

CEO Message

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



Yasunori Ogawa

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President, Representative Director and CEO
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Market Tailwinds and Profit Growth

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

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

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

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

Epson's Purpose

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

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

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

Materiality and KPIs in the Business Strategy

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

Materialities We Will Address

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



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

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

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

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

Environmental, DX, and Co-creation Initiatives

■ Environmental Initiatives

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

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

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

■ DX Initiatives

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



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

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Co-creation Initiatives

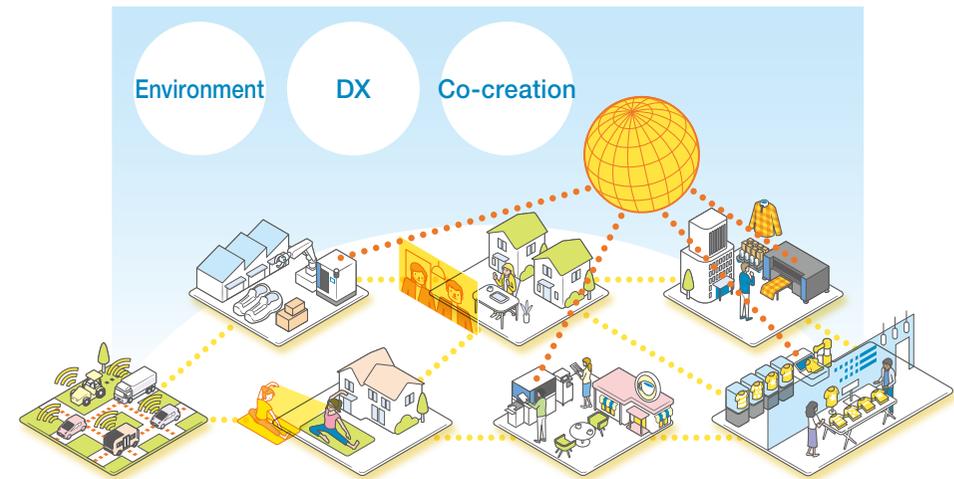
Rather than try to do everything on our own, we have begun to embrace collaboration. We are engaging external partners in projects that combine our respective technologies to create new value and solve societal issues. This commitment to co-creation is exemplified by sales of Epson printheads to partners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

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

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

Epson 25 Renewed Vision

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



Connection Value

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

→ For details, see P21

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

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

Restructuring for Profit

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

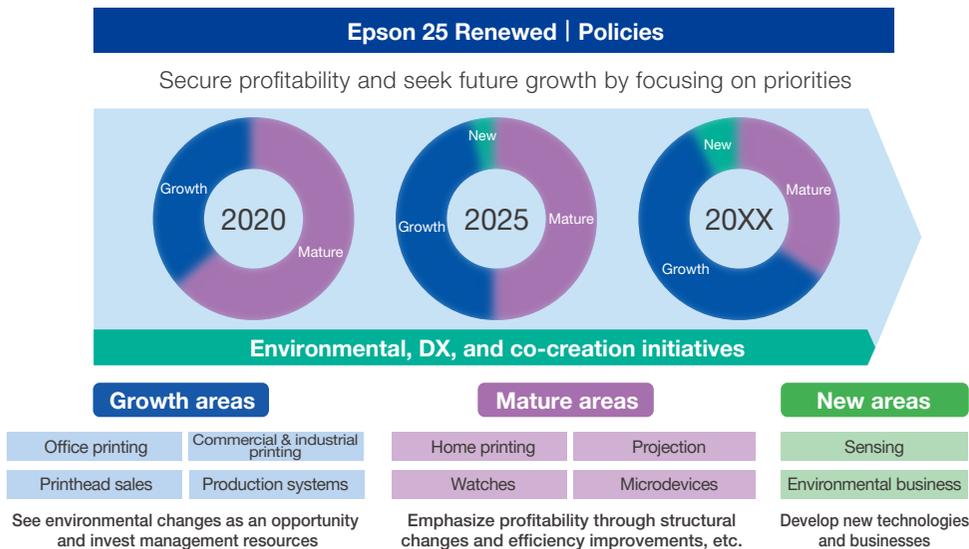
However, our experience has been quite positive because we carefully examined how to structure the businesses to generate profit from current revenue and set and met our own cost control targets. As a result, we made these businesses strong enough to last until we can envision what kinds of different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

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

Epson 25 Renewed and the Vision 10 and 30 Years Ahead

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

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



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Achieving Employee Happiness Via Diversity, Equity, and Inclusion

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

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



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

Navigating the Way Forward with Purpose

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

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