

Epson Group

SUSTAINABILITY REPORT 2018



Management Philosophy

Epson aspires to be an indispensable company,
trusted throughout the world for our commitment to openness,
customer satisfaction and sustainability.
We respect individuality while promoting teamwork,
and are committed to delivering unique value
through 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.

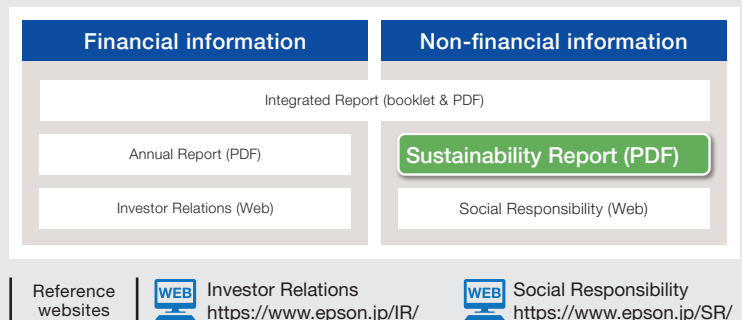


Epson conducts its business activities with the aim of becoming a company that is indispensable to customers and society. These activities are rooted in our Management Philosophy and in the employee mission underpinning the “Exceed Your Vision” tagline.

Editorial Policy

This report has been compiled from comprehensive information about Epson's CSR activities that is available on our websites. An annual report, it is organized into chapters, each of which is aligned with an element of Epson's Management Philosophy.

Information for FY2017 has been reported in accordance with the Core option of the GRI Standards. In addition to this report, Epson has been working to improve communication with its stakeholders through the publication of an Integrated Report, its websites, and other media.



Contents

001	Editorial Policy
004	Group Outline
006	Message from Management
007	Business Vision
010	Epson's CSR and SDGs
026	United Nations Global Compact

Commitment to Customer Satisfaction

027	Approach to Customer Commitment
029	Pursuing Customer Satisfaction
031	Universal Design
034	Sales/ Service & Support
036	Activities to Improve Quality
039	Product Safety Initiatives

Commitment to the Environment

041	Environmental Vision 2050
043	2025 Goals
046	Life Cycle Thinking
049	Products and Services that Reduce Environmental Impacts
067	Production
074	Product Recycling
078	Eco Community
081	Biodiversity Conservation
083	Environmental Management

Commitment to People

084	Human Resources Development
090	Promotion of Diversity
099	Respecting Human Rights
103	Fostering a Better Workplace
108	Occupational Safety and Health

Commitment to Governance

114	Corporate Governance
122	Internal Control System
124	Initiatives of Internal Control
128	Security
130	Approach to Supply Chain CSR
133	Procurement Guidelines
134	Supply Chain CSR Initiatives
140	Conflict Minerals
142	Green Purchasing
143	Paper Products Procurement

Commitment to Society

144	Approach to Corporate Citizenship
145	Education for Young People
147	Culture and the Arts
148	Community Events
149	Environmental Conservation
150	Social Welfare
151	Approach to Communication
152	Customers, Shareholders and Investors
153	Governments, Communities, NGOs/ NPOs
154	Suppliers
155	Employees
156	Other Stakeholders

158	Appendices
-----	------------

Reporting Period

April 2017 to March 2018

Note: Contains some information on activities conducted after March 2018.

Scope

This report describes the sustainability efforts of Seiko Epson Corporation and 86 Group companies. The scope of environmental reporting, however, covers Seiko Epson Corporation, and 56 Group companies.

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

Organizational Changes in This Reporting Period

- Addition of one subsidiaries and removal of two
- Removal of zero affiliate

Memberships

- Global Compact Network Japan
- Japan Portable Rechargeable Battery Recycling Center
- Japan Electronics and Information Technology Industries Association
- Japan Business Machine and Information System Industries Association
- Communications and Information Network Association of Japan
- Home Electric Appliances Fair Trade Conference
- Japanese Business Federation (Nippon Keidanren)

Guidelines

This report has been prepared in accordance with the Core option of the GRI Standards¹. ISO 26000: 2010/ JIS Z 26000: 2012 (Guidance on social responsibility) was used as a reference.

GRI Standards and ISO 26000 comparison (GRI content index)
<https://global.epson.com/SR/gri/>

¹ The Global Reporting Initiative, an NGO established in 1997 that drafts and promotes international guidelines for sustainability reporting.

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.

Date of Report Publication


September 28, 2018 (previous report: September 29, 2017)



Inquiries about Sustainability Report

Seiko Epson Corporation
PR&IR Department

3-3-5 Owa, Suwa-shi,
Nagano-ken, Japan 392-8502
Tel: +81-266-52-3131 (main)

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

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.

Group Outline

Corporate Outline

Company Name	Seiko Epson Corporation
Founded	May 18, 1942
Head Office	3-3-5 Owa, Suwa-shi, Nagano, Japan
Paid-in Capital	¥53,204 million



Revenue (consolidated)

¥1,102.1 billion
(FY2017)



Number of employees

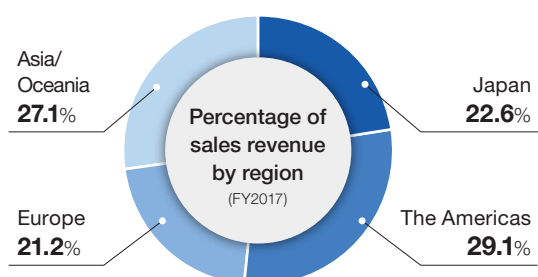
Epson Group
(consolidated): **76,391**
Parent company: **12,502**
(as of March 31, 2018)



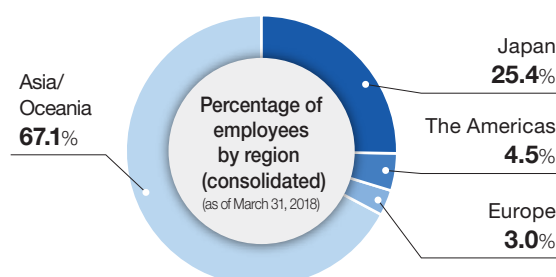
Group companies

87
(includes parent company)
Japan: **16**, Overseas: **71**
(as of March 31, 2018)

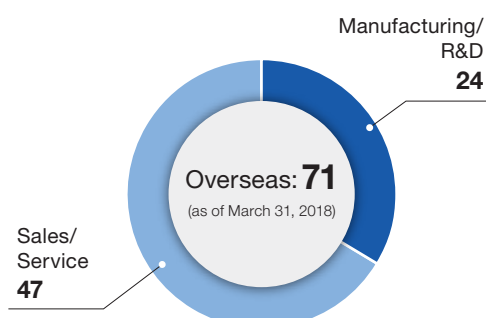
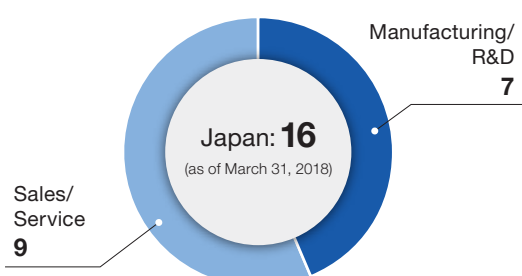
Percentage of Sales Revenue by Region



Percentage of Employees by Region (consolidated)



Group Company Breakdown



FY2017 Business Overview by Segment

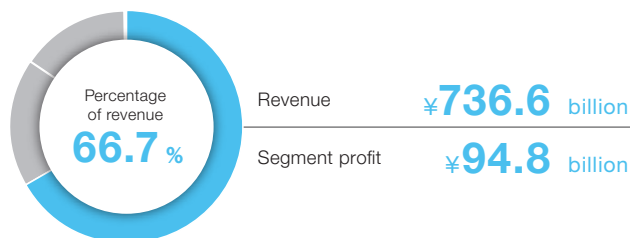
Consolidated

Revenue **¥1,102.1 billion**

Business profit **¥74.7 billion**

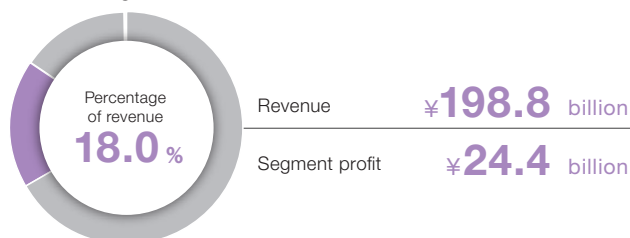
Printing Solutions Business segment

Epson will further refine its original Micro Piezo inkjet technology to provide higher productivity, better environmental performance, and a sustainable printing ecosystem.



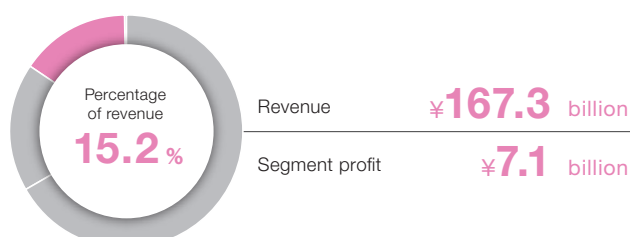
Visual Communications Business segment

Epson will hone the competitive edge of its microdisplay and projection technologies to provide exciting visual experiences and a natural visual communications environment in business and home settings.



Wearable & Industrial Products Business segment

Epson will create new value by capitalizing on the strengths of its technology in areas such as precision machining, high-density board assembly, low power designs, high-precision sensing, and advanced precision mechatronics.



Other

Revenue **¥0.9 billion**

Segment loss **-¥0.5 billion**

* Consolidated total sales exclude intersegment sales

* Segment sales include intersegment sales

* Business profit and segment profit are very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically. Epson began using business profit as an indicator after adopting International Financial Reporting Standards (IFRS) in FY2014 to facilitate comparisons with past results.

Message from Management

Aiming to Make Epson an Indispensable Company for Our Customers and the World

In April 2017, we added the phrase “Epson aspires to be an indispensable company” to Epson’s Management Philosophy. This phrase declares our commitment to playing a central role in realizing a better world by continuing to leverage our original technology to create new customer value. Epson’s reason for being is to enrich lives and foster greater happiness. This statement of our commitment to becoming an indispensable company also expresses our desire to use our businesses to help achieve a sustainable society—a goal that happens to overlap the sustainable development goals (SDGs) of the United Nations.

Epson joined the United Nations Global Compact in 2004. We have been contributing to solutions to social problems by implementing initiatives that are aligned with the 10 principles of the Global Compact relating to human rights, labor, environment, and anti-corruption. In 2017, we created a CSR materiality matrix that identified and prioritized topics that we should tackle in light of their importance to both Epson and society. We then examined the relevance of these priority topics with the 17 SDGs by comparing them against the 169 targets of the SDGs. Ultimately, we found that 13 of the SDGs intersect with Epson’s current business activities. So, for the time being, we will focus more heavily on business activities that will achieve the targets under these 13 SDGs while at the same time contributing to solutions to social problems and sustainability through actions that achieve the growth strategy we have outlined in the Epson 25 Corporate Vision.



Given the evidence of recent global climate change, initiatives that reduce the environmental impacts of enterprise are both critical and urgent for a sustainable future. Epson has a unique portfolio of efficient, compact and precision technologies that enable us produce products that reduce the environmental footprints of our customers. These are the technologies that enabled products like the PaperLab, a dry-process office papermaking system that produces new paper from used, and our high-speed linehead inkjet multifunction printers, which combine print performance and energy efficiency. We use these technologies to maximize the environmental performance of the products and services we create, produce, and sell for use in homes, offices, and the commercial and industrial sectors. We will contribute to progress toward achieving the SDGs in ways that only Epson can, by fully recognizing environmental and social issues throughout the value chain and by eliminating wasteful energy use.

Going forward, we will persist in our aspirations to become an indispensable company that plays a central role in realizing a better world. Toward this end, we will continue to strive to create new value by advancing our technologies and driving innovation to make the world a happier and easier place to live for all. We will look hard at solutions to social issues, understand what customers and society expect from us, and provide products and services that far exceed those expectations.

A handwritten signature in black ink that reads "Minoru Usui".

Minoru Usui
President
Seiko Epson Corporation

Business Vision

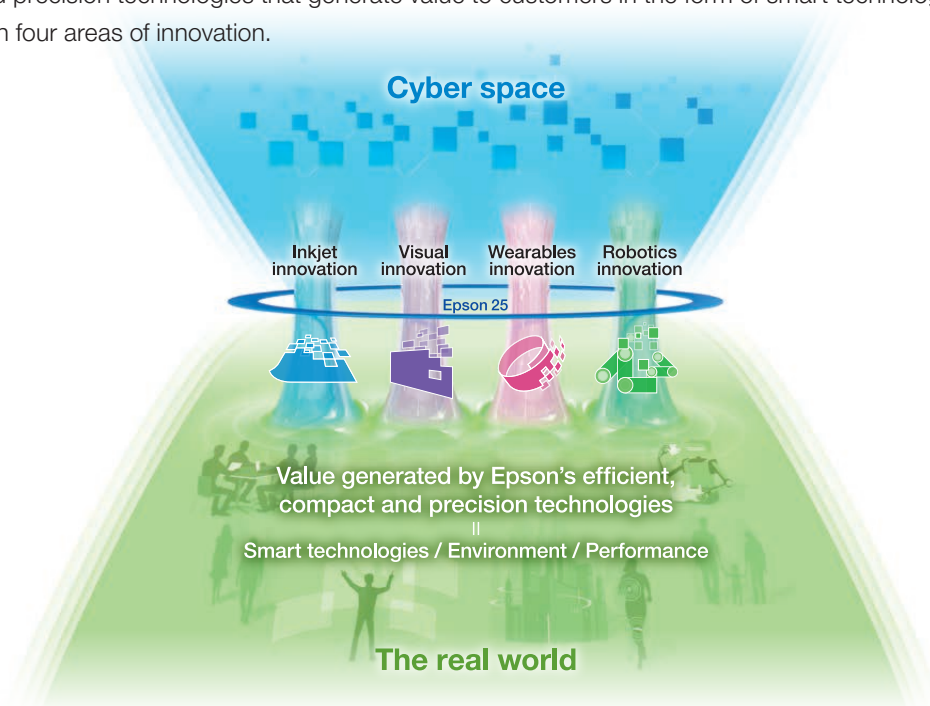
Epson 25 Corporate Vision

In March 2016, Epson established the Epson 25 Corporate Vision, a strategic plan that will guide company growth out to the year 2025.

Vision statement

Creating a new connected age of people, things and information with efficient, compact and precision technologies

Advances in information and communications technology mean increasing amounts of information will become available on the internet, and so-called cyber space will continue to expand. Epson believes that products acting as the interface between cyber space and the actual or real world where customers operate will be of critical importance. As a company that specializes in generating value in the real world, Epson's vision is to create a new connected age of people, things and information with efficient, compact and precision technologies that generate value to customers in the form of smart technologies, the environment and performance in four areas of innovation.



Value generated by Epson technologies

Smart technologies

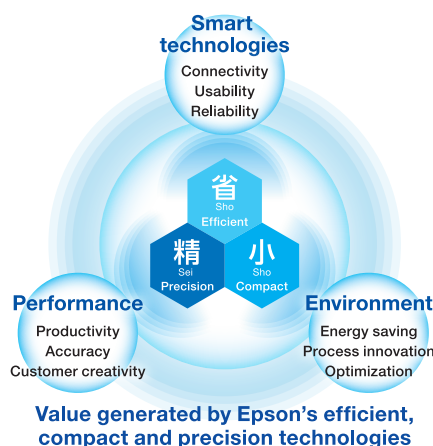
Create convenient and easy-to-use products that can be used anytime and anywhere, and which help customers reduce waste, and save money, effort and time.

Environment

Leverage Epson products to reduce environmental impact by improving customers' work processes, and contribute to a sustainable society.

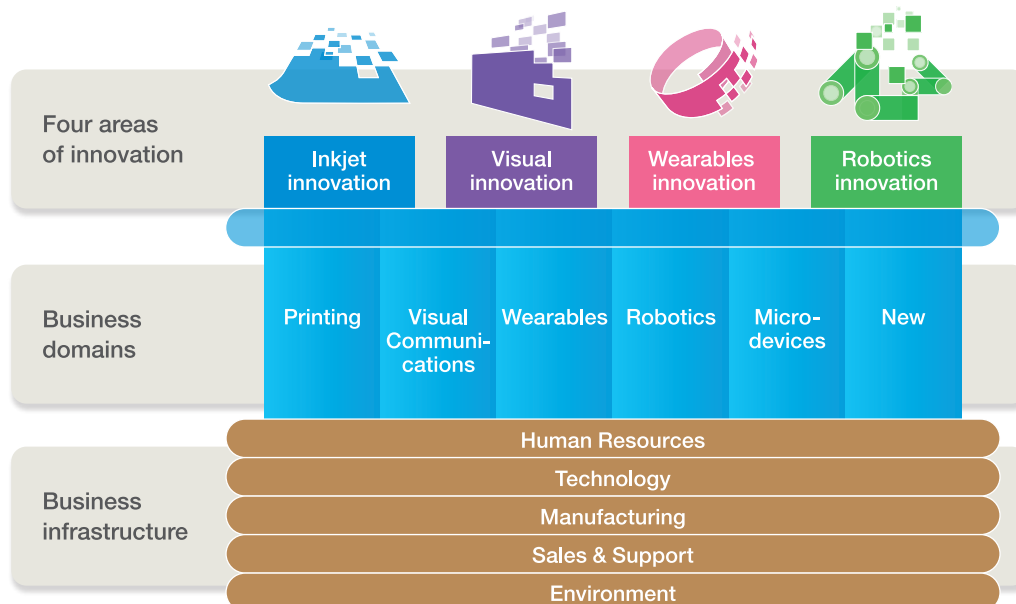
Performance

Use outstanding products to contribute to customers' performance through productivity, accuracy and creativity.



Epson's four areas of innovation

Epson will generate value with its efficient, compact and precision technologies in printing, visual communications, wearables, robotics and microdevices to drive innovations in four areas. We will also strengthen our business infrastructure to support these efforts.



Inkjet innovation

Printing domain

Refine Micro Piezo technology, and expand into high-productivity segments. Improve environmental performance and create a sustainable printing ecosystem.



Visual innovation

Visual communications domain

Refine original microdisplay and projection technologies, and create outstanding visual experiences and a natural visual communications environment for every aspect of business and lifestyles.



Wearables innovation

Wearables domain

Leverage our watchmaking heritage, refine timekeeping and sensing accuracy, and offer a sense of status and fashion.



Robotics innovation

Robotics domain

Combine our core technologies with sensing and smart technologies in manufacturing, expand applications, and create a future in which robots support people in a wide variety of situations.

Microdevices

Microdevices domain: Supporting the Four Innovations

Contribute to Epson's finished products and to the development of smart communications, power, transportation and manufacturing systems with advanced Epson quartz timing and sensing solutions and low-power semiconductor solutions.

Epson has set high targets and established its vision. Going forward, we aim to create a new connected age of people, things and information with efficient, compact and precision technologies, and become a company that is indispensable for our customers and society.

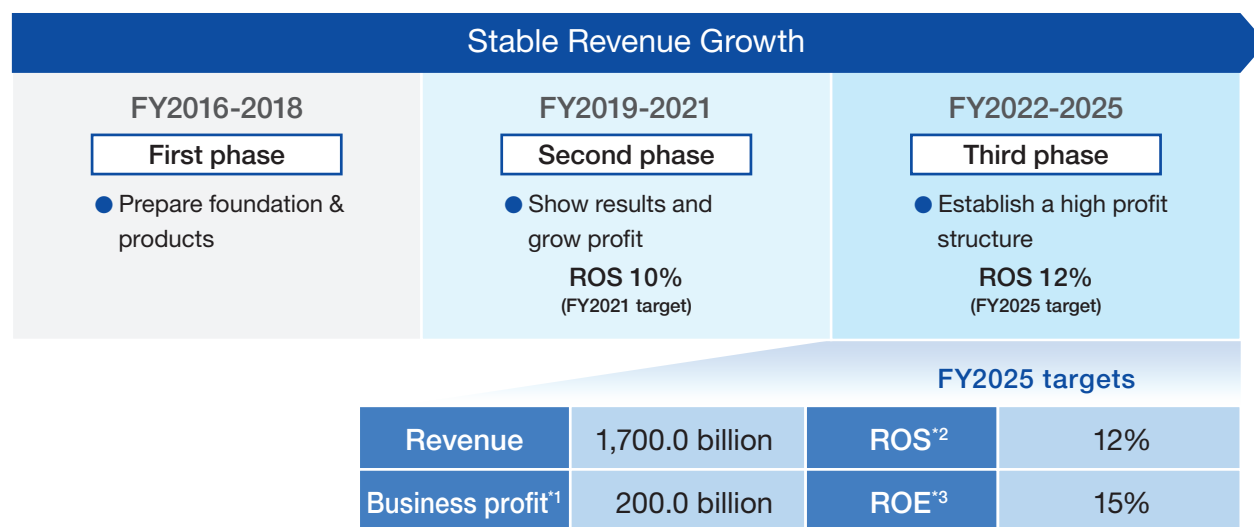
Mid-Range Business Plan

Objectives (FY2016-2018)

The Epson 25 Corporate Vision is divided into three phases, and a mid-range business plan is established for each.

Epson will take a three-phase approach to realizing the Epson 25 Corporate Vision. The Epson 25 Mid-Range Business Plan (FY2016-2018) is the plan for the first phase. In this phase, we will continue the strategic initiatives begun under the previous corporate vision. At the same time, we will prepare the infrastructure to facilitate product development and will make the necessary investment in line with strategies for attaining the Epson 25 vision. Building a foundation for growth during this three-year phase will be an important first step toward accelerating revenue growth and increasing profitability in the phases that follow.

Financial targets under the Epson 25 Corporate Vision, and Phase 1 Mid-Range Business Plan (FY2016-18) positioning



Assumed rates: ¥115/ USD, ¥125/ EUR

^{*1} Business profit is very similar to operating income under Japanese accounting standards (J-GAAP), both conceptually and numerically. Epson began using business profit as an indicator after adopting International Financial Reporting Standards (IFRS).

^{*2} Return on sales

^{*3} Return on equity attributable to owners of the parent company

Basic Policies

- In businesses where SE15^{*4} strategic initiatives were successful, continue to grow by honing our edge. In business domains where we were unable to fully advance, quickly address issues and establish a path to growth.
- Ensure growth by creating products and services that deliver customer value in the areas of smart technology, the environment, and performance.
- Invest management resources as needed to achieve Epson 25, while also taking into account short-term profit growth.
- Quickly establish new business models, and strengthen sales, support, the brand, and operations.

^{*4} Epson's corporate vision from FY2009 to FY2015

Epson's CSR and SDGs

What Is Epson's CSR?

Epson has been helping to solve various social issues by delivering unique value through innovative and creative products and solutions. Our mission is to build stakeholder trust as we grow and prosper with communities and to help create a better world. We consider any action designed to realize Epson's Management Philosophy to be a CSR activity.

In addition to ensuring compliance, observing corporate ethics, and fulfilling our responsibilities at a level that exceeds what society requires, we will fully demonstrate our unique creativity in CSR by creating value through the products we develop and manufacture. In 2017, Epson developed a materiality matrix that identifies key CSR themes, such as environmental issues, respect for human rights, human resources development, and governance. We will use this matrix to guide and strengthen our CSR activities and to help make the world a better place as we seek to become an indispensable company.

 [Management Philosophy \(Please refer to page 158 of "Appendices"\)](#)

Management Philosophy, Principles of Corporate Behavior, and Epson's CSR

Established in 2005 and applying to the entire Epson Group, Principles of Corporate Behavior spells out principles of conduct for realizing the goals of Epson's Management Philosophy. In 2017, we updated Principles of Corporate Behavior in response to the latest societal requirements.

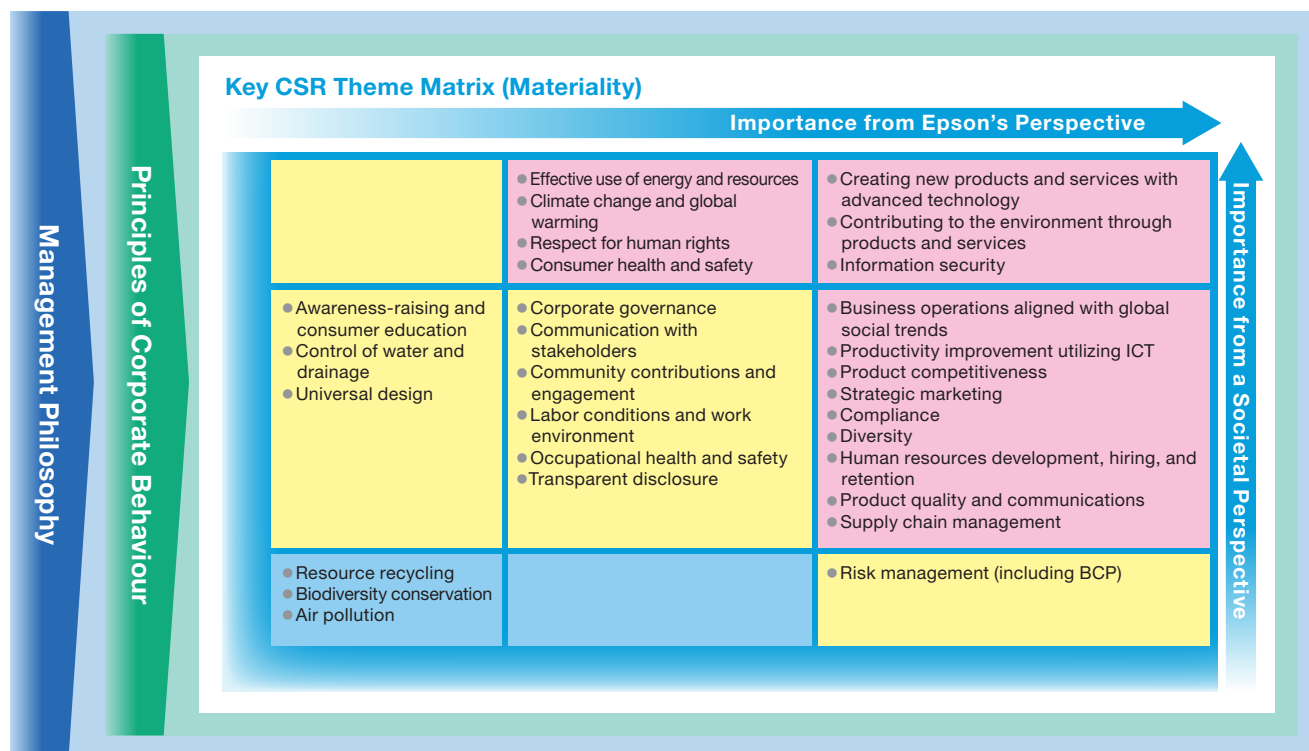
Epson will fulfill its social responsibility by aspiring to live up to the principles below based on "trust-based management," a concept that underlies Epson's Management Philosophy.

 [Principles of Corporate Behavior \(Please refer to page 159 of "Appendices"\)](#)

Key CSR Themes (Materiality)

To reach the goals stated in our Management Philosophy and to become an indispensable company, we believe it is important to identify issues that should be addressed and to solve them through our business activities.

In 2017, Epson selected CSR themes, taking into account social issues defined by ISO 26000 and other sources. We evaluated them from both our perspective and a social perspective, and prioritized the key themes in the “Key CSR Themes (Materiality)” matrix.



Social trends affecting Epson

Corporate governance

Human rights

Labor practices

Environment

Fair business practices

Consumer affairs

Community engagement

Social trends, social norms

GRI

SASB

ISO26000

SDGs

RBA code of conduct

Identifying Key CSR Themes



¹ Select areas

Direction of company management	General social trends	Electrical & Electronics Industry trends and societal demands	General societal demands
<ul style="list-style-type: none"> Management Philosophy Principles of Corporate Behavior Corporate Vision Epson 25 Mid-term Business Plan Environment Vision 2050 	<ul style="list-style-type: none"> Global Japan White Paper Information and Communications in Japan 2016 	<ul style="list-style-type: none"> RBA Code of Conduct 	<ul style="list-style-type: none"> GRI SASB ISO26000 SDGs SRI survey item

To help ensure that our activities are effective, we specified action items and targets (KPI) for each key CSR theme. We will periodically revise the key CSR themes and action items based on feedback from stakeholders and will systematically drive continuous improvements.

 [Key CSR Themes \(Materiality Matrix\) \(Please refer to page 14.\)](#)

CSR Stakeholder Dialog

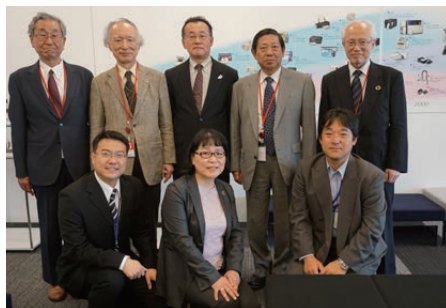
Dialog with the Sustainable Management Forum of Japan

We meet with various stakeholders to help ensure that our CSR activities are aligned with the needs of society. In April 2018, we welcomed representatives from the Sustainable Management Forum (SMF) of Japan, a nonprofit organization, to Seiko Epson to teach us about what they look for, as members of a business sustainability evaluation committee, when evaluating sustainability based on prepared guidelines. Epson's CSR activities were also discussed based on the Epson Group's Integrated Report and Sustainability Report.

Discussions covered a wide variety of topics, with Epson explaining its current CSR activities and the SMF explaining recent business risks and opportunities related to SDGs.

The SMF recommended that we strengthen our efforts to instill our corporate philosophy and corporate culture throughout the global Epson Group and supply chain, make it a point to provide easy-to-understand information that is written for the target audience, and release useful, timely corporate information to ESG investors.

We will act on the SMF's recommendations to reinforce our CSR activities.



(From the left rear) The Sustainable Management Forum of Japan's Masuhiro Kinugawa, Nobuyuki Kimata, Kyoji Okamoto, Michihiko Suzuki, Harunaga Nakamura, and (in the front row) Seiko Epson employees



CSR Organization

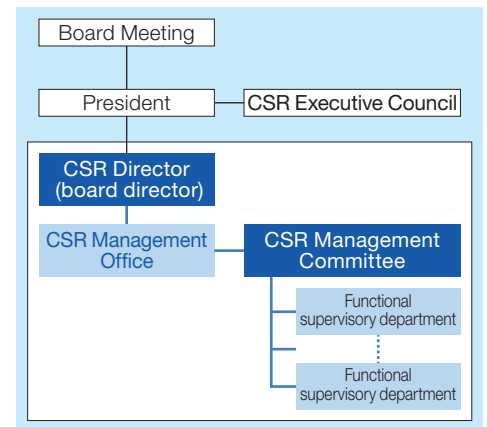
Epson's CSR Management Office has a direct reporting line to the company president. The director of the office is a member of Seiko Epson's board of directors. He has overall responsibility and authority for the Epson Group's CSR activities.

The mission of the CSR Management Office is to promote CSR activities throughout the Epson Group and to help make Epson an indispensable company by executing a CSR strategy that builds stakeholder trust through business operations that meet the expectations of society.

Epson's CSR Executive Council, which is made up of board members, serves as an advisory body to the president and steers the CSR activities of the global Epson Group. The council also reviews our CSR activities and deliberates action plans for the most important challenges.

The CSR Executive Council has set up a CSR Management Committee to discuss and study CSR-specific issues. The CSR Management Committee, which is made up of general managers from functional supervisory departments, reports its findings to the CSR Executive Council.

● CSR Organization



Key CSR Themes (Materiality Matrix)

FY2017 Action Items, Achievements and Results

Epson has identified 29 key CSR themes. Below we have listed the 16 themes that we consider to be the most important for society and for Epson. We have indicated our FY2017 action items for each of these, as well as our achievements and results.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Pursuing customer satisfaction	Creating new products and services with leading technology	Main business	Connect cyberspace and the real world with the aim of creating a new connected age of people, things and information, and provide the value of our efficient, compact and precision technologies to the real world in every business	<ul style="list-style-type: none"> • We released a blazingly fast yet energy-efficient office inkjet multifunction printer equipped with newly developed PrecisionCore lineheads. • The PaperLab A-8000, a dry-process office papermaking system that mitigates environmental impacts and solves other social issues, was awarded the Japan Industrial Technology Prize in recognition of its originality. • High-speed linehead inkjet multifunction printers (EW-M670FT/ M571T) and the PaperLab A-8000 office papermaking system were recognized with a 2017 Good Design Award and were named to the Good Design Best 100, an honor bestowed on the products that are the best of the best. • High-speed linehead inkjet multifunction printers from Epson were recognized in 2018 with a prestigious iF Design Award by Hanover-based iF International Forum Design. • Epson released analog watches under the Trume brand. These watches combine design excellence with state-of-the-art functionality based on Epson's unique strengths and technology.
	Business operations aligned with global social trends	Main business	As the importance of smart technologies and the environmental performance grow increasingly important, Epson, as a real world manufacturing company, will continue to create smart products that contribute to the environment and demonstrate unrivaled performance	<ul style="list-style-type: none"> • We shipped our 20 millionth high-capacity ink tank printer, products that provide value by allowing users to print with peace of mind. • The Satogaeri ink cartridge recycling project, a joint effort with Brother, Canon, Dell, Epson, and HP Japan, entered its 10th year. • Thomson Reuters selected Epson from more than 5,000 technology companies for its list of the world's top 100 technology companies. This honor recognizes Epson as one of the industry's most operationally sound and financially successful organizations. • Global information company Clarivate Analytics selected Epson for inclusion in the "Top 100 Global Innovators" list for the 7th consecutive year. This award recognizes companies that have contributed to the advancement of science and technology through ongoing intellectual property activities.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Pursuing customer satisfaction	Productivity improvement utilizing ICT	Main business	Refine our efficient, compact, and precision technologies, advance our actuator, optical control, and sensor technologies, and bring in information and communications technology to continue to create new customer value	<ul style="list-style-type: none"> • We began collecting and monitoring real-time data on things such as production equipment vibration using compact sensors developed by Epson. • We developed technology for high product quality and stable production. • We launched high-efficiency factory logistics by developing a site parts logistics management system that integrates production control information, warehouse control information, and manufacturing instructions information.
	Products competitiveness	Main business	Continue to provide high-quality, cost-competitive products that other companies cannot easily imitate, and do so in a timely manner through improvements in operation efficiency and personal productivity	<ul style="list-style-type: none"> • We began inkjet printer production at a new factory in the Philippines with highly efficient, state-of-the-art operations and improved space productivity. • We announced construction of a new building that will house a trial production and mass production factory for large commercial and industrial printers and a test lab for digital textile printing. • We began operation at a new factory in Aomori to increase production capacity of superfine alloy powders that are used for a wide variety of high-performance parts.
	Strategic marketing	Main business	Optimize regional sales organizations, improve planning quality with a market-driven (market-in) approach, and transform the brand image	<ul style="list-style-type: none"> • We accelerated the building of B2B business infrastructure and resources. • Improved the sales and service organization in sales companies. • Prepared a sales affiliate in Vietnam (established in 4/2018) to strengthen direct sales. • Strengthened collaboration with channels to expand sales of high-speed linehead inkjet printers. • Conducted a B2B brand campaign in Western Europe, North America, India, and Asia.
	Product quality and communications	Social	Visiting customers directly to gather and analyze information about their wants and needs, closely examining customer wants by analyzing customer inquiries, using the findings to shape future products and services, and improving quality and customer satisfaction	<ul style="list-style-type: none"> • Product planners and design engineers visited customers to learn their wants. They analyzed these wants and used the results to shape products and maintain and improve product quality. <p>Printing Solutions Business: Example 1</p> <ul style="list-style-type: none"> • We learned from customer visits that customers wanted improved usability in Epson's high-capacity EcoTank inkjet printers. So, we provided our new 2017 models with new tanks, new bottles, and a new ink system that make it easier to fill the ink tanks, see how much ink remains in the tanks, and fill tanks faster the first time. <p>Printing Solutions Business: Example 2</p> <ul style="list-style-type: none"> • We were told by customers when selling linehead inkjet printers that we would need to provide authenticated printing in a serverless environment, and we provided this functionality in about 6 months.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Pursuing customer satisfaction				<p>Visual Communications Business: Example 1</p> <ul style="list-style-type: none"> Multiple projectors are needed for uses such as projection mapping, and users wanted us to provide an application for adjusting the projectors. So, we met with users to hear their needs and developed an application that we were able to release 5 months ahead of schedule to meet user needs. <p>Visual Communications Business: Example 2</p> <ul style="list-style-type: none"> We conducted joint field tests with users of our BT300 smart glasses to identify issues and new needs for supporting users' equipment and existing PC environments. An improved model offers connectivity with existing equipment. We launched a voice-of-the-customer portal site and provided customer feedback (from about 2 million VOC reports annually in Japan) to relevant departments. This feedback was analyzed and used to improve our products and services. We continued to take action against counterfeit goods on online shopping sites around the world to reassure customers that they are purchasing genuine Epson brand products. <ul style="list-style-type: none"> Monitored and exposed online shopping sites particularly closely in China and the Middle East, where counterfeit goods are rampant. Provided training to police and customs agents. We invited customers to Epson to exchange information and ideas about upcoming products.
	Consumer health and safety	Social	Strengthening actions to prevent product safety issues by standardizing the use of product safety risk assessments using information about accidents involving the products of other companies	<ul style="list-style-type: none"> There was one serious product-related accident in FY2017. <ul style="list-style-type: none"> The situation was handled by notifying customers and making non-invoiced repairs. Action was taken in all Group companies to prevent accident recurrence. Preventive actions were taken. <ul style="list-style-type: none"> Revised and communicated Group-wide operations procedures.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Preserving the natural environment	Effective use of energy and resources	Environmental	Developing SBT-compliant mid-range targets for the Group and actions (for the effective use of energy and resources in scopes 1, 2, and 3 of the GHG Protocol)	<ul style="list-style-type: none"> • We set and executed measures to achieve SBT-compliant mid-range targets. <ul style="list-style-type: none"> • Drafted proposed Group-wide mid-range targets (scopes 1, 2, and 3) & applied for SBT approval. • We disclosed data for GHG Protocol scopes 1, 2, and 3. <ul style="list-style-type: none"> • Scopes 1 and 2 results: FY2016 results verified by third party and published in Epson's Integrated Report and Sustainability Report. • Scope 3 results: Prepared FY2017 results. • We had GHG data verified by a third party. <ul style="list-style-type: none"> • Scopes 1 and 2: Verified by third party. • Scope 3: Had a third party verify and assess FY2015 data, and prepared relevant guidelines.
			Third-party verification of GHG emissions data (scopes 1, 2, and 3)	
	Climate change and global warming	Environmental	Developing SBT-compliant mid-range targets for the Group and actions (for all categories in scopes 1, 2, and 3 of the GHG Protocol)	
			Third-party verification of GHG emissions data (scopes 1, 2, and 3)	
	Contributing to the environment through products and services	Environmental	Developing SBT-compliant mid-range targets for the Group and actions (for goods and services in scope 3 of the GHG Protocol)	
			Third-party verification of GHG emissions data (scope 3)	
Fostering diverse values and teamwork	Promoting Diversity	Social	Measures to increase the number of women in management positions	<ul style="list-style-type: none"> • We strengthened recruitment of women in science & engineering fields. • We revised the promotion system, and explored and implemented a telecommuting system on a trial basis. • Career design assistance for female employees was added to the manager and general manager training programs. • In addition to our existing targets (hiring and retaining female recruits [25%] and providing career design and childcare support), we set targets for women in management and leader positions. Management: 5% [40 women] in 2022 Leader: 7% [350 women] in 2022 • We established a Women's Advancement Project as an initiative to promote diversity. We implemented policies to support both career advancement and child-rearing/caregiving. The Ministry of Economy, Trade, and Industry and the Tokyo Stock Exchange recognized Epson as a company that encourages women's success by selecting Epson as a "Nadeshiko Brand."

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Fostering diverse values and teamwork	Promoting Diversity	Social	Measures to hire persons with disabilities	<ul style="list-style-type: none"> • We strengthened our recruitment and hiring activities (strengthened cooperation with government and with special-needs schools, etc.). • We led factory tours for 202 people from assistance agencies and special-needs schools (compared to 80 in 2016). • We set a target for the employment of persons with disabilities [2020: 2.5%].
	Human resources development, hiring, and retention	Social	Recruiting, hiring, and retaining talent in a shrinking labor pool	<ul style="list-style-type: none"> • We hired 675 (Group consolidated) in Japan. • We rehired 434 retirees (as of 3/20/2018) (vs. 337 the previous year). • We provided lifetime career support training for 716 (out of 795) employees aged 40 & 50. • We interviewed all 148 employees in their third year. • We began exploring a training program for technologists/ engineers.
			Training programs and assessing their results	<ul style="list-style-type: none"> • We expanded and enriched training for executive management candidates. • We enhanced and enriched training from middle management (expanded eligibility for general manager training & explored training for assistance managers). • We held a new Global Executive Seminar for key personnel at our overseas affiliates. • The development of future executive management candidates was reviewed by the HR development strategy council (a meeting body made up of directors and executive officers).
Creating a safe, healthy, and fair work environment in which human rights are respected	Respecting human rights	Social	Communicating and enforcing "The Policies regarding Human Rights and Labor Standards"	<ul style="list-style-type: none"> • At the global HR meeting in November (attended by personnel managers from overseas affiliates), managers were instructed to communicate and enforce the policy at their respective companies. • We communicated policies during training of CEOs of our overseas affiliates & training to prepare personnel for overseas assignments. • We provided anti-harassment training for personnel at each echelon. • We provided anger management & strategic criticism training to executive management. • Continued responding to and monitoring personal data protection requirements.
			Questionnaire to assess human rights risks at overseas affiliates	<ul style="list-style-type: none"> • Overseas affiliates completed a self-check questionnaire.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Ensuring effective governance and compliance	Compliance	Governance	Improvements to and use of the global compliance system	<ul style="list-style-type: none"> The Epson Group's Chief Compliance Officer (CCO) held a Regional Chief Compliance Officer (R-CCO) Meeting that was attended by the R-CCOs of the Americas, Europe, China, and the Asia-Pacific regions.
			Whistleblowing systems in all Group companies	<ul style="list-style-type: none"> The use of whistleblowing systems was surveyed and the situation was reported at a Corporate Management Meeting to increase the effectiveness of these systems. We established a whistleblower system for used by our business partners.
			Education and training to still compliance awareness	<ul style="list-style-type: none"> We provided compliance training for each echelon and held Compliance Month (October of every year). We provided risk management and compliance training for executive management (e.g., security export control, overseas crisis management, and legal training).
Ensuring the security of people, assets, and information	Strengthening information security	Governance	Information security measures	<ul style="list-style-type: none"> Software and web service products were inspected for vulnerabilities based on quality standards. Information security & personal data protection regulations were amended, and the Epson Group's information security programs were improved and strengthened. Employees were reminded about the importance of information security in July during Information Security Awareness Month via training [online training for all personnel, managers (7 times), and information security promotion personnel (2 times)]. We completed preparations to comply with the requirements of the EU General Data Protection Regulation, which took effect in May 2018. We checked the information security situation of business partners on a trial basis. We began round-the-clock monitoring of cyber attacks in Asia. We completed the Group-wide installation of measures to prevent mistakenly send email.
			Providing information to customers	<ul style="list-style-type: none"> Information about information security was disclosed on the corporate website. Information was provided about securing passwords on websites for customers. We provided customers with information about product wireless LAN vulnerabilities.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2017 Action Item Categories	Achievements & Results in FY2017
Working with business partners for mutual benefit	Supply chain management	Social	Asking key suppliers to observe the Epson Supplier Code of Conduct	<ul style="list-style-type: none"> Suppliers were briefed about the Epson Supplier Code of Conduct and asked to observe it. A total of 493 suppliers attended 11 briefing sessions in the major production sites of Japan, Indonesia, and China.
			Supplier questionnaires and feedback on results	<ul style="list-style-type: none"> We analyzed the answers to self-assessment questionnaires (SAQ) from 220 suppliers in 2016 and provided them with feedback on our findings. All indirect production materials suppliers (e.g., temporary staffing, logistics, and construction companies) returned a completed SAQ. (50 first-tier suppliers & 16 second-tier suppliers).
			Supplier on-site verification and corrective action	<ul style="list-style-type: none"> We implemented on-site verification of suppliers and requested corrective action where needed. We followed up with two suppliers in China that were audited by a third party in 2016 and verified that they had made the requested improvements. Two suppliers in Indonesia and Japan were audited by a third party.
			Conflict minerals survey	<ul style="list-style-type: none"> We conducted conflict minerals surveys. We asked 411 suppliers to complete the survey and received completed surveys from 388 of them (94%).

FY2018 Action Items

Epson established action items for the FY2018 based on performance with respect to the 2017 action items for key CSR themes and the reception by the general public.

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2018 Action Item Categories
Pursuing customer satisfaction	Creating new products and services with leading technology	Main business	Connect cyberspace and the real world toward creating a new connected age of people, things and information, and provide the value of our efficient, compact and precision technologies to the real world in every business
	Business operations aligned with global social trends	Main business	As the importance of smart technologies and the environmental performance grow increasingly important, Epson, as a real world manufacturing company, will continue to create smart products that contribute to the environment and demonstrate unrivaled performance
	Productivity improvement utilizing ICT	Main business	Maintain high-quality, high-efficiency productivity by leveraging Epson's unique IT, sensing, and automation technologies in manufacturing
	Products competitiveness	Main business	Continue to provide high-quality, cost-competitive products that other companies cannot easily imitate, and do so in a timely manner through improvements in operation efficiency and personal productivity
	Strategic marketing	Main business	Optimize regional sales organizations, improve planning quality with a market-driven (market-in) approach, and transform the brand image

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2018 Action Item Categories
Pursuing customer satisfaction	Product quality and communications	Social	Visiting customers directly to gather and analyze information about their wants and needs, closely examining customer wants by analyzing customer inquiries, using the findings to shape future products and services, and improving quality and customer satisfaction
	Consumer health and safety	Social	Continue strengthening our prevention activities <ul style="list-style-type: none"> • Standardize product safety risk assessments • Improve the product safety education curriculum
Preserving the natural environment	Effective use of energy and resources	Environmental	Carry out SBT-compliant actions to reduce CO ₂ emissions, and publish the results (scopes 1, 2, and 3: Reduce total CO ₂ emissions)
			Reduce CO ₂ emissions (Draft a plan for introducing renewable energy)
	Climate change and global warming	Environmental	Carry out SBT-compliant actions to reduce CO ₂ emissions, and publish the results (scopes 1, 2, and 3: Reduce total CO ₂ emissions)
			Reduce CO ₂ emissions (Draft a plan for introducing renewable energy)
	Contributing to the environment through products and services	Environmental	Carry out SBT-compliant actions to reduce CO ₂ emissions, and publish the results (set scope 3 emissions intensity targets and reduce emissions)
Fostering diverse values and teamwork	Promoting Diversity	Social	Measures to increase the number of women in management positions <ul style="list-style-type: none"> • Formally introduce a new promotion test system & telecommuting system • Execute new training plans for managers (Foster an internal culture) • Plan measures to promote the retention of women under 30
			Execute plans to achieve the female hiring target <ul style="list-style-type: none"> • Expand support for women interested in pursuing careers in science and engineering
			Maintaining and increasing employment of persons with disabilities <ul style="list-style-type: none"> • Develop new job opportunities in the Tokyo region, etc. • Act to increase the percentage of employees with disabilities in subsidiaries (Develop job opportunities) • Build a system for gathering global information on the employment of persons with disabilities
	Human resources development, hiring, and retention	Social	Recruiting, hiring, and retaining talent in a shrinking labor pool <ul style="list-style-type: none"> • Continue large-scale hiring in Japan (approx. 550, Group consolidated) • Explore actions (training, etc.) to stimulate older employees
			Build infrastructure for managing human resources information (a talent management system) and develop human resource appointment, placement and training policies through personnel reviews
			Training programs and assessing their results <ul style="list-style-type: none"> • Continuously improve, expand, and enhance training for executive management candidates (e.g., transfer future leaders overseas and have candidates participate in exchanges with the Ministry of Economy, Trade and Industry and others outside our industry) • Begin assistance manager training
			Review 360-degree surveys and employee motivation surveys, explore future actions, and establish a direction

Principles of Corporate Behavior	Key CSR Theme	ESG	FY2018 Action Item Categories
Creating a safe, healthy, and fair work environment in which human rights are respected	Respecting human rights	Social	Communicating and enforcing “The Policies regarding Human Rights and Labor Standards” <ul style="list-style-type: none"> Continue to communicate during training of CEOs of our overseas affiliates & training to prepare personnel for overseas assignments Continue to provide anti-harassment training for personnel at each echelon
			Continue responding to and monitoring personal data protection requirements
			Follow up on self-check questionnaires <ul style="list-style-type: none"> Explore means to control future global human rights risk based on questionnaire results
Ensuring effective governance and compliance	Compliance	Governance	Begin Group compliance activities by introducing a compliance program
			Explore a global whistleblower system
			Compliance awareness program <ul style="list-style-type: none"> Put in place a model system Prepare a global employee code of conduct
Ensuring the security of people, assets, and information	Strengthening information security	Governance	Information security measures <ul style="list-style-type: none"> Establish a global security monitoring and response system Assess cyber security measures and formulate a response plan Check the customer information security situation of new business partners
			Strengthen product security
Working with business partners for mutual benefit	Supply chain management	Social	Asking key suppliers to observe the Epson Supplier Code of Conduct
			Supplier questionnaires and feedback on results
			Supplier on-site verification and corrective action
			Conflict minerals survey

Relation to SDGs

Epson's Initiatives and Their Relationship to Our SDGs

As stated in its Management Philosophy, Epson seeks to become an indispensable company, an ambition that Epson considers to be consistent with the realization of the sustainable development goals (SDGs) of the United Nations.

In 2017, as part of this effort, Epson created "Key CSR Themes," a materiality matrix that identifies important initiatives for addressing social issues. Epson examined the relationship between its initiatives and the 169 targets of the 17 SDGs to identify the SDGs that intersect with Epson's initiatives.

● Key CSR Themes and Sustainable Development Goals

There are 169 targets (1.1 to 17.19) under the SDGs. The figures in the table below indicate the targets that Epson is addressing with its initiatives (as of September 2018).

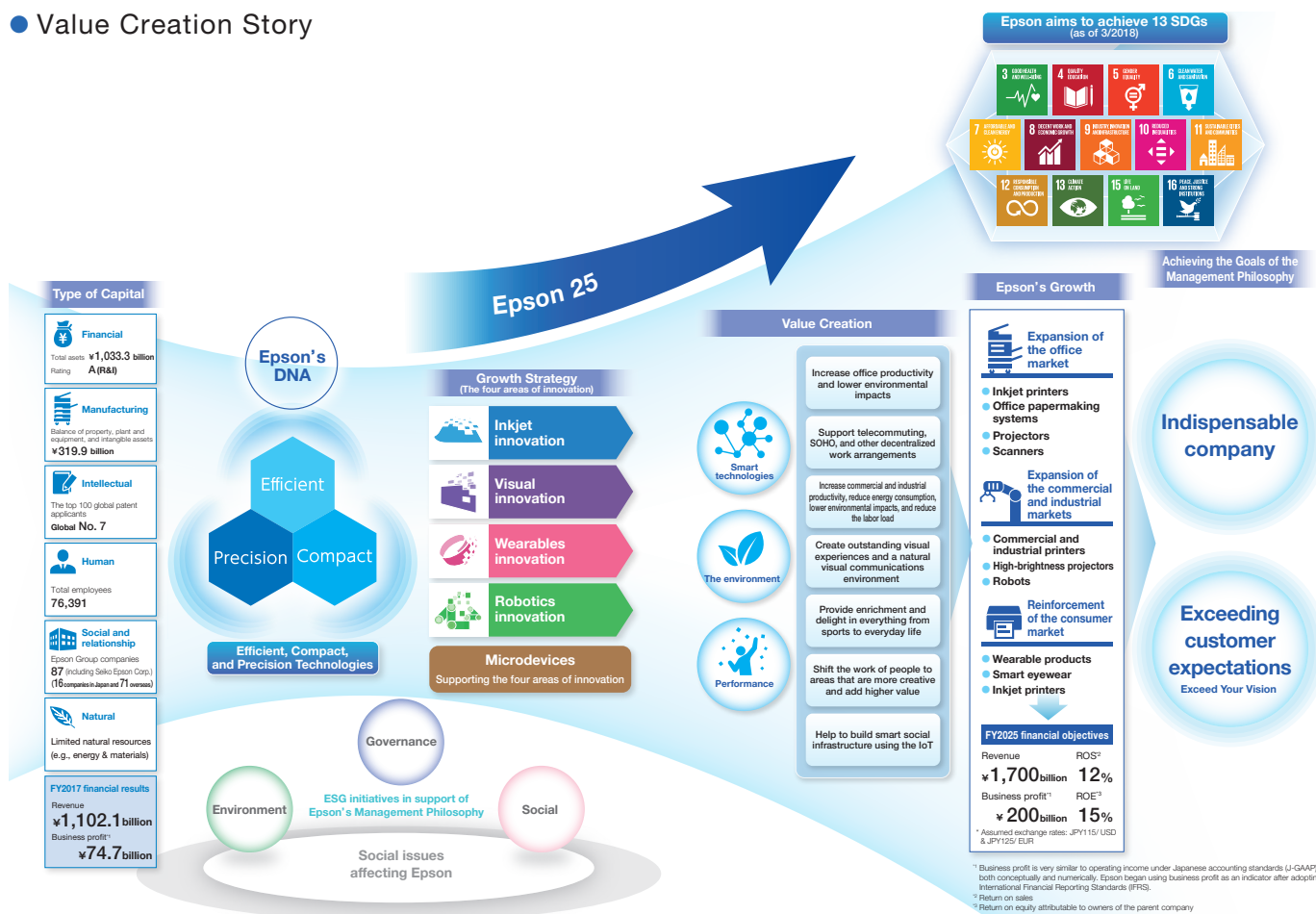
Key CSR Themes	ESG	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
Creating new products and services with advanced technology	Main business																	
Business operations aligned with global social trends				3.6	4.1		6.3	7.3	8.2	9.4		11.6	12.2	13.2		15.1		
Productivity improvement utilizing ICT				3.9	4.2		6.4	7.a	8.4	9.c			12.4			15.4		
Product competitiveness					4.3		6.6						12.5					
Strategic marketing					4.4													
				4.5														
Effective use of energy and resources	Environment							7.2 7.3						13.2				
Climate change and global warming								7.3					12.2 12.4	13.2				
Contributing to the environment through products and services				3.9			6.3 6.4 6.6	7.3		9.4		11.6	12.2 12.4 12.5	13.2		15.1 15.2 15.4 15.5		
Respect for human rights					4.7	5.1 5.5			8.5 8.7 8.8		10.3							
Diversity	Social				4.7	5.5			8.5		10.2							
Human resources development, hiring, and retention					4.4 4.7				8.8		10.2		12.a					
Supply chain management						5.2			8.5 8.7 8.8		10.2 10.3		12.4 12.6	13.1			16.4 16.5	
Product quality and communications													12.8				16.6 16.8	
Consumer health and safety													12.4					
Compliance	Governance																16.4 16.5	
Information security																	16.4	
Epson's initiatives				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	

Epson confirmed that its initiatives support the achievement of the 13 SDGs below. (Please note that this matrix was mapped out in March 2018 and is subject to change depending on future business developments.)



Epson believes that the growth strategies it has outlined in the Epson 25 Corporate Vision will help to achieve the SDGs. Specifically, we will solve social issues and help to realize a sustainable society by driving innovations in four areas and executing environmental, social, and corporate governance (ESG) initiatives that support the realization of the Management Philosophy.

● Value Creation Story



Commitment to the SDGs

Epson is using its original efficient, compact, and precision technologies and initiatives as vehicles to drive innovations that will enrich the world and make it a better place. Our goals are the same as those of the sustainable development goals (SDGs) adopted by the United Nations.

Epson is creating new value by looking hard at solutions to social issues, understanding the expectations that society has of us, and then providing products and services that far exceed those expectations. We at Epson are committed to the development of sustainable societies through the four areas of innovation identified in the Epson 25 Corporate Vision.

Minoru Usui

Minoru Usui
President
Seiko Epson Corporation

Communication with Outside Experts

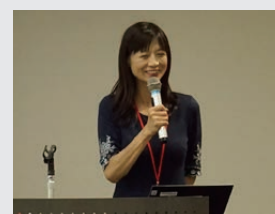
Lecture on SDGs

In June 2018, Seiko Epson hosted a lecture on sustainable development goals (SDGs) for directors and members of the executive management team. Ayako Sonoda, president of Sustainability Consulting company Cre-en, was invited to speak on the topic of how innovation and SDGs are shaping the future. She talked about what led the UN to adopt the SDGs and about expectations for private enterprise.



Message from Ms. Sonoda to Epson

SDGs represent a business opportunity. The world is looking to companies to integrate SDGs into their operations and drive groundbreaking innovations. National and local government are moving forward on action to achieve SDGs, and Nagano prefecture has been selected as a leader in sustainable socio-economic systems for the future. Epson, with its headquarters in Nagano prefecture, will be expected to work even more closely with the community. I want to see Epson establish a vision of the future and a blueprint for building that future by 2030, the target year for the SDGs.



Comments from Seiko Epson President Minoru Usui

Epson's stated mission in Management Philosophy is to become an indispensable company, a company that moves forward to achieve dreams and aspirations that it shares with society. The importance of the SDGs is widely recognized, but we have to ensure that our initiatives are truly aligned with current trends and that they are actually meeting the world's expectations.



What are Sustainable Development Goals?

"Transforming our world: the 2030 Agenda for Sustainable Development" was adopted in 2015 at the UN Sustainable Development Summit, which was attended by more than 150 world leaders.

This agenda is a plan of action for people, planet, and prosperity that includes a declaration and a set of 17 goals and 169 targets for sustainable development.

See the link below for SDG details.



United Nations Global Compact

Epson Participates in the United Nations Global Compact

Epson officially joined the United Nations Global Compact on July 16, 2004, when a Letter of Commitment signed by the president of Seiko Epson was sent to and accepted by the Secretary-General of the UN. The letter expressed Seiko Epson's commitment to the Global Compact in the areas of human rights, labor, the environment, and anti-corruption.

As a member of society, Epson takes an uncompromising approach to socially responsible corporate conduct in areas such as compliance, human rights, environmental action, workforce diversity, and supply chain management. We take these and other social issues seriously and are working toward solutions. We aspire to make Epson an indispensable company through the practice of ethical corporate conduct and by playing a central role in realizing a better world through the products and services we provide.

Epson's corporate activities

Management Philosophy

Principles of Corporate Behavior

United Nations Global Compact

- Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights.
- Principle 2: Businesses should make sure they are not complicit in human rights abuses.
- Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour.
- Principle 5: Businesses should uphold the effective abolition of child labour.
- Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- Principle 7: Businesses should support a precautionary approach to environmental challenges.
- Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility.
- Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies.
- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Customer Commitment

Approach

Approach

Epson's CS and quality policies and organizations are designed to achieve customer satisfaction, one of the core commitments included in Epson's Management Philosophy.

Quality Policy

Epson seeks to provide products and services that earn customer satisfaction with an all-hands commitment to the quality policy below.

Quality Policy

1. We will solve problems by directly observing all of our operations and processes.
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.
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.

Vision for Mid-Range CS & Quality Initiatives

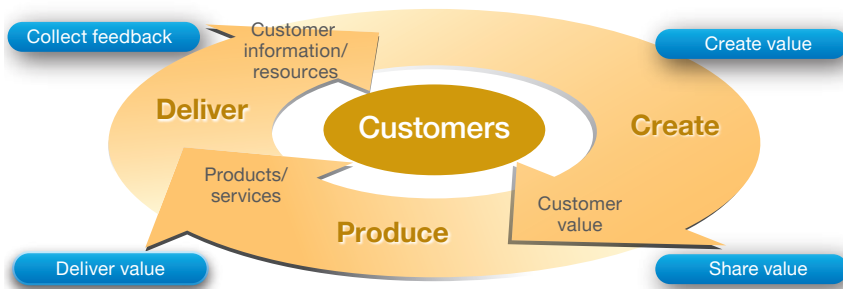
Epson implements CS & quality programs in line with its Mid-Range CS & Quality Action Policy, which is based on its Quality Policy and that stipulates its vision for creating products and services that please customers and earn their trust.

Objective

We seek to achieve the goals of the Epson 25 Corporate Vision by raising the quality of work in all operations, demonstrating teamwork and collective strength, and providing products and services that exceed customer expectations.

1. Ours is a customer-centric process in which we listen to customer expectations and react by designing our products and services to accurately reflect them.
2. We continuously improve the quality of our operations in response to changes in society and customers.

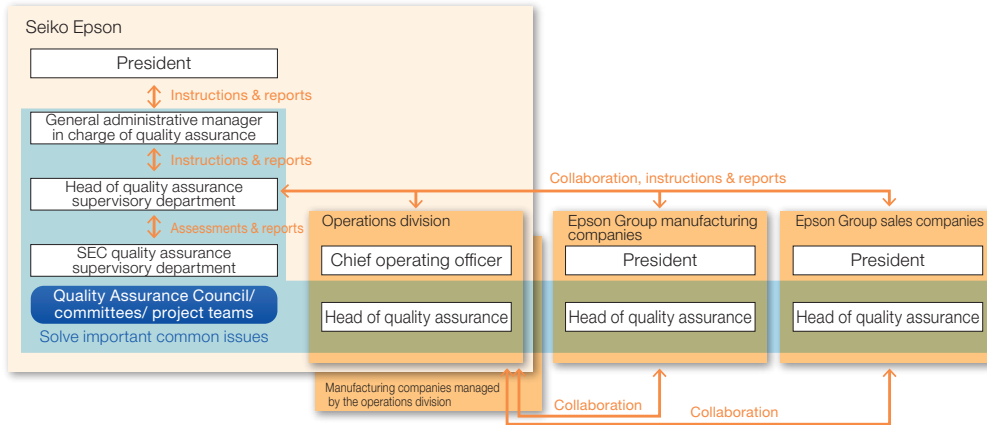
● CS & Quality Vision (Creating Customer Value)



Quality Assurance Program Organization

Epson carries out actions to assure quality across the Epson Group. A Quality Assurance Council and project teams solve shared issues and serious problems. In addition, we manage our quality assurance programs by periodically assessing and reviewing the state of quality and the progress of actions, reporting the results to the president, and formulating and implementing policies for further improvement.

● Quality Assurance Program Organization



Customer Commitment

Pursuing Customer Satisfaction

Pursuing Customer Satisfaction

Epson undertakes various activities to provide our customers with satisfaction that exceeds their expectations through our products, services, production and sales. This is a representative example of Epson's activities.

Epson seeks to meet the expectations of customers from the product design stage. As part of this effort, our design engineers personally visit customers to listen first-hand to their thoughts and needs. They also visit information centers to gather and analyze information on the types of problems customers may be having.

Resolving Tank Refill Issues

Epson's high-capacity ink tank printers, first introduced in Indonesia in 2010, were being sold, by 2017, in some 150 markets, both emerging and developed. These printers have earned loyal support from customers who want to print in high volume at low cost. However, we learned by interviewing customers and talking with sales companies that users wanted better protection against ink stains and spills when refilling the tanks.

Issue 1

Ink could spill, splash, and stain users' hands when users removed a protective seal under the bottle cap and tipped the bottle.

Action

We eliminated the protective seal and replacing it with an airtight bottle cap and a slotted valve near the tip of the nozzle to prevent ink from splashing and dripping.



Issue 2

The bottle had to be squeezed about 50 times in the roughly two minutes it took to refill a tank.

Action

Ink bottles and printer ink tanks were redesigned to enable easy filling of each color. Users simply have to insert a bottle nozzle into an ink tank and wait about 40 seconds for the tank to fill. Filling automatically stops when a tank is full.



Issue 3

Filling a tank with the wrong color of ink

Action

The ink bottles have a tip that is uniquely keyed for each color and can only be inserted in a tank of the same color.

Ink bottles act like a key that fits only into the keyhole of the correct ink tank



Product Service and Support that Keeps Businesses Running

Users of business printer can find their work interrupted if their printer breaks down or if it runs out of consumables. To avoid such work interruptions, sales company Epson Taiwan Technology & Trading Ltd. (ETT) began in 2016 offering business inkjet printer users a package that includes regular on-site service. This is the first service of its kind in Taiwan's office printing industry.

Support staff members with thorough product knowledge visit customer sites to inspect and maintain their printers. They also let customers know when they can expect to run out of ink based on print use patterns. This service has sharply reduced printer breakdowns and ensures stable print quality. And since ETT is able to deliver ink before it runs out, work interruptions are far less frequent. These regular site visits are also an important opportunity to get feedback directly from users.

Epson, whose products are used by customers around the world, is increasing customer satisfaction by having local sales companies provide service and support that meets local needs.

Incorporating the Voice of the Customer: Quality Control Improvement in Manufacturing Processes

The role of manufacturing processes is to create products that accurately reflect the voice of the customer captured in product plans and designs. In manufacturing processes, we build products that meet specified quality requirements. We specify a lot of quality controls for product components and processes. Quality control engineers are sent to manufacturing sites worldwide to introduce quality improvement activities so that we can strictly manage required controls at the sites and assure quality.

We collaborate with local engineers to solve problems logically, develop the talents of manufacturing professionals, and improve quality at plants around the world.



Improvement in collaboration with an overseas affiliate

Customer Commitment

Universal Design

Approach to Universal Design

Epson recognizes the importance of universal design. This is reflected in “Principles of Corporate Behavior,” our corporate code of conduct, which declares that we will “adhere to universal design standards that maximize product usability and give our customers something they will value and enjoy.”

We at Epson feel that universal design is part of our corporate responsibility. We employ universal design principles to design products and services that can be used to the greatest extent by everyone, regardless of their age, gender, nationality, ability or disability. By taking the utmost care from the development stage to creating designs that are easy to use, we can make them accessible to the widest possible audience.

Universal Design within Epson

Internal Guidelines

Epson's Printing Solutions Operations Division has prepared two sets of written guidelines that describe universal design and color universal design features that must be incorporated into our products and services to help ensure the widest possible product accessibility. We make sure that our products reflect universal design principles by using a process to verify that universal design elements are incorporated in each step of the product commercialization process, from planning and design to manufacturing.

Internal Monitor Program

Epson invites employees and members of their families to participate in a monitor program. We ask registered monitors to evaluate our products as customers in order to identify ways to improve product usability.

In FY2017, we had 572 registered monitors evaluate and rate eight pre-release products, including printers, projectors, and wearable products. Epson observed how the monitors used the products while the monitors evaluated the products based on usability (e.g., visibility and ease of operation).



Some of Epson's Universal Design Features

Adjustable Control Panel (Inkjet Multifunction Printers)

The control panel on Epson's WorkForce Enterprise inkjet multifunction printers can be adjusted to the user's eye level to make it easier to see and use.

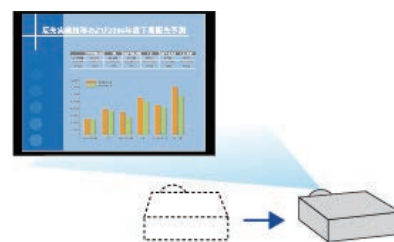
Customers told us that control panels on some products can be hard to see and use for little people and people in wheelchairs. We made our control panel adjustable so that users of all sizes can set it at an angle that is easiest for them to see and use.



Automatic Keystone Correction for Quick Set-Up (Business Projectors)

Projectors produce vertically or horizontally distorted (“keystone”) images when they are set up at an oblique angle to the screen for some reason. These keystone effects need to be corrected by pressing a button.

Epson's EB-1795F business projector has one-touch image position and adjustment features that enable even novice users to effortlessly align images so that they sharp and clear. By eliminating troublesome and time-consuming set-up, we have enabled anyone to smoothly prepare a projector for business meetings.



Easy-to-Follow Video Manuals

In 2013, Epson began uploading PC- and smartphone-accessible video manuals to YouTube™ to provide Epson printer users with easy-to-understand guides for using their products.

First-time users of a product, even if they are used to operating earlier Epson printers or printers from other companies, can get lost even after reading the manual because of difficulty in intuiting or imaging new operating procedures. Providing them with a video-based simulated experience can enable them to smoothly operate their actual product and facilitate understanding of instructions in the manual.



* The video above was provided using the service of YouTube™. YouTube™ is a trademark of Google Inc.

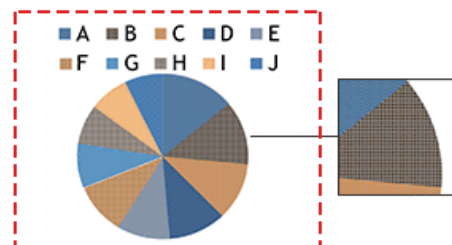
Color Universal Design

We are also employing color universal design^{*1} principles to create products, manuals, and software that are easy to use for people with various forms of color vision deficiency or color blindness.

¹¹ Designs that use color in a way that enables information to be clearly conveyed to the widest possible audience, including people who see color differently (such as people with congenital color blindness, cataracts, or glaucoma).

Improving Visibility with Color Universal Design

Epson business printers are equipped with a color universal design function¹² that adds underlines or textures to text that requires emphasis and that converts the colors in graphs to corresponding patterns to make them easier to distinguish for people who see color differently.



^{*2} This technology was developed based on Epson's own criteria and does not guarantee visual accessibility to all.

Colors on Control Panel LCDs, LED Lamps, and Buttons

Large Format Printers

Blue LEDs are used for power buttons, and high-brightness orange LEDs are used for warning lamps. Universal design principles are also followed for colors used for on-screen instructions.



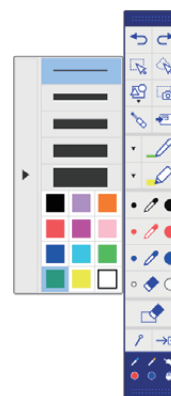
Business Inkjet Printers

Epson revised the colors used for control panel buttons and lamps to ensure visual accessibility for the greatest number of people, regardless of type of color blindness.



Interactive Projectors

A color palette for people with partial color blindness is available for the Drawing toolbar in Whiteboard mode.



Customer Commitment

Sales/ Service & Support

Epson wants customers to be able to identify products that meet their needs. We always look to provide accurate, readily understandable product information and quality after-sales service so that customers can use our products with peace-of-mind.

After-Sales Service for Epson PCs

Epson Direct Corporation's support policy reads as follows: "Every second counts. Never make customers wait. Earn customer satisfaction and ongoing loyalty."

Our customers' work does not wait when their PC fails. Obviously a strong quality program is essential for preventing PC failures in the first place, but when failures do occur, minimizing customer downtime becomes the top priority. We provide a one-day guarantee on repairs, during both the standard warranty period and for the extended pick-up warranty. If an Epson PC should fail during the coverage period, Epson Direct will repair it and return it the next day, weekends included.

Service Personnel Skills Competition

Every year, Epson Sales Japan holds a skills competition for customer engineers (CE), who provide after-sales service for Epson products in the field.

The 2017 skills competition was held at Seiko Epson's Hirooka Office, where 20 CEs from around Japan who were selected based on a screening test competed to be the top inkjet customer engineer.

In an elimination round, the CEs were asked to repair a PX-M7070FX Smart Charge A3 multifunction printer. They were graded on the speed and accuracy of their work. In the championship round, the six remaining CEs were given the task of repairing an LX-10000F high-speed linehead inkjet multifunction printer. They were graded on the accuracy of the repairs performed, their ability to explain operations and make recommendations according to customer needs, and their ability to report repairs made in a way that was easy for customers to understand.

The competition, which is also attended by design engineering and quality assurance personnel, is also used to identify areas that could be improved in the future to enable Epson to provide even better products and services.

In the 2017 competition, Shoji Abe from the Rokko Service Center won the competition as a result of his accuracy in every task.



Shoji Abe, The winner of the skills competition

Through the skills competition, Epson Sales Japan Corporation continues to work to improve the repair skills and the quality of CE interactions with customers, so that they can appreciate the benefits of inkjet technology and good service.



Epson Square Shinjuku

The refurbished Epson Square Shinjuku opened in Tokyo in April 2016. It presents Epson's extensive lineup of products springing from the Epson 25 Corporate Vision comprising innovations in the four areas of inkjet, visual communications, wearables and robotics, with business printers, projectors, large-format printers, PCs, image scanners and so on for businesses.

Epson Square is a great place for customers who are looking to purchase an Epson product to try the latest products, and for our distributors to hold important business meetings. We demonstrate products that suit various customer applications and uses, holding regular, hands-on product workshops so that our customers can gain a fuller understanding of their functions and features.



Epson Square Shinjuku

In order for us to provide an ideal environment for visitors to explore our products, we ask them to make a reservation in advance and let us know what issues they hope to solve.

Photo Seminars

EpSITE*¹ holds a wide range of appealing and useful seminars designed to share the fun of printing and displaying photos.

There are free lectures that anyone can drop in on, no registration required. These lectures teach basic knowledge on digital printing and introduce simple and convenient ways of using printers. In practical skills courses, each participant works with one machine. Courses cover a wide range of material, from printing basics to hands-on courses in products like the SC-PX5V_{II} (overseas model name: SureColor P600). Also offered are workshops. Their curriculum includes seminars in which professionals from different business fields teach advanced techniques. (Practical skills courses and workshops are available by reservation and require a fee.)



Practical skills course using the SureColor P600

The aim of these photo seminars is to help participants pick up the knowledge and skills they need to enjoy digital printing and have a better appreciation for photography.

*¹ EpSITE, a facility dedicated to photography and managed by Epson, is equipped with a photo gallery, rental photo lab, and facilities for hosting a variety of events, including photo seminars and photo exhibits.

Epson New Photo Forum

The Epson New Photo Forum is a photography event that conveys the enjoyment of printing photos, including basic knowledge of inkjet printing, how to print correctly, and techniques for finishing photos as works of art.

The latest inkjet printers are displayed at the event venue, as well as the following presentations.

- Printing seminars for making art photos.
- An exhibition of prints of photos provided by customers.
- An exhibition of printed works using a variety of print paper and different manufacturer's cameras.

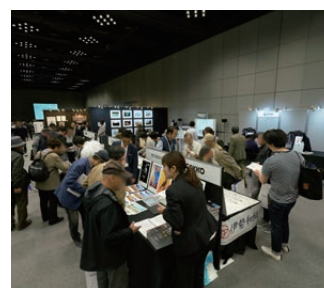
Epson New Photo Forum 2017 had been held as follows.

<East Japan/ Tokyo>

Date: 23.Sep, 30.Sep, 7.Oct

<West Japan/ Osaka>

Date: 21.Oct



Epson New Photo Forum

Participants enjoy an event where professional photographers offer critiques of customer's photos.

Customer Commitment

Activities to Improve Quality

Activities to Improve Quality

Epson conducts activities to improve the quality of its products, services, manufacturing and sales in order to provide quality that exceeds customer expectations and earns their trust.

Supplier Quality Assurance

Epson internally manufactures key components such as printheads for inkjet printers. At the same time, our suppliers also provide us with many of the parts needed for manufacturing. Therefore, our quality assurance programs go beyond the Epson Group. We share our approach to quality with our suppliers and work with them to improve quality.

For example, we stipulate our basic quality assurance policies and requirements in quality assurance standards, verify the quality of parts by visiting suppliers, and give them advice about ways to improve. In addition, we hold meetings with suppliers and our own people who are in charge of supplier quality control at our operations divisions to improve quality assurance programs.



A meeting of people in charge of supplier QC

Global Sharing of Service & Support Information

Epson has built service and support organizations around the world so that our customers can use our products and services with confidence.

We hold an annual Epson Group Services and Support Conference that is attended by people in charge of these functions at our overseas regional sales headquarters and some sales companies. The purpose of the meeting is to improve the quality of our service and support. At the meeting, we share technical information about service and support, as well as about the use of our products and services by customers. We also review actions and discuss issues to formulate long-term strategies. The results of the meeting are used in our Group companies around the world.



Epson Group Services and Support Meeting

Improvement of Employee Quality Control Skills

Training

Epson provides quality control training to all employees so that they can help improve quality. Manufacturing personnel, engineers, and office workers separately receive training for the basics of QC first. After that, they receive systematic training to learn the skills required to fulfill their duties and participate in E-kaizen programs (see below).

In addition, we train and certify QC trainers at overseas production sites and certify trainers so that our overseas employees can receive the same level of training as our employees in Japan.

Epson aims to develop people who are able to identify and address the root causes of problems so that we can produce and sell products and services that exceed customer expectations.

● Quality Control Training Program

	Primary	Intermediate	Advanced
Common	QC introduction course	QC-A course (Manufacturing)	
		QC-B course (Engineering)	
		QC-C course (Administration)	
Small group/Team		Problem-solving type QC story course	
		Target-achievement type QC story course	
		Why-Why analysis course	
Professional course		Reliability specialty course - Accelerated test, Sampling test - Weibull analysis of field data	
		Quality Engineering practice course (Robustness evaluation, Parameter design, etc.)	

* QC-ABC courses shall be selected one or more.

● Standard QC Courses for All Employees (FY2017, Japan)

Course	People trained	% trained
QC Introduction	414	90%
QC-ABC	266	80%

● Licensed Quality Control Training Trainers

Region	Number of Production Sites with Licensed Trainers	Licensed Trainers*1
Southeast Asia	7 companies	89
China	8 companies	71

*1 Number of licensed trainers as of March 31, 2018

Kaizen Activities

The entire Epson Group participates in continuous improvement activities. Called “E-Kaizen” at Epson, these activities are used by both teams and individuals to solve problems.

Epson holds an annual Worldwide Team Presentations conference at which the best teams from each of four blocs (Japan, China, Southeast Asia, and Europe/America) present the results of their kaizen activities. The teams’ accomplishments are judged, and the ones that report the most outstanding accomplishments are recognized with awards. In addition to sharing kaizen presentations within each bloc, Epson reports best activities in the company newsletter and on the company intranet to motivate others to learn and make their own improvements.

The 2017 Worldwide Team Presentations conference was held in October, at which four teams from two Japanese companies, three teams from three Southeast Asian companies, five teams from two Chinese companies and one team from a European company presented their Kaizen results. A team named Inaugurator from Tianjin Epson Co., Ltd. came away with the top prize, the President’s Award, for their development of an automatic ink cartridge vacuum packing machine.



Worldwide Team Presentations conference held in Japan



The members of the President's Award-winning

Activities to Raise Awareness

November is CS & Quality Month across the Epson Group worldwide. During the month, we review and improve our business processes from a customer satisfaction and quality standpoint. In 2017, we took the month as an opportunity to study the basics of quality management systems (QMS) in conjunction with the latest ISO 9001 revision. We also took time to analyze qualitative improvements in work and revisit the purpose and meaning of processes, systems, and rules.

In addition, about 1,000 of our employees participated in an event during CS & Quality Month that gave them an opportunity to hear customer feedback. We use events like this to help shape our products and services to the needs of our customers.



CS & Quality Month poster

Customer Commitment

Product Safety Initiatives

Strict, Unified Global Standards for Customer Security, Safety and Satisfaction

Epson has established unified Epson Group regulations governing quality assurance and product safety management to help ensure that it offers the same product quality to customers around the world.

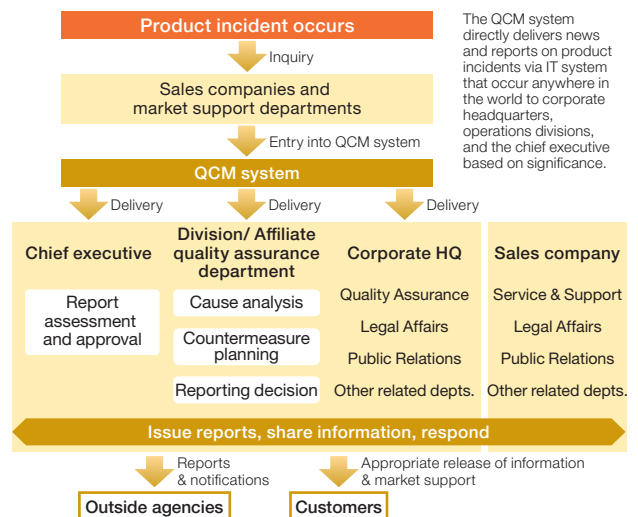
Our product safety and environmental compliance requirements are set forth in the Epson Quality Standard (EQS), a set of unified standards implemented across the entire Epson Group. EQS specifies independent controls that we widely implement to meet or exceed legal and regulatory requirements in each country. Epson painstakingly evaluates product safety in every area and from all angles to prevent product incidents and provide our customers with safe, secure products.

Process for Rapidly Responding to Product Incidents

If there is an incident involving a product, an Epson sales company or market support organization immediately issues a preliminary report using the Epson Group's Quality Crisis Management (QCM) system.

Departments are notified of the incident via the QCM system, and the quality assurance department of the operations division or affiliated company rapidly responds by analyzing the cause and planning countermeasures. The chief executive and affected departments, including those at corporate Head Office, exchange information whenever an incident occurs and, putting the needs of the customers first, announce the incident to the public, provide market support, and furnish outside organizations with the reports and notices required by all applicable laws and regulations.

● Epson Product Incident Response Process



Analyses to Prevent Product Incidents

Electronic components procured for use in Epson products, and especially those that are crucial in terms of safety, are evaluated and analyzed to judge their quality, safety and reliability.

Epson uses analytic techniques learned and honed over the years to analyze in-market safety incidents and determine root cause. The lessons learned are shared throughout the Epson Group to prevent recurrence of similar incidents.

Epson has set up a combustion laboratory that enables it to conduct tests that cannot be performed in ordinary laboratories, such as tests that use flames or could cause parts or products to ignite, emit smoke, or rupture. In this lab Epson analyzes the causes of incidents and researches combustion-resistant structures and materials. We use the findings from these and other tests and studies to develop standards for creating safe, secure products, therefore seeking to prevent product-related incidents.



Burning test at combustion laboratory

Safety Evaluations on Substances Released by Products

Products can sometimes release trace amounts of chemical substances during use. Epson goes beyond simply evaluating releases of controlled substances specified under the requirements for environmental labels such as Japan's Eco Mark and Germany's Blue Angel^{*1}, and also evaluates the level and safety of substances for which the Japanese Health, Labor and Welfare Ministry has issued indoor concentration guideline values^{*2}. An in-house laboratory enables us to swiftly feed the findings from these evaluations back into our products. Our chemical emission laboratory acquired ISO/IEC17025 certification in April 2013.

Epson seeks to deliver safe, secure printers, projectors, and other products by verifying that releases from these products meet Epson's strict, independent standards that exceed the rigorousness of the Health, Labor and Welfare Ministry's indoor concentration guideline values.



Measurement of substances released by products

^{*1} Blue Angel, introduced in Germany in 1978, is the world's first environmental label.

^{*2} Indoor concentration guideline values are the levels of airborne chemical substances that are considered to be unlikely to have harmful personal health effects even if persons take in throughout life the substances at the indicated concentrations.

Product Information Security Initiatives

Once reserved for laser, business inkjet, and other office printers, network connectivity is now routinely provided with home inkjet printers and other consumer devices, which can be accessed via wireless LANs, smartphones, tablets, and other Wi-Fi-capable equipment. Network connectivity is a great convenience, but it also exposes users to security risks, such as cyber-attacks that could lead to the destruction of data or the theft of confidential information by persons or organizations who exploit network device software vulnerabilities^{*3}.

To ensure the security of its products, Epson evaluates the vulnerability of embedded software, printer drivers, and other software based on information security requirements included in the Epson Quality Standard (EQS). Requirements for web services such as Epson Email Print were also included in the EQS, in 2012.

^{*3} Software vulnerabilities are system flaws or design problems that hackers or other cyber-criminals can use to hijack a computer, network, or other information system or to steal or alter confidential information.

Epson and the Environment

Environmental Vision 2050

Environmental Vision 2050

In 2008, Epson established Environmental Vision 2050, a statement of our environmental goals out to the year 2050. We began working on initiatives to achieve these goals, but the landscape has changed significantly over the ensuing ten years.

Externally, global efforts to achieve sustainability are accelerating, with the United Nations adopting Sustainable Development Goals (SDG^{*1}) and the Paris Agreement^{*2} charting a course toward a low-carbon society. In line with this, enterprises are being encouraged to change the way they behave to satisfy the new norms and goals.

Internally, Epson has been repositioning itself to take better advantage of its strengths. We have divested ourselves of the small-to-mid size liquid crystal display and optical businesses and have been accelerating a shifting away from consumer segments and toward the office, commercial, and industrial segments in search of growth. The impact on the environment and to the needs of society from within these segments are much different from those of the consumer segment. These internal and external changes have forced us to reconsider our long-term policies and revise our environmental vision.

^{*1} International goals for a sustainable society adopted at the U.N. Sustainable Development Summit in September 2015, aimed at global issues such as climate change, poverty, and human rights. There are 17 sustainable development goals with 169 targets.

^{*2} International framework to combat the problem of climate change. The central aim of the agreement is to keep a rise in global average temperature to below 2 degrees Celsius above pre-industrial levels.

Environmental Vision 2050

Epson's vision is to become an indispensable company that uses its efficient, compact and precision technologies to achieve sustainability in a circular economy.

Actions

- Reduce the environmental impacts of our manufacturing processes, products and services.
- Advance the frontiers of industry and establish recycling systems through open and unique innovation.
- Contribute to international environmental initiatives.

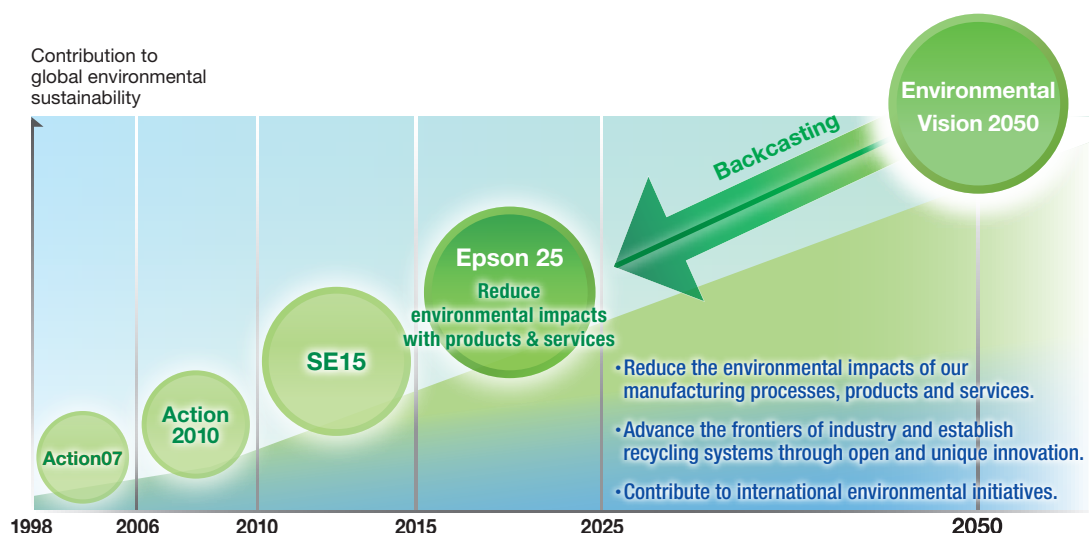
Environmental Vision 2050 and Mid-Range Actions (Backcasting^{*1})

Approach for Achieving Our Vision by 2050

Global action is needed to achieve sustainability, as the contribution that any one company can make by reducing the environmental impacts of its business activities is limited. Environmental Vision 2050 articulates actions for creating synergies with business partners based on our technologies, products, and services and for allowing us to play a part in creating a better world.

To achieve Environmental Vision 2050, we have been setting mid-term milestone targets, while steadily working to bridge the gap needed to reach them. The Epson 25 Corporate Vision, a statement of how we want the company to be in 2025, specifies goals that we arrived at by backcasting from our 2050 goals. We will use our efficient, compact and precision technologies in tandem with various initiatives to improve the environment performance of our products and business activities and to reduce environmental impacts across the value chain. By offering products and services that enable new business processes, we aim to provide outstanding customer value in both economic and environmental terms.

^{*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.



Relationship to SDGs

Epson is declaring its intent to contribute to the achievement of the SDGs through its environmental and other CSR initiatives. The SDGs are the world's agenda for sustainable development. There are 17 goals, such as ending poverty and hunger, ensuring peace, justice, and gender equality, and environmental and resource sustainability for future generations. All UN member states have committed to achieving these goals by 2030.

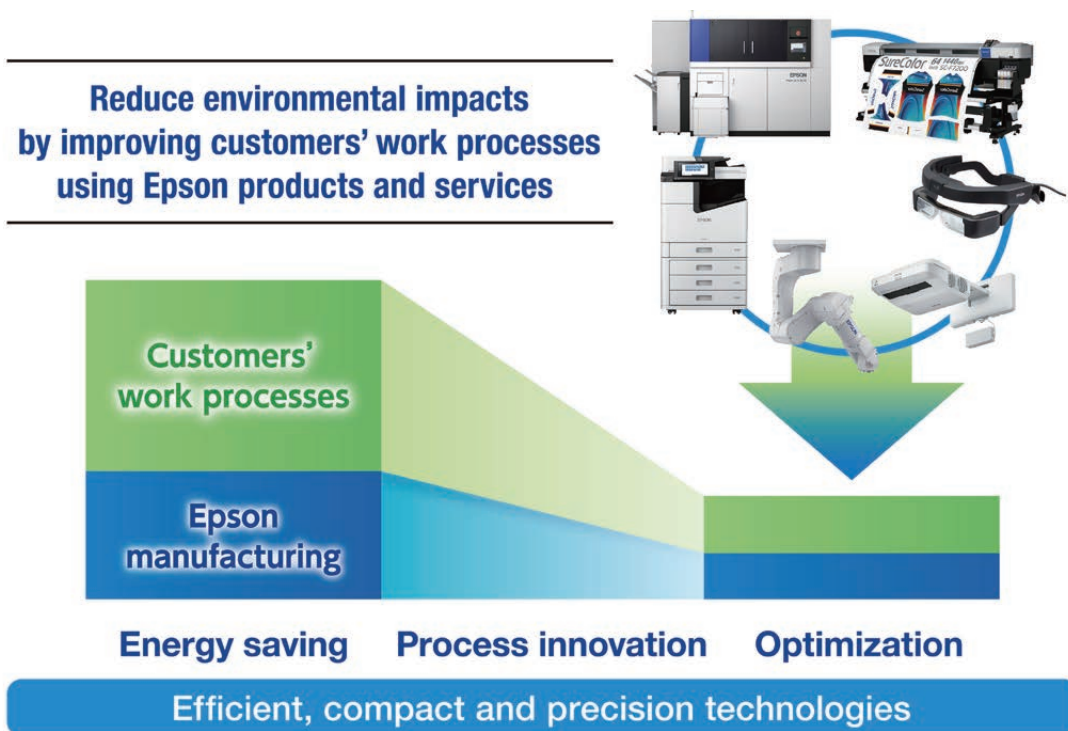
Epson's Environmental Vision 2050 is aligned with the SDGs. We will continue to honestly address customer and societal challenges and will create unique environmental value through our business activities to help achieve the SDGs and a sustainable future.

Epson and the Environment

2025 Goals

Epson 25 Corporate Vision Environmental Statement

Contribute to the development of a sustainable society by leveraging efficient, compact and precision technologies to reduce the environmental impact of products and services across their life cycles.



Epson will continue to drive improvements in the basic environmental performance of its products in addition to reducing the environmental impact of their manufacture, transportation and sales. Epson also contributes to broader environmental conservation by reducing the environmental impact of customer work processes through its unique products and to the sustainable development of its customers' business and society in general.

Environmental Performance

- Epson Group Environmental Performance (FY2017)

FY2017 Targets			FY2017 Results
Creation of environmentally conscious products and services	Printing	Creating new products and services with leading technology. Contributing to the environment through products and services.	<ul style="list-style-type: none"> - We released a blazingly fast yet energy-efficient office inkjet multifunction printer equipped with newly developed PrecisionCore lineheads. - The PaperLab A-8000, a dry-process office papermaking system that mitigates environmental impacts and solves other social issues, was awarded the Japan Industrial Technology Prize in recognition of its originality.
	Visual		<ul style="list-style-type: none"> - We launched the EV-100 and EV-105, accent lighting projectors with a long-lasting laser-light source.
	Wearable	Expand the number of Eco Mark watches.	<ul style="list-style-type: none"> - Eco Mark products accounted for 78% of total watch sales - Introduced new GPS solar, solar radio wave and mechanical watches. - We launched the TRUME brand of analog watches that leverage our unique strengths and original technologies to push the blending of design and functionality to a high level.
	Robotics	Develop compact industrial robots	<ul style="list-style-type: none"> - We launched the T series of compact SCARA robots featuring a built-in controller and batteryless motor unit.
	<p>Aim of activity:</p> <p>Release to market products and services that reduce users' environmental impacts and highlight their benefits to revolutionize customer behavior and business.</p> <p>Create compelling, customer-satisfying products that have a low environmental impact across their life cycles by reducing their size, weight, and power consumption while increasing their recyclability and service life.</p>		
Production	Global warming prevention	Greenhouse gas emissions Reduce per unit of sales 20% vs. FY2006	<ul style="list-style-type: none"> - Reduced by 22% (Ref: 40% reduction in emission volumes compared with FY2006)
	Substance management	Reduce PRTR ^{*1} substance emissions to FY2006 emission level or less	<ul style="list-style-type: none"> - Reduced by 60%
		Reduce total VOC ^{*2} emissions to FY2006 emission level or less	<ul style="list-style-type: none"> - Reduced by 52%
	Zero emissions	Reduce waste emissions to FY2006 emission level or less	<ul style="list-style-type: none"> - Reduced by 18%
	Preservation of water resources	Reduce water usage 55% vs. FY2006	<ul style="list-style-type: none"> - Reduced by 52% (Ref: improved unit sales volumes year-over-year)
	Pollution and waste risk management	Zero legal violations and government warnings Zero impact on production through risk avoidance	<ul style="list-style-type: none"> - Regulatory violations: one (exceeded sewer discharge limit)^{*3} - Administrative penalties: two (equipment compliance violations)^{*3} - Zero impact on production through risk avoidance
<p>Aim of activity:</p> <p>Leverage quality improvement programs to reduce total costs and achieve production processes that are highly efficient and have low environmental impact.</p>			

^{*1} Pollutant Release and Transfer Register

^{*2} Volatile organic compounds

^{*3} Please refer to page 72

Initiatives	Mid-range targets and policies aimed at SBT ³ certification	<ul style="list-style-type: none"> - Establish mid-range environmental targets (scopes 1 + 2, scope 3) and apply for SBT⁴ certification. - Have a third party verify scopes 1 and 2 performance data, and have a third-party verify scope 3 data and update related guidelines. - Disclose data for scopes 1, 2, and 3 GHG protocols.
	Producing capacity (Check environmental impact)	<ul style="list-style-type: none"> - We began inkjet printer production at a new factory in the Philippines with highly efficient, state-of-the-art operations and improved space productivity. A mega solar power generation system with a maximum capacity of approximately 3,000 kW was installed on the roof of this factory. - We began operation at a new factory in Aomori to increase production capacity of superfine alloy powders that are used for a wide variety of high-performance parts. - We are building a new inkjet print head factory in Nagano Prefecture, Japan, that will triple our PrecisionCore print chip production capacity. The factory is scheduled for completion in 2018.
	Collection of environmental data	<ul style="list-style-type: none"> - Environmental data for FY2017 was collected from 57 Epson Group companies worldwide (representing 97% of revenue)

⁴ International initiatives to check that long-term targets for greenhouse gas emissions are in line with the 2°C limit set by the Paris Agreement.

Epson and the Environment

Life Cycle Thinking

Epson defines an environmentally-conscious product as one for which environmental impacts are considered from product conception to mission completion; that is, at every phase of the life cycle, from design and manufacturing to transport, usage and recycling. Through the creation of eco-considerate products, we are cooperating with customers and business partners to expand our environmental impact mitigation efforts beyond Epson's doors.

**Think**

Design products thinking of the entire life cycle

Design for Environment
(Please refer to page 47.)

**Choose**

Use environmentally conscious materials

Management of Chemical
Substances in Products
(Please refer to page 64.)
Paper Products Procurement
(Please refer to page 143.)

**Create**

Produce with a minimum of
materials and energy, prevent
unnecessary emissions

Production
(Please refer to page 67.)

**Deliver**

Transport products efficiently

Transport
(Please refer to page 71.)

**Use**

Eco-performance as customer
value

Products and Services that Reduce
Environmental Impacts
(Please refer to page 49.)
Product Environmental Information
(Please refer to page 61.)

**Recycle & Reuse**

Reuse resources

Product Recycling
(Please refer to page 74.)

Design for Environment

The environmental impacts of a product across its life cycle, from cradle to grave, are largely determined at the planning and design-engineering stages.

Epson takes a life-cycle thinking approach in efforts to minimize customers' environmental impacts by (1) providing products that change the way they work and live, and (2) providing products that offer environmental performance as a basic feature. We set concrete targets for environmental specifications that should be achieved at the product planning stage. And, we have introduced a design-for-environment (DfE) process in which we evaluate how well we did in and after the design stage.



Think

Primary Environmental Performance Features

Below are some of the representative environmental performance features that we evaluate as part of our DfE process.

Energy Conservation

We explore various hardware and software approaches to save energy. These can include anything from developing energy-efficient technologies to implementing low-power product control systems. We strive to realize low-power products by setting and attaining concrete numeric targets several years out for each model.

Resource Conservation

Epson sets concrete size and weight targets for products, since reducing these helps to significantly mitigate environmental impacts, not only because fewer materials are consumed but also because products can be transported and warehoused more efficiently. We also make every effort to design products so as to minimize wastes on the customer's end. We do this by, for example, minimizing the amount of packaging used for products and consumables or by providing new printing functions that eliminate unnecessary prints.

Recyclability

We design our products to be easy to recycle after use. Specifically, we try to achieve a recyclable rate^{*1} of 75% or better as estimated from product engineering drawings.

*1 Recyclable rate: Recyclable materials as a percentage of total product weight, excluding materials used as reducing agents in blast furnaces or as fuel sources.

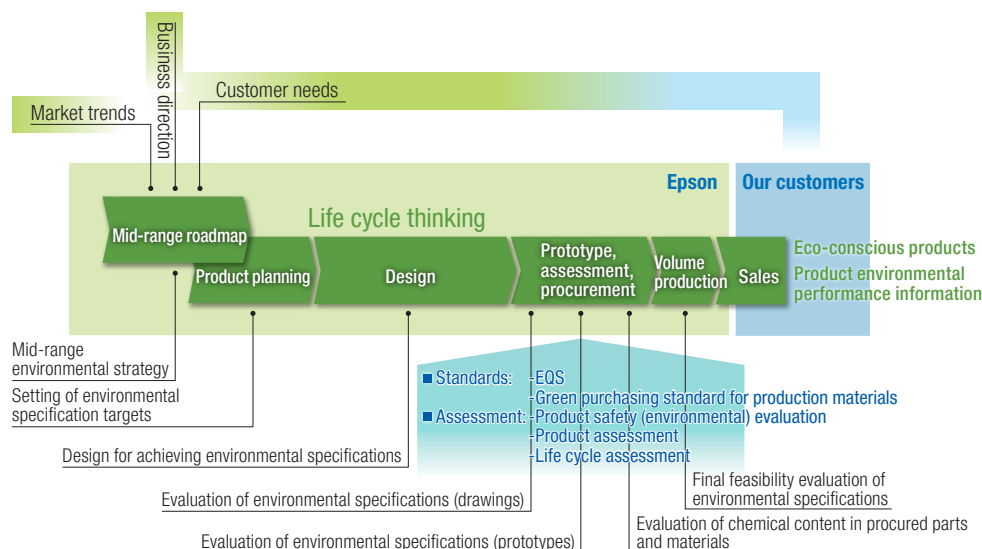
Substance Safety

Epson standards specify substances that are prohibited from inclusion in products and substances whose inclusion must be controlled. Information on these substances is gathered in a database to help ensure safety in all processes, from design and procurement to volume production.

Design-for-Environment Framework

Epson prepares internal specifications, provides evaluation tools, and develops and commercializes products in line with work standards that set forth rules and procedures. The materialization of the environmental specifications is reviewed at each step of the product's commercialization before it is finally sold.

● Eco-conscious Product Commercialization Flow (Example for the Printer Business)



Standards

- EQS (Epson Quality Standard)
Includes internal standards for safety and environmental requirements that all Epson Group products and parts must meet in their design, production and procurement
- Green purchasing standard for production materials
Basic opinion on "Product Chemical Content Guarantees," and written standards covering specific criteria and application, for use when purchasing production materials

Evaluation

- Product safety (environmental) evaluation
Compliance check
- Product assessment
Checklists and evaluation sheets for evaluating the feasibility of individual environmental specifications during the drawing stage and experimental manufacturing stage
- Life cycle assessment (LCA)
Tools for quantifying environmental impacts (global warming impacts) in a product's life cycle and for efficiently and accurately identifying areas whose design should be improved

Epson and the Environment

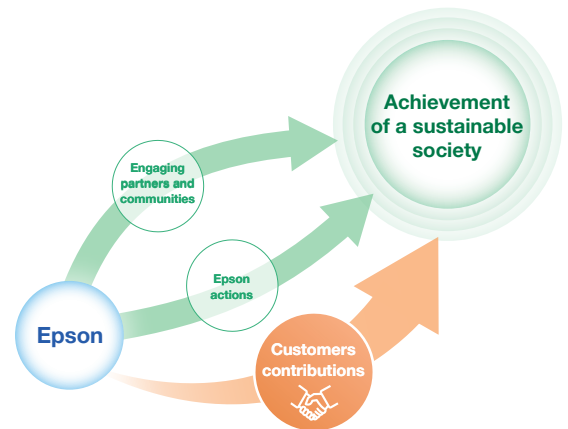
Products and Services that Reduce Environmental Impacts

The impact that one company can have on the achievement of a sustainable society is limited, but Epson is looking to make an impact and make the world a better place through products and services that support customers' sustainability efforts and through collaborative action with local communities and partners.

As a manufacturer, Epson has always asked itself what it can do to achieve a sustainable society and has worked for many years to increase the energy efficiency of its production processes and products, improve resource efficiency, and eliminate harmful and hazardous substances.

To make a greater contribution, we seek to drive work process innovations by minimizing the environmental impacts incurred by our customers when using Epson products and by raising operational efficiency and productivity. Achieving this will mean taking on new challenges to offer value existing technologies cannot provide.

Epson's answer is to use our original technologies to provide products and services offer this value to our customers worldwide.



Minimizing Customer Environmental Impacts

We sell products and services that transform the way our customers work. In so doing, we are minimizing their environmental impacts while also raising their operational efficiency and productivity.

- Our innovative products and services make our customers' jobs and lives easier and more enjoyable while also shrinking their environmental footprints.
- Our products and services enable new business processes and offer outstanding economic and environmental value.

Shrinking the Environmental Footprint of Offices with a Combination of Performance & Efficiency

With built-in PrecisionCore lineheads, the WF-C20590 is a high-speed multi-function inkjet capable of print speeds up to 100 ppm (pages per minute)^{*1}. That's double the output of the typical office laser printer. Enabled by Epson's inkjet technologies, high-speed linehead multi-function printers (MFPs) take the combination of print performance and energy efficiency to the next level.



WorkForce Enterprise
WF-C20590
WF-C17590

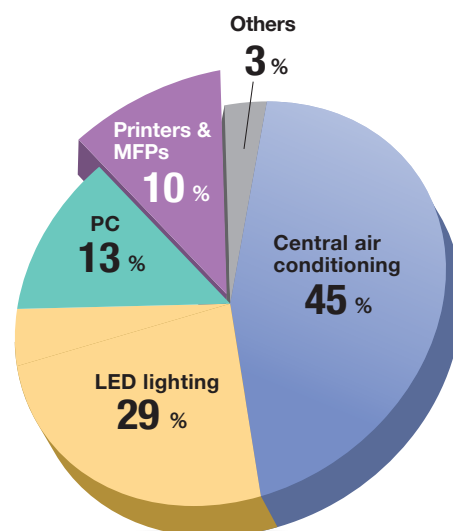
^{*1} For single-sided A4 sheets. WF-C17590: 75 ppm

Ideas for the Office

Businesses are more sensitive than ever to environmental issues. Many try to save energy by adjusting their thermostat settings or adopting LED lighting. What they may overlook is that printers and MFPs account for about 10% of total power consumed in a typical office.

We see an opportunity to help them further cut their energy use and costs. Epson inkjet printers draw very little power when printing because ink droplets are ejected by the action of piezoelectric elements that contract under only a tiny applied voltage. In contrast, laser printers require heat-and a lot of electricity-to fuse toner to paper.

■ How Power is Consumed at the Office^{*2}

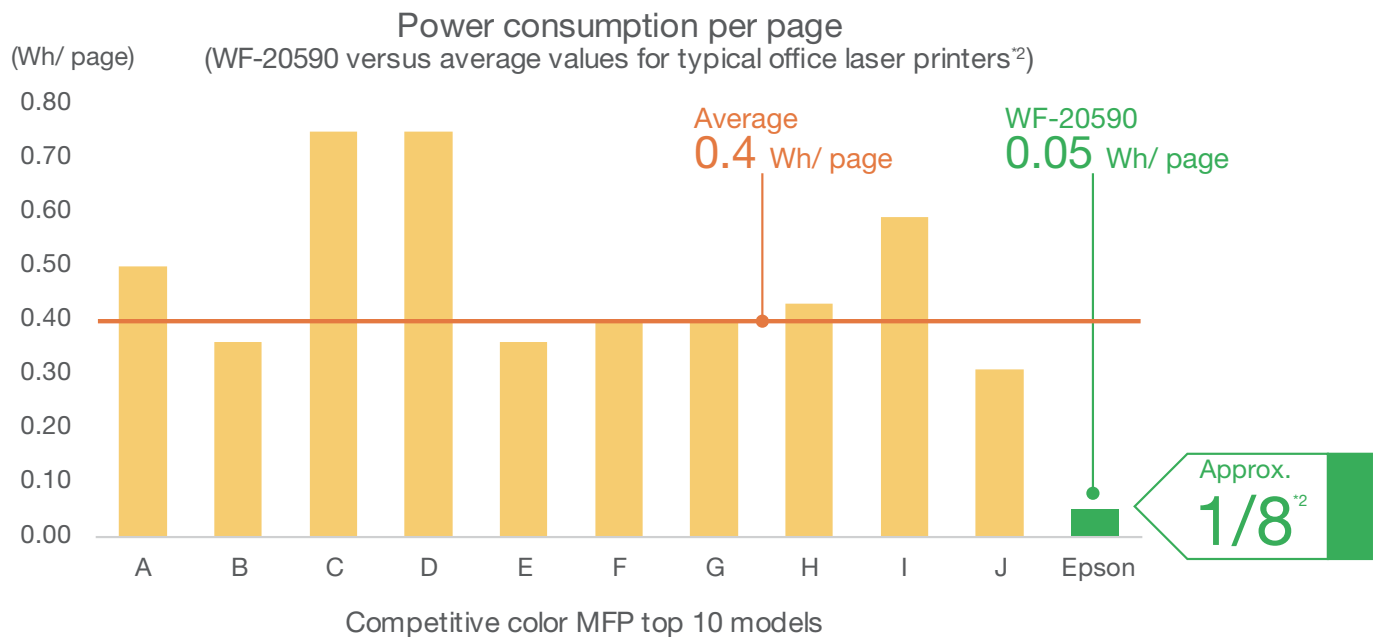


^{*2} Epson research based on data from commissioned survey conducted in March 2018 by SOMPO Risk Management & Health Care Inc.

Power Consumed per Page

The graph below shows the estimated energy consumed per page. The figures, which are based on typical electricity consumption (TEC^{*1}) values provided by ENERGY STAR®, may be used as a guide to compare products running at different speeds. The graph indicates the superior energy efficiency of Epson's WF-C20590, which uses only about 1/8th the energy of a typical A3 color laser office MFPs.

^{*1} Typical weekly electricity consumption (when cycling through the active, sleep, and off states for five days, and between the sleep and off states for two days)



^{*2} Comparative simulation of power consumption per page. Ten of the leading (in terms of unit shipments) A3 color MFPs with outputs of at least 45 ppm were selected, and their average per-page electricity consumption was compared. (Source for 2017 unit shipments: IDC's Worldwide Quarterly Hardcopy Peripherals Tracker 2017Q4.) Our per page calculations are based on the TEC values posted on energystar.gov as of February 2018.

User Comment

Increasing efficiency and reducing energy costs

We at Plan International, a children's aid organization that is active in over 70 countries, have replaced most of our laser printers with Epson inkjet printers. We use Epson's high-speed linehead inkjet multifunction printers for high-volume print jobs in order to maximize speed, quality, and efficiency. Lower energy costs are an added benefit, as are a cooler office environment and better indoor air quality, since inkjets do not heat up a room. We are extremely satisfied with the excellent output and superior printing performance of Epson's printers, as well as their environmental performance, as sustainability is crucial in environmentally conscious Germany.



Plan International Germany CEO
Maïke Röttger



Eco Features



WorkForce Enterprise

- High-speed linehead multi-function printers enabled by Epson's inkjet technologies take the combination of print performance and energy efficiency to the next level.
- Epson's WF-C20590 demonstrate superior energy efficiency, using only about 1/8th the energy of a typical A3 color laser office MFPs.

Adding New Value to Paper Contributes to a Recycling Society

The PaperLab A-8000, the world's first dry-process office papermaking system^{*1}, makes new paper from old right on-site. Epson's unique dry fiber technology represents a breakthrough in paper recycling. It enables scrap paper to be reused not only in new paper production but also in the production of a variety of other pulp-based products.

^{*1} Based on a November 2016 Epson study of the office paper recycling market



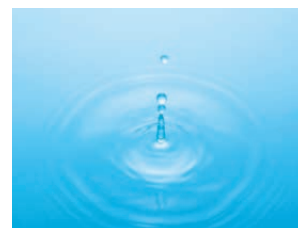
EcoPro Awards

1st EcoPro Awards
Minister's Prize, the
Ministry of Economy,
Trade and Industry

PaperLab A-8000
Dry-process office papermaking system

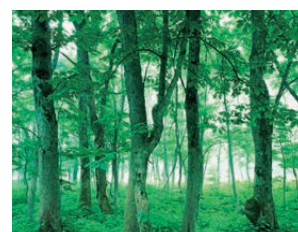
Preservation of Water Resources

An ordinary paper recycling process uses about a cup of water to produce a single A4 sized sheet of paper. In contrast, the A-8000 uses only a small fraction of this to maintain humidity within the system, thus helping to conserve precious water resources.



Effective Use of Forest Resources

Paper is produced from wood taken from the forests, and while efforts have been made to conserve this resource by producing cardboard from recycled paper, the A-8000 produces new copy paper from used documents right in the office. Also, any paper produced by the A-8000 may be marked with the eco-label established by the 3R Promotion Forum Japan.



Awareness-Raising

The A-8000 reproduces paper on the spot—a fresh surprise that can raise the environmental awareness of your staff and spawn further environmental action. Children who have had the opportunity to see paper recycled come away with insights and greater concern for the environment, as well as a desire to solve environmental issues with science.



Internal Case Study

Epson uses the A-8000 extensively to recycle and reproduce paper used on its own sites. In 2018, this recycled paper was used to produce all orientation training materials for new employees. It is being used for calendars and employee business cards. This paper is also used for notebooks and memo pads, and we plan to further expand uses in the near future. The production of paper and paper-based goods has expanded the range of job opportunities for the staff of Epson Mizube Corp., a special subsidiary that supports the employment of persons with disabilities and is involved in these activities.

Epson also uses a machine that employs dry fiber technology to upcycle recovered paper into waste-ink pads for inkjet printers and sound absorbing materials for the A-8000.



Calendars made using recycled paper



Waste ink pads for inkjet printers (maintenance box)

User Comment

Beyond direct benefits: raise children's awareness of the environment

The city government of Shiojiri decided to install a PaperLab after examining the potential environmental, security, and job creation benefits. We saw that we could promote environmental conservation through local recycling of used paper without stressing water resources. We saw that we could strengthen security by destroying sensitive information on-site. And we saw that we could develop employment opportunities for persons with disabilities. I personally feel that the biggest benefit is that the PaperLab can inspire children. For a resource-poor country like Japan, the development of high-productivity industries is important for the national identity. So, I think it is critical to instill in children a sense of awe and excitement about technology and learning.

A tangible benefit of installing PaperLab is its productivity: We are producing, on average, 18,000 new sheets of paper per month from locally recovered paper and use them to make application forms etc. This has enabled us to reduce the amount of waste paper transported off-site for disposal by 20%.



Toshiyuki Oguchi
Mayor
Shiojiri, Nagano



Eco Features



PaperLab A-8000

PaperLab A-8000 is an office papermaking system that recycles paper using a dry process.

- The dry fiber technology used by the A-8000 represents a breakthrough in paper recycling that contributes to the conservation of water resources.
- “Paper to paper” recycling, where fresh sheets of copy paper are produced from used paper generated on-site, is an effective way to conserve forests.
- The ability to recycle at the office reduces the volume of paper that must be transported to off-site recyclers.

Textiles/ Garments

Driving production Process Innovations with Digital Textile Printers

Epson's digital textile printers faithfully reproduce prints in vivid colors and wonderful detail—and they do so with outstanding throughput and minimal environmental impact.



**Inkjet Digital Textile Printer
Monna Lisa Evo Tre¹**

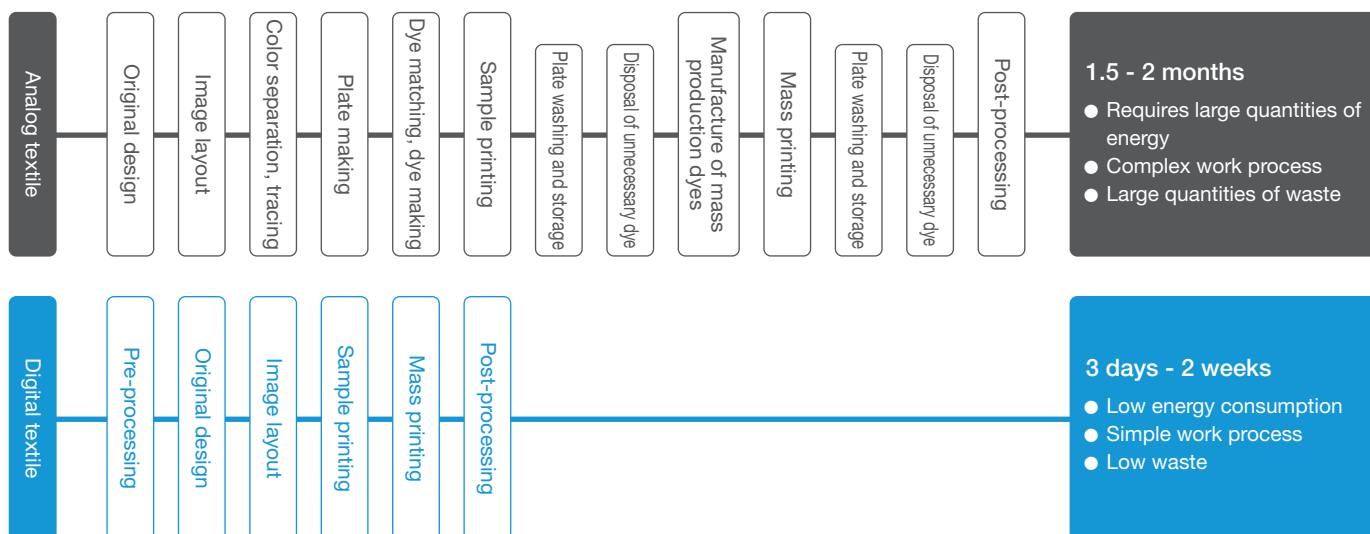
¹ A digital textile printer developed with Group company, Fratelli Robustelli S.r.l.

Streamlined Manufacturing Process

Epson's inkjet digital textile printers expand your design possibilities while minimizing your use of energy, water, materials, and time compared to conventional processes. Digital textile printing involves the use of printing systems to print out digital data to direct to fabric. It is different from traditional analog printing in which dedicated plates are pressed directly onto the fabric. Digital printing has the following characteristics:

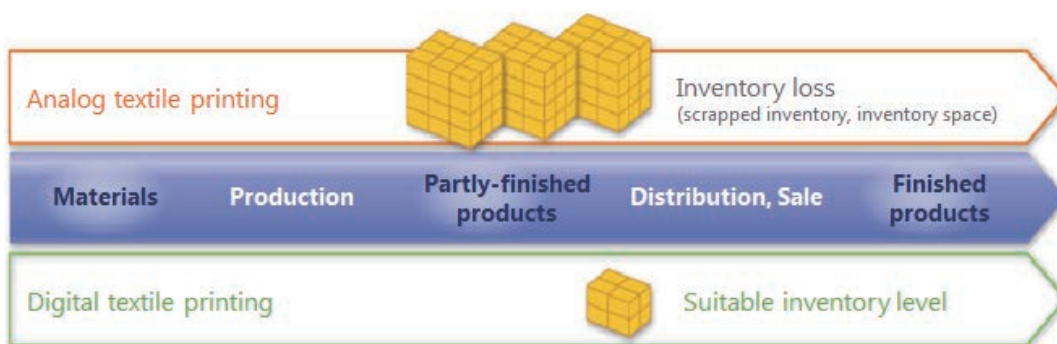
1. Faithful reproduction of fine gradations and subtle color tones
2. Suitable for small lot production runs at low cost and high speed, without the need for the plates that are indispensable for analog printing
3. Minimize the environmental impact in comparison with analog printing
 - Little less of dyeing material
 - No need for water for plate washing

● Comparison of Analog and Digital Textile Printing Processes



Efficient Inventory Management

Digital textile printing minimizes inventory losses associated with materials, partly-finished products, and finished products, from production through distribution and sale.



Eco Features



Monna Lisa Evo Tre

- Since the digital textile printing process is shorter and does not require plates, it uses less energy and water than a traditional analog process, and wastes far less ink.
- Ideal for small-lot production. Minimizes inventory losses from manufacturing through to sales.
- Digital textile printer inks have acquired Eco Passport certification, indicating that they meet international safety standard for chemical substances of textiles.

An Inkjet Workflow for Brightly Colored Garments with Fineness of Detail

There is a growing market for the printing of original images on T-shirts, polo shirts, tote bags and other cotton products. We are answering the needs of this market with advanced inkjet printing technology that renders images in vivid colors and intricate, faithful detail with low environmental impacts.



**Garment Printer
SureColor SC-F2100**

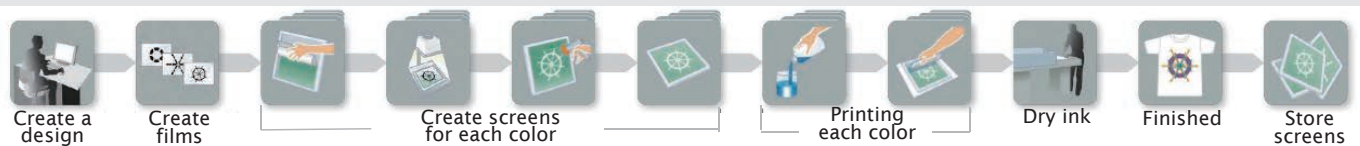
Transforming the Garment Printing Workflow

Traditional silk-screen printing requires extensive preparation, including the production of screens and the mixing of ink, as well as maintenance. For photos and other multicolored prints with gradations, the print process is long, and the longer the process, the more energy, water, materials, and other resources are used.

Digital prints produced with a SureColor SC-F2100 print digital data from a PC directly onto T-shirts and other garments. So, not only is there no need for screens or plates but images and photos can be reproduced with smooth gradations and in full color. The SureColor SC-F2100 shortens the garment printing workflow.

Moreover, the inkjet process saves resources and is more environmentally conscious than analog processes because there are no films, screens, or plates to produce, wash, or store.

Silk screen printing



Direct-to-Garment printing

• For light color T-shirts



• For dark color T-shirts



NOTE: Heat press sold separately.

Infant-safe Prints on Textiles

The UltraChrome DG inks and pretreatment liquid used in Epson's garment printers are Eco Passport^{*1} certified, indicating that they meet international safety standard for textiles. Under this standard, even printed textiles that directly contact the skin of infants and toddlers are safe.

^{*1} Eco Passport by Oeko-Tex® is a system by which textile chemical suppliers demonstrate that their products can be used in sustainable textile production.



Eco Features



SureColor SC-F2100

- Streamlined garment printing workflow compared to silk-screen printing.
- Saves resources because no plates or screens are used, unlike traditional printing processes that require a separate film and screen for each color. No washing required, since there are no screens.
- UltraChrome DG ink and pretreatment liquid are certified of Eco Passport.

Environmentally Conscious Products

We provide eco-conscious products. Our efforts to reduce environmental impacts are yielding products that increase production process and product energy efficiency, raise resource efficiency, and eliminate the use of harmful and hazardous substances.

- Compact, lightweight, energy-efficient Epson products that are designed for long life and easy recyclability have a lower environmental impact across their life cycles.
- Epson produces attractive products engineered for easy maintenance and chemical safety.

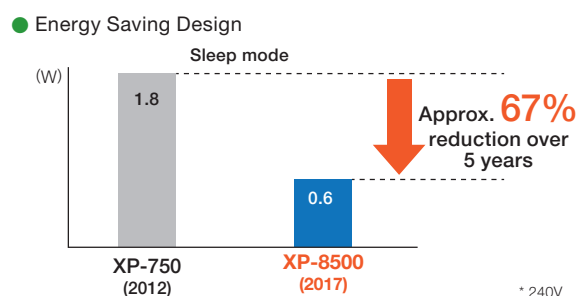
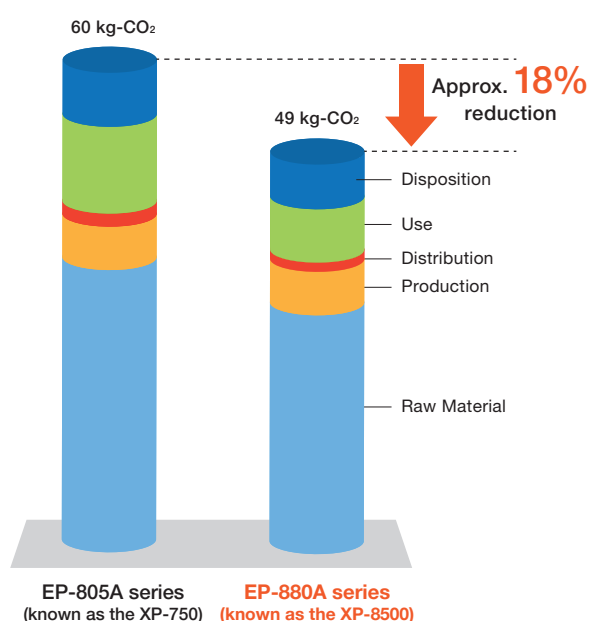
In the following article, a life cycle icon is used to clearly communicate the stage of the product life cycles in which Epson has achieved significant reductions in environmental impacts.

Saving Space and Energy at Home

Compact and lightweight design offers the customer more freedom when it comes to installation location and reduces the environmental impact.



Global Warming Impacts Across Product Life Cycle (CO₂ Equivalent)



* A life cycle assessment was used to calculate the global warming impacts of the product at each phase of its assumed 3-year life cycle and express this as a CO₂ equivalent. The life cycle includes material & product manufacturing, distribution, use by customer, and disposal/recycling of end-of-life products. Calculated assuming five A4-size color documents per day, per month (with 20 working days a month). Comparisons in Japan specification between the EP-880A (known as the XP-8500) and its conventional 2012 model. The unit indicator by the Japan Ship Technology Research Association is used for calculating emissions during sea transport. Global warming impacts will vary according to the customer's printer usage conditions.



Eco Features

- Compact and lightweight design contributes resource saving.
 - Approx. 10% smaller and approx. 7% lighter main unit^{*1}
- Energy saving
 - Sleep mode's energy consumption is less than 1W
 - Approx. 67% less energy in sleep mode^{*1}

^{*1} Compared with 2012 model XP-750

Compact SCARA Robots

Epson's industrial robots have led the industry for over 30 years thanks to their innovativeness and reliability. And Epson has maintained the top share of the global market for SCARA robots for seven consecutive years^{*1}.

T series have a built-in controller and batteryless motors. SCARA robot arms move horizontally and can perform simple tasks that are currently done by hand, such as loading and unloading electronic components and small automotive parts from test equipment. SCARA robots can also help you replace single-axis robots.



T3/ T6

* The T6 has doubled the payload capacity (6 kg) of the T3.

^{*1} Market share based on revenue of industrial SCARA robots, 2011-2017. (Source: Fuji Keizai "2012-2018 Worldwide Robot Market and Future Outlook")

Space-Saving and Simple Cabling

Epson integrated all the compact, lightweight controller components into the robot arm so that customers do not need a separate controller box or a space in which to install it. In addition, you no longer have to route long cables to the controller, which simplifies initial setup and redeployment.

* Weights indicated in the above pictures do not include cables.



Epson LS3 SCARA robot and RC90 controller



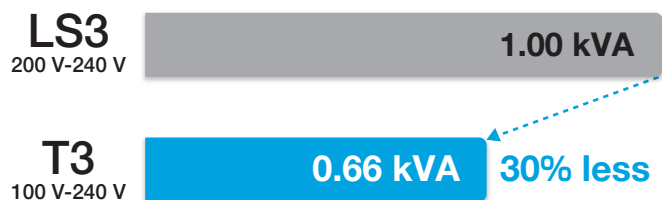
The T3 has a built-in controller

Saving Energy and Resources

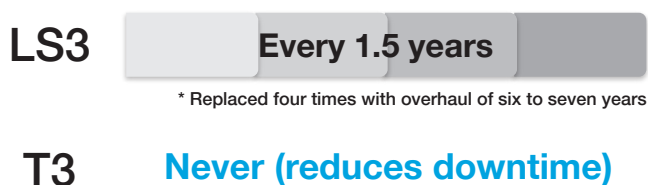
The T3 is 30% more energy-efficient than conventional SCARA robots. And it runs on 100 V, so it can be used in facilities where a large power supply is not available.

You do not need to replace batteries because the T3 records the back-up status of its motors by using a simple mechanical system with the latest motor technologies.

Power Comparison Between a T3 and Conventional SCARA Robot



Battery Replacement Cycle



Eco Features

- Compact all-in-one SCARA robots increase productivity and save space by automating simple tasks and replacing single-axis robots.
 - Equipped with a built-in controller to save space
 - Run on AC 100 V, using 30% less power than comparable Epson robot systems¹
 - No batteries required for the motor unit, thus reducing resource use, maintenance, and factory downtime

¹ Compared with an Epson LS3 SCARA robot

Product Environmental Information

Epson is taking steps to comply with the labeling requirements in major countries around the world.

Compliance with Environmental Labels

An environmental label is a tool for making environmental declarations and providing other information about a product's environmental features or performance. The requirements for environmental labels are prescribed by various groups, including the International Standards Organization (ISO). The ISO defines the three types of environmental labels described below.

Type I

Indicates that the product has met the criteria set by a certified third-party organization.

Type II

A "self-declaration" label that indicates a company volunteers environmental information about its products. (Epson's ecology profiles and eco labels fall under the Type II category.)

Type III

Indicates that the environmental effects of a product throughout its life cycle - from raw material procurement through manufacturing, distribution, use, disposal and recycling - are analyzed using LCA methodology and that the results of such analyses are published as quantitative data. The accuracy and reliability of the claimed data must be verified before being made public.

Eco Labels Acquired in Different Product Categories

Country/ Region	Type I								
	U.S.	Germany	Sweden	China	Taiwan	South Korea	Singapore	Thailand	Japan
Eco Label	EPEAT®	Blue Angel	TCO	China Environmental Labelling	Green Mark	Eco-Label	Green Label	Thai Green Label	Eco Mark
Inkjet Printers (incl. MFPs)	●	●		●	●	●	●		●
Page Printers (Laser & LED)		●			●	●			●
SIDM Printers				●	●			●	●
POS Printers									
Label Printers									
Scanners	●				●				●
Ink/ Toner Cartridges				● (Ink cartridge)	● (Toner cartridge)	● (Toner cartridge)			●
Paper									●
Projectors			●		●	●			●
Label Works									
PCs (incl. monitors)									

	Type II			Type III	Other		
Country/ Region	Europe	Japan	Worldwide	Japan	Japan/ U.S./ EU	China	Worldwide
Eco Label	THE ECO DECLARATION	PC Green Label	Epson Type II Environmental Labelling Program	Eco-Leaf	ENERGY STAR® ^{*1}	Energy Conservation Certification	ECO PASSPORT
Inkjet Printers (incl. MFPs)	●		●	●	●	●	● (Textile, garment)
Page Printers (Laser & LED)	●		●		●		
SIDM Printers	●		●		●	●	
POS Printers	●		●		●		
Label Printers	●		●		●		
Scanners	●		●		●	●	
Ink/ Toner Cartridges							
Paper							
Projectors	●		●			●	
Label Works					●		
PCs (incl. monitors)		●			●		

^{*1} The ENERGY STAR® Program is also being implemented by EFTA, Switzerland, Canada, Australia, New Zealand and Taiwan. Third-party certification became a requirement in North America from January 2011.

For more on environmental labeling and environmental information on Epson products, please contact the Epson sales company in the country or region in which you live.

Epson's Type II Environmental Labelling Program

Our program is used to provide environmental information about products that is both transparent and reliable, in accordance with the ISO 14021 (JIS Q 14021) standard.

We have implemented programs for both eco labels and ecology profiles.

Eco Labels

The Epson Group started preparing to use eco labels from December 2009 to communicate the environmental features of its products and services to customers in a simple and straightforward way. The labels are displayed on communication tools such as brochures, product catalogs, and individual product boxes.



Epson Ecology Profiles

The environmental attributes of Epson brand products are published in the form of an “ecology profile.” For finished products such as printers and scanners, the environmental attributes of the product as a whole, including but not limited to accompanying packaging material, supplies, and consumables, are published in the format specified by ECMA-370^{*1}. For electronic devices we use our own format to provide quantitative data regarding substances included in these products.

*1 ECMA-370 specified requirements for environmental declarations established by the international standards organization ECMA International. “The Eco Declaration” is often abbreviated as “TED.”

Safety Data Sheets for Printer Consumables

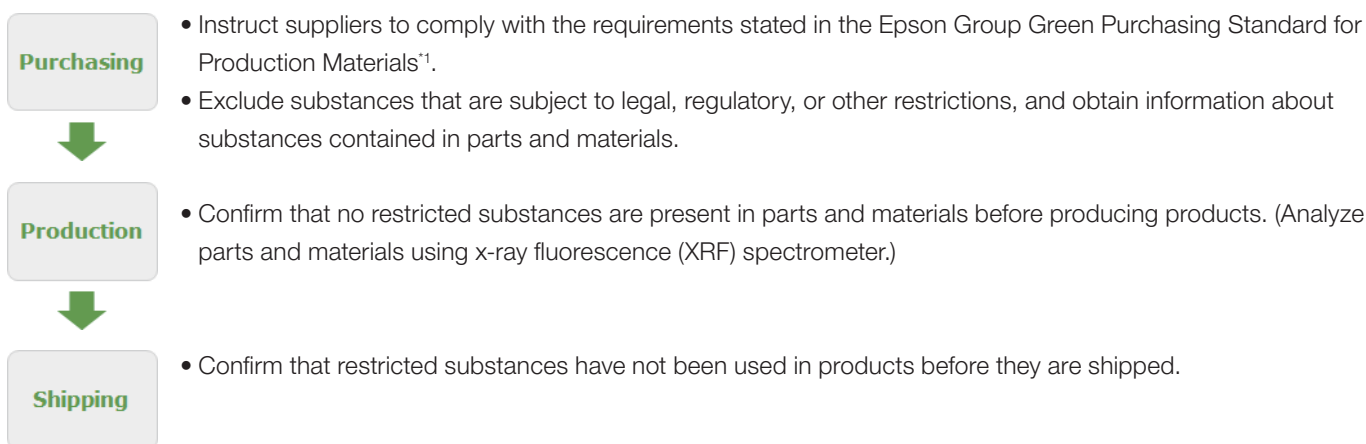
To enable customers to safely and properly use Epson products, including consumable printer supplies (ink cartridges, toner cartridges, ribbon cartridges, etc.), Epson provides Safety Data Sheets (SDS), which describe a product’s chemical content as well as how to operate, handle, and store the product.

Products

Epson gives preference to lower-impact alternatives when selecting the components and raw materials that make up its products.

Management of Chemical Substances in Products

Increasing international restrictions on substances used in products, notably the RoHS Directive and REACH regulation in Europe, have made it essential to closely control the type and quantity of materials used. Epson systematically controls product substance content at the purchasing, production, and shipping stages to ensure compliance with these restrictions.



^{*1} A written standard that sets forth requirements for the building and maintenance of a substance control system by suppliers who provide parts and materials used in Epson products. The standard also defines requirements relating to the elimination or exclusion of legally restricted substances and requirements for providing information on substances present in parts and materials.

Examples of Management of Chemical Substances in Products

Legal and Regulatory Compliance

More and more nations are regulating chemicals. We investigate regulations and chemical hazards as early as possible, analyze the information we obtain, and then supply products accordingly.

- Measures for Meeting the RoHS Directive^{*2}

Epson has made compatibility with the European RoHS directive a standard feature of its entire lineup of products throughout the world, regardless of whether a particular product is bound for the European market or not.

Phthalate esters (DEHP, BBP, DBP, and DIBP) will be added to the list of restricted substances in July 2019. Epson began looking into alternatives to these substances in 2009 and by March 2014 had eliminated them from all but a few industrial products and products in inventory.

^{*2} The European RoHS Directive restricts the use of the following six hazardous substances in electrical and electronic equipment: lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyl (PBB), and polybrominated diphenyl ether (PBDE)

- Actions for REACH Compliance

Epson has stayed compliant with the requirements of REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) legislation in Europe.

Under REACH, companies that manufacture or import chemical substances must register them in a central database. If a product contains harmful substances (such as substances of very high concern), the company must disclose the substances, notify government authorities, and search for alternatives. 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.

We make information on the chemicals used in ink available to customers in the form of safety data sheets (SDS) published in 23 European languages.

- Response to GHS^{*1}

The United Nations declared in 2003 that a unified set of rules was needed worldwide on the hazards and appropriate handling of chemicals for consumers and dealers. Different nations have enshrined these rules as law and made them obligatory at different times. Epson has responded to the rules as they apply to affected ink cartridges, toner cartridges, and ribbon cartridges.

By 2020, about 100 countries and regions will require GHS compliance.

^{*1} GHS (the Globally Harmonized System of Classification and Labelling of Chemicals) provides a unified, worldwide set of rules on harmful chemical substances. It harmonizes classification standards and labels for the hazards associated with individual chemicals and the way safety data sheets are written.

Providing Ink for All Types of Printed Matter

We provide inks with safe chemical properties as required for products made with inkjet technology (labels, stickers, fabric, etc.).

- The Highest Level of Textile Product Safety

Eco Passport^{*2} certification

Epson's textile printer inks^{*3} have acquired Eco Passport certification, indicating that they meet international safety standards for chemical substances used in textile production. Even printed textiles that directly contact the skin of infants and toddlers are safe.

^{*2} Eco Passport by Oeko-Tex® is a system by which textile chemical suppliers demonstrate that their products can be used in sustainable textile production.

^{*3} UltraChrome DS inks for textile printers, UltraChrome DG inks and dedicated fabric processing agents for garment printers, digital textile printer inks.



Switching to Safer Materials (e.g. Eliminating Harmful Substances)

Epson standards specify substances that are prohibited from inclusion in products, and substances whose inclusion must be controlled. Information on these substances is collected and managed in a database. This database is used to ensure safety in all processes, from design and procurement to volume production. Epson is proactive in eliminating from its products substances that could adversely affect the environment or human health.

Epson and the Environment

Production

The main focus is on global warming prevention, the elimination of emissions, and the control of chemical substances.

Global Warming Prevention

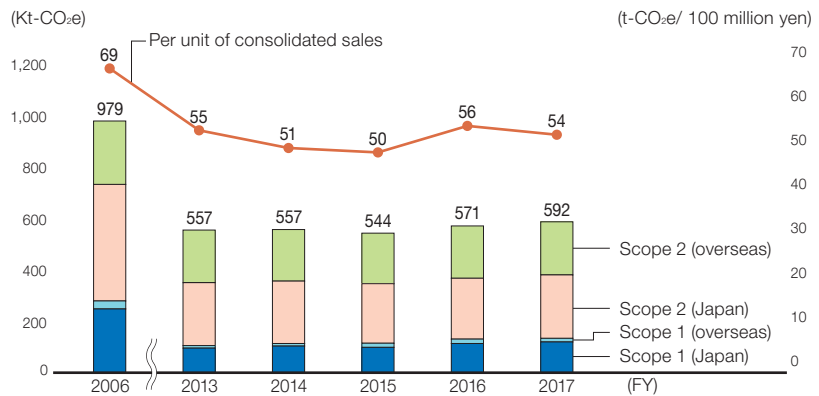
Epson's initiatives to mitigate global warming revolve around reducing CO₂ emissions by conserving energy, and reducing global emissions of greenhouse gases (GHG) other than CO₂.

In FY2017, we made progress on our initiatives toward reaching our 20% per unit of sales reduction targets for GHG as compared with FY2006, and achieved our group-wide reduction targets for the year. Further, emission volumes were about 40% lower than levels recorded in FY2006.

22% Reduction

CO₂ emissions per unit of sales
(compared to FY2006)

Greenhouse Gas Emissions



* CO₂ conversion factor of greenhouse gas emissions

- Electricity: The data for Japan has been adjusted based on electric utility conversion factors (for calculating the greenhouse gas emissions of specified emitters). For overseas data, we used the emissions factors for each country contained in CO₂ Emissions from Fuel Combustion available from the International Energy Agency (IEA).

- Fuel: The factors announced by the IPCC in 2006 were used for both domestic and overseas data.

- GHGs other than CO₂: Equivalents were calculated based on 100-year GWP values in the Fifth Assessment Report of the IPCC.

* Past data was revised for changes in emission factors and the targeted substances for greenhouse gases based on GHG protocols.

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).

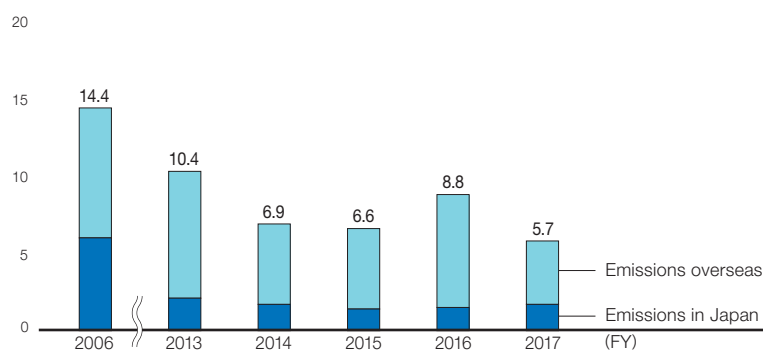
Using FY2006 emissions as a benchmark, all Epson business units managed and met their FY2017 targets for reducing emissions. In addition, we are building trust relationships by making our substance data available and by creating opportunities to exchange opinions with members of the local community.

60% Reduction

PRTR substance emission
(compared to FY2006)

● PRTR Substance Emissions

Emissions (tons)

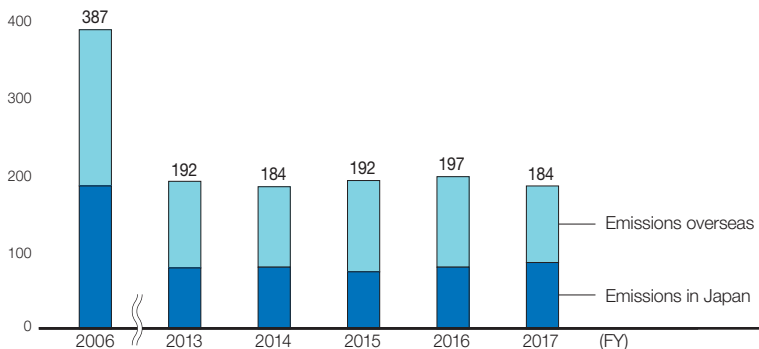


52% Reduction

VOC emission
(compared to FY2006)

● VOC Emissions

Emissions (tons)



* FY2016 emissions differ from those in Sustainability Report 2017 due to recalculation.

Zero Emissions

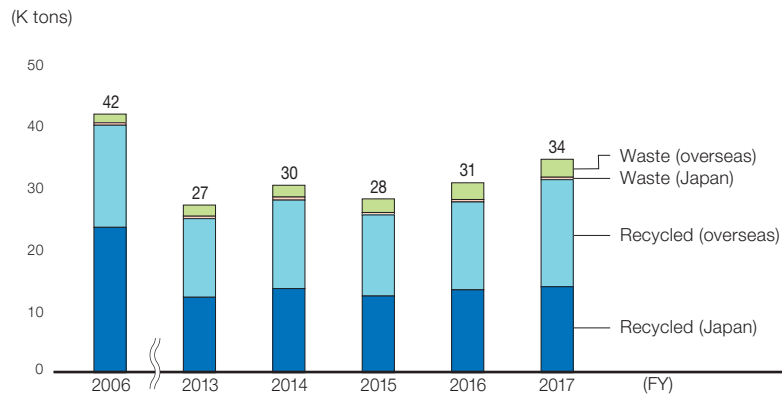
Epson's zero emissions program began with an effort to recycle 100% of our waste products. In 2003 all Group companies in Japan and overseas production sites met their material recycling targets. We have been shifting towards resource conservation initiatives, which seek to reduce the resource inputs into production processes.

In FY2017 we employed control metrics benchmarked against FY2006 emissions, and we met our Group reduction target.

18% Reduction

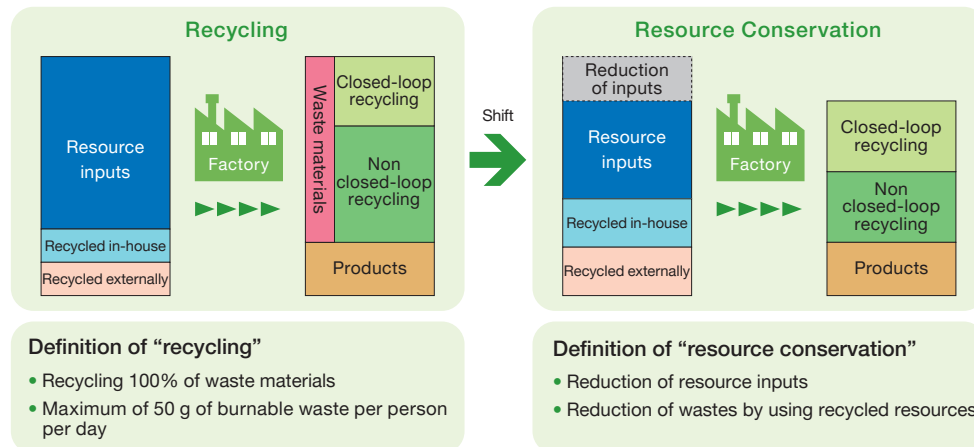
Wastes emission
(compared to FY2006)

● Annual Waste Emissions



* FY2013 emissions differ from those in Sustainability Report 2017 due to recalculation.

● Zero Emissions Programs



Preservation of Water Resources

To ensure the sustainable use of water resources, Epson is committed to using water in a way that does not pollute or over extend this resource, while promoting water recycling.

We work actively to increase the recycling rate of factory wastewater and comply with stricter water quality regulations. Moreover, we are implementing energy-efficient water treatment facilities. Thus, we seek to reduce the overall impact of production processes.

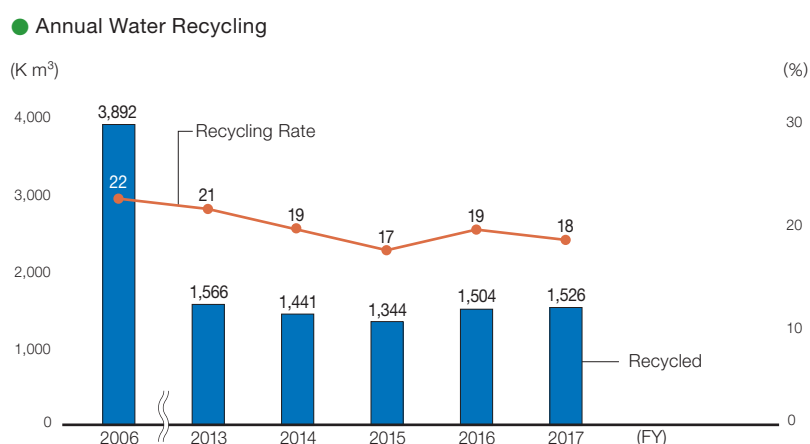
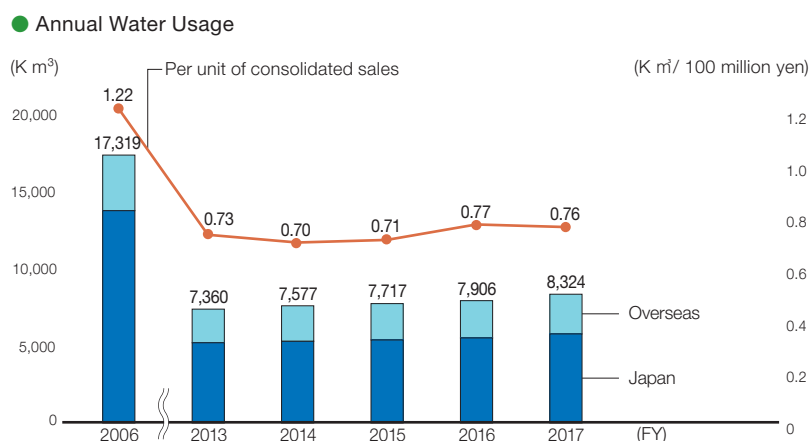
Addressing Water Related Risk

Aqueduct, a project of the World Resources Institute (WRI), is one of the global standards we used to assess water related risk faced by Epson production sites. We found that none of our sites are in a region where the overall water risk is considered to be extremely high based on the physical availability of water resources, water quality risk, and regulatory and reputational risk. Going forward, we plan to incorporate the use of tools such as the WWF's Water Risk Filter into our water risk assessments.

We made progress in FY2017 against our target of a 55% reduction in water usage compared to FY2016. However, we fell short of the target due to increased consumption associated with the startup of new production sites for inkjet printers and metal powder. Nevertheless, per-unit-sale results have improved with revenue growth.

52% Reduction

Water usage
(compared to FY2006)



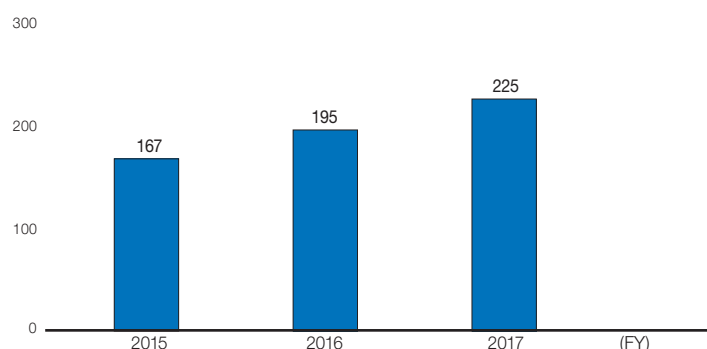
Transport

Epson is reducing CO₂ emissions by increasing the efficiency of product, part, and waste transportation. We are making products smaller (which increases shipping efficiency), rethinking our logistics centers, innovating the loading and packing processes (to boost loading efficiency), and reconsidering shipment departure and arrival frequencies and number of trips.

After a fire at a supplier's facility in 2017, the need to minimize the resulting delays in part shipments forced us to increase our reliance on air transport, which rose 15% year-over-year.

● CO₂ Emissions from Distribution

(Kt-CO₂e)



* Scope 3 Category 4 data based on GHG protocols: calculations for upstream transportation and 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.

While Epson incurred regulatory violations and administrative penalties in FY2017, these incidents were quickly reported and corrective actions such as improvements to equipment are being completed. None of these had any significant impact on the environment, nor did they result in any large fines (fines in excess of US\$10,000), claims, or accidents.

Classification	Description
Legal/ regulatory violations	Volume of grease flushed into sewer exceeded discharge limit.
Administrative penalties	Violations of installation controls on VOC treatment equipment. (fine)
	Violations of installation controls on warning equipment for high concentrations of flammable gases in a storage vault for hazardous materials -- waste products. (fine)

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. In addition, treated wastewater discharged into sewers is monitored to ensure that it remains within 1/1000th of the discharge standard (0.1 mg/liter).

Site Groundwater Data and Remediation Methods

Groundwater trichloroethylene concentration trend (annual average in wells with highest concentration at each site)

(mg/L)				
Site	FY2015	FY2016	FY2017	Remediation
Head Office	15	17	17	Barrier, pump and treat, monitoring
Shiojiri	0.22	0.21	0.31	Barrier, pump and treat, monitoring
Fujimi	0.043	0.025	0.014	Barrier, pump and treat, monitoring
Suwa-Minami	0.050	0.045	0.041	Barrier, pump and treat, monitoring

Reference: Trichloroethylene standards

- Environmental quality standard for groundwater under Japan's Basic Environmental Law: 0.01 mg/L max.
- Groundwater remediation standard under Japan's Water Quality Pollution Control Act: 0.01 mg/L max.
- Groundwater standard under Japan's Soil Contamination Countermeasures Law: 0.01 mg/L max.

Drainage Management

Epson's Chitose Plant is located upstream from Lake Utonai, which has been designated as a national wildlife protection area and a Ramsar Site.

Wastewater generated in manufacturing processes is detoxified and then discharged into sewers. To prevent leaked chemicals and other substances from leaking offsite, rainwater is collected in a retention basin to monitor the pH and oil levels before flowing into Lake Chitose and Lake Utonai via the Bibigawa River. All chemicals, waste materials, and wastewater treatment systems are located indoors to prevent them from leaking off the site.

Waste Management

Epson's internal policy specifies that wastes must be processed in the country in which they originate. We do not directly import or export any wastes, including hazardous wastes specified under the Basel Convention.

However, we employ subcontractors who satisfy the requirements of the Basel Convention to process fluorescent lamps, etc., that originate in countries and regions where it is difficult to process them domestically.

Business Site Information

Global environmental data, Epson Group business site and company environmental data, and information on ISO 14001 certification are available on the following websites.

 Global Environmental Data
https://global.epson.com/SR/environment/production/global_data.html

 Epson Group Business Site and Company Environmental Data (Japanese)
https://www.epson.jp/SR/environment/production/individual_data.htm

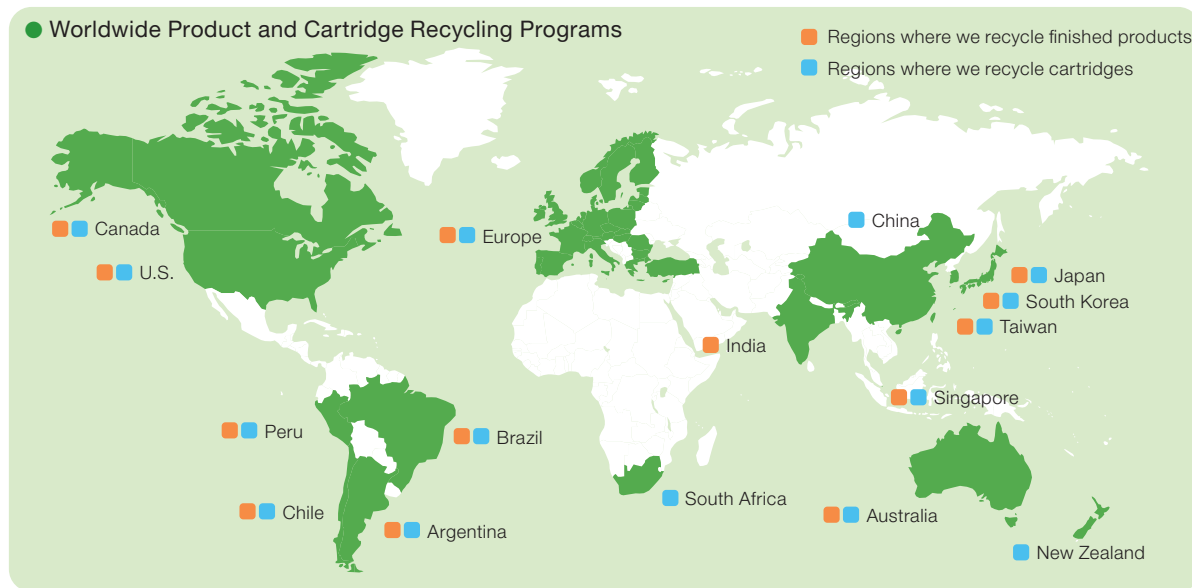
 ISO 14001 Certification List
<https://global.epson.com/SR/environment/production/iso14001.html>

Epson and the Environment

Product Recycling

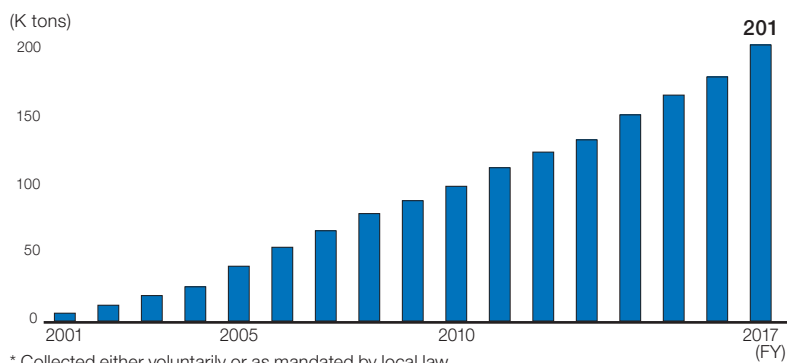
To expand the resource reuse and recycling loop, work with customers, communities, and others in the industry to collect and recycle end-of-life products in countries around the world.

Epson's Global Collection and Recycling Systems

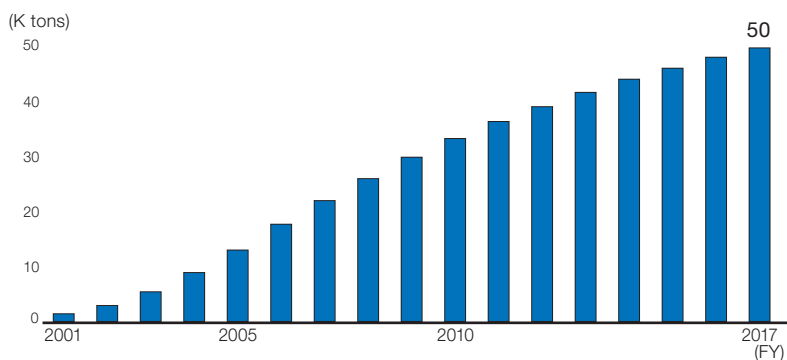


Collection Trends for Products and Cartridges

● Finished Products Collected (cumulative through fiscal year)



● Cartridges Collected (cumulative through fiscal year)



Summary of Activities in Each Region

Europe

Finished Products

The European WEEE (waste electrical and electronic equipment) directive has been effective since 2005, and has been reflected in national legislation. To comply with the European WEEE directive, Epson is building recycling systems in each country. Moreover, Epson implements environmentally-conscious design in response to the WEEE directive 2012, that requires manufacturers to increase recyclability of products. Epson also acts quickly to comply with similar legislation that is expected to be adopted in EMEA¹ nations that are not EU member states.

¹ Europe, the Middle East and Africa

Cartridges

Epson Europe B.V. (EEB) is building a collection and recycling system for cartridges while monitoring customer needs and legislative trends. In 2013, EEB rebuilt the system to provide customers with more collection options and to increase recycling efficiency.

- Postal Collections

Customers request empty pre-printed envelopes, and return filled envelopes via post for consumer inkjet and LabelWorks cartridges. Customers simply request and attach a return label, and return up to ten cartridges in a package.



- Epson Express Center

Customers return consumer inkjet, laser printer, and LabelWorks cartridges to the nearest Epson Express Center.

- Box Collections

After customers go online and sign up to the program they receive a collection box for large format printer and laser printer (more than 10) cartridges. When the box is full, it will be collected by the recycling company.



Americas

Finished Products

In Canada and the United States, some states are seeking to introduce laws requiring manufacturers to collect and recycle products. In the U.S., Epson America, Inc. (EAI) has run a voluntary take back program since 2002.

In addition to the recycling program, EAI and the National Cristina Foundation have joined together with the goal of helping those who are facing economic challenges or have disabilities gain access to the technology of today.



In Brazil, the National Solid Waste Policy (PNRS) was launched in 2010, requiring the electronics industry to implement reverse logistics. Epson do Brasil Industria e Comercio, Ltda. (EDB) implemented a Collection Program for disposing of used products and consumables. The Collection Program operates throughout Brazil, with more than 100 collection points countrywide. Products and supplies collected are sent to an approved recycler who disassembles and then sends the item to recycling and/or co-processing² as required.



² Use of waste to replace new resources and fossil fuels.

Cartridges

In the U.S. and Canada, EAI has created a mail-based recycling program for ink cartridges. In the U.S., customers can return toner cartridges by attaching an electronic return label printed from a website.

Asia

Finished Products

In India, Epson India Pvt. Ltd. works on promoting recycling program by making an original logo under the India e-waste (Management and Handling) Rules, 2011 Directives.

In Taiwan, Epson Taiwan Technology & Trading Ltd. complies with the Resource Recycling Act.



Original logo

In South Korea, Epson Korea Co., Ltd. (EKL) is a member of KERC (Korea Electronics Recycling Cooperative) and complies with the Act on the Resource Circulation of Electrical and Electronic Equipment and Vehicles.

Cartridges

In Taiwan, Epson Taiwan Technology & Trading Ltd. set up a system in 2001 using a toll-free number and a website to accept collection requests directly from customers to facilitate on-the-spot collection.

In Singapore in 2012, Epson Singapore Pte. Ltd. joined with Canon Inc. to cooperate with the Singapore National Environment Agency and National Library Board to begin promoting The Homecoming Project to collect ink and toner cartridges. Under the program, consumers can deposit ink and toner cartridges from any manufacturer in collection boxes installed in 21 branches of the national library.



Project Homecoming
A Joint-Brand Ink & Toner Cartridge Recycling Programme

Oceania

Finished Products

Epson Australia Pty. Limited. (EAL) is a founding member of the TechCollect Program. The program is one of three government approved co-regulatory arrangements for implementation of the Federal Government's Product Stewardship Act 2011, which began in 2012.



Cartridges

EAL participates in the Cartridges 4 Planet Ark program. EAL is a founding member of this promotion to recycle ink cartridges and toner cartridges. The aim of the program is to prevent cartridges from entering the waste stream and thereby reduce the potential environmental impact arising from the end of life disposal of cartridges.



Japan

Finished Products

Since 2003 Japan has legally required producers to collect and recycle unwanted computers from individuals and as businesses. In 1999, Epson launched a voluntary program to collect and recycle other Epson-brand waste electrical and electronic equipment (WEEE) also, such as printers, scanners, and projectors, from businesses ahead of the enforcement of applicable laws.

Cartridges

Epson has built various cartridge collection schemes while monitoring customer needs. In addition to being good for the environment, Epson's cartridge recycling program provides employment to persons with disabilities at Epson Mizube Corporation, a special subsidiary to support the employment of disabled individuals within the Epson Group.

- Take-Back Service

Epson has set up a collection service for customers who consume large numbers of cartridges. As part of this service Epson makes donations to OISCA^{*1} and NACS-J^{*2}, organizations that work on environmentally sustainable development.

^{*1} The Organization for Industrial Spiritual and Cultural Advancement-International.

^{*2} The Nature Conservation Society of Japan.

- Bellmark Program

Epson has participated in the Bellmark program since 2005. In addition to reducing wastes and helping to preserve the environment, the Bellmark program supports participating schools by awarding them points for ink cartridges collected. Schools use these points to purchase educational materials and equipment.



- Cartridge Collection Program at Epson Sites in Japan

Epson began collecting used ink cartridges at Epson Group sites in Japan in 2011 in order to expand aid to the Bellmark program. Collection boxes have been installed at every Epson business site to collect cartridges from employees, business partners, and members of the community. 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.



- Ink Cartridge Satogaeri (Homecoming) Project

Printer manufacturers in Japan joined forces in 2008 to form the Ink Cartridge Satogaeri (Homecoming) Project, a program that uses approximately 3,600 post offices and local governments across Japan to collect used ink cartridges. The project has donated to environmental protection organizations, allowing customers to indirectly participate in social contribution activities.



Collection box

- Joint Environmental Program

In April 2012, Epson and Catalina Marketing Corporation 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 across 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.

Eco Benefits^{*3}

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


^{*3} Calculated under Epson's test conditions. Compared with when users dispose of new ink cartridges after use.

Epson and the Environment

Eco Community

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

Eco Corporate Citizenship

 Please refer to page 149 of “Environmental Conservation.”

Eco Technology

Introduction of corporate citizenship programs that leverage Epson’s technologies.

Release of a Simple Tool for Measuring PFCs

Perfluorocarbons and some other gases used in semiconductor and LCD fabrication have extremely high global warming potential—a level that is about 10,000 times greater than that of CO₂. But measuring PFC gases was difficult until 2000, when Epson independently developed a simple method for measuring PFCs^{*1} that enables easy and accurate measurement using Fourier transform infrared spectroscopy (FT-IR). This method enabled Epson to sharply reduce PFC gas.

Epson patented the simple method for measuring PFCs but grants a free license, subject to certain conditions, to others. This method is now being used by numerous enterprises to reduce PFC gas.

^{*1} Formerly called the “Epson Method”

Eco Community

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.

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

In-House Environmental Education

● Environmental Education System (Japan)

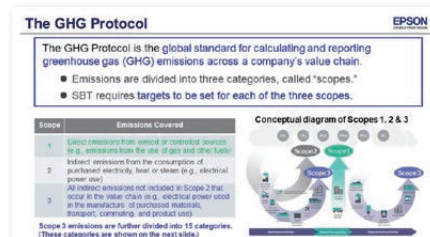
Training	Management	Mid-level employees	General employees
General education	e-Learning	Basic Environmental Training II	
	By rank	Training for new managers	Training for new employees
		Training for employees to be transferred overseas	
Professional training	Professional skills	ISO14001 environmental auditor training	
		XRF** Meister certification training	XRF measurement/acceptability judgment training
		Energy Star® measurement technician training	
		Pollution control officer training	
		Emissions control officer training	
		Hazardous materials management training	
Awareness		Internal notices, Environmental Awareness Month, events (best practices presentations), lectures, Websites, local clean-up projects, etc.	

** X-ray Fluorescence Analysis

● FY2017 Environmental Education (Japan)

Training	Participants (Certification Recipients) ^{*2}
Basic Environmental Training II (2017 Edition)	16,991
ISO 14001: 2015 environmental auditor training	444 (697)
XRF Meister	7 (23)
XRF measurement & acceptability judging	31 (62)

^{*2} This is the number of persons who took Basic Environmental Training II during the period it was offered (June 2017 to March 2018). Other figures show the number of certified persons as of the end of March 2018. XRF Meister includes overseas affiliates.



Mandatory e-learning for all employees in Japan

Teaching Environment Protection to Elementary Schoolers (China)

Epson Wuxi Co., Ltd. (EWL) is involved in environmental preservation in and around the city of Wuxi, China, where it is located. In September 2017, the company joined forces with the safety supervisory and environmental protection agency of Xinwu District and Taibo Experimental Elementary School to teach environmental protection to a group of 83 students and teachers who gathered at the Liang Hong National Wetland Park, in Wuxi. After presenting them with an overview of the Epson Group and its initiatives to mitigate environmental impacts, EWL presented them with 100 books about environmental protection. After touring the park, the participants played a trash sorting game to educate them about the importance of reducing environmental pollution and of conserving resources through recycling.



Green Talent Program (Taiwan)

To foster a new generation of leaders who can help create a sustainable society, Epson Taiwan Technology & Trading Ltd. has, since 2011, been conducting an environmental education program for university and graduate school students called the Green Talent Program.



Eco Communication

Introduction of communications on environmental topics.

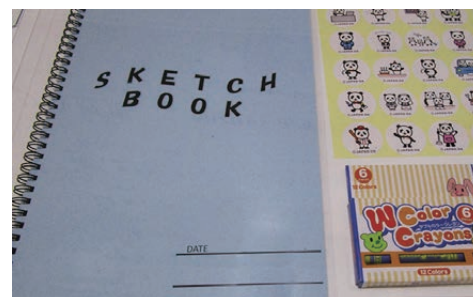
EcoPro Exhibition (Japan)

Epson exhibited at EcoPro 2017, Japan's largest environmental exhibition, held at Tokyo Big Sight in the beginning of December 2017. Epson has exhibited at every EcoPro show since it began in 1999, making 2017 the 19th time the company has participated.

The Epson booth highlighted some of the company's products and initiatives to reduce environmental impacts in the office. It demonstrated an office papermaking system that makes new paper from old, underscored the energy-saving features of high-speed linehead inkjet multifunction printers, and drew attention to the amount of resources that can be saved by using high-capacity ink tank systems.

Office Papermaking System

We demonstrated paper recycling and displayed some samples of notebooks, sketchbooks, business cards, and leaflets made on paper that was recycled using the PaperLab A-8000.



High-Speed Linehead Inkjet Multifunction Printers

A thermography camera was used to visually demonstrate the difference in the amount of heat radiated by a laser printer and an Epson inkjet printer, the latter of which does not use heat in the printing process and thus uses only minimal power.



Corporate Initiatives

Epson provided information about a nature photography contest that it sponsors, about key CSR themes, and about the safety and reliability of inks used in inkjet digital textile printing. Epson also shared photos and information about parts manufactured from used paper that was recycled using a system equipped with Epson's dry fiber technology. Because textile printing was one of the focal points, Epson prepared numerous print samples on various materials that visitors could see and touch to give them a sense of how applications for inkjet printing are expanding beyond paper and into clothing and accessories.



Environmental Communication Guidelines

Epson's Global Environmental Communication Guidelines, established in 2008, provides rules for environment-related communications. The guidelines are used throughout the Epson Group to help ensure that the information we release about our environmental programs and environmental performance is correct and easy to understand.

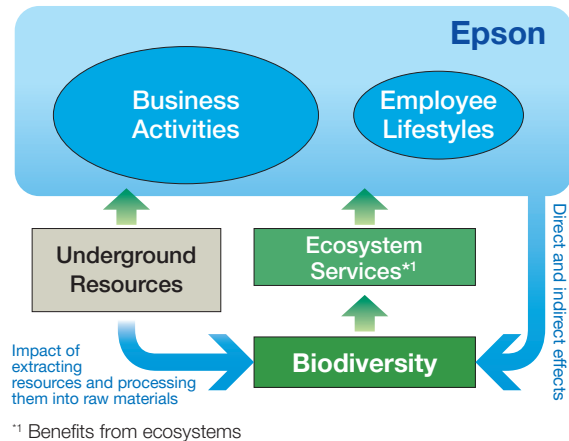
Epson and the Environment

Biodiversity Conservation

Approach to Biodiversity

We both benefit from and affect biodiversity in myriad ways. Epson believes that preserving biodiversity is also vital to maintaining our business activities and our employees' lifestyles. Basically, we look to preserve biodiversity throughout our business activities and to raise employee awareness of its importance.

● Epson and Biodiversity



We are steadily mitigating the impact of five factors that cause biodiversity loss with initiatives in global warming prevention, resource recycling and conservation, and substance management.

Factor	Relationship to Epson	Theme	Main Initiatives
Climate change	Greenhouse gas emissions	Prevention of global warming	Energy-saving product designs Production and transport measures
Land use	Land alterations accompanying underground resource mining	Resource recycling Resource saving	Reduced-resource products and recycling Reduced resource inputs Waster recycling
Non-native species	Introduced along with imports of raw materials, parts, etc.		
Overconsumption	Consumption of timber resources		
Pollution	Release of chemicals into the environment due to insufficient control	Substance management	Reduced inclusion in products and use during manufacturing of hazardous substances

Conservation of Wild Birds in Taiwan



The Pinglin district, the famous tea-growing region in the north of Taiwan, is the natural habitat of the Taiwan blue magpie, a unique bird of Taiwan. The district is part of the Feitsui Dam water preserve, but in recent years, large-scale tea cultivators in this region have become over-reliant on agrochemicals. These agrochemicals are contaminating the land and water and are threatening the survival of local wildlife. To protect the Taiwan blue magpie, which is registered as a species of least concern on the IUCN Red List of Threatened Species (Ver. 3.1), some local tea growers have been focusing on organic cultivation. However, these organic growers, who cannot use any agrochemicals and who have to pick the leaves entirely by hand, have seen their harvests cut nearly in half. Currently only about 10% of the tea gardens in Pinglin are organic.



In 2017, Epson Taiwan Technology & Trading Ltd. (ETT), along with a number of major companies, became active as a corporate sponsor in a program to help preserve the habitat of the Taiwan blue magpie. As part of the program, 70 ETT employees and family members dress up in the traditional costumes of tea leave pickers and go out to organic tea gardens three times a year to help harvest the leaves, which must be picked entirely by hand. The organic tea gardens are home to butterflies and other insects, but the participants were most excited by the discovery of several Taiwan blue magpies.

Under a three-year plan, ETT will help support ecosystem preservation and sustainable organic tea production as it looks to raise employee awareness of environmental issues.



Epson and the Environment

Environmental Management

As stated in its Management Philosophy, Epson's business is anchored in a commitment to sustainability. 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 recent years our customers, along with society in general, have become interested in reducing their environmental impacts. The desire to deliver reduced environmental impact products and services that surprise and delight our customers is embodied in the "Exceed Your Vision" tagline.

 [Environmental Policy](#) (Please refer to page 163 of "Appendices")

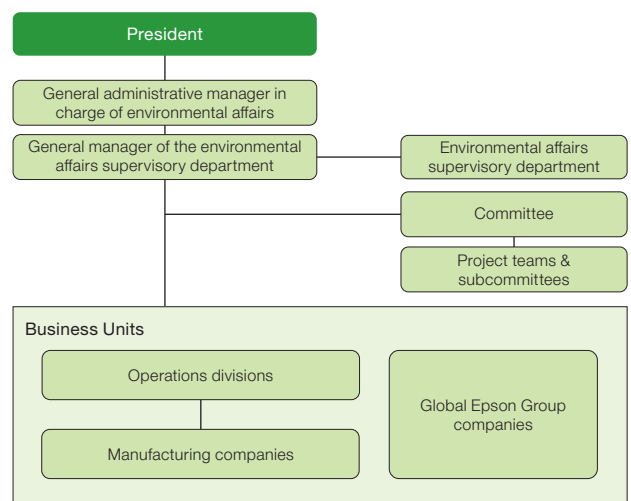
Environmental Management System

Business units within the Epson Group establish their own environmental action plans based on the Epson 25 Corporate Vision, and carry out the activities using an Environmental Management System (EMS). We conduct internal audits to check performance against the plans and take corrective action against nonconformances.

We operate our EMS in compliance with the international ISO 14001 international standard, and we implement a planning and control cycle to effect continuous improvement. Epson's main global manufacturing, sales, and service sites are pursuing integrated business process and environmental management initiatives as required by ISO 14001 (2015), and are renewing their certifications.

All financially consolidated companies in the global Epson Group have environmental programs and, in the FY2017, environmental data was gathered from 57 of those companies (representing 97% of revenue).

● Promotion System for Environmental Activities



External Recognition

Environmental Awards

Year	Award	Recipient	Conferred by
2017	Blue PROPER rating (Indonesia's Program for Pollution Control, Evaluation, and Rating)	P.T. Epson Batam	Ministry of Environment and Forestry, Indonesia
		P.T. Indonesia Epson Industry	
	JAPAN OEKO-TEX® AWARD 2017 the OEKO-TEX® Association prize	Seiko Epson Corp.	OEKO-TEX®

Our People

Human Resources Development

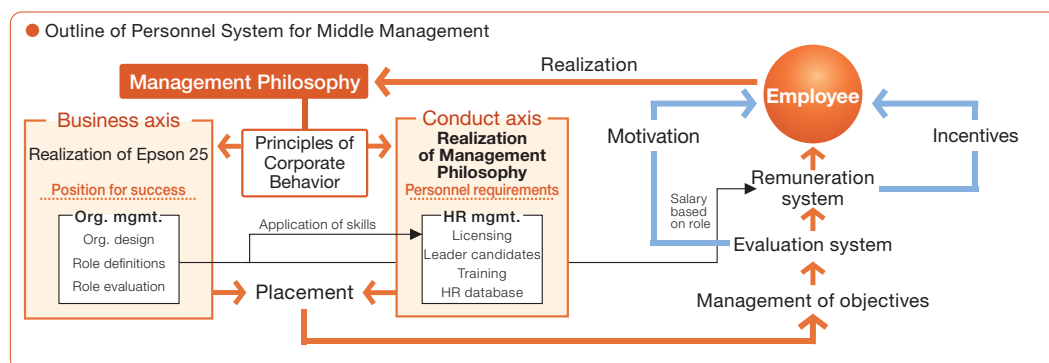
Approach

Epson develops and trains its human resources in line with a Human Resources Development Policy established in 1996 that designates talented people as a precious management resource. We assist employees so that they can achieve their dreams of self-fulfillment, and we develop people who connect and support all the companies in the Epson Group. 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 achieve goals, and experience personal and professional growth.

Seiko Epson requires that employees complete a course in management practices before being appointed to a management position. This course prepares them to meet the requirements as a manager by ensuring that they understand their role in terms of both business and actions. On the business end, they learn the skills they need to understand strategic business objectives and respond rapidly and nimbly to internal and external changes in the business environment. On the action end, they learn the skills they need to support the growth and development of the people who report to them by putting organizations and individuals in a position to succeed.

In addition, we provide training for new employees, group training for each grade, and various open-type training to develop people who will fulfill roles as future middle managers step-by-step.

 [Human Resources Development Policy \(Please refer to page 164 of “Appendices”\)](#)



Practicing Off-the-Job Training on the Job

A feature of human resource development at Epson is that we provide level-based group training at every juncture along the career path, from entry level jobs through management, and give employees a chance to put into practice on the job the knowledge they acquire.

After completing group training, new hires undergo a one-year practicum. Other employees who complete other group trainings undergo a three-month practicum. During the practicum, employees prepare action plans based on what they learned and put these plans into action on the job under the supervision of their supervisors, thus enhancing their ability to use the knowledge and skills they learned during training, in their actual jobs.

● Training System (Japan)

	Future Leader	Job/Lvl-Specific	Group-Wide	Specialist	Global	On-Site
Director		Director training				
COO	F1					
GM	F2	GM training				
Manager		Management practices				
Senior Staff	F3	Senior staff training	Problem solving skills			
C-Level		C-level training	Human skills			
New Hire		New hire	Basic business skills	Compliance	Specialist job training	Overseas transfers
						Site development support

* F1/ F2/ F3: Future leader training

Epson has used a management by objectives systems for more than 30 years. All employees of every grade are subject to the systems, and managers and their subordinates work together to set objectives that they can both agree on. Progress toward the objectives is periodically reviewed, end results are evaluated, and new, higher objectives are set. The management by objectives system is itself an on-the-job human resource training system. It is a win-win development cycle in which individual growth leads to the growth of the organization and the company.

Training Initiatives

Global Leadership Training

In addition to a course in management practices for managers and employees who will be transferred overseas, Epson provides training (F1, F2, and F3 course) to selected employees. In the F1 course, director candidates learn the skills needed to be a top executive. The F2 course is used to prepare middle managers to take the reins of a business or division. In the F3 course participants learn the basics of business through simulated exercises. Through these courses, Epson develops future leaders across the group.

The Global Incubation Seminar (GIS)

The Global Incubation Seminar (GIS) is a program for developing global leaders who will be a driving force in the Epson Group. At the seminar, we share Epson's vision and values with up-and-coming leaders from around the world, and empower them to put these into practice in their own organizations. Since 1999, the first year of the program, more than 350 people have participated in GIS training, and nearly all the chief executives of Epson's overseas companies are graduates of the program.

The FY2017 GIS was held at the Seiko Epson Head Office for five days, from February 26, 2018. A total of 25 individuals took part, including personnel from 19 overseas affiliates. Participants develop a deeper understanding of the business vision and strategies by directly hearing from and speaking to members of the executive management team. They also discuss issues among themselves to help them think through what they can do as leaders to make Epson an indispensable company. They then draft and commit to executing concrete plans.



By offering this training on a continuing basis, we hope to develop diverse global talent who will drive Epson to new heights in the future.

One Participant's Impressions of GIS 2017

My biggest takeaway is networking and learning from our executive team and those from our sister companies. To make Epson a stronger company, we need to bear in mind everything we learned, committed to, and communicated at GIS 2017 no matter how busy we are in our daily responsibilities. I would like to communicate Epson expectations and the Epson Vision to my team.

Ramsey Tera
Director, Prod. Control & Materials
Epson Portland Inc.



(Right) Ramsey Tera
(Left) Seiko Epson Corporation President
Minoru Usui

I was impressed with the presentations from executive management and discussions with other participants. I think that it is incumbent on the GIS participants to take the initiative to share Epson values and the lessons about value that we learned about to align everyone across the Epson Group, and especially members of management, in the same direction.

Yuan Xue
Senior Manager, Market Support Department
Epson (China) Co., Ltd.



(Right) Yuan Xue
(Left) Seiko Epson Corporation President
Minoru Usui

Global Executive Seminar

In May 2017, Epson launched the inaugural Global Executive Seminar (GES) to further strengthen executive management at overseas affiliates. The seminar is designed to develop leaders who are capable of devising strategies and analyzing issues, leaders who can help guide us toward Epson's long-term goals, understand the roles that they and their companies should play, and identify changes to make in a business environment with limited future visibility. The seminar starts with a three-day group training session (session 1) and is followed by a year-long period during which participants apply lessons in actual practice, after which they gather to report the results over two-days (session 2).

Session 2 of GES 2017-18 was held at the corporate headquarters from May 28-29, 2018, with seven trainees, including five from overseas Epson Group companies. The participants each gave a presentation on the management issues they tackled over the past year. The seminar concluded with them promising further growth and development in the future.

Then, for the next three days, beginning on May 30, we held session 1 of GES 2018-19 with a new group of six leaders from Epson's overseas affiliates and three from our Japan operations. These nine people are scheduled to return for the second session of GES 2018-19 next year.

Through programs like these, we are laying a more robust business foundation for responding to change and executing strategies.

Training for New Employees in Japan

Epson considers the first year of employment to be a training period during which new employees learn about the Epson approach to work. For the first three weeks, new employees in Epson Group companies in Japan gather at the Head Office for group training, where they learn the following:

- Conduct expected of them as Epson employees
- The mindset and attitude necessary for practicing "monozukuri" or the art and science of manufacturing, which is the foundation of Epson's efficient, compact and precision technologies
- The importance of working cooperatively as a team



Training to think about customer satisfaction

Training ranges from lectures on the Epson Code of Conduct to hands-on training in manufacturing. New employees learn the importance and enjoyment of working in teams, through group activities that take place throughout the training period.

After they complete group training, new employees are sent to the department where they have been assigned. There they learn their job through on-the-job training under a mentor. Mentors are usually selected from among young employees with three to five years of experience. They produce training plans tailored to the individuals they will be mentoring and, for a full year, provide them with the support they will need to stand on their own. Mentors themselves are expected to grow through this experience.

At the end of the first year, the new employees gather again for follow-up group training, where they can observe how they and others have grown and developed. To further solidify the foundation they have built as a business professional, they review the previous year and consider action plans for the next year and beyond to achieve further growth and expand their contributions to the company.

Lifetime Career Support

Epson continuously implements initiatives aimed at being an organization that promotes personnel development. We provide support towards building motivating and challenging careers that encourage growth. To help our employees set their own medium- and long-term career goals and take actions toward achieving them, we have been offering Lifetime Career Support (LTCS) since FY2016. The LTCS provides age- and grade-specific training, which gives employees an opportunity to independently plan their own career path.

FY2017 Training Results

LTCS50 training (for all employees age 50) - 460 people

LTCS40 training (for all employees age 40) - 256 people

Creating Value That Exceeds Customer Expectations and the Monozukuri Juku

Epson's Monozukuri Juku, or Manufacturing School, aims to enhance the customer value we create. To this end, we teach our personnel basic technology and skills and have them experience monozukuri (the art and science of manufacturing) by performing specific manufacturing tasks step by step. This helps them tackle jobs from different angles. To give a specific example, employees learn the basics of component processing technology (molding and pressing). Once they learn these, employees have the skills to make the various parts that go into a product. Employees also learn by mastering essential skills for making production lines more efficient (e.g., automating lines or operating them with fewer staff).



In addition, we contribute to the community and society by giving practical training for new employees of local businesses, offering corporate experiences to junior and senior high school students, and providing instruction for technical skill trainings. We also send experts abroad to take part in official development assistance for building technical skill evaluation systems at the request of the Japanese Ministry of Health, Labour and Welfare.

Mechatronics Training for Building, Maintaining, and Enhancing Automated Lines

Factory productivity improvement initiatives are nothing new at Epson. Earlier examples included the introduction of simple and systematic tools to production processes. More recently, however, we are facing great changes in the manufacturing environment. As wages have risen rapidly and workers prefer non-manufacturing jobs, it is not always easy to recruit the necessary labor. Earlier improvements were based on the assumption there would be plenty of inexpensive labor. Our business is not likely to survive if we just try to repeat such improvements. Therefore, we are making a strong push to build production lines that rely on human labor as little as possible but are still capable of stable production.

Monozukuri Juku holds about 100 trainings of various types each year to develop the engineers who keep production lines running. Trainings impart machining skills like mechanical drafting and measuring required to build equipment. The organization prepares such curricula as mechatronics basic technologies, where engineers who promote manpower-saving and automation technology get training in basic technologies like compressed air and electrical control as well as assembling and adjusting simple devices. Other courses include FA robot training, image processing training, and mechatronics practical training, which are designed to teach practical technologies and skills. Thus, we are offering employees an opportunity and place to learn.

Monozukuri Juku trains machine tool and maintenance engineers in Japan but also sends staff to teach at overseas affiliates that serve as our major manufacturing sites. There, we develop leaders in production and machine tool maintenance at overseas affiliates, by giving courses based on our training program in Japan.



Training engineers at an overseas affiliate (Philippines)



Mechatronics practical training

Developing Young Technicians through National Skills Competition

As a manufacturing company, Epson uses training for WorldSkills competitions to develop “groundbreaker technicians”^{*1} who have acquired essential manufacturing knowledge and skills at an early age. As a rule, individuals are allowed to take part in WorldSkills trainings just once. The purpose of the short-term intensive trainings is to help participants learn technical skills at the all-Japan level. Every year we send 10-15 individuals to the National Skills Competition associated with WorldSkills to compete in seven selected occupational categories that are applicable to our employees’ work: Instrument making, Press tool making, Mechatronics, Industrial electronics, Web design, IT network systems administration, and Watch repair.

New employees sent to Monozukuri Juku as WorldSkills trainees experience monozukuri (the art and science of manufacturing) in such forms as filing and sawing. They also learn basic knowledge about machinery, electricity, and other general topics in each occupational category. In conjunction with everyday occupation-specific training, there are training camps three times a year. Participants lodge together, run a 40-km road race, join group discussions, set targets, and the like. All of this helps to build a sense of solidarity as a team.



Everyday training



The 55th National Skills Competition of Japan 2017

To recreate the feel of the national competition, we also hold joint training events with other companies that take part in WorldSkills. Additionally, our employees actively pursue such national qualifications as machining technician, electronic device assembly technician, web design technician, and watch repair technician. After participants finish WorldSkills trainings, they get practical training to help them build the basic skills learned there into skills they can use to make products. Each participant then joins an operations division. The units they join often praise these employees for performing beyond expectations.

^{*1} Technicians with the ability to break from precedent to create innovative technologies and systems.

Epson Employees Win Awards at WorldSkills Abu Dhabi 2017

Epson employees won awards, in Plastic Die Engineering and Web Design and Development at the 44th WorldSkills Competition held in Abu Dhabi, the United Arab Emirates, from October 14-19, 2017. This marked the first time since the 2009 Calgary, Canada, competition that Epson was represented at the event, and the first time since 2007 that an Epson employee won an award (an employee won a gold medal in Polymechanics and Automation at the event in Shizuoka, Japan).

Epson has participated in the National Skills Competition since 1971 to train the next generation. Young technicians train intensely under the guidance of veteran employees to acquire top-level skills in Japan in a short period of time. They hone their skills in friendly competition toward a common goal, building teamwork and the ability to act independently in the process.

After completing WorldSkills training, they contribute to Epson's operations with their newly acquired skills, mental toughness, and attitude toward work. They are often praised for performing beyond expectations by their organizations.

Epson will continue to use competitive events like WorldSkills to pass down skills, provide motivation, and develop people with world-class skills.

Prize winners:

Plastic Die Engineering

- Bronze Hayato Miyasaka (right)

Web Design and Development

- Medallion for Excellence Azusa Sano



FY2017 Workforce Composition and Training Data

● Main Online Courses (Japan)

Course Title	Trainees
Fundamentals of Security Export Control (2017)	14,092
Import/Export Control (Export Edition, 2017)	13,968
Epson's Compliance (2017)	18,821
Basic Information Security (2017)	18,658
Basic Environmental Training II (2017)	16,991
Introduction to Procurement 2017 (Subcontract Act)	15,302
J-SOX (2017)	17,770
Basics of quality management system	14,971
Preventative measures for the spread of contagious diseases at workplaces	15,780

* The number of persons completing the course by March 31, 2018.

● Training by Employee Level

Training	Who	People Trained	Percent Trained
New employee orientation	New hires	293	100%
C-level employee training	New C-level staff	236	93.4%
Senior staff training	New senior staff	266	93.3%
Section manager training	New section managers	138	97.2%
General manager training	New general manager	33	92.7%

* Data for Seiko Epson Corporation employees as of March 31, 2018.

* Employees who have not received training are scheduled to do so in FY2018.

Our People

Promotion of Diversity

Diversity Policy

Respect for diversity is a cornerstone of Epson's Management Philosophy, and our personnel policies reflect it.

Diversity is the inclusion of individuals of different genders, national origins, religions, regions, educations, social statuses, and sexual orientations, regardless of whether these traits are innate or acquired, visible, or invisible.

Epson's true customers are end users the world over. In order to enrich their lives, we have to understand them and meet their needs. To achieve this, our own diversity is important. We believe that only with a diverse workforce of people who have respect for one another and who know and practice what is important can we create customer value. In order to deliver results that surprise and delight our customers, Epson promotes female managerial staff and foreign nationals, fostering a corporate culture that enables diverse personnel to display their abilities to the full.

Masayuki Kawana

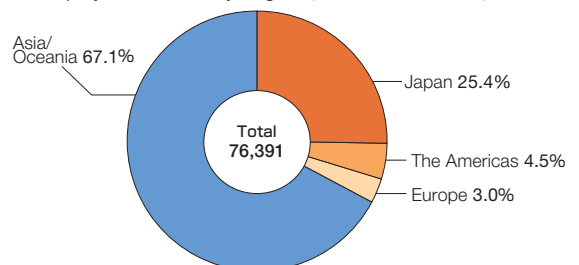
Director and Executive Officer, General Administrative Manager of the Human Resources Division and
CSR Management Office

Global Talent

Epson has sites around the world to accurately identify and swiftly and flexibly meet the changing needs of customers at different times and in different regions. The Epson Group currently employs about 76,000 people.

Epson is vertically integrated, which means we have control over the "create, produce, and sell" value chain. A high-performing, diverse workforce is essential for achieving vertical integration, making it vital for our operations divisions in Japan and Epson Group companies overseas to be on the same page in terms of business vision and policies. That is why we have a variety of international programs to promote communication and interaction among people at various levels within our operations divisions, Head Office, and other internal organizations.

● Employee Numbers by Region (as of March 31, 2018)



Examples of Our Initiatives

Sending Young Staff Members Overseas

Epson actively sends young staff members from Japan to Epson's overseas sites for professional development as part of its trainee program.

● Number of Employees Assigned to Overseas Training Programs

FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
8	20	34	38	29	28

Employees Sent to Japan for Training

Epson actively accepts interns from overseas sites to stay in Japan for a period of three months to one year. We provide educational programs that give them an opportunity to learn skills and techniques not available in their home countries and helps them enhance their understanding of business processes. In FY2017, we accepted 39 technical interns and trainees, and since 1988, we have welcomed a total of 1,700 Group employees.

The photo on the right shows technical interns inspecting parts manufactured with dies they made themselves.



Global Meetings

Epson holds a variety of meetings and seminars for representatives from our global sites.

Some are function specific, for areas such as legal affairs, finance and accounting, safety, and the environment. Others are for global projects involving matters such as IT systems and the adoption of IFRS. Still others, such as sales meetings, are held to discuss a range of topics and to share information and opinions globally.



Advancement of Women in the Workplace

Seiko Epson has had some success in empowering women—who actually stay with the company longer than men, on average—by creating conditions that allow them to better balance family with work. These conditions include, for example, the ability to take leaves of absence or to work a shorter day, as well as financial assistance to help cover babysitter expenses. However, there is still a gender gap when it comes to promotion to management and other leadership positions in Japan. Seiko Epson recognizes this as an issue and is taking additional action to support the advancement of more women in the workplace.

Examples of Actions Taken

Plans for Promoting Women's Participation and Advancement in the Workplace

- We will recruit new graduates, with a goal of securing a hiring class composed of at least 25% women
- We will expand and enhance a variety of policies and measures to enable women to shape their long-term careers at Epson.
(For example, we will help build an internal network of female employees and encourage them to participate in management and leadership training seminars.)
- We will explore telecommuting and other more flexible ways of working.

Eruboshi

Seiko Epson has earned the highest (Grade 3) Eruboshi certification^{*1} from the Japanese government in recognition of our excellence in promoting the advancement of women in the workplace.

^{*1} To be eligible to receive Grade 3 certification a company must satisfy all the criteria in five areas: recruitment, continued employment, working hours, percentage of women in managerial positions, and diversity of career courses



The Platinum Kurumin

Seiko Epson is creating conditions that allow employees to balance their careers with their personal lives. In recognition of our efforts to implement policies that will benefit the next generation, the Japanese government awarded Seiko Epson Platinum Kurumin certification.



Nadeshiko Brand

In 2017, the Ministry of Economy, Trade, and Industry, working in collaboration with the Tokyo Stock Exchange, selected Seiko Epson for inclusion to the list of Nadeshiko Brands, an honor bestowed on companies that demonstrate excellence in encouraging the empowerment of women in the workplace. Seiko Epson was recognized for implementing higher quality initiatives to empower women in order to produce greater business success.



Family Tours

Seiko Epson conducts family tours every August. Children of employees visit the company, see our products, make fans using paper printed from an Epson printer, assemble watches, use the employee cafeteria, and participate in other events that show them what Epson is like.



Childcare Space and Babysitter

A childcare space was set up in company housing adjacent to an Epson site. Employees can hire a babysitter to look after their children at company expense.



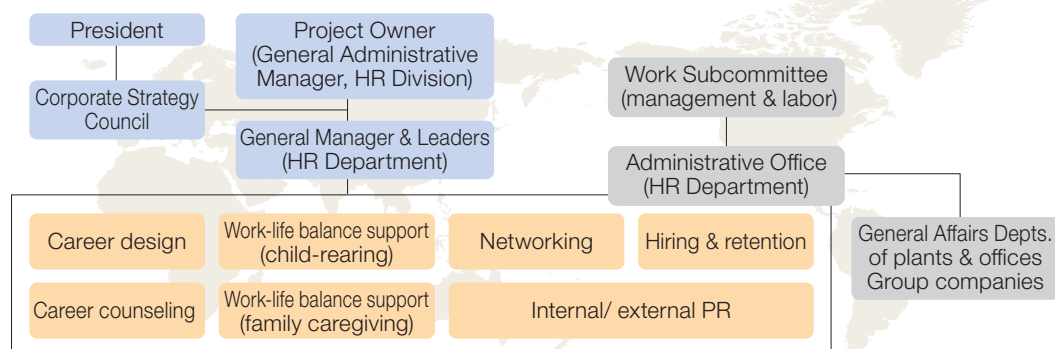
Female Empowerment Project

Seiko Epson launched a dedicated project to promote the empowerment of women in the workplace in order to create a climate of support for both male and female employees who want to advance their careers. The members of the project team are knowledgeable internal professionals who are exploring seven topics. They are also working to achieve an action plan as required by the Act on the Promotion of Women's Participation and Advancement in the Workplace.

The Seven Topics

Career design, career counseling, work-life balance support (childrearing), work-life balance (family caregiving), internal networking, hiring and retention, and internal/external PR.

● Organization



* Report project progress of 7 topics to the project owner once every two months.

Targets

We are aiming to have female employees account for 5% (40 people) of management positions and 7% (350 people) of leadership roles (equivalent to assistant manager) by FY2022.

Dialog Between Executive Management and Female Employees

Seiko Epson will continue to hold meetings between members of the executive management team and female employees. These meetings are designed to create a mutual support environment and help women network with female managers, with manager candidates, and with other employees who share similar concerns at around age 30. Members of executive management who participate in these meetings learn first-hand about the needs of women in the workplace, such as the ability to telecommute during the childrearing years and availability of a temporary day care space in emergencies. These talks lead the development of actual trials and the creation of new programs.



Telecommuting and Dependent Care

Seiko Epson has introduced a system that gives time-constrained employees the opportunity to work from home so that they can provide care to children and other sick or ill family members. The telecommuting program can be used flexibly on an hourly, half-day, or per-day basis, up to a set maximum number of hours per month. For example, parents can leave work during regular working hours as needed to participate in school events. Or, when their child gets sick, they can work a certain minimum number of hours while their children are sleeping. Whereas parents previously may have had to take paid leave for these situations, they now can work more flexibly around them.

Telecommuters: 38 for childcare and 1 for family care (as of April 2018)

● Main Programs Introduced (Japan)

1980

- Eliminated gender pay gap (1983)

1990

- Main childbirth & childcare programs

Parental leave (1991)

2000

Shortened workday (1992)

At-home childcare service (2005)

Medical leave okayed for paid parental leave (2007)

Medical leave okayed for half-days for expanded range of reasons (renamed wellbeing leave) (2009)

- Certification as a company with policies to benefit the next generation

Acquisition of the “Kurumin” next-generation accreditation mark, the first company to do so in Nagano prefecture (2007)

(Ongoing certification in 2009 & 2012)

Free at-home childcare service (2015)

Acquisition of the Grade 3 (the highest grade) Eruboshi certification (2016)

Acquisition of Platinum Kurumin (2016)

Telecommuting system for dependent care (2018)

Support for Managers

To deepen understanding of the need for diversity (including the participation and advancement of women) to maximize the power of the organization, every year Seiko Epson invites outside lecturers to talk about why diversity matters. Attendance is mandatory for all members of middle and upper management. Bosses, out of an excess of caution, tend to avoid assigning potentially career-enhancing work to women and other employees whose time availability may be limited. For this reason, we have incorporated content in manager training courses to help ensure that all employees are given equal opportunity and are motivated. To further change the mind-set of management, we will introduce diversity management training on a trial basis in the FY2018. This training program will incorporate content that teaches managers to recognize unconscious bias and effectively use female employees.

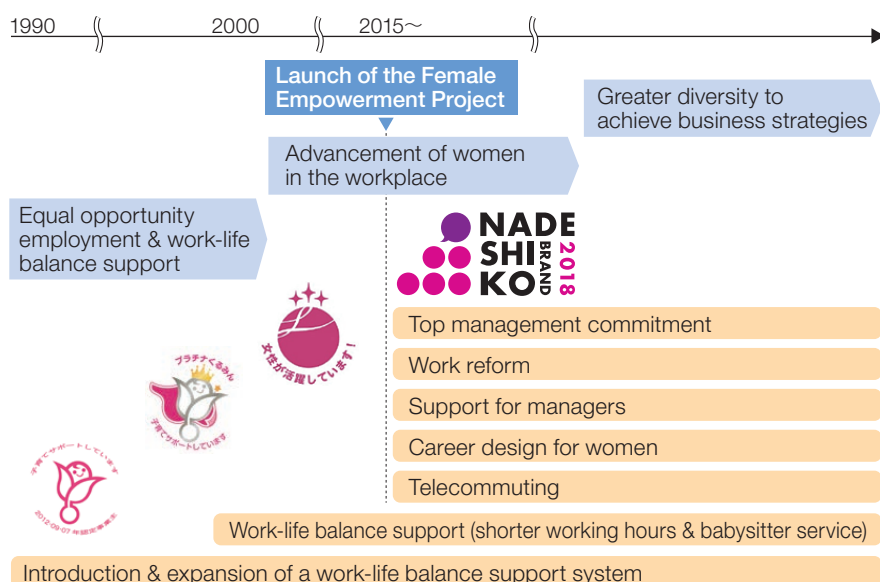
Evaluation System

The criteria for evaluating employees who work a full day and employees who work shorter hours are identical. This was done to ensure a level playing field when it comes to advancement and promotions. Employees are evaluated based on their achievements with respect to goals that are considered to be achievable within their respective workdays. In addition, to be eligible for promotion exams, employees must write a dissertation and pass a written test in the same year. Since a considerable amount of time is needed to write the dissertation and prepare for the written test, employees who have limited free time faced additional challenges. Another stumbling block was that employees who qualify to take the test must do so (and pass) within a three-year period, after which eligibility expired, so those taking maternity leave could end up losing eligibility. To remove these obstacles and make it easier for time-constrained employees to take tests for promotion, we changed the system, in April 2018. We eliminated the expiration period and made it so that employees could maintain eligibility even if they pass only certain test subjects over a multi-year period.

Future Initiatives

Seiko Epson will roll out further actions to expand the career advancement possibilities for women in the future.

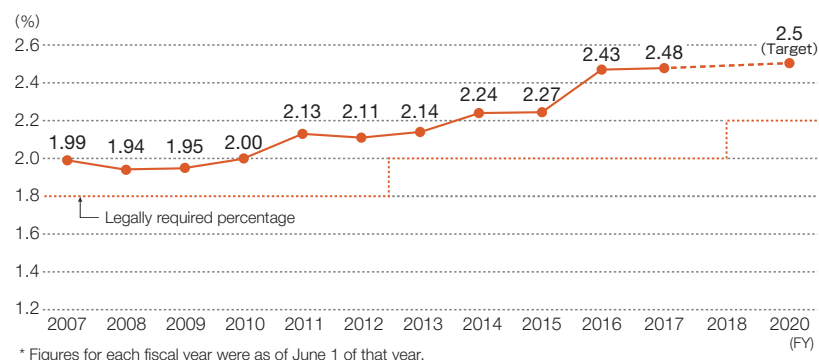
● Roadmap



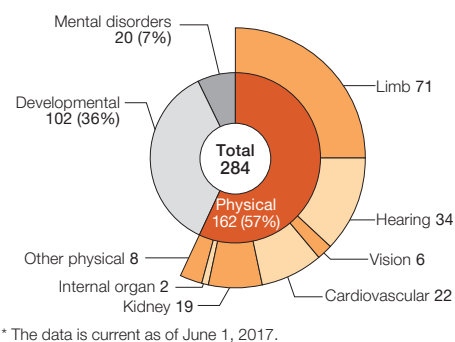
Employing and Supporting Persons with Disabilities

Epson employs a large number of persons with disabilities. For this reason we accommodate special needs in a variety of ways. For example, we provide easy-access restrooms, parking spaces, and other facilities. We also provide services such as sign language interpretation for in-house training and interviews, and special shortened working hours for dialysis treatment. Two special subsidiaries in Japan, Epson Mizube Corp. and Epson Swan, Ltd., have made special provisions to accommodate employees with disabilities and allow them to make the most of their talents, and they are now expanding job opportunities for disabled employees.

● Employees with Disabilities (Japan)



● Type of Disability (Japan)



Epson Mizube Corp.

Epson Mizube Corporation was founded in 1983 as a special subsidiary of Seiko Epson. It began with a workforce of 15 people, 11 of whom had disabilities, and has expanded steadily since then.

Epson Mizube's wide range of services include assembly, inspection, cleaning, and packaging of various electronic and precision devices; printing, copying, and bookbinding; catalog mailing; document digitization; dust suit cleaning; building cleaning; and sorting and dismantling used ink cartridges. The company employs 129 persons with disabilities at nine sites (as of the end of March 2018).

Facilities cleaning services were launched in 2008, and have since grown to a crew of 44 employees who provide services to 7 sites (as of March 31, 2018). The cleaning crews contribute to maintaining pleasant working environments. In 2017, we installed an upcycling model line in the PaperLab. This has expanded employment opportunities for persons with disabilities and promotes environmental impact reduction by using the PaperLab and DFP to turn used paper into business cards and notebook paper.



Board assembly



Sorting used ink cartridges



Cleaning company facilities

Awarded Director's Prize for Effort - Excellence by a Worker with Disability

In recognition for this long-term service as an exemplary worker, Masashi Mukaiyama of Epson Mizube Corporation received the Director's Prize for Effort by a Person with Disability. Mukaiyama is a shining example for all employees. "I want to thank my colleagues and my family for this award was made possible through their support. This award encourages me to further polish my skills, challenge myself to more advanced work, and broaden the scope of my work horizons," stated Mukaiyama. Mukaiyama also earned Gold Prize in the electronic circuit assembly competition at the 2012 Japan National Abilympics.



Taking Part in the Abilympics

Many of Epson's employees with disabilities have amazing skills that are invaluable to the company. The FY2017 Japan National Abilympics featured the most Epson representatives ever (4 employees: product packing - Masaya Hirabayashi; facility cleaning - Mizuho Yosoi; electronic device assembly - Shoichi Yokouchi; office assistant - Misaki Kamijo). Masaya Hirabayashi and Mizuho Yosoi earned silver and Shoichi Yokouchi earned bronze. Through their efforts, these employees serve as positive examples for workers with disabilities.



Epson Swan, Ltd.

Epson Swan Ltd. started operating in March 2002, when it was established as a special subsidiary of Tohoku Epson Corporation in Sakata, Yamagata Prefecture. It was the first certified special subsidiary in Yamagata Prefecture. It is presently a special subsidiary of Seiko Epson Corporation. Located in the grounds of Tohoku Epson, 20 people with disabilities (as of April 1, 2018) clean dust suits and provide building cleaning services within the company.

In addition to employee and leisure support, we also focus on professional development. In FY2017, we won the Prize for Effort in the facilities cleaning category at the Japan National Abilympics

In addition, Epson Swan communicates both internally and externally by publishing its magazine Smile via its intranet and as hardcopy four times a year. A total of 34 issues have been released, counting the most recent published in March 2017.



Selecting Senior Executives

Epson identifies the roles and requirements for key posts within the Group, prepares succession plans, and selects the best people for these positions, without regard to consideration such as age, gender, and nationality. A system is in place to select the best people for key posts that open up.

Epson Group companies outside Japan identify certain ranks at which they look for candidates to fill future top-level management positions. They then compile basic information about everyone at those ranks. Seiko Epson consults with Epson Group companies to identify the top talent among these candidates, gathers information about their management and other capabilities via 360-degree evaluations, and explores future career paths and development plans for them.

As a result of these initiatives, Epson now has home-grown talent in leadership positions at its overseas affiliates. The CEO of Epson's regional head office in the US is an American who has responsibility for all administrative and business operations at Epson companies in North, Central, and South America. In Europe, all local affiliates controlled by the regional head office are headed by locals. In addition, a number of Epson sales and manufacturing affiliates around the globe have recruited or promoted locals to run their operations.

Workforce Composition and Service Period

● Workforce Composition

Male/ Female Ratio		Mgmt. Diversity* ¹		Junior Mgmt. Ratio* ²	
Women	16%	Women	3%	Women	6%
Men	84%	Men	97%	Men	94%

* Data for Seiko Epson Corporation employees as of March 20, 2018.

¹ Section manager and higher

² Team leader

We are aiming to have female employees account for 5% (40 people) of management positions and 7% (350 people) of leadership roles (equivalent to assistant manager) by FY2022.

● Length of Employment

(Unit: Year)

Total	Men	Women
19.5	19.0	22.1

* Data for Seiko Epson Corporation employees as of March 20, 2018.

● Turnover Rate

FY2014	FY2015	FY2016	FY2017
3.6%	2.9%	2.9%	3.1%

* Data for Seiko Epson Corporation employees as of March 20, 2018 (Include retired worker)

Our People

Respecting Human Rights

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.

We have established services that employees can use to report or consult on abuses of any kind. These services include such things as a harassment hotline, employee counseling service, and Epson helpline. Epson also strives to prevent fraud and other forms of misconduct in a number of ways, including by periodically sharing information with all employees and by raising awareness with bulletins on the intranet.

 [The Policies regarding Human Rights and Labor Standards \(Please refer to page 166 of "Appendices"\)](#)

Power Harassment Prevention Training

Epson maintains a harassment hotline to respond to employees' harassment concerns. Epson has been actively fostering the development of an organizational culture with zero tolerance for harassment. To achieve a fair and pleasant working environment, we provide anti-power harassment training seminars to Epson Group companies as a way to prevent and stamp out harassment.

In FY2015, we carried out training for management (directors and administrative officers) and all managerial staff at Group companies in Japan, with 100% attendance. In FY2016, we expanded the training to middle management and personnel who are to be transferred overseas. More than 90% of those eligible attended the training in FY2017.

The training has also been provided to personnel who are newly promoted to management and other leadership positions since FY2016.

● Power Harassment Prevention Training

		2014	2015	2016	2017	People Trained
Senior management	Power harassment prevention training for senior management	Basic harassment prevention training	●			
Middle management	Power harassment prevention training for middle management		→			1,303 people (100%) at 70 trainings at 27 sites in Japan
	New section manager training				→	FY2017: 138 people (97%) (training ongoing)
Overseas assignees	Power harassment prevention training for overseas assignees		→			295 people (92%) at 29 trainings at 27 sites overseas
	Power harassment prevention training prior to assignment overseas				→	FY2016-17: 124 people (100%) at 8 trainings (training ongoing)
Junior management	Power harassment prevention training for junior management				→	2,561 people (93%) at 131 trainings at 22 sites in Japan
	New senior staff training					→
(Non-management employees)				→		

Current as of March 31, 2018

Human Rights Due Diligence

Our company uses the vertical integration business model, and the majority of the products we sell are produced by our manufacturing subsidiaries. In addition, we sell our products across the globe through our subsidiary sales companies. Regarding identification of human rights risks throughout our business, our suppliers perform a CSR self-assessment questionnaire so that we can identify and understand risks in the supply chain.

For our manufacturing and sales subsidiaries, it is said that human rights risks are high throughout Southeast Asia at production sites in general, so to confirm human rights risks in our overseas subsidiaries, we had all of our overseas subsidiaries, including sales companies, complete an Epson CSR self-assessment. The results allowed us to identify risks, and we instructed our overseas subsidiaries to take steps to mitigate these risks.

The CSR self-assessment will be performed yearly, and we will encourage companies to understand where the issues are and to address them.

CSR Self-Assessments by Overseas Epson Group Companies

In the FY2017, Epson had its overseas group companies complete a self-assessment questionnaire (SAQ) to evaluate their performance with respect to CSR requirements. The purpose of the SAQ was to identify and address risks and potential threats in areas such as human rights. Epson created the SAQ based on the basic requirements of the Responsible Business Alliance (RBA). The SAQ consisted of 100 questions concerning things such as human rights, labor, safety and health, the environment, the management system, and ethics. Suppliers were asked to complete the same questionnaire as part of our socially responsible procurement program.

● Questionnaire Content

Major Category	Minor Category Examples	Number of questions
G: General		1
A: Labor (human rights)	Freely chosen employment, young workers, working hours, wage and benefits, humane treatment, non-discrimination, freedom of association	28
B: Health and safety	Occupational safety, occupational injury and illness, dormitory & canteen, etc.	22
C: Environment	Environmental permits & reporting, pollution prevention & resource reduction, hazardous materials, wastewater & solid waste, air pollution, energy consumption & greenhouse gas emissions, etc.	14
D: Management system	Company commitment, management accountability & responsibility, risk assessment & risk management, training, supplier responsibility, etc.	16
E: Ethics	Business integrity, intellectual property, fair business, advertising & competition, responsible sourcing of minerals, privacy, etc.	12
F: Additional items (Epson original)	Export control, information security, product safety, business continuity plan, etc.	7

● SAQ Overview

Items	Details
Survey period	Dec. 6, 2017- Jan. 31, 2018
Survey coverage	66 overseas Epson Group companies (20 manufacturing companies and 46 sales companies)
Questionnaire	Epson Group Supplier Self-Assessment Questionnaire (SAQ)
Survey method	Nov. 28 Group companies were asked to complete the SAQ at a global HR meeting Dec. 6 SAQs were sent to company presidents and administrative officers Jan. 31 Administrative officers summarized and submitted completed SAQs
Collection	SAQs were collected from 66 overseas Epson Group companies (regional head offices in Europe and the U.S. summarized answers from Epson sales companies in their territories)
Reporting of results	Mar. 14 The results were reported at a meeting of Epson Group company presidents. <ul style="list-style-type: none"> • The Head Office supervisory department checked answers and identified issues. • Companies were provided with feedback and asked to take corrective action, where needed.
Corrective action	Apr.- Companies began taking corrective action
Status check	Dec. 2018 The status of corrective action will be checked by having companies complete another SAQ.

● Rankings Based on SAQ Scores

Risk rank	Assessed points	Explanation
Low risk	86-100 pts.	It basically meets the requirements of the Epson Supplier Code of Conduct. Is able to independently correct weaknesses.
Medium risk	66-85 pts.	It does not meet all the requirements of the Epson Supplier Code of Conduct but is able to independently correct weaknesses.
High risk	65 pts. or less	It needs to be monitored based on an improvement plan to meet the requirements of the Epson Supplier Code of Conduct.

● SAQ Results

Risk rank	Total score	Manufacturing companies		Sales companies and other affiliates		Total	
		Number of companies	%	Number of companies	%	Number of companies	%
Low risk	86-100 pts.	16	80%	32	70%	48	73%
Medium risk	66-85 pts.	4	20%	11	24%	15	23%
High risk	65 pts. or less	0	0%	3	6%	3	4%
Total		20	100%	46	100%	66	100%

Summary

- No serious compliance or ethics problems were found at any overseas Group companies as a result of the SAQ.
- In part because this was the first such SAQ, not all affiliates understood the intent of the questions, so the Head Office will provide further explanation and education.
- Some affiliates did not fully understand the Epson Group's basic policies, rules, and guidelines, so the Head Office will act to improve understanding.
- A fairly large number of affiliates had not communicated the Epson Group's basic policies, rules, and guidelines to their employees or had not established their own objectives or action plans (in the areas of labor, safety and health, the environment, and suppliers). The Head Office will provide instruction and support to these affiliates and promote action across the Epson Group.

- High Risk Companies (3 companies)

Situation	Action
Two of the companies did not understand some of the questions well enough to answer appropriately.	Visit the companies to explain the questions to the people in charge and to check the situation on site.
One company that recently joined the Epson Group was not adequately apprised of Epson's policies and management requirements.	The Head Office will establish a communication policy, explain requirements, and provide support.

The Head Office and the companies deemed high-risk will draft and execute plans to address issues to bring them up to the middle-risk or low-risk levels by March 31, 2019.

Security Personnel Trained in Human Rights

Seiko Epson outsources security operations to security companies and asks them to train those employees in human rights policies or procedures. In FY2017 we conducted a CSR self-assessment questionnaire to confirm that those suppliers, as well as other suppliers of indirect materials, provided human rights training to those people.

Our People

Fostering a Better Workplace

Equal Gender Opportunity Initiatives

Seiko Epson, an early advocate of equal opportunity employment in Japan, abolished gender-based difference in pay in 1983. In addition, we aim to provide equal gender opportunity at the time of childbirth and childcare. The results of our initiatives show up in the numbers, such as the duration of service and the rate at which mothers return to work after taking childcare leave. Moreover, nearly 100% of employees take parental leave. In fact, as of March 20, 2018, women stay with Epson longer than men on average (22.1 years for women versus 19.0 years for men).

● Childcare Leave Trends

FY	Childcare Leave				Employees using parental reduced hours
	Total ^{*1}	Women	Ratio of women granted leave ^{*2}	Men ^{*3}	
2017	64	44	98%	20 (14)	170
2016	60	42	100%	18 (16)	
2015	52	40	98%	12 (11)	
2014	67	49	100%	18 (13)	
2013	71	66	98%	5 (4)	
2012	80	66	100%	14 (12)	
2011	66	55	98%	11 (10)	

* Data for Seiko Epson Corporation employees as of March 31, 2018.

^{*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.

● Caregiver Leave Trends

FY	Caregiver Leave	Employees using caregiver reduced hours
2017	2	2
2016	2	
2015	6	
2014	4	
2013	4	
2012	1	
2011	2	

* Data for Seiko Epson Corporation employees as of March 31, 2018.

Epson's Wellbeing Leave Program

Seiko Epson introduced a special paid leave program in March 1998 that allows employees who do not use all their annual paid vacation days during the year to stockpile the remainder, up to 60 days, in a separate account. They have the option of using special paid leave days in the event of personal injury or illness, or to care for children or family members, or to participate in school events for their children in elementary and middle school.

Work-Life Balance Initiatives

Recognizing the importance of the well-being and development of our children, Epson encourages employees to balance their careers with their personal lives. We enforce an eight-hour no overtime workday at least once per week at our sites in Japan, and an increasing number of sites have a day each year when parents can bring their children to work. To create an environment suitable for both male and female employees who want to pursue a career, we are working to support childcare. From October 2005, we have offered subsidies for babysitting services. We have gradually increased the subsidy, and currently we pay the full amount for up to 16 hours. Company housing next to the workplace is made available as childcare space to maintain the privacy of employees' homes. From April 2018, we introduced a telecommuting system for employees on childcare leave or caregiver leave.

Responding to Employee Caregiver Needs

With advancing population aging, the number of people requiring care is on the rise. Consequently, the number of employees acting as caregivers for their families is also on the rise. Aiming to eliminate turnover due to caregiver needs, Epson provides the following types of support to caregivers.

- Launched a website related to caregiving to provide information related to in-house programs and nursing care insurance systems.
- Conducting nursing care preparation seminars to equip employees with the knowledge that will enable them to respond calmly to sudden nursing care needs.
- Enable the use of the following programs to support balance between work and caregiving.

● Caregiving Program

Name	Overview
Caregiver leave	May take up to 1 year and 6 months per applicable family member
Caregiver reduced hours	Available for up to 3 years from start of use
Caregiver overtime exemption	Exempt employees from overtime exceeding nominal hours
Caregiver overtime restriction	Restricts employee overtime to less than 24 hours per month or 150 hours per year
Caregiver night shift restriction	Restricts night shift assignments for employee
Caregiver telecommuting program	Enables telecommuting up to limited time specific for each work shift
Caregiver leave	Allows employee to take 5 days/year for 1 applicable family member or 10 days/year for 2 applicable family members as caregiver leave (unpaid)

Certification as an “Eruboshi” Company

On July 11, 2016, the Japanese Minister of Health, Labour and Welfare granted Seiko Epson the top “Eruboshi” mark in recognition of its efforts as a good company to promote the active participation and advancement of women in the workplace.

The Ministry established the Eruboshi mark in February 2016 based on the newly enacted Act on Promotion of Women’s Participation and Advancement in the Workplace. Companies that draw up and submit an action plan and meet certain standards are eligible to receive the mark if they have demonstrated successful efforts to promote the advancement of women. Companies that apply for the mark are graded on five criteria and awarded one of three levels of certification depending on how many of the criteria they satisfy. Seiko Epson, which met all five criteria, was certified to receive the Grade 3 Eruboshi mark¹.

Seiko Epson launched a project to step up its initiatives related to women’s advancement. Through such programs as setting up discussions between female employees and management and establishing a new mechanism that enable people to continue working while they provide care for elderly relatives, the company intends not only to help women continue working, but also to provide an environment where women who want careers can advance into leadership roles.



¹ The criteria are recruitment, continued employment, working hours, percentage of women in managerial positions, and diversity of career courses.

Certification as a Kurumin and Platinum Kurumin Company

As a result of Epson's efforts to establish a friendly workplace environment, we were awarded use of the so-called Kurumin symbol from 2007 and the Platinum Kurumin symbol in 2016. Use of these symbols is awarded by the Japanese Minister of Health, Labour and Welfare to companies that implement policies that support the parenting of their employees in accordance with the Act on Measures to Support the Development of the Next Generation.



Named Nadeshiko Brand for FY2017

Since FY2012, the Ministry of Economy, Trade, and Industry working in collaboration with the Tokyo Stock Exchange names companies serving as examples of enterprises that encourage women's success as Nadeshiko Brands. Nadeshiko Brands are promoted to investors focused on medium- to long-term corporate value growth as appealing listed companies that encourage women's success. This encourages investment in Nadeshiko Brands, which in turn accelerates the initiatives of these companies. In FY2017, which marks the 6th year of the Nadeshiko Brand listing, Epson was praised for implementing initiatives that encourage more advanced success for women with the goal of producing operational results.



Our selection to the list of Nadeshiko Brands FY2017 was based on a recognition of our various efforts. We established a Women's Advancement Project as an initiative to promote advancement by a diverse range of personnel. We implement various policies related to both career support and work-life balance and provide leadership training for advancement into managerial roles. We were also recognized for our employee networking support.

Monitoring and Controlling Working Hours

Epson specifies its work goals and work culture. Our goal is for all employees to maintain and improve their physical and mental health while working efficiently in a vital, rewarding work environment, without excessive labor demands. In this way, the company will develop in perpetuity, raising its corporate value and ensuring a win-win relationship with its employees.

Epson is fully compliant with labor laws. One of the ways we ensure compliance is by following an operations manual for managing working hours. We have also implemented time management initiatives and monitoring systems across the organization in Japan. 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 Reform Actions

From FY2017, we have been taking comprehensive work reform actions. The goals are to revise our approach to work and seek to improve the productivity of executives, managerial staff, and general staff in their respective positions, thereby achieving an appropriate work-life balance and a state in which our diverse employees can work with enthusiasm to realize the Epson 25 Corporate Vision.

The program is called "WILL BE" and we will reorganize work.

* Work-Life Balance, Innovation, Liveliness, Enjoy

● General Work Reform Actions

Top management commitment and encouragement of employee awareness

Improving input and increasing output

Organizing working environment

- Key measures
 - Visualize working hours
 - Establish and enforce an eight-hour workday
 - Encourage workers to take scheduled leaves

Increasing work productivity

- Key measures
 - Transfer and hire personnel to reinforce businesses
 - Use IT tools such as Skype for conferences
 - Establish rules for meetings, e-mail, and telephones

General work reform actions

Encourage and enable diversity

- Key measures
 - Promotion of diversity
 - Work-life balance initiatives

Implementing health management

- Key measures
 - Maintaining Mental and Physical Wellbeing

Work Reform Targets

We have set the following work reform targets:

Annual Total Working Hours per Employee

FY2016 Result: 2,001 hours

FY2017 Target: 1,970 hours → Result: 1,971 hours

FY2018 Target: 1,905 hours

Number of Paid Leave Used

FY2016 Result: 12.6 days (use rate of 63.0%)

FY2017 Target: 13.3 days (66.5%) → Result: 14.0 days (70%)

We will aim for increasing the use rate in an effort to reduce annual total working hours in FY2018.

Wages

Epson's wage standards are compliant with the local labor regulations in the countries where we operate. Our standards provide for things such as suitable wages, allowances, and extraordinary pay.

In Japan, for staff members among non-management employees, we have introduced a qualified grade-based system wherein compensation is determined by the employee's job and competencies. For senior staff members, we have a system wherein the compensation is determined by their job, which is given based on their competencies, and the level of roles they are fulfilling. We have a role-based grade system for managers wherein compensation is determined by the size of the person's role. The wage system does not discriminate by gender.

Outside Japan, we have established and we follow rules that are in compliance with all local wage-related regulations governing things such as minimum wages, legal benefits, and overtime. We provide employees, who are paid directly, with pay slips on a certain date for each predetermined pay period.

In countries and regions where employees may legally be subjected to financial penalties for disciplinary reasons, Epson does not prohibit such penalties but allows them as one option, provided that disciplinary procedures and financial penalties do not overstep legal bounds or have an unreasonable effect on the employee's living standard. These are articulated in internal regulations, and employees are apprised of them in advance.

Labor-Management Relations

As a union shop, Seiko Epson requires all regular employees, except those in management or in certain other management-related positions, to join the labor union.^{*1}

A labor-management council forms the basis of the labor-management relationship. Held regularly and as needed, this council is where management explains important management matters to labor union representatives and where the two sides discuss proposed changes to employment conditions. In addition to the labor-management council, Seiko Epson has formed labor-management committees to discuss and solve issues related to things such as working styles, family support, and benefits and wages.

^{*1} Rate of joining the labor union among all regular employees: 85.5%

● 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 pension scheme, 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, 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	Employee cafeterias, employee event subsidies, etc.

Our People

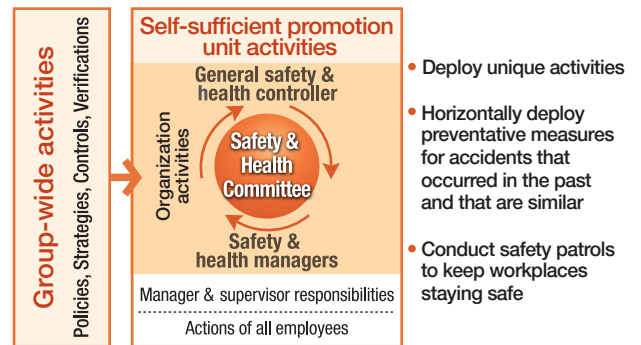
Occupational Safety and Health

Approach to Occupational Safety and Health

Epson believes that providing and maintaining a safe and healthy work environment and promoting physical and mental wellness are the foundation of a healthy company. Accordingly, we have instituted occupational safety and health programs around the world so that Epson's employees and partners can enjoy working as a team in the knowledge that they are safe and secure.

The core component of this effort is the New Epson Safety & Health Program (NESP), established in FY2000. Covering safety, health, fire/ disaster prevention, and facilities, this original Epson program is based on an occupational safety and health management system (OSHMS) that conforms to International Labour Organization (ILO) guidelines. Since that program came into effect, we have enforced the Basic NESP Policy and manage our workplaces with the idea that every workplace is responsible for maintaining its own safety.

● Basic Concept of NESP



[WEB Basic NESP Policy \(Please refer to page 165 of "Appendices"\)](#)

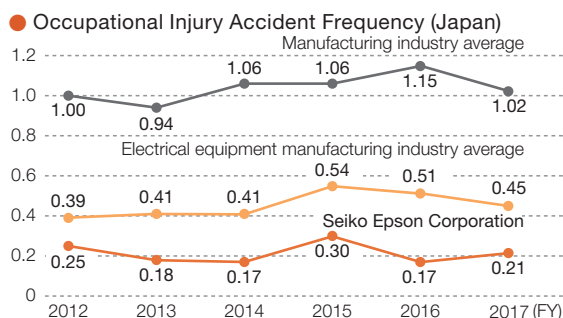
Epson amended the Management Philosophy in 2017 to reflect our commitment to making Epson an indispensable company and the world a better place. As part of these efforts, we ensure that all legal, regulatory, and internal requirements are observed at all sites around the world. We also endeavor to provide safe, secure, healthy workplaces to maintain and promote the mental and physical wellbeing of our people. Understanding that safety, security, and health are lifelines of the company, we are working together under the leadership of management to eliminate occupational accidents, injuries, and illnesses.

Motonori Okumura

Managing Executive Officer, Corporate R&D Division General Administrative Manager, and Overall Safety and Health Controller
(As of September 2018)

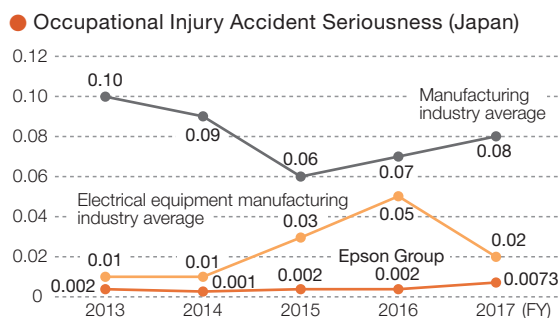
Occupational Accidents

The frequency and severity of occupational accidents in the Epson Group are far lower than those of the national average. We had no serious occupational accidents (accidents resulting in fatalities or permanent disabilities) in the FY2017.



Occupational injury accident frequency: the number of injury accidents per million work hours, where an injury accident is an incident that causes a worker to miss one or more days of work

$$\text{Occupational injury accident frequency} = \frac{\text{Number of injury accidents}}{\text{Total working hours}} \times 1,000,000$$



Occupational injury accident seriousness: the number of injury accidents per 1000 work hours, where an injury accident is an incident that causes a worker to miss one or more days of work

$$\text{Occupational injury accident seriousness} = \frac{\text{Number of working days missed}}{\text{Total working hours}} \times 1,000$$

Occupational Safety and Health Initiatives

Global Sharing of Information on Safety and Health

Epson seeks to improve its safety and health programs around the world by holding regular meetings at our production sites in Japan and overseas to share information and discuss issues at different management echelons.

At the executive management level, the chief operating officers and presidents of Epson companies and sites in Japan and overseas separately gather twice a year for meetings of the General Safety and Health Controllers Committee to update one another about actions being taken and discuss issues to identify opportunities for improvement.

At the operational level, managers and health and safety personnel also meet regularly to share information. In Japan, they meet every other month to discuss important topics and issues. Overseas, in China and Southeast Asia, representatives from each manufacturing affiliate meet regularly to get on the same page with respect to shared issues, discuss key actions to ensure compliance with applicable local legal and regulatory requirements, and drive improvement.



November 2017 meeting for Epson's manufacturing affiliates in China

Supplier Safety Management

To reduce the risk of procurement delays and interruptions due to occupational accidents and fires at suppliers' facilities, Epson manages suppliers based on a supplier safety management manual that specifies Epson's rules. In accordance with the manual, we ask suppliers to review their safety management systems using a prescribed checklist. After assessing the results of their self-review, we conclude a business agreement with suppliers who meet the criteria. If we identify an issue in a supplier, we perform an on-site check, discuss corrective actions with the supplier, and conclude a business agreement if we determine that the situation will be improved. All of our new suppliers have performed this self-review.

Raising Employee Awareness with Safety News

Epson analyzes all occupational injuries and accidents in the Epson Group, identifies causes, and makes plans for preventing similar incidents. Occupational accidents are reported in the form of Safety News bulletins that describe accident causes, countermeasures, and actions that all sites are to take to prevent similar accidents in the future. These reports are placed on the intranet and discussed with employees.

Professional Development through Safety and Health Training

Epson considers safety and health training vital for protecting employees. The training curriculum is tailored to the position, roles, and responsibilities of employees. Training for non-management employees focuses on practical techniques such as risk assessment and hazard prediction. Training for managers and supervisors focuses on management for safety work place. All Group companies use the same training curriculum.

In the FY2017, we offered an online safety and health course that was taken by 17,692 employees (92% of the workforce). We also offered a basic education course for managers and supervisors overseas that was taken by 568 employees in the China territory and 211 in the Southeast Asia territory.



June 2017 NESP leader training (Japan)



October 2017 basic education course for managers and supervisors (Thailand)

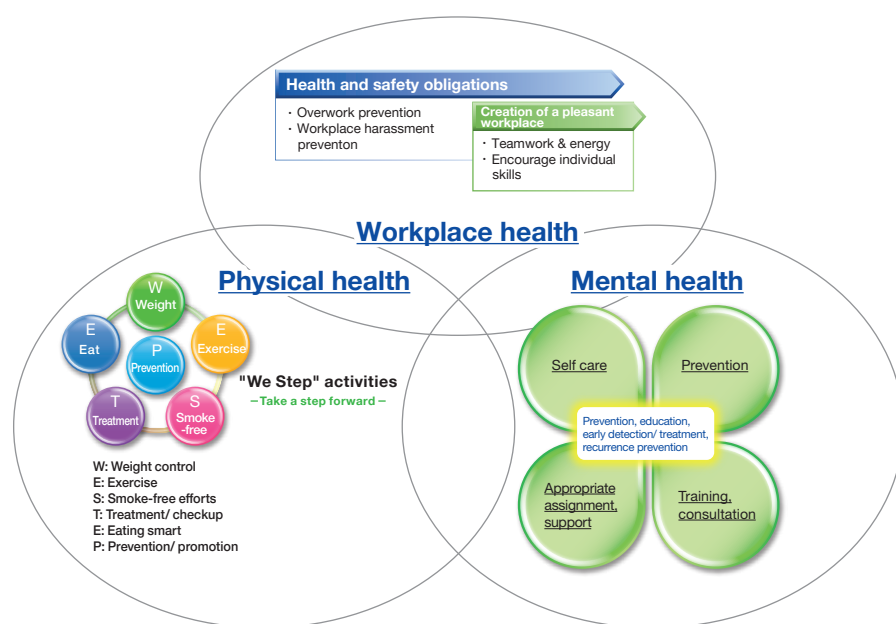
Maintaining Mental and Physical Wellbeing

Maintaining and improving employee health is a key objective of the New Epson Safety & Health Program (NESP).

In Japan, every five years since FY2001 we have instituted a mid-range plan on health. In April 2016 we established our new mid-range plan, Health Action 2020. The basic ideals of Health Action 2020 are to “emphasize safety and improve the working environment” while “fostering employee and workplace independence and autonomy.” Initiatives take place in three focus areas: workplace, physical, and mental health.

Outside Japan, we are working continuously to improve employee health management in ways that fit the situation at each Group company. Occupational health and safety laws vary by country and region, so each overseas affiliate manages employee health based on local law.

● Health Action 2020: Three Key Areas and Actions



Recognized for Health Management Excellence for Two Consecutive Years

In February 2018, Seiko Epson in Japan was recognized for the second consecutive year under the Certified Health and Productivity Management Organization Recognition Program (White 500), in the large enterprise category.

In its second year, the program, which is jointly administered by the Japanese Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi, honors enterprises who work with insurers to promote good health and productivity. Seiko Epson satisfied the criteria for all 21 evaluation items, which including, for example, publicly declaring a health policy, setting concrete targets (plans) for promoting health and preventing overwork, and a program for promoting a balance between the treatment of illness and work.

Epson believes that providing and maintaining a safe and healthy work environment and promoting physical and mental wellness are the foundation of a healthy company. Accordingly, we endeavor so that Epson's employees and partners throughout the world can enjoy working as a team in the knowledge that they are safe and secure. In Japan, every five years since 2001 we have established a mid-range plan on health. Under the current plan, which we introduced in 2016, the company and its health insurance union are emphasizing action to address workplace health, physical health, and mental health.



Mental Health Initiatives

Seiko Epson and its group companies in Japan cite mental health as a key area and have introduced initiatives that are focused on prevention and on fostering strong personal relationships in a vibrant workplace culture.

Training

We have offered ongoing mental health training since 2000. We give group training for new employees, mid-level employees, and others in senior staff positions. Certain online courses have been designed for all employees. Also, employees gather together to read out loud from a mental health textbook. One example of training is “Around 35: Mental Health for the Prime of Your Career.” This course is for employees who are around 35, an age at which their role in the company tends to change and when there tend to be important events in their personal lives. The course helps them to better understand themselves, deal with stress, and maintain their own personal mental health. Between the FY2012 and 2017, 1,973 employees have taken this course, which has been run a total of 161 times.

Consultation System

Our business sites have health management offices, where medical professionals (occupational physicians, nurses, and clinical psychologists) offer employees advice on mental and physical health issues. Industrial counselors are on duty in our employee counseling offices. They provide all types of advice as well as career counseling to help employees achieve self-realization and chart their careers.

Stress Checks

Since 2004, all employees undergo an occupational stress evaluation when they take their annual physical examination. Medical professionals and industrial counselors follow up with employees found to be highly stressed. The primary purpose is to help employees manage their stress. This evaluation facilitates early detection and early treatment of mental health issues.

From December 2015 amendments to Japan’s Industrial Safety and Health Act require certain employers to offer stress checks to employees. In response, we revised the content of our evaluation to meet the new legal requirements and enacted a Group standard for the stress check system, which is overseen by the safety and health committees of domestic Group companies and sites. Seiko Epson began implementing stress checks in line with this standard in 2016. In 2017, stress checks were conducted at all Group companies and sites in Japan. The results were analyzed and each department received a report of its own results.

Recurrence Prevention

Employees whose mental health troubles have caused them to take time off from their jobs can benefit from our back-to-work program. Since FY2007, the program has helped smooth the transition back to the workplace and avoid recurring troubles. Depending on their situation, employees may meet with medical professionals and industrial counselors, working with them as a team to plot their approach. Moreover, the employee’s primary care physician, workplace manager, and human resources department work together closely to provide better support. In FY2016 we updated the back-to-work program and extended the maximum length of leaves of absence due to personal injury or illness from 18 months to 30 months so that employees can focus on recovery and recuperation.

Passive Smoking Initiative

Seiko Epson wants to provide a clean, smoke-free working environment for all and has been instituting policies to protect employees from risks associated with both active and passive smoking. All smoking areas at our sites in Japan were moved outdoors by the end of the FY2016. In April 2017, we began phasing out smoking during working hours at all Group companies in Japan. In April 2018, we completely banned all smoking during working hours.

We have been helping employees to quit smoking by offering professional counseling and subsidies that cover outpatient medical treatment.



Emerging Infectious Diseases Prevention

Epson considers infectious diseases to be a serious global business risk. To eliminate disease-related plant closures, we have been taking action since 2009 to ensure that our people are alert to infectious diseases and that they practice measures to prevent their spread in the workplace. In 2017, we stepped up our inspection and improvement programs at our overseas manufacturing companies to prevent the spread of infectious diseases such as tuberculosis, malaria, and Middle East respiratory syndrome (MERS).

Epson Group companies around the world maintain their own business continuity plans (BCP) to control risks associated with emerging infectious diseases. These BCP are tailored to their specific needs and serve not only to protect their employees but to minimize harm and ensure the continuity of business operations.

Standard Life-saving Training

Seiko Epson provides first aid training in Group companies in Japan to prepare personnel to provide effective first aid and care in a medical emergency involving cardiopulmonary arrest. Executives and other personnel have been given hands-on training in cardiopulmonary resuscitation (CPR) and the use of automated external defibrillators (AED). As of the end of March 2018, approximately 11,500 employees (63%) had received training.



Fire and Disaster Prevention

Epson is committed to fire safety and disaster management. Our independent fire brigades help to protect lives and property. Epson Disaster Prevention Day falls on the last work day of each August. We hold fire and disaster drills and practice extinguishing small fires to help minimize damage in the event of a wide-scale disaster. The actions both increase our preparedness and heighten employee awareness.

Formation of Independent Fire Brigades

Epson has had independent fire brigades in place for 63 years. The first brigade was formed in 1955, with 15 employees dedicated to protecting their factory from fire. As our business has grown, so has the number of fire brigades. There are now approximately 900 employee firefighters active at business sites in Japan and at facilities around the world. Fire brigades train year-round to protect life and company property.



Members of the Group's first independent fire brigade (1955)

Purpose and Significance of Independent Fire Brigade Initiatives

- Regular training teaches members about firefighting techniques and skills and raises their safety awareness so they can take immediate and proper action in an emergency. This is part of company safety education.
- Initiatives help employees take the lead during fire or natural disasters. Members help to ensure personal safety (relief work) and minimize damage to facilities and equipment (initial fire-fighting).
- Employees who learn about safety and firefighting techniques and skills become key members of the workplace to instruct others there. They model fire/ disaster prevention and safety for all employees, which raise workplace awareness of the same.
- Initiatives to fight fire enhance communication. Fire brigades are a good place to foster friendships between members from different departments, develop character, and cultivate human resources.

Fire Brigade Competitions

Epson has held a fire brigade competition annually in September for the past 31 years. The competition gives brigade members a chance to demonstrate the skills they sharpen through training. President Minoru Usui and other corporate officers were on hand to watch the 750 participants compete this year, in what was the largest competition to date. A total of 43 teams participated, including 16 from overseas Epson Group companies. After finishing their events, winning team members expressed joy while others shed tears of disappointment. The high level of fire safety awareness was evident from the seriousness with which the teams competed, showing that the spirit under which the brigades were first formed is alive and well. Epson has large production lines in Japan and at sites around the world. A fire at any one of them could have a devastating impact, interrupting the supply of products and business continuity. This makes it essential to maintain and sharpen the ability of our fire brigades to fight fires in the early stages. The entire Epson Group will continue to improve our fire and disaster prevention and management programs.



Members of a ladies' indoor fire hydrant team changing places while maintaining the trajectory of the water



A men's small pump team in action

Organizational Governance

Corporate Governance

Corporate Governance

Epson strives to continuously strengthen corporate governance to ensure transparent, fair, timely and decisive decision-making so as to achieve the goals declared in the Management Philosophy, to promote sustainable growth, and to increase corporate value over the long-term. Toward this end, we have appointed multiple outside directors. We have also established a Director Nomination Committee and a Director Compensation Committee to serve as discretionary advisory bodies for the Board of Directors.

Epson will continue to enhance the effectiveness of its corporate governance by further improving the supervisory function of the Board of Directors and by enhancing discussions at board meetings, as well as by speeding up decision-making in management as a company with an Audit & Supervisory Committee.

Principles of Corporate Governance

1. Respect the rights of shareholders, and secure equality.
2. Keeping the interests of shareholders, customers, communities, business partners, employees and other stakeholders in mind, work in an appropriately cooperative manner with them.
3. Disclose company information as appropriate and ensure transparency.
4. Directors, Executive Officers, and Special Audit & Supervisory Officers shall be aware of their fiduciary responsibilities and shall fulfill the roles and responsibilities expected of them.
5. Epson shall engage in constructive dialogue with shareholders.

Corporate Governance Structure

Seiko Epson ("the Company") has established itself as a company with an Audit & Supervisory Committee with the aim of strengthening the supervision and monitoring of management and of speeding up decision-making by separating the management supervision and execution of operations.

The main corporate management bodies and their aims are described below.

Board of Directors

The Board of Directors, with a mandate from shareholders, is responsible for realizing efficient and effective corporate governance, through which the Company will accomplish its social mission, sustain growth, and maximize corporate value over the medium and long terms. To fulfill its responsibilities, the Board of Directors supervises general operations to ensure that operations are fair and transparent. The Board of Directors also makes decisions on important business affairs of the Company, such as decisions on the formulation of important business matters, such as the establishment of management plans and business plans and decision on investment projects that exceed a certain fixed amount of money.

The Board of Directors is composed of 12 directors, including five Outside Directors. Meetings of the Board of Directors are, as a rule, held once per month and as needed. The Board of Directors makes decisions on basic business policies, important business affairs, and other matters that the Board of Directors is responsible for deciding as provided for in internal regulations. Business affairs that the Board of Directors is not responsible for deciding are delegated to executive management, and the board monitors these. The Company is speeding up business decision-making as a company with an Audit & Supervisory Committee. To increase the agility of business, the scope of business affairs delegated by the Board of Directors to executive management has been expanded, so that the Board of Directors focuses only on the most important measures. The Company has further improved the supervisory function of the Board of Directors by specifying in the Corporate Governance Policy that at least one third of the members of the board should be Outside Directors.

Audit & Supervisory Committee

The Audit & Supervisory Committee, with a mandate from shareholders, is responsible for independently and objectively auditing and monitoring the execution of Director duties and for ensuring the sound and sustained growth of the Company. The Audit & Supervisory Committee establishes criteria for properly evaluating potential External Financial Auditors. After selecting External Financial Auditors, the Audit & Supervisory Committee verifies whether External Financial Auditors possess the necessary independence and expertise. In addition, the Audit & Supervisory Committee conducts audits in cooperation with internal audit departments and Financial Auditors.

The Audit & Supervisory Committee is composed of four Audit & Supervisory Committee members, three of whom are Outside Directors. It is chaired by a full-time member of the Audit & Supervisory Committee. Meetings are generally held once per month and as needed.

Compliance Committee

The Compliance Committee hears and discusses important matters concerning the Company's compliance program in order to supervise whether the compliance program is being properly implemented along the executive line. It reports its findings and offers opinions to the Board of Directors.

As an advisory body to the Board of Directors, the Compliance Committee is composed of Outside Directors and Directors who are Audit & Supervisory Committee members. It is chaired by the full-time member of the Audit & Supervisory Committee, and meetings are held once every six months and as needed.

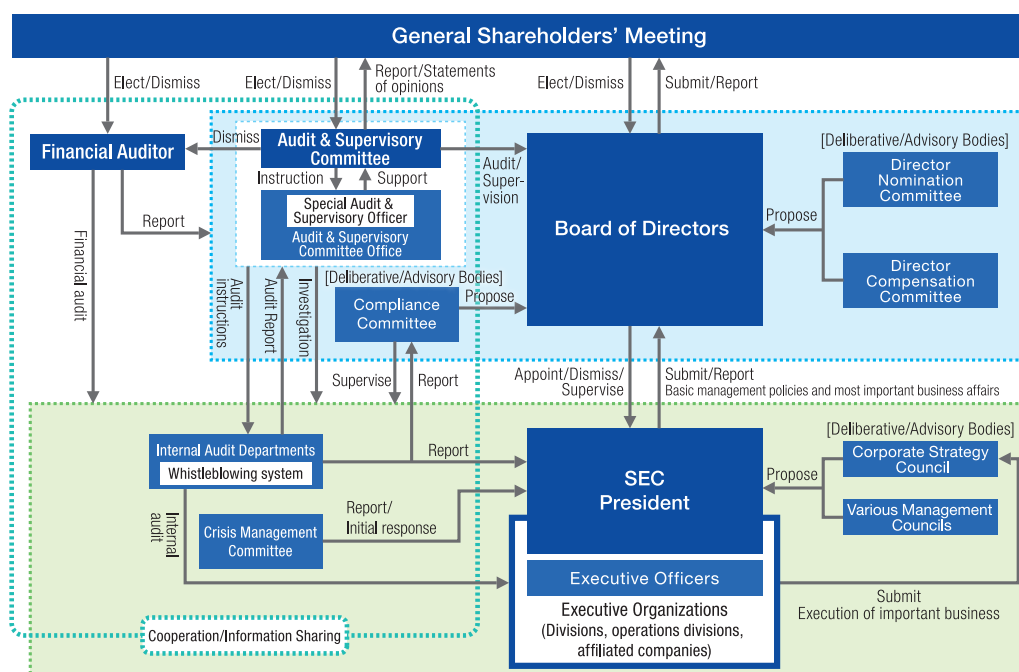
A Chief Compliance Officer ("CCO") is chosen by the Board of Directors to oversee and monitor the execution of all compliance operations. The CCO periodically reports the state of compliance affairs to the Compliance Committee.

Director Nomination Committee & Director Compensation Committee

A Director Nomination Committee and a Director Compensation Committee, in which Outside Directors make significant contributions, serve as advisory bodies to the Board of Directors. The purpose of these committees is to ensure the transparency and objectivity of selections for Director, Executive Officer, and Special Audit & Supervisory Officer, as well as their compensation. Outside Directors comprise the majority of both committees, which also include the Representative Director/President and the Director in charge of human resources. Directors who are full-time members of the Audit & Supervisory Committee can attend meetings of either Committee as observers.

Corporate Strategy Council

The Corporate Strategy Council is an advisory body to the President. It was created to help ensure that the right decisions are made based on the advice and views of executive management. Meetings of the Corporate Strategy Council are held to discuss important matters that affect the entire Epson Group and matters brought up before the Board of Directors. The Corporate Strategy Council is composed of Directors, Executive Officers, and Special Audit & Supervisory Officers.



Policies and Procedures for Determining Compensation of Officers

With an aim to ensure transparency and objectivity, compensation of officers is determined by the General Meeting of Shareholders, the Board of Directors or Audit & Supervisory Committee after going through a fair, transparent, and rigorous reporting by the Director Compensation Committee in which Outside Directors make significant contributions.

Policies:

(Compensation for Officers who have executive duties)

1. Compensation shall be incentive to improve business performance in order to increase corporate value in both the near and long terms.
2. Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.
3. Compensation shall be commensurate with the business performance so that they can demonstrate their management capabilities to the fullest during their terms of offices.

(Compensation for Officers who do not have executive duties)

1. The composition of compensation shall guarantee independence so that these Officers can suitably demonstrate their general management supervisory function, etc.
2. Compensation shall be sufficient to secure qualified persons both from within the Company and from outside.

Procedures:

Officer compensation shall consist of the following components: basic compensation, bonuses, and stock compensation.

1. **Basic compensation** Monetary compensation that is paid monthly in an amount decided by taking into account all factors such as the Officer's position and responsibilities.
2. **Bonuses** Monetary compensation that is paid once per year in an amount decided in accordance with considerations such as the levels of achievement with respect to annual operating performance targets, etc.
3. **Stock compensation** Stock-based compensation system wherein Company shares are delivered using a trust scheme, based on share delivery points awarded in accordance with considerations such as the levels of achievement with respect to the mid-to long-term operating performance targets.

Compensation to Directors (Fiscal year ended March 2018)

(Millions of yen)

Category	Number of individuals (Persons)	Fixed compensation	Variable compensation			Total
		Base compensation		Bonuses	Stock compensation	
Directors who are not Audit & Supervisory Committee Members (of which, Outside Directors)	8 (2)	239 (28)	9 (-)	89 (-)	35 (-)	373 (28)
Directors who are Audit & Supervisory Committee Members (of which, Outside Directors)	4 (3)	81 (48)	- -	- -	- -	81 (48)
Total	12	321	9	89	35	454

Notes

- The base compensation for Directors who are not Audit & Supervisory Committee Members (excluding Outside Directors) consists of fixed compensation and variable compensation. Of which, variable compensation refers to the monetary compensation that reflects the results of annual performance evaluations based on criteria set according to their respective roles.
- The Company has introduced an officers' shareholding association system to link compensation more closely to shareholders' value. A portion of the base compensation is discretionally allotted for the acquisition of the Company's shares.
- Upon the resolution at the Ordinary General Meeting of Shareholders of June 28, 2016, the maximum base compensation was set to at 62 million yen per month for Directors who are not Audit & Supervisory Committee Members (including 10 million yen per month for Outside Directors) and at 20 million yen for Directors who are Audit & Supervisory Committee Members.
- Upon the resolution at the Ordinary General Meeting of Shareholders of June 27, 2018, the amount above includes bonuses to be paid to Directors in the amount of 89 million yen (amount to be paid to five Directors excluding Outside Directors and Directors who are Audit & Supervisory Committee Members).
- The Company introduced a performance-linked stock compensation plan (stock compensation) by employing a framework referred to as the officer compensation BIP (Board Incentive Plan) trust, for the purpose of showing its commitment to promoting sustainable growth and increasing its medium to long-term corporate value, in addition to strengthening the sense of sharing common interests with its shareholders.
- The number of individuals above includes one Director who is not Audit & Supervisory Committee Member who retired at the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2017.
- Stock options are not granted.

Policy and Independence Criteria for Appointing Directors

Policy for Appointing Directors

- Officers must be impartial and possess high integrity and ethical standards.
- Outside Directors must satisfy criteria concerning the independence of Outside Directors in order to guarantee their independence. The Board of Directors established "Criteria for Independence of Outside Directors."

Procedures for Appointing Directors

- After passing a fair, transparent, and rigorous screening and reporting by the Director Nomination Committee, Executive Director candidates and Executive Officers are selected by the Board of Directors in addition to the foregoing policy and on nomination criteria, such as broadness of insight, extensiveness of experience, sense of mission, sense of responsibility, leadership, and the ability to drive change.
- The Director Nomination Committee screens Non-Executive Director candidates and Special Audit & Supervisory Officers in a fair, transparent, and rigorous screening in line with the foregoing policy and on the basis of nomination criteria, including but not limited to broadness of insight, extensiveness of experience, sense of mission, sense of responsibility, management knowledge and specialized knowledge. The Director Nomination Committee reports its opinions to the Board of Directors, which finalizes the selections. The consent of the Audit & Supervisory Committee is required for nominating Director candidates who are Audit & Supervisory Committee Members and for appointing Special Audit & Supervisory Officers

Criteria for Independence of Outside Directors

The Company has established the criteria below to objectively determine whether potential Outside Directors are independent.

1. A person is not independent if:

1. The person considers the Company to be a major business partner¹, or has served as an executive² within the past five years in an entity for which the Company is a major business partner;
2. The person is a major business partner³ of the Company or has served as an executive within the past five years in an entity that is a major business partner of the Company.
3. The person is a business consultant, certified public accountant, or lawyer who has received a large sum of money or other forms of compensation⁴ (other than remuneration as an officer) from the Company or has, within the past three years, performed duties equivalent to those of an executive as an employee of a corporation or group, such as a union, that has received a large sum of money or other forms of compensation from the Company;
4. The person is a major shareholder⁵ of the Company or has, within the past five years, been an executive or Audit & Supervisory Board Member of an entity that is a major shareholder of the Company;
5. The person is an executive or Audit & Supervisory Board Member of an entity in which the Company is currently a major shareholder;
6. The person is a major lender⁶ to the Company or has been an executive of a major lender to the Company within the past five years;
7. The person has been employed by an auditing firm that has conducted a legal accounting audit of the Company within the past five years;
8. The person has been employed by a leading managing underwriter of the Company within the past five years;
9. The person has received a large donation⁷ from the Company or, within the past three years, has performed duties equivalent to those of an executive as an employee of a corporation or a group, such as a union, that has received a large donation from the Company;
10. The person came from an entity that employs someone from the Company as an Outside Director; or
11. A spouse or relative within the second degree of kinship of a person having the interests listed in (1) through (9) above.

2. Even if any of the foregoing criteria apply to a potential Outside Director, the Company can elect that person as an Outside Director if that person satisfies the requirements for Outside Directors set forth in the Companies Act, and the Company deems the person suitable as an Outside Director of the Company in light of his or her personality, knowledge, experience, or other qualifications upon explaining and announcing the reasons thereof.

Notes

¹ A person (usually a supplier) considers the Company to be a major business partner if 2% or more of its consolidated net sales (consolidated revenue) has come from the Company in any fiscal year within the past three years.

² "Executive" means an executive officer, executive director or operating officer, or an employee occupying a senior management position of department manager or higher.

³ A person (usually a buyer) is a major business partner if 2% or more of the Company's consolidated revenue has come from that partner in any fiscal year within the past three years.

⁴ "A large sum of money or other forms of compensation" means an average annual amount for the past three years that is:

- I. no less than 10 million yen for an individual; or
- II. no less than 2% of the annual revenues in any fiscal year for a group.

⁵ "Major shareholder" means a shareholder who directly or indirectly holds 10% or more of the voting rights.

⁶ "A major lender" means a financial institution or other major creditor that is indispensable for the Company's financing and on which the Company depends to the extent that it is irreplaceable in any fiscal year within the past three years.

⁷ "Large donation" means a donation whose annual average amount for the past three years exceeds either:

- I. 10 million yen or
- II. 30% of the annual expense of the group, whichever is higher.

Reason for Appointed as Outside Directors, and Attendance at Meetings of the Board of Directors

Name	Reason for Appointment	Attendance at meetings of the Board of Directors
Hideaki Omiya	<p>Mr. Omiya has served as a Chairman of the Board of Mitsubishi Heavy Industries, Ltd. and has a wealth of experience and insight as a corporate manager and engineer.</p> <p>He has monitored corporate management by expressing opinions actively including findings and proposals regarding overall managerial issues from a perspective of a corporate manager well-versed in the global corporate management in the heavy industry, a difference business field.</p> <p>We have appointed him as an independent Outside Director with the expectation that he will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium-to long-term.</p>	12 / 13 meetings (92.3%)
Mari Matsunaga	<p>Ms. Matsunaga has created new business models and has a wealth of experience and considerable insight through her involvement in the management of multiple companies as Outside Officers. She has monitored corporate management by expressing actively opinions including findings and proposals regarding managerial issues from the viewpoints of collaboration with external parties and human resources strategy, etc.</p> <p>We have appointed her as an independent Outside Director with the expectation that she will monitor corporate management appropriately aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p>	13 / 13 meetings (100%)
Michihiro Nara	<p>Mr. Nara has a high level of expertise as an attorney. He has considerable insight and experiences through his involvement in the management of multiple companies as an independent outside officer and achievements as an Outside Director who is Audit & Supervisory Committee Member of the Company. We have appointed him as an Outside Director who is Audit & Supervisory Committee Member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p>	13 / 13 meetings (100%)
Chikami Tsubaki	<p>Ms. Tsubaki has a high level of expertise as a certified public accountant. She has a considerable insight and experiences through her involvement in the management of multiple companies as an independent outside officer, and achievements as an Outside Director who is Audit & Supervisory Committee Member of the Company. We have appointed her as an Outside Director who is Audit & Supervisory Committee Member with the expectation that she will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p>	13 / 13 meetings (100%)
Yoshio Shirai	<p>Mr. Shirai has served as Directors at Toyota Motor Corporation, Hino Motors, Ltd. and Toyota Tsusho Corporation, and has considerable insight and a wealth of experience as a corporate manager, and achievements as an Outside Director who is Audit & Supervisory Committee Member of the Company. We have appointed him as an Outside Director who is Audit & Supervisory Committee Member with the expectation that he will appropriately supervise and contribute to the soundness of the Company's management aimed at achieving sustainable growth and improving the Company's corporate value over the medium- to long-term.</p>	13 / 13 meetings (100%)

Policy of Training of Officers

Training of Internal Directors, Full-Time Audit & Supervisory Committee Members, Executive Officers, and Special Audit & Supervisory Officers

Training shall be provided to new appointees so that they acquire the knowledge, including about corporate governance that they will need as officers of a publicly listed company. The Company will invite businesspeople, lawyers, and other outside professionals to provide ongoing management, compliance, and other training to these officers after they assume their posts. They shall also seek to acquire the knowledge they need to fulfill their individual roles and responsibilities, and toward that end will undergo training appropriate for their roles at outside institutions.

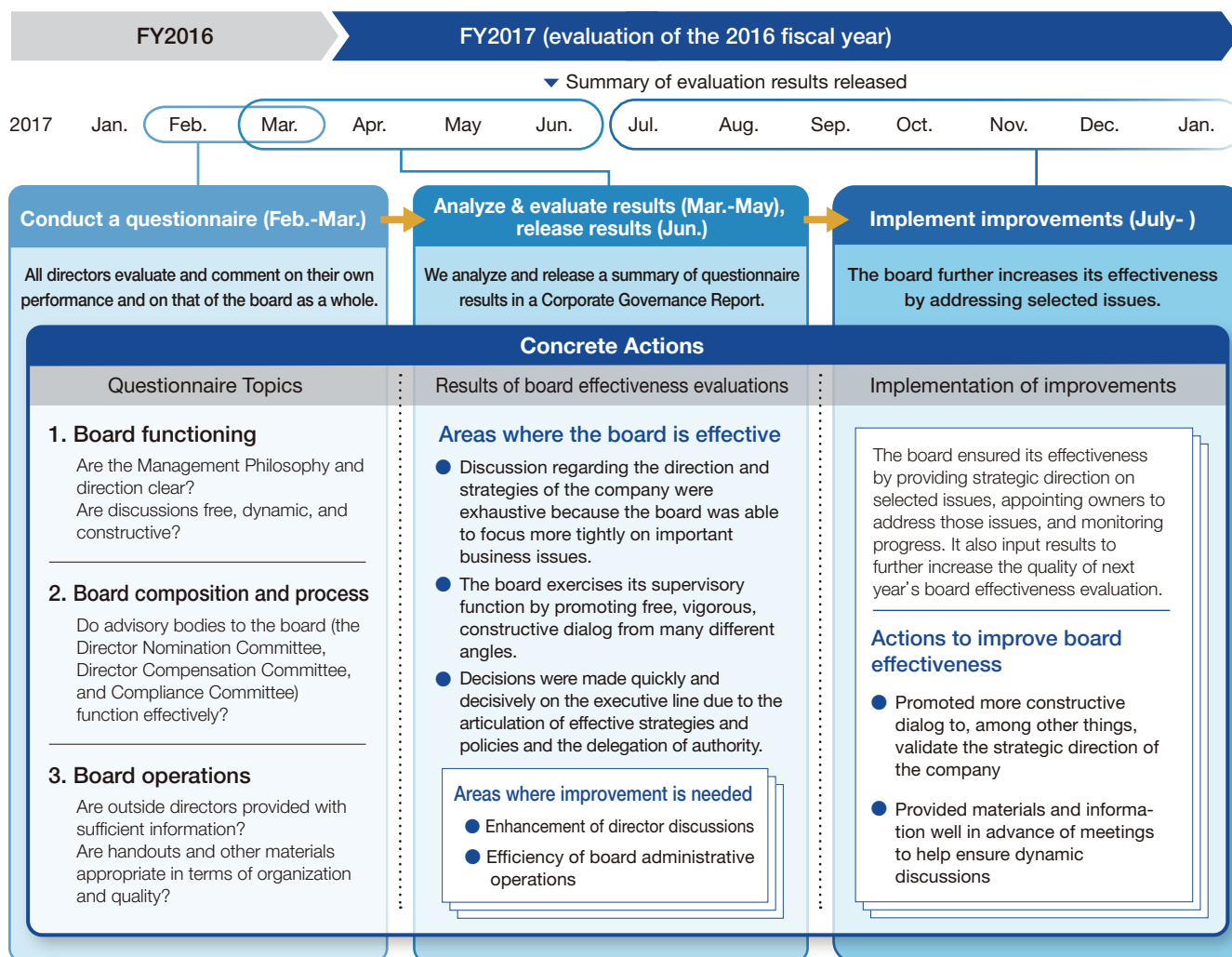
Training of Outside Directors

The Company will explain Epson's businesses, strategies and the like to new appointees. To enable them to deepen their understanding of Epson's businesses, strategies, and the like after they assume their posts, Epson will provide ongoing learning opportunities. Epson will, for example, have the heads of the various businesses explain their operations, take the Outside Directors on tours of Epson's various offices and sites, and support their efforts to acquire the knowledge they will need to execute their roles and responsibilities.

Actions to Ensure Board Effectiveness

Seiko Epson seeks to continuously enhance the effectiveness of its board of directors pursuant to its Corporate Governance Policy. Toward this end, Seiko Epson has been analyzing and evaluating the effectiveness of its board of directors every year since FY2015 based on a self-evaluation questionnaire that all board members were asked to complete.

Evaluation Process



FY2018 Evaluation Results (Results Released in June 2018 for the 2017 Fiscal Year)

In FY2018, to make the evaluation more objective, we asked an independent firm to evaluate and provide feedback about each step in the process, from creating the questionnaire to analyzing and evaluating the answers.

Evaluation topics	(1) Board composition, functioning, and operation (2) The function of the Audit & Supervisory Committee (3) The function and operation of advisory bodies to the board (4) Management team evaluation, compensation, and succession planning (5) Dialog with shareholders (6) Other
Summary of results	<p>The board of directors as a whole was found to be functioning effectively, as was the case in fiscal 2016. The board is of an appropriate size and diversity, the members engage in constructive debate and exchange of ideas under the fair and efficient operation of the chairman of the board, and authority is delegated appropriately by the board to the management team.</p> <p>At the same time, it was noted that there are opportunities to further enhance board effectiveness by, for example, strengthening policies and systems for better mirroring the opinions expressed in constructive dialog with shareholders and by reinforcing the risk management in respect of the business strategy.</p> <p>We will strive to further improve the effectiveness of the board by addressing these opportunities going forward.</p>

Organizational Governance

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. Epson takes actions to steadily improve internal control across the entire Epson Group.

Group Governance

The Epson Group is managed based on the concept: global consolidated responsibility of product-based divisions; and global responsibility of the Head Office supervisory functions. The head of the business operations divisions take the responsibility for the business execution systems of subsidiaries, and the head of Head Office supervisory sections take the responsibility for Group-level corporate functions. With this system, Epson strives to streamline operations throughout the Epson Group, including subsidiaries.

Compliance and Risk Management

Seiko Epson has transitioned to a company with an Audit & Supervisory Committee after receiving approval for the move at its June 2016 general shareholders' meeting. The company revised the composition of its Compliance Committee and the role of its Chief Compliance Officer (CCO) in conjunction with this change.

Under the current organization, the Compliance Committee, which acts as an advisory body to the Board of Directors and is chaired by a Full-Time Audit & Supervisory Committee Member, discusses important compliance activities, reports and proposes compliance affairs to the Board of Directors, and supervises business affairs. The CCO supervises and monitors the execution of all compliance operations, and periodically reports the state of compliance affairs to the Compliance Committee. In addition, a compliance control department and a risk management department 1) monitor compliance in general, making corrections and adjustments as necessary, and 2) take action to mitigate risks by regularly monitoring risks and overseeing risk management activities.

Meanwhile, the Corporate Strategy Council, an advisory body to the president, strives to ensure the effectiveness of compliance and risk management by deliberating important matters related to compliance and risk management from various angles. When major risks become apparent, the president leads the entire company in mounting a swift initial response in line with the Company's prescribed crisis management program. The president periodically reports the state of compliance affairs and important risk management affairs to the Board of Directors and, when needed, takes measures to respond to issues.

Epson is committed to maintaining effective whistleblower systems and has installed internal and external compliance hotlines and other advisory and support services to facilitate the reporting of potential compliance issues. We have also provided reporting channels for use by our business partners, to quickly catch any potential compliance problems that could go undetected internally.

Counseling and Support Services

- Epson Helplines
- Harassment counseling
- Counseling related to overwork and long working hours
- Counseling for persons with disabilities
- Insider trading advisory service
- Antitrust (antimonopoly) advisory service
- Corruption (bribery) regulations advisory service
- Employee counseling

Internal Audits

Epson's internal audit departments audit a total of 103 business units around the world, including operations divisions in Japan, 56 overseas subsidiaries, and 14 domestic subsidiaries. Audits are used to check compliance and the effectiveness and efficiency of their risk management, internal controls, and management methods. If issues are found, the Audit Office helps minimize business risks by conducting a follow-up audit to check the status of improvements. To ensure effective Group governance, the Office also centrally oversees internal audits conducted by auditors at regional headquarters in Europe, the Americas, China, and Southeast Asia.

Business units come up for audit once every three years based on the Audit Office's mid-range audit plan. In the FY2017, the Audit Office performed 33 operational audits and 26 information system audits of Epson business units, and provided them with advice on correcting 187 items that required improvements.

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.

Organizational Governance

Initiatives of Internal Control

International Trade Initiatives

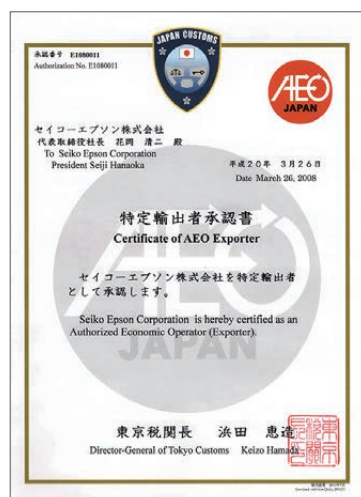
Epson is a multinational corporation with production centers, sales centers, customers, and business partners around the world. Smooth international trade operations are essential for delivering Epson products and services to customers in a timely manner.

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

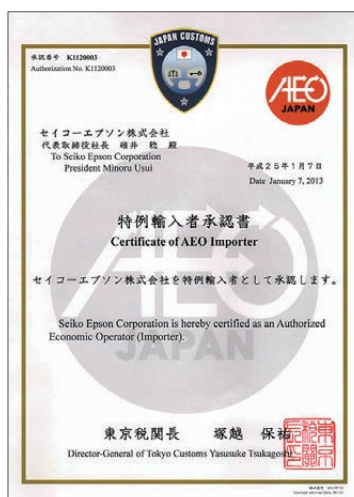
To maintain compliance with these and to ensure smooth trade, Epson has established comprehensive systems and processes that have enabled Group companies to earn certification from the relevant authorities for compliance with international trade programs. (See the table below.)

● Certifications

Company	Program (certifying agency)	Program overview
Seiko Epson Corporation	Special general bulk export license (Ministry of Economy, Trade and Industry)	The program grants a blanket license to export certain items (or provide certain information) to certain destinations without an individual application if an export control system is found to be in place.
Seiko Epson Corporation	Authorized exporter (Ministry of Finance, Tokyo Customs)	The program enables certified parties to get export permission even if goods are not brought into a bonded facility, etc., if an export security control and compliance system is found to be in place.
Seiko Epson Corporation	Authorized importer (Ministry of Finance, Tokyo Customs)	The program enables certified parties to separate import declarations from tax declarations and accept goods before filing a tax declaration if an import security control and compliance system is found to be in place.
Epson America Inc. Epson Portland Inc.	Customs-Trade Partnership Against Terrorism (C-TPAT) (US Customs)	The program is designed to strengthen security of goods imported to the US and security of import channels to the US.



Certificate of AEO Exporter



Certificate of AEO Importer

Compliance Program

Epson has a comprehensive program for instilling compliance awareness.

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.

Compliance Month

October has been Compliance Month throughout the Epson Group since 2009. We use this month as an opportunity to remind ourselves of the importance of compliance in achieving the Management Philosophy and to communicate Epson's compliance policies as an organization. The Compliance Month activities are designed to raise awareness of compliance based on the Management Philosophy and Principles of Corporate Behavior.

A variety of actions are taken during the month. For example, Epson's Chief Compliance Officer and the heads of Epson divisions and subsidiary companies issue compliance messages. A special article on compliance is published in the company newsletter. Action is taken to communicate and promote understanding of the Principles of Corporate Behavior, and personnel receive compliance training.

After Compliance Month ends, we look to improve the activities for the next year by conducting a survey to find out what kind of actions were taken by each organization and about any compliance concerns people may have in Epson. We also ask for opinions and suggestions about activities. Survey responses are totaled and analyzed, and used for future activities.

Business Continuity Management

Epson has a solid business continuity management program in place. For many years we have taken action to prevent and manage disasters, but the program really got started in 2006, when we formulated a business continuity plan (BCP) for what was then our liquid crystal displays business.

If a disaster or some other event impacts business at an Epson Group production site, our first priority is to ensure the safety of our employees. Next, we take steps to ensure continuity of the product supply so as not to inconvenience our customers. In order to provide a steady supply of products, particularly consumables and core components such as quartz and semiconductor devices, print heads, and small liquid crystal panels, we have preparations in place that allow us to limit damage, secure repair parts, switch to alternative producers, and restore operations in line with established procedures. We conduct exercises to check our procedures and ensure their effectiveness. Mission-critical IT systems and critical data that are essential for business continuity are consolidated in a robust data center, and backups are at the ready in the event of a disaster. We have secured multiple distribution routes to enable us to immediately switch to alternative routes in response to any disruption in international shipping and transport. In addition, our finance, accounting, public relations, and other key corporate functions have established BCPs so that business can continue in emergencies.

Meanwhile, we ask the companies that make up our supply chain to strengthen their BCPs, and we check to see how established those BCPs are. We analyze the items we purchase, and we develop multiple sources for those that are most important. When we cannot secure multiple sources, we keep an inventory of goods on hand or try other means to ensure continuous production in the event that something should happen to a supplier.

Every business and site in the Epson Group will continue to refine its BCP to ensure that it has the resilience to withstand threats to business continuity going forward.



Tabletop exercise for earthquake



Checking the restoration procedure of the production line in a clean room

Tax Compliance Policy

Epson seeks to fulfill its corporate social responsibility by paying appropriate taxes in compliance with the tax laws in the countries and regions where it operates. In accordance with this basic policy on taxes, we are taking the actions below to maintain and improve tax compliance.

1. Tax governance

- The Board of Directors is responsible for overseeing tax risk, and Epson's Chief Financial Officer is the responsible official of Group tax affairs. The group that is in charge of tax affairs reports and manages taxes is under the supervision of the Chief Financial Officer.
- Epson considers tax risk to be an important risk, and regularly reports such risks to the board of directors and the Corporate Strategy Council, which is composed of directors of the company.
- Employees are trained in the tax-related regulations and business process standards that Epson has established to ensure that it properly fulfills its tax obligations. We conduct periodic internal tax audits and report the findings to top management and to the Audit & Supervisory Committee.

2. Monitoring tax affairs

- We appropriately respond in a timely manner to changes in local tax systems and taxation trends through regular reporting among the group that is in charge of tax affairs and Epson's local subsidiaries.
- We enlist the support of tax accounting firms and other external experts for advice on taxes and for tax support in each country and region.

3. Tax planning and Tax avoidance

- Around the globe, we strive to effectively use preferential taxation systems where possible in our normal business activities to ensure a suitable tax burden.
- We do not transfer value created to low tax jurisdictions, and do not use tax structures intended for tax avoidance without the spirit of the law.

4. Dealing with uncertainty

- Tax risk uncertainty is expected to increase as countries and regions around the globe strengthen their tax reporting obligations, tax audits, and tax enforcement. Epson controls tax risks by identifying situations that could potentially pose serious tax risks.

5. Transfer pricing taxation

- Epson complies with local tax laws and OECD guidelines to control transfer pricing tax risks. We have established transfer pricing guidelines for the Epson Group to help ensure appropriate transfer pricing transactions. In line with these transfer pricing guidelines, we control the profitability range of our global subsidiaries to ensure that transactions are made at arm's length.
- We use an advance pricing arrangement (APA) for transactions with subsidiaries in high-risk countries.

6. Anti-tax haven rules (also known as Japanese Controlled Foreign Company rules, or "CFC")

- Epson sets up foreign subsidiaries to carry out its ordinary business activities, but does not do so in "tax haven" jurisdictions to avoid taxes. When anti-tax haven rules apply, Epson properly files and pays taxes.

7. Relationships with tax authorities

- Epson strives to work in good faith with tax authorities and to maintain and improve good tax corporate governance.

Organizational Governance

Security

Epson, in a code of conduct called “Principles of Corporate Behavior,” states “We protect the safety and security of people and company assets, and we exercise strict care in the management of all information.” The company has put in place a system for ensuring the security of employees and visitors. Employees recognize the importance of security and follow good security practices. The company’s assets (financial, tangible, intellectual, brand, information, and other assets) are properly managed, and the assets of other parties are respected. Epson strictly controls personal data and confidential information to prevent leaks.

Information Security

Epson has set forth essential information security principles and rules in a Basic Information Security Policy. The company is building an information security governance framework and fostering a corporate culture that reflects the importance and principles of good information security practices.

 [Basic Information Security Policy \(Please refer to page 167 of “Appendices”\)](#)

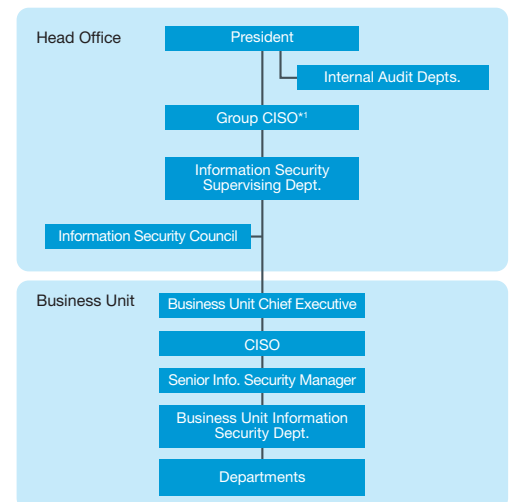
Epson’s various business units build and maintain their own information security systems based on Group-wide rules. We assess the systems and controls of each business unit, and we check whether information security risks are being managed effectively. Group-wide rules and policies established by Group companies were overhauled in April 2017 to remind employees about information that needs to be protected and to help ensure that the proper practices are being followed. The senior information security managers of the business units meet regularly to share knowledge and information and to track progress.

In addition, the Seiko Epson Printing Solutions Operations Division and IT Division, along with Epson Avasys Corporation, have earned ISO 27001-compliant Information Security Management System (ISMS) certification. They, along with the rest of the Epson Group, continuously seek to improve the systematic management of information security.

In Japan, Epson has designated July as Information Security Awareness Month. Every year during the month, domestic Epson Group companies conduct special programs to educate employees about information security. In the FY2017 and 2016, we used Information Security Awareness Month to remind employees about the importance of information security. Middle managers were given special training, and all personnel, from top executives on down, were required to complete an online learning course about information security. In light of a recent increase in targeted attacks against businesses, Epson conducted drills to teach employees how to respond to a targeted e-mail attack.

Epson conducts information security programs on a global basis. In the FY2017 the senior information security managers from Epson sites around the world continue meeting regularly to discuss common issues and to increase the information security preparedness of Group companies.

Information Security Organization



*1 Chief Information Security Officer

Personal Data Protection

Epson has sought to protect the personal data of customers and employees Group-wide, in order to keep the trust of customers and all the people who provide us with personal data and fulfill our corporate social responsibility. In particular, Products such as Epson's Pulsense heart rate monitor and M-Tracer for golf come with online services. Since these services contain the personal data of users, Epson conducts annual evaluations such as risk analysis of personal data operations and IT environments based on internal standards of personal data protection, and Epson confirms that personal data is appropriately managed and protected. In addition, Epson Sales Japan Corporation and Epson Direct Corporation maintain PrivacyMark System certification by updating it every two years.

In order to comply with the EU General Data Protection Regulations (GDPR), Epson has also completed revision of work rules/framework, education for employees, and renovation of IT services.

Intellectual Property Protection

Epson protects the rights to its proprietary technologies so as to support the smooth and ongoing development of its existing businesses and the development and growth of new businesses. These actions ensure that our IP portfolio contributes to corporate earnings. We also respect the rights of others and implement measures to prevent infringement of those rights.

Anti-Counterfeiting Measures around the World

To protect the trusted Epson brand, we actively seek to seize counterfeit goods and other fraudulent articles that infringe the Epson trademark or our other intellectual property rights before they reach consumers.

We have set up anti-counterfeiting centers around the world that are staffed by people who monitor the goods produced and sold by manufacturers and retailers, and especially e-commerce retailers.

We fight counterfeiting in a number of ways. For example, we share information with the police and other enforcement authorities to increase raids on counterfeiters. We educate customs officials to better enable them to recognize counterfeits and block their import and export. We also work with e-commerce site operators to halt the sale of imitation goods that violate our rights. The actions we take stop the distribution of counterfeit goods and help reassure consumers that the goods they buy are genuine Epson brand products.



Participating in an IP protection conference organized by customs officials in China



Educating customs officials and police about real and counterfeit goods in the UAE

Supply Chain CSR

Approach

Supply Chain CSR Vision

Epson seeks to create customer value as guided by our Management Philosophy in order to win and maintain the trust of its stakeholders into the future and to contribute in an ongoing way to the development of society. Epson will fulfill its corporate social responsibility through actions designed to achieve its Management Philosophy.

When suppliers take the same approach as Epson to human rights, labor conditions, the environment, compliance, ethics, quality, and information security, Epson can work together to solve society's challenges and contribute to the making of a sustainable society.

Each of these activities ties in to a Sustainable Development Goal (SDG), one of the United Nations' international efforts to attain a sustainable society. Epson is contributing to reaching the SDGs by taking action throughout the supply chain.



Major Action Items/ KPIs

Epson sets and acts upon medium-range targets, major action items, and KPIs for achieving its supply chain CSR vision.

Medium-Range Targets (achieve by 2020)

Socially responsible procurement: Risk ranking of key suppliers shall be middle risk or better

Conflict minerals: Procure minerals only from smelters certified by the RMI's Conflict-Free Smelter (CFS) Program.

● FY2018 Major Action Items

FY2018 Major Action Items and KPIs	
1	Understand Epson Supplier Code of Conduct (based on RBA) and get 100% compliance
2	100% implementation of SAQ to determine compliance status
3	Complete improvements on 100% of issues from SAQ/ on-site audits
4	100% implementation of conflict minerals survey

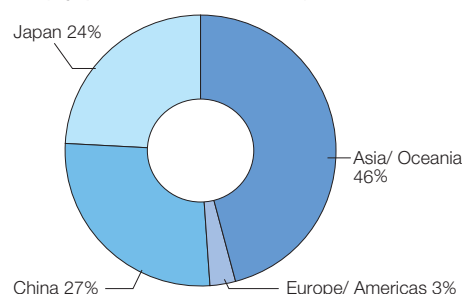
Supply Chain Management

Epson considers suppliers to be important partners in its business activities. As such, our procurement is designed to develop mutually beneficial trusting relationships with our business partners based on the concepts of fairness, coexistence, transparency, and co-prosperity.

Epson also believes its responsibility for products and services include not only ensuring high-quality products for the market but also that its entire supply chain upholds appropriate standards in respect to human rights, labor, and the environment. Therefore, we recognize the importance of taking CSR initiatives hand in hand with our suppliers. Ensuring that the products and services we provide our customers continue to be outstanding in every respect including quality, price, and eco-friendliness requires having suppliers we can trust. For that reason, we practice fair and transparent trade with our suppliers and build trusting relationships thereby. Epson believes that it is only with such partnerships that we can enjoy “harmonious development” supported by rapport with international and local communities.

Currently, Epson deals with about 1,500 suppliers to procure product raw materials, components, and services. Some 24% of the value of our procurement comes from Japan and 76% from elsewhere. Outside Japan, most of our non-Japanese procurement comes from China, Asia and Oceania.

● Procurement Area Distribution (by procurement value)



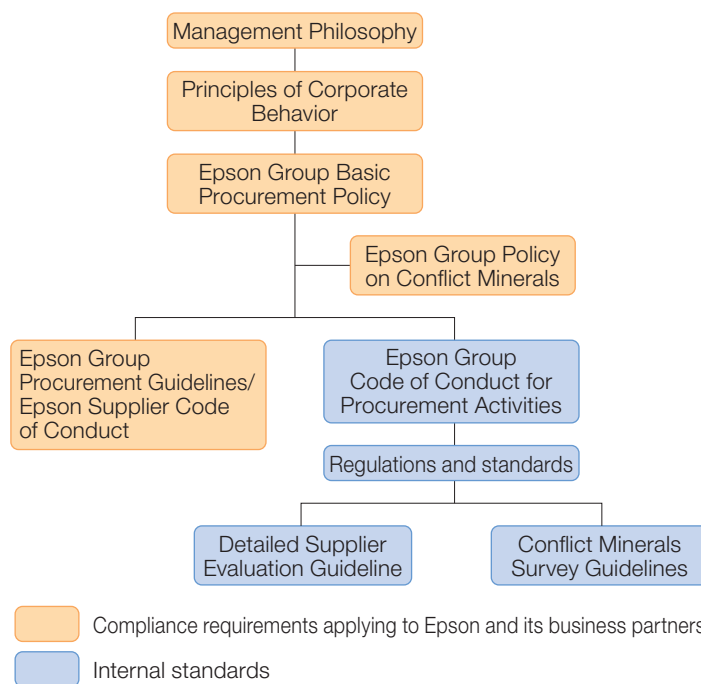
Socially Responsible Procurement Policy

Epson’s procurement initiatives are designed to develop mutually beneficial trusting relationships with our business partners around the world based on the concepts of fairness, coexistence, transparency, and co-prosperity.

Epson sets a Basic Procurement Policy and Epson Group Procurement Guidelines to ensure that suppliers understand Epson’s Management Philosophy when we procure from them. We have also established the Epson Supplier Code of Conduct, which describes CSR requirements in respect to human rights, health and safety, environmental conservation, ethics, and more. We expect our suppliers to comply with this code, which is based on the Responsible Business Alliance (RBA) Code of Conduct.

 [Basic Procurement Policy](#)
(Please refer to page 168 of “Appendices”)

● System of Codes of Conduct Concerning Procurement Initiatives



Epson has in addition arranged content that follows the Management Philosophy, Principles of Corporate Behavior, and Basic Procurement Policy into six items to form a supply chain strategy. The entire supply chain works together with these as their highest priority.

Supply Chain Strategy

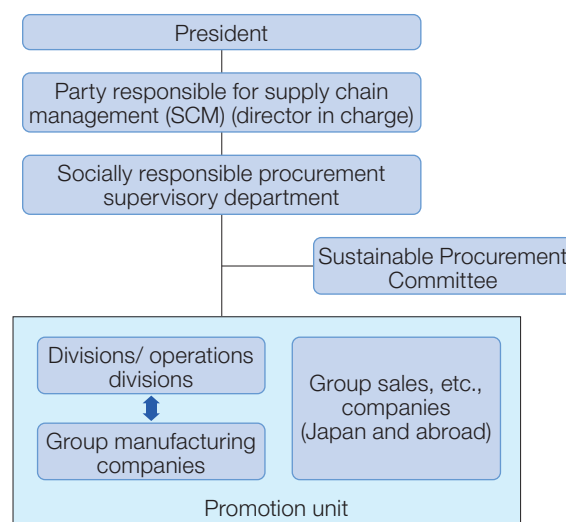
1. Provide products and services that create customer value
 - Ensure quality and delivery that put the customer first and a price that is competitive, and establishes a framework that can continually create products and services that delight customers around the world and win their trust
2. Work proactively for environmental conservation
 - Minimize adverse effects of manufacturing processes on society, the environment, and natural resources
 - Endeavor to reduce environmental burdens over the life cycle of products and services
3. Comply with laws and social norms and take actions based on high ethical standards
 - Establish and comply with national laws, internal rules, and corporate ethics
 - Practice fairness: keep your promises, do not lie, and do not hide anything
 - Persist in acting sincerely, eliminating all types of malfeasance including bribery, corruption, and extortion
 - Disclose information appropriately to ensure transparency, and be accountable to society
4. Respect for human rights
 - Eliminate all forms of discrimination based on race, gender, nationality, physical abilities, religion, and so on
 - Prohibit any type of inhumane treatment, including forced labor, slave labor, and child labor
5. Ensure safe, healthy, and fair working environments
 - Achieve a climate and working environment where safety and cleanliness are maintained and workers can work at peace and in health
 - Achieve a fair working environment with appropriate evaluations, work hours management, and payment of wages
6. Establish business continuity management (BCM)
 - Establish means to prevent occupational and industrial accidents and a framework so that business can promptly resume if there is an emergency

Socially Responsible Procurement Promotion Framework

The Epson Group works as a whole to practice socially responsible procurement and respond to conflict minerals so that we fulfill our social responsibility throughout the supply chain.

The Sustainable Procurement Committee is a Group cross-organizational body made up of personnel from all Epson's operations divisions and from the procurement departments of Epson Group companies, with administrative oversight provided by the Seiko Epson Head Office department that supervises socially responsible procurement. The committee discusses targets and action plans, gets them approved by the party responsible for supply chain management (SCM), communicates them to the entire Group, and puts those targets and action plans into effect. The party responsible for SCM periodically reviews the progress of those initiatives.

● Socially Responsible Procurement Promotion Framework



Supply Chain CSR

Procurement Guidelines

Procurement Guidelines/ Epson Supplier Code of Conduct

Epson procures a wide variety of goods and services from outside sources so that we can provide our own customers with products and services. It is therefore essential that suppliers understand Epson's Management Philosophy and support our procurement activities so that Epson lives up to the Management Philosophy.

Epson established the Epson Group Procurement Guidelines in April 2005 to inform its suppliers about Epson's procurement activities and to enlist suppliers' cooperation in Epson's CSR initiatives. Then, in April 2008, Epson established the Epson Supplier Code of Conduct, which is based on the Electronic Industry Citizenship Coalition (EICC) (now the Responsible Business Alliance, or RBA) Code of Conduct. The Epson Group Procurement Guidelines reflect international imperatives. They are intended to help ensure that suppliers work with Epson as partners to meet quality (Q), cost (C), and delivery (D) obligations and maintain compliance with CSR requirements in areas such as human rights, labor, the environment, ethics, and health and safety. Ultimately, the guidelines are designed to enable us, together, to sustainably provide products that delight society.

Version 3.4 of the Epson Group Procurement Guidelines was released in July 2017 following revision of the EICC (now RBA) Code of Conduct. Changes in our Guidelines reflect the EICC (RBA) Code of Conduct revisions and include ensuring that content is more concrete and detailed, and some expressions have been revised.

Requirements Under Supplier Code of Conduct

The Epson Supplier Code of Conduct, which is stipulated in detail within the Epson Group Procurement Guidelines, is based on the RBA Code of Conduct. It prescribes requirements in the areas of labor, health and safety, environmental conservation, management, and ethics, as well as seven additional requirements that Epson defines as important measures, including export control and ensuring security in the supply chain. We make sure that our suppliers practice thorough compliance with the Code of Conduct.

Epson Supplier Code of Conduct		
A. Labor	B. Health and Safety	C. Environmental
<ol style="list-style-type: none"> 1. Freely Chosen Employment 2. Young Workers 3. Working Hours 4. Wages and Benefits 5. Humane Treatment 6. Non-Discrimination 7. Freedom of Association 	<ol style="list-style-type: none"> 1. Occupational Safety 2. Emergency Preparedness 3. Occupational Injury and Illness 4. Industrial Hygiene 5. Physically Demanding Work 6. Machine Safeguarding 7. Dormitory and Canteen 8. Health and Safety Communication 	<ol style="list-style-type: none"> 1. Environmental Permits and Reporting 2. Pollution Prevention and Resource Reduction 3. Hazardous Substances 4. Wastewater and Solid Waste 5. Air Emissions 6. Substance Restrictions 7. Storm Water Management 8. Energy Consumption and Greenhouse Gas Emissions
D. Management Systems	E. Ethics	F. Additional Requirements
<ol style="list-style-type: none"> 1. Company Commitment 2. Management Accountability and Responsibility 3. Legal and Customer Requirements 4. Risk Assessment and Risk Management 5. Performance Objectives with Implementation Plan and Measures 6. Training 7. Communication 8. Employee Feedback and Participation 9. Audits and Assessments 10. Corrective Action Process 11. Documentation and Records 12. Supplier Responsibility 	<ol style="list-style-type: none"> 1. Business Integrity 2. No Improper Advantage 3. Disclosure of Information 4. Intellectual Property 5. Fair Business, Advertising and Competition 6. Protection of Identity and Non-Retaliation 7. Responsible Sourcing of Minerals 8. Privacy 9. Non-Retaliation 	<ol style="list-style-type: none"> 1. Export Control 2. Ensuring Security in Supply Chain 3. Information Security 4. Product Safety 5. Procedures for Using Trademarks and Company Names 6. Management of Consigned Assets 7. Business Continuity Plan (BCP)

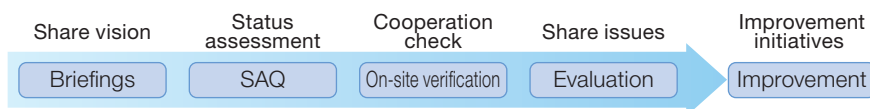
Supply Chain CSR

Supply Chain CSR Initiatives

Socially Responsible Procurement Program

Under Epson's socially responsible procurement program, suppliers are asked at supplier briefings to practice socially responsible procurement and complete an SAQ (Self Assessment Questionnaire) to assess their own observance of the Epson Supplier Code of Conduct. Answers are verified on-site and audits are performed to share issues and drive improvement. In addition to conducting periodic evaluations of all new and current suppliers, we apply a more detailed socially responsible procurement program to key suppliers, which we define as large suppliers, mission-critical parts suppliers, and sole-source suppliers.

- Socially Responsible Procurement Program



FY2017 Action Items and Results

Under Epson's socially responsible procurement program, suppliers are asked at supplier briefings to practice socially responsible procurement and complete an SAQ to assess their own observance of the Epson Supplier Code of Conduct. Answers are verified on-site and audits are performed to share issues and drive improvement.

- FY2017 Results

FY2017 Action Items	FY2017 Results
Ask key suppliers to observe the Epson supplier code of conduct • 100% CSR activity request rate for key suppliers	<ul style="list-style-type: none"> • Conducted supplier briefings to ask them to observe the supplier code of conduct. Held a total of 11 in Japan, Indonesia, and China, our major production sites, with attendance by 453 companies
Supplier surveys and results feedback • 100% SAQ completion rate for key suppliers	<ul style="list-style-type: none"> • Analyzed FY2016 SAQ responses from production material suppliers (220 companies) and provided feedback • Requested SAQ from non-production material suppliers (logistics, construction, staffing companies, etc.), and received completed SAQ from all companies (50 tier 1 suppliers, 16 non-tier 1 suppliers)
Supplier on-site verification and requesting corrective action • On-site verification of high-risk suppliers and improvement	<ul style="list-style-type: none"> • Conducted a follow-up audit of two Chinese suppliers who had been received independent audit in FY2016 and confirmed that all improvements were completed. • During FY2017, we newly conducted third-party audits for one supplier in Japan and one in Indonesia. • Conducted on-site verification of 23 direct materials suppliers surveyed in FY2016 with SAQ and judged to be high-risk to share issues and drive improvements

Communications with Suppliers

Since FY2016, we have held socially responsible procurement briefings for suppliers to share information on Epson's socially responsible procurement programs with suppliers. In FY2017, we held a total of eleven briefings in Japan, China, and Indonesia. Briefings were attended by 613 people from 453 suppliers to share the following information:



Suppliers briefing in Indonesia

1. Epson's CSR activities
2. Practicing CSR in the supply chain
 - Detailed evaluation
 - Improving accuracy of conflict mineral surveys
 - Supplier BCP initiatives
 - Establishment of compliance hotlines
3. Product substance control

● FY2017 Results of Supplier Briefings

	Japan	China	Indonesia	Total
No. of companies	237	113	103	453
No. of participants	244	208	161	613

CSR Evaluations and Improvement Activities

Epson evaluates all suppliers, both direct materials suppliers and indirect materials suppliers such as logistics, construction, and staffing companies. Suppliers are evaluated from multiple angles on the basis of a supplier evaluation program. The program consists primarily of an indirect evaluation and a direct evaluation (periodic evaluation). The indirect evaluation is based on information from a credit investigation service. The direct evaluation is a self-check that suppliers do to evaluate their own QCD and other performance metrics.

Epson Group Supplier Evaluation Program	
Indirect evaluation	
Information from a credit investigation service	
Evaluation items: Credit score, business history, capital composition, size, financial position, financing situation, management, etc.	
Direct evaluation (periodic evaluation)	
Self-evaluation of a supplier's own QCDEM	
Evaluation items: Quality control (Q), cost management (C), delivery management (D), environmental management (E), management (M)	
Green purchasing agreement (when standard is revised)	
Detailed evaluation	
Self-assessment of adherence to the Epson Supplier Code of Conduct	
Evaluation items: Human rights, labor, safety and health, environmental, management systems, ethics, and Epson's own items	
Evaluation of emergency response capabilities	
Self-assessment of ability to respond to a natural disaster, fire, or other emergency	
Evaluation items: Management attitudes, risk countermeasures, emergency response capability, ability to restore operations after a disaster, supply continuity capability, ability to maintain procurement, inventory management situation, etc.	
Safety management evaluation	
Self-assessment of response to fires and other emergency risks	
Evaluation items: Management of electrical hazards, hazardous materials, fire prevention, etc.	

Self-Assessments

The Epson Group requires that suppliers to conduct self-assessments regarding their status of compliance with the Epson Supplier Code of Conduct. Based on those results, we work with suppliers to implement improvements. To facilitate assessments, we have established the Epson Group Detailed Supplier Evaluation Guideline as internal standards for conducting fair assessments and ensuring efficient and appropriate socially responsible procurement in the supply chain.

● SAQ Contents

Section	No. of questions
G. General	1
A. Labor (human rights)	28
B. Health and safety	22
C. Environment	14
D. Management system	16
E. Ethics	12
F. Additional items (Epson original)	7
Total	100

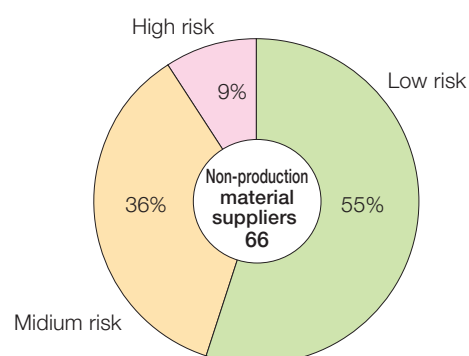
● Risk Ranking by SAQ

Risk rank	Assessed points	Explanation
Low risk	86-100 pts.	It basically meets the requirements of the Epson Supplier Code of Conduct. Is able to independently correct weaknesses.
Medium risk	66-85 pts.	It does not meet all the requirements of the Epson Supplier Code of Conduct but is able to independently correct weaknesses.
High risk	65 pts. or less	It needs to be monitored based on an improvement plan to meet the requirements of the Epson Supplier Code of Conduct.

In FY2017, we conducted the following activities for key suppliers:

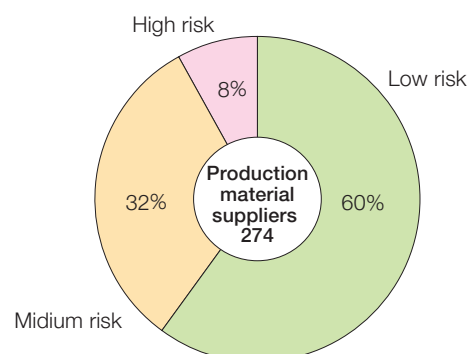
1. Six of the 66 indirect materials suppliers (logistics, construction, and staffing companies, etc.) that were surveyed with the SAQ were judged to be high-risk based on the survey results. In FY2018, we will share issues with suppliers and drive improvements.

● FY2017 SAQ Evaluation Results



2. Twenty-three of the 274 direct materials suppliers surveyed in FY2016 were judged to be high-risk. Epson (or, in some cases, a third party auditor) verified the situation at the sites of these high-risk suppliers (on-site verification), shared issues, and drove improvements to minimize risks. In FY2018, we will use SAQ to reconfirm the results of improvements.

● FY2016 SAQ Evaluation Results

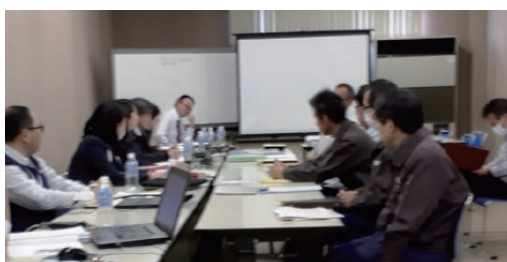


For key suppliers judged to be high-risk, we conducted on-site verification and shared issues with suppliers to improve their state based on a corrective action plan so that their risk ranking shall be Medium risk or better by FY2020.

Audits and Corrective Action

In FY2017, an independent firm was hired to audit one supplier in Japan and one in Indonesia. We revisited the Japanese supplier after the audit to explain the content of the audit report and discuss an improvement plan. The supplier will implement improvements based on the plan while receiving support from Epson.

In FY2016, two Chinese suppliers were independently audited. We conducted a follow-up audit upon completion of the planned improvements and confirmed that all improvements were completed. Both companies were asked to continue efforts to ensure socially responsible procurement.



Third party audit at Japanese supplier



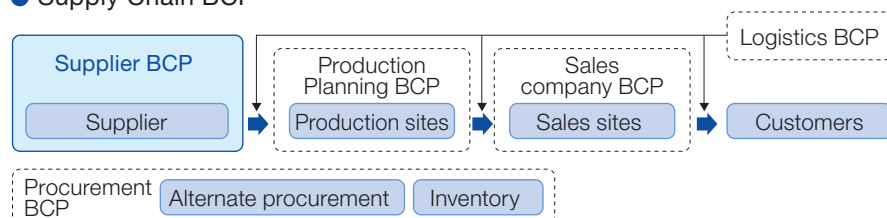
Third party audit at Indonesian supplier

Supplier BCP Initiative

We have established Guidelines for Supply Chain BCP and are improving business continuity and resilience throughout the supply chain so that even if a disaster, accident, epidemic, or other event should cause disruption, we can fulfill our responsibility to customers by recovering and providing products and services within a target recovery time.

The Epson supply chain BCP is divided into five categories.

● Supply Chain BCP



Epson is working with suppliers to ensure that they establish their own BCP systems so that the supply of parts to Epson is not disrupted.

In FY2017, a fire that had occurred at an overseas supplier had an impact on our product shipments. From that experience, we launched special activities focused on promoting workplace safety inspections at supplier facilities.

(Unit: companies)

	Items	Details	FY2016	FY2017
Questionnaire survey	BCP self-evaluation	Self-check of emergency response capabilities by suppliers	436	319
	Safety self-evaluation	Self-check of safety management status by suppliers	357	1,353
On-site check	Site safety inspection	Inspections with focus on fire-prevention conducted by Epson safety specialists and sharing of prevention measures (mainly in China, Indonesia and the Philippines)	-	399

Internal Education

Worker Interview Training

During on-site verification, we conduct worker interviews in addition to document reviews and site tours to better ascertain labor and human rights risks at supplier plants.

Aimed at developing the skills to identify worker concerns and dissatisfaction within a limited amount of time, we invited outside instructors to conduct worker interview training for Epson employees responsible for on-site verification. Training curriculum includes instructor lectures as well as roleplaying conducted by the trainees to help learn interview techniques, procedures, and points of caution. At Epson, we position this training as required training for employees who implement on-site verification to improve the accuracy of verification.

Socially Responsible Procurement Training at an Indonesian Affiliate

Epson believes that it is vital to understand the Epson Supplier Code of Conduct (RBA compliant), SAQ, and other initiatives in addition to international CSR trends when promoting socially responsible procurement and, therefore, it provides socially responsible procurement education conducted by external instructors. In FY2017, we conducted training to procurement department members at our Indonesian affiliate on topics including CSR issues, RBA framework, and SAQ.



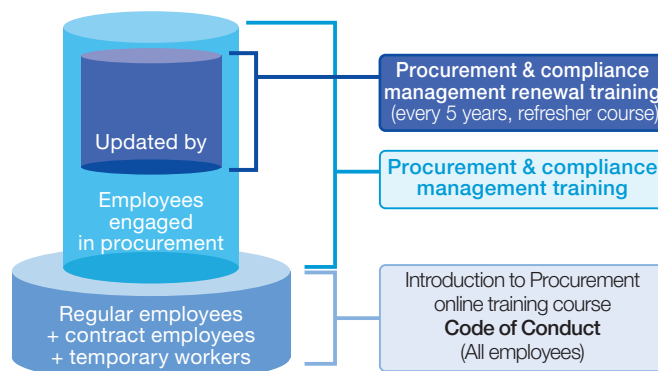
Sustainable procurement training
(Indonesian affiliate)

Compliance & Procurement Initiatives

We have committed ourselves to exercising high ethical standards and a social conscience, and we have declared that we will conduct our procurement activities in strict compliance with both the letter and spirit of laws and regulations in region in which we operate. As such, employee training is an important part of this commitment.

All employees in Japan are required to take the Introduction to Procurement (Ethics & Code of Conduct) and the Introduction to Procurement (Subcontract Act) online training courses. Employees directly involved in procurement must successfully complete procurement and compliance management training based on an in-house certification system. Renewal training is also conducted every five years to ensure that employees learn the latest information and knowledge. Moving forward, we will expand the scope of these initiatives to include overseas Group companies as we further elevate the level of our compliance and procurement initiatives.

● Procurement Compliance Management System



* For all employees in Epson group companies in Japan

FY2017 Training Results

	FY2015 Results	FY2016 Results	FY2017 Plan Results
Procurement & compliance management training	24 times 862 employees	29 times 1,008 employees	Plan 26 times Results 36 times 1,120 employees
Procurement & compliance management renewal training	51 times 3,127 employees	55 times 1,603 employees	Plan 30 times Results 33 times 1,019 employees
Introduction to Procurement online training course	14,759 employees	16,546 employees	Results 15,301 employees

Partnerships with External Organizations

Epson is a member of the Global Compact Network Japan Supply Chain Subcommittee and a member of the Japan Electronics and Information Technology Industries Association (JEITA) CSR Committee. We partner with various industry corporations to help permeate and elevate socially responsible procurement.

Supply Chain CSR

Conflict Minerals

Conflict Minerals Action Policy

Epson's procurement policies are designed to develop mutually beneficial trusting relationships with Epson's business partners around the world based on the concepts of fairness, coexistence, transparency, and co-prosperity. Epson has thus committed itself to exercising high ethical standards and a social conscience, and Epson has declared that Epson will conduct its procurement activities in strict compliance with both the letter and spirit of laws and regulations in every country and region in which Epson operates.

Epson considers the conflict minerals problem to be a major issue in terms of socially responsible procurement. Consequently, Epson does not use conflict minerals, as they are tied to human rights abuses, environmental destruction, and the funding of armed groups in the Democratic Republic of the Congo (DRC) and adjoining countries.

Epson takes the actions below to exclude conflict minerals from Epson products.

1. Epson asks its suppliers to read and follow the Epson Group Procurement Guidelines and the Epson Supplier Code of Conduct.
2. Epson is not required to report to the US Securities and Exchange Commission the use of conflict minerals, as defined in the final rules of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"). However, Epson do survey its supply chain using a tool provided by the Responsible Minerals Initiative (RMI, formerly known as the CFSI), a group that is working with enterprises to promote responsible mineral procurement.
3. To ensure that minerals are procured only from smelters and refiners that have been found to be compliant with the Conflict-Free Smelter (CFS) Program of the RMI, Epson asks smelters and refiners to obtain proof of compliance via the supply chain.

Conflict Minerals Survey Program

To conduct practical and appropriate surveys throughout Epson's entire supply chain to check that Epson products are free from conflict minerals traced back to armed forces, Epson established the Epson Group Conflict Minerals Survey Guidelines as internal standards. These guidelines are based on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas issued by the Organization for Economic Co-operation and Development (OECD).

Epson conducts surveys using the Conflict Minerals Reporting Template (CMRT) provided by the RMI to check for conflict minerals (tin, tantalum, tungsten, and gold), identify refiners on its supply chain, and confirms and assess the status of supplier initiatives related to conflict minerals. Epson then implements measures based on risk level.

Epson also use socially responsible procurement supplier briefings and various other opportunities to promote understanding of Epson policies, request initiatives to improve survey accuracy, and share information on conflict minerals response trends. Epson will continue working with suppliers to eliminate conflict minerals that are tied to armed forces.

Major Past Initiatives

FY2012

Epson added a clause concerning responsible mineral procurement to the Epson Supplier Code of Conduct and began requesting cooperation from suppliers.

FY2013

Epson set up a cross-organizational Conflict Minerals Review Committee made up of personnel from all Epson's operations divisions and from the procurement departments of Epson Group companies. Organization and administrative oversight is provided by the Seiko Epson Head Office department that supervises socially responsible procurement. Under the direction of the Committee, Epson has switched from a passive to a proactive approach to conflict minerals surveys. Epson used CMRT forms to conduct conflict minerals surveys for all major products from each business segment.

FY2014-FY2016

Expanded scope of procurement surveys to all production materials, collected survey responses from a total of 2,000 companies. At supplier briefings, Epson provided CMRT explanations and requested improvements to survey accuracy. Through response analysis and due diligence, Epson improved results, collection rate, and CFS rate each year.

FY2017 Action Items and Results

● FY2017 Results

FY2017 Action Items	FY2017 Results
Status of conflict minerals surveys Targets: <ul style="list-style-type: none">• 100% surveys conducted• 100% surveys collected	<ul style="list-style-type: none">• Surveyed 411 companies and collected responses from 388 companies (collection rate of 94%)• Review and consolidation of smelters resulted in reduction in number of identified smelters, but CFS as a % of identified smelters increased to 80%.

	FY2015	FY2016	FY2017				
			Total	Gold	Tantalum	Tin	Tungsten
No. of identified smelters	298	314	312	146	41	79	46
No. of CFS-certified smelters	211	243	249	100	39	70	40
CFS as a % of identified smelters	71 %	77 %	80 %	68 %	95 %	89 %	87 %
Survey sheet recovery rate	99 %	95 %	94 %	-	-	-	-

Partnerships with External Organizations

Epson joined the Responsible Minerals Trade Working Group of the Japan Electronics and Information Technology Industries Association (JEITA) and is taking part in an industry collaboration to improve supply chain conflict minerals surveys.

Supply Chain CSR

Green Purchasing

Green Purchasing

Foreword

Epson is working to promote green purchasing of both production materials and general supplies in order to fulfill its mission to create and offer eco-friendly products.

Epson promotes green purchasing of production materials according to the following guidelines.

1. Basic stance
2. Standards governing operations
3. Basic survey (Guidelines for Surveying Controlled Chemical Substance Content in Products/ Survey response tool)
4. Additional survey (Explanation of chemical substances subject to elimination in products/ Survey response tool)

Supply Chain CSR

Paper Products Procurement

Paper Products Procurement

The illegal logging of forests is a very serious issue for those seeking to protect the environment on the global scale and practice sustainable forest management. Around the world, greater efforts are being made to ensure legality and sustainability during the procurement of wood products.

Epson has a stated procurement policy that says, “In every region where we do business, we promote procurement initiatives compliant with each nation’s law, international rules and the spirit of the same, cleaving to a high sense of ethics and acting for the good of society.” In keeping with this policy, Epson encourages procurement of paper products with due consideration for the social, economic and environmental sustainability of forests.

Thus Epson manages its entire supply chain from the immediate supplier all the way back to the forest to ensure the legality, sustainability and environmental safety of the paper products we procure. We ask that suppliers fully understand the intent and nature of these initiatives and then give us their support.

Stance on Procurement of Paper Products

Epson has established a procurement policy for paper, the major forest product we procure. Under this policy, which is designed for the social, economic and environmental sustainability of the forest, Epson practices the following procurement whose conformity to this policy can be checked.

1. We make effective use of used paper and other recycled pulp.
2. When virgin is used as a raw material in paper goods we procure, we confirm its
 - legality
 - sustainability
 - chemical safety
 - environmental management

Corporate Citizenship

Approach

Approach

Epson is committed to harmonious coexistence with society through programs rooted in local communities throughout the world based on its commitment to being “an indispensable company, trusted throughout the world,” as stated in its Management Philosophy.

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. Epson emphasizes contributions involving the technologies and knowledge that underpin its 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.

Total Corporate Citizenship Expenditures in FY2017 (millions of yen)

Type of Contribution	Amount
Cash contributions	352
Employee volunteering during paid working hours	38
In-kind giving: product or services donations	100
Others	121
Total	611

Corporate Citizenship

Education for Young People

Old Newspaper Recycling Class (Germany)

Since 2008, Epson Deutschland GmbH (EDG) has cooperated with Deutsche Umwelt-Aktion, a group that undertakes environmental education in primary and secondary schools, to offer classes on environmental protection for elementary school children in schools in Meerbusch, where EDG is located.

The lesson held in June and September 2017 was based on the concept of “something new from something old.” In it, the children dissolved old newspapers and recycled them into cards to send to their friends. The children learned by actually recycling something, and the class served as an opportunity to think about the importance of the environment.



Epson International Scholarship Foundation Students Visit the Toyoshina Plant (Japan)

Epson's foundations aim to promote education, academic research, and culture, and to contribute to the development of local communities. In August 2017, 13 international students from Asian countries on scholarships from the Epson International Scholarship Foundation visited Epson's Toyoshina Plant in Azumino, Nagano, where the company develops its projectors.

After experiencing interactive projector images and smart glasses, they were treated to the Fantas Aquarium, a digital aquarium specially set up in an area of the plant. Later, in the plant's theater room, they got an even better appreciation for what Epson does by watching and listening to video images projected onto a big screen.



Notebooks Donated to School for Underprivileged Children (India)

Epson India Pvt. Ltd. (EPIL) believes in the importance of childhood education and focuses its corporate citizenship programs on underprivileged children.

Over the past several years, EPIL has been distributing notebooks to public schools that serve underprivileged children primarily in the states of Karnataka, in southwest India where EPIL is located, and in the western state of Maharashtra. The number of recipient schools has been increasing by the year.



Teachers say that the assistance Epson is providing is helping to improve the quality of lessons, improve the lives of children for whom things such as school materials may be out of reach, and even help children stay in school. The children are absolutely thrilled to have their own notebook that they can use in school to help them learn.

Epson Information Science Vocational School (Japan)

Our society is increasingly built around information. To meet the needs of changing times, we established the Epson Information Science Vocational School in 1989. Its purpose is to develop technical personnel who are trusted by the community and can make wide-ranging contributions to society. As of March 2018, more than 2,600 persons have graduated from the college.

Most of the instructors are businesspeople or technical experts who have worked on the front lines of business. Even some of our own employees go out to the school to teach students. Classes are designed to ensure that students acquire technical skills they can put to practical use on the job. As a result of the school's efforts, at least 95% of the students in each graduating class over the 28 years since the school first opened its doors have received informal employment offers before graduation.

Students have their choice of three disciplines: Information Systems, Information and Electronic Systems, and Information Business. All three are recognized as Professional Post-Secondary Courses^{*1} by the Ministry of Education, Culture, Sports, Science and Technology (MEXT). A special class has also been set up to enable the top students to join Epson on school recommendation after graduation.



^{*1} Courses recognized by MEXT have a curriculum designed to impart the latest practical skills and knowledge through close cooperation with enterprise and systematically seek to ensure the quality of more practical vocational training.

Corporate Citizenship

Culture and the Arts

Culture and the Arts

Supporting the Seiji Ozawa Matsumoto Festival

Seiko Epson has been a special corporate sponsor of the annual Seiji Ozawa Matsumoto Festival (originally the Saito Kinen Festival Matsumoto) since its inception, in 1992.

The festival, which runs from August through early September in Matsumoto, Japan, was organized to promote music and the arts among the nation's youth. As part of the festival, sixth-graders from schools in Nagano Prefecture are invited to an event called "Concert for Children." This concert is performed by young musicians to further the education and development of youth. This program can spark an interest in classical performances for children who have few opportunities to listen live orchestras.



Corporate Citizenship

Community Events

Cancer Treatment Program with AMANC (Mexico)

Since Jun 2017, Epson de Mexico, S.A. de C.V. (EMSA) supports a project managed by AMANC, an association devoted to assisting children with cancer, by encouraging employees to collect PET¹ plastic materials, which is then donated to AMANC.

Thanks to this initiative, EMSA has achieved the objectives of both helping children receive cancer treatment, and of helping to conserve the natural environment. The original idea came from Berenice Alvabera, a socially responsible Epson employee, who had already began coordinating a similar collection project among her Epson colleagues.

EMSA has so far contributed with 320 kg of PET materials.

¹ PET: Polyethylene terephthalate



● Recycling and Helping Program

50 kg PET/ 12 US\$	1 meal in AMANC Center	Food service
100 kg PET/ 24 US\$	3 daily transfers to AMANC Center and Hospital	Transportation service
100 kg PET/ 24 US\$	2 nights in AMANC Center	Hostel service

290 Days of Social Commitment (Germany)

Epson Deutschland GmbH (EDG) has been running its “190 Days of Social Commitment” program since 2008. The program began when 190 EDG employees each took one day of paid leave at their own convenience to serve the community by volunteering their time at social welfare facilities or schools in the area around the Meerbusch office. EDG changed the name to “290 Days of Social Commitment” in FY2017 because the number of employees had increased to 290. As part of this program, 15 EDG volunteers earned community appreciation by painting benches and planting flowers in a garden of a care center for children.



Movie Screening and Painting Contest (Taiwan)

Epson Taiwan Technology & Trading Ltd. (ETT) has held movie screenings at elementary schools throughout Taiwan starting in 2009. The purpose of the movie screening is to demonstrate Epson's projector technology and to show children enjoyable films. ETT provides the projectors and movies used at the venues. So far, screenings have been held in about 2,900 locations, with a total of approximately 153,000 people participating.



ETT has also held a painting contest since 2010 using the movie as the subject. Every year between 1,300 and 2,000 works are submitted by the children. They are judged by prominent journalists and artists, and outstanding works receive an award.

Corporate Citizenship

Environmental Conservation

The 17th Recycling Event (U.S.)

In April, Epson Portland Inc. (EPI) employees held a recycling event, the Energy Saving and Global Environment Month. 2018 marked the 17th time the event has been held, and the company took in unwanted electronic appliances and waste paper.

A large number of people from the community also took part in an event to collect harmful household waste in cooperation with the local government, gathering more than 10 tons of waste such as old paint and used metal drums. The waste was transported from EPI to a waste processing plant where it was disposed of appropriately.



Coral Reef Transplant Project (Indonesia)

For the past three years, PT Epson Batam (PEB) has been assisting a coral reef transplant project on Abang Island. The project involves people from Indonesia's fishing and tourist industries as well as government and NGOs who plant about 500 coral spawn every year. In 2017, the third year of the project, they created a coral garden that they expect to serve as a future snorkeling spot for scientists and visitors. Residents of Abang Island are hopeful that the project can improve the environment for fish and increase their numbers.

PEB's environmental conservation programs have earned community recognition for excellence and have garnered environmental awards sponsored by the Indonesian Ministry of Environment and Forestry for six consecutive years.



Donations Tied to Used Cartridge Collection (Japan)

Seiko Epson participates in various programs for donating to environmental bodies, environmental groups, and environmental causes. Amounts are tied to the number of used ink cartridges and toner cartridges collected.

Corporate Citizenship

Social Welfare

“Fantas Aquarium” Using Projected Images (Japan)

Since FY2015, Seiko Epson Corporation has been operated its Fantas Aquarium using projected images at hospitals and special-needs schools around Japan. From June to December 2017, the company held performances at 28 locations nationwide. Over 200 employees volunteered to take part during working hours with the full support of the company.

Participants at the events were extremely positive. “This is the first time our child has taken such a deep interest in anything,” “Surrounded by images, I was overcome with a special feeling of relaxation,” and “The children were each in their own world, but they experienced a wonderful space shared with various people.”

Participants enjoying the Fantas Aquarium experience different sensations. Epson will continue to provide the Fantas Aquarium experience in FY2018.

**Cooperation with a UNICEF-Sponsored Photo Exhibition (Germany)**

Epson Deutschland GmbH (EDG) cooperated in the UNICEF Photo of the Year 2017 by printing the photographs.

UNICEF Photo of the Year 2017 is a photography contest held by UNICEF in Germany since 2000, featuring photographs by professionals on the theme of children around the world and their living environment. In FY2017, data for 1,500 photographs was submitted to the contest, and EDG cooperated by printing the photographs for the selection procedure.

The award ceremony took place in the Germany Federal News Agency, and the award-winning works printed in special large format by EDG were exhibited at the venue.



Communication

Approach

Approach

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. Epson provides accurate, unbiased information to all stakeholders in accordance with the Epson Group Communications Regulation. In addition to upholding public order, decency, and morality and maintaining neutrality, Epson refrains from discrimination in any form, including but not limited to discrimination based on gender, age, national origin, ethnicity, race, religion, or social standing. Our communications respect the individual and cultural diversity and aim to earn the trust of people throughout the world.

Epson practices both marketing communication (conveying the value of our brand, products, and services) and corporate communication (conveying the value of Epson itself). In both cases, as an open, progressive company, Epson communicates 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.

Communication

Customers, Shareholders and Investors

Customers

Sharing the Voice of the Customer

Harmony, the Epson Group's internal newsletter in Japan, carries a regular feature that we use to relay messages from Epson product users and outside partners to Epson employees. Delivering the unfiltered voice of the customer to employees who have few opportunities to meet customers or with vendors and other partners is helping us to further sensitize our employees to customer value creation. In FY2017 we delivered messages from customers, dealers, and distributors who are using products such as high-brightness projectors, digital label presses, large-format inkjet printers for signage and displays, high-capacity ink tank printers, watches, industrial robots, etc.

Shareholders and Investors

Annual General Shareholders' Meeting

At Epson, we consider the general shareholders' meeting to be a valuable opportunity for direct communication with our shareholders.

In 2018, at the 76th Annual General Shareholders' Meeting, Minoru Usui, the president of Seiko Epson, addressed our shareholders directly, reporting on events and highlights from FY2017 and explaining the direction in which we are headed to achieve the Epson 25 Corporate Vision.

Every year shareholders bring a range of opinions and questions to the general shareholders' meeting, which Mr. Usui and the other directors openly address.



The 76th Annual General Shareholders' Meeting

To give visiting shareholders a more concrete idea of Epson's strategic direction under Epson 25, we created a product exhibit to show the innovations we are driving in the four key domains (inkjet, visual, wearables, and robotics) along with our business activities. We shared our accomplishments achieved in line with the Epson 25 Phase 1 Mid-Range Business Plan (FY2016-2018). We also profiled Epson's new products for FY2017 and shared some of the uses envisioned to convey the customer value that Epson products provide.

Epson Selected as a Constituent of the FTSE4Good Index Series for the 14th Consecutive Year

Seiko Epson was selected by FTSE Russell, a part of the London Stock Exchange Group, as a constituent of one of the Responsible Investment (RI) indexes in the FTSE4Good series for the 14th consecutive year.

The FTSE4Good Index Series is designed by FTSE Russell, a global index provider, to measure the performance of companies demonstrating strong environmental, social, and governance (ESG) practices. The FTSE4Good Global Index, which was reviewed in June 2018, consists of 925 constituents, including 152 Japanese companies.

As a good corporate citizen, Epson emphasizes social responsibility and seeks to help create a better world through environmental and other initiatives.



FTSE4Good

(June 2018)

Communication

Governments, Communities, NGOs/ NPOs

Governments

Maintaining Healthy Relationships with Government Agencies

Epson is a multinational corporation with operations around the world. Epson aims to contribute to the soundness of society by building healthy, transparent relationships with political, governmental and supervisory authorities in every region where it operates and by avoiding improper relationships and other unfair activities.

Political contributions are made in line with company regulations. Epson made no political contributions in the FY2017.

Seiko Epson President Minoru Usui Completes Term as Head of the JBMIA

The Japan Business Machine and Information System Industries Association (JBMIA) is dedicated to helping develop the Japanese economy and enhance office environments through the general development, improvement, and rationalization of the Japanese industry for business machines and information systems incidental to them.

On May 24, the JBMIA held a general assembly meeting, executive board meeting, press conference, and award ceremony in Tokyo. At the general assembly and executive board meeting that followed, Mr. Yoshinori Yamashita, the president, executive officer, and CEO of Ricoh Company Ltd., was elected JBMIA president, succeeding Minoru Usui, the president of Seiko Epson, who completed his two-year term. Mr. Usui expressed his gratitude to various organizations and companies for their support during his term.



Seiko Epson, which assumed the post of chairing company in 2016, has been emphasizing three issues: building a foundation for leading the response to diverse environmental regulations, strengthening cooperation with overseas groups to respond to environmental changes that affect global business, and creating a stronger, more attractive association. Thanks to the cooperation of a host of companies, we were able to smoothly run the Association, expand the domain, and strengthen the governance of the Association based on the policies of the JBMIA president. We believe that we have fully put our planned activities into practice.

Seiko Epson, taking advantage of its experience as a former chairing company, will continue to contribute to the activities of the JBMIA as the vice chairing company.

Communities

Dialogue with Local Residents

Every year, 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.



Dialogue meeting

Communication

Suppliers

Procurement Policy Orientation

In addition to its commitment to delivering quality products, Epson believes that maintaining human rights, labor standards and environmental conservation throughout its entire supply chain is an important part of its corporate responsibility. Epson therefore considers all suppliers as important business partners.

Epson holds annual orientation meetings to brief suppliers about its procurement policies. At the orientations held in April 2018, we provided a general overview of our business situation and strategies, explained our initiatives and procurement policies, and asked for suppliers' understanding and cooperation in improving quality, reducing costs, keeping strictly to appointed delivery dates, participating in CSR initiatives, promoting business continuity plan, and reducing environmental impacts.

Our idea of a partnership with suppliers throughout our supply chain is a win-win relationship in which Epson and its partners share a common set of values and cooperate with each another to meet and exceed customer expectations.



FY2018 procurement policy orientation

Communication

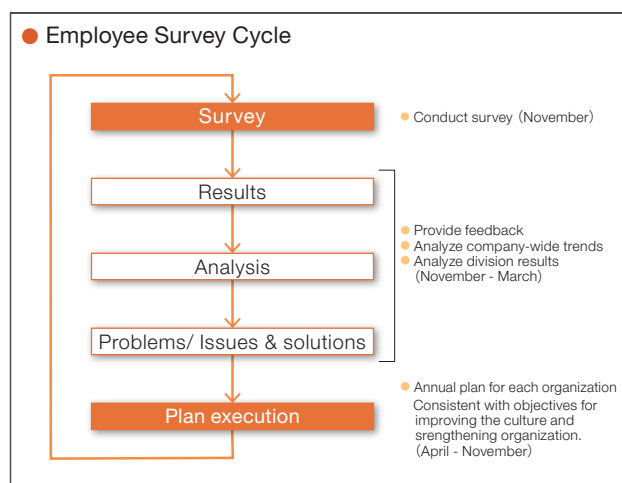
Employees

Improving Workplace Communication

At Epson, we aim, as individuals and organizations, to cooperate with one another as we pursue challenging objectives and to maintain a state of free and constructive communication.

To see where we are in meeting these objectives, we have been conducting employee surveys every year since 2005. The survey results are reported to the president and other top executives. Feedback is provided on the department level, and managers periodically review and analyze the state of their departments. They decide on measures to solve problems and issues with the goal of fostering a better culture and strengthening the organization. These measures are incorporated into action plans at the start of the new fiscal year.

These actions are carried out throughout the year, the results are checked in the next survey, and additional actions are taken to maintain the good and improve the bad.



● Result of Employee Survey

	FY2014	FY2015	FY2016	FY2017
% of engaged employees	87.1%	90.7%	89.9%	92.1%

* Data for Seiko Epson Corporation employees. Participation 95.1%(FY2017)

Labor Union

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

Communication

Other Stakeholders

Dialogue with the Media

Epson Innovation Days in Beijing

In April 2018, Epson (China) Co., Ltd. (ECC) held its fourth annual Epson Innovation Days (EID) event, for four days in Beijing. Targeting key stakeholders such as business partners and media, EID 2018 explained how Epson seeks to balance economic growth with environmental conservation, showcased the latest in Epson technologies and products, and explained Epson's strategy to become an indispensable company both in China and the rest of the world.

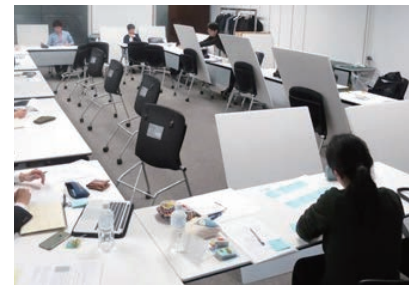


ECC believes in working with the media to communicate the latest information about the company to stakeholders throughout China. EID plays an essential role in this process, with the media day attended by 230 journalists from all over China. The journalists, many of which specialized in business and IT, were also given the opportunity to listen to strategy presentations by Minoru Usui and Akihiro Fukaishi, presidents of Seiko Epson and Epson China, to experience Epson products and technologies at first hand, and interview Epson management.

Students and Educators

Design Internships

Twice every year, Epson offers internships for college students studying design who wish to learn under designers who are actually working in industry. Interns in the February 2018 program were given the task of coming up with designs that reflect trends among people in their 20s. The program was also designed to give the interns a unique chance to experience the art of manufacturing by assembling a wristwatch movement under the tutelage of a Contemporary Master Craftsman^{*1}. Interns provided feedback on their experience, with some commenting that it was good to hear from working designers about their approach to design and about what it is like to work in a company.



^{*1} A technician recognized by the Minister of Health, Labour and Welfare for outstanding skills.

Monozukuri (Manufacturing) Museum

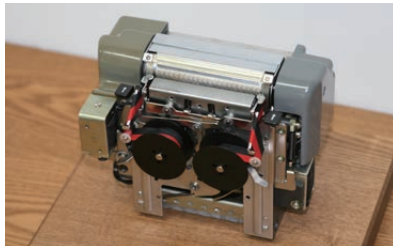
The Monozukuri Museum within Seiko Epson's Head Office is a space with exhibits of historically significant documents and milestone products that the company has developed, manufactured, and sold since its founding.

The museum consists of a history area where exhibits illustrate Epson's history and an experience area that mainly shows products from Epson's four innovation areas: inkjet, visual communications, wearables, and robotics.

Products on display in the history area show off Epson's history of monozukuri and include the world's first analog quartz watch along with the EP-101, the world's first ultra-compact electronic printer from which the Epson brand got its name. In the experience area, visitors can experience products representative of each of the four innovation areas. They can, for example, enjoy 3D images created by smart glasses and projectors.



35SQ Astron, the world's first analog quartz watch



EP-101, the world's first ultra-compact electronic printer



BT-300 smart glasses with organic electroluminescence

Management Philosophy

Management Philosophy

Epson aspires to be an indispensable company,
trusted throughout the world for our commitment to openness,
customer satisfaction and sustainability.

We respect individuality while promoting teamwork,
and are committed to delivering unique value
through 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.



Principles of Corporate Behavior

Issued September 2005

Revised April 2012

Revised October 2017

Epson will fulfil its social responsibility by aspiring to live up to the principles below based on “trust-based management,” a concept that underlies Epson’s Management Philosophy.

We seek to create value that surprises and delights our customers and helps to make the world a better place. At the same time, we aim to be an indispensable company, a company that maintains the trust of all stakeholders (including customers, shareholders, investors, communities, business partners, NGOs, NPOs, and employees) and that exists for the world’s benefit.

This signals our commitment as a company to observing these principles. It also serves as a declaration that all Epson personnel, including senior executives, managers, and employees, should be mindful of conducting themselves in line with these principles.

- Principle 1: Pursuing customer satisfaction

We think of our customers’ perspective at all times and continue to create trusted products and services that please our customers around the world.

- a) We will ensure that all products and services meet the required safety and environmental standards.
- b) We will listen to our customers, take all their expectations seriously, and give sincere consideration to their feedback.
- c) We will strive to deliver high value, quality products and services that meet or exceed the expectations of our customers.
- d) We will adhere to universal design standards that maximize product usability and give our customers something they will value and enjoy.
- e) We will consistently provide our customers with high customer value, socially beneficial, innovative, and affordable products and services through R&D and programs conducted from a customer perspective, such as improving manufacturing capabilities across the Epson Group.

- Principle 2: Preserving the natural environment

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

- a) Harmony with the environment is one of the highest priorities of the Epson Group’s management. When conducting business activities, we will keep future generations in mind, and consider how they might best be sustained.
- b) We will strive to minimize environmental impacts in an integrated manner across the entire life cycle of our products and services, from manufacturing to transport, use, and disposal.
- c) We will participate in environmental preservation and restoration projects as a member of society.
- d) We will promote environmental awareness and provide information to our employees to enhance their understanding of environmental issues.

- Principle 3: Fostering diverse values and teamwork

We strengthen teamwork by recognizing the value of a diverse workforce and creating synergies between individuals and our organization.

- a) We will instill in our employees, and practice, the ideals of our Management Philosophy.
- b) We will put Epson in the best position by hiring a diverse workforce and utilizing their unique skills effectively.
- c) We will respect the individuality of employees and maintain relationships between the company and employees based on trust.
- d) We will develop our employees by creating systems that allow individuals to utilize their skills effectively.
- e) We will create a culture in which employees take pride in their work, work with confidence and actively promote teamwork.

- Principle 4: Creating a safe, healthy, and fair work environment in which human rights are respected

We respect basic human rights and create a cheerful, safe, healthy, and fair work environment that is free of discrimination.

- a) We will not tolerate any violation of human rights.
- b) We will not engage child labor or forced labor.
- c) We will promptly take corrective action against undesirable behavior including any harassment, violence, devaluation of the individual or any behavior resulting in loss of trust.
- d) We will eliminate any forms of discrimination against gender, nationality, religion, race and disability.
- e) We will support employees by facilitating a proper work-life balance.
- f) We will adhere to and maintain the proper health and safety standards at all sites around the world.
- g) We will implement programs that support the mental and physical wellbeing of our employees.
- h) We will establish practices that create a fair and open work environment and build a corporate culture that values individuals' rights and that facilitates equal opportunities for all.

- Principle 5: Ensuring effective governance and compliance

We institute effective corporate governance and internal controls, and we observe laws, regulations, and other rules and maintain the highest ethics in all activities.

- a) We will establish and maintain an effective system which governs our corporate entities and internal controls to ensure that management is transparent, fair, agile, and decisive.
- b) We will implement systems of compliance to ensure that we observe and respect all applicable laws and regulations, internal rules, and business ethics.
- c) We will not tolerate any form of bribery, corruption, dishonest marketing, cartels, or insider trading. We will conduct all transactions in accordance with these principles, promoting fair and open competition in the marketplace.
- d) We will maintain a good, mutually cooperative relationship with governments and their administrative bodies.
- e) We will not involve ourselves in or have contact with any anti-social movement or group that promotes activities that are illegal or threatening to public order and safety.
- f) We will employ best practices in risk management to prevent risks from materializing and minimize impact in cases where they do materialize.

- Principle 6: Ensuring the security of people, assets, and information

We protect the safety and security of people and company assets, and we exercise strict care in the management of all information.

- a) We will establish and maintain systems to ensure the safety and security of Epson personnel, as well as visitors or contractors on our premises.
- b) We will carefully handle all group tangible and intangible assets (financial, intellectual, and those regarding infrastructure, brand, and proprietary information) and respect the assets of others.
- c) We will take reasonable and necessary precautions to protect the confidentiality of proprietary business information including the privacy of customers, employees and other stakeholders.
- d) We will only use our company assets (all forms stated above) for appropriate business purposes. Unauthorized use will not be tolerated.

- Principle 7: Working with business partners for mutual benefit

We seek to maintain mutually beneficial relationships with our suppliers, sales channels, collaborators, and other business partners, whom we ask to live up to the highest standards of ethical conduct while respecting their autonomy and independence.

- a) Acts of bribery and collusion with business partners are strictly forbidden. We will engage in sound business practices and demand that our business partners adhere to a zero-tolerance policy regarding illegal and unethical business practices.
- b) We will hold our business partners to the same strict standards that Epson upholds, with regard to compliance with laws and maintenance of human rights, suitable labor conditions, the environment, ethics, quality, and information security. Epson will support improvements to any of these areas as needed.
- c) We will develop and maintain open relationships with our business partners and work with them to increase the competitiveness of the entire supply chain, based on mutual trust and for our mutual benefit.

- Principle 8: Prospering with the Community

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

- a) We will respect the cultures and traditions of the countries and regions in which we operate.
- b) We will engage in open dialogue with the local and international community. We will also actively engage in activities that promote our standing as a good corporate citizen.
- c) We will nurture a culture in which our employees are encouraged to participate in volunteer programs and other activities that facilitate good corporate citizenship. We will establish the systems needed to support such efforts.

- Principle 9: Initiating honest dialogue with our stakeholders

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

- a) We will respect other cultures and traditions while striving to engage in principled, ethical communication.
- b) We will communicate openly and honestly with our stakeholders, and will establish appropriate systems for the disclosure of information.
- c) We will utilize appropriate and useful tools to communicate information to our stakeholders.
- d) We will provide opportunities and establish appropriate systems to engage in dialogue with stakeholders.
- e) We will utilize the opinions and suggestions of our stakeholders as a vital resource for corporate management.

Quality Policy

1. We will solve problems by directly observing all of our operations and processes.
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.
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.

Environmental Policy

1. Creating and providing earth-friendly products
2. Transforming all processes to reduce the burden on the environment
3. Recovering and recycling used products
4. Sharing of environmental information and contributing to regional and international preservation efforts
5. Continually improving the environmental management system

Human Resources Development Policy

Our basic approach is to support employees who have aspirations for self-actualization, to connect all the companies in the Seiko Epson Group with people, and to nurture employees so that both corporate and individual objectives are met. The following is our policy for human resources development.

1. The Company positions human resources as an indispensable resource and aims to integrate employee aspirations for high-level achievements with the highest interests of the Company.
2. HR development is a very important instrument for materializing the Management Philosophy and business plans. It is the key to forming a good management cycle.
3. Each level of employee therefore assumes the following roles.
 - (a) Executives, as drivers of HR development, must serve as role toward fulfillment of Company philosophies.
 - (b) Management-level personnel must practice OJT systematically and continuously with a clear objective for the training.

Nurturing of employees must be done principally on an individual basis in a comprehensive manner through the setting of detailed objectives, evaluation of results and acceptance of individual experiences of success. At the same time, management-level personnel must prepare their successors.
 - (c) Employees should voluntarily pursue self-improvement.
 - (d) Departments in charge of education must promote HR development through off-the-job training, as well as OJT.

Established in 1996
Revised on October 1, 2006

Basic NESP Policy

Epson believes that providing and maintaining a safe and healthy work environment and promoting physical and mental wellness are the foundation of a healthy company. Accordingly, we have established a basic NESP policy and shall take strategic actions to enable personnel at all Epson sites around the world to work with vibrancy as a team in the knowledge that they are safe and secure.



NESP: New Epson Safety & Health Program

(NESP is a progressive program that Epson has developed based on general occupational safety and health management system principles and organizations.)

1. Involving all personnel (employees, contractors, and other partners), implement the PDCA cycle for NESP activities and drive continuous improvements.
2. Investigate potential hazards (via risk assessments, etc.), and thoroughly analyze the causes of industrial incidents and occupational injury accidents. Develop measures based on these to prevent future incidents and accidents.
3. Foster a vital organizational culture where work and health are in harmonious balance by preventing work-related health problems and supporting employees' own health monitoring and improvement efforts.
4. Periodically review the preparations you have in place for fires, earthquakes, floods, infectious diseases, and other natural disasters and the actions you have planned to save lives, prevent the spread of damage, and restore business operations. Conduct drills on an ongoing basis to verify preparation and action effectiveness, and implement further improvements.
5. Systematically train employees, and raise the level of safety and health awareness and management.
6. Observe occupational safety and health legal and regulatory requirements in your country and region, as well as internal regulations, standards, and policies.
7. Allocate appropriate management resources for safety and health programs, and continuously make effective improvements.

Established on April 1, 2001

Revised on June 1, 2014

The Policies regarding Human Rights and Labor Standards

A. Human Rights

- (1) We will respect fundamental human rights. We will not tolerate any violation of human rights.
- (2) We will take steps to prevent and eliminate any harassment such as sexual harassment, abuse of power in the workplace.
- (3) We will respect individual privacy.

B. Discrimination

- (1) We will take steps to prevent and eliminate any discrimination on the basis of race, nationality, ethnic origin, creed, sex, gender, age, religion, disability and any other basis protected by the applicable law of any country or region in which we operate.
- (2) In respect of employment and occupation, we will not damage the equality of opportunity on the basis of any irrational reason that is not directly linked to legitimate business needs.
- (3) In any country or region in which we operate, we will respect their culture, custom and history identifying how these may vary, and behave in consideration of the differences.

C. Employment and Labor Condition

- (1) We will not engage child labor or forced labor. We will never take a child as a laborer who is under the legal employment age as defined in the local law of any country or region in which we operate.
- (2) We will secure the soundness of employment and labor, and we will comply with the local law of any country or region in which we operate.
- (3) We will not dismiss employees based on irrational reasons without a direct relationship to legitimate business needs.
- (4) We will maintain fine industrial relations.
- (5) We will observe the local laws, internal rules and policies regarding health and safety, and we will adhere to and maintain good working conditions and environment according to the proper health and safety standards.

Established on September 26, 2005

Basic Information Security Policy

Epson's Basic Information Security Policy, established based on the company's Management Philosophy and Principles of Corporate Behavior, describes our information security approach and requirements. Epson Group companies, their officers and their employees must recognize the importance of information security, exercise effective information security governance, and build information security into the corporate culture so that Epson continues to be a company that is trusted by its stakeholders. (Established April 1, 2007)

It is therefore company policy to ensure that:

1. All information* used in business activities are recognized as important management assets, and information security activities are treated as a critical management concern.
* Including customer and other personal information; confidential information relating to sales and marketing, products, technology, production, and know-how, and suppliers; and information systems that store and use such information.
2. A standard information security policy is established for worldwide operations, information security responsibility and management systems are identified, and a management system capable of protecting and controlling information assets is built.
3. Information security risks confronted in business activities are appropriately assessed and managed, to justify the trust placed in the company by stakeholders and to keep business.
4. Continuous training and education are provided to Epson Group companies, their officers and their employees so that security consciousness is integrated into the corporate culture.
5. A compliance program is developed and implemented to ensure compliance with laws, agreements and regulations related to information security management.
6. The information security management system is reviewed, maintained and improved on a continuing basis by Epson management.

Basic Procurement Policy

1. We will build good partnerships with suppliers, based on mutual trust and principles of fairness, coexistence and co-prosperity.
2. Exercising high ethical standards and a social conscience, we will conduct our procurement activities in strict compliance with both the letter and spirit of laws and regulations, both national and international, in every region where we operate.
3. We will strive to reduce the environmental impacts of our procurement activities and will always seek stable and reasonable quality, price, and delivery from suppliers.



SEIKO EPSON CORPORATION

3-3-5 Owa, Suwa, Nagano 392-8502, Japan

TEL: +81-266-52-3131

<https://global.epson.com>