Corporate Vision

Epson 25 Renewed

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

In March 2021, Epson established the Epson 25 Renewed corporate vision, outlining a revised strategy for accomplishing the company's aspirational goal of achieving sustainability and enriching communities.

As a strong proponent of environmental action, Epson simultaneously revised Environmental Vision 2050 and will seek to become carbon negative and underground resource[1] free by 2050.
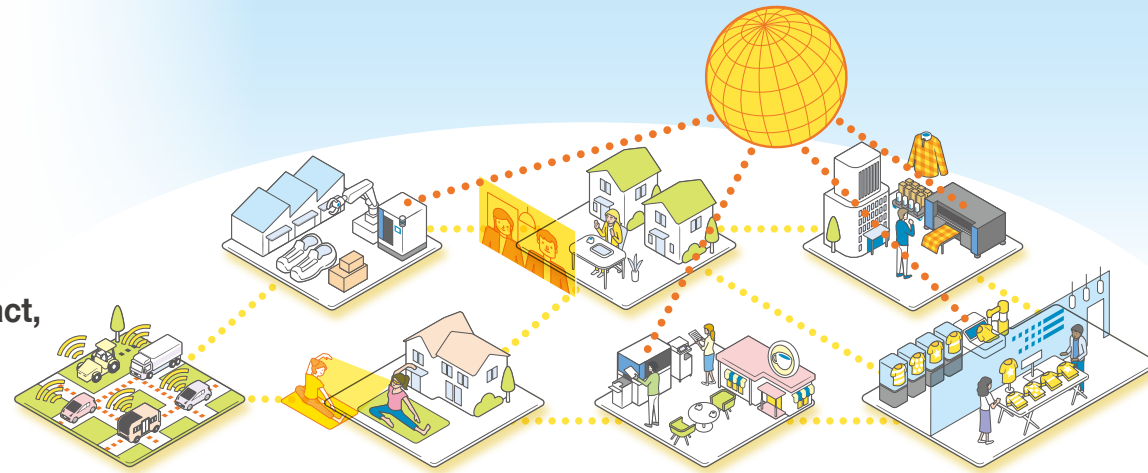
[1] Non-renewable resources such as oil and metals

▶ Epson 25 Review

Under the Epson 25 Corporate Vision, established in 2016, we worked to enhance products and services and to strengthen infrastructure. However, these efforts did not yield the expected results and it became clear that we would fall short of the financial targets.

We analyzed the issues and their causes as shown below and are responding with new initiatives under Epson 25 Renewed.

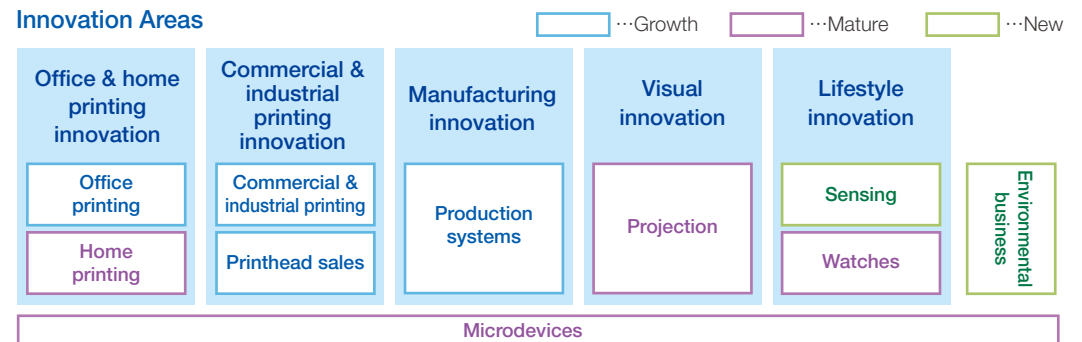| Issue	Response

● Plan assumed excessive revenue growth
● Strategy execution lacked speed
● Slow response to environmental changes
	● Redefine business area goals and evolve strategies
	  • Product planning using customer data
	  • Improve solutions
	● Strengthen company-wide strategy across businesses
	  • Formulate strategy centered on solving environmental issues
	  • Provide solutions via DX
	  • Build a co-creation framework
	● Allocate management resources to new areas and growth areas by clarifying business portfolio
	● Strengthen business infrastructure to execute strategy
	  • Leverage data to strengthen sales tied to customer support
	  • Recruit and develop diverse human resources

Cause	

● Unmindful of customer and competitor perspectives, together with mindset that superior products would be enough to drive sales
● Lack of sensitivity to changes in societal demands and weakness in incorporating them in company-wide strategy
● Lack of ability to execute strategy and over-emphasis on self-reliance
  • Sales organization centered on consumer products
  • Lack of human resource strategy	

▶ Epson 25 Renewed

These initiatives are based on an amended value creation story (→P16) and materialities (→P46). As demand rises for solutions to environmental problems and other societal issues and for connectivity and information in an increasingly decentralized world, we will seek to realize our aspirational goal by providing individuals, industries, and manufacturers with smart solutions that connect people, things, and information.

The environment, DX, and co-creation will be key to this effort. We will emphasize the environment and, on top of that, will utilize digital technology to achieve innovation and collaborate with partners to solve societal issues. The innovation areas were reorganized into five areas from a societal issues and customer perspective, and the businesses in each were further classified as growth, mature, or new areas of business to enable us to focus most on the core areas of highest priority (→P7).

We will also reinforce the business infrastructure that supports these, including sales and marketing, production, and technology development. In addition to adding ROIC (return on invested capital) to our financial targets to promote greater awareness of the cost of capital, we will emphasize profitability by clarifying the business portfolio and appropriately allocating management resources (→P23-25).

Innovation Areas

…Growth …Mature …New

Office & home printing innovation	Commercial & industrial printing innovation	Manufacturing innovation	Visual innovation	Lifestyle innovation	
Office printing Home printing	Commercial & industrial printing Printhead sales	Production systems	Projection	Sensing Watches	Environmental business
Microdevices					

Epson
Integrated Report 2021

CEO Message | Corporate Vision | Value Proposition | Financial Strategies | Value Creation Strategy | Sustainability Management | Value Creation Platforms | Fact Data

Epson 25 Renewed Corporate Vision

▶ Environmental Initiatives

Environment

Promote decarbonization and close the resource loop, develop environmental technologies, and provide products and services that reduce environmental impacts

Declaration 50 of the 2030 Agenda for Sustainable Development states, "We ... may be the last [generation] to have a chance of saving the planet," expressly acknowledging that the planet is in crisis and that immediate action is essential. The fact is that modern civilization revolves around the unrestrained consumption of resources and that this is negatively impacting the global environment and human society. The anthropogenic causes of the deepening climate crisis can only be overcome by human action.

Epson recognizes this and is pursuing ambitious environmental initiatives under Epson 25 Renewed. We are looking to decarbonize, close the resource loop, develop environmental technologies, and provide low-impact products and services. Decarbonization is essential for overcoming climate change. We also believe that to escape the cycle of wasteful overconsumption of resources, we must abandon the single-use approach and reuse resources repeatedly.

It is essential to begin environmental initiatives immediately and to continue them over the long term, and Epson is committed to doing so under Environmental Vision 2050.

Environmental Vision 2050

Epson will become carbon negative and underground resource[1] free by 2050 to achieve sustainability and enrich communities

Goals
- 2030: Reduce total emissions in line with the 1.5°C scenario[2]
- 2050: Carbon negative and underground resource[1] 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

In 2008, Epson established Environmental Vision 2050, a statement of our environmental goals out to the year 2050. The world has since changed. Global efforts to achieve social sustainability are accelerating, with the United Nations adopting Sustainable Development Goals (SDGs) and the Paris Agreement charting a course toward decarbonization. In light of these changes, Epson revised the environmental vision in 2018, and specified three actions that the company should take. In March 2021, Epson further revised the vision, setting specific goals that reflect Epson's strong commitment to addressing major societal issues such as decarbonization and resource recycling.

[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)

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES
Declaration of support in Oct. 2019

JAPAN CLIMATE INITIATIVE
Joined in Jan. 2019

RE100 °CLIMATE GROUP | CDP
Joined in Apr. 2021

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Epson 25 Renewed Corporate Vision

▶ DX Initiatives

DX

Contribute to customer success by building a robust digital platform, connecting people, things, and information, and co-creating solutions that continue to meet customer needs

Epson has positioned digital transformation (DX) as a key strategy for achieving Epson 25 Renewed. We will build a robust digital platform by using Epson's data and services and by creating shared infrastructure for using the data and services. We will partner with others to co-create solutions that connect us to and create long-term relationships with individual and industrial customers as well as with education and manufacturing environments.

We will take an open approach to co-creating solutions, opening our API, enabling the connection of non-Epson equipment, and providing opportunities for many partners to participate. With deep customer knowledge, we will contribute to their success by expanding support and creating new products and services. We will help transform lifestyles and create new business models by being attentive to customer needs, delivering parts and consumables when needed depending on equipment use and using data analysis to provide support. These initiatives will span the company and improve profit and sustainability.

Epson's Initiatives → Goals

DX Level 2
Creation of a new business models
• Expanding the scope of business by broadly co-creating with partners without being limited by our own hardware

→ Create new customer success that leads to solving societal issues

DX Level 1
Transformation of existing business models
• Tie together Epson hardware and expand sources of income

→ Contribute to customer success with new services

DX Level 0
Digitalization of existing businesses
• System improvements, efficiency & automation

→ Enhance existing customer value

Carry out and link three initiatives in parallel to make greater strategic use of the latest digital technology and data to realize our long-term vision.

DX Level 2 Create new customer success that leads to solving societal issues
Create new customer success that leads to solutions to societal issues by widely co-creating with partners and creating new business models without being limited by our own hardware.

DX Level 1 Contribute to customer success with new services
Contribute to customer success by building maintenance service business infrastructure, using data to enhance customer support and the subscriptions business, and creating other new services that utilize our own hardware.

DX Level 0 Enhance existing customer value
Enhance customer value by completing portal site, e-commerce site, marketing automation and other digital platforms, and by connecting our hardware with our customers.

Epson 25 Renewed Corporate Vision

## ▶ Co-creation Initiatives

Co-creation

Leveraging our technologies and product families, solve societal issues with partners by providing core devices and a place for co-creation and networking, as well as through collaboration and investment

There is a limit to how much we can do alone to solve societal issues. We believe we can help solve issues by having more people effectively utilize our technology assets and by combining our technology with other technologies to create new and greater value. We will therefore further strengthen and expand the breadth of co-creation with partners around the world.

We have strong product families that are based on our efficient, compact, and precision technologies and will use these, along with software and digital technology, to forge co-creation opportunities with a range of outside partners. To this end, we will provide facilities and forums for co-creation and personnel exchanges, supply core devices, and offer CVC funding.

We will combine Epson's technologies, devices, and products with partners' ideas and technologies, create an Epson innovation platform that produces new value, and, together with partners, solve societal issues.

Product planning and development   **Corporate coordination and cooperation**

Place for co-creation and networking
Supply core devices
Collaboration and investment (CVC)

Epson Innovation Platform

Use of software and digital technologies
+
Strong hardware products

Efficient, compact, and precision technologies
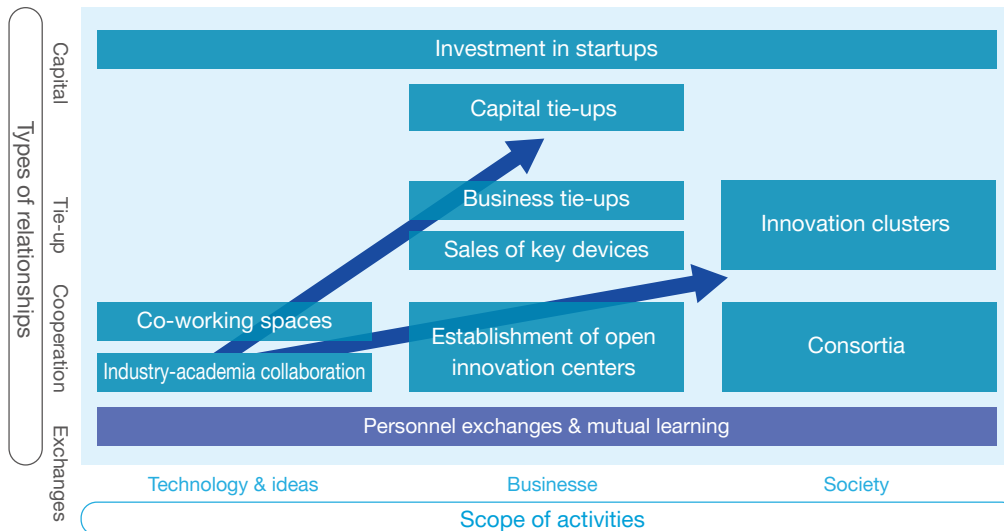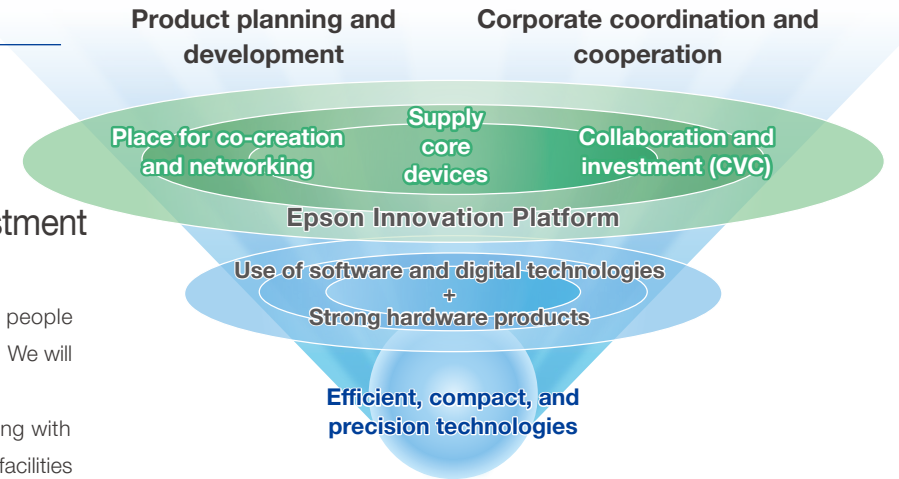
Epson has been engaged in various forms of co-creation to solve societal issues. The scope of these activities is expanding beyond our technology, ideas, and business to include impacts on and contributions to society.

We are collaborating with allies in industry and academia to improve our technological capabilities and develop new technologies and ideas. Co-working spaces are being used to incubate fresh ideas and to encourage wide use of our technologies and ideas by partners.

We are co-creating with venture businesses to achieve Epson 25 Renewed and expand our business in the future. In addition to capital and business tie-ups with venture businesses, we established a CVC subsidiary, Epson X Investment, in 2020, and are investing more agilely in start-up companies.

Selling key devices such as inkjet printheads enables us to collaborate with partners who have a wider range of customer contacts than we do. And, setting up open innovation centers allows us to provide partners with hands-on experience in using our products and devices.

To broadly solve societal issues, we will develop new businesses by co-creating with partners through participation in innovation clusters and consortia.

Things learned through co-creation and personnel exchanges are also fed back into our business activities.

Types of relationships

Capital
- Investment in startups
- Capital tie-ups

Tie-up
- Business tie-ups
- Sales of key devices
- Innovation clusters

Cooperation
- Co-working spaces
- Industry-academia collaboration
- Establishment of open innovation centers
- Consortia

Exchanges
- Personnel exchanges & mutual learning

Scope of activities
Technology & ideas | Businesse | Society