Sustainability Management

Under its ENGINEERED FUTURE 2035 Long-Term Vision, Epson views changes in the social environment not only as risks but also as opportunities for creating new value. Through our business activities, we will contribute to solving societal issues while also enhancing corporate value by improving profitability and capital efficiency. Sustainability is not merely an initiative to fulfill social responsibility; it is Seiko Epson's business strategy itself. As a company that supports sustainable growth, we will continue to create value demanded by society and, establish a virtuous cycle of realizing a sustainability and enhancing corporate value to achieve long-term growth.

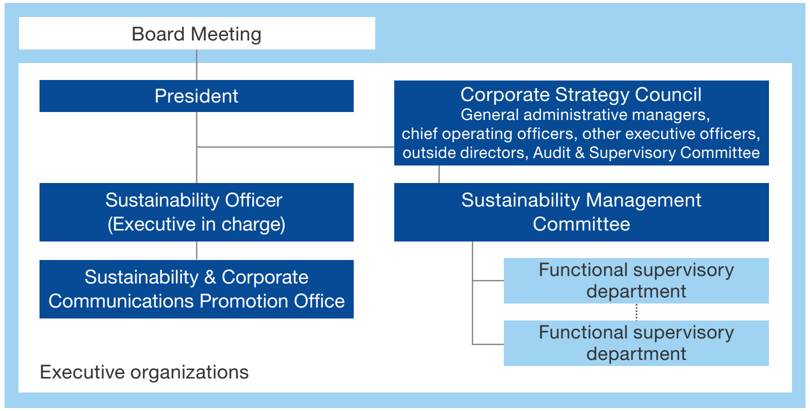
Strengthening sustainability management

In formulating the ENGINEERED FUTURE 2035 Long-Term Vision, we examined the social environment from various angles and recognized that companies are affected by significant changes, including decarbonization, tightening energy and resource constraints, the rapid advance of the AI and data society, worsening labor shortages, population growth and economic growth mainly in emerging countries, geopolitical risks, and tighter regulations. These changes bring new constraints and risks to corporate activities, while also presenting major opportunities for the transformation of social and industrial structures themselves.
In this environment, what is required of companies is management that balances solving societal issues with sustainable growth, not merely the pursuit of short-term profit. In ENGINEERED FUTURE 2035, we aim to contribute to the sustainable development of society and industry based on our technologies and philosophy of efficient, compact, and precise. Epson will create value originating in societal issues, evolve technology, and implement that value in society to achieve the simultaneous creation of social value and economic value. We will enhance our corporate value over the medium to long term by improving profitability and capital efficiency. Our environmental initiatives will balance solving customers' issues with creating business opportunities by providing products and services that contribute to reducing environmental impacts through energy-saving and resource conservation technologies.
To sustainably realize value creation, it is essential that we strengthen not only the business itself but also the management foundation that supports it. Positioning human capital as one of our sources of value creation, Epson is working to develop a global organizational and human resources base, while also developing leadership talent that can envision and execute even in highly uncertain environments, strengthening engineering talent that connects technology to real-world implementation, and promoting diversity. Along with strengthening intellectual capital, we are advancing the sophistication of the management foundation that supports value creation through ESG (environmental, social, and governance) initiatives. Epson has also been advancing initiatives such as transitioning 100% of the electricity used across its global operations to renewable energy and addressing environmental and human rights issues across the supply chain, through activities including those of the Responsible Business Alliance (RBA). Toward the realization of ENGINEERED FUTURE 2035, the Group as a whole is advancing initiatives on key issues including promotion of decarbonization, utilization of renewable energy, strengthening of supply chain resilience, respect for human rights, compliance, and information security.
Based on this approach, Epson analyzes the risks and opportunities brought about by changes in the social environment and identifies its materialities as key issues for creating value through its business. Epson has also rebuilt its value creation process starting from our materialities and has set initiative themes and KPIs. In line with this review of our value creation process, we also reorganized KPIs related to our management foundation, a non-financial area, and improved KPIs related to human capital and intellectual capital with a stronger focus on linkage to and contribution to business growth.
We will work to realize ENGINEERED FUTURE 2035 while continuously managing and improving the status of our creation of social value and economic value.

Sustainability Promotion

Epson's Sustainability & Corporate Communications Promotion Office, established directly under the President and headed by an executive officer, is responsible for sustainability activities across the Group. We also established the Corporate Strategy Council as an advisory body to the President. The Council comprises members of executive management such as general administrative managers and chief operating officers, as well as outside directors and Audit & Supervisory Committee members. Members of the Council formulate medium- to long-term, Group-wide sustainability strategies based on analyses of social trends, review the progress of initiatives, and address key issues.
As a subordinate organization under the Corporate Strategy Council, we established the Sustainability Management Committee to engage in discussion and examination of specialized matters related to sustainability activities. The Sustainability & Corporate Communications Promotion Office serves as the administrative office for the Sustainability Management Committee. It regularly reports sustainability-related affairs to the Board of Directors and operates under its oversight.

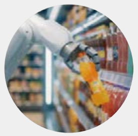
■ Promotion Organization



Materiality

Epson analyzed the risks and opportunities brought about by changes in the social environment and identified areas where we can provide value to society through our own technologies and businesses. As a result, we set seven materialities as key issues aimed at realizing the ENGINEERED FUTURE 2035 Long-Term Vision. These materialities are structured along the two layers of value creation and foundation for value creation.

The first layer of materialities related to value creation indicates the value that Epson provides to society through its business activities. Through an analysis of changes in the social environment, we identified four areas where Seiko Epson can leverage its technological and business strengths to balance solving societal issues with enhancing corporate value: improving the efficiency of energy and resources, technology evolution, addressing labor shortages, and enhancing learning, working, and living.
The second layer of materialities related to the foundation for value creation indicates the sources of competitiveness and the management foundation required to sustainably realize value creation.
In formulating this long-term vision, we position human capital that generates innovation and intellectual capital that implements innovation in society as essential to realizing sustainable value creation, and position these as sources of value creation.
We focused on human capital based on the idea that, as societal issues become more complex and uncertainty in the business environment increases, developing and utilizing talent with both vision and execution capabilities as well as talent with diverse expertise will be a prerequisite for value creation.
We focused on intellectual capital based on the idea that, while deepening the technologies and philosophy of efficient, compact, and precise at the source of Epson’s competitiveness, it is essential for sustainable growth that we connect those technologies to real-world implementation and create new value and markets.
Our management foundation, comprising responses to the global environment, supply chain management, initiatives to respect human rights, and governance including appropriate capital allocation that supports execution of these initiatives, is positioned as the foundation that enables maximum demonstration of the sources of value creation and competitiveness and that supports sustainable growth.
Epson aims to enhance its corporate value over the medium to long term by strengthening these materialities in an integrated manner while linking them to one another, thereby achieving the simultaneous creation of social value and economic value.

Value creation	Solving social issues through business activities	Supporting energy and resource efficiency 	Supporting advances with precision technology 	Addressing labor shortages with productivity and reliability 	Supporting learning, working, and lifestyles 
Business functions supporting value creation	Sources of value creation	Human capital transformation to support innovation		Generating intellectual capital for innovation	
	Management foundation	Responsible management and implementation that enable long-term value creation			

Materiality Identification Process

In formulating our ENGINEERED FUTURE 2035, Epson analyzed the impacts on Seiko Epson and stakeholders from changes in the social environment and societal demands such as international standards. Specifically, taking into account social changes such as decarbonization, constraints on energy and resources, the advance of an AI- and data-driven society, worsening labor shortages, growth in emerging countries, geopolitical risks, and tightened regulations, we assessed key issues from perspectives of business opportunities and risks. Doing so, we identified four value creation areas—energy and resource efficiency, technology evolution, labor shortages, and improving learning, working, and lifestyles—as areas in which we can create value through our technologies and business. We also identified human capital and intellectual capital as sources of competitiveness in sustainably realizing these value creation efforts, and added responsible management and execution as the management foundation for overall efforts. We thereby identified seven materialities.

Changes in the social environment
Decarbonization; constraints on energy and resources; AI; labor shortages; growth in emerging markets; etc.

Analysis of risks and opportunities
Areas where Epson can create value for society by leveraging its capital and capabilities.

Societal expectations
Demands of international standards, guidelines, ESG rating organizations, etc.

Identification of 4 value creation areas

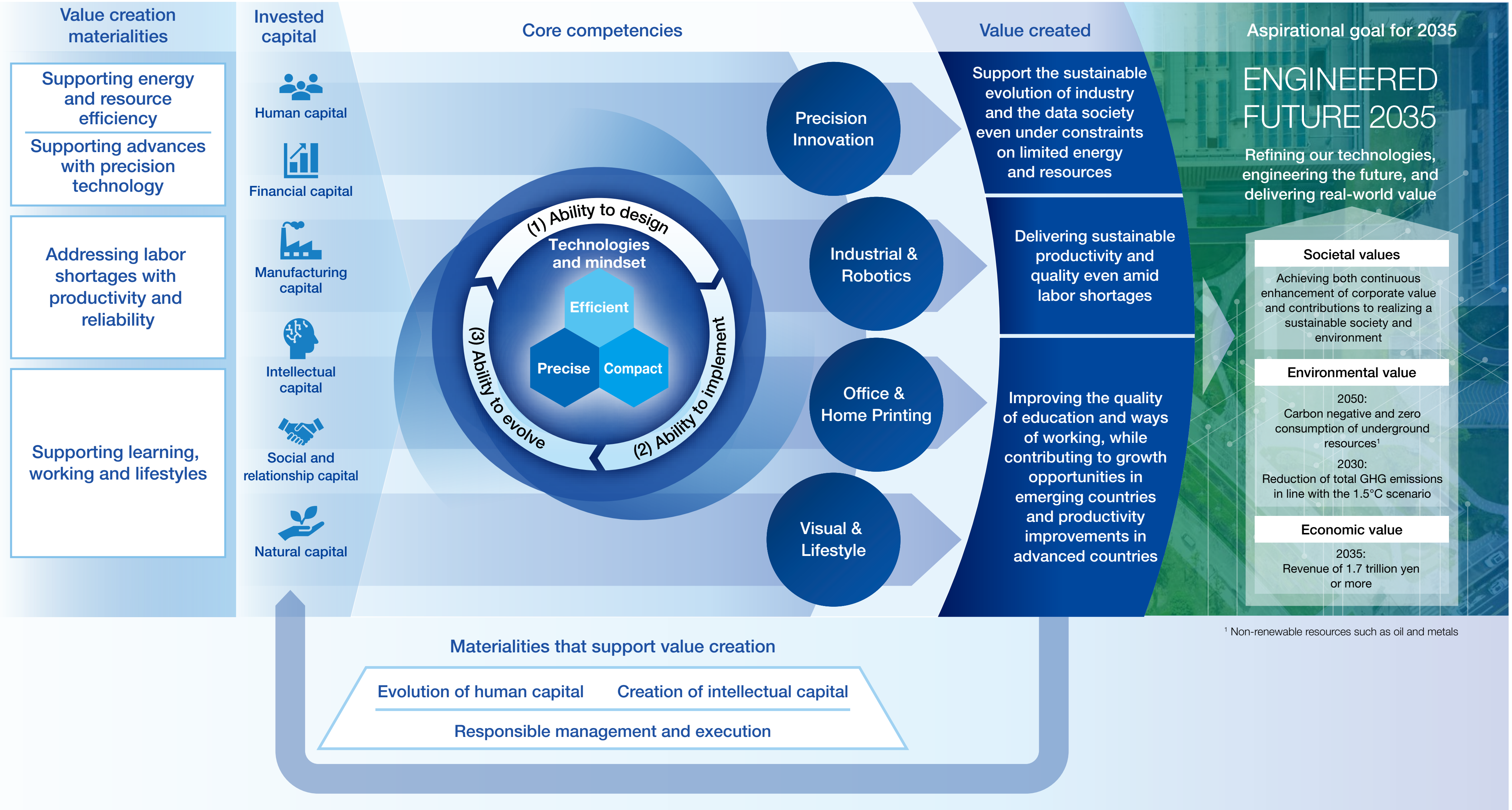
Identification of necessary items to support value creation
Human capital, intellectual capital, management foundation

Finalization of 7 materialities
Value creation (4) + foundation for value creation (3)

Linkage with long-term and medium-term growth strategies

Value Creation Process

Under the ENGINEERED FUTURE 2035 Long-Term Vision, Epson is promoting value creation that leverages the technologies and philosophy of “efficient, compact, and precise” to address issues and needs arising from changes in the social environment. By linking our business strategies to our management foundation with a grounding in our seven materialities, we will realize the resolution of societal issues and the creation of new value, and will aim for sustainable growth and enhanced corporate value through the simultaneous creation of social value and economic value.



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

Value Creation and Progress Management Based on Materialities

To steadily realize value creation based on our materialities, we set the value to be created, initiative themes, and evaluation indicators for each materiality, and continuously manage progress. In line with this review of the value creation process, we reorganized the KPI framework. We also incorporated some indicators into executive management compensation evaluations to promote highly effective management aimed at the simultaneous creation of social value and economic value.

LINK For details, see P54 “Officer Compensation System”.

	Materiality	Opportunities (◯) Risks (●)	Segment	Value Created	Main Initiative Themes	Evaluation Indicators (KPI)	Phase 1 Targets[1]
Value creation	**Supporting energy and resource efficiency**	◯ As demand for energy saving and resource conservation expands, the market for high-efficiency products and solutions expands ◯ Business opportunities expand in areas related to closed resource loop initiatives and resource recycling ● Rising energy and resource prices and unstable supply raise procurement and manufacturing costs and disrupt supply ● Delays in responding to stricter environmental regulations and circularity requirements lead to reduced competitiveness and transaction constraints	Precision Innovation	Building on precision manufacturing and control technologies, we achieve lower energy use and higher efficiency in manufacturing processes together with more advanced device performance, and support the sustainable evolution of industry and of a data-driven society even under energy and resource constraints	• Inkjet Solutions: Strengthen inkjet technology and engineering, expand applications and markets through co-creation and external partnerships, and drive manufacturing transformation • Microdevices: Combine quartz and semiconductor technologies and support the evolution of the digital society through high-precision, low-power-consumption devices • Epson Atmix: Further meet the need for closed resource loops and higher functionality by increasing the added value of high-performance materials and strengthening production capacity	Revenue (billion yen) CAGR (%)	Revenue ¥210.0 billion CAGR 8%
	Supporting advances with precision technology	◯ Expanding demand for high-precision, low-power-consumption, high-reliability technologies increases business opportunities in high value-added areas ◯ Growing use of AI and data increases demand for high-precision, low-power-consumption devices and related components ● Intensifying development competition in AI, semiconductors, and communications increases the investment burden ● Insufficient response to more advanced technical requirements and faster development speeds leads to delays in customer response and reduced market competitiveness					
	Addressing labor shortages with productivity and reliability	◯ As needs for automation, labor saving, and process optimization expand, the production-related solutions market expands ◯ Demand is growing for high-quality, highly efficient manufacturing and the optimization of end-to-end production processes ● Difficulty in securing talent and rising labor costs under a declining working-age population create difficulties in production system maintenance and stable supply ● Insufficient transfer of skilled expertise creates difficulties in productivity and quality maintenance	Industrial & Robotics	Through automation and process optimization, we simultaneously solve the challenges of labor shortages and quality maintenance at production sites and contribute to building an industrial foundation that can grow sustainably even under labor constraints	• Commercial and Industrial Printing: Strengthen the lineup of high-productivity models and digital printing solutions to advance higher productivity and process optimization • Robotics: Expand the lineup of high-payload, collaborative robots and other products to advance production site reform through automation and labor saving	Revenue (billion yen) CAGR (%)	Revenue ¥330.0 billion CAGR 4%
	Supporting learning, working and lifestyles	◯ Growing environmental awareness, soaring energy prices, and unstable electrical power in emerging countries drive demand for products and services that help reduce environmental impact and for operational efficiency improvements driven by rising labor costs ◯ Demand for more advanced education, experiential value, and communication is growing due to middle-class expansion in emerging economies, increasing digitalization, and the diversification of work and learning styles ● In education and business domains, progress in digitization and the emergence of alternative technologies reduce market competitiveness and result in lost sales opportunities ● Insufficient response to changes in work styles and to increasingly diverse customer needs reduces customer touchpoints and market opportunities	Office & Home Printing	By improving access to information and operational efficiency, we enhance the quality of education and ways of working while contributing to growth opportunities in emerging countries and productivity improvements in advanced countries	• Office & Home Printing: Expand sales and customer touchpoints in emerging markets while evolving the earnings base by strengthening our recurring model • Visual & Lifestyle: Strengthen visual communication and the service model to advance enhanced experiential value and stable monetization	Revenue (billion yen) ROIC (%)	Revenue ¥700.0 billion ROIC +1% (compared to FY2025)
			Visual & Lifestyle				Revenue ¥260.0 billion ROIC +4% (compared to FY2025)

	Materiality	Opportunities (◯) Risks (●)	Value Created	Main Initiative Themes	Evaluation Indicators (KPI)	FY2026 Target
Foundation for value creation	**Evolution of human capital**	◯ Through development and hiring of specialized talent, leveraging of AI/data, reskilling, and optimal global talent allocation, productivity improvement and innovation creation will accelerate, contributing to business growth and achievement of ROIC ◯ Promoting active roles for diverse talent and enhancing employee engagement through appropriate evaluation and treatment lead to maximization of organizational capabilities ● Productivity and competitiveness decline due to delayed reskilling and talent development ● Strategy delays and higher costs due to shortages of executive management/managerial talent and specialized talent result in missed growth opportunities ● Difficulty in securing talent and rising labor costs under a declining working-age population create difficulties in securing expert talent and in strengthening organizational capabilities	Realize a global talent base in which diverse and highly skilled human resources commit to results and demonstrate their capacity to create innovation	• Advanced utilization of our global organizational and human resources base	• Expansion of talent utilization that goes beyond existing organizational frameworks	Expansion of roles through the creation of themes
				• Cultivation of leadership that drives business	■ Rate of succession readiness for key Group positions[2] (including overseas key positions)	100%
				• Strengthening of engineering talent and expansion of areas of contribution	• Promote the development of engineers who directly contribute to solving customer challenges • Embed and strengthen the engineering approach (engineering-based problem solving) throughout the organization	• Reinforce training on problem-solving methodologies • Prepare for revisions to the performance evaluation system
				• Maximization of organizational teamwork	■ Ratio of women in management positions	6.7%
					• Employment rate of people with disabilities	2.6%[3]
	Creation of intellectual capital	◯ New markets are created through real-world implementation driven by technological advancement and co-creation ● Delayed technology development, insufficient differentiation, and outflow/obsolescence of intellectual property undermine our competitive advantage and earnings base	Build an intellectual foundation that creates new value and markets through technological advancement and real-world implementation to achieve both competitive advantage and solutions to social issues	• Advancement of “efficient, compact, and precise” technologies and of R&D	• Execution of R&D aligned with business growth vectors	Setting of priority themes
				• Utilization of intellectual capital linked to business strategy	• Utilization of IP landscapes in business and development	Expanded utilization in priority themes
	Responsible management and execution	◯ Enhancement of ROIC-centered capital allocation and ESG initiatives achieves both earnings reform and growth investment, thereby increasing corporate value ◯ Strengthening of supply chain management and risk management enhances business stability and resilience ● Reputational damage, business constraints, and higher costs result from delays or violations in regulatory compliance related to ESG areas such as the environment, human rights, and supply chains ● Resource procurement constraints and price fluctuations stemming from geopolitical risks and impacts on economic security result in supply instability and profit deterioration ● Cyberattacks and information leaks affect business continuity and customer trust	From a foundation of responsible management that achieves capital efficiency and sustainability, link social trust to the strengthening of business foundations and generate corporate value	• Decarbonization initiatives	■ Scope 1 and 2 GHG emissions reduction rate (total; compared to FY2017) Scope 1, 2, and 3 GHG emissions reduction rate (total; compared to FY2017)	Previous fiscal year rate or higher (82% in FY2025) Previous fiscal year rate or higher (35% in FY2025)
				• Utilization of renewable energy	• Renewable energy adoption rate	Maintenance of 100% global adoption rate
				• Strengthening of supply chain BCM	■ Enhance BCM planning accuracy and strengthen recovery response capabilities to minimize sales impact from supply chain disruptions and interruptions	Year-over-year improvement of BCM plans/ achievement rate of recovery plans during emergencies
				• Realization of responsible supply chains	• CSR risk level among suppliers	High risks: 0%
				• Respect for human rights	• Expansion of scope of human rights due diligence	Expansion of scope of human rights risk identification and assessment
				• Strengthening the foundation of compliance management	■ Number of major compliance violations	0
				• Reinforcing information security	• Number of major information security incidents	0

[1] Medium-term targets through FY2028 [2] Calculated as: number of successor candidates / number of Group key positions [3] As of June 2026 ■ Evaluation indicators for executive management compensation