

Environmental Strategy & Technology Development Strategy



Kazuhiro Ichikawa

Executive Officer

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

Environmental Vision 2050

Epson will become carbon negative and underground resource¹ free by 2050 to achieve sustainability and enrich communities

Goals

- 2030: Reduce total emissions in line with the 1.5°C scenario²
- 2050: Carbon negative and underground resource¹ free

Actions

- Reduce the environmental impacts of products and services and in supply chains
- Achieve sustainability in a circular economy and advance the frontiers of industry through creative, open innovation
- Contribute to international environmental initiatives

¹ Non-renewable resources such as oil and metals

² Target for reducing greenhouse gas emissions aligned with the criteria under the Science Based Targets initiative (SBTi)

Environmental Strategy

Accelerating the Circular Economy

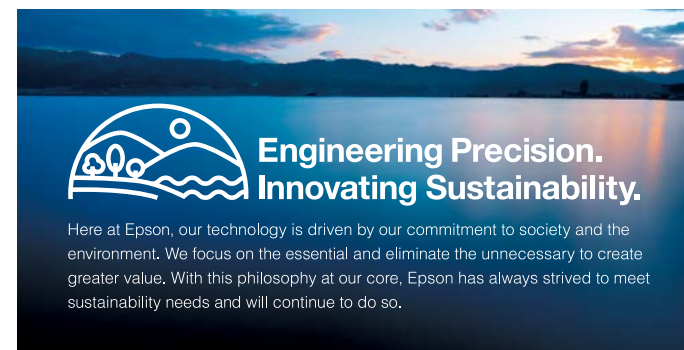
Epson has cited achieving sustainability in a circular economy as a priority issue (materiality). Economic systems that continue to consume more resources and generate waste have dire consequences for the environment and society. Human society exists within the confines of Earth, a closed and finite space. To ensure the sustainability of society, we must transition to a circular economy. There are still some unknowns about the exact shape a circular economy will take and how to achieve it, but there is no doubt that decarbonization and closed resource loops will be essential components.

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

An Environmental Vision for the Past and Future 80 Years

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

Environmental Vision 2050 is a statement of our commitment to the environment. It was conceived not from a perspective of what we can or cannot achieve but based on what we must achieve as a product creator and manufacturer. Global action is needed to achieve sustainability, as the contribution that any one company can make by reducing the environmental impact of its business activities is limited. Environmental Vision 2050 articulates actions for creating synergies with business partners based on our technologies, products, and services and for allowing us to play a part in creating a better world.



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

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



Environmental Message

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

Environmental Initiatives

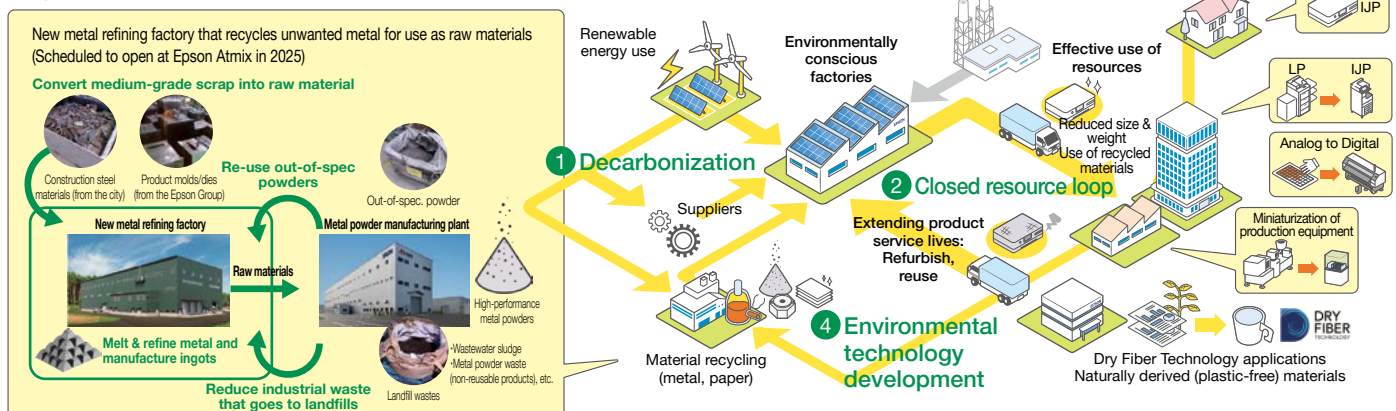
Our environmental initiatives are tied to the material issue of achieving sustainability in a circular economy. Epson is taking action to promote decarbonization, close resource loops, develop environmental technologies, and provide products and services that reduce environmental impacts.

It is essential to begin environmental initiatives immediately and to continue them over the long term. In addition to the initiatives under the Epson 25 Renewed corporate vision, Epson is pursuing environmental initiatives on a much longer timeline in four areas to achieve the goals set forth in Environmental Vision 2050.

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

→ See P46 for examples of our environmental technology development initiatives.

Epson 25 Renewed Environmental Initiatives



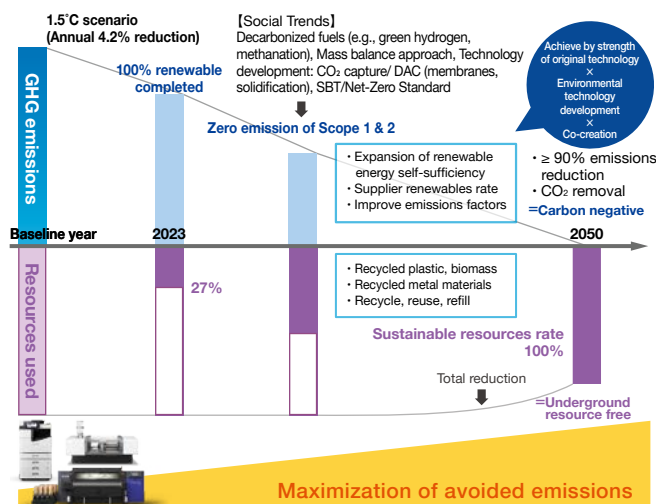
Environmental Vision 2050 Roadmap

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

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

Main strategic actions in the Mid-Range Environmental Action Plan

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



Organizations for Implementing Strategies

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



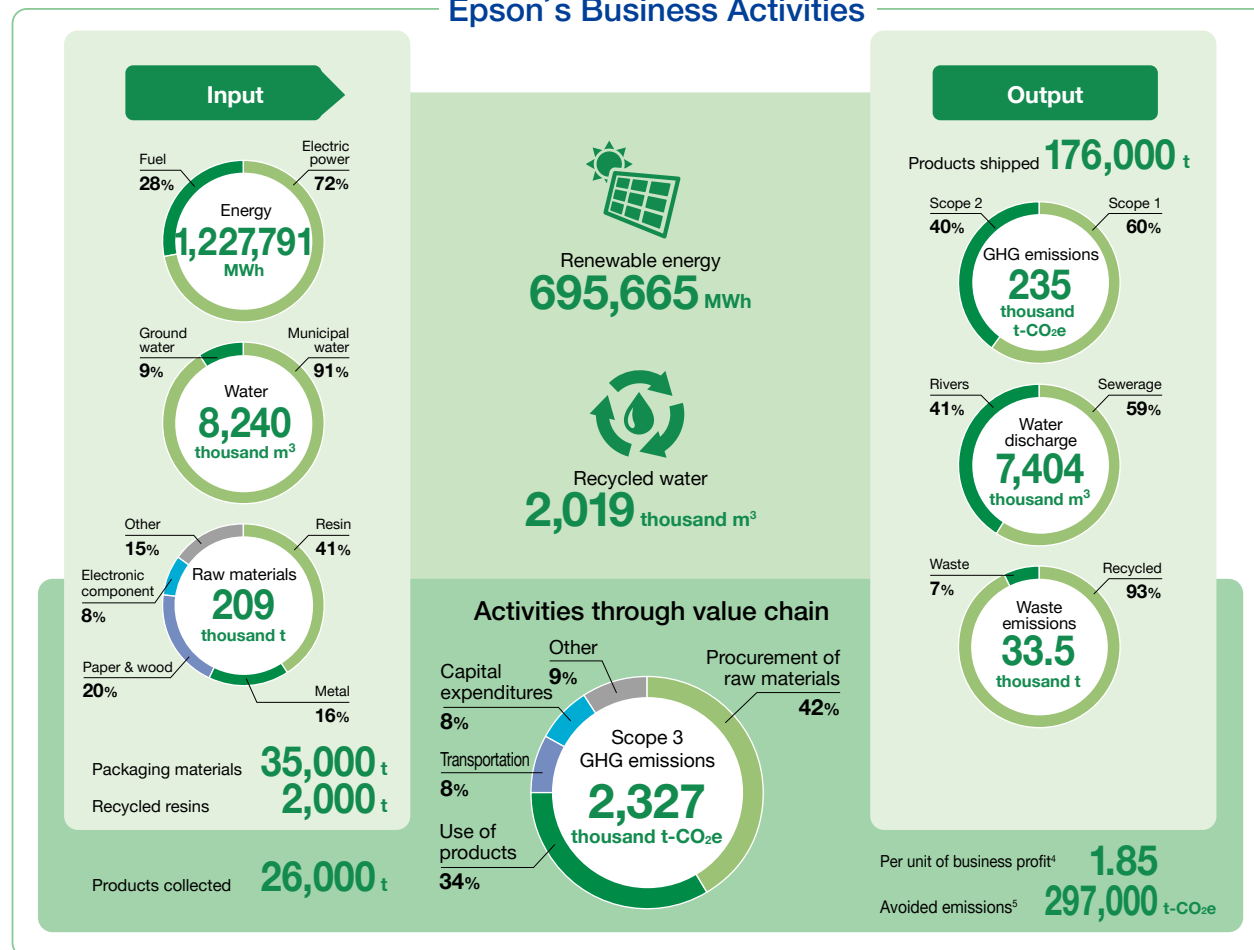
Reducing the Environmental Impact of Our Business Activities

Epson consumes resources and, in the process of conducting business activities across the life cycles of its products and services, emits GHGs and other emissions to the air, land, and water. We are working to assess the environmental impacts of our business activities across the value chain in an effort to reduce our impacts.

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

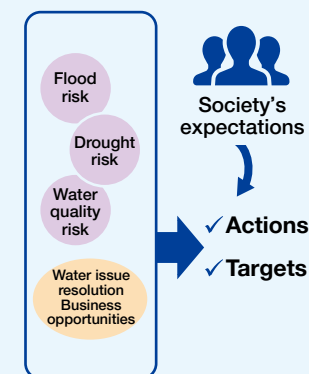
Material Balance (FY2022)

Epson's Business Activities



Water Resource Targets

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



Achievements

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

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

⁵ Third-party GHG emission avoidance was estimated by using a flow base approach to calculate the contribution to avoided emissions achieved by replacing conventional products and work processes with Epson products. This is different from the actual reduction amount. (1) Replacement of laser printers with inkjet printers, (2) flat panel displays with laser projectors, (3) analog printing with digital printing, (4) digital textile printing dye inks with pigment inks, (5) commercially available recycled paper with paper produced from used paper using dry process office papermaking systems, and (6) injection molding machines with micro injection molding machines.

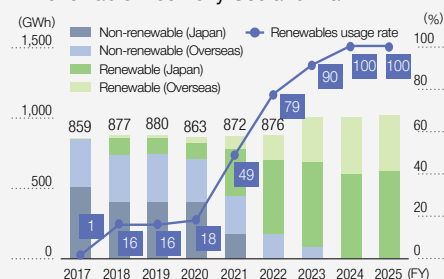
Decarbonization

Switching to 100% Renewable Electricity

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

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

Renewable Electricity Use and Plan



Biomass Power Generation Support (Indonesia)

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



Closed Resource Loop

Environmental Strategy &
Technology Development Strategy

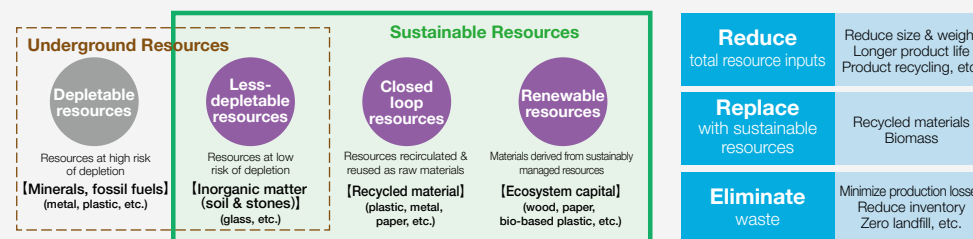
Initiatives to Become Underground Resource Free

The resources we use are called “natural capital” and include underground resources, abiotic flows⁷, and ecosystem capital. The mining of underground resources causes destruction of the biosphere. In addition, when mined resources are used as industrial products, they consume a great deal of energy and emit CO₂. Epson will dramatically change the way natural capital is used. We will utilize previously mined underground resources as existing above-ground resources (closed loop resources) to reduce consumption of new underground resources and become underground resource free by 2050. Ecosystem capital is renewable and non-depletable if used wisely. We will endeavor to reduce total resource inputs, eliminate waste/disposal, and reach a 100% sustainable resource rate⁸ to achieve the goal of becoming underground resource free.

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

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

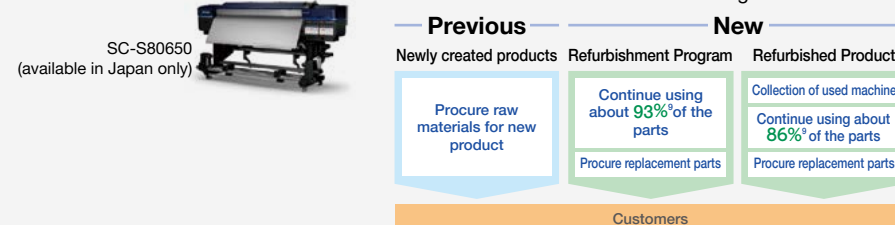
Conceptual image of resource use for Epson to become underground resource free



Provision of Products & Services with Long Service Lives

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

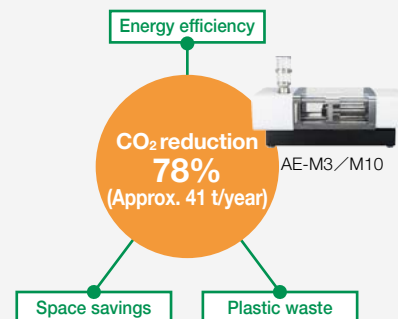
Comparison of Previous and New Products & Services at the Time of Raw Material Sourcing



Customer Environmental Impact Mitigation

Solutions to Societal Issues Through Business Growth

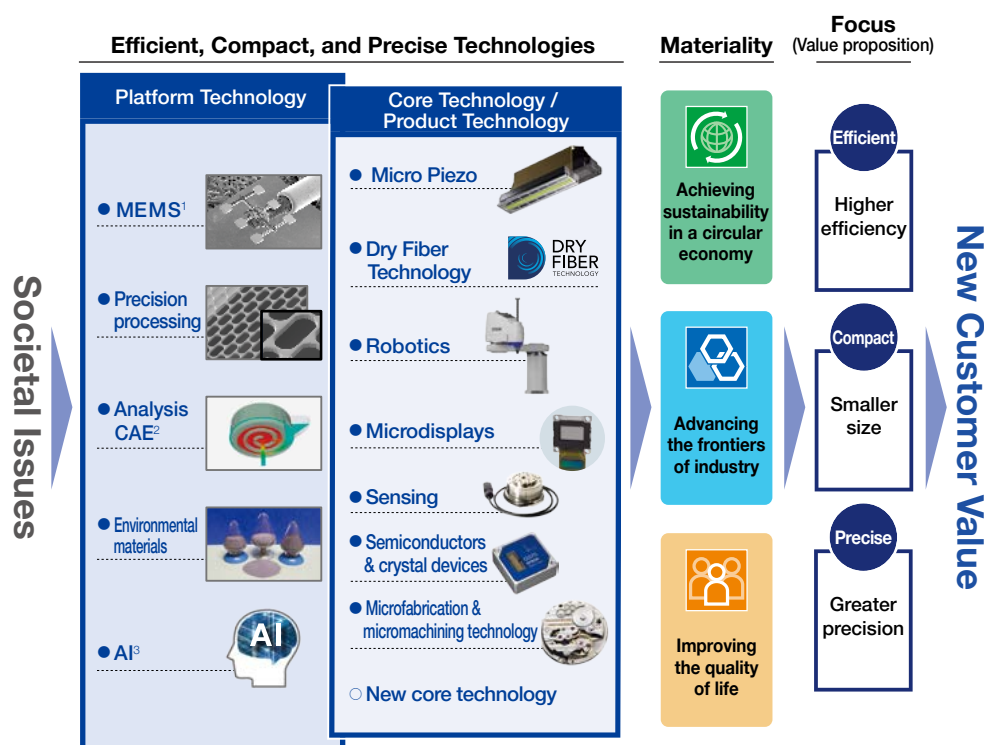
Customer environmental impact mitigation is a part of Epson's growth strategy and an initiative that aims to create value for society. For example, switching from laser to inkjet printers and replacing analog printing with digital printing in apparel and textile manufacturing can reduce environmental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

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

Technology
development strategy

Developing Technology to Solve Societal Issues

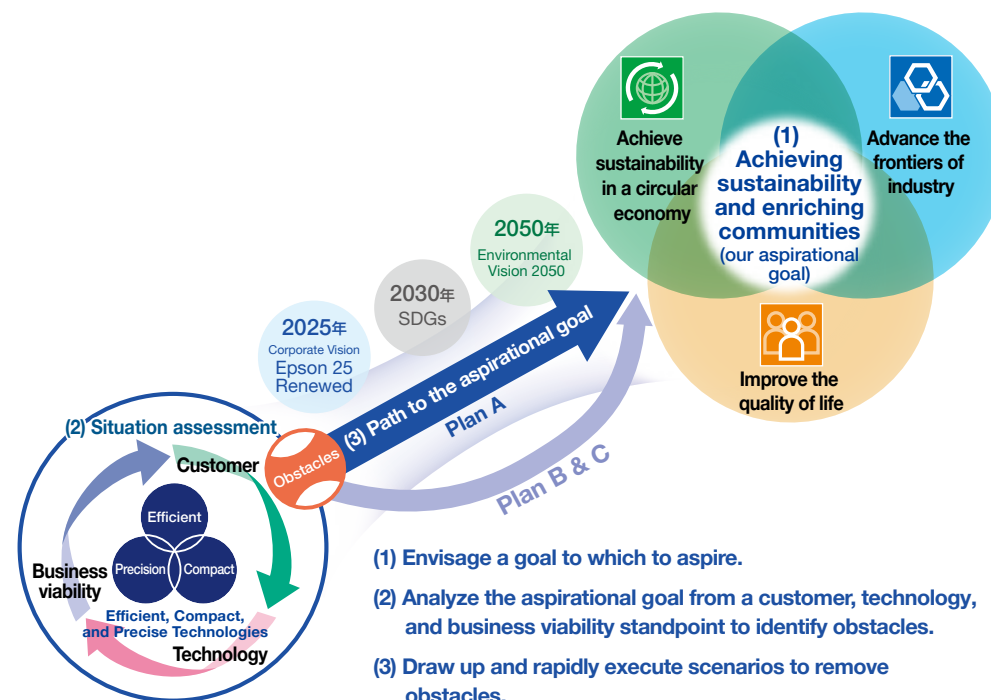
Under Epson 25 Renewed we reversed our approach to development. Now, we start with societal issues, analyze what kind of technology is needed to solve them, and then develop that technology. We have always provided value by applying our efficient, compact, and precise technology to benefit society. Micro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

¹ MEMS: Micro Electro Mechanical Systems² CAE: Computer Aided Engineering³ AI: Artificial Intelligence

The Commercialization Process

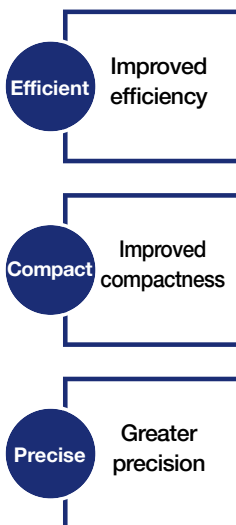
Epson will achieve sustainability and enrich communities by examining societal issues and identifying materialities that it can impact.

To move forward quickly on technology development, we assess the situation and identify obstacles that must be cleared if development is to succeed. Then we think of solutions as we prepare multiple scenarios to get us to the goal. We assess the situation from a customer, technology, and business viability standpoint to identify obstacles. We then consider what makes them obstacles and think of ways to clear them as we develop an overall picture of the product commercialization process. Imagining multiple scenarios simultaneously provides a shortcut to commercialization. The scenario that is most likely to yield the greatest benefits if development succeeds is considered Plan A and is given the highest priority. Plans B and C are scenarios that will yield inferior results in terms of quality, cost, or delivery but have lower hurdles to clear and can achieve the main objective. Concrete actions to eliminate obstacles, including co-creation and collaboration with external partners are being considered.



Technology Development to Realize Our Vision for Society

Pursuing (Value proposition)



Achieving sustainability in a circular economy (environmental technology development)

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

▶ Realization of resource circulation

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

▶ Develop closed loop materials

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

▶ Engage in co-creation

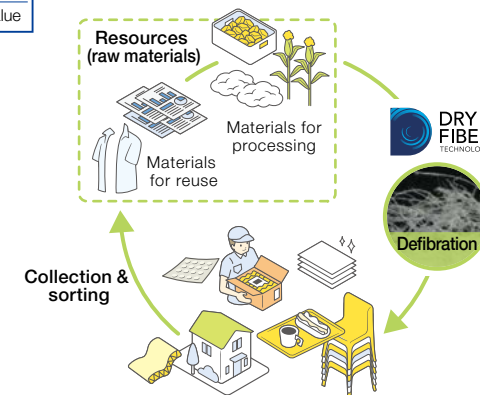
We are creating new value by actively co-creating with partners to achieve sustainability in a circular economy.



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

Societal
Value

▼ A world where above-ground resources are circulated



Advancing the frontiers of industry

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

▶ Micro injection molding machines

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

▶ On-demand mold and die services

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

▶ 3D printers that innovate manufacturing

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



Lineup of horizontal & vertical micro injection molding machines



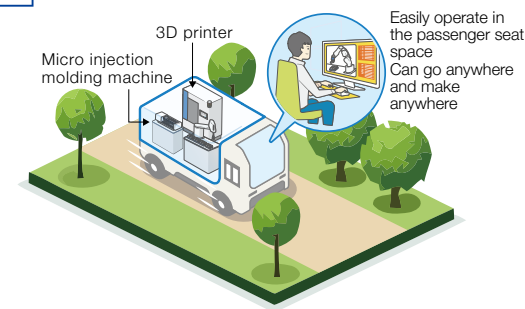
On-demand mold and die service



3D printer

Societal
Value

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



Improving the quality of life

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

▶ Healthcare imaging

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

▶ Material identification imaging

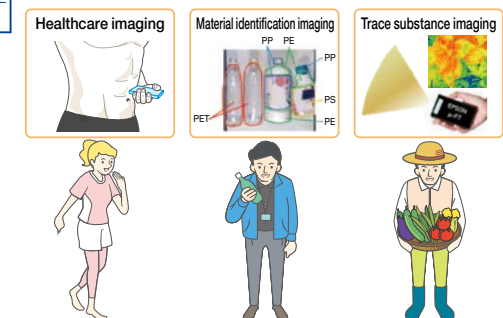
Advance spectroscopic camera and colorimeter technologies to expand imaging in resin product material identification.

▶ Trace substance imaging

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

Societal
Value

▼ Enrich lives with personalized service



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

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

Intellectual Property Strategy



Toshihiko Kobayashi

Executive Officer
General Administrative Manager, Intellectual Property Division

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

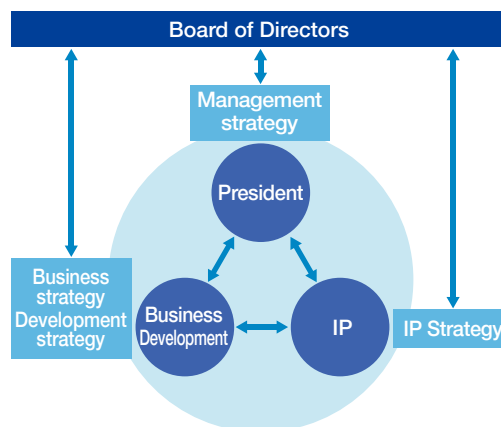
The Intellectual Property Division seeks to help achieve Epson's vision of achieving sustainability and enriching communities. Toward this end, the division closely collaborates with management, the operations divisions, R&D departments, and strategy departments to proactively utilize all forms of intellectual property in support of business growth. Our hard work is paying off by sustaining growth in corporate value.

Epson's printheads are an illustrative example. Our ultra-precision processing technology is a source of competitive advantage. We have used it to refine our unique Micro Piezo printheads. Protected by Epson's strong IP, these printheads are built into an extensive range of Epson's own printers. The demand for these printheads prompted Epson to invest heavily to expand production capacity, which enabled us to further expand our product lineup and drive business growth. The added capacity also enabled us to begin selling printheads to external customers. The use of Epson's printheads by others in the commercial and industrial sectors has helped to expand the digital printing market.

The division's IP support has accelerated the development of potential new markets and been used to guide investments in startups and co-creation projects through open innovation.

Intellectual property thus serves as a foundation for creating a positive business cycle. It allows us to invest further in R&D and helps to maintain a competitive advantage by evolving Epson's printheads.

In essence, it is the intellectual property we create that supports the growth strategy scenario.

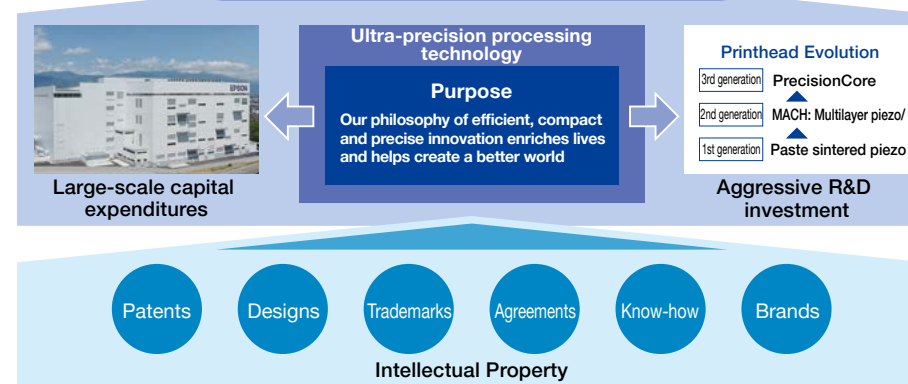
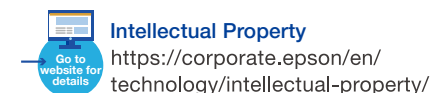


Epson's IP Strategy Management Organization

We align our IP strategies with our development and business strategies to protect our core technologies. Strategies are formulated during two-party discussions between the head of the IP division and the head of each business and the head of the Technology Development Division or, when necessary, during three-party discussions that further include the president.

IP strategy is regularly reported, discussed, and shaped at board meetings. At its most recent meeting, the board reaffirmed the direction of IP activities designed to support the creation of new businesses.

Tight communication with executive management enables Epson's IP strategies to be quickly adapted to an unpredictable and fast-changing business environment.



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

(1) Innovation support

IP Landscapes that Guide Business and Development Strategies

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

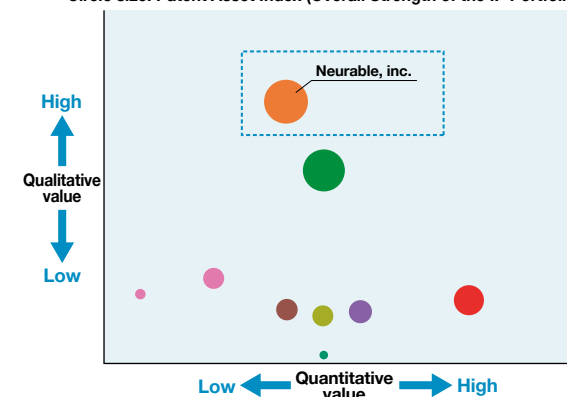
The IP Division assesses the value of IP held by startups when deciding whether to invest in them. The diagram on the right is an example in which we appraised the patent portfolio held by Neurable, Inc., a startup that is developing a brain-computer interface utilizing brainwave analysis. The portfolio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

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

Intellectual Property Strategy

Intellectual Property Portfolio Valuation

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



* Created by Epson using LexisNexis PatentSight.

* The patent asset index is a metric used to assess the total value of a company's patents.

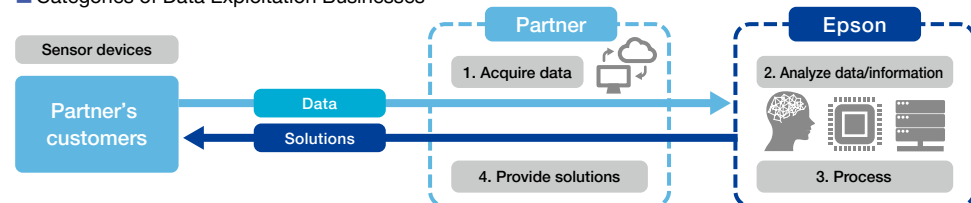
(2) Co-creation and DX support

Contractual Support for Building a Co-Creation Scheme

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

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

Categories of Data Exploitation Businesses



(3) Brand support

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

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

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

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

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

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



Supply Chain Strategy



Junichi Watanabe

Managing Executive Officer
General Administrative Manager,
Production Planning Division

Topic Tackling Human Rights Issues

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

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



Human Rights Seminars for Suppliers

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



Whistleblowing Systems

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

Realizing Responsible Supply Chains

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

Action Theme

Epson believes that building a strong and flexible supply chain is essential if we are to fulfill our responsibility to deliver products to our global customers. Responsible supply chains is one of the key sustainability topics that we are addressing, and we have been systematically working Group-wide on projects to ensure business continuity management (BCM), CSR, and responsible sourcing of minerals.



Supplier Guidelines

The Epson Group Supplier Guidelines specify requirements for quality, price, and delivery, as well as compliance, including trade control and security, and environmental action.

The Supplier Code of Conduct, which is included in the guidelines, specifies labor, health and safety, environment, ethics, and management system requirements that are compliant with the RBA Code of Conduct. The RBA requires compliance with local laws as well as compliance with RBA standards when RBA requirements are stricter than local laws. Epson guarantees a certain level of management regardless of whether there are legal provisions in the country or region where the supplier resides, the strictness of requirements, or local labor customs. Epson revised its guidelines to align them with the latest version of the RBA Code of Conduct. We have notified all suppliers of the changes and have our main suppliers agree in writing to follow the guidelines.



Responsible Business Alliance

Advancing Sustainability Globally

CSR Strategy in Supply Chains

To live up to our Management Philosophy and Principles of Corporate Behavior and to solve societal issues, we have strategically established key long-term actions for supply chain CSR. We approach supply chain CSR from two broad angles: actions to guarantee the human rights and safety of our suppliers' workers, and actions to achieve sustainability.

Promoting decent work

Ensuring work safety

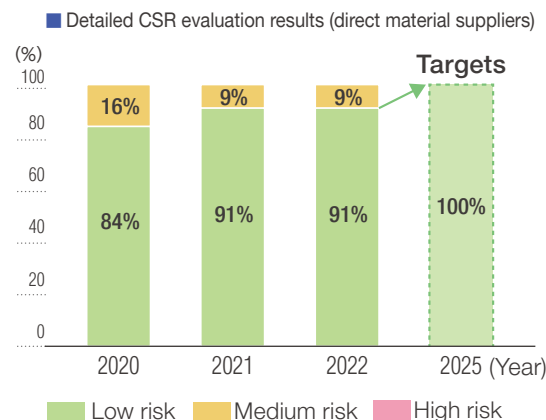
Responsible mineral sourcing

Reducing environmental impact

CSR

Epson evaluates suppliers from multiple angles. The program consists of an indirect evaluation based on information from a third-party credit investigation and direct supplier self-assessments. There are four types of self-assessments: (1) an assessment of quality, cost, delivery, environment, management systems, and information security; (2) a detailed CSR evaluation to evaluate compliance with the Epson Supplier Code of Conduct (RBA Code of Conduct); (3) an evaluation of the supplier's ability to respond to emergencies; and (4) a safety management evaluation in which suppliers assess their response to risks such as fire and other emergency situations.

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

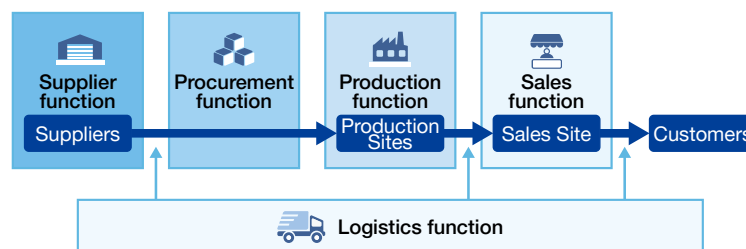


Business Continuity Management (BCM)

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

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

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



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

Responsible Mineral Sourcing

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

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

3TG Survey Results (FY2022)

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

Human Resources Strategy



Eiichi Abe

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

Basic Human Resources Strategy

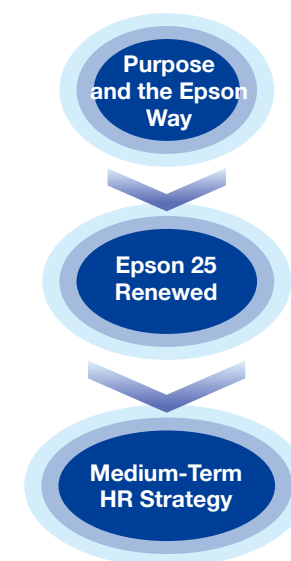
Epson was born and raised in Shinshu (Nagano Prefecture, Japan). Our core business functions and facilities are still here, but we now also have R&D, production, and sales sites in 107 locations around the world. Roughly 80% of our revenue and 75% of our workforce are outside Japan. The keys to our human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

Human Resources Strategy

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

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

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



Key Points of Epson's Human Resources Strategy

	Human Resources Strategy	Concrete Actions	Aim
①	Allocate human resources to priority areas	Epson is recruiting specialists in new and specialized areas as well as outside management talent. Optimally position human resources from a global perspective	• Drive business transformation and innovation to enable us to accurately understand customer needs and respond quickly and flexibly to them.
②	Strengthen human resource development	Provide learning, reskilling, rotation, and internal transfer opportunities Develop and place domestic and international talent so that they can work effectively on the world stage.	• Be a company in which people can take the initiative to develop their careers and continue to grow long-term. • Enhance the ability of employees to respond to changes in the internal and external environments. • Optimally position human resources from a global perspective
③	Organizational activation	Recruit diverse talent, including women, people of different nationalities, midcareer people, persons with disabilities, and seniors. Improve the organizational climate Create a worker-friendly environment, one that takes advantage of being away from a major metropolis and closer to nature and home. Create a culture of health	• Enhance creativity and innovation. • Enhance employee engagement, capitalize on diverse talent, and maximize the collective strength of organizations.

Type of Talent We Look For

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

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

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

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

Hiring

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

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

technology, and sensing.

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

Talent Placement and Promotion to Management

Talent placement and promotion to management are based on the concept of “role.” We design global organizations to execute business strategies, define the role of each position in the organization, and then allocate and appoint the most appropriate people to that role. To achieve this, we conduct an annual human resources review at each level of the organization to get a bird’s eye view of the staffing situation, list potential successors for each position, and review their skill development needs.

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

HR strategy (2): Strengthen Human Resource Development

Human Resource Development

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

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

New Human Resource Development Initiatives

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

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

(1) Support for the self-formation of a lifelong career

Support for an environment where all employees from the young to the elderly can continue to think about how to live

(2) Support for upskilling of management

Improvement in skills for interaction by superiors with their subordinates and abilities to solve problems on-site

(3) Support for reskilling

Education and training support for the mobility of diverse human resources

Global Professional Development

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

Internal Job posting and Rotation Systems

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

Rotation Rate

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

Internal Job Posting System Users

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

HR Strategy (3): Organizational Activation

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

Fostering a better workplace

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

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

Progress in Creating a Worker-Friendly Environment (FY2022)

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

Improving the Organizational Climate and Employee Engagement

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

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

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

Main Indicators of Worker Friendliness

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

Employee Engagement Survey Results and Targets

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

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

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

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



Diversity, Equity and Inclusion

Promoting Diversity, Equity and Inclusion (DE&I)

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



Diversity, Equity and Inclusion

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

Closing the Gender Gap

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

Advancement of People with Disabilities

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

Group Initiatives

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

Advancement of Women

(as of March 2023)



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

Employees with Disabilities (Seiko Epson and Domestic Group Companies)

(as of June 2023)

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

Communication through a Dedicated Web Page

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



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



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



Health and Productivity Management

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

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

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



Mid-Range Health Management Policy

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

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

⁵ Pay sufficient attention to safety to prevent impairment of health due to work or the work environment. Develop a vibrant workplace climate where there is good teamwork.

Respect for Human Rights

Epson believes that respecting human rights in everything we do is an essential part of our corporate responsibility. This commitment is reflected in the corporate purpose and the Epson Way. We have been practicing conduct that is aligned with the 2011 United Nations Guiding Principles on Business and Human Rights ("the UN Guiding Principles"). In April 2019, we joined the Responsible Business Alliance (RBA), a non-profit organization that supports the rights and welfare of workers and communities affected by global supply chains, and we and our suppliers conduct our business in line with the RBA Code of Conduct. Epson established the Epson Group Policies Regarding Human Rights and Labor Standards in 2005 and overhauled it in light of recent changes in the way that the international community views human rights and human rights issues. The new Epson Group Human Rights Policy, which is based on the Guiding Principles and has been approved by the Seiko Epson Board of Directors, took effect on April 1, 2022.



Epson Group Human Rights Policy

<https://corporate.epson/en/philosophy/epson-way/principle/human-rights-policy.html>

Epson's human rights initiatives are spearheaded by Seiko Epson's DE&I strategic promotion department. It addresses issues in collaboration with corporate supervisory departments and HR departments at its global affiliates under the supervision of the executive officer in charge of human capital and well-being management. Epson identified as potential human rights risks that could impact its businesses child labor, forced labor, other exploitative labor, workers' rights abuses and unfair labor conditions, discrimination, and inhumane treatment including harassment. Seiko Epson and Epson Group companies exercise human rights due diligence⁶ by conducting an annual CSR assessment survey to evaluate and mitigate those impacts.

⁶ Cases identified and addressed in FY2022

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

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

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

Social Support

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

FY2022 Result
Total **1.61** billion yen

Environment ■ Coral Transplant Project (Indonesia)

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

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



Region ■ Bringing Smiles to Nursing Homes (Germany)

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



Education ■ Motivating Learning (India)

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



Environment ■ Working with the WWF to Conserve and Restore Forests

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



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

