

Epson Integrated Report 2023 Editorial Policy

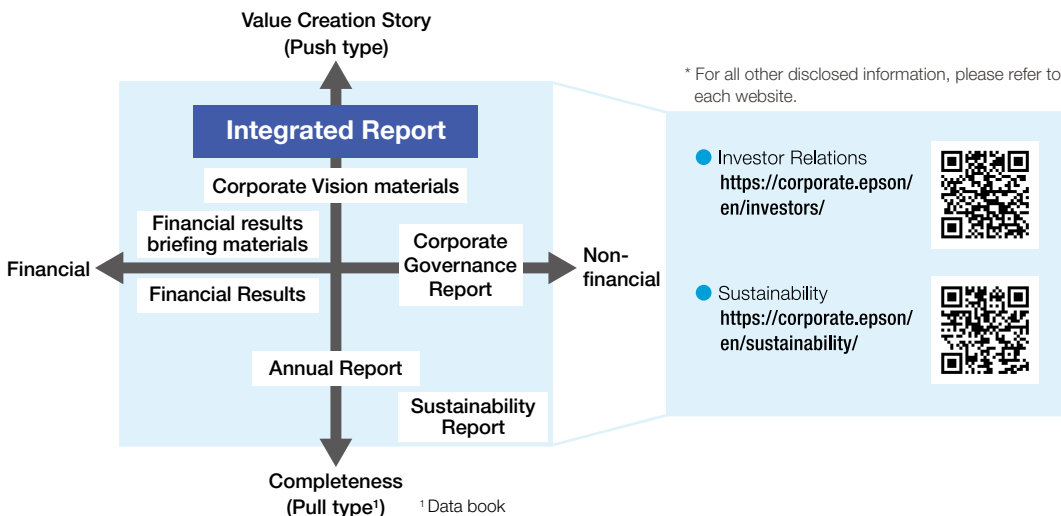
Editorial Policy

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

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

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

Main Information Disclosure Media (Information Disclosure System)

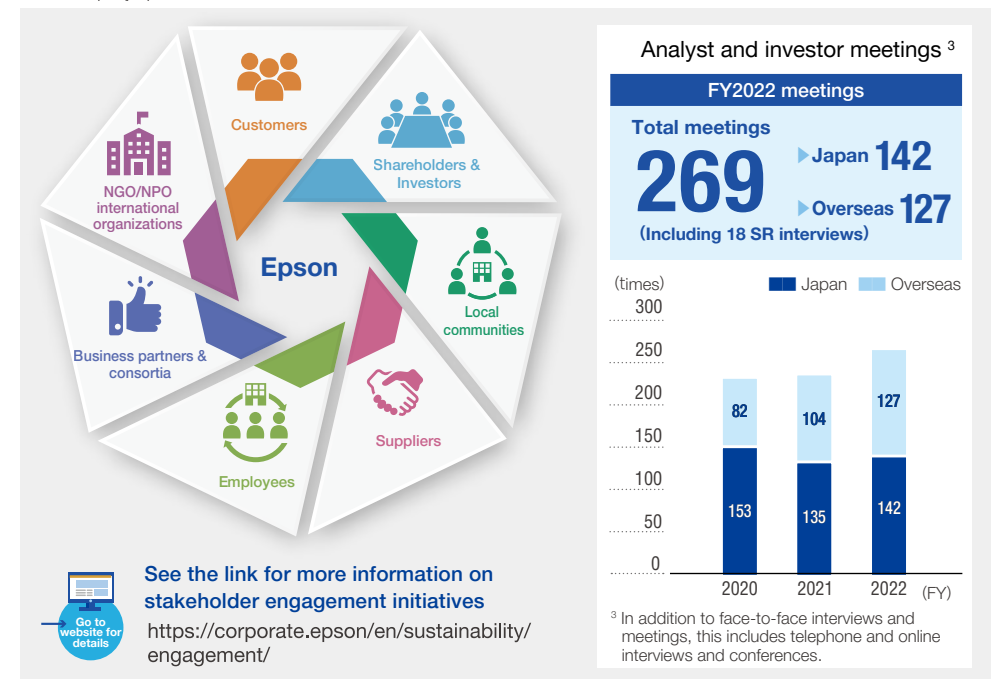


Stakeholder Engagement²: Discussions with Shareholders and Investors

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

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

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



INDEX

Click on the title to view the page.

Using This PDF



Introduction

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

CEO Message



- 7-12 CEO Message >



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

Fact Data

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

Purpose

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

→ Related Value Creation Story ⑧

Vision Progress

- 17-18 Vision Progress >

→ Related Value Creation Story ④⑤⑥

Sustainability Management and Financial Strategies

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

→ Related Value Creation Story ① ~ ⑧

Value Creation Strategy

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

→ Related Value Creation Story ④⑥⑦

Value Creation Platforms

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

→ Related Value Creation Story ⑤

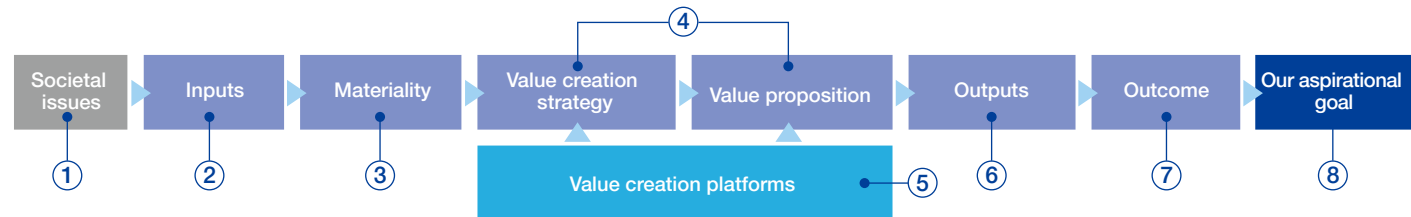
Strengthening Governance

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

→ Related Value Creation Story ⑤

Sustainability and Growth Potential Based on the Value Creation Story

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



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

* "Epson" refers to the Epson Group, unless indicated otherwise.
 * Please do not use images and other content in this report without permission.

Disclaimer

This report includes forward-looking statements, estimates, and plans. Projections herein are based on the best information available at the time of publication. Actual results may vary from those discussed.

A History of Value Creation

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



Early period

Integrity and Effort

Watch and printer technology development

Expansion period

Creativity and Challenge

Diversification of products and businesses derived from watch and timekeeping technologies

Strengthening business structure

Integrity and Effort & Creativity and Challenge

Meet customer expectations and become indispensable

Helping to Solve Societal Issues

Expand business by solving societal issues

Epson 25 Renewed

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

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

Monument engraved with the motto of founder Hisao Yamazaki

Brand establishment and growth into a multinational corporation

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

Global pioneer in environmental action

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

Surging ahead into a new era

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

Contributing to Global Solutions

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

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

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

Established an Epson Group corporate purpose (2022)

→ For details, see P13-16, "Purpose."

Epson's Revenue and Business Profit Trend

Figures after the FY2003 IPO have been audited. Those prior to that have not.

Figures through FY2012 were calculated based on Japanese accounting standards. Those from FY2013 are based on IFRS.

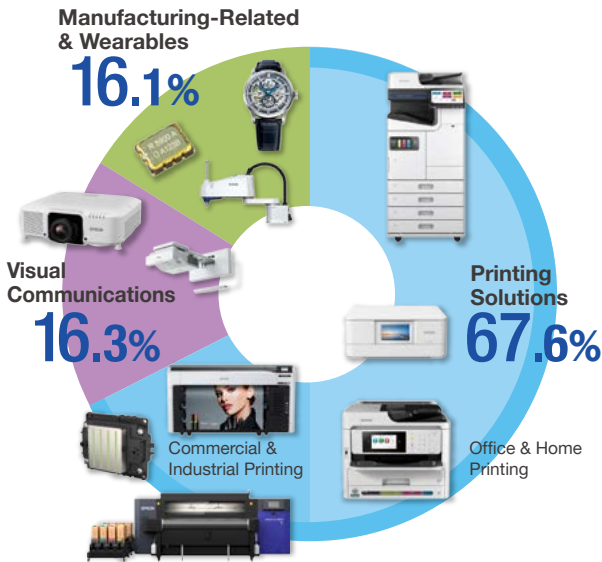
At a Glance

Revenue (Consolidated) FY2022 Business Profit (Consolidated) FY2022

¥1,330.3 billion ¥95.1 billion

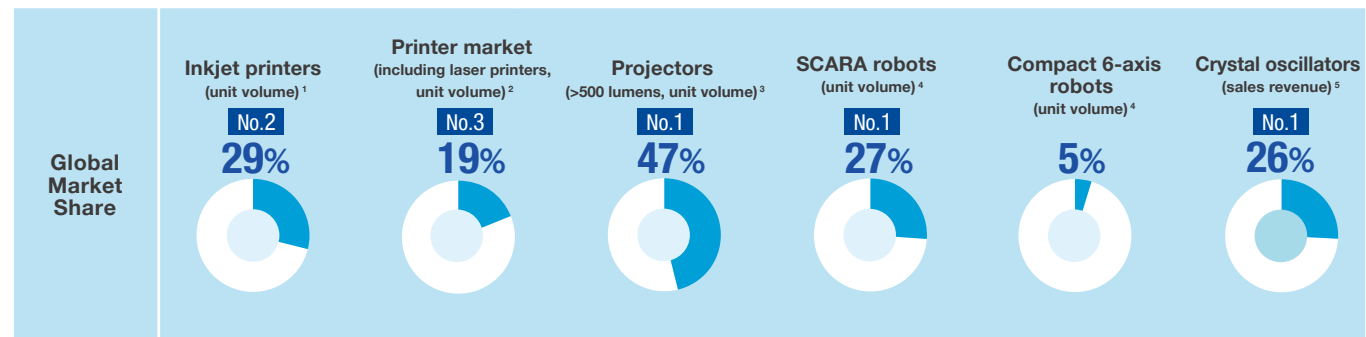
* Business profit is very similar to operating income under Japanese accounting standards, both conceptually and numerically. It is calculated by deducting the cost of sales and selling, general and administrative expenses from revenue.

Segment Revenue as a Percentage of Total Revenue (FY2022)



Business Areas

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



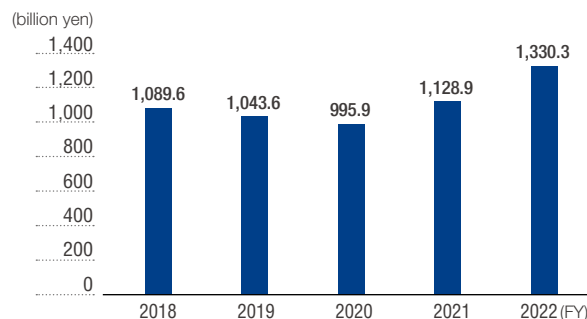
Financial and Non-Financial Highlights

Financial Highlights

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

Revenue

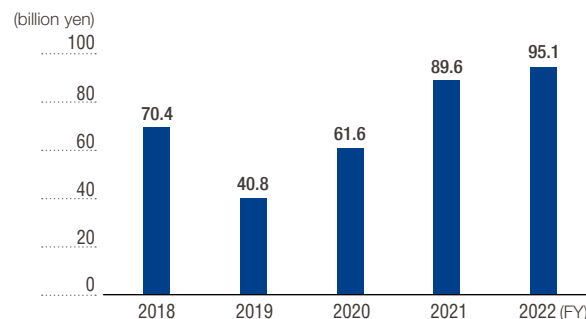
¥1,330.3 billion



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

Business Profit

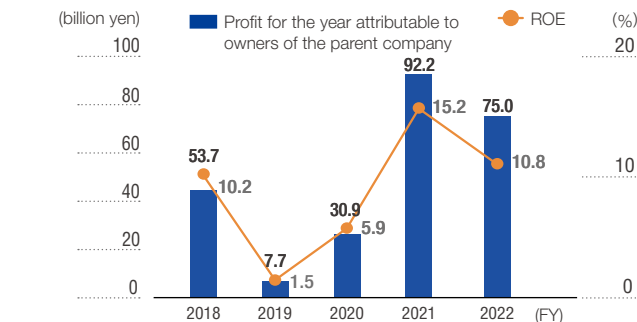
¥95.1 billion



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

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

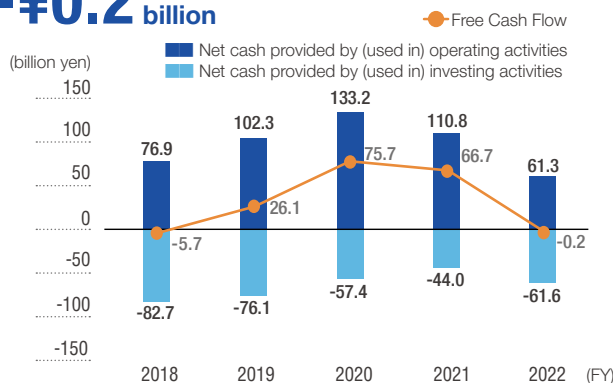
Profit attributable to owners of the parent company ¥75.0 billion ROE 10.8%



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

Free Cash Flow

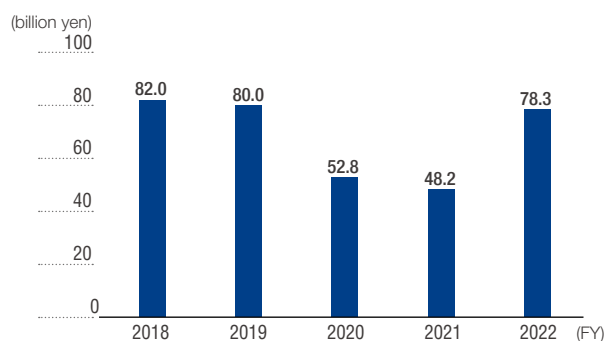
-¥0.2 billion



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

Capital Expenditure¹

¥78.3 billion

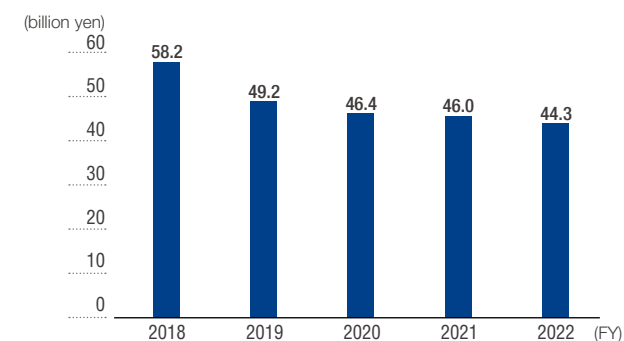


Epson spent on future business growth, particularly on new products, production capacity, automation, maintenance and upgrades, and environmental. We will continue to focus investment on production systems for printheads and digital infrastructure, as well as on automation to improve productivity.

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

Research and Development Expenses

¥44.3 billion



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

Financial and Non-Financial Highlights

Non-Financial Highlights: Social, Governance, Environmental

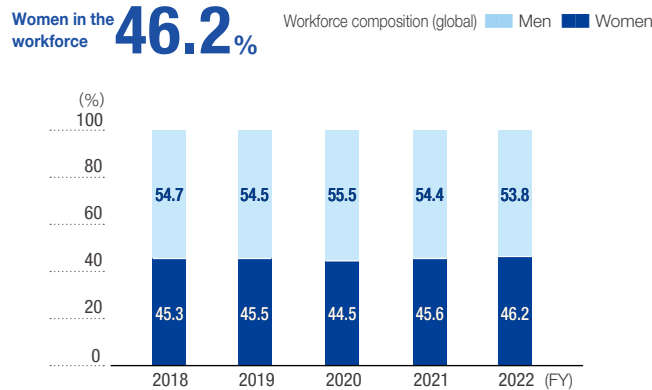
Registered Patent Rankings²

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

² The 2022 ranking in number of registered patents (per Epson research)

Epson delivers new customer value through products that embody our core technologies. Our patent portfolio is both qualitatively and quantitatively world-class in product fields such as inkjet printers and projectors, and this industry-leading intellectual property supports the creation of proprietary core technologies.

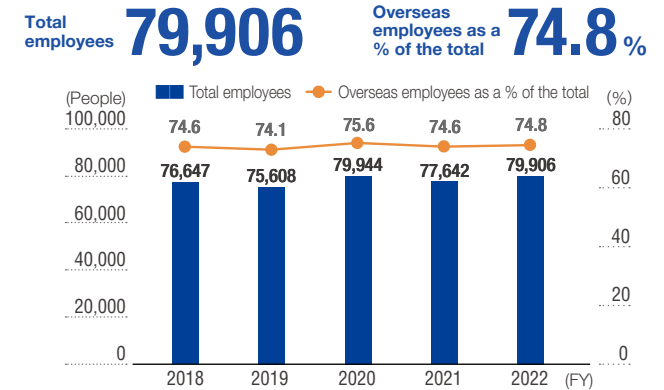
Diversity³



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

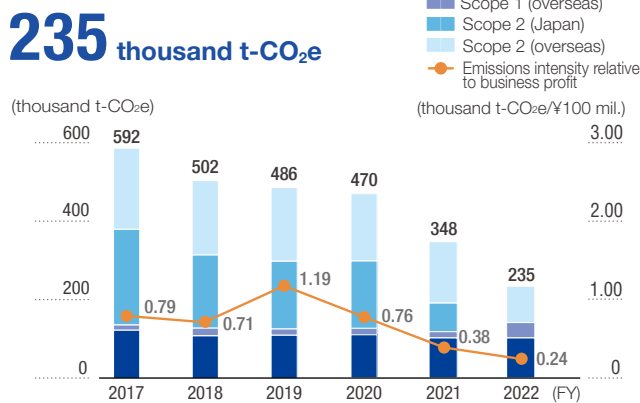
³ Regular employees in the Epson Group as of the fiscal year-end (March 31)

Total Employees & Overseas Employees as a % of the Total



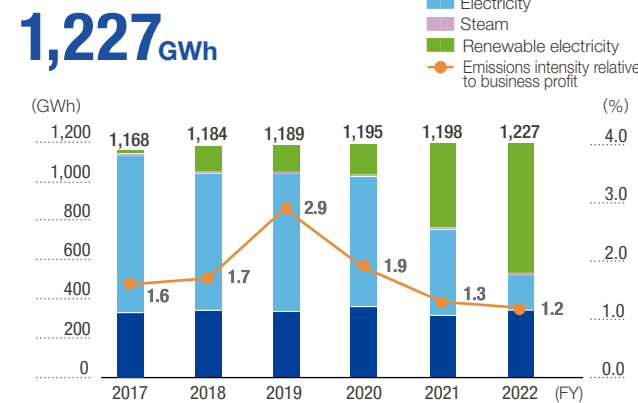
Epson has 107 R&D, production, and sales sites in countries and regions outside Japan. Overseas operations generate approximately 80% of consolidated revenue and account for 75% of employees. For this reason, securing and retaining a solid base of human resources that can survive and thrive in global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

Greenhouse Gas (GHG) Emissions⁴



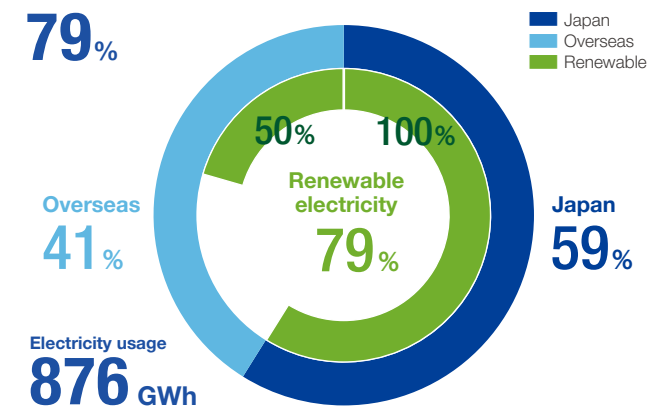
In FY2022, Epson accelerated the use of renewable electricity in addition to driving site-based energy-saving initiatives. As a result, we far exceeded our SBT Initiative-validated 2025 target of reducing scope 1 and scope 2 greenhouse gas (GHG) emissions by 34% compared to FY2017.

Energy Usage



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

Renewable Electricity Usage Ratio (FY2022)



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

▶ See the back cover for footnotes ⁴