Financial Strategy

Translating efficient, compact, and precise technologies into earning power and capital efficiency

Under our previous long-term vision, Epson 25 Renewed, we worked to expand our growth areas and strengthen our technological foundation, including our inkjet technologies. We made steady progress in repositioning us for future growth by expanding our high-capacity ink tank printers, growing sales in emerging markets, expanding into commercial and industrial domains, restructuring businesses, and making strategic investments. However, we fell short of our financial targets, with ROIC of 5.5%, ROE of 2.2%, and ROS of 5.9% in FY2025. We take this outcome to mean that we were unable to sufficiently translate Seiko Epson's technology assets, manufacturing and sales platforms, and past investments into higher profit, cash, and capital efficiency. A key management challenge will be to reliably translate our efficient, compact, and precise technologies and philosophy, one of our core strengths, into profit, cash, and capital efficiency.

Transition to disciplined ROIC-based management that prioritizes investment return certainty and capital efficiency

In our new long-term vision ENGINEERED FUTURE 2035, we aim to translate our efficient, compact, and precise technologies and philosophy into profit growth and improved capital efficiency, and to continuously generate returns that exceed the cost of capital. To achieve this, we have made ROIC a key management indicator and are emphasizing investment payback and capital efficiency in all capital allocation decisions, including capital expenditures, R&D investments, strategic investments, and mergers and acquisitions (M&A).
In Phase 1, we will first enhance earning power on a company-wide basis and improve profitability and capital efficiency aimed at achieving ROS of 8% in FY2028. By reviewing our product portfolio, improving pricing and sales mix, optimizing our fixed-cost structure, and increasing inventory turnover, we will realize cumulative earnings improvements of ¥26.0 billion over three years and will reallocate the cash generated to growth investments. In addition, by allocating capital with WACC as a clear benchmark and strengthening investment in expected high-return areas, we will create a virtuous cycle of growth and improved capital efficiency.

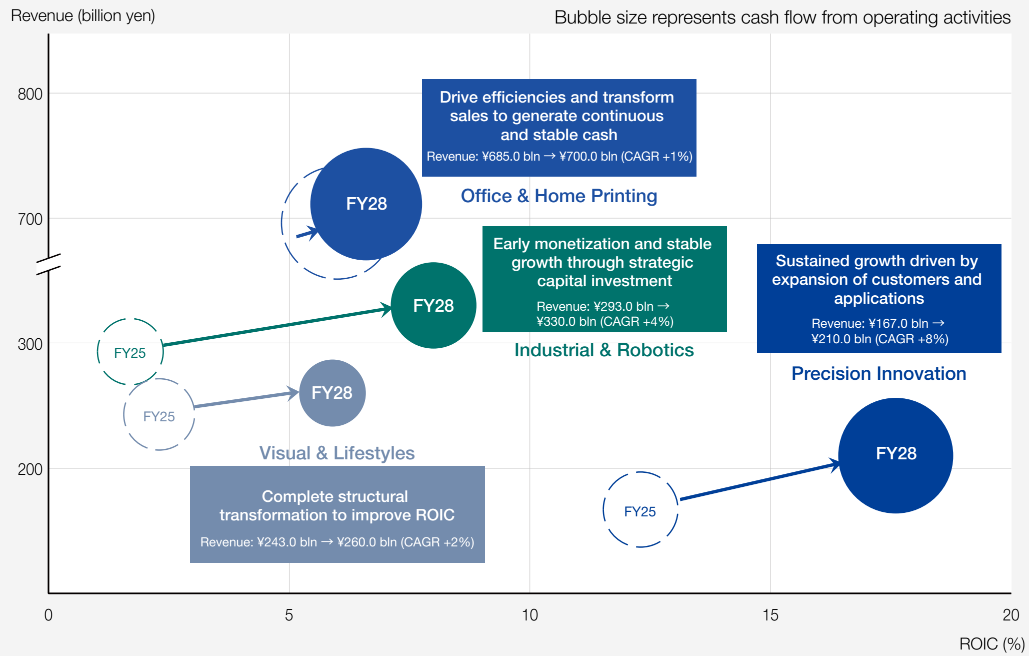
Restructuring the business portfolio

We will focus management resources on growth domains which we can leverage our efficient, compact, and precise technologies and philosophy, raising the revenue share of industrial domains[1] from approximately 30% at present to 50% by 2035 and achieving an even higher profit share.

[1] Precision Innovation and Industrial & Robotics

■ Business Portfolio Transformation: The Current and Future State of the Four Segments (Three Years Ahead)

* Source: Long-Term Corporate Vision ENGINEERED FUTURE 2035 & Mid-Term Business Plan, Phase 1 (2026 – 2028) Explanatory Presentation (March 13, 2026)



To achieve this, we have reorganized our existing businesses in line with their roles and expected returns and have rebuilt our business portfolio. By clarifying the role of each business, we will strengthen discipline in resource allocation and investment decisions and will translate these efforts to improved profitability and capital efficiency. Phase 1 is the initial execution phase for enhancing profitability and capital efficiency in preparation for that shift.

Precision Innovation is a growth engine by which we deploy our technology assets into high-growth, high-profit areas. By investing capital intensively in inkjet solutions, microdevices, Epson Atmix's superfine alloy magnetic powder business, and other areas in which we can leverage our strengths, we will drive revenue growth and will realize profit growth and improved capital efficiency.

Industrial & Robotics is the area in which we will build a foundation for robust growth from Phase 2 onward. In commercial and industrial printing and robotics, it is important that we deploy technologies such as inkjet and robotics in industrial applications and convert them into earnings. In Phase 1, we will move toward a cost structure that facilitates earning profit, review our fixed-cost structure, and strengthen our sales and service models to build an earnings base for the next stage of growth. Our efforts to raise the share of industrial domains will be driven by the two engines of Precision Innovation and Industrial & Robotics.

The Office & Home Printing business is the foundation that supports stable earnings and cash generation. Leveraging inkjet technology and our global sales platform, we will pursue efficiency in mature markets while capturing growth opportunities in emerging markets, centered on high-capacity ink tank models. The cash generated in this area is an important source of funds that supports investment in growth areas and shareholder returns. In addition to the scale of revenue and profit, we will emphasize sales efficiency, inventory turnover, and cash generation.

Visual & Lifestyle is an area in which we will complete structural reform and enhance profitability and capital efficiency. While assessing the market environment, we will review our product portfolio, optimize fixed costs, prioritize investments, and strengthen inventory management. Rather than pursuing revenue growth alone, we will focus on improving profitability, alert to the cost of capital, and on contributing to higher company-wide ROIC.

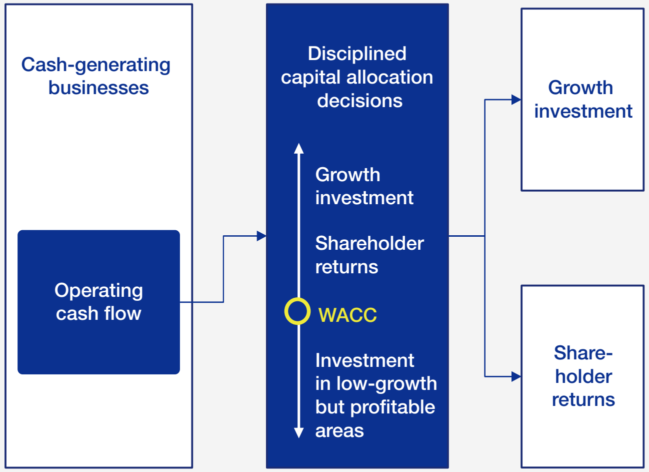
ROIC is an indicator for assessing investment profitability and, at the same time, a management metric that measures whether we are effectively utilizing company-wide shared assets such as Seiko Epson's technology, manufacturing, sales, and customer platforms. Under ENGINEERED FUTURE 2035, we will manage each segment in accordance with its role, while practicing disciplined ROIC-based management across the company. By continuously evaluating in which markets to monetize our shared technologies and in which areas to prioritize capital allocation, we will enhance the quality of our investments and generate returns that exceed our cost of capital.

Optimal capital allocation and cash allocation

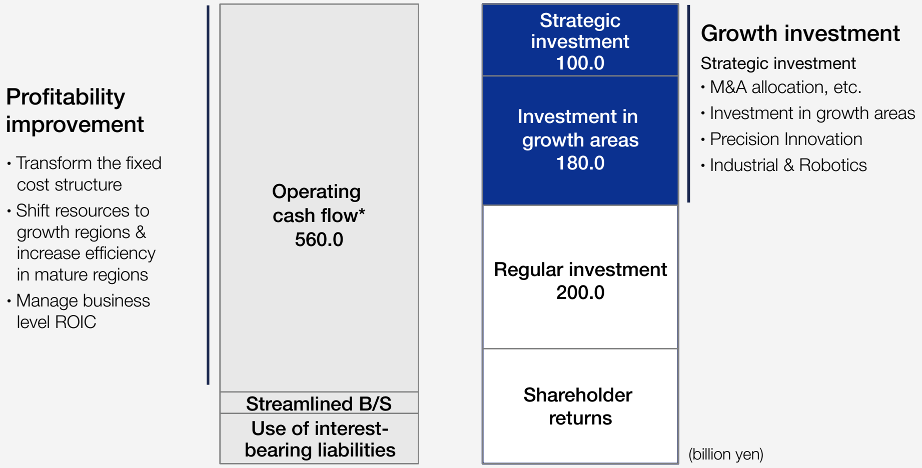
In the area of capital allocation, we will strengthen our earnings capacity in Phase 1 and enhance our ability to generate stable cash flows. This will enable us to maintain a balanced approach to growth investments, ordinary investments, strategic investments, and shareholder returns. Particularly in growth areas we will invest a cumulative total of ¥280.0 billion (including R&D expenses) across growth investments and strategic investments, and will accelerate the shift toward industrial domains.
We consider shareholder returns to be an important capital policy for improving capital efficiency and sustainably increasing shareholder value. Our basic policy is to maintain stable dividends with a minimum DOE of 3%. In Phase 1, we also plan to execute share repurchases totaling ¥80.0 billion, taking into account financial soundness and investment opportunities. By achieving both growth investments and shareholder returns, we will drive improvements in ROIC and ROE and expand shareholder value.
Phase 1 is both a preparation period for growth toward 2035 and an execution period in which we will improve profitability and capital efficiency. By clarifying each segment's role, increasing the share of industrial domains, and steadily improving ROS, we aim to achieve revenue of ¥1.5 trillion, ROS of 8%, ROIC of 8%, and ROE of 10% in FY2028. Beyond that, grounded in our efficient, compact, and precise technologies and philosophy, we will transition to a business portfolio with higher growth potential and profitability, and evolve into a company that continuously generates returns exceeding the cost of capital.

■ Make disciplined capital allocation decisions to invest in growth areas

Capital allocation policy



Cash allocation



* Before R&D adjustment

I do not believe that we can achieve our growth strategy simply by extending our existing businesses. Rather, I emphasize the importance of creating new growth opportunities by leveraging Epson's proprietary technologies, cultivated over many years, and combining them with our manufacturing expertise and trusted customer relationships to achieve technological breakthroughs in growth markets, unlock new applications, and create new avenues for growth. From this perspective, we will actively invest in growth.
Guided by our efficient, compact and precise technology and philosophy, we have continuously refined our proprietary technologies in areas such as inkjet, microdevices, and robotics, while building the business platforms needed to deliver these innovations to the world. These strengths, spanning both technology and business, are the source of our sustainable competitive advantage.
Aiming to achieve both solutions to societal issues and business growth, we will create new social value and realize sustainable growth by evolving and expanding Epson's unique technologies and organizational capabilities.

Yasunori Yoshino

Director, Executive Officer
General Administrative Manager, Corporate Strategy Division
Chief Operating Officer, Visual Products Operations Division
Chief Operating Officer, Advanced Robotics Solutions Operations Division

Sustainably enhancing corporate value requires balancing two priorities: pursuing growth and improving capital efficiency. Epson has leveraged its efficient, compact and precise technologies and philosophy to expand the footprint of its businesses and invest in the future. We will ensure that these efforts result in the generation of profits and cash and evolving our management approach to consistently deliver returns that exceed our cost of capital.
As CFO, what I consider most important is improving the quality of our investments while respecting growth potential and strategic value. By using ROIC as the axis for management decision-making and dialogue, and by identifying each business's role and earnings structure, we will allocate capital more effectively. Financial discipline is not meant to constrain challenges; it is meant to guide value-creating challenges toward reliable results. While balancing growth investments and shareholder returns, we will continue dialogue with all stakeholders and will responsibly work toward sustainable growth and the enhancement of shareholder value.

Osamu Shigemura

Executive Officer
Chief Financial Officer
Chief Compliance Officer
Chief Information Systems Officer
General Administrative Manager, Business Management & DX Division