

Epson Group

Sustainability Report 2012

April 2011 - March 2012

For Our Customers, For Society



Management Philosophy

Epson is a progressive company,
trusted throughout the world
because of our commitment to customer satisfaction,
environmental conservation, individuality, and teamwork.
We are confident of our collective skills
and meet challenges with innovative and creative solutions.

EXCEED YOUR VISION

As Epson employees,
we always strive to exceed our own vision,
and to produce results that bring surprise and delight
to our customers.



Epson conducts its business activities with the aim of becoming a company that is indispensable to customers and society. These activities are rooted in our Management Philosophy and in the employee mission underpinning the "EXCEED YOUR VISION" tagline.

Epson Sustainability Report 2012

Editorial Policy

This report describes Epson's CSR initiatives oriented around the Epson Management Philosophy. In compiling this report, we placed the customer at the top of our target audience. In addition, we used the words of the employees who are actually carrying out the activities whenever possible so they can convey their thoughts directly to our stakeholders and reaffirm a sense of pride in the work they do.

In the first feature article, we take a look at several instances in various businesses where Epson products and services have created value that exceeded customer expectations, along with comments from actual users of those products and services. The second feature article introduces Epson's response to the recent spate of natural disasters and its initiatives geared toward manufacturing continuity.

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Nagano-ken, Japan 392-8502
Tel: +81-266-52-3131 (main)

CSR activity website
<http://global.epson.com/SR/>

Reporting Period

April 2011 to March 2012

Note: Contains some information on activities conducted after March 2012

Scope

This report describes the sustainability efforts of Seiko Epson Corporation and 97 consolidated subsidiaries. The scope of environmental reporting, however, covers Seiko Epson Corporation, 18 affiliates in Japan and 44 affiliates overseas.

Note: "Epson" refers to the Epson Group, unless indicated otherwise.

Organizational Changes in This Reporting Period

- Addition of three consolidated subsidiaries
- Removal of six consolidated subsidiaries

Refer to the following website for details on changes to the Epson Group.

 Full year ended March 31, 2012
http://global.epson.com/IR/financial_results/

Referenced Guidelines

- GRI¹ Sustainability Reporting Guidelines v3.1
- Environmental Reporting Guideline issued by the Japanese Ministry of Environment (2012)
- ISO 26000:2010 / JIS Z 26000:2012 (Guidance on social responsibility)

¹ Global Reporting Initiative: This international organization creates global guidelines that organizations can use to measure and report their economic, environmental, and social performance.

Memberships

- Global Compact Japan Network
- Japan Electronics and Information Technology Industries Association
- Japanese Business Federation (Nippon Keidanren)
- Japan Business Machine and Information System Industries Association
- Communications and Information Network Association of Japan
- Center for Information on Security Trade Control
- Japan Environmental Management Association for Industry

Previous Reports

Epson has been publishing a report every year since 1999. In 2003, the name of the report was changed from Environmental Report to Sustainability Report.

Next Scheduled Report

July 2013

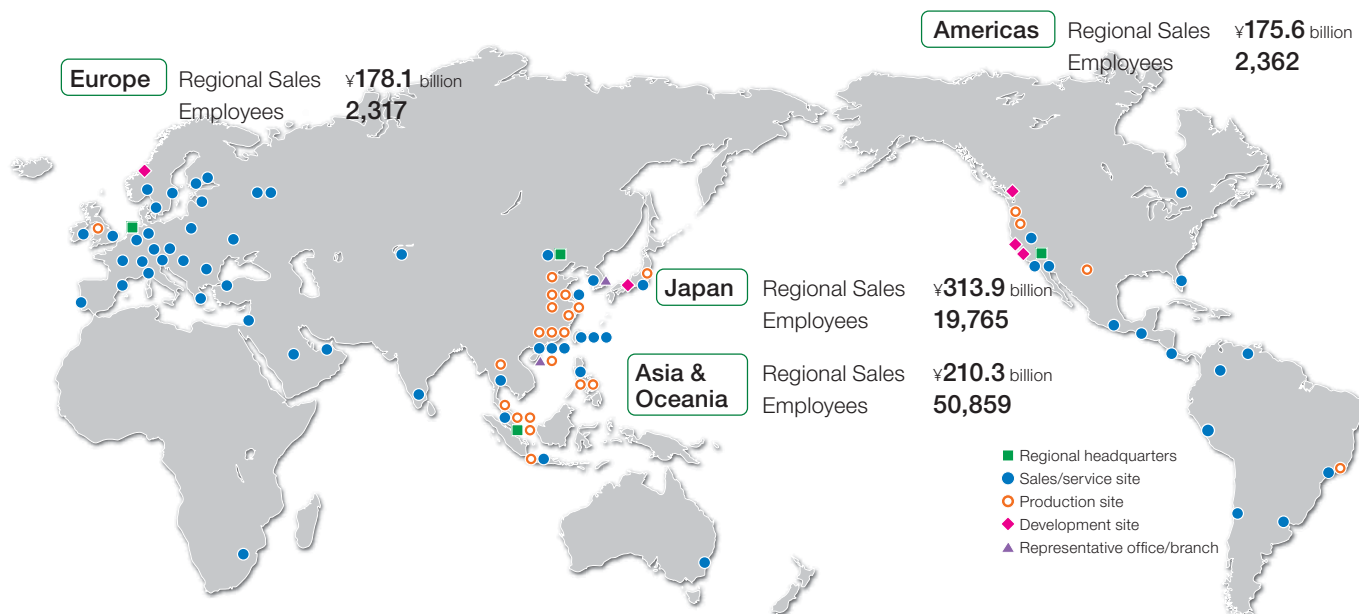
Disclaimer

This report includes forward-looking statements, estimates, and plans based on the information available at the time of publication. Actual results may be different from those discussed.

Company Profile (As of March 31, 2012)

- **Company** Seiko Epson Corporation
- **Founded** May 18, 1942
- **Head Office** 3-3-5 Owa, Suwa-shi,
Nagano-ken, Japan 392-8502
- **Group Companies** 97 (including Seiko Epson Corp.)

- **Capital** ¥53,204 million
- **Number of Employees**
Consolidated: 75,303
Parent Company: 13,045

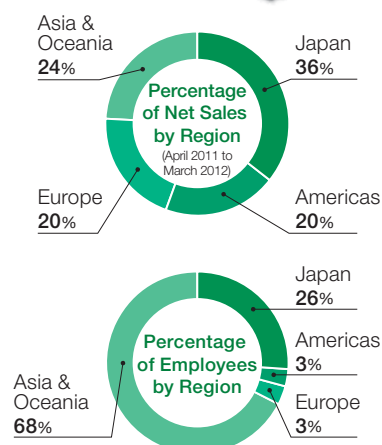


Affiliates in Japan (21 total)

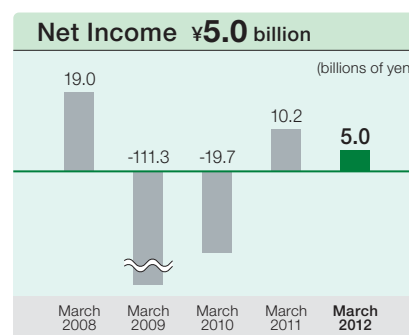
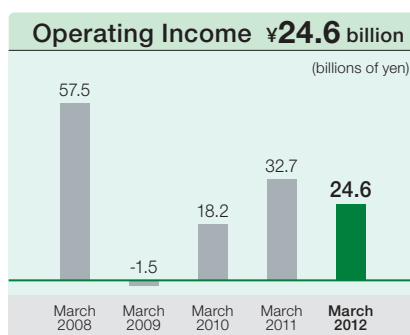
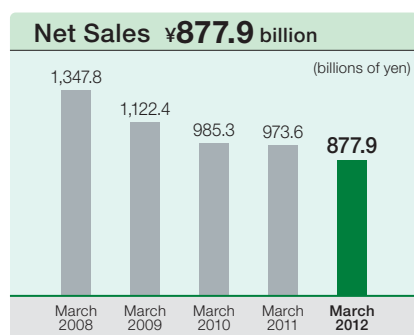
Epson Sales Japan Corporation
 Epson Direct Corporation
 Epson Toyocom Corporation
 Tohoku Epson Corporation
 Akita Epson Corporation
 16 others

Affiliates Overseas (75 total)

U.S. Epson, Inc. (regional HQ)
 Epson Europe B.V. (regional HQ)
 Epson (China) Co., Ltd. (regional HQ)
 Epson Singapore Pte. Ltd. (regional sales HQ)
 Epson America, Inc. (sales)
 Epson France S.A. (sales)
 Epson Precision (Hong Kong) Ltd. (production)
 Singapore Epson Industrial Pte. Ltd. (production)
 P.T. Indonesia Epson Industry (production)
 Epson Precision (Philippines), Inc. (production)
 65 others



Consolidated Results Highlights



FY2011 Performance by Business Segment

Note: Key changes to the segmentation of our businesses are as follows:

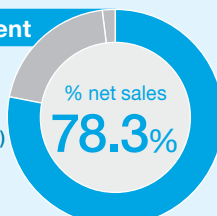
¹ The "Electronic Devices Segment" and the "Precision Products Segment" were integrated to become the "Devices & Precision Products Segment" from the beginning of the fiscal year.

² The Visual Instruments Business (Information-Related Equipment Segment) and the TFT Business (Devices & Precision Products Segment), which produces the high temperature polysilicon (HTPS) TFT LCD used in 3LCD projectors, were integrated to become the Visual Products Business (Information-Related Equipment Segment) in the second half of the year. Results from previous fiscal years have been recalculated using the new segment data that came into effect from the third quarter (second half).

Information-Related Equipment Segment

Net Sales: ¥691.8 billion (down 3.1% Y/Y)

Segment Income: ¥648 billion (down 8.7% Y/Y)



● Printer Business

Inkjet printers, page printers, dot-matrix printers, large-format printers, printer consumables, color image scanners, mini-printers, POS systems products, etc.

● Visual Products Business (was Visual Instruments Business)

3LCD projectors, label writers, etc. (HTPS TFT LCD for projectors added in second half)

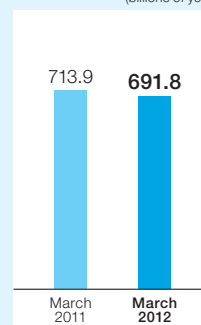
● Miscellaneous

Personal computers, etc.



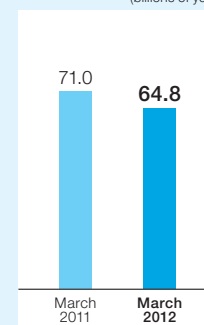
Net Sales

(billions of yen)



Segment Income

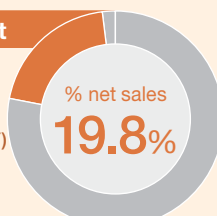
(billions of yen)



Devices & Precision Products Segment

Net Sales: ¥174.8 billion (down 17.8% Y/Y)

Segment Income: ¥4.6 billion (down 58.8% Y/Y)



● Device Business

Quartz Device Business (crystal units, crystal oscillators, crystal sensors, etc.)

Semiconductor Business (CMOS LSI, etc.)

Note: HTPS TFT LCDs for projectors were moved to the Visual Products Business (Imaging Products Operations Segment) from the second half.

● Precision Products

Watch Business (wristwatches, watch movements, etc.)

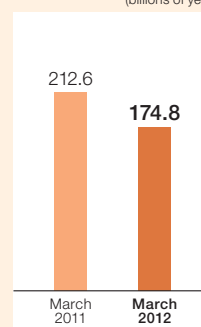
Optical Device Business (plastic corrective lenses, etc.)

Factory Automation Products Business (SCARA robots, IC handlers, industrial inkjet equipment, etc.)



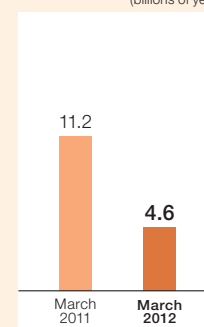
Net Sales

(billions of yen)



Segment Income

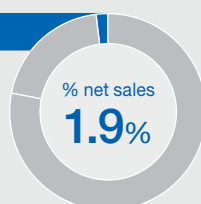
(billions of yen)



Other

Net Sales: ¥17.3 billion (down 71.8% Y/Y)

Segment Income: -¥1.5 billion (¥3.5 billion loss in previous fiscal year)



● Intra-Group Service Business, etc.

Note: The percentage of net sales includes inter-segment sales from April 2011 to March 2012.

Exceeding Customer Expectations



Focusing on Strengths to Create Value That Exceeds Expectations

The business environment has changed greatly in the seven decades since Epson was founded, but through it all Epson has consistently maintained a commitment to earning trust around the world by satisfying customers and creating value that exceeds their expectations.

In 2011, northeastern Japan was devastated by a catastrophic earthquake and tsunami. This disaster, which

triggered the nuclear accidents in Fukushima and the subsequent shutdown of reactors in Japan, and the 2011 Thailand floods exposed electrical power supply and environmental problems while underscoring the importance of the global supply chain. These served as stern reminders of the gravity of corporate social responsibility, but they also convinced me that Epson is headed in the right direction.

I firmly believe that by relentlessly pursuing innovation in compact, energy-saving, high-precision technologies,¹ Epson can create fresh customer value that matches the world's desire for smaller, more powerful products that have lower power requirements and lower environmental impacts. We are already on our way. For example, the compact inkjet printers we launched to market in 2011 are 39% smaller than equivalent models from the previous year, providing greater freedom of installation and reducing environmental impacts in manufacturing and transport.

Over the year we made strides toward meeting the expectations of society through other businesses, as well. In inkjet printers, we leveraged Epson's unique Micro Piezo technology² to develop powerful models for business, commerce and industry, in addition to the compact models described above. In 3LCD projectors, we expanded our lineup with various models that include features such as 3D support, short-throw lenses and improved interactive capability. We also launched an exciting new category of product: a head-mounted display. Finally, we merged our sensing, low power, and wearable technologies³ to begin providing products and services to the healthcare and sports markets.

¹ Compact, energy-saving, and high-precision technologies: Technologies that save energy, time, and unnecessary labor; technologies that make products smaller, lighter, and "greener"; and technologies that provide product with greater precision and accuracy

² Micro Piezo technology: Epson's proprietary Micro Piezo technology uses piezo-electric elements arrayed in a print head to eject ink materials. The force needed to eject the ink is created by applying a voltage to the piezo-electric elements, causing them to change shape, thus creating mechanical pressure that ejects the ink droplets.

³ Wearable technology: Devices that can be worn like clothes or strapped to the body like a wristwatch for use

Staying the Course and Accelerating Execution

Back at the beginning of the 2009 fiscal year we announced a long-range corporate vision called “SE15.” We laid out the strategy for achieving the vision in a pair of three-year business plans, the SE15 First-Half Mid-Range Business Plan (FY2009-11) and the SE15 Second-Half Mid-Range Business Plan (FY2012-14). The three-years under the first-half plan were set aside as a period for restoring our ability to generate profit and for positioning Epson for fresh growth. Although we still have work to do when it comes to reacting swiftly to sudden environmental changes, such as economic slowdowns, the strong yen, and natural disasters, we did make steady headway in expanding business domains and product lineups, and in improving profitability by reducing total costs.

Over the next three years we will stay the charted course and accelerate execution of strategies designed to achieve the SE15 vision. In the printing segment we will use our Micro Piezo technology to bring innovations not only to the consumer and office markets but also to the commercial and industrial sectors. In the projection segment we will continue creating new possibilities for projected images and communication with innovative micro-display and optical technologies. In the devices and precision products segment we will restore the health of our businesses and expand our customer base by using our unique strengths in QMEMS⁴, low-power semiconductor, and precision mechatronics technologies to create competitive products.

We intend to accelerate certain strategic actions. Specifically, we will hasten the rise of inkjet printers to a position of dominance in office printing, supplanting laser printers. We will also expedite the switch from analog printing systems to digital printing systems in the commercial and industrial sectors. We also want to raise the profile of our new businesses. For example, we are looking to provide wearable devices that are small, energy-efficient, accurate and fun or reassuring. These devices include head-mounted displays that customers can use to view visual content whenever and wherever they like. They also include a GPS running monitor and a wristwatch-type pulse monitor that tracks users’ physical condition or physical performance.

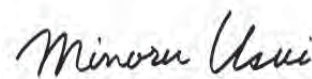
⁴ QMEMS: Micro-electro-mechanical systems (MEMS) made of quartz material that has been processed using semiconductor microfabrication technology

Aiming to Be an Indispensable Company for You

Epson is a global company whose mission, as stated in the company’s Management Philosophy, is to be “a company trusted throughout the world.” Put another way, we are committed to what we call “trust-based management.” A succession of serious scandals involving publicly traded companies in Japan in 2011 cast doubt on management practices and hurt corporate trust. These scandals prompted us to rededicate ourselves to maintaining and fortifying our own internal controls. Effective internal controls are essential for creating, producing, and delivering value in an organized, efficient, healthy and sustained way. What it boils down to is establishing a comprehensive governance system for the Epson Group and fostering common values and a common corporate culture.

Epson’s “Exceed Your Vision” tagline expresses our commitment to exceeding the expectations of our customers and our desire to bring them surprise and delight. Exceeding expectations is our goal, our responsibility, and our promise to our stakeholders. We can achieve this through teamwork. Toward this end, I am visiting Epson plants and sales offices to talk with members of management about the Management Philosophy and to ensure that we are working as a team toward common goals.

To earn trust around the world, we must conduct ourselves and our businesses in line with universally understood concepts and principles. Epson has participated in and pledged to uphold the ten principles of the United Nations Global Compact since 2004. In 2005 we established “Principles of Corporate Behavior,” rules of conduct that are aligned with the principles of the Global Compact (GC), and an Employee Code of Conduct that requires compliance with GC principles. All employees are trained in these as the cornerstone of our business activities. We will continue to work around the world to make Epson an indispensable company for customers and society, through the ethical and responsible conduct of each of our employees.



Minoru Usui
President
Seiko Epson Corporation

Accelerating Toward Growth

The SE15 Mid-Range Business Plan (FY2012-14)

Pursuing actions in line with the SE15 First-Half Mid-Range Business Plan (FY2009-11), Epson set about rebuilding its business foundations to achieve goals and aspirations stated in the "SE15" long-range corporate vision. Here, we look back on the past three years and ahead to the next three years under the SE15 Second-Half Mid-Range Business Plan (FY2012-14).

"SE15" Long-Range Corporate Vision

- "SE15" Vision Statement

Epson is committed to the relentless pursuit of innovation in compact, energy-saving, high-precision technologies, and through the formation of group-wide platforms¹ will become a community of robust businesses, creating, producing, and providing products and services that emotionally engage customers worldwide.

¹ Shared foundations and infrastructure

- The Epson Envisioned in SE15



Epson will continue to deliver surprise and delight to its customers by providing products and services based on its storehouse of core technologies to become an indispensable company for customers around the world. Toward this end, we are focusing on areas where we can leverage our strengths and are reinforcing our business foundations with the aim of being "a community of robust businesses."

FY2009-11 Accomplishments & Issues

- Yearly Goals

> FY2009

- Reach break-even in ordinary income
- Restructure and reinforce the business foundations that underpin the long-range vision

>> FY2010

- Set a profit-generating corporate structure firmly in place

>>> FY2011

- Set Epson on a new growth path aimed at fulfilling the SE15 vision

Epson restructured its device businesses and expanded its printer and 3LCD projector product lineups and markets. We drove down total costs, significantly improving our cost structure and fueling confidence in our strategic direction.

On the other hand, our financial performance was materially impacted by the business environment, including the strong yen, sluggish economy, and effects of natural disasters.

Summary Review of SE15 (FY2009-11)

Accomplishments

- Aligned businesses and made steady progress

Expanded markets & product lineups, and improved cost structure

Issues

- Need to react faster to changes in business environment

Economic slowdown, yen appreciation, natural disasters, etc.

SE15 Mid-Range Business Plan (FY2012-14)

Epson has not changed its strategic direction under the second-half mid-range business plan. We will build on our accomplishments from the previous three years by further accelerating actions to achieve the “SE15” goal of becoming a community of robust businesses.

• Mid-Range Management Policies



Use Micro Piezo technology to revolutionize printing in every domain



Continue creating new realms for projected images and communication with innovative micro-display and optics technologies



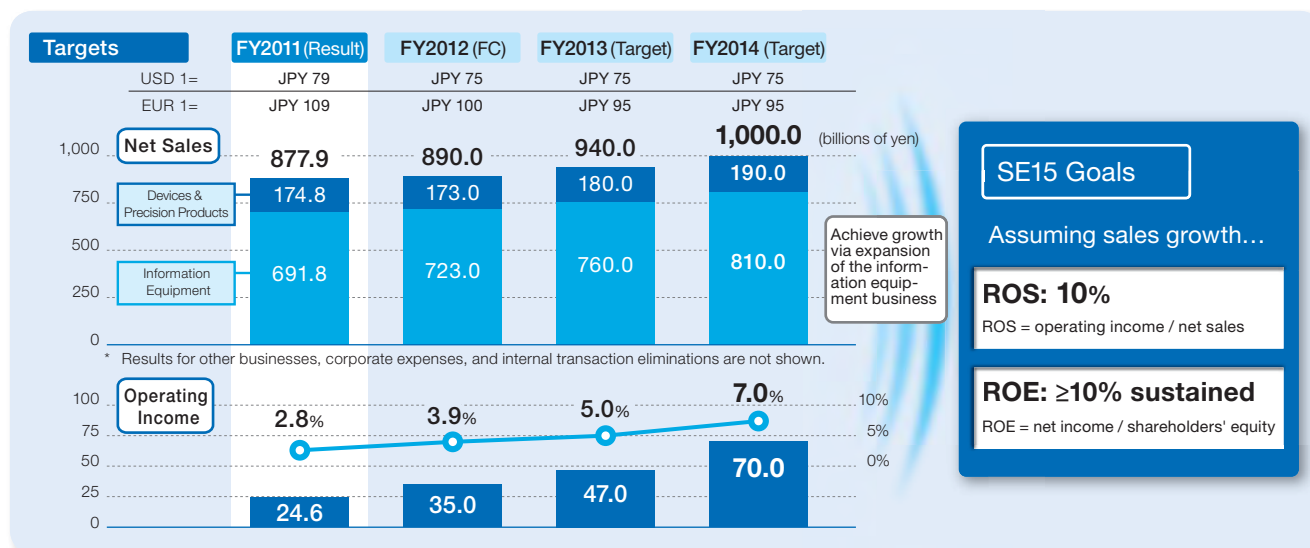
Establish businesses in the devices and precision products domain where we can leverage our unique strengths and capture profits



In new domains, leverage our strengths to create unique core technologies and effectively commercialize them

The keys to achieving the “SE15” vision lie in Epson’s compact, energy-saving, high-precision technologies, including our Micro Piezo inkjet heads, micro-displays (e.g., high-temperature polysilicon TFT liquid-crystal panels), and QMEMS crystal products. We will aim to grow by improving these unique core technologies to gain leverage for entry into a wide range of markets.

• Mid-Term Financial Performance Targets



Epson’s “Exceed Your Vision” Tagline

In 2005, aspiring to surprise and delight customers by providing compact, energy-saving, high-precision products and services that exceed customer expectations, Epson adopted the tagline “Exceed Your Vision” to help unify Epson’s global communications. Then, in 2011, in preparation for the second-half of the SE15 challenge, we reassessed this tagline and identified actions that Epson should take going forward.

The special feature articles that follow will highlight some of the products and services that embody the soul of Epson’s Management Philosophy and this tagline.

Changing Business Printers with Inkjet

Epson WorkForce Pro WP-4500/4000 Series Business Inkjet All-in-Ones

Laser printers have long been the office printer of choice, but Epson is changing that with printers that feature unique Micro Piezo inkjet technology that saves time, money, and energy. Epson business inkjet printers provide lower running costs, higher energy efficiency, faster first-print speeds,¹ and better functions and performance.



Answering the Needs of Business

When it comes to office printing, laser printers, which deftly handle large print jobs, are the office workhorse. However, not all print jobs are large. In fact, an Epson study found that roughly 90% of all printing jobs call for only a few sheets. The higher demand is for the ability to quickly print out just one or two sheets. Epson's office inkjet printers, with short warm-up times and speedy first prints, match this need perfectly.

Epson's business inkjets offer the durability required by businesses while delivering prints on ordinary paper with almost laser-like speed and quality thanks to structurally simple Micro Piezo inkjet heads that rely on mechanical force, not heat, to fire ink droplets. The unbeatably low running costs and high energy efficiency of Epson's office

inkjets also contribute to our customers' bottom line.

A key reason for this is that business inkjet printers equipped with extra-large ink cartridges have fewer consumables than equivalent color laser printers, which, in addition to toner cartridges, have drums and fuser units that

need to be replaced. And, not only are inkjet consumables cheaper, they are faster and easier to replace, while their compact size means they occupy less storage space.



High-capacity office printer cartridge (right) compared to a consumer cartridge

¹ The time it takes to print out the first print from a standby state

Epson's office inkjets will satisfy customers looking to save energy. Laser printers consume a larger amount of power because of a high-temperature toner-fusing process. Inkjet printers have no such process and, thus, consume far less energy. In fact, Epson found that our business inkjets consume up to 80% less energy than comparable laser printers².

After accounting for lower consumables costs and other factors such as lower power consumption, we found that our office inkjets deliver prints at up to 50% lower cost per page than color lasers³.

² Comparison made against the top 10 A4 color laser printers and MFPs sold in France, Germany, Italy, Spain, and the UK in Q1 2011 as tracked by IDC. Power consumption calculated using manufacturers' published data for Print/Average Mode as of July 2011.

³ Comparison made against the top 10 A4 color laser printers and MFPs sold in France, Germany, Italy, Spain, and the UK in Q4 2010 as tracked by IDC. Cost per page is calculated from manufacturers' official list prices for toner cartridges and published yields as of December 2010.

IDC is an international research company specializing in the information technology, telecommunications, and consumer technology (ICT) markets.

 Reference: Product information on Epson's U.K. website
<http://www.epson.co.uk/workforcepro>

Putting Business Customers at Ease

Toshihiro Kumagai, product leader in Epson's Printer Planning & Design Department, says, "Early on in the planning stage we identified business needs and looked for ways to meet them. The first need was to improve print quality on ordinary paper. Businesses might not always need top-quality prints, but why compromise? We used a newly developed 600-dpi head in combination with pigment ink to achieve professional quality prints that even surpass color laser results in some respects. The second need was for the ability to handle a greater variety of media types and sizes. Inkjets have an inher-

ent advantage over lasers in this respect, and our office inkjets handle envelopes and other media in sizes, thicknesses, and materials that laser printers can't. The third need was high reliability. We focused particularly on boosting the durability of components in key mechanisms. Paying great attention to detail, we came up with reliable products that are easy to use, look solid, and put business customers at ease."



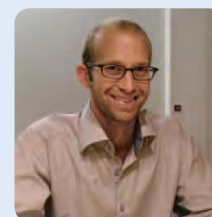
Toshihiro Kumagai
Printer Planning & Design Dept.

Voice of the Customer

Looking for Epson to develop products with more business features, such as page counters and secure printing⁴

France-based Pepiniere 27 chose a WorkForce Pro because we felt it had features that made it the ideal printer for home offices and small and medium-sized businesses. As a business space management company, we have many small businesses as tenants, and we felt that Epson's printers would suit their needs. Pepiniere 27 wants to have a lasting relationship with Epson. Overall, we find Epson's low power consumption and low cost per print to be very attractive, and we are extremely satisfied with the large ink and paper capacities.

One area where our tenants said they would like to see future improvement is print speed.



Mr. Rene Silvestre (left),
Pepiniere 27 president
and Mr. Adrien Grémont,
Finance Director

⁴ For example, a function that would require user authentication with some type of ID card before they can print confidential material.

Changing the Classroom

EB-485WT and EB-480T ultra-short throw projectors with interactive features¹

Improving Lesson Efficiency and Learning Effectiveness

Epson is building a new category of projected images and communication for the projection domain with innovative micro-display and optics technologies. These interactive projectors are groundbreaking tools that make the classroom more intuitive for teachers and students alike.



The new EB-485WT
(launched Feb. 2012)

Projector in use at a Shizuoka high school

Efficient Lessons with More Student Interaction

In April 2011, Japan's Ministry of Education, Culture, Sports, Science and Technology announced a Vision for IT in Education that calls for a projector or interactive whiteboard to be installed in every classroom. In the fierce competition that followed, Epson's ultra-short throw projectors have been praised for the added value provided by their interactive features and excellent usability. These models have also been well received outside of Japan, especially in the United States and Europe.

In this special feature, we will take a look at a case study from a high school in the Japanese city of Shizuoka where, in April 2011, the newly released EB-455WT projector was installed in 20 classrooms and ended up making lessons more efficient while also improving student motivation and understanding.

By putting all of the learning materials into a shared database, teachers were able to spend less time on preparation and writing on the blackboard and more time on giving individual instruction. The increase in student-teacher interaction led to better understanding. Epson also released the Epson iProjection app, which allows teachers to wirelessly transmit digital data on an iOS device to the projector. This helps keep the lesson moving so that students stay interested and engaged.



Japanese lesson using an iPad*

* iPad is a registered trademark of Apple Inc.

¹ Interactive whiteboard feature. Includes a pen that can be used to write on the screen or as a mouse

Turning Ideas into Reality

The new EB-485WT and EB-480T models have even shorter throws, producing an 80-inch image at distances of 18.7 and 22.2 centimeters, respectively. With brightness levels of 3,100 and 3,000 lumens, these projectors produce clear images even in a bright classroom or meeting room, and the 16 watt speaker output (compared to 12 watt in previous models) fills every corner of the classroom.

These projectors also have a “PC-less function” that lets you use the included electronic pen to write on the screen without connecting to a PC. When connected to a PC, you can use two pens to write and perform mouse operations simultaneously, and the mouse hovering function lets you easily visit any link in digital learning materials. Automatic calibration and plug-and-play driver support make setup a snap on any PC. The usability improvements in these models help create a more rewarding lesson for teachers and students alike. In addition, the 20% reduction in size helps reduce CO₂ emissions resulting from materials and transportation.



Product information on Epson's U.S.A. website
http://www.epsonbrightlink.webengager.com/Education/BL475Wi_480L_485Wi.aspx

The electronic pen is a key element of the interactive features. Due to its importance, improving the reliability was of the utmost concern. Masatoshi Tanaka, the engineer in charge of the pen, said, “To improve the reliability of the pen, we shared our analysis of previous models with the design team and ran repeated evaluations under realistic usage conditions to build in quality at the design stage. This process led to changes to the switch material and surface treatment, resulting in a much more durable switch. These kinds of results come from the entire interactive team’s passion for creating customer value, the speed at which they come together as a team, and their ability to transcend organizational barriers.” He went on to say, “This just underscores the importance of building in features from the development stage. As a member of the development team, I’m glad that the technological research and cooperation that went into this pen are contributing to a more exciting learning experience.”



Electronic pens



Masatoshi Tanaka
VI Production Engineering Dept.

Voice of the Customer

The best part is that we can spend less time writing and more time with the students

Starting from April 2011, the high school we teach at shortened the lesson time to encourage more efficient pacing. In addition, the creation of a “scientific inquiry” class necessitated an environment where students could practice and improve their presentation skills. This was the impetus behind the introduction of an interactive blackboard. We chose this model due to the advanced features and low cost compared to the integrated whiteboards offered by other companies.

In our lessons, we can choose whether we want to write on the projected image with the included pen, or project the image directly on the blackboard and write with chalk. Because the projectors are ultra-short throw, we can move around in front of the screen without blocking the image and distracting the students.



Mr. Oba (left) and Mr. Jitsuishi (right)
Shizuoka Municipal Senior High School

Leveraging Core Technologies to Expand Customer Value

Our goal under Epson's SE15 Long-Range Corporate Vision is to leverage our unique core technologies to continuously create value that exceeds customer expectations, and to deliver products and services to a far broader base of customer. Did the products and services that we launched in 2011 achieve this?

The only way to know is to ask some of the people who purchased them.



Moverio BT-100

The Moverio BT-100 see-through mobile viewer allows users to enjoy movies, music, and Web content in a big-screen atmosphere, anytime and anywhere. Epson, the leader and pioneer in 3LCD projectors, combines original optical technology and high-resolution displays to produce images that appear larger the farther the user stares into the distance. Requiring no other playback equipment and with a 6-hour battery life, this standalone system goes anywhere you go to provide visual entertainment with big surround sound.



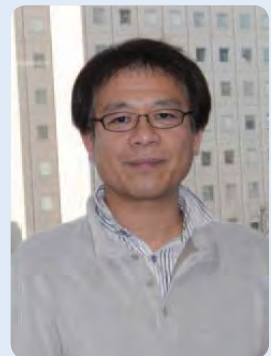
Product information on Epson's Singapore website
http://www.epson.com.sg/sites/epson_singapore/see-through_mobile_viewers/product.page

Voice of the Customer

The BT-100 Has Potential Beyond that of a Viewing Tool



In my line of work I frequently travel around Hokkaido by car and stay at hotels and inns. Wanting to spend my downtime on the road in a meaningful way, I bought a BT-100. I used to pack a DVD player and watch movies, but the screen was small and I had to sit up to see it, so I couldn't relax. The usability of the BT-100 is in a class by itself because you can watch movies while lying in bed, on your side, facing up, whatever. After seeing the product press release, I thought, "I could use this," because of the freedom that the untethered, standalone device provides. I haven't been disappointed. I still remember putting the BT-100 on for the first time and being amazed at how big and clear the picture appeared. In the future, I hope Epson makes HMDs that are lighter. I would also like to see them add augmented reality features, because this HMD has potential beyond its utility as a tool for watching movies.



Mr. Shinji Hayasaka, Sapporo

Lifestyle Improvement Support Service

Epson combined three tools to create an original health counseling program: (1) Epson's wrist-wearable pulse monitor, developed based on Epson's sensing technology; (2) a website with fun applications that help users lose weight; and (3) direct counseling and support by healthcare specialists and nutritionists.



Voice of the Customer

Wrist-worn pulse monitors with online services are breaking new ground

The insurance association I work for has been providing lifestyle-related health counseling for the past four years. However, we found that the number of people at risk of metabolic syndrome was not declining and that we were seeing the same people every year. We decided to try Epson's lifestyle improvement support service because the counseling program is superb, with ingenious features that make it fun to lose weight, even for less motivated people. The augmentation of wrist-worn pulse monitors that indicate whether you're exercising efficiently with online services on a special Web site is a groundbreaking innovation in health counseling, and the fact that you can monitor heart rate and prevent exercise overload is especially attractive. We have also been satisfied with the service we have received.



Ms. Yoko Takeshita
Misawa Home
Health Insurance Society

IP-2000 Inkjet Marking System

The IP-2000 uses MicroPiezo inkjet technology and UV-cured ink to rapidly print sharp, identifying marks on semiconductors. The system is also being used by other companies to mark items such as electronic components that could be damaged by conventional laser marking systems. The first user was Seiko Epson's Optical Products Division, which uses the system to mark eyeglass lenses.



Marked eyeglass lenses

Voice of the Customer (Internal User)

New value for custom lenses

Inkjet printing technology has a flexibility that pad¹ printing never had, and it will be essential for the eyeglass lens industry as custom lenses become the norm. The accuracy and clarity of markings was as expected. The IP-2000 can be used to print product names designed for specific customers, creating new value. On the other hand, we still have work to do. For example, our system only supports white ink. However, print quality is superior to that of competitors, and we have high expectations for future improvements.

(A case study from an external user was not included for customer confidentiality reasons.)



Yasushi Ando, manager
Optical Products
Technical Dept.

¹ A printing method in which ink on a printing plate is transferred to a silicone rubber pad that is then pressed onto the product to be marked

L800 Photo Printer with High-Capacity Ink Tanks



Mr. Lin
president
Bee Chain Technology
Co., Ltd.
Wearing an ethnic
costume for a souvenir
photo

The L800 is a six-color, A4 photo printer with high-capacity ink tanks for customers who tend to print many images at once, especially in emerging markets, where users are particularly sensitive to running costs. This printer captures and embodies the genuine needs of these customers. One customer in Taiwan explains how his L800 is powering the growth of his business.

Voice of the Customer

Epson's next printer should provide even higher productivity, larger ink tanks and faster printing

Bee Chain Technology takes and sells souvenir photographs at amusement parks around Taiwan. We currently use a dozen L800s for printing these photos. We used to use another brand of inkjet printer with high-volume third-party ink tanks, but the inconsistent image quality, frequent trouble, and poor service were a headache. We decided to switch to the L800 because Epson offers a two-year manufacturer's warranty, photo quality prints at high speed, and low printing costs. We are extremely satisfied with the quality of Epson's products and service. We have seen profits improve and are now considering purchasing additional units.

LS Series of Industrial Robots



Mr. David Huang
president
China United
Technology (sz) Ltd.

Epson's LS series of robots offer a simple and convenient way to automate. They provide a high return on investment by increasing efficiency, reducing payroll, and stabilizing quality in various tasks. Epson (China) Co., Ltd. (ECC) earned the silver award in the automation and control system category at the 10th Chinese International Equipment Manufacturing Exposition for having contributed to China's economy by bringing innovation to the production floor through automation.

Voice of the Customer

An Epson robot let us greatly increase accuracy and workability, leading to higher profit

Until a couple years ago, I had a large crew of people on our cell phone assembly line whose job was to stare through a microscope as they installed cushions. The job was hard on people. They had to install a cushion every four seconds, with an accuracy of 0.2 to 0.3 millimeters, but the defect rate would rise when their eyes got tired. As it became tougher to hire workers, productivity fell and profits stagnated. It was at that point that we decided to automate the task with an Epson robot. We found that the robot could install one cushion every 1.5 seconds and do so with 0.05-millimeter accuracy. Our profits rose, and I am extremely grateful to Epson for the tremendous support.

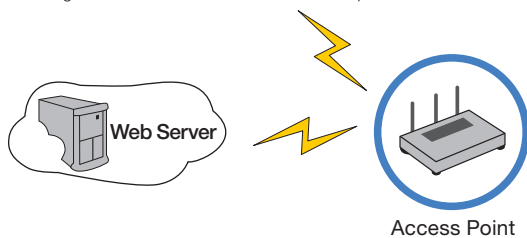
Smart Receipt Printer + iPad/iPhone* POS Ordering System



Ordering terminal in the Yahoo! Dome VIP "Super Box"



A TM-T70-i smart receipt printer is installed in the lounge.



A TM-T90KP kitchen printer is installed in the kitchen.

Demand has been rising for systems that utilize generic smart terminals and web-based services as retailers and restaurants try to earn style points and boost sales while reducing equipment maintenance and operator training costs. Epson's smart receipt printers, which simplify ordering and receipt printing by directly exchanging data with Web applications, are the perfect solution.

The Fukuoka Yahoo! Japan Dome has a system that allows people in the box seats to use an iPad to order food and drinks. Orders are sent to a smart receipt printer installed in the lounge. The printer communicates with a Web application to perform integrated control of the system and print out receipts in the lounge and orders in the kitchen.

* iPad is a registered trademark of Apple Inc. iPhone is a registered trademark of Apple Inc. in the U.S. and various other countries.

Voice of the Customer

We feel Epson's smart receipt printers provide advantages in terms of versatility and operating costs

We had been using Epson receipt printers in our earlier system, so we trusted Epson to provide durable equipment and perform periodic maintenance. The decisive factor in choosing our new iPad/iPhone POS ordering system was the inclusion of a server-direct printing function in the smart receipt printer. Since the printer periodically downloads printing data from the Web server, it does not depend on a particular OS or require drivers to be installed, so equipment administration is a snap. The ability to place orders on a variety of smart terminals, such as the iPad and iPhone, gives Epson's printers advantages in terms of both versatility and operating costs.



Mr. Koji Tabuchi
Fukuoka Softbank Hawks
Marketing Corporation

Epson is committed to responding quickly to technological and social changes, and delivering products and services that exceed customer expectations.

The values embedded in the "Exceed Your Vision" global tagline form the basis for the Employee Mission Statement, which states that we, as Epson employees, are always prepared to exceed our own vision and expectations, and to produce results that bring surprise and delight to our customers.

Disaster Response and Manufacturing Continuity

The earthquake and tsunami that struck Japan in 2011 robbed thousands of people of their lives and left catastrophic damage. Epson did not escape unscathed, but through teamwork and a fast response, we were able to quickly restore production and limit losses.

Caring for Employees and Their Families in Fukushima

Epson, which had four large production sites in the disaster-stricken Tohoku region, suffered serious losses and damage in the March 2011 earthquake and tsunami. Most tragically, we lost one of our employees to the disaster, while buildings and facilities were also damaged and production halted.

Epson Toyocom's Fukushima Plant, located within the evacuation zone surrounding the stricken Fukushima Dai-ichi Nuclear Power Plant, was hit particularly hard and had to be closed.

In the immediate aftermath of the disaster we evacuated 93 employees and their families (20 families in all) who

were living within 30 kilometers of the nuclear power plant, taking them first to the Sakata Plant in Yamagata prefecture and then on to Suwa, in Nagano prefecture.

We also provided both physical and emotional care to employees and their families, dispatching a physician and nurses to the evacuation site to conduct health checkups and, where needed, arranging for further care at hospitals and clinics.



Employees and families being moved by bus

Rapid Restoration of Production

Epson Atmix, a metal powder manufacturer located near the coast in Aomori prefecture, was rocked by the magnitude 9.0 earthquake and, about two hours later, struck by the tsunami, which swept overland and inundated the site and more than half the buildings in a meter of seawater and debris.

On March 13th, with all lifelines down, Akita Epson and the Seiko Epson Head Office delivered aid in the form of food, generators, heaters, fuel, and other supplies.

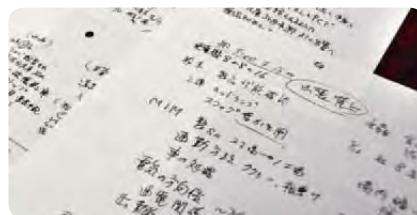
Employees soon began digging the site out of the mud and restoring transformers and production equipment to service.



Restoration of inundated equipment

The recovery team scraped together white boards and filled them with information on progress being made in mud and debris removal, power restoration, motor repair, and so forth to keep employees as well-informed as possible and to help ease their anxiety.

After power was restored on March 31, a heavily damaged electric furnace used in producing metal powders was fired back up, enabling production to resume by April 15, a remarkable one month after the tsunami, and considerably sooner than surrounding factories.



Bulletins on a whiteboard

Manufacturing Continuity Initiatives

The disaster in Japan focused attention on the importance of having a global supply chain. Epson's manufacturing operations were directly impacted by the disaster, which brought production lines to a standstill. Fortunately, however, the preparations we had in place, such as supply chain maps, functioned effectively when we began mobilizing to restore production.

Preparations were not, however, complete, and so we used what we learned to bolster future disaster readiness by preparing, updating, and improving our own business continuity plans (BCPs) for each business (identifying and

managing our procurement risks, developing alternative suppliers and components, and keeping strategic inventory, etc.) and periodically auditing the BCPs of suppliers in the supply chain.



Production control & procurement committee meets regularly

Wall Newspapers

Children displaced by the disaster and living in shelters in the city of Kesennuma started issuing a handwritten and hand-drawn newspaper that they posted on shelter walls in an effort to lift the spirits of other evacuees. (Currently, 50 issues have been published.) These wall newspapers drew a big response when photos of them were displayed at a disaster reconstruction event sponsored by Re-create Expo, an NPO set up after the March 31 earthquake. However, the newspapers are created primarily with pencils and highlighter pens on paper that deteriorates over time. Not wanting to see these newspapers lost to time, a person familiar with Epson's experience in creating digital archives of artworks contacted us and asked if we would produce replicas of these 50 issues of the newspaper for posterity. Epson, of course, agreed and created replicas that were formally presented to the young publishers at an event in December 2011. Some copies of the replicas were also presented to the headquarters of UNESCO and local schools on the outskirts of Paris, France.




Issue No. 50 of the wall newspaper

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Employee Volunteer Report

Like a lot of people, I wanted to do something to help those affected most by the disaster. First, I joined in the Tohoku cleanup effort. Later, I took advantage of Epson's expanded well-being leave program to participate in the Kesennuma Oshima Support Project, a program supported by my local social welfare council and an NPO.

I will never forget how grateful the locals were while I was in Tohoku volunteering. Just the presence of people from other prefectures who were willing to help seemed to encourage them to carry on. I found myself inspired by these people, who, despite their hardships, made me feel that even my small contribution was making a difference. My experiences as a volunteer got me thinking about the ties that bind people and communities together, and I want to continue to do what I can to help.

 Well-being leave
http://global.epson.com/SR/our_people/fair_working/index.html#well_being_leave



Debris removal (Kesennuma)



Kaori Iijima
Epson Sales Japan

Trust-Based Management

Fulfilling our corporate social responsibility means behaving with integrity and building trust

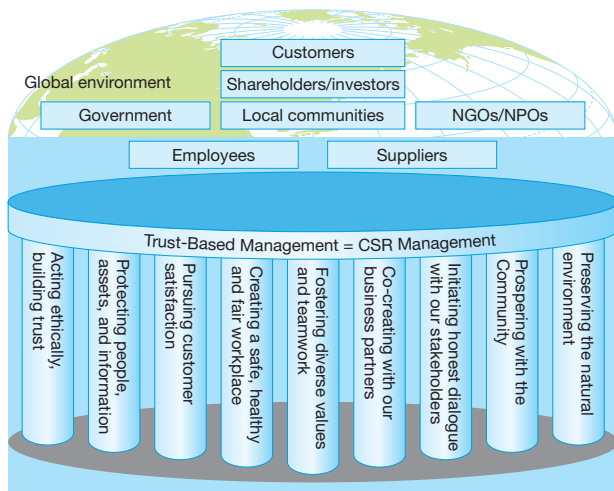
Building Trust

Trust is the bedrock of business. Our mission is to build stakeholder trust as we grow and prosper with communities and to help to create a better world. To this end, we strive to practice the corporate values preached in Epson's Management Philosophy, maintain legal and regulatory compliance, adhere to the highest standards for business ethics, and create value that exceeds the expectations of our customers.

"Principles of Corporate Behavior" and "Epson Code of Conduct"

Epson's Principles of Corporate Behavior, which applies to the entire Epson Group, sets forth nine core principles for fulfilling corporate social responsibility and building trust. The Epson Code of Conduct, established in 2006 and based on these principles, clearly describes the conduct required of all Epson employees. We revised the code in 2009 to further enhance awareness and understanding.

The graphic below illustrates the nine core principles that form the foundations of business and help build trust through good CSR practice.



Principles of Corporate Behavior

1 Acting ethically, building trust

We will abide by the law and conduct all our business with high ethical standards.

2 Protecting people, assets, and information

We will maintain systems to provide the security of people and all corporate assets, and will be prudent in handling information.

3 Pursuing customer satisfaction

We will keep the customer in mind at all times and make the quality of our products and services our highest priority. From the quality assurance efforts of each employee to the quality of our company as a whole, we will devote ourselves to creating products and services that please our customers and earn their trust.

4 Creating a safe, healthy, and fair workplace

We will respect fundamental human rights and facilitate a fair, safe, healthy and pleasant work environment.

5 Fostering diverse values and teamwork

We will draw strength from our diversity, creating a positive synergy between the individual and the company.

6 Co-creating with our business partners

We will expect our business partners to live up to the same ethical standards we observe and aim to work together to our mutual benefit while respecting applicable laws and our mutually independent business strategies and stances.

7 Initiating honest dialogue with our stakeholders

We will maintain open lines of communication with our stakeholders, thoughtfully considering their views and suggestions.

8 Prospering with the community

We will actively contribute to the communities in which we operate, as well as the international community, facilitating mutually beneficial relationships.

9 Preserving the natural environment

We will integrate environmental considerations into our corporate activities and actively strive to meet high conservation standards in fulfilling our responsibilities as a good corporate citizen.



Principles of Corporate Behavior

http://global.epson.com/company/epson_way/principle/index.html



The "Epson Code of Conduct," "Principles of Corporate Behavior," and "Interpreting the Management Philosophy"

Realizing Our Management Philosophy

Last year, 2011, was a time of tremendous upheaval. In addition to the effects of the disasters in Japan and Thailand, an historically high yen, political unrest in the Middle East, and the European financial crisis made for stiff economic headwinds. While we responded to each of these events as best we could, we sometimes came up short. We will use the lessons learned to better fulfill our responsibilities to our customers in the future.

Before getting to work on the SE15 Mid-Range Business Plan (FY2012-14), we launched a program to reaffirm the meaning behind the Management Philosophy. As part of this program, Epson employees discussed how their jobs create value for customers and reaffirmed our social mission, which is to better ourselves and engage in and accomplish challenging and creative endeavors to provide products and services that surprise and delight our customers.



Masahiro Koyama,
general manager of CSR and Risk Mgmt.
General Affairs Dept.

Practicing our corporate values so as to build trust and contribute to society through our business activities is our primary social responsibility. Principles of Corporate Behavior was created to help ensure that we do so continuously. We will maintain integrity by respecting the recommendations for socially responsible corporate conduct set forth in standards and guidelines such as ISO 26000 and OECD Guidelines for Multinational Enterprises, to continue to be an indispensable company that is trusted throughout the world.

The Trust-Building Organization

The heads of Epson's divisions build trust in the business units and subsidiary companies they oversee based on Epson's Principles of Corporate Behavior. Meanwhile, corporate departments work with and support the divisions on projects that span the entire Group.

Epson's Trust-Based Management Council, which is chaired by the president of Seiko Epson and whose members include all Seiko Epson directors, statutory auditors, and the general administrative manager of the Seiko Epson Audit Office, assesses whether the Epson Group is fulfilling and steadily improving its corporate social responsibility.

The council reviews important CSR themes and issues, such as the actual practice of Epson's Principles of Corporate Behavior, compliance and risk management, and the readiness of internal control systems. When weaknesses are found, the council discusses such countermeasures as are needed. The Trust-Based Management Council met quarterly in FY2011.

Trust-Building Exercises

Epson has numerous programs and activities to promote socially responsible, trust-building conduct among employees. For example, we hold special events during the months designated as CSR Month, Information Security Enhancement Month, Environmental Awareness Month, and CS & Quality Assurance Month. We also provide level-based CSR training, educate personnel on antitrust issues, and offer a wide range of online learning opportunities.

CSR Month

October is CSR Month at Epson, a time for reflecting on the kind of conduct that builds stakeholder trust. In 2011, employees were asked to read a pamphlet titled "Interpreting the Management Philosophy" and discuss how the philosophy relates to their jobs. They also met to discuss key elements of the Epson Code of Conduct.

After the end of CSR Month, we conducted a survey to find out what was discussed in each department and what employees are thinking. We shared this information with all employees as a way to help build awareness and trust.

Roundtables

Seiko Epson's president has been holding roundtable discussions with groups of managers at Epson Group business sites in Japan since 2009. In 2011, the topic of these discussions (27 in all) was Epson's Management Philosophy.

One of the participants, Yoshihiro Umetani, commented, "The discussions were constructive. President Usui talked very persuasively about the deeper meaning of the Management Philosophy and what he expects of middle managers, so it was a good opportunity to look back on my own job from a broader perspective and make some changes."



Yoshihiro Umetani, manager
Epson Sales Japan

After gaining a deeper understanding of the Management Philosophy, managers held similar discussions with the people in their respective departments to promote the same values and to build the teamwork necessary to create customer value.



Roundtable discussion (Seiko Epson Head Office)

The United Nations Global Compact

As stated in our Management Philosophy, Epson aspires to be "a progressive company, trusted throughout the world." We want to be a company on which customers and society always depend, a company that grows along with society. To achieve this, we must take it upon ourselves to conduct business in line with universally accepted principles of conduct.

Epson has participated in the United Nations Global Compact since 2004. We have pledged to uphold the 10 principles of the Global Compact and independently drive initiatives in the areas of human rights, labor, environment and anti-corruption. We continue to analyze issues and challenges and strive to improve.

Epson's Principles of Corporate Behavior, developed based on the 10 GC principles, describes standards of conduct that will enable us to achieve the corporate mission and vision. The Epson Code of Conduct further breaks these principles down into clear standards of behavior for Epson employees.

As a member of the Supply Chain Subcommittee of the Global Compact Japan Network, Epson presented study findings about the importance of social responsibility across the supply chain at the 2011 Japan-China-Korea Roundtable Conference.



U.N. Global Compact Initiatives
http://global.epson.com/SR/un_global_compact/index.html

● Ten Principles of the UN Global Compact and Epson

United Nations Global Compact

- Principle 1: Support and respect human rights
- Principle 2: Do not be complicit in human rights abuses
- Principle 3: Uphold freedom of association and collective bargaining
- Principle 4: Eliminate forced labor
- Principle 5: Effectively eliminate child labor
- Principle 6: Eliminate discrimination in employment
- Principle 7: Take a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote environmental responsibility
- Principle 9: Develop and diffuse environmentally friendly technologies
- Principle 10: Work against corruption in all its forms

Principles of
Corporate Behavior

Epson Code
of Conduct

Meeting Challenges with Innovative and Creative Solutions

FY2011 CSR Initiatives

Epson seeks to build trusting relationships with all stakeholders and to grow and prosper with communities by practicing socially responsible “trust-based management.”

Epson's 2011 CSR initiatives were oriented around the five tenets of the Epson Management Philosophy.

- **Commitment to Customer Satisfaction** 23 – 28
Epson constantly strives to create customer value.
- **Commitment to Environmental Conservation** 29 – 46
Epson engages in various environmental initiatives.
- **Individuality and Teamwork** 47 – 52
Epson values its employees.
- **Trusted by People Worldwide** 53 – 58
Epson practices organizational governance.
- **Prospering with the Community** 59 – 66
Epson contributes to the communities in which it operates.

Commitment to Customer Satisfaction

We will keep the customer in mind at all times and make the quality of our products and services our highest priority. From the quality assurance efforts of each employee to the quality of our company as a whole, we will devote ourselves to creating products and services that please our customers and earn their trust.

CS & Quality Vision

Epson established its Quality Policy as a guide for achieving customer satisfaction, one of the core commitments included in Epson's Management Philosophy, and as a means to ingrain customer-centric behavior within the corporate culture. Day-to-day decision-making and conduct are guided by the "SE15 CS / Quality Midterm Action Guidelines," which Epson established in 2009.

In line with these guidelines, product planners and design engineers directly visit, observe, and listen to customers to gather information on customer needs and problems, which is then used to provide customer-pleasing products and services. Initiatives aimed at achieving 100% conformance begin at the development and design engineering stages. By identifying problems early and addressing their root causes, we can build quality into products instead of relying on inspection at the end of the production process.

We will continue to emphasize a conscious approach to identifying genuine customer value and to building that value into the products and services we deliver.

Quality Policy

1. We will solve problems by directly observing all of our operations and processes.¹
2. We will quickly complete the Plan, Do, Check & Act (PDCA) cycle in all situations.
3. We will thoroughly analyze any failures, and establish procedures based on that analysis, so that mistakes are never repeated.
4. We will proactively consider our customers' satisfaction so they will genuinely prefer purchasing Epson products and feel confident using them.²
5. We will seize the opportunity presented by customer comments and complaints to inform our decisions when designing new products.
6. We will readily report even negative information.
7. We will foster a climate in which attention is paid to even the most commonplace events.

¹ We practice sangen shugi, a philosophy that emphasizes the importance of going to the actual site of a problem, observing firsthand the actual situation, and making decisions based on the facts.

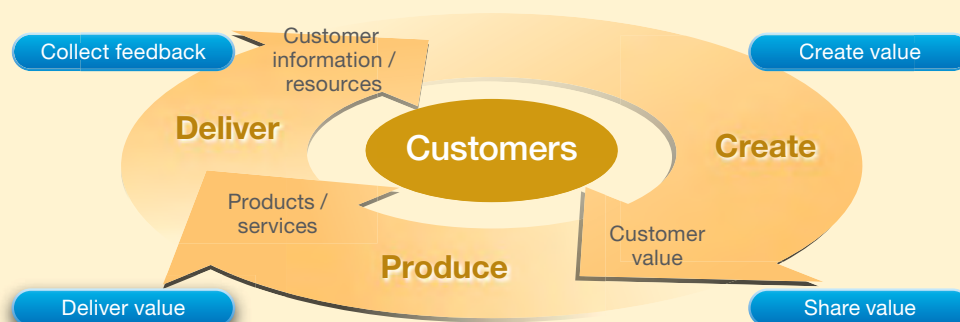
² We practice "wow CS," which focuses not only on basic product performance but on adding value that delights and impresses customers beyond their expectations.

SE15 CS/Quality Mid-Term Action Guidelines

Basic Policy (CS Quality Statement)

Create products and offer services fit for the people closest to us

Overall Vision (Creating Customer Value)



Customer Satisfaction

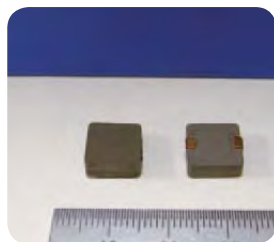
Epson uses its technology to create unique materials that are used in a variety of industries and to create solutions to customers' problems.

Development of Ultra-fine Magnetic Powder

Metal powders are materials that are used to inexpensively mass-produce metal components with complicated shapes. Within this highly competitive market, Epson Atmix Corporation, an Epson Group company, has established technology for manufacturing magnetic metal powders. These magnetic powders, which have no rival when it comes to the fineness of the grains, make it possible to produce extremely small and high-performance components that are used in an expanding range of applications, from PCs and smartphones to solar power generators, electric vehicles, and low-power home electronics.



Magnetic powders



SMD coils used as electronic components in notebook PCs and other products

Epson Atmix acquired the knowledge and expertise that would enable them to unearth industry needs by directly engaging in dialog with players in the metal powder industry and with component manufacturers in the electronics, automotive, and other industries. These conversations convinced Epson Atmix of the strong need for ultra-fine magnetic powders that only Epson could provide.

Moreover, since magnetic powders can be mixed with other materials to develop applications such as magnetic shield materials and magnetic fluids, we see growing opportunities to provide customer value.



Members of R&D discussing components of magnetic powders

The GP-C800 Color Business Inkjet Printer

In Taiwan most hospitals and clinics dispense medicines in a bag made from fanfold paper. A dot-matrix printer is used to print dosage information and other instructions on the bags. Hospitals and pharmacies wanted to be able to print a large volume of prescription bags quickly and quietly without paper jams. They also wanted to print color photos of medicines on the bags to ensure that patients correctly identify the medicines. Epson realized it could solve the customers' problems by developing an inkjet printer capable of handling fanfold paper.



Prescription bag used in Taiwan



GP-C800

Usability was another high priority. To maximize ease of use, product designers modified the size and placement of buttons so that they would be easier to operate while wearing gloves. They increased the amount of ink on-board so that cartridges would have to be replaced less frequently. Epson developed a new mechanism that protects the print head from paper dust and sharply increases its durability. Thanks to this innovation, these printers deliver up to 1.2 million total prints.¹



Operation panel designed for usability

The GP-C800, which combines traditional Epson strengths in dot-matrix printers (the fanfold paper feeding mechanism) and inkjet printers (fast, high-quality prints), is the product of a close partnership with customers, whose comments and ideas led to innumerable modifications and improvements. Today, the printer is being used not only by hospitals and clinics in Taiwan but by courier services and retailers in China, as well as by customers in various industries for other applications.

¹ When using paper the same size (6.5 x 7.5 inches) as that used for pharmaceutical bags in Taiwan

Design-by-Customer Approach

Epson has product design departments around the world. Our designers visit customers on-site to learn about their problems and wishes, and to identify ways we can make future products easier to use.

Case Study 1: Office Printer Housing Color

A survey conducted by Epson showed that the requirements and wishes of printer users in North America, where home offices are commonplace, are different from those in other regions. One of the differences was that, whereas white is generally considered to be the color of choice for office equipment in other markets, many North Americans strongly prefer black. This discovery led Epson to develop black office printers.



Customer requests led to new black office inkjets



The same model in white

Kenji Yanagisawa of Epson's American design department says, "The information we gathered by going out into the field and talking to and observing customers is invaluable to our development efforts for the North American market. Going forward, we intend to do an even better job of thinking like a customer and designing products to meet their wishes, whatever they may be."



Kenji Yanagisawa
U.S. design dept.

Case Study 2: Fixed and Stowable Designs

When we visited customers who use our office printers, we noticed that paper trays and operating panels were often left open. This suggested two things: 1) the importance of being able to use the printer without any setup; and 2) the value of a design that makes the printer look clean, uncluttered, and solid during use. Conversely, a lot of home printer users told us that they would prefer a printer with trays and so forth that can be closed up so that the printer fits easily on a shelf when not in use. Given these different wishes, we took a different design approach for business and consumer printers.



Office inkjet with fixed paper trays



Home inkjet with stowable paper trays

Isao Sakamaki of Epson's European design department says, "We try to gather as much feedback as possible from customers in Europe, the Middle East, and Africa, and to design our products to fit their use."



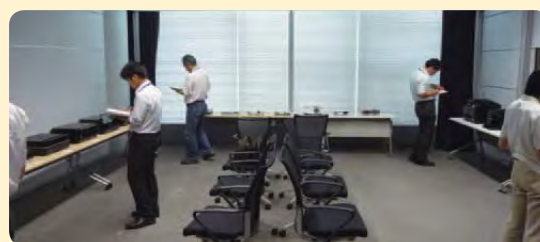
Isao Sakamaki
European design dept.

Epson collects information about how products are used around the world, shares that information with other departments from the product planning and development phases, and sets clear design quality objectives. We also build prototypes to repeatedly verify the quality of designs so that we come up with products that not only are visually appealing but are also easy to use.

Employee Monitor Program

Epson has a monitor program in which employees and their family members can participate. Persons registered as monitors evaluate products not as employees but as customers. The objective is to identify ways to improve product usability, quality, and design.

In the 2011 fiscal year Epson had 605 registered monitors. The monitors evaluated nine products, including printers, projectors, and watches. We use the feedback from monitors to improve things such as user manual readability and product usability.



Monitors evaluating products

Sales Service & Support

Epson strives to improve customer satisfaction by providing after-sale service and support that customers know they can count on. The company also holds seminars to teach customers how to properly use their products and to suggest ideas for exciting new ways to use them.

Service Personnel Skills Competition

Every year Epson Sales Japan holds a skills competition for service personnel who repair Epson equipment in the field, at customer sites. In 2011, with the goal of improving service and maximizing customer value of Epson products, 12 of our top servicepersons from around Japan were selected to compete in a qualifying round. The top three finishers moved on to the finals. The contestants perform service and repair work under the watchful eyes of judges. They are judged not only on their repair skills but on the neatness of their personal appearance, orderliness, ability to correctly diagnose problems, and skill at communicating with customers, all factors that encourage customer loyalty.

Said one employee who observed the competition, “The contestants demonstrated excellent interpersonal skills and an amazing ability to flexibly adapt to changing situations. These types of servicepersons are a huge asset for Epson because service calls are a valuable opportunity to communicate with customers.”

Daisuke Hiyamizu, an employee of a service partner company and fiscal 2011 champion, said, “Until the competition was over, I didn’t think I stood a chance, so I am thrilled. The competition was a great learning experience, and I am honored to have been chosen as the winner. A serviceperson’s job is to maximize customer satisfaction in the field. I look forward to applying what I’ve learned through this experience to satisfy customers.”



FY2011 Service Personnel Skills Competition champion Daisuke Hiyamizu

Photo Seminars

EpSITE¹ offers various lectures and hands-on seminars, some free and some for a nominal fee, to teach customers things such as simple printer operations, tricks to improve their prints, and other practical skills. In one lecture, for example, customers learned techniques for restoring old, faded prints and film using scanners and multifunction printers. Many participants are surprised at how easily this can be accomplished with Epson products.

¹ EpSITE is the name of an imaging gallery in Tokyo with space for activities such as photo exhibits, product demonstrations, and courses for photo printing.



Course in faded photo restoration

Awards for After-Sale Service

In 2011, Nikkei Business ranked Epson Direct Corporation No. 1 in after-sale service satisfaction, in the PC category, for the seventh consecutive year.

As a direct link between customers and Epson, Epson Direct is always looking to improve service to ensure that customers remain satisfied with their purchases. In addition to offering one-day service and online support tips, Epson Direct is striving to further enhance service so that customers can use their Epson products faster, longer, and with more confidence.



日経ビジネス 2011 年版
アフターサービス満足度ランキング

パソコン部門 **7年連続 第1位**

日経ビジネス 2011 年 7 月 25 日号
「2011 年版 アフターサービス満足度ランキング」より

Quality Improvement Program

We take a variety of steps to ensure that the company's focus remains on quality, so that our customers receive only products that conform 100% to requirements.

E-KAIZEN Activities

E-KAIZEN activities are carried out by teams across the company to maximize teamwork and increase quality. Every year a worldwide E-KAIZEN team presentations convention is held in Japan to provide our people with an opportunity to learn from one another and to foster the ability to accomplish ever more ambitious goals. In 2011, a total of 27 teams from nine countries presented their activities at the convention.

This year's gold prize winner was a team from Indonesia that achieved significant improvements in the quality of inkjet printer heads. The team carefully observed and analyzed manufacturing processes and line staff movements to identify problems with the way piezoelectric elements were being handled and with the tools used to handle them. They used their findings to improve both processes and tools, thereby reducing the defect rate on their line. They then went a step further and contacted Engineering, which effected the same changes on other lines within a month. These efforts were instrumental in stabilizing manufacturing.



E-KAIZEN team from Indonesia



Poster summarizing the gold prize-winning team's activities in Indonesian

"CS & Quality Month" Programs

Epson has designated November as CS & Quality Month. During the month we reassess, for example, whether our day-to-day quality improvement activities are aligned with our goal of achieving 100% conformance and whether we have an effective mechanism for incorporating the voice of the customer and past experience into the product and services. We have chosen two of those activities to present here.



In-house poster for CS & Quality Month

Case Study 1: Roundtable Discussions

Teams in the workplace held roundtable discussions to talk about obstacles to achieving 100% conformance and how to remove them.

Design engineering teams discussed what they need to do to ensure that they correctly understand and incorporate customer usability requirements in products. Sales and marketing teams discussed actions they need to take to ensure that the voice of the customer is communicated to Product Planning in a timely manner. Teams in administrative departments, meanwhile, talked about how they can better support operations.

Case Study 2: Case Study Presentations

To establish a mechanism for building quality in from the development and design stages, Epson provided a venue at which operations divisions can present their activities and learn from others. Participants presented and discussed ongoing innovations in product commercialization processes, efforts to improve the customer value creation process, and ways to raise productivity.



Presentation of design quality improvement activities

Product Safety

Epson applies its Quality Management Regulation and Product Safety Management Regulation globally to realize a uniform level of product quality. We strive to ensure customer safety and security with the Epson Quality Standard, which specifies far-reaching product safety and environmental requirements to be met by Epson and its suppliers. These self-imposed standards meet or exceed the legal and regulatory requirements of countries and regions.

Basic Policy on Product Safety

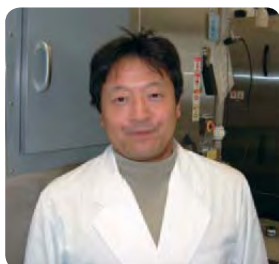
Epson recognizes the importance of product safety in winning customer trust. That is why we established our Basic Policy on Product Safety and are extremely proactive in ensuring product safety in line with our commitment to customer satisfaction set forth in the Management Philosophy.

Product Safety Initiatives

Epson makes every effort to ensure that its products are safe. We use analytic techniques learned and honed over the years to analyze safety incidents reported by customers and to determine the root cause. The lessons learned are shared throughout the Epson Group to prevent recurrences of similar incidents. We have also installed equipment and instruments in our laboratories to measure substances thought to cause sick house syndrome. Using these facilities, we test our products against our strict, independent standards to make sure that our products are safe and secure.

We also provide product safety training for all employees and build intrinsic safety into our products by eliminating hazards at the product planning and design stages and by making sure the products are safe even if misused.

Katsuhiro Yoshimitsu of the Material Analysis & Research Center says, "Our mission is to deliver safe, secure products to our customers. As part of that mission, we evaluate products to make sure that customers are not affected by volatilized chemical substances. We are also trying to achieve a higher level of product safety assurance by, for example, improving techniques for quantitatively analyzing volatile substances."



Katsuhiro Yoshimitsu
Material Analysis & Research Center

Product Information Security Initiatives

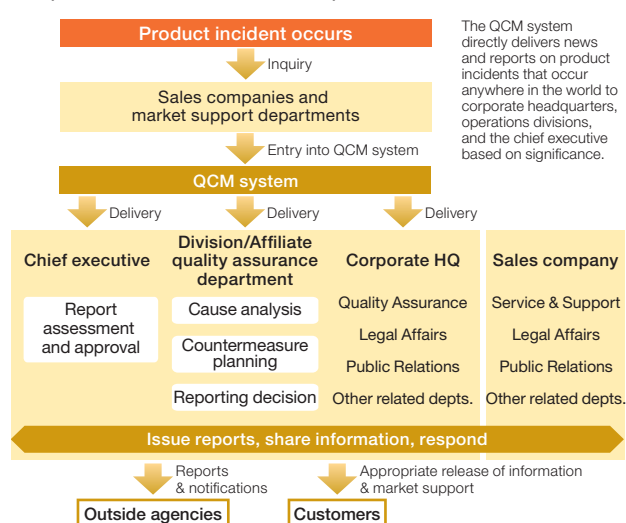
With the growth and expansion of networks, both business and consumer products are commonly equipped with network connectivity. While network connectivity is convenient, it also presents security risks, with systems being subject to the threat of attacks, falsification of data, and the leak of confidential information by third parties with malicious intent.

To counter such threats, Epson has established and implements quality standards to ensure security and eliminate vulnerabilities not only in the built-in software of network-enabled products but also in drivers and other software.

Rapid Response to Product Incidents

Whenever a safety incident occurs, we immediately issue a preliminary report using a Quality Crisis Management (QCM) system that spans the entire Epson Group. The QCM system quickly delivers the information to relevant personnel and, depending on the seriousness of the incident, to the chief executive. Then, putting the needs of our customers first, we analyze the cause, develop countermeasures, announce the incident to the public, provide market support, and submit to outside agencies the reports and notifications required by product safety laws and regulations, such as Japan's Consumer Product Safety Act.

Epson Product Incident Response Process



Web Important product safety notices (in Japanese)
<http://www.epson.jp/info/>

(Epson did not issue any important product safety notices in the Japanese market in FY2011)

Preserving the Natural Environment

We integrate environmental considerations into our corporate activities and actively strive to meet high conservation standards in fulfilling our responsibilities as a good corporate citizen.

Environmental Approach

Epson carries out environmental programs under uniform standards and goals in every country and region of the world. Our basic environmental stance is set forth in Epson Principles of Corporate Behavior and in the Environmental Policy. In 2008, Epson established Environmental

Vision 2050, a document that sets forth what it will take for us as a company to halt environmental degradation and build a sustainable society. Reductions of CO₂ emissions and conservation of biodiversity are the main pillars of the vision, which is based on the premise that the carrying capacity of the Earth should be divided evenly among all people.

Environmental Vision 2050

Recognizing that the Earth's carrying capacity is limited and believing that everyone must share responsibility for reducing environmental impacts equally, Epson is aiming to reduce CO₂ emissions by 90% across the life cycle of all products and services by the year 2050. At the same time, as a member of the ecosystem, Epson will continue to work towards restoring and protecting biodiversity together with local communities.



Environmental Policy
http://global.epson.com/SR/environment/vision/environment_policy.html



Detailed outline of Environmental Vision 2050
http://global.epson.com/SR/environment/vision/vision2050_index.html

SE15 Mid-Term Environmental Policy

To achieve our environmental vision, we set certain milestones and are filling the gaps between where we are and where we want to be. The SE15 Mid-Term Environmental Policy set forth the first of these milestones. Established

in April 2010 and updated in March 2012, the policy maps out actions to meet the environmental challenges identified in the SE15 Long-Range Corporate Vision. These environmental action policies form an integral part of our business strategies.

SE15 Mid-Term Environmental Policy

SE15 Environmental Statement

Provide customer value by using our compact, energy-saving, high-precision technologies to reduce our environmental impacts across all areas of operations, from our products and services to our sales and manufacturing activities.

The 2015 Environmental Goals

New perspective: Challenging ourselves to create new environmental value

Going beyond only reducing the environmental impacts of products themselves, Epson proposes new products, services, functions, and uses that change the behavior and businesses of customers.

Products & production: Halving of life cycle environmental impacts

Products Create compelling, customer-pleasing products that have a 50% lower impact across their life cycles by making them smaller and lighter, reducing their power requirements, designing them for easy recycling, and extending their service life.

Production Achieve efficient, low-impact production processes that will provide underlying support for greener products in conjunction with programs that reduce total costs and raise quality.

Environmental community: Fostering of an environmental community

We are challenging ourselves to achieve new socially and economically sustainable practices through environmental community action centered on products and services.

Achieving Environmental Vision 2050

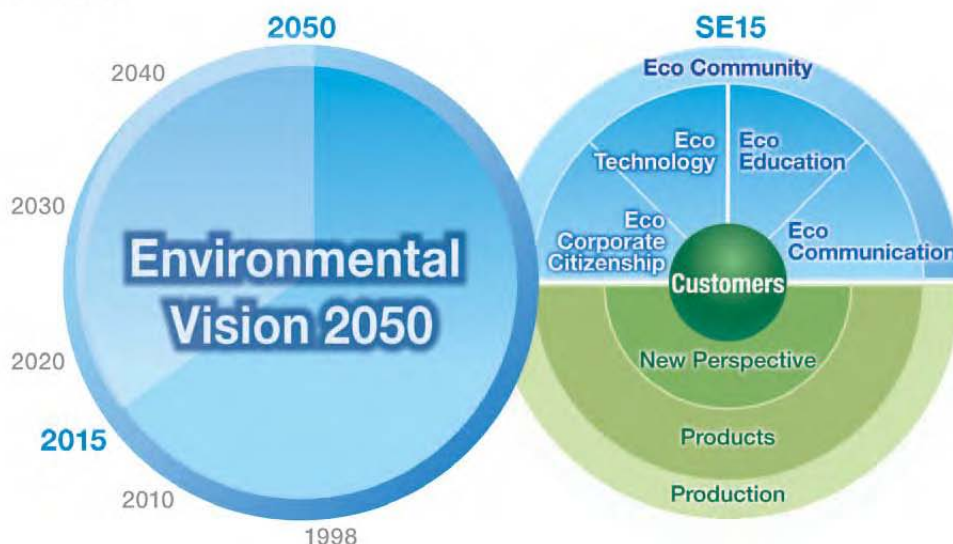
We took a backcasting¹ approach in creating Environmental Vision 2050. In other words, we developed a vision of how Epson should be in the future and then identified actions we need to take to arrive there.

We are steadily reducing the environmental footprint of our production plants. This will provide us with a platform from which to accelerate the mitigation of environmental impacts with our products and services. We will also challenge ourselves to take new approaches to the reduction of environmental impacts.

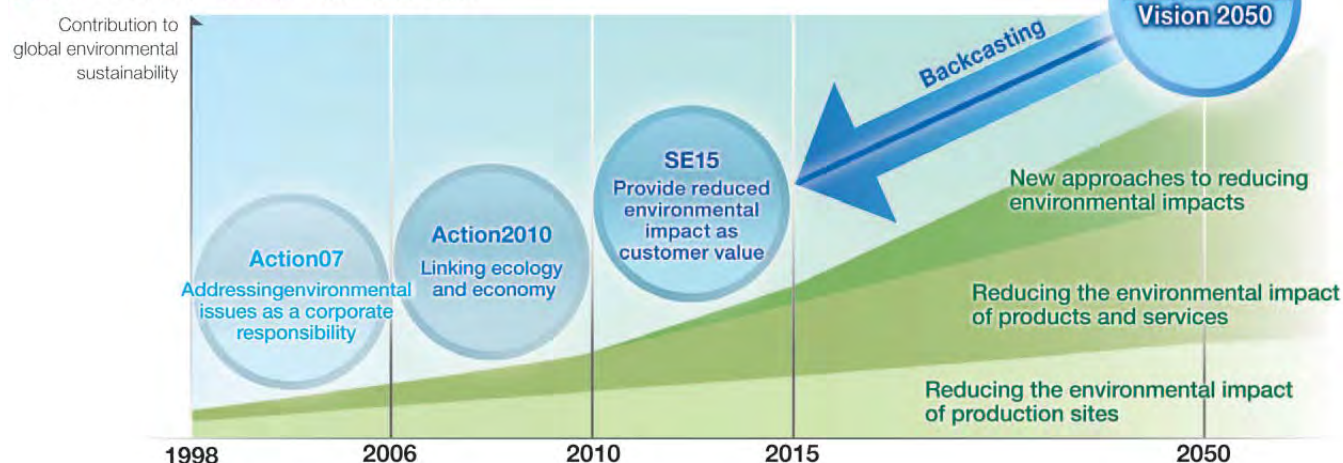
The 2050 vision will be achieved through business activities. Examining future businesses through the prism of Environmental Vision 2050 reveals clues about how businesses and the company should be. The idea that we need to reduce our dependence on material goods will likely increase in importance. We continue to discuss our vision for Epson and are taking action toward its realization as we head far into the 2050 future.

¹ A planning technique in which a desired outcome or goal is envisioned and planned before the scenario for achieving the outcome or goal is devised.

The 2015 Environmental Goals



Achievement of "Environmental Vision 2050"



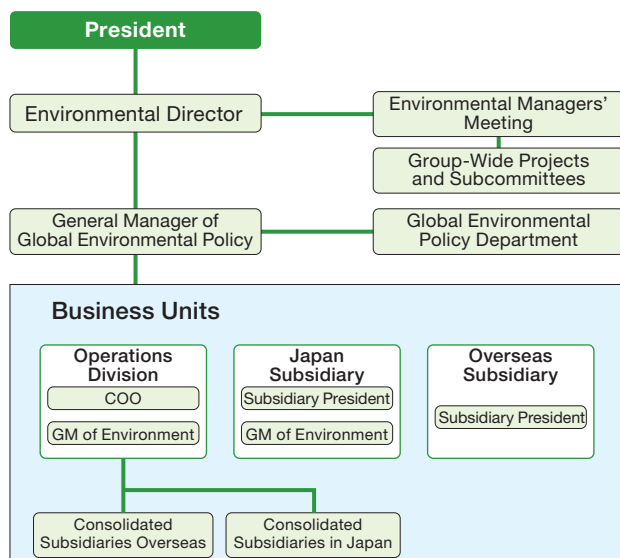
Environmental Management

Epson manages its environmental performance so as to achieve its ecological and economic objectives and to help create a sustainable society.

Environmental Management System

The business units that drive environmental activities in Epson establish environmental plans based on the SE15 Mid-Term Environmental Policy (page 29) and carry out the activities using an Environmental Management System (EMS). We conduct internal evaluations to check performance against the plans and take corrective ac-

Promotion System for Environmental Activities



tion against nonconformances. Our major business sites worldwide have acquired ISO 14001 certification and are leveraging aspects of this international standard within the EMS. Going forward, we will make EMS an even more integral part of our businesses.



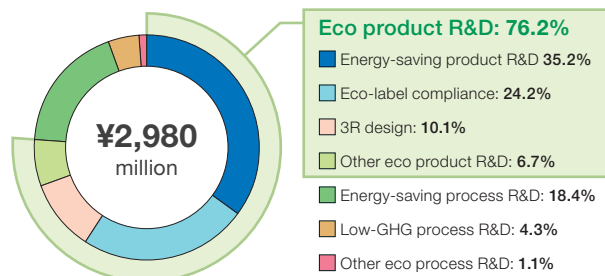
ISO 14001 Certification List
<http://global.epson.com/SR/environment/reports/iso14001.html>

Environmental Accounting

In the year 2000, Epson designated environmental accounting as an indicator for managing environmental actions. In the dozen or so years that have passed since, there have been changes in way that companies approach environmental actions. We believe that delivering a reduced environmental impact, in addition to environmental conservation, is an increasingly important form of customer value.

In line with the environmental goals for 2015 outlined in the SE15 Mid-Term Environmental Policy, we will reduce the environmental impacts of our customers by investing appropriate resources into environmental conservation.

Environmental R&D Expenses



FY2011 Environmental Conservation Costs and Effects

(millions of yen)

Description	Conservation Costs ²		Savings			Conservation Effects and Other Qualitative Effects		
	Investment	Expense	Description	Value	Net ³	Item	Unit	Value
Creating and providing eco-products / Recovering and recycling products	20	420				Energy conserved in the community through energy-saving products	10,000 kWh	9,571
Environmental R&D	0	2,980				"New approach": Develop products that reduce the environmental impact of our customers through efficiencies and convenience		
Prevention of global warming	290	520	Energy savings, GHG emissions reduction	570	-50	CO ₂ reduction (energy saved + GHG reduction)	t-CO ₂	28,299
Reducing eco-burden substances	0	110	Reduction in substances	0	110	Substance reduction	t	0
Waste processing / recycling	0	770	Waste emissions reduction	360	410	Waste volume reduction	t	4,338
Effective use of water	10	110	Reduction in water, effect of recycling	160	-50	Water reduced or recycled	1,000 m ³	1,629
Sharing environmental data, contributing to regional/international conservation	0	60				Community engagement (exhibitions, lectures, local cleanup, etc.) Information disclosure (Sustainability Report, website, etc.)		
Compliance (pollution control, etc.), greening, beautification	140	230				Legal/regulatory violations: 1		
Soil and groundwater cleanup, etc.	0	60				Support for soil and groundwater cleanup, etc.		
Continually improving environmental management	0	120	Savings through internal training	360	-240	Environmental basic, internal environmental auditor, and environmental specialist training		
Total	480	5,430		1,450				
Conservation costs to sales ratio (%) ¹		0.6%						

Note: We tabulate figures using internal guidelines created based on the Environmental Accounting Guideline of the Ministry of the Environment (FY2005).

The scope of accounting covers Seiko Epson, 16 subsidiaries in Japan and 20 subsidiaries overseas. The companies included are those that collect environmental accounting data and are ISO 14001 certified.

¹ Calculation of per unit of sales uses Epson Group's consolidated sales.

² Figures have been rounded off, so the sums of the figures and the totals may not match.

³ Net environmental conservation costs are derived by subtracting economic effects from total environmental conservation costs. Negative figures represent profit generated as a result of measures taken.

FY2011 Results

Epson introduced the SE15 Mid-Term Environmental Policy in fiscal 2010. In line with the policy, which is tightly bound to Epson's business strategies, we are reducing the environmental impacts of our products and services.

In fiscal 2011 each business unit drove its own actions

to achieve the 2015 environmental goals. These actions, which were tightly intertwined with their respective businesses, led to numerous achievements such as the development of products with lower life cycle impacts and the expansion of recyclable services. A variety of actions were also carried out in manufacturing, enabling the Epson Group as a whole to achieve its reduction targets.

The 2015 Environmental Goals	FY2011 Results
Halving of life cycle environmental impacts Achieve customer satisfaction by aiming to create new products and services whose environmental impacts across their life cycles are reduced by 50%.	Making products smaller, lighter and more energy efficient Example: In the consumer inkjet printer business, we reduced the life cycle CO ₂ of each product by 30% compared with fiscal 2006 by reducing the weight of the electronic unit and of the product itself. In the area of manufacturing, we reached our Group-wide FY2011 reduction targets. <ul style="list-style-type: none"> • CO₂: 37% lower than in FY2006 p. 39 • Emissions: 32% lower than in FY2006 p. 40 • Water: 51% lower than in FY2006 p. 39 • PRTR substances: 26% lower than in FY2006 p. 40 (Pollutant Release and Transfer Register) • VOC: 31% lower than in FY2006 p. 40 (Volatile organic compounds)
Expansion of recyclable products and services Expand the resource reuse and recycling loop by delivering new recyclable products and services.	We expanded the used ink cartridge collection network through stronger cooperation with local governments in Japan as part of the Ink Cartridge Homecoming Project. A similar program was also launched overseas in Singapore. p. 38 We drafted a plan to expand the collection and refilling of cartridges, and began recycling and reusing ink cartridges in a joint project with other printer companies. p. 37
Environmental applications of advanced technologies We will be helping society mitigate its environmental impacts by pursuing innovation in compact, energy-saving, high-precision technologies and applying these technologies in various fields.	The battery-powered "Moverio BT-100" see-through mobile viewer is a new kind of product that leads to a lower environmental impact by letting users enjoy a big-screen experience no matter where they are. p. 13 The SureLab SL-D3000 digital minilab and the Epson Stylus Pro 4900 large-format inkjet printer help mitigate environmental impacts by streamlining customer workflows. p. 34
Legal & regulatory compliance We are responding quickly and without fail to new environmental regulations and social movements around the world.	We completed development of a Group-wide management system for E.U. REACH ¹ compliance and will begin operation in fiscal 2012.
Fostering of an environmental community We are trying new socially and economically sustainable practices through environmental actions centered on products and services.	Our sales affiliate in Taiwan began the Green Talent Program aimed at local university students. Students from Japan also participated. The participating students and media provided yet another way to communicate information. p. 44

¹ A European Union (EU) law on the safe use and handling of chemical substances

Initiatives Starting in Fiscal 2012

Based on the establishment of the SE15 Mid-Range Business Plan (FY2012-14), Epson revised the SE15 Mid-Term Environmental Policy to reflect the emphasis on the creation of new products, services, functions and uses

that change the behavior and businesses of customers. In our fiscal 2012 initiatives, we will explore new ways of delivering a smaller environmental impact as a form of customer value from new, customer-centric perspectives.

Better Products for a Better Future

Epson contributes to reduced environmental impacts through its products. We engage in ongoing efforts to improve the environmental performance of our products and help achieve a sustainable society throughout the world.

Our environmental positioning statement, “Better Products for a Better Future,” expresses Epson’s commitment to taking steady, sensible steps to create better, greener and “eco-considerate” products. We will explore all avenues to deliver the better products described in this statement.

Better Products for a Better Future

At Epson, we know that planning for the future requires a strong commitment to the environment. That is why we strive to create innovative products that are reliable, recyclable, and energy efficient. Better products that use fewer resources help ensure a better future for us all.

The 2015 Environmental Goals

A new perspective that makes customers’ lives greener and more convenient

Mitigate the environmental impact of our customers with Epson’s innovative products and technologies.



Products that deliver better-than-ever eco-performance

Contribute to a smaller environmental footprint by making products smaller and lighter, by improving energy efficiency and by increasing recyclability.

Revolutionizing Printing with Micro Piezo

Micro Piezo technology, one of Epson’s three core technologies,¹ is capable of accurately depositing precise volumes of ink in exact locations. It also offers durability and ink compatibility superior to that of printing systems

that use heat to fire ink droplets. We will leverage these technological strengths to revolutionize printing in not only the home and enterprise markets but also the commercial and industrial areas.

¹ The three core technologies are: Micro Piezo, 3LCD (HTPS) and QMEMS.

Expanding Domains with Micro Piezo Technology



New Perspective

Imagine a type of product that delivers more convenience and a lower environmental impact. This is Epson's "new perspective."

Efficient Digital Photo Printing

The SureLab SL-D3000, a digital minilab aimed at photo shops and studios, is easier to maintain than traditional development methods. This advantage offers lower maintenance costs while also helping to mitigate resource consumption and reduce the environmental impact of the printing process.



SureLab SL-D3000



Eco Features

- No chemicals means no liquid waste
- No washing process means no water hookup is needed

Digital Minilab Advantages

Easy maintenance

Contributes to streamlined operations

- Minimizes startup and shutdown time
- No special skills or knowledge required

Eco considerate

Minimizes environmental burden by conserving resources

- No chemicals or liquid waste
- No wastewater

Saves space

Can be installed almost anywhere

- Compact body has a 2.1 m² installation footprint (without sorter option)
- No water hookup needed

Workflow Improvements with Remote Proofing¹

Proofing is the process of checking the color and finish of a print before production printing takes place. The Epson PX-H6000, a large-format printer aimed at the artwork segment, has a remote proofing function that lets users check the colors without having to go anywhere. In addition to shortening workflow time and lowering costs, this feature saves resources and conserves the energy that would have been used to deliver the proofs.

¹ This function lets you check the colors of the proof from a remote location by installing the new SpectroProofer colorimeter option.



PX-H6000

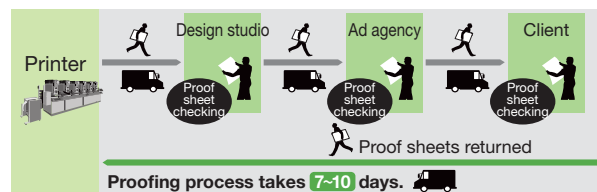


Eco Features

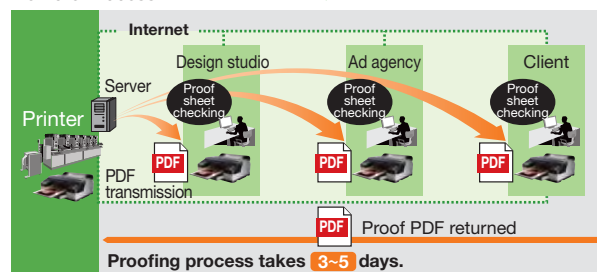
- Saves power with auto-off (0.5 W or less while off)
- Minimizes paper feed trouble with auto paper loading
- Reduces wasted paper with auto nozzle checking and cleaning

Comparison of Processes

Conventional Process



Remote Process



These are not the only products that have been born from our "new perspective." The interactive projector (pages 11-12) and see-through mobile viewer (page 13) that we introduced in the feature articles are also designed to reduce the environmental impact of our customers and make their work and lives more convenient.

Products

Epson aims to deliver better-than-ever eco-performance by taking advantage of its technologies for producing compact, precision products that save energy and resources in order to halve the life cycle environmental impact of its products.

Basic Product Development Policy

Epson created a basic policy on product development that incorporates three eco principles: energy-saving design, elimination of harmful substances and resource saving. These principles are reflected in the various frameworks and standards that we follow when making products.

When procuring production materials, we give priority to materials with a low environmental impact. We have been applying a unified global standard for the procurement of production materials since 2004 and have maintained a green purchasing rate of 100% since then.

All of our products are shipped to a single global standard that complies with all regulatory requirements for chemical substances. And, even if not restricted by laws and regulations, Epson actively looks to replace or eliminate substances that are thought to be harmful. Moving forward, we will continue to use our substance content framework to thoroughly and efficiently meet our legal and societal obligations, as well as the needs of our customers.

 Basic product development policies
<http://global.epson.com/SR/environment/lifecycle/>

Major Eco Products

- EB-435W Ultra-Short Throw Projector



Eco Features

- Standby power of 0.3 W, approximately 93% lower than the EB-410W from 2009
- Power consumption per unit of brightness is approximately 15% lower than the EB-410W

- SureColor SC-S30600 Series Large-Format Printer



Eco Features

- Uses a low-odor solvent ink that does not contain carcinogenic nickel compounds or specified fluorine compounds¹

¹ Refers to perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA)

Note: Energy consumption figures hereafter are based on measurements taken in Japan. Product model numbers applicable only in Japan.

Seiko Astron Low-Power Solar GPS Watch

Epson developed the world's first solar GPS watch. This impressive timepiece quickly captures satellite data to pinpoint its location and current time zone anywhere on the planet. The watch will see a simultaneous worldwide launch at the end of September 2012 by Seiko Watch Corporation. The ability to obtain accurate time anywhere and any time is made possible by a newly-developed GPS module aimed at low-power, compact, high-precision solar watches. The new module uses only one-fifth the power of Epson's older models.



SAST003

Eco Features

- GPS module uses only 1/5 the power of older models
- Solar panel eliminates need for battery or external charger

- Endeavor ST160E Desktop Personal Computer²



- WorkForce DS-30 Mobile Scanner



Eco Features

- Consumes only about 11.8 W of power during ordinary use
- Around 77% smaller than the Endeavor AT990E from 2011

² Epson personal computers only sold in the Japanese market

Eco Features

- Lightest in class³ 325-gram compact body saves resources
- Can run on USB power alone—2.5 W during operation

³ Portable sheet-feed scanners as of May 2012, according to Epson research

The Compact Expression Home XP-400

The Expression Home XP-400 (for North America) was designed to be as small as possible at every stage, from the selection of the materials to the layout of the components. During this process, we even managed to boost the print speed of the new compact print heads. Here are some of the ways we created customer value.

Note: Comparisons are with the Epson Stylus NX420 from 2010.

Eco Development and Design

This product was designed with the life cycle environmental impact in mind.

● Resource-saving design

- ① Optimum placement of parts



- ② 19% fewer parts

- ③ Smaller board & power supply unit

Power supply unit is almost 50% smaller

● Recyclable design

- ① We developed a glossy textured molding technique that eliminates the painting process and enables easy recycling

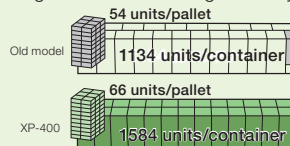
New line-textured pattern

- ② Mercury-free due to use of LED light source for LCD and scanner

Eco during Delivery

A smaller product means a smaller box and a smaller impact during transport.

- ① 20% higher pallet loading efficiency
- ② 40% higher container loading efficiency



Expression Home XP-400

Eco Features

- 39% smaller and 23% lighter
- Uses 44% less power per day
- 23% lower life cycle CO₂ emissions

Eco Print Head

When developing the new print head, we also reduced the impact of the manufacturing process.

● Smaller and lighter

Compared with the 2005 head, the new head is 43% thinner, 41% lighter, and emits 37% less CO₂ over the life cycle



● Smaller impact during manufacturing

- ① New energy-saving LED inspection lamps
- ② Adhesive strength tested and optimized to eliminate waste



- ③ Plastic scraps from molding are ground down and mixed in with new material

Eco during Use

The compact design fits almost anywhere.

- ① 24% smaller footprint
- ② Power off timer reduces standby power use
- ③ Save paper with multi-page printing and scan-to-PDF function



Installation footprint

Eco Ink Cartridges

We reduce environmental impacts in the factory.

- ① Energy-saving localized clean areas
- ② Water is removed from the waste ink and reused in the factory



Ink cartridge manufacturing process

Product Collection and Recycling

Building a recycling-oriented society requires businesses, government and consumers to cooperate in properly processing used products.

To comply with various regulatory requirements and consumer needs throughout the world, Epson put in place a global system for collecting and recycling not only finished products but also consumables. Epson currently collects and recycles consumables in 35 countries and regions.

In Japan, for example, Epson has supported the Bellmark Program with the collection of used ink and toner cartridges since 2004. Starting in October 2011, we began installing collection boxes at Epson business sites to collect cartridges from employees, business partners,



Collection box at an Epson business site

Regional Recycling System

Finished Product Compliance Programs

U.S. (by state)
Canada (by province)
27 EU member nations
Norway
Switzerland
Japan (PCs only)
South Korea
Taiwan

Voluntary Finished Product Programs

China
Hong Kong
Japan (business only)
Philippines
Indonesia
Malaysia
Singapore
Thailand
India
Australia
Chile

Voluntary Consumables Programs

U.S.	Sweden
Canada	United Kingdom
Columbia	Norway
Belgium	Switzerland
Czech Republic	Turkey
Denmark	China
Finland	Hong Kong
France	Japan
Australia	South Korea
Germany	Taiwan
Greece	Philippines
Hungary	Singapore
Ireland	Australia
Italy	South Africa
Luxemburg	
Netherlands	
Poland	
Portugal	
Romania	
Slovakia	
Spain	

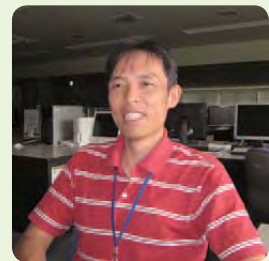
and members of the community. By April 2012, collection boxes had been installed at every business site in the Epson Group. The collected cartridges are recycled and Bellmark points are granted based on the number of cartridges collected. The points are then donated to the Bellmark Educational Support Foundation, local schools, or schools that were damaged by natural disasters.

Joint Environmental Program

In April 2012, Epson, together with a company that offers printing solutions, launched an environmental program where used ink cartridges from coupon printers are collected and refilled.

Under the program, Epson collects used ink cartridges from nearly 30,000 inkjet coupon printers installed in retail stores around Japan. Epson then refurbishes and refills the cartridges for reuse at the stores. Except for the label, almost all parts of the cartridge are reused and product quality is managed just as it is for new cartridges.

Hideaki Irikura, the person in charge of the program, enthused, “we developed this color coupon printer under the assumption that the ink cartridges would be reused. This assumption allowed us to overcome the technical issues faced by older models. Going forward, we hope to roll out this environmental program to the rest of the world.”



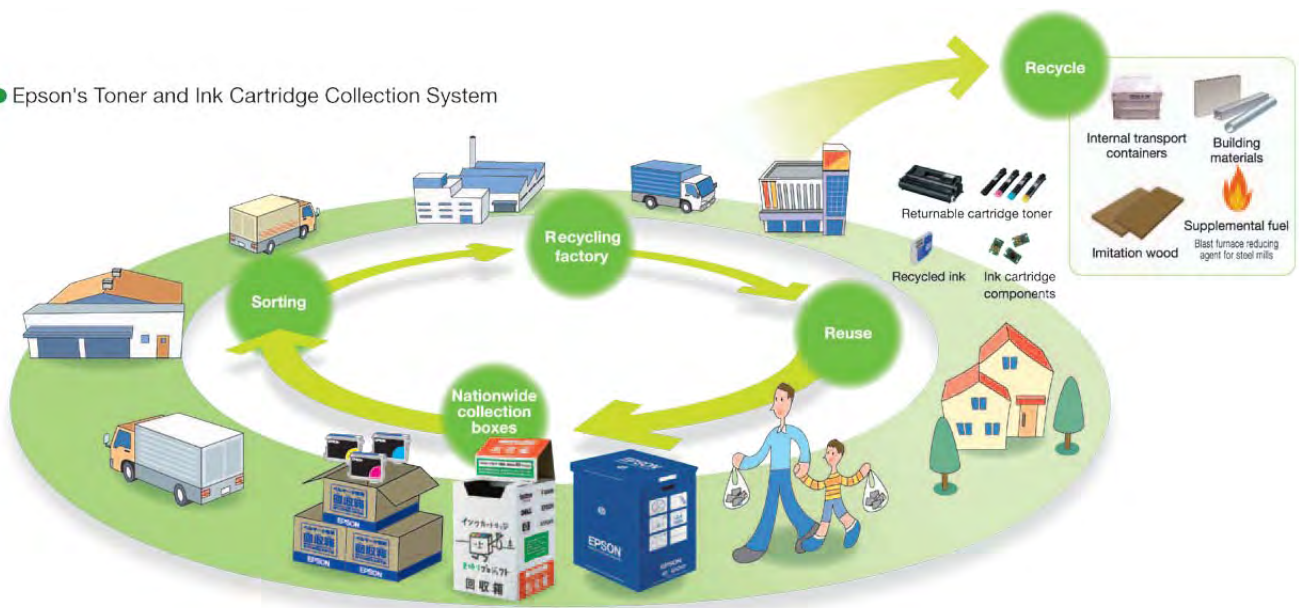
Hideaki Irikura
Business System Planning &
Design Dept.

Eco Benefits¹

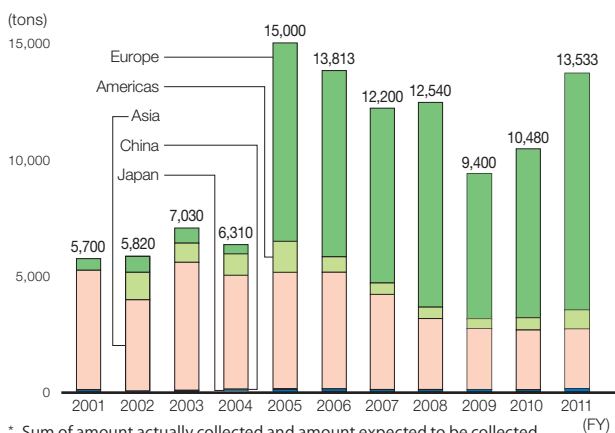
- Life cycle environmental impact per cartridge reduced by 56%
- CO₂ emissions reduced by 39.5 tons per year

¹ Figures calculated under Epson's test conditions. Compared with when users dispose of new ink cartridges after use.

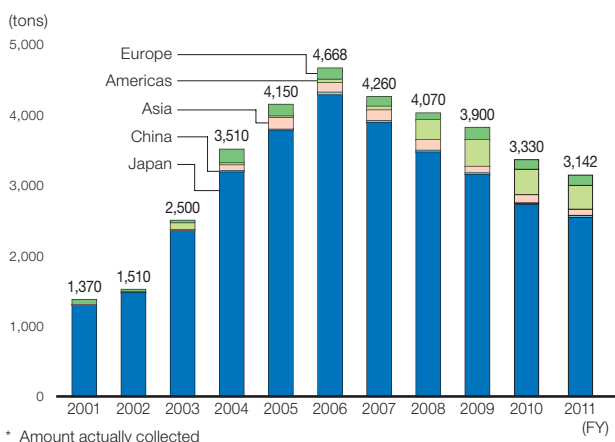
● Epson's Toner and Ink Cartridge Collection System



● Collection Trends for Finished Products by Region



● Collection of Ink & Toner Cartridges



Ink Cartridge Homecoming Project in Singapore

Epson Singapore Pte. Ltd (ESP), together with four other printer manufacturers and in cooperation with the Singapore National Environment Agency and National Library Board, began Project Homecoming to collect ink and toner cartridges in Singapore.

Under the program, consumers will be able to deposit ink and toner cartridges from any manufacturer in collection boxes that were installed at 13 branches of the national library. The collected cartridges are separated into plastic and metal components, which are then recycled. This program reduces waste and leads to the reuse of precious resources.



ESP employees at the Project Homecoming media briefing

Production

Epson aims to achieve efficient, low-impact production processes that will provide underlying support for greener products in conjunction with programs that reduce total costs and raise quality.

Global Warming Prevention

Epson's initiatives to prevent global warming revolve around reducing CO₂ emissions by conserving energy, and reducing global emissions of greenhouse gases other than CO₂. In fiscal 2011, we set out to reduce greenhouse gas emission by 28% compared with fiscal 2006 and achieved our worldwide target.

In February 2012, 14 Epson employees were recognized with awards for energy management excellence.

Energy Management Awards in Fiscal 2011

Award ¹	Recipients
Excellent Energy Conservation Manager Award	6
Excellent Energy Conservation Engineer Award	4
Excellent Energy Conservation Technician Award	4

¹ Sponsored by the Bureau of Economy, Trade and Industry - Energy Saving Committee / The Energy Conservation Center, Japan

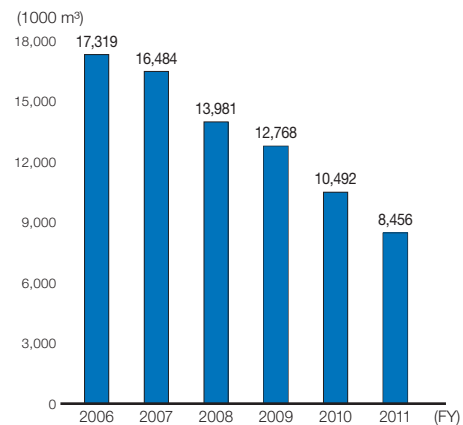
Water Recycling

Epson is mitigating environmental impacts and maintaining legal and regulatory compliance by managing the quantity of water we use and the quality of water we discharge.

We are proactively addressing water concerns in our manufacturing processes. For example, we are taking action to increase the rate at which factory wastewater is recycled and meeting stricter water quality controls

for wastewater discharged from our factories. Chinese affiliate Tianjin Epson Co., Ltd. (TEL) treats 2,400 tons of wastewater annually and uses it to wash equipment and in humidifiers and cooling systems.

Annual Water Usage Trend



Green Power

One of the ways Seiko Epson is trying to reduce its greenhouse gas emissions is by purchasing green energy. We have been purchasing wind power from Japan Natural Energy Company Ltd. since the 2001 fiscal year. To date, we have purchased a total of 19,370,000 kWh.

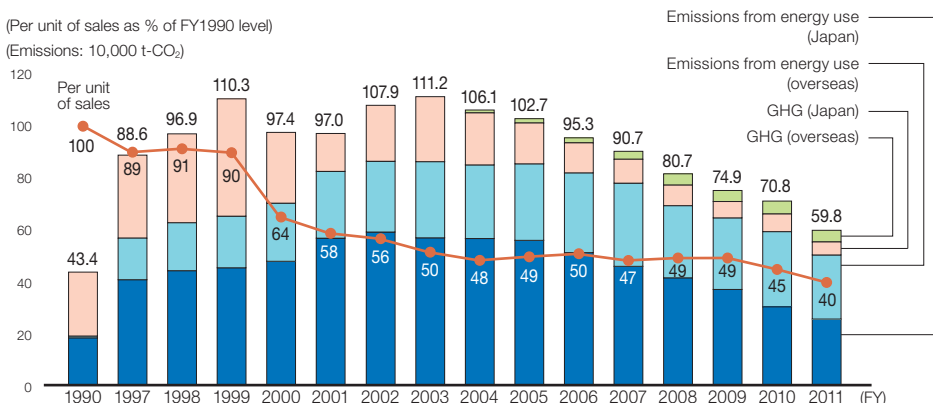
In fiscal 2011 we contracted 2,000,000 kWh worth of green power from Noshiro Wind Power Plant. This represents about 48% of the power used by Seiko Epson headquarters.



Green Power Certificate

Greenhouse Gas Emissions

(Per unit of sales as % of FY1990 level)
(Emissions: 10,000 t-CO₂)

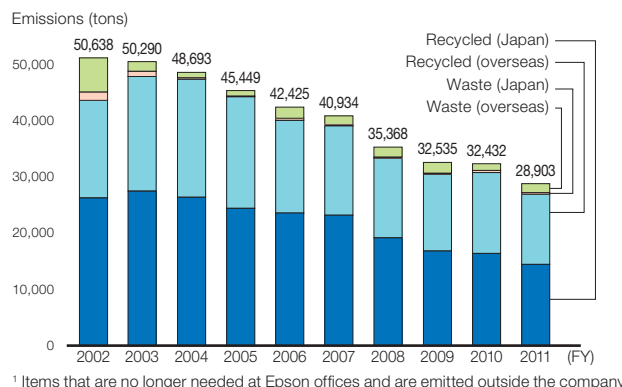


- 1990 GHG from sources other than energy use are calculated using corresponding emissions in 1995.
- In Japan we used an average value published by the Federation of Electric Power Companies as a conversion factor to calculate equivalent CO₂ emissions from energy consumed. Outside Japan we used national emissions factors provided by the Japan Electrical Manufacturers' Association (JEMA).
- To calculate CO₂ emissions from fuels both in Japan and abroad, we used the CO₂ conversion factors published jointly by the Japanese Ministry of the Environment and Ministry of the Economy, Trade and Industry in Version 2.4 of a GHG emissions calculation and reporting manual.
- To calculate the CO₂ equivalent of emissions of GHG other than CO₂, we used conversion factors published by the Intergovernmental Panel on Climate Change (IPCC) in 2001.

Zero Emissions

Epson's zero emissions program began with an effort to recycle 100% of our waste products. All Epson Group companies in Japan and manufacturing subsidiaries overseas have implemented the recycling program and are now shifting to resource conservation initiatives, which seek to improve the production process.

Annual Waste¹ Emissions Trend



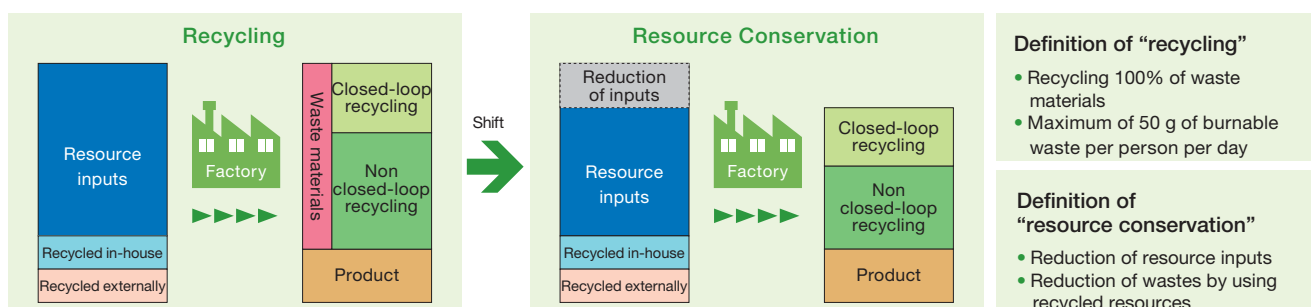
Epson America, Inc. (EAI) recycles and reuses waste materials in its warehouses. In December 2011, EAI received a WRAP (Waste Reduction Awards Program) award from the California Department of Resources Recycling and Recovery in recognition of its efforts. This marks the fourth time EAI has received the award.



EAI staff involved in the program

Meanwhile, Epson Telford Ltd. (ETL), Epson's ink cartridge manufacturer in the U.K., reuses waste materials from the production process to make paper, factory materials, stationery and other everyday goods. As a result of these efforts, ETL is now earning enough money from salvaging the waste to break even on its recycling operation.

Zero Emissions Programs

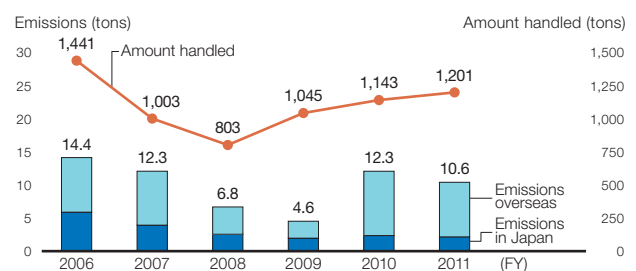


Substance Management

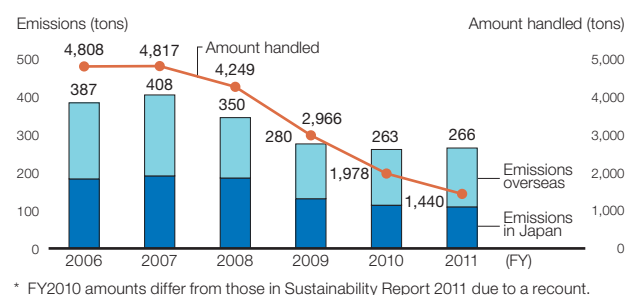
Epson uses its "E-Chem" chemical data management system to centrally track information on chemical substances used at Epson sites around the world. We are engaged in ongoing efforts to reduce the quantities of chemicals used and to moderate emissions of Pollutant Release and Transfer Register (PRTR) substances and volatile organic compounds (VOC). Using fiscal 2006 emissions as a benchmark, all Epson business units managed and met their fiscal 2011 targets for reducing emissions.

In addition, we are building trust relationships by making our substance data available to the public and by creating opportunities to exchange opinions with members of the local community.

PRTR Substance Handling & Emission Trend



VOC Handling & Emission Trend



Transport

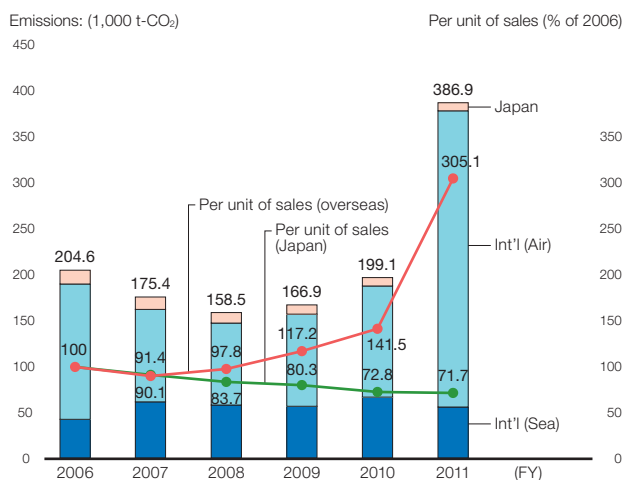
Epson is reducing CO₂ emissions by increasing the efficiency with which products, parts, and wastes are transported. For example, in addition to shifting to greener modes of transportation¹ and relocating logistics centers, we are increasing truck loading efficiencies, using innovative stack configurations and packaging, reducing the number of trucks and the frequency of departures and arrivals, and much more. We were also able to shrink package size, improve transport efficiency and reduce the number of trucks by creating smaller products.

For example, at Akita Epson Corporation we revised the method of transporting industrial waste from the production process. By switching to double-decker trucks, we were able to squeeze in a lot more industrial waste and reduce the number of trucks.

In fiscal 2011, CO₂ emissions from transport in Japan were around 8,800 tons, continuing their downward trend. Per unit of sales, emission were down approximately 1.5% from fiscal 2010. However, CO₂ emissions from international transport almost doubled due to the frequent use of air transport in response to quality problems and parts shortages resulting from the March 11 earthquake in Japan and the flooding in Thailand. This also negatively impacted our emissions per unit of sales. Epson will continue to strive to deliver products and services to customers using low-impact modes and means of transport.

¹ Switching to different modes of transport, such as from trucks to rail

CO₂ Emissions from Distribution



Environmental Risk Management

Any environmental pollution resulting from Epson's business activities could have a serious impact on residents of the surrounding area, as well as for the rest of the region or country. We follow Group-wide standards for pollution control and ensure that all members are well acquainted with the ideas and laws of environmental risk management. Each promotion unit uses ISO 14001 to identify and assess the risk of failing to meet standards or of experiencing environmental complaints or incidents in an ongoing effort to continuously mitigate those risks. In fiscal 2011, we conducted internal pollution and emissions audits at 21 business sites (13 in Japan and 8 overseas) and have nearly completed the corrective actions for nonconformances that were found.

Regulatory limits for oil were exceeded once during fiscal 2011. This incident was reported to the government and is being addressed.

Exceeded regulatory limits: 1

Complaints: 0 Accidents: 0

Stronger Quality Management for Waste

To ensure that wastes are comprehensively managed, Epson has implemented a program to strengthen the quality control of wastes. As part of the program, we analyze wastes for potential hazards and ensure that the results are properly communicated.

Soil and Groundwater Remediation

Epson is pumping and treating groundwater contaminated by chlorinated organic solvents at several sites in Japan, including at its Head Office. In addition, we have barriers in place to prevent further contamination.

Site Groundwater Data and Remediation Methods

(mg/l)

Site	2010/3	2011/3	2012/3	Remediation
HQ	36	28	39	Barrier, pump and treat, monitoring
Shiojiri	1.5	0.75	0.67	Barrier, pump and treat, monitoring
Fujimi	0.16	0.14	0.12	Barrier, pump and treat, monitoring
Suwa-Minami	0.14	0.14	0.094	Barrier, pump and treat, monitoring
Matsu-shima	0.13	0.13	0.12	Barrier, monitoring

* Groundwater trichloroethylene concentration trend / annual average (normal limit is 0.03 or less)

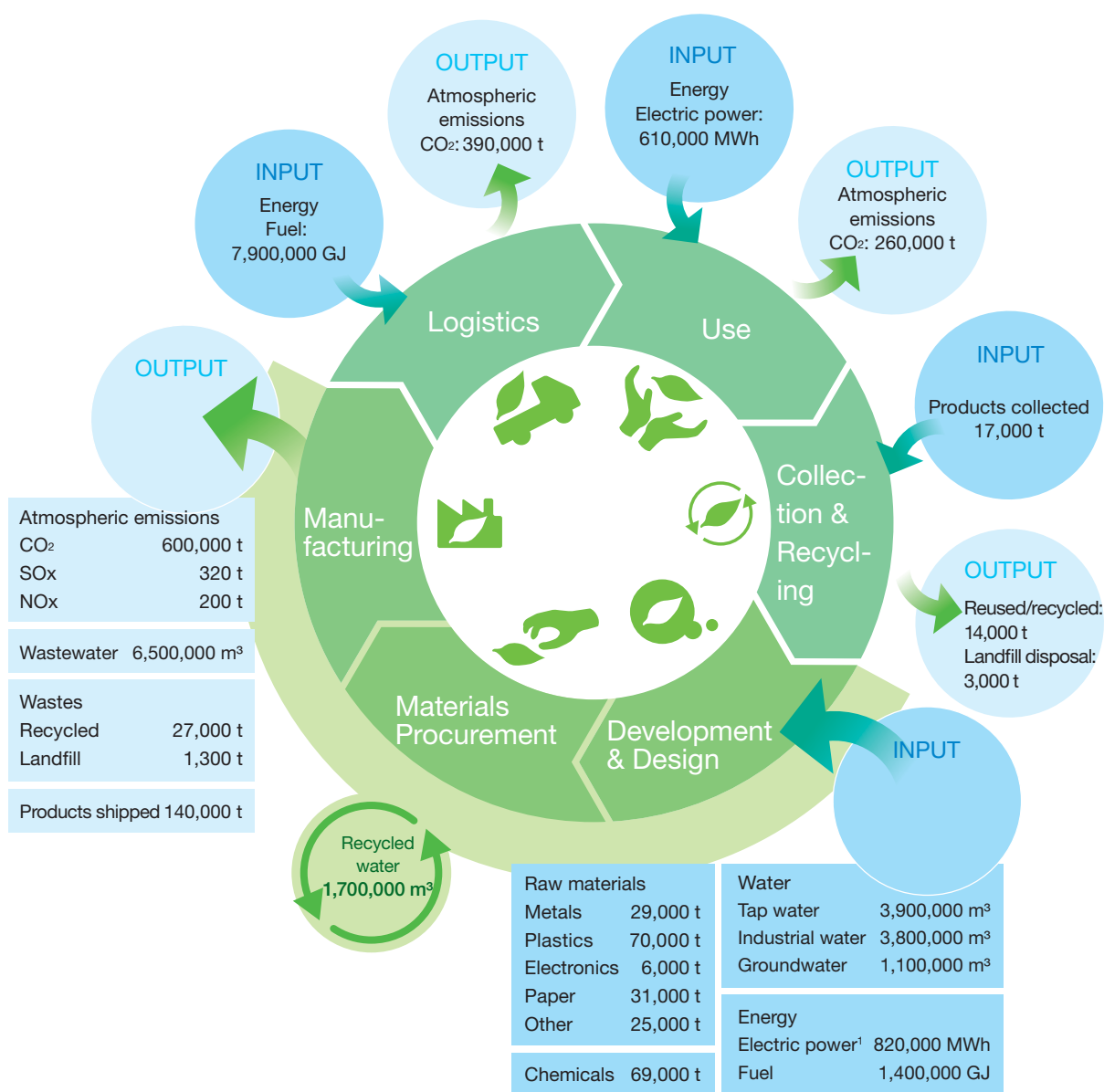


Global Environmental Data
<http://global.epson.com/SR/environment/reports/data.html>

FY2011 Material Flow

The material flow is a summary of the material and energy input into Epson's business activities and the environmental impacts, in the form of wastes and greenhouse gases output into the air. Substance quantities are tracked using data from actual measurements and

the product life cycle assessment (LCA). The results are used in various actions designed to reduce environmental impacts by improving product performance and business environmental efficiency.



¹ In June 2011, Epson launched an emergency energy-saving program at all of its Japanese business sites in response to summer energy shortages resulting from the March 11 earthquake and tsunami. This gave a significant boost to our energy-saving activities.

Environmental Communication

Epson proactively communicates information through various kinds of events to earn trust of its stakeholders. Stakeholder opinions and ideas are reflected in future environmental activities and products.

Hong Kong Awards for Environmental Excellence

In May 2012, Epson Hong Kong Ltd. (EHK) won the bronze award in the Import and Export Trades sector of the 2011 Hong Kong Awards for Environmental Excellence run by the Hong Kong Environmental Campaign Committee. The sectoral awards are based on three criteria: green leadership, program and performance, and partner synergy. EHK won its award in recognition of its continuous efforts to reduce its environmental impact.

EHK employee Rie Chan said, "I am very proud that we received an award from such an authoritative institution. Our performance was the result of a cooperative effort by everyone at EHK in drafting and executing our environmental plan. This award both recognizes the results of our past activities and provides motivation for our future environmental activities. We will continue to pursue further reductions in energy usage and waste and expand the scope of our activities to achieve our vision and a better future."



Rie Chan, EHK



Award ceremony (Hong Kong)

10th Recycling Event

In April, Epson Portland Inc. (EPI) employees held their annual recycling event. FY2011 marks the 10th year of the event. Employees collected old electronics, batteries, paper and other recyclables in cooperation with nearby businesses. More than 200 electronic devices were collected and properly discarded or recycled.



Used paper is collected



EPI employees carry old electronics

Exhibit at Eco-Products 2011

At the Eco-Products 2011 Exhibition held in Tokyo, Epson Sales Japan talked about Epson's new eco-considerate products and environmental activities in line with Environmental Vision 2050.

Environmental and product data on inkjet printers were projected on the wall using a short-throw projector, eliminating the need for information panels. We held a printer disassembly workshop to teach children about the recycling process. We also had ink cartridge collection boxes around the booth to encourage ink cartridge recycling.

This hands-on event was a great opportunity for customers to experience the appeal and environmental advantages of our products and for us to collect valuable feedback.



Hands-on printer recycling workshop

Environmental Education

Epson wants its employees to remain mindful of the environment while on the job. We feel it is important for them to consider how their conduct, both at work and at home, affects the environment and we want them to take the initiative in coming up with solutions. Toward that end, Epson provides environmental education and promotes correct understanding of ecological practices.

● FY2011 Environmental Education (Japan)

Training	Trainees
ISO14001 environmental auditor training	37 (Cumulative: 1,969)

Training (e-Learning)	Start Date	Trainees
Basic Environmental Training (Co-existing with Nature)	Apr. 2002	449 (Cumulative: 17,440)
Global Environmental Technologies Training	Dec. 2003	374 (Cumulative: 11,468)
Basic Environmental Training II (2011 Edition)	Dec. 2011	14,664

Epson also contributes to broader environmental preservation by sharing its knowledge and experience with outside organizations.

● FY2011 External Environmental Education Programs

Region	Program
Japan	Kids' ISO 14000 Program
	International Environment Leaders Training Program
China	Epson Green Next-Generation Environmental Protection Education Project
Taiwan	Green Talent Program
Germany	Understanding Energy Project

■ Kids' ISO 14000 Program

Since 2002 Epson has partnered with the International Art & Technology Cooperation Organization (ArTech) in Kids' ISO 14000, an environmental education support program for children that was developed by ArTech. Children who participate in the program lead the introduction of eco practices at home, raising environmental awareness within their own families.

Three children of Epson employees received special awards in recognition of their actions. One of the win-



Kids' ISO awarding ceremony

ners commented, "I discovered that saving energy is not something you can do alone. It was hard getting my dad to cooperate, even though he uses the most electricity. There are many more things I want to do to help the planet."

■ Green Talent Program

In October 2011, Epson Taiwan Technology & Trading Ltd. (ETT) ran a work experience program designed to develop "green talents"¹ based on the principles of "prospering with the community" and "preserving the natural environment." The program gave undergraduate and graduate students the opportunity to learn about CSR and environmental protection.

Twelve of the students who participated in the program in Taiwan were invited to Japan, where they received additional environmental training. Students developed an international perspective and deepened their knowledge of the environment through environment-themed discussions and tours of recycling facilities. The students are also expected to have a positive impact on society by talking about environmental protection.



Students have a discussion



Tour at Kanbayashi Plant (recycling)

Several of the students gave comments on the program. "Next year, I hope that they expand the activities and have more students visit Japan." "The program turned out to be very fruitful." "I was able to deepen my understanding of CSR and learn about Epson's corporate philosophy." "I learned a lot from the instructors and the employees were all very kind."



Students with ETT President Sure Lee

¹ A student with an interest in environmental activities.

Eco Technology

Looming resource and energy shortages are necessitating a shift to a sustainable and recycling-oriented society. Over the years, Epson has produced a number of original technologies through its development of printers, projectors and electronic devices. We will continue to study the application of these technologies in a wide range of fields so that they can contribute to the preservation of the environment and biodiversity.

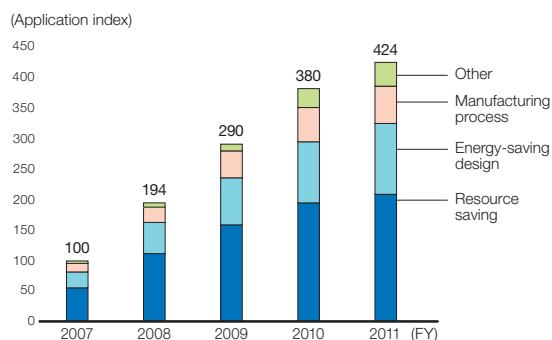
Eco-Inventions to Reduce Environmental Impact

For well over a decade Epson has been providing incentives for eco-inventions; that is, inventions that have a marked effect in decreasing environmental impact. The aim of the incentives program is to contribute to society by becoming the industry leader in the development of technology that reduces environmental impact.

In 2011 we continued to apply for and accumulate intellectual property relating to eco-minded designs, manufacturing processes and so forth based on our basic product development policy.

The NX430 inkjet printer, launched in November 2011, used several eco-inventions such as base engine miniaturization technology and highly integrated layout technology to achieve a 39% reduction in size, greatly contributing to a reduction in environmental impact.

Patent Applications for Eco-Inventions (Cumulative)



* As a percentage of normalized 2007 filings



Environmentally conscious products
http://global.epson.com/SR/environment/lifecycle/think/case_design.html

Loggerhead Sea Turtle Protection Project

As part of its efforts to help preserve biodiversity and to verify the effectiveness of its sensing technologies, Epson has been measuring underground temperatures and monitoring the hatching of loggerhead turtle eggs in an artificial beach at Kamogawa Sea World and at sites along the Tojo coastline since June 2010.

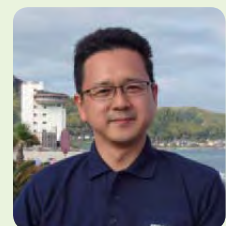


Staff members install the sensors

The sand temperature is measured every 30 minutes, while a small sensor located above the eggs detects when they hatch. The data is stored in memory until it is wirelessly read by a staff member using a special device. What sets this wireless communications technology apart from the pack is that it works with devices buried in the ground, sand or water. Detailed data on the nest, such as temperature and the date and time the eggs hatched, can be tracked without having to disturb the nesting environment.

In fiscal 2011, Epson offered technology and manpower to a joint research project between Kamogawa Sea World and the Tokyo University of Agriculture to study the relationship between sand temperature, growth conditions and hatchling gender.

Isuke Karaki, the person in charge of the project, said, "To get a clear picture of the environmental conditions in the sand, we need accurate and stable measurements that aren't affected by rain, temperature, salt and other adverse conditions. In the future we will work towards shedding light on a range of environments."



Isuke Karaki
 CS/Quality Assurance • Environment Dept.



Epson employees and Sea World staff members check the data

Community Environmental Contributions

Epson aims to be “a progressive company, trusted throughout the world.” To this end, we engage in local tree-planting activities and various other activities that help preserve the environment and biodiversity.

Relationship with Biodiversity

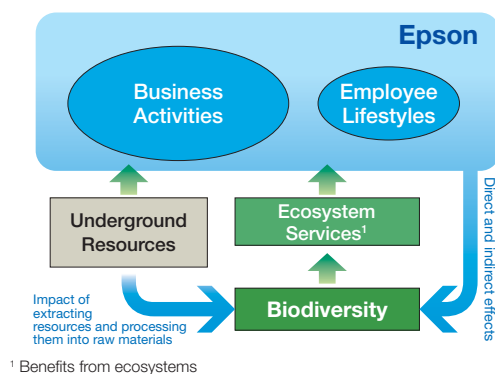
Our Environmental Vision 2050 states that “as a member of the ecosystem, Epson will continue to work towards restoring and protecting biodiversity together with local communities.” Our approach to biodiversity hinges on two key initiatives: preserving biodiversity throughout our business activities, and raising employee awareness of biodiversity.

Five factors that affect biodiversity are: climate change, land use, invasive species, overconsumption and pollution. These factors are closely related to things such as greenhouse gas emissions, land alterations accompanying underground resource mining, and the release of chemicals into the environment. Epson’s key action areas, including global warming prevention, resource recycling and conservation, and substance management, mitigate the factors that affect biodiversity. We are committed to pressing on with our efforts to mitigate the environmental impacts of our business activities.

Epson and Biodiversity

Our lives depend on biodiversity. Likewise, our businesses both benefit from and affect biodiversity in myriad ways. We believe that preserving biodiversity is also vital to maintaining our business activities and our employees’ lifestyles.

Epson and Biodiversity



Relationship with Forests

Epson began its tree-planting activities as an effective way to prevent global warming and engage the community. We also believe that planting the right tree species contributes to biodiversity and the preservation of the ecosystem.

In fiscal 2011, we planted trees in various parts of China and Southeast Asia. Meanwhile in Japan, we have been a sponsor of the Jinguji 100-Year Forest Project, a Suwa-based volunteer forest management project, since fiscal 2008.



Carbon Trading Model Forest Project (China)



Jinguji 100-Year Forest Project (Japan)

Relationship with Communities

Epson believes that fostering an environmental community is essential to becoming a company that is trusted throughout the world. In fiscal 2011, Epson employees around the world worked with local communities on various projects, including cleanup activities around business sites, the removal of invasive species, the recycling and collection of old electronics, and energy patrol teams to support energy conservation at local companies.



Removing invasive species at Bijiaoshan Park (China)



Sponsor of recycling event (Thailand)



Taiwan Energy Patrol Team



Jurizuka Beach cleanup (Japan)

Human Development at Epson

We respect fundamental human rights and facilitate a fair, safe, healthy and pleasant work environment.

HR Development and Training

Approach to HR Development

Regarding our employees as assets on loan from society and as the driving force behind the realization of our management philosophy, we maintain an organization that encourages self-reliance and personal growth, and that enables people to make the most of their unique competencies. Human development is the key to our success as a product manufacturer.

Epson develops and trains its human resources in line with a Human Resources Development Policy established in 1996. The policy states that Epson will "...support employees who have aspirations for self-actualization, connect all the companies in the Epson Group with people, and nurture employees so that both corporate and individual objectives are met."

We provide training so that our people understand their roles and what is expected of them as members of the Epson team. Training enables them to work and communicate effectively, solve problems, and experience personal and professional growth.



Human Resource Development Policy
http://global.epson.com/company/epson_way/principle/human_policy.html

New Personnel System for Middle Management

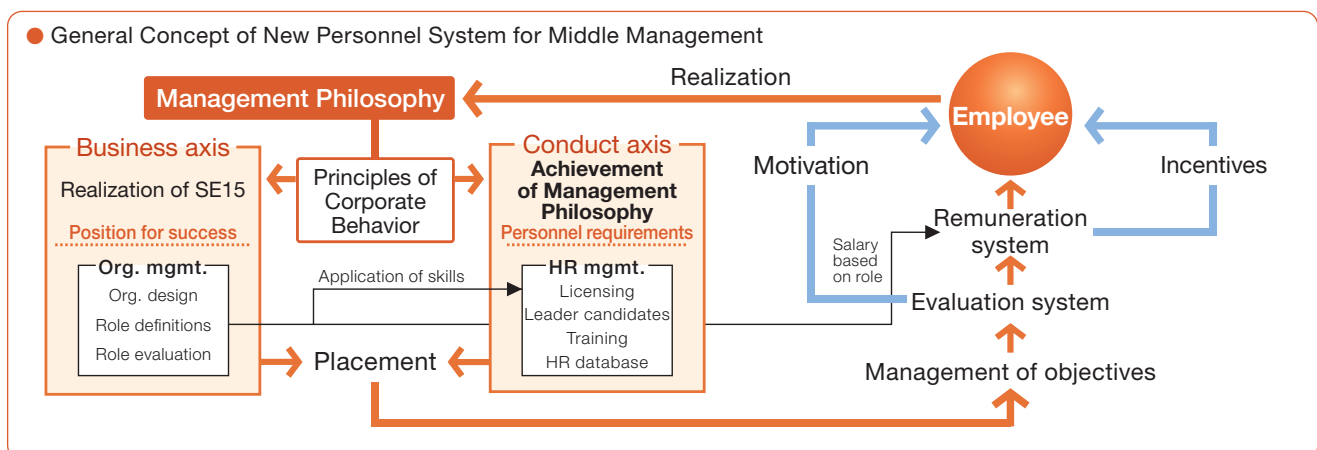
Epson aspires to continuously create customer value that exceeds customer expectations as an indispensable

company for society. To create and maximize customer value, we have established a strategic game plan that puts organizations, teams, and individuals in a position to capitalize on their abilities and fulfill their assigned roles. The fulfillment of these roles should provide both employees and the company with opportunities to grow, and the contribution of individuals to the execution of the business strategy should be fairly and impartially evaluated and rewarded. Seiko Epson will install a new personnel system for middle management at the start of the 2012 fiscal year to achieve these objectives.

Course in Management Practice

The new personnel system for middle management is intended to ensure that (1) managers correctly understand the strategic business objectives and are able to rapidly and nimbly respond to internal and external changes in the business environment; and (2) managers are able to support the growth and development of the people who report to them by putting organizations and individuals in a position to succeed.

In January 2012, before the start of the new personnel system, we began offering a course in management practices. The course is designed to teach aspiring managers the roles and responsibilities of managers, and to provide them with the knowledge and skills they will need to be an effective manager. The course is also structured so as to give participants an opportunity to practice in the workplace what they learned in the course.



Overseas Management Training

Since 2007 Epson has been providing standard Epson management training to personnel at our overseas affiliates, especially in Southeast Asia, to help ensure that the “create, produce, and deliver” value chain operates smoothly around the world. As of the end of March 2012, a total of 567 people had completed training. Although training was initially designed for personnel already holding management posts, we expanded the scope of eligibility a few years ago to include management candidates.

Training covers subjects such as Epson values, the role of management, and the concrete implementation of Epson Group policies. It is designed to transform the way local employees think and act and to establish a standard Epson-style management platform to further strengthen cooperation among organizations.



Management Training in Malaysia

In addition, we held a Global Incubation Seminar in February 2012 for 23 members of middle management at our overseas affiliates. We have been holding this seminar every year since 1999 to develop future business leaders and spread and ingrain Epson's Management Philosophy.

Training for New Employees in Japan

The first year of employment at Seiko Epson is considered a training period during which new employees learn about the Epson approach to work. For the first two weeks after joining the company, new employees participate in an orientation program where they learn about Epson and the fundamentals of business, including things such as company systems and processes, how to read financial statements, personnel systems, the Epson Code of Conduct, and Epson values.

They then move on to two weeks of hands-on training in manufacturing. Here they learn the Epson approach to work by, for example, disassembling and reassembling printers and watches, performing tasks with metal files and hacksaws, studying about production control, and touring our production plants.



New-hires cutting metal with hacksaws

Training Courses and Workforce Composition

Training System (Japan)

	Future Leader	Job/Lvl-Specific	Group-Wide	Specialist	Global	On-Site
Director						
COO	F1					
GM	F2					
Manager		Management practices				
G-Level	F3					
F-Level		Senior Staff				
C-Level		C-Level Training				
New Hire		New Hire				

Workforce Composition

Male/Female Ratio		Mgmt. Ratio ¹		Mgmt. Diversity	
Women	18%	Mgmt.	13%	Women	1%
Men	82%	Staff	87%	Men	99%

Data for Seiko Epson Corporation employees as of March 31, 2012

¹ Section manager and higher

Training in FY2011 by Employee Level (Japan)

Training	Who	People Trained	Percent Trained
New Employee Orientation	New hires	200	100%
C-Level Employee Training	New C-level staff	207	97.2%
Senior Staff Training	New senior staff	264	97.4%
Section Manager Training	New section managers	75	82.7%

Note: Persons who have not received training are scheduled to do so in FY2012

Main Online Courses in Fiscal 2011 (Japan)

Course Title ²	Start Date	Trainees ³
Epson Code of Conduct: Part 2	Feb. 2011	15,436
Basic Information Security (2011)	Mar. 2011	19,696
Procurement Basics (Ethics & Code of Conduct)	Nov. 2011	11,142
J-SOX Training (2011)	Dec. 2011	14,089
Basic Environmental Training II (2011)	Dec. 2011	14,664

² Compliance training

³ The number of persons completing the course by March 31, 2012

Hands-on Training at the Monozukuri-Juku

Epson's Monozukuri-Juku is an in-house manufacturing school where we develop personnel by teaching them essential manufacturing skills and know-how.

Within the Monozukuri-Juku is the Manufacturing Skills Dojo, where select new employees undergo intensive training to become top-flight manufacturing technicians in a short period of time. Many of these trainees compete in the National and International Technical Skills Olympics. The training for the Technical Skills Olympics develops people mentally, physically, and technically. Trainees exercise creativity and challenge themselves in preparation for the national competition.

Epson employees won gold, silver, and bronze medals at the 2011 National Technical Skills Olympics.



Medalists at the 2011 National Technical Skills Olympics

Departments that take the young men and women who complete training for the Technical Skills Olympics often praise their skills, motivated approach, and ability to make an immediate impact, proof that training enables them to quickly understand and perform tasks that are required. They use their skills, discipline, mental strength, and attitude to improve the workplace.



Instructor and trainee

Employment of Persons with Disabilities

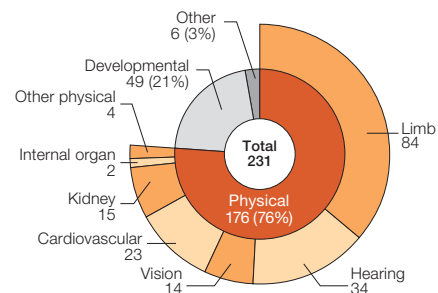
Epson employs a large number of persons with disabilities. In addition to providing restrooms, parking spaces, and other facilities for improved accessibility, we provide services, such as sign language interpretation for in-house training and promotion interviews, to accommodate special needs. Epson also has two special subsidiaries, Epson Mizube Corporation and Epson Swan Ltd., that were set up to hire persons with disabilities. As such, these companies are especially well-equipped to meet special needs.

Eight employees of Epson Mizube, cheered on by friends and coworkers, showcased their vocational skills at the 2011 Abilympics held in Nagano, and all placed at or near the top of their events. This competition not only motivates people to sharpen their individual skills, it helps unite and energize the workplace.

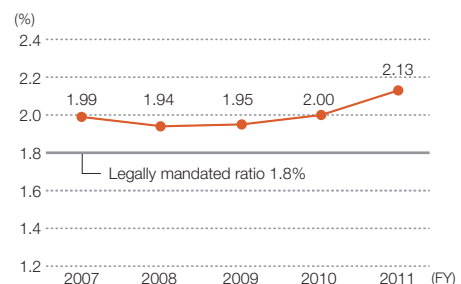


2011 Nagano Abilympics medalists

Types of Disabilities (Japan)



Ratio of Employees with Disabilities (Japan)



Maintaining a Fair Workplace

Zero Tolerance

Epson is serious about keeping all forms of discrimination and unfair practices out of its operations around the world. This stance is reflected in our participation in the United Nations Global Compact since 2004. In 2005 we documented policies that outline Epson's strong convictions in areas including respect for human rights, elimination of harassment, eradication of all forms of discrimination, respect for local culture and customs, prohibition of child and forced labor, and maintenance of positive labor relations.

There were 27 inquiries to our harassment hotline in 2011, and all were handled in the strictest confidence, in line with privacy protection laws. Additional services include a compliance hotline and other counseling services. Epson also strives to prevent fraud and other forms of legal misconduct in a number of ways, including through regular reporting to the Trust-Based Management Council and by posting reminders on the intranet bulletin board.



Policies on human rights and labor standards
http://global.epson.com/company/epson_way/principle/human_rights.html

Equal Gender Opportunity Initiatives

Seiko Epson was an early advocate of equal opportunity employment. We abolished gender-based remuneration in 1983, and the return-to-work rate for employees who have taken childcare leave is 95% (98% in 2011). In fact, women stay with Epson longer than men, on average (22.7 years for women versus 18.7 years for men).

Childcare Leave Trends

FY	Childcare Leave				Caregiver Leave
	Total ¹	Women	Ratio of women granted leave ²	Men ³	
2011	66	55	98%	11 (10)	2
2010	82	64	100%	18 (15)	2
2009	74	53	100%	21 (20)	0
2008	73	62	98%	11 (10)	4

¹ Including individuals who took well-being leave

² Number of individuals granted childcare leave / eligible* individuals
 (Individuals who have had a child and are eligible for childcare leave)

³ Numbers in parentheses indicate employees who took special paid leave



Well-being leave
http://global.epson.com/SR/our_people/fair_working/index.html#well_being_leave

Monitoring and Controlling Working Hours

Epson remains fully compliant with labor laws. One of the ways we ensure compliance is by following an operations

manual that Epson created to prevent excess overtime work. We have also deployed time management initiatives and monitoring systems across the organization. Epson has programs to build awareness among employees of the importance of regulating working hours appropriately and we are fully committed to maintaining a well-balanced working environment.

Work-Life Balance Initiatives

Seiko Epson, with one eye trained on the well-being and development of our children, provides an environment that allows employees to balance their careers with their personal lives so that they feel they can stay with the company.

We enforce an eight-hour workday at least once per week at our sites, and an increasing number of sites have a day each year when parents can bring their children to work. These and other initiatives have enabled Seiko Epson maintain certification as a company that is implementing policies that will benefit the next generation.

In April 2012 we began implementing an action plan for creating, by the end of the 2015 fiscal year, the best possible work environment for raising a family and achieving a good work-life balance.



Next-generation accreditation mark
 "Kurumin"

Labor-Management Cooperation

Seiko Epson is a union shop whose employee union representatives work cooperatively with management. Joint committees are formed to discuss and finalize mutual resolutions to issues on a variety of topics, such as work systems, family support, and benefits and wages.

Main Employee Welfare and Benefits Systems (Japan)

Category	Description of System
Childcare	Childcare leave, shorter work hours for parents, home care service
Caregiving	Caregiver leave, shorter work hours for caregivers
Retirement	Retirement benefits (defined contribution pension plan, corporate defined benefit pension plan), asset-building incentives, etc.
Wellness	Personal injury or illness leave, in-house therapy (massages), special paid leave, payment of additional amount to defray costs of injury, illness and child-rearing, subsidies for general medical checkups
Training	Subsidies for passing national exams, work-related correspondence courses, self-study, etc.
Housing	Company housing, property accumulation savings incentives, home financing, etc.
Commuting	Commuting expenses (commuter passes, gasoline costs, highway tolls, etc.)
Insurance	Group life insurance, corporate group insurance
Other	Life planning seminars, employee cafeterias, employee event subsidies, etc.

Occupational Safety and Health

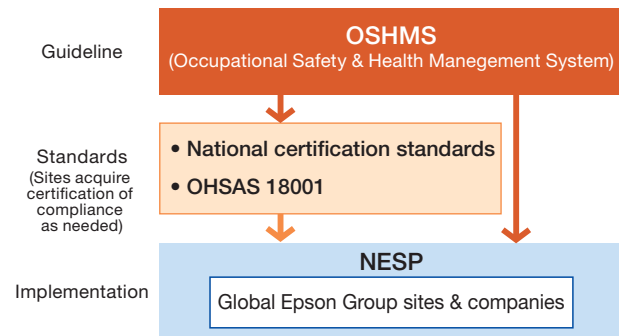
Occupational safety and health are the bedrock of business

Approach

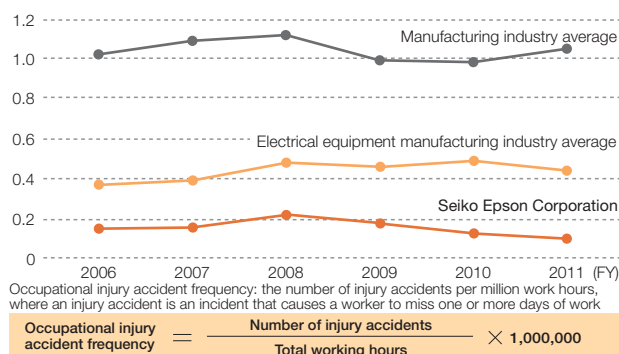
Believing that healthy, energetic employees and a safe, secure, and clean environment are essential to corporate health, Epson carries out occupational safety and health programs at its sites around the world.

The core component of this effort is the New Epson Safety & Health Program (NESP), which was launched in fiscal 2000. Covering safety, health, and fire/disaster prevention, NESP is based on an occupational safety and health management system (OSHMS) that conforms to International Labour Organization (ILO) guidelines. In 2011, Epson began instituting changes in the program so that instead of conducting activities from the Head Office in Japan, each Epson site is responsible for localizing NESP activities, adapting them to its own particular business, situation, and needs.

● The Role of NESP



● Occupational Injury Accident Frequency (Japan)



Eliminating Accidents

All Epson manufacturing sites around the globe have introduced NESP activities as the core component of their efforts to eliminate industrial equipment accidents and occupation injury accidents.

Initiatives at EPPI

Epson Precision (Philippines) Inc. (EPPI) has named its NESP adoption project the "EPPI Special Safety Project (ESSP)." They run the program locally and incorporate their own ideas. For example, safety and health information is posted in English and Tagalog so that it can easily be understood by all employees.



Safety and health information posted in Tagalog

Initiatives at ETTH

In February 2012, the Technology Promotion Association (Thailand-Japan) awarded Epson Toyocom (Thailand) Ltd. (ETTH) the Diamond Prize at "Thailand 5S Awards 2011" in recognition of the quality of its 5S¹ housekeeping program.

Nutchaya Surasri, leader of ETTH's 5S housekeeping expert committee, says, "For us, 5S is like water; it's essential for sustaining operations. We are constantly improving our 5S program and aim to be Epson's No. 1 manufacturing site."



5S leader Nutchaya Surasri

¹ Sort, straighten, scrub, standardize and sustain

Raising Safety Awareness with Safety Bulletins

Epson issues safety bulletins for occupational accidents that occur at Epson sites around the world. The bulletins, which are posted on the intranet and on bulletin boards and which describe accidents, causes, and countermeasures, are used to help avoid similar accidents in the future.



Safety bulletin in Brazil

Fire and Disaster Prevention

Epson is committed to being an accident-free workplace and contributing to community fire safety. The first step is to ensure that Epson Group is never the source of a fire or disaster. The company has organized independent fire brigades to help protect ourselves, our property and our jobs.

August 31 is Epson Disaster Prevention Day. Each year on this day, Epson Group companies conduct fire and disaster drills. One of the drills is used to test our emergency communication systems, which we have in place to confirm employee safety and determine the extent of damage in the event of a wide-scale disaster.



Fire brigade competition in Japan

Participation in Tianjin's "Fire Prevention Day"

The fire brigade of Chinese affiliate Tianjin Epson Co., Ltd. (TEL), responding to an invitation from the local fire department, participated in Tianjin's "21st Fire Prevention Day" on November 9, where it demonstrated fire-fighting drills as a representative of local manufacturing companies. The order and discipline the fire brigade demonstrated met with high praises from citizens and members of the Tianjin fire department alike.



TEL fire brigade demonstration

Mental and Physical Wellbeing

Rolling Out "Healthy Epson 21"

Epson Group companies in Japan manage employee health in line with "Healthy Epson 21," a five-year plan designed to help prevent occupational illness and promote employee health and wellbeing. In fiscal 2011 we updated the criteria we use to judge data gathered in medical checkups based on the latest medical knowledge so that we can more accurately capture the state of health. We also revised our guidelines to make allowances for personal health issues and to provide health counseling so that employees receive needed aftercare. This program enables each Epson site to identify employee health issues and to take actions to prevent or limit problems.

Health Management Support System

Epson Group companies in Japan are following a three-year plan, begun in fiscal 2010, for building a health management support system. From fiscal 2011 the system allows employees to view their own health examination results on their PCs. In fiscal 2012 employees will be able to use the system to make appointments for health examinations and fill out health-related questionnaires.



Top page of the health management support system

Moving forward, Epson will enhance the system to better support employees' efforts at self-care, management's efforts to improve the workplace and relieve employee stress, and the medical staff's efforts to provide care.

Food Poisoning Incident & Response

In September 2011, nearly 200 people suffered food poisoning at a cafeteria operated by a subcontractor in the Innovation Center at Seiko Epson's Hirooka Office. Acting on instructions from the local department of public health, Epson took steps to improve the oversight of sanitation in food preparation areas on the Hirooka campus and conducted volunteer emergency inspections in 30 other food preparation areas at Epson sites in Japan.

Organizational Governance

Epson is committed to practicing trust-based management. We have established a system of compliance to ensure the transparency and soundness of management in the eyes of our stakeholders.

Corporate Governance

The primary goal of corporate governance at Epson is to continuously enhance the value of the company and to ensure business transparency and health through a strong system of checks and ethical practices.


Seiko Epson has a board of directors and a board of statutory auditors. The board of directors, which had 10 members as of the date the Annual Securities Report was submitted, meets once a month and convenes extraordinary meetings as needed. It makes decisions regarding basic management policies, key business operations, period-end closing, disclosure timeframes, and other important issues. An outside director was appointed to the board at the June 20, 2012, general shareholders' meeting, a positive move aimed at bringing an outsider's viewpoint and insight to the company.


Epson also has outside statutory auditors who offer frank opinions to the board of directors based on a wealth of experience and keen insight, contributing to the transparency and objectivity of decisions made by the directors.

Design of Internal Control System

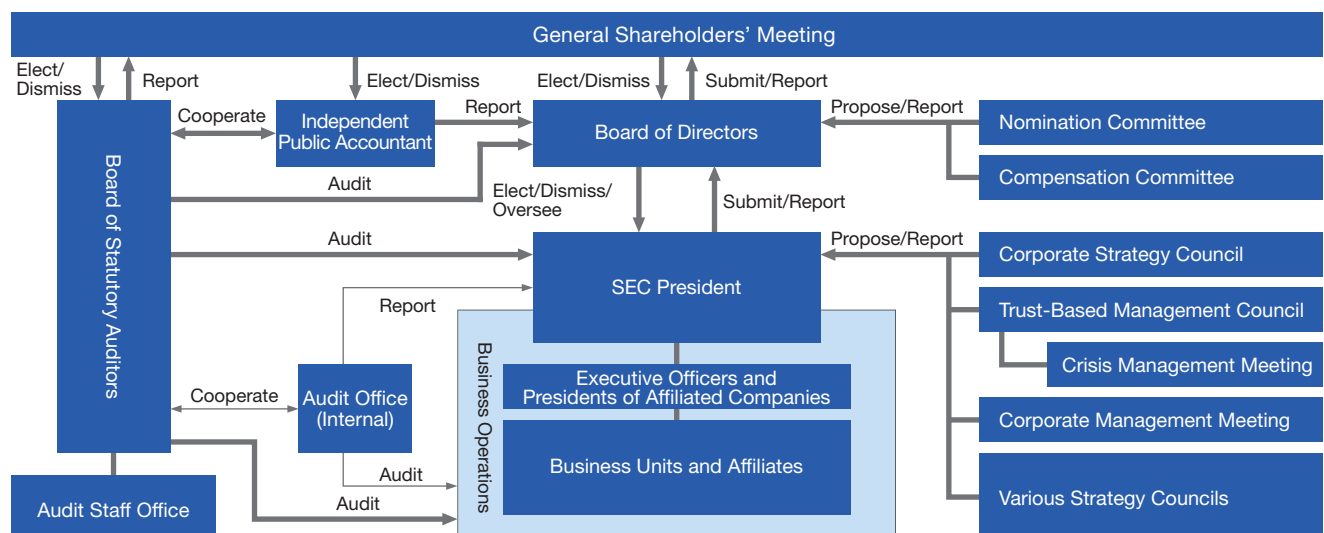
Epson's Management Philosophy outlines the vital business principles to which the global Epson Group is committed, while Epson's Principles of Corporate Behavior describes the conduct required to live up to these principles. We are steadily strengthening our internal control systems across the Epson Group. Corporate departments design and implement controls based on our Principles of Corporate Behavior, while our directors and statutory auditors assess the overall state of internal controls at meetings of the Trust-Based Management Council.

Principles of Corporate Behavior, founded on values that Epson holds dear and reflecting changes in the demands and expectations that stakeholders have of enterprises, sets forth nine basic principles to which Epson must adhere to maintain public trust.

 Investor Relations
<http://global.epson.com/IR/>

 Principles of Corporate Behavior
http://global.epson.com/company/epson_way/principle/index.html

● Epson's System of Corporate Governance



Compliance and Risk Management

Epson manages compliance in line with the first principle stated in its Principles of Corporate Behavior: to "act ethically and build trust." The heads of divisions manage compliance within the businesses and subsidiary companies they oversee. Compliance issues that span the entire Epson Group are administered or supported by corporate departments in cooperation with the divisions.

To manage risk, we identify important Group risks and monitor the state of actions to control them. We are organized to mount a swift initial response in line with an established crisis management program when major risks are detected. Compliance and risk management issues are deliberated and addressed at meetings of the Trust-Based Management Council.

The president periodically reports to the board of directors on compliance-related issues and formulates appropriate measures as needed. Epson has also installed a compliance hotline and other support services to facilitate internal compliance-related inquiries and whistle-blowing.

Advisory and support services

- Compliance hotline (Audit Office)
- Harassment advisory (HR Department)
- Counseling related to working long hours (HR Department)
- Employee counseling (General Affairs Department)
- Labor union counseling (Labor Union)

Compliance Program

Epson has a multi-component program for maintaining compliance.

In addition to a training course that presents employees with a broad overview of essential legal issues, we also provide compliance training that focuses on certain targeted subjects, such as copyright laws and antitrust laws. Compliance issues are also built into the training curriculums for new employees, persons recently promoted to senior staff positions, and managers.

For the executive management team we brought in an outside expert to give a seminar on antitrust issues. Overseas affiliates have their own local compliance rules and compliance training programs.

We make sure that our employees have easy access to information on compliance by posting compliance guidelines on the company intranet and by offering online compliance training.



Antitrust seminar (Shimauchi Plant)

Internal Auditing

The Audit Office, which reports directly to the president of Seiko Epson, audits Epson Group divisions and subsidiaries from an effectiveness, efficiency, and compliance standpoint. If problems are found, the Audit Office conducts a follow-up audit to check the status of improvements. To ensure effective Group governance, the Audit Office also centrally oversees internal audits conducted by auditors at regional headquarters in Europe, the Americas, China, and Southeast Asia.

Internal Controls Over Financial Reporting

Every year, we audit internal controls to ensure the reliability of financial reporting (J-SOX). The Epson Group uses an autonomous distributed implementation system in which operations divisions and subsidiaries subject to external audits conduct a self-assessment on the design and operation of their internal controls, while the J-SOX Compliance Department ensures the validity of the assessment results. Operations divisions, subsidiaries, and affiliates not subject to external audits are required to independently assess their internal controls and make such improvements as are necessary.

Online J-SOX training is provided to employees around the world to increase their knowledge and awareness of J-SOX requirements.

International Trade Initiatives

Epson is a multinational corporation with production centers, sales centers, customers, and business partners around the world. Smooth international trade operations are essential if we are to deliver Epson products and services to customers in a timely manner.

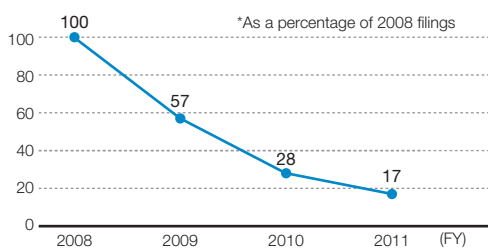
Meanwhile, we must observe numerous conventions and frameworks governing international trade that have been put in place to maintain international peace and security.

To maintain compliance with these and to ensure smooth trade, Epson has established comprehensive systems and processes that have enabled Epson companies to earn certification from the relevant authorities in Japan and abroad for compliance with the international trade programs. (See the table below.)

Company Name	Program (Certifying Agency)
Seiko Epson Corp.	General Bulk Export Licensee (METI)
Seiko Epson Corp.	Authorized Exporter (Japan Customs)
Epson America Inc.	C-TPAT ¹ Partner (U.S. Customs)
Epson Portland Inc.	C-TPAT Partner (U.S. Customs)
Epson El Paso Inc.	C-TPAT Partner (U.S. Customs)

¹ Customs–Trade Partnership Against Terrorism, a program designed to strengthen U.S. security across the supply chain.

Annual Trend in Errors at Customs Clearance



Security at Epson

Declaring a commitment to protecting people, assets, and information in Principles of Corporate Behavior, Epson takes steps to ensure personal security, the security of corporate assets, and the utmost prudence in the handling of information. Epson recognizes the importance of good security practices. Accordingly, we establish and maintain systems to ensure the on-site safety and security of personnel and visitors, carefully control all assets, respect the property of others, and take strict precautions to safeguard personal data and confidential information.

Physical Security

Seiko Epson has been upgrading physical security in a variety of ways, most notably with contactless ID cards that we call “G3-ID cards.” G3-ID cards are used to control physical access throughout our facilities. They can also be used in lieu of cash in company cafeterias and canteens.

We used to destroy used G3-ID cards that our employees and on-site partners no longer needed. However, to minimize both waste and expense while maintaining tight physical security, we are reusing returned cards that are still in good shape by applying a fresh surface sticker to them.



Printing G3-ID cards

Information Security

Epson's Basic Information Security Policy describes our approach to information security and the requirements that we must satisfy. This policy calls for all Epson personnel to recognize the importance of information security, exercise effective information security governance, and build information security into the corporate culture.

In fiscal 2011 every business unit assessed the soundness of its own information security. Further, Group Information Security Supervising Department audited all business units in Japan to evaluate and advise them with regard to the design and operation of controls, and to ensure that their risk management for information security was functioning effectively. Senior information security managers from the business units gathered three times to discuss initiatives across the organization and to track progress.

July is Information Security Month at Epson. Among the things we did this year were reassess shared folder ac-

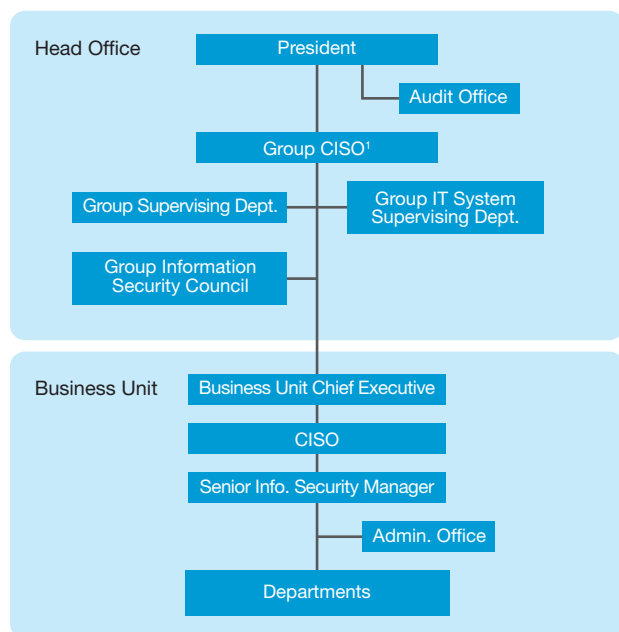
cess privileges on workplace servers, and identify and assess the risks associated with tasks in which people use USB memory sticks or other external storage devices. We also resumed publication of “Information Security News,” a monthly newsletter providing advice on things such as security precautions when using PCs at home. Online information security training is mandatory for all personnel, including executives in Japan. We also continued to hold training for general and section managers.

In China, meanwhile, information security training was conducted at Epson Engineering (Shenzhen) Ltd. (ESL) for eight companies in the region.



Information security training (ESL)

● Information Security Organization



¹ Chief Information Security Officer

 Basic Information Security Policy
http://global.epson.com/company/epson_way/principle/security_policy.html

IT System Security

We established strict security policies for PCs being used in factory production processes after one was infected by a virus introduced via a USB memory stick.

Epson Sales Japan Corporation, the Epson Data Center, and the Business Systems Operations Division have acquired and maintain Information Security Management System (ISMS) certification.

Protection of Personal Data

Just as Epson Group companies were in the midst of reviewing systems security in the wake of a massive leak of personal data by an unrelated company, hackers gained access to a web site operated by an Epson affiliate in South Korea and stole IDs, passwords, names, and resident registration numbers.

Epson responded by beefing up security on the hacked web site and by analyzing other Epson Group web sites and implementing stronger security where needed to prevent similar problems in the future.

Intellectual Property Protection

To protect our legitimate rights, Epson takes legal actions against the unauthorized use of our patents, trademarks, and other intellectual property.

In conjunction with Epson's efforts to improve awareness of intellectual property laws around the world, Epson (China) Co., Ltd. (ECC) launched the “Intellectual Property Rights Training Project for Media” in 2007. The aims of this ongoing project are 1) to cultivate intellectual property rights professionals in China, 2) to share knowledge of intellectual property rights with the Chinese media, and 3) to encourage accurate and objective reporting.



Kiyofumi Koike, chairman & president of ECC, addressing journalists



Intellectual Property Rights Reporting Seminar (ECC)

Sustainable Procurement

Prospering with suppliers based on the principles of fairness, coexistence and co-prosperity

Approach to Sustainable Procurement

Co-creating with Our Business Partners

Epson is committed to practicing sustainable procurement. We develop mutually beneficial trusting relationships with our business partners around the world based on the concepts of fairness, coexistence, transparency, and co-prosperity. In addition to providing quality products and services, we believe that part of our responsibility is to work with business partners to ensure that human rights, labor standards, and environmental preservation are being upheld across the supply chain. Business partners that we can trust are essential if we are to continue to provide customers with products and services that excel in every area, including quality, price, and environmental performance.

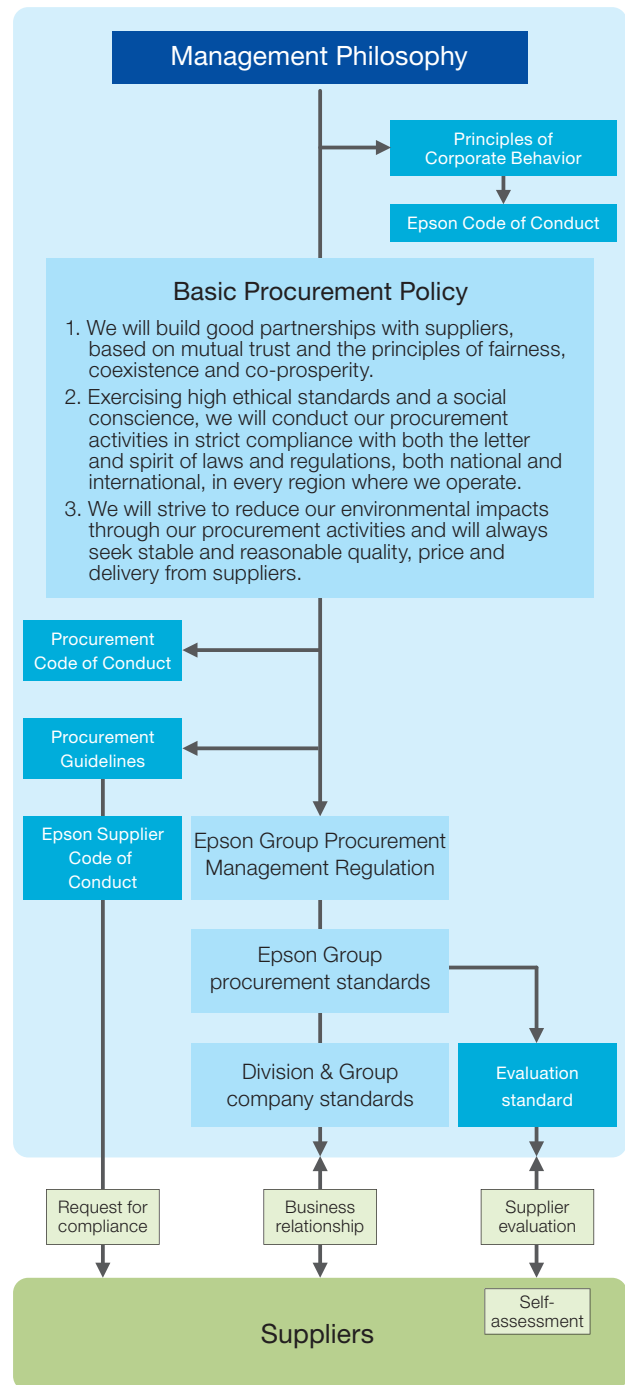
These partnerships are the roots that allow Epson to grow in harmony with the local and international communities.

Basic Procurement Policy and Guidelines

We have established formal procurement guidelines that spell out fundamental principles for our business partners around the world. Our procurement guidelines cover requirements regarding compliance with laws, social norms, and ethics in areas such as child and forced labor, respect for human rights, environment preservation, and health and safety.

With stakeholders taking an increasing interest in how enterprises take overall responsibility for human rights, labor standards, and environmental preservation in their supply chains, Epson asked its business partners to follow the Epson Supplier Code of Conduct, established in April 2008, to help ensure that equivalent standards of conduct are maintained across the supply chain.

Procurement System



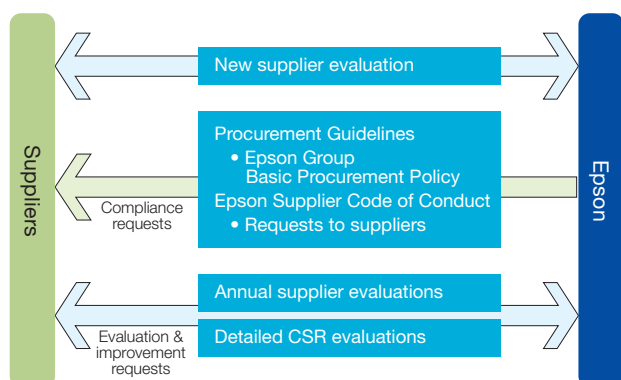
 Sustainable Procurement
<http://global.epson.com/SR/procurement/index.html>

Sustainable Procurement Initiatives

As part of its sustainable procurement initiatives, Epson evaluates suppliers' quality and delivery management systems every year and checks the kinds of CSR activities taking place. In 2011, we asked 950 suppliers to conduct self-checks, and we performed on-site checks at about 50 of them.

Epson has conducted periodic supplier evaluations for many years, but the evaluations did not have a strong CSR component. We therefore built detailed CSR checks into these evaluations and perform them as needed. We report the results of evaluations to suppliers and, if necessary, request improvements.

● Supplier Evaluation Framework



The globe was wracked by natural disasters in 2011, such as the catastrophic earthquake and tsunami that struck Japan and the flooding in Thailand. Using the lessons learned from these disasters, we remade our business continuity plan (BCP) for procurement as part of our supplier crisis management program and began making the rounds at mission-critical suppliers to ascertain their safety and security.

Through these and similar actions, we aim to build a supply chain that is highly unified in terms of quality, cost and delivery, as well as on the CSR front.

Compliance Management Initiatives

Unethical actions or violation of laws or company regulations in procurement activities would result in the loss of trust built up over the years and cause serious damage to the entire company.

Compliance management is a core part of Epson's business activities. We conduct in-house training and internal audits on an ongoing basis to ensure that our procurement activities comply with laws, regulations, and social norms worldwide and that they respect fair and open competition.

October is CSR Month at Epson. Since all employees should be familiar with procurement to at least some degree, we require that they complete online courses in Introduction to Procurement (Ethics & Code of Conduct) and in Subcontracting Law Fundamentals during the month.

Procurement departments are not the only organizations that engage in procurement activities. Design, engineering, and many other organizations also purchase goods and services from vendors. Persons directly involved in procurement represent the company and need to have a deeper understanding of codes of conduct, laws, and regulations. Therefore, we require all procurement staff and decision-makers involved in negotiating prices with suppliers to successfully complete procurement and compliance management training. So far, roughly 15,100 employees have done so.

We believe that these kinds of training programs teach employees the importance of self-driven compliance management and foster a workplace culture of self-discipline. This, in turn, leads to procurement activities that earn trust from stakeholders.



Procurement and Compliance Training (Head Office)

Corporate Citizenship

Proactive engagement in communities as a good corporate citizen

Approach to Corporate Citizenship

Epson established its Corporate Citizenship Policy in 2004 based on its commitment to being "a progressive company, trusted throughout the world," as stated in the Management Philosophy. We are committed to harmonious coexistence with society through programs rooted in local communities throughout the world. Recognizing that companies are expected to be even more socially involved, each and every employee will continue to contribute to Epson's standing as a good corporate citizen and facilitate mutually beneficial relationships.

Epson's contributions go beyond financial support. We emphasize contributions involving the imaging-based technologies and knowledge that underpin our business as a way to give something back to society. Going forward, Epson will continue to engage in corporate citizenship activities, including contributions involving manpower.

In fiscal 2011, Epson made contributions equivalent to 580 million yen. Seiko Epson does not make any political contributions at this time.

Policy for Philanthropy and Giving

1. Pursue social contribution activities in priority areas
2. Encourage and support participation in social activities
3. Promote distinctive social contribution activities
4. Emphasize community engagement

Education for Young People

Epson Scholarship Foundations

Epson's foundations aim to promote education, technology, and culture, to engage in environmental activities, and to contribute to the development of local communities.

Our foundation in Hong Kong aims to protect the environment by working with external environmental groups. In Japan, we have another foundation that aims to promote economic, professional, and educational development in Asia by providing scholarships to students from Asian countries and by helping fund educational, technological and cultural exchange programs. In South Korea, yet another foundation offers support for youth research and exchange programs in South Korea and overseas, funds scholarships for junior and senior high school students, and provides computers and other equipment for learning.



Ceremony for scholarship recipients (Japan)

Epson Information Science College

In 1989, with the arrival of today's information-intensive world, Seiko Epson established the Epson Information Science College in order to develop reliable engineers capable of making broad contributions to the community.

One of the key educational policies of the school is to build positive character in addition to the development of knowledge and skills. Since its inception, the school has produced over 2,000 graduates who are working in various fields.

Education for young people is one of the areas of priority for our corporate citizenship activities. We aim to foster skilled workers who are sound of body and mind.



Students listen to a lecture

Activities Using Imaging Technology

Helping Disaster Areas with Photo Prints

"To everyone who helped the town of Otsuchi, Iwate recover from the earthquake and tsunami, we want to express our gratitude by showing how your support has helped our children." Epson helped this town put their thoughts onto paper by printing photo postcards.

In November 2011, the four elementary schools in Otsuchi held a joint road race. Employees from Epson Sales Japan brought equipment to take pictures of the event and print them out on post cards. All of the participants received a memorial photograph.

Afterwards, Epson Sales Japan donated poster-sized printouts of the participants and postcards with a "Thanks from Otsuchi" logo. We hope that someday, these postcards along with the children's smiles will make their way to the people of Japan.



Posting race results in real time



Postcards with a "thank you" logo

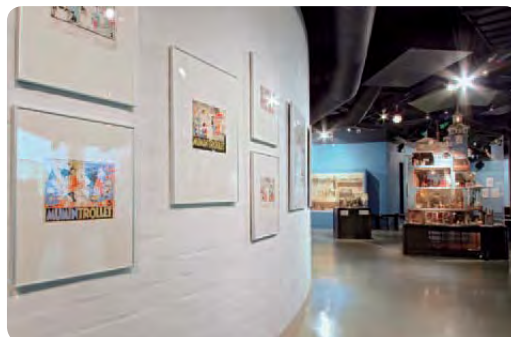
Original Moomin Drawings as Digital Art

Epson Europe B.V. (EEB, Netherlands) has been reproducing original artwork of the world-famous Moomin series, which is housed in the Tampere Art Museum in Finland, as Epson digigraphie fine art since July 2011.

Epson digigraphie fine art is a form of art in which a professional Epson inkjet printer is used to create a digital reproduction of a work of art.

Many museums from across the globe have asked to borrow the Moomin artwork, but the Tampere Art Museum could not meet all of their requests due to the risk of damage or deterioration during transport. However, by using Epson digigraphie, which faithfully reproduces the brush strokes, textures and shadows of the original artwork, the museum no longer has to worry about such

risks and is able to share the artistic value of the artwork with people worldwide.



Digigraphie fine art reproductions of Moomin artwork (Tampere Art Museum)

Support for Tanzania World Heritage Site

Epson Europe B.V. (EEB, Netherlands) donated a large format printer as a form of support for the preservation of rock paintings contained in a series of caves in the Kon-doa district of central Tanzania.

The caves, which are registered as a UNESCO World Heritage Site, contain rock paintings estimated to date back thousands of years. The paintings depict animals, insects and people in geometric shapes. However, after years of wind, graffiti and vandalism, these precious paintings have become worn and need to be preserved. Using a large format printer donated by Epson, a local NGO prints out reproductions of the rock paintings and sells them to tourists to raise funds for preserving the site and supporting the local community.



Tourists view the rock paintings



Large format printer donated by Epson



Reproduction of a rock painting

Environment and Community Activities

Used Battery Recycling

Epson Precision (Philippines), Inc. (EPPI) helps protect the environment and contributes to the community through its participation in the Balik¹ Battery Program, a battery recycling program run by a major battery manufacturer in the Philippines. The program supports education in the Philippines by collecting used batteries and converting them to cash.



EPPI employees and the collected batteries

EPPI joined the program in 2010 and has already collected over 3,280 kg of batteries, raising a total of 77,159 Philippine pesos (around 1,850 U.S. dollars). The proceeds were used to donate textbooks, bookshelves, tables, and other supplies to Lodal and Kayumanggi elementary schools in Lipa City. These supplies were used to create learning resource centers in the schools.



Smiling children hold the textbooks



Children listen to a book reading

Joyce Tan, an EPPI employee who participated in the program, said, "The program itself is very simple, but it opens up a whole new world of opportunities for the bright-eyed children who will be able to study with the textbooks."



EPPI Joyce Tan

¹ "Balik" means "return" or "repeat" in Filipino. In this case, it means "recycle."

Forest Management and Local Cleanup

Epson employees around the world are helping to prevent global warming and preserve biodiversity through tree-planting activities in various regions worldwide. Employees engage in local cleanup activities in order to foster an environment where employees actively participate in local events as members of the community.

Main Forest Management and Local Cleanup Activities

Region	Activity
Japan	Tree-planting in Yamame Forest
	Kawaminami Industrial Park clean-up
	Lake Suwa Adopt Program (clean-up)
China	Longcheng Park tree planting
	Zhongshan Park conservation and clean-up
	Wuxi region clean-up
Taiwan	Linmeishan tree planting
Thailand	Kao Yai National Park tree planting
Indonesia	Setokok Coast tree planting
U.S.	Portland industrial area roadside clean-up

Disaster Relief

Epson and its employees engage in disaster relief for areas that are affected by flooding, typhoons, and other natural disasters. We help the rebuilding process by donating money, supplies and manpower.

To support the recovery from the mass flooding that Thailand experienced in October 2011, Seiko Epson and Epson Toyocom (Thailand) Ltd. (ETTH) donated information equipment (computers, projectors, etc.), learning materials, desks, chairs, provisions, and other supplies to five elementary schools near ETTH.



Students, faculty and ETTH employees stand behind the donated goods

Workshops and Trainee Programs

Super Apprentice Program

For over ten years, Epson Telford Ltd. (ETL, U.K.) has been working with local colleges and schools to recruit graduates for a three-year engineer apprenticeship program at the company.

ETL is located in the West Midlands region of England, a major industrial area. In recent years, many companies have had difficulty in recruiting skilled engineers.

In addition to the apprenticeship program, ETL began a new “Super Apprentice” program that targets students from local schools. In 2011, five strong candidates were recruited from 200 applicants based on a challenging interview process. As part of the program, the apprentices gain deep and broad experience in various aspects of the working environment by spending four hours each week on practical learning at ETL in addition to their studies at school. This experience helps the apprentices identify a career path when they move on to university. ETL then continues to support the apprentices with two weeks of practical training every quarter until they graduate from university.



2011 apprentices (wearing yellow shirts)

Work Experience Program in Shenzhen

In January 2012, Epson Engineering (Shenzhen) Ltd. (ESL) and Epson Precision (Shenzhen) Ltd. (EPSL) invited students from the Japanese School of Shenzhen, China to a three-day work experience program. The program consisted of hands-on assembly of mini-printers and watches and a tour of the consumables warehouse, dormitories, factories, and other buildings. Some of the students expressed a particular interest in the machinery and found the hands-on experience in the assembly classroom to be particularly rewarding.



Mini-printer assembly at ESL



Watch assembly at EPSL

Professional Support Activities

Super Science High School

In fiscal 2002, the Japanese Ministry of Education, Culture, Sports, Science and Technology began the Super Science High School (SSH) Program at select high schools around the country to prepare students for success in science and technology. The program, a joint effort between industry and academia, is currently running at around 140 schools in Japan.

Since 2002, Seiko Epson employees have served as instructors at Suwa Seiryō High School in Nagano Prefecture, one of the schools in the SSH program, where they teach students about the joys of research and manufacturing and about the importance of critical thinking.



Students learn how a computer works

Clock-Making at Prefectural Children's Hospital

In February 2012, Seiko Epson held a special “Make Your Own Unique Clock” lesson for students who attend school in the Nagano Prefecture Children's Hospital.

The lesson was held in response to requests from students who wanted to make something on their own. The children spent nearly half a month creating watch dials using photos and drawings and then used them in the lesson to create fun and charming clocks. Each clock was one of a kind and full of personality with family photos, drawings of cartoon characters and surprisingly sophisticated design elements.



Clock-making at a hospital school



Clocks overflowing with personality

Communication

Deepening trusted relationships through constructive communication

Approach to Communication

Communication serves as a vital bridge that connects Epson to its various stakeholders, including customers, shareholders, investors, governments, communities, NGOs and NPOs, media outlets, suppliers, students, and employees. With its global business presence, Epson established a Global Communications Standard in 1998 to bridge cultural differences and to deliver communication activities that are trusted throughout the world. As a progressive company that upholds the ethical standards of the international community, Epson's communication programs go beyond legal compliance. We communicate through the mass media and directly to stakeholders to ensure the timely delivery of information on our activities and initiatives, even if it is of a negative nature.

Customers

Epson Photo Team is an all-day photography event where team members hold demonstrations and seminars for photographers and help solve any problems they have with taking and printing photos. Team members share the joy of photo printing by visiting communities across Japan and directly meeting with many customers. Since starting the team in 2008, over 8,400 customers have participated in the events. Going forward, we will continue to run events that bring delight to our customers.



Local photo exhibit (Kyoto)



Comments during event (Kagoshima)

Shareholders and Investors

Epson engages in regular communication with investors as part of its outreach to overseas institutional investors, a key investor type in capital markets.

In fiscal 2011, the president and the rest of the Epson management team visited more than 37 institutional investors located in North America, the United Kingdom, Hong Kong and Singapore to explain and answer questions on our growth strategy, performance trends and other company information. This was part of an effort to raise understanding of our company and to encourage investment.

We will continue to disseminate information on the results and progress of the SE15 Mid-Range Business Plan (FY2012-14) and will communicate with institutional and individual investors in Japan and overseas in an even more meaningful manner.

Communities

Seiko Epson and Epson Group companies in Japan organize events to exchange ideas with the local residents of the communities in which we operate. We strive to build a positive relationship of trust with the community by cultivating a deeper understanding of our environmental initiatives and risk management system. In fiscal 2011, we held such events at 11 business sites in Japan.



Dialog with local residents

Suppliers

Epson believes that part of its responsibility is not only to deliver quality products and services but also to maintain a suitable level of human rights, labor standards and environmental preservation throughout the supply chain.

We strive to build trust by solving various problems through meetings and dialog, and by sharing objectives with suppliers. Our divisions and overseas manufacturing sites periodically hold procurement policy explanatory meetings to foster understanding of our business plans and procurement policies and to ask for cooperation in bringing them to fruition.



Explanatory meeting for suppliers

Governments

In December 2011, Epson (China) Co., Ltd. (ECC) signed a memorandum of understanding with the China Environmental United Certification Center on strategic cooperation to promote sustainable consumption. The memorandum lays out five areas of cooperation, such as the sharing of environmental data, promoting the establishment of environmental standards and encouraging government green purchasing.

The vice president of ECC, said that “We want to provide eco-considerate products and services to society and to contribute more to the development of sustainable consumption.” A spokesperson for the Environmental United Certification Center commented, “This is a test to find a new way to conserve the environment and we firmly believe that our mutual cooperation will benefit the promotion of sustainable consumption.”



Memorandum signing ceremony (China)

Media

Every year, Epson invites members of the media from around the globe to its business sites in Japan and talks about its business strategies and initiatives.

In December 2011, we invited 25 reporters from China, Hong Kong, Taiwan, Singapore, Thailand and Indonesia to learn about our environmental vision and our efforts to reduce the environmental impact of our products. We also deepened their understanding of our environmental programs by showing them our ink cartridge collection and recycling sites.



Reporters hear about Epson's environmental programs (Hirooka Office)

Companies

Epson proactively works with companies in different industries in order to create new social value.

Working with Epson Sales Japan, the sales and marketing team at our Microdevices Operations Division teamed up with two other major companies in 2011 to launch a cross-industry sales education project. This project aims to improve the quality of business activities by breaking down organizational boundaries and sharing ideas to learn how to create value that contributes to solutions for the problems faced by customers and society.

Katsuyuki Kawasaki, one of the promoters of the project, comments, “Going forward, businesspeople will need to have a much broader and more varied point of view. I hope that having the opportunity to communicate with different corporate cultures will transform our activities for the better.



Katsuyuki Kawasaki
Device Management Dept.



Cross-industry sales education session at the Hino Office

Students

Work Experience

Seiko Epson's Monozukuri-Juku (Manufacturing School) facilitates communication by offering basic training in manufacturing for local elementary, junior high and high school students.

Several of the junior high school students who participated in a printer disassembly and reassembly workshop talked about their experiences. One said, "Putting together a printer for the first time was hard but fun." Another commented, "I could see that a lot of thought goes into printer design. I want to become an engineer, too, so I can create something good." Yet another student mentioned, "Standing up all day is hard work. Now I know how my parents feel."



Junior high school students disassemble and reassemble printers

Other Stakeholders

Manufacturing Museum

Many of the notable products that Epson has developed, manufactured and sold since its founding are on display at its manufacturing museum. The museum is a popular spot for visitors to the Seiko Epson head office. It was toured by shareholders after the general shareholders' meeting in June 2011 and then by members of the Chubu Association of Prefectural Governors in July.

Over 13,200 visitors have toured the museum since its opening in May 2004. We will continue to work toward our goal of an intuitive and interesting museum that turns visitors into Epson fans and makes them want to come back.



Shareholders tour the manufacturing museum

The Arts

Epson holds various digital imaging contests to support the creative efforts of photographers and users across the globe.

In 2011, Epson Australia Pty. Ltd. (EAL) held the second annual Epson International Pano Awards. Nearly 1,000 entrants from 62 countries and regions submitted over 3,500 photographic works to the event.



In November of the same year, Epson Europe B.V. (EEB, Netherlands) held its annual Epson Red Sea competition in Israel.



EEB also held the "Be the Manchester United Photographer" contest for photography enthusiasts throughout Europe. The winner of the contest, which was held between August and October, got the opportunity to meet with the Manchester United starters and receive sports photography tips from the team's professional photographer.

In Asia, Epson held the Color Imaging Exhibition 2011, which showed all of the top works from contests held in India, Indonesia, Taiwan, and the Philippines during fiscal 2011. Various new initiatives were tried for the national and regional contests, such as accepting entries on Facebook and providing common themes. This resulted in a collection of works overflowing with ingenuity and originality.



Employees

China Region Environmental Conference

Epson (China) Co., Ltd. (ECC) held the China Region Environmental Conference in September 2011 to share environmental data within China and to achieve cooperation between Epson Group companies.

The conference was attended by environmental supervisors from the nine Epson Group companies in China. In addition to interpreting the SE15 Mid-Term Environmental Policy, attendees learned about trends in environmental regulations, especially the environmental protections in China's 12th five-year plan. Companies also introduced their energy-saving, water-saving and other environmental activities, and exchanged ideas on building a platform to share environmental data.

Jingjun Ren, general manager at Epson Engineering (Shenzhen) Ltd. (ESL), said, "This conference allowed us to build a platform for sharing environmental data in China and decide on the types of joint projects to pursue. These accomplishments will play a vital role in improving the level of activities in the China region."



Jingjun Ren, ESL



China Region Environmental Conference held at ECC

Communication at EEB

Epson Europe B.V. (EEB, Netherlands) began posting departmental interviews on its corporate intranet in February 2012 to promote understanding of the duties of other departments and to enhance interdepartmental communication. The interviews, which are posted the third week of every month, cover departmental goals and duties as well as personal topics such as hobbies and pastimes.

EEB oversees nearly 130 countries in Europe, the Middle East and Africa. The many different nationalities and beliefs held by the roughly 2,300 employees in these regions result in an incredibly complex organizational structure. EEB uses these interview articles to encourage positive

communication and coordination between departments and employees so that everyone can work together to create customer value.

Labor Union

Labor-management conferences are held every month to facilitate communication between managers and employees at Seiko Epson. Informal meetings are also held at the division and workplace level to provide a venue for bidirectional communication between employees and managers. Numerous committees, such as the health and safety committee and the working conditions committee, also provide opportunities to deepen mutual understanding.

Connecting People Forum

In February 2012, Seiko Epson became a sponsor and participant in the "Connecting People Forum," which was planned based on the belief that we can find solutions to problems impeding the creation of a sustainable society by "connecting" individual activities and people. The forum was attended by nearly 90 people, including museum curators, university professors, NPO members, planners, and corporate CSR staff. Presentations and workshops were led by the participants. Seiko Epson led a discussion on "corporate citizenship that reflects the company."

Yuri Makita, who is in charge of corporate citizenship at the Head Office, said, "Communication with the community is essential to corporate citizenship. We discovered many new ideas by talking to people from various fields and would like to apply these ideas to future activities."



Yuri Makita
General Affairs Dept.



Participants communicate with each other

Worldwide Recognition

Here are some of the awards and accolades received by Epson in fiscal 2011.

As of May 2012

● Product and Service Awards	Conferred by	Recipient	Date
TIPA Awards 2011: Best Expert Photo Printer, Best Large Format Printer, Best Photo Scanner	Technical Image Press Association (TIPA)	Epson Stylus Photo R3000, Epson Stylus Pro 4900, Epson Perfection V330 Photo	Apr. 2011
No. 1 in 2011 After-Sales Satisfaction, PC category (see page 26 for details)	Nikkei Business	Epson Direct Corporation	Jul. 2011
Fifth Kids Design Award (Future Products)	Kids Design Association	ELPIU02 electronic blackboard unit	Jul. 2011
EISA Awards: Best Product 2011-2012	European Imaging and Sound Association (EISA)	Epson Stylus Photo R3000	Aug. 2011
Silver Award in Automation and Controller category at the 10th China International Equipment Manufacturing Exposition (see page 15 for details)	Ministry of Commerce, Ministry of Industry and IT, National Development and Reform Commission, China Council for the Promotion of International Trade, etc. (China)	Epson (China) Co., Ltd.	Sep. 2011
Good Design Award 2011	Japan Institute of Design Promotion	PX-673F, EP-904A and 3 other products	Oct. 2011
iF Product Design Award 2012	International Forum Design Hannover (Germany)	6 products including the TM-L500A series	Mar. 2012
● Environmental Awards			
Excellent Enterprise in Waste Reduction	Shenzhen Pengcheng Waste Reduction Steering Committee (China)	Epson Engineering (Shenzhen) Ltd.	Jun. 2011
Waste Reduction Awards Program (WRAP) Award (see page 40 for details)	California Department of Resources Recycling and Recovery (U.S.)	Epson America, Inc.	Dec. 2011
Don Emilio Abello Energy Efficiency Award	Department of Energy (Philippines)	Philippines Epson Optical Inc.	Dec. 2011
Bronze Award at 2011 Hong Kong Awards for Environmental Excellence (see page 43 for details)	Hong Kong Environmental Campaign Committee	Epson Hong Kong Ltd.	May 2012
● Employee Awards			
Gold Flag Award for Occupational Health and Safety Management System (SMK3)	Ministry of Manpower and Transmigration (Indonesia)	P.T. Epson Batam	May 2011
Japanese Red Cross Society Golden Order of Merit	Japanese Red Cross Society	Tohoku Epson Corporation	Jul. 2011
Diamond Prize at Thailand 5S Awards 2011 (see page 51 for details)	Technology Promotion Association (Thailand-Japan)	Epson Toyocom (Thailand) Ltd.	Feb. 2012
● Intellectual Property Awards			
Inventor's Award at 2011 National Commendation for Invention	Japan Institute of Invention and Innovation	Invention of Ink Jet Printer Offering Borderless Print (Patent No. 3700677)	Jun. 2011
Nagano Prefecture Governor's Award at 2011 Kanto Region Commendation for Invention	Japan Institute of Invention and Innovation	Invention of Higher Quality via Automatic Photographic Image Correction Technology (Patent No. 3458855)	Nov. 2011
Top 100 Global Innovator Award	Thomson Reuters (U.S.)	Seiko Epson Corporation	Nov. 2011
● General CSR Awards			
2010 GoldenBee CSR China Honor Roll	WTO Tribune (China)	Epson Toyocom (Wuxi) Co., Ltd.	Jun. 2011
Corporate Citizen Award	CommonWealth Magazine (Taiwan)	Epson Taiwan Technology & Trading Ltd.	Aug. 2011
2011 China Outstanding Corporate Citizen Award	21st Century Network (China)	Epson (China) Co., Ltd.	Dec. 2011
Global Company Regional Headquarters Contribution Award	Beijing Municipal Commission of Commerce (China)	Epson (China) Co., Ltd.	Jan. 2012

Inclusion in SRI Indices

Epson is a component company of the following socially responsible investment (SRI) indices.



May 2012



Web FTSE4GoodGlobal Index
<http://www.ftse.com/ftse4good/index.jsp>

Reader Feedback

Thank you for reading the Epson Sustainability Report 2012.

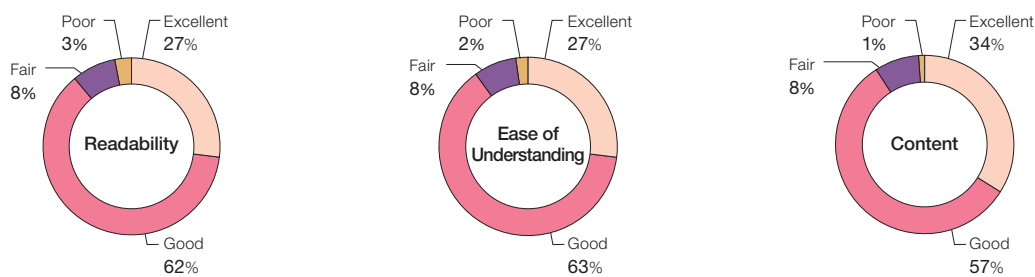
Epson considers the Sustainability Report to be an important means of communicating with you, our stakeholders. In an effort to further improve our reporting and CSR activities, we ask that you take a few minutes to fill out a survey at our web-site. We appreciate your cooperation.

 Sustainability Report 2012 Survey
<https://cform.epson.jp/form5/pub/e042/sustainability>

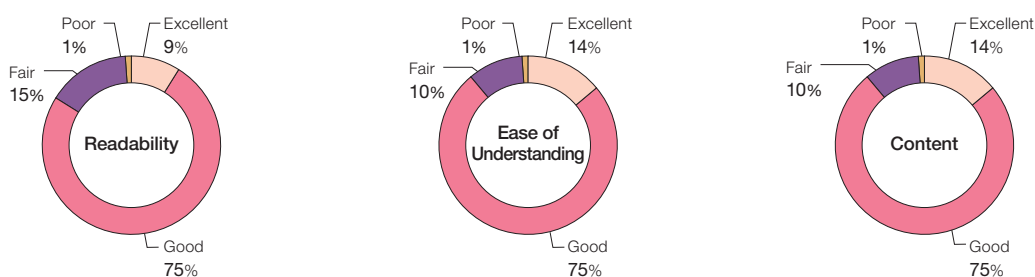
Listening to Our Readers

We would like to thank everyone who responded to last year's survey. The results, compiled from responses provided by 713 people, are summarized below.

● General Stakeholders



● Employees



Top Comments

- Talk about businesses and product initiatives other than printers.
- Include more customer comments and opinions.
- Reduce the number of pages and make articles more concise.
- Improve readability with more photos and illustrations.
- The articles on water were very uplifting.
- The use of subtle colors throughout helped readability.

Main Improvements in Sustainability Report 2012

- We included initiatives on various businesses and products in the special features and main text, and included comments from customers using the products wherever possible.
- We improved readability and reduced the volume of text by using many photos and illustrations and by moving detailed information to a website.
- We included new data on annual water usage trends.

Better Products for a Better Future™

At Epson, we know that planning for the future requires a strong commitment to the environment. That is why we strive to create innovative products that are reliable, recyclable, and energy efficient.

Better products that use fewer resources help ensure a better future for us all.

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