengths	Created Value
3 GOOD HEALTH AND WELL-BEING	Sensing technology, unique algorithm, value-transmitting optical technology	Thrill of leveling up, support for health and growth

To demonstrate how our sensing technology can improve skills and promote health, we piloted it among young footballers affiliated with Matsumoto Yamaga FC, a Japanese football club in the J2 League. Whenever the kids kicked the ball, gyro sensors worn on their legs would detect the path, speed, and impact of the kick. From this data, our algorithm derives insights about kicking, including foot placement and angle. The coach uses this information to give clear guidance for improving kicking skills. Aside from sport, the algorithm uses a separate analytical method that monitors whether the user is walking correctly and thereby enhances the person's health and wellbeing. As these examples illustrate, the algorithm has wide-ranging applications, including in sports (not only football) and video games involving physical activity.

Microdevices Supporting the Five Areas of Innovation

Goal

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

Nobuyuki Shimotome

Executive Officer
Chief Operating Officer, Microdevices Operations Division

COVID-19 has accelerated the arrival of IoT, 5G, advanced drive-assistance systems (ADAS), and other technologies for a smart society, and demand is expected to grow in the future. At the same time, the pandemic has caused upheaval in demand and supply chains. Microdevices underpin the creation of a smart society, and customers demand both high performance and a more stable supply.

Epson's strength lies in the fact that we can (1) provide high-precision oscillators and sensors built using Epson's own temperature-stable crystals and ICs; (2) provide compact timing devices with advanced processing technology; and (3) design and fabricate semiconductors, enabling us to provide a stable supply. We aim to capitalize on these strengths and achieve sustainability and enrich communities by helping to advance the frontiers of industry, including social infrastructure, and by contributing to improvements in living through advances in high-speed, high-capacity communications and the mobility environment.

We are focusing on strengthening product competitiveness in areas where future growth is expected. In existing areas, meanwhile, we are building more efficient and flexible production systems, as well as product platforms.

We must therefore rapidly identify market trends, invest in research activities with external partners, and pioneer the development of key component technologies to strengthen competitiveness. We will also speed up the development of technologies that we lack by actively seeking to collaborate with others who have knowledge in the field.

Semiconductors support Epson's five innovation strategies and will help to increase the value of our finished products. We will help to meet the ongoing robust demand for semiconductors with a steady supply of products by solidifying production at each step of the value chain.

As needs switch from products to experiences, Epson will create value by providing experiences rooted in strong products.

Fiscal 2020 Summary

- **In the quartz business, consumer and industrial demand for products such as IoT communications modules remained strong. We built production lines that can be flexibly retooled for different items depending on demand. We also provided remote assistance for the installation of production equipment and facilities overseas and started up operations on schedule to meet increased demand.**
- **The semiconductor business operated stably throughout the year and met robust demand but was unable to fully meet the sudden increase in demand.**
- **Total microdevices revenue and profit increased year on year.**

Business Area / Objectives	Societal Issues / Business Environment	Epson's Strengths / Value Proposition
High-speed, high-capacity communications infrastructure	• The rapid expansion of 5G	• 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)	• Increased demand for miniaturized timing devices due to the spread of IoT	• Support IoT infrastructure by providing compact timing devices manufactured using the best crystal and semiconductor fabrication technology
Mobility	• Safety • Higher efficiency & productivity • Reduction of CO_2 emissions	• Contribute to the efficiency & productivity of vehicles and construction & agricultural machinery with accurate positioning • Contribute to the spread of electric vehicles and reduce CO_2
Higher finished product value	• Societal issues that innovations will solve	• Increase the value of Epson finished products • Supporting innovation

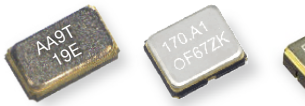
Microdevices Supporting the Five Areas of Innovation

Main Actions

Microdevices

Contributing to a Smart Society with Microdevices

With the rapid development of the IoT market, manufacturers need a stable supply of compact, reliable timing devices. We will leverage our crystal and semiconductor technologies to provide products for a smart society.
5G telecommunications and networking services are rapidly expanding. We will continue to strengthen our low-power, high-precision oscillators and high-frequency oscillators for high-speed, high-capacity communications.
In the digitalizing mobility sector, we will enhance our lineup of low-power, high-precision real-time clock modules and other timing devices and will launch gyroscopic sensors for safety systems in self-driving cars.
In semiconductors, we will help to create value in the five areas of innovation with ICs for Epson products and customers' products. The foundry business will continue to operate stably.



Compact kHz crystal unit | Programmable crystal oscillator | Temperature compensated crystal oscillator (TCXO)

Real-time clock module | High frequency oscillator | Gyroscopic sensor

LCD controller | Microcontroller | Application-specific integrated circuit (ASIC)


LCD driver

Sensor Modules

Easy-to Use, High-Performance Quartz Crystal Sensors

Epson has assembled a lineup of high-performance sensor modules with easier-to-use functions, all built around sensors that take advantage of the extraordinary accuracy, precision, and stability of quartz crystals. These modules are being used in an expanding array of applications.
Inertial measurement units (IMU) are used to detect changes in movement and orientation. Some of the main applications are vibration suppression control of satellite communication antennas and commercial cameras; automation of automobiles, agricultural machinery and construction machinery; and attitude control of small artificial satellites.
Quartz accelerometers, which are small and fully digital, will replace the large, hard-to-use, analog accelerometers of the past, further expanding the range of applications. They are often used to make our lives safer by monitoring the health of bridges, buildings, and other large structures, measuring seismic activity and vibration, and monitoring factory machinery.

Inertial measurement unit (IMU)

Quartz accelerometer

Water-resistant (IP67) package

Contribution to SDGs

Supporting Innovations in Mobility and Contributing to Environmental Solutions

Relevant SDGs	Epson's Strengths	Created Value
11	Accurate positioning with small, low-power devices	Higher vehicle automation and efficiency, and environmental benefits

The future of mobility is being shaped by CASE innovations in networking (Connected), autonomous driving (Autonomous), flexible use (Shared & Services), and electric drive systems (Electric). It is hoped that by increasing the automation and efficiency of all manner of vehicles, from passenger cars, buses and trucks to farm tractors and factory conveyors, environmental issues (climate change) can be solved via greater energy efficiency and lower CO_2 emissions.
Epson will contribute by providing the timing devices and sensors that are essential for accurate positioning and orientation, high-speed, high-capacity communications, and safe, efficient battery management.

Sustainability Management

Epson's Management Philosophy, which was established in 1989, declares our commitment to customer satisfaction and sustainability and embodies the ideals of the SDGs and sustainability management. With the Management Philosophy as a guide, we will continue to contribute to solutions to societal issues. The uncertainty created by COVID-19 has made now the time to practice sustainability management in collaboration with like-minded internal and external partners to realize a brighter world.

Message

With the Management Philosophy as a guide, we will continue to contribute to solutions to societal issues

Tatsuaki Seki

Director, Managing Executive Officer
Chief Compliance Officer
General Administrative Manager, Corporate Strategy and Management Control Division
/ Sustainability Promotion Office

The global sustainability movement has rapidly accelerated in recent years, as evidenced by the expansion of ESG investment and the formulation of national and regional sustainability policies such as the European Green Deal. Today more than ever, companies must demonstrate how they are responding to the issues facing society through sustainability and growth strategies based on sustainability initiatives. Epson has identified four materialities, including achieving sustainability in a circular economy and advancing the frontiers of industry, as key topics that it should address by capitalizing on its efficient, compact, and precision technologies and other technology assets. The company is working in line with its value creation story to find solutions to societal issues and provide value.

In April 2020, we integrated our CSR and corporate shared value creation (CSV) activities to accelerate efforts to achieve social sustainability and sustained company growth. In conjunction with this, we reorganized the CSR Management Office to create a new Sustainability Promotion Office.

In the 2021 fiscal year, Epson, responding to demands to adopt the TFCD recommendations and demonstrate business sustainability, assessed the quantitative financial impact of climate change from both a risk and opportunity perspective and disclosed the results. In 2019, Epson joined the Responsible Business Alliance (RBA), a global coalition dedicated to corporate social responsibility (CSR) in global supply chains, and is executing actions to strengthen its value creation infrastructure in line with the RBA Code of Conduct.

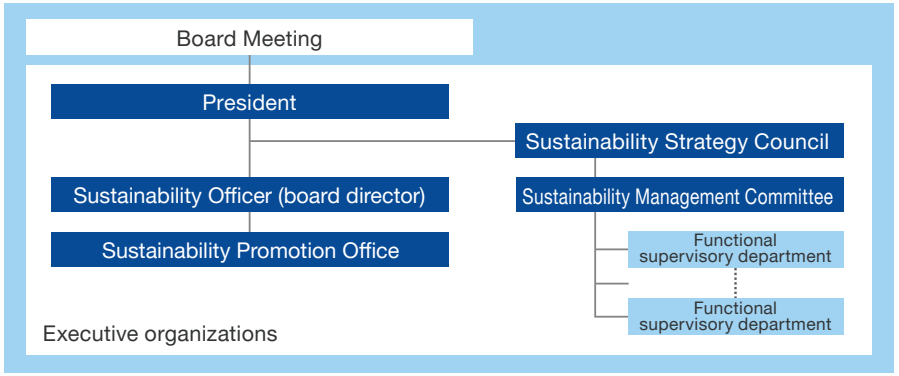
Sustainability Promotion Organization

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 CSR Executive Council, which is made up of executive officers and other members of executive management, serves as an advisory body to the president. The role of the council was revised. It is now responsible for investigating and deciding the strategies and direction of sustainability activities across the Epson Group and was thus renamed the Sustainability Strategy Council.

The Sustainability Strategy Council reviews social trends, formulates long-term strategies for sustainability for the entire Epson Group, 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 of directors, and endeavors to increase the effectiveness of sustainability activities.

Promotion Organization



Sustainability Management

Deciding Materiality

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

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

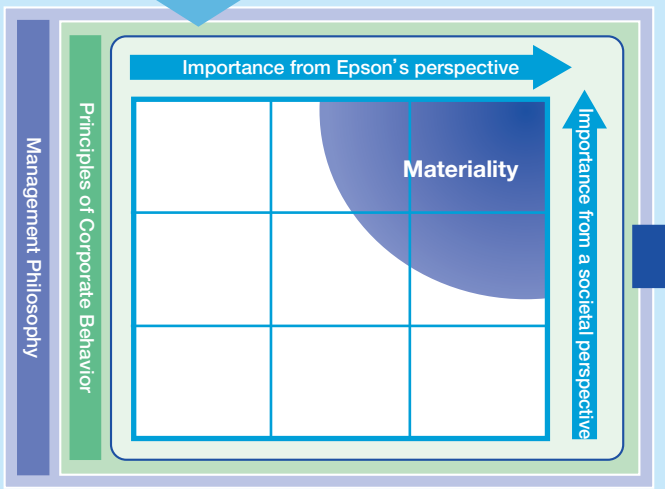
The Process for Determining Materiality

Selecting societal issues
Filter and select which societal issues to address based on an assessment of social trends on the horizon, ESG investor expectations, and Epson's own direction.

Evaluating importance
Consider materiality while evaluating the importance of selected issues to society and to Epson at Corporate Strategy Council meetings, etc.

Analyzing validity
Have outside directors and Audit & Supervisory Committee members analyze the validity of the materiality selection process and conclusions at meetings of the Sustainability Strategy Council and Board of Directors.

Deciding materiality
Identify and decide on materiality at meetings of the Sustainability Strategy Council.



Materiality

- Achieve sustainability in a circular economy
- Advance the frontiers of industry
- Improve the quality of life
- Fulfill our social responsibility

* We evaluated the importance of societal issues from both society's perspective and from Epson's perspective, selected the highest priority societal issues that Epson should focus on through its business operations, and decided on four materialities.

Sustainability Management

Key Sustainability Topics

In the 2021 fiscal year, Epson selected 12 key sustainability topics to enable us to address four newly identified priority issues (materialities). Epson has incorporated these topics in its mid-range action plans and is driving initiatives to address societal issues and contribute to the SDGs.

Materiality	Key Sustainability Topics	Examples of Medium-Term Actions
Achieve sustainability in a circular economy	**Decarbonization initiatives**	Using renewable energy and energy-saving equipment and facilities, removing greenhouse gases, engaging suppliers, and pursuing carbon-free logistics
	Closed resource loop initiatives	Using resources effectively, minimizing product loss, ensuring long use of products (refurbishment, reuse, etc.)
	Reducing the environmental impact of customers	Reducing power consumption, extending service life (providing long-term corrective maintenance), scaling down production equipment
	Environmental technology development	Applying Dry Fiber Technology, using naturally derived (plastic-free) materials, recycling raw materials (metals, paper)
Advance the frontiers of industry	**Improving productivity through digitalization and automation**	Transitioning to distributed production, local production, and low-volume high-mix production; driving printing innovations; supporting diverse customer needs; innovating production processes and printing processes through the application of inkjet technology
	Improving the work and education environments	Creating clean, space-efficient workspaces, relieving labor shortages through automation, supporting remote learning and remote work, creating a fair and high-quality learning environment
Improve the quality of life	**Enriching diverse lifestyles**	Providing personalized health support and safety services that reassure; providing products that are immediately adaptable to lifestyle changes
	Realizing lives that are rich, dynamic, and interesting	Providing products such as high-quality watches with appealing designs, expanding products and services in spatial design and art
Fulfill our social responsibility	**Increasing stakeholder engagement**	Responding to needs and social demands by strengthening dialogue with customers, shareholders, investors, suppliers, NGOs / NPOs, international organizations, employees, and potential stakeholders
	Realizing responsible supply chains	Carrying out socially responsible activities that promote human rights and good environmental practices throughout the supply chain, and stably providing customers with products and services by strengthening business continuity management
	Respecting human rights and promoting diversity	Preventing harassment and respecting human rights, utilizing human resources in a way that respects diversity, recruiting and developing human resources, and creating a free and open organizational culture
	Strengthening governance	Accelerating and ensuring the transparency of management decision-making, improving the risk management system, ensuring 100% compliance, and strengthening information security

Sustainability Management

Top Commitment

Epson is committed to co-creating sustainable and enriched communities by addressing solutions to environmental problems and other societal issues, as well as by providing surprise and delight that exceed customer expectations. This commitment is aligned with the sustainable development goals (SDGs) adopted by the United Nations.
We will contribute to the achievement of a better and more sustainable future as envisioned by the SDGs by using our efficient, compact, and precision technologies and digital technology to connect people, things, and information and by applying new ideas and methods to create fresh value.

Yasunori Ogawa President and CEO Seiko Epson Corporation

Key Sustainability Topics and Their Relationship to the 17 SDGs

There are 169 targets under the SDGs. The figures in the table below indicate the targets that Epson is addressing (as of August 2021).

Materiality	Key Sustainability Topics	ESG	Relevance to SDGs 1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Achieve sustainability in a circular economy	Decarbonization initiatives	Environment	1.5	2.4					7.2 7.3	8.4	9.4			12.2 12.4 12.8	13.1 13.2 13.3	14.3			17.17
	Closed resource loop initiatives			2.4				6.3 6.4	7.2 7.3	8.4	9.4		11.6	12.2 12.8 12.4 12.5	13.2 13.3	14.1	15.1 15.4 15.5		17.17
	Reducing the environmental impact of customers				3.9			6.3 6.4	7.3	8.4	9.4		11.6	12.2 12.8 12.4 12.5	13.2 13.3	14.1 14.3	15.115.5 15.2 15.4		17.7 17.17
	Environmental technology development			2.4	3.9				7.3	8.4	9.4		11.6	12.2 12.5	13.2	14.1	15.2		17.7 17.17
Advance the frontiers of industry	Improving productivity through digitalization and automation								7.3	8.2	9.4								17.16 17.17
	Improving the work and education environments					4.1 4.5 4.2 4.6 4.3 4.7 4.4 4.a		6.3		8.2 8.5									17.16 17.17
Improve the quality of life	Enriching diverse lifestyles				3.d	4.2 4.7					9.c								17.16 17.17
	Realizing lives that are rich, dynamic, and interesting				3.6														17.16 17.17
Fulfill our social responsibility	Increasing stakeholder engagement	Social	1.1 1.2 1.5	2.4	3.6 3.9 3.d	4.1 4.5 4.2 4.6 4.3 4.7 4.4 4.a	5.1 5.2 5.5	6.1 6.4 6.2 6.5 6.3 6.6	7.1 7.2 7.3	8.2 8.6 8.4 8.7 8.5 8.8	9.4 9.c	10.2 10.3 10.7	11.6	12.2 12.6 12.4 12.8 12.5 12.a	13.1 13.2 13.3	14.1 14.2 14.3	15.1 15.4 15.2 15.5 15.3 15.7	16.1 16.5 16.2 16.6 16.3 16.7 16.4 16.10	17.16 17.17
	Realizing responsible supply chains		1.1 1.2		3.9	4.1 4.5 4.3 4.7 4.4	5.1 5.2 5.5	6.1 6.4 6.2 6.5 6.3 6.6	7.1 7.2 7.3	8.2 8.6 8.4 8.7 8.5 8.8	9.4	10.2 10.3 10.7	11.6	12.2 12.6 12.4 12.5	13.1 13.3	14.1 14.2 14.3	15.1 15.4 15.2 15.7 15.3	16.1 16.5 16.2 16.10 16.4	17.16 17.17
	Respecting human rights and promoting diversity		1.1 1.2			4.1 4.4 4.2 4.5 4.3 4.7	5.1 5.5			8.2 8.7 8.5 8.8 8.6		10.2 10.3		12.a					
	Strengthening governance	Governance																16.3 16.7 16.4 16.10 16.5 16.6	
Epson confirmed that its initiatives are relevant to all 17 SDGs.			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

● The figures in the table below indicate which of the 169 targets (1.1 to 17.19) under the SDGs Epson is addressing with its initiatives (August 2021)

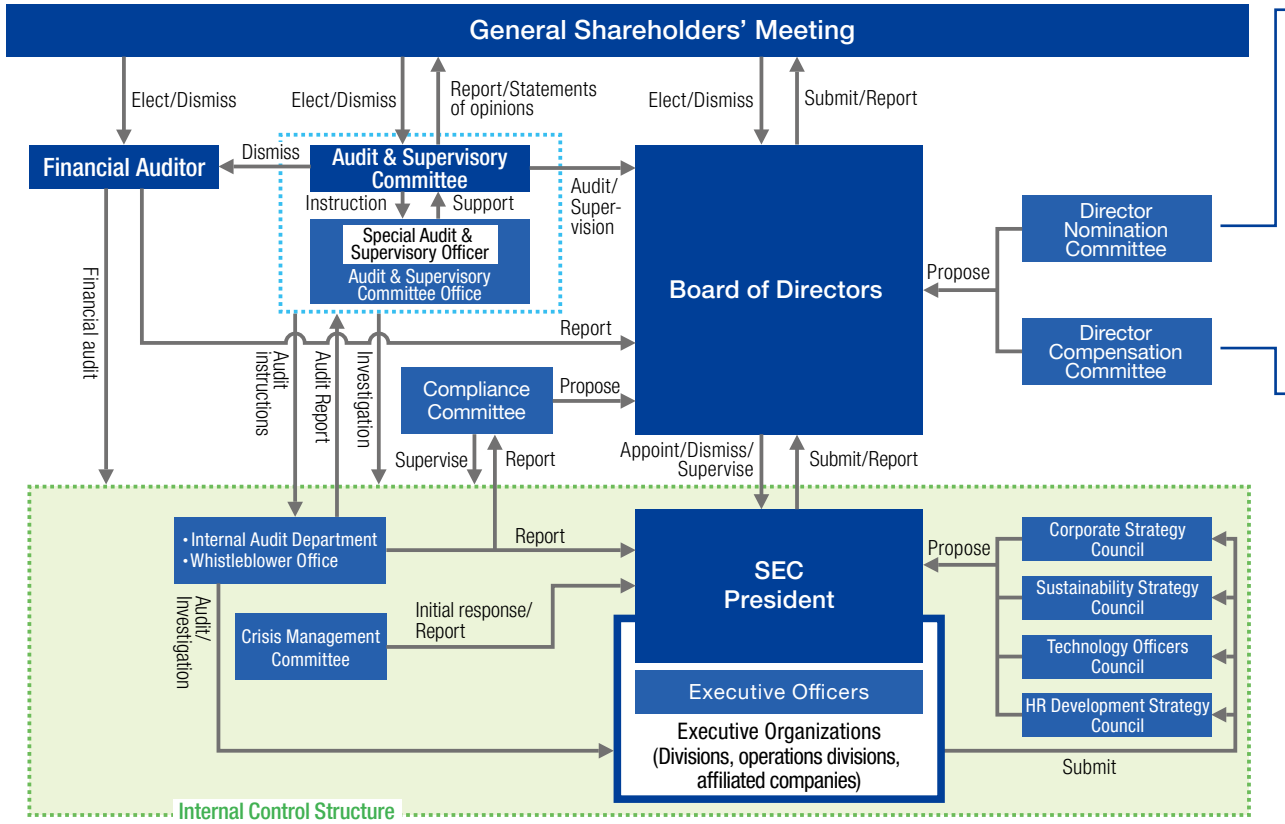
Strengthening Governance

Corporate Governance

Basic Approach

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

Corporate Governance System



Advisory Body Activities

Inside director ● Outside director

Director Nomination Committee Met 8 times (4/2020~6/2021)[1]

- Screens director and executive officer candidates

President and Representative director | Director in charge of human resources | All outside directors

Topics of dicussion

- Officer (director, executive officer, special audit & supervisory officer) selection policies and proposed candidates
- Skill matrix content
- Chairpersons of the Director Compensation Committee and Director Nomination Committee

Director Compensation Committee Met 9 times (4/2020~6/2021)[1]

- Deliberates director and executive officer compensation

President and Representative director | Director in charge of human resources | All outside directors

Topics of dicussion

- Base compensation and bonuses for each director and the granting of basic points under the performance-linked compensation system, etc.

The board of directors resolved at its meeting in June 2021 that the chairpersons of both committees are to be elected from among the outside directors.

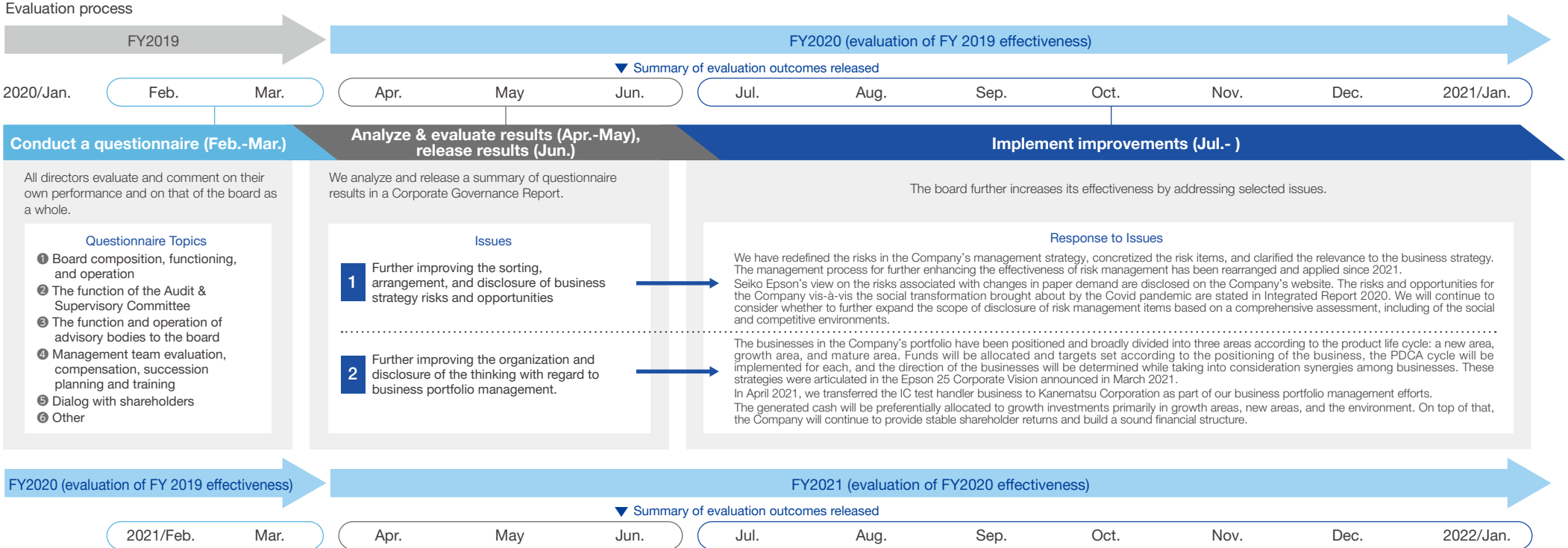
[1] Until annual general meeting

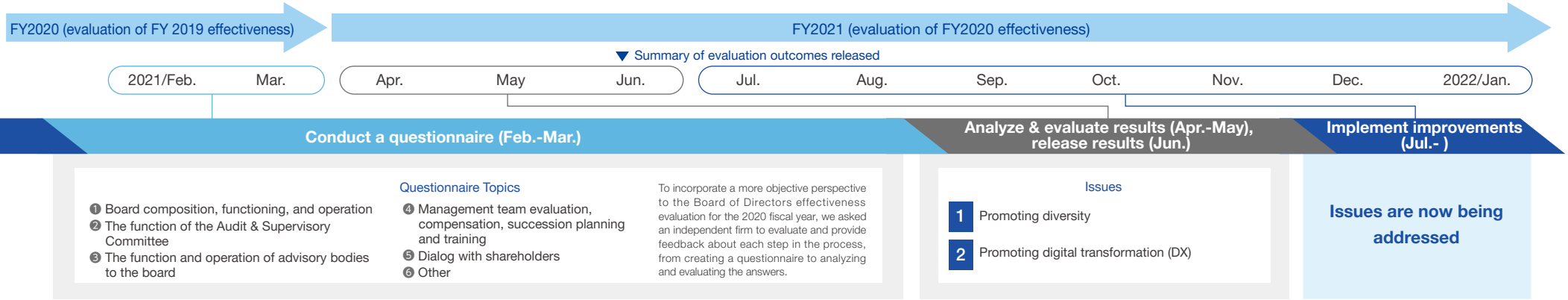
Strengthening Governance

Actions to Ensure Board Effectiveness

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

Evaluation process





Strengthening Governance

Messages from Outside Directors

Amid ongoing societal changes and business uncertainty, we need more than ever to build an empowered board and a more resilient organization.
In this section, our outside directors explain their own role in this endeavor.

Helping the Company Become Indispensable to Achieve Sustainability

Hideaki Omiya
Outside Director

I am convinced that the reason Epson's financial performance was solid despite the pandemic is that the management team moved quickly and with a sense of urgency to solve societal issues by honing Epson's competitive edge with efficient, compact, and high-precision technologies. However, challenges remain. The management must do more to inculcate customer-focused values, integrate rapidly advancing digital technology and outstanding hardware to unlock growth, and promote diversity. Leveraging my experience in leading a heavy-industry manufacturer and managing large IT projects, I will work in three key ways to empower the board and help the company increase corporate value:

1. I will keep the management committed to governance and compliance, and actively get involved in the monitoring of establishment and implementation of its visions and corporate strategies.
2. I will support business plans that the board approves.
3. I will leave business execution to the executives.

The board boasts a good mix of talents and its meetings are productive. Additionally, the Director Nomination Committee and the Compensation Committee, by involving the participation of all outside directors, helped ensure that last year's leadership succession was fair and smooth. I will use my position as chair of both committees to further promote governance.

Promoting Diversity to Unlock a More Dynamic Approach to Business

Mari Matsunaga
Outside Director

When it comes to ESG performance, an indicator of measuring a company's long-term growth, Epson leads the field in environmental and governance performance (the E and G), but lags behind in social performance (the S). Diversity is the key problem. Over the past ten years, the company hired more people with disabilities, but has made little progress in gender diversity. Other companies have introduced fast-tracking with the aim of having women occupy at least 30 percent of managerial positions. By comparison, Epson has barely begun.
Back in 1980, I launched the publication Travail as a career resource for women. Since then, I have devoted myself to promoting diversity and remote work. Over the past 10 years, I have helped train women in other companies. In that time, I have seen cases that create a positive cycle.
My experience teaches that gender diversity is so much more than quotas. By promoting diversity, you unlock a more dynamic approach to business. For example, you enable more effective workstyles.
I want to let in the winds of change and keep an eye on what message the company is sending out.

Strengthening Governance

Messages from Outside Directors

Maximize Strengths and Rectify Weaknesses to Become a Truly Global Organization

Yoshio Shirai
Outside Director
Audit & Supervisory
Committee Member

During board meetings and other occasions, I have advised the management on strategy, drawing on my own executive experience. Epson has always worked diligently to refine its efficient, compact, and precision technologies. On the other hand, it has placed too much emphasis on developing technologically advanced products and not enough on identifying, through a data-driven process, what customers value.
Having scored many successes in product development, the company has grown somewhat complacent. This attitude discourages disruptive innovation. The company needs a melting pot of ideas that can challenge traditional approaches and change the business model.
To rectify these shortfalls and maximize its strengths, the board must clarify the strategic direction. The leadership must provide a vision that gives a clear image of it wants the organization to be in the future.
While respecting the separation between oversight and business execution, I will use my position as an outside director to help the company achieve sustainable corporate growth and become a truly global organization.

Offering Legal Insights to Improve Compliance and Respect for Human Rights

Susumu Murakoshi
Outside Director
Audit & Supervisory
Committee Member

I was elected at last year's shareholders' meeting. Since then, I have been impressed by the outside directors. They have engaged actively, offering valuable ideas based on their experience in business management. The management, for its part, has facilitated productive board discussions by briefing us as much as possible on strategy and the agenda for meetings. However, we need to have deeper discussions on strategic direction. My role here is to offer my legal expertise. I will advise the management on how to tighten compliance and instill a greater respect for human rights in the broad sense.
Epson upholds high compliance standards, and the management shows clear leadership on compliance. However, it must do more to inculcate compliance culture throughout the organization. We learned this the hard way recently, when the company was found to be in violation of the radio law. The company can further the cause of human rights around the world and enhance the wellbeing of employees. In this way, it will meet societal expectations and increase its value. I will do all I can to help the company achieve this.

Addressing the Shortfall in Imagination and Creativity for a Stronger Board

Michiko Ohtsuka
Outside Director
Audit & Supervisory
Committee Member

Epson requires firm leadership and stable earnings to lay the foundations for sustainable corporate growth. My concern is that it lacks imagination and creativity. The lack of imagination is undermining disaster management. It prevents the company from taking corrective and preventive action swiftly. As it is, the company's measures are sporadic. An unforeseen incident could, depending on the nature of the incident, potentially devastate the business. By using imagination, the management can respond quickly and effectively. The lack of creativity is a result of poor customer data. With a more accurate understanding of customers' needs, the company can creatively match these needs with its technology, thereby driving demand and improving the earning power of its brand.
As a certified public accountant and member of the Audit & Supervisory Committee, I am crucially placed to support and monitor internal and external audits. I also have a role to play in empowering the board. Specifically, while making sure that the directors are executing business fairly and appropriately, I will help the directors rectify the shortfall in imagination and creativity.

Strengthening Governance

Compensation of Officers
https://global.epson.com/SR/organizational_governance/#h2_04

Officer Compensation

Officer compensation is decided by resolution of the general meeting of shareholders and the board of directors or the Audit & Supervisory Committee after a fair, transparent, and rigorous review by the Director Compensation Committee, a majority of whose members are outside directors and which issues an opinion, to ensure transparency and objectivity.

Compensation for Individual Directors Who Are Not Audit & Supervisory Committee Members

Compensation consists of base compensation, which is comprised of fixed compensation and a variable portion, bonuses, which are performance-linked compensation, and stock compensation, which is performance-linked, non-monetary compensation.

Base Compensation	Base compensation is monthly-paid monetary compensation which is determined comprehensively based on factors such as responsibilities and position of each officer. The variable portion of base compensation for officers with executive duties reflects the annual performance results based on the evaluation criteria set for each role. (Variable range: ±20%)
Bonuses	Bonuses are monetary compensation paid annually to officers with executive duties, the amounts being determined in accordance with the level of achievement with respect to annual operating performance targets. If a certain level of business profit is not attained, bonuses may not be paid at all. Bonuses reflect the annual performance based on the evaluation criteria set for each role. (Variable range of months for bonuses: ±1.2 months)
Performance-Linked Stock Compensation	The Company has selected quantitative evaluations (business profit, ROS, ROE, cash flows from operating activities) as well as qualitative evaluations as indicators so that performance-linked compensation based on performance indicators can provide appropriate incentives to Directors and to show a commitment to promoting sustainable growth and increasing medium to long-term corporate value.

Compensation for Individual Directors Who Are Audit & Supervisory Committee Members

The Company's compensation for individual directors who are Audit & Supervisory Committee members shall be decided by taking into consideration factors such as whether he or she is full-time, how the audit work has been divided, and the details and levels of compensation for directors who are not Audit & Supervisory Committee members. Given their role in monitoring management as a whole from a position that is independent from the execution of business affairs, the Company pays only fixed compensation to directors who are Audit & Supervisory Committee members.

Performance-Based Coefficient Formula

Performance-based coefficient = {(business profit coefficient) + (ROS coefficient) + (ROE coefficient) + (cash flows from operating activities coefficient) + (qualitative evaluation coefficient × 2)} ÷ 6

Performance-Linked Compensation Determination Table (FY2019–FY2021)

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

*** Qualitative evaluation items and method**

The Director Compensation Committee qualitatively evaluates performance based on progress against the previous Mid-Range Business Plan financial targets, the effects of currency volatility, progress in ESG management (environment assessment, CSR survey ranking and evaluation of the effectiveness of the Board of Directors), etc.

Total amount of compensation

(Millions of yen)

Category	Number of individuals (Persons)	Base compensation		Performance-linked compensation		Total
		Fixed (monetary)	Variable (monetary)	Bonuses (monetary)	Stock compensation (nonmonetary)	
Directors who are not Audit & Supervisory Committee Members (Outside directors)	8 (2)	290 (28)	9 (–)	76 (–)	24 (–)	400 (28)
Directors who are Audit & Supervisory Committee Members (Outside directors)	6 (5)	81 (48)				81 (48)
Total	14	372	9	76	24	482

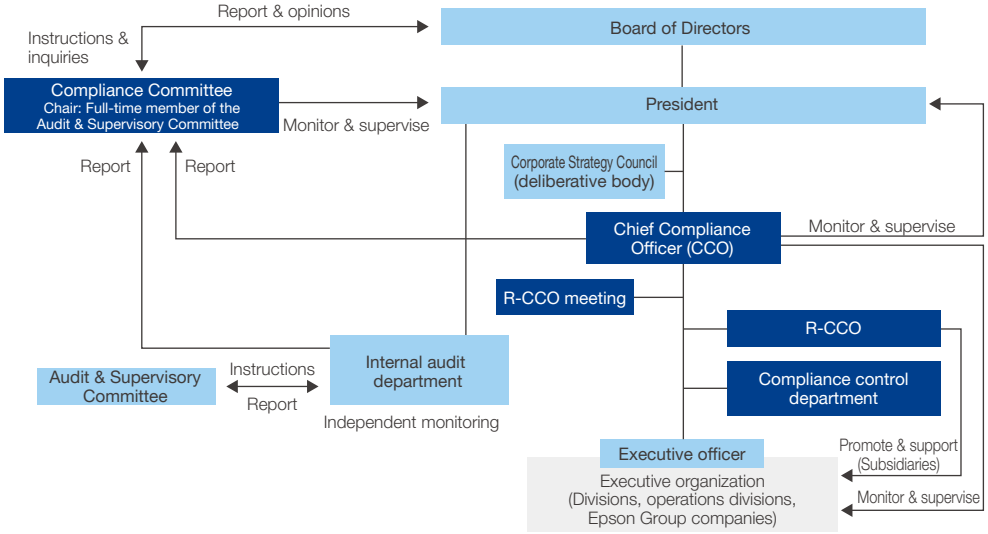
Strengthening Governance

Compliance

Compliance Organization

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

Compliance Organization Chart



Compliance Promotion Activities

To instill internal compliance awareness, Epson provides online courses, training, and more on a regular basis to both executive officers and employees, in keeping with the Epson Global Code of Conduct. We invite outside experts to give instruction in compliance training courses for executive management. We also provide online compliance courses and compliance training by internal instructors for all personnel. At our affiliates outside Japan, our efforts include providing compliance training that reflects local conditions.
October is Compliance Month at Epson, a period during which we raise employee compliance awareness throughout the global Epson Group based on our Management Philosophy and Principles of Corporate Behavior. This helps employees recall the importance of compliance to the realization of the Management Philosophy. A variety of actions are taken during the month. For example, Epson's Chief Compliance Officer and the heads of Epson divisions and subsidiary companies issue compliance messages. A special article on compliance is published in the company newsletter. Action is taken to communicate and promote understanding of the Epson Global Code of Conduct, and personnel receive compliance training.
After Compliance Month ends, we conduct a survey to ascertain the extent to which employees recognize the importance of compliance and to pinpoint ways to improve activities for the next year. The survey enables us to find out about the kind of actions taken by the various Group companies and organizations and allows us to gather opinions and suggestions about activities. Survey responses are totaled, analyzed, and used for future activities.

Whistleblowing Systems

Whistleblowing systems have been installed in all Epson Group companies worldwide. In April 2021, Epson added information about whistleblowing to the Epson Global Code of Conduct and made it clear that reports can be made anonymously and that retaliation against whistleblowers is prohibited. Epson has also provided supplier whistleblowing systems that our business partners and other third parties can use to report misconduct so that we can quickly catch any potential compliance problems that could go undetected internally.
In the 2020 fiscal year, we received 78 reports in Japan, an increase of 13 from the previous year. Reports were received regarding possible violations of internal rules, misconduct, and illegal activities, and these were dealt with appropriately.

Counseling and Support Services in Japan

- Epson Helpline
- Whistleblowing system for suppliers
- Harassment counseling
- Management advisory service
- Counseling related to overwork and long working hours
- Career counseling
- Counseling for persons with disabilities
- Employee counseling
- Corruption (bribery) regulations advisory service
- Competition laws advisory service
- Insider trading advisory service

Strengthening Governance

Risk Management

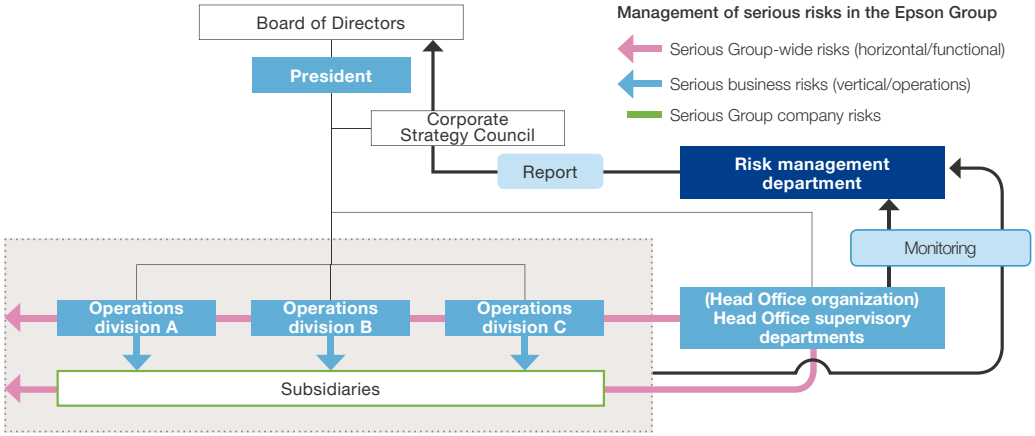
Risk Management Organization

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

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

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

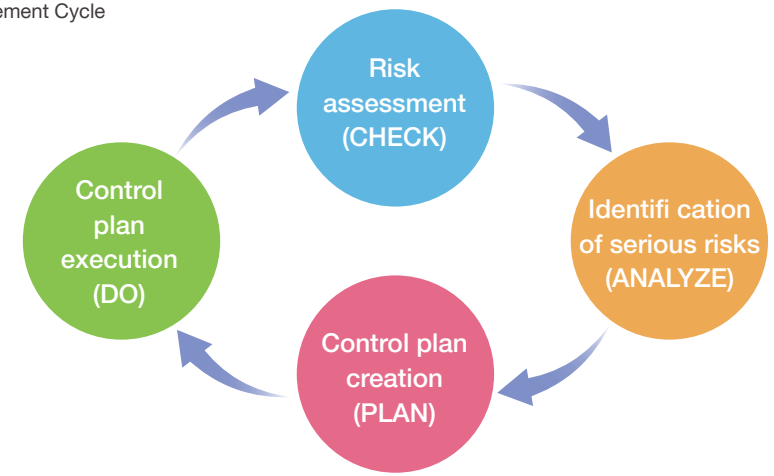
Risk Management Organization Chart



Crisis Management

Epson has a standing Crisis Management Committee. The committee is chaired by the president. The general administrative manager in charge of risk management serves as vice-chair. The rest of the committee is made up of the general administrative managers of supervisory departments at the Head Office. An organization and a predetermined crisis management program are in place to enable us to rapidly mount an initial response in a crisis.
Epson responded to COVID-19 by invoking the Crisis Management Committee in accordance with the provisions of the crisis management program and, under the direction of top management, ascertained the situation at our global sites, issued specific instructions, and took actions according to the severity of local outbreaks. Measures were deployed to prevent infection and ensure the safety of Group personnel and their families, prevent the spread of infections, and the continuity of business.
The Crisis Management Committee regularly reports the situation to executive management, including outside directors, as well as to the Corporate Strategy Council and the Board of Directors.

Risk Management Cycle



Strengthening Governance

List of Main Risks

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

Epson's Annual Report 2021
https://global.epson.com/IR/library/

Main risks	General description of risk	Main countermeasures
Parts procurement risks from certain suppliers	● A supplier parts shortage or quality problem with supplier parts could interfere with Epson's manufacturing and selling activities.	● 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	● 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.	● Independently develop technologies we need; acquir e 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	● 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.	● Develop and manufacture products with reduced environmental impact, develop environmental technologies, reduce energy consumption, recover and recycle used 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 resource [1] free by 2050. [1] Non-renewable resources such as oil and metals
Hiring and personnel retention risks	● Competition could intensify for the best talent to develop advanced new technologies and manufacture advanced new products.	● Secure and retain top-notch talent by introducing role-based compensation, developing internal talent, promoting diversity, implementing flexible work arrangements, managing health, and promoting global talent to create an amenable work environment and climate in which diverse human resources can make the most of their abilities.
Natural disasters, infectious diseases, etc.	● There could be war, acts of terrorism, and supply chain disruptions caused by unpredict-able events such as natural disasters, pandemics involving new infectious diseases like COVID-19, disasters affecting parts suppliers, etc. ● The business environment could materially change along with social and behavioral changes during and after COVID-19.	● Conduct disaster drills, prepare earthquake disaster management and response plans, and establish business continuity plans to mitigate the effects of disasters to the extent possible. ● Insure against losses arising from earthquakes. (However, the scope of indemnification is limited.) ● Accelerate actions that enable us to seize business opportunities by solving anticipated societal issues
Legal, regulatory, licensing and similar risks	● 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.	● Ensure compliance by building a robust compliance framework in each country and business and through internal awareness campaigns. ● Treat compliance as a high management priority, and develop measures to prevent and control potential issues as appropriate.

Strengthening Governance

Board of Directors (As of June 28, 2021)

Minoru Usui

Chairman and Director

Yasunori Ogawa

President and Representative Director
CEO

Koichi Kubota

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

Tatsuaki Seki

Director, Managing Executive Officer
CFO / Chief Compliance Officer
Chief Corporate Communications Officer
General Administrative Manager, Corporate Strategy and Management Control Division / Sustainability Promotion Office

Taro Shigemoto

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

Hideaki Omiya Outside Independent Director

Outside Director

Mari Matsunaga Outside Independent Director

Outside Director

Masayuki Kawana

Director,
Full-Time Audit & Supervisory Committee Member

Yoshio Shirai Outside Independent Director

Outside Director,
Audit & Supervisory Committee Member

Susumu Murakoshi Outside Independent Director

Outside Director,
Audit & Supervisory Committee Member

Michiko Ohtsuka Outside Independent Director

Outside Director,
Audit & Supervisory Committee Member

Strengthening Governance

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

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

Title	Name	Areas of expertise and skills particularly expected by the Company						
		Corporate management	Development Design Technology Production	Sales Marketing	IT Digital	Finance Accounting	Legal affairs Compliance	Global (Internationality)
Chairman and Director	Minoru Usui	●	●	●				
President and Representative Director	Yasunori Ogawa	●	●		●			
Representative Director Senior Managing Executive Officer	Koichi Kubota	●		●				●
Director Managing Executive Officer	Tatsuaki Seki				●	●	●	
Director Executive Officer	Taro Shigemoto					●	●	●
Outside Director	Hideaki Omiya	●	●		●			
Outside Director	Mari Matsunaga			●	●			
Director Full-Time Audit & Supervisory Committee Member	Masayuki Kawana					●	●	
Outside Director Audit & Supervisory Committee Member	Yoshio Shirai	●	●					●
Outside Director Audit & Supervisory Committee Member	Susumu Murakoshi					●	●	
Outside Director Audit & Supervisory Committee Member	Michiko Ohtsuka					●	●	

* Up to three areas of expertise particularly expected are stated.

Achieving Sustainability in a Circular Economy

Message

Hideki Shimada
Managing Executive Officer
General Administrative Manager Production Planning Division

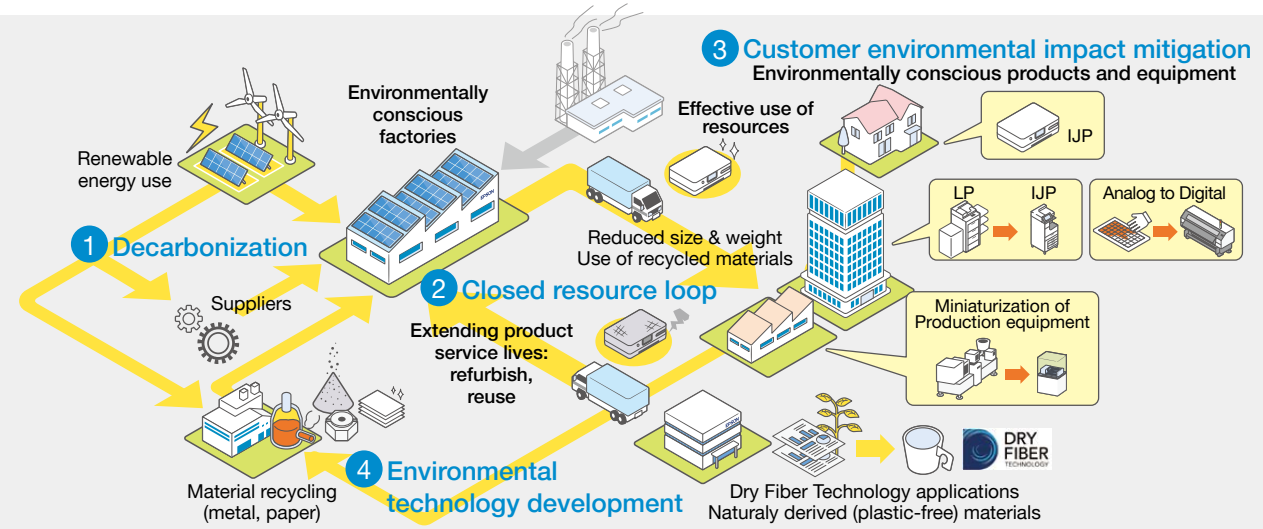
Epson has cited achieving sustainability in a circular economy as a materiality (priority issue). Economic systems that continue to consume more resources and generate waste have dire consequences for the environment and society. The Earth is a closed and finite environment, so we must transition to economic activities within a circular economy to make society sustainable. There are still some unknowns about the concrete shape a circular economy will take and how to achieve it, but there is no doubt that decarbonization and a closed resource loop will be essential components.

In addition to closing the loop in our own business activities, we will review the state of the economy together with various stakeholders through collaboration and open innovation in the supply chain.

The latest IPCC report released in August 2021 declared that human activity is responsible for global warming. Taking this crucial science-based finding seriously, Epson will accelerate its actions toward the realization of a circular economy.

Epson 25 Renewed Environment

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



1 Decarbonization

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

2 Closed resource loop

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

3 Customer environmental impact mitigation

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

4 Environmental technology development

- Dry Fiber Technology applications
- Naturally derived (plastic-free) materials
- Material recycling (metal, paper)
- CO_2 absorption technology

Environmental investment and spending

- **Spend ¥100 billion over the 10 years to 2030** 1 2 4
  - Reduce GHG emissions[1] in the supply chain by more than 2 million tonnes
  - Use renewable energy to meet 100% of the electricity needs of the entire Epson Group by 2023 (achieved in Europe sales offices: April 2020, plan to achieve in Japan: March 2022)[2]
- **Concentrate management resources on the development of products and services that reduce environmental impacts** 3

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

Achieving Sustainability in a Circular Economy

Approach Toward 2050

It is essential to begin environmental initiatives immediately and to continue them over the long term. Epson revised Environmental Vision 2050 when it renewed the corporate vision.
We are acting to achieve Environmental Vision 2050, which was conceived not from a perspective of what we can or cannot achieve but from a mindset of what we must achieve as a product creator and manufacturer.
The efficient, compact, and precision technologies that Epson has developed since its founding have yielded inkjet technology that reduces environmental impacts and increases productivity along with a host of other technologies that Epson believes can play a major role in solving societal issues and in achieving the Sustainable Development Goals. We will play to these strengths and work with partners as we seek to co-create high customer value that offers both environmental and economic benefits.

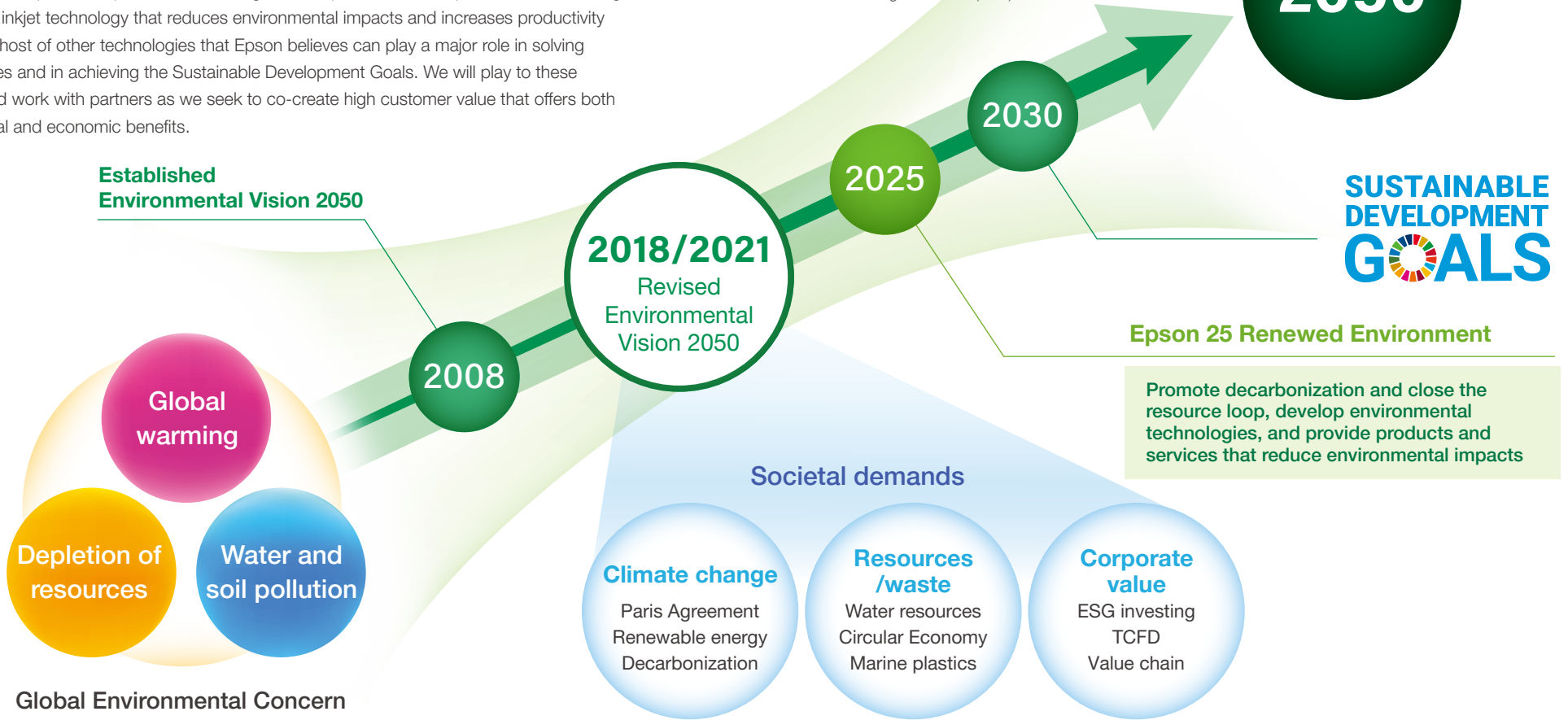
Environmental Vision 2050

Epson will become carbon negative and underground resource[3] free by 2050 to achieve sustainability and enrich communities

Goals
- 2030: Reduce total emissions in line with the 1.5°C scenario[4]
- 2050: Carbon negative and underground resource 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

[3] Non-renewable resources such as oil and metals
[4] Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTi)



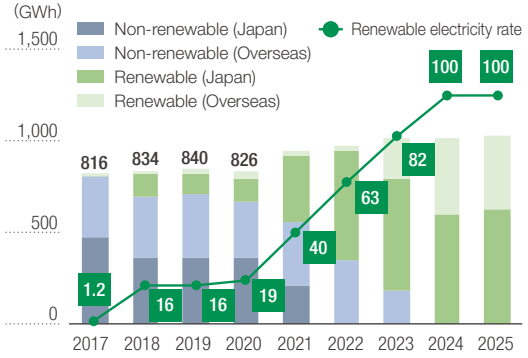
Achieving Sustainability in a Circular Economy

TOPIC 1 Carbon Negative

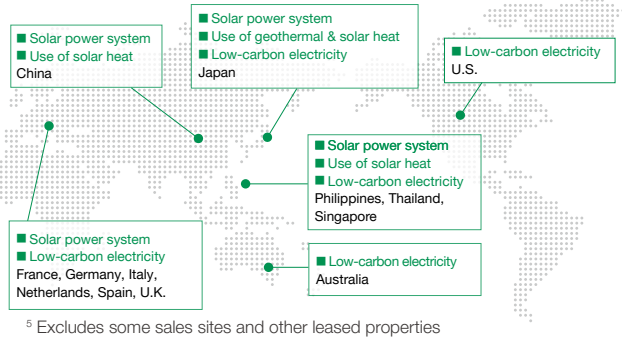
Switching to 100% Renewable Electricity

To contribute to the goal of decarbonizing the global economy under the Paris Agreement, the Epson Group is transitioning to renewable energy. We set an SBT Initiative-validated target of reducing scope 1 and 2 GHG emissions by 19% compared to FY2017 by 2025. In FY2020, we made progress toward this target by achieving a 21% reduction in GHG emissions through energy-saving initiatives at each of our sites. In March 2021, as a leading environmental company, we decided to bring the target date forward. As part of this, we announced that the Epson Group would meet all its electricity needs[5] with 100% renewable energy by 2023. The entire company will continue to introduce actions, including production innovations, to reduce GHG emissions and achieve the target early.

Renewable Electricity Use and Plan



Use of Renewable Energy Globally[6]



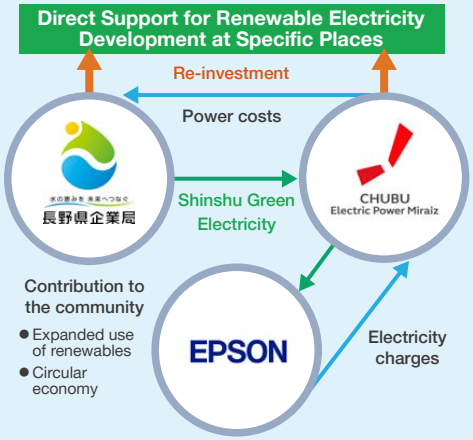
[5] Excludes some sales sites and other leased properties
[6] Onsite equipment, power purchase agreement, and/or certificate purchasing

Co-creation

Project Launched to Expand Use of Renewable Electricity

In May 2021, Epson signed an agreement with Chubu Electric Power Miraiz, which sells Shinshu Green Electricity (CO_2-free electric power generated locally using hydroelectric power), and the Nagano Prefecture Enterprise Bureau on a project to expand the use of green power. This is Japan's first[7] project aimed at the decarbonization of society and expanding the supply of local renewable electricity. A portion of the revenue this electricity will be used to develop and promote renewable energy sources in Nagano. Through this, Epson not only procures CO_2-free electricity but also directly supports the wider use of renewable electricity. We are leading action in Japan toward accelerating the decarbonization of energy in cooperation with the energy producers and sellers.

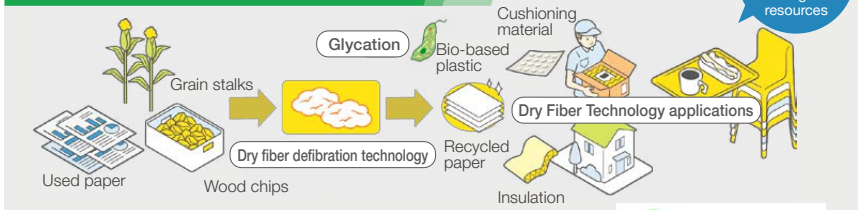
[7] Per research conducted by Chubu Electric Power Miraiz as of May 27, 2021



TOPIC 2 Underground Resource Free

Replacing Underground Resources with Materials Derived from Above-Ground Resources

Dry Fiber Technology (DFT)



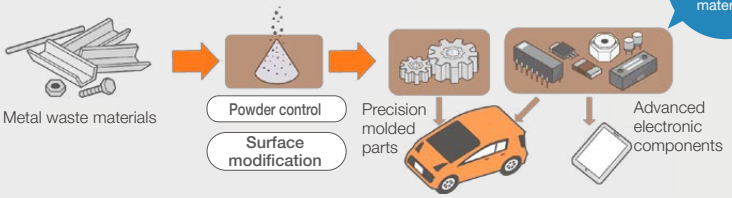
Development of Bio-Based Plastics

Euglena Co., Ltd., NEC Corporation, and Epson, in collaboration with Professor Tadahisa Iwata of the University of Tokyo, established the Pararesin Japan Consortium to develop and popularize technology for pararesin, a biomass plastic that uses paramylon, a storage polysaccharide of the microalga Euglena. Technology is being developed for practical viability.

パラレジン ジャパンコンソーシアム Pararesin Japan Consortium

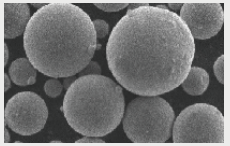
Pararesin pellets

Metal Powder Manufacturing Technology



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

Epson Atmix Corporation is using its metal melting and atomizing process technologies to produce metal powder products. In February 2020, the company began reusing waste silicon wafers that were used for quality verification in Epson's semiconductor fabrication process as metal powder materials. This reduces waste, reduces CO_2 emissions and underground resource use by utilizing less virgin silicon, and reduces costs.



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

Achieving Sustainability in a Circular Economy

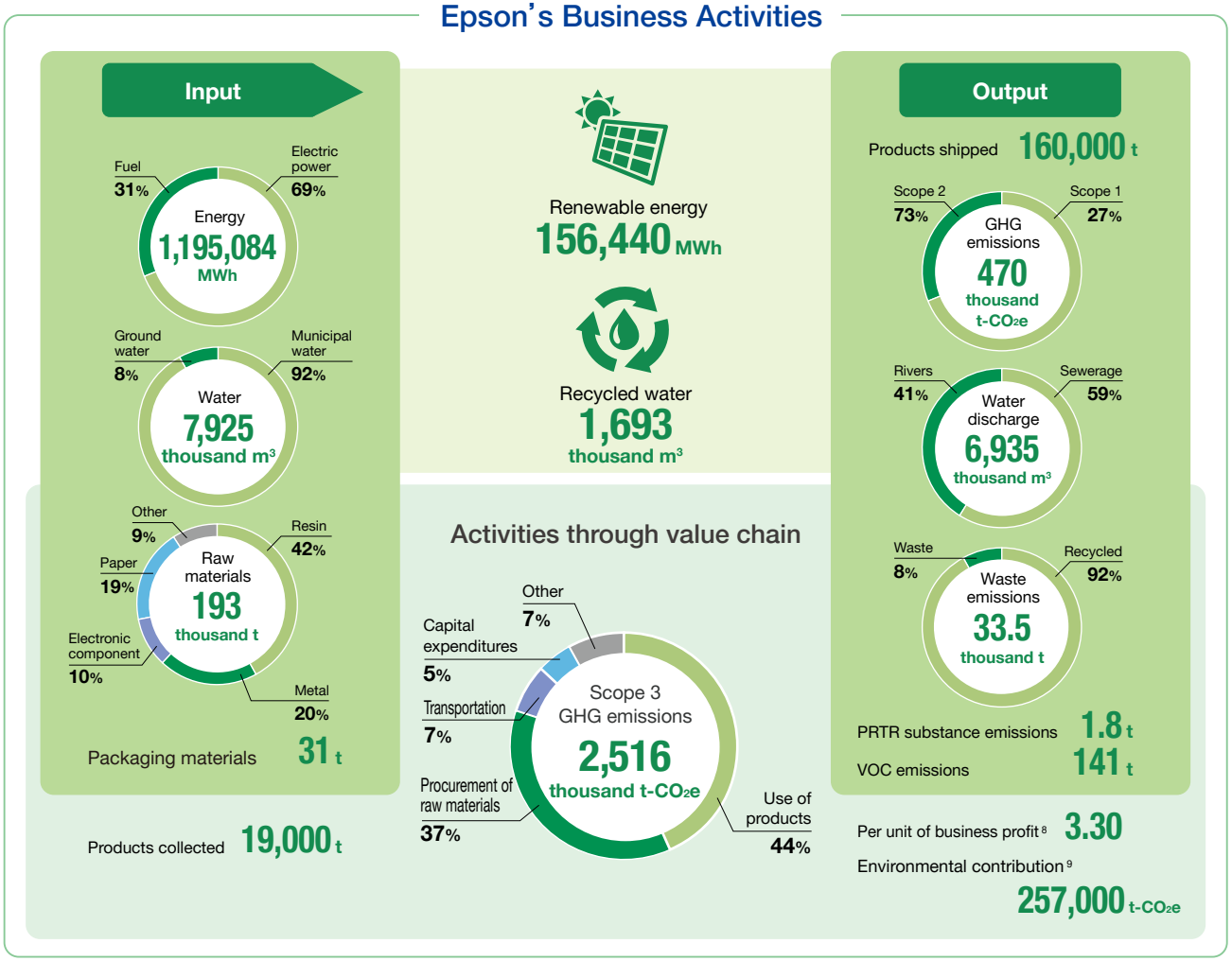
TOPIC 3

Reducing Environmental Impacts in Our Business Activities

Material Balance (FY2020)

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 FY2020 we basically reached our target as a result of various reduction actions.

Epson's Business Activities



Reductions

Scopes 1 & 2 GHG emissions (total)	21% reduction 470 thousand t-CO_2e	Target: Reduce GHG emissions by 19% by FY2025 (vs. FY2017) Target value: 479 thousand t-CO_2e
Water Usage	2.5% reduction 7,925 thousand m³	Target: previous year or less Target value: 8,131 thousand m³
Waste emissions	2.8% increase 33.5 thousand t	Target: previous year or less Target value: 32.6 thousand t
PRTR substance emissions	22% reduction 1.8 t	Target: previous year or less Target value: 2.3 t
VOC emissions	1% reduction 141 t	Target: previous year or less Target value: 143 t
Scope 3 GHG emissions (Per unit of business profit)	3% reduction 3.30	Target: Reduce GHG emissions by 44% by FY2025 (vs. FY2017) Target value: 1.90

[8] Scope 3 (categories 1 and 11) GHG emissions per unit of business profit (unit: thousand t-CO_2e/100 million yen)
[9] Third-party GHG emission avoidance was estimated by using a flow base approach to calculate the contribution to avoided emissions achieved by replacing conventional products and work processes with Epson products. This is different from the actual reduction amount. (1) Replacement of laser printers with inkjet printers, (2) flat panel displays with laser projectors, (3) analog printing with digital printing, (4) digital textile printing dye inks with pigment inks, and (5) commercially available recycled paper with paper produced from used paper using dry process office papermaking systems.

Realizing Responsible Supply Chains

Message

Junichi Watanabe
Managing Executive Officer
Deputy General Administrative Manager, Production Planning Division

Epson builds trusting relationships with its business partners around the world based on fairness, coexistence, and co-prosperity. We maintain high ethical standards and a social conscience, and we conduct our procurement and production activities in compliance with all laws, regulations, and rules in regions where we operate. We reduce the environmental impacts of our procurement activities while achieving stable and reasonable quality, price, and delivery. Epson is a regular member of the Responsible Business Alliance (RBA), a global coalition dedicated to corporate social responsibility (CSR) in global supply chains, and asks its suppliers to adhere to the same high ethical standards as Epson.
The COVID-19 pandemic, which has disrupted logistics and contributed largely to a global chip shortage, has highlighted the growing importance of business continuity programs in the supply chain, and we are working closely with our suppliers to strengthen ours.

Supplier Guidelines

The Epson Group Supplier Guidelines specify quality, price, and delivery requirements; compliance requirements, including trade control and security in the supply chain security; and environmental action requirements.
The Supplier Code of Conduct (CoC), which is part of the guidelines, specifies labor, health and safety, environment, ethics, and management system requirements that are compliant with the RBA CoC. The RBA requires compliance with local laws as well as compliance with RBA standards when RBA requirements are stricter than local laws. Epson guarantees a certain level of management regardless of whether there are legal provisions in the country or region where the supplier resides, the strictness of requirements, or local labor customs. In January 2021, Epson revised the Supplier CoC to align it with the latest version of the RBA CoC. We notified all suppliers of the revised guidelines and had our major suppliers submit a letter agreeing to comply with the guidelines.

Epson Supplier Code of Conduct (RBA Code of Conduct)

Supply Chain CSR Strategy

To live up to our Management Philosophy and Principles of Corporate Behavior, we have strategically established key long-term actions for supply chain CSR. We are approaching supply chain CSR from two broad angles, actions to ensure the human rights and safety of our suppliers' workers and actions to achieve sustainability. Through these actions, we will contribute to the SDGs.

Actions to ensure worker rights and safety

- Promoting decent work
- Ensuring work safety

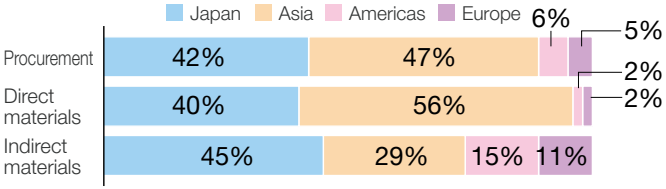
Actions to realize a sustainable society

- Responsible mineral sourcing
- Reducing environmental impact

Supply Chain Overview

Epson procures goods and services from around the world. Domestic procurement accounts for 42% of the spend and overseas procurement for 58%. Direct materials, which include raw materials and parts as well as outsourced production, account for 66%. Indirect materials, which include factory supplies, machinery and equipment, advertising, logistics, outsourced business processes, and temporary staffing, account for 34%.

Procurement Cost Breakdown



Realizing Responsible Supply Chains

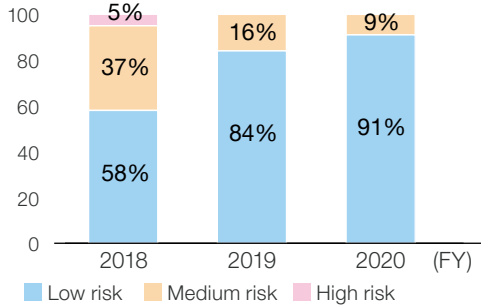
Supplier Evaluation Program

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

The detailed CSR evaluation consists of a self-assessment questionnaire (SAQ) that major first-tier suppliers are asked to complete to check the state of compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct). Epson verifies SAQ answers by conducting on-site checks and audits. We also support suppliers' efforts to improve.

In the 2020 fiscal year, Epson collected a completed SAQ from 293 direct materials suppliers (497 sites). No supplier was judged to be high risk in terms of the overall evaluation or labor. Moreover, the percentage of low-risk suppliers increased to 91%, up 7 points from 2019.

Detailed CSR Evaluation



Responsible Sourcing of Minerals

Profits from the extraction and sale of minerals such as tin, tantalum, tungsten, and gold in conflict-affected and high-risk areas such as the Democratic Republic of the Congo and neighboring countries are used to fund armed groups and anti-government forces. Using minerals from these regions could potentially contribute to conflict and human rights abuses. Recognizing responsible mineral sourcing as an important societal issue, Epson joined the Responsible Mineral Initiative (RMI). We ask our suppliers to support our conflict-free mineral sourcing policy and to cooperate in surveys to identify smelters.

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

3TG Survey Results	FY2020				
	Total	Tin	Tantalum	Tungsten	Gold
Number of identified smelters[1]	340	79	41	54	166
Number of CFS	242	55	38	42	107
Response rate from suppliers	97%				

[1] For information regarding the details of the smelters
(→https://global.epson.com/SR/supply_chain_csr/img/smelter_list.pdf)

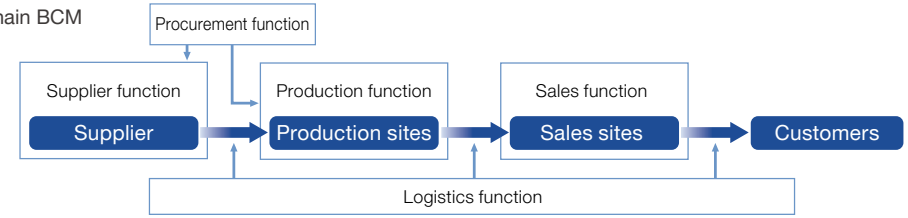
Supply Chain Business Continuity Management (BCM)

If an Epson production site should be damaged or disrupted, Epson's first priority is to preserve lives and safety and then to secure product supply continuity so as not to inconvenience customers.

In April 2021, to further improve resilience across the supply chain, we amended our Supply Chain BCM Guidelines, revised the anticipated period of production and procurement stoppages, accelerated distributed production, and put us in a position to continue supplying customers even in an emergency.

The pandemic has caused the utilization rate of production sites to decline and has resulted in shortages of ships, shipping containers, and chips due to increased product demand from people staying home. This makes it necessary to establish even more robust supply chains. We are thus working more closely with suppliers to address these types of issues and put in place preparations for both emergency and non-emergency times.

Supply Chain BCM



Suppliers themselves complete an emergency response capabilities evaluation to assess their ability to continuously maintain or restore the supply of parts in an emergency. They also complete a safety management evaluation to assess their handling of electricity and hazardous substances and their ability to recover from disruptions. Epson provides them with feedback and support for improvement, as needed.

Evaluation of Resilience in Emergency

	FY2020
Target	2,170
Result	1,919 88%

Unit: Number of companies

Evaluation of Safety Management

	FY2020
Target	2,134
Result	1,865 87%

Unit: Number of companies

Respecting Human Rights and Promoting Diversity

Message

Taro Shigemoto

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

Our goal under the Epson 25 Renewed corporate vision is co-creating sustainability and enriching communities to connect people, things, and information by leveraging our efficient, compact, and precision technologies and digital technologies. To do so, our people around the globe who work in everything from planning to sales and marketing must join forces with partners worldwide to solve societal issues. Epson is developing its global human resources and leaders who respect human rights, share a common set of values, and can quickly make the right decisions. We are working to create an environment that is amendable to a diverse workforce and to foster an organizational climate that encourages free and open communication so that we can maximize team and organization performance. Through these actions, we will aim to achieve sustainability and enrich communities.

Human Resource Development

Epson established a human resources development policy in 1996 and has put a lot of effort into professional development. We provide training so that our people understand their roles and what is expected of them as members of the Epson team. Training enables them to work and communicate effectively, solve problems and achieve goals, and experience personal and professional growth.
Epson seeks to achieve the goals of Epson 25 Renewed by putting itself in the best position to adapt to changes in business strategies and the business environment and by acquiring specialists, allocating personnel to growth areas, and developing leaders in each organization around the globe to drive business forward. Once a year in each business, function, and company, we evaluate and refine the roles and requirements for key positions and jobs, review the human resources who can accomplish those roles, and establish succession plans. We also list up candidates for future executive management positions, middle management positions, and global positions, provide them with training, and expand their knowledge and experience through job rotation.

Go to website for details
Epson Group Human Resources Development Policy
https://global.epson.com/company/epson_way/principle/human_policy.html

Improving the Organizational Climate

Epson has conducted an annual employee survey since 2005. Renewed and renamed the Organizational Climate Assessment in 2020, the survey seeks to improve the quality of relationships by creating an environment that encourages free and constructive communication and to foster an organizational climate where both employees and the company can continue to grow. Managers analyze the survey results to find out the state of the organizational climate. They incorporate measures in action plans to address issues, improve the organizational climate, and build stronger organizations. Epson began working in 2020 to improve team and organization performance, as this has been an area where scores have been low despite it being an important factor for improving the quality of relationships. Managers set specific action plans and targets, and they implement activities to achieve them. To support management's efforts, the divisions hold meetings for manager discussions. These discussions provide insights into underlying problems and encourage behavioral changes. In addition, Epson has set up an advisory service and arranges mentors for less experienced managers.
To encourage executive management to take the initiative in changing the organizational climate, Epson has made organizational management and harassment prevention efforts a component of selection and dismissal decisions, as well as compensation evaluations.
We seek to create a satisfying work environment and toward that end are driving organizational climate innovations that include programs to address things such as health and productivity, diversity, and harassment prevention.

Organizational Climate Assessment

Completion rate [1]	Satisfaction [2]
92.5%	92.0%

Team & organization performance [3]	FY2020	FY2021 second half
	3.62	→ 3.7

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

Respecting Human Rights and Promoting Diversity

Fostering a Better Workplace

Work Reforms

Epson has been driving work reforms since 2017. In Phase I (FY2017-2019), we prioritized the optimization of working hours and the prevention of long working hours. In Phase II (FY2020-2022), we have been introducing a wider range of work arrangement options.
Epson recognizes the urgency of creating an environment that is amenable to personnel with diverse needs and is driving long-term initiatives aimed at achieving sustainability and enriching communities.

Concrete Actions

- **Introduced more flexible working hours and remote work**
- **In conjunction with this, re-examined human resource management and provided manager with support**
- **Expanded support to those trying to balance work with childcare, nursing responsibilities, or medical treatment**

Go to website for details

Statement about Epson's work goals and work culture
https://global.epson.com/SR/our_people/pdf/workplace_01.pdf

Annual Total Working Hours Per Employee
(Current as of March 2021)

FY2018	FY2019	FY2020
1,943 hours	1,879 hours	1,848 hours

Respecting Human Rights

Epson respects human rights and is serious about keeping all possible forms of discrimination and unfair labor practices out of its operations around the world. This stance is reflected in our participation in the United Nations Global Compact since 2004. In 2005, Epson established Policies regarding Human Rights and Labor Standards, articulating therein Epson's strong convictions in areas such as respect for human rights, prevention of all forms of harassment and discrimination, respect for local culture and customs, prohibition of child and forced labor, and maintenance of positive labor-management relations. These policies have been communicated internally within the Epson Group and have been disclosed publicly.
Policies regarding Human Rights and Labor Standards are aligned with the following:

- United Nations Global Compact
- OECD Guidelines for Multinational Enterprises
- ISO 26000
- ILO Core Labor Standards

Go to website for details

Epson Group The Policies regarding Human Rights and Labor Standards
https://global.epson.com/company/epson_way/principle/human_rights.html

Epson referred to the United Nations Guiding Principles on Business and Human Rights (2011) and joined the Responsible Business Alliance (RBA) in April 2019 to promote CSR in the global supply chain. We practice RBA methods and means to evaluate the conditions in the supply chain and drive improvements (perform human rights due diligence) as needed based on the RBA Code of Conduct.
Seiko Epson's human resources department, working in concert with the HR departments of our global affiliates, guides initiatives to prevent human rights abuses, discrimination, and unjust labor practices under the supervision of the director and executive officer in charge of human resources. Epson, working from its Policies regarding Human Rights and Labor Standards and from the RBA Code of Conduct, has identified human rights risks such as child labor, forced labor, other exploitative labor, workers' rights, labor conditions, discrimination, and harassment as business risks. Accordingly, Seiko Epson and Epson Group companies conduct an annual CSR assessment survey to evaluate and mitigate risks related to things such as human rights, discrimination, and unfair labor. Epson has positioned these human rights initiatives as a key sustainability topic for the Epson Group. Similarly, the socially responsible procurement supervisory department evaluates risks in the supply chain and drives improvement.
We instruct companies and business sites to take action to correct, improve, or mitigate identified risks. The following are examples of human rights risks that have been identified, corrected, improved, or are being addressed.

- Requiring migrant workers to pay broker and recruitment fees to recruitment agencies
- Holding passports that belong to migrant workers
- Agreement process with workers regarding overtime work
- Long working hours

Epson has set up the Epson Helpline and various other channels that can be used to report harassment, long working hours, and other concerns involving issues such as human rights, discrimination, and unfair labor. All personnel are regularly notified of disciplinary actions and other actions taken by the company in response to incidents of discrimination, unfair labor, harassment and other human rights abuses to raise awareness and to prevent similar incidents in the future. Epson provides whistleblowing systems and support centers that all stakeholders, including customers, investors, and members of local communities, can use to lodge grievances that are then appropriately addressed.

Go to website for details

Supply Chain Initiatives https://global.epson.com/SR/supply_chain_csr/initiatives/
Whistleblowing Systems and Reporting Channels https://global.epson.com/SR/organizational_governance/system.html#h2_02

Respecting Human Rights and Promoting Diversity

Diversity and Inclusion

Promoting Diversity

Epson's true customer is the end user, the general public. To enrich their lives, we must understand them and meet their diverse needs. This means that we ourselves must embrace diversity in the workplace. We believe that only with a diverse workforce of people who have respect for one another and who know and practice what is important can we create customer value.
To deliver results that surprise and delight our customers, Epson is working to foster a corporate culture in which all employees can live up to their full potential and, toward that end, is promoting women and foreign employees to management positions and capitalizing on the abilities of seniors and persons with disabilities.

Alleviating the Gender Gap

Epson is promoting diversity and inclusion to enable all employees to maximize their abilities regardless of gender or other attributes. We see the advancement of women in the workplace to be the biggest issue in terms of diversity in Japan.
Our goal is to achieve gender equality and organically have women at each level of management. We want the ratio of women in management to be the same as the ratio of women in our workforce as early as possible. To achieve this, we are taking a stepped approach in which we increase the number of women hired, then the number of women in assistant manager and leader positions, and finally the number of women in management. As part of this, we are creating working conditions that are conducive to women.
The plans, their implementation, and related indicators are reviewed by the board of directors and at meetings of the Management Committee, and they discuss and steer the direction.

Initiatives to Increase the Number of Women in Management	Epson has made changes to its promotion test system to provide equal opportunity to employees who are time-constrained due to life events. A total of 38 women have been selected and have completed training as candidates for managerial positions, thus creating a pool of future managers.
Sharing the Importance of Diversity from the Top	The importance of diversity is explained to Group personnel at half-yearly policy meetings, and the president issues messages to explain company policies and his thoughts on diversity and the promotion of women. Top executives and women employees have been holding round table discussions every year since 2014. In 2020, discussions were held between women employees and the president and an outside director to identify issues. In addition, an outside director gave a talk on the advancement of women in the workplace and a video of the talk was placed on the company intranet.

Go to website for details
Advancement of Women in the Workplace
https://global.epson.com/SR/our_people/diversity.html#h2_02

Advancement of Women
(Current as of March 2021)

		Seiko Epson	Global
Number of women managers		26 / 3.2%	16.1%
Percentage of women employees	Regular, full time	16.6%	44.5%
Average tenure		Women 20.4 years	Men 18.9 years

Number of Employees with Disabilities (Seiko Epson and Domestic Group Companies)
(Current as of June 2020)

	FY2018	FY2019	FY2020
Number of employees	295	308	317
Percentage of workforce	2.55%	2.62%	2.66%

Message From the President

All Epson employees to be given equal opportunities without regard to gender, sexual orientation, race, nationality, religion, or age. Ideally, we should naturally accept one another's differences and diversity without the need for thought or debate. To help ensure such acceptance, we launched a Diversity and Inclusion Project. This project team, which reports directly to me, hosts seminars, raises awareness of diversity issues, aids employees who have caregiving responsibilities, and has been involved in revamping the employee promotion system. Epson Sales Japan, a domestic Group company, has set up an advisory unit made up of younger employees and women employees. Their mission is to get executive management to embrace a more diverse range of ideas and opinions. The executive management team is also seeking greater diversity and is actively recruiting a broad range of human resources while also developing talent internally. We want to be a more flexible company, one that values different ideas from a diverse workforce and that capitalizes on those ideas to achieve sustainable growth. Innovative changes are still in their infancy, but we see the promotion of diversity as an important management issue and will continue to drive further advances.

Yasunori Ogawa
President and CEO
Seiko Epson Corporation

Respecting Human Rights and Promoting Diversity

Health and Productivity Management

Understanding that safety, health, and mental wellbeing are the life of the company, Epson implements action through its health and safety management systems around the world.
In Japan, our health and productivity management programs aim to improve employee health and increase corporate value. We established a mid-range health plan called Health Action 2020 and tied it in with work reform and health insurance association measures and policies. The president of SEC has made free and open communication, enjoyment of work, and changes in the organizational climate priorities. In conjunction with this, Epson established a Health Management Office, publicly announced the Health and Productivity Management Declaration below as a management commitment, and is strengthening the initiatives of relevant organizations.
As a result of these efforts, Seiko Epson has been recognized by METI and the Nippon Kenko Kaigi under the White 500 program every year since the program was started in 2017.
Outside Japan, we are working continuously to improve employee health in ways that fit the situation at each company. Occupational health and safety laws vary by country and region, so each overseas affiliate manages employee health based on local law.

2021 健康経営優良法人 Health and productivity ホワイト500

Health and Productivity Management Declaration

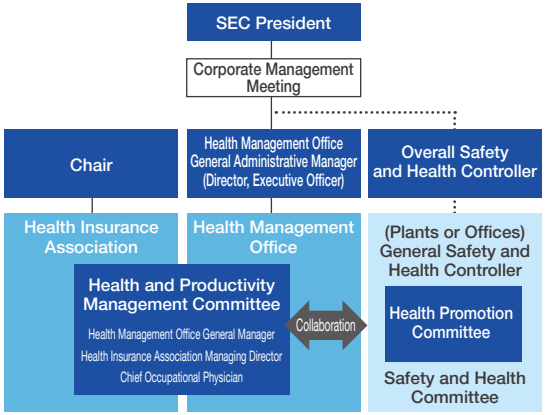
At Epson, the health of our employees is our top priority.
The company and its employees will work together to create an enjoyable and dynamic work-place environment to ensure the physical and mental wellness of all.
Our goal is to energize all employees with a vital workplace, produce results that surprise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

Yasunori Ogawa
President and CEO
Seiko Epson Corporation

Health Management Organization

Epson established a Health Management Office to drive initiatives under the president, who is responsible for health and productivity management. The director of the Health Management Office is an executive officer who participates in Corporate Management Meetings. The office director, who also serves as the general administrative manager of the Human Resources Division, the chair of the Health Insurance Association, and overall safety and health controller, is responsible for the general management of health and productivity.
A Health and Productivity Management Committee shoulders responsibility for health and productivity-related information analysis, measures and policies, as well as health evaluations and improvements. The Health and Productivity Management Committee regularly meets to coordinate activities of the health promotion committees, which are led by the company, health insurance association, and employees.

Epson Health Management Organization



Health and Productivity Management Policies and Indicators

Health Action 2020, a plan that ran from 2016 to 2021, focused on three priority areas: workplace health, physical health, and mental health. The Company promotes workplace health with work arrangements and human resources polices that are designed to energize individuals and organizations and promote productivity. Physical and mental health are the foundation on which workplace health depends. In April 2020, we elected to continue to focus on actions designed to foster a sense of workplace unity, which helps to avoid mental health issues, actions to protect people from passive smoking, and actions to further improve lifestyle habits.
(1) Creating an enjoyable and dynamic workplace environment: Improving the workplace environment based on half-yearly stress checks
(2) Passive smoking countermeasures: Prohibiting smoking on the premises of Epson sites nationwide in Japan
(3) Improving lifestyle habits by increasing health literacy: Creating teams and holding walking competitions

Health and Productivity Management Indicators

Indicator	Target Value	FY2016	FY2017	FY2018	FY2019	FY2020
Job satisfaction[4] (%)	–	72.3	72.4	71.8	71.3	70.9
Vitality[5] (%)	–	78.6	77.8	78.5	78.2	75.7
Smokers (%)	16.0% or lower	25.6	24.1	22.4	21.5	20.6
Metabolic syndrome or pre-metabolic syndrome (%)	18.0% or lower	18.4	19.7	20.5	20.9	23.3
Mental health leave (1 month or more) rate[6]	0.7 or lower	1.0	1.2	1.2	1.0	0.9

4, 5, 6 See note P80

Increasing Stakeholder Engagement

To guide its businesses toward solving societal issues, Epson believes it is important to understand and reflect the expectations of stakeholders in its strategies while also striving to create sustainable competitiveness and resilience as a company and build relationships based on trust.
Stakeholder engagement [1] is an important bridge that connects Epson with stakeholders. Epson provides the following three types of value to all stakeholders:

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

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

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

Stakeholder Engagement Objectives

NGO/NPO, international organizations
Social support for sustainability (value sharing)

Business partners & consortia
Co-create sustainable social value that helps solve societal issues

Employees
Create a working environment that contributes to job satisfaction

Customers
Create products and services that delight customers and earn their trust

Shareholders & investors
Build strong communication that leads to effective business operations and helps investors make decisions

Local communities
Foster mutually beneficial relationships with local communities in countries and regions where we operate through programs rooted in those communities

Suppliers
Build good partnerships based on mutual trust and the principles of fairness, coexistence and co-prosperity

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

Shareholders & investors →P70
Customers →P71

Suppliers

We seek to maintain mutually beneficial, trusting relationships with our suppliers, as they are essential partners in realizing our Management Philosophy. At our home base of Nagano and at our major overseas production sites, we hold annual supplier conferences to share our business and procurement policies. Members of Epson's executive management team endeavor to strengthen supplier cooperation by listening directly to supplier concerns and deepening mutual understanding.
We also evaluate suppliers every year and support their efforts to improve to help fulfill our responsibility to society.

Employees

Our employees underpin everything we do. Accordingly, we are effecting changes in the organizational culture to create a dynamic, vibrant environment in which to work.

- Hold discussions to encourage free and open communication
- Perform organizational climate assessments and mental health assessments
- Issue messages from the president and collect opinions and thoughts from employees

Business partners & consortia

Solving social issues and achieving sustainability require collaboration with partners who have their own fields of expertise. So, we are strengthening co-creation and building broad partnerships.

- Pararesin Consortium
- Kita-Kyushu innovation center
- Shinshu University (small-scale recycling living innovation), etc.
- Smart City Aizuwakamatsu
- Tokyo Shibuya Point 0 open platform

Local communities

In addition to traditional donations and support, we will continue programs that lead to sustainable coexistence in collaboration with communities and organizations around the world.

- Support for the Tobitate Japan Scholarship Program, Seiji Ozawa Matsumoto Festival, museums, and photo contest
- Sponsorship of Matsumoto Yamaga FC, community cleanups, festivals, Lake Suwa fireworks, Cikarang Japanese school
- Assistance for students and development of local human resources through the Epson International Scholarship Foundation and Epson Information Science Vocational School

NGO/NPO, international organizations

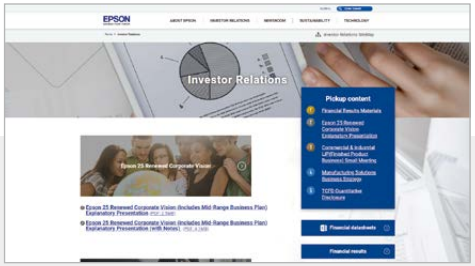
- Flower Festa, Wild Bird Society, tree planting, coral transplantation, environmental education for children, The Ocean Cleanup, ink cartridge collection
- Fantas Aquarium, blood drives, and support for sports for persons with disabilities (intellectual and physical) and local hospitals
- Typhoon No. 19 donation Nagano Prefecture & Red Cross Society, Chikuma River disaster volunteer expenses, support associated with COVID-19

Increasing Stakeholder Engagement

Shareholders & Investors

Discussions with Shareholders and Investors

- Encouraging sound investment decisions and improving the quality of management -



Investor Relations Website
https://global.epson.com/IR/

Sustainability Website
https://global.epson.com/SR/

IR Policies and Guidelines

Epson, led by the PR & IR Department and the Sustainability Promotion Office, continuously and proactively engages institutional investors and individual shareholders throughout the year to build good communication that leads to sound investment decisions. Feedback gained from communicating with shareholders and investors is shared with management and used to improve management quality.
Although the number of shareholders and investors we can meet in person is limited, we are actively using tools such as bulletins and websites to convey our ideas to as many people as possible. We are focusing particularly on creating a website that can deliver information to a large audience simultaneously and are constantly updating sustainability and IR information.

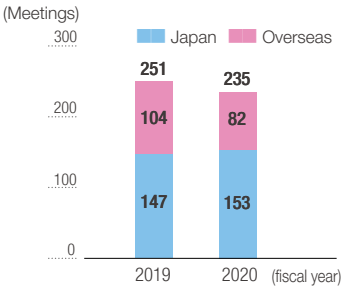
Analyst and investor meetings [2]

FY2020 meetings

Total meetings 235

Japan 153 **Overseas 82**

[2] In addition to face-to-face interviews and meetings, this includes telephone and online interviews and conferences.



Annual IR Cycle

Policy & business strategy conferences for institutional investors (irregular) / IR meetings / ESG meetings (year-round)

- 2020/4: • Full-year earnings announcement • Earnings presentation
- 5
- 6: • Shareholders' meeting • Shareholder bulletin
- 7: • Q1 earnings • Financial results presentation
- 8
- 9: • Integrated Report
- 10: • Q2 earnings • Earnings presentation
- 11: • Shareholder bulletin
- 12
- 2021/1: • Q3 earnings • Earnings presentation
- 2
- 3

Other IR-related activities

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

FY2020 Engagement Activities

ESG Meetings in Response to a Rising Tide of ESG Investment

Opportunities for discussing corporate ESG activities have increased with the rise of ESG investing. Epson met with institutional investors again in FY2020 to explain its activities and ideas related to the environment, society, and governance. A wide range of topics were discussed, including materiality and the Epson value creation story, setting quantitative targets for TCFD disclosure, and strengthening the governance system. The insights gained positively impact the company's operations, as they help to formulate future policy and strategy and improve board effectiveness.
Our ESG programs are increasing corporate value and making the company stronger. For a company like Epson, whose businesses are based on solving societal issues, ESG programs are simply a routine part of operations, and we will further advance ESG and sustainability management through dialogue with institutional investors.

Information Disclosure and IR Events during the Pandemic

Our IR activities significantly changed in 2020, as new solutions had to be found to meet with and deliver information to investors. Since COVID-19 caused upheaval in the market environment and heavily impacted Epson's business performance and strategies, carefully and coherently explaining these changes was a major topic of study. The pandemic also drew attention to the social side of business, such as employee health, relationships with business partners, and crisis management. Seiko Epson endeavored to proactively disclose information through the Integrated Report, web sites, and various other avenues.
In addition, nearly all earnings announcements and IR meetings were taken online. While online events are more convenient for the participants, greater care must be taken to ensure that the parties understand one another. Epson will continue to deepen dialogue with shareholders and investors.

Increasing Stakeholder Engagement

Customers

Creating Value with Customers

- Creating products and services that delight customers and earn their trust -

Hankyu Hanshin Department Store/Revitalization of Sales Floors and Events with Textile Printing and Projection

Creating New, Digitally Enabled Customer Value

An Epson digital textile printer and projectors were used at Kimono Creation, an event held in collaboration with Hankyu Hanshin Department Store and Digina, a textile printer, kimono production, and sales company. Unique Yukata designed by creatives were selected and printed on-demand. The yukata were displayed virtually, allowing the store to limit the number of physical samples and save sales floor resources.
Epson's digital technology led to sales by enabling designers to physically reproduce their designs and shoppers to choose from a variety of designs.

Getting Shoppers to Stop

Hidenobu Yamamoto
International Fashion Sales Manager,
Gofuku Sales Department
HANKYU HANSHIN DEPARTMENT STORES, INC.

In retail stores, it is important to get customers to stop. Visual presentation is a tried-and-true tactic for getting shoppers to stop, and this is where projection excels. In addition, projection not only captivates shoppers but also has environmental benefits because it reduces waste that accompanies store displays.
We also expect digital textile printing to create new product categories and bring new value to the kimono industry, which has been shrinking in recent years.

Reinventing Stores and Sales Floors

Projection was used in this sales floor event to minimize the resource waste that accompanies in-store displays.
Six yukata, each a unique prize-winning design printed using an Epson digital textile printer, were displayed. Projection mapping was used to display additional yukata designs recruited from the designer community, giving shoppers a selection of some 90 designs from which to choose. By discussing the customer's wishes and exploring the future of in-store displays with them, we suggested a new way to advertise on the sales floor so that the customer can eliminate waste from unsold items and produce effective displays in limited space.
Efforts like this will lead to the creation of new styles and value in store decoration, apparel design, commercialization, and sales.

Business partners & consortia

Engagement with industry associations

- Creating sustainable social values to solve social issues -

CSR Europe: Joined a European industry association

Leading Sustainability Events in Europe

CSR Europe is an organization that makes recommendations on guidelines and principles for the European Commission. As a leading European business network, it supports the corporate social responsibility efforts of businesses, industries, governments, and NGOs. Epson Europe B.V. (EEB) joined CSR Europe in September 2017. With EEB's Sustainability Director holding a permanent seat on the CSR Europe Board of Directors since February 2019, Epson Europe has been a leader in building a global network and in the creation of guidelines and policies for sustainability.
The company is helping to promote a more sustainable future and sustainable business growth.

Henning Ohlsson

Director Sustainability, Epson Europe B.V. /
Managing Director, Epson Deutschland GmbH/
Member of the board of directors, CSR Europe
Top 100 CSR Influence Leader

My aim is to reinforce the sustainability benefits of our products, technologies and solutions and ensure their regulatory compliance. I also lead local and regional initiatives that promote our company's commitment to sustainability values. I am constantly working to make our ambitious sustainability targets tangible for our customers and for all our stakeholders

Increasing Stakeholder Engagement

NGO/NPO,
international organizations

NGO/NPO

– Social support for sustainability (value sharing) –

Tonga/JICA: Using Banana Paper (Turning Waste into a Valuable Resource)

Program

Epson was impressed with a program to deliver original picture books that was planned by the Japan Overseas Cooperation Volunteers of the Japan International Cooperation Agency (JICA) and offered to use its Micro Piezo inkjet technology to print and bind the books free of charge. The books, which were distributed to schools in Tonga in early July through the JICA and the Embassy of Tonga, will be used to educate children about the SDGs. In addition, 1% of the paper purchase price will be donated to an environmental protection organization through the supplier of the banana paper used for the picture book.

Cooperating Partners	Form of Involvement
• JICA Komagane Training Center, Tonga volunteers • Embassy of Tonga • One Planet Café • Epson Mizube Corporation • Seiko Epson Corporation	• Produce original Tongan picture books from an SDG perspective • Coordinates with the Japanese government & Tonga • Provides banana paper printing media • Prints books on inkjet printers • Overall planning & coordination

Issues Addressed and Benefits

Activities and Approach

Discussions with JICA Tonga volunteers turned from hardware support in the form of printing to the idea of creating value from waste, and Epson is now helping to realize a circular economy in Tonga and Africa by using banana paper produced from the fibers in banana tree trunks (actually pseudo-stems), which are normally burned as waste, and using paper made from used office paper with Epson's PaperLab dry process office papermaking system.

Value Provided

- Gave tangible shape to the vision of JICA volunteers
- Provided SDG learning materials utilizing Epson's printing and papermaking technology
- Donated 1% of banana paper purchase price to environmental group

Mexico/Bee2Be: Endangered Animal Protection and Economic Activity

Program

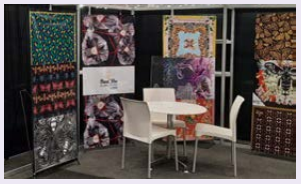
Epson is supporting the efforts of Mexican NPO Bee2Be to protect endangered Melipona bees. Bee2Be uses sales of honey to help fund its protection efforts. Epson contributes additional funding by working with designer Anna Fusoni to produce and sell scarves designed with bee motifs. This initiative also provides employment to local women.
Epson supports the production of scarves and other products with digital printing technology, contributing to the generation of steady income for local citizens and this NPO.

Cooperating Partners	Form of Involvement
• Bee2Be (NPO) • Designer Anna Fusoni • Local women • Epson de Mexico, S.A. de C.V.	• Secures funding for the protection of endangered bees and organizes programs to expand employment • Designs scarves and other items of clothing with a bee motif • Participates in local protection efforts & sales and acts as local guides • Provides printers and technical support for digitally printed scarves, etc.

Issues Addressed and Benefits

Activities and Approach

We collaborated with others to provide new benefits to an initiative that lacks financial resources and people, thereby raising awareness and securing funding for an initiative that provides local jobs.



Value Provided

- Supported a sustainable conservation initiative that creates revenue
- Created a new business model by selling goods such as scarves designed with a bee motif
- Provided new jobs and employment

Consolidated Financial Highlights

		JGAAP (Consolidation)		
		FY2010	FY2011	FY2012
Statement of Income (Billions of yen)	Net sales	973.6	877.9	851.2
	Gross profit	262.9	248.8	234.4
	Operating income (loss)	32.7	24.6	21.2
	Ordinary income	31.1	27.0	17.6
	Income (loss) before income taxes and minority interests	15.3	15.6	△ 3.4
	Net income (loss)	10.2	5.0	△ 10.0
Statement of Financial Position (Billions of yen)	Total assets	798.2	740.7	778.5
	Shareholders' equity [1]	269.2	246.4	256.7
	Interest-bearing liabilities [2]	272.1	239.8	271.8
Statement of Cash Flows (Billions of yen)	Net cash provided by (used in) operating activities	32.3	26.6	42.9
	Net cash provided by (used in) investing activities	△ 23.6	△ 31.5	△ 39.5
	Free cash flows	8.7	△ 4.8	3.4
Financial and Management Indicators (Billions of yen・%)	Research and development expense	54.3	52.1	49.9
	Capital expenditures	31.8	38.9	43.1
	Depreciation and amortization	41.1	37.6	39.3
	Shareholders' equity ratio	33.7	33.3	33.0
	ROE (net income (loss)/average shareholders' equity at beginning and end of year)	3.7	2.0	△ 4.0
	ROA (Ordinary income/average total assets at beginning and end of year)	3.7	3.5	2.3
	ROS (Ordinary income (loss)/net sales)	3.2	3.1	2.1
	-	-	-	-
	Consolidated dividend payout ratio	39.0	99.2	-
Per Share Data (Yen)	Net income (loss) per share (EPS)	51.25	26.22	△ 56.41
	Shareholders' equity per share (BPS)	1,347.71	1,377.60	1,435.20
	Cash dividends per share	20.00	26.00	20.00
Index of Stock Price (Multiples)	Price Earnings Ratio (PER)	25.99	44.24	-
	Price Book-value Ratio (PBR)	0.99	0.84	0.64
Sales Breakdown by Region (Billions of yen) [3]	Japan	367.5	313.9	266.6
	The Americas	199.2	175.6	200.3
	Europe	189.5	178.1	175.2
	Asia/Oceania	217.3	210.3	209.1
Average Exchange Rate for the Period (Yen)	Yen/U.S. dollars	85.72	79.08	83.11
	Yen/Euro	113.12	108.98	107.14
Number of Employees at Period End (Person)	Total	74,551	75,303	68,761
	Domestic	20,704	19,765	18,234
	Overseas	53,847	55,538	50,527

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

Consolidated Financial Highlights

		IFRS (Consolidation)							
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
Statement of Income (Billions of yen)	Revenue	1008.4	1086.3	1092.4	1024.8	1102.1	1089.6	1043.6	995.9
	Gross profit	362.5	395.9	397.6	365.9	400.8	412.6	362.0	352.3
	Business profit [4]	90.0	101.2	84.9	65.8	74.7	70.4	40.8	61.6
	Profit from operating activities	79.5	131.3	94.0	67.8	65.0	71.3	39.4	47.6
	Profit before tax	77.9	132.5	91.5	67.4	62.6	72.0	39.7	44.9
	Profit for the period attributable to owners of the parent company	84.2	112.5	45.7	48.3	41.8	53.7	7.7	30.9
Statement of Financial Position (Billions of yen)	Total assets	908.8	1006.2	941.3	974.3	1033.3	1038.3	1040.9	1161.3
	Equity attributable to owners of the parent company	362.3	494.3	467.8	492.1	512.7	540.1	503.7	550.9
	Interest-bearing liabilities	220.5	185.9	141.7	146.5	166.5	142.3	209.6	265.9
Statement of Cash Flows (Billions of yen)	Net cash provided by (used in) operating activities	114.8	108.8	113.0	96.8	84.2	76.9	102.3	133.2
	Net cash provided by (used in) investing activities	△ 41.2	△ 32.7	△ 51.5	△ 75.7	△ 74.6	△82.7	△76.1	△ 57.4
	Free cash flows	73.6	76.0	61.4	21.1	9.6	△5.7	26.1	75.7
Financial and Management Indicators (Billions of yen・%)	Research and development expense	48.8	47.8	53.1	52.7	50.3	58.2	49.2	46.4
	Capital expenditures	37.8	45.4	69.4	75.3	79.4	82.0	80.0 [9]	52.8 [9]
	Depreciation and amortization	40.7	44.4	45.3	43.2	49.4	55.6	67.8	69.4
	Equity ratio attributable to owners of the parent company	39.9	49.1	49.7	50.5	49.6	52.0	48.4	47.4
	ROE (Profit for the period attributable to owners of the parent company/Beginning and ending balance average equity attributable to owners of the parent company)	27.7	26.3	9.5	10.1	8.3	10.2	1.5	5.9
	ROA (Business profit/Beginning and ending balance average total assets)	10.4	10.6	8.7	6.9	7.4	6.8	3.9	5.6
	ROS (Business profit/revenue)	8.9	9.3	7.8	6.4	6.8	6.5	3.9	6.2
	Return on Invested Capital (ROIC) [5]	-	-	-	7.4	7.9	7.2	4.1	5.6
	Consolidated dividend payout ratio	10.6	18.3	46.9	43.9	52.2	40.7	278.5	69.4
	Consolidated dividend Payout Ratio (Based on Business Profit) [6]	14.2	29.0	36.1	45.9	41.7	44.3	75.0	49.7
Per Share Data (Yen)	Basic earnings per share (EPS)	235.35 [7]	314.61 [7]	127.94	136.82	118.78	152.49	22.26	89.38
	Equity attributable to owners of the parent company per share (BPS)	1,012.83 [7]	1,381.66 [7]	1,307.58	1,397.40	1,455.67	1,533.57	1,456.20	1,592.36
	Cash dividends per share	50.00	115.00	60.00 [8]	60.00	62.00	62.00	62.00	62.00
Index of Stock Price (Multiples)	Price Earnings Ratio (PER)	6.82	6.77	14.21	17.13	15.92	11.12	52.56	20.14
	Price Book-value Ratio (PBR)	1.58	1.54	1.39	1.68	1.30	1.11	0.83	1.13
Revenue Breakdown by Region (Billions of yen)	Japan	280.9	276.2	264.0	251.3	250.1	251.4	254.9	221.2
	The Americas	260.2	304.6	320.0	290.9	320.4	310.5	293.0	287.9
	Europe	218.4	230.9	226.3	211.9	233.2	225.2	214.0	208.4
	Asia/Oceania	248.8	274.4	282.0	270.5	298.2	302.4	281.5	278.1
Average Exchange Rate for the Period (Yen)	Yen/U.S. dollars	100.23	109.93	120.14	108.38	110.85	110.86	108.74	106.01
	Yen/Euro	134.37	138.77	132.58	118.79	129.66	128.40	120.85	123.67
Number of Employees at Period End (Person)	Total	73,171	69,878	67,605	72,420	76,391	76,647	75,608	79,944
	Domestic	18,372	18,627	18,699	19,175	19,436	19,456	19,558	19,470
	Overseas	54,799	51,251	48,906	53,245	56,955	57,191	56,050	60,474

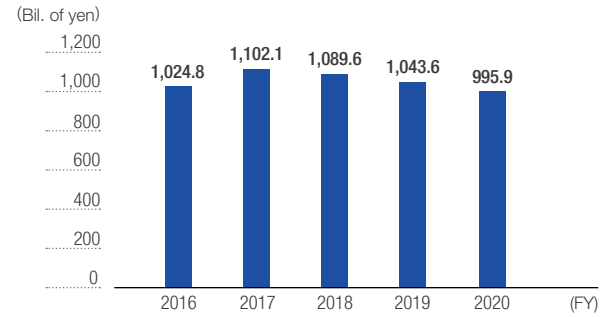
[4] Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Revenue.
[5] ROIC = Profit for the year attributable to owners of the parent company / (equity attributable to owners of the parent company + interest-bearing liabilities)
[6] Calculated based on profit after an amount equivalent to the statutory effective tax rate is deducted from business profit.
[7] Basic earnings per share (EPS) and equity attributable to owners of the parent company per share (BPS) were calculated under the assumption that the shares split took effect at the beginning of the year ended March 31, 2014.
[8] 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
[9] The figure for FY2019 includes leases.

Financial and Non-Financial Highlights

Financial Highlights

Revenue

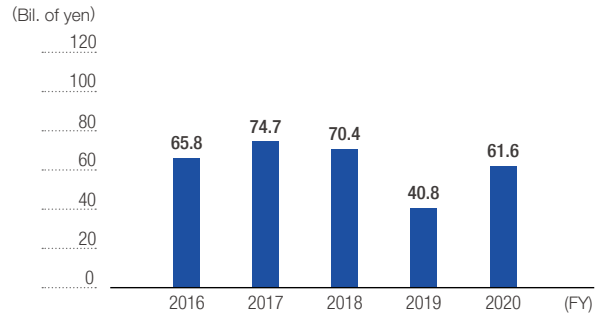
¥995.9 billion



Revenue decreased year-on-year. In developed countries and some emerging nations, inkjet printer sales received a boost from the Covid-driven demand for home printing. However, revenue ultimately declined because lockdowns in emerging nations caused demand to slump.

Business Profit

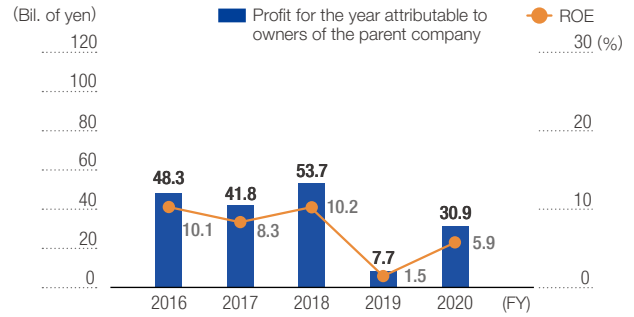
¥61.6 billion



Although revenue declined, business profit increased year-on-year. One reason was higher sales of inkjet printers and consumables amid the surging demand for home printing. Another factor was that, in response to the spread of Covid, we took immediate action to cut costs across the organization.

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

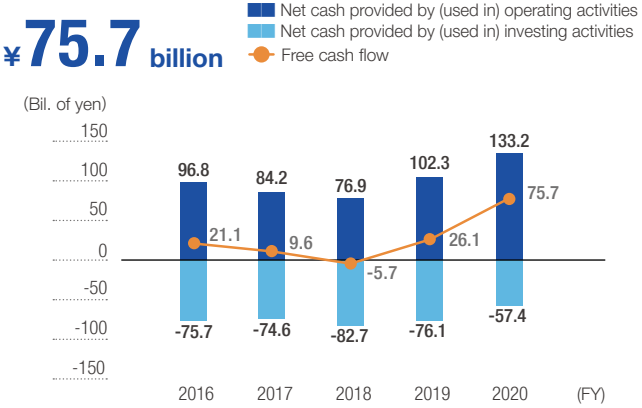
Profit for the year attributable to owners of the parent company **¥30.9 billion** **ROE 5.9%**



Profit for the period increased significantly year-on-year, causing ROE to rise 4.4 points. This reflects the increase in business profit and other profit indicators. It also reflects the low tax expenses relative to the previous year, when we reversed some deferred tax assets.

Free Cash Flow

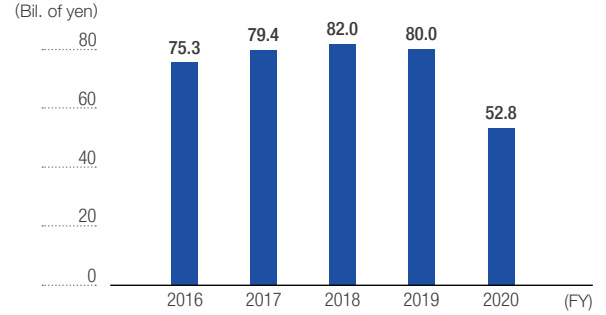
¥75.7 billion



Net cash provided by operating activities increased because of depreciation, amortization, and higher trade payables, which more than offset higher inventories. Net cash used in investing activities decreased because of a tightened selection process for capital expenditure and because we passed the expenditure peak. Consequently, free cash flow increased significantly, to ¥75.7 billion.

Capital Expenditure[1]

¥52.8 billion (¥42.1 billion after excluding leases)

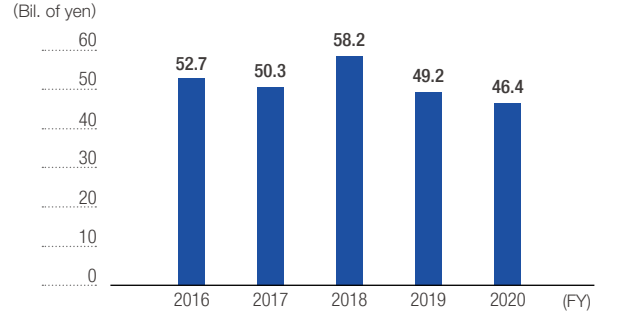


Capital expenditure decreased. Concentrating investment in key strategy areas, we invested in growth (product development and better production capacity) as well as in maintenance (rationalizing and upgrading assets). We kept a tight selection process and continued efforts to use existing assets efficiently. In addition, large-scale investment ended.

[1] Includes leases as of FY2019 (following change in accounting policy)

Research and Development Expense

¥46.4 billion



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

Financial and Non-Financial Highlights

Non-Financial Highlights: Social, Governance

Ranking in Number of Patent Applications by Product Category [2]

Japan		US	
Inkjet printers	1st	Inkjet printers	1st
Projectors	1st	Projectors	1st
Robotics	2nd	Robotics	3rd
Crystal devices	1st	Crystal devices	1st

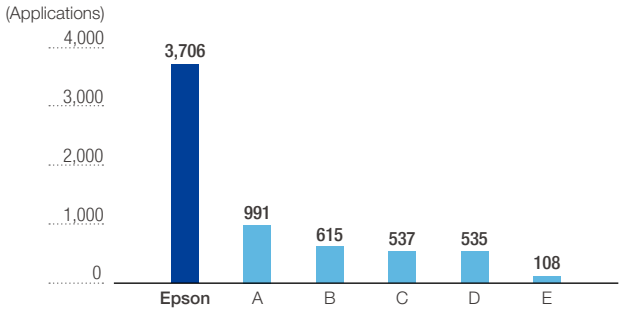
[2] The 2020 calendar year ranking in number of patents laid open to the public (Per Epson research, 2020/1/1-12/31)

Epson delivers new customer value through products that embody our refined core technologies. We are among the top in the industry for the quantity and quality of our patented products in categories such as inkjet printers and projectors. Our industry-leading intellectual property rights underpin our efforts to create proprietary core technologies.

Number of Patents for Piezo Printheads

3,706

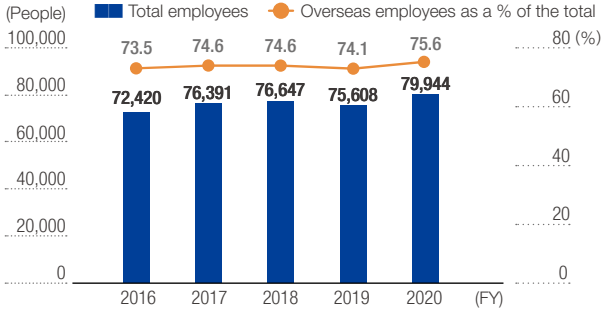
* As of July 27, 2021. Per Epson research
* Patent applications registered in Japan, US, China, and EU (after April 1, 2001)



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

Total Employees & Overseas Employees as a % of the Total

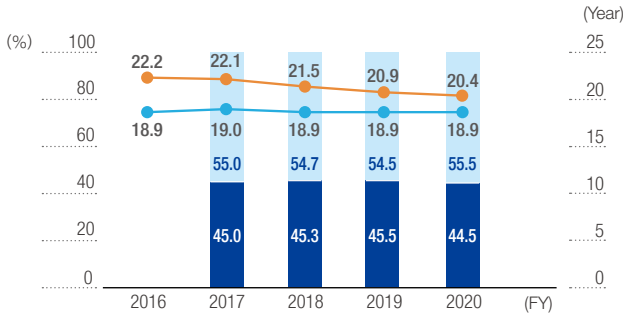
Total employees 79,944 **Overseas employees as a % of the total 75.6%**



The number of staff working overseas increased overall. The main increase was in manufacturing sites in Southeast Asia. This increase occurred because we adjusted our production lines to cope with the spread of Covid.

Diversity (Female Employees) [3]

44.5% Employees as a % of the total (global) Men Women
Average tenure (Seiko Epson) Men Women

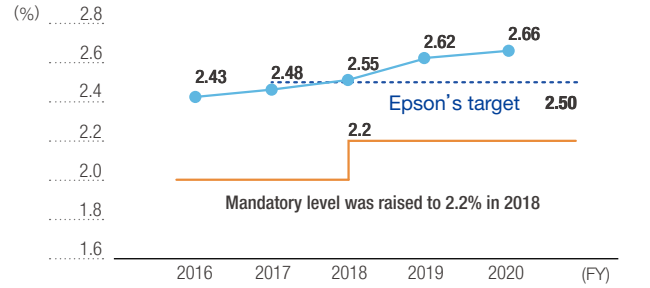


To understand a diverse range of customers and meet their needs, our own diversity is important. Epson is taking action to support the advancement of more women in the workplace by, for example, increasing the number of female managers.

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

Employees with Disabilities in the Epson Group in Japan [4]

2.66% Employees with disabilities (%) Legally mandated quota (%)

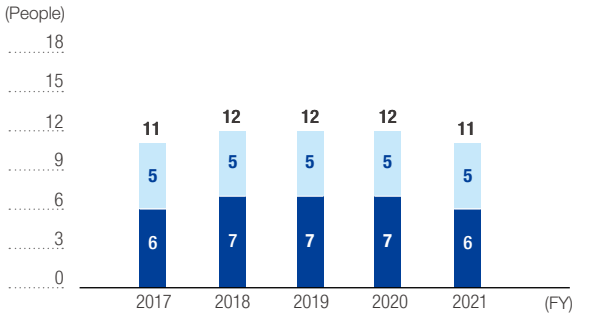


We set a target of 2.5% in FY2021 and are looking to expand employment opportunities.

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

Outside Officers as a % of Total Officers [5]

5 Inside director Outside director



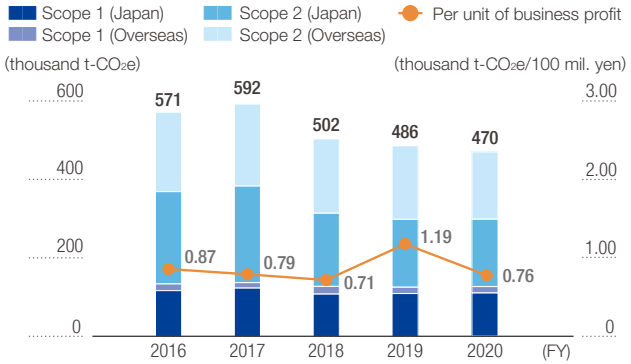
Independent outside directors must comprise at least 1/3 of the board. They are responsible for management oversight, advice for enhancing operational efficiency, and monitoring of conflicts of interest.

[5] The number of officers as of the end of June of each year

Financial and Non-Financial Highlights

Non-Financial Highlights: Environmental

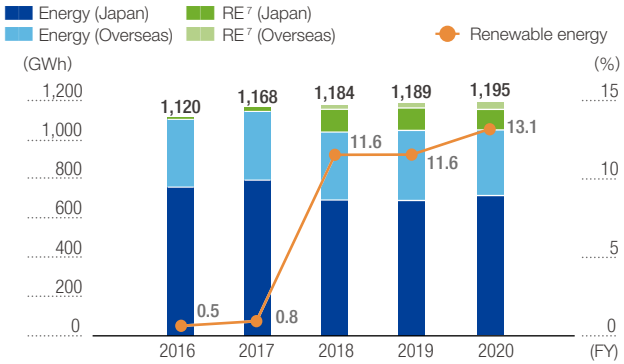
Greenhouse Gas Emissions[6] 470 thousand t-CO_2e



In the 2020 fiscal year, Epson accelerated the use of renewable energy in addition to driving site-based energy-saving initiatives, enabling us to already reach our 2025 goal of reducing scope 1 and scope 2 greenhouse gas (GHG) emissions by 19% compared to FY2017.

[6] See note [3], P28.

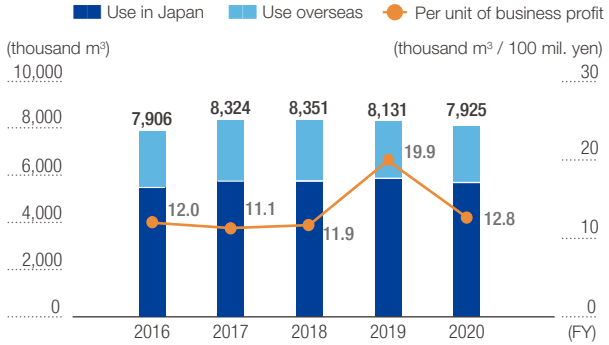
Energy Usage 1,195 GWh



Half of the fiscal 2020 reduction in GHG emissions (62,000 tonnes) was the result of using more renewable energy. Renewable energy now accounts for 13% of our energy use (and 19% on an electricity basis), compared to less than 1% in the past.

[7] Renewable energy

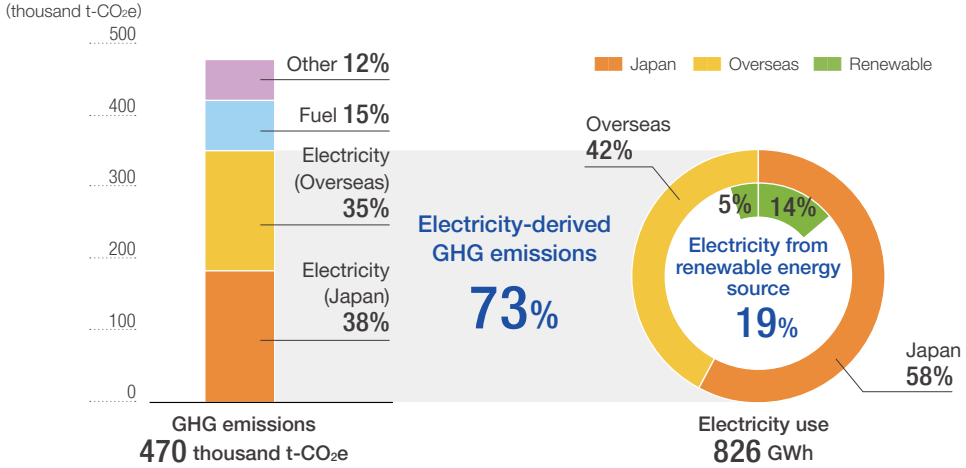
Water Usage 7,925 thousand m³



Water and climate change, as well as other environmental factors, are closely linked. Epson's business activities rely on water resources, and the sustainability of water resources substantially affects business continuity. Given this, we are working to preserve water resources by avoiding unnecessary contamination and usage, and by recycling the water we do use. In fiscal 2020, we worked to reduce water usage with the previous year's consumption level as a benchmark. We achieved our Group-wide reduction goals.

Renewable Energy Use

Breakdown of sources (renewable and non-renewable) of Scope 1 & 2 emissions in FY2020



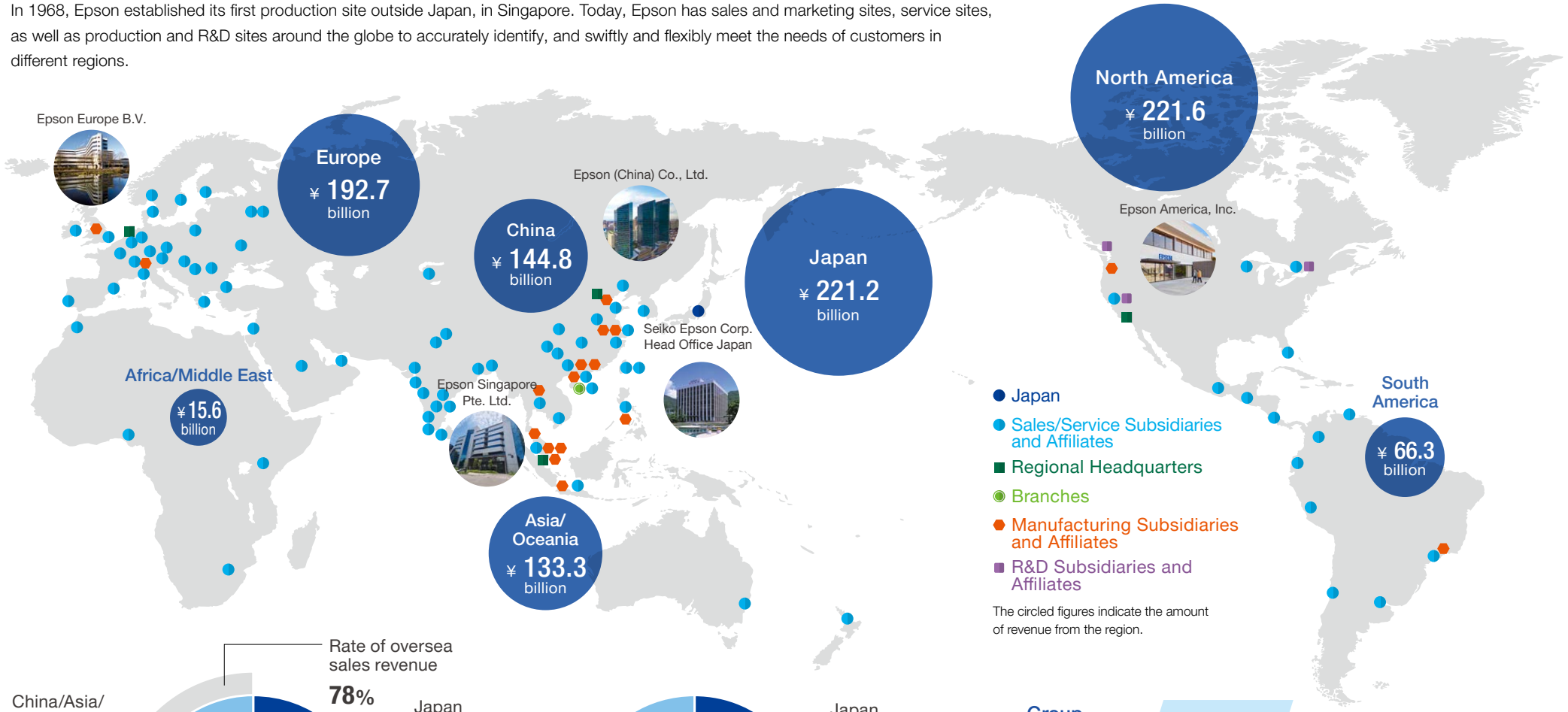
About 70% of Epson's GHG emissions come from the consumption of electricity. At home and abroad, we are increasing the ratio of renewable energy to 19% of electricity usage by selecting the optimal low-carbon electricity in each region, such as hydropower and wind power, and making active investments in on-site electricity generation.

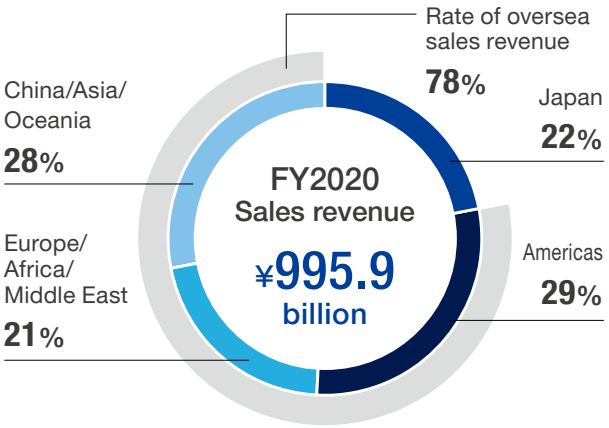
Third-Party Verification Report

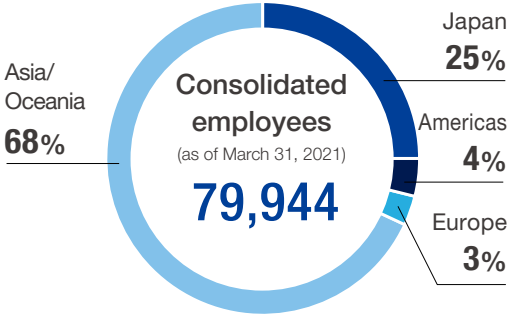
We had the Japan Quality Assurance Organization (JQA) conduct a third-party verification of our calculations of GHG emissions and report of water-related data to ensure their reliability. Our FY2020 GHG emissions (scopes 1, 2, and 3) and energy and water usage data were verified as having been measured and calculated accurately, and a GHG verification report was obtained (for scope 3 categories 1 and 11).

Global Networks

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







Group companies

83 (includes parent company)

Japan: **19**, Overseas: **64**

(as of March 31, 2021)

Public Recognition

Go to website for details

Evaluation by External Parties
https://global.epson.com/SR/evaluation/

Inclusion in ESG Indices and Ratings

Selected as a Constituent of the FTSE4Good Index Series for the 18th Consecutive Year (June 2021)

FTSE4Good

Selected as a Constituent of the FTSE Blossom Japan Index for the Fifth Consecutive Year (June 2021)

FTSE Blossom Japan

Selected as a Constituent of the Empowering Women Index (WIN) for the Fifth Consecutive Year (June 2021)

2021 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

Selected as a Constituent of the S&P/JPX Carbon Efficient Index for the Fourth Consecutive Year (July 2021)

S&P/JPX Carbon Efficient Index

Placed on Two Prestigious CDP A Lists for the First Time (December 2020)

CDP A LIST 2020 CLIMATE

CDP A LIST 2020 WATER

Selected for the Second Consecutive Year as a Global Leader for Engaging its Supply Chain on Climate Change (February 2021)

CDP SUPPLIER ENGAGEMENT LEADER 2020

Received EcoVadis Platinum Rating for Overall Sustainability (October 2021)

PLATINUM Top 1% 2021 ecovadis Sustainability Rating

Selected as a Constituent of the Sompo Sustainability Index for the 10th Consecutive Year (June 2021)

2021 Sompo Sustainability Index

Participation in External Initiatives

United Nations Global Compact

We have been participating in the U.N. Global Compact since 2004 and support the U.N.'s 10 universal principals on human rights, labor standards, the environment and anti-corruption.
In 2019, we endorsed and signed the Statement from Business Leaders for Renewed Global Cooperation, which was put forth by the Global Compact.

WE SUPPORT UN GLOBAL COMPACT

Responsible Business Alliance (RBA)

Responsible Business Alliance
Advancing Sustainability Globally

RBA is a nonprofit comprised of companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global supply chain

Responsible Business Alliance (RBA)

RESPONSIBLE MINERALS INITIATIVE

Task Force on Climate-Related Financial Disclosures (TCFD)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to promote disclosures on climate-related risks and opportunities.

RE100

RE100 CLIMATE GROUP | CDP

A global initiative that brings together the world's most influential businesses driving the transition to 100% renewable electricity.

Japan Climate Initiative (JCI)

JAPAN CLIMATE INITIATIVE

A network of various non-state actors such as companies, local governments, organizations and NGOs actively engaged in climate action.

CSR Europe

CSR EUROPE

CSR Europe is an organization that makes recommendations on guidelines and principles for the European Commission.

Group Outline (as of March 31, 2021)

Corporate Outline

Company Name	Seiko Epson Corporation
Founded	May 18, 1942
Head Office	3-3-5 Owa, Suwa, Nagano, Japan
Paid-in Capital	¥53,204 million
Number of employees	[Epson Group (consolidated)] 79,994 [Parent company] 12,676

Matters related to Company Shares

Total number of shares authorized to be issued	1,214,916,736 shares
Total number of shares outstanding	399,634,778 shares (including 53,444,897 shares of treasury stock)
Number of shareholders	43,476 persons

Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	59,964,200	17.32
Custody Bank of Japan, Ltd. (Trust Account)	26,254,100	7.58
Sanko Kigyo Kabushiki Kaisha	20,000,000	5.77
Seiko Holdings Corporation	12,000,000	3.46
The Dai-ichi Life Insurance Company, Limited	8,736,000	2.52
Mizuho Trust & Banking Co., Ltd., Retirement benefit trust, Mizuho Bank, Ltd. account	8,153,800	2.35
Epson Group Employees' Shareholding Association	7,569,979	2.18
Mikiko Kidosaki	6,855,302	1.98
Minako Hattori	6,855,302	1.98
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	6,771,500	1.95

Note: Although the Company holds 53,444,897 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 (210,928 shares) owned by the officer compensation BIP Trust.

List of Notes

P18

[1] Comparison of A4 sheet printing costs between an EW-M670FT high-capacity ink tank printer and an LP-M620F Epson laser printer (only available in Japan)
[2] Testing was commissioned by Epson and conducted by Keypoint Intelligence. Epson selected four competitor's models from worldwide top four best-selling vendor** in the 45-69 ppm color laser multi-function printer class. Epson WorkForce Enterprise WF-C20600 D4TW (only available in Japan) with 60 ppm. Devices were tested in default mode as per Keypoint Intelligence's proprietary standard energy consumption test methods. Calculations were based on a weekday workload of 2 x 4 hours printing + 16 hours in sleep/standby mode, and weekend energy use of 48 hours in sleep/standby mode. A total of 69 pages of workload test pattern using DOC, XLS, PPT, HTML, PDF files and Outlook email messages were printed six times in each four-hour printing period.
** Source: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2020Q2, Units Share by Company
[3] Print speed of a WF-C21000 high-speed linehead inkjet multifunction printer. A4, landscape, single-side printing. Print speeds are measured in accordance with ISO/IEC 24734. Actual print times will vary based on system configuration, software, and page complexity.
[4] Some water is used to maintain humidity inside the system.
[5] As a percentage of the total plastic by weight. The number (30%) was determined by calculating the weight of recycled plastic in each part based on the composition rate and then adding them up.
[6] Comparison of the EP-M553T high-capacity ink tank printer and EW-452A ink cartridge printer (printers which are only available in Japan). Comparison of CO_2 emissions accompanying the raw materials, manufacture, transport, and disposal of consumables, including packaging materials, assuming 30,000 A4 color documents are printed over a period of 5 years. CO_2 emissions were calculated based on Epson's evaluation conditions. Actual CO_2 emissions will vary depending on customer printer use.
[7] Comparison of retail boxes for the EP-M553T and EP-M552T high-capacity ink tank printers (only available in Japan)

P34

[1] Calculation conditions are the same as explained in the third footnote on P18.
[2] Calculation conditions are the same as explained in the second footnote on P18.
[3] Calculation conditions are the same as explained in the first footnote on P18.
[4] Calculation conditions are the same as explained in the sixth footnote on P18.

P37

[1] Here, an SIer refers not to a software system integrator but to a business operator that proposes, conceptualizes, installs, and supports automation systems in manufacturing processes
[2] Including peripheral equipment (hardware that connects to robots)
[3] Mold clamping force 40tons and under
[4] Payloads up to 20 kg
[5] Market share based on unit sales of industrial SCARA robots, 2020. (Source: Fuji Keizai "2021 Reality and Future Outlook of Worldwide Robot Market").

P68

[4] Percentage who answered "High" or "Normal"
[5] Percentage who answered "High," "Rather high," or "Normal"
[6] Indexed with the FY2015 percentage set to 1

EPSON
EXCEED YOUR VISION

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  https://global.epson.com/IR/
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  https://www.linkedin.com/company/epson/

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